

**INFLATION AND PROSPECTIVE HIGHER INTEREST RATES  
WORRY INVESTORS, INTERNATIONALLY**

Persistently strong indications that higher interest rates are in the offing before the month of June is out, plus fears as to what the Chairman of the US Federal Reserve might say on Tuesday (June 13, 2006) caused tens of millions of US dollars to be wiped off the market capitalisations of stocks and shares, listed on the world's largest equity markets, last Monday.

And it looked, very much, as though the selling was far from having dried up, last Monday night on Wall Street.

On The New York Stock Exchange, the Dow Jones Industrial Average lost 99.34 points, equivalent to about 0.91 percent, ending the very active trading day at 10,792.58 points.

Over on The NASDAQ, its Composite Index gave up 43.74 points, or about 2.05 percent, as investors pushed down this key index to 2,091.32 points.

Dr Ben Bernanke, the Chairman of The Fed, was scheduled to deliver a speech in Washington, D.C., at the Fifth Regional Leaders Issues Conference on the subject of Consumer Issues, the following day.

What the good doctor would tell this Conference would, it was generally believed, be a strong determinant as to the direction of the prices of stocks and shares on US equity markets, prior to the holding of The Fed's next Open Market Committee Meeting, scheduled for Wednesday and Thursday, June 28-29, 2006.

With the number of imponderables, mounting up almost daily, US investors, for the most part, steered clear of making any new commitments on equity markets, last Monday.

However, there was some good news, too, last Monday: The price of crude oil on international commodity exchanges fell back.

On The New York Mercantile Exchange (NYMEX), the last settlement for a barrel of light sweet crude oil for delivery in July came in at \$US70.36, down about 1.77 percent on the final quote at the close of trading on Friday, June 9, 2006.

As for August delivery, the last settlement for a barrel of light sweet crude oil was \$US71.09, off about 1.69 percent on the last settlement of the previous Friday.

In Europe, it was red ink in which every key index was written on every major bourse:

Amsterdam's AEX Index	Minus 1.11 percent
France's CAC 40 Index	Minus 0.94 percent

Germany's Frankfurt XETRA DAX Index	Minus 1.25 percent
Great Britain's FTSE 100 Index	Minus 0.60 percent
Italy's MIBTEL Index	Minus 1.11 percent
Switzerland's Swiss Market Index	Minus 1.14 percent

Europe had, already, had a taste of higher interest rates when the European Central Bank, the previous Thursday (June 8, 2006), determined to raise Eurozone interest rates by 25 basis points to 2.75 percent, effective June 15, 2006 (last Thursday).

That interest-rate increase touched off a bear run, last Thursday-week, on all of the major European bourses.

Also, South Korea, Turkey, India and South Africa, all raised their respective interest rates on that Thursday; it appeared obvious that the US could well be forced to go with the flow.

In Asia, last Monday, the 7, major equity markets, for the most part, marked time (2 Asian stock markets were closed).

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), the volume of activity dropped on both of the territory's 2 stock markets as investors were clearly concerned as to the near-term direction of the prices of stocks and shares.

On the Main Board of The Stock Exchange of Hongkong Ltd, its Hang Seng Index shed about 0.05 percent of its value, coming to rest at 15,621.44 points on a Total Turnover of about \$HK23.28 billion.

Last Monday's volume of activity was a reduction on the previous Friday's Total Turnover by about 30.26 percent.

Losing counters outnumbered gaining ones by the ratio of about 1.86:One.

The Ten Most Active counters were:

China Life Insurance Company Ltd (Code: 2628)	Down 2.19 percent to \$HK11.15 per share
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HSBC Holdings plc (Code: 5)	Down 0.15 percent to \$HK134.00 per share
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China Mobile Ltd (Code: 941)	Up 0.73 percent to \$HK41.40 per share
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Bank of China Ltd (Code: 3988)	Unchanged at \$HK3.375 per share
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PetroChina Company Ltd (Code: 857)	Unchanged at \$HK7.60 per share
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China Petroleum and Chemical Corporation (Code: 383)	Down 1.89 percent to \$HK3.90 per share
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China Construction Bank Corporation (Code: 939)    Down 0.75 percent to \$HK3.325 per share

Swire Pacific Ltd (Code: 19) Up 5.02 percent to \$HK76.30 per share

Cheung Kong (Holdings) Ltd (Code: 1)      Down 1.03 percent to \$HK81.45 per share

Sun Hung Kai Properties Ltd (Code: 16)      Down 0.39 percent to \$HK77.40 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Asia Resources Holdings Ltd	899	12.86		0.79
China Credit Holdings Ltd	185	12.00		0.168
China Fair Land Holdings Ltd	169	13.04		0.39
China Solar Energy Holdings Ltd	155	11.76		0.57
Grandtop International Holdings Ltd	2309		12.16	0.065
Junefield Department Store Group Ltd	758	27.78		0.092
Mandarin Entertainment (Holdings) Ltd	9		11.11	0.88
NewOcean Energy Holdings Ltd	342	10.29		0.75
Oriental Explorer Holdings Ltd	430		13.79	0.05
Pyxis Group Ltd	516	24.06		0.232
Sino Prosper Holdings Ltd	766		18.29	0.67
Soundwill Holdings Ltd	878	12.82		2.20
South China Brokerage Company Ltd	619		12.50	0.07
South East Group Ltd	726		12.75	0.089
Vitop Bioenergy Holdings Ltd	1178		11.58	0.084

Over on The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, its Growth Enterprise Index managed a gain of about 0.83 percent, rising to 1,143.04 points.

The Total Turnover on this speculative market was about \$HK143.52 million.

Even though the lone index of this market was in positive territory by the close of the trading day, declining counters outnumbered advancing ones by the ratio of about 1.37:One.

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

Techpacific Capital Ltd (Code: 8088) Up 7.00 percent to \$HK1.07 per share

Wumart Stores Incorporated (Code: 8277) Up 4.31 percent to \$HK24.20 per share

China LotSynergy Holdings Ltd (Code: 8161) Down 3.20 percent to \$HK1.21 per share

Long Success International (Holdings) Ltd (Code: 8017) Up 7.37 percent to \$HK1.02 per share

TOM Online Incorporated (Code: 8282) Up 0.52 percent to \$HK1.92 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Armitage Technologies Holding Ltd	8213		19.23	0.021
First Mobile Group Holdings Ltd	8110	13.57		0.159
FX Creations International Holdings Ltd	8136	18.52		0.32
Golding Soft Ltd	8190	14.29		0.024
Shenzhen Neptunus Interlong Bio-technique Company Ltd	8329	13.33		0.85
Satellite Devices Corporation	8172		17.24	0.024
SYSCAN Technology Holdings Ltd	8083		21.05	0.09
Tiger Tech Holdings Ltd	8046		18.18	0.018

In Japan, key indices on the country's 3 equity markets were given a bit of a boost by the Government, which released a number of its revised statistics for the first quarter of the Fiscal Year. (Please see [News Wise](#), below)

On The Tokyo Stock Exchange, which is the premier equity market of the country, its TOPIX Index rose 12.21 points, or about 0.81 percent, to 1,510.89 points.

Gainers were ahead of losers by the ratio of about 4.05:One.

The Nikkei-225 Stock Average, which is a much-narrower gauge of the direction of blue chips, listed on the First Section of Tokyo Stock Exchange, put on 82.17 yen, equivalent to about 0.56 percent, rising to 14,833.01 yen.

