

### LI KA SHING RULES THE STOCK MARKET

Whereas, the 'word' for the week, November 8 through November 12, was Microsoft, there were 2 words on most people's lips for most of last week: Mr Li Ka Shing, Chairman of Cheung Kong (Holdings) Ltd and Hutchison Whampoa Ltd; and, the World Trade Organisation (WTO).

The reason for Mr Li Ka Shing's name to be mouthed by so many investors was due to a belief that one of the world's richest men was thought to be about to become billions of dollars richer.

Hutchison, readers will recall, sold its 44-percent stake in Orange plc to the German telecommunication's giant, Mannesmann, banking a couple of billion Hongkong dollars, along with about 10.20 percent of the Issued and Fully Paid-Up Share Capital of Mannesmann.

Less than a month after this deal had been concluded (in writing, only, mind you), Mannesmann, itself, was said to be the target of a takeover from the British mobile telephone giant, Vodafone AirTouch.

This deal was worth, it was suggested, about \$HK770 billion.

By the end of the trading session of last Monday, however, it was announced that the Vodafone AirTouch deal was not to be achieved by amicable negotiation, and that a hostile bid could be in the offing.

By the time that this was announced, however, the die had been cast and Hutchison had seen its shares run from the previous Friday's closing level of \$HK84.50 to \$HK90.50 – a gain of about 7.10 percent in about 8 hours of trading.

After the doors had closed on The Stock Exchange of Hongkong Ltd for the day, Hutchison Whampoa announced a \$HK9.24-billion joint venture with a Bermuda-domiciled company, Global Crossing.

The deal will see the creation of a new entity, Hutchison Global Crossing, and this entity will seek to integrate Hutchison's fixed-line telephone network and internet infrastructure businesses into the net joint venture, with Global Crossing, establishing a global data centre in the HKSAR, using its expertise.

But the news that captured the imagination of many investors was the unthinkable: The PRC Government had come to terms with the US Government over its entry into the WTO – after 13 years of wrangling.

On Sunday, November 14, it had been announced that the US Government's delegation to Beijing, to try to rough out an agreement on the PRC's entry to the WTO, a delegation that was led by US Trade Representative Charlene Barshefsky, had made no headway with the PRC Government's representatives, but both sides had agreed that negotiations would continue on Monday, November 15.

And so they did.

The problem, confronting the PRC Government, was its inability to understand the concept of quid pro quo, in terms of international trade: The PRC would have liked to have had entrance to the WTO, but wanted to remain as a developing nation rather than be labeled as a developed nation: There are tariff advantages to being considered the youngster on the block.

Also, the PRC Government likes to control its vital industries, and does not easily agree to accept foreign competition in the country.

About 10 minutes before the stock market closed, last Monday, it was announced that the US Government and the PRC Government had reached an agreement over terms for the PRC Government to enter the WTO.

It was then up to the US Congress and the other 139 members of the WTO to agree to the bilateral accord.

What was interesting about the US-PRC agreement was that it smacked of an earlier April proposal that had been handed to US President Clinton -- who had rejected it, offhand.

The WTO agreement was both negative and positive since it will mean that the PRC will have to open up the trade doors to foreign competition, thus causing some people to lose their jobs.

But, on the other side of the coin, it will make the PRC much more efficient: That is the natural result of healthy competition.

The Hang Seng Index, in the wake of all that was going on in Asia, with emphasis on the WTO and Hutchison, shot up to a 2-year high of 14,562.22, a gain of about 2.62 percent, compared with the previous Friday's closing level.

The turnover was a whopping \$HK14.18 billion.

The bulls were running to be sure.

As expected, the '*darlings*' of last Monday's trading were HSBC Holdings plc, Hutchison Whampoa Ltd and Cheung Kong (Holdings) Ltd.

While there was a great deal of excitement over the events of last Monday, one had to be reminded that those events had done nothing to alter the economics of the HKSAR.

Still hanging over the Hongkong market was the US Federal Reserve Board's Open Market Meeting, due to be held last Tuesday, New York time.

In Europe, following the closure of the HKSAR stock market, there was a great deal of excitement, centred mainly on telecommunication issues.

