

**DR BEN BERNANKE TURNS MARKETS ROUND,  
BUT INTEL CORPORATION CRUSHES THEM – AGAIN !**

**Israel Launches Massive Ground Invasion Of Lebanon**

Things were literally going Pop! Bang! Crash! last Monday in the Middle East, as Israel and the Iran-backed, Shiite Hezbollah (Party of God) guerrilla fighters of Southern Lebanon continued to rain missiles and artillery shells down on each other.

For the sixth consecutive day, Israel shelled Hezbollah positions in Lebanon and destroyed any and all infrastructure that could, in any way, assist this group of guerrilla fighters, thought to number a fighting force of about 6,000, hardened guerillas.

Not fewer than 200 innocent Lebanese nationals had been killed, during the 6 days of fighting by last Monday night's count, due to the Israeli artillery shellings and helicopters, firing missiles at ground targets in southern Lebanon.

The Hezbollah, for its part, continued to fire not fewer than 50 missiles per day at towns and cities inside Israel, with the town of Haifa, which is the third-largest town in Israel, feeling the brunt of the attacks.

Some 12 Israeli civilians have been killed by the Hezbollah missiles.

The latest fighting between Israel and the Hezbollah guerrillas started on Wednesday, July 12, 2006, when Hezbollah captured 2 Israeli soldiers.

Israel has vowed that it will not stop its attacks on Lebanon until the Israeli soldiers are returned and the Hezbollah fighters are disarmed, once and for all.

The United Nations had been having emergency meetings for the entire weekend of July 15-16.

It was the consensus of most of the delegates of the United Nations that Hezbollah started the recent crisis situation and it will be up to the Lebanese Government to stop it.

The United Nations was suggesting that it send a military force to Lebanon in order to bring the situation under control.

The United Nations, also, decided on Saturday, July 15, 2006, to impose sanctions on North Korea for its missile tests, which took place on Wednesday, July 5, 2006.

The United Nations has demanded that North Korea suspend all activities, relating to its ballistic missile programme.

The Resolution, adopted by the United Nations in respect of North Korea, calls on all member states to refrain from selling to North Korea any and all material/technology that could be used for missiles or missile development or deployment or any weapons of mass destruction.

The Resolution, also, bans all member states from receiving of missiles or any such technology from North Korea.

North Korea rejected the United Nations Resolution as being '*unjustifiable and gangsterlike*'.

The situation with regard to North Korea and its nuclear ambitions was fast approaching a crisis because, under Chapter 7 of the United Nations Charter, the use of military force could follow in the event that North Korea fails to accede to the demands of the world body.

On Wall Street, last Monday, investors were confused as to the correct course of action to take in view of the situation in the Middle East.

In addition, during the trading session on the world's largest equity markets, last Monday, The Federal Reserve made, what it termed, a '*Statistical Release*', with regard to its findings for industrial production and capacity utilisation in the US for the month of June.

From the point of view of many Wall Street gurus, the statistics appeared to present good ammunition to The Fed, justifying a continuance of higher interest rates when it next meets on Tuesday, August 8, 2006, at a scheduled Open Market Committee Meeting.

This is a copy of that release, minus the tables:

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

*'Industrial production rose 0.8 percent in June and was 4.5 percent higher than its year-ago level. Manufacturing output moved up 0.7 percent in June, and the May level was revised up. Output at mines and utilities also registered gains in June. In the second quarter, total output advanced at an annual rate of 6.6 percent, and manufacturing output rose at a 5.4 percent pace. Capacity utilization for total industry rose to 82.4 percent in June; the rate was 2.1 percentage points above its level in June 2005 and was 1.4 percentage points above its 1972-2005 average...*

#### **'Market Groups**

*'The production of consumer goods rose 0.9 percent in June. The output of durable consumer goods moved up 2.2 percent and was led by an increase in the production of automotive products, which jumped 4.2 percent after having fallen in the previous two months. In the second quarter, the production of automotive products registered its first gain in three quarters. The output of home electronics increased for a second month in June and was up 10.4 percent from its year-ago level. The index for miscellaneous durable goods moved up, while the index for appliances, furniture, and carpeting dropped. The production of nondurable consumer goods rose 0.4 percent, as the output of consumer energy products gained 1.4 percent and the production of non-energy nondurable consumer goods edged up 0.1 percent. Output increased for all major categories of nondurable goods except foods and tobacco. In the second quarter, the output of non-energy nondurable consumer goods increased at an annual rate of 3.2 percent, while the output of consumer energy products advanced 11.6 percent.*

*'The index for business equipment advanced 0.7 percent in June and at an annual rate of 13.2 percent in the second quarter, its twelfth consecutive quarterly rise. The production of transit equipment rose 0.8 percent in June, and the output of information processing equipment advanced 1.3 percent. The index for industrial and other equipment edged up after having fallen in May; output in this category*

*increased at an annual rate of 11.9 percent in the second quarter. The production of defense and space equipment rose 0.9 percent in June.*

*'The index for construction supplies increased 0.4 percent in June but was down at an annual rate of 0.9 percent in the second quarter. The index for business supplies increased 0.6 percent in June and moved up at an annual rate of 5.9 percent in the second quarter.*

*'The production of materials advanced 0.8 percent in June, and the output of both energy and non-energy materials increased. Within non-energy materials, the output of durable materials rose 1.0 percent and at an annual rate of 7.8 percent in the second quarter. All of the major categories of durable materials posted gains in June. Among nondurable materials, a decline in the output of textiles was more than offset by increases in the production of paper and of chemicals.*

### *'Industry Groups*

*'Manufacturing output rose 0.7 percent in June. In the second quarter, the index moved up at an annual rate of 5.4 percent, about the same rate as in the previous quarter. In June, the overall factory operating rate increased 0.4 percentage point, to 81.1 percent. The production of durable goods rose 1.0 percent and was led by a 3.3 percent gain in the output of motor vehicles and parts. Gains were widespread among the other major categories of durable goods, although the indexes for wood products and for furniture and related products fell. The production of computer and electronic products rose 1.3 percent, a slightly smaller gain than those recorded in the first two months of the second quarter. The output of aerospace and miscellaneous transportation equipment increased 0.7 percent in June. The index for primary metals moved up 1.0 percent and rose at an annual rate of 15.8 percent in the second quarter. The output of nondurable goods gained 0.3 percent in June; the largest contributors to the increase were petroleum and coal products, chemicals, and plastics and rubber products. The output of paper, printing and support, and apparel and leather advanced, while the indexes for food, beverage, and tobacco products and for textile and product mills declined. The output of non-NAICS manufacturing industries (publishing and logging) rose 1.2 percent.*

*'The output of utilities increased 0.7 percent in June; both electricity generation and natural gas output increased by similar amounts. The operating rate at utilities rose to 86.8 percent. The output of mines increased 1.2 percent, and the utilization rate for mining advanced 1.2 percentage points, to 91.1 percent.*

*'By stage of process, capacity utilization for industries in the crude stage moved up 1 percentage point, to 89.3 percent. For industries in the primary and semifinished stages, the operating rate rose 0.5 percentage point, to 83.3 percent, and for industries in the finished stage, utilization increased 0.3 percentage point, to 79.7 percent.'*

On Wall Street, the Dow Jones Industrial Average, the key index of The New York Stock Exchange, ended the first day of trading at 10,747.36 points, representing a gain of 8.01 points, or about 0.07 percent on the close of the previous Friday.