#### News Wise

- **Japan's Current Account Surplus** fell by about 20.20 percent in April 2006, compared with the like month in 2005, The Finance Ministry reported. It was the first-recorded decline in 3 months;
- Private-sector **machinery orders**, during the month of April, rose a seasonally adjusted 10.80 percent, Month-On-Month, according to the statistics of The Cabinet Office. It was the biggest, monthly gain since August 2000;
- **Wholesale prices** in Japan rose 3.30 percent in May 2006, compared with May 2005, The Bank of Japan said, last Monday. The May statistics were the largest gains since March 1981; and,
- The Cabinet Office announced that **consumer confidence** fell in May, compared with April, by about 0.20 percent on the Government's Index of Confidence, which put the new figure at 49.80 points, unadjusted.

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

The HKSAR	Minus 0.05 percent to 15,621.44
Indonesia	Minus 0.13 percent to 1,273.11
Japan	TOPIX Index Plus 0.81 percent to 1,510.89 Nikkei-255 Stock Average Plus 0.56 percent to 14,833.01
Malaysia	Plus 0.14 percent to 916.70
The Philippines	Closed
Singapore	Plus 0.05 percent to 2,338.53
South Korea	Plus 0.34 percent to 1,239.84
Taiwan	Minus 0.03 percent to 6,442.90

Thailand	Closed
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## **Tuesday**

It was another horror day on equity markets, around the world, last Tuesday.

Investors' blood stained trading floors, from one part of the globe to the other: Not one equity market was spared.

The hobgoblins were: Higher inflation rates in the US; the prospects of higher interest rates before the month of June was out; and, a decided slowdown in the US economy.

Investors are, now, well aware that that which affects the US economy, affects the rest of the world – in spades!

On Wall Street, the losses were extensive, wiping out, completely, all of the gains that the blue chips had chalked up since the start of the year.

On The New York Stock Exchange, the Dow Jones Industrial Average shed 86.44 points, equivalent to about 0.80 percent, as investors pushed down this key index to 10,706.14 points.

Of the 30 constituent stocks of The Dow, only 7 of their number did not lose a goodly part of their market capitalisations.

Over on The NASDAQ, its Composite Index gave up 18.85 points, or 0.90 percent, coming to rest at 2,072.47 points.

While, prior to the opening of business on Wall Street, there was widespread consternation, in any event, following the very material losses on equity markets in Europe and Asia, economic statistics, released by 2 departments of the US Government, tended to exacerbate an already worrying situation as far as many investors were concerned.

The statistics, released by these US Government departments, tended to solidify the strong suggestion that the US Federal Reserve would opt to raise interest rates on the final Thursday of June.

And it appeared that The Fed might well opt for an increase of 50 basis points instead of the past 16, interest-rate increases of 25 basis points per hike.

Last Tuesday morning, once again, The Bureau of Labour Statistics, a division of the US Department of Labour, brought out its Consumer Price Index for April 2006.

The Consumer Price Index was released just prior to the business day beginning on Wall Street.

The following is a verbatim transcript of The Bureau's release, minus the tables and some explanatory notes:

### **'CONSUMER PRICE INDEX: APRIL 2006**

*'The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.9 percent in April, before seasonal adjustment ... The April level of 201.5 (1982-84=100) was 3.5 percent higher than in April 2005.*

*'The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) increased 1.0 percent in April, prior to seasonal adjustment. The April level of 197.2 (1982-84=100) was 3.7 percent higher than in April*

2005.

*'The Chained Consumer Price Index for All Urban Consumers (C-CPI-U) increased 0.6 percent in April on a not seasonally adjusted basis. The April level of 116.8 (December 1999=100) was 3.1 percent higher than in April 2005...*

*'CPI for All Urban Consumers (CPI-U)*

*'On a seasonally adjusted basis, the CPI-U advanced 0.6 percent in April, following a 0.4 percent rise in March. Energy costs, which increased 1.3 percent in March, advanced 3.9 percent in April. Within energy, the index for petroleum based energy increased 8.5 percent, while the index for energy services fell 1.5 percent. The food index was unchanged in April, as a 0.2 percent decline in the index for food at home was offset by a 0.2 percent increase in the index for food away from home. The index for all items less food and energy rose 0.3 percent in April, the same as in March; the index for shelter accounted for about one-half of the April increase with the indexes for apparel, for medical care, and for education and communication each accounting for about 10 percent of the April advance....*

*During the first four months of 2006, the CPI-U rose at a 5.1 percent seasonally adjusted annual rate (SAAR). This compares with an increase of 3.4 percent for all of 2005. The index for energy, which rose 17.1 percent in 2005, advanced at a 30.1 percent SAAR in the first four months of 2006. Petroleum-based energy costs increased at a 61.5 percent annual rate and charges for energy services rose at a 0.5 percent annual rate. The food index has increased at a 1.9 percent SAAR thus far this year, following a 2.3 percent rise for all of 2005. Excluding food and energy, the CPI-U advanced at a 3.0 percent SAAR in the first four months, following a 2.2 percent rise for all of 2005.*

*'The food and beverages index was unchanged in April. The index for food at home declined for the third consecutive month--down 0.2 percent in April. Declines in five of the six major grocery store food groups were partially offset by a 0.2 percent increase in the index for meats, poultry, fish, and eggs. Within this group, increases in the indexes for pork, for other meats, and for fish and seafood were partially offset by declines in the prices for beef and for poultry. The indexes for dairy products and for nonalcoholic beverages registered the largest decreases – down 0.7 percent. Within the index for dairy products, prices for milk and cheese each declined. A 1.9 percent drop in prices for carbonated drinks accounted for most of the decline in the index for nonalcoholic beverages. The indexes for cereal and bakery products and other food at home each declined 0.2 percent. The index for fruits and vegetables declined 0.1 percent. The indexes for fresh fruits and for processed fruits and vegetables decreased 1.7 and 0.2 percent, respectively, more than offsetting a 1.7 percent increase in the index for fresh vegetables. (Prior to seasonal adjustment, fresh vegetable prices declined 1.0 percent.) The other two components of the food and beverages index — food away from home and alcoholic beverages – increased 0.2 percent and were unchanged, respectively.*

*'The index for housing, which rose 0.2 percent in March, increased 0.1 percent in April. The index for shelter increased 0.3 percent in*

*April, following increases of 0.4 percent in both February and March. Within shelter, the indexes for rent and owners' equivalent rent increased 0.3 and 0.4 percent, respectively, while the index for lodging away from home was unchanged. The index for fuels and utilities declined for the third consecutive month--down 0.9 percent in April. A sharp decline in the index for natural gas more than offset increases in prices for fuel oil and for electricity. The index for natural gas declined 5.2 percent in April and has fallen 13.4 percent in the last three months. The index for fuel oil, which had declined in each of the six preceding months, rose 5.2 percent in April. The index for electricity rose 0.3 percent. During the last 12 months, charges for electricity and for natural gas have increased 14.8 and 11.0 percent, respectively, and fuel oil prices have risen 20.2 percent. The index for household furnishings and operations, which increased 0.1 percent in March, was unchanged in April.*

