

Valance Company, Inc.



Weekly

March 28, 2012

III

Highlights

US – Strong data, Fed more upbeat

EU – Weak PMI data

JN – Exports improve in January

UK – Retail sales worse than expectations

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Valance Economic Reports

Valance Co., Inc.

Valance Economic Report: United States

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March 28, 2012

A light week of data as the US continues to muddle through a slow recovery. Jobless Claims are slowly grinding lower but the housing market remains weak after some potential green shoots in recent releases. Bernanke gave a dovish speech this week noting that the Fed can continue to be accommodative even with headline data improvement. QE3 remains on the table for upcoming meetings.

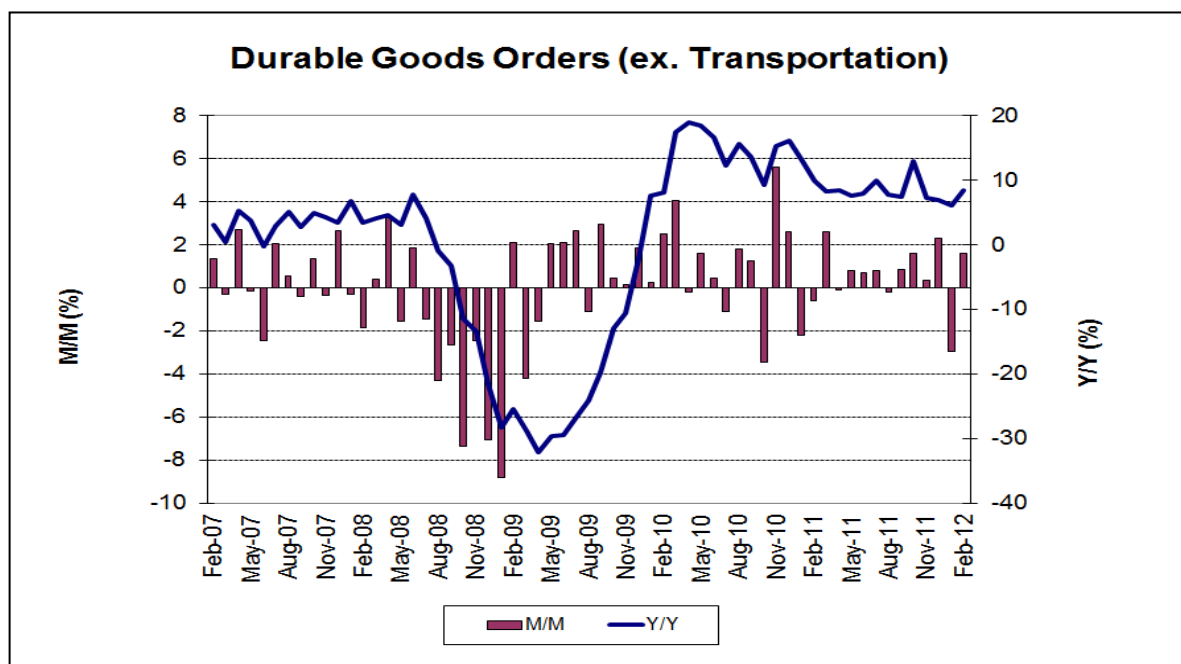
Weekly Highlights

Durable Goods Orders ex. Transportation – rose 1.6% M/M and 13.4% Y/Y in February (US 1)

Initial Claims – fell from 353k to 348k (US 4)

Weekly Releases

Chart of the Week: *Durables Ex Transportation*



Durable Goods Orders ex. Transportation rose 1.6% M/M and 13.4% Y/Y in February. Non-defense capital goods orders, excluding aircraft, gained 1.2% M/M and 12.2% Y/Y. The three-month annualized core rate improved from -2.4% to 0.2%.

US 1

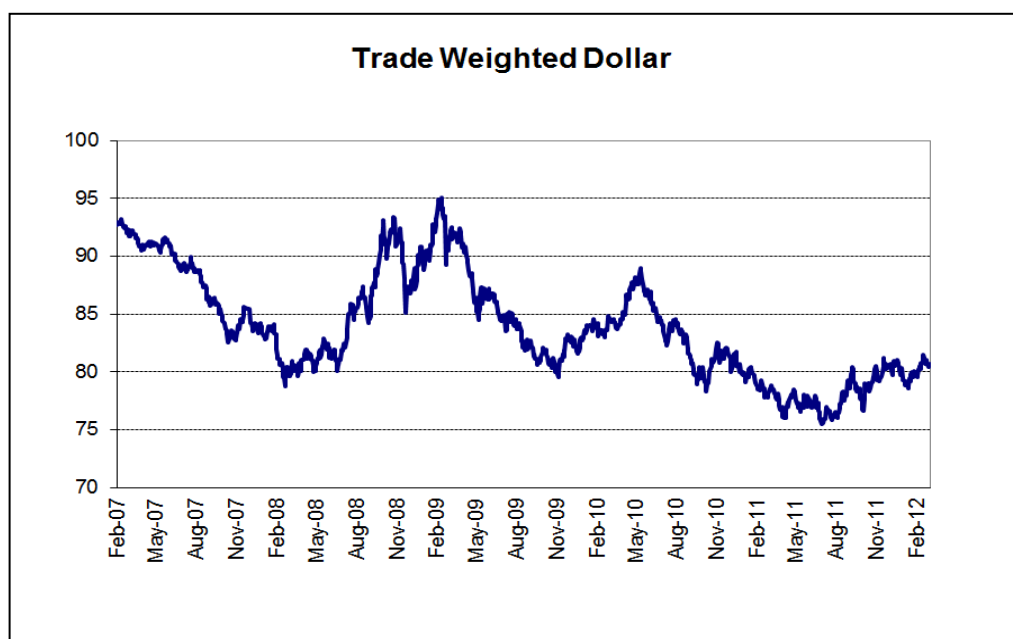
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

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

The budget deficit on a trailing twelve month basis as of December is 8.0% of GDP. The trade deficit as of December is 3.7% of GDP. The budget deficit is quite large and should remain that way due to tax cuts, high expenditures and revenues that are just starting to turn upwards. The budget deficit will help build private balances and support an economic recovery.

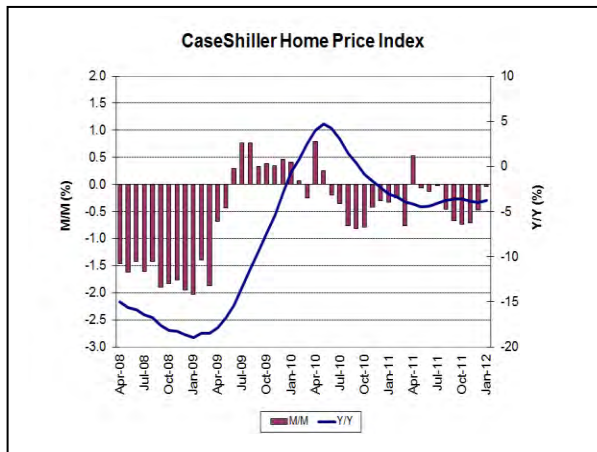
Trade Weighted Dollar



S&P/Case-Shiller, FHFA House Price Index & New Home Sales

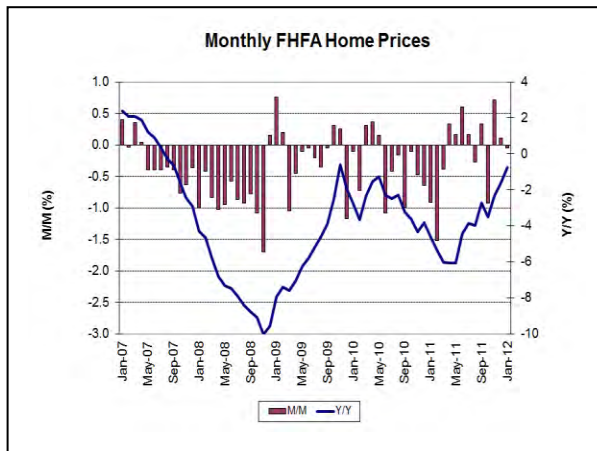
S&P/Case-Shiller Home Price Ind

The Case-Shiller Index was essentially flat, dropping 0.04% M/M and 3.8% Y/Y in January. This home price index has declined 19 of the last 20 months.



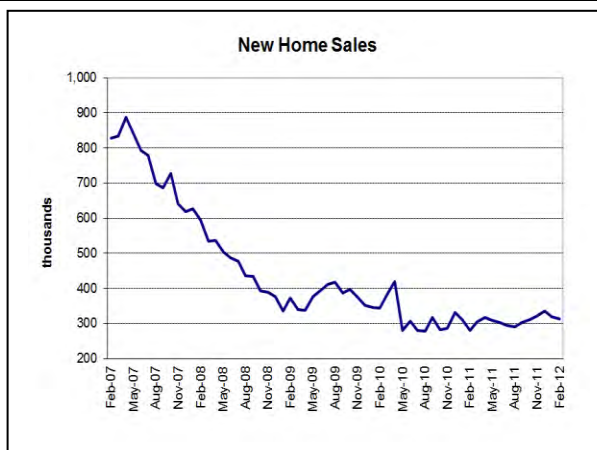
FHFA House Price Index

The monthly OFHEO House Price Index was flat M/M and down 0.7% Y/Y in January.



New Home Sales

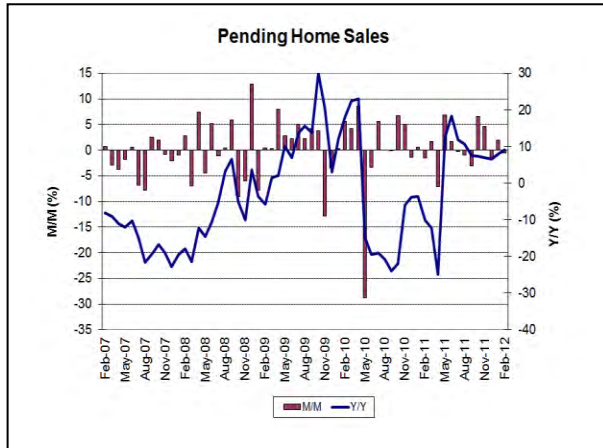
New Home Sales fell from a revised 318k to 313k in February. It was a decline of 1.6% M/M, but is still up 11.4% Y/Y. Median prices increased 8.3% M/M to \$217k. Inventory levels increased from 5.7 to 5.8 months of supply. Actual inventories remained at 150k.



Pending Home Sales, MBA Mortgage Applications & Initial Jobless Claims

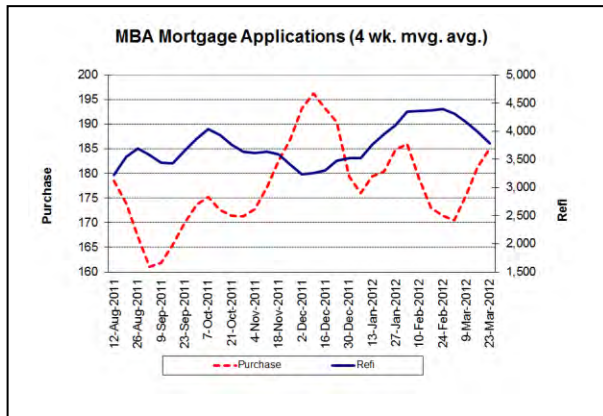
Pending Home Sales

Pending Home Sales fell 0.5% M/M in February after gaining 2.0% in January. Pending sales are up 13.9% Y/Y.



