

Valance Company, Inc.



Weekly

February 22, 2012

III

Highlights

US – Initial Claims hit multi-year lows

EU – PMIs were weaker than expected across the board

JN – Trade Deficit increased but fared better than expected

UK – Strong Retail Sales

AU – Q4 Wage Growth accelerated

SW – The Riksbank cut its repo rate to 1.50% and reduced rate path

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Valance Economic Reports

Valance Co., Inc.

Valance Economic Report: United States

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February 22, 2012

Initial Claims are maintaining momentum, hitting multi-year lows and reflecting an improving employment picture. Core inflation indicators came in slightly above expectations but overall, inflation remains subdued. The housing market continues to show small signs of life, albeit off of extremely low levels.

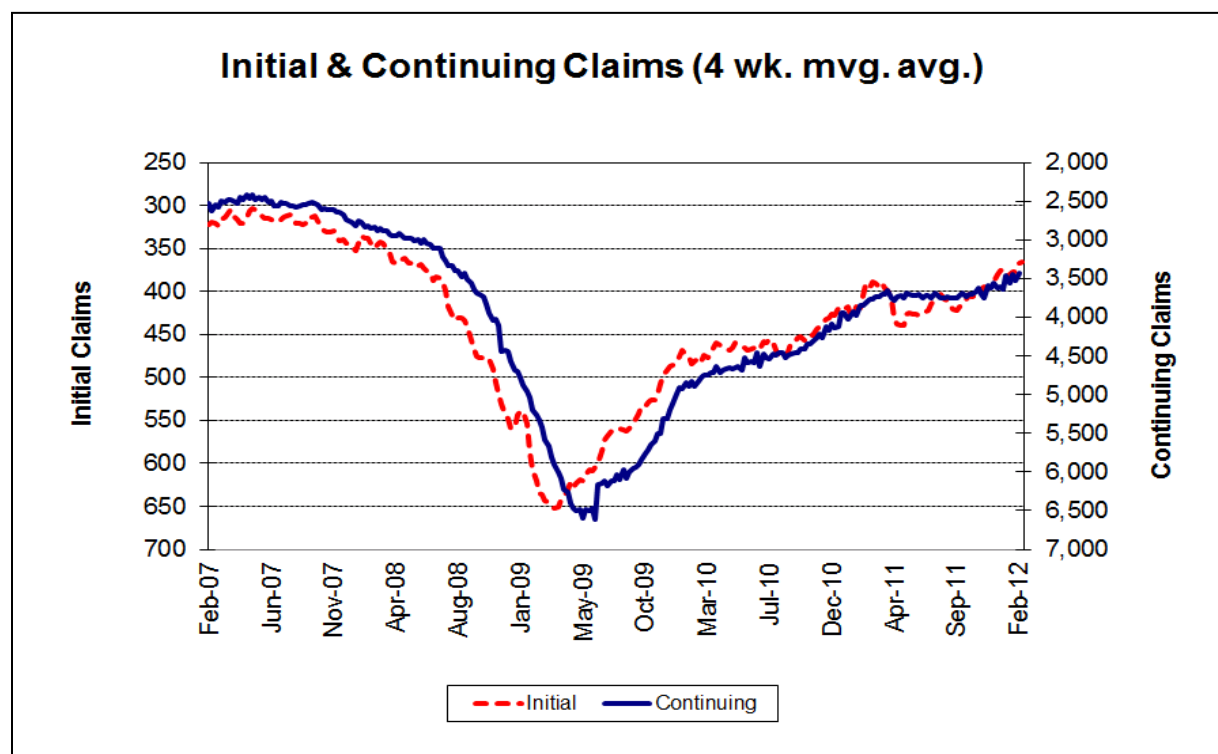
Weekly Highlights

Initial Claims – fell by 13k to 348k, lowest since February 2008. (US 1)

Core PPI – jumped 0.4% M/M in January. (US 3)

Weekly Releases

Chart of the Week: *Initial Jobless Claims*



Initial Claims fell 13k to 348k. The series has been volatile since the beginning of the year but is showing significant momentum. This is lowest reading since February 2008. The four week moving average of Initial Claims fell 2k to 365k. Continuing Claims fell from 3526k to 3426k.

US 1

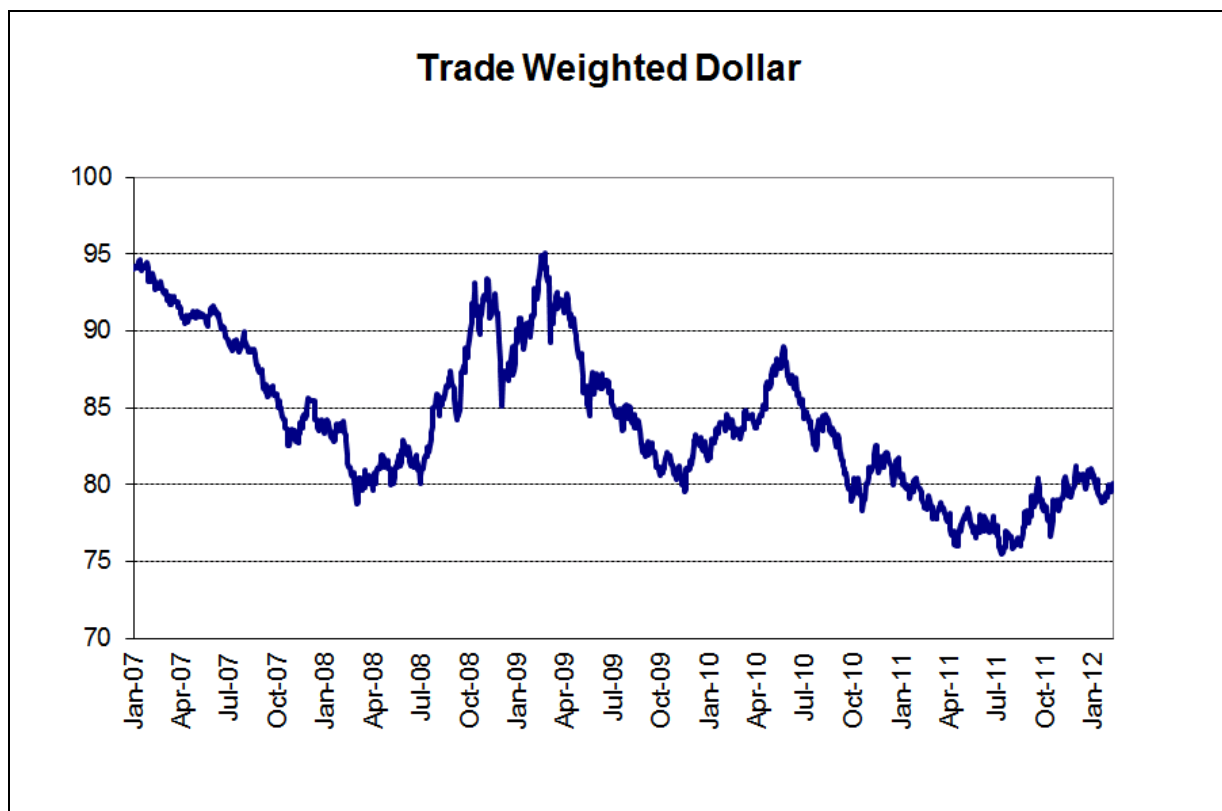
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

U.S.	Latest period (\$blns)	Last 12mth. as a % of GDP
Budget Balance	-27.4 (Dec)	-8.0%
Trade Balance	-48.8 (Dec)	-3.7%
Current Account Balance	-110.3B (Q3)	-3.1%
Private Balance	--	5.3%

The budget deficit on a trailing twelve month basis as of December is 8.0% of GDP. The trade deficit as of December is 3.7% 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 budget deficit will help build private balances and support an economic recovery.

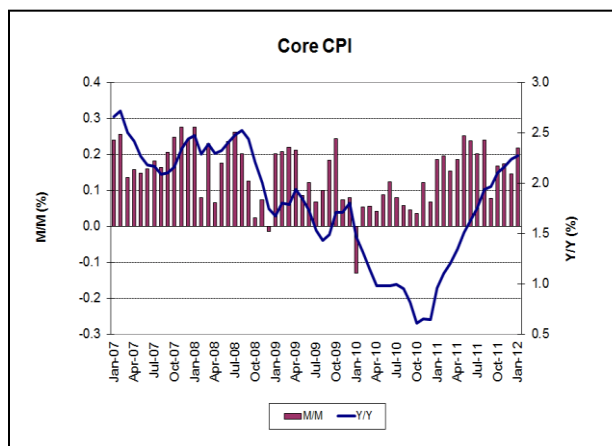
Trade Weighted Dollar



CPI, Producer Prices & Philadelphia Fed.

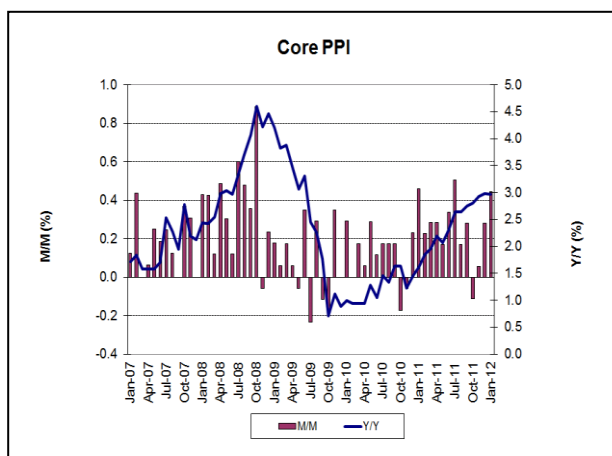
CPI

Core CPI increased 0.21% M/M and 2.3% Y/Y in January. The three-month annualized core rate is 2.2%. Owners equivalent rent rose 0.2% M/M. The headline rate increased 0.2% M/M and 2.9% Y/Y. Energy prices gained 0.2% M/M after declining the past three months and have increased 6.1% Y/Y.



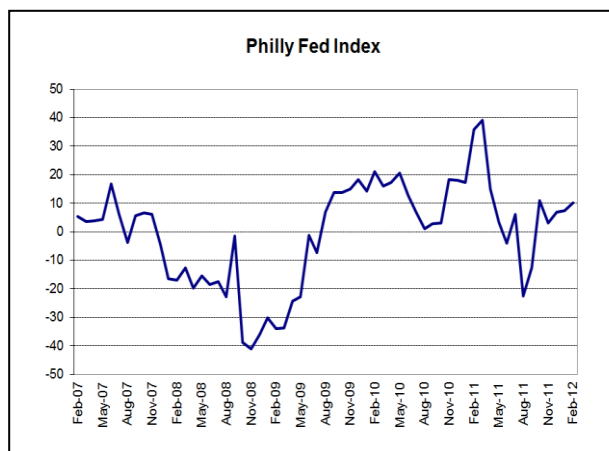
Producer Price Index

Core PPI jumped 0.4% M/M and remained at 3.0% Y/Y in January. Headline PPI rose 0.1% M/M and decelerated to 4.1% Y/Y growth. The three-month annualized core rate is 3.2%. Core intermediate goods fell by 0.1% M/M and core crude goods rose 0.6% M/M.



Philadelphia Fed.

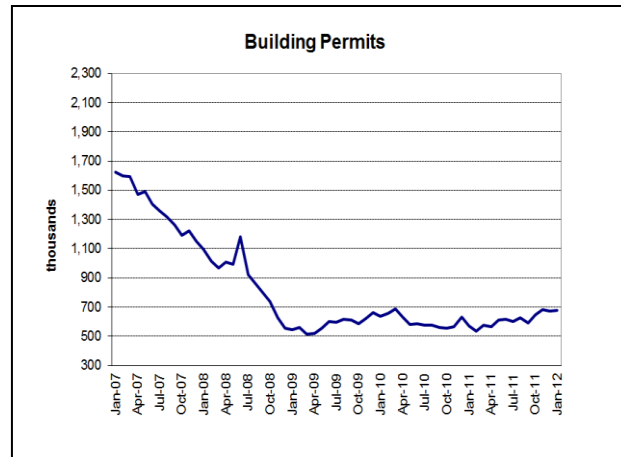
The Philly Fed Index improved from 7.3 to 10.2 in February, a four-month high. The New Orders component rose from 6.9 to 11.7 and Unfilled Orders from -4.1 to 2.2. The Employment index dropped from 11.6 to 1.1 though the Average Workweek rose from 5.0 to 10.1.



Building Permits, Housing Starts & Existing Home Sales

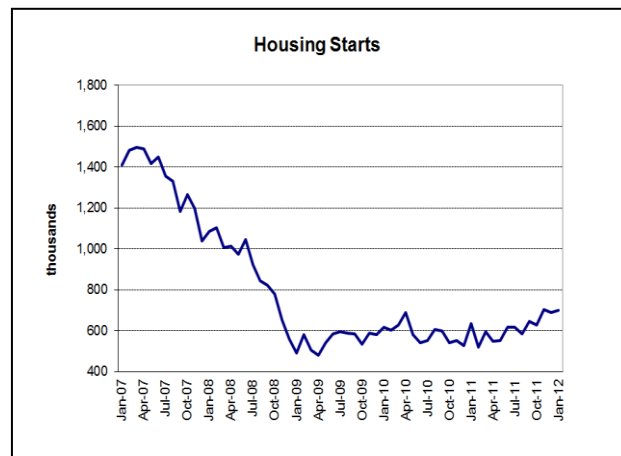
Building Permits

Building Permits gained 0.7% M/M in January, rising from 671k to 676k. Single and Multi-family permits both rose slightly from 441k and 230k to 445k and 231k, respectively. Permits lead housing starts and suggest that housing starts could begin to improve from these low levels later in the first half of 2012.



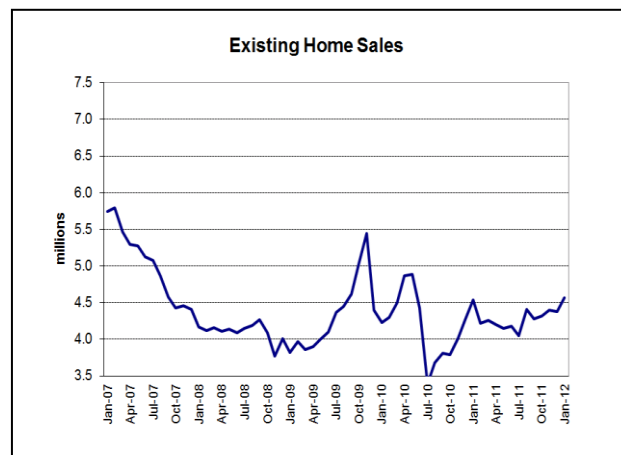
Housing Starts

Housing Starts gained 1.5% M/M in January, up from a revised 689k (from 657k) to 699k on a seasonally adjusted annualized basis. Single family starts declined from a revised 513k (from 470k) to 508k. Multi-family starts rose from 176k to 508k. Housing Starts are up 9.9% Y/Y.



Existing Home Sales

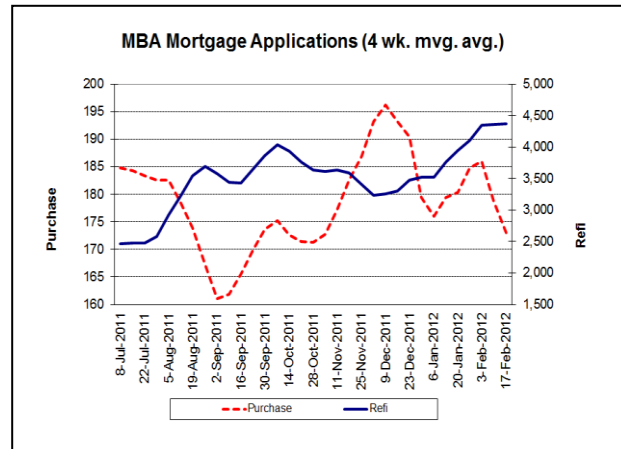
Existing Home Sales increased from 4.38 mln seasonally adjusted annualized units to 4.57 mln in January, up 4.3% M/M, though December was revised from 4.61 mln to 4.38 mln. Median prices dropped 7k to 154.4k. Inventory levels fell from 6.4 to 6.1 months of supply, its lowest level since 2006.



