

Hong Kong shares close sharply lower; China financials, commodities slide

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HONG KONG (XFN-ASIA) - Share prices closed sharply lower amid a slew of negative factors, including Wall Street losses, record oil prices, corporate earnings uncertainty and possible monetary tightening in China.

Dealers also noted fears that US jobs data to be released tonight will point to more weakness in the world's largest economy and drag global bourses further.

The market posted modest gains in the morning on some bargain-hunting but slipped back into negative territory as some fund managers sold off China banks in late trade.

Commodity stocks also tumbled on worries that slowing global economic growth with dampen demand for raw materials.

Ping An Insurance lost nearly 9 pct, extending yesterday's 7.7 pct fall despite assuring that a tax audit being conducted on the group by the Chinese government is a routine inspection.

The Hang Seng index closed down 461.67 points or 2.13 pct at 21,242.78, off a low of 21,163.57 and high of 21,742.07.

Turnover was 75.81 bln hkd.

'Fears that Wall Street is already in a bear market or soon on its way there has hit sentiment hard,' said Eugene Law, head of research at Celestial Asia Securities Holdings.

'People worry about prospects of more downside on Wall Street... they fear more losses on expectations of negative June non-farm payrolls data,' he said.

Howard Gorges, vice chairman at South China Securities, said there is much pessimism on Wall Street these days which explain recent selloffs there and the spillover impact on global bourses.

'At some point, I believe there will be a technical bounce as global inflation may trend down amid tighter monetary policies, softening demand for commodities,' he said.

'But at the moment, there seems to be an obsession with a view that global economic growth is slowing and corporate earnings are falling,' he said.

Gorges said the market was hit today 'by scores of anxious sellers, possibly including fund managers who wanted to liquidate positions and funds meeting redemptions.'

'It's also possible that some investors were about to throw in the towel amid a host of uncertainties.'

Law attributed falls in China financials to a combination of profit-taking and rumors that some fund managers deliberately sold down China banks.

'China financials outperformed the benchmark index in recent weeks and scores of investors must have locked in some profit,' he said.

'But the sector was also hit by some crazy rumors that some fund managers deliberately sold down China banks following a spate of recent heavy buying by other fund managers,' he said.

'There was talk of some dispute among some fund managers involving buying and selling of China banks, but the crux of the issue is unclear,' Law said.

Castor Pang, strategist at Sun Hung Kai Financial Group, said worries that US jobs data will trigger more falls on Wall Street prompted heavy selling in the afternoon.

'Scores of investors used these as an excuse to sell down stocks,' he said.

As sentiment is weak, investors are using any piece of negative news as an excuse to sell down stocks, Pang said.

Among China banks, ICBC lost 0.21 hkd or 4.02 pct at 5.01, China Construction Bank fell 0.30 hkd or 4.89 pct to 5.84 and Bank of Communications shed 0.33 hkd or 3.71 pct at 8.57.

Ping An Insurance dropped 4.60 hkd or 8.6 pct to 48.90 despite denying rumors that it was under investigation for tax evasion.

The company said that China's State Administration of Taxation is carrying out a routine inspection of the company and its subsidiaries to check the company's payment of taxes during the period from 2004 to 2006.

Investors were also assessing the company's reported purchase of additional 75 mln eur worth of shares in Belgian-Dutch banking and insurance group Fortis NV.

Among commodities, Zijin Mining lost 0.368 hkd or 5.44 pct at 6.40, Chalco tumbled 0.66 hkd or 7.36 pct to 8.31, Angang Steel shed 0.58 hkd or 3.84 pct at 14.52 and Lingbao Gold fell 0.14 hkd or 4.32 pct to 3.10.

Oil producer CNOOC fell 0.56 hkd or 3.98 pct to 13.50 on worries that slower global economic growth will hurt energy demand.

Refiner China Petroleum & Chemical Corp (Sinopec) was down 0.20 hkd or 2.84 pct at 6.84, while PetroChina -- which also has refining business -- was down 0.32 hkd or 3.24 pct lower at 9.55 after crude oil hit 145 usd a barrel today.

Large-caps were mostly lower, with China Mobile losing 0.80 hkd or 0.78 pct at 101.80, HSBC down 1.0 hkd or 0.84 pct at 117.60, Hong Kong Exchanges and Clearing 5.0 hkd or 4.55 pct lower at 105.

China Life fell 0.95 hkd or 3.61 pct to 25.40 on worries over its investment income as the Shanghai bourse had dropped about 50 pct so far this year.

Airlines fell on worries over high jet fuel prices, with China Southern losing 0.03 hkd or 1.02 pct at 2.92, China Eastern down 0.15 hkd or 6.38 pct at 2.20 and Air China falling 0.15 hkd or 4.05 pct to 3.55.

Cathay Pacific was down 0.14 hkd or 1 pct at 13.84, extending yesterday's 5.9 pct fall following a profit-warning.

The carrier said its results this year will be disappointing due to high jet fuel costs.

Local property firms finished lower after mortgage rate hikes by Hong Kong banks.

Cheung Kong was down 0.70 hkd or 0.68 pct at 102.40, Sino Land lost 0.02 hkd or 0.14 pct at 14.50 and Henderson Land was 1.0 hkd or 2.11 pct lower at 46.50.

Sun Hung Kai Properties slipped 1.30 hkd or 1.25 pct to 103 despite news that its controlling Kwok family bought an additional shares of the company.

China electricity firms were lower amid disappointment over the magnitude of the latest hike in wholesale electricity tariffs on the mainland.

China raised on-grid power tariffs by up to 0.035 yuan per kilowatt hour, with the increase varying from province to province.

The hike in on-grid tariffs -- the prices at which independent power plants sell electricity to grid companies -- is aimed at further easing the cost burdens of power producers and ensuring adequate power supply, China's National Development and Reform Commission said.

China Resources Power lost 0.34 hkd or 1.83 pct at 18.20, Huaneng Power fell 0.29 hkd or 5.53 pct to 4.95 and Datang Power tumbled 0.26 hkd or 5.86 pct to 4.18.

The China Enterprises index was down 469 points or 4.04 pct at 11,139.92.

Source: Forbes

<http://www.forbes.com/afxnews/limited/feeds/afx/2008/07/03/afx5180468.html>