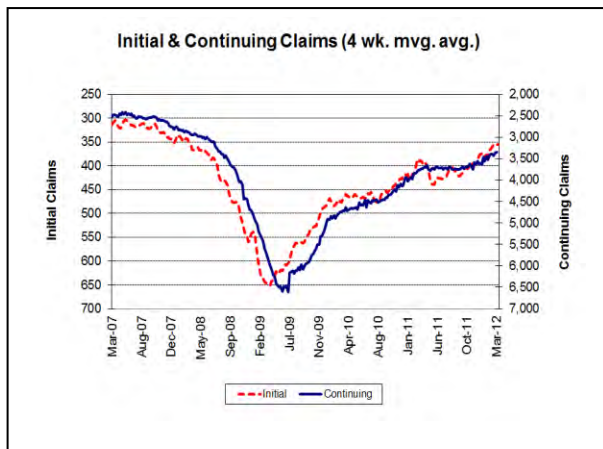
MBA Mortgage Applications

Purchase Mortgage Applications gained 3.3% W/W. Refi applications dropped 4.6% W/W. The FRM 30-year contract increased from 4.06%.



Initial Jobless Claims

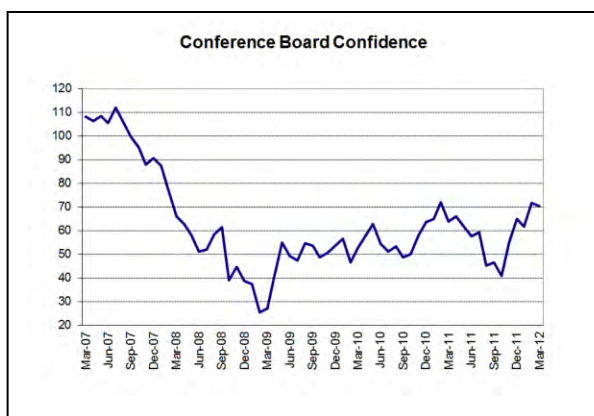
Initial Claims fell from 353k to 348k. The series has been volatile since the beginning of the year but is starting to stabilize in the 350k range. The four week moving average of Initial Claims fell from 356k to 355k. Continuing Claims fell from 3361k to 3352k.



Consumer Confidence & Bloomberg Consumer Comfort

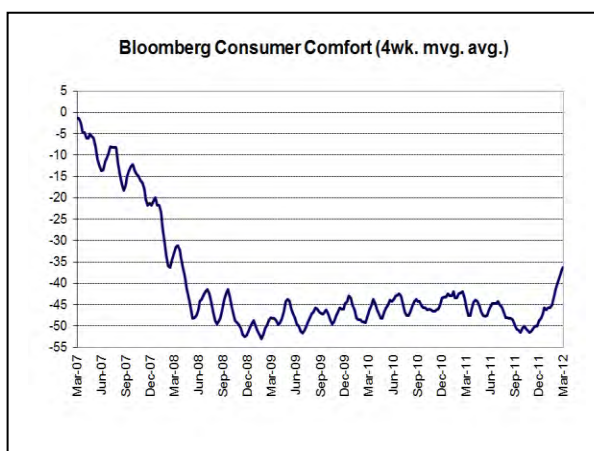
Consumer Confidence

Conference Board Consumer Confidence dropped slightly from 70.8 to 70.2 in March, just off a one year high. The present situation component improved from 46.4 to 51.0 though expectations fell from 88.4 to 83.0. The jobs plentiful minus jobs hard to get component remained at -31.6.



Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index fell from -33.7 to -34.9. While the index remains negative, it has shown significant improvement in recent months as consumers are becoming less pessimistic. The buying climate component dropped from -33.7 to -38.6, but the state of the economy improved from -70.0 to -67.1, a four-year high.



Key Dates This Week

Date	Indicators		Expectations	Previous
29-Mar	GDP Q/Q (Annualized)	4Q T	3.00%	3.00%
29-Mar	Personal Consumption	4Q T	2.10%	2.10%
29-Mar	GDP Price Index	4Q T	0.90%	0.90%
29-Mar	Core PCE Q/Q	4Q T	1.30%	1.30%
29-Mar	Initial Jobless Claims	24-Mar	350K	348K
29-Mar	Bloomberg Consumer Comfort	25-Mar	- -	-34.9
30-Mar	Personal Income	FEB	0.40%	0.30%
30-Mar	Personal Spending	FEB	0.60%	0.20%
30-Mar	PCE Deflator (M/M)	FEB	0.30%	0.20%
30-Mar	PCE Core (M/M)	FEB	0.10%	0.20%
30-Mar	Chicago Purchasing Manager	MAR	63	64
30-Mar	U. of Michigan Confidence	MAR F	74.6	74.3
2-Apr	Construction Spending M/M	FEB	0.80%	-0.10%
2-Apr	ISM Manufacturing	MAR	53.5	52.4
2-Apr	ISM Prices Paid	MAR	62.1	61.5
3-Apr	Total Vehicle Sales	MAR	14.70M	15.03M
4-Apr	MBA Mortgage Applications	30-Mar	- -	-2.70%
4-Apr	ADP Employment Change	MAR	200K	216K
4-Apr	ISM Non-Manf. Composite	MAR	56.7	57.3

Valance Economic Report: Euro Zone

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March 28, 2012

Mixed data was posted for the Euro Area over the past week. EU PMIs unexpectedly declined across the board in March and loan growth to the private sector slowed in February. Meanwhile, Business and Consumer Confidence showed signs of improvement.

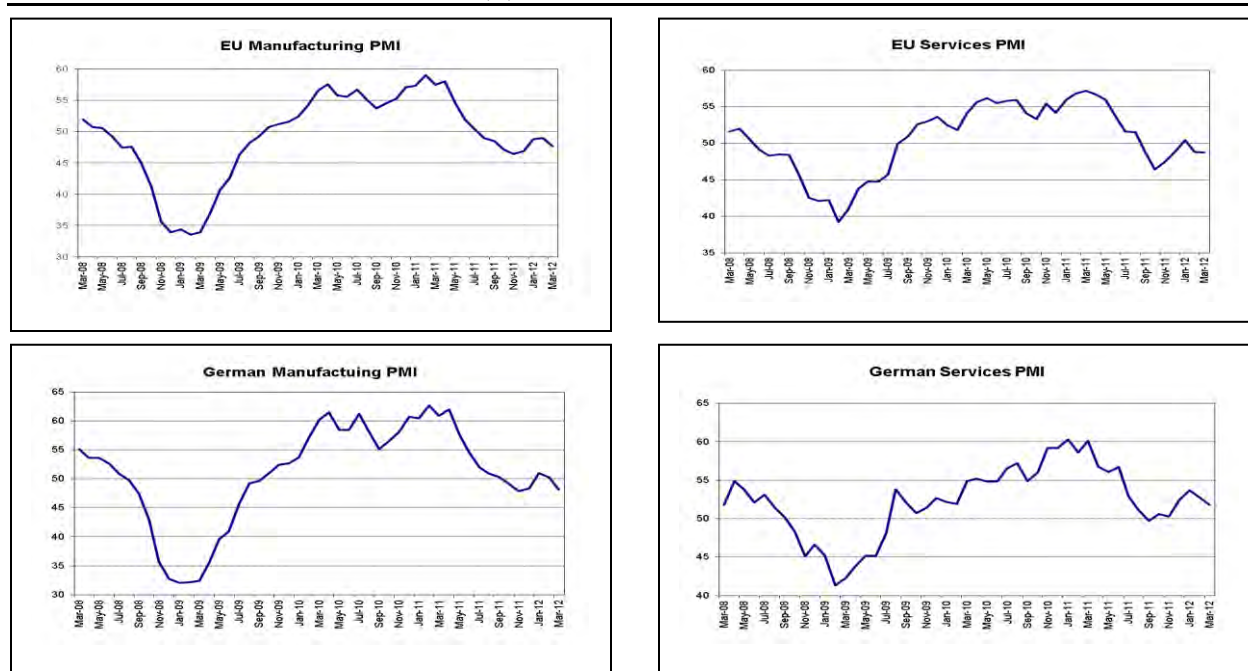
Weekly Highlights

PMI Manufacturing - decreased from 49.0 in February to 48.7 in March. (EU 1)

EU Consumer Confidence - increased from -20.3 in February to -19.0 in March. (EU 3)

M3 Money Supply - increased 2.5% M/M in Feb, matching the previous month reading. (EU 3)

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



EU PMIs contracted more than expected across the board. PMI Manufacturing decreased from 49.0 in February to 48.7 in March versus market expectations for an increase to 49.5. Services Industry fell from 48.8 to 48.7 against market expectations for a reading of 49.2. The Composite Index fell from 49.3 to 48.7 compared to market expectations for an increase to 49.6. The German Manufacturing Industry fell from 50.2 to 48.1 against market expectations for a reading of 51.0 and Services Industry decreased from 52.8 to 51.8.

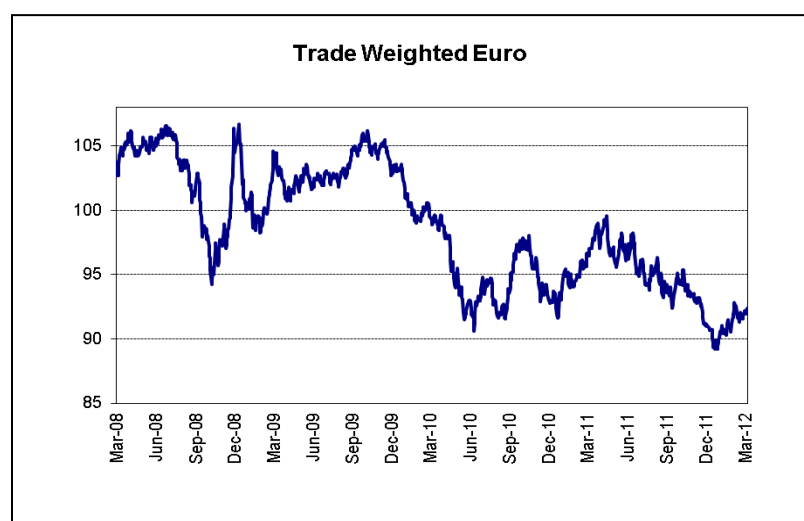
Euro Zone Financial Balances & Trade Weighted Euro

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	13.1 (January)	2.0%
Current Account Balance	8.0 (January)	5.6%
Private Savings Balance		9.9%
<i>France</i>		
Budget Balance		-2.7%
Trade Balance	-5.3 (January)	-4.9 %
Current Account Balance	-4.2 (January)	-3.9%
Private Savings Balance		-1.2%
<i>Italy</i>		
Budget Balance		-4.5 %
Trade Balance	1.4 (December)	-7.7%
Current Account Balance	0.4 (December)	-3.5%
Private Savings Balance		1.0%

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

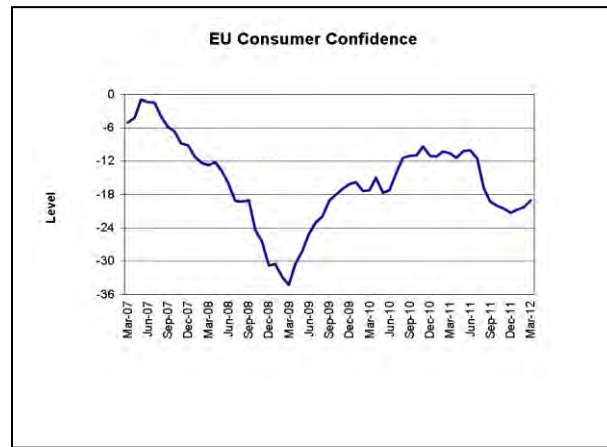
Trade Weighted Euro



EU Consumer Confidence & Money Supply

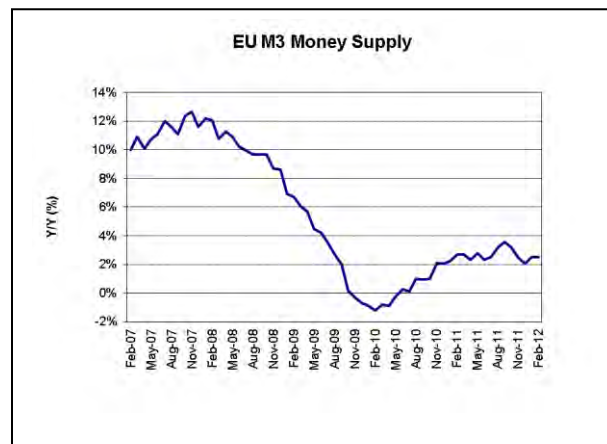
EU Consumer Confidence

EU Consumer Confidence increased from -20.3 in February to -19.0 in March. Market expectations were for a reading of -19.8.



