

# Valance Company, Inc.



Weekly

March 21, 2012

III

## Highlights

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US – Details of manufacturing surveys weak

EU – Weak employment data

JN – Industry Activity declined more than anticipated in January

SZ – The SNB kept its 3-Month Libor Target Rate at zero

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*Valance Economic Reports*

Valance Co., Inc.

# Valance Economic Report: United States

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March 21st, 2012

A mixed week of US data: Consumer confidence indicators are gradually grinding higher, while the housing market improvement remains tepid and new orders in the manufacturing surveys are falling back.

## Weekly Highlights

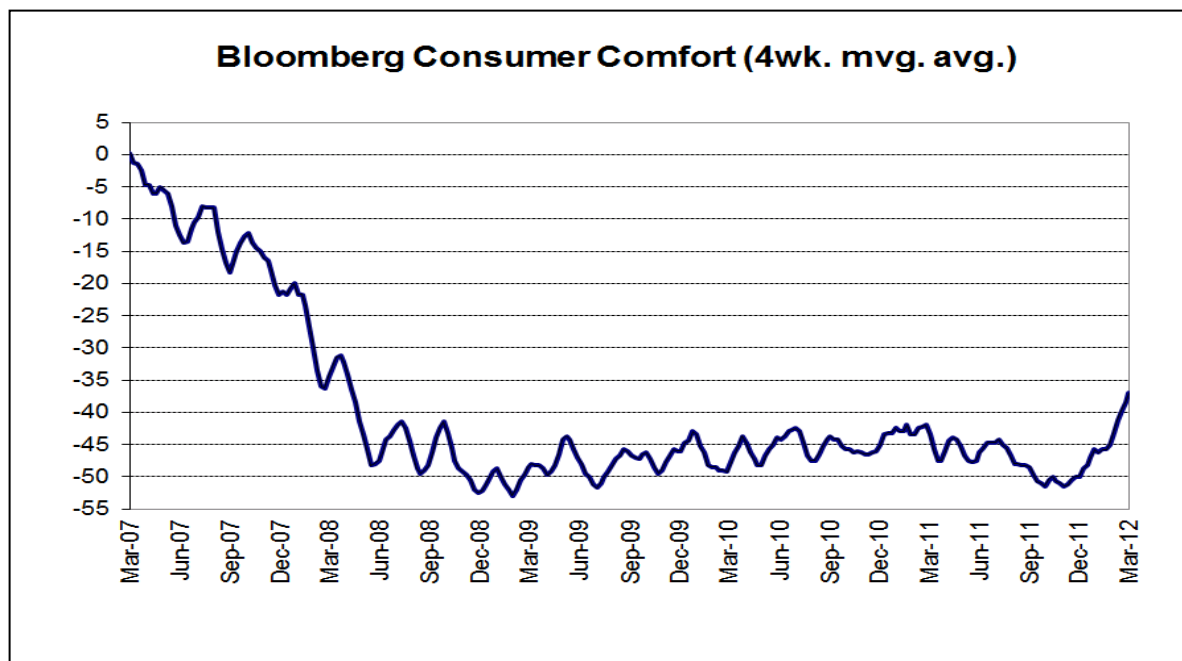
**Philly Fed Index** – improved from 10.2 to 12.5 in March, but new orders at a 6-month low. (US 3)

**Core CPI** – increased 0.1% M/M and 2.2% Y/Y in February (US 4)

**Building Permits** – jumped 5.1% M/M in February, rising from 682k to 717k. (US 6)

## Weekly Releases

### Chart of the Week: *Bloomberg Consumer Comfort*



The Bloomberg Consumer Comfort Index improved from -36.7 to -33.7, the highest level since March 2008. While the index remains negative, it has shown significant improvement in recent months as consumers are becoming less pessimistic. The buying climate component jumped 6.7 points from -40.4 to -33.7, the highest since November 2007. The state of the economy improved from -70.0 to -67.1.

US 1

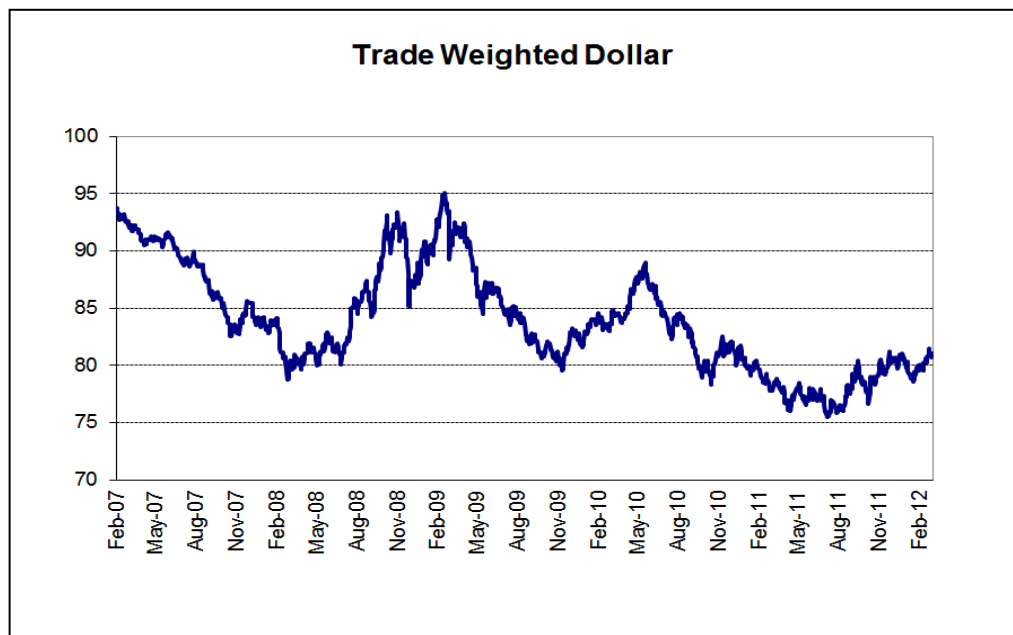
## U.S. Financial Balances & Trade Weighted Dollar

### 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.

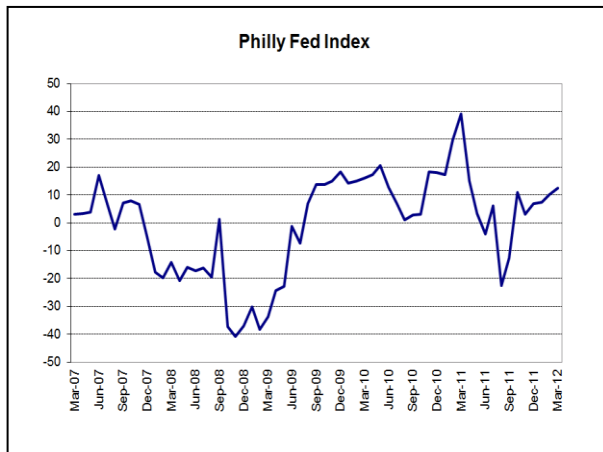
### Trade Weighted Dollar



# Philadelphia Fed., Empire Manufacturing & Initial Jobless Claims

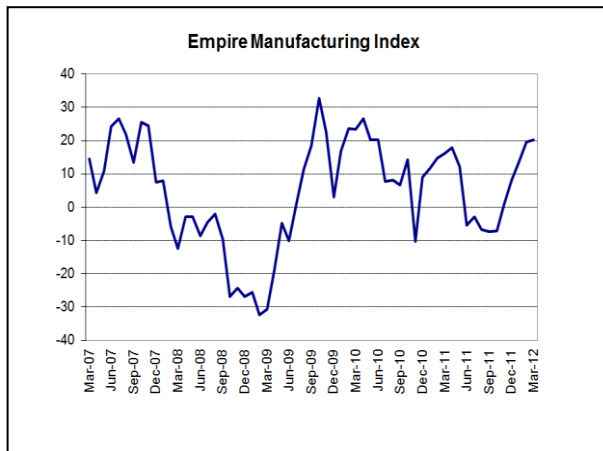
## Philly Fed Index

The Philly Fed Index improved from 10.2 to 12.5 in March, an eleven-month high. The New Orders component fell from 11.7 to 3.3 and Unfilled Orders from 2.2 to -11.0. The Employment component improved from 1.1 to 6.8 and the Average Workweek fell from 10.1 to 2.7.



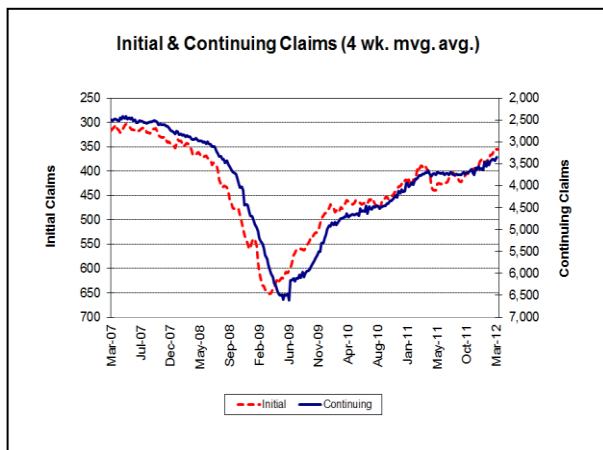
## Empire Manufacturing

The Empire Manufacturing Index rose from 19.53 to 20.21 in March, beating expectations of 17.5 and is now at the highest level since the summer of 2010. The Employment component improved from 11.8 to 13.6 and the Average Workweek rose from 7.1 to 18.5. Similar to the Philly index, new orders fell to a multi-month low.



## Initial Jobless Claims

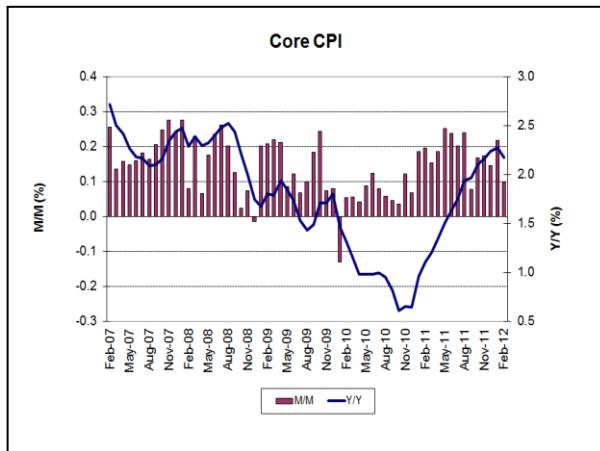
Initial Claims fell from 365k to 351k. The series has been volatile since the beginning of the year but is starting to stabilize in the 350k range. The four week moving average of Initial Claims remained at 356k, negligibly higher than recent lows. Continuing Claims fell from 3424k to 3343k.



## CPI, PPI & Industrial Production

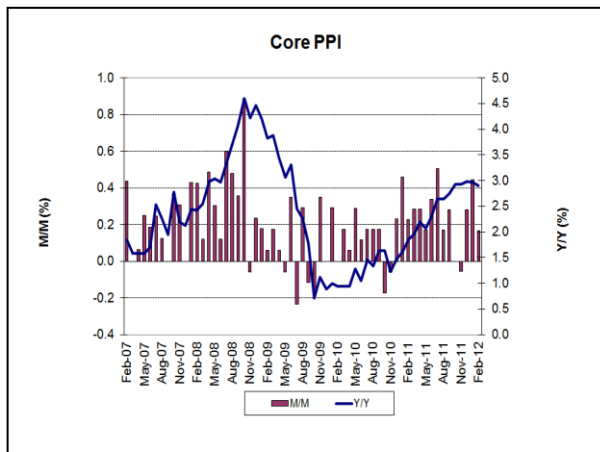
### CPI

Core CPI increased 0.1% M/M and 2.2% Y/Y in February. The three-month annualized core rate is 1.9%. Owners equivalent rent rose 0.1% M/M. The headline rate increased 0.4% M/M and is 2.9% Y/Y. Energy prices gained 3.2% M/M and 7.0% Y/Y.



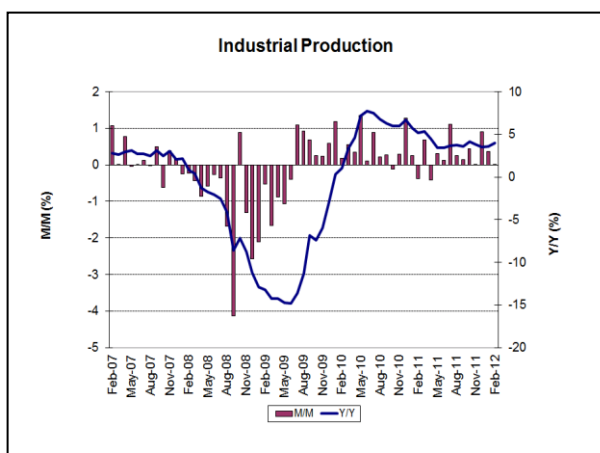
### PPI

Core PPI increased 0.2% M/M and remained at 3.0% Y/Y in February. Headline PPI rose 0.4% M/M and decelerated to 3.3% Y/Y growth. The three-month annualized core rates in now 3.6%. Core intermediate goods increased by 1.0% M/M.



### Industrial Production

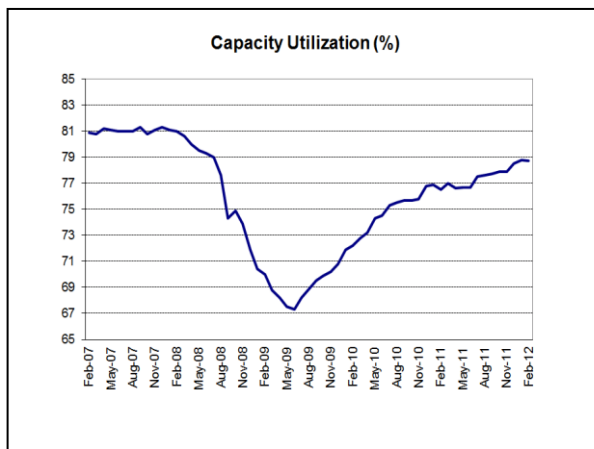
Industrial Production was flat M/M and up 4.0% Y/Y in February. January was positively revised from 0.0% to 0.4% M/M growth. Manufacturing improved 0.3% M/M and is up 5.1% Y/Y. Utilities were flat M/M and are down 5.6% Y/Y. Mining declined 1.2% M/M but is still up 6.1% Y/Y.



