

Valance Company, Inc.



Weekly

February 29, 2012

III

Highlights

US – Business and consumer confidence stronger

EU – M3 stronger than expected; Consumer and business surveys mixed

JN – Strong Retail Sales

UK – Economy shrinks

SW – Sweden's Q4 GDP contracted more than estimated

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Valance Economic Reports

Valance Co., Inc.

Valance Economic Report: United States

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February 29, 2012

This week's data revealed sharply higher business and consumer confidence but was tempered by significantly weaker Durable Goods Orders and further declines in home prices. Consumers will also be facing more headwinds as gas prices are rising. Claims remained strong, boding well for next week's Payroll Report. Bernanke remained relatively downbeat on the economy in his Congressional testimony, leaving QE3 as a real possibility.

Weekly Highlights

Real GDP – revised from 2.8% to 3.0% in Q4 (US 1)

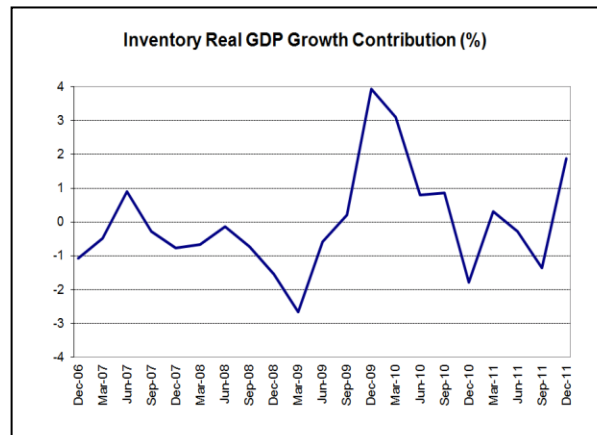
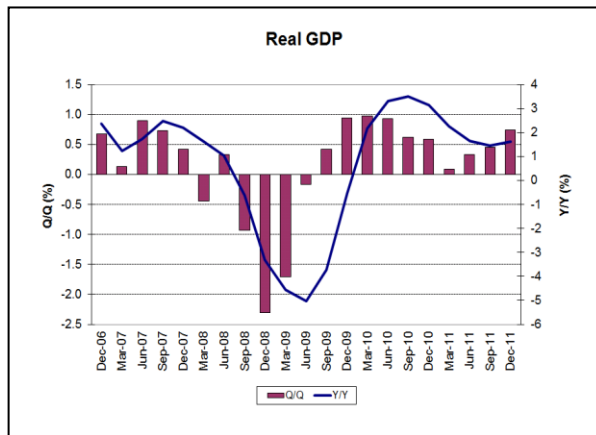
Initial Claims – remained at 351k, four week moving average fell to lowest level since Q1 2008. (US 3)

Chicago PMI – improved from 60.2 to 64.0 in February (US 3)

Consumer Confidence – jumped from 61.5 to 70.8 in February (US 4)

Weekly Releases

Chart of the Week: GDP



The second reading of Q4 Real GDP was revised from 2.8% to 3.0%, beating the expectation for no revision. There were few significant revisions in this release. PCE was revised upward from 2.0% to 2.1%. The largest revision was Nonresidential Investment in Structures, which was revised from a decline of 7.6% to a 2.6% decline, adding 0.14% to Q4 GDP accounting for most of the 0.2% upward revision. The PCE deflator was revised upwards from 0.7% to 1.2%

US 1

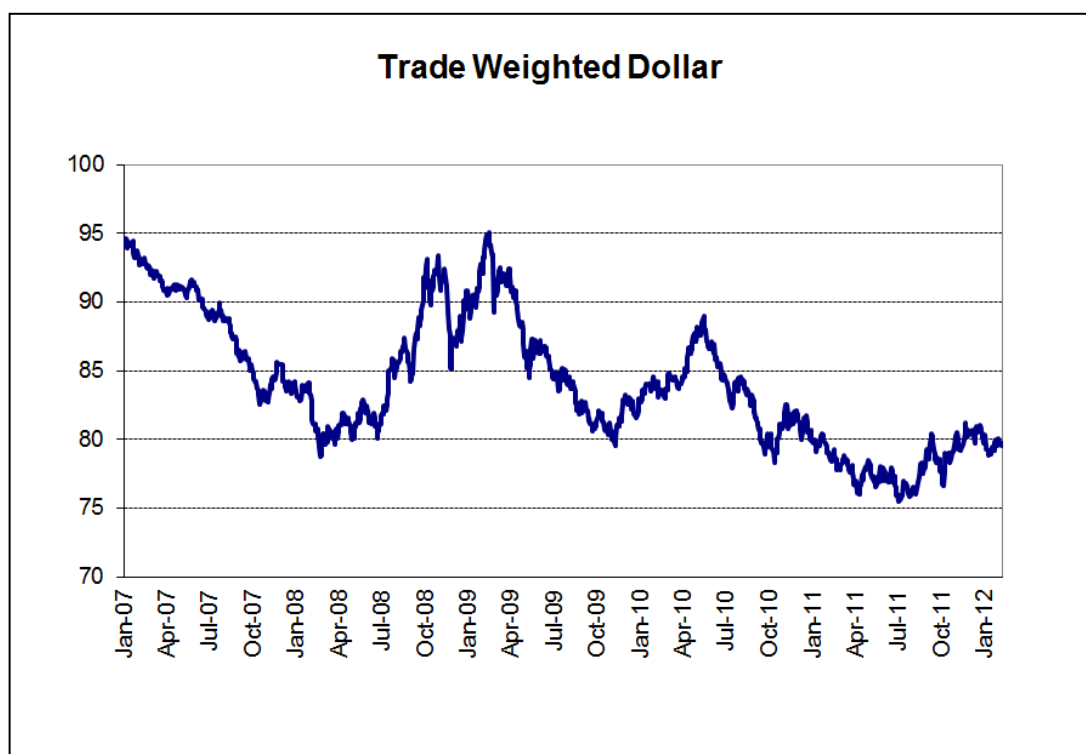
U.S. Financial Balances & Trade Weighted Dollar

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.

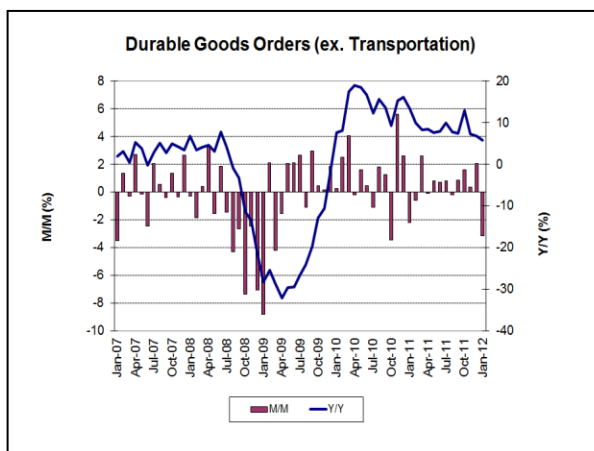
Trade Weighted Dollar



Durables Ex Transportation, Initial Jobless Claims & Chicago Purchasing Manager

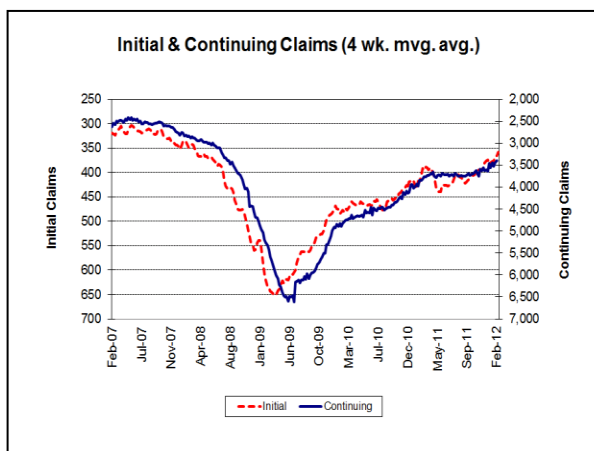
Durables Ex Transportation

Durable Goods Orders ex. Transportation fell 3.2% M/M while gaining 6.6% Y/Y in January. Non-defense capital goods orders, excluding aircraft, dropped 4.5% M/M and rose 3.5% Y/Y. The three-month annualized core rate slowed from 1.7% to -3.7%.



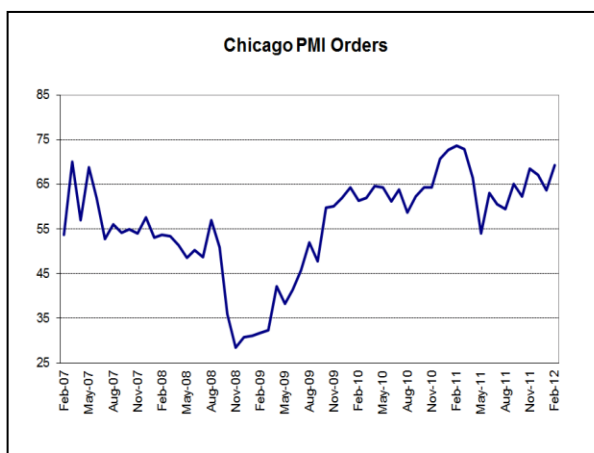
Initial Jobless Claims

Initial Claims remained at 351k (revised up from 348k). The series has been volatile since the beginning of the year but is showing significant momentum. The four week moving average of Initial Claims fell 7k to 359k, the lowest since March 2008. Continuing Claims fell from 3444k to 3392k.



Chicago Purchasing Manager

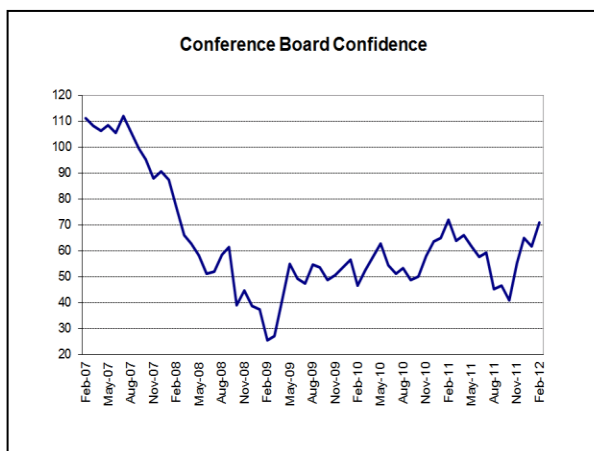
The Chicago PMI improved from 60.2 to 64.0 in February, better than expectations of 61.0. The New Orders component jumped from 63.8 to 67.8 and production from 63.8 to 67.8. The employment component also saw significant improvement, rising from 54.7 to 64.2, reversing four months of declines.



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

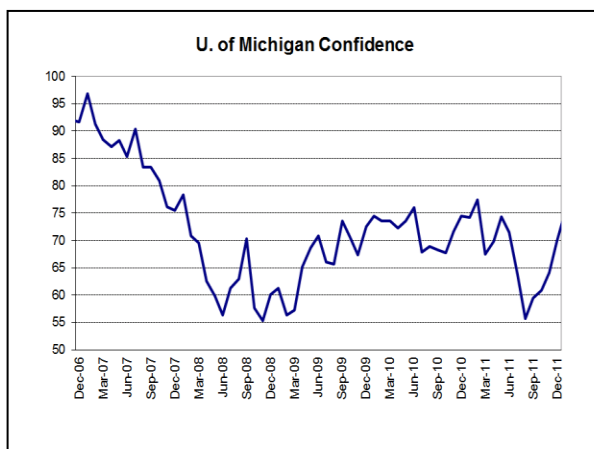
Consumer Confidence

Conference Board Consumer Confidence jumped from 61.5 to 70.8 in February, a one year high. The present situation component improved from 38.8 to 45.0 and the expectations from 76.7 to 88.0. The jobs plentiful, minus jobs hard to get component rose from -37.1 to -32.1.



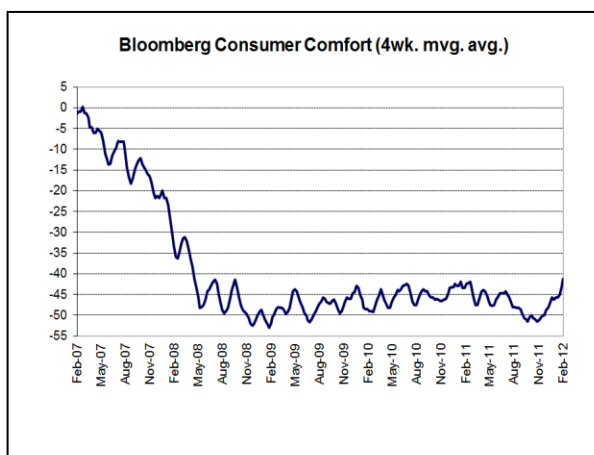
U. of Michigan Confidence

The Final University of Michigan Confidence Index improved from 75.0 to 75.3 in February. The current conditions component declined from 84.2 to 83.0. The expectations component rose from 69.1 to 70.3. Inflation expectations over the next year remained at 3.3% while the five year expectations increased 0.2% to 2.9%.



Bloomberg Consumer Comfort

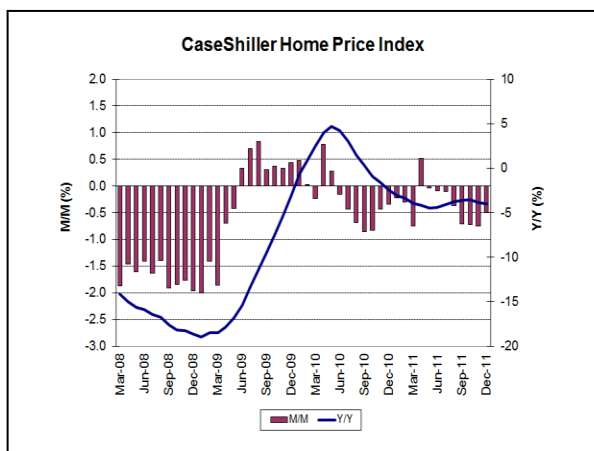
The Bloomberg Consumer Comfort Index improved from -39.8 to -38.4, the highest level since last March 2008. The buying climate jumped from -47.4 to -42.7.



S&P/CaseShiller Home Price Ind, House Price Index & New Home Sales

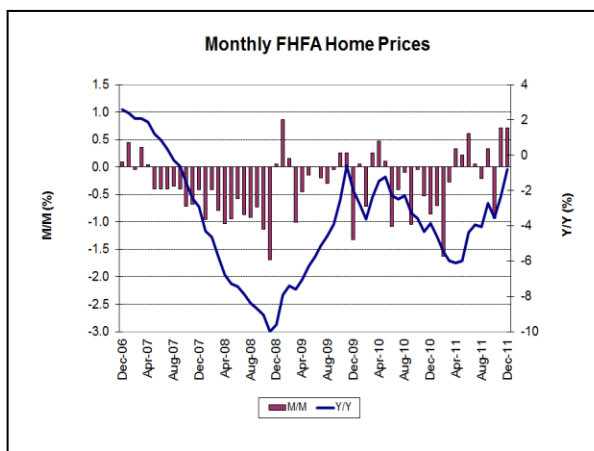
S&P/CaseShiller Home Price Ind

The Case-Shiller Index fell 0.5% M/M and 4.0% Y/Y in December. This home price index has declined 18 of the last 19 months.



