

Valance Company, Inc.



Weekly

December 21, 2011

III

Highlights

US – Payroll tax cut extension in danger

EU – EU CPI inflation held steady at 3.0% in November

JN – The BoJ left its assessment unchanged for the second straight month

UK – Further stimulus might be needed

CA – Inflation slowed in November

AU – RBA stated concern with the European Crisis

NZ – Confidence worsened in December

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Valance Co., Inc.

Valance Economic Report: United States

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December 21, 2011

Housing and claims led a strong week of data. Initial claims reached levels last hit in 2008 while housing starts continue to show strength and should help boost Q4 GDP. The political front is not so cheery, as house Republicans have put significant roadblocks in the way of extending the payroll tax cuts. If the cuts expire, it would likely only be on a transitory basis, but would still have a large impact on consumers in the first quarter of 2012.

Weekly Highlights

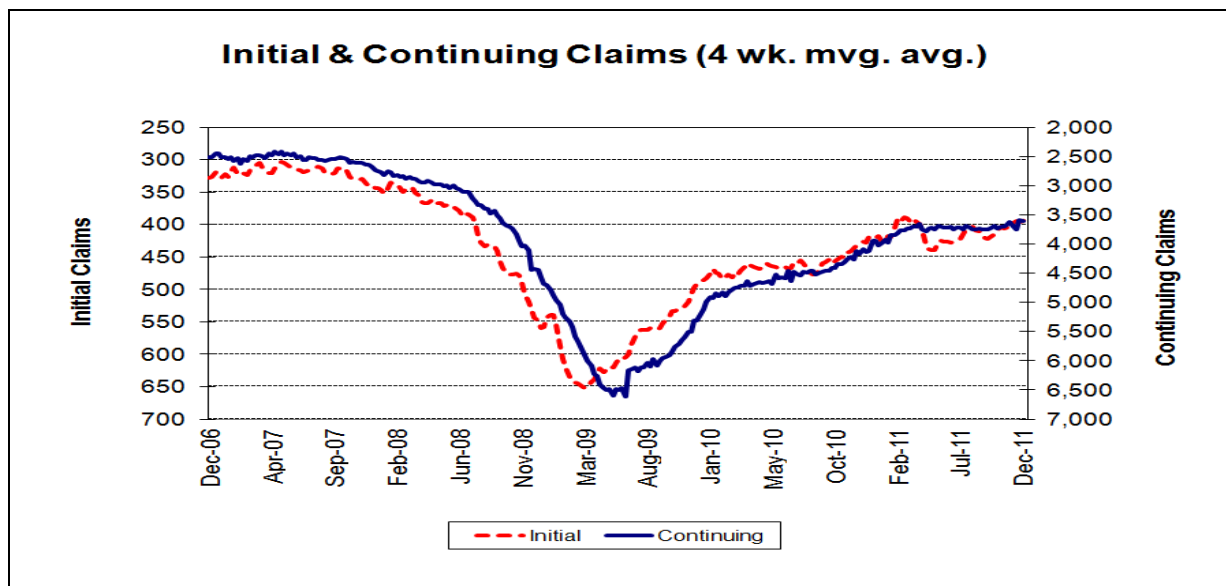
Initial Claims – fell from 385k to 366k, the lowest reading since May 2008. (US 1)

Housing Permits – jumped 9.3% M/M in November. (US 3)

Philly Fed Index – improved from 3.6 to 10.3 in December. (US 5)

Weekly Releases

Chart(s) of the Week: *Initial Jobless Claims*



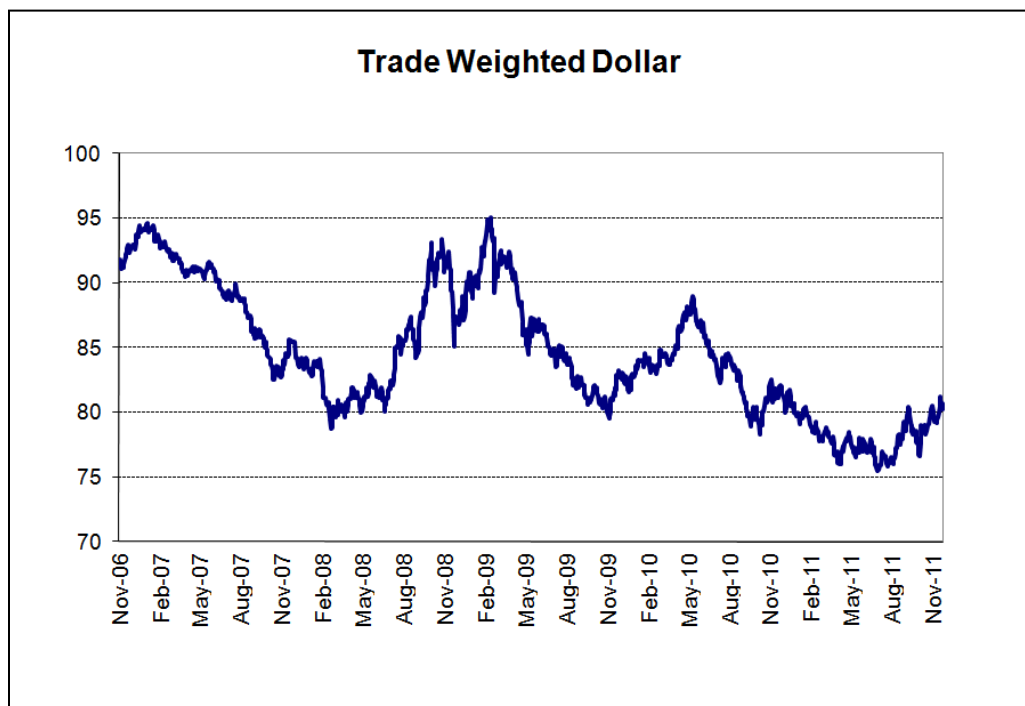
Initial Claims fell from 385k to 366k, the lowest reading since May 2008. The four week moving average of Initial Claims fell 6.5k to 388k. Initial claims have shown steady improvement for the past two months and this latest print significantly contributes to the momentum. Continuing Claims increased from 3599k to 3603k.

U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

<i>U.S.</i>	<i>Latest period (\$blns)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-137.3 (Nov)	-8.2%
Trade Balance	-43.1 (Oct)	-3.6%
Current Account Balance	-110.3B (Q3)	-3.1%
Private Balance	--	5.3%

Trade Weighted Dollar



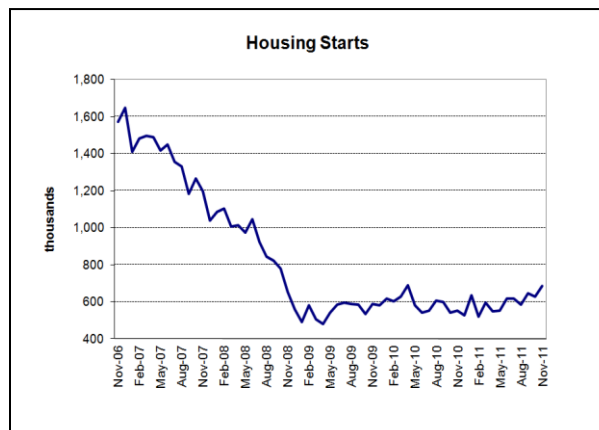
Housing Start, Building Permits & Existing Home Sales

Housing Starts

Housing Starts jumped 9.3% M/M in November, up from 644k to 681k on a seasonally adjusted annualized basis.

Single family rose 10k to 447k.

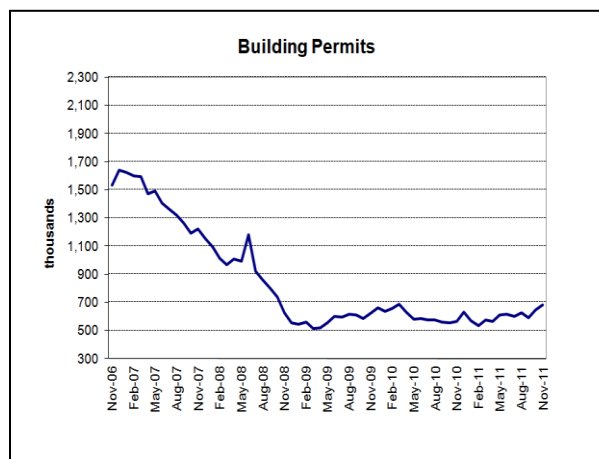
Multi-family increased by 48k to 238k. Housing Starts are up 27.6% Y/Y.



Building Permits

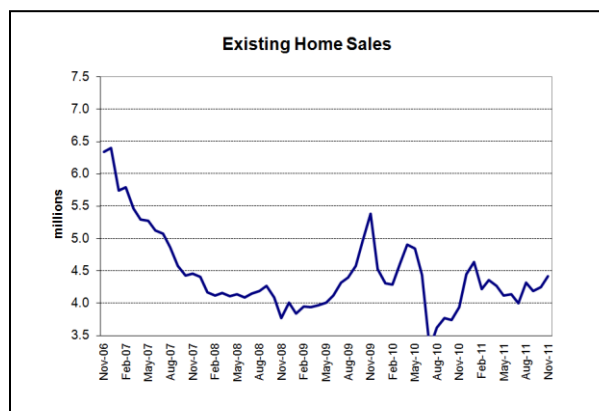
Building Permits gained 5.7% M/M in November following a 9.3% M/M gain in October. Permits rose from 644k to 681k, the highest level since March 2010. Permits lead housing starts and suggest that housing starts could begin to improve from these low levels in the first half of 2012.

Single family permits increased 7k to 435k. Multi-family permits improved from 216k to 246k.



Existing Home Sales

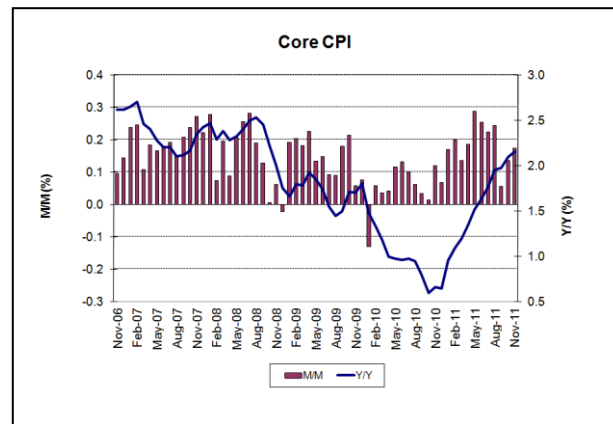
Existing Home Sales increased from a significantly revised 4.25 mln (from 4.97) seasonally adjusted annualized units to 4.42 mln in November, up 4.0% M/M. Median prices increased 3.5k to 164.2k. Inventory levels increased fell from 7.7 months to 7.0 months of supply, its lowest level since 2007.



Consumer Prices, Producer Prices & Industrial Production

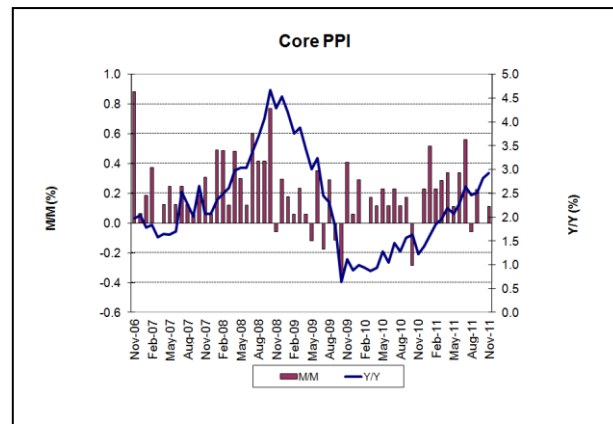
Consumer Prices

Core CPI increased 0.17% M/M and 2.2% Y/Y in November. The three-month annualized core rate is 1.5%. Owners equivalent rent rose 0.1% M/M; OER price appreciation has started to slow to a rate closer to the rest of the core index. The headline rate was flat M/M and is up 3.4% Y/Y. Energy prices fell 1.6% M/M after falling 2.0% in October.



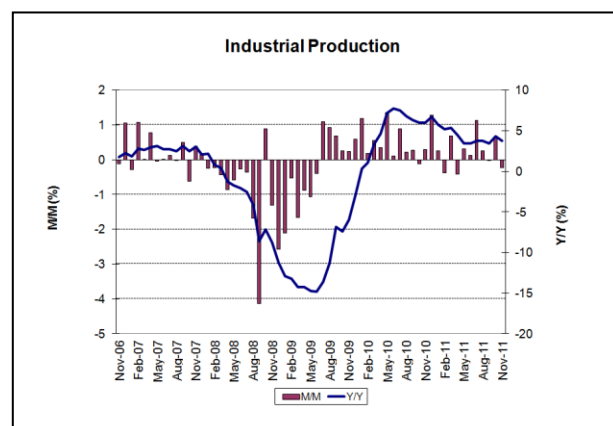
Producer Prices

Core PPI was increased 0.1% M/M and 2.9% Y/Y in November. Headline PPI gained 0.3% M/M and 5.7% Y/Y. Core intermediate goods fell by 0.4% M/M and core crude goods declined 2.5% M/M.



Industrial Production

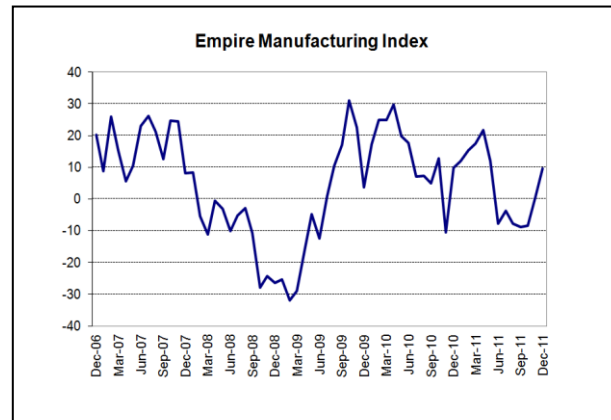
Industrial Production fell 0.2% M/M and slowed 3.7% Y/Y growth in November. Manufacturing dropped 0.4% M/M and is up 3.8% Y/Y. Utilities gained 0.2% M/M and are down 0.7% Y/Y. Mining rose 0.1% M/M and 6.7% Y/Y.



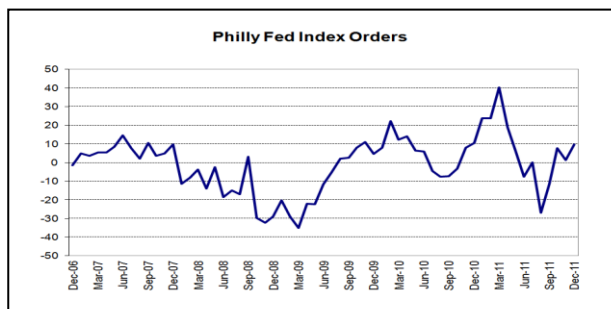
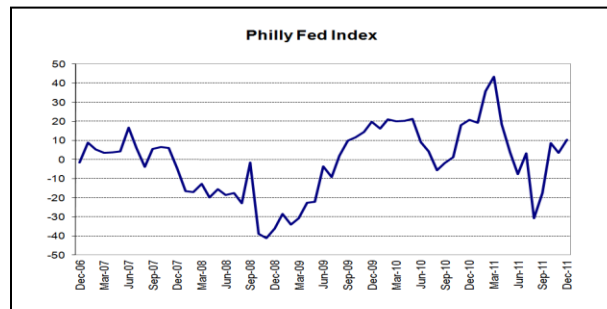
Empire Manufacturing, Philly Fed. & B'berg Consumer Conf.

Empire Manufacturing,

The Empire Manufacturing Index improved from 0.61 to 9.53 in December, the highest level since May. The Employment and Orders component improved from -3.7 and -2.0, to 2.3 and 5.1, respectively.



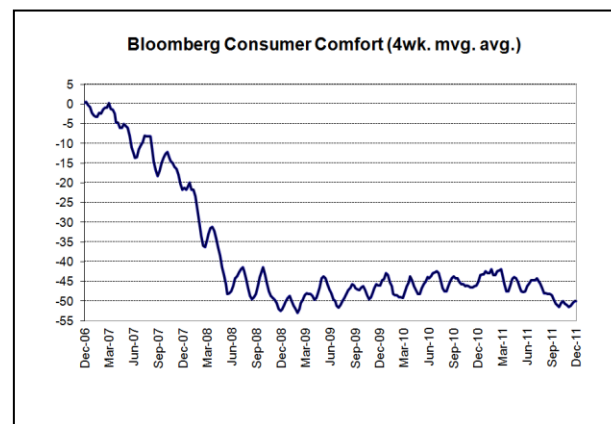
Philly Fed Index



The Philly Fed Index improved from 3.6 to 10.3 in December. The New Orders component climbed from 1.3 to 9.7 and Prices Paid from 22.8 to 33.7. Discouragingly, the Employment and Average Workweek components fell from 12.0 and 11.0, to 10.7 and 2.5, respectively.

Bloomberg Consumer Confidence

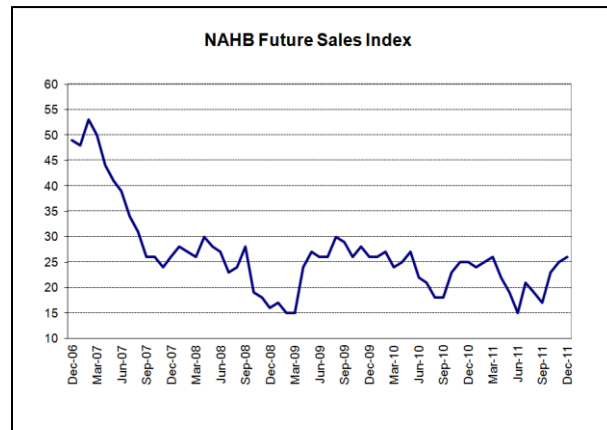
The Bloomberg Consumer Comfort Index was nearly unchanged, improving slightly from -50.3 to -49.9. The state of the economy increased from -89.7 to -87.9.



