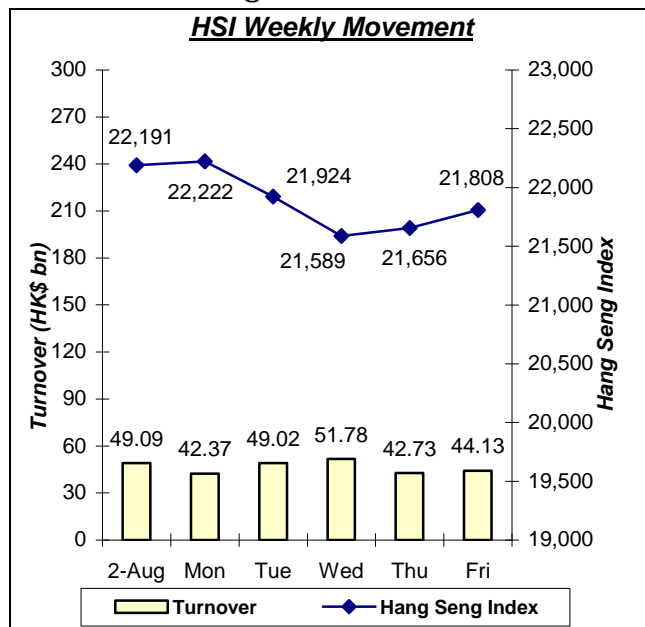


## HSI regained momentum on strong economic data from China



**Weekly Market Statistics**

Week ended	09/8/2013	02/8/2013	Change	%
Hang Seng Index	21,808	22,191	-383	-1.7%
HS Red Chip Index	4,213	4,160	+53	+1.3%
HS China Enterprises Index	9,599	9,735	-135	-1.4%
HS Hong Kong 35 Index	2,612	2,653	-40	-1.5%
HS Mainland 100 Index	6,245	6,296	-51	-0.8%
Growth Enterprise Index	413	412	+1	+0.2%
Avg Daily Turnover (HK\$ bn)	46.0	46.3	-0	-0.7%
<b>Sectoral Indices</b>				
Finance	30,301	31,246	-945	-3.0%
Utilities	52,350	53,087	-737	-1.4%
Properties	29,898	30,098	-200	-0.7%
Comm & Ind	12,442	12,498	-57	-0.5%

### Review & Outlook of Market Performance

Hong Kong shares fell earlier this week, dragged by the disappointing half-year results of HSBC (5.HK). Poor market sentiment was also attributed to the reiteration of two Federal Reserve regional presidents about the possible start of stimulus tapering as soon as September. Nevertheless, the benchmark index regained later in the week, on the back of positive economic data from China which surprised the market on the upside. Over the week, the Hang Seng Index lost 383 points or -1.7% week-on-week to 21,808, while the HSCEI was down 1.4% week-on-week. The daily average Mainboard turnover amounted to HK\$46.0 billion, slightly down from HK\$46.3 billion in the previous week.

Shares of Mainland paper suppliers fell, led by Lee & Man Paper (2314.HK; -19.2% w-o-w) on its disappointing interim results. Credit Suisse downgraded the stock from "Neutral" to "Underperform", due to its lower-than-expected margins and the reduction of output target. Meanwhile, shares of some small-to-medium sized local banks surged on hopes of being a takeover target by Chinese groups, after media reported Yue Xiu Group is considering a takeover bid for Chong Hing Bank (1111.HK; +16.9% w-o-w). The Liu family, the controlling shareholders of Chong Hing Bank, said on Wednesday that it had been approached by an independent third party in relation to acquiring the interests of the Bank.

On the economic front, China's consumer inflation remained steady at 2.7% y-o-y (versus +2.7% y-o-y for June and market expectations of +2.8% y-o-y). Producer prices fell for a seventeenth month in a row, but the decline narrowed from 2.7% y-o-y in June to 2.3% y-o-y in July. Separately, trade figures showed significant improvement, as exports and imports surged 5.1% and 10.9% y-o-y, against a drop of 3.1% and 0.7% y-o-y in June, respectively. China's July industrial output marked the strongest gain since February 2013, up 9.7% y-o-y (versus +8.9% y-o-y for June) and above the market forecasts of a 9.0% growth.

More blue-chip companies including China Mobile (941.HK), CLP (2.HK), HKEx (388.HK), CITIC Pacific (267.HK) and Cathay Pacific (293.HK) will announce their interim results in the coming week. In addition, China will release money supply and new loans data for July, which should also draw investors attention. The HSI is expected to see resistance at 22,300, should there be no surprise from corporate earnings announcement in the coming week.

