

**DR ALAN GREENSPAN DOES IT, AGAIN:
EQUITY MARKETS' RUFFLED FEATHERS SMOOTHED**

European Union Trade Commissioner Flies To Shanghai

Trading was very quiet on Wall Street, last Monday, as investors appeared to be content just to sit back, waiting to see what would happen later on in the week.

There was a number of multi-billion-dollar mergers announced at the opening of US equity markets and this news tended to pull up the socks of some investors.

On The New York Stock Exchange, the Dow Jones Industrial Average closed the day at 10,467.03 points, representing a gain of 6.06 points, or about 0.06 percent, compared with the close of the previous Friday.

On The NASDAQ, its Composite Index ended the day's proceedings with a gain of 4.33 points, equivalent to about 0.21 percent, at 2,075.76 points.

On The New York Mercantile Exchange (NYMEX), the price of light sweet crude oil for delivery in July lost 54 cents (US) per barrel, dropping back to \$US54.49.

As for August delivery, the price of the black ooze ended the day at \$US55.69 per barrel, off about 0.52 percent on the previous Friday's close.

On European bourses, investors continued marking down key indices in the light of what appeared to be the prospects of more political chaos in the region.

This was how the indices of the major European bourses ended their respective trading days, last Monday:

Amsterdam's AEX Index	Minus 0.74 percent
Great Britain's FTSE 100 Index	Minus 0.38 percent
Germany's Frankfurt XETRA DAX Index	Minus 0.29 percent
France's CAC 40 Index	Minus 0.38 percent
Switzerland's Swiss Market Index	Minus 0.53 percent
Italy's MIBTEL Index	Minus 0.33 percent

Asian equity markets lost considerable ground at their opening, last Monday, following on from the report of the rather weak situation in employment in the US. (Please see [TARGET Intelligence Report, Volume VII, Number 103](#), of Monday, June 6, 2005)

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), early losses on the territory's premier equity market were covered, as investors stepped in during the final hour of trading.

As a result, the Hang Seng Index, the gauge of trading in blue chips, listed on the Main Board of The Stock Exchange of Hongkong Ltd, managed the fractional gain of about 0.31 percent, rising to 13,860.55 points.

The Total Turnover was about \$HK13.52 billion, with gaining counters just squeezing out losing ones by the ratio of about 1.04:One.

The Ten Most Active counters were:

HSBC Holdings plc (Code: 5)	Unchanged at \$HK124.00 per share
PetroChina Company Ltd (Code: 857)	Up 3.00 percent to \$HK5.15 per share
China Mobile (Hongkong) Ltd (Code: 941)	Up 0.53 percent to \$HK28.50 per share
Semiconductor Manufacturing International Corporation (Code: 981)	Up 2.45 percent to \$HK1.67 per share
Hutchison Whampoa Ltd (Code: 13)	Up 0.36 percent to \$HK69.00 per share
Esprit Holdings Ltd (Code: 330)	Up 0.47 percent to \$HK53.25 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Up 0.35 percent to \$HK71.50 per share
CNOOC Ltd (Code: 883)	Up 1.18 percent to \$HK4.30 per share
Sun Hung Kai Properties Ltd (Code: 16)	Up 0.68 percent to \$HK74.25 per share

The Main Board's double-digit movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
China Rich Holdings Ltd	1191	13.79		0.033
Hon Po Group (Lobster King) Ltd	228	16.13		0.36
Incutech Investments Ltd	356	12.50		1.08
Pearl Oriental Enterprises Ltd	600		10.00	0.315
Radford Capital Investment Ltd	901		12.50	0.014
Regent Pacific Group Ltd	575	10.42		0.265
Start Technology Company Ltd	706	11.48		0.34
UDL Holdings Ltd	620		15.38	0.022
Vitop Bioenergy Holdings Ltd	1178		17.27	0.182
Wing Hong (Holdings) Ltd	745		13.70	0.083
Zhongda International Holdings Ltd	909		12.07	0.255

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong, its lone index dropped back, fractionally, by the close of the day.

The Growth Enterprise Index lost about 0.12 percent of its value, ending the trading session at 894.20 points.

The Total Turnover on this speculative market was about \$HK56.64 million.

The ratio of losing counters to gaining counters was about 1.66:One.