The talk was still Mannesmann and Vodafone AirTouch and the rebuffing of the Vodafone AirTouch '*marriage*' overtures by Mannesmann's Board of Directors.

The question: Would there now be a hostile bid for Mannesmann by Vodafone Air-Touch?

But in New York, on Monday, trading was very subdued with the Dow Jones Industrial Average, falling 8.57 points to 10,760.75. That market was waiting to determine what action, if any, the Fed would take on Tuesday over interest rates.

In other Asian stock markets, this is the way things shaped up last Monday:

Thailand	Minus 1.32 percent
Indonesia	Plus 0.09 percent
Malaysia	Plus 1.08 percent
The Philippines	Minus 0.38 percent
South Korea	Plus 0.56 percent

Singapore	Plus 1.83 percent
Taiwan	Plus 0.17 percent
Japan	Minus 0.33 percent

## Tuesday

The turnover on The Stock Exchange of Hongkong Ltd remained very high, hitting \$HK17.39 billion, but the movement of most blue chip stocks was limited to marginal gains.

The reason: Asia was waiting to see what the Fed would do with regard to interest rates in the US.

The announcement, that the Fed would raise interest rates by one quarter of one percent, was taken as a good sign, indicating that the US Government would keep the lid on inflation without inhibiting growth of the economy.

The stock market in the HKSAR, of course, had to sit on its hands, waiting to see what would happen in the US.

As a result, the Hang Seng Index gained just 0.87 percent, compared with Monday's closing level, ending the session at 14,689.46.

Nevertheless, the gain represented another 2-year high for The Index.

The blue chips were, just about, the only gainers, however, with most of the second-liners, being completely overlooked.

In New York, things were popping as the Dow Jones Industrial Average put on 1.60 percent, rising to 10,932.33, a gain of 171.58 points, compared with Monday's close, and being just 400 points below the Dow's August 25 high.

After the New York Stock Exchange had closed its doors, it was announced by the Fed that US industrial production had risen in October at the fastest rate in 7 months.

The increases in production demonstrated, the Fed remarked, that the US economy could grow with little pressure on prices.

Against this bullish news, there was the concern that the Fed may see in respect of the shrinking US labour pool.

This could be considered, in due course, as being inflationary, it was pointed out.

There was no particularly interesting financial news to report last Tuesday and investors and financial analysts were still doing their sums and weighing up the events of Monday and, especially, the PRC Government's ability to come to terms with the US Government over its proposed entrance to the WTO.

A number of Initial Public Offerings were announced in the HKSAR, last Tuesday, with 2 listings, slated for the newly created The Growth Enterprise Market (GEM) of The Stock Exchange of Hongkong Ltd.

In other Asian stock markets, things were fairly subdued last Tuesday:

Thailand	Minus 0.83 percent
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Indonesia	Plus 0.93 percent
Malaysia	Minus 1.23 percent
The Philippines	Minus 1.29 percent
South Korea	Plus 3.38 percent
Singapore	Plus 0.58 percent
Taiwan	Plus 0.81 percent
Japan	Minus 0.24 percent

### Wednesday

It was the mighty HSBC Holdings Ltd which caused the Hang Seng Index to rise last Wednesday, as this huge bank saw its share price rise to \$HK104 on a \$HK2.39-billion turnover in this counter.

The turnover in The Bank accounted for about 16 percent of the Total Turnover of about \$HK14.85 billion for the entire volume of trading.

The Bank had no special story to tell, but investors in the HKSAR considered, all things being equal, that HSBC Holdings should see better results in the years to come, thanks to the entry of the PRC into the WTO.

In spite of HSBC Holdings, being the '*darling*' of the market, the Hang Seng Index only managed a small gain of 15.02 points, coming to rest at 14,704.48 by the closing bell.

In spite of the final weak close, it was interesting to note that, at the luncheon bell, The Index was showing a 174-point gain, compared with Tuesday's closing level.

This, clearly, indicated that investors were taking profits on Wednesday, following gains, being logged in earlier in the week.

In New York on Wednesday, the Dow Jones Industrial Average, after putting on a spectacular performance the previous day, Tuesday, the day that the Fed raised interest rates by one quarter of one percent, saw an erosion of 49.24 points, falling to 10,883.09.