NAHB Housing Market Index & MBA Mortgage Applications

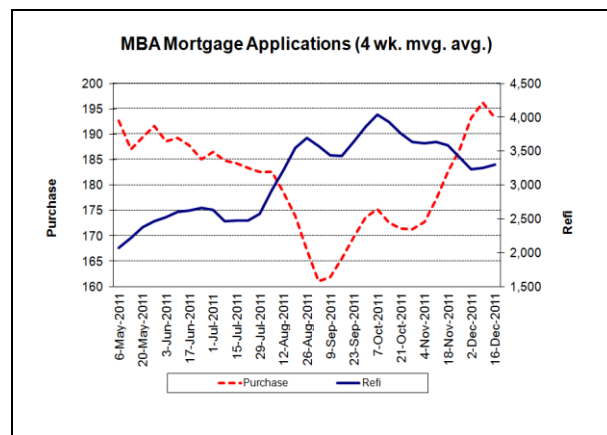
NAHB Housing Market Index

The NAHB Index increased from 20 to 21 in December, the highest since March 2010. Traffic improved from 15 to 18 and present sales increased by 20 to 22. Future sales ticked up from 25 to 26.



MBA Mortgage Applications

Purchase Mortgage Applications fell 4.9% W/W, after falling 8.2% W/W last week. Refi applications fell 1.6% W/W this week.



Key Dates This Week

Date	Indicator		Expectations	Previous
22-Dec	GDP Q/Q (Annualized)	3Q T	2.00%	2.00%
22-Dec	Personal Consumption	3Q T	2.30%	2.30%
22-Dec	Initial Jobless Claims	17-Dec	380K	--
22-Dec	Bloomberg Consumer Comfort	18-Dec	--	-49.9
22-Dec	U. of Michigan Confidence	DEC F	68	67.7
22-Dec	House Price Index M/M	OCT	0.20%	0.90%
23-Dec	Durable Goods Orders	NOV	2.20%	-0.70%
23-Dec	Cap Goods Orders Nondef Ex Air	NOV	1.00%	-1.80%
23-Dec	Personal Income	NOV	0.20%	0.40%
23-Dec	Personal Spending	NOV	0.30%	0.10%
23-Dec	PCE Core (M/M)	NOV	0.10%	0.10%
23-Dec	New Home Sales M/M	NOV	2.60%	1.30%
27-Dec	S&P/CS 20 City MoM% SA	OCT	-0.20%	-0.57%
27-Dec	Consumer Confidence	DEC	58.5	56
27-Dec	Richmond Fed Manufact. Index	DEC	5	0
28-Dec	MBA Mortgage Applications	23-Dec	--	--

Valance Economic Report: Euro Zone

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December 21, 2011

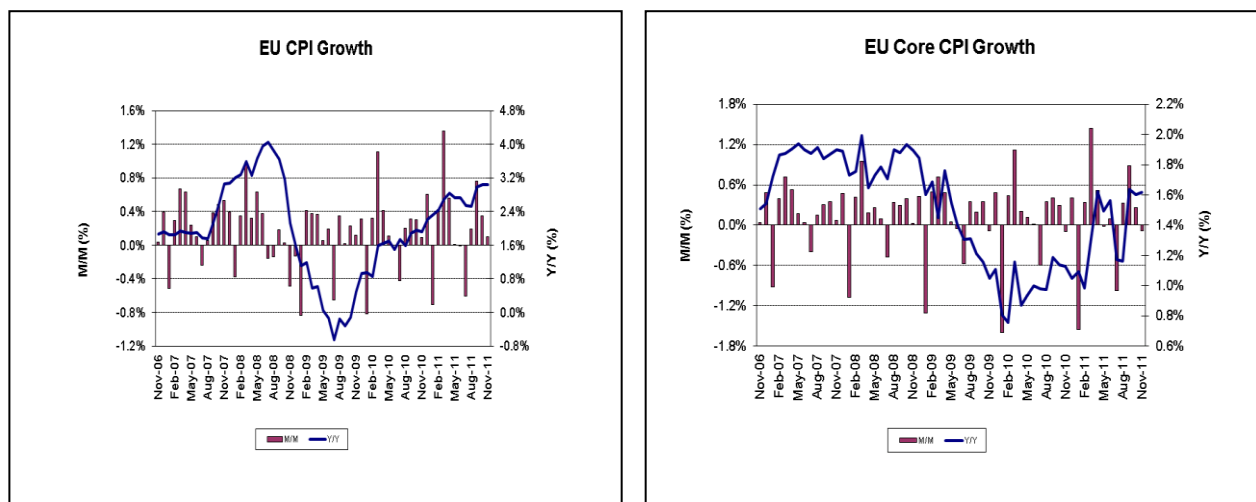
Euro Zone CPI inflation held steady at 3.0% in November and Employment fell 0.1% Q/Q in Q3. EU Manufacturing, Services and Composite indices posted marginal gains in December but remained below the contraction level for the fourth straight month. German IFO Business Climate Survey surprisingly increased in December while French Business Confidence continued to deteriorate.

Weekly Highlights

Euro Zone CPI – increased 0.1% M/M and 3.0% Y/Y in November. (EU 1)
EU Employment - fell 0.1% Q/Q and increased 0.2% Y/Y in Q3. (EU 3)
German IFO Business Climate Survey - surprisingly increased in December. (EU 5)
French Business Confidence - decreased from 96 in November to 94 in December. (EU 6)

Weekly Releases & News

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



Euro Zone CPI increased 0.1% M/M and 3.0% Y/Y in November. The Y/Y growth remained above the ECB's 2% target for the twelfth straight month. Core CPI fell 0.1% M/M, its first decline in four months, and increased 1.6% Y/Y. The ECB forecast that Euro-area inflation would slow to 2.0% in 2012 and 1.5% in 2013.

Euro Zone Financial Balances & Trade Weighted Euro

Financial Balances

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

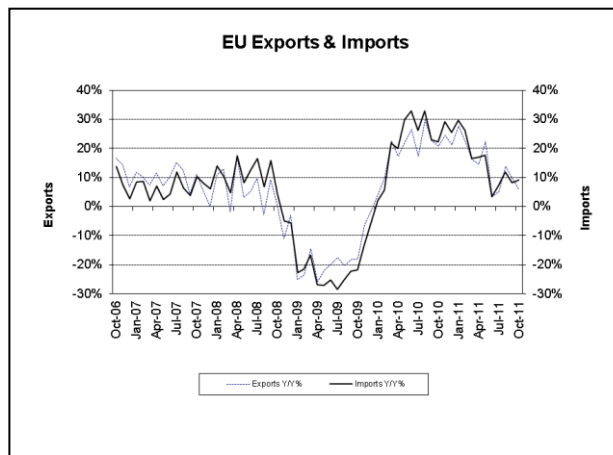
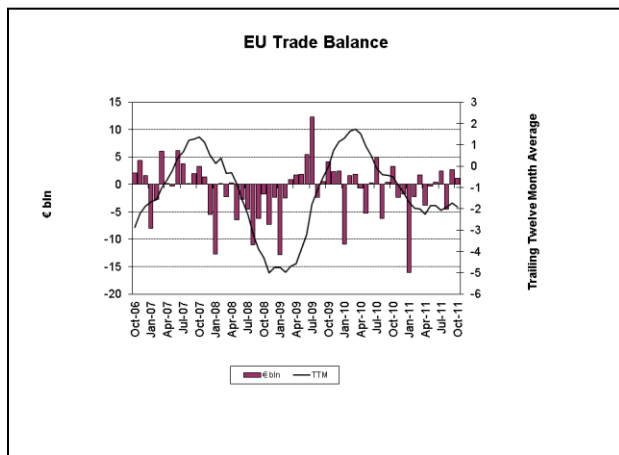
**Budget Balance as of year end 2010 – Source
OECD*

Trade Weighted Euro



Euro Trade Balance & Employment

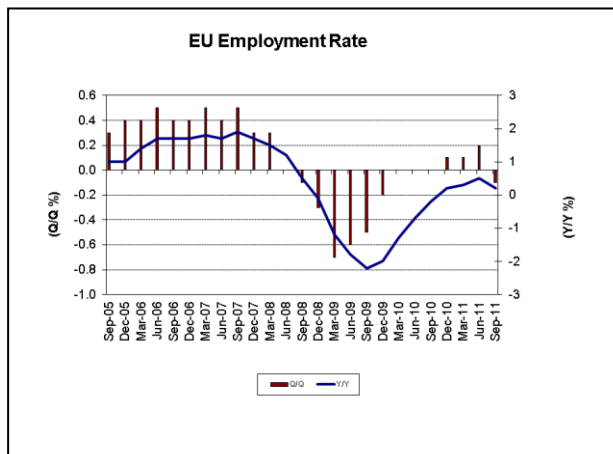
Euro Zone Trade Balance



The Euro-Zone Trade Surplus narrowed from €2.7 bln in September to €1.1 bln in October as exports fell more than imports. Exports fell 2.4% M/M and increased 5.7% Y/Y and imports fell 1.3% M/M and increased 9.0% Y/Y. The trade surplus in October 2010 stood at €3.3 bln.

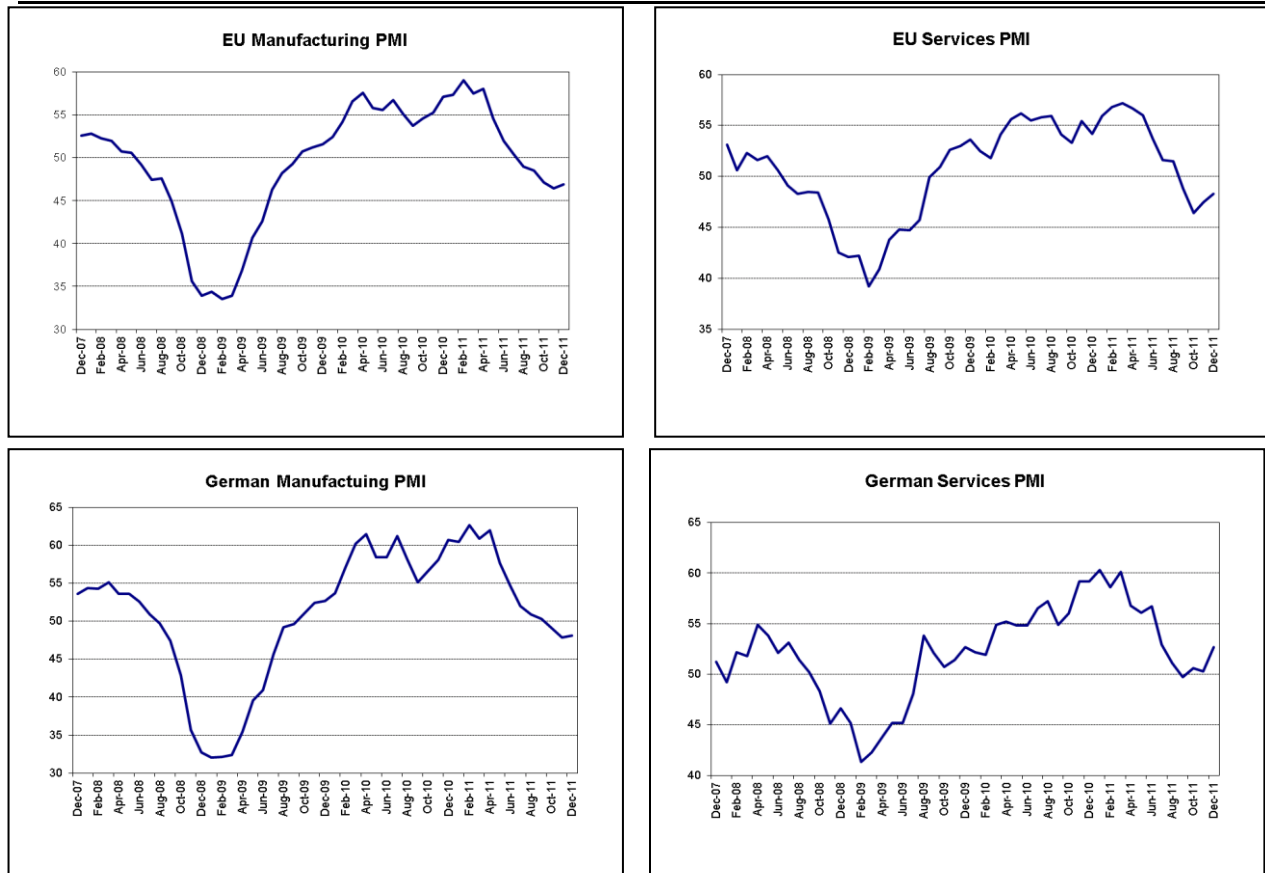
Euro Zone Employment

EU Employment fell 0.1% Q/Q and increased 0.2% Y/Y in Q3.



EU PMIs & Current Account

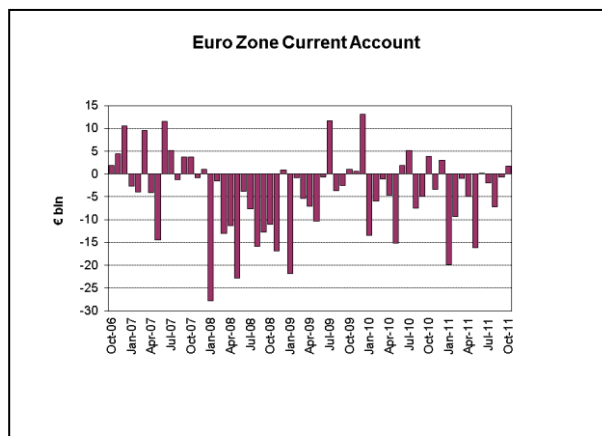
Euro Zone PMIs



EU Manufacturing, Services and Composite indices posted marginal gains in December but remained below the contraction level for the fourth straight month. EU PMI Manufacturing increased from 46.4 in November to 46.9 in December. Services Industry increased from 47.5 to 48.3. The Composite Index increased from 47.0 to 47.9. German Manufacturing PMI increased from 47.9 to 48.1 and the Services Industry increased from 50.3 to 52.7.

Euro Zone Current Account

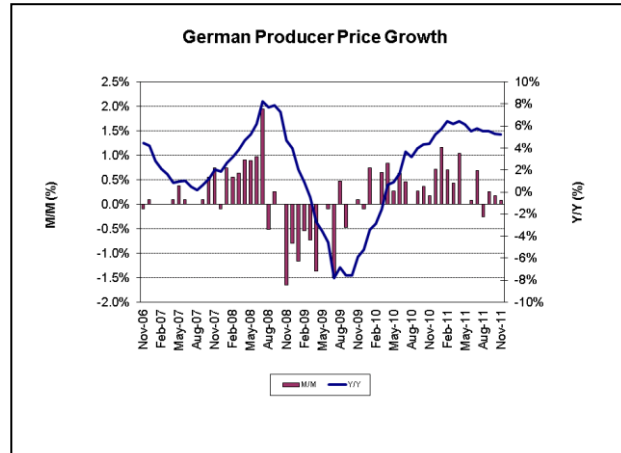
The Euro Zone's Current Account balance swung from a deficit of €0.7 bln in September to a surplus of €1.7 bln in October.



German Producer Prices, IFO & Import Prices

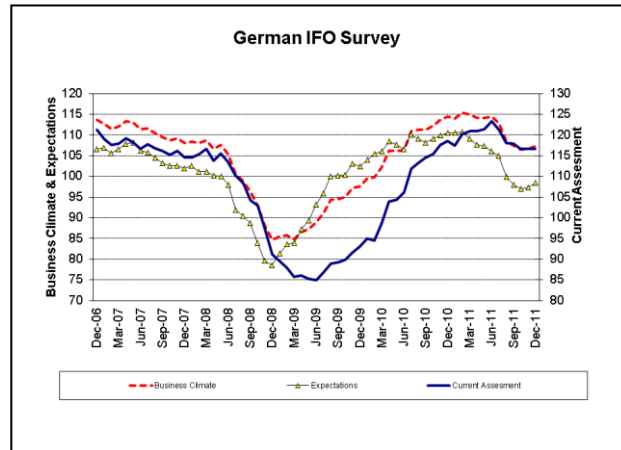
German Producer Prices

German Producer Prices increased 0.1% M/M and 5.2% Y/Y in November, in line with market expectations. PPI, less energy, decreased 0.1% M/M and increased 2.6% Y/Y.



German IFO

The German IFO Business Climate Survey surprisingly increased from 106.6 in November to 107.2 in December, against market expectations for a drop to 106.0. The Current Assessment component held steady at 116.7 against expectations for reading of 116.0. The Expectations index improved from 97.3 to 98.4, against expectations for a decline to 97.0



German Import Prices

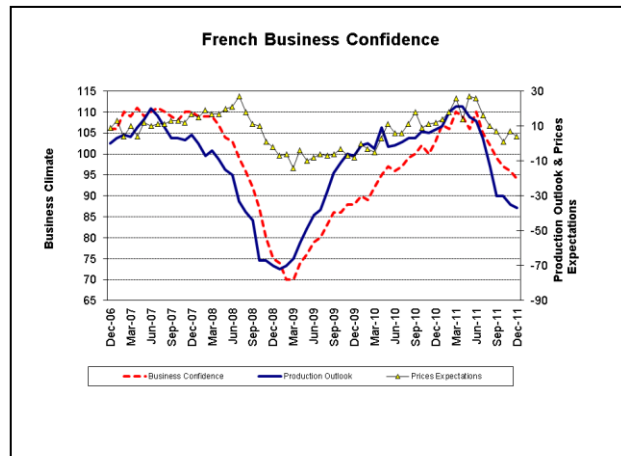
German Import Prices increased 0.4% M/M and 6.0% Y/Y in November.