The 5, most-active counters, in terms of their respective turnovers, only, were:

Town Health International Holdings Company Ltd (Code: 8138)

Down 7 percent
to 11.00 cents
per share

Tong Ren Tang Technologies Company Ltd (Code: 8069)

Down 1 percent
to \$HK13.30
per share

Zhengzhou Gas Company Ltd (Code: 8099)

Up 3 percent 78
cents per share

B.A.L. Holdings Ltd (Code: 8079)

Down 5 percent
to 28 cents per
share

Kanstar Environmental Paper Products Holdings Ltd (Code: 8011)

Up 3 percent to
30.50 cents per
share

As for The GEM's biggest movers of the day, they included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
AGL MediaTech Holdings Ltd	8192		14.29	0.018
Co-winner Enterprise Ltd	8108		20.00	0.048
Creative Energy Solutions Holdings Ltd	8109		11.11	0.08
Info Communication Holdings Ltd	8082	12.66		0.089
iSteelAsia Holdings Ltd	8080		11.11	0.024
QUASAR Communication Technology Holdings Ltd	8171	28.91		0.165
SYSCAN Technology Holdings Ltd	8083		16.80	0.104
Tradeeasy Holdings Ltd	8163	19.64		0.067

On The Tokyo Stock Exchange, which is the premier equity market of Japan, its key index was down from the opening bell – and stayed down for the entire session.

The Nikkei-225 Stock Average ended the day at 11,270.62 yen, off 29.43 yen, or about 0.26 percent.

The ratio of losing counters to gaining ones was about 1.56:One.

News Wise

- **Capital spending** at the corporate level in Japan rose for the eighth consecutive month in April, The Ministry of Finance has stated in its Quarterly Report. The figures came in at a gain of about 7.40 percent for the quarter, ended March 31, 2005, compared with the like quarter in 2004.

This was how the key indices of other Asia equity markets closed, last Monday:

The HKSAR	Plus 0.31 percent to 13,860.55
Indonesia	Plus 0.40 percent to 1,096.83
Japan	Minus 0.26 percent to 11,270.62
Malaysia	Plus 0.70 percent to 871.97
The Philippines	Plus 1.41 percent to 2,051.04
Singapore	Plus 0.40 percent to 2,201.38

South Korea	Closed
Taiwan	Plus 0.48 percent to 6,137.57
Thailand	Plus 0.83 percent to 682.30

Tuesday

It was very clear, last Tuesday, that the political and economic gurus of the US and the People's Republic of China (PRC) did not entirely agree on near-term solutions to the alleged international problem that the pegged currency of the most-populous country of the world was, seemingly, having on the economies of the US and the European Union (EU).

Dr Alan Greenspan, the Chairman of the US Federal Reserve Board, speaking to a conference of central bankers in Beijing, the Capital City of the PRC, via satellite video link said, among other things:

'I've said on numerous occasions (that) think it is to the advantage of China to allow a little more flexibility in the exchange rate (of the renminbi to the US dollar) ...

'In enhancing global growth, it is important that the structure of the Chinese economy be as flexible and integrated into the world economy as much as possible ...'

He, also, said that he suspected that the PRC Government would remedy the current situation *'reasonably soon.'*

The US Government has long held the view that the renminbi, at its present pegged rate, is artificially low; and, it is hurting the US economy because it creates an unfair advantage in respect of PRC imports.

The PRC's counterpart of Dr Alan Greenspan countered by stating that more flexibility in respect of monetary reforms, domestically, is, still, some way off.

Mr Zhou Xiao Chuan, the President of the Central Bank of China, said that his country had to take into account the domestic needs of the country, as well as the requirements of economic situations, elsewhere.

He, also, said:

'As for the building up of international pressure, some of it is not out of economic considerations, some of it is politically based.

'This is not a favourable environment for China to put forward its reform and for its decision-making process.'

On Wall Street, after a rally got underway, early in the trading session, pushing up key indices more than triple digits, subsequent selling pressure brought down those same key indices on both The New York Stock Exchange and The NASDAQ ... and the remarks of Dr Alan Greenspan were all but forgotten by many investors.

The Dow Jones Industrial Average, the gauge to trading in blue chips, listed on the Big Board of The New York Stock Exchange, put on just 16.04 points, up about 0.15 percent, on Monday's close, ending the session at 10,578.84 points.

