

TECHNICAL STRATEGY

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The HK market should continue its recovery, but we expect the HSCEI to outperform the Hang Seng Index...

The HSCEI pushed up marginally above its 200-day and 50-day m.a.s yesterday and once established above these should continue to climb. The next target will be about 12,700.



Source: Thomson Financial Datastream

Market Comment

- The HK market traded in a narrow range yesterday before China's CPPCC and NPC meetings. The HSI dropped 29 points, or 0.14%, to 20,876. The HSCEI rose 0.26%, to 12,048. Turnover was HK\$59.9 billion.
- International bank Standard Chartered (2888) rallied 1.72% although its FY09 full year net profit was slightly below market consensus of US\$3.38 billion, compared with analyst estimates of US\$3.5 billion. HSBC (5) was up 1.12% after the sharp decline on Monday.
- Hong Kong property developers were slightly mixed after New World Development (17) and Wheelock Properties (49) won the Austin Station project. The counters gained 0.82% and 0.43% respectively. Sino Land (83) dropped 2.92%.
- Commodity producers gained on rises in metal prices overnight. Maanshan (323) and Chalco (2600) climbed 4.04% and 0.90% respectively. Elsewhere, alternative energy names advanced on speculation that supportive policies will come out of the NPC. Wind power producer Longyuan (916) rose by 4.36% and CHS (658) by 8.73%.
- Overnight US stocks consolidated recent gains and closed flat after a firmer opening on a strong ISM Services Index at 53 (50.5) and ADP reported the lowest job losses for two years at 20,00 in February. The S&P 500 was just 0.05% higher at 1,118.79. Commodities rallied however, led by Oil at US\$80.89 per barrel.

Investment Themes

- The HK market seems set to continue its rally on the back of a strong property market, rising commodity prices and likely a weaker USD from now. Favourable news flows from the NPC are also needed though.
- However we expect the HSCEI to outperform as the two HS index heavyweights (HSBC and China Mobile) are out of favour these days.

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China Mobile slumped back from its 200-day m.a. yesterday and is essentially trendless, but with risk to the downside. **Stand aside for the time being.**



Source: Thomson Financial Datastream

Maanshan rallied to resistance at HK\$4.05 yesterday and looks ready for a rally to the 200-day m.a. at \$4.95 at least. **Trading buy with a stop loss at HK\$4.75.**



Source: Thomson Financial Datastream

Jiangxi Copper is at resistance from its 200-day m.a. at HK\$16.75 currently but could move up strongly once that is overcome. **Buy on a move above HK\$16.80, stop loss at HK\$16.45.**



Source: Thomson Financial Datastream

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Parkson is building support just above its 200-day m.a. and could rally strongly on a move above the 50-DMA at HK\$13.00. Buy or hold with a stop loss at HK\$12.00.



Source: Thomson Financial Datastream

Golden Eagle is trying to cross above its 50-DMA and reverse the short-term downtrend (actually a falling wedge pattern potentially). Buy on a move above HK\$14.50 or hold with a stop loss at HK\$14.00.



Source: Thomson Financial Datastream

Hang Seng Composite Sectors

Sector	Index	Day (%)	Week (%)	MTD (%)	YTD (%)
Hang Seng Index (HSI)	20876.79	-0.14	2.00	1.30	-4.55
Hang Seng Composite	2940.12	-0.13	1.96	1.42	-3.67
HSCI Industrial Goods	1389.32	3.86	5.62	7.23	-0.85
HSCI Services	3455.72	1.14	2.42	2.49	3.30
HSCI Materials	10619.67	0.60	4.87	3.43	-1.87
HSCI Consumer Goods	5154.35	0.37	2.62	2.95	-0.41
HSCI Energy	12322.56	0.29	1.83	1.05	-3.82
HSCI Financials	3333.78	0.17	1.63	1.06	-7.38
HSCI Info Technology	2584.72	0.04	2.30	2.91	-3.17
HSCI Conglomerates	2094.26	-0.21	1.96	1.99	-3.55
HSCI Property & Construction	2794.88	-0.22	4.11	2.80	-4.16
HSCI Utilities	4921.95	-0.55	1.94	1.76	-0.64
HSCI Telecommunication	1556.84	-2.20	-0.53	-1.50	1.80
HS Mainland Composite	3938.51	-0.24	3.12	2.56	-3.70
HS China Enterprises	12048.25	0.26	4.83	4.37	-5.83
HS China H-Financial	16469.64	0.05	5.11	4.60	-6.83
HS China Affiliated Corps	4064.50	-1.07	0.71	0.12	0.11
HS HK Composite	2109.43	0.08	-0.09	-0.57	-3.61
HS HK Large Cap	1676.47	0.31	-0.87	-1.46	-4.77
HS HK MidCap	4485.71	-0.46	2.13	1.80	-0.65
HS HK Small Cap	2336.55	-0.64	0.46	1.22	-0.08

Source: Thomson Financial Datastream