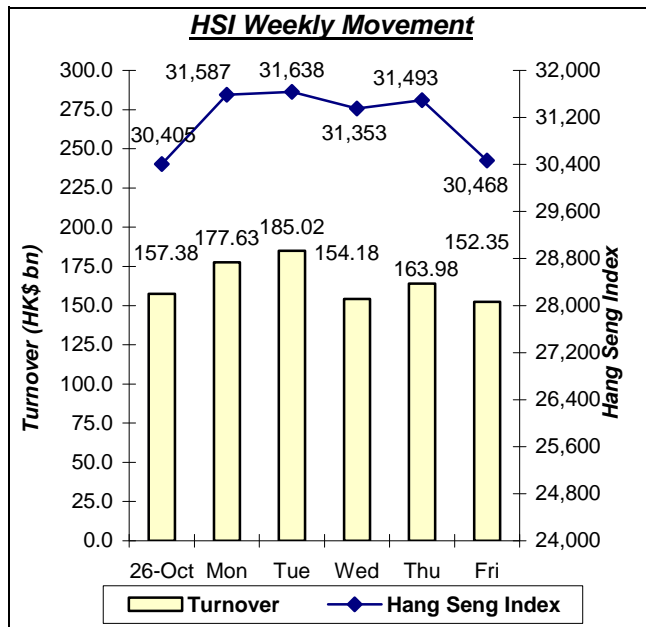


## HSI retreats from record high level as US shares tumbled



<b>Weekly Market Statistics</b>				
Week ended	02/11/07	26/10/07	Change	%
Hang Seng Index	30,468	30,405	+63	+0.2%
HS Red Chip Index	6,769	6,751	+18	+0.3%
HS China Enterprises Index	19,540	19,548	-8	-0.0%
HS Composite Index	4,378	4,340	+38	+0.9%
HS HK Composite Index	3,021	3,016	+5	+0.2%
HS Mainland Composite Index	6,034	5,958	+76	+1.3%
Growth Enterprise Index	1,503	1,489	+14	+1.0%
Avg Daily Turnover (HK\$ bn)	152.3	157.4	-5	-3.2%
<b>Sectoral Indices</b>				
Finance	46,115	45,588	+527	+1.2%
Utilities	37,064	36,750	+314	+0.9%
Properties	35,237	37,040	-1,803	-4.9%
Comm & Ind	18,075	18,004	+71	+0.4%

## Review & Outlook of Market Performance

Kicking off the week, the HSI shot up 3.9% as expectations of further U.S. rate cut propelled the HK property stocks to record highs. HSCEI also leapt 3.3%, led by the better-than-expected Q3 earnings of mainland lenders. But the market turned sluggish on Tuesday, traded at around 31,600 most of the day but still managed to closed higher, led by Chinese banks and oil shares. Amid the rate cut uncertainties before FOMC announcement, HK property shares turned into the top decliners on the following trading day while their China counterparts soared 2-4% on average on the back of stronger RMB. On Thursday, after China surprisingly raised domestic gasoline and diesel prices by one-tenth, the first increase in 17 months, China oil plays led the way up but high fuel prices drove transportation stocks down. Following large losses in the US markets overnight, the HSI plunged more than 1,000 points on Friday, erasing nearly all the gain during the week and closing the week with only 0.2% gain. The average daily turnover is HK\$166.6 billion, 6.5% higher than that of last week.

Among the blue-chips, Chinese oil and banking shares outperformed their peers this week. The record-high of US crude oil price of US\$96/barrel and the raised domestic fuel prices in the PRC helped boost the share prices of Sinopec, PetroChina and CNOOC. On the other hand, considering the strong Q3 earnings of mainland lenders, especially China Construction Bank and Bank of Communications, analysts tended to remain positive on the PRC banking sector, giving support to their share prices.

In October, the benchmark HSI posted its biggest monthly gain in eight years, up 15.5% m-o-m, thanks to the ample fund flow into Hong Kong, leading HK dollars to touch the strong side of its trading band. Hong Kong Monetary Authority was therefore forced to inject HK\$7.8 billion in the banking system on Wednesday as to ease the concern of speculation on abolishment of the peg system. However, the local currency is expected to stay strong, at least till the end of this year as investors bet on coming new listings namely China Railway Engineering Corp, Value Partners, China National Heavy Truck, Sinotrans Shipping and Dongyue Group.

Looking ahead, as market sentiment should remain positive, the tumble of US shares on Thursday is expected to have short-term impact on the region. Without any negative news on the PRC front, we see the HSI to have good support above 30,000 points in the coming week.

