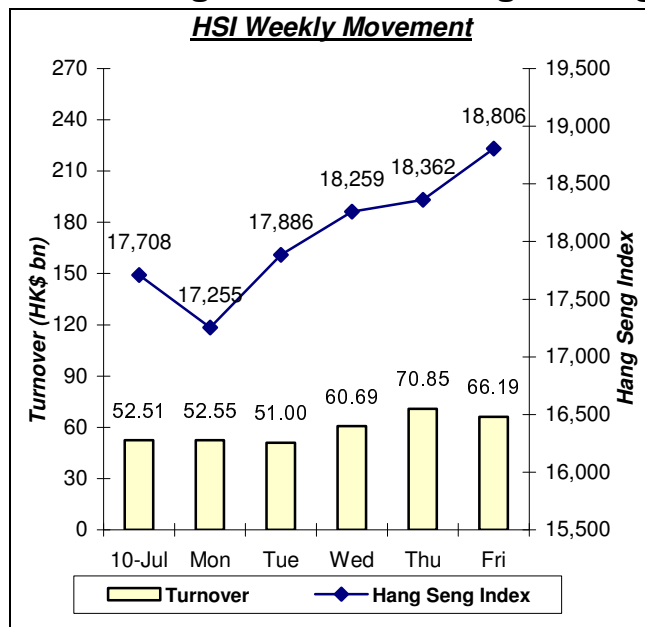


## HSI surged to 1-month high on a good start of the US earnings season



**Weekly Market Statistics**

Week ended	17/7/2009	10/7/2009	Change	%
Hang Seng Index	18,806	17,708	+1,097	+6.2%
HS Red Chip Index	3,872	3,680	+192	+5.2%
HS China Enterprises Index	11,146	10,574	+572	+5.4%
HS Composite Index	2,646	2,504	+142	+5.7%
HS HK Composite Index	1,845	1,724	+121	+7.0%
HS Mainland Composite Index	3,600	3,430	+170	+5.0%
Growth Enterprise Index	596	573	+22	+3.9%
Avg Daily Turnover (HK\$ bn)	60.3	55.3	+5	+8.9%
<b>Sectoral Indices</b>				
Finance	28,337	26,787	+1,550	+5.8%
Utilities	36,731	35,963	+768	+2.1%
Properties	25,201	23,227	+1,974	+8.5%
Comm & Ind	10,059	9,426	+633	+6.7%

### Review & Outlook of Market Performance

The Hong Kong stock market saw a bumpy ride early in the week, led by some big buying/selling orders in the HSI futures. Nonetheless, the blue-chip index soon picked up steam and rose for four sessions in a row to a one-month closing high, thanks to the rising US equities on better-than-expected earnings results. Besides, encouraging economic data from the Mainland and the US also helped support investor sentiment. Over the week, the Hang Seng Index rose 1,097 points or 6.2% to 18,805.66, while the HSCEI gained 5.4% to 11,146.43. Average daily turnover was up slightly at HK\$60.3 billion, versus HK\$56.3 billion in the previous week, due to several share placements during the week.

The Hang Seng Index recaptured the 18,800 mark, as investors turned more optimistic about global economic recovery following the release of a robust GDP growth figure in the Mainland as well as better-than-expected economic data and corporate results in the US. GDP in China was reported to expand 7.9% y-o-y in the second quarter, up from a 6.1% rise in Q1 and higher than forecast of 7.5%, which strengthened the hope that the Mainland could meet its full-year GDP growth target of 8% in 2009. In the US, growth in retail sales and drop in jobless claims came better than expected, while major corporate names, like Goldman Sachs, JPMorgan and IBM, announced solid quarterly profit and revised up their full-year bottom-line guidance. In HK, improving global economic sentiment helped lift port operators and shipping plays, triggering strong rally of 18.2% and 14.2% w-o-w in China Merchants (International) and China COSCO, respectively. However, the PRC property developers turned sluggish, dragged by rumours that Beijing may introduce measures to cool down the booming property market in top-tier cities of the country.

The stock market is expected to stay volatile in the next couple of weeks, as investors still await whether a correction would kick in following a strong rally in Q2. On the technical front, 19,160 would be the next key resistance level for the Hang Seng Index before any possible significant breakthrough from the current trading range (17,500 - 19,000) formed since late May.

*This report has been prepared solely for information purposes and we are not soliciting any action based upon it. Neither this document nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which we consider reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein, while its group companies may from time to time have interests in securities of the company or companies mentioned herein.*



## US & Regional Markets Weekly Update

Date	US Dow Jones	US NASDAQ	JAPAN Nikkei Avg	SINGAPORE STI	MALAYSIA KLSE Index	BANGKOK SET Index	TAIPEI Weighted Index
17th July	8,711.52*	1,885.03*	9,395.32	2,430.96	1,120.90	596.11	6,850.99
10th July	8,146.52	1,756.03	9,287.28	2,307.98	1,067.76	566.03	6,769.86
Change	+565.00	+129.00	+108.04	+122.98	+53.14	+30.08	+81.13
%	+6.9%	+7.3%	+1.2%	+5.3%	+5.0%	+5.3%	+1.2%

