

Valance Company, Inc.



Weekly

January 25, 2012

III

Highlights

US – Fed extends commitment statement to late 2014

EU – EU PMIs and German IFO increased above expectations

JN – Trade deficit narrowed, Industry Activity declined

UK – Real GDP declined in Q4, Unemployment increased

NZ – RBNZ official cash rate unchanged

United States

Michael Pede

mpede@valance.us

Japan

United Kingdom

Davin Patton

dpatton@valance.us

Europe

China

Canada

La-Toya Elizee

lelizee@valance.us

Australia

New Zealand

Sweden

Switzerland

China

Evelyn Richards

erichards@valance.us

Valance Economic Reports

Valance Co., Inc.

Valance Economic Report: United States

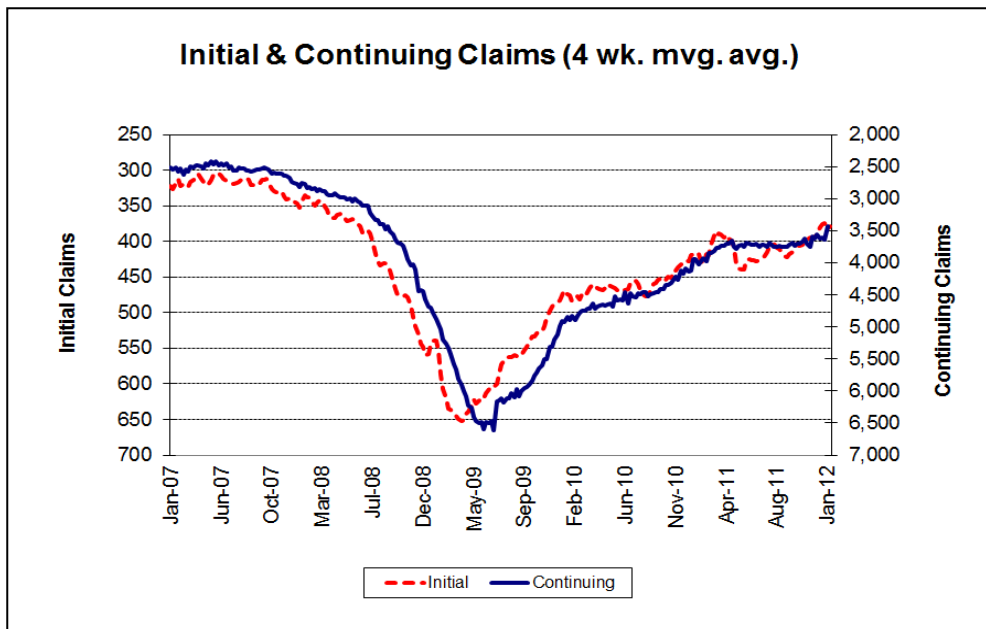
Michael Pede
 (340) 692-7710
mpede@valance.us

January 25, 2012

The FOMC is clearly looking past the momentum of recent economic indicators and potentially 3% or more Q4 GDP as the conditional commitment statement was extended to late 2014. The extremely dovish statement received only one dissent. Initial claims had the lowest print since the spring of 2008 and CPI remains subdued, but the FOMC's statement was clearly the largest news of the week.

Weekly Highlights

Initial Claims – fell by 50k to 352k, lowest since April 2008. (US 1)
Core CPI – increased 0.15% M/M and 2.2% Y/Y in December (US 3)

Weekly Releases**Chart of the Week: *Initial Jobless Claims***

Initial Claims fell by 50k to 352k, the lowest reading since April 2008. The four week moving average of Initial Claims fell 4k to 379k. Continuing Claims increased from 3595k to 3628k.

US 1

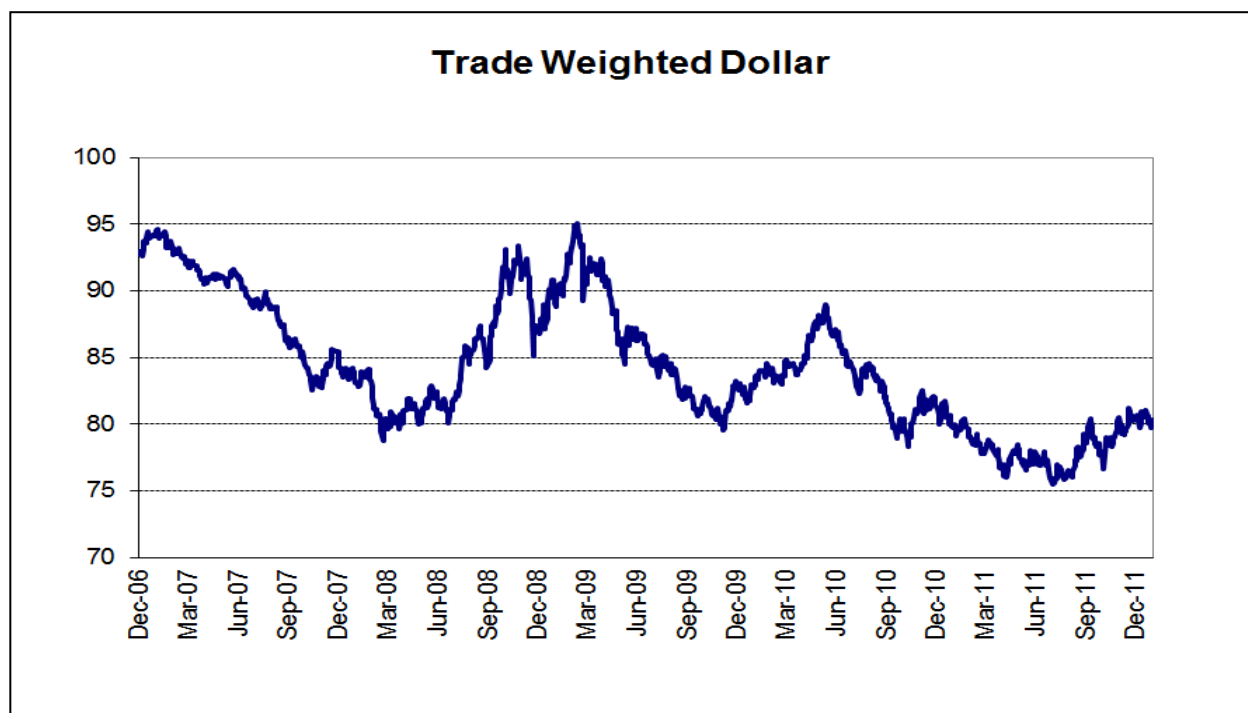
U.S. Financial Balances & Trade Weighted Dollar

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.

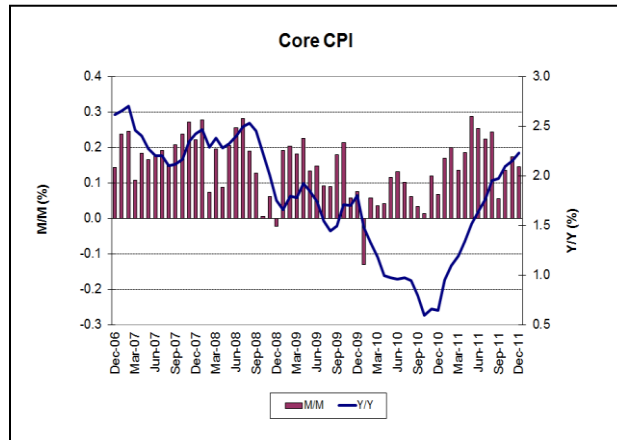
Trade Weighted Dollar



CPI Ex Food & Energy, B'berg Consumer Comfort & Philadelphia Fed.

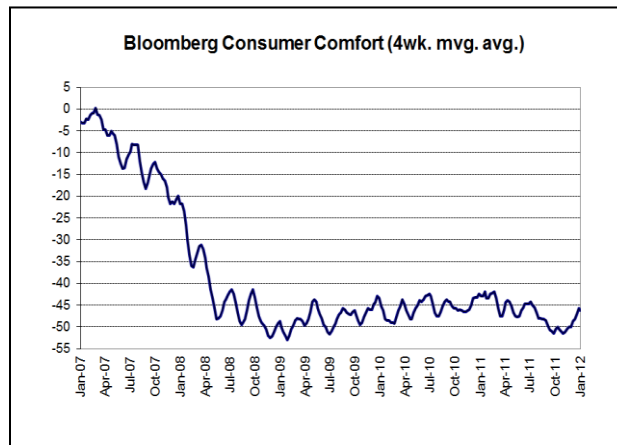
CPI Ex Food & Energy

Core CPI increased 0.15% M/M and 2.2% Y/Y in December. The three-month annualized core rate is 1.8%. Owners equivalent rent rose 0.2% M/M; OER price appreciation has started to slow to a rate closer to the rest of the core index. The headline rate was flat M/M and is up 3.0% Y/Y. Energy prices fell 1.3% M/M, the third consecutive monthly decline.



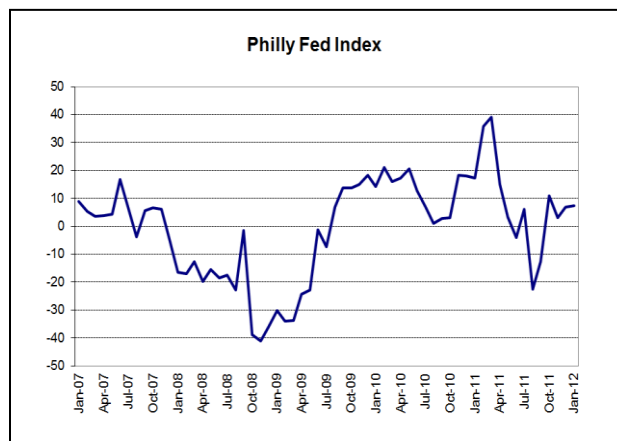
Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index dropped from -44.7 to -47.4. The state of the economy fell from -82.1 to -82.5 and personal finances from -2.6 to -7.5.



Philadelphia Fed.

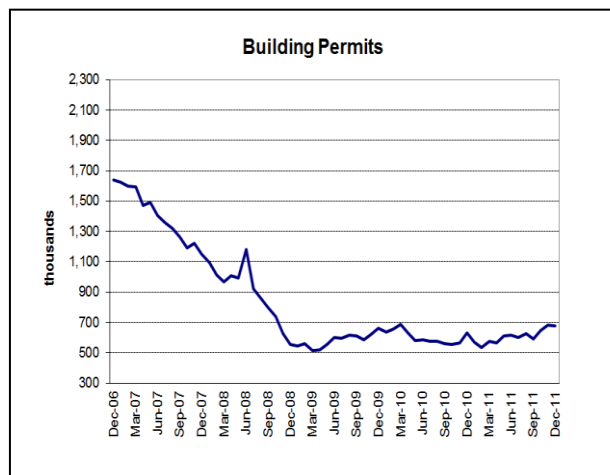
The Philly Fed Index improved from 6.8 to 7.3 in January though some of the main components declined. The New Orders component dropped from 10.7 to 6.9 and Unfilled Orders from 5.1 to -4.1 from 22.8 to 33.7. The Employment and Average Workweek components saw small gains, rising from 11.5 and 2.8, to 11.6 and 5.0, respectively.



Building Permits, Housing Starts & Existing Home Sales

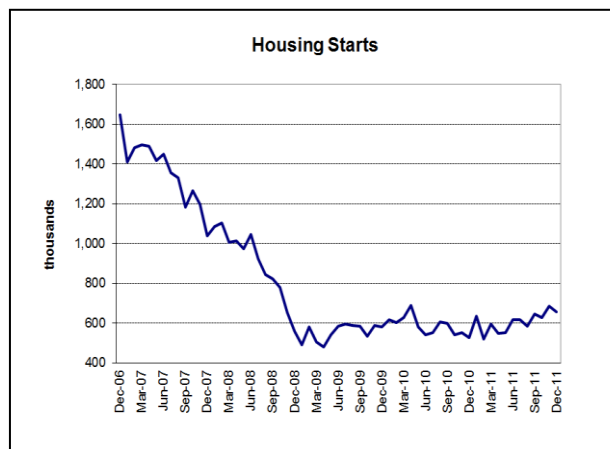
Building Permits

Total Building Permits fell slightly in December from 680k to 679k. The decline was led by the multi-family sector dropping from 244k to 235k. Single-family permits rose from 436k to 444k. Permits lead housing starts and suggest that housing starts could begin to improve from these low levels in the first half of 2012.



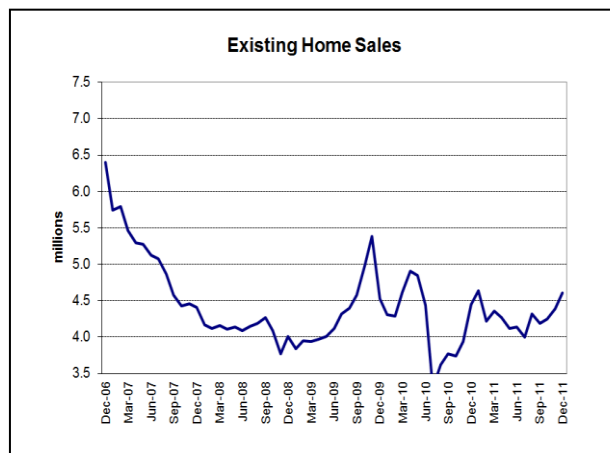
Housing Starts

Housing Starts fell 4.1% M/M in December, down from 685k to 657k on a seasonally adjusted annualized basis. Like permits, the net decline was due to a drop in Multi-family homes, which fell 48k to 187k. Single family rose 20k to 470k. Housing Starts are up 23.7% Y/Y.



