

Valance Company, Inc.



Weekly

April 4, 2012

III

Highlights

US – FOMC minutes less dovish

EU – Unemployment Rate at 14 year high

JN – Firms' pessimism unchanged in Q1

CA – Real GDP posted a marginal gain

CH – Official Manufacturing PMI reached its highest level in a year

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Valance Economic Reports

Valance Co., Inc.

Valance Economic Report: United States

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April 4, 2012

A mixed week of data: Personal Spending improved sharply but largely due to a drop in savings rate. ISM Manufacturing improved though both Chicago PMI and Non-Manufacturing ISM fell. The FOMC minutes saw positive revisions to near and medium-term forecasts and were less dovish on additional accommodation.

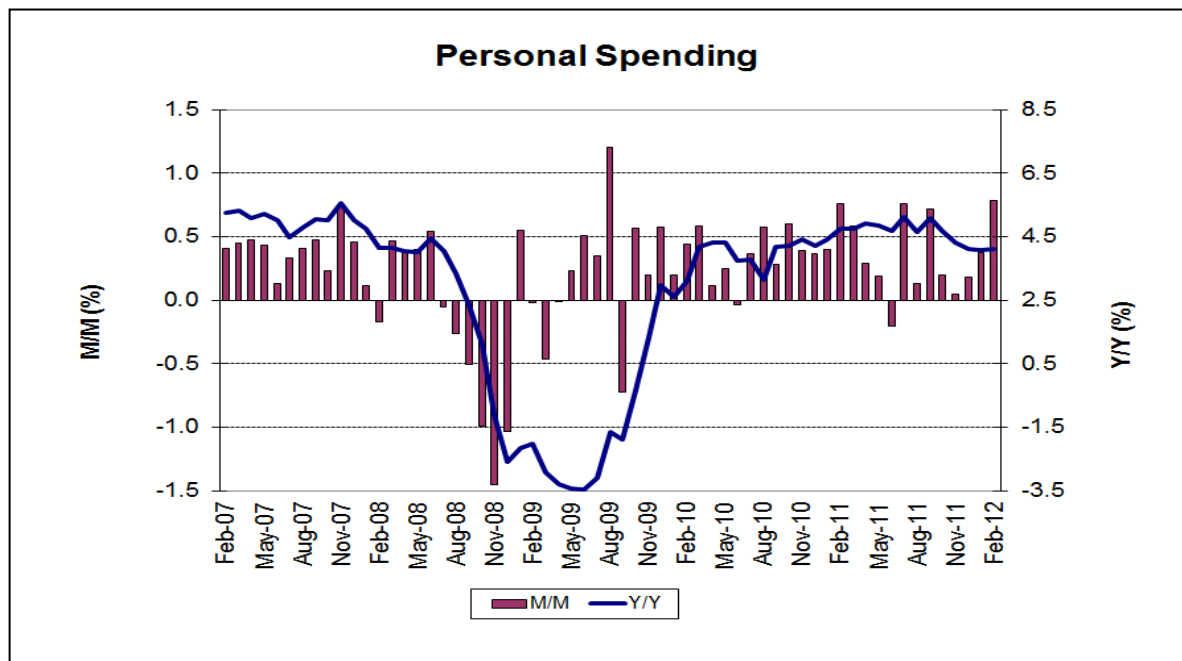
Weekly Highlights

Personal Spending – rose 0.8% M/M and 4.1 Y/Y in February. (US 1)

ISM Manufacturing Index – The ISM Manufacturing Index improved from 52.4 to 53.4 in March. (US 3)

Weekly Releases

Chart of the Week: *Personal Spending*



Personal Spending rose 0.8% M/M and 4.1 Y/Y in February, beating expectations for a gain of 0.6% M/M. It gained 0.5% M/M and 1.8% Y/Y in real terms; the three month annualized rate remained at 1.6%.

US 1

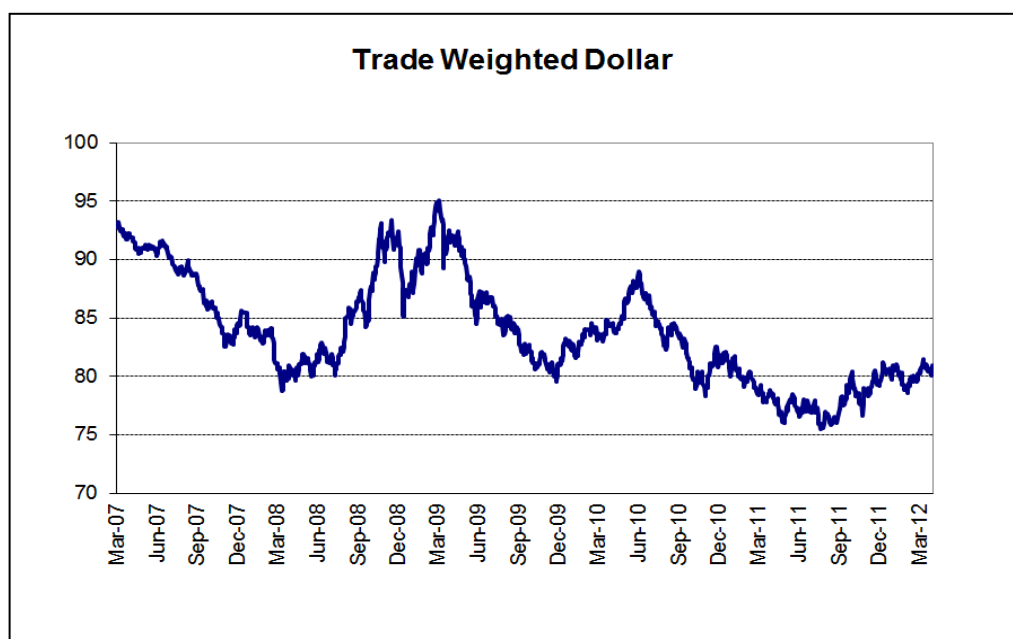
U.S. Financial Balances & Trade Weighted Dollar

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.

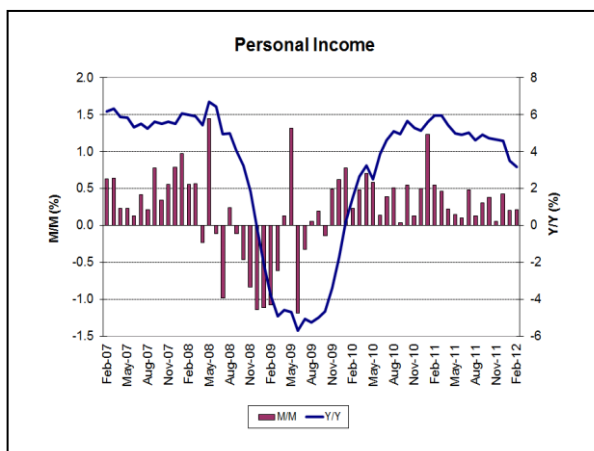
Trade Weighted Dollar



Personal Income, ISM Manufacturing & ISM Non-Manf. Composite

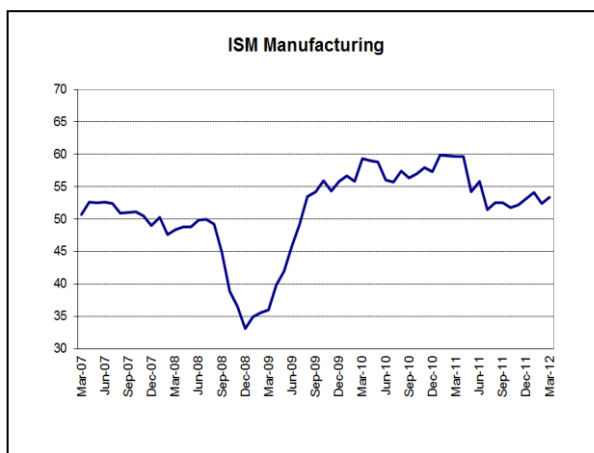
Personal Income

Personal Income increased 0.2% M/M and 3.2% Y/Y in February. The wage and salary component gained 0.3% M/M and 4.4% Y/Y. The saving rate declined to 0.6% to 3.7%.



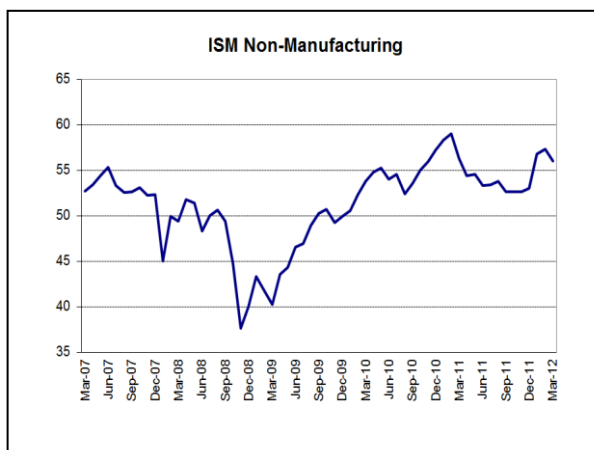
ISM Manufacturing

The ISM Manufacturing Index improved from 52.4 to 53.4 in March. New orders declined from 54.9 to 54.5. The employment component strengthened from 53.2 to 56.1, a six-month high. Prices paid jumped from 55.5 to 61.5. Supplier delivery time declined from a point to 48.0, a three-year low.



ISM Non-Manf. Composite

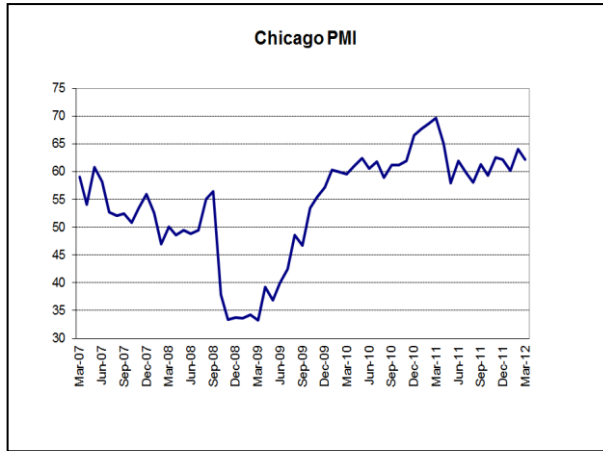
The ISM Non-Manufacturing Index fell from 57.3 to 56.0 in March. New Orders declined from 61.2 to 58.8. The employment component improved from 55.7 to 56.7. The index averaged 56.7 in Q1 2012 versus 52.7 in Q4 2011.



Chicago Purchasing Manager, Core PCE & Initial Jobless Claims

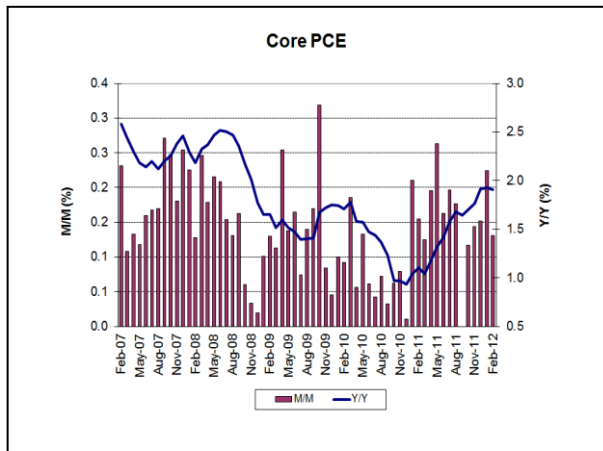
Chicago Purchasing Manager

The Chicago PMI fell from 64.0 to 62.2 in March, worse than expectations of 63.0. The New Orders component declined sharply from 67.8 to 63.3 as did employment, falling from 64.2 to 56.3. Production improved from 67.8 to 68.6 and inventory jumped from 49.6 to 57.4.



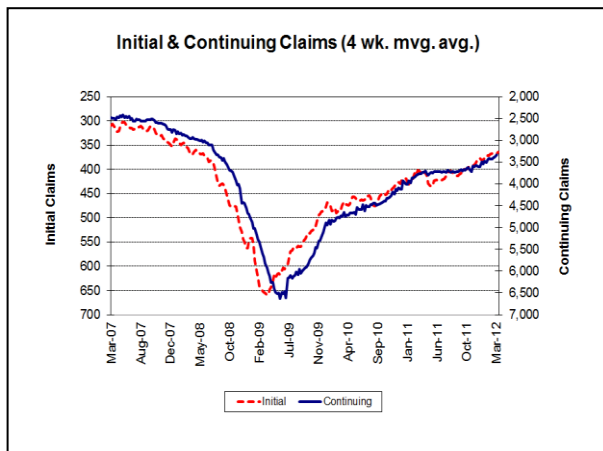
Core PCE

Core PCE increased 0.1% M/M and 1.9% Y/Y in February. The three month annualized rate declined from 1.9% to 1.8%. Headline PCE gained 0.3% M/M. The large output gap should continue to keep core inflation below the Fed's 2% target for the foreseeable future, though the recent rise in oil prices will add pressure to Headline PCE.



Initial Jobless Claims

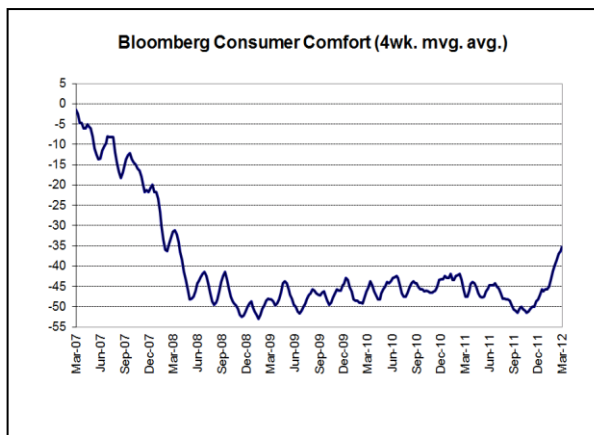
Initial Claims fell from a revised 364k (from 348k) to 359k. The series has been volatile since the beginning of the year but is starting to stabilize in the 350k range. The four week moving average of Initial Claims fell from 368k to 365k. Continuing Claims fell from 3381k to 3340k.



Bloomberg Consumer Comfort, U. of Michigan Confidence & Construction Spending

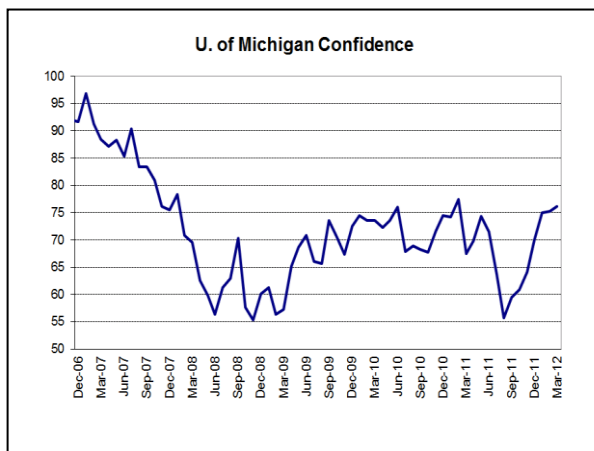
Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index improved slightly from -34.9 to -34.7. This is the second highest reading in four years as consumers are becoming less pessimistic. The buying climate component moved from -38.6 to -37.0, but the state of the economy fell from -64.9 to -66.7.



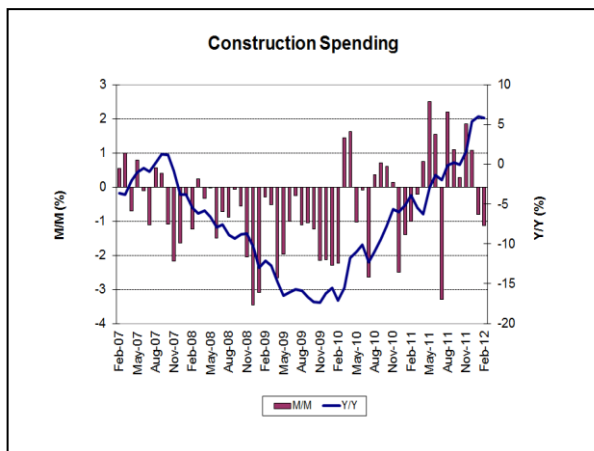
U. of Michigan Confidence

The final University of Michigan Confidence Index improved from 74.3 to 76.2 in March. The current conditions component improved from 84.2 to 86.0 and the expectations component from 68.0 to 69.8. Inflation expectations over the next year fell from 4.0% to 3.9% while the five year expectations remained at 3.0%.



Construction Spending

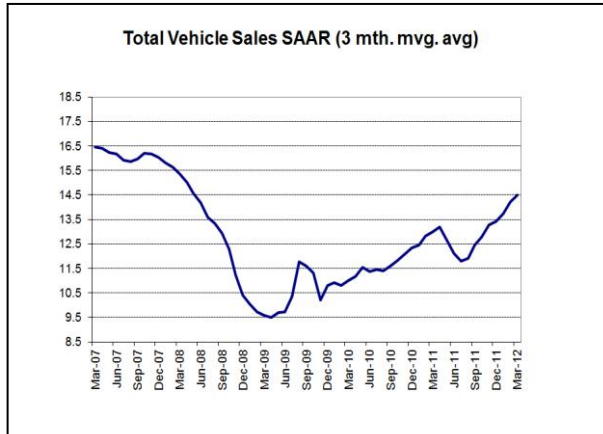
Construction Spending fell 1.1% M/M and decelerated to 5.8% Y/Y growth in February. January was revised lower from -0.1% to -0.8% M/M. Residential spending was flat while Non-residential fell 1.6% M/M.



Total Vehicle Sales & MBA Mortgage Applications

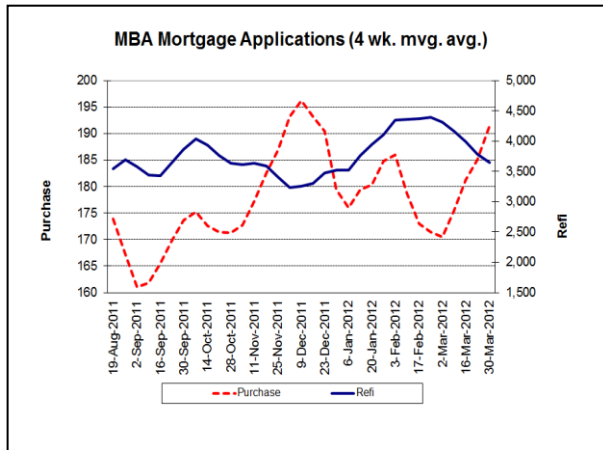
Total Vehicle Sales

Total Vehicle Sales declined from 15.03M to 14.32M seasonally adjusted annualized units in March. A year ago sales stood at 13.06M units.



MBA Mortgage Applications

Purchase Mortgage Applications jumped 7.2% W/W. Refi applications increased 4.0% W/W. The FRM 30-year contract increased declined to 4.16%.



