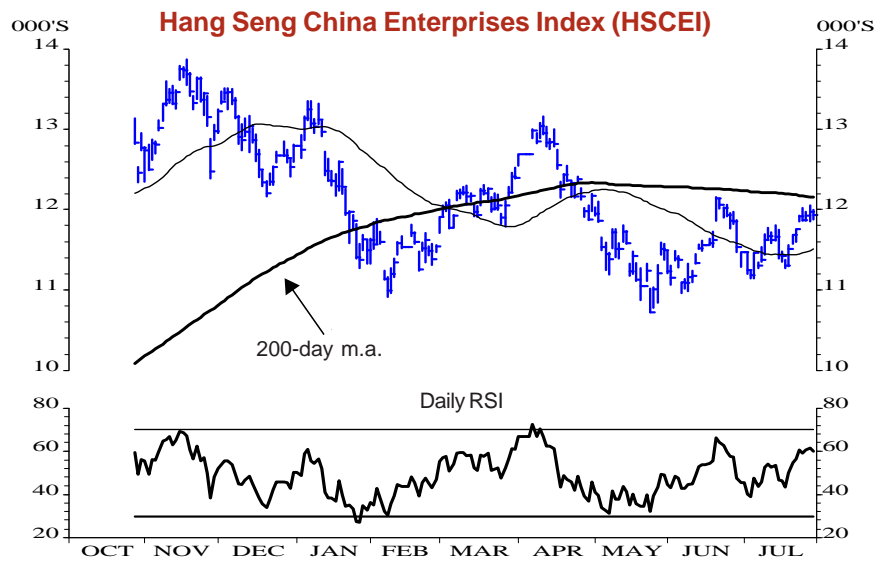


TECHNICAL STRATEGY

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

The HSCEI remains in a narrow congestion area just below the psychologically important 12,000 level. The 50-day m.a. is rising however and so the next move is expected to be upwards.

H-shares will continue to underperform until the A-share recovery is further advanced, so careful stock picking needed...



Source: Thomson Financial Datastream

Market Wrap

- The Hong Kong market was rangebound after the US Beige Book signalled pockets of weakness. The HSI was flat at 21,093 but the HSCEI came off 30 points (0.26%) to 11,942. Turnover was HK\$56.3 billion.
- HK Banks were bid up on news of ICBC Asia (349)'s privatization. BEA (23) jumped 4.8% and was the best-performing HSI constituent. China Banks were mixed despite expectations of higher new loan growth in July. ICBC (1398) rose 1.0% on a smaller-than-expected capital call.
- Airlines rose on traffic and yield improvements into the peak summer season. China Southern (1055) rose 3.6% on announcing a positive profit surprise for H1. Auto stocks rallied. Geely (175) surged 11.3% on the expected completion of the Volvo acquisition.
- Overnight, US stocks slipped back again as some earnings reports, including those from Colgate-Palmolive and Nvidia, were weaker than expected. The S&P 500 Index lost 0.42% to 1,101.53 while the Euro rose to USD1.31 and commodity prices advanced.

Macro View

- The HSCEI is underperforming both the HSI and Mainland A-share indices. This is because all the top components are trading at premiums to their A-shares and stuck in ranges mostly below their 200-day m.a.s.
- However in the second tier there are many interesting stocks that trade on their own merits.

Trading Idea

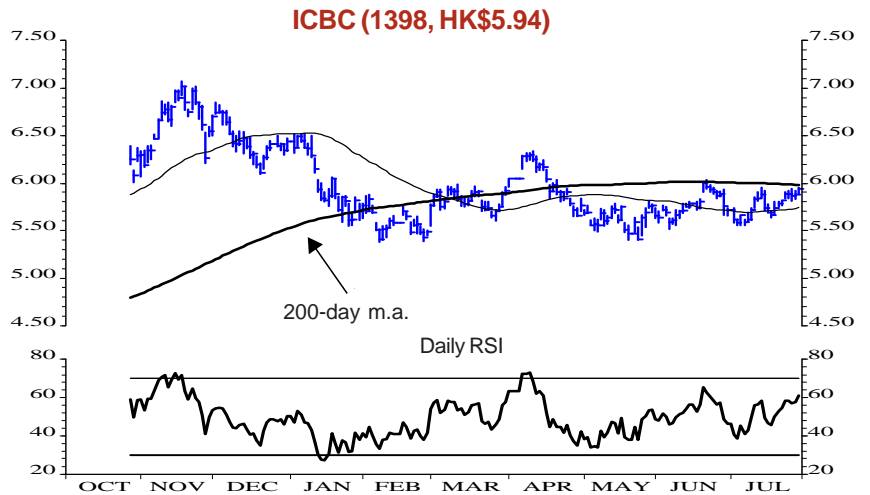
- COSL (2883) is China's leading oil services company and stands to benefit from CNOOC's rising capex plan. The stock has just crossed above its 200-day m.a. and appears to be developing an uptrend.

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.

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

ICBC is testing its 200-day m.a. at HK\$6.00 and a move above that will be a buy signal. **Buy on a move above HK\$6.00 or hold with a stop loss at HK\$5.75.**



Source: Thomson Financial Datastream

CM Bank is trending higher, towards the top of its range in the HK\$22.00 area. **Buy or hold with a stop loss at HK\$20.00**



Source: Thomson Financial Datastream

Jiangxi Copper has crossed above its 200-day m.a. and may start to move away from it soon. **Trading buy with a stop loss at HK\$16.80.**



Source: Thomson Financial Datastream

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

R&F Properties is consolidating at its 200-day m.a. as the RSI is a little overbought. Trading buy on a move above HK\$12.50.



Source: Thomson Financial Datastream

China Oilfield crossed above its 200-day m.a. and the 50-day m.a. is turning up in support. Trading buy with a stop loss at HK\$9.70.



Source: Thomson Financial Datastream

Hang Seng Composite Sectors

Sector	Index	Day (%)	Week (%)	MTD (%)	YTD (%)
Hang Seng Index (HSI)	21093.82	0.01	2.45	4.79	-3.56
Hang Seng Composite	2957.92	0.07	2.30	5.24	-3.08
HSCI Industrial Goods	1479.72	1.59	5.42	12.52	5.60
HSCI Info Technology	2280.12	1.31	5.62	7.06	-14.58
HSCI Consumer Goods	5279.44	0.42	1.96	3.30	2.01
HSCI Property & Construction	2787.23	0.17	1.50	9.09	-4.42
HSCI Services	3643.77	0.16	1.62	6.52	8.92
HSCI Materials	9534.04	0.15	1.75	6.58	-11.91
HSCI Conglomerates	2067.23	0.09	3.22	7.00	-4.79
HSCI Financials	3404.34	0.04	3.12	5.97	-5.42
HSCI Utilities	5131.15	-0.06	0.62	1.18	3.58
HSCI Energy	12120.03	-0.42	1.74	1.77	-5.40
HSCI Telecommunication	1641.06	-0.74	-0.06	0.41	7.31
HS Mainland 100	6728.30	-0.17	1.41	3.96	NA
HS China Enterprises	11942.21	-0.26	1.60	4.15	-6.66
HS China H-Financial	16957.10	-0.06	1.20	3.42	-4.07
HS China Affiliated Corps	4013.56	-0.20	1.09	5.11	-1.14
HS HK 35	2183.39	0.63	3.04	6.24	NA
HS HK Comp Large Cap	1715.98	-0.01	2.22	4.85	NA
HS HK Comp MidCap	4397.08	0.27	2.38	6.82	NA
HS HK Comp Small Cap	2295.78	0.63	3.18	5.66	NA

Source: Thomson Financial Datastream