

Valance Company, Inc.



Weekly

March 14, 2012

III

Highlights

US – Strong data, Fed more upbeat

EU – ECB held interest rates steady at 1.0%

JN – Q4 Real GDP revised upward as expected

CA – Weak labor data

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Valance Economic Reports

Valance Co., Inc.

Valance Economic Report: *United States*

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March 14th, 2012

This week's data was led by a strong Payroll Report and Retail Sales. Recent strength in the data was then confirmed by a more upbeat Fed statement. While Q1 GDP is still tracking around 2%, the economy's trajectory is moving towards faster growth and the likelihood of additional monetary easing action is diminishing.

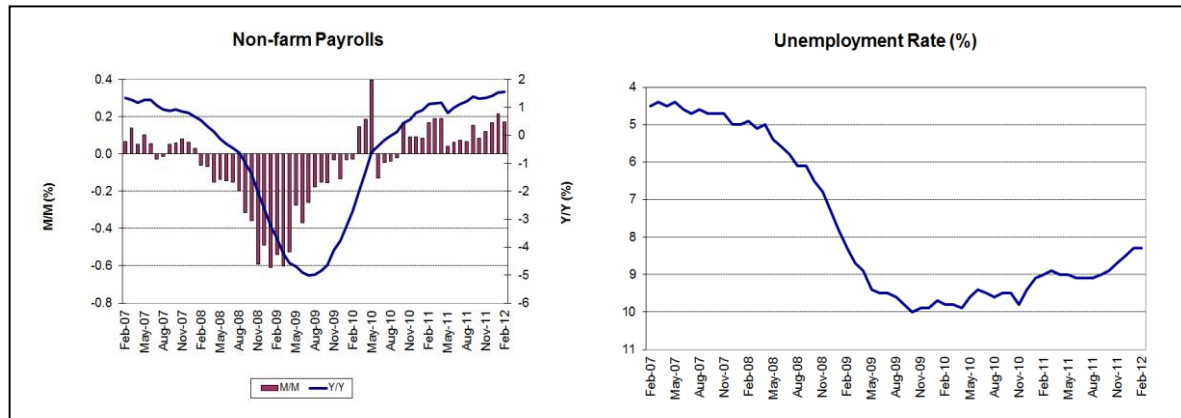
Weekly Highlights

Non-farm Payrolls – increased 227k in February, net revisions were +61k. (US 1)

Retail Sales – excluding autos, gained 0.9% M/M and 10.0% Y/Y in February. (US 3)

Weekly Releases

Chart of the Week: *Change in Nonfarm Payrolls*



Non-farm Payrolls increased 227k in February, above expectations for a gain of 210k. The net revisions were for an additional 61k jobs. Private payrolls increased 233k. Manufacturing payrolls improved 31k. The Unemployment Rate remained at 8.3%, the lowest since February 2009. The diffusion index dropped from 70.3 to 57.9 and participation rate improved only slightly from 63.7% to 63.9%. The number of individuals leaving work voluntarily reached 7.9%, the highest level since 2008. The labor market is starting to consistently display moderate growth

US 1

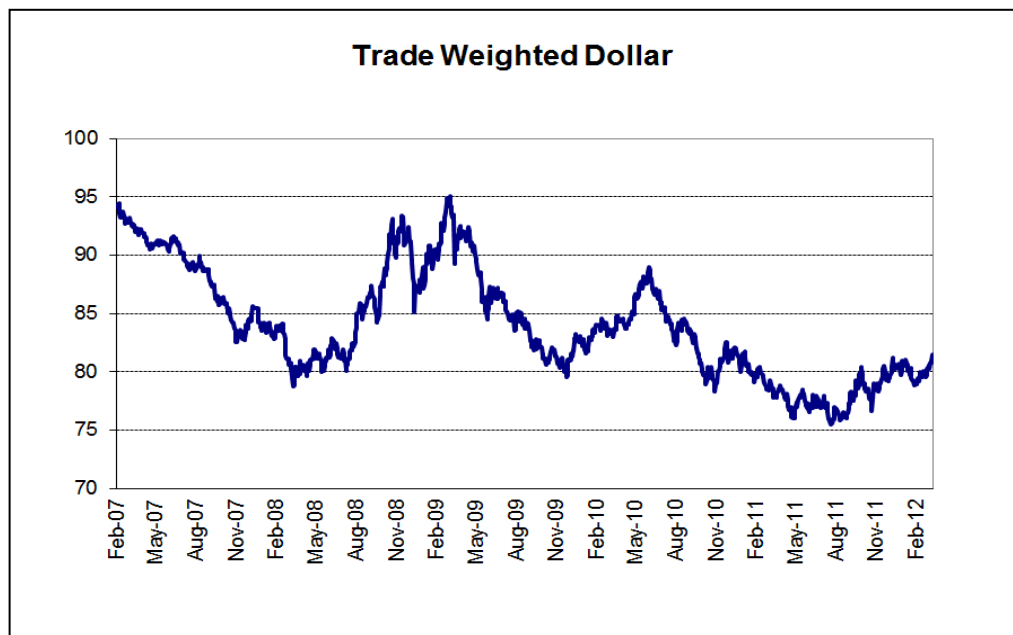
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

<i>U.S.</i>	<i>Latest period (\$blns)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-231.7 (Jan)	-8.1%
Trade Balance	-48.8 (Jan)	-3.7%
Current Account Balance	-124.1B (Q4)	-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 January 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.

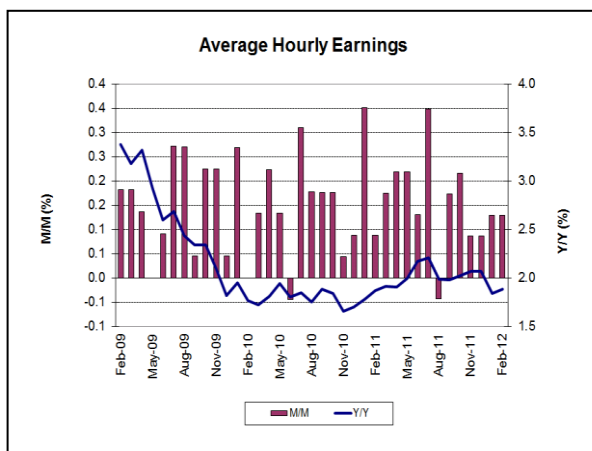
Trade Weighted Dollar



Average Hourly Earnings, Average Weekly Hours & Retail Sales

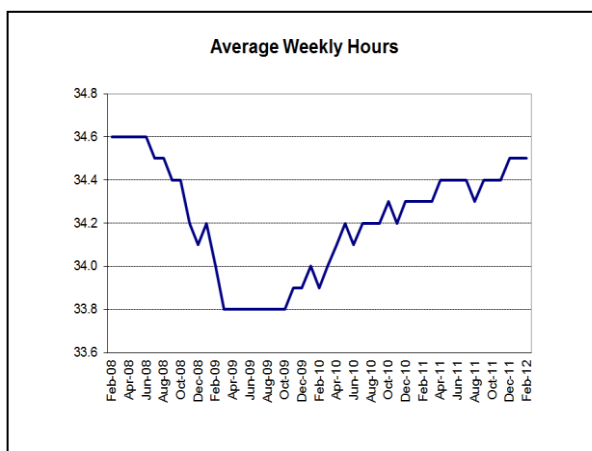
Average Hourly Earnings

Average Hourly Earnings improved 0.1% M/M and 1.8% Y/Y in February. January was revised lower from 0.2% to 0.1%. With a large excess supply of labor, wages may remain under downward pressure for some time.



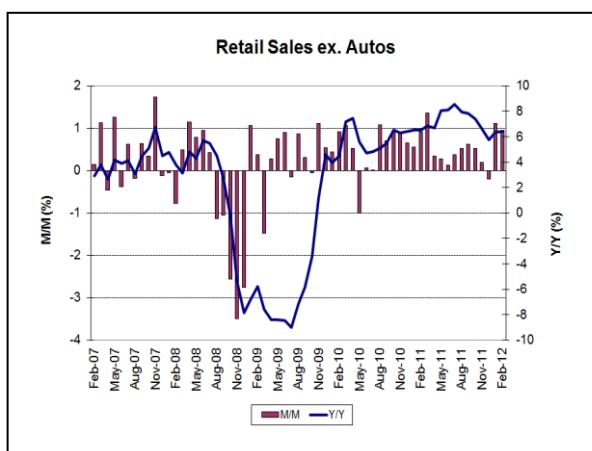
Average Weekly Hours

Average Weekly Hours remained at 34.5 in February. Average hours stood at 34.3 a year ago.



Retail Sales

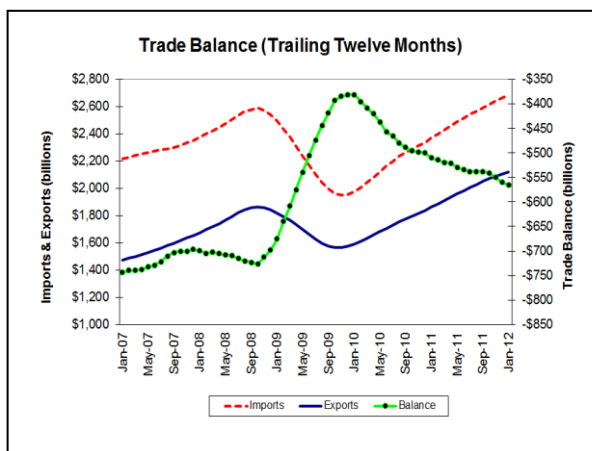
Retail Sales, excluding autos, gained 0.9% M/M and 10.0% Y/Y in February, surpassing expectations for a 0.7% M/M gain. January was revised higher from 0.7% to 1.1%. Headline Retail Sales rose 1.1% M/M and 10.3% Y/Y. Core Retail Sales (excluding gas, building materials and autos), gained 0.5% M/M and 8.7% Y/Y. The three-month annualized rate fell from 3.9% to 3.7%.



Trade Balance, Monthly Budget Statement & Import Price Index

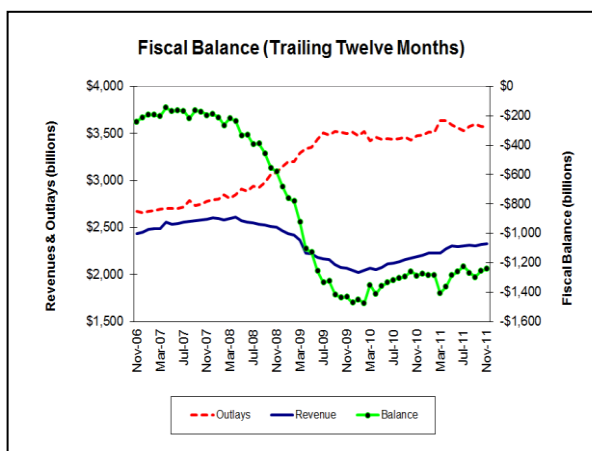
Trade Balance

Retail Sales, excluding autos, gained 0.9% M/M and 10.0% Y/Y in February, surpassing expectations for a 0.7% gain. January was revised higher from 0.7% to 1.1%. Headline Retail Sales rose 1.1% M/M and 10.3% Y/Y. Core Retail Sales (excluding gas, building materials and autos), gained 0.5% M/M and 8.7% Y/Y. The three-month annualized rate fell from 3.9% to 3.7%.



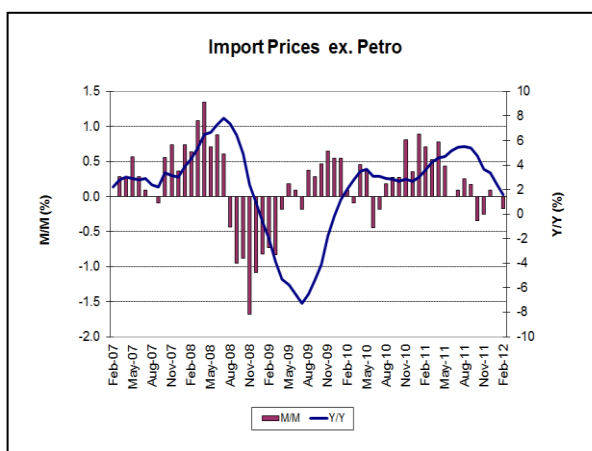
Monthly Budget Statement

The Fiscal Balance in January showed a deficit of \$231.7 bln versus a deficit of \$222.5 bln a year ago. On a trailing twelve month basis, the deficit narrowed to \$1,236.4 bln (8.07% of GDP). The deficit will narrow as tax revenues have started to increase, but will remain at a historically high level as a percent of GDP supporting further economic recovery.



Import Price Index

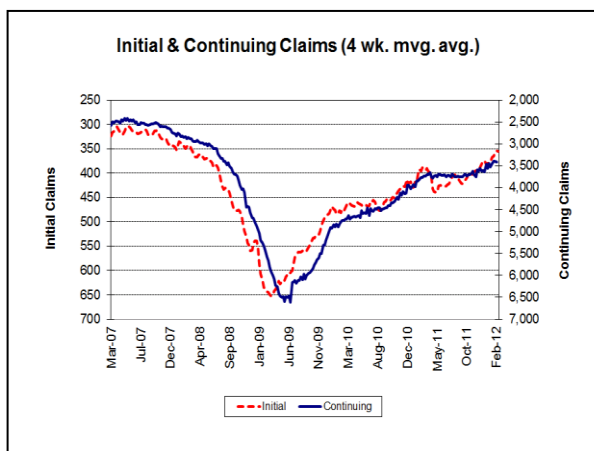
Import Prices, excluding petroleum, fell 0.2% M/M and increased 1.6% Y/Y in February. The index is cumulatively negative over the past six months. Prices of all goods imported into the US rose 0.4% M/M and 5.5% Y/Y. Goods from China rose 0.1% M/M and 3.3% Y/Y.



Initial Jobless Claims, Bloomberg Consumer Comfort & MBA Mortgage Application

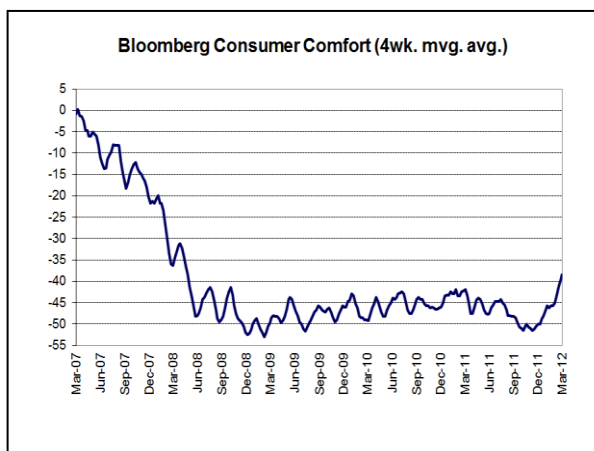
Initial Jobless Claims

Initial Claims rose from 354k to 362k. 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 remained at 355k. Continuing Claims increased from 3406k to 3416k.



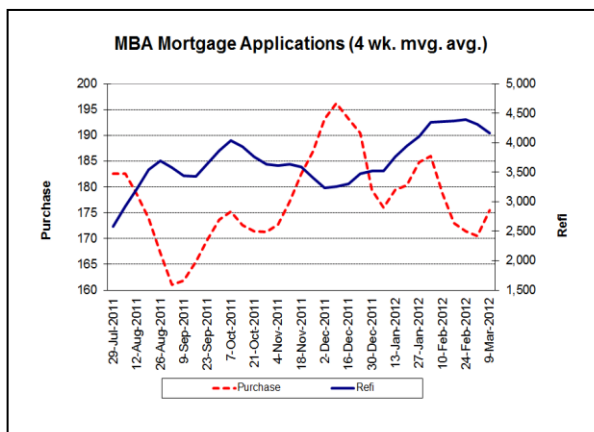
Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index improved from -38.8 to -36.7, the highest level since April 2008. All three of the components increased. The state of the economy and the buying climate improved from -72.4 and -43.4 to -70.0 and -40.4, respectively.



MBA Mortgage Applications

Purchase Mortgage Applications rose 4.4% W/W. Refi applications dropped 4.1% W/W. The FRM 30-year contract is just off the all-time low at 4.06%.



Key Dates This Week

Date	Event		Survey	Prior
15-Mar	Empire Manufacturing	MAR	17.5	19.53
15-Mar	Producer Price Index (M/M)	FEB	0.50%	0.10%
15-Mar	PPI Ex Food & Energy (M/M)	FEB	0.20%	0.40%
15-Mar	Initial Jobless Claims	10-Mar	357K	362K
15-Mar	Net Long-term TIC Flows	JAN	\$38.5B	\$17.9B
15-Mar	Bloomberg Consumer Comfort	11-Mar	-36	-36.7
15-Mar	Philadelphia Fed.	MAR	12	10.2
16-Mar	Consumer Price Index (M/M)	FEB	0.40%	0.20%
16-Mar	CPI Ex Food & Energy (M/M)	FEB	0.20%	0.20%
16-Mar	Industrial Production	FEB	0.40%	0.00%
16-Mar	Capacity Utilization	FEB	78.80%	78.50%
16-Mar	U. of Michigan Confidence	MAR P	76	75.3
19-Mar	NAHB Housing Market Index	MAR	30	29
20-Mar	Housing Starts	FEB	695K	699K
20-Mar	Housing Starts M/M%	FEB	-0.60%	1.50%
20-Mar	Building Permits	FEB	685K	676K
20-Mar	Building Permits M/M%	FEB	0.40%	0.70%
21-Mar	MBA Mortgage Applications	16-Mar	- -	-2.40%
21-Mar	Existing Home Sales	FEB	4.60M	4.57M
21-Mar	Existing Home Sales M/M	FEB	0.70%	4.30%

Valance Co., Inc.

Valance Economic Report: Euro Zone

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March 14, 2012

The ECB held interest rates steady at 1.0%, in line with market expectations. On the data front, Euro Zone CPI growth remained at 2.7% Y/Y for the third straight month and the ZEW surveys showed marked improvements in March.