On The NASDAQ, its Composite Index lost 8.60 points, equivalent to about 0.41 percent, falling back to 2,067.16 points.

News Wise

- **General Motors Corporation** announced that it would be sacking about 25,000 of its workers over the next few years in order to try to save about \$US2.50 billion per annum. Some parts and assembly plants will, also, be shut down.

On The New York Mercantile Exchange (NYMEX), the price of light sweet crude oil for delivery in July was settled at \$US53.76 per barrel, down about 1.34 percent on Monday's closing level.

As for delivery in August, the last quote for a barrel of light sweet crude oil was \$US54.94, off about 1.35 percent on the day.

Key indices of major European bourses took off, last Tuesday, as investors, on reading the placative words of the most-celebrated economist of the world, today, determined that all was well, after all and, if not completely well, at least, not completely bad.

Dr Alan Greenspan, it was quickly realised, had said little to nothing that could have been construed as being objectionable to equity trading.

And with the euro, continuing its translation falls against the US dollar, from the point of view of European investors and speculators, things were looking up.

This was how the key indices of the most-important bourses fared, last Tuesday:

Amsterdam's AEX Index	Plus 1.00 percent
Great Britain's FTSE 100 Index	Plus 0.89 percent
Germany's Frankfurt XETRA DAX Index	Plus 1.52 percent
France's CAC 40 Index	Plus 0.82 percent
Switzerland's Swiss Market Index	Plus 0.99 percent
Italy's MIBTEL Index	Plus 0.85 percent

In Asia, equity markets were, generally, weak: Investors were awaiting the reaction of Wall Street to the statements of Dr Alan Greenspan.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), trading on the 2 stock markets was quiet.

The Hang Seng Index, the blue chip '*barometre*' of the Main Board of The Stock Exchange of Hongkong Ltd, lost about 0.17 percent of its value, falling back to 13,837.29 points.

The Total Turnover dropped back to about \$HK11.44 billion.

The ratio of losing counters to gaining ones was about 1.29:One.

The Ten Most Actives were:

PetroChina Company Ltd (Code: 857)	Up 1.94 percent to \$HK5.25 per share
China Petroleum and Chemical Corporation (Code: 386)	Up 0.89 percent to \$HK2.85 per share
HSBC Holdings plc (Code: 5)	Unchanged at \$HK124.00 per share
Hutchison Whampoa Ltd (Code: 13)	Up 0.36 percent to \$HK69.25 per share
CNOOC Ltd (Code: 883)	Unchanged at \$HK4.30 per share
China Life Insurance Company Ltd (Code: 2628)	Up 0.98 percent to \$HK5.15 per share
China Mobile (Hongkong) Ltd (Code: 941)	Down 0.35 percent to \$HK28.40 per

Yanzhou Coal Mining Company Ltd (Code: 1171)

China Telecom Corporation Ltd (Code: 728)

Sun Hung Kai Properties Ltd (Code: 16)

share

Up 1.59 percent to
\$HK6.40 per share
Down 0.93 percent
to \$HK2.65 per
share

Down 1.01 percent
to \$HK73.50 per
share

As for the Main Board's double-digit movers of the day, they included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Anex International Holdings Ltd	723		11.70	0.083
Bestway International Holdings Ltd	718	11.36		0.098
China Electronics Corporation Holdings Company Ltd	85	11.54		1.45
China Motion Telecom International Ltd	989		14.35	0.191
Fullbond Holdings Ltd	1041	14.29		0.032
Hongkong Building and Loan Agency Ltd, The	145	11.59		0.77
Magnum International Holdings Ltd	305		12.73	0.096
Nippon Asia Investments Holdings Lt	603		11.11	0.072
Orient Resources Group Company Ltd	467	13.85		0.074
Paul Y. Engineering Group Ltd	577		12.50	0.56
Sino Gas Group Ltd	260		21.43	0.022
Wonderful World Holdings Ltd	109		18.03	0.10

Over on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, The Growth Enterprise Index rose about 0.47 percent to 898.36 points.

The Total Turnover was about \$HK79.98 million.

