

Our view

The resolution of the funding structures of the two GSEs should prompt credit markets to function again, thus lowering the probability of a further deterioration in global financial assets and a deepening of the US recession. While global growth and deleveraging issues remain, the bailout represents the end of the equity capitulation phase as the panic to raise cash recedes.

Anchor themes

- ⚓ The bailout of the two GSEs represents a politically acceptable solution to resolving their respective funding problems but leaves longer-term questions over the growth of the US mortgage market.
- ⚓ Emerging market equities should rally strongly given their oversold position. Markets will refocus on the battle between resilient inflation and slowing growth.

Market calls

Asian and emerging market credit spreads should tighten and currencies firm on the GSE bailout news. Aside from Pakistan and Vietnam, risk appetite should return to emerging equity markets and capital account outflows will likely diminish. We expect Asia and emerging markets to outperform their G7 peers including Japan.

Unblocking the arteries, price support and intervention (III)

- Firing a bazooka at the problem
- How investors can implement our view

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① Firing a bazooka at the problem

"If you have a bazooka in your pocket and people know it, you probably won't have to use it." — US Treasury Secretary Hank Paulson at a 15 July Senate Banking Committee hearing

As delinquencies spread to prime mortgages during the last quarter, the solvency of Fannie Mae and Freddie Mac came into question. Their extremely large debt issuance and deteriorating balance sheets caused money market operations to malfunction. Equally, the financial markets were beginning to doubt whether the US government would honour its explicit backing of their paper if indeed the pair failed. With the Republican Party convention finished, it was probably politically opportunistic for the US treasury to restore order in the money markets and devise a definitive plan to resuscitate the two government sponsored enterprises (GSE), thereby averting a systemic failure.

Over the weekend (6-7 September), the US treasury announced that the Federal Housing Finance Agency (FHFA), a government entity, would take over the two GSEs, Fannie Mae and Freddie Mac. Under the deal, the US treasury would provide short-term financing to keep the two entities afloat through preference share issuances (US\$200bn maximum). There will also be a warrant issuance equivalent to 80% of common shareholders' stock and US\$1bn in senior preferred shares. Further, the CEOs of both GSEs will leave and dividends will disappear.

See the important disclosures and analyst certifications on pages 17 to 20. us

The Treasury will continue to support the two GSEs by allowing them access to Federal Reserve "open market" market operations. That is, allowing the two GSEs and 12 other Fed home loan banks to access Federal Reserve liquidity facilities, swapping their paper for government paper if the need arises (no stated maximum limit). This is a continuation of an existing program that was put in place last month.

The bailout will reduce the size of the new mortgage market in the US being underwritten by the government. The plan limits the size of each companies' mortgage portfolios to a maximum of US\$850bn as at end-2009. After that, the Treasury intends for the mortgage holdings to shrink by around 10% pa until they reach US\$250bn at each company. In the short term, the bailout will not necessarily help the US housing market to recover. However, it should cause credit spreads to narrow as the debt rollover of both in 3Q09 was around US\$220bn. This was crowding out good borrowers in the money markets while causing the underlying spreads of GSE debt to widen substantially compared with government bonds. The bailout should be good news for equities generally as it sharply reduces the chance of systemic risk.

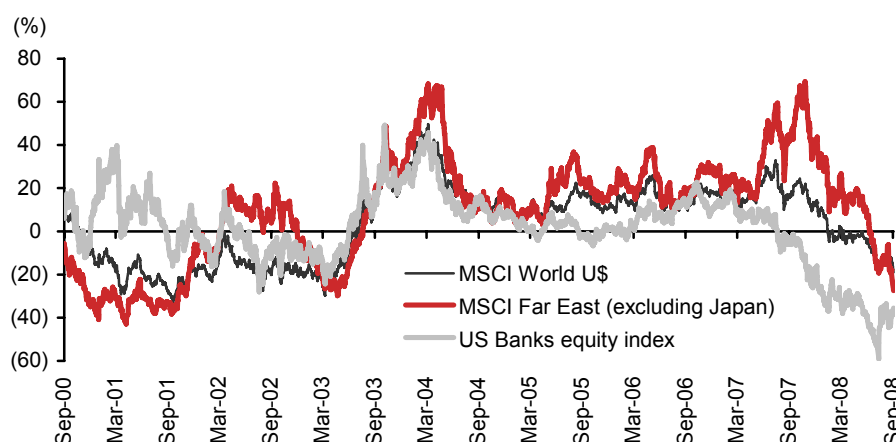
The plan allows both GSEs to remain listed without being directly "nationalised". More importantly, existing equity shareholders have not been "totally wiped out" or diluted to zero. The US Treasury has avoided the worst-case scenario for both — absorbing all the debt guarantees and covenants (US\$5,400bn), plus liquidating existing common shareholders. This should be good news for financials in the short term, since it avoids the worst-case scenario and allows the equity market to remain open for further recapitalisation.

The US housing market continues to deteriorate. The MBA reported that US foreclosures hit a record 2.75% in 2Q08 compared with 2.47% in 1Q08 and 1.4% in 1Q07. The mortgage delinquency rate rose to 6.41%, the highest level since at least 1979 when the MBA began measuring falling loans, compared with 6.35% in 1Q08. The Federal Deposit Insurance Corp (FDIC) will probably be in the spotlight because it will require more government funding. We expect further US mid-tier bank failures to jolt the markets.

② How investors can implement our view

Asian and emerging market credit spreads should tighten and currencies firm on the news. Aside from Pakistan and Vietnam, risk appetite will likely return to emerging equity markets and capital account outflows should diminish. We expect Asian and emerging stock markets, after a significant period of underperformance, to outperform their G7 peers including Japan.

Exhibit 1. World equity market performance annualised change



Source: DataStream, Nomura International (Hong Kong) Limited-Investment Strategy

The bailout should be good news for equities generally as it sharply reduces the chance of systemic risk

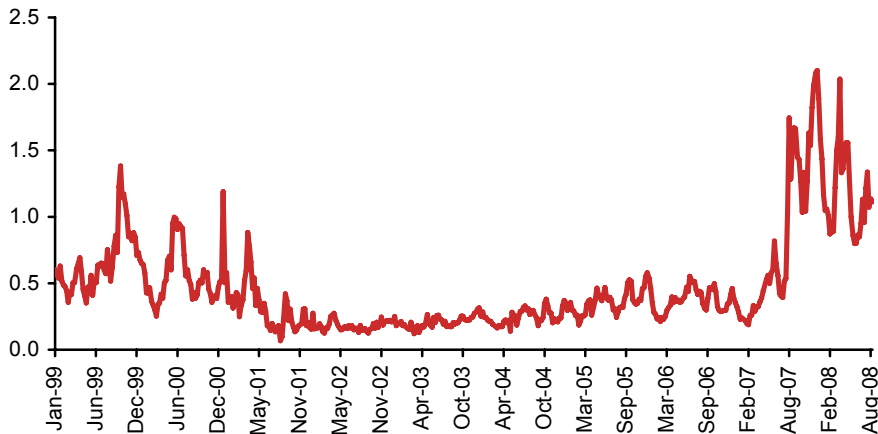
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Equity markets were oversold...

