

Asian markets convulse under Nasdaq's Bad Friday hiccups

Dalal Street too feels the heat as Sensex sheds 291 points

HTC and Agencies
Mumbai and Tokyo, April 17

ASIAN STOCKS were decimated on Monday by the kind of panic selling not seen since the height of the Asian economic crisis as investors took flight following Wall Street's plunge on Friday.

The key Tokyo market tumbled 7.0 percent and in South Korea the key index plummeted 11.7 percent as both exchanges registered their biggest one-day points falls ever.

The BSE Sensex shed a staggering 291 points, opening the day at 4,797.95 points and touching 4,899.54 points before closing at 4,880.71 points. The day began on a gloomy note on Dalal Street, with host of software shares crashing to the lower end of the 8 per cent price band as soon as trading commenced and staying there till trading closed. Shares of blue chips Infosys, Satyam Computers, Pentamedia Graphics, and Global Telesystems all remained locked at the lower end of the filter.

In line with the sentiments on the BSE, the NSE too saw a bearish trend with the S&P CNX Nifty being placed at 1,443 points, showing a drop of 75 points.

While most of the software shares hit

the lower end of the circuit filter, there was some buying concentrated in the shares of Hindustan Petroleum, Hindustan Lever and Bajaj Auto.

According to a dealer with a domestic

current settlement on the NSE. Hence there may be squaring up of outstanding positions

The much-fancied software sector may continue to see a downside follow-



A Mumbai stockbroker gestures to his colleagues to hold back on purchase of Information Technology scrips on Monday. Photo: AP

brokerage firm, there were hardly any volumes owing to a freeze in most shares. "We will have to watch the trend on the Nasdaq again," he stated.

The sentiments may be a little weak when trading resumes on Tuesday, according to brokers, owing to the fact that it is the last day of trading in the

ing a spate of warnings from leading brokerage outfits and consultancy firms that some of the shares in the sector were overvalued. However, some of the companies in the sector such as Apteck, NIIT and DSQ Software have shown encouraging results.

Taiwan was the only market to rise,

gaining 1.4 percent in bargain-hunting after taking a 5.4 percent hit on Saturday.

On Friday, the tech-laden Nasdaq composite index in the United States tumbled 355.51 points (9.67 percent) to close at 3,321.27. The blue-chip Dow Jones Industrial Average plummeted 617.78 points (5.66 percent) to 10,305.77.

Investors in Tokyo fled the market after both Wall Street indexes suffered their worst single-day point declines on Friday, brokers said, on fears of higher US interest rates. The key Nikkei-225 average fell 1,426.04 points to end at 19,008.64.

Along with the US bloodbath, dealers said investors were unnerved by the weekend announcement that the Nikkei-255 stock average would be reshuffled to better reflect market trends led by information-technology issues.

Hong Kong share prices tumbled 8.55 percent in panic selling. The key Hang Seng index lost 1,380.39 points to close below the 15,000-point for the first time since January 25 at 14,762.37, on turnover of 15.10 billion Hong Kong dollars (1.94 billion US).

The fall was the largest single-day drop since October 28, 1997, when the index closed down 1,438.31 points.

Nasdaq rallies after Asian crash

REUTERS, AP & PTI

TOKYO, April 17. — Rattled by last week's carnage on Wall Street, Asia's top stock markets plunged sharply today, setting the stage for a tumble in Europe as well.

The Nasdaq, however, bounced back from Friday's massive sell-off as investors steadied their nerves over the weekend and scooped up cheap stocks.

The composite index fell 94 points in the market's opening moments, but then climbed into the black. After swings either way, it stood up 11 points, or 0.36 per cent at 3,333 by mid-afternoon.

The Dow Jones industrial average too rallied — up 69 points, or 0.67 per cent at 10,374 by mid-afternoon, recovering from a brief drop into negative territory after mid-day.

As of mid-afternoon, most blue chips were in positive territory.

During the day, however, investors savaged Asian bourses, slicing 8.6 per cent from Tokyo's benchmark Nikkei index, driving Seoul down 11 per cent, Hong Kong and Singapore around eight per cent, and stripping five per cent off Sydney.

European markets opened low, and tumbled four per cent in opening trade. The Financial Times 100-share index opened down 4 per cent, and Germany's Dax-30 blue-chip index 4.3 per cent lower.

But the US bounce-back pulled the bourses upward.