Weekly Highlights

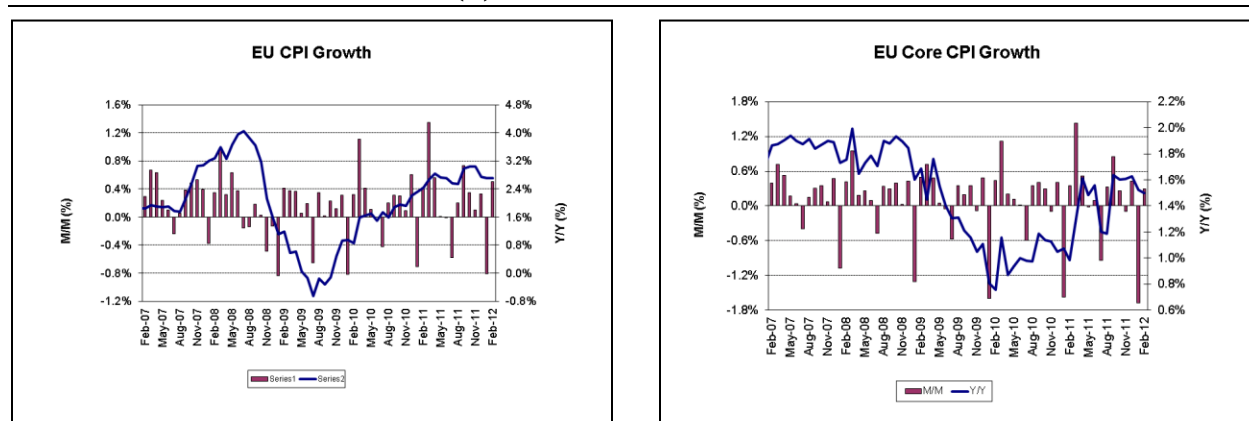
Euro Zone CPI – increased 0.5% M/M and 2.7% Y/Y in February. (EU 1)

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

EU ZEW Survey (Economic Sentiment) - increased from -8.1 in Feb to 11 in March. (EU 4)

Weekly Releases & News

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



Euro Zone CPI increased 0.5% M/M in February. Y/Y growth remained at 2.7% for the third straight month. Core CPI increased 0.3% M/M and 1.5% Y/Y.

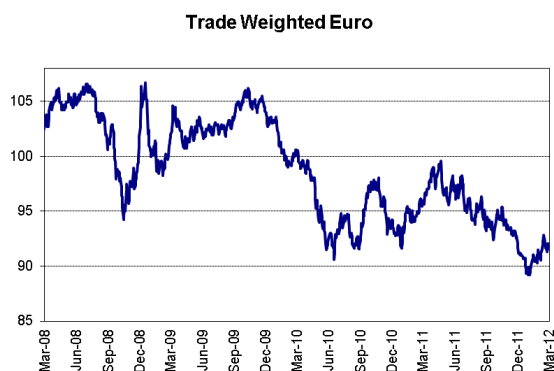
Euro Zone Financial Balances & Trade Weighted Euro

Financial Balances

<i>Germany</i>	<i>Last period (\$blns euros)</i>	<i>Last 12mth. as a % of GDP*</i>
Budget Balance		-4.3%
Trade Balance	12.9 (November)	2.0%
Current Account Balance	19.3 (December)	5.6%
Private Savings Balance		9.9%
<i>France</i>		
Budget Balance		-2.7%
Trade Balance	-4.9 (December)	-4.9 %
Current Account Balance	-3.0 (December)	-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*

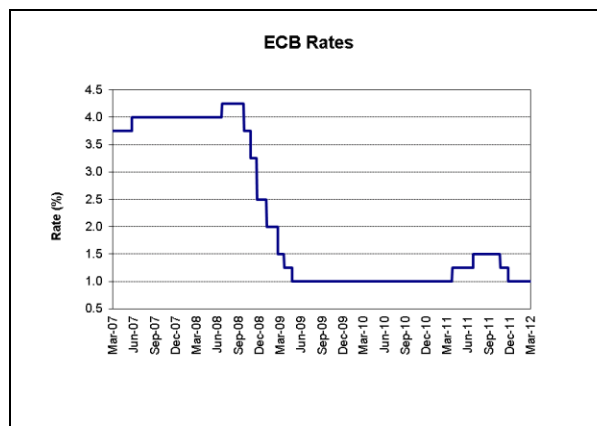
Trade Weighted Euro



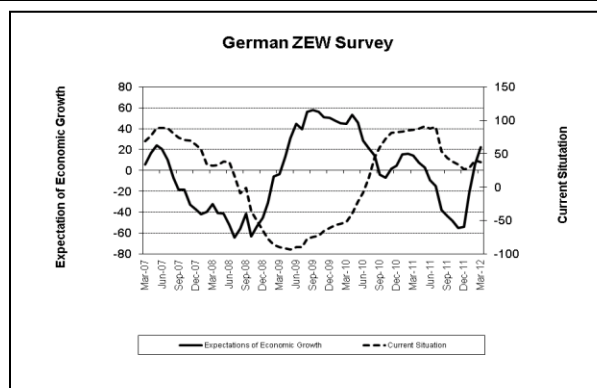
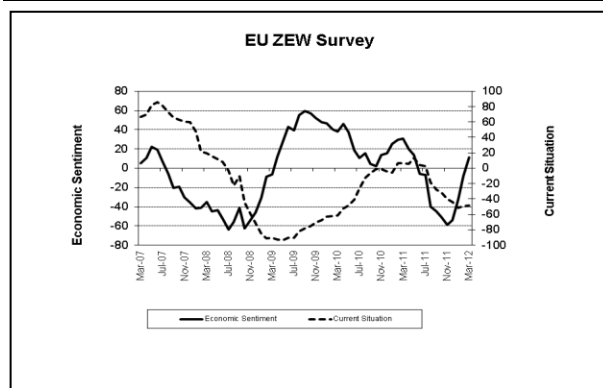
ECB Interest Rates, ZEW Surveys & EU Industrial Prod.

ECB Interest Rates

The ECB held interest rates steady at 1.0%. The Bank noted that inflation is likely to exceed 2% through 2012. This comment makes further multiple rate cuts less likely.



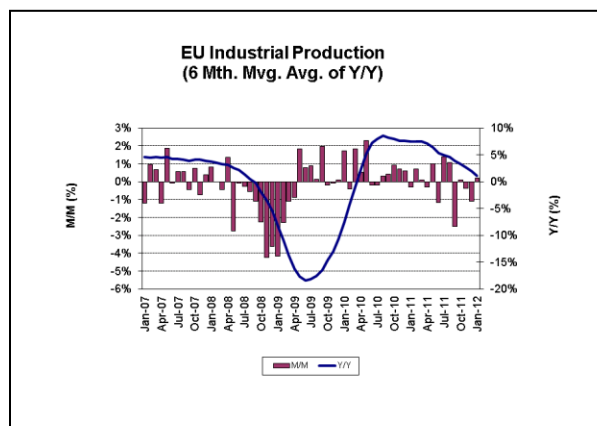
EU ZEW Surveys



The EU ZEW (Economic Sentiment) increased from -8.1 in February to 11 in March. The Current Situation component increased from -49.1 to -48.4. The German ZEW Survey (Economic Sentiment) increased from 5.4 in February to 22.3 in March, above market expectations for a reading of 10.0. The Current Conditions Index decreased from 40.3 to 37.6.

EU Industrial Production

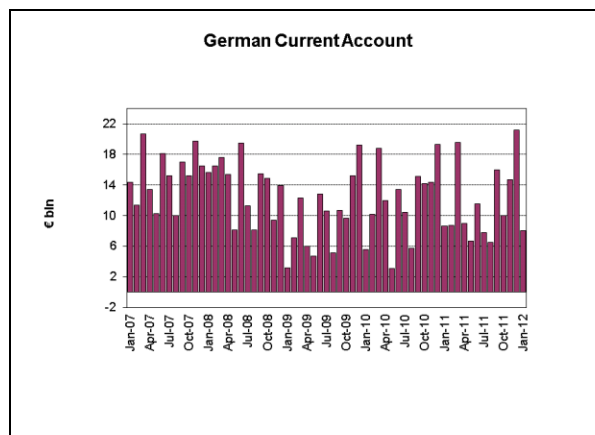
EU Industrial Production increased 0.2% M/M in January, below market expectations for an increase of 0.5% M/M. Y/Y growth fell 1.1%.



German Current Account, Trade Balance & Exports

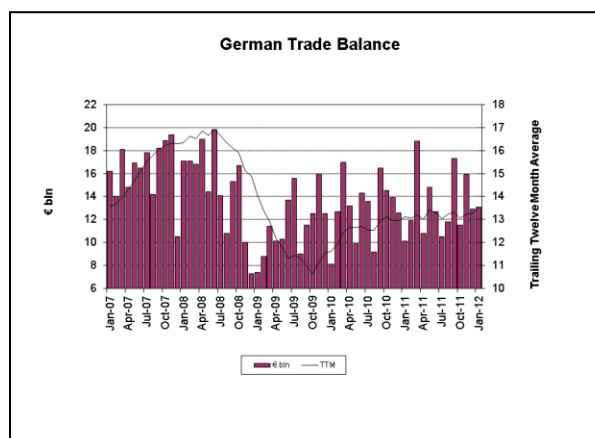
German Current Account

Germany's Current Account surplus narrowed from €21.2 bln in December to €8.0 bln in January. The Current Account balance stood at €8.6 bln in January 2011.



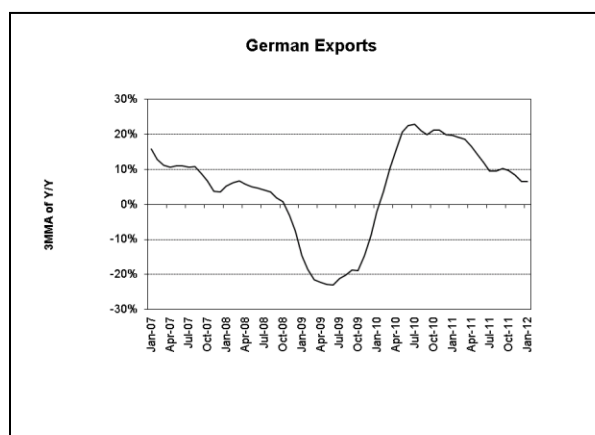
German Trade Balance

Germany's Trade surplus widened from €12.9 bln in December to €13.1 bln in January. The surplus stood at €10.1 bln in January 2011.



German Exports

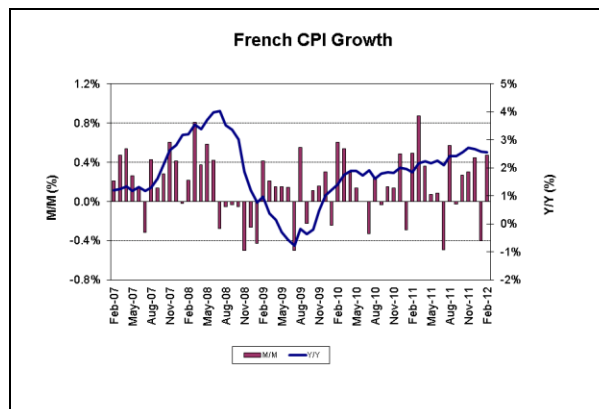
German Exports increased 2.3% M/M and 6.8% Y/Y in January. Imports increased 2.4% M/M and 4.6% Y/Y.



French CPI, Industrial Production & Business Sentiment

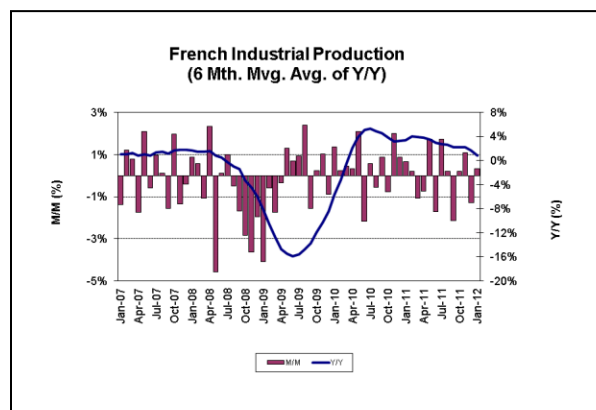
French CPI

French CPI increased 0.5% M/M in February, in line with market expectations. Y/Y growth increased 2.5%.



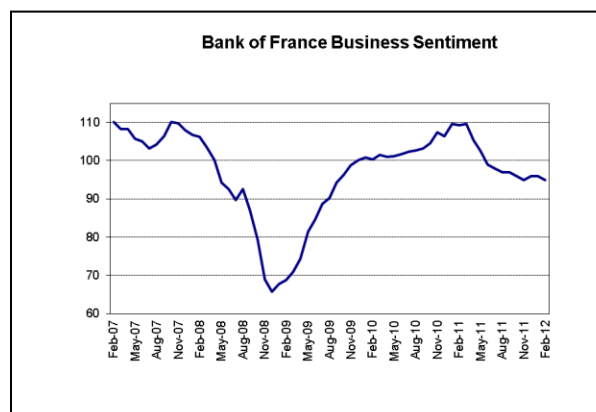
French Industrial Production

French Industrial Production increased 0.3% M/M in January, rebounding from a 1.3% M/M decline in December. Y/Y growth decreased 1.5% in January.



Bank of France Bus. Sentiment

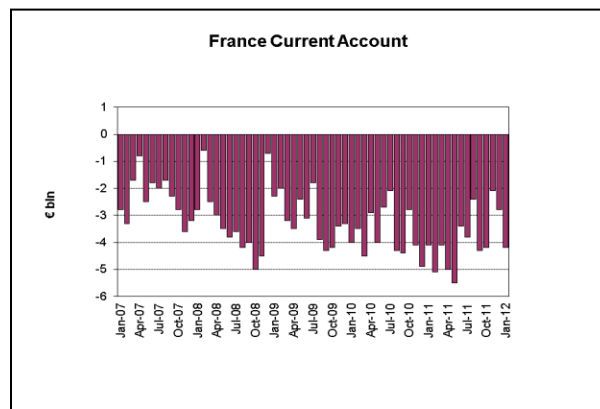
Bank of France Business Sentiment fell from 96 in January to 95 in February. Market expectations were for the Business Sentiment Index to remain at 96.



French Current Account/Trade Balance & Italian Industrial Production

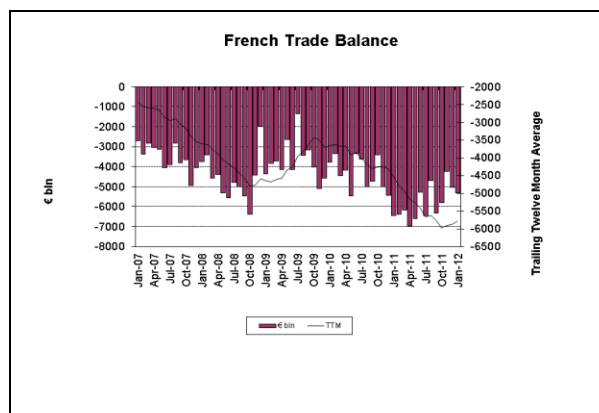
French Current Account

French Current Account deficit widened from €2.8 bln in December to €4.2 bln in January. The Current Account balance stood at deficit of -€4.1 bln in January 2011.



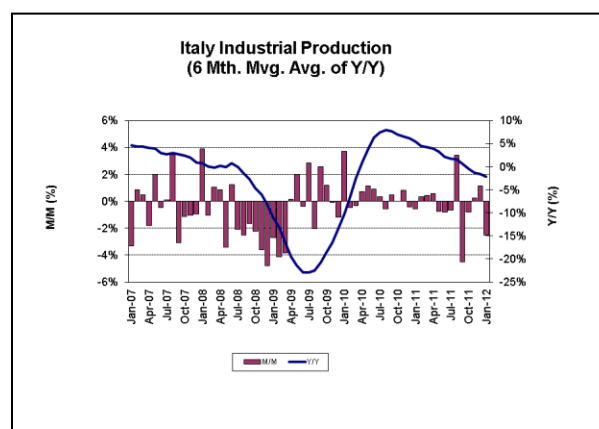
French Trade Balance

French Trade deficit widened from €5.1 bln in December to €5.3 bln in January. The Trade Balance stood at a deficit of -€6.2 bln in January 2011.



Italian Industrial Production

Italian Industrial Production fell 2.5% M/M in January, more than the expected 1.1% decrease. Y/Y growth declined 4.1%.



Italian & Spanish CPI

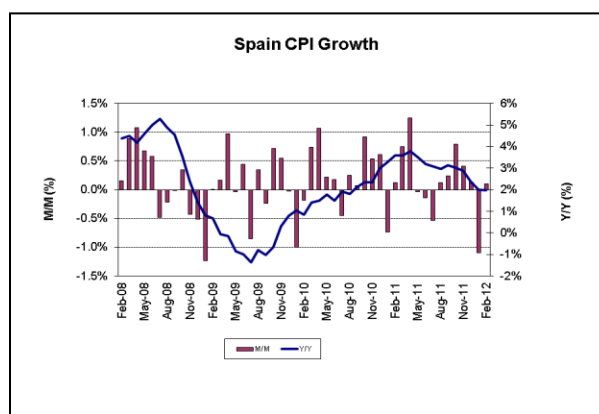
Italian CPI

Italian CPI increased 0.4% M/M and 3.3% Y/Y in February, in line with market expectations. The EU Harmonized CPI increased 0.2% M/M and 3.4% Y/Y in February.



Spanish CPI

Spanish CPI increased 0.1% M/M and 2.0% Y/Y in February, in line with market expectations. CPI fell 1.1% M/M and increased 2.0% Y/Y the previous month.



Data/News/Comments

March 13th - German Investor Confidence Increased More Than Forecast in March

(Bloomberg) - German investor confidence rose more than economists forecast in March after the European Central Bank flooded financial markets with cash and the sovereign debt crisis showed signs of abating. The ZEW Center for European Economic Research in Mannheim said its index of investor and analyst expectations, which aims to predict economic developments six months in advance, advanced to 22.3 from 5.4 in February. That's the fourth straight increase. Economists forecast a gain to 10, according to the median of 36 estimates in a Bloomberg News survey.

March 13th - Bundesbank steps up pressure on Draghi (FT) - Jens Weidmann, Bundesbank president, said that ECB governing council members agreed risks taken by the bank must be subject to continuous review. "That does not mean all crisis measures must be immediately withdrawn, but that we as central bankers have an idea how we will organise and implement an 'exit strategy'," he said. The Bundesbank reported its profits had fallen from €2.2bn in 2010 to just €643m last year. Mr Weidmann said the increase by €4.1bn to €7.7bn in general risk provisions was not meant "to send a political signal" but reflected cautious accounting policies, citing the significant expansion of the ECB's government bond buying in 2011.

