Valance Company, Inc.

Weekly

January 18, 2012

Highlights

US – Retail Sales disappoint, housing rebounding

EU – ECB held interest rates steady at 1.0%

JN – Tertiary Industry Activity Declined in November

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Valance Co., Inc.

Valance Economic Report: United States

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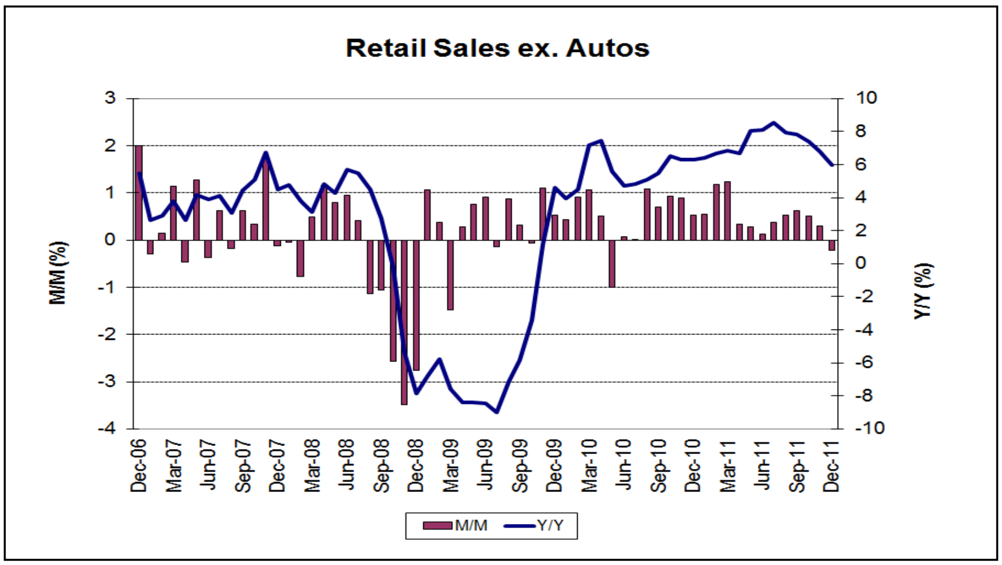
January 18, 2012

Mixed week of data as slight setbacks were recorded in retail sales and claims while consumer confidence and housing indicators continue to climb. Q4 GDP is tracking very close to 3% ahead of next week's Fed meeting.

Weekly Highlights

Retail Sales, ex. Autos – fell 0.2% M/M in December, below expectations for a gain of 0.3%. (US 1)
Initial Claims – increased 24k to 399k. (US 3)
University of Michigan Confidence Index – improved from 69.9 to 74.0. (US 5)
NAHB Housing Index – increased from 21 to 25 in January, the highest since February 2007 (US 6)

Weekly Releases
Chart of the Week: *Retail Sales Ex Auto & Gas*



Retail Sales, excluding autos, fell 0.2% M/M though were up 5.8% Y/Y in December, much below expectations for a 0.3% gain. Headline Retail Sales rose 0.1% M/M and 6.2% Y/Y. Core Retail Sales (excluding gas, building materials and autos), declined 0.2% M/M while being up 5.3% Y/Y and are now growing at a 5.3% three-month annualized rate.

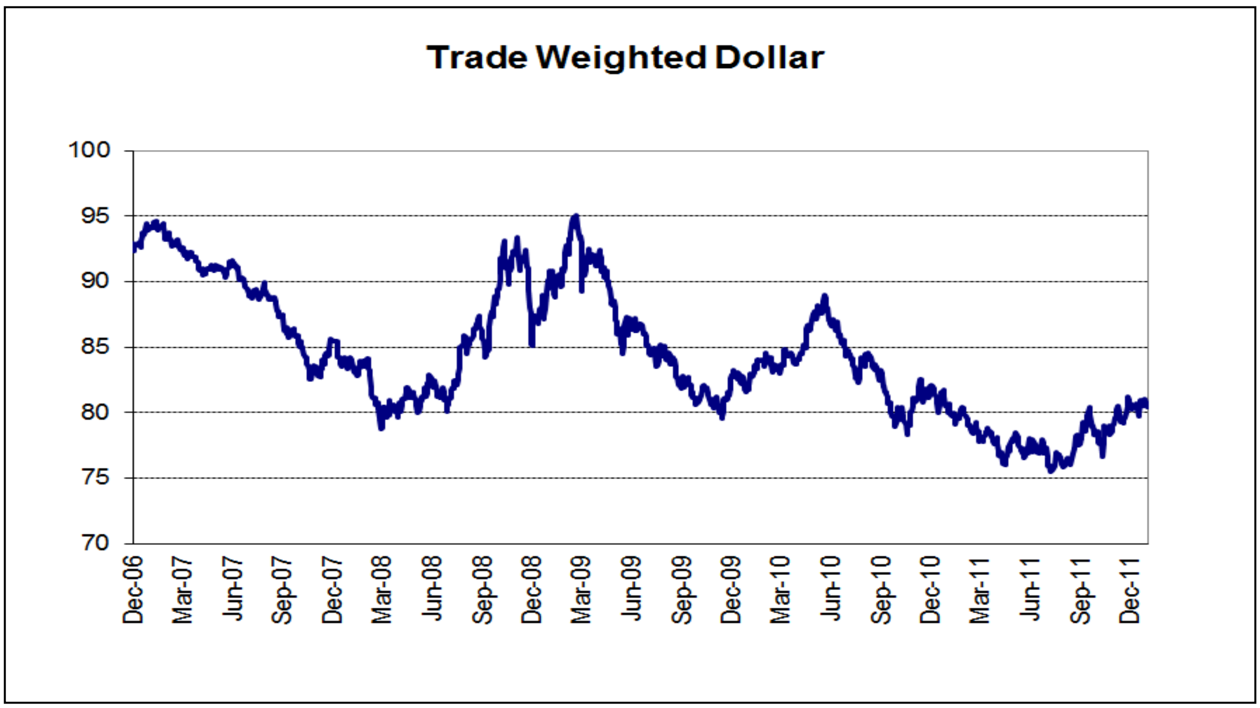
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

U.S.	*Latest period ($blns)*	*Last 12mth. as a % of GDP*
Budget Balance	-1249.5 (Nov)	*-8.2%*
Trade Balance	-43.3 (Nov)	*-3.6%*
Current Account Balance	-110.3B (Q3)	*-3.1%*
Private Balance	--	*5.3%*

The budget deficit on a trailing twelve month basis as of November is 8.2% of GDP. The trade deficit as of November is 3.6% of GDP. The budget deficit is quite large and should remain that way due to tax cuts, high expenditures and revenues that are just starting to turn upwards. The large budget deficit will help private balances build and support an economic recovery.

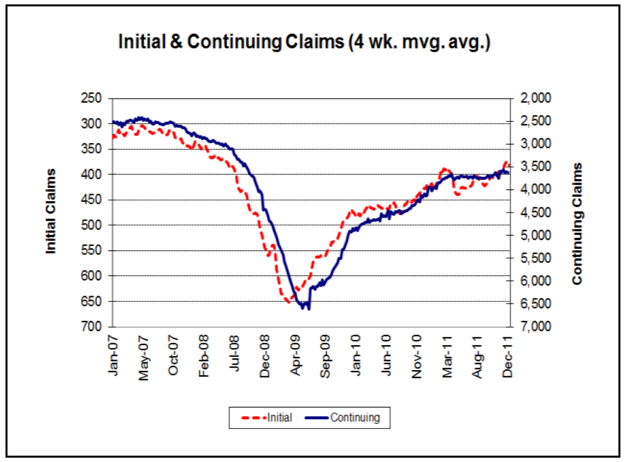
Trade Weighted Dollar



Initial Jobless Claims, PPI Ex Food & Energy & Empire Manufacturing

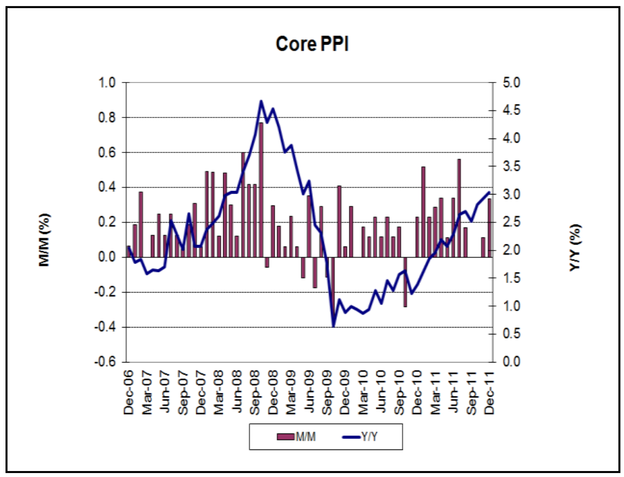
Initial Jobless Claims

Initial Claims increased 24k to 399k. The four week moving average of Initial Claims increased 8k to 382k, the first increase in six weeks. Continuing Claims increased from 3595k to 3628k.



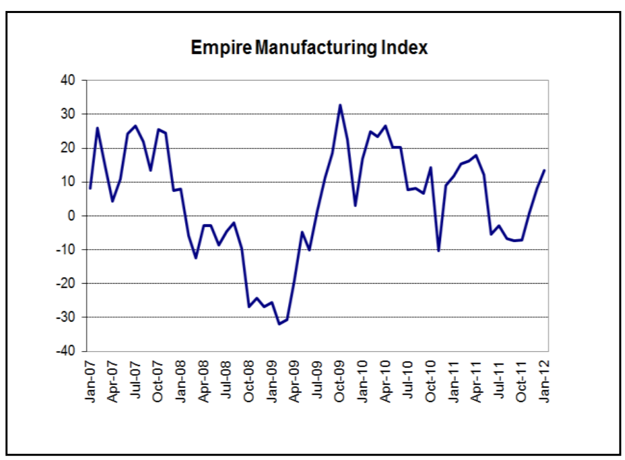
PPI Ex Food & Energy

Core PPI jumped 0.3% M/M and 3.0% Y/Y in December. Headline PPI fell 0.1% M/M and is up 4.8% Y/Y. Core intermediate goods fell by 0.5% M/M and core crude goods declined 1.1% M/M.



Empire Manufacturing

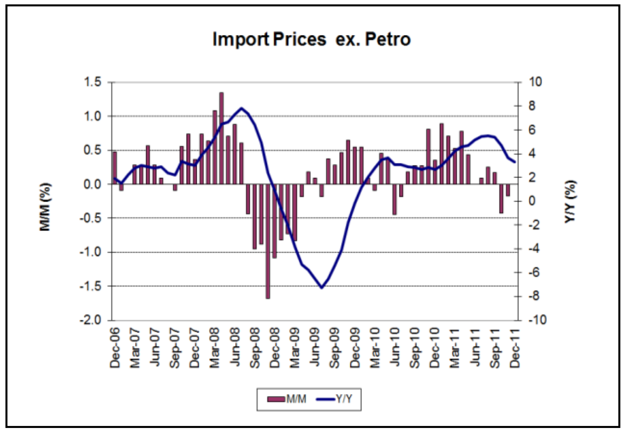
The Empire Manufacturing Index improved from 8.19 to 13.48 in January, the highest level since April. The Employment and Orders components improved from 2.3 and 5.9, to 12.1 and 13.7, respectively.



Import Prices, Industrial Production & Monthly Budget Statement

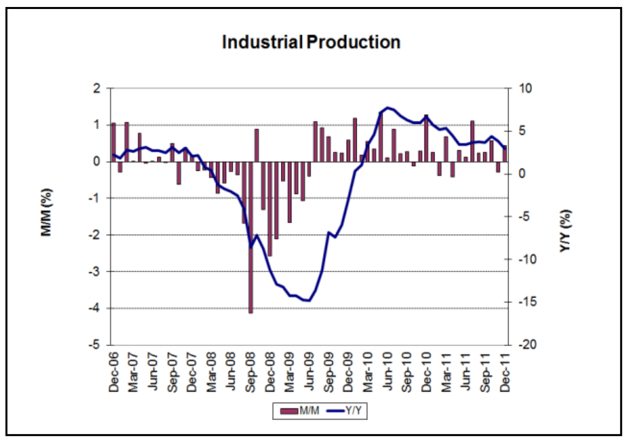
Import Price Index

Import Prices, excluding petroleum, was flat M/M and increased 3.3% Y/Y in December. Prices of all goods imported into the US declined 0.1% M/M and increased 8.0% Y/Y. Goods from China rose 0.1% M/M and 3.6% Y/Y.



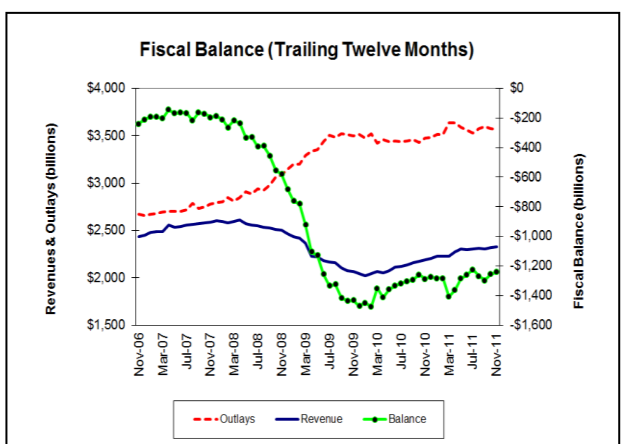
Industrial Production

Industrial Production grew 0.4% M/M and slowed to 3.0% Y/Y growth in December. Manufacturing jumped 0.9% M/M and is up 3.7% Y/Y. Utilities fell 2.7% M/M and are down 6.6% Y/Y. Mining rose 0.3% M/M and 6.5% Y/Y.



Monthly Budget Statement

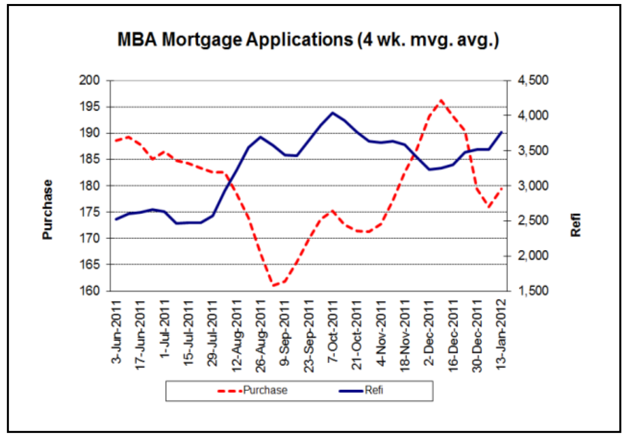
The Fiscal Balance in December showed a deficit of $86.0 bln versus a deficit of $78.1 bln a year ago. On a trailing twelve month basis, the deficit widened 1,249.5 (8.2% of GDP). The deficit will narrow as tax revenues have started to increase, but will remain at a historically high level as a percent of GDP supporting further economic recovery.



MBA Mortgage Applications, Trade Balance & U. of Michigan Confidence

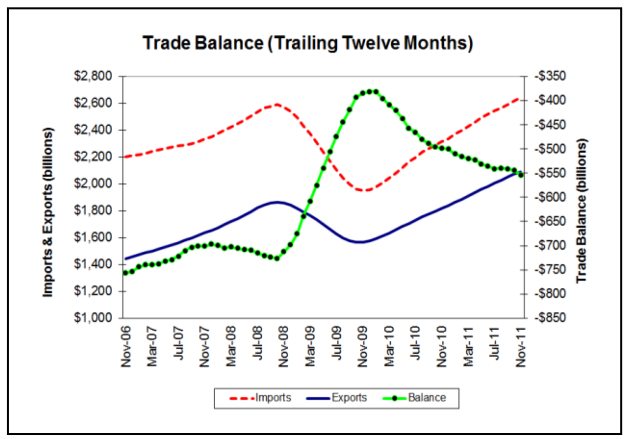
MBA Mortgage Applications

Purchase Mortgage Applications rose 10.3% W/W, after gaining 8.1% W/W last week. Refi applications spiked 26.4% W/W this week.



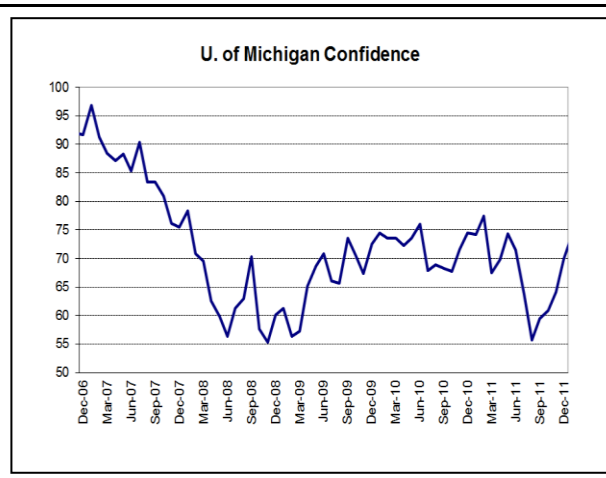
Trade Balance

The Trade Deficit increased from -$43.3 bln in September to -$47.8 bln in November. Total exports fell 0.9% M/M and are up 10.3% Y/Y. Imports rose 1.3% M/M and are up 12.7% Y/Y. The trailing twelve month trade deficit is now $5531 bln or 3.64% of GDP.