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Key Dates This Week

Dates	Indicators		Expectations	Previous
5-Apr	Initial Jobless Claims	31-Mar	355K	359K
5-Apr	Continuing Claims	24-Mar	3350K	3340K
5-Apr	Bloomberg Consumer Comfort	1-Apr	--	-34.7
6-Apr	Change in Nonfarm Payrolls	MAR	201K	227K
6-Apr	Change in Private Payrolls	MAR	215K	233K
6-Apr	Change in Manufact. Payrolls	MAR	20K	31K
6-Apr	Unemployment Rate	MAR	8.30%	8.30%
6-Apr	Avg Hourly Earning M/M All Emp	MAR	0.20%	0.10%
6-Apr	Avg Weekly Hours All Employees	MAR	34.5	34.5
6-Apr	Consumer Credit	FEB	\$12.000B	\$17.776B
11-Apr	MBA Mortgage Applications	6-Apr	--	--
11-Apr	Import Price Index (M/M)	MAR	1.10%	0.40%
11-Apr	Fed's Beige Book			
11-Apr	Monthly Budget Statement	MAR	--	--

Valance Co., Inc.

Valance Economic Report: Euro Zone

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April 4, 2012

The EU Unemployment Rate increased to its highest level in more than 14 years in February as a result of weak labor market data in Italy and Spain. Germany on the other hand, posted its lowest unemployment rate in 20 years. CPI growth decelerated in March. On the Monetary Policy front, the ECB held rates steady at 1.0%, as was widely expected.

Weekly Highlights

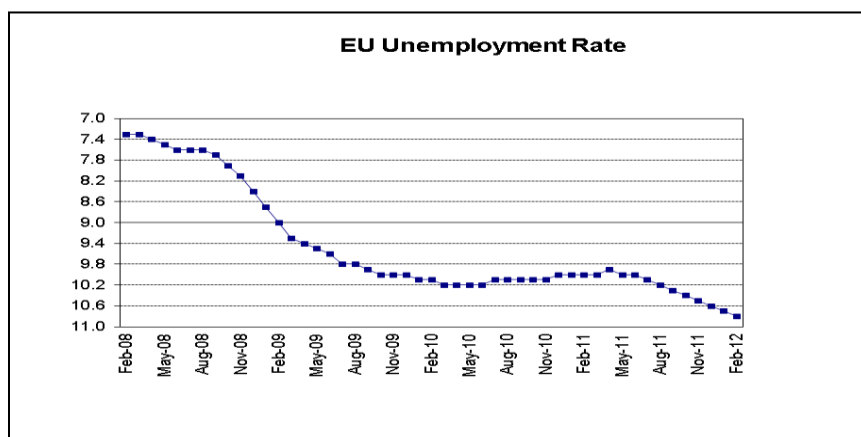
EU Unemployment Rate – increased to its highest level in more than 14 years. (EU 1)

ECB – held rates steady at 1.0%. (EU 2)

Euro Zone CPI - growth decelerated from 2.7% Y/Y to 2.6% Y/Y in March. (EU 3)

Weekly Releases & News

Chart(s) of the Week: Unemployment Rate



EU Unemployment Rate increased from 10.7% in January to 10.8% in February, the highest level in more than 14 years. The record unemployment rate for the Euro Area stands at 10.9%. Market expectations were for a reading of 10.4%.

EU 1

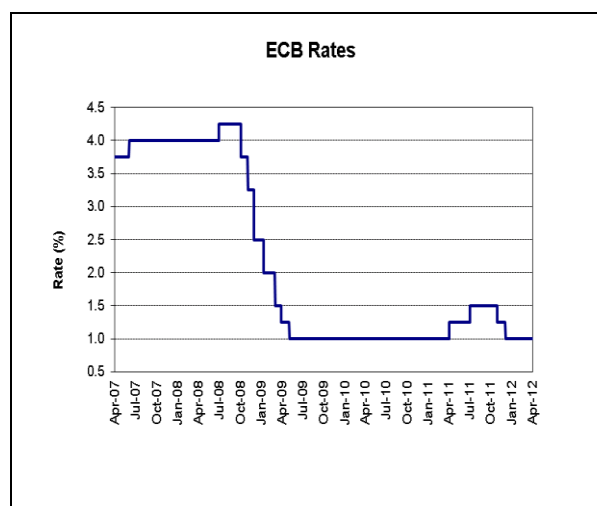
EU Financial Balances, Trade Weighted Euro & ECB Rates

Financial Balances

<i>Germany</i>	<i>Last period (\$blns euros)</i>	<i>Last 12mth. as a % of GDP*</i>
Budget Balance		-4.3%
Trade Balance	13.1 (January)	2.0%
Current Account Balance	8.0 (January)	5.6%
Private Savings Balance		9.9%
<i>France</i>		
Budget Balance		-2.7%
Trade Balance	-5.3 (January)	-4.9 %
Current Account Balance	-4.2 (January)	-3.9%
Private Savings Balance		-1.2%
<i>Italy</i>		
Budget Balance		-4.5 %
Trade Balance	1.4 (December)	-7.7%
Current Account Balance	0.4 (December)	-3.5%
Private Savings Balance		1.0%

**Budget Balance as of June 2011 – Source OECD*

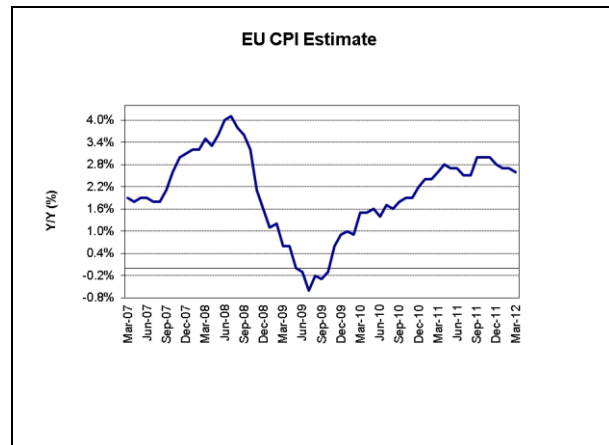
Trade-Weighted Exchange Rate & ECB Rates



EU CPI, Retail Sales & EU Economic Confidence

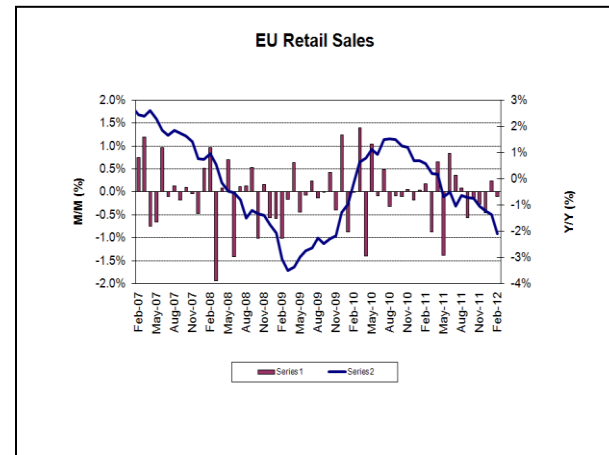
Euro Zone CPI

Euro Zone CPI growth decelerated from 2.7% Y/Y to 2.6% Y/Y in March. Market expectations were for a reading of 2.5% Y/Y.



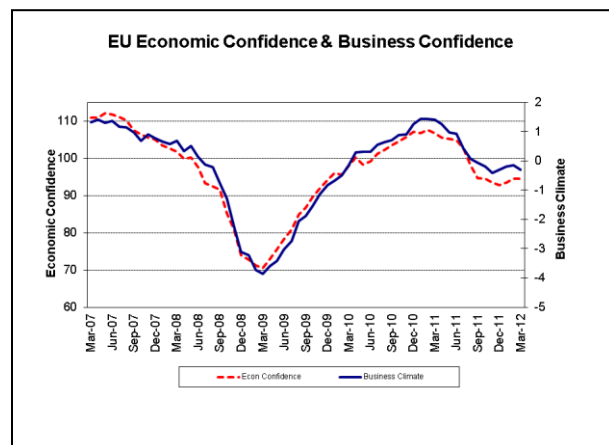
EU Retail Sales

EU Retail Sales declined 0.1% M/M and 2.1% Y/Y in January. Market expectations were for a 0.2% M/M and a 1.1% Y/Y decline. The Food, Drink and Tobacco sector increased 0.6% M/M and fell 1.0% Y/Y. Sales of non-food products were flat M/M and fell 1.6% Y/Y.



EU Economic Confidence

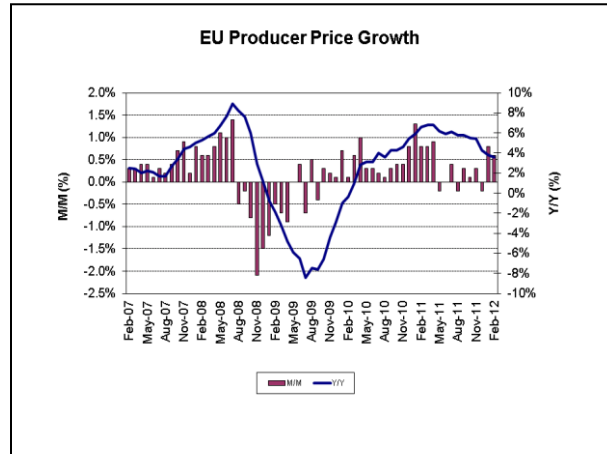
EU Economic Confidence decreased from a revised 94.5 (previous 94.4) in February to 94.4 in March. Market expectations were for a reading of 94.4.



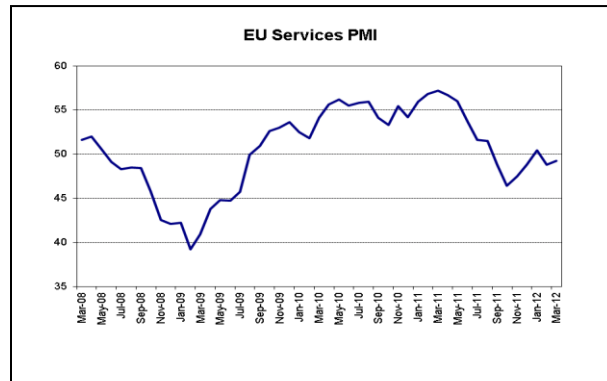
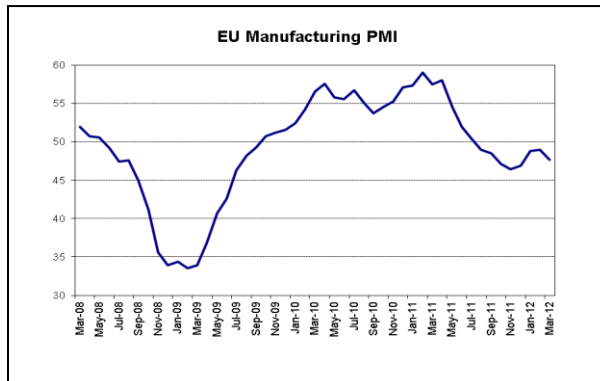
EU PPI/PMIs & German Retail Sales

EU PPI

EU PPI increased 0.6% M/M and 3.6% Y/Y in February above market expectations for a reading of 0.5% M/M and 3.5% Y/Y. Energy prices created the strongest upward pressure on the PPI with a 2.2% M/M and a 9.2% Y/Y gain.



EU PMIs



Final data confirmed that EU PMI Manufacturing decreased from 49.0 in February to 47.7 in March. Services PMI on the other hand was revised up from 48.7 to 49.2. The March reading for the Composite Index was also revised up from 48.7 to 49.1.

German Retail Sales

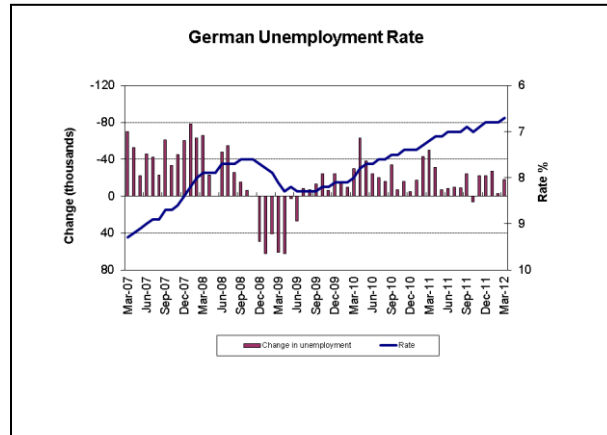
German Retail Sales unexpectedly fell 1.1% M/M and increased 1.7% Y/Y in February. Market expectations were for a 1.1% M/M and a 0.1% Y/Y growth.



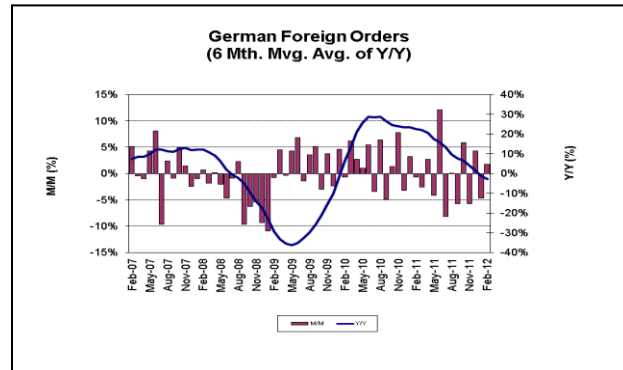
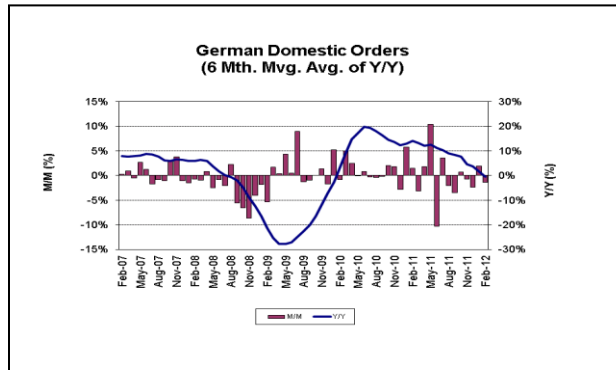
German Unemployment Rate/Factory Orders & French PPI

German Unemployment

German Unemployment rate fell from 6.8% in February to 6.7% in March, a 20 year low. The number of people unemployed fell 18K to 2.8 mln in March. Market expectations were for a 10K decline.



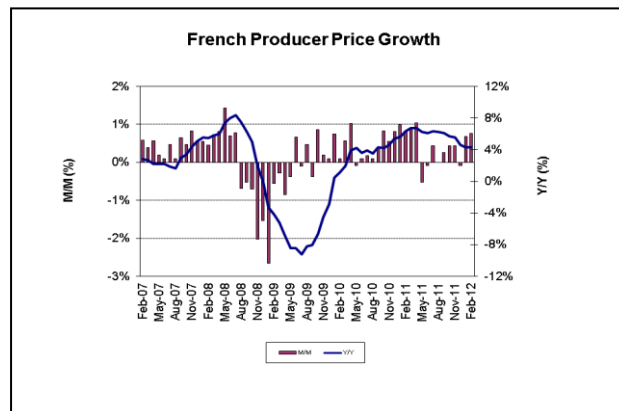
German Factory Orders



German Factory Orders increased 0.3% M/M and fell 6.1% Y/Y in February versus market expectations for a 1.5% M/M gain and a 5.5% Y/Y decline. Domestic Factory Orders fell 1.4% M/M and 6.0% Y/Y. Foreign Orders increased 1.7% M/M and fell 6.0% Y/Y.

French PPI

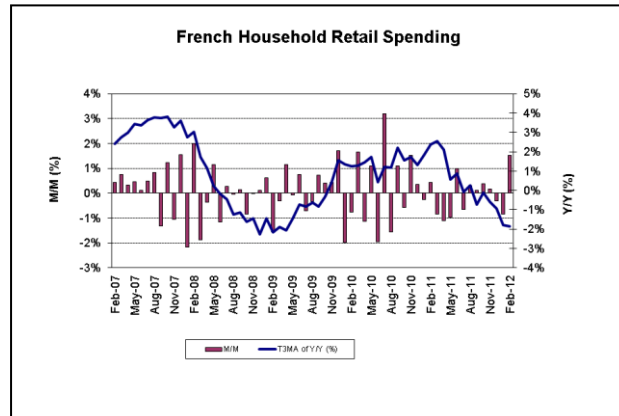
French PPI increased 0.8% M/M and 4.3% Y/Y in February.



French Consumer Spending & Italian PPI/CPI

French Consumer Spending

French Household Spending increased 3.0% M/M and 0.5% Y/Y in February, above market expectations for a 0.2% M/M increase and a 2.5% Y/Y decline. Spending on energy increased 11.7% M/M and 9.0% Y/Y.



Italian PPI

Italian PPI increased 0.4% M/M and 3.2% Y/Y in January. Market expectations were for 0.6% M/M and 3.3% Y/Y growth.



Italian CPI

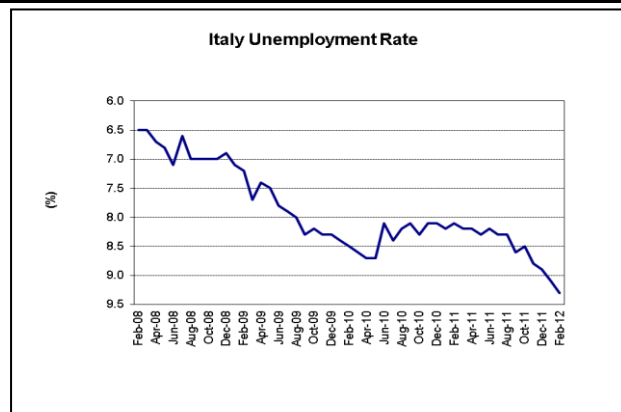
Italian CPI increased 0.5% M/M and 3.3% Y/Y in March, above market expectations for a reading of 0.3% M/M and 3.2% Y/Y.



Italian & Spanish Unemployment

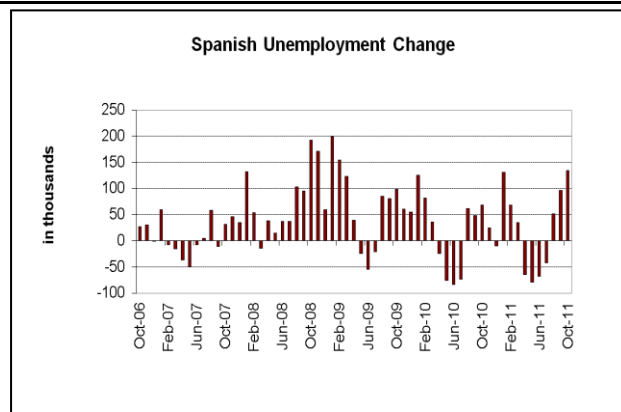
Italian Unemployment

Italian Unemployment Rate increased from 9.1% in January to 9.3% in February, in line with market expectations. February's reading is the highest in more than 10 years.