March 13th - Spain claims victory in EU deficit tussle (FT) - Spain has agreed to demands from its eurozone partners that it limit the country's budget deficit this year to 5.3 per cent of gross domestic product. On Monday, eurozone finance ministers had rejected Spain's unilateral deficit target of 5.8 per cent of GDP - which Mariano Rajoy, prime minister, boasted two weeks ago was a matter of national sovereignty - and cut it by half a percentage point. That will mean extra spending cuts or tax rises of about 5bn, on top of the 15bn already expected in the budget later this month. EU leaders softened the original target of 4.4 per cent of GDP agreed with the former, Socialist government of Jos Luis Rodriguez Zapatero

March 12th - ECB calls for tougher rules on budgets (FT) - The ECB has sharpened its hardline stance on eurozone fiscal policy by urging the still-tougher policing of member states' public finances. In a report on proposed European Union regulations to monitor budgets better and strengthen the surveillance of countries in difficulties, the ECB makes clear it sees significant scope for further improvement. Among the proposals in the report dated March 7, the ECB suggests the surveillance of countries that run into difficulties in the future should be strengthened by public warnings for the most recalcitrant. Where a country under surveillance is threatening the eurozone's financial stability, there should be an automatic recommendation that it seeks financial assistance, the ECB says.

Data/News/Comments Cont'd

March 10th - Greece secures biggest debt cut in history (AP) - The Greek government said Friday that 83.5 percent of private investors holding its government debt had agreed to a bond swap that would involve them taking a cut in more than half the face value of their investments with softer repayment terms for Greece. The deal is a key condition for Greece to receive a euro130 billion package of rescue loans from other eurozone countries and the International Monetary Fund. Of the investors holding the euro177 billion in bonds governed by Greek law, 85.8 percent joined. The deadline for those holding foreign-law bonds was extended to March 23. The settlement date for Greek-law bonds is set for Monday, and April 11 for foreign-law bonds.

March 9th - Draghi Says ECB Balance Sheet Not Riskier Than Those of Fed, BOE (Bloomberg) - "To say that the risks for the ECB's balance sheet are now higher than what they are" in the U.S. and U.K. is "not correct," ECB President Mario Draghi told reporters. Draghi said unlike the Fed or Bank of England, the ECB's balance sheet contains assets unrelated to monetary policy such as gold and foreign-exchange reserves. That means gauging risk is best done by comparing the ratio of monetary policy-related assets to gross domestic product. Based on that measure, the ratio then is 15 percent for the ECB, 19 percent for the Fed and 21 percent for the Bank of England, according to Draghi. The same conclusion is reached when studying how fast balance sheets have grown, he said.

Key Dates This Week

Date	Indicators			Survey	Prior
15-Mar	EC	EU 25 New Car Registrations	FEB	--	-7.10%
15-Mar	EC	Eurozone Employment (Q/Q)	4Q	--	-0.10%
15-Mar	EC	Eurozone Employment (Y/Y)	4Q	--	0.20%
15-Mar	EC	Euro-Zone Labour Costs (Y/Y)	4Q	2.30%	2.70%
16-Mar	EC	Euro-Zone Trade Balance sa	JAN	6.0B	7.5B
16-Mar	EC	Euro-Zone Trade Balance	JAN	-3.0B	9.7B
19-Mar	EC	Euro-Zone Current Account nsa	JAN	--	16.3B
19-Mar	EC	ECB Euro-Zone Current Account SA	JAN	--	2.0B
19-Mar	EC	Construction Output SA M/M	JAN	--	0.30%
19-Mar	EC	Construction Output WDA Y/Y	JAN	--	7.80%
20-Mar	GE	Producer Prices (M/M)	FEB	--	0.60%
20-Mar	GE	Producer Prices (Y/Y)	FEB	--	3.40%
15-Mar	IT	General Government Debt	JAN	--	1897.9B
16-Mar	IT	Trade Balance (Total) (Euros)	JAN	--	1447M
16-Mar	IT	Trade Balance Eu (Euros)	JAN	--	-577M
16-Mar	IT	Current Account (mlns euro)	JAN	--	402M
19-Mar	IT	Industrial Orders s.a. (M/M)	JAN	--	5.50%
19-Mar	IT	Industrial Orders n.s.a. (Y/Y)	JAN	--	-4.30%
19-Mar	IT	Industrial Sales s.a. (M/M)	JAN	--	3.40%
19-Mar	IT	Industrial Sales n.s.a. (Y/Y)	JAN	--	5.60%
15-Mar	SP	House Prices ToT Homes Q/Q	4Q	--	-2.80%
15-Mar	SP	House Prices ToT Homes Y/Y	4Q	--	-7.40%
16-Mar	SP	Labour Costs (Y/Y)	4Q	--	1.50%
20-Mar	SP	Trade Balance (Mln Euros)	JAN	--	-4548.7M

Valance Co., Inc.

Valance Economic Report: Japan

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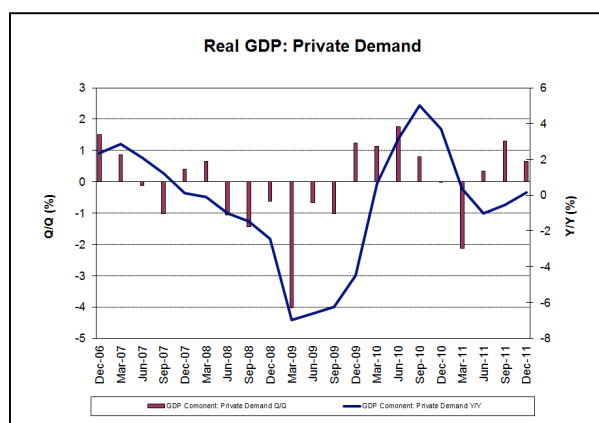
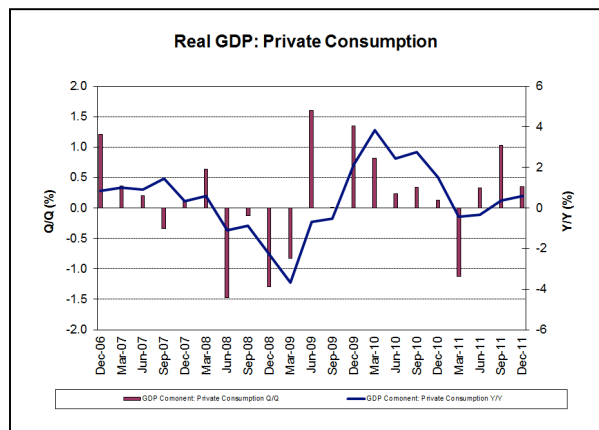
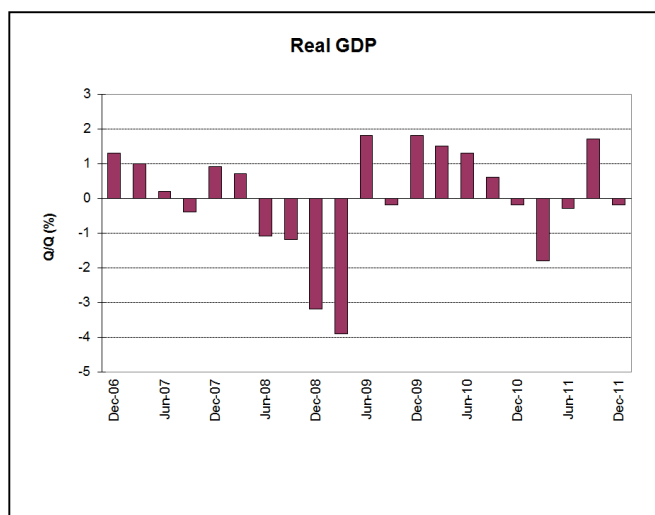
March 14, 2012

Recent data from Japan was mixed. The upward revision to Q4's Real GDP materialized as expected, as did February's Corporate Goods Prices data. While Machinery Orders came in ahead of expectations, Tertiary Industry Activity was weaker than expected. Meanwhile the BoJ appears content with recent developments, as it commented on improvements in conditions in its monthly economic assessment.

Weekly Highlights

Real GDP – Contracted 0.2% Q/Q in Q4. (JN 1)

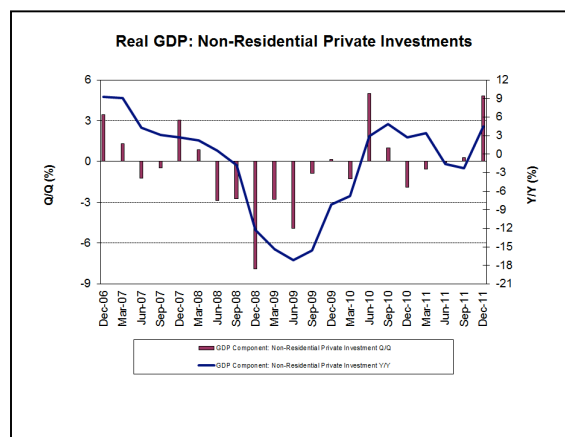
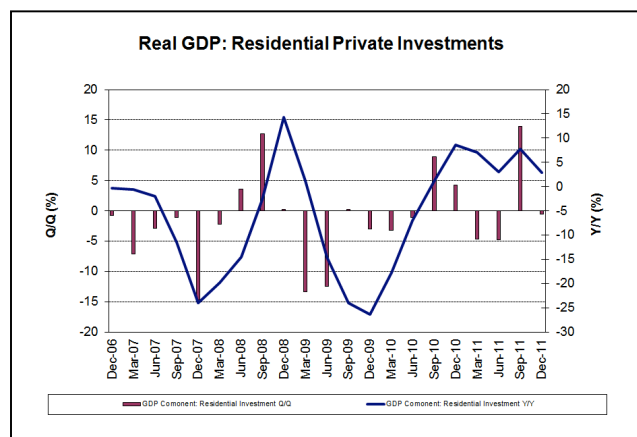
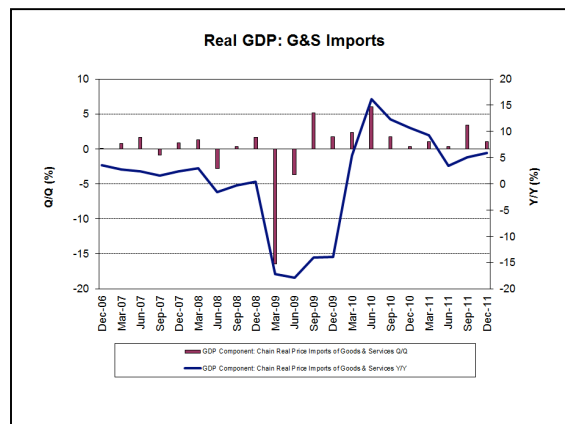
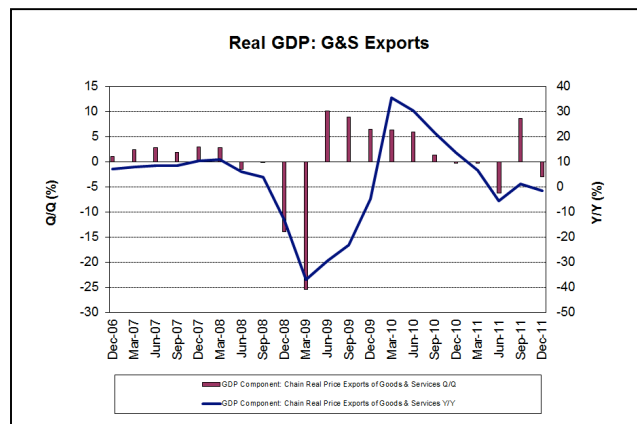
Tertiary Industry Activity – dropped 1.7% M/M in January. (JN 7)

Chart(s) of the Week: *Gross Domestic Product*

According to the latest estimate of Q4 Real GDP growth, Japan's economy contracted at a seasonally adjusted rate of 0.2% Q/Q, in line with market expectations and following an original estimate of a 0.6% Q/Q decline. On an annualized basis, growth contracted 0.7% against expectations for a 0.6% drop. The GDP Deflator declined 1.8% Y/Y, against expectations for a 1.6% Y/Y drop.

Within the data, the contraction improved due to revisions in domestic demand, private demand, and capital investment data. In particular, domestic demand, originally estimated as having improved 0.1% Q/Q, improved 0.5% Q/Q. Private demand, originally estimated as having improved 0.2% Q/Q, improved 0.7% Q/Q. Capital Investments, originally estimated as having improved 1.9% Q/Q, improved 4.8% Q/Q.

Gross Domestic Product Components

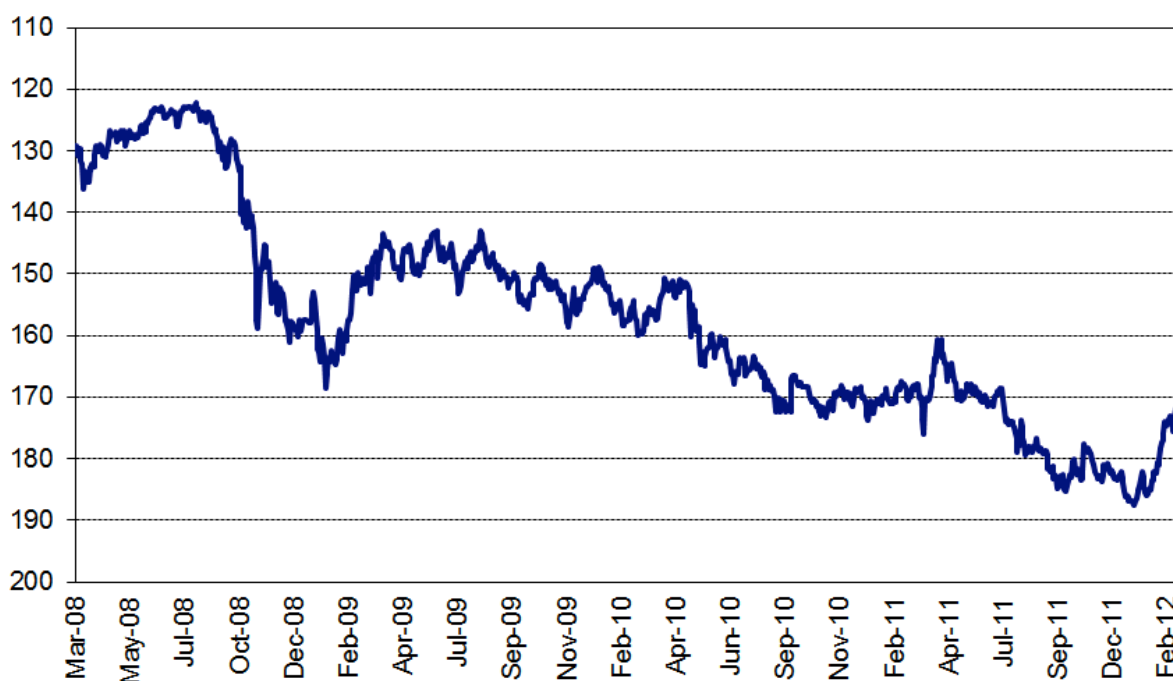


Japan's Financial Balances

Financial Balances

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

Japanese Yen (Trade-Wtd.)

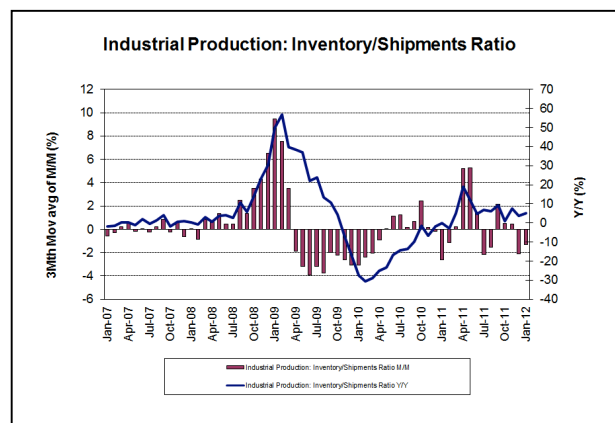
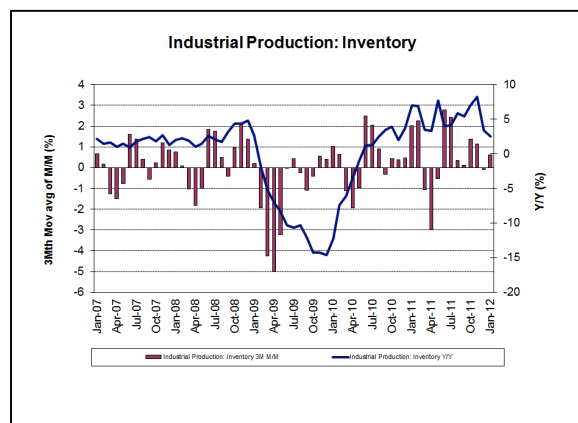
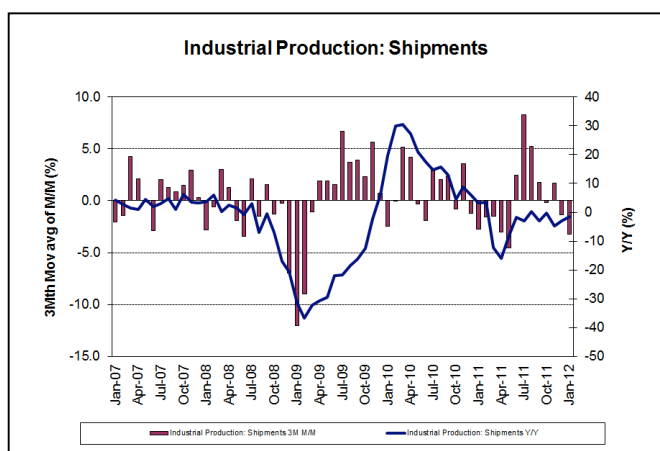
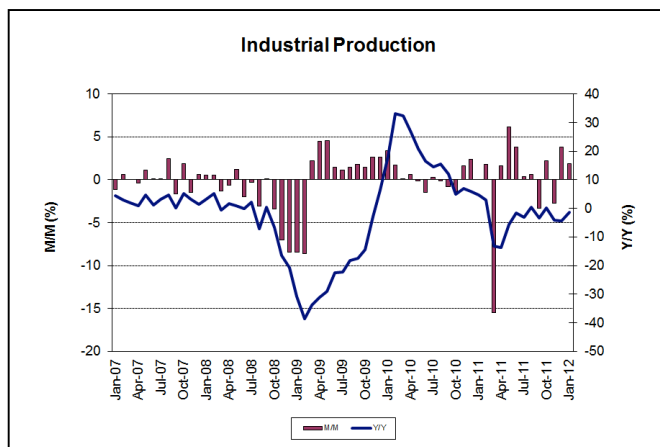


Industrial Production

After revision, Industrial Production increased 1.9% M/M and dropped 1.3% Y/Y in January. The increase was slightly below the originally estimated 2.0% M/M improvement.

