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HONG KONG RESEARCH

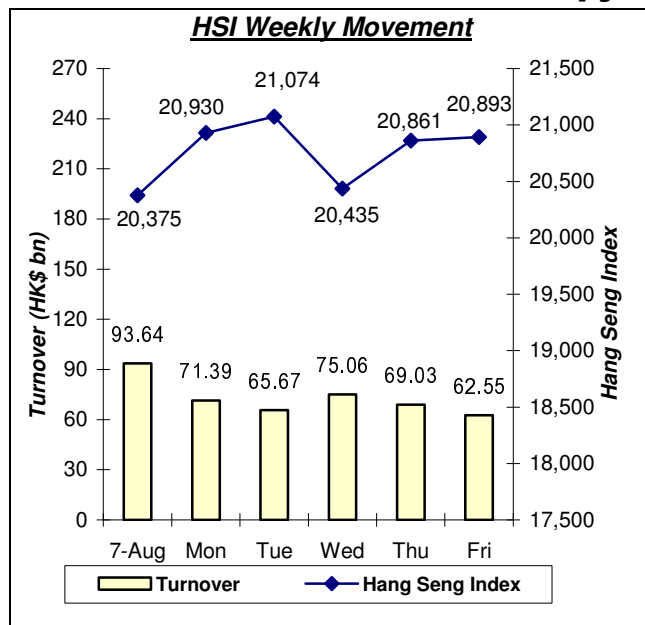
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Weekly Report

14th August 2009

A bumpy ride in the HSI



Weekly Market Statistics				
Week ended	8/14/2009	8/7/2009	Change	%
Hang Seng Index	20,893	20,375	+518	+2.5%
HS Red Chip Index	4,314	4,318	-4	-0.1%
HS China Enterprises Index	11,900	11,612	+288	+2.5%
HS Composite Index	2,907	2,850	+58	+2.0%
HS HK Composite Index	2,070	2,033	+36	+1.8%
HS Mainland Composite Index	3,912	3,829	+82	+2.2%
Growth Enterprise Index	646	617	+29	+4.7%
Avg Daily Turnover (HK\$ bn)	68.7	88.0	-19	-21.9%
Sectoral Indices				
Finance	31,714	30,726	+988	+3.2%
Utilities	37,588	37,169	+419	+1.1%
Properties	26,576	26,480	+97	+0.4%
Comm & Ind	11,351	11,083	+268	+2.4%

Review & Outlook of Market Performance

Hong Kong shares opened higher at the beginning of the week and stayed volatile during the week. The benchmark index plunged on Wednesday, tracking a slump in China stock market, following a sharp drop in China's loan data in July. However, it managed to recover partly on the following day upon supportive comments from the U.S. Federal Reserves. Over the week, the Hang Seng Index jumped 517.96 points or 2.54% to 20,893.33, while the HSCEI gained 2.48% to 11,899.80. Average daily turnover plunged HK\$68.7 billion, versus HK\$88.0 billion in the previous week.

China's economic recovery appeared intact after its mixed economic data in July with retail sales remained strong, exports registered a month-on-month rise whilst its new loans fell to RMB355.9 billion (which was significantly less than the RMB 500 billion forecast). Following the US's FOMC meeting, the Fed announced no change in the fed funds target which remained at a range of zero to 0.25%, in line with expectation. Meanwhile, the Fed gave out supportive comments, saying that "economic activity is leveling out.", suggesting an upgrade for the US economy. In Hong Kong, Cheung Kong reported a 5% y-o-y rise in profit attributable to shareholders to HK\$11.52 billion in 1H09, beating market estimates on higher-than-expected revaluation gains and contribution from Hutchison Whampoa. Hutchison reported a 32.9% y-o-y drop in profit attributable to shareholders to HK\$5.76 billion in 1H09 as weighed down by 3G businesses and a downturn in its logistics, property and ports divisions. Both of the shares underperformed the benchmark index over the week.

