

Valance Company, Inc.



Weekly

February 8, 2012

III

Highlights

US – Strong Payrolls

EU – EU Retail Sales posted a downside surprise in December

JN – Current Account Surplus Increased in November

CH – Weaker PMI

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Valance Economic Reports

Valance Co., Inc.

Valance Economic Report: United States

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February 8, 2012

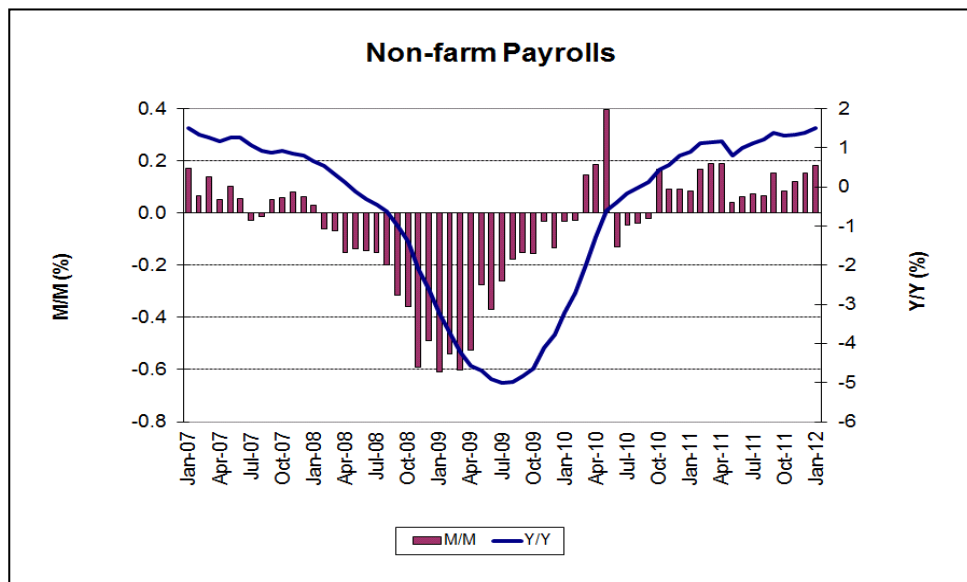
A strong payroll report highlighted a light week of data. Payrolls, claims, and the JOLTS data are all aligning pointing to a stronger labor market. Bernanke's Congressional testimony remained downbeat despite the stronger labor report.

Weekly Highlights

Nonfarm Payrolls – 243k gain, solid overall report. (US 1)

Average Hourly Earnings – improved 0.2% M/M but all-time low Y/Y. (US 3)

ISM Non-Manufacturing Index – jumped from 52.6 to 56.8 in January. (US 4)

Weekly Releases**Chart of the Week: *Change in Nonfarm Payrolls***

Non-farm Payrolls increased by 243k in January, significantly above expectations for a gain of 140k. It was an improvement from the 203k gain in December. Private payrolls increased 257k, beating expectations of 160k. Manufacturing payrolls improved 50k, the second largest gain in over ten years. The Unemployment Rate dropped 0.2% to 8.3%, the lowest since February 2009. The diffusion index increased from 62.4 to 64.1. The participation rate declined from 64% to 63.7%, though the decline was entirely due to benchmark population revisions. The labor market is starting to display moderate growth.

US 1

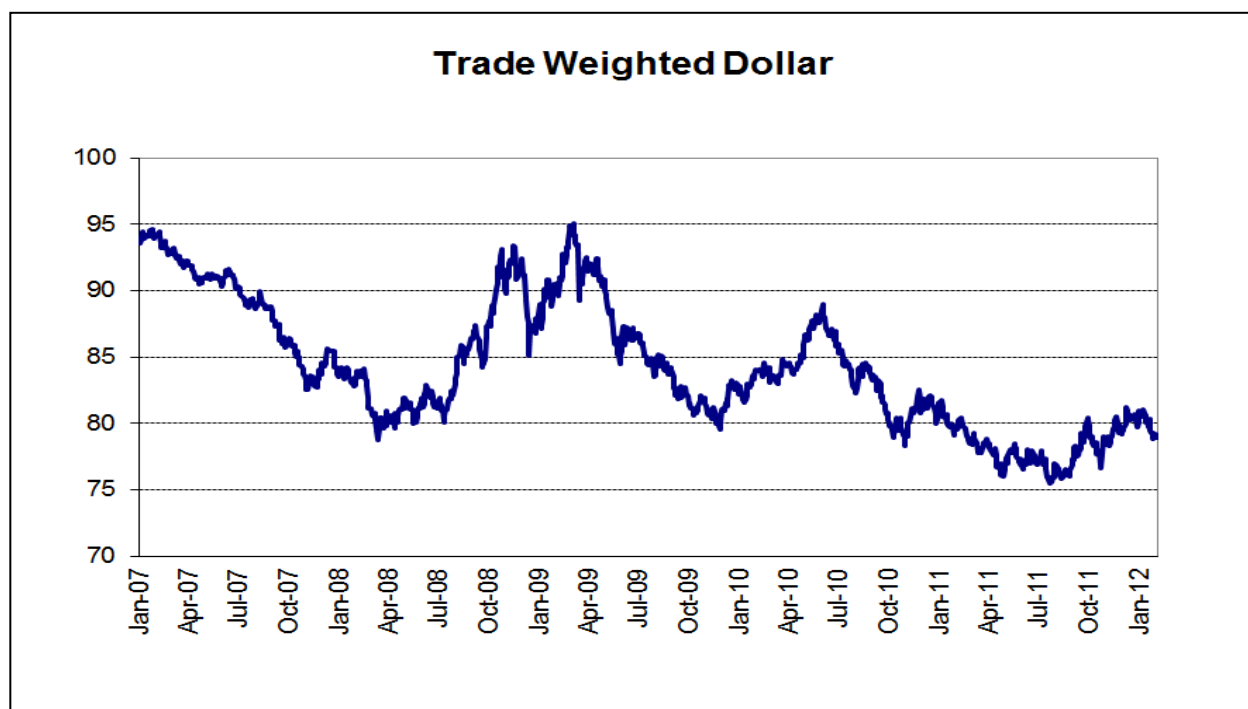
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

U.S.	Latest period (\$blns)	Last 12mth. as a % of GDP
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%

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.

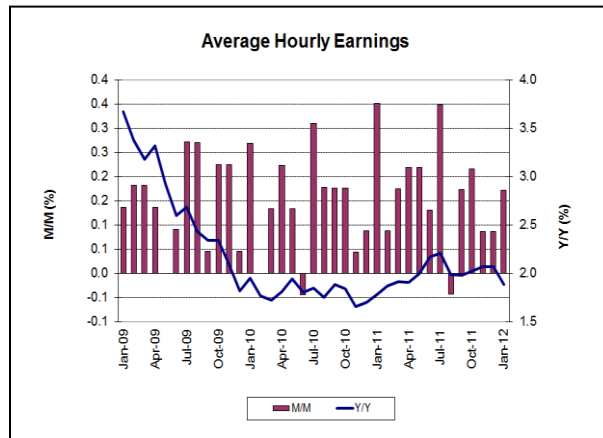
Trade Weighted Dollar



Avg Hourly Earnings/Weekly Hours & Initial Jobless Claims

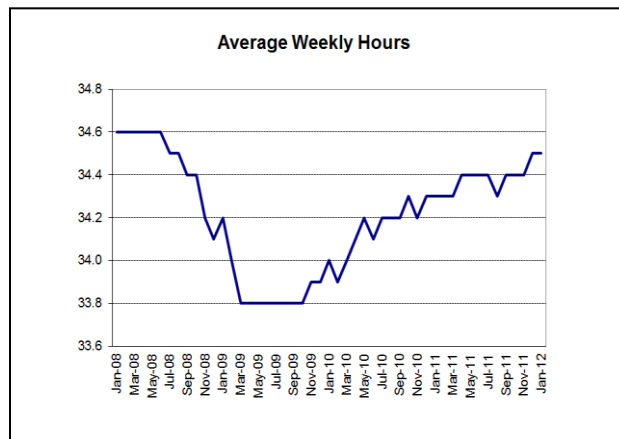
Average Hourly Earnings

Average Hourly Earnings improved 0.2% M/M and gained 1.5% Y/Y in January. December was revised lower from 0.2% to 0.1%. With a large excess supply of labor, wages may remain under downward pressure for some time.



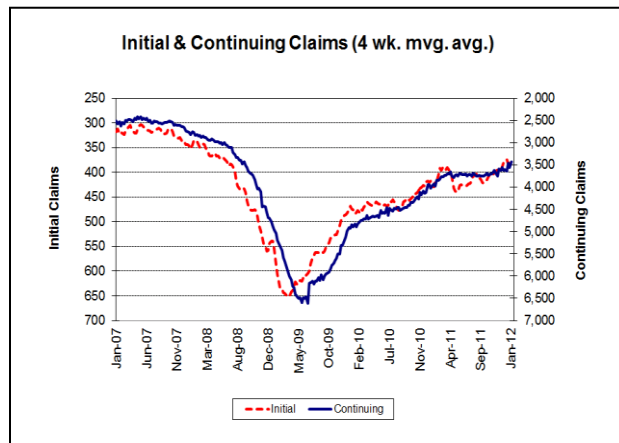
Average Weekly Hours

Average Weekly Hours ticked up from 34.4 to 34.5 in January. Aggregate hours stood at 34.3 a year ago.



Initial Jobless Claims

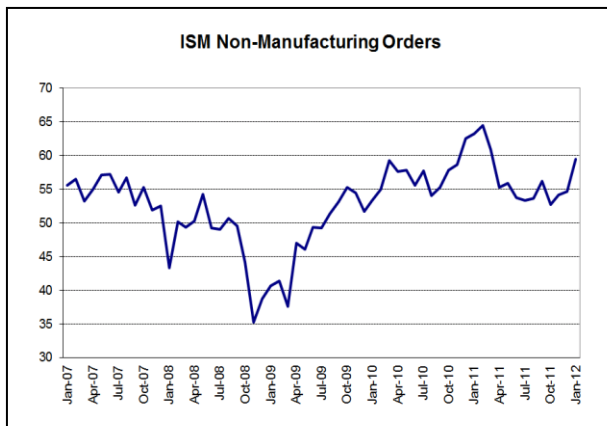
Initial Claims fell by 12k to 367k. The series has been particularly volatile since the beginning of the year but consistently grinding lower. The four week moving average of Initial Claims fell 2k to 375k. Continuing Claims declined from 3567k to 3437k.



ISM Non-Manf. Composite, Bloomberg Consumer Comfort & MBA Mortgage Applications

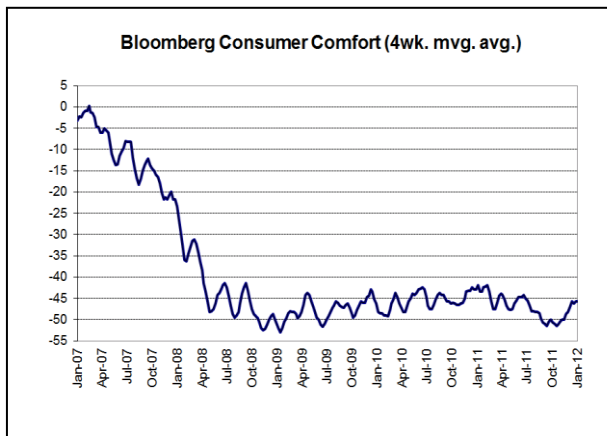
ISM Non-Manf. Composite

The ISM Non-Manufacturing Index jumped from 52.6 to 56.8 in January. New Orders improved from 54.6 to 59.5 and the employment component from 49.8 to 57.4. Every component but inventory change is above its six-month average.



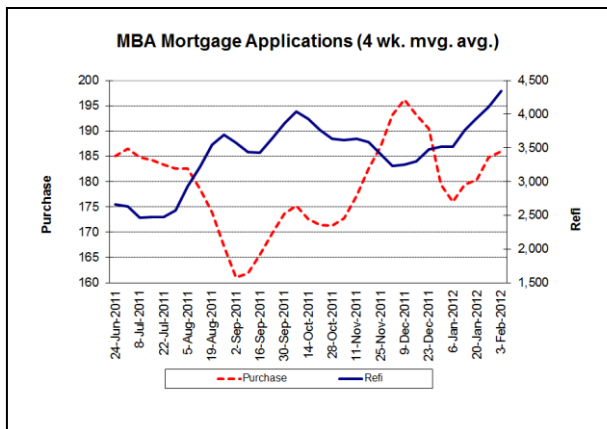
Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index improved from -46.4 to -44.8. The state of the economy increased from -81.1 to -79.1 as did personal finances from -6.9 to -4.5.



MBA Mortgage Applications

Purchase Mortgage Applications gained 0.1% W/W. Refi applications rose 9.4% W/W. The FRM 30-year contract hit an all-time low of 4.05%



Key Dates This Week

Dates	Indicators		Expectations	Previous
9-Feb	Initial Jobless Claims	4-Feb	370K	367K
9-Feb	Continuing Claims	28-Jan	3500K	3437K
9-Feb	Bloomberg Consumer Comfort	5-Feb	--	-44.8
9-Feb	Wholesale Inventories	DEC	0.40%	0.10%
10-Feb	Trade Balance	DEC	-\$48.5B	-\$47.8B
10-Feb	U. of Michigan Confidence	FEB P	74.7	75
10-Feb	Monthly Budget Statement	JAN	-\$45.0B	-\$49.8B
14-Feb	Import Price Index (MoM)	JAN	0.10%	-0.10%
14-Feb	Advance Retail Sales	JAN	0.70%	0.10%
14-Feb	Retail Sales Less Autos	JAN	0.50%	-0.20%
15-Feb	MBA Mortgage Applications	10-Feb	--	--
15-Feb	Empire Manufacturing	FEB	14.5	13.48
15-Feb	Total Net TIC Flows	DEC	--	\$48.6B
15-Feb	Industrial Production	JAN	0.80%	0.40%
15-Feb	NAHB Housing Market Index	FEB	26	25
15-Feb	Minutes of FOMC Meeting			

Valance Co., Inc.