Spanish Unemployment

The number of people registering for unemployment benefits increased by 38.3K in March versus market expectations for a 54K increase. The unemployment rate currently stands at 23.0%, the highest level in the European Union.



News/Comments

April 3rd - Rajoy Signals Spain at Risk of Bailout in Defense of Budget (Bloomberg) - Prime Minister Mariano Rajoy raised the threat of an international bailout as he sought to defend Spain's most austere budget in more than three decades. "The alternative is infinitely worse," Rajoy told senior members of the People's Party. The risk of losing access to capital markets isn't "theoretical" and "has already happened to some in the European Union" as well as local administrations in Spain, he said. His government aims to trim a budget shortfall of 8.5 percent of gross domestic product to 5.3 percent this year. The government will start drafting the spending plan for 2013, when Spain has pledged to bring its deficit within the EU's 3 percent ceiling.

April 2nd - ECB's Mersch Sees 'Long Road Ahead' for Euro-Area Economy (Bloomberg) -- European Central Bank council member Yves Mersch said the euro area has much work to do in addressing the causes of its debt crisis and governments must step up fiscal coordination in the face of "weak growth."

"Since the beginning of the year, signs of stabilization have appeared along with a slow and progressive return of market confidence," Mersch wrote in the annual report of the Luxembourg Central Bank, which he heads. "The measures taken by euro-zone authorities and member states are beginning to produce results, even if there is a long road ahead."

The remarks underline the difficulties faced by countries such as Italy and Spain as they seek to loosen labor laws to spur growth and slash budget deficits. According to the annual report, the euro-area economy will shrink 0.3 percent this year, more than the 0.1 percent forecast by the ECB last month.

European finance ministers agreed last week in Copenhagen to increase the size of the region's emergency lending capability to 800 billion euros (\$1.1 trillion). The funds are intended to help governments as the Frankfurt-based ECB provides banks with emergency liquidity through long-term loans.

"The non-conventional measures are by definition temporary," Mersch wrote. "The objective is to reestablish market confidence as well as optimal transmission of monetary policy and the financing of the economy."

March 29th - ECB's Weidmann Says Rescue Fund Expansion Won't Solve Crisis (Bloomberg) - ECB Governing Council member Jens Weidmann said countries with deficits in their budgets and current accounts must seek to address those imbalances. Countries with surpluses shouldn't be called upon to make themselves less competitive, he said. He said the risks that fiscal austerity will prevent countries returning to growth are "being exaggerated," and "in any case, there is little alternative." Weidmann rejected any calls for the ECB to "temporarily ease the pressure" and do more to support the euro-area economy. While it's "unavoidable" that central banks have to act more flexibly in times of crisis, "once a central bank becomes involved in fiscal policy, it eventually loses its independence and its credibility as an inflation-fighter," he said.

News/Comments Cont'd

March 29th - OECD Urges Europe to Strengthen Firewall as Growth Trails U.S. (Bloomberg)

-- The Organization for Economic Cooperation and Development urged European finance ministers to lift the limit on emergency lending to governments to bolster confidence as the region's recovery lags that of the U.S.

"In the euro area, we're not out of the woods yet," OECD Chief Economist Pier Carlo Padoan said today in a Bloomberg Television interview in Paris. "Policy must be prepared to deal with possible negative events," meaning the "firewall still needs to be further strengthened."

European governments are preparing for a one-year increase in the ceiling on rescue aid to 940 billion euros (\$1.3 trillion) to keep the debt crisis at bay, according to a draft statement written for finance ministers. European officials will gather in Copenhagen tomorrow to discuss the measure.

"Everyone knows what needs to be done," Padoan said.

"I'm confident this will be achieved so that markets will not be disappointed as they have been a number of times last year."

Padoan's remarks marked the release of the OECD's interim assessment of the Group of Seven countries. On a weighted average, the three largest euro-area economies, Germany, France and Italy, will shrink by an annualized 0.4 percent in the first quarter and grow by 0.9 percent in the second, while U.S. gross domestic product will rise 2.9 percent and then a further 2.8 percent, the Paris-based organization said.

March 29th - Finance minister says France to avoid recession (Xinhua) - French Finance Minister Francois Baroin said on Thursday France was the only eurozone member expected to avoid recession after meeting its growth target last year.

Speaking to the local broadcaster Europe 1, Baroin said that Paris was "the only country which recorded growth in the last quarter (of 2011)."

"We reached our growth target. On the contrary of economists estimations, we are the only country to avoid recession," Baroin noted.

France's gross domestic product (GDP) growth stood at 1.7 percent in 2011 thanks to increased households purchasing power which gained 0.3 percentage points to 1.1 percent with saving rate stood at 16.8 percent, its highest level in three decades.

France estimates a GDP growth of 0.7 percent this year and 1.75 for 2013.

However, the International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD) estimated the government's 2012 growth target optimistic and expected growth to stand at 0.2 percent and 0.3 percent respectively.

Baroin noted also the "need of stability for France and Europe," adding that it was "dangerous and threatening idea to question the (European) treaty."

"We did not need to change and fantasy," the minister said, referring to socialist presidential candidate Francois Hollande's plan to renegotiate the European fiscal pact if he is elected.

Key Dates This Week

Date	Indicator	Expectations	Previous	
10-Apr	EC Sentix Investor Confidence	Apr	--	-8.2
5-Apr	GE Industrial Production MoM (sa)	Feb	-0.50%	1.60%
5-Apr	GE Industrial Prod. YoY (nsa wda)	Feb	0.50%	1.80%
09-12 APR	GE Wholesale Price Index (MoM)	Mar	--	1.00%
09-12 APR	GE Wholesale price Index (YoY)	Mar	--	2.60%
10-Apr	GE Exports SA (MoM)	Feb	--	2.30%
10-Apr	GE Imports SA (MoM)	Feb	--	2.40%
10-Apr	GE Current Account (EURO)	Feb	--	8.0B
10-Apr	GE Trade Balance	Feb	--	13.1B
6-Apr	FR Central Govt. Balance (Euros)	Feb	--	-12.5B
6-Apr	FR Trade Balance (Euros)	Feb	-5200M	-5324M
10-Apr	FR Bank of France Bus. Sentiment	Mar	--	95
10-Apr	FR Industrial Production (MoM)	Feb	--	0.30%
10-Apr	FR Industrial Production (YoY)	Feb	--	-1.50%
10-Apr	FR Manufacturing Production (MoM)	Feb	--	0.20%
10-Apr	FR Manufacturing Production (YoY)	Feb	--	-1.20%
10-Apr	SP House transactions YoY	Feb	--	-26.30%
10-Apr	SP Spain Business Confidence	1Q	--	-14.2
11-Apr	SP Industrial Output WDA (YoY)	Feb	--	-4.20%
11-Apr	SP Industrial Output NSA (YoY)	Feb	--	-2.40%

Valance Co., Inc.

Valance Economic Report: Japan

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April 4, 2012

The Tankan report was unchanged in Q1, missing market expectations for a modest improvement. Industrial Production missed market expectations as well, as it declined in February. Employment fared slightly better than expect as the Unemployment Rate dropped.

Weekly Highlights

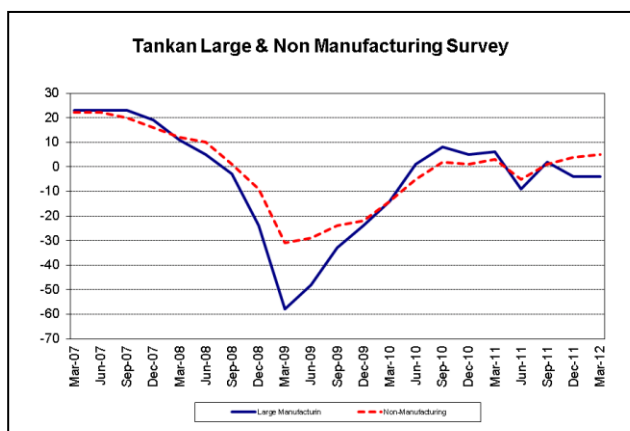
Tankan – Large Manufacturing sentiment unchanged in Q1. (JN 1)

Employment – Unemployment Rate declined to 4.5% in February. (JN 4)

Industrial Production – dropped 1.2% M/M and increased 1.5% Y/Y in February. (JN 5)

Charts of the Week: TANKAN Survey

Large Manufacturing Sentiment was unchanged at -4 in Q1 against a prior survey forecast of -5 and market expectations for an improvement to -1. Among small manufacturers, sentiment declined from -8 to -10 against a prior survey forecast for a drop to -17. Large non-manufacturer sentiment improved from 4 to 5 in line with prior expectations and above the prior survey forecast for a decline to 0. Among small non-manufacturers, conditions improved from -14 to -11 against a prior survey forecast for a drop to -21. Across all industries, sentiment improved from -7 to -6 against a prior survey which called for a decline to -13.



Of note, large firm employment conditions dropped from +4 to +3 in Q1 against previously surveyed expectations for no change. Among small firms, the index dropped from +2 to +1 against previously surveyed expectations for no change. Across all enterprises, conditions dropped from +2 to +1.

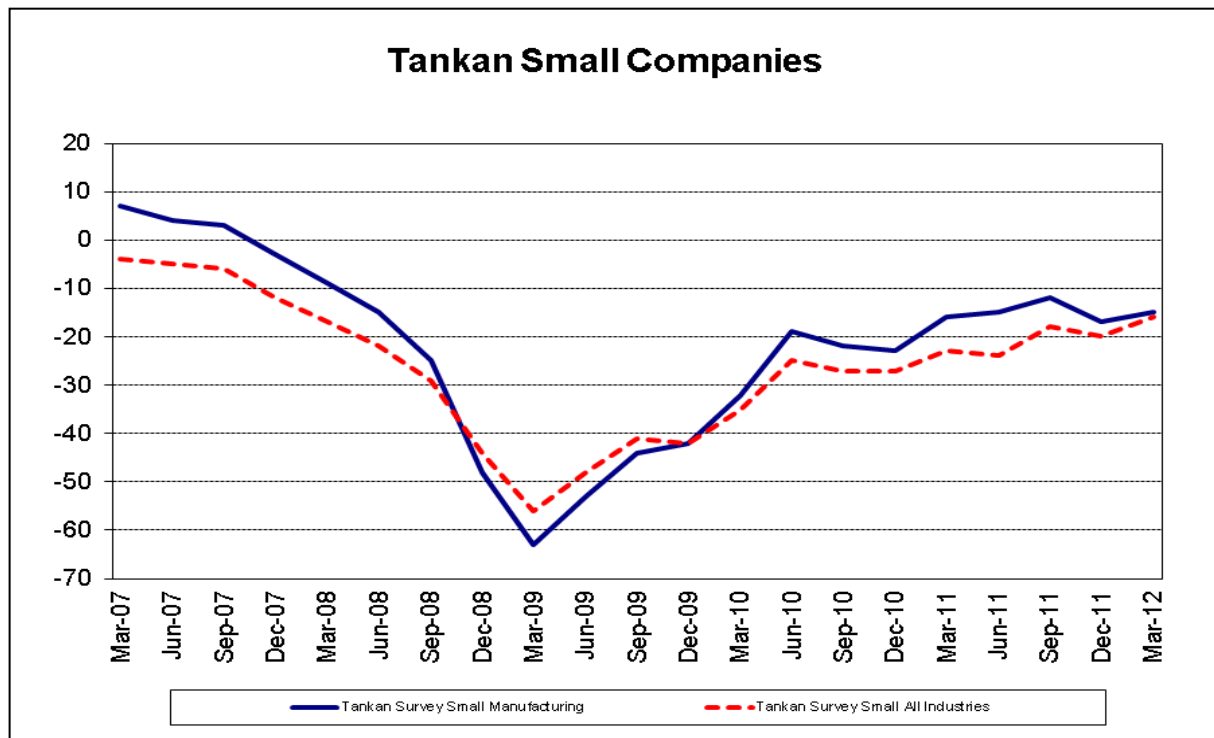
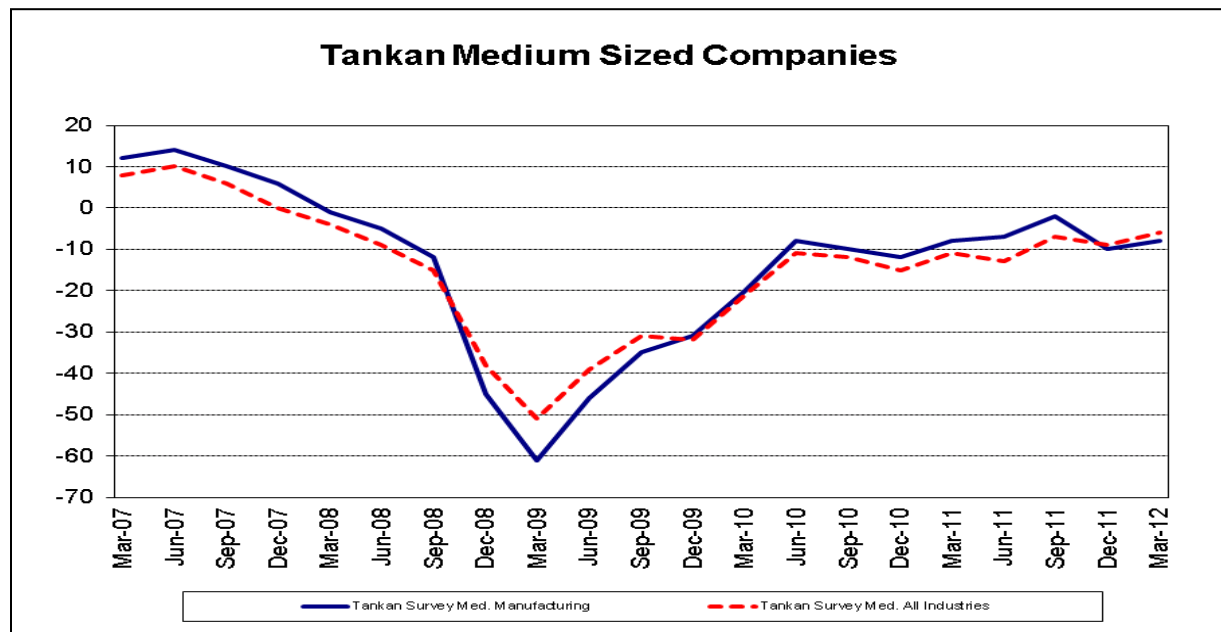
The large industry CAPEX component of the Tankan was revised lower, from +1.4% Y/Y to no change, against market expectations for a drop to +0.8% Y/Y.

FY11 Sales are expected to increase 1.4% Y/Y among all enterprises, with large manufacturers looking for a 2.0% Y/Y improvement and small manufacturers looking for a 0.8% Y/Y improvement. Profits for these manufacturers are expected to increase 0.6% Y/Y and a notable 15.8% Y/Y respectively.

Looking forward, large manufacturers expect conditions to improve 1pt to -3 in Q2 and small manufacturers expect conditions to drop 5pts to -15. Across all industries, conditions are expected to drop 3pts to -9.

JN 1

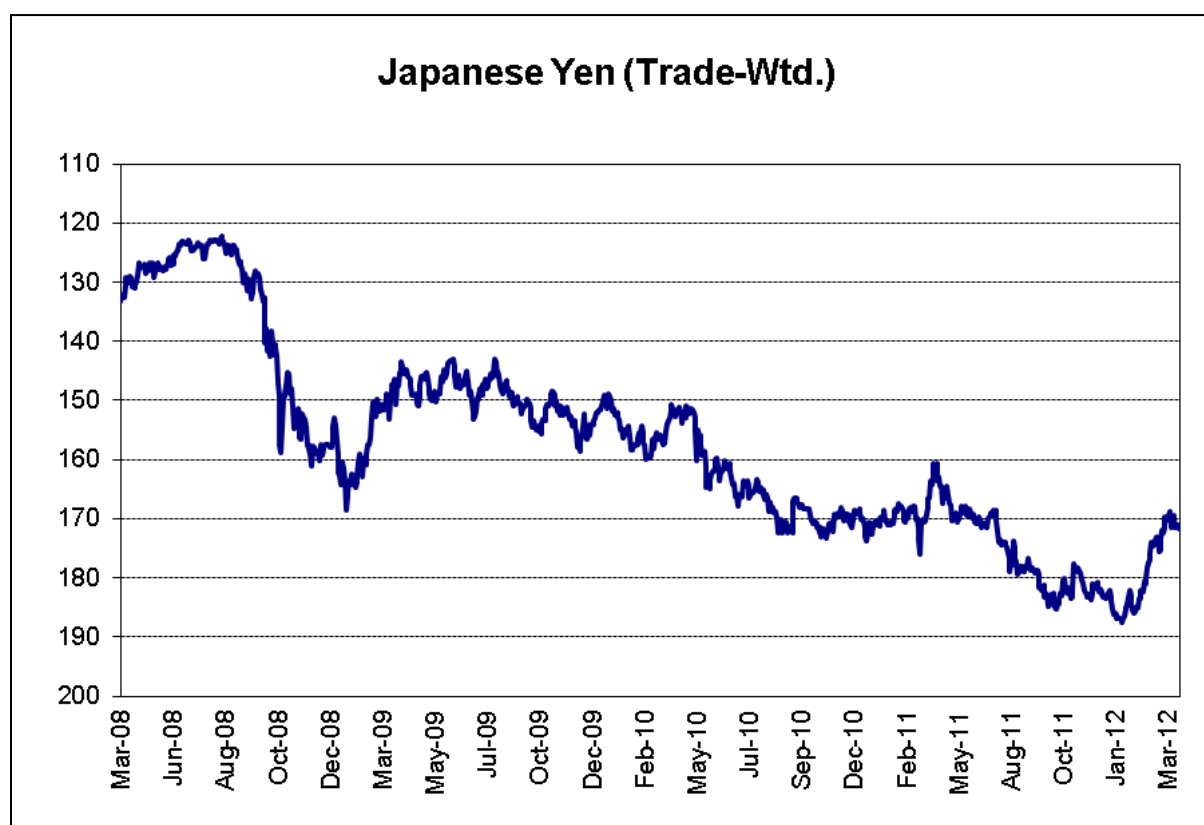
Tankan Survey (cont'd)



Japan's Financial Balances

Financial Balances

Japan	Last period (¥trln)	Last 12mth. as a % of GDP
Budget Balance	-3.03 (May)	-6.9%
Trade Balance	0.69 (June)	2.2%
Current Account Balance	1.50 (June)	5.2%
Private Balance	--	12.1%

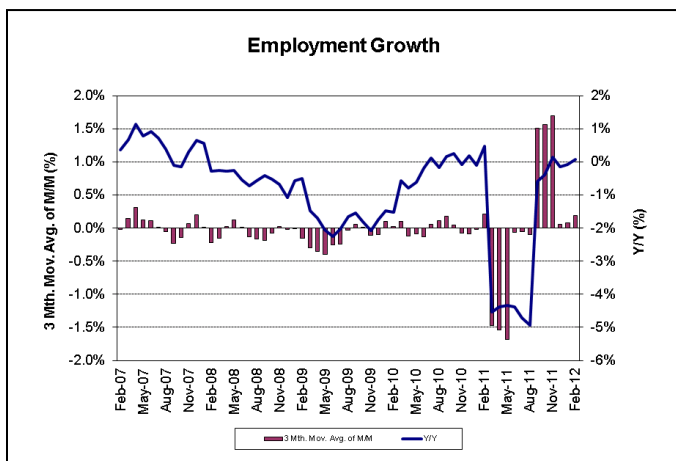
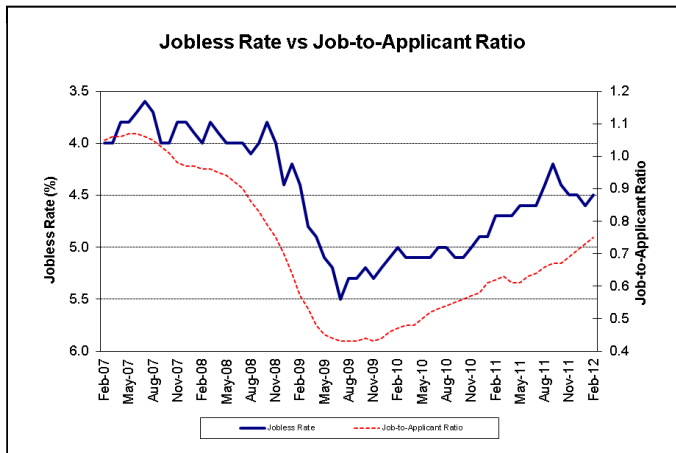


Employment Data

Employment

The Unemployment Rate in Japan dropped from 4.6% to 4.5% in February against market expectations for no change. The decline occurred as the number of employed increased by 290K while the number of unemployed dropped by 70k. The labor force grew by 230K and the non-labor force declined by 240k.

