

Valance Company, Inc.



Weekly

October 19, 2011

III

Highlights

US – Core CPI eases

EU – EU CPI at three year high; Greek austerity plan to be voted on tomorrow

JN – Data softens, gov't cuts economic view

UK – BoC sees Q4 growth close to zero

CA – Mfg continues to support the economy

AU – RBA ready to cut rates?

NZ – RBNZ signals a likely need to hike

United States

Michael Pede
mpede@valance.us

Japan

Davin Patton
dpatton@valance.us

Europe

China

Canada

La-Toya Elizee
lelizee@valance.us

United Kingdom

Australia

New Zealand

Milo Prochazka
mprochazka@valance.us

Sweden

Switzerland

China

Evelyn Richards
erichards@valance.us

Valance Economic Reports

Valance Co., Inc.

Valance Economic Report: United States

Michael Pede
 (340) 692-7710
mpede@valance.us

October 19, 2011

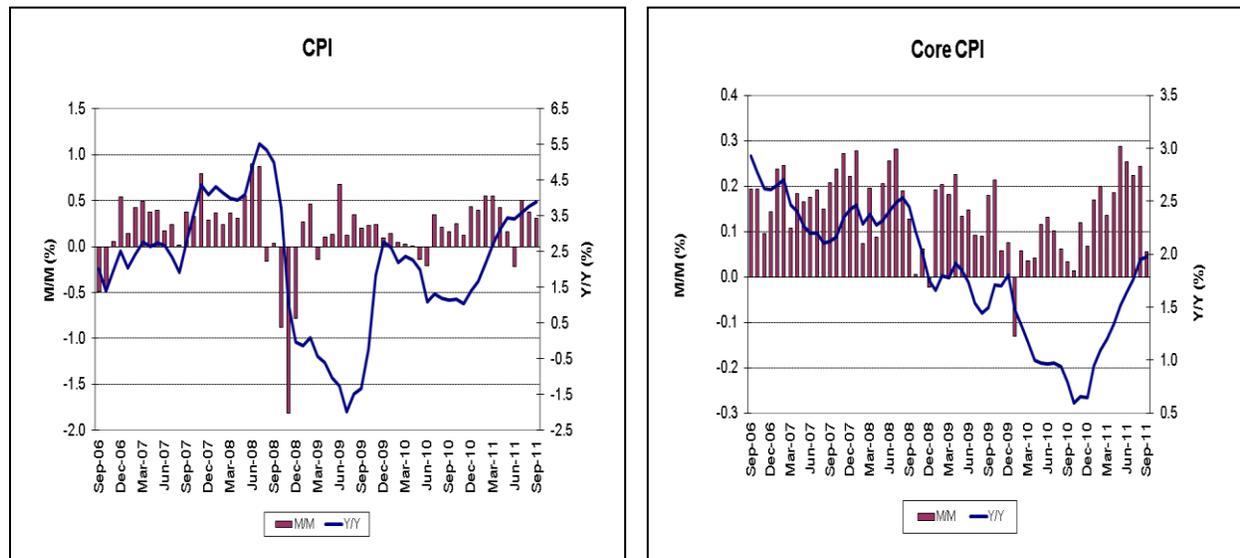
Core Prices are stabilizing after several months of elevated levels. Increased Retail Sales figures, decreasing Unemployment Claims and improved Housing Starts suggest the economy is still growing modestly. However, the lingering Euro-zone crisis and US budget deficit worries continue to push Consumer Confidence lower.

Weekly Highlights

Core CPI – increased 0.1% M/M and 2.0% Y/Y in September. (US 1)

Retail Sales ex. Auto – rose 0.6% M/M and 8.6% Y/Y in September. (US 3)

U. of Michigan Confidence – decreased from 59.4 in September to 57.5 in October. (US 5)

Weekly Releases**Charts of the Week: Core CPI**

Core CPI increased 0.1% M/M and 2.0% Y/Y in September. The three-month annualized core rate is now at 2.1%. Owners' equivalent rent rose 0.1% M/M. The headline rate rose 0.3% M/M and is up 3.9% Y/Y. Energy prices gained 2.0% M/M.

U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

<i>U.S.</i>	<i>Latest period (\$blns)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-127.0 (Aug)	-8.4%
Trade Balance	-45.6 (Aug)	-3.6%
Current Account Balance	-118.0B (Q2)	-3.1%
Private Balance	--	5.3%

The budget deficit on a trailing twelve month basis as of August is 8.4% of GDP. The trade deficit as of August is 3.6% of GDP. The budget deficit is quite large but is starting to shrink through a combination of the expiration of stimulus funds and congressional spending cuts. The budget deficit will help build private balances and support a sluggish economic recovery.

Trade Weighted Dollar

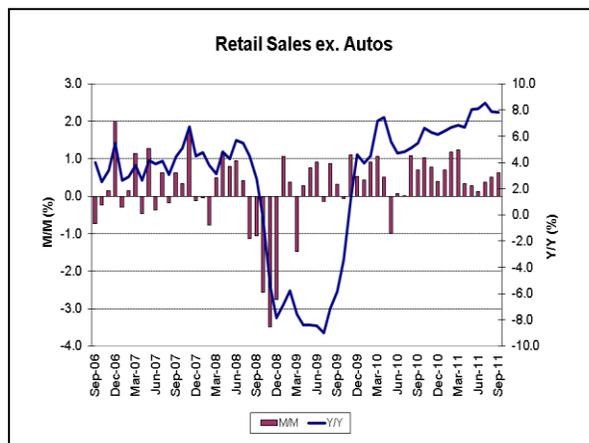


US-2

Retail Sales, PPI, & Import Prices

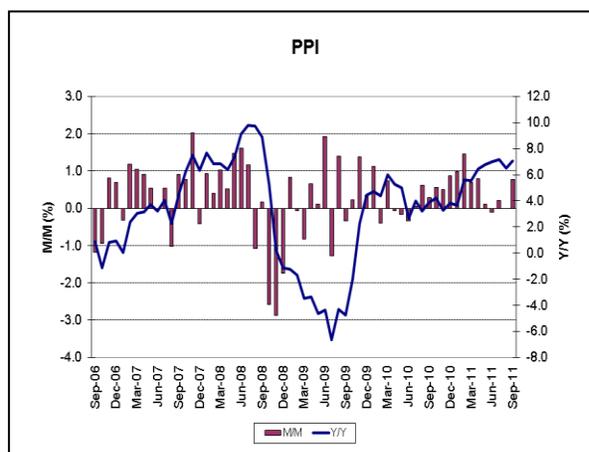
Retail Sales ex. Autos

Retail Sales, excluding autos, rose 0.6% M/M and 8.6% Y/Y in September. Headline Retail Sales rose 1.1% M/M and have increased 8.6% Y/Y. Core Retail Sales (excluding gas, building materials and autos), rose 0.7% M/M and increased 8.7% Y/Y and are now growing at a 4.7% three-month annualized rate.



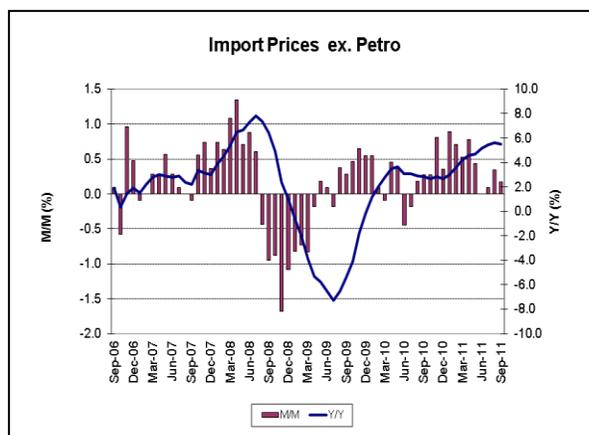
Core PPI

Core PPI increased 0.2% M/M and 2.5% Y/Y in September. Headline PPI was up 0.8% M/M and 6.9% Y/Y. Core intermediate goods increased by 0.2% M/M and 7.5% Y/Y. Core crude goods rose 2.3% M/M as Y/Y decelerated to 18.4% growth



Import Prices ex. Petro

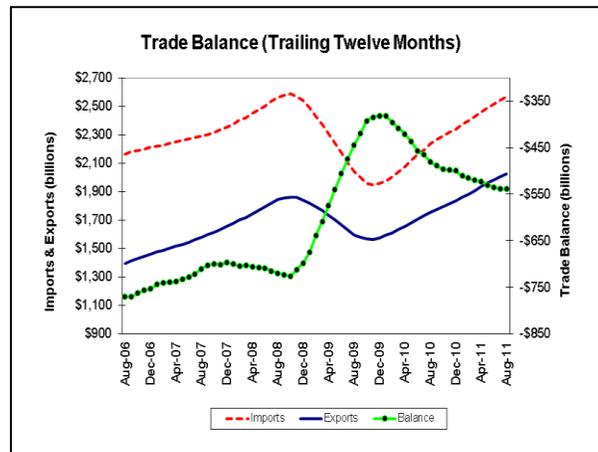
Import Prices, excluding petroleum, increased 0.2% M/M and 5.5% Y/Y in September. Prices of all goods imported into the US rose 0.3% M/M and increased 13.4% Y/Y. Goods from China fell 0.6% M/M, but rose 12.2% Y/Y.



Trade Balance, Claims, & Capacity Utilization

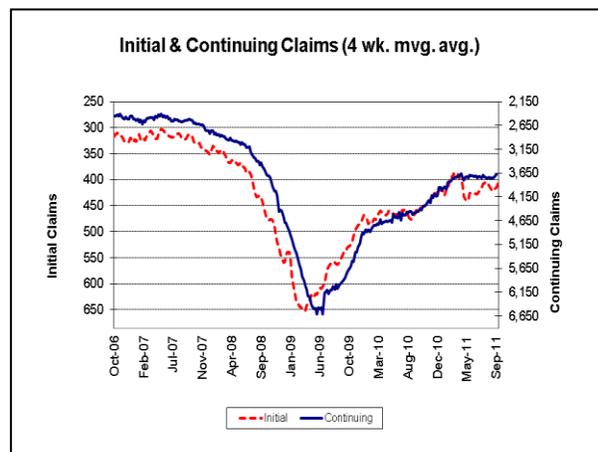
Trade Balance

The Trade Balance remained at a deficit of \$45.6 bln in August. Exports decreased 0.1% M/M, but increased 14.7% Y/Y and Imports remained unchanged M/M and rose 11.4% Y/Y. The Trade Balance stood at a deficit of \$45.5 bln a year ago.



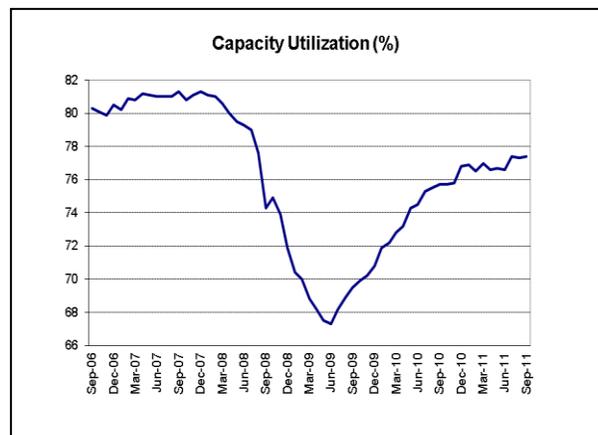
Initial & Continuing Claims

Initial Claims decreased from a revised 405k to 404k, below market expectations of 405k. The four week moving average of Initial Claims decreased to 408k. Continuing Claims fell from a revised 3725k to 3670k, well below expectations of a 3710k reading.



Capacity Utilization

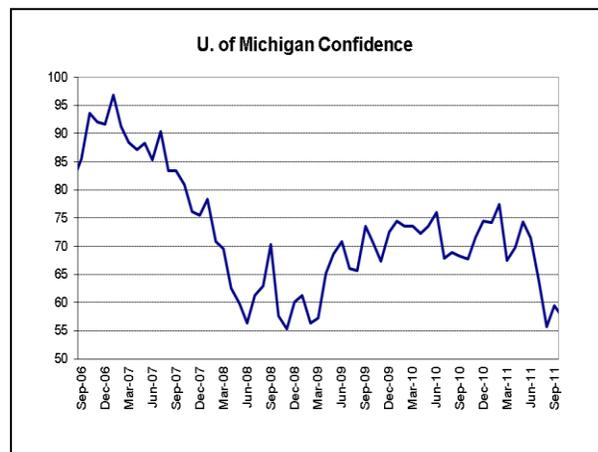
Capacity Utilization remained unchanged from 77.4% in September. While Utilization has shown significant improvement, it is still below the 80% levels last seen in 2008.



U. of Michigan Confidence, Manufacturing, & Production

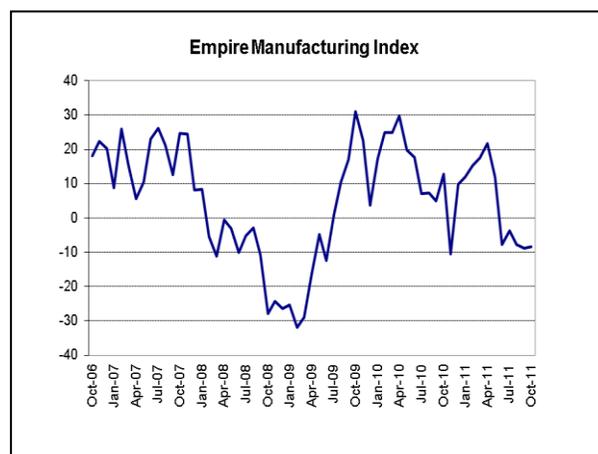
U. of Michigan Confidence

The University of Michigan Confidence Index decreased from 59.4 in September to 57.5 in October. The current conditions component decreased from 74.9 to 73.8 as the expectations component dropped from 49.4 to 47.0. Inflation expectations over five years decreased to 2.7% in October from 3.0% in September.



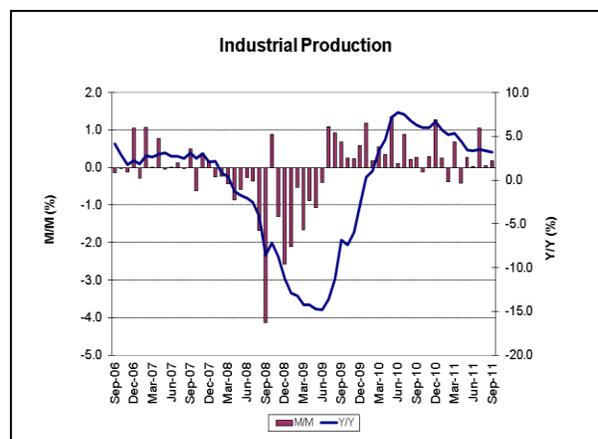
Empire Manufacturing Index

The Empire Manufacturing Index remained at -8.82 in October. The Employment component improved from -5.43 to 3.37. The Orders component rose from -8.00 to 0.16. Prices paid and prices received both decreased from 32.61 and 8.70 to 22.47 and 4.49, respectively.



Industrial Production

Industrial Production increased 0.2% M/M and 3.7% Y/Y in September. Manufacturing grew 0.4% M/M and 3.9% Y/Y. Utilities fell 1.8% M/M and 3.6% Y/Y. Mining rose 0.8% M/M and is up 5.2% Y/Y.



Housing Starts, Building Permits, NAHB Housing Index

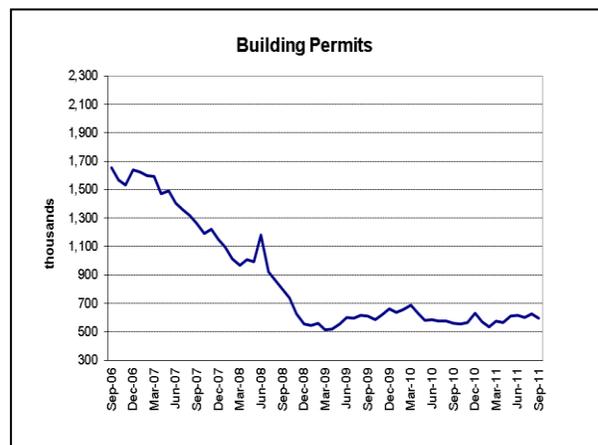
Housing Starts

Housing Starts rose 15.0% M/M in September, up from 572k to 658k on a seasonally adjusted annualized basis. Single family rose 7k to 425k as Multi-family starts improved 79k to 233k. Housing Starts are down 1.5% Y/Y.



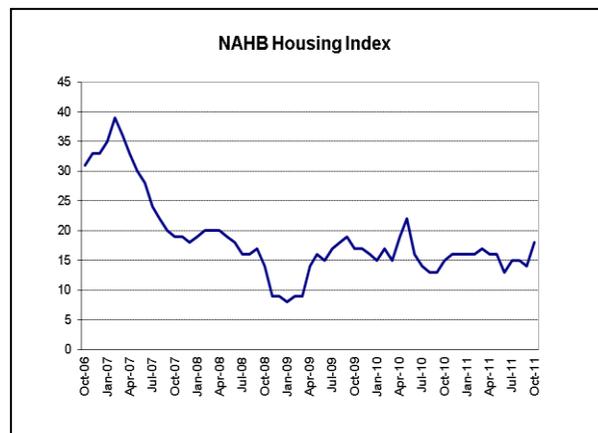
Building Permits

Building Permits fell 5.0% M/M in September, decreasing from a revised 620k to 594k.



