Valance Company, Inc.

Weekly

December 7, 2011

Valance Economic Reports

Highlights

US – Surprise drop in the Unemployment Rate

EU – Real GDP increased a marginal 0.2 % Q/Q in Q3

JN – Capex declined in Q3

UK – Data painting a bleak outlook for the economy

CA – BoC expects EU recession to be more pronounced

AU – RBA cuts 25bps ; Firm GDP

NZ - Terms of trade off a 37-year high in Q3.

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Valance Economic Report: United States

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December 7, 2011

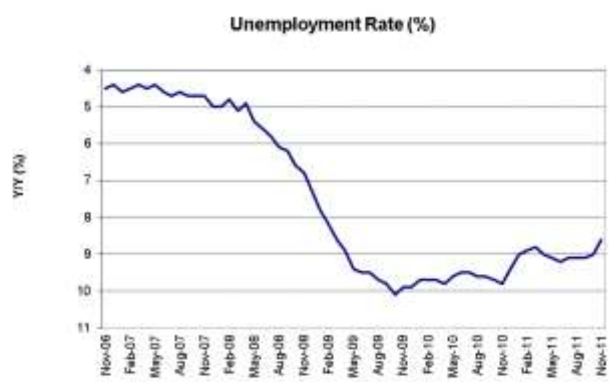
Payrolls increased in November with strong upward revisions to prior months. The Unemployment Rate fell to its lowest level since March 2009. Meanwhile, ISM Manufacturing improved, as did Construction Spending and Mortgage Applications.

Weekly Highlights

Non-farm Payrolls – increased by 120k in November. (US 1)
Unemployment Rate – dropped 0.4% to 8.6%, the lowest since March 2009. (US 1)
ISM Manufacturing– improved from 50.8 to 52.7 in November. (US 4)

Weekly Releases

Chart(s) of the Week: *Non-Farm Payrolls*



Non-farm Payrolls increased 120k in November, slightly lower than expectations for a gain of 125k. October Non-farm Payrolls were revised upward from 80k to 100k and September from 158k to 210k. Private Payrolls increased 140k, also slightly less than expectations of 150k. September figures for private payrolls were also revised upward from 104k to 117k. The Unemployment Rate dropped 0.4% to 8.6%, the lowest since March 2009. The Diffusion Index dropped from 59.6 to 54.7.

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 7.8% 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

Hourly Earnings, Weekly Hours & Unemployment Claims

Average Hourly Earnings

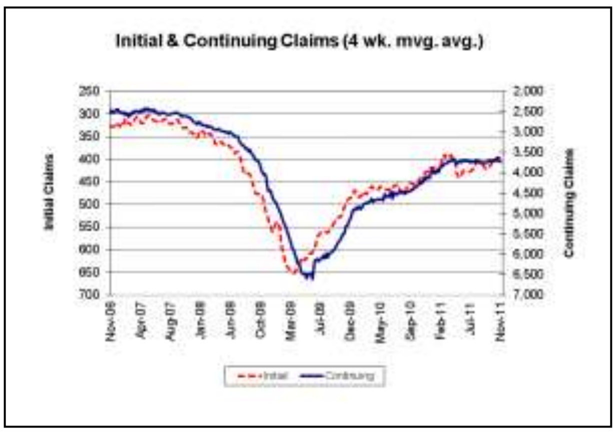
Average Hourly Earnings fell 0.1% M/M and gained 1.8% Y/Y in November. October was revised up from 0.2% to 0.3%. With large excess supply of labor, wages are expected to remain stable.

Average Weekly Hours

Average Weekly Hours remained unchanged at 34.3 in November.

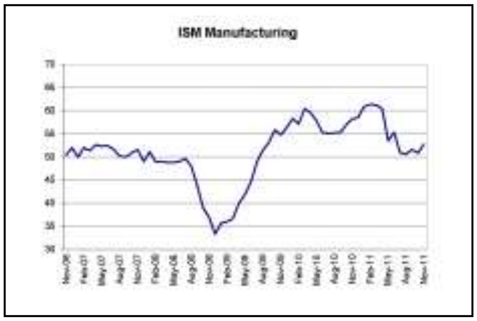
Initial & Continuing Claims

Initial Claims rose from 396k to 402k, above market expectations of 390k. The four week moving average of Initial Claims remained at 396k. Initial Claims have shown steady downward momentum for the past two months and are approaching lows last seen in February. Continuing Claims climbed from 3705k to 3740k.



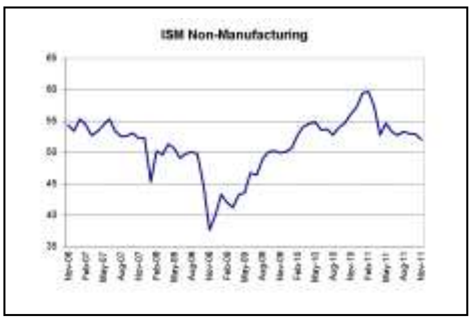
ISM's & Construction Spending

ISM Manufacturing



The ISM Manufacturing Index improved from 50.8 to 52.7 in November. New Orders jumped from 52.4 to 56.7 and was the highest component in the index. The Employment component declined from 53.5 to 51.8. Prices Paid rose from 41.0 to 45.0.

ISM Non-Manufacturing



The ISM Non-Manufacturing Index surprisingly decreased from 52.9 to 52.0 in November. New Orders increased from 52.4 to 53.0 and the Employment component declined from 53.3 to 48.9. Prices Paid increased from 57.1 to 62.5.

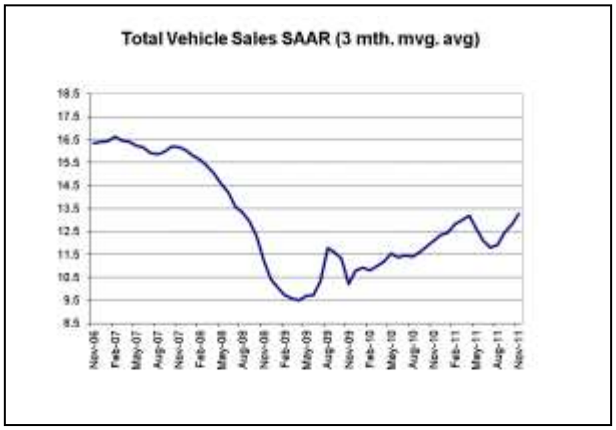
Construction Spending

Construction Spending increased 0.8% M/M in October, and is now down only 0.4% Y/Y. Residential Spending jumped 3.2% M/M and is up 0.6% Y/Y. Non-residential spending fell 0.2% M/M and 0.9% Y/Y.

Vehicle Sales, Confidence & Mort. Applications

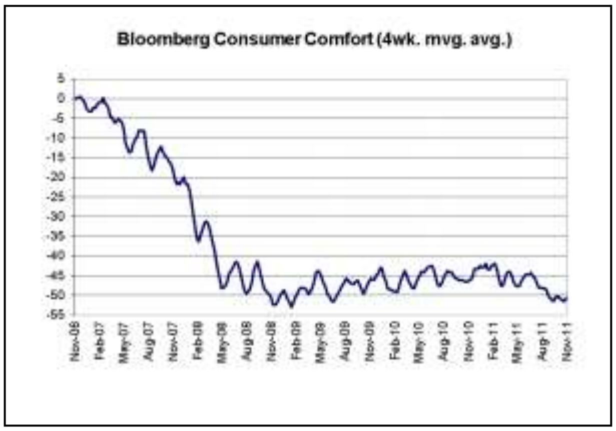
Total Vehicle Sales

As expected, Total Vehicle Sales improved from 13.20M to 13.59M seasonally adjusted annualized units in November.



Bloomberg Confidence

The Bloomberg Consumer Comfort Index fell slightly from -50.1 to -50.2. The state of the economy and the buying climate components fell from -87.2 and -48.8 to -88.5 and -49.4, respectively. Personal finances improved from -14.3 to -12.7.



MBA Mortgage Applications

Purchase Mortgage Applications increased 12.8% W/W, after dropping 11.7% W/W last week. Refi applications increased 15.3% W/W this week.

Key Dates This Week

Date	*Indicator*	*Month*	*Expectation*	*Previous*
12/08	Initial Jobless Claims	DEC 3	398K	402K
12/08	Bloomberg Consumer Comfort	DEC 4	- -	-50.2
12/08	Wholesale Inventories	OCT	0.30%	-0.10%
12/09	Trade Balance	OCT	-$43.0B	-$43.1B
12/09	U. of Michigan Confidence	DEC	65.5	64.1
12/12	Monthly Budget Statement	NOV	-$153.0B	-$98.5B
12/13	Advance Retail Sales	NOV	0.40%	0.50%
12/13	Retail Sales Less Autos	NOV	0.50%	0.60%
12/13	Business Inventories	OCT	0.30%	0.00%
12/13	FOMC Rate Decision	DEC 13	- -	0.25%
12/14	MBA Mortgage Applications	DEC 9	- -	- -
12/14	Import Price Index (M/M)	NOV	1.10%	-0.60%

Valance Co., Inc.

Valance Economic Report: Euro Zone

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December 7, 2011

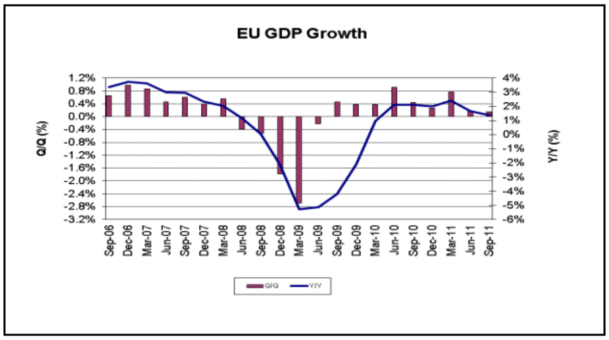
Europe's economy continues to show a slide into recession as real GDP posted marginal 0.2% Q/Q growth in Q3 and the EU Manufacturing, Services and Composite indices remained below contraction levels for the third straight month in November. The Sentix Investor Confidence Index fell to its lowest level in more than two years in November. Retail Sales surprisingly increased 0.4% M/M in October.

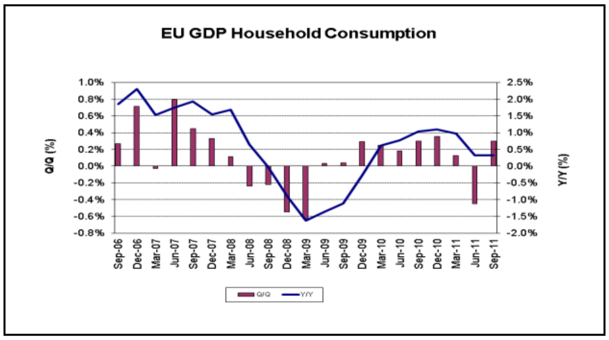
Weekly Highlights

EU GDP – increased 0.2% Q/Q and 1.4% Y/Y in Q3, in line with market expectations. (EU 1)
EU Retail Sales - increased 0.4% M/M and fell 0.4% Y/Y in October. (EU 3)
EU Manufacturing, Services and Composite indices - both remained below contraction levels for the third straight month in November. (EU4)
EU Sentix Investor Confidence - fell from -21.2 in November to -24.0 in December. (EU 7)

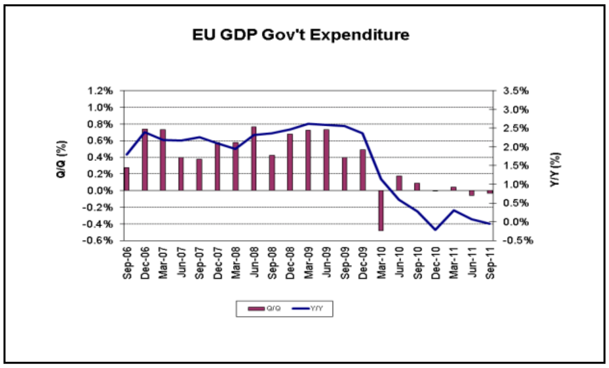
Weekly Releases & News

Charts of the Week: EU GDP Data





Preliminary data shows that EU GDP increased 0.2% Q/Q and 1.4% Y/Y in Q3, in line with market expectations. Government Expenditure was flat Q/Q and fell 0.1% Y/Y. Household Consumption increased 0.3% Q/Q and 0.3% Y/Y. Exports increased 1.5% Q/Q and 5.5% Y/Y and Imports increased 1.1% Q/Q and 3.6% 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

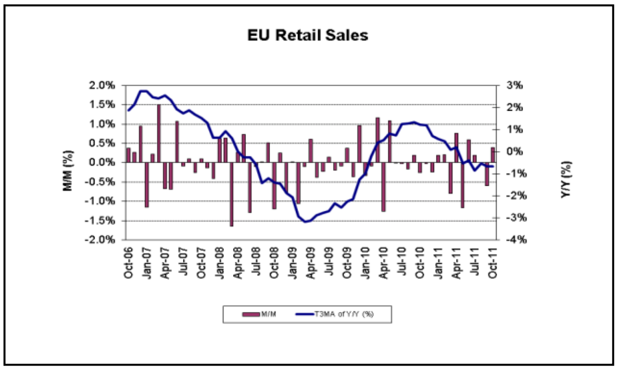
**Budget Balance as of year end 2010 – Source OECD*

Trade-Weighted Exchange Rate

EU Retail Sales & PPI

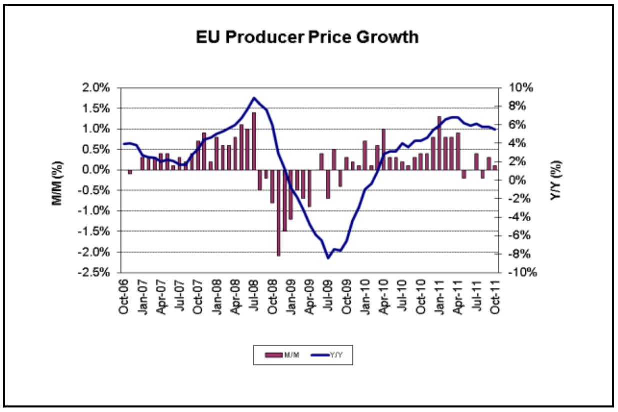
EU Retail Sales

EU Retail Sales increased 0.4% M/M and fell 0.4% Y/Y in October. Sales in the food, drink and tobacco sector increased 0.2% M/M and fell 0.4% Y/Y. Non-food products increased 0.5% M/M and fell 0.6% Y/Y.

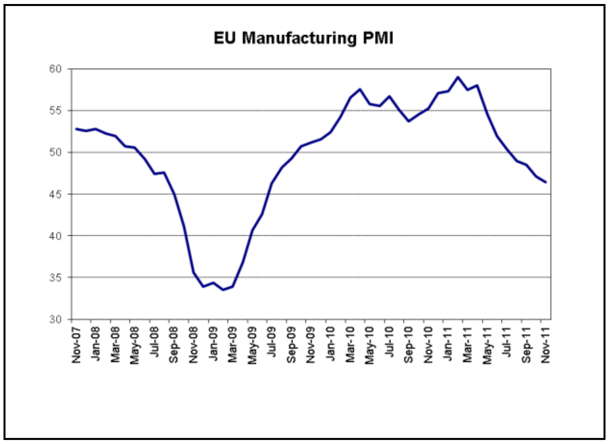


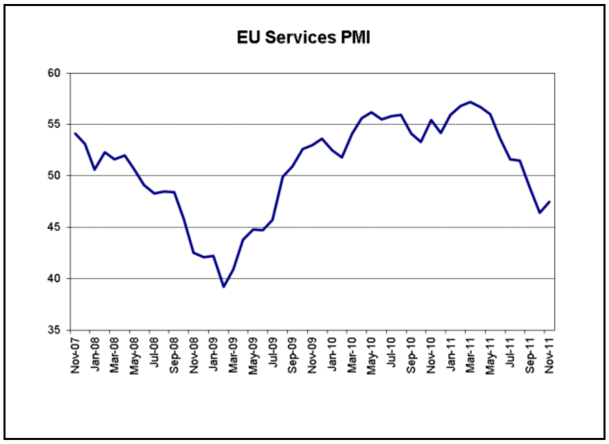
EU PPI

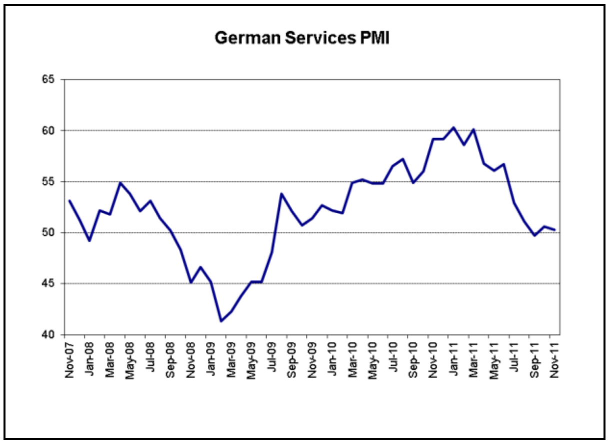
EU PPI increased 0.1% M/M and 5.5% Y/Y in October, below market expectations for gains of 0.2% M/M and 5.6% Y/Y.