Unbelievably, after Mr Alan Greenspan had told the world on Tuesday that all was well in the US economy, there were suggestions in certain quarters that there could, after all, be further interest-rate hikes in the offing this year.

The theory, making the rounds, was that since the US Government had said that the inflation rate in the past 12 months (to October) was equal to a 30-month high, it was an indication that, perhaps, the Fed's Chairman had not told the complete story about the US economy.

Strengthening the suggestion, that more US interest-rate increases could be on the cards, was the US Consumer Price Index (CPI) Report.

The CPI, it was reported, rose 0.20 percent during the month of October. This was the smallest increase in the past 4 months, following a 0.40-percent September increase.

The so-called '*core*' CPI – which excludes food and energy costs – rose 0.20 percent in October after a 0.30-percent increase in September.

Comparing the 1999 figures with the comparable 10-month period in 1998, one sees an increase of 75-percentile points.

Back in the HKSAR, there were a number of interesting corporate events, taking shape.

It was announced in Europe, last Wednesday night, that the British telecommunications giant, Vodafone AirTouch, was expected to make a decision on Thursday (London time) whether or not to make another *'play'* of the German giant, Mannesmann.

The question, being asked, was whether or not Vodafone AirTouch would hold another round of negotiations with senior management in Mannesmann or go straight to Mannesmann's shareholders with a bid for the entire company.

Another interesting corporate move was seen in News Corporation, Rupert Murdoch's international media *'baby'*, whereby Liberate Technologies had agreed to supply interactive television software to Star TV of the HKSAR – Star TV was, formerly, controlled by elements of the Li Ka Shing Empire – the largest satellite broadcaster in the world, with some 300 million viewers in Asia and Australasia.

Liberate Technologies had, only recently, come into a similar deal with Cable and Wireless plc of Britain with such a proposal.

In other Asian markets, the situation was were dull with all but 2 bourses, registering losses:

Thailand	Minus 3.10 percent
Indonesia	Minus 0.04 percent
Malaysia	Minus 0.08 percent
The Philippines	Minus 0.41 percent
South Korea	Minus 3.98 percent
Singapore	Minus 0.45 percent
Taiwan	Plus 0.52 percent
Japan	Plus 0.66 percent

### **Thursday**

It was official: Vodafone AirTouch plc, the UK's leading mobile telephone service provider, was to launch a hostile bid to take over Mannesmann, Germany's giant counterpart to Vodafone.

The bid was expected to cost somewhere in the region of \$US128 billion (about \$HK900 billion).

When the decision to make the hostile bid was announced, it came on the heels of a defeat in the High Court in London where Mannesman was attempting to cause Vodafone AirTouch to find another merchant banker, other than Goldman Sachs, the giant US investment bank.

The announcement, also, came on the heels of Robert Fleming Securities, suffering a humiliating determination at the hands of the London Authorities when 2 of Robert Fleming's former analysts were banned from ever working in the securities industry.

The 2 former analysts, Messrs Martin Murch and Derek Reed, are not to be trusted, it seems, having been found culpable of making use of insider knowledge.

In the HKSAR, Robert Fleming has a venture with Jardine Matheson and Company Ltd, known as Jardine Fleming Securities Ltd.

The Stock Exchange of Hongkong Ltd was not aware of these events, during Thursday's trading session, which, by the standards of the past few weeks, was quite subdued.

The Hang Seng Index did manage a gain of 17.26 points, the closing level, being 14,721.74, but the Total Turnover for the day was down to \$HK12.46 billion, lower by about \$HK17 billion, compared with the volume of earlier in the week.

Once again, it was HSBC Holdings plc which hugged the headlines as more than 11.30 million HSBC shares changed hands, accounting for about \$HK1.20 billion of the Total Turnover, close to 10 percent.

But all of the 17-point gain on The Hang Seng Index came in the afternoon session.

In New York, the Dow Jones Industrial Average managed a 1.40-percent advance, climbing 152.61 points to 11,035.70.

An announcement by Hewelett-Packard Company (HP) was the impetus for Wall Street. The computer company announced better-than-expected financial results in its fourth quarter.

The share price of HP rose \$US11.62 (about \$HK90) a share to \$US89 (about \$HK685) per share.

