

Valance Company, Inc.



Weekly

November 16, 2011

III

Highlights

US – Data firming, US showing strength

EU – EU CPI remains stable at 3.0%

JN – Q3 Real GDP grows in line with expectations

UK – The BoE cut its growth forecast through 2013

CA – The BoC expects only a modest impact from the EU crisis

AU – The RBA indicated more cuts in the pipeline

NZ – The RBNZ is likely to delay expected tightening

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

November 16, 2011

Strong data from this week as the US is starting to stand out amongst the rest of the developed world. Q4 Real GDP seems on track for over 3% growth.

Weekly Highlights

Initial Claims – fell from 400k to 390k. (US 1)

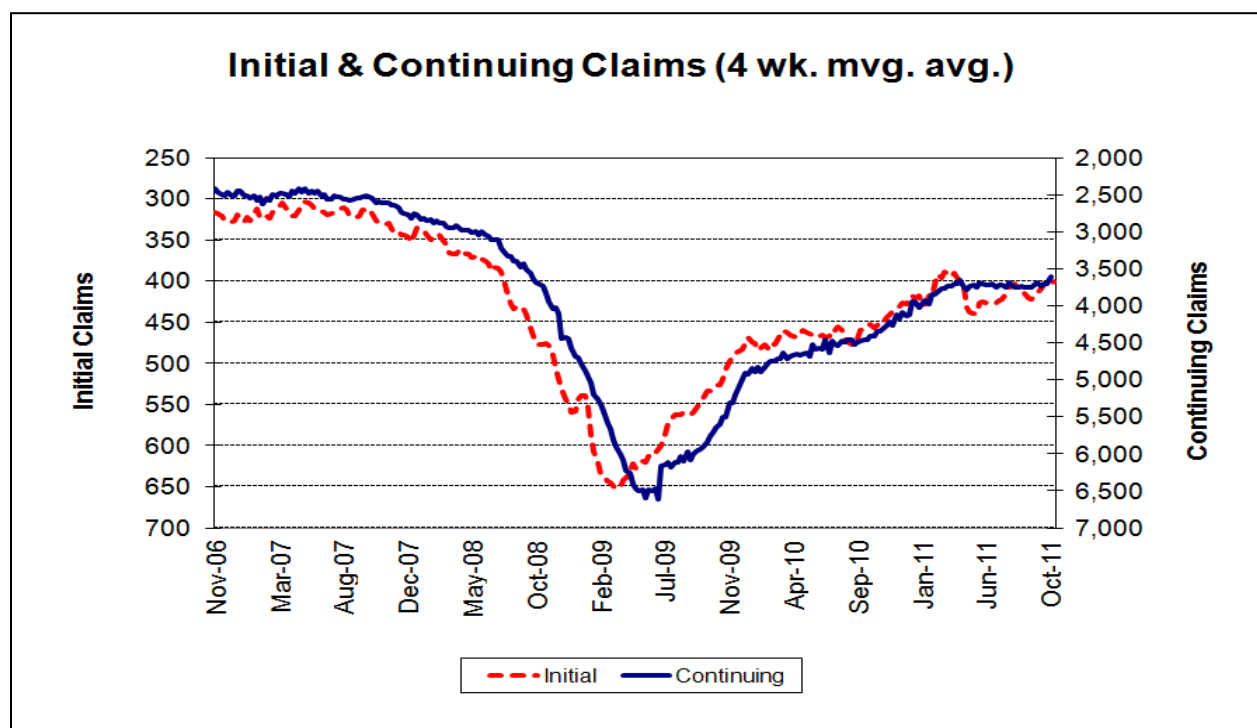
Core CPI – increased 0.14% M/M, three-month annualized core rate is 2.4%. (US 3)

Retail Sales, ex. Autos – rose 0.6% M/M and 6.7% Y/Y in October. (US 4)

Industrial Production – jumped 0.7% M/M and 3.9% Y/Y in October (US 4)

Weekly Releases

Chart of the Week: *Initial & Continuing Claims*



Initial Claims decreased from a revised 400k to 390k, below market expectations of 400k. The four week moving average of Initial Claims decreased to 400k from 404.5k. Continuing Claims fell from a revised 3707k to 3615k, also below expectations of a 3680k reading.

US 1

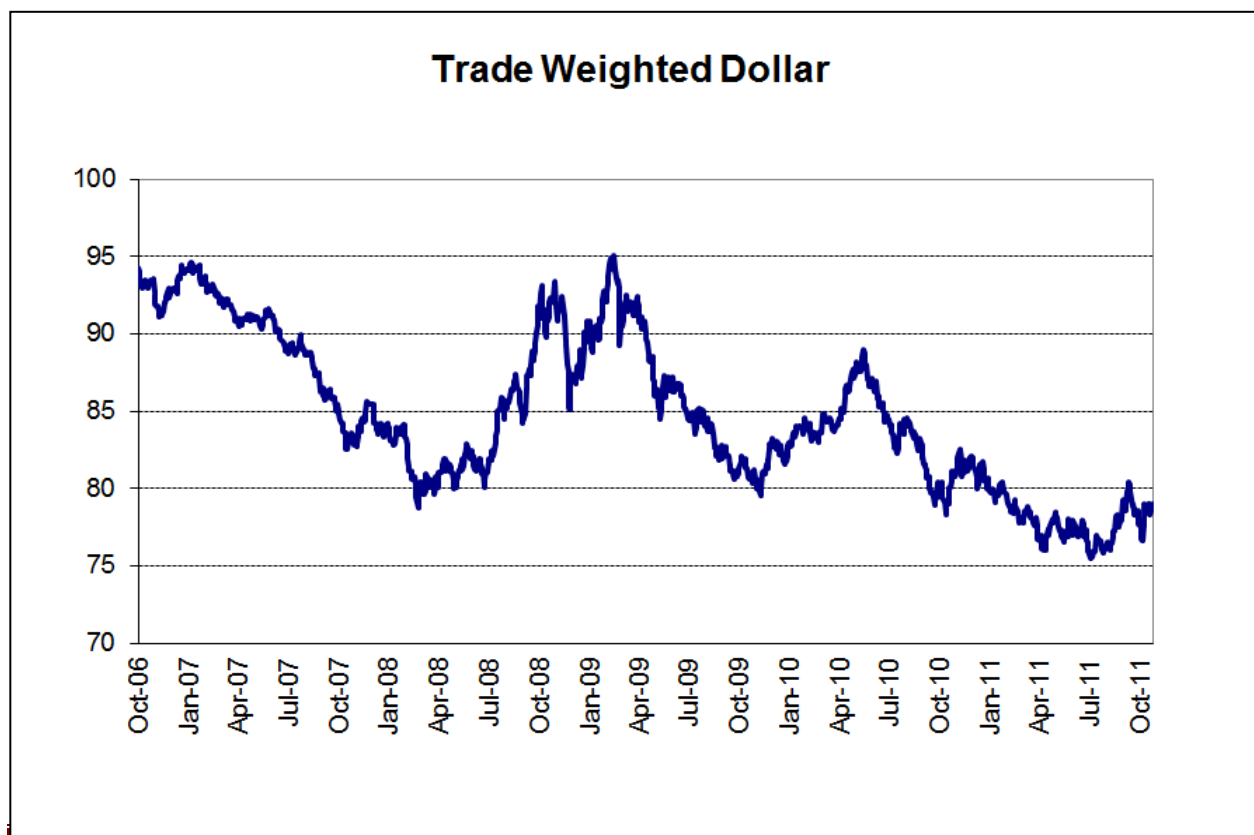
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

| U.S. | Latest period (\$blns) | Last 12mth. as a % of GDP |
|-------------------------|------------------------|---------------------------|
| Budget Balance | -98.5 (Aug) | -7.8% |
| Trade Balance | -43.1 (Sep) | -3.5% |
| Current Account Balance | -118.0B (Q2) | -3.1% |
| Private Balance | -- | 5.3% |

The budget deficit on a trailing twelve month basis as of September is 8.4% of GDP. The trade deficit as of September is 3.5% 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

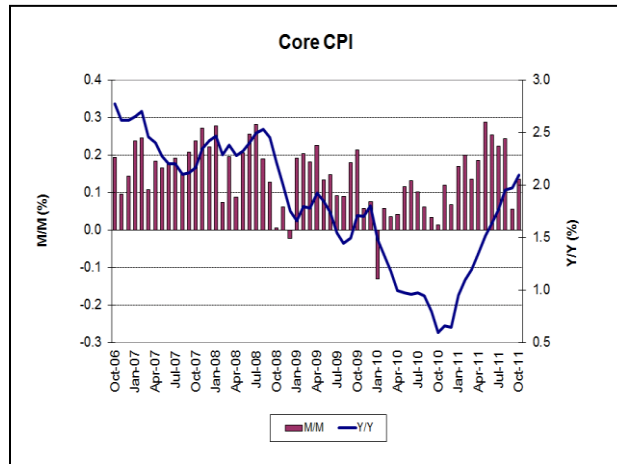


US 2

Core PPI, Core CPI, & Import Prices

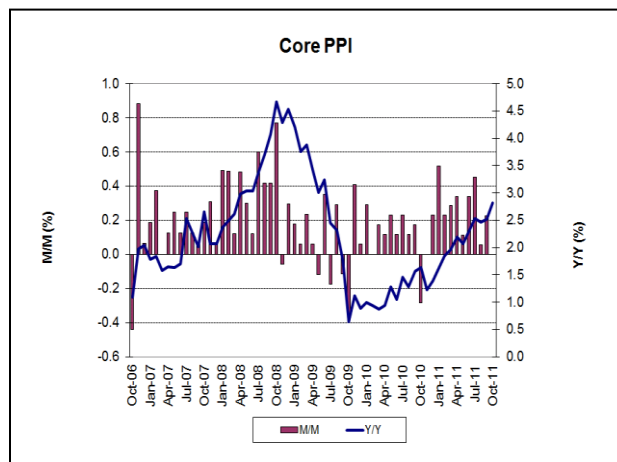
Core CPI

Core CPI increased 0.14% M/M and 2.1% Y/Y in October. The three-month annualized core rate is now 2.4%. Owners' equivalent rent rose 0.2% M/M. The headline rate fell 0.08% M/M and is up 3.5% Y/Y. Energy prices fell 2.0% M/M.



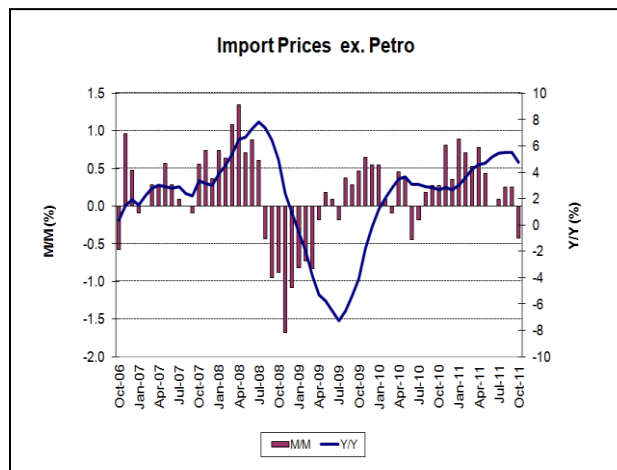
Core PPI

Core PPI was flat M/M and increased 2.8% Y/Y in October. Headline PPI declined 0.3% M/M and is now up 5.9% Y/Y. Core intermediate goods fell by 0.6% M/M and core crude goods declined 2.5% M/M as Y/Y decelerated to 12.6% growth.



Import Prices ex. Petro

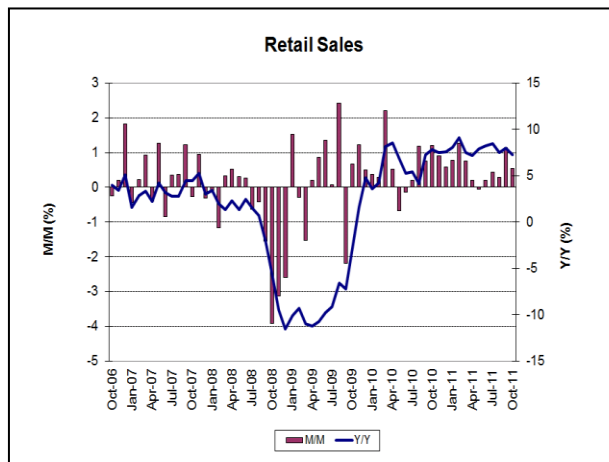
Import Prices, excluding petroleum, decreased 0.4% M/M but rose 4.8% Y/Y in October. Prices of all goods imported into the US declined 0.6% M/M and increased 11.0% Y/Y. Goods from China rose 0.4% M/M and 3.9% Y/Y.



Retail Sales, Manufacturing, & Ind. Production

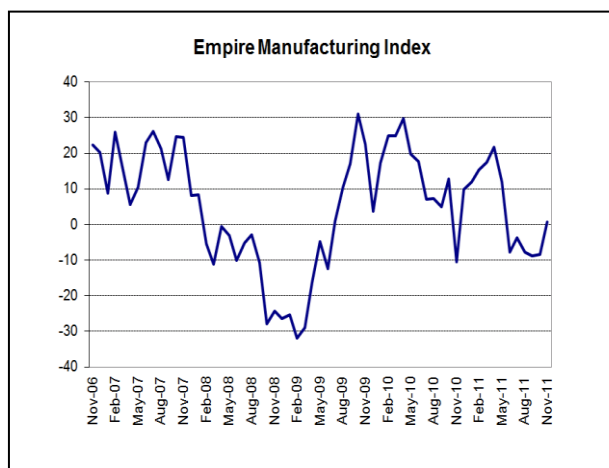
Retail Sales ex. Autos

Retail Sales, excluding autos, rose 0.6% M/M and 6.7% Y/Y in October. Headline Retail Sales rose 0.5% M/M and have increased 6.7% Y/Y. Core Retail Sales (excluding gas, building materials and autos), rose 0.6% M/M and increased 6.1% Y/Y and are now growing at a 5.7% three-month annualized rate.



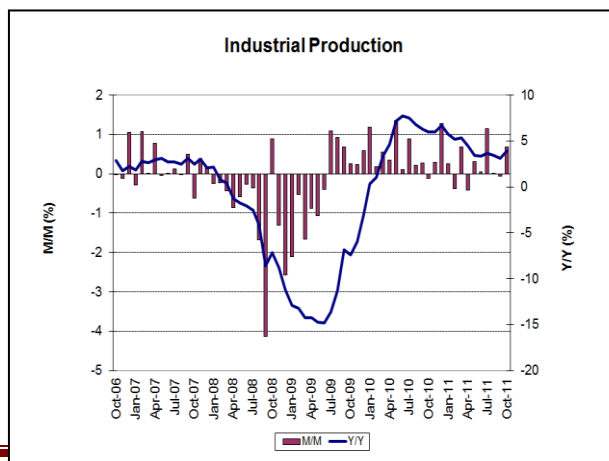
Empire Manufacturing Index

The Empire Manufacturing Index improved from -8.48 to 0.61 in November, the highest level since May. The Employment and Orders component fell from 3.37 and 0.16 to -3.66 and -2.07, respectively. Prices paid declined from 22.47 to 18.29.



Industrial Production

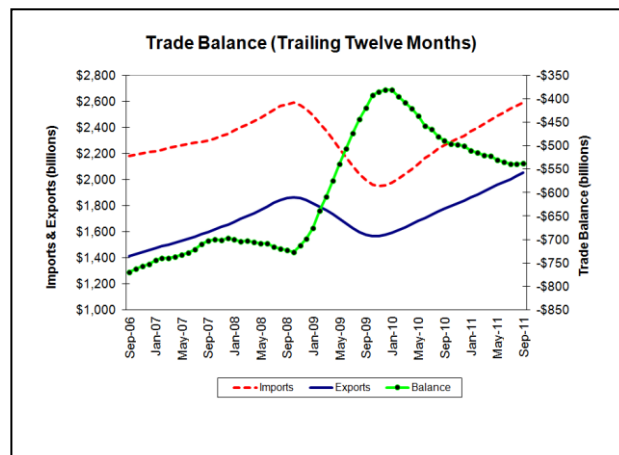
Industrial Production jumped 0.7% M/M and 3.9% Y/Y in October. Manufacturing grew 0.5% M/M and 4.1% Y/Y. Utilities fell 0.1% M/M and are up 0.1% Y/Y. Mining rose 2.3% M/M and is up 6.0% Y/Y.



Trade Balance, Monthly Budget, & Capacity Utilization

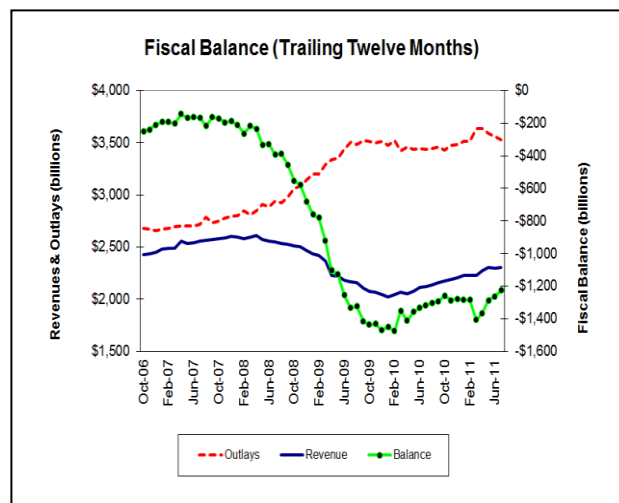
Trade Balance

The Trade Deficit fell from -\$44.9 bln in August to -\$43.1 bln in September. Total exports increased 1.4% M/M and are up 15.9% Y/Y. Imports rose 0.3% M/M and are up 11.9% Y/Y. The trailing twelve month trade deficit is now \$5374 bln or 3.54% of GDP.



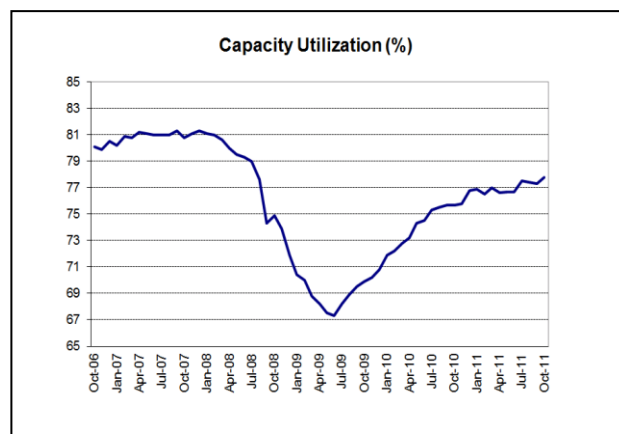
Monthly Budget Statement

The Fiscal Balance in September showed a deficit of \$98.5 bln versus a deficit of \$140.4 bln a year ago. On a trailing twelve month basis, the deficit narrowed from \$1,235.9 bln to 1,193.9 (7.8% of GDP). The deficit will narrow as tax revenues have started to increase, but will remain at a historically high level as a percent of GDP supports economic recovery.



