MR INVESTOR:
DON'T WAIT FOR A MIRACLE --
BECAUSE IT WILL NOT COME

The Hongkong stock market was concerned, last Monday, about the possibility that interest rates in the US could rise, and that this would, of course, impact on the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) due to the fact that the Hongkong dollar is linked to the US dollar.

The US Federal Reserve's Open Market Committee (FOMC) was due to meet, last Tuesday, and it was widely expected that a decision would be taken, then, as to whether or not the Chairman of the Federal Reserve Board, Mr Alan Greenspan, would push for an increase in US interest rates.

There appeared to have been a concerted effort by certain investors to push up prices on The Stock Exchange of Hongkong Ltd, but try as it might, the Hang Seng Index was not about to rise to any appreciable level on Monday, October 4.

The Hang Seng Index pushed to 12,875.86, up about 142.62 points, or 1.12 percent, compared with the previous Thursday's close, on a volume of $HK6.81 billion (the HKSAR market was closed, the previous Friday, due to celebrations to mark the 50th Birthday of the survival of the Chinese Communist Party).

Internationally, aside from the matter of the FOMC, there was nothing to spur the HKSAR market in any direction, and so, as with all markets, it was expected that, until the US Fed had made a determination on the direction of interest rates, the HKSAR markets would hold pat.

Last Wednesday, Chief Executive Tung Chee Hwa made his historic Policy Address to *'his'* people in the HKSAR, and, though it was widely expected, last Monday, that he would say much and do little, investors preferred to wait to hear his utterances rather than second guess the Chief Executive (Comrade) Tung Chee Hwa.

In Tokyo, the situation mirrored the HKSAR, as did most of the rest of Asia.

The Nikkei-225 closed at 17,763.71 for a gain of 51.15 points, compared with the previous Friday's closing level.

In other Asian stock markets, it was a mixed bag, with 3 markets, making smallish gains, while 4 markets lost ground:

Thailand	Minus 1.78 percent
Indonesia	Minus 2.33 percent
Malaysia	Plus 0.13 percent
The Philippines	Plus 0.06 percent
South Korea	Minus 2.50 percent
Singapore	Minus 1.01 percent
Taiwan	Plus 0.34 percent

Tuesday

The US Government announced, last Tuesday, that personal savings in the US are dropping at a rate which may be considered dangerous levels.

At the same time, Americans are earning more, and at a faster-than-expected rate.

These factors could be cause for some concern and, as such, it was considered as being yet another reason for the Chairman of the Federal Reserve Board, Mr Alan Greenspan, to consider raising interest rates in the US.

And that could trigger interest-rate rises in many other parts of the world.

The US Commerce Department announced that personal income in the US, during the month of August, rose by one half of one percent, compared with July, while spending jumped 0.90 percent.

While such statistics may sound nebulous to some, they represent yet 2 more factors to be included in any consideration with regard to the direction of interest rates in the US.

And potential for interest-rate movements to be on the rise continued to be a dampening factor on stock markets, round the world, last Tuesday, the eve of the FOMC Meeting.

In the HKSAR, the Hang Seng Index closed just short of 13,000, for a gain of 123.03 points, up about 0.96 percent, compared with Monday's closing figure.

There was nothing, locally, to affect the market, either way, and so the Turnover stayed at the seemingly subdued point of $HK6.90 billion.

While a relatively low Turnover, in an aimless market, cannot be considered a bad thing, fundamentally, it is, also, an indication of indecision on the part of many, if not most, investors.

The fact that Chief Executive Tung Chee Hwa was scheduled to talk to *'his'* people, one day later, was considered a big yawn, last Tuesday, as far as the stock market was concerned.

In Japan, the story was just about the same: Investors watched The Tokyo Stock Exchange see-sawing, back and forth, coming to rest at the close of trading at 17,784.15, a gain of 20.44 points, compared with Monday's statistic.

The yen's exchange rate lost ground against most other *'hard'* currencies, sinking to 106.72 against the mighty US dollar.

The factors, which has caused the most important currency in Asia to rise in value against the US dollar, especially, continue to dominate international marketplaces so that, at some point, another surge of yen-buying is well on the cards,

Thus far, there has been no indication that The Bank of Japan has done much to dissuade international speculation on the yen, despite protestations by Japan last month to members of the G7 -- Group of Seven Industrial Nations.

