

TECHNICAL STRATEGY
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The HSI traded in a narrow range at its 50-Day m.a. yesterday. Given the slump in HSBC and Hang Seng Bank, this was a very solid performance. We look for the index to move clear of 21,000 in the next couple of days.

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



Source: Thomson Financial Datastream

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 (165) 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 Themes

- 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.

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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)



Source: Thomson Financial Datastream

Hysan Development (14, HK\$21.15)



Source: Thomson Financial Datastream

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

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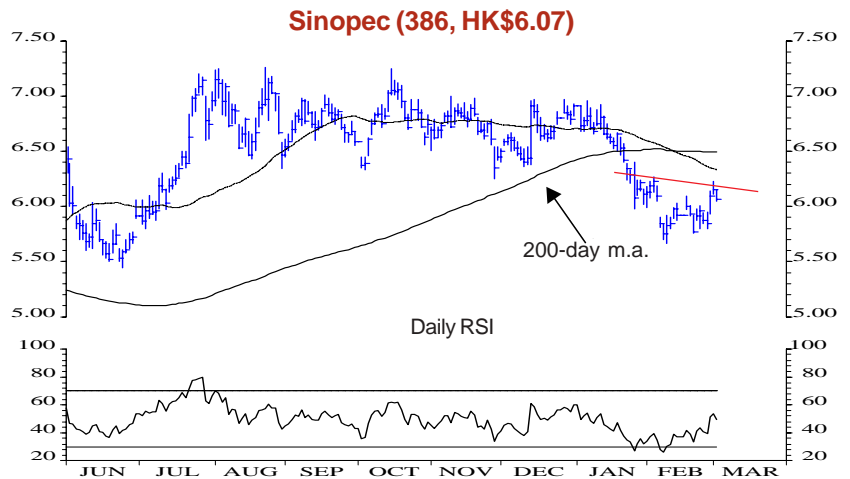
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CNOOC is moving in a range below key resistance at HK\$12.50. **Buy on a move above HK\$12.50 or hold with a stop loss at HK\$11.90.**



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