Over on The NASDAQ, its Composite Index edged up only 0.37 of a point, equivalent to a gain of about 0.02 percent, ending the choppy trading session at 2,037.72 points.

Had it not been for a fall in the price of crude oil on international commodity exchanges, key indices of US equity markets would have fallen, undoubtedly.

On The New York Mercantile Exchange (NYMEX), the last settlement for a barrel of light sweet crude oil for delivery in August was \$US75.30, equivalent to a fall of about 2.25 percent on the last settlement of Friday, July 14, 2006.

As for September delivery, the last settlement for a barrel of light sweet crude oil came in at \$US76.91, down 2.41 percent, exactly, on the last quote of the previous Friday.

In Europe, for the third consecutive trading session, prices fell on the most-important bourses of the region.

The question of crude-oil deliveries, in view of the worsening situation in the Middle East, was the most-worrying factor for European investors.

This was how the key indices of the largest European bourses fared, last Monday night:

Amsterdam's AEX Index	Minus 0.25 percent
France's CAC 40 Index	Minus 0.64 percent
Germany's Frankfurt XETRA DAX Index	Minus 0.09 percent
Great Britain's FTSE 100 Index	Minus 0.11 percent
Italy's MIBTEL Index	Minus 0.65 percent
Switzerland's Swiss Market Index	Unchanged

The equity markets of Japan and South Korea were both closed, last Monday, for national holidays.

It was just as well because the indices of every other equity market in the most-populous part of the world fell, heavily.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), the losses on the territory's 2 equity markets were light, compared with other stock markets in the region, but they were, nevertheless, losses.

The Hang Seng Index, which is the key index of the Main Board of The Stock Exchange of Hongkong Ltd, lost about 0.44 percent of its value, ending the day's proceedings at 16,064.82 points.

The Total Turnover dropped to about \$HK18.64 billion.

Losing counters outnumbered gaining ones by the ratio of about 3.21:One.

The Ten Most Active counters were:

HSBC Holdings plc (Code: 5)	Down 0.52 percent to \$HK134.90 per share
China Construction Bank Corporation (Code: 939)	Down 1.46 percent to \$HK3.375 per share

China Life Insurance Company Ltd (Code: 2628)      Down 0.82 percent to \$HK12.10 per share

PetroChina Company Ltd (Code: 857)      Down 1.17 percent to \$HK8.45 per share

China Mobile Ltd (Code: 941)      Up 0.34 percent to \$HK44.25 per share

Bank of China Ltd (Code: 3988)      Down 0.71 percent to \$HK3.50 per share

CNOOC Ltd (Code: 883)      Unchanged at \$HK6.30 per share

Hongkong Exchanges and Clearing Ltd (Code: 388)      Down 1.33 percent to \$HK48.25 per share

Hutchison Whampoa Ltd (Code: 13)      Down 0.64 percent to \$HK69.55 per share

Sun Hung Kai Properties Ltd (Code: 16)      Down 0.39 percent to \$HK76.90 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
139 Holdings Ltd	139		12.16	0.13
Aurora Global Investment Holdings Ltd	353	12.28		0.64
Daisho Microline Holdings Ltd	567	10.20		1.08
Grand Field Group Holdings Ltd	115	16.00		0.116
Kiu Hung International Holdings Ltd	381	11.84		0.255
New Island Printing Holdings Ltd	377	15.00		0.46
Sun Innovation Holdings Ltd	547		10.00	3.15
United Pacific Industries Ltd	176		10.87	0.205
Wonderful World Holdings Ltd	109		37.68	0.086

On The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, its Growth Enterprise Index dropped back to 1,142.15 points, a fall of about 0.57 percent, compared with its close on Friday, July 14, 2006.

The Total Turnover on this speculative market was about \$HK120.01 million, while the ratio of losers to

gainers was about 2.18:One.

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

Techpacific Capital Ltd (Code: 8088)	Up 1.08 percent to \$HK0.94 per share
Nanjing Sample Technology Company Ltd (Code: 8287)	Up 7.86 percent to \$HK15.10 per share
Galileo Capital Group Ltd (Code: 8029)	Up 42.40 percent to \$HK0.178 per share
T S Telecom Technologies Ltd (Code: 8003)	Down 3.77 percent to \$HK0.255 per share
TOM Online Incorporated (Code: 8282)	Down 2.99 percent to \$HK1.30 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Excel Technology International Holdings Ltd	8048	12.50		0.09
G.A. Holdings Ltd	8126	12.50		0.18
Galileo Capital Group Ltd	8029	42.40		0.178
GreaterChina Technology Group Ltd	8032		14.63	0.035
Prosten Technology Holdings Ltd	8026	20.00		0.42
Soluteck Holdings Ltd	8111	17.07		0.048
WLS Holdings Ltd	8021	10.48		0.116

In other Asian equity markets, this was how their respective key indices ended, last Monday night:

The HKSAR	Hang Seng Index Minus 0.44 percent to 16,064.82 The Growth Enterprise Index Minus 0.57 percent to 1,142.15
Indonesia	Minus 1.51 percent to 1,283.95
Japan	TOPIX Index Closed Nikkei-255 Stock Average Closed

Malaysia	Minus 1.20 percent to 902.70
The Philippines	Minus 1.58 percent to 2,175.21
Singapore	Minus 1.83 percent to 2,320.20
South Korea	Closed
Taiwan	Minus 2.65 percent to 6,257.80
Thailand	Minus 1.30 percent to 653.02

## **Tuesday**

The fighting continued in Lebanon, last Tuesday, with another 30 dead bodies, having been counted.

The Prime Minister of Israel, Mr Ehud Olmert, announced that he had evidence that pointed to the Government of Iran as the instigator of the fighting between the Hezbollah Guerrilla fighters and Israel.

US President George W. Bush accused the Syrian Government of using the crisis as an excuse to get back into Lebanon.

Meanwhile, Iran's top leaders praised the Hezbollah guerrillas and urged them to fight on, killing as many Jews as possible.

Accusations and counter-accusations!

And more dead and dying bodies piled up in cities and towns in Lebanon and Israel.

But it appeared unlikely, from the point of view of many politicians, that the fighting would spread to other countries in the Middle East.

This caused the price of crude oil to fall on international commodity markets, last Tuesday.

On The **New York Mercantile Exchange** (NYMEX), the last settlement for a barrel of light sweet crude oil for delivery in August was \$US73.54, down about 2.34 percent on the closing level on Monday night.

As for September delivery, the last settlement for a barrel of light sweet crude oil was \$US75.26, equivalent to a fall of about 2.15 percent, compared with the last settlement on Monday.

On Wall Street, the fall in the price of crude oil was a bit of a fillip for investors, but key indices only advanced by fractions.