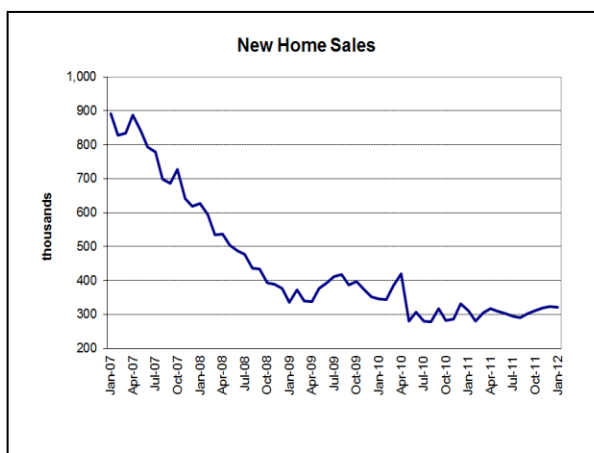
OFHEO House Price Index

The monthly OFHEO House Price Index rose 0.7% M/M and fell 0.8% Y/Y in December. This home price index had declined 13 of the last 18 months before posting consecutive 0.7% gains.



New Home Sales

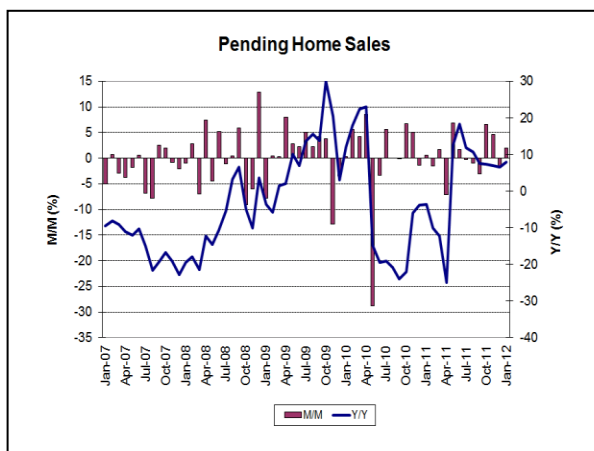
New Home Sales fell from a revised 324k (from 307k) to 321k in January. It was a decline of 0.9% M/M though a 3.5% gain Y/Y. Median prices increased 0.3% M/M to \$217k. Inventory levels dropped from 5.7 to 5.6 months of supply, the lowest since the beginning of 2006. Actual inventories fell from 154k to 151k.



Pending Home Sales & MBA Mortgage Applications

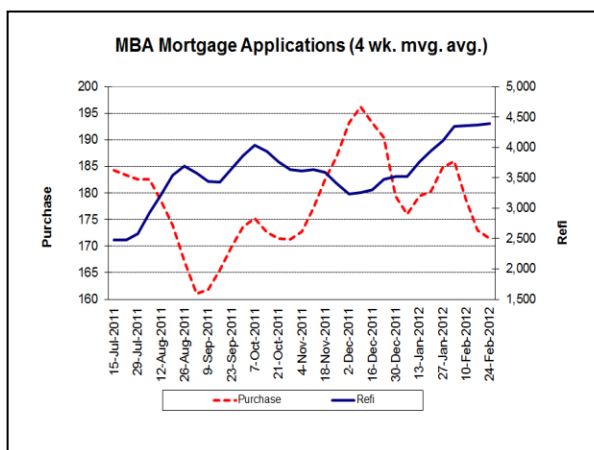
Pending Home Sales

Pending Home Sales increased 2.0% M/M in January after falling 1.9% in December. Pending sales are up 10.3% Y/Y. Record low mortgage rates and low home prices should help to drive traffic.



MBA Mortgage Applications

Purchase Mortgage Applications rose 8.2% W/W. Refi applications dropped 2.2% W/W. The FRM 30-year contract is just off the all-time low at 4.07%.



Key Dates This Week

Dates	Indicators		M/M	Y/Y
1-Mar	Personal Income	JAN	0.40%	0.50%
1-Mar	Personal Spending	JAN	0.40%	0.00%
1-Mar	PCE Core (MoM)	JAN	0.20%	0.20%
1-Mar	Initial Jobless Claims	25-Feb	355K	351K
1-Mar	Construction Spending MoM	JAN	1.00%	1.50%
1-Mar	ISM Manufacturing	FEB	54.5	54.1
1-Mar	ISM Prices Paid	FEB	58	55.5
1-Mar	Total Vehicle Sales	FEB	14.00M	14.13M
1-Mar	Domestic Vehicle Sales	FEB	11.00M	11.05M
5-Mar	ISM Non-Manf. Composite	FEB	56.6	56.8
5-Mar	Factory Orders	JAN	0.00%	1.10%
7-Mar	ADP Employment Change	FEB	200K	170K
7-Mar	Nonfarm Productivity	4Q F	0.80%	0.70%
7-Mar	Unit Labor Costs	4Q F	1.20%	1.20%
7-Mar	Consumer Credit	JAN	\$10.000B	\$19.308B

Valance Economic Report: Euro Zone

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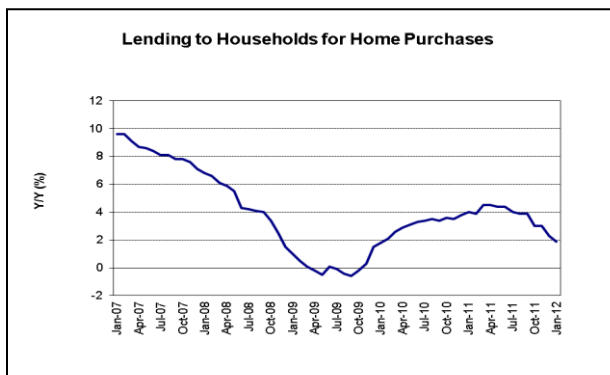
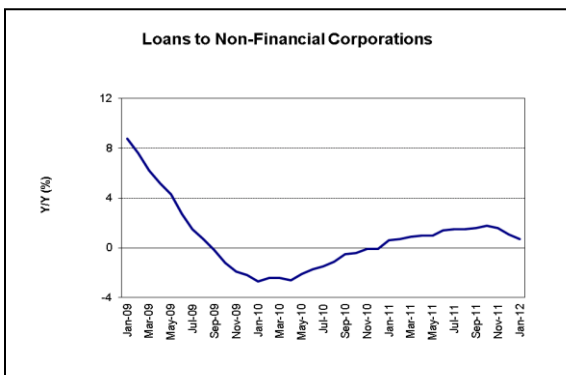
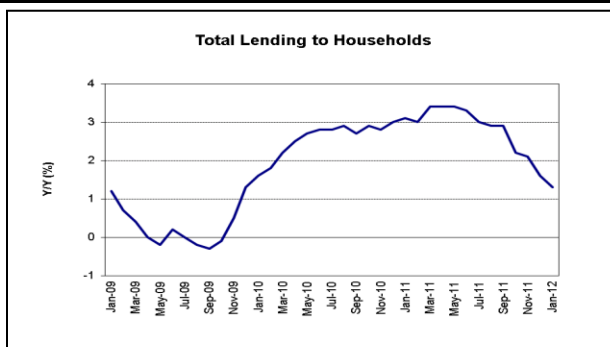
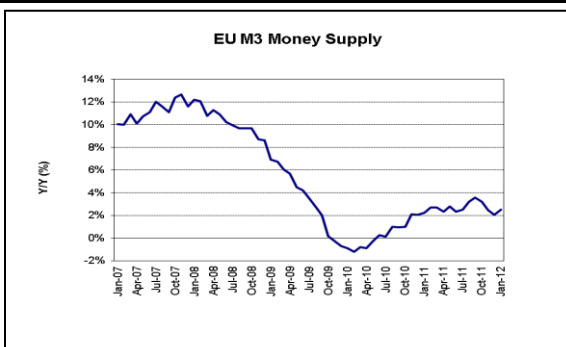
Money Supply growth was stronger than expected in January but lending to households continued to decelerate. EU CPI fell 0.8% M/M in January in line with market expectations. The German Unemployment Rate held at 6.8%, its lowest level in more than 20 years. Consumer and business surveys were mixed across the region.

Weekly Highlights

M3 Money Supply – accelerated from 2.0% Y/Y in December to 2.5% Y/Y in January. (EU 1)
EU CPI – fell 0.8% M/M and decelerated from 2.7% Y/Y to 2.6% Y/Y in January. (EU 3)
German Unemployment Rate – held at 6.8%, its lowest level in more than 20 years. (EU 3)

Weekly Releases & News

Chart(s) of the Week: Money Supply & Lending Data



M3 Money Supply growth accelerated from 2.0% Y/Y in December to 2.5% Y/Y in January. On a 3mth. mov. avg. basis, loan growth decelerated from 2.1% Y/Y to 2.0% Y/Y. Lending to Households decelerated from 1.6% Y/Y to 1.3% Y/Y in January and Lending to Households for Home Purchases decelerated from 2.3% Y/Y to 1.9% Y/Y. Loans to Non-Financial Corporations continue to decelerate from 1.1% Y/Y to 0.7% Y/Y.

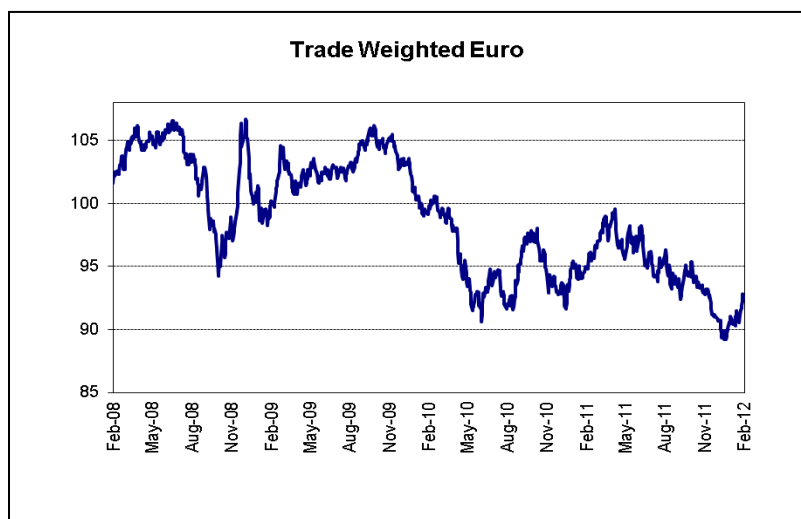
Euro Zone Financial Balances & Trade Weighted Euro

Financial Balances

<i>Germany</i>	<i>Last period (\$blns euros)</i>	<i>Last 12mth. as a % of GDP*</i>
Budget Balance		-3.3%
Trade Balance	16.2 (November)	2.0%
Current Account Balance	14.3 (November)	5.6%
Private Savings Balance		8.9%
<i>France</i>		
Budget Balance		-2.7%
Trade Balance	-4.4 (November)	-4.9 %
Current Account Balance	-4.5 (October)	-3.9%
Private Savings Balance		-1.2%
<i>Italy</i>		
Budget Balance		-4.5 %
Trade Balance	-1.1 (October)	-7.7%
Current Account Balance	-2.5 (October)	-3.5%
Private Savings Balance		1.0%

*Budget Balance as of year end 2010 – Source
OECD

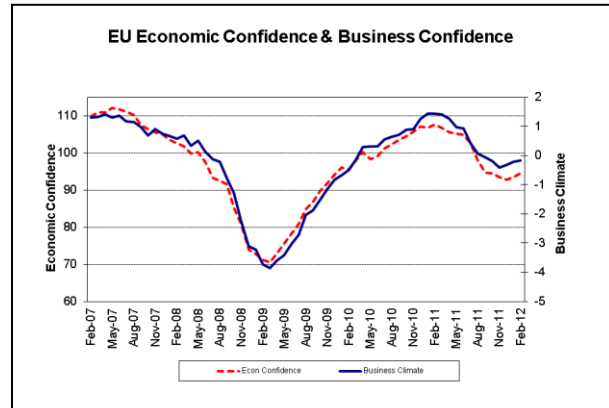
Trade Weighted Euro



EU Economic Confidence, CPI & Consumer Confidence

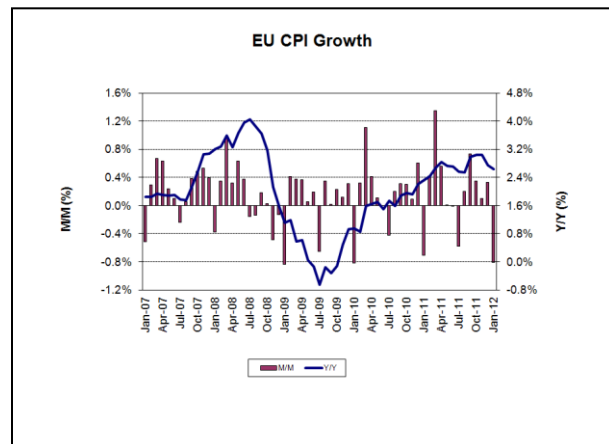
Euro Zone Economic Confidence

The Euro Zone's Economic Confidence increased from 93.48 in January to 94.4 in February. The Business Climate Index increased from -0.21 to -0.18.



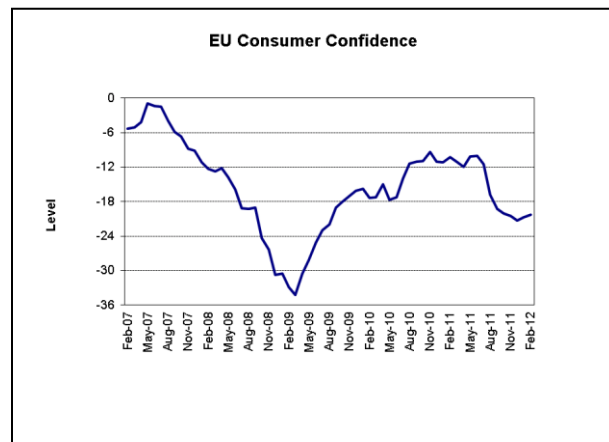
Euro Zone CPI

Euro Zone CPI fell 0.8% M/M and decelerated from 2.7% Y/Y to 2.6% Y/Y in January. Core CPI fell 1.7% M/M and increased 1.5% Y/Y.



EU Consumer Confidence

EU Consumer Confidence increased from -20.7 in January to -20.3 in February. Market expectations were for a decrease to -20.2.



German CPI, IFO & Import Prices

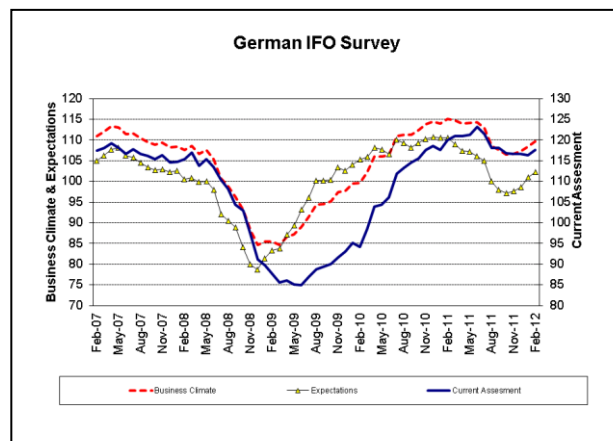
German CPI

German CPI decreased 0.4% M/M and increased 2.1% Y/Y in January.



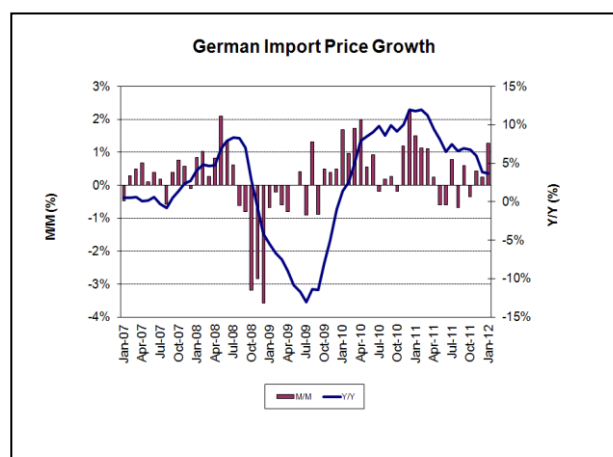
German IFO

The German IFO Business Climate Survey increased from 108.3 in January to 109.6 in February. Market expectations were for a reading of 108.8. The Current Assessment increased from 116.3 to 117.5 and the Expectations index increased from 100.9 to 102.3.



