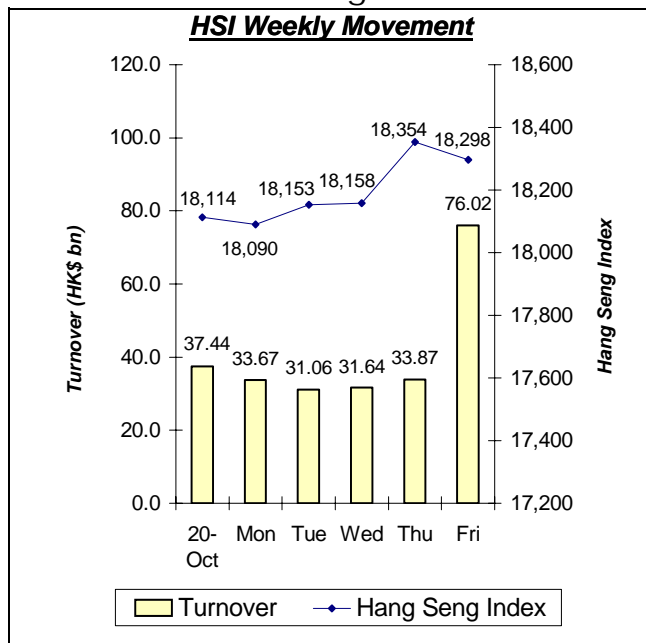


## Profit-taking set in after HSI marched to fresh all-time high



<b>Weekly Market Statistics</b>				
Week ended	27/10/2006	20/10/2006	Change	%
Hang Seng Index	18,298	18,114	184	+1.0%
HS Red Chip Index	2,897	2,798	99	+3.5%
HS China Enterprises Index	7,406	7,512	(106)	-1.4%
HS Composite Index	2,426	2,424	2	+0.1%
HS HK Composite Index	2,308	2,316	(8)	-0.3%
HS Mainland Composite Index	2,610	2,595	15	+0.6%
S&P/HKEx GEM Index	1,131	1,134	(3)	-0.2%
Avg Daily Turnover (HK\$ bn)	41.3	32.2	9	+28.1%
Sectoral Indices				
Finance	31,059	31,243	(184)	-0.6%
Utilities	33,224	33,141	83	+0.3%
Properties	20,909	21,049	(140)	-0.7%
Comm & Ind	9,442	9,199	243	+2.6%

## Review & Outlook of Market Performance

The local bourse started off this week's trades in a mild tone, but market momentum picked up to welcome ICBC's landmark debut trading on Friday 27<sup>th</sup> October. Market sentiment was buoyed by gains in Wall Street, which took the Dow to break new grounds on the latest round of solid corporate earnings and the US Fed's decision to hold interest rates steady. Heavyweight China Mobile was the main impetus to the HSI while futures-led trading exerted volatility in Hong Kong equities amid the expiry of October's index futures on Friday. The HSI raced to its new record high of 18,465.54 during early trades on Friday before profit-taking set in and reversed trend of the HSI. Over the week, the benchmark index gained 184 points or 1.0% to close at 18,297.55. Boosted by the trading debut of ICBC, average daily turnover rose to HK\$41.3 billion from HK\$32.2 billion in the previous week.

Despite news that the HKSAR government will sell two land plots next month in a public auction, property counters were muted to the news as sentiment towards the housing market remained weak. However, rate-sensitive property counters managed to draw some support from the US Fed's decision to put rates on hold. Major developers – Cheung Kong (HK\$84.80, -0.5% w-o-w), SHK Properties (HK\$85.60, +0.2% w-o-w) and Henderson Land (HK\$42.80, -2.3% w-o-w) – posted mixed performance.

In fact, market focus fell onto the trading debut of ICBC on Friday. Shares of the mainland's banking behemoth finished its first day of trading at HK\$3.52, 14.7% higher than its IPO price of HK\$3.07. Meanwhile, optimism over sustained growth of the mainland's economy continued to fuel the H shares earlier in the week, but profit-taking activities set in and dragged the HSCEI to finish the week in the negative territory. The H-share index eventually ended the week at 7,406.02, down 1.4% w-o-w.

Looking forward into the coming 4-day trading week to be shortened by the Chung Yeung Festival next Monday, 30<sup>th</sup> October 2006, spotlight would remain on the trading of ICBC's shares. Whilst profit-taking and consolidation may persist in the short term, market outlook should remain positive with the concerns over the interest-rate movement being eased. We see good support of the HSI at 18,050.