*'The transportation index advanced 2.4 percent in April, reflecting an 8.8 percent increase in the index for motor fuel. (Prior to seasonal adjustment, gasoline prices rose 14.5 percent in April.) The index for new vehicles declined 0.1 percent in April and was 0.3 percent lower than a year ago. The index for used cars and trucks increased 0.3 percent in April and was 1.7 percent higher than in April 2005. The index for public transportation increased 0.2 percent in April. (Prior to seasonal adjustment, the index for public transportation rose 1.2 percent, reflecting another increase in airline fares.) Airline fares increased 1.6 percent in April and have advanced 5.1 percent in the first four months of the year.*

*'The index for apparel rose 0.6 percent in April, following a 1.0 percent increase in March. (Prior to seasonal adjustment, apparel prices rose 1.1 percent.)*

*'Medical care costs rose 0.4 percent in April and are 4.1 percent higher than a year ago. The index for medical care commodities – prescription drugs, nonprescription drugs, and medical supplies –increased 0.4 percent. The index for medical care services rose 0.3 percent in April. The indexes for professional services and for hospital and related services increased 0.1 and 0.8 percent, respectively.*

*'The index for recreation rose 0.3 percent in April, following a 0.4 percent increase in March. The index for cable and satellite television and radio service, which rose 1.3 percent in March, increased 0.8 percent in April and accounted for over one-half of the April recreation advance. The indexes for sporting goods and for pets, pet products and services increased 1.3 and 1.0 percent, respectively.*

*'The index for education and communication rose 0.3 percent in April. Educational costs increased 0.5 percent and the index for communication rose 0.1 percent. Within the latter group, the index for telephone services rose 0.4 percent, reflecting increases in both local and long distance land-line telephone charges. Partially offsetting this increase, the index for personal computers and peripheral equipment declined 2.6 percent.*

*'The index for other goods and services was unchanged in April. A 0.2 percent decline in the index for tobacco and smoking products was offset by a small increase in the index for miscellaneous personal services.*



*‘CPI for Urban Wage Earners and Clerical Workers (CPI-W)*

*‘On a seasonally adjusted basis, the CPI for Urban Wage Earners and Clerical Workers rose 0.6 percent in April ...’.*

Then, just a few minutes after equity trading got underway on Wall Street, the US Department of Commerce announced some other important statistics with regard to manufacturing and trade inventories and sales for April.

The following is a précis of that which th

is US Government department announced:

**‘MANUFACTURING AND TRADE INVENTORIES AND SALES**  
**April 2006**

***‘Sales.** The U.S. Census Bureau announced today that the combined value of distributive trade sales and manufacturers’ shipments for April, adjusted for seasonal and trading-day differences but not for price changes, was estimated at \$1,043.3 billion, up 0.6 percent ( $\pm 0.2\%$ ) from March and up 7.5 percent ( $\pm 0.4\%$ ) from April 2005.*

***‘Inventories.** Manufacturers’ and trade inventories adjusted for seasonal variations but not for price changes, were estimated at an end-of-month level of \$1,310.3 billion, up 0.4 percent ( $\pm 0.1\%$ ) from March and up 4.1 percent ( $\pm 0.3\%$ ) from April 2005.*

***‘Inventories/Sales Ratio.** The total business inventories/sales ratio based on seasonally adjusted data at the end of April was 1.26. The April 2005 ratio was 1.30.’*

On The New York Mercantile Exchange (NYMEX), the price of crude oil continued its retreat.

For July delivery, the last settlement for a barrel of light sweet crude oil was \$US68.56, down about 2.56 percent on the last settlement of Monday night.

As for August delivery, the last settlement was \$US69.29 per barrel of light sweet crude oil, a price, representing a fall of about 2.53 percent on Monday night’s last quotation.

In Europe, investors, viewing Asia’s very large losses on its chief equity markets, realised that one could not fart against thunder.

Down came key indices on European bourses:

Amsterdam’s AEX Index	Minus 2.09 percent
France’s CAC 40 Index	Minus 2.23 percent
Germany’s Frankfurt XETRA DAX Index	Minus 1.91 percent

Great Britain's FTSE 100 Index	Minus 1.80 percent
Italy's MIBTEL Index	Minus 1.53 percent
Switzerland's Swiss Market Index	Minus 2.67 percent

### News Wise

- Statistics, released by the Government of the United Kingdom, showed that **inflation** was running at about 2.20 percent in May, a 7-month high.

In Asia, no index of the 9 major equity markets was spared: The bears took hold of trading on equity markets, driving down share prices in what was akin to panic selling.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), key indices of the territory's 2 stock markets suffered as investors witnessed material losses take shape in short order.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index gave up about 2.48 percent of its value, falling to 15,234.42 points.

The Total Turnover rose to about \$HK35.61 billion, up about 49 percent, compared with the volume of activity on Monday.

The ratio of losing counters to gaining ones was about 5.84:One.

The Ten Most Actives were:

China Life Insurance Company Ltd (Code: 2628)	Down 6.73 percent to \$HK10.40 per share
HSBC Holdings plc (Code: 5)	Down 1.27 percent to \$HK132.30 per share
Bank of China Ltd (Code: 3988)	Down 1.48 percent to \$HK3.325 per share
PetroChina Company Ltd (Code: 857)	Down 4.61 percent to \$HK7.25 per share
China Mobile Ltd (Code: 941)	Down 4.71 percent to \$HK39.45 per share
China Construction Bank Corporation (Code: 939)	Down 2.26 percent to \$HK3.25 per share
Hongkong Exchanges and Clearing Ltd (Code: 388)	Down 5.51 percent to \$HK48.00 per share
Hutchison Whampoa Ltd (Code: 13)	Down 1.65 percent to \$HK68.45 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Down 2.09 percent to \$HK79.75 per share

CNOOC Ltd (Code: 883)

Down 3.64 percent to \$HK5.30 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
BEP International Holdings Ltd	2326	25.00		0.10
Century Legend (Holdings) Ltd	79		13.46	0.09
Climax International Company Ltd	439		14.55	0.235
Daido Group Ltd	544		13.59	0.089
eForce Holdings Ltd	943		11.29	0.055
Fintronics Holdings Company Ltd	706		10.00	0.18
Garron International Ltd	1226	16.22		0.43
Golden Eagle Retail Group Ltd	3308		10.67	3.35
Hutchison Telecommunications International Ltd	2332		10.00	10.80
Kiu Hung International Holdings Ltd	381		13.79	0.125
Mascotte Holdings Ltd	136	10.45		0.222
Mexan Ltd	22		10.53	0.51
New Island Printing Holdings Ltd	377		10.00	0.405
Norstar Founders Group Ltd	2339		10.57	2.75
Oriental Explorer Holdings Ltd	430	16.00		0.058
Poly Investments Holdings Ltd	263		10.48	0.094
Proview International Holdings Ltd	334		10.71	1.00
Guangzhou R and F Properties Company Ltd	2777		13.03	31.70
Shui On Construction and Materials Ltd	983		10.32	13.90
Sino Prosper Holdings Ltd	766		16.42	0.56

Takson Holdings Ltd	918		15.29	0.072
Tianjin Development Holdings Ltd	882		10.22	4.175
Xin Corporation Ltd	1141		13.79	0.25
Xiwan Sugar Holdings Company Ltd	2088		12.94	3.70

Over on The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, the losses on this market were even more pronounced than those of the Main Board.

The Growth Enterprise Index surrendered about 3.18 percent, falling back to 1,106.66 points.

The Total Turnover on this speculative market was about \$HK139.43 million, while the ratio of losing counters to gaining ones was about 3.14:One.