German Import Prices

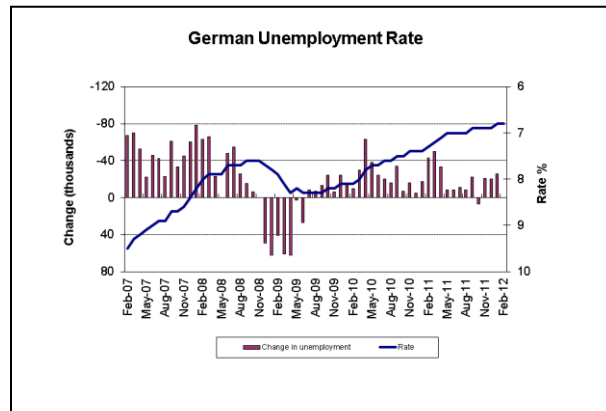
German Import Prices increased 1.3% M/M and 3.7% Y/Y in January. Export Prices increased 0.8 M/M and 2.1% Y/Y in January.



German Unemployment Rate & French Producer Prices/Consumer Confidence

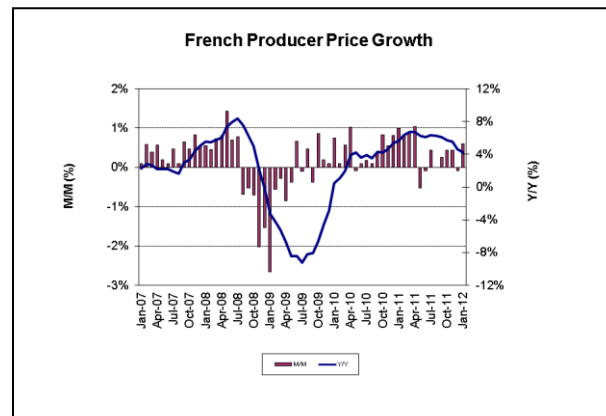
German Unemployment Rate

The number of people unemployed was unchanged in February versus expectations for a 5K decline. The Unemployment Rate held at 6.8%, its lowest level in more than 20 years.



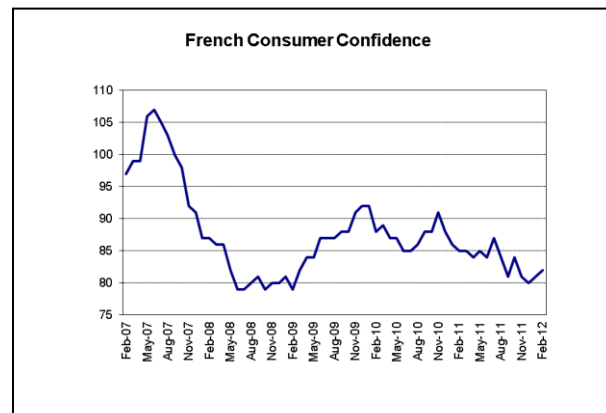
French Producer Prices

French Producer Prices increased 0.6% M/M and 4.2% Y/Y in January. The largest positive contribution came from Coke and refinery production (4.9% M/M).



French Consumer Confidence

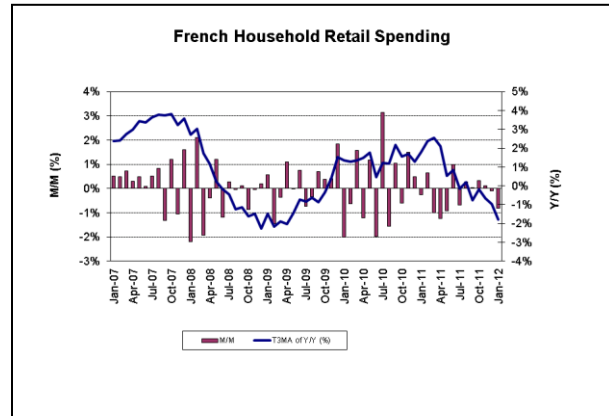
French Consumer Confidence increased from 81 in January to 82 in February, in line with market expectations.



French Consumer Spending & Italian Consumer/Business Confidence

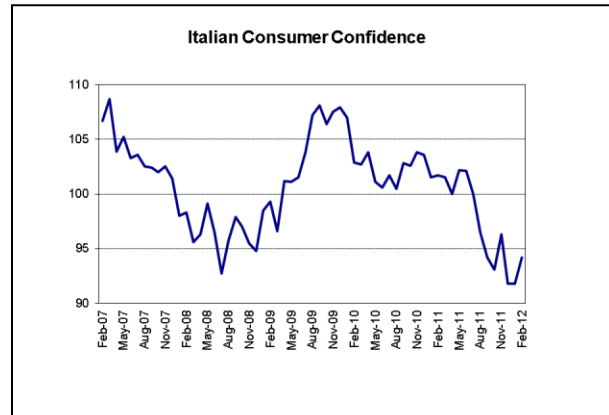
French Consumer Spending

French Household Manufactured Retail Spending fell 0.8% M/M and 2.4% Y/Y in January. Spending decreased 0.1% M/M and 1.8% Y/Y in December.



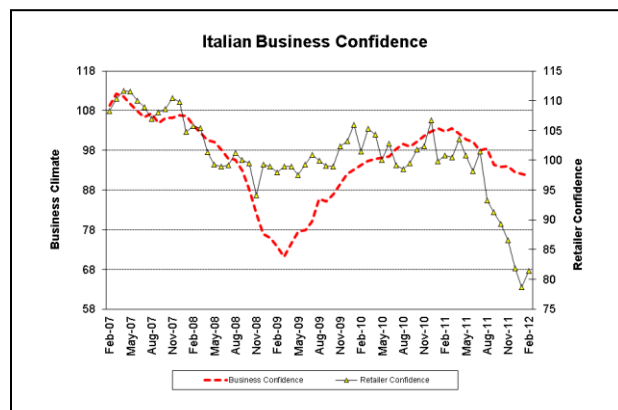
Italian Consumer Confidence

Italian Consumer Confidence increased from 91.8 in January to 94.2 in February. Market expectations were for a reading of 92.1.



Italian Business Confidence

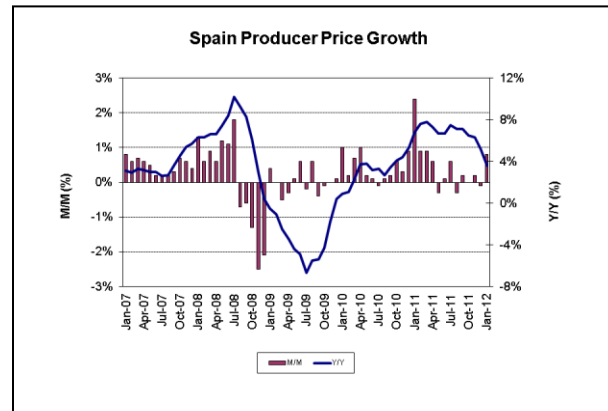
Italian Business Confidence decreased from 92.1 in January to 91.5 in February. Market expectations were for a reading of 92.3.



Spanish Producer Prices & Current Account

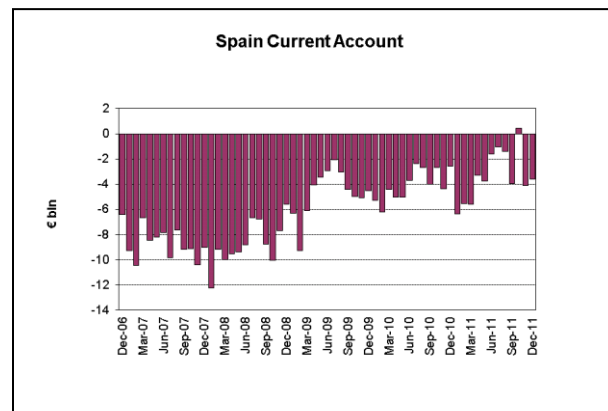
Spanish Producer Prices

Spanish Producer Prices increased 0.8% M/M in January. Y/Y growth decelerated from 5.2% to 3.6%, slowing for the fourth straight month.



Spanish Current Account

Spanish Current Account Deficit narrowed from €4.1 bln in November to €3.6 bln in December.



News/Comments

Feb. 28th - Support Is Offered to Greek Banks After Latest Downgrade (New York Times) - The European Central Bank acted on Tuesday to prevent a potential collapse of the Greek banking system after the country was declared by a large ratings agency to be in “selective default,” making Greek bonds ineligible as collateral for loans from the central bank.

Standard & Poor’s issued the most recent downgrade late Monday because of the debt-reduction deal reached last week with Greece’s private sector creditors. Greece will pay back less than half the face value of its bonds under the agreement, which is ostensibly voluntary. The central bank did not specifically mention the S.& P. downgrade on Tuesday, but it said in a news release that the agreement with creditors meant that Greek bonds could no longer be used as collateral to obtain cash from the central bank. But the European Central Bank said banks could continue to draw cash from national central banks temporarily under a separate program known as emergency liquidity assistance. The central bank said it would accept Greek bonds as collateral again in mid-March, when European governments will guarantee part of the value of Greek bonds under a new program. In Athens, the Greek Finance Ministry said in a news release that “the downgrade has no impact in the Greek banking sector” because the Bank of Greece and the European bailout fund would step into the breach.

Feb. 28th - Euro Chiefs Won't Meet March 2, to Act on Firewalls by End-Month (Bloomberg) -

Leaders of the 17 euro countries won't meet March 2 after a European Union summit because there is no accord yet on strengthening the anti-crisis firewall, an EU official said. Euro governments plan to decide on the firewall by the end of March, a step that can be taken by finance ministers without the leaders needing to meet, said the official, who declined to be named under EU rules. Euro-17 leaders will briefly meet at the start of the summit on March 1 to name Herman Van Rompuy as official leader of euro summits. That decision will come as Van Rompuy is reappointed to a second 2 1/2-year term as EU president, the official said.

Feb. 28th - S&P Declares Greece in Default (WSJ) - Standard & Poor's cut Greece's long-term credit rating to selective default from double-C. A committee convened by the International Swaps and Derivatives Association has been asked by an unidentified entity to consider whether Greek legislation to retrofit its debt with collective-action clauses should trigger credit-default-swap payouts because the decision won't include the European Central Bank and the new Greek bonds it received in an exchange. A change in the payment priority ranking of any obligation is one of the events in a restructuring that can trigger credit-default-swap payouts, as long as it results from a deterioration in credit-worthiness.

Feb. 27th - G20 insists eurozone must help itself (FT) -The G20 has a mixed record in successful coordination of global economic policy but there was robust agreement on one point at this weekend's meeting of finance ministers in Mexico City: the rest of the world would not stump up extra money for the International Monetary Fund until the eurozone did more to help itself.

That view was so widely held among non-eurozone countries going into the meeting, including the US, the UK and Japan, that the drafting of a communique was unusually smooth. A rough first draft was agreed at midnight on Saturday - a time when most G20 negotiations are only just getting started.

Feb. 24th - ECB's Liikanen Says No Floor to Main Rate, CNBC Reports (Bloomberg) - European Central Bank council member Erkki Liikanen said there's no floor to the bank's benchmark interest rate, CNBC reported, citing an interview. The bank has "never said" that "there's a floor," said Liikanen, who also heads the Bank of Finland in Helsinki. "I'm sure that we will never say so. There are no tactical obstacles to go further."

Key Dates This Week

Date	Indicators	Expectations	Previous
1-Mar	EC Euro-Zone CPI Estimate (Y/Y)	FEB 2.60%	2.70%
1-Mar	EC Euro-Zone Unemployment Rate	JAN 10.40%	10.40%
2-Mar	EC Euro-Zone PPI (M/M)	JAN 0.50%	-0.20%
2-Mar	EC Euro-Zone PPI (Y/Y)	JAN 3.50%	4.30%
5-Mar	EC Sentix Investor Confidence	MAR --	-11.1
5-Mar	EC Euro-Zone Retail Sales (M/M)	JAN --	-0.40%
5-Mar	EC Euro-Zone Retail Sales (Y/Y)	JAN --	-1.60%
6-Mar	EC Euro-Zone GDP s.a. (Q/Q)	4Q P --	-0.30%
6-Mar	EC Euro-Zone GDP s.a. (Y/Y)	4Q P --	0.70%
5-Mar	GE PMI Services	FEB F --	52.6
7-Mar	GE Factory Orders YoY (nsa)	JAN --	0.00%
7-Mar	GE Factory Orders MoM (sa)	JAN --	1.70%
1-Mar	FR ILO Mainland Unemployment Rate	4Q 9.60%	9.30%
1-Mar	FR Mainland Unemp. Change (000s)	4Q --	37K
1-Mar	FR ILO Unemployment Rate	4Q --	9.70%
1-Mar	IT Unemployment Rate (SA)	JAN P 8.90%	8.90%
1-Mar	IT CPI - EU Harmonized (M/M)	FEB P 0.10%	-1.80%
1-Mar	IT CPI - EU Harmonized (Y/Y)	FEB P 3.40%	3.40%
5-Mar	IT PPI (M/M)	JAN --	0.10%
5-Mar	IT PPI (Y/Y)	JAN --	4.00%
2-Mar	SP Unemployment MoM Net ('000s)	FEB 80	177.5
5-Mar	SP Spain Services PMI		

Valance Co., Inc.

Valance Economic Report: Japan

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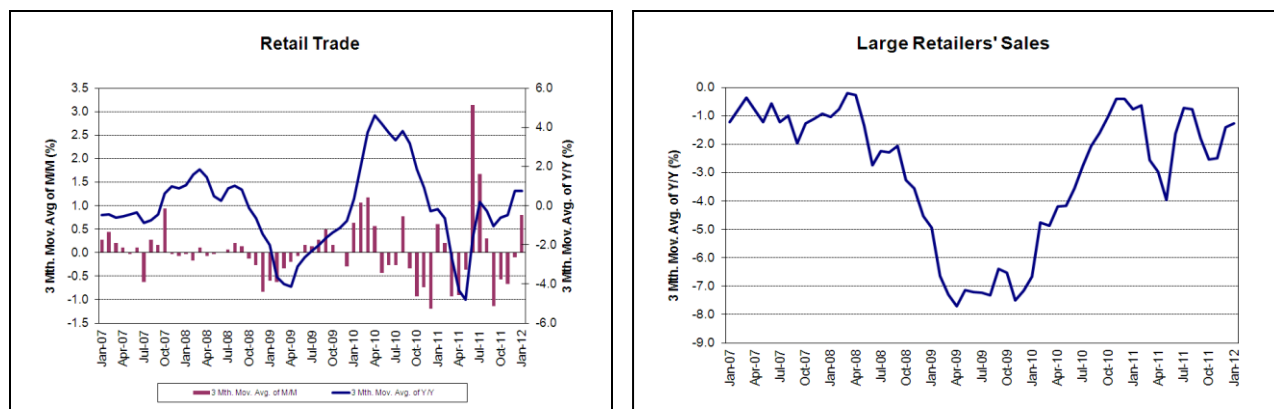
Retail Sales were better than expected in January, although the effects were largely attributed to government subsidies in the auto sale sector. Also in this weeks' data, Industrial Production and Housing Starts improved more than expected.