Capacity Utilization

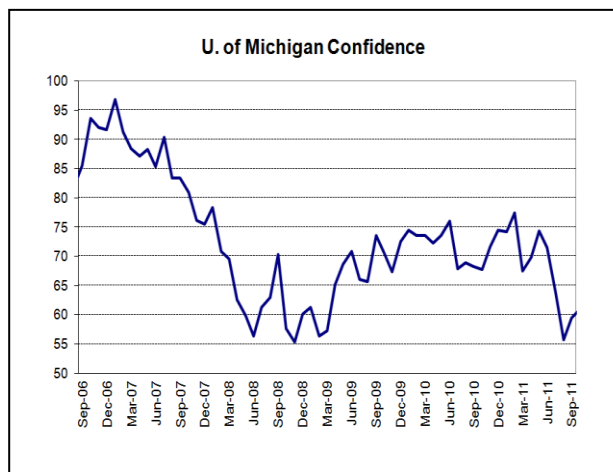
Capacity Utilization improved from a revised 77.3% to 77.8% in October. While Utilization has shown significant improvement, it is still below the 80% levels last seen in 2008.



Confidence, Comfort, & Housing

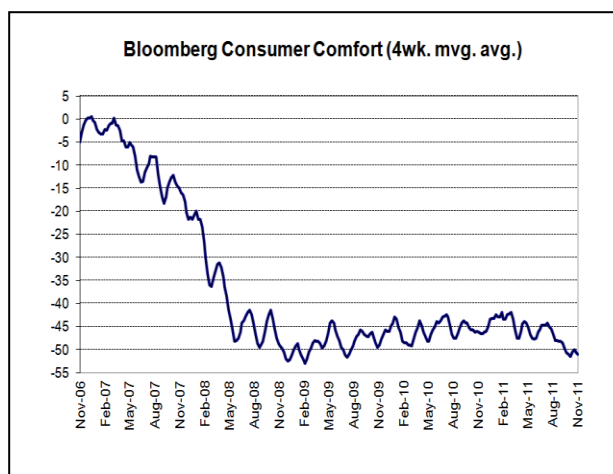
U. of Michigan Confidence

The final reading of University of Michigan Confidence Index improved from 60.9 to 64.2 in November. The current conditions component was increased from 75.1 to 76.6. The expectations component rose from 51.8 to 56.2. Inflation expectations over the next year remained unchanged at 3.2% and expectations over five years fell 0.1% to 2.6%.



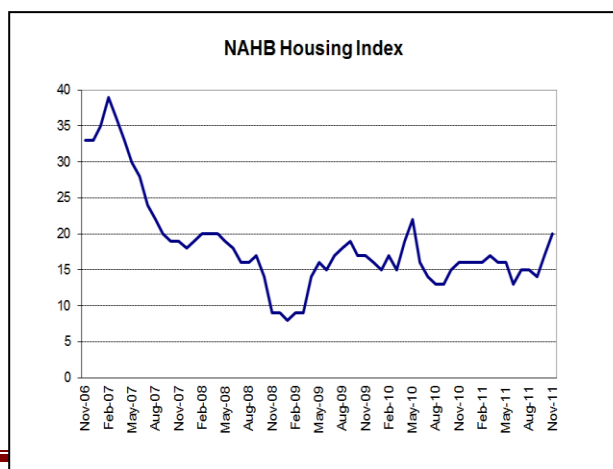
Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index rose from -53.2 to -51.6. The state of the economy component improved from -90.2 to -88.9. The buying climate also increased from -53.3 to -48.6. Lastly, the personal finances decreased, from -16.7 to -17.4.



NAHB Housing Market Index

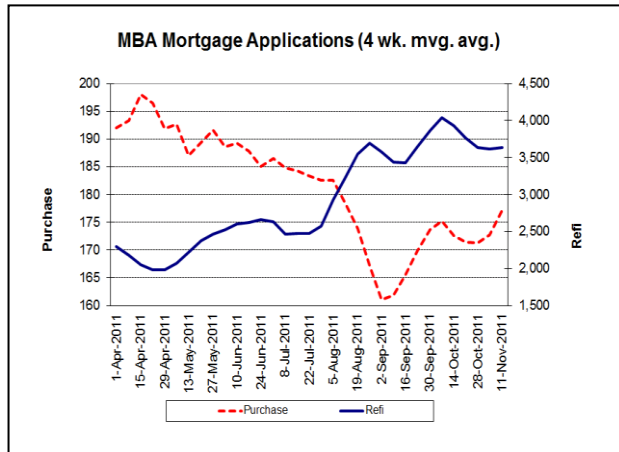
The NAHB Index increased from 18 to 20 in November. Traffic ticked up from 14 to 15 and present sales increased by 17 to 20. Future sales improved from 23 to 25.



MBA Mortgage Applications

MBA Mortgage Applications

Purchase Mortgage Applications fell 2.3% W/W, after gaining 4.8% W/W last week. Refi applications fell 12.2% W/W this week.



Key Dates This Week

| <i>Date</i> | <i>Indicator</i> | <i>Month</i> | <i>Expectation</i> | <i>Previous</i> |
|-------------|--------------------------------|--------------|--------------------|-----------------|
| 11/17 | Housing Starts M/M | OCT | -7.90% | -- |
| 11/17 | Building Permits M/M | OCT | 1.90% | -5.00% |
| 11/17 | Initial Jobless Claims | 12-Nov | 395K | 390K |
| 11/17 | Continuing Claims | 5-Nov | 3615K | 3615K |
| 11/17 | Bloomberg Consumer Comfort | 13-Nov | -- | -51.6 |
| 11/17 | Philadelphia Fed. | NOV | 9 | 8.7 |
| 11/18 | Leading Indicators | OCT | 0.60% | 0.20% |
| 11/21 | Existing Home Sales M/M | OCT | -2.20% | -3.00% |
| 11/22 | GDP Q/Q (Annualized) | 3Q S | 2.50% | 2.50% |
| 11/22 | Personal Consumption | 3Q S | 2.40% | 2.40% |
| 11/22 | Core PCE Q/Q | 3Q S | 2.10% | 2.10% |
| 11/23 | MBA Mortgage Applications | 18-Nov | -- | -- |
| 11/23 | Durable Goods Orders | OCT | -1.20% | -0.60% |
| 11/23 | Personal Income | OCT | 0.30% | 0.10% |
| 11/23 | Durables Ex Transportation | OCT | -0.10% | 1.80% |
| 11/23 | Personal Spending | OCT | 0.30% | 0.60% |
| 11/23 | Cap Goods Orders Nondef Ex Air | OCT | -- | 2.40% |
| 11/23 | PCE Core (M/M) | OCT | 0.10% | 0.00% |
| 11/23 | Initial Jobless Claims | 18-Nov | -- | -- |
| 11/23 | Continuing Claims | 11-Nov | -- | -- |
| 11/23 | Bloomberg Consumer Comfort | 20-Nov | -- | -- |
| 11/23 | U. of Michigan Confidence | NOV F | -- | 64.2 |
| 11/23 | Minutes of FOMC Meeting | | | |

Valance Co., Inc.

Valance Economic Report: Euro Zone

La-Toya Elizee

(340) 692-7710

lelizee@valance.us

November 16, 2011

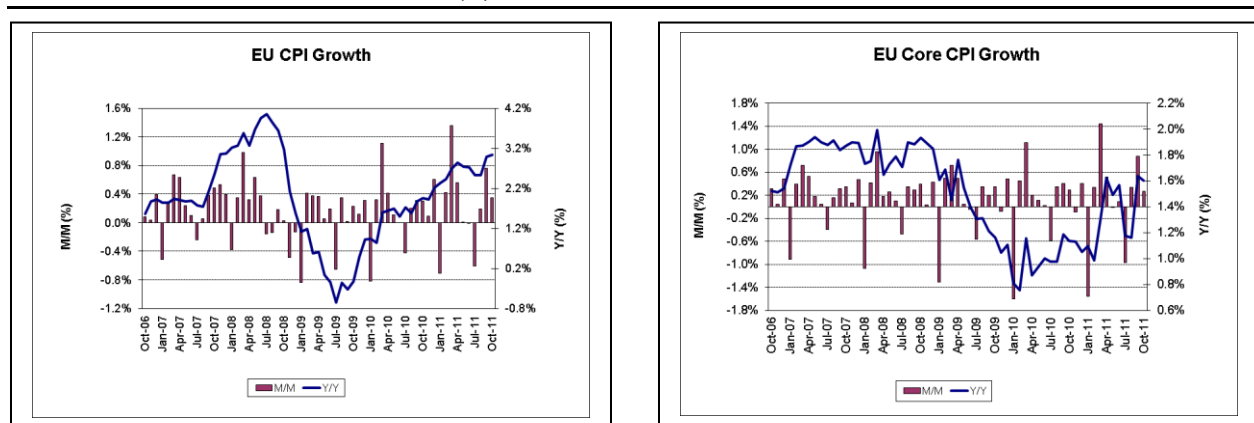
Euro Zone CPI growth in October remained stable at 3.0% Y/Y. Real GDP growth in Q3 increased 0.2% Q/Q with expectations for slower growth in Q4 and the ZEW Survey (Economic Sentiment) fell to a three year low in November.

Weekly Highlights

Euro Zone CPI – increased 0.3% M/M and 3.0% Y/Y in October. (EU 1)

EU GDP - expanded 0.2% Q/Q and 1.4% Y/Y in Q3, in line with market expectations. (EU 3)

EU ZEW Survey (Economic Sentiment) – fell to a three year low in November. (EU 4)

Weekly Releases & News**Chart(s) of the Week: EU CPI**

Euro Zone CPI increased 0.3% M/M and 3.0% Y/Y in October, in line with market expectations. The European Commission expects EU inflation to average 2.6% this year and, lowered its 2012 inflation forecast from 1.8% to 1.7%. Core CPI increased 0.3% M/M and 1.6% Y/Y.

Euro Zone Financial Balances & Trade Weighted Euro

Financial Balances

| Germany | Last period (\$blns euros) | Last 12mth. as a % of GDP* |
|-------------------------|----------------------------|----------------------------|
| Budget Balance | | -3.3% |
| Trade Balance | 17.4 (September) | 2.0% |
| Current Account Balance | 15.7 (September) | 6.9% |
| Private Savings Balance | | -3.6% |
| France | | |
| Budget Balance | | -2.7% |
| Trade Balance | -6.3 (September) | -4.9 % |
| Current Account Balance | -4.0 (September) | -3.9% |
| Private Savings Balance | | -1.2% |
| Italy | | |
| Budget Balance | | -3.9 % |
| Trade Balance | -1.8 (September) | -7.7% |
| Current Account Balance | -5.3 (August) | 5.5% |
| Private Savings Balance | | -4.5 |

*Budget Balance as of year end 2010 – Source
OECD

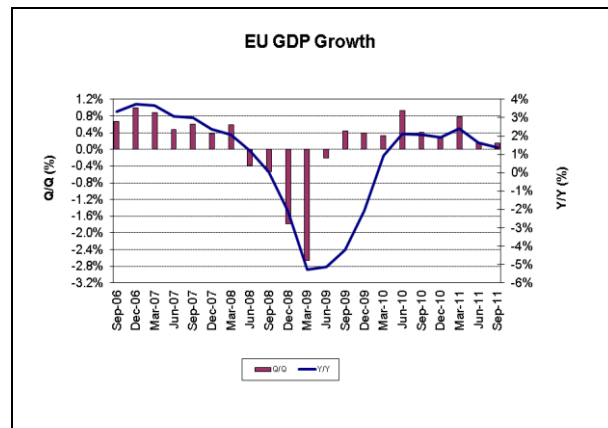
Trade Weighted Euro



EU GDP, Trade Balance & EU Industrial Production

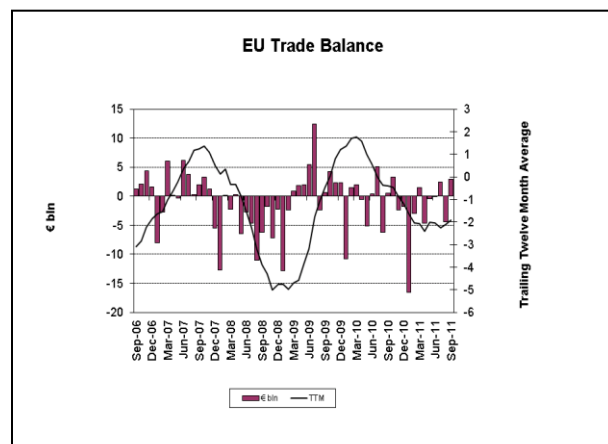
EU GDP

Final figures showed that EU GDP expanded 0.2% Q/Q in Q3. Y/Y growth increased 1.4%.



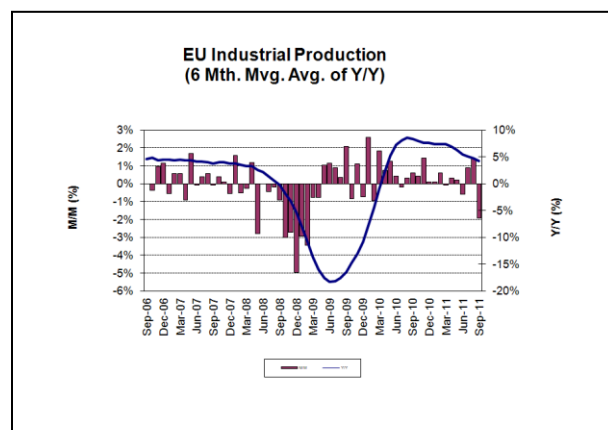
Euro Zone Trade Balance

The EU Trade Balance swung from a deficit of €4.4 bln in August to a surplus of €2.9 bln in September. In September 2010, the Trade Balance stood at a surplus of €0.4 bln. Exports increased 10.2% M/M and 9.7% Y/Y and Imports increased 4.7% M/M and 8.9% Y/Y.



EU Industrial Production

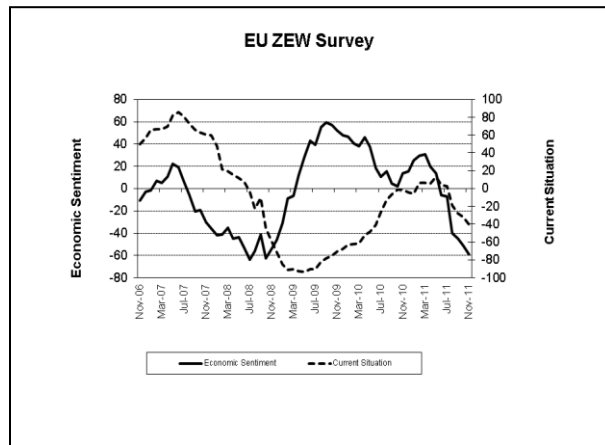
EU Industrial Production fell 2.0% M/M and increased 2.2% Y/Y in September. Market expectations were for a 2.3% M/M decline and a 3.5% Y/Y gain.



ZEW Surveys & German GDP

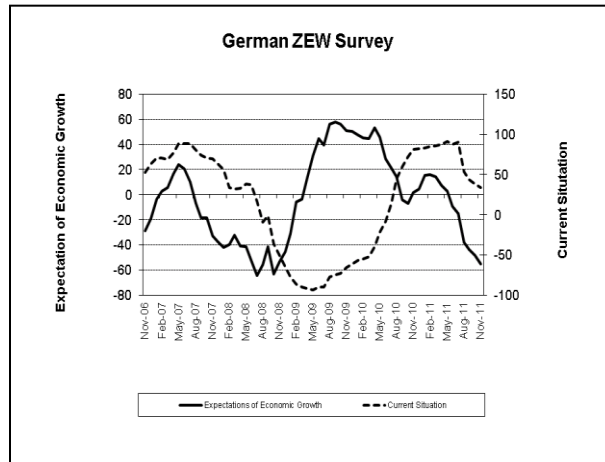
EU ZEW Survey

The EU ZEW (Economic Sentiment) Survey, which predicts developments in the next six months, fell from -51.2 in October to -59.2 in November, a three year low. Market expectations were for a reading of -55.3. The Current Situation component fell from -31.7 to -39.8.



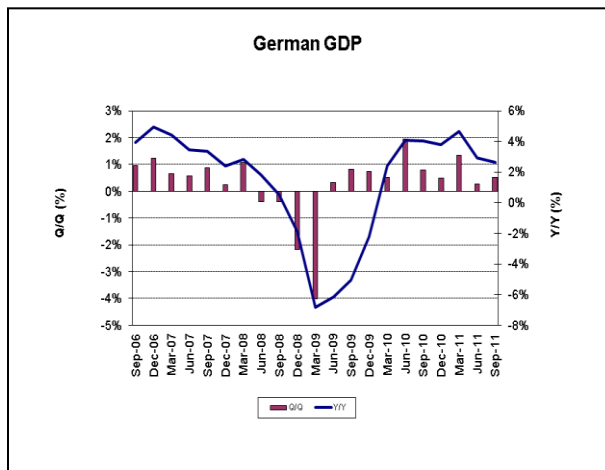
German ZEW Survey

German ZEW Survey (Economic Sentiment) decreased from -48.3 in October to -55.2 in November. The Current Conditions Index fell from 38.4 to 34.2.



German GDP

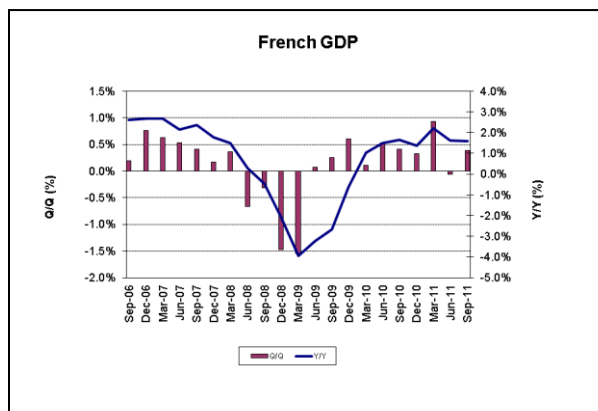
Preliminary data showed German GDP expanded 0.5% Q/Q and 2.5% Y/Y in Q3, on an increase in household and business spending. Market expectations were for a 0.5% Q/Q and a 2.5% Y/Y gain. The Governments' Council of Economic Advisors forecast that GDP growth will slow from 3.0% in 2011 to 0.9% in 2012.



