Daily commentary

- **Suggest trade of the day:** Stelux (84)

- **Companies with positive newsflow today:**
  - Luk Fook (590) and China Packaging (572)

- **Companies with negative newsflow today:**
  - Sincere (244), Kin Yat (638), King Fook (280) and HSBC Holdings (5)

- **Daily market outlook commentary:**
  - Tipping a higher HSI opening, benchmarking to the rebound in Dow and ADR performances. Moreover, the weakness in Friday's trading mainly came from China Mobile (941), with parameters like short sell and advance versus decline ratio both hinted correction pressure not particularly high. Given the significance of China Mobile in HSI's weighting, this probably a good sign for the bulls as the bears were not taking the chance to launch an "attack". The re-opening of the “A” share market also likely to be closely watched and probably play a major role for intra-day HSI’s movement. Yes, US is as messy as you can imagine but to some extent, investors probably used to these kind of crisis and jump to the conclusion that the government shutdown or eventually the debt ceiling can be resolved... just a matter of time. In comparison, the macro data from China to be released during the week should catch more attention. Rotational buying and selling very obvious in Friday, seeing some outflow on Macau gaming while auto manufacturers, particularly Geely (175) attracted a lot of interests. Other strong sectors included solar, dairy and internet services. My picks from these sectors, which readers should be familiar, include Greatwall (2333), Singyes Solar (750), Huishan Dairy (6863) and Kingsoft (3888). Checking the latest outstanding distribution of CBBCs, the closest high concentration area of the bears is at 23,215 to 23,399, which I think we can test in short term.

  - Not a lot on corporate news. Nagacorp’s (3918) nine month operational highlights revealed that gaming revenue growth remains healthy, despite a marginal slow down compared to the figures reported in interim. Not the same class as the Macau names but valuation still look attractive, with catalysts on prospect from Russia and perhaps Vietnam as well. Macau Legend (1680) was strong on Friday. Looks pricy now on paper but the wild card is of course on the prospect of the re-development of the Fisherman’s Wharf. It’s market cap. is still significantly behind others which may still attract speculators. The price cut from SHKP (16) on the remaining units of The Cullinan as well as the sluggish weekend sales on both primary and secondary markets will drag on local property developers. Furthermore, HKET also reported that Premier Xi is backing CY Leung on the curbing policies in place…. also not good news for local developers. Mixed reports from retailers on Golden week performances. Seems that low-end retailers are enjoying a higher traffic growth this round. Names like Café De Coral (341), Fairwood (52), Sa Sa (178), Bonjour (653) and Giordano (709) likely winners. Stelux (84) another name worth looking at. Its HK and China operations of City Chain and Optical 88 might be good.
Selective headline news

1) Dow bounced back 76 points on Friday following two days of losses, but investors remained relatively cautious on the fourth day of the government shutdown. The government shutdown has created plenty of uncertainty and left an estimated 800,000 federal employees waiting to go back to work. The shutdown is also delaying the release of the government's monthly jobs report, originally scheduled to come out Friday morning. Since the recession, the report has become the most closely watched indicator on the economy. As investors appear to be shrugging off the worries of a Fed Tapering, which may be announced as soon as Wednesday. With little else to focus on, investors will continue to watch Washington for developments on the budget deal and the looming deadline to raise the debt ceiling. Failure to raise the debt limit is likely to have a significant impact on the global economy, as well as stocks, bonds and currency markets. For corporate news, shares of Facebook moved 3.8% higher after the company said it will start selling advertising on its photo sharing tool Instagram. Twitter made its IPO filing on Thursday, revealing that the company is still unprofitable. Tesla shares were 4.4% higher following a three-day slide that shaved more than 10% of the value off the electric car maker's high-flying stock. The stock really took off at the end of the day after CEO Elon Musk published a blog post explaining what happened with a Model S that crashed earlier in the week. Shares of J.C. Penney continued to take a beating. The stock price of the troubled retailer fell below $8, its lowest since 1982. Crude up 0.51% to US 103.84 per barrel and Gold off 0.58% to US 1,309.9 per ounce. Yield of US 10-Year treasuries up 4 ppt. to 2.65%. (Source from CNN Money)

