

# 8A STRICTLY BUSINESS

## Hong Kong market becomes global trading player

By Paul Blustein  
THE WASHINGTON POST

**HONG KONG** — For insight into the Hong Kong Stock Exchange, from which Wall Street and other world financial markets have taken their cue in recent weeks, consider the scene one morning this week at the Kau Kee grocery store.

In the front of the tiny shop, half a dozen locals in T-shirts and

sandals were gathered round a computer that sat atop a glass case filled with Chinese pastries. They took turns typing in ticker symbols for the latest market information on stocks such as Pearl Oriental, S.A.S. Dragon Holdings and Chung Hwa Development.

As one man spotted a buying opportunity and called his broker on a mobile phone, a 40-ish woman explained her investment

strategy. "I watch professionals on TV analyze the market, but I really buy or sell depending on my mood," said the woman, who declined to give her name.

"Some days, I just wake up and decide — I'm going to buy!"

That's Hong Kong for you. This is a place where more than one in five adults plays the market, often with pluck more common at a casino table. It's a place where the market tends to rise and fall

in sharp swings, as the world has learned in the last few weeks, when Hong Kong's ups and downs were often called the cause of major moves in markets elsewhere, including the record 554-point drop in the Dow Jones industrial average last month.

Hong Kong has a healthy supply of sophisticated financial professionals, some of them funneling money from mainland China, who conduct their trading in

glass-and-steel skyscrapers, not grocery stores.

But the market here is still relatively small — at least compared with New York, Tokyo and London — and dominated by shares of local property developers. The total value of companies traded on the exchange here stands at around \$360 billion at current prices, compared with \$9 trillion for the companies traded on the New York Stock Exchange.

So market experts here profess bemusement that the market's Hang Seng index has become a leading barometer of global sentiment.

"It's ridiculous for Hong Kong to be having such an influence, and it speaks to the volatility of the U.S. market, not Hong Kong," said Paul Schulte, regional head of research at ING Baring Securities Ltd. in Hong Kong.



PHOTO: TEXACO

Texaco Refining and Marketing Inc. has introduced a Franchise Outreach Program to provide opportunities to train and operate retail facilities.

## Star appeal

Texaco opens program for disadvantaged groups to own retail shops

By Herbert L. White  
THE CHARLOTTE POST

Texaco's outreach to racial minorities now includes a program to help economically disadvantaged individuals own retail facilities.

Texaco Refining and Marketing Inc. has introduced a Franchise Outreach Program, which provides opportunities to operate stores. Interested parties must be U.S. citizens, have a high school diploma or GED and have a net worth of \$250,000 or less, excluding home equity.

"Texaco's Franchise Outreach Program is designed for those individuals who would like to run their own business but lack sufficient funding," said John Price, Texaco's vice president of marketing.

The petroleum giant has been trying to clean up its image, especially among African Americans, after tapes of top company officials using racial slurs were revealed earlier this year. Texaco was also sued by black employees for racial discrimination, which resulted in an out of court settlement.

The Texaco program begins with four months of intern training that teaches basic skills from store operations to retail management followed by 14 months of advanced training. Graduates may also qualify for 100 percent financing of up to \$5 million to buy an existing retail site or to locate a new franchise. Working capital, loan repayment assistance and Texaco building incentive programs may also be available.

"This...program provides the tools which are needed to run a Texaco Star Mart franchise and

helps prepare individuals in all aspects of retail petroleum marketing, including managing a Texaco Star Mart convenience store and operating a quick service restaurant," Price said.

Applications for enrollment are being accepted through March 15, 1998. Individuals accepted to the program must be willing to relocate for training at their own expense if needed and be willing to develop a franchise in an area within California, Washington, Oregon, Nevada, Colorado, Arizona, Kansas or Oklahoma.

### Money Management

## Stretching benefits of flexible accounts

By Amanda Danchi  
SPECIAL TO THE POST

At most companies, the end of the year signals a period of open enrollment for joining and making changes to many benefit programs, including flexible spending accounts. Authorized under Section 125 of the Internal Revenue Code, flexible spending accounts allow you to set aside a certain percentage of your pre-tax salary to pay for qualified medical expenses that are not covered by insurance, as well as for dependent care costs. The North Carolina Association of CPAs points out that FSAs are one of the most cost-effective means to pay for such expenses and that it's important to take the time now to estimate next year's expenses as accurately as possible.

### How FSAs work

Typically, the amount you choose to set aside for qualified medical and dependent care expenses is deducted from your paycheck each pay period and put into an account for you. Upon submission of the required documentation, your employer reimburses you for those expenses. Because the money you set aside is deducted from your paycheck before taxes, FSAs offer a significant tax benefit. For example, if you're in the 28-percent tax bracket and you choose to set aside \$1,000 for the year, you save \$280 in federal income tax.