Within the data, Shipments dropped 0.9% M/M and 1.5% Y/Y vs original estimates of a 0.7% M/M decline. Inventories increased 3.0% M/M and 2.5% Y/Y vs original estimates of a 3.1% M/M increase. The Inventory Ratio increased 1.4% M/M and 5.2% Y/Y vs original estimates of a 1.2% M/M increase.

As noted in the preliminary report, producers expect production to increase 1.7% M/M in both February and March.

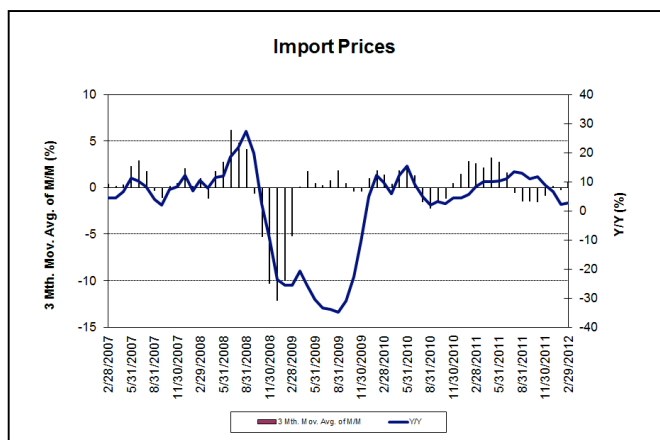
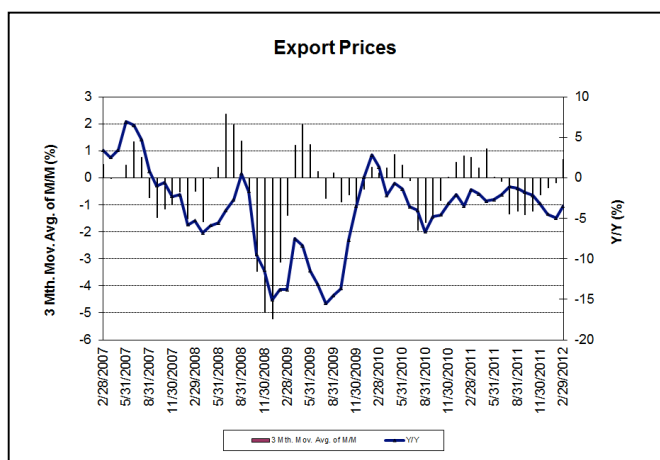
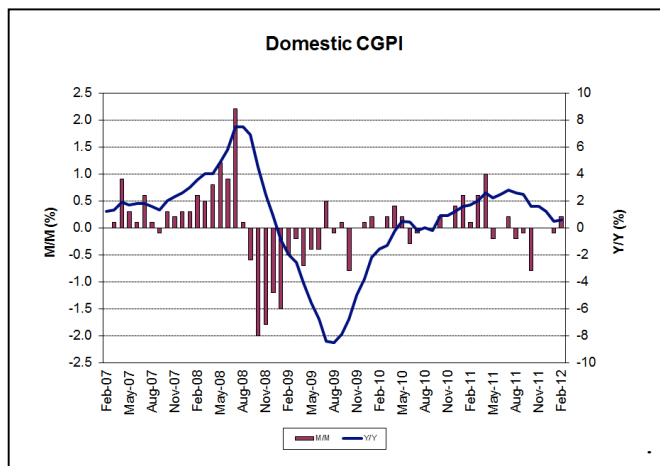


CGPI, Export & Import Prices

Corporate Goods Prices increased 0.2% M/M and 0.6% Y/Y in February, in line with market expectations.

Export Prices increased 2.7% M/M and dropped 3.5% Y/Y. Import Prices increased 2.5% M/M and 2.6% Y/Y.

By Industry, the price increase was caused by gains in Manufacturing, specifically petroleum/coal, nonferrous metals, and IT devices. The Agriculture and Scrap/Waste sectors improved as well.

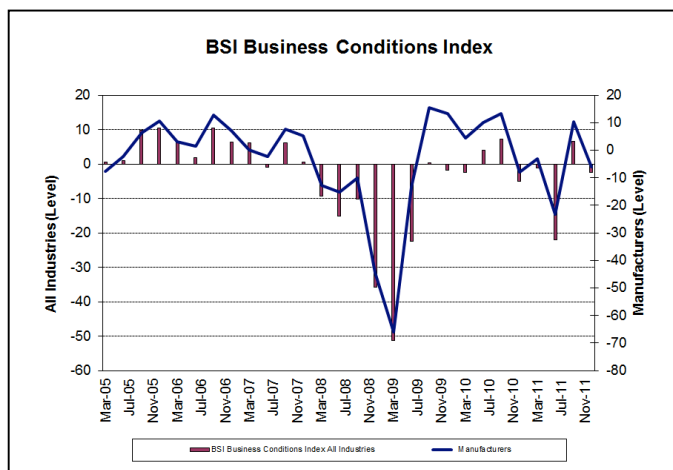


BSI Business Conditions Index & Machine Orders

BSI Business Conditions

The BSI All Industry Large Firm Index dropped from -2.5 to -2.7 in Q1, with a positive number indicating that the number of optimists outweigh the number of pessimists. The BSI Large Manufacturing Index dropped from -6.1 to -7.3. In terms of outlook, large firms expect the series to improve to +1.3 in Q2 and to continue to improve to +7.3 in Q3.

On domestic conditions, large manufacturer sentiment improved from -13.5 to -6.3 while large nonmanufacturer sentiment improved from -11.1 to -1.9. Large manufacturing sentiment is expected to improve to +4.7 in Q2 and +6.4 in Q3.

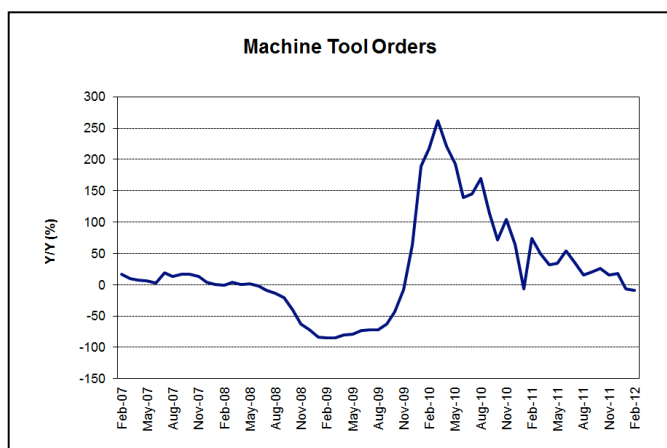
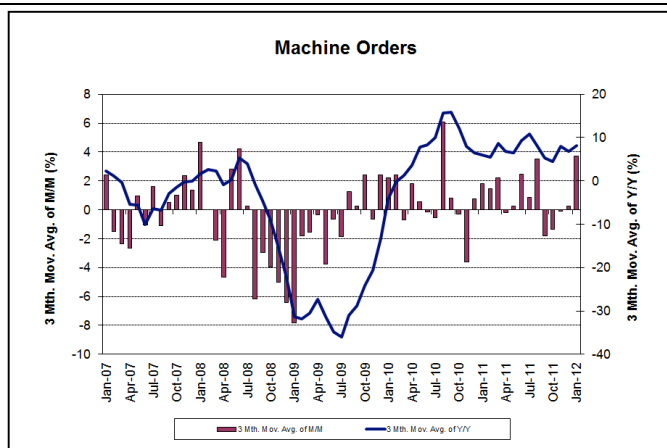


Machine Orders

Core Machinery Orders increased 3.4% M/M and 5.7% Y/Y in January, exceeding market expectations for a 2.3% M/M and 4.4% Y/Y increase.

The monthly increase occurred as nonmanufacturers saw a 2.3% M/M increase while manufacturers saw a 1.8% m/M decline.

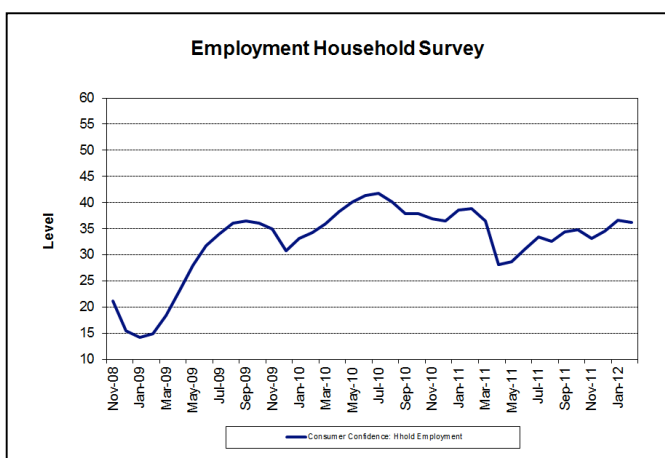
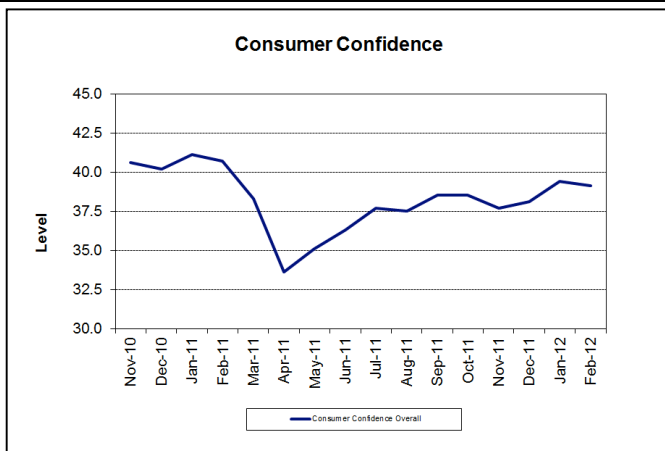
Machinery Tool Orders dropped 8.6% Y/Y in February.



Consumer Sentiment & Tertiary Industry Activity

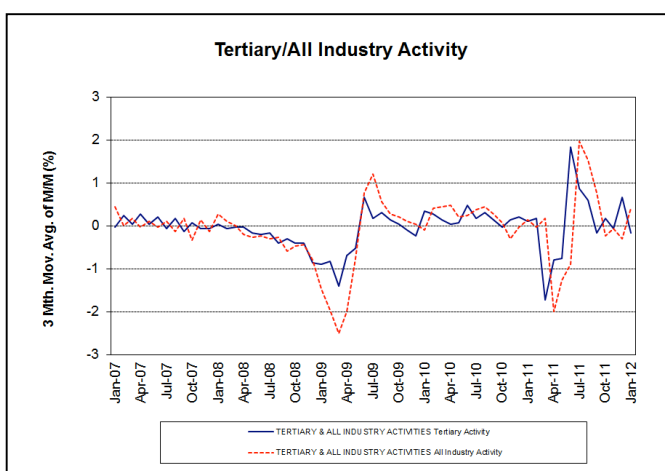
Consumer Sentiment

Nationwide consumer confidence ticked lower from 40.0 to 39.5 in February, dropping below expectations for an increase to 40.5. Within the data, Income growth ticked lower 0.2 pts to 40.6. Employment dropped 1.1pts to 36.0. Willingness to buy durable goods was unchanged at 42.4, and Overall Livelihood ticked lower 0.2pts to 40.6.



Tertiary Industry Activity

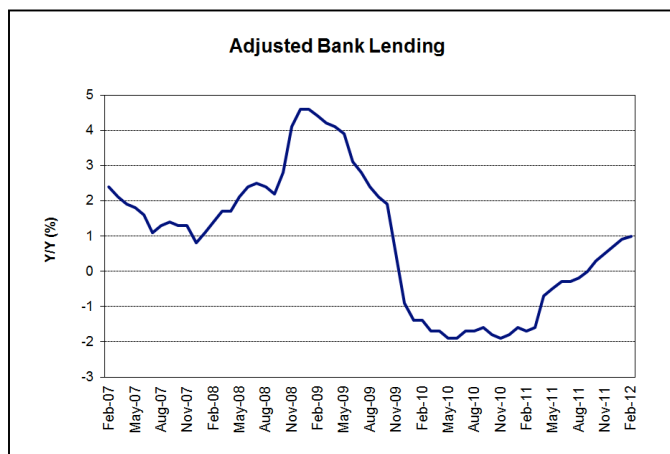
The Tertiary Industry Index dropped 1.7% M/M and increased 0.1% Y/Y in January, missing expectations for a 0.2% M/M increase. The M/M drop occurred as wholesale/retail dropped and although electricity and services both improved, IT, Finance/Insurance, Medical care/health care, and Transport services all dropped.



Bank Lending, Eco Watcher's Survey & Bankruptcies

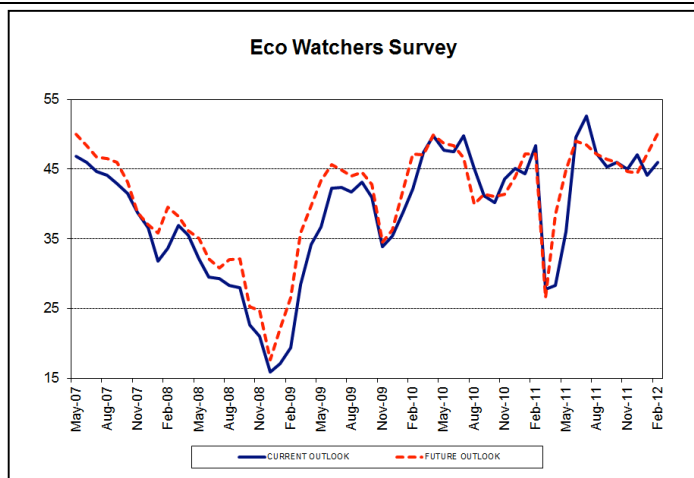
Bank Lending

Adjusted Bank Lending excluding trusts increased 0.8% Y/Y in February. Including trusts, lending increased 0.6% Y/Y.



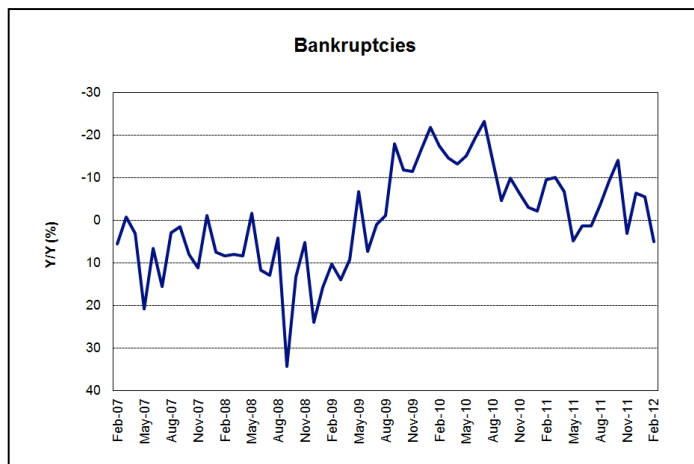
Eco Watchers Survey

In February, the Eco Watchers Survey increased from 44.1 to 45.9 against expectations for an increase to 46.0. Within the details, the Current Household Conditions Index improved 1.6pts to 44.4. Current Business Conditions improved 2.2pts to 44.8. Current Employment Conditions improved 2.2pts to 57.7. The Outlook index improved from 47.1 to 50.1.



Bankruptcies

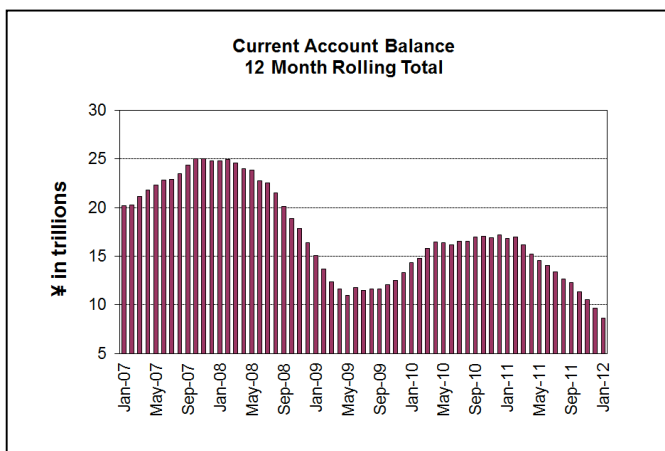
Corporate Bankruptcies increased 5.2% Y/Y in February.



Current Acct Surplus & News

Current Account Surplus

The adjusted Current Account Balance declined from a revised ¥776.2 Bln in December (from an original ¥752.3 Bln) to ¥115.6 Bln in January. The decline went against market expectations for a smaller drop to ¥322.3 Bln. The Trade Balance, on a Balance of Payments Basis, declined from - ¥145.8 Bln to - ¥1381.6 Bln roughly in line with the markets expected drop to - ¥1370.3 Bln. Exports in January declined 4.1% M/M and 8.5% Y/Y. Imports increased 4.1% M/M and 11.2% Y/Y.



News

March 14th – BoJ Becomes Less Pessimistic – The Bank of Japan commented in its monthly economic assessment that “Japan’s economic activity has remained more or less flat, although it has shown some signs of picking up.” The BoJ also commented that there are signs that output and public investment are picking up, and that exports will likely emerge from flat growth and increase moderately as overseas growth picks up. The assessment from the month before stated that the economy has been flat mainly because of the global slowdown and the appreciation of the yen. This was the first change in the language describing the economy since January.

March 14th – BoJ Rejects Gov’t Calls to Expand Asset Purchasing – The Bank of Japan rejected lawmakers calls to expand asset buying for a second consecutive month, as BoJ Gov Shirakawa and all but one of the board members decided against increasing asset buying. The BoJ, which left its key policy rate unchanged, did however decide to expand its loan program for potentially high growth sectors.

March 13th – Finance Min Azumi on Yen - Finance Minister Azumi commented on the Yen, stating that he will take decisive action if the yen shows any excessive volatility. He did not, however, comment on what he thinks is an appropriate level for the Yen.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
3/15	Tokyo Condominium Sales (YoY)	N/A	32.60%
3/16	Coincident Index CI	N/A	93.1
3/16	Leading Index CI	N/A	94.9
3/18-3/23	Supermarket Sales (YoY)	N/A	-1.20%
3/21	All Industry Activity Index (MoM)	N/A	1.30%
3/21	Convenience Store Sales YoY	N/A	1.70%
3/21	Merchnds Trade Balance Total	N/A	-¥1475.0B
3/21	Adjusted Merchnds Trade Bal.	N/A	-¥612.8B
3/21	Merchnds Trade Exports YoY	N/A	-9.3
3/21	Merchnds Trade Imports YoY	N/A	9.8

Valance Co., Inc.