Valance Economic Report: Euro Zone

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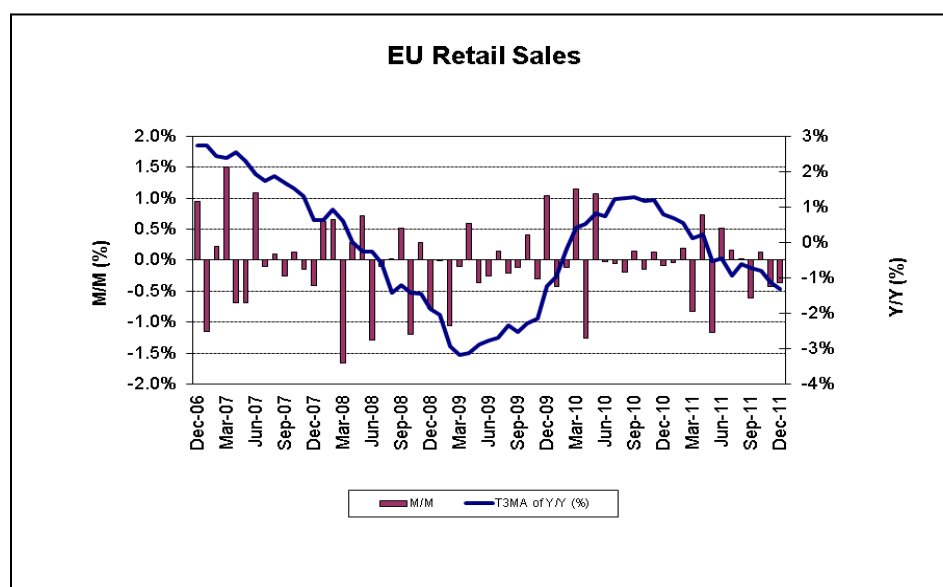
The string of disappointing data releases continued for the Euro Region. EU Retail Sales posted a downside surprise, falling 0.4% M/M in December while Producer Prices also fell more than expected. In Germany, Industrial Production unexpectedly fell in December and the Trade Surplus narrowed on the back of weaker exports. The French Trade Deficit widened in December and the unemployment situation in Spain remains grim.

Weekly Highlights

EU Retail Sales - unexpectedly fell 0.4% M/M in December. (EU 1)

EU Producer Prices - decreased 0.2% M/M and increased 4.3% Y/Y in December. (EU 3)

German Industrial Production - unexpectedly fell 2.9% M/M in December. (EU 3)

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

EU Retail Sales unexpectedly fell 0.4% M/M in December versus market expectations for a 0.3% M/M gain. Y/Y growth fell 1.6%. The Food, Drink and Tobacco sector fell 0.2% M/M and Nonfood products fell 0.1% M/M.

EU 1

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	16.2 (November)	2.0%
Current Account Balance	14.3 (November)	6.9%
Private Savings Balance		-3.6%
<i>France</i>		
Budget Balance		-2.7%
Trade Balance	-4.4 (November)	-4.9 %
Current Account Balance	-4.5 (October)	-3.9%
Private Savings Balance		-1.2%
<i>Italy</i>		
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		

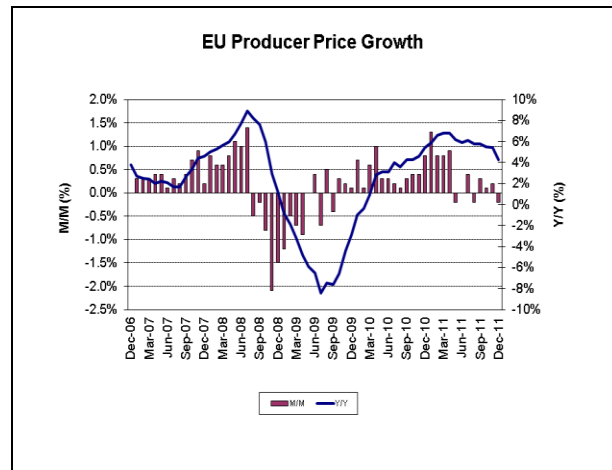
Trade-Weighted Exchange Rate



EU PPI & German Industrial Prod./Factory Orders

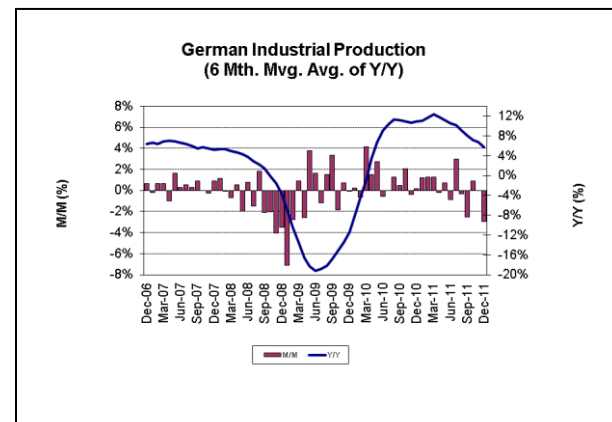
EU Producer Prices

EU Producer Prices decreased 0.2% M/M and increased 4.3% Y/Y in December. Market expectations were for a 0.1% M/M decline and a 4.3% Y/Y gain. The M/M decline was led by a 0.4% M/M decrease in energy prices and to a lesser extent a 0.2% M/M decline in intermediate goods.

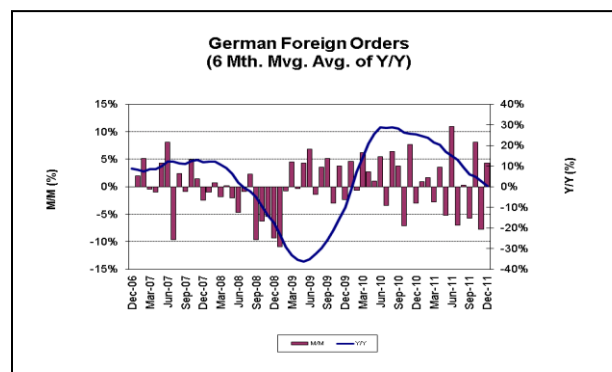
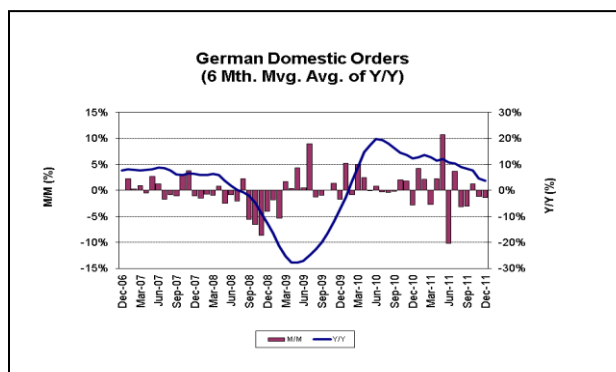


German Industrial Production

German Industrial Production unexpectedly fell 2.9% M/M in December, versus market expectation for a flat reading. Y/Y growth increased 0.9%. Manufacturing & mining fell 2.7% M/M and increased 0.8% Y/Y.



German Factory Orders

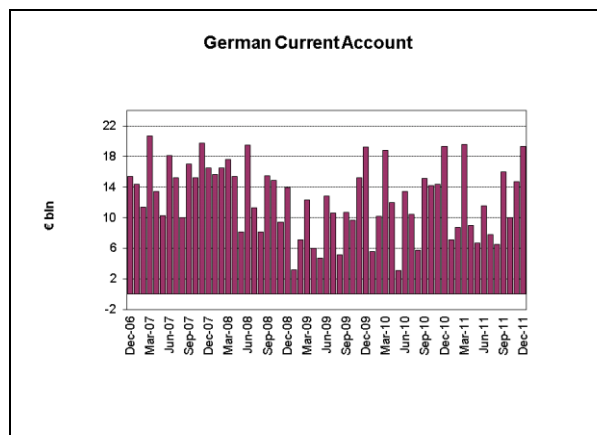


German Factory Orders increased 1.7% M/M and were flat Y/Y in December. Market expectations were for a 0.4% M/M decline and a 1.0% Y/Y gain. Domestic Factory Orders fell 1.4% M/M and increased 1.2% Y/Y. Foreign Orders fell 0.7% M/M and increased 0.3% Y/Y.

German Current Account, Trade Balance & Exports

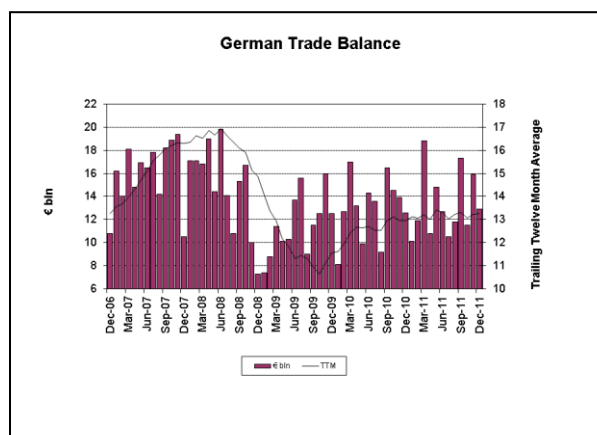
German Current Account

Germany's Current Account surplus widened from €14.7 bln in November to €19.3 bln in December. The Current Account balance was at the same level of €19.3 bln in December 2010.



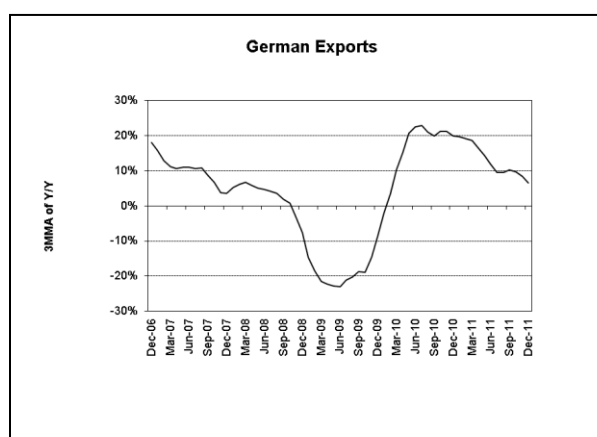
German Trade Balance

Germany's Trade surplus narrowed from €15.9 bln in November to €12.9 bln in December as exports fell more than imports. The surplus stood at €12.6 bln in December 2010.



German Exports

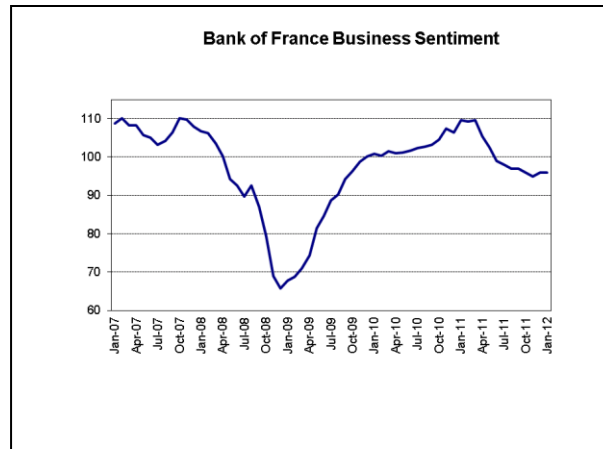
German Exports fell 4.3% M/M and increased 4.7% Y/Y in December. Imports fell 3.9% M/M and increased 5.8% Y/Y.



French Business Sentiment/Trade Balance & Italian CPI

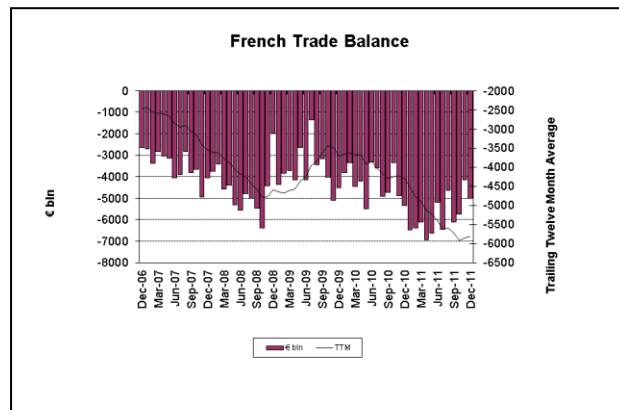
Bank of France Business Sentiment

French Business Sentiment remained at 96, in line with market expectations.



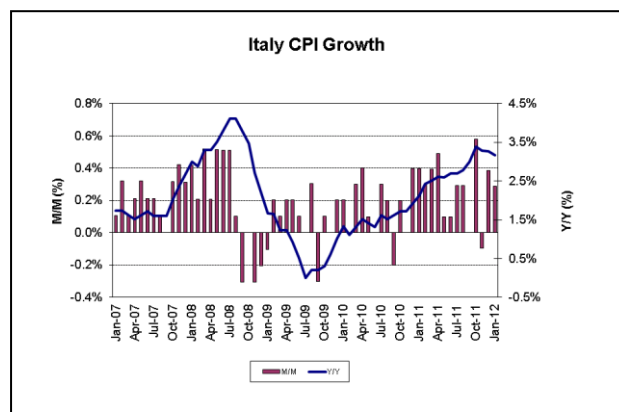
French Trade Balance

The French Trade deficit widened from €4.1 bln in November to €5.0 bln in December, as exports fell more than imports. Exports decreased 2.7% M/M and increased 7.2% Y/Y and Imports fell 0.4% M/M and increased 5.3% Y/Y. The Trade Balance stood at a deficit of €5.4 bln in December 2010.



Italian CPI

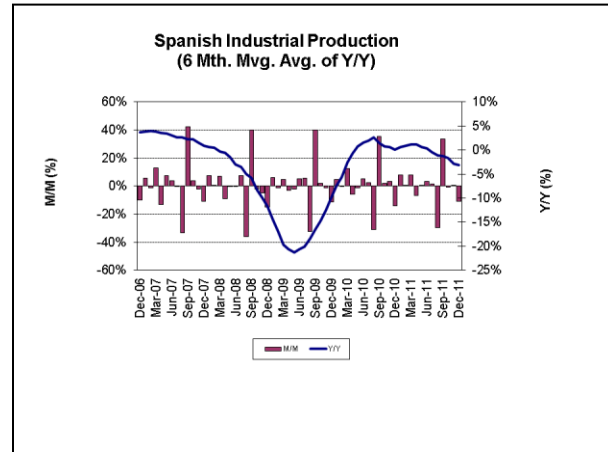
Italian CPI increased 0.3% M/M and 3.2% Y/Y in January, in line with market expectations.



