



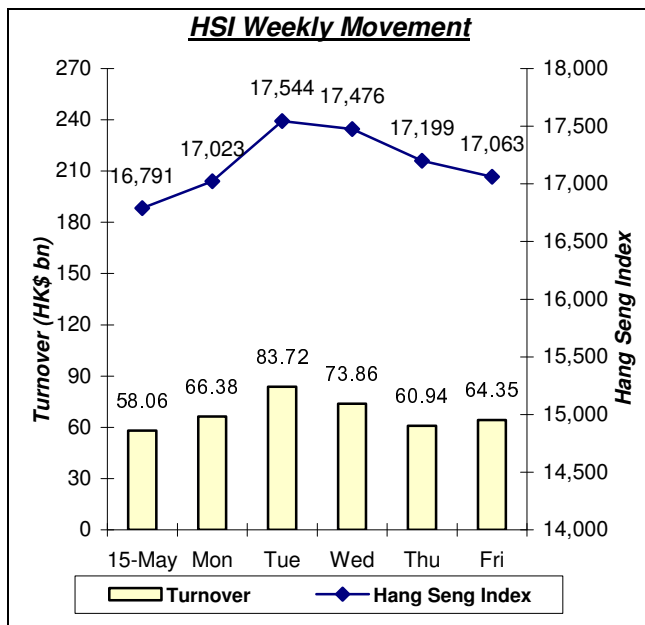
Restricted circulation

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Weekly Report

22nd May 2009

US recession forecast capped gains in the local bourse



Weekly Market Statistics				
Week ended	22/5/2009	15/5/2009	Change	%
Hang Seng Index	17,063	16,791	+272	+1.6%
HS Red Chip Index	3,614	3,547	+67	+1.9%
HS China Enterprises Index	9,791	9,607	+184	+1.9%
HS Composite Index	2,368	2,329	+39	+1.7%
HS HK Composite Index	1,681	1,650	+31	+1.9%
HS Mainland Composite Index	3,192	3,143	+49	+1.6%
Growth Enterprise Index	548	484	+64	+13.2%
Avg Daily Turnover (HK\$ bn)	69.9	87.7	-18	-20.4%
Sectoral Indices				
Finance	25,189	24,809	+380	+1.5%
Utilities	35,622	35,977	-355	-1.0%
Properties	21,771	21,213	+558	+2.6%
Comm & Ind	9,399	9,229	+169	+1.8%

Review & Outlook of Market Performance

Hong Kong stocks started the week in an upbeat tone, which pushed the HSI above the key 250-day moving average. However, the rebound halted and reversed trend from Wednesday on profit-taking after the US Federal Reserve projected a deeper recession in the US due to still tight credit conditions, high unemployment and weak housing prices. The benchmark index eventually landed at 17,062.52 on Friday, up 271.82 points or 1.62% w-o-w with average daily turnover of HK\$69.9 billion over the week.

Two banking news were worth notice this week. HSBC surprisingly cut its deposit savings rate by 90% to 0.001% per annum, matching the record low it paid from January to July 2004. On the other hand, approval was given to HSBC and the Bank of East Asia to issue RMB-denominated bonds in Hong Kong, and the two banks could bring the Chinese-currency bonds to market as early as late next month.

Over the week, the SAR Government made several announcements on key economic figures and official redeployment. Local unemployment rose from 5.2% to 5.3% in February through April, hitting its highest level for more than three years. It is expected the jobless rate would rise more quickly in coming months as graduates boost the labour force. On the other hand, Hong Kong's inflation rate fell to 0.6% y-o-y in April, from 1.2% in March as food prices and rents continued to decline amid the economic slowdown. Finally, it was announced that Mr. Joseph Yam Chi-kwong would step down as Hong Kong's de facto central banker on 1st October 2009 and would be appointed an adviser to the People's Bank of China after his retirement. His successor was not named but Mr. Norman Chan Tak-lam, director of the Chief Executive's Office and a former deputy to Mr. Yam, has been widely tipped to succeed him.