French GDP, CPI & Current Account

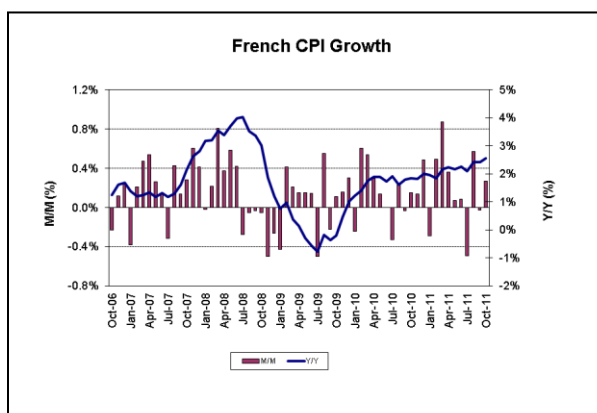
French GDP

Preliminary figures show that French GDP increased 0.4% Q/Q and 1.6% Y/Y in Q3, in line with market expectations. Household Consumption increased 0.3% Q/Q and 0.3% Y/Y. Gross Fixed Capital Formation increased 0.4% Q/Q and 2.6% Y/Y. Imports increased 0.3% Q/Q and 1.9% Y/Y and Exports increased 0.7% Q/Q and 2.8% Y/Y.



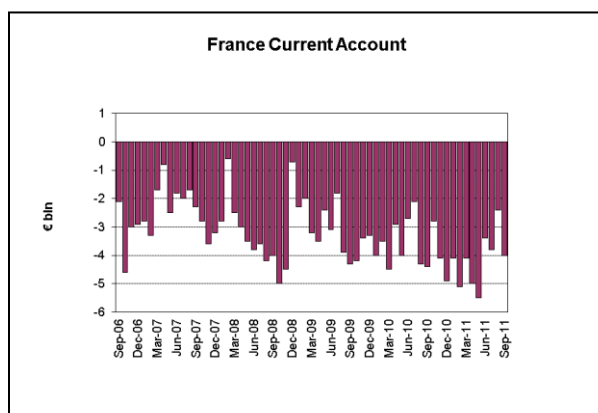
French CPI

French CPI increased 0.3% M/M and 2.5% Y/Y in October. Market expectations increased 0.1% M/M and 2.5% Y/Y.



French Current Account

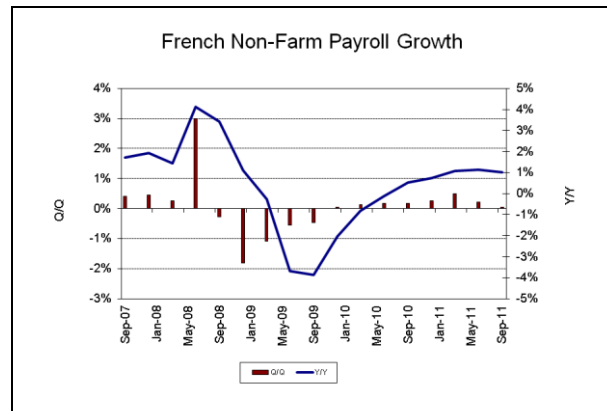
French Current Account deficit widened from €2.4 bln in August to €4.0 bln in September. The Current Account balance stood at -€4.4 bln in September 2010.



French Non Farm Payroll/Industrial Prod. & Italian CPI

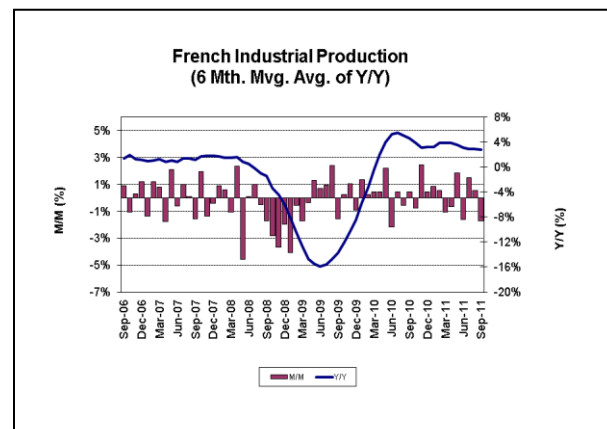
French Non Farm Payroll

French Non-Farm Payrolls remained flat Q/Q and increased 1.0% Y/Y in September. Market expectations were for a 0.3% Q/Q increase.



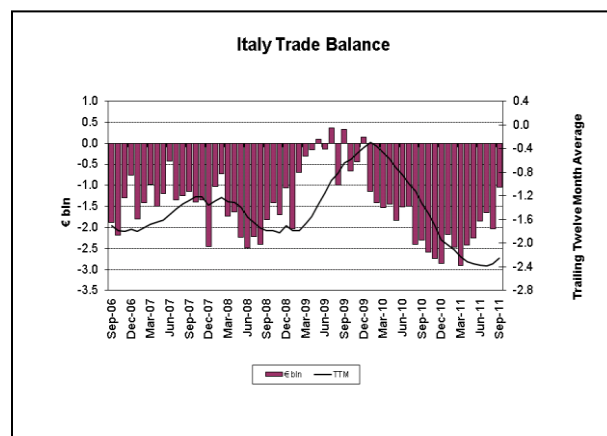
French Industrial Production

French Industrial Production fell 1.7% M/M and increased 2.3% Y/Y in September. Market expectations were for a 0.7% M/M decline and a 3.9% Y/Y growth.



Italian Trade Balance

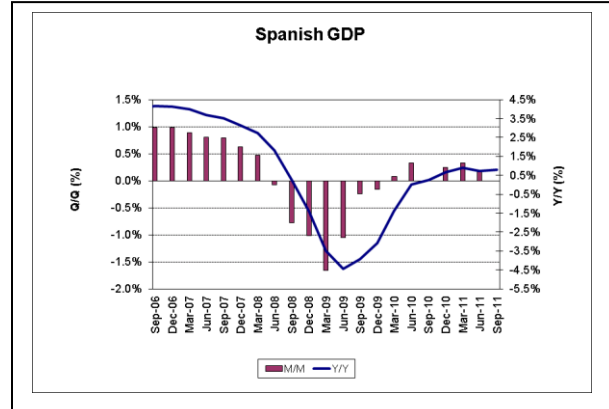
The Italian Non-EU Trade deficit narrowed from €2.0 bln in August to €1.1 bln in September. Last September the balance stood at a deficit of €2.3 bln.



Spanish GDP & CPI

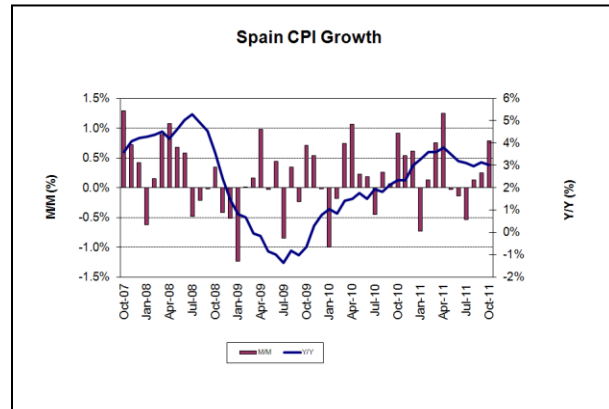
Spanish GDP

Final data confirmed that Spanish GDP remained flat Q/Q and increased 0.8% Y/Y in Q3, as was previously estimated.



Spanish CPI

Spanish CPI increased 0.8% M/M and 3.0% Y/Y in October.



Comments/News

November 16th - Mario Monti Appoints Himself Economy Minister as He Unveils Government (Telegraph) - Mario Monti, Italy's new prime minister, has chosen a government of ex-bankers and technocrats, appointing himself economy minister, to prevent the country from being dragged deeper into the euro zone debt crisis. No politicians have been included in the new administration, which was announced on Wednesday and consists of distinguished but largely unknown academics and financial experts. Their task is to implement a package of austerity measures and public spending cuts which were passed by parliament in the dying days of Silvio Berlusconi's government. Mr. Monti, nicknamed "Super Mario" for his intellect, diplomatic skills and 10-year record as a European competition commissioner, will as expected double up as both prime minister and economy minister. He said he hoped the new government would be able to restore market confidence in Italy and bring to an end a period of heightened political tension. The European Central Bank stepped in to buy Italian government bonds again this morning, Reuters reported, although yields still briefly went above 7pc - the level seen as unaffordable by financial markets - before coming back. The post of infrastructure and economic development - a crucial job as Italy tries to boost its anaemic growth as well as implement austerity cuts - went to Corrado Passera, the chief executive officer of Italy's biggest bank, Intesa SanPaolo. Italy's new foreign minister will be Giulio Terzi di Sant'Agata, the current ambassador to Washington. The position of interior minister goes to one of three women in the new line-up: Anna Maria Cancellieri. The justice minister - who will have jurisdiction over the four sex and corruption trials in which Mr. Berlusconi is a defendant - will also be a woman, Paola Severino, a lawyer. The defence portfolio went to Giampaolo Di Paola, a navy admiral. The new administration, which replaces Mr. Berlusconi's conservative coalition after he was forced to step down on Saturday, is expected to announce details of its reform programme on Thursday.

November 16th - ECB's Constancio Says Bank Levies Valuable Revenue-Raising Tool (Bloomberg) - European Central Bank Vice President, Vitor Constancio, said bank levies may create pools of cash that can be used in times of financial crisis. "Mechanisms are under examination both to recoup the losses of the crisis and to create provisions against future events," Constancio said, according to a text provided by the ECB of remarks made in Stockholm on Nov. 14th. "I believe that ex ante funding is a crucial element, since it may reduce moral hazard and improves the authorities' ability to react to crises earlier, thus strengthening the credibility of such actions. Levies are valuable revenue raising mechanisms with which to finance crisis measures."

November 16th - EU Says More Effort Needed to Get 'Ahead of the Curve' on Crisis (Bloomberg) - The European Union said it has to work harder to get "ahead of the curve" on tackling the sovereign-debt crisis. "Although the EU and its institutions cannot match markets' speed, it is clear that we can make further efforts in order to be ahead of the curve," Amadeu Altafaj, spokesman for EU Economic and Monetary Affairs Commissioner Olli Rehn, told reporters today in Brussels. "We managed to be somehow ahead of the curve on Oct. 26 and 27," when EU leaders agreed on a revamped plan to prevent a Greek default, safeguard banks and shield Italy from the contagion. "How did we do that?," Altafaj said. "We did it because we had a comprehensive response; a plan that addressed many challenges in parallel." "The current pressures of the markets can only underline the need to fully implement these decisions as soon as possible," Altafaj said. "It is only normal that after three years of economic, financial and debt crisis, markets remain extremely nervous and the only way to inject some confidence is to be predictable not only in our decisions but in their full implementation." The formation of new governments in Greece and Italy "is of crucial importance" in reassuring the markets, Altafaj said. "The answers that they will provide in terms of implementing the decisions" taken at EU level "are essential in order to reinforce confidence that indeed has been shaken especially in the last weeks," he said.

Comments/News

November 16th - Euro Region Is in 'Confidence Crisis', ECB's Mersch Tells CNBC (Bloomberg) - European Central Bank council member, Yves Mersch, said the euro region is in a "confidence crisis" and it's important for governments to implement measures and meet their fiscal targets. "I'm not very amused by the accumulation of wrong information we've seen in the past that contributed to destabilize the markets," Mersch told CNBC in an interview broadcast today. "It's the high volatility that led to a deterioration of the situation."

November 15th - Monti Says He's Confident Italy Can Overcome Current Crisis(Bloomberg) - Mario Monti, Italy's prime minister designate, said he is "convinced" the country can overcome the current crisis as he prepares to meet with President Giorgio Napolitano tomorrow to present his new government. Two days of talks seeking support from political parties, unions and employers were "intense and useful," Monti said at a briefing in Rome today. All parties involved in the talks offered their contributions to "possible sacrifices" to obtain a "positive result," he said. The former European Union Competition Commissioner has been under pressure to announce his new team, with the yield on Italy's 10-year bond exceeding the 7 percent threshold today. That level had prompted Greece, Ireland and Portugal to seek EU bailouts. Monti said he will conclude the process with Napolitano tomorrow. Europe's inability to contain a regional debt crisis that started in Greece more than two years ago led to a surge in Italian borrowing costs. Monti, an economist and former adviser to Goldman Sachs Group Inc., will try to reassure investors that Italy can cut a 1.9 trln-euro (\$2.6 trln) debt and spur economic growth that has lagged behind the euro-region average for more than a decade.

Key Dates This Week

| <i>Date</i> | <i>Country</i> | <i>Indicator</i> | <i>Month</i> | <i>Expectation</i> | <i>Previous</i> |
|-------------|----------------|----------------------------------|--------------|--------------------|-----------------|
| 11/21 | EC | Euro-Zone Current Account nsa | SEP | -- | -6.3B |
| 11/21 | EC | ECB Euro-Zone Current Account SA | SEP | -- | -5.0B |
| 11/22 | EC | Euro-Zone Consumer Confidence | NOV | -- | -19.9 |
| 11/23 | EC | PMI Composite | NOV | -- | 46.5 |
| 11/23 | EC | PMI Manufacturing | NOV | -- | 47.1 |
| 11/23 | EC | PMI Services | NOV | -- | 46.4 |
| 11/18 | GE | Producer Prices (M/M) | OCT | 0.10% | 0.30% |
| 11/18 | GE | Producer Prices (Y/Y) | OCT | 5.30% | 5.50% |
| 11/23 | FR | Own-Company Production Outlook | NOV | -- | 4 |
| 11/23 | FR | Production Outlook Indicator | NOV | -- | -29 |
| 11/23 | FR | Business Confidence Indicator | NOV | -- | 97 |
| 11/23 | FR | PMI Manufacturing | NOV | -- | 48.5 |
| 11/23 | FR | PMI Services | NOV | -- | 44.6 |
| 11/18 | IT | Industrial Orders s.a. (M/M) | SEP | -6.00% | 5.00% |
| 11/18 | IT | Industrial Orders n.s.a. (Y/Y) | SEP | -- | ##### |
| 11/18 | IT | Industrial Sales s.a. (M/M) | SEP | -- | 4.00% |
| 11/18 | IT | Industrial Sales n.s.a. (Y/Y) | SEP | -- | ##### |
| 11/21 | EC | Euro-Zone Current Account nsa | SEP | -- | -6.3B |
| 11/21 | EC | ECB Euro-Zone Current Account SA | SEP | -- | -5.0B |

Valance Economic Report: Japan

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

November 16, 2011

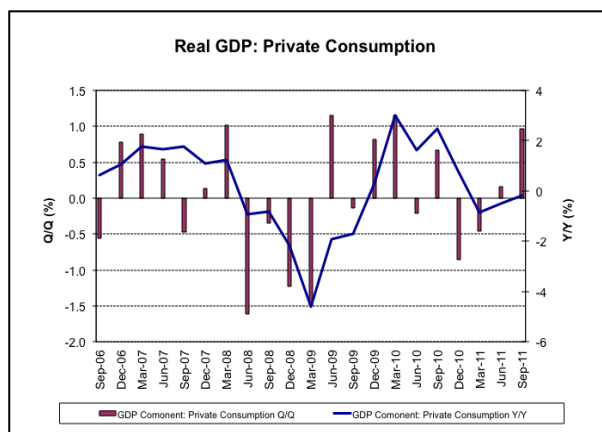
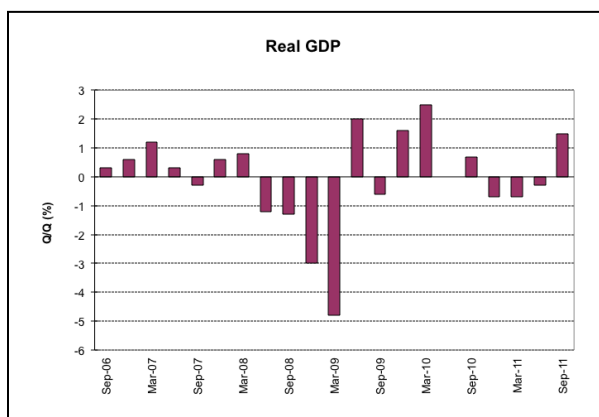
Q3 Real GDP data was in line with market expectations and was led by growth in exports. The decline in Industrial Production in September was revised to be slightly lower than originally estimated. Corporate Goods Prices, Machinery Orders, and Tertiary Industry Activity dropped.

Weekly Highlights

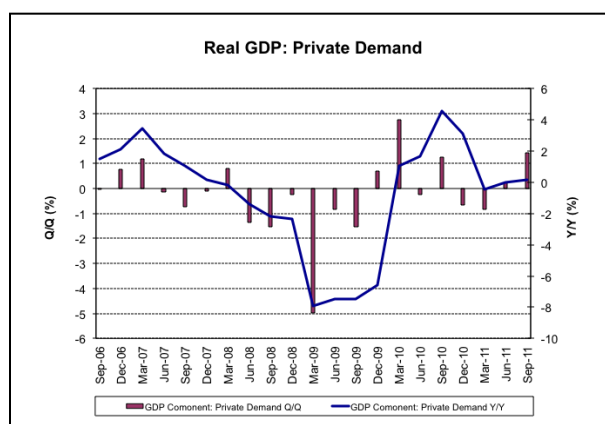
Real GDP – economy expanded 1.5% Q/Q in Q3. (JN 1)

CGPI – dropped 0.7% M/M and increased 1.7% Y/Y in October. (JN 5)

Chart(s) of the Week: Gross Domestic Product

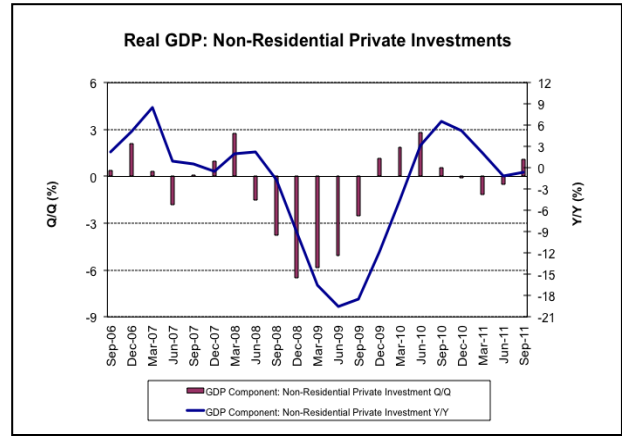
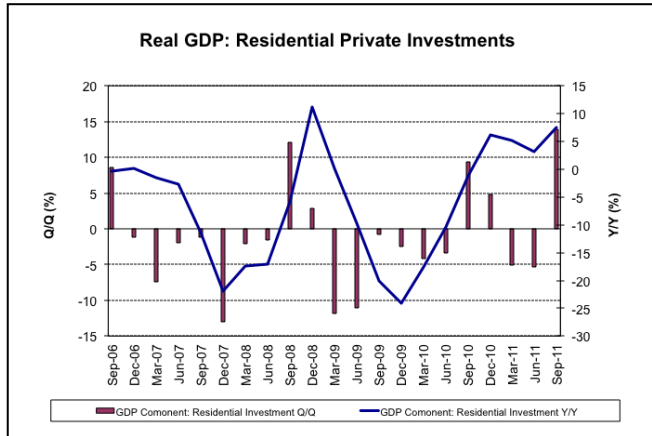
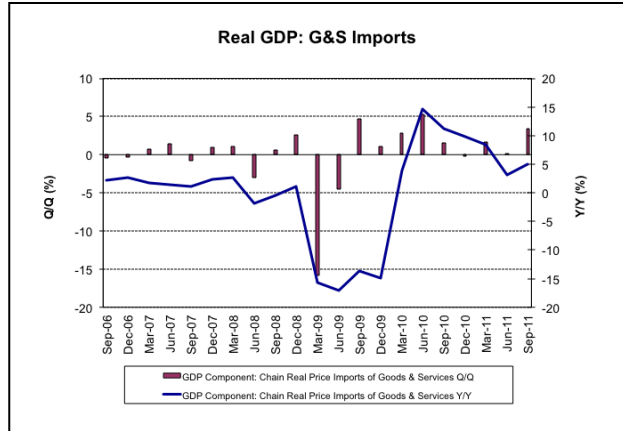
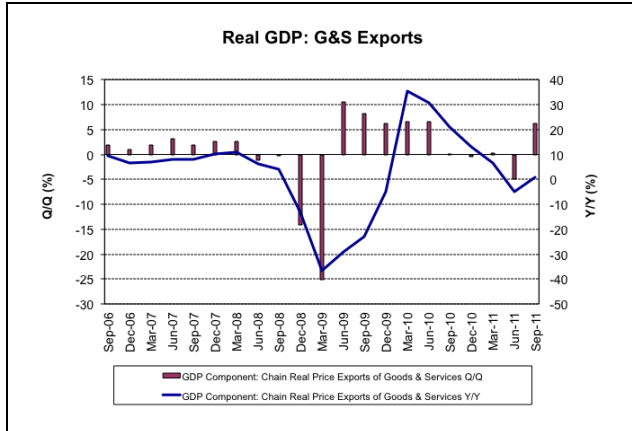


According to the latest estimate of Q3 Real GDP growth, Japan's economy grew at a seasonally adjusted rate of 1.5% Q/Q, roughly in line with market expectations and significantly better than Q2's 0.3% Q/Q decline. At an annualized rate, the economy grew 6.0% Y/Y against expectations for a 5.9% Y/Y increase. The expansion occurred on growth in private consumption, household spending, net exports, and both public and private demand.