2) ADRs under our radar screen were 0.5% to 1.5% higher than HK closing. ADR of China Mobile ended 1.45% higher vs HK closing, equivalent to HKD85.22 per share. ADR of HSBC up 0.68% vs HK closing, equivalent to HKD84.92 per share. ADR of Hutchison ended 0.55% higher vs HK closing, equivalent to HKD97.59 per share. Cheung Kong’s ADR closed at HKD123.99, 0.64% higher than HK closing. ADR of Tencent closed at HKD421.36, 0.52% higher than HK closing.

3) Short sell as a percentage of turnover decreased from 8.2% to 6.9% (ex-IPO of Forgame (484)) Stock alert: Apollo Solar (566), CAM CSI300 (3188), China Railway (390), China Cosco (1919) and Yingde Gases (2168).

4) From HKEx daily quotation on 4 October trading, stock advanced = 2,135 stock declined = 2,367 stock unchanged = 2,604. (Advance vs Decline ratio 1: 1.11).

5) Selective share buyback transactions on 4 October 2013:
   i) Lifestyle (1212) – 1.5095m shares at HKD15.9 to HKD16.1.
   ii) IPE Group (929) – 455K shares at HKD0.54.
   iii) China Water (855) – 948K shares at HKD2.99 to HKD3.03.

6) Profit warning from Sincere (244) for the six months ended 31 August 2013 (initial costs for entering into new leases and the rental expenses which was caused by the compliance with relevant accounting standard). Profit warning from Kin Yat (638) for the six months ended 30 September 2013 (absence of one-off gains in the corresponding period in 2012). Profit warning from King Fook (280) for the six months
ended 30 September 2013 (decrease in gross profit margin under unfavorable market conditions)

7) China Packaging (572) proposed a Bonus Issue to Qualifying Shareholders. The Bonus Issue is proposed to be made on the basis of one Bonus Share for every one existing Share held by the Qualifying Shareholders.

8) Nagacorp (3918) announced unaudited operational highlights for the nine months ended 30 September, saying that gross gaming revenue increased by 14% YoY to around US 216m. Note that the company reported a 15% increase in revenue for their 2013 interim.

9) SOCAM Development (983) announced acquisition of 65% equity interest in a Nanjing Company. The total Consideration payable by the Group in respect of the Transaction is Rmb 330 million. The principal assets of the Target Company are the Land Parcels, namely Lots A, B and C located at the Jiangning District of Nanjing City, the PRC, with a total site area of approximately 110,500 square metres, with permitted residential usage for Lots A and B and hospitality usage for Lot C. The Land Parcels are intended to be developed into a residential and commercial property project.

10) IPO debut for Nexteer (1316). Gray market price closed at HKD 2.84, 1.4% above the IPO price of HKD2.8.

11) Mingpao reported that according to Centaline, only 6 secondary transactions recorded for the 10 benchmark estates over the weekend, a wow decline of 54%. For primary transactions, 24 were recorded, represented a wow decline of 17%. Meanwhile, SHKP (16) has slashed price by as much as 40% for the remaining 181 units of The Cullinan, with ASP at around HKD29K psf, 10% below market price.

12) Mingpao reported that according to Immigration Department, tourists from mainland during the Golden week holiday reached around 800,000, a YoY increase of 6%. Chairman of Luk Fook (590) said traffic flow during the period increased by 10-20% compared to last year. On the other hand, a spokesman from a high end restaurant said traffic flow declined by 20-30%.

13) The Standard reported that a unit of HSBC Holdings (5), once known as Household International, has lost its bid to undo a 2009 securities fraud trial verdict and so is liable for about US$1.5 billion in damages plus interest, a judge in Chicago ruled.
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