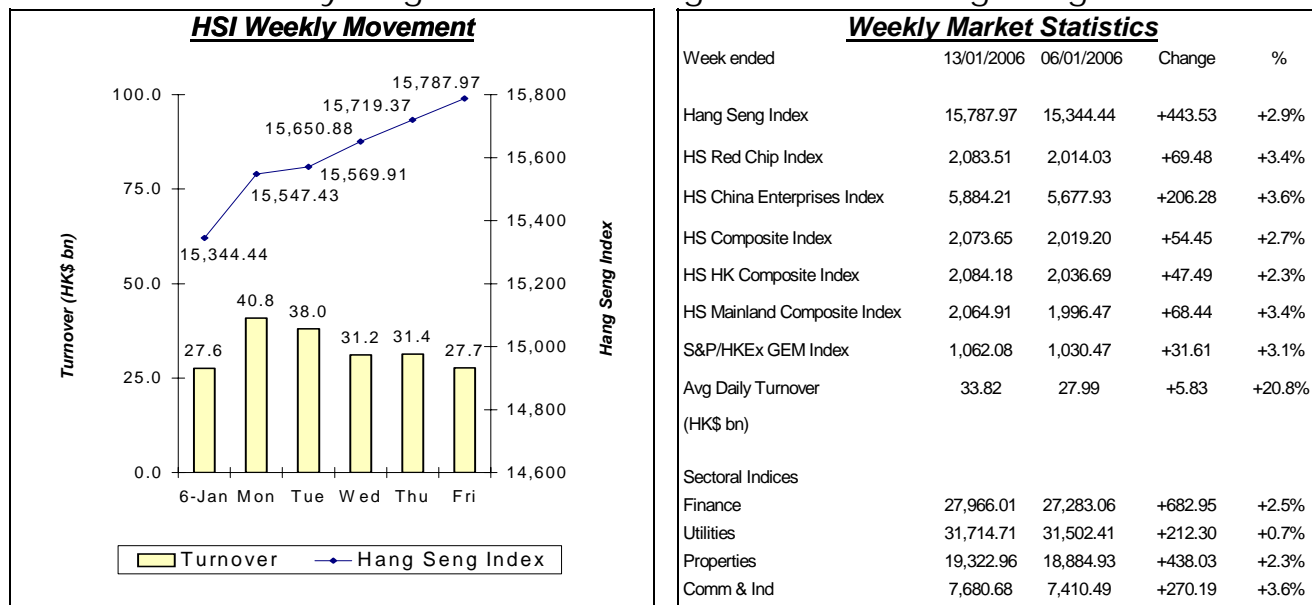


## Index heavyweights led further gains of the Hang Seng Index



## Review & Outlook of Market Performance

Led by gains in heavyweights HSBC and CNOOC, the Hong Kong stock market continued its strength, though mild profit taking later in the week added a bit pressure. The HSI closed up 443.53 points, or 2.89% w-o-w, at 15,787.97, touching an intra-day peak of 15,792.36 on Friday. Trading was brisk during the week, with average daily turnover of HK\$33.82 billion.

Topping the blue-chip index was CNOOC, which soared 11.11% w-o-w to HK\$6 on news of its US\$2.26 billion purchase of a 45% stake in a Nigerian oil and gas field, its largest-ever overseas acquisition. The offshore oil producer was also said to be interested in bidding for Nations Energy, an independent oil producer in Kazakhstan. HSBC Holdings, the main buying target among banking stocks during the week, surged 2.74% w-o-w to HK\$131.2 after hitting its recent high level of HK\$131.9 since early March 2005. Hutchison Whampoa was also in demand, rising 3.65% w-o-w to HK\$79.45, as the ports-to-telecoms conglomerate speeded up its plan to list its Italian 3G unit in Milan exchange as soon as next week, despite a possible cut on its fund-raising target. Buoyed by heavy turnover on the stock market, Hong Kong Exchanges was up 0.72% w-o-w at HK\$35.20 after touching an all-time high of HK\$37.35 on Tuesday.

The HSCEI gained 3.63% w-o-w to 5,884.21, with laggard power plays catching up with gains seen in the broader market. Taking the lead was Huadian Power International, which jumped 7.32% w-o-w to HK\$2.2, sharing the limelight from a significant rise in generation volume reported by Datang International Power, which climbed 7.14% w-o-w to HK\$6. Meanwhile, buying interest on mainland banking and insurance stocks remained keen. Bank of Communications rose 5.66% w-o-w to HK\$4.2, Ping An Insurance gained 2.84% w-o-w to HK\$16.3 and China Life Insurance added 2.70% w-o-w to HK\$7.6.

After two consecutive weeks of gains driven by liquidity, the market is expected to exhibit more volatility as investors started to gauge the sustainability of the rally from a more fundamental basis. The HSI is likely to trade higher on abundant liquidity and we see it to trade between 15,650 and 16,000 in the coming week.