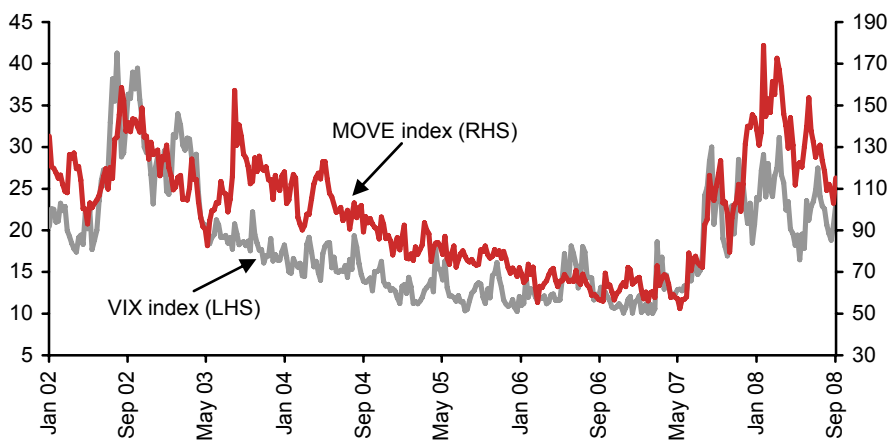
Exhibit 2. TED spread (weekly): difference between US Libor and T-bills



...as money markets had failed to clear

Source: Bloomberg, Nomura International (Hong Kong) Limited-Investment Strategy

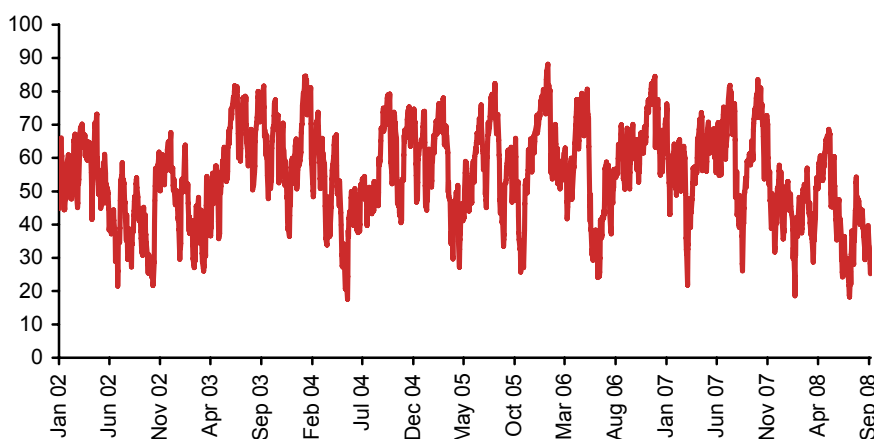
Exhibit 3. MOVE and VIX index price performance



This had kept bond volatility high

Source: Bloomberg, Nomura International (Hong Kong) Limited-Investment Strategy

Exhibit 4. MSCI Asia ex Japan (14 days RSI)

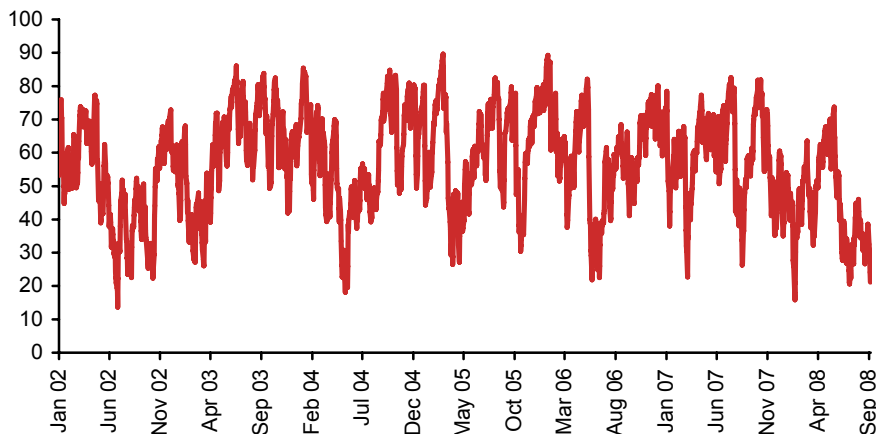


Asia...

Source: Bloomberg, Nomura International (Hong Kong) Limited-Investment Strategy

Exhibit 5. MSCI Emerging Market US\$ (14 days RSI)

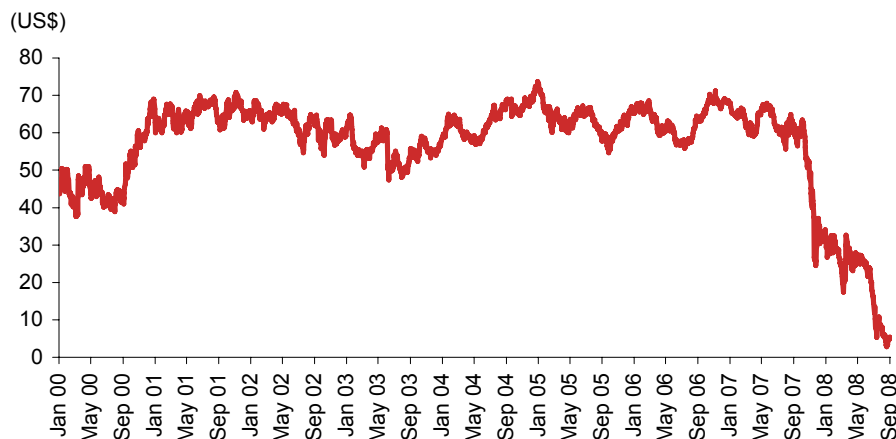
...and emerging markets were very oversold...



Source: Bloomberg, Nomura International (Hong Kong) Limited-Investment Strategy

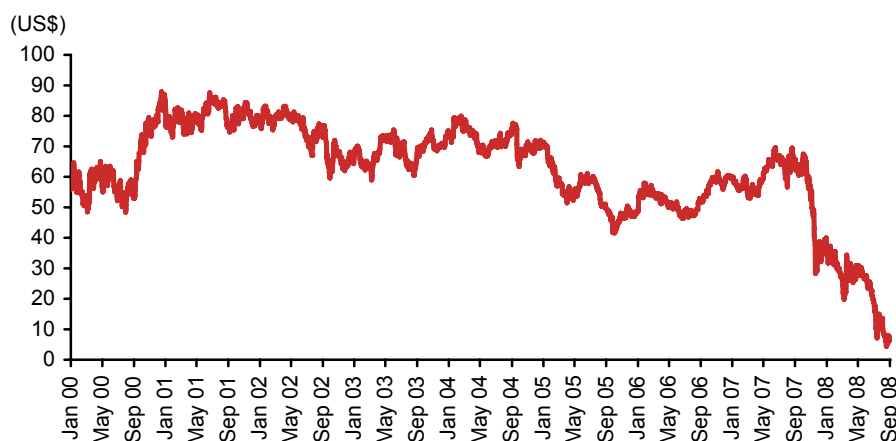
Exhibit 6. Freddie Mac share price performance

...as the credit worthiness of the US financial system came into question



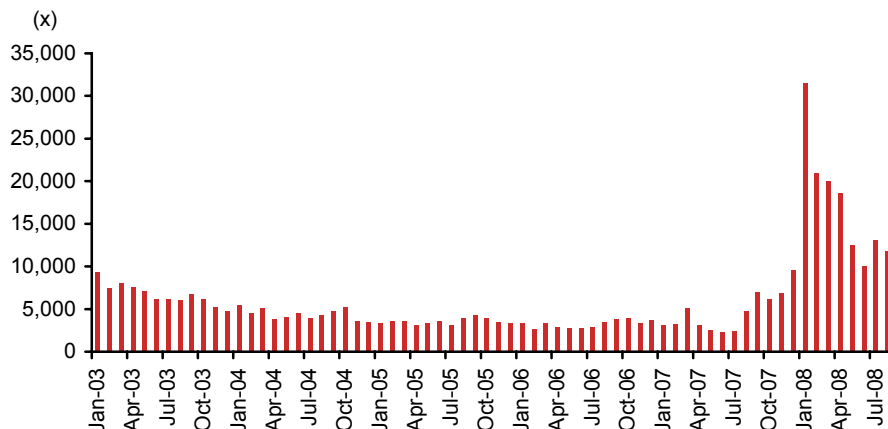
Source: Bloomberg, Nomura International (Hong Kong) Limited-Investment Strategy

