

Pound crashes in Tokyo, Asian stocks mixed.By **Chaitanya Kalbag**

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TOKYO, Feb 1, Reuter - Currency speculators who sparked a fresh crisis in the European monetary system over the weekend brought their heavy guns to bear on Britain's currency on Monday, ramming the pound to new lows in Tokyo trading.

Asian stock markets were mixed.

After forcing a 10 per cent devaluation of the Irish punt within Europe's exchange rate mechanism (ERM) on Saturday, financial markets sold sterling down across the board to an all-time low of 2.3550 marks in mid-morning Tokyo.

"We cannot see how far sterling will fall," a commercial bank dealer in Tokyo said. "It will not stop sliding at least during Tokyo trading hours."

At Tokyo midday (0300 GMT), sterling was quoted at 2.3682 marks, off the intra-day low but down from the previous low of 2.3693 marks set last October.

Sterling was also quoted at \$1.4585/95 at Tokyo midday, after falling to \$1.4545, a six-year low, in morning trade. It ended at \$1.4865/75 in New York on Friday.

Apart from the core currencies of Germany and the Benelux countries, only the French franc and Danish crown have managed to resist pressure for a devaluation to help ease the pain of Europe's gathering recession.

The ERM, which holds currencies within pre-set bands, has been in crisis for months. Britain and Italy withdrew from the grid in September and Spain and Portugal had to devalue in November, Spain for the second time in weeks.

Analysts have said the turmoil may not end until Germany's Bundesbank starts to reduce interest rates.

Sterling sales emerged after an article in Britain's Sunday Times newspaper said Prime Minister John Major was pressing for further sharp cuts in British interest rates to stimulate recovery, Tokyo dealers said. Major denied the report.

Britain cut base rates last week to a 15-year low of 6.0 per cent. Mentioning "close colleagues", the Sunday Time newspaper said Major wanted rates as low as 4.0 per cent by mid-year with a one percentage point cut to 5.0 per cent likely around the March 16 tax budget.

Sterling's weakness continued to drag down other European currencies, but the uncertainty and better-than-expected U.S. economic data on Friday set a firmer tone for the dollar. It stood at Tokyo midday at 124.79 yen and 1.6232 marks, against New York's 124.60/70 and 1.6108/18 closes on Friday.

Asian stock markets enjoyed mixed fortunes on Monday. In Tokyo, profit-taking after last week's rally was balanced by buying by public pension and insurance funds. At midday, the 225-share Nikkei average was up 28.19 points or 0.17 per cent to 17,051.97.

In Hong Kong, sterling's plunge hit HSBC Holdings shares which eased HK\$1 to HK\$59 (US\$7.62) after slipping HK\$1.5 at one point. HSBC's fall led the Hang Seng Index down 50.83 points to 5,700.57 at 0330 GMT, still above a morning low of 5,677.12.

"The price of HSBC Holdings is largely due to the slide of sterling," said Raphael Chan, a manager at Sun Hung Kai Securities.

No such worries were visible in Singapore where the 30-share Straits Times Industrial Index (STI) rose 11.13 points to an intra-day record high of 1,631.29 in late morning trading.

"The buying looks quite broad-based at the moment. It's difficult to tell when we will correct," a foreign firm's broker said.



Taiwanese investors were also marching to a different tune after Premier Hau Pei-tsun announced on Saturday he was resigning to ease a political crisis.

After 30 minutes, the weighted index had surged 76.57 points to 3,451.13 on turnover of T\$4 billion (US\$154 million).

The Australian stock market was gripped by ennui. Activity was reduced by the Australia Day holiday in Victoria. "There's no real momentum -- stocks are just drifting," said one broker.

By 2325 GMT the All Ordinaries index was down 4.0 points to 1524.2.

Gold bullion was trading at \$330.25 an ounce in Asian trade at 0205 GMT against a Friday New York close of \$329.85.

Activity in oil markets was limited by the absence of many Singapore traders who were watching the U.S. Superbowl on television.

Spot crude prices were assessed steady to slightly softer from Friday's late U.S. trading. March Brent was quoted at \$18.45 a barrel against \$18.57 in New York on Friday.

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