## Capacity Utilization, U. of Michigan Confidence & NAHB Housing Market Index

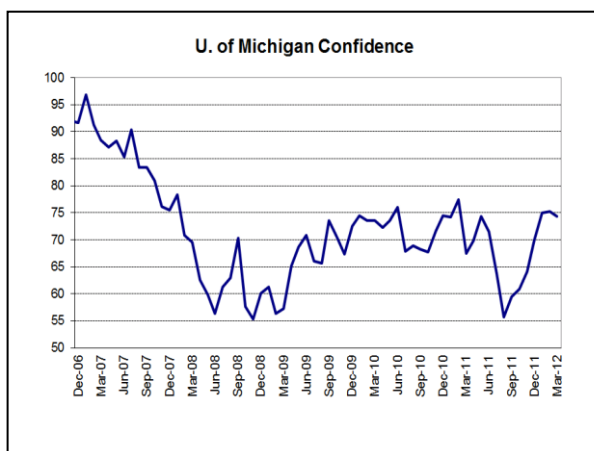
### Capacity Utilization

Capacity Utilization was positively revised in January from 78.5% to 78.8%. It declined slightly in February to 78.7%. Utilization has shown significant improvement from 2009 lows and is starting to approach the 80% levels last seen in 2008.



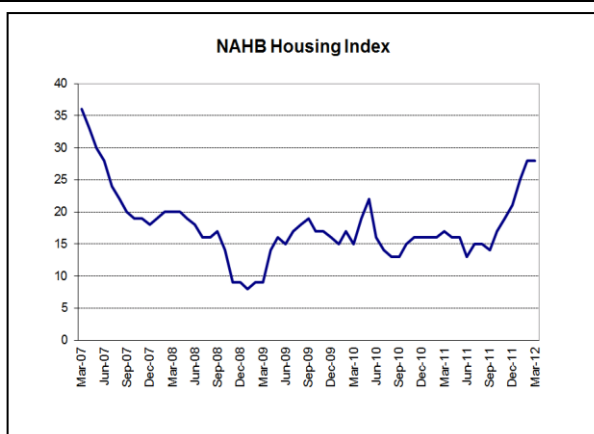
### U. of Michigan Confidence

The preliminary University of Michigan Confidence Index dropped from 75.3 to 74.3 in March. The current conditions component improved from 83.0 to 84.2. The expectations component fell from 70.3 to 68.0. Inflation expectations over the next year jumped from 3.3% to 4.0% while the five year



### NAHB Housing Market Index

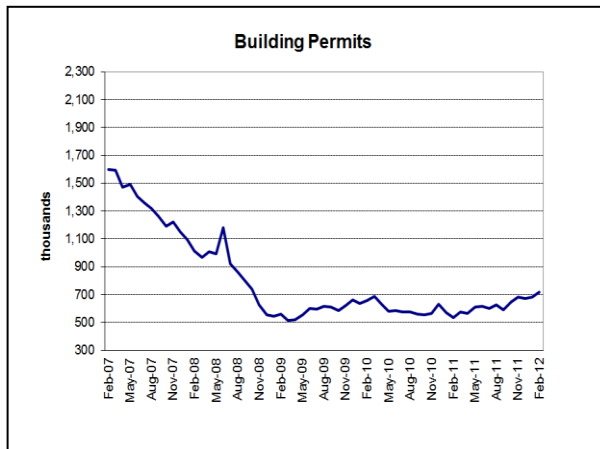
The NAHB Index remained at 28 in March, as February was revised lower from 29 to 28. Traffic held at 22. Future sales increased from 34 to 36 though present sales ticked lower from 30 to 29.



## Building Permits, Housing Starts & Existing Home Sales

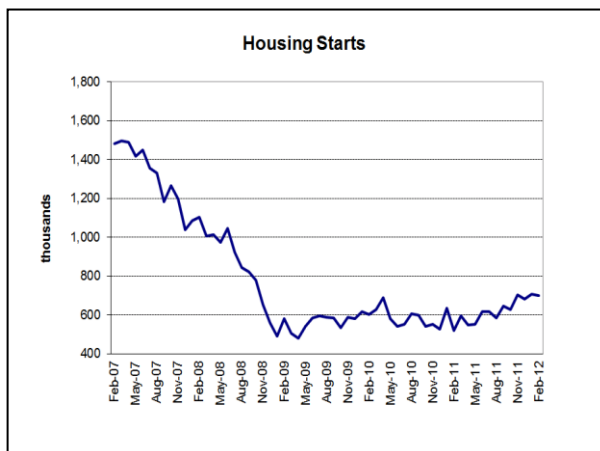
### Building Permits

Building Permits jumped 5.1% M/M in February, rising from 682k to 717k. Single and Multi-family permits both rose, up from 450k and 232k to 472k and 245k, respectively. Permits lead housing starts and suggest that housing starts could begin to improve from these low levels later in the first half of 2012.



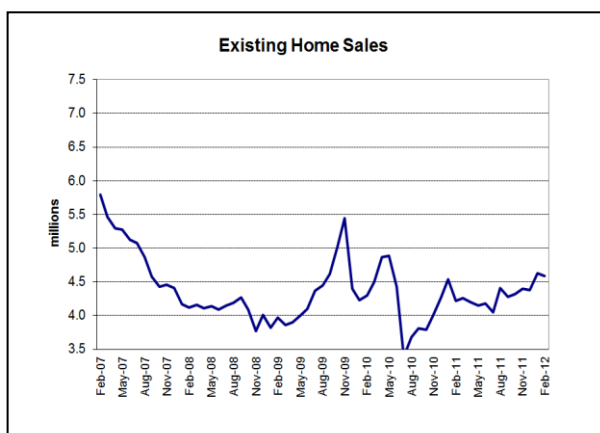
### Housing Starts

Housing Starts fell 1.1% M/M in February, down from a revised 706k (from 699k) to 698k on a seasonally adjusted annualized basis. Single family starts declined from 507k to 457k. Multi-family starts jumped from 199k to 241k. Housing Starts are up 34.7% Y/Y.



### Existing Home Sales

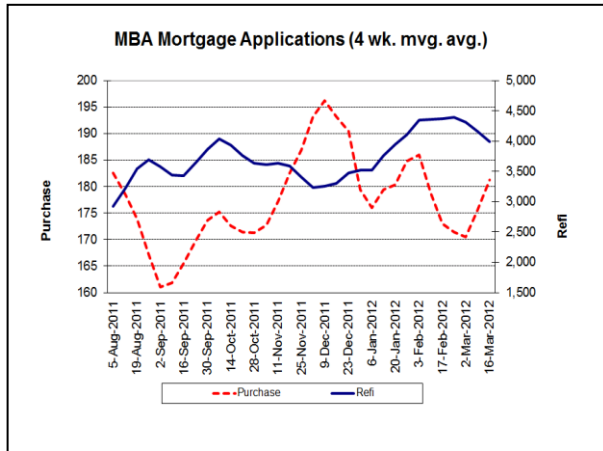
Existing Home Sales fell from 4.63 mln seasonally adjusted annualized units to 4.59 mln in February, down 0.9% M/M. Median prices rose 2k to 156.6k. Inventory levels increased from 6.0 to 6.4 months of supply.



## MBA Mortgage Applications

### MBA Mortgage Applications

Purchase Mortgage Applications fell 1.0% W/W. Refi applications dropped 9.3% W/W. The FRM 30-year contract is jump to 4.19% from 4.06%.



**Key Dates This Week**

<b>Date</b>	<b>Indicators</b>		<b>Expectations</b>	<b>Prior</b>
22-Mar	Initial Jobless Claims	17-Mar	350K	351K
22-Mar	Bloomberg Consumer Comfort	18-Mar	--	-33.7
22-Mar	House Price Index MoM	JAN	0.30%	0.70%
23-Mar	New Home Sales MoM	FEB	1.30%	-0.90%
26-Mar	Pending Home Sales MoM	FEB	1.00%	2.00%
27-Mar	S&P/CS 20 City MoM% SA	JAN	-0.35%	-0.50%
27-Mar	Consumer Confidence	MAR	70.5	70.8
28-Mar	MBA Mortgage Applications	23-Mar	--	--
28-Mar	Durables Ex Transportation	FEB	2.40%	-3.20%

Valance Co., Inc.

# Valance Economic Report: Euro Zone

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March 21, 2012

Weak employment data was the main highlight of last week's Euro Area economic releases. EU Employment fell 0.2% Q/Q in Q4, as employment gains in Germany were offset by losses in Spain and Portugal. Other data showed the EU Trade Balance swung from a surplus of €9.1 bln in December to a deficit of €7.6 bln in January and German Producer Prices increased below expectations.

## Weekly Highlights

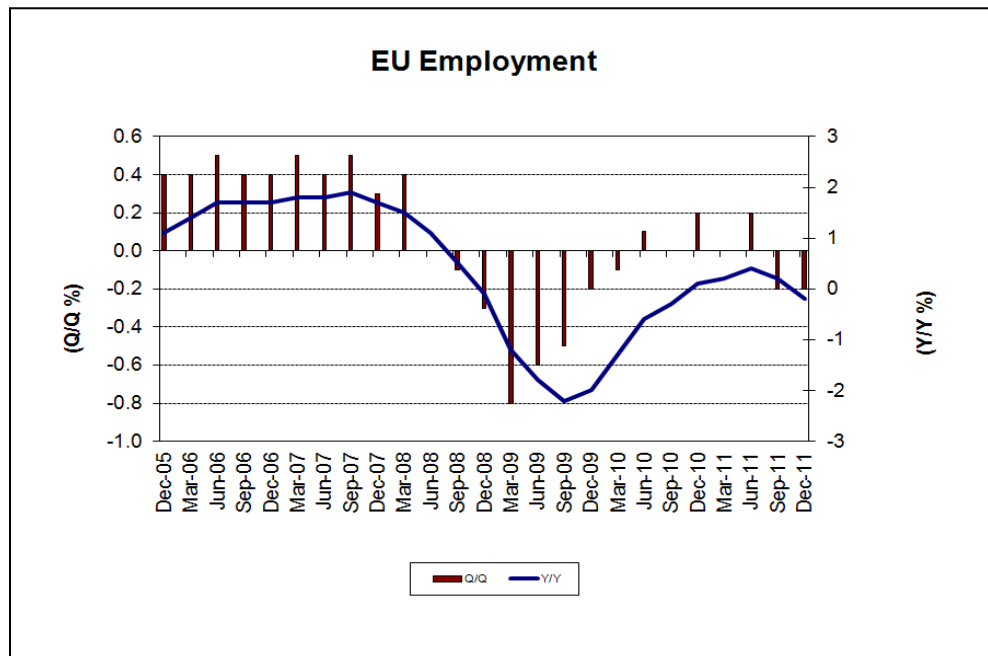
**EU Employment** - fell 0.2% Q/Q in Q4. (EU 1)

**EU Trade Balance** – posted a deficit of €7.6 bln in January. (EU 3)

**German PPI**- increased 0.4% M/M and 3.2% Y/Y in February. (EU 4)

## Weekly Releases & News

### Chart(s) of the Week: *EU Employment*



EU Employment fell 0.2% Q/Q in Q4 matching the previous quarter reading. Y/Y growth also fell 0.2%. Employment gains in Germany were offset by losses in Spain and Portugal. Labor cost growth accelerated from 2.6% Y/Y in Q3 to 2.8% Y/Y in Q4.

EU 1

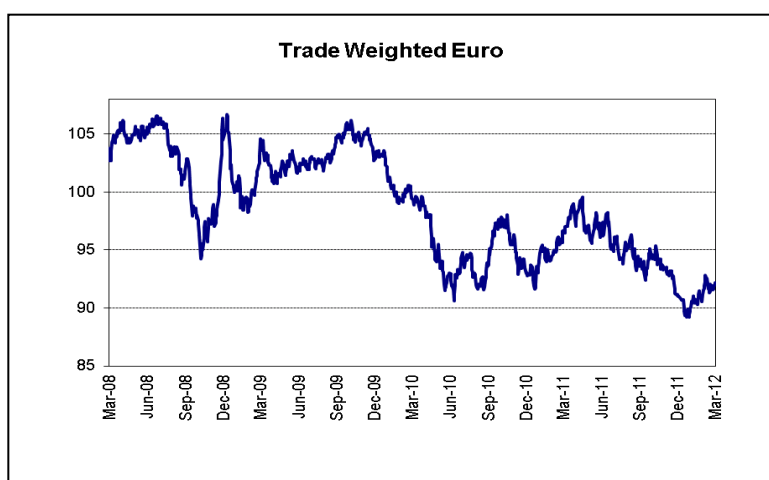
## Euro Zone Financial Balances & Trade Weighted Euro

### 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*

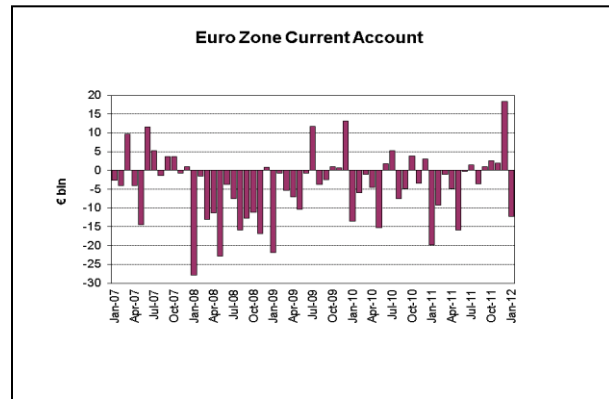
### Trade Weighted Euro



# EU Current Account/Trade Balance & GE Producer Prices

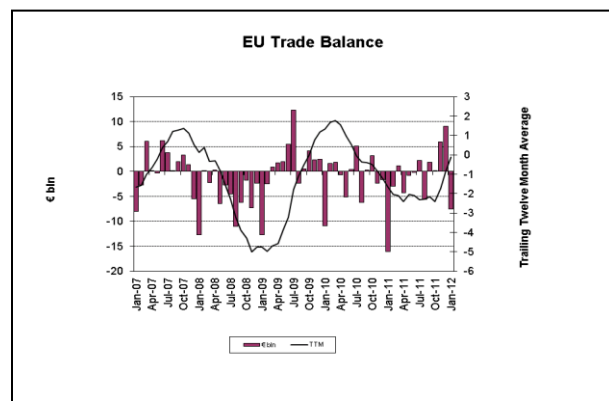
## EU Current Account

EU Current Account Balance swung from a surplus of €18.3 bln in December to a deficit of €12.3 bln in January. This compares to a deficit of €19.9 bln in January 2011.



