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Hong Kong's Stocks Rise In Biggest Two-Day Rally In Decade

By Hanny Wan

Oct. 14 (Bloomberg) -- Hong Kong's benchmark stock index had its biggest two-day jump in more than a decade on U.S. and European government plans to buy stakes in banks to unlock credit markets and prevent economic collapse.

Bank of East Asia Ltd., Hong Kong's third-biggest by assets, added 2.1 percent and Sun Hung Kai Properties Ltd. soared 11 percent after money-market rates dropped on speculation the U.S. will invest \$125 billion in nine banks. Cnooc Ltd., China's biggest offshore oil producer, surged 14 percent after crude rose.

Government interventions can "help ease concerns in the near term," said Mona Chung, a fund manager who helps oversee more than \$2 billion at Daiwa Asset Management Ltd.

The Hang Seng Index climbed 520.72, or 3.2 percent, to 16,832.88, extending its gain in the past two days to 14 percent. That's the gauge's sharpest two-day jump since the period ended Feb. 2, 1998.

The measure slumped 16 percent last week amid a global rout that erased \$7 trillion of market value and prompted governments across the globe to step up measures to support banks.

The Hang Seng China Enterprises Index, which tracks so-called H shares of Chinese companies, advanced 4.4 percent to 8,435.46.

Goldman, Sachs & Co. lifted its rating on Hong Kong-listed Chinese stocks to "overweight" on speculation the government in Beijing will introduce a package of measures to stimulate the economy. Analysts at the brokerage including Timothy Moe said "there is substantial market conjecture on the potential measures the government might imminently announce." Goldman previously rated the shares "neutral."

"There is a good case for a return to the 10,000 level" in the H-share index, according to the report.

Banks Rise

Bank of East Asia rose 2.1 percent to HK\$22.10. Rumors questioning the company's stability last month led to the city's first bank run in more than a decade. The company said Sept. 24 its "exposure" to bankrupt Lehman Brothers Holdings Inc. and American International Group Inc., taken over by the U.S. government, is about \$61 million, less than 0.2 percent of assets.

Bank of Communications Ltd., China's fifth largest, jumped 5.1 percent to HK\$6.45. BOC Hong Kong (Holdings) Ltd., the city's biggest bank by assets, advanced 4.2 percent to HK\$12.82. Morgan Stanley raised its rating on the stock to "equal-weight" from "underweight" because "it's unlikely that they will have to write off any of their investment in bank bonds in the developed markets," according to a research note today.

Bush's Bailout

The Bush administration will announce a plan that includes spending about \$125 billion buying stakes in nine banks including Citigroup Inc., Goldman Sachs Group Inc. and Morgan Stanley, people briefed on the matter said.

The U.K. agreed to invest 37 billion pounds (\$64 billion) in banks including Royal Bank of Scotland Group Plc. France, Germany, Spain, the Netherlands and Austria committed 1.3 trillion euros (\$1.8 trillion) to guarantee bank loans and take stakes in

lenders.

Sun Hung Kai, Hong Kong's No. 2 developer by market value, soared 11 percent to HK\$74. Hang Lung Properties Ltd., the third largest, climbed 5 percent to HK\$17.60. Henderson Land Development Co., a Hong Kong-based developer, jumped 8.1 percent to HK\$30.

The Hang Seng Property Index's 8.1 percent surge made it the biggest group percentage gainer on the broader Hang Seng Index. The property index tumbled 52 percent this year, the sharpest among the Hang Seng Index's four industry groups.

Falling Rates

Money-market rates dropped. Hong Kong's local dollar rate fell 2 basis points to 4.42 percent, its first decline since Sept. 26. The city's three-month interbank offered rate, or Hibor, declined from the highest since Oct. 31 at today's 11:15 a.m. fixing.

Cnooc soared 14 percent to HK\$7.17, making it the Hang Seng Index's biggest percentage gainer. PetroChina Co., the nation's largest oil producer, rose 3 percent to HK\$6.90.

Crude oil futures climbed 4.5 percent to \$81.19 a barrel in New York yesterday, the biggest jump since Sept. 22. The contract was recently at \$83.43 in after-hours trading.

All but seven stocks on the 42-member Hang Seng Index advanced. October futures climbed 5.6 percent to 17,079.

The following stocks rose, fell or were suspended. Stock symbols are in brackets after company names.

Air China Ltd. (753 HK) added 24 cents, or 7.9 percent, to HK\$3.29, its biggest advance since Sept. 2. The country's largest carrier by market value forecast an increase in air traffic of as much as 10 percent next year as the nation's growth shields the carrier from a global economic slowdown.

``The demand for air travel in China is still out there,''
Board Secretary Huang Bin said yesterday.

New World Development Co. (17 HK) advanced 30 cents, or 3.9 percent, to HK\$7.95. The Hong Kong developer controlled by billionaire Cheng Yu-tung said full-year profit more than doubled to HK\$9.67 billion (\$1.25 billion) after it sold more apartments and recorded higher property revaluation gains.

PCCW Ltd. (8 HK) Hong Kong's biggest phone company, halted trading of its shares, pending the release of price-sensitive information, according to a statement. PCCW rose 5.5 percent to HK\$2.90 before being suspended.

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