



Hong Kong/China Market

Technical Strategy

HSCEI outperforms as HSI is held back by HSBC slump, but the overall market is in good shape...

Market Comment

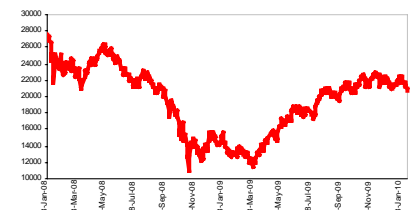
- The Hong Kong market declined slightly yesterday, dragged down by the disappointing FY09 results of HSBC (5) and Hang Seng Bank (11). The HSI dropped 150 points, or 0.72%, to 20,906. The HSCEI rose 104 points, or 0.87%, to 12,017. Turnover was HK\$72.1 billion.
- International banks fell after HSBC (5) announced larger-than-expected bad loan costs. The counter tumbled 7.04%. Standard Chartered Bank (2888) also lost 3.33%. At the same time, Hang Seng Bank (11) slumped 5.13% on the dividend cut to HK\$5.2 for FY09 from HK\$6.3 for FY08 and guiding a flat DPS for 2010.
- China banks were mostly higher after China Merchants Bank (3968) announced the details of its H-shares rights issue to raise US\$ 3.2 billion. The counter rose 2.53%. ICBC (1398) jumped 1.56%. China property developers were mostly stronger after a major broker upgraded the sector rating to BUY. Sino Ocean Land (3377) was up 1.25%. Agile (3383) advanced 2.80%.
- Alternative energy names jumped on expectation of favorable policy. China High Speed (658) rose 2.23%. China Everbright International (257) advanced 3.22%.
- Overnight US stocks edged higher, led by financials on expectations of stronger measures by Greece to cut its budget deficit. The S&P 500 closed 0.23% higher at 1,118.31. Commodities also rallied with a surge in gold to US\$1,135 per ounce.

Investment Theme

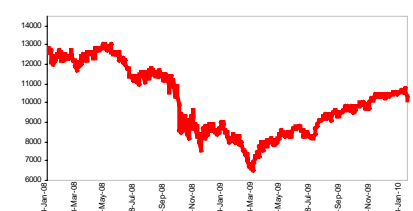
- The HK market is picking up momentum and the HSI managed to hold its ground yesterday despite the slump in HSBC. Note that the HSCEI crossed above the 12,000 level even as the HSI was held back.
- Sectors to buy are China Banks, HK Property and Commodity related.

Indices	Latest	Chg. Pts
HSI	20,906	-151
DJIA	10,406	2
S&P 500	1,118	3
NASDAQ	2,281	7
H-share	12,018	104
Red-chip	4,108	-23
Shanghai Comp	3,073	-15
Shenzhen Comp	1,184	-1

HSI - Index performance



DJIA - Index performance





Industry News

- **China Banking Sector:** China's four-biggest state-owned banks' net new loans in Feb09 were about Rmb294bn, down 39% from Jan10, according to a Reuters report.
- **Hong Kong Property Sector:** New World Development (0017 HK) and Wheelock Properties (0049 HK) have jointly won the tender for the Austin MTR station property development with planned total investment of HKD18bn, implying a cost of HK\$14,000 per square foot. The site areas have a combined gross floor area of 1.28m sqft and can deliver 1,200 units. Market experts said the selling price will reach HK\$20,000/sqft.
- **Macau Gaming Sector:** Macau's gaming revenues rose 69% yoy to MOP13.5bn in Feb10, according to the Macao Post Daily. SJM carried a market share of slightly over 30%, followed by Sands China's 22%, according to the same source.

Corporate News

- **China Mobile (0941 HK):** China Mobile Group's Guangdong subsidiary (rather than the group) may buy a stake in Shanghai Pudong Development Bank Co., according to a Securities Times report. Pudong Bank may raise about Rmb40bn by selling 2.2bn new shares. China Mobile Group's Guangdong unit may acquire a 20% stake in the bank.
- **BYD Co (1121 HK):** Daimler AG and BYD Co., the Chinese carmaker backed by billionaire Warren Buffett, will jointly develop an electric vehicle to be sold in China. Daimler and BYD have signed an agreement to set up a "comprehensive" technology partnership to develop electric vehicles for the Chinese market.
- **Avichina (2357 HK):** AviChina will place 334.63m at HKD3.40 per H Share comprising of (1) 305.41m new shares and (2) 29.21m sale shares to be converted from the same existing state-owned domestic shares. The net proceeds of the placing of the new shares will be approximately HKD1016m. AviChina intends to use the net proceeds for the funding of acquisitions of aviation assets.
- **Pacific Basin Shipping (02343)** reported a net profit of USD110.3m for 2009, down 73% yoy

TECHNICAL STRATEGY

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SHK Properties edged above its 200-MA yesterday and should continue to rally from here. **Buy or hold with a stop loss at HK\$105.00.**

Sun Hung Kai Properties (16, HK\$109.90)



Source: Thomson Financial Datastream

Sino Land (83, HK\$15.08)



Sino Land has broken a downtrend as shown and may continue to rally towards resistance in the area above HK\$16.00. **Trading buy or hold with a stop loss at HK\$14.20.**

Source: Thomson Financial Datastream

Hysan Development (14, HK\$21.15)



Hysan has moved above its 50-DMA and away from its 200-DMA. **Buy or hold with a stop loss at HK\$20.00.**

Source: Thomson Financial Datastream

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CNOOC is moving in a range below key resistance at HK\$12.50. Buy on a move above HK\$12.50 or hold with a stop loss at HK\$11.90.



Source: Thomson Financial Datastream

Sinopec fell back from resistance at HK\$6.20 yesterday but may be forming a base. Trading buy on a move above HK\$6.20.



Source: Thomson Financial Datastream

Hang Seng Composite Sectors

Sector	Index	Day (%)	Week (%)	MTD (%)	YTD (%)
Hang Seng Index (HSI)	20906.11	-0.72	1.37	1.44	-4.42
Hang Seng Composite	2943.88	-0.56	1.56	1.55	-3.54
HSCI Industrial Goods	1337.67	1.41	1.91	3.24	-4.54
HSCI Info Technology	2583.60	1.10	0.65	2.86	-3.21
HSCI Consumer Goods	5135.46	0.76	2.29	2.57	-0.77
HSCI Utilities	4949.05	0.67	2.18	2.32	-0.09
HSCI Property & Construction	2800.96	0.39	4.56	3.03	-3.95
HSCI Materials	10556.77	0.16	4.52	2.82	-2.46
HSCI Services	3416.83	0.07	1.70	1.34	2.14
HSCI Conglomerates	2098.57	-0.19	2.07	2.20	-3.35
HSCI Energy	12287.05	-0.36	0.17	0.75	-4.09
HSCI Telecommunication	1591.91	-0.79	1.08	0.72	4.09
HSCI Financials	3328.28	-1.68	0.63	0.90	-7.53
HS Mainland Composite	3948.14	0.29	2.68	2.81	-3.46
HS China Enterprises	12017.55	0.87	3.42	4.10	-6.07
HS China H-Financial	16461.34	1.10	4.31	4.55	-6.88
HS China Affiliated Corps	4108.41	-0.57	1.07	1.20	1.20
HS HK Composite	2107.66	-2.06	-0.41	-0.66	-3.69
HS HK Large Cap	1671.26	-3.04	-1.41	-1.77	-5.06
HS HK MidCap	4506.43	0.45	2.35	2.27	-0.19
HS HK Small Cap	2351.49	0.40	0.94	1.86	0.56

Source: Thomson Financial Datastream

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