Weekly Highlights

Retail Sales – increased 4.1% M/M and 1.9% Y/Y in January. (JN 1)

Industrial Production – increased 2.0% M/M and 1.2% Y/Y in January. (JN 4)

Charts of the Week: Retail Sales

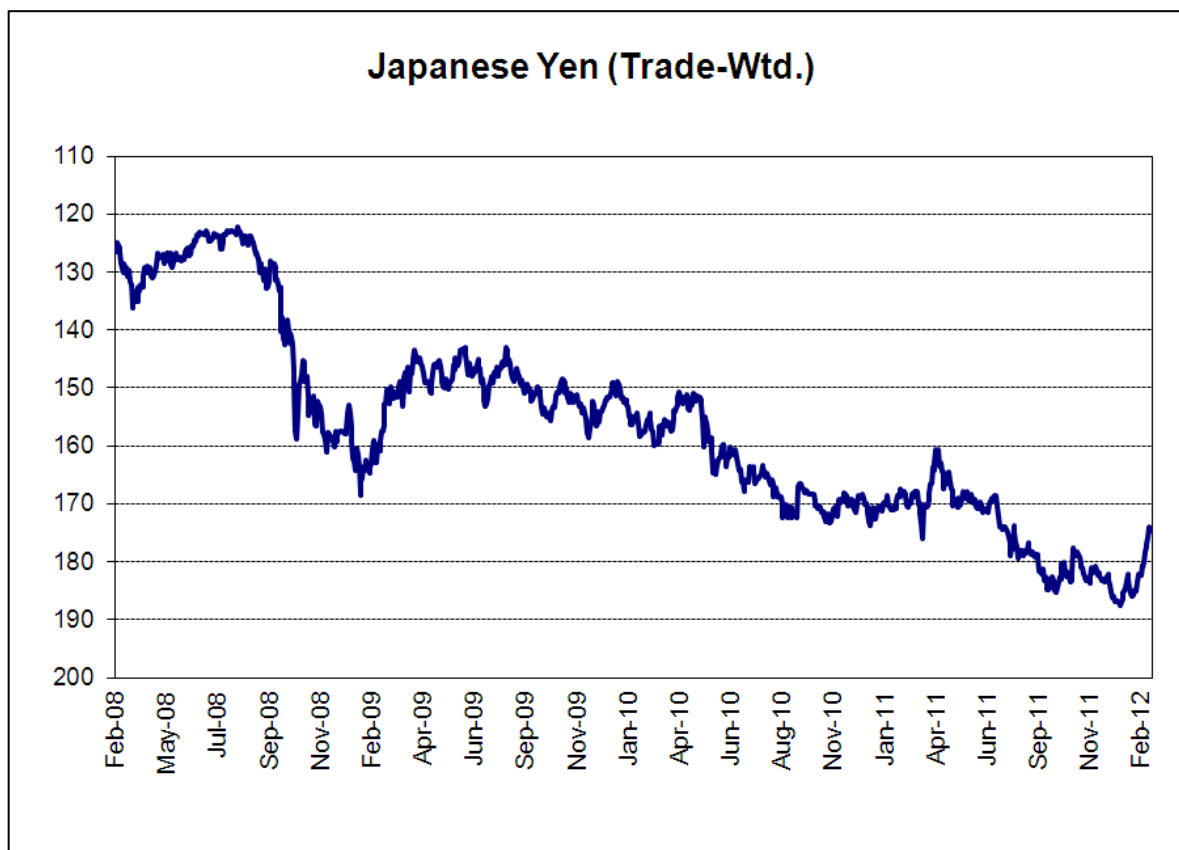


Retail Sales increased 4.1% M/M and 1.9% Y/Y in January against market expectations for a 1.0% M/M increase and a 0.1% Y/Y decline. Among large stores, sales declined 0.2% M/M and 1.0% Y/Y. Overall, the increase in sales exceeded expectations, though due primarily to special factors related to government subsidies for certain types of autos.

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%



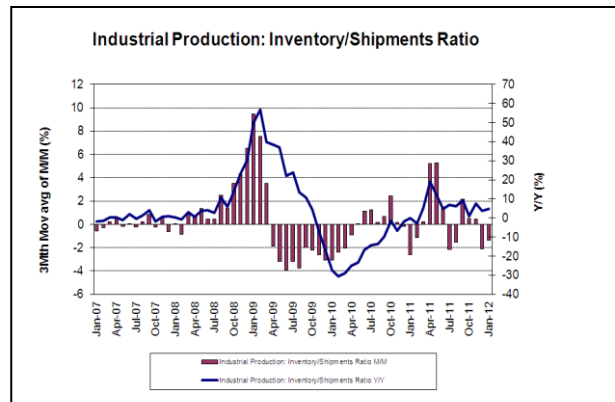
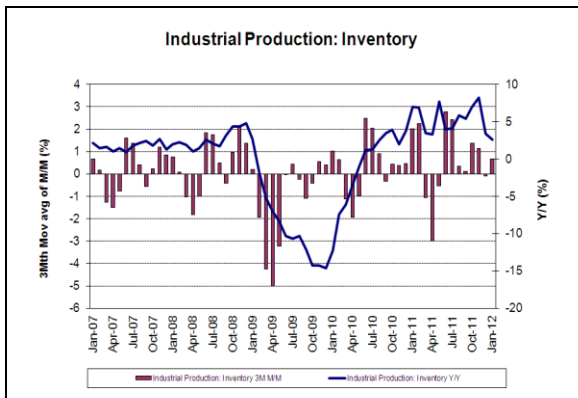
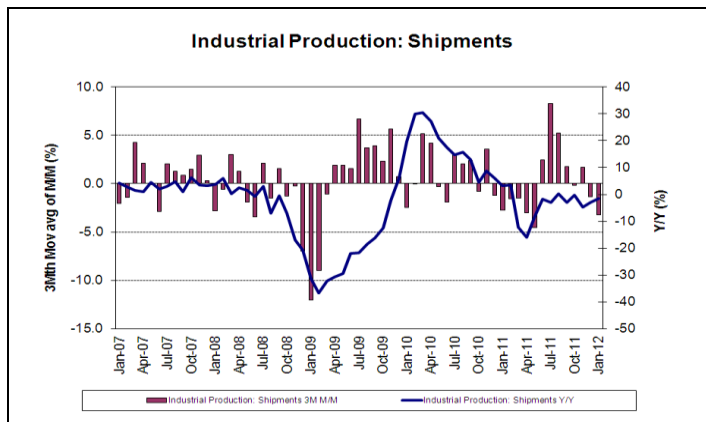
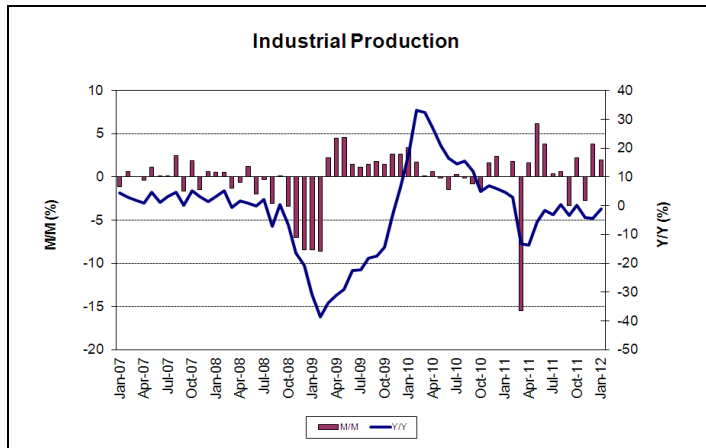
Industrial Production

According to preliminary data from January, Industrial Production increased 2.0% M/M and dropped 1.2% Y/Y against market expectations for a 1.5% M/M increase and a 1.6% Y/Y decline.

Within the data, shipments declined 0.7% M/M and 1.4% Y/Y. Inventories increased 3.1% M/M and 2.6% Y/Y. The inventory ratio increased 1.2% M/M and 5.0% Y/Y.

Within overall data, the increase in production occurred on improvements in transport equipment, IT, and iron & steel demand.

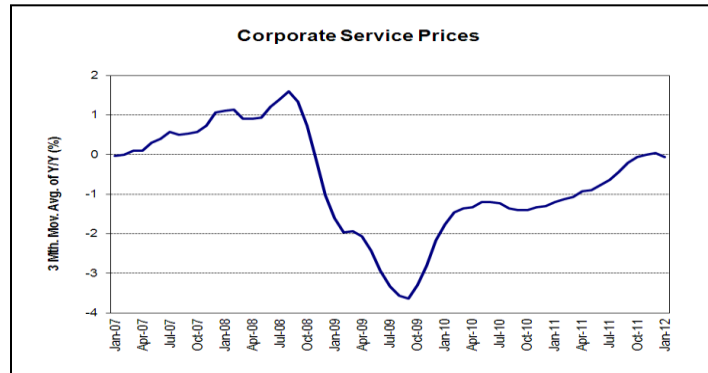
Looking forward, producers expect production to increase 1.7% M/M in both February and March.



Corp Service Prices, Small Business Confidence & Vehicle Production

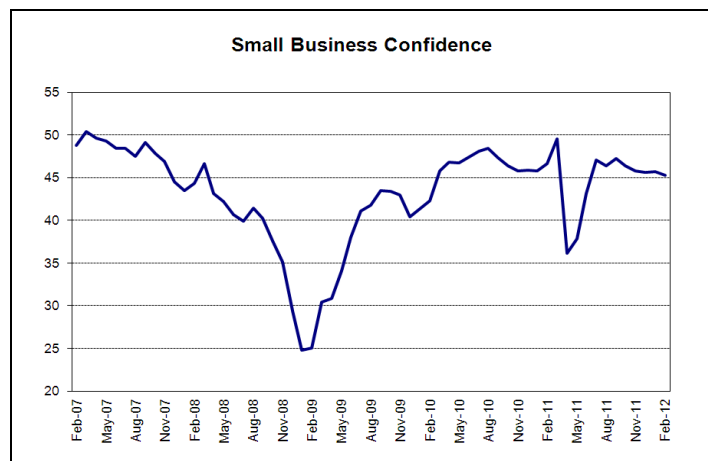
Corp Service Prices

Corporate Service Prices dropped 0.6% M/M and 0.2% Y/Y in January, against expectations for a 0.1% Y/Y increase. In M/M terms, the decline was the largest since April 2010. By sector, the M/M drop was largest in advertising services although transportation also saw declines.



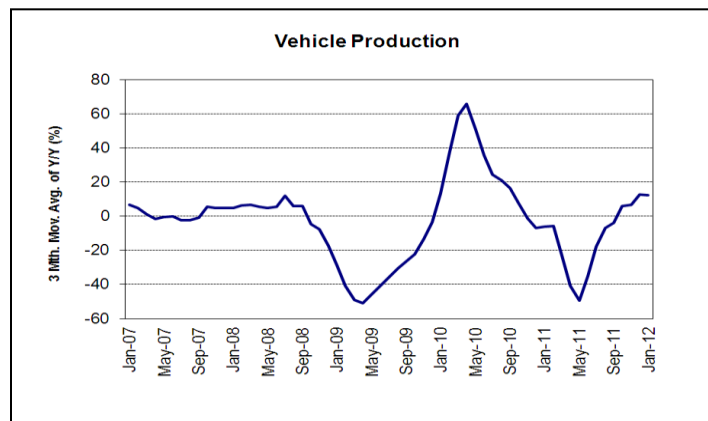
Small Business Confidence

Small Business Confidence declined 0.4pts from 45.7 to 45.4 in February as manufacturing increased 0.5pts to 44.7 while non manufacturing declined 1.2pts to 45.7. Within the data, increases in electrical machinery, construction equipment, chemicals, printing, and real estate were outweighed by declines in metals, wood products, truck transport, and services.



Vehicle Production

Vehicle Production increased 18.6% Y/Y in January.

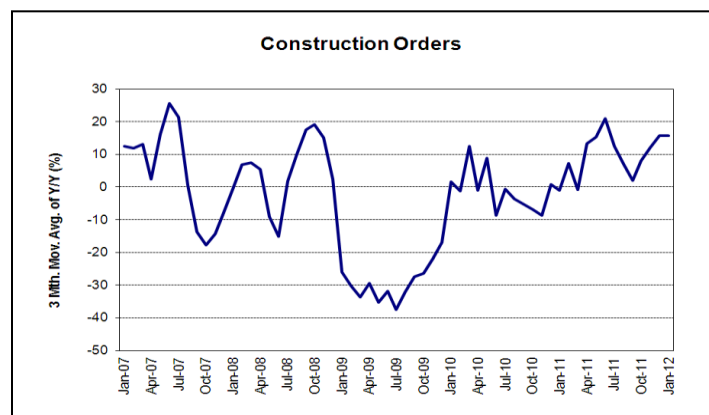
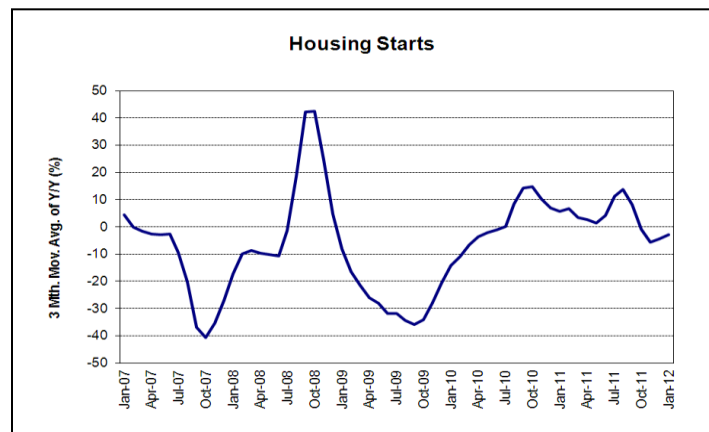


Housing Starts & News

Housing Starts & Construction Orders

Housing Starts increased 5.0% M/M and dropped 1.1% Y/Y in January. The Y/Y drop was better than the 3.3% Y/Y decline the market expected. On an annualized basis, the number of starts declined from 0.822 million units to 0.808 million units.

Construction orders increased 24.6% Y/Y.



News

February 28th – Gov’t Upgrades Its Economic View in 3 Regions – In the Cabinet Office’s regional economic report for February, economic conditions in three regions: Kanto, Kyushu, and Okinawa were improved. Also within the report, consumer spending fell nationwide. Employment conditions were upgraded in two regions: Tohoku and Okinawa, although the jobs situation is largely classified as “severe” in most regions, those included.

February 27th – Noda on Sales Tax Hike – Prime Minister Noda proposed to make the government and the DPJ work together to a planned sales tax hike against opposition from within the ruling party. Noda aims to submit his bills to parliament by the end of March to raise the 5% consumption tax hike in two stages: to 8% in April 2014 and 10% in October 2015 to cover Japan’s rising social security costs.

Upcoming Dates

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
2/29	Capital Spending excl Sftwre	-7.50%	-11.00%
2/29	Capital Spending	-7.80%	-9.80%
3/1	Vehicle Sales (YoY)	N/A	40.70%
3/1	Job-To-Applicant Ratio	0.72	0.71
3/1	Tokyo CPI Ex Food, Energy YoY	-1.10%	-1.10%
3/1	Overall Hhold Spending (YoY)	-0.10%	0.50%
3/1	Jobless Rate	4.50%	4.60%
3/1	Tokyo CPI YoY	-0.30%	-0.30%
3/1	Tokyo CPI Ex-Fresh Food YoY	-0.40%	-0.40%
3/1	Natl CPI YoY	-0.10%	-0.20%
3/1	Natl CPI Ex-Fresh Food YoY	-0.20%	-0.10%
3/1	Natl CPI Ex Food, Energy YoY	-1.10%	-1.10%
3/5	Labor Cash Earnings YoY	N/A	-0.20%
3/7	Coincident Index CI	N/A	93.6
3/7	Leading Index CI	N/A	94
3/7	GDP Deflator YoY	N/A	-1.60%
3/7	Nominal GDP (QoQ)	N/A	-0.80%
3/7	GDP Annualized	N/A	-2.30%
3/7	Gross Domestic Product (QoQ)	N/A	-0.60%
3/7	Bank Lending Ex-Trusts YoY	N/A	0.70%
3/7	Bank Lending incl Trusts (YoY)	N/A	0.60%
3/7	Current Account Total	N/A	¥303.5B
3/7	Adjusted Current Account Total	N/A	¥752.3B

Valance Economic Report: United Kingdom

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February 29, 2012

Real GDP declined largely as expected in Q4, with companies reducing their capital investments. Meanwhile, Consumer Confidence was unchanged and mortgage approvals rose to the highest level in over two years due to an expiring tax incentive.

