


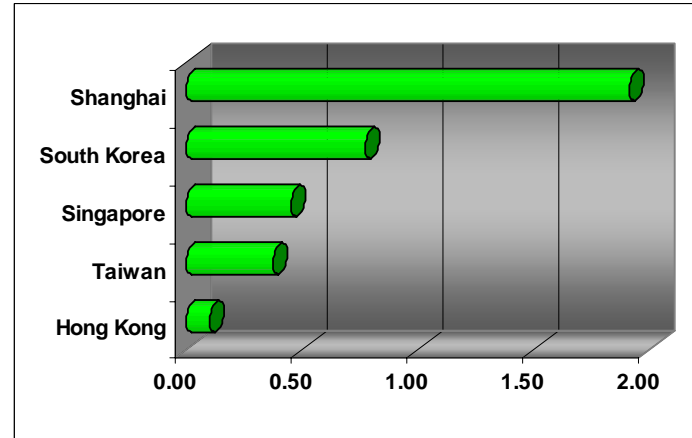


June 12, 2007

MARKET	Last	Intraday Trend
Currencies	Price	
USDCNY	7.6485	
USDHKD	7.81585	
USDSGD	1.53875	



### Economic Release

Economic Release	Date	Actual
CNY – Consumer Price Index (YoY)	June 11	3.4%
CNY – Wholesales Prices	June 12	5.1%

### Yuan Appreciates Ahead Of Treasury Report Release

The Chinese yuan appreciated the most in almost 10 months as speculation has been heightened on the possibility that US lawmakers will introduce protectionist legislation shortly after the US Treasury Department's semiannual report tomorrow. Garnering attention previously, the Treasury report will likely allude to China's fixed band without outright using the currency manipulator title. As a result, with references towards a continually ballooning trade surplus and rapid economic growth, US policymakers will forcefully make headway into making the dollar competitive against the Chinese yuan. Although currency intervention has been noted in the past, it is not confirmed yet as to the length or method that will be chosen. What is known is that the decision comes on the heels of the recent Strategic Economic Dialogue in Washington at the end of May that apparently didn't produce much in the way of progress as both partners have leaned towards implementing more protectionist measures in recent months. Ultimately, tomorrow's announcement, should it emerge, will change the face of the current relationship between the two countries and leave the ball in China's half of the court. Until then, bidders will likely continue to favor the yuan, now trading considerably lower at 7.6485 in New York.

### China's Inflationary Pressures Accelerate For The Month

Not surprisingly, the pace of China's consumer prices accelerated in the month, rising 3.4 percent on the year over year comparison. Released in the overnight, the report according to the National Bureau of Statistics shows an increase over the 3 percent witnessed in the month of April and reflects the influence of rising demand for pork products and other food items in the world's fastest growing economy. Incidentally, demand has overrun shrinking supply in the near term as the country's pork shortage seems to be stemming from outbreaks wiping out supplies of the staple. As a result, speculation is now crowding around the likelihood that rates will continue to be tightened in the near term as the People's Bank of China vows to contain inflationary and speculative pressures. Already raising domestic rates for a total of 45 basis points in two attempts this year, the country's central bank will need to move aggressively in order to stem price appreciation as it is blatantly clear that prices will continue to accelerate. Notably, one proponent seems to be the fact that the rate of inflation outpaces that of most domestic savings accounts. Currently, the rate of savings stands at a paltry 3.06 percent, supportive of consumption and stock market investment in the country.

### Regional Markets Rise In Tandem

Asian stock markets advanced on the day with notable increases in Hong Kong and Singapore. The benchmark index in Hong Kong was able to advance for a second straight session as China Mobile Ltd. shares helped to fuel support for telecommunications stock. Sparking the rise was speculation that the Chinese government will allow consolidation in the sector, helping to boost market share and global competitiveness. However, not everything was coming up roses as Cheung Kong Holdings Ltd. led declines among development companies. Concerns over a falling residential market contributed to the overall pessimistic tone and limited broader gains in the market after it surfaced that a residential site was sold at a discount. Nonetheless, the Hang Seng was able to add 20.90 points to 20,636.39. Comparably, the Straits Times Index advanced a paltry 16.08 points to close 0.5 percent higher at 3,561.54 at the close. Bolstering the move higher for a second session were advances in Keppel Corp. shares. Following the lead higher in crude oil contracts, stock in the world's largest rig builder moved higher in tandem with development stocks. Notably, CapitaLand Ltd. climbed after announcing major plans to build both residential and commercial sites in the UAE. Shares of CapitaLand advanced 0.6 percent to S\$8.