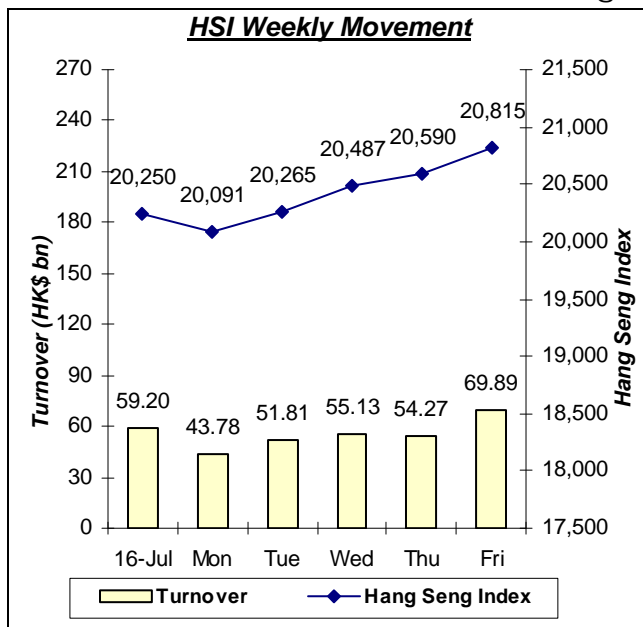


HSI rose to 1-month high on gains in A-share markets



Weekly Market Statistics

Week ended	23/7/2010	16/7/2010	Change	%
Hang Seng Index	20,815	20,250	+565	+2.8%
HS Red Chip Index	4,012	3,828	+184	+4.8%
HS China Enterprises Index	11,916	11,420	+496	+4.3%
HS Hong Kong 35 Index	2,148	2,101	+47	+2.3%
HS Mainland 100 Index	6,709	6,457	+253	+3.9%
Growth Enterprise Index	785	753	+32	+4.3%
Avg Daily Turnover (HK\$ bn)	55.0	54.7	+0	+0.6%
Sectoral Indices				
Finance	31,486	30,723	+763	+2.5%
Utilities	40,999	40,896	+102	+0.3%
Properties	27,185	26,439	+746	+2.8%
Comm & Ind	11,149	10,765	+385	+3.6%

Review & Outlook of Market Performance

Hong Kong stocks started the week by taking a mild correction after US consumer confidence dropped and companies including Bank of America and Citigroup reported lower revenue last Friday. However, value hunters re-entered the market as the Shanghai Composite Index rebounded notably and cleared the 2,500-point resistance level, which helped lift the HSI for four consecutive days. The optimism that the A-share markets have bottomed out overshadowed the negative comments made by US Federal Reserve chairman Ben Bernanke that the US economic outlook is still "unusually uncertain". The HSI finished the week up 565.17 points, or 2.8% w-o-w, at 20,815.33. The average daily turnover was HK\$55.0 billion, slightly higher than that of HK\$54.7 billion in the previous week.

During the week, the People's Bank of China and the Hong Kong Monetary Authority signed revised agreements on RMB businesses. The revision allow companies to buy or sell RMB in Hong Kong without limits and let insurance companies settle their RMB-denominated products in RMB rather than in Hong Kong dollars. Despite earning impact on companies would be minimal in the near term, the revision will boost HK's status as an offshore RMB financial hub and increase its competitiveness in the long run.

On the economic front, Hong Kong's jobless rate stood at 4.6%, unchanged from that during March to May. Total employment increased during the April-June period but was offset by a rise in labour supply. Meanwhile, Hong Kong's overall consumer prices rose by 2.8% year-on-year in June, slightly higher than the 2.5% increase in May. It is expected that the consumer prices should still be subject to moderate upward pressure on further expansion of economic activity, the gradual pass-through from the rise in private housing rentals, and the recent weakening of the US dollar.