Within the data, domestic demand increased 1.0% Q/Q. Private demand increased 1.4% Q/Q as private consumption and household consumption increased 1.0% Q/Q. Residential investment increased 5.0% Q/Q, capital investment increased 1.1% Q/Q. Public demand dropped 0.1% Q/Q while exports increased 6.2% Q/Q and imports increased 3.4% Q/Q. Fixed capital formation increased 0.8% Q/Q.

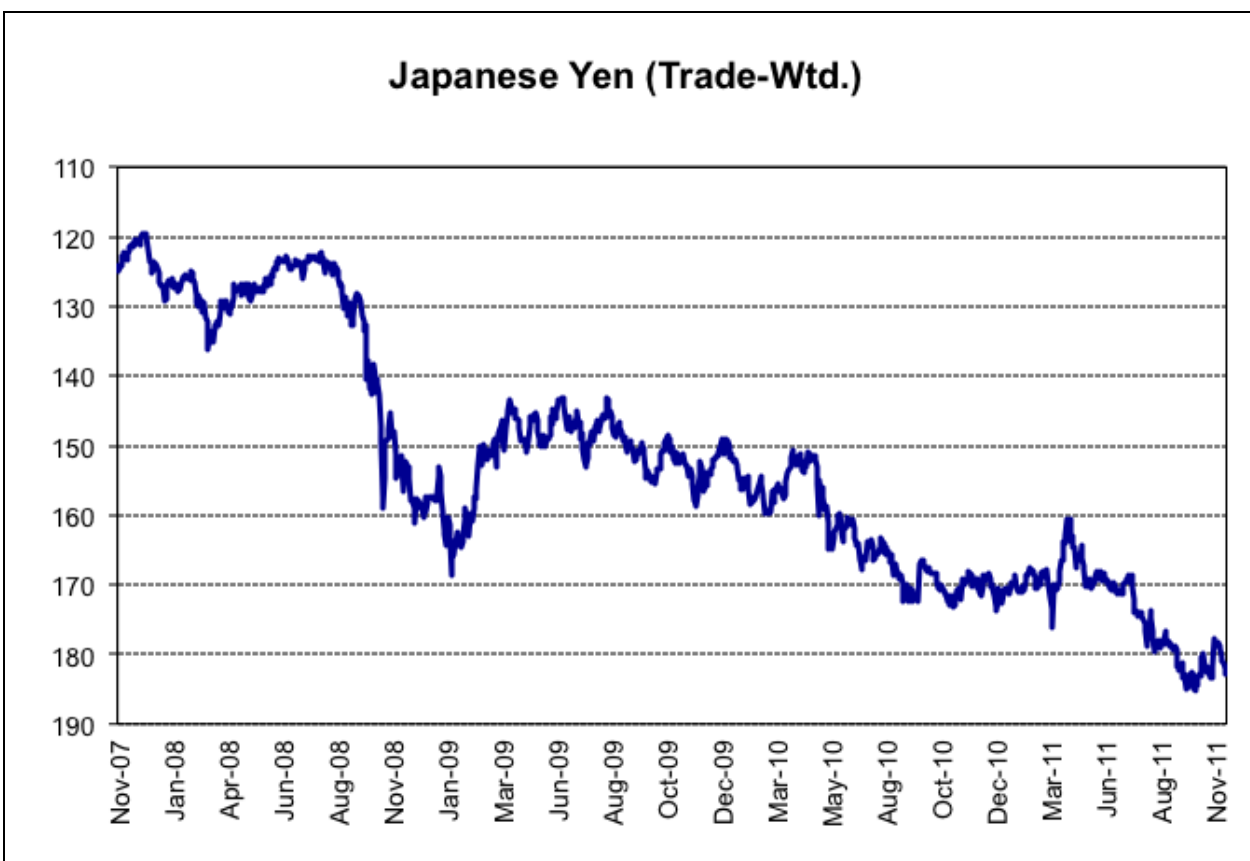
Gross Domestic Product Components



Japan's Financial Balances

Financial Balances

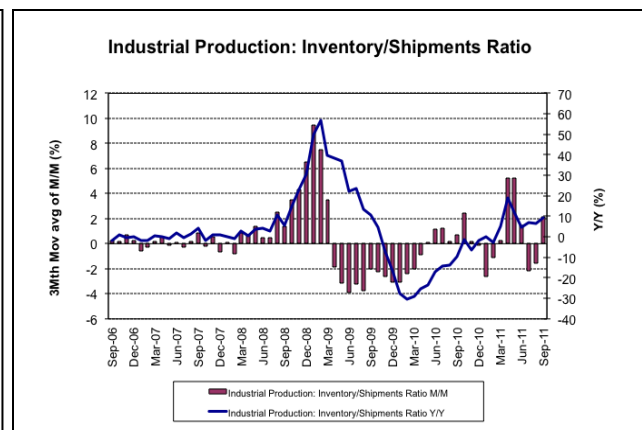
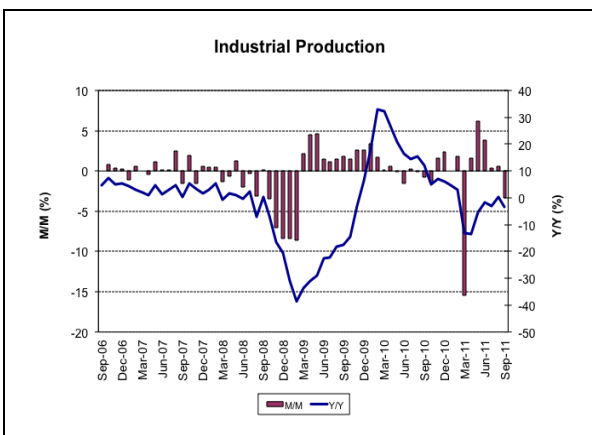
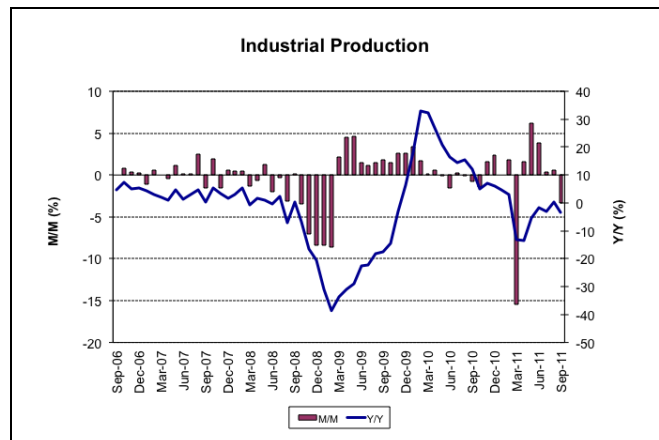
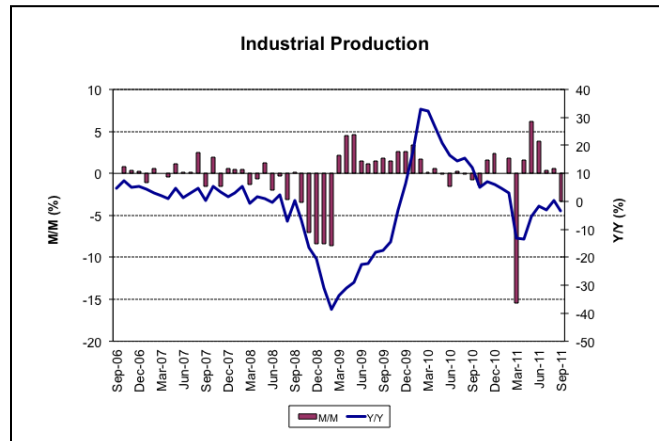
| Japan | Last period (¥trln) | Last 12mth. as a % of GDP |
|-------------------------|---------------------|---------------------------|
| Budget Balance | -3.50 (Dec) | -6.9% |
| Trade Balance | 0.58 (Dec) | 1.5% |
| Current Account Balance | 1.87 (Dec) | 3.5% |
| Private Balance | -- | 11.6% |



Industrial Production

Final data on September Industrial Production indicates a 3.3% M/M and Y/Y decline, vs an originally estimated 4.0% M/M drop. Shipments declined 2.0% M/M and 2.9% Y/Y vs. an originally estimated 2.6% M/M decline. Inventories dropped 0.1% M/M and increased 5.5% Y/Y vs. an original estimate of no change. The inventory ratio increased 3.8% M/M and 9.3% Y/Y vs an original estimate of a 4.2% M/M increase.

As noted in the preliminary report, producers expect production to increase 2.3% M/M in October and 1.8% M/M in November.

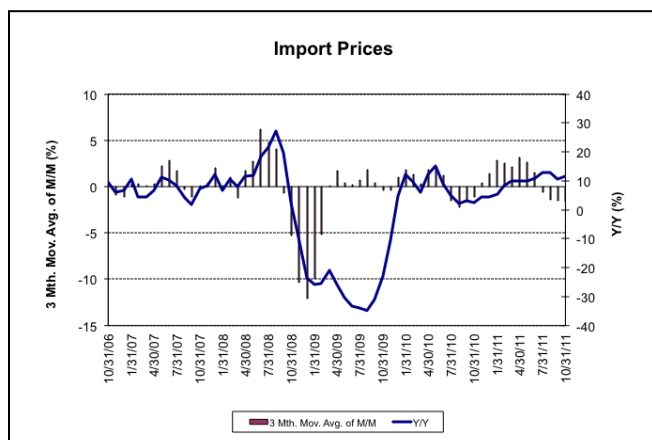
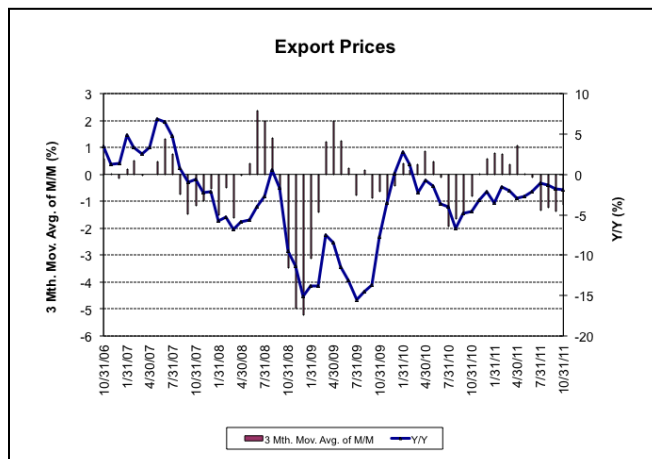
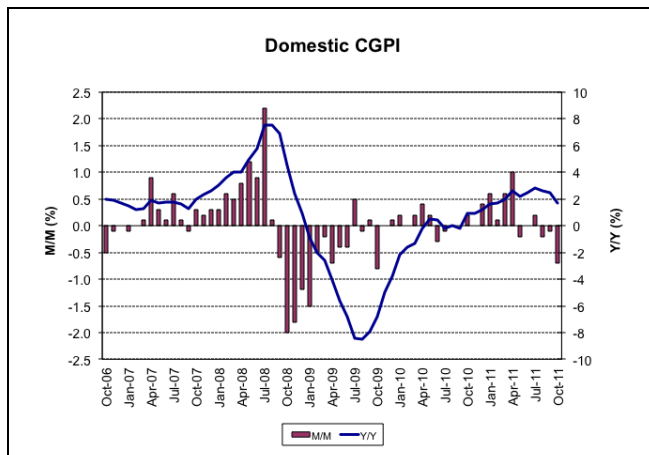


CGPI, Export & Import Prices

Japan's Corporate Goods Prices Index dropped 0.7% M/M and increased 1.7% Y/Y in October, against market expectations for a 0.2% M/M drop and a 2.2% Y/Y increase.

Export prices declined 0.7% M/M and 1.9% Y/Y. Import prices declined 0.7% M/M and increased 11.5% Y/Y.

Within the M/M data, price declines in manufacturing, utilities and scrap/waste outweighed increases in minerals.

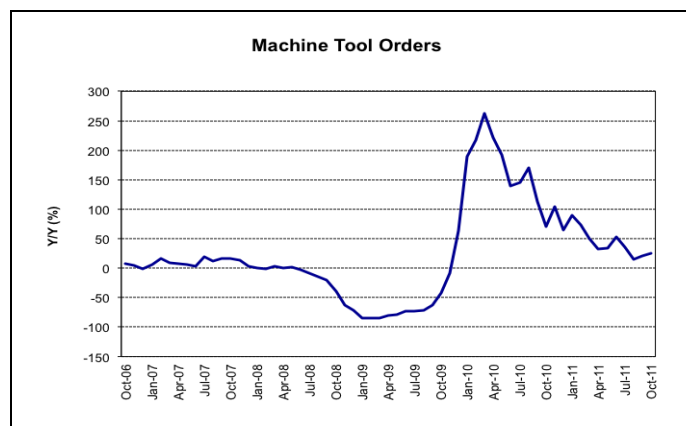
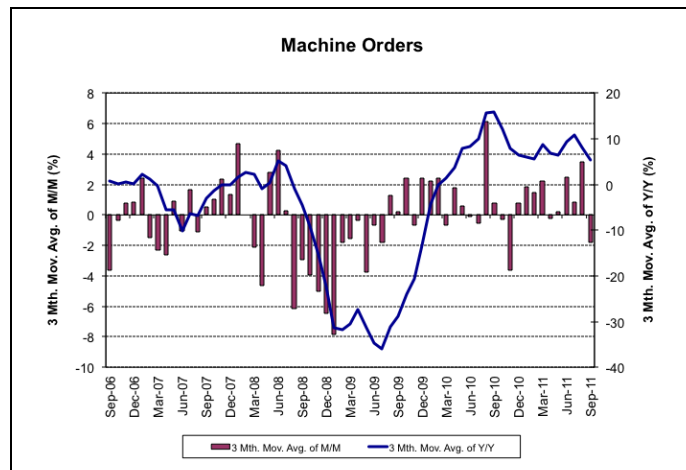


Machinery/Tool Orders & Tertiary Industry Activity

Machine Orders & Machine Tool Orders

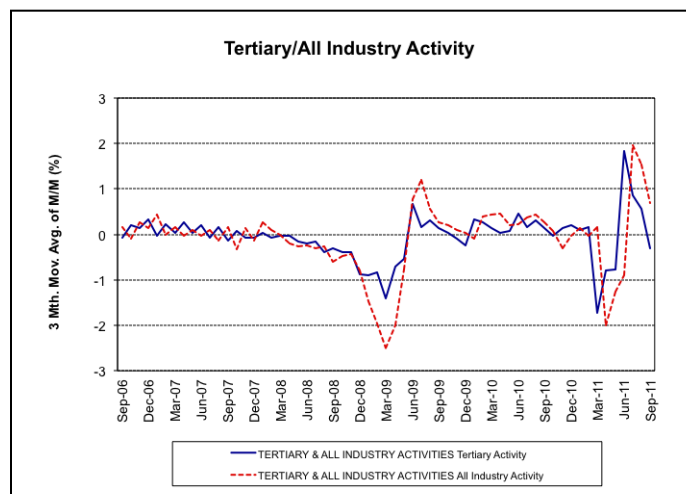
Core Machinery Orders declined 8.2% M/M and increased 9.8% Y/Y in September, against market expectations for a 7.1% M/M and decline and a 10.6% Y/Y increase.

Machinery Tool Orders increased 25.9% Y/Y in October.



Tertiary Industry Activity

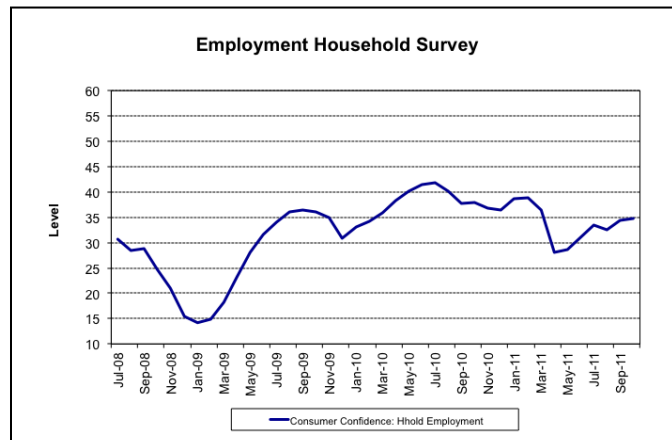
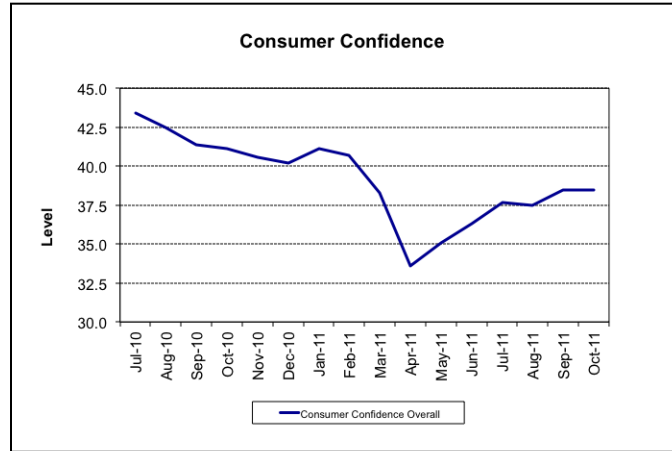
Tertiary Industry Activity declined 0.7% M/M and 0.4% Y/Y in September. Declines within the index were widespread, with wholesale/retail, IT, and living related services seeing the largest M/M drops.



