Attacks on Afghanistan to hit global economy: HK chief

AFP, *Hong Kong*

Hong Kong chief executive Tung Chee-hwa warned Monday that the US-led attacks on Afghanistan will affect the global economy.

Following an urgent meeting with senior officials to review developments following the strikes, Tung said that "where there are international activities of this sort that heighten tension, obviously this might affect the global economy".

"And we are watching carefully how this might affect Hong Kong."

He reiterated that the Hong Kong government supported international efforts to combat terrorism, saying "the acts of terrorism are totally unacceptable".

"In Hong Kong, we are acting in accordance with the central government's directive to enact the latest United Nations resolution," he said.

Tung added that the government was liasing with the US and other international organisations in the fight against terrorism.

"General speaking, Hong Kong is stable and safe," said Tung.

There was no visible additional security outside the US consulate here which was closed Monday for Columbus Day, a federal holiday. Vehicles entering the consulate premises were subjected to strict security checks adopted in the wake of the September 11 terrorist attacks in the United States.

"We are very heartened by the very strong support Hong Kong has given" in the fight against global terrorism, US consulate general Michael Klosson told reporters.

He said he met Hong Kong officials regularly for consultations on American interests in Hong Kong.

Political activists, meanwhile, will stage a series of protests starting with a candle-light rally later Monday before marching to the US consulate, Lau Shan-ching, spokesman for the Committee for Peace not War, told AFP.

Indian gold prices rise

AFP, *Bombay*

Gold prices in India rose over 2.5 per cent in early trading Monday with traders anticipating sustained demand in the aftermath of the US-led attacks on Afghanistan, dealers said.

The price of gold in Bombay in the first half hour of trade was 4,900 rupees (102 dollars) per ten grams and 57,000 rupees an ounce against Friday's closing figures of 4,750 and 56,150 rupees respectively.

"The price has risen sharply as traders are buying the metal anticipating a steady demand from investors in the near term given the war situation in Afghanistan. With stock markets collapsing, investors have no option but to buy the yellow metal," Bombay Bullion Association vice president Mukul Sonawala said.

He added that demand for gold should also remain high because of seasonal demand.

Indians, particularly Hindus, buy a great deal of gold from October to December during the festival and marriage season.

But World Gold Council regional director for India G.S. Pillai said prices could collapse if the military action continued for some time.

"Even a reversal is possible if the war lasts. Its a well known fact that gold appreciates when others investment options collapse. However, a long drawn-out war will dampen sentiment to an extent that people may abstain from shopping totally," he added.

Asian, European stocks tumble

AFP, *Hong Kong*

Asian stocks tumbled Monday after the United States-led military strikes against Afghanistan but losses were moderate because the action had been long expected, dealers said.

Nevertheless, regional markets would continue to be plagued by uncertainty over how long the action would continue, how far it would spread and the possibility of further terrorist attacks, they added.

Asian markets were the first to reopen after US President George W. Bush ordered strikes Sunday against targets linked to Afghanistan's Taliban regime. The Taliban are believed to be sheltering Osama Bin Laden, the Islamic militant suspected of being behind the September 11 terror attacks against New York and Washington.

In Sydney, ABN-Amro Equities Australia strategist Gerard Minack said that "timing aside, the counter-attack should not surprise anyone. Even Osama bin Laden had pre-recorded his response.

"The major military uncertainty for markets is not the American attack but the threat of a terrorist response. How likely that is remains an unknown but clearly is a lingering negative for equity markets," Minack said.

Dealers said many investors were waiting for Wall Street's reaction to the military reprisals. However, US markets were to remain closed Monday for a public holiday, along with Asia's key market in Tokyo.

Hong Kong shares closed 2.7 per cent lower in morning trade in what dealers described as a knee-jerk reaction to the US-led strikes. The key Hang Seng index lost 280.46 points to close the morning session at 9,996.92.

Ross Cheung, an analyst with Tanrich Securities, said the market was slightly overbought last week and investors were using the US-led military action as an excuse for profit taking.

