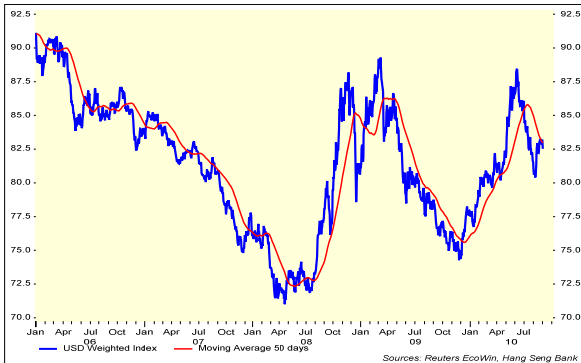


Daily Commentary on FOREX

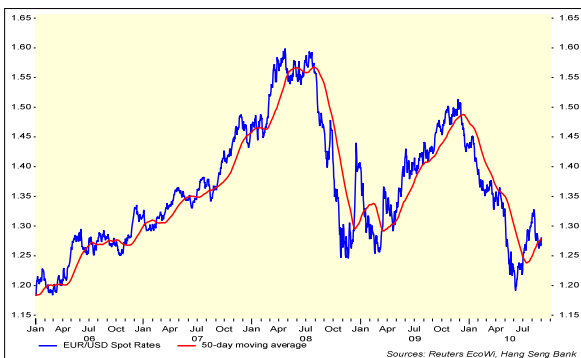
Treasury Division

2 Sep 2010

The Dollar Index Daily Chart



EUR/USD Daily Chart



USD/JPY Daily Chart



XAU/USD Daily Chart



US Dollar

The dollar fell against most majors as surprisingly strong manufacturing data from around the world eased some concerns about a double-dip recession, raising appetite for riskier assets. In the Asian session, two manufacturing surveys showed that Mainland's industrial activities rebounded in August. Investor sentiment was further boosted by a stronger than expected factory activity report released by the US Institute of Supply Management. Its index rose to 56.3 in August from 55.5 in the previous month. The consensus forecast was for a decline to 52.8. A reading above 50 indicates expansion in the sector. With investors regaining risk appetite, stocks rallied and the higher yielding currencies surged. The Australian dollar was the best performer, climbing about 2% against the greenback. The euro also rose above 1.28 versus the dollar. Trading could calm down after overnight's sharp moves as investors await European Central Bank's policy meeting scheduled for today as well as Friday's release of the all important US non-farm payroll report.

EUR/USD

The euro rose sharply on positive economic data. Favorable manufacturing reports in the US and mainland China reduced concerns about the world economic outlook, driving investors away from the safety of the dollar and yen to other currencies including the euro. The single currency, trading as high as 1.2855 against the dollar, was up nearly 1% to 1.2792/02. Tonight the European Central Bank is to hold its regular policy meeting. It is likely to keep its rates unchanged at 1% and extend its lending facility to 2011.

USD/JPY

The dollar rebounded versus yen after a slew of upbeat economic reports. The strong 2Q GDP figures from Australia, rising Purchasing Managers Index from mainland China and the better-than-expected ISM manufacturing report from the US eased fears of a global slowdown. Global stocks surged and commodities rallied. The greenback gained versus yen, climbing from an intraday low of 83.68 to an intraday high of 84.66 before closing at near session high of 84.38/48.

Spot Gold

Gold moved lower yesterday after assaulting a fresh two-month high during daytime. Spot prices once breached the key resistance of USD1,250, reaching as high as USD1,254.00 per ounce. Later in the New York trading session, the release of strong US manufacturing data boosted investors' appetite for riskier assets and reduced interest in gold. At the end, the yellow metal finished at USD1,244.00/1,245.00.



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Daily Commentary on FOREX

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Hang Seng Financial Bulletin

1 Sep 2010 Closing

	High	Low	Close	Previous
EUR/USD	1.2855	1.2664	1.2792/02	1.2671/81
USD/YEN	84.66	83.68	84.38/48	83.89/99
GBP/USD	1.5490	1.5339	1.5440/50	1.5343/53
USD/CHF	1.0181	1.0067	1.0151/61	1.0143/53
AUD/USD	0.9097	0.8915	0.9076/86	0.8897/07
NZD/USD	0.7129	0.6990	0.7106/16	0.6967/77
USD/CAD	1.0651	1.0487	1.0519/29	1.0653/63
EUR/YEN	108.61	106.60	108.00/10	106.35/45
EUR/GBP	0.8327	0.8250	0.8281/90	0.8254/63
Gold (in USD)	1,254.00	1,242.80	1,244.00/1,245.00	1,247.20/1,248.20
Silver (in USD)	19.49	19.25	19.33/19.38	19.29/19.41

(All currency rates listed above are not necessarily equivalent to actual market trading prices.)

Source: Hang Seng Bank, Bloomberg L.P.

(%)	HIBOR	USD LIBOR
O/N	0.04	0.23
1-month	0.15	0.26
3-month	0.25	0.30
6-month	0.38	0.50
1-year	0.75	0.84

Source: Reuters

US Treasury Yield (%)		
3-month	0.13	--
2-year	0.50	+0.03
5-year	1.40	+0.07
10-year	2.57	+0.10
30-year	3.65	+0.13

Source: Bloomberg L.P., New York Close

International Interest Rates (%)			
HK Discount Window Base Rate	0.50	Japanese Overnight Call Rate	0.10
US Fed Funds Target Rate	0-0.25	Canadian Overnight Rate Target	0.75
British Repo Rate	0.50	Australian Cash Rate	4.50
Euro Refinancing Rate	1.00	New Zealand Cash Rate	3.00

Source: Central Bank Data

Today's Global Economic Calendar			
HK Time	Events/Releases	Forecast	Prior
19:45	European Central Bank Announces Interest Rates	1.00%	1.00%
20:30	US Initial Jobless Claims (Aug 28)	475K	473K
22:00	US Factory Orders (MoM) (Jul)	+0.2%	-1.2%
22:00	US Pending Home Sales (MoM) (Jul)	-1.0%	-2.6%

Source: Bloomberg L.P.

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