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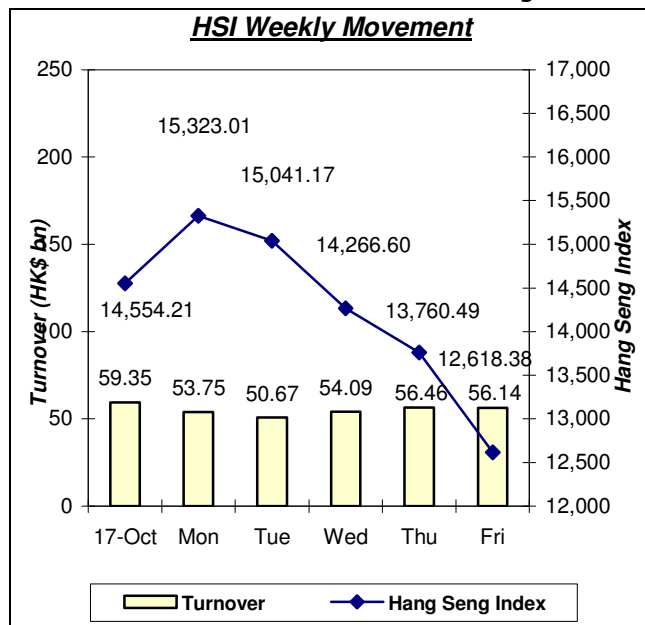
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**Weekly Report**24<sup>th</sup> October 2008**HSI ended at 4-year low amid fragile confidence**

<b>Weekly Market Statistics</b>				
Week ended	24/10/2008	17/10/2008	Change	%
Hang Seng Index	12,618	14,554	-1,936	-13.3%
HS Red Chip Index	2,537	2,857	-321	-11.2%
HS China Enterprises Index	5,803	7,008	-1,205	-17.2%
HS Composite Index	1,668	1,917	-249	-13.0%
HS HK Composite Index	1,426	1,612	-186	-11.5%
HS Mainland Composite Index	2,009	2,337	-328	-14.0%
Growth Enterprise Index	382	457	-76	-16.5%
Avg Daily Turnover (HK\$ bn)	54.2	66.0	-12	-17.9%
<b>Sectoral Indices</b>				
Finance	20,279	24,145	-3,866	-16.0%
Utilities	32,436	34,662	-2,226	-6.4%
Properties	15,455	15,807	-353	-2.2%
Comm & Ind	6,331	7,343	-1,012	-13.8%

**Review & Outlook of Market Performance**

Starting the week, the Hang Seng Index rebounded for the first time from last 4 trading days, led by the Chinese shares after the PRC government cutting transaction fees for home sales to encourage property buyers. However, it failed to hold on the following day, as dragged by losses in heavyweight China Mobile, the free-falling CITIC Pacific as well as mainland financials. On Wednesday, the HSI slid further on worries over battered corporate bottomlines and trading losses of currency hedging. On Thursday, it closed below 14,000 level, despite there were government measures to support the mainland property sector. On Friday, Hong Kong shares hit a 4-year low, led by HSBC on growing concern about bad debt in emerging markets. Over the week, the Hang Seng Index tumbled 1,935.83 points or 13.3% to 12,618.38, while the HSCEI dived 17.19% to 5,802.71. Market volume was down with the daily average of mainboard turnover tumbled 17.9% w-o-w to HK\$54.2 billion.

Shares in Citic Pacific faced a massive sell-off after disclosing a potential HK\$15.5 billion loss from unauthorised F/X trades. Its share price plunged 65.2% w-o-w to HK\$5.06. This then triggered a concern about trading losses of currency hedging in companies, such as, Shui On Land, China Railway Group and China Railway Construction. Over the week, their share prices plummeted 30.8%, 25.9% and 17.8%, respectively. Meanwhile, following a string of dismal announcements of quarterly earnings results, shares of Huaneng Power, Anhui Conch and Jiangxi Copper fell 20.7% w-o-w to HK\$3.79, 28.0% w-o-w to HK\$18 and 28.1% w-o-w to HK\$3.4, respectively. Meanwhile, HSBC was down by 16.3% w-o-w to HK\$88 while China mobile fell by 13% w-o-w to HK\$57.5.

Bucking the trend, Dah Chong Hong surged 3.7% w-o-w to HK\$1.11 after news that its parent, Citic Pacific may sell its stake in the firm. China Overseas Land climbed 6.2% w-o-w to HK\$8.58, driven by government's new measures to support the property sector.

