

TECHNICAL STRATEGY

John Schofield CFA, MSTA, MFTA
(852) 2529 8887
john@tempusinvestment.com

The HSI tested its 200-day m.a. yesterday and the 50-day m.a. is turning up suggesting that a breakout above 21,000 is possible, though perhaps not immediately.

HK market may hesitate temporarily at its 200-day m.a. but should work its way towards the top of the range in due course...



Source: Thomson Financial Datastream

Market Wrap

- The Hong Kong made a 3-month high yesterday on a better overseas lead. The HSI and HSCEI rose 0.64% and 0.47% respectively to 20,973 and 11,931. Turnover was HK\$53.9 billion.
- Market breadth was narrow. Index heavyweights led the market higher. HSBC (5) rose 1.7% after UBS reported Q2 earnings exceeding analysts' expectation. China Mobile (941) was up 1.2%. Cyclical outperformed, led by Oil stocks. Steel stocks rallied after product prices rose 5%+ last week. Magang (323) was up 4.2%. Coking coal miner Hidili (1393) rose 3.6%.
- Technology stocks rallied on rotation. Tencent (700) and Lenovo (992) advanced 3.4% and 3.0% respectively. HK Property names eased after the recent rally.
- Overnight, US stocks eased slightly after a three-day rally on weaker consumer sentiment. The S&P 500 Index slipped 0.10% to 1,113.84. Commodities also softened as Oil stocks rose in the US.

Macro View

- Both the HSI and S&P500 have arrived at their 200-day m.a.s. We expect the markets to cross above them at least temporarily the question of course is whether a sustained uptrend can be generated after that.
- Provided China markets continue to rally, we expect the HSI to gradually work its way up through the range and the key level the will be 21,700.

Trading Idea

- CITIC Pacific (267) is set to achieve strong earnings growth in 2010-12 as China property development profits kick in and its iron ore project ramps up. The chart shows a fast rally developing, but one which is well supported by the upturn in the 50-day m.a.

The information contained in this technical commentary is based on data obtained from recognized statistical services, issuer reports or communications, or other sources believed to be reliable. However, such information has not been verified by us, and we do not make any representations as to its accuracy or completeness, nor do we accept responsibility or liability for any investment decisions that may be based upon any part of the contents hereof. Any statements nonfactual in nature constitute current opinions only, which are subject to change without notice. Tempus Investment Research Limited ("Tempus") bases its recommendations primarily on technical and quantitative analysis and does not perform direct due diligence into the affairs of issuers of any securities mentioned herein. This report is for information purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any securities referred to herein. Any security, including those mentioned herein may fall as well as rise in price or even become valueless in certain circumstances. This report has no regard to the investment objectives and financial situation of any specific recipient, and investors should seek advice regarding the suitability of any investment discussed herein. Tempus or its officers, directors, analysts or employees may have positions in securities referred to herein. Tempus does not perform investment banking services nor does it provide securities dealing facilities.

TECHNICAL STRATEGY

John Schofield CFA, MSTa, MFTA
 (852) 2529 8887
 john@tempusinvestment.com

China Mobile is trading in a congestion area between major resistance at HK\$79.50 and support from the moving averages in the HK\$76.00 area. **Trading buy or hold with a stop loss at HK\$76.50**



Source: Thomson Financial Datastream

CNOOC is trading in a triangle pattern and may rally close to the previous high at HK\$14.00. **Trading buy or hold with a stop loss at HK\$12.50.**



Source: Thomson Financial Datastream

Lenovo Group is trying to regain its 200-day m.a. but the 50-day m.a. is still trending down. **Trading buy on a move above HK\$5.00 or hold with a stop loss at HK\$4.65.**