French Business Conf. & Italian Current Account/Trade Bal.

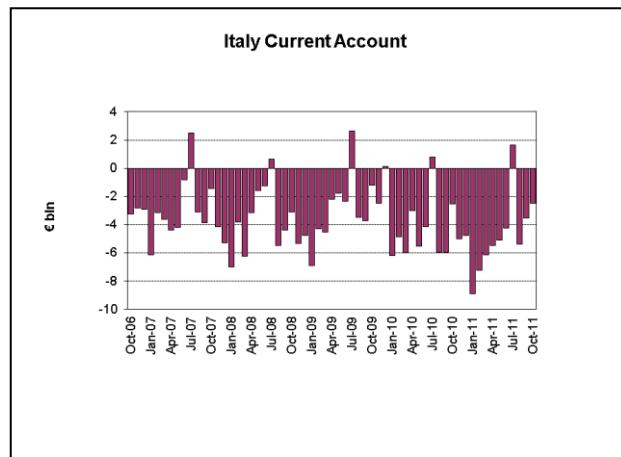
French Business Confidence

French Business Confidence decreased from 96 in November to 94 in December. The Production Outlook indicator fell from -35 to -37. Price expectations fell from 7 to 4.



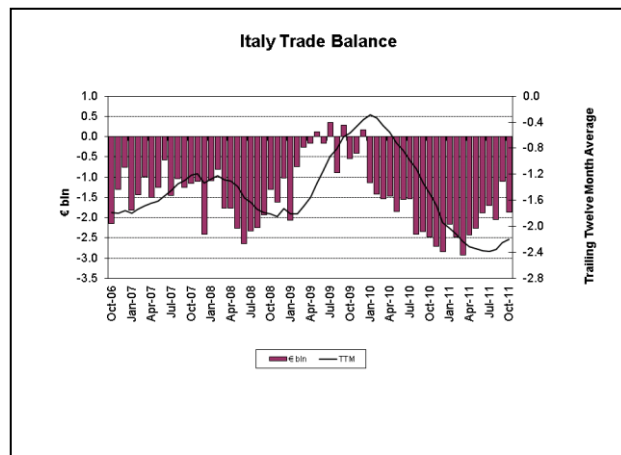
Italian Current Account

Italian Current Account Deficit narrowed from €3.5 bln in September to €2.5 bln in October. The Current Account Balance stood at deficit of €2.5 bln in October 2010.



Italian Trade Balance

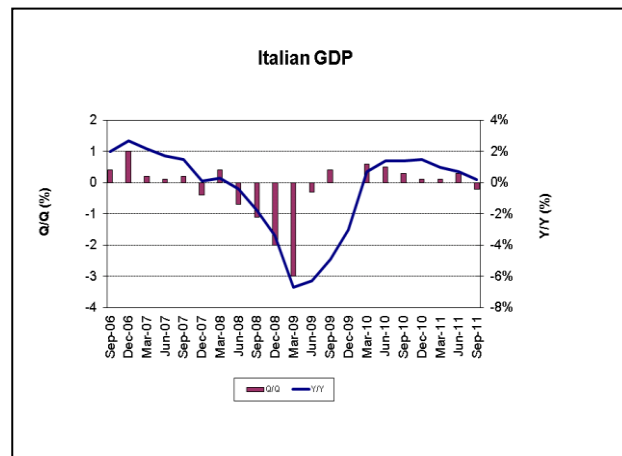
Italy's Trade Deficit widen from €1.1 bln in September to €1.9 bln in October. Italian Non-EU Imports increased 0.2% M/M and 3.0% Y/Y. Exports fell 1.1% M/M and increased 0.5% Y/Y.



Italian GDP & News/Comments

Italian GDP

Italian GDP contracted 0.2% Q/Q and increased 0.2% Y/Y. The market anticipated a reading of -0.2% Q/Q and +0.4% Y/Y.



News/Comments

Dec. 20th - Euro Zone Agrees to New IMF Loans (WSJ) - Euro-zone finance ministers confirmed plans to contribute €150 billion in additional bilateral loans to the IMF as part of a move to boost its resources for crisis response, but contributions from other European Union members remained unclear as the U.K. held its ground that any additional IMF funds should be part of a global agreement. Roughly €30 billion will be needed to come from the U.K. to bring total contributions, including those from other non-euro-zone EU members, to the target of €200 billion that was suggested by EU leaders at their summit on Dec. 9. The EU finance ministers didn't make any progress on a plan to make the European Stability Mechanism more flexible by introducing an 85% voting rule instead of unanimity.

Dec. 20th - ECB warns of global contagion risks (FT) - The ECB's latest eurozone financial stability review said that any "protracted domestic political uncertainty in vulnerable countries", combined with a lack of progress in fiscal consolidation, "would further undermine confidence in the adjustment process". Other possible triggers might include bad news about banks' profitability or solvency, credit rating downgrades for eurozone countries or banks or uncertainties linked to eurozone governments' attempts to impose losses on Greek bondholders via "private sector involvement". Another risk, the ECB said, was that eurozone politicians would fail to make effective use of the European Financial Stability Facility.

Dec. 20th - ECB prepares bailout fund for downgrades (AP) - The rating of the euro440 billion EFSF is dependent on the top ratings of France, Germany, and four smaller AAA-countries. ECB president Mario Draghi warned that "it's likely that if France loses its rating, then other countries' ratings would be changed" as well. The ECB, which is supposed to help the European Financial Stability Facility in future bond market interventions, is "working actively on all possible scenarios" involving a downgrade of eurozone countries, Draghi said. He added that the decision by EU leaders at their summit 10 days ago to let the EFSF's successor, the euro500 billion European Stability Mechanism, come into force already in July — one year ahead of schedule — was the best response to the downgrade threat.

News/Comments Cont'd

Dec. 19th - Bundesbank Forecasts German Economic Growth Will Rebound in 2013 (Bloomberg)

- German economic growth will slow to 0.6 percent in 2012 from 3 percent this year before recovering to 1.8 percent in 2013, the Bundesbank said in its monthly report. Germany's central bank said its base scenario is that the debt crisis doesn't worsen and that the uncertainty among investors and consumers "gradually lessens." "The German economy could in the course of next year return to a solid growth path, supported by an expansive monetary policy and a more strongly-growing world economy," the Bundesbank said. "This forecast assumes that there is no further significant worsening in the sovereign debt crisis."

Dec. 18th - Draghi warns on eurozone break-up (FT)

- ECB president Mario Draghi said in a FT interview that struggling eurozone countries that quit the currency bloc would face still greater economic pain. For remaining members, European Union law would have been broken and "you never know how it ends really," he said. Countries that left and devalued their currency would create "a big inflation" and fail to escape from structural reforms that would still have to be implemented "but in a much weaker position," Mr Draghi said. He emphasised that the region's politicians had to take the lead in rebuilding investor confidence in eurozone public finances by ensuring fiscal discipline and making fully operational the EFSF. "The important thing is to restore the trust of the people – citizens as well as investors – in our continent. We won't achieve that by destroying the credibility of the ECB."

Dec. 16th - EU Draft Shows Some Wiggle Room on Deficits (WSJ)

- European governments will be able to run larger structural deficits if their debt to gross domestic product ratios are "significantly" below 60%, the first draft of an intergovernmental accord on new fiscal rules said. All other countries would have to keep their structural deficits—the fiscal gap left over once an economy is near full employment—below 0.5% of GDP over the economic cycle. The text also said the intergovernmental deal will be overseen and enforced by the European Court of Justice. The way that would work is if one country sued another country for not abiding by the rules. The text said the court's decision in these cases would be "binding."

Dec. 16th - ECB's Stark Says Euro Will Survive, Switzerland's Weltwoche Says (Bloomberg)

- European Central Bank Executive Board member Juergen Stark said the euro will survive the debt crisis, Swiss magazine Weltwoche reported, citing an interview. European integration must continue and a return to national currencies would be a "huge step backwards and carry massive economic and political costs," Stark was quoted as saying. He said the "whole globe" is over-indebted and correcting that is a "painful process," Weltwoche reported. Stark also said there are "perhaps only four governments in the whole euro area that stand unequivocally behind the central bank's independence," Weltwoche said.

Dec. 1th - ECB's Nowotny Says Need to Keep Govt Bonds as Risk-Free Asset (Bloomberg)

- European Central Bank Governing Council member Ewald Nowotny said it is necessary to retain government bonds as a risk-free asset and counter a general skepticism against sovereign debt. There is "rising mistrust in certain nations when it comes to their refinancing, but there also is a general attitude that is more critical toward the asset class government debt," Nowotny told reporters in Vienna. "This is very problematic because every economy needs risk-free assets as a basis for its financial industry," he added. "We have to do everything we can to make sure we keep this asset class."

Key Dates This Week

Date	Indicator		Expectations	Previous
29-Dec	EC	Euro-Zone M3 s.a. 3 mth ave.	NOV --	2.80%
29-Dec	EC	Euro-Zone M3 s.a. (Y/Y)	NOV --	2.60%
4-Jan	EC	Euro-Zone CPI Estimate (Y/Y)	DEC --	3.00%
5-Jan	EC	Industrial New Orders NSA (Y/Y)	OCT --	1.60%
5-Jan	EC	Industrial New Orders SA (M/M)	OCT --	-6.40%
5-Jan	EC	Euro-Zone PPI (M/M)	NOV --	0.10%
5-Jan	EC	Euro-Zone PPI (Y/Y)	NOV --	5.50%
29-Dec	GE	Consumer Price Index (M/M)	DEC P 0.80%	0.00%
29-Dec	GE	Consumer Price Index (Y/Y)	DEC P 2.20%	2.40%
30-Dec	GE	Retail Sales (M/M)	NOV --	0.70%
30-Dec	GE	Retail Sales (Y/Y)	NOV --	-0.40%
23-Dec	FR	Gross Domestic Product (Q/Q)	3Q F 0.40%	0.40%
23-Dec	FR	Gross Domestic Product (Y/Y)	3Q F 1.60%	1.60%
23-Dec	FR	Producer Prices (M/M)	NOV 0.00%	0.50%
23-Dec	FR	Producer Prices (Y/Y)	NOV 5.20%	5.80%
22-Dec	IT	Retail Sales s.a. (M/M)	OCT -0.20%	-0.40%
22-Dec	IT	Retail Sales (Y/Y)	OCT -1.50%	-1.60%

Valance Co., Inc.

Valance Economic Report: Japan

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December 21, 2011

This week, the Trade Deficit widened and the Tankan Survey showed a decrease in Large Manufacturing Sentiment. The BoJ left its assessment unchanged for the second straight month and cited that firms judgment on current business conditions shows a small improvement, although that for large manufacturers is deteriorating.”

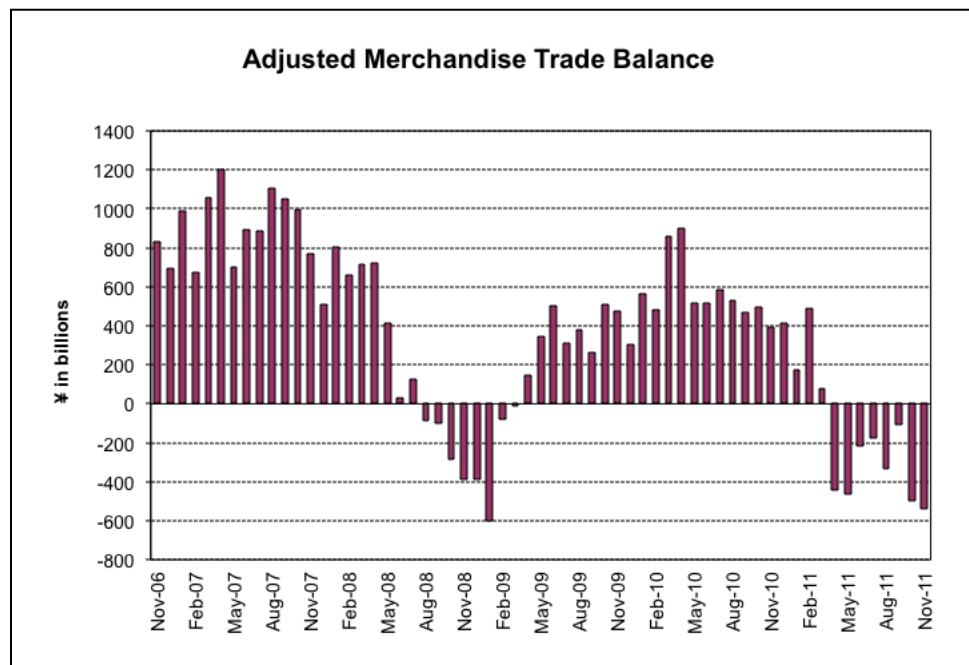
Weekly Highlights

Trade Deficit – widened from ¥495.7 in October to ¥537.9 in November (JN 1)

Tankan – Large Manufacturing Sentiment fell from 2 in Q3 to -4 in Q4. (JN 3)

Dept Store Sales – decreased 1.9% Y/Y in November. (JN 4)

Charts of the Week: Trade Balance



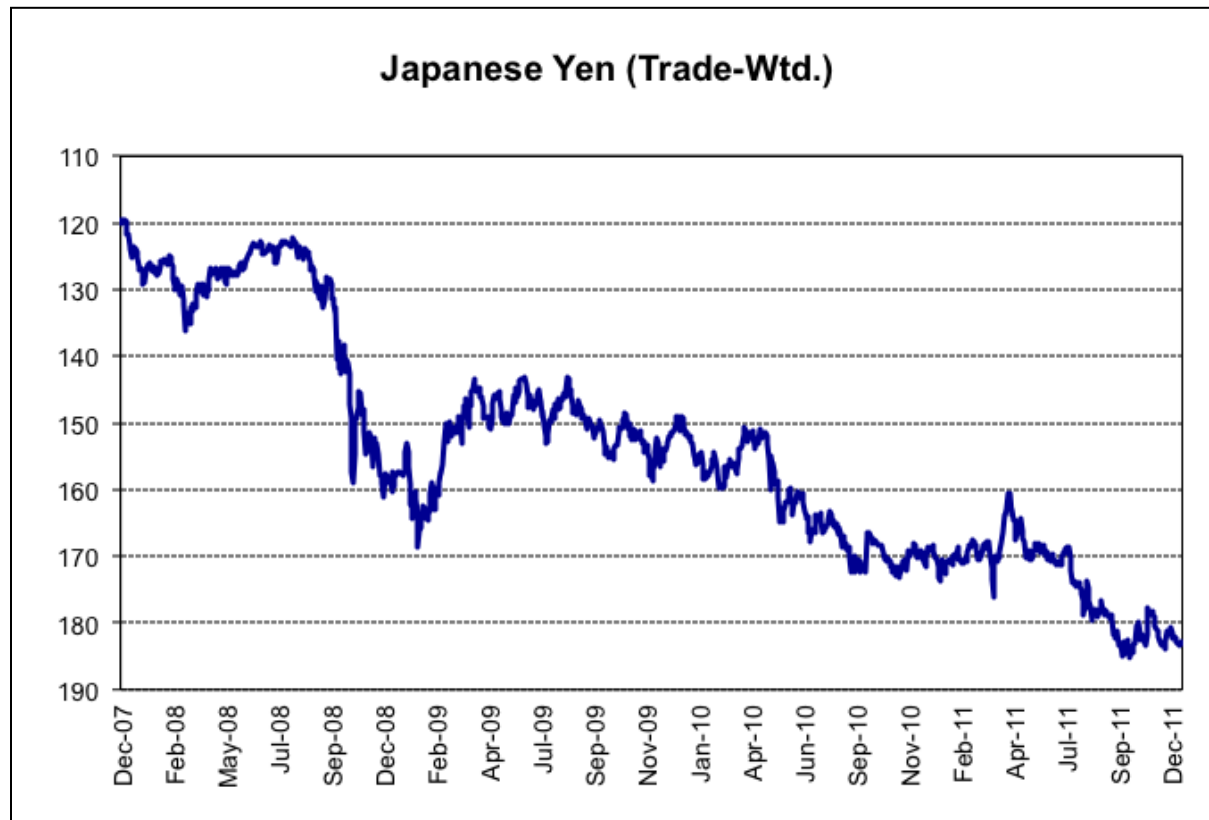
The Adjusted Trade Deficit widened from ¥495.7 in October to ¥537.9 in November, higher than market expectations for a decrease to ¥305.7 bln. Exports fell 2.6% M/M and 4.5% Y/Y. Imports fell 1.6% M/M and 11.4% Y/Y. The Adjusted Trade Balance stood at a deficit of ¥393.1 bln in November 2010.