Money Supply

M3 Money Supply increased 2.5% Y/Y in February matching the previous month reading. Loans to the private sector growth decelerated from 1.1% Y/Y to 0.7% Y/Y.



German CPI, IFO & Import Prices

German CPI

German CPI increased 0.3% M/M and 2.3% Y/Y in February. Preliminary data shows that CPI increased 0.3% M/M and 2.1% Y/Y in March.



German IFO

The German IFO Business Climate Survey increased from 109.7 in February to 109.8 in March. Market expectations were for a reading of 109.6. The Current Assessment remained at 117.4 and the Expectations index increased from 102.4 to 102.7.



German Import Prices

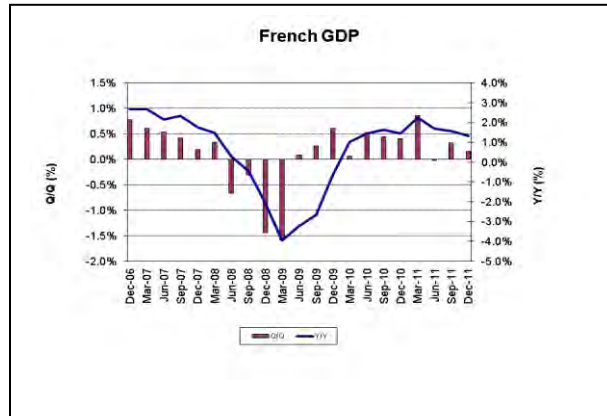
German Import Prices increased 1.0% M/M and 3.5% Y/Y in February. Export Prices increased 0.1% M/M and 2.0% Y/Y.



French GDP & Consumer/Business Confidence

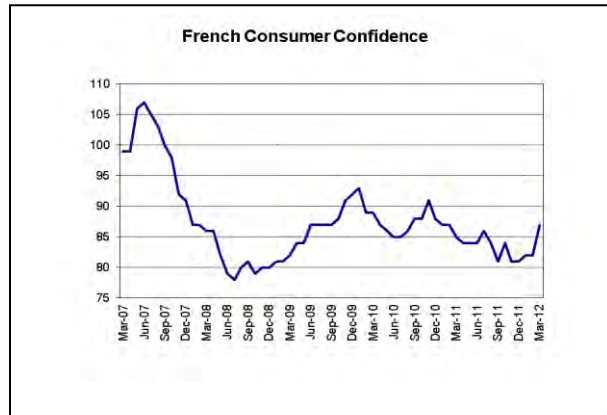
French GDP

Final Data shows that French GDP increased 0.2% Q/Q and 1.3% Y/Y in Q4. Household Consumption gained 0.2% Q/Q and 0.1% Y/Y. Public Sector Expenditure increased 0.3% Q/Q and 1.0% Y/Y. Exports increased 1.2% Q/Q and 4.6% Y/Y and Imports fell 1.0% Q/Q and 1.3% Y/Y. French Q4 GDP was previously estimated at 0.2% Q/Q and 1.4% Q/Q.



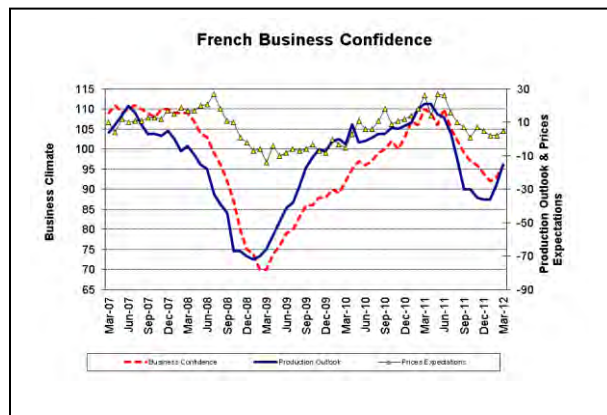
French Consumer Confidence

French Consumer Confidence increased from 82 in February to 87 in March. Market expectations were for an unchanged reading.



French Business Confidence

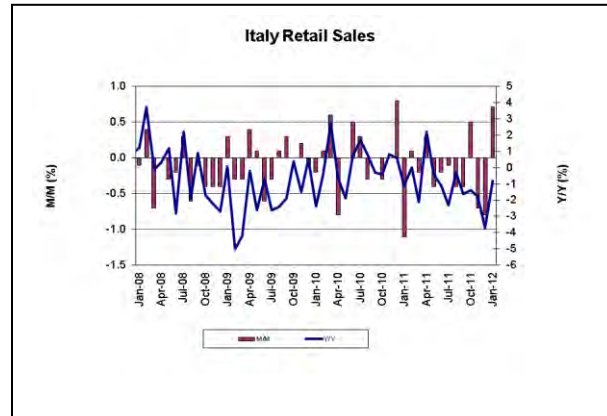
French Business Confidence increased from a revised 93 (previous 92) in February to 96 in March, above market expectations for a reading of 93. The Price Outlook increased from 2 to 5 and the Production Outlook increased from -27 to -15.



Italian Retail Sales & Consumer/Business Confidence

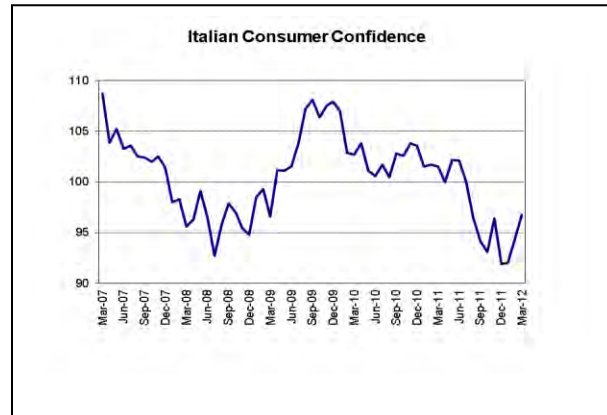
Italian Retail Sales

Italian Retail Sales increased 0.7% M/M and decreased 0.8% Y/Y. Market expectations were for a 0.1% M/M and 3.4% Y/Y decrease.



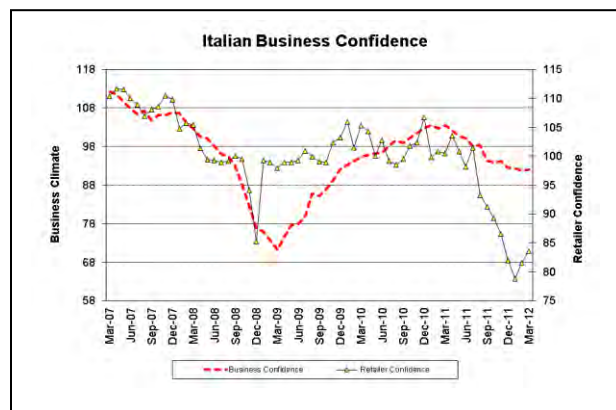
Italian Consumer Confidence

Italian Consumer Confidence increased from a revised 94.4 (previous 94.2) in February to 96.8 in March. Market expectations were for a decrease to 93.5.



Italian Business Confidence

Italian Business Confidence increased from 91.7 in February to 92.1 in March. Market expectations were for a reading of 91.5.



Spanish Producer Prices

Spanish Producer Prices

Spanish Producer Prices increased 0.6% M/M in February and the Y/Y growth decelerated from 3.7% to 3.4%. Market expectations were for a reading of 0.7% M/M and 3.4% Y/Y.



News/Comments

March 27th - German Consumer Confidence to Ease in April on Energy, GfK Says (Bloomberg)

German consumer confidence will decline for the first time in seven months in April as rising energy prices curb household spending power, GfK SE said. The Nuremberg-based market research company predicted today that its consumer-sentiment index, based on a survey of about 2,000 people, will slip to 5.9 from a 12-month high of 6 in March. Economists forecast an unchanged reading, according to the median of 26 estimates in a Bloomberg News survey.

March 28th - Bini Smaghi Says European Lawmakers Must Take Speedy Decisions

(Bloomberg) - Former European Central Bank Executive Board member Lorenzo Bini Smaghi said lawmakers must speed up their decision-making processes to stabilize financial markets and safeguard the euro. "For politicians to be credible, it's important to anticipate and take decisions early," Bini Smaghi said in an interview with CNBC broadcast today. "Unfortunately, politicians have been determined but always too late. It's too risky to manage a currency like this." At some point, markets will test the resolution of lawmakers to fix the region's debt crisis, Bini Smaghi said. The best strategy to avoid the resurgence of fear on financial markets is to "clearly identify" the emergency funds available "and say if needed, these funds will be used," he said.

March 27th - OECD Says ECB Should Consider More Measures If Crisis Worsens

(Bloomberg) -- The European Central Bank should consider providing more liquidity and commit to keeping rates low for longer if the sovereign debt crisis threatens to choke off an already fragile economic recovery, the Organization for Economic Cooperation and Development said. "If the crisis were to re-intensify," non-standard measures "may need to be widened to support the monetary transmission mechanism and maintain price stability," the Paris-based OECD said in a report published today. "Commitments to maintaining low interest rates for a long period could also be considered, although communication implications would need to be assessed." The ECB has loaned banks more than 1 trillion euros (\$1.3 trillion) for three years at its benchmark rate, which is currently at a record low of 1 percent, to keep credit flowing. With the 17-nation euro economy showing signs of stabilizing, ECB policy makers have signaled they're reluctant to add to stimulus measures and started to talk about their eventual withdrawal. "While the effect of recent ECB measures is still unfolding, the outlook for growth is unusually uncertain and depends critically on the resolution of the sovereign debt crisis," the OECD said. "While effective policy action to resolve the crisis could lead to a stronger than anticipated and earlier recovery in confidence and investment, there are large downside risks as the lack of effective policy action would open the way to a severe recession."

March 27th - Juncker Says Restoration of Confidence Needed for Growth, Jobs (Bloomberg)

Luxembourg's Jean-Claude Juncker, who leads the group of euro-area finance ministers, said Europe needs to restore confidence in order to boost economic growth and create more jobs. "The best way to find growth and jobs is to recreate confidence," Juncker said today at an event in Brussels. Budget consolidation on its own cannot be the only response to the recession, he said. "I would really like to see a strong growth policy underlined by adequate financial policies," Juncker said.

News/Comments Cont'd

March 27th - ECB chief: Emergency loans not fueling inflation (AP) - ECB chief Mario Draghi said he sees no inflation threat from the bank's infusion of than 1 trillion in emergency loans. Draghi said in a speech that any excess money in the financial system can be quickly sopped up by the ECB when the time is right. "We would expect an impact on inflation and asset prices only following a sustained and strong increase in money and credit, not following an increase in central bank liquidity per se," he said. "The tentative signs we are seeing of a stabilization in money and credit growth do not signal increasing inflationary pressures over the medium term." Draghi said the risk to the ECB from accepting lower-quality collateral was being managed by requiring more collateral than the amount of the loans in some cases.

March 23rd - Draghi warns that a Greece euro exit would stoke instability - Berlin (DPA) - European Central Bank President Mario Draghi warned Friday that a possible exit by Greece from the eurozone would be counterproductive as it would lead to instability and higher inflation. "An exit and the possibility of devaluing its currency wouldn't improve anything," Draghi said in an interview with the German daily Bild. "The pressure to reform would never end," the ECB chief said. But instead an exit would result in higher inflation and instability - for the foreseeable future no one would lend Greece the necessary money." He said that Greece had already agreed to a string of key reforms, which as long as they were implemented would give the heavily indebted nation "a chance to emerge from the current downward spiral." Draghi also insisted that it was too early to launch eurobonds as a way of shoring up the debt-hit 17-member currency bloc. "The eurozone cannot be turned into a transfer union in which one or two countries pay while the rest spend the money and the whole thing is financed with eurobonds," he said. "This was the reason why the new fiscal pact for the euro states is the right way to go and that's why it would be too early for eurobonds." Germany's tough stance on the need for Athens to press on with often painful reforms has made it a target of protests in Greece. But in his interview, Draghi said: "Without pressure from the markets and the Germans, then many of the advances in various eurozone countries would not have been made."

