

**THE FEDERAL RESERVE LEAVES INTEREST RATES UNCHANGED –
TERRORIST THREAT TO COMMIT MASS MURDER IS THWARTED –
EQUITY MARKETS BUCKLE UNDER THE PRESSURE**

While the fighting between the Israeli Defence Force (IDF) and the Iran-backed Hezbollah guerrillas of Lebanon hotted up, with more and more dead, piled up high in both Lebanon and Israel, investors were somewhat shocked to learn that British Petroleum, known as BP on equity markets, had been forced to shut down its Prudhoe Bay Oil Field in Alaska due to severe corrosion damage, leading to a bad pipeline leak.

The Prudhoe Bay Oil Field produces about 8 percent of the US daily output of crude oil – and, today, it is shut down for an indefinite period of time, according to an official BP announcement.

Up went the price of crude oil; down came the key indices of US equity markets.

On The New York Mercantile Exchange (NYMEX), the last settlement for a barrel of light sweet crude oil for delivery in September was \$US76.98, representing an increase of about 2.97 percent on the last settlement of Friday, August 4, 2006.

As for October delivery, the last settlement for a barrel of light sweet crude oil came in at \$US78.42, an increase of 2.97 percent, also, on the last quote of the previous Friday.

The closure of the Prudhoe Bay Oil Field, the largest US oil field, came on the eve, so to speak, of the Open Market Committee Meeting of the US Federal Reserve Board.

Investors were nervous.

On Wall Street, key indices fell, quickly.

On The New York Stock Exchange, the Dow Jones Industrial Average lost 20.97 points, or about 0.19 percent, falling to 11,219.38 points.

Over on The NASDAQ, its Composite Index gave up 12.55 points, equivalent to about 0.60 percent, ending the trading day at 2,072.50 points.

The only major topic on trading floors was oil and how much higher the price would go.

Nearly all energy counters – excluding BP, of course – saw their respective share prices rise, while transportation companies saw their respective share prices fall, with airlines, catching the brunt of the selling orders.

In Europe, every key index of every major bourse went into reverse gear due in part to fears that the US Fed would raise interest rates at its Open Market Committee Meeting on Tuesday and, also, due to the announcement by BP.

This was how the situation looked on major European equity markets, last Monday:

Amsterdam's AEX Index	Minus 1.03 percent
France's CAC 40 Index	Minus 1.67 percent
Germany's Frankfurt XETRA DAX Index	Minus 1.68 percent
Great Britain's FTSE 100 Index	Minus 1.02 percent
Italy's MIBTEL Index	Minus 0.91 percent
Switzerland's Swiss Market Index	Minus 1.26 percent

In Asia, which leads the world in respect of share trading due to the time differential, investors knew little of the problems of BP, but investors were wary as to the likely determination of The Fed with regard to the future direction of interest rates.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), both equity markets made gains, but they were tiny, fractional gains, only.

On the Main Board of The Stock Exchange of Hongkong Ltd, its Hang Seng Index rose about 0.39 percent to 16,953.55 points on a Total Turnover of about \$HK19.95 billion.

Losing counters outnumbered gaining ones by the ratio of about 1.05:One.

The Ten Most Active counters were:

HSBC Holdings plc (Code: 5)	Up 0.14 percent to \$HK140.60 per share
China Construction Bank Corporation (Code: 939)	Up 0.86 percent to \$HK3.50 per share
Bank of China Ltd (Code: 3988)	Down 0.29 percent to \$HK3.41 per share
China Mobile Ltd (Code: 941)	Up 0.92 percent to \$HK49.25 per share
Hutchison Whampoa Ltd (Code: 13)	Up 0.56 percent to \$HK72.25 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Up 0.24 percent to \$HK84.65 per share
PetroChina Company Ltd (Code: 857)	Up 1.26 percent to \$HK8.81 per share
China Life Insurance Company Ltd (Code: 2628)	Up 0.15 percent to \$HK13.02 per share
Sun Hung Kai Properties Ltd (Code: 16)	Up 0.24 percent to \$HK82.75 per share

CNOOC Ltd (Code: 883)

Up 1.35 percent to \$HK6.74 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Asia Resources Holdings Ltd	899		25.00	0.60
Buildmore International Ltd	108	63.64		0.54
Carry Wealth Holdings Ltd	643	19.40		0.80
CEC International Holdings Ltd	759		12.67	0.131
China Golden Development Holdings Ltd	162		13.21	0.243
China HealthCare Holdings Ltd	673		28.57	1.00
Cosmos Machinery Enterprises Ltd	118	29.63		0.70
Fortune Telecom Holdings Ltd	110	18.18		0.52
Giordano International Ltd	709	17.94		4.80
Kiu Hung International Holdings Ltd	381	16.00		0.29
Lung Kee (Bermuda) Holdings Ltd	255		20.93	3.40
Mei Ah Entertainment Group Ltd	391	10.00		0.44
Morning Star Resources Ltd	542	12.86		0.079
Jilin Qifeng Chemical Fiber Company Ltd	549	10.91		1.22
Sunlink International Holdings Ltd	2336		11.69	0.068
SW Kingsway Capital Holdings Ltd	188		17.83	0.189
Tidetime Sun (Group) Ltd	307	13.70		0.083
Uni-Bio Science Group Ltd	690	34.11		4.01
United Metals Holdings Ltd	2302	11.34		0.54
Vitop Bioenergy Holdings Ltd	1178	16.47		0.099

Wang Sing International Holdings Group Ltd	2389		12.23	0.201
Wong's Kong King International (Holdings) Ltd	532	15.79		1.32

On The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, its Growth Enterprise Index rose about 0.32 percent to 1,138.63 points on a Total Turnover of about \$HK95.99 million.

