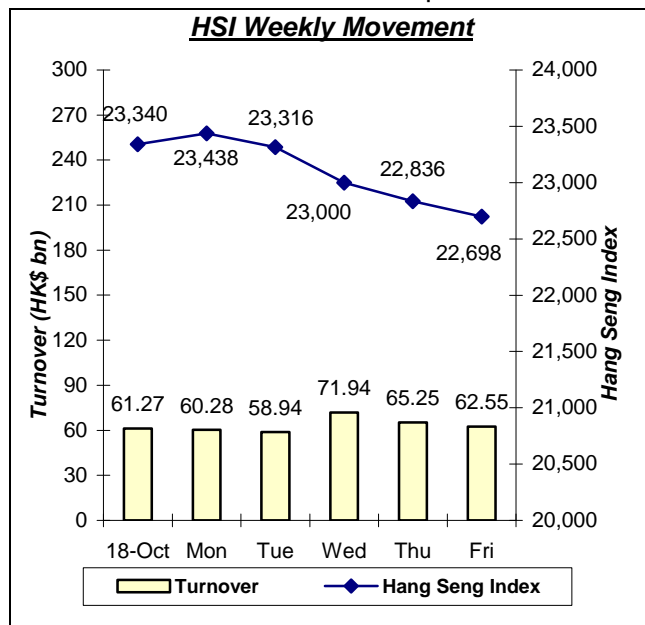


Market slump on fears of monetary tightening in China



Weekly Market Statistics				
Week ended	25/10/2013	18/10/2013	Change	%
Hang Seng Index	22,698	23,340	-642	-2.7%
HS Red Chip Index	4,423	4,533	-110	-2.4%
HS China Enterprises Index	10,178	10,644	-466	-4.4%
HS Hong Kong 35 Index	2,725	2,777	-52	-1.9%
HS Mainland 100 Index	6,613	6,871	-258	-3.8%
Growth Enterprise Index	473	473	-0	-0.0%
Avg Daily Turnover (HK\$ bn)	63.8	57.5	+6	+11.0%
Sectoral Indices				
Finance	31,410	32,264	-854	-2.6%
Utilities	49,672	50,166	-494	-1.0%
Properties	29,567	30,563	-996	-3.3%
Comm & Ind	13,355	13,762	-407	-3.0%

Review & Outlook of Market Performance

Hong Kong shares fell on concerns over tightening of liquidity in China. The People's Bank of China suspended selling reverse-repurchase contracts but offered seven- or 14-day repurchase agreements this week, which led to a net withdrawal of 58 billion yuan, the most since February 2013. As a result, China's money-market rate was raised up to its 2-month high, which outweighed the better-than-expected manufacturing data in China and hurt the market sentiment. Over the week, the HSI lost 2.7% to 22,698, while the HSCEI declined 4.4% to 10,178. The daily average of Mainboard turnover amounted to HK\$63.8 billion, up 11.0% week-on-week.

Sector-wise, Chinese banking counters fell, following a spike of China's repo rate, as the People's Bank of China refrained from injecting liquidity in open-market operations. Separately, shares of Chinese property plays also slid, as new home prices in China continued to surge in September which renewed market concerns over new property curbs. Nonetheless, local banking stocks beat the market, after news reported that Oversea-Chinese Banking Corporation is considering a bid for Wing Hang Bank (302.HK; +1.3% w-o-w), while Yue Xiu Group is about to close the deal to acquire Chong Hing Bank (1111.HK; +6.6% w-o-w).

On the economic front, growth of new homes prices in China hit its 3-year high, which soared 9.1% year-on-year in September (versus 8.3% year-on-year in August). The surge in property prices raised concerns over new tightening policies in the Third Plenum in November. Besides, China's HSBC flash manufacturing purchasing managers' index (PMI) climbed to its 7-month high of 50.9 in October from 50.2 in September, driven by strong new orders. In Hong Kong, September inflation slightly rose to 4.6% from 4.5% in August, mainly due to rising cost of fresh vegetables due to typhoon. Yet, with subdued imported inflation as well as the moderated increase in residential rentals, inflation is expected to see limited upside risk in the near term.

In the coming week, the release of third-quarter results by mainland banks as well as the official manufacturing PMI in China will likely draw focus of investors. Besides, the benchmark index should see limited downside with support level at 22,500, after the benchmark index lost more than 600 points this week.

