



# BEA securities

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HONG KONG RESEARCH

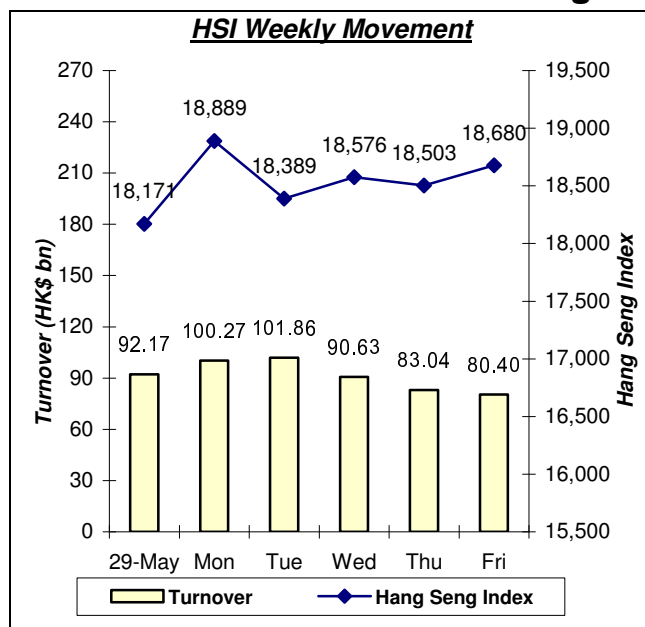
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Weekly Report

5<sup>th</sup> June 2009

## HSI moved higher on China's PMI data



<b>Weekly Market Statistics</b>				
Week ended	05/6/2009	29/5/2009	Change	%
Hang Seng Index	18,680	18,171	+509	+2.8%
HS Red Chip Index	4,021	3,787	+234	+6.2%
HS China Enterprises Index	10,862	10,428	+434	+4.2%
HS Composite Index	2,621	2,528	+93	+3.7%
HS HK Composite Index	1,855	1,824	+30	+1.7%
HS Mainland Composite Index	3,538	3,376	+163	+4.8%
Growth Enterprise Index	570	559	+11	+2.0%
Avg Daily Turnover (HK\$ bn)	91.2	75.1	+16	+21.5%
<b>Sectoral Indices</b>				
Finance	27,124	26,775	+349	+1.3%
Utilities	36,037	35,938	+99	+0.3%
Properties	25,427	25,051	+376	+1.5%
Comm & Ind	10,452	9,896	+556	+5.6%

## Review & Outlook of Market Performance

Signs of sustained recovery in the Mainland economy helped lift the Hang Seng Index to a fresh eight-month high during the week. China's purchasing managers' index (PMI) was reported on Monday to stand above 50 in May for the third straight month, which implied the Mainland manufacturing sector expanded for three months in a row and Beijing's stimulus package might have been making a good impact on revitalising the economy. Nonetheless, the HSI failed to move beyond the 19,000 level on profit taking, while the HK stock market had turned into consolidation since then. Over the week, the HSI gained 509 points or 2.8% to 18,679.53, while the HSCEI rose 4.2% to 10,862.05. Trading activities remained active, with the daily average turnover climbing up to HK\$91.2 billion from HK\$75.1 billion a week earlier.

Global equities extended the strong momentum in May and moved higher during the first week of June, mainly cheered by better-than-expected manufacturing data in China and the US. In HK, the blue-chip index recovered much of the loss since the financial tsunami broke out in Sep 2008, but the upside was capped near 19,000. Investors turned to take profit on property developers following their recent sharp rally. Commodity and energy names like CNOOC and Jiangxi Copper were among the winners, amid rising crude oil and base metal prices. We also saw good buying interests in mobile operators like China Mobile and China Unicom as well as power producers like Datang and Huaneng, as investors hunt for bargains. ICBC ended only slightly up w-o-w, after Goldman Sachs, riding on latest market rally and strong liquidity, sold 3.03 billion of its shares at a discount around 6% for some US\$1.9 billion. Sinopec also underperformed with a 6% drop w-o-w, as the latest hike in the Mainland gasoline and diesel prices (announced last Sunday) was lower than market expectation.

China will release a set of key economic data next week (May CPI & PPI on Wed, May imports & exports on Thu and May retail sales on Fri), which should draw much market attention. Meanwhile, market consolidation is expected to continue next week, but we do not expect a sharp market slump in the near term, as strong liquidity should help contain selling pressure. Support for the HSI is seen near 18,000.