NAHB Housing Market Index

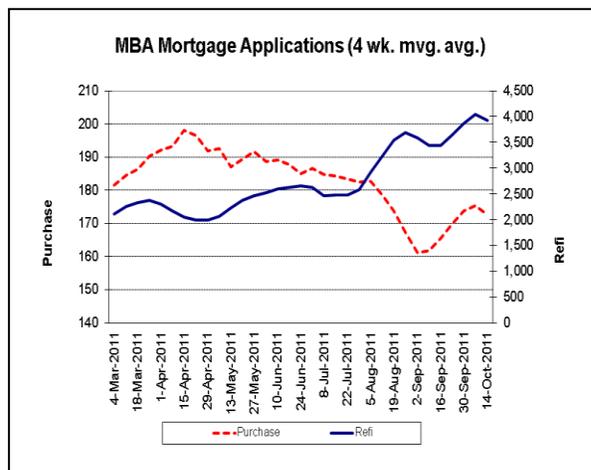
The NAHB Index increased from 14 in September to 18 in October. Traffic sales ticked up from 11 to 14 and Present sales increased by 4 to 18. Future sales recorded the largest gain, improving from 17 to 24.



MBA Mortgage Applications & Consumer Comfort

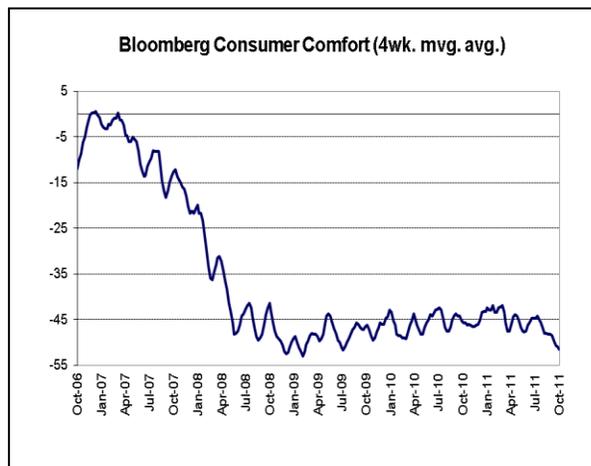
MBA Mortgage Applications

Purchase Mortgage Applications lost 14.9% W/W, after gaining 1.3% W/W last week. Refi applications fell 16.3% W/W this week.



Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index rose from -50.2 to -50.8. The state of the economy component regressed from -84.3 to -87.1. The buying climate rose from -57.3 to -53.7. Lastly, the personal finances increased as well, from -9.1 to -11.5.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/20	Initial Jobless Claims	15-Oct	400K	404K
10/20	Continuing Claims	8-Oct	3689K	--
10/20	Bloomberg Consumer Comfort	16-Oct	--	-50.8
10/20	Leading Indicators	SEP	0.30%	0.30%
10/20	Philadelphia Fed.	OCT	-9.1	-17.5
10/20	Existing Home Sales M/M	SEP	-2.20%	7.70%
10/25	S&P/CS 20 City M/M% SA	AUG	0.40%	0.05%
10/25	S&P/CaseShiller Home Price Ind	AUG	--	142.77
10/25	Consumer Confidence	OCT	46.3	45.4
10/25	House Price Index M/M	AUG	--	0.80%
10/26	MBA Mortgage Applications	21-Oct	--	-14.90%
10/26	Durable Goods Orders	SEP	-0.60%	-0.10%

Valance Economic Report: Euro Zone

La-Toya Elizee
(340) 692-7710
lelizee@valance.us

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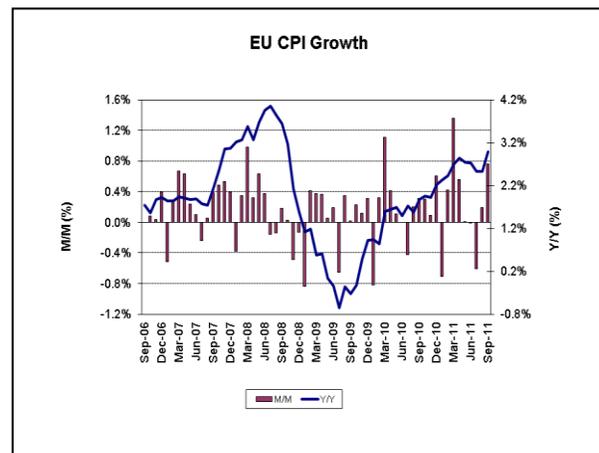
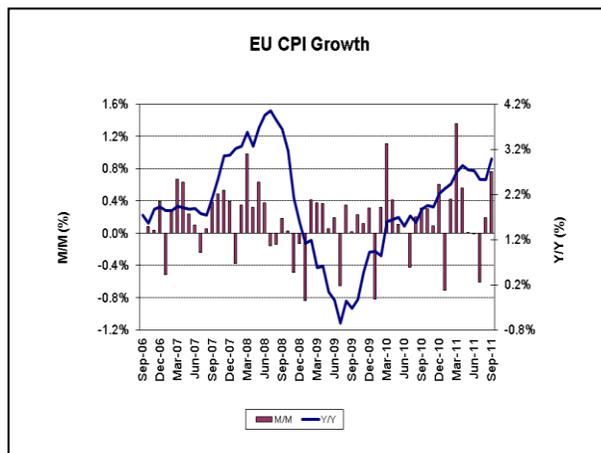
EU CPI Inflation climbed to a three year high, increasing 3.0% in September, and remaining above the ECB's 2% target for the tenth straight month. Looking ahead, "inflation rates are likely to stay clearly above 2% over the coming months, but to decline thereafter," the ECB said in its October Monthly Bulletin. Both EU and German ZEW Surveys both fell in October. In other news, George Papandreou, the Greek Prime Minister, faces a battle on Thursday to get the latest tranche of austerity measures approved by parliament.

Weekly Highlights

EU CPI – increased 0.8% M/M and 3.0% Y/Y, in September, in line with expectations. (EU 1)
ZEW Surveys – both fell in October. (EU 3)

Weekly Releases & News

Chart(s) of the Week: Euro-Zone CPI



Euro Zone CPI posted a 0.8% M/M increase in September. Y/Y growth climbed to a three year high, increasing 3.0%, in line with market expectations and remaining above the ECB's 2% target for the tenth straight month. Core CPI increased 0.5% M/M and 1.6% Y/Y. The ECB said last week in its October Monthly Bulletin that the Euro area inflation is expected to stay over 2% for the coming months, but to decline thereafter.

Euro Zone Financial Balances & Trade Weighted Euro

Financial Balances

<i>Germany</i>	<i>Last period (\$blns euros)</i>	<i>Last 12mth. as a % of GDP*</i>
Budget Balance		-3.3%
Trade Balance	11.8 (August)	2.0%
Current Account Balance	7.0 (August)	6.9%
Private Savings Balance		-3.6%
<i>France</i>		
Budget Balance		-2.7%
Trade Balance	-5.0 (August)	-4.9 %
Current Account Balance	-2.9 (August)	-3.9%
Private Savings Balance		-1.2%
<i>Italy</i>		
Budget Balance		-3.9 %
Trade Balance	-1.8 (July)	-7.7%
Current Account Balance	1.7 (July)	5.5%
Private Savings Balance		-4.5
*Budget Balance as of year end 2010 – Source OECD		

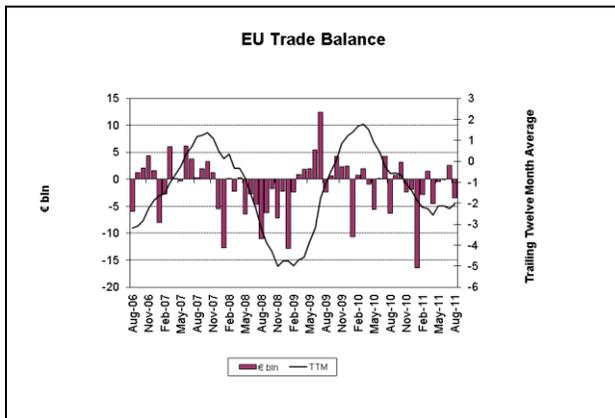
Trade Weighted Euro



EU Trade Balance, Current Account & ZEW Surveys

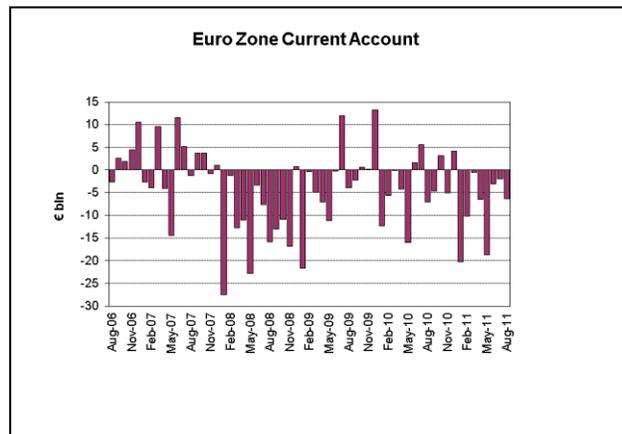
Euro Zone Trade Balance

The Euro-Zone Trade Balance swung from a surplus of €2.5 bln in July to a deficit of €3.4 in August. The trade deficit last year August stood at €6.3 bln.



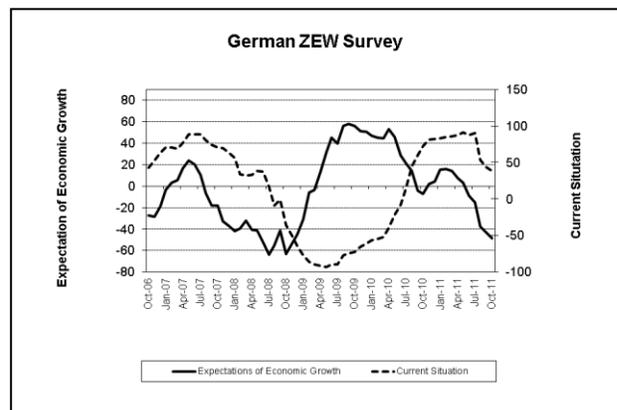
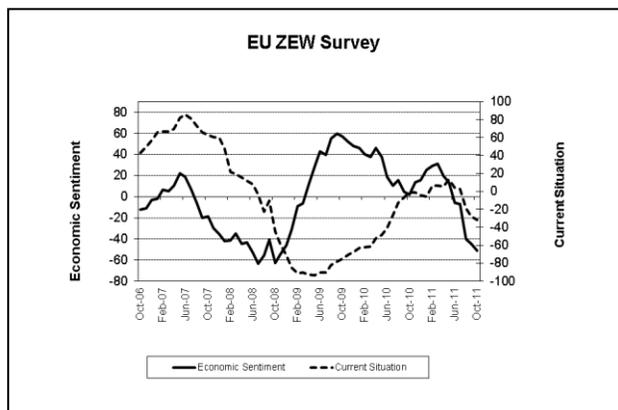
Euro Zone Current Account

The Euro Zone's Current Account deficit widened from €2.0 bln in July to €6.3 bln in August. The Current Account Balance stood at €7.1 bln in August 2010.



ZEW Survey

The EU ZEW Survey (Economic Sentiment) fell from -44.6 to -51.2 in October, after a reading of -40.0 in August and -7.0 in July. The Current Situation Index fell from -27.9 to -31.7. Germany's ZEW Survey fell from -43.3 to -48.8, its lowest reading since November 2008. The Current Conditions dropped from 43.6 to 38.4, well below the record high of 91.5 seen in May.



German CPI, Italian Current Acct./Trade Balance

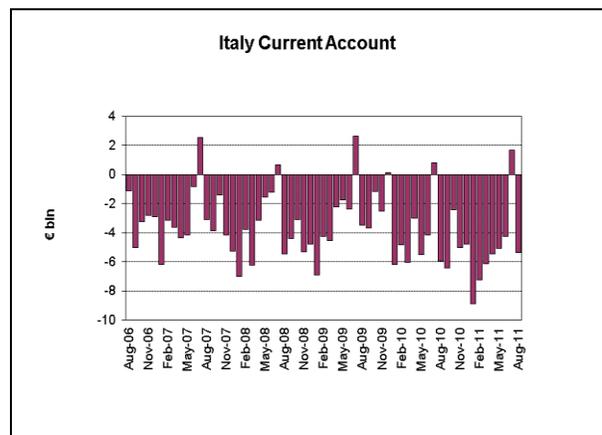
German CPI

Final figures show German CPI increased 0.1% M/M and 2.6% Y/Y in September, in line with market expectations. CPI, calculated using a harmonized European Union method, rose 0.2% M/M and 2.9% Y/Y.



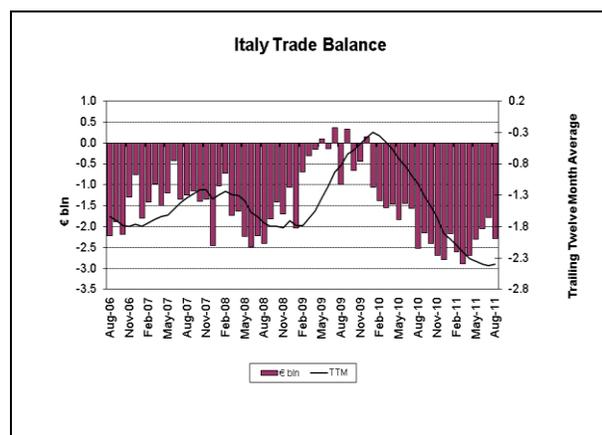
Italian Current Account

Italy's Current Account Balance swung from a surplus of €1.7bln in July to deficit of €5.4 bln in August. The Current Account Surplus stood at €5.9 bln in July 2010.



Italian Trade Balance

Italy's Trade Balance fell from a surplus of €1.4 bln in July to a deficit of €3.2 bln in August. Italian Non-EU Imports increased 2.3% M/M and 11.0% Y/Y. Exports fell 1.1% M/M and increased 15.2% Y/Y.



Italian Industrial Orders & CPI

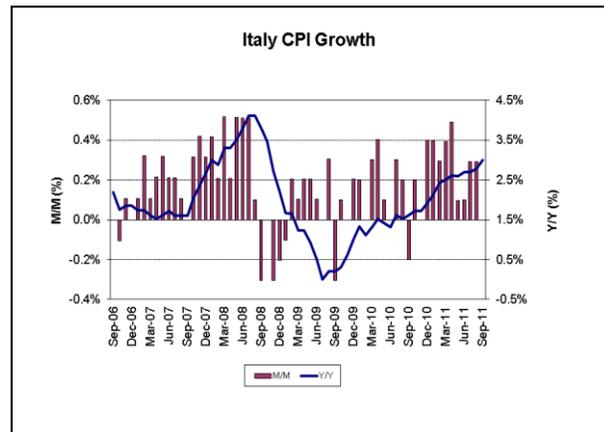
Italian Industrial Orders

Italian Industrial Orders increased 5.0% M/M and 10.5% Y/Y in August, well above market expectations for a reading of 1.7% M/M and 4.2% Y/Y. Industrial Sales rose 4.0% M/M and 12.0% Y/Y.



Italian CPI

Preliminary data shows that Italian CPI remained unchanged M/M and increased 3.0% Y/Y in September. CPI, calculated using a harmonized European Union method, increased 2.0% M/M and 3.6% Y/Y.



News/Comments/Data Cont'd

October 19th - ECB's Nowotny Sees Stable Inflation Next Year, Woche Reports (Bloomberg) -

European Central Bank Governing Council Member, Ewald Nowotny, expects inflation to be stable next year, according to an interview published by Austrian provincial website Woche today. Nowotny, who is governor of the Austrian central bank, also said that he doesn't expect Greece to default or to leave the European Union, according to the Klagenfurt, Austria-based website. The interview with Woche was recorded Oct. 3rd, according to the Austrian central bank.

Oct. 18th - EU's Rehn Says Faces Portugal 'Significant Challenges' on Budget (Bloomberg) -

European Union Economic and Monetary Affairs Commissioner, Olli Rehn, said Portugal faces "significant challenges" as it works to narrow its budget deficit and meet the terms of an EU-led rescue package. Portugal faces "risks" in meeting its 2011 deficit target and will need to redouble efforts to adopt an "ambitious but necessary" 2012 budget, Rehn said in a speech to a Lisbon conference that he delivered in a video message.

October 18th - France: 2012 growth estimate may be too high (AP) -

France's finance minister says 2012 growth may be lower than estimated but the government isn't changing the draft budget because of the global uncertainty caused by the European debt crisis. Finance Minister, Francois Baroin, warned on France-2 Television Tuesday of a "risk of global slowdown. It is very vast, it could be severe." Baroin said the growth estimate of 1.5% for next year was "probably too high." The 2012 budget is being debated in parliament Tuesday. On Monday, ratings agency Moody's said it will be studying France's rating over the next three months amid concerns about French banks and the cost of bailing out other eurozone nations.

October 18th - Spanish Third-Quarter Home Prices Fall for 12th Quarter (Bloomberg) -

Spanish Home Prices fell for the 12th quarter as uncertainty about the economy and an increase in bad loans discouraged lenders from granting mortgages. The average price of houses and apartments declined 5.5% in the three months through September from a year earlier, the Ministry of Public Works said today on its website. Prices dropped 1.3% from the previous quarter, the 14th quarterly decline. Mortgage lending in Spain, which has the highest unemployment rate in the Europe Union, fell by 47% in July, the most on record, as banks reined in lending amid a surge in bad loans and higher borrowing costs, the National Statistics Institute said on Sept. 22nd.

