

HK Shares Gain 1.4 pct; China Banks Up, Telcos Slip

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Hong Kong shares trimmed early gains to 1.4 percent by mid-day on Monday as investors locked in gains on Friday's sharp rally, anticipating a weak trading session on Wall Street later on Monday.

U.S. stock futures trended lower, suggesting stocks may give back some of Friday's massive gains as investors remain uncertain on the working of the proposed \$700 billion bank bailout and its long-term implications. [ID:nN21510221]

"Even with the \$700 billion bailout package, there are worries that the U.S. government may not be able to prevent a likely recession in the economy," said Castor Pang, strategist with Sun Hung Kai Financial.

The benchmark Hang Seng Index .HSI ended the morning session up 266.58 points at 19,594.31 after opening 2.8 percent higher. The index posted its biggest one-day jump in nine months on Friday, soaring 9.6 percent.

Mainboard turnover fell to HK\$55.1 billion (\$7.1 billion) from HK\$62.2 billion at mid-day on Friday.

Offshore oil producer CNOOC (0883.HK) jumped 5.5 percent after crude oil posted its biggest three-day rally in a decade with a 7 percent gain pushing prices well above \$104 per barrel, on Friday. Prices held steady on Monday on hopes that the U.S. financial rescue plan would pump liquidity back into markets.

Gains were trimmed by profit-taking in Chinese telecom stocks as investors shifted back to worrying about policy uncertainties amid a massive restructuring in the industry.

China Mobile (0941.HK) which posted its biggest single-day gains in a decade on Friday slipped 0.6 percent while China Unicom (0762.HK) dropped 4.5 percent. Fixed-line operator China Telecom (0728.HK) fell 3 percent, leading decliners on the H-share index.

The China Enterprises Index .HSCE of top locally listed mainland Chinese firms was 2.3 percent higher.

Chinese financials extended Friday's sharp rally after the mainland government said it would rope in sovereign wealth funds to buy shares in listed companies, including its leading banks, and stabilise the mainland markets.

Top lender ICBC (1398.HK) gained 3.6 percent while smaller rival China Construction Bank (0939.HK) climbed 2 percent.

China's largest insurer China Life (2628.HK) advanced 4.3 percent tracking the 6.4 percent surge on the Shanghai bourse .SSEC where it holds substantial investments. Ping An Insurance (2318.HK) followed suit with a 6.8 percent jump.

China Citic Bank bucked the trend among mainland financial companies to drop 5.8 percent on last week's reports that its parent CITIC Group was in deal discussions with Morgan Stanley (MS.N).

Mainland property companies rose sharply on hopes that more relaxed economic policies in China would stall sliding property prices in major cities.

China Overseas Land Investment (0688.HK) rallied 8.4 percent while Guangzhou R&F Properties (2777.HK) soared 11.8 percent.

Source: Reuters