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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
25th October	15,509.21*	3,928.96*	14,088.19	3,205.24	1,817.57	1,454.88	8,346.62
18th October	15,399.65	3,914.28	14,561.54	3,192.90	1,799.59	1,484.72	8,441.19
Change	+109.56	+14.68	-473.35	+12.34	+17.98	-29.84	-94.57
%	+0.7%	+0.4%	-3.3%	+0.4%	+1.0%	-2.0%	-1.1%

Remark: (*) closing as of 24th October 2013

Major Changes in Index Constituent Stocks (Week ended 25th October 2013)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @25/10/2013	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	00883	HK\$15.08	-HK\$0.98	-6.1%	Shares of CNOOC slid on falling crude oil prices, which headed for the biggest weekly decline in 4 months, dropping 4.1% w-o-w.
China Mobile	00941	HK\$80.10	-HK\$4.50	-5.3%	China Mobile posted disappointing 3Q13 net profit which fell 8.8% y-o-y to RMB28.4 billion. UBS downgraded its rating from "Neutral" to "Sell" and trimmed its target price by 14% to HK\$72.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @25/10/2013	W-O-W Change		Remarks / Comments
			Absolute	%	
Zoomlion	01157	HK\$6.70	-HK\$0.47	-6.6%	A journalist was detained for suspected damage to commercial reputation of the Company, after the journalist published a series of 10 reports criticizing Zoomlion for exaggerating profit, tunneling interest, deforming marketing measures and suspected fraud.
Minsheng Bank	01988	HK\$8.64	-HK\$0.61	-6.6%	Shares of Chinese banks declined, as the money-market rate jumped the most in two months after the People's Bank of China refrained from conducting reverse repos (repurchase agreement) for a third straight auction to free up liquidity.
CM Bank	03968	HK\$14.44	-HK\$0.92	-6.0%	
CCB	00939	HK\$5.71	-HK\$0.34	-5.6%	

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @25/10/2013	W-O-W Change		Remarks / Comments
			Absolute	%	
Brilliance China Automotive	01114	HK\$14.44	+HK\$1.76	+13.9%	Shares jumped, after JP Morgan added Brilliance to its top picks in the sector, on the back of expected strong demand for its BMW 3-series sales in 2013 and 2014. JP Morgan raised its target price for the counter by 54% to HK\$20.


Summary of US Economic News

Indicator	Change/Index	Comments
Existing Home Sales – September 2013	-1.9% m-o-m	Existing home sales fell 1.9% m-o-m in September to an annual rate of 5.29 million units (versus consensus of 5.30 million units), as affordability fell on high home prices and rising mortgage interest rates.
Initial Jobless Claims – week ended 19 th October 2013	-3.3% w-o-w	Initial jobless claims fell less-than-expected by 3.3% w-o-w to 350,000 (versus consensus of 340,000), due to the partial shutdown of the US government and a backlog of claims processing in California. 4-week moving average rose by 10,750 from the previous week to 348,250.

Major Earnings Results Announcements During the Week

Stock	3Q13 Net profit	y-o-y change	Drivers of performance	Share price w-o-w chg
China Mobile (00941)	RMB28.4 billion	-8.8%	China Mobile's 3Q13 profit missed analysts' estimates of RMB31.1 billion, as more mobile users switched to instant-messaging applications, which dragged its traditional revenue of SMS messages.	-5.3%
China Overseas (00688)	HK\$6.35 billion	+3.3%	The rise in 3Q13 profit was driven by an increase in both transaction volume and home prices during the period.	-4.5%
Huaneng Power (00902)	RMB3,292 million	+65.8%	Net profit jumped 65.8% y-o-y in 3Q13, thanks to a decrease in coal prices and effective controls of other costs and expenses.	-3.9%
ZTE (00763)	RMB242 million	+112.4%	The surge in 3Q13 profit was mainly attributable to a decrease in low gross margin contracts as well as lower expenses including selling and distribution costs, administrative expenses and research and development costs during the period.	-2.9%
China Unicom (00762)	RMB8,374 million (9M13)	+53.6%	China Unicom posted stronger-than-expected results, driven by its service revenue from mobile business (+20.2% y-o-y) and its effective cost control.	-4.9%
Zijin Mining (02899)	RMB691 million	-44.0%	3Q profit fell 44.0% y-o-y, dragged by lower prices of gold (-16.3% y-o-y) and copper (-5.9% y-o-y), decrease in value of inventory as well as process of low-grade ores.	-1.6%



