



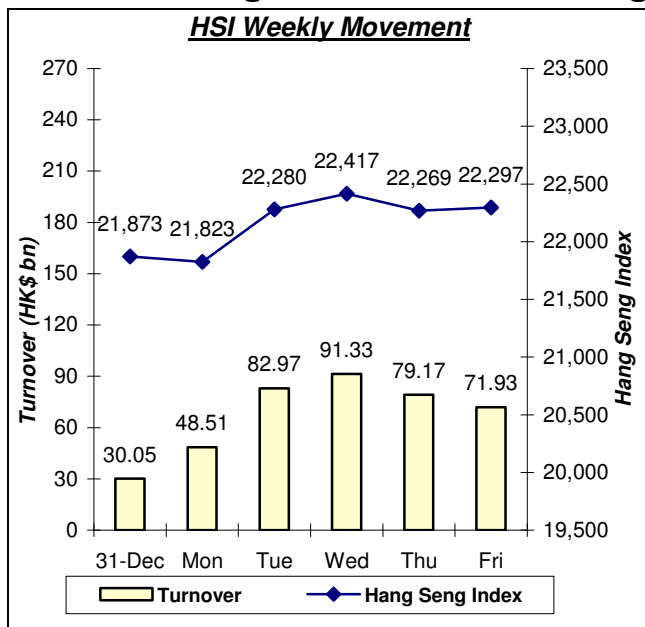
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Weekly Report

8<sup>th</sup> January 2010

## A good start for the Hong Kong Stock Market in 2010



**Weekly Market Statistics**

Week ended	08/1/2010	31/12/2009	Change	%
Hang Seng Index	22,297	21,873	+424	+1.9%
HS Red Chip Index	4,192	4,060	+132	+3.3%
HS China Enterprises Index	13,035	12,794	+241	+1.9%
HS Composite Index	3,117	3,052	+65	+2.1%
HS HK Composite Index	2,240	2,188	+51	+2.3%
HS Mainland Composite Index	4,172	4,090	+82	+2.0%
Growth Enterprise Index	705	677	+28	+4.2%
Avg Daily Turnover (HK\$ bn)	74.8	33.4	+41	+124.2%
Sectoral Indices				
Finance	34,518	34,171	+347	+1.0%
Utilities	38,153	37,585	+568	+1.5%
Properties	28,498	28,147	+351	+1.2%
Comm & Ind	11,855	11,453	+402	+3.5%

### Review & Outlook of Market Performance

The Hang Seng Index recaptured the 22,000 level on robust trading volume, supported by decent manufacturing data in the US as well as bargain hunting for laggards from 2009. However, the rally lost steam towards the end of the week, after the People's Bank of China surprisingly raised its short-term bills yield on Thursday, triggering concerns the central bank would have started its tightening measures to control excess market liquidity and booming bank loans. The Hang Seng Index rose 424.25 points or 1.9% to 22,296.75, matched by a similar gain in the HSCEI at 13,035.09. The daily average of Mainboard turnover resumed to HK\$74.8 billion from that of HK\$33.4 billion in the previous week, as fund managers and institutional investors were back to office after a long X'mas and New Year holiday break.

Hong Kong shares staged a good start in 2010, after the US manufacturing sector posted the strongest growth in more than 3-1/2 years in December. Besides, bargain hunting for laggards from last year like China Mobile and infrastructure plays (e.g. China Railway and China Communications Construction) also helped boost major stock market indexes. Nevertheless, investors soon turned into a cautious mode, after the People's Bank of China said it would pay attention to the Mainland property market and rationing of bank credit in 2010, and surprised the market by raising the yield on 3-month bills offered on Thursday. It was the first hike in 19 weeks, triggering fear for a gradual monetary tightening this year. Such fear also sent most PRC banks and property plays lower during the week. ICBC dropped 1.24% w-o-w, while China Construction Bank lost 2.10%. China Resources Land declined 2.15% w-o-w, while Franshion Properties tumbled 2.92%. In addition, market talks of a RMB20 billion share issue by Bank of China also cooled down the stock market amid concerns over a possible liquidity drain.

The Hong Kong stock market is seen consolidating near 21,000-22,000 in the next couple of weeks, as the Mainland authority is expected to keep its warning against hefty property prices and excess bank credit in the next couple of weeks to contain any seasonal shot-up in inflationary pressure before the Lunar New Year.