October 17th - Trichet Says ECB Must Be Allowed to Credibly Pursue Its Mandate (Bloomberg) -

European Central Bank President, Jean-Claude Trichet, said the central bank must be allowed to remain credible in its defense of price stability. "We were faithful to our mandate. It is not an easy mandate," Trichet said in Vienna today when receiving a medal from Austrian President Heinz Fischer. "It is extremely important to see that in the next 10 years we are equally given the credibility to deliver price stability." Trichet, whose eight-year term ends on Oct. 31st, has been forced to take the ECB into uncharted territory to battle the euro region's sovereign debt crisis as politicians procrastinate over their response. Most controversially, the central bank has been buying government bonds to reduce market interest rates, a measure some policy makers say blurs the line between monetary and fiscal policy. "We are in demanding times," Trichet said today. "A number of sovereign signatories" have been "put into question, and that creates challenges to stability." Trichet said the crisis is global and all major advanced economies, including Europe, the U.S. and Japan, need to "revise their strategies."

News/Comments/Data Cont'd

October 17th - Greek austerity plans threaten growth (FT) - Research by the Financial Times shows that planned tax increases and spending cuts for 2011 are equivalent to about 14% of average Greek take-home income – or €5,600 (\$7,707) for every household. The impact is double that brought about by austerity measures in the other two eurozone countries subject to international bail-out programmes, Portugal and Ireland, and nearly three times that of Spain. George Papandreou, the Greek Prime Minister, faces a battle on Thursday to get the latest raft of painful austerity measures approved by parliament to ensure international lenders sign-off on an €8 bln aid tranche. Without it, the country will run out of money to pay public sector workers within weeks.

October 17th - ECB's Noyer Says Boosting Size of EFSF May Be 'Unrealistic' (Bloomberg) - European Central Bank governing council member Christian Noyer said it may be difficult to increase the size of Europe's financial support fund, though the possibility of leveraging it should be studied. "It would be unrealistic to expect an increase in the EFSF itself," he told a conference in Paris, referring to the European Financial Stability Facility. "I am personally open to any scheme which would allow existing commitments to be leveraged to provide greater intervention capacity."

October 14th - US-UK rule out wider IMF powers (FT) - The US and UK rejected suggestions from emerging market countries that the International Monetary Fund needed more firepower to fight the eurozone crisis. Opposing new funds for the IMF, finance ministers from the US, UK, Japan, Canada and Australia rejected the idea of indirectly committing more of their own taxpayers' resources to fight fires in the eurozone. The move to dampen speculation of a new IMF element to help resolve the continuing eurozone crisis came after emerging economies suggested the Fund could create more firepower to intervene in financial markets and produce.

October 14th - ECB's Liikanen Sees 'High Uncertainty' on Euro Area Growth (Bloomberg) - European Central Bank Council Member, Erkki Liikanen, said growth prospects in the 17-nation euro area are marred by "high uncertainty" as the debt crisis threatens to engulf the region's banks. "The uncertainty related to growth prospects is high, and a substantial weakening in economic activity cannot be ruled out," said Liikanen, who also heads the Bank of Finland.

Key Dates This Week

<i>Date</i>	<i>Country</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/20	EC	Euro-Zone Consumer Confidence	OCT	-20	-19.1
10/20	GE	Producer Prices (M/M)	SEP	0.20%	-0.30%
10/20	SP	Trade Balance (Mln Euros)	AUG	--	-1641.5M
10/21	EC	Euro-Zone Govt Debt/GDP Ratio	2010	--	85.10%
10/21	GE	IFO - Business Climate	OCT	106.2	107.5
10/21	GE	IFO - Current Assessment	OCT	116.5	117.9
10/21	GE	IFO - Expectations	OCT	97	98
10/21	FR	Business Confidence Indicator	OCT	98	99
10/24	EC	PMI Composite	OCT	--	49.1
10/24	EC	PMI Manufacturing	OCT	--	48.5
10/24	EC	PMI Services	OCT	--	48.8
10/24	GE	PMI Manufacturing	OCT	--	50.3
10/24	GE	PMI Services	OCT	--	49.7
10/24	FR	PMI Manufacturing	OCT	--	48.2
10/24	FR	PMI Services	OCT	--	51.5
10/25	GE	GfK Consumer Confidence Survey	NOV	--	5.2
10/25	FR	Consumer Confidence Indicator	OCT	--	80
10/25	IT	Retail Sales s.a. (M/M)	AUG	--	-0.10%
10/25	IT	Consumer Confidence Ind. sa	OCT	--	98.5
10/25	SP	Producer Prices (M/M)	SEP	--	-0.30%
10/26	GE	Retail Sales (M/M)	SEP	--	-2.90%
10/26	FR	Business Survey Overall Demand	OCT	--	16
10/26	IT	Business Confidence	OCT	--	94.5

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Valance Economic Report: Japan

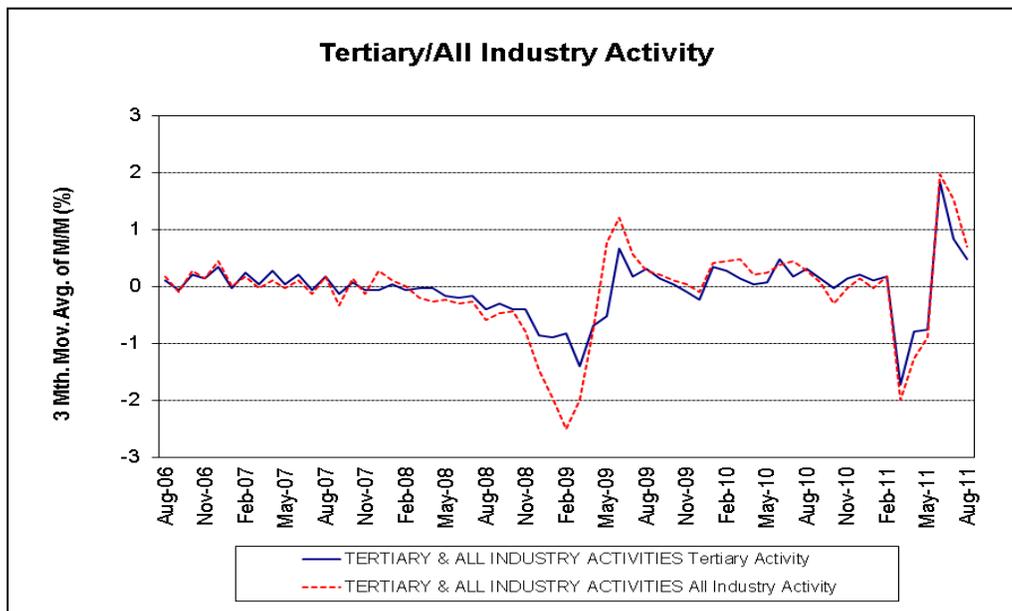
Davin Patton
 (340) 692-7710
dpatton@valance.us

October 19, 2011

Tertiary Industry Activity and Corporate Goods Prices dropped in August while Industrial Production was revised lower. Department Store Sales and Bank Lending declined as well.

Weekly Highlights

Tertiary Industry Activity – dropped 0.5% M/M and was unchanged Y/Y in August. (JN 1)
Corporate Goods Prices – dropped 0.1% M/M and increased 2.5% Y/Y in September. (JN 4)

Charts of the Week: Tertiary Industry Activity

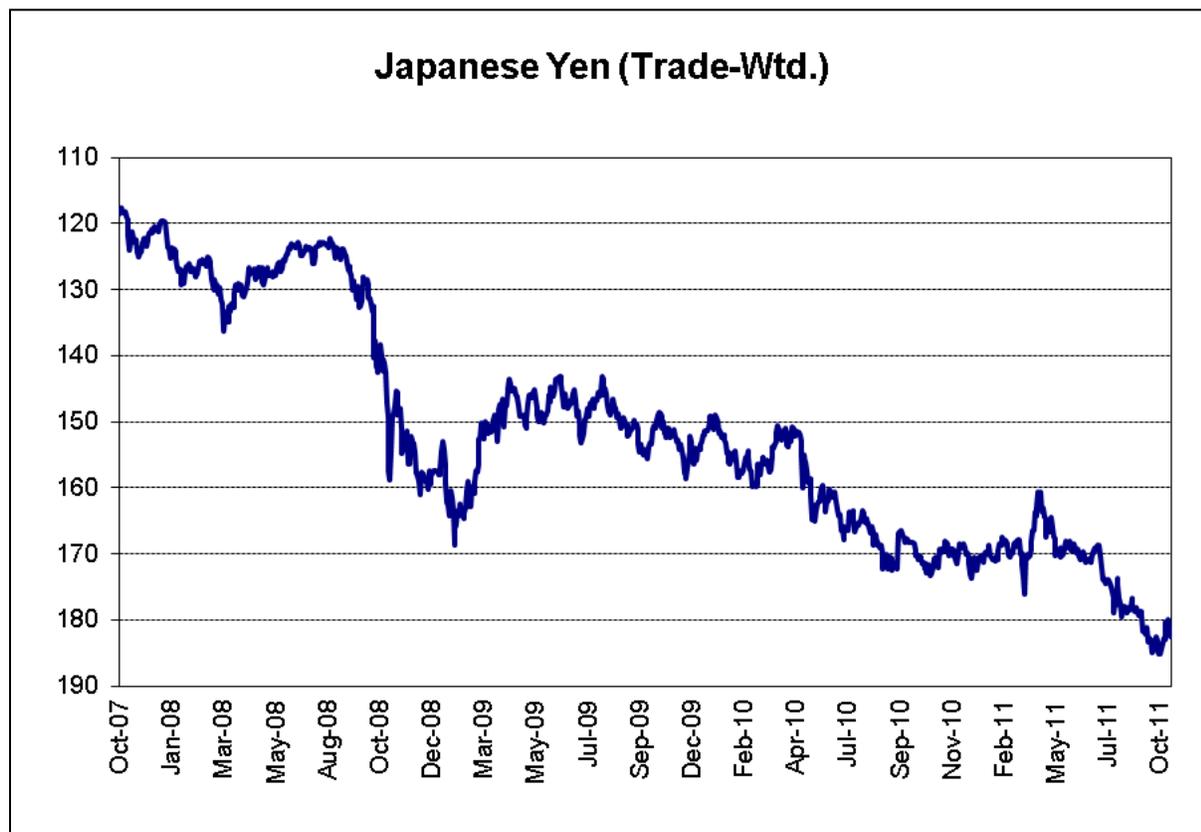
The All Industry Activity Index declined 0.5% M/M and was unchanged Y/Y in August. While the Manufacturing, Construction and Government components improved, the Tertiary Index declined.

The Tertiary Index dropped 0.2% M/M and increased 0.2% Y/Y, faring slightly better than market expectations, which called for a 0.3% M/M decline. The M/M drop occurred as wholesale/retail, finance/insurance, electricity, and transport sectors all saw M/M declines.

Japan's Financial Balances

Financial Balances

Japan	Last period (¥trln)	Last 12mth. as a % of GDP
Budget Balance	-3.50 (Dec)	-6.9%
Trade Balance	0.58 (Dec)	1.5%
Current Account Balance	1.87 (Dec)	3.5%
Private Balance	--	11.6%

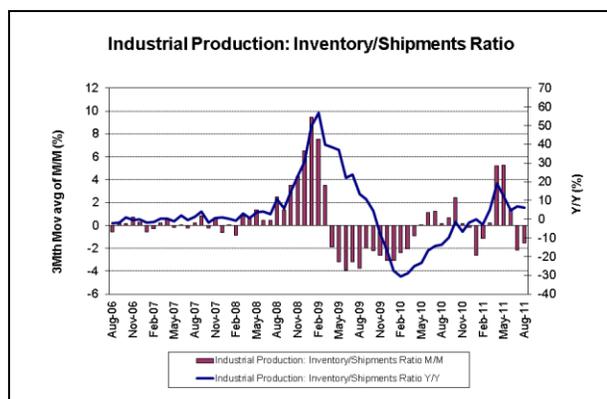
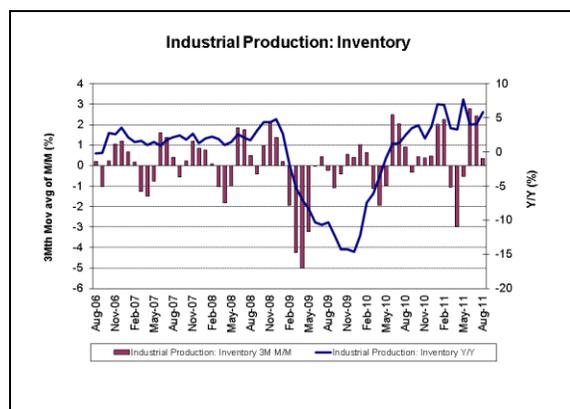
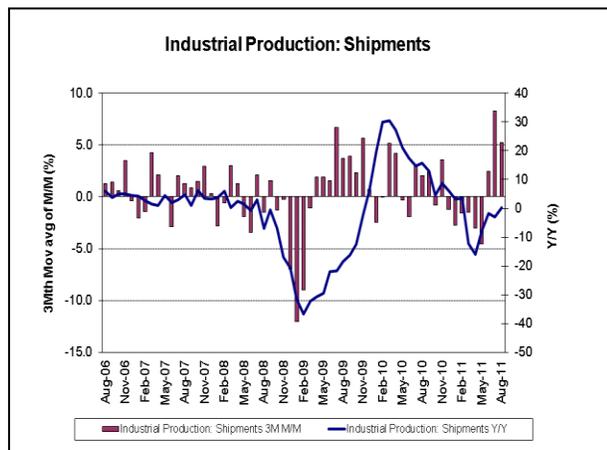
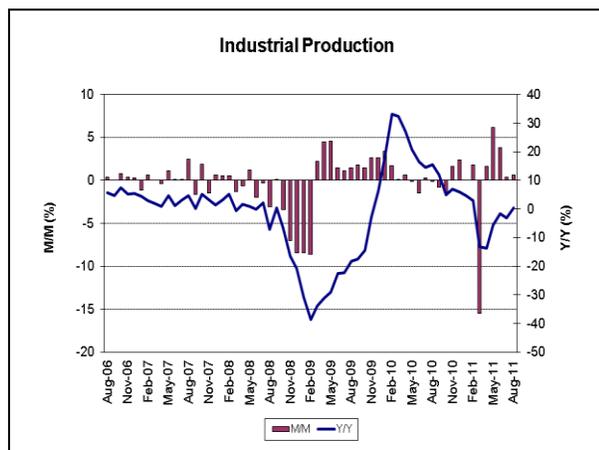


Industrial Production

Final data on Industrial Production indicates that it increased 0.6% M/M and 0.4% Y/Y in August, against preliminary estimates of a 0.8% M/M increase.

Shipments increased 0.2% M/M and 0.2% Y/Y, against preliminary estimates of a 0.3% M/M increase. Inventories increased 2.1% M/M and 5.8% Y/Y, in line with preliminary estimates. Inventories dropped 1.4% M/M and increased 6.3% Y/Y against preliminary estimates of a 1.5% M/M decline.

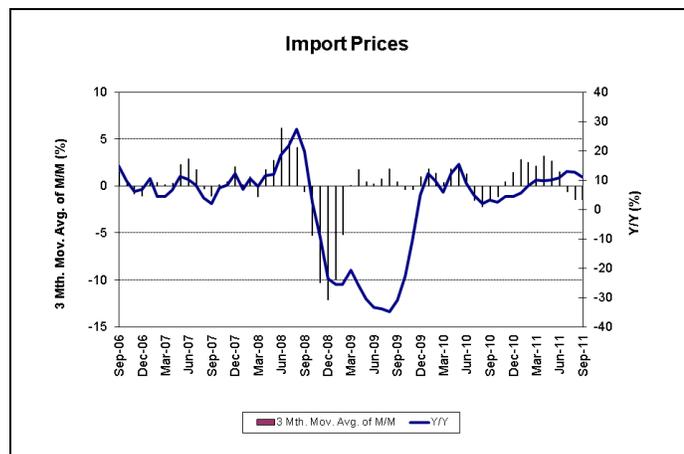
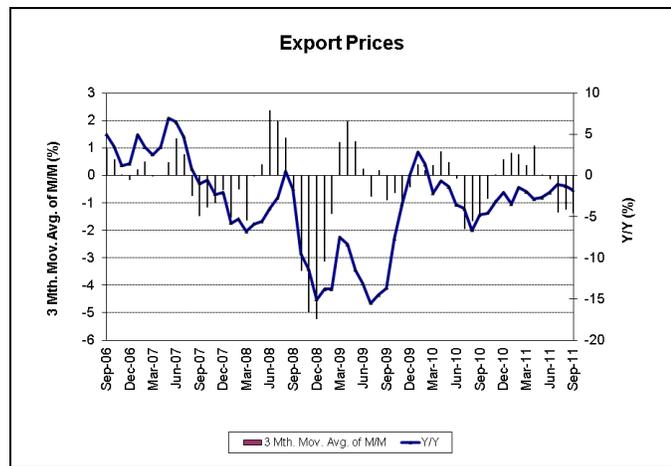
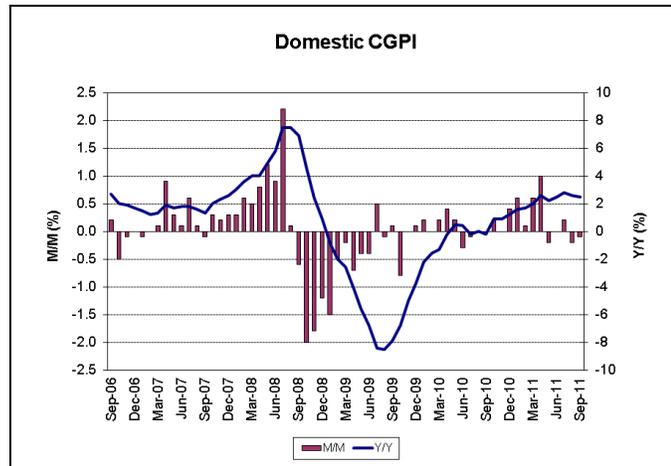
As noted in the preliminary report, manufacturers expect production to drop 2.5% M/M in September and increase 3.8% M/M in October.