U. of Michigan Confidence

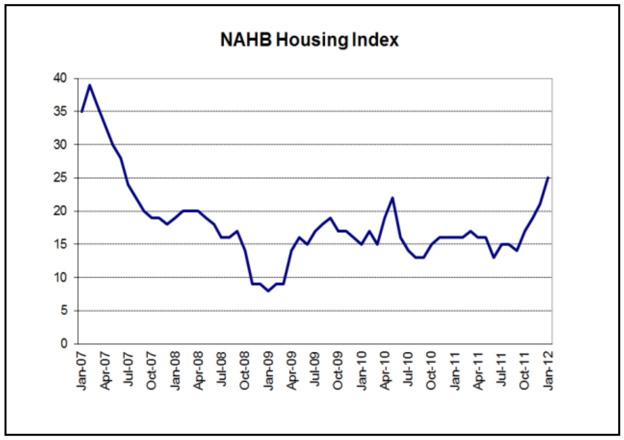
The University of Michigan Confidence Index significantly improved from 69.9 to 74.0 in January. The current conditions component increased from 79.6 to 82.6. The expectations component fell from 56.2 to 55.4. Inflation expectations over the next year and five years ticked up 0.1% to 3.2% and 2.8%, respectively.



NAHB Housing Market Index & Bloomberg Consumer Comfort

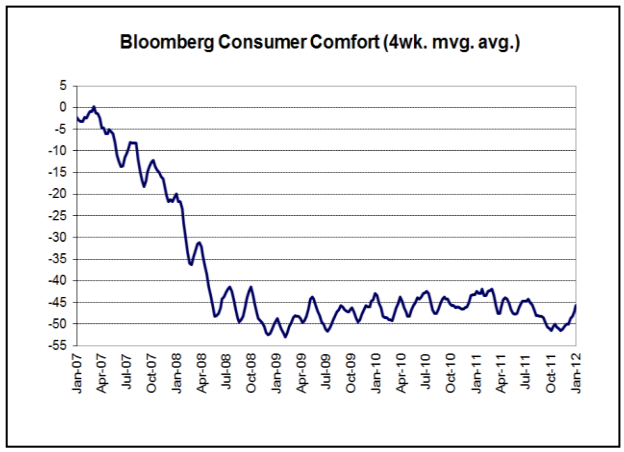
NAHB Housing Market Index

The NAHB Index increased from 21 to 25 in January, the highest since February 2007. Traffic improved from 18 to 21. Present and future sales increased from 22 and 26, to 25 and 29.



Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index ticked higher from -44.8 to -44.7, the highest reading in six months. The state of the economy increased from -82.9 to -82.1.



Key Dates This Week

Dates	Indicator		Expectations	Previous
19-Jan	Consumer Price Index (M/M)	DEC	0.10%	0.00%
19-Jan	CPI Ex Food & Energy (M/M)	DEC	0.10%	0.20%
19-Jan	Housing Starts M/M%	DEC	-0.70%	9.30%
19-Jan	Building Permits M/M%	DEC	0.00%	5.70%
19-Jan	Initial Jobless Claims	14-Jan	384K	399K
19-Jan	Continuing Claims	7-Jan	3590K	3628K
19-Jan	Bloomberg Consumer Comfort	15-Jan	- -	-44.7
19-Jan	Philadelphia Fed.	JAN	10.3	10.3
20-Jan	Existing Home Sales	DEC	4.65M	4.42M
24-Jan	Richmond Fed Manufact. Index	JAN	5	3
24-Jan	2012 State of the Union Address			
25-Jan	MBA Mortgage Applications	20-Jan	- -	23.10%
25-Jan	House Price Index M/M	NOV	- -	-0.20%
25-Jan	Pending Home Sales M/M	DEC	1.00%	7.30%
25-Jan	FOMC Rate Decision	25-Jan	0.25%	0.25%

Valance Co., Inc.

Valance Economic Report: Euro Zone

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January 18, 2012

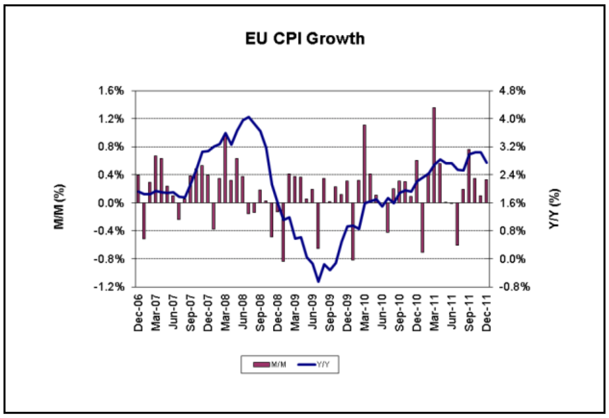
The ECB held interest rates steady at 1.0%, in line with market expectations. On the data front, Euro Zone CPI increased below expectations in December and the EU ZEW Survey increased in January.

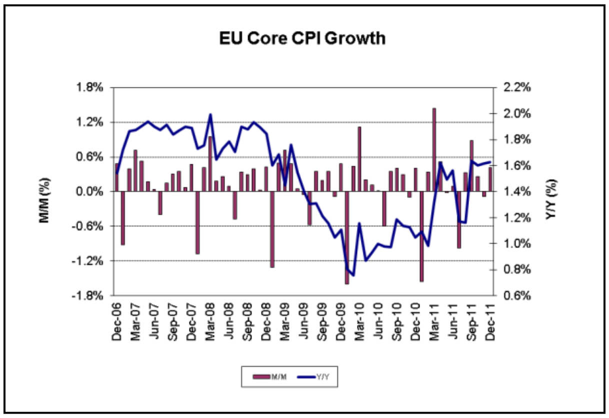
Weekly Highlights

Euro Zone CPI –increased 0.3% M/M and 2.7% Y/Y in December. (EU 1)
ECB - held interest rates steady at 1.0%. (EU 2)
EU ZEW Survey (Economic Sentiment) - increased from -54.1 in December to -32.5 in January. (EU 4)

Weekly Releases & News

Chart(s) of the Week: *EU CPI*





Euro Zone CPI increased 0.3% M/M and 2.7% Y/Y in December, below Market expectations for a reading of 0.4% M/M and 2.8% Y/Y. Core CPI increased 0.4% M/M and 1.6% Y/Y.

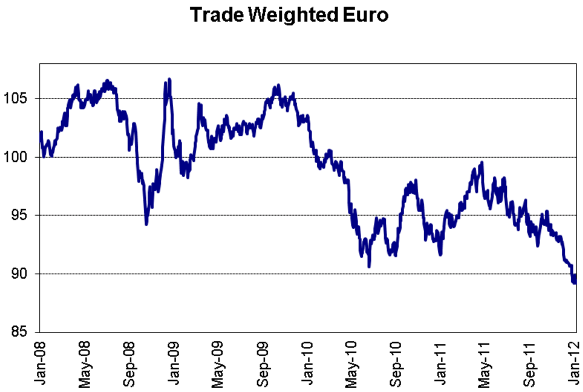
Euro Zone Financial Balances & Trade Weighted Euro

Financial Balances

Germany	*Last period ($blns euros)*	*Last 12mth. as a % of GDP**
Budget Balance		-3.3%
Trade Balance	16.2 (November)	2.0%
Current Account Balance	14.3 (November)	6.9%
Private Savings Balance		-3.6%
France		
Budget Balance		-2.7%
Trade Balance	-4.4 (November)	-4.9 %
Current Account Balance	-4.5 (October)	-3.9%
Private Savings Balance		-1.2%
Italy		
Budget Balance		-3.9 %
Trade Balance	-1.1 (October)	-7.7%
Current Account Balance	-2.5 (October)	5.5%
Private Savings Balance		-4.5

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

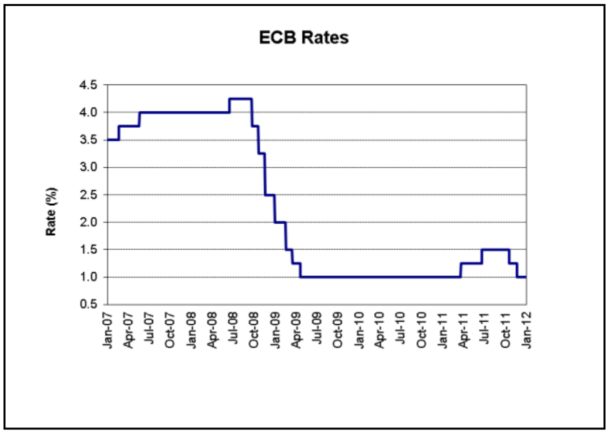
Trade Weighted Euro



ECB Interest Rates, Trade Balance & EU Indus. Production

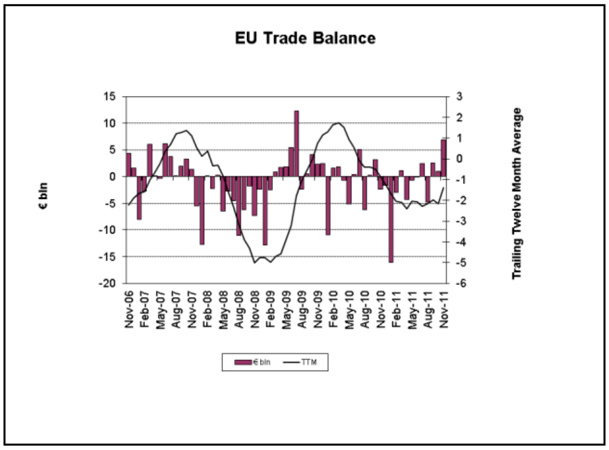
ECB Interest Rates

The ECB held interest rates steady at 1.0%, following two consecutive cuts. "The monetary stance is and will remain accommodative," ECB President Draghi commented. "Uncertainty is very high. We will monitor all developments and stand ready to act."



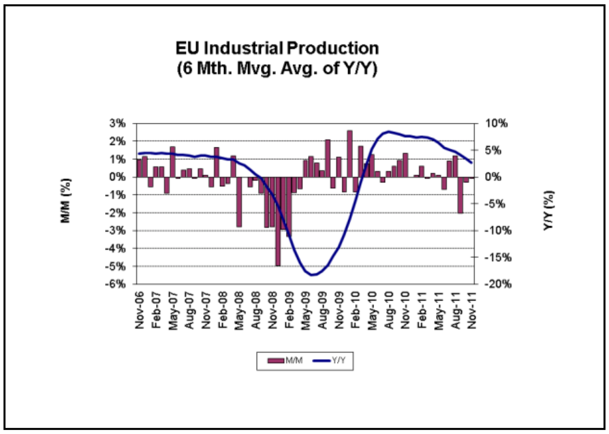
Euro Zone Trade Balance

The EU Trade Surplus widened from €1.0 bln in October to €6.9 bln in November. In November 2011, the Trade Balance stood at a deficit of €2.3 bln. Exports increased 5.2% M/M and 10.2% Y/Y and imports increased 1.2% M/M and 6.4% Y/Y.



EU Industrial Production

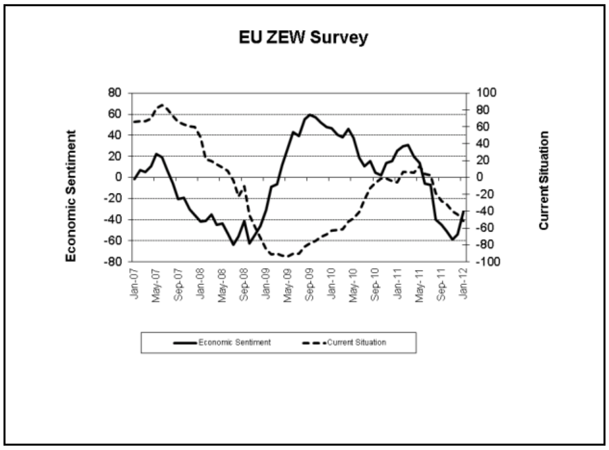
EU Industrial Production unexpectedly fell 0.1% M/M and 0.3% Y/Y in November. Market expectations were for a 0.2% M/M gain and a 0.3% Y/Y decline.



ZEW Surveys & German CPI

EU ZEW Survey

The EU ZEW increased from -54.1 in December to -32.5 in January. The Current Situation component fell from -44.1 to -51.8.

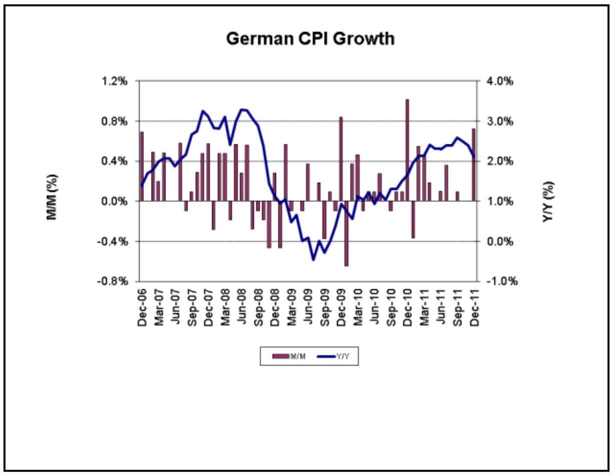


German ZEW Survey

German ZEW Survey (Economic Sentiment) increased from -53.8 in December to -21.6 in January. Market expectations were for a reading of -49.4. The Current Conditions Index unexpectedly increased from 26.8 to 28.4. Market expectations were for a reading of 24.0.

German CPI

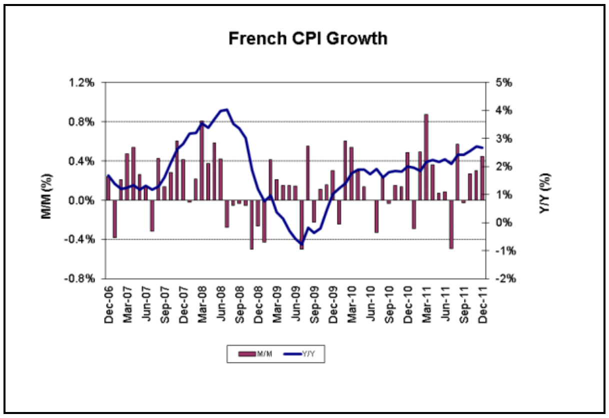
Final data confirmed that German CPI increased 0.7% M/M and 2.1% Y/Y in December.



French CPI & Current Account

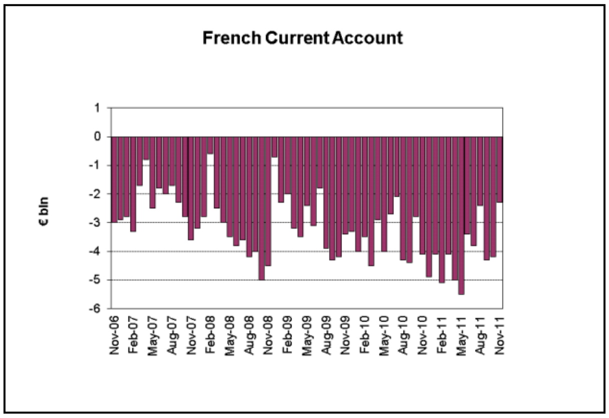
French CPI

French CPI increased 0.4% M/M and 2.7% Y/Y in December, in line with market expectations.



French Current Account

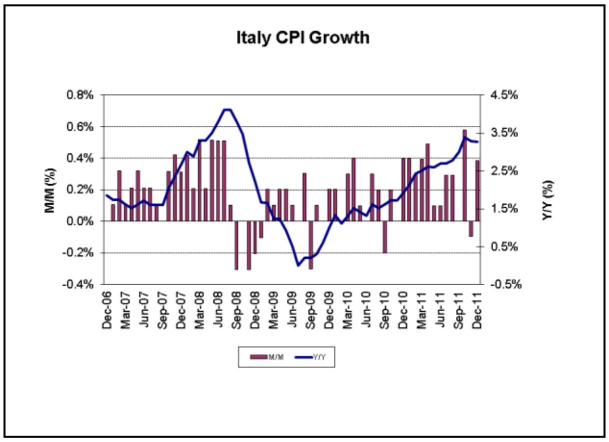
French Current Account deficit narrowed from €4.2 bln in October to €2.3 bln in November. The Current Account balance stood at -€4.1 bln in November 2011.



Italian CPI, Industrial Prod. & Trade Balance

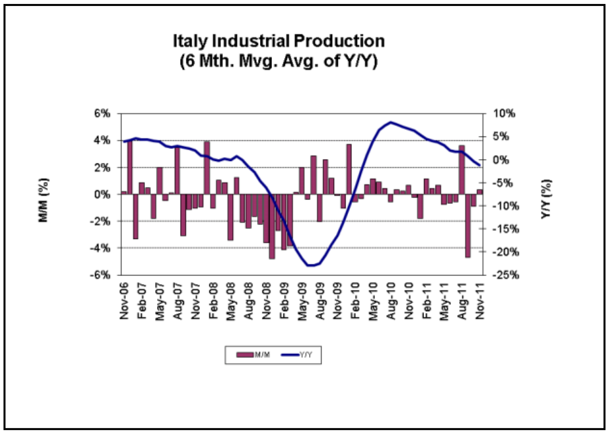
Italian CPI

Italian CPI increased 0.4% M/M and 3.3% Y/Y in December.



