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TIMES ONLINE



“The BBC is pandering to the wishes of extremists” Jeremy Clarkson

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From The Times

December 13, 2008

HSBC hit by fear factor as downturn spreads to Asia

Market report

Peter Stiff

HSBC has long been favoured in the UK banking sector, with its Asian exposure seen as making it the best placed to ride out the downturn.

However, now that a global recession is almost a certainty, it too, is likely to come under increasing pressure, according to analysts at Dresdner Kleinwort.

Yesterday the broker cautioned that with bad loans rising and its main Asian countries beginning to suffer, HSBC may cut its 2009 dividend substantially. It said that while HSBC remained capable of withstanding the impacts of a global recession, with one of the strongest balance sheets in Europe and good deposit inflows, it was not immune.

Dresdner is forecasting that the bank's dividend will fall 39 per cent between 2007 and 2009, to 74 cents in 2008 and 55 cents in 2009.

It has subsequently reduced its rating on the stock to "hold" from "buy" and cut its price target to 800p, down from £11.00, noting that while HSBC had been a core buy for it all year, recording a stellar 34 per cent outperformance against its peers, it now looked relatively expensive.

HSBC shares fell 17p to 733p following the rest of the banking sector, which weighed heavily on the FTSE 100, as concerns grow about levels of bad debts from both consumers and businesses.

These fears were exacerbated after HBOS, down 20.1p to 67½p, said that worsening market conditions and falling house prices had raised the number of bad loans and led to further asset impairments. Lloyds TSB, which is buying HBOS, was the index's second biggest faller, down 28.1p to 129.9p. Royal Bank of Scotland fell 10p to 56.1p and Barclays lost 13.1p to 148p.

Overall, the FTSE 100 slumped more than 2 per cent, falling 108.34 points to 4,280.35, with stock markets around the world taking fright after a huge bailout deal for US carmakers collapsed in the Senate.

Man Group dropped 45p to 245¼p, after Moody's, the ratings agency, put the hedge fund manager's debt on negative watch, citing the growing pressure on sales and redemptions that the hedge fund and asset management industries are experiencing.

Royal Dutch Shell A fell 49p to £17.50 after reports that its Dutch pension fund has fallen into deficit, with stock market turmoil knocking 40 per cent off its value.

GlaxoSmithKline rose 2p to £19.99½ amid positive results in a study on Tykerb in combination with Femara, the Novartis drug.

In the FTSE 250 Cattles dropped another 7p to 23p as dealers continued to sell out after news Thursday that its banking licence

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ADRO	TYN	NIP	EWV	FD	XLK	IOV
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EHH	EWJ	EWK	LIT	EWI	EWU	EWZ
-1.01%	-1.01%	1.04%	1.08%	1.11%	-1.13%	-1.14%
GGQQ	EPF	EWV	EWG	EWI	XLE	EWZ
-1.17%	-1.15%	1.23%	1.24%	1.25%	-1.20%	-1.24%
EWJ	EWK	EWV	EWG	EWI	EWZ	EWZ
-1.00%	-1.00%	1.05%	1.05%	1.05%	-2.20%	-2.20%

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would be delayed. Numis reiterated its thinking that the company needed the licence, which would allow it to accept deposits, or industry support in order to survive.

Travis Perkins, the building supplies group, rose 19p to 301½p, after saying it expects full year earnings to be in line with market expectations.

— **New York:** Investors set aside their fears about a collapse of the American car industry and propelled shares higher in a sign that the market is able to absorb troubling news. Wall Street recovered from significant selling after the Treasury Department announced that it was prepared to provide cash to the Big Three carmakers. The Dow Jones industrial average closed at 8,629.68 points, up 64.59.

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Canada to help bail out Big 3 automakers: report



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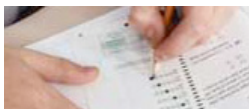
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