The 5, most-active counters, in terms of their respective turnovers, only, were:

China Fire Safety Enterprise Group Holdings Ltd (Code: 8201)

Town Health International Holdings Company Ltd (Code: 8138)

Vertex Communications and Technology Group Ltd (Code: 8228)

Zhengzhou Gas Company Ltd (Code: 8099)

Tong Ren Tang Technologies Company Ltd (Code: 8069)

Up 3 percent to 69
cents per share

Down 3 percent to
10.70 cents per
share

Up 13 percent to
53 cents per share

Down 1 percent
77 cents per share

Up 2 percent to
\$HK13.60 per
share

The GEM biggest movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Excel Technology International Holdings Ltd	8048	16.67		0.07
Inno-Tech Holdings Ltd	8202	11.11		0.05
Neolink Cyber Technology (Holding) Ltd	8116	10.00		0.088
Panorama International Holdings Ltd	8173		18.18	0.072

Vertex Communications and Technology Group Ltd	8228	12.77		0.53
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In The Land of The Rising Sun, it was another quiet day on the country's 3 equity markets, but key indices continued to drift down.

On The Tokyo Stock Exchange, The Nikkei-225 Stock Average lost another 53.17 yen, equivalent to about 0.47 percent, settling back to 11,217.45 yen.

Declining counters beat back advancing ones by the ratio of 1.40:One.

In other Asian equity markets, this was how their respective key indices ended the trading days, last Tuesday:

The HKSAR	Minus 0.17 percent to 13,837.29
Indonesia	Minus 0.37 percent to 1,092.81
Japan	Minus 0.47 percent to 11,217.45
Malaysia	Plus 0.57 percent to 876.92
The Philippines	Minus 2.34 percent to 2,003.02
Singapore	Plus 0.25 percent to 2,206.84
South Korea	Minus 0.53 percent to 970.88
Taiwan	Minus 0.52 percent to 6,105.79
Thailand	Minus 0.02 percent to 682.15

Wednesday

Investors were treated to a rather rough ride on equity markets, last Wednesday, due in large part to revelations that there had been a material fall in the inventory levels of crude oil in the US.

This caused the July price of light sweet crude oil to run up to \$US54.50 per barrel in electronic trading on The New York Mercantile Exchange (NYMEX).

However, the oil price did not stay at that level for long and, by the close of Open Outcry Trading on The NYMEX, traders had trimmed back prices, quite considerably.

For July delivery, the price of light sweet crude oil was settled at \$US52.54 per barrel, off about 2.27 percent, compared with Tuesday's closing level.

As for August delivery, the price of light sweet crude oil was settled at \$US53.85 per barrel, down about 1.98 percent on the last quote of Tuesday.

On Wall Street, there were other, more pressing considerations.

Dr Alan Greenspan, the Chairman of the US Federal Reserve Board, was scheduled to testify before the Joint Economic Committee of Congress, the following morning (last Thursday), and so many investors preferred to wait in order to learn what The Great Man would say to the US Congress.

On The New York Stock Exchange, the Dow Jones Industrial Average skidded down to 10,476.86 points, off about 0.06 percent on Tuesday's close.

On The (tech-laden) NASDAQ, its Composite Index gave up about 0.34 percent as investors pushed it down to 2,060.18 points.

Generally, trading was subdued.

In Europe, the higher price of crude oil in electronic trading on The NYMEX gave investors in this part of the world, pretty much the willies.

It came on the back of news that eurozone retailers were having a difficult time of it.

Indices of major European bourses fell to selling pressure from jittery investors and day-traders:

Amsterdam's AEX Index	Minus 0.09 percent
Great Britain's FTSE 100 Index	Minus 0.42 percent
Germany's Frankfurt XETRA DAX Index	Minus 0.19 percent
France's CAC 40 Index	Minus 0.22 percent
Switzerland's Swiss Market Index	Minus 0.08 percent
Italy's MIBTEL Index	Minus 0.05 percent

There were strong suggestions, last Wednesday, that the Government of the People's Republic of China (PRC) was propping up indices of equity markets in the country in an effort to stabilise capital markets.

The equity markets of the Hongkong Special Administrative Region (HKSAR) of the PRC and of the PRC, proper, have been a continuing source of new capital for the country for the past few decades: The PRC Government, certainly, does not want to see it dry up.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index gained about 0.44 percent, running up to 13,898.55 points, but the Total Turnover leapt to about \$HK17.51 billion.

The volume of activity had increased, in one trading day, by about 53 percent – for no apparent reason.