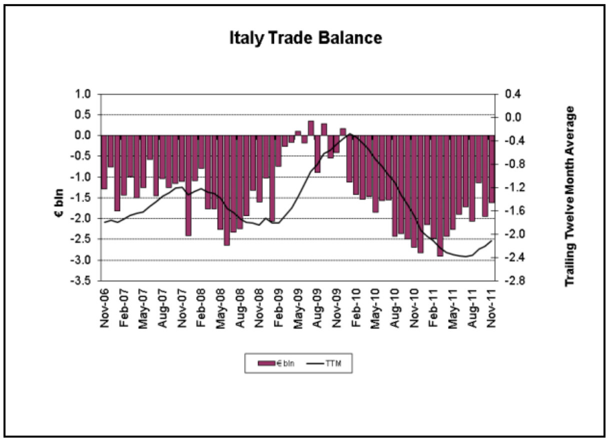
Italian Industrial Production

Italian Industrial Production unexpectedly increased 0.3% M/M in November versus market expectation for a 0.2% M/M decline. Y/Y growth fell 3.6%.



Italian Trade Balance

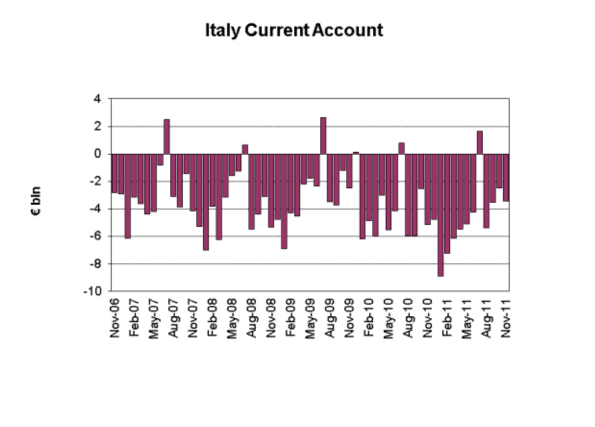
The Italian Non-EU Trade deficit narrowed from €2.0 bln in October to €1.6 bln in November. Last November the balance stood at a deficit of €2.7 bln.



Italian Current Account & Spanish CPI

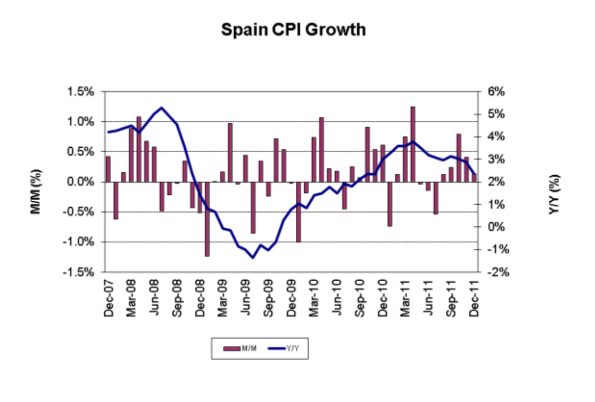
Italian Current Account

Italian Current Account deficit widened from €2.5 bln in October to €3.4 bln in November. Last November the balance stood at a deficit of €2.7 bln.



Spanish CPI

Spanish CPI increased 0.4% M/M and 2.7% Y/Y in October.



Comments/News

Jan 18th - IMF Said to Seek $1 Trillion Resource-Boost Amid Euro Crisis (Bloomberg) - The International Monetary Fund is proposing a $1 trillion expansion of its lending resources to safeguard the global economy against any worsening of Europe's debt crisis, according to an official at a Group of 20 nation. The Washington-based lender is pushing China, Brazil, Russia, India, Japan and oil-exporting nations to be the top contributors, according to the official. The fund wants the agreement struck at the Feb. 25-26 meeting of G-20 finance ministers and central bankers in Mexico City, the official said. While euro-region nations have already pledged to contribute 150 billion euros ($192 billion), the U.S. has said it has no plans to make new bilateral loans and G-20 leaders ended last year at odds over the issue.

Jan 18th - ECB Seeks Plan B (WSJ) - "We are discussing other possible alternatives. This discussion is however not so far along that we could do without the SMP program," ECB Governing Council Member Ewald Nowotny told The Wall Street Journal on Monday. When asked if the ECB was planning any further interest-rate decreases in the near future, the central-bank governor said: "The ECB has taken clear steps not only in terms of interest rate decreases, but also in terms of the very massive broadening of liquidity provision. We are all of the opinion that it is now about capturing the full effect of these measures. In other words, letting these measures fully work and only then setting further measures."

Jan. 18th - Sarkozy Joins Draghi to Dismiss S&P as Yields Slide: Euro Credit (Bloomberg) - President Nicolas Sarkozy called France's loss of its AAA credit rating at Standard & Poor's a non-event, saying it "changes nothing." Investors agree. The French 10-year bond yield has barely budged from the 3.13 percent when S&P warned on Dec. 5 that the rating may be cut. Borrowing costs fell on Jan. 16 at France's sale of 8.59 billion euros ($11 billion) in bills, its first after the Jan. 13 downgrade. The sale of as much as 9.5 billion euros of longer-term debt tomorrow will reveal whether France, like the U.S., can lure bond buyers no matter what rating companies say.

Jan. 18th - Fitch May Cut Six EU Countries on Review by 1 or 2 Levels (Bloomberg) - Fitch Ratings will likely cut all six euro-area countries currently on review by one or two levels by the end of this month, Managing Director Edward Parker said. "We do expect that the review will lead to downgrades of one to two notches for all the countries under review," Parker said today in Milan.

Jan. 18th - Germany Cuts 2012 Economic Growth Outlook as Crisis Dims Exports (Bloomberg) - The German government cut its forecast for economic expansion this year as the debt crisis dims the outlook for sustaining record exports, leaving domestic demand as the main motor for growth. Europe's biggest economy will grow 0.7 percent in 2012, less than the 1 percent estimated in October and just above the projected average for the euro-area, the Berlin-based Economy Ministry said today in its annual report. Economic growth, which reached 3 percent last year, will be weak in the first half before growing faster later in the year, it said.

Key Dates This Week

Date		Indicator		Survey	Prior
19-Jan	EC	ECB Publishes Jan. Monthly Report			
19-Jan	EC	Euro-Zone Current Account nsa	NOV	- -	1.7B
19-Jan	EC	ECB Euro-Zone Current Account SA	NOV	- -	-7.5B
23-Jan	EC	Euro-Zone Consumer Confidence	JAN A	- -	-21.1
24-Jan	EC	PMI Composite	JAN A	- -	48.3
24-Jan	EC	PMI Manufacturing	JAN A	47	46.9
24-Jan	EC	PMI Services	JAN A	48.5	48.8
24-Jan	EC	Industrial New Orders NSA (Y/Y)	NOV	- -	1.60%
24-Jan	EC	Industrial New Orders SA (M/M)	NOV	- -	1.80%
20-Jan	GE	Producer Prices (M/M)	DEC	0.10%	0.10%
20-Jan	GE	Producer Prices (Y/Y)	DEC	4.60%	5.20%
24-Jan	GE	PMI Manufacturing	JAN A	49	48.4
24-Jan	GE	PMI Services	JAN A	52	52.4
25-Jan	GE	IFO - Business Climate	JAN	107	107.2
25-Jan	GE	IFO - Current Assessment	JAN	- -	116.7
25-Jan	GE	IFO - Expectations	JAN	- -	98.4
23-Jan	FR	Own-Company Production Outlook	JAN	- -	-2
23-Jan	FR	Production Outlook Indicator	JAN	- -	-37
23-Jan	FR	Business Confidence Indicator	JAN	- -	94

Valance Co., Inc.

Valance Economic Report: Japan

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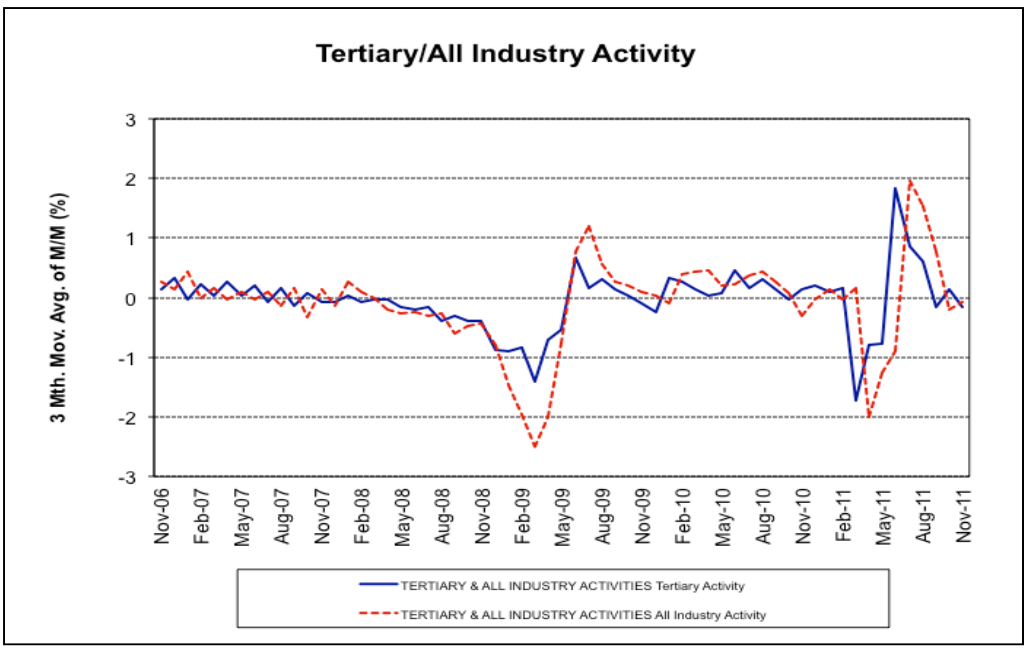
January 18. 2012

This week's data was mixed. While Tertiary Industry Activity dropped, Corporate Goods Prices, Machinery Orders and Consumer Confidence improved. Also, while the government maintained its view, the BoJ lowered its economic assessment of most regions.

Weekly Highlights

Tertiary Industry Activity – declined 0.8% M/M in November. (page 1)
Industrial Production – declined 2.7% M/M and 4.2% Y/Y in November. (page 3)
CGPI – improved 0.1% M/M and 1.3% Y/Y in December. (page 4)

Chart of the Week: *Tertiary Industry Activity*

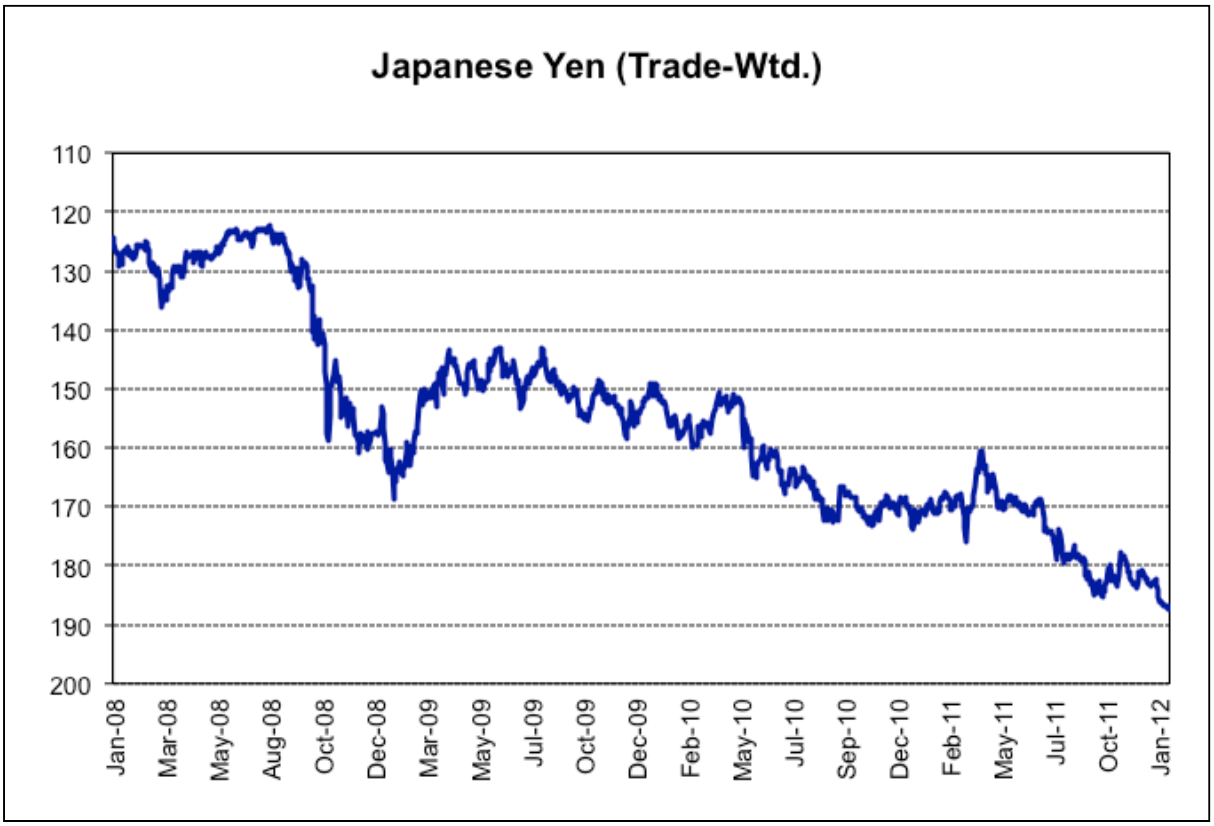


The Tertiary Industry Index declined 0.8% M/M and 0.8% Y/Y in November, against market expectations for a 0.4% M/M decline. October's 0.6% M/M increase was revised to 0.7% M/M. The M/M decline in November occurred as wholesale/retail, finance/insurance, living services and compound services all declined, outweighing improvements seen in misc services and IT.

Japan's Financial Balances

Financial Balances

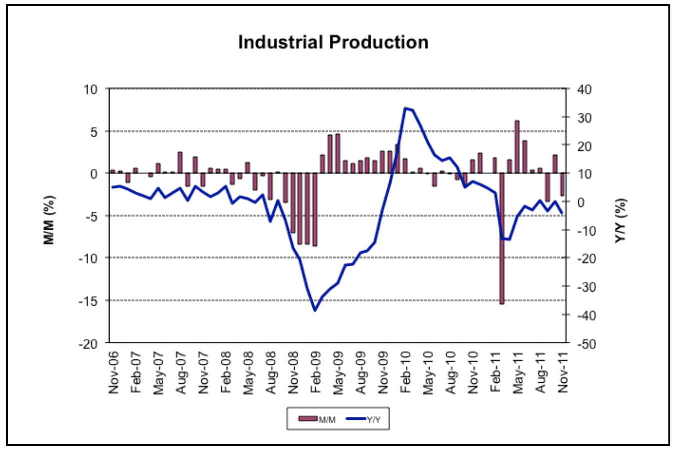
Japan	*Last period (¥trln)*	*Last 12mth. as a % of GDP*
Budget Balance	-3.50 (Dec)	-6.9%
Trade Balance	0.58 (Dec)	1.5%
Current Account Balance	1.87 (Dec)	3.5%
Private Balance	--	11.6%

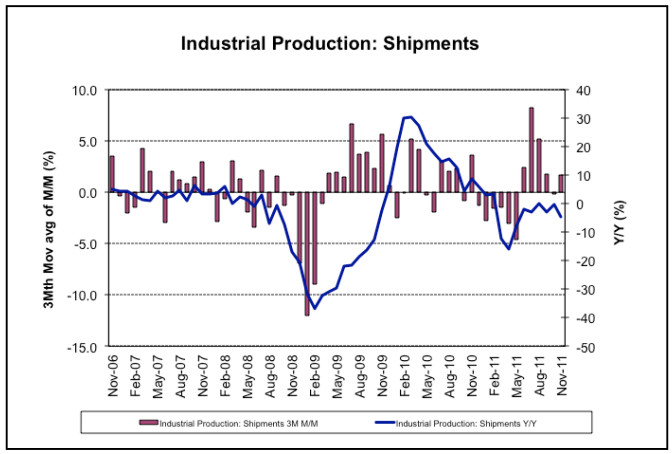


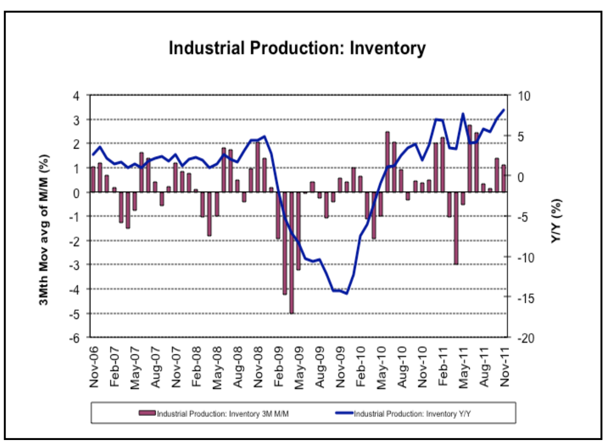
Industrial Production

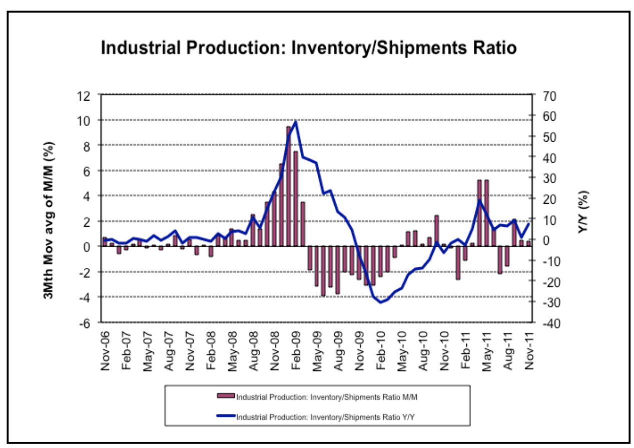
Final Data on Industrial Production indicated that it declined 2.7% M/M and 4.2% Y/Y in November, a tick below the preliminary estimate of a 2.6% M/M decline. Shipments dropped 1.6% M/M and 4.6% Y/Y, slightly below the 1.5% M/M decline originally estimated. Inventories dropped 0.6% M/M and 8.2% Y/Y compared with a preliminary decline of 0.8% M/M. The Inventory Ratio declined 1.6% M/M and increased 7.6% Y/Y, compared with a preliminary estimate of 1.7% M/M.

