MR INVESTOR :
POOR BILL ! WELCOME THE TRACKER FUND !

There was but one word on nearly every international investor's lips last Monday: That word was Microsoft.

How a United States's District Court ruling could have had such an effect, round the world and on every bourse, dazzled many investors, Bill Gates notwithstanding.

Poor old Bill Gates! The world's richest man saw at least 10 percent of his wealth vanish in a matter of one day as investors dumped his Microsoft stock for fear of the unknown.

The previous Friday, US District Court Judge Thomas Penfield Jackson had labeled Miscrosoft as having had a monopoly, contrary to the laws of the US.

That was enough to put the skids under, not only the price of Microsoft stock, but also most stock exchanges round the world.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), the Hang Seng Index fell 89.16 points to 13,521.11 on a turnover of $HK7.72 billion.

The close was an improvement over the luncheon break when The Index was off 146.57 points, compared with the previous Friday's closing level of 13,610.27.

The reason for the international sell-off (as weak as the reason might have seemed to many, looking at the events in retrospect): An anticipated sell-off on Wall Street when it re-opened on Monday morning, New York time.

In Tokyo, it was a similar story to that of other areas, with the Nikkei-225 falling slightly less than the Hang Seng Index, in percentage terms, with the difference, being that Japanese high-tech stocks were not as affected as those involved in the IT industry in the HKSAR.

Had it not been for the US District Court ruling with regard to Microsoft, in all probability, stock markets, round the world, would have taken heart from economic news, emanating from the US Government's number crunchers.

It was announced on Friday, November 5, before the Microsoft Court ruling, that the US jobless rate had fallen to a 29-year low of 4.10 percent of the workforce.

In October, the number of jobs added to the US economy was 310,000.

Increases in the average, hourly working rate in the US rose one cent (US) in the month of October, it was announced. This was in line with the best scenario that US economists could want.

The US economy is considered to be among the best of all golden times for the largest single economy in the world: Growth without undue, or unmanageable, inflation.

In Europe, as in Asia, the Microsoft Court ruling saw investors run for cover.

Microsoft's stock price moved down in Europe by more than 10 percent of its closing level on Wall Street, the previous Friday.

Whether or not Microsoft would appeal the Court ruling was still unknown, last Monday, but even if it decided on a prolonged *'fight'* with the US Justice's Department, it was generally thought that Microsoft would be broken up in order for the company to comply with antitrust legislation, which bans monopolistic practices.

Other than Microsoft, there was little else that took place, little, that is, that could have affected trading to the extent of the Microsoft *'bombshell'*.

This is the way that other Asian stock markets fared last Monday:

Thailand	Minus 1.05 percent
Indonesia	Plus 0.36 percent
Malaysia	Closed
The Philippines	Minus 1.48 percent
South Korea	Minus 0.60 percent
Singapore	Closed
Taiwan	Plus 0.34 percent
Japan	Minus 0.62 percent

Tuesday

Monday's sellers of Microsoft stock on The New York Stock Exchange decided that they may have been a little too hasty, last Tuesday, New York time, and so, after the Microsoft dust had settled, so to speak, a more careful assessment of the situation saw investors go right back into the stock.

It appeared that Bill Gates was still loved, after all.

While Microsoft was still the word on nearly every international investor's lips, the word was spoken with a bit more reverence, in investing terms, by the close of trading in New York on Tuesday.

The stock took an $US11 ($HK85) beating at the opening of The New York Stock Exchange, following Europe's opinion of the stock, but, by the close of trading, it had recovered a great deal of its earlier losses and ended the day off just $US1.62 (about $HK12.50) per share at $US89.93 (about $HK692.50) per share.

The Dow Jones Industrial Average ended last Tuesday in positive territory, as Wall Streeters like to say, at 10,718.85, up 14.37 points, compared with Monday's closing level.

In the HKSAR, the Hang Seng Index rose a total of 148.59 points to 13,669.70 on a turnover of $HK7.70 billion.

All but 9 points of last Tuesday's gains came in the morning session; and, just 4 counters accounted for about 37 percent of the total turnover.

Those counters were Cable and Wireless HKT Ltd (12.56 percent) HSBC Holdings plc (9.96 percent), China Telecom (Hongkong) Ltd (7.94 percent) and Hutchison Whampoa Ltd (6.75 percent).

Whenever a stock market can be dominated by just a handful of counters, the red flag of warning must be hoisted.

It was only too apparent that the HKSAR stock market was being *'supported'* by just a few big players who were only willing to risk a *'play'* on some selected blue chips.

In Tokyo, that market hardly moved with the Nikkei-225 gaining just 51.18 points after rebounding, early in the day, from a number of sell orders.

Other than Microsoft, there appeared to be little of extraordinary merit, happening internationally, and thus, to many Asian stock markets, investors were happy to sit on the sidelines in order to wait to see what Wednesday would bring.