The ratio of advancing counters to declining ones was about 2.17:One.

The Ten Most Actives were:

HSBC Holdings plc (Code: 5)	Unchanged at \$HK124.00 per share
Hutchison Whampoa Ltd (Code: 13)	Up 0.36 percent to \$HK69.50 per share
China Mobile (Hongkong) Ltd (Code: 941)	Up 1.94 percent to \$HK28.95 per share
PetroChina Company Ltd (Code: 857)	Up 0.95 percent to \$HK5.30 per share
China Petroleum and Chemical Corporation (Code: 386)	Up 2.63 percent to \$HK2.925 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Up 1.05 percent to \$HK72.00 per share
CNOOC Ltd (Code: 883)	Down 1.74 percent to

Semiconductor Manufacturing International Corporation (Code: 981)

\$HK4.225 per share
Up 3.03 percent to \$HK1.70 per share
Up 1.02 percent to \$HK74.25 per share
Up 2.34 percent to \$HK6.55 per share

Sun Hung Kai Properties Ltd (Code: 16)

Yanzhou Coal Mining Company Ltd (Code: 1171)

As for the Main Board's biggest movers of the day, they included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
China Wireless Technologies Ltd	2369	11.43		0.78
Goldigit Atom-Tech Holdings Ltd	2362	16.20		0.165
Graneagle Holdings Ltd	147	11.11		0.40
Heritage International Holdings Ltd	2982	15.22		0.106
Luoyang Glass Company Ltd	1108	10.00		0.88
Magnum International Holdings Ltd	305	14.58		0.11
New World Mobile Holdings Ltd	862		16.24	0.98
Orient Resources Group Company Ltd	467		22.97	0.057
Pearl Oriental Enterprises Ltd	600	14.52		0.355
REXCAPITAL Financial Holdings Ltd	555	12.90		0.035
Sunny Global Holdings Ltd	1094	32.00		0.066
Unity Investments Holdings Ltd	913	10.26		0.043
Wealthmark International (Holdings) Ltd	39	13.85		0.74
Wonderful World Holdings Ltd	109	20.00		0.12

On The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, the situation was a little different to that of the Main Board.

The Growth Enterprise Index shed about 0.21 percent of its value, dropping back to 896.45 points, while the Total Turnover rose to about \$HK92.07 million.

On this market, losing counters outran gaining ones by the ratio of 1.20:One, exactly.

The 5, most-active counters, in terms of their respective turnovers, only, were:

Town Health International Holdings Company Ltd (Code: 8138)

Down 3 percent to 10.40 cents per share

Vertex Communications and Technology Group Ltd (Code: 8228)

Up 8 percent to 57 cents per share

Techpacific Capital Ltd (Code: 8088)

Up 29 percent to 29.50 cents per share

Zhengzhou Gas Company Ltd (Code: 8099)

Down 3 percent 75 cents per share

Tong Ren Tang Technologies Company Ltd (Code: 8069)

Up 1 percent to \$HK13.70 per share

The GEM's double-digit movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Byford International Ltd	8272		11.11	0.40
Co-winner Enterprise Ltd	8108	20.00		0.06
Panorama International Holdings Ltd	8173	25.00		0.09
Techpacific Capital Ltd	8088	29.39		0.295

Things continued to be quiet on Asia's largest equity market, that of The Tokyo Stock Exchange, last Wednesday.

This is rarely a good sign because a market that cannot rise, invariably, falls.

The Nikkei-225 Stock Average gained 63.58 yen, or about 0.57 percent, ending the session at 11,281.03 yen.

On this market, advancing counters were ahead of declining ones by the ratio of about 1.84:One.

In other Asian equity markets, this was how their respective key indices fared, last Wednesday:

The HKSAR	Plus 0.44 percent to 13,898.55
Indonesia	Plus 0.25 percent to 1,095.51
Japan	Plus 0.57 percent to 11,281.03
Malaysia	Plus 0.29 percent to 879.44
The Philippines	Minus 2.48 percent to 1,953.28
Singapore	Minus 0.39 percent to 2,198.29
South Korea	Plus 0.55 percent to 976.22
Taiwan	Plus 0.92 percent to 6,161.66
Thailand	Plus 0.28 percent to 684.07

Thursday

Aside from the testimony of Dr Alan Greenspan, the Chairman of the US Federal Reserve Board, early last Thursday, the other big piece of news was confirmation that a senior representative of the European Union (EU) would be winging his way to Shanghai, the People's Republic of China (PRC), in order to try to obtain some kind of an agreement with the Government of the PRC in respect of the textile and garment row.

