

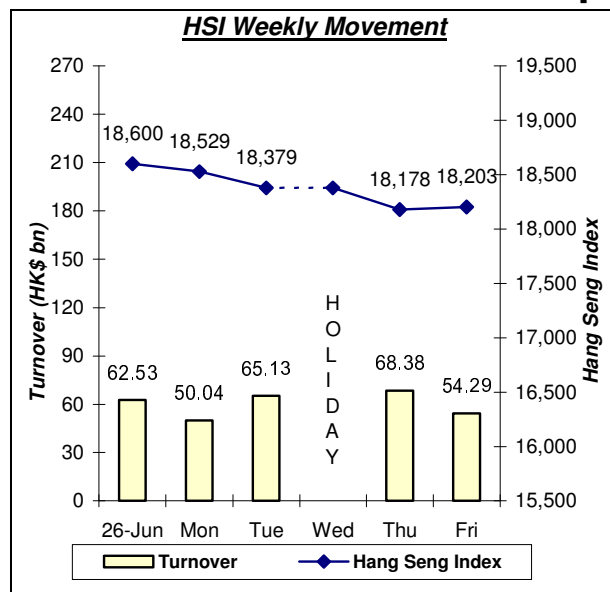
**Restricted circulation**

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**Weekly Report**

3<sup>rd</sup> July 2009

### HSI finished the best quarter in more than 15 years



<b>Weekly Market Statistics</b>				
Week ended	03/7/2009	26/6/2009	Change	%
Hang Seng Index	18,203	18,600	-397	-2.1%
HS Red Chip Index	3,781	3,897	-116	-3.0%
HS China Enterprises Index	10,984	11,037	-53	-0.5%
HS Composite Index	2,575	2,628	-53	-2.0%
HS HK Composite Index	1,757	1,809	-52	-2.9%
HS Mainland Composite Index	3,545	3,601	-56	-1.6%
Growth Enterprise Index	581	587	-6	-1.0%
Avg Daily Turnover (HK\$ bn)	54.5	61.7	-7	-11.6%
<b>Sectoral Indices</b>				
Finance	27,612	27,908	-296	-1.1%
Utilities	35,736	36,798	-1,062	-2.9%
Properties	24,078	25,378	-1,300	-5.1%
Comm & Ind	9,678	9,937	-259	-2.6%

### Review & Outlook of Market Performance

In a week shortened by the HKSAR Establishment Day holiday, the Hong Kong stock market drifted lower as market sentiment was overcast by the worrisome job losses in the US and the worsening retail sales figure in Hong Kong. Employers in the United States cut a larger-than-expected 467,000 jobs in June, driving the unemployment rate up to a 26-year high of 9.5%, while Hong Kong retail sales in May plunged a greater-than-expected 6.2% by value. The benchmark HSI fell three out of the four trading sessions this week, down 396.86 points or 2.13% to close at 18,203.40. Average daily turnover was HK\$54.5 billion, down from HK\$61.7 billion a week earlier.

Despite investors locked in some gains made during a stellar four-month rally that began in March this week, Hong Kong shares still finished their best quarter in more than 15 years. The 42-stock gauge rose 35.4% in the second quarter, buoyed by signs of a likely early recovery in the mainland economy. CITIC Pacific and New World Development were the top gainers among the HSI constituent stocks, rising 82.9% and 81.4% q-o-q, respectively.

In contrast to the share price correction in the local bourse, the Shanghai Composite Index rose above 3,000 points for the first time in 13 months this week, after the official purchasing managers' index (PMI) for June rose to 53.2 from 53.1 in May. The PMI in the mainland continued to expand for a fourth straight month, indicating Beijing's massive stimulus package is pumping economic growth.

On the IPO front, there were 3 new listings over the week. Shampoo maker Bawang (01338.HK), which was 445 times over-subscribed in the retail tranche, jumped 27.3% in its debut trading. Another market debutante, sportswear brand 361 Degrees International (01361.HK), also rose 18.6% during its trading debut on Tuesday. China Qinfa, the smallest among three in terms of capital raised, also fared well with shares in the coal trading company rising 6.4% on Friday.

