

Hong Kong shares close higher led by HSBC, airlines; oil slide hits CNOOC

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HONG KONG (XFN-ASIA) - Share prices closed higher led by HSBC, airlines and select other blue chips, with lower oil prices and strong gains in Shanghai helping investors hold their nerve despite US earnings disappointments.

HSBC was up over 2.5 pct as the heavyweight drew follow-through interest after rebounding more than 3.7 pct yesterday.

Oil producer CNOOC fell nearly 2.8 pct after crude oil dropped more than 5 usd overnight, bringing the commodity's three-day slide to over 15 usd.

Airlines were mostly higher on the oil pullback, with Cathay Pacific gaining more than 3 pct.

Hong Kong Exchange & Clearing (HKEx) was up 2.3 pct after Citigroup reiterated a 'buy' call on the stock market operator, citing attractive valuation and good dividend yield.

Trade was cautious as quarterly earnings of Merrill Lynch, Google and Microsoft, released after US market close Thursday, missed analyst estimates, and ahead of banking giant Citigroup's results tonight.

The Hang Seng index closed up 139.47 points or 0.64 pct at 21,874.19, off a low of 21,677.15 and high of 22,010.94.

Turnover was 59.57 bln hkd.

For the week, the index is down 310 points or 1.39 pct.

'Gains by HSBC, together with those by airlines and select H-shares enabled our market to end in positive territory today,' said Castor Pang, strategist at Sun Hung Kai Financial group.

He noted that rumors in Shanghai about possible 'market-friendly' measures by Beijing, perhaps as early as this weekend, might have helped boost interest in China stocks.

'However, I doubt very much if there are sufficient grounds to support these rumors,' he said.

'If the mainland markets post sharp gains as a result of new market-supportive policy measures, it could increase inflationary pressures, something which the central government does not want to see,' Pang said.

'I don't think China will take unnecessary risks to aggravate inflation, especially because it still remains at a high level,' he said.

The Shanghai market's main index ended up 3.5 pct today as stocks surged in late trade amid rumors that Beijing may make some policy announcements over the weekend.

Pang noted that the local bourse was also supported today by strong interest in mainland telecom-related firms.

'Expectations that 3G licenses will be issued towards the end of the year to mobile operators have boosted buying of telecom equipment and services providers, such as ZTE and China Communications Services,' he said.

HSBC ended up 3.0 hkd or 2.56 pct at 120, Hang Seng Bank rose 1.90 hkd or 1.3 pct to 148.30, Bank of East Asia was up 0.25 hkd or 0.69 pct at 36.30, while BOC Hong Kong fell 0.08 hkd or 0.42 pct to 18.84.

Among China banks, ICBC gained 0.08 hkd or 1.46 pct at 5.55, Bank of China rose 0.05 hkd or 1.5 pct to 3.39, China Construction Bank was up 0.04 hkd or 0.62 pct at 6.48 and Bank of Communications up 0.13 hkd or 1.39 pct at 9.48.

Among airlines, Cathay Pacific gained 0.46 hkd or 3.13 pct at 15.14, Air China rose 0.11 hkd or 2.63 pct to 4.29 and China Eastern was up 0.02 hkd or 0.87 pct at 2.33, while China Southern Air lost 0.06 hkd or 1.85 pct at 3.13.

HKEx gained 2.50 hkd or 2.31 pct to 110.50 after the positive note from Citigroup.

China Mobile lost 1.0 hkd or 0.95 pct at 104.20, while China Unicom was up 0.30 hkd or 1.91 pct at 16.02 and China Telecom was flat at 4.26 hkd.

Pang attributed China Mobile's fall and gains by other mainland telecom firms to rumors that China may implement mobile number portability soon, allowing users to switch from one operator to another while keeping the same phone number.

The policy will likely favor smaller operators by initially allowing only one-way portability -- from China Mobile to other operators, reports said.

'If telecom authorities adopt this move, China Mobile is expected to be hit the hardest because of prospects of scores of its customers switching to other operators, especially because its rivals will also be able to offer 3G services,' said Pang.

China Netcom gained 0.50 hkd or 2.14 pct at 23.90 after announcing that it added 160,000 fixed-line users in May, its first monthly net gain since July 2007.

Among telecom equipment and services providers, ZTE surged 3.0 hkd or 9.05 pct to 36.15 and China Communications Services gained 0.25 hkd or 4.39 pct at 5.95.

Xi Guohua, deputy minister of China's information industry ministry, said yesterday that telecom sector restructuring on the mainland should be completed in about six months, after which 3G licenses will be issued.

Oil producer CNOOC slumped 0.34 hkd or 2.78 pct at 11.88 after crude oil dropped more than 15 usd over three days.

PetroChina--which has both upstream and oil refining business--gained 0.06 hkd or 0.6 pct at 10.04.

Refiner Sinopec was up 0.01 hkd or 0.13 pct at 7.49 as lower crude prices offset news that it expects over 50 pct drop in first-half net profit.

Analyst said Sinopec's weak first-half performance is no surprise as the oil refiner had earlier announced 65 pct year-on-year profit drop for the first quarter.

Sinopec Yizheng was down 0.04 hkd or 3.64 pct at 10.06 and Sinopec Shanghai was flat at 2.43 hkd after the companies, units of Sinopec, projected first-half losses.

Coal stocks were mostly lower on rumors that China might impose a special levy on coal producers, which will be used to subsidize and support power producers hit by higher coal and other production costs.

Yanzhou Coal fell 0.92 hkd or 5.98 pct to 14.46 and China Shenhua was down 0.30 hkd or 0.96 pct at 30.90, while China Coal was up 0.02 hkd or 0.14 pct at 14.02.

'Oil producers are currently paying a special levy. And it's possible that the government may also look into collecting a similar levy from coal producers so as to stop the closure of some power plants which are having difficulties coping with high production costs,' said Pang.

Local property developers were mostly up, with Cheung Kong up 0.80 hkd or 0.76 pct at 105.70, Sun Hung Kai up 1.90 hkd or 1.73 pct at 111.80 and Henderson Land up 0.15 hkd or 0.33 pct at 45.35.

Pang predicts volatile trade next week due to the US earnings season and housing and other key economic data there.

'Many investors expect Wall Street to fall tonight ... following disappointing results reported by Merrill Lynch, Google and Microsoft,' while Citigroup may also give a weak report, he said.

Merrill, the world's biggest brokerage, reported a wider-than-expected loss of 4.89 bln usd for the second quarter and also announced further writedowns, reminding investors that credit-market troubles are far from over.

Google announced earnings of 1.25 bln usd for the three months to June, falling short of analyst estimates and raising worries that the ailing US economy is starting to sap the Internet search leader.

Software giant Microsoft's earnings also missed analyst estimates slightly and the company gave cautious guidance for the current quarter.

All the three firms' shares tumbled in US after-hours trade yesterday following the results.

'Possible poor performance on Wall Street tonight will certainly exert pressures on our market next week,' said Pang.

'Investors will also refrain from taking strong trading positions ahead of new housing sales and other key US economic data due for release next week,' he said.

On a positive note, crude oil prices may continue their downtrend due to worries that a slowing global economy will hurt energy demand, he said.

'If that happens, airlines and other oil-sensitive counters will continue to benefit.'

(1 usd = 7.8 hkd)

Source: Thomson Financial News



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