HONG KONG STANDARD 28 OCT 1987

6.1

$4 billion stops the rot

Market rebounds after new rescue move

By Danny Lo, Daniel Yu, Divina Yumol and Chito Santiago

Page 2: foreign stocks, leaders' reactions. **Page 8:** editorial. **Page 9:** commentaries. **Page 13:** stockholder shoots broker. **Business Page 1:** new futures exchange rules. **Pages 2, 5:** New York stories ▶

THE stock market crash was arrested yesterday after the announcement of a new $2-billion China-backed rescue package and the Government was cautiously optimistic that the worst could be over.

The move brought to $4 billion the amount pumped into the battered futures market in two days.

And it marked a higher profile by China in the territory's affairs — half of the money will come from the Government and the rest is to be shared equally by the Hongkong and Shanghai and Standard Chartered Banks, and the Bank of China.

A senior Chinese official said the Bank of China's involvement was at the Hongkong Government's request.

After the announcement, the stock market recouped some of its lost ground — 6.9 percent — from the unprecedented plunge of 33 percent the previous day.

In a hastily called press conference at the end of the day's trading which saw the market index creeping up 154 points, The Secretary for Monetary Affairs, Mr David Nendick, said the trend was "encouraging."

But Mr Nendick and his deputy, Mr Joseph Yam, both avoided speculating on whether Hongkong has really pulled out of the crisis.

Mr Nendick said the recovery depended on factors inside and outside Hongkong.

The $2 billion rescue package was announced by the Financial Secretary at 10.30 am after an early-morning Executive Council meeting.

It is similar to the scheme unveiled on Sunday, providing loans to be repaid over five years with interest, to back up the Hongkong Futures Guarantee Corporation.

The announcement came half an hour before the market opened and only hours after a crisis conference between top government officials and financial advisers.

Speaking at the briefing, Acting Governor Mr David Ford said: "Everything that needs to be done to save Hongkong will be done by the Government."

Financial Secretary Piers Jacobs — like Mr Ford showing signs of exhaustion after talks lasting till after 2 am yesterday — added: "We have no intention of giving Hongkong away. We will do everything that is needed, and I can assure you that we will win."

China's chief representative in Hongkong, Mr Xu Jiatun — who cut short a visit to Beijing on Monday — called on Mr Ford at noon.

He was accompanied by the general manager of the Bank of China's local branch, Mr Zhang Xueyao, and the head of Xinhua's Foreign Affairs Department, Mr Ji Shaoxiang.

Commenting on the day's trading, Mr Nendick said the recovery, started in Tokyo, had been reinforced by Hongkong and was spreading across Europe and "there were strong hopes" that it would revive the United States market.

He said small investors had behaved sensibly in the crisis and he advised them: "Unless they need cash very much, it is far better to sit it out than to sell precipitously and regret it later."

He fended off all questions about the chairman of the stock exchange, Dr Ronald Li, who stepped down on Sunday from the vice-chairmanship of the futures exchange.

"I'm not going to deal with personalities," he said, adding that the share-market problem was worldwide and "there is always the temptation when something goes wrong to find scapegoats."

He said the most important thing was to learn lessons from the incident but he refused to discuss how and when the Government would conduct its post-mortem, promised by Mr Jacobs last week.

■ Turn to **Page 2**