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### 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							
13th January	10,959.87	2,317.04	16,454.95	2,405.86	911.90	755.72	6,682.35
6th January	10,959.31	2,305.62	16,428.21	2,420.74	911.67	747.34	6,694.82
Change	+0.56	+11.42	+26.74	-14.88	+0.23	+8.38	-12.47
%	+0.0%	+0.5%	+0.2%	-0.6%	+0.0%	+1.1%	-0.2%

### Major Changes in Index Constituent Stocks (Week ended 13<sup>th</sup> January 2006)

#### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @13/01/06	W-O-W Change		Remarks / Comments
			Absolute	%	
MTR Corp	0066	HK\$16.5	+HK\$1.25	+8.20%	A local media reported that the government would propose MTR to rent and operate KCRC, instead of acquiring the railway's assets under the original merger blueprint.
Esprit Holdings	0330	HK\$63.5	+HK\$4.2	+7.08%	The euro strengthened against the US dollar, improving the profit outlook for the counter.

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

Stock	Stock Code	Closing Price @13/01/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinopec	0386	HK\$4.25	+HK\$0.2	+4.94%	Zhenhai Refining & Chemical won shareholder approval for a privatisation plan by its parent Sinopec. The outcome also buoyed Shanghai Petrochemical, which was seen as Sinopec's next privatisation target.
Sinopec Zhenhai Refining & Chemical	1128	HK\$10.5	+HK\$0.35	+3.45%	
Sinopec Shanghai Petrochemical	0338	HK\$3.625	+HK\$0.2	+5.84%	

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

Stock	Stock Code	Closing Price @13/01/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Guangzhou Investment	0123	HK\$1.02	+HK\$0.18	+21.43%	Investors speculated that the company would pay a special dividend after cashing in on its spin-off of GZI REIT late last year.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Wholesale Inventories – November	0.4%	Wholesale inventories rose 0.4% in November, matching forecasts and following a 0.2% gain in October.
Trade Balance – November	US\$64.2 billion deficit	Lower oil prices cut trade deficit in November from the prior month's record level of US\$68.1 billion.
Import Prices – December	-0.2%	Import prices unexpectedly fell 0.2% last month, led by lower costs for petrol, steel and computers.
Initial Jobless Claims – 7 <sup>th</sup> January 2006	309,000	Initial jobless claims rose a slightly smaller-than-expected 17,000 last week.
Producer Price Index (PPI) – December	0.9%	PPI rose 0.9% last month following a 0.7% drop in November. However, the core PPI, which excludes food and energy, edged up 0.1%, suggesting that underlying inflation pressure remains muted.
Retail Sales – December	0.7%	Retail sales growth last month softened from a 0.8% gain in November.
Business Inventories – November	0.5%	Business inventories rose 0.5% in November, slightly higher than forecasts, fuelled by a rise in automotive stocks.

**Forthcoming Important Announcements / Events**

16 <sup>th</sup> January 2006 (Monday)	HK US	: : Global Tech (Holdings) (0143) – Final results <b>Public Holiday – Martin Luther King Jr Day</b>
17 <sup>th</sup> January 2006 (Tuesday)	HK US	: : Yue Yuen Industrial (Holdings) (0551) – Final results NY Empire State Index – January Industrial Production – December <b>Intel Corp – Q4 results</b> <b>Wells Fargo &amp; Co – Q4 results</b> <b>Yahoo! Inc – Q4 results</b>
18 <sup>th</sup> January 2006 (Wednesday)	HK US	: : Vongroup (0318) – Interim results Wardley International Holdings (0607) – Interim results Consumer Price Index – December <b>Apple Computer Inc – Q1 results</b> <b>JP Morgan Chase &amp; Co – Q4 results</b>
19 <sup>th</sup> January 2006 (Thursday)	HK US	: : <b>Unemployment Rate – December</b> Ming Fung Jewellery Group (0860) – Final results Simson International Corp (0993) – Interim results Housing Starts – December Initial Jobless Claims – week ended 14 <sup>th</sup> January 2006 Harley-Davidson Inc – Q4 results <b>Merrill Lynch &amp; Co Inc – Q4 results</b> <b>Motorola Inc – Q4 results</b> United Health Group Inc – Q4 results Wachovia Corp – Q4 results
20 <sup>th</sup> January 2006 (Friday)	HK US	: : <b>Consumer Price Index – December</b> Sunway International Holdings (0058) – Final results QPL International (0243) – Interim results Huafeng Textile International Group (0364) – Final results China Green (Holdings) (0904) – Interim results Jiuzhou Development Co (0908) – Interim results Consumer Sentiment – January <b>Citigroup Inc – Q4 results</b> <b>General Electric Co – Q4 results</b> <b>Schlumberger Ltd – Q4 results</b>

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