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34-point gain in Hang Seng

Turnover hits \$642m as shares keep climbing

By JERRY NORTON

Heavy profit-taking could not roll back strong early morning gains in the local share market yesterday, in one of the best turnovers in years for a regular trading session.

By the close, the Hang Seng index had piled on another 34.14 points. That put the index at 1,352.69.

In less than two weeks of trading this year the index has climbed more than 150 points, a record level since June 4, 1982, when the index closed at 1,361.36.

Last night should have seen several brokers treating themselves to a celebration drink, for not only have prices soared, turnover has ballooned as well.

Some brokers said yesterday they were too busy taking orders to notice any special features in the market.

Volume for the session totalled \$642.80 million, up from \$499.07 million on Thursday.

Yesterday's turnover was the best since February 7 last year, when the figure was \$889.15 million. However, the latter total was inflated by purchases that were part of the Cable and Wireless bid to increase its stake in Hongkong Telephone.

In fact, the last time a session registered a turnover higher than yesterday's without some extraordinary feature like a takeover bid or large placement being involved was on October 9, 1981.

As was the case on Thursday, interest rates were the one specific news factor credited for part of the rise yesterday.

US Federal Reserve chairman Mr Paul Volcker made comments overnight which could be interpreted to mean that the Fed at best would move

to ease US rates further, and at worst would not be inclined to increase them.

Coming after some US rates had already shown signs of declining, the comments added to expectations that interest rates would not stand in the way of US economic growth this year.

At the same time they reinforced the local view that a cut in the prime and deposit rates here was imminent. The former would help various Hongkong economic sectors. The latter would increase incentives to put money into the share market because of probable higher returns than on deposits.

That contributed to the general euphoria about Hongkong's growth prospects this year, the belief that inflation would be low and the property market would improve, and confidence that the political situation has stabilised.

But brokers and analysts again emphasised that after initial trading the interest rate news probably had less to do with the buying than the bandwagon effect, with many institutions and individuals wanting to make sure they share in the rally, regardless of what is behind it.

One broker said the market's seeming "unstoppable surge" has convinced more and more previously reluctant investors to move in.

Still, there was no lack of profit-taking activity yesterday. The Hang Seng index was at its best level at 11 am, when it was 34.98 points higher. At midday the figure was 34 points up.

Trading continued mixed in the afternoon, leaving the index virtually unchanged from the morning at the final level of a 34.14 point rise.

While the ability of prices to hold the initial gains in such heavy volume was impressive, it also suggested the possibility of a correction.

One analyst warned that "a long overdue consolidation may come very

soon," while the forecast from a major brokerage house said "a correction appears due."

Both stopped short of firmly predicting that such a correction would appear on Monday. Too often in recent weeks the market has confounded expectations and continued to roar ahead.

And estimates of just where the consolidation level will be when the correction does come also vary.

Meanwhile, projections of how far the market will go over the longer term, before a really massive correction sets in, keep getting higher. One analyst indicated 1,500 in the first quarter of the year could be on the cards.

Once again yesterday prices were up virtually across the board.

Among leaders, Hongkong and Shanghai Bank rose 30 cents to \$9.25, Hongkong Land 17.5 cents to \$4.20, Swire Pacific 'A' 80 cents to \$24.20, and Hongkong Electric 10 cents to \$7.25.

Among the Hang Seng sub-indices finance showed the best gain, a 41.20 point rise to 1,324.18, while utilities was the least impressive, up 21.46 points to 1,543.83 points.

Chevalier (HK) Ltd rose eight cents to \$1.25, putting it 45 cents above its 80-cent issue price when it went public in November. Chevalier manager Mr Andrew Ko told Business News he and other executives were frankly surprised how far the share has come in so short a time.

Regarding a rumour mentioned by some brokers of Chevalier winning a contract to supply lifts for the first phase of Hutchison Whampoa's Hung-hom project, Mr Ko said it was true Chevalier had bid for the contract, which he estimated would be worth some \$10 million, but he said competition was very strong and he had no way of knowing if Chevalier would win the tender.