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HONG KONG RESEARCH

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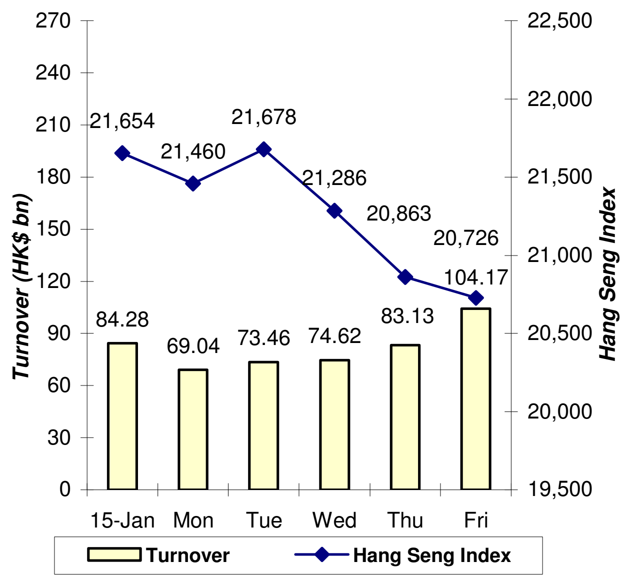
Weekly Report
22nd January 2010

The HSI tumbled on concerns over more Chinese tightening measures

HSI Weekly Movement



Weekly Market Statistics

Week ended	22/1/2010	15/1/2010	Change	%
Hang Seng Index	20,726	21,654	-928	-4.3%
HS Red Chip Index	4,020	4,234	-215	-5.1%
HS China Enterprises Index	11,976	12,357	-381	-3.1%
HS Composite Index	2,929	3,059	-130	-4.3%
HS HK Composite Index	2,103	2,203	-101	-4.6%
HS Mainland Composite Index	3,922	4,089	-167	-4.1%
Growth Enterprise Index	748	755	-8	-1.0%
Avg Daily Turnover (HK$ bn)	80.9	84.3	-3	-4.1%
Sectoral Indices				
Finance	32,096	33,043	-948	-2.9%
Utilities	36,402	37,247	-845	-2.3%
Properties	25,884	26,918	-1,034	-3.8%
Comm & Ind	11,047	11,822	-775	-6.6%

Review & Outlook of Market Performance

Hong Kong stock market stayed volatile during the week. It once saw support on Tuesday following a rumor of “through train investment” for Shanghai investors. However, after the rumor was denied and China’s strong economic data was released on Thursday, fears of further tightening measures to contain inflation were reignited. Losses were further extended on Friday after the Hang Seng Index saw a roller-roaster ride during its intraday trading. Over the week, the Hang Seng Index plunged 927.98 points or 4.29% to 20,726.18, with the Hang Seng Commerce and Industry Sub-Index being hit hard and falling 6.6%, while the HSCEI fell 3.09% to 11,975.65. Average daily turnover dropped to HK$80.9 billion, versus HK$84.3 billion in the previous week.

On economic front, China successfully achieved GDP growth target of 8% in 2009 following its fourth quarter growth of 10.7% year-on-year in 2009. Inflation picked up at 1.9% year-on-year (versus market consensus of 1.4%) in December 2009. In Hong Kong, unemployment rate fell to 4.9% in October – December 2009, down from 5.1% level in September – November 2009. On IPOs front, three IPOs in Hong Kong have been raising net proceeds of around HK$20.02 billion year-to-date. United Company RUSAL (00486) raised HK$16.79 billion by share placement, while SouthGobi Energy Resources (01878) and Meike International (00953) combinedly raised HK$3.23 billion through their respective public offerings. Shares in the international placement trench of RUSAL registered four times oversubscription, while those in SouthGobi and retail trench Meike were 20 times and 151 times oversubscribed respectively.

Despite the weak market sentiment, three more companies are scheduled to have their respective initial public offerings in the coming week. Meanwhile, Hang Lung Properties will deliver its interim results announcement on 27th January, unveiling the blue chips results announcement in Hong Kong. Market sentiment would also likely depend on US companies results announcement and what the FOMC statement will reveal after the FOMC meeting to be held on 27th January 2010. Moreover, given China’s strong 4Q GDP growth and higher than expected inflation in December 2009, the Chinese government is expected to see more pressure to curb overheating. Accordingly, the HSI is expected to consolidate in the coming week with a technical support level at around 20,000 mark amid lacking positive news in the stock market.