Existing Home Sales

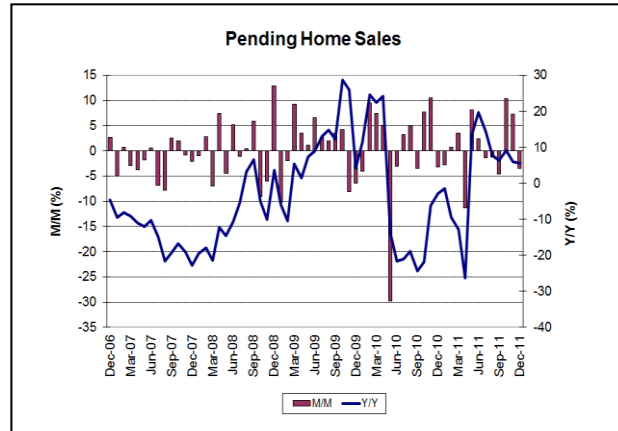
Existing Home Sales increased from 4.39 mln seasonally adjusted annualized units to 4.61 mln in December, up 5.0% M/M. Median prices increased 1k to 165.1k. Inventory levels fell from 7.1 months to 6.1 months of supply, its lowest level since 2006.



Pending Home Sales, House Price Index & MBA Mortgage Applications

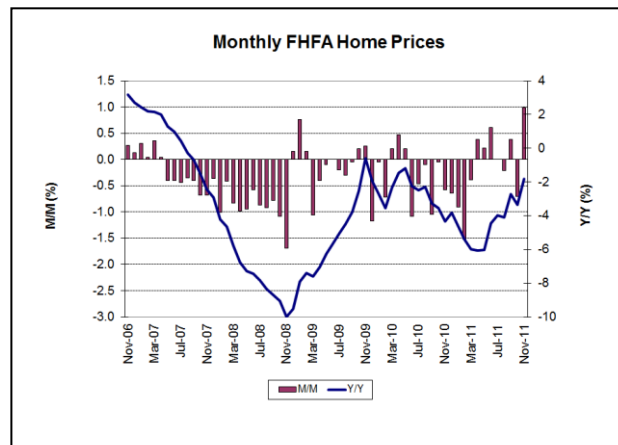
Pending Home Sales

Pending Home Sales fell 3.5% M/M in December after gaining 7.3% in November. Pending sales are up 4.4% Y/Y. Record low mortgage rates and low home prices should help to drive traffic.



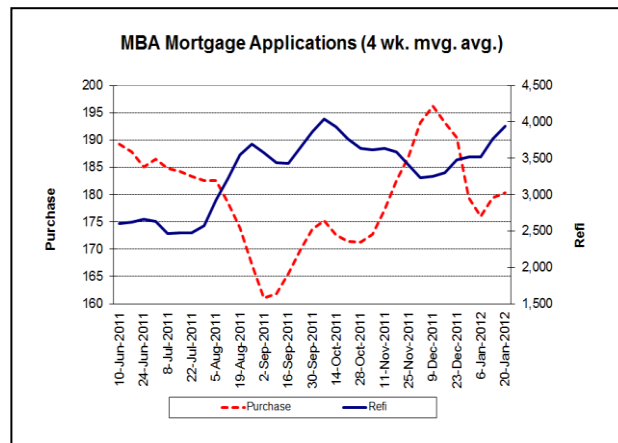
House Price Index

The monthly OFHEO House Price Index gained 1.0% M/M and 4.4% Y/Y in November. October was revised lower from a decline of 0.2% to 0.7% M/M.



MBA Mortgage Applications

Purchase Mortgage Applications fell 5.0% W/W, after gaining 10.3% W/W last week. Refi applications fell 5.2% W/W after spiking 26.4% W/W last week.



Key Dates This Week

Dates	Indicators	Month	Expectations	Previous
1/26	Durable Goods Orders	DEC	2.00%	3.80%
1/26	Durables Ex Transportation	DEC	0.90%	0.30%
1/26	Initial Jobless Claims	21-Jan	370K	352K
1/26	Continuing Claims	14-Jan	3500K	--
	Bloomberg Consumer			
1/26	Comfort	22-Jan	-46	-47.4
1/26	New Home Sales MoM	DEC	1.90%	1.60%
1/27	GDP QoQ (Annualized)	4Q A	3.00%	1.80%
1/27	Personal Consumption	4Q A	2.40%	1.70%
1/27	U. of Michigan Confidence	JAN F	74	74
1/30	Personal Income	DEC	0.40%	0.10%
1/30	Personal Spending	DEC	0.10%	0.10%
1/30	PCE Core (MoM)	DEC	0.10%	0.10%
	S&P/CaseShiller Home Price			
1/31	Ind	NOV	--	140.3
1/31	Chicago Purchasing Manager	JAN	63	62.5
1/31	Consumer Confidence	JAN	68	64.5

Valance Economic Report: Euro Zone

La-Toya Elizee
(340) 692-7710
lelizee@valance.us

January 25, 2012

A light week of economic data releases was highlighted by the higher than expected gains in the EU PMIs and German IFO. EU Consumer Confidence increased slightly in January and German PPI unexpectedly fell in December.

Weekly Highlights

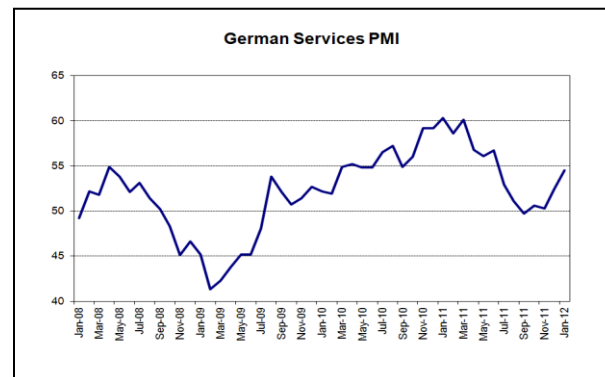
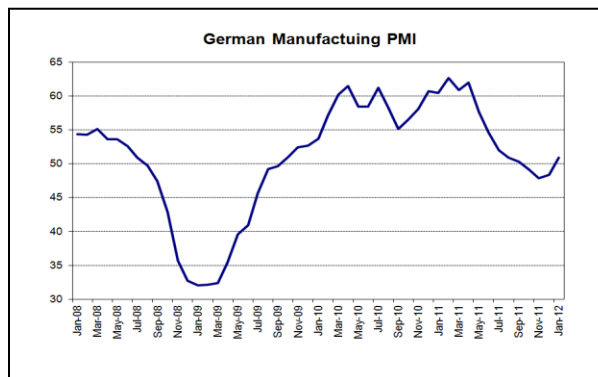
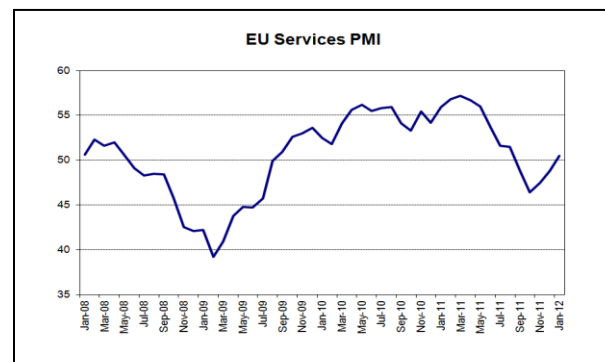
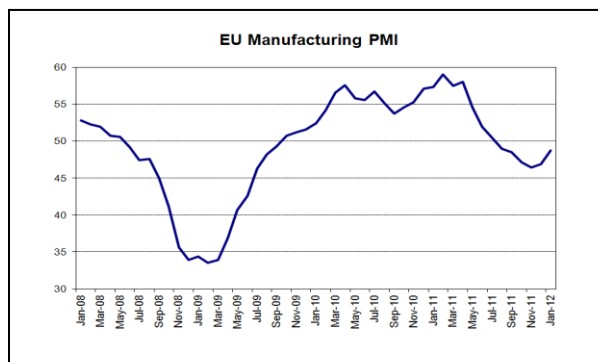
EU PMIs - increased above expectations in January. (EU 1)

EU Consumer Confidence - increased from -21.3 in December to -20.6 in January. (EU 3)

German IFO- dex increased from 107.3 in December to 108.3 in January. (EU 3)

Weekly Releases & News

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



EU PMIs increased above expectations in January. PMI Manufacturing increased from 46.9 in December to 48.7 in January, above market expectations for a reading of 47.3. Services Industry increased from 48.8 to 50.5 versus market expectations for a reading of 49.0. The Composite Index increased from 48.3 to 50.4, a five month high. German Manufacturing Industry increased from 48.4 to 50.9 and the Services Industry increased from 52.4 to 54.5.

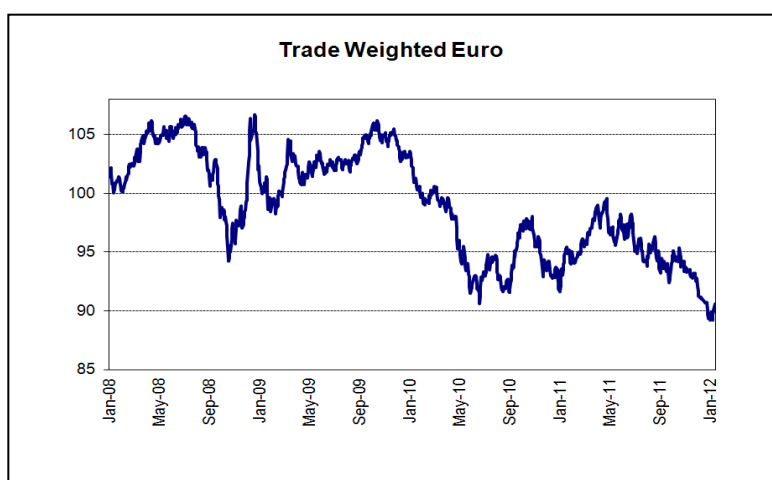
Euro Zone Financial Balances & Trade Weighted Euro

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*

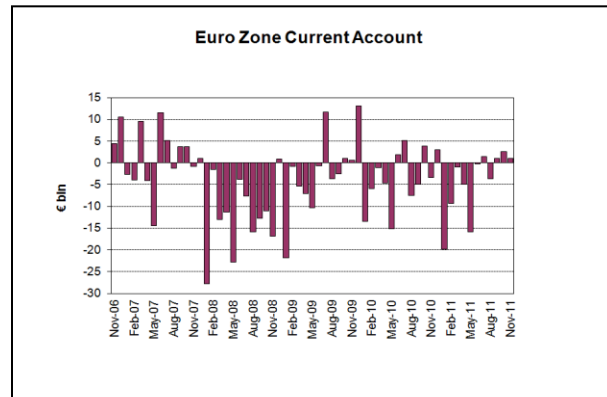
Trade Weighted Euro



EU Current Account/Consumer Confidence & German IFO

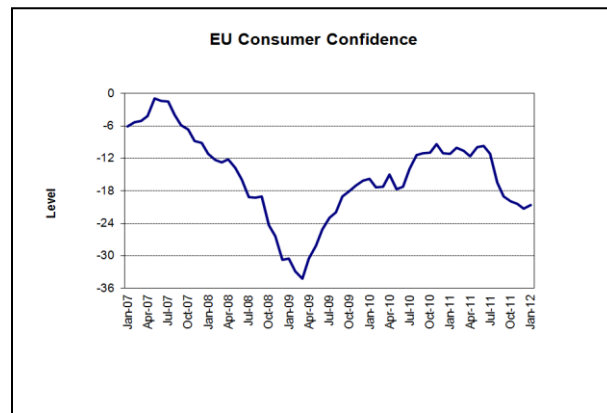
EU Current Account

EU Current Account surplus narrowed from €2.62 bln in October to €1.0 bln in November. This compares to a deficit of €3.4 bln in November 2011.



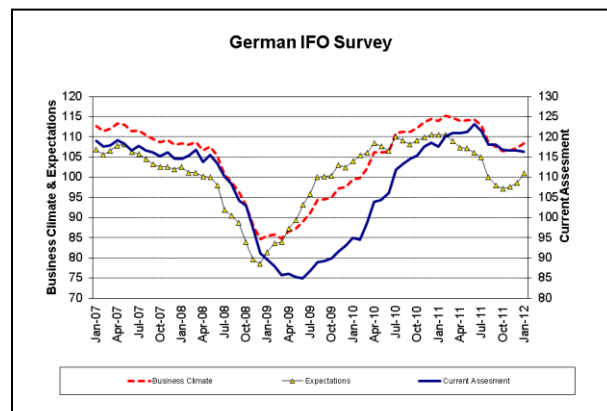
EU Consumer Confidence

EU Consumer Confidence increased from -21.3 in December to -20.6 in January. Market expectations were for a decrease to -21.4.



GE IFO

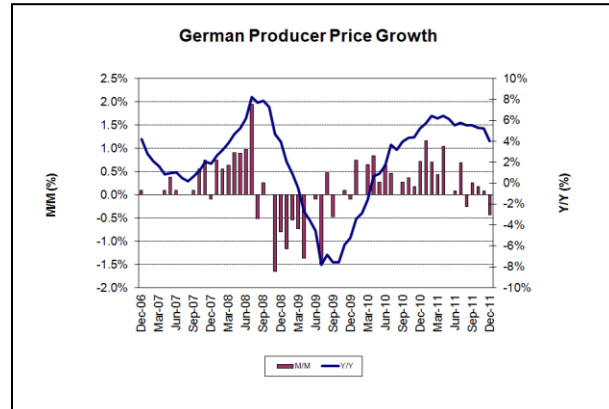
German IFO Business Climate Index increased from 107.3 in December to 108.3 in January, above market expectations for a reading of 107.6. The Expectations component increased from 98.6 to 100.9 and the Current Assessment measure fell from 116.7 to 116.3



German Producer Prices & French Business Confidence

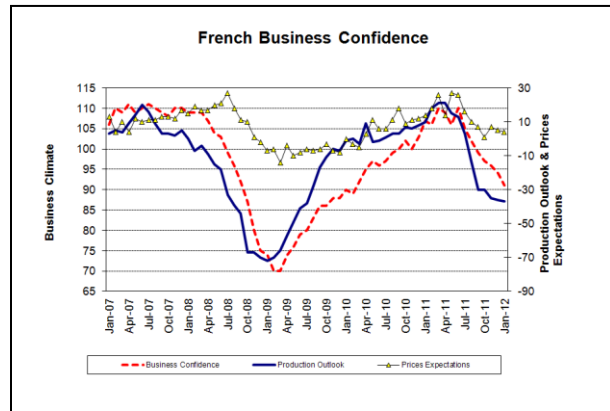
German Producer Prices

Producer Prices unexpectedly fell 0.4% M/M and increased 4.0% Y/Y in December. Market expectations were for a 0.1% M/M and a 4.6% Y/Y gain. Producer Prices, ex. energy, fell 0.1% M/M and increased 2.0% Y/Y.