## EU Trade Balance

EU Trade Balance swung from a surplus of €9.1 bln in December to a deficit of €7.6 bln in January as Imports gained more than Exports. Imports increased 2.4% M/M and Exports increased 1.3% M/M. The Trade Balance stood at a deficit of €16.1 bln in January 2011.



## German Producer Prices

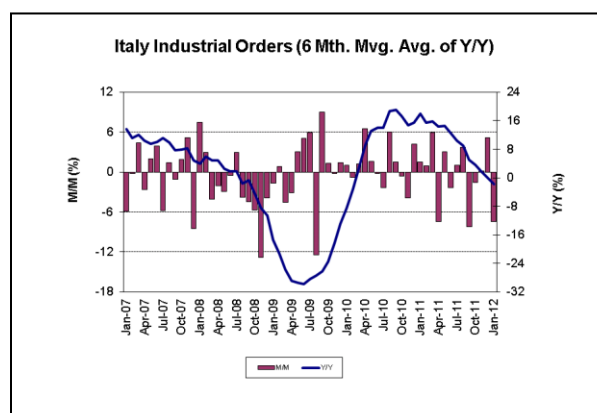
German Producer Prices increased 0.4% M/M and 3.2% Y/Y in February. Market expectations were for a 0.5% M/M and a 3.2% Y/Y gain. Producer Prices, ex. energy, increased 0.3% M/M and increased 1.5% Y/Y.



## Italian Industrial Orders, Trade Balance & Current Account

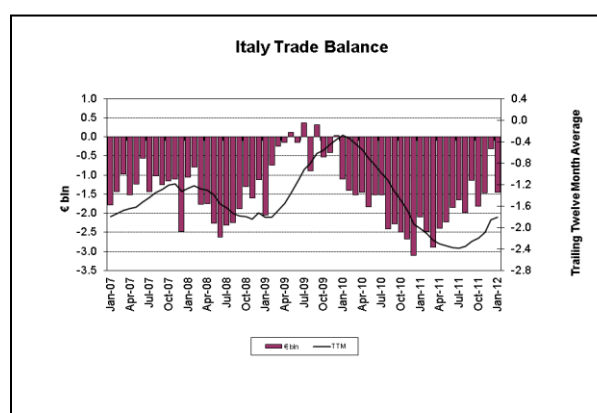
### Italian Industrial Orders

Italian Industrial Orders fell 7.4% M/M and 5.6% Y/Y in January. Industrial Sales decreased 4.9% M/M and 4.4% Y/Y.



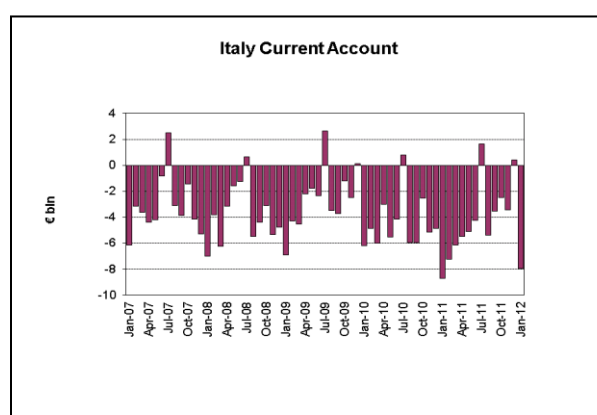
### Italian Trade Balance

Italian Non EU Trade Deficit widened from €0.3 bln in December to €1.5 bln in January. Non-EU Imports increased 2.8% M/M and fell 2.4% Y/Y and exports decreased 0.5% M/M and 4.8% Y/Y. The Trade Balance stood at a deficit of €2.1 bln in January 2011.



### Italian Current Account

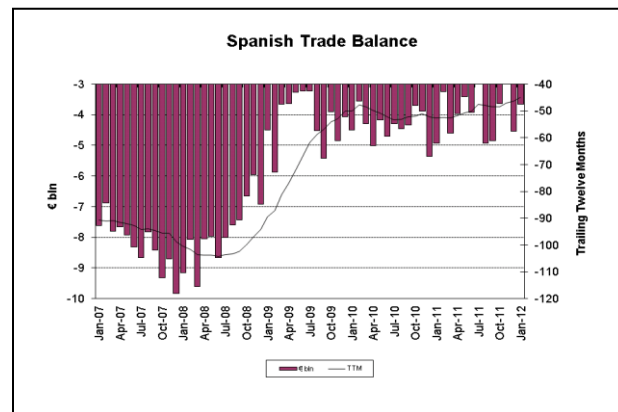
Italian Current Account Balance swung from a surplus of €0.4 bln in December to a deficit of €8.0 bln in January. The Current Account balance stood at a deficit of €8.7 bln in January 2011.



## Spanish Trade Balance & News/Comments

### Spanish Trade Balance

Spain's Trade Deficit narrowed from €4.5 bln in December to €3.7 bln in January as exports fell less than imports. Exports fell 2.5% M/M and increased 3.9% Y/Y and Imports fell 6.1% M/M and 3.1% Y/Y. The deficit in January 2011 stood at €4.9 bln.



### News

#### ***March 21<sup>st</sup> - Asmussen Says ECB Must Start to Prepare Exit, Die Zeit Reports (Bloomberg) -***

European Central Bank board member Joerg Asmussen said policy makers must start to plan an exit from emergency lending measures that have pumped more than 1 trillion euros (\$1.3 trillion) into the banking system, Die Zeit newspaper reported, citing an interview. “The timing of the exit depends on developments in financial markets,” Asmussen said, according to Die Zeit. “Clearly it is still too early to begin, but we must start to carefully prepare the exit.” One shouldn’t assume the ECB will make any more three-year loans to banks, Asmussen was quoted as saying.

The debt crisis is not over and it’s unclear whether the current calm on markets is deceptive, he said. Governments should use the lull to press ahead with necessary reforms, Asmussen said. There are signs the ECB’s loans are starting to gradually reach the real economy, Asmussen told Die Zeit. While there are no signs of speculative bubbles on European markets, “real- estate prices are rising appreciably in some regions of Germany and one must follow that carefully,” he was quoted as saying. Monetary union can only work with economic and fiscal union, which involves giving up some sovereignty, Asmussen said. Asked if that means Europe needs to become more German, he said: “If you consider stable prices, sound fiscal policy and ecologically sustainable growth to be a German model, then Europe must become more German.” At the same time, many other member states want to achieve exactly those things and Germany shouldn’t present itself as a taskmaster, Asmussen said. He said he works closely with Bundesbank President Jens Weidmann and they value each other, Die Zeit reported.

## ***News/Comments Con't***

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***March 21<sup>st</sup> - Merkel Cabinet Approves 2013 Budget That Speeds up Deficit Cut (Bloomberg)*** - German Chancellor Angela Merkel's Cabinet today approved the federal budget for next year in a step that seeks to speed up balancing its accounts, a government spokesman said. Net new borrowing this year is set at 19.6 billion euros compared with 24.9 billion euros planned earlier, according to the draft legislation obtained by Bloomberg News. The government aims to balance the budget "at the latest" in 2016 to fulfill a constitutional "debt brake," it shows.

***March 20<sup>th</sup> - Spain Needs to Cut Health Spending to Reach Goal, Moody's Says (Bloomberg)*** - Spain needs to cut healthcare spending in order to reach its deficit target next year, Kathrin Muehlbronner, a senior analyst at Moody's Investors Service, said today. "The main reason for the deviation at the regional government level, apart from revenues declining more than expected, is growth in healthcare spending," Muehlbronner, the main analyst for Spain, said in a telephone interview today. "That's a big expenditure driver and in the end, if you want to get the deficit down from 8.5 percent to 3 percent by 2013, it's probably difficult to avoid measures in that area." Healthcare accounts for about 36 percent of spending by regional governments, which missed their budget-deficit target last year. The regions' overall shortfall was 2.94 percent in 2011, helping push the nation's general deficit to 8.5 percent, instead of the 6 percent goal.

***March 19<sup>th</sup> - Bundesbank's Nagel Says ECB Should Signal Exit, Spiegel Reports (Bloomberg)*** - Bundesbank board member Joachim Nagel said the European Central Bank needs to start talking about an exit from emergency lending measures, Spiegel Online reported, citing an interview. There is "the danger that banks take risks that we don't want to see," Nagel said. It is therefore "important that we speak about exit scenarios now and signal to the markets that one shouldn't assume what's happened in the past months will continue," he said, according to Spiegel.

## Key Dates This Week

Date		Indicators		Expectations	Previous
22-Mar	EC	Euro-Zone Consumer Confidence	MAR A	-20	-20.3
28-Mar	EC	Euro-Zone M3 s.a. 3 mth ave.	FEB	--	2.00%
28-Mar	EC	Euro-Zone M3 s.a. (Y/Y)	FEB	--	2.50%
24-30 MAR	GE	Import Price Index (M/M)	FEB	--	1.30%
24-30 MAR	GE	Import Price Index (Y/Y)	FEB	--	3.70%
26-Mar	GE	IFO - Business Climate	MAR	--	109.6
26-Mar	GE	IFO - Current Assessment	MAR	--	117.5
26-Mar	GE	IFO - Expectations	MAR	--	102.3
27-Mar	GE	GfK Consumer Confidence Survey	APR	--	6
28-Mar	GE	Consumer Price Index (M/M)	MAR P	--	0.70%
28-Mar	GE	Consumer Price Index (Y/Y)	MAR P	--	2.30%
28-Mar	GE	CPI - EU Harmonised (M/M)	MAR P	--	0.90%
28-Mar	GE	CPI - EU Harmonised (Y/Y)	MAR P	--	2.50%
23-Mar	FR	Wages (Q/Q)	4Q F	--	0.30%
23-Mar	FR	Own-Company Production Outlook	MAR	--	-2
23-Mar	FR	Production Outlook Indicator	MAR	--	-27
23-Mar	FR	Business Confidence Indicator	MAR	93	92
26-Mar	FR	Jobseekers- Net Change	FEB	--	13.4
26-Mar	FR	Total Jobseekers	FEB	--	2861.7k
27-Mar	FR	Consumer Confidence Indicator	MAR	--	82
28-Mar	FR	Gross Domestic Product (Q/Q)	4Q F	--	0.20%
28-Mar	FR	Gross Domestic Product (Y/Y)	4Q F	--	1.40%
23-Mar	IT	Retail Sales s.a. (M/M)	JAN	--	-1.10%
23-Mar	IT	Retail Sales (Y/Y)	JAN	--	-3.70%
26-Mar	IT	Consumer Confidence Ind. sa	MAR	--	94.2
28-Mar	IT	Business Confidence	MAR	--	91.5
2-Mar	SP	Producer Prices (M/M)	FEB	--	0.80%
23-Mar	SP	Producer Prices (Y/Y)	FEB	--	3.60%

## Valance Co., Inc.

**Valance Economic Report: Japan**

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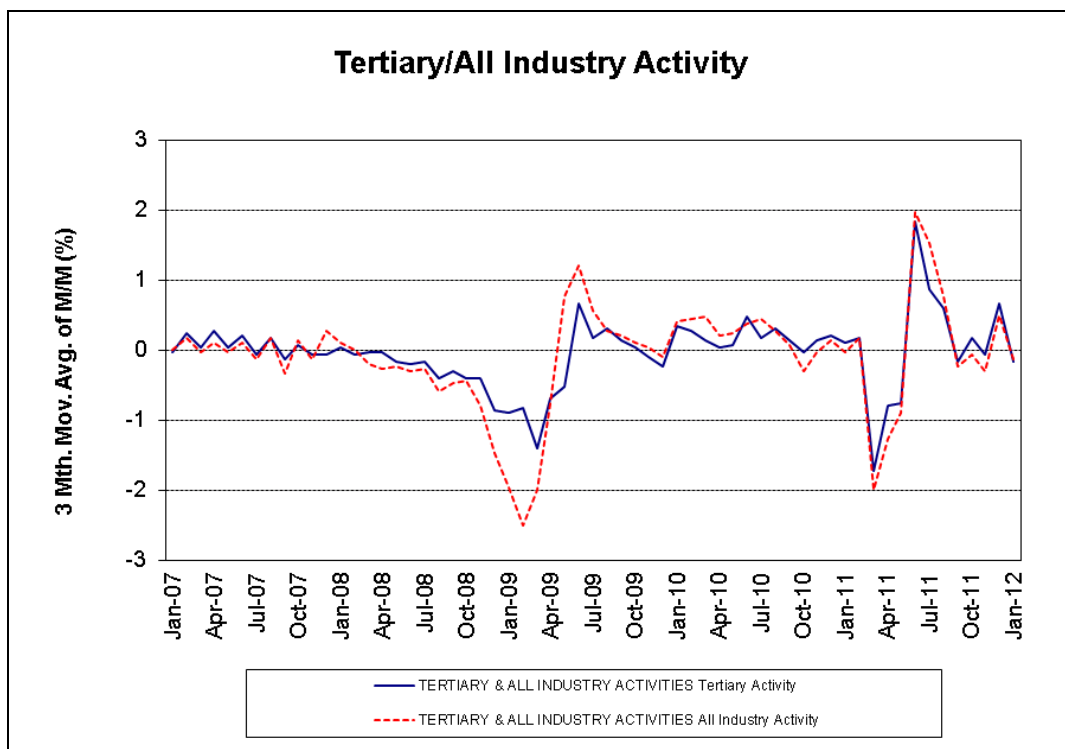
March 21, 2012

**This was a relatively light week of data. Despite an improvement in Manufacturing, Industry Activity fell more than expected due to a drop in Tertiary Industry Activity. Meanwhile the Leading Index, Convenience Store Sales, and Condominium Sales all improved.**