### Qualified medical expenses

Flexible spending accounts can be used to cover a wide range of out-of-pocket medical expenses including health insurance deductibles and co-payments, prescription drugs, eyeglasses, contact lenses and dental work. Expenses for cosmetic surgery, health club membership, and nonprescription drugs are not eligible for reimbursement.

### Dependent care expenses

Many employers offer similar flexible spending accounts that allow employees to allocate pretax dollars to cover child or elder care expenses, such as day care, before- and after-school care, and day camp. Keep in mind, however, that participation in your employer's dependent care spending account may affect your eligibility for the child-care tax credit. You must reduce dollar-for-dollar the amount of your dependent care expenses eligible for the credit by the amount excluded from your gross income and allocated to your spending account. Before you sign up for

## Have patience when dealing with stocks

The chief problem with investors is not money, but self.

This is the thought of Benjamin Graham, one of the legends of investing. To win in the stock market, he said, not only must you create a solid financial plan, you also must stick with it. That second part is where the "self" comes in and can cause problems.

When the market is going up in giant leaps, it's easy to stick with your investment plan. When it starts down, however, some investors become their own enemies. Many abandon financial plans, dump good stocks and mutual funds, and run for the door.

To help you avoid the panic pitfall, heed the following suggestions: First, keep in mind that it is a market of stocks, not a stock market. Forget about indexes, predictions and daily fluctuations, and instead focus on identifying and sticking with good businesses. These are the companies that will continue to grow and adjust to economic conditions. In the event of a market correction, these companies are the ones most likely to recover and march on to new highs.

Another investing expert, Warren Buffett, says the market is not a factor in his decision-making. "If somebody handed me a prediction by the most revered intellectual on the subject, with figures for unemployment or interest rates, or whatever it might be for the next two years, we would not pay any attention to it," he says in the book "Warren Buffett Speaks: Wit and Wisdom from the World's Greatest Investor," compiled by Janet Lowe. Instead, Buffett focuses on well-managed companies that are priced right.

If it makes sense to buy good stocks, it also makes sense to hold on to them. History shows that the price of a stock is linked to the earnings of the company. The market is only a short-term measure of what someone is willing to pay for that company's stock at a particular time. In an iffy market, this price can be based on nothing more than emotions. Over the long term, however, stock prices follow profits. So if the price drops, yet profits remain strong, intelligent investors buy rather than sell. There are only three basic reasons to sell a stock: when a stock has reached its full potential, to correct a mistake, or to readjust your portfolio due to changing objectives.

Common stocks historically have been one of the most profitable investments. With an average return of about 10.5 percent over the past 50 years, common stocks have doubled a patient investor's money about every seven years.

OMAR DILLARD

Financial Focus



## How to decide which credit card is best

CHARLES ROSS

Your Personal Finance



If you're trying to decide what credit card would be best for you, you should understand the differences between the two basic types of cards. Travel and entertainment cards, like American Express and Diners Club, have no preset credit limits. They are called charge cards. You are expected to pay the entire balance each month, and you will probably be charged an annual fee.

Bank cards are different. They do have credit limits, but they

offer you the choice of either paying your full balance and avoiding monthly finance charges, or paying a minimum amount each month plus finance charges. Bank cards generally carry the VISA or MasterCard names, but they're actually issued by individual banks, and their terms can vary widely.

### The real deal on annual fees

As you shop for credit cards, you'll discover that many travel and entertainment cards, such as American Express and Diners Club, charge an annual fee like MasterCard or Visa card. Standard bank cards sometimes charge a fee, too; the average is over \$16.

Some standard bank cards advertise a low annual fee or no

fee. Here's the key question to ask the issuing bank: will they waive the annual fee? It is especially important if you pay your card bill in full every month in order to avoid finance charges. In that case, the annual fee may be your only expense using your credit card. Seven out of 10 card users incur interest charges. If you're one of the seven, your most important question may be, what's the interest rate?

### Making sense of interest rate

The interest rate on your credit card can cost you a lot of money if you carry a balance from month to month. Fortunately, rates are dropping. The number of cards with an interest rate of under 15 percent has more than doubled in just the last year.

Many card issuers offer more than one credit card program. If you have an excellent credit history, you may qualify for the card with the lowest interest rate. For cards with single-digit rates, banks accept only about 1 in 10 applicants. But for a card in the 12 to 15 percent interest range, three out of four might be accepted.

Credit card rates can change with little or no notice. So once you obtain a low-interest card, compare its rate against current offerings periodically to make sure the rate is still competitive.

### Grace periods

The grace period on a credit card is the period during which

See CREDIT on page 9A