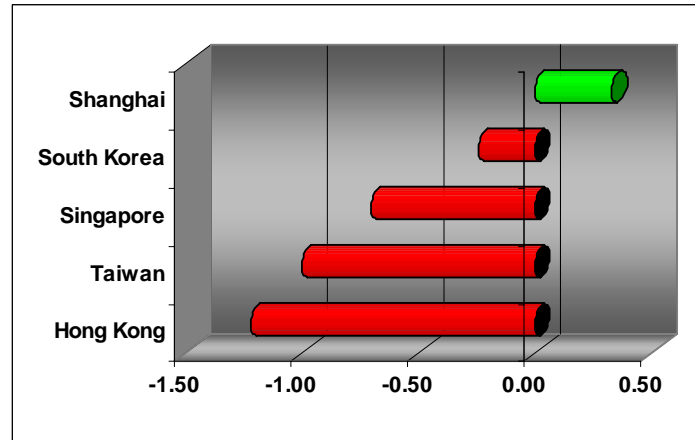


July 11, 2007

MARKET	Last Price	Intraday Trend
Currencies		
USDCNY	7.566	↓
USDHKD	7.8164	↓
USDSGD	1.51525	↓



Economic Release	Date	Actual
CNY – Foreign Exchange Reserves	July 11	\$136.3B
CNY – Money Supply (M1)	July 11	\$26.9B

Chinese Yuan Appreciates, Mandelson Makes Note Of EU Exports

Rhetoric from the EU supported yuan bidders as comments by EU Trade Commissioner Peter Mandelson prompted speculation of retaliatory sanctions by the conglomerate economy. Although the reality is far from even materializing, today's statements seem very similar to recent complaints by US Congressmen over the topic of China's widening trade surplus. "Europe's trade deficit with China is growing," Mandelson stated in a speech to the European Parliament in France yesterday. Although the EU Trade Commissioner accepts "that part of this deficit may be the natural result of market forces", he noted that the region's "export potential is being hampered by barriers in the Chinese market" reflecting that "an important part of the current trade balance is artificial." The comments have an eerie resemblance to recent statements by both US Treasury Secretary Henry Paulson and fellow Congressmen that supported the announcement of WTO sanction applications as well as semi-protectionist trade laws in the US on China made goods. As a result, the recent statements sparked further speculation that China's semi fixed exchange rate regime will have to come to an end as it seems that China is making enemies with global trade partners, and not friends. Yuan appreciation broke through the 7.5700 figure, appreciating to 7.5660 in the overnight.

China's Foreign Exchange Reserves Mount To \$1.33 Trillion

Making headlines in the New York morning, China's foreign exchange reserves fully topped \$1 trillion to mark the world's largest. The increase in reserves will likely push politicians and policy makers alike in allowing the currency to appreciate at a faster pace as the economy continues to overheat. Currency holdings rose 41.6 percent in the annualized comparison, growing \$130.6 billion according to the People's Bank of China. Incidentally, the topic continues to feed speculation as to the actual inception of the planned investment agency by government officials. Should the plan come to fruition, the fund would inevitably have considerable weight in the global marketplace as reserves don't look to thin any time soon.

Growth Revised Higher In World's Fastest Growing Economy

Officials in China revised growth estimates from last year, pushing the figure to a 12-year high of 11.1 percent today in Beijing. Although relatively expected by the market, the revision was considerably higher than the 10.7 percent pace seen previously as the world's fastest economy continues to accelerate at an alarming rate. Incidentally, the news comes a week prior to the National Bureau of Statistics report which is scheduled to report second quarter growth for the month of June. Should figures be released higher or in line with the previously revised figure, further speculation surrounding exchange rate flexibility will likely emerge. Attributed to the higher revision was better than expected output from industrial sectors along with steady growth in services.

Asian Equity Markets Pullback On Records

Equity markets in Shanghai rebounded, rising back against a backdrop of regional markets that declined on the day. Notably, Hong Kong equities slipped the most in a month as investors saw shares as overextended. Leading the decline were shares in China Construction Bank Corp. and Li & Fung Ltd. Stock in the region's third biggest lender dipped 15 cents to trade at HK\$5.85, reversing favoritism that was seen in China Construction just a session ago. All in all, after closing at a record for the sixth straight session, the Hang Seng Index was lower by 278.82 to 22,607.02. Singapore stocks weren't able to fare any better, as the benchmark index dropped on expectations that US consumer spending will decline. As a result, exporters suffered throughout the session right along with transportation stocks. Ultimately, the Straits Times Index fell 25.38 points to 3,594.94.