Valance Economic Report: *United Kingdom*

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March 14, 2012

The BoE kept its benchmark rate unchanged and voted to keep its Asset Purchase Program at £325bln. In January data, Factory output dropped, missing expectations, although producer prices increased faster than expected. Unemployment claims continued to rise and wage growth remains muted.

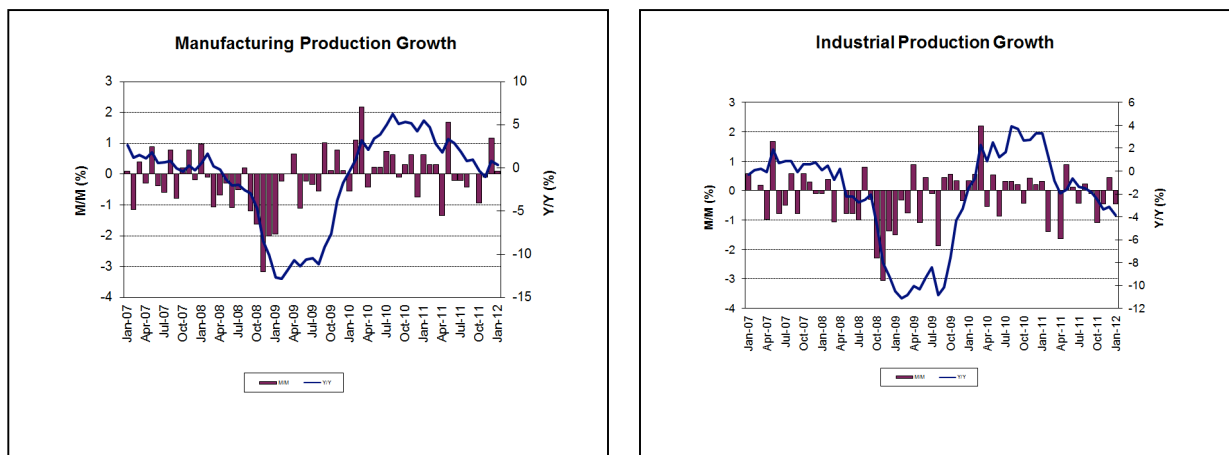
Weekly Highlights

Factory Output – dropped 0.4% M/M and 3.8% Y/Y in January. (UK 1)

Unemployment Rate – unchanged at 8.4% in January. (UK 3)

Weekly Releases & News

Chart(s) of the Week: *Mfg. & Industrial Production*

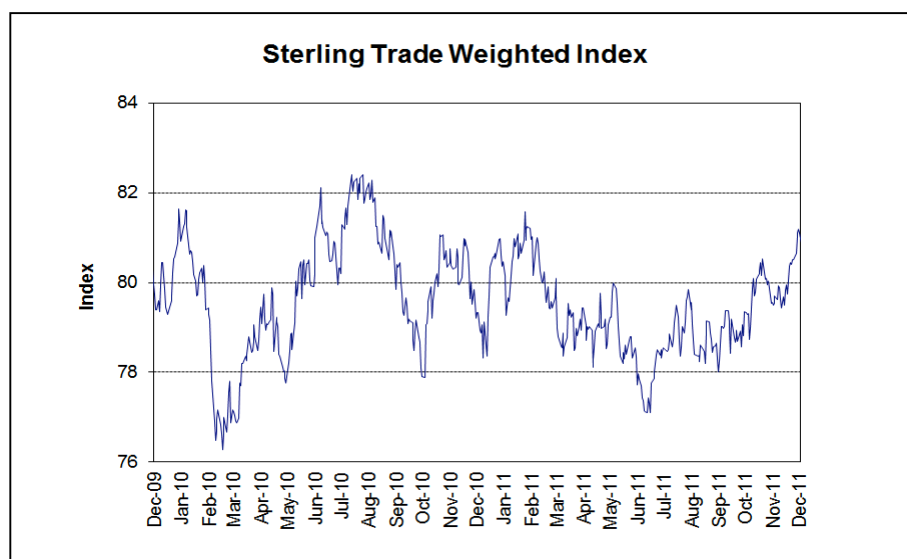
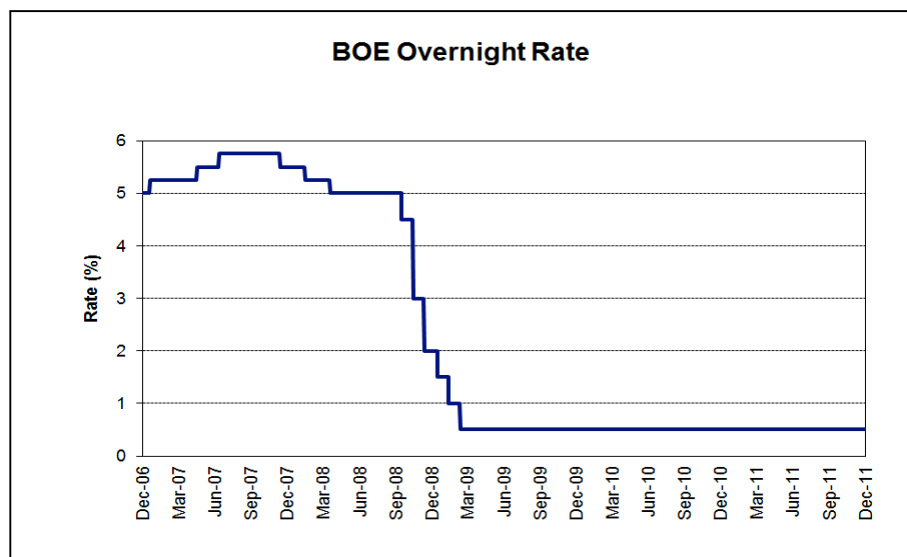


January Factory Output dropped 0.4% M/M and 3.8% Y/Y against expectations for a 0.3% M/M increase and a 3.1% Y/Y decline. January's monthly drop occurred as declines in mining, oil, and electricity outweighed improvements in manufacturing and water supply sectors.

UK 1

Financial Balances, FX & BoE Overnight Rate

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

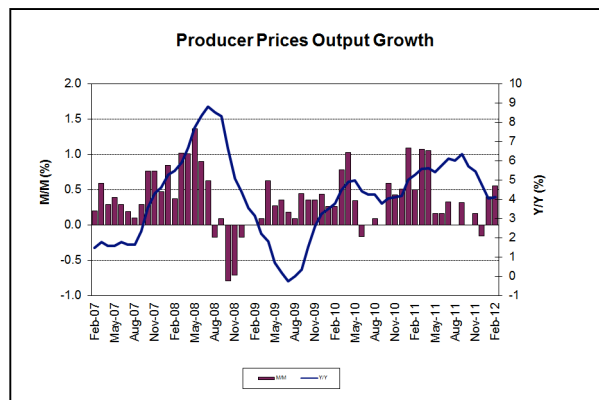


The MPC voted to keep its benchmark rate at 0.50% and maintained the Asset Purchase Target at £325 bln.

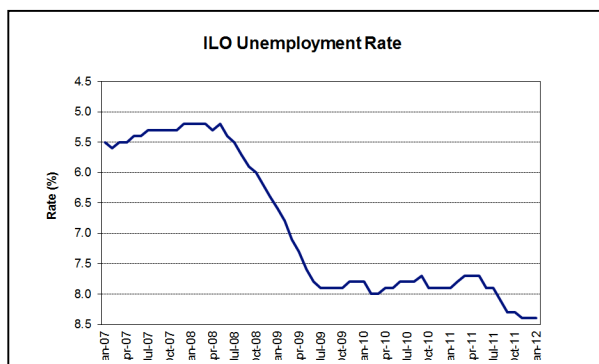
PPI & Labor Data

Producer Prices Input/Output Growth

February Prices charged by factories increased 0.6% M/M and 4.1% Y/Y against expectations for a 0.3% M/M and 3.9% Y/Y increase. Core Output Prices increased 0.5% M/M and 3.0% Y/Y against expectations for a 0.1% M/M and 2.5% Y/Y increase. Overall, the increase was attributed to the effects of rising crude oil prices. January's 0.5% M/M and 4.1% Y/Y increase was revised to a 0.4% M/M and 4.0% Y/Y increase. Meanwhile, Raw Material Prices increased 2.1% M/M and 7.3% Y/Y, rising faster than the 1.0% M/M and 7.0% Y/Y increase the market expected.



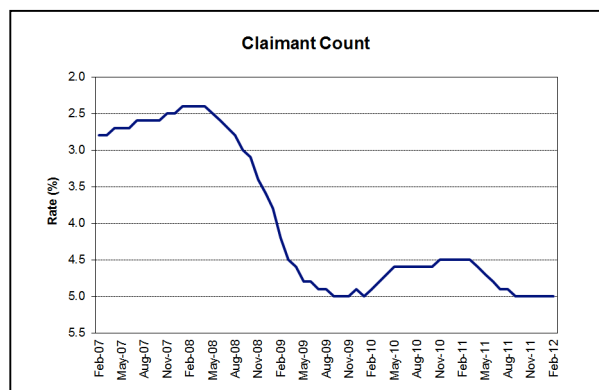
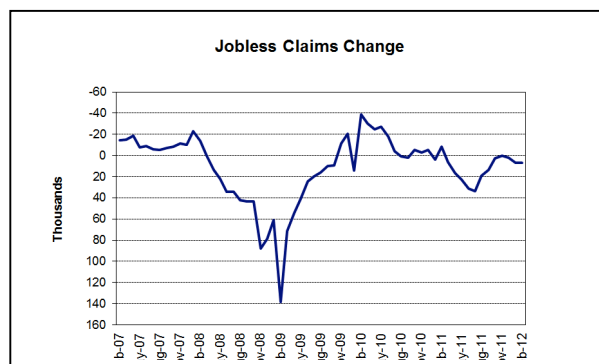
Employment Data



The ILO Unemployment Rate was unchanged at 8.4% in January, in line with market expectations. The Claimant Count Rate was unchanged as well, also meeting market expectations.

The number of people claiming benefits increased by 7.2K, above the 5.0K the market expected.

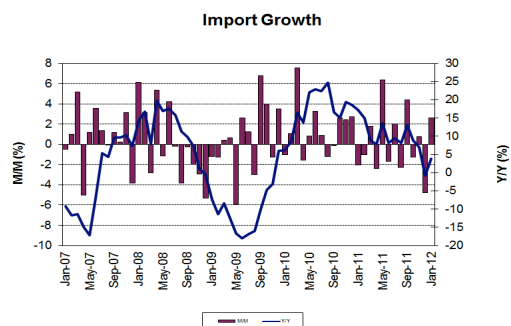
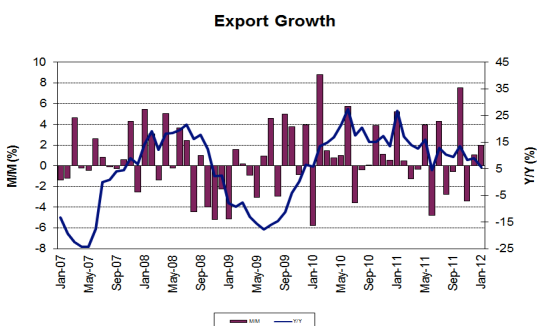
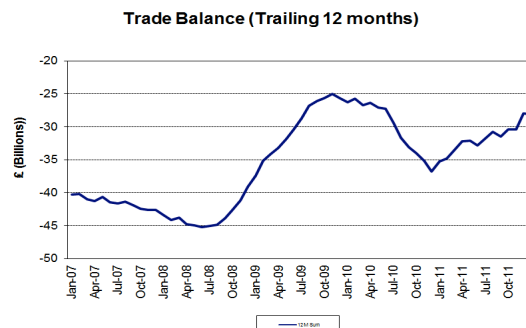
Average weekly earnings, excluding bonuses, increased 1.7% 3M Y/Y vs market expectations for a +1.9% 3M Y/Y increase. Including bonuses, the increase was 1.4% 3M Y/Y.



Trade Balance & DCLG House Prices

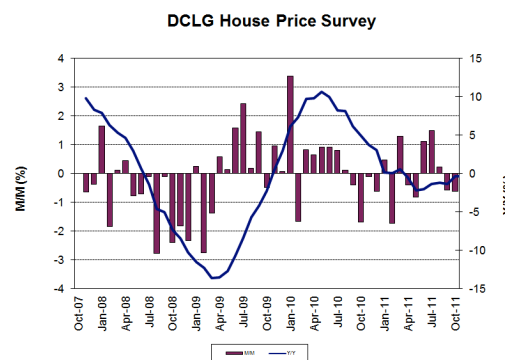
Trade Balance

The Visible Trade Balance declined from a revised -£7.184 bln in December (from -£7.111 bln) to -£7.532 bln in January. Exports increased 2.6% M/M. Imports increased 1.8% M/M.



DCLG House Price Survey

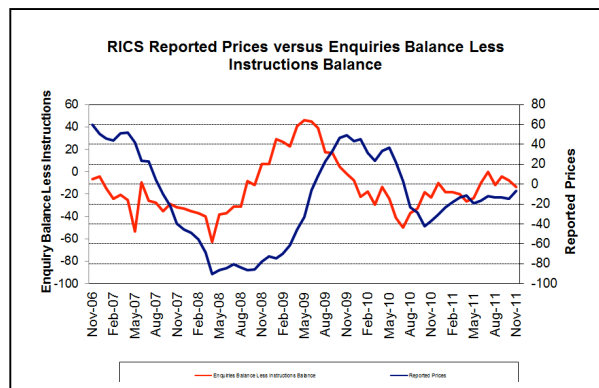
According to the Department for Communities and Local Government, House Prices increased 0.2% Y/Y in January.



RICS House Prices & Data

RICS House Price Survey

The RICS House Price survey improved from -16% to -13% in February against expectations for an improvement to -14%. This is the best reading in 19 months. RICS said that “With the recent upturn in activity brought on by the end of the stamp-duty holiday, it seems that a renewed sense of optimism may be slowly returning to the property market... however, with affordable mortgage finance still out of reach for many potential first time buyers, it remains to be seen whether the more optimistic outlook for future sales can be sustained.”



Data

BoE/GfK Inflation Expectations – Inflation expectations over the next 12 months dropped from +4.1% in Jaury to +3.5% in February according to the BoE/GfK. The drop brings the series to its lowest level since May 2011.

NIESR GDP Estimate – The National Institute of Economic and Social Research (NIESR) reported that UK economic growth probably increased 0.1% in the three months through February, compared with the contraction of 0.2% in the three months through January. NIESR Commented that “Avoiding a return to recession is obviously welcome, but at present the UK economy can best be described as ‘flat’... We expect the UK’s economy recovery to take hold in 2013.”

Lloyd’s Employment Confidence – Lloyd’s Employment confidence index, which measures job security sentiment, improved from -73 to -69 in February. Lloyd’s commented that “Consumers’ sense of their economic wellbeing has risen since the end of 2011 when the euro area sovereign debt crisis threatened to spill over into the European banking system and the wider economy...however, the improvement in the labor market indicators should be seen in the historical context.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
3/19-3/23	Nationwide Consumer Confidence	N/A	47
3/20	CPI (MoM)	N/A	-0.50%
3/20	CPI (YoY)	N/A	3.60%
3/20	Core CPI YOY	N/A	2.60%
3/20	Retail Price Index	N/A	238
3/20	RPI (MoM)	N/A	-0.60%
3/20	RPI (YoY)	N/A	3.90%
3/20	RPI Ex Mort Int.Payments (YoY)	N/A	4.00%
3/20	CBI Trends Total Orders	N/A	-3
3/20	CBI Trends Selling Prices	N/A	10
3/21	Bank of England Minutes	N/A	N/A
3/21	Public Finances (PSNCR)	N/A	-16.8B
3/21	PSNB ex Interventions	N/A	-7.8B
3/21	Public Sector Net Borrowing	N/A	-10.7B

Valance Co., Inc.

Valance Economic Report: Canada

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March 14, 2012

The labor market was weak for the second consecutive month in February, as the Canadian economy unexpectedly lost 2.8K jobs. New House Prices posted a marginal gain in January. On the Monetary Policy front, the BoC kept its key interest rate unchanged at 1.00%, the longest pause since the 1950s, as was widely expected.

Weekly Highlights

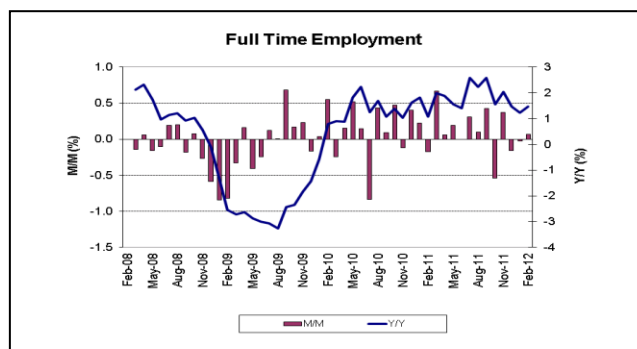
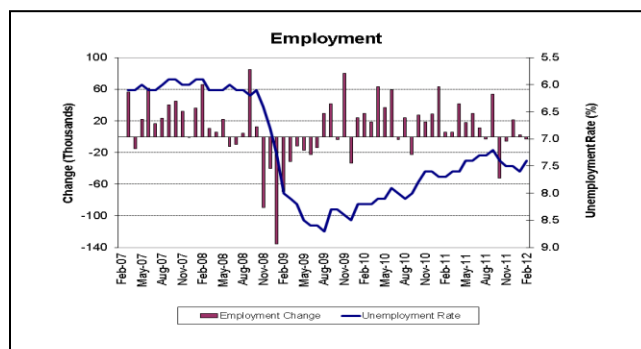
Canadian economy – lost 2.8K jobs in February. (CA 1)

BoC Rate – remained at 1.00%. (CA 2)

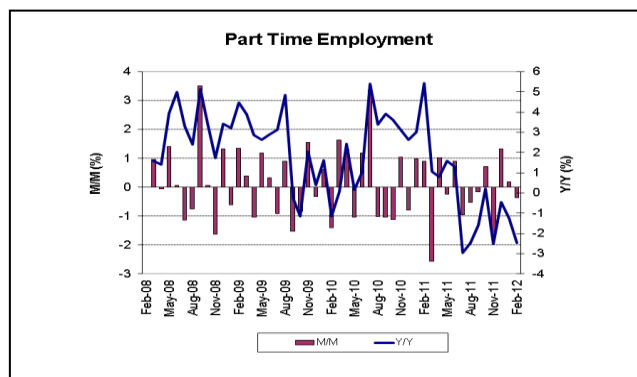
New House Prices - increased 0.1% M/M and 2.4% Y/Y in January. (CA 3)

Weekly Releases & News

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



The Canadian economy lost 2.8K jobs in February, following a marginal gain of 2.3K the previous month. The Unemployment Rate fell from 7.6% to 7.4% as 37.9K individuals left the labor force. Full-time jobs gained 9.1K, while part-time jobs fell 12.0K.



