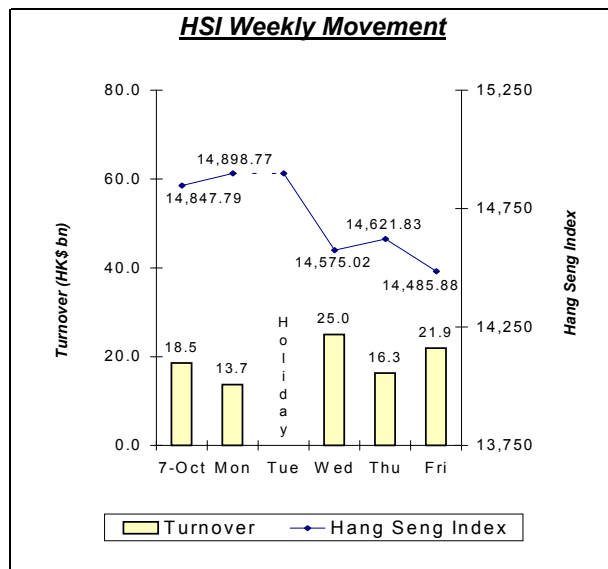


**Market down on rate hike fear**

**Weekly Market Statistics**

Week ended	14/10/2005	07/10/2005	Change	%
Hang Seng Index	14,485.88	14,847.79	-361.91	-2.4%
HS Red Chip Index	1,811.64	1,884.03	-72.39	-3.8%
HS China Enterprises Index	4,941.78	5,055.08	-113.30	-2.2%
HS Composite Index	1,869.95	1,918.31	-48.36	-2.5%
HS HK Composite Index	1,925.08	1,967.42	-42.34	-2.2%
HS Mainland Composite Index	1,772.07	1,832.56	-60.49	-3.3%
S&P/HKEx GEM Index	953.61	975.23	-21.62	-2.2%
Avg Daily Turnover (HK\$ bn)	19.20	20.94	-1.74	-8.3%
<b>Sectoral Indices</b>				
Finance	26,128.87	26,557.32	-428.45	-1.6%
Utilities	31,270.41	31,648.00	-377.59	-1.2%
Properties	17,840.68	18,432.12	-591.44	-3.2%
Comm & Ind	6,862.25	7,083.32	-221.07	-3.1%

**Review & Outlook of Market Performance**

The Hong Kong stock market continued to plunge during the week on fear over rising interest rates. The hawkish comments of the US Federal Reserve over the past two weeks were perceived as hints that it would continue to raise rates in the coming FOMC meetings on 1<sup>st</sup> November and 13<sup>th</sup> December. On the other hand, investors worried about fund outflows and the possibility that the IPO of China Construction Bank might draw up sizable amount of liquidity from the market. The HSI lost 361.91 points, or 2.4% w-o-w, to 14,485.88. Average daily turnover dropped to HK\$19.20 billion from HK\$20.94 billion previously.

Rate sensitive property stocks continued its downtrend despite strong sales of Sino-land's (0083) One Silver Sea in West Kowloon. HS property sub-index fell 3.2% w-o-w at 17,840.68. Sino Land (0083) shed 2.7% w-o-w to close at HK\$8.90 while the bellwethers, i.e. Cheung Kong (0001), Henderson land (0012) and Sun Hung Kai Properties (0016), fell from 2.7% to 4.3% w-o-w.

HSBC (0005) was particularly hard hit during the week and tumbled to a 12-month low on heavy selling. During the week, it was reported that Credit Suisse First Boston had sold shares equal to 1% stake in the bank over a 14-day period. The selling was allegedly related to outstanding warrants or over the counter derivatives. As CSFB still holds about 6.23% of HSBC, investors worried that there might be further selling. HSBC ended the week down 1.5% to close at HK\$121.80.

On the H-shares front, HSCEI fell 2.2% w-o-w to close at 4,941.78. Airlines fell on rebounding oil prices. Air China (0753), China Southern Airlines (1055) and China Eastern Airlines (0670) recorded w-o-w losses from 3.3% to 6.7%. Commodities related counters bucked the trend as global commodity prices gained during the week. Chalco (2600) and Zijin Mining (2899) closed up 4.4% and 3.9% w-o-w respectively.

Looking ahead, the market should continue to be volatile in the coming weeks as the U.S. corporate reporting season starts. US producer price index that is due to be released next Tuesday should be the market focus. We see the near term support level for the Hang Seng Index should be at 14,330.