The Dow Jones Industrial Average, the key index of The New York Stock Exchange, rose 51.87 points, or about 0.48 percent, to end the trading session at 10,799.23 points.

On The NASDAQ, its Composite Index gained 5.50 points, equivalent to about 0.27 percent, limping to 2,043.22 points.

Europe was concerned with the international situation, with the consensus, being that anything and everything was possible with regard to the fighting in the Middle East.

For the fourth consecutive day, key indices of major European bourses fell as investor sentiment continued to be sapped.

This was how the situation looked on major European bourses, last Tuesday night:

Amsterdam's AEX Index	Minus 0.10 percent
France's CAC 40 Index	Minus 0.32 percent
Germany's Frankfurt XETRA DAX Index	Minus 0.37 percent
Great Britain's FTSE 100 Index	Minus 0.33 percent
Italy's MIBTEL Index	Minus 0.34 percent
Switzerland's Swiss Market Index	Minus 0.55 percent

In Asia, the largest equity markets continued to lose ground, with Japan's stock markets, playing catch-up (it was closed on Monday for a national holiday).

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), both stock markets saw their key indices fall to lower levels, but the losses were relatively small.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index ended the trading day at 16,043.94 points, representing a fall of about 0.13 percent, compared with the close of Monday.

The Total Turnover was about \$HK21.36 billion, with the ratio of losing counters to gaining ones, being about 1.49:One.

The Ten Most Actives were:

HSBC Holdings plc (Code: 5)	Down 0.07 percent to \$HK134.80 per share
China Life Insurance Company Ltd (Code: 2628)	Up 1.24 percent to \$HK12.25 per share
PetroChina Company Ltd (Code: 857)	Down 1.78 percent to \$HK8.30 per share
China Construction Bank Corporation (Code: 939)	Up 0.74 percent to \$HK3.40 per share
China Mobile Ltd (Code: 941)	Down 0.23 percent to \$HK44.15 per share



Bank of China Ltd (Code: 3988)

Unchanged at \$HK3.50  
per share

CNOOC Ltd (Code: 883)

Down 0.79 percent to  
\$HK6.25 per share

China Petroleum and Chemical Corporation (Code: 386)

Down 1.18 percent to  
\$HK4.175 per share

Bank of Communications Company Ltd (Code: 3328)

Up 1.04 percent to  
\$HK4.85 per share

Sun Hung Kai Properties Ltd (Code: 16)

Down 0.13 percent to  
\$HK76.80 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
A-Max Holdings Ltd	959	16.45		0.177
AviChina Industry and Technology Company Ltd	2357	11.11		0.90
Benefun International Holdings Ltd	1130	26.67		0.057
China National Resources Development Holdings Ltd	661		16.67	0.085
Climax International Company Ltd	439	11.11		0.25
Decca Holdings Ltd	997	20.51		0.94
Earnest Investments Holdings Ltd	339	19.27		0.13
First Tractor Company Ltd	38	14.19		1.77
Garron International Ltd	1226	23.33		0.37
Golden Dragon Group (Holdings) Ltd	329		10.71	0.50
Kiu Hung International Holdings Ltd	381	17.65		0.30

On The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, selling pressure mounted as the trading day wore on, resulting in The Growth Enterprise Index, ending the session at 1,134.13 points, down about 0.70 percent on the day.

The Total Turnover on this speculative market was about \$HK88.59 million, while the ratio of declining counters to advancing ones was about 1.61:One.

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

Techpacific Capital Ltd (Code: 8088)	Down 6.38 percent to \$HK0.88 per share
Nanjing Sample Technology Company Ltd (Code: 8287)	Down 0.66 percent to \$HK15.00 per share
TOM Online Incorporated (Code: 8282)	Down 5.38 percent to \$HK1.23 per share
CK Life Sciences International (Holdings) Incorporated (Code: 8222)	Up 4.62 percent to \$HK0.68 per share
Zhengzhou Gas Company Ltd (Code: 8099)	Up 2.17 percent to \$HK0.94 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Angels Technology Company Ltd	8112		10.00	0.36
Excel Technology International Holdings Ltd	8048		11.11	0.08
MegaInfo Holdings Ltd	8279		15.69	0.043
Panorama International Holdings Ltd	8173		18.75	0.039
Soluteck Holdings Ltd	8111	10.42		0.053
Tiger Tech Holdings Ltd	8046		14.47	0.065
Vodatel Networks Holdings Ltd	8033	20.00		0.12

In Japan, investors were treated to a '*bath*' as key indices fell ... and fell, very hard.

On The Tokyo Stock Exchange, which is the premier equity market of the country, its TOPIX Index lost 46.43 points, equivalent to about 3.05 percent, dropping to 1,475.28 points.

The ratio of losing counters to gaining ones was about 21:One.

As for The Nikkei-225 Stock Average, it lost 408 yen, exactly, a fall of about 2.75 percent on the close of Friday, July 14, 2006, coming to rest at 14,437.25 yen.

#### News Wise

- The statistics for June in respect of **corporate bankruptcies** in Japan indicated a fall of about 6.30 percent, Year-On-Year, to 744 incidents. It was the third consecutive month of falls in the filings of

corporate bankruptcies in The Land of The Rising Sun.

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

The HKSAR	Hang Seng Index Minus 0.13 percent to 16,043.94 The Growth Enterprise Index Minus 0.70 percent to 1,134.13
Indonesia	Plus 0.16 percent to 1,286.05
Japan	TOPIX Index Minus 3.05 percent to 1,475.28 Nikkei-255 Stock Average Minus 2.75 percent to 14,437.24
Malaysia	Plus 0.66 percent to 908.68
The Philippines	Plus 0.76 percent to 2,191.78
Singapore	Plus 0.59 percent to 2,333.81
South Korea	Minus 1.73 percent to 1,233.42
Taiwan	Plus 0.44 percent to 6,285.31
Thailand	Plus 1.00 percent to 659.58

### Wednesday

**The fighting in the Middle East continued apace, last Wednesday, but it had become increasingly clear that Iran was playing the part of the ‘*eminence gris*’ with regard to its sponsorship of the Hezbollah guerrillas of South Lebanon.**

**Iran’s Parliament Speaker, Mr Gholam Ali Haddad Adel, told a rally of anti-Israeli Iranians in Palestine Square, Tehran:**

*‘No part of Israel will be safe ... The towns you built in Northern Palestine (meaning Israel) are within the range of the brave Lebanese children ...’.*

**Mr Gholam Ali Haddad Adel, also, warned the US to stop supporting Israel, saying:**

*‘You must suspend your support for Israel or you don’t expect peace and compromise with the world ...’.*

**And, in a televised speech, the Supreme Leader of Iran, Ayatollah Ali Khamenei, said:**

*'They (meaning Israel) want Lebanon to be meat in their mouths, but the powerful Hezbollah has prevented their dream from being realised ... '.*

**To many people, these statements must be interpreted as indicating Iran's clear support for the Hezbollah in their terrorist activities against the Jewish State of Israel and, perhaps, also, against all Jews, wherever they may be.**

**Wall Street was getting tired of the Middle East crisis, which had been relegated by many investors to the category of being passé.**