**Weekly Highlights**

**Tertiary Industry Activity** – declined 1.0% M/M and 0.1% Y/Y in January. (JN 1)

**Leading Index** – increased 1.1pts to 94.4 in January. (JN 3)

**Chart(s) of the Week: Tertiary/All Industry Activity**

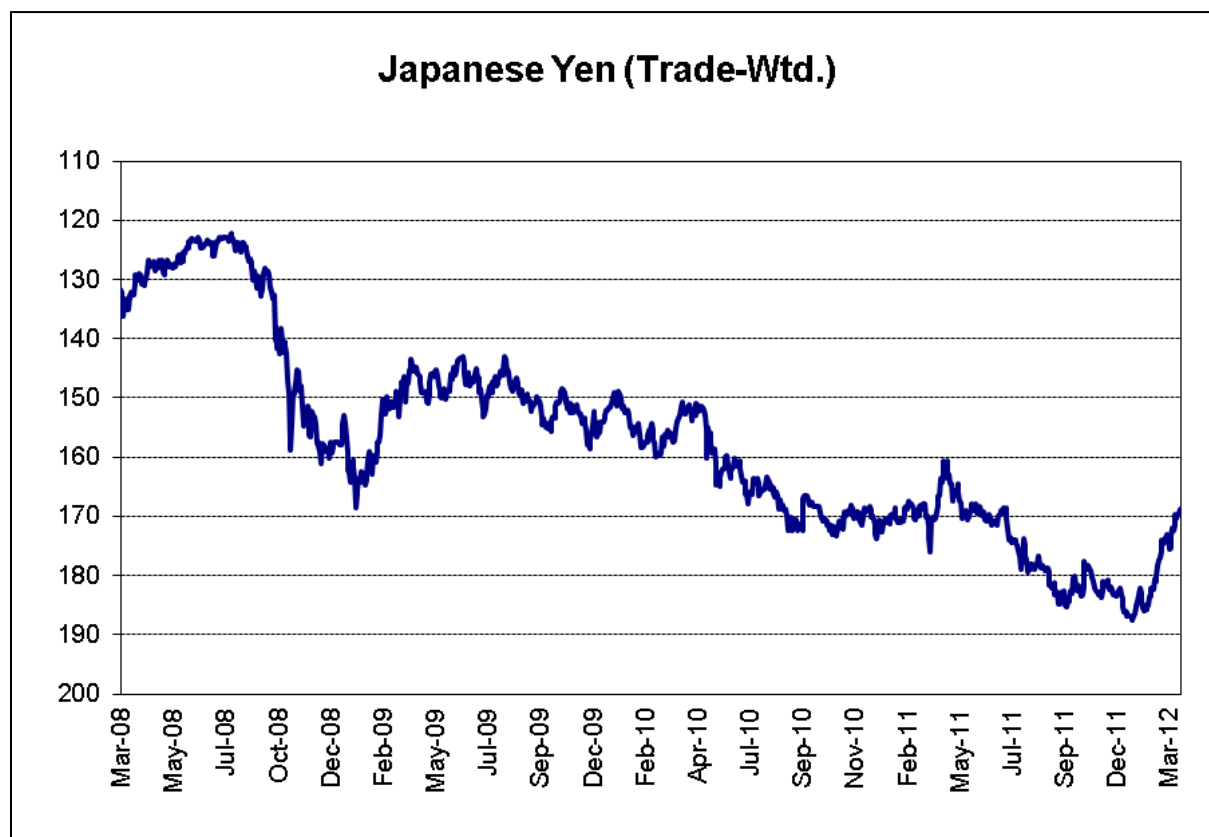
Industry Activity declined 1.0% M/M and 0.1% Y/Y in January, falling faster than the 0.7% M/M decline the market expected. Within the components, Tertiary Industry Activity dropped 1.0% M/M and increased 0.1% Y/Y. Manufacturing increased 1.9% M/M and dropped 1.3% Y/Y. Government Activity increased 0.9% M/M and 0.1% Y/Y. Construction Activity increased 4.5% M/M and dropped 0.1% Y/Y.

JN 1

## Japan's Financial Balances

### Financial Balances

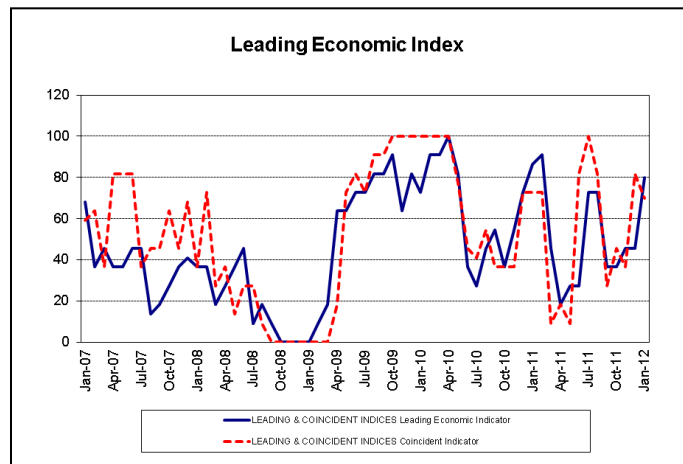
Japan	Last period (¥trln)	Last 12mth. as a % of GDP
Budget Balance	-3.50 (Dec)	-6.9%
Trade Balance	0.58 (Dec)	1.5%
Current Account Balance	1.87 (Dec)	3.5%
Private Balance	--	11.6%



## Leading / Coincident Index, Convenience Store Sales & Tokyo Condominium Sales

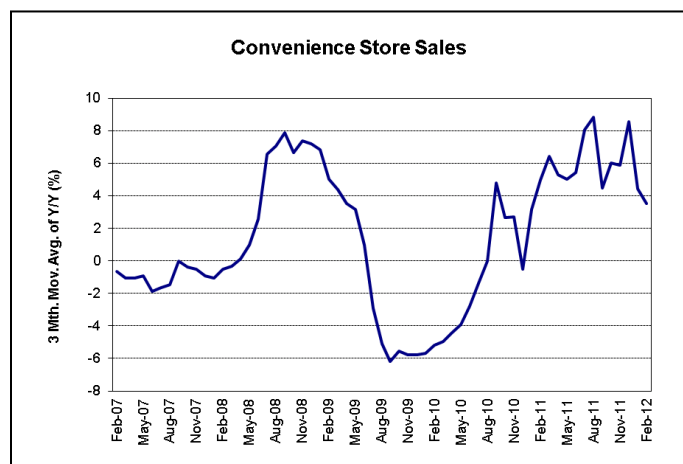
### Leading/Coincident Indices

The Leading Index increased 1.1pts to 94.4 in January, bringing the series to its highest level since August. Meanwhile, the Coincident Index dropped 0.3pts to 92.7.



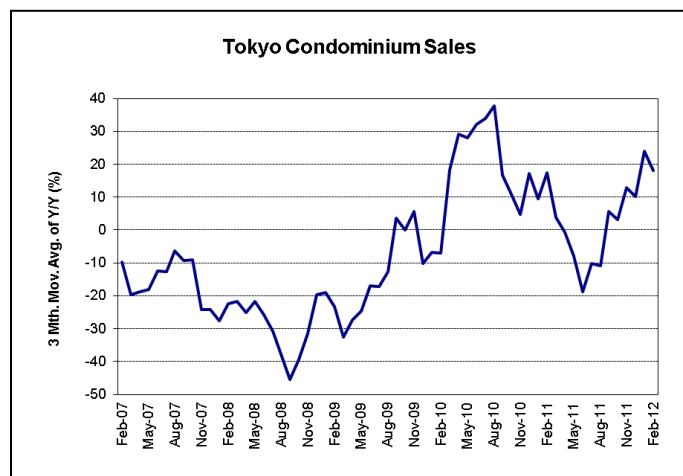
### Convenience Store Sales

Convenience Store Sales increased 4.8% Y/Y on a same store basis. Customer spending increased 2.3% Y/Y and Traffic increased 2.5% Y/Y.



### Tokyo Condominium Sales

Condominium Unit Sales in Tokyo increased 13.0% Y/Y in February. The average price per unit dropped 5.1% Y/Y. The average price per square meter dropped 7.9% Y/Y.



## News & Key Upcoming Dates

### News

**March 21<sup>st</sup> – Gov't Maintains Economic Assessment** – The Gov't of Japan maintained its economic assessment although it revised its views on consumer spending. In its assessment, the government noted that the economy is still picking up slowly, private consumption is firm, capital spending is picking up, and public investment is solid. The Gov't also noted that bankruptcies are largely flat.

**March 20<sup>th</sup> – Opposition to Sales Tax Hike Increases** – According to an article in the Nikkei, a February Poll indicated that 56.0% opposed the proposed sales tax hike, an increase from the 50.6% that previously opposed it. Of note, public support for Prime Minister Noda's Cabinet increased 2.6 pctg pts to 31.6%. On Monday, Noda allowed DPJ leadership to revise parts of the bill on the sales tax hike in an effort to gain interparty support.

### Key Upcoming Dates

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
3/21	Merchnds Trade Balance Total	-¥120.0B	-¥1475.0B
3/21	Adjusted Merchnds Trade Bal.	-¥342.5B	-¥612.8B
3/21	Merchnds Trade Exports YoY	-6.5	-9.3
3/21	Merchnds Trade Imports YoY	8.2	9.8
3/22	Supermarket Sales (YoY)	N/A	-1.20%
3/26	Corp Service Price Index (YoY)	N/A	-0.20%
3/27	Small Business Confidence	N/A	45.3
3/28	Retail Trade MoM SA	N/A	4.10%
3/28	Retail Trade YoY	N/A	1.90%
3/28	Large Retailers' Sales	N/A	-1.00%

Valance Co., Inc.

# Valance Economic Report: United Kingdom

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March 21, 2012

**Consumer Prices were stronger than expected in February. MPC minutes revealed that Posen and Miles wanted to increase the target of the central bank's bond purchase program by 25 billion pounds to 350 billion. The Budget speech was broadly neutral in net fiscal impact.**

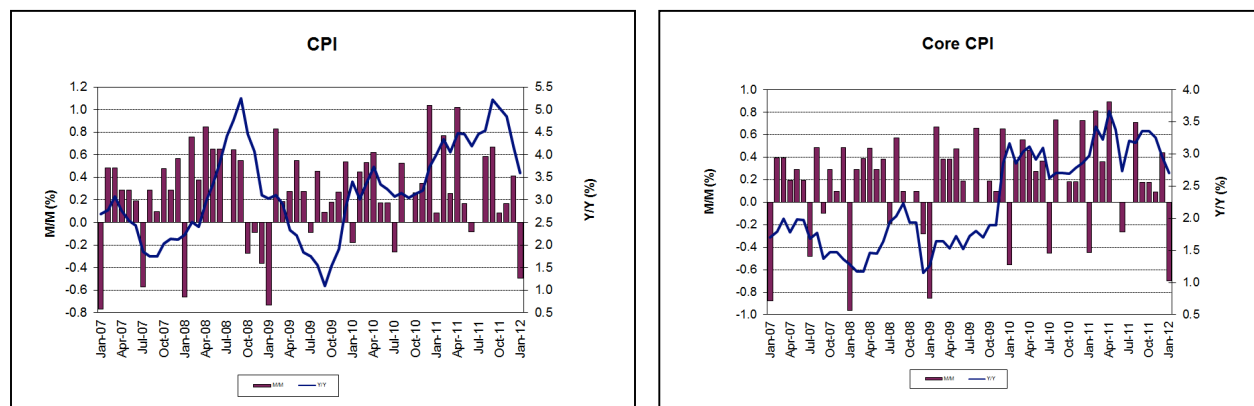
## Weekly Highlights

**Headline CPI** – rose 0.6% M/M and 3.4% Y/Y in February. (UK 1)

**Rightmove Home Prices** – increased 1.6% M/M and 2.2% Y/Y in March. (UK 3)

## Weekly Releases & News

### Charts of the Week: CPI

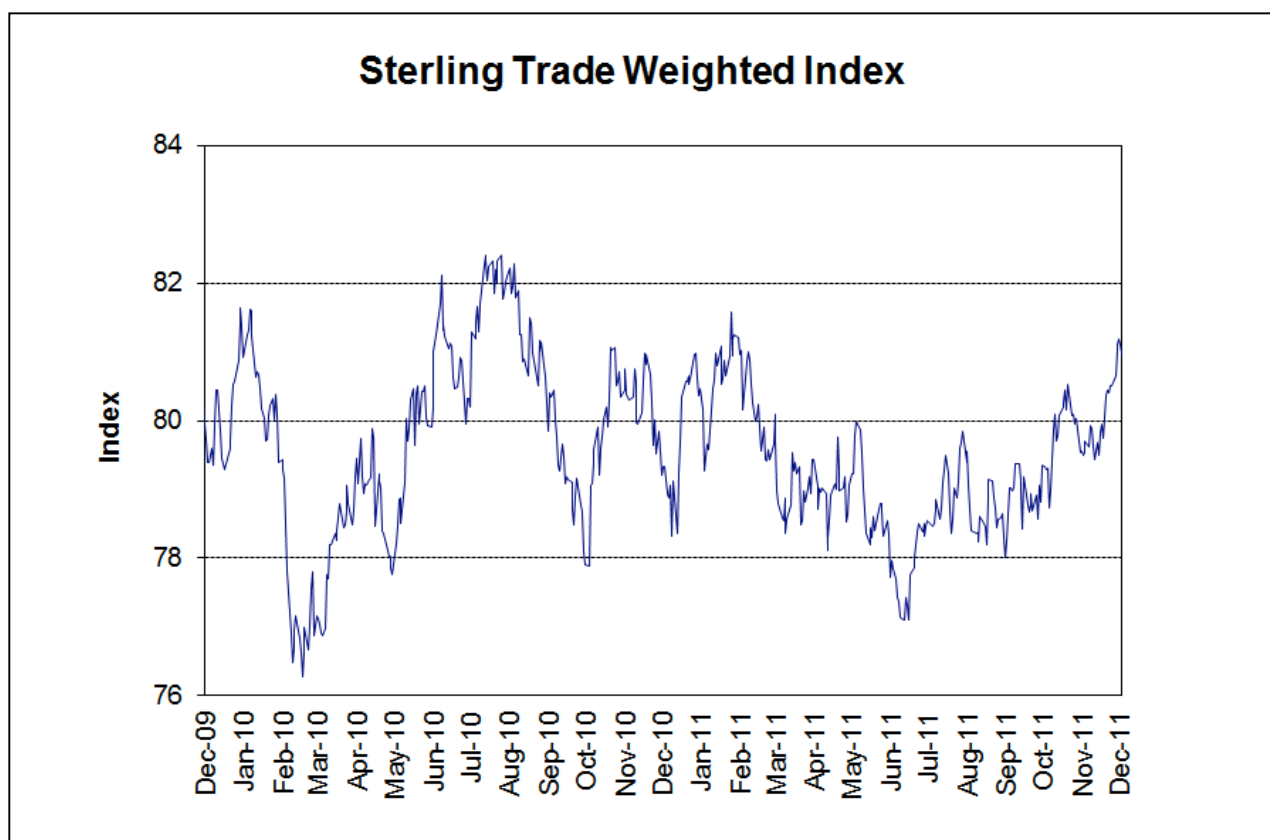


Headline CPI rose 0.6% M/M and 3.4% Y/Y in February, rising faster than the 0.4% M/M and 3.3% Y/Y increase the market expected. Core CPI rose 0.6% M/M and 2.4% Y/Y vs expectations of a 2.4% Y/Y improvement. Overall, the M/M gain in inflation was driven by increases in the prices of clothing, household goods, food, transportation, and communication.