As with the Main Board, losers outpaced gainers by the ratio of about 1.14:One.

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

Wumart Stores Incorporated (Code: 8277) Up 0.56 percent to \$HK27.00 per share

Techpacific Capital Ltd (Code: 8088) Up 1.28 percent to \$HK0.79 per share

Century Sunshine Ecological Technology Holdings Ltd (Code: 8276) Unchanged at \$HK4.64 per share

TOM Online Incorporated (Code: 8282) Up 0.87 percent to \$HK1.16 per share

Changmao Biochemical Engineering Company Ltd (Code: 8208) Up 2.44 percent to \$HK2.10 per share

The GEM's biggest movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Armitage Technologies Holding Ltd	8213		27.50	0.029
B M Intelligence International Ltd	8158	10.00		0.044
CIG Yangtze Ports PLC	8233	10.00		0.55
Global Link Communications Holdings Ltd	8060		13.79	0.05
Jiangsu Nandasoft Company Ltd	8045	10.00		0.143
MegaInfo Holdings Ltd	8279		18.75	0.325
Prosten Technology Holdings Ltd	8026	11.11		0.50
Soluteck Holdings Ltd	8111	26.19		0.053
T S Telecom Technologies Ltd	8003		10.00	0.18

Vodatel Networks Holdings Ltd	8033		13.68	0.101
Xteam Software International Ltd	8178	20.00		0.048
Ningbo Yidong Electronic Company Ltd	8249	11.42		0.244

In Japan, there was no pussyfooting: Key indices of the country's 3 equity markets were all down ... way down, in fact.

Exporters of The Land of The Rising Sun feared that, should The Fed raise interest rates once again, it would hurt Japan's industries in their most vulnerable spot: The Bottom Line.

On The Tokyo Stock Exchange, its TOPIX Index lost about 2.01 percent of its value, falling back to 1,540.12 points.

In the morning session, things were relatively quiet on the most-important equity market of Asia, but the afternoon trading session saw a flurry of activity as sellers lined up to unload scrip as soon as buyers could be located.

The tally of losers to gainers was about 12.27:One by the close of the day.

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, shed about 2.23 percent of its value, dropping to 15,154.06 yen.

News Wise

- **Japan Airlines Corporation** reported that it had suffered a Loss Attributable to Shareholders of about 26.80 billion yen for the quarter, ended June 30, 2006. In the like quarter of 2005, the airline had reported a Loss Attributable to Shareholders of about 38.40 billion yen.

This was how the key indices of other Asian equity markets fared, last Monday night:

The HKSAR	Hang Seng Index Plus 0.39 percent to 16,953.55 The Growth Enterprise Index Plus 0.32 percent to 1,138.63
Indonesia	Plus 1.02 percent to 1,403.49
Japan	TOPIX Index Minus 2.01 percent to 1,540.12 Nikkei-255 Stock Average Minus 2.23 percent to 15,154.06
Malaysia	Plus 0.05 percent to 938.48
The Philippines	Plus 0.68 percent to 2,378.63
Singapore	Minus 0.11 percent to 2,460.25

South Korea	Minus 1.15 percent to 1,289.54
Taiwan	Minus 0.40 percent to 6,416.61
Thailand	Plus 0.29 percent to 705.35

Tuesday

As **TARGET** () had correctly forecast in May, this year (Please see **TARGET** Intelligence Report, Volume VIII, Number 85, published on May 10, 2006), the US Federal Reserve determined to halt its mini-interest rate rises – at least for the time being.

Last Tuesday, The Fed issued the following release:

‘The Federal Open Market Committee decided today to keep its target for the federal funds rate at 5-1/4 percent.

‘Economic growth has moderated from its quite strong pace earlier this year, partly reflecting a gradual cooling of the housing market and the lagged effects of increases in interest rates and energy prices.

‘Readings on core inflation have been elevated in recent months, and the high levels of resource utilization and of the prices of energy and other commodities have the potential to sustain inflation pressures. However, inflation pressures seem likely to moderate over time, reflecting contained inflation expectations and the cumulative effects of monetary policy actions and other factors restraining aggregate demand.

‘Nonetheless, the Committee judges that some inflation risks remain. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information.’

Thus ended the run of seventeen consecutive, 25 basis-point, interest-rate increases.

But, Wall Street pondered: It was none too pleased at the wording of The Fed pronouncement because it suggested, among other things, that the economy of the US was in decline.

The unknown factor, of course, was the steepness of the angle of decline.

On Wall Street, key indices of equity markets lost ground.

On The New York Stock Exchange, the Dow Jones Industrial Average shed 45.79 points, equivalent to about 0.41 percent, dropping back to 11,173.59 points.

On The NASDAQ, its Composite Index gave up 11.65 points, or about 0.56 percent, ending the trading day at 2,060.85 points.

On The New York Mercantile Exchange (NYMEX), the last settlement for a barrel of light sweet crude oil for delivery in September was \$US76.31, down 0.87 percent, exactly, on the last quote on Monday.

As for October delivery, the last settlement was \$US77.72 for a barrel of light sweet crude oil, representing a drop of about 0.89 percent, compared with Monday's last settlement.