But other than this one counter, the gains on Wall Street were narrow, with HP, claiming to have been responsible for more than 50 percent of the day's improvement in the Dow.

The US Commerce Department announced that the balance of trade had moved in favour of the US economy in the month of September – which could be considered negative or positive, depending on which side of the fence one is standing.

Imports into the US rose about 0.10 percent in September, compared with August, this increase, being the slowest pace for the year, so far.

While the figures had not been completely digested on Thursday, it would appear that a weakening in the value of imports could hardly be considered a positive sign since imports have, historically, been one of the major indications of the strength of an economy, showing the amount of disposable income, available to the man-in-the-street.

In Tokyo, The Tokyo Stock Exchange saw the Nikkei-225 run up to be just shy of the year's high, at 18,532.81. The 258-point gain was on the heels of a weakening yen.

With the exception of Japan and South Korea, things were, relatively, quiet on other Asian stock markets, with Thailand, seeing no movement at all:

Thailand	0.00 percent
Indonesia	Minus 0.77 percent
Malaysia	Plus 0.82 percent
The Philippines	Minus 0.26 percent
South Korea	Plus 2.41 percent

Singapore	Plus 0.39 percent
Taiwan	Plus 0.61 percent
Japan	Plus 1.41 percent

### **Friday**

The Hongkong stock market cause fire, yet again, as interest in the Hutchison Whampoa counter was renewed, following confirmation the Vodafone AirTouch plc was, definitely, going to take on Mannesmann of Germany.

Mannesmann's Board of Directors was quick to inform the world that Vodafone AirTouch was going to have a fight on its hands if it pursued its quest for the German *'holy'* grail.

Adding to the excitement in the hostilities, Germany's Chancellor, Mr Gerhard Schröder, put in his oar, saying that he was not overjoyed with the entire situation.

In the light of the proposed \$US123.60-billion (about \$HK952 billion) takeover battle, Chancellor Schröder said that it destroyed *'the culture'* of Mannesmann.

He suggested, in no uncertain terms, that there were mechanisms in his country to thwart Vodafone's intent.

While these angry words were being uttered, in the HKSAR, there was a great deal of excitement over the matter.

On The Stock Exchange of Hongkong Ltd, a total of 12.84 million Hutchison Whampoa shares changed hands, the total amount of money, being spent in this counter, being \$HK1.23 billion.

The turnover in Hutchison shares represented nearly 9 percent of the Total Turnover of the day of about \$HK13.88 billion.

It was interesting to note that the top 10 on the most active list of shares, traded last Friday, represented about \$HK6.15 billion of the Total Turnover, or about 44 percent.

The Hang Seng Index, on the back of the toing and froing in Li Ka Shing's publicly listed companies, rose 351.36 points, or about 2.39 percent, to another 2-year high of 15,073.10. Nearly all the gains came in the morning session.

In the US, it was announced that the situation with regard to Microsoft Corporation could be drawing to a close with the appointment of Mr Justice Richard A. Posner, Chief Judge of the Seventh US Circuit Court of Appeals, having been appointed mediator to try to find a solution to the US Government's antitrust legislation case against Microsoft.

This sent the price of Microsoft up to \$US90 (about \$HK693) per share on Wall Street.

Back in the HKSAR, in the High Court, Mr Justice Michael Burrell labeled a former Legislative Councillor, Mr Chim Pui Chung, as being a *'puppet master'* and banned him from ever being a director, claiming that Mr Chim was an unfit person to hold a management position.

Mr Chim, a felon, was not too happy with the good judge's comments since, in addition, the judge ordered that Mr Chim would have to buy out the minority shareholders of Mandarin Resources Corporation Ltd.

There were few tears shed for this once flamboyant lawmaker.

And that was just about it for the week, ended November 19. Here is how other Asian bourses ended the week:

Thailand	Plus 0.16 percent
Indonesia	Minus 0.52 percent
Malaysia	Plus 1.41 percent
The Philippines	Minus 0.41 percent
South Korea	Plus 2.36 percent
Singapore	Plus 0.79 percent
Taiwan	Plus 2.06 percent
Japan	Plus 0.21 percent

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