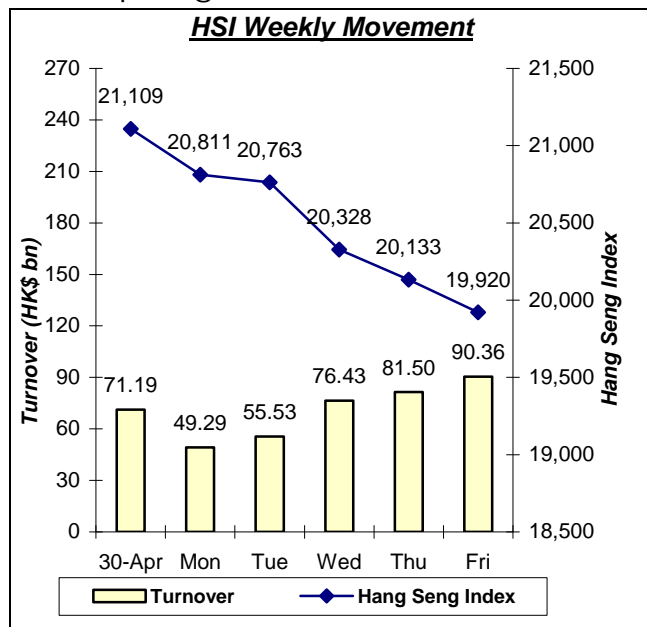


**Restricted circulation**

Analyst: Paul Sham

**Weekly Report**

 7<sup>th</sup> May 2010

**HSI plunged on euro-zone debt crisis and Mainland tightening measures**


**Weekly Market Statistics**

Week ended	7/5/2010	30/4/2010	Change	%
Hang Seng Index	19,920	21,109	-1,188	-5.6%
HS Red Chip Index	3,710	3,997	-287	-7.2%
HS China Enterprises Index	11,380	12,181	-802	-6.6%
HS Hong Kong 35 Index	2,051	2,164	-113	-5.2%
HS Mainland 100 Index	6,368	6,822	-454	-6.7%
Growth Enterprise Index	811	894	-83	-9.3%
Avg Daily Turnover (HK\$ bn)	70.6	63.0	+8	+12.0%
<b>Sectoral Indices</b>				
Finance	30,078	31,918	-1,839	-5.8%
Utilities	38,369	38,715	-346	-0.9%
Properties	24,817	26,237	-1,420	-5.4%
Comm&Ind	10,871	11,585	-714	-6.2%

**Review & Outlook of Market Performance**

Hong Kong shares fell all 5 trading sessions this week with the main index hitting on 11-week low. Over the week, Moody's Investors Service said it was reviewing Portugal's credit rating, heightening concern Greece's debt crisis will spread through Europe and derail the global economic recovery. The HSI dived even further to below 20,000 level following the hefty losses in the US markets on Thursday night as waves of computerized trading exacerbated a selloff triggered by Europe's debt crisis. Dow Jones Industrial Average fell almost 1,000 points, a 9.2% plunge that was its biggest intraday percentage loss since 1987, before paring the drop. With almost all index constituents heading south, the HSI closed down 1,188.30 points or 5.63% w-o-w at 19,920.29. Average daily turnover was HK\$70.6 billion, up from HK\$63.0 billion in the previous week.

In order to rein in an explosion of new loans, China's central bank surprisingly announced the third hike this year in lenders' reserve requirement ratio amid the three-day Labour Day holiday. In addition, speculation that Beijing would impose even more stringent measures soon to crack down on the property sector caused panic selling in the Mainland stock markets. The Shanghai Composite Index dived 6.35% to 2,688.38, the lowest close since 1<sup>st</sup> September 2009. The HSCEI also tracked the w-o-w decline in the Mainland counterpart to close the week at 11,379.56, down 6.58% w-o-w.

On the IPO front, performances were mixed for two listing candidates. L'Occitane (00973), the first French company to list in Hong Kong, dropped 4.5% from the offer price at HK\$15.08 while Lansan Pharmaceutical (00503), a Ningbo-based specialty drug maker, surged 16.6% on its first trading day. Hit by the abrupt change in market sentiment, Swire Pacific announced the withdrawal from the separate listing of Swire Properties (00962) to raise HK\$20.8 billion on Thursday.