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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							
2nd November	13,567.87*	2,794.83*	16,517.48	3,715.32	1,397.48	894.34	9,273.09
26th October	13,806.70	2,804.19	16,505.63	3,770.33	1,398.35	894.57	9,631.51
Change	-238.83	-9.36	+11.85	-55.01	-0.87	-0.23	-358.42
%	-1.7%	-0.3%	+0.1%	-1.5%	-0.1%	-0.0%	-3.7%

Remarks: (\*) closing as of 1<sup>st</sup> November 2007

**Major Changes in Index Constituent Stocks (Week ended 2<sup>nd</sup> November 2007)**
**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @2/11/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinopec	0386	HK\$12.30	+HK\$0.72	+6.22%	Analysts lifted Sinopec's target price after China raised the retail prices for gasoline and diesel in the PRC.
Construction Bank	0939	HK\$8.26	+HK\$0.49	+6.31%	Strong quarterly earnings were reported and UBS upgraded its target price to HK\$9.60 from HK\$7.80 and raised its forecast for 2007-2009 earnings by between 12% and 20%.

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

Stock	Stock Code	Closing Price @2/11/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Maanshan Iron & Steel	0323	HK\$6.51	-HK\$1.14	-14.90%	Third-quarter net profit dropped 18.7% compared to the same period last year.
Dongfeng	0489	HK\$6.37	-HK\$0.89	-12.26%	High fuel price and profit taking after the recent rally dragged the stock down.
R&F Properties	2777	HK\$41.25	+HK\$5.35	+14.90%	Benefited from RMB appreciation and the news of shares purchase by JPMorgan and Morgan Stanley.

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

Stock	Stock Code	Closing Price @2/11/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo	0992	HK\$8.74	+ HK\$0.72	+8.98%	3Q earnings beat expectations. Analysts raised their target prices and lifted the earnings forecasts for the next two years, believing its strong growth momentum would persist.

**Summary of US Economic News**

Indicator	Change/Index	Comments
FOMC Meeting Announcement	-25bp	Fed funds rate was cut by 25 basis points as expected, but the Central Bank signalled there might not be more rate cuts.
Consumer Confidence – Oct 2007	95.6	The index was lower than the consensus of 99.0 and down to its lowest level since Hurricane Katrina.
Real GDP change for Q32007 (Annualized)	+3.9%	Above market forecast for a 3.2% gain which showed no slowing down despite of subprime problem.
ISM Mfg Index – Oct 2007	50.9	The index slipped to 50.9 from 52.0 in September, showing the growth of the manufacturing sector deteriorated in October to its slowest pace since March on tightened credit conditions and the housing downturn.

**Forthcoming Important Announcements / Events**

5 <sup>th</sup> November 2007 (Monday)	HK	:	HSBC (0005) – Declaration of 3Q FY2007 dividend Hang Seng Bank (0011) – Declaration of 3Q FY2007 dividend Croccodile (0122) – FY2006/07 final results Automated Sys (0771) – FY2007/08 interim results ACR Holdings (8025) – 3Q FY2007 results
	US	:	Cardinal Health – Q1 FY2008 results Sun Microsystems – Q1 FY2008 results ISM Non-Manufacturers Survey Index – Oct 2007
6 <sup>th</sup> November 2007 (Tuesday)	HK	:	Manulife (0945) – 3Q FY2007 results ChangMaoBioChem (8208) – 3Q FY2007 results China Photar (8220) – FY2007/08 interim results Andre Juice (8259) – 3Q FY2007 results Wumart (8277) – 3Q FY2007 results Alibaba.com – trading debut
	US	:	Tenet Healthcare – Q3 FY2007 results El Paso Corp – Q3 FY2007 results
7 <sup>th</sup> November 2007 (Wednesday)	HK	:	Gold Peak (0040) – FY2007/08 interim results AAC Acoustic (2018) – 3Q FY2007 results Luoxin Pharma (8058) – 3Q FY2007 results Soluteck (8111) – FY2007/08 interim results A-S China (8262) – 3Q FY2007 results M Tel (8266) – FY2007/08 interim results
	US	:	Cisco Systems – Q1 FY2008 results American International Group – Q3 FY2007 results Devon Energy – Q3 FY2007 results Productivity and Unit Labour Cost – Q3 2007 Wholesale Trade Inventories & Sales – Sep 2007 EIA Petroleum Status Report Consumer Credit – Sep 2007
8 <sup>th</sup> November 2007 (Thursday)	HK	:	Phoenix TV (8002) – 3Q FY2007 results Prosten Tech (8026) – FY2007/08 interim results Flexsystem (8050) – FY2007/08 interim results Core Healthcare (8250) – 1Q FY2007/08 results
	US	:	Walt Disney – Q4 FY2007 results Nvidia Corp – Q3 FY2008 results Initial Jobless Claims – the week ended 3 <sup>rd</sup> November 2007
9 <sup>th</sup> November 2007 (Friday)	HK	:	Everpride Pharma (8019) – 3Q FY2007 Sau San Tong (8200) – FY2007/08 interim results
	US	:	Import and Export Prices – Oct 2007 Consumer Sentiment – Nov 2007 International Trade – Sept 2007

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