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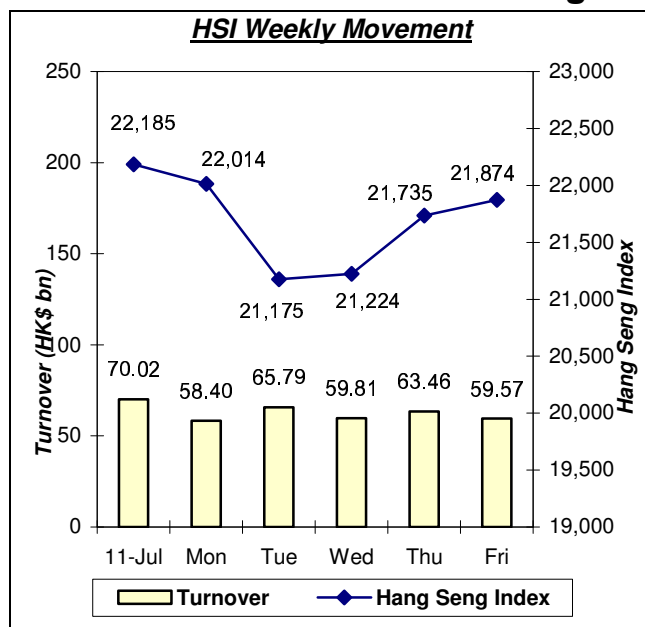
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Weekly Report

18th July 2008

HSI rebounded on easing oil prices and cheerful bank result



Weekly Market Statistics				
Week ended	18/7/2008	11/7/2008	Change	%
Hang Seng Index	21,874	22,185	-310	-1.4%
HS Red Chip Index	4,683	4,813	-130	-2.7%
HS China Enterprises Index	12,124	12,307	-183	-1.5%
HS Composite Index	3,057	3,123	-66	-2.1%
HS HK Composite Index	2,305	2,344	-38	-1.6%
HS Mainland Composite Index	3,999	4,098	-99	-2.4%
Growth Enterprise Index	751	773	-22	-2.9%
Avg Daily Turnover (HK\$ bn)	61.4	68.5	-7	-10.3%
Sectoral Indices				
Finance	33,184	33,369	-185	-0.6%
Utilities	41,380	42,041	-661	-1.6%
Properties	26,233	26,933	-701	-2.6%
Comm & Ind	12,298	12,542	-245	-2.0%

Review & Outlook of Market Performance

The HSI posted a 839-point loss on Tuesday, but the shares staged a moderate rebound later this week after the three-day decline in crude oil prices beginning on Tuesday night. The US crude oil price fell below \$130 a barrel for the first time in more than a month on Tuesday night, which helped ease fears about the worrisome inflation. Coupled with the news that Wells Fargo reported a surprisingly high profit and increasing its dividend, triggering the biggest gains of US lenders in over a decade, investors started to believe that financial shares may be turning the corner. Cheered by the positive sentiment on Wall Street, the HSI managed to close at above 21,500-mark on Friday and ended at 21,874.19 points, down 1.40% or 310.36 points w-o-w, with average daily turnover of HK\$61.4bn.

Besides retreating oil prices and cheerful bank result, the woes of Fannie Mae and Freddie Mac, the two biggest US mortgage finance companies, were among the spotlights during the week. Analysts worried about mainland banks' exposure to the debts issued by Fannie Mae and Freddie Mac, especially Bank of China, which is expected to be severely hit because the lender may own about US\$20bn of the aforesaid debts, representing two thirds of the total holdings of the 6 HK-listed Chinese banks. On the other hand, the impact is expected to be minimal in Hong Kong peers because only 0.1% of the assets of local banks are invested in the two beleaguered US home loan companies, according to HKMA's estimation.

The mainland's statistics bureau announced that the country's CPI declined to 7.1% in June, raising the likelihood of an easing in monetary policy. The GDP grew 10.4% for the first half-year, also down from 10.6% in the first quarter. Stock markets, having largely factored the moderation of the figures, reacted calmly on the following day. The HSCEI ended the week at 12,123.88 points, down 1.49% w-o-w.

Looking forward into next week, investors should closely monitor the performance of Wall Street, with a raft of major US financial corporations (including Bank of America, National City and Legg Mason) announcing their quarterly results. Any negative surprises from these companies will reverse the current positive sentiment. We see the HSI to consolidate at 21,000 before re-testing the 22,000 points again.