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

Techpacific Capital Ltd (Code: 8088) Down 4.67 percent to \$HK1.02 per share

Wumart Stores Incorporated (Code: 8277) Down 3.10 percent to \$HK23.45 per share

China LotSynergy Holdings Ltd (Code: 8161) Down 12.40 percent to \$HK1.06 per share

Zhengzhou Gas Company Ltd (Code: 8099) Down 2.41 percent to \$HK0.81 per share

Town Health International Holdings Company Ltd (Code: 8138) Down 5.17 percent to \$HK0.275 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Advanced Card Systems Holdings Ltd	8210	50.00		0.15
CCID Consulting Company Ltd	8235	17.35		0.115
China LotSynergy Holdings Ltd	8161		12.40	1.06
Emperor Entertainment Group Ltd	8078	12.50		0.90
Golding Soft Ltd	8190		12.50	0.021
Ko Yo Ecological Agrotech (Group) Ltd	8042		10.81	0.66

Medical China Ltd	8186		14.29	0.036
MP Logistics International Holdings Ltd	8239	18.00		0.118
Prosten Technology Holdings Ltd	8026		20.73	0.65
Q9 Technology Holdings Ltd	8129		26.32	0.028
Satellite Devices Corporation	8172	20.83		0.029
SYSCAN Technology Holdings Ltd	8083	26.67		0.057
T S Telecom Technologies Ltd	8003	12.73		0.124
Tiger Tech Holdings Ltd	8046	61.11		0.029
Value Convergence Holdings Ltd	8101		10.40	1.55

The key indices of Japan's 3 equity markets suffered the worst of all of the world's stock markets, last Tuesday.

On The Tokyo Stock Exchange, its TOPIX Index lost exactly 3.48 percent of its value, ending the very active trading day at 1,458.30 points.

Losing counters trounced gaining ones by the ratio of about 10.18:One.

As for The Nikkei-225 Stock Average, it came to rest at the close of the trading day at 14,218.60 yen, representing a one-day fall of about 4.14 percent.

For Japan, last Tuesday's losses were the largest, single days' falls of the previous 54 months.

And, on other Asian equity markets, this was that which investors had to contend as they viewed the closing figures of the key indices:

The HKSAR	Minus 2.48 percent to 15,234.42
Indonesia	Minus 2.87 percent to 1,236.57
Japan	TOPIX Index Minus 3.48 percent to 1,458.30 Nikkei-255 Stock Average Minus 4.14 percent to 14,218.60
Malaysia	Minus 1.43 percent to 903.63
The	Minus 1.82 percent to 2,120.29

Philippines	
Singapore	Minus 1.93 percent to 2,293.35
South Korea	Minus 2.90 percent to 1,203.86
Taiwan	Minus 1.64 percent to 6,337.21
Thailand	Closed

### Wednesday

There was a bit of a bounce in many of the key indices of international equity markets, last Wednesday, in spite of clear indications that the US Federal Reserve Board was quite likely to have to raise interest rates by at least 25 basis points at its June Open Market Committee Meeting in order to contain inflation.

On Wall Street, the largest stock markets in the world made useful gains, but they were not at all spectacular as one would expect in a turnaround situation.

On The New York Stock Exchange, the Dow Jones Industrial Average rose 1.03 percent to 10,816.92 points while, over on The NASDAQ, its Composite index gained 0.65 percent to end the trading session at 2,086.00, exactly.

For investors on The NASDAQ, it was the first trading session in 9 sessions that they had been able to see black ink.

In view of the report from The Bureau of Labour Statistics in respect of the April Consumer Price Index (Please see Tuesday's report), last Wednesday's gains were considered a little confusing to many market watchers and suggested that the gains were unlikely to be sustained for long.

According to **TARGET**'s sources in New York, the big money is still standing on the sidelines, waiting to see what the morrow would bring.

### News Wise

- **UAL Corporation**, the parent company of United Airlines, will sack 1,000 of its workers before the end of this year, Mr Glenn Tilton, Chief Executive of UAL announced.

On The New York Mercantile Exchange (NYMEX), the price of crude oil started to rise, once again.

The last settlement for a barrel of light sweet crude oil for delivery in July was \$US69.14, up about 0.85 percent on Tuesday's closing level.

As for August delivery, the last settlement for a barrel of light sweet crude oil was \$US69.62, representing a gain of about 0.48 percent on the last settlement of Tuesday.

In Europe, the indices of the major bourses moved by small fractions, only, for most of the day – and finished that way, too.

Investors in this part of the world sat on their hands, waiting to learn which way the investment wind would blow in the coming few trading sessions on Wall Street.

This was how the key indices of the most-important European bourses ended, last Wednesday night:

Amsterdam's AEX Index	Plus 0.02 percent
France's CAC 40 Index	Minus 0.04 percent
Germany's Frankfurt XETRA DAX Index	Plus 0.26 percent
Great Britain's FTSE 100 Index	Minus 0.23 percent
Italy's MIBTEL Index	Minus 0.16 percent
Switzerland's Swiss Market Index	Plus 0.27 percent

In Asia, it was a mixed bag on the 9 major equity markets of the region, with the key indices of 4 equity markets, rising, while the rest continued to fall to lower levels.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), the premier equity market – the Main Board of The Stock Exchange of Hongkong Ltd – made a very tiny gain, while the speculative stock market, known as The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, continued to fall to even lower levels.

The Hang Seng Index, which is the key index of the Main Board, rose about 0.09 percent to 15,247.92 points on a Total Turnover of about \$HK32.96 billion.

Declining counters outnumbered advancing ones by the ratio of about 1.80:One.

The Ten Most Actives were:

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China Life Insurance Company Ltd (Code: 2628)	Down 1.92 percent to \$HK10.20 per share
PetroChina Company Ltd (Code: 857)	Down 2.07 percent to \$HK7.10 per share
China Construction Bank Corporation (Code: 939)	Down 0.77 percent to \$HK3.225 per share
China Mobile Ltd (Code: 941)	Up 1.01 percent to \$HK39.85 per share

Hongkong Exchanges and Clearing Ltd (Code: 388)

Down 5.21 percent to  
\$HK45.50 per share

Hutchison Whampoa Ltd (Code: 13)

Down 0.07 percent to  
\$HK68.40 per share

CNOOC Ltd (Code: 883)

Down 0.94 percent to  
\$HK5.25 per share

Cheung Kong (Holdings) Ltd (Code: 1)

Up 0.50 percent to  
\$HK80.15 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Artel Solutions Group Holdings Ltd	931		12.66	0.069
Chen Hsong Holdings Ltd	57		12.82	3.40
China Aerospace International Holdings Ltd	31		16.95	0.49
China Golden Development Holdings Ltd	162		15.63	0.27
China HealthCare Holdings Ltd	673		13.67	1.20
Cosmos Machinery Enterprises Ltd	118		16.67	0.30
Garron International Ltd	1226		13.95	0.37
Grand Field Group Holdings Ltd	115		10.91	0.098
Guo Xin Group Ltd	1215	11.32		0.059
Neo-China Group (Holdings) Ltd	563	11.29		0.69
Ngai Hing Hong Company Ltd	1047	11.63		0.48
Pacific Plywood Holdings Ltd	767		10.00	0.018
Paladin Ltd	495	11.11		0.30
Regent Pacific Group Ltd	575		12.00	0.33
Same Time Holdings Ltd	451		10.71	1.00
Sino Prosper Holdings Ltd	766	33.93		0.75



Wah Nam International Holdings Ltd	159	31.82		0.145
Wasion Meters Group Ltd	3393		12.00	2.75

As for The GEM, its Growth Enterprise Index lost about 1.38 percent of its value to close out the day at 1,091.40 points.

