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MR INVESTOR :
THE HANG SENG INDEX'S BULLS CONTINUE TO RUN

It was expected that, on Monday, December 6, there would be a mad dash to purchase scrip, anybody's scrip, just as long as local investors could jump aboard, what appeared to be, the stock-market express train of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

The HKSAR stock market was the only Southeast Asian bourse to have risen to the extent of about 25 percent within a period of about 3 months: The gambling element had manifest itself throughout the HKSAR.

Not that there was any logical reason for the great push, up and over, but it did not seem to make much difference because, as investors in Asia well know, when the market is in a mood to rise, nothing is going to thwart its upward momentum.

Monday, December 6, was specially auspicious for HKSAR investors because, during trading the previous Friday, the Dow Jones Industrial Average had shot up about 2.20 percent, compared with the previous Thursday's closing level, to 11,286.11.

The Dow had pushed ahead on the back of a US Government report that stated that the average hourly wage had risen 0.10 percent, about one third of the 0.30-percent increase that some US economists had been predicting.

Also, it was reported that unemployment was at a 29-year low, at 4.10 percent of the US labour force.

Hi-tech companies' scrip on The New York Stock Exchange, and on other minor stock exchanges, throughout the US, were fully expected to go wild for the week, starting December 6, and, as a result of very bullish US economic data, plus the continuing shareholder euphoria in the US, it was fully expected that the Hang Seng Index would reflect the bullish sentiments of the American market.

HKSAR investors were not disappointed from the opening bell of The Stock Exchange of Hongkong Ltd as the Hang Seng Index went right through the 16,000 level.

The market opened strongly … and got stronger as the day wore on.

At the close of trading, The Index stood at 16,168.62, a gain of 328.21 points, or about 2.07 percent, compared with the previous Friday's close of 15,840.41.

The Turnover was not all that inflated from the previous week, at $HK14.89 billion, and this could be said to be an indication that, perhaps, the HKSAR market may not be able to sustain too much of a push, too quickly.

New World Development Company Ltd, Cable and Wireless HKT Ltd, HSBC Holdings plc, Hutchison Whampoa Ltd, and China Telecom (Hongkong) Ltd – the old favourites – hugged the 10 Most Active List, accounting for about 22 percent of the Total Turnover.

During the course of the trading session, it was announced by the Financial Secretary, Mr Donald Tsang Yam Kuen, that taxes would rise in the year 2000. He made this statement at last Monday's Legislative Council Session.

The market had not realised the impact of this statement, during Monday's trading session, and so did not react, negatively, to it.

However, there were those, on Monday night, who were well prepared for the worst on Tuesday, speculating that there could be widespread selling pressure, and this aspect of trading could mount due to (a) profit-taking and (b) fears that the worst, with regard to HKSAR Governmental measures to reign in the economy and to bolster reserves, was yet to come.

Adding the probability that there could be a sell-off, during the week, was a report, later confirmed, that Hongkong Aircraft Engineering Company Ltd was to hack off 166 jobs, and that it had already slashed salaries by as much as 25 percent, in many cases.

The cost-cutting measures, the Company announced, were necessary in order to allow the Company to remain competitive, Managing Director Chan Ping Kit explained.

However, it is said that, when an Asian stock market is in the mood to rise, nothing is likely to stop its forward momentum since Asian investors will over-generalise any situation when they are in a mind so to do.

It was clear that other Asian stock markets were fully expecting that there would be a knock-on effect from Wall Street's rise the previous Friday since, with 2 lone exceptions, they all made gains:

Thailand	Minus 1.25 percent
Indonesia	Plus 1.78 percent
Malaysia	Plus 0.25 percent
The Philippines	Plus 0.21 percent
South Korea	Plus 3.26 percent
Singapore	Plus 0.72 percent
Taiwan	Minus 0.88 percent
Japan	Plus 0.76 percent

<u>Tuesday</u>

As forecast, the Hang Seng Index came under fire throughout most of Tuesday's trading session.

It lost 127 points in the morning session, but recovered slightly in the 90-minute afternoon session to end trading for the day at 16,073.09 on a Total Turnover of about $HK12.89 billion.

The pattern of trading was, just about, the same as had been the case over the past few months, with a handful of blue chips, dominating the session and accounting for about 25 percent of the volume of activity.

It was reported that Microsoft Corporation, the largest company in the world, today, was to face a barrage of law suites in the US, following the determination of Judge Thomas Penfield Jackson that Microsoft had abused its position, therefore falling foul of antitrust legislation in the US.

Microsoft saw its share price come under fire, losing about 3 percent on The New York Stock Exchange in late Monday (New York time) trading.

The US Department of Justice and 19 US States are to sue Microsoft.

But, on a more positive note, it was reported that US worker productivity grew 4.90 percent in the third quarter and, at the same time, labour costs fell for the first time in more than 2 years.