The reaction on the Australian market to the expected attacks was muted but investors would continue to react warily as the US war against terrorism unfolded, dealers said.

In late afternoon trade, the key All Ordinaries index was down 34.60 points or 1.1 per cent at 3,079.60.

"The market is reacting to the uncertainty that this military action brings," Ausbil Dexia equities director Paul Xiradis said.

Singapore share prices closed the morning session down 1.9 per cent recovering from early heavy falls.

The Straits Times Index ended the session down 26.30 points at 1,359.15, after earlier falling 46.36 points or more than 3.0 per cent to a low of 1,339.09.

UOB-Kay Hian Securities' Yang Sy Jian said the market may go down further, depending on the direction of US markets when they reopen.

South Korean shares reacted mildly to the news, with the composite index falling 0.7 per cent or 4.29 points to 497.63 by mid-afternoon.

The market should stabilise unless a long and difficult war becomes a certainty, SK Securities analyst Park Yong-sun said.

In the Muslim nation of Indonesia share prices fell 3.7 per cent in morning trade due to fears of increasing instability in reaction to the US-led attacks.

Dealers said there were strong concerns of massive protests against US and other foreign interests, underlined by the fact the Front for the Defenders of Islam said Monday it would attack US interests and citizens unless Jakarta severed diplomatic ties with Washington.

The Jakarta Stock Exchange Composite Index was down 14.196 points at 365.316.

In fellow Mulim nation Malaysia, stocks fell 1.5 per cent in morning trade. The Kuala Lumpur Stock Exchange's composite index slipped 8.60 points to close the morning session at 600.40, recovering from an earlier low of 595.48.

In the first two markets to close for the day, New Zealand shares fell just 0.4 per cent but in the Philippines, the key index dived 3.7 per cent to a 10-year low.

Another report from London says: Europe stock markets sagged heavily on Monday as investors responded nervously to the US-led military onslaught on Afghanistan that erupted overnight.