The volume of activity on this speculative market was about \$HK160.41 million, while losing counters outran gaining ones by the ratio of about 1.63:One.

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

Wumart Stores Incorporated (Code: 8277) Up 2.35 percent to \$HK24.00 per share

China LotSynergy Holdings Ltd (Code: 8161) Down 15.09 percent to \$HK0.90 per share

Shanghai Donghua Petrochemical Company Ltd (Code: 8251) Up 19.69 percent to \$HK1.52 per share

Techpacific Capital Ltd (Code: 8088) Unchanged at \$HK1.02 per share

Zhengzhou Gas Company Ltd (Code: 8099) Up 1.23 percent to \$HK0.82 per share

The GEM's biggest movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
China LotSynergy Holdings Ltd	8161		15.09	0.90
Essex Bio-Technology Ltd	8151		10.18	0.15
Galileo Capital Group Ltd	8029		13.58	0.07
Inno-Tech Holdings Ltd	8202		10.08	0.107
ITE (Holdings) Ltd	8092	28.21		0.05
KanHan Technologies Group Ltd	8175	10.00		0.22
MP Logistics International Holdings Ltd	8239		15.25	0.10
Shanghai Donghua Petrochemical Company Ltd	8251	19.69		1.52
International Financial Network Holdings Ltd	8123		10.71	0.05

Tiger Tech Holdings Ltd	8046	41.38		0.041
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In Japan, fractional improvements were recorded on the key indices of the country's 3 stock markets.

On The Tokyo Stock Exchange, its TOPIX Index rose 0.54 percent to 1,466.14 points.

Gaining counters were ahead of losing ones by the ratio of about 2.10:One.

As for The Nikkei-225 Stock Average, it ended the day at 14,309.56 yen, a one-day improvement of about 0.64 percent.

#### News Wise

- The Cabinet Office announced that **Japan's economy expanded** at an annualised rate of 3.10 percent between January and March, this year, compared with the previous quarter. The announcement was an increase of about 63 percentile points from the Japanese Government's previous estimates as to the gains, logged in during the first quarter of this calendar year; and,
- **Wholesale prices** in Japan rose by about 3.30 percent in May, Year-On-Year, The Bank of Japan announced. May's statistics were the strongest, Year-On-Year rise since March 1981.

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

The HKSAR	Plus 0.09 percent to 15,247.92
Indonesia	Minus 0.19 percent to 1,234.20
Japan	TOPIX Index Plus 0.54 percent to 1,466.14 Nikkei-255 Stock Average Plus 0.64 percent to 14,309.56
Malaysia	Minus 1.15 percent to 893.23
The Philippines	Minus 2.51 percent to 2,067.00
Singapore	Minus 0.55 percent to 2,280.67
South Korea	Plus 1.48 percent to 1,221.73
Taiwan	Plus 2.08 percent to 6,469.01
Thailand	Minus 3.54 percent to 646.69

## Thursday

The bounce-back continued on the world's equity markets, last Thursday, as investors took heart at the seeming recovery of Wall Street on Wednesday.

On The New York Stock Exchange, the Dow Jones Industrial Average gained 198.27 points, equivalent to about 1.83 percent, ending the active trading session at 11,015.19 points.

On The NASDAQ, its Composite Index rose 58.15 points, or about 2.79 percent, running up to 2,144.15 points.

What helped Wall Street, immensely, was on learning of the content of a speech, delivered by the Chairman of the US Federal Reserve Board, Dr Ben Bernanke, who spoke to The Economic Club of Chicago, Illinois, last Thursday.

What Dr Ben Bernanke intimated was that, although high energy prices tend to act as a kind of tax on the US consumer, the economy of the US is such that it is sufficiently resilient to cope with the higher costs of imported oil.

Dr Ben Bernanke did not, however, endorse or dismiss the widely held opinion that The Fed would be raising interest rates at its 2-day, Open Market Committee Meeting of June 28-29, 2006.

The following is taken from part of that speech:

### *'Economic and Policy Implications of Increased Energy Prices*

*'What are the economic implications of the higher energy prices that we are experiencing? In the long run, higher energy prices are likely to reduce somewhat the productive capacity of the U.S. economy. That outcome would occur, for example, if high energy costs make businesses less willing to invest in new capital or cause some existing capital to become economically obsolete. All else being equal, these effects tend to restrain the growth of labor productivity, which in turn implies that real wages and profits will be lower than they otherwise would have been. Also, the higher cost of imported oil is likely to adversely affect our terms of trade; that is, Americans will have to sell more goods and services abroad to pay for a given quantity of oil and other imports. For the medium term at least, the higher bill for oil imports will increase the U.S. current account deficit, implying a greater need for foreign financing.*

*'Under the assumption that energy prices do not move sharply higher from their already high levels, these long-run effects, though clearly negative, appear to be manageable. The U.S. economy is remarkably flexible, and it seems to have absorbed the cost shocks of the past few years with only a few dislocations. And conservation and the development of alternative energy sources will, over the long term, ameliorate some of the effects of higher energy prices. Moreover, ongoing productivity gains arising from sources such as technological improvements are likely to exceed by a significant margin the productivity losses created by high energy prices.*

*'In the short run, sharply higher energy prices create a rather different and, in some ways, a more difficult set of economic challenges. Indeed, a significant increase in energy prices can simultaneously slow economic growth while raising inflation.*

*'An increase in oil prices slows economic growth in the short run primarily*

*through its effects on consumer spending. Because the United States imports much of the oil that it consumes, an increase in oil prices is, as many economists have noted, broadly analogous to the imposition of a tax on U.S. residents, with the revenue from the tax going to oil producers abroad. In 2004 as a whole, the total cost of imported oil increased almost \$50 billion relative to 2003. The imported oil bill jumped again last year by an additional \$70 billion, and given the price increases we have experienced in 2006, it appears on track to increase \$50 billion further at an annual rate in the first half of this year. Coupled with the rising cost of imported natural gas, the cumulative increase in imported energy costs since the end of 2003 is shaping up to \$185 billion—equal to almost 1-1/2 percent of GDP. All else being equal, this constitutes a noticeable drag on real household incomes and spending. It is a tribute to the underlying strength and resiliency of the U.S. economy that it has been able to perform well despite the drag from increased energy prices.*

*‘At the same time that higher oil prices slow economic growth, they also create inflationary pressures. Higher prices for crude oil are passed through to increased prices for the refined products used by consumers, such as gasoline and heating oil. When oil prices rise, people may try to substitute other forms of energy, such as natural gas, leading to price increases in those alternatives as well. The rise in prices paid by households for energy—for example for gasoline, heating oil, and natural gas—represent, of course, an increase in the cost of living and in price inflation. This direct effect of higher energy prices on the cost of living is sometimes called the first-round effect on inflation. In addition, higher energy costs may have indirect effects on the inflation rate—if, for example, firms pass on their increased costs of production in the form of higher consumer prices for non-energy goods or services or if workers respond to the increase in the cost of living by demanding higher nominal wages. A jump in energy costs could also increase the public’s longer-term inflation expectations, a factor that would put additional upward pressure on inflation. These indirect effects of higher energy prices on the overall rate of inflation are called second-round effects.*