In Europe, trading on major bourses was quiet as investors awaited the determination of The Fed in respect of interest rates.

All of the key indices of the most-important European equity markets ended flat as the following **TARGET** list indicates:

Amsterdam's AEX Index	Minus 0.19 percent
France's CAC 40 Index	Plus 0.23 percent
Germany's Frankfurt XETRA DAX Index	Plus 0.44 percent
Great Britain's FTSE 100 Index	Minus 0.18 percent
Italy's MIBTEL Index	Plus 0.24 percent
Switzerland's Swiss Market Index	Plus 0.04 percent

In Asia, only the equity markets of Indonesia and The Philippines did not record plusses in their respective key indices.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), both equity markets made useful gains.

On the Main Board of The Stock Exchange of Hongkong Ltd, its Hang Seng Index rose about 0.56 percent to 17,048.20 points on a Total Turnover of about \$HK20.54 billion.

The ratio of advancing counters to declining ones was about 1.17:One.

The Ten Most Active counters were:

HSBC Holdings plc (Code: 5)	Up 0.36 percent to \$HK141.10 per share
China Mobile Ltd (Code: 941)	Up 1.22 percent to \$HK49.85 per share
PetroChina Company Ltd (Code: 857)	Up 0.79 percent to \$HK8.88 per share
CNOOC Ltd (Code: 883)	Up 0.89 percent to \$HK6.80 per share
Sun Hung Kai and Company Ltd (Code: 86)	Unchanged at \$HK6.75 per share

China Construction Bank Corporation (Code: 939)	Unchanged at \$HK3.50 per share
China Life Insurance Company Ltd (Code: 2628)	Up 0.61 percent to \$HK13.10 per share
Hutchison Whampoa Ltd (Code: 13)	Up 0.14 percent to \$HK72.35 per share
Sun Hung Kai Properties Ltd (Code: 16)	Up 0.30 percent to \$HK83.00 per share
Bank of China Ltd (Code: 3988)	Up 0.29 percent to \$HK3.42 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Artel Solutions Group Holdings Ltd	931		13.46	0.045
BEP International Holdings Ltd	2326		29.00	0.071
Buildmore International Ltd	108		16.67	0.45
China Golden Development Holdings Ltd	162	15.23		0.28
Fortune Telecom Holdings Ltd	110	13.46		0.59
GFT Holdings Ltd	1003	36.11		0.049
Hanny Holdings Ltd	275		10.90	3.35
Magician Industries (Holdings) Ltd	526	17.95		0.092
Morning Star Resources Ltd	542		11.39	0.07
New Capital International Investment Ltd	1062	13.21		0.18
New World Mobile Holdings Ltd	862	15.86		1.68
Sewco International Holdings Ltd	209		11.76	0.15
Sincere Watch (Hongkong) Ltd	444		13.04	0.60
Tai Ping Carpets International Ltd	146	13.01		1.39
Tidetime Sun (Group) Ltd	307		14.46	0.071

V.S. International Group Ltd	1002	25.00		0.325
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On The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, its Growth Enterprise Index rose by about 1.27 percent to end the relatively quiet trading session at 1,153.03 points.

The Total Turnover fell to about \$HK80.13 million, nearly 17 percent less than the volume of activity on Monday.

In spite of The Growth Enterprise Index, being deep into positive territory, losing counters outnumbered gaining ones by the ratio of about 1.45:One.

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

Tong Ren Tang Technologies Company Ltd (Code: 8069)	Down 0.70 percent to \$HK14.20 per share Up 9.26 percent to \$HK29.50 per share Up 6.48 percent to \$HK1.15 per share
Wumart Stores Incorporated (Code: 8277)	Down 0.43 percent to \$HK4.62 per share Up 4.76 percent to \$HK2.20 per share
China LotSynergy Holdings Ltd (Code: 8161)	
Century Sunshine Ecological Technology Holdings Ltd (Code: 8276)	
Changmao Biochemical Engineering Company Ltd (Code: 8208)	

The GEM's biggest movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Advanced Card Systems Holdings Ltd	8210		24.00	0.114
Biosino Bio-Technology and Science Incorporation	8247		13.81	1.81
Essex Bio-Technology Ltd	8151		10.77	0.116
Shenzhen EVOC Intelligent Technology Company Ltd	8285		10.14	0.31
Linefan Technology Holdings Ltd	8166		11.67	0.053

MegaInfo Holdings Ltd	8279		20.00	0.26
Shine Software (Holdings) Ltd	8270	14.55		0.126
Sino Haijing Holdings Ltd	8065	15.52		0.067
Timeless Software Ltd	8028		10.00	0.09
Vodatel Networks Holdings Ltd	8033	15.84		0.117
Xteam Software International Ltd	8178		10.42	0.043

In The Land of The Rising Sun, the key indices on the country's 3 stock markets made up a goodly part of the losses, recorded on Monday.

On The Tokyo Stock Exchange, which is the premier equity market of the country, its TOPIX Index put on 1.47 percent, rising to 1,562.73 points.

Gaining counters were ahead of losing ones by the ratio of about 3.98:One.

The Nikkei-225 Stock Average gained about 2.05 percent as investors pushed it to 15,464.66 yen.

News Wise

- **Softbank Corporation** announced a Net Profit Attributable to Shareholders of about 1.40 billion yen for its first quarter, ended June 30, 2006. In the like quarter of 2005, the company reported a Net Loss Attributable to Shareholders of about 11.20 billion yen.