The major Asian markets closed as follows:

Thailand	Plus 2.98 percent
Indonesia	Plus 1.67 percent
Malaysia	Minus 0.81percent
The Philippines	Minus 0.03 percent
South Korea	Plus 3.95 percent
Singapore	Plus 0.31 percent
Taiwan	Minus 0.52 percent
Japan	Plus 0.28 percent

Wednesday

The reason for last Wednesday's euphoria on The Stock Exchange of Hongkong Ltd dumfounded many seasoned investors, but one could not argue with the facts: The Hang Seng Index was going through the proverbial roof.

From the first sounds of the opening bell, the rush to buy scrip was on, with emphasis, yet again, centred round 3 blue chips: HSBC Holdings plc; Cable and Wireless HKT Ltd; and, Hutchison Whampoa Ltd.

These 3 counters accounted for about 31.06 percent of the total volume for the day.

The market opened strongly and continued to strengthen throughout the day.

By the luncheon break, the Hang Seng Index had chalked up a gain of about 136 points, compared with Tuesday's closing level, and, in the one-hour afternoon session, it managed to put on another 138.77 points, coming to rest, at the close of trading, at 13,975.54.

The turnover was reminiscent of a roaring bull, at $HK10.73 billion, an improvement over Tuesday's volume of activity by about $HK3 billion, or 44 percent.

The 2 major reasons, given by brokers for the buying splurge was (1) the more hopeful prospects for the PRC to join the World Trade Organisation (WTO) this year and (2) the boom in The Tokyo Stock Exchange.

However, lurking in the background was, again, Microsoft, and a potential, multi-billion-US dollar, class-action lawsuit against the biggest company in the world.

The Microsoft potential problem was, almost, completely overlooked in the HKSAR as Asian investors, in general, in a mood to go a-buying, did just that -- and let caution fly to the wind.

The new Microsoft situation was centred on a small, New York advertising company, Seastrom Associates Ltd, which filed its writ in the New York State Supreme Court on Monday, alleging that Microsoft abused its position of power and overcharged for its Windows 98 software programme.

The writ alleges to represent thousands of New York State customers of Microsoft.

While this case may take a decade before it comes to Court -- if ever -- the problem is that it could be the first of many such legal actions against Microsoft, which may find itself having to spend tens of millions of US dollars to defend against legal onslaughts.

For certain, Microsoft cannot cave in to any one litigant for so to do would open the door to thousands of other potential litigants.

The continuing saga of the PRC Government's avowed intent to join the WTO, this year, reached new heights, last Wednesday, when it was announced that the PRC Government Trade Minister, Mr Shi Guang Sheng, was uttering very positive sounds on the eve of an historic meeting between delegates of the PRC Government and the US Government.

US President Bill Clinton's Chief Economic Adviser, Mr Gene Sperling, along with US Trade Representative, Ms Charlene Barshefshy, were scheduled to meet some of the PRC Government's top negotiators in an attempt to rough out an agreement, allowing the US Government to see its way clear to endorsing the PRC's entrance to the WTO.

Regardless of the outcome of the talks, however, an endorsement by US lawmakers would still be required; and, there were grave doubts, being expressed, as to whether or not this matter could be put to Congress in the coming November Agenda.

In Tokyo, the Nikkei-225 jumped 275.71 points to 18,567.87 -- with the December futures contract, being quoted 330 yen higher.

What was important about Tokyo was that the Nikkei-225 was at the highest level since 1997.

Against this (seeming) euphoria in the Land of the Rising Sun was the very negative news that there had been a decided drop in Japanese exports due, in part, to a stronger yen and an inability of *'Japan Inc.'* to compete with others manufacturers of similar products in the southeast Asian region.

It was announced that Japan's Current Account Surplus for the month of September had fallen by about 40 percent to about $US11 billion, compared with September 1998 (the figures were given without consideration for seasonal adjustments).

Japanese exports fell by 6.60 percent to $US39 billion in September, compared with about $US42 billion for September 1998.

Not a very healthy state of affairs, one may be tempted to comment.

In other Asian stock markets, the sentiment was fairly positive, in spite of everything:

Thailand	Minus 0.01percent
Indonesia	Plus 0.01 percent
Malaysia	Plus 1.85 percent

The Philippines	Plus 0.44 percent
South Korea	Minus 0.50 percent
Singapore	Plus 0.98 percent
Taiwan	Plus 0.53 percent
Japan	Plus 1.51 percent

Thursday

The Japanese yen fell against most *'hard'* currencies, following what was seen as a disappointing move by the Japanese Government with regard to reinvigorating the economy.

It appeared that international investors were not buying the latest Japanese Government package, which included pumping in about $US62 billion (about $HK477 billion) in new spending in order to attempt to keep the country's economic recovery from stalling.

Not enough and too late was the way that many Japanese economists described the move.