MBA Mortgage Applications & Bloomberg Consumer Comfort

MBA Mortgage Applications

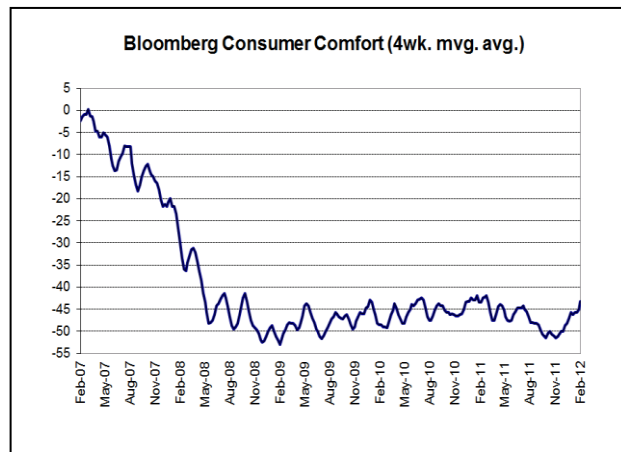
Purchase Mortgage Applications dropped 2.9% W/W. Refi applications dropped 4.3% W/W. The FRM 30-year contract is just off the all-time low at 4.09%.



Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index improved from -41.7 to -39.8, the highest level since last February. The state of the economy increased from -76.6 to -72.1.

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Key Dates This Week

Date	Indicators		Expectations	Previous
23-Feb	Initial Jobless Claims	18-Feb	355K	348K
23-Feb	Bloomberg Consumer Comfort	19-Feb	- -	-39.8
23-Feb	House Price Index M/M	DEC	0.10%	1.00%
24-Feb	U. of Michigan Confidence	FEB F	73	72.5
24-Feb	New Home Sales M/M	JAN	2.60%	-2.20%
27-Feb	Pending Home Sales M/M	JAN	1.00%	-3.50%
28-Feb	Durable Goods Orders	JAN	-1.00%	3.00%
28-Feb	Durables Ex Transportation	JAN	0.00%	2.10%
28-Feb	Cap Goods Orders Nondef Ex Air	JAN	0.50%	2.90%
28-Feb	S&P/CS 20 City M/M% SA	DEC	-0.50%	-0.70%
28-Feb	S&P/CS Composite-20 Y/Y	DEC	-3.60%	-3.67%
28-Feb	Consumer Confidence	FEB	63	61.1
29-Feb	MBA Mortgage Applications	24-Feb	- -	-4.50%
29-Feb	GDP Q/Q (Annualized)	4Q S	2.80%	2.80%
29-Feb	Personal Consumption	4Q S	2.00%	2.00%
29-Feb	Core PCE Q/Q	4Q S	1.10%	1.10%
29-Feb	Chicago Purchasing Manager	FEB	62	60.2

Valance Economic Report: Euro Zone

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February 22, 2012

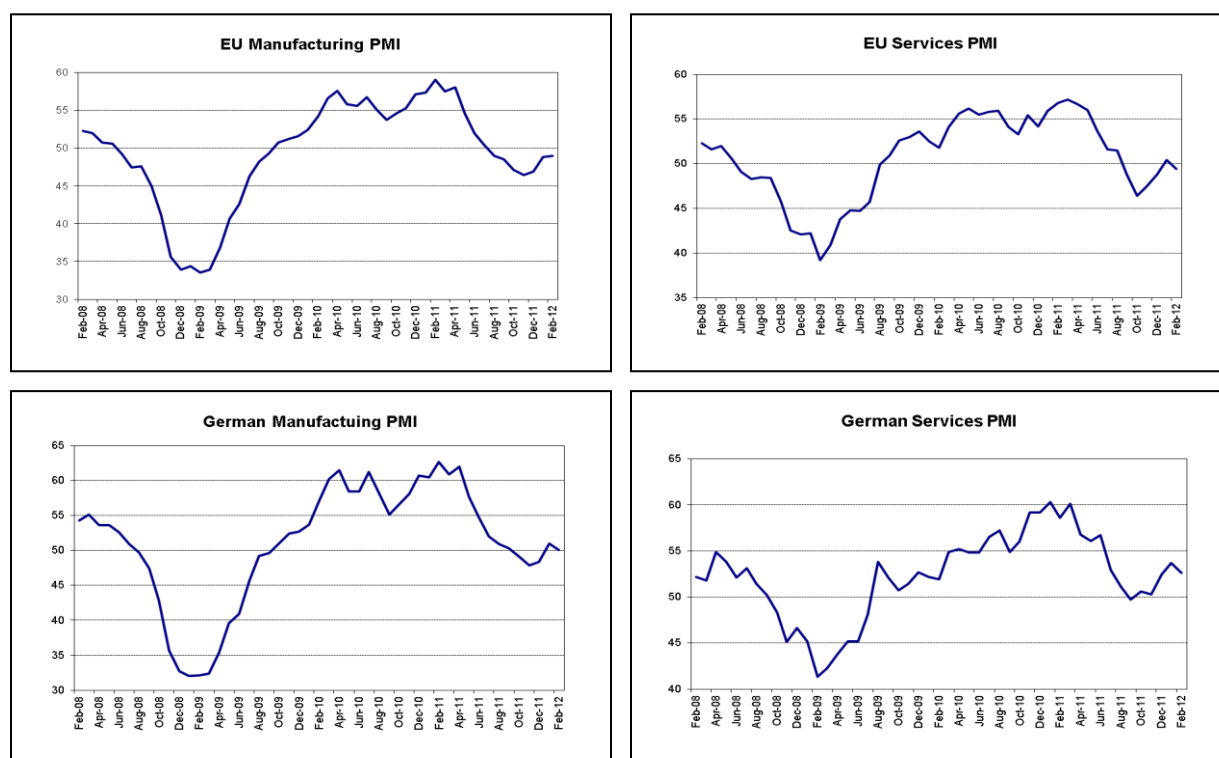
EU February PMIs were weaker than expected across the board. EU Consumer Confidence increased slightly in February and German PPI increased above market expectations. In other news, the Euro Zone agreed to a second 130bn (109bn) Greek bailout.

Weekly Highlights

EU PMIs – were weaker than expected across the board in February. (EU 1)
EU Consumer Confidence - increased from -20.7 in January to -20.2 in February. (EU 3)
German PPI- increased 0.6% M/M and 3.4% Y/Y in January. (EU 4)

Weekly Releases & News

Chart(s) of the Week: EU PMIs



EU PMIs were weaker than expected across the board. PMI Manufacturing increased from 48.8 in January to 49.0 in February, below market expectations for a reading of 49.4. Services Industry PMI fell from 50.4 to 49.4 against market expectations for a reading of 50.6. The Composite Index fell from 50.4 to 49.7 versus market expectations for an increase to 50.5. German Manufacturing Industry fell from 51.0 to 50.1 against market expectations for a reading of 51.5 and the Services Industry decreased from 53.7 to 52.6.

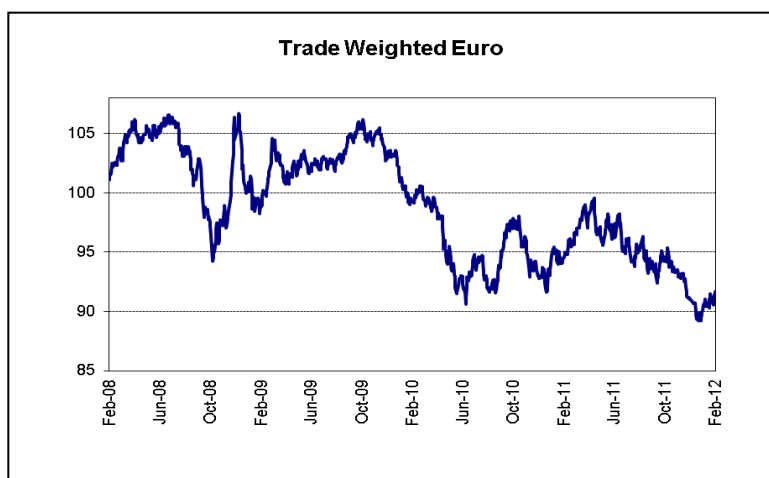
Euro Zone Financial Balances & Trade Weighted Euro

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	12.9 (December)	2.0%
Current Account Balance	19.3 (December)	6.9%
Private Savings Balance		-3.6%
<i>France</i>		
Budget Balance		-2.7%
Trade Balance	-5.0 (December)	-4.9 %
Current Account Balance	3.0 (December)	-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*

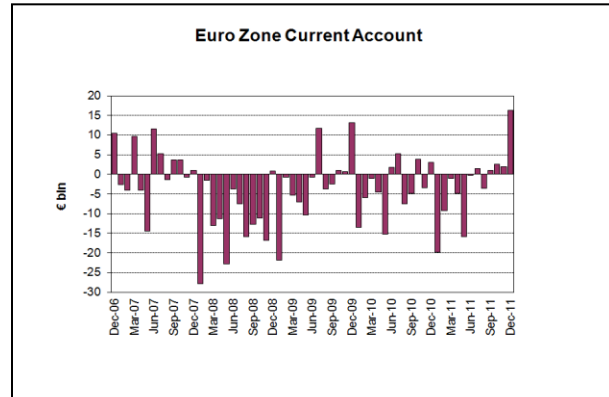
Trade Weighted Euro



EU Current Account & Consumer Confidence

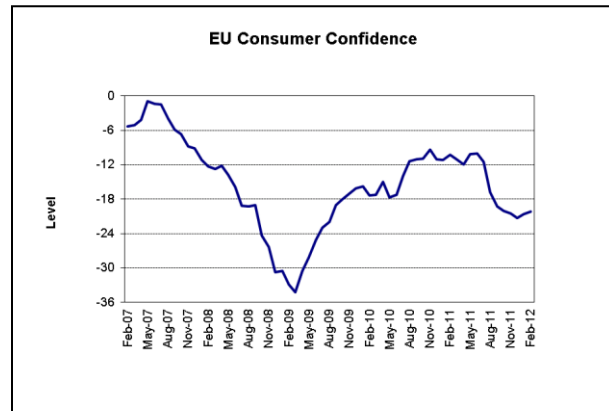
EU Current Account

EU Current Account surplus widened from €1.9 bln in November to €16.3 bln in December. This compares to a surplus of €3.0 bln in December 2010.



EU Consumer Confidence

EU Consumer Confidence increased from -20.7 in January to -20.2 in February. Market expectations were for a reading of -20.1.



German Producer Prices & French Business Confidence/CPI

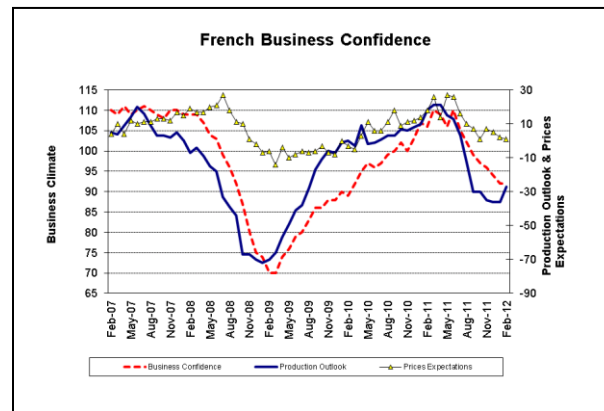
German Producer Prices

German Producer Prices increased 0.6% M/M and 3.4% Y/Y in January. Market expectations were for a 0.3% M/M and a 3.2% Y/Y gain. Producer Prices, ex. energy, increased 0.3% M/M and increased 1.7% Y/Y.



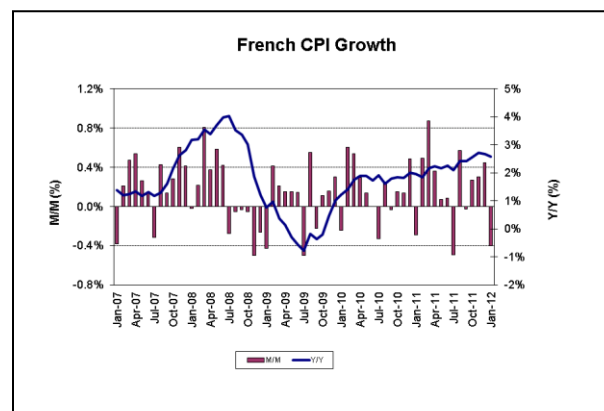
French Business Confidence

French Business Confidence remained at 92 in February, in line with market expectations. Details show that the Production Outlook Component increased from -36 to -27 and the Price Expectation component fell from two to one.



French CPI

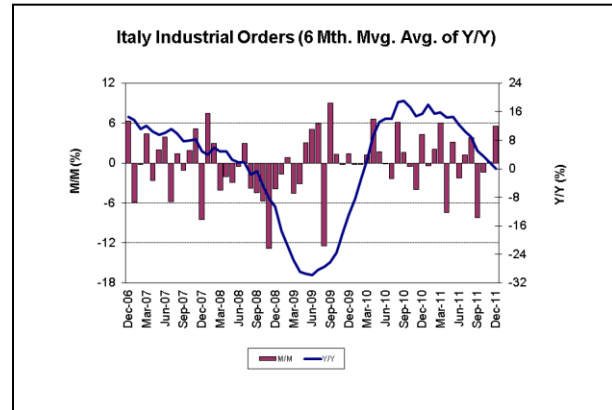
French CPI decreased 0.4% M/M and increased 2.6% Y/Y in January. Market expectations were for a fall of 0.2% M/M and increase of 2.7% Y/Y.



Italian Industrial Orders, CPI & Trade Balance

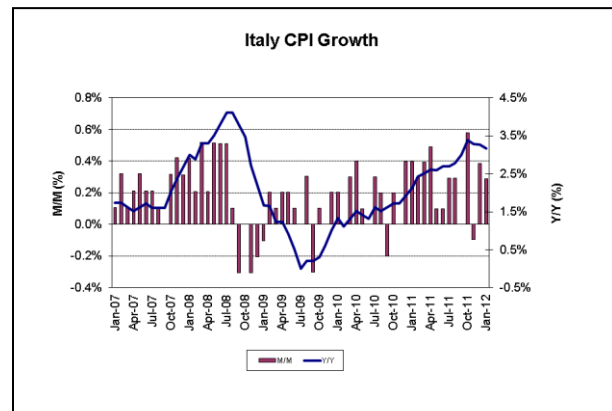
Italian Industrial Orders

Italian Industrial Orders increased 5.5% M/M and 1.3% Y/Y in December. Industrial Sales increased 3.4% M/M and 5.6% Y/Y.



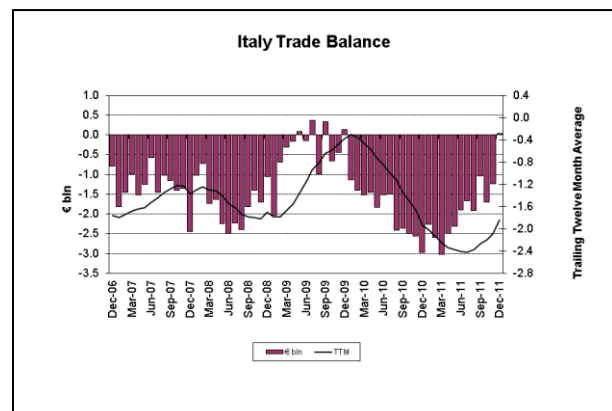
Italian CPI

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



Italian Trade Balance

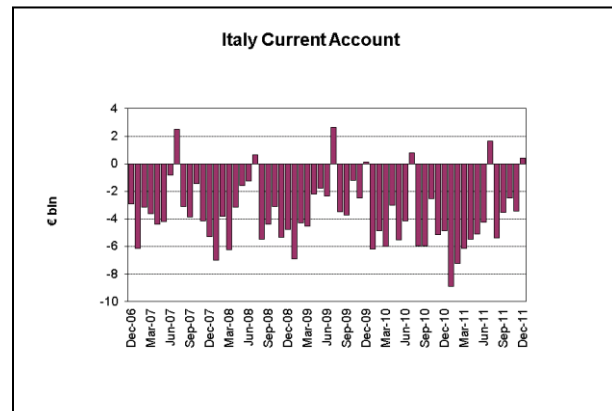
Italian Non EU Trade Balance swung from a deficit of €1.2 bln in November to a surplus of €28 mln in December. The Trade Balance stood at a deficit of €3.0 bln in December 2010.