Looking forward into next week, investors should keep a close eye on a new round of economic unrest in Europe after Standard and Poor's downgraded Britain's outlook to "negative" from "stable". The US ratings agency even threatened that Britain might lose its AAA credit rating for the first time since World War II owing to the country's deteriorating public finances. Investors worries the US may face for a similar warning. If the downgrade of Britain comes in reality, it may generate a second wave of across-the-board sell-off in global stock markets. We expect the HSI should see selling pressure above 17,000 level in the near term.

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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
22nd May	8,292.13*	1,695.25*	9,225.81	2,245.27	1045.26	554.02	6,737.29
15th May	8,268.64	1,680.14	9,265.02	2,139.78	1014.21	533.92	6,489.09
Change %	+23.49 +0.3%	+15.11 +0.9%	-39.21 -0.4%	+105.49 +4.9%	+31.05 +3.1%	+20.10 +3.8%	+248.20 +3.8%

Remarks: (*) closing as of 21st May 2009**Major Changes in Index Constituent Stocks (Week ended 22nd May 2009)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @22/5/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Henderson Land	00012	HK\$39.75	+HK\$2.55	+6.85%	Morgan Stanley raised its view on the sector to "attractive" arguing in favour of a faster-than-expected stabilisation in the global economy.
New World Development	00017	HK\$12.78	+HK\$0.84	+7.04%	
Sino Land	00083	HK\$11.74	+HK\$0.88	+8.10%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @22/5/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Railway	00390	HK\$6.28	+HK\$0.75	+13.56%	China Railway announced on Wednesday that its subsidiary had won the bids for domestic passenger railway projects between Hefei and Bangfu. The project was worth around RMB3.53 billion.
Air China	00753	HK\$3.64	-HK\$0.21	-5.45%	Investors sold airline stocks on higher crude oil prices that crossed the US\$60 per barrel mark this week on optimism that the global economy is on its way to recovery.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @22/5/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo Group	00992	HK\$2.80	-HK\$0.08	-2.78%	Lenovo Group posted a second straight quarterly loss which was worse than analysts forecasts as a result of restructuring costs. Also, the company forecasted more pain for this year because of the global economic downturn.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Housing Starts – April 2009	-12.8% m-o-m	Housing starts dropped another 12.8% in April, following an 8.5% decline in March. The April pace of 0.458 million units represented a 54.2% year-on-year drop and came in well below the market forecast for 0.540 million units.
FOMC Minutes for the April 28-29 meeting	-	Forecast by the Fed for GDP growth in 2009 was lowered to a range of -2.0% to -1.3% from the previous forecast range of -1.3% to -0.5%. Also, the forecast for unemployment for the fourth quarter of 2009 was raised to a range of 9.2% to 9.6% from the previous range of 8.5% to 8.8%. The Fed believes monetary and fiscal policies are on track to result in a recovery starting by early 2010.
Initial jobless claims – week ended 16 th May 2009	-12,000 w-o-w	Initial claims fell 12,000 to 631,000 last week, a small improvement from the previous week after the burst of Chrysler-related layoffs.

Forthcoming Important Announcements / Events

25 th May 2009 (Monday)	HK	:	Tingyi (00322) – Q1 2009 results Emperor Capital Group (00717) – interim results
	US	:	US Holiday – Memorial Day
26 th May 2009 (Tuesday)	HK	:	External Merchandise Trade Statistics – April 2009
	US	:	Consumer Confidence – May 2009
27 th May 2009 (Wednesday)	HK	:	New Media (00708) – interim results I.T (00999) – final results
	US	:	Existing Home Sales – April 2009
28 th May 2009 (Thursday)	HK	:	No important announcement/event
	US	:	Initial jobless claims – week ended 23 rd May 2009 Durable Goods Orders – April 2009 New Home Sales – April 2009 Gap Inc. – Q1 2009 results
29 th May 2009 (Friday)	HK	:	No important announcement/event
	US	:	GDP – Q1 2009



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