PMIs





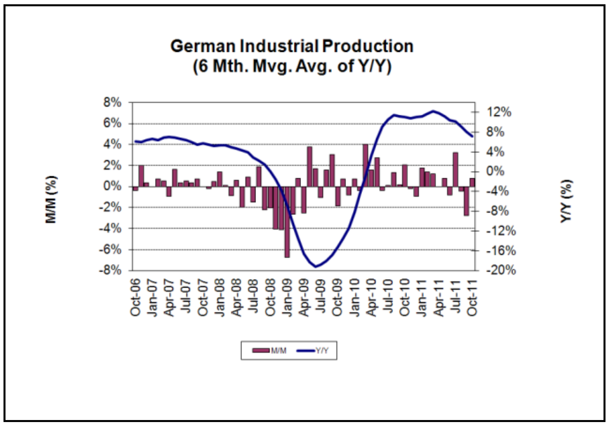


Final data indicated the EU Manufacturing, Services and Composite indices remained below contraction levels for the third straight month in November and PMI Manufacturing fell from 47.2 in October to 46.4 in November, as was previously estimated. Services Industry increased from 46.4 to 47.5 (initial estimated was 47.8). The Composite Index increased from 46.5 in October to 47.0 (initial estimate was 47.2) in November. German Manufacturing PMI fell from 49.1 to 47.9, in line with previous estimates and the Services Industry fell from 50.6 to 50.3 compared to the previous reading for an increase to 51.4.

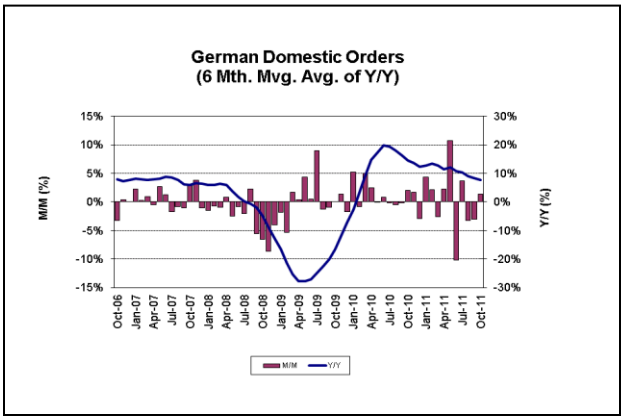
German Industrial Production & Factory Orders

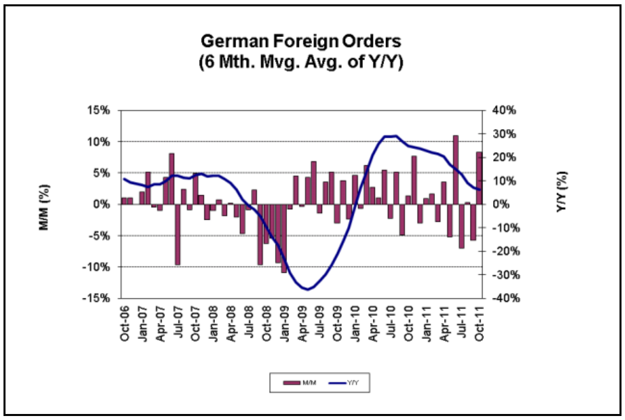
German Industrial Production

German Industrial Production increased 0.8% M/M and 4.1% Y/Y in October. Market expectations were for a 0.3% M/M and a 3.5% Y/Y reading in October.



German Factory Orders



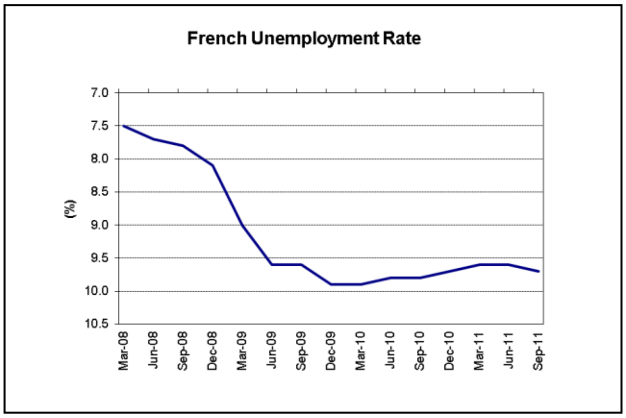


German Factory Orders increased 5.2% M/M and 5.4% Y/Y in October. Market expectations were for a reading of 5.2% M/M and 5.4% Y/Y. Domestic Factory Orders increased 1.4% M/M and 2.8% Y/Y. Foreign Orders increased 8.3% M/M and 7.9% Y/Y.

French Unemploymen /Trade Bal. & Spanish Ind. Output

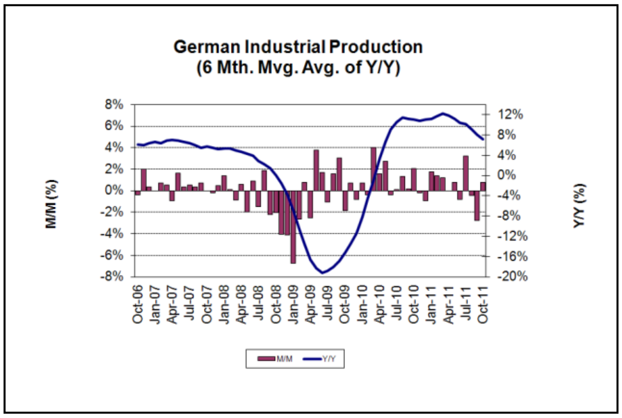
French Unemployment Rate

The French Unemployment Rate increased from 9.6% in Q2 to 9.7% in Q3, in line with market expectations. The number of people unemployed increased by 37K.



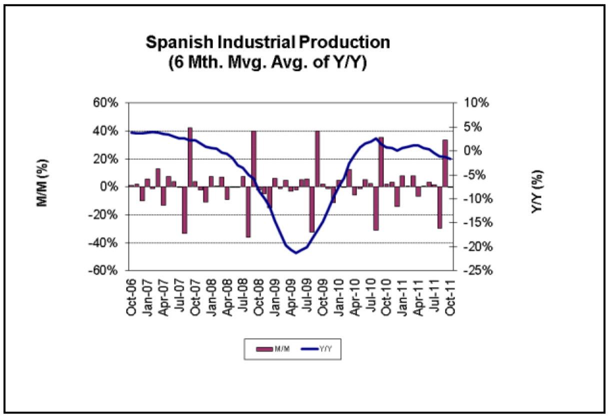
French Trade Balance

The French Trade deficit narrowed from €6.6 bln in September to €6.2 bln in October as exports increased more than imports. Exports increased 0.5% M/M and 9.0% Y/Y and imports fell 0.3% M/M and increased 15.2% Y/Y. The Trade Balance stood at a deficit of €4.9 bln in October 2010.



Spanish Industrial Output

Spanish Industrial Production fell 0.5% M/M and 4.0% Y/Y in October.



EU Sentix Investor Confidence & Comments/News

EU Sentix Investor Confidence

The EU Sentix Investor Confidence fell from -21.2 in November to -24.0 in December. The measure of current situation fell from -11.75 to -17.25, and the indicator of expectations increased from -30.25 to -30.50.

Comments/News

Dec. 7th - Geithner Presses Europe for Debt Solution (WSJ) - BERLIN **-** Treasury Secretary, Timothy Geithner, boosting pressure on European nations ahead of a critical summit, appealed to euro-zone officials on Tuesday for stronger action to calm the Continent's deepening debt turmoil. Mr. Geithner, dispatched by President Barack Obama on a three-day trip to Europe, said the currency bloc will need "a sustained commitment of political will" to resolve its troubles. He kicked off his visit by meeting in Frankfurt on Tuesday morning with the president of the European Central Bank and the head of Germany's central bank, and later, in Berlin, with Germany's finance minister. Mr. Geithner didn't disclose details of his discussions with the three officials, all of whom are central to devising more-decisive measures to resolve market fears that are weighing on the global economy. "Financial crises are ultimately resolved when governments and central banks succeed in creating the conditions that make it compelling for investors to take the risks involved in lending to governments and to banks," Mr. Geithner said in Berlin after meeting with German Finance Minister Wolfgang Schäuble.

Dec. 6th - S&P Warns on 15 Euro-Zone Nations (WSJ) **-** Monday's euro-zone downgrade warning by Standard & Poor's Ratings Services is a muscular move by a firm that was pilloried for its supposed laxity in the financial crisis. S&P put the long-term sovereign-debt ratings of 15 euro-zone nations, including struggling Italy and Spain, on negative watch. That typically means there is at least a 50% chance of a downgrade within 90 days, but the firm said Monday that it expected to announce any rating changes "as soon as possible" following this week's European Union summit, where policy makers are expected to lay out plans to enforce stricter budget rules. An S&P spokesman confirmed that Monday's move was the most countries the firm has put on credit-watch negative at one time. S&P said the long-term ratings on Germany, Belgium, Austria, Finland, Luxembourg and the Netherlands aren't likely to fall by more than one notch, if at all. But it flagged a potential two-notch downgrade for France and other euro-zone nations. S&P appears to view the summit as a "make or break" event for the euro zone, said Kathy Jones, a strategist for Charles Schwab & Co. Some investors warn that the threat of lower ratings could intensify market pressure on stretched government borrowers such as Italy. Its 10-year bond yield soared last month above a market pain point of 7%, before retreating in the past week. "The timing is bad," said Douglas Coté, chief market strategist for ING Investment Management. "The trajectory was positive for fixing the euro zone" before Monday's action, he said.

Dec. 5th - Basel Rules Face Change in No-Risk Debt Focus (Bloomberg) **-** Regulators may diminish the central role of government bonds in planned banking rules designed to make the financial system safer. The Basel Committee on Banking Supervision, which coordinates regulations for 27 countries, may let banks use equities and more corporate debt, in addition to cash and sovereign bonds, to satisfy new short-term liquidity standards, said two people with direct knowledge of the plans who requested anonymity because the talks are private. The move could reduce demand for European government securities, making it harder for nations on the brink of insolvency to fund themselves. “One of the central pillars of the Basel III framework is the notion of a risk-free asset class,” said Matthew Czepliewicz, a banking analyst at Collins Stewart Hawkpoint Plc in London. “That central pillar is disintegrating. Basel is quite clearly going to have to be revised.” Since rules on liquidity and capital known as Basel III were approved in 2010, holders of Greek debt have agreed to a 50 percent writedown, while prices of Italian, Spanish and Portuguese bonds have fallen as yields hit euro-era highs. Regulators now face a balancing act between acknowledging investors’ loss of confidence in sovereign debt, which has contributed to a 30 percent decline in bank shares (BEBANKS) this year, and the need to avoid undermining governments’ credibility.

News/Comments Cont'd.

Dec. 5th - ECB Can Do More to Supply Banks With Liquidity, Policy Maker Nowotny Says (Bloomberg) - European Central Bank Governing Council Member, Ewald Nowotny, said the ECB is observing liquidity shortages in the banking sector and can do more to supply funds. "We can do a lot with regard to liquidity and in future we may take additional measures," Nowotny said during a speech in Vienna yesterday. He declined to expand on which measures the ECB may take in future, saying he is observing the central bank's "purdah" period ahead of a Dec. 8th rate-setting meeting. The U.S. Federal Reserve and five other central banks including the ECB last week cut the cost of emergency dollar funding as tensions resurfaced in European money markets. Earlier this year, the Frankfurt-based ECB reintroduced a one- year refinancing tender to aid banks struggling for longer term cash amid a worsening of the euro area's sovereign debt crisis. "The greatest challenge we face now is to prevent that this crisis of public finances doesn't lead to another markets crisis, and we end up in a downward spiral," Nowotny said. Nowotny said the euro area economy would experience "de facto stagnation" in 2012.

Dec. 5th - Italy Approves 30B-Euro Emergency Plan (Bloomberg) - Italian Prime Minister Mario Monti announced 30 billion euros ($40 billion) of austerity and growth measures as he seeks to cut the euro-region's second-biggest debt and prevent a breakup of the euro.Monti's Cabinet in Rome passed the measures a day earlier than planned as the new prime minister rushed to reassure investors he is serious about taming a debt of almost 1.9 trillion euros. The premier will present the package, which includes more than 12 billion euros in spending cuts, to both houses of parliament tomorrow. "The huge public debt of Italy isn't the fault of Europe, it's the fault of Italians because in the past we didn't pay enough attention to the well being of the young and the future adults of Italy," Monti said at a press conference in Rome today after his Cabinet passed the package. Monti, sworn in on Nov. 16 after Silvio Berlusconi resigned, is under pressure to move quickly as a selloff of the country's bonds sent borrowing costs surging last month past the 7 percent threshold that led Greece, Ireland and Portugal to seek aid. Italy is seen as too big to bail out with 450 billion euros of bonds maturing in the next three years, more than the current size of the EU's rescue fund.

Dec. 2nd - IMF acting behind the scenes in euro zone crisis (Reuters) - The International Monetary Fund is playing a behind-the-scenes role in helping to resolve the euro zone debt crisis, Managing Director Christine Lagarde said on Friday. Lagarde also urged Europe to act swiftly to come up with a "collective, comprehensive" solution to the zone's debt and fiscal woes. Lagarde urged Europe to address the crisis with "fiscal consolidation and structural reforms." "What we need to see is fiscal consolidation that is anchored, that is determined, that cannot be reversed," she said. Asked why the IMF was not doing more to ease the turmoil in Europe by extending emergency credit lines to debt-ridden economies like Italy and Spain, Lagarde said the Fund stood ready to help if it were asked to do so.

Dec. 2nd - ECB's Stark: Crisis cure needed to avoid disaster (Reuters) - "The lingering and expanding sovereign debt crisis must be halted to avoid macroeconomic and financial disaster, in the euro area and beyond," ECB Executive Board member Juergen Stark said. "Monetary policy should not be overburdened. Monetary policy in the euro area was and will remain an anchor of confidence and stability. It will remain dedicated to its mandate of maintaining price stability." "Maintaining very low interest rates for a protracted period may weaken the financial incentive for deleveraging for both the banking and non-financial sectors." "Very low interest rates may also discourage banks from trading in interbank money markets. This is an important market for the transmission of monetary policy," Stark said.

News/Comments Cont'd.

Dec. 2nd - Merkel: Financial crisis solution to 'take years' (AP) **-** German Chancellor, Angela Merkel, at the lower house of Parliament, insisted the 17 nations who use the euro currency need to take measures to restore market confidence. "The German government has made it clear that the European crisis will not be solved in one fell swoop..." she said."It's a process, and this process will take years." The discussion about eurobonds "does not contribute to the resolution of the crisis," she said. Instead, she said, the eurozone needs a new "stability union" with stronger fiscal controls and debt regulations. The German leader said her goal, together with Sarkozy's, is to change European treaties "to avoid a splitting of the eurozone and non-eurozone members," through a strengthening of EU institutions.

Dec. 1st - Central Banks Move to Calm Fears (WSJ) **-** Markets Rally After Joint Action Aimed at Cushioning Global Effects of Euro Crisis; Fed 'Prepared' to Do More if Needed. The world's major central banks launched a joint action to provide cheap, emergency U.S. dollar loans to banks in Europe and elsewhere, a sign of growing alarm among policy makers about stresses in Europe and in the global financial system. The coordinated action doesn't directly address Europe's government-debt and budget woes. Instead, it is aimed at alleviating the impact of those troubles on global markets. Moreover, it highlights the possibility of other steps by central bankers if markets or the global economy deteriorate. "The purpose of these actions is to ease strains in financial markets and thereby mitigate the effects of such strains on the supply of credit to households and businesses and so help foster economic activity," said a statement issued Wednesday by six central banks—the Federal Reserve, the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank and the Swiss National Bank. The Fed emphasized in its statement on the action that it could do more, saying it had a "range of tools" at its disposal to provide short-term funding to U.S. markets and was prepared to use them if needed. Some officials sought to use the latest move to put additional pressure on Europeans for more aggressive action in their own right. "The European debt problem can't be solved by liquidity provisions alone," Bank of Japan Gov. Masaaki Shirakawa said at a hastily arranged news conference. "The step is meant to buy time for European countries to proceed with their fiscal and economic reform."