As noted in the preliminary report, production is expected to rise 4.8% M/M in December and 3.4% M/M in January.







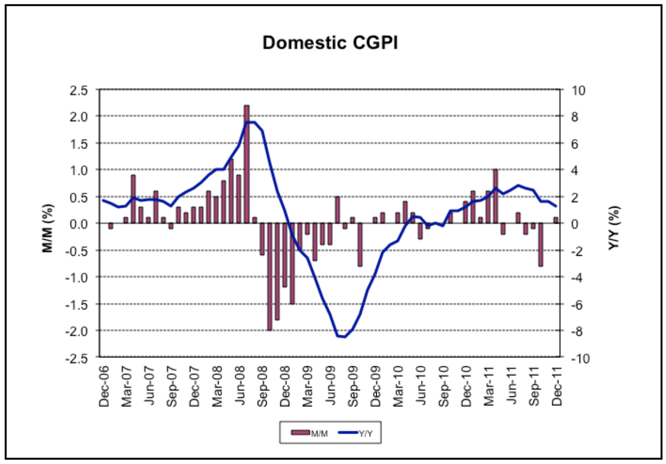


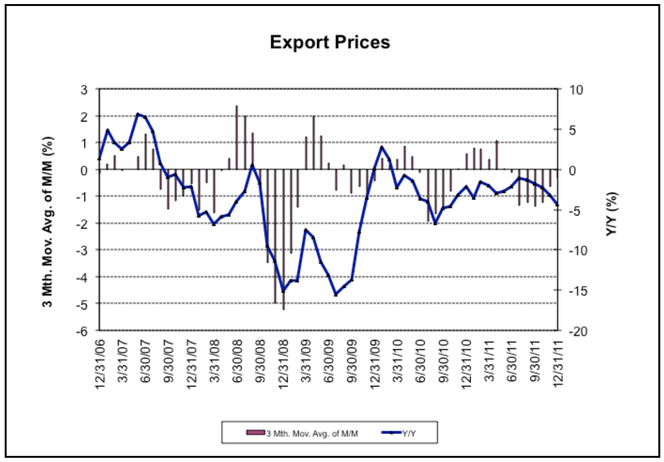
CGPI, Export & Import Prices

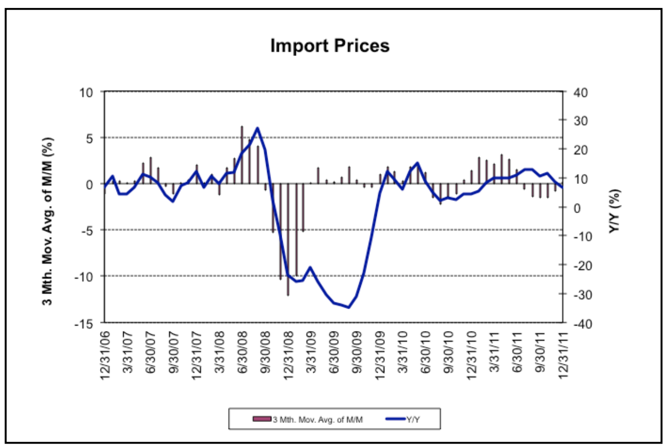
Corporate Goods Prices improved 0.1% M/M and 1.3% Y/Y in December, beating market expectations for a 0.1% M/M decline. November's 0.1% M/M improvement was revised downward to no change.

Exports prices in December declined 0.1% M/M and 4.3% Y/Y. Import prices increased 1.0% M/M and 6.6% Y/Y.

By industry, M/M prices improved in paper, petroleum, agriculture, utilities, waste, and minerals sectors while textiles, chemicals, nonferrous metals, electrical machinery and IT sectors saw price declines.





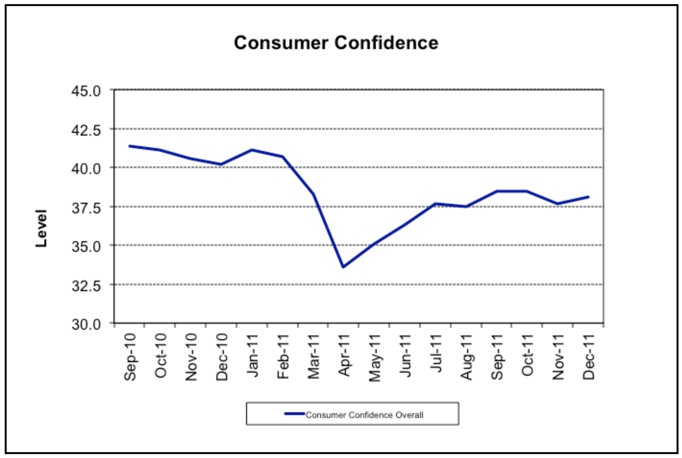


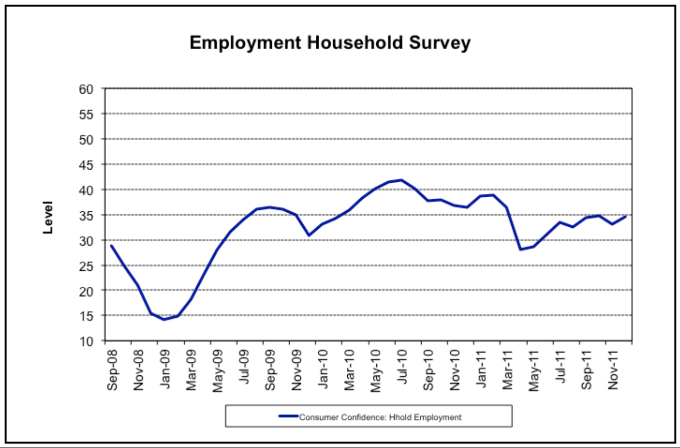
Consumer Sentiment & Eco Watchers Survey

Consumer Sentiment

Consumer Sentiment improved 0.8pts to 38.9 in December against expectations for a smaller improvement to 38.5.

The increase occurred as overall livelihood improved 0.3pts to 39.4, income growth dropped 0.4pts to 38.3, employment improved 1.8pts to 36.1, and willingness to buy durable goods improved 1.2pts to 41.6.

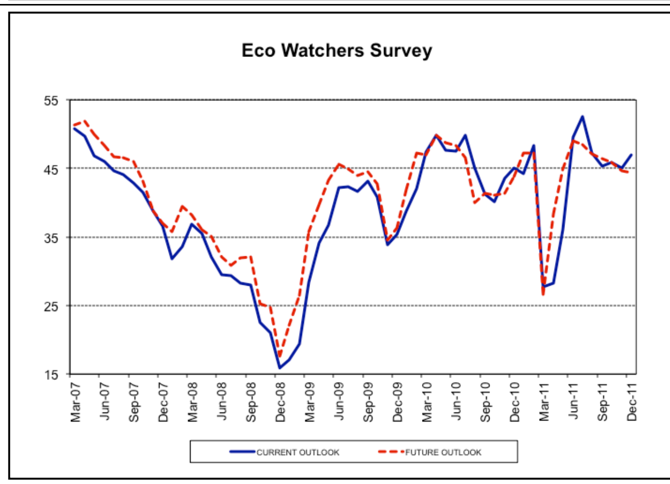




Eco Watchers Survey

The Eco Watchers Survey Current Conditions Index improved 2.0pts to 47.0 in December. Within the data, household conditions improved 2.9pts to 46.5, business conditions saw no change, and employment conditions improved 1.9pts to 54.9.

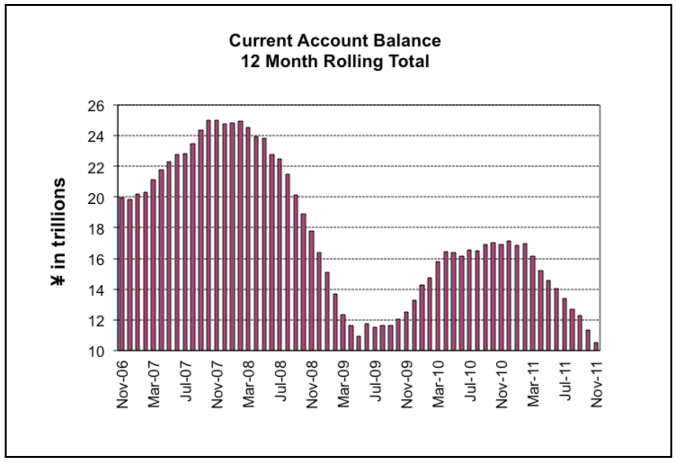
Meanwhile the Outlook Index posted a 0.3pt decline to 44.4 as household outlook dropped 0.5pts to 43.8, business outlook improved 0.2pts to 43.5 and employment outlook improved 0.1pts to 50.6.



Current Account Surplus, Bank Lending & Bankuptcies

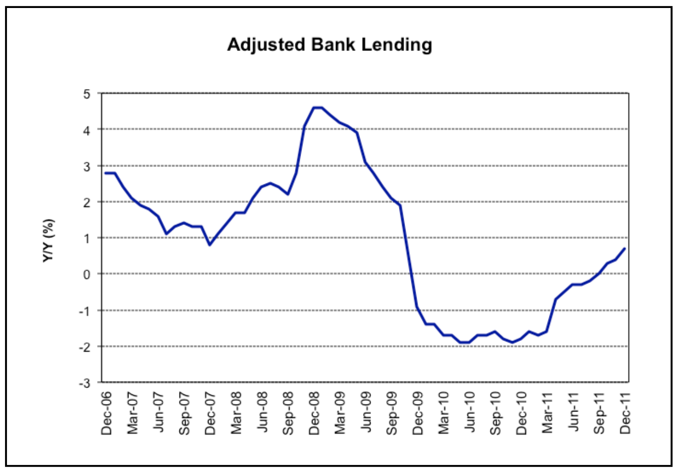
Current Account Surplus

The adjusted Current Account Balance dropped from Y518.6 bn to Y480.4 bn in November, faring better than the market's expected decline to Y446.0 bn. The Trade Deficit, on a balance of payments basis, declined from Y526.9 bn to Y375.3 bn. Within the data, exports declined 0.9% M/M and 3.1% Y/Y while Imports declined 3.4% M/M and increased 14.0% Y/Y.



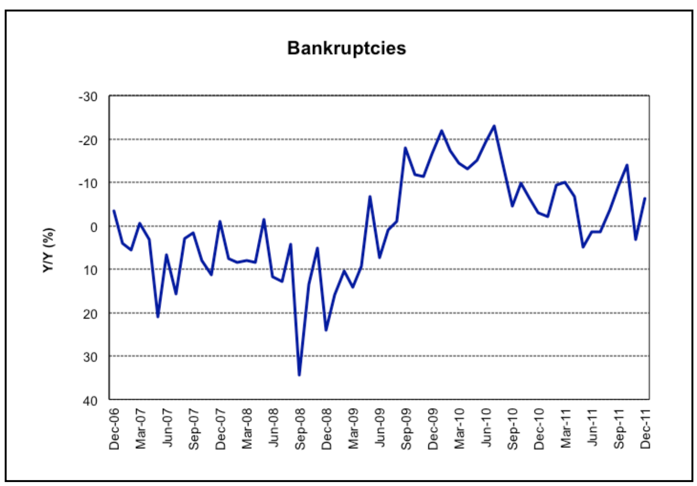
Bank Lending

Bank Lending increased 0.4% Y/Y in December. Lending among city banks declined 1.0% Y/Y. Lending among regional banks increased 2.0% Y/Y. Across all non-shinkin banks, lending increased 0.5% Y/Y.



Bankruptcies

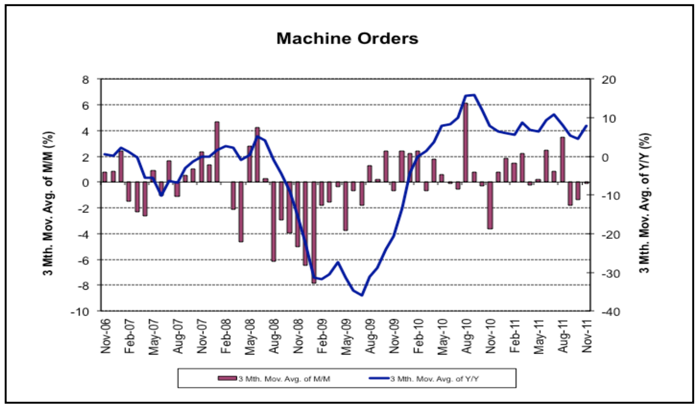
Corporate Bankruptcies dropped 5.7% M/M and 6.3% Y/Y in December.

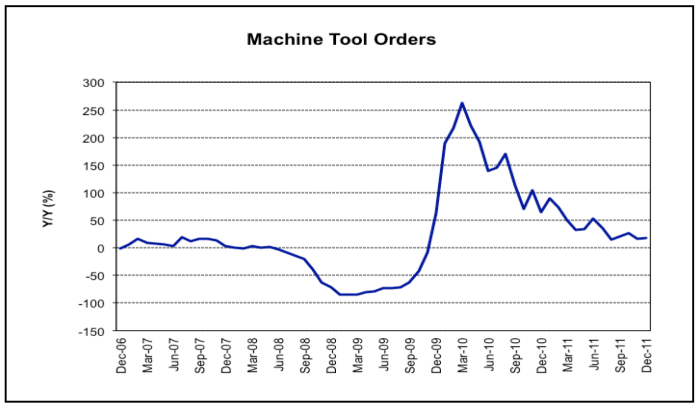


Machine Orders & Machine Tool Orders

Core Machinery Orders increased 14.8% M/M and 12.5% Y/Y, coming in substantially better than the 5.1% M/M and 3.8% Y/Y increase the market had anticipated. The increase occurred on strong gains in non manufacturing sectors, although manufacturing saw solid gains as well.

Final data on Machine Tool Orders indicated that they dropped 17.4% Y/Y in December.





News

Jan 17th – Japanese Gov't Maintains Economic Assessment– The government maintained its economic assessment, stating that "There are downside risks that could stem from further slowing down of less resilient overseas economies due to the euro zone crisis, which has been a cause for concern."

Jan 17th – BoJ Gov Shirakawa Comments on Europe– BoJ Gov Shirakawa commented that the European sovereign debt crisis remains the biggest risk to the Japanese economy, and added that "Japanese financial institutions are not facing any problems in procuring unds but we must continue to carefully watch for risks to Japan's financial system, such as the fallout from European sovereign debt problems."

Jan 17th – BoJ Cuts Its Economic View – In seven of its nine regions, the Bank of Japan cut its economic assessment as strength in the yen and the global slowdown were noted to threaten the economic recovery.

Key Dates This Week

Date	*Indicator*	*Expectation*	*Previous*
1/18	Tokyo Condominium Sales (YoY)	N/A	31.00%
1/19	Nationwide Dept. Sales (YoY)	N/A	-1.90%
1/19	Tokyo Dept. Store Sales (YoY)	N/A	-3.00%
1/19	All Industry Activity Index (MoM)	-0.90%	0.80%
1/20	Coincident Index CI	N/A	90.3
1/20	Leading Index CI	N/A	92.9
1/20	Convenience Store Sales YoY	N/A	7.50%
1/23	Supermarket Sales (YoY)	N/A	-2.30%
1/23-1/24	BOJ Target Rate	N/A	0.10%
1/24	Merchnds Trade Balance Total	N/A	-¥684.7B
1/24	Adjusted Merchnds Trade Bal.	N/A	-¥537.9B
1/24	Merchnds Trade Exports YoY	N/A	-4.5
1/24	Merchnds Trade Imports YoY	N/A	11.4
1/25	Corp Service Price Index (YoY)	N/A	-0.20%

Valance Co., Inc.