Looking ahead, following the July economic data from China, it is confirmed that the economy is on track for economic recovery. This should help lower the downside risk in the stock markets. Meanwhile, further improvement in the market sentiment will likely to be seen if there is any upbeat in the upcoming earnings result announcements from blue chips like R&F Properties, ICBC and China Mobile. According, the HSI is expected to trade between a range of 18,000-21,500 mark 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
14th August	9,398.19*	2,009.35*	10,597.33	2,622.94	1,187.51	654.25	7,069.51
7th August	9,370.07	2,000.25	10,412.09	2,549.35	1,184.88	644.20	6,868.65#
Change	+28.12	+9.10	+185.24	+73.59	+2.63	+10.05	+200.86
%	+0.3%	+0.5%	+1.8%	+2.9%	+0.2%	+1.6%	+2.9%

Remarks: (*) closing as of 13th August 2009 & (#) closing as of 6th August 2009

Major Changes in Index Constituent Stocks (Week ended 14th August 2009)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @14/8/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Tencent	00700	HK\$118.7	+HK\$12	+11.25%	The counter reported a market beating second-quarter earnings result, on the back of strong revenue growth in its paid internet services. Its first-half net profit shot up 89% year on year to RMB2.26 billion. No interim dividend was proposed.
HKEx	00388	HK\$149.8	+HK\$7.4	+5.2%	The bourse operator recorded a modest rise in net profit in 2Q2009, due to improving trading volumes and increased capital raising activity.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @14/8/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Zijin Mining	02899	HK\$7.00	-HK\$0.29	-3.98%	The company reported first-half profit gained 11% on higher bullion prices and production. Net income rose to RMB 1.93 billion from RMB 1.74 billion a year earlier.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @14/8/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Unicom	00762	HK\$11.18	-HK\$0.48	-4.12%	The counter fell probably because it had already factored in the iPhone launch in the next two months. Also, it is expected that the financial benefits from the launch will be limited, unless the company manages to grab very high end subscribers with RMB300 ARPU instead of its current blended ARPU of about RMB40.



Summary of US Economic News

Indicator	Change/Index	Comments
Productivity and costs – Q2 2009	6.4%, q-o-q	Second quarter productivity in US posted a sharp gain of 6.4%, following a revised 0.3% rise in the first quarter. Such jump was well above the consensus forecast for a 5.5% increase.
Wholesale inventories – June 2009	-1.7%, m-o-m	Wholesale inventories fell 1.7% m-o-m in June, from a drop of 0.8% in May, indicating a faster pace of destocking as firms have been trying to change their cost structure in response to lower demand.
Trade balance – Jun 2009	US\$27.0 billion deficit	The U.S. trade deficit widened to US\$27 billion in June from a revised US\$26.0 billion deficit in the previous month, largely due to higher oil prices and a wider petroleum deficit which expanded to US\$17.2 billion from US\$13.3 billion in May.
Initial jobless claims – week ended 8 th August 2009	558,000	Initial jobless claims edged down from 550,000 to 558,000, slightly lower-than-expected, thanked to lower labor costs which helped businesses to trim fewer jobs.
Retail sales – July 2009	-0.1%, m-o-m	Retail sales dropped unexpectedly in July with a 0.1% dip, following a 0.6% advance in June. The July decline came in well below the consensus forecast of a 0.8% advance, suggesting that it should still take a while for the US economy to have a full recovery.
Business inventories – June 2009	-1.1%, m-o-m	Business inventories fell 1.1% m-o-m in June, extending its long trend of decline with a 1.0% drop in May.

Forthcoming Important Announcements / Events

17 th August 2009 (Monday)	HK	:	Angang Steel (00347) – interim results ICBC (Asia) (00349) – interim results China Overseas Land and Investment (00688) – interim results
	US	:	Housing market index – August 2009
18 th August 2009 (Tuesday)	HK	:	Unemployment rate – July 2009 CLP (00002) – interim results Maanshan Iron & Steel (00323) – interim results CITIC 1616 (01883) – interim results
	US	:	Housing starts – July 2009 Producer price index – July 2009 Home Depot – Q2 2009 results Hewlett-Packard – Q3 FY2009 results
19 th August 2009 (Wednesday)	HK	:	Anhui Conch Cement (00914) – interim results Bank of Communications (03328) – interim results
	US	:	No important announcement/event
20 th August 2009 (Thursday)	HK	:	CPI – July 2009 PCCW (00008) – interim results China Mobile (00941) – interim results ICBC (01398) – interim results R&F Properties (02777) – interim results
	US	:	Initial jobless claims – 15 th August 2009 Leading indicators – July 2009 Philadelphia Fed – August 2009
21 st August 2009 (Friday)	HK	:	Sundart International (02288) – Trading debut China Construction Bank (00939) – interim results Yanzhou Coal (01171) – interim results PICC P&C (02328) – interim results
	US	:	Existing homes sales – July 2009



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