



# BEA securities

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HONG KONG RESEARCH

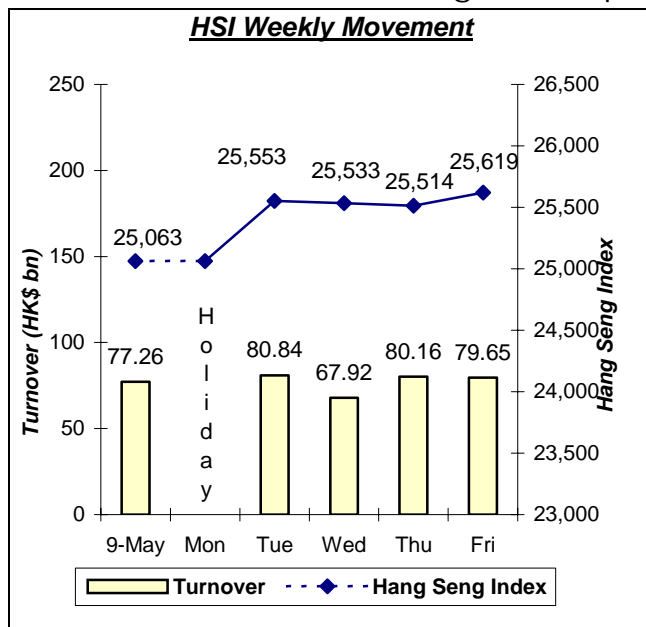
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Weekly Report

16<sup>th</sup> May 2008

## HSI closed higher despite the Sichuan earthquake



**Weekly Market Statistics**

Hang Seng Index	25,619	25,063	+556	+2.2%
HS Red Chip Index	5,824	5,669	+155	+2.7%
HS China Enterprises Index	14,186	13,663	+523	+3.8%
HS Composite Index	3,636	3,545	+91	+2.6%
HS HK Composite Index	2,685	2,642	+43	+1.6%
HS Mainland Composite Index	4,815	4,670	+144	+3.1%
Growth Enterprise Index	921	908	+13	+1.4%
Avg Daily Turnover (HK\$ bn)	77.1	79.9	-3	-3.4%
Sectoral Indices				
Finance	38,085	37,227	+858	+2.2%
Utilities	42,333	42,388	-55	-0.1%
Properties	31,972	31,532	+440	+1.4%
Comm & Ind	14,805	14,414	+392	+2.7%

## Review & Outlook of Market Performance

Tracking rally in overseas and US markets, local bourse surged on Tuesday as investors expected that China could gear up its reconstruction work in Sichuan province, following an earthquake which happened during the market holiday on Monday. In the following few days, however, HSI closed nearly flat as investors were on the sideline assessing the impact of the earthquake. Over the week, the HSI closed 2.22% higher to 25,618.86, while the HSCEI was up 3.83% to 14,185.98. The average daily turnover of the market was down to HK\$77.1 billion, compared with HK\$79.9 billion in the previous week.

Cement and steel firms jumped on demand for reconstruction work following the earthquake. Over the week, China National Building Material (#3323) was up 13.40% to HK\$19.80; Sinoma (1893) jumped by 10.00% to HK\$7.92; Anhui Conch (#0914) also surged 12.16% to HK\$70.10; Angang Steel (0347) was up 13.05% to HK\$22.95 and Maanshan Iron (#0323) was up by 12.98% to HK\$5.83. Among the insurance plays, PICC Property and Casualty (#2328) fell 4.43% to HK\$6.91 on massive potential claims after the earthquake, while China Life (#2628) and Ping An (#2318) dropped 1.07% and 0.93% to HK\$33.05 and HK\$70.55, respectively. Smaller insurance play China Insurance (#0966) vaulted 15.65% on news that ICBC would soon announce a plan to invest in Taiping Life. Meanwhile, Dongfang Electric (#1072) tumbled 14.33% w-o-w, after it said the earthquake in China had seriously damaged its production.

Effective 10<sup>th</sup> June 2008, PCCW (#0008) and Cheung Kong Infrastructure (#1038) will lose their blue-chip status and will be replaced by Tencent (#0700) and Aluminium Corp of China (#2600) as new constituents in the Hang Seng Index. Meanwhile, Artini China (0789) had its debut trading on Friday but was down by 9.91% to close at HK\$2.00 from its IPO price of HK\$2.22.

Looking ahead, after the massive earthquake, it appears that in the short term, the chance to have another hike in reserve requirement or further tightening in PRC's monetary policy should be low. It is expected that investors would take a wait-and-see attitude as the market approached the 26,000 level.

