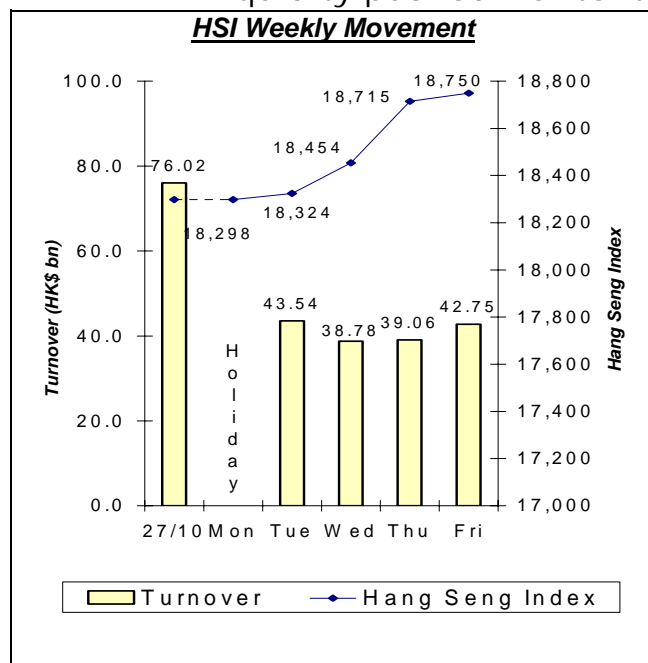


Liquidity pushed HSI to its third straight record close



Weekly Market Statistics				
Week ended	3/11/2006	27/10/2006	Change	%
Hang Seng Index	18,750	18,298	452	+2.5%
HS Red Chip Index	3,026	2,897	128	+4.4%
HS China Enterprises Index	7,620	7,406	214	+2.9%
HS Composite Index	2,492	2,426	66	+2.7%
HS HK Composite Index	2,350	2,308	42	+1.8%
HS Mainland Composite Index	2,707	2,610	97	+3.7%
S&P/HKEx GEM Index	1,157	1,131	26	+2.3%
Avg Daily Turnover (HK\$ bn)	41.0	32.2	9	+27.4%
Sectoral Indices				
Finance	31,558	31,059	498	+1.6%
Utilities	33,724	33,224	500	+1.5%
Properties	21,365	20,909	456	+2.2%
Comm & Ind	9,749	9,442	307	+3.2%

Review & Outlook of Market Performance

HSI started off this short trading week with a modest increase but the positive sentiment continued throughout the week. With strong liquidity, favourable interest rate outlook, and still not-too-demanding valuation, market momentum continued to pick up and the HSI raced to its new record high of 18,771.01 on Friday morning. Profit-taking and chasing laggards set in and the benchmark later closed the week at 18,749.69, up 452 points or 2.5% w-o-w. Momentum was slightly affected when some below-forecast US productivity and labour cost data pulled down the US indices during mid-week and raised worries about inflation and slow growth in Asia's export market. Average daily turnover was HK\$41.0 billion versus HK\$41.3 billion in the previous week.

Heavyweights HSBC and China Mobile reached their fresh record of HK\$150.50 and HK\$66.75, respectively. Many blue chips, such as Foxconn International and Esprit reached their 52-week or record highs during the week. Investors also chased after Chinese stocks – specifically Chinese properties, financial institutions and companies with large RMB-denominated assets on speculation of RMB appreciation. Among the quality laggards, local properties stocks were being chased bringing the Hang Seng Property sub-index up 2.2% w-o-w. Major developers – Henderson Land (HK\$44.25, +3.39% w-o-w), SHK Properties (HK\$87.55, +2.28% w-o-w) and Cheung Kong (HK\$86.4, +1.89% w-o-w) posted modest increase.

H shares set a fresh nine-year peak of 7,653.52 points as many companies announced strong third-quarter results providing evidence to the sustained growth of the Mainland economy. Investors were also seen buying companies with RMB-denominated assets in anticipation of strong RMB. Chinese property developer rallied with Guangzhou R&F (HK\$13.7, +14.2% w-o-w) being the top performer among the peers. Mainland banks also posted strong performance. ICBC went up 1.99% w-o-w and closed at HK\$3.59 while Bank of Communication closed at HK\$6.13, or up 5.5% w-o-w. Although profit-taking activities set in and dampened the momentum on Friday, the H-share index managed to end the week at 7,620.47, up 214 points or 2.9% w-o-w.