JN 1

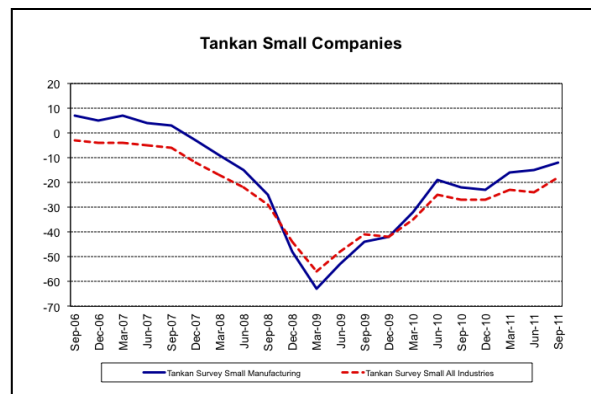
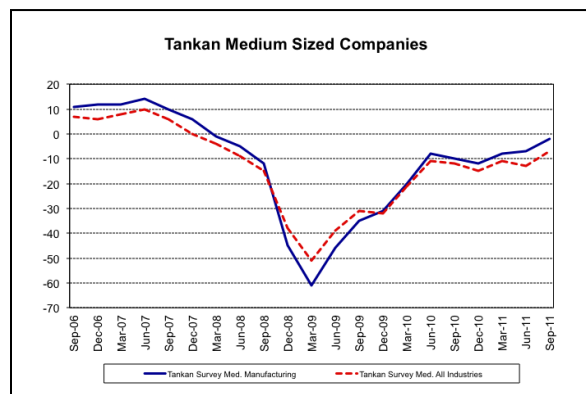
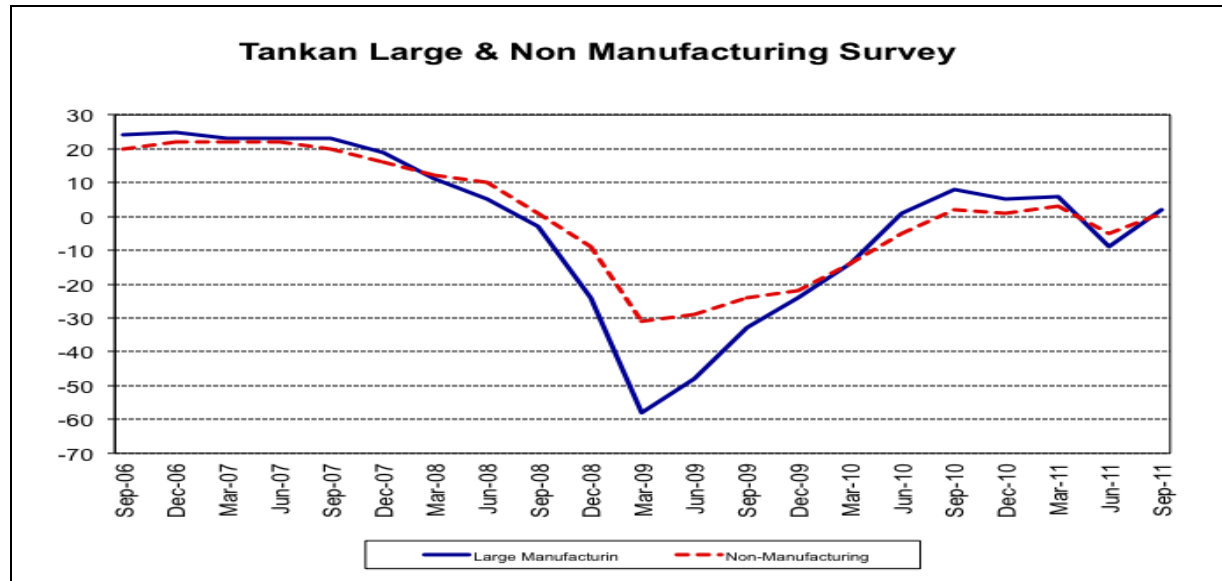
Japan's Financial Balances

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%



Q4 Tankan Survey



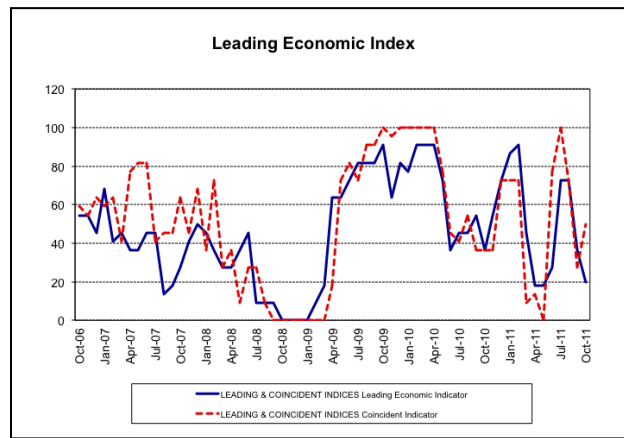
Large Manufacturing Sentiment fell from 2 in Q3 to -4 in Q4, ahead of market expectations for a reading of -2. Among non-manufacturers, large industry sentiment improved from 1 to 4. Among small manufacturers, sentiment improved from -11 to -8, while small non-manufacturer sentiment improved from -9 to -7.

Looking forward, large manufacturers expect conditions to decrease from -4 to -5 and small manufacturers expect conditions to decline from -8 to -17. Among non-manufacturers, conditions are expected to decrease from 4 to 0, while small non-manufacturer conditions are expected to drop from -14 to -21.

Leading/Coincident Index, Nationwide Dept Store Sales & Tokyo Dept Store Sales

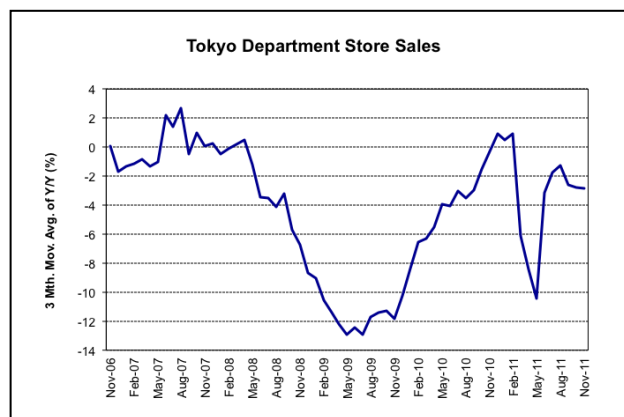
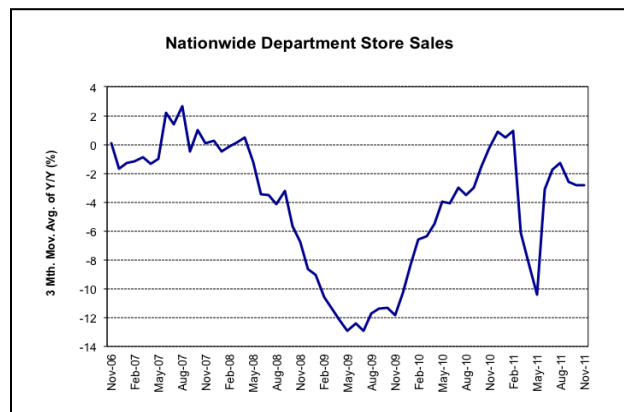
Leading & Coincident Index

Final data on the Leading Index indicates that it increased from 91.5 in September to 92.0 in October. The Coincident Index increased from 90.3 to 91.4.



Nationwide & Tokyo Dept. Store Sales

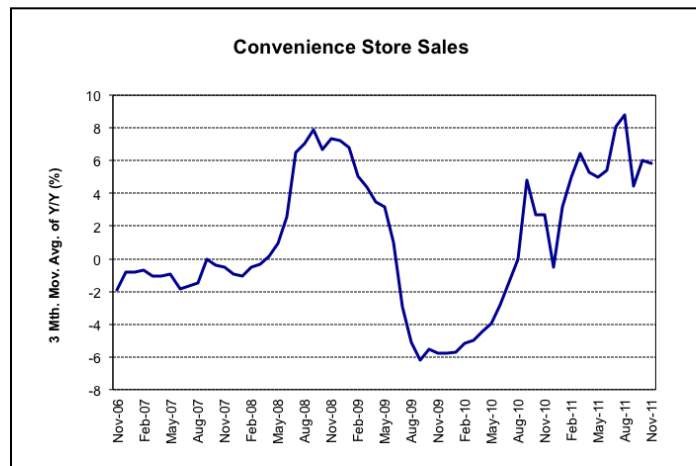
Nationwide Dept Store Sales decreased 1.9% Y/Y in November due to broad base declines within the index. Declines in the clothing sector created the most downward pressure on overall sales. Within the Tokyo Index, overall sales dropped 3.0% Y/Y. The 17.3% Y/Y gain in Household Appliances was offset by declines in clothing, accessories, sundries/cosmetics and food.



Convenience Store Sales, Condominium Sales & Machine Tool Orders

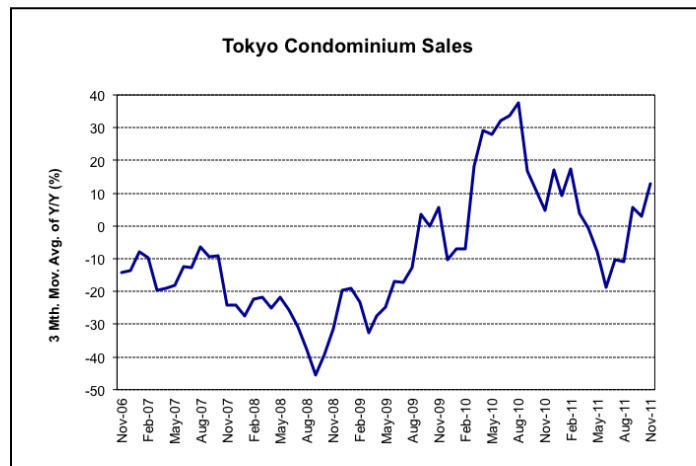
Convenience Store Sales

Convenience Store Sales increased 10.4% Y/Y in November. On a same-store basis, sales increased 7.5% Y/Y. Customer Spending increased 5.5% Y/Y. Customer Traffic increased 4.6% Y/Y, and the number of stores increased 2.2% Y/Y.



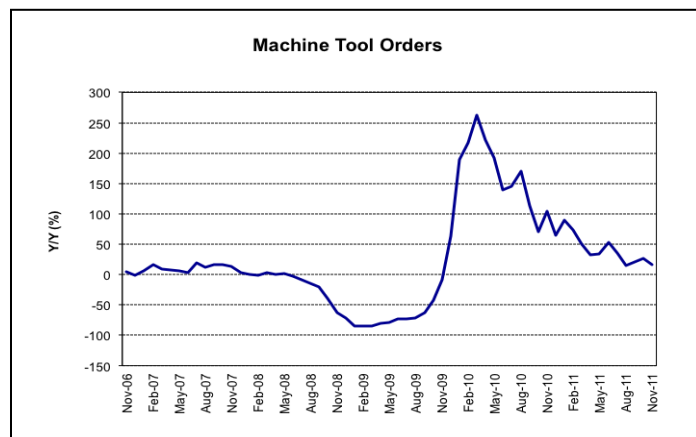
Tokyo Condominium Sales

Condominium Sales increased 31.0% Y/Y in November following a 9.3% Y/Y decline in October.



Machine Tool Orders

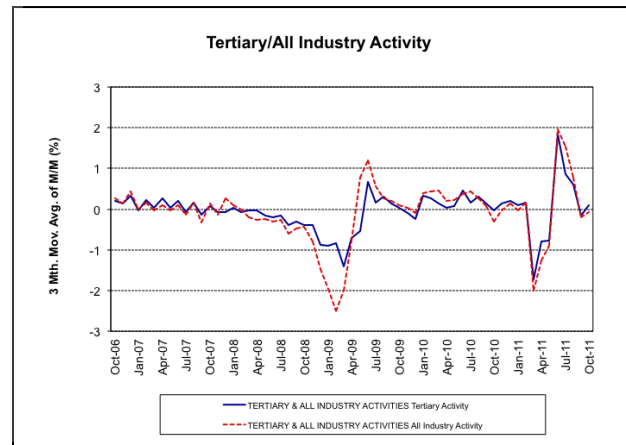
Machine Tool Orders increased 15.8% Y/Y in November.



All Industry Activity & News

Tertiary/ All Industry Activity

The All Industry Activity Index increased 0.8% M/M and dropped 0.2% Y/Y in October. Market expectation was for a 1.0% M/M gain. On a M/M basis, activity was driven higher by manufacturing production (+2.2% M/M) and tertiary activity (+0.6% M/M) and restrained by construction (-3.9% M/M).



News

Dec. 21st - Japan Keeps Assessment, Says Companies Wary Over Yen, Europe (Bloomberg) -

Japan's government said the economy is still picking up slowly from the country's March disaster, with companies exercising caution because of the yen's appreciation and the euro region debt crisis. "Firms' judgment on current business conditions shows a small improvement, although that for large manufacturers is deteriorating," the Cabinet Office said in a monthly report in Tokyo today. The government left its assessment unchanged for the second straight month.

The report again cited the situation in Europe as a threat to Japan's prospects. Bank of Japan Governor Masaaki Shirakawa last month signaled the central bank is prepared to increase stimulus to counter the impact of Europe's deepening crisis.

Dec. 21st - Maehara Says Japan's GDP Will Grow 2 Percent Next Fiscal Year (Bloomberg) -

Japan's gross domestic product will expand by two percent next fiscal year, senior ruling party lawmaker Seiji Maehara said. Nominal GDP for the year beginning next April will be just below two percent, Maehara, the Democratic Party of Japan's policy chief, said in a speech today in Tokyo. Inflation is likely to persist, he said.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
12/20 - 12/21	Cabinet Office Monthly Economic Report	N/A	N/A
12/22	Bank of Japan Monthly Economic Report	N/A	N/A
12/22	Supermarket Sales (YoY)	N/A	-0.90%
12/26	Corp Service Price Index (YoY)	N/A	0.10%
12/26	Vehicle Production (YoY)	N/A	20.30%
12/27	Construction Orders (YoY)	N/A	24.30%
12/27	Annualized Housing Starts	N/A	0.774M
12/27	Housing Starts (YoY)	N/A	-5.80%
12/27	Small Business Confidence	N/A	45.8
12/27	Job-To-Applicant Ratio	N/A	0.67
12/27	Overall Hhold Spending (YoY)	N/A	-0.40%
12/27	Jobless Rate	N/A	4.50%
12/27	Tokyo CPI YoY	N/A	-0.80%
12/27	Tokyo CPI Ex-Fresh Food YoY	N/A	-0.50%
12/27	Tokyo CPI Ex Food, Energy YoY	N/A	-1.10%
12/27	Natl CPI YoY	N/A	-0.20%
12/27	Natl CPI Ex-Fresh Food YoY	N/A	-0.10%
12/27	Natl CPI Ex Food, Energy YoY	N/A	-1.00%
12/27	Retail Trade YoY	N/A	1.90%
12/27	Retail Trade MoM SA	N/A	1.40%
12/27	Large Retailers' Sales	N/A	-1.40%
12/27	Industrial Production (MoM)	N/A	2.20%
12/27	Industrial Production YOY%	N/A	0.10%
12/27	Labor Cash Earnings YoY	N/A	0.10%

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Valance Economic Report: United Kingdom

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December 21, 2011

Total Retail Sales fell more than expected in November, despite increased pre-holiday store discounts. In its minutes, the BoE said that most MPC members signaled further stimulus might be needed next year. Nationwide Consumer Confidence bounced from its lowest level since records began in May 2004, but the GfK Consumer Confidence fell to its lowest level since January 2009.

