



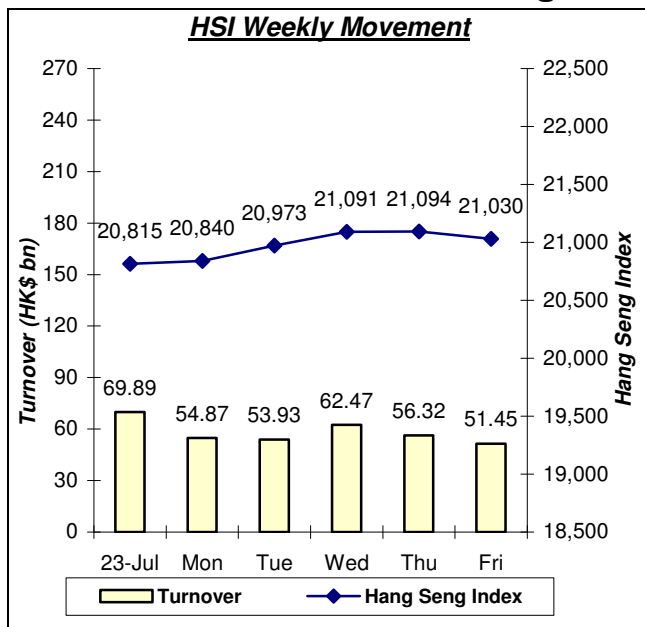
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Weekly Report

30<sup>th</sup> July 2010

## HSI hits three-month high above 21,000 on earnings optimism



<b>Weekly Market Statistics</b>				
Week ended	30/7/2010	23/7/2010	Change	%
Hang Seng Index	21,030	20,815	+214	+1.0%
HS Red Chip Index	4,020	4,012	+8	+0.2%
HS China Enterprises Index	11,905	11,916	-11	-0.1%
HS Hong Kong 35 Index	2,178	2,148	+30	+1.4%
HS Mainland 100 Index	6,722	6,709	+13	+0.2%
Growth Enterprise Index	785	785	-0	-0.0%
Avg Daily Turnover (HK\$ bn)	55.8	55.0	+1	+1.5%
<b>Sectoral Indices</b>				
Finance	31,931	31,486	+445	+1.4%
Utilities	41,311	40,999	+312	+0.8%
Properties	27,165	27,185	-21	-0.1%
Comm & Ind	11,250	11,149	+100	+0.9%

### Review & Outlook of Market Performance

The Hang Seng Index surged to three-month highs above 21,000 and recaptured ground atop the 250-day moving average resistance, supported by strong gains in bellwether HSBC Holdings. Over the week, the blue-chip index rose 214 points or 1.0% to 21,029.81, while the HSCEI slipped 0.1% to 11,905.00. The daily average Mainboard turnover was little changed at HK\$55.8 billion, compared with HK\$55.0 billion a week ago. For July, the HSI ended up 4.5%, marking the highest monthly gain since Sep 2009.

The blue-chip index staged an 8-day winning streak before a retreat on Friday, thanks to a strong rally in HSBC amid hope for a strong first-half result. The banking giant will release its interim results next Monday, while the market is expecting a bottom-line growth of at least 50% y-o-y. Some aggressive forecasts even see HSBC's 1H10 earnings up by more than 100%. Earnings optimism lifted HSBC shares by 3.7% during the week. In addition to bullish earnings hope, ICBC's small-scaled rights issue proposal and the National Social Security Fund (NSSF)'s plan to boost overseas (including the HK equities market) investment allocation ratio also supported market sentiment.

Meanwhile, investors also paid attentions to the auction of a landsite on the Mount Nicholson Road. The auction was won by a 50:50 joint venture between Wharf and Nan Fung, fetching a total of HK\$10.4 billion, which made it the second land sale with a price tag greater than HK\$10 billion in just less than two months. However, property developers were little changed after the stunning land auction result. Wharf, one of the winners of the land piece atop the Peak, fell 1.5% w-o-w.

The first-half reporting season will step up a gear next week, with earnings release from HSBC and Hang Seng Bank scheduled on Monday, Cathay and Standard Chartered on Wednesday and Cheung Kong, Hutchison and Swire on Thursday. The first-half results of heavyweight HSBC is likely to set tone for the HK stock market next week, as any disappointment would trigger investors to square off their recent speculative buying positions in HSBC and lead to a great deal of pressure on market sentiments.