Consumer Confidence

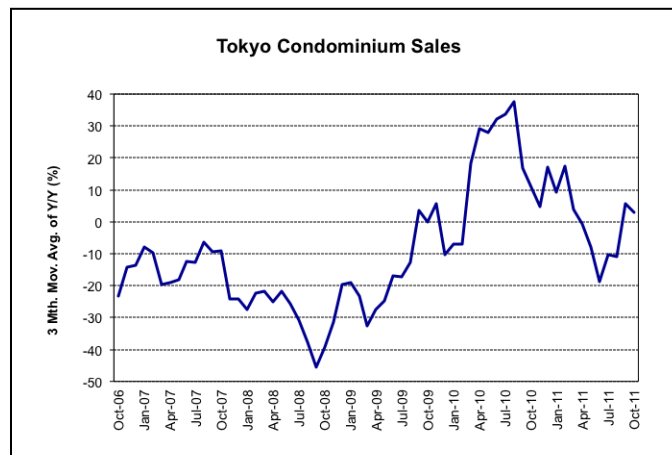
Consumer Sentiment

Consumer Sentiment was unchanged in October at a level of 38.6 against expectations for an increase to 39.0. Within the data, overall livelihood declined 0.1pts to 39.8. Income growth dropped 0.5pts to 39.1. Employment increased 0.6pts to 35.3 and a willingness to buy durable goods increased 0.2pts to 40.3.



Tokyo Condominium Sales

The number of condominiums for sale declined 9.3% Y/Y in October as the number of condos sold declined 18.7% Y/Y, the number unsold increased 6.6% Y/Y, the average unit price dropped 2.6% Y/Y, and the average price per sq meter dropped 5.1% Y/Y.



News & Upcoming Dates

News

Nov 16th – BoJ Maintains Policy, Revises Economic View – At its monetary policy meeting, the BoJ unanimously voted to keep its overnight call rate target unchanged. It lowered its assessment of the economy however, stating that the economy is picking up but at a “more moderate pace mainly due to effects of a slowdown in overseas economies.” The BoJ also noted potential risks from the US and Europe, particularly with overseas debt concerns, and also noted that it maintains its view that the Japanese economy will eventually return to moderate growth.

Nov 15th – Noda Comments on Europe – Japanese Prime Minister Noda commented that, “Japan is prepared to continue appropriate levels of cooperation with Europe” adding that “there is nothing fixed about the amount of (Japan’s) contribution” to the European Financial Stability Fund.

Key Date This Week

| <i>Date</i> | <i>Indicator</i> | <i>Expectation</i> | <i>Previous</i> |
|-------------|-----------------------------------|--------------------|-----------------|
| 11/17 | Machine Tool Orders (Y/Y) | N/A | 25.90% |
| 11/18 | Nationwide Dept. Sales (Y/Y) | N/A | -2.40% |
| 11/18 | Tokyo Dept. Store Sales (Y/Y) | N/A | -3.60% |
| 11/20 | Merchnds Trade Balance Total | N/A | ¥300.4B |
| 11/20 | Adjusted Merchnds Trade Bal. | N/A | -¥21.8B |
| 11/20 | Merchnds Trade Exports (Y/Y) | N/A | 2.4 |
| 11/20 | Merchnds Trade Imports (Y/Y) | N/A | 12.1 |
| 11/20 | All Industry Activity Index (M/M) | N/A | -0.50% |
| 11/21 | Coincident Index CI | N/A | 88.9 |
| 11/21 | Leading Index CI | N/A | 91.6 |
| 11/21 | Convenience Store Sales (Y/Y) | N/A | -4.00% |
| 11/22 | Supermarket Sales (Y/Y) | N/A | -3.60% |

Valance Co., Inc.

Valance Economic Report: United Kingdom

Milo Prochazka

(340) 692-7710

mprochazka@valance.us

November 16, 2011

The BoE kept its benchmark rate unchanged and held the QE ceiling at £275 bln. Headline CPI cooled more than expected in October. The Unemployment Rate increased from 8.1% to 8.3% in Q3. The BoE cut its 2011 growth forecast from 1.7% to 1.0% and its 2012 forecast from 2.0% to 1.0%. For 2013, the BoE predicted growth of 2.5%, down from the 3.0% forecast previously.

Weekly Highlights

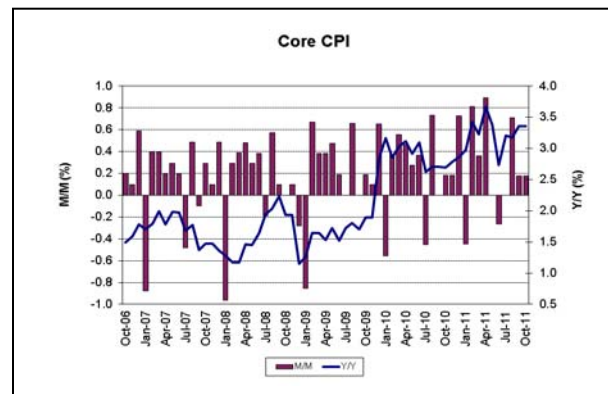
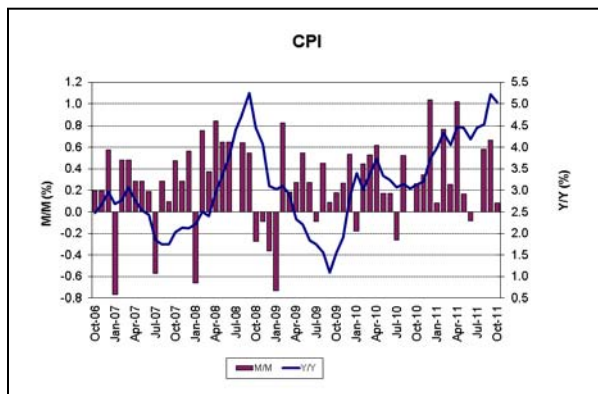
CPI – rose 0.1% M/M and 5.0% Y/Y in October. (UK 1)

BoE Overnight Rate – held at 0.50%. (UK 2)

Jobless Claims – increased by 5.3k in October. (UK 3)

Weekly Releases & News

Chart(s) of the Week: CPI

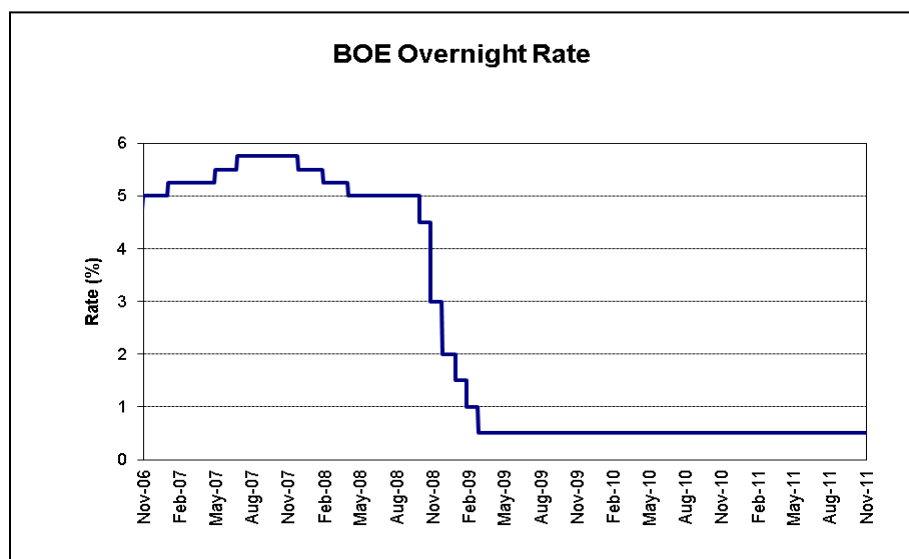
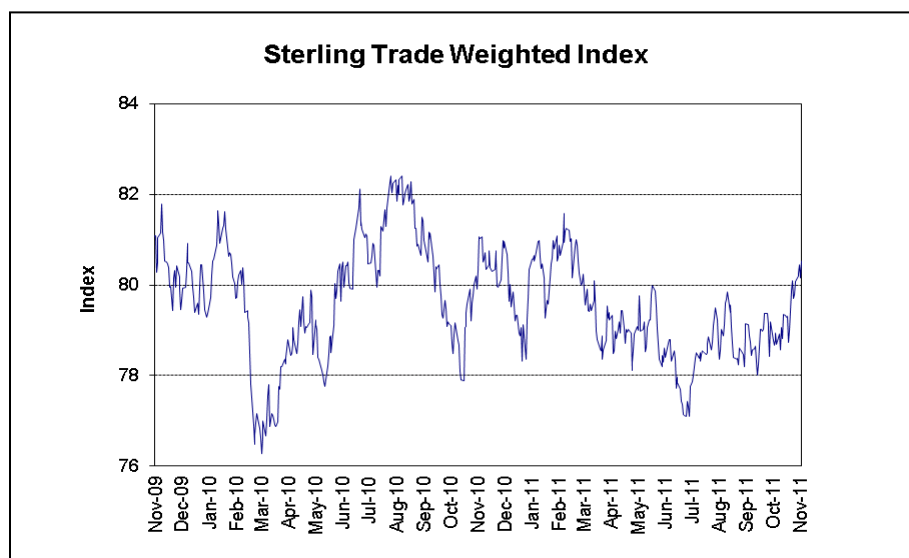


Headline CPI increased 0.1% M/M (0.2% exp.) and decelerated from 5.2% Y/Y to 5.0% Y/Y (5.1% exp.) in October. Core inflation rose 0.2% M/M and quickened from 3.3% Y/Y to 3.4% Y/Y, more than the 3.2% Y/Y expected. Food prices dropped 0.9% M/M, the largest monthly decline for the month of October since 1996. Inflation has now exceeded the BoE's 2% goal for 23 months. Transport costs fell 0.7% M/M and petrol prices eased 0.4% M/M. In its Quarterly Inflation Report, the BoE said that "inflation is likely to fall back sharply through 2012".

UK 1

Financial Balances & FX

| U.K. | Last Period (blns) | Last 12mth. % of GDP |
|------------------------------------|--------------------|----------------------|
| Budget Balance (monthly/total) | +£12.0 (June) | +10.6% |
| Curr. Acct. Balance (quarterly) | -£9.4(Mar) | -3.2% |
| Private Balance | +£2.6 | +7.4% |

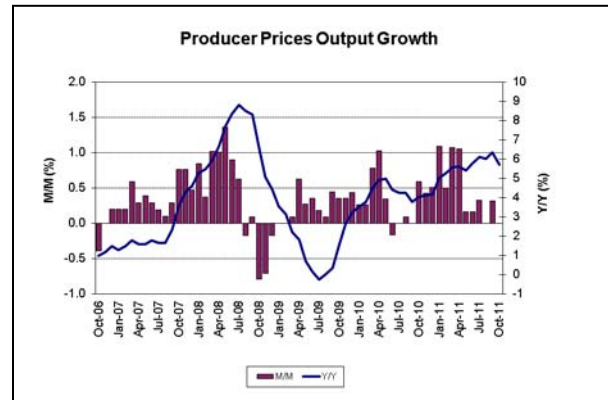


The MPC voted to keep its benchmark rate at 0.50% and maintained the Asset Purchase Target at £275bln. The Bank Rate has been at 0.50% since March 2009.

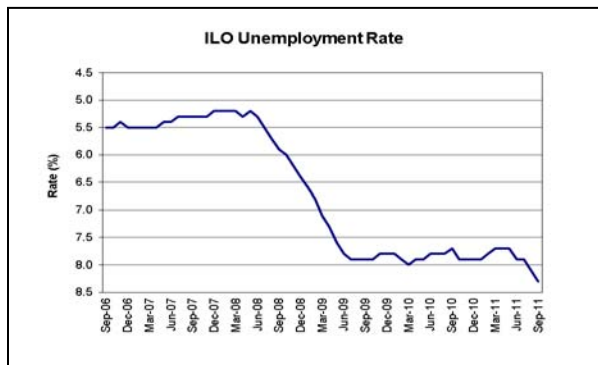
PPI & Employment Data

Producer Prices Input/Output Growth

October Prices charged by factories were flat M/M, less than the +0.1% M/M expected, and rose 5.7% Y/Y. This is the slowest annual pace since May. Core Producer Prices fell 0.1% M/M and rose 3.4% Y/Y. Raw Material Prices fell 0.8% M/M and rose 14.1% Y/Y; this is the slowest annual increase since December.



Employment Data

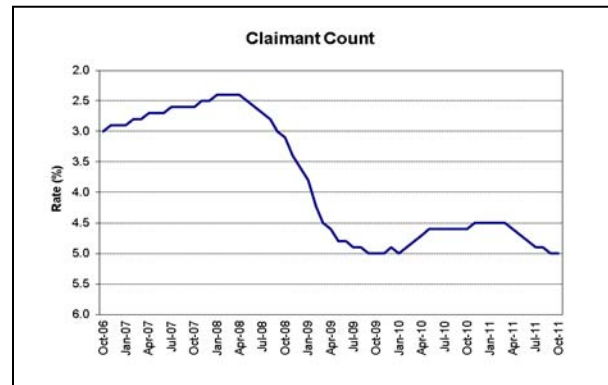
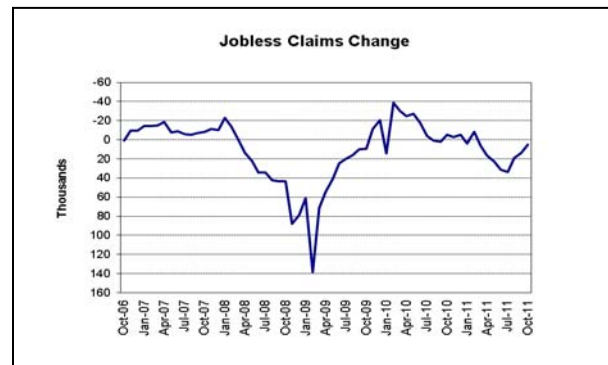


The ILO Unemployment Rate increased from 8.1% to 8.3% in the three months through September. Expectations were for 8.2%.

The Claimant Count Rate remained at 5.0% in October.

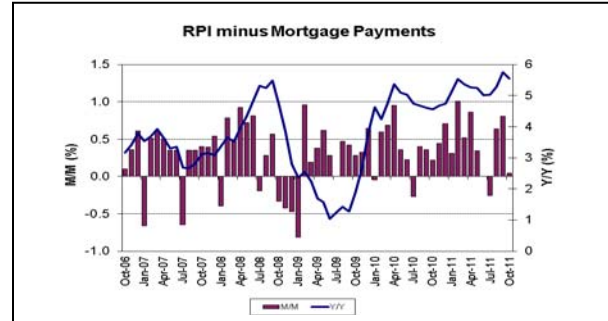
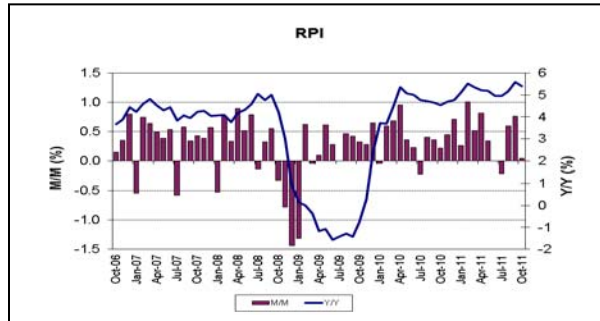
The number of people claiming benefits rose by 5.3k in October, against expectations of 21.0k - joblessness among young people climbed above 1 mln for the first time since at least 1992.

Weekly pay, including bonuses, rose 2.3% in the quarter, from a year earlier, compared to a 2.7% gain in the previous three months. Excluding bonuses, pay growth eased from 1.8% to 1.7%.



RPI & Other Data

RPI Growth & RPI, ex. Mortgage Interest Payments



RPI was flat M/M in October and decelerated from 5.6% Y/Y to 5.4% Y/Y. RPI, excluding cost of home loans, rose 0.1% M/M and slowed from 5.7% Y/Y to 5.6% Y/Y.

BoE Quarterly Inflation Report Summary

Overview of the Inflation Report - November 2011 (Bloomberg) – the BoE cut its forecast for 2011 growth to about 1% from its August forecast of about 1.7%. It forecast growth of about 1% for 2012, down from 2%, and forecast 2.5% growth in 2013, down from its earlier forecast of 3.0%. The Governor warned that the path for inflation, which is currently at 5%, was highly uncertain, but said that the Bank was forecasting a sharp fall in inflation in the first half of 2012. By 2013-14, inflation was more likely to be below the 2.0% target than above, he said.

The prospects for the UK economy have worsened. Global demand slowed. And concerns about the solvency of several euro-area governments intensified, increasing strains in banking and some sovereign funding markets. Household and business confidence fell, both at home and abroad. These factors, along with the fiscal consolidation and squeeze on households' real incomes, are likely to weigh heavily on UK growth in the near term. Thereafter, the recovery should gain traction, supported by continued monetary stimulus and a gentle recovery in real incomes. Implementation of a credible and effective policy response in the euro area would help to reduce uncertainty and so support UK growth, but its absence poses the single biggest risk to the domestic recovery. CPI inflation rose to 5.2% in September. Inflation is likely to fall back sharply through 2012 as the contributions of VAT, energy and import prices decline, and downward pressure from slack in the labour market persists. But how far and how fast inflation will fall are uncertain. Under the assumption that Bank Rate moves in line with market interest rates and the size of the asset purchase programme remains at £275 billion, inflation is judged more likely to be below than above the 2% target at the forecast horizon.