Key Dates This Week

Date	*Country*	*Indicator*	*Month*	*Expectation*	*Previous*
12/08	EC	ECB Announces Interest Rates	DEC 8	1.00%	1.25%
12/13	EC	ZEW Survey (Econ. Sentiment)	DEC	- -	-59.1
12/14	EC	Euro-Zone Ind. Prod. wda (Y/Y)	OCT	- -	2.20%
12/14	EC	Euro-Zone Ind. Prod. sa (M/M)	OCT	- -	-2.00%
12/09	GE	Exports SA (MoM)	OCT	-1.30%	0.90%
12/09	GE	Imports SA (MoM)	OCT	0.30%	-0.80%
12/09	GE	Current Account (EURO)	OCT	14.0B	15.7B
12/09	GE	Consumer Price Index (M/M)	NOV	0.00%	0.00%
12/09	GE	Consumer Price Index (Y/Y)	NOV	2.40%	2.40%
12/09	GE	Trade Balance	OCT	15.0B	17.4B
12/13	GE	Zew Survey (Current Situation)	DEC	- -	34.2
12/13	GE	ZEW Survey (Econ. Sentiment)	DEC	- -	-55.2
12/08	FR	Non-Farm Payrolls (Q/Q)	3Q	0.00%	0.00%
12/08	FR	Bank of France Bus. Sentiment	NOV	- -	96
12/09	FR	Industrial Production (M/M)	OCT	-0.20%	-1.70%
12/09	FR	Industrial Production (Y/Y)	OCT	2.80%	2.30%
12/09	FR	Central Govt. Balance (Euros)	OCT	- -	-92.7B
12/09	FR	Manufacturing Production (M/M)	OCT	-0.20%	-1.60%
12/09	FR	Manufacturing Production (Y/Y)	OCT	3.50%	3.40%
12/12	FR	Current Account (EURO)	OCT	- -	-4.0B
12/12	FR	Wages (Q/Q)	3Q	- -	0.40%
12/13	FR	Consumer Price Index (M/M)	NOV	- -	0.20%
12/13	FR	Consumer Price Index (Y/Y)	NOV	- -	2.30%
12/13	FR	CPI Ex Tobacco Index	NOV	- -	122.73
12/14	SP	Consumer Price Index (M/M)	NOV	- -	0.80%

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Valance Economic Report: Japan

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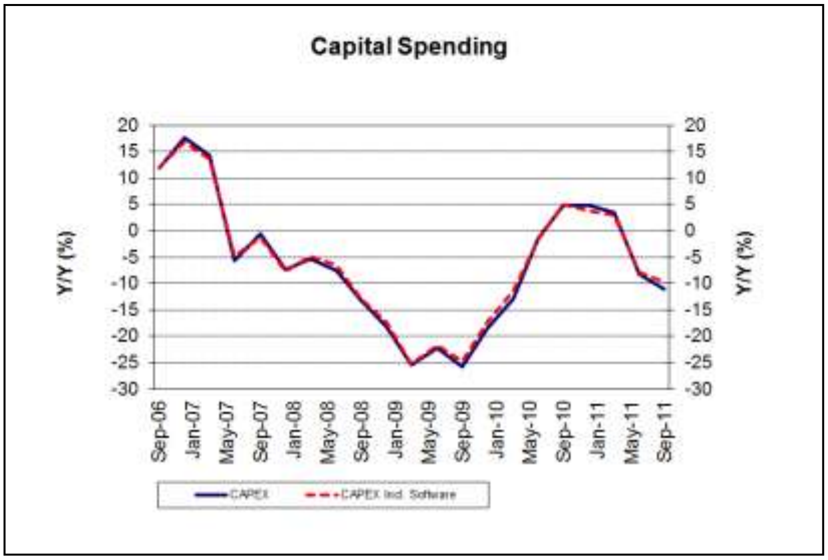
December 7, 2011

Data this week was relatively light. Capital Spending declined in Q3 while the leading index saw a modest improvement.

Weekly Highlights

CAPEX – dropped 2.7% Q/Q and 9.8% Y/Y in Q3. (JN 1)
Leading Economic Index – improved from 80.9 to 83.0 in July. (JN 3)

Charts of the Week: *CAPEX*



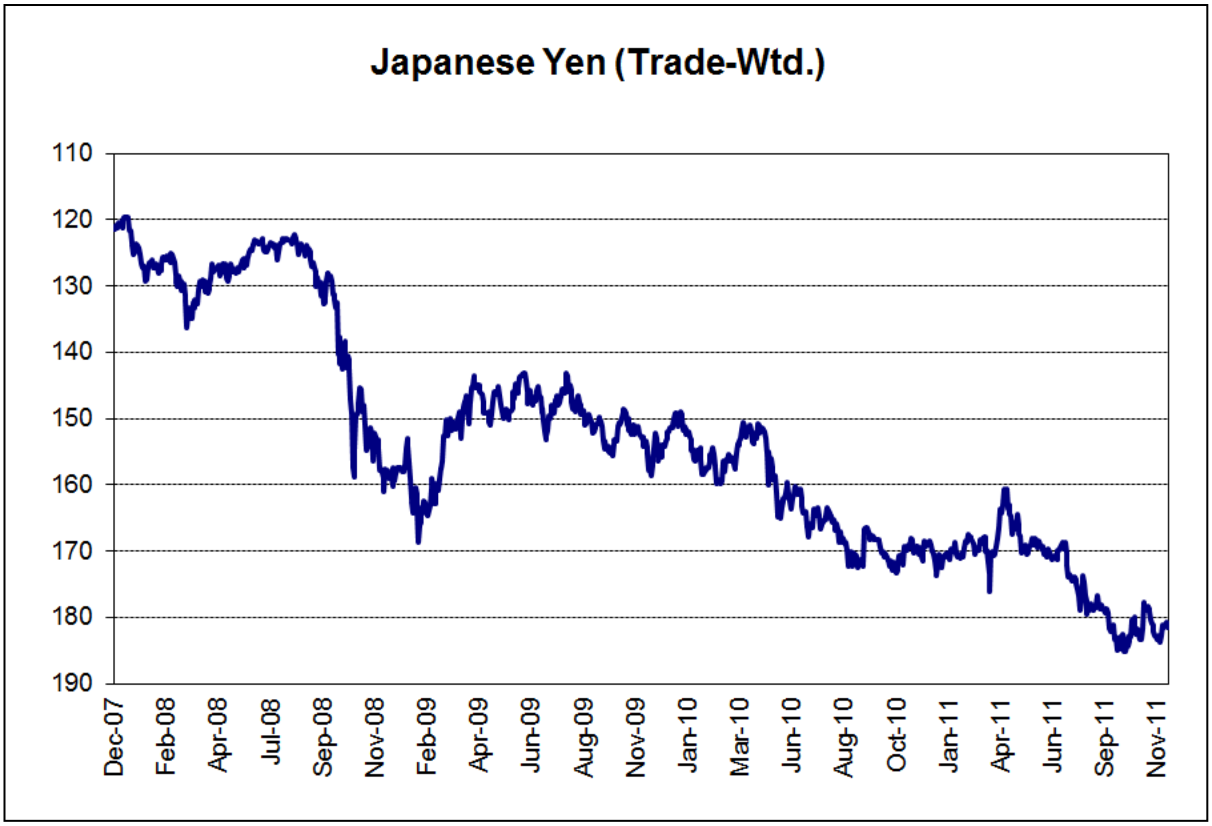
Capital Spending among Japanese companies declined for a second quarter, dropping 2.7% Q/Q and 9.8% Y/Y in Q3. Among manufacturers, spending increased 3.0% M/M and dropped 1.6% Y/Y. Among non-manufacturers, spending dropped 5.8% m/M and 14.3% Y/Y.

Corporate profits improved Q/Q however, increasing 3.6% Q/Q and dropping 8.5% Y/Y. Sales increased 1.9% Q/Q and dropped 1.9% Y/Y.

Japan's Financial Balances

Financial Balances

Japan	*Last period (¥trln)*	*Last 12mth. as a % of GDP*
Budget Balance	-3.03 (May)	-6.9%
Trade Balance	0.69 (June)	2.2%
Current Account Balance	1.50 (June)	5.2%
Private Balance	--	12.1%



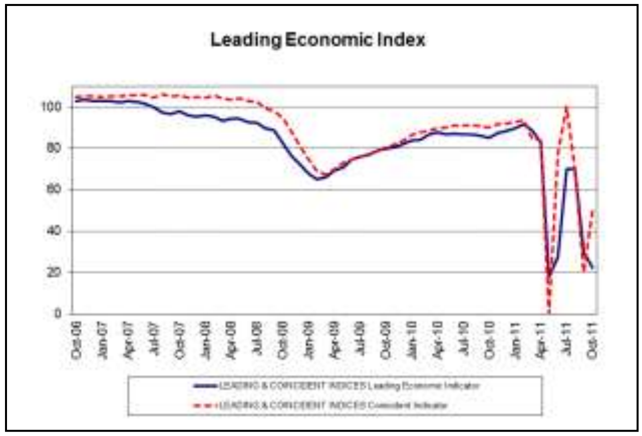
Leading Economic Index & Vehicle Sales

Leading Economic Index

According to Preliminary data, the Leading Index was unchanged in October, after having fallen 2.3pts to 91.5 in September. The Coincident index improved 1.3pts however, rising to 90.3.

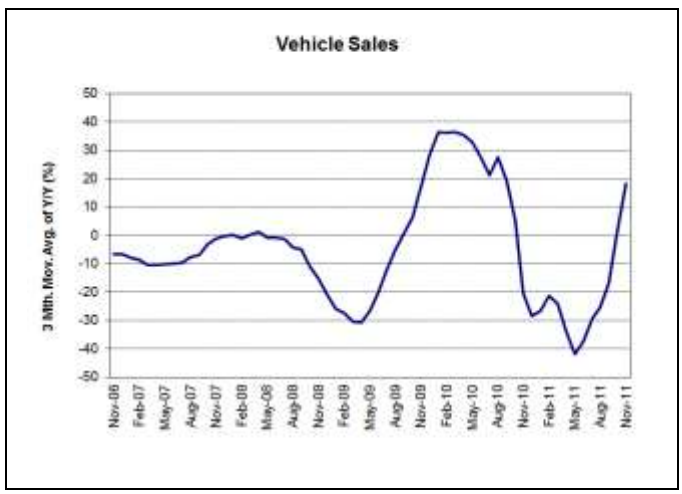
In Diffusion Index terms, the Leading index dropped from 30.0 to 22.2 while the Coincident index increased from 20.0 to 50.0.

The lack of change in the Leading Index CI occurred as a decline in producers' inventory ratio offset improvements in final demand and new job offers.



Vehicle Sales

Vehicle Sales increased 24.1% Y/Y in November.



News

December 7th – Gov't in Talks to Reduce Breaks on Property Taxes – According to an article in the Nikkei, the government has entered final talks on partially eliminating tax breaks for residential properties starting in FY12. The measure aims to raise revenue for local governments from fixed asset taxes, which go toward local authorities.

December 7th – BoJ Ishida Comments –BoJ Policy Board Member Koji Ishida commented that "There's no definite guarantee that borrowing costs will continue to stay at low levels….it's very important to maintain trust." He also commented that "if Europe's sovereign-debt problems spread and lead to a disruption in global financial markets, Japan won't be able to avoid being significantly affected" and that "Japan's economy will continue to decelerate for the time being because of the overseas slowdown and the yen's gains." Separately, he commented that his views on the risks to the economy are "largely unchanged," and that the BoJ needs to be "very alert about downside risks."

December 6th - Dollar loan demand surges - Following a reduction in borrowing costs for the US dollar, the BoJ said that dollar demand for the its one week dollar loans increased 25x. It noted that all bids were accepted and that it had charged 0.6% for the 7 day loans.

December 5th – Noda Orders Detailed Tax Hike Plan – Prime Minister Noda ordered a more detailed tax hike plan before the end of the year, asking members to stipulate the timing and size of tax increases in the next draft. Some government officials believe that the government will be raising the tax in two stages from 2013 to 2015 as the economy picks up.

Key Dates This Week

Date	Indicator	Expectation	Previous
12/7	Bank Lending Ex-Trusts YoY	N/A	0.10%
12/7	Current Account Total	¥503.6B	¥1584.8B
12/7	Adjusted Current Account Total	¥520.0B	¥1186.6B
12/7	Current Account Balance YOY%	-65.50%	N/A
12/7	Trade Balance - BOP Basis	-¥190.5B	¥373.2B
12/7	Machine Orders (MoM)	0.50%	-8.20%
12/7	Machine Orders YOY%	9.60%	9.80%
12/7	Bankruptcies (YoY)	N/A	-14.10%
12/8	Eco Watchers Survey: Current	N/A	45.9
12/8	Eco Watchers Survey: Outlook	N/A	45.9
12/8	BSI Large All Industry (QoQ)	N/A	6.6
12/8	BSI Large Manufacturing (QoQ)	N/A	10.3
12/8	GDP Deflator YoY	-1.90%	-1.90%
12/8	Nominal GDP (QoQ)	1.20%	1.40%
12/8	GDP Annualized	5.20%	6.00%
12/8	Gross Domestic Product (QoQ)	1.30%	1.50%
12/11	Domestic CGPI (MoM)	N/A	-0.70%
12/11	Domestic CGPI (YoY)	N/A	1.70%
12/11-16	Nationwide Dept. Sales (YoY)	N/A	N/A
12/11-16	Tokyo Dept. Store Sales (YoY)	N/A	N/A
12/12	Consumer Confidence	N/A	N/A
12/12	Machine Tool Orders (YoY)	N/A	26.00%
12/12	Tertiary Industry Index (MoM)	N/A	-0.70%
12/12	Japan Manpower Survey	N/A	N/A
12/13	Industrial Production (MoM)	N/A	2.40%
12/13	Industrial Production YOY%	N/A	0.40%
12/13	Capacity Utilization (MoM)	N/A	-3.60%
12/14	Tankan Lge Manufacturers Index	0	2
12/14	Tokyo Condominium Sales (YoY)	N/A	N/A

Valance Co., Inc.

Valance Economic Report: United Kingdom

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December 7, 2011

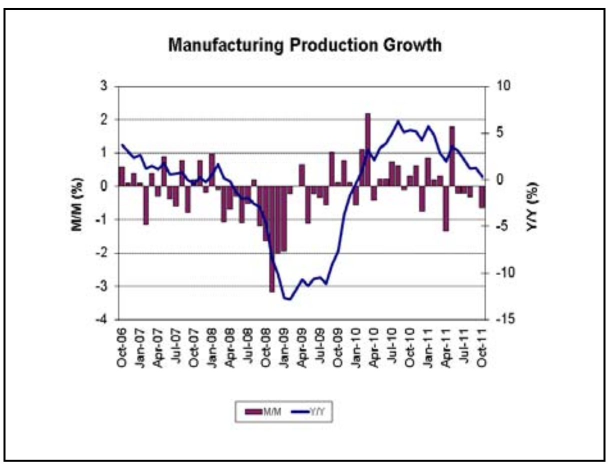
The Euro-area crisis continues to undermine Britain's largest export market and cloud the growth outlook for the U.K. economy. Factory Output dropped more than expected in October, the Manufacturing PMI contracted further in November and the EEF manufacturers' association cut its 2012 U.K. growth forecast from 2.2% to a mere 0.9%. The NIESR said that U.K. economic growth probably expanded 0.3% in the three months through November. The HBOS Survey showed that the U.K. housing market remains subdued.

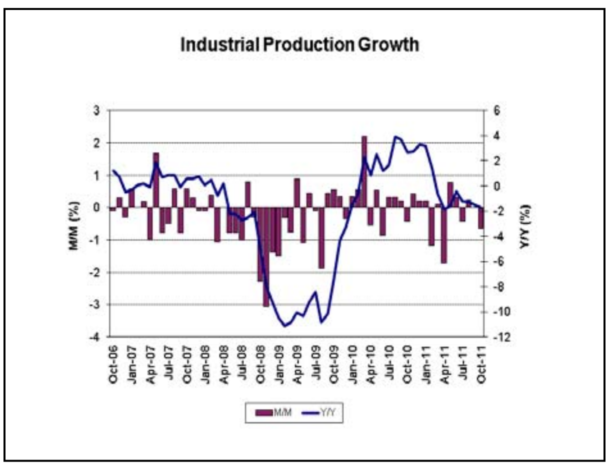
Weekly Highlights

Factory Output – fell 0.7% M/M in October. (UK 1)
PMI Manufacturing – fell from 47.8 to 47.6 in November. (UK 3)
HBOS House Prices – fell 0.9% M/M in November. (UK 3)

Weekly Releases & News

Chart(s) of the Week: *Mfg. & Industrial Production*

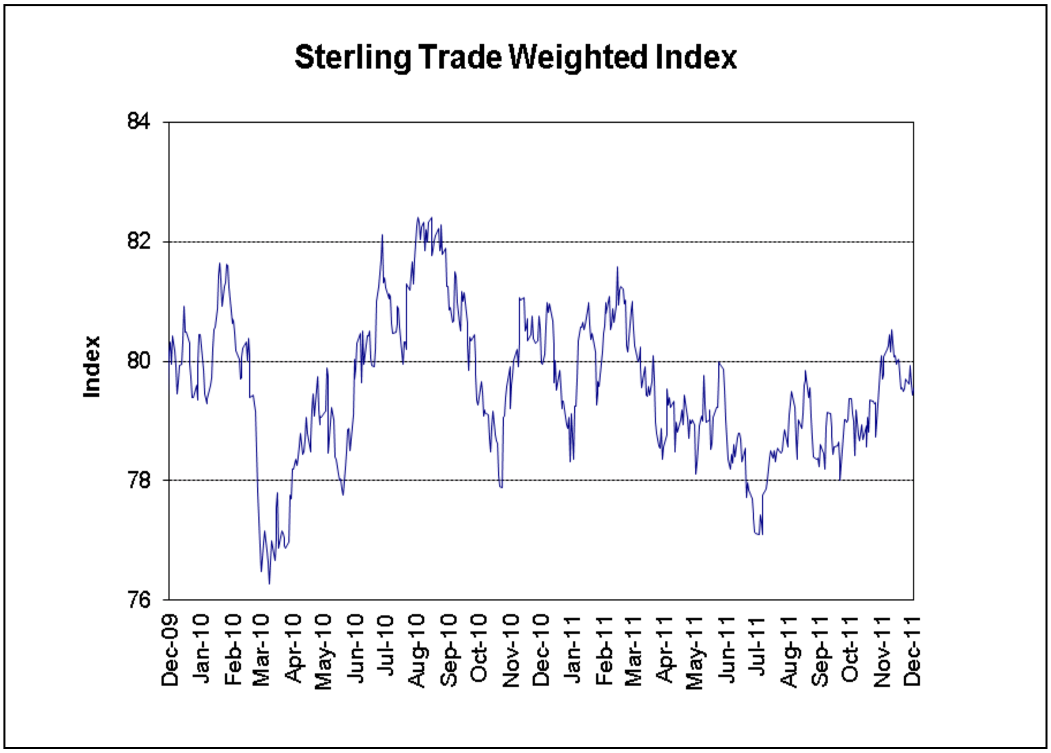




October Factory Output dropped 0.7% M/M (+0.1% prev.) and slowed from 1.3% Y/Y to 0.3% Y/Y. This is the largest monthly decline since April. Out of 13 categories, 8 fell and 5 rose. Industrial Production also dropped 0.7% M/M (flat prev.) and fell 1.7% Y/Y. For both Factory and Industrial output, economists expected a 0.3% monthly decline.

