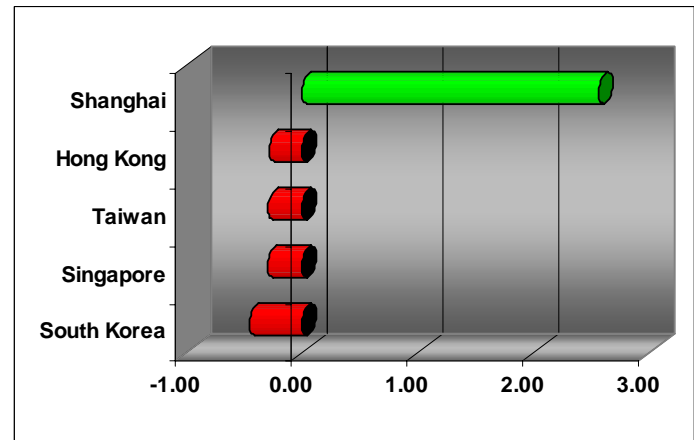


June 13, 2007

MARKET	Last Price	Intraday Trend
Currencies		
USDCNY	7.637	↓
USDHKD	7.8142	↓
USDSGD	1.544685	↑

Economic Release	Date	Previous
HKD – Industrial Production	June 14	-1.4%
HKD – Producer Prices	June 14	2.0%
SGD – Retail Sales	June 15	-6.0%



US Senate Looks At China Bill, US Treasury Passes On Currency Manipulator Title

Speculation churned well ahead of the US Treasury Department report early this morning in New York. Although expectations were high, the report was well in line with more conservative market proponents as policy officials steered clear of labeling China a currency manipulator. However, the report did continue to note that further revaluation is needed in the Chinese currency as the yuan continues to remain “undervalued” by most estimates. Subsequently, treasury officials reassured its staunch view of further flexibility in the country’s exchange rate regime, hopefully working towards a more fundamentally valued currency. Comparatively, however, the US legislation that was handed down in the afternoon took a more aggressive tone. Scheduled for well into the New York session, US lawmakers sought to bring life to a bill that would heighten tensions between the two trade partners, and draw slight similarities to a parallel bill that was supported last year. According to the bill, the US Treasury would be able to identify when a country’s currency was “fundamentally misaligned”, thus targeting that party for retaliatory action by the World Trade Organization. Incidentally, the bill is being submitted as a potential spark to get the ball rolling on further revaluation efforts by the Chinese. Taken as a threat, Chinese Ambassador Zhou Wenzhong stated that the decision would ultimately “hurt opportunities for healthy business activities between China and the United States.” Bidders were on the Chinese yuan side, nonetheless, helping it to trade higher against the dollar at 7.6370.

Retail Sales Surge In China For The Month

Sales of consumer goods in the Chinese economy surged ahead to the fastest pace in three years for the month of May. Bolstered by rising incomes in the world’s fastest growing economy and a record acceleration in stock prices, consumers are openly more willing to adhere to spending habits than before. The penchant for consumption racked up 715.8 billion yuan in sales, rising 15.9 percent compared to the year earlier report. The figure, well above the 15.5 percent witnessed in April, is likely to stir inflationary pressures higher and purport higher benchmark interest rates as central bankers remain concerned about an overheating economy. The fear is justified as China is forecasted to overtake Japan as the world’s second largest consumer goods market in the next three years.

China Fund Speculated To Look To Natural Resources

With the Chinese government establishing its own mega fund, estimated to be founded on \$200 billion, speculation has emerged of possible transactions involving natural resource providers in the near term. One such company that is rumored to be targeted is BHP Billiton. Capitalized at around A\$110 billion, the potential would be for the Chinese economy to have access to better commodity prices in its ownership of a major global producer. However, the concern is that the reality may skew not only commodity prices but falsely boost other equity valuations in hopes of a buyout situation.

Market Declines Buck Uptrend In Regional Markets

Asia regional stock market declined on the day, bucking short term trends that helped equities rebound from a relatively negative week previously. In Singapore, weakness in equity was seen as US bond yields vaulted to a five year high, purporting speculation that rate hikes may be in the cards for the end of the year in the world’s largest economy. As a result, companies like Singapore Telecommunications and Singapore Exchange Ltd. led declines on the day, with losses limited by positive news involving Fraser and Neave Ltd. Ultimately, the Straits Times Index slid 10.32 points to close at 3,551.22. Hong Kong stocks didn’t fare any better with overall rate concerns. The Hang Seng Index dropped 57.64 points to close at 20,578.75 in the overnight.