

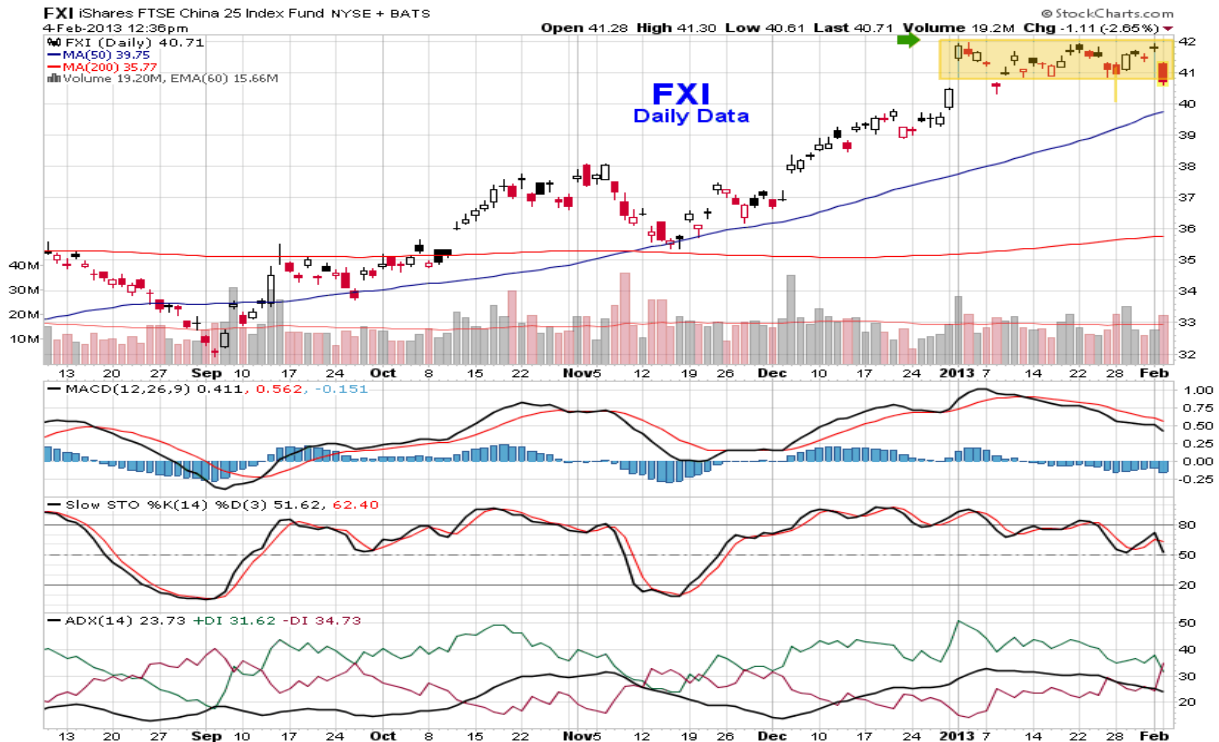


Shanghai Stock Exchange Weekly

The equity market in China continues to trend higher. In our January report, we stated that we received Intermediate-Term Buy Signals December 10, for the Shanghai Composite (SSEC-2419.02), which allowed us to project upside targets to 2431.90, 2576.87 and 2721.83. Currently the composite is challenging our first target. Since our initial signal, the market has rallied approximately 24% and currently has just surpassed its 50-week moving average (MA). Monthly models have just registered a Long-Term Buy Signal, which further enhances the markets technical outlook. Previous monthly long-term signals were registered on June 2009 and January 2006 (see chart below). Keep in mind that the composite has rallied dramatically since November and may need to consolidate near term. However, as we stated January, we would use short-term periods of weakness to accumulate technically strong stocks. Feel free to email us at rfdaino@verizon.net if you should have questions on the overall market or on the most active stocks.



The FTSE China 25 Index (FXI-41.82) registered a Long-Term Buy Signal at the beginning of December (not shown). Since the beginning of January, the index has been consolidating between 42.00 and 40.50. Daily models have lost upward momentum and are now rated Negative (see chart below). However, weekly and monthly gauges remain Positive. We recommend adding to positions on a break out above 42.00.