Corporate Good Prices

Japan's Corporate Goods Price Index dropped 0.1% M/M in September and increased 2.5% Y/Y. This compares with a market expected drop of 0.2% M/M and 2.5% Y/Y increase.

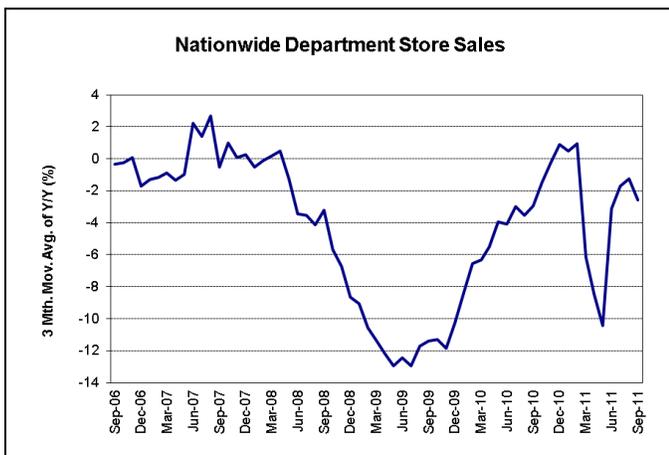
Within the data, export prices dropped 1.0% M/M and 1.8% Y/Y. Import prices dropped 1.7% M/M and increased 10.9% Y/Y.



Nationwide Dept Store Sales & Tokyo Dept Store Sales

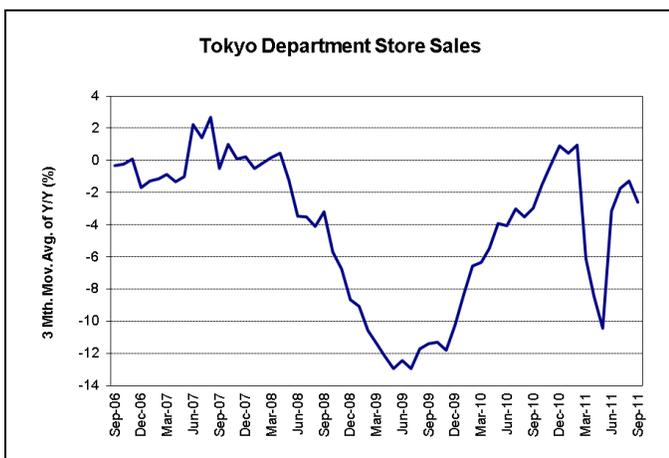
Nationwide Dept. Store Sales

Nationwide Dept Store Sales declined 2.4% Y/Y in September on broad weakness within the components.



Tokyo Dept. Store Sales

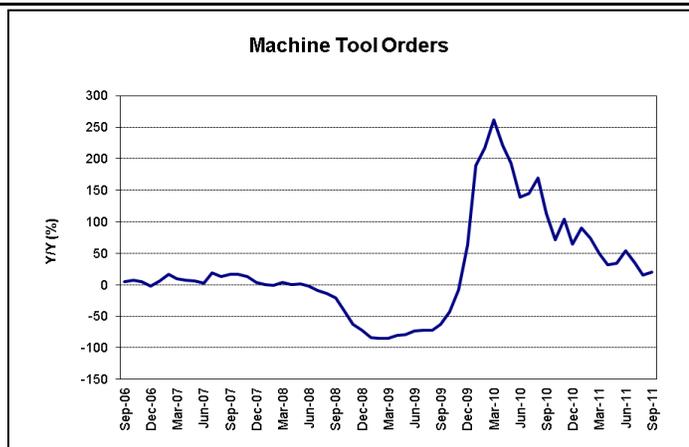
Within Tokyo, Dept Store Sales dropped 3.6% Y/Y in September as sales of clothing, accessories, household appliances and food all declined.



Machine Orders, Convenience Store & Tokyo Condo Sales

Machine Tool Orders

Final data on Machinery Tool Orders indicates that it increased 20.1% Y/Y in September.



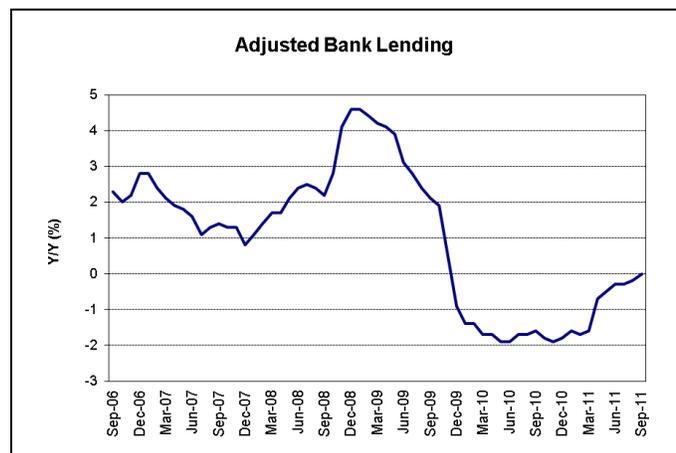
Tokyo Condominium Sales

Within Tokyo, the number of Condominiums for sale increased 16.7% Y/Y in September. The number of Condominiums sold increased 21.0% Y/Y. The number unsold increased 2.2% Y/Y. The average unit price fell a sharp 15.1% Y/Y and the average price per square meter fell 12.3% Y/Y.



Bank Lending

Total Bank Lending dropped 0.3% Y/Y in September. Among city banks, lending dropped 2.3% Y/Y. Among regional banks, lending increased 1.8% Y/Y.



News & Upcoming Dates

News

Oct 19th – Japan Cuts Taxes to Lure Foreign Firms and Encourage Quake Rebound – National Strategy Minister Furukawa announced at a Bloomberg Conference in Tokyo that foreign companies setting up new operations in areas hit by the March earthquake and nuclear disaster won't have to pay tax for five years.

Oct 17th – Econ Minister Furukawa Comments on Economy – Economics Minister Furukawa commented that he expects Japan's recovery to continue although it faces several risks, stating that "Output is continuing to recover...I wouldn't say the economy has hit a soft patch. The rebuilding of supply chains is likely to support the economy in the future while public spending related to reconstruction is likely to provide a solid boost. The economy's recovery is expected to continue."

Oct 17th – Gov't Cuts View on Economy – The Japanese government cut its view on the economy in October, noting that "The Japanese economy is still picking up, although the pace of recovery is decelerating, as difficulties due to the Great East Japan Earthquake persist." The government also noted that personal consumption "is almost leveling off" after showing signs of picking up last month. Exports, it noted, have now "leveled off."

News

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
10/20	Coincident Index CI	N/A	107.4
10/20	Leading Index CI	N/A	103.8
10/20	Convenience Store Sales (Y/Y)	N/A	7.90%
10/23	Merchnds Trade Balance Total	N/A	-¥775.3B
10/23	Adjusted Merchnds Trade Bal.	N/A	-¥294.4B
10/23	Merchnds Trade Exports (Y/Y)	N/A	2.8
10/23	Merchnds Trade Imports (Y/Y)	N/A	19.2
10/24	Supermarket Sales (Y/Y)	N/A	-2.20%
10/25	Small Business Confidence	N/A	47.2
10/25	Corp Service Price Index (Y/Y)	N/A	-0.40%
10/26	Retail Trade (Y/Y)	N/A	-2.60%
10/26	Retail Trade (M/M) SA	N/A	-1.70%
10/26	Large Retailers' Sales	N/A	-2.60%

Valance Co., Inc.

Valance Economic Report: United Kingdom

Milo Prochazka

(340) 692-7710

mprochazka@valance.us

October 19, 2011

BoE policy makers voted unanimously to expand the size of their QE from £200 bln to £275 bln. The Minutes said that “recent indicators suggest that the underlying rate of growth had moderated and would be close to zero in Q4.” Ernst & Young LLP’s ITEM Club cut its 2011 (from 1.4% to 0.9%) and 2012 (from 2.2% to 1.5%) U.K. growth forecast this month, and said that “the second bout of QE may not be enough.” In September, headline inflation accelerated to its highest level since records began in 1997; BoE Governor King said that inflation should fall back sharply early next year.

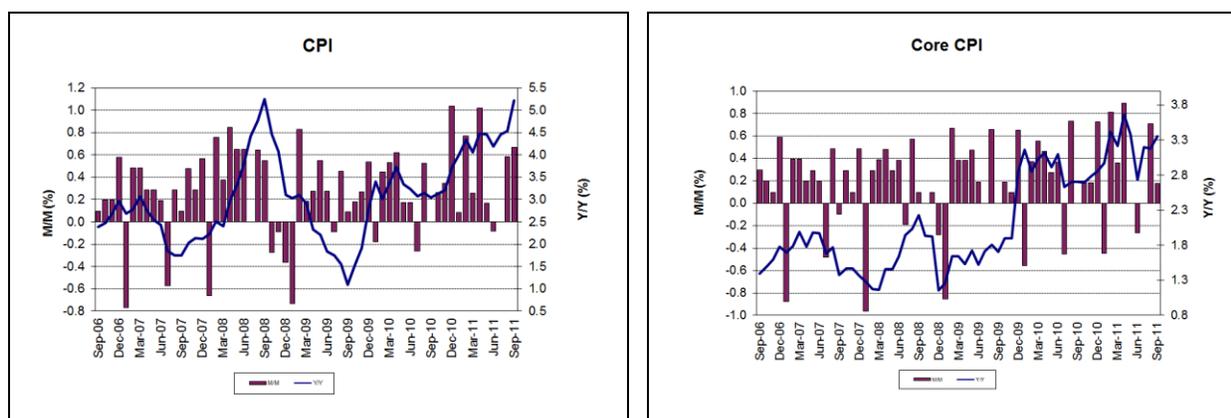
Weekly Highlights

Headline CPI – accelerated from 4.5 % Y/Y to 5.2% Y/Y in September. (UK 3)

Rightmove House Prices – increased 2.7% M/M and 1.2% Y/Y in October. (UK 4)

Weekly Releases & News

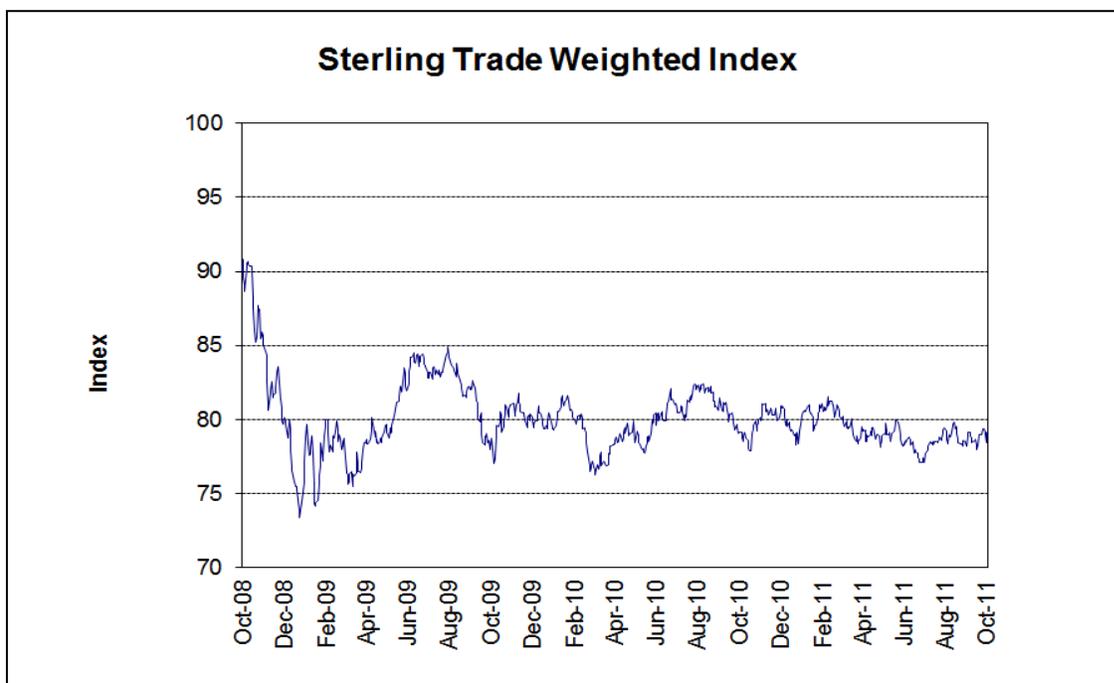
Chart of the Week: *Headline CPI & Core CPI Growth*



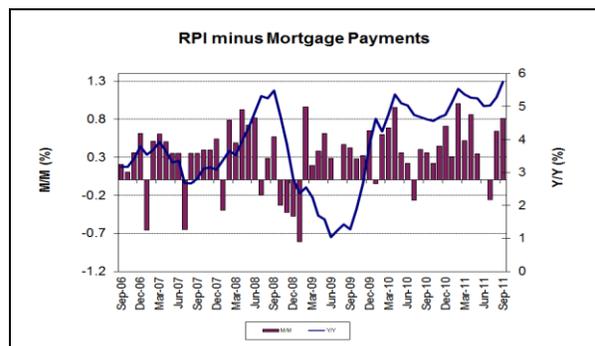
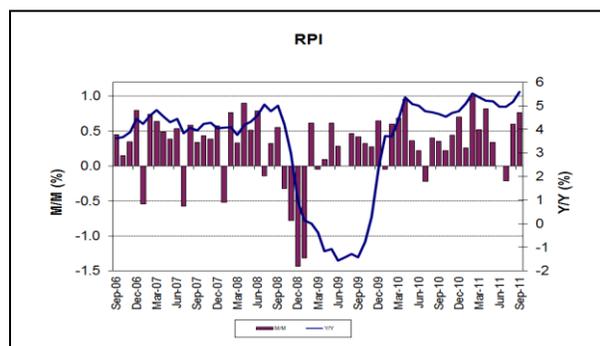
Headline CPI increased 0.6% M/M (+0.6% prev.) and accelerated from 4.5% Y/Y to 5.2% Y/Y (4.9% expected) in September. This annual increase matched the record high reached in September 2008, its highest level since records began in 1997. Core CPI rose 0.2% M/M and accelerated from 3.1% Y/Y to 3.3 % Y/Y (3.2% expected). U.K. inflation has been above the BoE’s goal since December 2009 and exceeded the 3% upper limit since March 2010. The BoE has said “the overshoot is due to the temporary impact of higher oil prices and also a sales-tax increase.”

Financial Balances, FX & RPI

U.K.	Last Period (blns)	Last 12mth. % of GDP
Budget Balance (Public Net Borrowing)	+£13.2 (Aug)	+7.5%
Curr. Acct. Balance (Quarterly)	-£9.4(Mar)	-3.2%
Private Balance	+£3.8	+4.3%



RPI Growth & RPI, ex. Mortgage Interest Payments



RPI rose 0.8% M/M and accelerated from 5.2% Y/Y to 5.6% Y/Y in September, more than the 5.4% expected. RPI, excluding mortgage interest payments, rose 0.8% M/M and accelerated from 5.3% Y/Y to 5.7% Y/Y.

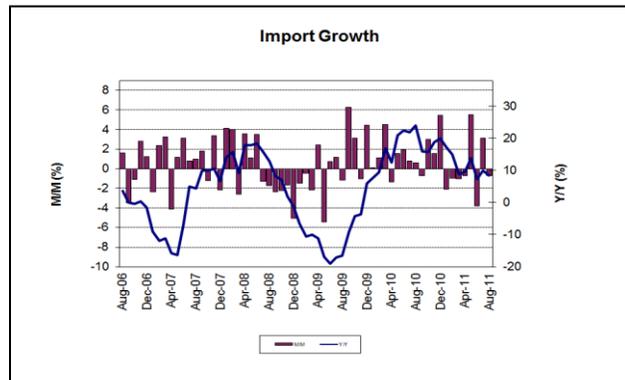
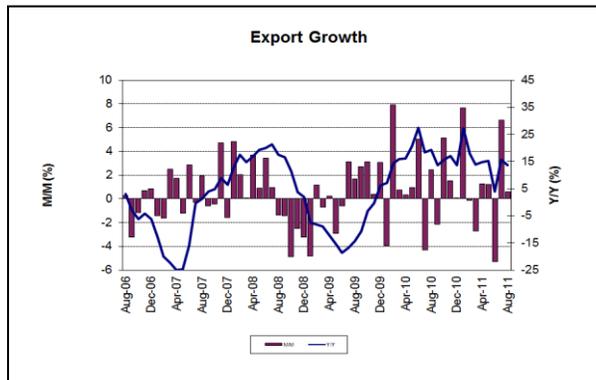
Trade Balance & Rightmove Housing Survey

Trade Balance

August's Trade Deficit narrowed from 2.3£bln to £1.9bln. The trailing twelve month trade deficit is now £ 37bln (about 2.7% of GDP).