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**US & Regional Markets Weekly Update**

Date	US Dow Jones	US NASDAQ	JAPAN Nikkei Avg	SINGAPORE STI	MALAYSIA KLSE Index	BANGKOK SET Index	TAIPEI Weighted Index
9th August	15,498.32*	3,669.12*	13,615.19	3,229.91^	1,779.32^	1,432.25	7,856.14
2nd August	15,658.36	3,689.59	14,466.16	3,254.13	1,782.51	1,420.94	8,099.88
Change	-160.04	-20.47	-850.97	-24.22	-3.19	+11.31	-243.74
%	-1.0%	-0.6%	-5.9%	-0.7%	-0.2%	+0.8%	-3.0%

Remark: (\*) closing as of 8<sup>th</sup> August 2013; (^) closing as of 7<sup>th</sup> August 2013

**Major Changes in Index Constituent Stocks (Week ended 9<sup>th</sup> August 2013)**
**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @9/8/2013	W-O-W Change		Remarks / Comments
			Absolute	%	
HSBC	00005	HK\$84.75	-HK\$4.05	-4.6%	Shares of HSBC fell, after the Group posted disappointing half-year results. Pre-tax profit rose 10.5% year-on-year to US\$14.0 billion, falling short of market expectation of US\$14.6 billion, amid continued margin compression and shrunken loan portfolio.
Lenovo	00992	HK\$7.65	+HK\$0.37	+5.2%	JP Morgan reiterated "Overweight" rating on Lenovo, as the broker expects a 20% rise in its FY14/15 profit, driven by expected strong sales growth in smartphones and tablets.

**Hang Seng China Enterprises Index (HSCEI)**

Stock	Stock Code	Closing Price @9/8/2013	W-O-W Change		Remarks / Comments
			Absolute	%	
Greatwall Motor	02333	HK\$38.90	+HK\$3.40	+9.6%	According to the China Passenger Car Association, passenger car sales in July rose 14.9% year-on-year to 1.19 million units, versus a 12.3% increase in June.
China Coal	01898	HK\$4.61	+HK\$0.45	+10.8%	Shares of coal miners rallied on anticipation of the recovery of coal prices. Additionally, China's coal exports in July rose to 820,000 tons, the highest level this year.
Yanzhou Coal	01171	HK\$5.96	+HK\$0.62	+11.6%	

**Hang Seng China-Affiliated Corporations Index (HSCCI)**

Stock	Stock Code	Closing Price @9/8/2013	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources	00291	HK\$25.70	+HK\$1.40	+5.8%	CRE entered into a memorandum of understanding with Tesco regarding a possible establishment of a joint venture, which will be engaged in the operations of hypermarkets, supermarkets and convenience stores in China, Hong Kong and Macau.

**Summary of US Economic News**

Indicator	Change/Index	Comments
ISM non-manufacturing index – July 2013	56.0	The ISM's non manufacturing index was up 3.8 points from the previous month to 56.0, as new orders and business activity rose 7 points and 7.5 points to 57.7 and 64.0 respectively, both the best readings since December 2012.
Trade balance – June 2013	-34.2 billion	Trade deficit unexpectedly narrowed to US\$34.2 billion (versus consensus of a deficit of US\$43.5 billion) in June, against a deficit of US\$44.1 billion in May, as a result of a drop in imports together with a rise in exports. This is the smallest deficit since October 2009.
Initial jobless claims – week ended 3 <sup>rd</sup> August 2013	+1.5% w-o-w	Initial jobless claims slightly increased from a revised 328,000 in the previous week to 333,000, below market consensus of 336,000. The 4-week average was 335,500, a decrease of 6,250 from a week ago.

**Major Earnings Results Announcements During the Week**

Stock	Net profit	y-o-y change	Drivers of performance	Share price w-o-w chg
China Overseas Land (00688)	HK\$11,033 million	+31.6%	COLI reported a 31.6% rise in earnings for 1H13, as turnover of property development from China soared 34.7% year-on-year.	+1.3%
Hysan (00014)	HK\$3,243 million	-44.3%	Underlying profit soared 38.1% year-on-year to HK\$1.03 billion, driven by the rental contribution from Hysan Place which was opened in August 2012.	+4.0%
Hang Seng Bank (00011)	HK\$18,468 million	+99.6%	Hang Seng Bank almost doubled its net profit in 1H13, as a result of the reclassification of Industrial Bank which contributed an one-off accounting gain of HK\$9.52 billion during the period.	+1.3%
HSBC Holdings (00005)	US\$9,998 million	+22.6%	The rise in half-year net profit was mainly attributable to lower costs and a 29% fall in loan impairment charges.	-4.6%
China Everbright International (00257)	HK\$650 million	+7.5%	Turnover soared 77.8% year-on-year. However, due to the absence of profit contribution from discontinued operation of the disposed Fuzhou Qingzhou Bridge Project in 2012, net profit was merely up 7.5% year-on-year.	-3.5%
Country Garden (02007)	RMB4,316 million	+45.0%	The rise in net profit was mainly driven by an increase in GFA delivery during the period (+60.4% year-on-year).	+0.4%
PCCW (00008)	HK\$853 million	+2.4%	PCCW's net profit for 1H13 grew steadily on its stable performance in HKT and media business. Strong growth in solution business (+29% year-on-year) offset a loss in other businesses.	+3.4%



