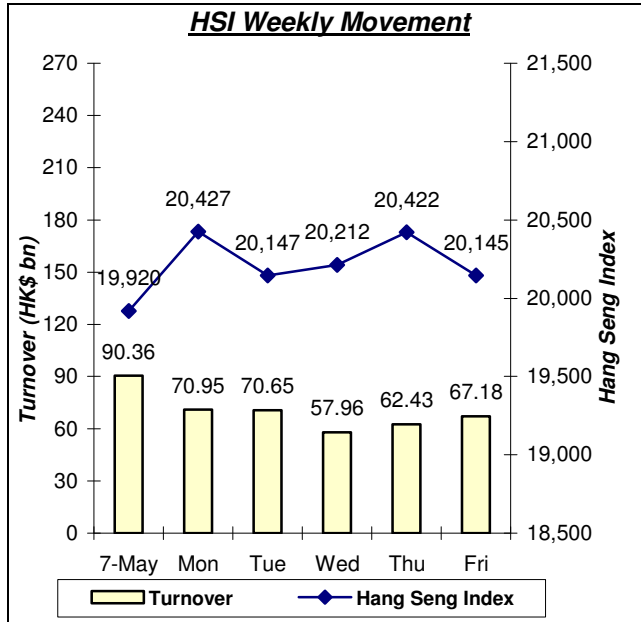




Restricted circulation  
Analyst: Sabina Cheng

Weekly Report  
14<sup>th</sup> May 2010

### HSI ended above 20,000 after a volatile week



<b>Weekly Market Statistics</b>				
Week ended	14/5/2010	7/5/2010	Change	%
Hang Seng Index	20,145	19,920	+225	+1.1%
HS Red Chip Index	3,771	3,710	+61	+1.7%
HS China Enterprises Index	11,589	11,380	+209	+1.8%
HS Hong Kong 35 Index	2,058	2,051	+7	+0.3%
HS Mainland 100 Index	6,486	6,368	+118	+1.9%
Growth Enterprise Index	837	811	+26	+3.2%
Avg Daily Turnover (HK\$bn)	65.8	70.6	-5	-6.8%
<b>Sectoral Indices</b>				
Finance	30,479	30,078	+401	+1.3%
Utilities	38,805	38,369	+436	+1.1%
Properties	24,879	24,817	+62	+0.2%
Comm&Ind	10,983	10,871	+122	+1.1%

### Review & Outlook of Market Performance

Hong Kong shares registered a bumpy ride during the week. The Hang Seng Index (HSI) posted a sharp one-day rally on Monday, benefiting from European Union's USD1 trillion rescue plan for tackling the Greece's debt crisis. However, the HSI headed south again on investors' concerns over European Union's ability to solve the debt woes. China's tightening risk also weighed on the market following its higher-than-expected inflation in April (2.8% year-on-year). Market sentiment improved again on Thursday following Beijing's approval to raise RMB287 billion for four of its biggest listed lenders. Eventually, the Hang Seng Index had a weekly gain of 1.1% to 20,145.43, while the HSCEI climbed 1.8% to 11,588.97. The daily average turnover amounted to HK\$65.8 billion, down from HK\$70.6 billion in the previous week.

China's April macro data were generally in line with expectations. These included an 18.5% growth in retail sales and a 21.5% increase in M2. Nevertheless, investors were concerned over China's higher-than-expected inflation in April, implying higher interest rates tightening risk. Meanwhile, China's higher-than-expected new lending of RMB774 billion in April failed to cheer investors of Chinese banks. On the other hand, most Chinese banks gained support after the central government approved ICBC, Bank of China, CCB and Bank of Communications to raise RMB287 billion in total. Share prices in the four lenders registered an average gain of 1.4% week-on-week. Local property counters posted an average decrease of 1% over the week. Weak market sentiment in the local property was seen especially following the poor response to the residential land auction in Tung Chung for HK\$3.42 billion which was less than market expectation and was eventually bid by Nan Fung Development.

On the IPO front, although Swire Properties scrapped its listing plan amid market turbulence, last week's IPO candidate, NVC Lighting's reported an oversubscription of 37 times in its retail tranche. Meanwhile, Youyuan (a leading wrapping tissue paper manufacturer in the PRC) started its IPO on Friday (14<sup>th</sup> April), raising as much as HK\$773.6 million.

Looking ahead, market focuses will be on US's April consumer and producer price indexes. The Hang Seng Index is expected to test the strong resistance level of 20,500 mark in the coming week due mainly to a lack of fresh positive news flow.

