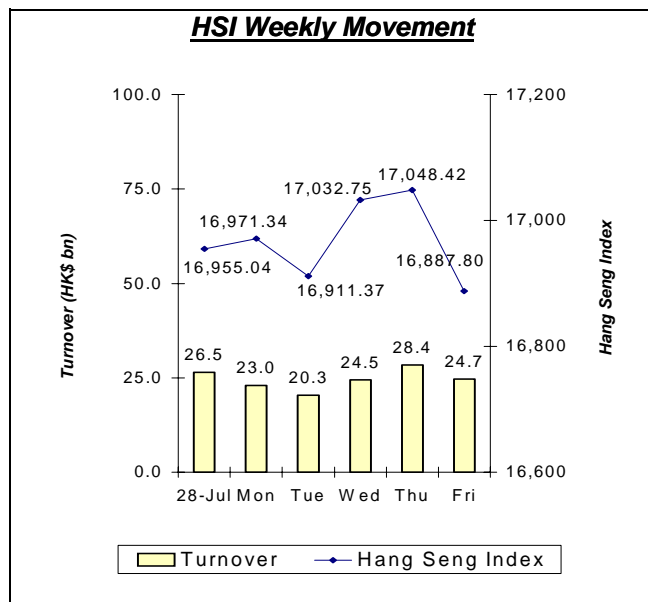


## HSI Failed to stay above 17,000



<b>Weekly Market Statistics</b>				
Week ended	04/08/2006	28/07/2006	Change	%
Hang Seng Index	16,887.80	16,955.04	-67.24	-0.4%
HS Red Chip Index	2,446.32	2,487.17	-40.85	-1.6%
HS China Enterprises Index	6,820.65	6,859.24	-38.59	-0.6%
HS Composite Index	2,233.52	2,238.51	-4.99	-0.2%
HS HK Composite Index	2,182.01	2,182.57	-0.56	-0.0%
HS Mainland Composite Index	2,328.73	2,340.11	-11.38	-0.5%
S&P/HKEx GEM Index	1,135.01	1,117.81	+17.20	+1.5%
Avg Daily Turnover (HK\$ bn)	24.19	23.11	+1.08	+4.7%
<b>Sectoral Indices</b>				
Finance	29,581.47	29,447.35	+134.12	+0.5%
Utilities	32,387.78	32,412.29	-24.51	-0.1%
Properties	20,252.99	20,104.45	+148.54	+0.7%
Comm & Ind	8,372.32	8,486.87	-114.55	-1.3%

## Review & Outlook of Market Performance

The Hong Kong stock market failed to sustain its recent momentum. Earlier the week the Hang Seng Index edged higher as supported by a more benign interest rate outlook and decent result from HSBC. However, there was not enough buying interest to support the HSI staying above 17,000. On Friday the HSI saw a sharp downturn on profit taking. Over the week, the HSI finished down 67.24 points, or 0.4% w-o-w, at 16,887.8. Total average daily turnover was HK\$24.19 billion, slightly up from HK\$23.11 billion over the previous week.

Major banks in Hong Kong kick-started the interim reporting season. HSBC beat market forecast by reporting a strong 15% y-o-y increase in net profit to US\$8.7 billion in 1H06, mainly due to improvement in its CIBM (Corporate, investment banking & markets) and emerging market business. HSBC rose 0.43% to HK\$140.4 over the week. Driven by improvement in interest earnings and brokerage fee income, Hang Seng Bank saw its 1H06 net profit rose 2.4% y-o-y to HK\$6.2 billion, which was in line with expectations. Hang Seng Bank advanced 0.1% w-o-w to HK\$99.15. Meanwhile, Bank of East Asia, up 2.49% w-o-w at HK\$32.95, was the best performing blue chips. The Bank posted a 32% y-o-y increase in 1H06 net profit to HK\$1.57 billion, which fell in the upper end of expectations, on higher revenue from lending and fee-based income.

Probably due to concern over further tightening measures, the HSCEI had a more sluggish performance, down 0.6%, or 38.59 points w-o-w at 6,820.65, on concerns over further tightening measures by the government. Reflecting difficulties facing to downstream Chinese manufacturers, Maanshan Iron & Steel posted a 49% y-o-y decrease in 1H06 net profit to RMB1.09 billion, mainly due to declining steel prices and input cost pressure. The steel maker lost 5.71% at HK\$2.31 over the week.

Looking forward, the FOMC will hold its meeting on 8<sup>th</sup> August and it is quite likely that there be a pause in rate hike. Satisfactory corporate results should lend some support to the local market. However, it seems that the market needs some further catalyst for the HSI to re-test the 17,000 marks. We see the HSI to range trade between 16,800 to 17,000.