Exhibit 7. Fannie Mae share price performance



Source: Bloomberg, Nomura International (Hong Kong) Limited-Investment Strategy

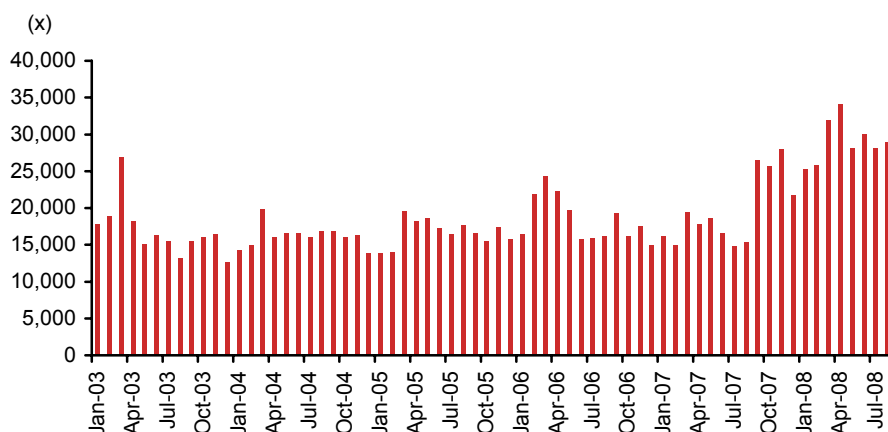
Exhibit 8. Number of times the word “recession” appears in the press



Source: Factiva, Nomura International (Hong Kong) Limited-Investment Strategy

We think equity markets will go back and revisit...

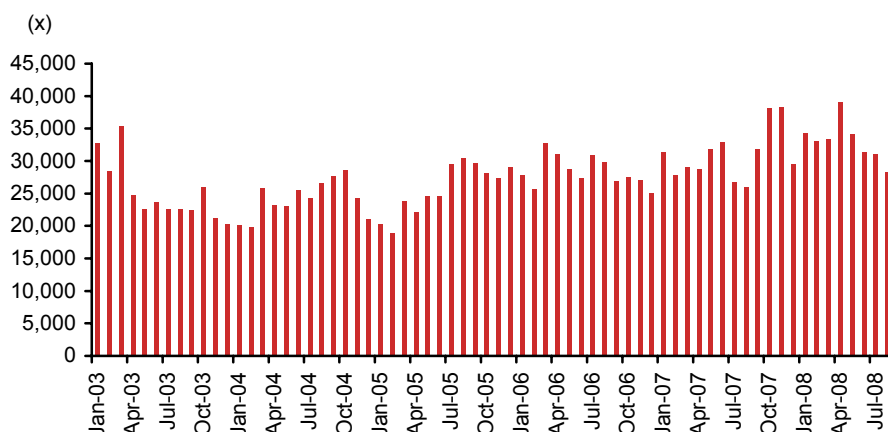
Exhibit 9. Number of times the word “protest” appears in the press



Source: Factiva, Nomura International (Hong Kong) Limited-Investment Strategy

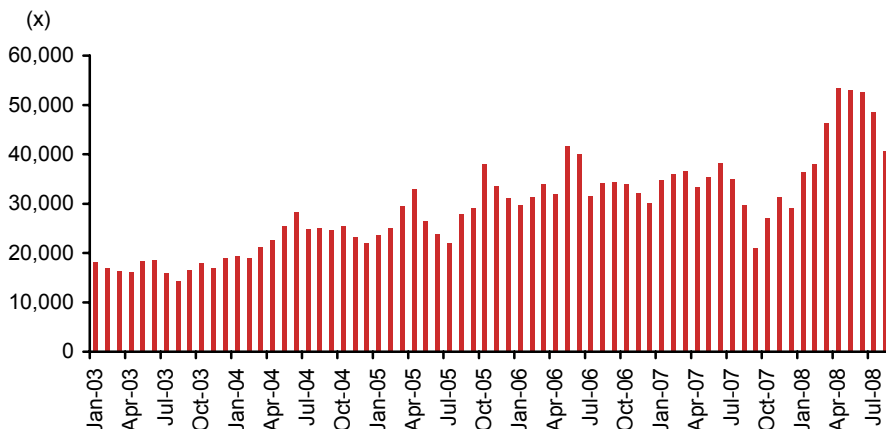
...the problem of battling inflation while trying to maintain growth

Exhibit 10. Number of times the word “strike” appears in the press



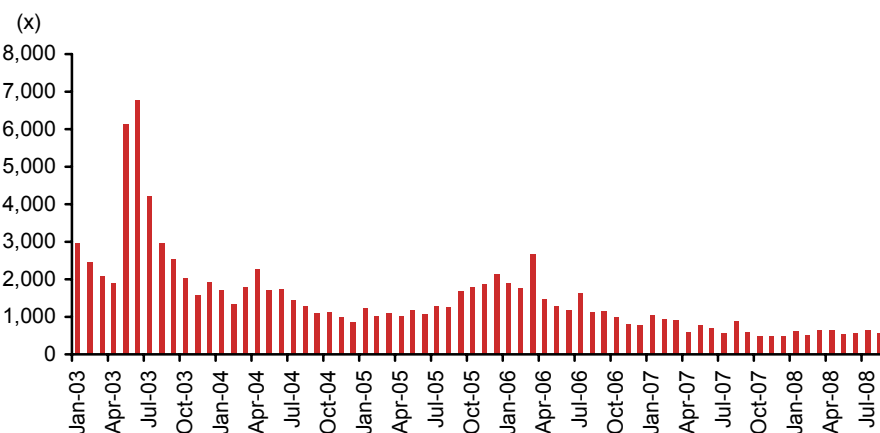
Source: Factiva, Nomura International (Hong Kong) Limited-Investment Strategy

Exhibit 11. Number of times the word “inflation” appears in the press



Source: Factiva, Nomura International (Hong Kong) Limited-Investment Strategy

Exhibit 12. Number of times the word “deflation” appears in the press



Source: Factiva, Nomura International (Hong Kong) Limited- Investment Strategy

Exhibit 13. Probability for Barack Obama to win US presidential election



Note: Maximum price =100, price indicates likelihood to win. i.e. if price=60, probability= 60% to win

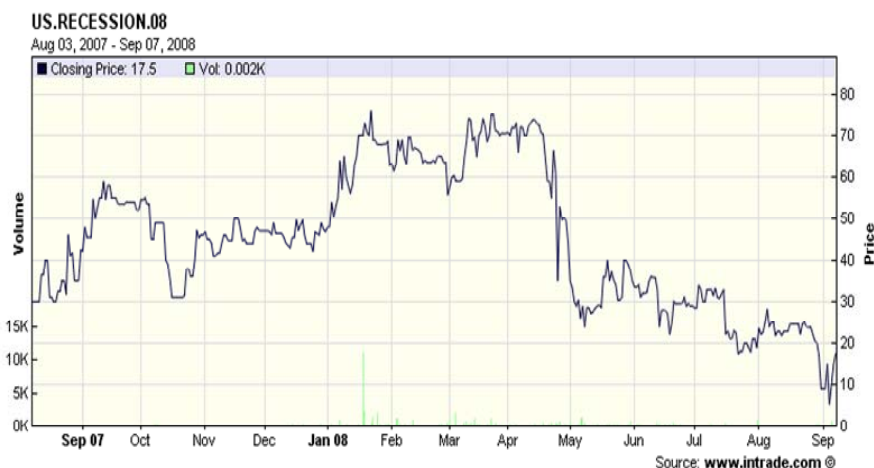
Source: Intrade.com, Nomura International (Hong Kong) Limited