French Business Confidence

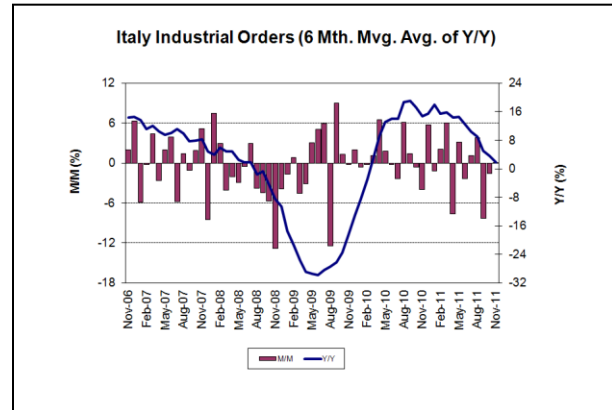
French Business Confidence unexpectedly fell from 94 in December to 91 in January. Market expectations were for a reading of 95. Details show that the Production Outlook Component fell from -36 to -37 and the Price Expectation component fell from 5 to 4.



Italian Industrial Orders, Retail Sales & Spanish Trade Balance

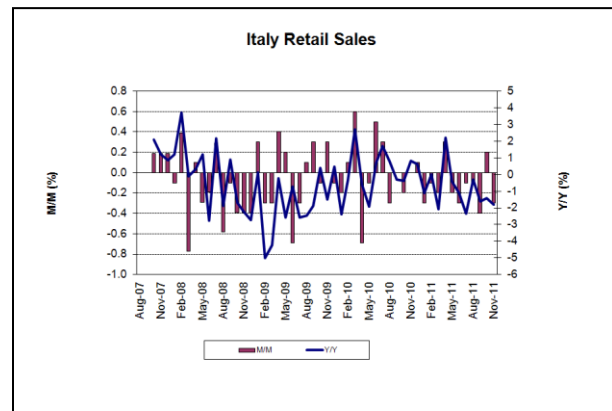
Italian Industrial Orders

Italian Industrial Orders increased 0.1% M/M and 2.4% Y/Y in November. Industrial Sales were flat M/M and increased 0.2% Y/Y.



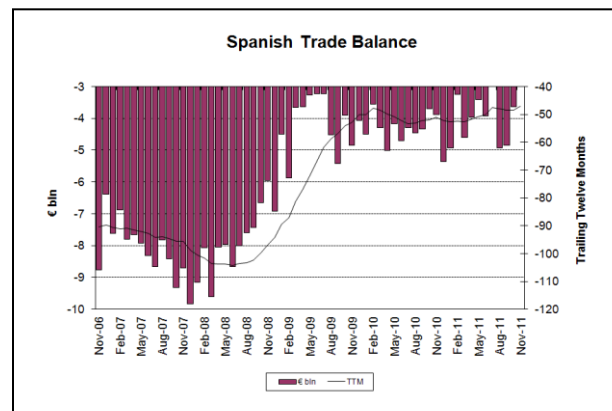
Italian Retail Sales

Italian Retail Sales fell 6.2% M/M and 1.8% Y/Y in November.



Spanish Trade Balance

Spain's Trade Deficit narrowed from €3.6 bln in October to €2.7 bln November. The deficit in November last year stood at €3.9 bln. Exports increased 2.4% M/M and 13.4% Y/Y and Imports fell 2.1% M/M and increased 5.3% Y/Y.



News/Comments

Jan. 25th - IMF's Lagarde Says 2012 Will Be Better If Good Decisions Made (Bloomberg) -

International Monetary Fund Managing Director Christine Lagarde said economies in the U.S. Japan and elsewhere will be better by the end of 2012 if the right decisions are taken. Speaking in an interview on Europe 1 radio, she said political leaders need to focus on spurring growth. "If the right decisions are taken in coming weeks, not only in the euro zone, but in the U.S., and big emerging economies, the end of 2012 will be better than the beginning of 2012," she said.

Jan. 24th - IMF's Lagarde Tells DRadio That EFSF, ESM Need to Be Improved (Bloomberg) -

International Monetary Fund Managing Director Christine Lagarde said the European Stability Mechanism, the region's permanent rescue fund, and the European Financial Stability Facility, its temporary rescue fund, need to be improved to stop the European debt crisis from spreading, according to an interview on Germany's Deutschlandradio. "It has to be sufficient in itself at a European level," Lagarde said in the interview. "The idea behind the wall is that it is so big that investors -- people who finance, people who speculate occasionally -- are discouraged because the wall is too big so that the fire cannot go through. It needs to be improved -- the EFSF plus the ESM." Lagarde added that she is "determined to be positive" that an agreement between private investors and the Greek government on a debt reduction for the country will be found.

Jan. 24th - Economic outlook darkens for eastern Europe (FT) -

The European Bank for Reconstruction and Development said that figures from the third quarter of last year showed the first net capital outflows from eastern Europe since the 2009 crisis. In its latest quarterly forecasts, the bank cut its 2012 projected growth for central Europe – including Poland, Hungary, and Slovakia – and the Baltic states to 1.4 per cent this year, from the 1.7 per cent it was forecasting three months ago. The EBRD now sees growth in south-east Europe at only 1 per cent this year. In October it forecast 1.6 per cent growth for this area. Hungary is now projected to see its economy contract by 1.5 per cent this year, the most sharply-reduced forecast since the autumn, when the EBRD forecast 0.5 per cent growth.

Jan. 22nd - ECB trims bank debt against which it will lend (FT) -

The European Central Bank has removed almost a third of the bank debt it added three weeks ago to the list of assets against which it would lend. The ECB said the Banque de France decided to withdraw the assets "as a precautionary measure" after finding that some of the notes may not comply with its rules. The ECB said the Banque was now going through the deleted instruments one by one to check whether they were eligible. The first loosening of ECB collateral rules took effect at the start of the year. Slightly more than 10,000 new instruments became eligible as a result – almost 8,000 of them French. The next loosening will allow a wider range of asset-backed securities to be used at the ECB.

Jan. 19th - IMF Says Euro Area to See 'Slight' Recession in 2012 (Bloomberg) -

The International Monetary Fund forecasts a "slight" recession in the euro region this year even as the economies of Germany and France continue to grow, Ansa reported. The IMF forecasts that the euro area will contract 0.5 percent this year before growing 0.8 percent in 2013, Ansa said, citing an advanced copy of the Washington-based lender's World Economic Outlook. The slowdown will be due to higher borrowing costs, a contraction in lending and the impact of austerity measures. Germany will expand 0.3 percent this year and 1.5 percent in 2013. France will expand 0.2 percent this year while Italy contract 2.2 percent and Spain will shrink 1.7 percent.

Key Dates This Week

Date	Indicators		Expectations	Previous
27-Jan	Euro-Zone M3 s.a. 3 mth ave.	DEC	2.30%	2.50%
27-Jan	Euro-Zone M3 s.a. (Y/Y)	DEC	2.10%	2.00%
30-Jan	Business Climate Indicator	JAN	--	-0.31
30-Jan	Euro-Zone Consumer Confidence	JAN F	--	-20.6
30-Jan	Euro-Zone Economic Confidence	JAN	--	93.3
30-Jan	Euro-Zone Indust. Confidence	JAN	--	-7.1
30-Jan	Euro-zone Services Confidence	JAN	--	-2.1
31-Jan	Euro-Zone Unemployment Rate	DEC	--	10.30%
1-Feb	PMI Manufacturing	JAN F	--	48.7
1-Feb	Euro-Zone CPI Estimate (Y/Y)	JAN	--	2.80%
26-Jan	GfK Consumer Confidence Survey	FEB	5.6	5.6
30-Jan	Retail Sales (M/M)	DEC	--	-0.90%
30-Jan	Retail Sales (Y/Y)	DEC	--	0.80%
31-Jan	Unemployment Change (000's)	JAN	--	-22K
31-Jan	Unemployment Rate (s.a)	JAN	--	6.80%
30-Jan	Business Confidence	JAN	--	92.5
31-Jan	Unemployment Rate (SA)	DEC P	--	8.60%
27-Jan	Unemployment Rate (Survey)	4Q	22.20%	21.52%
30-Jan	GDP (Constant SA) (Q/Q)	4Q P	--	0.00%
30-Jan	GDP (Constant SA) (YY)	4Q P	--	0.80%

Valance Economic Report: Japan

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

January 25, 2012

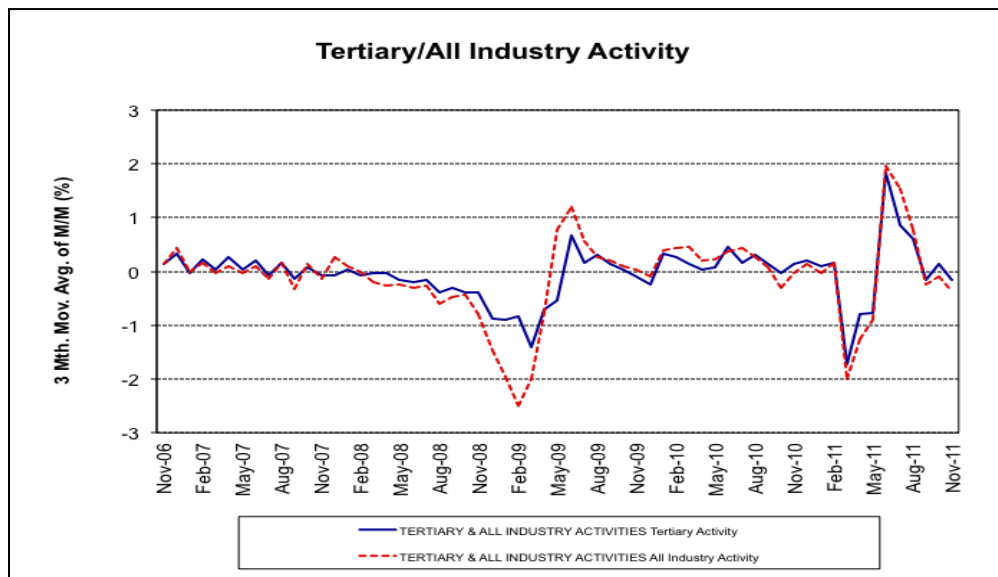
Within this week's data, the Trade Deficit narrowed while Industry Activity declined, Department Store Sales improved, as did the Leading Index.

Weekly Highlights

All Industry Activity – dropped 1.1% M/M and 1.3% Y/Y in November. (JN 1)
Nationwide Dept Store Sales – increased 0.8% Y/Y in December (JN 3)
Trade Deficit – declined from Y687.6 bln in November to 205.1 bln in December. (JN 5)

Weekly Releases & News

Chart of the Week: *All Industry Activity*

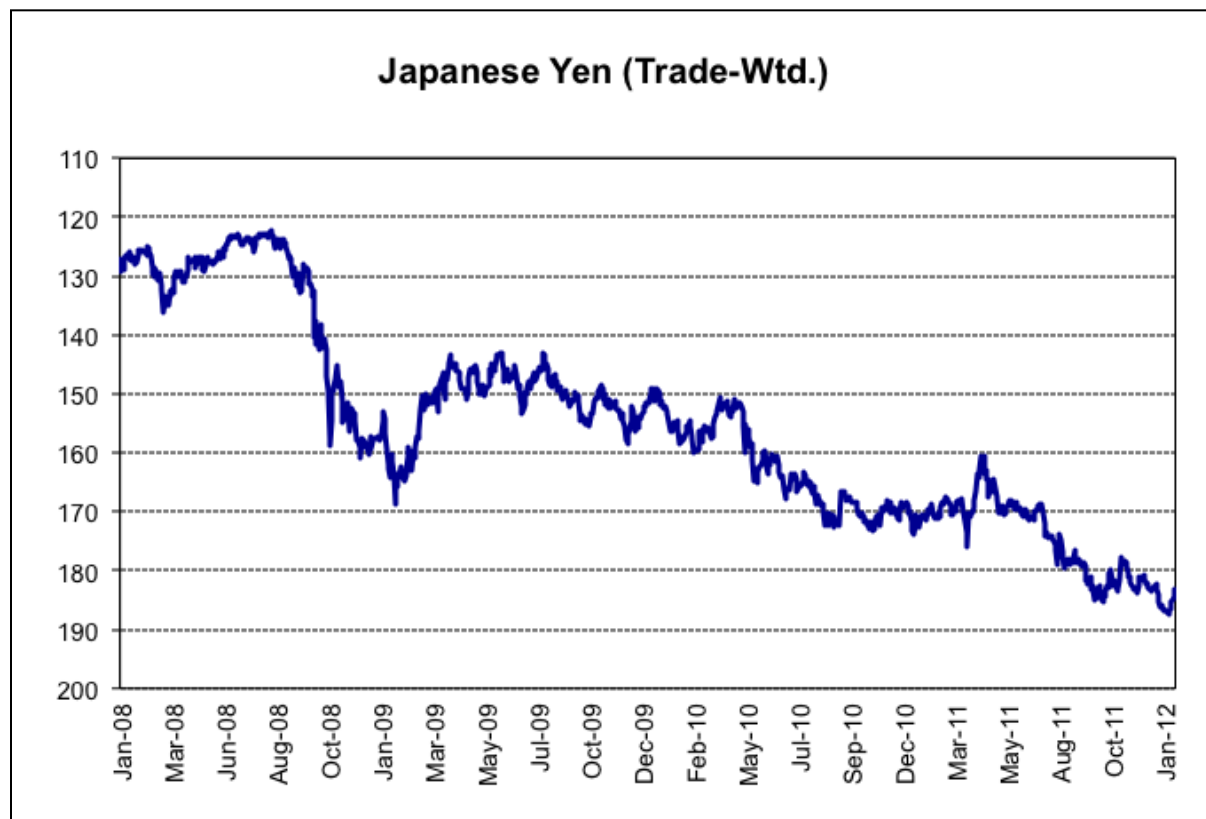


The All Industry Activity Index dropped 1.1% M/M and 1.3% Y/Y in November against market expectations for a 0.9% M/M decline. Within the details, Tertiary Industry Activity dropped 0.8% M/M and 0.8% Y/Y. Manufacturing Activity dropped 2.7% M/M and 4.2% Y/Y. Government activity was unchanged on the month but increased 0.2% Y/Y. Construction activity increased 1.9% M/M and declined 0.8% Y/Y.