Valance Economic Report: United Kingdom

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January 18, 2012

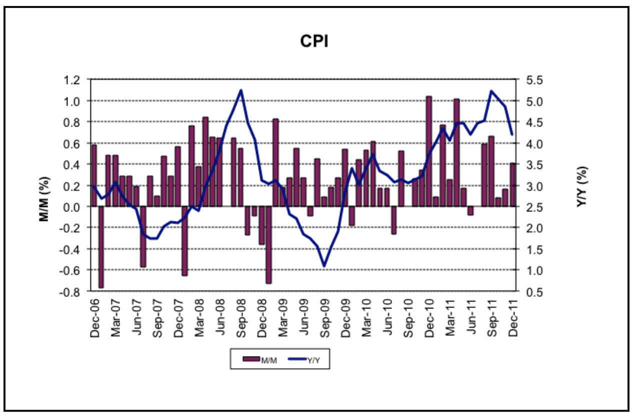
In this week's data, inflation slowed and production declined. Meanwhile the unemployment rate increased to a nearly 16 year high. The MPC kept rates and bond purchases on hold.

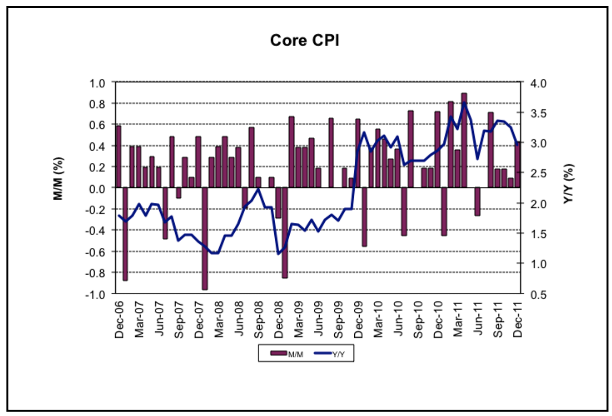
Weekly Highlights

CPI – increased 0.4% M/M and 4.2% Y/Y in December. (page 1)
House Prices – declined 0.8% M/M and increased 0.4% Y/Y in January. (page 4)
Employment – Unemployment Rate increased in November. (page 5)

Weekly Releases & News

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

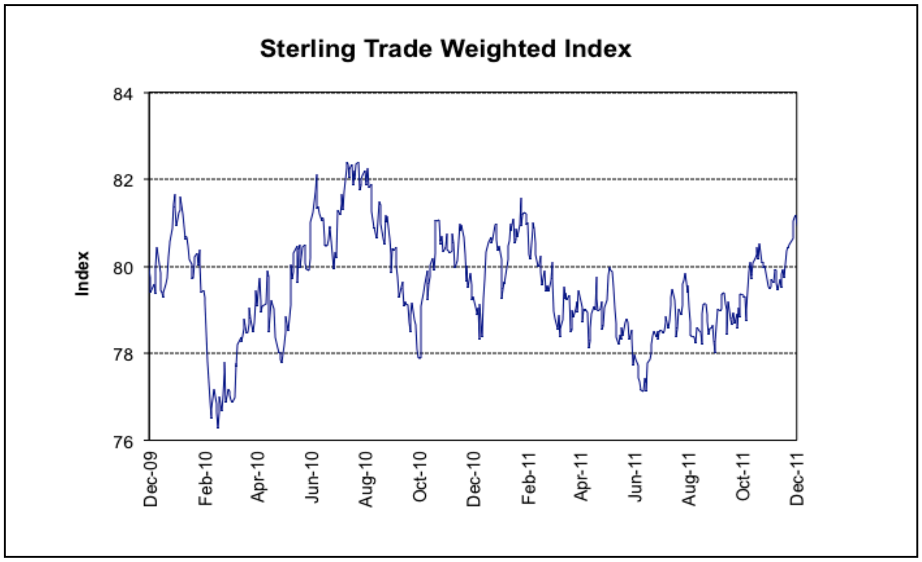


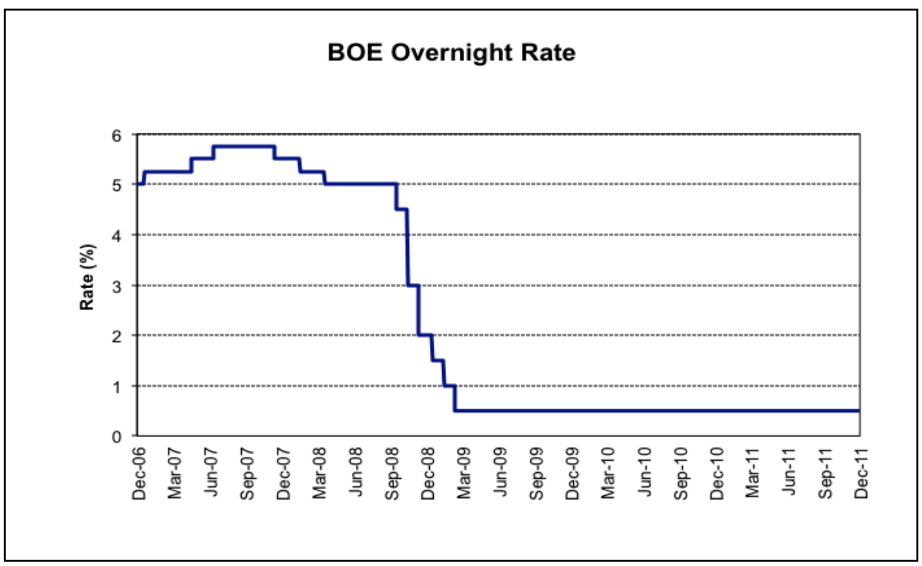


Headline CPI rose 0.4% M/M and 4.2% Y/Y in December, in line with market expectations. The Y/Y rate slowed from 4.8%. The M/M change was led by increases in service prices, particularly in the transportation sector. Core CPI also increased in line with expectations, rising 0.5% M/M and 3.0% Y/Y.

Financial Balances, FX & BoE Overnight Rate

U.K.	*Last Period (blns)*	*Last 12mth. % of GDP*
Budget Balance (monthly)	-£14.5 (Jun)/	-12.8%
Curr. Acct. Balance (quarterly)	-£9.6(Q3)	-1.9%
Private Balance	£4.9	+10.9%



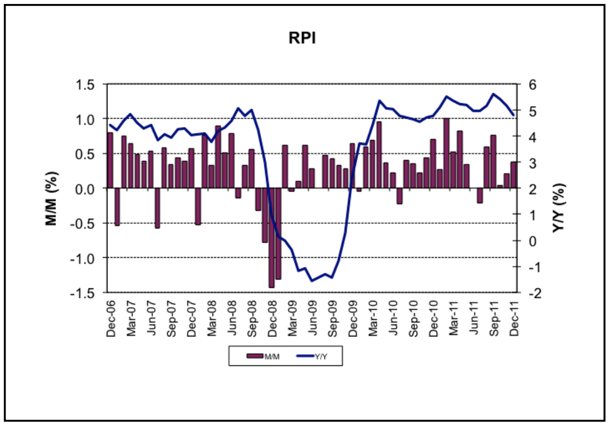


The benchmark rate remains at 0.50% and the Asset Purchase Target at £200 bln.

RPI, PPI & Trade Balance

RPI

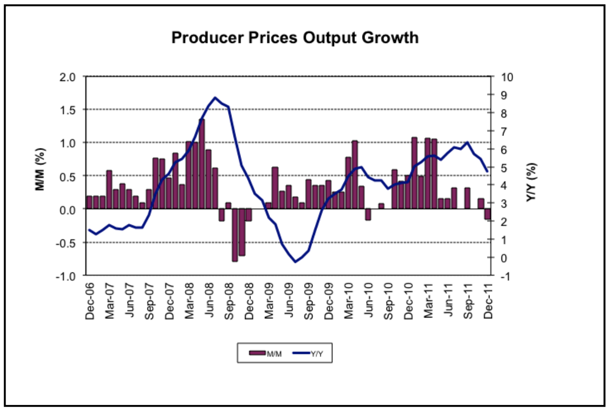
RPI rose 0.4% M/M and 4.8% Y/Y in December, coming in a tick higher than the 0.3% M/M and 4.7% Y/Y the market expected. Excluding housing, RPI rose 0.4% M/M and 5.9% Y/Y. The M/M increase occurred in price increases of food, household goods, travel, and leisure goods.



PPI

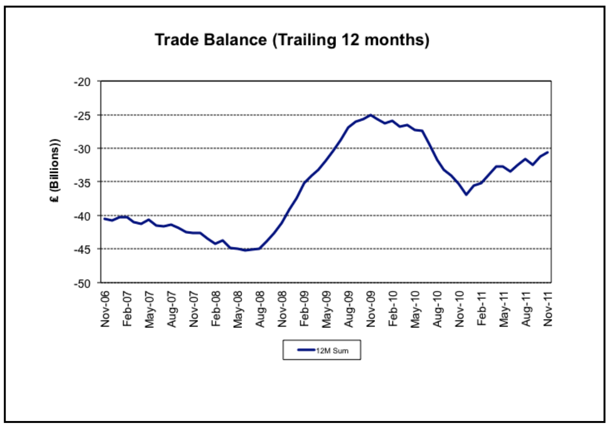
Input PPI declined 0.6% M/M and increased 8.7% Y/Y in December, after increasing 0.1% M/M and 13.4% Y/Y in November. Output PPI declined 0.2% M/M and increased 4.8% Y/Y after increasing 0.2% M/M and 5.4% Y/Y in November. Output Core PPI declined 0.1% M/M and 3.0% Y/Y.

Overall the data was worse than expected as PPI was projected to have declined 0.2% M/M and increased 9.1% Y/Y while Output PPI was projected to have increased 0.1% M/M and 5.0% Y/Y.



Trade Balance

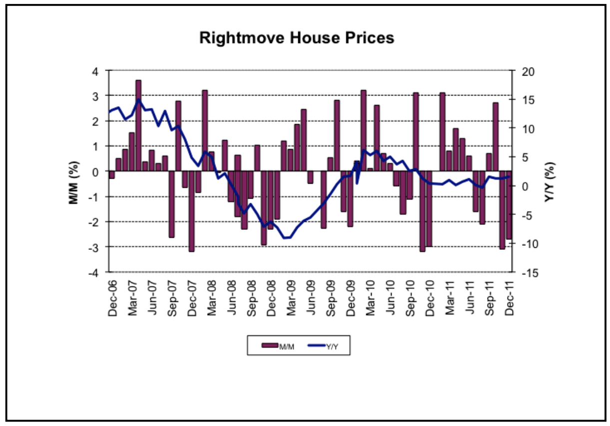
The Trade Deficit increased from a revised £1.861 bln to £2.566 bln in November, exceeding expectations for an increase to £2.4 bln. The Visible Trade Deficit increased from £7.868 bln to £8.644 bln, above expectations for an increase to £8.4 bln. Excluding Europe, the Trade Deficit increased from a revised £4.556 bln to £5.021 bln.



Rightmove/DCLG House Prices & Industrial Production

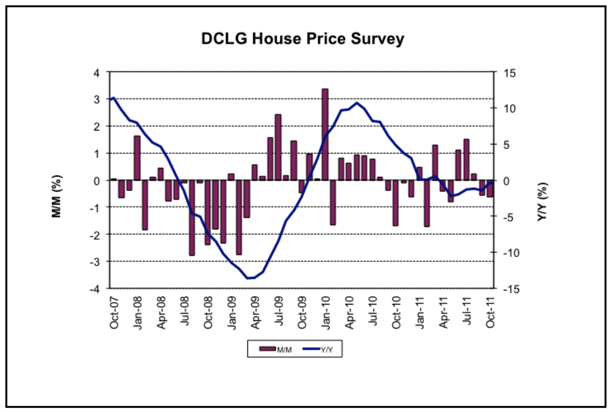
Rightmove House Prices

House Prices declined 0.8% M/M and increased 0.4% Y/Y in January. Within London, prices increased 0.8% /M and 6.1% Y/Y.



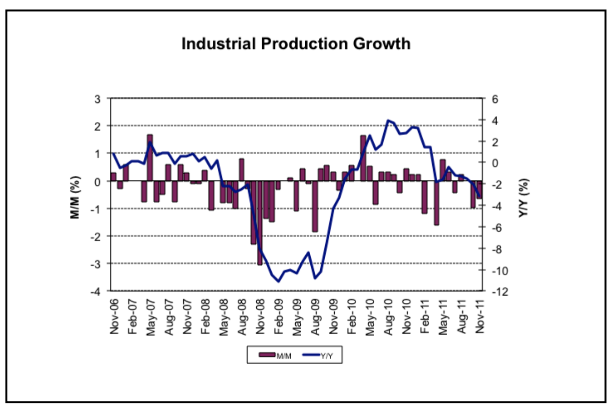
DCLG House Price Survey

According to the Department for Communities and Local Government, House Prices declined 0.3% Y/Y in November. Within London, prices increased 3.2% Y/Y. Excluding London, prices declined 1.2% Y/Y.



Industrial Production

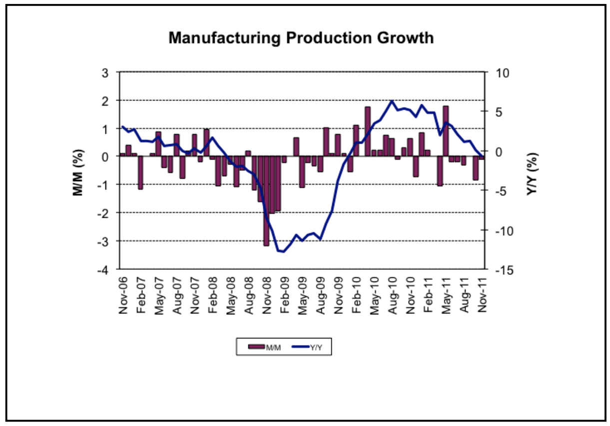
Industrial Production declined 0.6% M/M and 3.1% Y/Y in November, against expectations for a 0.1% M/M and 2.2% Y/Y decline.



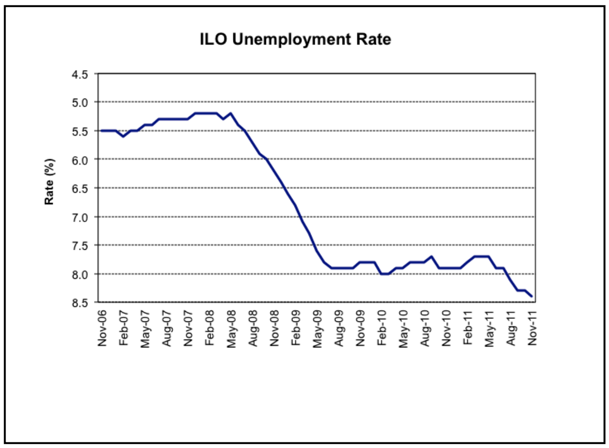
Manufacturing Production, Employment & Data Releases

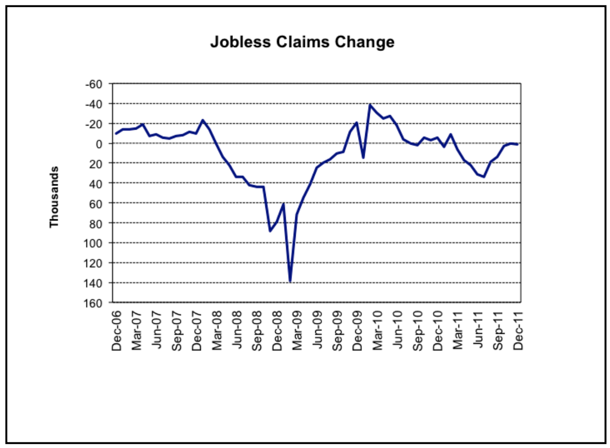
Manufacturing Production

Manufacturing dropped 0.2% M/M and 0.6% Y/Y, falling roughly in line with market expectations. Oil & Gas fell 2.1% M/M and 16.7% Y/Y.



Employment Data





The ILO Unemployment Rate increased from 8.1% to 8.4% in November, rising to its highest level in almost 16 years. The December Claimant Count Rate was unchanged at 5.0%. The number of people claiming benefits increased by 1.2k in December, against expectations of a 7.0k increase. Average weekly earnings, excluding bonuses, increased 1.9% Y/Y in November. Including bonuses, it also increased 1.9% Y/Y.

Data & Upcoming Key Dates

Data

NIESR GDP Estimate – The National Institute of Economic and Social Research (NIESR) reported that UK economic growth increased 0.1% in the three months through December, compared with a growth rate of 0.3% in the three months ending in November. NIESR noted, "This implies the economy expanded by 1% in 2011, half the rate of growth experienced in 2010 (2.1%).

Upcoming Key Dates

Date	Indicator	Month	Expectation	Previous
1/18	Nationwide Consumer Confidence	DEC	38	40
1/20	Retail Sales Ex Auto Fuel(MoM)	DEC	0.70%	-0.70%
1/20	Retail Sales Ex Auto Fuel(YoY)	DEC	1.70%	0.50%
1/20	Retail Sales w/Auto Fuel (MoM)	DEC	0.60%	-0.40%
1/20	Retail Sales w/Auto Fuel (YoY)	DEC	2.40%	0.70%
1/24	Public Finances (PSNCR)	DEC	N/A	10.6B
1/24	PSNB ex Interventions	DEC	N/A	18.1B
1/24	Public Sector Net Borrowing	DEC	N/A	15.2B
1/25	Bank of England Minutes		N/A	N/A
1/25	BBA Loans for House Purchase	DEC	N/A	34738
1/25	GDP (QoQ)	4Q A	N/A	0.60%
1/25	GDP (YoY)	4Q A	N/A	0.50%
1/25	Index of Services (MoM)	NOV	N/A	-0.70%
1/25	Index of Services (3mth/3mth)	NOV	N/A	0.20%
1/25	CBI Trends Total Orders	JAN	N/A	-23
1/25	CBI Trends Selling Prices	JAN	N/A	7
1/25	CBI Business Optimism	JAN	N/A	-30

Valance Co., Inc.