Spanish Indus. Production/Unemployment Rate & EU Sentix Investor Confidence

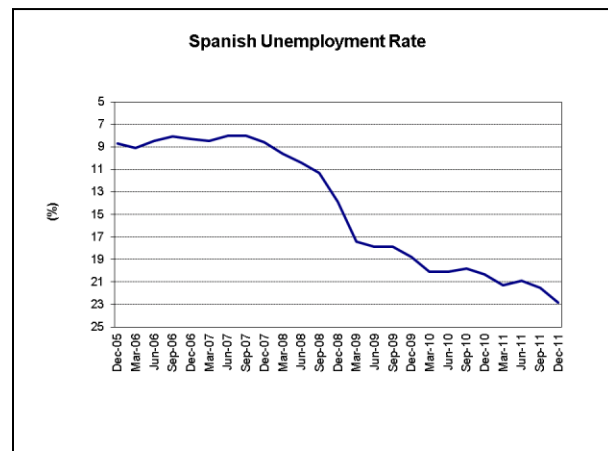
Spanish Industrial Production

Spanish Industrial Production fell 3.7% M/M versus market expectations for a 5.7% M/M decline. Y/Y growth fell 6.9%.



Spanish Unemployment Rate

Spanish Unemployment increased by 177.5 K to 4.6 mln in December, versus market expectation for a 127.0K gain, the most since January 2009.



European Sentix Investor Confidence

European Sentix Investor Confidence increased from -21.1 in January to -11.1 in February versus market expectations for a reading of -15.0. A measure of current business conditions increased from -18.8 to -15.8 and a measure of expectations increased from -23.5 to -6.3.

News/Comments

February 8th - Banks May Take 680 Billion Euros of ECB Loans, Survey Shows (Bloomberg) -

European banks may borrow as much as 680 billion euros (\$902 billion) this month from the European Central Bank to avert a credit crunch, according to a survey of investors by Goldman Sachs Group Inc.

The ECB last month lent banks an unprecedented 489 billion euros for three years in a so-called Long-Term Refinancing Operation. Investors expect total borrowings from the ECB after the second auction to be held on Feb. 28 to almost 1.2 trillion euros, Goldman Sachs wrote in the report today.

The ECB is flooding the banking system with cheap money in a bid to avert a credit crunch after the market for unsecured bank debt seized last year and funding from U.S. money markets dries up. Lenders in the region are being offered unlimited three-year loans in exchange for eligible collateral at an interest rate of 1 percent.

Banks and investors said the low cost of the loans, the expanded pool of eligible collateral and the lack of stigma associated with participating meant that demand would be higher at this auction than the previous one, according to Goldman Sachs.

"Our poll indicates that the ECB's efforts to reduce the stigma related to its facilities have been successful," Goldman Sachs wrote in the report. "Investors perceive high take-up to be positive for bank share prices."

Lenders surveyed by Goldman Sachs estimated that banks would borrow 562 billion euros from the ECB, bringing the total from the two auctions to almost 1.1 billion euros.

Goldman Sachs said it received 343 responses from investors and 15 from banks.

Jan 8th - Italy Pushes for Europe Growth Policy WSJ - Italian Prime Minister Mario Monti, who is putting his country through austerity measures to escape Europe's debt crisis, proposed tougher European rules aimed at prying open member states' national industries, as a way to encourage economic growth and competition in the euro zone.

The proposal, made by Mr. Monti's new technocrat government to its European partners last month and outlined publicly for the first time in an interview with The Wall Street Journal on Tuesday, underscores a growing belief by policy makers here that the Continent needs to start moving beyond the austerity that has marked euro-zone policies for the past two years.

"Europe will not be a nice place to live in five years from now if we haven't solved the problem of how to grow," Mr. Monti said in the interview before heading to the U.S. for talks with President Barack Obama on Thursday.

"We have to say what growth will look like in a fiscally compacted union," said Mr. Monti, referring to the new "fiscal compact" Europe's leaders agreed to last month to ensure greater euro-zone budget discipline.

Mr. Monti's proposal would speed up the process by which European authorities sanction nations that violate the tenets of the EU's single market—the framework governing the region's free movement of people, goods, capital and services.

January 8th - Spanish Banks Add to Cushion (WSJ) - Six Spanish banks said Tuesday they would set aside €11.8 billion (about \$15.6 billion) among them in additional provisions for property risk this year and another €5.6 billion as an extra buffer to comply with a new government plan to clean up the country's financial sector. The government last week approved regulation to force banks to increase the coverage of losses on their real estate holdings by a total of €50 billion over the course of this year.

Key Dates This Week

Date	Event		Survey	Prior
9-Feb EC	ECB Announces Interest Rates	9-Feb	1.00%	1.00%
14-Feb EC	Euro-Zone Ind. Prod. wda (Y/Y)	DEC	--	-0.30%
14-Feb EC	Euro-Zone Ind. Prod. sa (M/M)	DEC	--	-0.10%
14-Feb EC	ZEW Survey (Econ. Sentiment)	FEB	--	-32.5
15-Feb EC	Euro-Zone GDP s.a. (Q/Q)	4Q A	--	0.20%
15-Feb EC	Euro-Zone GDP s.a. (Y/Y)	4Q A	--	1.40%
15-Feb EC	Euro-Zone Trade Balance sa	DEC	--	6.1B
15-Feb EC	Euro-Zone Trade Balance	DEC	--	6.9B
10-Feb GE	Consumer Price Index (M/M)	JAN F	-0.40%	-0.40%
10-Feb GE	Consumer Price Index (Y/Y)	JAN F	2.00%	2.00%
10-Feb GE	CPI - EU Harmonised (M/M)	JAN F	-0.50%	-0.50%
10-Feb GE	CPI - EU Harmonised (Y/Y)	JAN F	2.30%	2.30%
14-Feb GE	Zew Survey (Current Situation)	FEB	--	28.4
14-Feb GE	ZEW Survey (Econ. Sentiment)	FEB	--	-21.6
15-Feb GE	GDP nsa (Y/Y)	4Q A	--	2.50%
15-Feb GE	GDP s.a. (Q/Q)	4Q A	--	0.50%
15-Feb GE	GDP wda (Y/Y)	4Q A	--	2.60%
10-Feb FR	Industrial Production (M/M)	DEC	-0.70%	1.10%
10-Feb FR	Industrial Production (Y/Y)	DEC	-0.60%	0.90%
14-Feb FR	Non-Farm Payrolls (Q/Q)	4Q P	--	0.00%
14-Feb FR	Wages (Q/Q)	4Q P	--	0.30%
15-Feb FR	Gross Domestic Product (Q/Q)	4Q P	--	0.30%
15-Feb FR	Gross Domestic Product (Y/Y)	4Q P	--	1.50%
10-Feb IT	Industrial Production sa (M/M)	DEC	-0.50%	0.30%
10-Feb IT	Industrial Production wda(Y/Y)	DEC	-4.60%	-4.10%
10-Feb IT	Industrial Production nsa(Y/Y)	DEC	-7.20%	-4.10%
15-Feb IT	GDP sa and wda (Q/Q)	4Q P	--	-0.20%
15-Feb IT	GDP sa and wda (Y/Y)	4Q P	--	0.20%
15-Feb SP	CPI (EU Harmonised) (M/M)	JAN	--	0.00%
15-Feb SP	CPI (EU Harmonised) (Y/Y)	JAN F	--	2.00%

Valance Economic Report: Japan

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February 8, 2012

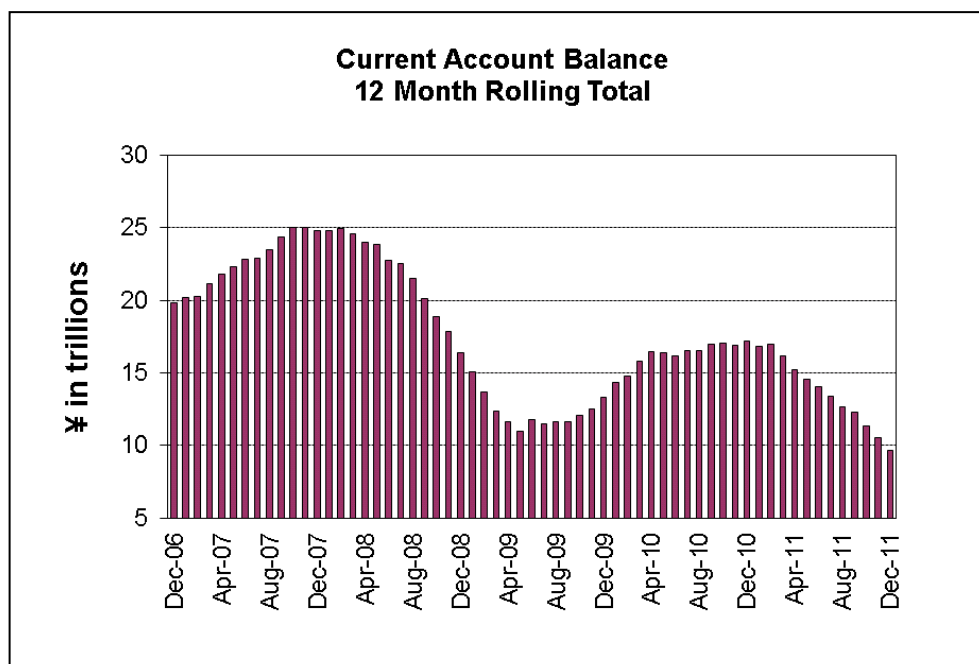
The Current Account surplus increased in November as exports saw a month on month gain. While the Leading Index improved as well, the Eco Watchers Survey declined.

Weekly Highlights

Current Account Balance – increased from Y480.4 bln in November to Y752.3 bln in December. (JN 1)

Eco Watchers Survey – dropped 2.9pts to 44.1 in January. (JN 3)

Chart(s) of the Week: *Current Account Balance*

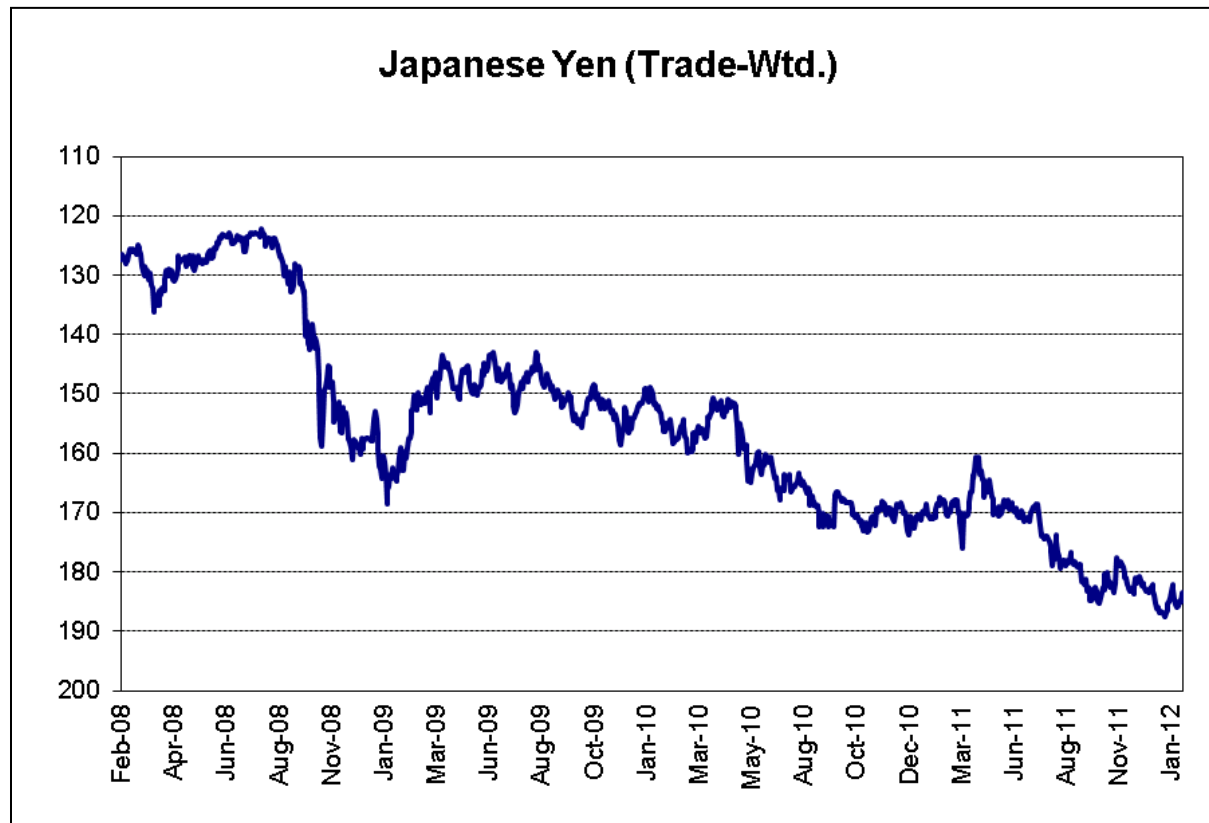


The adjusted Current Account Balance increased from ¥480.4 bln in November to ¥752.3 bln in December, against expectations for an increase to ¥625.3 bln. Meanwhile the Trade Deficit, on a balance of payments basis, declined from -¥585.1 bln to -¥145.8 bln as imports dropped 1.3% M/M and increased 9.8% Y/Y and exports increased 1.7% M/M and dropped 7.0% Y/Y. Of note, the improvement in exports matched September's reading and was the highest reading since June.