Japan's Financial Balances

Financial Balances

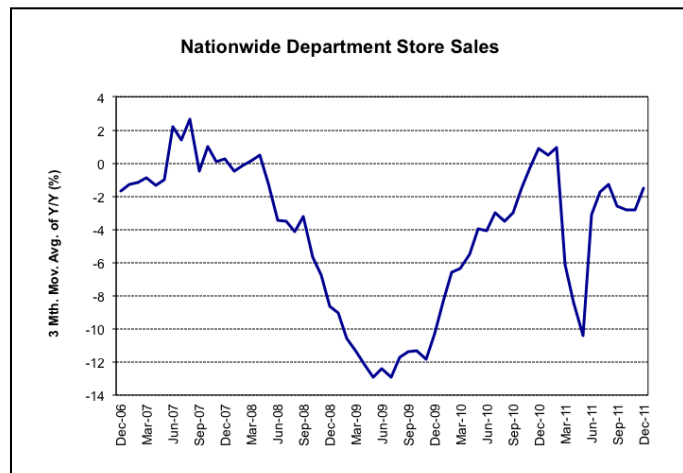
Japan	Last period (¥trln)	Last 12mth. as a % of GDP
Budget Balance	-3.50 (Dec)	-6.9%
Trade Balance	0.58 (Dec)	1.5%
Current Account Balance	1.87 (Dec)	3.5%
Private Balance	--	11.6%



Nationwide, Tokyo Dept. Store Sales & Tokyo Condominium Sales

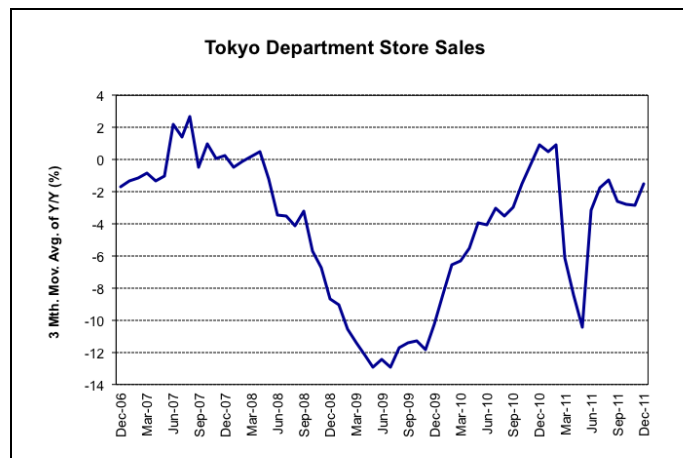
Nationwide Dept. Store Sales

Nationwide Dept Store Sales increased 0.8% Y/Y in December, as improvements in clothing and accessory sales outweighed declines in household goods, foods, and cosmetics.



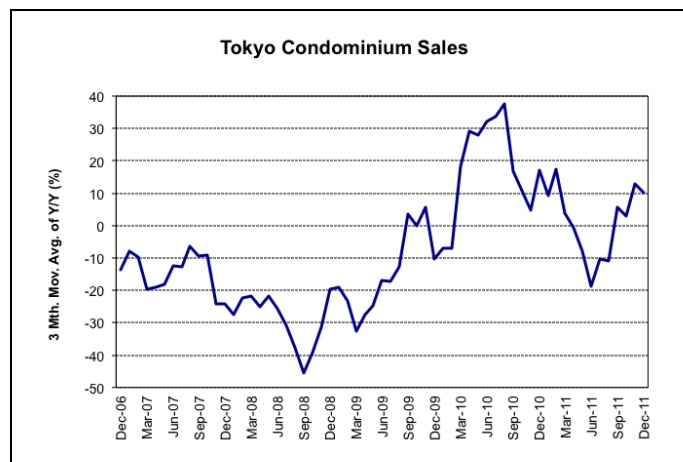
Tokyo Dept. Store Sales

Within Tokyo, Dept Store Sales increased 0.3% Y/Y in December. The improvement was the first since June and occurred on strong clothing sales, which outweighed declines in accessories, household appliances, and cosmetics.



Tokyo Condo Sales

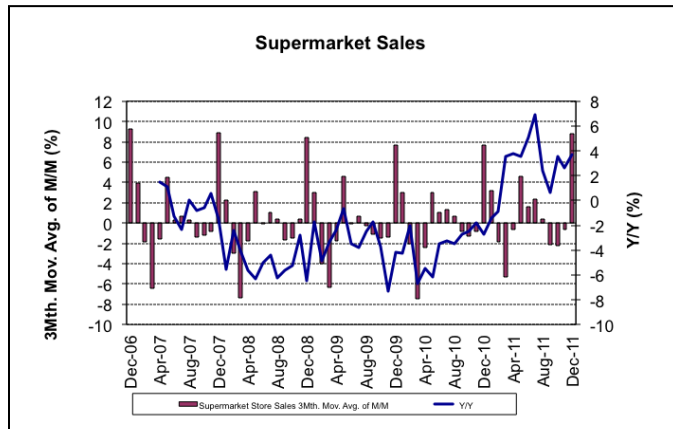
The number of condominiums for sale increased 8.4% Y/Y in December. The number of condominiums sold increased 8.9% Y/Y. The number of units unsold increased 10.1% Y/Y. The average unit price decline 2.6% Y/Y while the average price per square meter declined 1.7% Y/Y.



Supermarket/Convenience Store Sales & Leading/Coincident Indices

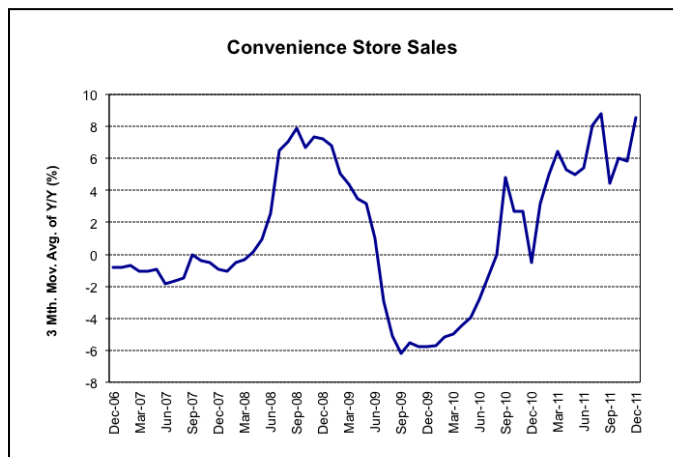
Supermarket Sales

Supermarket Store Sales declined 0.6% Y/Y in December. Within the details, clothing and miscellaneous sales increased while food, household goods, and service sales all declined.



Convenience Store Sales

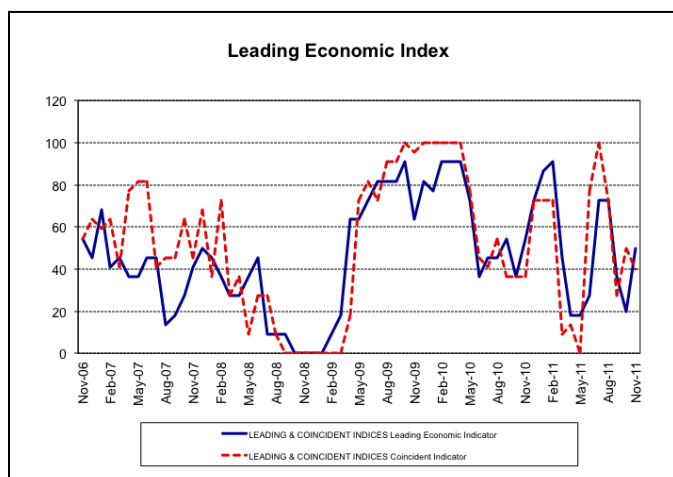
Convenience Store Sales increased 7.3% Y/Y in December. On a same-store basis, sales increased 4.1% Y/Y. Within the details, customer spending increased 3.3% Y/Y and customer traffic increased 0.9% Y/Y.



Leading/Coincident Indices

The Leading Index CI increased 1.2pts to 93.2 in November, bringing it back to September's level. Meanwhile, the Coincident Index CI dropped 1.1pts to 90.3. Gains in the Leading Index occurred as machinery orders, housing starts, and job offers improved while producers final demand and inventory ratios dropped.

In DI Terms, the Leading Index improved 30 pts to 50.0 while the Coincident Index dropped 10 pts to 40.0.



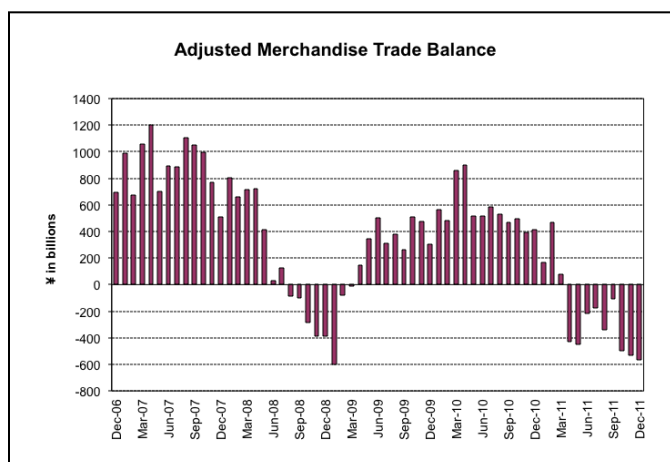
Trade Balance & News

Trade Balance

The Adjusted Deficit narrowed from Y687.6 bln in November to Y205.1 bln in December, against market expectations for a smaller drop to Y384.9 bln.

Exports(unadjusted) increased 0.2% M/M and dropped 8.0% Y/Y against market expectations for a 7.4% Y/Y decline.

Imports (unadjusted) increased 0.7% M/M and 8.1% Y/Y, in line with market expectations. On a regional basis, exports to the US increased 3.9% Y/Y while exports to Europe declined 12.7% Y/Y, exports to Asia declined 11.7% Y/Y, and exports to China declined 16.2% Y/Y.



Trade Balance

January 25th – BoJ Comments on Exports – The BoJ Commented on the Japanese export industry, stating that “Exports and production are expected to remain more or less flat for the time being, and increase moderately thereafter.”

January 24th – BoJ Lowers Growth Outlook – The Bank of Japan revised its growth outlook lower, stating that "Japan's economic activity has been more or less flat, mainly due to the effects of a slowdown in overseas economies and the appreciation of the yen." The BoJ currently expects a recovery to begin in the first half of the net fiscal year as opposed to its prior estimate that the recovery would begin later in this fiscal year. Real GDP estimates for the FY ending in March were revised downward from +0.3% to -0.4%. During the next FY, growth was revised downward from +2.2% to +2.0%.

January 24th – Cabinet Office – Gov't will not achieve primary balance by FY20 -

According to forecasts from the Cabinet Office, the Japanese government will not meet its goal of achieving a primary balance surplus by FY20, even if it were to double its sales tax rate. Specifically, the forecast estimates a Y16.6 tln primary balance deficit, 3% of GDP, in FY20. This is based on the gov't assumption that real growth will continue at an average of 1.0% annually between FY11 and FY20. The forecast also noted that even if the nation's economy were to grow at a rate of 2% or slightly higher over this period, the debt would still reach Y8.9tln, approx. 1.4% of GDP.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
1/25	Corp Service Price Index (YoY)	0.00%	-0.20%
1/26	Tokyo CPI YoY	-0.40%	-0.40%
1/26	Tokyo CPI Ex-Fresh Food YoY	-0.30%	-0.30%
1/26	Tokyo CPI Ex Food, Energy YoY	-1.00%	-1.10%
1/26	Natl CPI YoY	-0.20%	-0.50%
1/26	Natl CPI Ex-Fresh Food YoY	-0.10%	-0.20%
1/26	Natl CPI Ex Food, Energy YoY	-1.10%	-1.10%
1/26	Retail Trade YoY	2.10%	-2.30%
1/26	Retail Trade MoM SA	0.40%	-2.10%
1/26	Large Retailers' Sales	-0.60%	-2.50%
1/30	Job-To-Applicant Ratio	N/A	0.69
1/30	Overall Hhold Spending (YoY)	N/A	-3.20%
1/30	Jobless Rate	N/A	4.50%
1/30	Industrial Production (MoM)	N/A	-2.70%
1/30	Industrial Production YOY%	N/A	-4.20%
1/30	Vehicle Production (YoY)	N/A	4.50%
1/31	Construction Orders (YoY)	N/A	21.00%
1/31	Annualized Housing Starts	N/A	0.845M
1/31	Housing Starts (YoY)	N/A	-0.30%
1/31	Small Business Confidence	N/A	45.6
1/31	Labor Cash Earnings YoY	N/A	-1.00%
2/1	Vehicle Sales (YoY)	N/A	23.50%

Valance Economic Report: United Kingdom

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

January 25, 2012

This week's data was mixed. Real GDP Growth contracted in Q4 and the Unemployment Rate increased. Consumer Confidence also declined although Retail Sales increased. The important CBI survey showed a notable increase in January. Meanwhile, BoE Governor King expects rates to remain low and believes additional QE may be necessary in the coming months.