Italian Current Account & Spanish Trade Balance

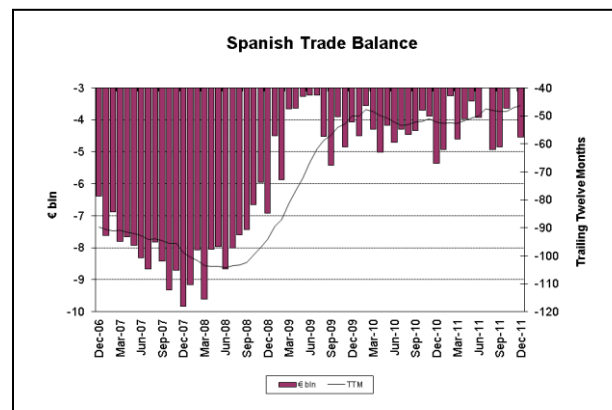
Italian Current Account

Italian Current Account swung from a deficit of €3.4 bln in November to a surplus of €0.4 bln in December. The Current Account balance stood at a deficit of €4.9 bln in December 2010.



Spanish Trade Balance

Spain's Trade Deficit widened from €2.7 bln in November to €4.5 bln in December as exports fell more than imports. The deficit in December 2010 stood at €5.4 bln. Exports fell 14.4% M/M and increased 6.6% Y/Y and Imports fell 4.4% M/M and increased 1.1% Y/Y.



News/Comments

Feb. 22nd - Germany again rejects boosting euro bailout fund (DPA) -- Germany ruled out again on Wednesday expanding the planned eurozone bailout fund. The proposed 500-billion-euro (661-billion-dollar) European Stability Mechanism (ESM) is due to begin operating July. European leaders agreed in December to discuss expansion of the ESM at their summit next month. But at a briefing on Wednesday, German government spokesman Steffen Seibert said: "The stance of the German government has not changed." Germany believes that the size of the ESM is adequate, especially after tension on the Italian and Spanish bond markets eased. Seibert told reporters that the German government was prepared to speed up funding for the ESM. The International Monetary Fund and the European Central Bank recently called on European leaders to transfer an unused 230 billion euros from the current rescue fund, the European Financial Stability Facility, to the ESM.

Feb. 22nd - Greece Signs Tax Collection and Evasion Agreement, OECD Says (Bloomberg) - Greece signed an international convention enabling countries to assist one another in tackling tax evasion and tax collection, the Organization for Economic Co-operation and Development said. "At a time when Greece is looking to shore up its economy in line with a new financial package supported by the euro area countries and other stakeholders, the convention will allow Greece to work more closely with other countries to combat tax avoidance and evasion," the Paris-based body said today in a statement on its web site. Greece yesterday secured 130 billion euros (\$171.9 billion) of aid, its second rescue in three years. Euro area finance ministers awarded the deal and engineered an agreement on a writedown of about 100 billion euros in Greek bonds. "This signing is a step towards Greece's efforts to restore the longer-term sustainability of its public finances," Angel Gurría, OECD secretary general said, according to the statement. "The convention will help Greece improve its internal tax collection system and to pursue the tax revenues lost to tax avoidance and evasion." Greece joins 14 other European Union countries who have signed the agreement as well as Japan, Russia and the United States.

Feb. 22nd - German BDB Banks See Economy Growing Half a Percent This Year (Bloomberg) - Germany's BDB private bank federation expect the economy to grow half a percent this year, slightly less than the 0.7 percent forecast by the government, as exports struggle to grow. The chief economists of leading banks affiliated with the Berlin-based BDB expect the economy next year to grow 1.5 percent as global growth spurs exports to expand faster. The government will keep the deficit below the 3 percent mark in both 2012 and 2013 at 1.1 percent and 0.8 percent of gross domestic product respectively.

Feb. 21st - Eurozone Agrees €130bn Bail-out for Greece (Telegraph) - The eurozone has agreed a second €130bn (£109bn) Greek bailout after asking private investors to take bigger losses on Greece's debt and by further stripping the country of sovereignty over its finances. After almost 14 hours of talks ending early on Tuesday morning, eurozone finance ministers unveiled an austerity and aid programme for Greece that aims to reduce its debt from 160 per cent to 120.5 per cent of GDP in 2020.

Lucas Papademos, the Greek Prime Minister, who attended the talks, hailed the latest debt crisis deal, following a previous agreement last October, as providing the solution for Greece. "It's no exaggeration to say that today is a historic day for the Greek economy," he said. Jean-Claude Juncker, Luxembourg's Prime Ministers and the chairman of the eurogroup of finance minister, warned Greece that the bailout would require unpopular austerity measures. "We expect the unprecedented solidarity of Greece's partners to be matched by a strong commitment by Greek leaders to fully implement their austerity programme," he said. Tense negotiations struggled throughout Monday to fill shortfalls in reducing Greek debt after an International Monetary Fund, European Commission and Central Bank "troika" report warned that unless holes were filled, the bailout would rise by €50bn before the end of the decade.

Key Dates This Week

Date	Indicators	Expectations	Previous
27-Feb	EC Euro-Zone M3 s.a. 3 mth ave.	JAN --	2.10%
27-Feb	EC Euro-Zone M3 s.a. (Y/Y)	JAN --	1.60%
28-Feb	EC Business Climate Indicator	FEB --	-0.21
29-Feb	EC Euro-Zone CPI - Core (Y/Y)	JAN --	1.60%
29-Feb	EC Euro-Zone CPI (M/M)	JAN --	0.30%
29-Feb	EC Euro-Zone CPI (Y/Y)	JAN --	--
23-Feb	GE IFO - Business Climate	FEB 108.8	108.3
23-Feb	GE IFO - Current Assessment	FEB 116.5	116.3
23-Feb	GE IFO – Expectations	FEB 102	100.9
24-Feb	GE GDP s.a. (Q/Q)	4Q F -0.20%	-0.20%
24-Feb	GE GDP wda (Y/Y)	4Q F 2.00%	2.00%
27-29 FEB	GE Import Price Index (M/M)	JAN 0.80%	0.30%
27-29 FEB	GE Import Price Index (Y/Y)	JAN 3.20%	3.90%
28-Feb	GE GfK Consumer Confidence Survey	MAR --	5.9
28-Feb	GE Consumer Price Index (M/M)	FEB P --	-0.40%
28-Feb	GE Consumer Price Index (Y/Y)	FEB P --	2.10%
29-Feb	GE Unemployment Change (000's)	FEB --	-34K
29-Feb	GE Unemployment Rate (s.a)	FEB --	6.70%
29-Feb	GE Retail Sales (M/M)	JAN --	-1.40%
29-Feb	GE Retail Sales (Y/Y)	JAN --	-0.90%
24-Feb	FR Consumer Confidence Indicator	FEB 82	81
24-Feb	FR Jobseekers- Net Change	JAN 30	29.7
24-Feb	FR Total Jobseekers	JAN --	2874.5k
27-Feb	FR Producer Prices (M/M)	JAN --	-0.10%
27-Feb	FR Producer Prices (Y/Y)	JAN --	4.70%
29-Feb	FR Consumer Spending (M/M)	JAN --	-0.70%
29-Feb	FR Consumer Spending (Y/Y)	JAN --	-3.10%
24-Feb	IT Retail Sales s.a. (M/M)	DEC -0.60%	-0.30%
24-Feb	IT Retail Sales (Y/Y)	DEC --	-1.80%
27-Feb	IT Business Confidence	FEB --	92.1
24-Feb	SP Producer Prices (M/M)	JAN --	-0.10%
24-Feb	SP Producer Prices (Y/Y)	JAN 4.30%	5.20%
29-Feb	SP Consumer Price Index (Y/Y)	FEB P --	2.00%
29-Feb	SP Current Account (Euros)	DEC --	-4.1B

Valance Economic Report: Japan

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February 22, 2012

The Trade Deficit increased in January, but still fared better than expected. Tertiary Industry Activity missed expectations and Department Store Sales and Supermarket Store Sales declined.

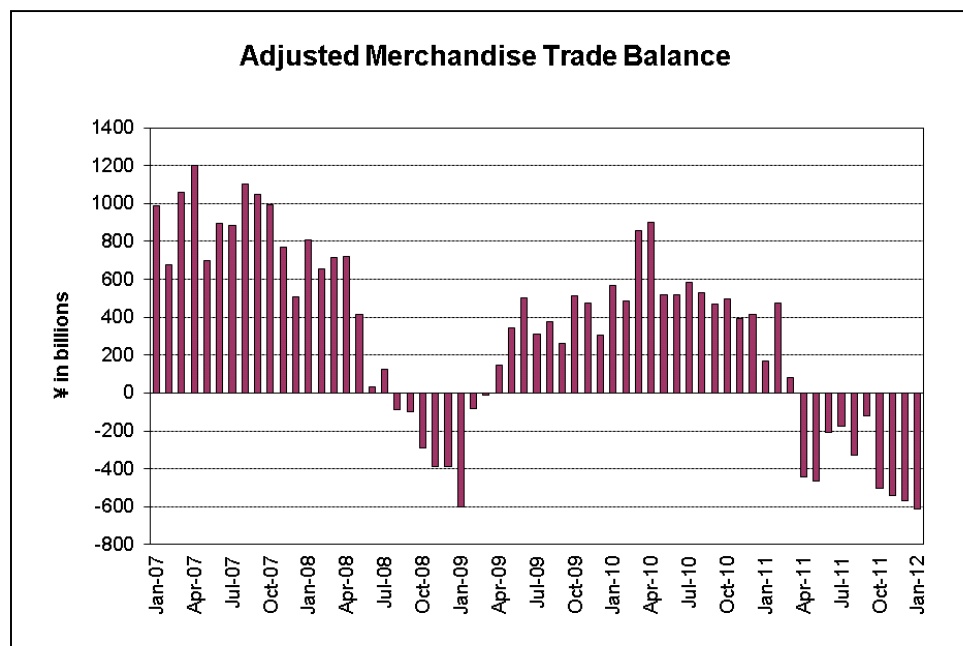
Weekly Highlights

Trade Balance – dropped from –Y568.7bln to –Y612.8bln in January. (JN 1)

Leading Economic Index – improved 0.3pts to 94.0 in December. (JN 3)

Nationwide Dept Store Sales – dropped 1.1% Y/Y in January. (JN 4)

Charts of the Week: Trade Balance

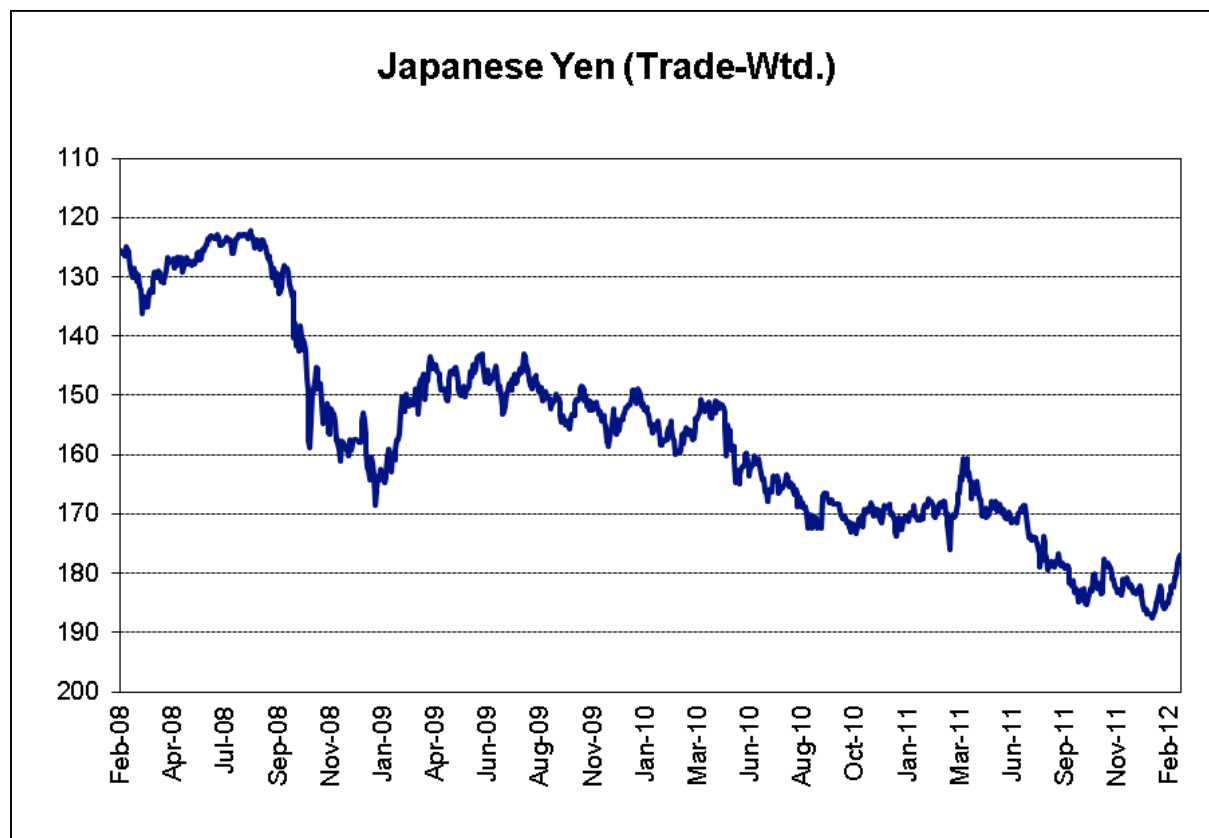


The January Adjusted Trade Balance declined from –Y568.7 bln to –Y612.8 bln, faring better than market expectations for a drop to –Y847.8 bln. Exports declined 0.4% M/M and 9.3% Y/Y. Imports increased 0.4% M/M and 9.8% Y/Y. According to unadjusted regional data, exports to the US increased 0.6% Y/Y. Exports to Europe declined 7.7% Y/Y. Exports to Asia declined 13.7% Y/Y. Exports to China declined 20.1% Y/Y.

Japan's Financial Balances

Financial Balances

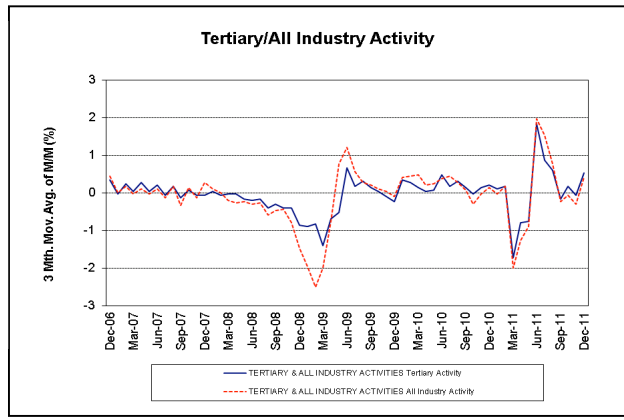
Japan	Last period (¥trln)	Last 12mth. as a % of GDP
Budget Balance	-3.50 (Dec)	-6.9%
Trade Balance	0.58 (Dec)	1.5%
Current Account Balance	1.87 (Dec)	3.5%
Private Balance	--	11.6%



All Industry Activity, Leading Index & Supermarket Store Sales

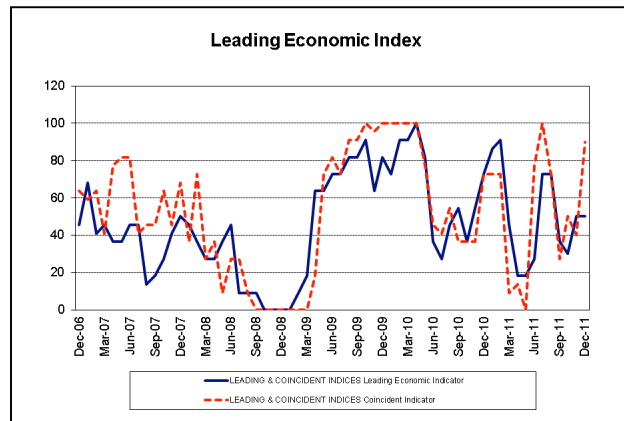
Tertiary/ All Industry Activity

The All Industry Activity Index increased 1.3% M/M and dropped 0.5% Y/Y in December, missing market expectations of a 1.5% M/M increase. Within the data, Tertiary Industry Activity increased 1.4% M/M and 0.6% Y/Y. Manufacturing increased 3.8% M/M and dropped 4.3% Y/Y. Government declined 0.4% M/M and increased 0.4% Y/Y. Construction declined 1.9% M/M and 2.2% Y/Y.