**Prior to Wall Street, opening for business, last Wednesday, The Bureau of Labour Statistics, a division of the US Department of Labour, reported its findings in respect of the Consumer Price Index for June 2006.**

The following is a transcript of that which The Bureau released, minus some statistics and explanatory notes:

**'CONSUMER PRICE INDEX: JUNE 2006**

*'The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent in June, before seasonal adjustment ... The June level of 202.9 (1982-84=100) was 4.3 percent higher than in June 2005. The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) also increased 0.2 percent in June, prior to seasonal adjustment. The June level of 198.6 (1982-84=100) was 4.5 percent higher than in June 2005. The Chained Consumer Price Index for All Urban Consumers (C-CPI-U) increased 0.3 percent in June on a not seasonally adjusted basis. The June level of 117.5 (December 1999=100) was 3.7 percent higher than in June 2005. Please note that the indexes for the post-2004 period are subject to revision.*

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

*'On a seasonally adjusted basis, the CPI-U advanced 0.2 percent in June, following a 0.4 percent rise in May. Energy costs declined 0.9 percent in June, following substantial increases in each of the preceding three months. Within energy, the index for petroleum based energy decreased 0.9 percent and the index for energy services fell 1.1 percent. The food index increased 0.3 percent in June. The index for all items less food and energy rose 0.3 percent in June, the same as in each of the preceding three months; the index for shelter again accounted for over half of the monthly advance ...*

*'Consumer prices increased at a seasonally adjusted annual rate (SAAR) of 5.1 percent in the second quarter after advancing at a 4.3 percent rate in the first three months of 2006. This brings the year-to-date annual rate to 4.7 percent and compares with an increase of 3.4 percent in all of 2005. The index for energy, which rose 17.1 percent in 2005, advanced at a 22.8 percent SAAR in the first half of 2006 and accounted for over two-fifths of the advance in the overall CPI-U during that period. Petroleum-based energy costs increased at a 48.7 percent annual rate while charges for energy services declined at a 3.1 percent annual rate. The food index rose at a 2.1 percent SAAR in the first half of 2006; grocery store food prices increased at a 1.2 percent annual rate. Annual rates during the first six months for the six major grocery store food groups ranged between a negative 1.4 percent for the index for dairy products and a positive 2.4 percent for*

*the index for other food at home. The CPI-U excluding food and energy advanced at a 3.6 percent SAAR in the second quarter, following an increase at a 2.8 percent rate in the first three months of 2006. The advance at a 3.2 percent SAAR for the first half of 2006 compares with a 2.2 percent rise in all of 2005. About 70 percent of the overall acceleration was accounted for by the larger increase in the index for shelter. Shelter costs, which rose 2.6 percent in all of 2005, have risen at a 4.3 percent annual rate in the first half of 2006. An upturn in the index for apparel accounted for about 16 percent of the acceleration thus far in 2006 ...*

*'The food and beverages index increased 0.3 percent in June. The index for food at home, which had declined in each of the four preceding months, rose 0.4 percent in June. The index for fruits and vegetables, which declined 0.9 percent in May, increased 1.3 percent in June and accounted for almost half of the advance in the index for food at home. Increases in the indexes for fresh fruits and for processed fruits and vegetables – up 3.7 and 0.3 percent, respectively – more than offset a 0.6 percent drop in the index for fresh vegetables. The index for meats, poultry, fish, and eggs also turned up in June, advancing 0.4 percent. Declines in the indexes for beef and pork were more than offset by substantial price increases for poultry, for fish and seafood, and for eggs. The index for cereal and bakery products rose 0.3 percent in June. The indexes for the other three major grocery store food groups – dairy products, nonalcoholic beverages, and other food at home – each increased 0.1 percent in June. The other two components of the food and beverages index--food away from home and alcoholic beverages--increased 0.3 and 0.4 percent, respectively. The index for housing, which rose 0.3 percent in May, increased 0.2 percent in June. The index for shelter rose 0.4 percent in June. Within shelter, the indexes for rent and owners' equivalent rent each increased 0.4 percent and the index for lodging away from home rose 0.3 percent. The index for fuels and utilities declined for the fifth consecutive month – down 0.7 percent in June. A decline in the index for natural gas more than offset increases in the indexes for electricity and for fuel oil. The index for natural gas declined 5.7 percent in June and has fallen 19.0 percent in the last five months after increasing 34.5 percent in the 12 months ended in January. The index for electricity increased 1.0 percent. (Prior to seasonal adjustment, charges for electricity rose 7.5 percent, reflecting the shift to seasonal rates in some areas.) The index for fuel oil rose for the third consecutive month – up 1.5 percent in June. During the last 12 months, charges for fuel oil and for electricity have increased 25.2 and 12.8 percent, respectively. The index for household furnishings and operations, which increased 0.5 percent in May, was unchanged in June. The transportation index declined 0.2 percent in June, reflecting a decrease in the index for motor fuel. Despite a 1.0 percent decline in June, gasoline prices were 34.0 percent higher than a year earlier. The index for new vehicles declined 0.1 percent in June and was 0.7 percent lower than a year ago. The index for used cars and trucks increased 0.4 percent in June and was 1.1 percent higher than in June 2005. The index for public transportation increased 1.2 percent in June. (Prior to seasonal adjustment, the index for public transportation rose 2.2 percent, reflecting another increase in airline fares.) Airline fares increased 3.1 percent in June and have advanced at a 23.7 percent annual rate in the first six months of the year. The index for apparel was unchanged in June, following increases in each of the preceding three months. (Prior to seasonal adjustment, apparel prices declined 2.9 percent, reflecting seasonal discounting of spring-summer clothing.) Medical care costs rose 0.3 percent in June and were 4.1 percent higher than a year ago. The index for medical care commodities--prescription drugs, nonprescription drugs, and medical supplies – decreased 0.1 percent, reflecting a 0.8 percent decline in prices for nonprescription drugs. The index for medical care services rose 0.4 percent in June. The indexes for professional services and for hospital*

*and related services increased 0.2 and 0.3 percent, respectively. The index for recreation rose 0.1 percent in June. The index for admissions to movies, theaters, concerts and sporting events rose 0.7 percent. (Prior to seasonal adjustment, the index for admissions to movies, theaters, and concerts rose 1.0 percent and the index for admissions to sporting events increased 2.5 percent.) Partially offsetting this increase were declines in the indexes for sporting goods and for photography. The index for education and communication increased 0.3 percent in June. 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 0.2 percent, reflecting increased charges for both local and long distance land-line telephone services and for wireless telephone services. Partially offsetting these increases were declines in the indexes for personal computers and peripheral equipment and for computer software and accessories – down 0.9 and 1.1 percent, respectively. The index for other goods and services rose 0.6 percent in June. The index for tobacco and smoking products increased 0.8 percent, its largest advance since a 1.1 percent rise last July ...’.*

Then, later on in the day, the Chairman of the US Federal Reserve, Dr Ben Bernanke, in The Fed’s Semi-Annual Monetary Policy Report to Congress, said that higher energy costs, along with higher prices for raw materials, was fanning the inflationary embers in the US.