UK 1

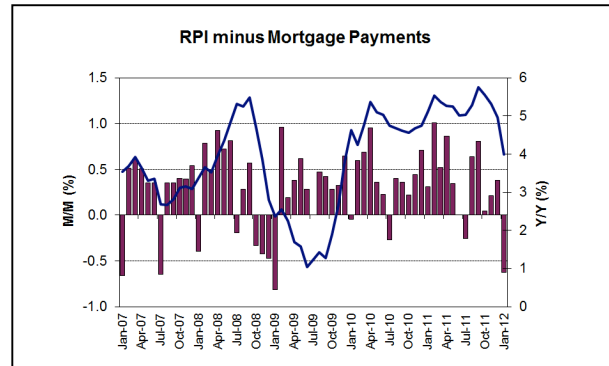
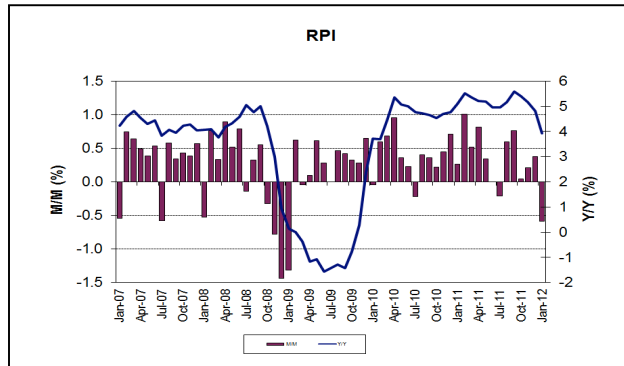
## Financial Balances & FX

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%



# RPI, Rightmove House Prices & Consumer Confidence

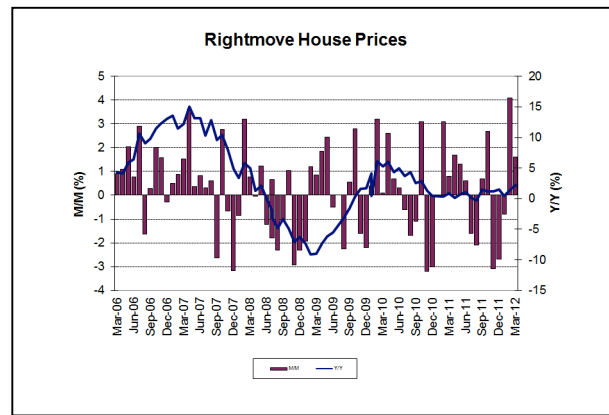
## RPI Growth



RPI rose 0.8% M/M and 3.7% Y/Y in February, rising faster than market expectations of 0.6% M/M and 3.5% Y/Y. Excluding Mortgage Payments, RPI increased 0.8% M/M and 3.8% Y/Y vs expectations of a 3.6% Y/Y.

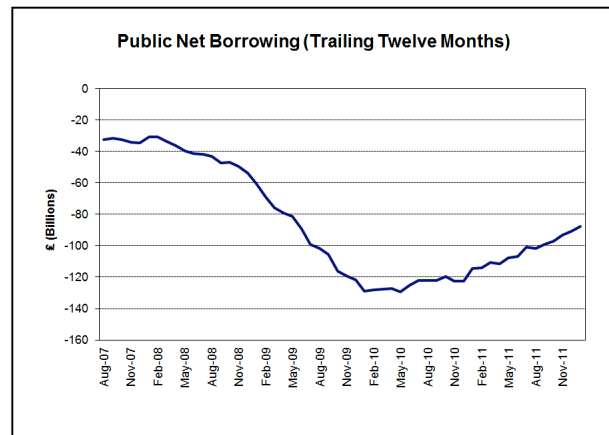
## Rightmove House Price Survey

Rightmove House Prices increased 1.6% M/M and 2.2% Y/Y in March. This is the second consecutive increase and follows February's 4.1% M/M increase which itself represented a six year high. The average London Asking price increased 1.3% M/M and rose 7.3% Y/Y.



## Public Sector Net Borrowing

The UK posted a £7.8 billion budget deficit in February, against an expected deficit of £1.0 billion. January's £16.8 billion deficit was revised to £32.0 billion.



## *MPC Minutes*

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### The Minutes of the Monetary Policy Committee meeting held on March 10<sup>th</sup> 2011:

#### **Summary (Bloomberg):**

Bank of England policy makers Adam Posen and David Miles maintained a push for more stimulus for the U.K. this month as the majority favored waiting to monitor the “substantial risks” to the medium-term inflation outlook.

Posen and Miles wanted to increase the target of the central bank’s bond-purchase program by 25 billion pounds (\$40 billion) to 350 billion pounds, according to the minutes of the Monetary Policy Committee’s March 7-8 meeting published today in London. The seven remaining members voted to keep the current 325 billion-pound ceiling.

Divisions among MPC members have emerged about the outlook for consumer prices and whether the economy needs more stimulus as demand is curbed by Britain’s largest fiscal squeeze since World War II. Data showed the budget shortfall almost doubled in February, leaving Chancellor of the Exchequer George Osborne little room to meet his full-year goal as he prepares to announce his annual budget today.

The pound weakened against the dollar and the euro after the reports were published. It fell as much as 0.3 percent versus the U.S. currency and traded at \$1.5876 as of 11:05 a.m. in London.

While the MPC today highlighted upside risks to inflation from rising oil prices and wage settlements in today’s minutes, it also said there were “significant risks to economic activity that might result in inflation falling materially below” its 2 percent target in the medium term.

“The recurrence of the dovish dissents was only partly balanced by the discussion of risks that might prevent inflation falling back as the MPC expects,” said Philip Rush, an economist at Nomura International Plc in London. Posen and Miles’s “activism” suggests that the “seeds of the groundswell needed to deliver more easing have already been sown.”

Policy maker Martin Weale has said there is “risk that there may be more persistence to inflation,” while Chief Economist Spencer Dale said yesterday it may not slow as fast this year as the MPC has forecast due to rising energy prices.

With regard to threats to the downside, the Bank of England cited the euro-area debt crisis, “elevated” bank funding costs and the potential for higher borrowing costs and energy prices to undermine consumer confidence and spending.

The minutes also showed that that MPC voted 9-0 to hold its benchmark interest rate at a record low of 0.5 percent.

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## **Data & News**

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**CBI Industrial Trends** - The Confederation of British Industry's monthly survey of U.K. manufacturers saw a decline in its Total Orders Series as Orders dropped from -3 to -8, against expectations for a decline to -5. Selling Prices improved however, rising from 10 to 24, against an expected increase to 13. The Volume of Output expected over the next three months increased from 15 to 24.

**Mar. 21<sup>st</sup> - Osborne Cuts Top Tax in Budget Keeping Austerity Drive (Bloomberg)** - Chancellor of the Exchequer George Osborne cut the U.K.'s top 50 percent income-tax rate and slapped a levy on purchases of the most expensive houses in a budget that maintained his drive to eliminate most of the deficit by 2017.

Osborne bowed to pressure from Conservative Party colleagues and business groups by reducing the tax on earnings above 150,000 pounds (\$238,000) to 45 percent from April 2013 and accelerated a planned reduction in the corporation tax. He helped offset the cost by raising the 5 percent levy on buying property costing more than 2 million pounds to 7 percent and announcing a crackdown on tax avoidance.

Prime Minister David Cameron's government is seeking to retain the U.K.'s AAA credit rating by reducing a deficit now more than 8 percent of gross domestic product and taking measures to support growth that don't require more borrowing. The shortfall unexpectedly increased last month. While Osborne promoted his budget as aiding companies and the low paid, the income-tax cut opened him to criticism it favored the rich.

"We must stick to the course," Osborne said. "So there will be no deficit funded giveaways today. But because we've taken difficult decisions, nor do we need to tighten further. Over the five-year period, this is a fiscally neutral budget."

**Mar. 20th - U.K.'s Miles Says UK Home Prices Likely to Rise in Longer Term (Bloomberg)** - Bank of England policy maker David Miles said U.K. house prices are likely to rise in the long term, making new forms of finance for homebuyers such as shared- ownership programs more "attractive." "The trend of rising real incomes and the likelihood of rising population density mean we should anticipate a rising trajectory for real house prices over the longer term," Miles said in a paper published by the Bank of England. "This is particularly likely in a country like the U.K. where population density looks set to rise relatively fast. The model also suggests that the upwards trajectory in house values may ultimately become steeper than the rise in real incomes."

**Mar. 19th - U.K.'s Miles Says UK Home Prices Likely to Rise in Longer Term (Bloomberg)** - (Bloomberg) Forty-one percent of consumers surveyed in March said they expect property prices to increase this year, compared with 33 percent in December, according to the Building Societies Association. 44 percent said that now is a good time to buy a house, unchanged from December and up from 41 percent a year earlier. "Despite these improvements, it remains clear that significant barriers are still in the way of aspiring home owners and growth in this sector, not least rising fears over job security," the BSA said. Some 56 percent of respondents cited unemployment concerns as a barrier to buying a property, while 12 percent mentioned the stamp-duty levy.

## Upcoming Dates

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
3/22	Retail Sales Ex Auto Fuel(MoM)	-0.50%	1.20%
3/22	Retail Sales Ex Auto Fuel(YoY)	2.30%	1.90%
3/22	Retail Sales w/Auto Fuel (MoM)	-0.50%	0.90%
3/22	Retail Sales w/Auto Fuel (YoY)	2.40%	2.00%
3/22	Nationwide Consumer Confidence	47	47
3/23	BBA Loans for House Purchase	37250	38092
N/A	Nat'wide House prices sa (MoM)	N/A	0.60%
N/A	Nat'wide House prices nsa(YoY)	N/A	0.90%
3/27	CBI Reported Sales	N/A	-2
3/28	GDP (QoQ)	N/A	-0.20%
3/28	GDP (YoY)	N/A	0.70%
3/28	Current Account (BP)	N/A	-15.2B
3/28	Total Business Investment(QoQ)	N/A	-5.60%
3/28	Total Business Investment(YoY)	N/A	-2.00%

# Valance Economic Report: Canada

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March 21, 2012

**Manufacturing Shipments** posted a downside surprise in January, falling 0.9% M/M. **Leading Indicators** fell 0.2% M/M in February, in line with market expectations.