Exhibit 14. Probability for McCain to win US presidential election



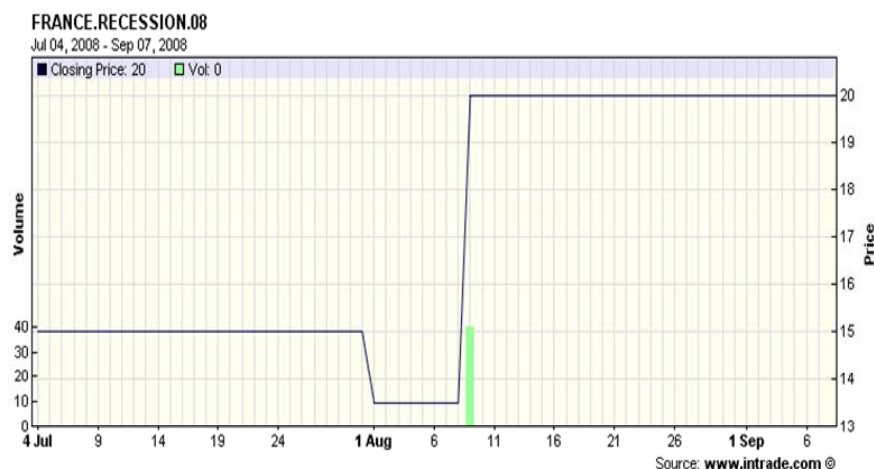
Note: Maximum price =100, price indicates likelihood to win. i.e. if price=60, probability= 60% to win
Source: Intrade.com, Nomura international (Hong Kong) Limited- Investment Strategy

Exhibit 15. Probability for the US economy to go into recession in 2008



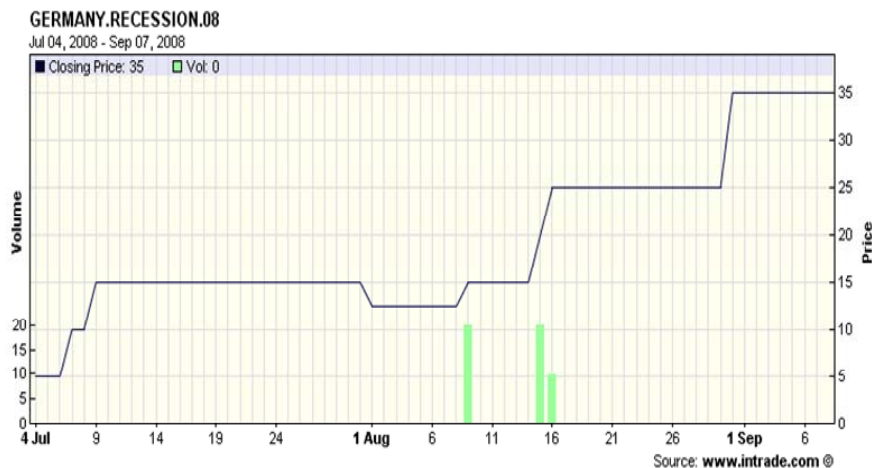
Note: Maximum price =100, price indicates likelihood to win. i.e. if price=60, probability= 60% to win
Source: Intrade.com, Nomura International (Hong Kong) Limited

Exhibit 16. Probability for French economy to go into recession in 2008



Note: Maximum price =100, price indicates likelihood to win. i.e. if price=60, probability= 60% to win
Source: Intrade.com, Nomura international (Hong Kong) Limited- Investment Strategy

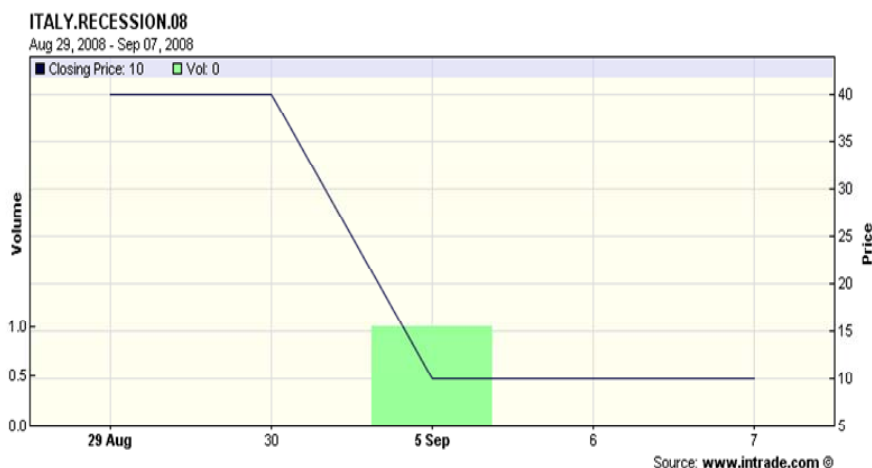
Exhibit 17. Probability for German economy to go into recession in 2008



Note: Maximum price =100, price indicates likelihood to win. i.e. if price=60, probability= 60% to win

Source: Intrade.com, Nomura International (Hong Kong) Limited

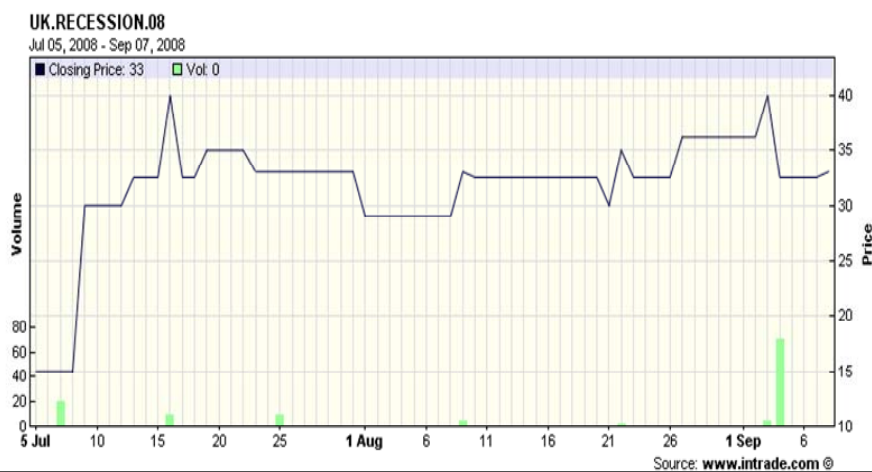
Exhibit 18. Probability for Italy economy to go into recession in 2008



Note: Maximum price =100, price indicates likelihood to win. i.e. if price=60, probability= 60% to win

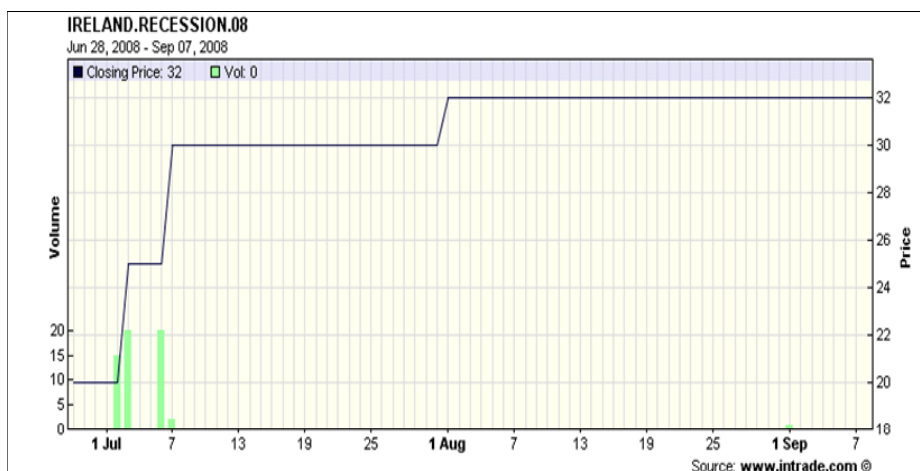
Source: Intrade.com, Nomura international (Hong Kong) Limited- Investment Strategy

Exhibit 19. Probability for the UK economy to go into recession in 2008



Note: Maximum price =100, price indicates likelihood to win. i.e. if price=60, probability= 60% to win