Weekly Highlights

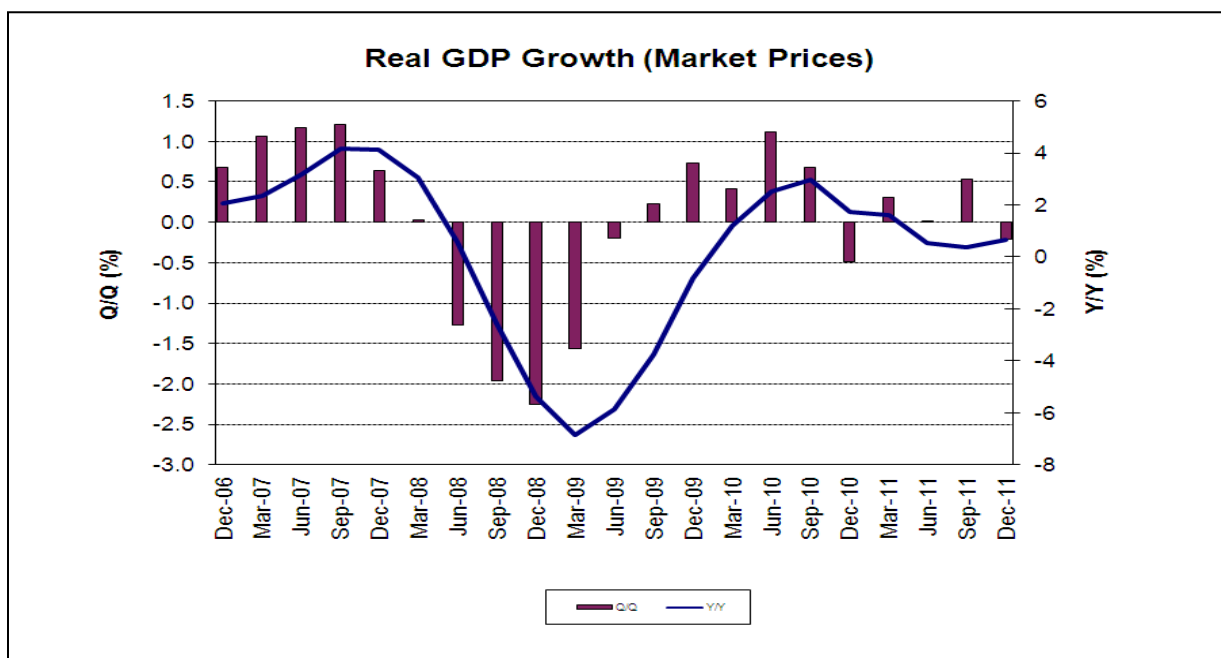
Real GDP – declined 0.2% Q/Q and increased 0.7% Y/Y in Q4. (UK 1)

GfK Consumer Confidence – unchanged at -29 in February. (UK 3)

BoE Mortgage Approvals – rose from 55.0k to 58.7k in January. (UK 4)

Weekly Releases & News

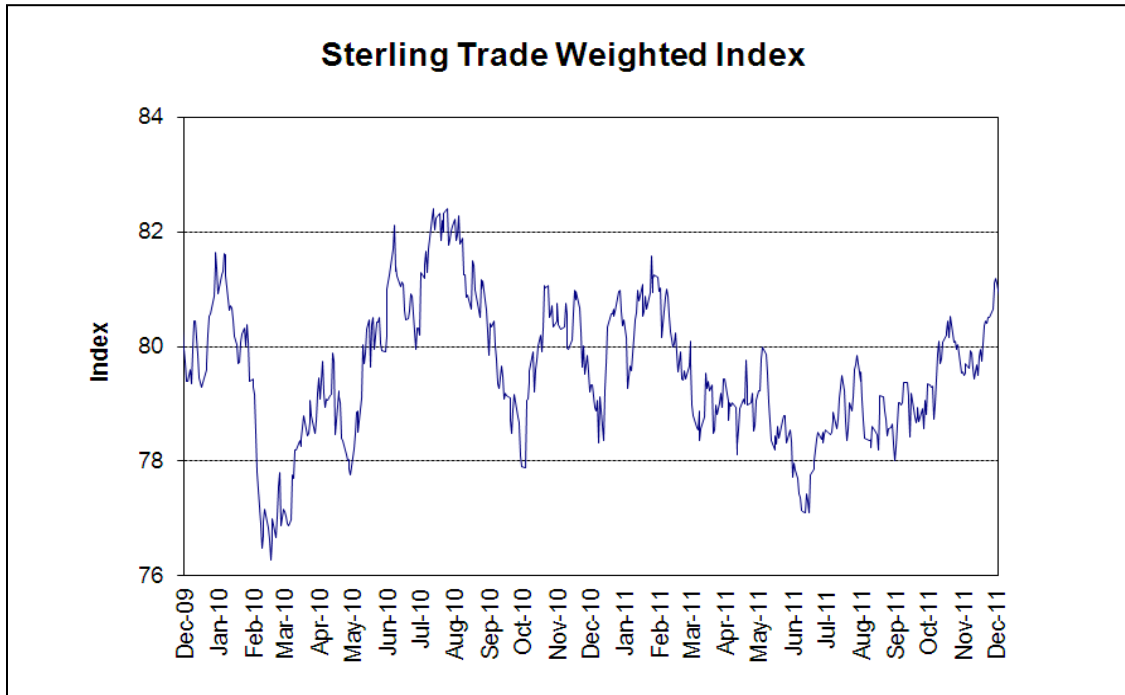
Charts of the Week: *Real GDP Growth*



Q4 GDP declined 0.2% Q/Q and increased 0.7% Y/Y. Expectations were for a 0.2% Q/Q decline and a 0.8% Y/Y expansion. The decline occurred as companies reduced their investments by 2.8% Q/Q and 3.7% Y/Y against expectations for a 0.9% Q/Q decline. The annual GDP deflator was 2.3%.

Financial Balances, FX & Current Account

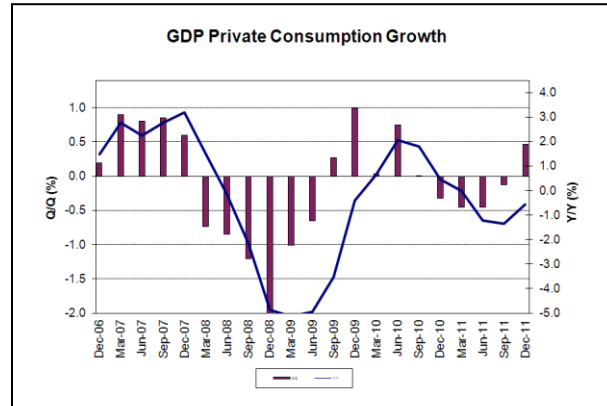
U.K.	Last Period (blns)	Last 12mth. % of GDP
Budget Balance (monthly)	-£5.3 (Jan)/	1.8%
Trade Balance (monthly)	-£9.6(Q3)	-1.9%
Curr. Acct. Balance (quarterly)	£4.9	+10.9%



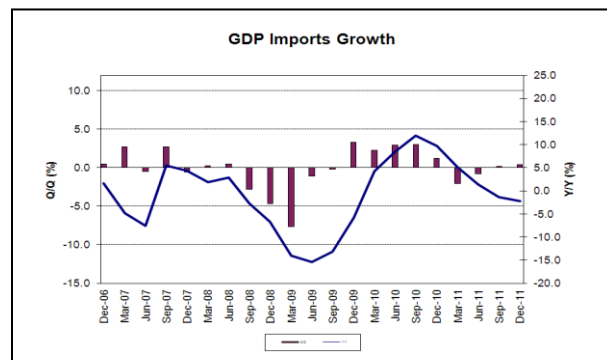
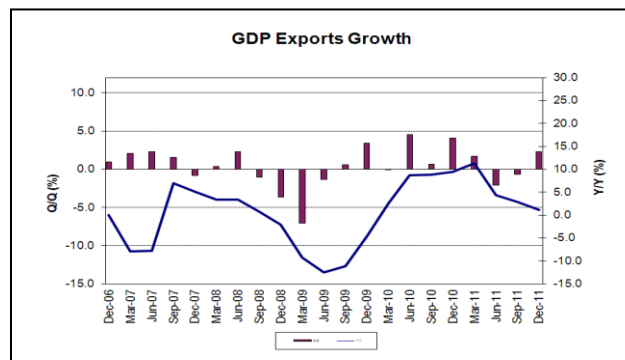
GDP Details & GfK Consumer Confidence Survey

Household Consumption Growth

Consumer Spending Growth increased 0.5% Q/Q and dropped 0.6% Y/Y against expectations for a 0.2% Q/Q increase



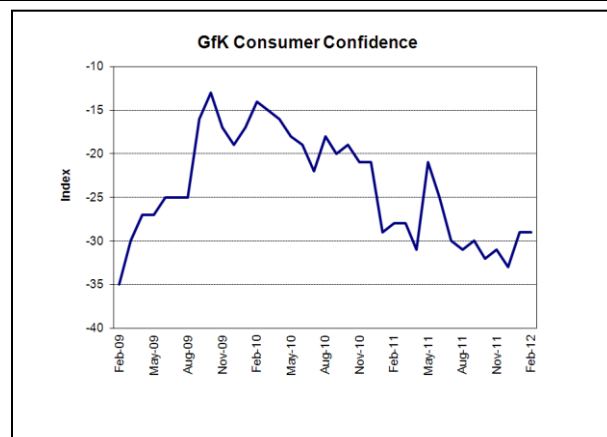
Exports & Imports



Exports rose 2.3% Q/Q and 1.1% Y/Y against expectations for a 1.5% Q/Q increase. Imports rose 0.4% O/O and dropped 2.2% Y/Y against expectations for a 0.1% O/O increase.

GfK NOP Consumer Confidence Survey

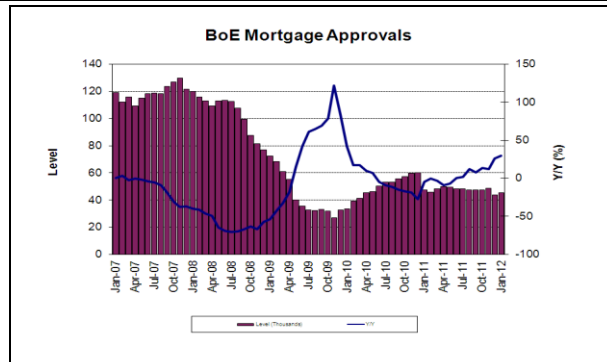
The GfK Consumer Confidence Index was unchanged at -29 in February. The market had expected a slight improvement to -27. Personal finances over the last 12 months improved from -22 to -21. Personal finances going forward improved from -9 to -6. The economic situation over the last 12 months declined from -58 to -60. Expectations for the general economic situation over the coming 12 months improved from -33 to -29. The Climate for Major Purchases declined from -22 to -27. Saving Intentions declined from -11 to -14.



Mortgage Approvals

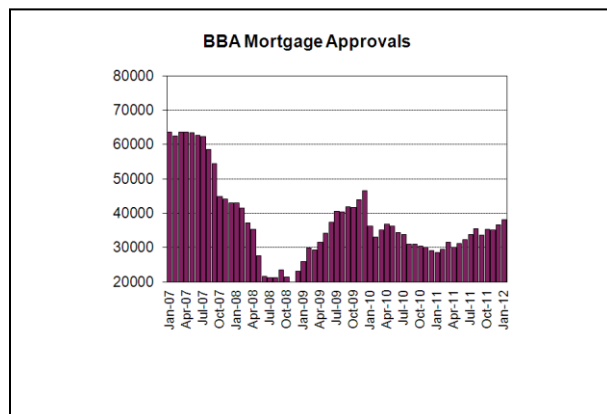
BoE Mortgage Approvals

According to the BoE, lenders granted 58,728 loans to buy homes in January, compared with 55,019 in December, as first-time buyers took advantage of a property-tax exemption.



BBA Mortgage Approvals

Banks granted 38,092 loans for home purchases in January, against expectations for 36,250.



Data & Comments

Q4 GDP Treasury Note: Today's figures showing Britain's economy shrank more than initially estimated in Q4 are "disappointing," the Treasury said. "The chancellor said that the fourth-quarter growth figures were disappointing and today's revision doesn't change that fact," the Treasury said in an e-mailed statement. "It also doesn't change the need to deal with the nation's credit card – the country is borrowing more this year than is spent on the entire NHS. What's more, the survey data so far this year has exceeded expectations."

Index of Services Data: The Service Industries index increased 0.2% M/M in December against an expected 0.1% M/M improvement. November's 0.6% M/M gain was revised to a 0.5% M/M gain. On a 3m/3m basis, the Index of Services was unchanged as expected while November's 0.1% gain was revised to 0.2%.

Q4 Total Business Investment: U.K. Manufacturing Business Investment declined 5.6% Q/Q and 2.0% Y/Y in Q4. Q3's 0.3% Q/Q and 4.3% Y/Y increase were revised to a 1.0% Q/Q and 5.4% Y/Y increase.

U.K. House Prices: According to Hometrack Ltd., the average cost of a home in England and Wales was unchanged M/M in February, marking the second consecutive month of no M/M change. Y/Y, prices fell 1.4%. This month, the average sale price was 92.9% of the asking price. The average time taken to sell a property in February was 9.9 weeks, down from 10.2 weeks in February.

CBI Retail Sales Survey: According to the Confederation of British Industry in London, UK Retailers reported the volume of sales improving from -22 to -2 with the three month average improving from -11 to -5. The orders placed index improved from -14 to -4. The sales for time of year declined from -20 to -31. Stocks declined from 10 to 7.

Feb. 28th – Osborne Says Extra Borrowing Won't Finance UK Budget Tax Cuts (Bloomberg):

Chancellor of the Exchequer George Osborne said he won't borrow money to fund tax cuts or increase spending in the 2012 budget, paving the way for increased political tension among members of the coalition government.

I have a deficit plan and I am intending to stick to it. If there were to be any additional spending commitments or tax cuts they would have to be paid for. We would have to find countervailing measures to pay for them. I don't think I am going to go in for deficit-financed tax reductions or spending increases.

Osborne said this month he will stick to budget cuts that will see more than 700,000 public-sector jobs axed in the tightest fiscal squeeze since World War II. He said he'll continue with plans to erase the bulk of a budget deficit that equals 9 percent of gross domestic product by 2017, after Moody's Investors Service said Feb. 14 that Britain may lose its Aaa credit rating.