Valance Economic Report: Canada

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January 18, 2012

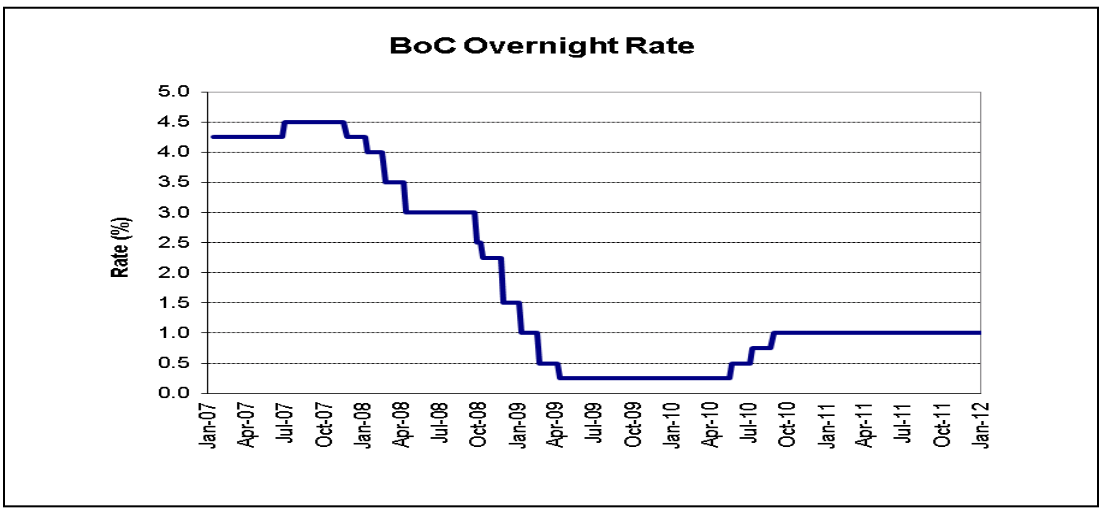
As widely expected, the BoC kept its overnight rate at 1.00% in January. The Trade Balance unexpectedly swung from a deficit to a surplus in November, as exports increased and imports fell.

Weekly Highlights

BoC – kept rates at 1.00%. (CA 1)
Trade Balance - recorded a surplus of C$1.1 bln in November. (CA 3)

Weekly Releases & News

Chart(s) of the Week: *BoC Overnight Rates*



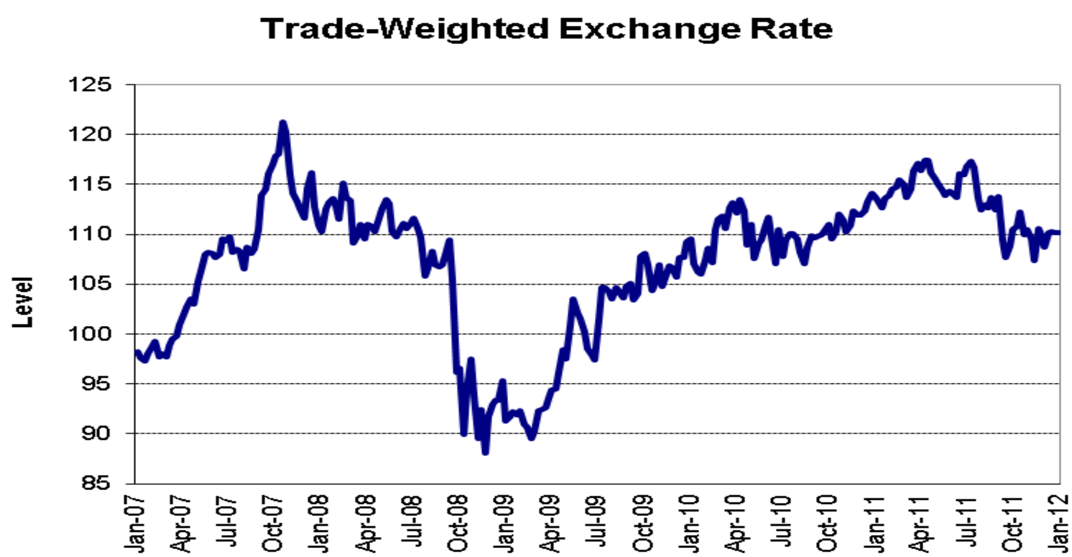
The BoC kept its overnight rate at 1.00%, as was widely expected. The Bank stated that its "overall outlook for the Canadian economy is little changed from the October MPR," and "estimates that the economy grew by 2.4 per cent in 2011 and projects that it will grow by 2.0 per cent in 2012 and 2.8 per cent in 2013."

Financial Balances & Trade Weighted Exchange Rate

Financial Balances

Canada	*Latest period (C$bln)*	*Last 12mth. as % of GDP*
Budget Balance	-0.9 (Feb)	-2.3%
Trade Balance	-0.89 (Oct)	-1.4%
Current Account Balance	-12.1 (Q3)	-6.3%
Private Balance	--	-4.0%

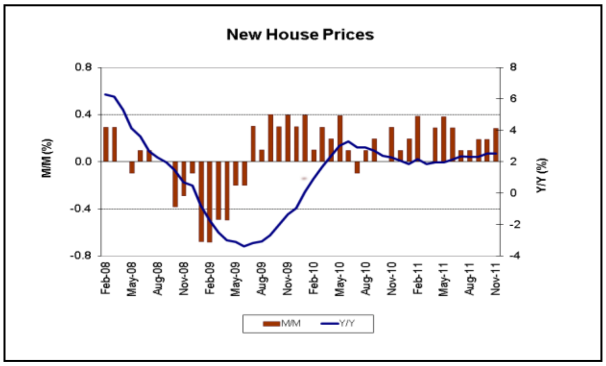
Trade-Weighted Exchange Rate



New House Prices & Trade Data

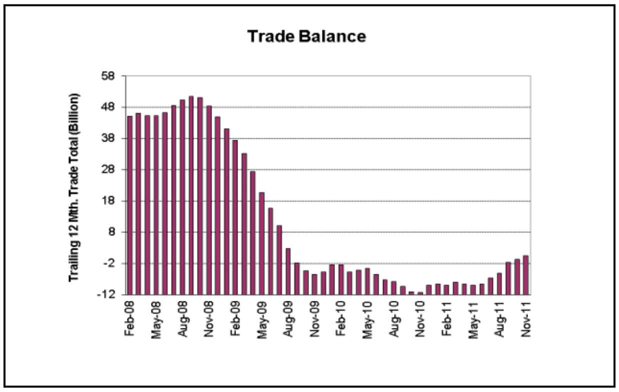
New House Prices

New House Prices increased 0.3% M/M mainly driven by a 1.0% gain in Toronto and a 0.4% increase in Montreal. Y/Y growth increased 2.5%, matching the previous month's reading.

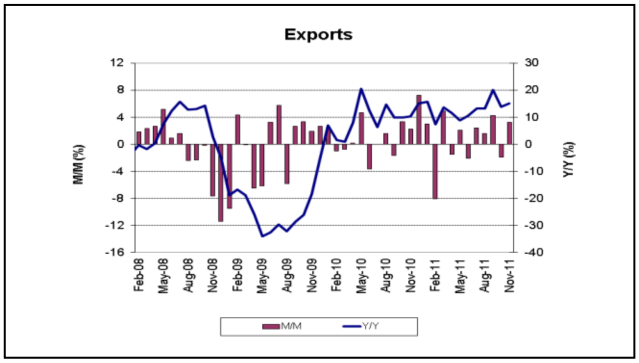


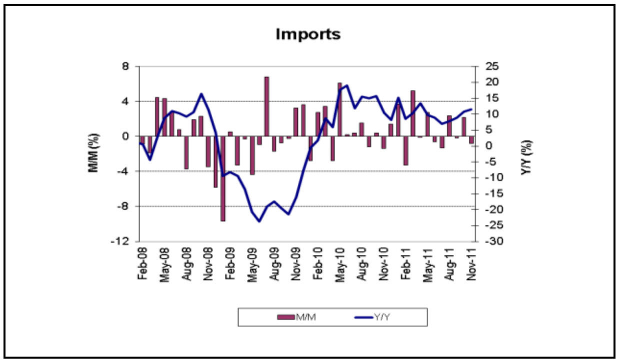
Trade Balance

Canada's Trade Balance swung from a deficit of C$0.5 bln in October to a surplus of C$1.1 bln in November as exports increased and imports declined. September's figure was revised from -C$ 0.9 bln to -C$ 0.5 bln. The surplus with the US widened from C$ 3.6 bln in October to C$4.6 bln in November.



Exports & Imports





Exports rose 3.2% M/M in November, led by energy and automobiles. Y/Y growth increased 15.1%. Imports fell 0.8% M/M and increased 11.6% Y/Y.

Bank of Canada Statement

Ottawa - 17 January 2012

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.

The outlook for the global economy has deteriorated and uncertainty has increased since the Bank released its October *Monetary Policy Report* (MPR). The sovereign debt crisis in Europe has intensified, conditions in international financial markets have tightened and risk aversion has risen. The recession in Europe is now expected to be deeper and longer than the Bank had anticipated in October. The Bank continues to assume that European authorities will implement sufficient measures to contain the crisis, although this assumption is clearly subject to downside risks. In the United States, while the rebound in real GDP during the second half of 2011 was stronger than anticipated, the Bank expects the U.S. recovery will proceed at a more modest pace going forward, owing to ongoing household deleveraging, fiscal consolidation and the spillovers from Europe. Chinese growth is decelerating as expected towards a more sustainable pace. Commodity prices – with the exception of oil – are expected to be below the levels anticipated in the October MPR through 2013.

The Bank's overall outlook for the Canadian economy is little changed from the October MPR. While the economy had more momentum than anticipated in the second half of 2011, the pace of growth going forward is expected to be more modest than previously envisaged, largely due to the external environment. Prolonged uncertainty about the global economic and financial environment is likely to dampen the rate of growth of business investment, albeit to a still-solid pace. Net exports are expected to contribute little to growth, reflecting moderate foreign demand and ongoing competitiveness challenges, including the persistent strength of the Canadian dollar. In contrast, very favourable financing conditions are expected to buttress consumer spending and housing activity. Household expenditures are expected to remain high relative to GDP and the ratio of household debt to income is projected to rise further.

The Bank estimates that the economy grew by 2.4 per cent in 2011 and projects that it will grow by 2.0 per cent in 2012 and 2.8 per cent in 2013. While the economy appears to be operating with less slack than previously assumed, given the more modest growth profile, the economy is only anticipated to return to full capacity by the third quarter of 2013, one quarter earlier than was expected in October.

The dynamics for inflation are similar to those anticipated in the October MPR, although the profile for inflation is marginally firmer. Both total and core inflation are expected to moderate in 2012 and subsequently rise, reaching 2 per cent by the third quarter of 2013 as excess supply is slowly absorbed, labour compensation grows modestly and inflation expectations remain well-anchored.
Several significant upside and downside risks are present in the inflation outlook for Canada. Overall, the Bank judges that these risks are roughly balanced over the projection horizon.

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.

Highlights from the BoC January 2012 Monetary Policy Report

- The outlook for the global economy has deteriorated and uncertainty has increased since October.

- The overall outlook for the Canadian economy is little changed from October. While there was more momentum than anticipated in the second half of 2011, the pace of growth going forward is expected to be more modest than previously envisaged.

- The Canadian economy is estimated to have grown by 2.4 per cent in 2011 and is projected to grow by 2.0 per cent in 2012 and 2.8 per cent in 2013. It is anticipated to return to full capacity by the third quarter of 2013.

- Both total and core inflation are expected to moderate in 2012 and subsequently rise, reaching 2 per cent by the third quarter of 2013.

Key Dates This Week

Date	Indicators		Expectations	Previous
19-Jan	Manufacturing Sales M/M	NOV	1.20%	-0.80%
20-Jan	Consumer Price Index M/M	DEC	-0.20%	0.10%
20-Jan	Consumer Price Index Y/Y	DEC	2.70%	2.90%
20-Jan	Bank Canada CPI Core M/M	DEC	-0.20%	0.10%
20-Jan	Bank Canada CPI Core Y/Y	DEC	2.20%	2.10%
20-Jan	Consumer Price Index	DEC	120.8	120.9
20-Jan	Wholesale Sales M/M	NOV	0.50%	0.90%
23-Jan	Leading Indicators M/M	DEC	- -	0.80%
24-Jan	Retail Sales MoM	NOV	- -	1.00%
24-Jan	Retail Sales Less Autos M/M	NOV	- -	0.70%
25-Jan	Teranet/National Bank HPI M/M%	NOV	- -	0.00%
25-Jan	Teranet/National Bank HP Index	NOV	- -	149.46
25-Jan	Teranet/National Bank HPI Y/Y%	NOV	- -	7.00%

Valance Co., Inc.

Valance Economic Report: Australia

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January 18, 2012

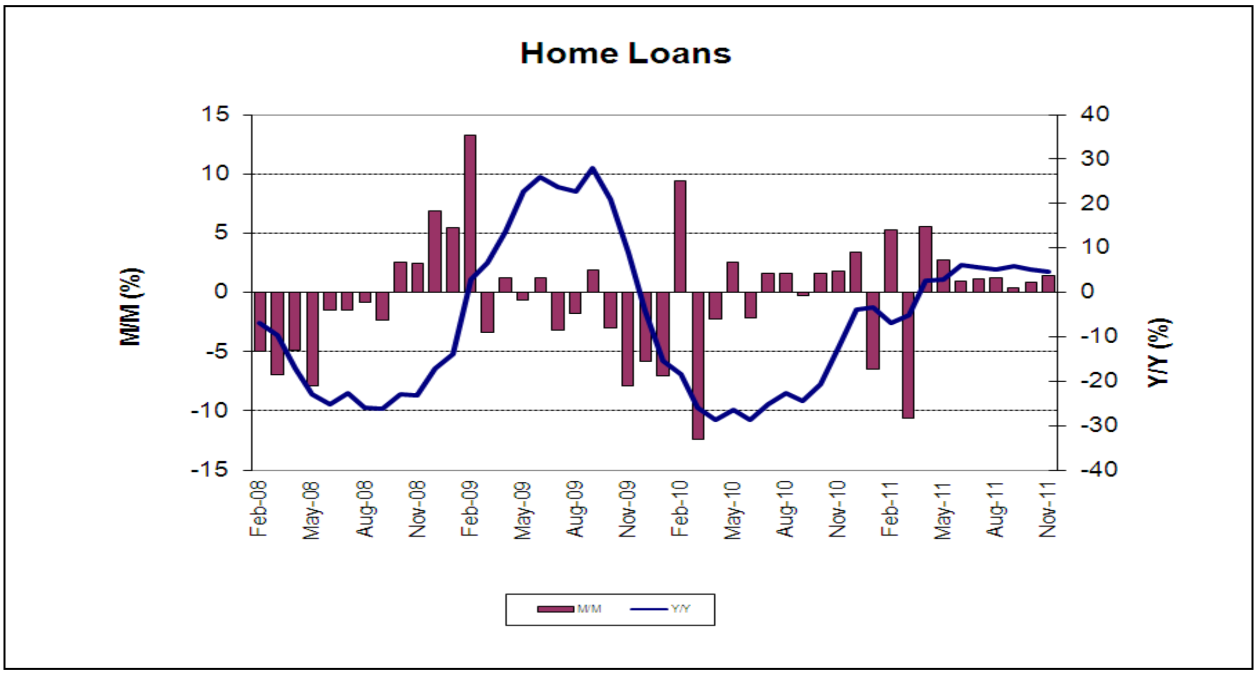
Australian Home-Loan Approvals rose in November for the eighth consecutive month. In December, New Car Sales declined and Job Ads fell for the fifth month in the past six. The Westpac Consumer Confidence Index rebounded in January, after an 8.3% drop the month before.