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%

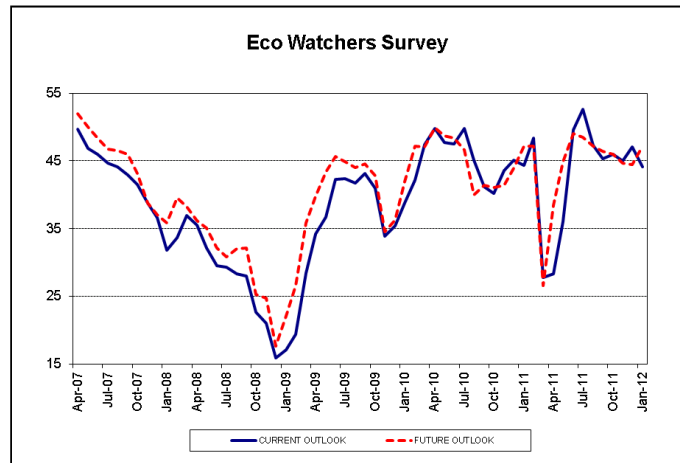


Eco Watchers Survey, Bankruptcies & Bank Lending

Eco Watchers Survey

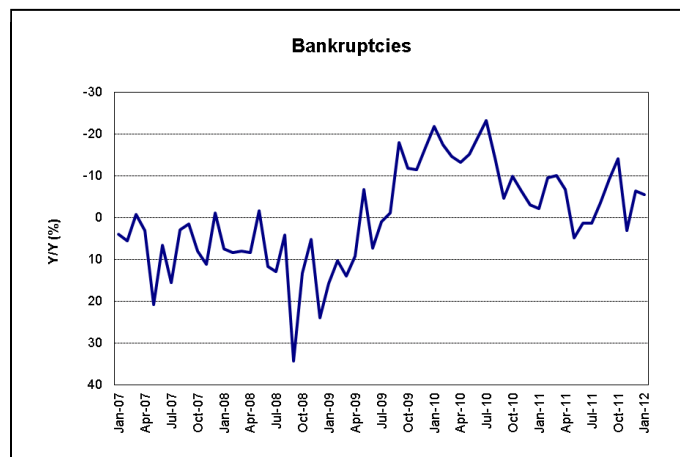
In January, the Eco Watchers Survey dropped 2.9pts to 44.1. Among households, conditions dropped 3.7pts to 42.8. Among businesses, conditions dropped 2.8pts to 42.6. In employment, conditions increased 0.6pts to 55.5.

Meanwhile, the expectations index improved 2.7pts to 47.1 as household expectations improved 2.8pts to 46.6, business expectations improved 3.7pts to 47.2 and employment expectations improved 0.1pt to 50.7.



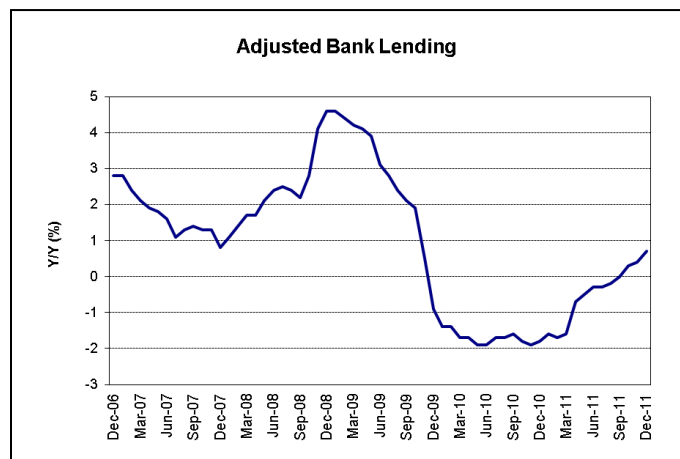
Bankruptcies

Corporate bankruptcies declined 4.5% M/M and 5.3% Y/Y in January. Outstanding debt declined 2.0% M/M and increased 47.7% Y/Y.



Bank Lending

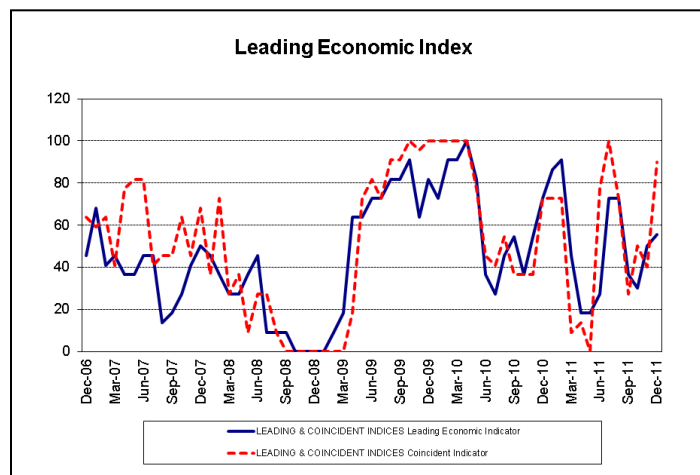
Bank Lending increased 0.6% Y/Y in January. Among banks excluding the Japan Post and Citi, lending increased 0.7% Y/Y. Among City Banks, lending declined 0.6% Y/Y, and among regional banks, lending increased 2.1% Y/Y.



Leading Index, Vehicle Sales & News

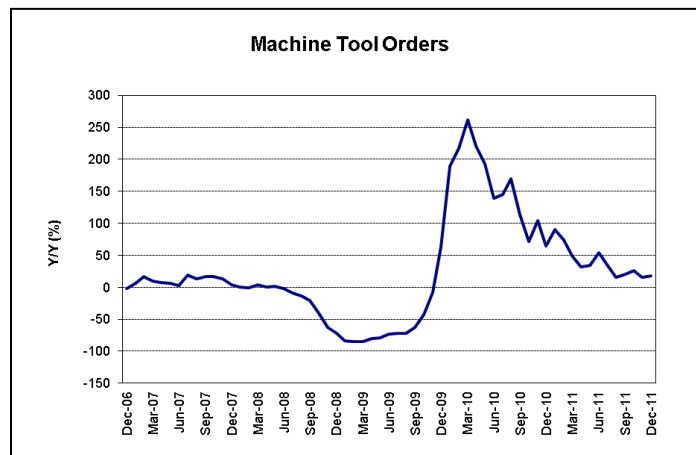
Leading Economic Index

The Leading Economic Index increased from 50.0 to 55.6 in December. The Coincident Index increased from 40.0 to 90.0. The increase in the Leading Index occurred on an improvement in final demand, inventory ratios, durable shipments, and small business sales forecasts.



Vehicle Sales

Vehicle sales increased 40.7% Y/Y in January on strength in demand for cars.



News

February 8th – Japanese Gov't Intervenes in FX Market in November – The Japanese government quietly intervened in the foreign exchange market in November, selling over ¥1.02 tln during the first four days when the yen climbed to a high of 75.35 vs the USD.

February 8th – BoJ Governor Comments on Economy – BoJ Gov Shirakawa commented that “We recognize that Japan’s economy is in a severe state” and noted that the BoJ will continue to do its best to achieve sustained economic growth with price stability.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
2/8	Housing Loans YoY	N/A	2.10%
2/8	Machine Orders (MoM)	-5.00%	14.80%
2/8	Machine Orders YOY%	8.50%	12.50%
2/8	Tokyo Avg Office Vacancies (%)	N/A	9.01
2/9	Consumer Confidence	38.5	38.9
2/9	Machine Tool Orders (YoY)	N/A	17.40%
2/9	Domestic CGPI (MoM)	0.10%	0.10%
2/9	Domestic CGPI (YoY)	0.80%	1.30%
2/12	GDP Deflator YoY	-1.70%	-2.20%
2/12	Nominal GDP (QoQ)	-0.80%	1.20%
2/12	GDP Annualized	-1.40%	5.60%
2/12	Gross Domestic Product (QoQ)	-0.40%	1.40%
2/12	Tertiary Industry Index (MoM)	N/A	-0.80%
2/13	Industrial Production (MoM)	N/A	4.00%
2/13	Industrial Production YOY%	N/A	-4.10%
2/13	Capacity Utilization (MoM)	N/A	-2.90%
2/13-2/14	BOJ Target Rate	N/A	0.10%
2/14-2/22	Nationwide Dept. Sales (YoY)	N/A	0.80%
2/14-2/22	Tokyo Dept. Store Sales (YoY)	N/A	0.30%
2/15	Machine Tool Orders (YoY)	N/A	N/A
2/15	Tokyo Condominium Sales (YoY)	N/A	8.40%

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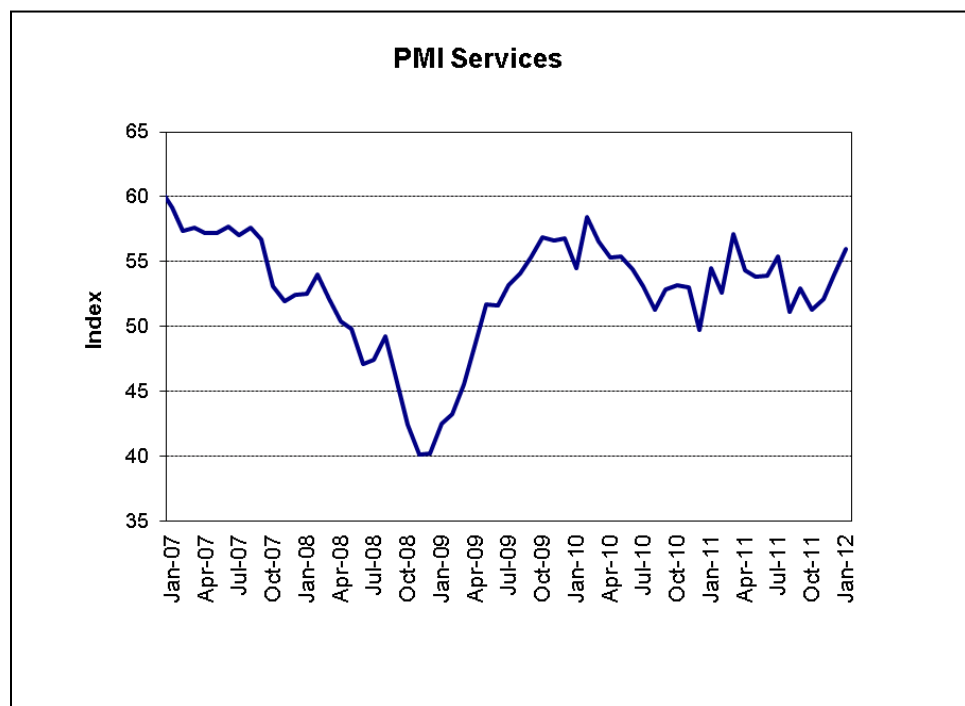
February 8, 2012

Services PMI and House Prices showed improvement in January although Construction and Same Store Retail Sales declined.

Weekly Highlights

PMI Services – increased 2pts to 56 in January (UK 1)

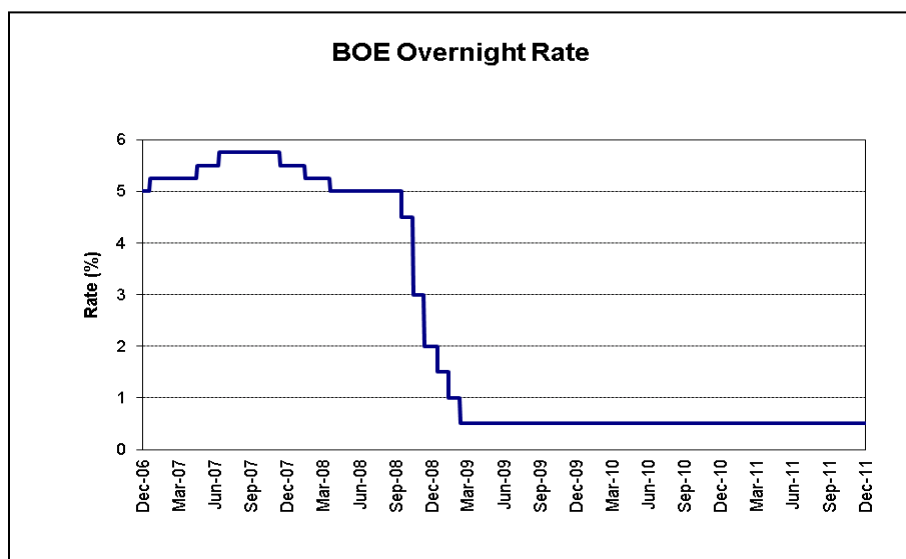
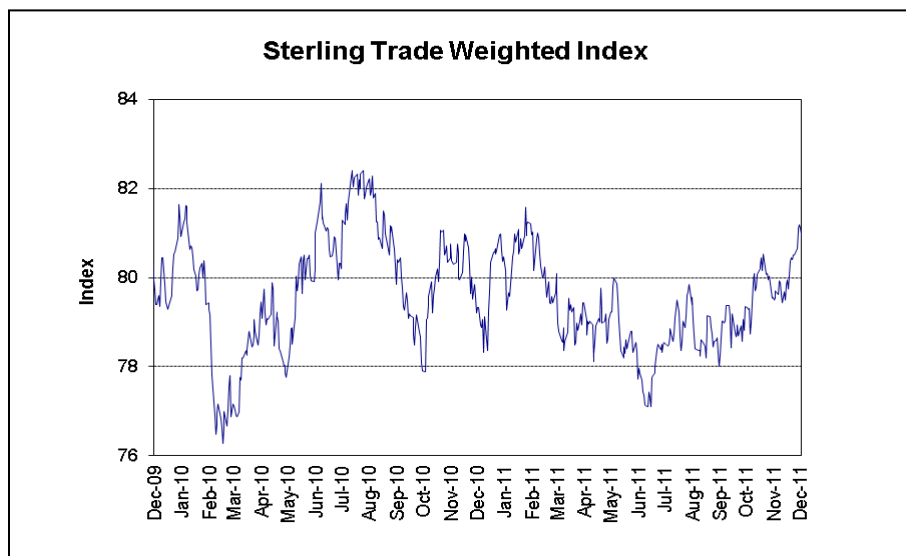
Halifax House Prices – increased 0.6% M/M in January. (UK 3)

Weekly Releases & News**Chart(s) of the Week: *PMI Services***

UK Services PMI increased from 54 to 56 in January, beating market expectations which called for a decline to 53.3. The improvement brings the series to its highest level in eight months.

Financial Balances, FX & BoE Overnight Rate

U.K.	Last Period (blns)	Last 12mth. % of GDP
Budget Balance (monthly)	+15.2 (Nov)	+12.6%
Curr. Acct. Balance (quarterly)	-2.0(Sep)	-2.9%
Private Balance	+13.2	+9.4%

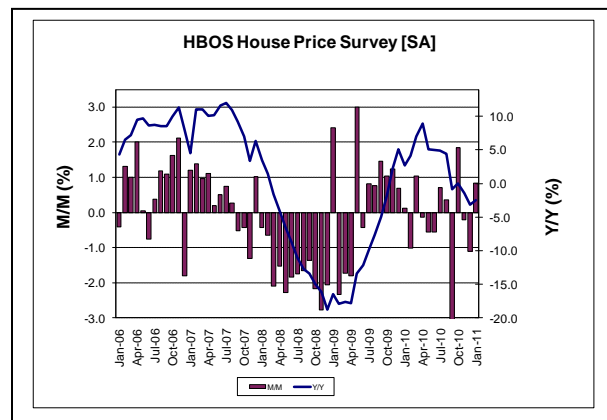


The benchmark rate remains at 0.50% and the Asset Purchase Target at £200 bln.