News

Nov. 16th – BoE Governor, Mervyn King's comments:

- *While we can be confident about the direction of change of inflation over the coming months, we remain uncertain about the precise pace and extent.*
- *Unless there is a renewed surge in commodity prices, real incomes should start to improve.*
- *That immense squeeze on living standards and hence consumption has probably come near to the end of its path,*
- *The net trade position for the next year will be more difficult than we anticipated because of developments in the euro area.*
- *Despite the easier monetary stance, growth over the next few quarters is likely to be markedly weaker than in the August projection.*
- *The mood in markets had taken a turn for the worse since the bank published projections in August.*
- *It is possible that inflation could fall back more sharply given the existing margin of spare capacity in the economy, the substantial risks around the global economic recovery and the implications.*
- *The MPC stands ready to respond accordingly to changes in the balance of risks to the inflation outlook. The main risk facing the U.K. economy continues to come from the uncertain global economic outlook, and the extent to which weaker global economic conditions threaten the recovery.*

Nov. 15th - U.K. Treasury Says Inflation Causes Difficulties for Households (Bloomberg) - The British government recognizes that households are facing “difficult times” as inflation remained above its target at 5% in October, the Treasury said. “Whilst price inflation eased slightly in October, the government recognizes that these are difficult times for households as prices continue to be affected by conditions in the global oil and gas markets,” the Treasury said in an e-mailed statement today. “The Bank of England has forecast that inflation should fall rapidly over 2012, but in the meantime the government is taking action to help consumers with current high costs, including cutting fuel duty and freezing council tax.”

Nov. 14th - U.K. Job Market Faces 'Slow, Painful Contraction,' CIPD Says (Bloomberg) - An index of U.K. employers' hiring intentions weakened as the crisis in the euro region damped demand for labor, the Chartered Institute of Personnel and Development said. The gauge fell to minus 3 in the fourth quarter from minus 1 in the previous three months, CIPD, an association for human- resource professionals, said in a report published today in London. "The figures point to a slow, painful contraction in the jobs market," with some employers reacting to "increasing uncertainty as a result of the euro-zone crisis and wider global economic turmoil," Gerwyn Davies, public-policy adviser at CIPD, said in the statement. "There is no immediate sign of U.K. labor-market conditions improving in the short or medium term."

Nov. 14th - U.K. Seeks Pension-Fund, Insurance Cash for Projects, Times Says (Bloomberg) - The U.K. is seeking to attract money from pension funds and insurance companies to help finance the construction of housing, roads and power stations, the Sunday Times reported. The government needs to create a framework of stable regulation to give private investors the confidence to put their funds in big projects, the newspaper cited Business Secretary Vince Cable as saying. Under the plan, investors would gain the proceeds from road tolls, rents and energy bills once the projects are built, the Times said. It put a figure of 50 bln pounds on the size of the infrastructure program, without saying where it got the information.

Key Dates This Week

| <i>Date</i> | <i>Indicator</i> | <i>Month</i> | <i>Expectation</i> | <i>Previous</i> |
|-------------|--------------------|--------------|--------------------|-----------------|
| 11/17 | Retail Sales (M/M) | OCT | -0.3% | +0.7% |
| 11/23 | BoE Minutes | NOV | - | - |
| 11/22 | Budget | NOV | - | +11.4bln |
| 11/23 | BBA Loans | OCT | - | 33,130 |

Valance Co., Inc.

Valance Economic Report: Canada

Milo Prochazka

(340) 692-7710

mprochazka@valance.us

November 16, 2011

In September, Factory Sales increased more than expected for the third month in a row. Canada recorded its first merchandise trade surplus in eight months in September.

Weekly Highlights

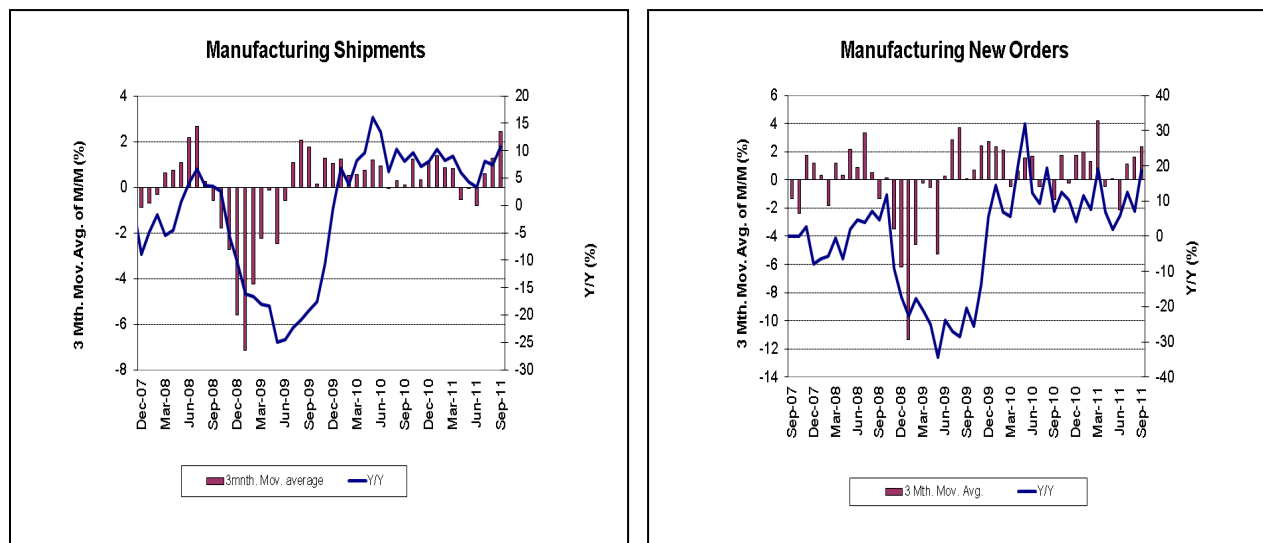
Manufacturing Shipments – rose 2.6% M/M in September. (CA1)

New Orders – surged 4.8% M/M in September. (CA 3)

Trade Balance – rose from - C\$ 0.49 bln to + C\$ 1.25 bln in September. (CA 4)

Weekly Releases & News

Chart(s) of the Week: Manufacturing Sales



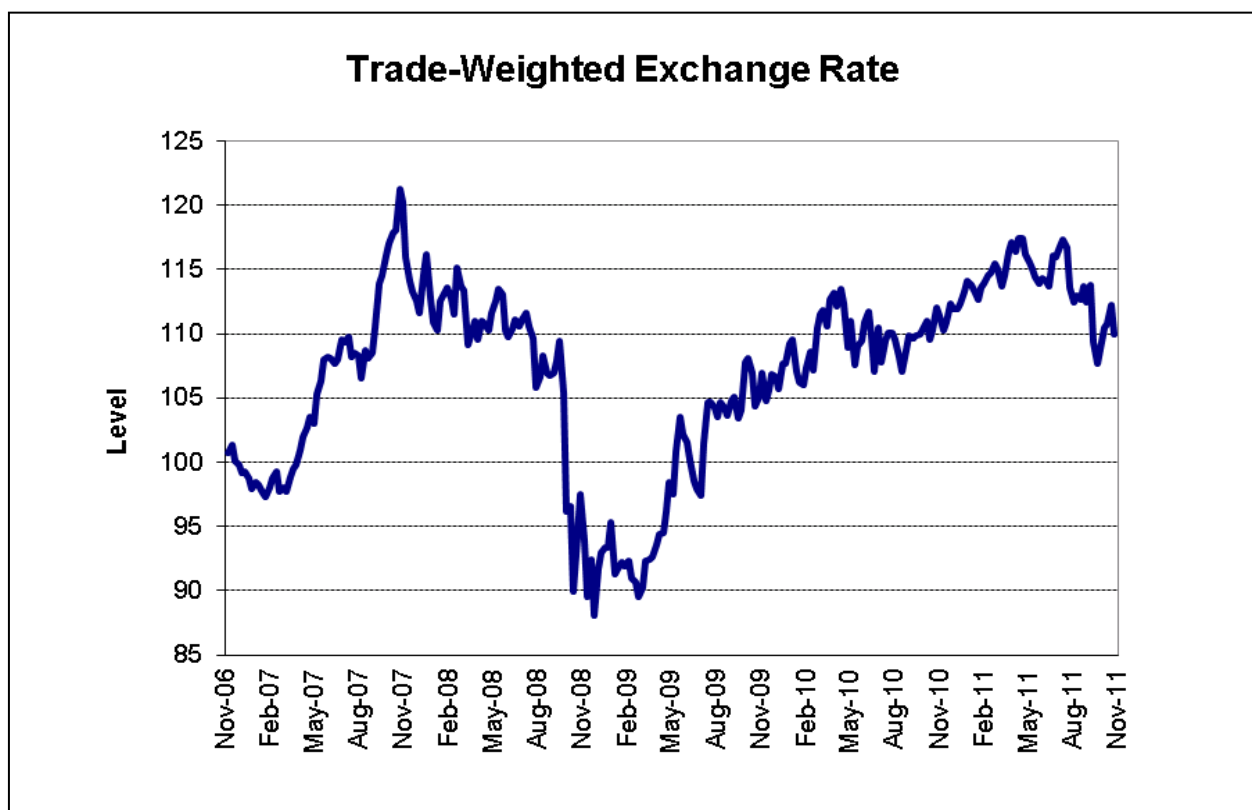
Manufacturing Shipments rose 2.6% M/M in September, after increasing 1.4% M/M in August. This is the third monthly increase in a row. Economists expected a 1.3 % M/M gain. Higher sales were recorded in 10 out of 21 industries, which represent 60.5% of total sales. Inventory levels edged up 0.4% M/M, unfilled orders rose 3.0% M/M and new orders gained 4.8% M/M. Ex. autos, sales rose 2.3% M/M and 11.8% Y/Y.

Financial Balances & Trade Weighted Exchange Rate

Financial Balances

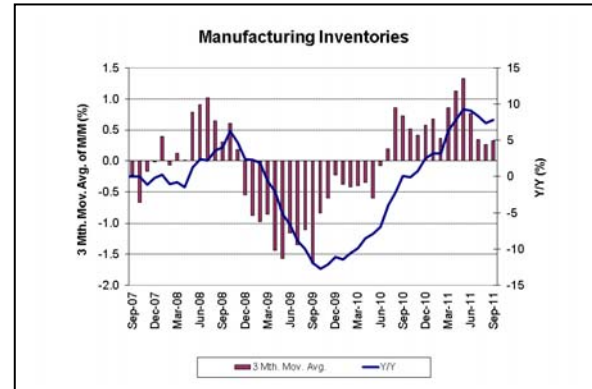
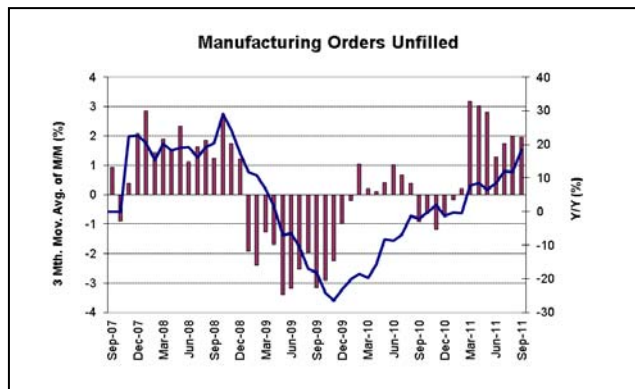
| Canada | Latest period (C\$bln) | Last 12mth. as % of GDP |
|-------------------------|------------------------|-------------------------|
| Budget Balance | -0.9 (Feb) | -2.3% |
| Trade Balance | +1.25 (Sep) | -1.5% |
| Current Account Balance | -15.3 (Q2) | -7.3% |
| Private Balance | -- | -5.0% |

Trade-Weighted Exchange Rate



Manufacturing Data & Trade Balance

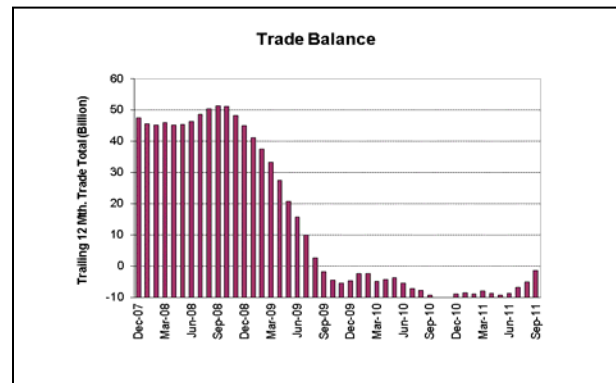
Manufacturing Data



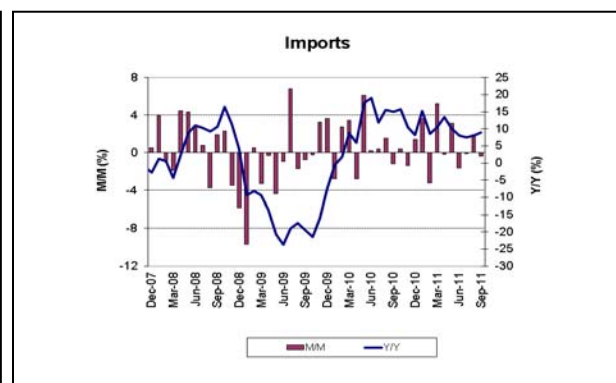
Inventories rose 0.4% M/M, and are currently at their highest level since March 2009. Unfilled Orders rose for the ninth consecutive month in September, gaining 3.0% M/M to the highest level since March 2009. The inventory-to-sales ratio declined from 1.33 to 1.30.

Trade Balance

Canada's Trade Balance switched from a C\$ 0.49 bln deficit to C\$ 1.25bln surplus in September. This is the first surplus in eight months. The trade surplus with the U.S. widened from C\$ 2.79 bln in August to C\$ 4.36 bln in September.



Exports & Imports



Exports rose 4.2% M/M (+20.3% Y/Y) to the highest level since October 2008, led by Energy (+11.3% M/M) and Industrial Goods (+3.4% M/M). Exports rose 5.0% M/M to the US, fell 4.0% M/M to EU, and increased 9.9% M/M to Japan. Imports fell 0.3% M/M and rose 8.9% Y/Y.

Data & News

Data & News

Nov. 16th - Canadian home sales looking brighter this year and next on low interest rates (Canadian Press) -

The Canadian housing market continues to exceed expectations and is now forecast by many experts to remain healthy well into next year, despite a slowdown in the overall economy. The Canadian Real Estate Association revised its forecast upward Tuesday after reporting strong October sales. It now projects sales this year will be up 1.4% from 2010, half a percentage point better than its previous forecast. However, CREA expects there will be slightly fewer units sold next year than in 2011, but the 0.5% decline is still an upward revision of its earlier estimate. The association forecasts 453,300 home sales countrywide this year, up from 446,915 in 2010. The forecast for 2012 is 451,200 homes sold. The latest RBC Housing Forecast released Tuesday also predicted 1.4% growth this year, but was more upbeat than CREA about future sales, expecting a 0.4 % increase in 2012. The revisions come at a time when central banks in Canada and the United States are keeping their key lending rates low to counter slowing global economic growth. "There was no shortage of headline news in October about global financial market volatility and economic uncertainty, but it doesn't appear to have dampened homebuyers' spirits," said Gary Morse, CREA's president. "Interest rates are at low levels and are likely to stay that way for some time to come. Homebuyers clearly see the opportunities that the current interest rate environment presents." The assurance of relatively low borrowing costs has likely given home buyers confidence while rising home values have kept new listings at a healthy level. Stable employment has provided some assurance to owners and buyers alike.

Nov. 15th - Carney Says Canada Banks May Slow Lending, Buy European Assets (Bloomberg) -

Bank of Canada's Governor, Mark Carney, said that North American banks may slow domestic lending as they use some of their cash to buy assets from European financial companies dealing with the region's debt crisis. "As they buy those assets, they aren't necessarily lending to businesses in North America," Carney said in an interview with Canadian Broadcasting Corp. last night. "The good news is Canadian banks are so strong that they can do both," he said. He also said the direct impact of any European slowdown on Canada may be "relatively modest" because there are fewer direct trade links than with the U.S.

Nov. 15th - Canada October Home Sales Rise 1.2% From September, CREA Reports (Bloomberg) -

Canadian Existing Home Sales rose 1.2% in October from the previous month, the Canadian Real Estate Association said in a statement today.

Key Dates This Week

| <i>Date</i> | <i>Indicator</i> | <i>Month</i> | <i>Expectation</i> | <i>Previous</i> |
|-------------|-------------------------------|--------------|--------------------|-----------------|
| 11/18 | Consumer Price Index (M/M) | OCT | - | +0.2% |
| 11/18 | Consumer Price Index (Y/Y) | OCT | - | 3.2% |
| 11/18 | Core CPI (M/M) | OCT | - | +0.5% |
| 11/18 | Core CPI (Y/Y) | OCT | - | 2.2% |
| 11/22 | Retail Sales (M/M) | SEP | - | +0.5% |
| 11/22 | Retail Sales Less Autos (M/M) | SEP | - | +0.4% |
| 11/25 | Wholesale Sales (M/M) | SEP | - | +0.2% |

Valance Co., Inc.

Valance Economic Report: Australia

Milo Prochazka

(340) 692-7710

mprochazka@valance.us

November 16, 2011

In October, the Australian economy added slightly more jobs than expected and the Unemployment Rate declined from 5.3% to 5.2%. The November RBA minutes indicated that there is room to cut rates further, with the timing dependent on developments in Europe. Australian wages rose at the slowest pace in almost two years.

