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HONG KONG RESEARCH

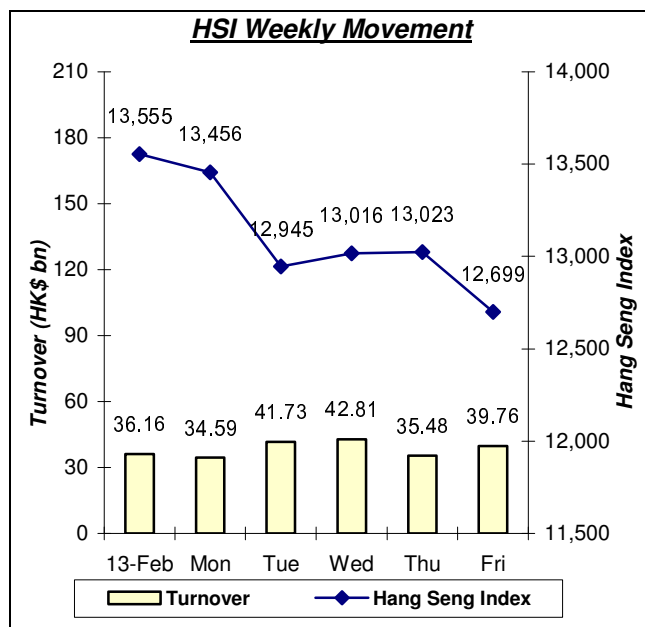
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Weekly Report

20th February 2009

HSI tumbled after the US stock market hit 6-year low



<u>Weekly Market Statistics</u>				
Week ended	20/2/2009	13/2/2009	Change	%
Hang Seng Index	12,699	13,555	-856	-6.3%
HS Red Chip Index	2,926	3,143	-217	-6.9%
HS China Enterprises Index	7,066	7,569	-502	-6.6%
HS Composite Index	1,766	1,876	-110	-5.9%
HS HK Composite Index	1,253	1,320	-67	-5.1%
HS Mainland Composite Index	2,384	2,545	-161	-6.3%
Growth Enterprise Index	370	377	-7	-1.9%
Avg Daily Turnover (HK\$ bn)	38.9	41.3	-2	-5.8%
Sectoral Indices				
Finance	18,319	19,756	-1,437	-7.3%
Utilities	34,287	34,510	-223	-0.6%
Properties	15,027	16,047	-1,019	-6.4%
Comm & Ind	7,151	7,629	-478	-6.3%

Review & Outlook of Market Performance

Hong Kong equities broadly ended in negative territories this week, amid a souring US economy and a sharp fall in the Dow Jones Industrial Average. Besides, profit taking in the Mainland stock market after a long rebound also put further load on the HK market. The Hang Seng Index fell 6.3% w-o-w to 12,699.17, while the HSCEI tumbled 6.6%. Trading volume stayed low, with the average mainboard daily turnover at HK\$38.9 billion, down from HK\$41.3 billion in the previous week.

The HK stock market followed the US equities to trade sharply lower this week, after figures showed that the US housing market has not yet bottomed out. The US housing starts plunged 16.8% m-o-m in January to a record low of an annual rate of 466,000. Addressing the weakness in the housing market, the US President Obama introduced plans to help homeowners in order to avoid a home foreclosure crisis. Nonetheless, the support measures failed to impress, and investors kept dumping financial shares sending the US stock market to a fresh six-year low on Thursday. In HK, bellwether HSBC Holdings was one of the biggest losers, trailing weakness in its global peers. HSBC closed at a 10-1/2-year low of HK\$54.8 on Friday, down a sharp 10.2% over the week. Property developers also underperformed, after data showed HK jobless rate surged to a higher-than-expected 4.6% in the Nov-Jan quarter from 4.1% in the Oct-Dec quarter, raising fear for weakening affordability and pressure on property prices. The Bank of East Asia was among the few heading north this week. Despite a disappointing 2008 results announced on Tuesday, BEA's share price gained 2.7% w-o-w as its management signed confidence of earnings improvement in the next three years and the bank saw no exigency to raise capital via new share issuance.

Financial Secretary will deliver his Budget Speech next Wednesday. However, there is not much room for the HK government to introduce new support measures that would help revive market sentiment. The near-term market outlook should stay bearish amid slumping global equities prices. The HSI is expected to trade under the recent lows near 12,450 next week, with initial support seen at 12,000.