Weekly Highlights

Home Loan Approvals - rose from 0.8% M/M in October to 1.4% M/M in November. (AU 1)
Westpac Consumer Confidence Index – rose 2.4% M/M in January. (AU 3)
New Car Sales – fell -2.9% M/M and -3.0% Y/Y in December. (AU 3)
ANZ Job Advertisements – fell -0.9% M/M in December. (AU 3)

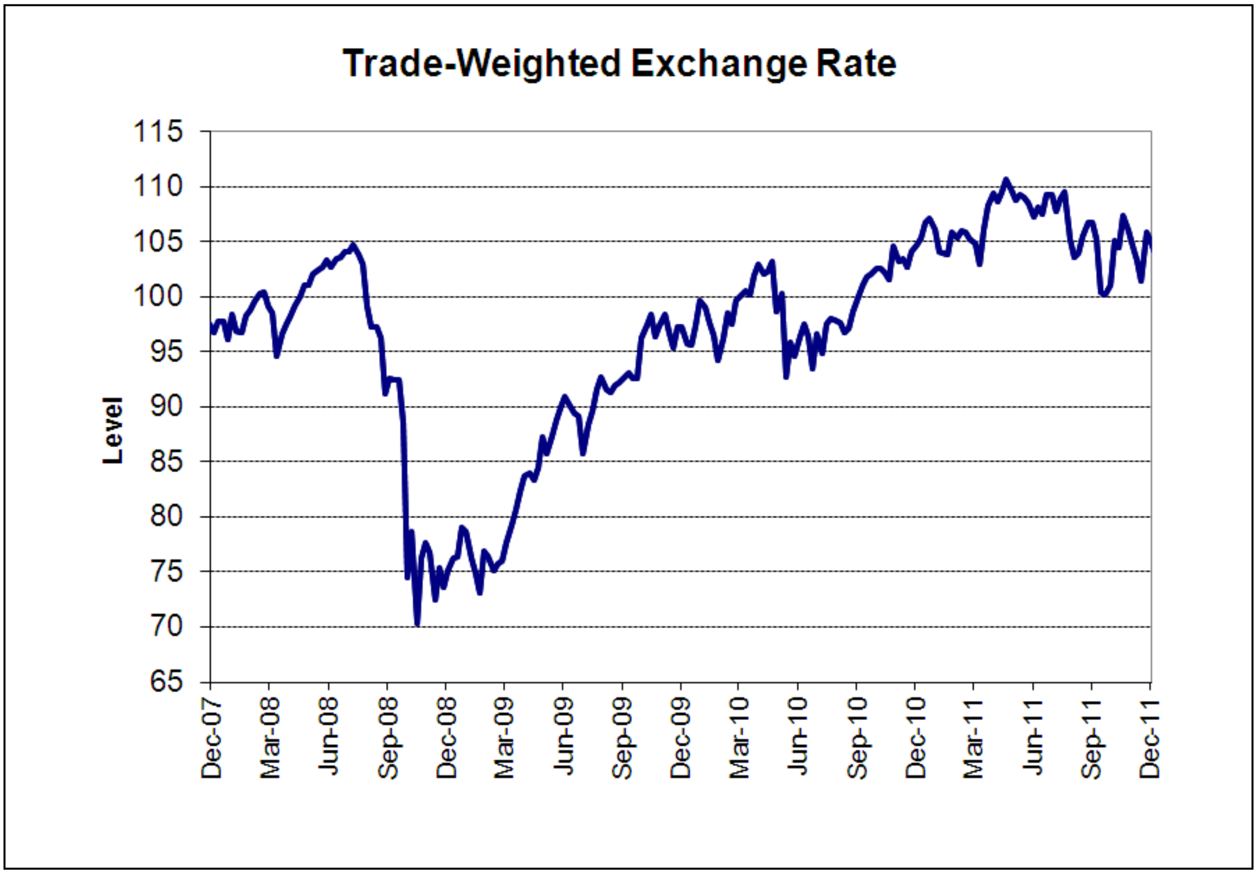
Weekly Releases & News

Chart of the Week: *Home Loans*



In November, the number of Home Loan approvals rose 1.4% M/M, after increasing 0.8% M/M in October. This is the 8th straight monthly increase. The market expected a gain of 1.0% M/M. First-time home buyers accounted for 20% of dwellings that were financed in November, up from 19.1% in October, and higher than the 16.7% the previous year.

FX

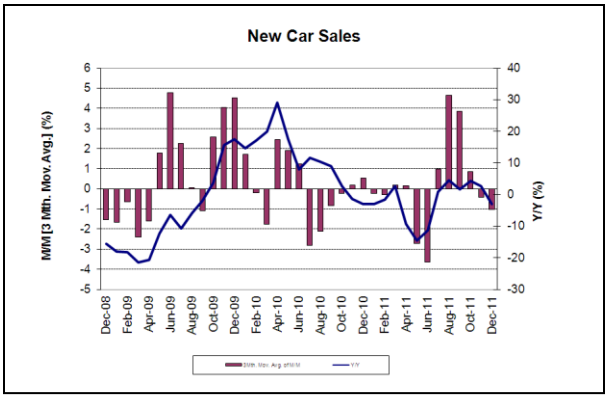


Trade-Weighted Exchange Rate
Level
115
110
105
100
95
90
85
80
75
70
65
Dec-07
Mar-08
Jun-08
Sep-08
Dec-08
Mar-09
Jun-09
Sep-09
Dec-09
Mar-10
Jun-10
Sep-10
Dec-10
Mar-11
Jun-11
Sep-11
Dec-11

New Car Sales, ANZ Job Advertisements &Data

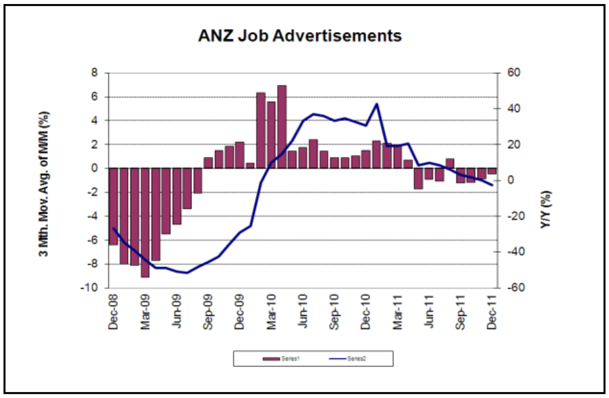
New Car Sales

New Car Sales fell 2.9% M/M and -3.0% Y/Y in December, compared with -0.6% M/M and +2.6% Y/Y the prior month.



ANZ Job Advertisements

Job advertisements fell 0.9% M/M in December, after gaining +0.1% M/M in November. This marked the fifth decline in six months. Head of AU Economics at ANZ Bank, Katie Dean remarked, "A further modest rise in the unemployment rate, together with continued heightened global risks, should keep domestic inflationary pressures relatively benign for now. This will provide the RBA with further scope to provide another modest easing of monetary policy."



Data

<u>January 17th - Westpac/Melbourne Institute Consumer Confidence</u> – rebounded from -8.3% in December to +2.4% M/M in January. The Confidence Index is now at 97.1, up from 94.7 the previous month. Westpac's Chief Economist, Bill Evans remarked, "The reading was boosted by a 9.5 percent gain in the sub-index tracking opinions on economic conditions over the next 12 months." Evans continued, "Given ongoing financial turmoil in Europe, a flat housing market and further weakness in the labor market, sentiment is likely to have been lower without the rate cuts."

<u>January 15th (Xinhua) – TD Securities/MI Inflation Gauge</u> – rose 0.5% M/M and 2.4% Y/Y, compared with -0.1% M/M and 2.4% Y/Y the previous month. The annual increase was partly attributed to price increases for holiday travel and accommodation, alcohol and tobacco, and new home purchases by owner-occupiers; while the cost of fresh food and clothes and shoes contributed negatively.

Key Dates This Week

Date	Indicator	Month	Expectations	Previous
01/18	RBA Foreign Exchange Transactn	DEC	- -	330M
01/18	Employment Change	DEC	10.0K	-6.3K
01/18	Unemployment Rate	DEC	5.3%	5.3%
01/18	FT Employment Change	DEC	18.8K	-39.9K
01/18	PT Employment Change	DEC	-8.8K	33.6K
01/18	Participation Rate	DEC	65.5%	65.5%
01/19	Import Price Index (Q/Q)	Q4	0.6%	0.0%
01/19	Export Price Index (Q/Q)	Q4	-2.0%	4.0%
01/22	PPI (Q/Q)	Q4	--	-0.6%
01/23	Conf. Board Leading Index	NOV	--	0.6%
01/24	Westpac Leading Index	NOV	--	0.1%
01/24	DEWR Internet Skilled Vacancies	DEC	--	-1.0%
01/24	Consumer Prices (Q / Y)	Q4	--	0.6% / 3.5%
01/24	RBA Trimmed Mean (Q / Y)	Q4	--	0.3% / 2.3%
01/24	RBA Weighted Median (Q / Y)	Q4	--	0.3% / 2.6%

Valance Co., Inc.

Valance Economic Report: New Zealand

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January 18, 2012

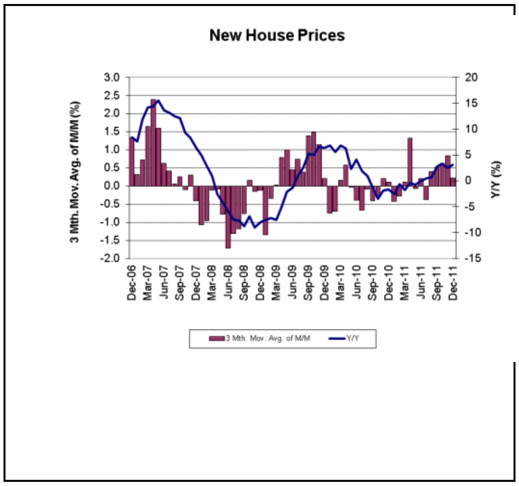
Home prices fell 0.1% M/M in December following a 1.1% M/M increase in November. Food prices increased 0.2% M/M in December, matching November's gain.

Weekly Highlights

Median House Prices - fell 0.1% M/M and increased 3.1% Y/Y in December. (NZ 1)
Food prices - increased 0.2% M/M in December. (NZ 2)

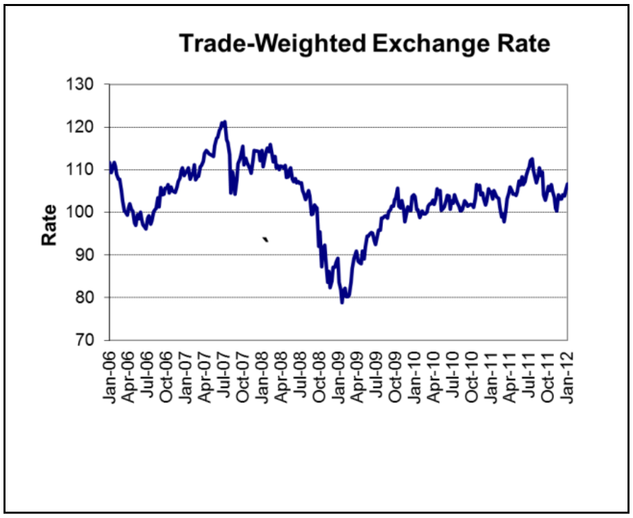
Weekly Releases & News

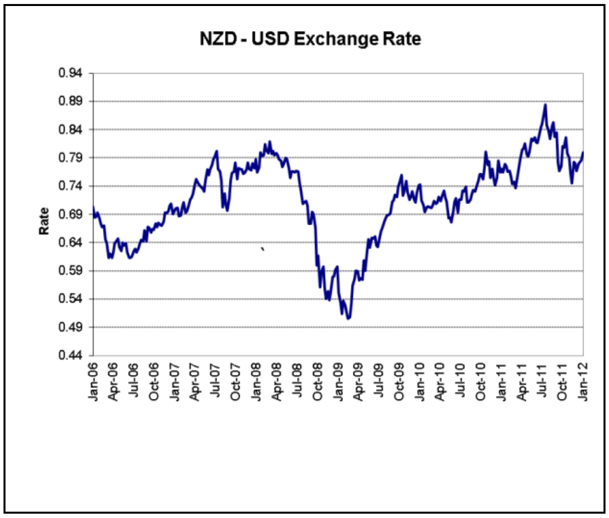
Chart of the Week: *REINZ House Prices*



According to the Real Estate Institute of New Zealand Inc., Median House Prices fell 0.1% M/M and increased 3.1% Y/Y in December. It took 35 days to sell a house in December the same as it took last month.

FX & ANZ Commodity Prices





Comments & Upcoming Dates

Comments

Credit Card Spending - According to the RBNZ, total credit card spending fell 0.2 % M/M in December the same as November. Retail Spending fell 0.3 % M/M in December after falling 0.5% in November.

Food Prices - According to Statistics New Zealand, December food prices increased 0.2% M/M matching November's gain. The largest fall was recorded in Non-alchoholic bvgs (2.5% M/M); followed by 0.2% decline in grocery foods.

Key Dates This Week

Date	Event		Expectations	Previous
18-Jan	ANZ NZ Job Ads (MoM)	DEC	- -	0.90%
18-Jan	Consumer Prices (QoQ)	4Q	0.40%	0.40%
18-Jan	Consumer Prices (YoY)	4Q	2.60%	4.60%
18-Jan	ANZ Consumer Confidence Index	JAN	- -	108.4
18-Jan	ANZ Consumer Confidence MoM	JAN	- -	-0.60%
24-Jan	Credit Card Spending SA (MoM)	DEC	- -	-3.40%
24-Jan	Credit Card Spending (YoY)	DEC	- -	3.20%
25-Jan	RBNZ Official Cash Rate	26-Jan	- -	2.50%
25-Jan	Business NZ PMI	DEC	- -	45.7

Valance Co., Inc.

Weekly Economic Report: ***China***

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January 18, 2012

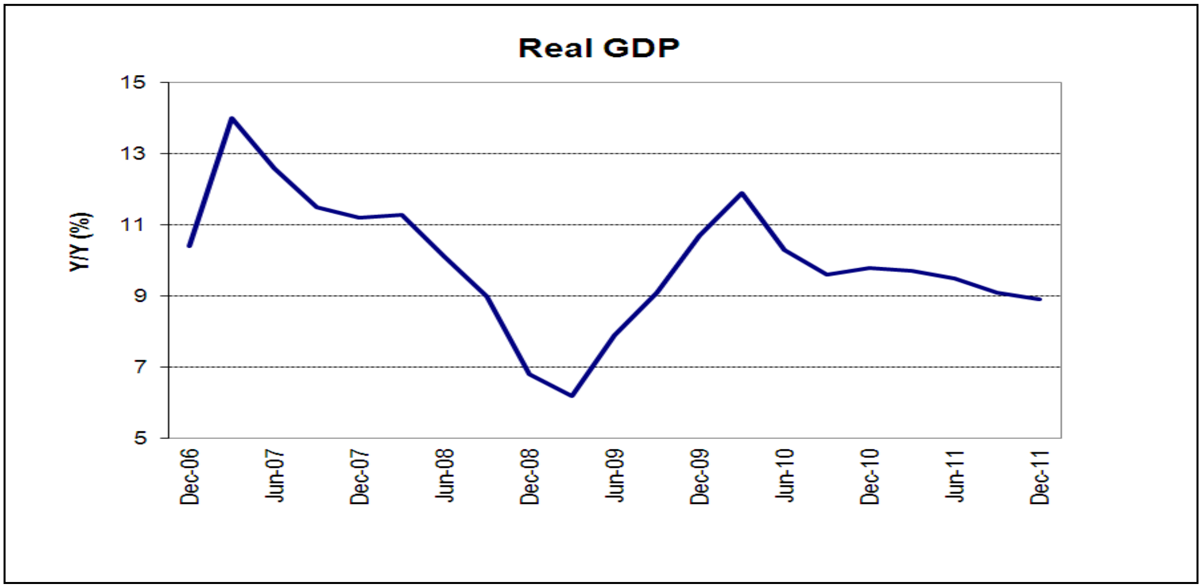
GDP, Industrial Production, and Retail Sales growth all rose above expectations.

Weekly Highlights

Real GDP – grew 2.0% Q/Q and 8.9% Y/Y in Q4 (CH 1)
CPI – rose 4.1% Y/Y in December. (CH 2)
Retail Sales – improved from 17.3% Y/Y in November to 18.1% Y/Y in December. (CH 2)
Industrial Production – rose from 12.4% Y/Y in November to 12.8% Y/Y in December. (CH 3)

Weekly Releases & News

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

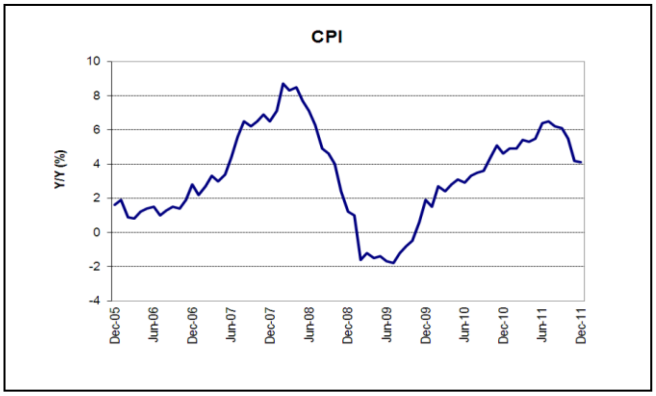


Annual GDP surprised to the upside in Q4, increasing from 9.1% in Q3 to 8.9% in Q4, above expectations of 8.7% growth. On a quarterly basis, GDP was up 2.0% in Q4, compared with 2.3% growth in Q3.

CPI, PPI & Retail Sales

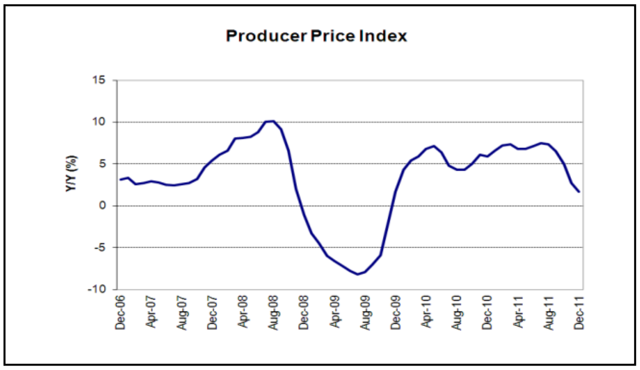
CPI

The Consumer Price Index rose 4.1% Y/Y in December, compared with 4.2% the previous month – a 15-month low.