Weekly Highlights

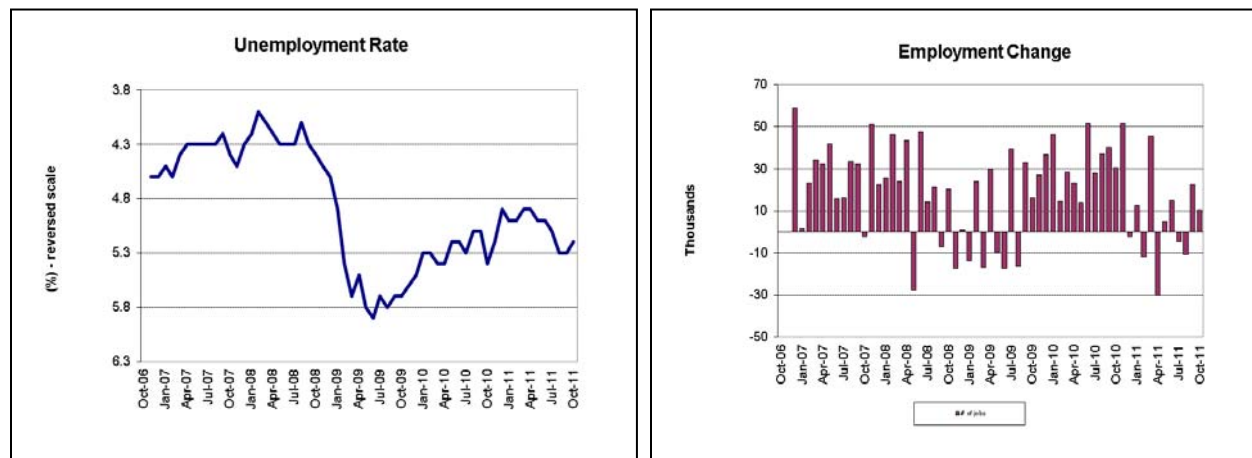
Employment– economy added 10.1k jobs in October. (AU 1)

Westpac Leading Index – fell 0.3% M/M in September. (AU 4)

Wage Cost Index – rose 0.7% Q/Q and 3.6% Y/Y. (AU 4)

Weekly Releases & News

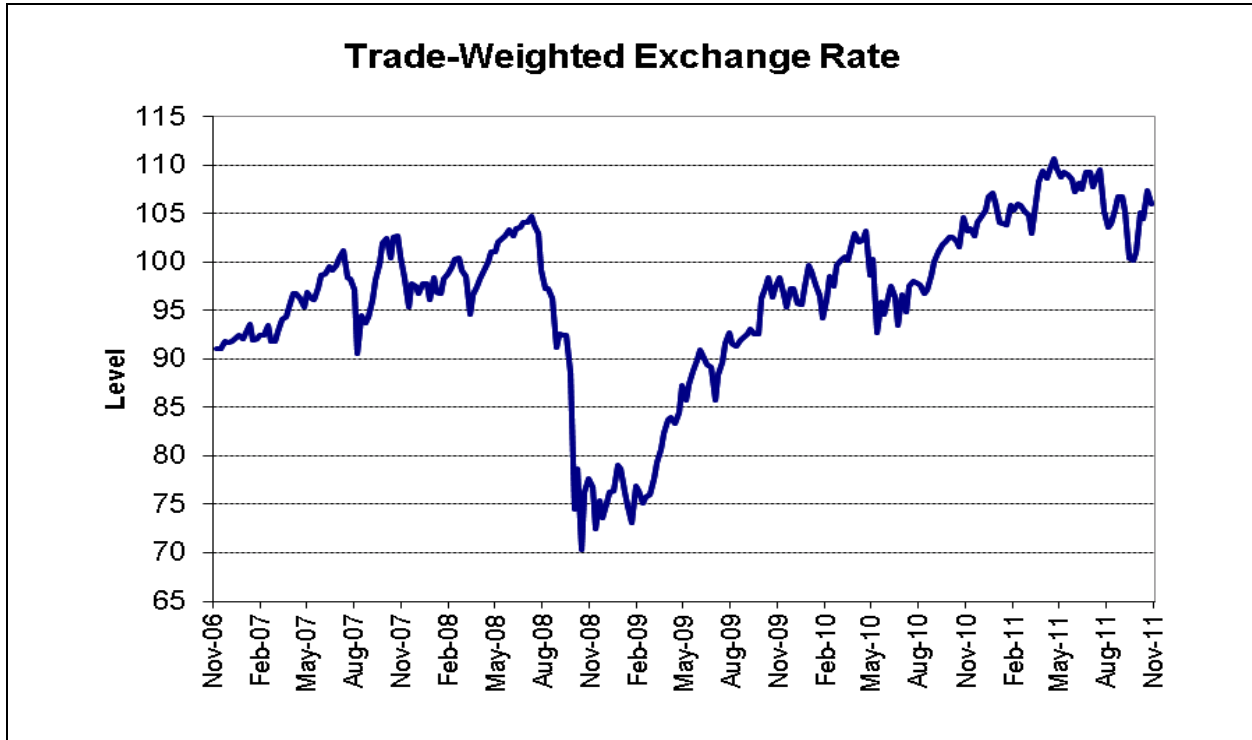
Charts of the Week: *Unemployment Rate*



Total Employment increased by 10.1k jobs in October after a 22.5k gain in September. 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 rose by 20.0k (+13.7k prev.) and part time jobs fell by 9.9k (+8.8k 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 – November:

- *Recent information suggested a moderation in the pace of global growth compared with expectations earlier in the year. The US economy had picked up pace in the third quarter, but growth remained moderate and there was still significant spare capacity. The Chinese economy had slowed modestly, as the authorities there had intended, and inflation looked like it had peaked. Around the Asian region, output had recovered from the effects of the Japanese earthquake and domestic demand appeared to be still expanding at a good pace, but there were some early signs that exports to Europe had weakened. Commodity prices had generally declined over recent months.*
- *European policymakers had made progress in their response to the sovereign debt and banking problems over the past month. This had been reflected in a more optimistic tone in financial markets compared with the previous meeting. But there were as yet many details to be confirmed as to how the various elements of the package would work. It was likely that economic conditions in Europe would weaken further over the period ahead, given the effects of the recent turmoil on confidence, likely tightness of credit supply and the need for further fiscal consolidation. **As a result, the risks to the global economy still seemed to lie predominantly on the downside, notwithstanding the positive initial reception of the recent announcements.***
- *Members considered the significance of the inflation data that had become available over the past month. While revisions had altered the earlier quarterly profile somewhat, the latest data suggested that after a pick-up in underlying inflation in the first half of the year, there had been moderation more recently, notwithstanding ongoing large increases in utilities charges. CPI inflation had remained above 3 per cent on a year-ended basis, but was expected to decline significantly over the next few quarters, as prices fell for some key food products that had been affected by adverse weather earlier in the year.*
- ***Information on economic activity suggested that the pace of growth in demand and output outside the resources and related sectors was a little lower than had been expected earlier in the year. The revised staff forecasts pointed to the likelihood of overall GDP growth being close to trend over the next one to two years, and inflation being consistent with the 2–3 per cent target.***
- *Financial conditions had already been easing somewhat, with a range of lending rates edging down over the past couple of months. Nonetheless, with overall credit growth remaining low, financial conditions on balance appeared to remain somewhat tighter than normal.*
- ***Members discussed whether the improved picture for inflation meant that it was no longer necessary to maintain the slightly restrictive stance of monetary policy that had been in place over the past year. A case could be made for leaving rates unchanged on the basis that, unless the world economy turned down in a serious way, the expansionary effects of the high terms of trade and the associated investment build-up would, in time, assert themselves more fully, even though recent conditions had been softer than expected. In that event, policy settings on the tight side of normal would be appropriate over the medium term. In the meantime, the expectation that policy might be eased was itself being reflected in a reduced level of market interest rates.***
- *The case for an easing in policy was that there had clearly been material changes to the recent course of, and outlook for, underlying inflation over recent months, while the downside risks for the global economy had increased. While the financial conditions that had been in place over the past year had helped contain inflation pressures in the economy, with the change in outlook that stance was no longer necessary. A more neutral setting would, on this view, be compatible with achieving sustainable growth and inflation consistent with the target over the period ahead.*
- ***On balance, members concluded that it was appropriate for there to be a modest easing in the stance of monetary policy.***

Data & Comments

Data & News

Westpac Leading Index - The Westpac Leading Economic Index fell 0.3% M/M and rose 3.3% Y/Y in September, slightly above its long term trend growth of 3.2%. The index is currently at 286.0.

Consumer Inflation Expectations - According to the Melbourne Institute, Consumers' inflationary expectations in November fell from 3.1 % to 2.5%. A peak of 5.9% was recorded in July 2008. The expectations for the hourly wage change, for all occupations, dropped from 6.1% to 5.0%.

DEWR Skilled Vacancies - The index measuring the number of jobs available for skilled workers fell 1.9% M/M and 6.3% Y/Y in October. This is a second monthly decline in a row. All main groups fell on a monthly basis

New Car Sales - Sales of New Cars rose 1.1 % M/M in October after falling 1.4% M/M in September. Y/Y, sales rose 4.4% after +1.4% previously.

Q3 Wage Cost Index - Australian wages rose last quarter at the slowest pace in almost two years. The wage-price index, which measures hourly pay rates excluding bonuses, advanced 0.7% Q/Q in Q3, after it gained 0.9% Q/Q in Q2. That was lower than the 0.9% forecast. Y/Y, wages decelerated from 3.8% to 3.6% in Q3, the slowest annual pace in a year. Compensation in wholesale trade rose 4.4%, while mining pay gained 4.2%. Hourly rates of pay in the other services category advanced 4.5% from a year earlier, the biggest increase among the 18 industries surveyed. Pay for public administration and safety workers increased by the least, rising 2.8%.

Key Dates This Week

| <i>Date</i> | <i>Indicator</i> | <i>Month</i> | <i>Expectation</i> | <i>Previous</i> |
|-------------|-----------------------------------|--------------|--------------------|-----------------|
| 11/22 | Conference Board Leading Index | SEP | - | -0.1% |
| 11/16 | Average Weekly Wages (Q/Q) | AUG | - | +1.2% |
| 11/22 | Construction Work Done (Q/Q) | Q3 | - | +0.7% |

Valance Co., Inc.

Valance Economic Report: New Zealand

Milo Prochazka

(340) 692-7710

mprochazka@valance.us

November 16, 2011

As global financial market turbulence continued, the ANZ Roy Morgan Consumer Confidence Index fell for the third straight month in November, while Manufacturing PMI contracted for the first time in seven months. Conversely, Q3 Retail Sales increased the most since 2006, likely due to rugby fan spending.

Weekly Highlights

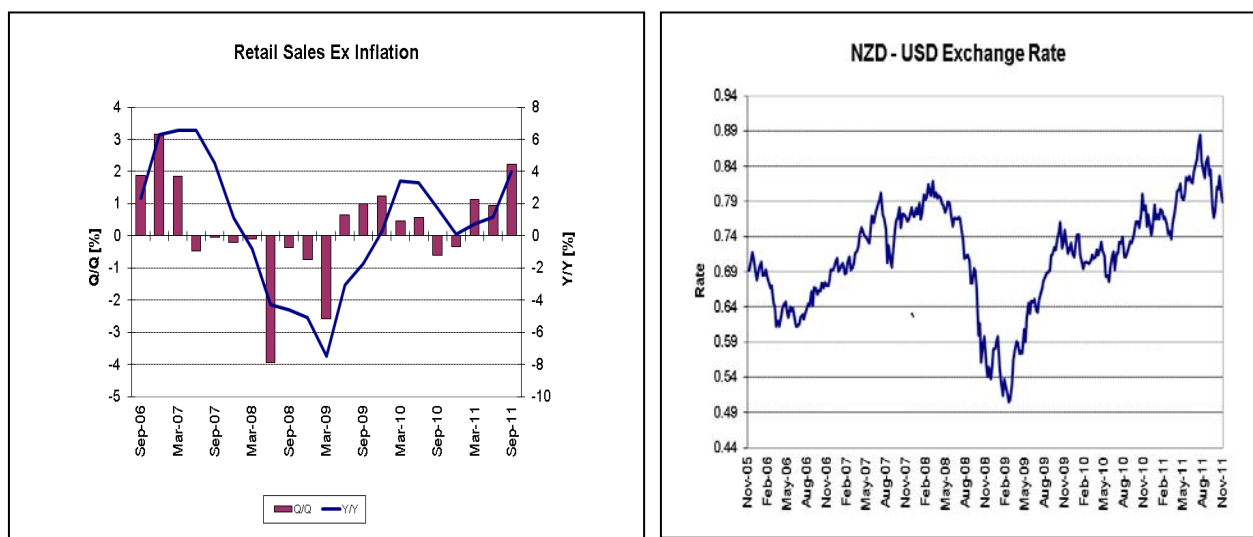
Retail Sales Ex. Inflation – surged 2.2% Q/Q in Q3. (NZ 1)

Business PMI – dropped from 50.5 to 46.5 in October. (NZ 2)

ANZ-Roy Morgan Confidence – fell from 112.2 in October to 109.0 in November. (NZ 2)

Weekly Releases & News

Chart(s) of the Week: FX



Retail Sales adjusted for inflation, surged 2.2% Q/Q in Q3, compared to a 1.1% Q/Q gain in Q2. Sales rose at 13 of 15 store categories. Core sales, which exclude vehicle dealers and fuel outlets, jumped 2.4% Q/Q from Q2, when they rose 1.1% Q/Q. Retail Spending growth adds to evidence of an economic recovery may have accelerated in Q3, buoyed by lower prices for fuel and purchases associated with the Rugby World Cup.

Data & News

ANZ Manufacturing Index - The Manufacturing Index dropped 4.0pts to 46.5 in October. This is the first contraction since March 2011 and all major categories contracted in October. 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 in November. The Confidence Index fell from 112.2 in October to 109.0 in November. This is the lowest level since May. When asked about the domestic economy 1 year forward, the measure eased from -5 to -7 points and the 5-year forward outlook measure remained at +28. When asked about buying a major household item, this measure edged from +18 to +19.

Performance of Services Index - The Performance of Services Index fell 2.3pts to 50.6 in October. On the 3-month moving Average, the index eased 0.8pts to 52.4. Y/Y, the index fell 1.8pts.

Food Prices - According to Statistics New Zealand, October food prices fell 1.3 % M/M, after falling 1.0% in September, and rose 1.1% Y/Y in October. The largest fall was recorded in Fruits & Vegetables (6.1% M/M). This is the third monthly decline in a row.

Key Dates This Week

| <i>Date</i> | <i>Indicator</i> | <i>Month</i> | <i>Expectation</i> | <i>Previous</i> |
|-------------|-------------------------------|--------------|--------------------|-----------------|
| 11/21 | Migration | OCT | - | -660.0 |
| 11/20 | Credit Card Spending (M/M) | OCT | - | +1.6% |
| 11/16 | Producer prices – Input (Q/Q) | Q3 | - | +0.9% |
| 11/21 | RBNZ Inflation Expectations | Q4 | - | +2.9% |

Weekly Economic Report: **China**

Evelyn L. Richards
(340) 692-7710
erichards@valance.us

November 16, 2011

In October, Consumer Price Inflation continued to be above the Government's 4% target; M2 Money Supply growth slowed; and Foreign Direct Investment grew 8.8%.

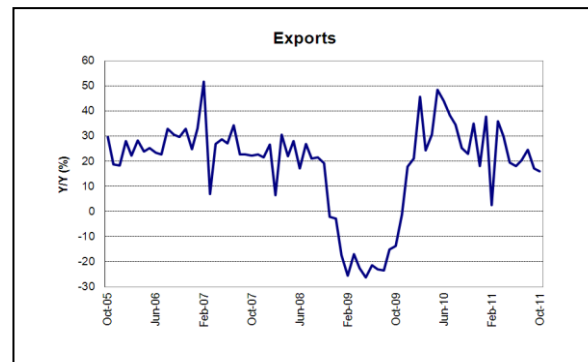
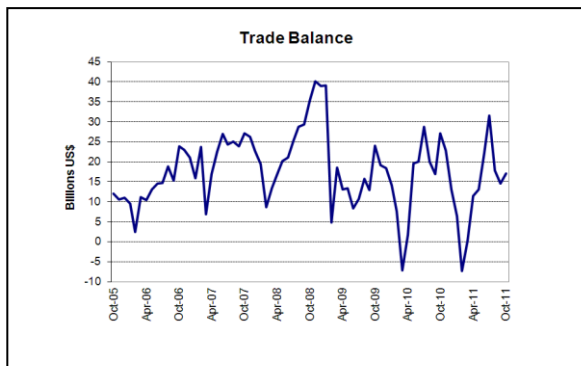
Weekly Highlights

Exports – rose 15.9% Y/Y in October; after gaining 17.1% in September. (CH 1)

M2 Money Supply – rose 12.9% Y/Y. (CH 2)

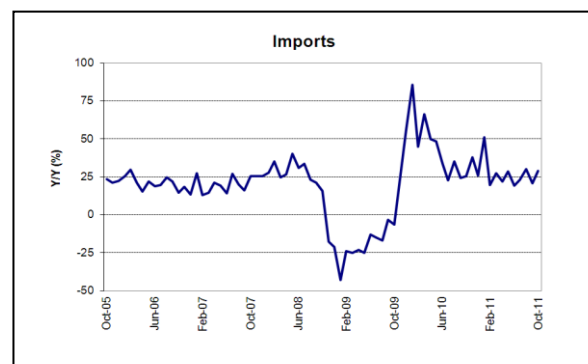
Weekly Releases & News

Chart(s) of the Week: *Trade Balance*



China's Trade Balance widened from a surplus of \$14.51 bln in September to a surplus of \$17.03 bln in October. The surplus was expected to reach \$25.75 bln.

Exports growth rose 15.9% Y/Y in October – compared with 17.1% Y/Y growth the previous month; below expectations of a 16.1% Y/Y gain.



Imports growth rose from 20.9% Y/Y in September to 28.7% Y/Y in October. They were expected to gain 22.2%.

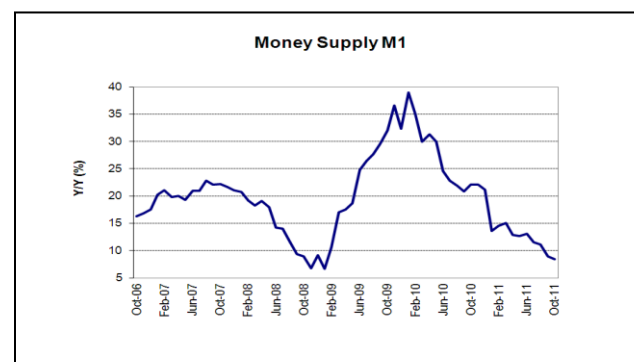
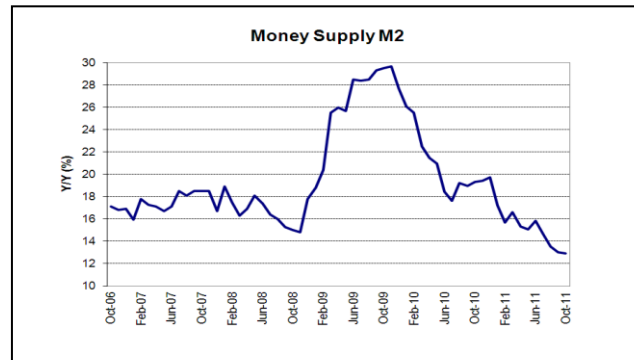
Money Supply & Actual FDI

Money Supply

M2, the broadest measure of money supply, slowed from 13.0% Y/Y in September to 12.9% Y/Y October; below expectations of 13.0%.

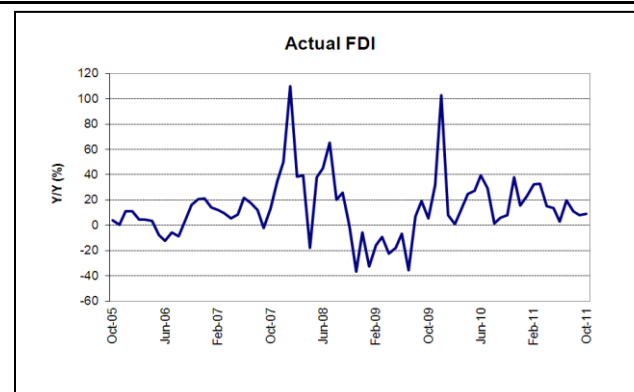
M1 Money Supply growth slowed from 8.9% Y/Y in September to 8.4% Y/Y in October. It was expected to reach 9.3% Y/Y.

M0 Money Supply growth slowed from 12.7% Y/Y in September to 11.9% Y/Y in October.