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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
Week to							
16th May	12,992.66	2,533.73	14,219.48	3,241.49	1,300.67	870.33	9,197.41
9th May	12,745.88*	2,445.52*	13,655.34	3,160.03	1,285.27	846.71	8,792.39
Change	+246.78	+88.21	+564.14	+81.46	+15.40	+23.62	+405.02
%	+1.9%	+3.6%	+4.1%	+2.6%	+1.2%	+2.8%	+4.6%

Remarks: (\*) closing as of 15<sup>th</sup> May 2008

**Major Changes in Index Constituent Stocks (Week ended 16<sup>th</sup> May 2008)**
**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @16/5/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Bank of East Asia	0023	HK\$45.80	+HK\$3.20	+7.51%	The best performed shares in HSI on Goldman Sachs' upgrade to "Buy", saying the bank's earnings were resilient and its new debit card business in China would accelerate its deposit growth on the Mainland.
FIH	2038	HK\$11.24	-HK\$1.04	-8.47%	The counter was the worst performed shares in HSI. Market anticipated that its margin erosion would likely to dim profit growth despite top-line growth to be driven from Korean and Chinese handset OEMS.

**Hang Seng China Enterprises Index (HSCEI)**

Stock	Stock Code	Closing Price @16/5/08	W-O-W Change		Remarks / Comments
			Absolute	%	
CSCL	2866	HK\$4.32	+HK\$0.90	+26.32%	The counter was the biggest gainer in the H-share index over the week on the stronger run in the global dry bulk freight rates.
Angang Steel	0347	HK\$22.95	+HK\$2.65	+13.05%	
Maanshan Iron	0323	HK\$5.83	+HK\$0.67	+12.98%	

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

Stock	Stock Code	Closing Price @16/5/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Insurance	0966	HK\$23.65	+HK\$3.20	+15.65%	News reported that ICBC would soon announce a plan to invest in China Insurance's subsidiary –Taiping Life.

**Summary of US Economic News**

Indicator	Change/Ind ex	Comments
Retail sales – April 2008	-0.2%	Retail sales dropped 0.2%, but excluding autos, it rose 0.5%, which was more than twice what economists had forecast, raising market expectations that consumers could spend their tax rebates under the government stimulus programme, cushioning the economic slowdown.
Business inventories – March 2008	+0.1%	Business inventories rose less than forecasted by 0.1% in March, the smallest since March 2007, followed a revised 0.5% rise in Feb, implying that companies have been concerned sales would slump.
Consumer price index – April 2008	+0.2%	The CPI increased 0.2% in April, which was less than forecast, following a 0.3% gain in March. Core prices, excluding food and energy costs, climbed 0.1%, after a rise of 0.2% a month ago, as cheaper costs for cars and hotel rooms that offset the biggest jump in food in 18 years.
Industrial production – April 2008	-0.7%	Industrial production dropped 0.7% in April, which was more than expected as the slowdown in consumer spending prompted car and appliance makers to reduce their production.
Initial jobless claims – the week ended 10 <sup>th</sup> May 2008	+6,000	Initial jobless claims increased 6,000 to 371,000, in line with estimates, indicating that the US labour market stayed weak.

**Forthcoming Important Announcements / Events**

19 <sup>th</sup> May 2008 (Monday)	HK	:	City Telecom (HK) Ltd (1137) – Interim results Qin Jia Yuan Media Services Co Ltd (2366) – Interim results New Chinese Medicine Holdings Ltd (8085) – Final results Unemployment – April 2008
	US	:	Leading indicators – April 2008
20 <sup>th</sup> May 2008 (Tuesday)	HK	:	<b>Asia Cement (0743) – Trading debut</b>
	US	:	<b>Hewlett-Packard – Q2 FY2008 results</b> <b>Home Depot – Q1 FY2009 results</b> Producer price index – April 2008
21 <sup>st</sup> May 2008 (Wednesday)	HK	:	No important announcement/events
	US	:	Release of FOMC minutes in April 2008
22 <sup>nd</sup> May 2008 (Thursday)	HK	:	<b>China Resources Enterprise Ltd (0291) – Q1 2008 results</b> <b>Lenovo Group Ltd (0992) – Final results</b> CPI composite index – April 2008
	US	:	Initial jobless claims – the week ended 17 <sup>th</sup> May 2008
23 <sup>rd</sup> May 2008 (Friday)	HK	:	Advanced Semiconductor Manufacturing Corp Ltd (3355) – Q1 2008 results <b>Parkson Group (3368) – Q1 2008 results</b>
	US	:	<b>Existing home sales – April 2008</b>

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