CA 1

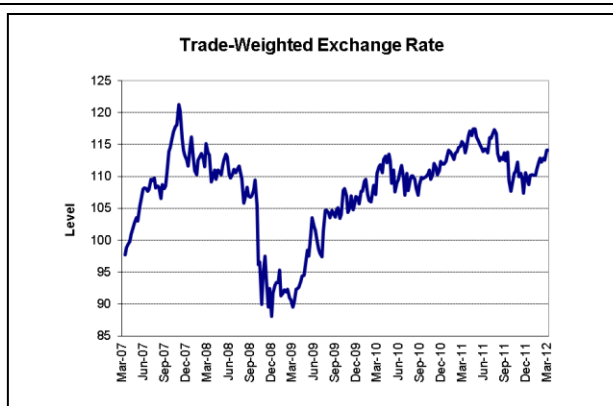
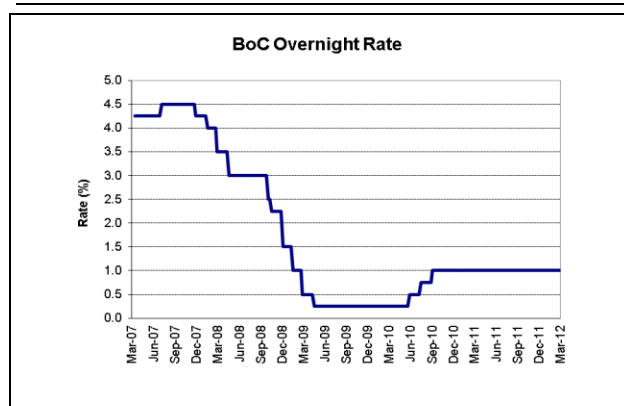
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Financial Balances, BoC Key Rate & Trade Weighted Exchange Rate

Financial Balances

<i>Canada</i>	<i>Latest period (C\$bln)</i>	<i>Last 12mth. as % of GDP</i>
Budget Balance	-1.9 (Nov)	-2.3%
Trade Balance	2.1 (Jan)	-1.4%
Current Account Balance	-10.3 (Q4)	-6.3%
Private Balance	--	-4.0%

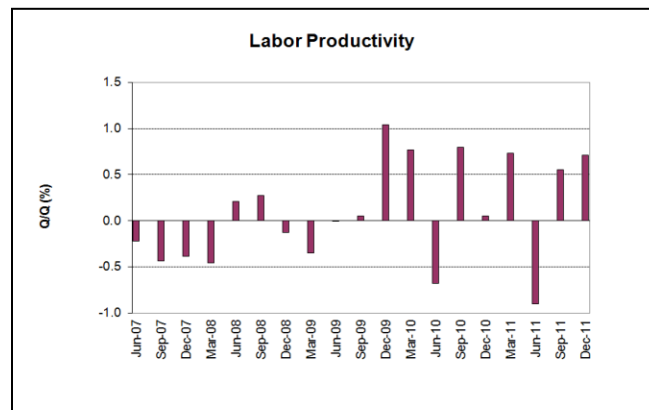
BoC Key Rate & FX



Labor Productivity & Capacity Utilization

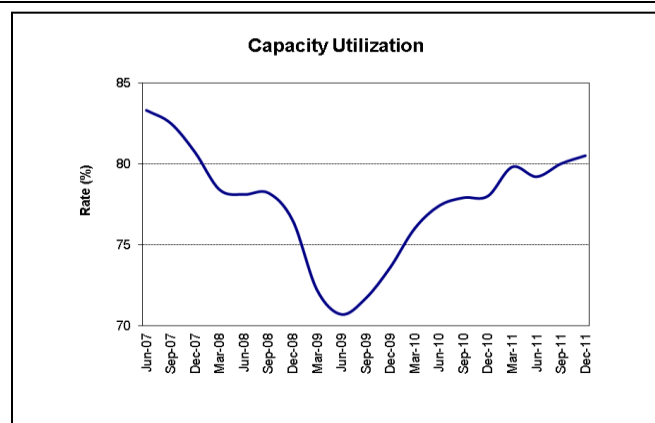
Labor Productivity

Labor Productivity increased 0.7% Q/Q in Q4, versus market expectations for a 0.6% Q/Q gain. Hourly compensation increased 1.5% Q/Q and unit labor costs increased 0.8% Q/Q. Hours worked decreased 0.2% Q/Q.



Capacity Utilization

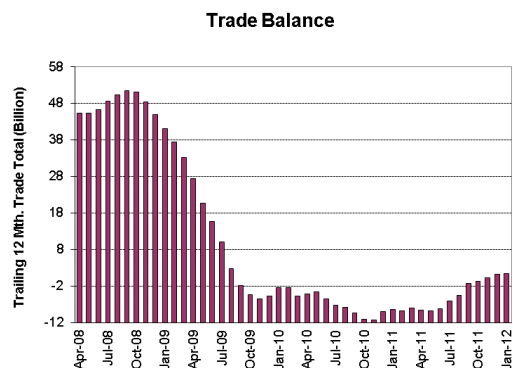
Capacity Utilization increased from a revised 80.0% (previous 81.3%) to 80.5% in Q4. Market expectations were for an 81.6% reading.



Trade Data

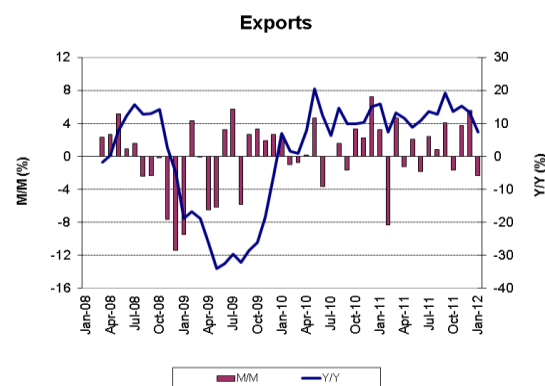
Trade Balance

Canada's Trade Surplus narrowed from C\$2.9 bln in December to C\$2.1 bln in January, as exports fell more than imports. The surplus with the US widened from C\$ 5.9 bln in to C\$6.1 bln.



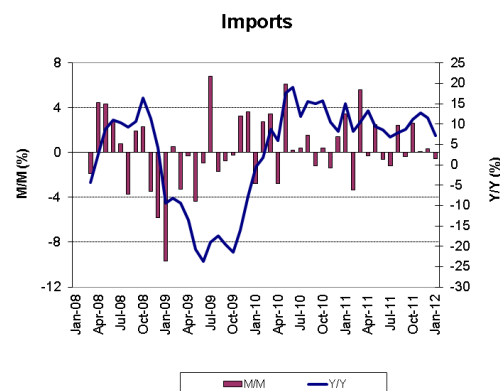
Exports

Exports fell 2.3% M/M in January, the largest drop in 11 months. Exports of industrial goods as well as machinery and equipment both fell 11.9% M/M. Total Exports gained 7.4% Y/Y.



Imports

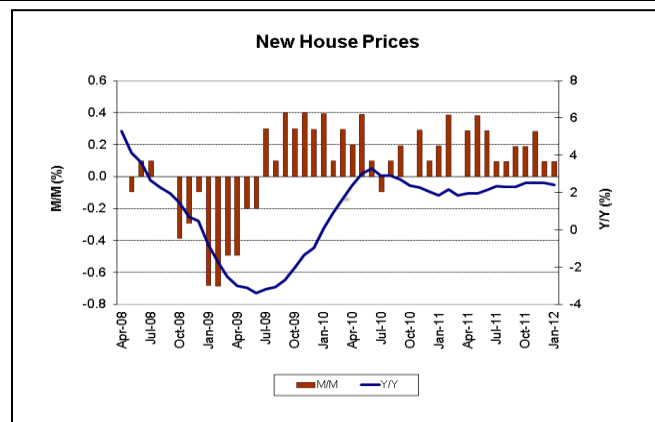
Imports decreased 0.6% M/M and increased 7.2% Y/Y in January. Imports of industrial goods and energy decreased 3.8% M/M and 5.9% M/M, respectively.



New House Prices & Housing Starts

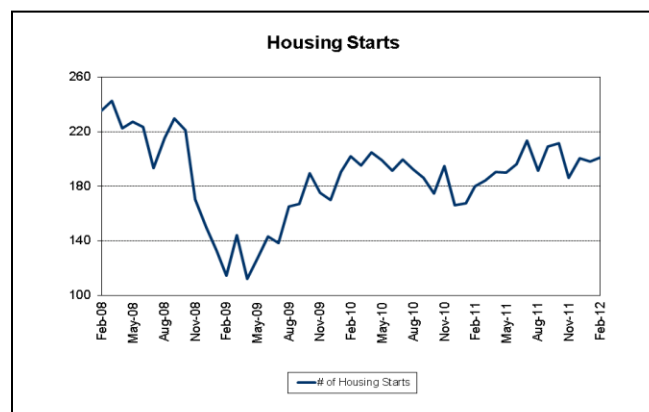
New House Prices

New House Prices increased 0.1% M/M in January, in line with market expectations. Y/Y growth increased 2.4%. Land Prices increased 0.2% M/M and 2.0% Y/Y.



Housing Starts

Housing Starts increased 1.5% M/M and 11.7% Y/Y in February. Multiple-unit starts in urban areas increased 3.3% M/M and 21.0% Y/Y.



BoC Policy Statement, March 8, 2012

Ottawa, Ontario - The Bank of Canada today announced that it is maintaining its target for the overnight rate at 1 per cent. The Bank Rate is correspondingly 1 1/4 per cent and the deposit rate is 3/4 per cent.

The heightened uncertainty around the global economic outlook has decreased in the weeks since the Bank released its January Monetary Policy Report (MPR). With tentative signs of stabilisation in European bank funding and sovereign debt markets, conditions in global financial markets have improved and risk aversion has decreased. However, the global economy is still expected to grow below its trend rate as the deleveraging process in advanced economies proceeds. The U.S. expansion is proceeding at a modest pace, reinforced by recent improvements in the labour market. Growth in China is moderating to a still-high rate as expected, in response to past policy tightening and weaker external demand. Commodity prices are higher than anticipated, supported by improved global economic conditions and a geopolitical risk premium on oil. If sustained, the latter could ultimately dampen the improvement in global economic momentum.

Recent developments suggest that the outlook for the Canadian economy is marginally improved from the January MPR. Although the economy will likely grow faster than forecast in the first quarter due to temporary factors, underlying economic momentum remains around trend, balancing domestic strength and external weakness. Private demand is now expected to be slightly stronger than projected, owing to improved sentiment and highly-supportive financial conditions. Canadian household spending is expected to remain high relative to GDP as households add to their debt burden, which remains the biggest domestic risk. Net exports have been supported by stronger-than-anticipated U.S. activity but are expected to contribute little to growth, reflecting still-moderate foreign demand and ongoing competitiveness challenges, including the persistent strength of the Canadian dollar.

The profile for core and total CPI inflation is somewhat firmer than previously anticipated as a result of reduced economic slack and higher oil prices. After moderating in the second quarter, total inflation is expected, along with core inflation, to be around 2 per cent over the forecast horizon, reflecting the combination of modest growth of labour compensation, an economy operating around its potential over time, and well-anchored inflation expectations.

Reflecting all of these factors, the Bank has decided to maintain the target for the overnight rate at 1 per cent. With the target interest rate near historic lows and the financial system functioning well, there is considerable monetary policy stimulus in Canada. The Bank will continue to monitor carefully economic and financial developments in the Canadian and global economies, together with the evolution of risks, and set monetary policy consistent with achieving the 2 per cent inflation target over the medium term.

Key Dates This Week

Date	Indicators	Expectations	Previous
16-Mar	Manufacturing Sales M/M	0.20%	0.60%
19-Mar	Wholesale Sales M/M	- -	0.90%
21-Mar	Leading Indicators M/M	- -	0.70%

Valance Co., Inc.

Valance Economic Report: Australia

Reginald Perry

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March 14, 2012

This week's data was generally weak as Home Loans fell and the Westpac Consumer Confidence Survey fell 3 points to 1. The NAB Business Confidence survey declined to a five month low and the trade balance swung from a surplus to deficit in January.

Weekly Highlights

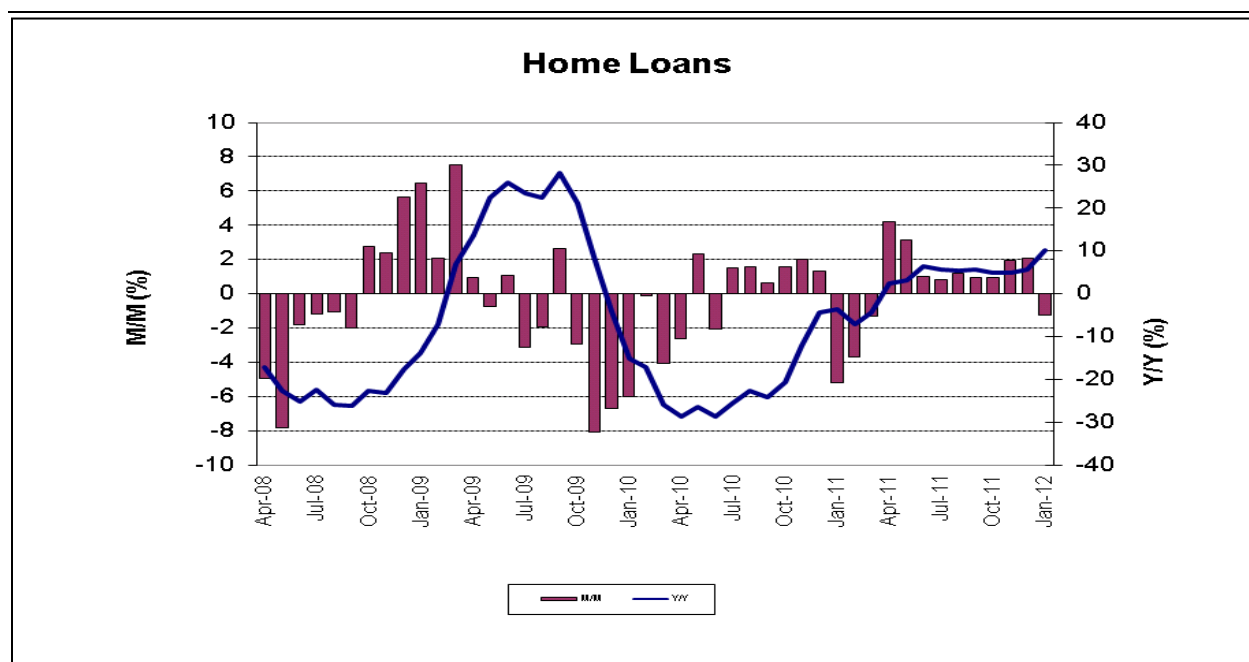
Home Loans – fell 1.8% M/M in April. (AU 1)

Westpac Consumer Confidence – declined 5.0% M/M in March. (AU 3)

NAB Business Confidence Index – fell 3 points to 1 in January. (AU 4)

Weekly Releases & News

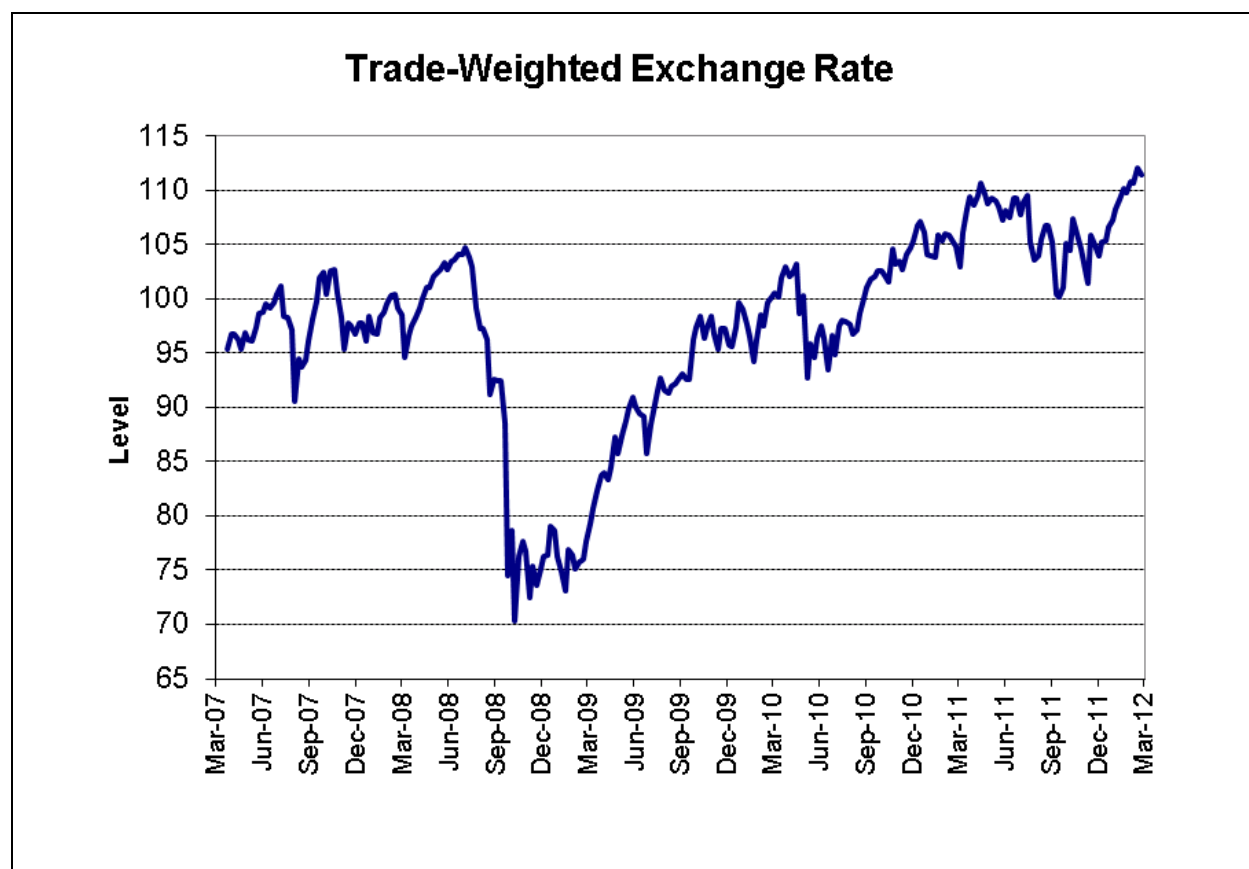
Chart of the Week: *Home Loans*



In January, the number of home loan approvals fell 1.2% M/M, the first decline in ten months, but were up 10.1% Y/Y. The number of approvals for construction of new houses rose 0.2% and approvals for refinance increased 2.0% M/M.