*‘The overall inflation rate reflects both first-round and second-round effects. Economists and policymakers also pay attention to the so-called core inflation rate, which excludes the direct effects of increases in the prices of energy (as well as of food). By stripping out the first-round inflation effects, core inflation provides a useful indicator of the second-round effects of increases in the price of energy ...*

*‘In conclusion, energy prices have moved up considerably since the end of 2002, reflecting supply and demand factors. In the short run, prices are likely to remain high in an environment of strong world economic growth and a limited ability to increase energy supplies. Moreover, prices are likely to be volatile in the near term, given the small margins of excess capacity to produce crude oil or natural gas that traditionally have buffered short-run shifts in supply and demand.*

*‘However, in the long run, market forces will respond. The higher relative prices of energy will create incentives for businesses to create new, energy-saving technologies and for energy consumers to adopt them. The market for alternative fuels is growing rapidly and will help to shift consumption away from petroleum-based fuels. Government can contribute to these conservation efforts by working to create a regulatory environment that encourages the*

*growth in energy supplies in a manner that is consistent with our nation's environmental and other objectives. Given the extraordinary resilience of the U.S. economy, I am confident our nation will be up to this challenge.'*

While Dr Ben Bernanke was talking to some big shots in Chicago, Illinois, the Federal Reserve was releasing its findings in respect of industrial production in the US for the month of May.

The findings tended to reinforce that which Dr Ben Bernanke had said in Chicago.

In short, The Land of The Free and The Home of Brave is seeing a slowdown in industrial production.

This is the full text of that which The Fed released, minus its tables:

### **'INDUSTRIAL PRODUCTION AND CAPACITY UTILIZATION**

*'Industrial production declined 0.1 percent in May after an increase of 0.8 percent in April. Manufacturing production also fell 0.1 percent last month. The output index for mining moved down 0.2 percent, but the output index for utilities was up by the same amount. At 112.1 percent of the 2002 average, overall industrial output was 4.3 percent above its May 2005 level. The rate of capacity utilization for total industry fell 0.2 percentage point, to 81.7 percent, a rate that is 0.7 percentage point above its long-run (1972-2005) average. The factory operating rate fell 0.3 percentage point, to 80.5 percent, and the mining operating rate edged down to 89.6 percent, but the rates in both sectors remained above their long-run averages. The capacity utilization rate for utilities edged up, to 86.5 percent, in May but remained slightly below its 1972-2005 average ...*

#### **Market Groups**

*'The output of consumer goods edged down in May. The index for consumer durable goods fell 0.8 percent. The output indexes for automotive products; home electronics; appliances, furniture, and carpeting; and miscellaneous consumer durables all declined. The output of consumer nondurable goods increased 0.2 percent; it was boosted by a jump of 2.8 percent in consumer energy products, which resulted primarily from increases in the output of refined petroleum products, such as gasoline. In contrast, the output of non-energy nondurable consumer goods was down 0.5 percent. Within this group, the indexes for food and tobacco, clothing, chemical products, and paper products fell.*

*'The production of business equipment declined 0.2 percent after an increase of 2.1 percent in April. The production of transit equipment moved lower in May mainly because of a drop in the output of motor vehicles. Declines in farm machinery and in construction machinery contributed to the drop in the production of industrial and other equipment. On the plus side, the output of information processing equipment rose 1.6 percent and was more than 20 percent above its year-earlier level. The output of defense and space equipment climbed 1.1 percent. The production indexes for construction supplies and for business supplies both moved lower after increases in the previous two months.*

*'The output of industrial materials moved down 0.1 percent. The index for energy materials rose 0.2 percent, but the index for non-energy materials fell 0.2 percent. Within the durable materials component, which fell 0.3 percent, the output of consumer parts, equipment parts, and other durable materials all moved lower after large gains in April. The index for nondurable materials was unchanged. Within this category, increases in the indexes for textiles, paper, and chemicals were offset by declines elsewhere.*

### Industry Groups

*'Manufacturing production declined 0.1 percent in May. The output of durable goods fell 0.2 percent. The production of machinery dropped 1.7 percent, and the output of motor vehicles and parts declined 1.3 percent. Nevertheless, several durable goods industries posted gains, and large increases were reported in the index for primary metals, which advanced 0.9 percent, and in the index for computer and electronic products, which moved up 1.1 percent. The output of nondurable goods industries rose just 0.1 percent despite a surge of 4.3 percent in the index for petroleum and coal products. The index for chemical industries fell 0.4 percent and remained below its year-ago level; the index for food, beverage, and tobacco products declined 0.2 percent. Production in the non-NAICS manufacturing industries (logging and publishing) dropped 0.6 percent. The output of mines declined 0.2 percent largely because of drops in the indexes for the mining and quarrying of stone, sand, and gravel, which fell back from their high levels earlier this year. The index for oil and gas extraction edged up 0.1 percent but remained 4.6 percent below its year-ago level. The output of coal mines, which has risen 13.6 percent over the past year, advanced 0.4 percent in May. The output of utilities rose 0.2 percent.*

*'By stage of processing, capacity utilization for industries in the crude stage of processing increased further, to 87.6 percent, a rate that is 1.2 percentage points above its 1972-2005 average. For industries in the primary and semifinished stages of processing and for industries in the finished stage, utilization rates moved lower in May but remained above their long-run averages ... '.*

On The New York Mercantile Exchange (NYMEX), the price of crude oil continued to edge up for the second consecutive day.

The last settlement for a barrel of light sweet crude oil was \$US69.50 for delivery in July. That price represented another 0.52-percent increase, compared with the last settlement on Wednesday.

For August delivery, the last settlement for a barrel of light sweet crude oil was \$US69.93, up about 0.45 percent on the last quote on Wednesday night.

In Europe, investors, noting what was taking place on Wall Street and taking careful note of the words of the Chairman of The Fed, took the plunge, pumping up every key index of every major bourse:

Amsterdam's AEX Index	Plus 2.60 percent
France's CAC 40 Index	Plus 2.36 percent
Germany's Frankfurt XETRA DAX Index	Plus 2.19 percent
Great Britain's FTSE 100 Index	Plus 2.04 percent
Italy's MIBTEL Index	Plus 2.18 percent
Switzerland's Swiss Market Index	Plus 2.37

percent

## News Wise

- **Inflation in Eurozone** is rising due in large part to the higher costs of imported oil, according to Eurostat, the European Union's statistical agency. On an annualised basis, inflation in May throughout the 12-nation Eurozone is now running at about 2.50 percent. The May figure is an increase of about 4.17 percentile points over the April inflation figure.

In Asia, key indices of the majority of the equity markets of the region rose, but nothing to the extent of European markets.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), both of its equity markets made useful gains although the volume of activity was relatively low.

On the Main Board of The Stock Exchange of Hongkong Ltd, its Hang Seng Index rose about 1.23 percent to 15,435.08 points.

The Total Turnover fell back to about \$HK26.72 billion, down about 19 percent, compared with Wednesday's volume of activity.

The ratio of gaining counters to losing ones was about 2.47:One.