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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							
4th August	11,240.35	2,085.05	15,499.18	2,462.92	937.99	703.28	6,442.61
28th July	11,219.70	2,094.14	15,342.87	2,429.44	934.72	691.43	6,480.07
Change	+20.65	-9.09	+156.31	+33.48	+3.27	+11.85	-37.46
%	+0.2%	-0.4%	+1.0%	+1.4%	+0.3%	+1.7%	-0.6%

**Major Changes in Index Constituent Stocks (Week ended 4<sup>th</sup> August 2006)**
**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @04/08/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Henderson Land	0012	HK\$42.6	+HK\$0.9	+2.16%	As a pause in rate hike in the US gradually becomes consensus, the property developer was the second-best performing blue chips in the last week.
Li & Fung	0494	HK\$15.54	-HK\$1.1	-6.61%	As Li & Fung's revenue is US export-oriented, concern of slowing US economy dragged down its price performance.

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

Stock	Stock Code	Closing Price @04/08/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Zijin Mining	2899	HK\$4.12	+HK\$0.17	+4.3%	The leading gold miner performed strongly as gold price rebounded back to above US\$640/ ounce and prior to its result announcement on the coming Monday.
CHALCO	2600	HK\$5.04	-HK\$0.28	-5.26%	The Company announced to reduce its spot price of material by 20% for selected smelters, in order to follow declining prices for imported alumina.

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

Stock	Stock Code	Closing Price @04/08/06	W-O-W Change		Remarks / Comments
			Absolute	%	
TCL Multimedia	1070	HK\$0.65	-HK\$0.05	-7.14%	The TV manufacturer set another record low on its dim profit outlook attributable to tough competition and doubtful strategy.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Personal Income – June	+0.6%	The figure was in line with expectations of 0.6% and higher than 0.4% in the prior month.
Personal Spending – June	+0.4%	The figure was in line with expectations and stayed unchanged from the prior month.
PCE Core (YoY) – June	+2.4%	The figure was higher than expectations of 2.3% and 2.1% in the prior month, suggesting inflationary pressure still overhangs the economy.
ISM Manufacturing - July	54.7	The figure was higher than expectations of 53.5 and 53.8 in the prior month.
Initial Jobless Claims – week ended 30 <sup>th</sup> July 2006	315k	Initial jobless claims rose from 301k in the prior week.
ISM Non-Manufacturing – July	54.8	The figure fell below expectations and prior month's figure of 57, indicating slowdown in the largest contributor to the economy.
Change in Non-farm Payrolls – July	+113k	The jobs creation figure was lower than 124k in the prior month and expectations of 145k, indicating a slow down in the employment market.
Unemployment rate – July	4.8%	The unemployment rate unexpectedly rose from 4.6% in the prior month.
Average Hourly Earnings – July	+0.4%	This was slightly below 0.5% gain in June, but above expectations of 0.3% gain. The wage growth is still imposing some pressure on inflation.

**Forthcoming Important Announcements / Events**

7 <sup>th</sup> August 2006 (Monday)	HK	:	Fujian Zijin Mining (2899) – FY06 Interim Results
	US	:	No important news/announcement
8 <sup>th</sup> August 2006 (Tuesday)	HK	:	<b>Hysan Development (0014) – FY06 Interim results</b> <b>HAECO (0044) – FY06 Interim results</b> <b>Fubon Bank (0636) – FY06 Interim results</b> <b>Lifestyle International (1212) – FY06 Interim results</b> Shanghai Forte Land (2337) – FY06 Interim results <b>Standard Chartered (2888) – FY06 Interim results</b>
	US	:	<b>Cisco Systems – FY06 Final results</b> Nonfarm Productivity (Preliminary)– 2Q
9 <sup>th</sup> August 2006 (Wednesday)	HK	:	<b>Chinese Estates Holdings (0127) – FY06 Interim results</b> <b>Cathay Pacific (0293) – FY06 Interim results</b> <b>ICBC (Asia) (0349) – FY06 Interim results</b> Datang International Power (0991) – FY06 Interim results
	US	:	Disney Walt Co. – FY063Q results <b>FOMC Rate Decision</b>
10 <sup>th</sup> August 2006 (Thursday)	HK	:	<b>Hong Kong Electric (0006) – FY06 Interim results</b> <b>Swire Pacific A (0019) – FY06 Interim results</b> <b>MTR Corporation (0066) – FY06 Interim results</b> <b>Li &amp; Fung (0494) – FY06 Interim results</b> Advanced Semiconductor (3355) – FY06 Interim results
	US	:	Trade Balance – June Initial Jobless Claims – week ended 6 August
11 <sup>th</sup> August 2006 (Friday)	HK	:	Guangdong Kelon Elec (0921) – FY06 Interim results Road King Infrastructure (1098) – FY06 Interim results Champion REIT (2778) – FY06 Interim results Beijing Capital Land (2868) – FY06 Interim results
	US	:	Import Price Index – July Advanced Retail Sales – July

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