Weekly Highlights

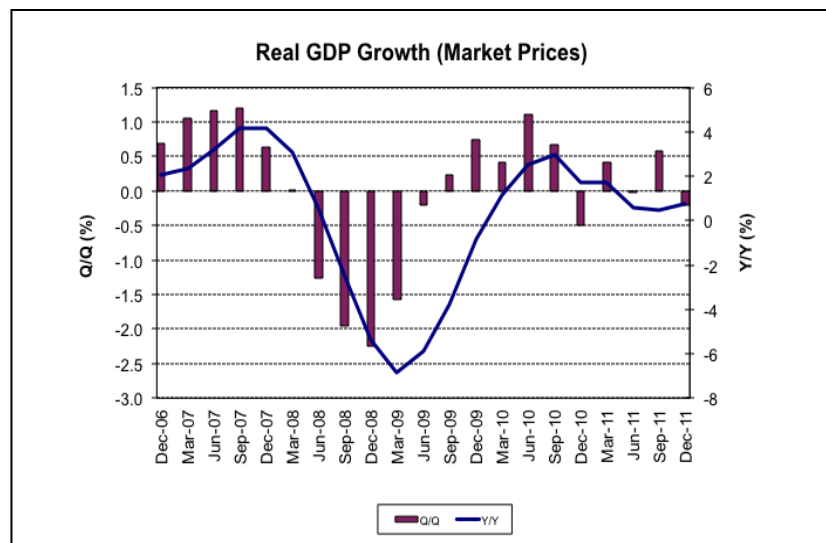
GDP – declined 0.2% Q/Q and increased 0.8% Y/Y in Q4. (UK 1)

Labor Data – Unemployment increased from 8.3% in October to 8.4% in November. (UK 1)

Retail Sales – increased 0.6% M/M and 2.6% Y/Y in December. (UK 3)

Weekly Releases & News

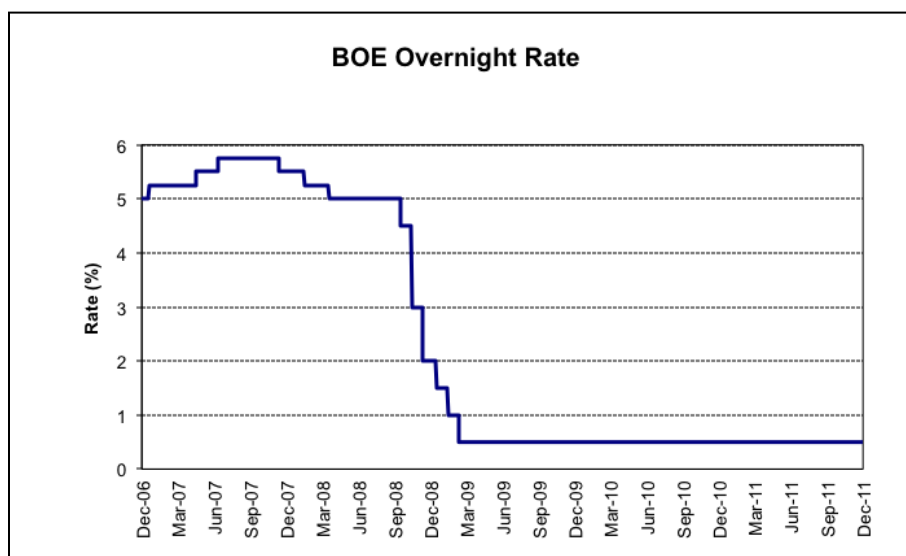
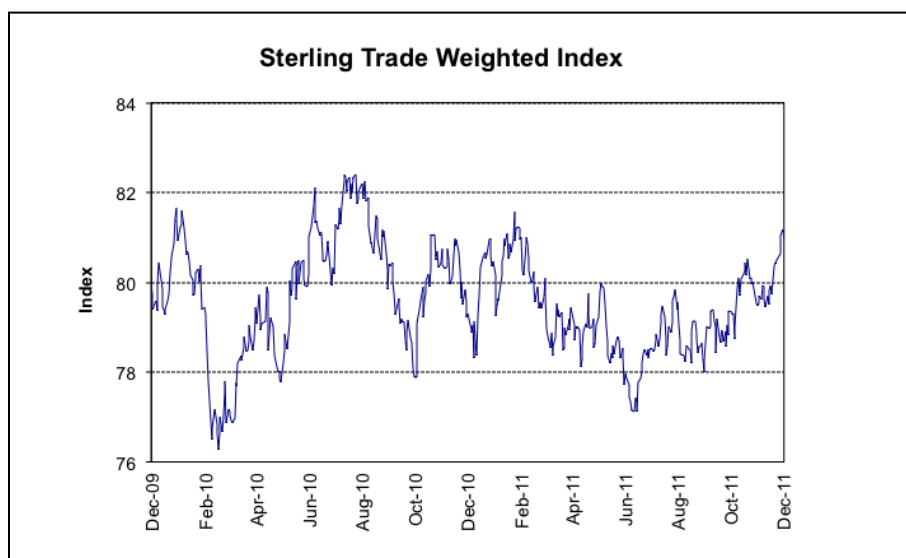
Charts of the Week: *GDP*



UK Preliminary GDP declined 0.2% Q/Q and increased 0.8% Y/Y in Q4. The market had expected a 0.1% M/M decline and a 0.8% Y/Y increase. Within the details, Services were unchanged Q/Q, Transportation declined 0.1% Q/Q, Financial Services were unchanged, Other Services increased 0.4% Q/Q, Production declined 1.2% Q/Q, Manufacturing declined 0.9% Q/Q, and Construction declined 0.5% Q/Q.

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%

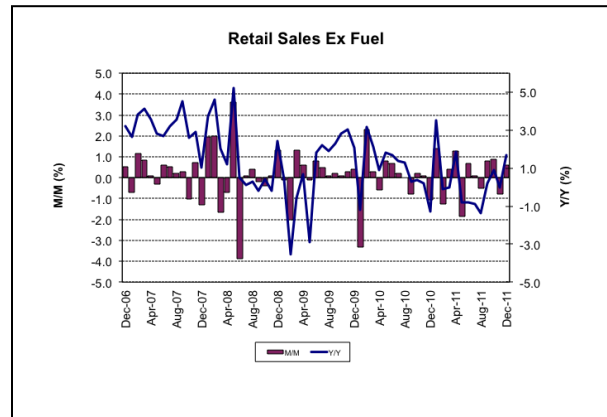


The benchmark rate remains at 0.50% and the Asset Purchase Target at £200 bln.

Retail Sales & Consumer Confidence

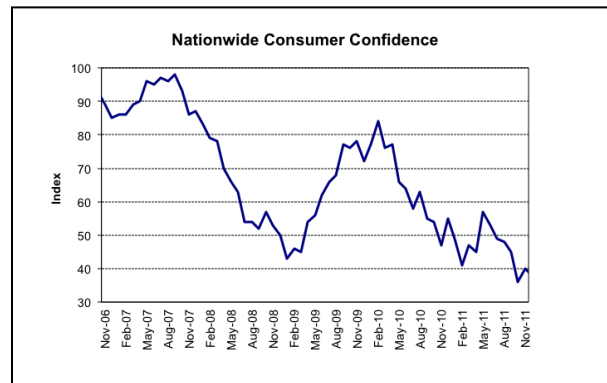
Retail Sales

Retail Sales increased 0.6% M/M and 1.7% Y/Y in December, against expectations for a 0.7% M/M increase. With Autos & Fuel, sales increased 0.6% M/M and 2.6% Y/Y. November's 0.5% M/M drop and 0.7% Y/Y increase was revised to a 0.5% M/M drop and 0.4% Y/Y increase.

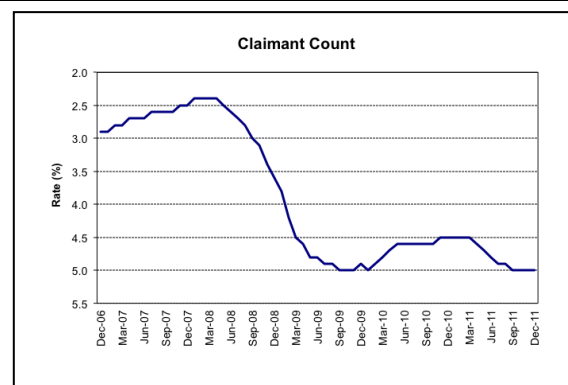
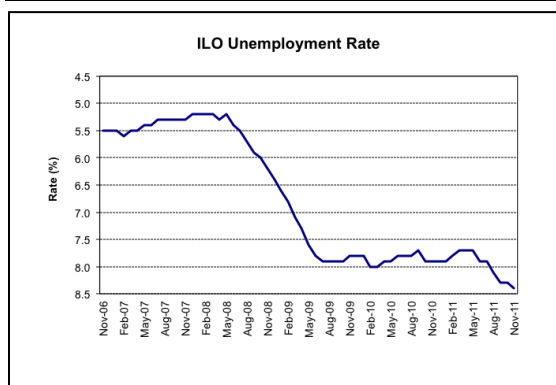


Nationwide Consumer Confidence

Consumer Confidence dropped from 40 to 38 in December, in line with market expectations.



Labor Data



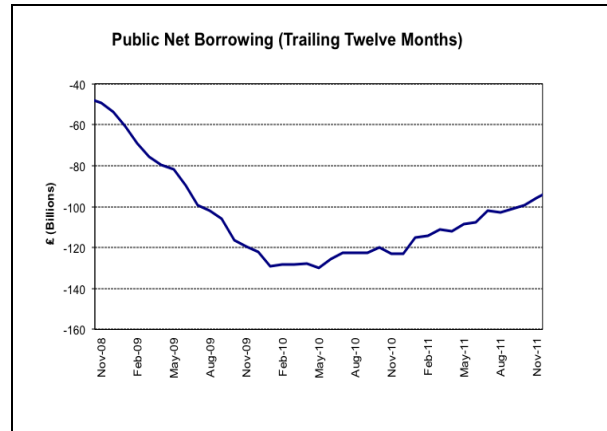
The ILO Unemployment Rate ticked higher from 8.3% in October to 8.4% in November against market expectations for no change. The December Claimant Count Rate was unchanged at 5.0%. The number of people claiming benefits rose by 1.2k in December, against expectations for a 7.0k increase. November's 3.0k increase was revised downward to a 0.2k increase. Average weekly earnings, including bonuses, increased 1.9% 3M Y/Y and 1.9% 3M Y/Y excluding bonuses. This data was roughly in line with market expectations.

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Public Sector Net Borrowing, Mort. Lending & News

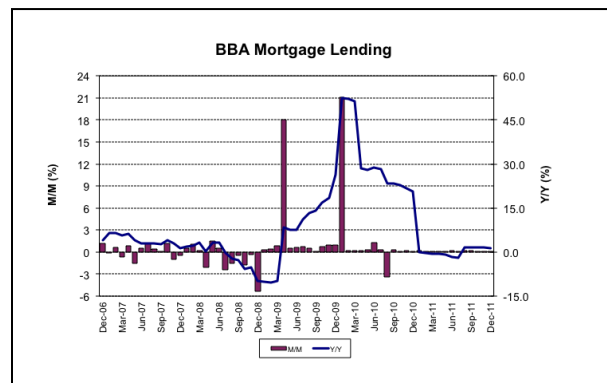
Public Sector Net Borrowing

The UK's budget deficit narrowed more than forecast as net borrowing ex-bank support was 13.7 bln pounds compared with 15.9 bln pounds the year before. The market had expected 14.9 bln pounds.



BBA Mortgage Lending

Mortgage Lending as reported by the British Bankers Association, slightly increased from 34.8K to 36.1K in the number of loans made in December. 28.8K loans were made in December the year before.



News

January 25th – BoE Voted 9-0 on Bond plan, Comment on QE – BoE policy makers voted unanimously to keep their target for bond purchases unchanged. They also noted that more stimulus is “likely” to be needed after the current program ends.

January 25th – BoE King Comments on Growth – BoE Gov King commented on inflation, stating that “With inflation falling back and wage growth subdued, there is scope for interest rates to remain low and, if necessary, for further asset purchases, to prevent inflation falling below the 2% target.” He also commented that tight conditions “will continue to act as a headwind to the economic recovery.”

January 25th – CBI Survey – The CBI Total Orders index improved from -23 to -16 in January, against expectations for no change. The Selling Prices index improved from 7 to 13 against expectations for a decline to 3.

January 23rd – BoE on Funding Conditions – The Bank of England commented on funding conditions stating that “In recent discussions, most UK lenders reported that higher wholesale bank funding costs were feeding through somewhat to loan pricing on new business for some corporates.

January 25th – UK Services - The UK Index of Growth in Services dropped from 100.1 to 100.7 in November, representing a 0.6% M/M and 1.6% Y/Y increase. On a 3 month basis, the series improved 0.1% M/M and 1.4% Y/Y. Within the details, gains in transport, publishing, and professional services outweighed declines in motor vehicles, accommodation, and entertainment.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
1/26 - 1/31	Nat'wide House prices sa (MoM)	JAN	N/A	-0.20%
1/26 - 1/31	Nat'wide House prices nsa(YoY)	JAN	N/A	1.00%
1/29	Hometrack Housing Survey (MoM)	JAN	N/A	-0.20%
1/29	Hometrack Housing Survey (YoY)	JAN	N/A	-2.10%
1/30	GfK Consumer Confidence Survey	JAN	N/A	-33
1/31	Net Consumer Credit	DEC	N/A	0.4B
1/31	Net Lending Sec. on Dwellings	DEC	N/A	0.6B
1/31	Mortgage Approvals	DEC	N/A	52.9K
1/31	M4 Money Supply (MoM)	DEC	N/A	-0.60%
1/31	M4 Money Supply (YoY)	DEC	N/A	-2.60%
1/31	M4 Ex OFCs 3M Annualised	DEC	N/A	3.70%
2/1	PMI Manufacturing	JAN	N/A	49.6
2/1 - 2/8	Halifax House Prices sa (MoM)	JAN	N/A	-0.90%
2/1 - 2/8	Halifax House Price 3Mths/Year	JAN	N/A	-1.30%

Valance Economic Report: Canada

La-Toya Elizee
(340) 692-7710
lelizee@valance.us

January 25, 2012

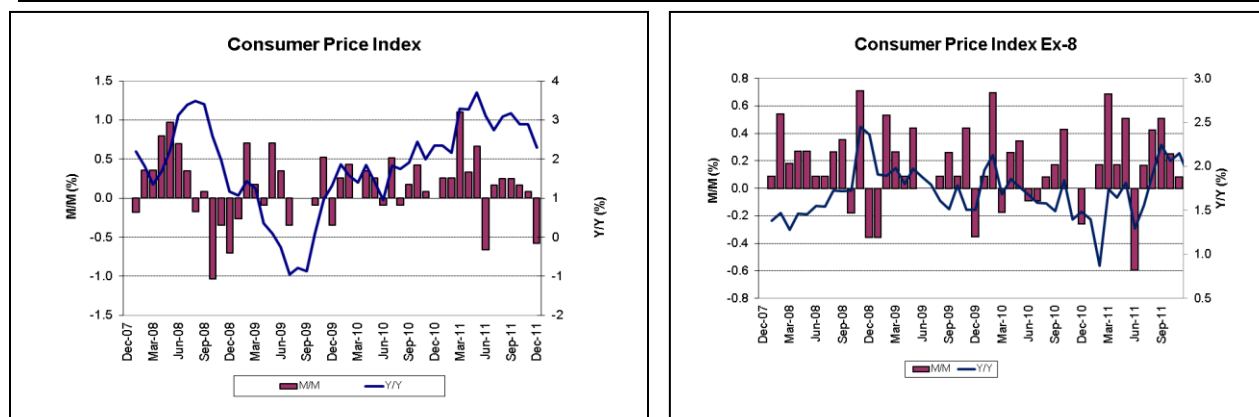
Both Headline and Core CPI were lower than expected in December. Retail Sales increased above market expectations in November while Wholesale Sales surprised to the downside. Leading Indicators increased on gains in the housing index and new orders for durable goods.

