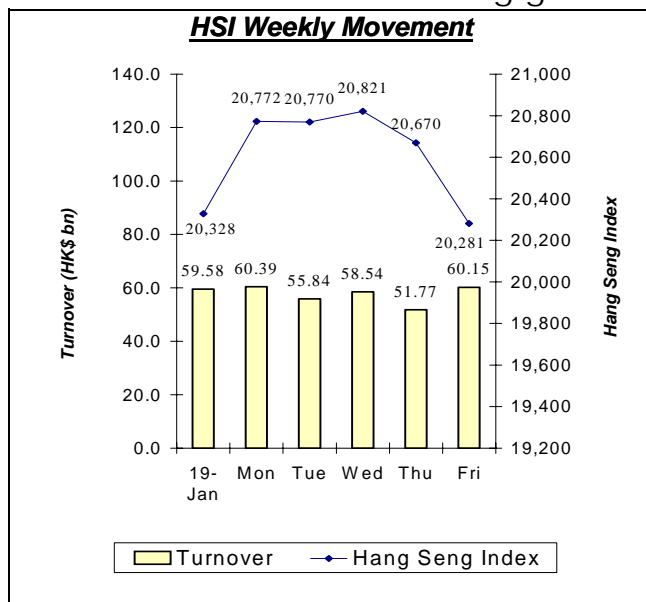


HSI reversed strong gains after Chinese authority's warning



Weekly Market Statistics				
Week ended	26/1/2007	19/1/2007	Change	%
Hang Seng Index	20,281	20,328	(47)	-0.2%
HS Red Chip Index	3,381	3,338	43	+1.3%
HS China Enterprises Index	9,661	9,858	(197)	-2.0%
HS Composite Index	2,804	2,829	(26)	-0.9%
HS HK Composite Index	2,507	2,536	(30)	-1.2%
HS Mainland Composite Index	3,221	3,241	(21)	-0.6%
S&P/HKEx GEM Index	1,240	1,270	(30)	-2.3%
Avg Daily Turnover (HK\$ bn)	57.3	57.8	(0)	-0.8%
Sectoral Indices				
Finance	32,345	32,619	(275)	-0.8%
Utilities	36,101	36,061	40	+0.1%
Properties	24,375	25,542	(1,167)	-4.6%
Comm & Ind	10,855	10,732	123	+1.1%

Review & Outlook of Market Performance

Hong Kong stocks experienced a bumpy ride during the week, as a warning from the Chinese authority against misuse of bank loans in speculating the Mainland stock market triggered massive sell-off, which erased most gains recorded earlier in the week. HSI I set new record highs on Wednesday, driven by a strong rally in China Mobile after the mobile carrier reported robust growth in subscribers on 19th Jan. The blue chip index hit a new high of 20,971.46, before slipping 0.2% w-o-w to close at 20,281.13. Average daily turnover was HK\$57.3 billion, little changed from HK\$57.8 billion in the previous week.

Market sentiments turned upside-down on Thursday, after officials from the China Banking Regulatory Commission (CBRC) told commercial banks to prevent personal loans from flowing into equities, which was commonly regarded as an oral intervention to hold back speculations in the stock market. Besides, latest economic figures showed that PRC's consumer price index jumped 2.8% y-o-y in December 2006, triggering fears for another round of austerity measures. Mainland A shares tumbled after the news, followed by sell-off in local H shares. Over the week, the HSCEI fell 2.0% to 9,660.66.

Bellwether China Mobile drew much market attentions during the week, after the stock revisited levels near its record high set during the tech boom in 2000. Analysts revised up the target price for China Mobile, citing its strong growth in rural areas and the delay in the launch of 3G licenses. Meanwhile, Mainland airlines ended the week sharply lower, amid a rebound in crude oil prices. Air China fell 6.0% w-o-w, while China Eastern Airlines and China Southern Airlines plunged by more than 17% and 13% w-o-w, respectively. Property developers were also among the losers, as profit taking kicked in.