Mr Peter Mandelson, the EU Trade Commissioner, confirmed that he would be travelling to Shanghai in order to hold talks with his opposite number, Mr Bo Xi Lai, the PRC Government's Commerce Minister.

From the EU's point of view, it knows, only too well, that its textile and garment industries cannot cope with the might of the PRC's and, as such, unless an amicable agreement can be reached between the 2 sides, the prospects loom on the financial horizon for the imposition of limits on the imports of PRC-produced garments and textiles to the EU.

The EU is hoping to achieve an agreement for the PRC to limit its exports to the EU of T-shirts and flax yarn to a growth of 7.50 percent per annum.

The EU states that its argument rests on the spirit of the agreement that was reached between the PRC and the World Trade Organisation (WTO) in 2001, at the time that the PRC joined this world body.

The EU maintains that that agreement permitted other WTO members to impose restrictions on imports of PRC-manufactured clothing in the event that the PRC's imports were seen to be disrupting other WTO members' industries.

If no agreement can be reached between the EU and the PRC, the alternative, as far as the EU is concerned, is unthinkable: Allow the EU textile and garment industries to wallow until only the very strong enterprises will be left, floating on the financial surface.

That scenario is likely to result in tens of thousands of EU jobs, being lost in the process.

From the PRC's point of view, it claims that it is merely following the rules of the WTO, a world trade 'club', which is supposed to be encouraging free trade between its members.

The PRC maintains its position that the EU and the US have no right to impose restrictions on the importation of its garments and textiles.

Minister Bo Xi Lai said, last Thursday, inter alia:

'China will protect its industries' legitimate rights and, on the other hand, it will act in line with WTO regulations...'

Crunch time had arrived.

For Commentary On This Subject, Please See:
TARGET Intelligence Report, Volume VII, Number 107,
Published Last Friday:
['The Betty Letters'](#)

Dr Alan Greenspan, contrary to many people's predictions, presented a somewhat upbeat picture of the US economy to the US Congress, last Thursday.

There was very little that could have been construed as being negative.

This is most of that which he told the world:

Testimony of Chairman Alan Greenspan
The economic outlook
Before the Joint Economic Committee, U.S. Congress
June 9, 2005

'Over the past year, the pace of economic activity in the United States has alternately paused and quickened. The most recent data support the view that the soft readings on the economy observed in the early spring were not presaging a more-serious slowdown in the pace of activity. Consumer spending firmed again, and indicators of business investment became somewhat more upbeat. Nonetheless, policymakers confront many of the same imbalances and uncertainties that were apparent a year ago. Our household saving rate remains negligible. Moreover, modest, if any, progress is evident in addressing the challenges associated with the pending shift of the baby-boom generation into retirement that will begin in a very few years. And although prices of imports have accelerated, we are, at best, in only the earliest stages of a stabilization of our current account deficit--a deficit that now exceeds 6 percent of U.S. gross domestic product (GDP).

'A major economic development over the past year has been the surge in the price of oil. Sharply higher prices of oil imports have diminished U.S. purchasing power. The value of petroleum imports rose from 1.4 percent of nominal GDP in the first quarter of 2004 to 1.8 percent in the first quarter of this year. The alternating bouts of

rising and falling oil prices have doubtless been a significant contributor to the periods of deceleration and acceleration of U.S. economic activity over the past year. Despite the uneven character of the expansion over the past year, the U.S. economy has done well, on net, by most measures. Real GDP has grown by 3.7 percent over that period, the unemployment rate has fallen to 5.1 percent, and core personal consumption expenditure prices have risen a historically modest 1.6 percent. But the growth of productivity, though respectable at 2-1/2 percent over the year ending in the first quarter, is far less than the extraordinary pace of 5-1/2 percent during 2003. Excluding a large but apparently transitory surge in bonuses and the proceeds of stock option exercises late last year, overall hourly labor compensation has exhibited few signs of acceleration. Thus, the rise in underlying unit labor costs has been mainly the result of the slower growth of output per hour. At the same time, evidence of increased pricing power can be gleaned from the profit margins of nonfinancial businesses, which have continued to press higher even outside the energy sector. Whether that rise in unit costs will feed into the core price level or will be absorbed by a fall in profit margins remains an open question.