Back in the HKSAR, things were popping in Hongkong Aircraft Engineering Company Ltd (HAECO) with confirmation that the publicly listed company was to have to front up in the High Court, following an Action, being filed by 2 former employees, who got the sack on Monday.

Both men were organisers of the HAECO Employee's Union.

While this may appear to be a parochial issue, one recalls that it was, originally, only a small matter that led to the riots in Hongkong, during the middle of the 1960s.

A very unusual matter was unearthed on Tuesday when the top Indian of the HKSAR, Mr Hari Harilela, was sued in the High Court for alleged mismanagement of his late father-in-law's estate.

The Statement of Claim alleges that Mr Hari Harilela, a consultant to the Government of the People's Republic of China (PRC), lined his own pockets at the expense of the estate of the late Manghanmal Hirandand Ramchandani.

Mr Obe Mohan, a felon who spent some years in a Hongkong prison for theft, among other things, and whose daughter married one of the Harilela Clan, a couple of years ago, is a bankrupt, and is known to be quite used to being a visitor to the High Court.

In the Legislative Council, it was held that the Government's decision to sell a hotel site to one of Mr Li Ka Shing's companies for $HK120 million was justified, even though it had been valued at $HK764 million as a housing site.

The 1995 decision, the world was told, was because the Ma On Shan Site was designated by Government as being ideal for a hotel, and that a hotel was good for tourism.

There was precious little else to report last Tuesday since the Japanese market was relatively quite, and the yen had started to behave itself.

This is how other Asian stock markets fared:

Thailand	Minus 0.13 percent
Indonesia	Minus 0.44 percent
Malaysia	Plus 0.53 percent
The Philippines	Plus 0.09 percent
South Korea	Plus 0.18 percent
Singapore	Plus 2.50 percent
Taiwan	Minus 0.85 percent
Japan	Plus 0.47 percent

Wednesday

Dull, dull and dull! That was the way that many brokers described trading on The Stock Exchange of Hongkong Ltd, last Wednesday.

The Hang Seng Index shed 83.71 points to 15,989.38 on a Total Turnover of about $HK10.74 billion.

The volume of activity, in just 3 trading days, had dropped about 33 percent and questions were being asked as to whether or not the so-call bull run was, in fact, a rabbit run: One jump and it is all over.

Differing views were the order of the day, but the one thing which made most people maintain that the stock market had a way to go, yet, was the huge amounts of foreign hot cash which had been confirmed to be waiting to find a home – and, probably, in Asia.

The composition of the 10 Most Active Issues last Wednesday was slightly different, for a change, but the old favourites were still up there, among the leaders.

Just 10 counters accounted for about 33 percent of the Total Turnover, last Wednesday, with HSBC Holdings Ltd, accounting, by itself, for about 6 percent of the Turnover.

In New York, on Tuesday, the Dow Jones Industrial Average had taken a bit of a bath, losing 118.36 points, or 1.05 percent, coming to rest at 11,106.65 at the conclusion of trading.

Profit taking was, definitely, in evidence, but there is growing concern that the weighting of the Dow does not, accurately, reflect that stock market's direction.

(The same criticism has been leveled against the Hang Seng Index by this scribe, too.)

It was apparent that the Dow was having greater influence on the Hang Seng Index in spite of the fact that, in reality, there is no relationship between what happened on The New York Stock Exchange and what happened on The Stock Exchange of Hongkong Ltd.

On the HKSAR news front, a number of publicly listed companies announced their interim results and, for a change, they were all positive.

The Harilela Clan – see Tuesday's report – came out fighting, stating that Mr Hari Harilela would fight to the last to defend his impeccable reputation.

In Japan, the giant international finance institution, Credit Suisse, came under pressure, finding itself as a defendant in a lawsuit in Tokyo.

The Tokyo District Court is in possession of charges, alleging that Credit Suisse Financial Products and its former Branch Manager, Mr Shinji Hamada, acted contrary to Japanese Banking Law.

Mr Yamada had been arrested; the banking license of Credit Suisse has been revoked.

On The Tokyo Stock Exchange, matters were, like the HKSAR, fairly subdued, with the Nikkei-225, falling nearly 193 points to 18,401.20.

But trading was orderly, with investors not appearing to be overly concerned since it was in hi-tech issues that most of the loses were being made, by and large.

In other Asian bourses, losses were widespread, with the lone exception of Singapore.

This is the way that the ball bounced last Wednesday in other Asian markets:

Thailand	Minus 0.15 percent
Indonesia	Minus 0.11 percent
Malaysia	Minus 0.08 percent
The Philippines	Minus 1.62 percent
South Korea	Minus 1.16 percent
Singapore	Plus 2.24 percent
Taiwan	Minus 0.20 percent
Japan	Minus 1.04 percent

Thursday

Anybody and everybody, who had thought that the HKSAR bull was, in fact, a rabbit, had to make a quick about turn: The bull was a bull, balls and all, to be absolutely sure.