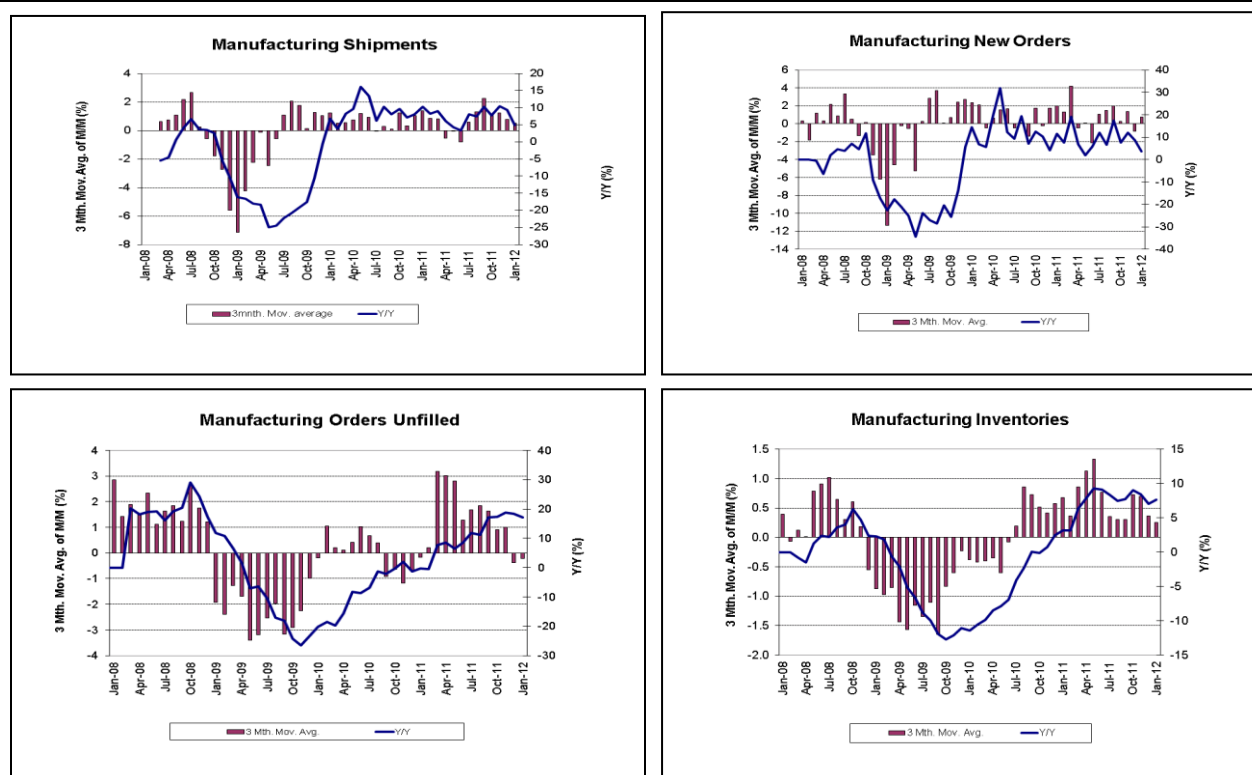
## Weekly Highlights

**Manufacturing Shipments** – fell 0.9% M/M in January. (CA 1)

**Leading Indicators** - fell 0.2% M/M in February, in line with market expectations. (CA 3)

## Weekly Releases & News

### Chart(s) of the Week: *Manufacturing Data*



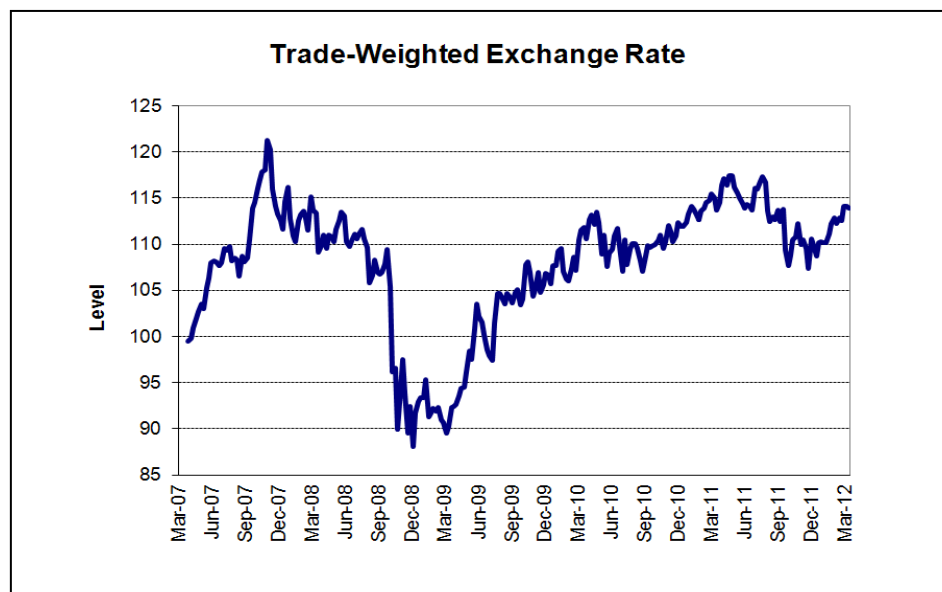
Manufacturing Shipments fell 0.9% M/M in January, the largest decline in seven months. Y/Y growth increased 5.0%. New Orders increased 0.8% M/M and 3.8% Y/Y. Inventory levels increased 1.1% M/M and 7.7% Y/Y. Unfilled orders decreased 0.2% M/M and increased 17.1% Y/Y.

## Financial Balances & Trade Weighted Exchange Rate

### Financial Balances

Canada	Latest period (C\$bln)	Last 12mth. as % of GDP
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%

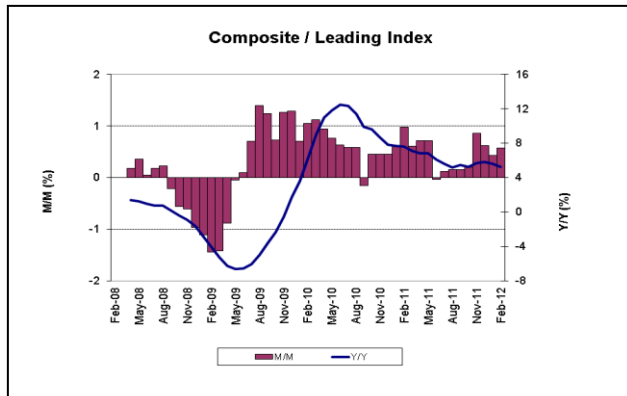
### Trade-Weighted Exchange Rate



## Leading Indicators & Wholesale Sales

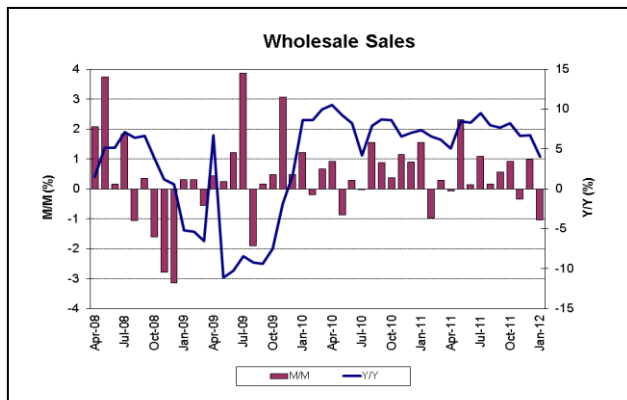
### Leading Indicators

Leading Indicators increased 0.6% M/M in February, in line with market expectations. This was its eighth straight monthly gain. Six of the 10 components increased. The financial component had the largest gain. Y/Y growth increased 5.2%.



### Wholesale Sales

Wholesale Sales posted a downside surprise in January decreasing 1.0% M/M versus market expectations for a 0.3% M/M gain. More than 75% of the decline in wholesale sales came from the motor vehicle and miscellaneous sector. Six of the seven subsectors of wholesale sales posted declines.



## News & Upcoming Dates

### News

#### **March 15<sup>th</sup> - Canada January Wage Settlements Averaged 2.5% Annual Pay Rise**

**(Bloomberg)** - Canadian wage settlements in January had increases averaging 2.5 percent annually, faster than December's 2.1 percent rate, according to government figures. The results are based on a review of nine major agreements with 8,570 employees, Human Resources and Skills Development Canada said in a statement on its website.

#### **March 15<sup>th</sup> - Canada Existing Home Sales Rise 1.4% in February, CREA Says (Bloomberg)**

Canadian existing home sales rose 1.4 percent in February from the previous month and prices gained from a year earlier, a Realtor group said. The increase to 39,084 transactions reversed one-third of the January decline, the Canadian Real Estate Association said in a report today from Ottawa. From a year earlier, the average price climbed 2 percent to C\$372,763 (\$374,715) and the number of sales rose 8.6 percent. The increase shows that "Canadians are confident in housing market prospects," CREA President Gary Morse said in the report. The Realtor group has about 100,000 members. Demand for housing has been supported by some of the lowest mortgage rates in decades, including Bank of Montreal's offer this month of a five-year fixed-rate loan at 2.99 percent. Household debt is "the biggest domestic risk" the Bank of Canada said March 8 as it kept its key interest rate at 1 percent, and Statistics Canada today said household debt was 152.9 percent of disposable income, the second-highest on record.

### Key Dates This Week

Date	Indicators		Expectations	Previous
22-Mar	Retail Sales M/M	JAN	--	-0.20%
22-Mar	Retail Sales Less Autos M/M	JAN	--	0.00%
23-Mar	Core CPI SA M/M	FEB	--	--
23-Mar	Consumer Price Index Y/Y	FEB	--	2.50%
23-Mar	Bank Canada CPI Core Y/Y	FEB	--	2.10%
23-Mar	Consumer Price Index M/M	FEB	--	0.40%
23-Mar	Bank Canada CPI Core M/M	FEB	--	0.20%
23-Mar	Consumer Price Index SA M/M	FEB	--	--
23-Mar	Consumer Price Index	FEB	--	120.7
28-Mar	Teranet/National Bank HPI M/M%	JAN	--	-0.20%
28-Mar	Teranet/National Bank HPI Y/Y%	JAN	--	6.80%
28-Mar	Teranet/National Bank HP Index	JAN	--	148.87

Valance Co., Inc.

**Valance Economic Report: Australia**Reginald Perry  
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March 21, 2012

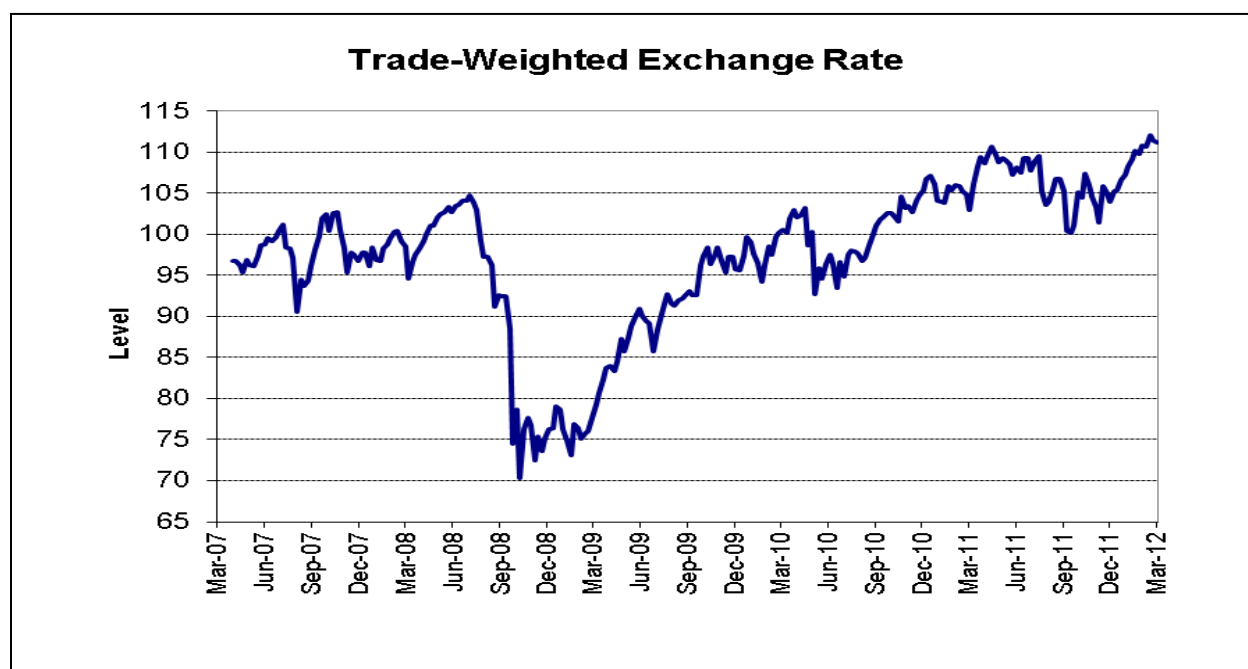
According to Westpac Banking Corp. and Melbourne Institute, the Leading Index rose from 282.3 to 284.1 or 6.0% M/M. The DEWR Skilled Vacancy Index fell 0.2% M/M in February. The RBA minutes noted uncertainty in assessing the net impact of the mining boom and the high AUD on the economy.

**Weekly Highlights**

**Conference Board Index** - rose 1.1% to 126.1 pts in January. (AU 2)

**DEWR Skilled Vacancies**- fell 0.2% M/M and 8.6% Y/Y in February. (AU 2)

**Westpac Leading Index**- rose from 282.3 to 284.1 or 6.0% M/M. (AU 2)

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

AU 1

## ***Data & Comments***

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### **Conference Board Index:**

The Index of Leading Economic Indicators for Australia rose 1.1% to 126.1 pts in January, while previous gain was 0.3%. The Leading Index is a gauge of how the Australian economy may perform in the next three to six months.

### **DEWR Skilled Vacancies:**

The index measuring the number of jobs available for skilled workers fell 0.2% M/M and 8.6% Y/Y in February. Jobs for professionals, including doctors and lawyers rose 1.2% M/M and positions for trade people, including builders and mechanics, rose 0.9% M/M.

### **Westpac Leading Index:**

According to Westpac Banking Corp. and Melbourne Institute, the Leading Index rose from 282.3 to 284.1 or 6.0% M/M. Annualized growth rate increased 2.6% M/M and Trend growth rose 3.0%.

### **Summary of the RBA Board Minutes (Craig Michaels) – March 20, 2012**

RBA Comfortable for now, but notes uncertainty in assessing the net impact of the mining boom and the high AUD on the economy.

Minutes suggest that the RBA remains comfortable with the current monetary policy setting, although it continues to carefully assess the net impact on the economy of the mining boom and high AUD. Information thus far suggested that non-mining weakness was being broadly offset by strength in mining and related industries. Given this and a benign inflation outlook, the Board considered that it was appropriate for retail interest rates to be around their average levels, which they consider they are.

The Board said that global risks remained elevated, but had receded a little further: a bailout package for Greece had been negotiated, and the ECB had lent a further 530bn in 3-year loans to European banks. Provided inflation remained well behaved, there was ample scope for the RBA to ease policy Europe deteriorate suddenly and/or east Asian economies slow sharply. Importantly, the RBA's forecast that inflation would remain in the middle of its target band relied on an assumed pickup in productivity growth; indeed, a key upside risk for near-term inflation is that this assumption does not bear out.

For the RBA, a key question was whether the economy's structural adjustment which is occurring in response to the high terms of trade was occurring quickly enough to keep the economy growing close to trend and inflation close to target. Importantly, the RBA noted that there were uncertainties inherent in assessing the overall response of the economy to the dominant forces affecting it: that is, the mining investment boom and the high AUD. To date, however, the unemployment rate had remained low and inflation broadly consistent with the target. The RBA also highlighted:

## *Key Dates This Week*

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
03/28	Job Vacancies (FEB)	--	-3.3%

Valance Co., Inc.