Indian markets logged huge losses as the new economy stocks — infotech, communications and entertainment — crashed further under unabated selling pressure, says SNS Mumbai.

The sensitive index of Stock Exchange, Mumbai, opened at 4,797.95 — 374 points below last week's closing figure of 5,172.13 — with most stocks languishing at lower circuit barriers. Some old

economy shares at like HLL or RIL tried to salvage the index, but overwhelming pressure in the hitherto much sought after software stocks kept the slide going.

At the end of the day, the Sensex stood at 4,880.71, a loss of 291.42 points, closing below the 5,000 mark for the first time since 11 October 1999.

The bears went on the rampage after investors savaged the Nasdaq and Dow Jones indus-

tries on Friday, pulling them down 9.67 per cent and 5.66 per cent. As the Stock Exchange, Mumbai readied to open, waves of panic selling were already sweeping through Asia. The

Hang Seng stood at 14,933.56, down 1,209 points or 7.49 per cent. The Nikkei was at 18,684, minus 1,751 points, or down 8.57 per cent.

Favourites at the SE, Mumbai opened eight per cent below their previous levels. The losers were: Wipro Rs 4,536.8 (minus 394.5), Global Tele Rs 1,695 (minus 147.4), Silverline Rs 636.1 (minus 55.3), NIT Rs 1,974.8 (minus 171.7), HCL Tech Rs 1,497.7 (minus 130.2), Software Solution Rs

3,585.7 (minus 311.8), Satyam Rs 3,758.9 (minus 326.9), Infosys Rs 8,521.3 (minus 741), Apteck Rs 1,850.4 (minus 160.9) and Hughes Soft Rs 3,272.8 (minus 284.6).

Other major losers were HPCL, ITC, Ranbaxy, Dr Reddy and Zee Telefilms.

Trading in new economy stocks was almost stalled since most of them hit the lower circuits. The top ten traded were all old economy stocks with Reliance leading the table with a volume of 1 crore 37 lakh stocks. The winners of the day were RIL (Rs 399.59 crore), L&T (Rs 91.42 crore), ACC (Rs 69.79 crore), Sterlite (Rs 58.93 crore), HLL (Rs 42.44 crore), SBI (Rs 42.42 crore), ITC (Rs 37.53 crore), Digital Equipment (Rs 33.43 crore), Ranbaxy (Rs 27.26 crore) and MTNL (Rs 27.26 crore).

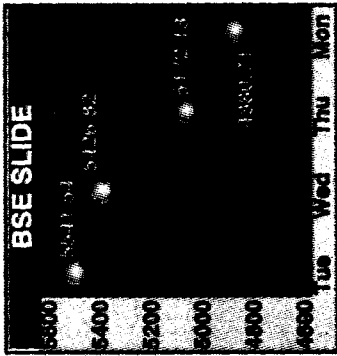
The panic rippled off Friday's crashes on the Nasdaq and Dow Jones, hit hard by over-

valuation of infotech stocks, anti-trust case against Microsoft, and the funds crunch in many dot com companies.

Analysts have with near unanimity declared almost all software stocks as overvalued and in need of serious correction. But they have held back their predictions of real values, creating prolonged uncertainty at the bourses. Some analysts say software, communication and media stocks might be overvalued by between 60 and 100 per cent.

"The key thing is that investor psychology has changed from greed to fear," Reuters quoted HSBC Australia equity strategist, Mr John Banos, as saying. "I think the trend for new economy, or technology, stocks will not only be weaker this week, but over the next three months."

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A free trade area for Asia

By V. Jayanth

THE UNION Finance Minister, Mr. Yashwant Sinha, made the suggestion to the visiting Singapore Prime Minister, Mr. Goh Chok Tong, that an Asian Free Trade Area (FTA) should be considered. At first, Mr. Goh did not take it too seriously. But the need for such a joint approach may have begun to sink in among leaders who are conscious of international and regional trends. More than East Asia, it is South and West Asia that need a continental trade bloc to make their voices heard in international fora, especially in the World Trade Organisation.

Singapore's Prime Minister, who favours another round of multilateral trade negotiations under the WTO, however considers an FTA for Asia imperative to avoid being 'marginalised'. When the West is clearly forming its own, larger, trade blocs, there is every possibility of Asia being sidelined unless it can speak with one voice.

In East Asia, the Asia Pacific Economic Cooperation (APEC) Forum has already woven 21 disparate economies together. They cover the entire spectrum from Russia to New Zealand on the Asian side and a group of Latin American countries and the U.S. on the other. Though India was keen on joining APEC, it was not invited to join in 1998 when three new members did.