Major blue chips will announce their interim/final results starting next week. They include Hang Lung Properties and HK Electric, followed by HSBC, Hang Seng Bank and Standard Chartered Bank in the week after next. Land auction for a luxury residential site at Mount Nicholson Road on 28th July will also draw market attention. Despite the recent rally, we see the global economy remains fragile and the HSI is likely to cap at 21,000 resistant 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
23rd July	10,322.30*	2,245.89*	9,430.96	2,973.47	1,345.68	840.24	7,761.22
16th July	10,097.90	2,179.05	9,408.36	2,957.72	1,336.65	827.54	7,664.57
Change	+224.40	+66.84	+22.60	+15.75	+9.03	+12.70	+96.65
%	+2.2%	+3.1%	+0.2%	+0.5%	+0.7%	+1.5%	+1.3%

Remarks: (*) closing at of 22nd July 2010

Major Changes in Index Constituent Stocks (Week ended 23rd July 2010)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @23/7/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
China Merchants Holdings	00144	HK\$28.85	+HK\$2.35	+8.87%	The Baltic Dry Index, a measure of commodity-shipping rates, climbed 5.9% in the last 5 days following 35 sessions of consecutive falls.
COSCO Pacific	01199	HK\$10.42	+HK\$0.82	+8.54%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @23/7/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
R&F Properties	02777	HK\$12.34	+HK\$1.42	+13.00%	Property companies were among the biggest gainers following a media report that the finance ministry would not start levying a real-estate tax on home-owners until 2012.
Angang Steel	00347	HK\$11.76	+HK\$1.74	+17.37%	Steel stocks rallied on news that China was aiming to slash the number of steel makers in the country by about 75%. Hopes that spot prices had reached a bottom also supported prices. As reported by Deutsche Bank, about 40 medium to small mills in China had raised their prices modestly in the recent days.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @23/7/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
China Agri-Industries	00606	HK\$8.92	-HK\$0.18	-1.98%	The company planned to place 178 million new shares at \$8.75 and issue convertible bond of \$3.1 billion to 3.9 billion.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Housing Market Index - July 2010	14	The housing market index fell 2 points to 14 in July, the weakest reading since April last year.
Housing Starts - June 2010	-5.0%	Housing starts in June declined 5.0% after a 14.9% plunge in May, suffering from the end of expired tax incentives.
Existing Home Sales - June 2010	-5.1%	Existing home sales fell 5.1% in June but not as much as expected. Home price was the big positive in the report by advancing 5.2%. Yet supply was a big negative, rising to 8.9 months from 8.3 months. Heavy supply is likely to hold back price improvement in the coming months.
Initial jobless claims - the week ended 17 th July 2010	+37,000	Initial jobless claims for the week ended July 17 jumped 37,000 to 464,000. Despite the jump, the four-week average of 456,000 was slightly lower than the number recorded in last month, suggesting improvement in monthly payroll data.

Forthcoming Important Announcements / Events

26 th July 2010 (Monday)	HK	:	CK Life Sciences (00775) – interim results Asia Cassava (00841) – final results
	US	:	New Home Sales – June 2010 Legg Mason – Q1 2011 results
27 th July 2010(Tuesday)	HK	:	China Water (00855) – final results China Grand Forestry (00910) – final results External Merchandise Trade Statistics – June 2010
	US	:	State Street Investor Confidence Index – July 2010 Consumer Confidence – July 2010
28 th July 2010 (Wednesday)	HK	:	Hong Kong Electric (00006) – interim results Hang Lung Properties (00101) – final results ASM Pacific (00522) – interim results
	US	:	Durable Goods Orders – June 2010 Boeing – Q2 2010 results
29 th July 2010 (Thursday)	HK	:	Cheung Kong Infrastructure (01038) – interim results
	US	:	Initial jobless claims – the week ended 24 th July 2010
30 th July 2010 (Friday)	HK	:	No special news or announcements
	US	:	GDP – Q2 2010 Employment Cost Index – Q2 2010 Consumer Sentiment – July 2010 Chevron – Q2 2010 results



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