**US & Regional Markets Weekly Update**

Date	US Dow Jones	US NASDAQ	JAPAN Nikkei Avg	SINGAPORE STI	MALAYSIA KLSE Index	BANGKOK SET Index	TAIPEI Weighted Index
Week to							
14th October	10,287.34	2,064.83	13,420.54	2,303.24	925.59	700.02	5,969.07
7th October	10,292.31	2,090.35	13,227.74	2,305.24	925.21	708.98	6,081.84
Change	-4.97	-25.52	+192.80	-2.00	+0.38	-8.96	-112.77
%	-0.0%	-1.2%	+1.5%	-0.1%	+0.0%	-1.3%	-1.9%

**Major Changes in Index Constituent Stocks (Week ended 14<sup>th</sup> October 2005)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @14/10/05	W-O-W Change		Remarks / Comments
			Absolute	%	
HSBC	0005	HK\$121.80	-HK\$1.90	-1.5%	The counter slipped to a 52 week-low on heavy selling related to derivative hedging by an investment bank.
China Resources	0291	HK\$12.25	+HK\$0.10	+0.8%	The company said it planned to divest its oil and ports units to focus on retail and food operations.

**Hang Seng China Enterprises Index (HSCEI)**

Stock	Stock Code	Closing Price @14/10/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Chalco	2600	HK\$4.725	+HK\$0.20	+4.4%	Better than expected 3Q results of Alcoa generated buying interest in the counter.
Zijin Mining	2899	HK\$2.675	+HK\$0.10	+3.9%	The counter gained as gold prices fetched fresh 18-year highs.

**Hang Seng China-Affiliated Corporation Index (HSCCI)**

Stock	Stock Code	Closing Price @14/10/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Brilliance China	1114	HK\$1.02	-HK\$0.06	-5.6%	Newspapers reported that the company would carry out major changes to its senior management shortly.

## Summary of US Economic News

Indicator	Change/Index	Comments
Initial Jobless Claims – Week ended 8 <sup>th</sup> October	-2k	The decrease was less than consensus forecast (-40k). The four-week moving average was 395,750, a decrease of 8,750 from the previous week's unrevised average of 404,500.
August Trade Gap	US\$59.03 billion	The August trade deficit was slightly below market consensus (US\$60.0 billion) but still higher than the previous month's (US\$57.90 billion).
September Consumer Price Index	+1.2%	The figure was higher than consensus forecast (+0.9%). Energy costs increased sharply for the third consecutive month, up 12% m-o-m, and account for over 90% of the advance in September CPI.
September Retail Sales	+0.2%	The figure was lower than market expectation (+0.2%).
Mid-October Univ. of Michigan Consumer Sentiment Index	75.4	The figure was lower than market expectation (80.0) and was further down from 76.9 of previous month. In fact, it was the lowest level in more than a dozen years.

### Forthcoming Important Announcements / Events

17 <sup>th</sup> October 2005 (Monday)	HK US	: No Important Announcements / Events : <b>Citigroup (C) – Q3 results</b> <b>General Motors (GM) – Q3 results</b> Wachovia Corporation (WB) –Q3 results
18 <sup>th</sup> October 2005 (Tuesday)	HK US	: <b>September Unemployment Rate</b> : <b>September Producer Price Index</b> 3M Company (MMM) – Q3 results <b>Intel Corporation (INTC) – Q3 results</b> <b>Johnson &amp; Johnson (JNJ) – Q3 results</b> Kraft Foods (KFT) – Q3 results <b>Motorola (MOT) – Q3 results</b> State Street Corporation (STT) – Q3 results <b>Wells Fargo &amp; Company (WFC) – Q3 results</b> <b>Yahoo (YHOO) – Q3 results</b>
19 <sup>th</sup> October 2005 (Wednesday)	HK US	: No Important Announcements / Events : September Housing Starts Altria Group Inc. (MO) – Q3 results Amgen (AMGN) – Q3 results <b>Bank of America Corporation (BAC) – Q3 results</b> <b>J.P. Morgan Chase &amp; Co. (JPM) – Q3 results</b> Washington Mutual (WM) – Q3 results
20 <sup>th</sup> October 2005 (Thursday)	HK US	: No Important Announcements / Events : Initial Jobless Claims – Week ended 15 <sup>th</sup> October <b>Ford Motor Company (F) – Q3 results</b> <b>Google (GOOG) – Q3 results</b> <b>Nokia (NOK) – Q3 results</b> <b>Pfizer (PFE) – Q3 results</b> <b>The Coca-Cola Company (KO) – Q3 results</b> <b>United Parcel Service, Inc. (UPS) – Q3 results</b>
21 <sup>st</sup> October 2005 (Friday)	HK US	: <b>September Consumer Price Index</b> Chaoda Modern Agriculture (0682) – Final results : <b>AT &amp; T (T) – Q3 results</b> <b>Caterpillar (CAT) – Q3 results</b>