Looking into next week, despite market has already priced in at least 25bps rate cut in the coming FOMC meeting in wake of persistent fears of global recession, we see more downside risks in the stock markets. The HSI may remain sluggish and could be very vulnerable to break below the 12,000 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							
24th October	8,691.25*	1,603.91*	7,649.08	1,600.28	855.32	432.87	4,579.62
17th October	8,852.22	1,711.29	8,693.82	1,878.51	905.23	471.31	4,960.40
Change	-160.97	-107.38	-1,044.74	-278.23	-49.91	-38.44	-380.78
%	-1.8%	-6.3%	-12.0%	-14.8%	-5.5%	-8.2%	-7.7%

Remarks: (\*) closing as of 23<sup>rd</sup> October 2008

## Major Changes in Index Constituent Stocks (Week ended 24<sup>th</sup> October 2008)

### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @24/10/08	W-O-W Change		Remarks / Comments
			Absolute	%	
CITIC Pacific	00267	HK\$5.06	-HK\$9.46	-65.15%	Investors dumped the share, following the company's profit warning over a huge potential loss on currency accumulator contracts.
China Overseas Land & Investment	00688	HK\$8.58	+HK\$0.50	+6.19%	Following the Chinese government's new measures to support the property sector, the counter posted the strongest rise among Hong Kong-listed mainland developers.

### Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @24/10/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China National Building Material	03323	HK\$2.10	-HK\$1.53	-42.15%	The counter tumbled after Credit Suisse revised down its earnings estimate by 19% and 40%, for 2008 and 2009 respectively, to reflect softening demand.

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

Stock	Stock Code	Closing Price @24/10/08	W-O-W Change		Remarks / Comments
			Absolute	%	
SINO FERT	00297	HK\$2.92	+HK\$0.40	+15.87%	The counter bucked the market downward trend after the PRC government announced new specific measures and general policy guidelines, to support the development of the country's agriculture sector.
CITIC Resources	01205	HK\$0.50	-HK\$0.24	-32.43%	The share suffered from a massive sell-off, despite Moody's affirmed the Ba2 corporate family rating on the company after CITIC Pacific's announcement that it had substantial losses arisen from leveraged foreign exchange contracts.



## Summary of US Economic News

Indicator	Change/Index	Comments
Index of leading economic indicators – September 2008	+0.3%	The index rose unexpectedly in September by 0.3%, driven by a surge in the money supply after the Federal Reserve pumped cash into the economy to unfreeze clogged credit markets.
Initial jobless claims – week ended 18 <sup>th</sup> October 2008	+15,000	Initial jobless claims increased by 15,000 to a larger-than-forecast 478,000 from a revised 463,000 the prior week, a sign the deepening credit crisis is hurting employment. The four-week moving average of initial claims fell to 480,250 from 484,750.

## Forthcoming Important Announcements / Events

27 <sup>th</sup> October 2008 (Monday)	HK	:	Prime Investments Holdings Limited (00721) – final results China Medical and Bio Science Limited (08120) – final results External trade – September 2008
	US	:	New home sales – September 2008 Loews Corp. – Q3 2008 results Verizon Communications Inc. – Q3 2008 results
28 <sup>th</sup> October 2008 (Tuesday)	HK	:	Neptune Group Limited (00070) – final results Heng Tai Consumables Group Limited (00197) – final results Shandong Luoxin Pharmacy Stock Co. Ltd (08058) – Q3 2008 results
	US	:	<b>FOMC meeting begins</b> Consumer confidence – October 2008 United States Steel Corp. – Q3 2008 results Valero Energy Corp – Q3 2008 results
29 <sup>th</sup> October 2008 (Wednesday)	HK	:	<b>COSCO Pacific Limited (01199) – Q3 2008 results</b> <b>China Merchants Bank Co., Ltd (03968) – Q3 2008 results</b> <b>Bank of China Limited (03988) – Q3 2008 results</b>
	US	:	Durable goods orders – September 2008 FOMC announcement – September 2008 General Motors Corp – Q3 2008 results Kellogg Co. – Q3 2008 results Kraft Foods Inc. – Q3 2008 results Moody's Corporation – Q3 2008 results Procter & Gamble Co. – Q1 FY2009 results Prudential Financial, Inc. – Q3 2008 results
30 <sup>th</sup> October 2008 (Thursday)	HK	:	<b>China Unicom (Hong Kong) Limited (00762) – Q3 2008 results</b> <b>China CITIC Bank Corporation Limited (00998) – Q3 2008 results</b> Shandong Chenming Paper Holdings Limited (01812) – Q3 2008 results I.T Limited (00999) – interim results <b>Bank of Communications Co. Limited (03328) – Q3 2008 results</b>
	US	:	GDP (advance) – Q3 2008 Initial jobless claims – week ended 25 <sup>th</sup> October 2008 <b>Exxon Mobil Corporation – Q3 2008 results</b> <b>Motorola Inc. – Q3 2008 results</b>
31 <sup>st</sup> October 2008 (Friday)	HK	:	Capital Strategic Investment Limited (00497) – final results
	US	:	Personal income and outlays – September 2008 NAPM - Chicago – October 2008 Consumer sentiment – October 2008 <b>Chevron – Q3 2008 results</b> NYSE Euronext – Q3 2008 results The Washington Post Co. – Q3 2008 results



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