Weekly Highlights

Retail Sales Ex Autos & Fuel – dropped 0.7% M/M vs. -0.4% expected in November. (UK 1)

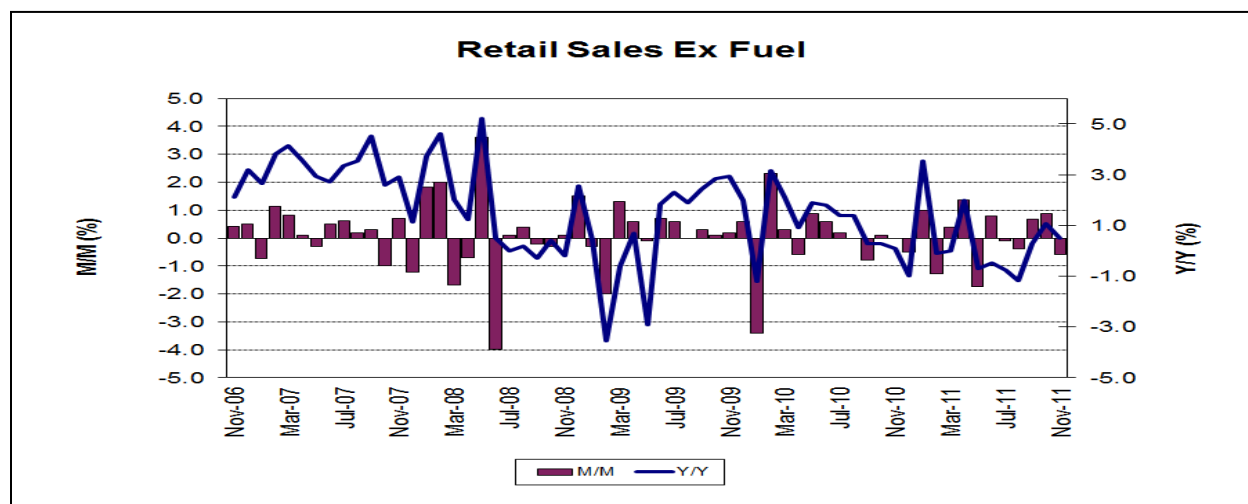
Rightmove House Prices – dropped 2.7% M/M in December. (UK 3)

Nationwide Consumer Confidence – rose from 36 in October to 40 in November. (UK 3)

GfK Consumer Confidence – fell from -31 to -33 in December. (UK 3)

Weekly Releases & News

Chart of the Week: Retail Sales

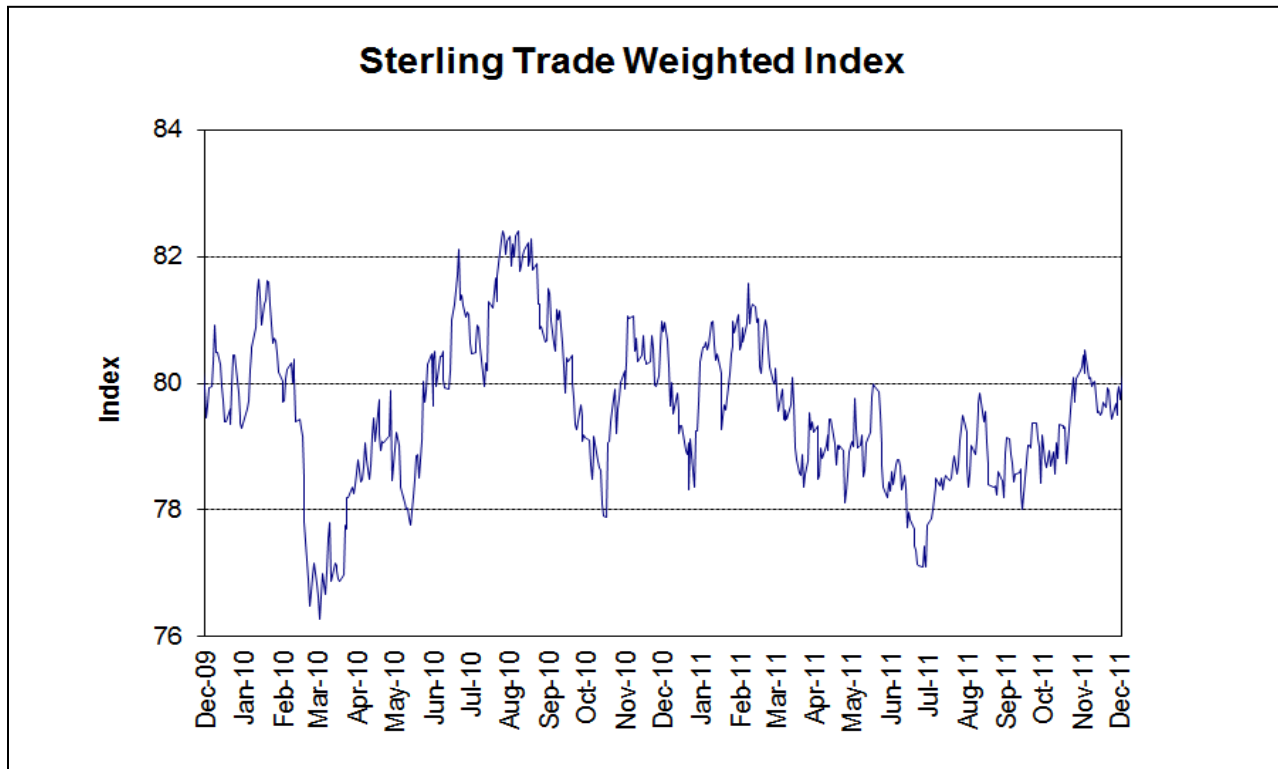


November's Retail Sales fell 0.4% M/M (-0.3% exp.) and rose 0.7% Y/Y. In the three months through November, sales rose 0.7%. Excluding auto fuel, sales dropped 0.7% M/M (-0.4% exp.) and rose 0.5% Y/Y. Food sales rose 0.5% M/M, while sales at "other stores," which includes computers, telecoms, toys and books, dropped 3.2% M/M. Prices, as measured by the retail sales deflator, fell 0.2% M/M in November after falling 0.4% M/M in November. Prices were 3.6% higher than a year ago.

UK - 1

Financial Balances & FX

U.K.	Last Period (blns)	Last 12mth. % of GDP
Budget Balance (monthly/total)	+£15.2 (Nov)	+12.6%
Curr. Acct. Balance (quarterly)	-£2.0(Jun)	-3.2%
Private Balance	+£13.2	+9.4%



House Prices, Budget & Consumer Confidence

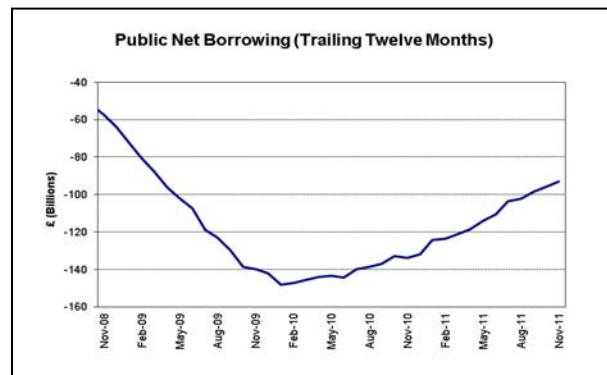
Rightmove House Prices

Rightmove House Prices dropped 2.7% M/M and rose 1.5% Y/Y in December from +1.2% Y/Y in November. The average London Asking price fell 2.2% M/M and slowed from 6.6% Y/Y to 6.4% Y/Y. Rightmove said that the U.K. property market will remain “challenging” next year.

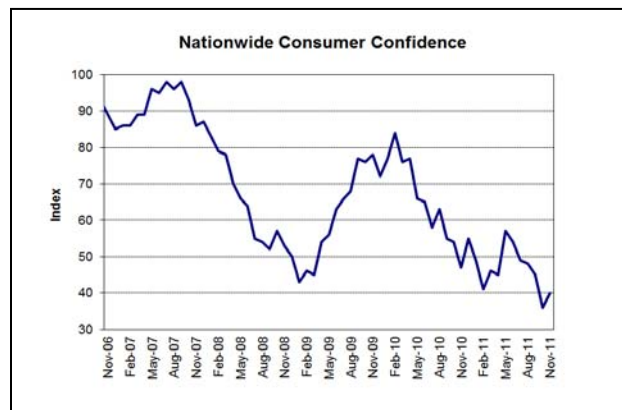


Budget Balance

The U.K. printed a gap of £15.9 bln in November (including Government support for banks), compared to the £18.4bln a year earlier. Net debt rose to a record 977 bln pound, equating to 62.8% of GDP, up from 57.5% a year earlier.



Nationwide and GfK Consumer Confidence



Nationwide Consumer Confidence Index increased from 36 in October to 40 in November, against expectations for +36. Still, the index is almost 40 points below its long-run average. October's outcome was the lowest level since records began in May 2004. The GfK index of consumer sentiment dropped 2pts from November to minus 33 in December, the weakest reading since February 2009. A measure of expectations for the economy over the next year fell 8 pts to -41, the lowest level since January 2009.

MPC Minutes Summary & News/Comments

MPC Minutes

Minutes of the MPC meeting held on 7th and 8th of December – Main Points:

BoE policy makers said the pace of their bond purchases is close to the market's capacity as some signaled further stimulus might be needed next year to weather Europe's sovereign debt crisis. The Monetary Policy Committee, led by Governor Mervyn King, voted unanimously to keep the target for gilt buying at 275 bln pounds after increasing it by 75 bln pounds in October. They also voted 9-0 to keep the key interest rate at a record-low 0.5 %. "Some members continued to note that the balance to risks to inflation in the November inflation report projections meant that a further expansion of the asset purchase program might well become warranted," the minutes said. "It was noted that market capacity made it difficult to increase the monthly rate of purchases substantially above what was already under way." "It seemed likely that a contraction in activity was under way in the euro area" and "the substantial challenges faced by the euro area posed a threat to the outlook" for the U.K., the minutes said. Some officials "thought that the outlook had deteriorated somewhat on the month, and noted the further weakening in the labor market and increased concerns for credit supply arising from the continuing strains in bank funding markets," the minutes said. All officials agreed that there was "little merit" in changing the path of asset purchases at the meeting and that there had been little change in the risks to the U.K. in the previous month.

Data & News

CBI Factory Orders - A U.K. index of factory orders fell to the lowest in more than a year this month as the crisis in Europe undermined export demand. The gauge declined from -19 in November to -23 in December, the Confederation of British Industry said. A gauge of selling prices rose from 2 to 7 in December. A measure of stock adequacy held at 16, while an index of expectations for output for the coming quarter stayed at -8. The CBI conducted the survey of 434 manufacturers from Nov. 24th to Dec. 7th. The CBI said that "the weaker export performance no doubt reflects ongoing instability in the euro area, our biggest export market, and its knock-on impact on prospects for the real economy. A clear and orderly resolution to the crisis remains essential to prevent further adverse effects."

CBI Retail Sales – The Index of U.K. retail sales unexpectedly rose to a seven-month high level in December in large part due to pre-Christmas discounts. The measure of annual sales growth increased from -19 in November to +9 in December. The measure of 3-month sales volumes increased from -15 to -7, while the measure of new orders increased from -25 to -4.

Dec. 21st - Moody's Cuts U.K. 2012 GDP Growth Forecast (Bloomberg) - Moody's Investors Service cut its U.K. growth forecast next year, citing a weakening economic outlook. GDP product will increase 0.7 % in 2012 from a previous prediction of 1.5%.

Dec. 21st - BoE's Broadbent 'Reassured' on Inflation Plan, Tells Independent (Bloomberg) - BoE policy maker Ben Broadbent said he is "quite reassured" on the Bank's credibility in tackling inflation, though it's been a "very uncomfortable" period, with inflation currently 4.8 %, 2.8 %age points above target, the Independent reported, citing an interview. While the cost of living is expected to drop next year, Broadbent says the country faces a period of "pain with a purpose" as the U.K. starts to rebalance its economy, according to the Independent. This will bring about a reallocation of resources, which occurs even in times of prosperity, and implies "job losses on an enormous scale in a gross sense, but net job creation," Broadbent said, adding, "one should not think that change is the enemy."

News Cont'd

Dec. 20th - Osborne Says Vickers Plan to Cost Banks Up to 8 Bln Pounds (Bloomberg) - U.K. Chancellor of the Exchequer George Osborne said changes to banking regulation will cost banks as much as 8 bln pounds and will be implemented in stages by 2019. "The total cost to U.K. banks will be between 3.5 and 8 bln pounds," Osborne told lawmakers in the House of Commons in London today. "Primary and secondary legislation related to the ringfence will be completed by the end of this parliament by May 2015," he said. "We'll work with the banks to a reasonable transition timetable." Final changes will be in place by 2019, Osborne said.

Dec. 18th - Fisher Says Deflation Biggest Threat to U.K., Market News Says (Bloomberg) - BoE Markets Director Paul Fisher said U.K. inflation expectations are "well- anchored" and deflation is the economy's biggest threat, Market News International reported, citing an interview. The euro-area crisis could create another negative shock "which pushes us into recession and deflation," Fisher told the news organization in an interview published today. This is the "bigger risk at the moment than inflation staying at 5 %." While the financial market conditions are in "some ways not as bad" as in 2008 in terms of market stress, it is potentially "more dangerous," Fisher said. Governments are less able to deal with an escalation of the financial crisis and conditions may deteriorate, he said. In 2009, governments had greater financial resources to provide stimulus and today's "sovereign backstop is less clear," Market News reported the policy maker as saying. U.K. banks are not as robust as the BoE would like and there's a possibility of a "disorderly" outcome from Europe's debt crisis, Fisher said.

Dec. 18th - Economy Should Inform BoE Policy Decisions, Gieve Writes in FT (Bloomberg) - The BoE's decision-making bodies and committees should be set up to operate in such a way as to ensure decisions on financial regulation and monetary policy are taken together "in the light of the state of the economy," Former BoE Deputy Governor John Gieve writes in the Financial Times. The proposal to segment decision-making within the Bank into five separate committees may limit results by making members "constrained by different remits," Gieve writes. "The objective and powers to make the structure of the financial system and its components resilient to shocks," could be assigned to the Prudential Regulation Authority, he writes. The "objective and instruments to stabilize leverage and credit growth could go to the Monetary Policy Committee, which would consider them alongside monetary policy in stabilizing the economy," Gieve writes.

Dec. 15th - U.K. November Inflation Expectations Ease, BoE Says (Bloomberg) - Britons' inflation expectations fell last month and their satisfaction with the BoE deteriorated as price growth remained at more than twice policy makers' 2 % target. U.K. consumers questioned in November expected prices to increase 4.1 % over the next year, the BoE said in a quarterly survey. That compares with a reading of 4.2 % in August. A measure of satisfaction with the BoE fell to a record low. Inflation, which reached 5.2 % in September, eased to 4.8 % last month, and BoE Chief Economist Spencer Dale said that it will slow "sharply" early next year as the impact of a tax increase this year drops out. He also said policy makers have scope to expand their bond-purchase program beyond the current 275 bln-pound target if the debt crisis in Europe deepens. Consumers' satisfaction with the BoE fell to the lowest since November 1999.

Dec. 15th - U.K. CML Gross Mortgage Lending Rose 5% in November on Month (Bloomberg) - U.K. gross mortgage lending rose 5 % in November from the previous month, the Council of Mortgage Lenders said today in an e-mailed statement.

Dec. 18th - U.K. Watchdog Softens Mortgage Rules for Existing Borrowers (Bloomberg) - Banks won't have to apply tougher mortgage rules to existing customers after the U.K. financial watchdog softened proposals designed to rein in risky lending practices. Lenders may "waive some of the proposed affordability requirements for existing borrowers," the U.K. Financial Services Authority said in a review of mortgage regulations published today. The FSA is seeking views on the rules, which would ban issuance of any new self-certified mortgages.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
12/22	GDP (QoQ)	3Q F	--	0.50%
12/22	GDP (YoY)	3Q F	--	0.50%
12/22	Current Account (BP)	3Q	--	-2.0B
12/22	Total Business Investment(QoQ)	3Q F	--	-1.40%
12/22	Total Business Investment(YoY)	3Q F	--	0.30%
12/23	BBA Loans for House Purchase	NOV	--	35295
12/23	Index of Services (MoM)	OCT	--	0.10%
12/23	Index of Services (3mth/3mth)	OCT	--	0.60%
12/25	Hometrack Housing Survey (MoM)	DEC	--	-0.20%
12/25	Hometrack Housing Survey (YoY)	DEC	--	-2.30%
28-30 DEC	Nat'wide House prices sa (MoM)	DEC	--	0.40%
28-30 DEC	Nat'wide House prices nsa(YoY)	DEC	--	1.60%
12/30	BoE Housing Equity Withdrawal	3Q	--	-9.1B
1/2	Lloyds Business Barometer	DEC	--	-20
1/3	PMI Manufacturing	DEC	--	47.6
1/4	PMI Construction	DEC	--	52.3
1/4	Net Consumer Credit	NOV	--	0.0B
1/4	Net Lending Sec. on Dwellings	NOV	--	1.3B
1/4	Mortgage Approvals	NOV	--	52.7K
1/4	M4 Money Supply (MoM)	NOV	--	-0.30%
1/4	M4 Money Supply (YoY)	NOV	--	-2.70%
1/4	M4 Ex OFCs 3M Annualised	NOV	--	5.00%
12/22	GDP (QoQ)	3Q F	--	0.50%

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Valance Economic Report: Canada

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December 21, 2011

Both the Headline and Core Monthly Inflation Rate slowed in November, meeting expectations. In October, Both Wholesale Sales and Retail Sales beat expectations. Q3 Capacity Utilization rose to a four-year high.

Weekly Highlights

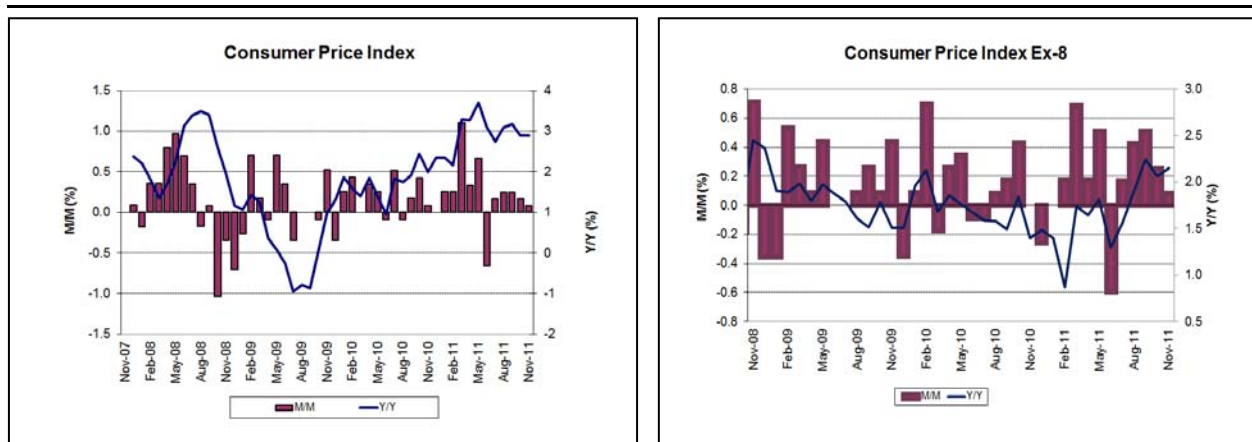
Headline CPI – rose 0.1% M/M and 2.9% Y/Y in November. (CA 1)

Retail Sales – rose 1.0% M/M in October. (CA 3)

Wholesale Sales – rose 0.9% M/M in October. (CA 3)

Weekly Releases & News

Chart(s) of the Week: CPI



Consumer Prices rose 0.1% M/M (+0.2% prev., +0.1% exp.) and the annual rate remained at 2.9%, also meeting expectations. Core CPI rose 0.1% M/M (+0.1% prev., +0.1% exp.) and the annual rate remained at 2.1%, less than the 2.2% expected. Ex. food and energy, prices rose 0.1% M/M and 1.6% Y/Y, while Ex. energy, prices rose 0.3% M/M and 2.2% Y/Y. The largest M/M price decline of 3.1% was recorded in Clothing & Footwear, while the largest M/M increase of 0.9% was recorded in Food and Transportation.