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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
20th February	7,465.95*	1,442.82*	7,416.38	1,594.94	889.71	434.67	4,436.94
13th February	7,850.41	1,534.36	7,779.40	1,705.64	909.84	445.77	4,592.50
Change	-384.46	-91.54	-363.02	-110.70	-20.13	-11.10	-155.56
%	-4.9%	-6.0%	-4.7%	-6.5%	-2.2%	-2.5%	-3.4%

Remarks: (*) closing as of 19th February 2009

Major Changes in Index Constituent Stocks (Week ended 20th February 2009)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @20/02/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Unicom	00762	HK\$7.06	-HK\$0.38	-5.11%	China Unicom chairman said the mobile carrier is planning to launch its 3G business (WCDMA) in May in major cities like Shanghai and Guangzhou. Unicom aims to cover 248 mainland cities or 70% of the nation's population by this year-end. Unicom was down 5.1% this week, slightly outperforming an 8.7% fall of its bigger rival China Mobile.
China Mobile	00941	HK\$68.20	-HK\$6.50	-8.70%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @20/02/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Railway Construction	01186	HK\$10.18	-HK\$0.84	-7.62%	China Railway Construction announced its subsidiaries won two railway projects (Nanning-Guangzhou & Lanzhou-Chongqing) with an aggressive contract size of RMB18.53 billion, or 10.4% of its total 2007 revenue. However, the news failed to lend support to its share price.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @20/02/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Agri-Industries	00606	HK\$3.86	+HK\$0.19	+5.18%	China Agri-Industries said it will acquire assets, including oil seed processing business, corn processing business and packaging material manufacturing operation, from its parent company for HK\$973 million.



Summary of US Economic News

Indicator	Change/Index	Comments
Housing starts – January 2009	-16.8%	Housing starts tumbled 16.8% m-o-m to an annual rate of 466,000 in Jan, the lowest since the US government begun gathering the housing data in 1959 and worse than forecast of a drop to 529,000.
Industrial production – January 2009	-1.8%	Industrial output slipped 1.8% in Jan after a 2.4% fall in Dec, mainly dragged by souring autos production.
Producer price index – January 2009	+0.8%	Producer prices were up 0.8% in Jan, higher than forecast of a 0.3% rise, led by a 3.7% rise in energy prices.
Leading economic indicators – January 2009	+0.4%	The index of leading economic indicators rose 0.4% in Jan, up for the second consecutive month, which suggested the weakness in the US economy may be stabilizing.
Initial jobless claim – week ended 14 th Feb 2009	Unchanged	The number of initial jobless claims was unchanged at a record 627,000 last week, slightly higher than market expectation of 620,000.

Forthcoming Important Announcements / Events

23 rd February 2009 (Monday)	HK	:	Consumer price index – January 2009 City e-Solutions (00557) –final results Real Gold Mining (00246) – trading debut Sino Gold Mining (01862) – final results
	US	:	No important announcement/event
24 th February 2009 (Tuesday)	HK	:	No important announcement/event
	US	:	Consumer confidence – February 2009 Home Depot Inc – Q4 2008 results
25 th February 2009 (Wednesday)	HK	:	Financial Secretary's the 2009/10 Budget Speech Gross domestic product – Q4 2008 – released in the Budget SmarTone Telecommunications (00315) – interim results ASM Pacific Technology (00522) – final results Meadville Holdings (03313) – final results
	US	:	Existing home sales – January 2009
26 th February 2009 (Thursday)	HK	:	External merchandise trade – January 2009 CLP Holdings (00002) – final results Hopewell Holdings (00054) – interim results Delta Networks, Inc. (00722) – final results Hopewell Highway Infrastructure (00737) – interim results Maoye International Holdings (00848) – final results NagaCorp (03918) – final results
	US	:	Durable goods orders – January 2009 New home sales – January 2009 Initial jobless claims – week ended 21 st January 2009 Dell, Inc. – Q4 FY2008/09 results Gap Inc. – Q4 2008 results Novell, Inc. – Q1 FY2008/09 results
27 th February 2009 (Friday)	HK	:	Winfoong International (00063) – final results Recruit Holdings (00550) – final results Hua Han Bio-Pharmaceutical (00587) – interim results Tan Chong International (00693) – final results Brightoil Petroleum (Holdings) (00933) – interim results
	US	:	Gross domestic product (preliminary) – Q4 2008 Consumer sentiment (revised) – February 2009



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