Halifax House Prices, Trade Balance, Data & News

Halifax House Prices

The Halifax House Price Survey increased 0.6% M/M in January, rising faster than the 0.1% M/M gain the market expected. December's 0.9% M/M drop was revised to a 1.0% M/M drop. On a 3 month Y/Y basis, prices fell 1.8% against expectations for a 2.1% decline. Halifax commented, "Prospects for house prices over the coming months will, to a large extent, depend on events in the euro zone and the repercussions of developments there for the UK... if the UK can avoid a prolonged recession, we expect broad stability in house prices in 2012."



Data

PMI Construction – The Markit/Construction PMI dropped from 53.2 to 51.4 in January, against expectations for a smaller decline to 52.5.

BRC December Retail Sales Monitor – The BRC reported that total retail sales increased 2.1% Y/Y. On a same store basis, sales declined 0.3% Y/Y. While this was better than the 0.8% same store sales decline expected, it marked the second worst January on record. The BRC commented in the report that "As 2012 gets underway, it's clear people don't feel any better about the immediate future than they did 12 months ago."

BRC October Shop Price Index – BRC Shop Price Index rose 0.3% M/M and 1.4% Y/Y in January. Non-food prices dropped 0.2% M/M and were unchanged Y/Y. Food prices increased 1.1% M/M and 3.7% Y/Y.

New Car Registrations – New Car Registrations were unchanged in January after declining 3.7% Y/Y in December.

Official Reserves – Official Reserves increased by 2.477 bln dollars in January, after dropping 1.943 bln dollars in December.

News

Feb. 3rd Researchers Forecast Recession- According to the National Institute of Economic and Social Research, the UK economy will contract by 0.1% this year. The drop, considerably weaker than the government's 0.7% growth forecast, is expected by the NIESR due to a combination of weak consumer and business confidence, tight credit conditions, unemployment, higher costs of living, and weak wage growth.

Feb. 3rd Posen Comments on BoE Stimulus – BoE policy maker Adam Posen commented on recent BoE bond purchasing, stating that "We are affecting demand" and that "Things would have been much worse if we hadn't done the quantitative easing that I advocated."

Upcoming Dates

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
2/9	Industrial Production (MoM)	DEC	0.20%	-0.70%
2/9	Manufacturing Production (MoM)	DEC	0.20%	-0.20%
2/9	Manufacturing Production (YoY)	DEC	0.30%	-0.60%
2/9	Visible Trade Balance GBP/Mn	DEC	-£8600	-£8644
2/9	Total Trade Balance (GBP/Mln)	DEC	-£2700	-£2566
2/9	BOE Asset Purchase Target	FEB	325B	275B
2/9	BOE ANNOUNCES RATES	9-Feb	0.50%	0.50%
2/9	NIESR GDP Estimate	JAN	N/A	0.10%
2/10	PPI Input NSA (MoM)	JAN	0.20%	-0.60%
2/10	PPI Input NSA (YoY)	JAN	6.80%	8.70%
2/10	PPI Output n.s.a. (MoM)	JAN	0.10%	-0.20%
2/10	PPI Output n.s.a. (YoY)	JAN	3.70%	4.80%
2/13	RICS House Price Balance	JAN	N/A	-16%
2/13-17	Nationwide Consumer Confidence	JAN	N/A	38
2/14	DCLG UK House Prices (YoY)	DEC	N/A	-0.30%
2/14	Core CPI YOY	JAN	N/A	3.00%
2/14	Retail Price Index	JAN	N/A	239.4
2/14	RPI (YoY)	JAN	N/A	4.80%
2/15	Claimant Count Rate	JAN	N/A	5.00%
2/15	Jobless Claims Change	JAN	N/A	1.2K
2/15	Average Weekly Earnings 3M/YoY	DEC	N/A	1.90%
2/15	Weekly Earnings exBonus 3M/YoY	DEC	N/A	1.90%
2/15	ILO Unemployment Rate (3mths)	DEC	N/A	8.40%
2/15	Bank of England Inflation Report		N/A	N/A

Valance Economic Report: Canada

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February 8, 2012

Mixed data was released in Canada over the past week. Only 2.3K jobs were added in January with the unemployment rate unexpectedly increasing to 7.6%. Housing Starts declined and the Ivey Purchasing Managers Indices increased more than expected in December.

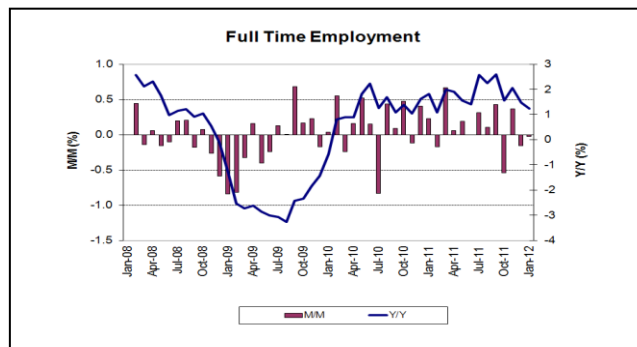
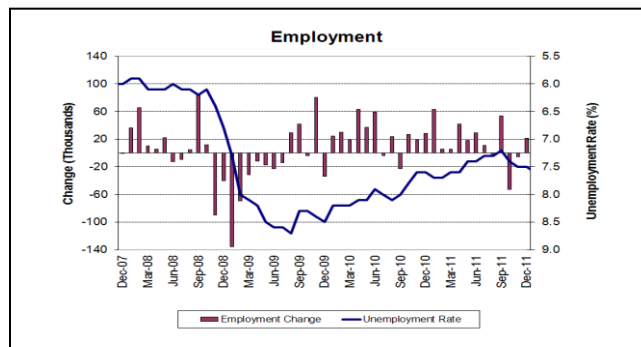
Weekly Highlights

Canadian economy - added 2.3k jobs in January. (CA 1)

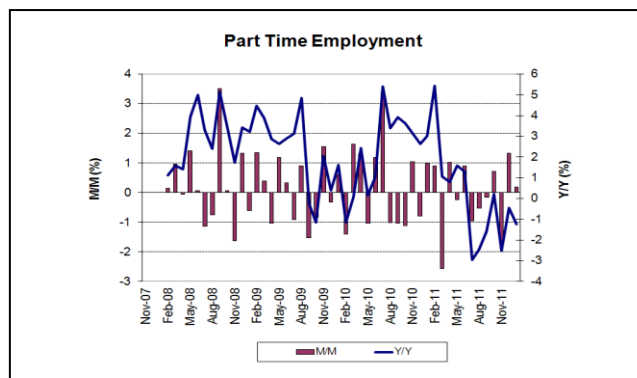
Housing Starts - fell 1.0% M/M and increased 18.3% Y/Y in January. (CA 3)

Ivey Purchasing managers Index – unexpectedly increased from 63.5 in December to 64.1 in January. (CA 3)

Weekly Releases & News Chart(s) of the Week: *Employment Data*



The Canadian economy added 2.3K jobs in January well below expectations for a 22.0K gain. Full-time jobs decreased by 3.6k while part-time jobs gained 5.9k. The Unemployment Rate increased from 7.5% to 7.6%, a nine month high. Average hourly wages rose 2.2% Y/Y.

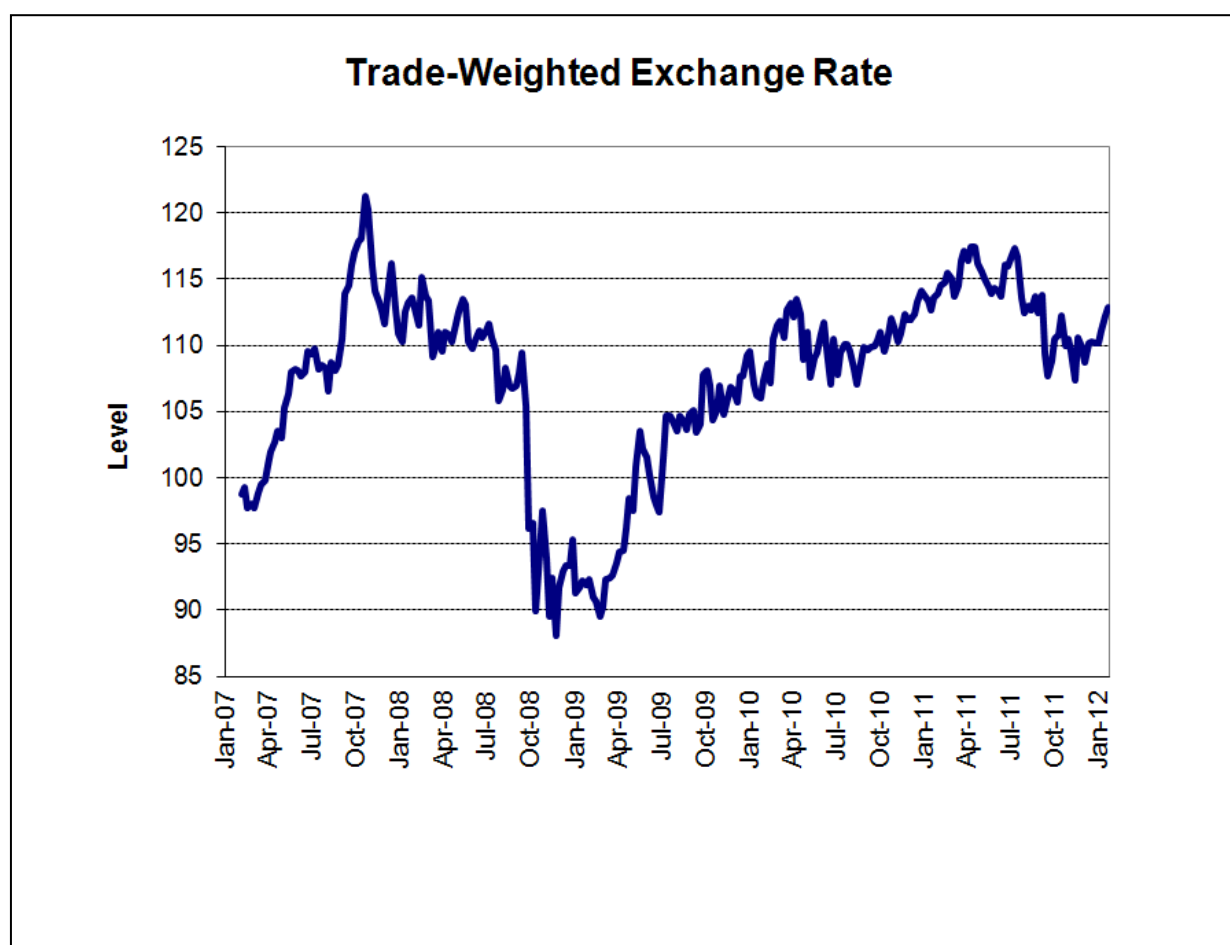


Financial Balances & Trade Weighted Exchange Rate

Financial Balances

<i>Canada</i>	<i>Latest period (C\$bln)</i>	<i>Last 12mth. as % of GDP</i>
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%

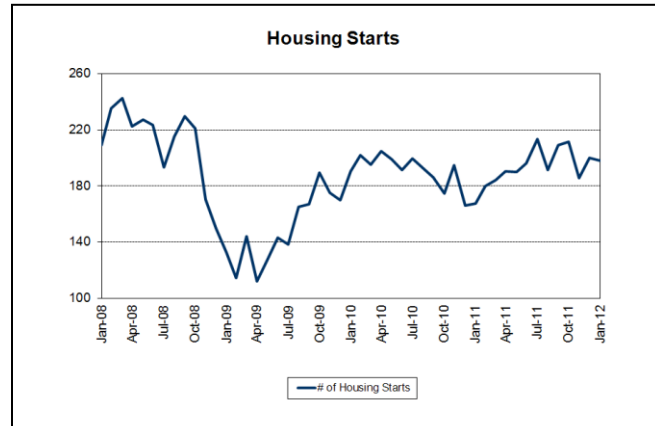
Trade-Weighted Exchange Rate



Housing Starts, Building Permits & Ivey Purchasing Managers Index

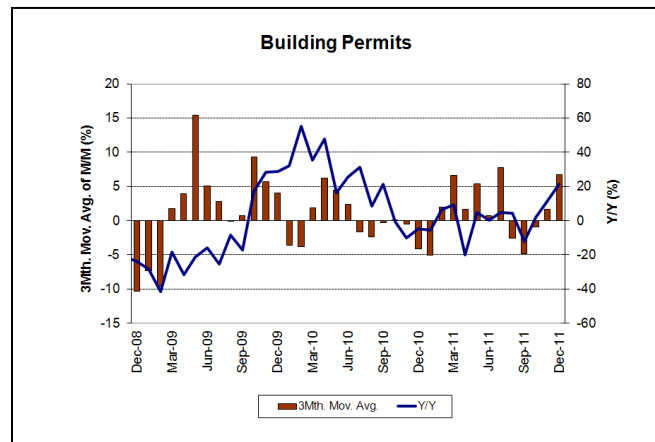
Housing Starts

Housing Starts fell 1.0% M/M and increased 18.3% Y/Y in January. The number of starts increased by 197.9K. Market expectations were for an increase of 194.0K.



Building Permits

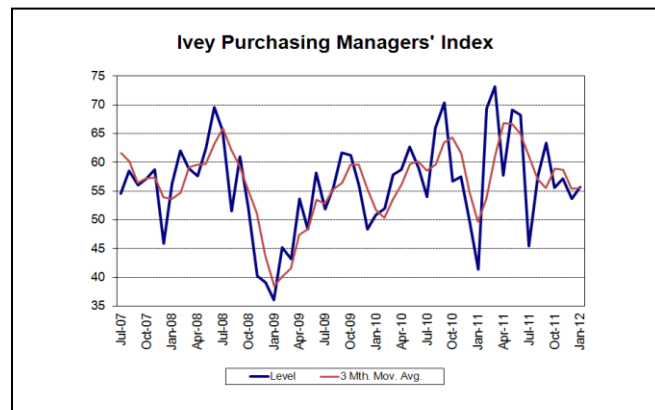
Building Permits increased 11.1% M/M in December as permits for housing projects such as apartments and condominiums surged 28.9% M/M, the highest since December 2005. Permits declined 2.6% M/M in November. Y/Y growth increased 21.1%.