Financial Balance & FX

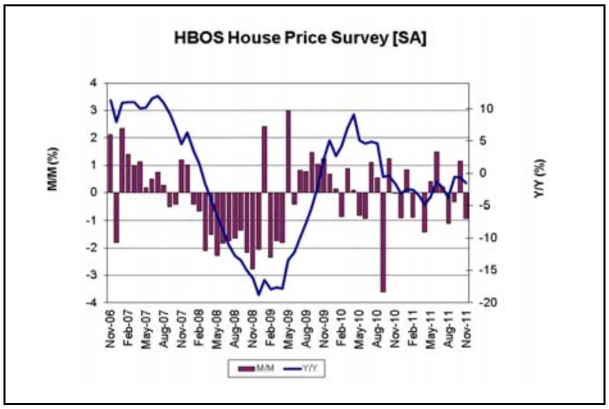
U.K.	*Last Period (blns)*	*Last 12mth. % of GDP*
Budget Balance (monthly/total)	+£12.0 (June)	+10.6%
Curr. Acct. Balance (quarterly)	-£9.4(Mar)	-3.2%
Private Balance	+£2.6	+7.4%



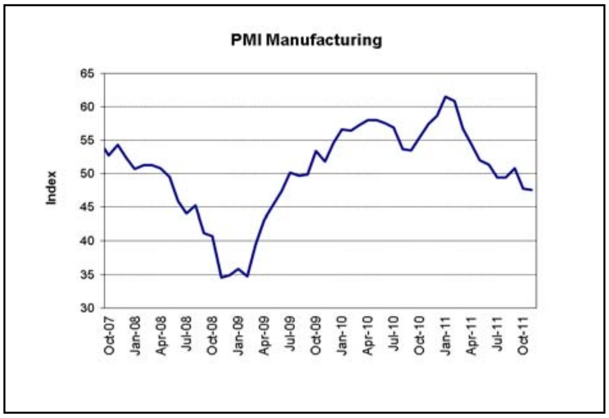
HBOS Housing Survey & PMIs

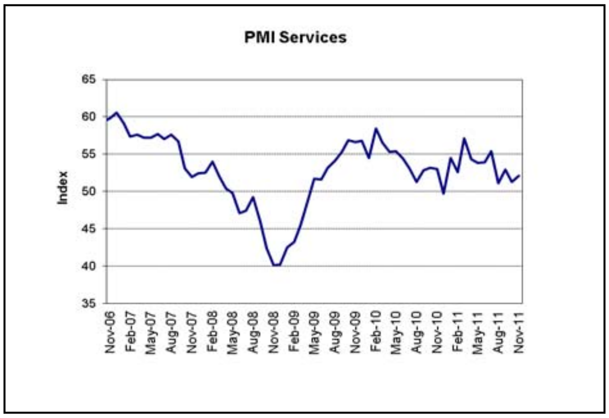
HBOS House Prices

HBOS House Prices fell 0.9% M/M in November after increasing 1.2% M/M in October. On a 3mth avg., prices fell an annualized 1.0% from -1.8% previously.



PMIs





PMI Index of Manufacturing eased 0.2pts to 47.6 in November, against the 47.0 expected. This is the fastest pace of contraction since June 2009. The index was at a 17-year low level of 34.5 in November 2008.

The PMI Index of Services rose slightly from 51.3 in October to 52.1 in November, against expectations for 50.5. CIPS commented that, "Companies remained concerned about the outlook. Strong headwinds from the continued euro-zone crisis combined with public sector pressures are adding to the anxiety levels."

Data & News

NIESR GDP Estimate - According to the National Institute of Economic and Social Research (NIESR), U.K. economic growth slowed in the three months through November, strengthening the case for the Bank of England to loosen monetary policy further. GDP probably rose 0.3%, less than the 0.4% estimated for the quarter through October. NIESR commented as follows:

- *Economic growth in the U.K. remains subdued. These data lend support to the further loosening of U.K. monetary policy.*

New Car Registrations - According to the Society of Motor Manufacturers and Traders, New Car Registration fell 4.2% Y/Y in November, compared to the 2.6% Y/Y gain in October.

PMI Construction - According to the Markit Economics and the Chartered Institute of Purchasing and Supply, a gauge of building activity based on a survey of purchasing managers dropped from 53.9 in October to 52.3 in November.

BRC Retail Sales - U.K. Retail Sales, measured by value, fell 1.6 Y/Y in November, according to the British Retail Consortium. Sales of winter clothing and footwear were hurt by mild weather in November and by consumers' uncertainty over jobs and incomes, the BRC said. "There's a worrying lack of cheer in these figures," Stephen Robertson, BRC director general, said. "The weakest increase in sales for six months suggests consumers are keeping a tight rein on their spending, despite Christmas being so near." The BRC report showed that in the three months through November, food sales rose 1.5% on the year on a like-for- like basis, while non-food sales fell 2.1%.

Dec. 7th - U.K. Shop-Price Inflation Slows to Weakest in Year, BRC Says (Bloomberg) - U.K. shop-price inflation slowed in November to the lowest in a year as a supermarket price war curbed food-cost increases, the British Retail Consortium said. Retail prices rose 2% from a year earlier, down from 2.1% in October, the trade group and Nielsen Co. said in an e-mailed report in London today. A separate report from KPMG LLP showed hiring for full-time jobs dropped the fastest since July 2009.

Dec. 6th - Bank of England announces crisis lending facility (FT) - The BoE on Tuesday announced new measures to alleviate concerns that borrowers could face a shortage of sterling liquidity if the situation in the eurozone were to deteriorate. Under the measures, the Bank will give borrowers access to month-long sterling loans on signs of a market-wide funding shortage. The size and date of any auctions of sterling loans will be based on market conditions, the Bank said. The loans will be made through a new liquidity facility, known as the extended collateral term repo facility. The Bank will charge a penalty rate of at least 125 bps points above its benchmark rate of 0.5% for month-long loans.

Dec. 5th - Manufacturers slash output forecasts (FT) - The EEF manufacturers' association now expects output to grow by just 0.9 % next year, down from 2.2 % in its previous forecast three months ago. A survey of 453 companies by the EEF and BDO found manufacturing activity had fallen in the last quarter in response to growing economic uncertainty. It said growth remained positive, but output and orders had dropped from historic highs at the beginning of the year to levels closer to their long-run average. Exports continued to grow but the domestic market was flat. A contraction in order books is expected in home and overseas markets in the next three months, it added. The EEF says output will have grown 2.8% this year.

News Cont'd.

Dec. 5th - U.K.'s OBR Says Economy Won't Peak Until 2014, Times Reports (Bloomberg) - The U.K. economy won't return to its 2008 peak until early 2014, the Times reported today, citing Robert Chote, chairman of the Office for Budget Responsibility. There is a 1-in-3 chance of a recession even if the euro zone recovers, the U.K. newspaper cited Chote as saying. The economy will grow at 0.7% next year compared with a forecast made by the OBR eight months ago of 2.5%, it said.***Dec. 2nd - King warns of 'spiral' into systemic crisis (FT)*** - Eurozone woes have created "an exceptionally threatening environment" as falling government bond prices, eroding confidence and asset fire sales threaten to "spiral" into a systemic financial crisis, the governor of the BoE has warned. "The crisis in the euro area is one of solvency not liquidity. And the interconnectedness of major banks means the banking systems and economies around the world are all affected. Only the governments directly involved can find a way out of this crisis," he said. "If debt is not to [continue] exploding to ever more unsustainable levels, transfers will be required together with the plan to restore the competitiveness within the euro area," he said.

Dec. 2nd - BoE urges banks to build reserves (AP) - The BoE's governor, Mervyn King, stressed that the Bank was not calling for increasing capital ratios, which have already been raised by regulators following the banking crisis which erupted four years ago. The Bank's latest Financial Stability Report pointed to sovereign debt and banking risks in the euro area as the most significant and immediate threat to Britain's financial stability. U.K. banks do not have large exposures to national debts of the euro nations but they are more exposed to private sectors in some weaker economies and have "significant exposures to major European banking systems, which in turn are highly exposed to weaker euro-area economies."

Key Dates This Week

Date	*Indicator*	*Month*	*Expectation*	*Previous*
12/08	BOE Asset Purchase Target	DEC	275B	275B
12/08	BOE ANNOUNCES RATES	DEC 8	0.50%	0.50%
12/09	PPI Input NSA (M/M)	NOV	-0.10%	-0.80%
12/09	PPI Input NSA (Y/Y)	NOV	12.90%	14.10%
12/09	PPI Output n.s.a. (M/M)	NOV	0.00%	0.00%
12/09	PPI Output n.s.a. (Y/Y)	NOV	5.30%	5.70%
12/09	PPI Output Core NSA (M/M)	NOV	0.00%	-0.10%
12/09	PPI Output Core NSA (Y/Y)	NOV	3.30%	3.40%
12/09	Visible Trade Balance GBP/Mln	OCT	-9400	-9814
12/09	Trade Balance Non EU GBP/Mln	OCT	-5400	-5715
12/09	Total Trade Balance (GBP/Mln)	OCT	-3450	-3940
12/12	RICS House Price Balance	NOV	- -	-24%
12/12-12/16	Nationwide Consumer Confidence	NOV	- -	36
12/13	DCLG UK House Prices (Y/Y)	OCT	- -	-1.40%
12/13	CPI (M/M)	NOV	- -	0.10%
12/13	CPI (Y/Y)	NOV	- -	5.00%
12/13	Core CPI (Y/Y)	NOV	- -	3.40%
12/13	Retail Price Index	NOV	- -	238
12/13	RPI (M/M)	NOV	- -	0.00%
12/13	RPI (Y/Y)	NOV	- -	5.40%
12/13	RPI Ex Mort Int.Payments (Y/Y)	NOV	- -	5.60%
12/14	Claimant Count Rate	NOV	- -	5.00%
12/14	Jobless Claims Change	NOV	- -	5.3K
12/14	Average Weekly Earnings 3M/Y/Y	OCT	- -	2.30%

Valance Co., Inc.

Valance Economic Report: Canada

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December 7, 2011

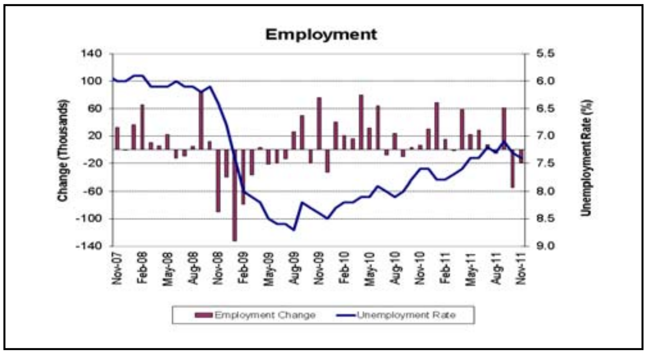
The labor market was weak for the second consecutive month in November, and the Unemployment Rate rose from 7.3% to 7.4%. As expected, the BoC kept its key interest rate unchanged and said that "the recession in Europe is now expected to be more pronounced than the Bank had anticipated in October."

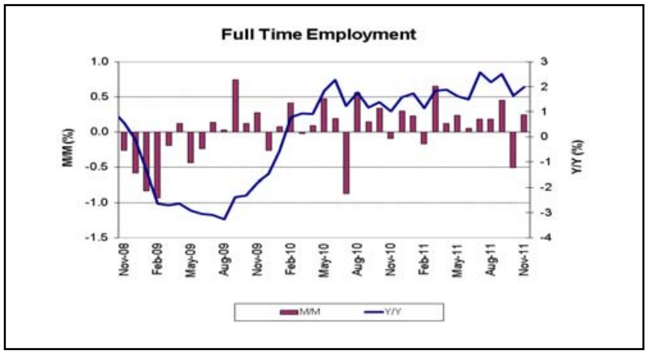
Weekly Highlights

Employment – the economy lost 7.1k jobs in November. (CA 1)
BoE Rate – remained at 1.00% in December. (CA 2)
Ivey Purchasing Managers Index – dropped 13.1pts to 46.8 in November. (CA 3)

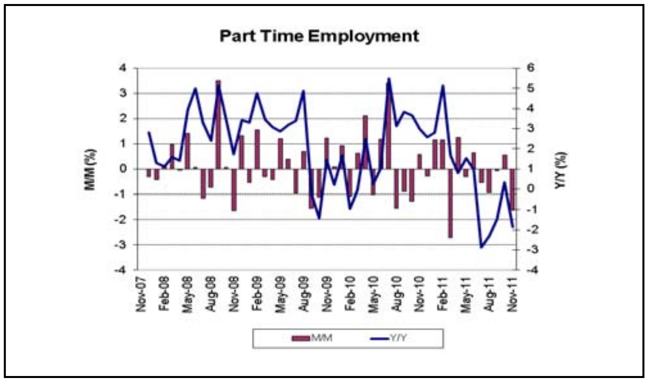
Weekly Releases & News

Chart(s) of the Week: *Employment Data*





The Canadian economy lost 18.6k jobs in November, following a 54.0k job loss in October, short of expectations for a 20.0k job gain. These are the first back-to-back job declines since the 2009 recession. The Unemployment Rate increased from 7.3% to 7.4%. Full-time jobs gained 34.6k, while part-time jobs fell 53.3k. The October's job payroll decrease was the largest since February 2009.

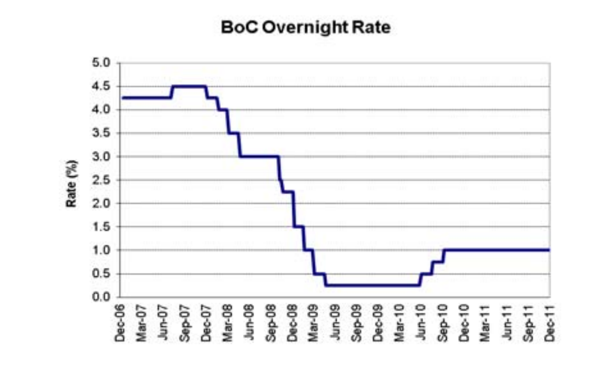


Financial Balances & Trade Weighted Exchange Rate

Financial Balances

Canada	*Latest period (C$bln)*	*Last 12mth. as % of GDP*
Budget Balance	-0.9 (Feb)	-2.3%
Trade Balance	-1.6 (Jun)	-1.6%
Current Account Balance	-12.1 (Q3)	-6.3%
Private Balance	--	-4.0%

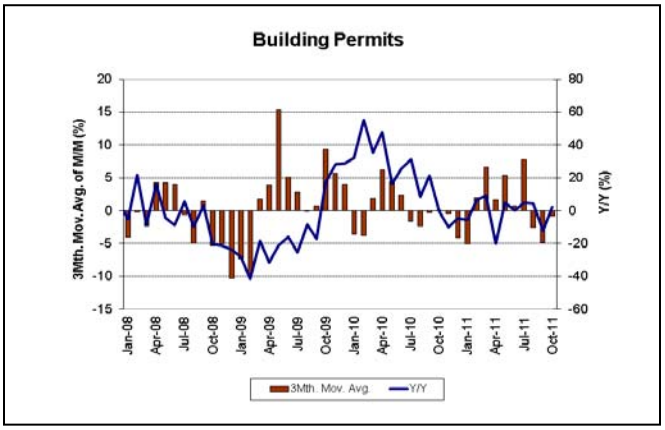
BoC Key Rate & FX



Building Permits & Ivey Purchasing Managers' Index

Building Approvals

Building Permits increased 11.9% M/M in October, after falling 4.1% M/M in September. Expectations were for a 1.6% M/M increase. Y/Y growth was up 2.2%. Residential Permits fell 0.1% M/M (+5.3% Y/Y) and Non-residential permits were up 32.8% M/M (-1.6% Y/Y).