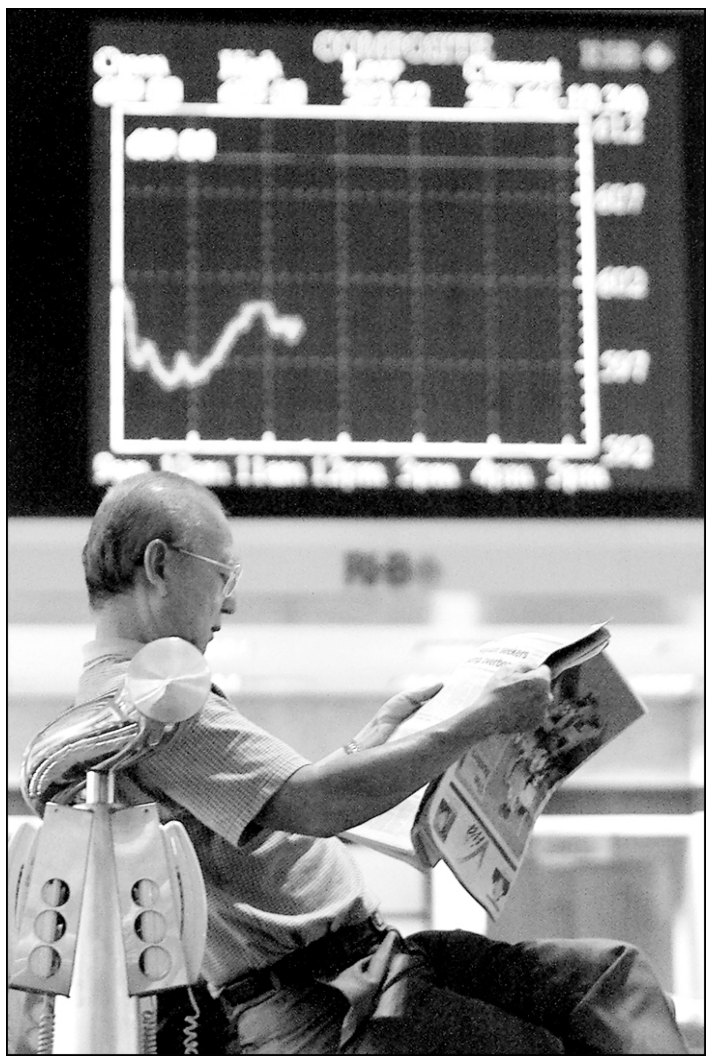

PHOTO: AFP

An investor reads the news on the attacks on Afghanistan by the United States at the RHB gallery of the Kuala Lumpur Stock Exchange Monday. In reaction to the US attacks on Afghanistan, Malaysian share prices stayed broadly lower at mid-morning, with the Composite Index down 13.30 points at 595.70 at 10am local time.

Major share indices fell more than two per cent in a knee-jerk reaction to the sight of cruise missiles and bombers targeting Taliban and suspected terrorist sites in retaliation for last month's terrorist attacks on New York and Washington.

On bond markets in Europe, yields fell as bond prices rose on buying from investors moving capital into safe instruments.

But several analysts pointed out that the military action was far from unexpected and that stock markets were unlikely to slump to the nadir plumbed in the immediate aftermath of the September 11 events.

London's FTSE 100 index fell two per cent to 4,936.9 points, still well clear of last month's low point of 4,433.7 points.

In Paris, the CAC 40 index lost 2.5 per cent to 4,061.7 points, while Frankfurt's DAX index gave up 2.8 per cent to 4,361.6 points.

The euro rose to 0.9206 dollars, the price of oil inched up to 22.10 dollars a barrel in pre-market electronic trading, while the gold price opened at 293.15 from 291 in London late on Friday.

"Uncertainty is not good for markets, war is rarely good for markets and the combination of the two is not going to be great," said Robert Kerr, a London-based equities specialist with Bank of America.

"But the market's has come up a long way since the nadir after September 11 (because of) the liquidity and monetary easing initiatives that were taking place in the United States and Europe," he added.

"Nobody can say that what has happened has come as a surprise, so we are not expecting a return to the post-September 11 nadir," Kerr told AFP.

Markets were hit across the board, with few places for investors to hide. Only four FTSE 100 companies made gains on Monday.

But analysts said the impact could be limited because major markets were to remain shut on Monday. As well as the Tokyo bourse, the US government bond market was closed for a holiday, meaning that US investors at least would struggle to switch out of stocks and into bonds.

European bond markets remained open, and bond yields fell as investors adopted a "flight to quality" stance. The yield on the 10-year German Bund eased to 4.615 per cent compared with 4.645 per cent on Friday.

"In a relatively moderate way, the euro gained a bit, the stock markets opened lower and we have seen a 'flight to quality' on the bond market," said Nathalie Fillet, a Paris-based bond market strategist with BNP Paribas.

OPEC keeps output options open

AFP, *Vienna*

The OPEC oil cartel will wait for at least 48 hours before taking any decision on cutting output to support slumping prices, after the start of US-led attacks in Afghanistan, a spokesman said on Monday.

But the 11-member cartel, which produces 40 per cent of the world's crude, said there would be no immediate triggering of a price-band mechanism to cut production, after conditions were met for such a reduction.

Analysts meanwhile forecast that OPEC would not cut output to boost prices at such a sensitive time for recession-threatened industrialised economies.

"We're not going to do anything for another 48 hours," Abdelrahman Al Kheraigi told AFP. "We expect something by the end of this week if not sooner," he added.

He added that an OPEC price-band mechanism, which in theory could automatically have cut production by 500,000 barrels per day on Monday, would not be implemented immediately.

"We do not expect any automatic triggering of the price band mechanism," he said.

Under the mechanism aimed at keeping OPEC's basket oil price between 22-28 dollars per barrel, the cartel agreed to cut output by 500,000 barrels per day if the price remained below 22 dollars for 10 working days.