For the coming week, investors would keep close eyes on interest rate movements, as the Fed will hold its two-day FOMC meeting starting on Tuesday (30/1). The Fed is widely expected to leave rates unchanged. Besides, the market will also stay alert amid concerns over further austerity measures by PBOC, as figures showed inflation accelerated in the Mainland. We see the HSI should continue to consolidate at the 20,200 level.

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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							
26th January	12,502.56*	2,434.24*	17,421.93	3,087.74	1,169.89	657.65	7,821.32
19th January	12,565.53	2,451.31	17,310.44	3,072.88	1,147.76	658.17	7,840.08
Change	-62.97	-17.07	+111.49	+14.86	+22.13	-0.52	-18.76
%	-0.5%	-0.7%	+0.6%	+0.5%	+1.9%	-0.1%	-0.2%

Remark (*): closing as of 25th January 2007

Major Changes in Index Constituent Stocks (Week ended 26th January 2007)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @26/01/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Mobile	0941	HK\$72.65	+HK\$1.85	+2.61%	China Mobile, the largest mobile carrier in the Mainland, was the star during the week, after investment banks revised up their target prices for the counter. Analysts have been in favour with the stock, citing robust growth in rural areas, RMB appreciation and postponement of the launch of 3G licenses.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @26/01/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Dongfeng Group	0489	HK\$4.60	+HK\$0.24	+5.50%	Mainland's 3 rd largest carmaker said it is in talks with Volvo for a possible investment in its joint venture with Nissan Motors. The JV will be partly engaged in the manufacture of heavy and medium-duty commercial vehicles and engines.
PICC P&C	2328	HK\$4.55	+HK\$0.47	+11.52%	Investors bid up the share, as there was market rumour that the chairman of China Life will head the non-life insurer.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @26/01/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo Group	0992	HK\$3.18	-HK\$0.17	-5.07%	Lenovo said its Americas region president Scott Adams has resigned. The PC maker has been struggling to boost its sales, as it saw sluggish growth in overseas markets over the past year.

Summary of US Economic News

Indicator	Change/Index	Comments
Index of leading indicators – December 2006	138	Leading indicators surged 0.3% in Dec 06, slightly below consensus forecast of a 0.4% gain. The Conference Board said the gain was mainly driven by a robust building permit number and lower jobless claims.
Initial jobless claims – week ended 20 th January 2007	+36,000	Initial jobless claims grew 36,000 to 325,000, much higher than market expectations of a rise to 305,000, despite during a holiday-shortened week.
Existing home sales – December 2006	-7.9%	Existing home sales amounted to an annual rate of 6.22 million unit in Dec, down a sharp 7.9% y-o-y and slightly lower than consensus forecast of 6.30 million units.

Forthcoming Important Announcements / Events

29 th January 2007 (Monday)	HK	:	China National Resources Development (0661) – interim results
	US	:	Vongroup (0318) – interim results Phelps Dodge – Q4 2006 results
30 th January 2007 (Tuesday)	HK	:	Sunny Global (1094) – final results
	US	:	Consumer confidence – January 2007 3M Company – Q4 2006 results General Motors Corp. – Q4 2006 results Merck & Co., Inc. – Q4 2006 results Procter & Gamble Company – Q2 FY2006/07 results Sony Corp – Q3 FY2006/07 results
31 st January 2007 (Wednesday)	HK	:	B.A.L. Holdings (8079) – final results
	US	:	GDP (Advanced) – Q4 2006 Construction spending – December 2006 FOMC meeting and policy statement Boeing Co – Q4 2006 results Google – Q4 2006 results Starbucks – Q1 FY2006/07 results Time Warner Inc. – Q4 2006 results
1 st February 2007 (Thursday)	HK	:	Lenovo Group (0992) – Q3 results
	US	:	Initial jobless claims – week ended 27 th January 2007 Personal income and spending – December 2006 ISM manufacturing index – January 2007 Amazon.com Inc. – Q4 2006 results ExxonMobil Corporation – Q4 2006 results
2 nd February 2007 (Friday)	HK	:	Retail sales – December 2006
	US	:	Non-farm payrolls – January 2007 Factory orders – December 2006 University of Michigan consumer sentiments (revised) – January 2007 Chevron – Q4 2006 results NYSE Group – Q4 2006 results

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