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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 18th July	11,446.66*	2,312.30*	12,803.70	2,847.73	1,105.04	664.52	6,815.32
11th July	11,100.54	2,239.08	13,039.69	2,926.84	1,150.39	730.29	7,244.76
Change	+346.12	+73.22	-235.99	-79.11	-45.35	-65.77	-429.44
%	+3.1%	+3.3%	-1.8%	-2.7%	-3.9%	-9.0%	-5.9%

Remarks: (*) closing as of 17th July 2008

Major Changes in Index Constituent Stocks (Week ended 18th July 2008)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @18/7/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources Enterprise	00291	HK\$19.70	- HK\$3.05	- 13.41%	Goldman Sachs downgraded China Resources Enterprise to "neutral" from "buy", on potential operational headwinds for its beverage and food processing and distribution businesses.
Esprit	00330	HK\$84.40	+ HK\$6.15	+ 7.86%	Esprit led the market this week, on increased optimism about future earnings and repurchase of US\$197 million of shares by its management during the week.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @18/7/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Air China	00753	HK\$4.29	+ HK\$0.33	+ 8.33%	Air China rallied after oil prices posted their biggest single-day drop in 17 years on Tuesday night. The shares were also boosted by the news that the Chinese flag carrier is acquiring 45 aircraft from Boeing Co.
Zijin Mining	02899	HK\$6.97	+ HK\$0.50	+ 7.73%	Gold is poised to revisit \$1,000 an ounce as investors look for a safe place away from the turmoil in other financial markets as well as the escalating tension in the Middle East.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @18/7/08	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	00883	HK\$11.88	- HK\$1.26	- 9.59%	Shares of offshore oil producer, CNOOC, slumped as oil prices held around \$130 per barrel on Thursday night, down more than 10% from last week's record.



Summary of US Economic News

Indicator	Change/Index	Comments
Producer price index – Jun 2008	+1.8%	Producer price inflation accelerated dramatically by 1.8%, well above the market projection for a 1.4% jump. This was largely due to surging food and energy costs since core PPI held steady with last month's 0.2% increase.
Consumer price index – Jun 2008	+1.1 %	Consumer price index soared 1.1%, exceeding consensus forecast for a 0.8% jump. Higher energy and food prices clearly boosted inflation, with signs that it is heating up core CPI as it hit 0.3%, up from 0.2% last month.
Industrial Production – Jun 2008	+0.5%	Industrial Production exceeded expectations by posting a 0.5% gain primarily due to a strong rebound in utilities, while manufacturing is still very sluggish.
Housing Starts – Jun 2008	+9.1%	Housing starts rebounded 9.1% to an annual rate of 1,066,000 in June, above the forecast of 960,000 and improved from May's 975,000. The surge in numbers is due to the more restrictive building codes coming into effect in New York City on 1 st July 2008.

Forthcoming Important Announcements / Events

21 st July 2008 (Monday)	HK	:	Artini China (00789) – final results Easyknit International (01218) – final results Synergis Holdings (02340) – final results Emperor Watch and Jewellery (00887) – trading debut
	US	:	Leading Indicators – Jun 2008 Bank of America – Q2 2008 earnings release SanDisk Corp – Q2 2008 earnings release
22 nd July 2008 (Tuesday)	HK	:	Moiselle International (00130) – final results Peace Mark (00304) – final results Culturecom (00343) – final results Victory City International (00539) – final results Gay Giano (00686) – final results New Media Group (00708) – final results
	US	:	State Street Investor Confidence Index – Jul 2008 Broadcom – Q2 2008 earnings release Tellabs – Q2 2008 earning releases
23 rd July 2008 (Wednesday)	HK	:	CITIC 21CN Co (00241) – final results Mongolia Energy (00276) – final results China Gas (00384) – final results Luk Fook (00590) – final results Chun Wo Development (00711) – final results Skyworth Digital (00751) – final results
	US	:	Wyeth – Q2 2008 earnings release Amazon.com – Q2 2008 earnings release PepsiCo – Q2 2008 earnings release
24 th July 2008 (Thursday)	HK	:	Lung Cheong (00348) – final results Pacific Andes (01174) – final results
	US	:	Initial jobless claims – the week ended 19 th July 2008 Existing Home Sales – Jun 2008 Xerox – Q2 2008 earnings release Southwest Airlines – Q2 2008 earnings release National City – Q2 2008 earnings release
25 th July 2008 (Friday)	HK	:	China Grand Forestry Resources (00910) – final results A-Max Holdings (00959) – final results BEP International (02326) – final results
	US	:	Durable Goods Orders – Jun 2008 Consumer Sentiment – Jul 2008 New Home Sales – Jun 2008 Legg Mason – Q1 2009 earnings release

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