March 23rd - Ex-ECB Economist Weber Sees Inflation Risk, Handelsblatt Says (Bloomberg) - Juergen Stark, the German who quit as the European Central Bank's chief economist last year, said liquidity the ECB has injected into the financial system boosts the risk of inflation, Handelsblatt reported. The running time of the central bank's three-year loans to banks to fight the euro-area debt crisis is long and makes it more difficult to design an exit strategy to reduce liquidity, Stark, a former ECB Executive Board member, told the Dusseldorf-based newspaper in an interview published today.

March 21st - 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.

News/Comments Cont'd

Date	Event	Expectations	Prior
29-Mar	EC Business Climate Indicator	MAR -0.16	-0.18
29-Mar	EC Euro-Zone Consumer Confidence	MAR F -19	-19
29-Mar	EC Euro-Zone Economic Confidence	MAR 94.5	94.4
29-Mar	EC Euro-Zone Indust. Confidence	MAR -5.8	-5.8
29-Mar	EC Euro-zone Services Confidence	MAR -0.8	-0.9
30-Mar	EC Euro-Zone CPI Estimate (Y/Y)	MAR 2.50%	2.70%
2-Apr	EC Euro-Zone Unemployment Rate	FEB - -	10.70%
3-Apr	EC Euro-Zone PPI (M/M)	FEB - -	0.70%
3-Apr	EC Euro-Zone PPI (Y/Y)	FEB - -	3.70%
4-Apr	EC Euro-Zone Retail Sales (M/M)	FEB - -	0.30%
4-Apr	EC Euro-Zone Retail Sales (Y/Y)	FEB - -	0.00%
4-Apr	EC ECB Announces Interest Rates	4-Apr - -	1.00%
28-Mar	GE Consumer Price Index (M/M)	MAR P 0.30%	0.70%
28-Mar	GE Consumer Price Index (Y/Y)	MAR P 2.20%	2.30%
29-Mar	GE Unemployment Change ('000's)	MAR -10K	0K
29-Mar	GE Unemployment Rate (s.a)	MAR 6.80%	6.80%
30-Mar	GE Retail Sales (M/M)	FEB 1.10%	-1.60%
30-Mar	GE Retail Sales (Y/Y)	FEB 0.10%	1.60%
4-Apr	GE Factory Orders Y/Y (nsa)	FEB - -	-4.90%
4-Apr	GE Factory Orders M/M (sa)	FEB - -	-2.70%
30-Mar	FR Producer Prices (M/M)	FEB 0.40%	0.60%
30-Mar	FR Producer Prices (Y/Y)	FEB 4.00%	4.20%
30-Mar	FR Consumer Spending (M/M)	FEB 0.20%	-0.40%
30-Mar	FR Consumer Spending (Y/Y)	FEB -2.50%	-2.20%
30-Mar	IT PPI (Y/Y)	FEB 3.30%	3.40%
30-Mar	IT CPI - EU Harmonized (M/M)	MAR P 2.00%	0.20%
30-Mar	IT CPI - EU Harmonized (Y/Y)	MAR P 3.30%	3.40%
2-Apr	IT Unemployment Rate (s.a)	4Q - -	8.10%
2-Apr	IT Unemployment Rate (SA)	FEB P - -	9.20%
29-Mar	SP CPI (EU Harmonised) (Y/Y)	MAR P 1.80%	1.90%
29-Mar	SP Consumer Price Index (Y/Y)	MAR P 1.90%	2.00%
3-Apr	SP Unemployment M/M Net ('000s)	MAR - -	112.3

Valance Economic Report: Japan

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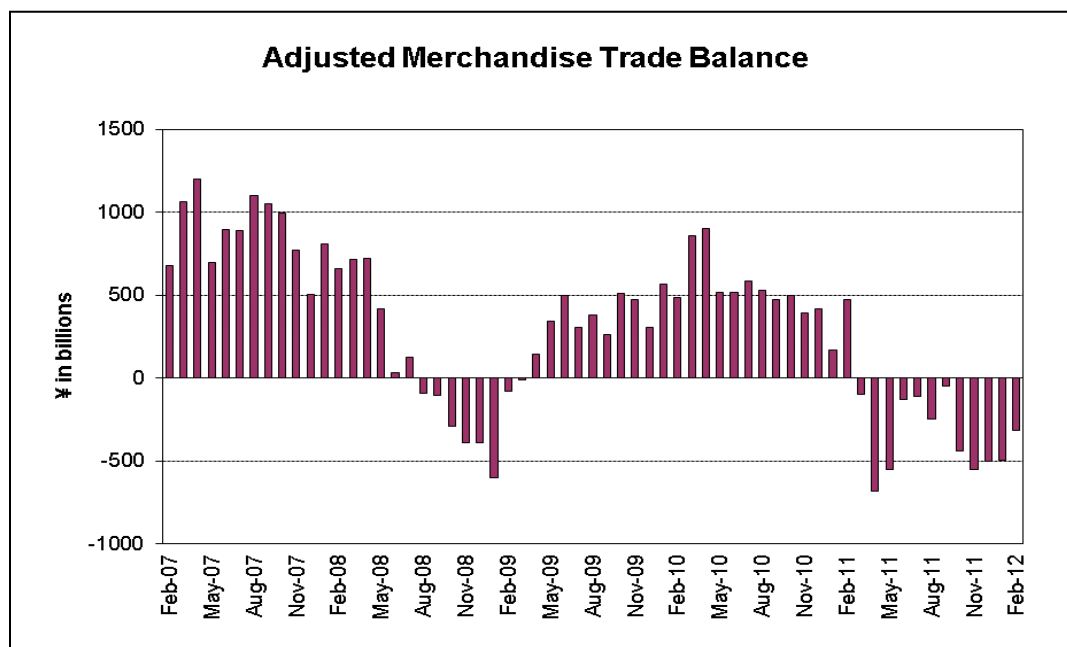
The Adjusted Trade Balance narrowed in January as Exports improved. Small business confidence declined however, and overall economic conditions remain relatively weak.

Weekly Highlights

Exports – improved 2.9% M/M and dropped 2.7% Y/Y in January. (JN 1)

Small Business Confidence – improved 3.4pts to 48.7 in March. (JN 3)

Chart(s) of the Week: Trade Balance

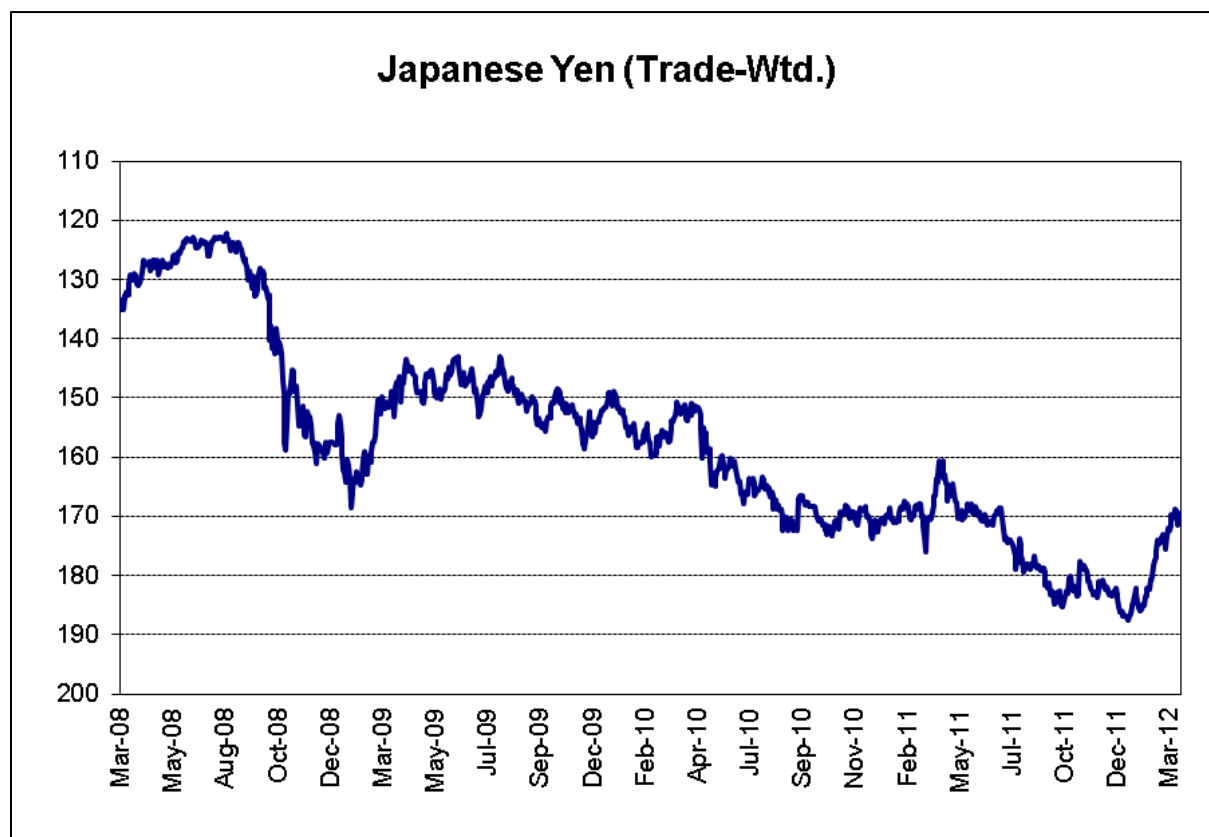


The Adjusted Trade Balance Narrowed from -Y494.3Bln in January to -Y313.2Bln in February, ahead of market expectations which called for an improvement to -Y342.5Bln. Exports improved 2.9% M/M and dropped 2.7% Y/Y. Imports dropped 0.4% M/M and increased 9.2% Y/Y. By region, exports to the US improved 11.9% Y/Y. Exports to Europe declined 10.7% Y/Y. Exports to Asia declined 6.6% Y/Y. Exports to China declined 13.9% Y/Y.

Japan's Financial Balances

Financial Balances

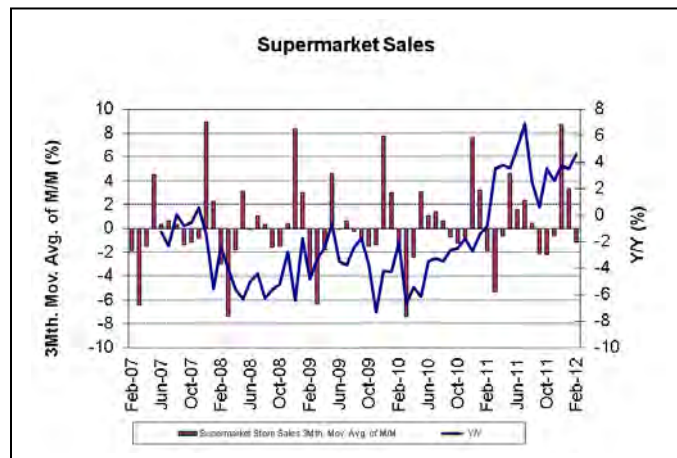
Japan	Last period (¥trln)	Last 12mth. as a % of GDP
Budget Balance	-3.50 (Dec)	-6.9%
Trade Balance	0.58 (Dec)	1.5%
Current Account Balance	1.87 (Dec)	3.5%
Private Balance	--	11.6%



Supermarket Sales, Small Business Confidence & Corp Service Prices

Supermarket Sales

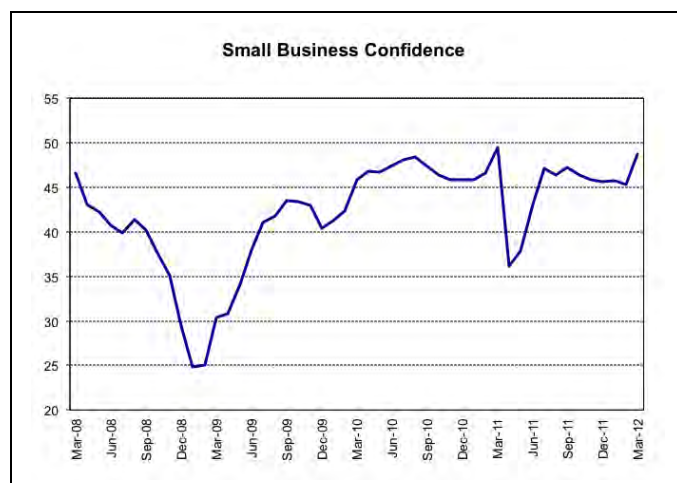
Supermarket Store Sales dropped 14.0% M/M and increased 0.3% Y/Y in February. The M/M increase occurred on improved sales of food, clothing, and household goods. Overall, the M/M gain was the first in seven months.