Failing to break through the 19,000 level for several times, the market seems to restore a downward momentum, with investors' attention starting to focus more on the negative news. Looking into next week, the market may experience some further corrections. Nevertheless, the HSI is expected to see support near 17,800 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
3rd July	8,280.74*	1,838.22*	9,816.07	2,299.75	1,072.69	583.48	6,665.40
26th June	8,438.39	1,829.54	9,877.39	2,317.95	1,075.77	595.80	6,463.56
Change	-157.65	+8.68	-61.32	-18.20	-3.08	-12.32	+201.84
%	-1.9%	+0.5%	-0.6%	-0.8%	-0.3%	-2.1%	+3.1%

Remarks: (\*) closing as of 2<sup>nd</sup> July 2009

## Major Changes in Index Constituent Stocks (Week ended 3<sup>rd</sup> July 2009)

### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @03/7/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinopec Corp	00386	HK\$5.96	+HK\$0.26	+4.56%	Sinopec outperformed the broad market as China unexpectedly increased gasoline and diesel prices on Monday, raising them for the third time since late March.
BOC Hong Kong	02388	HK\$14.24	+HK\$1.04	+7.88%	China and Hong Kong signed a memorandum to launch RMB trade settlement in Hong Kong this week and BOCHK is expected to be one of the key beneficiaries of this scheme owing to its past experience in RMB settlement.

### Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @03/7/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Shenhua	01088	HK\$29.00	+HK\$1.05	+3.76%	China Shenhua rose after the state-run Xinhua News Agency said power demand in the nation's manufacturing hub of Guangdong rose in June. Power output in Guangdong rose 8% in June from a year earlier, the first increase since October.

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

Stock	Stock Code	Closing Price @03/7/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Insurance	00996	HK\$18.30	+HK\$1.90	+11.59%	Insurance companies bucked the downward trend this week as the Shanghai Composite Index breached the long-awaited 3,000-point level for the first time in more than a year, raising hopes for strong investment income at insurance companies in 2009.



## Summary of US Economic News

Indicator	Change/Index	Comments
Consumer Confidence – Jun 2009	49.3	After showing a notable improvement in May, consumer confidence unexpectedly deteriorated in June. Nevertheless, the figure was still above a record low of 25.3 reached in February.
ISM Mfg Index – Jun 2009	44.8	The ISM manufacturing index rose to 44.8 in June from 42.8 in May, which showed the sector contracted less than expected in June. The figures posted its best showing since last August and another sign that a recovery might be near.
Initial jobless claims – week ended 27 <sup>th</sup> June 2009	-16,000	Initial jobless claims fell by 16,000 to a seasonally adjusted 614,000. Jobless claims are slowly declining from a peak reached in early April. The four-week average of claims also dropped to 615,250, the lowest in almost four months.
Non-farm payrolls Unemployment rate – Jun 2009	-467,000 9.5%	The labour sector continued to contract in June with payroll jobs falling more than expected while the unemployment rate rose marginally. Non-farm payroll employment in June declined 467,000, following a fall of 322,000 in May and a decrease of 519,000 in April. The June contraction in jobs was much worse than the market forecast for a 350,000 decrease. On the other hand, the June unemployment rate rose to 9.5% from 9.4% in May and was lower than the consensus forecast for 9.6%. Nevertheless, the number of unemployed hit a record high of 14.7 million and the June unemployment rate is also the highest since 9.5% for August 1983.

## Forthcoming Important Announcements / Events

6 <sup>th</sup> July 2009 (Monday)	HK	:	Bosideng International (03998) – final results
	US	:	ISM Non-Mfg Index – Jun 2009
7 <sup>th</sup> July 2009 (Tuesday)	HK	:	Asia Standard International (00129) – final results Asia Standard Hotel (00292) – final results
	US	:	No important announcement/event
8 <sup>th</sup> July 2009 (Wednesday)	HK	:	Miramar Hotel (00071) – final results Cafe de Coral (00341) – final results Oriental Watch Holdings (00398) – final results Skyworth Digital (00751) – final results
	US	:	Consumer Credit – May 2009 Pepsi Bottling Group – Q2 2009 results ALCOA Inc – Q2 2009 results
9 <sup>th</sup> July 2009 (Thursday)	HK	:	Fairwood (00052) – final results
	US	:	Initial jobless claims – week ended 4 <sup>th</sup> July 2009 Wholesale Trade – May 2009 Chevron – Q2 2009 results
10 <sup>th</sup> July 2009 (Friday)	HK	:	King Fook Holdings (00280) – final results Strong Petrochemical (00852) – final results Amber Energy (00090) – Trading debut
	US	:	International Trade – May 2009 Import and Export Prices – Jun 2009 Consumer Sentiment – Jul -2009

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