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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
8th January	10,606.86*	2,300.05*	10,798.32	2,922.76	1,292.98	738.96	8,280.90
31st December	10,428.05	2,269.15	10,546.44^	2,897.62	1,269.84	734.54^	8,188.11
Change	+178.81	+30.90	+251.88	+25.14	+23.14	+4.42	+92.79
%	+1.7%	+1.4%	+2.4%	+0.9%	+1.8%	+0.6%	+1.1%

Remarks: (\*) closing as of 7<sup>th</sup> January 2010; (^) closing as of 30<sup>th</sup> December 2009

## Major Changes in Index Constituent Stocks (Week ended 8<sup>th</sup> January 2010)

### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @8/1/10	W-O-W Change		Remarks / Comments
			Absolute	%	
Aluminum Corp of China (Chalco)	02600	HK\$9.93	+HK\$1.38	+16.14%	Chalco outperformed the HSI, after the Mainland's top aluminum producer said it raised spot alumina prices by 5.7%, the first hike since Sep 2009.

### Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @8/1/10	W-O-W Change		Remarks / Comments
			Absolute	%	
ICBC	01398	HK\$6.36	-HK\$0.08	-1.24%	PRC banks were among the losers, after People's Bank of China, the country's central bank, raised yields on its 3-month bills during the latest auction, a move regarded as the beginning of gradual monetary tightening after China achieved its 8% GDP growth target last year.
China Construction Bank	00939	HK\$6.53	-HK\$0.14	-2.10%	
China CITIC Bank	00998	HK\$6.42	-HK\$0.21	-3.17%	
China Communications Construction	01800	HK\$8.10	+HK\$0.67	+9.02%	
China Communications Services	00552	HK\$4.18	+HK\$0.36	+9.42%	

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

Stock	Stock Code	Closing Price @8/1/10	W-O-W Change		Remarks / Comments
			Absolute	%	
COSCO Pacific	01199	HK\$11.68	+HK\$1.75	+17.62%	COSCO Pacific was the largest gainer in both the HSI and the HSCCI, after the port operator said business improved in Q4 2009 when compared with Q1-Q3 and it is planning to raise service fees in Nansha, Dalian, Qingdao and Tianjin ports.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Construction spending – November 2009	-0.6%	Construction spending posted a higher-than-expected 0.6% drop in Nov, marking the 7 <sup>th</sup> monthly decline in a row.
ISM manufacturing index – December 2009	55.9	The ISM manufacturing index surged to 55.9 in Dec from 53.6 in Nov (the highest since Apr 2006 and beating consensus forecast of 54.3), implying solid recovery in the US manufacturing sector.
Factory orders – November 2009	+1.1%	Thanks to better demand for business equipment, factory orders rose 1.1% in Nov, beating market expectations of a 0.5% growth and implying rising spending and production.
Pending home sales – November 2009	-16.0%	Index of pending home sales tumbled a sharp 16.0% in Nov, compared with forecast of a 2% rise, putting an end to the uptrend in the previous nine months. The drop was mainly due to the scheduled expiry of a tax credit.
ISM non-manufacturing index – December 2009	50.1	The ISM non-manufacturing index increased to 50.1 in Dec from 48.7 in Nov, as the US services sector resumed growth pace on agriculture and retail.
Initial jobless claims – week ended 2 <sup>nd</sup> Jan 2010	+1,000	Initial jobless claims rose 1,000 to 434,000 for the week ended 2 <sup>nd</sup> Jan, but below market expectation of 447,000.

**Forthcoming Important Announcements / Events**

11 <sup>th</sup> January 2010 (Monday)	HK	:	Global Tech (Holdings) (00143) – final results CIL Holdings (00479) – final results
	US	:	ALCOA Inc – Q4 2009 results
12 <sup>th</sup> January 2010(Tuesday)	HK	:	China Green (Holdings) (00904) – interim results
	US	:	Trade balance – November 2009
13 <sup>th</sup> January 2010 (Wednesday)	HK	:	Water Oasis Group (01161) – final results Smart Union Group (Holdings) (02700) – interim results
	US	:	No important announcement/event
14 <sup>th</sup> January 2010 (Thursday)	HK	:	No important announcement/event
	US	:	Retail sales – December 2009 Initial jobless claims – the week ended 9 <sup>th</sup> January 2010 Business inventories – November 2009 Intel – Q4 2009 results
15 <sup>th</sup> January 2010 (Friday)	HK	:	QPL International Holdings (00243) – interim results Huafeng Group Holdings (00364) – final results Ming Fung Jewellery Group (00860) – final results
	US	:	Consumer price index – December 2009 Consumer sentiment – January 2010 Industrial production – December 2009 JPMorgan Chase & Co. – Q4 2009 results



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