The Ten Most Actives were:

HSBC Holdings plc (Code: 5)	Up 0.76 percent to \$HK133.30 per share
China Life Insurance Company Ltd (Code: 2628)	Up 1.96 percent to \$HK10.40 per share
CNOOC Ltd (Code: 883)	Up 5.71 percent to \$HK5.55 per share
PetroChina Company Ltd (Code: 857)	Up 3.52 percent to \$HK7.35 per share
China Mobile Ltd (Code: 941)	Up 1.13 percent to \$HK40.30 per share
Bank of China Ltd (Code: 3988)	Up 0.75 percent to \$HK3.375 per share
China Construction Bank Corporation (Code: 939)	Up 2.33 percent to \$HK3.30 per share
China Petroleum and Chemical Corporation (Code: 386)	Up 4.64 percent to \$HK3.95 per share
Hongkong Exchanges and Clearing Ltd (Code: 388)	Up 3.30 percent to \$HK47.00 per share
Hutchison Whampoa Ltd (Code: 13)	Up 0.88 percent to \$HK69.00 per share

As for the Main Board's double-digit movers, last Thursday, they included:

<b>Name of Company</b>	<b>Code</b>	<b>Increase (%)</b>	<b>Decrease (%)</b>	<b>Closing Price (\$HK)</b>
139 Holdings Ltd	139	15.38		0.09
Beauforte Investors Corporation Ltd	21		11.76	0.30
China Aerospace International Holdings Ltd	31	16.33		0.57
China Treasure (Greater China) Investments Ltd	810	22.09		0.21
Cosmos Machinery Enterprises Ltd	118	26.67		0.38
Daiwa Associate Holdings Ltd	1037		14.58	0.41
Hop Hing Holdings Ltd	47		17.19	0.265
Lingbao Gold Company Ltd	3330	10.92		6.60
Morning Star Resources Ltd	542	25.00		0.06
Oriental Explorer Holdings Ltd	430		22.22	0.049
Shell Electric Manufacturing (Holdings) Company Ltd	81	11.11		3.00
Swank International Manufacturing Company Ltd	663	18.18		0.13
Takson Holdings Ltd	918	25.00		0.09
Uni-Bio Science Group Ltd	690		38.24	1.05
World Trade Bun Kee Ltd	380		10.89	0.90

On The **Growth Enterprise Market** (The GEM) of The Stock Exchange of Hongkong Ltd, its Growth Enterprise Index managed a gain of about 1.49 percent as investors pushed it to 1,107.62 points.

The Total Turnover was about \$HK112.33 million, while the ratio of gainers to losers was about 1.45:One.

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

Techpacific Capital Ltd (Code: 8088)

Up 2.94 percent to \$HK1.05 per share

China LotSynergy Holdings Ltd (Code: 8161)

Up 3.33 percent to \$HK0.93 per share

Zhengzhou Gas Company Ltd (Code: 8099)

Up 1.22 percent to \$HK0.83 per share



Wumart Stores Incorporated (Code: 8277)

Up 2.92 percent to \$HK24.70 per share

Shandong Weigao Group Medical Polymer Company Ltd (Code: 8199) Down 1.83 percent to \$HK4.025 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
AcrossAsia Ltd	8061		19.57	0.185
Argos Enterprise (Holdings) Ltd	8022		12.59	0.118
Shenzhen Dongjiang Environmental Company Ltd	8230	15.75		1.69
Essex Bio-Technology Ltd	8151	12.67		0.169
Galileo Capital Group Ltd	8029		14.29	0.06
Inno-Tech Holdings Ltd	8202	16.82		0.125
Jilin Province Huinan Changlong Bio-pharmacy Company Ltd	8049	21.43		0.17
KanHan Technologies Group Ltd	8175	13.64		0.25
Long Success International (Holdings) Ltd	8017		11.83	0.82
Medical China Ltd	8186	11.11		0.04
Mobile Telecom Network (Holdings) Ltd	8266	25.00		0.035
Prosten Technology Holdings Ltd	8026		11.76	0.60
ProSticks International Holdings Ltd	8055		31.03	0.10
SYSCAN Technology Holdings Ltd	8083	16.67		0.07

In Japan, indices of the country's 3 equity markets all rose a little more than one percent, compared with Wednesday's closing figures.

On The Tokyo Stock Exchange, its TOPIX Index gained about 1.35 percent as investors pushed up this key index 1,485.98 points.

The ratio of gaining counters to losing ones was about 6.19:One.

The Nikkei-225 Stock Average rose about 1.13 percent, ending the trading session at 14,470.76 yen.

#### News Wise

- **Matsushita Electric Industrial Company** has announced that it will close down its German operation – Panasonic AVC Networks Germany GmbH – at the end of March 2007.

This was how the key indices of other Asian equity markets performed, last Thursday:

The HKSAR	Plus 1.23 percent to 15,435.08
Indonesia	Plus 0.60 percent to 1,241.65
Japan	TOPIX Index Plus 1.35 percent to 1,485.98 Nikkei-255 Stock Average Plus 1.13 percent to 14,470.76
Malaysia 886.48	Minus 0.76 percent to
The Philippines	Plus 0.72 percent to 2,081.80
Singapore	Plus 0.95 percent to 2,302.43
South Korea	Minus 0.19 percent to 1,219.40
Taiwan	Minus 0.66 percent to 6,426.39
Thailand	Plus 0.25 percent to 648.32

#### Friday

The euphoria on the world's largest equity markets waned considerably, last Friday: Much of the speech by the US Federal Reserve's Chairman, Dr Ben Bernanke, was all but forgotten by many investors who determined, instead, to listen to what they considered were the sage words of another Fed member.

The President of the Federal Reserve Bank of St. Louis, Mr William Poole, rang the warning bell, stating that the latest Fed figures may not be up-to-date and that inflation in the US is, probably, much higher than has, hitherto, been admitted.

That put the cat among the pigeons.

On Wall Street, indices went into decline.

By the close of trading, last Friday, the Dow Jones Industrial Average, the key index of The New York Stock Exchange, had fallen back to 11,014.55 points, off about 0.01 percent on the day.

But the very volatile market had seen large swings, in and out of the black, during the trading session.

Over on The NASDAQ, its Composite Index ended the week at 1,129.95 points, a one-day fall of about 0.66 percent.

Losing counters outnumbered gaining ones by the ratio of about 2:One on both markets.

For the week, the tally for the world's largest equity markets was:

The Dow Jones Industrial Average	Plus	1.13 percent
The NASDAQ's Composite Index	Minus	0.24 percent

On The New York Mercantile Exchange (NYMEX), the price of crude oil continued its relentless movement up toward the \$US70 per-barrel level.

The last settlement for a barrel of light sweet crude oil for delivery in July was \$US69.88, up about 0.55 percent on Thursday's last quote.

As for delivery in August, the last settlement for a barrel of light sweet crude oil was \$US70.20, representing a gain of about 0.39 percent on the last settlement of Thursday.

In Europe, much of the gains of Thursday were expunged.

European investors have, of late, been watching Wall Street for an indication as to which way the investment winds was blowing, but last Friday, investors in this part of the world were looking East, to the People's Republic of China (PRC), where it had been announced that the Government of the most-populous country of the world was reining in bank credit.

Such a move, it was suggested, could well choke off some of the growth of this, fast-growing economy (which is the object of the exercise, in any event) – and that could affect other economies of the world, many of which are, already, noting economic slowdowns, the US economy, in particular.