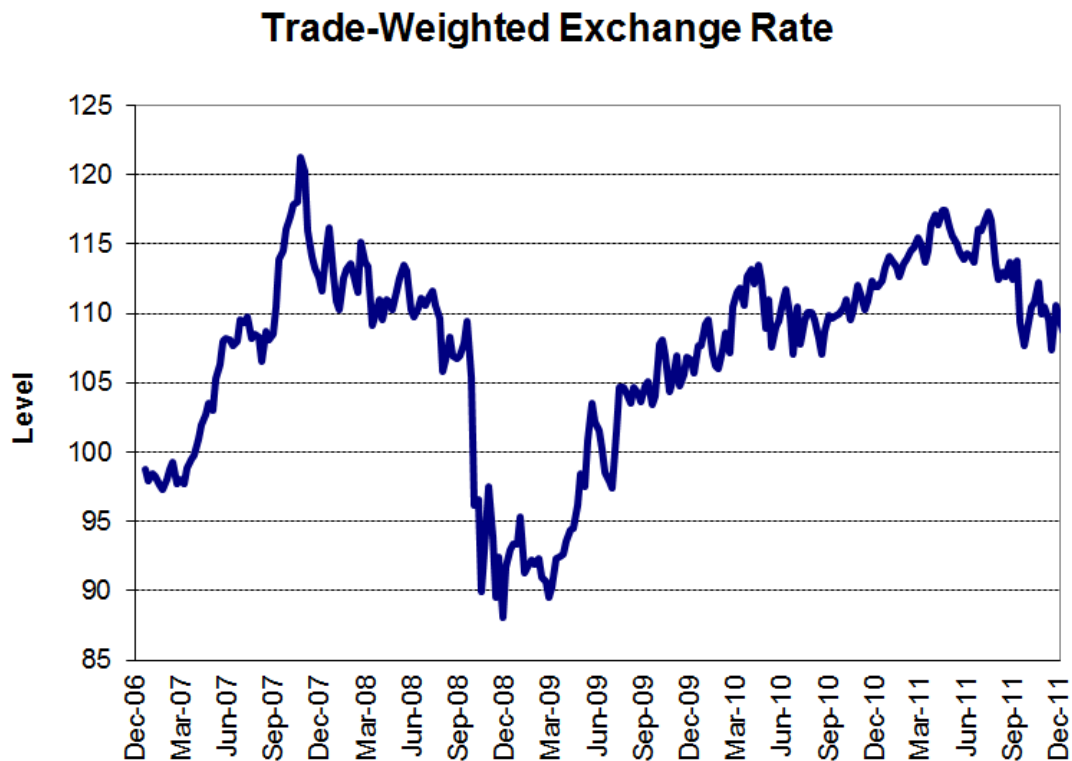
CA - 1

Financial Balances & Trade Weighted Exchange Rate

Financial Balances

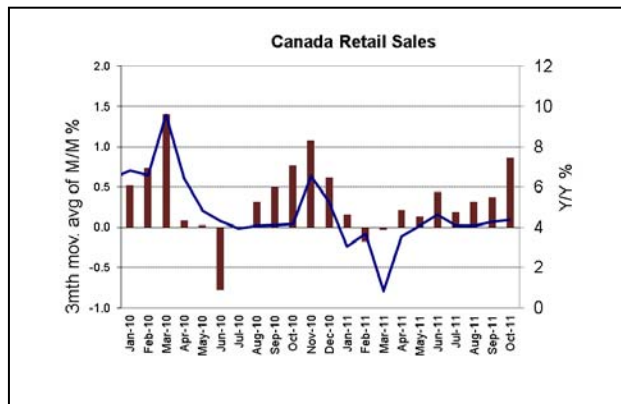
Canada	Latest period (C\$bln)	Last 12mth. as % of GDP
Budget Balance	-0.9 (Feb)	-2.3 %
Trade Balance	+1.25 (Sep)	-1.5%
Current Account Balance	-12.1 (Q3)	-3.1%
Private Balance	--	-5.4%

Trade-Weighted Exchange Rate



Retail Sales & Wholesale Sales

Retail Sales



Retail Sales rose 1.0% M/M in October, after gaining 1.0% M/M in September. This is a third consecutive monthly gain. Expectations were for a 0.5% M/M gain. Sales gained in 7 of 11 retail subsectors. Y/Y growth increased 4.4%. Retail Sales, ex-autos, rose 0.7% M/M (+0.2% exp.) and 3.9% Y/Y. Food sales increased for a fifth straight month, gaining 0.6% M/M.

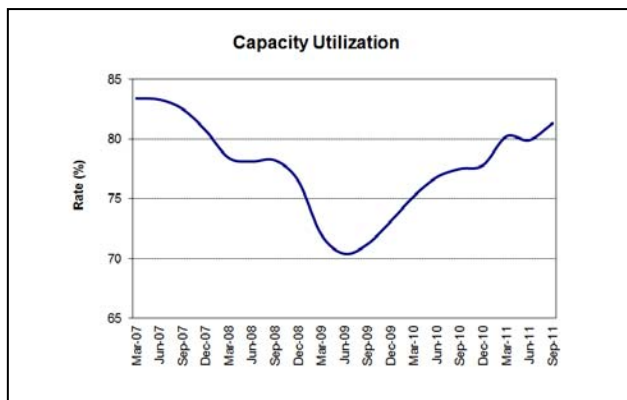
Wholesale Sales

Wholesale Sales rose 0.9% M/M (+0.1% exp.) and 8.3% Y/Y in October. Six of the seven main subsectors increased, representing nearly 85% of total wholesale sales. Ex. cars and car parts, sales were up 0.9% M/M and 9.3% Y/Y. The Inventory/Sales ratio fell from 1.18 to 1.17. Inventories held by wholesalers rose 0.2% M/M, their 10th consecutive gain.



Capacity Utilization

Total Industry Capacity Utilization rose from 79.9% in Q2 to 81.3% in Q3. This is a four-year high level. The record low of 68.1% was set in Q2 2009. The oil and gas extraction sector increased its capacity use from 85.3% to 88.2%. Manufacturing capacity use rose from 79.5% to 81.1%. The market expected overall Capacity Utilization of 79.0%.



Data, News & Upcoming Dates

Dec. 21st - Canadian Home Prices Were Unchanged in October, Teranet Says (Bloomberg) - Canadian house prices were unchanged in October from the previous month, according to the Teranet- National Bank Composite House Price Index. Housing prices rose 7.9 % in September from a year earlier, according to a report released today by National Bank Financial. Prices fell on the month in seven of the 11 cities covered, the report showed. Toronto led gains in October, with prices advancing 0.8 %. Housing prices in Calgary and Victoria, British Columbia fell 1.5 %, according to the statement.

Dec. 19th - Duncan Says Moody's Cutting Ontario's Outlook Wasn't Unexpected (Bloomberg) - Ontario Finance Minister Dwight Duncan said today he wasn't surprised that Moody's Investors Service lowered the outlook on the province's debt from stable to negative last week." "It's not unexpected," Duncan told reporters in Victoria, British Columbia, ahead of a meeting of Canada's finance ministers. "We still have one of the highest credit ratings. We've got a real fiscal challenge that we have to meet." Moody's lowered the outlook on Ontario's Aa1 rating on concern that Canada's most populous province faces increased risks in meeting fiscal targets amid a slowdown in economic growth, the company said in a Dec. 15 statement.

Dec. 19th - Canadian economy vulnerable to debt, hot housing market, says Royal Bank (Canadian Press) - The Royal Bank is issuing a cautionary alert about Canada's over-extended households and the hot housing market. Economists with the large bank note that domestic consumption, including housing, has sustained Canada's recovery since the recession. But they warn that segment of the economy is likely played out with household credit market debt reaching a record high 150.8 per cent of disposable income. That makes Canada's economy even more exposed to outside factors, such as slower global growth and a European financial crisis. Even a soft landing for housing -- a 10 per cent drop in prices -- could subtract up to one %age point from economic growth going forward, the bank says. Still, the RBC says a steep drop home prices is not the most likely outcome, since the Bank of Canada will almost certainly keep interest rates low next year. The bank says if none of the risks come to fruition, next year will look pretty much like this one with a modest 2.5 per cent growth rate.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Survey</i>	<i>Prior</i>
12/28	Teranet HPI Index (M/M)	SEP	-	0.0%
12/23	GDP	OCT	+0.1%	+0.2%

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Valance Economic Report: Australia

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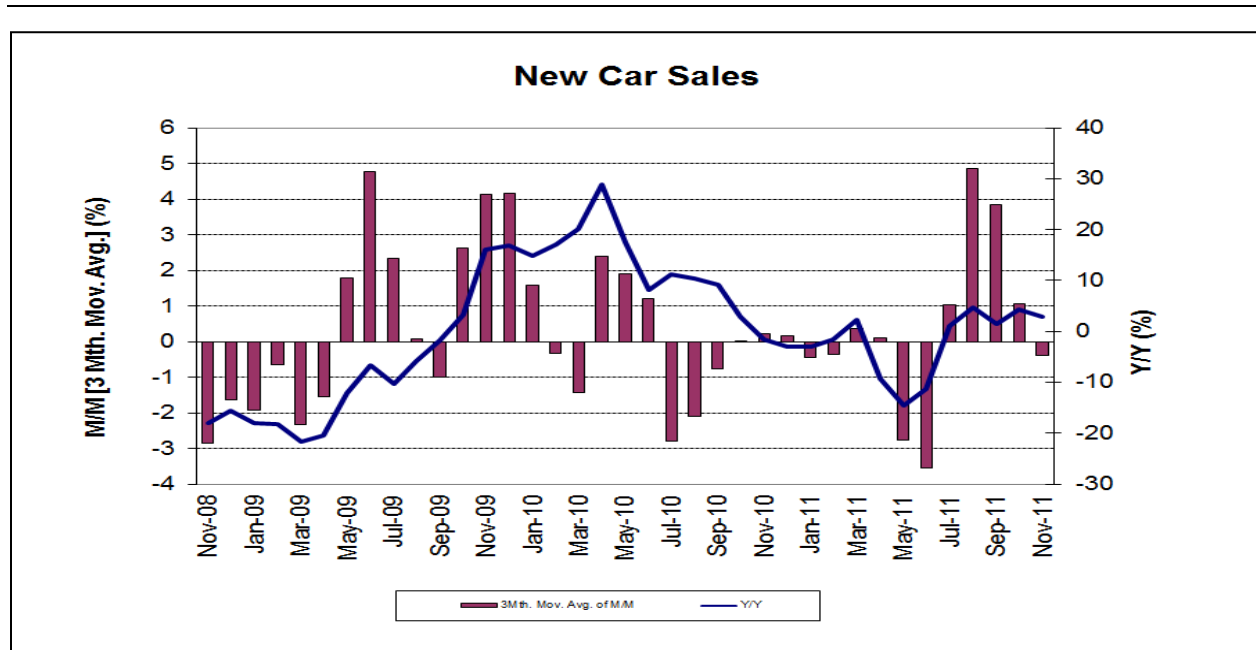
December 21, 2011

Data was sluggish and in its December Minutes, the RBA stated its concern with the European situation.

Weekly Highlights

New Car Sales – fell 0.7% M/M in November. (AU 1)

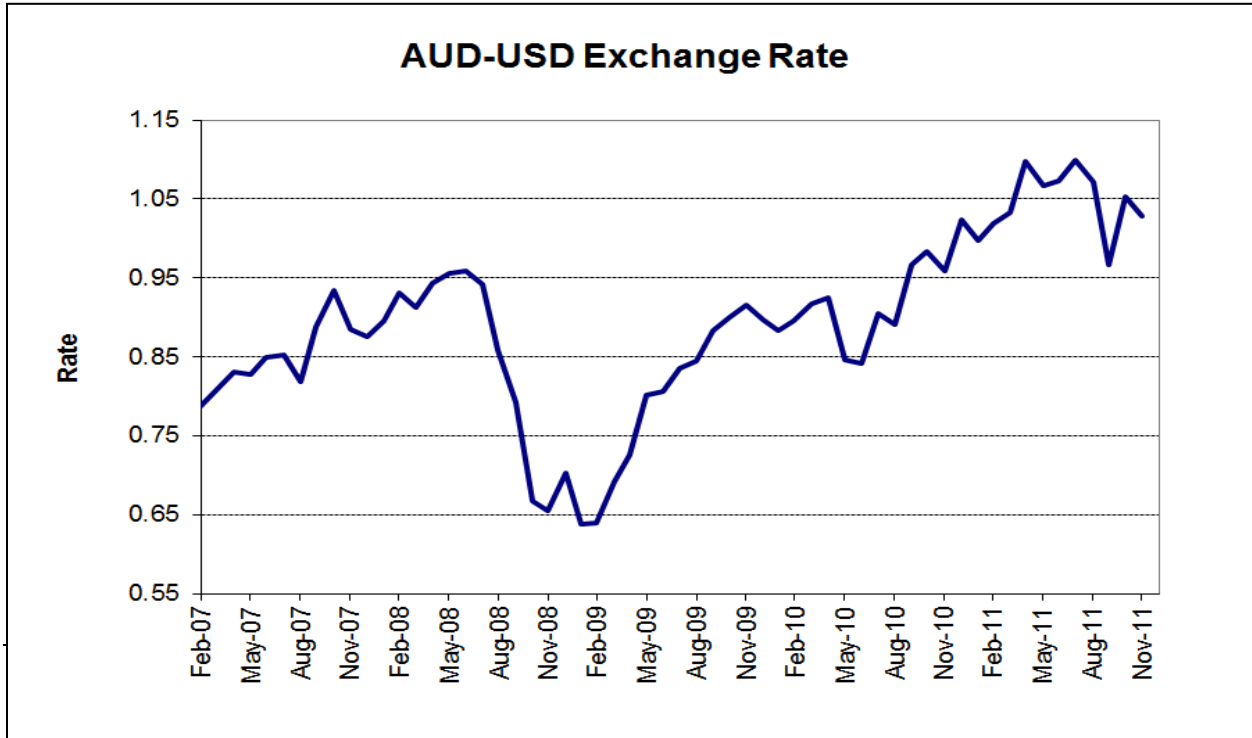
Westpac Leading Economic Index - rose 0.1% M/M in October. (AU 4)

Weekly Releases & News**Chart of the Week: *New Car Sales***

New Car Sales fell 0.7% M/M and rose 2.9% Y/Y in November. This followed the 1.0% M/M increase in October.

FX

Trade-Weighted Exchange Rate



RBA Minutes & Data

Minutes Summary - In the global economy, the recent news had been mixed. The data for the US economy had been better than in earlier months. ***China's growth had been slowing, as policymakers there had intended, and most other economies in Asia had also slowed as trade in Asia was seeing some effects of the significant slowing in economic activity in Europe.*** Nonetheless, growth rates in Asia remained solid. The news on Europe, however, had been notably weaker and it remained unclear as to how the current situation would be resolved. ***It seemed highly likely that the sovereign credit and banking problems would weigh heavily on economic activity there over the period ahead, and there was a non-trivial possibility of a very sharp contraction.*** Global financial markets had experienced considerable turbulence, and financing conditions for banks had become much more difficult, especially in Europe. Overall, members concluded that growth in ***the world economy was likely to weaken over the coming year.***

Domestically, some of the recent economic data had been more positive than a few months earlier, and overall growth was consistent with trend. However, conditions varied significantly across sectors. Investment was picking up very strongly, and measures of household and business confidence had improved in recent months, though liaison reports suggested consumers remained cautious. The unemployment rate had been broadly steady, at a little over 5 per cent, after rising around mid-year. The financial side of the economy remained relatively subdued, with soft credit growth and declining asset prices.

Against this background, the Board considered the question of whether a further reduction in the cash rate would be appropriate following the reduction in November. On the one hand, there had been further evidence that a major investment boom was in progress and the overall economy was expanding at a pace broadly in line with trend. Australia's main trading partners were also still recording solid growth. ***This did not suggest any strong need to cut interest rates.*** Against this, developments in ***Europe continued to pose downside risks to the global economy and, consequently, also to Australia.*** These risks had, if anything, increased though the timing and magnitude of any effects that might flow from them remained very difficult to predict.

In these circumstances, and given the expectation that inflation would be consistent with the target over the next couple of years (abstracting from the effect of the carbon pricing scheme), members felt that there was scope for a modest reduction in the cash rate at this meeting.

Data:

Westpac Leading Index - The Westpac Leading Economic Index rose 0.1% M/M (-0.5% prev.) and 2.6% Y/Y in October, below its long-term trend growth of 3.0%. The index edged up to 282.2.

Consumer Inflation Expectations - According to the Melbourne Institute, Consumers' inflationary expectations in December eased from 2.5% to 2.4%. A peak of 5.9% was recorded in July 2008.

Conference Board Index - The Index of Leading Economic Indicators for Australia rose 0.6% to 125.3 pts in October, after increasing 0.6% in September (revised up from +0.1% M/M). The Leading Index is a gauge of how the Australian economy may perform in the next three to six months.