Remarks: (\*) closing as of 16<sup>th</sup> July 2009

## Major Changes in Index Constituent Stocks (Week ended 17<sup>th</sup> July 2009)

### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @17/7/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Merchants Holdings (International)	00144	HK\$24.65	+HK\$3.80	+18.23%	The two port-operator stocks were lifted by bargain hunting after the US reported better-than-expected economic data, which suggested the world's largest economy is walking out of the woods. Besides, figures released on Jul 10 showing the Chinese exports and imports rebounded m-o-m in Jun also supported the shares.
COSCO Pacific	01199	HK\$9.37	+HK\$0.87	+10.24%	

### Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @17/7/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Communications Construction (CCC)	01800	HK\$9.58	+HK\$1.11	+13.11%	Share prices of CCC recovered during the week on bargain hunting. Meanwhile, the Group's Shanghai-listed subsidiary Zhenhua suspended trading during the week and revealed that it is in talks to seal a sizable contract. Market sources said it may be an offshore machinery order from Iran with a contract value over US\$2 billion.

### Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @17/7/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinotruk	03808	HK\$8.79	+HK\$1.28 <i>(compared with last closing price of HK\$7.51 on Jun 26)</i>	+17.04%	Sinotruk resumed trading on Thursday, after it revealed plan to tie up with Germany's MAN SE, Europe's third largest heavy truckmaker. MAN will invest 560 million euros for a 25% stake in Sinotruk and provide the Mainland top heavy truck maker with its own technologies. The tie-up is subject to regulatory and shareholders' approvals.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Producer price index – June 2009	+1.8%	Producer price index surged 1.8% m-o-m in Jun, much higher than consensus forecast of 0.9%, as both energy and vehicle prices surged at a greater-than-expected pace.
Retail sales – June 2009	+0.6%	Retail sales rose 0.6% m-o-m in Jun, higher than market expectation of a 0.4% increase, driven by automobile sales.
Consumer price index – June 2009	+0.7%	Driven by higher energy prices, Jun CPI surged 0.7% m-o-m, higher than the consensus forecast of 0.6%.
Industrial production – June 2009	-0.4%	Industrial output slipped 0.4% m-o-m in Jun, but it was better than market expectation of a 0.6% drop and a 1.2% fall in May.
Initial jobless claims – week ended 11 <sup>th</sup> July 2009	-47,000	Initial jobless claims dropped 47,000 to 522,000 last week, much lower than market expectation of 553,000. It was also the lowest level in six months.

**Forthcoming Important Announcements / Events**

20 <sup>th</sup> July 2009 (Monday)	HK	:	Unemployment and underemployment – Apr-Jun 2009 Culturecom Holdings (00343) – final results Lee & Man Paper (02314) – final results
	US	:	Index of leading economic indicators – June 2009 Texas Instruments – Q2 results
21 <sup>st</sup> July 2009 (Tuesday)	HK	:	Consumer price index – June 2009 Hong Kong Health Check & Laboratory (00397) – final results China Gas (00384) – final results China Motion Telecom (00989) – final results
	US	:	Apple Inc. – Q3 FY2008/09 results Caterpillar Inc. – Q2 2009 results DuPont – Q2 2009 results Merck & Co., Inc. – Q2 2009 results Starbucks – Q3 FY2008/09 results The Coca-Cola Company – Q2 2009 results United Technologies – Q2 2009 results Yahoo, Inc. – Q2 2009 results
22 <sup>nd</sup> July 2009 (Wednesday)	HK	:	HKR International (00480) – final results Luk Fook (00590) – final results
	US	:	Morgan Stanley – Q2 2009 results Pfizer – Q2 2009 results The Boeing Company – Q2 2009 results
23 <sup>rd</sup> July 2009 (Thursday)	HK	:	Mongolia Energy (00276) – final results
	US	:	Initial jobless claims – week ended 18 <sup>th</sup> July 2009 Existing home sales – June 2009 3M Company – Q2 2009 results McDonald's Corporation – Q2 2009 results Microsoft – Q4 FY2008/09 results
24 <sup>th</sup> July 2009 (Friday)	HK	:	Moiselle International (00130) – final results Kwoon Chung Bus (00306) – final results
	US	:	Consumer sentiments (revised) – July 2009



## **Important Disclosure / Analyst Certification / Disclaimer**

This document is published by East Asia Securities Company Limited, a wholly-owned subsidiary of The Bank of East Asia, Limited (BEA).

The research analyst primarily responsible for the content of this report, in part or in whole certifies that the views on the companies and their securities mentioned in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report.

This report has been prepared solely for information purposes and has no intention whatsoever to solicit any action based upon it. Neither this report nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which East Asia Securities Company Limited considers reliable, but accuracy or completeness is not guaranteed. Information and opinions expressed herein reflect a judgment as of the date of this document and are subject to change without notice. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report is not to be taken in substitution for the exercise of judgment by respective readers of this report, who should obtain separate legal or financial advice. East Asia Securities Company Limited and / or The BEA Group accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or further communication given in relation to this report.

At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein the report, while BEA along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this report. BEA and its associates, its directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

BEA and/or any of its affiliates may beneficially own a total of 1% or more of any class of common equity securities of the subject company or companies mentioned in this report and may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company or companies mentioned in the report.

This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of, or located in, any locality, state, country or other jurisdiction, publication, availability or use would be contrary to law and regulation.