The Hang Seng Index roared up about 2.40 percent, last Wednesday, with The Index, ending the day as 16,370.95 on a Total Turnover of about $HK14.37 billion.

To be sure, a handful of counters accounted for a huge slice of the volume of activity, but there were a number of notable newcomers in the Top 10, also.

And one cannot deny that gains were beginning to filter down to counters, other than the largest capitalised companies, companies which heavily weigh on The Hang Seng Index due to their large market capitalisations.

The Bank of East Asia Ltd, for the first time in many a moon, saw its shares take off, rising about 8 percent to $HK22.60, as 20.54 million shares change hands.

The Bank of East Asia accounted for about 3.15 percent of the Total Turnover, last Wednesday.

The Top 10 accounted for about 29 percent of the volume of activity.

Of some interest was that all but about 18 percentile points of the substantial jump in The Index came about in the morning session, which saw a run-up of 313 points, amounting to a gain of about 1.96 percent over the previous day's closing level.

From the point of view of news, there was nothing in particular that should have lifted The Index, but, as TARGET remarked more than a week ago, the market is unstoppable, at least, at this point.

There was a public relations report about the so-called, top businessmen in the HKSAR, and this was one of the lead reports in a certain, leading English daily, published in South China. But this was hardly news.

If anything, this report was more of a powder-puff story (please give us your ads, gentlemen?).

It seems only too apparent that the investment climate is changing in the HKSAR and, as more and more companies report improved earnings, so more and more people will pile into the stock market.

In what may well be a self-fulfilling prophesy: The more that people buy shares, listed on The Stock Exchange, the higher will prices rises; and, as stock prices rise, so will the stock-market experts be able to point to their prognostications of today and say: *'See. I told you to buy!'*

It remains to be seen, however, as to whether or not the HKSAR economy can justify and sustain the present high Price-Earnings Ratios of many issues, especially those that TARGET would consider to be among the gambling counters.

On other Asian stock markets, the situation was a mixed bag, with half of the major bourses, gaining substantial ground, while the other half experienced marginal losses:

Thailand	Plus 1.57 percent
Indonesia	Plus 1.70 percent
Malaysia	Plus 1.02 percent
The Philippines	Minus 1.00 percent
South Korea	Minus 0.79 percent
Singapore	Plus 0.88 percent
Taiwan	Minus 0.92 percent
Japan	Minus 0.76 percent

Friday

Absolutely nothing of any real importance happened last Friday on The Stock Exchange.

While the Turnover was a respectable $HK13.59 billion, the Hang Seng Index, after an early morning spurt of just 29.61 points, compared with Thursday's closing level, saw tides of profit-taking, eroding some of the morning's marginal gains.

The profit taking, no doubt, was a healthy sign, considering Thursday's super gains.

By the close of trading, The Index stood at 16,380.21, just 9.26 points higher than Thursday's close.

Of interest with regard to trading was that one counter accounted for about 11.48 percent of the Total Turnover. That counter was Pacific Century CyberWorks Ltd.

Let nobody ever doubt that powder-puff publicity is not a good thing, at least for a publicly listed company, because Pacific Century is the public company, controlled by Mr Li Ka Shing's son, Mr Richard Li Tzar Kai, and Mr Richard Li is being mooted as the greatest financial figure since the 1976 Pulitzer Prize winner, US economist, Mr Milton Friedman.

At least, that is what a certain English daily newspaper, published in South China, would have the world believe.

Getting back to the stock market, the Top 10 Most Active Issues accounted for about $HK5.05 billion of last Friday's trading, representing about 37.15 percent of the Total Turnover.

Which must sound incredulous to sophisticated, international investors.

On the news front, after getting a roasting in Japan, the Credit Suisse Group (please see Wednesday's report) got it in the neck in the HKSAR, last Friday, as Mr Peter Chan Shiu Wing was found guilty in the High Court of duping certain executives of publicly listed Golden Harvest Entertainment (Holdings) Ltd.

He falsely claimed that he could obtain 15 percent interest rates for them if they invested in an arm of Credit Suisse.

A report about the serious situation in the resident housing market in the HKSAR gave a very gloomy picture of the property market, but few people are of a mind to be concerned about logic – the market is running hot, that is the thing.

And that was how things came to a close, last Friday.

Here is what happened on other Asian stock markets:

Thailand	Closed
Indonesia	Plus 0.36 percent
Malaysia	Plus 0.88 percent
The Philippines	Plus 2.53 percent
South Korea	Plus 3.84 percent
Singapore	Plus 0.98 percent
Taiwan	Minus 0.07 percent
Japan	Plus 0.06 percent

This will be the last stock market report until the week of January 3, 2000.

Merry Christmas and a Happy New Year to all !

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