Dr Ben Bernanke, also, said that the US economy was quite likely to slow down.

Wall Street determined that this was likely to mean that The Fed would look more kindly on the matter of interest rates at its August Open Market Committee Meeting and, perhaps, leave well-enough alone.

On The New York Stock Exchange, a combination of the comments of the Chairman of The Fed plus some positive corporate news from some ‘darlings’ of investors, caused key indices to blast ahead ... for a change.

The Dow Jones Industrial Average rose 212.19 points, equivalent to about 1.96 percent, rising to 11,011.42 points in heavy trading.

The NASDAQ’s Composite Index gained 37.49 points, or about 1.83 percent, ending the trading day at 2,080.71 points.

Nevertheless, the fighting between Israel and the Hezbollah guerrillas continued to dog many investors in spite of the fact that the price of crude oil continued to drift back.

On The New York Mercantile Exchange (NYMEX), the last settlement for a barrel of light sweet crude oil was \$US72.66, down about 1.20 percent on the last settlement on Tuesday.

For September delivery, the last settlement for a barrel of light sweet crude oil was \$US74.77, representing a one-day fall of about 0.65 percent on the Tuesday’s last quote.

In Europe, investors were overjoyed by the remarks of Dr Ben Bernanke and went on a bit of a shopping spree on the major bourses of eurozone.

In a **TARGET** () survey of the most-important bourses in this region of the world, the average gain with regard to the key indices of equity markets was 2.20 percent.

With crude oil prices, falling to lower levels, and with the suggestion that interest-rate increases might well be behind the US, at least for the time being, every key index of the major equity markets of Europe rose, very materially, as the following **TARGET** list illustrates:

Amsterdam's AEX Index	Plus 2.49 percent
France's CAC 40 Index	Plus 2.36 percent
Germany's Frankfurt XETRA DAX Index	Plus 2.63 percent
Great Britain's FTSE 100 Index	Plus 1.69 percent
Italy's MIBTEL Index	Plus 2.18 percent
Switzerland's Swiss Market Index	Plus 1.83 percent

In Asia, of course, investors did not know about the contents of the testimony of Dr Ben Bernanke or of the paring of the crude-oil prices on international commodity exchanges, but the escalation of the fighting in the Middle East was well known.

And the Middle East situation was worrying to many an investor in the most-populous part of the world.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), the key indices of the 2 equity markets rose, but the gains were tiny.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index rose about one third of a percentage point to 16,097.54 points on a Total Turnover of about \$HK19.59 billion.

The ratio of losing counters to gaining ones was about 1.04:One.

The Ten Most Active counters were:

China Life Insurance Company Ltd (Code: 2628)	Up 2.45 percent to \$HK12.55 per share
HSBC Holdings plc (Code: 5)	Up 0.52 percent to \$HK135.50 per share
China Construction Bank Corporation (Code: 939)	Down 0.74 percent to \$HK3.375 per share
Bank of China Ltd (Code: 3988)	Unchanged at \$HK3.50 per share
PetroChina Company Ltd (Code: 857)	Up 1.81 percent to \$HK8.45 per share
China Mobile Ltd (Code: 941)	Up 1.25 percent to \$HK44.70 per share
China Petroleum and Chemical Corporation (Code: 386)	Down 0.60 percent to \$HK4.15 per share

Ping An Insurance (Group) Company of China, Ltd (Code: 2318)

Up 4.64 percent to  
\$HK23.70 per  
share

Bank of Communications Company Ltd (Code: 3328)

Down 0.52  
percent to  
\$HK4.825 per  
share

Sun Hung Kai Properties Ltd (Code: 16)

Up 0.07 percent to  
\$HK76.85 per  
share

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

<b>Name of Company</b>	<b>Code</b>	<b>Increase (%)</b>	<b>Decrease (%)</b>	<b>Closing Price (\$HK)</b>
Asia Commercial Holdings Ltd	104		22.86	0.54
Bossini International Holdings Ltd	592		10.77	0.58
China Elegance (Holdings) Ltd	476	69.81		0.09
CNT Group Ltd	701	14.29		0.16
Daisho Microline Holdings Ltd	567	32.35		1.35
Extrawell Pharmaceutical Holdings Ltd	858		11.89	0.215
Golden Harvest Entertainment (Holdings) Ltd	1132		17.72	0.13
Haywood Investments Ltd	905	19.57		0.055
Hembly International Holdings Ltd	3989	20.24		2.525
Mei Ah Entertainment Group Ltd	391	10.53		0.42
Morning Star Resources Ltd	542	14.75		0.07
New Smart Holdings Ltd	91		14.77	0.375
Sky Hawk Computer Group Holdings Ltd	1129		10.59	0.076
Swank International Manufacturing Company Ltd	663	18.81		0.12
Takson Holdings Ltd	918	25.00		0.10
Termbray Industries International (Holdings) Ltd	93	16.36		0.64



Veeko International Holdings Ltd	1173		12.55	0.202
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Over on The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, it was a similar story to that, being told on the Main Board.

The Growth Enterprise Index rose about 0.28 percent to 1,137.34 points on a Total Turnover of about \$HK93.98 million.

On this market, gaining counters outpaced losing ones by the ratio of about 1.11:One.

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

Techpacific Capital Ltd (Code: 8088) Up 1.14 percent to \$HK0.89 per share

Nanjing Sample Technology Company Ltd (Code: 8287) Up 1.33 percent to \$HK15.20 per share

Shanghai Donghua Petrochemical Company Ltd (Code: 8251) Down 28.54 percent to \$HK1.59 per share

China Advance Holdings Ltd (Code: 8117) Down 2.00 percent to \$HK4.90 per share

Grandy Corporation (Code: 8143) Unchanged at \$HK0.82 per share

The GEM's biggest movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Argos Enterprise (Holdings) Ltd	8022		16.03	0.11
Global Link Communications Holdings Ltd	8060		10.00	0.045
Linefan Technology Holdings Ltd	8166	57.89		0.06
Panorama International Holdings Ltd	8173	15.38		0.045
Prosperity International Holdings (Hongkong) Ltd	8139		13.70	0.63
Prosten Technology Holdings Ltd	8026	15.66		0.48
Shanghai Donghua Petrochemical Company Ltd	8251		28.54	1.59
Soluteck Holdings Ltd	8111	11.32		0.059

On Japan's 3 equity markets, the initial gains of the day spluttered almost to a complete stop as investors

decided that it was time to be cautious – just in case the celebrated international economist, who is the Chairman of The Fed, said something awful.

On The Tokyo Stock Exchange, its TOPIX Index ended the day with a gain of 0.10 percent at 1,475.42 points.

The ratio of losers to gainers was about 1.52:One.

As for The Nikkei-225 Stock Average, which is a much-narrower gauge of trading in blue chips, listed on the First Section of The Tokyo Stock Exchange, it ended the day with a gain of about 0.44 percent at 14,500.26 yen.