Ivey Purchasing Managers' Index

The Ivey Purchasing Managers' Index (S.A.) increased from 54.4 in October to 59.9 in November, above expectations for 55.5. The overall index was at 60.0 a year ago. The price component jumped from 63.9 to 68.1, while the Inventory component surged from 51.5 to 61.3.

BoC Policy Statement

The Bank of Canada today announced that it is maintaining its target for the overnight rate at 1 per cent. The Bank Rate is correspondingly 1 1/4 per cent and the deposit rate is 3/4 per cent.

Uncertainty around the global economic outlook has increased in the weeks since the Bank released its October Monetary Policy Report (MPR). *Conditions in global financial markets have deteriorated as the sovereign debt crisis in Europe has deepened. Additional measures will be required to contain the European crisis.* ***The recession in Europe is now expected to be more pronounced than the Bank had anticipated in October****, as a result of increased deleveraging and tighter financial conditions, as well as necessary fiscal austerity and structural reforms.*

Recent economic data suggest that growth in the United States has been slightly more robust than anticipated, largely as a result of continued vigour in consumer spending and business investment. Nonetheless, household deleveraging, fiscal consolidation and negative spillover effects from the European crisis are all expected to weigh on U.S. growth. Growth in China and other emerging-market economies continues to be strong, although there are signs that it is moderating to a more sustainable pace in response to weaker external demand and the lagged effects of past policy tightening.

On balance, recent economic indicators in Canada suggest that growth in the second half of this year is slightly stronger than the Bank projected in October. Household expenditures have more momentum than had been expected and business investment remains solid. Going forward, the weaker external outlook is expected to dampen GDP growth in Canada through financial, confidence and trade channels. The economy also continues to face competitiveness challenges, including the persistent strength of the Canadian dollar.

Although total CPI inflation has been slightly higher than projected, the Bank continues to expect the inflation rate to decline as a result of reduced pressures from food and energy prices and ongoing excess supply in the economy. Core inflation has also been slightly firmer than projected and is expected to ease as the output gap persists well into 2013.

Reflecting all of these factors, the Bank has decided to maintain the target for the overnight rate at 1 per cent. With the target interest rate near historic lows and the financial system functioning well, ***there is considerable monetary policy stimulus in Canada.*** *The Bank will continue to monitor carefully economic and financial developments in the Canadian and global economies, together with the evolution of risks, and set monetary policy consistent with achieving the 2 per cent inflation target over the medium term.*

Comments & Upcoming Dates

Data/Comments

Dec. 6th - Canadian Home Sales Growth Likely Slowing, Regional Data Show (Bloomberg) - Canadian Home Sales may have slowed for the third month in November, with fewer transactions seen in Vancouver and moderating growth in Toronto, regional housing data show. November sales reported by 10 regional real estate boards show a 5.6% increase from a year earlier, according to data compiled by Bloomberg News, the slowest annual pace for this group since May. The 10 markets recorded an 11% annual gain in October. Canadian home buyers have taken advantage of historically low interest rates and available credit from banks, prompting Finance Minister Jim Flaherty to tighten mortgage rules in January. Home sales in Toronto rose 11% in November from a year earlier after growing at an 18% pace a month earlier, according to data from the city's real estate board. Vancouver recorded a 5.9% drop in purchases from a year earlier. The Canadian Real Estate Association releases aggregated national data in the middle of every month.

Dec. 5th - Carney Says ECB Shouldn't Use 'Magical Printing Press' (Bloomberg) - BoC Governor, Mark Carney said European politicians must fix the region's debt crisis themselves, and the European Central Bank can't be used as a "magical printing press" at the expense of its inflation mandate. "It's absolutely guided in our opinion by that mandate, not some magical printing press that the ECB should just run and solve this issue because it's too inconvenient for the political class to solve it," Carney said in a Maclean's magazine interview published online today. "No, the political class has to make these decisions. The question ultimately could, given the economic outlook in Europe, become: what is the necessary amount, and the appropriate way to provide stimulus to the European economy, in order to achieve their price stability mandate?" Carney said. The situation is "manageable" and requires "political will" to solve, Carney said. He reiterated that Europe needs to create a "firewall" that allows all governments in the euro zone to fund themselves for two or three years. "And that is a requirement that is at least on the order of a trillion euros," he said.

Key Dates This Week

Date	*Indicator*	*Month*	*Expectation*	*Previous*
12/08	New Housing Prices (M/M)	OCT	+0.2%	+0.2%
12/09	Trade Balance	OCT	0.70 bln	1.25bln
12/14	Mfg Sales (M/M)	OCT	-	+2.6%
12/14	Leading Indicators (M/M)	NOV	-	+0.2%
12/08	BoC Financial System Review	DEC	-	-

Valance Co., Inc.

Valance Economic Report: Australia

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December 7, 2011

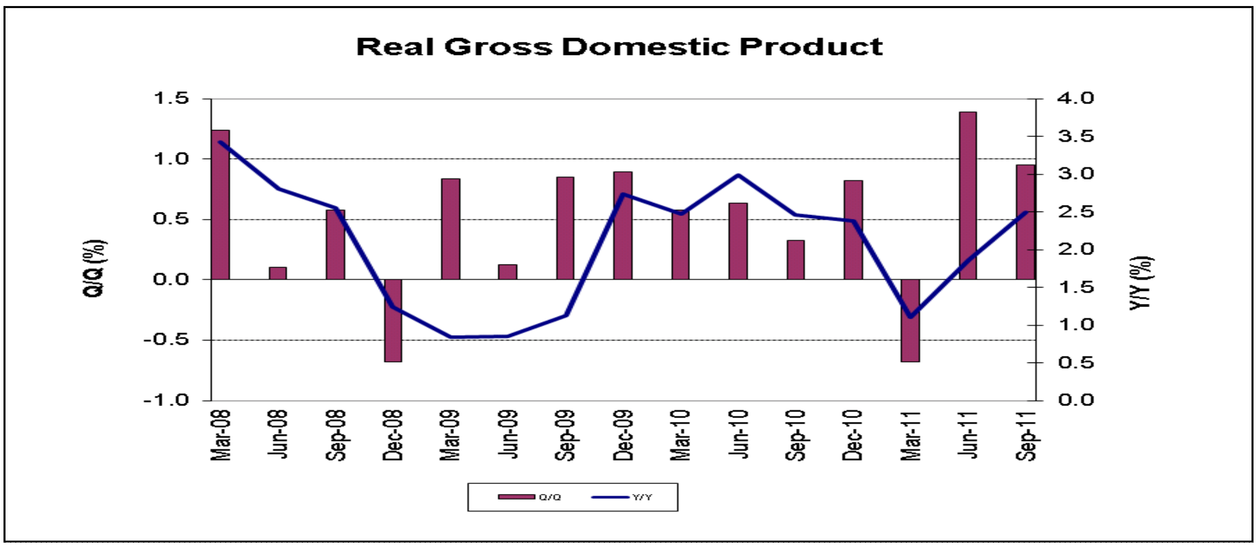
Q3 Real GDP expanded more than expected while Retail Sales increased less than expected in October. The Current Account Deficit narrowed in line with expectations, remaining at a low level by historical standards. As expected the RBA cut its benchmark interest rate for the second straight month and said that Europe's fiscal crises threatens to slow Australian commodity exports.

Weekly Highlights

Q3 Real GDP – expanded 1.0% Q/Q and 2.5% Y/Y. (AU 1)
RBA Cash Target – lowered 25bps to 4.25% in December. (AU 2)
Q3 Company Profits – unexpectedly increased 4.8% Q/Q. (AU)
Q3 Current Account Deficit – narrowed from A$6.7 bln to A$ 5.6 bln. (AU 5)

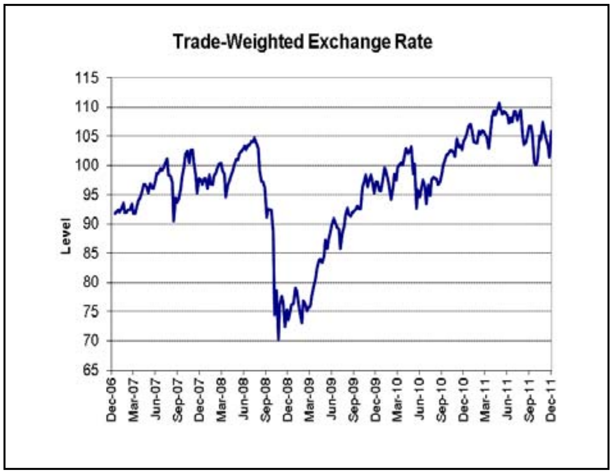
Weekly Releases & News

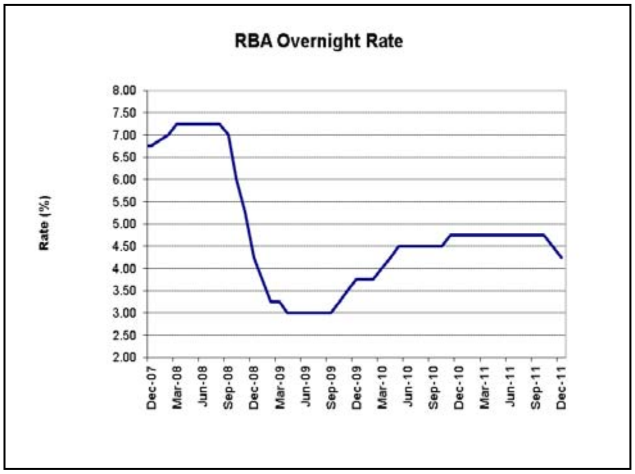
Chart of the Week: *Real GDP*



Q3 Real GDP expanded 1.0% Q/Q from an upwardly revised 1.4% Q/Q (previously +1.2%) expansion in Q2. Y/Y, growth was 2.5%, more than the 1.9% Y/Y in Q2; economists expected +0.8% Q/Q and +1.9% Y/Y.

FX & RBA Cash Target Rate



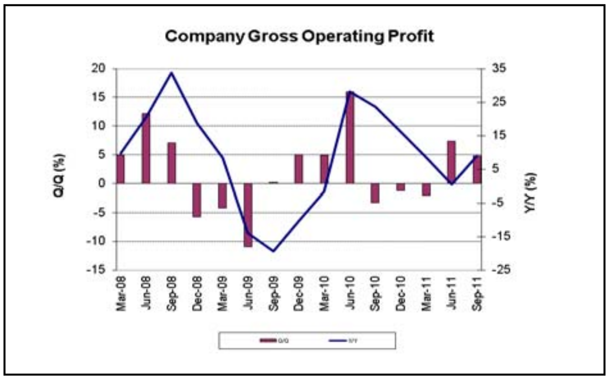


The RBA cut its overnight cash-rate target by 25bps to 4.25%, saying in its rather dovish statement that "financing conditions have become much more difficult, especially in Europe."

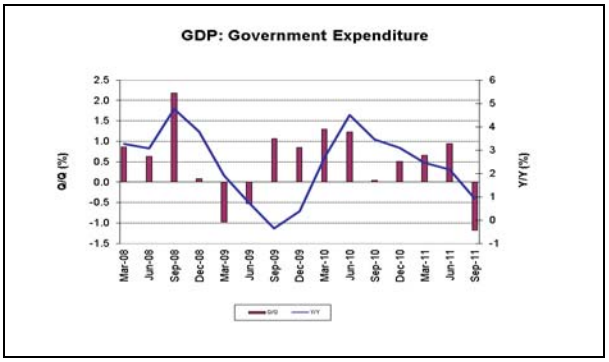
Company Operating Profit & GDP Components

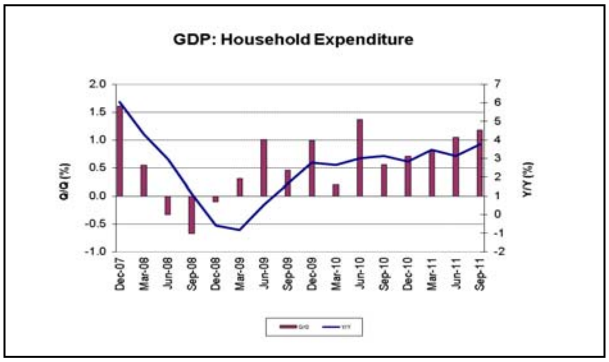
Company Gross Operating Profits

Company Gross Operating Profits rose by 4.8% Q/Q in Q3 from an upwardly revised 7.3% (previously +6.7%) in Q2. Expectations were for a 3.0% Q/Q increase. Inventories fell 1.1% Q/Q. Expectations were for a 1.2% Q/Q gain. Profits at mining companies rose 5.0% Q/Q and construction sector profits soared 21.7% Q/Q. Manufactures' profits fell 3.0% Q/Q and earnings fell 2.9% Q/Q at retailers.



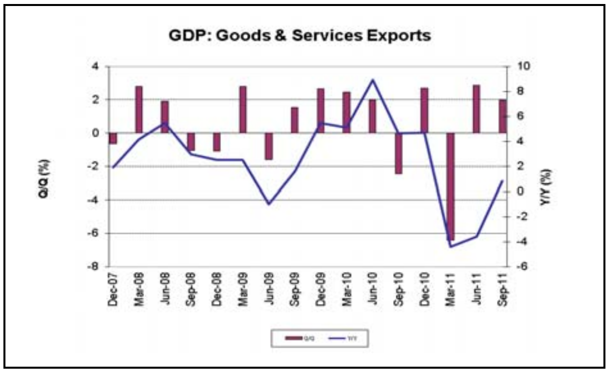
Government & Household Expenditure

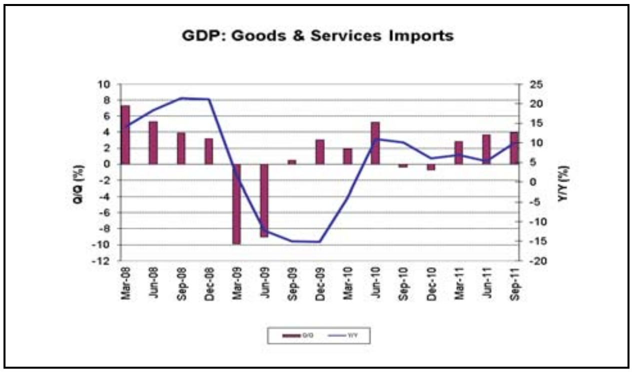




Government Spending fell 1.2% Q/Q and rose 0.9% Y/Y in Q3. Consumer Spending rose 1.2% Q/Q and 3.8% Y/Y.

Goods & Services Exports and Imports



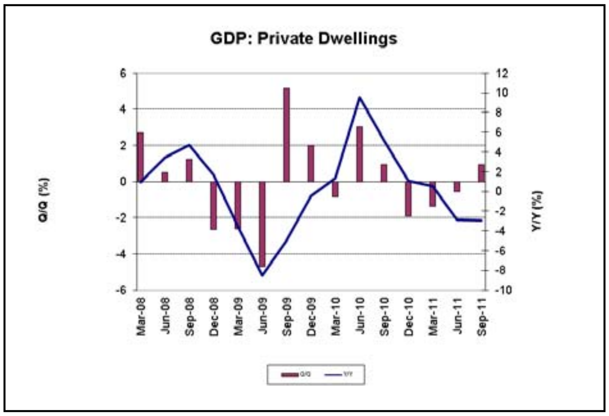


Exports of Goods and Services rose 2.0% Q/Q and 0.8% Y/Y in Q3. Imports rose 4.0 % Q/Q and 10.0% Y/Y.

GDP Data Cont'd., Current Account & RBA Cmdt. Prices

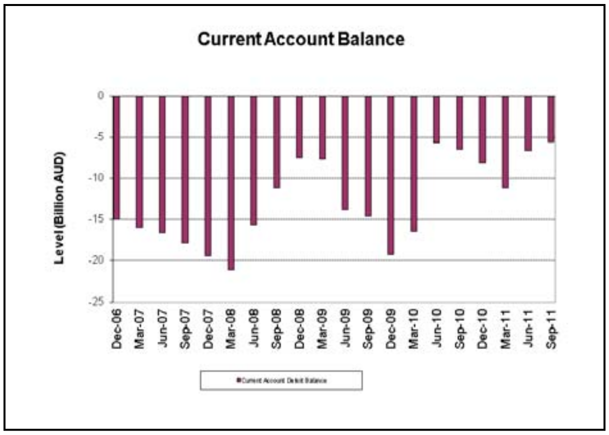
Private Dwellings

Private Dwellings Investment rose 0.9% Q/Q and fell 2.9% Y/Y in Q3.