Feb. 28th – BOE's Fisher on Bond Sales (Bloomberg):

The risk of the U.K. slipping into another recession may have been avoided, and further signs of strength would add to the case for ending new bond purchases. At the moment the downside risk from that doesn't seem to be crystallizing, we don't seem to be continuing to slide down. If that's what it looks like over the next few months, that would put more weight onto the argument for stopping rather than carrying on" with more bond purchases.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
3/1	PMI Manufacturing	51.8	52.1
3/2	PMI Construction	N/A	51.4
3/4	Lloyds Business Barometer	N/A	-11
3/5	PMI Services	N/A	56
3/5	Official Reserves (Changes)	N/A	\$2477M
03/05- 03/09	Halifax House Price 3Mths/Year	N/A	-1.80%
03/05- 03/09	Halifax House Prices sa (MoM)	N/A	0.60%
3/6	BRC Shop Price Index YoY	N/A	1.40%
3/6	New Car Registrations (YoY)	N/A	0.00%

Valance Co., Inc.

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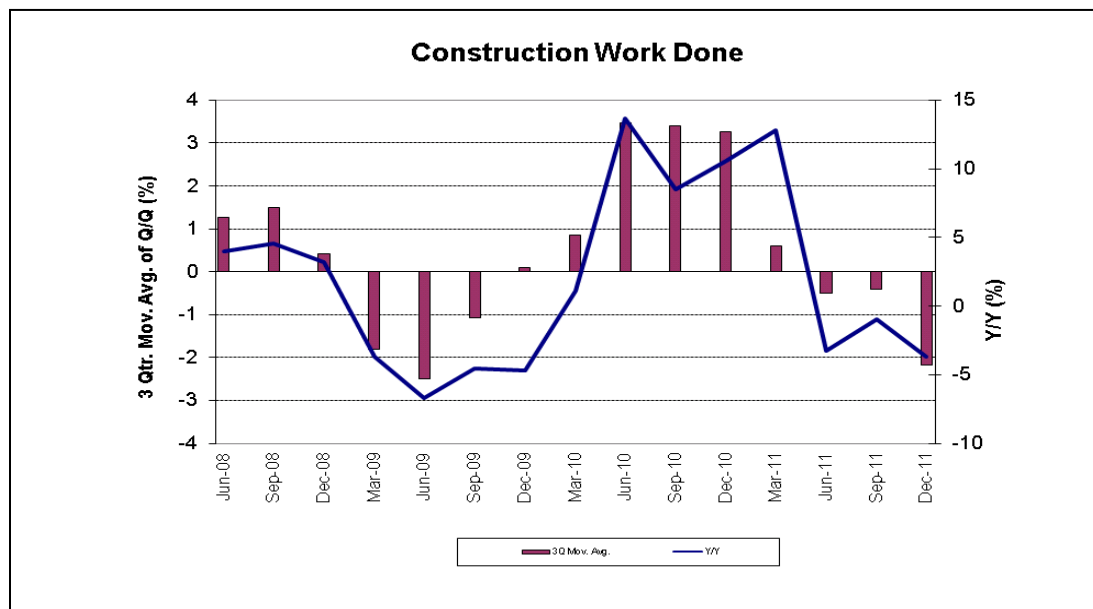
February 29, 2012

Data releases were generally weaker than expected over the past week. In Q4, Construction Work fell more than expected and new home sales dropped to the lowest on record in January.

Weekly Highlights

Construction Work - fell 2.2% Q/Q in Q4. (AU-1)

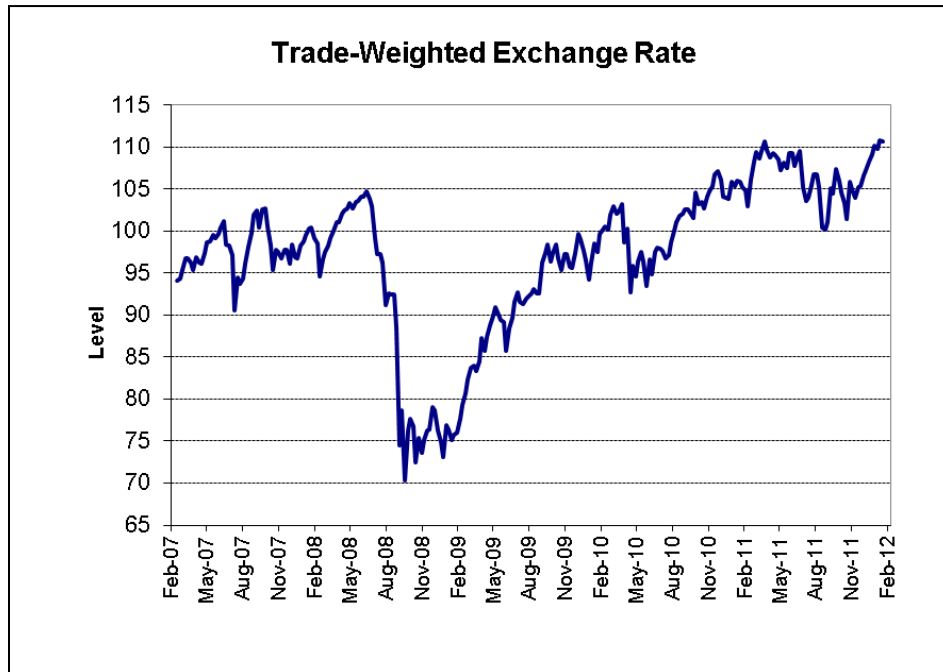
Retail Sales – rose 0.3% M/M in January. (AU-2)

Weekly Releases & News**Chart of the Week: Construction Work**

Construction Work completed fell 2.2% Q/Q and 3.7% Y/Y. The market expected a -0.8% Q/Q decrease. Private construction decreased 5.6% Q/Q and 10.6% Y/Y. Public construction decreased -1.0% Q/Q .

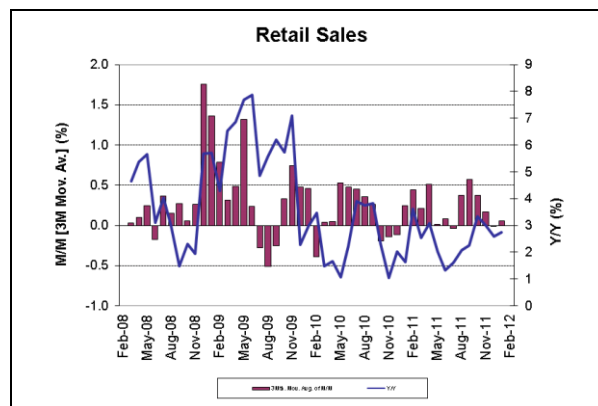
FX

Trade-Weighted Exchange Rate



Retail Sales

Retail sales rose in January for the first time in 3 months. Sales rose 0.3% M/M, up from a decrease of 0.1% a month earlier. Sales increased 2.7% M/M.



Data, Comments & Upcoming Dates

Private Sector Credit:

Lending rose 3.5% Y/Y while loans to consumers to buy homes rose 0.5% M/M and 5.3% Y/Y in January. Credit to consumers for purchases other than housing fell 0.2% M/M and 1.3% Y/Y in Jan. Lending to companies decreased 0.2% M/M and increased 1.4% Y/Y.

HIA New Home Sales:

Australian new-home sales dropped in January to the lowest level on record, according to the HIA. Total sales declined 7.3% M/M to 5,831. Detached home sales slumped 7.4% and apartment sales also weakened.

News

Feb. 29th - Best Bonds Drop Most Since 2009 on RBA Pause(Bloomberg):

Australian government debt posted its worst month since May 2009 as the central banks unexpected decision to retain the highest interest rates among major developed nations highlighted signs the economy is accelerating.

An index of government debt due in more than 12 months handed investors a 1.2 percent loss in February, the biggest drop outside of Greece among 26 sovereign markets tracked by Bloomberg. Australian bonds returned 9.5 percent a year on average since 1991 to international investors, the most among the indexes.

The nation's benchmark bond yields will rise to 4.30 percent by Dec. 31, the first climb in three years, a Bloomberg News survey of 10 economist's shows. The rates increased 25 basis points since Jan. 31 to 3.97 percent yesterday. Reserve Bank of Australia Governor Glenn Stevens said interest rates are about right, in testimony last week, as the economy grows at an average pace and the international outlook has stabilized since the start of the year.

The selloff in Australia's bonds likely has some way to go, on the assumption that purchasing manager indexes show the global trough in activity has passed, said Gavin Stacey, chief interest-rate strategist at Barclays Capital Inc. in Sydney, in a telephone interview. The markets will start thinking well, that's it for the easing cycle and start contemplating the tightening cycle.

Key Dates

Date	Indicator	Expectation	Previous
1-Mar	RBA Commodity Price Index Au	--	100.2
1-Mar	RBA Commodity Index SDR Y/Y	--	6.00%
4-Mar	AiG Performance of Service Index	--	51.9
4-Mar	TD Securities Inflation M/M	--	0.20%
4-Mar	TD Securities Inflation Y/Y	--	2.20%
4-Mar	Company Operating Profit Q/Q	--	4.80%
4-Mar	Inventories	--	-1.10%
4-Mar	ANZ Job Advertisements M/M	--	6.00%
5-Mar	Current Account Balance	--	-5637M
5-Mar	Australia Net Exports of GDP	--	-0.6
5-Mar	RBA CASH TARGET	4.25%	4.25%
6-Mar	AiG Perf of Construction Index	--	39.8
6-Mar	Gross Domestic Product Q/Q	--	1.00%
6-Mar	Gross Domestic Product Y/Y	--	2.50%
7-Mar	Foreign Reserves	--	A\$46.8B
7-Mar	Employment Change	--	46.3K
7-Mar	Unemployment Rate	--	5.10%
7-Mar	Full Time Employment Change	--	12.3K
7-Mar	Part Time Employment Change	--	34.0K
7-Mar	Participation Rate	--	65.30%

Valance Co., Inc.

Valance Economic Report: New Zealand

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February 29, 2012

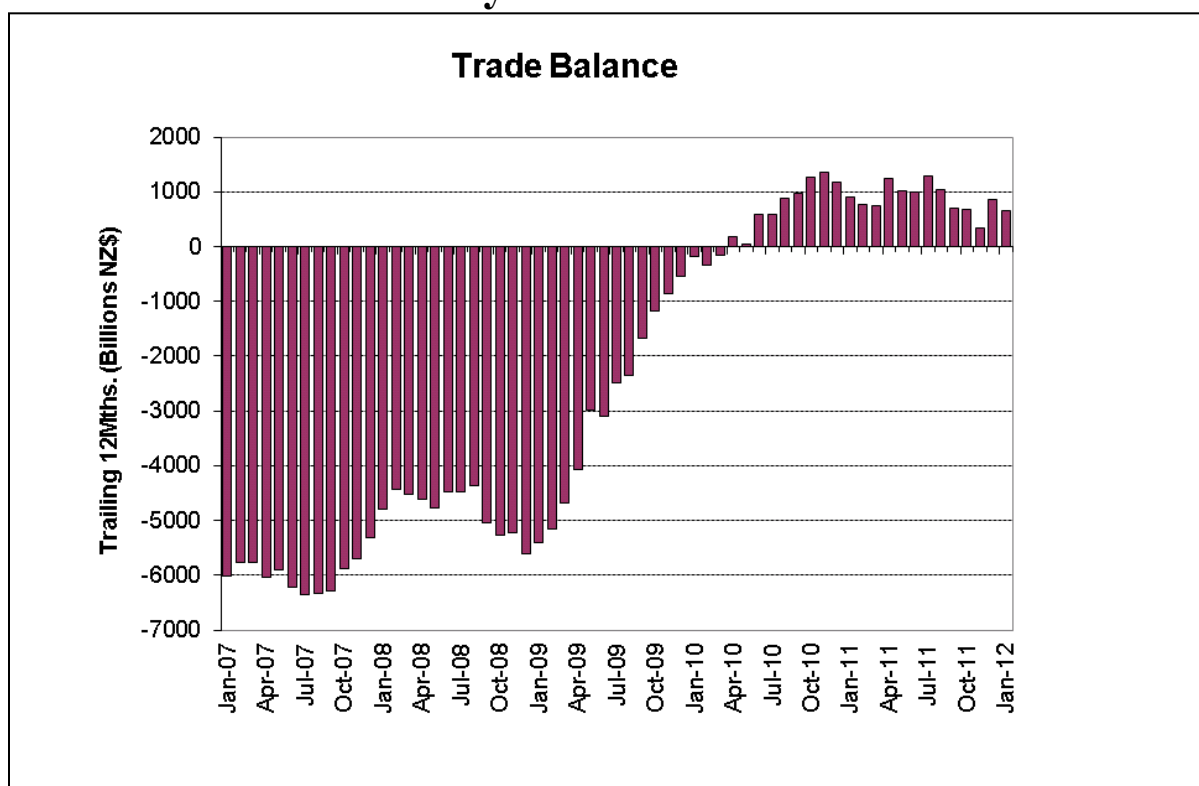
New Zealand unexpectedly posted a trade deficit in January as exports fell more than imports. NBNZ Business Confidence rose 11.1 pts to 28.0 in February.

Weekly Highlights

Trade Balance – swung from a surplus of NZ\$ 306 mln in December to a deficit of NZ\$ 199 mln in January. NZ 1

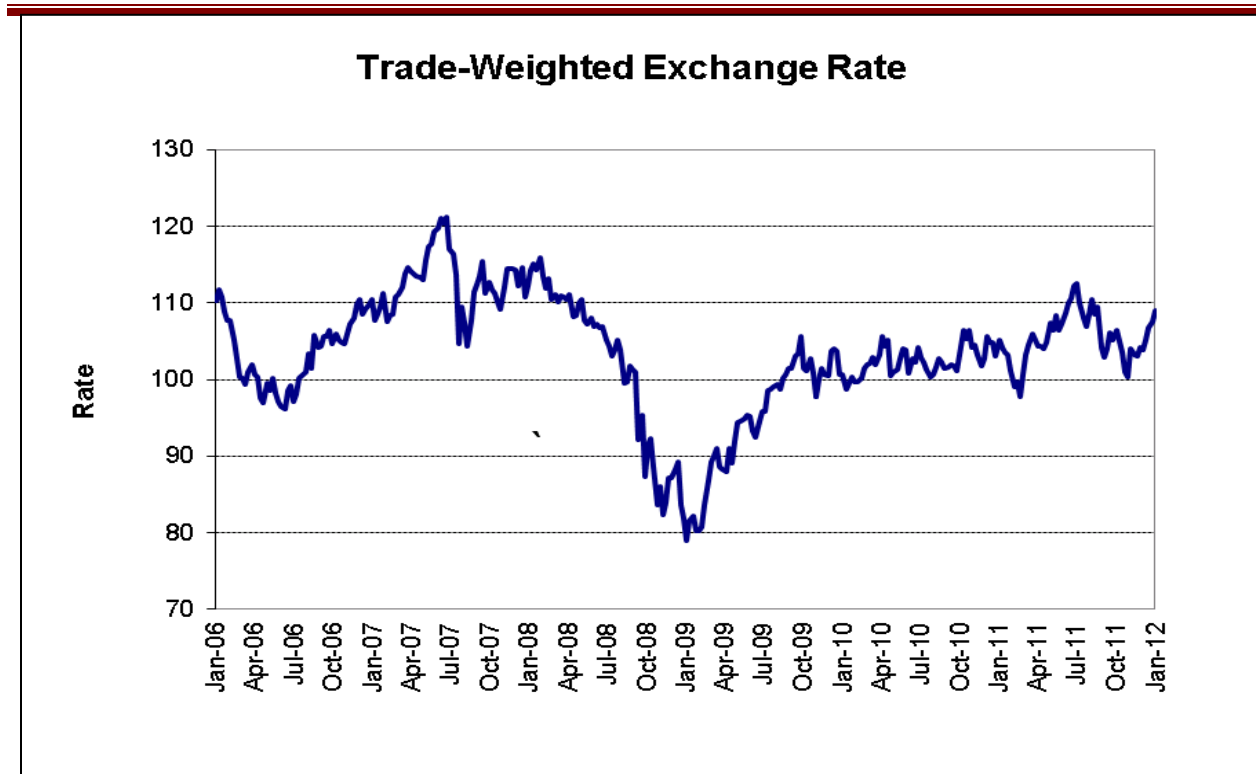
NBNZ Business Confidence - rose 11.1 pts to 28.0 in February. NZ 3

Weekly Releases & News



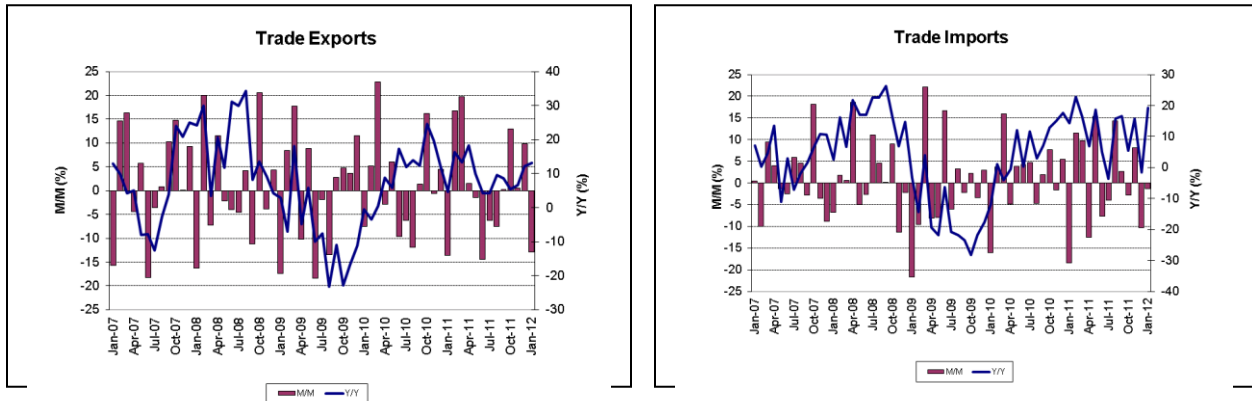
New Zealand reported a monthly deficit of NZ\$ 199 mln in January after a NZ\$306 mln surplus in December. The annual trade surplus narrowed from NZ\$ 853.29 bln to NZ\$645.75bln.