In other Asian stock markets, this was how their respective key indices ended up, last Wednesday night:

The HKSAR	Hang Seng Index Plus 0.33 percent to 16,097.54 The Growth Enterprise Index Plus 0.28 percent to 1,137.34
Indonesia	Minus 0.43 percent to 1,280.50
Japan	TOPIX Index Plus 0.01 percent to 1,475.42 Nikkei-255 Stock Average Plus 0.44 percent to 14,500.26
Malaysia	Plus 0.36 percent to 911.98
The Philippines	Minus 0.47 percent to 2,181.57
Singapore	Plus 0.34 percent to 2,341.79
South Korea	Plus 0.02 percent to 1,233.65
Taiwan	Minus 0.13 percent to 6,277.24
Thailand	Plus 0.08 percent to 660.11

### **Thursday**

Share prices fell across the board on Wall Street, last Thursday, as investors on the world's largest equity markets sought shelter, following what they determined was a shocking report from a Wall Street *'darling'*.

Profits from Wednesday's booming markets were quickly deposited in banks for safekeeping.

An announcement from the world's largest chip maker, Intel Corporation, did most of the damage, following its announcement that profits were down in the last quarter and that the sales forecast for the rest of the year was for even lower profits.

The perceived-to-be bullish statement of the Chairman of the US Federal Reserve, Dr Ben Bernanke, was almost completely forgotten, last Thursday, as investors concentrated on the here and the now.

On The New York Stock Exchange, the Dow Jones Industrial Average fell 83.32 points, equivalent to about 0.76 percent, ending the decidedly bearish trading session at 10,928.10 points.

But, over on The NASDAQ, the losses were much greater than those of The Dow: The Composite Index was off by about 1.98 percent, falling back to 2,039.42 points.

Another factor that was unsettling for many US investors was that the price of crude oil had reversed its direction and was on the rise, once again.

On The New York Mercantile Exchange (NYMEX), the last settlement for a barrel of light sweet crude oil for delivery in August was \$US73.08, up about 0.58 percent, compared with Wednesday's closing level.

As for September delivery, the last settlement for a barrel of light sweet crude oil was \$US74.27, an increase of about 0.67 percent on Wednesday's last settlement.

In the Middle East, the fighting between the Hezbollah guerrillas and the Israeli Defence Force continued, with both sides, suffering casualties and many deaths.

As at last Thursday, there appeared to be no solution in sight to the fighting.

It was becoming increasingly clear that Israel was, slowly but surely, crippling the ability of the Hezbollah to continue the fight in spite of strong suggestions of help from Iran and in spite of statements from Hezbollah's Central Command to the contrary.

The Bureau of Labour Statistics of the US Department of Labour reported, just after US equity markets opened for business, last Thursday, that mass layoffs for the month of June had risen, materially, compared with The Bureau's statistics for May.

This is most of that which The Bureau reported, minus explanatory notes and tables:

#### **'MASS LAYOFFS IN JUNE 2006**

*'In June 2006, employers took 1,097 mass layoff actions, seasonally adjusted, as measured by new filings for unemployment insurance benefits during the month ... Each action involved at least 50 persons from a single establishment, and the number of workers involved totaled 119,662, on a seasonally adjusted basis. The number of layoff events increased by 23, and the number of associated initial claims rose by 9,804 from May 2006.*

*'In the manufacturing sector, 311 mass layoff events were reported during June 2006, seasonally adjusted, resulting in 37,570 initial claims. The number of events in manufacturing was higher than a month earlier, while the number of initial claims decreased ...*

*'In June 2006, the national unemployment rate was 4.6 percent, seasonally adjusted, unchanged from May 2006 and down from 5.0 percent in June 2005. Total nonfarm payroll employment, seasonally adjusted, increased by 121,000 over the month and by about 1.9 million over the year.*

#### **'Industry Distribution (Not Seasonally Adjusted)**

*‘The 10 industries reporting the highest number of mass layoff initial claims, not seasonally adjusted, accounted for 73,842 initial claims in June, 45 percent of the total. The two industries with the highest number of initial claims were school and employee bus transportation with 18,267 and food service contractors with 11,707. Together, these two industries accounted for 18 percent of all initial claims in June.*

*‘The manufacturing sector accounted for 21 percent of all mass layoff events and 25 percent of all initial claims filed in June; a year earlier, manufacturing comprised 19 percent of events and 27 percent of initial claims. In June 2006, the number of manufacturing claimants was highest in transportation equipment manufacturing (15,822, mostly automotive-related), followed by food manufacturing (5,008) ...*

*‘Transportation and warehousing accounted for 10 percent of events and 14 percent of initial claims filed in June 2006, with layoffs mainly in school and employee bus transportation. Seven percent of all layoff events and 9 percent of initial claims filed during the month were from accommodation and food services, primarily in food service contractors. Health care and social assistance accounted for 10 percent of events and 8 percent of initial claims in June, mostly in child day care services ...*

*‘Government establishments accounted for 14 percent of events and 12 percent of initial claims filed in June, largely in educational services as the school year ended.*

*‘On a not seasonally adjusted basis, the number of layoff events in June 2006, at 1,489, was up by 332 from a year earlier, and the number of associated initial claims increased by 44,298 to 164,761. These were the highest number of events reported for any June since 2003 and the highest initial claims totals since 2001. This is likely due in part to a calendar effect; June 2006 contained 5 weeks for possible mass layoffs compared with 4 weeks in each June of the prior 4 years ... The largest over-the-year increases in initial claims were reported in transit and ground passenger transportation (+7,710), food services and drinking places (+4,748), motion picture and sound recording industries (+4,626), and transportation equipment manufacturing (+3,554). The largest over-the-year decreases in initial claims were reported in electrical equipment and appliance manufacturing (-3,049) and telecommunications (-869)...’.*

In Europe, the euphoria of Wednesday was all but forgotten as investors in this part of the world were more than a little concerned over the report of Intel Corporation.

Hype is all well and good, but it cannot, always, be translated into dollars and cents (and sense) or, in the case of Europe, into euros.

Indices of key bourses moved only fractionally for the entire trading day as the following **TARGET** list illustrates:

Amsterdam's AEX Index	Plus 0.29 percent
France's CAC 40 Index	Plus 0.38 percent
Germany's Frankfurt XETRA DAX Index	Plus 0.11 percent
Great Britain's FTSE 100 Index	Minus 0.12 percent

Italy's MIBTEL Index	Minus 0.11 percent
Switzerland's Swiss Market Index	Plus 0.81 percent

In Asia, there was a boom in progress, last Thursday, as investors followed the lead of Wall Street's booming market of Wednesday.

Every key index of every equity market in the region made very material gains, some making even spectacular ones.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), both equity markets scooted to higher levels, with the premier stock market, making a very substantial leap.

The Hang Seng Index, which is the key index of the Main Board of The Stock Exchange of Hongkong Ltd, rose 375.08 points, equivalent to 2.33 percent, exactly, running up to 16,472.62 points.

The Total Turnover rose to about \$HK26.75 billion.

Advancing counters outnumbered declining ones by the ratio of about 3.32:One.

