



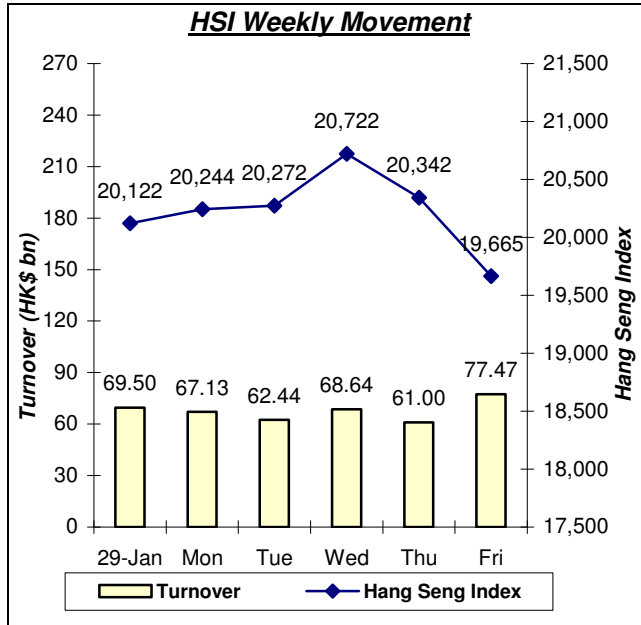
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Weekly Report

5th February 2010

HK stocks tumbled amid European debt woes



Weekly Market Statistics

Week ended	05/2/2010	29/1/2010	Change	%
Hang Seng Index	19,665	20,122	-457	-2.3%
HS Red Chip Index	3,877	3,876	+1	+0.0%
HS China Enterprises Index	11,132	11,498	-366	-3.2%
HS Composite Index	2,774	2,822	-49	-1.7%
HS HK Composite Index	2,012	2,045	-33	-1.6%
HS Mainland Composite Index	3,693	3,760	-67	-1.8%
Growth Enterprise Index	689	705	-16	-2.3%
Avg Daily Turnover (HK\$ bn)	67.3	62.4	+5	+7.9%
Sectoral Indices				
Finance	30,155	31,092	-937	-3.0%
Utilities	35,823	36,317	-494	-1.4%
Properties	24,140	24,551	-410	-1.7%
Comm & Ind	10,621	10,784	-163	-1.5%

Review & Outlook of Market Performance

The Hang Seng Index ended below the 20,000 mark, amid mounting debt woes in Europe, which sent global equities substantially lower. Earlier in the week, the blue-chip index mainly consolidated around 20,000-20,500, as investors saw mixed talks/rumours about the latest credit condition of the PRC banking sector, with some saying major state banks called back new loans during the second half of January and some claiming banks kept doing their lending business as usual. The HSI lost steam towards the end of the week, as debt woes spilled over from Greece to its euro-zone neighbours Spain and Portugal, triggering market fear for breakout of another round of global financial crisis. Over the week, the HSI lost 457 points or 2.3% to 19,665.08, while the HSCEI plunged 3.2%.

There were mixed reports during the week about the overall January new bank loans in the Mainland. It was first reported that new loans amounted to only RMB110 billion last month, down from RMB140 billion by 19th Jan, implying a sharp brake on new lending in late-Jan. However, another report said total new loans stood at RMB160 billion in Jan, just slightly down from a year earlier. On the other hand, it was reported that China Construction Bank continued to offer discounted mortgage rates to 20%-30% of its customers. The news helped soothe fear for strict control on banks' lending operation and led to a rebound in PRC banking stocks on Wednesday. Nonetheless, the stock market soon reversed head and slumped below the psychological support at the 20,000 level, as escalating debt woes in Europe drew market tensions. The Greek government revealed plans to cut fiscal spending in an attempt to improve its financial condition. However, it failed to revive market confidence, as the restrictive measures led to severe rebellion within the southern European country. Bearish sentiment spilled over other euro-zone nations with similar debt problem, like Spain and Portugal, reflecting in jumping yields on their respective government bonds.

The HK stock market is expected to stay weak in the near term, as potential buyers would sit back before the long Lunar New Year holiday. The HSI is seen trading lower around 19,000-19,700 next week.