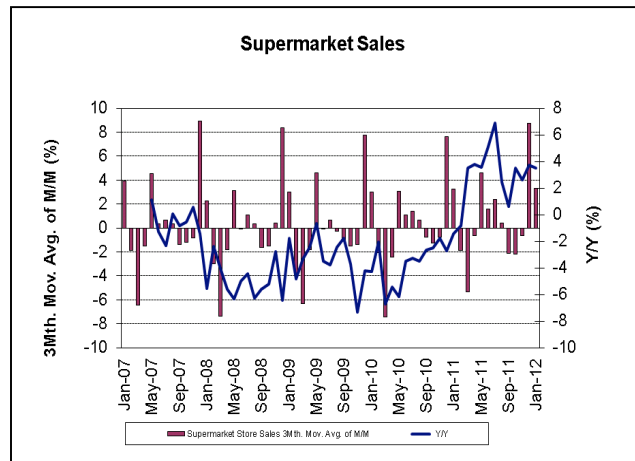
Leading & Coincident Index

Final Data on the Leading index indicates that it increased 0.3pts to 94.0 in December. The Coincident Index increased 3.3pts to 93.6. In DI terms, the Leading index was unchanged while the Coincident Index increased from 40.0 to 90.0.



Supermarket Sales

Supermarket Store Sales dropped 10.5% M/M and 1.2% Y/Y in January.

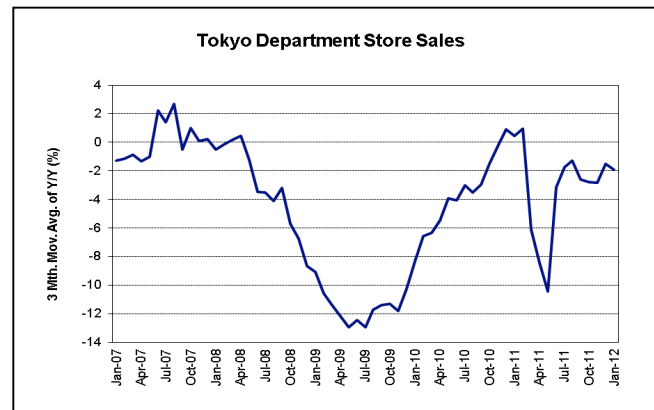
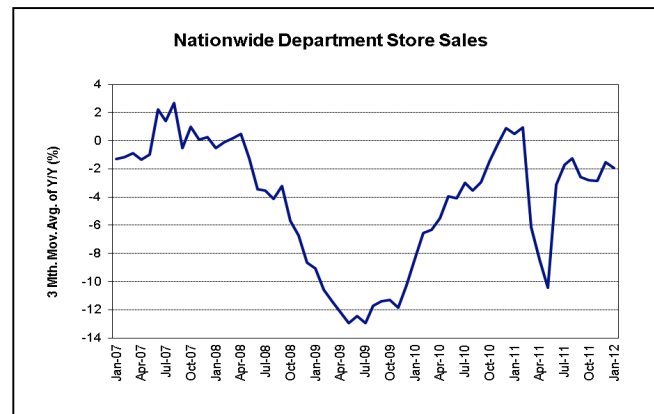


Nationwide Dept Store Sales, Tokyo Dept Store Sales & Convenience Store Sales

Nationwide & Tokyo Dept. Store Sales

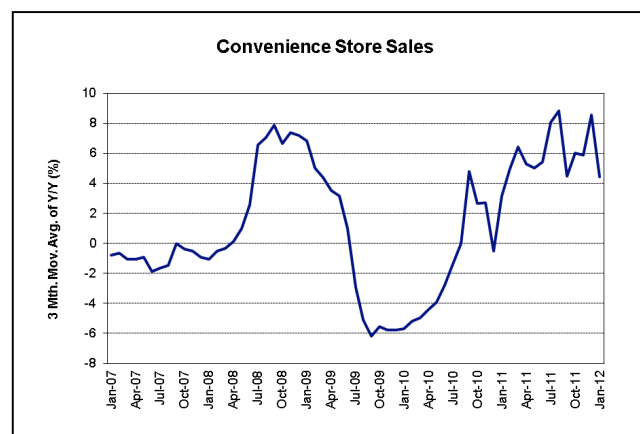
Nationwide Department Store Sales declined 1.1% Y/Y in January. Declines were widespread within the data, with household goods and clothing accessories seeing the fastest declines.

Within Tokyo, Dept Store Sales declined 3.1% Y/Y. Declines in Tokyo were also widespread, with clothing accessories seeing the fastest Y/Y drop in sales.



Convenience Store Sales

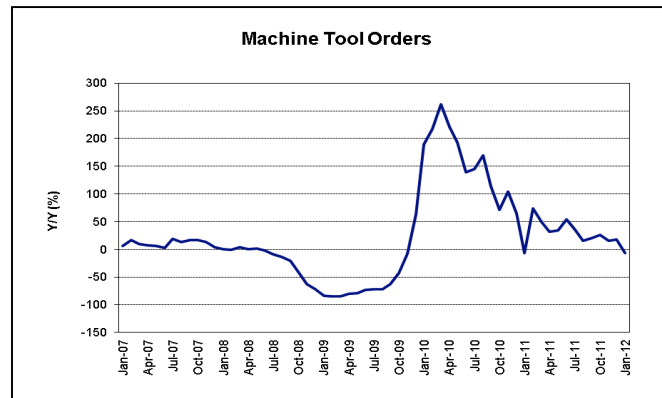
Convenience Store Sales increased 5.7% Y/Y in January. On a same store basis, sales increased 1.7% Y/Y. Customer spending increased 1.7% Y/Y, customer traffic was unchanged and the number of stores increased 3.8% Y/Y.



Machine Tool Orders, Tokyo Condominium Sales & News

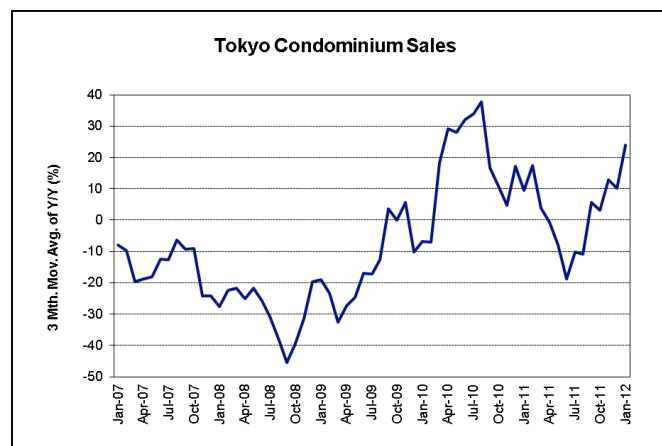
Machine Tool Orders

Machinery Tool Orders declined 6.9% Y/Y in January, a slightly faster drop than the 6.6% Y/Y drop originally estimated.



Tokyo Condominium Sales

The number of condominiums for sale increased 32.6% Y/Y in January. The number of condominiums sold increased 28.8% Y/Y. The number unsold increased 6.0% Y/Y, the average unit price increased 1.7% Y/Y, and the average price per square meter increased 6.4% Y/Y.



News

2/22 – BoJ Gov Shirakawa Comments – BoJ Governor Shirakawa commented at a lower house budget meeting that the BoJ will “play its role to overcome deflation.” The day before he commented that he plans to complete BoJ’s planned asset buying by year end, and that the BoJ’s framework is similar to the Fed’s. He noted earlier in the week however, that setting an inflation objective was a better policy option for Japan than following the Fed in coming up with a time frame for the end of stimulus.

2/22 – Household Assets Decline – According to data released by the Central Council for Financial Services Information, the average amount of financial assets held by households declined 190k yen to 11.5 million yen per household.

2//20 – BoJ Minutes – The minutes from the BoJ’s January monetary policy meeting indicated that it was starting to feel pressure to clarify its goal of ending deflationary pressures. According to the minutes, representatives from the Cabinet Office asked the BoJ to take “decisive actions” to achieve price stability, and better communicate this to markets.

2//16 – Government Leaves Economic Assessment Unchanged – The Cabinet Office left its assessment of the economy unchanged, noting that “The Japanese economy is still picking up slowly, while difficulties continue to prevail.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
2/23	Tokyo CPI (Y/Y)	0.10%	0.10%
2/27	Tokyo CPI Ex-Fresh Food (Y/Y)	N/A	0.30%
2/27	Tokyo CPI Ex Food, Energy (Y/Y)	N/A	2.50%
2/27	Natl CPI (Y/Y)	N/A	-0.40%
2/28	Natl CPI Ex-Fresh Food (Y/Y)	N/A	45.7
2/28	Natl CPI Ex Food, Energy (Y/Y)	N/A	3.80%
2/28	Industrial Production (M/M)	N/A	-4.30%
2/28	Industrial Production (Y/Y%)	N/A	13.40%
2/29	Large Retailers' Sales	N/A	1.50%
2/29	Retail Trade (Y/Y)	N/A	0.783M
2/29	Retail Trade MoM SA	N/A	-7.30%
2/29	Housing Starts (Y/Y)	N/A	0.00%
2/29	Annualized Housing Starts	N/A	-11.00%
2/29	Construction Orders (Y/Y)	N/A	-9.80%

Valance Co., Inc.

Valance Economic Report: United Kingdom

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February 22, 2012

This week saw Retail Sales come in surprisingly strong while the Budget Surplus exceeded expectations in January. The Minutes from the BoE's February Meeting indicated that although the BoE voted to increase its stimulus by 50 billion pounds, two of the policy makers called for a 75 billion pound increase. They were outvoted however, as the majority did not want to send a message to the markets that the economy was overly weak.

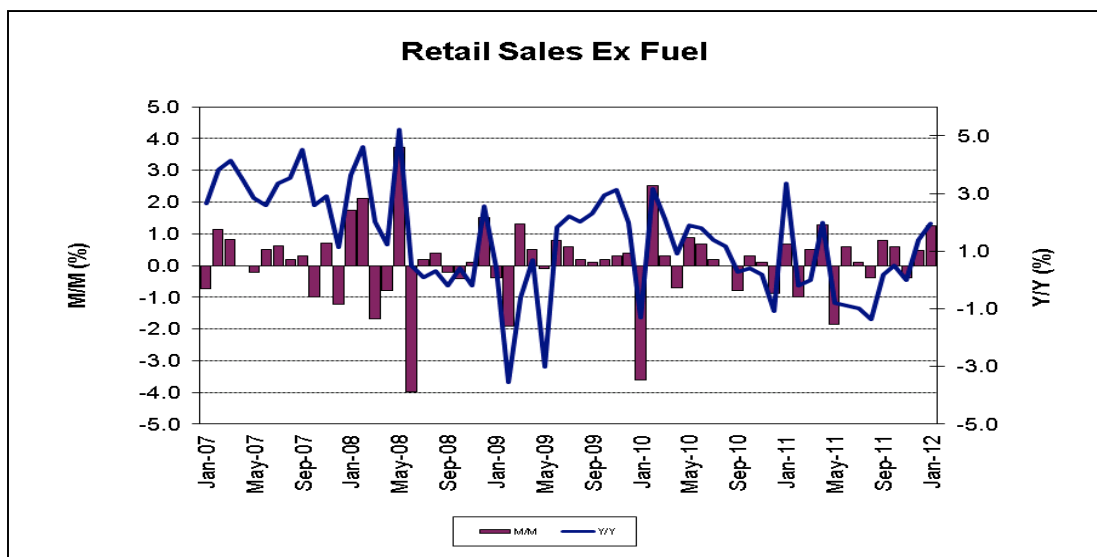
Weekly Highlights

Retail Sales – increased 0.9% M/M and 2.0% Y/Y in January. (page UK 1)

GfK Public Sector Net Borrowing – the UK posted a £7.75 bln budget surplus in January. (page UK 3)

Weekly Releases & News

Chart(s) of the Week: Retail Sales



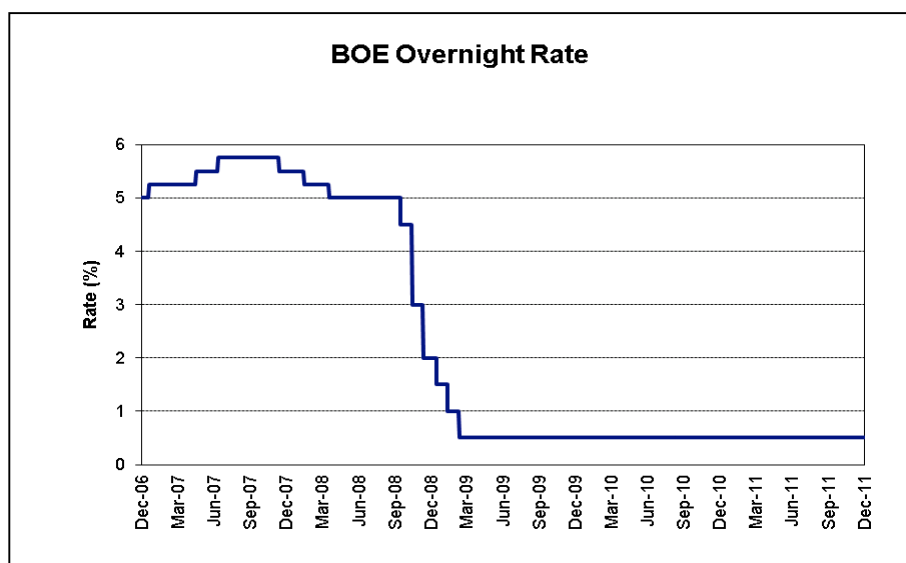
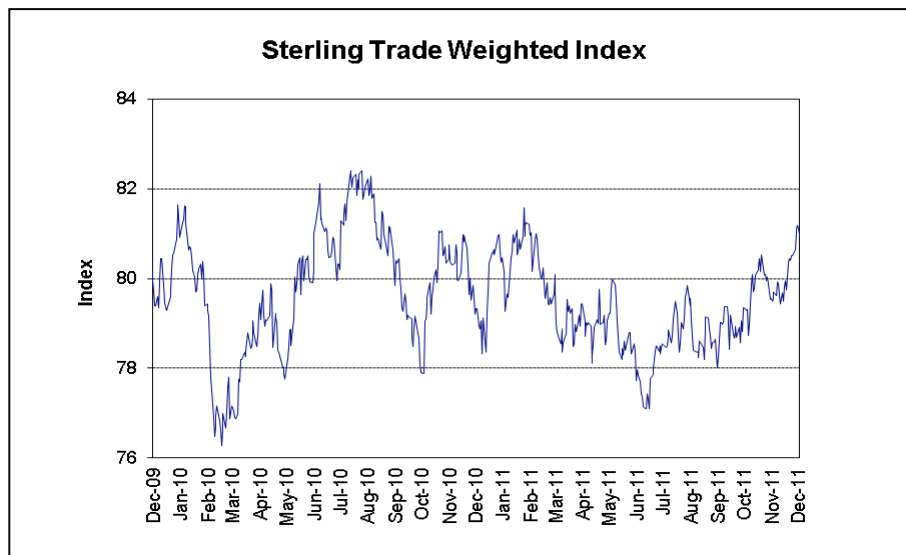
Core Retail Sales increased 0.9% M/M and 2.0% Y/Y in January. The increase was a surprise as the market had anticipated a 0.3% M/M decline. Excluding Auto/Fuel, Retail Sales increased 1.2% M/M and 1.9% Y/Y in January. That also beat expectations which called for a 0.3% M/M drop. Overall, the gain occurred on an unexpected rise in household goods sales.