'Among the biggest surprises of the past year has been the pronounced decline in long-term interest rates on U.S. Treasury securities despite a 2-percentage-point increase in the federal funds rate. This is clearly without recent precedent. The yield on ten-year Treasury notes, currently at about 4 percent, is 80 basis points less than its level of a year ago. Moreover, even after the recent backup in credit risk spreads, yields for both investment-grade and less-than-investment-grade corporate bonds have declined even more than Treasuries over the same period.

'The unusual behavior of long-term interest rates first became apparent almost a year ago. In May and June of last year, market participants were behaving as expected. With a firming of monetary policy by the Federal Reserve widely expected, they built large short positions in long-term debt instruments in anticipation of the increase in bond yields that has been historically associated with a rising federal funds rate. But by summer, pressures emerged in the marketplace that drove long-term rates back down. In March of this year, market participants once again bid up long-term rates, but as occurred last year, forces came into play to make those increases short lived. There remains considerable conjecture among analysts as to the nature of those market forces.

'That said, there can be little doubt that exceptionally low interest rates on ten-year Treasury notes, and hence on home mortgages, have been a major factor in the recent surge of homebuilding and home turnover, and especially in the steep climb in home prices. Although a "bubble" in home prices for the nation as a whole does not appear likely, there do appear to be, at a minimum, signs of froth in some local markets where home prices seem to have risen to unsustainable levels...

'In conclusion, Mr. Chairman, despite some of the risks that I have highlighted, the U.S. economy seems to be on a reasonably firm footing, and underlying inflation remains contained. Accordingly, the Federal Open Market Committee in its May meeting reaffirmed that it "... believes that policy accommodation can be removed at a pace that is likely to be measured. Nonetheless, the Committee will respond to changes in economic prospects as needed to fulfill its obligation to maintain price stability".'

Wall Street reacted to the testimony of Dr Alan Greenspan very positively.

On The New York Stock Exchange, the Dow Jones Industrial Average rose 26.16 points, equivalent to one quarter of a percentage point, rising to 10,503.02 points.

On The NASDAQ, its Composite Index gained 16.73 points, or about 0.81 percent, to hit 2,076.91 points by the close of the day.

On The New York Mercantile Exchange (NYMEX), the price of light sweet crude oil for July delivery rose about 3.31 percent, settling at \$US54.28 per barrel.

For August delivery, the price of light sweet crude oil was quoted at \$US55.57 per barrel, an increase on Wednesday's settlement price of 3.19 percent.

The price of crude oil was rising, once again, on fears of a supply disruption.

In Europe, it was clear that Dr Alan Greenspan's testimony to the US Congress had smoothed out the feathers on many an investor's back.

From early losses, on learning of the Good Doctor's words, there was an almost immediate turnabout on key bourses of Europe.

This was how the indices of the major bourses closed their respective trading days, last Thursday:

Amsterdam's AEX Index	Plus 0.14 percent
Great Britain's FTSE 100 Index	Plus 0.10 percent
Germany's Frankfurt XETRA DAX Index	Plus 0.11 percent
France's CAC 40 Index	Minus 0.42 percent
Switzerland's Swiss Market Index	Minus 0.02 percent
Italy's MIBTEL Index	Closed

News Wise

- **The Bank of England** determined to leave interest rates at 4.75 percent per annum, last Thursday. It was the tenth consecutive month of non-action on the part of the Central Bank.

In Asia, investors were more than a little apprehensive over the expected testimony that would be delivered to the US Congress by Dr Alan Greenspan, early last Thursday in Washington, D.C.

Last Saturday was a public holiday in many parts of Asia – Dragon Boat Festival – and because of this, many market-makers were off on little jaunts in order to take advantage of the week-end break.

Movements in most equity markets in Asia were small, with the lone exception of The Nikkei-225 Stock Average, a key index of The Tokyo Stock Exchange.

In the Hongkong Special Administrative Region (HKSAR) of the PRC, there were too many things happening, all at once, it seemed.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index was almost unchanged, at 13,898.31 points, down 0.24 points, or about 0.002 percent on Wednesday's close.