The job-applicant ratio increased from 0.73 to 0.75 against expectations for an increase to 0.74.

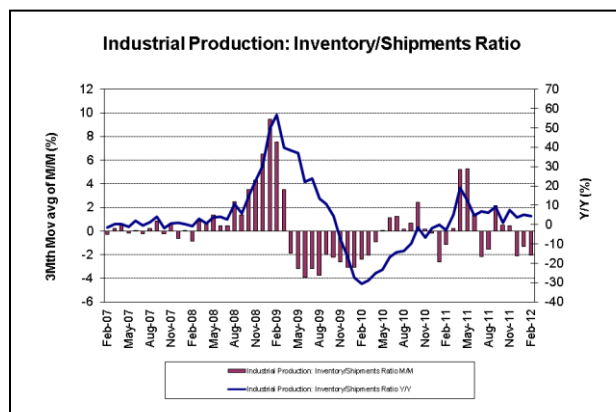
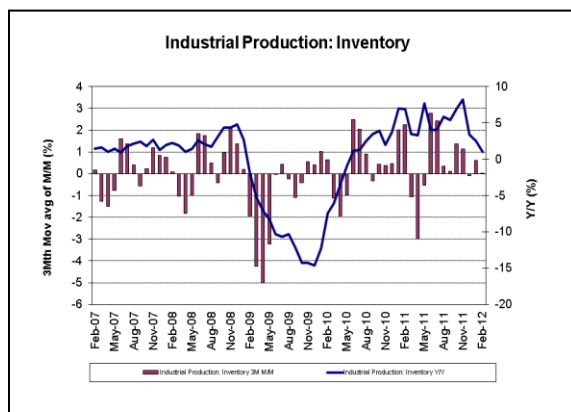
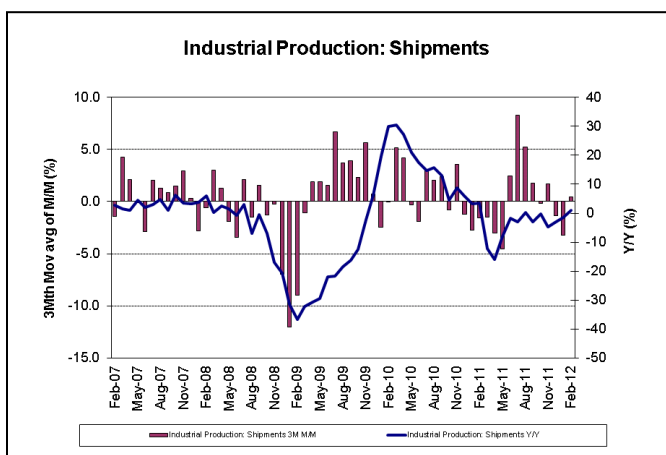
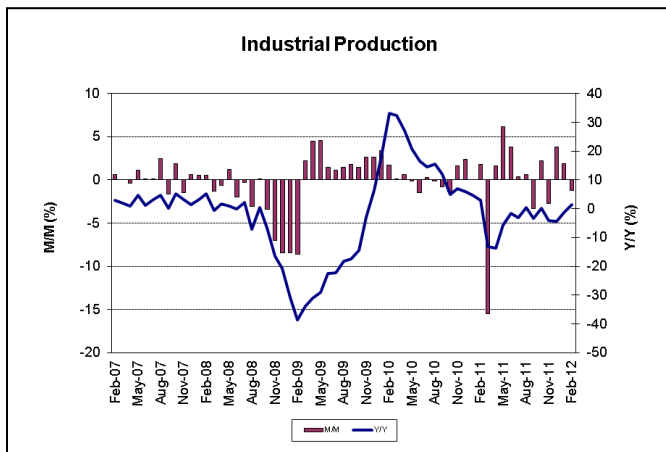


Industrial Production

Preliminary data from Industrial Production in February indicated that it dropped 1.2% M/M and increased 1.5% Y/Y, missing market expectations for a 1.3% M/M and 3.7% Y/Y increase. Within the data, shipments increased 1.1% M/M and Y/Y. Inventories increased 0.1% M/M and 1.0% Y/Y. The Inventory Ratio dropped 3.9% M/M and increased 4.6% Y/Y.

The improvement in production occurred as general machinery, transport equipment, and IT equipment all dropped.

Looking forward, manufacturers expect production to improve 2.6% M/M in March and 0.7% M/M in April.

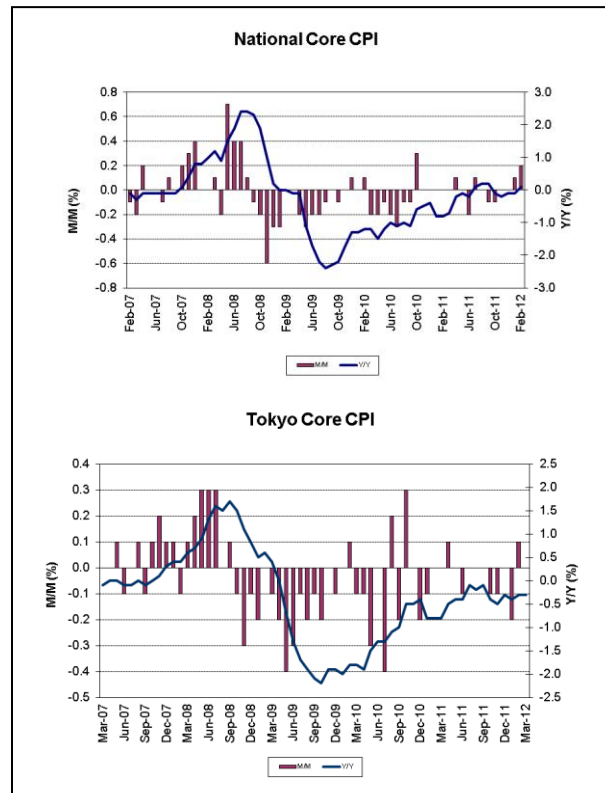


CPI & Labor Cash Earnings

CPI

National Core CPI increased 0.2% M/M and 0.1% Y/Y in February against expectations for a 0.1% Y/Y decline. Core-Core CPI, which excludes the impact of fresh food and energy, increased 0.3% M/M and dropped 0.6% Y/Y, against expectations for a 0.9% Y/Y decline. Within Tokyo, Core Prices were unchanged M/M and declined 0.3% Y/Y in March.

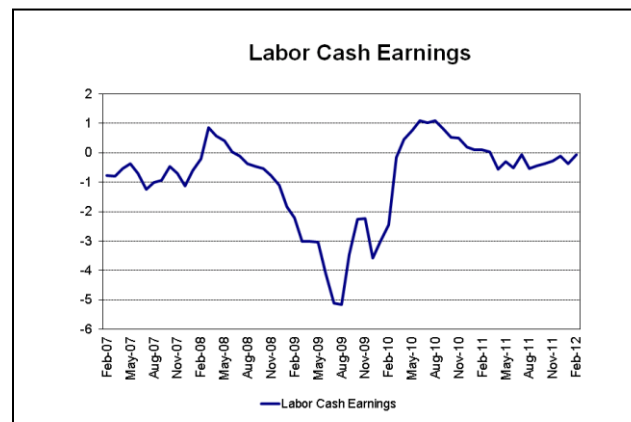
Within the nationwide data, the M/M improvement occurred on increases in entertainment, education, and fresh food prices. Declines were largest in household goods, transport/communication, medical care and clothing/footwear.



Labor Cash Earnings

Labor Cash Earnings increased 0.7% Y/Y in February. Within the details, contracted earnings increased 0.9% Y/Y. Regular earnings increased 0.7% Y/Y. Overtime earnings increased 3.4% Y/Y. Bonus earnings declined however, falling 17.7% Y/Y. This decline marks a record low for winter bonus earnings. Real earnings increased 0.4% Y/Y.

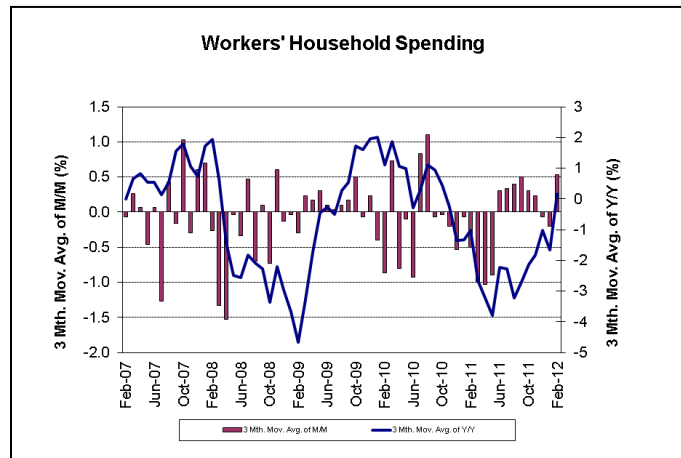
Also within the data, hours worked increased 3.0% Y/Y on an increase in scheduled hours. Employment increased 0.5% Y/Y due to an increase in full time employment.



Household Spending & Retail Trade

Household Spending

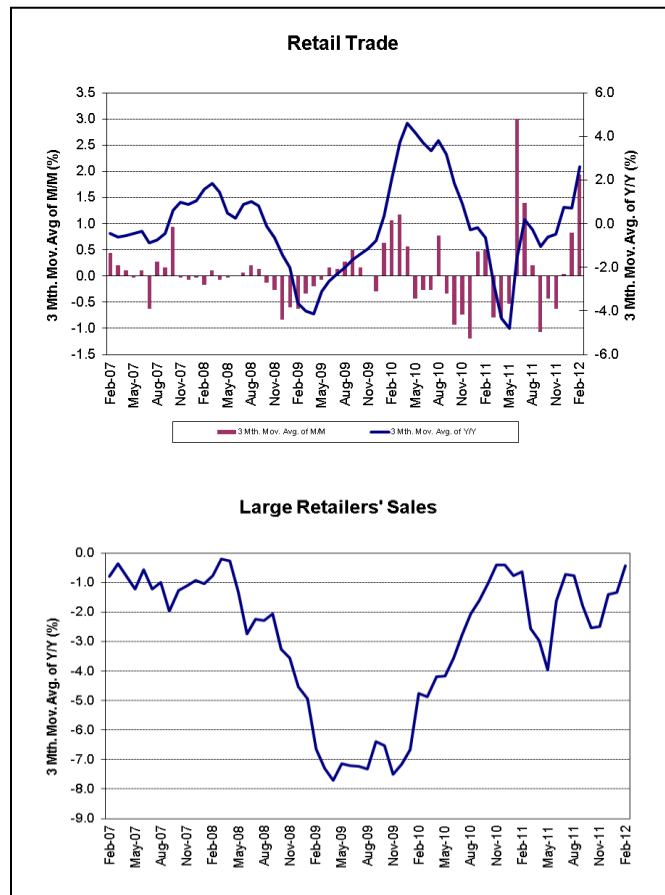
Household Spending increased 1.8% M/M and 2.3% Y/Y against market expectations for a 0.5% Y/Y decline. Among workers, spending increased 2.7% M/M and 2.9% Y/Y.



Retail Trade

Retail Trade increased 2.0% M/M and 3.5% Y/Y in February, exceeding market expectations for no M/M change and a 1.4% Y/Y increase. Among large stores, sales improved 3.4% M/M and 0.2% Y/Y.

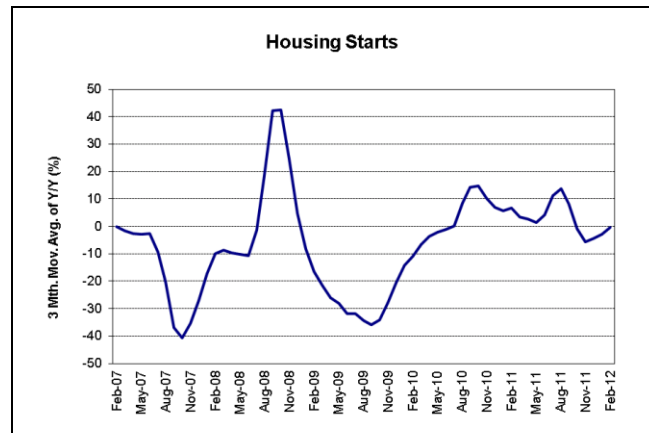
The M/M improvement was caused by an increase in the sales of fabrics and general merchandise as well as food and beverages and household machines.



Housing Starts, Construction Orders & Vehicle Production

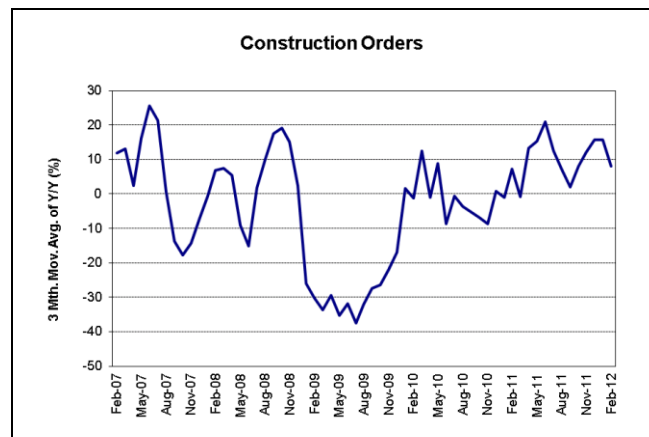
Housing Starts

Housing Starts in February increased 7.5% Y/Y as the number of starts increased from 822k units to 917k units. The increase was stronger than the 840K units the market anticipated.



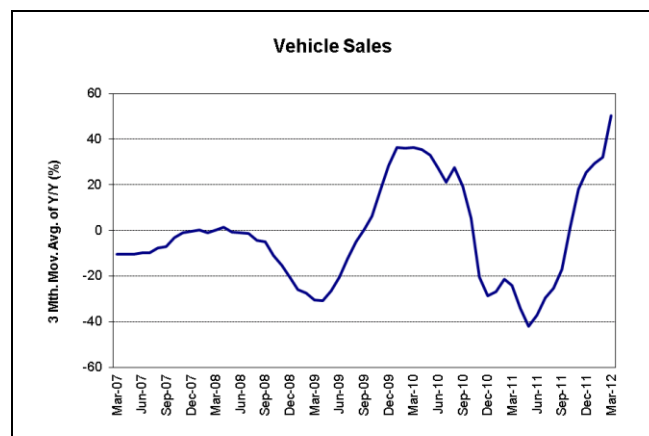
Construction Orders

Construction Orders increased 1.8% Y/Y in February.



Vehicle Production

Vehicle Production increased 19.7% Y/Y in February.



News

April 4th - Inflation Expectations Rise on Gasoline Prices – According to the BoJ, 57.9% of consumers surveyed stated that they expect prices to climb over the next year, an increase of 2.8 pctg pts from three months ago.

April 4th – Business Sentiment Rises – Data from Teikoku Databank Ltd indicates that Business sentiment at Japanese companies improved 2pts to 38.3 in February, marking the fourth consecutive monthly improvement. Within the data, manufacturer sentiment rose for the first time in five months due to demand from the US.

April 3rd – Gov't to Cut Hiring – The Japanese government decided to cut the number of new employees 56% to 3,780. The decline is the first since the level was set in FY09 and is lower than the 70% cut proposed by the Deputy Prime Minister.

April 2nd – Tax Receipts Increase – Japanese tax revenues increased 4.8% Y/Y to 3.348 tln in February. The increase occurred on a rise in receipts of tobacco, energy and other taxes offset declines in major components.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
4/4	Tokyo Avg Office Vacancies (%)	N/A	9.15
4/6	Coincident Index CI	93.6	92.7
4/6	Leading Index CI	95.8	94.4
4/8	Current Account Total	N/A	-¥437.3B
4/8	Adjusted Current Account Total	N/A	¥115.6B
4/8	Current Account Balance YOY%	N/A	-180.00%
4/8	Trade Balance - BOP Basis	N/A	-¥1381.6B
4/9	Bankruptcies (YoY)	N/A	5.20%
4/9	Eco Watchers Survey: Current	N/A	45.9
4/9	Eco Watchers Survey: Outlook	N/A	50.1
4/09-4/10	BOJ Target Rate	N/A	0.10%
4/10	Machine Tool Orders (YoY)	N/A	-8.60%
4/10	Bank Lending Ex-Trusts YoY	N/A	0.80%
4/10	Bank Lending incl Trusts (YoY)	N/A	0.60%
4/10	Machine Orders (MoM)	N/A	3.40%
4/10	Machine Orders YOY%	N/A	5.70%
4/11	Domestic CGPI (MoM)	N/A	0.20%
4/11	Domestic CGPI (YoY)	N/A	0.60%

Valance Co., Inc.