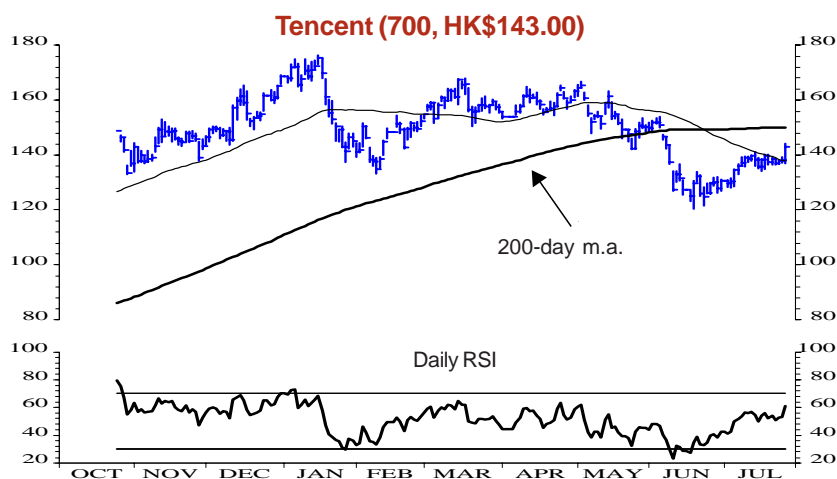


Source: Thomson Financial Datastream

TECHNICAL STRATEGY

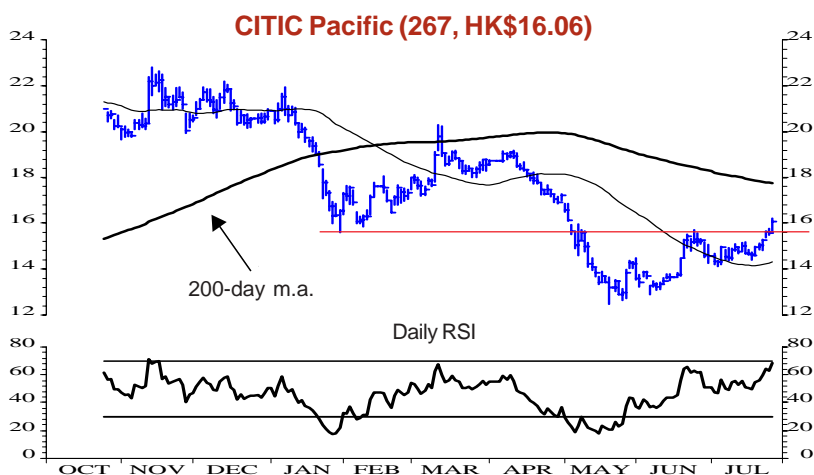
John Schofield CFA, MSTA, MFTA
 (852) 2529 8887
 john@tempusinvestment.com

Tencent burst through its 50-day m.a. yesterday but the latter is still trending down. Trading buy only with a stop loss at HK\$137.50.



Source: Thomson Financial Datastream

CITIC Pacific broke resistance at HK\$15.60 yesterday and has plenty of room to rally to the 200-day m.a. near HK\$18.00. Trading buy with a stop loss at HK\$15.20.



Source: Thomson Financial Datastream

Hang Seng Composite Sectors

Sector	Index	Day (%)	Week (%)	MTD (%)	YTD (%)
Hang Seng Index (HSI)	20973.39	0.64	3.50	4.19	-4.11
Hang Seng Composite	2939.70	0.61	3.35	4.60	-3.68
HSCI Info Technology	2213.01	1.75	2.34	3.91	-17.09
HSCI Industrial Goods	1446.96	1.57	3.92	10.03	3.26
HSCI Telecommunication	1650.35	1.08	2.27	0.98	7.91
HSCI Materials	9514.39	0.88	5.53	6.36	-12.09
HSCI Energy	12175.82	0.86	5.10	2.23	-4.96
HSCI Financials	3365.33	0.66	3.75	4.76	-6.50
HSCI Consumer Goods	5216.01	0.58	0.96	2.06	0.78
HSCI Services	3626.79	0.54	3.97	6.03	8.42
HSCI Conglomerates	2072.48	0.22	5.39	7.27	-4.55
HSCI Utilities	5102.37	0.04	0.36	0.62	3.00
HSCI Property & Construction	2792.24	-0.06	3.28	9.29	-4.25
HS Mainland 100	6714.84	0.65	3.06	3.75	NA
HS China Enterprises	11931.12	0.47	3.68	4.05	-6.75
HS China H-Financial	16909.83	0.20	2.64	3.13	-4.34
HS China Affiliated Corps	4006.58	0.55	3.00	4.93	-1.31
HS HK 35	2166.43	0.21	3.33	5.42	NA
HS HK Comp Large Cap	1708.70	0.62	3.42	4.41	NA
HS HK Comp MidCap	4353.46	0.58	3.32	5.76	NA
HS HK Comp Small Cap	2250.63	0.63	2.61	3.58	NA

Source: Thomson Financial Datastream