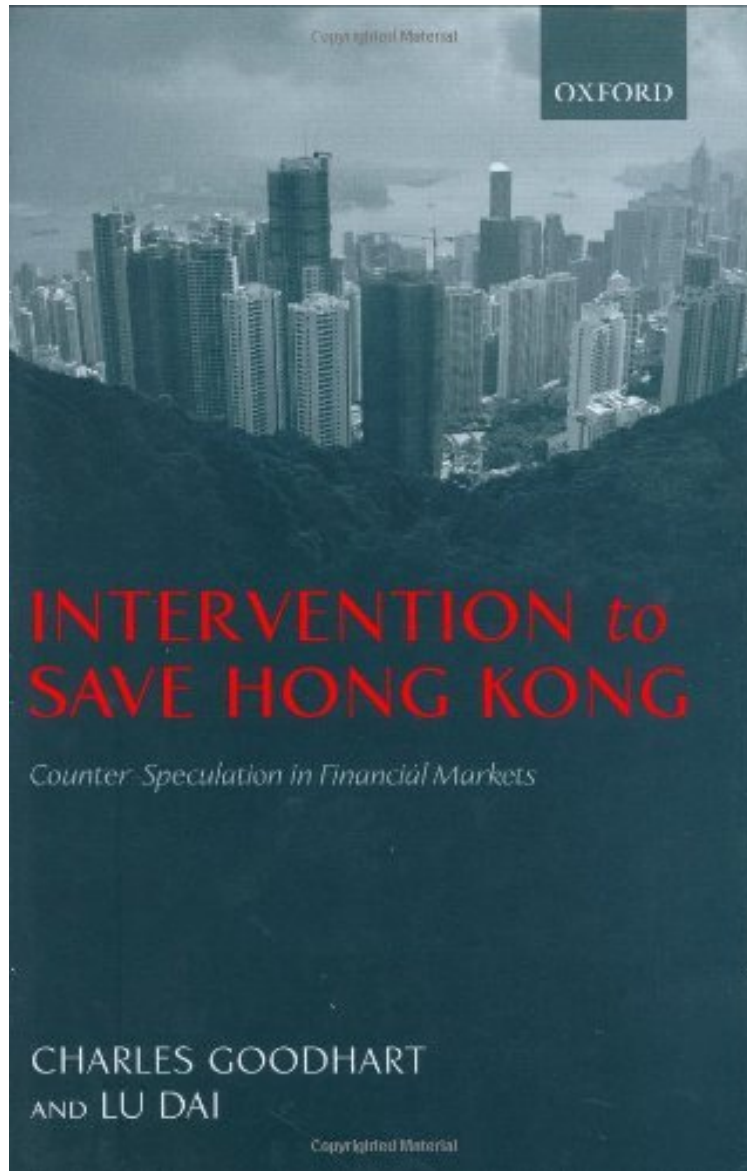


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what happened during the last two weeks of August in 1998 and is a good guide to trading opportunities when the HKD under crisis again, which I believe is not very far...

By August 1998, the Hong Kong economy had become threatened not only by the natural consequences of the Asian crisis (1997-98), but also by waves of speculation, betting that the authorities would be forced to abandon the linked exchange rate (to the US dollar). When facing previous speculative attacks (starting October 1997), the authorities had followed traditional policies of raising interest rates. But by August 1998, such policies had helped to batter asset markets; property prices and output were falling, and confidence was low. Moreover, the speculators had developed an ingenious 'double play', simultaneously selling both the foreign exchange market and the Hang Seng equity market short; whether the authorities used an interest rate defense, or abandoned the 'link', the speculators would gain either way. So, the authorities decided on a bold, unexpected and unconventional response to reports of a further attack. They would undertake counter-intervention, again both in the equity and foreign exchange markets. This book provides a fascinating story in itself, and insights into what lessons academics and practitioners can learn from the turbulent events of the time.

About the Author Charles Goodhart worked at the Bank of England as Monetary Adviser, 1968-85. While there, he advised on Hong Kong's link with the dollar in 1983, and subsequently served on the Exchange Fund Advisory Board in Hong Kong until 1997. Since 1985 he has been the Norman Sosnow Professor of Banking and Finance at the London School of Economics until his retirement in 2002. He was on the Monetary Policy Committee in the UK from 1997-2000. Lu Dai joined the research department of the Hong Kong Monetary Authority in late 2001 after acquiring her Ph.D. degree from the City University of Hong Kong. Previously she studied in the Graduate School of the People's Bank of China.