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US investors urged to buy stocks as 'a patriotic symbol'

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THE effects and impact of the attack on the World Trade Center in New York and the Pentagon last Tuesday reverberated throughout the world. Not only were the horrifying images brought into the living rooms live around the globe but shock, anger and the immediate reaction for revenge rang loud.

New York City will not be the same without the 110-storey twin towers which commanded attention in Manhattan and the city's view from across the Hudson River. The city's skyline has been changed forever.

But even more devastating is the effect the terrorists' strikes have on the psychology and lives of people and businesses around the world.

Many of the world's major companies, corporations and financial institutions had their offices in the prestigious buildings destroyed last Tuesday. In the same instant some 27 million sq feet of prime office space vanished.

Within minutes the towers were razed to the ground bringing along with it terror and anger and tragically cut short many innocent lives. The aerial attack on the American symbol of financial and military power also dented the notion that the US is invincible.

Even as the emotions are charged, anger, disbelief, dismay, despair and shock are understandable at the same time, the reaction and the need to deal with the terrorists and terrorism needs careful planning and coordinated action.

The world's only superpower must consider its reaction and the US President's call to war must be carefully considered as additional innocent lives will be lost as the enemy is not easily targeted.

No right thinking person, country and government agree with the horror, carnage, destruction and taking of innocent lives by the terrorists and terrorism no matter where. But rational and sane thinking individuals and responsible governments must act rationally and not irrationally.

As Prime Minister Datuk Seri Dr Mahathir Mohamad says "...all countries need to sit down together to discuss this matter seriously without taking sides". If the US, the only superpower in the world, is vulnerable and open to attacks by terrorists who are willing to die for their cause, what about other less powerful countries? Thus it is in the interest of all to consider a global approach in dealing with the enemy.

The US in wanting to vanquish the "powerful and terrible" enemies in the face of material, physical and monetary devastation, not to mention the loss of human lives, must think rationally before "much, much more is asked ...in the weeks and months ahead" and all "necessary and appropriate force against those nations, organisations or persons" is launched.

The US President has declared "We're at war" and a "strong determination to win the war" that America is planning a "broad and sustained campaign" to smoke them out of their holes and bring them to justice.

Undoubtedly the "declaration of war" will affect even more innocent lives, property and economy.

While structures hit were in the US, the World Trade Center in New York and Pentagon in Washington DC, the world and people around the globe are affected in more ways than one.

Citizens from various countries, including Malaysians, who worked at offices at the twin towers are still "missing" and nationals of many other countries still unaccounted for.

The financial and equity markets around the world headed south resulting

in wealth destruction last week. Many economies which looked to the US for export growth are now in an even more precarious situation.

Currency and equity markets are nervous.

The focus today will be on US exchanges as they open for business and trade following the longest shutdown since World War One. There are concerns about a "systemic risk collapsing hedge funds, global defaults, margin calls and the like".

The risk of a recession, in an already anaemic world economy, has been increased as a result of the possible effects of the attack on consumer confidence, on the markets and on oil price.

Then again New York's financial services industry which accounts for 2.7 per cent of US gross domestic product has been severely disrupted.

The greater worry for the economy is the impact and effect on consumer confidence. Consumer spending which accounts for some two thirds of US economic activity has been affected. The consumers are not likely to rush to the malls and even less likely to jump into an airplane for a holiday.

To boost confidence in the economy, various measures are being taken. Countries around the world are also looking to ways to cushion the adverse impact on their domestic economies. Malaysia, for example, has not ruled out further pump priming measures.

In the US there has been an unprecedented amount of liquidity injection into the banking system by the US Federal Reserve, which according to some estimates, of US\$18.25 billion (US\$1 = RM3.80).

There has also been swap agreements with the Bank of England and the European Central bank. But even as these measures are being taken the biggest and irreparable loss is that of innocent lives and valuable staff. The London based Financial Times quotes bankers as saying that "...the true assets of a financial firm walk out the front door at the end of the day". Many of these "assets" are still buried under the rubble, brick and mortar that once provided them their work space.

One fund manager is reported as saying "We have just lost a group of people with centuries of experience...I would say that some of the firms that got caught up in this are now gone".

While no value can be put on the loss of human lives and expertise, other losses can be calculated. Even these losses are set to run into unbelievable figures.

Conservative estimates of payouts are estimated to be the largest in terms of losses for the insurance and reinsurance industry. The insurance industry and Moody's are said to estimate claims related to the destruction of the World Trade Center at between US\$10 billion to US\$15 billion - the largest insurance payout for a man-made disaster.

The International Air Transport Association estimates revenue losses in the tens of billions of US dollars due to disruptions of airline services.

The world economy needs the push to power its growth and how the US reacts to the disaster will in many ways chart that course. If the American consumer holds and pulls back the "weakened US economy could be pushed into a recession" even faster.

The international economist of Lehman Brothers is reported as saying that "The US economy will likely end up in recession and the global economy perform worse than in the early 1990s slowdown".

Undoubtedly the third and fourth quarter figures for the US will not be good. Analysts are already busy lowering their estimates and expectations of growth for the second half of this year. Companies face massive and crippling losses and some even closure.

Analysts admit the the slowing US economy has been "disrupted" but are confident that it has not been "derailed". Funds, public and private, for rebuilding infrastructure and property could provide an economic boost and

hope for the world economy.

Investors are "telling friends to buy stocks as a patriotic symbol" when the market reopens in New York today.

A fund manager, Neil Hokason, says, "There is no greater message of strength, solidarity and resolve we can send both terrorists and the world than to reflect those values in stable and higher financial markets when they reopen."

The world hopes for "strong and sustained" efforts to get the world economy moving and looks to the US for leadership and not further derailment and destruction of the global economy and security and certainly not to make a bad situation even worse.