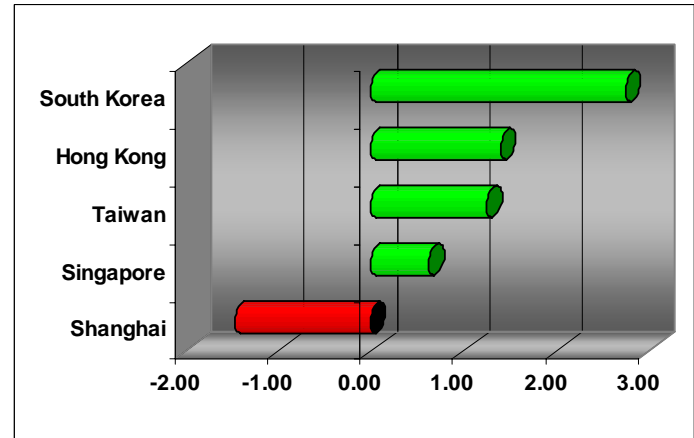


June 14, 2007

MARKET	Last Price	Intraday Trend
Currencies		
USDCNY	7.6445	↑
USDHKD	7.8173	↑
USDSGD	1.54265	↓

Economic Release	Date	Actual
HKD – Industrial Production	June 14	-1.5%
HKD – Producer Prices	June 14	2.5%



### China's Industrial Production Accelerates, Yuan Gains More Focus

Surprising markets, China's industrial output accelerated despite recent moves by the country's central bank to cool down the economy. For the record, factory production advanced by an impressive 18.1 percent in the month of May according to the National Bureau of Statistics, following a 17.4 percent gain in April. The survey is likely to add to the overall growth rate of 11.1 percent in the first quarter, keeping the focus on the country's managed exchange rate regime. Incidentally, the report shines a continually positive light on the Chinese economy. However, some would have to disagree. Notable concerns were expressed in the overnight by Premier Wen, who called for tighter monetary policy by the central bank in order to remain steadfastly hawkish against inflation and rapidly overheating growth. Reflective of problems in the economy, Wen stated that concerns are emerging in the "rapid growth in industrial production and the trade surplus, fast investment growth, excessive liquidity, increasing inflationary pressure and energy conservation challenges." As a result, monetary policy will need to be continually "stable with moderate tightening" in preventing a likely overheating of the world's fastest growing economy. As a result, with the market siding with plausible two way traffic in the underlying currency as well as liquidity fears, the Chinese yuan lost a bit in the overnight. Heading into the New York afternoon, the currency was pricing in at 7.6445.

### Wen Seeks Tighter Monetary Controls, Markets Decline

Following reports this week that showed consumer price inflation accelerating at the fastest pace in two years, Premier Wen Jiabao indicated that further monetary tightening should be implemented in order to curb pressures. Although by verbatim the premier noted "moderate tightening", market consensus is that further measures similar to recent benchmark rate and reserve tightening in the past month will likely continue. The key here is the thinning of excess liquidity, a factor that is continually hovering over the economy and helping stock markets to rally to record levels. As such, participants are concerned that today's statements may mean a more aggressive stance by the People's Bank of China, helping to lead the overall equity market lower by 1 percent in the overnight. The CSI 300 Index fell 42.45 points to close lower at 4,075.82.

### China Officials Push For Dismissal Of Trade Bill

Further comments were made today on the heels of yesterday's legislative eruption on Capitol Hill after a bipartisan bill was announced that would enable the US Treasury to boost the competitiveness of the US dollar with out proof of intent. The decision has sparked protest from Chinese officials, notably the Chinese foreign ministry spokesman Qin Gang. In response to US policymaker's attempt to deal with "misaligned" currencies, Qin noted that "China has adopted a managed floating RMB exchange rate regime and we have already begun reforms of the RMB exchange regime. The reform is ongoing." Qin also stated that "we hope the US Congress can view the importance of healthy Sino-US economic and trade relations" with expectations that leaders will not attempt to "solve the issues with pressure." The rather tepid statements were comparatively different from previous statements stemming from Beijing were officials noted that China "would respond in kind" to further measures.

### Markets Advance Ahead, Shanghai Declines

Stocks advanced in regional markets in Asia, even as the almighty Shanghai benchmark fell on the session. In Hong Kong, the Hang Seng index was able to reach a three week high as prospects in the US continue to look bright. With Cnooc and HSBC Holdings leading advancers the benchmark added 288.51 to 20,867.26. Comparatively, Singapore stocks also rose on positive US sentiment. The Straits Times Index was able to close higher by 22.21 points to close at 3,573.43.