



# BEA securities

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HONG KONG RESEARCH

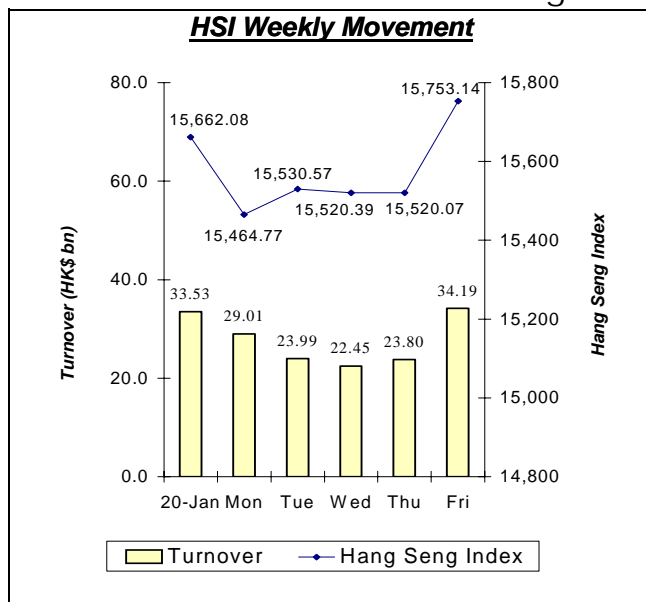
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Weekly Report

27<sup>th</sup> January 2006

## HSI tracked overseas gains on last trade day of the week



<b>Weekly Market Statistics</b>				
Week ended	27/1/2006	20/1/2006	Change	%
Hang Seng Index	15,753.14	15,662.08	+91.06	+0.6%
HS Red Chip Index	2,099.25	2,085.73	+13.52	+0.6%
HS China Enterprises Index	6,277.05	6,097.34	+179.71	+2.9%
HS Composite Index	2,094.13	2,073.82	+20.31	+1.0%
HS HK Composite Index	2,084.99	2,071.46	+13.53	+0.7%
HS Mainland Composite Index	2,124.20	2,090.45	+33.75	+1.6%
S&P/HKEx GEM Index	1,156.51	1,142.60	+13.91	+1.2%
Avg Daily Turnover (HK\$ bn)	26.69	32.28	-5.59	-17.3%
Sectoral Indices				
Finance	27,669.42	27,680.03	-10.61	-0.0%
Utilities	31,676.42	31,466.41	+210.01	+0.7%
Properties	19,469.00	19,273.23	+195.77	+1.0%
Comm & Ind	7,698.41	7,623.58	+74.83	+1.0%

## Review & Outlook of Market Performance

HK stocks lost steam early in the week, as investors continued to take profit on various counters after the blue-chip index failed to regain grounds above 15,800 in the previous week. However, value hunters re-entered the market on Friday after gains in the overseas markets, which helped lift Hong Kong stocks into positive territories. Over the week, Hang Seng Index rose 91.06 points or 0.6% to 15,753.14, ahead of the long Lunar New Year holiday. Average daily turnover was HK\$26.69 billion, down from HK\$32.28 billion in the week before.

Over the week, HSI was dragged by sluggish performance in index heavyweights and property plays. HSBC Holdings dipped 0.15% to HK\$129.70, while China Mobile dropped 1.05% to HK\$37.70. Cheung Kong slipped 0.42% w-o-w to HK\$83.25, while Sun Hung Kai Properties inched up 0.12% at HK\$80.35. Meanwhile, big movers in the blue-chip index were largely news-driven. Esprit Holdings hit an all-time high at HK\$67.85 during the week, after analysts revised up its target price citing favourable earnings outlook. The apparel retailer closed at HK\$67.45, up 7.92% w-o-w. Lenovo Group tumbled a sharp 15.54% w-o-w to HK\$3.125, after the PC maker reported worse-than-expected Q3 earnings. PCCW, the long-time laggard in the HSI, gained 4.52% w-o-w to close HK\$5.20, after private equity Newbridge Capital said to acquire an indirect 5.72% stake in the company via buying 25% of its parent.

China reported a 9.9% growth in GDP in 2005, supported by strong exports and fixed asset investments. H shares gained on the news, as investors expect a robust mainland economy would boost corporate earnings in 2006. HSCEI ended the week at 6,277.05, up 2.95% w-o-w. Angang Newsteel was the biggest gainer, up 16.92% w-o-w at HK\$5.70, followed by a 15.31% jump in Anhui Conch at HK\$11.30.