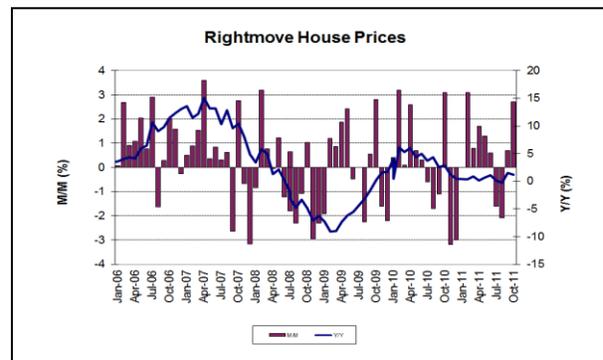
Exports & Imports



Exports rose 0.6% M/M to 25.5bln pounds in August, their highest level since current records began in 1998. Export growth was driven by fuels and intermediate goods. Imports rose 0.7% M/M in August.

Rightmove House Price Survey

Rightmove House Prices increased 2.7% M/M and 1.2% Y/Y in October after +1.5% Y/Y in September. The average London Asking price rose 5.2% M/M and 7.5% Y/Y after +7.2% Y/Y previously. This is the largest monthly gain for London prices since October 2009.



MPC Minutes Summary

Minutes of the MPC meeting held on 3rd and 4th of August, 2011 - Summary:

Heightened awareness of the vulnerabilities associated with the indebtedness of several euro-area governments and banks had led to a further deterioration in demand prospects.

While the worst risks had not crystallized, the threat of them doing so had resulted in severe strains in bank funding markets.

There was considerable uncertainty on the scale of stimulus needed some members said the substantial downside risks pointed to injecting a larger monetary stimulus than otherwise in order to place to U.K. economy in a stronger position were those risks to materialize.

Recent indicators suggest that the underlying rate of growth had moderated and would be close to zero in the fourth quarter.

The increased downside risks to growth make it more likely that inflation would undershoot the target in the medium term, without further monetary stimulus.

Differences in the impact of QE within the range under considerations were likely to be outweighed by the degree of uncertainty about the outlook for inflation.

Governor Mervyn King's comments (Bloomberg):

We were on track. But the problems in the euro area and the marked slowing in the world economy have lengthened the period over which a return to normality is likely.

The bleak prospects for growth explained the Bank's decision to resume asset purchases, justifying the move because underlying inflation excluding energy prices, import prices and tax increases remains subdued. Once these causes of inflation begin to dissipate, inflation should fall back sharply early next year.

For the time being, a significant degree of policy stimulus is appropriate to support demand.

King also criticized global authorities for failing to deal with underlying imbalances and sovereign debt and said "time is running out."

Note: Ernst & Young LLP's ITEM Club cut its 2011 U.K. growth forecast from 1.4% to 0.9% this month, and said the second bout of QE may not be enough. Growth forecasts for 2012 were cut to from 2.2% to 1.5% and unemployment "will keep rising until it peaks at 2.7 mln people in Q1 2013.

News

Oct. 19th - Posen Says Bank of England Still Has ‘Ammo’ to Support Economy (Bloomberg) - Bank of England policy maker, Adam Posen, said the central bank has “ammo” to help the economy and must stay ahead of the downside risks to growth, the Lancashire Evening Post reported, citing an interview. “Things are moving that fast in a downward direction that we have to be one step ahead in terms of policy,” Posen said in an interview with the newspaper published on its website today. “There’s definitely ammo. Quantitative easing is maybe a slightly less accurate ammo than interest rates but we definitely know it gets you there.” Posen also said there are things the central bank and the government can do to help lending to small and medium-sized businesses.

Oct. 19th - Scottish House Prices Outpace English Values, Acadametrics Says (Bloomberg) - Scottish house prices rose to a three-month high in August, outperforming values in England and Wales during the month and over the previous year, according to a report. The average price of a home in Scotland rose 0.4% from July to 148,075 pounds (\$232,000), while values were down 1.7% from a year earlier, Acadametrics Ltd. and LSL Property Services Plc said in an e-mailed report today. England and Wales prices increased 0.3 % to 219,078 pounds in August, 2.2% lower than a year earlier. “In August lenders were beginning to offer more competitive products,” Acadametrics Chairman Peter Williams said in the report. “However, there is currently a fear, brought about by the latest euro zone crisis, that lenders may need to retrench on some of these products.” Falling consumer confidence and the biggest squeeze on Britons’ spending power since the 1970s are undermining housing demand. Still, prices are being supported by a lack of property supply and record low borrowing costs. The Bank of England has kept its key interest rate at 0.5% since March 2009. Scottish house prices have doubled since 2000, peaking in April 2008, according to the report. The Scottish index will likely fall back in September and this month as monthly prices fail to rise at the same rate as last year, Williams said. Acadametrics and LSL combine initial transaction data from Registers of Scotland and then adjust the results by type of property and season for their index of values.

Oct 18th - Treasury Repeats BOE View That Inflation Will Slow in 2012 (Bloomberg) - The U.K. Treasury said households are going through difficult times because of rising prices while backing the view from the Bank of England that inflation will slow “rapidly” next year. “The government understands that these are difficult times for households, as price levels continue to be affected by high global oil and gas prices,” the Treasury in London said in an e-mailed statement today following publication of September’s inflation data. “The impact of rising energy prices in September was in line with previous forecasts by the Bank of England, who has also said that inflation should then fall rapidly in 2012. The government is taking action to help consumers with current high costs, including cutting fuel duty and freezing council tax, and the prime minister met yesterday with energy suppliers to discuss how to bring down customers’ energy bills.”

News Cont'd

Oct. 17th - UK Economy Brought to Grinding Halt By Euro Crisis (Telegraph) - British taxpayers may be dragged into a rescue package for the eurozone after a leading forecaster warned that the crisis has brought this country's economy "grinding to a halt". The Ernst & Young ITEM Club, which uses the Treasury's forecasting models, warns today that the economic situation is "worse than we thought". It concludes that the "bright spots" in Britain's economic recovery have "dimmed to a flicker" because of the ongoing crisis in the single currency. The euro turmoil has led to the respected Ernst & Young ITEM Club cutting by almost fifty percent its prediction for British economic growth in 2011 since the summer. It is now expecting the economy will grow by just 0.9% this year, signaling almost zero growth before the end of the year. "With the UK recovery grinding to a halt, new measures are now needed to help stimulate growth. We think there is scope for targeted tax relief and spending measures to help put us back on track." The ITEM Club also forecasts that the UK's unemployment rate will increase to 2.7 mln people by the spring of 2013.

Oct. 14th - U.K. Home Prices Post First Drop Since June, Acadametrics Says (Bloomberg) - U.K. house prices fell for the first time in three months in September as turmoil in financial markets spurred by Europe's debt crisis undermined confidence, Acadametrics Ltd. and LSL Property Services Plc said. The average price of a home in England and Wales fell 0.3% from August to 218,650 pounds (\$343,000), the lowest since June, the groups estimated in an e-mailed report in London today. Prices dropped 2.3% from a year earlier. The housing market is struggling to gain momentum as banks restrict lending and inflation outpaces wage growth. While Bank of England policy makers expanded stimulus last month to aid the economic recovery, the escalation of the debt crisis threatens demand, Acadametrics Chairman Peter Williams said.

Oct. 13th - Bean Joins Colleagues Keeping Option for More BOE Bond Purchases (Bloomberg) - Bank of England Deputy Governor, Charles Bean, became the third policy maker to signal the central bank might add to its emergency stimulus plan if needed even as its second wave of bond purchases has only just begun. "If we need to undertake further purchases then we will do so," Bean told the Guardian newspaper in an interview published on its website today. A Bank of England spokesman confirmed the comments. "There has been a noticeable deceleration in activity indicators, not just in this country but across the globe as well," Bean said. "On top of that is layered all the concerns about the twin euro-area sovereign debt and banking sector crises. Businesses in these circumstances tend to put investment projects on hold; consumers tend to hold back from spending. It just makes people much more wary." While U.K. banks have relatively small direct exposures to the debt of peripheral countries like Greece, they are closely connected with banks in mainland Europe, and these close links possess "the potential to lead to a seizing up of the financial system," Bean said. Bean, who also sits on the Bank of England's Financial Policy Committee, said he is strongly in favor of recapitalizing European banks, and Britain could end up joining in. "It may be that given how the plan is designed, that the chancellor may decide it is appropriate for the U.K. to be part of this, too," he said.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
17-21	Nationwide Consumer			
OCT	Confidence	SEP	--	48
	Retail Sales Ex Auto			
10/20	Fuel(MoM)	SEP	--	-0.10%
10/20	Retail Sales Ex Auto Fuel(YoY)	SEP	--	-0.10%
10/20	Retail Sales w/Auto Fuel (MoM)	SEP	--	-0.20%
10/20	Retail Sales w/Auto Fuel (YoY)	SEP	--	0.00%
10/21	Public Finances (PSNCR)	SEP	--	11.8B
10/21	PSNB ex Interventions	SEP	--	15.9B
10/21	Public Sector Net Borrowing	SEP	--	13.2B
10/25	BBA Loans for House Purchase	SEP	--	35226
10/25	GDP (QoQ)	3Q A	--	0.10%
10/25	GDP (YoY)	3Q A	--	0.60%
10/25	Index of Services (MoM)	AUG	--	0.20%
10/25	Index of Services (3mth/3mth)	AUG	--	0.90%
10/25	Current Account (BP)	2Q	-11.0B	-9.4B
10/26	CBI Trends Total Orders	OCT	--	-9
10/26	CBI Trends Selling Prices	OCT	--	13
10/26	CBI Business Optimism	OCT	--	-16
10/20	Retail Sales w/Auto Fuel (MoM)	SEP	--	-0.20%

Valance Co., Inc.

Valance Economic Report: Canada

Milo Prochazka

(340) 692-7710

mprochazka@valance.us

October 19, 2011

In August, Factory Sales increased more than expected, rising to their highest level since October 2008. The BoC Future Sales Outlook Survey fell to its lowest level since the beginning of 2009.

Weekly Highlights

Manufacturing Shipments – rose 1.4% M/M in August. (CA1)

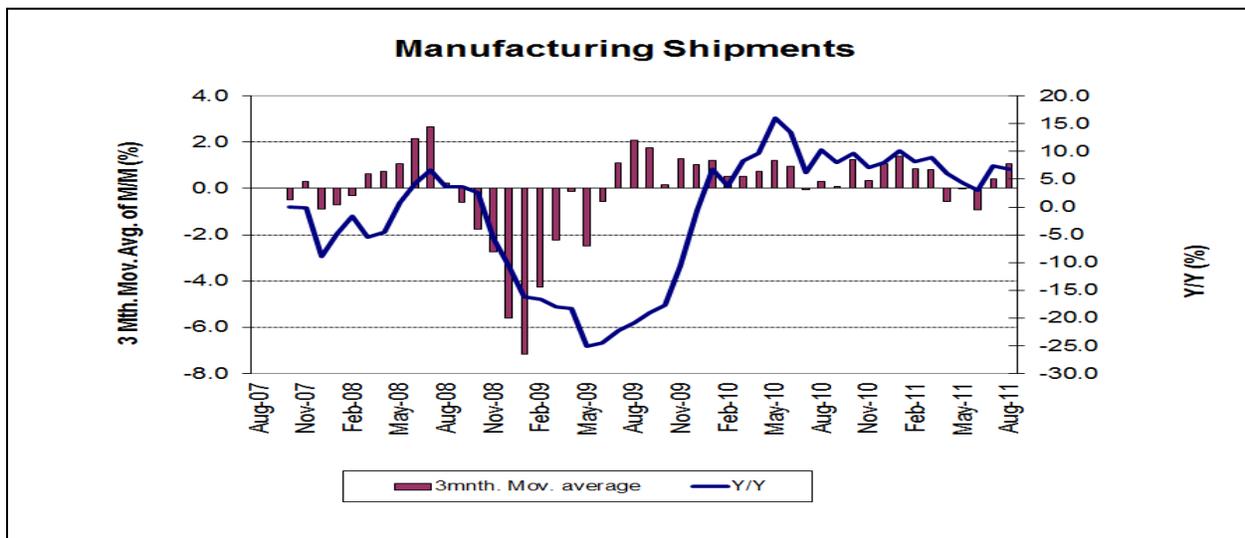
New Orders – increased 0.8% M/M in August. (CA 3)

Trade Deficit - widened from C\$ 0.54 bln to C\$ 0.62 bln in August. (CA 4)

BoC Future Sales Outlook – fell from 20 to 6 in Q3. (CA 4)

Weekly Releases & News

Chart(s) of the Week: Manufacturing Sales



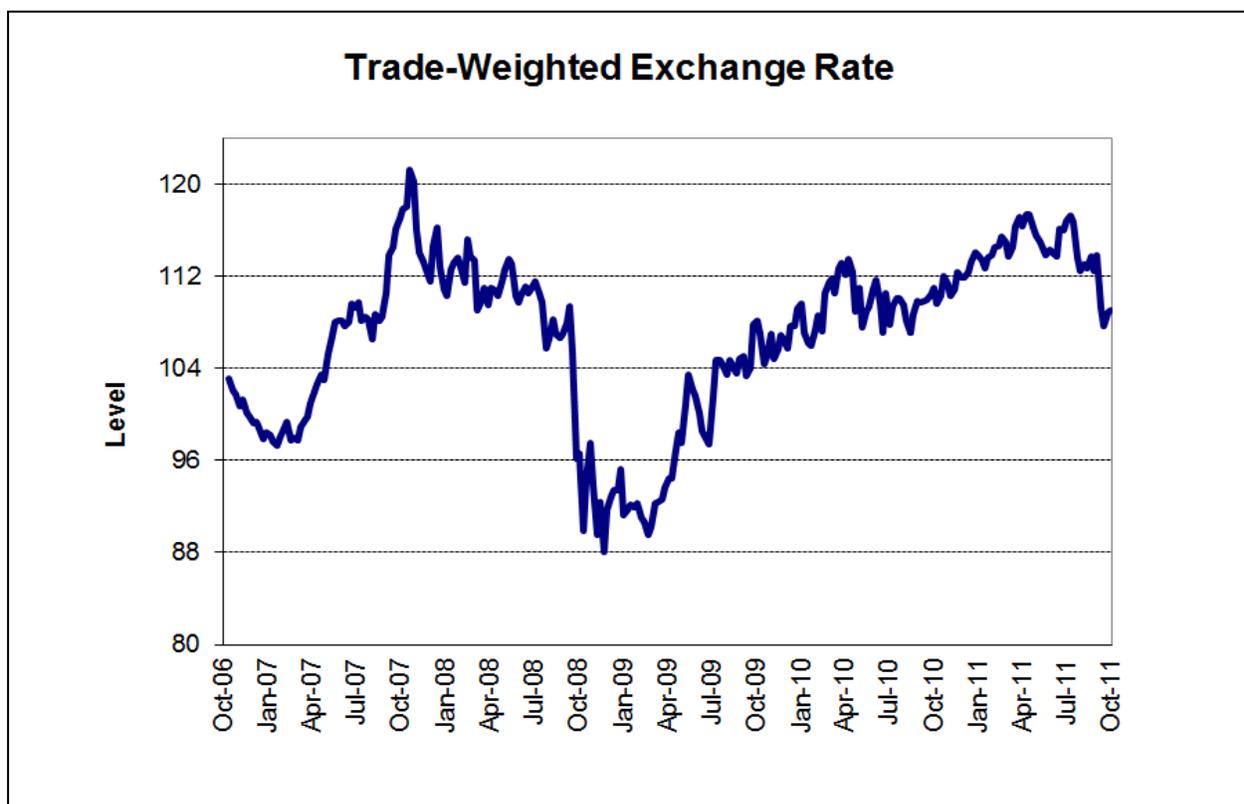
Manufacturing Shipments rose 1.4% M/M in August, to its highest level since October 2008, after jumping an upwardly revised 3.0% M/M in July (previously +2.7% M/M). Economists expected a 0.5 % M/M gain. Lower sales were recorded in 11 out of 21 industries, which represent 70.0% of total sales. Inventory levels edged up 0.3% M/M, unfilled orders rose 1.3% M/M and new orders gained 0.8% M/M. Ex autos, sales rose 1.8% M/M and 9.7% Y/Y.