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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
5th February	10,002.18*	2,125.43*	10,057.09	2,683.56	1,247.90	691.41	7,217.83
29th January	10,067.33	2,147.35	10,198.04	2,745.35	1,259.16	696.55	7,640.44
Change	-65.15	-21.92	-140.95	-61.79	-11.26	-5.14	-422.61
%	-0.6%	-1.0%	-1.4%	-2.3%	-0.9%	-0.7%	-5.5%

Remarks: (*) closing as of 4th February 2010**Major Changes in Index Constituent Stocks (Week ended 5th February 2010)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @5/2/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC Ltd.	00883	HK\$11.60	+HK\$0.56	+5.07%	Offshore oil producer CNOOC outlined its 2010 strategy during the week, aiming to produce 275-290 million barrels of oil equivalent (BOE) in 2010, up a robust 21%-28% from the estimated 2009 output. Besides, given the ongoing development projects, CNOOC expects its production to grow at a CAGR of 6%-10% during 2011-2015. Thanks to the bullish outlook guidance, shares of CNOOC largely outperformed its bigger rivals and the HSI.
PetroChina	00857	HK\$8.40	-HK\$0.40	-4.55%	
Sinopec	00386	HK\$5.85	-HK\$0.26	-4.26%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @5/2/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
China Shenhua	01088	HK\$31.35	-HK\$2.05	-6.14%	Share prices of coal producers eased during the week, dragged by a drop in coal prices in Qinhuangdao as weather turned warmer after a freezing January.
China Coal Energy	01898	HK\$10.88	-HK\$1.02	-8.57%	
Yanzhou Coal	01171	HK\$15.20	-HK\$0.24	-1.55%	

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @5/2/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo	00992	HK\$5.11	-HK\$0.26	-4.84%	Lenovo reported a net profit of US\$79.5 million in the Oct-Dec 2009 quarter, marking the first quarterly profit in 1-1/2 years. Nonetheless, the quarterly profit was mainly supported by one-off gains from the disposal of financial assets. In fact, the net profit would have been below market expectations if the one-off gain is excluded.



Summary of US Economic News

Indicator	Change/Index	Comments
Personal income – December 2009	+0.4%	Personal income rose 0.4% in Dec, higher than forecast of 0.3%, while personal spending surged 0.2%, slightly below an expected rise of 0.3%.
Construction spending – December 2009	-1.2%	Construction spending dropped 1.2% in Dec to the lowest level since Aug 2003, much weaker than market expectation of a 0.5% fall.
ISM manufacturing index – January 2010	58.4	The ISM manufacturing index surged to 58.4 in Jan from 54.9 in Dec, a high not seeing since Aug 2004 and higher than consensus forecast 55.5. It showed the US manufacturing sector continued to recover amid a weak US dollar and stable energy prices.
Pending home sales – December 2009	+1.0%	Pending home sales rose 1.0% m-o-m in Dec after a sharp 16.4% drop in Nov when home buyers rushed for purchase before a tax credit was supposed to expire on 30 th Nov.
ISM non-manufacturing index – January 2010	50.5	The ISM non-manufacturing index surged to 50.5 in Jan from 49.8 in Dec, implying the US services sector revived growth last month.
Initial jobless claims – week ended 30 th Jan 2010	+8,000	Initial jobless claims rose 8,000 to 480,000 last week, against consensus forecast of a drop to 460,000.
Non-farm productivity – Q4 2009	+6.2%	Productivity rose 6.2% in Q4 2009 after a 7.2% rise in Q3, better than the expected 6.0% rise.
Factory orders – December 2009	+1.0%	Factory orders rose 1.0% in Dec, marking the fourth monthly rise in a row.

Forthcoming Important Announcements / Events

8 th February 2010 (Monday)	HK	:	Beijing Capital Land (02868) – final results
	US	:	No important announcement/event
9 th February 2010(Tuesday)	HK	:	Sunlight REIT (00435) – interim results NagaCorp (03918) – final results
	US	:	Wholesale inventories – December 2009 NYSE Euronext – Q4 2009 results The Coca-Cola Company – Q4 2009 results Walt Disney – Q1 2009/10 results
10 th February 2010 (Wednesday)	HK	:	SW Kingsway Capital (00188) – interim results First Natural Foods (01076) – interim results Emperor Entertainment (08078) – interim results
	US	:	Trade balance – December 2009 Prudential Financial, Inc. – Q4 2009 results
11 th February 2010 (Thursday)	HK	:	External merchandise trade – December 2009 Year-end population for 2009 Bank of East Asia (00023) – final results Sino Resources (00223) – interim results Manulife Financial (00945) – final results CITIC 1616 (01883) – final results Good Friend International (02398) – final results
	US	:	Retail sales – January 2010 Initial jobless claims – the week ended 6 th February 2010 Business inventories – December 2009 PepsiCo – Q4 2009 results The Philip Morris International – Q4 2009 results
12 th February 2010 (Friday)	HK	:	Heng Xin China (08046) – interim results
	US	:	Consumer sentiment – February 2010



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