



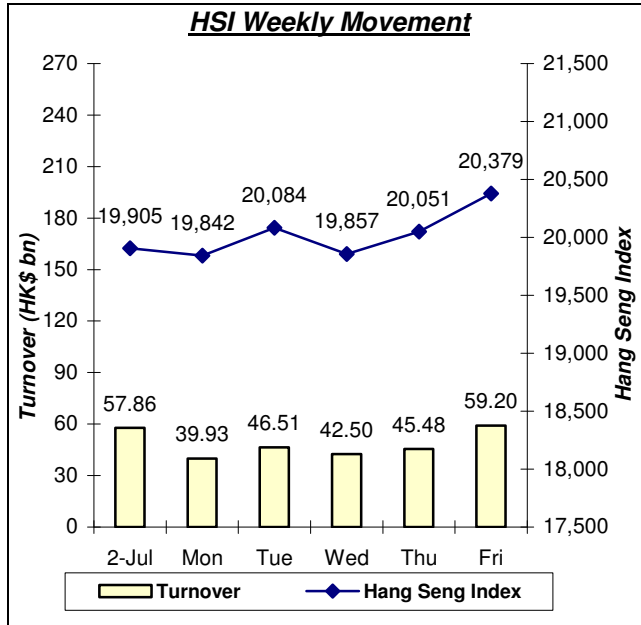
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Weekly Report

9th July 2010

HSI regained ground above 20,000 on earnings optimism



Weekly Market Statistics

Week ended	09/7/2010	02/7/2010	Change	%
Hang Seng Index	20,379	19,905	+473	+2.4%
HS Red Chip Index	3,880	3,774	+106	+2.8%
HS China Enterprises Index	11,621	11,247	+374	+3.3%
HS Hong Kong 35 Index	2,097	2,043	+54	+2.6%
HS Mainland 100 Index	6,557	6,362	+195	+3.1%
Growth Enterprise Index	763	758	+5	+0.7%
Avg Daily Turnover (HK\$ bn)	46.7	54.4	-8	-14.1%
Sectoral Indices				
Finance	30,613	29,947	+667	+2.2%
Utilities	41,588	41,067	+522	+1.3%
Properties	26,177	25,375	+803	+3.2%
Comm & Ind	11,008	10,737	+270	+2.5%

Review & Outlook of Market Performance

The Hang Seng Index opened the week with a weak tone, after reports said Bank of China (BOC) and Industrial Bank of China (ICBC) will follow their peers to tap the market for replenishing their capital via rights issues. The blue-chip index gradually picked up steam towards the end of the week, thanks to a sharp rebound in the US stock market, as investors hunt for bargain before the kick-off of the Q2 earnings season next week. A decent weekly gain in the Mainland equities after a long losing streak since mid-April also helped support the HK stock market. Over the week, the HSI gained 2.4%, while the HSCEI or the so-called H-share index rose 3.3%. Trading volume was tame before a leap on Friday, with daily average turnover at HK\$46.7 billion, compared with HK\$54.4 billion in the previous week.

Following the footsteps of Agricultural Bank of China's A-H IPO, BOC also announced its long-expected RMB60 billion rights issue plan. It was also reported that ICBC is preparing its A-H rights issue to raise a smaller amount of RMB45 billion. China Construction Bank, the second largest bank in China, is expected to announce similar plan as soon as it wins regulatory approvals. The fund-raising plans led to only short-lived selling pressure, as buying spree gathered pace after China Merchants Bank issued a positive earnings alert saying its net profit is expected to grow by at least 50% y-o-y in the first half. Overall, the HS China H-Financials Index, which tracks share-price performance of major PRC banks and insurers, rose 2.9% w-o-w. The IPO market continued to show sluggish performance. Three IPOs listed during the week, namely Chaowei Power, Sinoref and Guotai Junan International, were all down on their respective trading debuts. Next week, we will have five IPOs commencing their trading debuts, including that of Agricultural Bank of China scheduled on Friday (Jul 16).

In addition to the US corporate earnings and the Federal Reserve's FOMC meeting (Jul 13-14), the market will also look to the release of June economic data from China on next Thursday. Investors will pay much attention to the Q2 GDP figure (consensus forecast: +10.5% y-o-y) to see whether the Chinese economy, the growth engine behind the global economy, may have lost steam as suggested by the June PMI report.