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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 May	10,782.95*	2,394.36*	10,462.51	2,862.03	1,338.92	768.79	7,772.13
7th May	10,380.43	2,265.64	10,364.59	2,821.11	1,332.89	768.55	7,567.10
Change	+402.52	+128.72	+97.92	+40.92	+6.03	+0.24	+205.03
%	+3.9%	+5.7%	+0.9%	+1.5%	+0.5%	+0.0%	+2.7%

Remarks: (\*) closing as of 13<sup>th</sup> May 2010

## Major Changes in Index Constituent Stocks (Week ended 14<sup>th</sup> May 2010)

### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @14/5/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
China Merchant	00144	HK\$26.35	+HK\$1.95	+7.99%	The biggest gainer in the HSI this week on stronger trade data from China. China reported a trade surplus of USD1.68 billion in April, compared with a deficit of USD7.24 billion in March.
Citic Pacific	00267	HK\$13.84	-HK\$1.40	-9.19%	S&P downgraded Citic Pacific's outlook to negative from stable and re-affirmed its "BBB-" rating on rising cost of its iron ore project in Australia. The proposed rise in Resource Super Profits Tax on mining projects by the Australian government was believed to reduce the IRR of Citic's iron ore project.

### Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @14/5/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
CNBM	03323	HK\$11.82	+HK\$1.34	+12.79%	CNBM said it recently entered the thin film solar cell business with competitive advantages of low production costs and low pollution.
China Oilfield	02883	HK\$10.22	+HK\$0.96	+10.37%	The company announced to issue no more than 500 million A-shares to raise RMB7 billion for financing capacity expansion.

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

Stock	Stock Code	Closing Price @14/5/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo Group	00992	HK\$5.73	+HK\$0.55	+10.62%	The company announced it would launch its LePhone smartphone through a deal with China Unicom.
Poly HK	00119	HK\$6.89	-HK\$0.52	-7.02%	The counter was the worst performed property developer in the HSCCI this week amid continuous policy risk.



**Summary of US Economic News**

Indicator	Change/Index	Comments
Wholesale Trade – March 2010	+0.4%, month-on-month	Wholesale trade climbed 0.4% month-on-month in March, compared with the 0.6% rise in February. The rise in wholesale trade was far below the 2.8% increase in sales, suggesting companies would need to step up orders to meet demand.
International Trade – March 2010	USD40.4 billion deficit	The March trade gap widened to USD40.4 billion from a revised deficit of USD39.4 billion in February. The smaller than expected trade gap was partially due to sharp increases in both the price and quantity of energy imports.
Treasury Budget – April 2010	USD82.7 billion deficit	Treasury deficit widened to USD82.7 billion from the deficit of USD65.4 billion. The results were above market estimates on lower individual tax receipts.
Initial jobless claims – the week ended 8th May 2010	444,000	Initial jobless claims slipped 4,000 to 444,000 from an upward revision figure of 448,000 in the previous week. The four-week average also fell 9,000 to 450,500, the lowest level since late March.
Import and Export Prices – April 2010	+0.9% and +1.2% month-on-month respectively	Prices of goods imported into the US rose 0.9% month-on-month in April, led by higher costs for commodities including oil. Prices of goods exported out of the US advanced 1.2% in April, the largest advance in nearly two years.

**Forthcoming Important Announcements / Events**

17 <sup>th</sup> May 2010 (Monday)	HK	:	Tingyi (00322) – Q1 2010 results
	US	:	Empire State Mfg Survey – May 2010 Housing Market Index – May 2010
18 <sup>th</sup> May 2010 (Tuesday)	HK	:	SJM (00880) – Q1 2010 results
	US	:	Housing Starts – April 2010 Producer Price Index – April 2010 Home Depot – Q1 2010 results Wal-Mart Stores – Q1 2010 results Hewlett-Packard – Q2 FY2010 results
19 <sup>th</sup> May 2010 (Wednesday)	HK	:	CVM Minerals (00705) – Q1 2010 results
	US	:	Consumer Price Index – April 2010 FOMC Minutes – for the meeting held on 28 <sup>th</sup> April 2010
20 <sup>th</sup> May 2010 (Thursday)	HK	:	Advanced Semiconductor Manufacturing (03355) – Q1 2010 results
	US	:	Initial jobless claims – 15 <sup>th</sup> May 2010 Leading indicators – April 2010 Philadelphia Fed Survey – May 2010
21 <sup>st</sup> May 2010 (Friday)	HK	:	Public holiday – Buddha birthday
	US	:	No important news or announcements



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