This was how the situation looked on other Asian equity markets, last Tuesday night:

The HKSAR	Hang Seng Index Plus 0.56 percent to 17,048.20 The Growth Enterprise Index Plus 1.27 percent to 1,153.03
Indonesia	Minus 0.53 percent to 1,396.08
Japan	TOPIX Index Plus 1.47 percent to 1,562.73 Nikkei-255 Stock Average Plus 2.05 percent to 15,464.66
Malaysia	Plus 0.06 percent to 939.08
The Philippines	Minus 0.46 percent to 2,367.75
Singapore	Plus 0.19 percent to 2,465.04

South Korea	Plus 1.67 percent to 1,311.10
Taiwan	Plus 1.33 percent to 6,502.14
Thailand	Plus 0.91 percent to 711.80

Wednesday

With the United Nations, still dicker over the wording of a resolution, aimed at stopping the fighting in Lebanon between the Israeli Defence Force and Hezbollah, investors from the 4 corners of the world wondered where (and when) it would all end.

There were other investor concerns, also:

1. The rapid fall in the price of homes in the US;
2. The persistently high price of crude oil on international commodity exchanges; and,
3. The declining fortunes of the US economy.

For An In-Depth Analysis Of The Above Points,
Please Refer To:

[TARGET Intelligence Report, Volume VIII, Number 151,](#)

Published Last Friday, Headlined:
‘THE U.S. ECONOMY: A DOOMDAY SCENARIO’

For the fourth consecutive trading day, key indices on US equity markets fell: Markets hate uncertainty.

On The New York Stock Exchange, the Dow Jones Industrial Average slipped 97.41 points, equivalent to about 0.87 percent, ending the trading day at 11,076.18 points.

On The NASDAQ, its Composite Index gave up 0.57 of a point, or about 0.03 percent, inching back to 2,060.28 points.

On The New York Mercantile Exchange (NYMEX), the barrel price of light sweet crude oil for delivery in September rose about 0.18 percent to \$US76.35.

The closing level, however, was down from an intra-day high of \$US77.44 per barrel.

As for October delivery, the last settlement for a barrel of light sweet crude oil was \$US77.53, representing a fall of about 0.24 percent on Tuesday's closing level.

In Europe, after an early morning sell-off, investors took heart, probably following a re-assessment of the release of the US Federal Reserve's announcement in respect of interest rates. (Please see Tuesday's report)

But the fighting in the Middle East continued to weigh heavily on investors on major European bourses and this situation acted, in part at least, as a type of brake on any and all increase in the value of key indices.

The following is how the key indices of the most-important stock markets of Europe ended, last Wednesday night:

Amsterdam's AEX Index	Plus 0.68 percent
France's CAC 40 Index	Plus 1.15 percent
Germany's Frankfurt XETRA DAX Index	Plus 0.90 percent
Great Britain's FTSE 100 Index	Plus 0.72 percent
Italy's MIBTEL Index	Plus 0.41 percent
Switzerland's Swiss Market Index	Plus 1.05 percent

In Asia, investors, generally, were just happy that The Fed did not raise the level of interest rates in The Land of The Free and The Home of The Brave.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), the key indices of the premier equity market rose, materially, while, on the speculative stock market, the bears held the high ground.

On the Main Board of The Stock Exchange of Hongkong Ltd, its Hang Seng Index put on 1.75 percent, exactly, running up to 17,346.58 points.

The Total Turnover rose to about \$HK29.34 billion.

Advancing counters outnumbered declining ones by the ratio of about 2.62:One.

The Ten Most Actives were:

HSBC Holdings plc (Code: 5)	Up 0.78 percent to \$HK142.20 per share
China Mobile Ltd (Code: 941)	Up 4.51 percent to \$HK52.10 per share
PetroChina Company Ltd (Code: 857)	Up 1.80 percent to \$HK9.04 per share
China Telecom Corporation Ltd (Code: 728)	Up 4.56 percent to \$HK2.75 per share
China Construction Bank Corporation (Code: 939)	Up 0.86 percent to \$HK3.53 per share
China Life Insurance Company Ltd (Code: 2628)	Up 1.22 percent to \$HK13.26 per share
Hutchison Whampoa Ltd (Code: 13)	Up 0.62 percent to \$HK72.80 per share

CNOOC Ltd (Code: 883)

Up 1.62 percent to \$HK6.91 per share

Sun Hung Kai Properties Ltd (Code: 16)

Up 1.45 percent to \$HK84.20 per share

Cheung Kong (Holdings) Ltd (Code: 1)

Up 1.36 percent to \$HK85.95 per share

The Main Board's biggest movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
BEP International Holdings Ltd	2326	19.72		0.085
Century Legend (Holdings) Ltd	79		10.39	0.069
China Best Group Holding Ltd	370	14.46		0.095
Fortune Telecom Holdings Ltd	110		15.25	0.50
G-Vision International (Holdings) Ltd	657	11.11		0.08
Hongkong Aircraft Engineering Company Ltd	44	11.82		102.20
Heng Tai Consumables Group Ltd	197	13.33		0.68
Hon Po Group (Lobster King) Ltd	228	12.10		1.39
Lai Sun Development Company Ltd	488	13.33		0.34
Morning Star Resources Ltd	542	17.14		0.082
Northern International Holdings Ltd	736	19.44		0.215
New World Mobile Holdings Ltd	862		10.12	1.51
Same Time Holdings Ltd	451	11.11		1.10
Wealthmark International (Holdings) Ltd	39	11.32		0.59
Wing Lung Bank Ltd	96	11.14		75.30
Zhong Hua International Holdings Ltd	1064		10.71	0.15
Zhongtian International Ltd	2379		28.57	0.25

On The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, it was a completely different story to that, being told on the Main Board.