Forthcoming Important Announcements / Events

28 th October 2013 (Monday)	HK	:	Anhui Conch Cement Co Ltd (00914) - 3Q13 results China Telecom Corp Ltd (00728) - 3Q13 results COSCO Pacific Ltd (01199) - 3Q13 results Chongqing Rural Commercial Bank (03618) - 3Q13 results Sinopec Shanghai Petrochemical (00338) - 3Q13 results Cabbeen Fashion Limited (02030) – trading debut China Huirong Financial (01290) – trading debut
	US	:	Industrial Production – September 2013 Fidelity National Financial Inc – 3Q13 results Linkedin Corp – 3Q13 results Pfizer Inc – 3Q13 results Thomson Reuters Corporation – 3Q13 results
29 th October 2013 (Tuesday)	HK	:	Air China Ltd (00753) - 3Q13 results Angang Steel Co Ltd (00347) - 3Q13 results BYD Co Ltd (01211) - 3Q13 results China Eastern Airlines Corp Ltd (00670) - 3Q13 results China Shipping Development Co Ltd (01138) - 3Q13 results China CITIC Bank Corp Ltd (00998) - 3Q13 results China Merchants Bank Co Ltd (03968) - 3Q13 results China Shipping Container Lines (02866) - 3Q13 results Datang International Power (00991) - 3Q13 results Haitong Securities Co Ltd (06837) - 3Q13 results Jiangxi Copper Co Ltd (00358) - 3Q13 results Maanshan Iron & Steel Co Ltd (00323) - 3Q13 results PetroChina Co Ltd (00857) - 3Q13 results China Petroleum & Chemical Corp (00386) - 3Q13 results Sinopharm Group Co Ltd (01099) - 3Q13 results
	US	:	Producer Price Index – September 2013 Consumer Confidence – October 2013 Facebook Inc – 3Q13 results General Motors Co – 3Q13 results Kraft Foods Group Inc – 3Q13 results Visa Inc – 4Q13 results
30 th October 2013 (Wednesday)	HK	:	Bank of China Ltd (03988) - 3Q13 results BBMG Corp (02009) - 3Q13 results BOC Hong Kong (Holdings) Ltd (02388) - 3Q13 results China COSCO Holdings Co Ltd (01919) - 3Q13 results China Railway Construction Corp Ltd (01186) - 3Q13 results China Southern Airlines Co Ltd (01055) - 3Q13 results China Pacific Insurance (Group) (02601) - 3Q13 results New China Life Insurance Co Ltd (01336) - 3Q13 results China National Materials Co Ltd (01893) - 3Q13 results Tsingtao Brewery Co Ltd (00168) - 3Q13 results Bank of Communications Co Ltd (03328) - 3Q13 results Aluminium Corp of China Ltd (02600) - 3Q13 results China Communications Construction (01800) - 3Q13 results China Railway Group Ltd (00390) - 3Q13 results CITIC Securities Co Ltd (06030) - 3Q13 results ICBC (01398) - 3Q13 results China Minsheng Banking Corp Ltd (01988) - 3Q13 results
	US	:	Consumer Price Index – September 2013 GDP – 3Q13 FOMC Meeting Announcement Estee Lauder Companies – 1Q14 results Exxon Mobil Corp – 3Q13 results Mastercard Inc – 3Q13 results MGM Resorts International – 3Q13 results New York Times Co – 3Q13 results Starbucks Corp – 4Q13 results

**Forthcoming Important Announcements / Events (Cont'd)**

31 st October 2013 (Thursday)	HK	:	China Longyuan Power Group (00916) - 3Q13 results Retail Sales Statistics for September 2013 Restaurant Receipts and Purchases Statistics for 3Q13 Jingrui Holdings Limited (01862) – trading debut Hydoo International (01369) – trading debut
	US	:	Initial Jobless Claims – week ended 26 th October 2013 Chevron Corp – 3Q13 results
1 st November 2013 (Friday)	HK	:	China Saite Group (00153) – trading debut
	US	:	ISM Manufacturing Index – October 2013 Motor Vehicle Sales – October 2013 PMI Manufacturing Index – October 2013 Construction Spending – September 2013

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