Weekly Highlights

Headline CPI – fell 0.6% M/M and increased 2.3% Y/Y in December. (CA 1)
Retail Sales – increased 0.3% M/M and 3.1% Y/Y in November. (CA 2)
Leading Indicators - increased 0.9% M/M and 6.4% Y/Y in December. (CA 3)

Weekly Releases & News

Chart(s) of the Week: CPI



Consumer Prices fell 0.6% M/M in December as clothing and footwear prices fell 4.3% M/M. Y/Y growth decelerated from 2.9% to 2.3%. Market expectations were for -0.2% M/M and 2.2% Y/Y growth. Core inflation fell 0.5% M/M and decelerated from 2.1% Y/Y to 1.9% Y/Y versus market expectations for a reading of -0.2% M/M and 2.2% Y/Y. Ex-food & energy prices fell 0.6% M/M and ex-energy prices also fell 0.6% M/M.

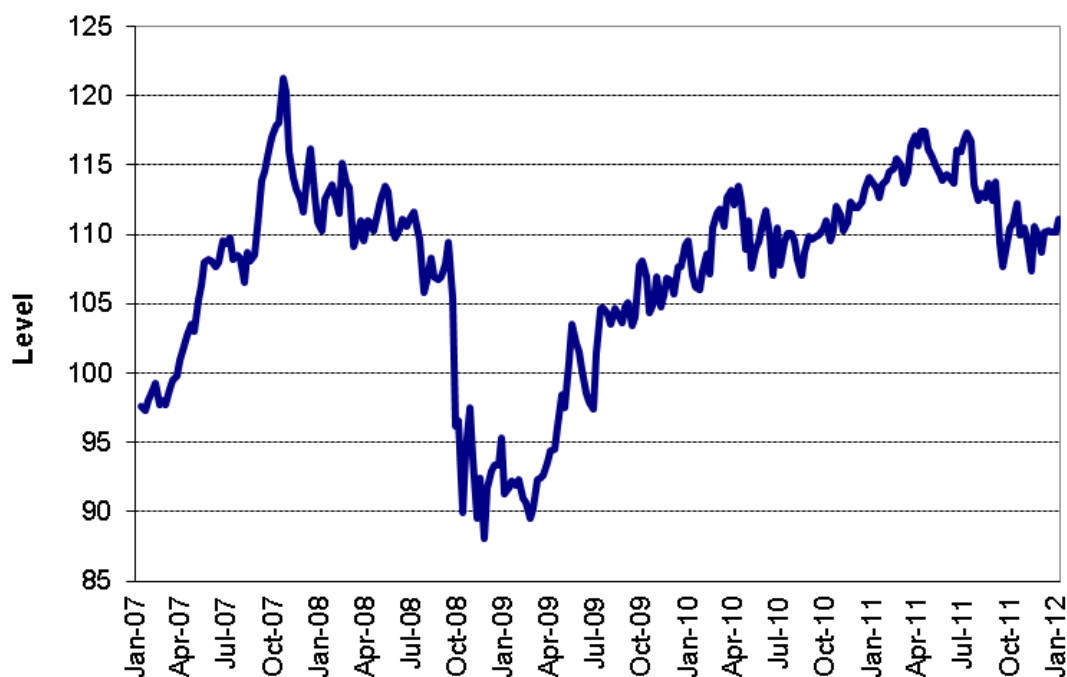
Financial Balances & Trade Weighted Exchange Rate

Financial Balances

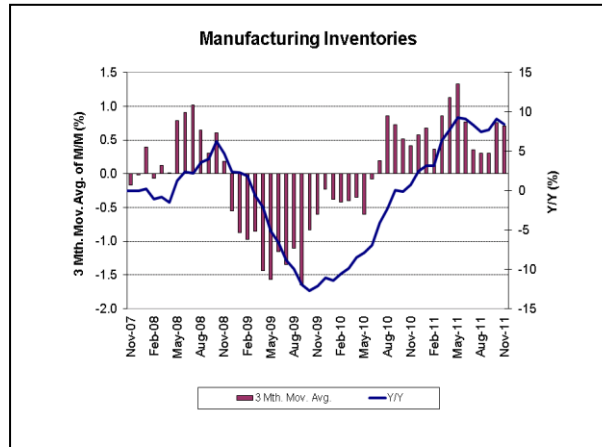
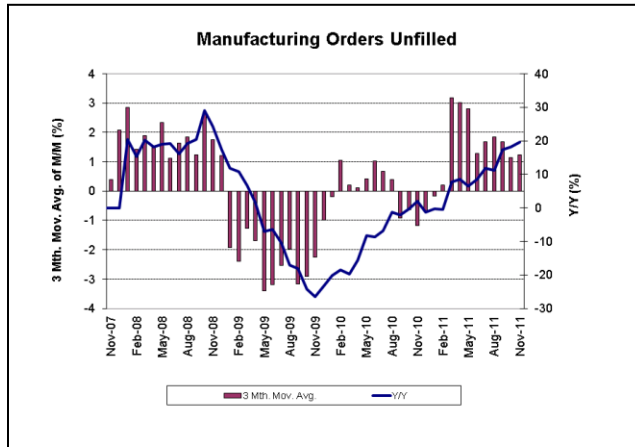
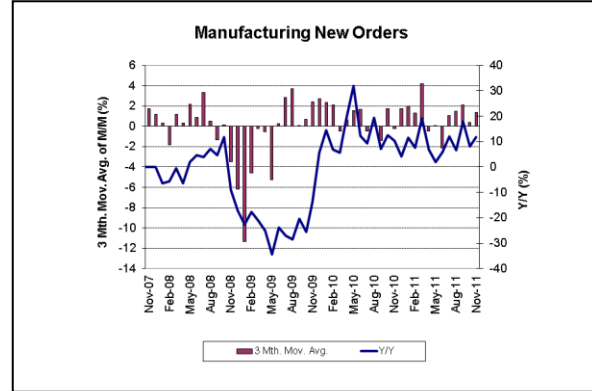
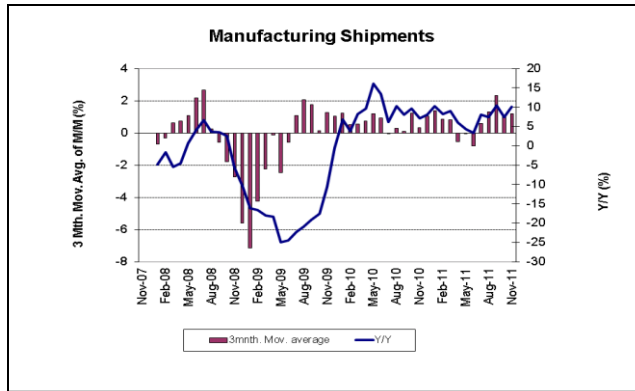
<i>Canada</i>	<i>Latest period (C\$bln)</i>	<i>Last 12mth. as % of GDP</i>
Budget Balance	-0.9 (Feb)	-2.3%
Trade Balance	-0.89 (Oct)	-1.4%
Current Account Balance	-12.1 (Q3)	-6.3%
Private Balance	--	-4.0%

Trade-Weighted Exchange Rate

Trade-Weighted Exchange Rate



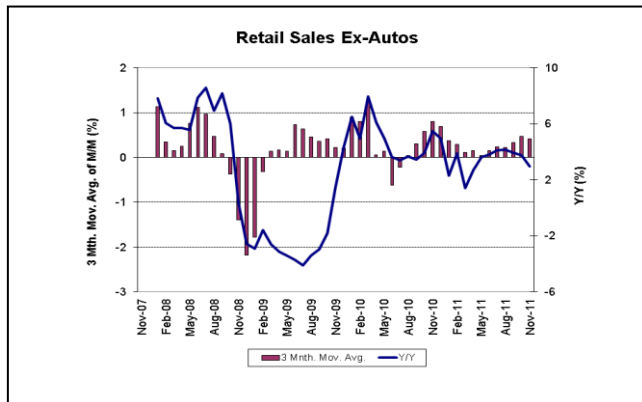
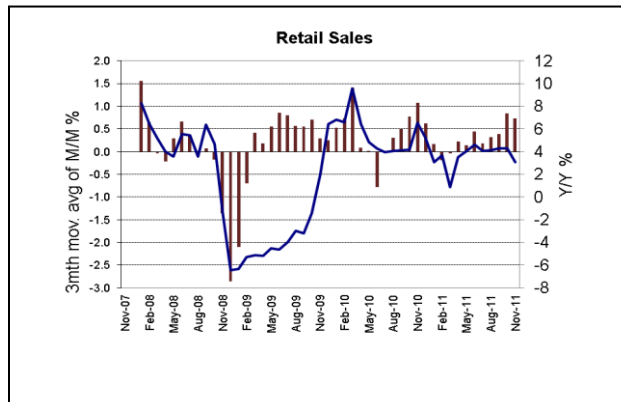
Manufacturing Data



Manufacturing Shipments rose 2.0% M/M in November, following a 0.6% M/M decline in October. New Orders increased 3.7% M/M, above market expectations for a 2.0% M/M gain. There was an 11.9% Y/Y gain in New Orders. Inventory levels gained 0.4% M/M and 8.5% Y/Y. Unfilled orders rose 1.2% M/M and 19.6% Y/Y.

Retail Sales, Leading Indicators & Wholesale Sales

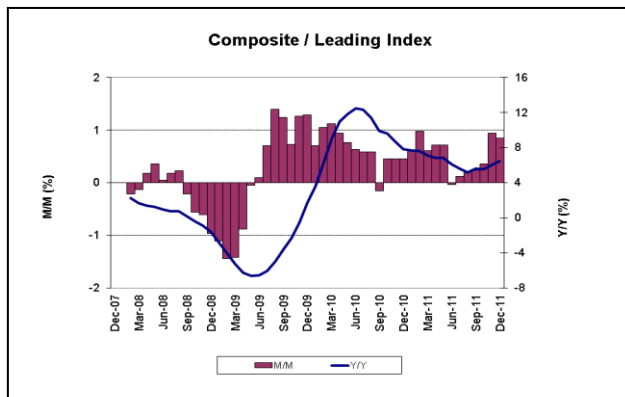
Retail Sales



Retail Sales increased 0.3% M/M and 3.1% Y/Y in November. October's reading was revised down from 0.9% M/M to 0.8% M/M. Sales rose in 7 of 11 retail subsectors which amount to about 65% of total sales. Retail Sales, ex-autos, rose 0.3% M/M and 3.0 % Y/Y.

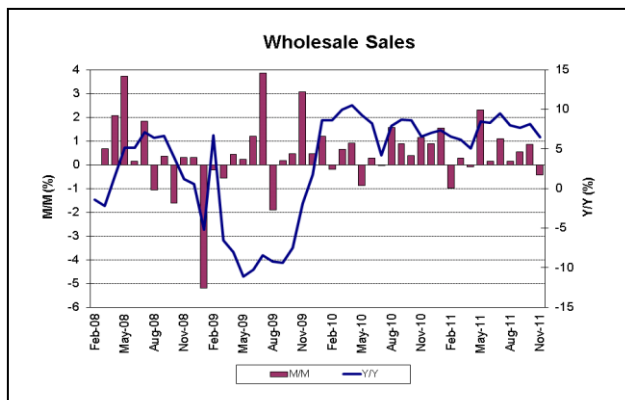
Leading Indicators

Leading Indicators increased 0.9% M/M in December, following a 0.9% gain in November. Y/Y growth increased 6.4%. New orders for durable goods increased 1.0% M/M, while the housing index gained 0.8% M/M.



Wholesale Sales

Wholesale Sales fell 0.4% M/M in November as three out of seven subsectors reported declines. The miscellaneous subsector contributed the most to the decline in sales with a 4.4% M/M decline. Sale in the motor vehicle and parts component fell 1.1% M/M. Thirteen of the 25 wholesale industries recorded lower inventories, with overall industries falling 0.2% M/M.



Data/Comments/News & Upcoming Dates

Jan. 25th - Canada Teranet Existing Home Price Index Falls 0.2% in November (Bloomberg) -

Canadian home resale prices fell 0.2 percent in November, according to the Teranet-National Bank Composite House Price Index. The decrease was led by a 1.6 percent drop in Calgary, according to a report today by National Bank Financial. Prices were 7.1 percent higher in November than a year earlier, faster than October's 7 percent increase. The index, which was set at 100 in June 2005, fell to 149.11 in November. It tracks prices in 11 major cities.

Jan. 23rd - IMF slashes growth forecast for Canadian economy (The Canadian Press) -

Canada's recovery is being dragged down by a cascading crisis in Europe and weakening conditions elsewhere, the International Monetary Fund suggests in its latest economic outlook. The Washington-based monitor of global financial affairs said Tuesday that Canada's economy will likely now grow by only 1.7 per cent three notches lower than the Bank of Canada's estimate just last week and two-tenths of a point lower than its own previous call in September. And the IMF doesn't see the economy in Canada strengthening much in 2013. Unlike the central bank, which predicts 2.8 per cent expansion next year, it says Canada's recovery will be restrained to two per cent. That's still tops among the Group of Seven big industrial nations, but only because the other six members of the club will be hit even worse by the European problems.