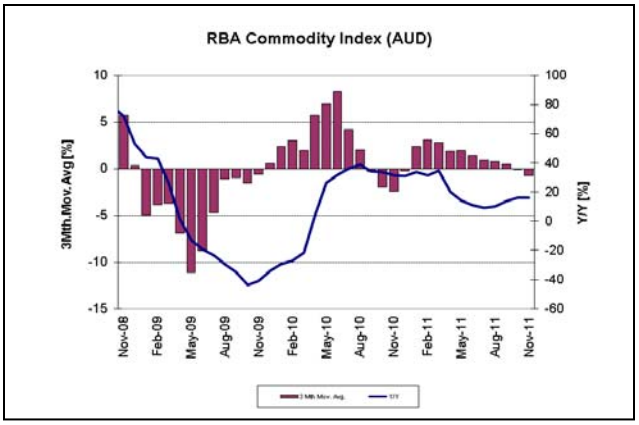
Current Account Deficit

The Current Account Deficit narrowed from A$ 6.7 bln in Q2 to A$ 5.6bln in Q3. The deficit currently stands at 2.2% of GDP.



RBA Commodity Prices

The RBA Commodity Price Index rose from 107.6 in October to 107.7 in November. In AUD terms, the index was flat M/M and rose 16.1% Y/Y.



Retail Sales & Data/News

Retail Sales

October's Retail Sales increased 0.2% M/M and 3.4% Y/Y. The market expected a 0.4% M/M gain. This increase was led by Clothing and Footwear (+1.2% M/M) and Food (+0.5% M/M).

Data/News

AiG Manufacturing - The Performance of Manufacturing Index rose from 47.4 to 47.8 in November. This is the 5th straight contraction and compares to a reading of 47.6 a year ago. A reading above/below 50pts indicates the sector is expanding/contracting.

AiG Construction - The Performance of Construction Index rose from 34.7 to 39.6 in November. This compares to a reading of 42.2 a year ago. New Orders component increased from 31.9 to 38.6.

AiG Services - The Performance of Services Index fell from 48.8 to 47.7 in November. This is the second straight contraction and compares to a reading of 46.2 a year ago. New Orders component increased from 49.4 to 50.4.

RBA Rate Decision Statement

At its meeting today, the Board decided to lower the cash rate by 25 basis points to 4.25 per cent, effective 7 December 2011.

*Growth in the global economy has moderated this year after a strong performance in 2010. Some of the slowing reflected temporary factors, and as these passed, the pace of expansion in the United States and much of Asia began to pick up around mid-year. C**hina's growth has been slowing, as policymakers there had intended. Trade in Asia is now, however, seeing some effects of a significant slowing in economic activity in Europe.***

The sovereign credit and banking problems in Europe, to which European governments are still seeking to craft a full response, are likely to weigh on economic activity there over the period ahead. ***Financial markets have experienced considerable turbulence, and financing conditions have become much more difficult, especially in Europe.*** *This, together with precautionary behaviour by firms and households, means that the likelihood of a further material slowing in global growth has increased. Commodity prices have reflected this, declining further over recent months and taking pressure off CPI inflation rates.* ***This has increased the scope for some easing in monetary policy in a number of countries.***

Information about the Australian economy suggests output growth has been close to trend, with demand growth stronger than that. The terms of trade have now peaked and will decline somewhat in the near term, but they remain very high. In response, investment in the resources sector is picking up very strongly, with much more to come. Some related service sectors are enjoying better-than-average conditions. In other sectors, changed behaviour by households and the high exchange rate have had a noticeable dampening effect. The unemployment rate has increased a little since mid-year, though it remains close to 5 per cent.

CPI inflation on a year-ended basis remained above the target at the latest reading, due to the effects of weather events last summer, but is now starting to decline as production of key crops recovers. Moreover, with labour market conditions now softer, the likelihood of a significant acceleration in labour costs outside the resources and related sectors in the near term has lessened. Accordingly, the Bank's current judgement is that inflation is likely to be consistent with the 2–3 per cent target in 2012 and 2013, abstracting from the impact of the carbon pricing scheme.

The reduction in the cash rate as a result of the Board's previous decision flowed through to lending rates, which are now around their average level of the past 15 years. Short-term market interest rates have tended to decline a little further in recent weeks, though term funding conditions for financial institutions have become more difficult. ***Credit growth remains subdued and asset prices have declined further over recent months.*** *The exchange rate has been quite variable over the past few months, but remains at an historically high level.*

Overall, the Board concluded, on the basis of all the available information, ***that the inflation outlook afforded scope for a modest reduction in the cash rate.*** *The Board will continue to set policy as needed to foster sustainable growth and low inflation over time.*

Key Dates This Week

Date	*Indicator*	*Month*	*Expectation*	*Previous*
12/07	Employment Change	NOV	-	+10.1k
12/11	Trade Balance	OCT	-	2564M
12/12	NAB Business Confidence	NOV	-	+2
12/13	Westpac Consumer Confidence (M/M)	DEC	-	+6.3%
12/13	DEWR Vacancies (M/M)	NOV	-	-1.9%-

Valance Co., Inc.

Valance Economic Report: New Zealand

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December 7, 2011

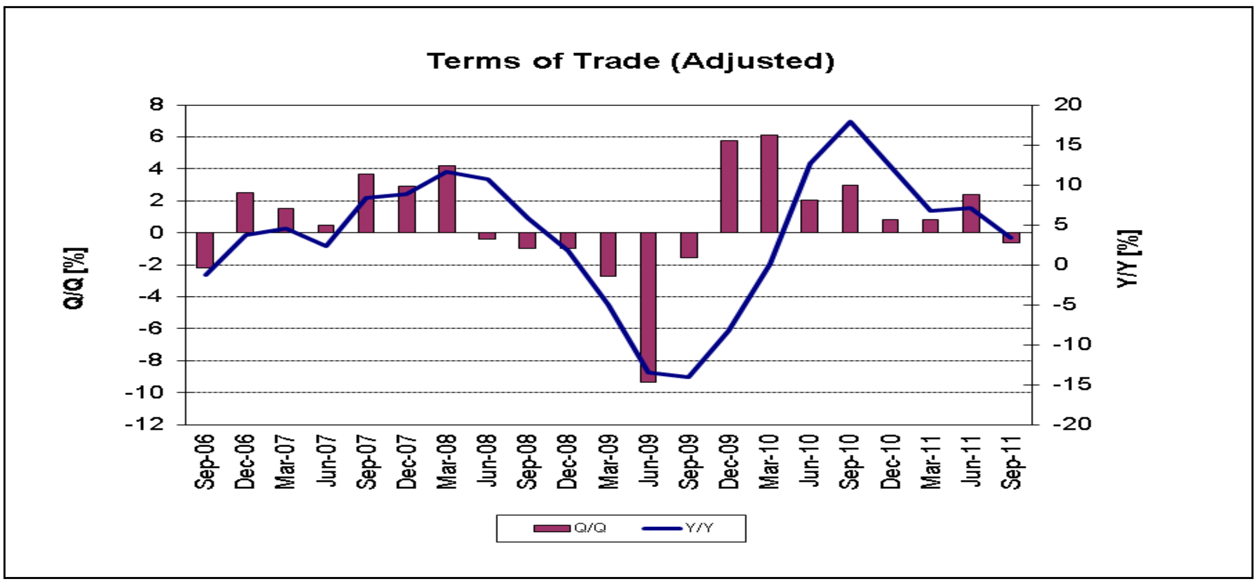
The Terms of Trade Index fell from its 37-year high level in Q3, while the ANZ Commodity Prices fell for the sixth straight month in November.

Weekly Highlights

Terms of Trade Index – fell 0.7% Q/Q in Q3. (NZ 1)
ANZ Commodity Prices – fell 1.0% M/M in November. (NZ 2)

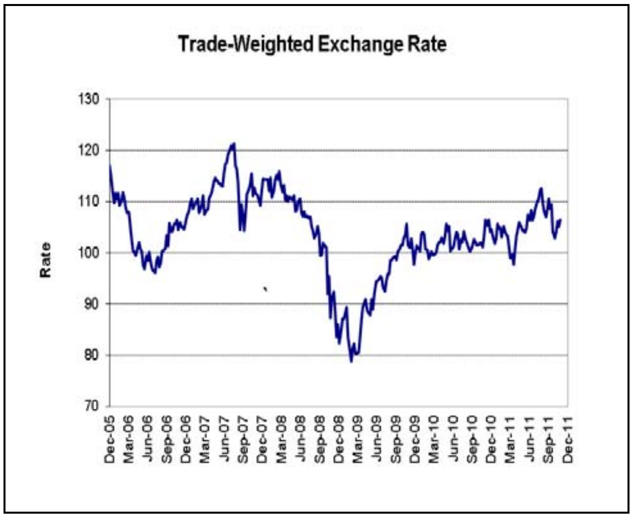
Weekly Releases & News

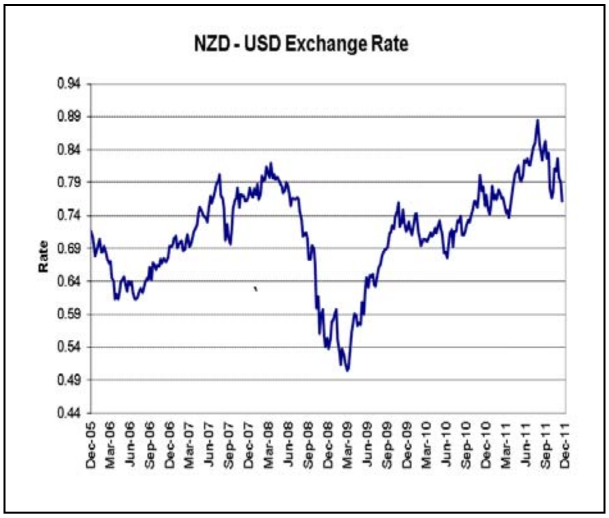
Chart of the Week: *Terms of Trade Index*



The Terms of Merchandise Trade Index fell 0.7 % Q/Q in Q3, after increasing 2.4% Q/Q in Q2, the highest level since 1974 in Q2. Y/Y, Terms of Trade increased 3.3%, after increasing 7.2% in Q2 and 6.8% in Q1. Export Prices fell 4.0% Q/Q and rose 4.5% Y/Y while Import Prices fell 3.4% Q/Q and rose 1.2% Y/Y.

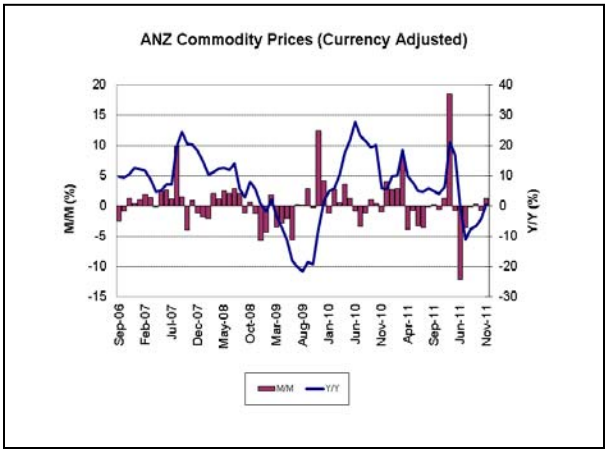
FX & ANZ Commodity Prices





ANZ Commodity Prices

November's Commodity Export Price Index fell 1.0% M/M and rose 5.8% Y/Y. This is the 6th consecutive monthly decline. Dairy Product prices were flat M/M and rose 1.3% Y/Y. Prices rose 1.2% M/M and 6.2% Y/Y in local currency terms.



Comments & Upcoming Dates

Comments

Dec. 1st - N.Z. Will Keep Cash Rate at 2.5% Until Late 2012, Goldman Says (Bloomberg) - New Zealand's Central Bank will keep the official cash rate at a record-low 2.5% until the fourth quarter next year amid modest economic growth and tighter fiscal policy, according to Goldman Sachs New Zealand Ltd. Economist, Philip Borkin. Goldman previously expected a rate rise in Q2.

Key Dates This Week

Date	*Indicator*	*Month*	*Expectation*	*Previous*
12/07	Mfg. Activity (Q/Q)	Q3	-	+2.1%
12/07	RBNZ OCR	DEC	2.50%	2.50%
12/07	QV House Prices (Y/Y)	NOV	-	+1.2%
12/08	ANZ Consumer Confidence (M/M)	DEC	-	-2.9%
12/12	Food Prices (M/M)	NOV	-	-1.3%

Valance Co., Inc.

*Weekly Economic Report: **China***

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December 7, 2011

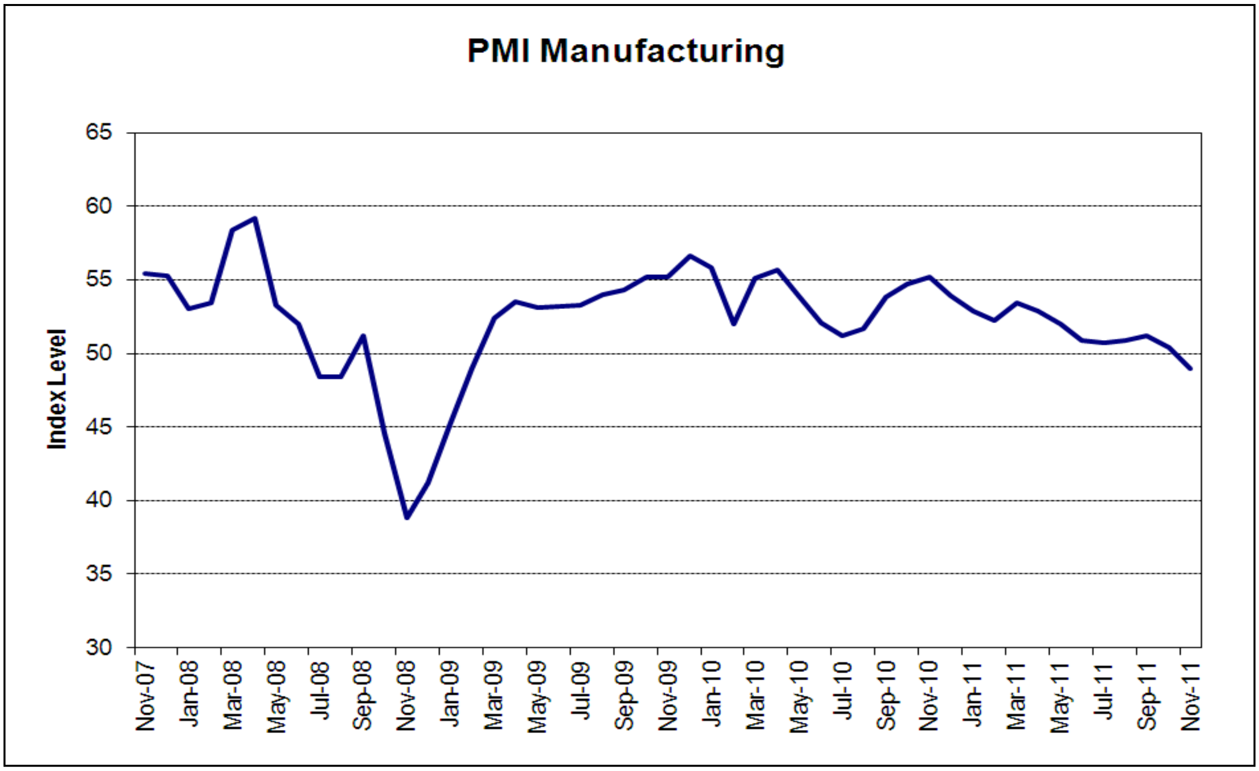
China's PMI Manufacturing surveys contracted in November.

Weekly Highlights

PMI Manufacturing – fell from 50.4 in October to 49.0 in November. (CH 1)
HSBC Manufacturing PMI – fell from 51.0 in October to 47.7 in November. (CH 2)

Weekly Releases & News

Chart(s) of the Week: *PMI Manufacturing*



According to the China Federation of Logistics and Purchasing, the Purchasing Managers' Index fell from 50.4 in October to 49.0 in November – the lowest since February 2009. The Index was forecast to reach 49.8. See PMI Manufacturing Results on the following page.