BIDU has lost upward momentum and is currently testing short-term support near 108.00. A break below 108.00 could bring on a test of the next level of support near 105.00. We took the stock off a TUA as the technical readings have weakened (see chart). TSL is challenging overhead resistance near 5.65. A break above that level could see the stock rally toward 7.00. Daily models are Neutral but improving, weekly models are Positive and overbought.

Chinese Stocks Momentum Model Ratings. (Data through 02/01/2013)

BUY	HOLD	AVOID
TSM(-) MPEL	STP(-) FTNT CTRP(-)	BIDU TSL(+) LDK(+) UMC EGO

← Upgrade → Downgrade

(+) Technical Upgrade Alert (-) Technical downgrade alert

We utilize three technical models to gauge upside or downside momentum for each stock. To receive a BUY rating all three models need to be positive. A HOLD rating is calculated when one or two models are positive. An AVOID rating is calculated when all three models are negative. All ratings are based on weekly data and weekly momentum models. A “technical upgrade alert” (TUA+) is assigned to a stock when the models are improving. A “technical downgrade alert” (TDA-) is assigned to a stock when the models are deteriorating.



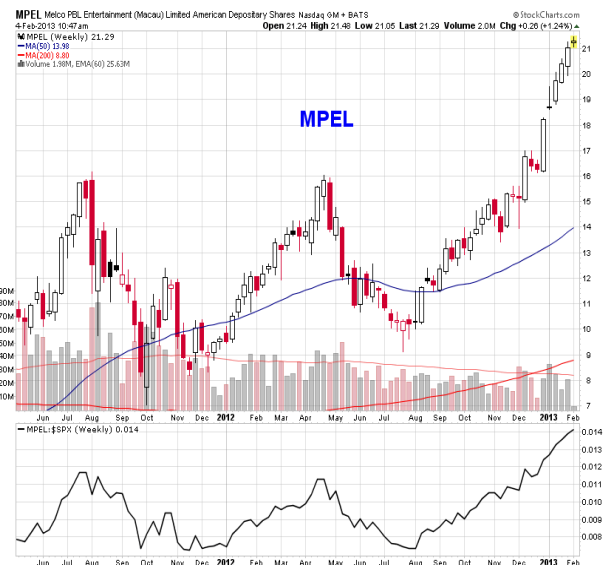
Chinese Stocks Relative Ratings vs. the S&P500 Index. (Data through 02/01/2013)

OVERWEIGHT	MARKET WEIGHT	UNDERWEIGHT
TSM(-) MPEL	STP FTNT CTRP(-)	EGO→ TSL(+) BIDU(+) LDK UMC

← Upgrade → Downgrade

(+) Technical Upgrade Alert (-) Technical downgrade alert

The best performing stocks have been MPEL and TSM. Although TSM has lost some relative upward momentum on a short-term basis, we would add to positions on a break out above 18.35. Although STP came under pressure in January, the stock has firmed recently. We took the stock off a technical upgrade alert (TUA). EGO failed at its 50-week moving average in January. The stocks relative (RS) profile just established a new multi-year low, thus we downgraded the stock to an Underweight.





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Ronald F. Daino, CMT, formally a Managing Director and Global Market Strategist at Citigroup / Smith Barney, is founder and President of RFDaino Global Advisors, LLC, specializing in technical Analysis for institutional investors. He has over 27 years of experience in the markets. While at Citigroup / Smith Barney Mr. Daino managed the Global Technical Team and was responsible for the firm's Global Research product which focused on global stock and fixed income, foreign currencies, metals and energy markets. He was a key member of the technical group, which had been ranked on the Institutional Investor's All-America Equity research team from 1991-2004. He was a key member of the fixed-income team that had been ranked on the Institutional Investor's All America Fixed Income Team for Technical Analysis in 1993, 1999, 2000 and 2001. Mr. Daino is a Certified Market Technician (CMT), a member of the American Association of Professional Technical Analysts (AAPTA), and a member of the International Federation of Technical Analysts. He was an instructor at the New York Institute of Finance from 1989 to 2003.

About Dragon Gate Investment Partners

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