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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
30th July	10,467.16*	2,251.69*	9,537.30	2,987.70	1,360.92	855.83	7,760.63
23rd July	10,424.62	2,269.47	9,430.96	2,973.47	1,345.68	840.24	7,761.22
Change	+42.54	-17.78	+106.34	+14.23	+15.24	+15.59	-0.59
%	+0.4%	-0.8%	+1.1%	+0.5%	+1.1%	+1.9%	-0.0%

Remarks: (\*) closing at of 29<sup>th</sup> July 2010

## Major Changes in Index Constituent Stocks (Week ended 30<sup>th</sup> July 2010)

### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @30/7/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
HSBC Holdings	00005	HK\$79.75	+HK\$2.85	+3.71%	HSBC Holdings led the blue-chip index up during the week, as investors bid up its share prices ahead of its interim results announcement due next Monday. Favorable stress test result of its European banking peers also helped stage its strong share-price performance.
Cathay Pacific Airways	00293	HK\$17.30	+HK\$0.94	+5.75%	Cathay hit two-and-a-half-year highs amid hope for strong 1H10 earnings, after its regional rival Singapore Airlines reported a much better-than-expected results in Apr-Jun 2010.

### Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @30/7/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Aluminum Corp of China (Chalco)	02600	HK\$6.88	+HK\$0.29	+4.40%	Chalco said it will acquire a 47% interest in a joint venture with Rinto for US\$1.35 billion to develop a iron ore project in Africa. The JV will have a 95% interest in the iron ore project, which implies Chalco will own an effective stake of 44.65% in the Guinea project.

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

Stock	Stock Code	Closing Price @30/7/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinotruk	03808	HK\$7.14	+HK\$0.43	+6.41%	The company's 63.78%-owned subsidiary Sinotruk Jinan Truck Co issued a positive results alert during the week expecting a 150%-160% y-o-y jump in net profit during the first half of 2010.



**Summary of US Economic News**

Indicator	Change/Index	Comments
New home sales – Jun 2010	+23.6%	New home sales totalled an annual rate of 330,000 units in Jun, up 23.6% when compared with that of May. In fact, the sales in Jun remained the second lowest in record (May 2010 – the lowest in record), following the expiry of a tax credit in Apr this year.
Consumer confidence index – Jul 2010	50.4	Consumer confidence index fell to 50.4 in Jul from 54.3 in Jun, below market expectations of 51 and marking the lowest level since Feb 2010.
Durable goods orders – Jun 2010	-1.0%	Durable goods orders fell 1.0% m-o-m in Jun, weaker than consensus forecast of a 1% rise.
Initial jobless claims – week ended 24 <sup>th</sup> July 2010	-11,000	Initial jobless claims fell 11,000 to 457,000 last week, below market expectation of a drop to 464,000.

**Forthcoming Important Announcements / Events**

2 <sup>nd</sup> August 2010 (Monday)	HK	:	Retail sales – June 2010 HSBC Holdings (00005) – interim results Hang Seng Bank (00011) – interim results Poly (Hong Kong) Investments (00119) – interim results Hutchison Telecommunications HK (00215) – interim results Xinyi Glass (00868) – interim results
	US	:	Construction spending – June 2010 ISM manufacturing index – July 2010
3 <sup>rd</sup> August 2010 (Tuesday)	HK	:	HAECO (00044) – interim results China Overseas Grand Oceans (00081) – interim results Clear Media (00100) – interim results Wardery International (00607) – final results Hutchison Harbour Ring (00715) – interim results Pacific Basin Shipping (02343) – interim results Tom Group (02383) – interim results
	US	:	Personal income and spending – June 2010 Factory orders – June 2010 MasterCard Incorporated – Q2 2010 results NYSE Euronext – Q2 2010 results Pfizer – Q2 2010 results Proctor & Gamble Company – Q4 FY2009/10 results The Dow Chemical Company – Q2 2010 results
4 <sup>th</sup> August 2010 (Wednesday)	HK	:	Skyfame Realty (00059) – interim results Cathay Pacific Airways (00293) – interim results Orient Overseas (International) (00316) – interim results Standard Chartered (02888) – interim results
	US	:	ISM non-manufacturing index – July 2010 Prudential Financial, Inc. – Q2 results Time Warner Inc. – Q2 2010 results
5 <sup>th</sup> August 2010 (Thursday)	HK	:	Cheung Kong (Holdings) (00001) – interim results Hutchison Whampoa (00013) – interim results Swire Pacific (00019) – interim results Glorious Sun Enterprises (00393) – interim results GZI Real Estate Investment Trust (00405) – interim results Manulife Financial (00945) – interim results United Laboratories International (03933) – interim results
	US	:	Initial jobless claims – the week ended 31 <sup>st</sup> July 2010
6 <sup>th</sup> August 2010 (Friday)	HK	:	Harbin Power Equipment (01133) – interim results
	US	:	Non-farm payrolls – July 2010



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