

TECHNICAL STRATEGY

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The HSI rallied more forcefully yesterday and seems to be heading for a test of the key resistance at 21,700 in the next few days. The 50-day m.a. should turn up again after the flat spot, later it should cross above the 200-day m.a.

HK market rallies on improved turnover, increasing the probability of a successful challenge of the 21,700 resistance level...



Source: Thomson Financial Datastream

Market Wrap

- The HK market continued to rally yesterday as investors focused on better-than-expected US job data and reacted positively to IMF comments on a steady global recovery. The HSI surged 384 points, or 1.83%, to 21,355 while the HSCEI rose 193 points, or 1.64%, to 11,960. Turnover was HK\$70.2 billion.
- The advance was broad based, led by Materials, IT and Property. HK Exchanges (388) gained 5.1%. HK Property stocks mostly rose; SHKP (16) and Henderson Land (12) were up more than 3.3% apiece. China Property names played catch-up despite expectations that anti-speculation measures will remain in force.
- China steelmakers jumped on expectation that steel production will be cut as the central government is committed to achieving its energy efficiency and emission targets. Magang (323) jumped 10.1% and Angang (347) was up 6.6%. Other Material counters also gained.
- Overnight European and other markets edged up modestly during the US Labour day holiday. The German DAX closed 0.33% higher at 6,155.04. Commodities and currencies were also stable.

Macro View

- The last two days' trading in HK looks quite convincing in view of the strong thrust back above the 200-day m.a and increased turnover.
- Seasonally, this a good time for the stock market other than in bear years like 2002 and 2008. Assuming the rally continues, the key thing development will be for the 200-day m.a. to turn up again.

Trading Idea

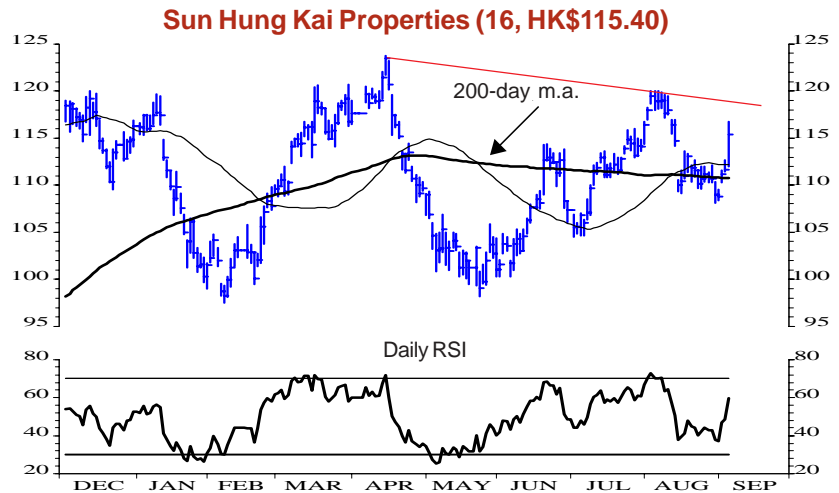
- Tencent (700) is a unique internet company in China and has consistently been able to monetize the online community. It is trading on 30x 2010 PE, and the chart shows potential to regain the uptrend

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SHK Properties jumped up yesterday but may hit resistance at HK\$118.00 soon. Trading buy with a stop loss at HK\$112.00.



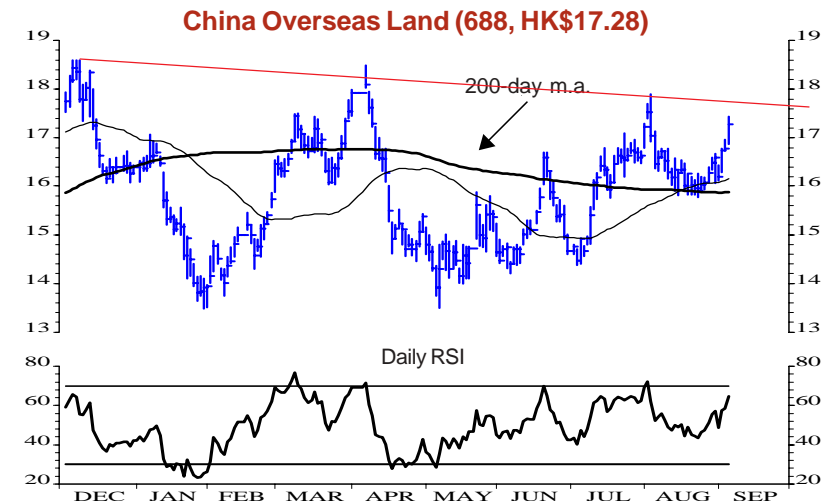
Source: Thomson Financial Datastream

Cheung Kong has resistance at HK\$103.00, but the 50-day m.a. is moving above the 200-day m.a. in a “golden cross”. Buy on a move above HK\$103.00 or hold with a stop loss at HK\$98.00.



Source: Thomson Financial Datastream

China Overseas Land has a similar pattern to HK property stocks, with key resistance at HK\$17.70. Trading buy with a stop loss at HK\$16.40.



Source: Thomson Financial Datastream

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CNOOC looks set to test resistance at HK\$13.80. Trading buy with a stop loss at HK\$13.00.



Source: Thomson Financial Datastream

Tencent rallied strongly yesterday and is now crossing above its 200-day m.a. Watch also for the resistance at HK\$152.00 or so to be broken. Buy on a move above HK\$152.50 or hold with a stop loss at HK\$145.00.



Source: Thomson Financial Datastream

Hang Seng Composite Sectors

Sector	Index	Day (%)	Week (%)	MTD (%)	YTD (%)
Hang Seng Index (HSI)	21355.77	1.83	2.98	3.99	-2.36
Hang Seng Composite	3022.00	1.76	3.66	4.35	-0.98
HSCI Materials	10055.97	3.27	6.42	7.04	-7.08
HSCI Info Technology	2260.06	2.55	4.66	5.16	-15.33
HSCI Property & Construction	2869.14	2.53	5.28	5.53	-1.62
HSCI Financials	3376.99	1.84	3.18	4.52	-6.17
HSCI Conglomerates	2241.74	1.66	4.34	4.88	3.24
HSCI Consumer Goods	5607.28	1.63	4.14	3.88	8.34
HSCI Industrial Goods	1615.07	1.50	8.03	6.99	15.26
HSCI Utilities	5286.34	1.44	1.89	1.94	6.72
HSCI Services	3757.79	1.39	3.73	3.47	12.33
HSCI Energy	12199.01	1.24	2.32	3.02	-4.78
HSCI Telecommunication	1719.45	0.53	2.15	3.72	12.43
HS Mainland 100	6821.15	1.67	3.49	4.26	NA
HS China Enterprises	11960.57	1.64	3.72	4.89	-6.52
HS China H-Financial	16811.36	1.54	3.20	4.27	-4.90
HS China Affiliated Corps	4158.46	1.79	4.08	4.21	2.43
HS HK 35	2264.94	2.17	3.52	4.09	NA
HS HK Comp Large Cap	1741.43	1.73	3.03	3.92	NA
HS HK Comp MidCap	4570.88	2.07	5.59	5.78	NA
HS HK Comp Small Cap	2428.17	1.36	6.11	5.71	NA

Source: Thomson Financial Datastream