Small Business Confidence

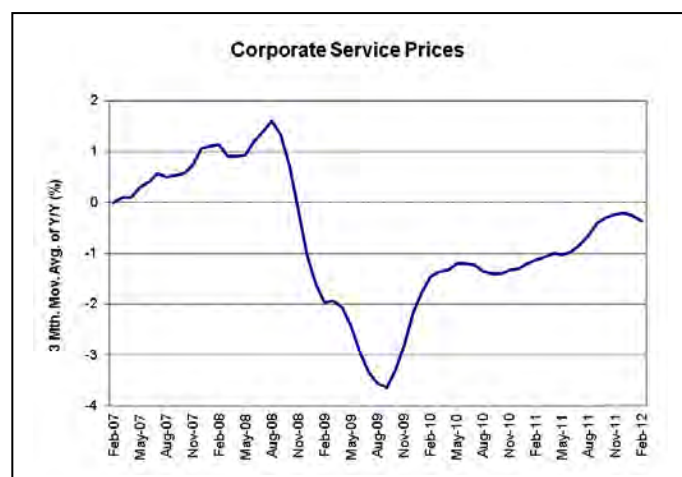
Business Confidence improved 3.4pts to 48.7 in March as confidence among manufacturers improved 4.0pts to 48.7 while confidence among nonmanufacturers improved 3.0pts to 48.7.

Looking forward, industries expect confidence to decline 2.3pts to 46.4 next month as manufacturers expect conditions



Corp Service Prices

Corporate Service Prices increased 0.1% M/M and dropped 0.6% Y/Y in February. The market had anticipated a 0.4% Y/Y drop. The M/M increase was the first in five months and occurred on gains in property, air freight, advertising services, software, and hotel prices.



News

March 26th – BoJ Gov Shirakawa Warns Central Banks on Low Interest Rates – BoJ Governor Shirakawa commented that “If low interest rates reduce investment projects that are only profitable at such interest rate levels, this could have an adverse impact on productivity and growth potential of the economy by making resource allocation inefficient.”

March 26th – Restaurant Sales Rise – Store sales at restaurants increased 1% Y?Y in February according to the Japan Foodservice Association. The increase occurred as the total number of customers rose 3%. The number of sales per customer declined 2% however.

March 25th – Former MoF Official on Tax Increase – Eisuke Sakakibara, a former MoF official, commented on the proposed tax rate increases, stating that “The government shouldn’t raise taxes when economic conditions are bad...they should even stop discussing the plan because expectations for higher tax rates in the future could alone have a negative impact on the economy.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
3/28	Retail Trade MoM SA	0.00%	4.10%
3/28	Retail Trade YoY	1.40%	1.90%
3/28	Large Retailers' Sales	-0.30%	-1.00%
3/29	Jobless Rate	4.60%	4.60%
3/29	Job-To-Applicant Ratio	0.74	0.73
3/29	Overall Hhold Spending (YoY)	-0.50%	-2.30%
3/29	Tokyo CPI YoY	-0.10%	-0.20%
3/29	Tokyo CPI Ex-Fresh Food YoY	-0.30%	-0.30%
3/29	Tokyo CPI Ex Food, Energy YoY	-1.00%	-1.10%
3/29	Natl CPI YoY	0.00%	0.10%
3/29	Natl CPI Ex-Fresh Food YoY	-0.10%	-0.10%
3/29	Natl CPI Ex Food, Energy YoY	-0.90%	-0.90%
3/29	Industrial Production (MoM)	1.30%	1.90%
3/29	Industrial Production YOY%	3.70%	-1.30%
3/30	Vehicle Production (YoY)	N/A	18.60%
3/30	Construction Orders (YoY)	N/A	24.60%
3/30	Annualized Housing Starts	0.840M	0.822M
3/30	Housing Starts (YoY)	-1.10%	-1.10%
4/1	Tankan Lge Manufacturers Index	-1	-4
4/1	Tankan Non-Manufacturing	5	4
4/1	Tankan Lge Mfg Outlook	2	-5
4/1	Tankan Non-Mfg Outlook	6	0
4/1	Tankan Large All Indust Capex	0.80%	1.40%
4/2	Vehicle Sales (YoY)	N/A	31.90%
4/2	Labor Cash Earnings YoY	N/A	0.00%

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Valance Economic Report: United Kingdom

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March 28, 2012

Q4 GDP shrank more than previously estimated, while February's Retail Sales also fell more than expected. The Current Account Deficit narrowed in Q4.

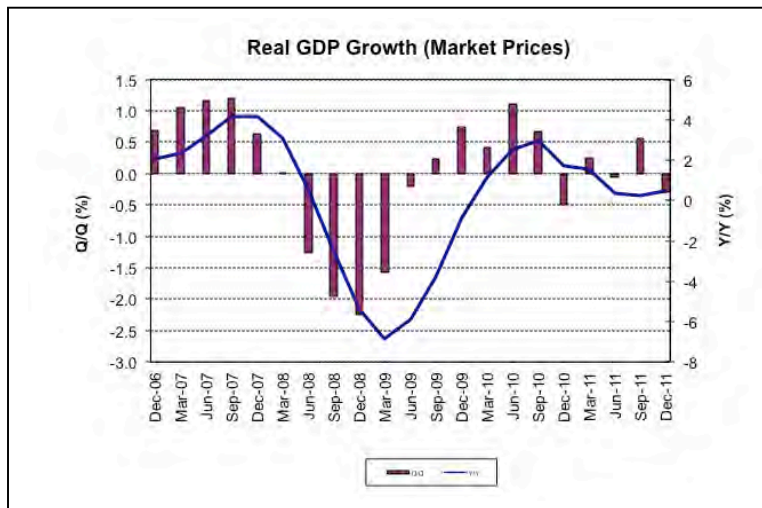
Weekly Highlights

Real GDP – dropped 0.3% Q/Q and increased 0.5% Y/Y in Q4. (UK 1)

Retail Sales – fell 0.8% M/M in February. (UK 3)

Weekly Releases & News

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



The final estimate of Q4 GDP indicated that the economy contracted 0.3% Q/Q and expanded 0.5% Y/Y. This was below market expectations for a 0.2% Q/Q contraction and a 0.7% Y/Y expansion. On the expenditures side, investment fell 0.6% Q/Q, the largest decline since Q1 2011. Consumer spending increased 0.4% Q/Q. Government spending increased 0.5% Q/Q. On the production side, manufacturing output fell 0.7% while the output of mining and quarrying fell 2.6% and the output of agriculture, forestry, and fishing declined 1.5% Q/Q. Exports increased 1.6% Q/Q while imports increased 0.9% Q/Q.

UK 1

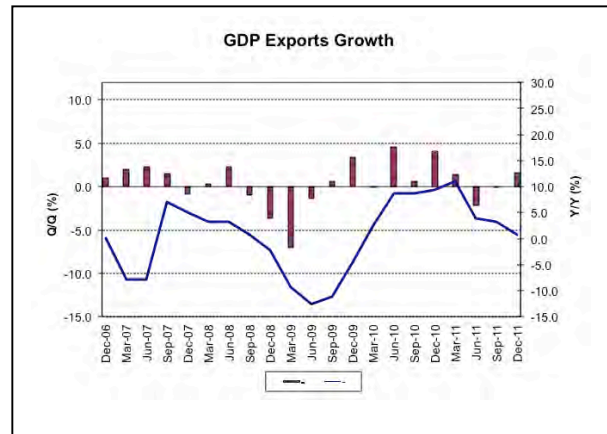
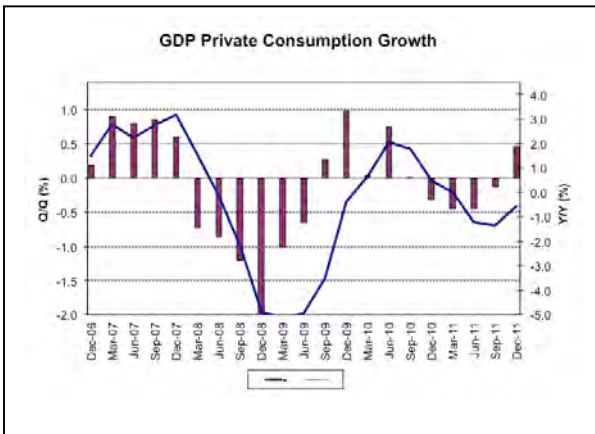
Financial Balances & Trade Weighted Index

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



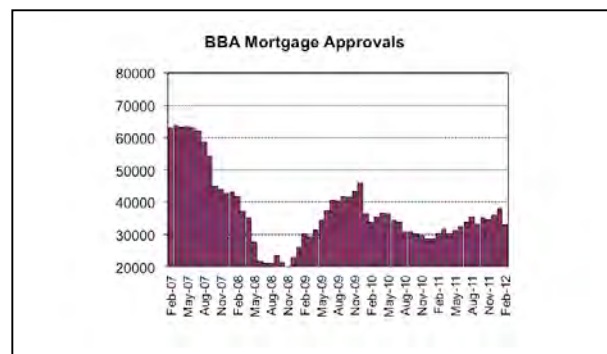
GDP Components, BBA Mortgage Approvals & Retail Sales

GDP Components



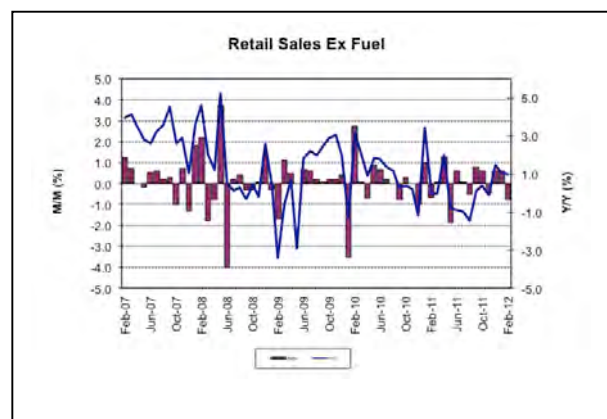
BBA Mortgage Approvals

Banks granted 33,103 loans for home purchases in February, down from 37,977 in January. From a year earlier, the number of home loans increased 8.4%.



Retail Sales

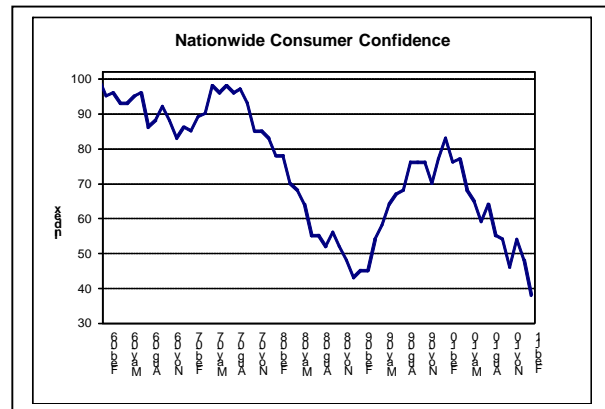
February's Retail Sales fell 0.8% M/M and increased 1.0% Y/Y from a downwardly revised 1.3% M/M and 1.4% Y/Y (+0.9% M/M and +2.0% Y/Y prev.) Excluding fuel, sales also dropped 0.8% M/M and 1.0% Y/Y. This was worse than the 0.5% M/M drop and 2.3% Y/Y increase the market expected. Within the monthly data, the drop occurred as all subcomponents fell, with clothing/footwear and other store sales dropping the most. The implied deflator rose 2.4% M/M and excluding fuel, rose 1.9% M/M.