In other Asian stock markets, it was pretty much a *'let's wait and see'* attitude in view of the US Federal Reserve Board's FOMC meeting, scheduled for just 24 hours later.

The Asian stock markets, for last Tuesday:

Thailand	Plus 0.77 percent
Indonesia	Plus 1.97 percent
Malaysia	Plus 4.01 percent
The Philippines	Minus 1.88 percent
South Korea	Minus 3.28 percent
Singapore	Plus 1.32 percent
Taiwan	Minus 1.67 percent

<u>Wednesday</u>

The big news, last Wednesday, was not the FOMC Meeting or the Tung Chee Hwa Annual Policy Address: It was the frightening news that HKSAR property transactions, during the month of September, hit a one-year low.

The report, which hit the market after it closed, had no impact on trading on The Stock Exchange of Hongkong Ltd.

The FOMC Meeting turned out to be disappointment in that, on the one hand, there is to be no immediate change in interest rates in the US, in the short term, but there was a veiled warning that, in the November Meeting of the Federal Reserve Board, there is likely to be an increase.

As for the Policy Address of Chief Executive Tung Chee Hwa, it was described as a *'nothing address'* because it said little that was not, already, known, and, more importantly, it offered no fresh incentive to the economy of the HKSAR.

But the report, emanating from the Government, concerning property dealings, was confirmation about that which TARGET has been yelling since last May: The HKSAR economy is not turning, contrary to certain vested interests' suggestions.

For the month of September, the Government reported that 5,640 sales and purchase transactions had been recorded. Compared to the month of August, this was an 18-percent decline.

The total value of all transactions, during the month of September, was $HK13.20 billion. This represented a decline of about 26.50 percent compared with the August figures.

It is, now, only too clear that property prices in the HKSAR will drop further in the coming months.

On The Stock Exchange, the Hang Seng Index almost came to a standstill, probably in anticipation of things to come from the Tung Chee Hwa Address.

When nothing was forthcoming, all of the earlier gains were, just about, wiped out, with the Hang Seng Index, coming to rest at 13,017.98, a gain of just 19.09 points over the closing levels on Tuesday.

Turnover, once again, was in the high $HK6-billion mark, at $HK6.83 billion.

For the third straight day, nothing stimulated the market and, as a result, it just drifted.

And this is likely to mean that it will drift to lower levels, if not *'today',* then *'tomorrow'*.

In Japan, The Tokyo Stock Exchange was just slightly better than The Hongkong Stock Exchange, with the Nikkei-225, gaining 112.27 points to 17,896.42.

The gains in Tokyo were said to have been brought about by the FOMC Meeting, which decided to leave US interest rates, untouched for the time being.

Japanese industry is heavily weighted in favour of low and stable interest rates in the US where most Japanese products are sold.

On the foreign exchange markets, the Japanese yen continued to lose ground and was traded at 107.68 to the US dollar in late London trading.

In other Asian bourses, 4 markets advanced while 2 markets declined:

Thailand	Minus 0.78 percent
Indonesia	Plus 3.97 percent
Malaysia	Plus 0.56 percent
South Korea	Plus 5.53 percent

Singapore	Plus 1.74 percent
Taiwan	Minus 0.73 percent

Thursday

A very decisive rally on Wall Street caused stock markets, round the world, to react very positively, but in the case of the HKSAR, the initial rally on The Stock Exchange of Hongkong Ltd was short-lived.

In Tokyo, however, the Nikkei-225 broke through the 18,000 level for a 6-week high.

In the HKSAR, the Hang Seng Index felt the tail-end of the seeming euphoria of Wall Street, rising a modest 95.22 points to 13,113.20 on a turnover of $HK7.66 billion.

But it was in Tokyo where there was the most action in Asia, last Thursday, following the Dow Jones Industrial Average, putting on 187.75 points to end last Wednesday's session, in New York, at 10,588.34, a gain of about 1.81 percent.

Wall Street pushed all of the indices in Asia up, but profit-taking stepped in, in the case of the HKSAR, long before the closing bell had sounded, wiping out most of the early gains.

