



# BEA securities

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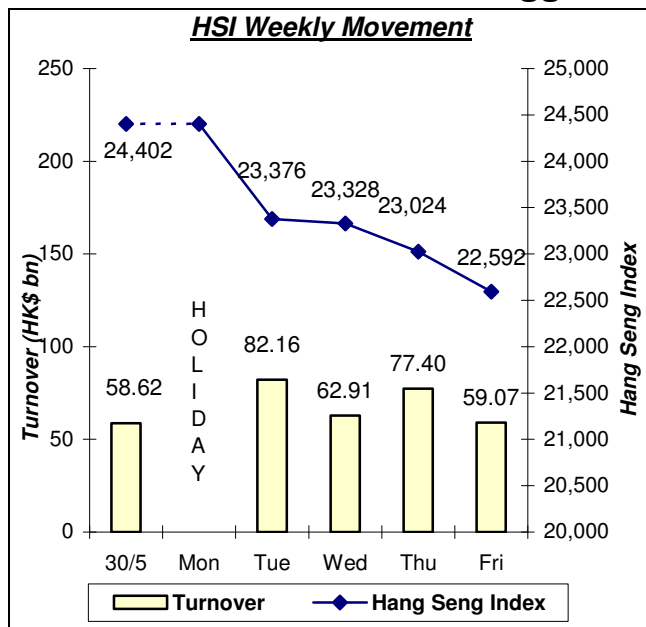
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Weekly Report

13<sup>th</sup> June 2008

## Sell-offs in Wall Street dragged the HSI down for 4 consecutive days



<b>Weekly Market Statistics</b>				
Week ended	13/6/2008	06/6/2008	Change	%
Hang Seng Index	22,592	24,402	-1,810	-7.4%
HS Red Chip Index	4,785	5,196	-410	-7.9%
HS China Enterprises Index	12,213	13,513	-1,300	-9.6%
HS Composite Index	3,197	3,462	-265	-7.6%
HS HK Composite Index	2,471	2,635	-164	-6.2%
HS Mainland Composite Index	4,119	4,503	-383	-8.5%
Growth Enterprise Index	837	880	-43	-4.8%
Avg Daily Turnover (HK\$ bn)	70.4	71.9	-1	-2.1%
<b>Sectoral Indices</b>				
Finance	34,152	36,709	-2,557	-7.0%
Utilities	43,269	44,152	-883	-2.0%
Properties	27,414	30,530	-3,116	-10.2%
Comm & Ind	12,694	13,766	-1,072	-7.8%

## Review & Outlook of Market Performance

Kicking off the week on Tuesday, the local bourse fell across the board following the hefty losses in the US markets right before the weekend. Over the week, worries about rising inflation & interest rates and sharp plunge of Baltic Dry Index prompted investors to dump properties, banking and shipping stocks, dragging the main index to its lowest in more than two months. With almost all index constituents heading south, the HSI closed down 1,809 points or 7.42% w-o-w at 22,592.3. Average daily turnover was HK\$70.4 billion, down from previous HK\$71.9 billion.

Share prices of H-shares even underperformed the HSI after China's central bank ordered mainland lenders to increase the reserve ratio by a full percentage point, indicating the central government is still worried about liquidity and inflation. Investors feared harsher-than-expected liquidity tightening steps by Beijing would hurt corporate profits. HSCEI fell 1,300.1 points or 9.62% w-o-w to close at 12,213.12.

On the IPO front, there were contrasting fortunes among 3 new listings. A8 Digital Music (0800), with 128 times subscribed in its retail tranche, roared out of the gate on its trading debut with a 36% jump, the 3<sup>rd</sup> best IPO this year, just behind New Media (0708) and Asia Cement (0743). In contrast, Little Sheep Group (0968), which received 72 times subscriptions, closed flat at its offer price while Chongqing Machinery and Electric (2722), receiving lukewarm subscriptions, slumped 19.2%, on their trading debuts.

Looking forward into next week, the local bourse should still track the performance on Wall Street. We see the earning releases of the top investment banks next week may add pressure to the US markets and the Dow may test the 12,000 level. Furthermore, investors should also keep an eye on Vietnam, whose stock market has shed more than 60% due to uncontrolled inflation in recent months. Its potential currency crisis might spread into other Asia economies, negatively impacting the regional stock markets. We see the next support level for the Hang Seng Index would likely be 22,500.