The Retail Sales implied deflator increased 2.2% Y/Y. Excluding Auto/Fuel, it increased 1.8% Y/Y. For Food Stores, it increased 3.5% Y/Y. Overall, the decline in the deflator brings it to its lowest level in more than two years.

UK 1

Financial Balances, FX & BoE Overnight Rate

U.K.	Last Period (blns)	Last 12mth. % of GDP
Budget Balance (monthly)	-£5.3 (Jan)/	1.8%
Curr. Acct. Balance (quarterly)	-£9.6(Q3)	-1.9%
Private Balance	£4.9	+10.9%

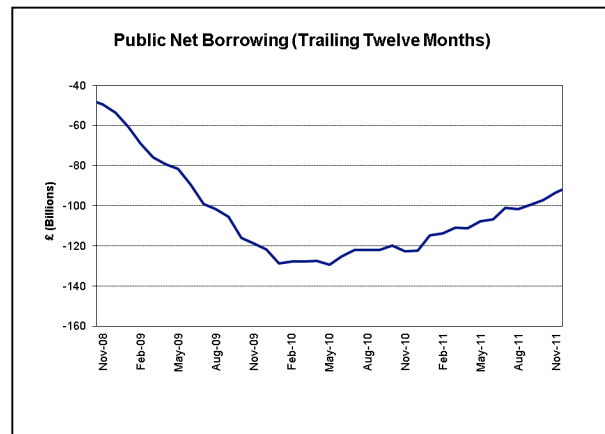


The benchmark rate remains at 0.50% and the Asset Purchase Target at £200 bln.

Public Sector Net Borrowing, Mort. Lending & Rightmove Prices

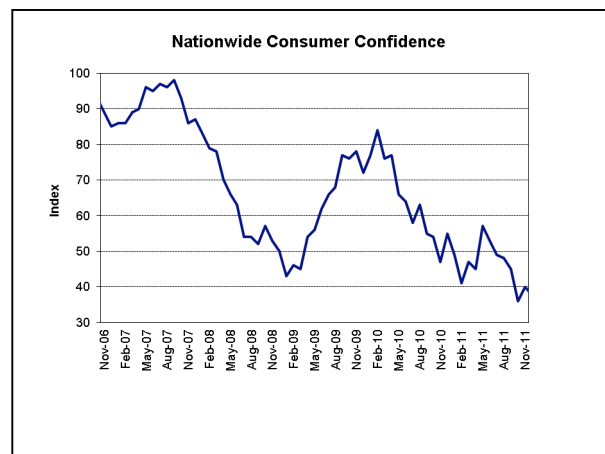
Public Sector Net Borrowing

Excluding interventions, the UK posted a £7.75 bln budget surplus in January, exceeding market expectations for a £6.3 bln surplus. December's £13.7 bln deficit was revised to a £14.0 bln deficit. The January result marked the largest surplus in four years. The net cash requirement for January was £16.3 billion pounds and total government receipts increased 2.8% Y/Y to £60.9 billion.



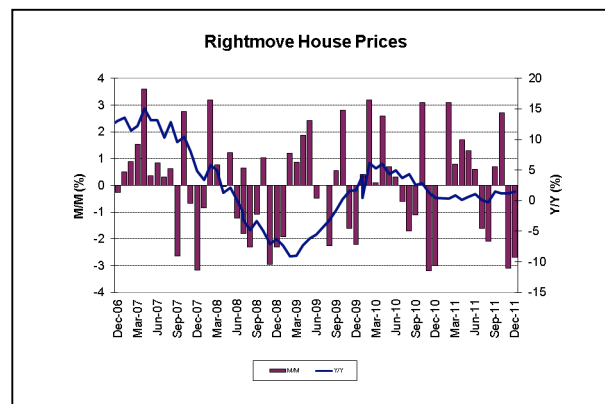
Nationwide Consumer Confidence

Consumer Confidence increased from 38 to 47 in January, bringing the series to its highest level since last August. The Present Situation index improved from 19 to 21. The expectations index improved from 50 to 64. The spending index improved from 77 to 78.



Rightmove House Prices

House Prices increased 4.1% M/M and 1.4% Y/Y in February. Within London, Prices increased 2.5% M/M and 4.3% Y/Y.



Bank of England Minutes

The Committee set monetary policy in order to meet the inflation target in the medium term. The advance estimate for January had suggested that twelve-month CPI inflation had fallen further, to 3.6%, from 4.2% in December. That was likely to have been driven by the impact of the previous year's rise in the standard rate of VAT dropping out of the twelve-month calculation. Inflation was likely to continue to fall over the next few months, as the effects of past increases in energy prices, as well as any remaining impact of the VAT rise, dissipated.

The Committee's central view was that inflation would decline further during 2012 as the contributions of energy and import prices continued to wane and as spare capacity weighed on wages and prices. But the speed and extent of the fall remained uncertain, and would depend, in part, on the strength of demand. Growth was likely to be volatile in the near term, given the impact of one-off factors, particularly the additional bank holiday associated with the Queen's Diamond Jubilee in the second quarter. But thereafter growth should strengthen gradually, supported by a recovery in households' real income growth and the expansionary stance of monetary policy. Headwinds from the weak external environment, tight credit conditions and the fiscal consolidation were, however, likely to continue to depress spending, so that some margin of economic slack was likely to persist.

There remained substantial uncertainties around the path of inflation in the medium term either side of that central view. To the upside, inflation might fail to fall back as the Committee expected if companies' costs rose further. Any significant disruption to the supply of oil or gas could lead to further increases in energy prices, and tensions remained in the Middle East. Industrial metals prices had risen sharply since the middle of December. Businesses' costs would also depend on the path of productivity, and on the degree to which slack in the labour market continued to hold down wage growth. So far, earnings growth had remained relatively subdued. But productivity growth had also remained low, and it was difficult to know how productivity growth and unit labour costs would develop. The weakness of productivity growth had been a factor in the relatively low level of businesses' margins: the possibility that they might seek to restore margins to more normal levels by raising prices sharply represented an upside risk to inflation.

There were also risks to the downside that might result in demand growth being too weak to absorb the pool of spare capacity sufficiently, leading inflation to fall materially below the target in the medium term. Growth appeared to have strengthened in the United States, and the PMIs in many countries, including the United Kingdom, had risen. But they pointed only to broadly flat output in the euro area, the United Kingdom's largest export market. The ECB's LTRO had reduced some of the most immediate risks facing European banks, but concerns remained about the indebtedness and competitiveness of some euro-area countries. In part as a consequence of the ECB's actions, conditions in bank funding markets had been better in the first month of 2012 than in the second half of 2011. But UK banks' funding costs remained higher than in 2010 and the first half of 2011, and these had begun to feed through into further increases in the cost of credit for some borrowers. Domestically, the extent to which households had completed their adjustment to lower expected real incomes remained uncertain. There was a risk that further adjustment, combined with heightened uncertainty and with tight credit conditions could result in households increasing their saving more substantially as real income growth recovered, so that consumption grew more slowly than income in the medium term. Consumption might also be weaker if businesses sought to cut costs and restore their profit margins by reducing their demand for labour.

Against this background, and that of its most recent projections to be published in the February Inflation Report, the Committee judged that the weak near-term outlook for growth and the associated downward pressure from slack in the economy meant that, without further monetary stimulus, it was more likely than not that inflation would undershoot the 2% target in the medium term. The Committee recognised that there were substantial risks to inflation in the medium term in both directions, and that it would be some time before the uncertainties around these risks were resolved. There was a range of views among Committee members over the evolution of these risks. For some members, the probability of inflation exceeding the target was slightly higher than shown in the projection to be published in the February Inflation Report, and a case could be made for maintaining the stance of policy at this meeting. For others, the case for further easing was more clear-cut.

BoE's Minutes Cont'd., Data & News

Bank of England's Minutes

The Committee had announced a programme of £75 billion of asset purchases at its October meeting, and this had recently been completed. While the Committee continued to monitor the impact of its asset purchases, it saw no compelling reason to think that their impact on nominal demand would be materially different than had been anticipated in October. It would keep this under review in judging the policy actions needed to support the recovery and meet the inflation target. In terms of the immediate decision, the Committee considered the arguments for increasing the stock of asset purchases by £50 billion or £75 billion, either of which would be sufficient to put inflation broadly on track to meet the target in the medium term on its central projection. Committee members placed different weights on these arguments.

A number of reasons for the smaller increase were advanced. Recent data on the domestic and international economies had on balance been more positive than might have been anticipated towards the end of 2011, pointing to the possibility that growth might be stronger than expected in the near term. Moreover, the ECB's LTRO had reduced some of the worst immediate downside risks to the outlook stemming from the euro area. Although inflation had fallen back broadly as expected, short-term inflationary pressures remained. The rate was still well above the 2% target and there was a risk that inflation might prove more persistent than in the Committee's central projection, especially if downward pressure from labour market slack was less than expected. An increase of £50 billion in the stock of asset purchases would represent a material monetary stimulus, and it was not clear that a stimulus larger than that was warranted at the current juncture. In addition, given market expectations, a larger increase risked sending a signal that the Committee thought the economic situation was weaker than it was.

A case was also made for the larger amount of asset purchases, given the considerable margin of spare capacity remaining in the economy and the extent of deleveraging still likely to be required. There was a risk of a prolonged period of depressed demand causing inflation to fall materially below the target in the medium term. In addition, persistently weak growth might impair the future supply capacity of the economy through hysteric effects: that risk could be attenuated by a more aggressive loosening of monetary policy in the near term. Should the probability of inflation being above the target in the medium term increase, the Committee could subsequently withdraw some of the monetary stimulus.

News

Feb 22nd - BoE Opinions Split on Stimulus Increase – According to the BoE's minutes from its Feb 8-9 meeting, BoE policy makers split their opinions on their bond purchase targets for the first time since restarting the stimulus in October, with Posen and Miles being outvoted in their call for a 75 billion pound increase. The remaining seven voted to raise the target by 50 billion pounds to 325 billion pounds. They argued that the larger increase "risked sending a signal that the committee thought the financial situation was weaker than it was." The MPC was unanimous in keeping the benchmark interest rate at 0.5%.

Upcoming Dates

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
2/23	BBA Loans for House Purchase	JAN	36250	36171
2/23	CBI Trends Total Orders	FEB	-13	-16
2/23	CBI Trends Selling Prices	FEB	12	13
2/24	GDP (QoQ)	4Q P	-0.20%	-0.20%
2/24	GDP (YoY)	4Q P	0.80%	0.80%
2/24	Private Consumption	4Q P	0.20%	0.00%
2/24	Government Spending	4Q P	0.00%	0.20%
2/24	Gross Fixed Capital Formation	4Q P	-0.90%	1.30%
2/24	Exports	4Q P	1.50%	-0.80%
2/24	Imports	4Q P	0.10%	0.50%
2/24	Index of Services (MoM)	DEC	0.10%	0.60%
2/24	Index of Services (3mth/3mth)	DEC	0.00%	0.10%
2/24	Total Business Investment(QoQ)	4Q P	-0.40%	0.30%
2/24	Total Business Investment(YoY)	4Q P	2.50%	4.30%
2/26	Hometrack Housing Survey (MoM)	FEB	N/A	0.00%
2/26	Hometrack Housing Survey (YoY)	FEB	N/A	-1.60%
N/A	Nat'wide House prices sa (MoM)	FEB	N/A	-0.20%
N/A	Nat'wide House prices nsa(YoY)	FEB	N/A	0.60%
2/28	CBI Reported Sales	FEB	N/A	-22
2/28	GfK Consumer Confidence Survey	FEB	N/A	-29
2/29	Net Consumer Credit	JAN	N/A	-0.4B
2/29	Net Lending Sec. on Dwellings	JAN	N/A	0.7B
2/29	Mortgage Approvals	JAN	N/A	52.9K
2/29	M4 Money Supply (MoM)	JAN	N/A	-1.40%
2/29	M4 Money Supply (YoY)	JAN	N/A	-2.50%
2/29	M4 Ex IOFCs 3M Annualised	JAN	N/A	-0.80%

Valance Economic Report: Canada

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February 22, 2012

Mixed data were released for Canada over the past week. Both Headline and Core CPI gained more than expected in January while Manufacturing Shipments increased below expectations and Retail Sales fell 0.2% M/M.

Weekly Highlights

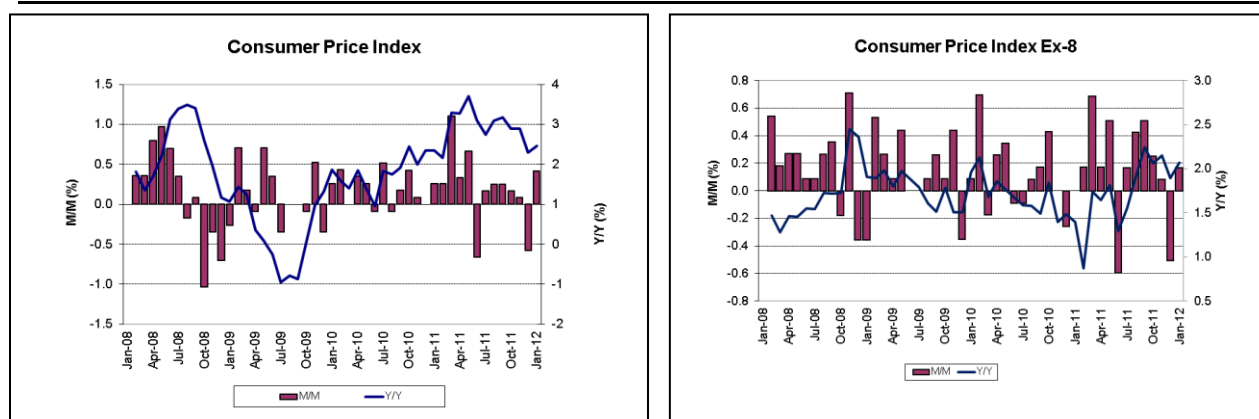
Headline CPI – increased 0.4% M/M and 2.5% Y/Y in January. (CA 1)

Manufacturing Shipments – rose 0.6% M/M in November, below market expectations. (CA 2)

Retail Sales - fell 0.2% M/M, falling for the first time in five months. (CA 3)

Weekly Releases & News

Chart(s) of the Week: CPI



Consumer Prices increased 0.4% M/M in December following a 0.6% M/M decline in January. Y/Y growth accelerated from 2.3% to 2.5%. Market expectations were for a 0.3% M/M and 2.3% Y/Y growth. Core inflation increased 0.2% M/M and 2.1% Y/Y versus market expectations for a reading of 0.1% M/M and 1.9% Y/Y.