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
22nd January	10,389.88*	2,265.70*	10,590.55	2,820.16	1,298.10	713.89	7,927.31
15th January	10,609.65	2,287.99	10,982.10	2,920.19	1,298.58	746.52	8,356.89
Change	-219.77	-22.29	-391.55	-100.03	-0.48	-32.63	-429.58
%	-2.1%	-1.0%	-3.6%	-3.4%	-0.0%	-4.4%	-5.1%

Remarks: (*) closing as of 21st January 2010

Major Changes in Index Constituent Stocks (Week ended 22nd January 2010)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @22/1/10	W-O-W Change		Remarks / Comments
			Absolute	%	
Foxconn International	02038	HK$9.03	-HK$1.99	-18.06%	The worst performed shares in the HSI. Foxconn hit a three-week low level on Friday after Citigroup downgraded its parent Hon Hai (2317.TW) from "Buy" to "Hold", citing the firm' rich valuations and margin concerns.
Tencent	00700	HK$150.5	-HK$24.90	-14.20%	Tencent was downgraded by Macquaire to "Neutral", citing the counter had limited upside potential.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @22/1/10	W-O-W Change		Remarks / Comments
			Absolute	%	
BYD Company	01211	HK$56.80	-HK$7.10	-11.11%	The worst performed shares in the HSCEI this week, as investors reassessed stock valuations following a strong gain in 2009.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @22/1/10	W-O-W Change		Remarks / Comments
			Absolute	%	
Denway Motors	00203	HK$4.97	+HK$0.37	+8.04%	The counter bucked the market downtrend and became the top gainer in the HSCCI this week. It was reported that Guangzhou Auto, which controls 38% of Denway, offered to exchange shares in itself for the rest of the shares in Denway.
Sinofert Holdings	00297	HK$4.69	-HK$0.79	-14.42%	The counter expected to post net losses for the second-half and full-year of 2009 due to reduced domestic demand and lower prices of potash fertilizer.

Summary of US Economic News

Indicator	Change/Index	Comments
Housing Market Index – January 2010	15	Housing market index edged down to 15 in January 2010 from 16 in December 2009 on weaker job market.
Producer Price Index – December 2009	0.2%, month-on-month	Producer price index rose 0.2% month-on-month in December after a 1.8% gain in November, led by a jump in food prices. Core PPI stayed flat in December after a monthly rise of 0.5% in November on falling prices of light trucks.
Housing Starts – December 2009	-4%, month-on-month	Led by a drop in single-family starts, housing starts fell 4% month-on-month to 557,000 units in December after rebounding 10.7% in November. The result was below consensus projection. However, building permits unexpectedly jumped by 11.8% as the bad weather might have kept builders away from worksites.
Initial jobless claims – the week ended 16th January 2010	+36,000	Initial jobless claims jumped unexpectedly by 36,000 to 482,000, while four-week average jumped 7,000 to 448,250, reflecting a backlog of applications during the year-end holidays.
Leading Indicators – December 2009	1.1%, month-on-month	Leading indicators rose more than anticipated to 1.1% month-on-month in December from 0.9% in November due to fewer layoff and low interest rates.

Forthcoming Important Announcements / Events

25th January 2010 (Monday)	HK	:	No important news or announcements
	US	:	Existing home sales – December 2009 Apple – Q1 FY2010
26th January 2010 (Tuesday)	HK	:	Trade balance – December 2009
	US	:	Consumer confidence – January 2010 Verizon – Q4 2009 Yahoo – Q4 2009
27th January 2010 (Wednesday)	HK	:	Hang Lung Group (00010) – interim result Hang Lung Properties (00101)– interim result United Company RUSAL Limited (00486) – trading debut
	US	:	New home sales – December 2009 FOMC meeting announcement Caterpillar – Q4 2009 The Boeing Co. – Q4 2009
28th January 2010 (Thursday)	HK	:	China Daye Non-Ferrous Metals Mining (00661) – interim result
	US	:	Durable goods orders – December 2009 Initial jobless claims – the week ended 23rd January 2010 Microsoft – Q2 FY2010 Procter & Gamble – Q2 FY2010 AT&T – Q4 2009 Invesco – Q4 2009 Motorola – Q4 2009
29th January 2010 (Friday)	HK	:	SouthGobi Energy Resources Limited (01878) – trading debut
	US	:	GDP – 4Q 2009 Employment cost index – Q4 2009 Chicago PMI – January 2010 Consumer sentiment – January 2010

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