The Growth Enterprise Index fell about 0.97 percent to 1,141.87 points on a Total Turnover of about \$HK80.92 million.

Losing counters outnumbered gaining ones by the ratio of about 1.27:One.

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

Wumart Stores Incorporated (Code: 8277)	Down 5.08 percent to \$HK28.00 per share
Techpacific Capital Ltd (Code: 8088)	Down 1.27 percent to \$HK0.78 per share
China LotSynergy Holdings Ltd (Code: 8161)	Up 0.87 percent to \$HK1.16 per share
Shenzhen Dongjiang Environmental Company Ltd (Code: 8230)	Down 4.57 percent to \$HK1.88 per share
Grandy Corporation (Code: 8143)	Unchanged at \$HK0.72 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Angels Technology Company Ltd	8112		10.11	0.40
Eco-Tek Holdings Ltd	8169	16.07		0.325
Everpride Biopharmaceutical Company Ltd	8019		17.07	0.034
Galileo Capital Group Ltd	8029		11.76	0.09
Golding Soft Ltd	8190		10.00	0.018
Jiangsu Nandasoft Company Ltd	8045	13.57		0.159
Jinheng Automotive Safety Technology Holdings Ltd	8293	15.29		0.98
Lee's Pharmaceutical Holdings Ltd	8221	15.00		0.23
Shandong Luoxin Pharmacy Stock Company Ltd	8058	13.89		0.41

Medical China Ltd	8186		10.00	0.036
Shenzhen Neptunus Interlong Bio-technique Company Ltd	8329		14.29	0.60
New Universe International Group Ltd	8068		18.18	0.036
Sys Solutions Holdings Ltd	8182	25.00		0.05
Tradeeasy Holdings Ltd	8163	13.89		0.041

In Japan, key indices rose, materially, on all of the 3 equity markets of the country.

On The Tokyo Stock Exchange, its TOPIX Index rose one percent, exactly, to 1,578.43 points.

Gainers outpaced losers by the ratio of 3.00:One, exactly.

The Nikkei-225 Stock Average put on about 1.24 percent to 15,656.59 yen.

Trading was spirited in The Land of The Rising Sun due in large part to relief that The Fed did not opt to increase interest rates.

News Wise

- **Impex Holdings Incorporated** announced a Group Net Profit Attributable to Shareholders of about 25.76 billion yen for the quarter, ended June 30, 2006. This is the first report since the April merger of Impex Corporation and Teikoku Oil Company;
- The **price of petrol** in Japan has hit a 16-year high of 143.70 yen per litre, according to The Oil Information Center;
- **Japan's Current Account Surplus** fell about 7.20 percent in June, Year-On-Year, to 1,016.70 billion yen, The Finance Ministry announced;
- Private sector orders for **machinery** in Japan rose, seasonally adjusted, by about 8.50 percent in June, compared with the statistics for May, according to The Cabinet Office. Year-On-Year, the June statistic suggests an increase of about 17.70 percent; and,
- **Bridgestone Corporation**, the second-largest producer of tyres in the world, announced that Net Income had fallen to 5.60 billion yen for the quarter, ended June 30, 2006. Compared with the like quarter in 2005, the 2006 figure is a reduction of about 93 percent.

And, in other Asian equity markets, this was how their respective key indices ended, last Wednesday night:

The HKSAR	Hang Seng Index Plus 1.75 percent to 17,346.58 The Growth Enterprise Index Minus 0.97 percent to 1,141.87
Indonesia	Plus 1.22 percent to 1,413.10

Japan	TOPIX Index Plus 1.00 percent to 1,578.43 Nikkei-255 Stock Average Plus 1.24 percent to 15,656.59
Malaysia	Plus 0.23 percent to 941.26
The Philippines	Minus 0.78 percent to 2,349.22
Singapore	Closed
South Korea	Plus 0.29 percent to 1,314.93
Taiwan	Plus 1.09 percent to 6,573.22
Thailand	Minus 0.40 percent to 708.93

Thursday

Airline stocks, around the world, were targeted by investors, last Thursday, following a report from Scotland Yard, Great Britain's police force, that it had uncovered a dastardly plot to blow up a number of passenger aeroplanes, flying across the Atlantic, between England and the US.

The security alert in the **United Kingdom** (UK) was raised to '*critical*', the highest level.

More than 20 people were hurriedly arrested in the UK, last Thursday, by officers of British security services in what was described by Scotland Yard as being a plot to commit '*mass murder on an unimaginable scale*'.

Those who were arrested were all British citizens of Asian descent, mostly being ethnically Pakistanis.

The Pakistan Government had cooperated with Scotland Yard in helping to foil the plot, it was revealed.

Police in Pakistan had, also, arrested suspects.

Heathrow Airport in London was closed for part of Thursday and all air traffic to this airport was shunted to other UK airports.

On international commodity exchanges, the price of oil partially collapsed as it was a given that the terror alert would come to mean that the requirement for fuel oil would be diminished.