**Valance Economic Report: New Zealand**Reginald Perry  
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March 21, 2012

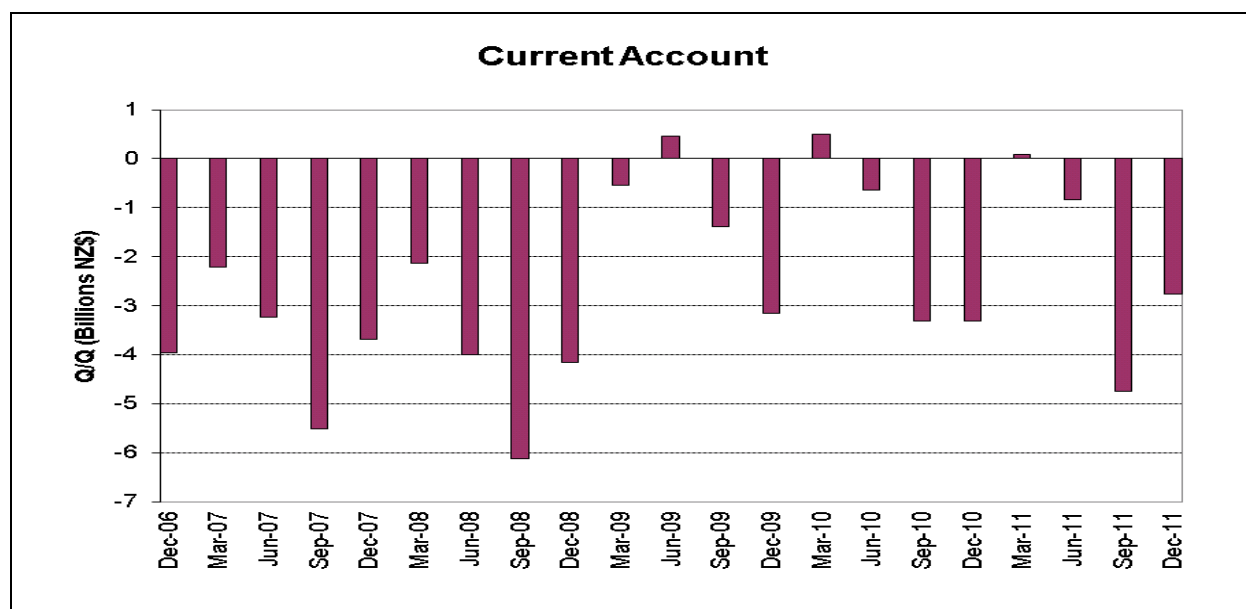
The current account deficit widened in Q4 though fell as a % of GDP compared to a year ago. Consumer Confidence rose modestly in Q1. In February, Net Migration data showed permanent departures exceeded arrivals by 440. Total credit card spending fell 0.6% M/M in February, after increasing 0.8% M/M the prior month.

**Weekly Highlights**

**Current Account Deficit** – was 2.3% of GDP for the year ended Q4 2011. (NZ 1)

**Westpac Consumer Confidence** – rose from 101.3 to 102.4 in Q1. (NZ 3)

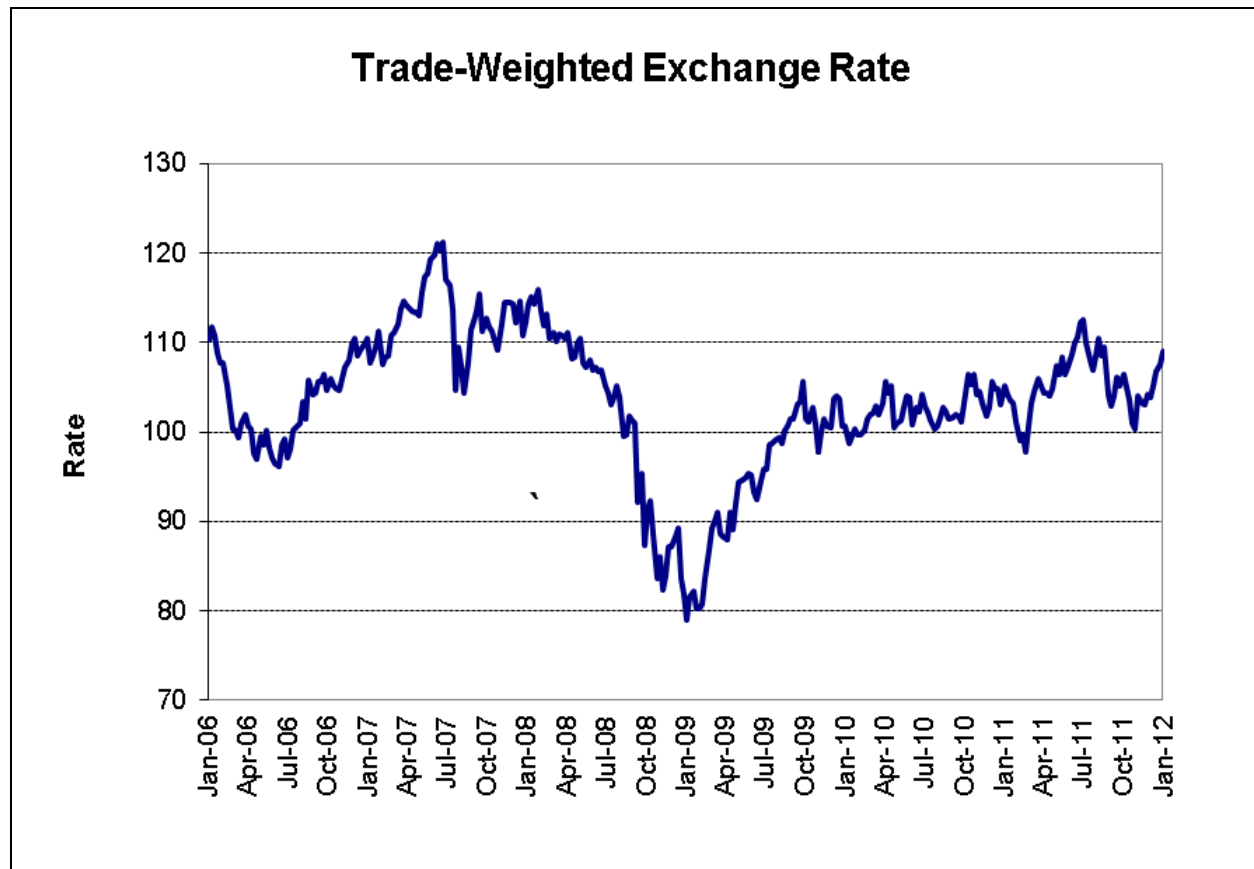
**Performance Services Index**- rose from 53.8 M/M in January to 55.5 M/M. (NZ 3)

**Weekly Releases & News****Charts of the Week: Current Account Deficit**

The Current Account Deficit widened from NZ\$ 4.7bln to NZ\$ 2.7bln in Q4. The annual deficit was 4.0% of GDP, compared to 4.3% in the 12 months through September.

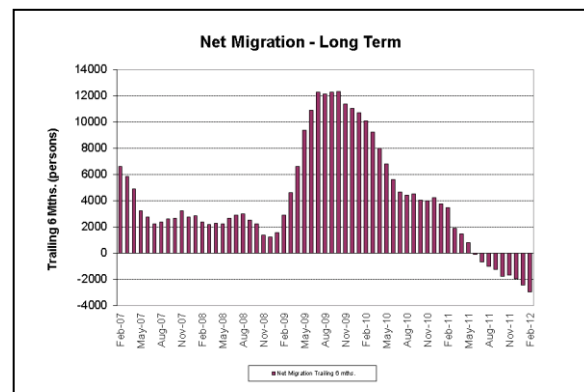
NZ 1

# FX



## Net Migration

In February, permanent departures exceeded arrivals by 440. Net departures totaled 4,068 in the 12 months through February, the most since year ended August 2001. Net departures of New Zealanders rose 62% in February. Permanent arrivals rose 8.5% M/M and rose 4.0% Y/Y while permanent departures rose 5.1% M/M and 4.0% Y/Y in the same period.



## ***Data & Comments***

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### **Westpac NZ Consumer Confidence:**

According to Westpac Banking Corp. and McDermott Miller Ltd., the Household Sentiment Index rose from 101.3 to 102.4 in Q1. Low confidence suggest weak consumer spending growth in early 2012.

### **Credit Card Spending:**

According to the RBNZ, total credit card spending fell 0.6% M/M in February, after increasing 0.8% M/M, and rose 4.0% Y/Y in February.

### **Performance Services Index:**

Index reading rose from 53.8 M/M in January to 55.5 M/M in February, readings above 50 indicates expansion.

### **March 18<sup>th</sup> - New Zealand Finance Minister English Sees Budget Surplus by 2015 (Bloomberg)**

New Zealand Finance Minister Bill English said he's almost certain the government will achieve a budget surplus by 2015 as the nation recovers from the impact of earthquakes in the past two years.

"Nine out of 10, 10 out of 10", English said in response to a question on TVNZs Q&A program today about the governments chances of reaching the surplus.

New Zealand this month reported a wider-than-expected budget deficit of NZ\$4.3 billion (\$3.5 billion) in the seven months ended Jan. 31 as it copes with higher-than-expected costs from earthquakes since Sept. 2010 that caused an estimated NZ\$20 billion of damage. Prime Minister John Key plans to cut spending and sell as much as 49 percent of four state-owned energy companies to help eliminate the budget gap.

English doesn't plan to boost borrowings to pay for projects even as costs of debt have fallen to record lows, he said today. We're in a world that is increasingly hostile to debt, he said. We don't want to be in a zone where any lender starts worrying about New Zealand's debt levels. The central bank forecasts the three-month bank bill yield will be 3 percent in the fourth quarter, down from 3.6 percent in its December projections.

The government's plans for a surplus may still be derailed if a new crisis occurs, English said.

## Key Dates This Week

Date	Indicator	Expectation	Previous
25-Mar	Trade Balance (Feb)	--	-199M
25-Mar	Exports (Feb)	--	3.74B
25-Mar	Imports (Feb)	--	3.94B
25-Mar	Trade Balance 12 Mth YTD (Feb)	--	646M
28-Mar	NBNZ Activity Outlook (Mar)	--	31.20%
28-Mar	NBNZ Business Confidence (Mar)	--	28%

## Weekly Economic Report: *China*

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March 21, 2012

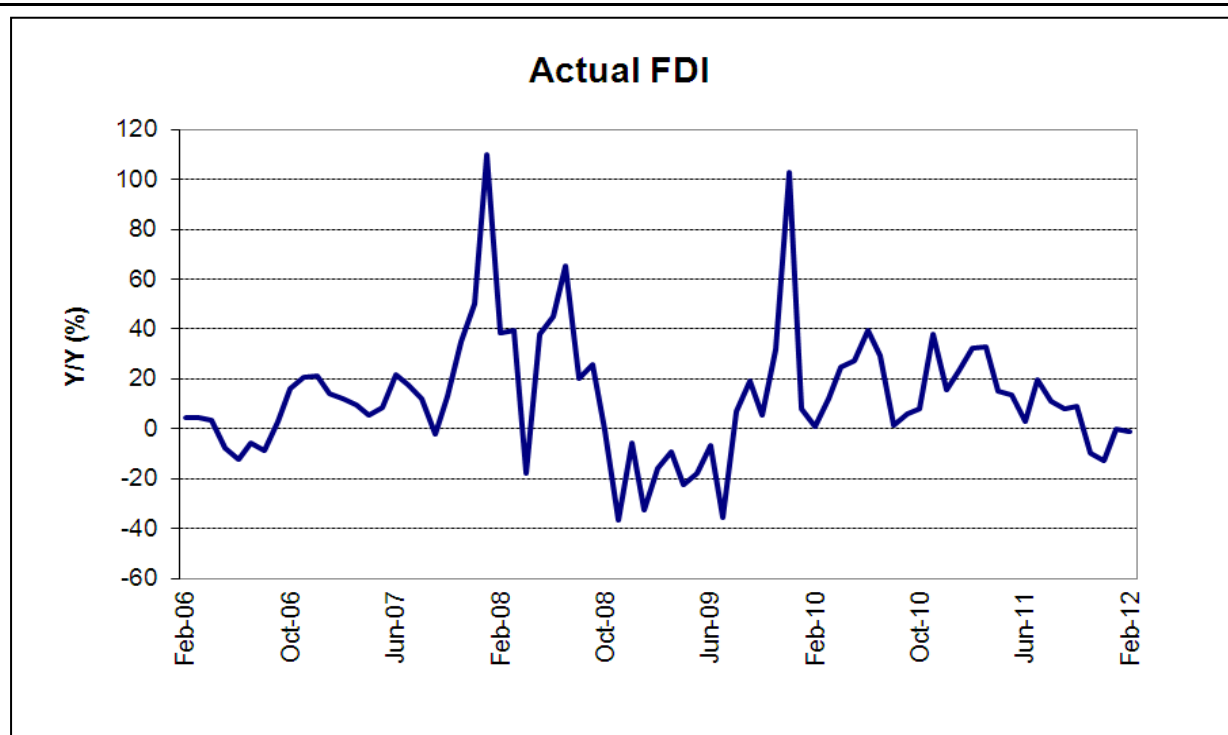
**Foreign Direct Investment, the only economic indicator released this week, fell for a fourth consecutive month in February.**

### Weekly Highlights

**Actual FDI** – fell 0.9% Y/Y in February. (CH 1)

### Weekly Releases & News

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



Foreign Direct Investment fell 0.9% Y/Y in February (totaling US\$7.7 bln), following a decline of -0.3% Y/Y (totaling US\$10.0 bln) in January. The Ministry of Commerce said the decline was partly attributed to a sharp decline in FDI from the E.U. which reached US\$33.32% Y/Y.

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**News**

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**March 20<sup>th</sup> (Bloomberg) - China Hard Landing 'Impossible'** – Former PBOC Adviser, Xia Bin made the following comments:

*Judging from the nationwide circumstances, I think a hard landing is impossible. [Instead, a] moderate slowdown [is the logical path for China's economy].*

*[The nation should stick with a] prudent [monetary policy that ensures] reasonable growth [in the economy].*

**March 18<sup>th</sup> (Bloomberg) - IMF Warns Against False Sense of Economic Security** – IMF Managing Director, Christine Lagarde remarked:

*Optimism should not give us a sense of comfort or lull us into a false sense of security. We cannot go back to business as usual.*

**March 18<sup>th</sup> (The Star Phoenix) - China to reform, grow economy, IMF eyes freer yuan** –

*Vice Premier Li Keqiang: China has reached a crucial period in changing its economic model and (change) cannot be delayed. Reforms have entered a tough stage.*

*We will make policies more targeted, flexible and forward-looking to maintain relatively fast economic growth and keep price levels basically stable.*

*[...China would] deepen reforms on taxes, the financial sector, prices, income distribution and seek breakthroughs in key areas to let market forces play a bigger role in resource allocation.*

*Christine Lagarde (IMF): What is needed is a roadmap with a stronger and more flexible exchange rate, more effective liquidity and monetary management, with higher quality supervision and regulation, with a more well-developed financial market, with flexible deposit and lending rates, and finally with the opening up of the capital account.*

*If all that happens, there is no reason why the renminbi (yuan) will not reach the status of a reserve currency occupying a position on par with China's economic status.*

**March 17<sup>th</sup> (Reuters) - Growth China's top priority, inflation key risk-NDRC** – Zhang Ping of the NDRC commented:

*First of all, we need to maintain steady and relatively fast economic growth -- development is the key for resolving all problems in China.*

*It's a dilemma to stabilize growth and stabilize inflation. Even though inflation has showed signs of stabilization, we cannot lower our guard against price rises.*

*Currently, the situation concerning prices is still severe -- global liquidity is ample and global commodity prices are fluctuating at high levels. Pressures on prices will stay over the long term.*

## News (Cont'd.) & Upcoming Dates

### News Releases (Cont'd.)

**March 15<sup>th</sup> (Bloomberg) - Yuan Unlikely to See 5%-6% Annual Gains** – Liu Yuhui, Director of the Financial Experimental-Research Office at the Chinese Academy of Social Sciences made the following comments in an interview:

*The possibility for the yuan to gain 5 to 6 percent a year has dropped significantly.*

*[The currency probably won't maintain a fast pace of appreciation until a new economic model is] well established and generates stable returns. [How long that takes] depends on how the reforms are carried out.*

*[At the same time,] it may also be difficult for investors such as hedge funds to bet on yuan depreciation in the near term.*

*[The odds the Chinese government will keep offering] significant subsidies to boost the economy [are shrinking and its capability to do so is] increasingly limited.*

### Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
03/17	China February Property Prices			
03/21	HSBC Flash China Man. PMI	MAR	--	49.6
03/22	MNI March Flash Business Sentiment Survey			
03/22	Conference Board China Feb Leading Economic Index			
03/26	Industrial Profits	FEB	--	25.4

Valance Co., Inc.