The Ten Most Actives were:

HSBC Holdings plc (Code: 5)	Up 1.70 percent to \$HK137.80 per share
China Life Insurance Company Ltd (Code: 2628)	Up 1.99 percent to \$HK12.80 per share
China Mobile Ltd (Code: 941)	Up 3.92 percent to \$HK46.45 per share
Sun Hung Kai Properties Ltd (Code: 16)	Up 3.64 percent to \$HK79.65 per share
PetroChina Company Ltd (Code: 857)	Up 1.78 percent to \$HK8.60 per share
China Construction Bank Corporation (Code: 939)	Up 2.22 percent to \$HK3.45 per share
Bank of China Ltd (Code: 3988)	Up 0.71 percent to \$HK3.525 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Up 2.97 percent to \$HK83.30 per share
China Petroleum and Chemical Corporation (Code: 386)	Up 2.41 percent to \$HK4.25 per share
CNOOC Ltd (Code: 883)	Up 1.60 percent to \$HK6.35 per share

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

<b>Name of Company</b>	<b>Code</b>	<b>Increase (%)</b>	<b>Decrease (%)</b>	<b>Closing Price (\$HK)</b>
AAC Acoustic Technologies Holdings Incorporated	2018	12.08		8.35
Asia Commercial Holdings Ltd	104	20.37		0.65
China Best Group Holding Ltd	370	28.77		0.094
China Elegance (Holdings) Ltd	476		12.22	0.079
Continental Holdings Ltd	513	13.92		0.90
Daisho Microline Holdings Ltd	567	20.74		1.63
Earnest Investments Holdings Ltd	339		11.54	0.115
Emperor Entertainment Hotel Ltd	296	15.88		1.97
Fortune Telecom Holdings Ltd	110	10.00		0.44
Haywood Investments Ltd	905	34.55		0.074
K.P.I. Company Ltd	605	25.00		0.275
Magnum International Holdings Ltd	305	43.37		0.119
Pacific Plywood Holdings Ltd	2969	34.09		0.295
Quality HealthCare Asia Ltd	593	10.16		3.525
Signal Media and Communications Holdings Ltd	2362	10.00		0.22
Sino Union Petroleum and Chemical International Ltd	346	10.27		0.204
SunCorp Technologies Ltd	1063	11.88		1.13
Wonderful World Holdings Ltd	109		10.11	0.08

On The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, its Growth Enterprise Index rose about 0.85 percent to 1,147.02 points.

The Total Turnover on this market, however, rose only slightly, compared with Wednesday's volume of activity, to \$HK99.11 million.

Gaining counters outnumbered losing ones by the ratio of 1.50:One, exactly.

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

Techpacific Capital Ltd (Code: 8088) Up 1.12 percent to \$HK0.90 per share

Wumart Stores Incorporated (Code: 8277) Up 3.57 percent to \$HK29.00 per share

Shanghai Donghua Petrochemical Company Ltd (Code: 8251) Up 9.43 percent to \$HK1.74 per share

CASH Financial Services Group Ltd (Code: 8122) Down 1.72 percent to \$HK0.285 per share

Century Sunshine Ecological Technology Holdings Ltd (Code: 8276) Up 1.90 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)
Era Information and Entertainment Ltd	8043	18.81		0.12
Excel Technology International Holdings Ltd	8048	10.00		0.088
Galileo Capital Group Ltd	8029	10.24		0.183
Global Digital Creations Holdings Ltd	8271	11.54		0.29
Golding Soft Ltd	8190		14.29	0.018
Inno-Tech Holdings Ltd	8202	11.11		0.10
Jiangsu Nandasoft Company Ltd	8045		10.88	0.131
Lee's Pharmaceutical Holdings Ltd	8221	12.82		0.22
Longlife Group Holdings Ltd	8037		10.34	0.26
New Chinese Medicine Holdings Ltd	8085		27.03	0.054
Q9 Technology Holdings Ltd	8129	18.00		0.059
TeleEye Holdings Ltd	8051		10.00	0.072
Timeless Software Ltd	8028	15.29		0.098

On Japan's 3 equity markets, it was a return to the good old days, at least, for one trading session, as investors stormed equity markets as though there might be a shortage of scrip before the day was out.

On The Tokyo Stock Exchange, its TOPIX Index rose about 3.60 percent to end the day's proceedings at 1,528.59 points.

Gaining counters trounced losing ones by the ratio of about 43:One (!).

The Nikkei-225 Stock Average gained about 3.08 percent, running up to 14,946.84 yen.

#### News Wise

- The retail price of **petrol** in Japan rose to a 15-year high, last Thursday, to 136.80 yen per litre, according to The Oil Information Centre; and,
- **Citigroup Incorporated, Deutsche Bank AG and Mizuho Financial Group Incorporated** are all thought to be leading the pack to replace a 1.28-trillion yen loan to **Softbank Corporation**. Softbank needs the money in order to refinance its debt load in order to acquire the Japanese mobile telephone unit of Vodafone Group plc.

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

The HKSAR	Hang Seng Index Plus 2.33 percent to 16,472.62 The Growth Enterprise Index Plus 0.85 percent to 1,147.02
Indonesia	Plus 2.74 percent to 1,315.59
Japan	TOPIX Index Plus 3.60 percent to 1,528.59 Nikkei-255 Stock Average Plus 3.08 percent to 14,946.84
Malaysia	Plus 0.51 percent to 916.62
The Philippines	Plus 3.02 percent to 2,247.40
Singapore	Plus 1.78 percent to 2,383.54
South Korea	Plus 3.21 percent to 1,273.30
Taiwan	Plus 2.65 percent to 6,443.74
Thailand	Plus 1.34 percent to 668.96



## Friday

Any hopes that the Lebanese Hezbollah-Israeli conflict could be short-lived were dashed last Friday as it became very apparent that the **I**srael **D**efence **F**orce (IDF) was about to launch a not insubstantial land invasion.

During the week, the IDF had been calling up reserves, but by last Friday, more than 20,000 IDF troops were known to have massed on the southern Lebanese border.

The Army Chief of Staff, Lt General Dan Halutz, was quoted as stating, in a televised address, that there would be *'limited ground operations (in Lebanon) as much as needed in order to harm the terror that harms us (Israel) ... We will fight terror wherever it is because if we do not fight it, it will fight us. If we don't reach it, it will reach us ...'*

The decision to send in a ground force was due to the fact, inter alia, that Hezbollah missiles were killing and maiming more and more Israelis in cities, such as Haifa.

The IDF had been trying for 10 days to neutralise the missiles by air assaults, but with little success.

Hezbollah is known to have in excess of 12,000 missiles.

The news of the ground assault into Lebanon cast a pall over the world's equity markets.

On The **N**ew **Y**ork **M**ercantile **E**xchange (NYMEX), the last settlement for a barrel of light sweet crude oil for delivery in September (September became the near month, last Friday, as August deliveries were no longer traded after last Thursday) was \$US74.43 per barrel, an increase of about 1.85 percent on Thursday's last settlement.

For delivery in October, the last settlement for a barrel of light sweet crude oil was \$US75.35.

On Wall Street, in addition to the escalation in the fighting in Lebanon, investors were treated to the news that Dell Incorporated, the world's largest purveyor of personal computers, had announced a profits' warning.

The share price of Dell fell to its lowest level of the past 5 years.