Next week, the possible swing factor would be on US midterm election next Tuesday and the potential impact on the US stock market. Sentiment, however, should remain supportive and may boost higher before profit-taking and consolidation. We see good support of the HSI at 18,500.

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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							
3rd November	12,018.54*	2,334.02*	16,350.02	2,722.31	997.36	732.30	7,161.61
27th October	12,090.26	2,350.62	16,669.07	2,729.98	989.90	725.77	7,086.74
Change	-71.72	-16.60	-319.05	-7.67	+7.46	+6.53	+74.87
%	-0.6%	-0.7%	-1.9%	-0.3%	+0.8%	+0.9%	+1.1%

Remark (*): closing as of 2nd November 2006

Remark (^): closing as of 2nd November 2006, 3rd November 2006 is a public holiday in Japan.

Major Changes in Index Constituent Stocks (Week ended 3rd November 2006)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @3/11/06	W-O-W Change		Remarks / Comments
			Absolute	%	
China Mobile	0941	HK\$66.5	+HK\$4.15	+6.66	Strong rally of the counter was supported by upward revision of target price by a few brokerage houses.
CLP	0002	HK\$50.5	+HK\$1.65	+3.38	CLP Holdings said it has sold its 50% interest in BLCP Power in Thailand to Electricity Generating (EGCO), a subsidiary of its joint venture OneEnergy with Mitsubishi, for a consideration of US\$121 million

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @3/11/06	W-O-W Change		Remarks / Comments
			Absolute	%	
R&F Properties	2777	HK\$13.70	+HK\$1.7	+14.17	Investors seemed chasing in Mainland property stocks in speculation of RMB appreciation.
Angang	0347	HK\$8.59	+HK\$1.27	+17.35	Angang's third-quarter net profit rose more than fourfold from a year earlier, boosted by an asset injection from its parent firm.
Air China	0753	HK\$4.00	+HK\$0.31	+8.40	Satisfactory operating results for the first nine months of 2006, the drop in oil prices, an upward adjustment of fuel surcharges and the continued appreciation of the RMB translated into outstanding share price performance.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @3/11/06	W-O-W Change		Remarks / Comments
			Absolute	%	
CITIC Resources	1205	HK\$1.90	+HK\$0.21	+12.43	The Company entered into an agreement with CITIC Group allowing it to buy the Kazakh oil assets (within 1 year) which CITIC Group had agreed to purchase last month.
COFCO International	0506	HK\$7.56	+HK\$0.72	+10.53	COFCO announced its proposed US\$200 million spin-off of an agri-business subsidiary, China Agri Group.

Summary of US Economic News

Indicator	Change/Index	Comments
Consumer confidence – October 2006	105.4	Consumer confidence fell to 105.4 from a revised 105.9 in September. The figure was below the forecast for an increase to 107.8. Lower energy prices and record highs for blue chip stocks were not enough to lift the index. Consumers were mixed on current business conditions and had a less favourable view of the job market.
ISM manufacturing index – October 2006	51.2	The Institute for Supply Management said the manufacturing index fell to 51.2 in October. This compares with market forecast of 53.0 and September's figure at 52.9. October's decline reflected weakness at companies that supply the auto and housing industries.
Initial jobless claims – week ended 28th October 2006	+18,000	Initial jobless claims unexpectedly rose 18,000 last week to 327,000, worse than market expectation of 310,000. It remained at levels that still point to a relatively healthy jobs market.
Productivity - Q3 2006	-1.2%	Productivity showed no growth at all from July through September, down from 1.2% in the previous quarter. Growth was just 1.3% over the past 12 months, the weakest showing in nine years.

Forthcoming Important Announcements / Events

6 th November 2006 (Monday)	HK US	: : :	Hang Seng Bank – Q3 2006 results National Retail Properties – Q3 2006 results Energy Partners – Q3 2006 results
7 th November 2006 (Tuesday)	HK US	: : :	Wumart – Q3 2006 results I.T. – interim FY2006 results Consumer Credit – September 2006 Emerson Electric – Q3 2006 results Nortel Networks – Q3 2006 results
8 th November 2006 (Wednesday)	HK US	: : :	SUNeVision – Q1 FY2007 results Cisco Systems – Q1 FY2007 results
9 th November 2006 (Thursday)	HK US	: : :	Lenovo – interim FY2006 results Wholesale Inventory – September 2006 Trade Balance – September 2006 Initial jobless claims – Week ended 4 November 2006 Walt Disney – Q3 2006 results Viacom – Q3 2006 results
10 th November 2006 (Friday)	HK	: :	ASMC – Q3 2006 results

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