Source: Intrade.com, Nomura International (Hong Kong) Limited

Exhibit 20. Probability for Irish economy to go into recession in 2008

Note: Maximum price =100, price indicates likelihood to win. i.e. if price=60, probability= 60% to win

Source: Intrade.com, Nomura international (Hong Kong) Limited- Investment Strategy

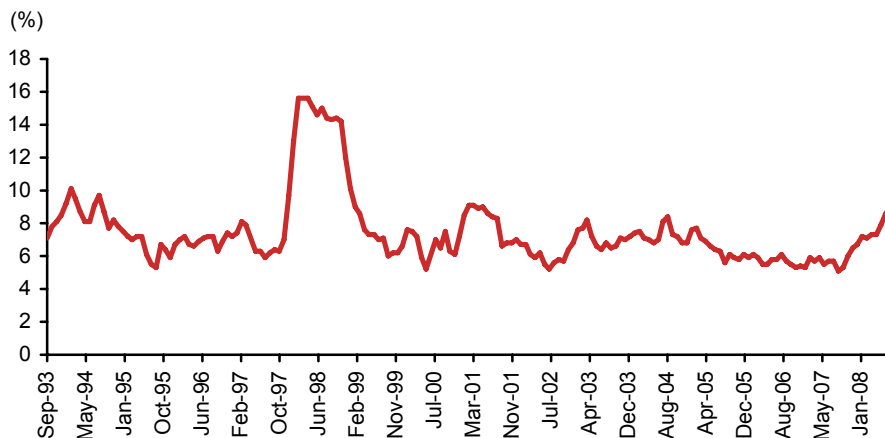
Exhibit 21. Upcoming major elections (2008-09)

Country	Date	Election	Description
Hong Kong	7-Sep-08	Legislative	Four-year term; there are 60 seats in the Council with 30 members returned by geographical constituencies through direct elections, and 30 Members by functional constituencies
Japan	22-Sep-08 *	Presidential	Four-year term; it is for successor of Fukuda, who announced his resignation from the Prime Ministership on 1 September. The ruling Liberal Democratic Party (LDP) will choose a new leader who, thanks to the party's majority in the Lower House of the Diet, is guaranteed election as prime minister
United States	4-Nov-08	Presidential	Four-year term; John McCain (Republican Party, senior US Senator from Arizona) and Barack Obama (Democratic Party, junior US Senator from Illinois) are running against each other to become president
New Zealand	15-Nov-08	Parliamentary	Three-year term; since 1999, the social democratic Labour Party has been at the head of various minority governments. As at 2008, Labour will be competing for votes against the centre-right National Party
Indonesia	9-Apr-09	Legislative	Five-year term; a total of 34 parties met the requirements to be allowed to participate in the national elections and the list of voters will be finalised in October
India	Apr-09*	Parliamentary	Four-year term; the elections may be held earlier if the current governing Indian National Congress-led centre-left United Progressive Alliance, headed by Prime Minister Manmohan Singh, falls by losing a vote of confidence, or if the UPA opted for early elections
Germany	27-Sep-09	Parliamentary	Four-year term; the incumbent Chancellor Angela Merkel is likely to be again the candidate for the CDU/CSU while information pertaining to the identity of the SPD's chancellor candidate is more speculative
Canada	19-Oct-09	Parliamentary	Four-year term; as the current parliament is led by a minority government, it is possible that an election will occur sooner, in 2008 or early in 2009
Indonesia	2009 *	Presidential	Five-year term; the incumbent Susilo Bambang Yudhoyono will seek a second term, while his predecessor Megawati Sukarnoputri will also run again

* Not fixed yet

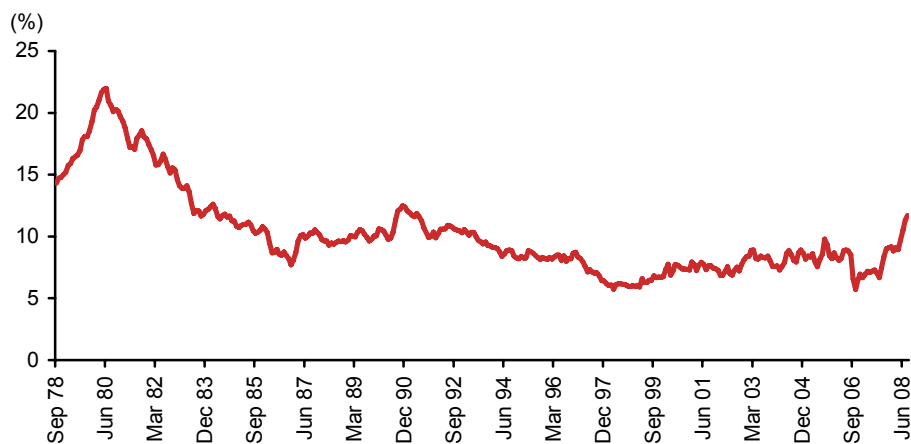
Source: Election Guide, Kyodo News, Wikipedia, Nomura International (Hong Kong) Limited- Investment Strategy

Exhibit 22. Korea misery Index



Source: Datastream, Nomura International (Hong Kong) Limited-Investment Strategy

Exhibit 23. US misery index

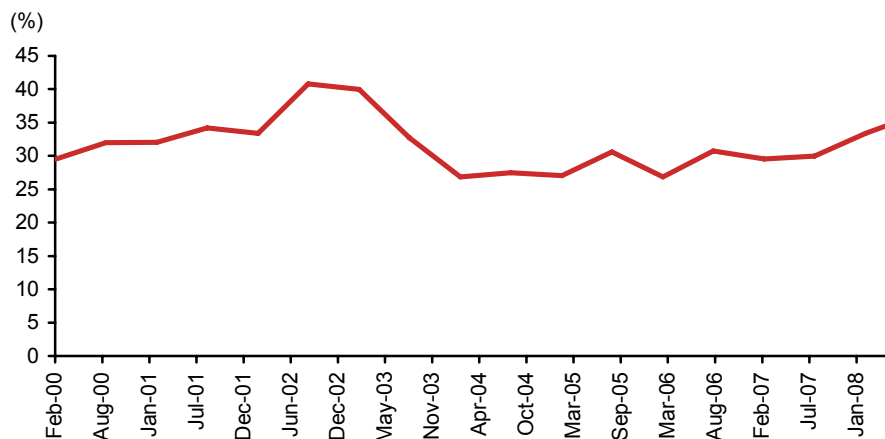


Note: latest data point = Aug 08 unemployment rate + July Inflation rate (last available)

Source: Datastream, Nomura International (Hong Kong) Limited-Investment Strategy

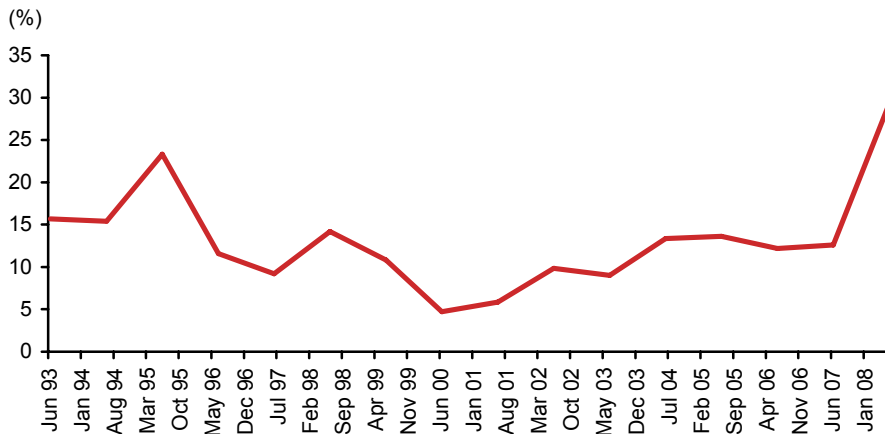
The misery indices globally suggest that policy makers will find it difficult to achieve high growth and low inflation