The Total Turnover was about \$HK17.24 billion, which was relatively high, all things considered.

The ratio of losing counters to gaining ones was about 1.58:One.

The Ten Most Actives were:

HSBC Holdings plc (Code: 5)	Up 0.40 percent to \$HK124.50 per share
Hutchison Whampoa Ltd (Code: 13)	Down 0.72 percent to \$HK69.00 per share
China Mobile (Hongkong) Ltd (Code: 941)	Down 1.04 percent to \$HK28.65 per share
CNOOC Ltd (Code: 883)	Down 2.96 percent to \$HK4.10 per share
China Life Insurance Company Ltd (Code: 2628)	Up 1.98 percent to \$HK5.15 per share
China Petroleum and Chemical Corporation (Code: 386)	Unchanged at \$HK2.925 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Down 0.35 percent to \$HK71.75 per share
Sun Hung Kai Properties Ltd (Code: 16)	Unchanged at \$HK74.25 per share
Hang Seng Bank Ltd (Code: 11)	Up 0.96 percent to \$HK105.50 per share
Yanzhou Coal Mining Company Ltd (Code: 1171)	Down 4.58 percent to \$HK6.25 per share

As for the Main Board's biggest movers of the day, they included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Benefun International Holdings Ltd	1130	11.11		0.07
Berjaya Holdings (Hongkong) Ltd	288		13.04	0.12
New World Mobile Holdings Ltd	862	10.20		1.08
Proview International Holdings Ltd	334		19.67	0.98
renren Holdings Ltd	59		11.76	0.015
UDL Holdings Ltd	620	20.83		0.029
World Trade Bun Kee Ltd	380		12.37	0.85

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, the trading situation was very similar to that of the Main Board.

The Growth Enterprise Index lost about one tenth of a percentage point, falling to 895.54 points on a Total Turnover of \$HK64.79 million, exactly.

The ratio of losers to gainers was about 1.14:One.

The 5, most-active counters, in terms of their respective turnovers, only, were:

Town Health International Holdings Company Ltd (Code: 8138)	Unchanged at 10.40 cents per share
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Techpacific Capital Ltd (Code: 8088)	Up 7 percent to 31.50 cents per share
TOM Online Incorporated (Code: 8282)	Down 3 percent to \$HK1.12 per share
Vertex Communications and Technology Group Ltd (Code: 8228)	Down 5 percent to 54 cents per share
Wumart Stores Incorporated (Code: 8277)	Up 2 percent to \$HK12.50 per share

The GEM's double-digit movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
AGL MediaTech Holdings Ltd	8192		15.79	0.016
FlexSystem Holdings Ltd	8050		12.50	0.035
IIN International Ltd	8128		12.00	0.022
Inno-Tech Holdings Ltd	8202		10.00	0.045

The equity markets of Japan were hit, very hard, last Thursday, pulling down key indices, quite considerably.

On The Tokyo Stock Exchange, The Nikkei-225 Stock Average lost 120.15 yen, equivalent to about 1.07 percent, ending the session at 11,160.88 yen.

The ratio of losing counters to gaining ones was about 2.39:One.

Japanese investors were showing concern for what they saw as the lack of material growth of the US economy.

If that superpower should stumble, it was reasoned, The Land of The Rising Sun could well see some of its industries, sinking into The Sea of Japan.

News Wise

- **Bank lending** in Japan fell about 2.70 percent in May, compared with the like month in 2004, The Bank of Japan announced. It was the 89th consecutive month of declining bank lending.

In other Asian equity markets, this was how their respective indices fared, last Thursday:

The HKSAR	Minus 0.002 percent to 13,898.31
Indonesia	Minus 0.12 percent to 1,094.19
Japan	Minus 1.07 percent to 11,160.88
Malaysia	Minus 0.01 percent to 879.40
The Philippines	Minus 2.82 percent to 1,898.24
Singapore	Plus 0.01 percent to 2,198.56
South Korea	Plus 1.16 percent to 987.58
Taiwan	Minus 0.26 percent to 6,145.92
Thailand	Minus 1.00 percent to 677.20

This TARGET stock-market report is one day short,
due to last Saturday,
being a national holiday in the PRC, proper, and the
HKSAR.

-- END --

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