

## Analyst Express

### A-share Market Strategy Snapshot: Rebound will continue

Major events on the capital market during the Chinese New Year holidays and our comments:

- ❖ China: (i) Policies that boost agriculture and service industries may be reinforced: Hu Jintao said that “the policies that target at strengthening the agriculture, benefiting and enriching the farmers should be further reinforced”, and “the development of service industries should be accelerated to better meet the material and cultural needs of people”; (ii) the downward trend of economy should be noticed: the preview value of HSBC China manufacturing PMI came in at 48.8, higher than the final values of the two previous months; (iii) Control over real estate industry remained: according to Ministry of Housing and Urban-Rural Development, the housing information in 40 cities will be mutually shared to restrict the real estate speculation among different areas; according to media reports, the housing property sales in various areas were all sluggish, while Beijing real estate market posted zero transaction during the holiday.
- ❖ The U.S.: (i) The easing liquidity policy remained: on 25 Jan, the Federal Reserve decided that the federal funds rate will remain at the historical extraordinarily low level of 0-0.25% till 2H2014E at least, prolonging the term of the extraordinarily low interest rates by 12-18 months, beating the market expectations. According to the Federal Reserve, despite that the economy went stably in the past several weeks, the economic growth remained relatively slow with possibly a slight decline in the unemployment rate, while the real estate market remained sluggish. The Federal Reserve also adjusted the forecast data of the unemployment rate and economic growth in the U.S. According to the Federal Reserve, the unemployment rate in the U.S. will come in at 8.2%-8.5% in 2012, remaining at a relatively high level, while the forecast on economic growth was lowered to 2.2%-2.7%. Bernanke, the chairman of the Federal Reserve said that the decision of maintaining low interest rate aimed at appeasing investors, and the Federal Reserve still possesses measures to cope with economic difficulties, and will implement new easing policies if needed. (ii) Economic growth came lower than expected: the annualized QoQ growth rate of GDP in the U.S. came in at 2.8% in 4Q11, the largest growth since 2Q10, but lower than the average expectation of 3.2% on the market. Besides, the increase of business inventory contributed almost two ppts to the growth. The recovery of business inventory boosted the GDP growth in 4Q11 to the fastest growth rate since 3Q10 and contributed 1.94ppts to the GDP growth. Excluding the business inventory factor, the GDP in the U.S. grew by merely 0.8% in 4Q11. The rapid accumulation of inventory indicates that the economic growth will slow down in 1Q12E. Another sign of the slowing economic growth is that the growth of enterprises' expenditure on capital goods hit the lowest since 2009. (iii) The Democrats and the Republicans reached a compromise temporarily on the debt issue: 26 Jan, the United States Senate approved the President Obama's proposal of raising the public debt ceiling of the federal governments by US\$1.2trn to a total of US\$16.4trn. The market expects that it will be able to support the operation

### Principal Market Indices

Index	Close	Change %		
		1-d	5-d	YTD
CSI 300	2504.09	1.45	4.6	7
S&P/CITIC300	2101.37	1.49	4.4	6
S&P/CITIC 50	1854.82	1.53	4.8	8
Shanghai Composite	2319.12	1.00	3.3	5
Hang Seng Index	20501.67	0.31	7.8	11
H-share index	11446.52	0.26	9.1	15
Red Chip	3957.91	0.00	5.5	8
Nikkei 225	8841.22	-0.09	5.5	5
Dow Jones	12660.46	-0.58	1.9	3
S&P 500	1316.33	-0.16	2.1	4
Nasdaq	2816.55	0.40	3.9	8
DAX	6511.98	-0.43	4.7	11
CAC	3318.76	-1.32	2.9	6
FTSE 100	5733.45	-1.07	1.3	3
BDI	726.00	-3.59	-28.3	-58

### Major mercantile futures

Futures	Close (USD)	Change %		
		1-d	5-d	YTD
NYME Oil	99.56	-0.14	-0.1	0
NYME Gold	1735.40	0.32	6.4	13
LME Copper	8519.25	-0.77	5.5	15
LME Aluminum	2240.50	-0.54	5.3	14
LME Zinc	2150.00	-2.49	9.6	17
Spot silver	33.92	1.35	12.8	23
Corn futures	641.75	1.14	7.1	1
Soybean futures	1219.00	-0.31	5.2	2
Wheat futures	647.25	-0.96	7.5	0
Cotton futures	95.61	0.02	0.2	4
Rough rice futures	14.64	-0.37	1.4	1
Sugar	24.21	-2.10	1.6	3

### Major foreign exchanges

FX	Close	Change %		
		1-D	5-D	YTD
USD index	78.90	-0.62	-3.2	-2
USD-RMB	6.32	0.11	0.0	0
USD-JPY	76.72	-0.96	-0.2	-1
EUR-USD	1.32	0.19	3.5	2
GBP-USD	1.57	0.02	2.4	2

### Major stock index futures in China

Futures	Chg%	Basis	Position	Chn in position
IF1201	0.99	-5.89	508	-2468
IF1202	1.04	11.71	38757	-1852
IF1203	0.98	25.91	8361	75
IF1206	0.87	42.51	2902	9

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## Investment rating system

Performance of stock or sector relative to MSCI-China over next 6 months after research publications

	Rating	Remark
Stock rating	Buy	Relative performance over MSCI-China Index >20%
	Overweight	Relative performance over MSCI-China Index 5% ~ 20%
	Hold	Relative performance over MSCI-China Index -10% ~ 5%
	Sell	Relative performance over MSCI-China Index > -10%
	NR	Not rated
Sector rating	Outperform	Relative performance over MSCI-China Index >10%
	Neutral	Relative performance over MSCI-China Index -10% ~10%
	Underperform	Relative performance over MSCI-China Index > -10%

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