Valance Economic Report: *United Kingdom*

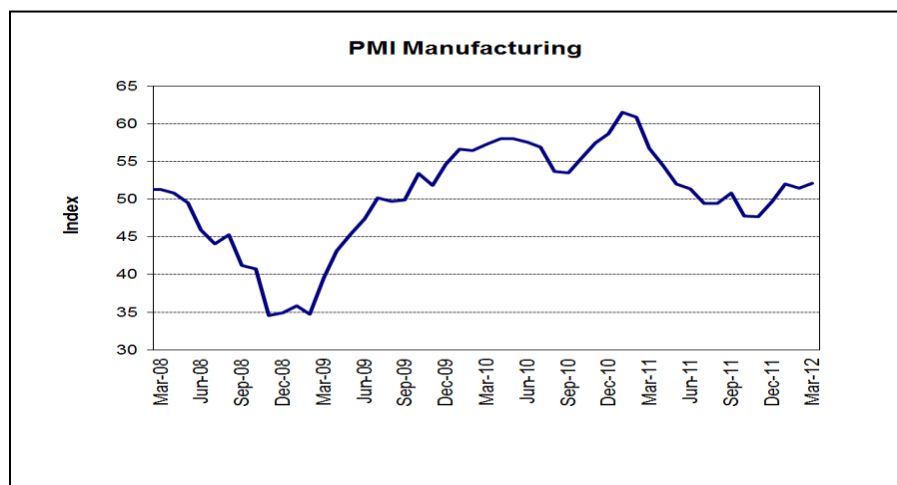
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April 4, 2012

PMI Manufacturing improved in March, as did the PMI Services and Shop Prices. Meanwhile, Home Prices increased due to buyers rushing to meet the expiry of a tax holiday. Overall, however, economic conditions remain relatively unchanged.

Weekly Highlights

PMI Manufacturing – improved in March. (UK 1)
Nationwide House Prices – declined in March. (page 3)

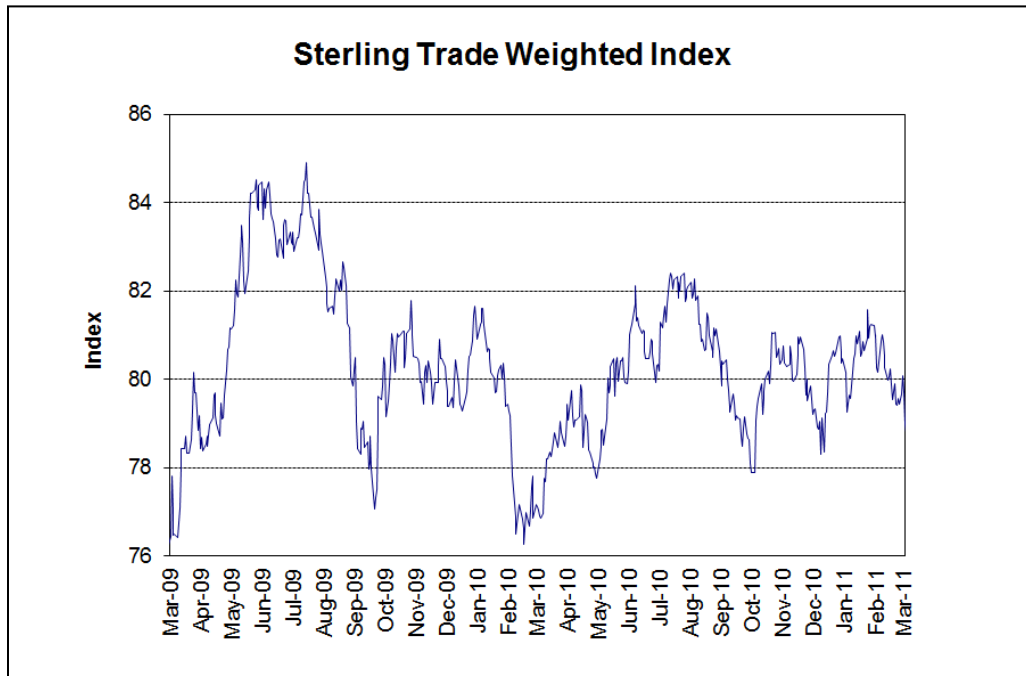
Weekly Releases & News**Chart of the Week: *PMI Manufacturing***

PMI Index of Manufacturing increased 0.6pts to 52.1 in March. February's 51.2 was revised upward to 51.5. The March improvement was better than the market's expected decline to 50.7. A reading above 50 indicates expansion. The CIPS commented that "The continued growth in manufacturing over the past few months points towards a more sustained period of improvement, however manufacturers are still under a great deal of pressure to manage costs and are burning through backlogs of orders to maintain production volumes."

UK 1

Financial Balances, FX & Production

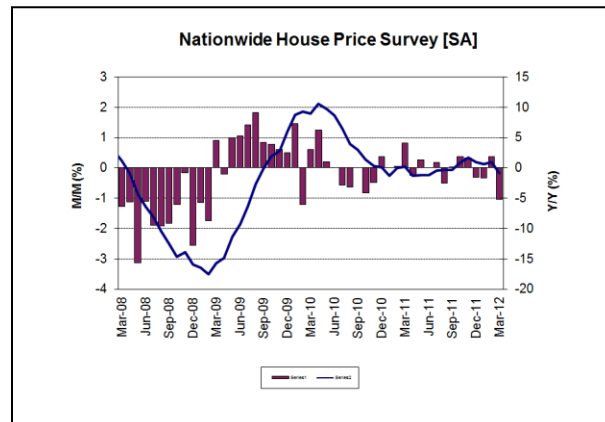
<i>U.K.</i>	<i>Last Period (blns)</i>	<i>Last 12mth. % of GDP</i>
Budget Balance (monthly/total)	+£10.3 (Feb)	+9.8%
Curr. Acct. Balance (quarterly)	-£10.5(Dec)	-2.9%
Private Balance	-£0.2	+6.9%



Nationwide and HBOS Housing Surveys & GfK Cons. Conf.

Nationwide House Price Survey

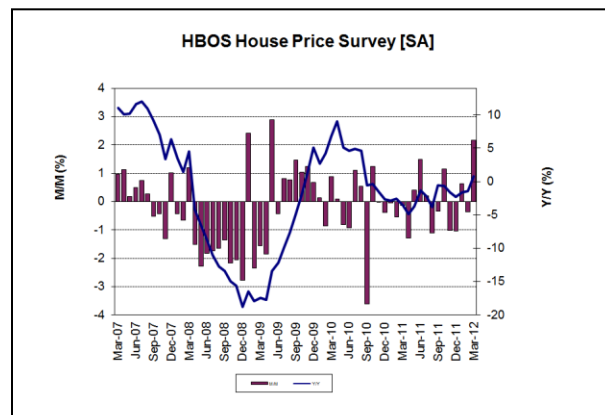
UK Nationwide Home Prices dropped 1.0% M/M and 0.9% Y/Y in March. This was below the market's expected 0.2% M/M and 0.9% Y/Y improvement. February's 0.6% M/M improvement was revised lower to a 0.4% M/M improvement. Nationwide commented that "The challenging economic backdrop is likely to continue to act as a drag, with house prices moving sideways or modestly lower over the next 12 months...(a slowdown in house prices this month) was expected, given the imminent expiry (of the tax holiday)."



Halifax Housing Survey

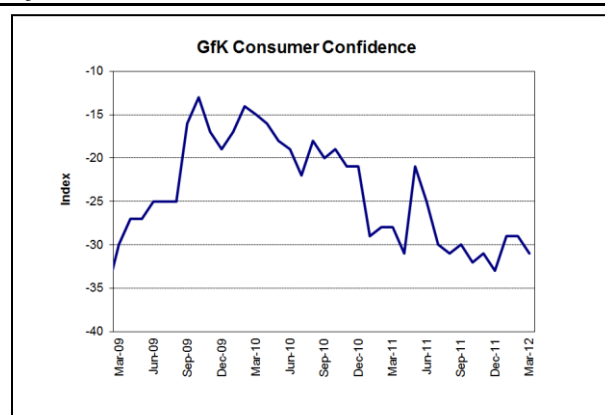
HBOS House Prices increased 2.2% M/M and dropped 0.6% 3M Y/Y in March. This compares with a -0.2% M/M and -1.7% 3M Y/Y the market expected. February's 0.5% M/M drop was revised upward to a 0.4% M/M drop.

The increase was the largest in three years and as Nationwide reported with its release, the rise was attributed to buyers beating the expiry of the stamp duty holiday at the end of March. Looking forward, Halifax commented that "we continue to expect little overall movement in prices this year provided that the UK economy does not suffer a pronounced weakening."



GfK Consumer Confidence Survey

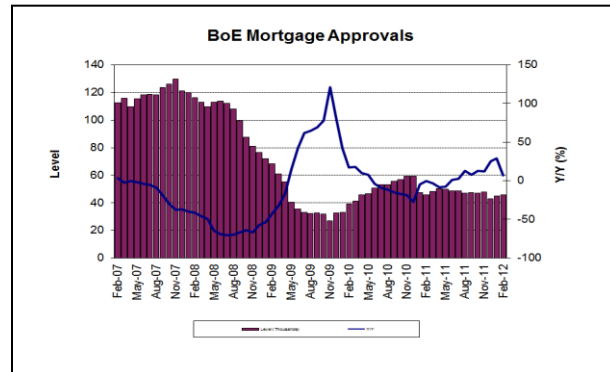
The GfK Consumer Confidence Index declined from -29 to -31 in March, missing market expectations for no change. The climate for major purchases index declined 4pts to -31. Personal finances declined 4pts to -25. Future personal finances declined 4pts to -10. Consumers view of the economic situation over the coming 12 months improved 1pt to -59.



BoE Mortgage Approvals & PMI Services

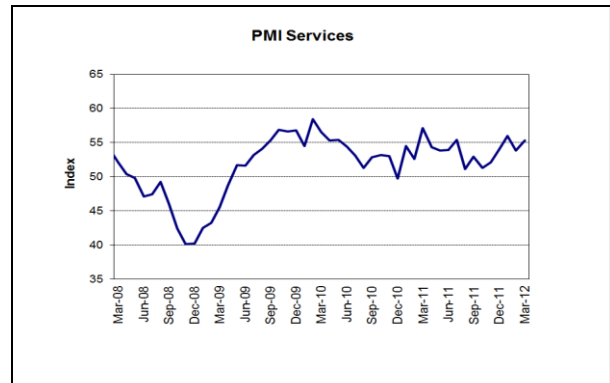
BoE Mortgage Approvals

According to the BoE, the major banks granted 49.0k home loans in February. This was below the market's expected 57.2k. January's 58.7K was revised lower to 57.9K. The drop brings mortgage approvals to their lowest level in eight months. A separate report from the BoE indicated that lenders expect mortgage availability to decline "slightly" in the current quarter.



PMI Services

The PMI Index of Services increased from 53.8 to 55.3 in March, beating market expectations for a decline to 53.4. Markit commented that "The economy is on the up again...however, this is no runaway recovery. Job creation and inflows of new business continue to run well below rates generally seen in the years prior to the financial crisis."



Data & News

Data

Hometrack Housing Survey:

According to Hometrack, House Prices increased 0.2% M/M and dropped 1.0% Y/Y in March. The increase was the first in 21 months and was attributed to buyers rushing to beat the expiration of a property tax exemption. Hometrack commented that “The effect of what is ultimately a short term measure will fade quickly in the coming months... we expect prices to track sideways in the short term with the outlook for the second half of the year hinging on households’ expectations for the economy and their incomes”

Index of Services Data:

The Service Industries Index increased 0.2% M/M and 0.3% 3m/3m in January. This was in line with market expectations. The improvement was led by distribution, hotels, and restaurants as well as transport, storage, and communications.

Lloyds Business Barometer:

According to Lloyds Banking Group Plc., U.K. Business Confidence improved from +1 to +31 in March. Business activity over the coming 12 months declined however, dropping from +41 to +40.

BRC October Shop Price Index:

BRC Shop Price Index rose 1.5% Y/Y in March, in line with market expectations. BRC commented that the increase was caused by higher oil prices pushing up the cost of manufacturing and transporting food.

Key Dates

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
4/5	Industrial Production (MoM)	0.40%	-0.40%
4/5	Industrial Production (YoY)	-2.10%	-3.80%
4/5	Manufacturing Production (MoM)	0.10%	0.10%
4/5	Manufacturing Production (YoY)	0.10%	0.30%
4/5	BOE Asset Purchase Target	325B	325B
4/5	BOE ANNOUNCES RATES	0.50%	0.50%
4/5	NIESR GDP Estimate	N/A	0.10%
4/5	New Car Registrations (YoY)	N/A	-2.50%
4/9	Lloyds Employment Confidence	N/A	-69
4/9	RICS House Price Balance	N/A	-13%
4/10	DCLG UK House Prices (YoY)	N/A	0.20%

Valance Co., Inc.

Valance Economic Report: Canada

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April 4, 2012

Real GDP posted a marginal gain in January while **Raw Materials and Industrial Product Prices** were both weaker than expected in February. In other news, Canadian Finance Minister, Jim Flaherty, pledged to lay off 12,000 government employees and reduce defense spending in an effort to balance its budget within the next four years.

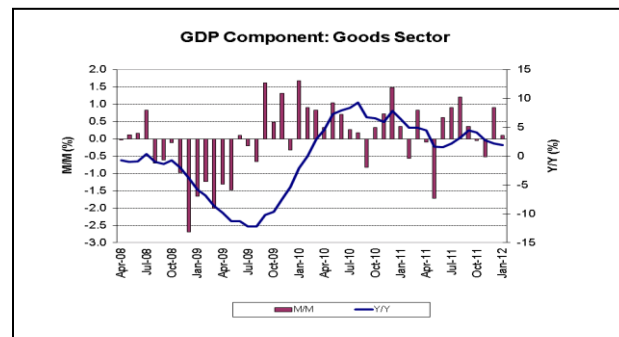
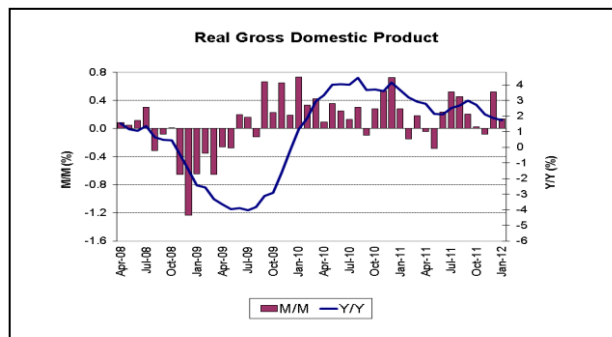
Weekly Highlights

Real GDP – increased 0.1% M/M and 1.7% Y/Y in January. (CA 1)

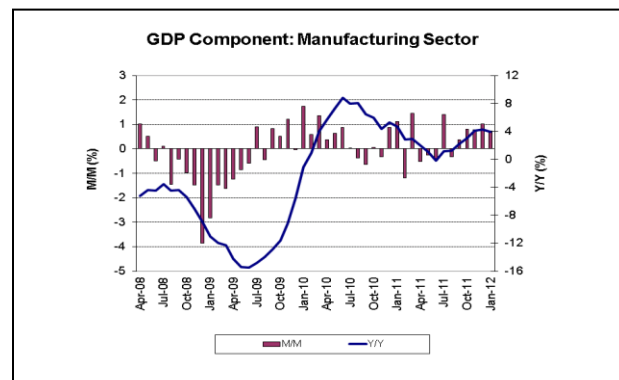
Raw Materials and Industrial Product Prices – were both weaker than expected in February. (CA 2)

Weekly Releases & News

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



Real GDP increased 0.1% M/M and 1.7% Y/Y in January in line with market expectations. The Goods sector grew 0.1% M/M and 1.9% Y/Y and the Manufacturing sector expanded 0.7% M/M and 3.9% Y/Y.

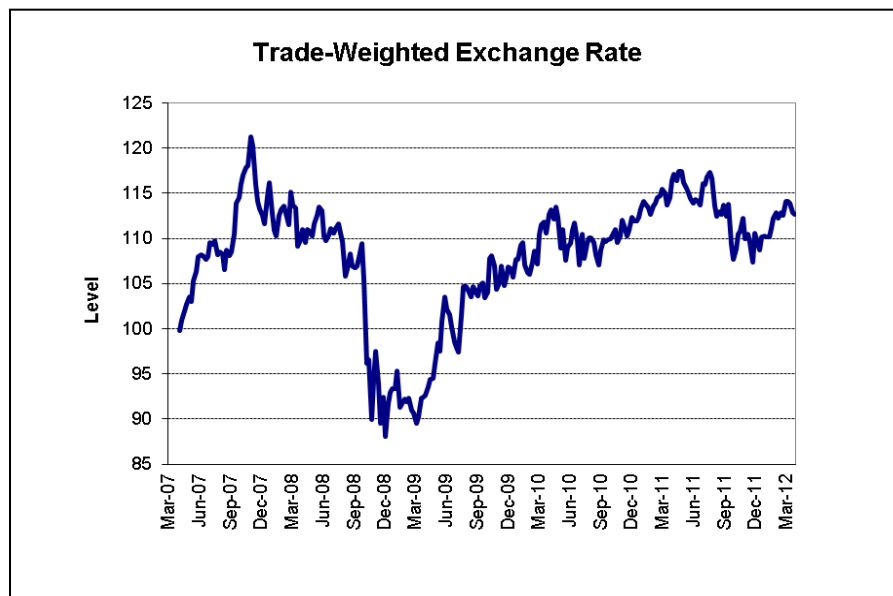


Financial Balances & FX

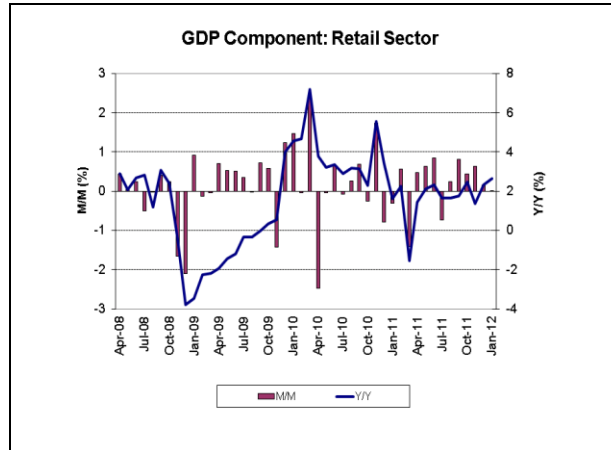
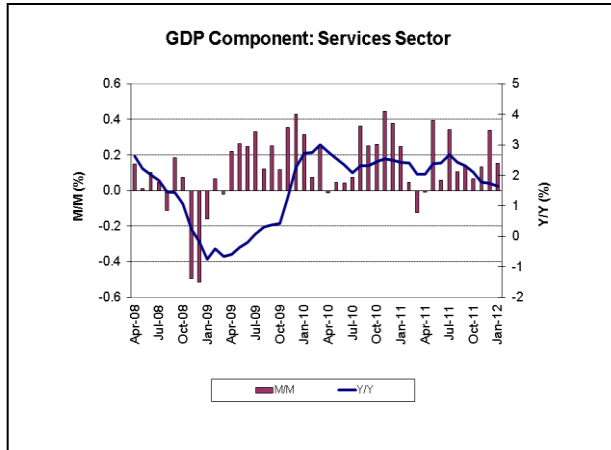
Financial Balances

Canada	Latest period (C\$bln)	Last 12mth. as % of GDP
Budget Balance	1.7 (Jan)	-2.3%
Trade Balance	2.1 (Jan)	-1.4%
Current Account Balance	-10.3 (Q4)	-6.3%
Private Balance	--	-4.0%

Trade-Weighted Exchange Rate



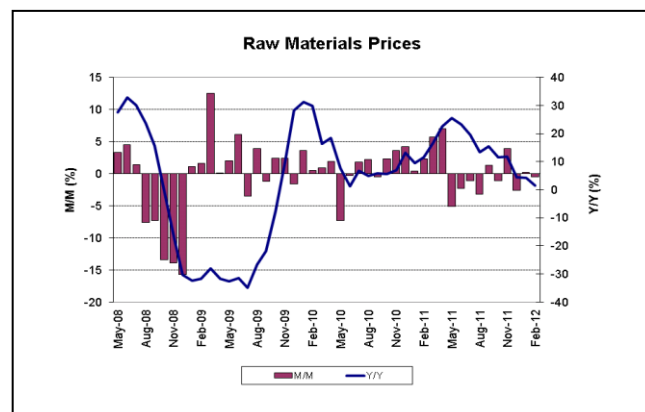
GDP Data Cont'd., RMPI & IPPI



The Service sector rose 0.2% M/M and 1.7% Y/Y in January, while the Retail sector was flat M/M and increased 2.6% Y/Y in the same period.