CH 1

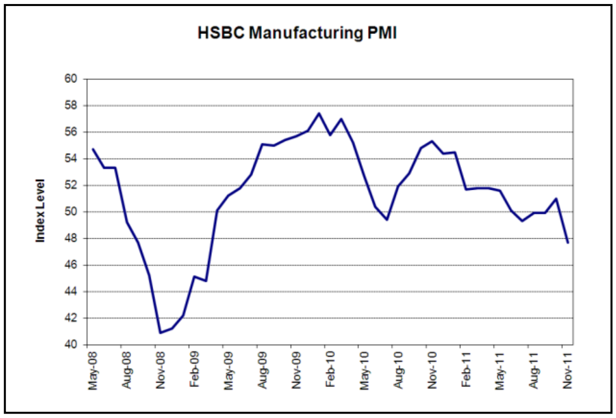
PMI Manufacturing Results, HSBC Manufacturing & Non-Manufacturing PMI

PMI Manufacturing Results

	Nov 2011	Oct 2011	Sep 2011	Aug 2011	July 2011	June 2011	May 2011	Apr 2011
Manufacturing PMI	**49.0**	50.4	51.2	50.9	50.7	50.9	52.0	52.9
Output	**50.9**	52.3	52.7	52.3	52.1	53.1	54.9	55.3
New Orders	**47.8**	50.5	51.3	51.1	51.1	50.8	52.1	53.8
New Export Orders	**45.6**	48.6	50.9	48.3	50.4	50.5	51.1	51.3
Backlogs of Work	**45.2**	46.0	48.9	47.6	46.5	45.9	47.7	50.7
Inventories of Finished Goods	**53.1**	50.3	49.9	48.9	49.2	51.0	50.0	50.8
Purchases Quantity	**49.8**	50.7	51.5	51.2	52.0	51.5	53.6	53.8
Imports	**47.3**	47.0	50.1	49.7	49.1	48.7	50.5	50.6
Input Prices	**44.4**	46.2	56.6	57.2	56.3	56.7	60.3	66.2
Inventories of Raw Materials	**46.7**	48.5	49.0	48.8	47.6	48.5	49.5	52.0
Employment	**49.0**	49.7	51.0	50.4	50.5	50.2	50.9	51.8
Supplier Delivery Times	**50.4**	50.7	49.5	49.9	50.3	49.8	49.9	50.6

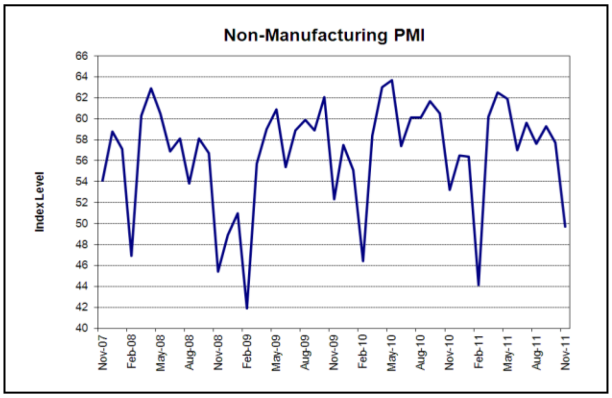
HSBC Manufacturing PMI

The HSBC Manufacturing PMI fell from 51.0 in October to 47.7 in November. Qu Hongbin, Chief HSBC Economist remarked, "The November PMI final reading points to a sharp deterioration in business conditions across the Chinese manufacturing sector. Combined with a faster-than-expected easing in inflation, this implies that growth is set to overtake inflation as Beijing's top policy concern."



Non-Manufacturing PMI

The Non-Manufacturing Purchasing Managers' Index fell from 57.7 in October to 49.7 in November. Vice Chairman, Cai Jin of the China Federation of Logistics and Purchasing remarked, "Less active consumption in the off-season and the sluggish demand in the construction sector combined to drag down the index,"



Data & News

Data

November 4th – HSBC Services PMI (Money Control) – fell from 54.1 in October to 52.5 in November. HSBC's Chief China Economist, Qu Hongbin remarked, "With price pressures easing further, Beijing can and should use policies that are targeted on small businesses and service sectors to keep GDP growth at above 8 percent for the coming year."

News

December 7th (Bloomberg) - China Statistics Bureau's Zheng Sees 2012 Inflation About 4% - Zheng Jingping of the the National Bureau of Statistics wrote that China's inflation rate may drop from 5.5% this year to 4.0% in 2012. He attributed the decline to "loose monetary policies globally, rising costs and still elevated inflation expectations." Jingping also said that economic growth will be above 9.0% this year and next.

December 7th (Xinhua) - Chinese gov't think tank lowers 2011 growth forecast – The Chinese Academy of Social Sciences lowered its growth forecast for China's 2011 GDP from 9.4% to 9.2%. The Academy stated that the slowdown is in part due to "a volatile world economic recovery and the country's tight monetary policy." It added, that "It expected the country's GDP growth to reach 8.9 percent in 2012 if there is no significant deterioration in the global economic and political conditions and no serious natural disasters nor other problems at home."

December 6th (Bloomberg) - S&P Affirms China Rating, Sees "Exceptional' Growth Outlook - Standard & Poor's affirmed China's sovereign ratings of AA- (long-term credit rating) and A-1+ (short-term rating) and said "the outlook remains stable, citing the nation's exceptional growth prospects, holdings of overseas assets and modest government indebtedness."

December 5th (The Economic Times) - China should quicken yuan reforms -Yu Yongding, a former PBoC adviser said:

The depreciation trend of the yuan exchange rate, though likely to be short term, should be seen as a warning to China's economic development.

More importantly, we should use the two-way swings in the yuan as an opportunity for accelerating reforms of the exchange rate formation mechanism.

Although China's economic growth could slow significantly in 2012, the possibility of a hard landing is very small.

News (Cont'd.)

December 4th (Reuters) - China's new loans may increase slightly in 2012 – Yan Qingming of the China Banking Regulatory Commission remarked:

The growth in new loans should rise depending on economic growth. But I don't think it will be too different from what we have this year

…the government would continue to restrict bank lending to the property sector next year and that Beijing will closely monitor property-loan risks as prices fall.

December 2nd (Bloomberg) - Chinese Banking Policy Slows Growth of Bad Loans - Charlene Chu, head of Fitch's ratings of Chinese banks said:

Fitch expects the authorities to continue a selective policy of forbearance and liquidity support for borrowers, including loan rollovers and restructurings, new loans, and bond issuance," Chu wrote. "As a result, asset quality issues may not fully appear in nonperforming loan ratios until well into a deterioration, if at all.

December 2nd (Bloomberg) - China Central Bank Says Property Prices at "Turning Point" – A PBoC report showed:

The turning point of property prices is emerging.

The bigger concern that banks and companies have is whether a 20 percent fall in home prices might induce panic selling, and whether relevant departments will be able to take effective measures to control any chain reactions.

December 2nd (Bloomberg) - China Can't Use Reserves to 'Rescue' Countries - Vice Foreign Minister Fu Ying said:

Foreign reserves are not revenues. It's not money that can be used by the premier or the finance minister.

…now is not the time for China to have a contingency plan in the event a euro zone country defaults on its debts or exits from the 17-nation single currency. The argument that China should rescue Europe does not stand.

News (Cont'd.)

December 1st (Bloomberg) - 'Grimmer' World Situation Than in 2008 Crisis - Zhu Guangyao, Vice Chinese Finance Minister spoke at an economic conference:

On the global economic situation: *The world economy is facing severe challenges. The most prominent risk is that the world recovery halts. Major developed economies may risk recession.*

There has been a notable increase in uncertainties and unstable factors in the world economy, challenging China's effort to maintain steady and relatively fast growth. Therefore we must closely monitor changes in the world economy, especially China's two largest trading partners -- Europe and the U.S.

The current crisis is grimmer and more challenging than the global financial crisis triggered by the Lehman Brothers bankruptcy in 2008. At that time, the world economy maintained growth, and world leaders, especially G-20 countries, rolled out massive fiscal stimulus and monetary measures in a timely manner, and adopted other counter-cyclical economic policies so that the crisis was to a large extent contained and economic recovery was achieved in a relatively short time.

Now, however, some countries face very difficult fiscal conditions and some economies are contracting. The room for monetary policy maneuvering is also limited.

Under such circumstances, we must make policies more focused, flexible and preemptive and manage the pace and strength of macro-economic controls. Countries around the world should work together to tackle the difficulties.

The key is to turn policy pledges into detailed and appropriate measures, and to win more trust from the market because market confidence is very important.

So the most imperative task now is to try our best to stimulate global economic growth and to direct world growth back onto the right track.

Key Dates This Week

Date	*Indicator*	*Month*	*Expectation*	*Previous*
12/08	CPI	NOV	4.5%	5.5%
12/08	PPI	NOV	3.4%	5.0%
12/08-09	IP YTD / IP Y/Y	NOV	13.9% / 12.6%	14.1% / 13.2%
12/08-09	Fixed Assests Inv Excl.	NOV	24.8%	24.9%
12/08-09	Retail Sales YTD / Y/Y	NOV	17.0% / 16.8%	17.0% / 17.2%
12/09-10	Trade Balance	NOV	$15.20B	$17.03B
12/09-10	Exports /Imports	NOV	10.9% / 18.8%	15.9% / 28.7%
12/10-15	New Yuan Loans	NOV	550.0B	586.8B
12/10-15	M0 / M1 / M2	NOV	--/ 8.6% / 12.8%	11.9% / 8.4% / 12.9%
12/12	China Manpower Survey	Q1	--	25%
12/13-17	Actual FDI	NOV	--	8.8%
12/14	HSBC Flash China Manufacturing PMI	DEC	--	48.0

Valance Co., Inc.

Valance Economic Report: Sweden

Evelyn L. Richards
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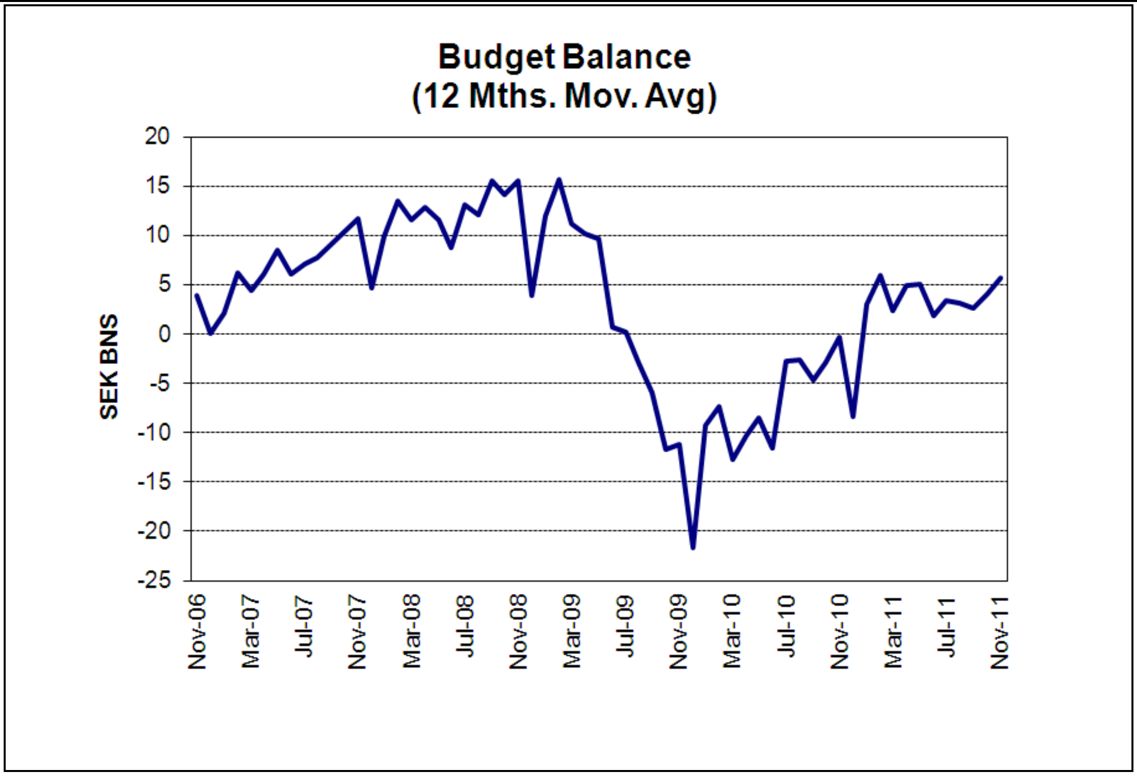
In November, Sweden posted an SEK 5.5 bln budget surplus and the PMI Index remained below its expansion level of 50 for the fourth consecutive month. Output in the service sector fell in October.

Weekly Highlights

Budget Balance – reached SEK 5.5 bln in November. (SW 1)
PMI – slipped from 49.8 in October to 47.6 in November. (SW 2)
Service Production – fell 0.5% M/M (sa) and rose 2.9% Y/Y (wda) in October. (SW 3)

Weekly Releases & News

Chart(s) of the Week: *Budget Surplus*

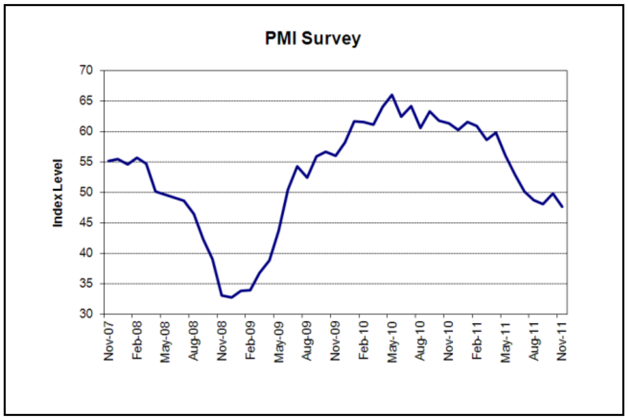


Sweden posted a Budget Surplus of SEK 5.5 bln in November, above the surplus of SEK 3.0 bln posted the previous month. On a 12-mth. mov. avg. basis, the budget balance strengthened from a surplus of SEK 3.38 bln in October to a surplus of SEK 5.73 bln in November.

PMI &Trade Weighted Exchange Rate

PMI

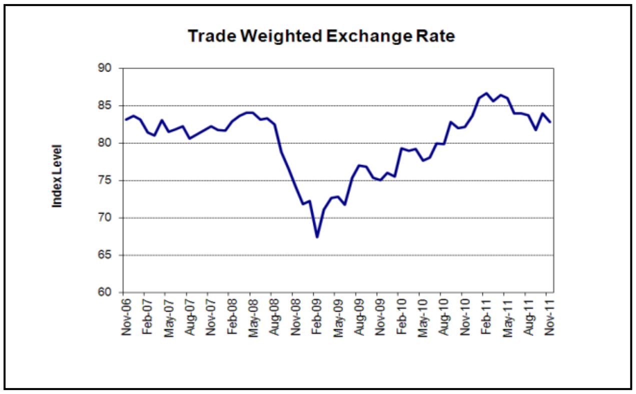
Sweden's Purchasing Managers' Index slipped from 49.8 in October to 47.6 in November, remaining below 50 for the fourth straight month. It was expected to reach 49.0. All of the index's 10 subcomponents dropped below the expansion level. Notably, New Orders was the largest negative contributor, dropping 3.4 points and Production fell to its lowest level this year, falling 2.0 points. See below for PMI results.



PMI Results

	Nov 2011	Oct 2011	Sep 2011	Aug 2011	July 2011	June 2011	May 2011	Apr 2011	Mar 2011	Feb 2011	Jan 2011
PMI	**47.6**	49.8	48.1	48.7	50.1	52.9	56.1	59.8	58.6	60.9	61.5
Orders	**47.1**	50.5	46.5	47.0	45.4	52.3	55.4	61.5	56.1	59.5	64.2
Production	**46.2**	48.2	48.9	48.6	49.4	54.0	59.8	61.9	61.4	65.0	64.9
Employment	**48.3**	50.7	50.0	50.9	53.7	51.3	54.4	57.7	58.3	61.1	57.7
Delivery Times	**45.6**	47.8	47.5	49.1	54.4	58.1	61.0	65.1	66.0	67.2	64.6
Stocks	**46.0**	47.1	52.0	51.5	50.1	51.4	55.6	54.6	52.0	64.4	51.9
Export Orders	**47.5**	48.9	48.3	48.0	46.9	52.5	52.8	58.3	54.7	58.8	61.9
Domestic Orders	**46.1**	49.1	46.2	42.3	43.4	48.8	56.4	56.9	54.0	56.3	62.1
Stocks of Orders	**45.1**	48.9	47.0	47.9	49.1	51.0	55.3	57.3	54.3	58.0	60.2
Raw Material Prices	**42.6**	39.9	47.0	47.4	51.5	60.5	63.5	74.5	79.8	77.1	77.1
Import Prices	**44.5**	46.8	45.8	48.5	50.4	52.2	56.2	58.5	58.9	60.2	58.6

Trade Weighted Exchange Rate



Data & News

Data

December 6th - Service Production – fell 0.5% M/M (sa) and rose 2.9% Y/Y (wda) in October, compared with 0.5% M/M and 5.1% Y/Y the previous month. Notably, increases were seen in Telecommunications (13.8% Y/Y), Administrative and Supportive Services (10.4% Y/Y), and Wholesale Trade (6.1% Y/Y).

News

December 7th (Bloomberg) - Sweden to Shun Euro for Long Time Amid 'Severe' Woes – Finance Minister, Anders Borg made the following remarks in an interview:

We can be very clear that it will be a long time before Sweden is a part of the currency unit. It has not worked as we expected. The problems have been much more severe.

The key for the politicians should be to do the fiscal stuff correctly and if there would be an opportunity for the IMF or the ECB to step in, that, I think, could calm down the situation more substantially.

We have been able to show self discipline, to do structural reforms. But I think the demands on discipline are higher if you're outside and that is probably an advantage at least in these kinds of difficult times. Obviously, we believe in European integration.