Analysts point out that in the Asian continent, several trade groups and regional associations have come into being, but the Association of South East Asian Nations (ASEAN) has emerged as the most stable and substantial bloc of 10 countries. The ASEAN hopes to bring its Free Trade Area (AFTA) into effect by 2003 for founding members and progressively for the newer entrants in five years after that.

In the larger APEC Forum, in which ASEAN is the core, a free trade area has been envisaged by 2020. The developed economies have been given a 2010 deadline to bring down their non-trade barriers and accept free trade and the developing countries by 2020.

Though the South Asian Association for Regional Cooperation (SAARC) is nearing its 15th anniversary, it has taken up the concept of a SAARC Free Trade Area or SAFTA seriously only during the last couple of years. The last summit in Colombo

set an ambitious time limit of 2001 to finalise SAFTA, but the current stalemate in regional cooperation, thanks to the India-Pakistan stand off makes that impossible.

Even after Kargil, the SAARC Foreign Ministers had a productive meeting in New York on the sidelines of the U.N. General Assembly last year. But the military coup in Islamabad after that has obviously rocked the SAARC movement. Its December summit, planned in Kathmandu, was put off at India's insistence. The region

less the two major powers of the region sink their bilateral differences for the common good of the region, South Asia will be left far behind in this race for regional cooperation.

Apart from SAARC and ASEAN, West Asia too has to get its act together. There are sharp differences there too and the rise of Islamic fundamentalism and cross-border terrorism threaten to blow away the hopes for regional cooperation.

Outside this ambit, a pan Asian forum

When the West is clearly forming its own, larger, trade blocs, there is every possibility of Asia being sidelined unless it can speak with one voice.

that links parts of Africa with Australia has taken shape. Called the Indian Ocean Rim Association for Regional Cooperation (IOR ARC), this group already has 19 members. It does not include Pakistan for now and is grappling with teething problems before it can get on with an ambitious agenda of economic and trade cooperation. Four years after its birth, it has not gone very far, except expanding in numbers. The IOR grouping symbolises the asymmetry and diversity of views among developing countries, particularly in Asia and Africa. Their priorities and approaches just do not coincide and some external players seem to be needing the Association through their puppets.

Unless the existing members freeze the membership and get on with their agenda to make things work, the Indian Ocean fraternity may sink under its own weight. This plurality, divisive tendencies and lack of a common goal make it so much more difficult to achieve an Asian Free Trade Area.

Academic and industry circles argue that the first step towards such a continental affair must be taken by South Asia. If SAFTA materialises, the second stage could be a marriage between South Asia and Southeast Asia or between SAFTA and AFTA. The third phase could be its integration with APEC and that would make it really massive.

if the much-talked about millennium round of trade negotiations under the WTO materialises in a year or two, it is doubtful if the Asian FTA will even take off. If the multilateral negotiations do not take off, then Asia will be left out.

The North American Free Trade Area (NAFTA) will move towards South America to create the FTA of the Americas. Simultaneously, the European Union will expand to include the East European economies. Together, these two major trade blocs can dictate terms to the rest of the world.

Trade analysts say that the major problem with Asian countries is that they are basically 'competitors' for the same kind of products in the same markets in the U.S. and Europe. That makes it even more difficult for them to enter into a trade arrangement. Just as India and Sri Lanka cannot get over their rivalry in tea and rubber, Indonesia, Malaysia and Thailand have their own competition in garments, even as Singapore and Malaysia compete in electronics. Japan and South Korea share many common strengths, while China is in a league of its own.

The only way forward in this maze is to synergise, for rivals to cooperate and adopt a joint marketing strategy to penetrate new markets. Like the idea of forming tea cartels to enable India, Kenya and Sri Lanka to work together for the common good, ways must be found for a wider spectrum of Asian countries to bury their differences and look for common ground or least denominating factors.

By pooling their strengths, skills and resources, they can agree to evolve a shared strategy for adding value to their products and marketing them together. If a primary producer, a processor and a manufacturer can team up to avoid replication of the processes and tie up with a sound marketing firm, they can command a better market and price in the global village.

One thing is sure. Unless the Asians are driven by necessity and force, they will not work together. Regional trade blocs are power centres in world trade, where individual voices cannot be heard. The sooner the Asians realise this and come together the better for them. Otherwise, they run the risk of being marginalised.