Ivey Purchasing Managers' Index

The Ivey Purchasing Managers' Index unexpectedly increased from 63.5 in December to 64.1 in January. Market expectations were for a reading of 59.7.

The Employment component decreased from 60.0 to 55.2 and the Supplier Delivery index fell from 46.4 to 41.9.



Data

Data

February 6th - Canada's about to be No. 2 in economic growth, but that's not such a bad thing (Bloomberg) - It's going to get harder for Prime Minister Harper and his ministers to keep boasting that Canada is No. 1 among economic rivals.

As the year unfolds, analysts say it will become increasingly apparent that Canada no longer leads the G7 in economic growth and job creation.

And as unlikely as it seems, it's the United States – the land of crippling trade deficits, high unemployment and government debt -- that's likely to relegate Canada to second place, if not third behind Germany.

Don't look now, they say, but the U.S. is likely to beat out Canada in economic growth this year and leave its northern neighbour at the starting gate in terms of jobs creation.

"We are going into a period of catch-up where it looks like the U.S. is doing better because they will be growing faster, on the jobs front perhaps most starkly," says Douglas Porter, deputy chief economist with the Bank of Montreal.

February 3rd - Harper Says Canada Budget Cuts Won't Have Macroeconomic Impact (Bloomberg) - Canadian Prime Minister Stephen Harper said his government's efforts to stem the deficit aren't drastic enough to cause a slowdown to growth.

Speaking in an interview with Postmedia News, Harper said the lower deficit will help bolster investor confidence in the economy.

"These are things that should reassure the overall economic climate, and any argument that they are of a magnitude that would have a negative macroeconomic impact is simply not a credible argument," Harper said, according to a transcript on the National Post's website.

February 2nd - Flaherty Concerned About Canada Lenders Mortgage Practices (Bloomberg) - Finance Minister Jim Flaherty said he's concerned about the loosening of standards by some Canadian financial institutions on mortgages that don't require borrowers to verify income, and that steps are being taken to "correct" the practice.

Flaherty said Canada's banking regulator looked at the practice, and he learned "what their assessment showed with respect to a few financial institutions, which is a matter of concern, and that is being corrected," speaking in a conference call with reporters today from Tel Aviv.

Banks and other lenders are becoming "increasingly liberal" with such mortgages and similar home-equity credit lines, the Office of the Superintendent of Financial Institutions said in documents obtained by Bloomberg News under freedom of information law.

The banking regulator, which examined the issue in an August 2011 analysis, compared the mortgages to "non-prime loans in the U.S. retail lending market."

Canada's housing market has surged since the 2009 recession as near-record low mortgage rates fueled prices and home purchases, unlike the U.S., where sales and values have fallen since 2007. Bank of Canada Governor Mark Carney has said record consumer debts are the greatest domestic threat to the country's financial institutions, even as the central bank has held the benchmark rate at 1 percent since September 2010.

Key Dates This Week

Date	Indicator		Expectations	Previous
09-Jan	New Housing Price Index M/M	DEC	0.20%	0.30%
09-Jan	New Housing Price Index Y/Y	DEC	2.50%	2.50%
10-Jan	Int'l Merchandise Trade	DEC	0.80B	1.07B

Valance Economic Report: Australia

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February 8, 2012

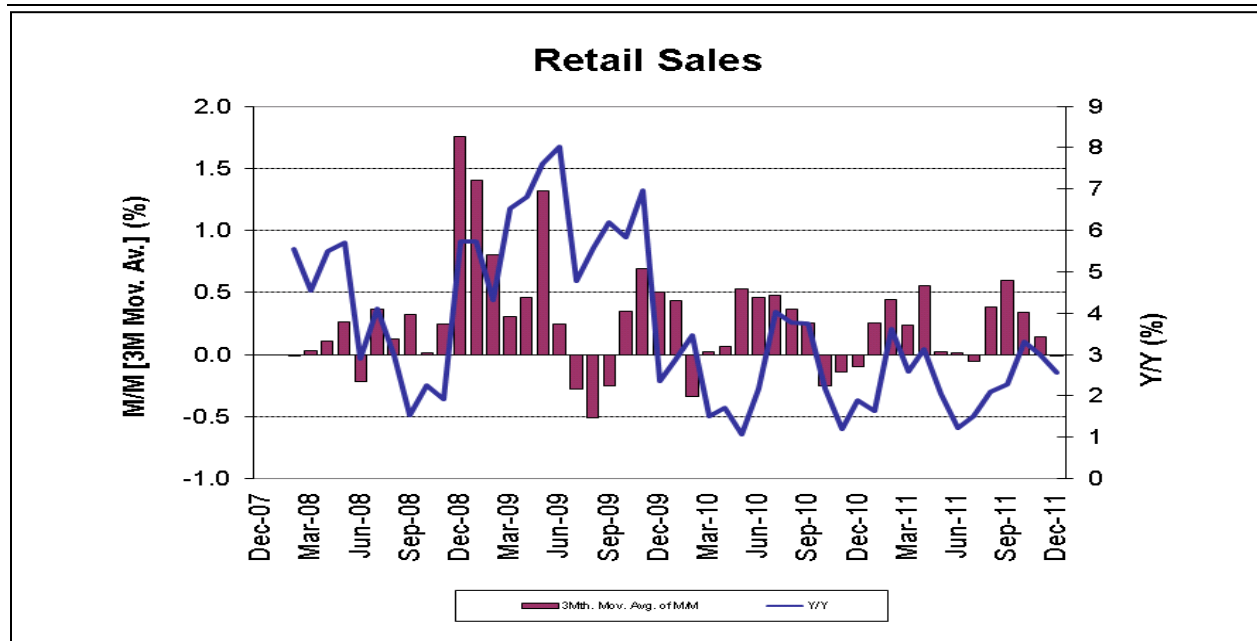
In December, Retail Sales decreased 0.1% M/M in spite of the 0.2% M/M increase expectation. RBA board left the cash rate unchanged at 4.25% though a cut to 4% was priced in.

Weekly Highlights

Performance of Construction Index - fell 1.2 pts to 39.8 in January. (AU 3)
TD Securities inflation - prices rose 0.2% M/M in January from 0.5% in December. (AU 3)
AiG Performance of Services Index - rose 2.9 pts to 51.9 in January.(AU 3)

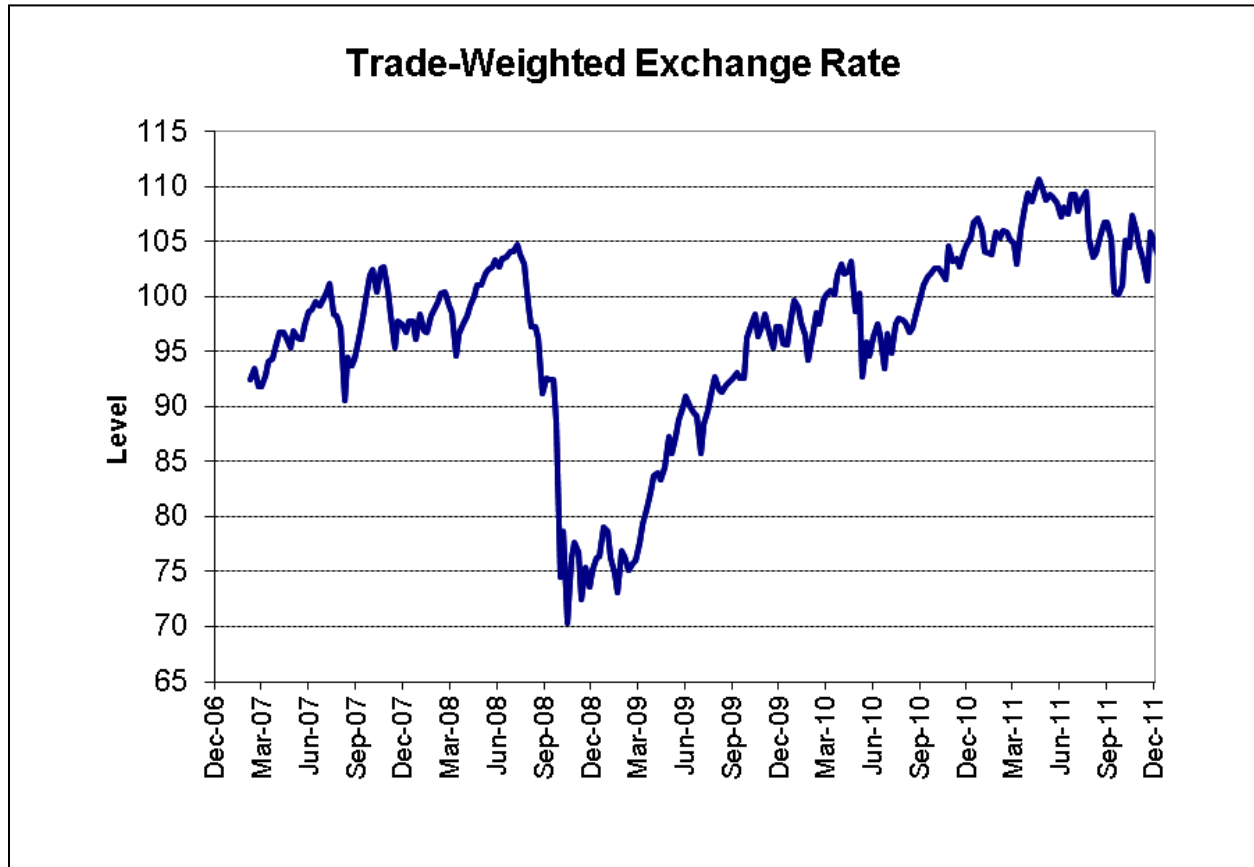
Weekly Releases & News

Chart of the Week: Retail Sales



December's Retail Sales decreased 0.1% M/M from the 0.1% M/M increase in November. The market expected a 0.2% M/M gain. Retail sales increased 0.4% Q/Q this was the fourth increase in retail sales for the year. By contrast, spending in department stores fell 0.8% M/M and spending on food declined 0.5% M/M. Retail Sales, ex. inflation, increased 0.4% Q/Q in Q4, meeting expectations.

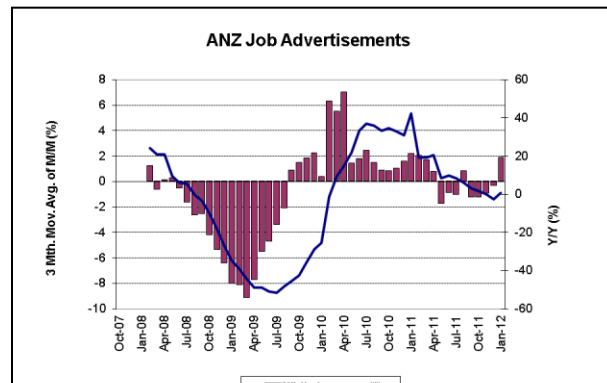
FX



ANZ Job Advertisements & Data

ANZ Job Advertisements

Job vacancies advertised in major newspapers and on the internet rose 6.0% M/M and 0.7% Y/Y in January. This is the highest M/M growth rate since July of the same year.



Data

AiG Performance of Construction Index:

The Performance of Construction Index fell 1.2 pts to 39.8 in January. A gauge of engineering work dropped 19.6pts to 38.7 and commercial work fell 5.6pts to 38.6. The measure of new orders fell 6.6pts to 35.9. Construction of houses jumped 8.2pts to 41.1, while apartments gained 1.3pts to 34.6. The Housing Industry commented as follows:

AiG Performance of Services Index:

The Australian Industry Group/Commonwealth Bank Performance of Services Index (PSI) rose 2.9pts to 51.9 in January, the highest reading since August.

TD Securities inflation:

Consumer prices rose 2.2% compared with 2.4% Y/Y, prices rose 0.2% M/M in January from 0.5% in December. A gauge of Australia's annual inflation slowed to the lower end of the central bank's 2%-3% target range as falling fruit and vegetable prices and a gain in automotive fuel.

RBA Cash Rate

RBA board left the cash rate unchanged at 4.25% vs est. cut to 4%. Australian dollar surged to \$1.0811 the strongest in 6 mos., The 2 year yield jumped 13 bps to 3.47%, and 10 year yield rose 7bps to 3.9%.

Australia's Official Reserve Assets:

The Australian assets in USD rose to 46.8 bln, rises from the 46.1 bln in December and the highest in 6 months.

RBA Quarterly Monetary Policy Statement

The RBA Comments:

RBA board, decided to leave the cash rate unchanged at 4.25 per cent.

The acute financial pressures on banks in Europe were alleviated considerably late in 2011 by the actions of policymakers. Much remains to be done to put European sovereigns and banks on a sound footing, but some progress has been made. Financial market sentiment, though remaining skittish, has generally improved since early December. Share markets have risen and term funding markets have re-opened, including for Australian banks, albeit at increased cost compared with the situation prevailing in mid 2011.

Information on the Australian economy continues to suggest growth close to trend, with differences between sectors. Labor market conditions softened during 2011 and the unemployment rate increased slightly in mid-year, though it has been steady over recent months. CPI inflation has declined as expected, as the large rises in food prices resulting from the floods a year ago have been unwinding. Year-ended CPI inflation will fall further over the next quarter or two. In underlying terms, inflation is around 2.5 per cent. Over the coming one to two years, and abstracting from the effects of the carbon price, the Bank expects inflation to be in the 2-3 per cent range.

Credit growth remains modest, though there has been a slight increase in demand for credit by businesses. Housing prices showed some sign of stabilizing at the end of 2011, after having declined for most of the year. The exchange rate has risen further, even though the terms of trade have started to decline. This is largely a reflection of a decline in the euro against all currencies. Nonetheless, the Australian dollar in trade-weighted terms is somewhat higher than the Bank had previously assumed.

News

Feb. 7th – AiG/HIA Says Australian Construction industry contracting (Bloomberg):

-- Australia's construction industry contracted in January for a 20th month, led lower by a decline in new orders, a private report showed.