News & Upcoming Dates

News

Dec. 21st - Australia Faces 640,000-Home Shortage by 2030, Council Says (Bloomberg) - Australia is facing a shortage of more than 640,000 homes over the next 20 years as demand outstrips supply, the National Housing Supply Council predicts. The gap between demand for housing and supply increased by 28,200 in the year to June 30, 2010, to a total of 186,800 since 2001, the council, established by the Australian Treasurer and the Minister for Housing three years ago, said in its State of Supply Report released today. It will rise to 328,800 by 2015, the council forecasts. "Supply is likely to fall short of the medium-growth projections in the short term," it said in the report. "This growing gap indicates that housing production needs to lift well above trend to reduce the likelihood that housing shortages and poor affordability impact adversely on economic growth and standards of living."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
01/01	RBA Commodity Prices (M/M)	DEC	-	+18.1%
01/02	AiG Mfg Index	DEC	-	47.8

Valance Co., Inc.

Valance Economic Report: New Zealand

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December 21, 2011

Both December NBNZ Business Confidence and Q4 Westpac Consumer Confidence weakened, in part due to the financial turmoil in Europe. More migrants left New Zealand than arrived for the eighth month in the past nine in November.

Weekly Highlights

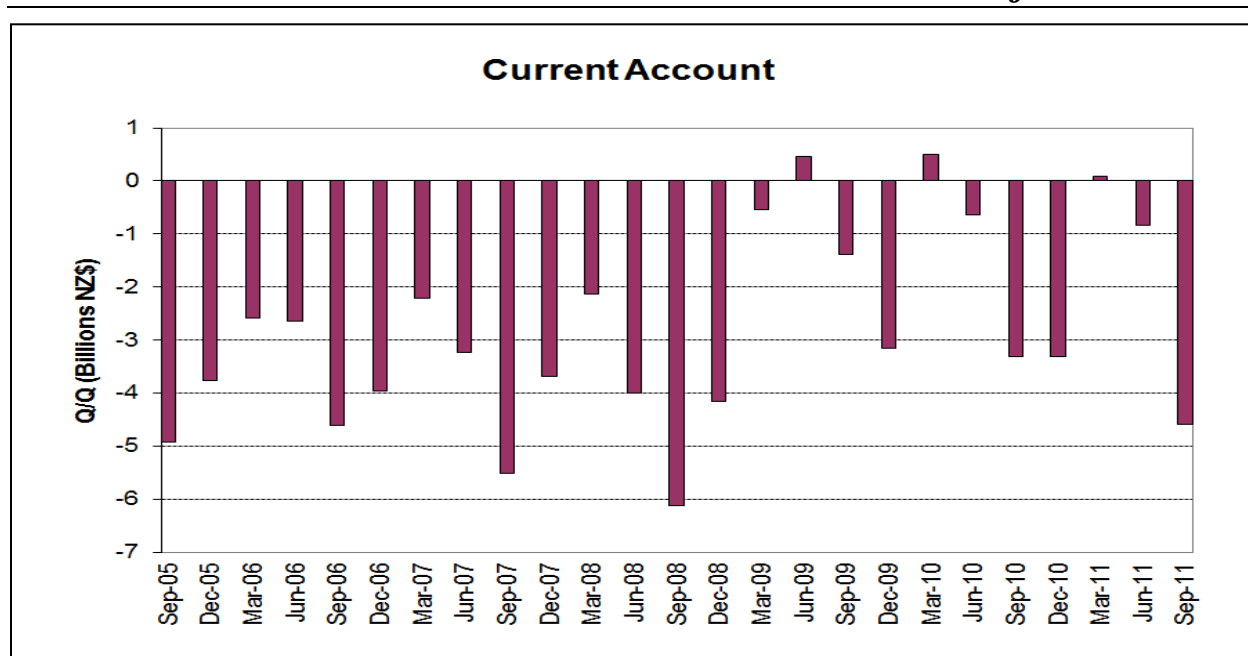
Current Account Deficit – widened from 3.7% in Q2 to 4.3% of GDP in Q3. (NZ 1)

Business PMI – fell 0.9 pts to 45.7 in November. (NZ 3)

NBNZ Business Confidence – fell from 18.3 in November to 16.9 in December. (NZ 3)

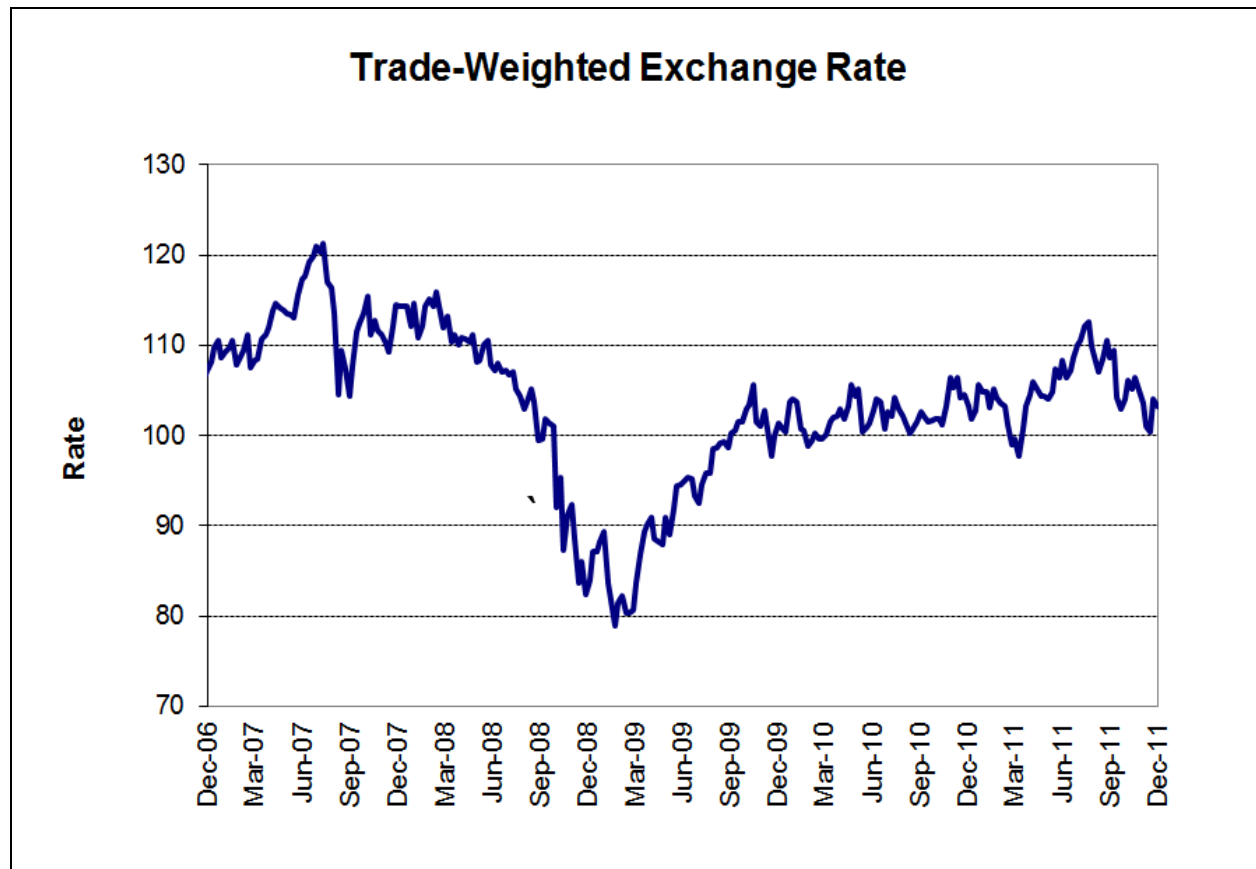
Weekly Releases & News

Charts of the Week: *Current Account Deficit*



The Current Account Deficit widened sharply from NZ\$ 0.84 bln in Q2 to NZ\$ 4.6 bln in Q3. The deficit in the year ended on September 30st was 4.3% of GDP, after 3.7% in Q2; expectations were for -3.9%. The current account gap has shrunk from 8.9% of GDP in the year through December 2008. Exports fell 19% Q/Q and Imports increased 11% in Q3.

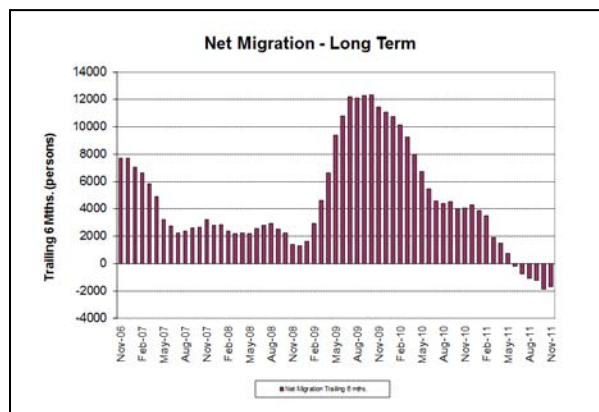
FX



Net Migration, Manufacturing Sales & Data

Net Permanent Migration

In November, net outflows accounted for 50 people, after 650 people in October, extending the largest exodus in a decade. The number of New Zealanders leaving for Australia rose 44% to 44,937 in the year ended on November 30th, from 31,252 in the year through November 2010.



Manufacturing Sales

NBNZ Business Confidence:

NBNZ Business Confidence Index fell from +18.3 in November to 16.9 in December. The Activity outlook eased from 28.8 to 25.7. On a 3-month average, Business confidence fell from 20.6 to 16.1 and Activity Outlook fell from 30.1 to 26.9 in December. A net 13.0% of the 1,567 companies surveyed said it is a good time to buy large-ticketed items, down from 30% three months earlier.

O3 Westpac Consumer Confidence - According to Westpac Banking Corp. and McDermott Miller Ltd., the Household Sentiment Index plummeted from 112.0 in Q3 to 101.3 in Q4. The index was at 108.3 in Q4 2010. A reading above 100 indicates that consumers returned to optimistic territory.

Performance of Services Index - The Performance of Services Index jumped 5.6pts to 56.6 in November.

ANZ Manufacturing Index - The Manufacturing Index fell 0.9pts to 45.7 in November. This is the second contraction in a row. The Production measure fell 2.4pts to 43.6, while finished stock measure surged 6.1pts to 51.2. The Manufacturing Index measures production, employment, new orders, finished stock and deliveries. A reading above 50 indicates manufacturing is expanding.

News & Upcoming Dates

Dec. 20th - RBNZ to Temporarily Adjust Cost of Overnight Borrowing for Banks (Bloomberg) -
RBNZ responding to introduction of new inter-bank retail payment system, according to its website.

- RBNZ to reduce overnight cost for 3 months from Jan. 30
- Cost reduced to 25bps from 50bps over cash rate
- No monetary policy implications

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
12/21	GDP (Q/Q)	Q3	-	+0.1%
12/21	GDP (Y/Y)	Q3	-	1.5%
12/29	Money Supply M3 (Y/Y)	NOV	-	+5.5%

Weekly Economic Report: *China*

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December 21, 2011

Foreign Direct Investment fell to -9.8% Y/Y in November and a survey showed manufacturing will contract for a second consecutive month in December.

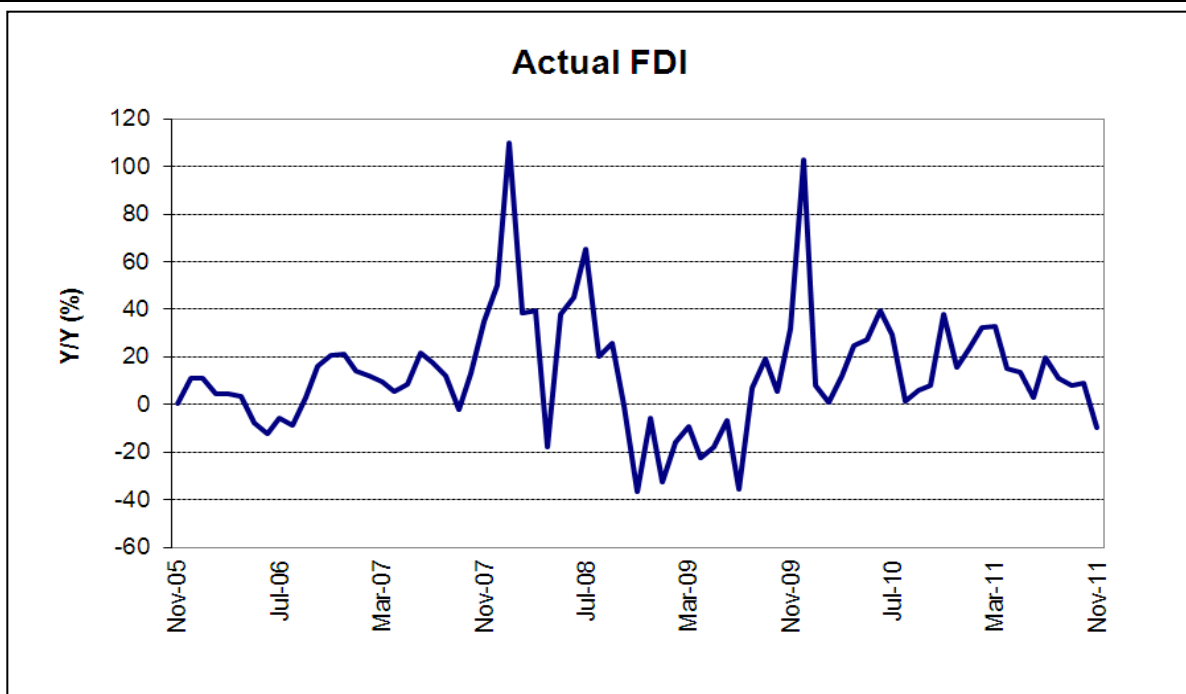
Weekly Highlights

FDI – fell from 8.8% Y/Y in October to -9.8% Y/Y in November. (CH 1)

HSBC Flash PMI – rose from 47.7 in November to 49.0 in December. (CH 2)

Weekly Releases & News

Chart(s) of the Week: *Actual FDI*



Foreign Direct Investment fell from 8.8% Y/Y in October to -9.8% Y/Y in November – totaling \$8.76 bln. This marked the first decline since 2009. Ministry of Commerce Spokesman, Shen Danyang commented, “the country will maintain its advantage for attracting foreign investment in the long run, because with the steady and relatively rapid growth of China's economy, the country's market potential is progressively being unleashed, industrial supporting capabilities are increasingly strengthened and the environment for foreign investment has been constantly improving. China's long term is coming into being.”

Data & News

Data

December 14th (Bloomberg) - China's HSBC Flash Manufacturing PMI – rose from 47.7 in November to 49.0 in December; moving below the 50-point expansion level for the second time since March 2009. HSBC Economist, Qu Hongbin remarked, “The pace of the slowdown stabilized in December but the growth momentum remains weak with additional downside risks from exports and the property market not yet fully filtering through. With inflation quickly shifting to disinflation, the Chinese government can and should take more aggressive easing measures on both fiscal and monetary fronts to stabilize growth and jobs.”

News

December 21st (Reuters) - China Premier says banks must ease pain for business - China's Premier Wen Jiabao remarked:

Currently, the overall economic situation is generally healthy, but we're facing many new circumstances and problems.

..the shrinking external market has run smack into rising overall business costs.

The financial order must be cleaned up.

Many businesses have a problem of excessively high credit costs, and banks must truly solve the problem of unreasonable fees and additional conditions on loans.

December 19th (Reuters) - Ex-China stats chief urges bank reserve cut, reforms - Qiu Xiaohua, China's former top statistician said:

The government should cut banks' reserve requirements and taxes to help stabilise economic growth.

China's economy is in a transition. It will be empty talk if the government fails to transform itself.

December 16th (Reuters) - China c.bank boss vows to help real economy – PBoC Governor, Zhou Xiaochuan made the following comments:

Expanding domestic demand is the strategic point for the current economic work and for the next year.

Developing the real economy is the foundation of all economic work.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
12/22	MNI December Flash Business Sentiment Survey			
12/26	Industrial Profits	NOV	--	25.3%
12/26-31	Leading Index	NOV	--	100.40

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Valance Economic Report: Sweden

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December 21, 2011

Amid Europe's debt crisis, the Riksbank cut its repo rate to 1.75% and lowered its forecast for the projected rate path. In December, Consumer Confidence remained unchanged near its lowest since 2009. Employment fell for the fourth straight month in November.