On The **New York Mercantile Exchange** (NYMEX), the last settlement for a barrel of light sweet crude oil for delivery in September fell by about 3.08 percent to \$US74.00.

For October delivery, the last settlement for a barrel of light sweet crude oil was \$US75.50, down about 2.57 percent on the last settlement of Wednesday.

When Wall Street opened for business, last Thursday morning, investors were visibly rattled by the news of the plot to blow up aeroplanes in mid air.

The confirmation of this plot came just one month short of 5 years since the successful attack on the World Trade Center in New York by al Qaeda: The memories of that attack still linger in the minds of most New Yorkers.

The news that the UK-hatched plot to commit mass murder in the air had been thwarted and that crude oil prices had retreated, internationally, was considered somewhat positive news for investors in The Land of The Free and The Home of The Brave.

On The New York Stock Exchange, the Dow Jones Industrial Average ended the trading day at 11,124.37 points, representing a one-day gain of about 0.44 percent.

It was the first positive day in 4 consecutive days of deteriorating prices for the world's largest equity market.

Over on The NASDAQ, its Composite Index rose about 0.56 percent to 2,071.41 points.

During the morning, The Bureau of Economic Analysis released its findings in respect of the US balance of trade for the month of June.

The bottom line was a small reduction in the deficit.

The following is a thumbnail sketch of that which The Bureau released:

'The U.S. monthly goods and services deficit narrowed in June 2006 ... The deficit decreased from \$65.0 billion (revised) in May to \$64.8 billion in June, as exports increased more than imports.'

'Exports

'Exports of goods and services increased \$2.4 billion in June to \$120.7 billion, reflecting an increase in goods exports. 'Services exports decreased.'

- *The increase in goods exports reflected increases in all major categories. The largest increases were in capital goods, industrial supplies and materials, and automotive vehicles, parts, and engines.*
- *The decrease in services exports reflected decreases in travel and other private services.*

'Imports

'Imports of goods and services increased \$2.2 billion in June to \$185.5 billion, as both goods imports and services imports increased.'

- *The increase in goods imports was more than accounted for by increases in consumer goods and automotive vehicles, parts, and engines. Industrial supplies and materials and capital goods decreased.*
- *The increase in services imports mostly reflected increases in royalties and license fees and passenger fares.*

'Goods by geographic area (not seasonally adjusted)

- *The goods deficit with China increased from \$17.7 billion in May to \$19.7 billion in June. Exports decreased \$0.2 billion to \$4.3 billion, while imports increased*

\$1.8 billion to \$24.1 billion.

- *The goods deficit with the European Union decreased from \$10.8 billion in May to \$9.0 billion in June. Exports increased \$0.9 billion to \$19.3 billion, while imports decreased \$0.9 billion to \$28.3 billion.*
- *The goods deficit with Mexico increased from \$5.5 billion in May to \$6.1 billion in June. Exports increased \$0.1 billion to \$11.7 billion, while imports increased \$0.7 billion to \$17.8 billion.'*

In Europe, every key index of every major bourse ended up in negative territory by the close of the trading day:

Amsterdam's AEX Index	Minus 0.38 percent
France's CAC 40 Index	Minus 0.96 percent
Germany's Frankfurt XETRA DAX Index	Minus 1.25 percent
Great Britain's FTSE 100 Index	Minus 0.63 percent
Italy's MIBTEL Index	Minus 0.57 percent
Switzerland's Swiss Market Index	Minus 0.41 percent

European airlines cancelled thousands of flights and delayed thousands more, both international and domestic, chaos reigned at major airports in Europe as travellers were left undecided as to what action to take, and the price of airline stocks as well as major tour operators dropped quickly on confirmation of the heightened terror alert.

Tens of billions of pounds/euros/US dollars were lost in a day that resembled no other.

In Asia, the key indices of the largest and most important equity markets were under pressure.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), both stock markets suffered fractional losses.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index gave up about 0.72 percent of its value, falling back to 17,222.14 points.

The Total Turnover was about \$HK26.38 billion.

Declining counters outnumbered advancing ones by the ratio of about 1.56:One.

The Ten Most Actives were:

HSBC Holdings plc (Code: 5)	Down 0.84 percent to \$HK141.00 per share
China Life Insurance Company Ltd (Code: 2628)	Up 1.21 percent to \$HK13.42 per share

China Mobile Ltd (Code: 941)

Down 1.06 percent to \$HK51.55 per share

CNOOC Ltd (Code: 883)

Up 1.30 percent to \$HK7.00 per share

China Telecom Corporation Ltd (Code: 728)

Up 0.36 percent to \$HK2.76 per share

China Petroleum and Chemical Corporation (Code: 386)

Up 1.58 percent to \$HK4.51 per share

PetroChina Company Ltd (Code: 857)

Down 0.33 percent to \$HK9.01 per share

China Construction Bank Corporation (Code: 939)

Down 0.28 percent to \$HK3.52 per share

Bank of China Ltd (Code: 3988)

Down 0.29 percent to \$HK3.42 per share

Cheung Kong (Holdings) Ltd (Code: 1)

Down 1.28 percent to \$HK84.85 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
EC-Founder (Holdings) Company Ltd	618		10.20	0.22
Greater China Holdings Ltd	431		10.34	0.26
Junefield Department Store Group Ltd	758	13.70		0.083
Radford Capital Investment Ltd	901		16.67	0.10
Shang Hua Holdings Ltd	371		13.33	0.234
South China Brokerage Company Ltd	619		10.26	0.07
Tai Ping Carpets International Ltd	146		12.95	1.21
Tradelink Electronic Commerce Ltd	536	11.03		1.61
Wah Nam International Holdings Ltd	159	10.00		0.11
Wonderful World Holdings Ltd	109		39.39	0.06
Xin Corporation Ltd	1141		10.00	0.207

On The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, the volume of activity fell to about \$HK76.17 million as The Growth Enterprise Index shed about 0.53 percent, coming to rest at 1,135.79 points.