Current Account Deficit & Consumer Confidence

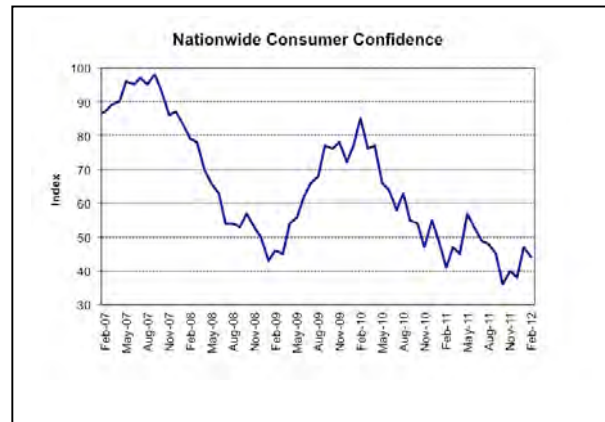
Nationwide Consumer Confidence

The Current Account Deficit narrowed from a revised £10.5Bln (£15.2Bln prev) to £8.5Bln against expectations for a drop to £8.4Bln. This represents 2.2% of GDP.



Nationwide Consumer Confidence

Nationwide Consumer Confidence Index dropped 0.3pts to 44 in February. The three month average improved 1pt to 43. The Present Situation index dropped 2pts to 19 while expectations dropped 4pts to 60 and spending dropped 1pt to 78. Nationwide commented "Weak labor-market conditions combined with weaker-than-expected economic growth are continuing to weigh on confidence...consumers also scaled back their expectations for the future, with the forward-looking aspects of the index weakening during the month."



Data & News

Total Business Investment:

According to the Office of National Statistics, Total Business Investment declined 3.3% Q/Q and increased 1.6% Y/Y in Q4. This was better than the -5.6% Q/Q and -1.9% Y/Y the market expected.

Mr. 27th - CBI Reported Sales (Bloomberg) – The UK Retail Sales index improved from -2 to 0 in March. Orders placed were unchanged at -4. Sales for the time of year improved from -31 to -27. Stocks improved from 7 to 22.

Mar. 28th – Osborne’s Budget Will Boost UK Inflation Rate by 0.17Pts (Bloomberg) - The U.K.’s inflation rate will be boosted by 0.17 percentage points by Chancellor of the Exchequer George Osborne’s budget measures announced on March 21, the Office for National Statistics said. The estimated impact on Britain’s Consumer Prices Index is based on changes in duties being passed on in full to Britons as soon as they come into effect, the statistics office said in an e-mailed statement released in London today.

Mar. 28th – King Says BOE Will Raise Key Rate Before ‘Orderly’ Sale of Bonds (Bloomberg) - BOE Governor Mervyn King said policy makers will increase their benchmark interest rate before having an "orderly" program of asset sales when they come to unwind emergency stimulus implemented since the financial crisis. "When we were confident that we were in a period of tightening we would announce we would be selling gilts in an auction process, a mirror image" of the process that the central bank uses to buy them, King said at a House of Lords hearing. He also said that any calculations of the effect of the central bank’s quantitative easing program were "speculative" as there are "standard errors" around any estimate.

Mar. 28th – King Says Crisis Conditions Persist in Markets as Banks Retrench (Bloomberg) - Asked about U.K. banks and lending to smaller companies, BOE Governor Mervyn King said they "clearly face immense pressure in funding markets to reduce leverage." Banks "are not refusing to lend just for the hell of it, they’re facing much higher funding costs," he said. While the European Central Bank’s three-year loan program has created a "window of opportunity," it remains to be seen whether officials in the euro area will use the time it’s bought to tackle their problems. "The difficulty is that windows of opportunity have been created regularly for over two years, and nothing seems to have gone through the window," King said.

Mar. 27th – Mile’s Sees ‘Substantial Uncertainty’ Over UK Outlook, MNI Says (Bloomberg) - Bank of England policy maker David Miles said there is still "substantial uncertainty" about the U.K. economic outlook, Market News International said, citing an interview. Risks to the outlook are "pretty big, in some ways on both sides," Miles said in an interview on the sidelines of a conference in Arlington, Virginia. "Certainly you could point at things on the downside, and who knows how the eurozone situation will play out." Recent euro area developments "have been more promising, but who knows there," Miles said. "On the upside" he said that "we may get more of a bounce-back in consumer spending in the U.K., which has been very depressed for a long period now, and investment spending has been also depressed and that may bounce back." While growth will probably return to "normal" through this year and next, partly because of the bank's stimulus, "there's substantial uncertainty on either side," Miles said. "I don't think it's overwhelmingly that all the risks are on the downside."

News (Cont'd)

Mar. 23rd – BOE Seeks Financial Stability Tools Amid Fragile Outlook (Bloomberg) - The Bank of England's Financial Policy Committee said the outlook for financial stability remains "fragile" as it made a recommendation to the government on the tools it needs to help strengthen banks. "Immediate financial-market tensions had subsided somewhat, but the overall outlook for financial stability remained fragile," the committee said in a statement in London today. While the European Central Bank's long-term loans helped bank funding costs, "questions remained about the indebtedness and competitiveness of some European countries." In the statement following its March 16 meeting, the FPC recommended that Parliament give it tools in three areas. The panel requested powers of direction over countercyclical capital buffers, sectoral capital requirements and leverage ratios. The U.K. Treasury had sought guidance from the FPC on the tools it would need as the government overhauls regulation of lenders after the financial crisis. Systemic risk could stem from "excessive balance-sheet leverage and fragile funding positions, excessively loose terms and conditions of lending and fragilities in market structures," the FPC said. "These tools would provide control most directly over the balance sheets of a range of financial institutions," such as banks, building societies, investment firms and insurers.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
3/29	Nat'wide House prices sa (MoM)	0.20%	0.60%
3/29	Nat'wide House prices nsa(YoY)	0.90%	0.90%
3/29	Net Consumer Credit	0.2B	0.1B
3/29	Net Lending Sec. on Dwellings	1.4B	1.6B
3/29	Mortgage Approvals	57.2K	58.7K
3/29	M4 Money Supply (MoM)	N/A	1.60%
3/29	M4 Money Supply (YoY)	N/A	-1.80%
3/29	M4 Ex IOFCs 3M Annualised	N/A	4.20%
3/29	Index of Services (MoM)	0.20%	0.20%
3/29	Index of Services (3mth/3mth)	0.30%	0.00%
3/29	GfK Consumer Confidence Survey	-29	-29
4/1	Lloyds Business Barometer	N/A	1
4/1	Hometrack Housing Survey (MoM)	N/A	0.00%
4/1	Hometrack Housing Survey (YoY)	N/A	-1.40%
4/2	BoE Housing Equity Withdrawal	N/A	-£8.6B
4/2	PMI Manufacturing	N/A	51.2
4/2-4/5	Halifax House Prices sa (MoM)	N/A	-0.50%
4/2-4/5	Halifax House Price 3Mths/Year	N/A	-1.90%
4/3	PMI Construction	N/A	54.3
4/3	BRC Shop Price Index YoY	N/A	1.20%
4/4	PMI Services	N/A	53.8
4/4	Official Reserves (Changes)	N/A	\$746M

Valance Economic Report: *Canada*

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March 28, 2012

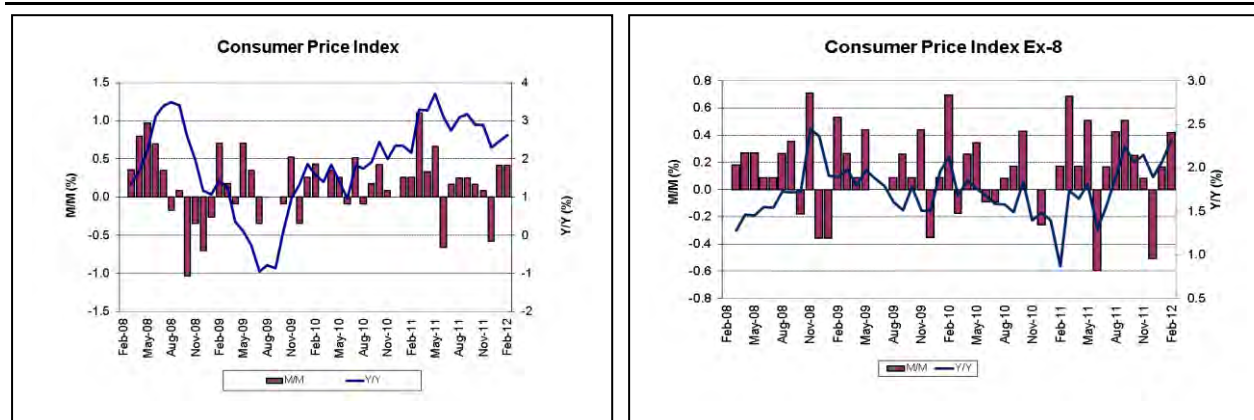
Core CPI accelerated to 2.3% Y/Y in February, its fastest pace since December 2008. The Retail Sales gain in January, on the other hand, was well below market expectations.

Weekly Highlights

Core CPI – increased 0.4% M/M and 2.3% Y/Y in February. (CA 1)
Retail Sales - increased 0.5% M/M and 4.7% Y/Y in January. (CA 3)

Weekly Releases & News

Chart(s) of the Week: *CPI*



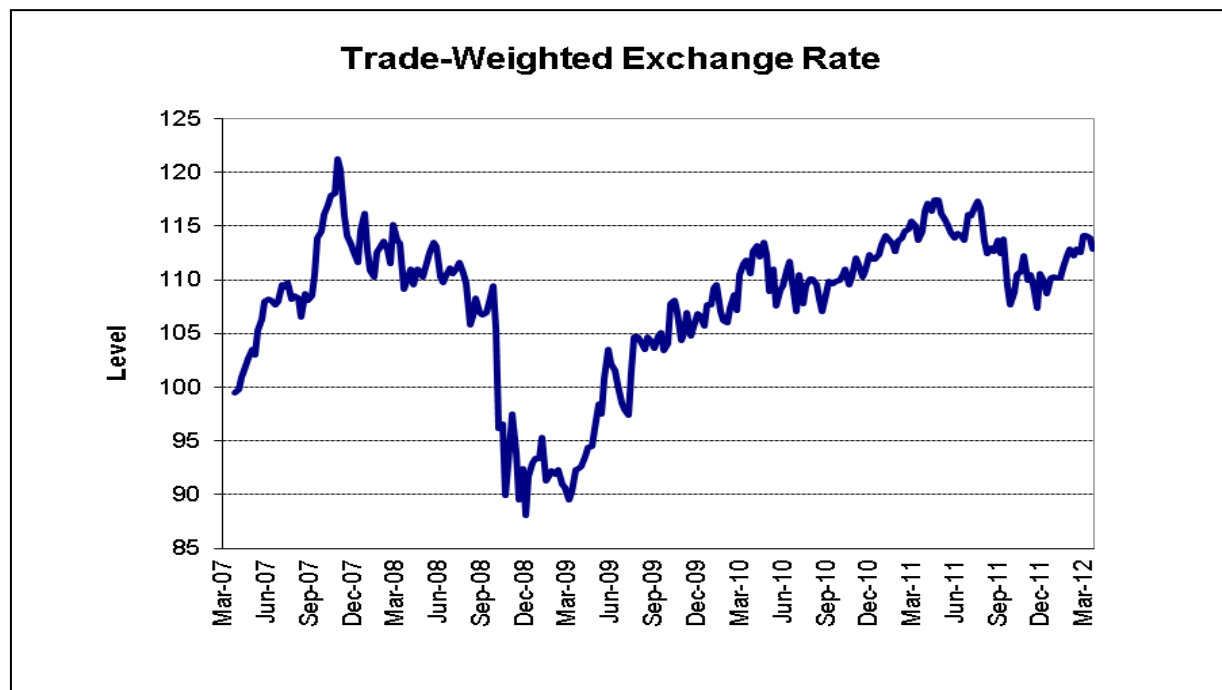
Consumer Prices increased 0.4% M/M in February on higher costs for electricity. Y/Y growth increased 2.6% in February compared to a 2.5% gain in January. Market expectations were for 0.4% M/M and a 2.7% Y/Y growth. Core inflation increased 0.4% M/M and accelerated from 2.1% Y/Y to 2.3% Y/Y, its fastest Y/Y growth since December 2008. Market expectations were for a reading of 0.3% M/M and 2.2% Y/Y. Ex-food & energy, prices gained 0.3% M/M and ex-energy prices also gained 0.3% M/M. On March 8th, the Bank of Canada said that it expects inflation to be higher than it had forecast in January due to “reduced economic slack and higher oil prices.”