On The New York Stock Exchange, the Dow Jones Industrial Average gave up about 0.55 percent of its value, falling back to 10,868.38 points.

On The NASDAQ, its Composite Index sank 19.03 points, or about 0.93 percent, to 2,020.39 points.

The volatility of the world's largest equity markets was taking its toll of investors since they were unsure, from day to day, as to what action, if any, to take.

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

The Dow Jones Industrial Average	Plus 1.20 percent
The NASDAQ's Composite Index	Minus 0.83 percent

In Europe, it was red ink as far as the eye could see on major bourses in the region.

On Thursday, it was Intel Corporation, which frightened the knickers off European investors, and, on Friday, it was Dell Incorporated which took the wind out of their sails.

It was hardly any wonder that investors in Europe had become very wary of investing in hi-tech issues.

Every key index of every major European bourse was written in red ink, last Friday, as **TARGET**'s list illustrates:

Amsterdam's AEX Index	Minus 0.55 percent
France's CAC 40 Index	Minus 0.95 percent
Germany's Frankfurt XETRA DAX Index	Minus 1.70 percent
Great Britain's FTSE 100 Index	Minus 0.88 percent
Italy's MIBTEL Index	Minus 0.75 percent
Switzerland's Swiss Market Index	Minus 0.58 percent

In Asia, investors did not know about Israel's intention to invade Lebanon by land in such large numbers, or that Dell would unleash another selling spree on Wall Street, but investors had an inkling, nevertheless, that caution was the best policy to follow for the weekend of July 22-23 with regard to equity trading.

As such, key indices of major equity markets in Asia lost fractional ground, for the most part.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), both equity markets saw their respective indices in retreat.

On The Stock Exchange of Hongkong Ltd, its Hang Seng Index gave up about 0.05 percent of its value, falling to 16,464.18 points on a Total Turnover of about \$HK20.08 billion.

The ratio of declining counters to gaining ones was about 1.81:One.

The Ten Most Actives were:

HSBC Holdings plc (Code: 5)	Down 0.44 percent to \$HK137.20 per share
CNOOC Ltd (Code: 883)	Up 2.36 percent to \$HK6.50 per share
China Life Insurance Company Ltd (Code: 2628)	Down 1.17 percent to \$HK12.65 per share
China Construction Bank Corporation (Code: 939)	Down 1.45 percent to \$HK3.40 per share
China Mobile Ltd (Code: 941)	Down 0.65 percent to \$HK46.15 per share
PetroChina Company Ltd (Code: 857)	Down 0.58 percent to \$HK8.55 per share

BOC Hongkong (Holdings) Ltd (Code: 2388)

Up 1.31 percent to  
\$HK15.50 per  
share

Ping An Insurance (Group) Company of China, Ltd (Code: 2318)

Down 0.20 percent  
to \$HK24.50 per  
share

China Petroleum and Chemical Corporation (Code: 386)

Up 1.18 percent to  
\$HK4.30 per share

Bank of China Ltd (Code: 3988)

Down 0.71 percent  
to \$HK3.50 per  
share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Beijing Development (Hongkong) Ltd	154	15.58		0.89
Celestial Asia Securities Holdings Ltd	1049	16.13		0.36
China Elegance (Holdings) Ltd	476		27.85	0.057
Comba Telecom Systems Holdings Ltd	2342	10.82		2.15
Cosmos Machinery Enterprises Ltd	118	13.51		0.42
Fraser's Property (China) Ltd	535		27.78	0.143
Hang Ten Group Holdings Ltd	448	11.11		0.80
Haywood Investments Ltd	905		20.27	0.059
Henry Group Holdings Ltd	859		10.00	1.08
Interchina Holdings Company Ltd	202		12.12	0.029
Kader Holdings Company Ltd	180		10.45	0.30
Kiu Hung International Holdings Ltd	381		13.79	0.25
Morning Star Resources Ltd	542		10.14	0.062
Pacific Plywood Holdings Ltd	2969		15.00	0.136
Pyxis Group Ltd	516	11.11		0.30
Sino Union Petroleum and Chemical International	346	12.75		0.23

Ltd				
Zhong Hua International Holdings Ltd	2951		14.55	0.188

Over on The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, its Growth Enterprise Index shed 0.58 percent of its value, exactly, ending the week at 1,140.37 points.

The Total Turnover was about \$HK135.44 million.

Advancing counters outnumbered declining ones by the ratio of about 1.05:One.

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

Wumart Stores Incorporated (Code: 8277) Up 1.38 percent to \$HK29.40 per share

Techpacific Capital Ltd (Code: 8088) Down 2.22 percent to \$HK0.88 per share

Xinjiang Tianye Water Saving Irrigation System Company Ltd (Code: 8280) Down 4.76 percent to \$HK2.00 per share

Shanghai Donghua Petrochemical Company Ltd (Code: 8251) Up 5.75 percent to \$HK1.84 per share

Chinainfo Holdings Ltd (Code: 8206) Unchanged at \$HK1.93 per share

As for The GEM's double-digit movers of the day, they included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
BIG Media Group Ltd	8167		12.50	0.14
B M Intelligence International Ltd	8158	14.29		0.04
CCID Consulting Company Ltd	8235		13.64	0.095
FX Creations International Holdings Ltd	8136	25.79		0.20
Golding Soft Ltd	8190	16.67		0.021
Jiangsu Nandasoft Company Ltd	8045	10.69		0.145
Satellite Devices Corporation	8172		12.00	0.088
Tiger Tech Holdings Ltd	8046	20.00		0.078

Xteam Software International Ltd	8178	29.03		0.04
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The tally for Asia's second-largest equity market was:

The Hang Seng Index	Plus	2.04 percent
The Growth Enterprise Index	Minus	0.72 percent

In Japan, the country's premier equity market saw investors knock out part of the substantial gains of Thursday, following Wall Street's lead, for the most part.

The TOPIX Index ended the 4-day trading week at 1,515.53 points, representing a one-day fall of about 0.85 percent.

Losing counters outnumbered gaining ones by the ratio of about 4.28:One.

The Nikkei-225 Stock Average followed The TOPIX Index with a loss of about 0.84 percent, skidding to a week's halt at 14,821.26 yen.

The tally for the largest equity market of Asia was:

The TOPIX Index	Minus	0.41 percent
The Nikkei-225 Stock Average	Minus	0.16 percent

And this was how other Asian equity markets ended the week of July 21, 2006:.

The HKSAR	Hang Seng Index Minus 0.05 percent to 16,464.18 The Growth Enterprise Index Minus 0.58 percent to 1,140.37
Indonesia	Minus 0.08 percent to 1,314.58
Japan	TOPIX Index Minus 0.85 percent to 1,515.53 Nikkei-255 Stock Average Minus 0.84 percent to 14,821.26
Malaysia	Plus 0.88 percent to 924.72
The Philippines	Minus 0.27 percent to 2,241.25
Singapore	Minus 0.51 percent to 2,371.37
South Korea	Minus 0.15 percent to 1,271.33
Taiwan	Minus 0.37 percent to 6,420.01

Thailand	Plus 2.50 percent to 685.71
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