FX



Exports/Imports, Building Permits & NBNZ Business Confidence

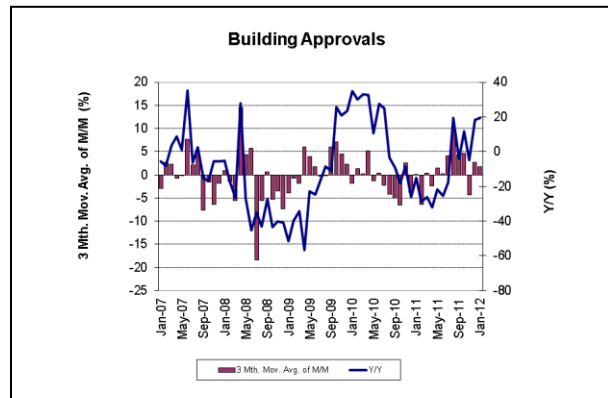
Exports & Imports



Exports decreased 13.0% M/M and increased 13.0 %Y/Y in January. Imports fell 1.3% M/M and increased 19.3% Y/Y.

Building Permits

Building permits increased 8.3% M/M and 19.6% Y/Y in January.



NBNZ Business Confidence:

The NBNZ Business Confidence Index rose from 16.9 in January to 28.0 in February. A net 31.2% of companies surveyed expect sales and profits will increase over the next 12 months, up from 25.7% in January.

Key Dates

Date	Indicator	Expectation	Previous
1-Mar	ANZ Commodity Price	--	1.20%
4-Mar	Net Migration SA	--	-520
7-Mar	RBNZ Official Cash Rate	2.50%	2.50%
7-Mar	Value of All Buildings SA	--	-2.30%
7-Mar	Manufacturing Activity	--	0.00%
7-Mar	Manufacturing Activity Volume SA (Q/Q)	--	-1.40%

Weekly Economic Report: **China**

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February 29, 2012

No economic data released this week.

News Releases

February 28th (Bloomberg) - China Must Change to Spread Benefits of Growth - World Bank President Robert Zoellick made the following comments:

On China's growth model: *China has been very successful over the past 30 years with one structural model for development. That model has focused on export-led and heavily investment-led growth. The 12th five-year plan recognizes that needs to change, to focus more on domestic demand and consumption.*

Competition brings more efficiency, adds to productivity and productivity can sponsor higher wages. The export sector which has been highly competitive already has some of these benefits, but some of the service sector, which needs to adapt to benefit from reforms needs the type of adjustments that would break up monopolistic or oligopolistic positions.

Will some of the vested interests that benefit from the current structure resist? I suspect they will. They do in the U.S., in Europe and Japan. But the Chinese leadership's interests are that of all the Chinese people not just specific groups.

[Former President Jiang Zemin and former Premier Zhu Rongji] used the WTO accession process to push internal reforms in China in the course of the late 90s. WTO membership then connected China into the rules-based trading system. That provided the foundation for the export led and investment-led growth that has been so successful for the past 10 years.

If you look at the conditions in the international economy, it would be unrealistic to expect that China would be able to rely on exports to the same degree going forward.

On the need for state-owned enterprises to pay dividends: *Many experts have the view that state-owned enterprises have benefited from very inexpensive financing, preferred positions in the market and they've gained very large retained earnings that have led to China's savings but haven't necessarily benefited all the Chinese people.*

To reduce China's global savings rate and also to benefit the Chinese people, if a lot of those dividends are sent back to provide social benefits for China's people you'll have structural change and help support some of the social security system.

News Releases (Cont'd.)

World Bank President Robert Zoellick (Cont'd.):

On Chinese policy makers' receptiveness to change: *In my conversations with the Chinese leaders, they not only say they want to move to reform, they describe the challenges in a way that suggests they know it's needed.*

Having said that, I don't expect any big bang reform. The history of China's development process starting with Deng Xiaoping is often to start in local areas, with pilots and to test and then to widen the process.

They are very aware of the facts - the environment costs, the urbanization process, the aging population, some of the issues of social disparity. I think they believe they need a new approach to be able to address those issues.

From some informal conversations with some of our Chinese colleagues, in the process of their discussing the draft of this report with other ministries, I've gotten the sense that there is a hope that with the next generation that things will move forward.

On the need to improve China's fiscal system: *Part of China's high savings rates are the retained earnings of those state-owned enterprises. [Some of the money to fund an expanded pension system] could come from dividends from state-owned enterprises.*

There have been a lot of disputes in China over land and this is often because local governments have expenditure responsibilities but they don't have revenue sources, they don't get revenue from the center. So if you move towards a revenue system that matches resources with expenditure responsibilities, you avoid some of the tensions that are built into the system and you get benefit for the average person in China.

February 28th (MarketWatch) - Ex-Central Bank Adviser Sees 2012 GDP up 8.5% - Fang Gang, former PBoC Advisor stated that China's 2012 economy will likely grow 8.5%. Gang stated, [...the Chinese economy this year will achieve a] "soft landing." He added, [China doesn't need double-digit growth over the next few years, a level that he considers] "overheating."

February 26th (Bloomberg) - China Will Do Its Part to Increase IMF Resources – PBoC Governor Zhou Xiaochuan stated:

...the communiqué says it's positive to push forward and deliver the action plan, [including increasing the IMF's resources.] China as an important member of the G-20 group will certainly do our job in this regard.

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			
02/29	PMI Manufacturing	FEB	50.9	50.5
02/29	HSBC Manufacturing PMI	FEB	--	48.8
03/02	China Non-Manufacturing	FEB	-	52.9
03/04	China HSBC Services PMI	FEB	--	52.5

Valance Co., Inc.

Valance Economic Report: Sweden

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February 29, 2012

Sweden's economy contracted more than estimated in Q4, shrinking for the first time since 2009. In January, the Trade Surplus rose sharply as Exports gained; PPI rose above expectations; and Retail Sales rose more than estimated.

Weekly Highlights

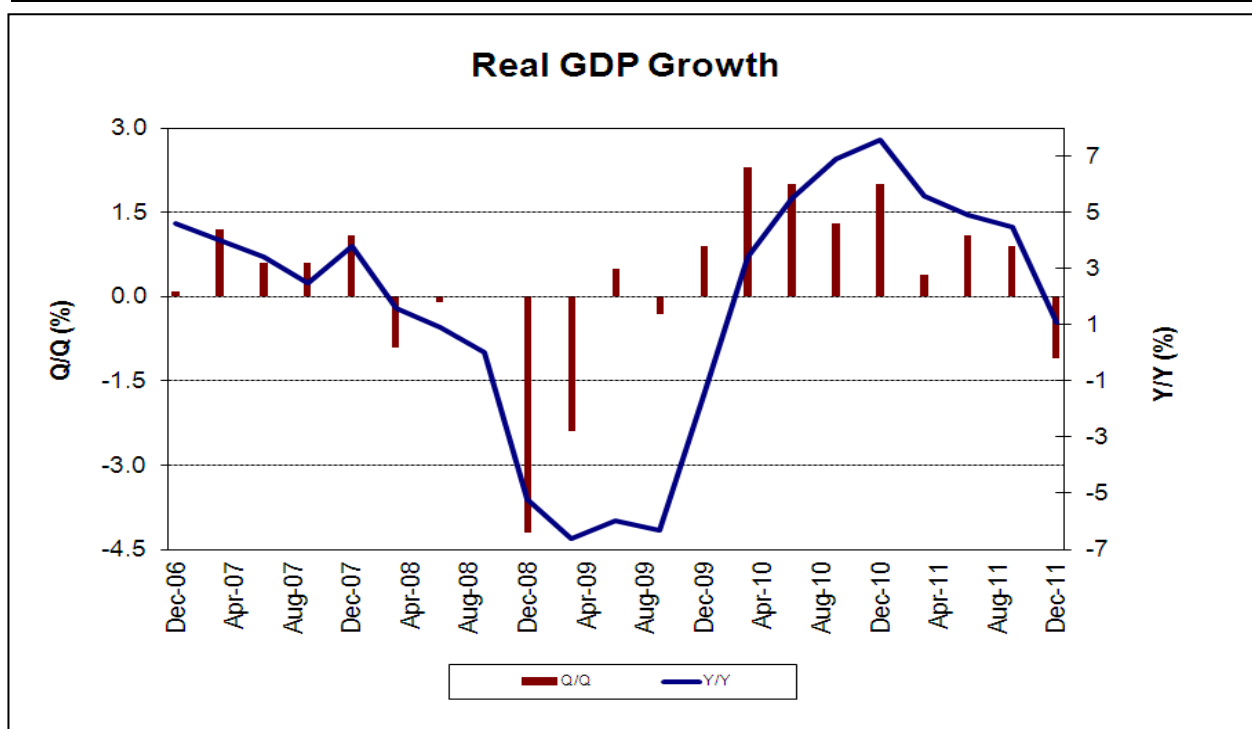
GDP – fell 1.1% Q/Q and rose 1.1% Y/Y in Q4. (SW 1)

Trade Surplus – widened to a surplus of SEK 11.3 bln in January. (SW 3)

PPI – rose 0.5% M/M and 0.1% Y/Y in January. (SW 3)

Weekly Releases & News

Chart(s) of the Week: *GDP*



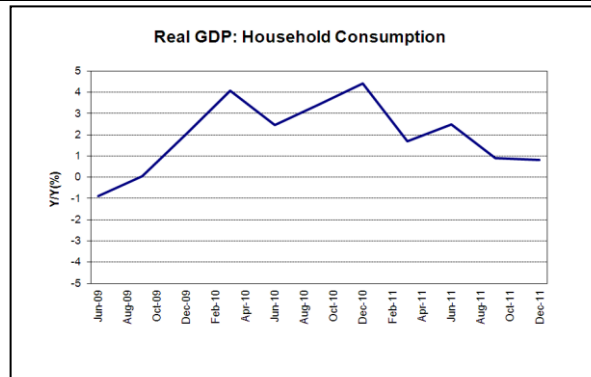
Real GDP growth fell 1.1% Q/Q and rose 1.1% Y/Y in Q4, compared with 0.9% Q/Q and 4.5% Y/Y growth the previous quarter; and below expectations of -0.7% Q/Q and 2.6% Y/Y. See GDP components below.

SW 1

GDP

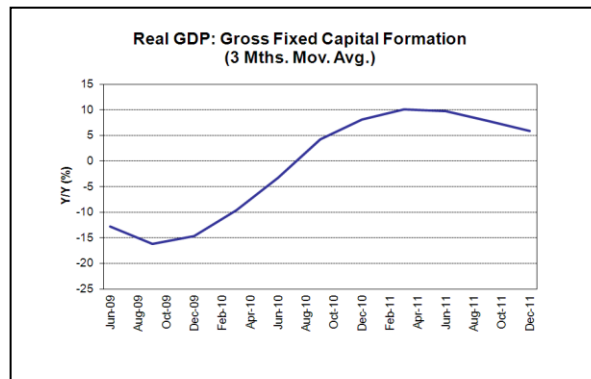
Household Consumption

Real Household Consumption increased from -1.0% Q/Q in Q3 to +0.4% Q/Q in Q4, and slowed from +1.5% Y/Y in Q3 to +0.8% Y/Y in Q4.

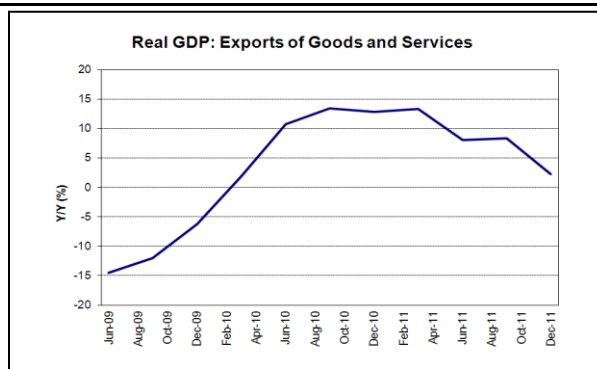
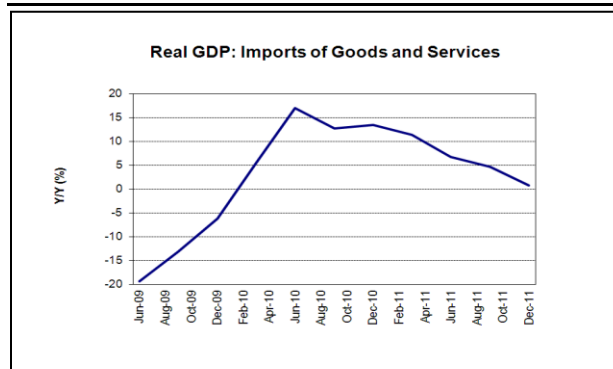


Gross Fixed Consumption

Gross Fixed Capital Formation increased from -0.7% Q/Q in Q3 to +0.8% Q/Q in Q4 and slowed from +3.6% Y/Y in Q3 to +2.9% Y/Y in Q4.