Financial Balances & Trade Weighted Exchange Rate

Financial Balances

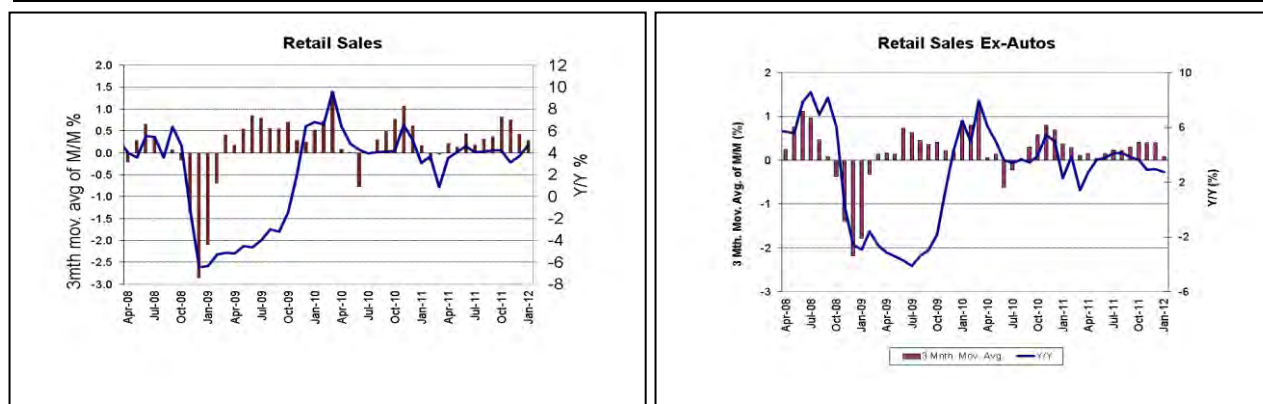
<i>Canada</i>	<i>Latest period (C\$bln)</i>	<i>Last 12mth. as % of GDP</i>
Budget Balance	-1.9 (Nov)	-2.3%
Trade Balance	2.1 (Jan)	-1.4%
Current Account Balance	-10.3 (Q4)	-6.3%
Private Balance	--	-4.0%

Trade-Weighted Exchange Rate



Retail Sales & News

Retail Sales



Retail Sales increased 0.5% M/M in January, versus market expectations for a 1.8% M/M gain. Y/Y growth increased 4.7%. December's reading was revised up from -0.2% M/M to a 0.0% M/M reading. Sales rose in five of the 11 retail subsectors which amount to about 52% of total sales. Retail Sales, ex-autos, fell 0.5% M/M and 2.7 % Y/Y.

Key Date This Week

March 28th - Canada Home Prices May Fall 3% by 2013, Home Capital's Reid Says (Bloomberg) - Home Capital Group Inc. President Martin Reid said Canadian housing prices may fall as much as 3 percent over the next year. "Our assumptions looking forward through the balance of 2012 and into 2013 is that the housing market will be sort of flat to maybe down about 3 percent, both in terms of price and activity," Reid said today during a conference hosted by National Bank Financial in Montreal.

March 28th - Canada Teranet Existing Home Price Index Rose 0.1% in January (Bloomberg) - Canadian home resale prices rose 0.1 percent in January, according to the Teranet-National Bank Composite House Price Index. Halifax, Nova Scotia, led the increase with a 0.7 percent gain, according to a report today by National Bank Financial. Prices were 6.5 percent higher in January than a year earlier, slower than December's 6.8 percent increase.

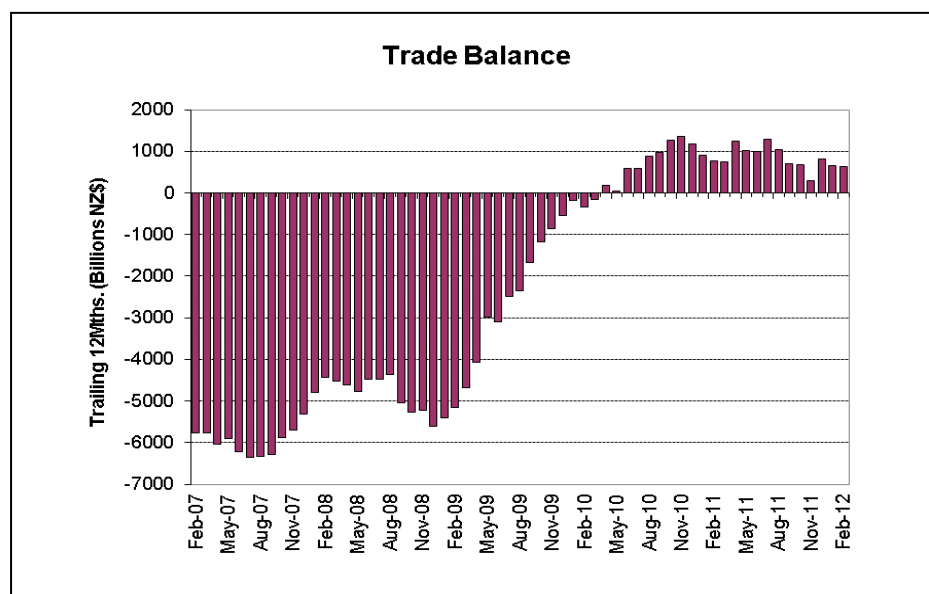
Key Dates This Week

Date	Indicators		Expectations	Previous
Mar-30	Industrial Product Price M/M	FEB	0.50%	0.30%
29-Mar	Raw Materials Price Index M/M	FEB	0.50%	0.10%
29-Mar	Canadian Finance Minister Jim Flaherty presents budget			
30-Mar	Gross Domestic Product M/M	JAN	0.10%	0.40%
30-Mar	Gross Domestic Product Y/Y	JAN	1.70%	1.80%

Valance Co., Inc.

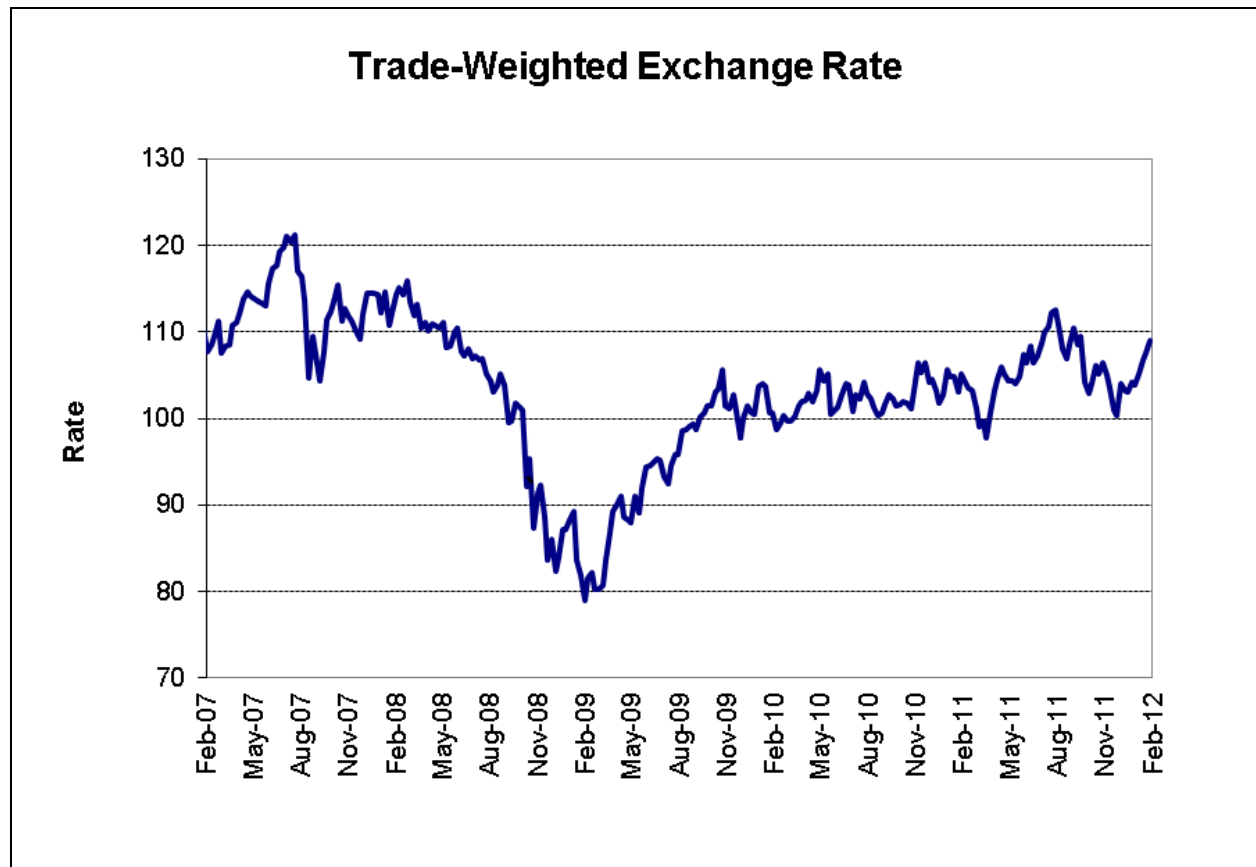
Valance Economic Report: New ZealandReginald Perry
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March 28, 2012

NZ posted a trade surplus in February as imports fell to a 13 month low.**Weekly Highlights****Trade Balance** – moved to a NZ\$ 161mln surplus in February. (NZ 1)**Exports**- fell 2.3% M/M and 6.9 Y/Y in February. (NZ 3)**Imports** - fell 8.4% M/M and 6.6% Y/Y. (NZ 3)**Weekly Releases & News****Charts of the Week: Trade Balance**

As imports fell to a 13 month low, the trade Balance flipped from a NZ\$ 159mln deficit (revised from a NZ\$ 199mln deficit) in January to a NZ\$ 161mln surplus in February. The annual trade surplus narrowed from NZ\$ 646mln to NZ\$ 621mln.