The Japanese yen continued to hold at the high 107-level to the US dollar, and was traded, in late exchanges in London, at 107.88, a small respite for the US dollar which had seen Wednesday's rate at 107.61 yen.

With the HKSAR, bracing itself for one of the largest budget deficits in living memory, in excess of $HK13 billion, it is difficult for the Hang Seng Index to make, and hold onto, any material gains at this point.

With other stock markets bubbling, for good reasons with regard to many, international investors look to sell HKSAR-listed stocks in favour of other markets where ready money is available and where the prospects seem to be greater than in a small enclave on the geographic bottom of an authoritarian regime, which is not, exactly, the *'darling'* of the free world.

This is how it looked for other Asian bourses, last Thursday:

Thailand	Plus 0.45 percent
Indonesia	Minus 0.58 percent
Malaysia	Plus 2.88 percent
The Philippines	Plus 0.69 percent
South Korea	Plus 1.90 percent
Singapore	Plus 0.92 percent
Taiwan	Plus 1.47 percent

Wall Street's gains are unlikely to be able to prop up other exchanges for long since, when push comes to shove, stock prices will move according to fundamentals -- and that simple truth is universal.

Friday

Concern of the rising exchange rate of the Japanese yen, vis-à-vis the US dollar, in particular, was all but forgotten, last Friday, as eyes turned, once again, on the US economy and the distinct probability that the Fed would boost interest rates in its coming November meeting.

After the stock market closed in the HKSAR, it was announced in Washington that the US economy had lost another 8,000 jobs, bringing up the unemployment rate to 4.20 percent of the workforce.

This statistic may be subject to adjustment, due to such things as hurricanes and what-have-you, but, nevertheless, it is worrying when one realises that 4.20 percent of the workforce in the world's most important economy represents millions of people without an income.

The growth of US jobs came to a screeching halt in September, it appears -- but the wages of those people, who are gainfully employed, hit the highest levels in the past 16 years.

This, by itself and in isolation, may not be all that important, given the size of the US economy, but Washington, also, announced that inventory levels, being held by US wholesalers, rose again in August.

This is the 7th month in a row that this statistic had been reported.

The US Commerce Department stated that wholesale inventories grew by 0.30 percent to $US281.80 billion (about $HK2,187 billion) in August, following a rise of 0.90 percent in inventory levels in July.

During this 2-month period, sales in the wholesale sector of the US economy grew about 1.10 percent, to $US209.62 billion (about $HK1,627 billion).

Like baking anything, each ingredient is important if one hopes that the end product will be tasty and look appetising. In the case of the US economy, there are worrying economic signs, and this is causing some top-notch, financial gurus to think that, at the end of the baking time, the US *'cake'* could be flat.

In the HKSAR, the Hang Seng Index, after being more than 100 points higher than Thursday's closing level, early in the session, failed to hold on to its gains and ended the week on a somewhat flat note.

The Index shed less than one point to close at 13,112.42 on a turnover of $HK6.84 billion.

It was only too apparent, last Friday, HKSAR time, that the market was waiting to discover what bad news the US Commerce Department would announce.

The Commerce Department, as it turned out, justified the apprehension of HKSAR investors.

Again, there was no news to stimulate the local market … so it drifted, and looked for excuses to shed a few more points.

It seems only too clear that the HKSAR stock market will continue to be locked within the range of between 11,000 and 13,000, for the time being, at least, but any really discouraging news could knock it down below this level.

As the market continues to be held in the grips of this range, of about 18 percent, either way, those investors, who purchased shares on margin, will start to feel the pinch -- and this could cause a further erosion of prices and shares are sold in order to stop the interest-rate clock.

In Japan, The Tokyo Stock Exchange saw the Nikkei-225 give up 74.37 points to end the week at 18,062.18.

The loss in Tokyo was not, particularly important, because the market, there, had recorded 6 consecutive days of gains.

Other than the HKSAR and Tokyo, it was a mixed bag of gainers and losers, around Asia bourses. This is how the week of October 8 ended in the world's most populous area:

Thailand	Minus 1.12 percent
Indonesia	Plus 0.49 percent
Malaysia	Plus 1.24 percent
The Philippines	Minus 0.38 percent
South Korea	Minus 1.38 percent
Singapore	Minus 0.26 percent
Taiwan	Plus 1.47 percent

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