Key Dates This Week

Date	Indicator		Expectations	Previous
12-Jan	New Housing Price Index M/M	NOV	0.20%	0.20%
12-Jan	New Housing Price Index Y/Y	NOV	2.40%	2.50%
13-Jan	Int'l Merchandise Trade	NOV	-0.50B	-0.89B
17-Jan	Int'l Securities Transactions	NOV	- -	2.03B
17-Jan	Bank of Canada Rate	17-Jan	1.00%	1.00%

Valance Economic Report: Australia

Evelyn L. Richards

(340) 692-7710

erichards@valance.us

January 25, 2012

In Q4, Headline Inflation was below expectations, while Y/Y Core Inflation exceeded expectations; PPI inflation was lower than forecast. In December, the Australian economy lost more jobs than expected and the Unemployment Rate was unchanged at 5.2% for the third consecutive month.

Weekly Highlights

Q4 Headline Inflation – was unchanged in the quarter and gained 3.1 % Y/Y. (AU 1)

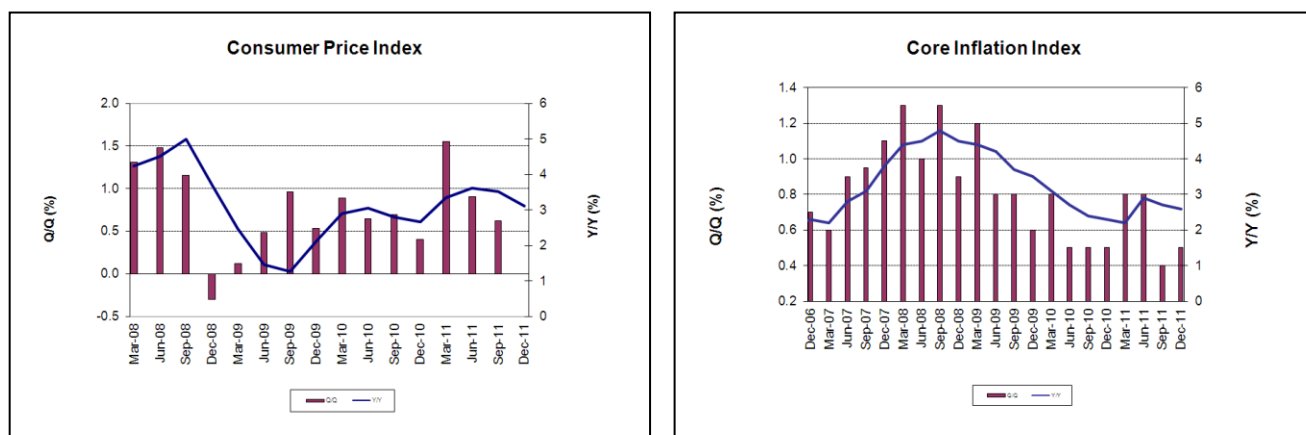
Producer Price Index – rose 0.3% Q/Q and 2.9% Y/Y in Q4. (AU 3)

Unemployment Rate – held at 5.2% in December. (AU 4)

Westpac Leading Index – fell 0.2 % M/M in November. (AU 5)

Weekly Releases & News

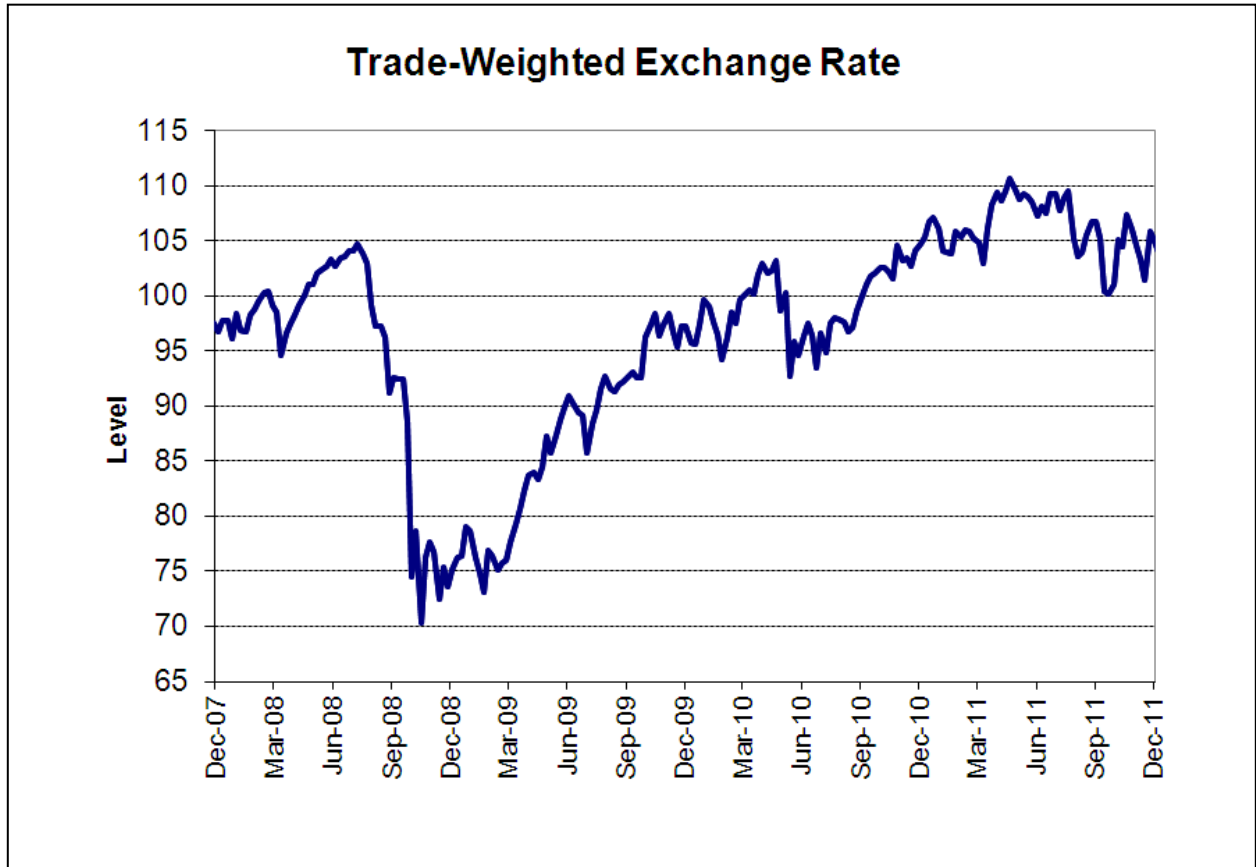
Chart of the Week: CPI



Q4 Consumer Prices were unchanged from the last quarter. Annually, prices rose 3.1% in Q4, compared with 3.5% Y/Y the previous quarter. Expectations were for gains of 0.2% Q/Q and 3.3% Y/Y. The Trimmed Mean Inflation rate, rose 0.6 % Q/Q and 2.6% Y/Y, compared with 0.4% Q/Q and 2.4% Y/Y in Q3 (+0.5% Q/Q; +2.4% Y/Y expected). The RBA's measure of core inflation rose 0.5% Q/Q, in line with expectations, and 2.6% Y/Y, from 0.4% Q/Q and 2.2% Y/Y previously (+2.4% Y/Y expected). The core inflation rate rose above the middle of the RBA's 2% to 3% target range. Non-tradables rose 0.7% Q/Q and 3.9% Y/Y, following gains of 1.2% Q/Q and 3.6% Y/Y in Q3.

AU 1

FX



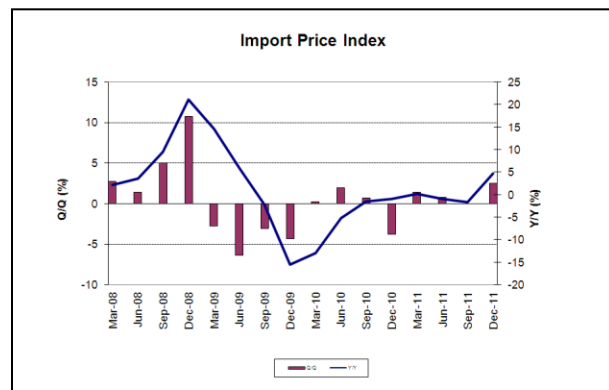
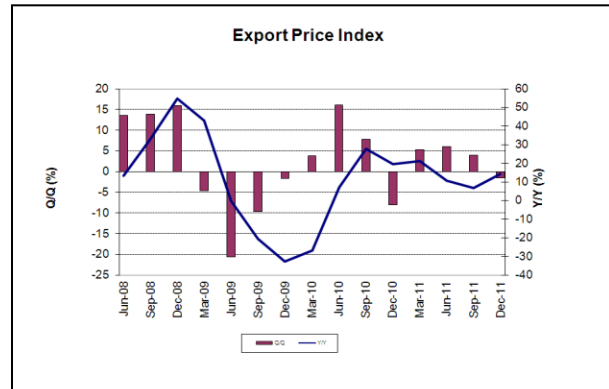
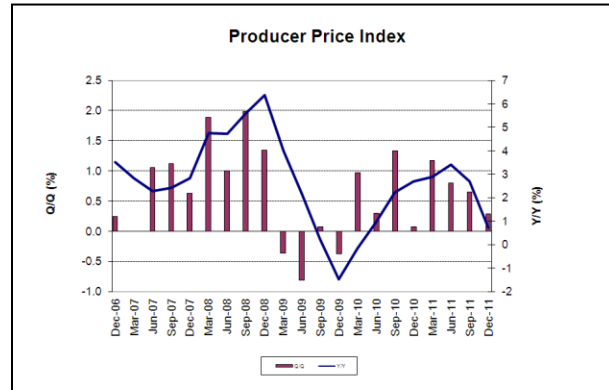
PPI, Export Prices & Import Prices

PPI

PPI rose 0.3% Q/Q and 2.9% Y/Y in Q4, compared with 0.6% Q/Q and 2.7% Y/Y the previous quarter. The Index was expected to gain 0.4% Q/Q and 3.0% Y/Y. Industrial machinery, equipment manufacturing, other manufacturing, and motor vehicle/parts manufacturing costs offset lower agriculture prices.

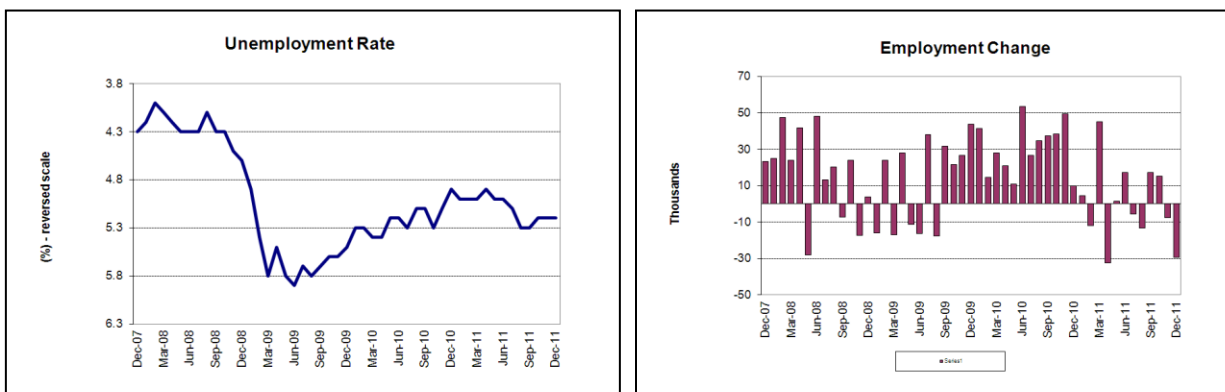
Export Prices fell -1.5% Q/Q, compared with 4.0% in Q3. Exports were expected to fall 2.0% Q/Q.

Import Prices rose 2.5% Q/Q. Prices were flat the quarter before. A 0.6% Q/Q gain was expected.



Unemployment Rate & Data

Unemployment Rate



Total Employment fell 29.3K jobs in December, after a 7.5K loss in November. The Unemployment Rate was unchanged at 5.2% for the third consecutive month. The market expected a 10.0k job gain and an unemployment rate of 5.3%. Full Time jobs increased 24.5K (-39.4K prev.) and part time jobs fell -53.7K (+31.9K prev.). The Participation Rate fell from 65.5% to 65.2%.

Data

January 24th (Bloomberg) - The Westpac Leading Economic Index – fell, for a second month in three, from 0.1% M/M in October to -0.2% M/M in November, well below its long term trend growth of 3.3%. The index is currently at 281.7. Westpac’s Chief Economist, Bill Evans remarked, “It appears that the boost to above trend growth we saw in July and August has quickly faded and the outlook has evolved into a ‘below trend’ story.”

January 24th (Bloomberg) - DEWR Internet Skilled Vacancies - The index measuring the number of jobs available on the internet for skilled workers improved from -1.4% M/M in November to -1.1% M/M in December.

January 23rd (Bloomberg) - Conference Board’s Leading Economic Index - The Index of Leading Economic Indicators for Australia fell from 0.5% in October to -0.3% in November (to 119.3 points). The Leading Index is a gauge of how the Australian economy may perform in the next three to six months.

January 18th (Bloomberg) - Consumer Inflation Expectations - According to the Melbourne Institute, Consumers’ inflationary expectations rose from 2.4% in December to 2.8% in January. The expectations for the hourly wage change, for all occupations, jumped from 4.9% to 6.3%.

Key Dates This Week

Date	Indicator	Month	Expectations	Previous
01/30	RPData-Rismark House Px Raw	DEC	--	-0.2%
01/30	RPData-Rismark House Px S.A	DEC	--	0.1%
01/30	NAB Business Conditions	DEC	--	1
01/30	NAB Business Confidence	DEC	--	2
01/30	Private Sector Credit M/M / Y/Y	DEC	--	0.3% / 3.5%
01/31	AiG Perf of Mfg Index	JAN	--	50.2
01/31	HIA New Home Sales	DEC	--	6.8%
01/31	House Price Index Q / Y	Q4	--	-1.2% / -2.2%
02/01	RBA Commodity Price Index	JAN	--	104.5
02/01	RBA Commodity Index SDR Y/Y	JAN	--	10.9%
02/01	Building Approvals	DEC	--	8.4% / -18.9%
02/01	Trade Balance	DEC	--	1380M

Valance Co., Inc.