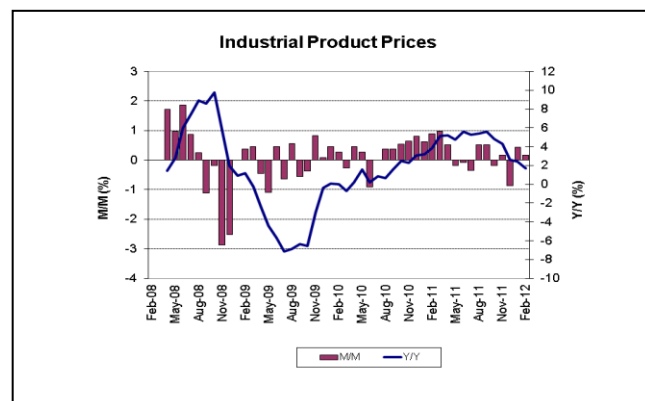
Raw Materials Price Index

Raw Materials Prices unexpectedly fell 0.5% M/M in February as the price of crude oil decline for the third straight month. Market expectations were for a 0.5% M/M gain. Y/Y growth increased 1.5%.



Industrial Product Price Index

Industrial Product Prices increased 0.2% M/M in February, below expectations for a 0.5% M/M gain. Petroleum and coal (1.8% M/M) and Copper (2.6% M/M) were the main contributors to February's gain. Y/Y growth increased 1.7%.



News

April 2nd - Carney Says Canada Economy Improves as Headwinds Ease (Bloomberg) - Bank of Canada Governor Mark Carney, who has kept borrowing costs unchanged since 2010, said the nations economy has performed better than the central bank forecast in recent months as conditions in global financial markets improved and external headwinds abated.

European bank-funding and sovereign-debt markets have stabilized and challenges in the region have moved from the acute to the chronic, Carney said. The U.S. economy remains on a modest growth path and recent data have been encouraging, while Chinas economy slows to a still-robust pace.

Conditions in the Canadian economy have also been somewhat stronger and the degree of slack somewhat smaller than the Bank had expected, Carney, 47, said in a speech today in Waterloo, Ontario. Growth has been a bit quicker in recent quarters, reflecting a combination of temporary factors as well as improved confidence and better financial conditions.

March 29th - Flaherty to Fire 12,000 Workers in Bid to Balance Canada Budget (Bloomberg) - Canadian Finance Minister Jim Flaherty pledged to fire 12,000 government workers and defer defense spending to secure a balanced budget as forecast in four years.

Flaherty, in his seventh fiscal plan, announced spending cuts totaling C\$21 billion (\$21 billion) over the next five years to help fund increased spending on jobless benefits and financing for business research while reducing the countrys deficits by a cumulative C\$18.4 billion over that time. The budget released today in Ottawa kept Flahertys 2015-16 timetable for a return to surplus.

This budget is all about the fiscal numbers, said Craig Wright, chief economist of Royal Bank of Canada. The Canadian economy is running pretty well, so they're just fine-tuning the engine to make sure it runs well.

Key Dates This Week

Date	Indicators		Expectations	Previous
5-Apr	Unemployment Rate	Mar	7.40%	7.40%
5-Apr	Net Change in Employment	Mar	10.5K	-2.8K
5-Apr	Full Time Employment Change	Mar	--	9.1
5-Apr	Part Time Employment Change	Mar	--	-12
5-Apr	Participation Rate	Mar	66.5	66.5
5-Apr	Building Permits MoM	Feb	2.00%	-12.30%
5-Apr	Ivey Purchasing Managers Index SA	Mar	65.5	66.5
9-Apr	Business Outlook Future Sales	1Q	--	-4
9-Apr	BoC Senior Loan Officer Survey	1Q	--	-6.3
11-Apr	Housing Starts	Mar	--	201.1K

Valance Co., Inc.

Valance Economic Report: Australia

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April 4, 2012

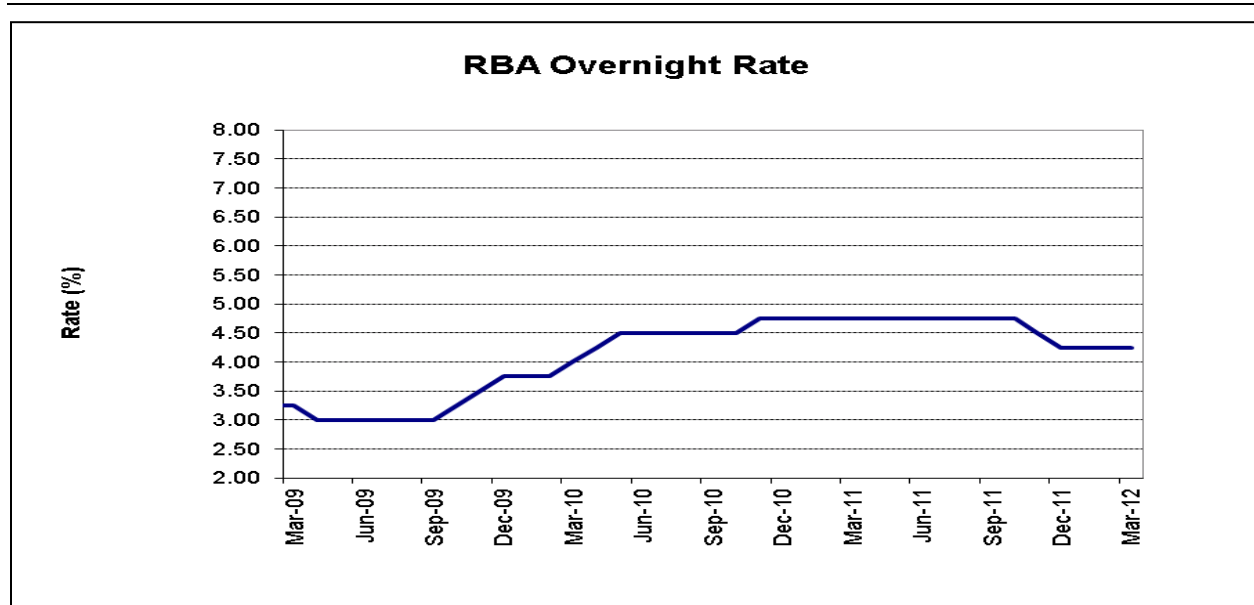
The RBA left its Target Rate unchanged at 4.25% at its April meeting, as was widely expected. The statement indicated a May rate cut was likely. The Trade Deficit narrowed in February, though imports were very weak.

Weekly Highlights

Cash Target Rate – maintained at 4.25 %. (AU 1)

Retail Sales – rose 0.2% M/M in February. (AU 4)

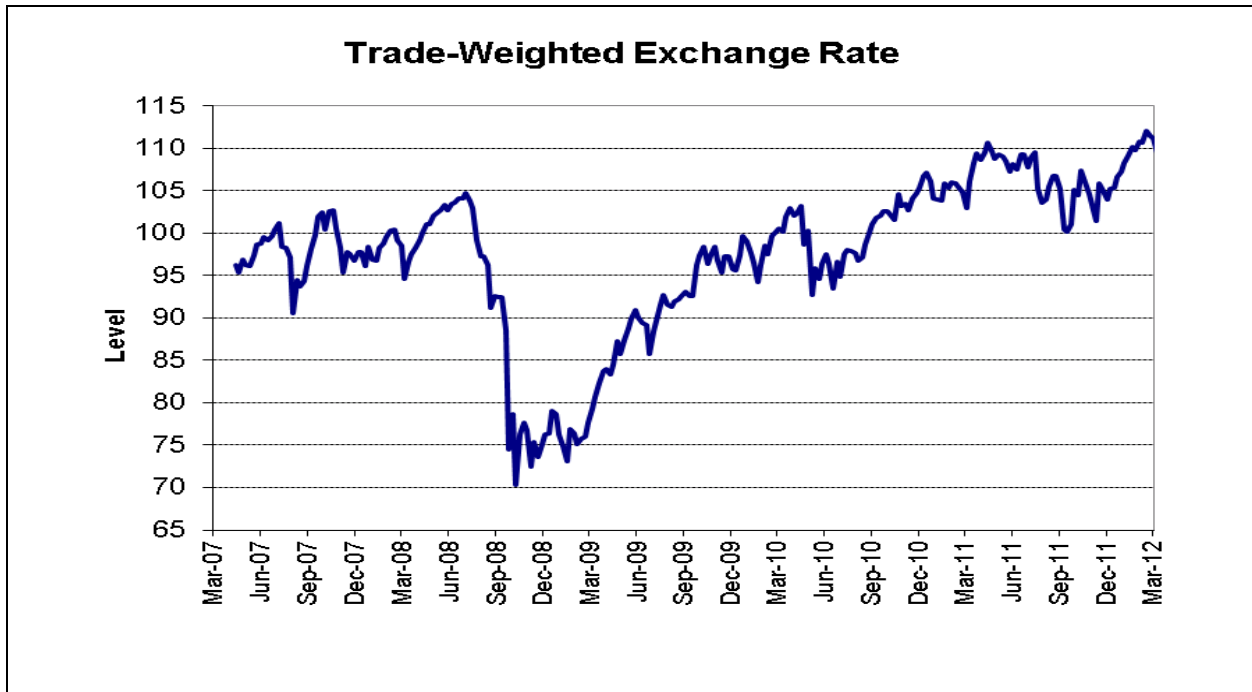
Trade Balance – declined to 480mln in February (AU 5)

Weekly Releases & News**Chart of the Week: RBA Target Rate**

As widely expected, the RBA left its target rate at 4.25% at its April's meeting. The statement was quite dovish, however.

AU 1

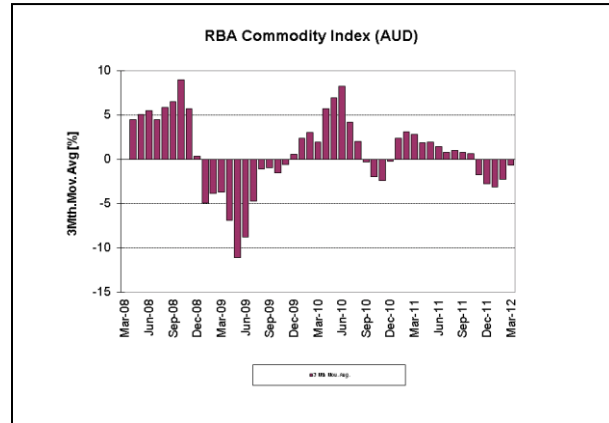
FX



RBA Commodity Index, Building Approvals, Retail Sales

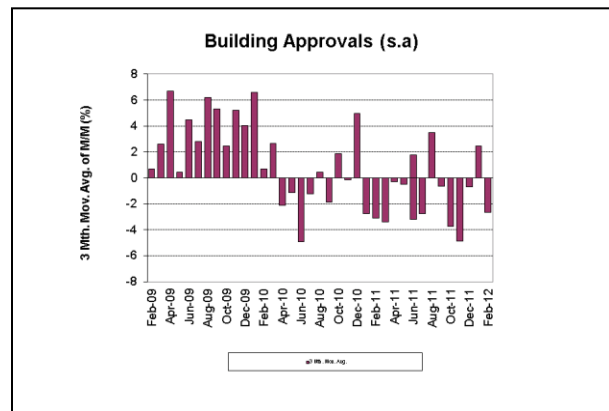
RBA Commodity Index

The RBA's Commodity Price Index rose from 98.1 in February to 99.7 in March. In AUD terms, the index rose 1.6% M/M and 41.3% Y/Y.



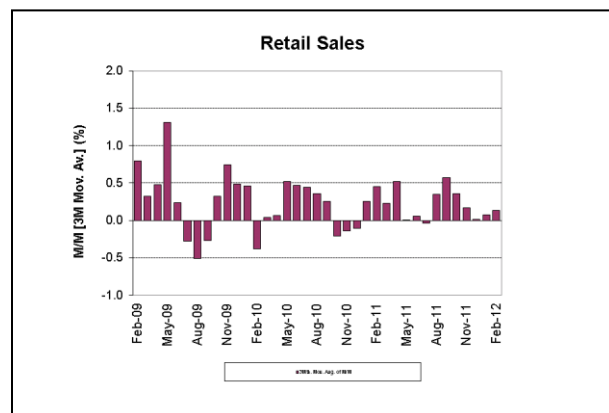
Building Approvals

February's Building Approvals fell 7.8% M/M, compared to the 1.1% M/M increase in January. Expectations were for a 0.5% M/M gain. On an annual basis, permits were down 15.2%.



Retail Sales

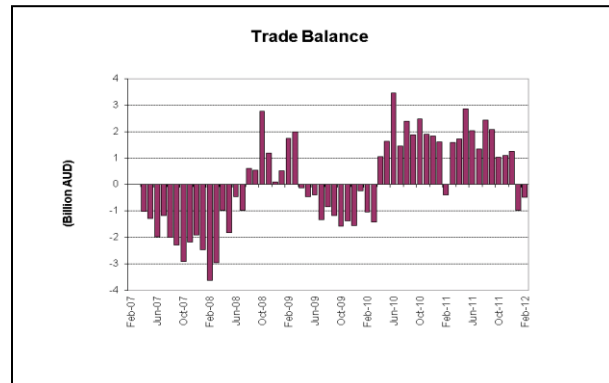
February's Retail Sales increased by 0.2% M/M, as expected. The largest decline was in Apparel (1.4% M/M).



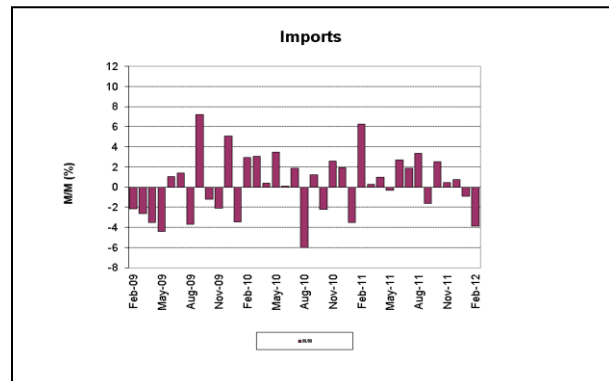
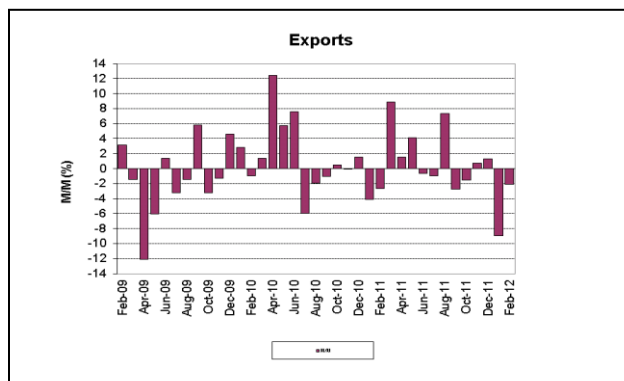
Trade Data

Trade Balance

The February Trade Balance posted a deficit of \$480 mln compared to a deficit of \$971mln in January. Expectations were for a small surplus.



Exports & Imports



Total Exports fell 2.1% M/M and Imports fell 3.9% M/M in February.

RBA Rate Decision Statement

April 3rd - The RBA Rate Decision Statement:

At its meeting today, the Board decided to leave the cash rate unchanged at 4.25 per cent.

Recent information is consistent with the expectation that the world economy will grow at a below-trend pace this year, but does not suggest that a deep downturn is occurring. Several countries in Europe will record very weak outcomes, but the US economy is continuing a moderate expansion. Growth in China has moderated, as was intended, and is likely to remain at a more measured and sustainable pace in the future. Conditions around other parts of Asia softened in 2011, partly due to natural disasters, but are not showing signs of further deterioration. Some moderation in inflation has allowed policymakers in the region to ease monetary policies somewhat. Commodity prices declined for a few months last year and are noticeably off their peaks, but have been relatively stable for a while now, at quite high levels. Australia's terms of trade have peaked, though they remain high.

Financial market sentiment has generally continued to improve in recent weeks and capital markets are supplying funding to corporations and well-rated banks. At the margin, wholesale funding costs are tending to decline, though they remain higher, relative to benchmark rates, than in mid 2011. But the task of putting European banks and sovereigns onto a sound footing for the longer term remains large and Europe will remain a potential source of adverse shocks for some time yet. In Australia, growth in domestic demand ran at its fastest for four years in 2011, driven by private spending. Nonetheless the balance of recent information suggests that output growth was somewhat below trend over the year. There are differences in performance between sectors, and considerable structural change is occurring. Labour market conditions softened during 2011, though the rate of unemployment has been little changed for some time. Interest rates for borrowers remain close to their medium-term average. Credit growth remains modest. Housing prices have shown some signs of stabilizing recently, after having declined for most of 2011, but generally the housing market remains soft. The exchange rate has remained high over recent months, even though the terms of trade have declined somewhat.

In underlying terms, inflation was around 2% in 2011. CPI inflation was higher than that but will fall over the next quarter or two. It is currently expected that inflation will be in the 2-3 per cent range over the coming one to two years. This forecast abstracts from the effects of the carbon price and also embodies an assumption that productivity growth in the economy increases somewhat as a result of the structural change now occurring. At its next meeting, the Board will have the opportunity to reassess the outlook for inflation, taking into account not only data on demand and output but also forthcoming information on prices.

*The Board eased monetary policy late in 2011. Since then, its judgment has been that, with growth expected to be close to trend, inflation close to target and lending rates close to average, the setting of monetary policy was appropriate. The Board's view was also that, **were demand conditions to weaken materially, the inflation outlook would provide scope for easier monetary policy.** At today's meeting, the Board judged the pace of output growth to be somewhat lower than earlier estimated, but also thought it prudent to see forthcoming key data on prices to reassess its outlook for inflation, before considering a further step.*

Data & News

AiG Services Index - The Australian Industry Group/Commonwealth Bank Performance of Services Index (PSI) increased 0.3 pts to 47.0 in March. This was the 5th contraction in a row. The index stood at 46.5 a year ago.