This was how the indices of the most-important European bourses ended, last Friday night:

Amsterdam's AEX Index	Minus 0.75 percent
France's CAC 40 Index	Minus 0.62 percent
Germany's Frankfurt XETRA DAX Index	Minus 0.85 percent
Great Britain's FTSE 100 Index	Minus 0.38 percent
Italy's MIBTEL Index	Minus 0.87 percent
Switzerland's Swiss Market Index	Minus 0.45 percent

In Asia, however, seeing how the key indices of equity markets of Wall Street and Europe had advanced on Thursday, and having studied the speech of the Chairman of The Fed (Please see Thursday's report for part of this speech), investors determined that it was time to climb back onto the stock-market buses before they left their respective terminals.

It was boom days for most major equity markets of the region.

In the Hongkong Special Administrative Region (HKSAR) of the PRC, both of the territory's 2 equity markets made impressive gains.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index rose about 2.64 percent, closing off the week at 15,842.65 points.

The Total Turnover was about \$HK32.99 billion.

Gaining counters outnumbered losing ones by the ratio of about 4.77:One.

The Ten Most Actives were:

HSBC Holdings plc (Code: 5)	Up 1.73 percent to \$HK135.60 per share
China Life Insurance Company Ltd (Code: 2628)	Up 7.69 percent to \$HK11.20 per share
PetroChina Company Ltd (Code: 857)	Up 4.76 percent to \$HK7.70 per share
CNOOC Ltd (Code: 883)	Up 6.31 percent to \$HK5.90 per share
China Mobile Ltd (Code: 941)	Up 4.22 percent to \$HK42.00 per share
Bank of China Ltd (Code: 3988)	Up 1.48 percent to \$HK3.425 per share
China Construction Bank Corporation (Code: 939)	Up 2.27 percent to \$HK3.375 per share
China Petroleum and Chemical Corporation (Code: 386)	Up 5.70 percent to \$HK4.175 per share
Hongkong Exchanges and Clearing Ltd (Code: 388)	Up 4.36 percent to \$HK49.05 per share
Sun Hung Kai Properties Ltd (Code: 16)	Up 1.89 percent to \$HK78.35 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Asia Alliance Holdings Ltd	616	12.73		0.62

Asia Commercial Holdings Ltd	104	13.33		0.68
ASM Pacific Technology Ltd	522	10.09		41.45
Beauforte Investors Corporation Ltd	21	13.33		0.34
Beijing Capital Land Ltd	2868	14.46		2.375
China Elegance (Holdings) Ltd	476		14.29	0.06
China Haidian Holdings Ltd	256	10.34		0.224
China Water Affairs Group Ltd	855	11.25		1.78
Chinese Estates Holdings Ltd	127	10.39		8.50
CNT Group Ltd	701	13.10		0.164
Dah Sing Financial Holdings Ltd	440	10.96		62.25
Daiwa Associate Holdings Ltd	1037	10.98		0.455
Everest International Investments Ltd	204	38.10		0.058
Fintronics Holdings Company Ltd	706	25.00		0.245
Four Seas Food Investment Holdings Ltd	60	10.00		0.88
FU JI Food and Catering Services Holdings Ltd	1175	12.69		14.65
Geely Automobile Holdings Ltd	175	20.25		0.95
Hop Hing Holdings Ltd	47	18.87		0.315
Kiu Hung International Holdings Ltd	381		15.38	0.11
Massive Resources International Corporation Ltd	70	12.50		0.018
Mayer Holdings Ltd	1116	16.33		0.57
Oriental Investment Corporation Ltd	735	10.17		0.325
Poly Investments Holdings Ltd	263	12.90		0.105
Rontex International Holdings Ltd	1142		12.90	0.027

See Corporation Ltd	491	11.76		0.019
Stelux Holdings International Ltd	84	11.11		0.60
Theme International Holdings Ltd	990	12.00		0.028
Tianjin Development Holdings Ltd	882	10.59		4.70
Tongda Group Holdings Ltd	698	11.54		0.29
Uni-Bio Science Group Ltd	690	57.14		1.65
Wing Hong (Holdings) Ltd	745	15.38		0.045
Xiwang Sugar Holdings Company Ltd	2088	11.98		4.675
ZTE Corporation	763	10.67		24.90

Over on The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, its Growth Enterprise Index rose about 2.75 percent to 1,138.03 points.

The Total Turnover on this speculative market was about \$HK161.89 million.

The ratio of gaining counters to losing ones was about 2.11:One.

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

Wumart Stores Incorporated (Code: 8277)

Up 8.50 percent to \$HK26.80 per share

Techpacific Capital Ltd (Code: 8088)

Up 0.95 percent to \$HK1.06 per share

CASH Financial Services Group Ltd (Code: 8122)

Up 1.54 percent to \$HK0.33 per share

Shandong Weigao Group Medical Polymer Company Ltd (Code: 8199)

Up 1.24 percent to \$HK4.075 per share

Town Health International Holdings Company Ltd (Code: 8138)

Up 5.45 percent to \$HK0.29 per share

The GEM's biggest movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
AcrossAsia Ltd	8061	11.89		0.207

Advanced Card Systems Holdings Ltd	8210		10.71	0.125
First Mobile Group Holdings Ltd	8110		18.86	0.142
IA International Holdings Ltd	8047		11.76	0.30
International Entertainment Corporation	8118	12.90		3.50
ITE (Holdings) Ltd	8092	10.00		0.055
Kanstar Environmental Paper Products Holdings Ltd	8011	16.00		0.435
Milkyway Image Holdings Ltd	8130	18.75		0.038
Mobile Telecom Network (Holdings) Ltd	8266	28.57		0.045
MP Logistics International Holdings Ltd	8239	15.00		0.115
ProSticks International Holdings Ltd	8055	11.00		0.111
Q9 Technology Holdings Ltd	8129	32.14		0.037
T S Telecom Technologies Ltd	8003	11.11		0.15
Tiger Tech Holdings Ltd	8046	48.78		0.061

For the trading week, ended June 16, 2006, the tally for the second-largest stock market of Asia was:

The Hang Seng Index	Plus	1.37 percent
The Growth Enterprise Index	Plus	0.39 percent

In Japan, the country's 3 stock markets were booming.

On The Tokyo Stock Exchange, its TOPIX Index made its biggest, single-day's gain in about 48 months as investors pushed up this key index to 1,534.71 points, an improvement over Thursday's close of about 3.28 percent.

Gaining counters outran losing ones by the ratio of about 12.93:One.

The Nikkei-225 Stock Average rose about 2.82 percent to close the day at 14,879.34 yen.

For the week, the tally for Asia's largest equity market was:

The TOPIX Index	Plus	2.40 percent
The Nikkei-225 Stock Average	Plus	0.87 percent

And, on other Asian stock markets, the following was the how their key indices ended, last Friday night:

The HKSAR	Plus 2.64 percent to 15,842.65
Indonesia	Plus 5.47 percent to 1,309.53
Japan	TOPIX Index Plus 3.28 percent to 1,534.71 Nikkei-255 Stock Average Plus 2.82 percent to 14,879.34
Malaysia	Plus 0.79 percent to 893.50
The Philippines	Plus 1.91 percent to 2,121.47
Singapore	Plus 3.10 percent to 2,373.91
South Korea	Plus 3.51 percent to 1,262.19
Taiwan	Plus 2.32 percent to 6,575.77
Thailand	Plus 2.63 percent to 665.39

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