Financial Balances & Trade Weighted Exchange Rate

Financial Balances

Canada	Latest period (C\$bln)	Last 12mth. as % of GDP
Budget Balance	-0.9 (Feb)	-2.3%
Trade Balance	-0.62 (Aug)	-1.5%
Current Account Balance	-15.3 (Q2)	-7.3%
Private Balance	--	-5.0%

Trade-Weighted Exchange Rate



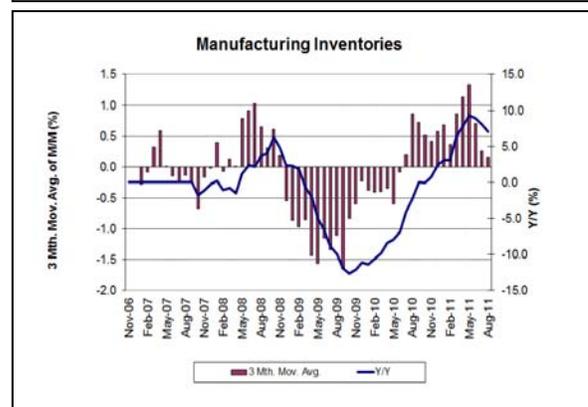
Manufacturing Data & Leading Indicators

Manufacturing Data



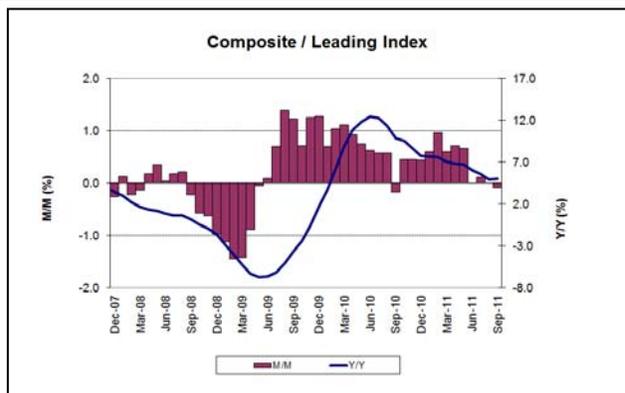
Inventories rose 0.3% M/M, lowering the Inventory-to-sales ratio from 1.35 to 1.33.

Unfilled Orders rose for the eighth month in August, increasing 1.3% M/M to the highest level since April 2009.



Leading Indicators

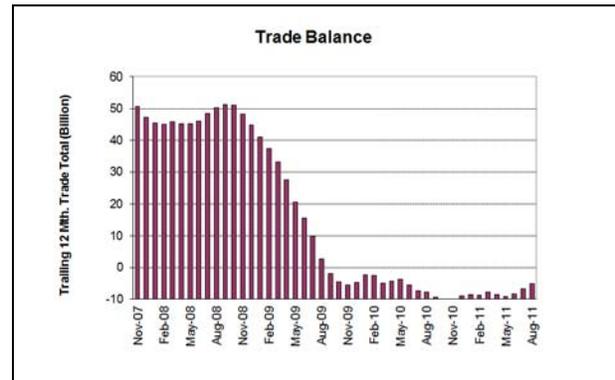
Leading Indicators fell 0.1% (M/M (+0.1% exp.)) in September, after a flat monthly result in August.



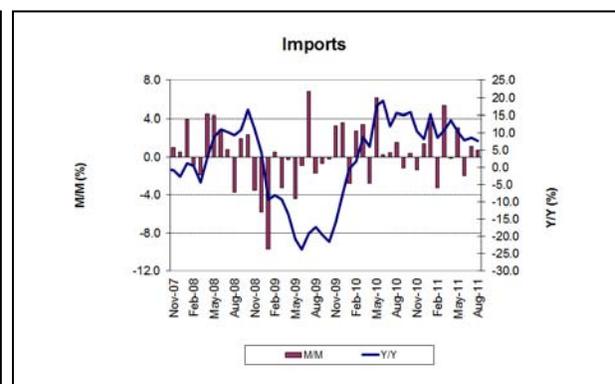
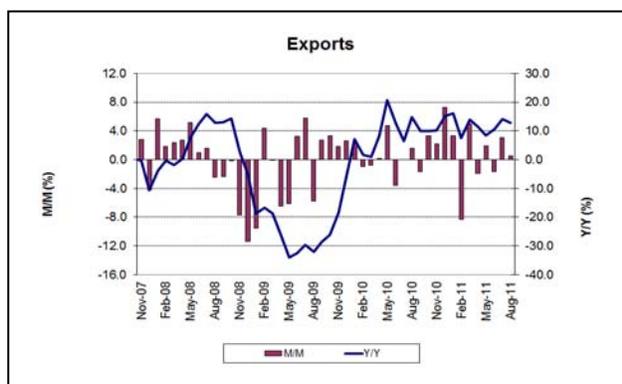
Trade Balance, Data & News

Trade Balance

Canada's Trade Deficit widened from C\$ 0.54bln to C\$ 0.62bln in August. The trade surplus with the U.S. decreased from C\$ 3.7 bln in July to C\$ 2.5 bln in August, as exports to the U.S. fell 2.3% M/M and imports from the U.S rose 2.0% M/M to the highest level since October 2008.



Exports & Imports



Exports rose 0.5% M/M, led by Machinery (+7.3% M/M). Y/Y growth increased 12.9%. Exports fell 2.3% M/M to the US, and increased 11.1% M/M to EU and 8.0% M/M to Japan. Imports rose 0.7% M/M and 7.6% Y/Y.

Data & News

Oct. 17th BoC Poll Shows Less Sales Optimism on Global Demand (Bloomberg) - The Bank of Canada's quarterly survey of executives found the least optimism about future sales growth since the beginning of 2009, with signs of weak global demand leading companies to curb hiring and investment plans. The share of firms predicting faster sales growth over the next year fell to 39% from 49% in the last survey, while those calling for slower sales growth increased to 33% from 29%. The so-called balance of opinion dropped from 20 to 6. Credit conditions were less easy in the third quarter, the business survey showed, a result matched by a separate survey of loan officers. The business survey found 24% of companies said credit conditions had loosened over the past three months, while 11% said they were tighter. The balance of opinion of -13 compared to a -24 in the prior survey, with figures less than zero indicating easing credit terms. The lending officers' survey balance of opinion went from -49.6 to -26.9.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/21	Consumer Price Index (M/M)	SEP	-	+0.3%
10/21	Consumer Price Index (Y/Y)	SEP	-	3.1%
10/21	Core CPI (M/M)	SEP	-	+0.4%
10/21	Core CPI (Y/Y)	SEP	-	1.9%
10/25	Retail Sales (M/M)	AUG	-	-0.6%
10/25	Retail Sales Less Autos (M/M)	AUG	-	0.0%
10/25	BoC Rate	OCT	-	1.00%
10/26	Monetary Policy Report	OCT	-	-

Valance Co., Inc.

Valance Economic Report: Australia

Milo Prochazka

(340) 692-7710

mprochazka@valance.us

October 19, 2011

In September, the Australian economy added more jobs than expected and the Unemployment Rate declined for the first time since March, falling from 5.3% to 5.2%. The October RBA minutes indicated that the decision to not raise rates was primarily based not only on the uncertainty around the global economy, but also weakening domestic conditions.

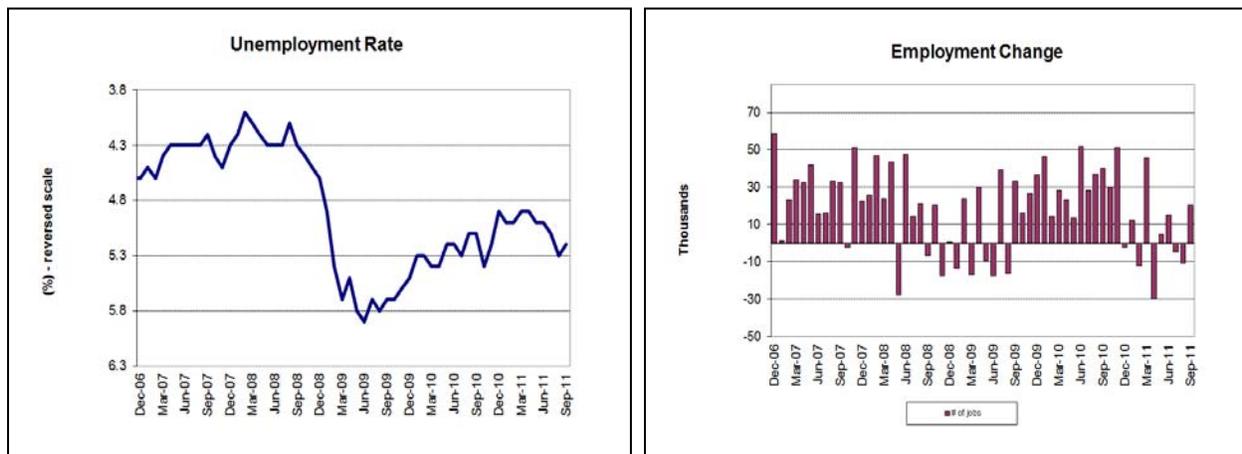
Weekly Highlights

Unemployment Change – the economy lost 100 jobs in in July. (AU 1)

Westpac Leading Index – rose 0.8 % M/M in August. (AU 4)

Weekly Releases & News

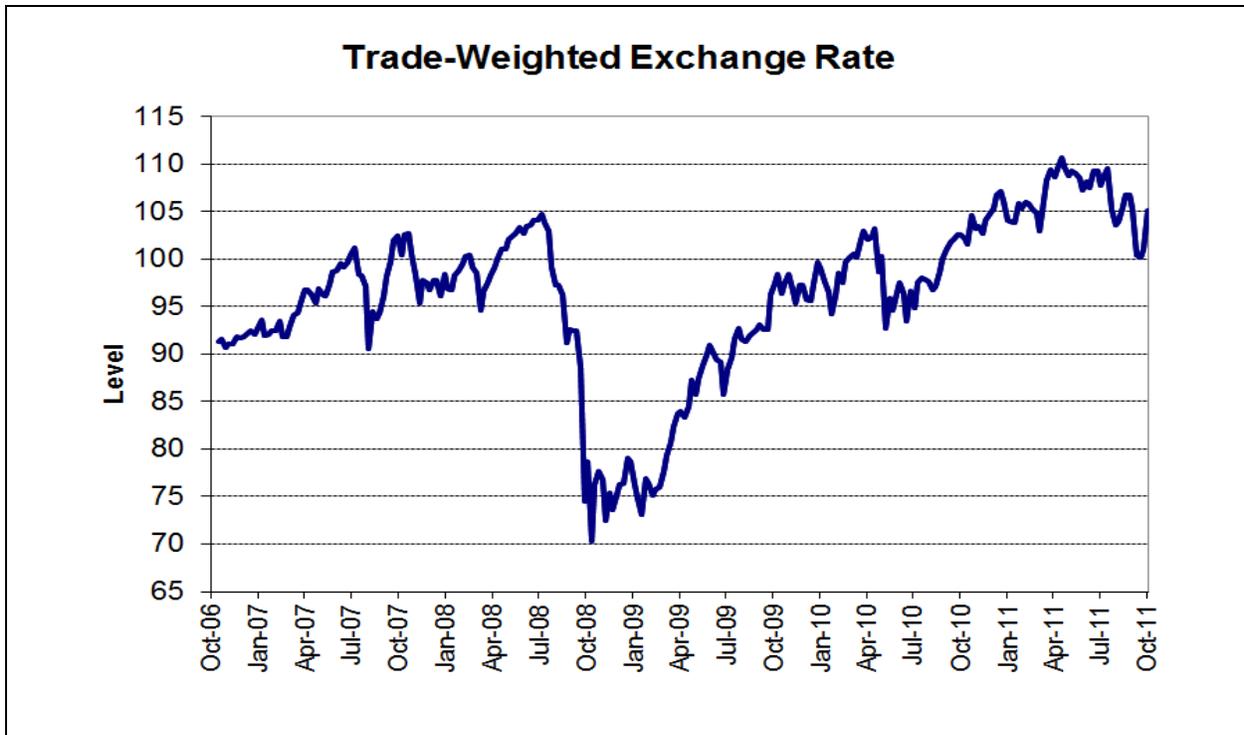
Charts of the Week: *Unemployment Rate*



Total Employment increased by 20.4k jobs in September after a 10.5k loss in August. The Unemployment Rate fell from 5.3% to 5.2%. The market expected a 10.0k job gain and an unemployment rate of 5.3%. Full time jobs fell by 10.8k (-13.5k prev.) and part time jobs rose by 9.6k (+3.0k prev.). The participation rate remained at 65.6%.

FX

Trade-Weighted Exchange Rate



RBA Minutes

Summary of the RBA's Minutes from its Monetary Policy Board Meeting – October:

The Board decided to leave the cash rate unchanged at 4.75 per cent.

Summary:

The minutes show that the decision to leave rates on hold was [again] based on uncertainty around the global economy, particularly in Europe, but also weakening domestic conditions.

Excerpts:

In Australia, economic conditions continued to vary significantly across sectors, which complicated the task of assessing the strength of the overall economy.

Business confidence had fallen noticeably and growth in business credit remained weak. Growth in housing credit remains subdued.

Conditions in global financial markets had continued to be very unsettled, with uncertainty increasing about both the prospects for resolution of the sovereign debt and banking problems in Europe and the outlook for global economic growth. This had been reflected in falls in measures of consumer and business confidence in the major economies, and it was likely to weigh on spending and growth in these economies. This could spread to other regions, but so far indications were that economic activity was continuing to expand in China and other parts of Asia. Overall, recent events had led forecasters to reduce their estimates for global GDP growth. Prices for commodities had also declined over recent weeks, although they remained relatively high.

Domestically, there continued to be large differences in conditions across sectors. Investment in the resources sector was picking up very strongly and some related services sectors were experiencing better-than-average conditions. In other sectors, cautious behaviour by households and the earlier rise in the exchange rate were having a noticeable dampening effect. The impetus from earlier Australian Government spending programs was also abating, as had been intended. While there remained good reasons to expect solid growth over the medium term, indications were that the pace of near-term growth was unlikely to be as strong as earlier expected, reflecting both local and global factors, including the financial turmoil and associated effects on business confidence. With labour market conditions now a little softer, the likelihood of a significant acceleration in aggregate labour costs was lessening. **These developments, together with new data showing that the pick-up in underlying inflation had been more gradual than initially indicated, suggested that the medium-term inflation outlook may now be more consistent with the 2–3 per cent target.** Further data on inflation would be available later in the month.

Members believed that an improved inflation outlook, if confirmed by further data, would increase the scope for monetary policy to provide some support to demand, should that prove necessary. Members noted that financial conditions had already eased somewhat, with interest rates for some housing and business loans declining slightly because of increased competition and the fall in funding costs in financial markets. The exchange rate had also declined somewhat from the very high levels of a few months ago.

Taking all these factors into account, members considered that the existing stance of policy remained appropriate. That assessment would be reviewed based on developments in international financial markets and on further data on economic activity and prices ahead of the Board's next meeting.

Data & Comments

Data

Westpac Leading Index - The Westpac Leading Economic Index rose 0.8% M/M and 4.5% Y/Y in August, well above its long term trend growth of 3.3%. The index is currently at 287.0.

Consumer Inflation Expectations - According to the Melbourne Institute, Consumers' inflationary expectations in October rose from 2.8 % to 3.1%. A peak of 5.9% was recorded in July 2008. The expectations for the hourly wage change, for all occupations, jumped from 5.2% to 6.1%.

DEWR Skilled Vacancies - The index measuring the number of jobs available for skilled workers fell 1.3% M/M and 0.6% Y/Y in September. This is the sixth monthly decline in a row.

New Car Sales - Sales of new cars fell 1.5% M/M in September after increasing 3.4% M/M in August. This is the first monthly decline since May. Y/Y, sales rose 1.3% after +4.6% previously.

Oct.18th - RBA's Debelle Says Australian Banks Shielded From EU 'Stresses' (Bloomberg) - Australian banks are benefiting from rising domestic deposits and investments in their debt by U.S. funds, shielding them from stresses experienced by European lenders, Reserve Bank Assistant Governor Guy Debelle said. "Australian banks' funding structures are considerably more resilient to periods of stressed markets than they were previously," Debelle, who oversees financial markets, said in prepared remarks for a speech in Sydney today. "We are not seeing the same sort of stresses for the Australian banks, as are present for some of the European banks." "Australian banks have found that U.S. MMFs have been more than willing to maintain their exposures, including at longer maturities," Debelle told the Finance and Treasury Association Congress today. "Indeed, recently the Australian banks have been beneficiaries of a reallocation by the MMFs away from the European banks." Debelle said "the actions by the ECB, together with the Fed through the provision of the U.S. dollar swap facility, should alleviate some of the funding tensions for European banks. In effect, provided they have appropriate collateral, European banks should be able to meet their liquidity needs in the period ahead both in euros, and in U.S. dollars."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/19	NAB Business Confidence	Q3	-	+6
10/23	PPI (Q/Q)	Q3	-	+0.8%
10/24	CPI (Q/Q)	Q3	-	+0.9%
10/24	RBA Weighted Median (Q/Q)	Q3	-	+0.5%
10/24	Conference Board Leading Index	AUG	-	-0.1%

Valance Co., Inc.

Valance Economic Report: New Zealand

Milo Prochazka

(340) 692-7710

mprochazka@valance.us

October 19, 2011

Despite the ongoing global financial market turbulence, the ANZ – Roy Morgan Consumer Confidence Index eased only slightly in October. Manufacturing PMI expanded at the slowest pace in six months in September. The RBNZ said that the Christchurch reconstruction “will boost medium-term activity and inflationary pressures for an extended period” and that “it would therefore be inappropriate, all else equal, for monetary policy to be stimulatory during this reconstruction period.”