Two key factors are expected to drive the HK stock market in the first week of *Year of the Hound*, namely, overseas market movements during the holiday period and FOMC's extent of next rate hike scheduled for next Tuesday. Market is expecting the FOMC to hike rate by 25 bps to 4.5%, while investors would keep close eyes on the post-meeting statement to look for clues about the future policy outlook.

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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							
27th January	10,809.47	2,283.00	16,460.68	2,412.08	914.01	761.27	6,532.18
20th January	10,667.39	2,247.70	15,696.69	2,388.91	905.41	747.70	6,486.63
Change	+142.08	+35.30	+763.99	+23.17	+8.60	+13.57	+45.55
%	+1.3%	+1.6%	+4.9%	+1.0%	+0.9%	+1.8%	+0.7%

Remarks: (\*) – index closing as at 26<sup>th</sup> January 2006; (^) – index closing as at 25<sup>th</sup> January 2006

### Major Changes in Index Constituent Stocks (Week ended 27<sup>th</sup> January 2006)

#### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @27/1/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Denway Motors	0203	HK\$3.175	+HK\$0.25	+8.55%	The China Association of Automobile Manufacturers said in the previous week that car sales grew 21.4% in 2005, triggering a rally in mainland carmakers.
Esprit Holdings	0330	HK\$67.45	+HK\$4.95	+7.92%	The stock lengthened its strong run, as market analysts revised up its target price citing positive earnings outlook.

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

Stock	Stock Code	Closing Price @27/1/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Angang Newsteel	0347	HK\$5.70	+HK\$0.825	+16.92%	Commodity plays were among the winners, as their respective commodity futures prices hit contract highs during the week. Meanwhile, the strong 9.9% 2005 GDP growth in China also helped lift their share prices.

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

Stock	Stock Code	Closing Price @27/1/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo Group	0992	HK\$3.125	-HK\$0.575	-15.54%	Lenovo reported a profit of HK\$365 million in Q3 (Oct-Dec), well below consensus forecast of HK\$459 million. It was mainly due to a HK\$140 million loss in its Asia ex Greater China operation during the period.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Index of leading indicators – December	+0.1%	The index of leading economic indicators rose for the third straight month, up 0.1% in Dec, but was below market expectation of a 0.2% gain.
Existing home sales – December	-5.9%	Sales of existing homes fell 5.9% to an annual rate of 6.6 million in December from 7 million in November, lower than consensus forecast of 6.87 million units.
Initial jobless claims – the week ended 21 <sup>st</sup> January 2006	+11,000	Jobless claims added 11,000 to 283,000 last week, but well below consensus forecast of a surge to 305,000.
New orders for durable goods – December	+1.3%	New durable goods orders surged 1.3% last month, beating market expectations of a 1% gain.

**Forthcoming Important Announcements / Events**

30 <sup>th</sup> January 2006 (Monday)	HK US	: Lunar New Year holiday : Personal income and spending – December 2005 <b>Chervon Corp – Q4 2005 results</b> <b>Exxon Mobil Corp – Q4 2005 results</b> <b>Google Inc – Q4 2005 results</b> <b>Nortel Networks Corp – Q4 2005 results</b>
31 <sup>st</sup> January 2006 (Tuesday)	HK US	: Lunar New Year holiday : <b>Consumer confidence index – January 2006</b> <b>FOMC meeting announcement</b> Hilton Hotels Corp. – Q4 2005 results Kellogg Co. – Q4 2005 results Phelps Dodge Corp. – Q4 2005 results Wyeth – Q4 2005 results
1 <sup>st</sup> February 2006 (Wednesday)	HK US	: No important announcements/ events : Construction spending – December 2005 ISM manufacturing index – January 2006 Anheuser-Busch Companies – Q4 2005 results <b>Boeing Co – Q4 2005 results</b> <b>Starbucks Corp. – Q1 2005/06 results</b> <b>Time Warner Inc – Q4 2005 results</b>
2 <sup>nd</sup> February 2006 (Thursday)	HK US	: <b>Retail sales – December 2005</b> : Initial jobless claims – week ended 28 <sup>th</sup> January 2006 Non-farm productivity – Q4 2005 <b>Amazon.com Inc – Q4 2005 results</b> Comcast Corp – Q4 2005 results International Paper Co. – Q4 2005 results
3 <sup>rd</sup> February 2006 (Friday)	HK US	: No important announcements/ events : Non-farm payrolls – January 2006 Jobless rate – January 2006 ISM non-manufacturing index – January 2006 Factory orders – December 2005

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