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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							
13th June	12,141.58*	2,404.35*	13,973.73	2,979.56	1,229.35	782.64	8,105.59
6th June	12,209.81	2,474.56	14,489.44	3,146.73	1,248.57	817.33	8,745.35
Change	-68.23	-70.21	-515.71	-167.17	-19.22	-34.69	-639.76
%	-0.6%	-2.8%	-3.6%	-5.3%	-1.5%	-4.2%	-7.3%

Remarks: (\*) closing as of 12<sup>th</sup> June 2008

### Major Changes in Index Constituent Stocks (Week ended 13<sup>th</sup> June 2008)

#### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @13/6/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Sino Land	0083	HK\$16.70	- HK\$2.82	- 14.45%	Worries about rising inflation and rates hikes prompted investors to dump property stocks, as the US was likely to increase rates to combat rising inflation according to the speech of Bernanke this week.
Hang Lung PPT	0101	HK\$25.90	- HK\$2.65	- 9.28%	
SHK PPT	0016	HK\$113.60	- HK\$13.10	- 10.34%	

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

Stock	Stock Code	Closing Price @13/6/08	W-O-W Change		Remarks / Comments
			Absolute	%	
COSCO Pacific	1199	HK\$18.38	- HK\$4.12	-18.31%	The Baltic Dry Index fell more than 8% on Thursday night, its sharpest decline in over two decades. The drop was due to speculation that China may need less iron ore. It was reported that Chinese government has asked domestic ports to reduce iron ore inventories in an effort to resolve the port congestion problem.
CSCL	2866	HK\$3.15	- HK\$0.53	-14.40%	
China Shipping Development	1138	HK\$21.2	- HK\$4.30	-16.86%	

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

Stock	Stock Code	Closing Price @13/6/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Kingway Brew	0124	HK\$1.14	- HK\$0.35	-23.49%	Global barley prices rose 13% in the first quarter versus a year ago, according to ABN AMRO. ABN also predicted that the average barley costs of Tsingtao Brew, Kingway's biggest rival, would rise 50% this year.
China Insurance	0966	HK\$19.3	- HK\$3.90	-16.81%	Citigroup said it has downgraded China Insurance Int'l Holdings to "sell" from "buy" after the insurer's recent out-performance, which was largely due to the M&A speculation.



## Summary of US Economic News

Indicator	Change/Index	Comments
Employment Situation – May 2008 Unemployment rate	5.5%	The May 08 employment report showed a further declining labour sector, coming in much worse than the expectation of 5.1%. The May spike could have been caused by seasonal adjustment difficulties in part as May is when some college students enter the labour market.
International Trade – Apr 2008	- \$60.9B	The US trade balance in April widened sharply primarily due to a run up in oil prices. The overall US trade gap widened to \$60.9 billion from a revised \$56.5 billion deficit in March and was marginally worse than the consensus forecast for a \$59.5 billion deficit. The report corroborated how strong imported inflation has become.
Retail Sales – May 2008	+1.0%	The number came in well above than the consensus forecast for a 0.5% boost, which shows the economy a lot stronger than expected. But it could be attributed to the May distribution of income tax rebates.
Initial jobless claims – the week ended 7 <sup>th</sup> June 2008	384,000	Weekly jobless claims jumped 25,000 in the June 7 <sup>th</sup> week to 384,000 and the highest level since late March. But, the Labour Department is warning that the rise is not a "structural shift" higher but is tied in part to a calendar effect surrounding the Memorial holiday weekend.

## Forthcoming Important Announcements / Events

16 <sup>th</sup> June 2008 (Monday)	HK	:	United Power Investment (00674) – Final results Le Saunda Holdings (00738) – Final results
	US	:	<b>Housing Market Index – Jun 2008</b> Adobe Systems – Q2 2008 earnings release <b>Lehman Brothers – Q2 2008 earnings release</b>
17 <sup>th</sup> June 2008 (Tuesday)	HK	:	China Windpower Group (00182) – Final results
	US	:	<b>Producer Price Index – May 2008</b> <b>Industrial Production – May 2008</b> State Street Investor Confidence Index – Jun 2008 Best Buy – Q1 2009 earnings release <b>Goldman Sachs – Q2 2008 earnings release</b>
18 <sup>th</sup> June 2008 (Wednesday)	HK	:	Huabao International (00336) – Final results Tse Sui Luen Jewellery (00417) – Final results Macau Success (00487) – Interim results Joyce Boutique Holdings (00647) – Final results Vision Tech (00922) – Final results Shandong Chenming Paper (01812) – Trading debut
	US	:	<b>Morgan Stanley – Q2 2008 earnings release</b> <b>FedEx – Q4 2008 earnings release</b>
19 <sup>th</sup> June 2008 (Thursday)	HK	:	Sincere Co (00244) – Final results Water Oasis (01161) – Interim results
	US	:	<b>Leading Indicators – May 2008</b> <b>Jobless claims – the week ended 14<sup>th</sup> Jun 2008</b> Philadelphia Fed Survey – Jun 2008
20 <sup>th</sup> June 2008 (Friday)	HK	:	Melbourne Enterprises (00158) – Interim results
	US	:	No important announcement/event



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