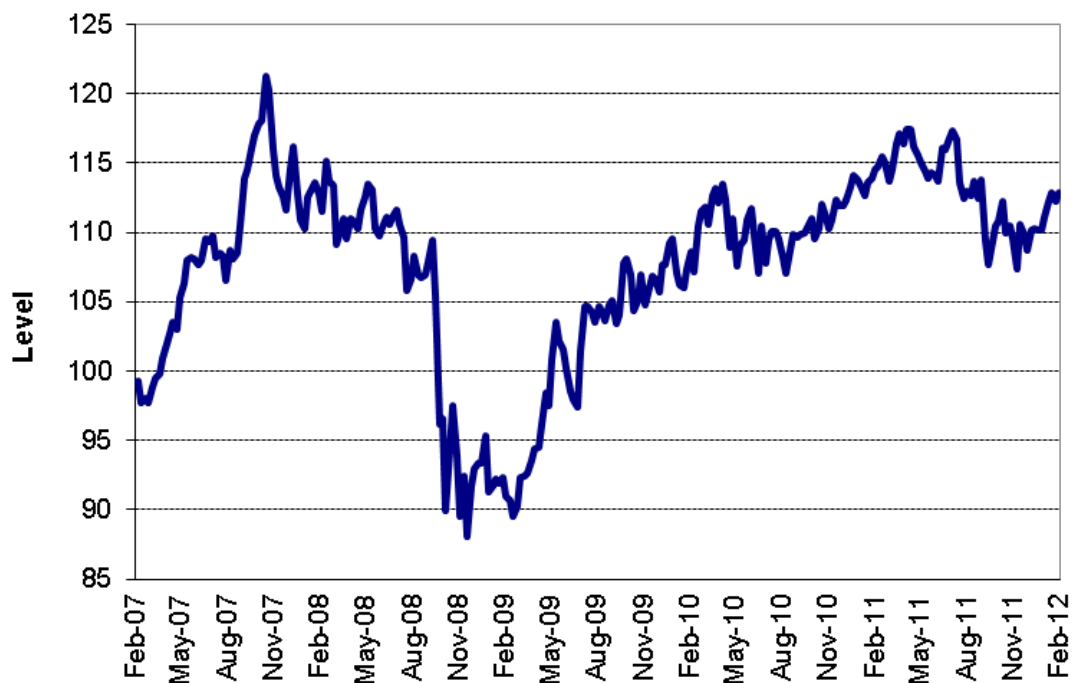
Financial Balances & Trade Weighted Exchange Rate

Financial Balances

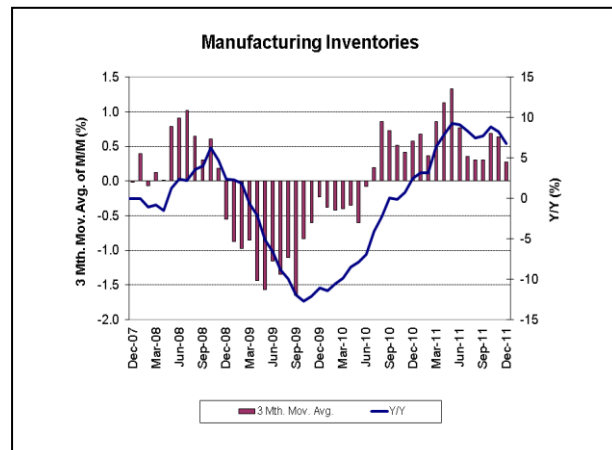
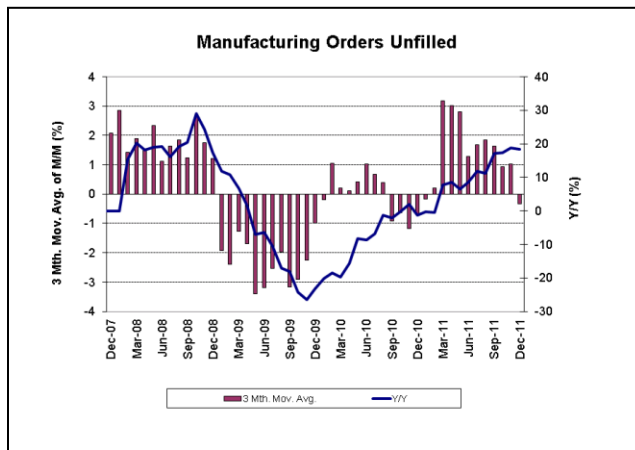
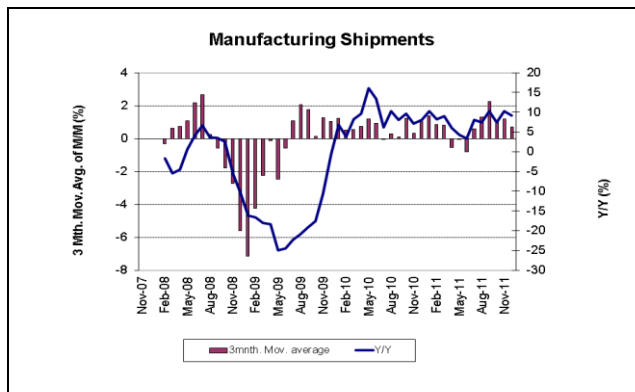
<i>Canada</i>	<i>Latest period (C\$bln)</i>	<i>Last 12mth. as % of GDP</i>
Budget Balance	-1.9 (Nov)	-2.3%
Trade Balance	2.7 (Dec)	-1.4%
Current Account Balance	-12.1 (Q3)	-6.3%
Private Balance	--	-4.0%

Trade-Weighted Exchange Rate

Trade-Weighted Exchange Rate



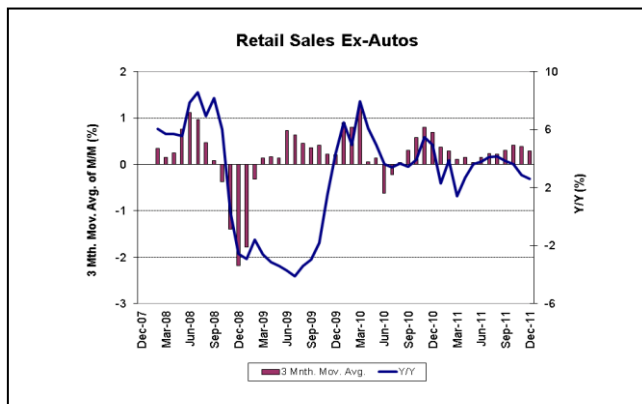
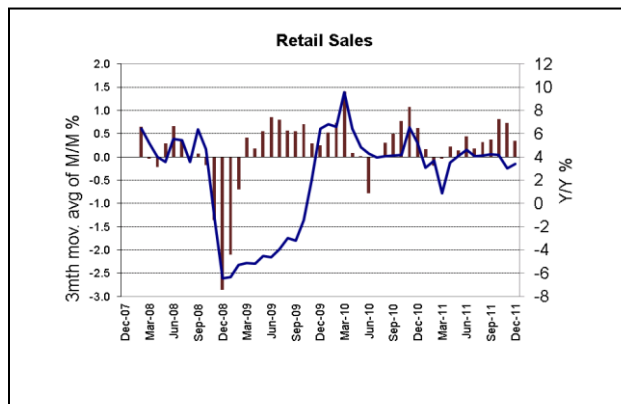
Manufacturing Data



Manufacturing Shipments rose 0.6% M/M in November, below market expectations for a gain of 2.0%. Y/Y growth increased 9.1%. New Orders fell 2.8% M/M and increased 8.5% Y/Y. Inventory levels decreased 0.9% M/M and increased 6.8% Y/Y. Unfilled orders decreased 1.6% M/M and increased 18.4% Y/Y.

Retail Sales, Leading Indicators & Wholesale Sales

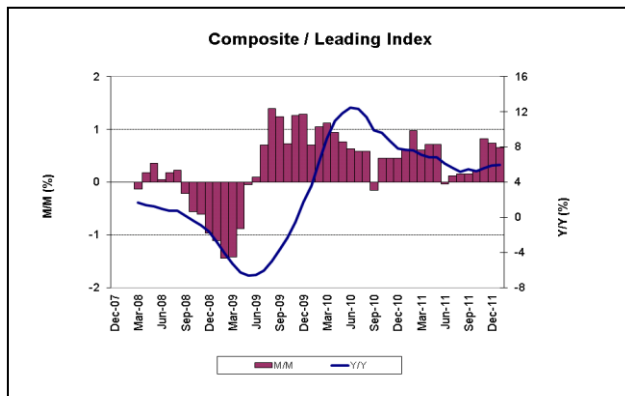
Retail Sales



Retail Sales decreased 0.2% M/M, falling for the first time in five months, as a result of lower sales in department and electronics stores. Y/Y growth increased 3.4%. Sales fell in seven of 11 retail subsectors which amount to about 61% of total sales. Retail Sales, ex-autos, was flat M/M and increased 2.6 % Y/Y.

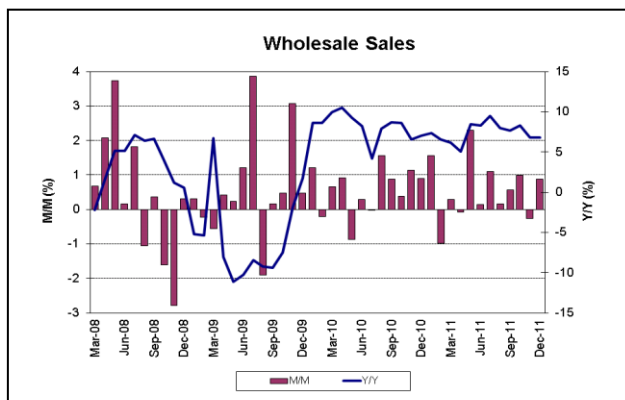
Leading Indicators

Leading Indicators increased 0.7% M/M in January, matching the previous months' reading. Market expectations were for a reading of 0.6% M/M. Y/Y growth increased 5.9%. Money Supply (M1) increased 1.3% M/M, while the Housing Index gained 1.0% M/M.



Wholesale Sales

Wholesale Sales increased 0.9% M/M led by food and autos. Four of the seven subsectors, which represents 71% of wholesale sales posted gains. The motor vehicle and parts sector (+3.4% M/M) posted the strongest gain. Y/Y growth increased 6.8%.



News & Upcoming Dates

Feb. 21st - Canadian Economy Suffers Parity's One-Eyed King in Land of Blind

(Bloomberg) - Canada's success in parlaying strong economic fundamentals into a rush of foreign investment has come at a cost: weakened manufacturing competitiveness that's exacerbating a regional divide between the resource-rich west and the factory-heavy east.

Caterpillar Inc. and Controladora Mabe SA are closing plants in Ontario and Quebec, partly because record foreign-debt purchases are keeping the dollar near parity with the U.S. currency, boosting their costs. Out west, Jim Prokopanko, president of fertilizer maker Mosaic Co., says there's a "gold-rush" to find workers, and Alberta is trying to win permits for multibillion-dollar oil pipelines.

"In the land of the blind, the one-eyed man is king, and that is Canada right now," said Eric Lascelles, chief economist at Royal Bank of Canada Global Asset Management, which oversees about C\$250 billion (\$252 billion). "The two big things driving Canada are credit and commodities," and "we have avoided some of the real headaches that the heavily indebted countries have encountered."

Canada's currency will trade close to parity with the U.S. dollar into next year, based on the median estimate of 24 responses to a Bloomberg News survey. Two-year bond yields will remain below 2 percent, according to a separate Bloomberg survey, as inflation slows and the government reduces its C\$31 billion deficit, which officials are projecting will be eliminated by the 2015-2016 fiscal year.

Foreign purchases of Canadian debt have set records in the past three years, including a tenfold jump in money-market investment last year to C\$32 billion and C\$96 billion of bonds in 2010, according to Statistics Canada.

Feb. 16th - Canada December Wage Settlements Had 2.1% Average Annual Rise

(Bloomberg) -Canadian wage settlements in December had increases averaging 2.1 percent annually, faster than November's 1.7 percent rate, according to government figures. The results are based on a review of 19 major agreements with 47,940 employees, Human Resources and Skills Development Canada said in a statement on its website.

Key Dates This Week

Date	Indicators		Expectations	Prior
29-Feb	Teranet/National Bank HPI M/M%	DEC	--	-0.20%
29-Feb	Teranet/National Bank HPI Y/Y%	DEC	--	7.10%
29-Feb	Teranet/National Bank HP Index	DEC	--	149.11

Valance Co., Inc.

Valance Economic Report: Australia

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February 22, 2012

In Q4, Australia's Wage Cost Index rose to its fastest annual pace in a year, which reinforced the RBA's decision to keep its benchmark interest rate at 4.25%. The RBA minutes of February 7th indicated the decision to keep rates unchanged was primarily based on the "diminished" risks of the financial situation in Europe.

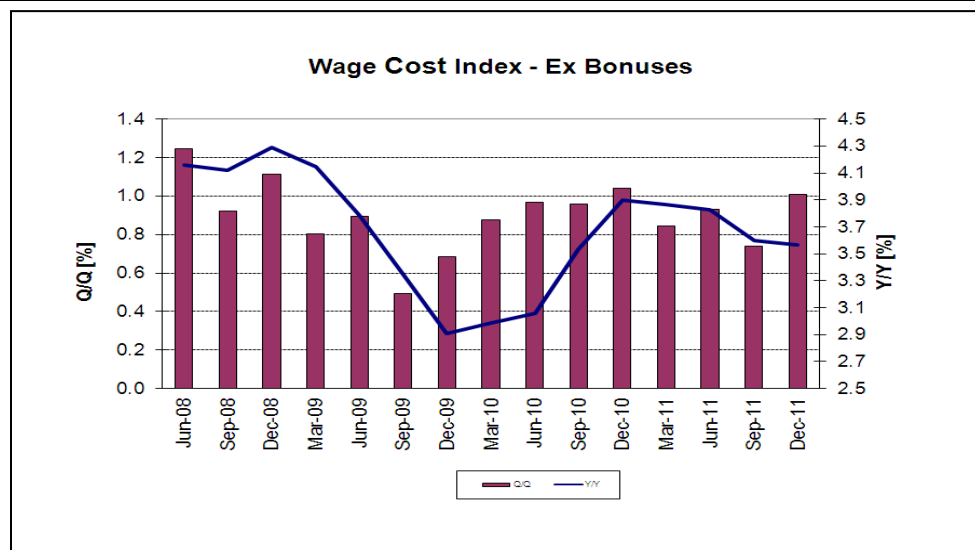
Weekly Highlights

Wage Cost Index - rose 1.0% Q/Q and 3.6% Q/Q in Q4. (AU 1)

Westpac Leading Index – rose from -0.1% M/M in November to 0.5% M/M in December. (AU 4)

Weekly Releases & News

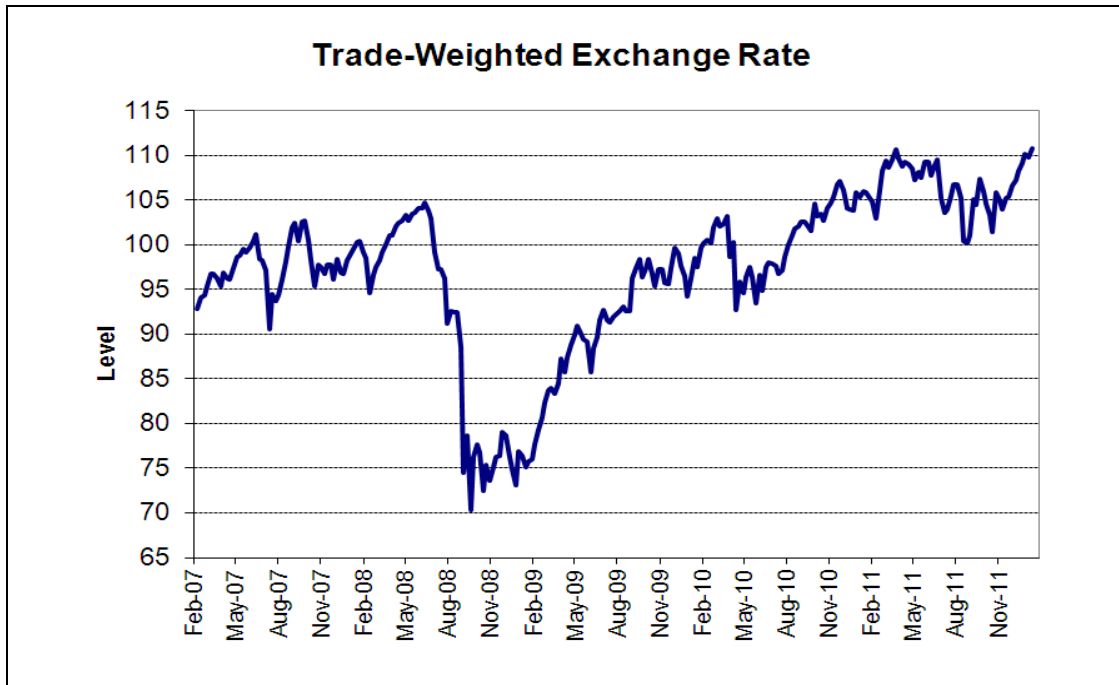
Chart of the Week: Wage Cost Index



The Wage Cost Index, which measures hourly rates of pay, excluding bonuses, rose 1.0% Q/Q and 3.6% Y/Y in Q4. This marked the fastest pace in a year. Gains of 0.8% Q/Q and 3.4% Y/Y were expected.