Exhibit 24. South Africa misery index



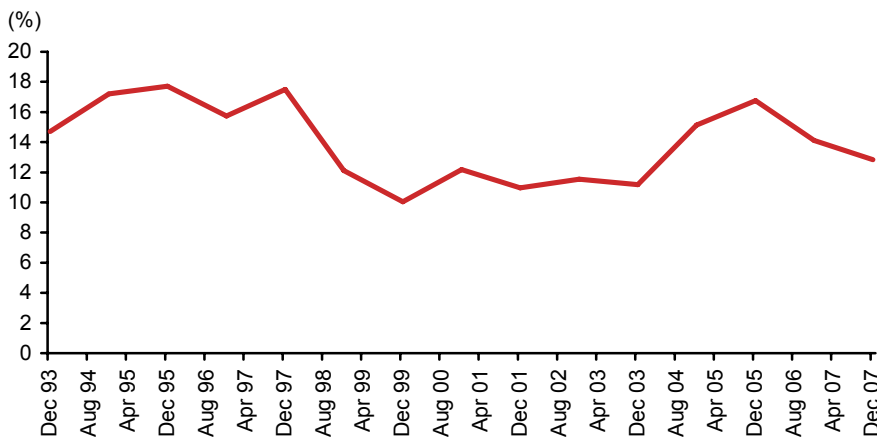
Source: Datastream, Nomura International (Hong Kong) Limited-Investment Strategy

Exhibit 25. Vietnam misery index



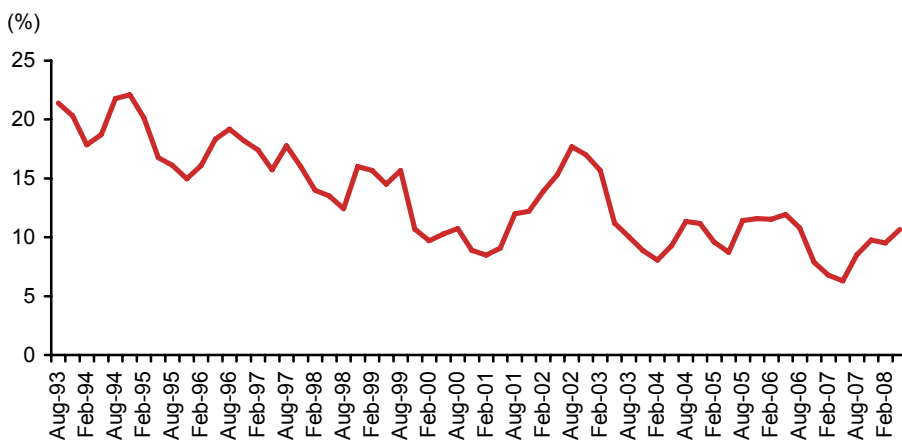
Source: Datastream, Nomura International (Hong Kong) Limited-Investment Strategy

Exhibit 26. Pakistan misery index



Source: Datastream, Nomura International (Hong Kong) Limited-Investment Strategy

Exhibit 27. Israel misery index



Source: Datastream, Nomura International (Hong Kong) Limited-Investment Strategy

Exhibit 28. Asia & Emerging market Gini coefficients

Emerging market	Gini coefficient	Asia	Gini coefficient
Argentina	0.513	Australia	0.352
Brazil	0.57	China	0.473
Chile	0.549	Hong Kong	0.434
Czech Republic	0.254	India	0.368
Egypt	0.344	Indonesia	0.4
Hungary	0.269	Korea	0.316
Israel	0.392	Malaysia	0.403
Kazakhstan	0.339	Pakistan	0.312
Mexico	0.461	Philippines	0.441
Oman	na	Singapore	0.522
Pakistan	0.312	Taiwan	0.339
Peru	0.52	Thailand	0.42
Poland	0.345	Vietnam	0.371
Qatar	na		
Romania	0.31		
Russia	0.399		
Saudi Arabia	na		
South Africa	0.578		
Turkey	0.436		
Ukraine	0.281		

Source: UNDP, Nomura International (Hong Kong) Limited- Investment Strategy

Exhibit 29. Global economies by inflation, interest rates and dividend yield

Country	Inflation (%y-y)	3-month deposit rate (%)	L/T rate * (%)	DY 2008F (%)
Asia ex-Japan				
China	7.8	3.3	4.1	2.3
India	7.8	10.1	8.6	1.2
Korea	4.9	na	6.1	2.3
Singapore	7.5	1.1	3.1	3.9
Taiwan	4.2	2.3	2.5	5.2
Philippines	9.7	na	8.1	4.3
Malaysia	4.8	3.1	5.0	4.7
Indonesia	10.1	7.6	12.0	3.3
Thailand	7.6	2.9	4.5	5.0
Hong Kong	5.7	2.3	3.0	3.5
Vietnam	28.3**	18.0	15.3	na
Pakistan	24.3***	na	14.5	7.8
G7				
Japan	1.4	0.8	1.5	1.9
Canada	2.3	3.3	3.5	2.2
France	3.7	na	4.3	4.0
Germany	3.0	3.0	4.1	3.7
Italy	3.8	na	4.8	6.4
UK	3.4	5.7	4.5	6.4
US	4.4	3.0	3.7	2.2
Others				
Australia	4.5	7.2	5.7	4.5
New Zealand	4.0	8.3	6.0	5.3
Russia	14.8	7.5	5.7	2.4
Brazil	5.6	13.6	5.9	4.4

* government 10 year bond; **Aug 2008; *** Jul 2008

Source: Bloomberg, Nomura International (Hong Kong) Limited-Quantitative Research and Investment Strategy

Exhibit 30. CDS spread change and government debt as of % GDP

	CDS Spread change				Fiscal debt as of % GDP
	1W	1M	3M	1Y	
Asia ex-Japan					
China	(1)	4	13	38	*10.3
India	3	20	48	133	53
Korea	12	30	50	94	32
Singapore	(2)	37	57	91	96
Taiwan	na	na	na	na	31
Philippines	(4)	8	12	60	49
Malaysia	9	27	57	100	42
Indonesia	(3)	10	7	83	31
Thailand	11	29	53	83	39
Hong Kong	(1)	8	16	na	5
Vietnam	(1)	na	(80)	171	*43.3
Pakistan	33	312	379	526	53
G7					
Japan	(1)	1	5	13	163
Canada	na	na	na	na	25
France	1	1	4	9	53
Germany	(0)	1	1	2	39
Italy	1	2	16	31	96
UK	-	1	5	na	43
US	(1)	-	7	na	36
Others					
Australia	(8)	7	27	58	5
New Zealand	na	na	na	na	21
Russia	21	47	64	69	*6
Brazil	16	25	54	41	43

