INVESTING IN ASIA

By Michael T. Skully, B.Sc., M.B.A.

Australia’s “tyranny of distance” problems with Asian investments has been at least partially corrected by the introduction of two new financial publications: *Asian Finance* and the *Asian Money Manager*. Both magazines are designed to cover approximately the same general areas with concentration on the money market, share market, and foreign exchange, and includes mainly articles written by professionals.

*Asian Finance* has the most detailed coverage and happily includes Australasia within its definition of Asia. In each of its monthly issues *Asian Finance* includes a number of in-depth studies examining various aspects of Asia’s financial institutions and their operations. There is also an interview feature with a leader in the Asian financial community as well as a monthly country profile. It also includes shorter summaries on the Asian foreign exchange, securities, and commodities markets, a listing of major loans made during the previous month, a company analysis column, and reviews of pertinent books. Air mail and sea mail subscriptions are available from Asian Finance, 601 Kayamally Building, 22 Queen’s Road Central, Hong Kong.

The *Asian Money Manager* is the smaller magazine and is only published in February, April, June, August, October, and December. As the name implies, it is specifically designed for an investment manager and keeps its articles short and directly to the point. As a result, the range of coverage is quite extensive and it is unusual to glance through an issue without finding at least a few articles of interest. In between articles it includes a number of short comments which are also worth noting. Finally, at the back of each issue there is a regional news section and a country by country summary of important happenings in finance. *Asian Money Manager* is delivered free to qualified readers by surface mail. Airmail subscriptions are available at US$15.00 per year. Applications for either should be made to the *Asian Money Manager*, Asia Trade Journals Ltd., 10th Floor, Tung Hing Building, 57-59 Lockhart Road, Hong Kong.

Editor’s Note: Because of the controversial nature of NEGOTIATED BROKERAGE RATES (see page 7), comment on Mr. Johnston’s speech was sought and obtained from Mr. R. McGee, B.Ec., (Syd.) FIRST FEDERATION DISCOUNT CORPORATION.

Mr. Campbell Johnston is attempting to emulate King Canute in his opposition to negotiated commission rates on large scale equity trades.

As senior partner in a stockbroking firm that has played a significant role in shaping Australian financial markets over the last 50 years, Mr. Johnston should continue to set an example for the stockbroking fraternity.

The retention of a set scale of brokerage rates for large share transactions is against the interests of the Australian capital market. By creating more favourable conditions for institutions and financial corporations to adjust portfolio holdings through switching operations, negotiated rates on volume dealing would be more likely to stimulate capital flows within the private sector than a set commission scale.

The incentive given to a broker through being able to negotiate a fine commission on a special trade would have to lead to innovation and more economic management of investment funds. The lazy and inefficient broker would be flushed out!

The benefits of bigger incentives to stockbrokers is demonstrated in the fixed-interest market. The very keen competition created by stockbrokers in gilt-edged securities has been a thorn in the side of merchant banks and the nine authorised money market dealers. However, we haven’t heard any cries from the vested interests associated with these institutions opposing the trading activities of stockbrokers in the government bond market or the commercial bill market. Such activity has been highly beneficial to the development of Australian financial markets.

If Mr. Johnston wants to maintain his rigid stance on commission rates on large scale equity transactions while accepting the need for fine trading margins in the money markets, he should not be surprised if merchant banks and other money market corporations move into broking on large share lines.

Negotiated rates on volume share dealing can only improve the effectiveness of the capital market and stockbrokers should realise the long term advantages to themselves of a more competitive equity market.