FX

Trade-Weighted Exchange Rate



Reserve Bank February Minutes

February 21st - RBA Says Rates Appropriate With Scope to Ease – The minutes of the RBA’s February 7th meeting showed:

While the financial situation in Europe remained fragile, the likelihood of an extremely bad outcome seemed to have diminished somewhat. With growth expected to be close to trend and inflation consistent with the target, the board considered that this setting was appropriate for the overall macroeconomic outlook.

Collectively, these developments had increased banks’ overall cost of funding relative to the cash rate and had narrowed the difference between banks’ lending rates and funding costs.

[The central bank today reiterated its comments at the Feb. 7 meeting that policy makers] judged that if demand conditions were to weaken materially, the inflation outlook would provide scope for a further easing in monetary policy.

[The RBA aims to keep inflation between 2 percent and 3 percent on average and policy makers noted that recent data confirmed that core inflation is now in the mid-point of the target range.

On Carmakers: Members observed that it appeared that additional demand for labor had been met largely through existing employees working longer hours over the past year, rather than through an increase in hiring.

Growth in China had moderated as intended, but on most indicators had remained quite robust through the second half of 2011.

Australia’s terms of trade reached a record high in the September quarter, and were estimated to have declined 7 percent in the December quarter [the central bank said, referring to a measure of export prices relative to import prices. It said most commodity prices had risen over the past two months,] consistent with the more positive tone in financial markets.

Global economic and financial market developments had been somewhat more positive over the past month or so. Whereas the situation had been looking quite negative in early December, recent actions by the European Central Bank and euro-area governments had boosted confidence.”

Data & News

Data

February 21st - Conference Board Leading Index – rose 0.2% in December (to 128.4), following a 0.3% decrease in November and a 0.5% increase in October.

February 21st - Westpac Leading Index - rose from -0.1% M/M in November to 0.5% M/M in December. The index is currently at 283.4. Senior Westpac Economist, Matthew Hassan said, “We still expect the current easing cycle to see further rate cuts as global growth concerns reemerge and domestic fragility becomes more apparent across non-mining sectors and the labor market.”

February 21st - DEWR Internet Skilled Vacancies - The index measuring the number of jobs available for skilled workers fell 0.6% M/M in January, following a loss of -0.7% the month before.

News

February 20th (Xinhua) - Australia's Retail Sales Rise Again in January – The CBA released a report stating Retail Sales rose 0.6% in January, as sales of clothing (+2.3%) and mail order/telephone order providers (+2.0%) rose. CBA Local Business Banking Executive General Manager, Matt Comyn said, “Despite ongoing economic concerns being felt both here and overseas, sales figures in most industries are ticking up and have been for some time now. While the improvements are a good sign, there are a range of factors that contribute to consumer confidence; the ongoing fluctuations we are seeing in the global economy, therefore, make it difficult to forecast how strong the recovery will be

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Exp.</i>	<i>Previous</i>
02/22	Average Weekly Wages	NOV	1.0% / 4.7%	1.2% / 5.3%
02/26	CBAHIA House Affordability	Q4	--	57.2
02/28	HIA New Home Sales	JAN	--	-4.9%
02/28	Private Capital Expenditures	Q4	--	12.3%
02/28	Construction Work Done	Q4	--	12.5%
02/28	Company Operating Profit	Q4	--	4.8%
02/28	Private Sector Credit	JAN	--	0.3% / 3.5%
02/28	Retail Sales	JAN	--	-0.1%
02/29	AiG Performance of Mfg Index	FEB	--	51.6
02/28	RPData – Rismark House Px Raw / S.A.	JAN	--	-1.2% / -0.2%

Valance Economic Report: New Zealand

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February 22, 2012

Producer Input Prices rose more than **Output Prices**, likely lowering factory margins in **Q4**. **Inflation expectations** fell further in **Q1**.

Weekly Highlights

Producer Input Prices – rose 0.5 % Q/Q in Q4, following a 0.6% Q/Q gain in Q3. (NZ 1)
Producer Output Prices – rose 0.1% Q/Q in Q4, following a 0.2% Q/Q gain in Q3. (NZ 1)
January Performance of Services Index - rose 2.7 pts to 53.6. (NZ 3)

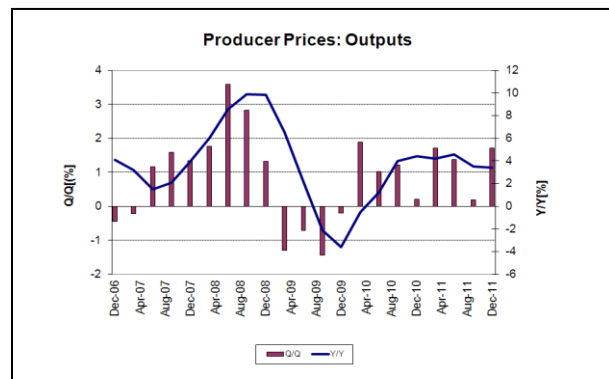
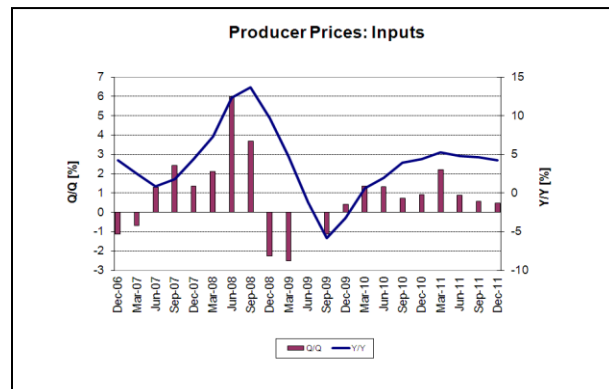
Weekly Releases & News

Chart(s) of the Week: *PPI*

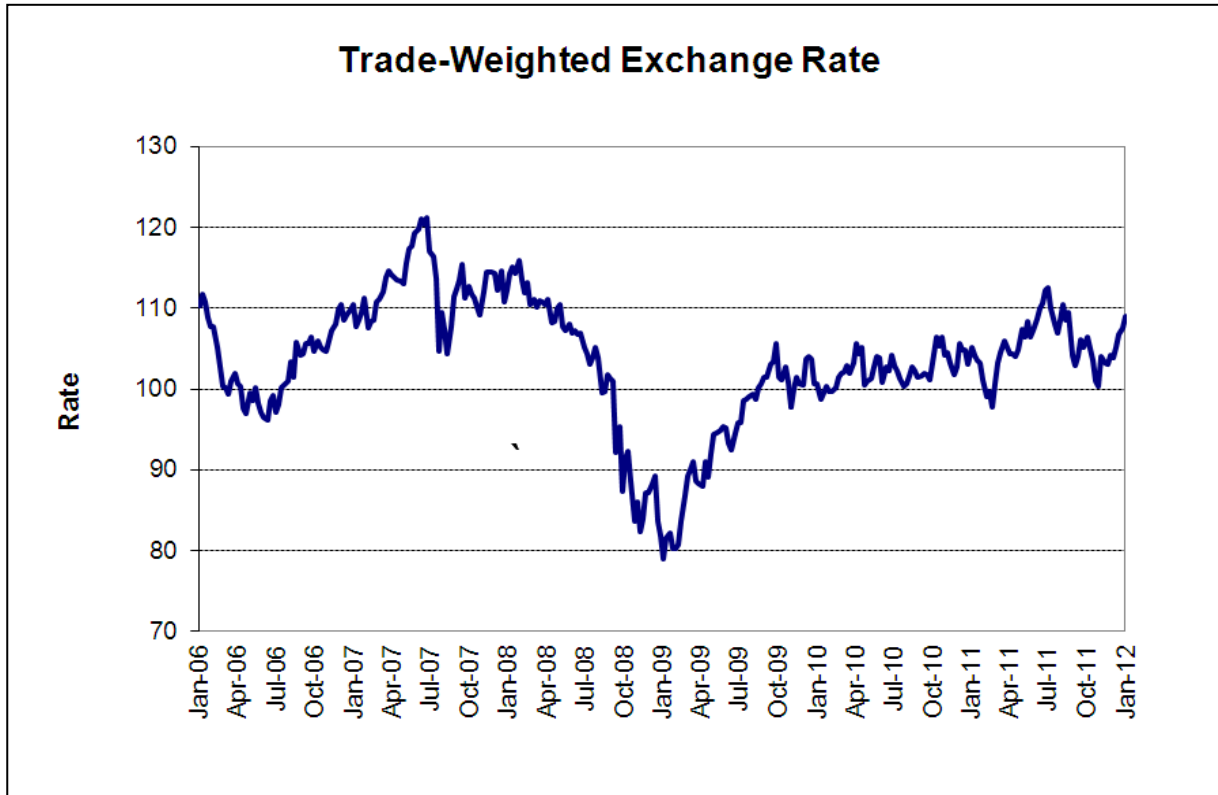
Producer Input Prices rose 0.5% Q/Q (above the 0.4% Q/Q gain expected) and 4.2% Y/Y in Q4. This marked the smallest increase since Q4 of 2009 and the 9th consecutive quarterly gain.

Producer Output Prices rose 0.1% Q/Q and 3.4% Y/Y. This marked the smallest gain in two years.

Overall, Input Prices exceeded Output Prices, which indicate a decrease in Q4 profit margins.



FX



Data & News

Data

February 19th - January Performance of Services Index - rose 2.7 pts to 53.6. This was the third highest recorded value for the month. Four of five subcomponents increased. Notably, retail trade had the largest gain, advancing to 59.2. BoNZ Economist Doug Steel stated, "We suspect there is underlying improvement in domestic spending underway, supported by some improvement in the labour market. Stronger service sector employment growth is part of this picture as is the latest lift in consumer confidence in February."

February 21st - Credit Card Spending – rose 0.8% M/M and 3.1% Y/Y in January, compared with 0.9% M/M and 5.9% Y/Y the previous month.

February 20th - OI RBNZ 2-yr fwd Inflation Expectations - According to a survey conducted by the RBNZ, company executives lowered their 2-year forward inflation expectations from 2.8% in Q4 to 2.5% in Q1. One-year forward inflation expectations were lowered from 2.7% to 2.2%.

News

February 21st - City Rising From Deadly N.Z. Quake Spells End to Low Rates – Today marked the one-year anniversary of the earthquake that demolished New Zealand's largest city. The town's reconstruction efforts are underway. Despite increased spending and job creation, prices and wages are expected to increase. Westpac Economist, Dominick Stephens remarked, "It's going to put pressure on resources, pressure on inflation and therefore require higher interest rates." He added, "Implications will be larger than the market currently believes."

February 17th (Bloomberg) - N.Z.'s Economy May Be Bigger Than Estimated - Central Bank Governor Alan Bollard stated in a speech today in Auckland entitled "Could we be better off than we think?"

New Zealand is in some ways better off than is often thought

[The income gap with Australia] is not as wide as most people think.

It is almost certain that consistent measurement conventions used in New Zealand and Australia would narrow the reported income gap with Australia.

Where there is scope for technical interpretations to differ, Australia has tended to take the optimistic alternative and New Zealand the conservative one. Could this be a reflection of our national characters?

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
02/26	Trade Balance	JAN	--	338M
02/26	Exports / Imports	JAN	--	4.32B / 3.98B
02/26	Trade Balance 12 Mth YTD	JAN	--	1113M
02/28	Building Permits	JAN	--	2.1%
02/28	NBNZ Activity Outlook	FEB	--	25.7
02/28	NBNZ Business Confidence	FEB	--	--
02/28	M3 Money Supply	JAN	--	6.0%
02/29	Terms of Trade Index Q/Q	Q4	--	-0.7%

Weekly Economic Report: *China*

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February 22, 2012

China cut its bank reserve requirement ratio to boost lending. Manufacturing data showed risk of deeper slowdown. January's FDI fell for a third consecutive month.

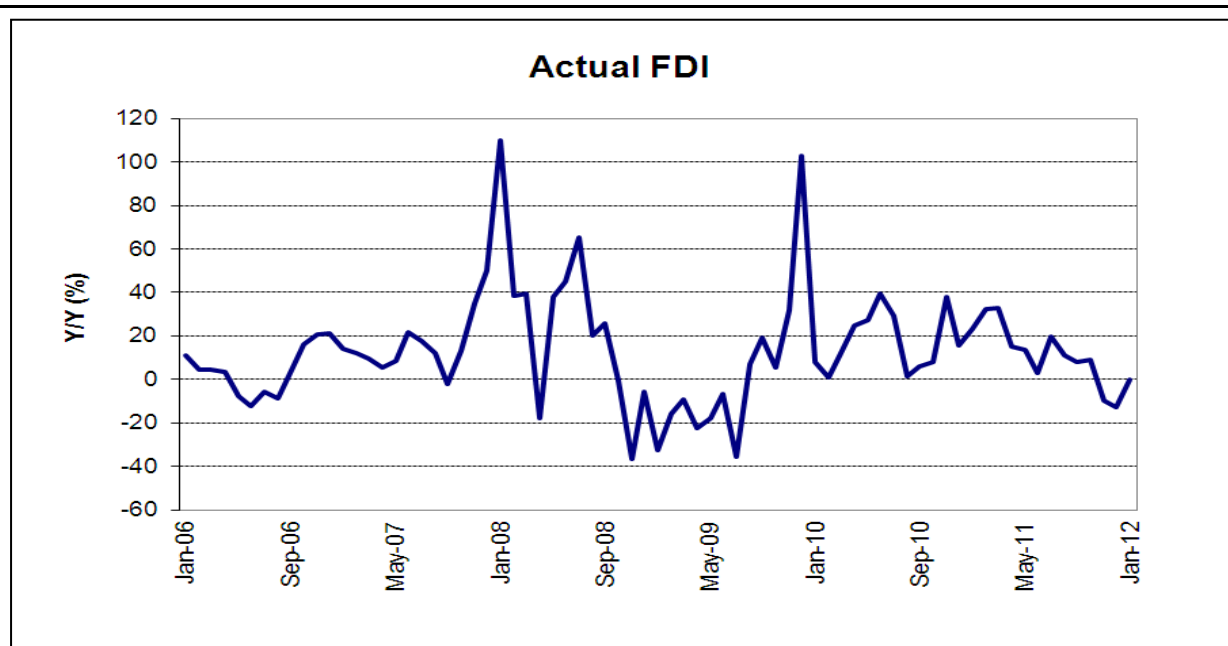
Weekly Highlights

Actual FDI – fell 0.3% Y/Y in January. (CH 1)

HSBC Flash PMI – rose from 48.8 in January to 49.7 in February. (CH 2)

Weekly Releases & News

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



Foreign Direct Investment fell 0.3% Y/Y in January (totaling US\$90.997 bln), following a decline of -12.7% Y/Y in December. Ministry of Commerce Spokesman, Shen Danyang stated, “The decline was a result of a drop in business activity during the Spring Festival holiday.” He added, “The sluggish growth in global direct investment and increasing production and operational pressures in the country provide a dim outlook.”

Data, News & Upcoming Dates

Data

February 21st (Bloomberg) - China's HSBC Flash Manufacturing PMI – rose from 48.8 in January to 49.7 in February. HSBC Economist, Qu Hongbin remarked, “With a meaningful rebound of domestic demand not in sight, external weakness is starting to bite, adding more downside risks to growth. [The central bank] should step up policy easing as inflation pressures continue to ease.”

News Releases

February 18th (Bloomberg) - China Cuts Bank Reserve Ratio to Spur Growth – Effective February 24th, the PBoC will lower its reserve ratio from 21% to 20.5%. This cut will enable banks to boost lending. HSBC Economist, Qu Hongbin said, “We expect further easing measures from Beijing in the coming months, such as bigger new loans and at least two additional 50 basis point reserve-ratio cuts. [Interest rates will] remain a secondary monetary policy tool.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
02/23	MNI Feb Business Condition Survey			
02/23	Conference Board China Jan Leading Economic Index			
02/26-29	Leading Index	JAN	--	100.18
02/29	PMI Manufacturing	FEB	50.7	50.5
02/29	HSBC Manufacturing PMI	FEB	--	48.8

Valance Co., Inc.