AiG Manufacturing Index - The Performance of Manufacturing Index fell 1.8 pts to 49.5 in March. Australian manufacturing contracted for the first time in four months in March. The reading for exports in March showed the biggest decline in 21/2 years. New Orders fell 3.5pts to 48.2, while Inventories rose 1.3pts to 52.4.

Australia TD Inflation Gauge Accelerates to Annual Pace of 3.8% - A gauge of Australia's annual inflation rate slowed below the central bank's 2% - 3% target range as housing, clothing and footwear costs declined. TD securities increased 0.5% M/M and 1.8% Y/Y.

Housing Industry Association - New Home Sales - Sales of newly built homes rose 3.0% M/M in February. The largest increase was recorded in Western Australia (12.8% M/M) while the largest decline was recorded in Victoria (-7.3% M/M). Sales in the volatile apartment sector rose 10.6% M/M.

Key Dates This Week

Date	Indicator		Expectation	Previous
5-Apr	AiG Perf of Construction Index	(MAR)	--	35.6
9-Apr	NAB Business Conditions	(MAR)	--	3
9-Apr	NAB Business Confidence	(MAR)	--	1
9-Apr	ANZ Job Advertisements (M/M)	(MAR)	--	3.30%
10-Apr	Foreign Reserves	(MAR)	--	A\$49.1B
10-Apr	Westpac Consumer Confidence s.a. (M/M)	(APR)	--	-5.00%
10-Apr	Westpac Consumer Confidence Index	(APR)	--	96.1
10-Apr	Home Loans (MM)	(FEB)	--	-1.20%
10-Apr	Investment Lending	(FEB)	--	-7.10%
10-Apr	Owner-Occupied Home Loan Value MoM	(FEB)	--	0.10%
11-Apr	Consumer Inflation Expectation	(APR)	--	2.70%
11-Apr	Part Time Employment Change	(MAR)	--	-15.4K
11-Apr	Full Time Employment Change	(MAR)	--	0.0K
11-Apr	Employment Change	(MAR)	--	-15.4K
11-Apr	Participation Rate	(MAR)	--	65.20%
11-Apr	Unemployment Rate	(MAR)	--	5.20%

Valance Co., Inc.

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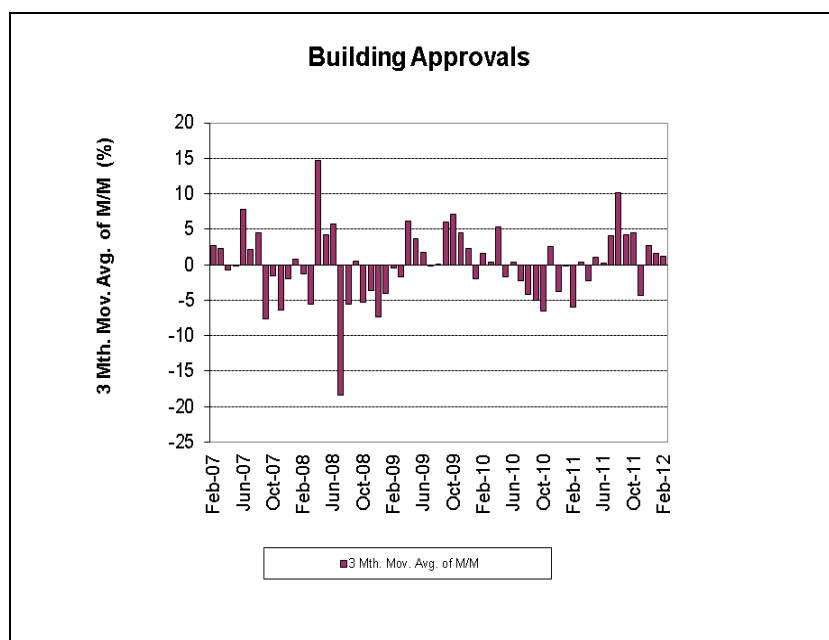
April 4, 2012

NZ building approvals fell in February following a marginal gain in January. The March ANZ Commodity Price Index also decreased.

Weekly Highlights

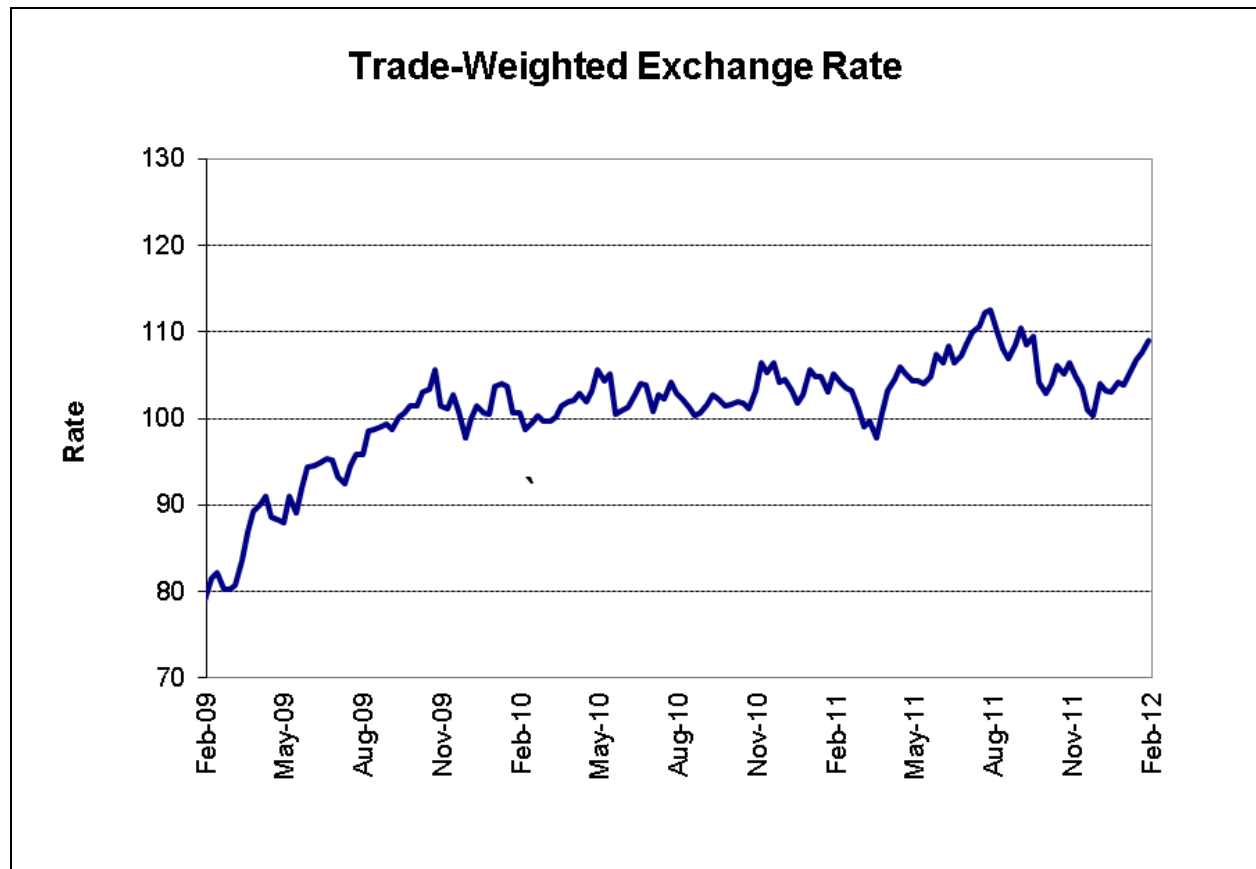
Building Approvals - fell 6.7% M/M in February. (NZ1)

ANZ Commodity Price Index – fell 1.7% M/M and 8.5% Y/Y in March. (NZ 3)

Weekly Releases & News**Chart of the Week: Building Permits**

Home-Building Approvals fell 6.7% M/M in February, after rising 8.1% M/M in January. Ex-apartments, approvals increased 1.2% M/M in February compared to a 3.7% M/M gain in January.

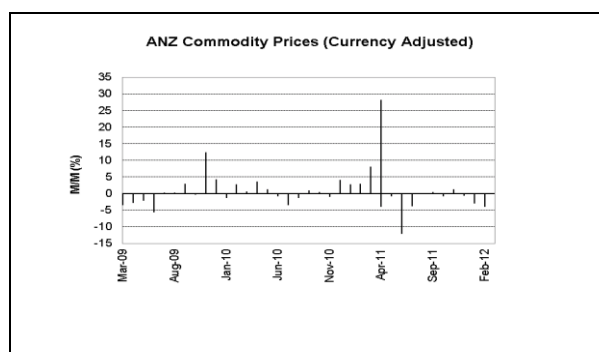
FX



ANZ Commodity Price, Data & Comments

ANZ Commodity Price

March's Commodity Export Price Index fell 1.7% M/M and 8.5% Y/Y. The largest decline (3.4%) was in the Dairy component.



Data & Comments

NZ Money Supply M3 (Bloomberg):

New Zealand's February M3 Money Supply rose 5.2% Y/Y compared to a 5.4% Y/Y growth the previous month.

New Zealand Able to Cut Interest Rates If Needed, IMF Says- April 3 (Bloomberg)

New Zealand has scope to cut interest rates should falling exports or deteriorating global financial conditions threaten to derail a "modest" economic recovery, the International Monetary Fund said.

"Authorities have policy space to respond to near-term shocks with monetary policy serving as the first line of defense," the IMF said in its preliminary concluding statement after its annual Article IV review of New Zealand.

New Zealand's central bank has kept the official cash rate at a record-low 2.5 percent since March last year amid a slow economic recovery from the global financial crisis and earthquakes that devastated the city of Christchurch. Reserve Bank of New Zealand Governor Alan Bollard last month signaled he may leave borrowing costs unchanged until late this year.

"The current accommodative monetary policy stance is appropriate," the Washington-based IMF said in the e-mailed statement today. "The RBNZ has the scope to lower interest rates and loosen monetary conditions to help buffer against a downside scenario."

The recovery pace is "likely to remain modest," the IMF said. Earthquake reconstruction will boost growth while other sources of demand may remain "soft," it said. Slow growth is curbing tax revenue, prompting Prime Minister John Key's government to limit new spending and sell assets in order to reduce debt and return to a budget surplus by 2015. The government's target will limit pressure on interest rates and therefore the exchange rate, the IMF said.

"The New Zealand dollar is currently stronger than would be needed to bring the current account deficit to a level that is sustainable over the longer term," it said. Some of the currency's strength "reflects positive interest rate differentials with major currencies that may dissipate with eventual tightening by other central banks," it said.

New Zealand will present a budget next month with zero or very little new spending over the next four years, Finance Minister Bill English said in an e-mailed statement responding to the IMF report. That will help the government return to surplus and reduce reliance on debt, he said. "Getting back to surplus will help create a buffer against future global shocks and, as the IMF notes, it will limit pressure on monetary policy and therefore the exchange rate," said English. "This will be important in easing headwinds for exporters and reducing the current account deficit."

Key Dates This Week

Date	Indicator		Expectation	Previous
10-Apr	NZIER Business Opinion Survey	1Q	--	0
11-Apr	Business NZ PMI	Mar	--	57.7
11-Apr	NZ Card Spending - Retail M/M	Mar	--	-0.70%
11-Apr	NZ Card Spending - Total M/M	Mar	--	-0.30%
11-Apr	QV House Prices Y/Y	Mar	--	2.90%
11-Apr	ANZ Consumer Confidence Index	Apr	--	110.2
11-Apr	ANZ Consumer Confidence M/M	Apr	--	-2.70%

Weekly Economic Report: *China*

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April 4, 2012

The two gauges of China's manufacturing sector sent mixed signals in March: The official PMI rose to its highest level in a year, while the HSBC PMI continued to show weakness as it fell further below 50.

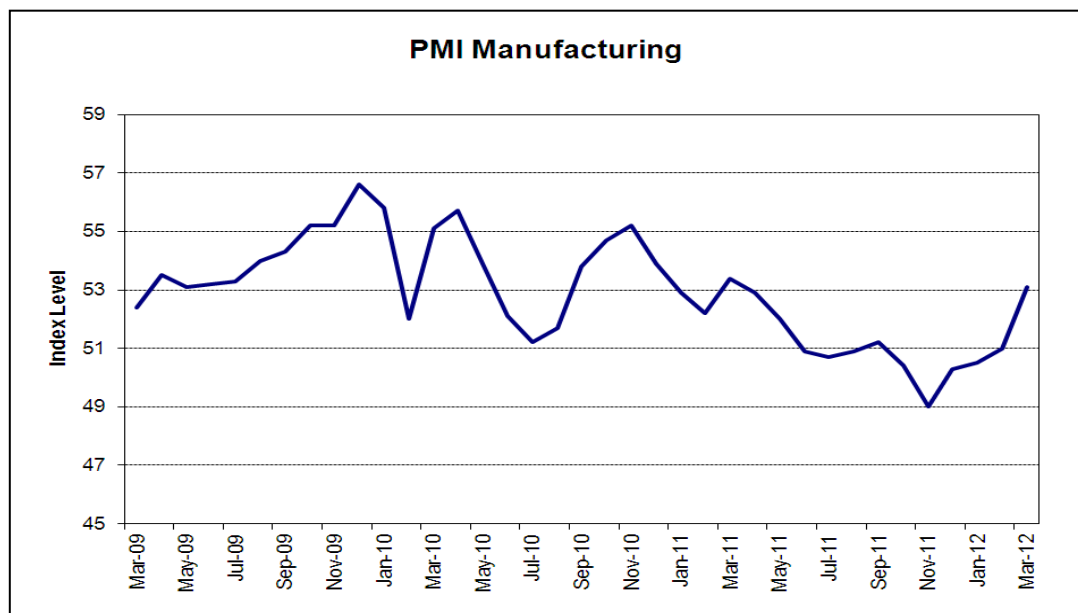
Weekly Highlights

PMI Manufacturing – rose from 51.0 in February to 53.1 in March. (CH 1)

HSBC Manufacturing PMI – fell from 49.6 in February to 48.3 in March. (CH 2)

Weekly Releases & News

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



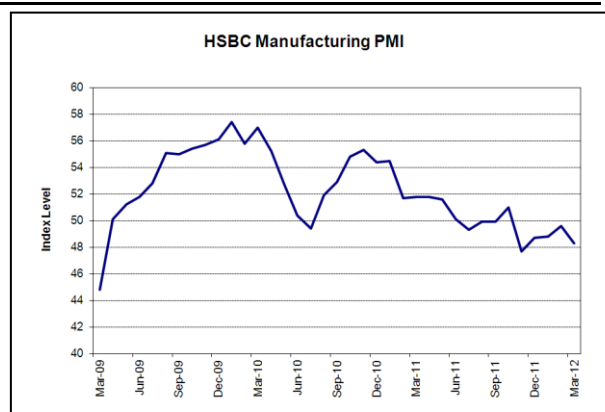
According to the China Federation of Logistics and Purchasing (CFLP), the Purchasing Managers' Index rose 2.1 percentage points, from 51.0 in February to 53.1 in March – marking its highest level in a year. The Index was forecast to reach 50.8. All of the Index's subcomponents increased. CFLP Analyst, Zhang Liqun remarked, "The PMI data suggested China's economic activity has been improving... but as the country's overall demand is weak, China's economy growth may keep slowing down in the future." See PMI Manufacturing Results on the following page.

PMI**PMI Manufacturing Results**

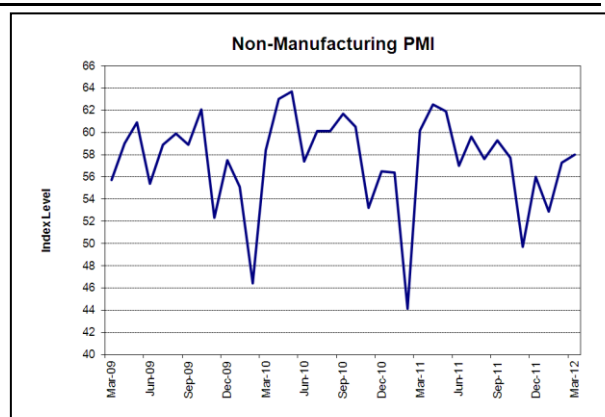
	Mar 2012	Feb 2012	Jan 2012	Dec 2011	Nov 2011	Oct 2011	Sep 2011	Aug 2011
Manufacturing PMI	53.1	51.0	50.5	50.3	49.0	50.4	51.2	50.9
Output	55.2	53.8	53.6	53.4	50.9	52.3	52.7	52.3
New Orders	55.1	51.0	50.4	49.8	47.8	50.5	51.3	51.1
New Export Orders	51.9	51.1	46.9	48.6	45.6	48.6	50.9	48.3
Backlogs of Work	50.5	49.4	43.2	46.6	45.2	46.0	48.9	47.6
Inventories of Finished Goods	50.8	50.5	48.0	50.6	43.1	50.3	49.9	48.9
Purchases Quantity	54.8	53.6	50.2	50.9	49.8	50.7	51.5	51.2
Imports	51.5	50.8	46.9	49.1	47.3	47.0	50.1	49.7
Input Prices	55.9	54.0	50.0	47.1	44.4	46.2	56.6	57.2
Inventories of Raw Materials	49.5	48.8	49.7	48.3	46.7	48.5	49.0	48.8
Employment	51.0	49.5	47.1	48.7	49.0	49.7	51.0	50.4
Supplier Delivery Times	48.9	50.3	49.7	50.1	50.4	50.7	49.5	49.9

HSBC Manufacturing PMI

The HSBC Manufacturing PMI retreated from 49.6 in February to 48.3 in March – above the 48.1 flash reading released last month. Qu Hongbin, Chief HSBC Economist remarked, “Final PMI results confirm a further slowdown of growth momentum, weighed on by weakening new export orders. As inflation pressures continue to ease, weaker export growth is likely to prompt further easing measure.”

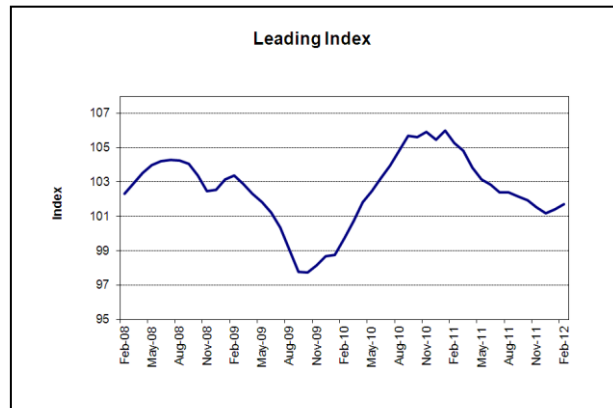
**Non-Manufacturing PMI**

The Non-Manufacturing Purchasing Managers' Index rose from 57.3 in February to 58.0 in March – a six month high. The CFLP said, “Activity in the non-manufacturing sector was active on the back of rising market demand, and the sector maintained sound growth momentum.”