Declining counters outnumbered advancing ones by the ratio of about 1.53:One.

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

Techpacific Capital Ltd (Code: 8088)	Up 2.56 percent to \$HK0.80 per share
Yantai North Andre Juice Company Ltd (Code: 8259)	Down 10.38 percent to \$HK0.475 per share
Zhengzhou Gas Company Ltd (Code: 8099)	Down 1.05 percent to \$HK0.94 per share
Changmao Biochemical Engineering Company Ltd (Code: 8208)	Up 4.55 percent to \$HK2.30 per share
Century Sunshine Ecological Technology Holdings Ltd (Code: 8276)	Up 2.48 percent to \$HK4.54 per share

The GEM's biggest movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Yantai North Andre Juice Company Ltd	8259		10.38	0.475
EMER International Group Ltd	8149	10.14		0.76
Era Information and Entertainment Ltd	8043		28.57	0.075
Golding Soft Ltd	8190	11.11		0.02
Info Communication Holdings Ltd	8082		15.00	0.068
Inno-Tech Holdings Ltd	8202		14.14	0.085
Lee's Pharmaceutical Holdings Ltd	8221		13.04	0.20
Mobile Telecom Network (Holdings) Ltd	8266		15.58	0.065

In Japan, luckily for investors, locked into the 3 equity markets of the country, they knew little about the bomb threat in the UK.

On The Tokyo Stock Exchange, the official TOPIX Index rose about 0.28 percent to 1,582.88 points.

But The Nikkei-225 Stock Average lost about 0.16 percent, ending up at 15,630.91 yen.

The ratio of advancing counters to declining ones was about 1.56:One.

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

The HKSAR	Hang Seng Index Minus 0.72 percent to 17,222.14 The Growth Enterprise Index Minus 0.53 percent to 1,135.79
Indonesia	Minus 2.00 percent to 1,384.86
Japan	TOPIX Index Plus 0.28 percent to 1,582.88 Nikkei-255 Stock Average Minus 0.16 percent to 15,630.91
Malaysia	Plus 0.18 percent to 942.99
The Philippines	Minus 0.99 percent to 2,326.06
Singapore	Minus 0.83 percent to 2,444.63
South Korea	Minus 0.81 percent to 1,304.31
Taiwan	Plus 0.08 percent to 6,578.61
Thailand	Minus 1.52 percent to 698.12

Friday

Fears that the US economy would deteriorate at a more rapid pace over the last half of the year than it did in the first half of the year caused investors to start to offload part of their equity holdings, resulting in key indices on Wall Street to buckle under the strain.

The fighting between Hezbollah and the Israel Defence Force in Lebanon became back-page news, replaced by the thwarted bomb plot in the United Kingdom and the struggle by investors and Wall Street gurus to try to understand what was happening in the world's largest single economy.

On The New York Stock Exchange, the Dow Jones Industrial Average lost one third of a percentage point, ending the week at 11,088.03 points.

Over on The NASDAQ, its Composite Index shed about 0.68 percent of its value, dropping back to 2,057.71 points.

On both markets, the ratio of losers to gainers was about 2:One.

As fears spread that the US economy was experiencing a little more than just an occasional hiccup, investors worried that industry would slow down to a trickle in the country.

And, then, there was the real possibility of a recession.

(Please see last Friday's **TARGET** Intelligence Report, Volume VIII, Number 151, headlined: '**THE U.S. ECONOMY: A DOOMSDAY SCENARIO**')

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

The Dow Jones Industrial Average	Minus 1.36 percent
The NASDAQ's Composite Index	Minus 1.31 percent

On The New York Mercantile Exchange (NYMEX), the last settlement for a barrel of light sweet crude oil for delivery in September was \$US74.35, an increase of about 0.47 percent on the last settlement of Thursday.

For delivery in October, the last settlement for a barrel of light sweet crude oil was \$US75.99, up about 0.65 percent on the day.

In Europe, it appeared that investors were unsure as to what action to take.

The result: Key indices of major bourses hardly moved most of the day.

European investors were, still, smarting from the foiled bomb threat and wondering whether or not all of the ringleaders and their associates had been taken into custody.

As at last Friday, 24 of the alleged suicide bombers had been identified and had been held in detention, pending the levelling of charges, but there were unconfirmed reports that another dozen or so would-be bombers and their planners were still at large.

This was how the key indices of major European bourses ended, last Friday night:

	Plus
Amsterdam's AEX Index	0.04
	percent
	Plus
France's CAC 40 Index	0.17
	percent
	Minus
Germany's Frankfurt XETRA DAX Index	0.04
	percent
	Minus
Great Britain's FTSE 100 Index	0.05
	percent
	Minus
Italy's MIBTEL Index	0.05
	percent
	Plus
Switzerland's Swiss Market Index	0.13
	percent

In Asia, equity markets of the major players were, generally, weaker as Asian investors weighed the

economic situation on a global scale, taking close account, of course, of what had transpired in London on Thursday.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), investors were concerned that an economic slowdown in the US would, sooner or later, rebound around the world and adversely affect the profits of the major companies in the territory.

