

## **Additional Gains Seen For Hong Kong Stocks**

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The Hong Kong stock market emphatically halted on Friday the losing streak that had reached seven sessions, costing the market more than 3,000 points or 15 percent in the process of sending it to a 23-month closing low. The market made back more than half of that on Friday, and now the Hang Seng Index is tipped to add to the gains when it opens on Monday, possibly testing resistance at 20,000 points.

The global forecast for the Asian markets is sky-high on optimism ahead of the U.S. government's bailout package for the troubled financial sector. Coupled with other adjustments to the financial system, a general outline of the plan was enough to send the U.S. markets rocketing into positive territory to finish an extremely volatile week in the green - and the Asian markets are forecast to follow that lead.

The Hang Seng finished sharply higher on Friday, borrowing positive sentiment from the mainland Shanghai bourse after China regulators cancelled the stamp duty on share purchases. Adding to the positive sentiment, the sovereign wealth fund announced plans to buy shares in state-owned banks.

For the day, the index jumped 1,695.27 points or 9.61 percent at the daily high of 19,327.73 after dipping as low as 18,588.11 on turnover of 124.57 billion Hong Kong dollars.

The financials led the market to the upside after being heavily oversold. ICBC surged 16.17 percent, while China Construction Bank jumped 15.74 percent, Bank of China added 16.67 percent, China Merchants Bank surged 20.85 percent, Bank of Communications was up 13.58 percent, HSBC was up 7.48 percent, Bank of East Asia was up 5.26 percent, China Mobile surged 14.75 percent, China Life was up 9.80 percent, Hutchison Whampoa was up 4.58 percent and HKEx gained 15.95 percent.

Also finishing higher, China Overseas Land surged 14.88 percent, while Zhaojin Mining surged 17.16 percent, Zijin Mining gained 3.59 percent, Lingbao Gold rose 3.47 percent, CNOOC jumped 14.58 percent, PetroChina gained 10.74 percent, Sinopec added 14.24 percent, Cheung Kong gained 7.38 percent, Sun Hung Kai was up 4.22 percent, Sino Land fell 4.89 percent, Henderson Land was up 1.85 percent, China Shenhua soared 29.99 percent, Chalco was up 11.65 percent, Angang Steel rose 24.63 percent and Jiangxi Copper was up 22.95 percent.

The market draws another broadly positive lead from Wall Street as stocks turned in a standout performance on Friday, adding to substantial gains posted in the previous session to erase the selloff seen earlier in the week. The strength came amid a series of government initiatives to help deal with the credit crisis that has been plaguing the financial markets.

Earlier in the day, Treasury Secretary Henry Paulson outlined his department's plan to establish a trust fund to absorb banks' bad debts, stating that, despite the cost taxpayers will have to bear for the fund, the alternative would have been far worse. Paulson said the most recent proposal would address the "root cause" of the financial crisis: mortgage-backed securities stemming from the housing crisis.

Wall Street also got a boost when the government issued a temporary ban on short selling for a list of nearly 800 financial firms. Also, the Treasury Department also established a temporary guaranty program for the money market fund industry, while the Federal Reserve Board announced two new enhancements to existing programs to promote liquidity.

The first initiative extends the realm of non-recourse loans at the primary credit rate to U.S. depository institutions and bank holding companies. The second initiative will allow the Federal Reserve to buy federal agency discount notes from primary dealers. These notes are short-term debt obligations issued by Fannie Mae, Freddie Mac and the Federal Home Loan Banks.

The major averages moved to the upside in the final hour of trading, but they ended the day well off of their session highs. The Dow closed up 368.75 points or 3.4 percent at 11,388.44, the Nasdaq closed up 74.80 points or 3.4 percent at 2,273.90 and the S&P 500 closed up 48.56 points or 4 percent at 1,255.07.

While stocks saw considerable weakness early in the week, the major averages rebounded in the last two days to close modestly higher. The Dow ended the week up 0.3 percent, while the Nasdaq and the S&P 500 posted weekly gains of 0.6 percent and 0.3 percent, respectively.

In economic news, Hong Kong will on Monday release August inflationary data, with analysts looking for an annual increase of 6.1 percent - down slightly from the 6.3 percent increase on year in July.

Also, Hong Kong's Finance Secretary John Tsang said the government is sticking to its growth outlook for 2008 and is forecasting economic growth to slow towards the second half of the year. The Hong Kong government forecasts the economy to grow between 4 and 5 percent in 2008 and sees a difficult situation in 2009. However, Tsang said Hong Kong's longer-term economic outlook remains positive given the sound fundamentals of the economy, though a worsening external environment and volatility in the financial markets increase the risk of an economic downturn.

Finally, Hong Kong's Census and Statistics Department said employment in the private sector increased 2.1 percent or 49,900 persons year-on-year in June and total number of vacancies grew 12 percent or 5,730 over the previous year to 51,590.

Also, more than 50,000 people have been sickened by milk and milk products tainted with the mild toxin melamine, China's health authorities said Sunday. Officials said 39,965 victims had been treated at hospital and released after recovering, while another 12,892 babies remain in hospital. Tests carried out by the government's safety watchdog showed milk produced by three dairy firms contained traces of the chemical, according to a statement posted on the department's website. Four babies are confirmed to have died after developing kidney stones from drinking contaminated milk formula. The health problems have also spread to Hong Kong, where several children are suffering from kidney ailments, to Macau and Singapore.

In corporate news, China's Haier Electronics Group Co saw first-half profit jump 77 percent, the company said over the weekend, standing at 128.3 million Hong Kong dollars in the six months ended June 30, from 72.5 million Hong Kong dollars a year earlier. Sales rose 48 percent in the first half to 5.31 billion Hong Kong dollars from 3.58 billion Hong Kong dollars.

Also, China Construction Bank Corporation said it and its subsidiaries hold a combined \$191.4 million worth of bonds issued by Lehman Brothers. In a statement filed with the Shanghai Stock Exchange, the bank said the bonds consist of \$141.4 million in senior bonds and \$50 million in subordinated bonds. The bonds value accounts for 0.019 percent of its total assets and 0.29 percent of net assets as at 30 June 2008, China Construction Bank said.

**Source: RTTNews**