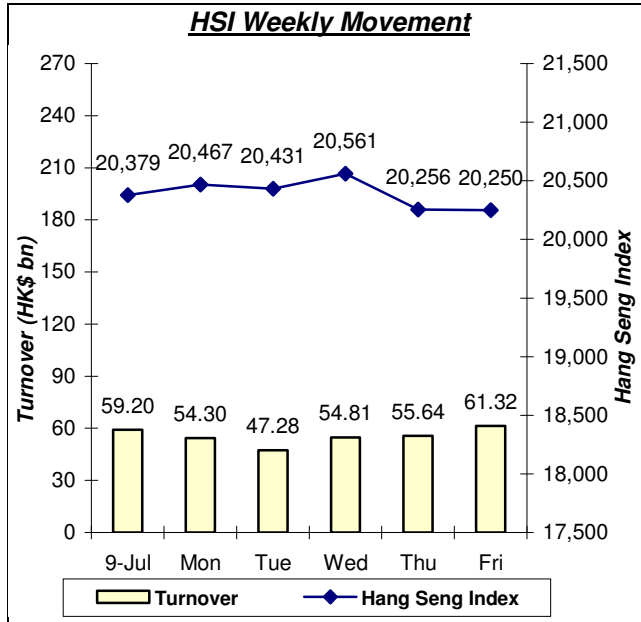




## HSI dropped on slower China economic data in June



**Weekly Market Statistics**

Week ended	16/7/2010	09/7/2010	Change	%
Hang Seng Index	20,250	20,379	-129	-0.6%
HS Red Chip Index	3,828	3,880	-53	-1.4%
HS China Enterprises Index	11,420	11,621	-201	-1.7%
HS Hong Kong 35 Index	2,101	2,097	+4	+0.2%
HS Mainland 100 Index	6,457	6,557	-100	-1.5%
Growth Enterprise Index	753	761	-8	-1.0%
Avg Daily Turnover (HK\$ bn)	54.7	46.7	+8	+17.0%
<b>Sectoral Indices</b>				
Finance	30,723	30,613	+110	+0.4%
Utilities	40,896	41,588	-692	-1.7%
Properties	26,439	26,177	+261	+1.0%
Comm & Ind	10,765	11,008	-243	-2.2%

### Review & Outlook of Market Performance

Hong Kong shares stayed range-bound during the week. Investors were once optimistic that China could shift to a more neutral stance in terms of its policy decision making for the remainder of this year. Local stocks also benefited from Intel's upbeat earnings outlook. On the other hand, market sentiment was weighed down by the Mainland's stock markets after news saying China would continue to rein in speculation in its property sector. June economic data suggested a slower economic growth in China, weighing on the Hong Kong stock market. Week-on-week, the HSI dropped 0.63% to 20,250.16, while the HSCEI lost 1.70% to 11,419.62. The daily average turnover amounted to HK\$54.7 billion, up from HK\$46.7 billion in the previous week.

China's GDP eased to 10.3% y-o-y in 2Q 2010 from 11.9% in 1Q 2010 on the base effect and the government's measures. The data was roughly in line with market expectations. Besides, China inflation slowed to 2.9% y-o-y in June (below the government's official target of 3%), down from 3.1% in May. Its loans growth and money supply also slowed to RMB 603.4 billion in June, compared with RMB 639.4 billion in May.

China insurers fell by nearly 2% on Monday after the regulator said it would remove the cap on the guaranteed rate of return for some life insurance contracts, which were expected to hurt profit margin of insurers. Meanwhile, property counters gave up much of their gains made early in the week on news that China had no plan to ease its property curbs. Bawang tumbled 23.1% w-o-w after a report saying that some of its products might contain a cancer-causing chemical. But the company denied the report later.

On IPO front, the five listing debutants had mix first-day returns on their respective debuts this week. Convo performed the best, up 26.7% versus its IPO price of HK\$1.20 (and closed the week at HK\$1.7). This was followed by Tian Shan and Agricultural Bank of China, which gained 4.3% and 2.2% respectively. China ITS ended flat while Chiho-Tiande lost 1.6%.

Looking ahead, market sentiment will very much depend on Hong Kong's unemployment and inflation figures, and corporate earnings results announcements from US companies such as Goldman Sachs, IBM and Microsoft. The Hang Seng Index is expected to continue trading between a narrow range of 20,000 – 20,500 in the near term.