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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 October	12,163.66*	2,379.10*	16,669.07	2,729.98	989.90	725.77	7,086.74
20th October	12,002.37	2,342.30	16,651.63	2,686.43	979.19	724.98	7,039.37
Change	+161.29	+36.80	+17.44	+43.55	+10.71	+0.79	+47.37
%	+1.3%	+1.6%	+0.1%	+1.6%	+1.1%	+0.1%	+0.7%

Remark (\*): closing as of 26<sup>th</sup> October 2006

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

#### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @27/10/06	W-O-W Change		Remarks / Comments
			Absolute	%	
China Mobile	0941	HK\$62.35	+HK\$3.25	+5.50%	Shares of the mainland's top mobile operator set six-year high during the week on expectation of better business outlook after reporting a 24% y-o-y jump in its 3 <sup>rd</sup> -quarter earnings.
China Unicom	0762	HK\$8.62	+HK\$0.43	+5.25%	Resurgence of market talks on probable merger with China Netcom drew market attention to the stock.
Esprit	0330	HK\$74.65	+HK\$3.65	+5.14%	The global retailer was well bid this week on target-price upgrades by several brokerage houses.

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

Stock	Stock Code	Closing Price @27/10/06	W-O-W Change		Remarks / Comments
			Absolute	%	
China Construction Bank	0939	HK\$3.53	-HK\$0.15	-4.08%	Investors seemed cashing in PRC financial counters that had run up ahead of ICBC's trading debut.
China Life Insurance	2628	HK\$16.02	-HK\$0.66	-3.96%	
Ping An Insurance	2318	HK\$27.05	-HK\$1.05	-3.74%	

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

Stock	Stock Code	Closing Price @27/10/06	W-O-W Change		Remarks / Comments
			Absolute	%	
CITIC Resources	1205	HK\$1.69	+HK\$0.23	+15.75%	The firm's shares shot up amid talks on potential asset injection by its parent CITIC Group.
Shenzhen Investment	0604	HK\$3.08	+HK\$0.21	+7.32%	The state-backed developer surged 7.32% during the week before its trading was suspended on Friday pending a new-share placement.

### Summary of US Economic News

Indicator	Change/Index	Comments
Existing-home sales – September 2006	-1.9%	Sales of existing homes dipped to a lower-than-expected annual pace of 6.18 million units in September from 6.30 million units in August, marking the 6 <sup>th</sup> -straight monthly decline in sales.
New-home sales – September 2006	+5.3%	Sales pace for new homes picked up in September, rising 5.3% to a seasonally-adjusted annual rate 1.075 million units. It marked the 2 <sup>nd</sup> -consecutive increase in sales following three months of declines.
Initial jobless claims – week ended 21 <sup>st</sup> October 2006	+8,000	The number of US workers applying for jobless benefits rose 8,000 last week to 308,000, in line with expectations and still pointing to a relatively healthy job market
Durable-goods order – September 2006	+7.8%	New orders for durable goods surged a greater-than-expected 7.8% in September on a rush of civilian aircraft orders, but rose a modest 0.1% when volatile transportation orders were stripped from the total.

### Forthcoming Important Announcements / Events

30 <sup>th</sup> October 2006 (Monday)	HK	:	Public Holiday – Chung Yeung Festival SMIC (0981) – Q3 2006 results
	US	:	Personal income – September 2006 Personal spending – September 2006 <b>BlackRock Inc – Q3 2006 results</b> <b>Metlife Inc – Q3 2006 results</b> Verizon Communications – Q3 2006 results
31 <sup>st</sup> October 2006 (Tuesday)	US	:	<b>Consumer confidence – October 2006</b> Loews Corp – Q3 2006 results Qwest Communications – Q3 2006 results
1 <sup>st</sup> November 2006 (Wednesday)	US	:	Construction spending – September 2006 <b>ISM manufacturing index – October 2006</b> Allergan Inc – Q3 2006 results Las Vegas Sands Corp – Q3 2006 results Newmont Mining Corp – Q3 2006 results Prudential Financial Inc – Q3 2006 results Southern Copper Corp – Q3 2006 results <b>Time Warner Inc – Q3 2006 results</b>
2 <sup>nd</sup> November 2006 (Thursday)	HK	:	<b>Retail sales – September 2006</b> <b>Manulife (0945) – Q3 2006 results</b>
	US	:	Productivity – Q3 2006 Factory orders – September 2006 Initial jobless claims – week ended 28 <sup>th</sup> October 2006 <b>International Paper Co – Q3 2006 results</b> <b>Qualcomm Inc – Q4 results</b> Transocean Inc – Q3 2006 results
3 <sup>rd</sup> November 2006 (Friday)	US	:	<b>Non-farm payrolls – October 2006</b> ISM non-manufacturing index – October 2006 Berkshire Hathaway Inc – Q3 2006 results Duke Energy Corp – Q3 2006 results Wynn Resorts Ltd – Q3 2006 results

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