The construction performance index fell to 39.8 in January from 41 a month earlier, a survey by the Australian Industry Group and the Housing Industry Association released in Sydney today showed. A reading below 50 represents a contraction.

New orders fell 6.6 points to 35.9, while a gauge of employment gained 6.1 points to 45.3 last month. Construction of houses jumped 8.2 points to 41.1, while apartments gained 1.3 points to 34.6, it showed.

Key Dates This Week

Date	Indicator	Expectation	Prior
	Reserve Bank Board Statement on		
2/9	Monetary Policy		
2/12	Home Loans M/M	--	1.4% M/M
2/15	Investment Lending	--	1.80%
2/18	Owner-Occupied Home Loan Value M/M	--	2.2% M/M
2/21	NAB Business Conditions	--	1
2/24	NAB Business Confidence	--	3
	Westpac Consumer Confidence s.a.		
2/27	(M/M)	--	2.4% M/M
3/1	Westpac Consumer Confidence Index	--	97.1
3/4	New Motor Vehicle Sales M/M	--	-2.90%
3/7	New Motor Vehicle Sales Y/Y	--	-3.00%

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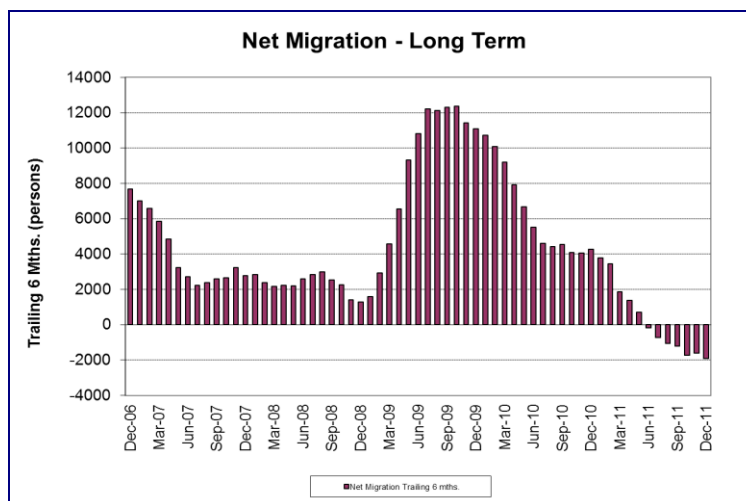
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February 8, 2012

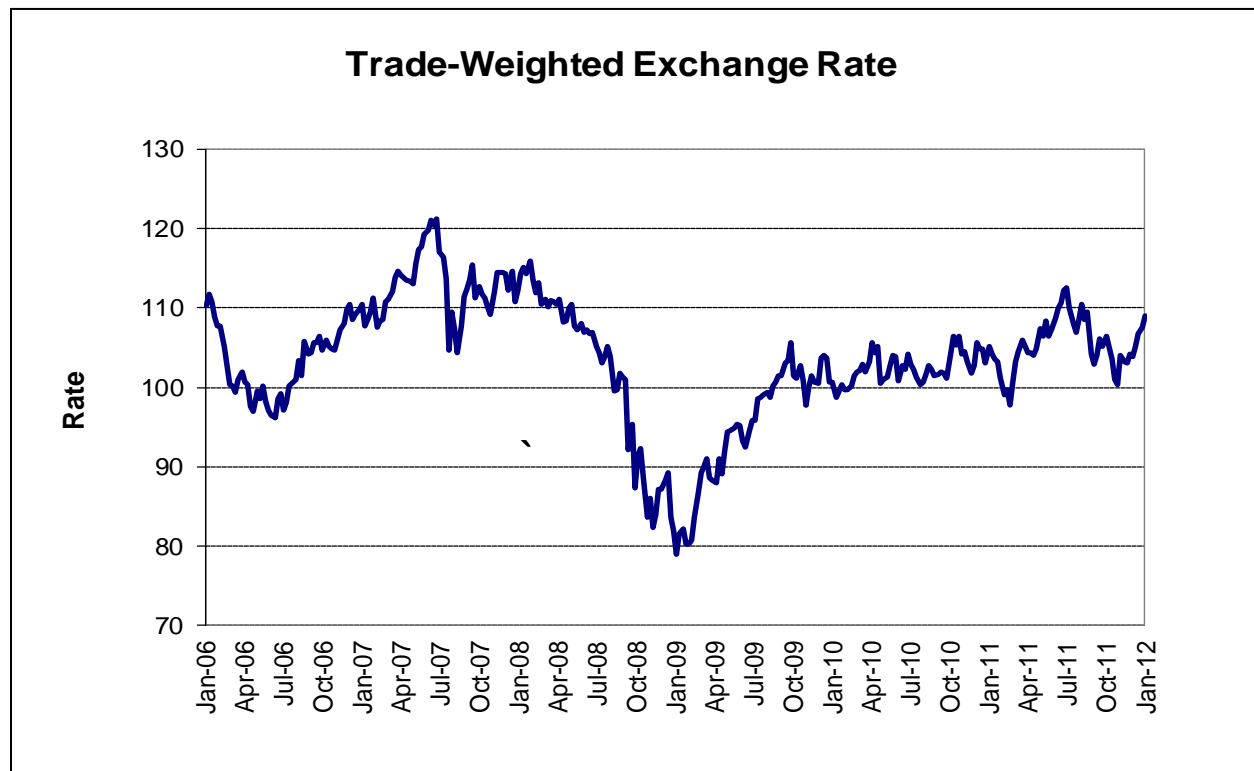
The number of permanent departures exceeded arrivals by 520, in the year through December. Private wages increased more than expected in December.

Weekly Highlights

Net Permanent Migration – 1855 persons in December vs. 568 in November. (NZ 1)

Weekly Releases & News**Chart(s) of the Week: *Net Migration***

In December, there were 1855 departures, up from 568 in November. The number of permanent departures exceeded arrivals by 520, in the year through December. Short term arrivals increased 5.4% Y/Y. Increased outflows of New Zealanders to Australia, rose 48% Y/Y to a record high.

FX**Data****Private Wages Exc. Overtime Q/Q:**

Wages in New Zealand rose the most in three years in the fourth quarter, while demand for workers increased adding to signs of economic recovery from earthquakes in the past 16 months. Pay for non-governmental workers excluding overtime advanced 0.7% Q/Q the third quarter, when it gained 0.5% this increase was the most since the fourth quarter of 2008 and exceeded the median forecast.

Private Wages Inc Overtime Q/Q:

Average hourly earnings remained the same Q/Q. Private wages including overtime rose 0.7% Q/Q.

Key Dates This Week

Date	Indicator	Expectation	Prior
2/9	NZ Card Spending - Retail M/M	0.50%	-0.30%
2/9	NZ Card Spending - Total M/M	0.70%	-0.20%
12-15 FEB	REINZ Housing Price Index	--	3301.4
12-15 FEB	REINZ Housing Price Index M/M%	--	-0.10%
12-15 FEB	REINZ House Sales Y/Y%	--	20.90%
2/13	Food Prices (M/M)	--	0.20%
2/13	QV House Prices Y/Y%	--	2.40%
2/14	Retail Sales Ex Inflation(Q/Q)	1.10%	2.20%
2/14	Non Resident Bond Holdings	--	59.10%
2/15	ANZ NZ Job Ads (M/M)	--	-2.30%
2/15	Business NZ PMI	--	51.9
2/15	ANZ Consumer Confidence Index	--	116.1
2/15	ANZ Consumer Confidence M/M	--	7.10%

Weekly Economic Report: *China*

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February 8, 2012

Non-Manufacturing PMI weakened in January. In December, China's Leading Index rose .08 percentage points and Industrial Profits advanced 25.4% Y/Y.

Weekly Highlights

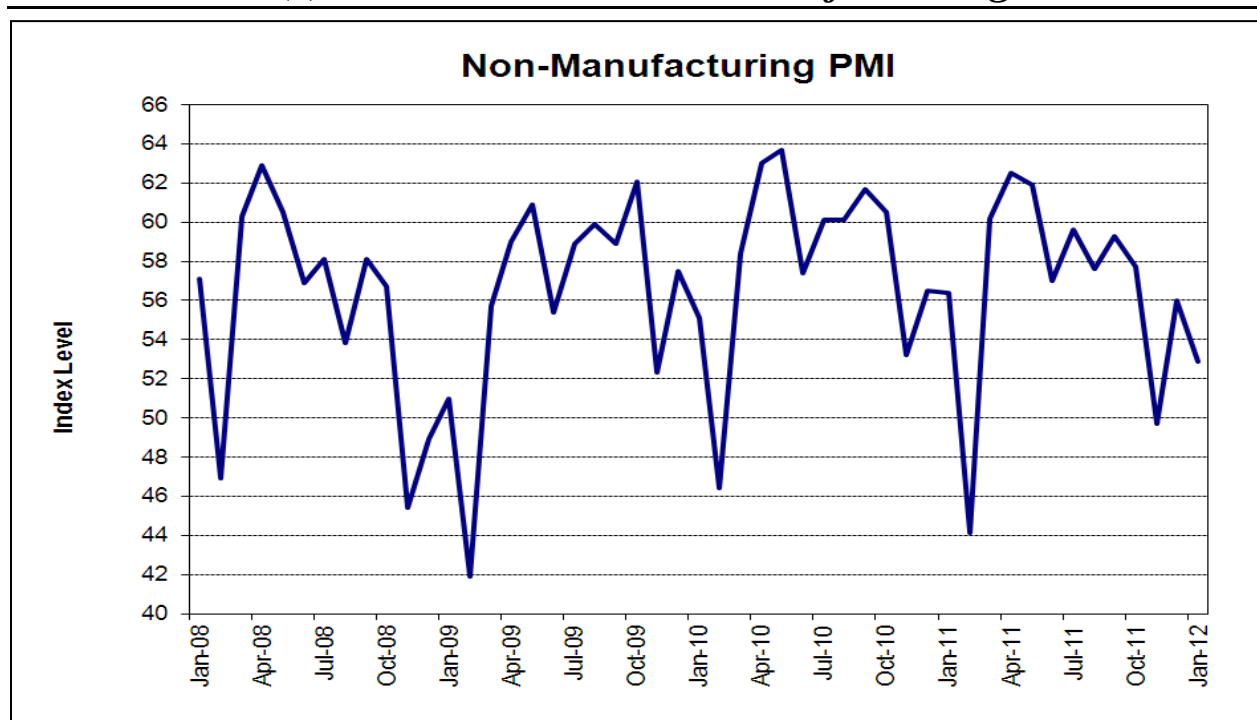
Non-Manufacturing PMI – fell from 56.0 in December to 52.9 in January. (CH 1)

Leading Index – fell from 100.33 in November to 100.18 in December. (CH 2)

Industrial Profits – rose from 19.3% Y/Y in November to 25.4% Y/Y in December. (CH 2)

Weekly Releases & News

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

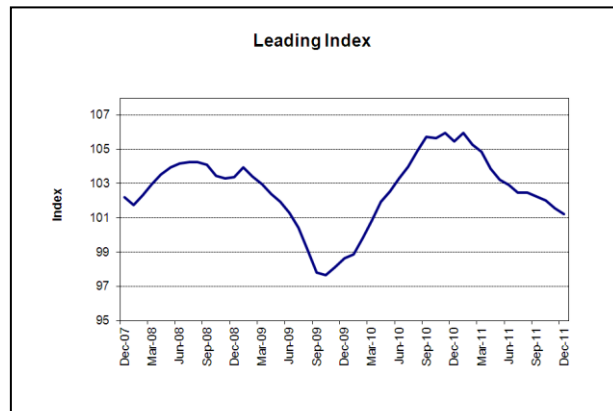


The Non-Manufacturing Purchasing Managers' Index fell from 56.0 in December to 52.9 in January. Vice Chairman, Cai Jin of the China Federation of Logistics and Purchasing remarked, "Sliding construction during the low season dragged down the overall growth rate [of the index, countering the] sound performance of holiday-related retail sales [and transportation]."

Leading Index, Data & News

Leading Index

China's Leading Index fell slightly from 100.33 in November to 100.25 in December.



Data

February 2nd (Bloomberg) - China's Industrial Profits – rose from 19.3% Y/Y in November to 25.4% Y/Y in December – reaching 5.45 trln yuan.

February 2nd (Bloomberg) – HSBC Services PMI – held at 52.5 in January from the previous month. HSBC's Chief China Economist, Qu Hongbin remarked, "Service sector activity kept a steady expansion in January thanks to a boost of new business. However, the overall strength of economic growth remained relatively weak, which will inevitably weigh on the jobs market if weakness persists for longer."

News

February 7th - IMF lowers China 2012 GDP growth forecast to 8.25% - The IMF revised China's GDP from 9.05% (predicted last September) to 8.25%. The Fund also mentioned that China's 2012 investment and domestic consumption will likely grow 9.4% and 9.6%, respectively. Inflation is expected to slow from 5.4% last year to 3.25% this year, the Fund added.

February 7th (Bloomberg) - China Warns Output Growth May Slow as Global Risks Increase - The Ministry of Industry and Information Technology said:

The global economy is slowing down, Europe's sovereign debt crisis is deepening and the downside risks to the world economy are rising with international demand still slack and global commodities and financial markets continuing to be volatile.

China's industry development is facing an increasingly complex domestic and international environment with increased unstable and uncertain factors.

News (Cont'd.)

February 6th (Reuters) - China growth could halve if Europe crisis worsens – The IMF remarked:

In the unfortunate event such a downside scenario becomes reality, China should respond with a significant fiscal package, executed through central and local government budgets.

February 6th (Bloomberg) - China's Wen Suggests Euro Funding After Meeting With Merkel
- Chinese Premier Wen Jiabao said at a briefing alongside Merkel:

[China is] investigating and evaluating ways, through the IMF, to be more deeply involved using the ESM and EFSF channels in solving the European debt issue.

Some people say this means China wants to buy Europe. China doesn't have this intention and doesn't have this ability.

February 3rd (Reuters) - China cabinet economist warns of "deflation" in 2012 – Finance Researchers of the State council's Development Research Center made the following comments:

Wu Qing: China has corrected its excessive monetary policy tightening in the last quarter of 2011, but the speed and effort of turning-around are not sufficient.

A typical deflation will emerge [if policymakers do not take pre-emptive action].

Zhang Chenghui: [the central bank should cut banks' required reserve levels] many times [in 2012 to ensure appropriate growth in money supply and bank credit.] The market has a shortage of money, and there is great room for the PBOC to cut RRR further.