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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
16th July	10,359.31*	2,249.08*	9,408.36	2,952.58	1,335.64	827.54	7,664.57
9th July	10,198.03	2,196.45	9,585.32	2,917.17	1,324.31	820.60	7,647.25
Change	+161.28	+52.63	-176.96	+35.41	+11.33	+6.94	+17.32
%	+1.6%	+2.4%	-1.8%	+1.2%	+0.9%	+0.8%	+0.2%

Remarks: (\*) closing at of 15<sup>th</sup> July 2010**Major Changes in Index Constituent Stocks (Week ended 16<sup>th</sup> July 2010)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @16/7/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
BOC Hong Kong	02388	HK\$18.68	+HK\$0.86	+4.83%	The Bank rose 4.28% on Wednesday on news that China had authorized the Bank to provide RMB cash settlement services for Taiwanese lenders operating in Hong Kong.

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

Stock	Stock Code	Closing Price @16/7/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Zijin Mining	02899	HK\$4.64	-HK\$0.94	-16.85%	The counter resumed trading on Tuesday, after it had revealed a serious leakage in its copper plant. Target price of the share was accordingly lowered by investment banks on expected lower copper output after closure of plant. Moreover, news on Friday reported that three management officers of the plant were arrested and the Company was under investigation by the Chinese government.

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

Stock	Stock Code	Closing Price @16/7/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo group	00992	HK\$4.68	+HK\$0.16	+3.54%	Lenovo jumped on Wednesday benefiting from Intel's upbeat earnings outlook. Meanwhile, news showed that shipments moved up 22.4% y-o-y in 2Q 2010, boosted by strong demand from business and the European market.



**Summary of US Economic News**

Indicator	Change/Index	Comments
Trade balance – May 2010	USD42.3 billion deficits	The trade deficits unexpectedly worsened to US\$42.3 billion from US\$40.3 billion in April, led by the non-petroleum section.
Retail sales – June 2010	-0.5%, m-o-m	Retail sales dropped unexpectedly by 0.5% m-o-m in June, after a 1.1% decline in May, dragged by a fall in motor vehicle sales.
FOMC policy statement	-	The minutes revealed that FOMC members' growth and inflation forecasts were revised downward slightly. While moderate growth is expected to continue (though at a slower pace as previously expected), the downward revision was largely due to the fallout from sovereign debt concerns in some European countries.
Initial jobless claims – the week ended 10 <sup>th</sup> July 2010	429,000	Initial jobless claims dropped more-than-expected by 29,000 to 429,000, from an upwardly revised 458,000 in the previous week. The four-week average also fell by 11,750 to 455,250.
Producer price index – June 2010	-0.5%, m-o-m	The producer price index fell unexpectedly by 0.5% m-o-m in June, after the decline of 0.3% in May, on lower food costs and energy prices.
Industrial production – June 2010	+0.1%, m-o-m	Industrial production edged up only 0.1% m-o-m in June, following a 1.3% gain in May, indicating that the recovery had lost a little momentum.

**Forthcoming Important Announcements / Events**

19 <sup>th</sup> July 2010 (Monday)	HK	:	Manta (00936) – trading debut
	US	:	Housing market index – July 2010 IBM – Q2 2010 results
20 <sup>th</sup> July 2010(Tuesday)	HK	:	Unemployment rate – June 2010
	US	:	Housing starts – June 2010 Goldman Sachs – Q2 2010 results Johnson & Johnson – Q2 2010 results State Street – Q2 2010 results Yahoo – Q2 2010 results Apple – Q3 FY2010 results
21 <sup>st</sup> July 2010 (Wednesday)	HK	:	No special news or announcements
	US	:	The Coca-Cola Co. – Q2 2010 results
22 <sup>nd</sup> July 2010 (Thursday)	HK	:	Consumer price index – June 2010
	US	:	Initial jobless claims – the week ended 17 <sup>th</sup> July 2010 Existing home sales – June 2010 Leading indicators – June 2010 American Express – Q2 2010 AT&T – Q2 2010 Microsoft – Q4 FY2010
23 <sup>rd</sup> July 2010 (Friday)	HK	:	No special news or announcements
	US	:	Verizon – Q2 2010



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