The Hang Seng Index, which is the key gauge to trading in blue chips, listed on the Main Board of The Stock Exchange of Hongkong Ltd, rose about 0.16 percent to 17,249.95 points.

The ratio of losing counters to gaining ones was about 1.09:One.

The Total Turnover of the day was about \$HK23.75 billion.

The Ten Most Active counters were:

HSBC Holdings plc (Code: 5)	Up 0.07 percent to \$HK141.10 per share
China Mobile Ltd (Code: 941)	Down 0.10 percent to \$HK51.50 per share
China Construction Bank Corporation (Code: 939)	Down 0.28 percent to \$HK3.51 per share
China Life Insurance Company Ltd (Code: 2628)	Up 0.30 percent to \$HK13.46 per share
China Petroleum and Chemical Corporation (Code: 386)	Up 1.11 percent to \$HK4.56 per share
PetroChina Company Ltd (Code: 857)	Up 0.89 percent to \$HK9.09 per share
Hongkong Exchanges and Clearing Ltd (Code: 388)	Up 2.47 percent to \$HK51.90 per share
Hutchison Whampoa Ltd (Code: 13)	Up 0.21 percent to \$HK72.50 per share
Bank of China Ltd (Code: 3988)	Unchanged at \$HK3.42 per share
CNOOC Ltd (Code: 883)	Up 0.14 percent to \$HK7.01 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Asia TeleMedia Ltd	376	27.54		0.088
Build King Holdings Ltd	240	16.44		0.17

Chitaly Holdings Ltd	1198	10.83		1.33
E. Bon Holdings Ltd	599	11.54		0.58
Everest International Investments Ltd	204		45.71	0.038
Fortuna International Holdings Ltd	530	16.67		0.014
Hi Sun Technology (China) Ltd	818	11.36		0.98
Interchina Holdings Company Ltd	202	11.54		0.029
Kiu Hung International Holdings Ltd	381	18.00		0.295
Magician Industries (Holdings) Ltd	526		15.91	0.074
Oriental Investment Corporation Ltd	735		16.20	0.181
Shanghai Electric Group Company Ltd	2727		10.53	2.55
Sky Hawk Computer Group Holdings Ltd	1129		14.29	0.066
South China Industries Ltd	413		10.00	0.90
SunCorp Technologies Ltd	1063		12.00	0.88
Vongroup Ltd	318		17.53	0.80
Wonderful World Holdings Ltd	109	16.67		0.07

On The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, its Growth Enterprise Index gave up about 0.51 percent of its value, ending the week at 1,130.04 points.

The Total Turnover on this market was about \$HK80.33 million.

Declining counters outpaced advancing ones by the ratio of about 1.53:One.

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

Techpacific Capital Ltd (Code: 8088)

Down 3.75 percent to \$HK0.77 per share

Century Sunshine Ecological Technology Holdings Ltd (Code: 8276)

Up 1.54 percent to \$HK4.61 per share

TOM Online Incorporated (Code: 8282)

Down 3.64 percent to \$HK1.06 per share

China LotSynergy Holdings Ltd (Code: 8161)

Down 4.35 percent to \$HK1.10 per share

Zhengzhou Gas Company Ltd (Code: 8099)

Unchanged at \$HK0.94 per share

The biggest GEM movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Argos Enterprise (Holdings) Ltd	8022	15.00		0.115
Armitage Technologies Holding Ltd	8213	13.79		0.033
CCID Consulting Company Ltd	8235	16.67		0.105
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Company Ltd	8231		15.00	0.255
Golding Soft Ltd	8190		10.00	0.018
GreaterChina Technology Group Ltd	8032		11.43	0.031
MegaInfo Holdings Ltd	8279	14.58		0.275
New Universe International Group Ltd	8068		15.38	0.033
International Financial Network Holdings Ltd	8123		11.11	0.048
Ningbo Yidong Electronic Company Ltd	8249		10.23	0.193

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

The Hang Seng Index	Plus	2.14 percent
The Growth Enterprise Index	Minus	0.44 percent

In Japan, it was a relatively quiet trading day on the country's 3 stock markets.

On The Tokyo Stock Exchange, The TOPIX Index lost about 0.32 percent of its value, dropping back to 1,577.92 points.

The ratio of losers to gainers was about 1.08:One.

The Nikkei-225 Stock Average was off by about 0.42 percent at 15,565.02 yen.

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

The TOPIX Index	Plus	0.40 percent
The Nikkei-225 Stock Average	Plus	0.42 percent

This was how other Asian equity markets ended the week of August 11, 2006:

The HKSAR	Hang Seng Index Plus 0.16 percent to 17,249.95 The Growth Enterprise Index Minus 0.51 percent to 1,130.04
Indonesia	Plus 1.25 percent to 1,402.19
Japan	TOPIX Index Minus 0.31 percent to 1,577.92 Nikkei-255 Stock Average Minus 0.42 percent to 15,565.02
Malaysia	Minus 0.08 percent to 942.27
The Philippines	Plus 0.66 percent to 2,341.46
Singapore	Plus 0.25 percent to 2,450.63
South Korea	Minus 0.94 percent to 1,292.10
Taiwan	Minus 0.11 percent to 6,571.10
Thailand	Plus 1.48 percent to 708.42

-- E N D --

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