Valance Economic Report: Sweden

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February 22, 2012

The Riksbank cut its repo rate by .25 percentage points to 1.50% and lowered its forecast for the projected rate path. In January, CPI inflation slowed and the Unemployment Rate rose to 8.0%, above expectations.

Weekly Highlights

Riksbank Interest Rate – was cut from 1.75% to 1.50%. (SW 1)

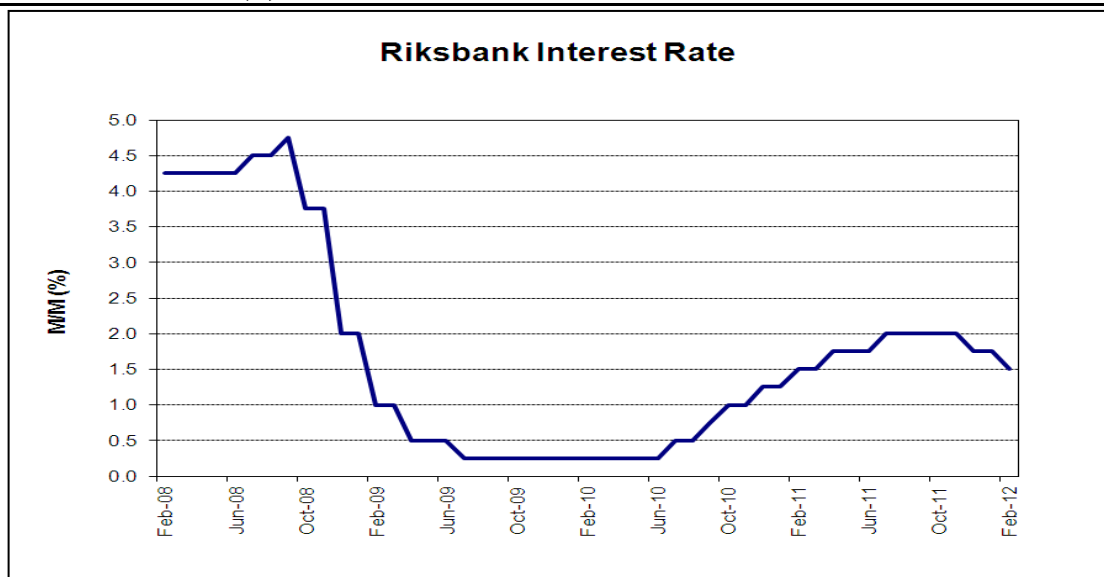
CPI – fell 0.9% M/M and rose 1.9% Y/Y in January. (SW 2)

Core CPI – fell 0.7% M/M and rose 0.9% Y/Y in January. (SW 2)

Unemployment Rate – rose from 7.1% in December to 8.0% in January. (SW 2)

Weekly Releases & News

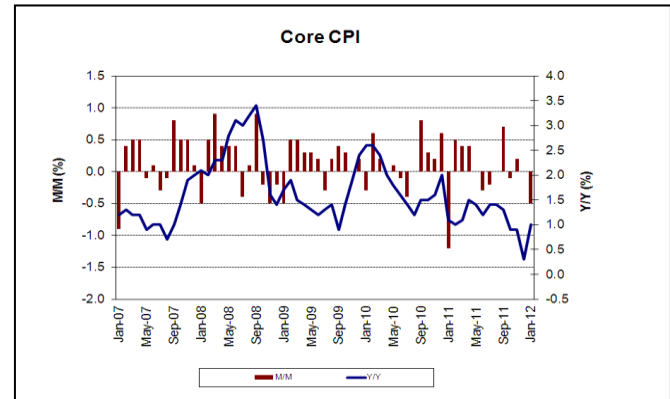
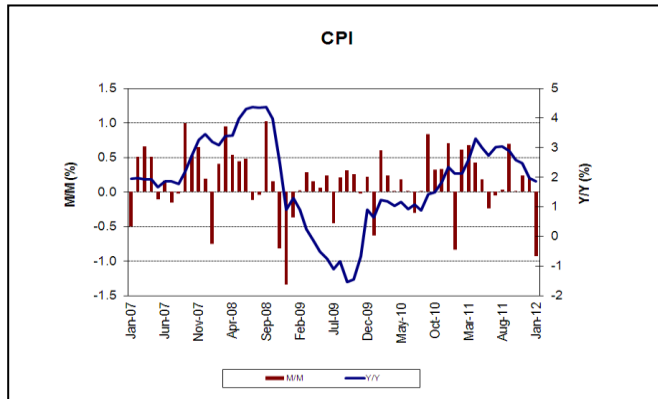
Chart(s) of the Week: *Riksbank Interest Rate*



As expected, the Riksbank cut its repo rate for the second-consecutive monetary-policy meeting, from 1.75% to 1.50% and reduced its repo rate path. The Bank remarked, “Growth prospects have deteriorated in large parts of the euro area, partly as a result of new consolidation measures and signs of a tighter credit situation. The economic outlook in Sweden has weakened as a result of developments abroad. Sluggish growth in the euro area has subdued the demand for Swedish exports, which slowed down significantly in late 2011.” It added, “The repo rate is expected to remain at this level until sometime in 2013.” Deputies Lars E. O. Svensson and Karolina Ekholm, “...both advocated a lowering of the repo rate to 1.25% and a lower repo-rate path than in the Monetary Policy Report.” The Bank has now predicted that 2012 economic growth will reach 0.7% (from 1.3% forecasted earlier), and lowered its repo rate forecast for 2012 from 1.7% to 1.5%.

SW 1

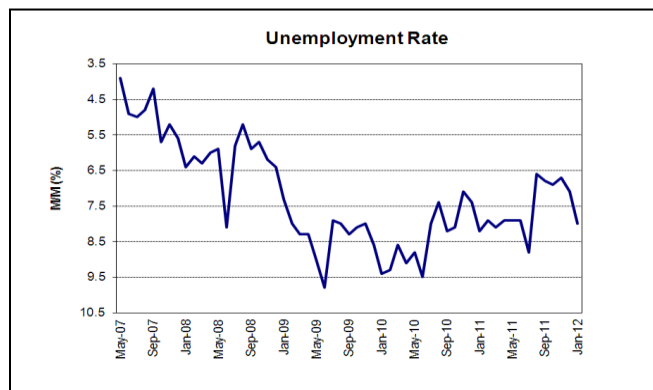
CPI, Unemployment Rate & Trade Weighted Exchange Rate



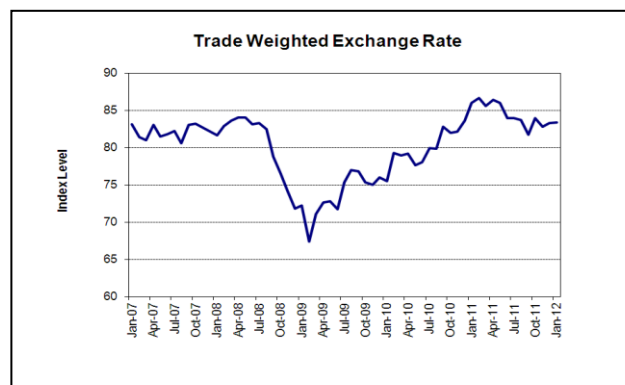
Headline Consumer Price growth fell 0.9% on the month, following a 0.2% M/M gain the previous month. Annually, prices rose 1.9%, compared with 2.3% the month before. Decreases in clothing and footwear (-13.5%), audio-visual, photographic and information processing equipment (-5.2%), interest costs for owner occupied housing (-0.7%), international flights (-20.2%), package holidays (-5.3%), and restaurant prices (-1.4%) had a negative effect on the monthly rate; while higher prices for medical services (+8.4%), fuel (+4.5%), electricity (+2.2%), and rents (+1.0%) contributed positively. On a core basis, prices fell 0.7% M/M and rose 0.9% Y/Y in January, compared with 0.0% M/M and 0.5% Y/Y in December.

Unemployment Rate

The Unemployment Rate (n.s.a.) rose from 7.1% in December to 8.0% in January. The rate was expected to reach 7.9%. The number of employed decreased 0.8% Y/Y, totaling approximately 4.52 mln persons; while the number of unemployed fell to 394K persons.



Trade Weighted Exchange Rate



News

February 20th (Bloomberg) - Ingves Says Swedish Home Prices May Drop Further as Growth Slows - Riksbank Governor Stefan Ingves stated:

It's not unreasonable to assume that house prices may fall a bit, or at least park at today's level.

The pace of lending is significantly lower now than before and we have a generally weaker economic development.

[Current debt levels] aren't worrying since borrowing has slowed down. It's then manageable.

If you look at the house price development in nominal terms over a long, long time period in Sweden, you can't find a period with massive falls. What's happened if you go back to the beginning of the 90s, they fell a little bit and then remained fairly stagnant for a pretty long time, and then began to gradually rise. So I guess it's that kind of development that we're projecting.

February 17th (Bloomberg) - Sweden Cuts Economic Outlook as Europe's Crisis Destroys Jobs - Finance Minister Anders Borg commented:

The Riksbank and the commercial banks estimate around 0.5 percent growth and it's reasonable to believe that we also end up around there when we have finished revising. We assume that the pace of growth will pick up [next year since] Sweden has very strong fundamentals for a recovery.

We're seeing pessimism in Europe subsiding [as] the Greek risk to the whole European banking system is significantly smaller. That is, I think, also the most central conclusion for Sweden [whose recovery outlook is] based on a more overall optimistic view since the risk picture has changed so clearly.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
02/23	Consumer Confidence	FEB	0.0	--
02/23	Manufacturing Confidence	FEB	-12	-14
02/23	Economic Tendency Survey	FEB	92.8	91.4
02/27	Household Lending	JAN	--	5.2%
02/28	PPI	JAN	--	-0.2% / -2.1%
02/28	Retail Sales	JAN	--	0.1% / 1.5%
02/28	Trade Balance	JAN	--	2.8B
02/29	GDP	Q4	--	1.6% / 4.6%
02/29	Wages – Non Manual Workers	DEC	--	2.6%

Valance Economic Report: Switzerland

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February 22, 2012

In January, Switzerland's Trade Surplus narrowed unexpectedly due to a decrease in exports and Money Supply growth accelerated for the second consecutive month.

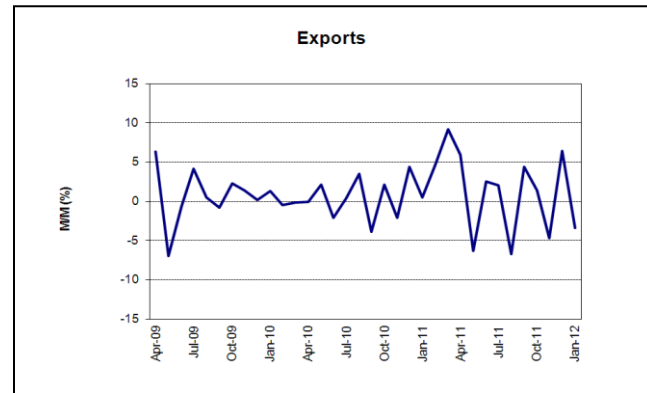
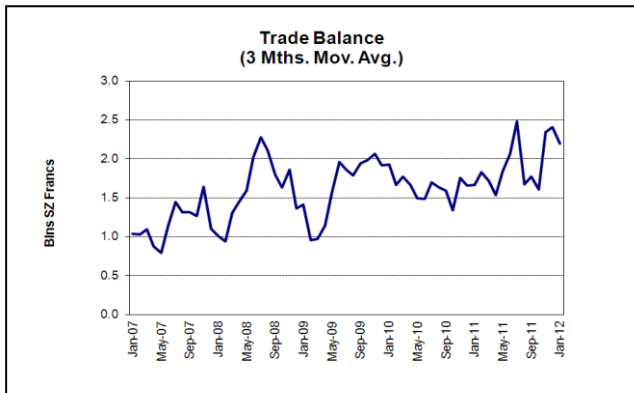
Weekly Highlights

Exports – slumped 3.4% in January, after gaining 6.4% in December. (SZ 1)

M3 Money Supply Growth – increased from 7.4% in December to 8.2% in January. (SZ 2)

Weekly Releases & News

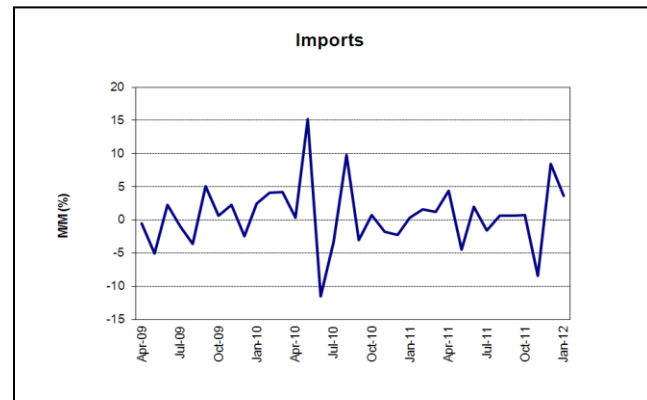
Chart(s) of the Week: Trade Data



Switzerland's Trade Balance narrowed from a surplus of 2.01 bln francs in December to a surplus of 1.55 bln francs in January.

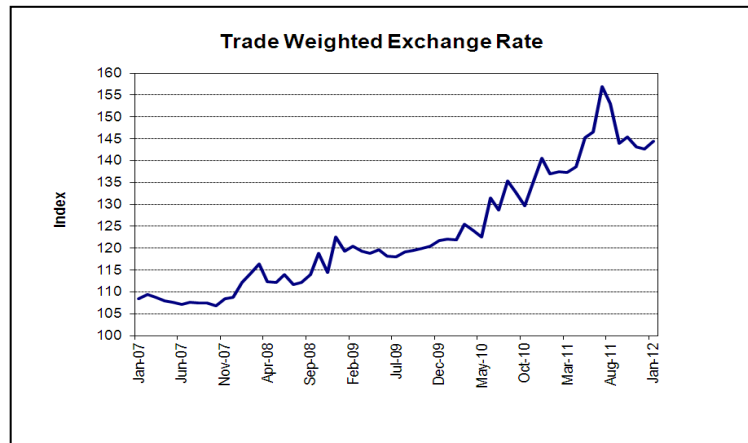
Adjusted for inflation and seasonal swings, Exports fell 3.4% M/M, considerably lower than the 6.4% M/M gain posted the previous month.

Imports rose 3.6% M/M in January, compared with the +8.4% M/M gain posted in December.



Trade Weighted Exchange Rate, Data & News

Trade Weighted Exchange Rate



Data

February 21st (Bloomberg) – January M3 Money Supply Growth – rose from 7.4% Y/Y in December to 8.2% Y/Y.

News

February 17th (Bloomberg) - SNB Remains Ready to Act on Risks If Needed – SNB Deputy Board Member, Thomas Moser said:

[While the introduction of the minimum exchange rate helped counter the franc's] massive overvaluation, [the Swiss currency remains strong].

If the economic outlook and deflationary risks warrant it, the SNB is ready to take further measures at any time.

For large parts of the Swiss economy, the situation remains difficult. The franc remains highly valued and the weakening global demand will continue to weigh on exports.

February 17th (Bloomberg) - Franc Appreciation Posing 'Acute Threat' - Swiss Economy Minister Johann, Schneider-Ammann remarked:

[...the franc's appreciation is posing an] acute threat [to the country's export industry.]

[While the Swiss central bank's decision to impose a franc ceiling of 1.20 versus the euro was] appropriate and important, [the Swiss currency remains] substantially distanced from purchasing-power parity.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
02/28	UBS Consumption Ind.	JAN	--	0.92
02/29	KOF SZ Leading Ind.	FEB	--	-0.17
02/29	CPI – EU Harmonized	JAN	-0.3% / -0.7%	0.3% / -0.4%