# Valance Economic Report: Sweden

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March 21, 2012

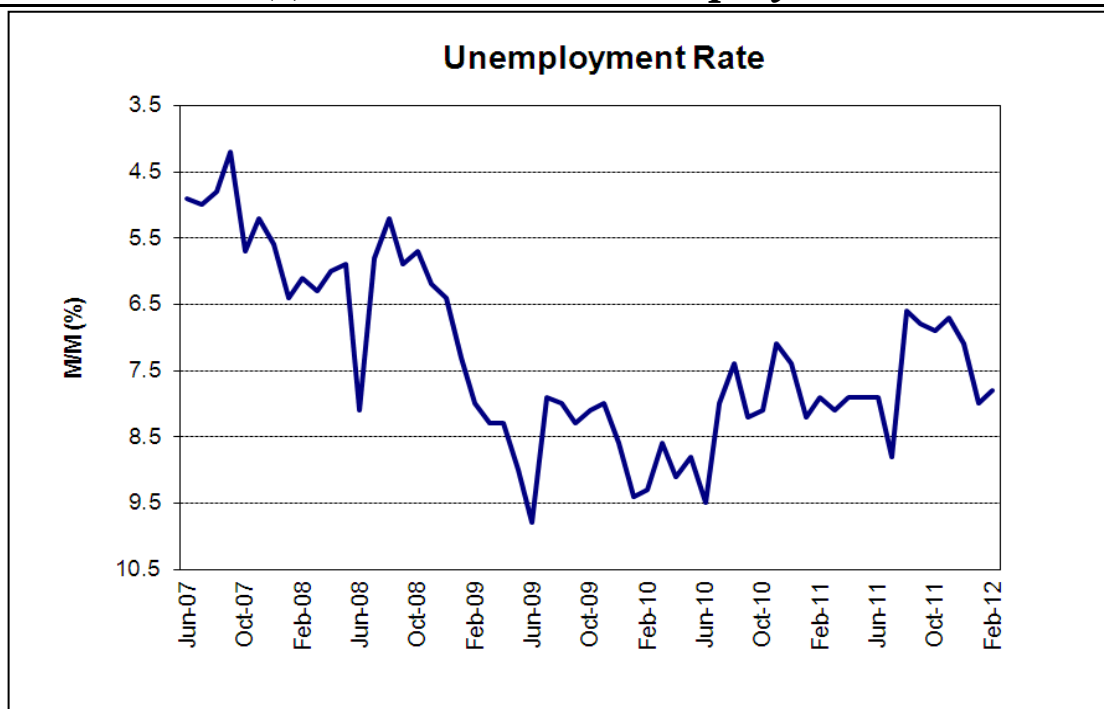
Sweden's Unemployment Rate, the only economic indicator released this week, unexpectedly declined to 7.8% in February, while employment growth was sluggish.

## Weekly Highlights

**Unemployment Rate** – fell from 8.0% in January to 7.8% in February. (SW 1)

## Weekly Releases & News

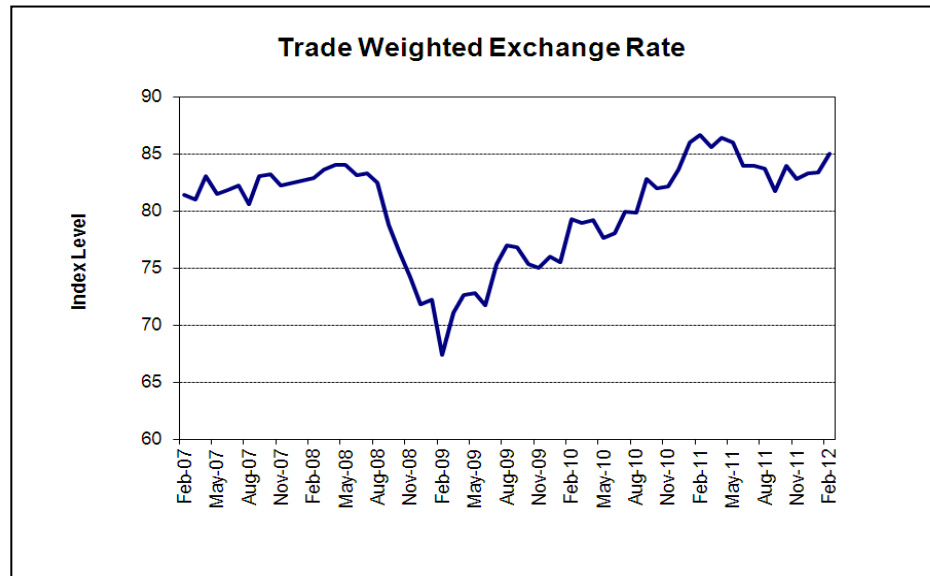
### Chart(s) of the Week: *Unemployment Rate*



The Unemployment Rate (n.s.a.) fell from 8.0% in January to 7.8% in February. The rate was expected to remain unchanged at 8.0%. The number of employed rose by 30K - totaling approximately 4.58 mln persons; while the number of unemployed reached 389K persons.

## Trade Weighted Exchange Rate & News

### Trade Weighted Exchange Rate



### News

**March 19<sup>th</sup> (Bloomberg) - Swedish Inflation Threat Is Off Agenda** – Riksbank Deputy Governor, Per Jansson stated:

*The risks of an overheating Swedish economy are extremely small.*

*Wage agreements haven't been excessive and are not a significant problem for us. The risks associated with household debt aren't in any way gone, but we're seeing a slowdown in lending growth and that things have calmed down in the housing market.*

*There are still risks stemming from the slow fiscal consolidation in several advanced economies. Things are proceeding a bit too slowly, which means it's going to take more time than it otherwise would have before interest rates come down and that makes consolidation efforts more difficult.*

*The level of resource utilization doesn't seem to be a big threat to inflation. Rates of resource utilization and inflation expectations have come down.*

*Productivity is a variable that we haven't had reasons to look at too much lately. But this may change this year as Statistics Sweden revised up the number of hours worked quite significantly. That means productivity is not what we thought it was and that has implications for, for example, unit labor costs and perhaps inflation.*

**Key Dates This Week**

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
03/27	Household Lending	FEB	--	5.1%
03.27	PPI	FEB	--	0.5% / 0.1%
03/27	Trade Balance	FEB	--	11.3B
03/28	Consumer Confidence	MAR	--	-3.2
03/28	Manufacturing Confidence	MAR	--	-13
03/28	Economic Tendency Survey	MAR	--	93.0

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# Valance Economic Report: Switzerland

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March 21, 2012

The SNB, as expected, kept its target for the 3-month Libor at zero and lowered its inflation forecast further through 2013. Industrial Output rebounded above expectations in Q4.

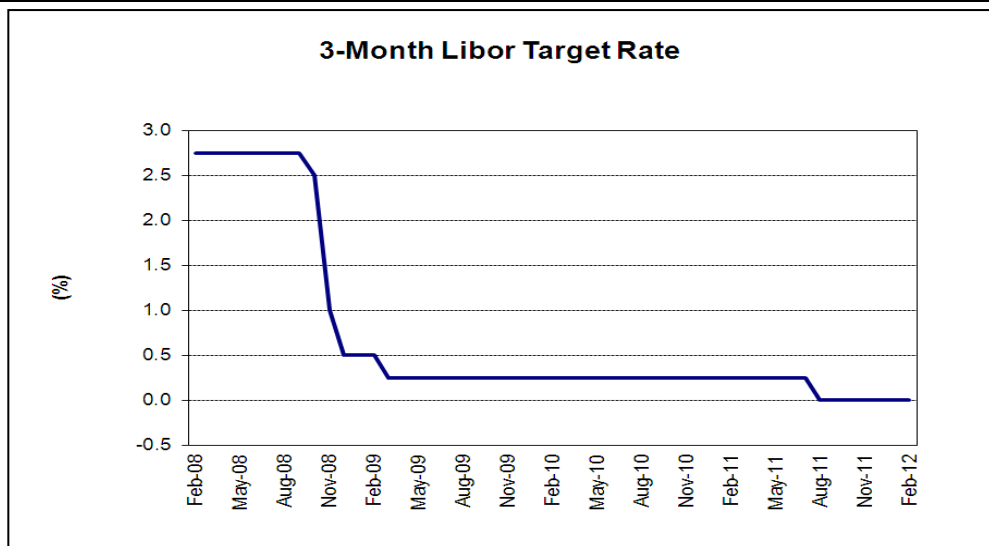
## Weekly Highlights

**3-Month Libor Target Rate** – remained unchanged at 0.0%. (SZ 1)

**Industrial Output** – rose 7.9% Q/Q and fell 1.4% Y/Y in Q4. (SZ 2)

## Weekly Releases & News

### Chart(s) of the Week: SNB 3-Month Libor Target Rate



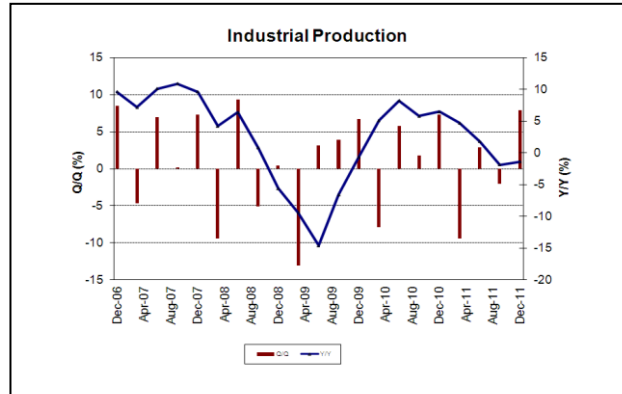
As expected, the SNB kept its target for the 3-Month Libor Rate at zero and maintained the franc ceiling at 1.2 francs per euro. The Bank stated, it “will continue to enforce the minimum exchange rate of CHF 1.20 per euro with the utmost determination. It is prepared to buy foreign currency in unlimited quantities for this purpose. The target range for the three-month Libor will remain unchanged at 0.00–0.25%. The SNB will continue to maintain liquidity on the money market at an exceptionally high level.” The Bank stated that it expects the economy to expand close to 1.0% in 2012. It added that its inflation forecast is expected to reach -0.6% this year (from -0.3% predicted in December), +0.3% in 2013 (from +0.4), and +0.6% in 2014. The Bank continued, “In the short term, inflation will move further into negative territory. Last summer’s appreciation of the franc had a stronger damping effect on prices than anticipated. In the longer term, inflation will be lowered by the worsening growth outlook for the euro area and the continuing high valuation of the franc.”

SZ 1

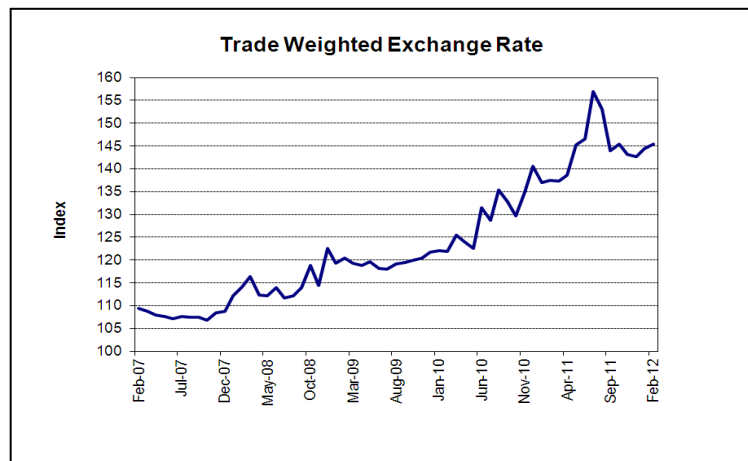
# Industrial Production, Trade Weighted Exchange Rate & Data

## Industrial Production

Industrial Production rose 7.9% Q/Q in Q4, after posting a 2.0% Q/Q loss in Q3. Annually, Production fell 1.4% in Q4, following a 1.9% Y/Y loss the previous quarter. A 2.6% Q/Q gain and 2.6% Y/Y loss were expected.



## Trade Weighted Exchange Rate



## Data

**March 21<sup>st</sup> (NASDAQ) – February M3 Money Supply Growth** – eased to +6.4% Y/Y following a +7.3% Y/Y increase the month before.

## News & Upcoming Dates

### News

**March 20<sup>th</sup> (Bloomberg) - SNB Should Abandon Cap Once Deflation Risk Recedes** – The IMF remarked:

*While the exchange-rate floor has been successful, once an economic recovery gets under way and deflation risks recede, the SNB should move back to a free float.*

*Delaying it could carry the risk of stoking inflation.*

*The SNB exchange-rate commitment, which is seen as credible by the markets, has stabilized the currency and is thus helping shore up the economy. Growth is expected to remain weak in the first part of this year and regain momentum thereafter, but uncertainty is high.*

### Key Dates This Week

Date	Indicator	Month	Expectation	Previous
03/22	Trade Balance	FEB	1.80B	1.50B
03/22	Exports / Imports	FEB	0.3% / --	-3.4% / 3.6%
03/27	UBS Consumption Indicator	FEB	--	0.92