That condition was met last Friday when the basket price stood at 20.09 dollars, according to OPEC secretariat calculations released on Monday.

Crude prices have plummeted in the wake of the terror attacks, as markets react to slowing demand from increasingly recession-hit economies around the world.

OPEC, which produces 40 per cent of the world's crude, decided at a September 26-27 ministerial meeting in Vienna to keep production quotas unchanged.

Slumping crude prices have a serious impact on the oil-dependent economies of the OPEC member states, and the Arab-dominated cartel would normally cut production to boost prices.

But analysts, including the Middle East Economic Survey (MEES) industry newsletter, say the cartel has its hands tied politically under the current circumstances.

"MEES understands there is very little chance of an OPEC production cut at this point for a number of reasons," it said Monday. "To cut production when the world economy is entering a recession would lead to widespread criticism."

"The organisation feels the impact of the September 1 cuts has not yet been felt in the market and will not be fully apparent until the end of October," it said.

"During this uncertain period, a politically more acceptable option for the OPEC producers would be to reiterate and demonstrate their commitment to quota observance, which in turn would boost their credibility in the market."

Crude prices barely reacted on Monday to the overnight start of military action against the Taliban in Afghanistan. In Singapore US benchmark light crude futures traded down 24 cents, while in London Brent crude gave up early gains.

SHIPPING

ROK takes emergency economic steps

AFP, *Seoul*

South Korea on Monday took emergency economic steps to contain the fallout from US military strikes in Afghanistan.

Deputy Prime Minister Jin Nyum held an urgent meeting of economic ministers after putting a government task force on work.

The central Bank of Korea promised to intervene in the money market by using foreign exchange reserves, which now stand at 100 billion dollars.

Share prices fell slightly after the US action, with investors sidelined. But economic officials and analysts agreed the impact would not last long.

"The government believes the impact of the military strikes will not be as serious," the Ministry of Finance and Economy said in a statement.

Daewoo Securities analyst Shin Seong-Ho said: "As long as no second terrorist attack of a similar sort (to Sept 11) happens, the market should see stable trade and now is one of those bargain hunting opportunities."

Malaysian economy stable despite US disaster

AFP, *Kuala Lumpur*

Malaysia's economy has weakened after last month's terror attacks on the US but remained stable with low inflation and strong reserves, Prime Minister Mahathir Mohamad said Monday.

His comments came amid the release of gloomy industrial production figures for August, with manufacturing output falling 10.5 per cent from a year earlier, hurt by the slowing global economy.

Mahathir told parliament that Malaysia was not spared from the US disaster, with exports falling, the stock market plunging 10.9 per cent between September 11 and 28, and foreign investment likely to dry up.

"The transport, insurance and tourism industries are also affected and costs of trade will go up due to increased freight and insurance rates," he was quoted as saying by Bernama news agency.

But the premier noted that inflation remained low and the country's international reserves remained strong at 29.7 billion dollars as of September 29, sufficient to finance 4.6 months of retained imports.

"This means Malaysia is still a competitive nation... the government has the capacity and the means to overcome this new economic crisis," he said.

Mahathir, who is also finance minister, said a new 4.3 billion ringgit (1.13 billion dollar) stimulus package announced last month would raise domestic spending and offset a slowdown in external trade.

The new spending followed a three billion ringgit supplementary budget unveiled in March.

The premier said allocations for next year's budget, which he would unveil in parliament on October 19, would take into account US economic developments.

The government will for a second time revise its official growth forecast for this year when it unveils its budget. In March it cut its growth estimate from seven per cent to between five and six per cent amid the US slowdown.

In a statement, the Statistics Department said Malaysia's industrial production in August fell 7.3 per cent from a year earlier and was down 3.5 from the previous month, due to declines in manufacturing and mining.

The industrial production index measures manufacturing, mining, including oil and gas production, and electricity generation.