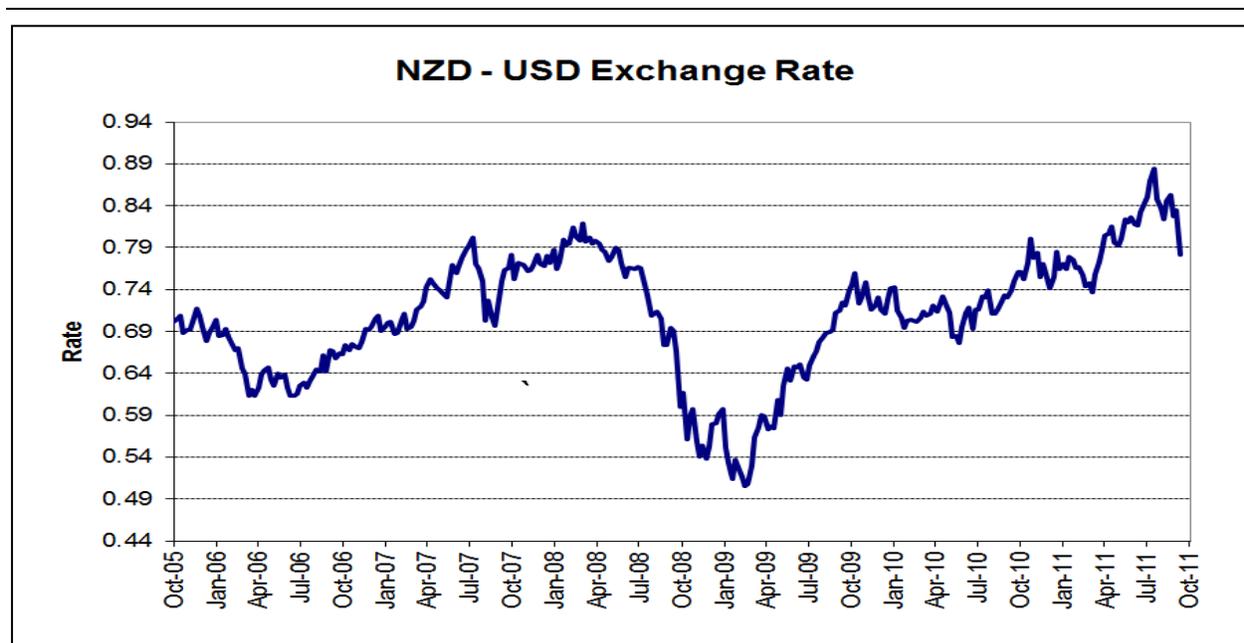
Weekly Highlights

Business PMI – eased from 52.7 to 50.8 in September. (NZ 2)

ANZ-Roy Morgan Confidence – fell from 112.6 in September to 112.2 in October. (NZ 2)

Weekly Releases & News

Chart of the Week: *FX*



The NZD strengthened as traders bet the RBNZ will consider unwinding its 50 bp emergency cut made in March.

NZ - 1

Data & News

ANZ Manufacturing Index - The Manufacturing Index eased 1.9pts to 50.8 in September. This is the slowest expansion in six months. The Manufacturing Index measures production, employment, new orders, finished stock and deliveries. A reading above 50 indicates manufacturing is expanding.

ANZ Roy Morgan Consumer Confidence - According to the ANZ Roy Morgan Consumer Confidence Survey, the Confidence Index fell slightly in October. The Confidence Index fell from 112.6 in September to 112.2 in October. When asked about the domestic economy 1 year forward, the measure eased from -4 to -5 points and the 5-year forward outlook measure fell from +33 to +28. When asked about buying a major household item, this measure dropped from +29 to +18.

Performance of Services Index - The Performance of Services Index fell 0.6pts to 53.2 in September. On a 3-month moving Average, the index eased 0.5pts to 53.5. Y/Y, the index fell 2.3pts.

Food Prices - According to Statistics New Zealand, June food prices fell 1.0% M/M, after falling 1.3% in August, and rose 4.7% Y/Y in September. The largest fall was recorded in Fruits & Vegetables (8.6% M/M). This is the second monthly decline in a row.

New Zealand September Job Advertisements Fall 3.2%, ANZ Says (Bloomberg) - New Zealand job advertisements fell 3.2% in September, ANZ National Bank Ltd. said in an e-mailed statement. The fall was the result of a 1.6% drop in newspaper placements while Internet listings declined 3.6%, the Auckland-based lender said.

Oct. 18th - Bollard Says N.Z. Quake Rebuild to Stoke Growth, Inflation (Bloomberg) - New Zealand's reconstruction of the earthquake-devastated city of Christchurch will boost growth and inflation pressures, Reserve Bank Governor, Alan Bollard said, signaling interest rates will probably need to increase. Reconstruction from quakes in the nation's second-largest city since September 2010, including a Feb. 22nd temblor that killed 181 people, should provide "significant stimulus" in the medium term, Bollard said. The high concentration of work in one region "will boost medium-term activity and inflationary pressures for an extended period," Bollard said. "It would therefore be inappropriate, all else equal, for monetary policy to be stimulatory during the reconstruction period." "Wellington might be expected to be more resilient in that many of the buildings have been built or altered with earthquakes in mind," Bollard said. "These standards are now being reviewed in the light of Christchurch, and will likely be increased, requiring significant further upgrading in Wellington (and possibly driving a small commercial building boom as happened in the 1980's). The challenge here will be to avoid a costly regulatory overreaction to a one-off event." He said a concern is that earthquake insurance coverage could become much more limited, more expensive, and more restrictive in Wellington, following the Christchurch damage. "Already we are seeing big increases in reinsurance premiums, tighter covenants, high excesses, and a move from full replacement to indemnity policies."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/20	Migration	SEP		+200.0
10/20	Credit Card Spending	SEP	-	-1.0%
10/24	CPI (Q/Q)	Q3	-	+1.0%
10/25	NBNZ Business Confidence	OCT	-	+30.3

Weekly Economic Report: *China*

Evelyn L. Richards

(340) 692-7710

erichards@valance.us

October 19, 2011

GDP surprised to the downside in Q3. Within September's data, Consumer Prices continued to be above the government's 4% target so far this year, while Industrial Production and Retail Sales both beat expectations.

Weekly Highlights

GDP – grew 2.3% Q/Q and 9.1% Y/Y in Q3. (CH 1)

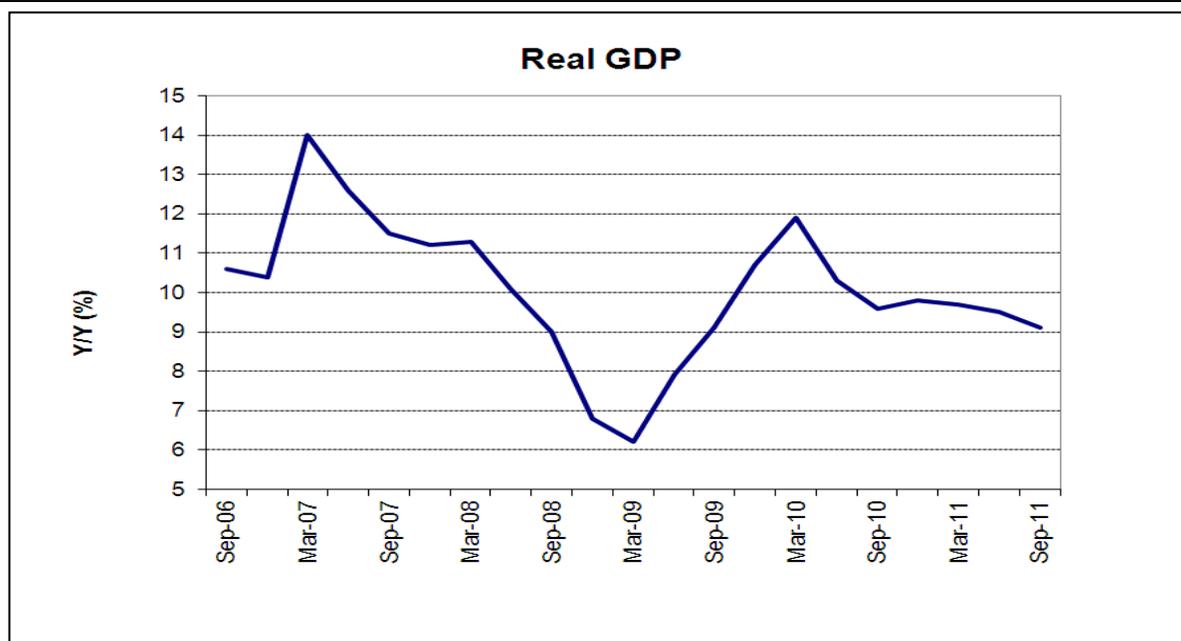
CPI – fell to 6.1% Y/Y in September. (CH 2)

Retail Sales – improved from 17.0% Y/Y in August to 17.7% Y/Y in September. (CH 3)

Industrial Production – rose from 13.5% Y/Y in August to 13.8% Y/Y in September. (CH 3)

Weekly Releases & News

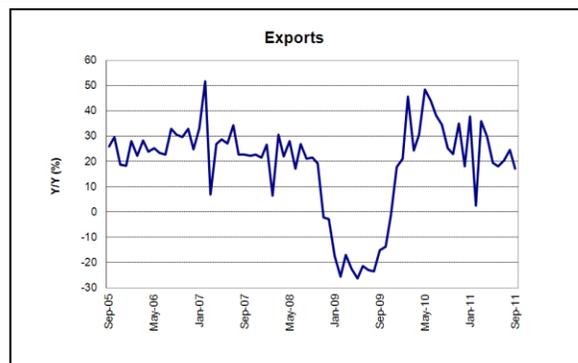
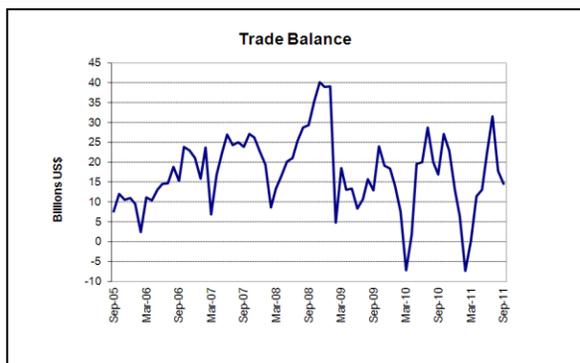
Chart(s) of the Week: *Real GDP*



GDP surprised to the downside in Q3, slowing from 9.5% Y/Y growth in Q2 to 9.1% in Q3, below expectations of 9.3% Y/Y growth. On a quarterly basis, GDP was down 2.3% in Q3, compared with 2.4% growth in Q2.

CH-1

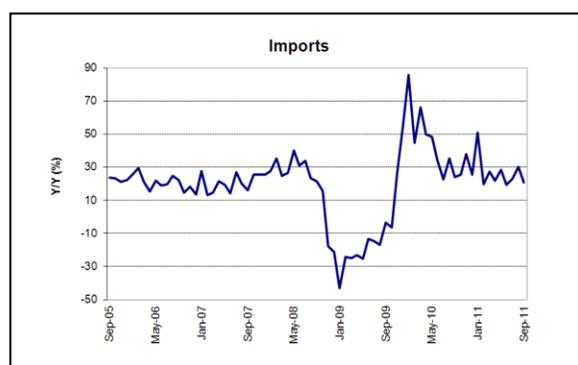
Trade Data



China's Trade Balance narrowed from a surplus of \$17.76 bln in August to a surplus of \$14.51 bln in September. The surplus was expected to reach \$16.30 bln. HSBC wrote, "China's export growth is feeling the chill from the intensifying crisis and weakening demand from the West."

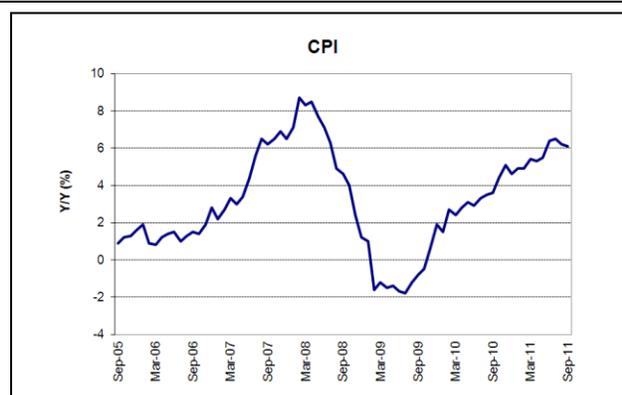
Exports growth fell from 24.5% Y/Y in August to 17.1% Y/Y in September – below expectations of a 20.5% Y/Y gain.

Imports growth fell from 30.2% Y/Y in August to 20.9% Y/Y in September. They



CPI

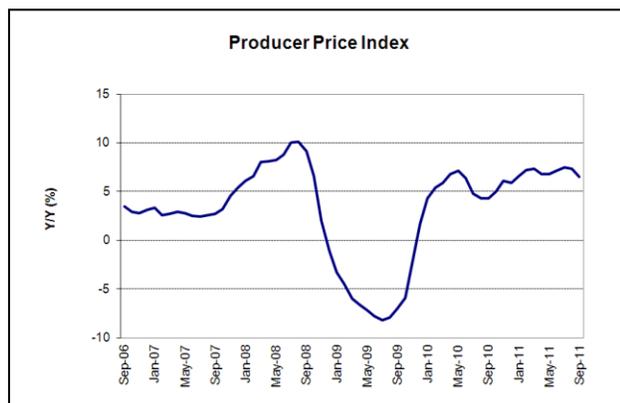
As expected, the Consumer Price Index fell from 6.2% in August to 6.1% Y/Y in September.



PPI, Retail Sales & Industrial Production

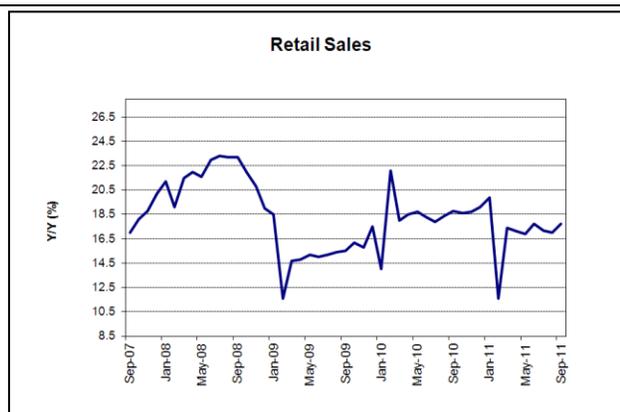
PPI

The Producer Price Index fell from 7.3% Y/Y in August to 6.5% Y/Y in September. Producer Purchase Prices rose 0.1% M/M and 10.0% Y/Y. Notably, prices of Production Materials rose 0.1% M/M and 7.1% Y/Y.



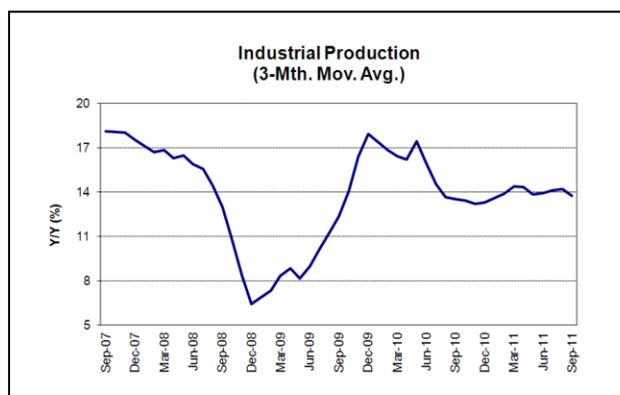
Retail Sales

Retail Sales growth accelerated from 17.0 Y/Y in August to 17.7% Y/Y in September. Sales were expected to remain at the previous month's level.



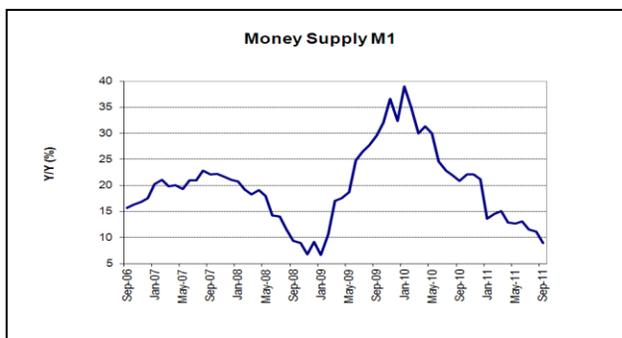
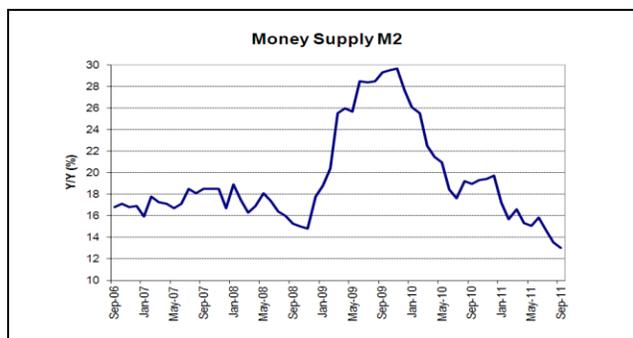
Industrial Production

Industrial Production growth ticked upward from 13.5% in August to 13.8% Y/Y in September, above expectations of 13.4% Y/Y.