AU 1

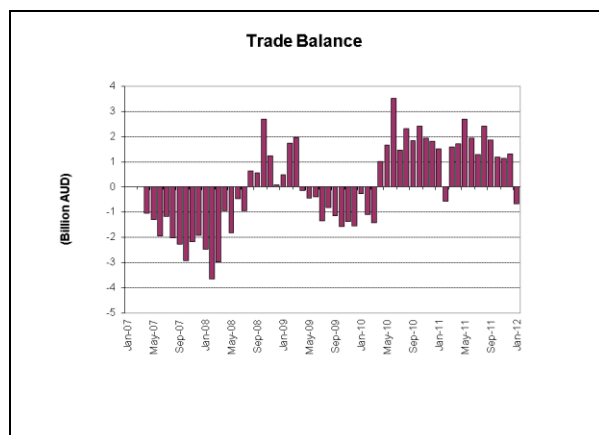
This document is for information purposes only and should not be regarded as an offer to sell or as a solicitation of an offer to buy the products mentioned in it. No representation is made that any returns will be achieved. Past performance is not necessarily indicative of future results; any information derived herein is not intended to predict future results. This information has been obtained from various sources, including where applicable, entered by the user; we do not represent it as complete or accurate. Users of these calculators are hereby advised that Valance Co., Inc. takes no responsibility for improper, inaccurate or other erroneous assumptions to the extent such data is entered by the user hereof. Opinions expressed herein are subject to change without notice. The securities mentioned in this document may not be eligible for sale in some states or countries, not suitable for all types of investors.

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Trade Balance, Home Loans & Private Dwellings

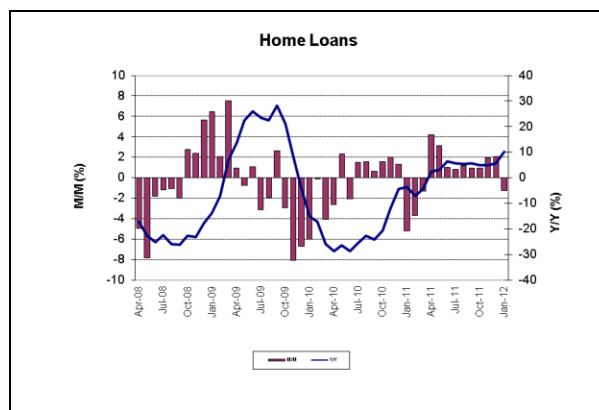
Trade Balance

The January Trade Balance swung from a surplus of \$1.3bln to a deficit of \$0.7 bln. The Trade Balance stood at a surplus of \$1.5 bln in January 2011. Exports declined 8.2% M/M and increased 7.1% Y/Y. Imports declined 1.1% M/M and increased 17.5%Y/Y.



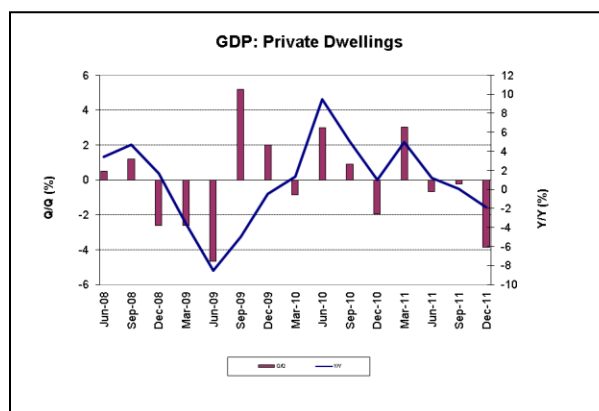
Home Loans

Home loans decreased 1.2% M/M in January compared to a revised 2.1% gain the previous month.



Private Dwellings

Private Dwellings Investment fell 6.9% Q/Q and 13.4% Y/Y in Q4.



NAB Business Conditions / Confidence Data & Comments

Westpac Consumer Confidence / Index:

The Consumer Index decreased from 101.0 in February to 96.1 in March. Consumer confidence fell 5% the most in three months.

NAB Business Conditions / Confidence:

The Australian Business Confidence Index fell from 4 in January to 1 in February, the lowest level since September. This slump is a five month low. The Business Conditions rose from 2 to 3.

Manpower Employment Survey:

Manpower survey of 2251 employers in Australia showed a 13% increase in Q2 hiring, the same increase in Q1.

Key Dates This Week

Date	Indicator	Expectation	Previous
19-Mar	Conference Board Leading Index	- -	0.20%
19-Mar	Reserve Bank Board March Minutes		
20-Mar	Westpac Leading Index M/M	- -	0.50%
20-Mar	DEWR Internet Skilled Vacancies M/M	- -	-0.60%

Valance Co., Inc.

Valance Economic Report: New Zealand

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March 14, 2012

Home Sales posted a solid gain in February, increasing 37% Y/Y. According to the RBNZ, total credit card spending fell 0.3% M/M in February.

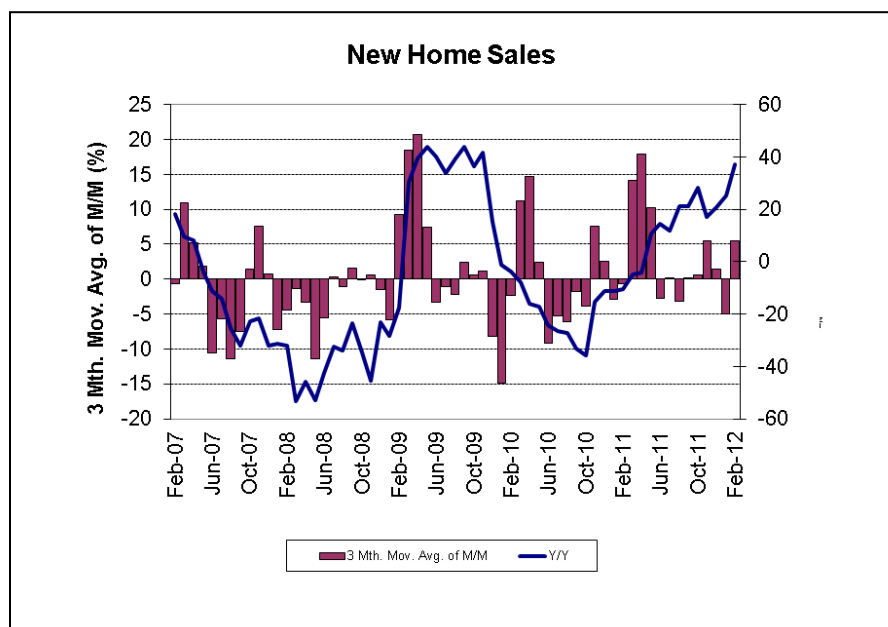
Weekly Highlights

New Home Sales – increased up 37.0 % Y/Y in February. (NZ 1)

Credit Card Spending – fell 0.3% M/M in February. (NZ 3)

Weekly Releases & News

Charts of the Week: New Home Sales

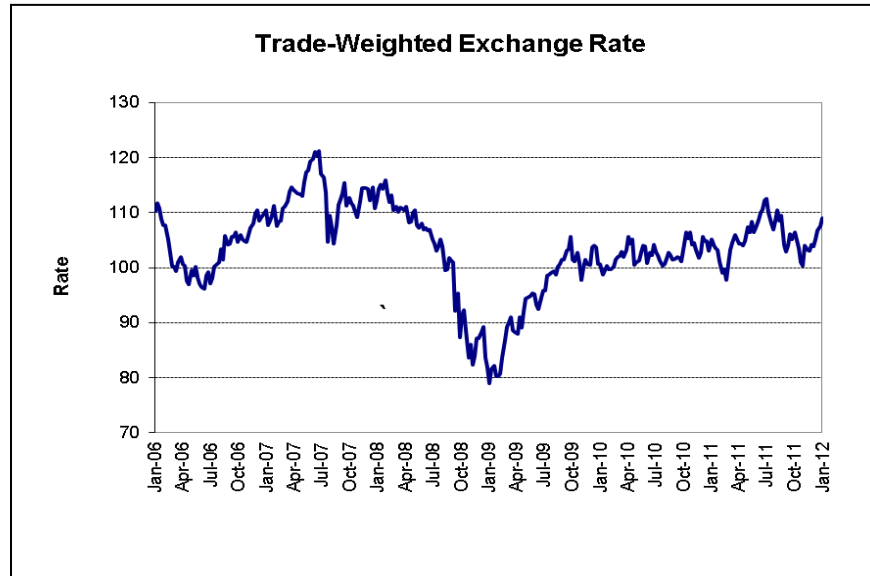


According to the Real Estate Institute of New Zealand Inc., New Home Sales were up 37.0 % Y/Y in February.

NZ 1

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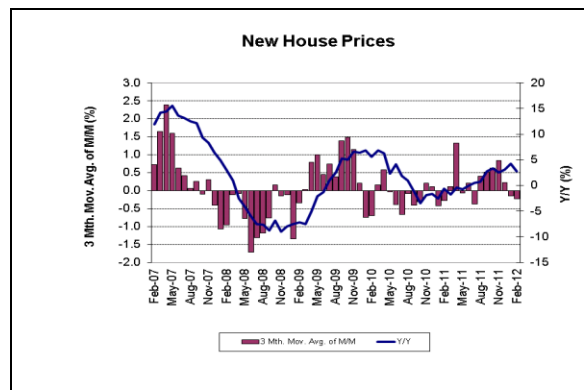
FX



REINZ Housing Survey & Data / Comments

REINZ House Sales/Prices

According to the Real Estate Institute of New Zealand Inc., House Prices rose 0.8% M/M.



Data & Comments

Food Prices - According to Statistics New Zealand, February food prices rose 0.6% M/M and 1.5% Y/Y in February. The largest increase recorded in Non-alcoholic beverages (3.0% M/M) and the largest decline was recorded in Fruits & Vegetables (2.0% M/M).

NZ Credit Card Spending - According to the RBNZ, total credit card spending fell 0.3% M/M in February, after increasing a revised 0.9% M/M the month prior. Retail credit spending fell 0.7% M/M after rising a revised 1.1% the previous month.

Manpower Employment survey – The Net employment outlook increased 18% Q2 up from 16% in Q1.

QV (Quotable Value) Home Prices- NZ home prices rose 2.9% M/M from 2.7% the previous month. This was the sixth increase.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
03/20	Permanent Migration (Feb)	-	-
03/20	Credit Card Spending (Feb)	-	-
03/22	Current Account Balance (Q4)	-	-1.77Bln
03/22	Account Deficit –GDP Ratio (Q4)	-	-3.1%

Weekly Economic Report: **China**

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March 14, 2012

In February, China's Trade Balance fell to a larger than expected deficit, suggesting the economy may be slowing more rapidly than anticipated; Lending fell below estimates; and M2 Money Supply growth expanded above forecasts.

Weekly Highlights

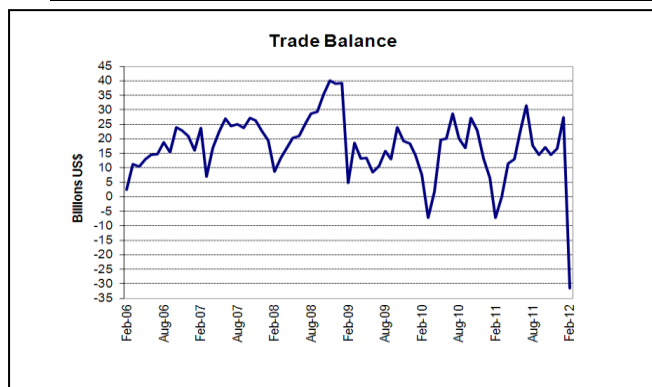
Trade Deficit – fell to a deficit of \$31.48 bln in February. (CH 1)

M2 Money Supply – rose from 12.4% Y/Y in January to 13.0% Y/Y February. (CH 2)

New Yuan Loans – fell from \$738.1 bln in January to \$710.7 bln in February. (CH 3)

Weekly Releases & News

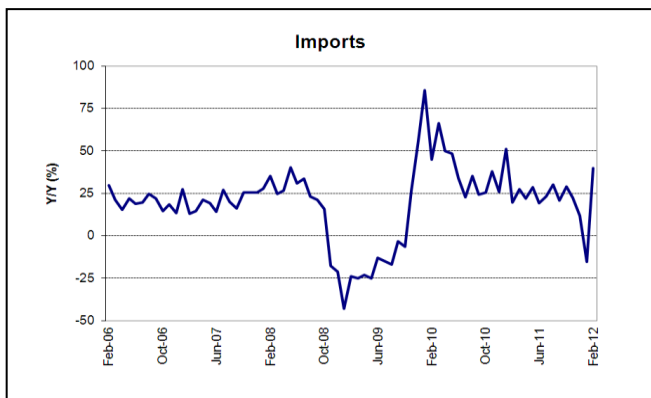
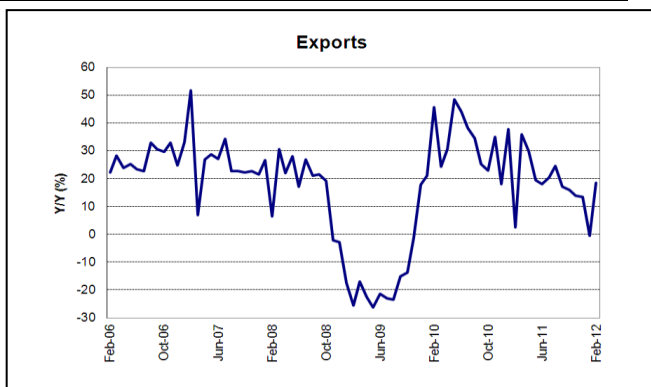
Chart(s) of the Week: *Trade Data*



China's Trade Balance flipped from a surplus of \$27.28 bln in January to a deficit of \$31.48 bln in February; and below an expected deficit of \$5.35 bln.

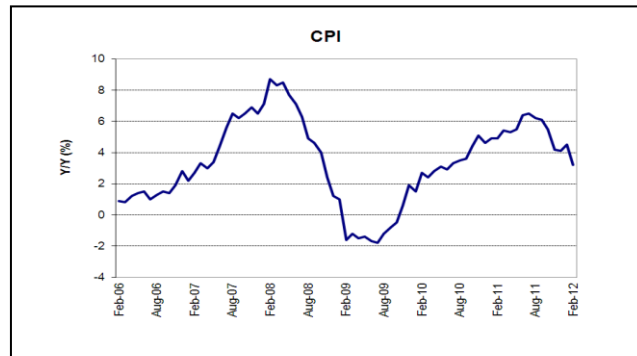
Exports rose 18.4% Y/Y in February – compared with 0.5% Y/Y loss the previous month. They were expected to gain 31.1% Y/Y.

Imports rose 39.6% Y/Y in February – compared with a -15.3% loss the month before; and above expectations of a 31.8% Y/Y gain.



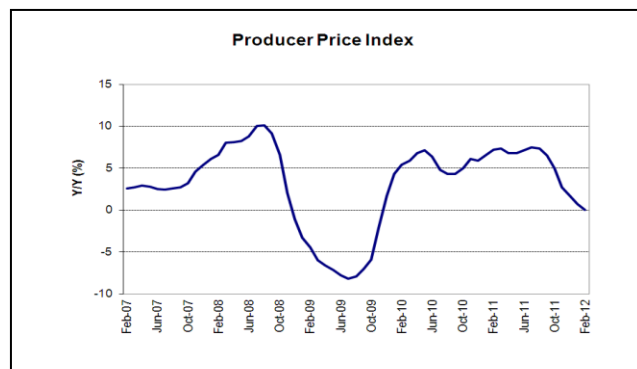
CPI

The Consumer Price Index rose 3.2% Y/Y in February, compared with 4.5% the previous month; and below the 3.4% gain expected.



PPI

The February Producer Price Index was unchanged on the month, following a 0.7% Y/Y gain the previous month. A gain of 0.1% Y/Y was expected.

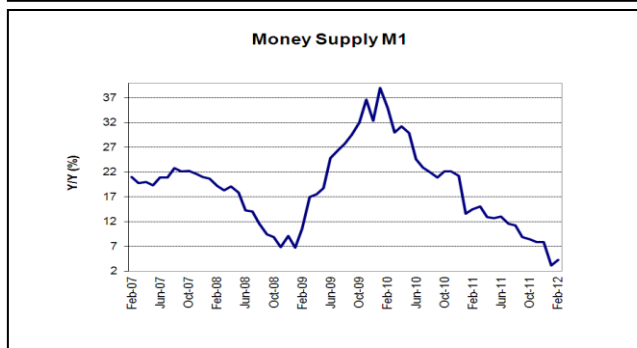
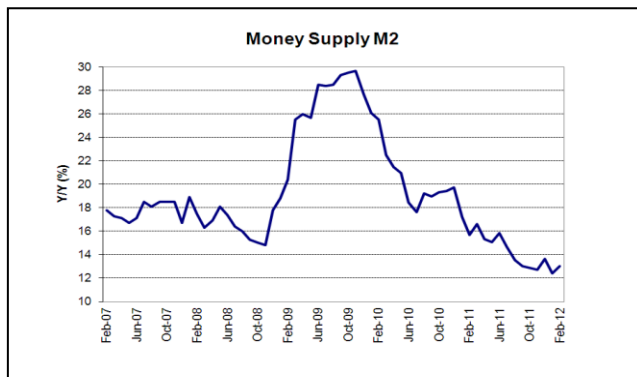


Money Supply

M2, the broadest measure of Money Supply, rose from 12.4% Y/Y in January to 13.0% Y/Y February; above expectations of 12.9%.