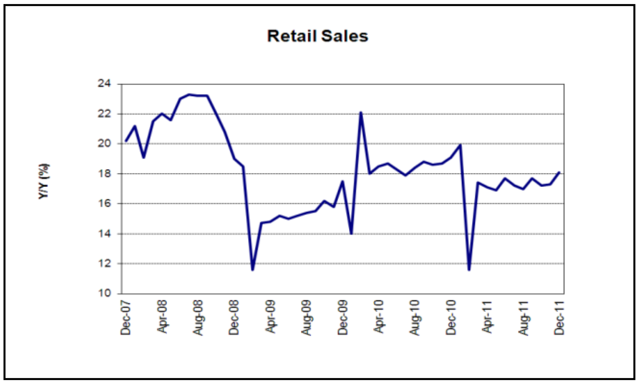
PPI

As expected, the November Producer Price Index slowed from 2.7% Y/Y in November to 1.7% Y/Y.



Retail Sales

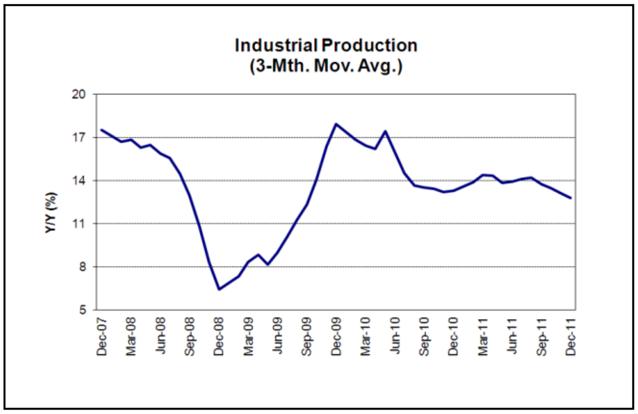
Retail Sales climbed from 17.3 Y/Y in November to 18.1% Y/Y in December. Sales were expected to slow to 17.2% Y/Y.



IP, FDI & Foreign Reserves

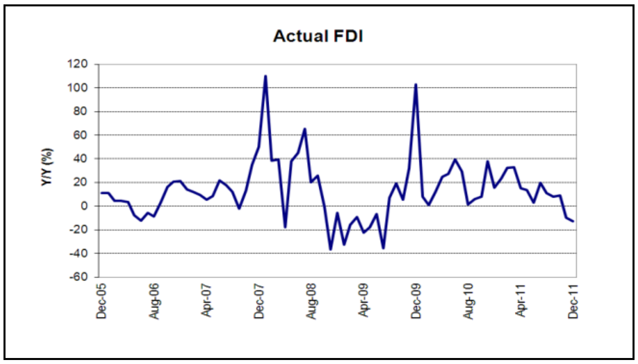
Industrial Production

Industrial Production rose from 12.4% Y/Y in November to 12.8% Y/Y in December, above expectations of 12.3% Y/Y.



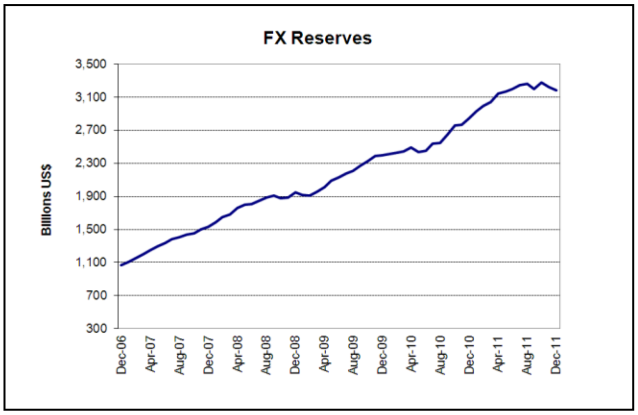
FDI

Foreign Direct Investment fell from -9.8% Y/Y in November to -12.7% Y/Y in December – totaling $12.24 bln. This marked the second decline since 2009. Ministry of Commerce Spokesman, Shen Danyang commented, “China's investments in Europe and Africa were particularly strong in 2011.”



Foreign Reserves

Foreign Reserves declined from $3,201.7 bln in November to $3,181.1 bln in December – this marked the first quarterly drop since 1998. Reserves were expected to reach $3,200.0 bln.



Data, News & Upcoming Dates

Data

January 16th (China Knowledge) - Fixed-Asset Investment – slowed from 24.5% Y/Y in November to 23.8% Y/Y in December. A 24.1% Y/Y gain was expected.

News Releases

January 16th (Reuters) - China's Wen Sees Eventual End to Economic Gloom - Chinese Premier Wen Jiabao said:

The dark clouds of the international financial crisis have yet to fully recede and social turmoil in some parts of the world has not calmed down.

China respects the independent choices made by the countries and peoples in this region and supports your efforts in developing the economy based on your resource, endowments and strengths.

As a permanent member of the UN security council and a responsible country China will continue to work with the rest of the international community to promote peace, stability and development in West Asia and North Africa.

Key Dates This Week

Date	*Indicator*	*Month*	*Expectation*	*Previous*
01/18	Conference Board China November Leading Economic Index			
01/19	MNI January Flash Business Sentiment Survey			
01/19	HSBC Flash China Man. PMI	JAN	--	49.0

Valance Co., Inc.

Valance Economic Report: Switzerland

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January 18, 2012

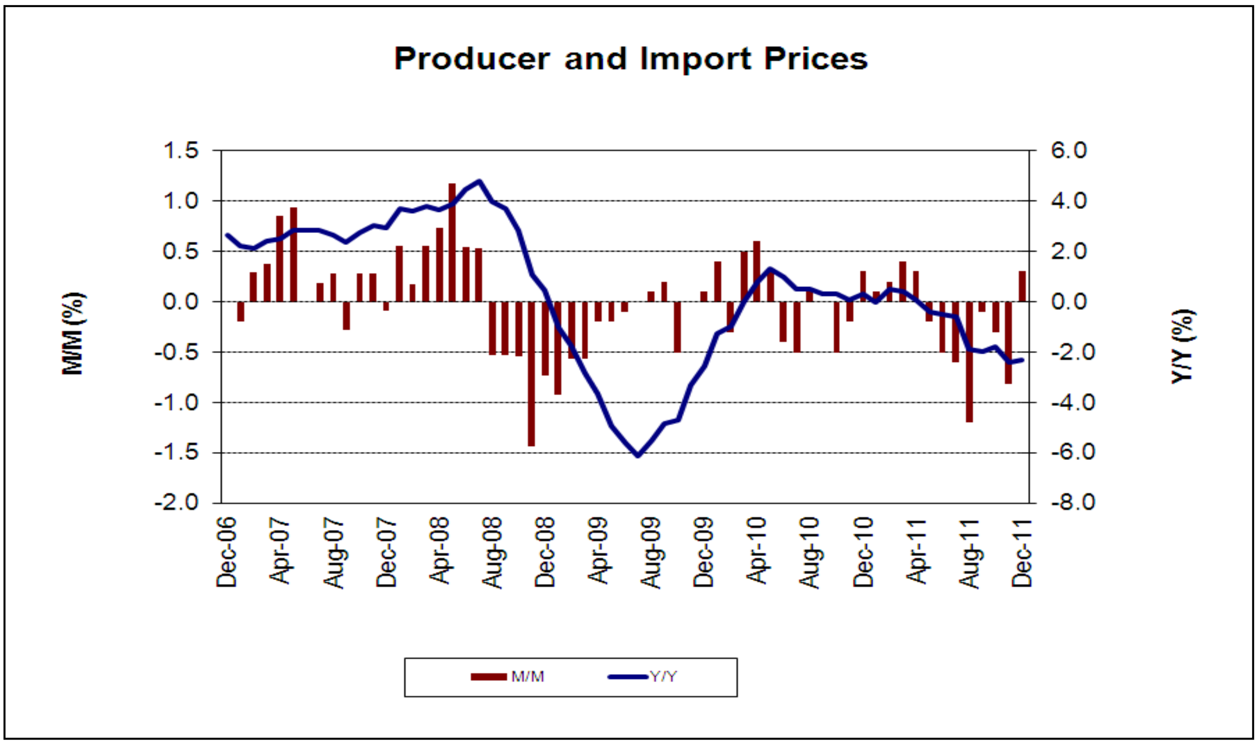
Switzerland's Producer and Import Prices posted a monthly gain for the first time in eight months in December. The January Outlook for Swiss Investor Confidence had its largest gain in nine months.

Weekly Highlights

Producer & Import Prices – rose 0.3% M/M and fell 2.3% Y/Y in December. (SZ 1)
January Investor Sentiment – improved from -72.0 in December to -50.1. (SZ 2)

Weekly Releases & News

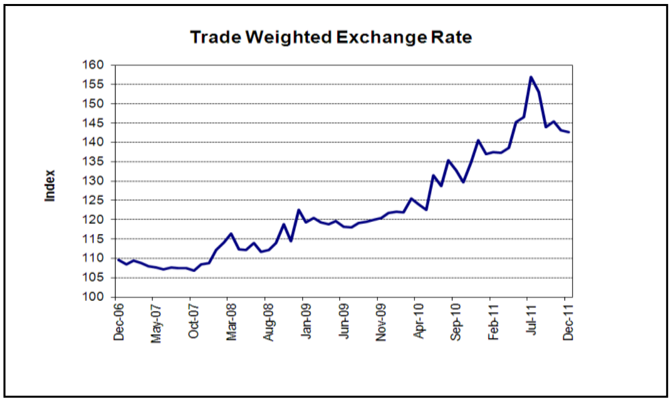
Chart(s) of the Week: *Producer & Import Prices*



Switzerland's combined Producer & Import Price Index rose 0.3% M/M in December, compared with -0.8% M/M the previous month. Annually, the index slipped 2.3% in December, compared with -2.4% the month before. Higher oil and raw materials prices have helped reverse the downward turn in the index. Prices were expected to reach -0.1% M/M and -2.8% Y/Y.

Trade Weighted Exchange Rate, Data, News & Upcoming Dates

Trade Weighted Exchange Rate



Data

January 18th (Bloomberg) – January Swiss Investor Sentiment **-** A survey by the ZEW Center for European Economic Research and Credit Suisse Group showed that the outlook for Swiss Investor Confidence improved from -72.0 in December to -50.1 in January.

News

January 17th (Bloomberg) - Swiss Exchange-Rate Should Be 1.35 - Swiss Economy Minister, Johann Schneider-Ammann made the following comments in an interview:

For the Swiss economy, I'm hoping that the difference between the exchange rate based on purchasing power and the current rate will narrow sooner rather than later, and preferably by way of the foreign-exchange market.

Key Dates This Week

Date	*Indicator*	*Month*	*Expectation*	*Previous*
01/23	M3 Money Supply	DEC	--	7.2%
01/23	Real Estate Index Family Homes	Q4	--	398.6

Valance Co., Inc.

Valance Economic Report: Sweden

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January 18, 2012

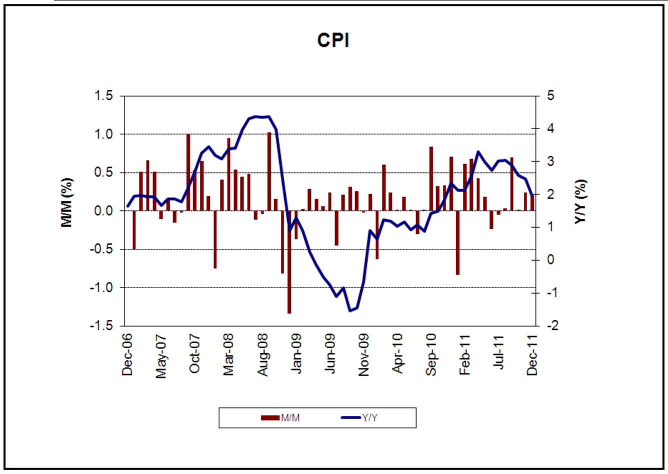
In December, annual CPI inflation slowed for a 4th consecutive month and the Unemployment Rate rose to 4.7%, above expectations.

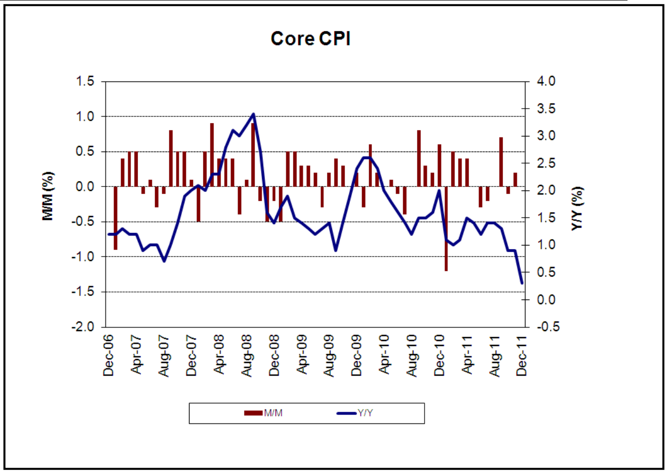
Weekly Highlights

CPI – rose 0.2% M/M and 2.3% Y/Y in December. (SW 1)
Core CPI – was flat on the month and rose 0.5% Y/Y in December. (SW 1)
Unemployment Rate – rose from 4.4% in November to 4.7% in December. (SW 2)

Weekly Releases & News

Chart(s) of the Week: *CPI*



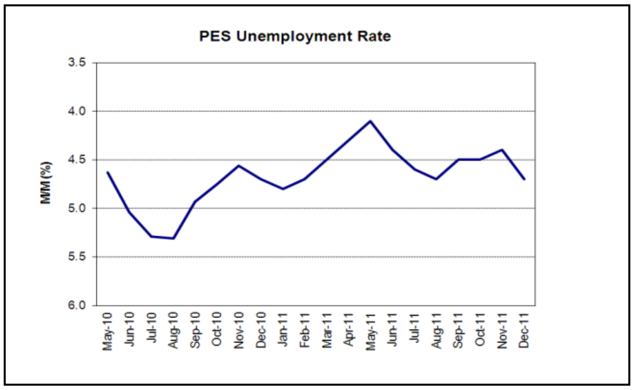


Headline Consumer Price growth, as expected, rose 0.2% on the month, (same as the previous month). Annually, prices rose as expected to 2.3%, compared with 2.8% the previous month. Increases in housing (+0.3%), higher interest costs for owner occupied housing (+3.7%), food and non-alcoholic beverages (+0.5%), and transportation services (+2.1%) had a positive effect on the monthly rate; while lower prices for electricity (-3.0%) and clothing/footwear (-1.3%) contributed negatively. On a core basis, prices were flat on the month and rose 0.5% Y/Y -- from 0.2% M/M and 1.1% Y/Y the month before.

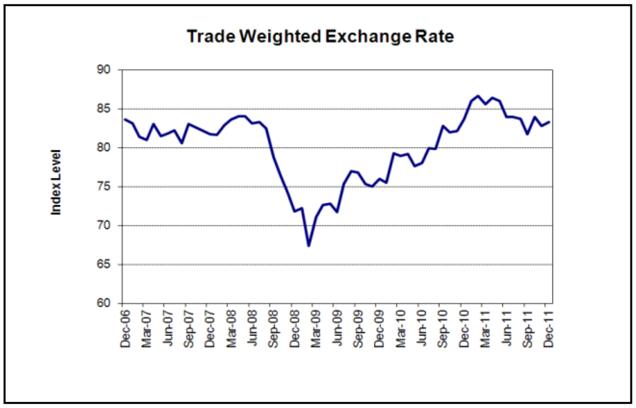
Unemployment Rate, Trade Weighted Exchange Rate & News

Unemployment Rate

The Unemployment Rate (n.s.a.) rose from 4.4% in November to 4.7% in December. The rate was expected to reach 4.6%. The number of unemployed totaled approximately 214K persons - down 1,716 from the previous year. Meanwhile, the number of vacancies reached approximately 49K – up almost 46K from the year before.



Trade Weighted Exchange Rate



News

January 18th (Bloomberg) - Riksbank May Cut Repo Rate to 1.3% in 12 Months – A TNS Sifo Prospera survey showed that Riksbank may cut its repo rate to 1.3% in 2013 and 1.9% in 2014. The survey also showed consumer prices rising to 1.5% and 1.9% in 2013 and 2014, respectively. Sweden's GDP will likely grow 1.1% and 2.1%, respectively, the survey showed.

News (Cont'd.) & Upcoming Dates

News (Cont'd.

January 12th (MSN) - Crisis impact worse if not for euro's stability - The Foreign Minister of non-eurozone member Sweden, Carl Bildt stated:

If we compare the alternative -- and I was prime minister in the early 90s so I can speak with a certain authority -- we had a situation in Europe in the early 90s when we had a country devaluing every two weeks or something like that.

It was complete monetary turmoil.

Now we have gone through a very severe economic crisis but we have had monetary stability.

It's been a benefit for trade integration.

You can argue that during the particular crisis it has been more comfortable short term on the outside. But there's no question that the euro is to the benefit of the Swedish economy as well.

Key Dates This Week

Nothing to report.