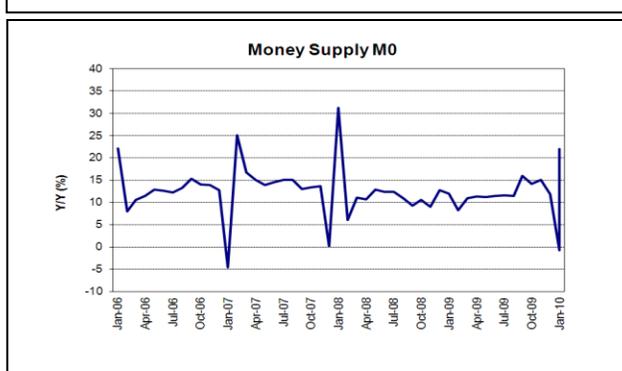


Money Supply, Business Climate Index & Entrepreneur Confidence Index

Money Supply

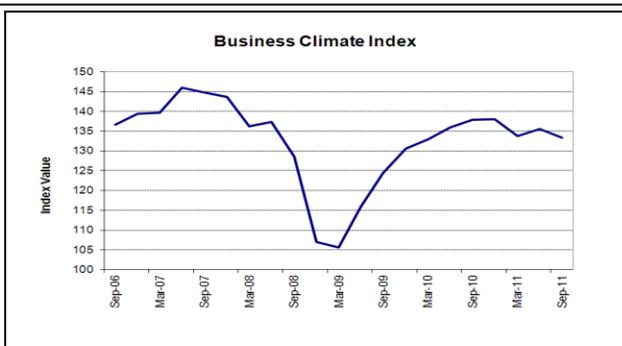


M2, the broadest measure of money supply, slowed from 13.5% Y/Y in August to 13.0% Y/Y in September, below expectations of 14.0%. M1 Money Supply growth slowed from 11.2% Y/Y in August to 8.9% Y/Y in September. It was expected to reach 12.0% Y/Y. M0 Money Supply growth slowed from 14.7% Y/Y in August to 12.7% Y/Y in September.



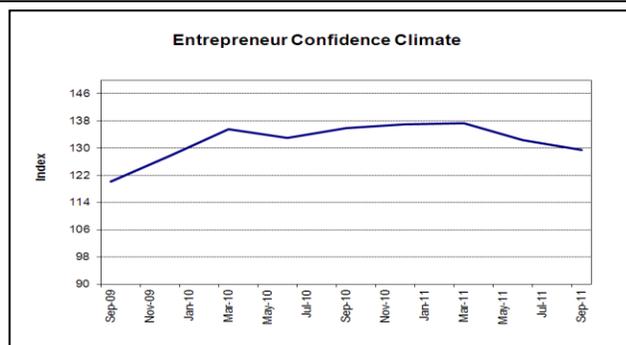
Business Climate Index

China's Business Climate Index fell 2.2 points, from 135.6 in Q2 to 133.4 in Q3. Notably, the industry sector posted declines on both a quarterly and annual basis, and the real estate sector fell for three consecutive quarters. The index has kept within the 130-138 range for eight consecutive quarters.



Entrepreneur Confidence Index

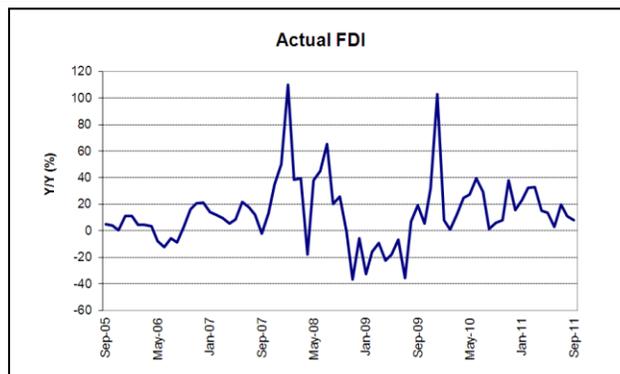
The Entrepreneur Confidence Index slowed from 132.4 in Q2 to 129.4 in Q3. Real Estate Managers are less confident as their sectors index dropped 8.0 points.



Actual FDI, New Yuan Loans & Foreign Exchange Reserves

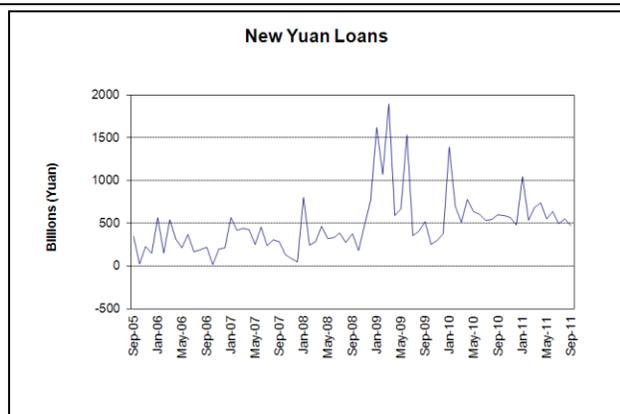
Actual FDI

Foreign Direct Investment rose at its slowest pace in three months to 7.9% Y/Y (totaling \$9 bln) in September, down from the 11.1% Y/Y growth posted the previous month.



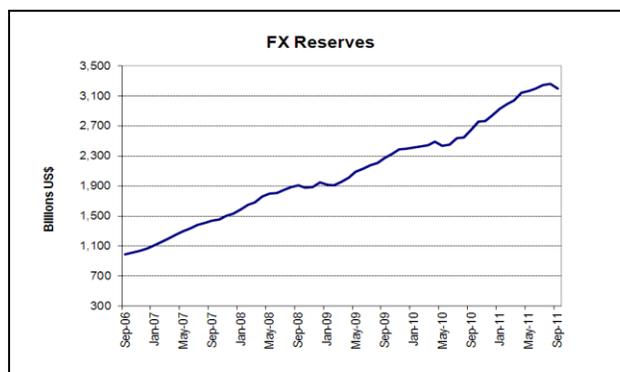
New Yuan Loans

New Yuan Loans fell from \$548.5 bln in August to \$470.0 bln in September; below expectations of \$550.0 bln.



Foreign Reserves

Foreign Reserves grew from \$3,197.5 bln in August to \$3,201.7 bln in September. Reserves were expected to reach \$3,327.5 bln.



Data, News (Cont'd.) & Upcoming Dates

Data

September 17th (Bloomberg) - Fixed-Asset Investment – slowed slightly from 25.0% Y/Y in August to 24.9% Y/Y in September. A 24.8% Y/Y gain was expected.

News

October 17th (Market Watch) - China statistics bureau: Too early to ease policy - National Bureau of Statistics, Pan Jiancheng, Deputy Director of the Bureau's China Economic Monitoring & Analysis Center remarked:

We shouldn't worry about a hard landing, instead, we should worry that the economic transformation may not show noticeable results under the (government's) macroeconomic control policies.

October 13th (Reuters) - China official paper urges wider yuan trading band - The Journal Newspaper reported:

A widening of the yuan's trading band would help change market expectations for the yuan to rise. That would reduce the impact of speculative fund flows on China's economy and help the yuan to trade freely in markets in the future.

Key Dates This Week

Date	Indicator	Month	Expectation	Previous
10/20	MNI October Flash Business Sentiment Survey			
10/21-25	HSBC Flash China Manufacturing PMI	OCT	--	49.9
10/26	Industrial Profits	SEP	--	28.2%

Valance Co., Inc.

Valance Economic Report: Sweden

Evelyn L. Richards

(340) 692-7710

erichards@valance.us

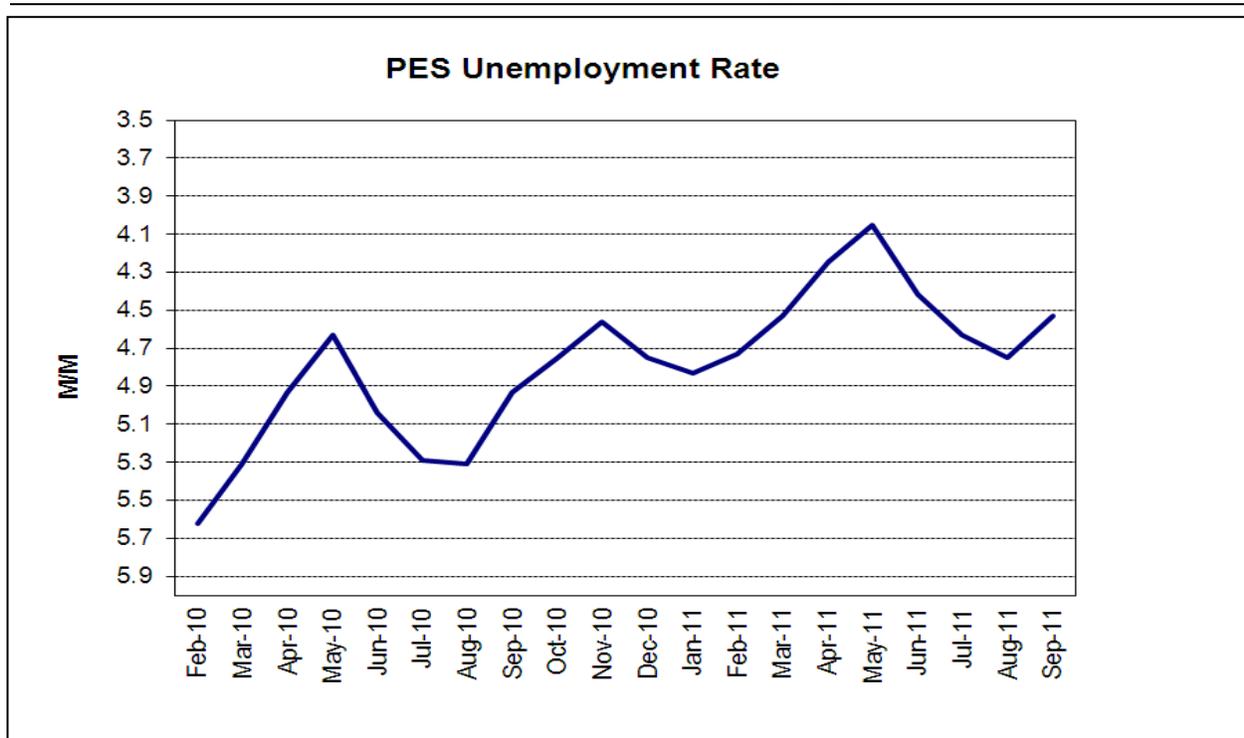
October 19, 2011

In September, Unemployment declined more than estimated and House Price gains eased.

Weekly Highlights

Unemployment Rate – dropped from 4.7% in August to 4.5% in September. (SW 1)

Average Prices – rose 1% in the three months through September, both from the previous quarter and from the previous year. (SW 2)

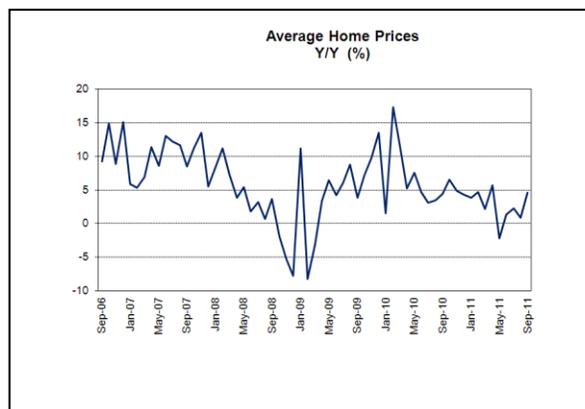
Weekly Releases & News**Chart(s) of the Week: Unemployment Rate**

The Unemployment Rate (n.s.a.) fell from 4.7% in August to 4.5% in September. The rate was expected to reach 4.2%. The number of unemployed totaled approximately 207K persons -- down almost 18K.

Average House Prices, Trade Weighted Exchange Rate & Upcoming Dates

Average House Prices

Average House Prices rose 1% M/M and Y/Y in September from the previous quarter. The average price was SEK 1.999 mln in September, down from SEK 2.096 mln in August. Nine (9) out of 21 counties experienced price increases during this period, while 8 were unchanged. The total number of purchases rose from 4,792 in August to 6,073 in September.



Trade Weighted Exchange Rate



Key Dates This Week

Date	Indicator	Month	Expectation	Previous
10/20	Unemployment Rate	SEP	7.0%	6.6%
10/25	PPI	SEP	--	0.3% / 0.9%
10/26	Trade Balance	SEP	--	5.3B

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Valance Economic Report: Switzerland

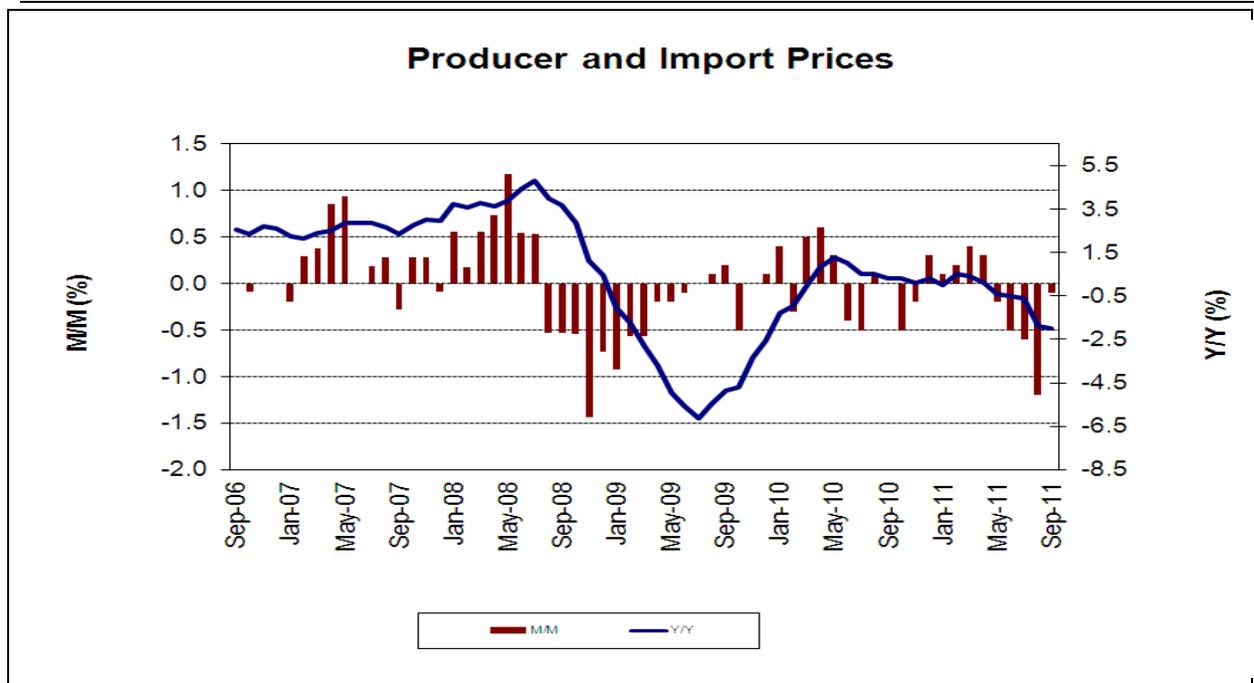
Evelyn L. Richards

(340) 692-7710

erichards@valance.us

October 19, 2011

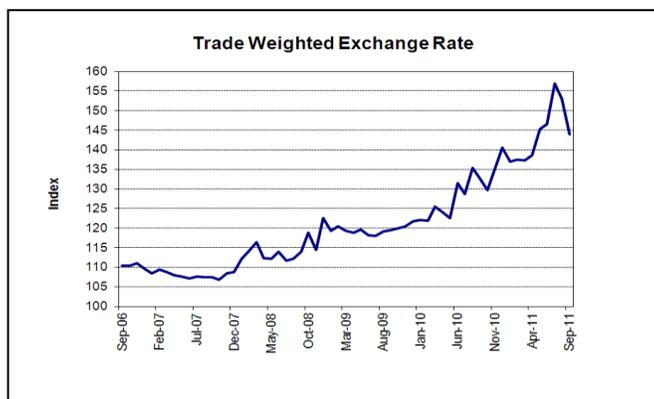
Producer & Import Prices, the only economic indicator released this week, fell for the 5th consecutive month in September.

Weekly Releases & News**Chart(s) of the Week: *Producer & Import Prices***

Switzerland's combined Producer & Import Price Index ticked down 0.1% M/M in September, as expected, compared with -1.2% M/M the previous month. Annually, the index slipped 2.0% in September, compared with -1.9% the year before. Prices were expected to remain unchanged at -1.9% on an annual basis. Separately, producer prices and import prices fell 0.1% M/M and 0.3% M/M, respectively.

Trade Weighted Exchange Rate, News & Upcoming News

Trade Weighted Exchange Rate



News

October 19th (Bloomberg) - Switzerland to Extend Employment Measures on 'Strong' Franc - The Swiss government made the following comments in an email:

Over the past months, the franc has strongly appreciated. At the same time, the outlook for the global economy has considerably weakened. That gives reason to expect a significant economic slowdown in Switzerland in 2012.

Key Dates This Week

Date	Indicator	Month	Expectation	Previous
10/20	Trade Balance	SEP	--	0.76B
10/20	Exports /Imports	SEP	--	-7.0% / 0.9%
10/20	Credit Suisse ZEW Survey	OCT	--	-75.7
10/21	M3 Money Supply	SEP	--	7.6%
10/21	Real Estate Index Family Homes	Q3	--	396.3
10/25	UBS Consumption Indicator	SEP	--	0.79