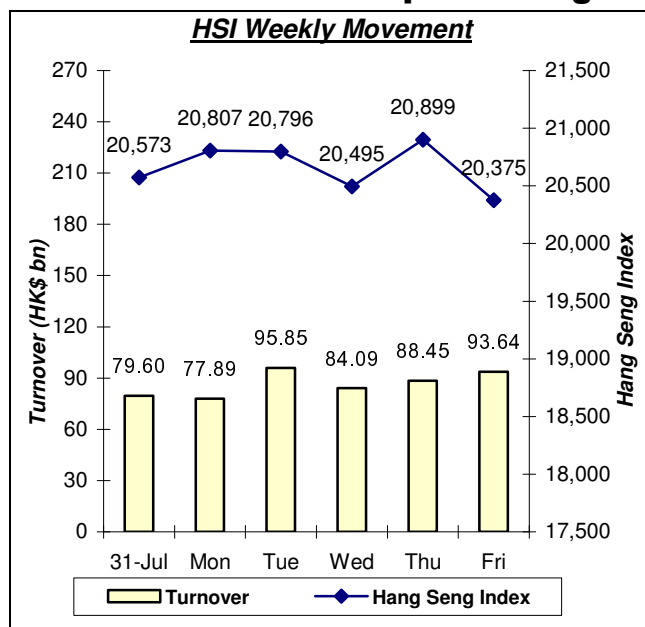


HSI fell despite strong rally in HSBC and China Mobile



Weekly Market Statistics				
Week ended	7/8/2009	31/7/2009	Change	%
Hang Seng Index	20,375	20,573	-198	-1.0%
HS Red Chip Index	4,318	4,150	+168	+4.0%
HS China Enterprises Index	11,612	12,124	-511	-4.2%
HS Composite Index	2,850	2,887	-37	-1.3%
HS HK Composite Index	2,033	2,048	-15	-0.7%
HS Mainland Composite Index	3,829	3,891	-62	-1.6%
Growth Enterprise Index	617	644	-27	-4.2%
Avg Daily Turnover (HK\$ bn)	88.0	84.7	+3	+3.9%
Sectoral Indices				
Finance	30,726	31,252	-526	-1.7%
Utilities	37,169	37,745	-575	-1.5%
Properties	26,480	28,288	-1,809	-6.4%
Comm & Ind	11,083	10,899	+183	+1.7%

Review & Outlook of Market Performance

The Hang Seng Index fell during the week, despite strong rally in heavyweights HSBC and China Mobile. It was mainly dragged by sharp decline in PRC banking plays, amid growing concerns that the major PRC commercial banks would turn more cautious on making new loans for the rest of the year following a lending boom in the first half. Property developers were also among the losers, as a possible slowdown in capital inflow from the Mainland may hurt buying spree in local properties. Over the week, the HSI dropped 0.96% to 20,375.37, while the HSCEI plunged 4.22% to 11,612.18.

Major blue-chip companies began to report their first-half results. HSBC reported on Monday a 52% y-o-y drop in earnings but it was better than market expectations, which triggered a strong rally (+8.69% w-o-w) in its shares. It helped lift the HSI to above 21,000 on Tuesday, a high not seeing in more than 11 months. Hang Seng Bank, Hongkong Electric and Swire Pacific reported lower earnings in 1H09 on economic weakness, while Cathay Pacific Airways turned back into profit on fuel hedging gains. Besides HSBC, another index heavyweight China Mobile also jumped sharply (+8.78% w-o-w) during the week, amid market talks that the mobile giant has hired an investment bank to arrange its A-share listing before the year-end. However, rally in both HSBC and China Mobile failed to support the HSI, as deep share-price losses in the Mainland banks and HK property developers pressed the blue-chip index down into the negative territory. For instance, China Construction Bank tumbled 8.00% w-o-w, while ICBC slumped 8.42%. The HS Property Sub-index registered the biggest drop among the four sub-indexes, down a sharp 6.39% w-o-w.

