

Current Trend of US Consumers

Economic environment of the United States is generally regarded as an important indicator of the global economic situations. Currently the US economy is affected by several main factors, namely the historical high energy prices, stagnant stock market indices, tightening monetary policies of the Federal Reserve and finally, the deteriorating political situation in the Middle East.

Despite the above unfavorable factors, consumption in the US is just moderating slightly, as reflected in the following statistics. The June existing-home-sales declines by 1.3% while median prices up by 0.9%. It shows that the housing market slow down is orderly.

The Consumer confidence index rises to 106.5 in July from 105.4 in June. We should notice that the expectation index rose to 88.8 in July from 87.5 in June. These two indices indicate to us that consumers are still optimistic about the future. Also, the employment index which shows that the job plentiful indicator at 28.6 up from 28 in June. It also gives us positive view on the consumer spending.

To sum up, the consumer confidence index continues with the up trend and it is supported by optimistic views on labour market. Moreover, the 1.3% drop in existing-home-sales figure June is smaller the decline expected by the market. Although most investors still regard the downward trend of property market as explicit, the important point is the speed and depth of the adjustment. Until now, we do not see any real threat of a sudden, significant collapse of the US house market.

The overall situation of the US domestic demand would still be a healthy slowdown, if not a gradual growth ahead. As long as we do not encounter unexpected fall in business profit, consumer spending and housing market, the US market and economy should stay healthy.

Market Indices and Currencies (till 29 JUL 06)

Index	Closing	This Week
US-DJIA	11,219.70	1.16%
US-S&P 500	1,278.55	1.03%
US-NASDAQ	2,094.14	-1.69%
HK-HSI	16,955.04	3.01%
China-CEI	6,859.24	0.31%
UK-FITSE	5,974.90	1.46%
France-CAC 40	5,028.51	1.51%
Germany-DAX	5,705.42	0.41%
Russia-MOSCOW	3,711.49	-2.62%
Japan-Nikkei	15,523.64	2.72%
Singapore-STI	2,450.94	0.65%
S.Korea-KOSPI	1,309.99	3.56%
Jakarta-COMP	1,337.41	-0.78%
Taiwan-TWSE	6,513.02	-1.36%
India-SENSEX	10,680.23	1.62%
30-Yr Bond-YTD	5.070%	-2.12%
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EUR	1.275	0.33%
JPY	114.725	-0.70%
SGD	1.5807	-0.49%
AUD	1.3064	1.86%
GBP	0.537	0.67%

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Market Reviews

US

- ❖ Wal-Mart Stores Inc., the world's largest retailer, said July same-store sales in the U.S. rose about 2.4 percent amid slowing consumer spending as fuel prices climbed.
- ❖ U.S. stocks posted their biggest weekly advance since 2004 as earnings from General Motors Corp. and AT&T Inc. exceeded estimates and a report on economic growth suggested the Federal Reserve may stop raising interest rates.

Hong Kong

- ❖ A group of 55 clients of failed brokerage Tiffit Securities plans to file a lawsuit which could be the first attempt by Hong Kong retail investors to win compensation through the courts for losses to their accounts.

Japan

- ❖ Japan's consumer prices climbed for an consecutive eighth month in June and the labor market improved, bolstering economists' expectations the central bank will raise interest rates for a second time this year.
- ❖ Japanese stocks rose, completing the first weekly gain this month, after Sony Corp. posted quarterly profit that exceeded analyst estimates and Canon Inc. increased their profit forecasts.

China

- ❖ Ping An Insurance, the mainland's second-largest insurance group, yesterday sealed a 4.9 billion yuan deal to take control of Shenzhen Commercial Bank.

UK

- ❖ Prudential Plc, Britain's second-biggest insurer, said first-half profit rose 7.9 percent, less than analysts estimated, after the Egg banking unit posted a loss and U.K. revenue declined.

Canada

- ❖ Canadian stocks headed for their biggest weekly gain this year as a U.S. report showed the economy expanded less than forecast in the second quarter, signaling the Federal Reserve may halt two years of interest-rate increases.

Australia

- ❖ Australian banking stocks fell after bond yields climbed as more economists bet the central bank will raise interest rates next week, crimping demand for loans and hurting earnings at lenders such as Westpac Banking Corp.

Europe

- ❖ European stocks had their biggest weekly gain for 2006 as profits from Volkswagen AG, Valeo SA and Royal Dutch Shell Plc beat analysts' estimates in the busiest period for reporting results so far this year.

Latin America

- ❖ Mexico's central bank held the benchmark lending rate at a two-year low and reiterated that it sees no room to cut the rate in the "foreseeable future."