Actual FDI

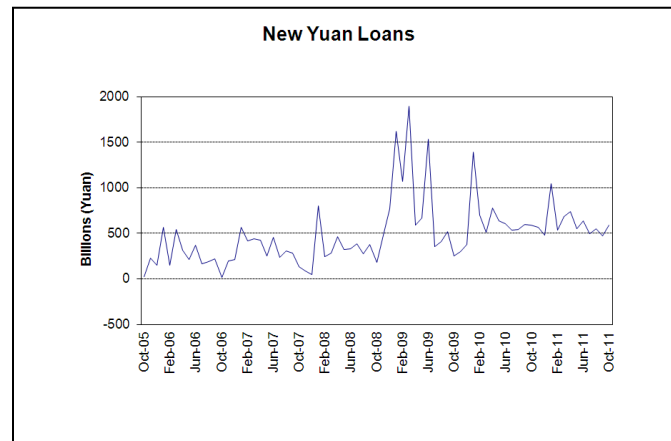
Foreign Direct Investment rose from 7.9% Y/Y growth in September to 8.8% Y/Y in October – totaling \$8.33 bln.



New Yuan Loans & News

New Yuan Loans

New Yuan Loans rose from \$470.0 bln in September to \$586.8 bln in October; above expectations of \$500.0 bln. HSBC Economist, Qu Hongbin remarked, “This is a meaningful pickup in new loans which suggests selective easing has already started. This should help stabilize growth with small and medium-sized enterprises and increase credit support for ongoing infrastructure projects. China has no risk of a hard landing.”



News

November 16th (Bloomberg) - China's Control Over Prices Can't Be Loosened - The PBoC said in its Q3 monetary report:

...the foundation of price stability is not yet solid.

Extremely loose global monetary conditions, and rising domestic labor and resource costs may exacerbate inflationary expectations.

Positive factors that may help stabilize prices are increasing.

The decline in consumer price gains may accelerate should domestic and global growth slow further.

November 15th (ABC News) - IMF Warns China's Banks Face Growing Risks - the IMF said in a report based on stress tests of China's 17 largest state-owned lenders that it conducted with Chinese regulators:

Despite ongoing reform and financial strength, China confronts a steady buildup of financial sector vulnerabilities.

Banks appear to be resilient to isolated shocks.

If several of these risks were to occur at the same time, however, the banking system could be severely impacted.

News (Cont'd.)

November 14th (Bloomberg) - Hu Pledges More China Imports as IMF's Zhu Sees 'Soft Landing' - China's President Hu Jintao remarked:

It has become ever clearer that the Chinese economy is moving to a soft landing. The Chinese economy today is really moving to an inflection point, moving to more services and capital-intensive economy.

It will be very difficult to say for the time being that the Chinese consumer will save the world. China invests too much and it consumes too little.

November 13th (Reuters) - China's Hu pushes for larger global role - Chinese President Hu Jintao said:

China will work to reform the international economic system and make a more just and equitable international economic order. China would play a bigger role in international economic and financial organisations.

November 13th (Reuters) - Obama warns Hu of U.S. frustrations on trade - U.S. President Barack Obama made the following comments at the APEC Summit:

Referring to long-standing U.S. requests for China to let the yuan float freely - What I have said since I first came into office and what we've exhibited in terms of our interactions with the Chinese is we want you to play by the rules. And currency is probably a good example. For an economy like the United States -- where our biggest competitive advantage is our knowledge, our innovation, our patents, our copyrights -- for us not to get the kind of protection we need in a large marketplace like China is not acceptable.

Although there are areas where we continue to have differences, I am confident that the U.S.-China relationship will continue to grow in a constructive way based on mutual respect and mutual interest.

White House Aide, Michael Froman: - *He made it very clear that the American people and the American business community were growing increasingly impatient and frustrated with the state of change in China economic policy and the evolution of the U.S.-China economic relationship.*

November 13th (Reuters) - Major yuan rise no cure for U.S. economic ills-China's Hu - Chinese President Hu Jintao said:

The trade deficit and unemployment problems are not caused by the yuan exchange rate. Even a major appreciation of the yuan would not resolve the problems facing the United States.

News (Cont'd.) & Upcoming Dates

News (Cont'd.)

November 11th (Bloomberg) - IMF See Little Decrease in Incentives for Saving in China – The IMF remarked:

China's growth model has been based on high domestic saving, counterbalanced by high external demand and equilibrated by a low real exchange rate.

As the authorities recognize, the model ultimately needs to change.

November 19th (Bloomberg) - China Is Willing to Let Yuan Rise – IMF Fund Managing Director, Christine Lagarde said:

My understanding is that authorities are prepared to let the appreciation continue in the months and years to come.

Key Dates This Week

| <i>Date</i> | <i>Indicator</i> | <i>Month</i> | <i>Expectation</i> | <i>Previous</i> |
|-------------|--|--------------|--------------------|-----------------|
| 11/16 | Conference Board CH September Leading Economic Index | | | |
| 11/17 | MNI November Flash Business Sentiment Survey | | | |
| 11/21-25 | HSBC Flash CH Manufacturing PMI | NOV | -- | 51.1 |

Valance Economic Report: Sweden

Evelyn L. Richards
(340) 692-7710
erichards@valance.us

November 16, 2011

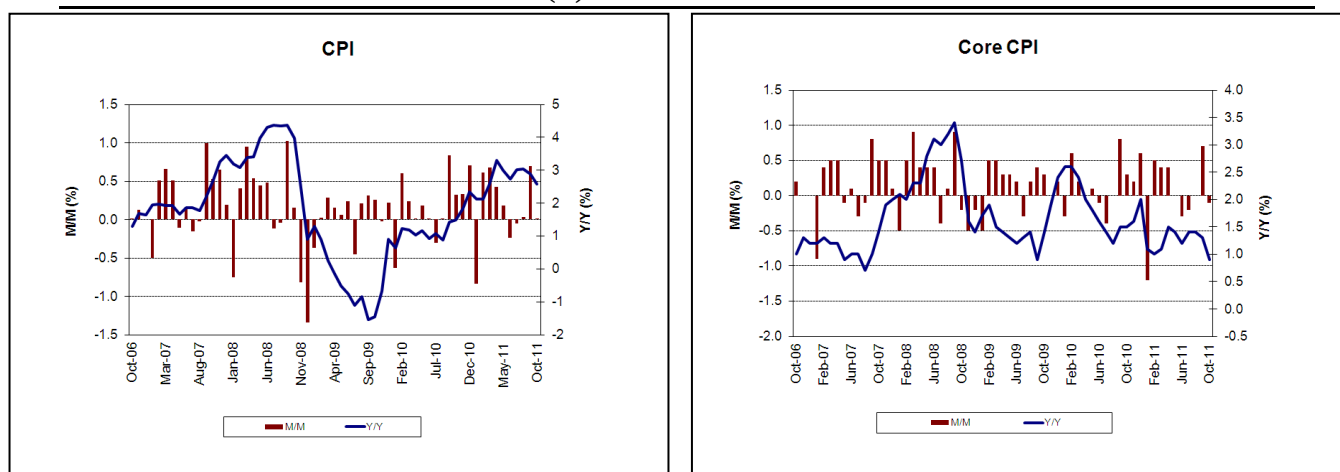
In October, Y/Y CPI inflation continued to remain above the Riksbank's 2% target and Unemployment held at 4.5% for the second consecutive month.

Weekly Highlights

CPI – was unchanged M/M and 2.9% Y/Y in October. (SW 1)
Core CPI – fell 0.1% M/M and rose 1.1% Y/Y in October. (SW 1)
Unemployment Rate – held at 4.5% in October. (SW 2)

Weekly Releases & News

Chart(s) of the Week: CPI

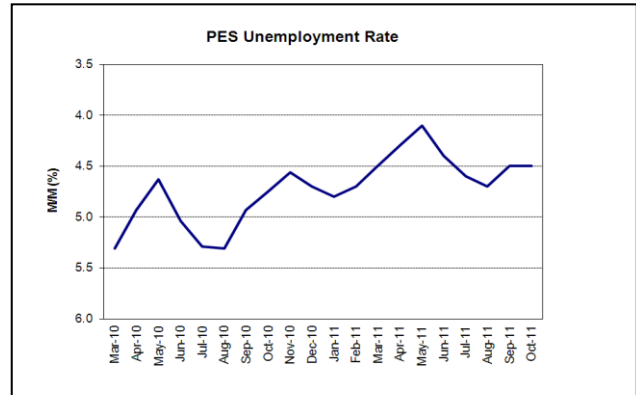


Headline Consumer Price growth was flat on the month, compared with 0.7% M/M posted the month before, and below the 0.3% growth expected. Annually, prices rose 2.9%, compared with 3.2% the previous month. The annual rate was expected to remain at the previous month's level. Higher interest costs for owner occupied housing (+0.1%) had a positive effect on the monthly rate; while lower prices for electricity (-0.5%) and fuels (-1.0%) contributed negatively. As expected, on a core basis, prices fell 0.1% M/M and rose 1.1% Y/Y, compared to 0.7% M/M and 1.5 Y/Y the previous month.

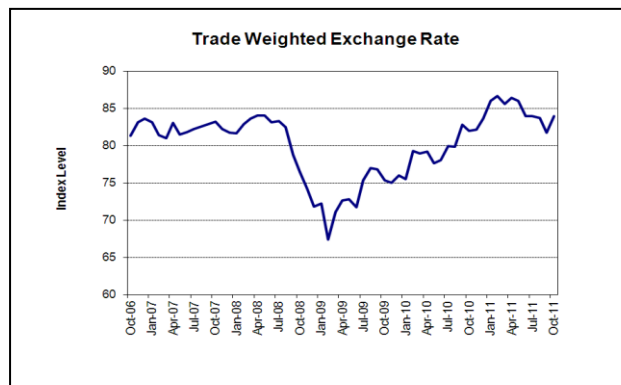
Unemployment Rate, Trade Weighted Exchange Rate & Data

Unemployment Rate

The Unemployment Rate (n.s.a.) held at 4.5% in October, as expected. The number of unemployed totaled approximately 204K persons -- down almost 12K.



Trade Weighted Exchange Rate



Data

November 16th (Statistics Sweden) – Industry Capacity (sa) – increased by 0.3 percentage points from 88.6% in Q2 to 88.9% in Q3. The industry sub-sectors showed mixed development. Notably, the industry for basic metals capacity utilization fell from 91.6% to 90.7%.

News

November 15th (Bloomberg) - Swedish Financial System Risk Has Increased - The Financial Supervisory Authority said:

Sweden has done relatively well in turbulent times but the level of risk in the Swedish financial system has increased.

During 2011 the uncertainty in the global economy has increased and the situation in a number of European nations has deteriorated. The development means that banks' liquidity continues to be in focus.

November 14th (Bloomberg) - Sweden to Raise Long-Term Borrowing to Cut Funding Risks – The government remarked in a statement on its website:

Uncertainty about international economic developments is greater than ever before.

It is desirable to exercise greater vigilance to counter risks that emerge when the state rolls over its loans. Its aim is to increase borrowing in long maturities so that more loans than before fall due at a later date.

November 10th (Bloomberg) - Sweden's Reinfeldt Proving Tough Love of Banks a World Model - Swedish Prime Minister Fredrik Reinfeldt stated in an interview:

In 2006, when I became prime minister, the U.K. and Sweden had the same ratio of national debt to gross domestic product.

The U.K. has now doubled and Sweden has gone below 40 percent and this is linked to dealing with the banks.

We increased regulations to secure that they have better control, that they cover their own risk.

We have a surplus when it comes to taxpayers, which distinguishes Sweden from many other countries.

November 10th (Bloomberg) - Riksbank Will do 'All That We Can' for Stability - Riksbank Governor, Stefan Ingves said in a speech posted on the Bank's website:

With the help of monetary policy we will do all that we can to promote stable economic development in Sweden and to ensure that inflation remains around the target and that the development of the real economy is as stable as possible.

Key Dates This Week

| <i>Date</i> | <i>Indicator</i> | <i>Month</i> | <i>Expectation</i> | <i>Previous</i> |
|-------------|----------------------|--------------|--------------------|-----------------|
| 11/17 | Average House Prices | OCT | -- | 1.999M |
| 11/22 | Unemployment Rate | OCT | 6.8% | 6.8% |

Valance Economic Report: Switzerland

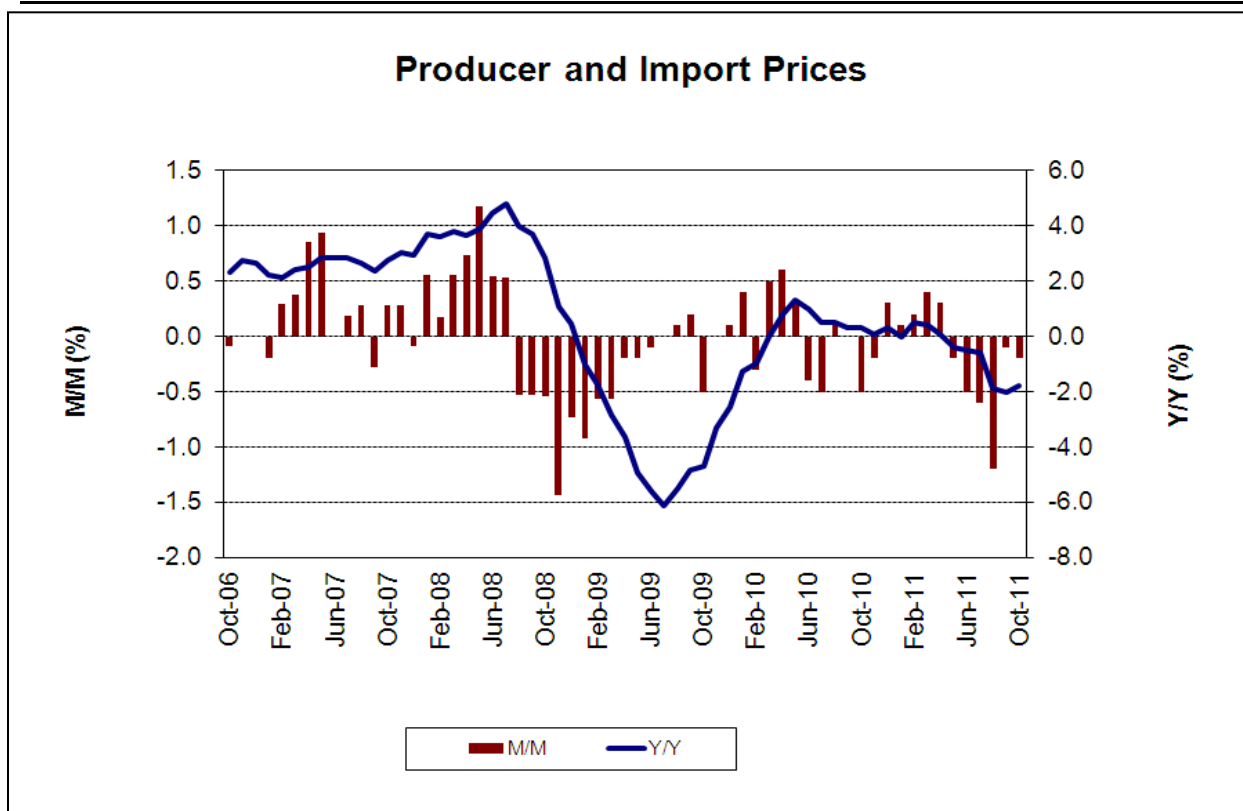
Evelyn L. Richards
(340) 692-7710
erichards@valance.us

November 16, 2011

Producer & Import Prices, the only economic indicator released this week, fell for the 6th consecutive month in October.

Weekly Releases & News

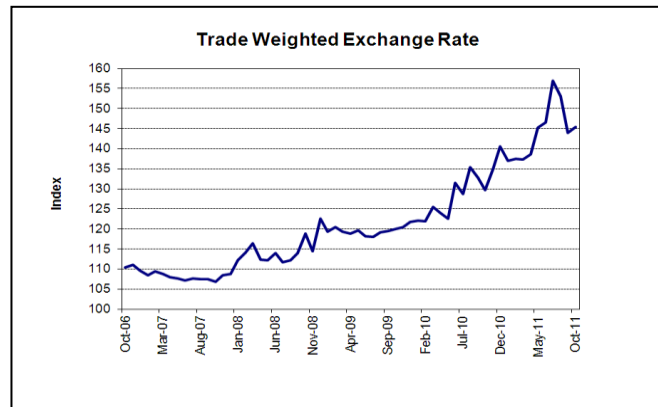
Chart(s) of the Week: *Producer & Import Prices*



Switzerland's combined Producer & Import Price Index ticked down 0.2% M/M in October, compared with -0.1% M/M the previous month. Annually, the index slipped 1.8% in October, compared with -2.0% the year before. Prices were expected to reach -0.3% M/M and -1.9% Y/Y. Separately, producer prices and import prices fell 0.1% M/M and 0.3% M/M, respectively.

Trade Weighted Exchange Rate & News

Trade Weighted Exchange Rate



News

November 15th (Bloomberg) - SNB Should Raise Franc Limit - Swissmem Industry Group President, Hans Hess remarked:

There's a clear need to weaken the franc at short notice.

It's up to the SNB how they achieve that goal.

The SNB's cap slightly defused the difficult situation of the export industry. The intervention was late, but not too late.

November 11th (Bloomberg) - SNB Is Ready to Act on Swiss Franc – SNB Governing Board Member, Jean-Pierre Danthine made the following comments:

We are monitoring the development constantly and are ready to take further measures if needed.

The Swiss franc is still highly valued.

Should the risk of an economic decline increase -- because of a fall in demand from abroad and the franc's strength -- there is a serious risk of a deflationary development, given the current drop in consumer prices.

We expect very small gains in consumer prices by year-end and negative inflation next year,

The October price decline was a surprise only insofar as the inflation decline came earlier than expected. Consequently, inflation is developing within the scope of our projections.

News (Cont'd.) & Upcoming Dates

News (Cont'd.)

November 9th (Bloomberg) - Franc Remains 'Massively Overvalued' - Swiss Economy Minister, Johann Schneider-Ammann said:

The purchasing-power parity is at 1.35-1.40.

Hildebrand is very well aware of his responsibility and knows exactly, what he can trigger...

November 9th (Bloomberg) - SNB's Limit on Franc Isn't Unfair Devaluation – Swiss Foreign Minister, Micheline Calmy-Rey stated:

Although the measure was unconventional, it cannot be seen as an unfair competitive devaluation. By and large, other governments and central banks have expressed their understanding of this necessary step to avoid severe consequences.

Key Dates This Week

| <i>Date</i> | <i>Indicator</i> | <i>Month</i> | <i>Expectation</i> | <i>Previous</i> |
|-------------|--------------------------|--------------|--------------------|-----------------|
| 11/17 | Credit Suisse Zew Survey | OCT | -- | -54.4 |
| 11/21 | M3 Money Supply | OCT | -- | 8.2% |
| 11/22 | Trade Balance | OCT | -- | 1.91B |
| 11/22 | Exports / Imports | SEP | -- | 3.4% / 1.3% |