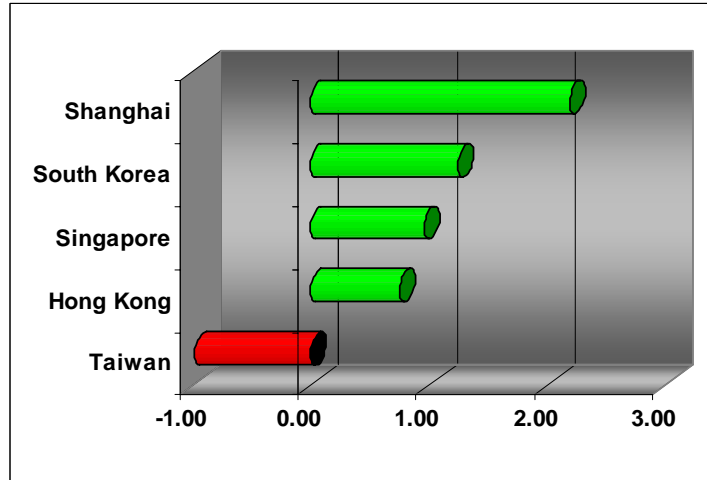


July 30, 2007

Economic Release	Date	Estimate
HKD - Retail Sales (YoY)	July 30	9.3%
SGD - Money Supply (YoY)	July 30	17.6%

MARKET	Last Price	Intraday Trend
Currencies		
USDCNY	7.56725	↑
EURCNY	10.33985	↑
CNYJPY	15.66171	↓
GBPCNY	15.31416	↑
USDHKD	7.82485	↓
USDSGD	1.51465	↓



China Raises Reserve Ratio 50 Basis Points, Spurs Chinese Yuan Higher

In order to curb lending practices and looser monetary liquidity, China's government has increased the reserve requirement for banks by 50 basis points this weekend. As a result of the increase from 11.5 percent, lenders must now place aside 12 percent in funds as reserves. Coupled with three rate increases in the past four months, the expected decision comes amid further concerns that the Chinese economy continues to overheat, raising inflationary pressures. Incidentally, the decision comes but a day or two before US Secretary Paulson is scheduled to meet with high profile Chinese officials. As a result, speculation has taken the Chinese yuan higher to trade at 7.5673 in the overnight against the US dollar and 10.3398 against the Euro with expectations of a further move by officials later in the third and fourth quarters.

Hong Kong Dollar Gains On Speculation Of Steady Retail Sales

The Hong Kong dollar gained on the US dollar as speculation has mounted that retail sales, a gauge on consumer spending, will continue at a supported level in the month. Both value and volume are anticipated to match previous month's levels, continuing the notion of healthy growth and expansion in the Hong Kong economy. With stock market valuations rising and unemployment at a record low, the lowest in nine years, consumer confidence is likely to have remained high and helped the overall economy to move closer to its 5.6 percent growth estimate achieved in the first quarter of the year. As a result, the underlying currency pair is expected to test the 7.8200 up till the announcement.

China Funds Seek Overseas Investments

Two management funds are looking to seek investment in overseas markets after announcing approval under the QDII listing. Under the qualified domestic institutional investor title, domestic investors will be able to invest in China Southern Fund Management Co. Ltd. and Southern Fund, which in turn will be able to make formal investments in other countries. Preliminary plans are for China Southern to select 48 countries and regions for its broader portfolio including investments in Hong Kong and foreign funds. Ultimately, both approvals are expected to help bolster two way traffic in the underlying currency, alleviating one way demand for the yuan.

Paulson Travels To China As US Animosity Grows

Under mass scrutiny and recently approved legislation against China, US Secretary Paulson is scheduled to leave today to Beijing in efforts to mediate what has been an ever increasing disagreement. The decision, announced midweek last week, is in response to recently approved legislation by the Senate Finance Committee that would change the way currency manipulation is perceived by officials, creating harsher penalties for manipulation offenders. Incidentally, since the start of his tenure, Paulson has been under criticism as Congress continues to believe the Treasury Secretary is being too soft on China. "We are getting results through this process that wouldn't have been achieved without it", Paulson told reporters. The trip, the fourth time in a year, is expected to be focused on the exchange rate regime with inclusion of additional topics of food safety and pirating.

After Bumpy Session, Regional Markets Bounce Back

Rising for the first time in four sessions, the Hang Seng benchmark rebounded after selling pressure took the index lower by 3.8 percent over past three days. Boosted by China Life and other insurance sector shares, the Hong Kong index added 169.49 points to close at 22,739.90. China Life shares were supported by expectations that profit may more than double in the first half of the year. The Straits Times index shared the optimism adding 1 percent to close higher at 3,526.29 on bargain hunting bidding.