Besides a streak of results announcements, investors will also look to the Chinese July economic data due in the coming week, including CPI on Monday, external trade figures on Tuesday and retail sales on Wednesday. The HS index compiler will release the quarterly review next Friday, while China Resources Land is tipped to join the HSI and BYD to join the HSCEI. For the coming week, profit taking activities are expected to continue, which may press the blue-chip index down below the 20,000 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
7th August	9,256.26*	1,973.16*	10,412.09	2,549.35	1,184.88	644.20	6,868.65*
31st July	9,171.61	1,978.50	10,356.83	2,659.20	1,174.90	624.00	7,077.71
Change	+84.65	-5.34	+55.26	-109.85	+9.98	+20.20	-209.06
%	+0.9%	-0.3%	+0.5%	-4.1%	+0.8%	+3.2%	-3.0%

Remarks: (*) closing as of 6th August 2009

Major Changes in Index Constituent Stocks (Week ended 7th August 2009)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @7/8/09	W-O-W Change		Remarks / Comments
			Absolute	%	
HSBC Holdings	00005	HK\$83.80	+HK\$6.70	+8.69%	HSBC was one of the winners in the HSI, after it reported a better-than-expected 1H09 result. In 1H09, HSBC posted 51% y-o-y fall in pre-tax profit to US\$5.02 billion, but it was higher than consensus forecast of US\$4.9 billion and far better than some forecast of making a loss in the first half.
China Mobile	00941	HK\$88.55	+HK\$7.15	+8.78%	China Mobile hit an 11-month high, bucking sluggish share-price performance so far this year, as sources were quoted as saying that the mobile giant has hired CICC to arrange its A-share listing.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @7/8/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Railway Group	00390	HK\$7.49	+HK\$0.51	+7.31%	China Railway Group was the top gainer in the HSCEI, after its parent company won a sizable US\$7.5 billion railway project in Venezuela and plans to let China Railway Group to act as the contractor of the project. Besides, the share was also supported by investment upgrade by brokerage houses following the news.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @7/8/09	W-O-W Change		Remarks / Comments
			Absolute	%	
COSCO Pacific	01199	HK\$12.32	+HK\$1.50	+13.86%	Port operators rebounded sharply during the week, following market talks that container throughput in the Mainland ports is seen rebounding robustly in July.
China Merchants Holdings (International)	00144	HK\$27.25	+HK\$1.65	+6.45%	



Summary of US Economic News

Indicator	Change/Index	Comments
Construction spending – June 2009	+0.3%	Construction spending rose 0.3% m-o-m in Jun, bucking market expectation of a 0.5% fall and a 0.8% decline in May, supported by public construction.
ISM manufacturing index – July 2009	48.9	ISM manufacturing index surged to 48.9 in Jul from 44.8 in Jun, beating consensus forecast of 46.5. It marked the highest level since Aug 2008, a fresh sign showing the US manufacturing sector may be bottoming out.
Personal income – June 2009	-1.3%	Personal income fell 1.3% m-o-m in Jun, bigger than market expectation of a 1.0% drop.
Factory orders – June 2009	+0.4%	Factory orders rose 0.4% m-o-m in Jun after a 1.1% rise in May, bucking market expectation of a 1% fall.
ISM non-manufacturing index – July 2009	46.4	ISM non-manufacturing index slipped to 46.4 in Jul from 47.0 in Jun, showing contraction in the US services sector had not yet bottomed.
Initial jobless claims – week ended 1 st August 2009	-38,000	Initial jobless claims fell 38,000 from a week earlier to 550,000 last week, better than consensus forecast of 580,000.

Forthcoming Important Announcements / Events

10 th August 2009 (Monday)	HK	:	China Eastern Airlines (00670) – interim results Haier Electronics (01169) – interim results Lifestyle International (01212) – interim results
	US	:	No important announcement/event
11 th August 2009 (Tuesday)	HK	:	External trade – June 2009 Hysan Development (00014) – interim results MTR Corporation (00066) – interim results Fubon Bank (Hong Kong) (00636) – interim results Huaneng Power International (00902) – interim results Huadian Power International (01071) – interim results
	US	:	Productivity (preliminary) – Q2 2009 Wholesale inventories – June 2009
12 th August 2009 (Wednesday)	HK	:	Hong Kong Exchanges and Clearing (00388) – interim results Dah Sing Financial (00440) – interim results Tencent Holdings (00700) – interim results Dah Sing Banking (02356) – interim results
	US	:	Trade balance – Jun 2009
13 th August 2009 (Thursday)	HK	:	Gross domestic product – Q2 2009 Cheung Kong (Holdings) (00001) – interim results Hutchison Whampoa (00013) – interim results Wing Hang Bank (00302) – interim results Li & Fung (00494) – interim results Chong Hung Bank (01111) – interim results
	US	:	Initial jobless claims – week ended 1 st August 2009 Retail sales – July 2009 Business inventories – June 2009 Wal-Mart Stores Inc. – Q2 FY2009/10 results
14 th August 2009 (Friday)	HK	:	Hang Seng quarterly index review Datang International Power (00991) – interim results Ping An Insurance (02318) – interim results
	US	:	Consumer price index – July 2009 Industrial production – July 2009 Consumer sentiment (preliminary) – August 2009



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