

# No stampede yet to snap up tech stocks

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Stocks are back on a roll once again, and the bulls are out in full force to tout their optimism about the U.S. financial market's outlook. The renewed optimism about share prices is felt perhaps nowhere as keenly as in the technology sector, which has never fully recovered from the blows of the dot-com bust that hit markets in the spring of 2001.

Yet even as the benchmark Dow Jones industrial average rose to the level it had not seen in nearly five years Monday, not many industry analysts are expecting a return to the tech stock heydays of 1999, at least any time soon.

To be sure, there appears at first blush to be far greater confidence now not only in the U.S. economic outlook, but in global growth prospects, as the Dow reached 11,000 for the first time since June 2001, and its highest level after the Sept. 11 terrorist attacks that year. The tech-heavy Nasdaq, meanwhile, climbed up to 2,318.69, as the dollar continued to gain strength against major currencies.

So while the Dow may be facing some profit-taking, many analysts are broadly upbeat about the index holding on to its gains, at least in the medium-term.

"The market generally has the feel that it likes this 11,000 level," said Ian Jenkins, head of financial spreads at Cantor Index, adding that "there don't seem to be any icebergs ahead."

That may well be, but in the overall ebullient market, some of the biggest

names in technology saw their share prices fall, including online retailer Amazon.com, which fell 79 cents to \$47.08, while IBM lost \$1.22 to close at \$83.73. Granted, part of the reason for the two companies' dip was due to analysts' reports from investment bank J.P. Morgan, which lowered its assessment of IBM to neutral from hold, while it predicted Amazon's growth prospect to lag behind that of the broader online retailing market in the United States.

In addition, there are longer-term risks that could bog down equities in general, including the possibility of a decline in the real estate market and the potential for the Federal Reserve to continue raising interest rates even as analysts expect the central bank to conclude its tightening cycle within the next few months. Furthermore, while global economies appear to have withstood the continued rise in energy costs, there is the possibility that prices could climb further and put additional pressure on manufacturers in particular.

Such negative potentials could certainly weigh down the technology industry, which has benefited from the improved market sentiment as both businesses and individuals are prepared to invest more in information technology equipment, in addition to snapping up consumer electronics.

As a result, overseas investors were largely unaffected by Wall Street's gains, as Tokyo's benchmark Nikkei-225 index tumbled 1.85 percent, or 303.86 points, to close at 16,124.35, while European bourses ended largely lower, with London's FTSE index losing 0.65 percent to end at 5,694.50 while the German DAX 30 dropped 0.69 percent to 5,499.04.

Nevertheless, there is no doubt that stocks in both Europe and Japan have been following the U.S. trend of rising broadly higher amid heightened optimism about prospects for 2006, especially as the Tokyo bourse rose to its highest level in four years last week. Still, cautious

optimism prevails, and few expect a rush to buy up tech stocks despite improved market sentiment.

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