* External debt only

Source: Bloomberg; Nomura International (Hong Kong) Limited-Investment Strategy

Exhibit 31. Oversold by RSI and Bollinger bands indications

Bloomberg code	Company name	Sector	Recent low		% to 52WL	return 12M	Overbought / Oversold
			5-Mar-07				
2314 HK	Lee & Man Paper Manufacturing	Materials	148.1	(0.3)	(75.5)	Oversold	
317 HK	Guangzhou Shipyard Intl Co-H	Industry Goods	55	(2.7)	(70.9)	Marginally Oversold	
2626 HK	Hunan Non-Ferrous Metals-H	Materials	272.8	(2.6)	(69.1)	Marginally Oversold	
604 HK	Shenzhen Investment Ltd	Property & Construction	91.4	(0.6)	(68.6)	Oversold	
1205 HK	Citic Resources Holdings Ltd	Materials	77.9	(2.8)	(66.6)	Marginally Oversold	
467 HK	United Energy Group Limited	Property & Construction	71.7	(6.7)	(66.6)	Marginally Oversold	
316 HK	Orient Overseas Intl Ltd	Service	168.3	(2.4)	(65.4)	Marginally Oversold	
531 HK	Samson Holding Ltd	Consumer Goods	435	0.0	(65.3)	Marginally Oversold	
2866 HK	China Shipping Container-H	Service	4.4	(5.5)	(65.1)	Marginally Oversold	
200 HK	Melco International Develop.	Service	233.3	(1.3)	(62.9)	Marginally Oversold	
3383 HK	Agile Property Holdings Ltd	Property & Construction	16.8	(4.2)	(61.4)	Marginally Oversold	
874 HK	Guangzhou Pharmaceutical-H	Consumer Goods	78.9	(3.0)	(54.4)	Oversold	
347 HK	Angang Steel Co Ltd-H	Materials	12	0.0	(53.9)	Oversold	
123 HK	Guangzhou Investment	Property & Construction	81.3	0.0	(49.6)	Oversold	
548 HK	Shenzhen Expressway Co-H	Service	42.4	(0.6)	(46.1)	Marginally Oversold	
86 HK	Sun Hung Kai & Co Ltd	Financial	32.4	(0.6)	(43.5)	Oversold	
270 HK	Guangdong Investment Ltd	Utilities	60.6	(4.2)	(42.9)	Marginally Oversold	
208 HK	Polytec Asset Holdings Ltd	Property & Construction	90.4	(7.2)	(40.1)	Marginally Oversold	
1818 HK	Zhaojin Mining Industry-H	Materials	63.5	(0.7)	(30.9)	Oversold	
173 HK	K Wah Int'l Holdings	Property & Construction	24.9	(1.9)	(22.5)	Marginally Oversold	
2018 HK	AAC Acoustic Technologies	Information Technology	23.4	(9.3)	(21.7)	Marginally Oversold	
203 HK	Denway Motors Limited	Consumer Goods	21.1	(1.7)	(21.0)	Marginally Oversold	
49 HK	Wheelock Properties Ltd	Property & Construction	35.2	(7.2)	(20.7)	Marginally Oversold	

Note: 1) RSI & Bollinger bands indications. 2) 10% within 52-week low. 3) Below 5 march 07 (when HS I made intraday low18,659). 4) Underperformed the market over the past 12-months by 20%.

Source: Bloomberg, Nomura International (Hong Kong) Limited – Quantitative Research

Exhibit 32. Financial sector oversold by RSI & Bollinger bands indications

Bloomberg code	Company	Sector	% to recent low		Relative return (%) 12M	Overbought / Oversold
			5-Mar-07	52WL		
373 HK	Allied Group Limited	Financial	(7.9)	0	(13.4)	Oversold
440 HK	Dah Sing Financial	Financial	42.2	(3.3)	(10.5)	Marginally Oversold
53 HK	Guoco Group Ltd	Financial	24.1	(13)	(5)	Marginally Oversold
86 HK	Sun Hung Kai & Co Ltd	Financial	32.4	(0.6)	(43.5)	Oversold

Note: 1) RSI & Bollinger bands indications. 2) 10% within 52-week low. 3) Below 5 march 07 (when HS I made intraday low18,659). 4) Underperformed the market over the past 12-months by 20%.

Source: Bloomberg, Nomura International (Hong Kong) Limited – Quantitative Research

Exhibit 33. Oversold screen for Hong Kong stocks

Bloomberg code	Company name	Sector	12M forward looking consensus valuations									
			Price (HK\$)	MC (US\$m)	3M ADV (US\$m)	DY (%)	P/E (x)	PB (x)	ROE (%)	EPSR (% 1M)	TPR (% 1M)	
2314 HK	LEE & MAN PAPER MANUFACTURIN	Materials	6.68	973	4.3	6.2	3.9	0.8	20.0	(10.6)	(26.0)	
3938 HK	SAMLING GLOBAL LTD	Materials	0.62	342	0.4	12.6	4.0	0.5	9.6	0.0	0.0	
317 HK	GUANGZHOU SHIPYARD INTL CO-H	Industry Goods	11.68	236	2.6	6.2	3.9	1.2	35.0	0.5	(7.9)	
2626 HK	HUNAN NON-FERROUS METALS-H	Materials	1.17	245	1.8	3.6	6.7	0.6	8.0	(1.5)	(20.4)	
2007 HK	COUNTRY GARDEN HOLDINGS CO	Property & Construction	3.03	6,351	8.2	5.0	8.0	1.8	24.4	(35.9)	(34.4)	
604 HK	SHENZHEN INVESTMENT LTD	Property & Construction	1.75	720	3.6	12.9	3.6	0.4	14.9	(5.0)	(13.5)	
467 HK	UNITED ENERGY GROUP LIMITED	Property & Construction	0.6	982	0.9	N/A	N/A	N/A	N/A	N/A	N/A	
656 HK	FOSUN INTERNATIONAL	Conglomerates	3.82	3,143	2.8	5.0	5.4	0.9	13.7	3.1	(18.7)	
874 HK	GUANGZHOU PHARMACEUTICAL-H	Consumer Goods	3.05	86	0.5	4.9	6.2	0.6	9.4	(9.7)	(13.1)	
347 HK	ANGANG STEEL CO LTD-H	Materials	8.96	1,246	31.6	8.7	5.2	0.9	18.2	(2.3)	(17.4)	
123 HK	GUANGZHOU INVESTMENT	Property & Construction	0.89	813	2.4	5.6	4.4	N/A	N/A	24.5	0.0	
2698 HK	WEIQIAO TEXTILE CO LTD-H	Consumer Goods	5.86	311	1.3	7.9	3.9	0.4	10.6	(15.9)	(0.1)	
86 HK	SUN HUNG KAI & CO LTD	Financial	5.03	1,105	0.3	4.0	4.0	N/A	N/A	28.9	0.0	
323 HK	MAANSHAN IRON & STEEL-H	Materials	3.11	690	13.3	6.5	5.8	0.7	12.8	0.9	(15.0)	
208 HK	POLYTEC ASSET HOLDINGS LTD	Property & Construction	1.2	682	0.1	1.7	6.1	N/A	N/A	5.0	0.0	
2018 HK	AAC ACOUSTIC TECHNOLOGIES	Information Technology	5	787	1.0	0.0	6.7	1.4	23.7	(0.8)	(3.1)	
903 HK	TPV TECHNOLOGY LTD	Information Technology	3.29	892	1.7	7.1	3.9	0.6	15.0	0.8	(2.4)	
203 HK	DENWAY MOTORS LIMITED	Consumer Goods	2.4	2,312	6.3	6.1	6.0	1.1	19.9	(5.4)	(13.2)	
1836 HK	STELLA INTERNATIONAL	Consumer Goods	11.4	1,182	1.2	8.5	8.1	1.5	18.7	(0.8)	(3.0)	
1800 HK	CHINA COMMUNICATIONS CONST-H	Property & Construction	10.3	5,843	77.5	1.9	12.9	2.3	20.9	(3.7)	(1.4)	
373 HK	ALLIED GROUP LIMITED	Financial	20.2	632	0.3	N/A	N/A	N/A	N/A	N/A	N/A	
1393 HK	HIDILI INDUSTRY INTL DEVELOP	Energy	6.78	1,789	11.5	4.2	6.0	1.7	30.2	40.4	(0.9)	

Exhibit 33. Oversold screen for Hong Kong Stocks (cont'd)