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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
5th June	8,750.24*	1,850.02*	9,768.01	2,396.35	1,075.50	604.57	6,767.10
29th May	8,500.33	1,774.33	9,522.50	2,329.08	1,395.89	560.41	6,890.44
Change	+249.91	+75.69	+245.51	+67.27	-320.39	+44.16	-123.34
%	+2.9%	+4.3%	+2.6%	+2.9%	-23.0%	+7.9%	-1.8%

Remarks: (\*) closing as of 4<sup>th</sup> June 2009

### Major Changes in Index Constituent Stocks (Week ended 5<sup>th</sup> June 2009)

#### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @5/6/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Unicom	00762	HK\$11.62	+HK\$2.12	+22.32%	China Unicom was the best performing blue chip during the week, after a brokerage house upgraded its target price by a sharp 75% citing pleasant outlook of its 3G business. Nonetheless, other analysts turned to downgrade the counter following its rally during the week and recommend a switch to bigger rival China Mobile on valuation concerns.
China Mobile	00941	HK\$79.25	+HK\$3.55	+4.69%	

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

Stock	Stock Code	Closing Price @5/6/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinopec	00386	HK\$5.83	-HK\$0.39	-6.27%	Sinopec underperformed, despite the Mainland announced the long-expected hike in gasoline and diesel prices on last Sunday. The hike was less than expected and may lead to pressure on Sinopec's refining margin ahead.

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

Stock	Stock Code	Closing Price @5/6/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Merchants Holdings (International)	00144	HK\$26.80	+HK\$3.00	+12.61%	The port operator's management revealed that decline in container throughput has been stabilizing since May, and throughput volume is expected to rebound in the second half this year. However, the estimated throughput for the full year of 2009 is still seen down slightly from 2008.



## Summary of US Economic News

Indicator	Change/Index	Comments
Personal income – April 2009	+0.5%	Personal income rose 0.5% m-o-m in Apr, the biggest rise since May 2008. Meanwhile, personal spending fell 0.1% m-o-m in Apr, slightly better than consensus forecast of a 0.2% drop.
ISM manufacturing index – May 2009	42.8	ISM manufacturing index rose to 42.8 in May from 40.1 in Apr, the highest since Sep 2008 and marking the fifth monthly rise in a row.
Construction spending – April 2009	+0.8%	Construction spending rose 0.8% m-o-m in Apr, bucking market expectation of a 1.3% fall.
Factory orders – April 2009	+0.7%	Factory orders surged 0.7% m-o-m in Apr after a 1.9% drop in Mar, slightly below an expected rise of 0.9%.
ISM non-manufacturing index – May 2009	44.0	ISM non-manufacturing inched up to 44.0 in May from 43.7 in Mar, marking the highest level since Oct 2008. However, it was the eighth straight month of a reading below 50, which showed the US services sector stayed in contraction.
Initial jobless claims – week ended 30 <sup>th</sup> May 2009	-4,000	Initial jobless claims fell to 621,000 from 625,000 in the previous week, slightly higher than market expectation of 620,000.
Productivity (revised) – Q1 2009	+1.6%	Productivity surged at an annual rate of 1.6% in Q1 2009, much higher than expected, as aggressive layoffs by employers lifted business efficiency.

## Forthcoming Important Announcements / Events

8 <sup>th</sup> June 2009 (Monday)	HK	:	Global Tech (00143) – interim results
	US	:	No important announcement/event
9 <sup>th</sup> June 2009 (Tuesday)	HK	:	No important announcement/event
	US	:	Wholesale inventories – April 2009
10 <sup>th</sup> June 2009 (Wednesday)	HK	:	China WindPower Group (00182) – final results Automated Systems (00771) – final results
	US	:	Trade balance – April 2009 Treasury budget – May 2009 Federal Reserve's beige book
11 <sup>th</sup> June 2009 (Thursday)	HK	:	Man Sang International (00938) – final results
	US	:	Initial jobless claims – week ended 30 <sup>th</sup> May 2009 Retail sales – May 2009 Business inventories – April 2009
12 <sup>th</sup> June 2009 (Friday)	HK	:	Tern Properties (00277) – final results Tse Sui Luen Jewellery (00417) – final results
	US	:	Consumer sentiment (preliminary) – June 2009

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