Valance Economic Report: New Zealand

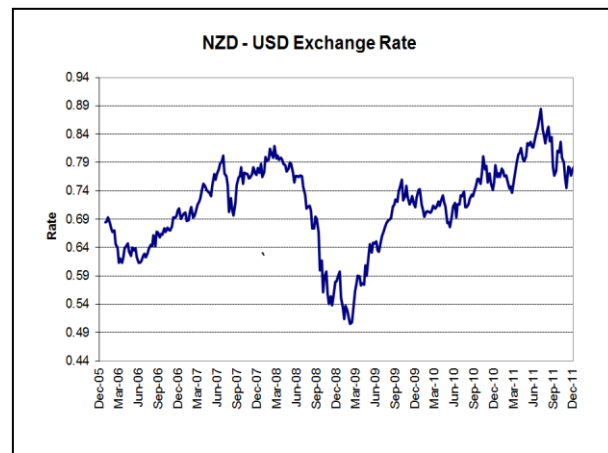
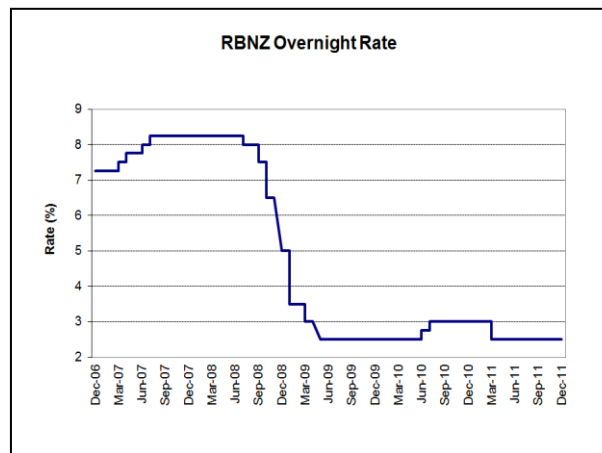
Reginald Perry
 (340) 692-7710
rperry@valance.us

January 25, 2012

As widely expected the RBNZ left its OCR at 2.50% for the second month in a row, a record low, citing low inflation and the restraints from Europe's debt crisis on the economy.

Weekly Highlights

Credit Card Spending – increased 0.9% M/M and 5.9% Y/Y in December

Weekly Releases & News**Chart(s) of the Week: OCR and FX Rate**

The RBNZ left its benchmark interest rate at 2.50%, “given ongoing uncertainty around global conditions and the moderate pace of domestic demand”.

RBNZ's OCR Statement & News

The Reserve Bank today left the Official Cash Rate (OCR) unchanged at 2.5 percent.

The following is the text from the Reserve Bank of New Zealand after its interest rate decision:

The Reserve Bank today left the Official Cash Rate (OCR) unchanged at 2.5 percent. Reserve Bank Governor Alan Bollard said: Since the time of the December Statement, financial market sentiment has improved slightly, with increased liquidity in European financial markets. However, the global economy remains fragile and risks to the outlook remain.

World prices for New Zealand's export commodities have remained elevated but the recent appreciation of the New Zealand dollar is reducing exporters' returns. The European debt crisis has also increased the cost of international funding, which will likely pressure funding costs for New Zealand banks over the coming year.

In the domestic economy we continue to see modest growth. Over recent months there have been signs of a limited recovery in household spending and the housing market. Further ahead, repairs and reconstruction in Canterbury will also provide a significant boost for an extended period, though there may be further delays resulting from the aftershocks. Reassuringly, inflation pressures have remained well contained. Inflation has declined and now sits below 2 percent. Given ongoing uncertainty around global conditions and the moderate pace of domestic demand, it remains prudent to keep the OCR on hold at 2.5 percent.

Comments & Upcoming Dates

Jan. 25 (Bloomberg) New Zealand Manufacturing PMI rose sharply last month, from 45.7 to 51.9 Production, employment and new orders all rose.

Key Dates This Week

Date	Indicator		Expectations	Previous
26-Jan	Trade Balance	DEC	-50M	-308M
26-Jan	Exports	DEC	4.11B	3.91B
26-Jan	Imports	DEC	4.10B	4.22B
26-Jan	Trade Balance 12 Mth YTD	DEC	723M	555M
27-Jan	Performance Services Index	DEC	--	56.6
30-Jan	Building Permits M/M	DEC	--	-6.40
30-Jan	Money Supply M3 Y/Y	DEC	--	0.07

Weekly Economic Report: **China**

Evelyn L. Richards

January 25, 2012

(340) 692-7710

erichards@valance.us

No economic data released this week.

Data & News Releases

Data

January 19th (Market Watch) - China's HSBC Flash Manufacturing PMI – rose slightly from 48.7 in December to 48.8 in January; representing a 3-Month high. HSBC Economist, Qu Hongbin remarked, “Despite the upside surprise of industrial production growth in December, the ongoing slowdown of investment and exports implies more headwinds to growth and likely destocking pressures for manufacturers in the coming months. We expect more policy easing to stabilize growth.”

January 19th (Bloomberg) - China Leading Index Rises – According to the Conference Board, China's Leading Index rose 0.7% to 222.0 in December.

News Releases

January 25th (Yonhap) - China likely to lower banks' reserve requirement within weeks - HSBC Economist, Qu Hongbin remarked:

The widely-expected reserve ratio cut is likely to be postponed to the weeks after the Chinese New Year, as the PBOC injected 352 billion yuan (US\$55.6 billion) liquidity via reverse repurchase arrangements in open market operations.

The intervention was only designed to temporarily smooth liquidity conditions ahead of the Chinese New Year holiday. When the reverse repo matures in the week after the Chinese New Year, it will take out 352 billion yuan from the market.

Coupled with smaller money inflows, the PBOC has to cut the reserve ratio to ensure looser credit and liquidity conditions that are supportive of growth, as inflation is no longer a concern.

News Releases (Cont'd.) & Upcoming Dates

News Releases (Cont'd.)

January 23rd (Bloomberg) - China Financing Slowdown Reduces Systemic Risk - Moody's Investors Service said in its Weekly Credit Outlook:

China's ability to slow non-bank financing growth to its current pace is helpful to the prospects of a 'soft landing' in the economy and a development that diminishes our concerns about systemic risk.

Although these products are not on banks' balance sheets, banks play an important role in making the transactions happen.

January 19th (Business Ghana) - China's economy to grow 8.4 pct this year – The World Bank said that China's economic growth will likely reach 8.4% Y/Y, lower than 2011's 9.2% growth rate. The Bank made the following comments in its twice-yearly Global Economic Prospects report:

In China, the lagging effects of monetary policy tightening, both in terms of interest rates and regulatory adjustment, are expected to combine with weak external demand to slow gross domestic product (GDP) growth.

The bulk of activity is expected to come from domestic demand with private consumption and fixed investment each contributing 3 and 4 percentage points to GDP in 2012, while net exports afford only a modest 0.2 point addition to growth.

Key Dates This Week

Date	Indicator	Month	Expectation	Previous
01/26	MNI Jan Business Condition Survey			
01/31	PMI Manufacturing	JAN	49.6	50.3
01/31	HSBC Manufacturing PMI	JAN	--	48.7

Valance Co., Inc.

Valance Economic Report: Sweden

Evelyn L. Richards

(340) 692-7710

erichards@valance.us

January 25, 2012

No economic data released this week.

News Releases

January 24th (Bloomberg) Policy Can Affect Unemployment in Short Term - Riksbank Deputy Governor Barbro Wickman-Parak said in speech posted on the central bank's website:

Here I can mention that several debaters have previously claimed that an incorrect balance in monetary policy has made a significant contribution to the negative developments in the labour market.

Naturally, we should not conduct a monetary policy that leads to demand being unnecessarily low and to unemployment becoming higher than it would have been because we single-mindedly react to the risk of inflation rising.

[She also said that it was] important to maintain the credibility of our inflation-targeting policy.

January 18th (Xinhua) - Economy to be affected in long-term by European crisis - Swedish Prime Minister Fredrik Reinfeldt stated at a parliament debate:

Our Europe is now in the financial crisis, debt crisis and credit crisis at the same time.

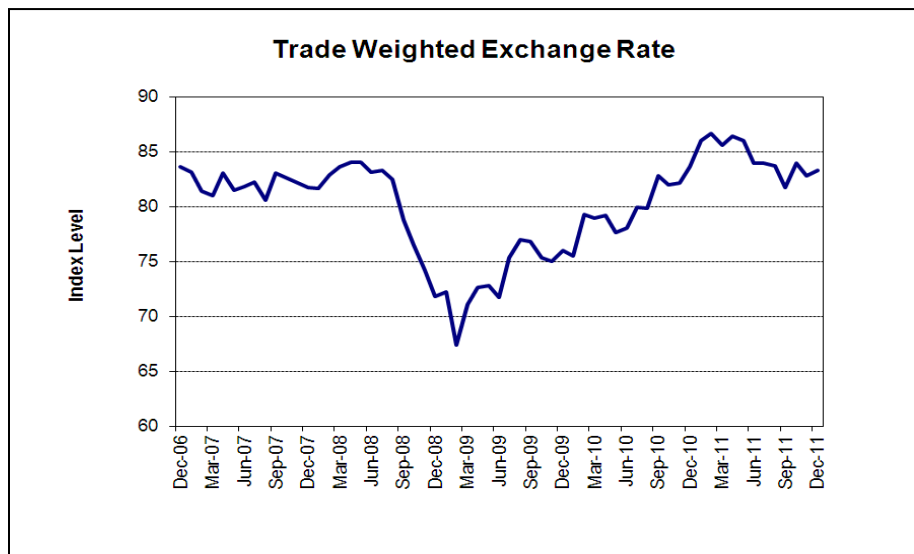
It will affect Sweden's economy, household and job situation.

[Sweden, a largely export-oriented country,] is not big enough to change the situation although the Swedish economy is doing better than most of the other countries.

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Trade Weighted Exchange Rate & Upcoming Dates

Trade Weighted Exchange Rate



Key Dates This Week

Date	Indicator	Month	Expectation	Previous
01/26	Consumer Confidence	JAN	-7.0	-7.4
01/26	Manufacturing Confidence s.a.	JAN	-11	-11
01/26	Economic Tendency Survey	JAN	93.0	92.8
01/26	PPI	DEC	-0.4% / -2.3%	0.8% / 0.3%
01/26	Trade Balance	DEC	6.5B	3.5B
01/26	Unemployment Rate	DEC	7.0%	6.7%
01/27	Household Lending	DEC	5.1%	5.3%
01/27	Retails Sales	DEC	-0.5% / 0.8%	0.8% / 0.7%
01/30	Wages – Non Manual Workers	NOV	--	2.3%
02/01	Swedbank PMI Survey	JAN	--	48.9

Valance Co., Inc.

Valance Economic Report: Switzerland

Evelyn L. Richards

(340) 692-7710

erichards@valance.us

January 25, 2012

No economic data released this week.

Data & News

Data

January 23rd (NASDAQ) – M3 Money Supply Growth – accelerated in December after slowing the previous month. M3 growth rose from 7.3% Y/Y in November to 7.7% Y/Y in December.

News

January 24th (Bloomberg) - SNB Remains Determined to Enforce Franc Cap – SNB Governing Board Member, Jean-Pierre Danthine made the following comments at an event in Zurich:

[The Swiss National Bank will] continue to enforce the minimum rate with the utmost determination and remains prepared to buy foreign currency in unlimited quantities.

The Swiss franc is still highly valued, but it should depreciate further in the future.

The SNB's institutional strength is the result of teamwork. The current course of Swiss monetary policy, particularly the decision to introduce a minimum exchange rate, is the result of a deep-rooted consensus of this kind.

Their strength is that they target the problem directly at the root. One important lesson to emerge from the analysis of the recent crisis is that an interest-rate policy cannot be the sole, or even the main instrument, used to promote financial stability. It is imperative that central banks be endowed with alternative 'macro-prudential' instruments.

News (Cont'd.), Trade Weighted Exchange Rate & Upcoming Dates

News (Cont'd.)

January 24th (Bloomberg) - Swiss Central Bank Should Keep Expansionary Policy – The OECD remarked:

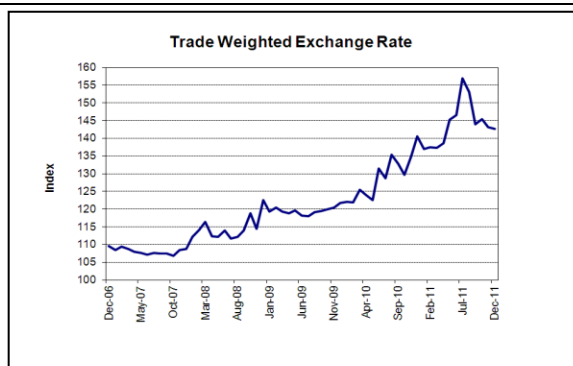
[Based on the Swiss National Bank's inflation forecast,] monetary stimulus will therefore need to remain expansionary for some time, unless the scenario underlying the inflation projections changes, for example through a reversal of recent exchange rate developments."

[It also said that since interest rates may remain] unusually low and liquidity abundant, it is important that macroprudential measures are taken in parallel to avoid excessive mortgage lending.

Surveys indicate that most firms have so far accommodated the appreciation [of the franc] by lowering margins and therefore have not reduced the volume of production.

[Still,] there is a risk that even temporary large exchange rate appreciation can have a permanent effect on production supplied by these businesses, possibly resulting in large welfare losses.

Trade Weighted Exchange Rate



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
01/27	KOF Swiss Leading Indicator	JAN	-0.10	0.01
01/31	UBS Consumption Indicator	DEC	--	0.81
02/01	Retail Sales (Real)	DEC	--	1.8%
02/01	PMI Manufacturing	JAN	--	50.7