Leading Index

China's Leading Index rose from 100.83 in January to 101.27 in February.



News

April 3rd (Reuters) China may allow more overseas investment – PBoC Head, Zhou Xiaochuan remarked:

There may be further deregulation to allow Chinese enterprises and residents more convenience in (making) overseas investment.

We are still in the global financial crisis period, there are new elements that may bring the global economy back to recession.

April 2nd (Reuters) - China growth slowdown no cause for alarm – Fan Gang, Former PBoC Adviser, said:

I would like to argue growth between 8 percent and 9 percent is not low growth but normal growth, that will create jobs without creating inflation.

It's a soft landing and growth may slow ... say, between 8.3 percent to 8.5 percent.

March 30th (Reuters) New China growth target reflects new realities – Senior Vice President, Tom Byrne of Moody's Sovereign Risk Group said:

The new target underscores the government's desire to engineer a soft landing, consistent with its long-term goal of seeking more balanced growth, decreasing the economy's reliance on investment and exports, while increasing the share of consumption.

In addition, we believe the authorities currently have time to prepare for this rebalancing.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
04/04	China HSBC Service PMI	MAR	--	53.9
04/05-10	Business Climate Index	Q1	--	128.2
04/05-10	Entrepreneur Confidence Index	Q1	--	122.0
04/07-13	Foreign Exchange Reserves	MAR	\$3202.5B	\$3181.1B
04/07-13	New Yuan Loans	MAR	795.0B	710.7B
04/07-13	Money Supply – M0, M1, M2	MAR	-- / 5.0% / 13.0%	8.8% / 4.3% / 13.0%
04/08	PPI	MAR	-0.3%	0.0%
04/08	CPI	MAR	3.4%	3.2%
04/09-10	Trade Balance	MAR	-\$3.15B	-\$31.48B
04/09-10	Exports / Imports	MAR	7.0% / 8.4%	18.4% / 39.6%

Valance Co., Inc.

Valance Economic Report: Sweden

Evelyn L. Richards

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April 4, 2012

In March, activity in the manufacturing sector accelerated above the expansion zone for the third consecutive month. Output in the service sector improved in February.

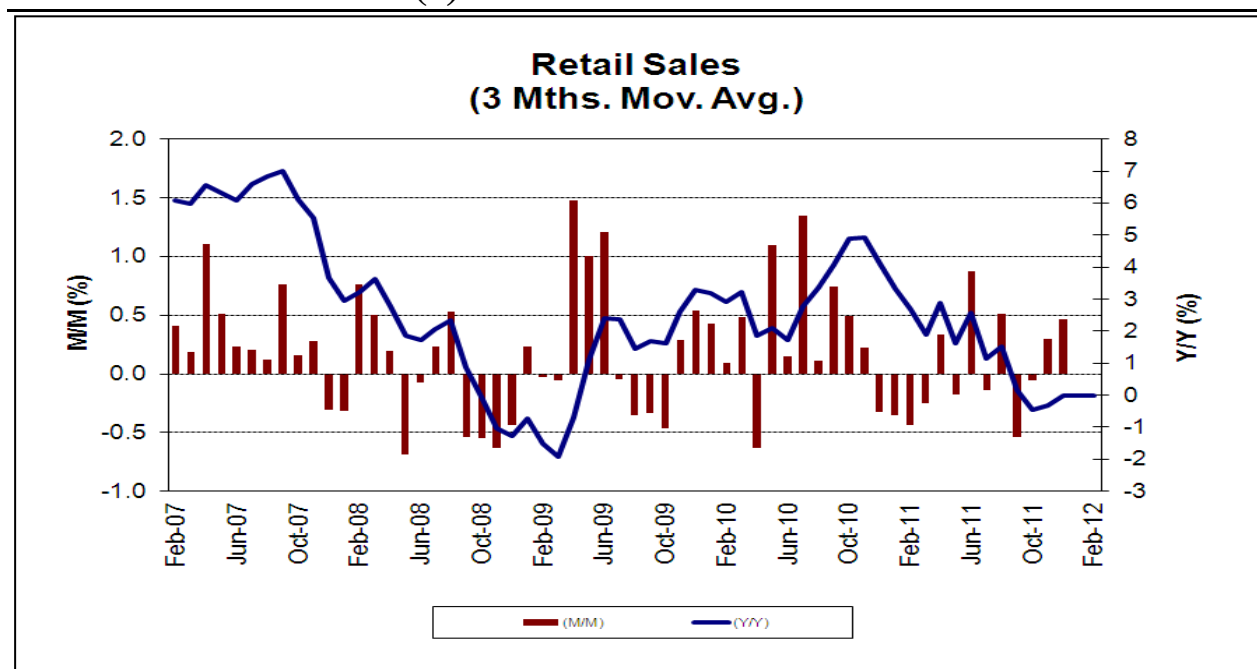
Weekly Highlights

Manufacturing PMI – fell from 50.3 in February to 50.2 in March. (SW 2)

Service Production – rose 0.4% M/M and 1.3% Y/Y in February. (SW 3)

Weekly Releases & News

Chart(s) of the Week: Retail Sales



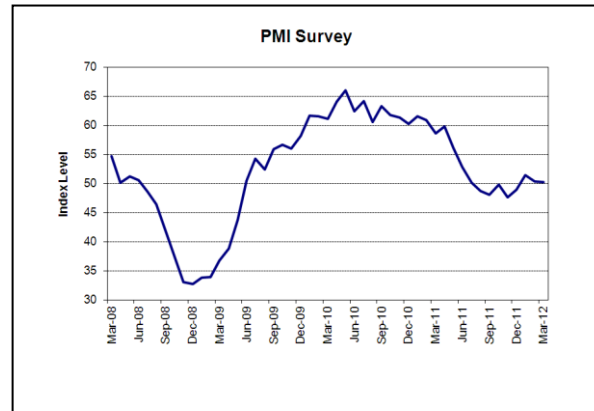
Retail Sales rose 1.2% M/M and 3.4% Y/Y in February, following growth of 0.2% M/M the previous month. Annually, Sales rose 3.4% Y/Y, compared with 1.6% Y/Y in January. Sales were forecast to rise 0.1% M/M and 1.6% Y/Y. Additionally, Retail Sales for consumables and durables increased by 1.9% Y/Y and 4.6% Y/Y, respectively.

SW 1

PMI & Trade Weighted Exchange Rate

PMI

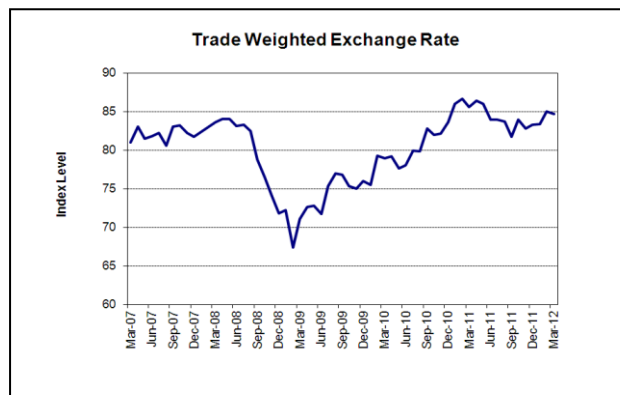
Sweden's Purchasing Managers' Index retreated slightly from 50.3 in February to 50.2 in March. Three of the Index's 10 subcomponents expanded above the expansion zone. The Index was expected to reach 51.4. See below for PMI results.



PMI Results

	Mar 2012	Feb 2012	Jan 2012	Dec 2012	Nov 2011	Oct 2011	Sep 2011	Aug 2011	July 2011	June 2011	May 2011
PMI	50.2	50.3	51.4	48.9	47.6	49.8	48.1	48.7	50.1	52.9	56.1
Orders	50.5	49.5	52.0	47.0	47.1	50.5	46.5	47.0	45.4	52.3	55.4
Production	48.6	51.9	52.9	49.2	46.2	48.2	48.9	48.6	49.4	54.0	59.8
Employment	49.5	48.3	48.0	49.5	48.3	50.7	50.0	50.9	53.7	51.3	54.4
Delivery Times	49.3	52.6	51.0	49.9	45.6	47.8	47.5	49.1	54.4	58.1	61.0
Stocks	43.7	51.2	47.0	48.3	46.0	47.1	52.0	51.5	50.1	51.4	55.6
Export Orders	50.1	48.7	49.9	48.7	47.5	48.9	48.3	48.0	46.9	52.5	52.8
Domestic Orders	48.6	48.5	49.0	45.1	46.1	49.1	46.2	42.3	43.4	48.8	56.4
Stocks of Orders	48.6	48.0	50.6	46.4	45.1	48.9	47.0	47.9	49.1	51.0	55.3
Raw Material Prices	55.3	52.5	50.3	42.6	42.6	39.9	47.0	47.4	51.5	60.5	63.5
Import Prices	47.9	50.6	50.3	46.5	44.5	46.8	45.8	48.5	50.4	52.2	56.2

Trade Weighted Exchange Rate



Data, News & Upcoming Dates

Data

April 4th (Statistics Sweden) – Service Production – rose 0.4% M/M and 1.3% Y/Y (wda) in February, compared with -0.4% M/M and +1.2% Y/Y the previous month. Notably, increases were seen in Human, Health and Social Work (4.6% Y/Y), Professional, Scientific and Technical Activities (4.1%), and Retail Trade (2.5% Y/Y).

News

March 30th (Bloomberg) - Sweden Economy Improving Significantly – Riskbank Deputy Governor Karolina Ekholm stated:

Economic indicators show that we have bottomed. We saw a slight upturn earlier and then everyone sat around waiting if things were to continue up or if things would turn down. Well now things are continuing pretty significantly upwards.

[Signs of economic improvement were already anticipated a] little bit [in the Riksbank's forecasts.] We have also received more positive export figures during the beginning of the year.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
04/10	IP	FEB	--	3.6% / 2.1%
04/10	IO	FEB	--	-0.1% / -1.2%
04/10	Budget Balance	FEB	--	32.5B

Valance Economic Report: Switzerland

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April 4, 2012

In March, the KOF Leading Indicator moved into positive territory for the first time this year and manufacturing output expanded for the first time in seven months.

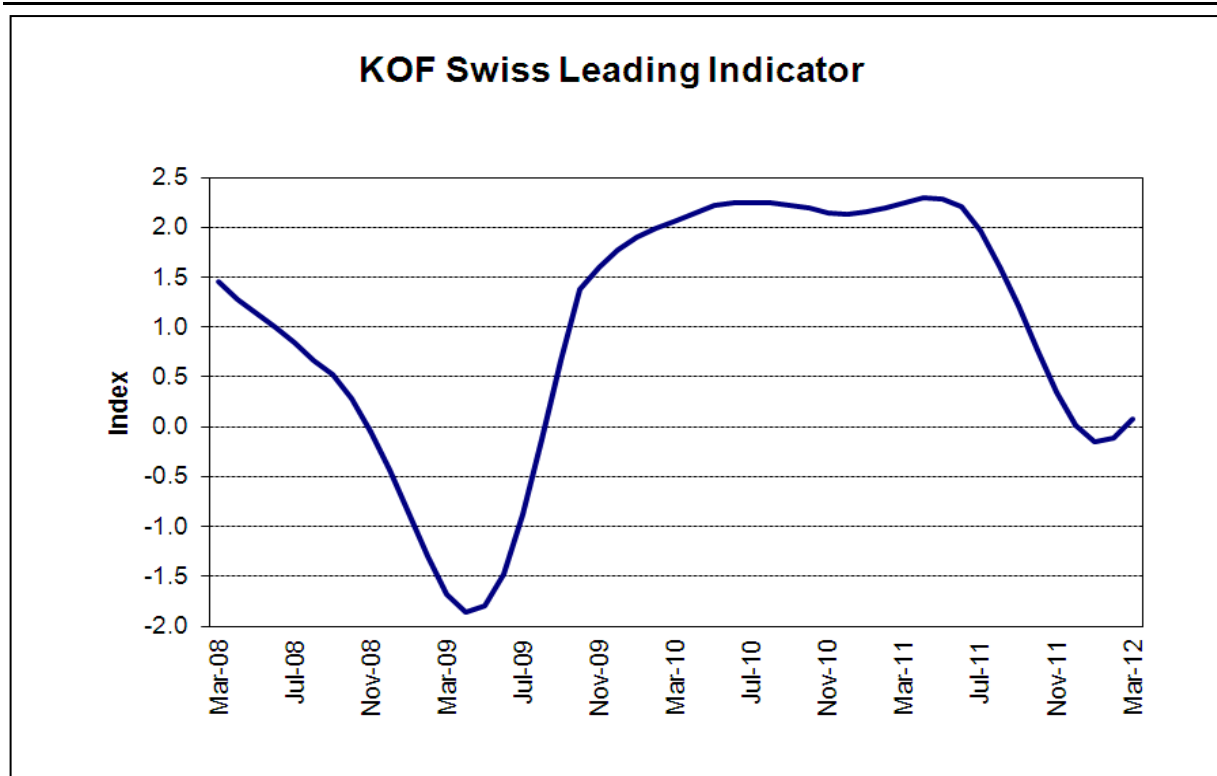
Weekly Highlights

KOF Swiss Leading Indicator – rose from -0.11 in February to 0.08 in March. (SZ 1)

PMI – rose from 49.0 in February to 51.1 in March. (SZ 2)

Weekly Releases & News

Chart(s) of the Week: *KOF Swiss Leading Indicator*

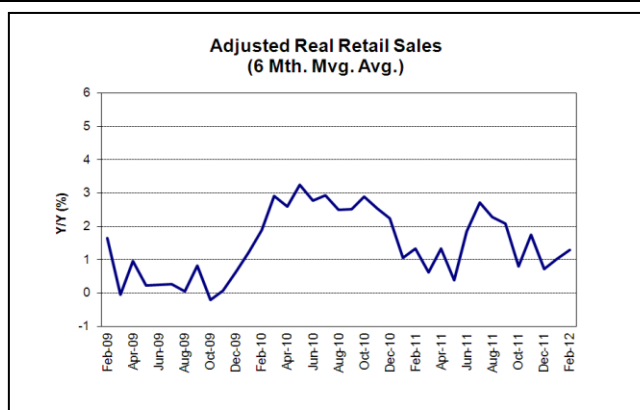


The monthly aggregate of indicators improved from -0.11 in February to 0.08 in March. Economists forecast a gain of 0.07. The KOF remarked, [the latest outcome indicates that] “over the coming months Swiss Gross Domestic Product (GDP) is likely to expand slightly on a year-on-year basis.”

SZ 1

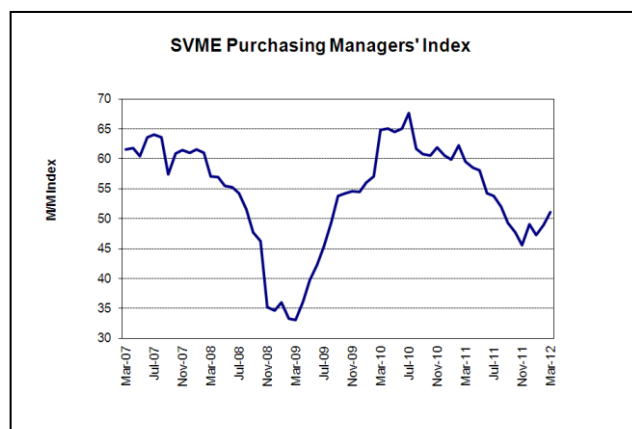
Real Retail Sales

February Real Retail Sales, adjusted for inflation, rose 0.8% Y/Y, compared to 4.7% Y/Y the previous month. Sales were expected to reach 2.0% Y/Y.



PMI

Switzerland's Purchasing Managers' Index rebounded from 49.0 in February to 51.1 in March; this following six consecutive months below 50. Five of the Index's subcomponents remained below the expansion zone. The index was expected to reach 49.5. Credit Suisse remarked, "Swiss industry is clearly benefiting directly from the recent easing of tension in the euro zone. Although owing to the short-term fluctuations of the PMI a monthly figure should not be over-interpreted, a floor nevertheless seems to be forming."

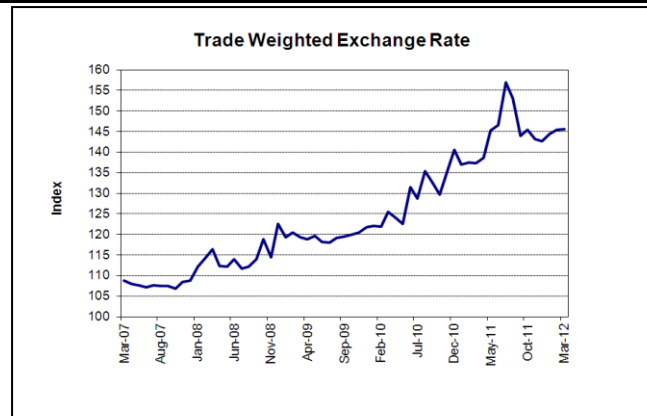


PMI Results

	Mar 2012	Feb 2012	Jan 2012	Dec 2011	Nov 2011	Oct 2011	Sep 2011	Aug 2011	July 2011	June 2011	May 2011
PMI s.a.	51.1	49.0	47.3	49.1	45.6	47.7	48.2	51.7	53.5	53.4	59.2
Output	52.6	50.6	51.8	52.2	47.3	48.0	46.5	54.3	51.5	46.6	61.1
Backlog of Orders	55.3	51.7	47.6	50.6	45.7	46.2	44.9	46.4	45.6	48.8	57.0
Quantity of Purchase	47.2	45.6	44.0	47.7	43.6	42.6	40.1	46.1	42.8	46.7	55.5
Purchase Prices	51.6	48.1	50.3	46.8	45.5	41.3	36.7	34.6	46.2	51.8	60.2
Suppliers Delivery Times	48.5	44.2	41.2	41.3	42.7	45.8	55.6	60.0	67.8	69.2	66.8
Stocks of Purchases	45.1	45.4	47.5	49.8	43.7	44.9	47.1	51.0	57.1	50.9	51.9
Stocks of Finished Goods	49.5	44.5	52.4	49.7	50.2	45.3	46.7	50.7	54.0	51.3	49.9
Employment	47.9	48.1	45.7	48.6	46.4	48.6	50.6	50.3	55.4	58.2	57.9
PMI NSA	52.7	49.5	47.4	45.1	45.2	47.7	50.7	50.5	51.9	55.7	59.4

Trade Weighted Exchange Rate & Upcoming Dates

Trade Weighted Exchange Rate



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
04/05	Foreign Currency Reserves	MAR	--	224.9B
04/05	CPI	MAR	0.4% / -1.1%	0.3% / -0.9%
04/05	CPI – EU Harmonised	MAR	--	0.1% / -1.2%
04/10	Employment Rate / sa	MAR	--	3.4% / 3.1%