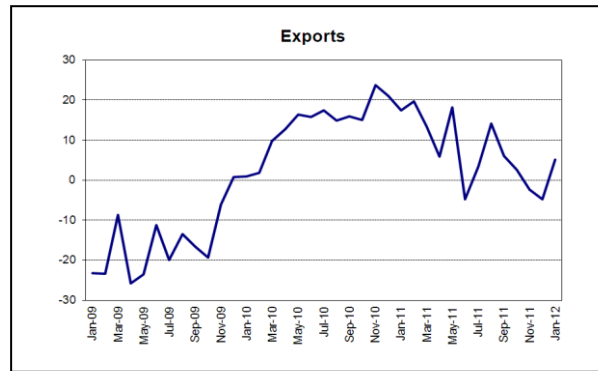
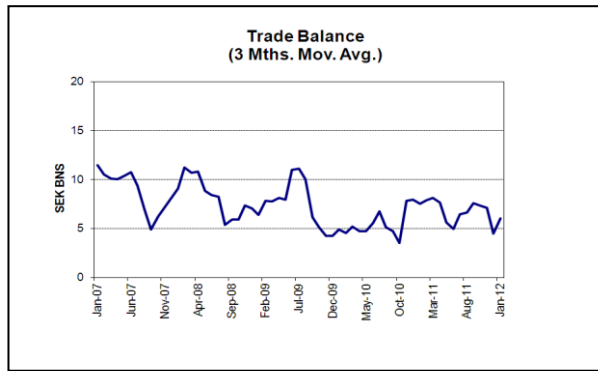


Imports / Exports of Goods & Services



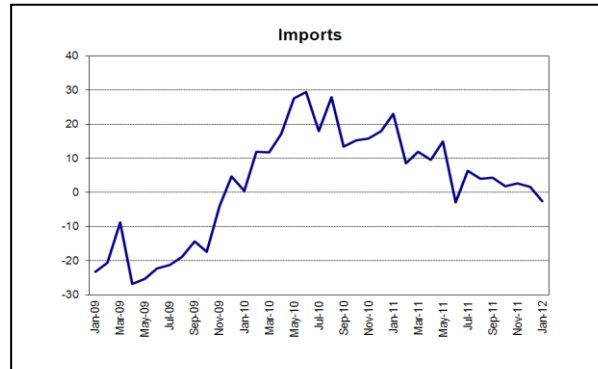
Imports of Goods and Services slowed from +0.1% Q/Q and +4.1% Y/Y in Q3 to -0.2% Q/Q and +2.2% Y/Y in Q4; while Exports of Goods and Services slowed from +2.9% Q/Q and +8.0% Y/Y in Q3 to -3.9% Q/Q and +0.7% Y/Y in Q4.

Trade Surplus, PPI & Retail Sales



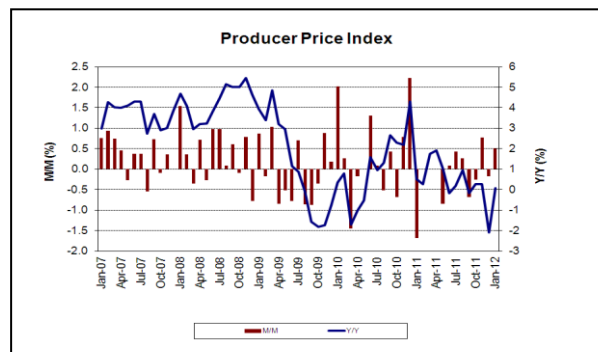
Sweden's Trade Surplus widened from SEK 2.3 bln in December to SEK 11.3 bln in January; and up from a surplus of SEK 3.8 bln a year earlier. A surplus of SEK 3.0 bln was expected.

Exports increased by 5.0% Y/Y totaling SEK 97.1 bln; while Imports decreased 3.0% Y/Y, reaching SEK 85.8 bln.



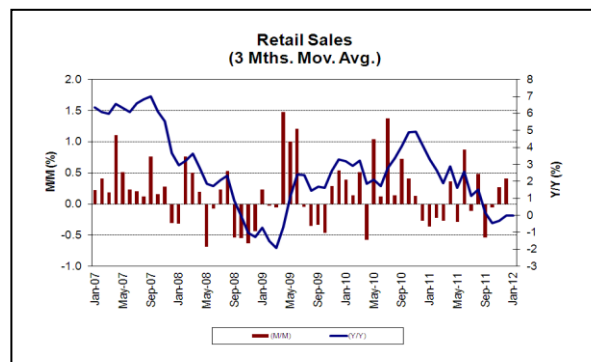
PPI

The Producer Price Index rose 0.5% M/M and 0.1% Y/Y in January, compared with -0.2% M/M and -2.1% Y/Y the previous month. Prices were forecast to gain 0.3% M/M and fall 0.4% Y/Y.



Retail Sales

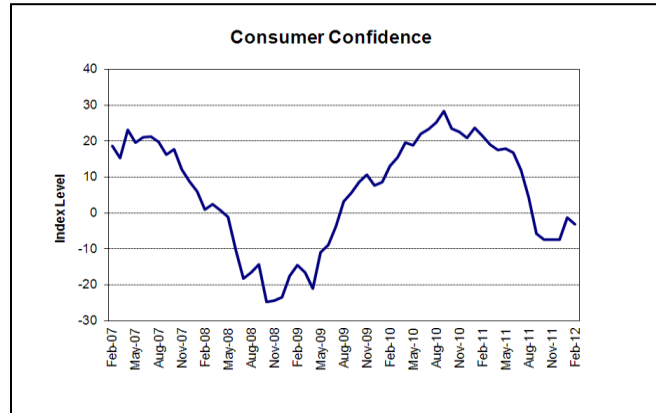
In January, Retail Sales were unchanged at 0.1% on the month. Annually, Sales rose 1.5% Y/Y, compared with 1.4% Y/Y the previous month. Sales were forecast to reach 0.0% M/M and 1.1% Y/Y. Additionally, Retail Sales for consumables and durables increased by 1.0% Y/Y and 1.8% Y/Y, respectively.



Consumer Confidence, Manufacturing Confidence & Trade Weighted Exchange Rate

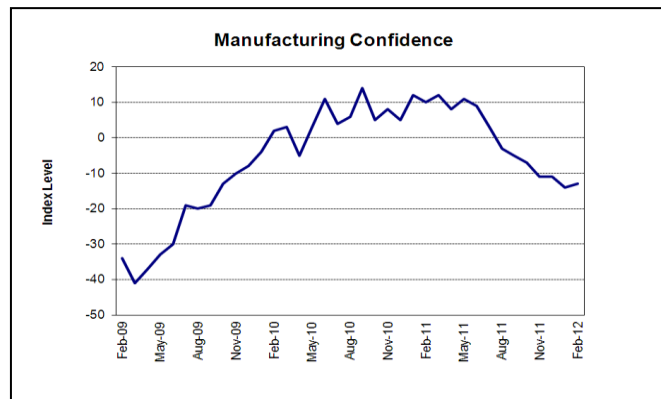
Consumer Confidence

Sweden's Consumer Confidence Index contracted from -1.3 in January to -3.2 in February. Expectations were for an unchanged reading.

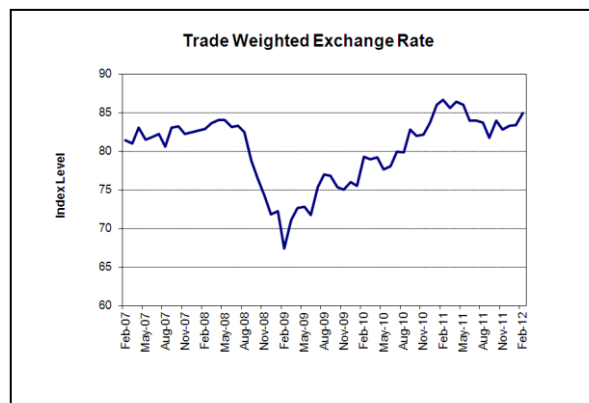


Manufacturing Confidence

The seasonally adjusted Manufacturing Confidence Index rose from -14 in January to -13 in February. A reading of -12 was expected.



Trade Weighted Exchange Rate



Data, News & Upcoming Dates

Data

February 27th (Bloomberg) - Household Borrowing Growth – slowed for a 16th month in January. Borrowing rose 5.1% Y/Y in December, compared with 5.2% Y/Y the previous month. It was forecast to remain at 5.2% Y/Y.

February 23rd (RTT News) – The Economic Tendency Survey – rose 1.4 points from 91.6 in January to 93.0 in February. It was expected to reach 92.8.

News

February 29th (Bloomberg) - Riksbank Sees Period of Much Lower Growth – The Minutes of the bank's Feb. 15 meeting showed Riksbank Governor Stefan Ingves saying:

[The economy] will now enter a period of much lower growth than has been experienced in recent years, before growth increases again.

Inflationary pressures are low, but inflation will eventually return to the inflation target.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
03/01	PMI	FEB	51.0	51.4
03/01	Current Account	Q4	--	76.1B
03/05	Service Production	JAN	--	0.0% / 3.0%
03/06	Budget Balance	FEB	--	-14.6B

Valance Economic Report: Switzerland

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February 29, 2012

In January, Consumer Prices fell below expectations and the UBS Consumption Indicator contracted. The KOF Leading Indicator improved for the first time since entering negative territory in January 2009.

Weekly Highlights

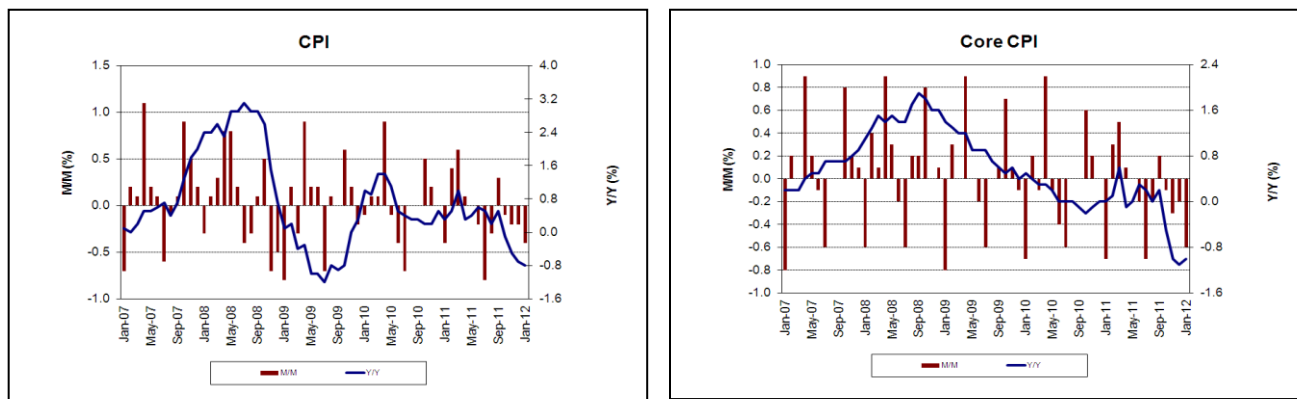
CPI (EU Harmonized) – fell 0.7% M/M and 0.9% Y/Y in January. (SZ 1)

KOF Swiss Leading Indicator – rose from -0.15 in January to -0.12 in February. (SZ 1)

UBS Consumption Indicator – fell from 0.94 in December to 0.92 in January. (SZ 2)

Weekly Releases & News

Chart(s) of the Week: CPI

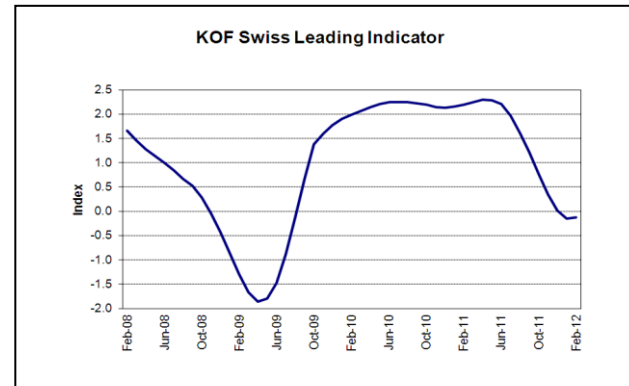


Switzerland CPI EU Harmonized plummeted -0.7% M/M and -0.9% Y/Y, compared with prior readings of +0.3% M/M and -0.4% Y/Y and expected readings of -0.3% M/M and -0.7% Y/Y, respectively.

KOF Swiss Leading Indicator, UBS Consumption Indicator & Trade Weighted Exchange Rate

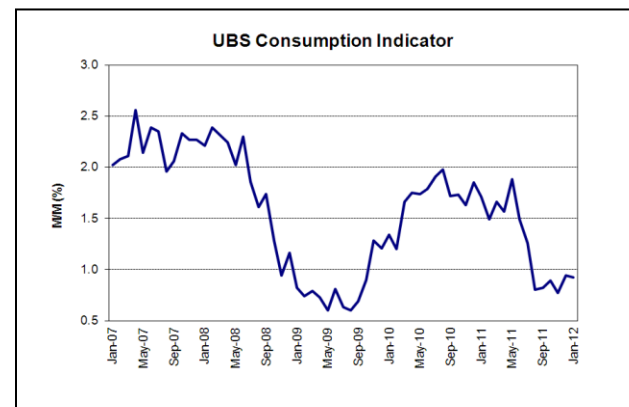
KOF Swiss Leading Indicator

The monthly aggregate of indicators improved from -0.15 in January to -0.12 in February – this marked the first improvement since January 2009. The KOF remarked, “The current level of the KOF Economic Barometer indicates that over the coming months Swiss Gross Domestic Product (GDP) is still likely to be exposed to a slight contraction on year-on-year basis but the pressure is easing.”

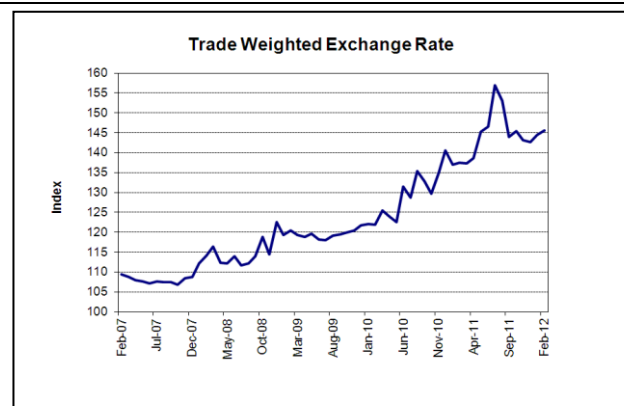


UBS Consumption Indicator

The UBS Consumption Indicator fell from 0.94 in December to 0.92 in January. UBS said, it “is still confident about the private consumption trend and expects the consumption indicator to exhibit an upward tendency in the coming months.”



Trade Weighted Exchange Rate



News & Upcoming Dates

News

February 28th (Bloomberg) - SNB's Jordan Says Expects Swiss Franc to Depreciate With Time – SNB Vice President, Thomas Jordan remarked:

There will be a time when we return to a normal situation.

Financial markets will calm down and there will be less need for a safe haven. As a consequence, the franc's attraction will decrease. So at the moment, the franc is overvalued and we expect the currency to depreciate over time because the economic circumstances will steer it in that direction. But as long as we have the current uncertainty, we won't deviate from the policy of ensuring the franc lower limit with all determination.

February 28th (Bloomberg) - European Situation is 'Extremely Alarming' – SNB Vice President, Thomas Jordan remarked:

Europe is in a real debt crisis, which is very difficult and painful to overcome.

No private lender is ready to give money to a country, whose debts are growing boundlessly. At some point there needs to be a correction; either income is increased or spending is cut, debt is inflated away or debt servicing is abolished, causing a state default.

[The situation is] extremely alarming, To avert an inflating away or a sovereign default, it is necessary in many places to implement ambitious consolidation measures, even if they can be extremely painful in the short run.

Key Dates This Week

Date	Indicator	Month	Expectation	Previous
03/01	GDP	Q4	-0.1% / 1.0%	0.2% / 1.3%
03/01	PMI	FEB	48.5	47.3
03/05	Retail Sales	JAN	--	0.6%
03/07	Unemployment Rate	FEB	--	3.4% / 3.1%
03/07	Foreign Currency Reserves	FEB	--	227.2B