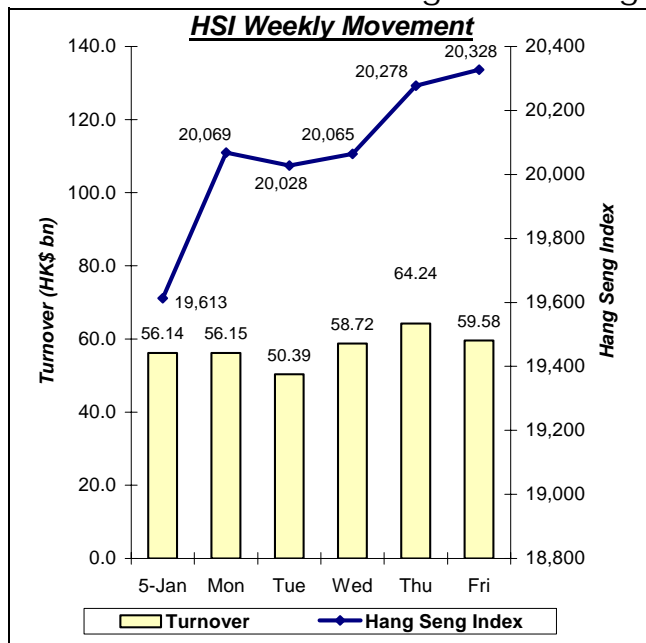


### The HSI staged a strong rebound on ample liquidity



<b>Weekly Market Statistics</b>				
Week ended	19/1/2007	12/1/2007	Change	%
Hang Seng Index	20,328	19,613	+714	+3.6%
HS Red Chip Index	3,338	3,203	+135	+4.2%
HS China Enterprises Index	9,858	9,675	+183	+1.9%
HS Composite Index	2,829	2,743	+87	+3.2%
HS HK Composite Index	2,536	2,459	+78	+3.2%
HS Mainland Composite Index	3,241	3,142	+99	+3.2%
S&P/HKEx GEM Index	1,270	1,223	+47	+3.9%
Avg Daily Turnover (HK\$ bn)	57.8	59.9	-2	-3.4%
Sectoral Indices				
Finance	32,619	31,724	+895	+2.8%
Utilities	36,061	35,363	+698	+2.0%
Properties	25,542	24,013	+1,529	+6.4%
Comm & Ind	10,732	10,340	+392	+3.8%

### Review & Outlook of Market Performance

The local bourse kicked off this week's trade in an upbeat tone after the US Dow climbed to a new record close last Friday. The Hang Seng Index recouped most of last week's losses and marched back to the 20,000-point level. In fact, the 445.15-point surge on Monday was the biggest single-day increase in six years. Local property counters put on a show this week amid optimism of a recovery in the real estate sector and benign interest-rate outlook. SHK Properties (HK\$100.00, +6.7%), Cheung Kong (HK\$105.40, +5.9%) and Hang Lung Properties (HK\$21.30, +9.6%) were all gainers, and their corresponding HS Properties Sub-index jumped 6.4% over the week. Also fuelled by a strong rebound of heavyweight China Mobile (HK\$70.80, +7.4%), the HSI finished the week at 20,327.72, up 714.31 points or 3.6% w-o-w. Trading remained hectic this week, with average daily turnover amounted to HK\$57.8 billion.

H shares also staged a rebound after a two-week slide. However, gains in the H-share index were trimmed by the losses in PetroChina (HK\$9.57, -2.0%) on sliding crude oil prices. Indeed, rotational buying in H shares was seen over the week, with coal and metal shares being well bid. The HSCEI index eventually ended this week at 9,857.97, up 1.9%. Catching the market attention were the mainland property developers, which were undermined by announcement regarding detailed rules on levying a land appreciation tax. Among the victims, Guangzhou R&F Properties (2777) went down 4.3% w-o-w to HK\$15.70.

During the week, the HKSAR Government said the jobless rate for the period from October to December 2006 stayed at 4.4%, unchanged from that during the September-November period, showing the city's economy remained in a healthy state. For 2006, the unemployment rate averaged at 4.8%, down notably from 5.6% in 2005.

Looking forward into next week, trading is expected to be more cautious as the Hong Kong corporate earnings reporting season approaches. Investors may also keep an eye on a slew of quarterly results by a number of major US corporates next week, including Bank of America, Pfizer, Yahoo and Microsoft. The HSI is expected to see good support at 20,000 in the near term amid the still-ample liquidity.

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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							
19th January	12,567.93*	2,443.21*	17,310.44	3,072.88	1,147.76	658.17	7,840.08
12th January	12,556.08	2,502.82	17,057.01	3,009.09	1,119.33	645.71	7,761.71
Change	+11.85	-59.61	+253.43	+63.79	+28.43	+12.46	+78.37
%	+0.1%	-2.4%	+1.5%	+2.1%	+2.5%	+1.9%	+1.0%

Remark (\*): closing as of 18<sup>th</sup> January 2007

**Major Changes in Index Constituent Stocks (Week ended 19<sup>th</sup> January 2007)**
**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @19/01/07	W-O-W Change		Remarks / Comments
		HK\$	Absolute	%	
Cathay Pacific	0293	HK\$21.40	+HK\$1.10	+5.4%	The city's flagship carrier jumped on declining crude oil prices.
HKEx	0388	HK\$88.80	+HK\$5.85	+7.1%	Brisk turnover on the local bourse fuelled the exchange operator.