Weekly Highlights

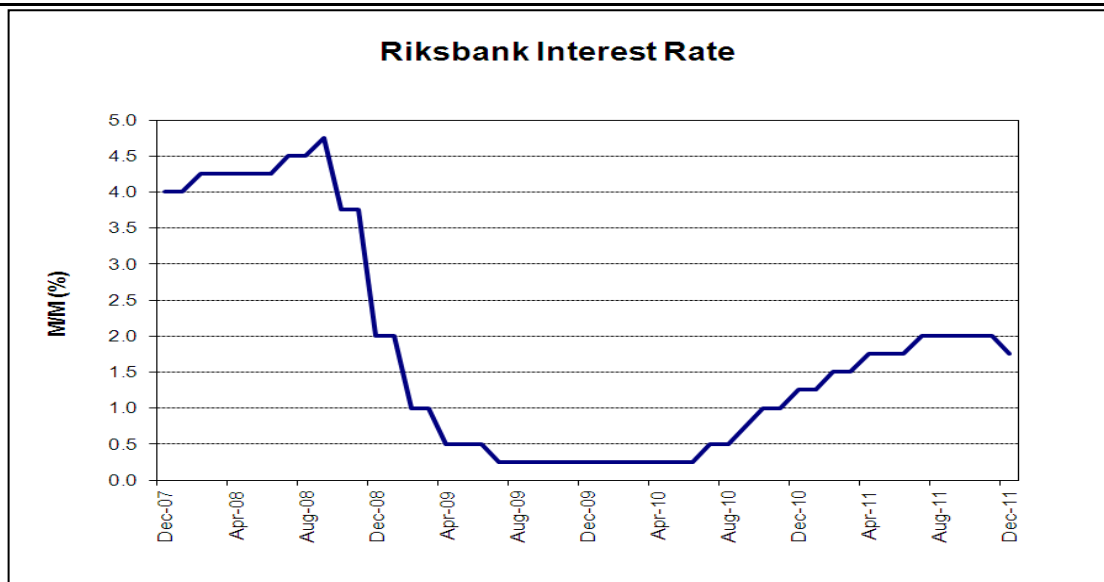
Riksbank Interest Rate – was lowered to 1.75%. (SW 1)

Consumer Confidence – remained unchanged at -7.4 in December. (SW 2)

Unemployment Rate – dropped to 6.7% in November. (SW 2)

Weekly Releases & News

Chart(s) of the Week: *Riksbank Interest Rate*



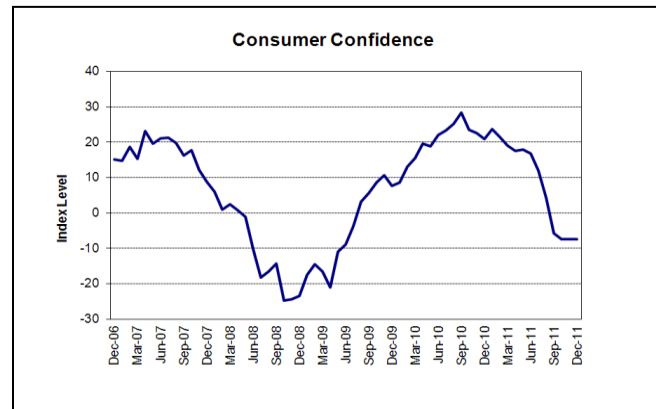
As expected, the Riksbank cut its repo rate from 2.0% to 1.75% and lowered its repo rate path. This marked the first cut since 2009. The Bank remarked, "There is still considerable uncertainty regarding the public-finance problems in, above all, the euro area and several euro countries are expected to implement more stringent fiscal tightening than was previously assumed. The weak development of the economy in the euro area is also having a dampening effect on the Swedish economy, which is now slowing down following strong development so far this year." Deputies Lars E. O. Svensson and Karolina Ekholm, were hoping for a lower rate path and a 1.25% benchmark rate in Q2 of 2012 through Q3 of 2013. The Bank has now predicted that 2012 economic growth will reach 1.3%, from a previous forecast of 1.5%, and lowered its repo rate forecast for 2012 from 2.2% to 1.7%. It added, Consumer Price Index Inflation will average 1.5% in 2012, down from a previous forecast of 1.9%.

SW 1

Consumer and Manufacturing Confidences & Unemployment Rate

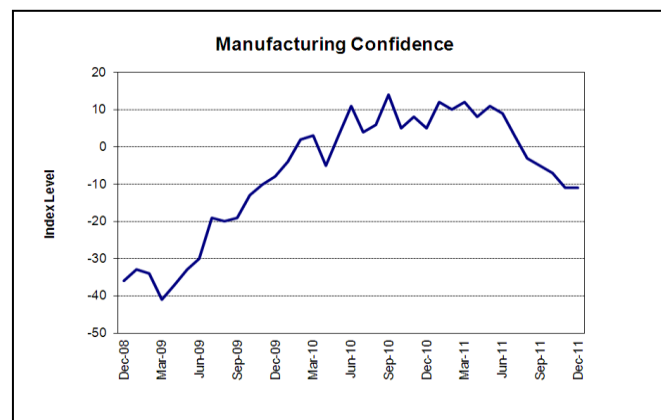
Consumer Confidence

Sweden's Consumer Confidence Index remained unchanged at -7.4 in December. The NIER remarked that the Index was "considerably below the historic average." Expectations were for a reading of -8.0.



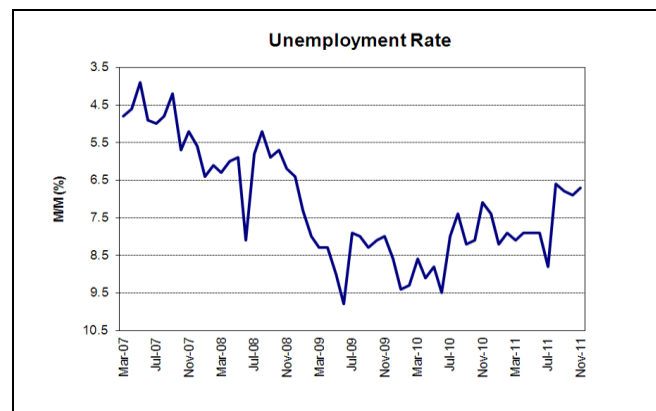
Manufacturing Confidence

The seasonally adjusted Manufacturing Confidence Index remained at -11 in December. A reading of -14 was expected.



Unemployment Rate

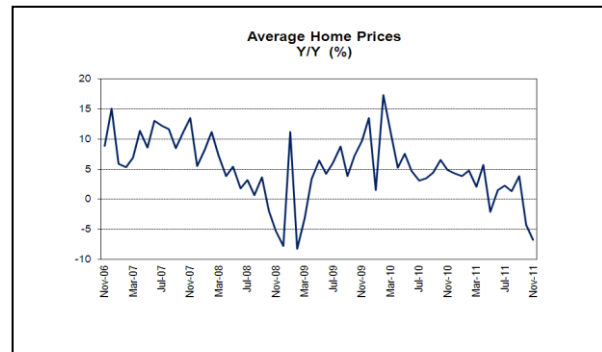
The Unemployment Rate (n.s.a.) fell from 6.9% in October to 6.7% in November. The rate was expected to reach 6.8%. The number of employed increased 1.3% Y/Y, totaling 4.63 mln persons; while the number of unemployed decreased 4.3% Y/Y, down to approximately 334K persons.



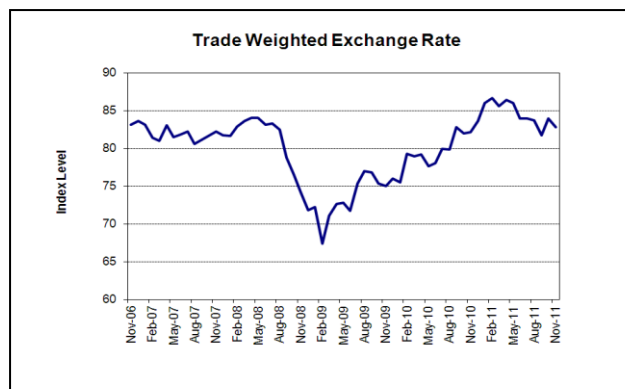
Average House Prices, Trade Weighted Exchange Rate & Data

Average House Prices

Average House Prices rose from SEK 1.88 mln in October to SEK 1.90 mln in November. Prices dropped by 1.0% annually. Twelve of 21 counties experienced price decreases during this period and 6 increased.



Trade Weighted Exchange Rate



Data

December 21st (RTT News) – The Economic Tendency Survey – fell 1.6 points from 94.4 in November to 92.8 in December. The Survey has declined over 22 points since reaching its peak in February 2011 and is considerably lower than its historic average. It was expected to reach 93.0.

News & Upcoming Dates

News

December 17th (Reuters) - Sweden says fiscal pact rules should only affect euro zone - Prime Minister Fredrik Reinfeldt told Swedish public broadcaster Sveriges Radio:

My intention is rather to get closer than farther away from this deepening the 17 is doing but not to agree to legal effects in Sweden.

Nor do I think that we should accept a regime in which the UK will be further away from the cooperation than necessary. It is important for me to hold together the EU-27.

Out of respect for the fact that the Swedish people in 2003 said that we should not have the euro as our currency, we will not go into these parts, which are aimed at stabilizing the euro.

I think, and that is my starting point in these negotiations, that it is possible to get Sweden a seat at the table, without us needing to make these changes unless the Swedish people in a second referendum decides that we should join the euro.

The reason I think it may be important to join, is that I anticipate that this collaboration with the 17 will become more and more important.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
12/22	PPI	NOV	0.5% / 0.1%	-0.3% / 0.3%
12/28	Household Lending Y/Y	NOV	--	5.5%
12/28	Retail Sales	NOV	--	0.4% / -0.5%

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Valance Economic Report: Switzerland

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December 21, 2011

The SNB, as expected, kept its target for the 3-month Libor at zero and lowered its inflation forecast further through 2013. In November, Switzerland's Trade Surplus widened unexpectedly backed by an increase in exports. Industrial Output declined more than expected in Q3.

Weekly Highlights

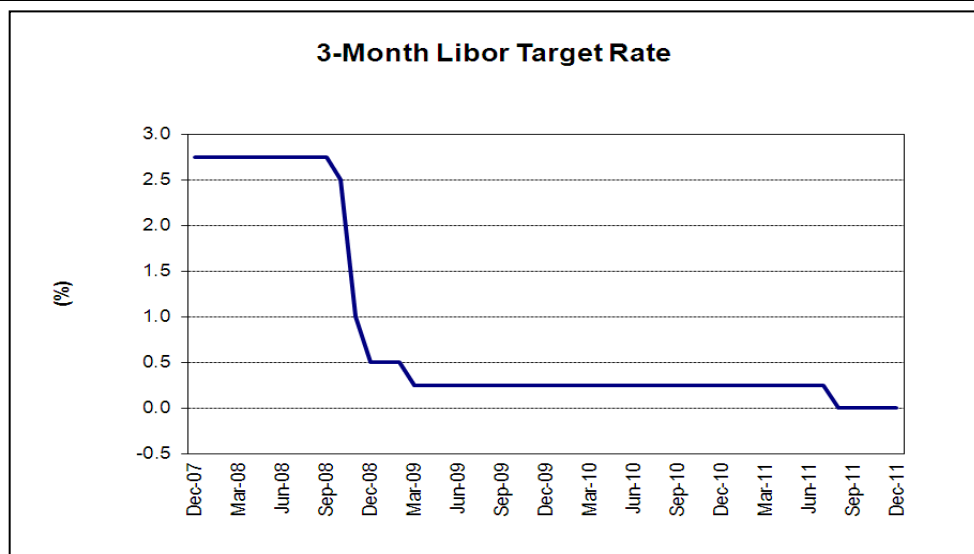
3-Month Libor Target Rate – remained unchanged at 0.0%. (SZ 1)

Exports – slumped 6.8% in November, after gaining 0.9% in October. (SZ 2)

Industrial Output – dropped 1.4% on both a Q/Q and Y/Y basis in Q3. (SZ 2)

Weekly Releases & News

Chart(s) of the Week: SNB 3-Month Libor Target Rate

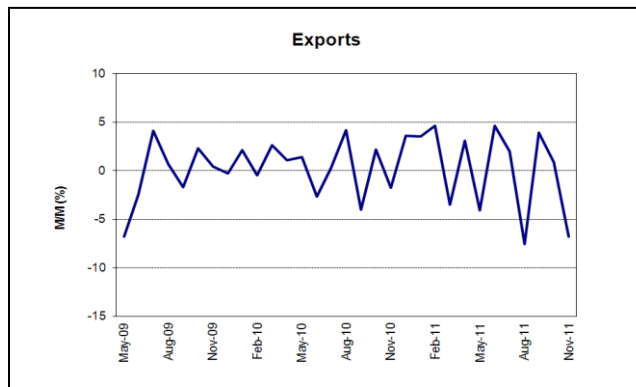
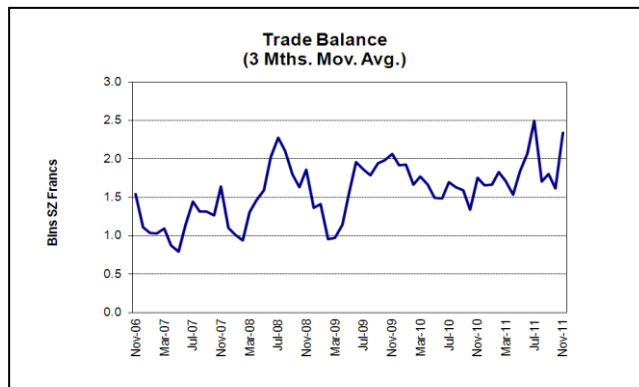


As expected, the SNB kept its target for the 3-Month Libor Rate at zero for a 2nd consecutive month. The Bank stated, “The Swiss National Bank (SNB) will continue to enforce the minimum exchange rate of CHF 1.20 per euro with the utmost determination. It is prepared to buy foreign currency in unlimited quantities. The target range for the Libor remains at 0.0–0.25%, and the SNB continues to aim for a three-month Libor close to zero. Even at the current rate, the Swiss franc is still high and should continue to weaken over time. The SNB stands ready to take further measures at any time if the economic outlook and the risk of deflation so require.” The Bank further reiterated that it expects the economy to expand between 1.5% and 2.0% this year (from an earlier forecast of 2.0%) and an outcome of 0.5% for 2012. It added that its inflation forecast has “been adjusted downwards,” with inflation reaching 0.2% this year, -0.3% in 2012, and 0.4% in 2013.

SZ 1

Trade Data & Industrial Production

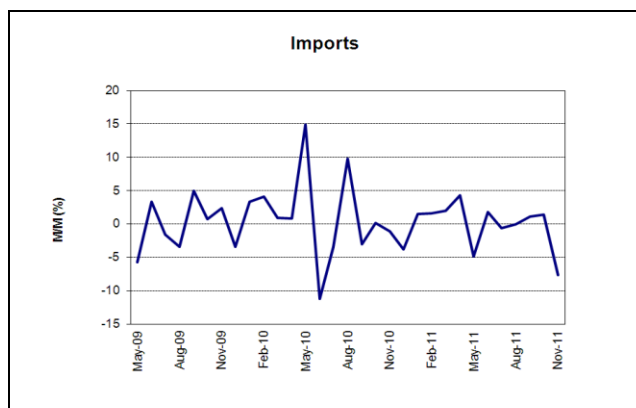
Trade Data



Switzerland's Trade Balance widened from a surplus of 2.16 bln francs in October to a surplus of 3.00 bln francs in November.

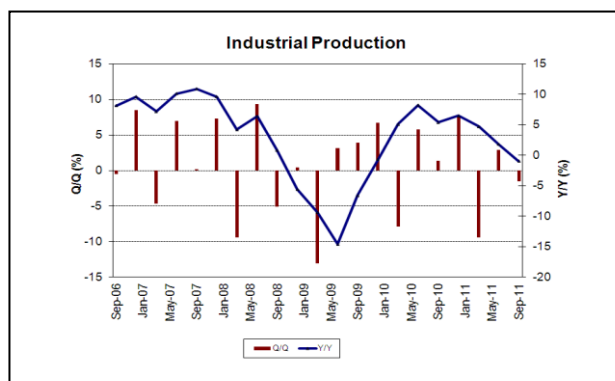
Adjusted for inflation and seasonal swings, Exports fell 6.8% M/M, considerably lower than the 0.9% M/M gain posted the previous month.

Imports fell 7.7% M/M in November, compared with the +1.4% M/M gain posted in October.



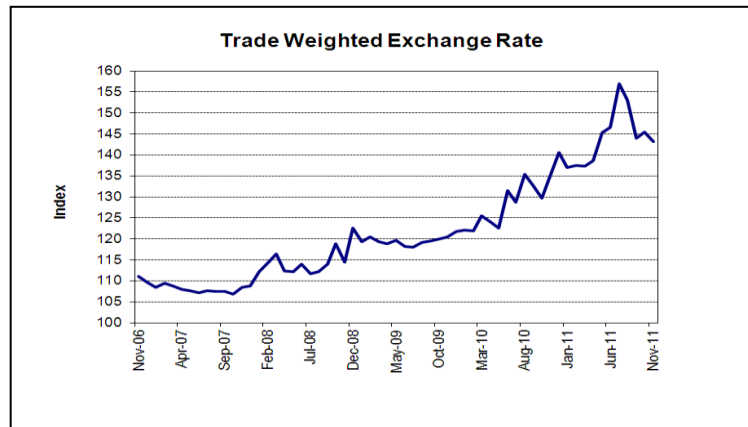
Industrial Production

Industrial Production fell 1.4% Q/Q in Q3, after posting a 2.9% Q/Q gain in Q2. Annually, Production slowed from +1.6% in Q2 to -1.4% in Q3. A loss of 0.9% Q/Q and a 0.0% Y/Y reading were expected.



Trade Weighted Exchange Rate, Data & News

Trade Weighted Exchange Rate



Data

December 21st (NASDAQ) – November M3 Money Supply Growth – eased to +7.2% Y/Y, following a +8.1% Y/Y increase the month before.

News (Cont'd.)

December 16th (Bloomberg) - Swiss Growth Will Almost Stagnate Next Year – The KOF Institute lowered its GDP forecast from 2.3% this year, 1.5% in 2012, and 2.5% in 2013 to 1.8%, 0.2%, and 1.9%, respectively. The Institute remarked:

The Swiss economy will be developing at a snail's pace in the coming year.

The weaker global development and the franc's strength will dent the economy.

December 15th (Bloomberg) - SNB Can Take More Measures as Cap Kept on Franc - SNB President Philipp Hildebrand said:

The SNB stands ready to take further measures at any time if the economic outlook and the risk of deflation so require.

The SNB is expecting temporarily negative inflation rates, but not a sustained decline in the general price level.

Even at the current rate, the Swiss franc is still high and should continue to weaken over time.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
12/27	UBS Consumption Ind.	NOV	--	0.91
12/28	KOF SZ Leading Ind.	DEC	--	0.35