February 3rd (Yonhap) - China's economy to make soft landing this year – Terry Chan of Standard and Poor[s remarked:

We expect the Chinese economy to fall further in 2012 to about 8 percent -- our base-case scenario for our current ratings.

We also project that there is a one-in-four chance of a medium landing of 7 percent growth to occur, and a one-in-ten likelihood of a hard landing of 5 percent GDP expansion," Chan said.

The impact could range from very high to low, which could mean from defaults to no downgrades. We believe the country's real estate sector and local governments would suffer most in a significant slowdown.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
02/08	PPI	JAN	0.8%	1.7%
02/80	CPI	JAN	4.0%	4.15
02/09-10	Trade Balance	JAN	\$10.40B	\$16.52B
02/09-10	Exports / Imports	JAN	-1.4% / 3.6%	13.4% / 11.8%
02/10-15	New Yuan Loans	JAN	1000.0B	640.5B
02/10-15	Money Supply – M0, M1, M2	JAN	- / 9.1% / 13.7%	13.8% / 7.9% / 13.6%
02/13-18	Actual FDI	JAN	--	-12.7%

Valance Co., Inc.

Valance Economic Report: Sweden

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February 8, 2012

Sweden posted a budget deficit of SEK 14.6 bln in January. In December, Output in the service sector exceeded estimates.

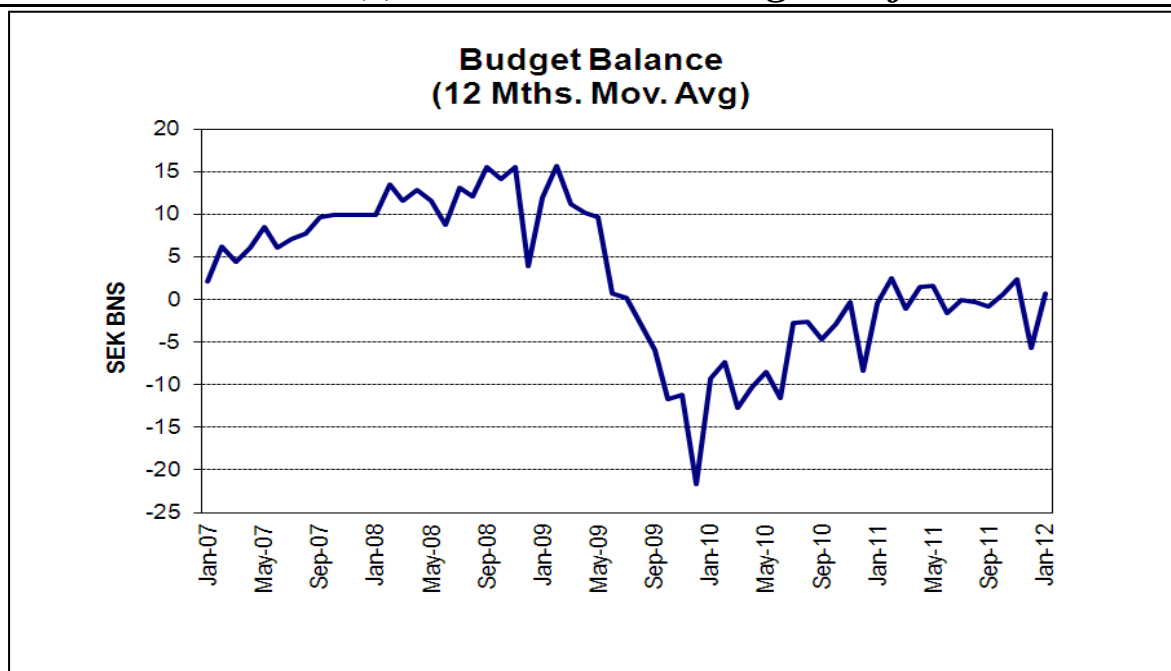
Weekly Highlights

Budget Deficit – narrowed to a deficit of SEK 14.6 bln in January from a surplus of SEK 29.9 bln the same month a year ago. (SW 1)

Service Production – was unchanged in the month and rose 3.0% Y/Y in December. (SW 2)

Weekly Releases & News

Chart(s) of the Week: Budget Deficit

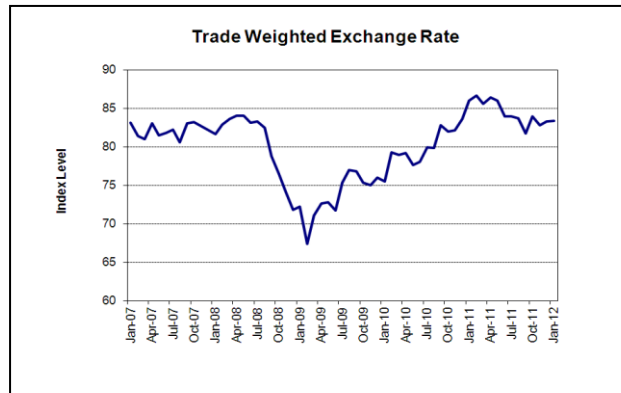


Sweden posted a Budget Deficit of SEK 14.6 bln in January, SEK 12.2 bln larger than forecast. The National Debt Office reported, “The largest differences concern tax reimbursements [SEK 2.5 bln below expectations], the membership fee to the EU [SEK 1.4 bln larger than forecast], and interest payments on central government debt [SEK 2.2 bln higher than estimate].” On a 12 mth. mov. avg. basis, the budget balance strengthened from a deficit of SEK 5.73 bln in December to a surplus of SEK 0.66 bln in January.

SW 1

Trade Weighted Exchange Rate, Data & News

Trade Weighted Exchange Rate



Data

February 6th (Bloomberg) - Service Production – was unchanged on the month and rose 3.0% Y/Y (wda) in December, compared with 0.1% M/M and 3.5% Y/Y the previous month. Notably, increases were seen in Telecommunications (19.1% Y/Y) and Computer Programming (7.2% Y/Y).

News

February 8th (Bloomberg) - Swedish Companies Prepared for Slowing Growth – The Riksbank stated in a report:

The manufacturing companies, above all, now say that demand has fallen and that there has been a slowdown in economic activity. Weaker demand in Europe, together with a stronger krona, has had a distinct impact on the export companies.

[The slowdown] has already made its mark on the companies' pricing plans and fewer companies now believe that they will be able to increase their prices during the year.

February 8th (Bloomberg) - Sweden Opens Door to Rules Forcing Banks to Curb Mortgage Rates – Finance Minister Anders Borg remarked:

There could be other solutions. We would have to think about it but there are obviously national solutions.

[Any bank levy would need to benefit households. That would be in contrast to a Europe-wide financial transaction tax, which] would have a damaging effect on gross domestic product. It would increase interest margins, particularly for households.

[...he found it] disturbing [that banks are able to generate high interest margins at the expense of households.] It's time to put pressure on the banks.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
01/12	CPI Level	DEC	314.92	314.16
01/12	CPI – HR	DEC	0.2% / 0.0%	0.2% / 0.2%
01/12	CPI – CPIF	DEC	0.65 / 2.3%	1.1% / 2.8%
01/12	Average House Prices	DEC	--	1.898M
01/17	PES Unemployment Rate	DEC	--	4.4%

Valance Economic Report: Switzerland

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February 8, 2012

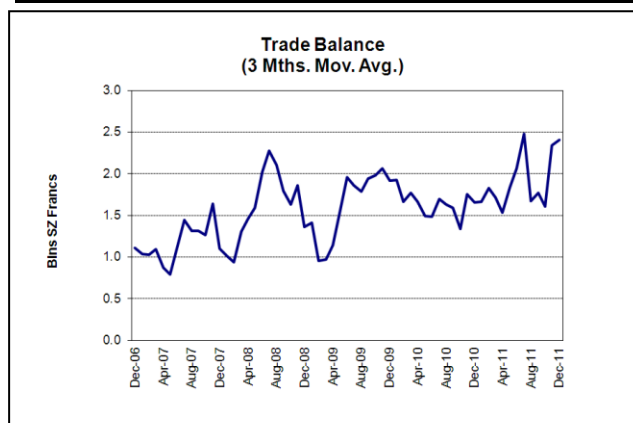
In December, Switzerland's Trade Surplus narrowed as Exports and Imports rebounded. The Jobless Rate held at its highest level in nine months in January. Interim SNB President, Thomas Jordan remarked that the Bank is committed to enforcing the minimum exchange rate of 1.20 francs per euro.

Weekly Highlights

Exports – rebounded 6.1% M/M in December, after falling 4.8% in November. (SZ 1)
Unemployment Rate (sa) – remained unchanged at 3.1% in January. (SZ 2)

Weekly Releases & News

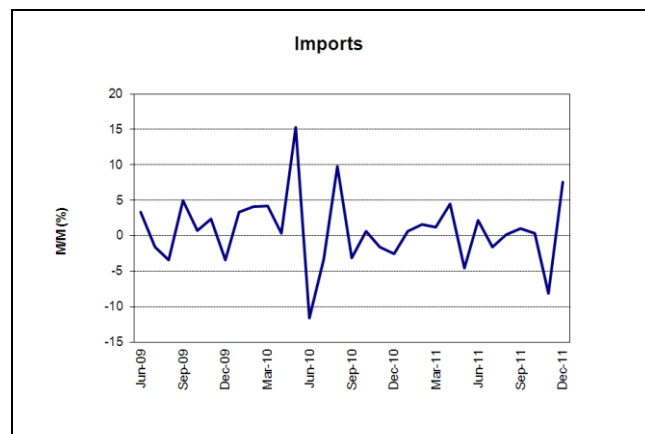
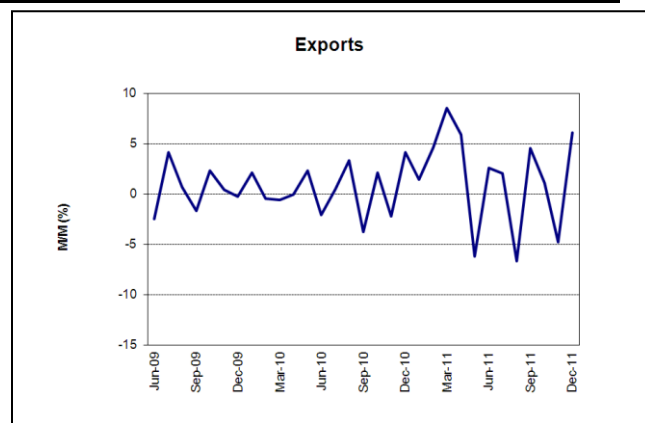
Chart(s) of the Week: *Trade Data*



Switzerland's Trade Balance narrowed from a surplus of 2.95 bln francs in November to a surplus of 2.07 bln francs in December.

Adjusted for inflation and seasonal swings, Exports rose 6.1% M/M, higher than the -4.8% M/M loss posted the previous month.

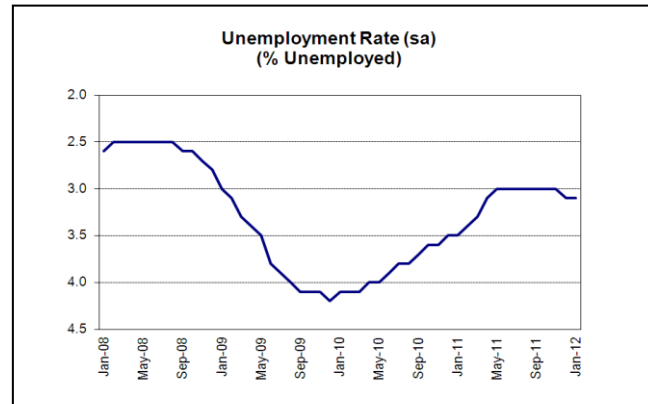
Imports rose 7.6% M/M in December, compared with the 8.2% M/M loss posted in November.



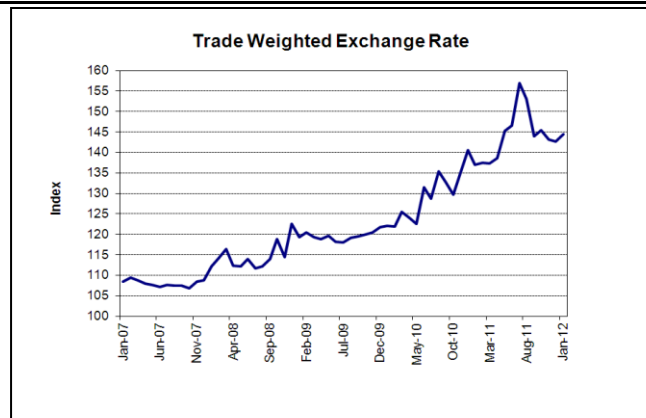
Unemployment Rate, Trade Weighted Exchange Rate & Data

Unemployment Rate

As expected, Switzerland's seasonally adjusted Unemployment Rate held at 3.1% in January. Meanwhile, the seasonally unadjusted Unemployment Rate rose from 3.3% in December to 3.4% in January, below expectations of 3.5%. On an unadjusted basis, the total number of vacancies was approximately 17K – up 2,437.



Trade Weighted Exchange Rate



Data

February 7th (Bloomberg) – Foreign Currency Reserves – fell from 254.3 bln francs in December to 227.2 bln francs in January.

News & Upcoming Dates

News

February 7th (Bloomberg) - SNB Won't Tolerate Franc Breaching 1.20 Euro Ceiling – Interim SNB Chairman, Thomas Jordan remarked:

Given this difficult environment, we remain firmly committed to defending the minimum exchange rate of 1.20 francs per euro. This commitment applies at any time, from the moment the market opens in Sydney on Monday to when it closes in New York on Friday. We will not tolerate any trading below the minimum rate.

[...the Swiss economy may cool] considerably [in 2012...There's] absolutely no risk of inflation.

Given this highly uncertain outlook, the SNB is – more than ever -- committed to enforcing the minimum exchange rate with the utmost determination at any time. We cannot allow the franc to appreciate further.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
02/09	SECO Consumer Confidence	JAN	-22	-24
02/10	CPI	JAN	-0.3% / -0.8%	-0.2% / -0.7%
02/10	CPI – EU Harmonised	JAN	-0.3% / -0.7%	0.3% / -0.4%
02/13	Producer & Import Prices	JAN	--	0.3% / -2.3%
02/15	Credit Suisse ZEW Survey	FEB	--	-50.1