**Major Earnings Results Announcements During the Week (Cont')**

Stock	Net profit	y-o-y change	Drivers of performance	Share price w-o-w chg
China Unicom (00762)	RMB5,317 million	+55.0%	China Unicom posted strong results with net profit up 55.0% year-on-year, amid growing data usage (+131.3% year-on-year) and rising number of 3G subscribers (+73.9% year-on-year).	+3.7%
Standard Chartered (02888)	US\$2,181 million	-23.6%	Standard Chartered posted a 24% drop in its first-half net profit, dragged by a \$1 billion goodwill impairment charges for its Korean business during the period.	+5.2%
Chong Hing Bank (1111.HK)	HK\$276 million	+6.4%	Its interim net profit rose 6.4% year-on-year, as net interest income grew 18.8% from a year earlier and net interest margin widened by 13 basis points from 1.06% in 1H12 to 1.19% in 1H13.	+16.9%

**Forthcoming Important Announcements / Events**

12 <sup>th</sup> August 2013 (Monday)	HK	:	China Lilang Ltd (01234) - interim results CLP Holdings Ltd (00002) - interim results KWG Property Holding Ltd (01813) - interim results Prudential PLC (02378) - interim results
	US	:	No important announcements/ events
13 <sup>th</sup> August 2013 (Tuesday)	HK	:	Hong Kong Aircraft Engineering Co Ltd (00044) - interim results Li & Fung Ltd (00494) - interim results Peak Sports (01968) - interim results Pou Sheng International (03813) - interim results Value Partners Group Ltd (00806) - interim results Yue Yuen Industrial (Holdings) Ltd (00551) - interim results Yue Xiu REIT (00405) - interim results Zijin Mining Group Co Ltd (02899) - interim results Mid-year Population for 2013
	US	:	Retail Sales – July 2013
14 <sup>th</sup> August 2013 (Wednesday)	HK	:	Cathay Pacific Airways Ltd (00293) - interim results China State Construction International Holdings Ltd (03311) - interim results Dah Sing Financial Holdings Ltd (00440) - interim results Dah Sing Banking Group Ltd (02356) - interim results Hong Kong Exchanges and Clearing Ltd (00388) - interim results Tencent Holdings Ltd (00700) - interim results CITIC Pacific Ltd (00267) - interim results
	US	:	Producer Price Index – July 2013 Macy's Inc – 2Q13 results Cisco Systems Inc – 4Q13 results

**Forthcoming Important Announcements / Events (Cont'd)**

15 <sup>th</sup> August 2013 (Thursday)	HK	:	Sino-Ocean Land Holdings Ltd (03377) - interim results Swire Pacific Ltd (00019) - interim results Swire Properties Ltd (01972) - interim results Wing Hang Bank Ltd (00302) - interim results Agile Property Holdings Ltd (03383) - interim results Anhui Conch Cement Co Ltd (00914) - interim results China Mobile Ltd (00941) - interim results Lenovo Group Ltd (00992) - interim results Volume and Price Statistics of External Merchandise Trade for June 2013
	US	:	Consumer Price Index – July 2013 Initial Jobless Claims – week ended 10 <sup>th</sup> August 2013 Industrial Production – July 2013 Applied Materials Inc – 3Q13 results Wal-Mart Stores Inc – 2Q14 results Estee Lauder Companies Inc – 4Q13 results
16 <sup>th</sup> August 2013 (Friday)	HK	:	China Aluminium International Engineering (02068) - interim results China Merchants Bank Co Ltd (03968) - interim results Sands China Ltd (01928) - interim results Great Eagle Holdings Ltd (00041) - interim results Parkson Retail Group Ltd (03368) - interim results Gross Domestic Product for 2nd Quarter 2013
	US	:	Housing Starts – July 2013 Consumer Sentiment – August 2013



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