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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
9th July	10,138.99*	2,175.40*	9,585.32	2,917.17	1,324.31	820.60	7,647.25
2nd July	9,686.48	2,091.79	9,203.71	2,844.19	1,307.44	802.57	7,330.74
Change	+452.51	+83.61	+381.61	+72.98	+16.87	+18.03	+316.51
%	+4.7%	+4.0%	+4.1%	+2.6%	+1.3%	+2.2%	+4.3%

Remarks: (*) closing at of 8th July 2010**Major Changes in Index Constituent Stocks (Week ended 9th July 2010)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @9/7/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Li & Fung	00494	HK\$37.80	+HK\$2.95	+8.46%	Li & Fung was the biggest gainer in the blue-chip index, after the global sourcing firm said it has sealed seven new deals so far this year, including three acquisitions and four licensing deals. The deals are expected to fuel the company's growth momentum and strengthen its presence in health, beauty and cosmetics business.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @9/7/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Dongfeng Group	00489	HK\$9.92	+HK\$1.02	+11.46%	Dongfeng said it sold 161,940 vehicles in June, up 38.6% y-o-y. For the first six months of 2010, sales volume jumped a sharp 59.2% y-o-y.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @9/7/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo group	00992	HK\$4.52	+HK\$0.32	+7.62%	Lenovo outperformed, after HKEx filings showed the company repurchased its shares for the fourth time so far this month, which may implied the management's optimism about the company's business outlook.

**Summary of US Economic News**

Indicator	Change/Index	Comments
ISM non-manufacturing index – Jun 2010	53.8	The ISM non-manufacturing index stood at 53.8% in Jun, lower than 55.4 in May and market expectation of 55.0, which showed that growth momentum in the US services sector softened slightly.
Initial jobless claims – week ended 3 rd July 2010	-21,000	Initial jobless claims fell 21,000 to 454,000 last week, better than market expectations of a drop to 460,000.

Forthcoming Important Announcements / Events

12 th July 2010 (Monday)	HK	:	Chiho-Tiande (00976) – trading debut National Electronics (00213) – final results
	US	:	ALCOA Inc – Q2 2010 results
13 th July 2010(Tuesday)	HK	:	Convoy Financial Services (01019) – trading debut Cosmopolitan International (00120) – final results GR Vietnam (00139) – final results Samson Paper (00731) – final results China South City (01668) – final results
	US	:	Trade balance – May 2010 Intel Corporation – Q2 2010 results
14 th July 2010 (Wednesday)	HK	:	Get Nice (00064) – final results Chuang's Consortium (00367) – final results Yau Lee (00406) – final results Hung Hing Printing (00450) – final results Public Financial (00626) – interim results Joyce Boutique (00647) – final results
	US	:	Retail sales – June 2010 Business inventories – May 2010 FOMC policy statement (end of two-day meeting)
15 th July 2010 (Thursday)	HK	:	China ITS (01900) – trading debut Tian Shan Development (02118) – trading debut CITIC 21CN (00241) – final results Lo's Enviro-Pro (00309) – final results Oriental Watch (00398) – final results Bauhaus International (00483) – final results Victory City (00539) – final results Linmark Group (00915) – final results
	US	:	Initial jobless claims – the week ended 10 th July 2010 Producer price index – June 2010 Industrial production – June 2010 Google – Q2 2010 results JPMorgan Chase & Co. – Q2 2010 results
16 th July 2010 (Friday)	HK	:	Agricultural Bank of China (01288) – trading debut Four Seas Food Investment (00060) – final results Mongolia Energy (00276) – final results Four Seas Mercantile (00374) – final results YGM Trading (00375) – final results Chun Wo Development (00711) – final results Extrawell Pharmaceutical (00858) – final results Jiwa Bio-Pharm (02327) – final results
	US	:	Consumer price index – June 2010 Consumer sentiment – July 2010 Bank of America Corporation – Q2 2010 Citigroup Inc. – Q2 2010 results General Electric – Q2 2010 results



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