Bloomberg			Return to recent lows (%)			Absolute return (%)				Relative return (%)				Overbought/
code	Company name	Sector	5-Mar-07	17-Aug-07	52WL	1M	3M	6M	12M	1M	3M	6M	12M	Oversold
2314 HK	LEE & MAN PAPER MANUFACTURIN	Materials	148.8	302.7	(0.6)	(14.4)	(58.0)	(65.9)	(79.7)	(9.9)	(50.8)	(63.1)	(76.6)	Oversold
3938 HK	SAMLING GLOBAL LTD	Materials	N/A	212.9	(4.8)	(28.7)	(54.1)	(48.8)	(77.7)	(25.0)	(46.1)	(44.6)	(74.3)	Oversold
317 HK	GUANGZHOU SHIPYARD INTL CO-H	Industry Goods	58.2	162.0	(0.7)	(26.3)	(53.3)	(56.9)	(77.0)	(22.4)	(45.2)	(53.4)	(73.4)	Marginally Oversold
2626 HK	HUNAN NON-FERROUS METALS-H	Materials	263.2	175.2	(5.1)	(20.9)	(56.7)	(68.0)	(76.7)	(16.8)	(49.1)	(65.4)	(73.2)	Marginally Oversold
2007 HK	COUNTRY GARDEN HOLDINGS CO	Property & Construction	N/A	167.3	(3.0)	(32.1)	(48.5)	(54.2)	(76.5)	(28.5)	(39.5)	(50.5)	(72.9)	Marginally Oversold
604 HK	SHENZHEN INVESTMENT LTD	Property & Construction	91.4	140.0	(0.6)	(25.5)	(49.7)	(51.5)	(74.0)	(21.6)	(41.0)	(47.5)	(70.0)	Oversold
467 HK	UNITED ENERGY GROUP LIMITED	Property & Construction	71.7	225.0	(6.7)	(32.6)	(52.8)	(47.4)	(72.1)	(29.0)	(44.6)	(43.0)	(67.8)	Marginally Oversold
656 HK	FOSUN INTERNATIONAL	Conglomerates	N/A	234.0	(0.5)	(20.6)	(39.4)	(31.9)	(70.8)	(16.4)	(28.8)	(26.3)	(66.3)	Marginally Oversold
874 HK	GUANGZHOU PHARMACEUTICAL-H	Consumer Goods	77.7	71.8	(3.6)	(36.5)	(53.4)	(50.0)	(61.2)	(33.1)	(45.4)	(45.9)	(55.2)	Marginally Oversold
347 HK	ANGANG STEEL CO LTD-H	Materials	7.0	68.2	(4.5)	(21.8)	(52.4)	(49.9)	(60.9)	(17.7)	(44.2)	(45.8)	(54.9)	Very Oversold
123 HK	GUANGZHOU INVESTMENT	Property & Construction	85.4	91.0	0.0	(16.8)	(41.1)	(48.6)	(60.3)	(12.5)	(30.8)	(44.3)	(54.2)	Oversold
2698 HK	WEIQIAO TEXTILE CO LTD-H	Consumer Goods	79.2	106.1	(4.9)	(4.1)	(34.5)	(42.4)	(59.5)	0.9	(23.1)	(37.7)	(53.3)	Marginally Oversold
86 HK	SUN HUNG KAI & CO LTD	Financial	29.2	50.5	(3.0)	(16.9)	(27.1)	(31.8)	(55.7)	(12.5)	(14.5)	(26.1)	(48.9)	Marginally Oversold
323 HK	MAANSHAN IRON & STEEL-H	Materials	34.1	44.7	(5.8)	(19.2)	(42.1)	(30.3)	(53.3)	(15.0)	(32.0)	(24.5)	(46.1)	Marginally Oversold
208 HK	POLYTEC ASSET HOLDINGS LTD	Property & Construction	98.3	82.5	(4.2)	(14.3)	(44.7)	(44.4)	(52.2)	(9.8)	(35.1)	(39.9)	(44.9)	Marginally Oversold
2018 HK	AAC ACOUSTIC TECHNOLOGIES	Information Technology	36.0	46.0	(0.4)	(29.2)	(33.9)	(32.4)	(41.1)	(25.5)	(22.5)	(26.9)	(32.1)	Oversold
903 HK	TPV TECHNOLOGY LTD	Information Technology	38.0	36.8	(2.4)	(17.8)	(35.0)	(27.2)	(37.6)	(13.4)	(23.7)	(21.2)	(28.0)	Marginally Oversold
203 HK	DENWAY MOTORS LIMITED	Consumer Goods	22.1	19.6	(0.8)	(8.0)	(32.6)	(32.8)	(36.5)	(3.2)	(20.9)	(27.3)	(26.8)	Marginally Oversold
1836 HK	STELLA INTERNATIONAL	Consumer Goods	N/A	11.4	(4.0)	(16.8)	(20.2)	(17.4)	(30.6)	(12.4)	(6.3)	(10.6)	(19.9)	Marginally Oversold
1800 HK	CHINA COMMUNICATIONS CONST-H	Property & Construction	(18.2)	24.3	(8.6)	(24.7)	(38.6)	(47.4)	(41.7)	(20.8)	(28.0)	(43.1)	(32.7)	Marginally Oversold
373 HK	ALLIED GROUP LIMITED	Financial	(5.1)	14.9	(0.5)	(32.4)	(36.5)	(38.8)	(30.9)	(28.9)	(25.5)	(33.8)	(20.4)	Oversold
1393 HK	HIDILI INDUSTRY INTL DEVELOP	Energy	N/A	N/A	(0.9)	(28.3)	(46.8)	(45.1)	N/A	(24.5)	(37.5)	(40.5)	N/A	Marginally Oversold

Source: Bloomberg, Thomson Financial I/B/E/S, Nomura International (HK) Ltd Quantitative Research

Exhibit 34. Companies mentioned

Company	Bloomberg code	Local price (5 Sep)	Nomura rating
AAC Acoustic Technology	2018 HK	5.51	NEUTRAL
Agile Property Holdings Ltd	3383 HK	4.75	Not Rated
Allied Group Ltd	373 HK	20.80	Not Rated
Angang Steel Co Ltd-H	347 HK	8.56	Not Rated
China Communications Const-H	1800 HK	10.26	Not Rated
China Shipping Container-H	2866 HK	1.65	Not Rated
Citic Resources Holdings Ltd	1205 HK	1.44	Not Rated
Country Garden Holdings	2007 HK	2.99	Not Rated
Dah Sing Financial	440 HK	47.55	Not Rated
Denway Motors Limited	203 HK	2.42	Not Rated
Fannie Mae	FNM US	7.04	Not Rated
Fosun International	656 HK	3.90	Not Rated
Freddie Mac	FRE US	5.10	Not Rated
Guangdong Investment Ltd	270 HK	2.36	STRONG BUY
Guangzhou Investment	123 HK	0.91	Not Rated
Guangzhou Pharmaceutical-H	874 HK	3.03	Not Rated
Guangzhou Shipyard Intl Co-H	317 HK	11.92	Not Rated
Guoco Group Ltd	53 HK	80.45	Not Rated
Hidili Industry Int'l Development	1393 HK	7.20	Not Rated
Hunan Non-Ferrous Metals-H	2626 HK	1.14	Not Rated
K Wah Intl Holdings	173 HK	2.13	Not Rated
Lee & Man Paper Manufacturing	2314 HK	6.70	Not Rated
Maanshan Iron & Steel	323 HK	3.01	Not Rated
Melco International Develop.	200 HK	3.87	Not Rated
Orient Overseas Intl Ltd	316 HK	23.15	Not Rated
Polytec Asset Holdings Ltd	208 HK	1.25	Not Rated
Samling Global Ltd	3938 HK	0.62	Not Rated
Samson Holding Ltd	531 HK	0.80	Not Rated
Shenzhen Expressway	548 HK	3.44	NEUTRAL
Shenzhen Investment Ltd	604 HK	1.75	Not Rated
Stella International	1836 HK	11.44	Not Rated
Sun Hung Kai & Co Ltd	86 HK	4.91	Not Rated
TPV Technology Ltd	903 HK	3.50	STRONG BUY
United Energy Group Ltd	467 HK	0.60	Not Rated
Weiqlao Textile Co Ltd-H	2698 HK	6.06	Not Rated
Wheelock Properties Ltd	49 HK	5.40	Not Rated
Zhaojin Mining Industry - H	1818 HK	4.30	Not Rated

Source: Bloomberg, Nomura International (Hong Kong) Limited

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