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

Stock	Stock Code	Closing Price @19/01/07	W-O-W Change		Remarks / Comments
		HK\$	Absolute	%	
Maanshan Iron & Steel	0323	HK\$5.41	+HK\$0.88	+19.4%	The steelmaker shot up on a price target upgrade by a major brokerage house and solid steel prices.
Dongfeng Group	0489	HK\$4.36	+HK\$0.32	+7.9%	The company obtained government approval to set up a car-financing venture with its Japanese partner, Nissan Motor, aiming to boost sales in China.
Air China	0753	HK\$5.80	+HK\$0.51	+9.6%	Falling fuel prices lifted the aviation sector.
Tsingtao Brewery	0168	HK\$16.60	+HK\$2.10	+14.5%	These counters, which were seen as the beneficiaries of the 2008 Olympic Games, attracted keen buying interests.
Beijing Capital International Airport	0694	HK\$6.66	+HK\$0.62	+10.3%	
Shenhua Energy	1088	HK\$20.15	+HK\$1.33	+7.1%	Shares of coal miners were lifted amid news that coal and power producers agreed to raise coal contract prices by around 10%.
Yanzhou Coal	1171	HK\$7.49	+HK\$0.89	+13.5%	

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

Stock	Stock Code	Closing Price @19/01/07	W-O-W Change		Remarks / Comments
		HK\$	Absolute	%	
China Travel	0308	HK\$2.84	+HK\$0.27	+10.5%	The mainland tour operator surged on speculations of an asset injection by its parent.

Indicator	Change/Index	Comments
Producer price index – December 2006	+0.9% m-o-m	The PPI jumped a larger-than-expected 0.9% in Dec after soaring 2% in Nov. Stripping out the volatile food and energy prices, the core PPI edged up 0.2% after jumping 1.3% in Nov.
Industrial Production – December 2006	+0.4% m-o-m	Industrial output was stronger than expected in Dec, rising 0.4% on robust gains in manufacturing and mining.
Consumer price index – December 2006	+0.5% m-o-m	CPI jumped at the sharpest rate in 8 months during Dec, climbing 0.5% as prices for energy products shot up after 3 straight months of declines. Excluding food and energy prices, core CPI increased 0.2% in Dec after being unchanged in Nov.
Housing starts – December 2006	+4.5% m-o-m	Housing starts rose to an annual pace of 1.64 million in Dec from a revised 1.57 million rate in November.
Initial jobless claims – week ended 13 <sup>th</sup> January 2007	-8,000	New claims for jobless benefits dropped by a surprisingly large 8,000 last week to 290,000, the lowest level in 11 months.

22 <sup>nd</sup> January 2007 (Monday)	HK US	: :	<b>Consumer price index – December 2006</b> <b>Leading indicators – December 2006</b> <b>American Express Co – Q4 2006 results</b> CSX Corp – Q4 2006 results E Trade Financial Corp – Q4 2006 results Eaton Corp – Q4 2006 results
23 <sup>rd</sup> January 2007 (Tuesday)	HK US	: :	Pico Far East Holdings (0752) – FY2006/07 final results Advanced Micro Devices Inc – Q4 2006 results <b>Bank Of America Corporation – Q4 2006 results</b> <b>BlackRock Inc – Q4 2006 results</b> Du Pont E I De Nemours & Co – Q4 2006 results <b>Johnson &amp; Johnson – Q4 2006 results</b> <b>Pfizer Inc – Q4 2006 results</b> Seagate Technology – Q2 2007 <b>Sun Microsystems Inc – Q2 2007</b> <b>Wachovia Corp – Q4 2006 results</b> Xerox Corp – Q4 2006 results <b>Yahoo Inc – Q4 2006 results</b>
24 <sup>th</sup> January 2007 (Wednesday)	HK US	: :	China Green (Holdings) (0904) – FY2006/07 interim results Abbott Laboratories – Q4 2006 results ConocoPhillips – Q4 2006 results <b>eBay Inc – Q4 2006 results</b> <b>McDonald's Corp – Q4 2006 results</b> Qualcomm Inc – Q4 2006 results
25 <sup>th</sup> January 2007 (Thursday)	HK US	: :	Trade balance – December 2006 Initial jobless claims – week ended 20 <sup>th</sup> January 2007 Existing home sales – December 2006 <b>Amgen Inc – Q4 2006 results</b> <b>Microsoft Corp – Q4 2006 results</b> <b>Nokia Corp – Q4 2006 results</b>
26 <sup>th</sup> January 2007 (Friday)	HK US	: :	No important announcements / events New home sales – December 2006 Durable goods orders – December 2006 Caterpillar Inc – Q4 2006 results

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