Looking forward into next week, most attention in the market will continue to focus on the euro-zone debt crisis. We see the market sentiment to remain in a weak tone and the HSI is expected to hover around 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 May	10,520.32*	2,319.64*	10,364.59	2,821.11	1,332.89	768.55	7,567.10
30th April	11,008.61	2,461.19	11,057.40	2,974.61	1,346.38	763.51	8,004.25
Change	-488.29	-141.55	-692.81	-153.50	-13.49	+5.04	-437.15
%	-4.4%	-5.8%	-6.3%	-5.2%	-1.0%	+0.7%	-5.5%

Remarks: (\*) closing as of 6<sup>th</sup> May 2010**Major Changes in Index Constituent Stocks (Week ended 7<sup>th</sup> May 2010)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @7/5/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Esprit Holdings	00330	HK\$49.65	-HK\$7.05	-12.43%	Concerns over European debt crisis weighed on the share prices of Esprit Holdings as the exporter makes around 85% of its revenue in Europe.

**Hang Seng China Enterprises Index (HSCEI)**

Stock	Stock Code	Closing Price @7/5/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Yanzhou Coal	01171	HK\$19.40	-HK\$2.90	-13.00%	Australia unveiled plans to impose a 40% tax on the profits of resource companies starting from July 2012. The earnings of Yanzhou Coal, which have already invested in Australian mining resources, would be negatively affected.

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

Stock	Stock Code	Closing Price @7/5/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Yuexiu Property	00123	HK\$1.66	-HK\$0.22	-11.70%	It was reported that Evergrande Real Estate (03333) was selling its properties at a 15% discount nationwide. The news stirred a spillover effect on other property stocks as investors worried the move would trigger a mass sell-off of homes at discount prices.
Sino-Ocean Land	03377	HK\$5.55	-HK\$0.51	-8.42%	

**Summary of US Economic News**

Indicator	Change/Index	Comments
Personal Income M/M change Consumer Spending M/M change – Mar 2010	+0.3% +0.6%	Personal income strengthened in March, gaining 0.3%, following a 0.1% rise the prior month. Consumer spending rose at a faster pace due to a jump in motor vehicle sales. Personal consumption posted a 0.6% boost in March, following a 0.5% jump the month before.
ISM Mfg Index – Apr 2010	60.4	The ISM manufacturing index, at 60.4, posted its strongest reading in six years. The pace of new orders was very strong, at 65.7 to extend a run of 10 straight months of strength. Production followed new orders, at 66.9 for a nearly 7-point gain from March for its strongest reading in six years.
Pending Home Sales Index – Mar 2010	+5.3%	Pending home sales rose 5.3% in March to an index level of 102.9, boosted by the tax credit incentive. The report expected sales would fall back soon after the latest round of stimulus expired.
Initial jobless claims – week ended 1 <sup>st</sup> May 2010	-7,000	Unemployment claims improved for a third straight week by falling 7,000 to 444,000 in the previous week.

**Forthcoming Important Announcements / Events**

10 <sup>th</sup> May 2010 (Monday)	HK	:	CLP Holdings (00002) – Q1 2010 results Sands China Ltd. (01928) – Q1 2010 results
	US	:	No important news or announcements
11 <sup>th</sup> May 2010(Tuesday)	HK	:	SMIC (00981) – Q1 2010 results
	US	:	Wholesale Trade – Mar 2010 Walt Disney – Q2 2010
12 <sup>th</sup> May 2010 (Wednesday)	HK	:	Hong Kong Exchanges (00388) – Q1 2010 results Tencent (00700) – Q1 2010 results
	US	:	International Trade – Mar 2010 Treasury Budget – Apr 2010 Cisco Systems – Q3 2010 results
13 <sup>th</sup> May 2010 (Thursday)	HK	:	United Company RUSAL (00486) – Q1 2010 results Alibaba.com (01688) – Q1 2010 results GDP – Q1 2010
	US	:	Initial jobless claims – the week ended 8th May 2010 Import and Export Prices – Apr 2010
14 <sup>th</sup> May 2010 (Friday)	HK	:	GOME Electrical Appliances (00493) – Q1 2010 results SouthGobi Energy Resources (01878) – Q1 2010 results
	US	:	Consumer Sentiment – May 2010 Industrial Production – Apr 2010 Retail Sales – April 2010



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