December 1st - Swedish Banks Don't Need Fed Dollars – Deputy Riksbank Governor, Wickman-Parak stated:

We have constant contact with the market and know what's happening and the banks have access to the kind of financing they need, including dollar financing, and we then don't need to do anything.

European banks are in a difficult situation. They are dependent on dollar financing. All that eases the stress on the market is good

Key Dates This Week

Date	*Indicator*	*Month*	*Expectation*	*Previous*
12/09	Industrial Production	OCT	-0.5% / 4.1%	1.3% / 4.8%
12/09	Industrial Orders	OCT	--	-0.95 / 1.7%
12/13	CPI – HR	NOV	--	0.0% / 2.9%
12/13	CPI – CPIF	NOV	--	-0.1% / 1.1%
12/13	CPI Level	NOV	--	313.42
12/13	PES Unemployment Rate	NOV	--	4.55

Valance Co., Inc.

Valance Economic Report: Switzerland

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December 7, 2011

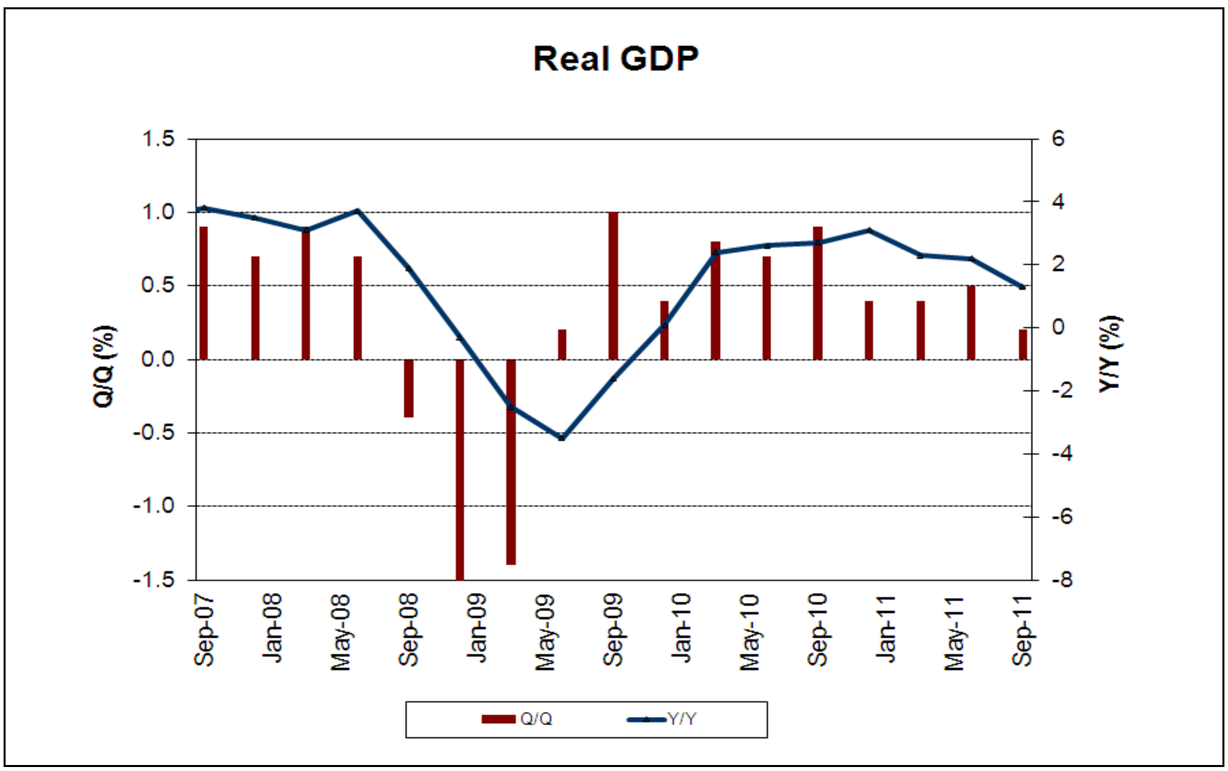
GDP growth slowed more than expected in Q3. In November, Swiss Inflation unexpectedly fell, Manufacturing contracted further, and the Jobless Rate stayed at its lowest in almost three years.

Weekly Highlights

Real GDP Growth – rose 0.2% Q/Q and 1.3% Y/Y in Q3. (SZ 1)
CPI – fell 0.2% M/M and 0.5% Y/Y in November. (SZ 2)
Unemployment Rate (sa) – remained unchanged at 3.0% in November. (SZ 3)
PMI – fell from 46.9 in October to 44.8 in November. (SZ 4)

Weekly Releases & News

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

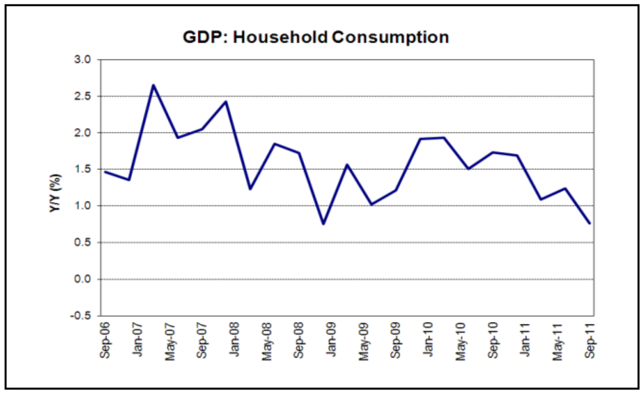


Real GDP growth rose 0.2% Q/Q and 1.3% Y/Y in Q3, compared with 0.5% Q/Q and 2.2% Y/Y growth in Q2. Q3 growth was expected to reach 0.1 Q/Q and 1.8% Y/Y. See GDP components below.

GDP Components

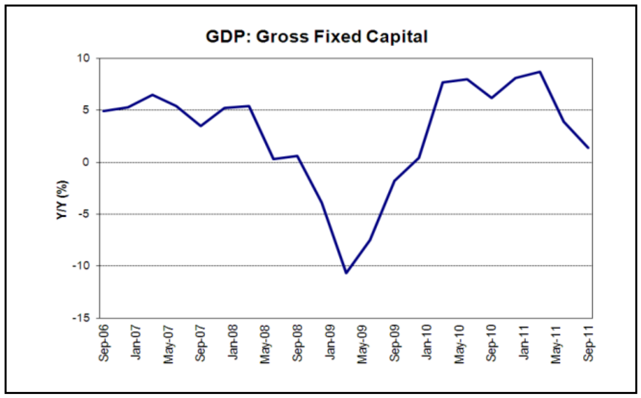
Household Consumption

Real Household Consumption growth remained unchanged on a quarterly basis at 0.1% and slowed from 1.2% Y/Y in Q2 to 0.8% Y/Y in Q3.

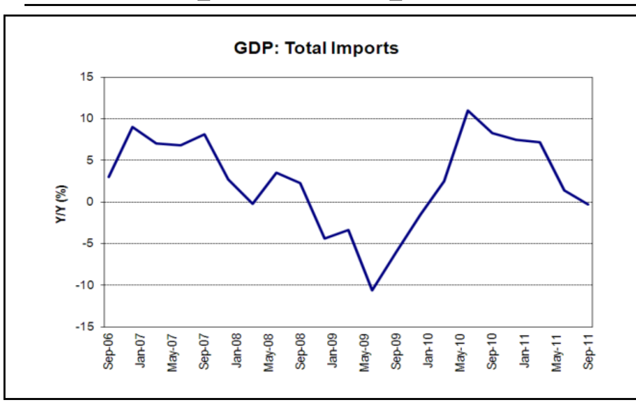


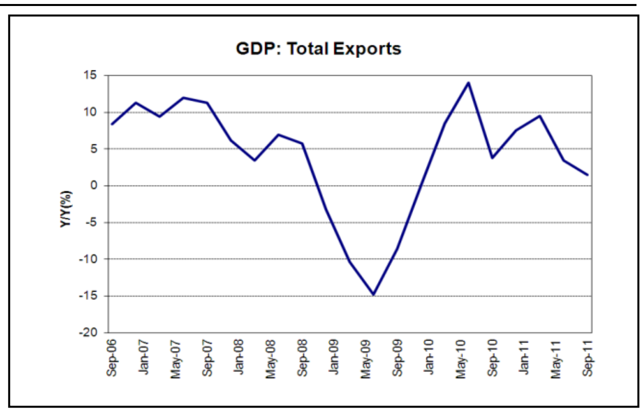
Gross Fixed Consumption

Gross Fixed Capital Formation improved from -2.3% Q/Q in Q2 to -1.0% Q/Q in Q3 and slowed from 3.9% Y/Y in Q2 to 1.4% Y/Y in Q3.



Total Imports / Exports



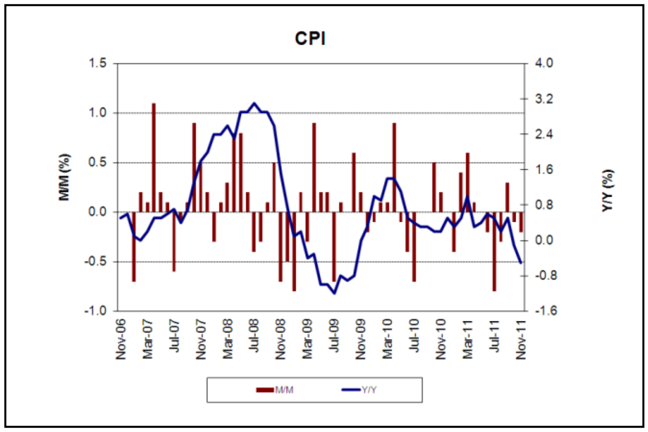


Total Imports improved from -0.7% Q/Q in Q2 to -0.2% Q/Q in Q3 and fell from 1.4% Y/Y in Q2 to -0.3% Y/Y in Q3; while Total Exports fell from 0.2% Q/Q and 3.4% Y/Y in Q2 to -1.2% Q/Q and 1.5% Y/Y in Q3.

CPI, Real Retail Sales & Unemployment Rate

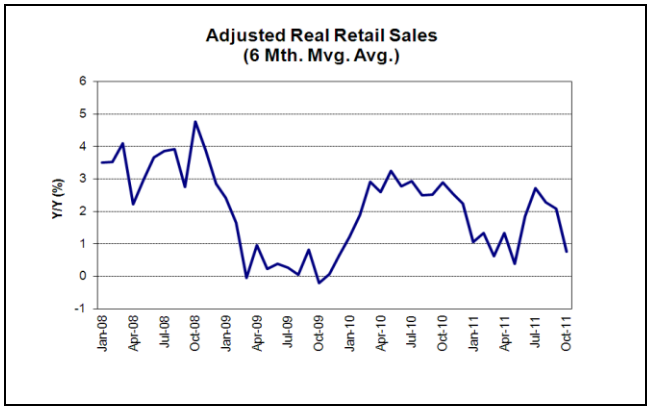
CPI

September Consumer Prices fell 0.2% in the month, below expectations of 0.1% M/M, and compared with -0.1% M/M the previous month. On an annual basis, prices were down 0.5%, slower than the -0.1% growth posted the month before; in contrast to an expected annual reading of -0.3%. Additionally, Core Consumer Prices fell 0.4% M/M and 0.8% Y/Y in November, compared with -0.1% M/M and -0.5% Y/Y the previous month.



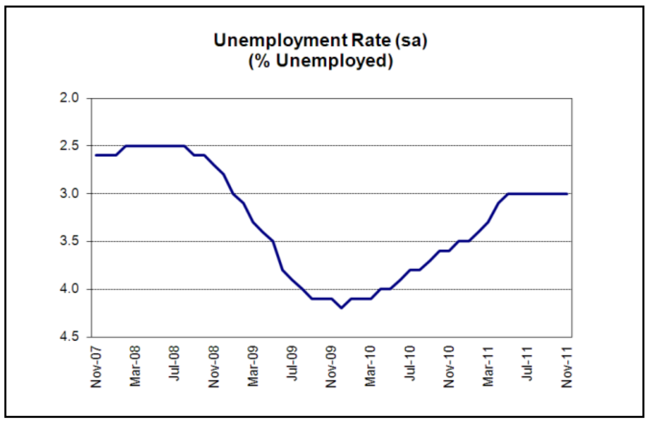
Real Retail Sales

October Retail Sales, adjusted for inflation, fell 0.2% Y/Y, compared to -1.4% Y/Y the previous month.



Unemployment Rate

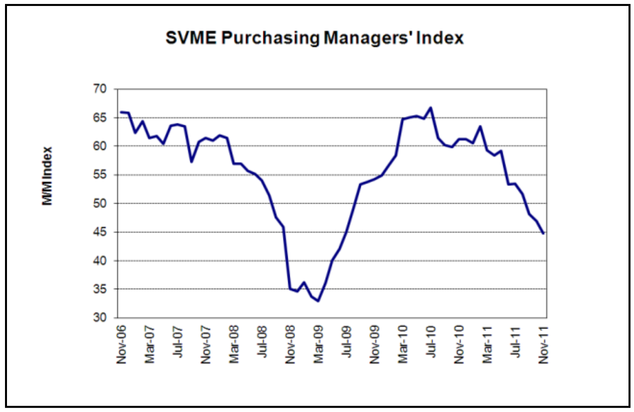
As expected, Switzerland's seasonally adjusted Unemployment Rate was unchanged at 3.0% in November – its lowest level in over two and a half years. Meanwhile, the seasonally unadjusted Unemployment Rate rose from 2.9% in October to 3.1% in November, in line with expectations. On an unadjusted basis, the total number of vacancies was approximately 17.4K – up by 1,355.



PMI & Trade Weighted Exchange Rate

PMI

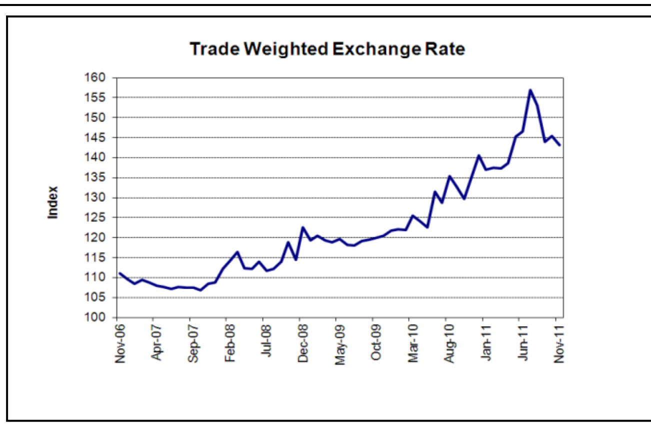
Switzerland's Purchasing Managers' Index unexpectedly fell from 46.9 in October to 44.8 in November. The index was expected to reach 46.6. All of the Index's subcomponents declined.



PMI Results

	Nov 2011	Oct 2011	Sep 2011	Aug 2011	July 2011	June 2011	May 2011	Apr 2011	Mar 2011	Feb 2011	Jan 2011
PMI s.a.	**44.8**	46.9	48.2	51.7	53.5	53.4	59.2	58.4	59.3	63.5	60.5
Output	**45.9**	48.0	46.5	54.3	51.5	46.6	61.1	57.3	59.3	64.7	60.6
Backlog of Orders	**44.7**	46.2	44.9	46.4	45.6	48.8	57.0	55.2	57.8	67.1	64.2
Quantity of Purchase	**42.7**	42.6	40.1	46.1	42.8	46.7	55.5	56.4	61.7	64.4	62.1
Purchase Prices	**46.8**	41.3	36.7	34.6	46.2	51.8	60.2	69.2	75.4	76.1	70.0
Suppliers Delivery Times	**42.7**	45.8	55.6	60.0	67.8	69.2	66.8	68.8	68.6	59.2	58.7
Stocks of Purchases	**43.1**	44.9	47.1	51.0	57.1	50.9	51.9	55.2	52.6	56.1	54.1
Stocks of Finished Goods	**50.2**	45.3	46.7	50.7	54.0	51.3	49.9	52.5	50.3	52.4	53.8
Employment	**45.8**	48.6	50.6	50.3	55.4	58.2	57.9	58.2	58.2	63.7	59.5
PMI NSA	**45.2**	47.7	50.7	50.5	51.9	55.7	59.4	60.2	61.1	62.7	60.0

Trade Weighted Exchange Rate



Data, News & Upcoming Dates

Data

December 6th (Bloomberg) – Foreign Currency Reserves – fell from 245.0 bln francs in October to 229.3 bln francs in November.

News

December 7th (Bloomberg) - Swiss Panel Still Looking at Negative Rate Option – Swiss Finance Minister, Eveline Widmer-Schlumpf said at a Swiss Parliament's Upper House Hearing:

In case of need, one should think what really would be effective. Other countries haven't had only good experiences with capital controls and negative interest rates.

We are prepared for possible events. We have developed scenarios.

Key Dates This Week

Date	*Indicator*	*Month*	*Expectation*	*Previous*
12/14	Producer & Import Prices	NOV	--	-0.2% / -1.8%
12/14	Credit Suisse ZEW Survey	DEC	--	-64.3