The yen fell from 104.51 to the US dollar to 105.16 in late trading in Europe. This is still, however, a 1.30-percent increase compared to the yen's international exchange rate of just one week prior.

Following closely on the heels of the Japanese Government's statement in respect of a new economic package, aimed at stimulating the economy, it was announced that Mazda Motor Company, 33.40 percent owned by the US automotive giant, Ford Motor Company, was not doing very well, financially.

Mazda announced that, for the interim period to September 30, 1999, its profits were down nearly 70 percent, compared with the like 1998 period.

The reason: The stronger international exchange rate of the yen vis-à-vis the US dollar.

For the first half of this Financial Year, the yen-US dollar exchange rate was about 117. This compared with the 1998 interim period when the rate was, on average, 138 yen.

Whereas The Tokyo Stock Exchange was having a love affair with Japanese and international investors last Wednesday, on Thursday, it was seen as somewhat of a pariah: The Nikkei-225 lost 240.59 points to end the session at 18,327.28 -- down about 1.30 percent.

In the HKSAR, news of any great importance was hard to find, but, even so, the turnover on The Stock Exchange of Hongkong Ltd was relatively hefty, at $HK11.55 billion.

It appeared that the market was in the first stages of a bullish phase, rightly or wrongly, with or without justification.

The US Federal Reserve Board's Open Market Meeting was scheduled to be held in the following Tuesday, but there appeared to be little fear of an interest-rate increase, in the HKSAR and on Wall Street.

The morning session was extremely lively as the Hang Seng Index jumped about 171 points, but profit-taking eroded a great deal of the earlier gains with The Index, ending the session at 14,105.71, a gain of 130.17 points, compared with Wednesday's closing level.

Once again, just a handful of issues dominated trading. They were Cable and Wireless HKT Ltd, Hutchison Whampoa Ltd, and HSBC Holdings plc.

These 3 counters accounted for about $HK3.14 billion worth of the total volume of activity, or about 27 percent.

This is the way things looked in other Asian stock markets

Thailand	Plus 0.68 percent
Indonesia	Minus 0.07 percent
Malaysia	Minus 0.54 percent
The Philippines	Plus 0.68 percent
South Korea	Plus 0.92 percent
Singapore	Plus 0.69 percent
Taiwan	Plus 1.76 percent
Japan	Minus 1.30 percent

Friday

After all of the huzzah, it appears that the PRC Government had little to no chance of joining the WTO, this year, after all.

It was announced that the US negotiating team, led by Ms Charlene Barshefshy, US Trade Representative, had made no progress in talks with the PRC Government's counterparts.

The talks, held in Beijing last Thursday and Friday, had been another washout, it was reported.

So much for the reason for the seeming euphoria of the previous Wednesday on The Stock Exchange of Hongkong Ltd.

The idea of the PRC, being given the green light by the US Government, was all very nice, but the PRC Government is not about to cave in to US Government demands.

The PRC Government really likes to have its cake and eat it, too, one is constantly reminded.

The turnover on The Stock Exchange of Hongkong Ltd hit a new high for many a week, at $HK12.38 billion, but this high volume of activity was very misleading due to the fact that more than 25 percent of this turnover could be traced to vigorous trading in units in The Tracker Fund of Hongkong, the HKSAR Government's *'mutual fund'* which the Government claims is the best thing to hit the stock market since the invention of the condom.

Interestingly enough, while the turnover was exceptionally high, The Hang Seng Index only managed a gain of 83.96 points, closing at 14,189.67.

The morning session saw The Index fall to profit-takers, but this facet of trading only lasted for a short time as 2-way trade was too brisk to hold down institutional investors, seemingly intent to pick up units in The Tracker Fund while the going was good.

One would have thought, listening to some executives of HKSAR stockbroking houses, that The Tracker Fund *'well'* could run dry.

On the broader market, things were, pretty much, normal, with just 4 counters, dominating trading -- which has been the pattern for a number of weeks, now.

These counters were Hutchison Whampoa Ltd, Cable and Wireless HKT Ltd, HSBC Holdings plc and Cheung Kong (Holdings) Ltd. These 4 counters accounted for about $HK3.28 billion, or about 26 percent, of the total volume.

It was only too apparent that about 50 percent of the total volume of activity, last Friday, could be credited to trading on The Tracker Fund counter and the above-mentioned 4 counters.

That being the case, it was expected that international investors would look very carefully on the HKSAR stock market which, at the close of trading last Friday, was very suspect.

This is the way other Asian stock markets closed last week:

Thailand	Plus 0.64 percent
Indonesia	Minus 0.51 percent
Malaysia	Minus 0.46 percent
The Philippines	Minus 0.96 percent
South Korea	Plus 2.31 percent
Singapore	Plus 1.49 percent
Taiwan	Closed
Japan	Minus 0.38 percent

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