As expected, M1 Money Supply growth rose from 3.1% Y/Y in January to 4.3% Y/Y in February. A gain of 6.1% Y/Y was expected.

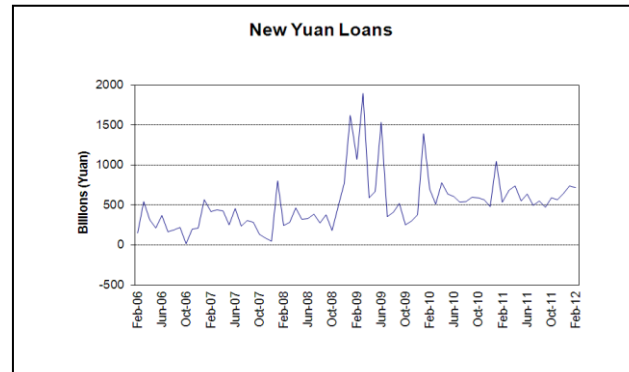
M0 Money Supply growth rose from 3.0% Y/Y in January to 8.8% Y/Y in February.



New Yuan Loans, News & Upcoming Dates

New Yuan Loans

New Yuan Loans fell from \$738.1 bln in January to \$710.7 bln in February; below expectations of \$750.0 bln.



News

March 14th (Bloomberg) Further Rise By China's Yuan Unlikely - Premier Wen Jiabao commented:

That shows that the renminbi exchange rate may possibly have reached an equilibrium exchange rate.

We welcome greater elasticity of the renminbi exchange rate.

March 14th (Bloomberg) - Curbs Needed to Avoid China Property 'Chaos' - Chinese Premier Wen Jiabao said:

We must not slacken our efforts in regulating the housing sector.

[A bursting property bubble would hurt the entire economy, and the government wants] long-term steady and sound growth [in housing].

[that if the government loosened property restrictions,] past gains will be lost and there will be chaos in China's housing sector.

Key Dates This Week

Date	Indicator	Month	Expectation	Previous
02/13-18	Actual FDI	FEB	--	17%
03/17	China Feb Property Prices			

Valance Economic Report: Sweden

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March 14, 2012

In February, Sweden's annual Inflation held steady at 1.9% and the Jobless rate decreased a bit less than expected. Industrial Output grew more than forecast and Orders continued to fall in January.

Weekly Highlights

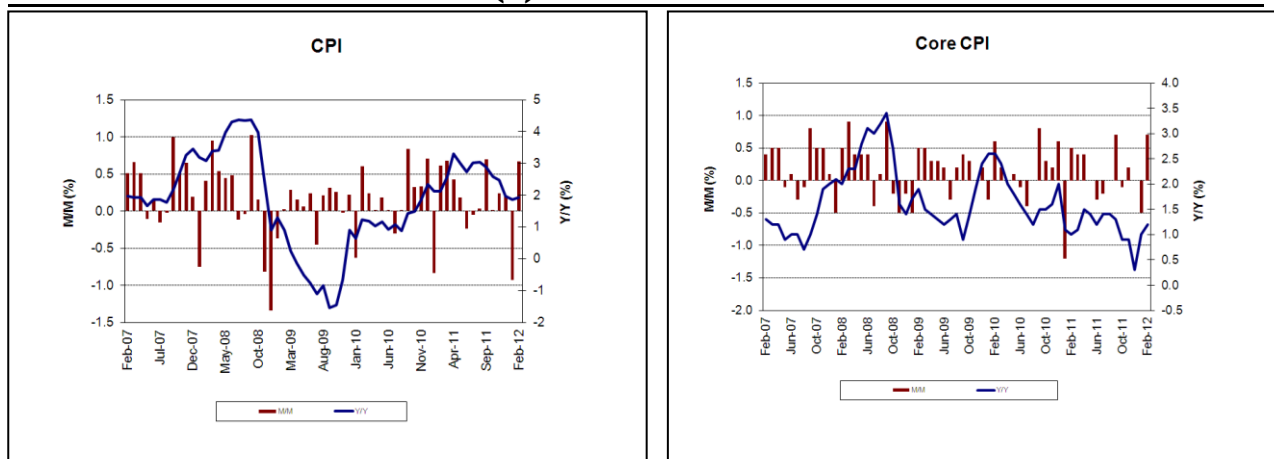
CPI – rose 0.7% M/M and held at 1.9% Y/Y in February. (SW 1)

Core CPI – rose 0.7% M/M and 1.1% Y/Y in February. (SW 1)

Unemployment Rate – fell from 4.8% in January to 4.7% in February. (SW 2)

Weekly Releases & News

Chart(s) of the Week: *CPI*



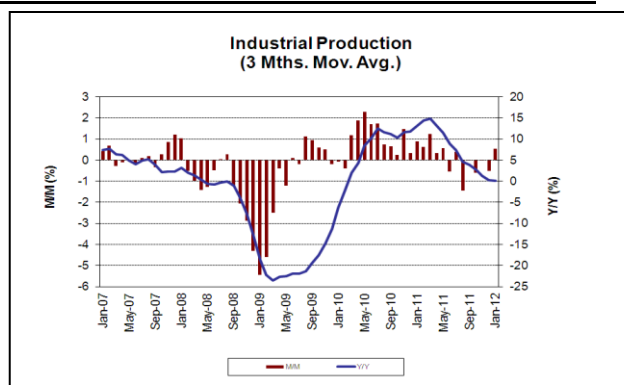
Headline Consumer Price growth rose 0.7% on the month, following a -0.9% M/M gain the previous month. Annually, prices rose 1.9%, same as previous year's level. Increases in food (+0.9%), tobacco (+5.5%), clothing and footwear (+2.0%), fuel (+2.1%), transportation services (+2.2%), electricity (+1.7) and package holidays (+4.7%) had a positive effect on the monthly rate. On a core basis, prices rose 0.7% M/M and 1.1% Y/Y in February, compared with -0.7% M/M and 0.9% Y/Y in January.

SW 1

Industrial Production/Orders & Unemployment Rate

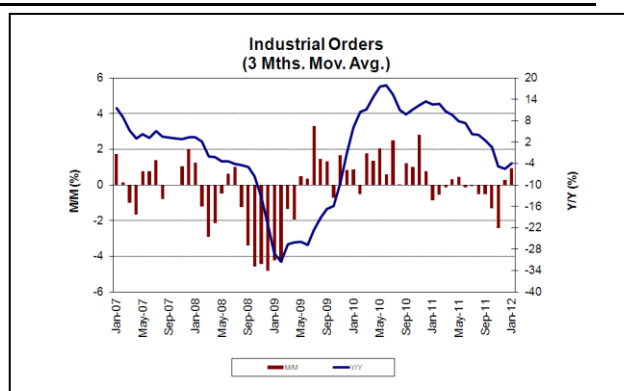
Industrial Production

Industrial Production rose 3.6% M/M and 2.1% Y/Y in January, compared with -0.2% M/M and -0.4% Y/Y the previous month. On a monthly basis, production in most of the industry's subsectors varied, with most showing positive developments. Notably, on a monthly basis, the textile and pharmaceutical industries advanced the most. Annually, the strongest developments were seen in the non-metallic mineral products and textile industries.



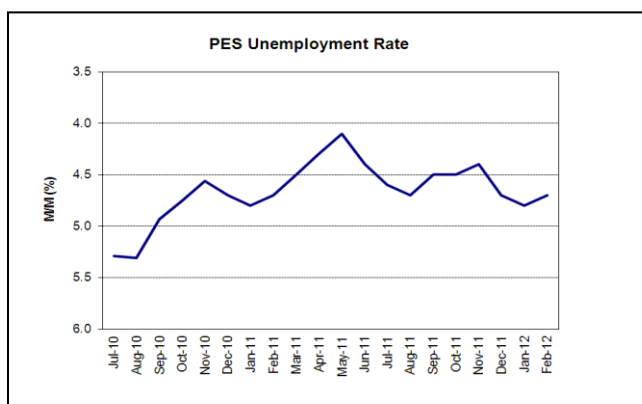
Industrial Orders

January Industrial Orders fell 0.1% M/M and 1.2% Y/Y, compared with +7.5% M/M and -2.0% Y/Y in December. New orders in the domestic market increased 3.1% M/M, while the export market decreased 2.3% M/M.



Unemployment Rate

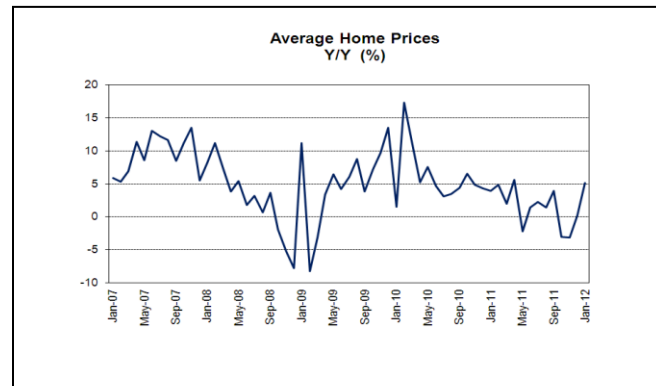
The Unemployment Rate (n.s.a.) fell from 4.8% in January to 4.7% in February. The rate was expected to remain at the previous month's level. The number of unemployed totaled 404K mln persons – up 4K from last year; while the number of vacancies reached approximately 74K.



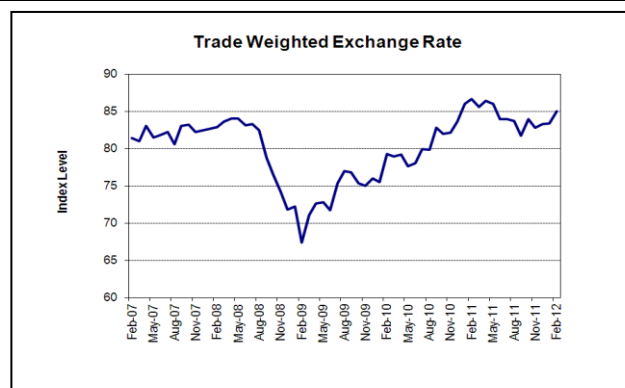
Average House Prices, Trade Weighted Exchange Rate & News

Average House Prices

Average House Prices rose from SEK 2.078 mln in December to SEK 2.322 mln in January, a gain of 5.1% Y/Y%.



Trade Weighted Exchange Rate



News

March 13th (Bloomberg) - Riksbank Rate Seen Expansionary in Years Ahead - Riksbank Deputy Governor Per Jansson said:

It is now expected that monetary policy will continue to be expansionary in the years immediately ahead. Keeping the repo rate low over such a long period of time may entail risks. [Still,] these risks are limited, at least at the moment.

News (Cont'd.) & Upcoming Dates

News (Cont'd.)

March 9th (Bloomberg) - Sweden Shouldn't Pay More to Borrow Than Germany - Finance Minister Anders Borg remarked:

Sweden will probably have a stronger recovery eventually than Germany and then interest rates eventually ought to rise above Germany's due to, so to speak, economic-cycle reasons. But in the long-term they ought to be on par or slightly below.

We have in relative terms very strong public finances. We should also remember that the inflation outlook is very low in Sweden relative to other European countries. When you have a very low pace of price increases, a very small supply of government bonds and very high credibility in a situation when that matters a lot, well then you get that type of effect [of low interest rates].

[There has been] a very significant slowing of our private consumption for several different reasons that we think will gradually subside, but it will take a recovery and a decrease in uncertainty for that to happen.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
03/15	Unemployment Rate	FEB	8.0%	8.0%

Valance Economic Report: *Switzerland*

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March 14, 2012

In February, Swiss Consumer Prices dropped for the fifth consecutive month. Investor sentiment improved for a third consecutive month in March.

Weekly Highlights

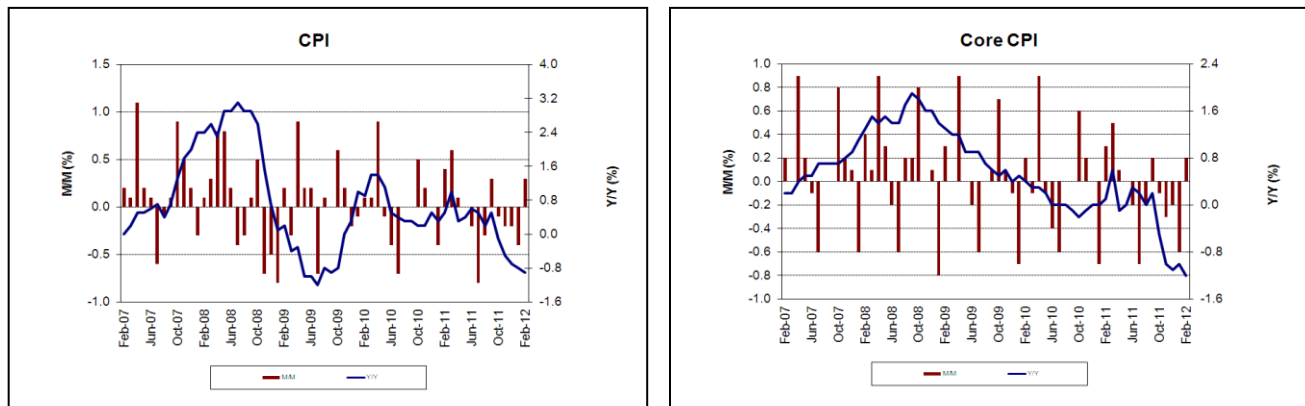
CPI – rose 0.3% M/M and fell 0.9% Y/Y in February. (SZ 1)

Producer & Import Prices – rose 0.8% M/M and fell 1.9% Y/Y in February. (SZ 2)

March Investor Sentiment – improved from -50.1 in February to -21.2. (SZ 3)

Weekly Releases & News

Chart(s) of the Week: *CPI*

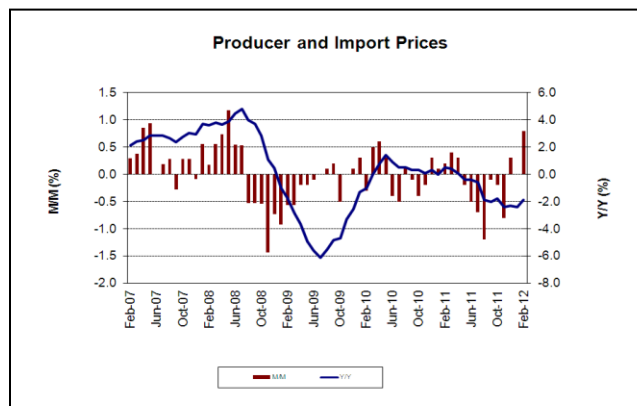


February Consumer Prices rose 0.3% M/M, compared with -0.4% MM the previous month, and above expectations of 0.2% M/M. On an annual basis, prices fell 0.9%, more than the -0.8% loss posted the month before. A decrease of 1.0% was forecast. The decline was mostly due to the franc's appreciation. Additionally, Core Consumer Prices rose 0.1 % M/M and -1.2% Y/Y, compared with -0.7% M/M and -0.9% Y/Y the previous month.

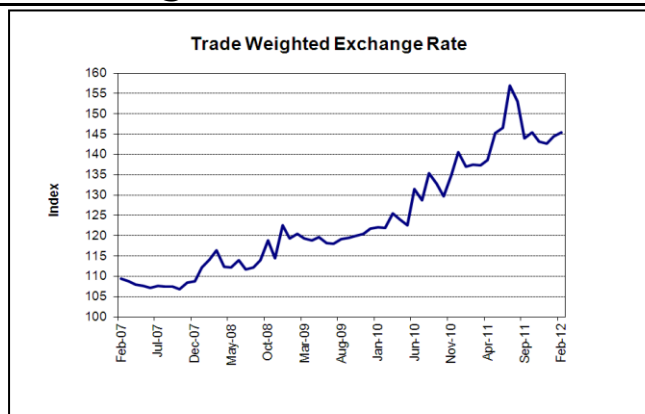
PPI, Trade Weighted Exchange Rate & Data

PPI

In February, Switzerland's combined Producer & Import Price Index rose 0.8% M/M, after remaining flat in January. Swiss Statistics remarked, "This was primarily attributable to higher prices for chemical and pharmaceutical products which are collected on a quarterly basis. But petroleum and metal products also registered price increases." Annually, the index slipped 1.9%, compared with -2.4% the year before. Prices were expected to reach 0.2% M/M and -2.4% Y/Y. Separately, costs of imports gained 0.9% M/M and fell 2.6% Y/Y.



Trade Weighted Exchange Rate



Data

March 14th (Bloomberg) – Swiss Investor Sentiment - A survey by the ZEW Center for European Economic Research and Credit Suisse Group showed that the outlook for Swiss Investor Confidence reached a level 0.0 in March, following a -21.2 reading in February.

News

March 14th (Bloomberg) - SNB Maintained Its 'Excellent Reputation' - Swiss President Eveline Widmer-Schlumpf said:

So far, fortunately, it was able to maintain this reputation despite this staged polemic toward some representatives. Fortunately for our country we have a strong institution. We can't accept that, based on political motives, our well-functioning institutions are bad mouthed. ...[the Swiss National Bank] was and is able to act.

March 14th - SNB Board Should Be Banned from Currency Purchases – Deputy of the Swiss People's Party, Christoph Blocher stated:

It's absolutely clear that if there's someone that is not allowed to conduct currency transactions in this country, then it's the [Swiss National Bank board members]

I ask you what you would have done had people come to you, saying that they don't believe it but the president of the SNB is conducting these transactions?"

March 7th (Bloomberg) - SNB Bank Council Says Entire Board Has Been Cleared - The SNB Supervisory Board made the following comments:

No activities were identified which might suggest that financial transactions by members of the enlarged governing board were in breach of guidelines.

[The Bank Council said both] cannot be reproached for any misconduct [and didn't] take advantage of privileged information.

Council President Hansueli Raggenbass: [...the] conditions are in place [for the government to take a decision.] Theoretically, it would be of advantage to elect a new SNB president soon. [It would] create more stability at the SNB.

KPMG has found no indication with regard to these transactions which would suggest that there was any conflict of interest, or that confidential information was exploited to derive a personal advantage.

The Bank Council has taken note of the results of the investigation and has looked into them in detail. It continues to have full confidence in Danthine and Wiedmer, as well as the other members of the enlarged governing board.

[The central bank, which proposed to toughen internal rules after Hildebrand quit, said today that] work is almost complete and the new regulations will be published shortly.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
03/15	SNB 3-Month Libor Target Rate	MAR 15	0.00%	0.00%
03/20	IP	Q4	--	-1.5%
03/21	M3 Money Supply	FEB	--	8.2%