

Hong Kong shares outlook - Lower on U.S. economic worries

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HONG KONG (Thomson Financial) - Hong Kong shares are expected to open lower on Monday, tracking Wall Street's fall on Friday as growing pessimism about the U.S. economy and rising oil prices may hold back investors from seeking bargains.

Financial stocks may lead the decline amid investor anxiety about the health of the U.S. financial system due to concerns about the country's biggest mortgage financiers Fannie Mae and Freddie Mac.

Wall Street is worried that a collapse of the two financiers -- which guarantee about \$5 trillion worth of mortgages or about half of the U.S. outstanding mortgages -- would cause a further shock to the financial system and trigger more losses for banks and brokerages with significant holdings of mortgage-backed securities.

The Dow Jones industrial average fell 1.1 percent to end at 11,100.54 on Friday, after skidding to as low as 10,977.68 earlier. It last traded below 11,000 on July 25, 2006.

"Financial heavyweights like HSBC may follow the U.S. financial index, which retreated on Friday, as investors worry about the big mortgage lenders," said Patrick Yiu, associate director at CASH Asset Management.

Treasury Secretary Henry Paulson said the focus was to support the pair "in their current form" without a takeover by the government. The New York Times reported last week that the struggling mortgage giants may be put under U.S. government control.

On Friday, the Hang Seng index closed up 362.77 points or 1.66 percent at 22,184.55.

Stocks to watch include PCCW Ltd, Sun Hung Kai Properties and other real estate companies, and CNOOC Ltd.

Sun Hung Kai Properties Ltd (SHKP) said it will partner with Wharf (Holdings) and Henderson Land Development to build an integrated residential and commercial complex on a prime site in Chengdu, that involves total investment of 4.6 billion yuan.

Hong Kong's largest property developer will take a 40 percent stake in the joint venture, while Wharf and Henderson will each own 30 percent.

The development, with total gross floor area of 13 million square feet, will comprise an office tower of over 280 metres rivaling the prestigious Two IFC in Hong Kong, with a five-star hotel, high-end shopping centre with international retailers and residences.

PCCW Ltd is under pressure from banks to lift the interest rate it proposes to pay on a \$3 billion

syndication loan, the South China Morning Post reported.

The deal will be the largest syndication loan in the city's financial history, surpassing the HK\$17.4 billion five-year term loan facility raised from a 33-bank syndicate last year by IFC Development, the paper said.

According to a banker who was invited to join a syndicate of lenders, PCCW initially indicated it would be willing to pay an all-in interest rate of about 150 basis points over Libor for the blended loan facility.

"It is my understanding that most banks have expressed the view that a blended facility pitched at 170-180 basis points over Libor is their bottom line for the deal," the report cited the banker as saying.

CNOOC Ltd will be watched after oil prices continued to soar. Oil prices continued their run-up on Friday, rising to a trading record of \$147.27 amid tensions between the West and Iran. Light, sweet crude for August delivery settled up \$3.43 at \$145.08, slightly below a record close of \$145.29 a barrel set more than a week earlier.

Source: Xinhua Newsfeed



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