FX

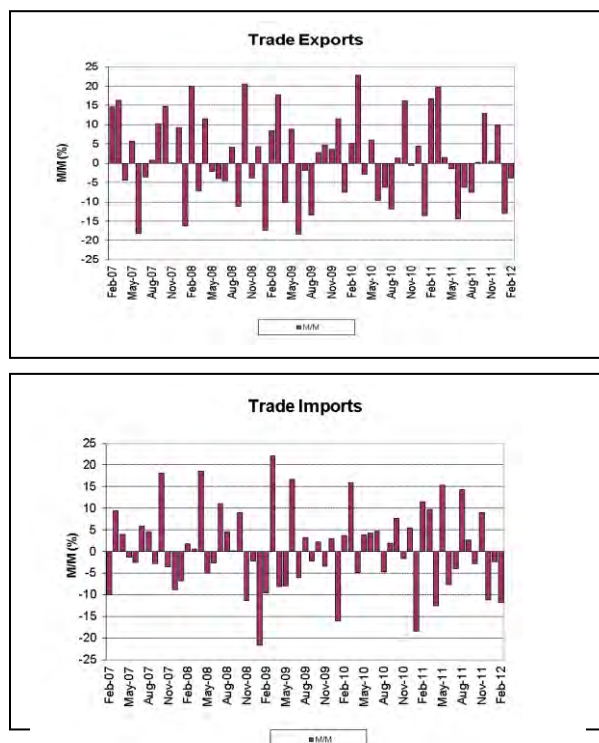


Trade Exports/ Imports & News

Exports/Imports

Exports fell 2.3% M/M and 6.9 Y/Y and Imports fell 8.4% M/M and 6.6% Y/Y.

China is New Zealand's second-largest customer after Australia.



News

Almost 94,000 job openings forecast for New Zealand over two years (Bloomberg)

March 23, 2012 (Xinhua) -- New Zealand's employment growth rate is to rise by 4.2 percent, or 93,700 jobs, over the next two years, according to a new forecast by the Department of Labour released Friday.

The "Short-term employment prospects: 2012-14" report was based on a new short-term forecasting model developed by the department to provide more detailed information on the labor market, said a department statement.

"Overall, our view is one of slow, steady growth in employment. We would also caution that our forecasts are based on current data and actual job growth will of course be influenced by what is happening in the global economy and by the pace of the Canterbury rebuild," said general manager of the department's Labour and Immigration Research Centre Vasantha Krishnan.

According to the forecast, employment will increase gradually, by 1.8 percent (or 39,600 jobs) in the year to the end of March 2013 and by 2.4 percent (54,100 jobs) in the year to March 2014.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
03/29	Building Permits M/M (Feb)	0.0%	8.3%
03/29	Money Supply M3 Y/Y (Feb)	-	5.4%
04/02	NAZ Commodity Price (Feb)	-	0.0%

Weekly Economic Report: **China**

Evelyn L. Richards

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March 28, 2012

No economic data released this week.

Data & News Releases

Data

March 26th (Bloomberg) – YTD Industrial Profits – contracted 5.2% Y/Y in February, following a 25.4% Y/Y gain. This marked the first decline in industrial profits in 3 years.

March 22nd (Market Watch) - The Conference Board Leading Economic Index® for China - increased 0.8% in February to 227.2, following a 1.5 percent increase in January and a 0.8 percent increase in December. Four of the six components contributed positively to the index in February.

March 21st (Bloomberg) - China's HSBC Flash Manufacturing PMI – fell from 49.6 in February to 48.1 in March. HSBC Economist, Qu Hongbin remarked, “Growth momentum could slow down further amid a combination of sluggish export new orders and softening domestic demand. This calls for further easing steps from the Beijing authorities.”

News Releases

March 23rd (Bloomberg) - China Must Keep Yuan From Hurting Exports – NDRC Researchers Bi Jiyao and Zhang Yi made the following comments:

If the global economic situation continues to deteriorate, China should prevent the yuan from following the U.S. dollar to appreciate against other currencies or China's exports, particularly those to emerging markets, would be seriously hindered.

Referring to an upgrade in the types of products sold overseas: *If the global economy recovers, then China can consider pushing for a gradual appreciation of the yuan against a basket of currencies to help improve the structure of exports.*

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
03/27-31	Leading Index	FEB	--	100.25
03/29	MNI March Business Condition Survey			
03/31	PMI Manufacturing	MAR	50.8	51.0
03/31	HSBC Manufacturing PMI	MAR	--	49.6
04/02	China Non-Manufacturing PMI	MAR	--	--
04/02	China HSBC Services PMI	MAR	--	53.9

Valance Co., Inc.

Valance Economic Report: Sweden

Evelyn L. Richards

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March 28, 2012

In February, the Trade Surplus narrowed and Y/Y PPI topped forecasts. Consumer Confidence improved to the highest level in seven months and Manufacturing Confidence beat expectations in March.

Weekly Highlights

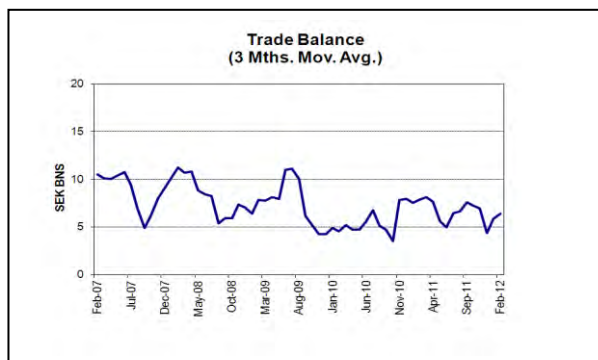
Trade Surplus – narrowed to a surplus of SEK 5.9 bln in February. (SW 1)

PPI – rose 0.4% M/M and 0.5% Y/Y in February. (SW 2)

Consumer Confidence – rose from -3.2 in February to 0 in March. (SW 2)

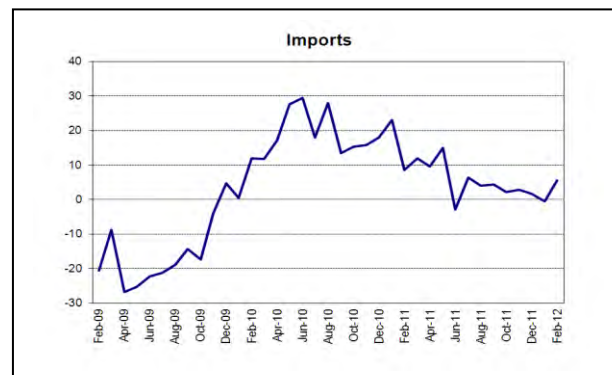
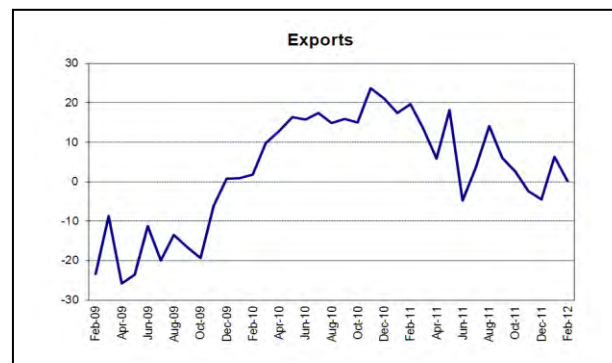
Weekly Releases & News

Chart(s) of the Week: Trade Data



Sweden's Trade Surplus narrowed from SEK 10.8 bln in January to SEK 5.9 bln in February; and down from a surplus of SEK 10.2 bln a year earlier. A surplus of SEK 8.0 bln was expected.

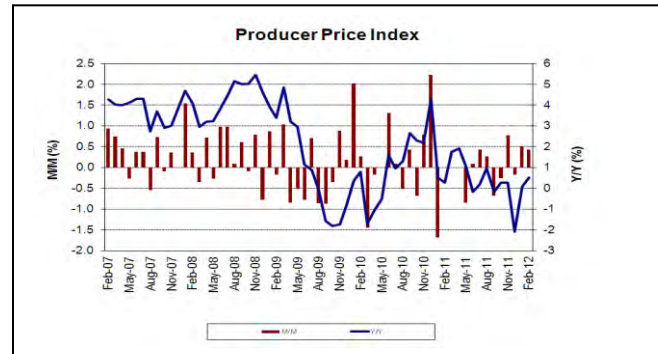
Exports increased by 0.1% Y/Y (following 6.4% Y/Y growth the previous month); while Imports rose 5.6% Y/Y (following a loss of -0.6 Y/Y the previous month).



PPI, Consumer Confidence & Manufacturing Confidence

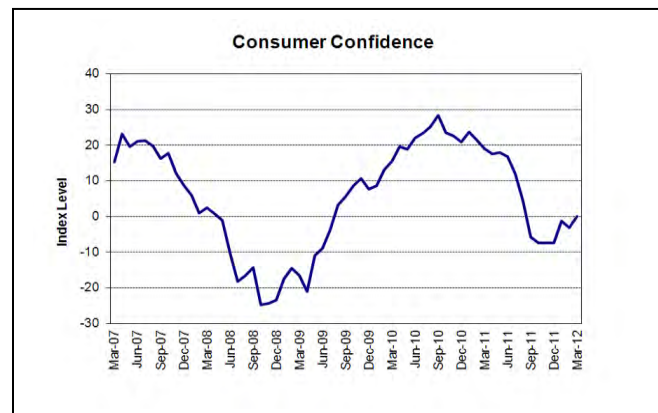
PPI

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



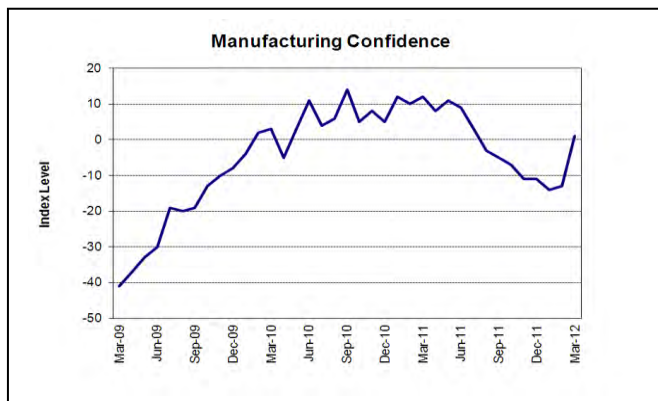
Consumer Confidence

Sweden's Consumer Confidence Index rose to zero, following -3.2 the previous month. This marked the highest reading in seven months. Expectations were for a reading of -2.0.



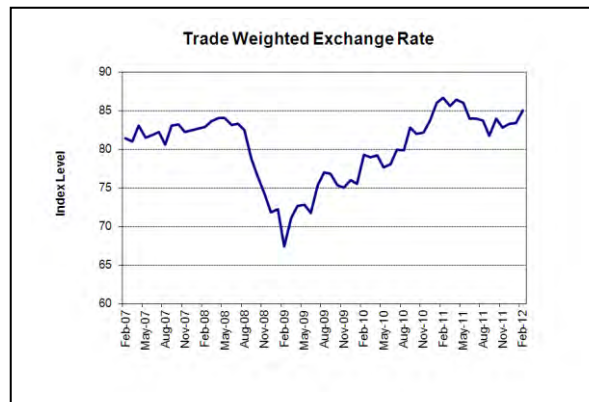
Manufacturing Confidence

The seasonally adjusted Manufacturing Confidence Index rose from -13 in February to 1 in March. A reading of -11 was expected.



Trade Weighted Exchange Rate, Data & News

Trade Weighted Exchange Rate



Data

March 27th (Bloomberg) - Household Borrowing Growth – As expected, borrowing rose 5.0% Y/Y in February, compared with 5.1% Y/Y the previous month.

March 28th (RTT News) – The Economic Tendency Survey – rose 8.4 points from 93.4 in February to 101.8 in March. This marked the second consecutive month of growth. It was expected to reach 94.0.

News

March 28th (NASDAQ) - Riksbank Seen Leaving Key Rate at 1.5% Until 2013 – The NIER reported:

[The] Riksbank is expected to leave the repo rate unchanged at 1.5% through 2013. An even lower interest rate, however, would stimulate demand and speed up recovery without jeopardizing the inflation target.

Since the weak trend in other countries appears to be continuing, Swedish exports are also expected to recede. As a consequence, unemployment will start rising at the beginning of 2012 and average about 8% in 2013.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
03/29	Retail Sales	FEB	0.1% / 1.6%	0.1% / 1.5%
03/30	Wages	JAN	--	2.7%
04/02	Swedbank PMI Survey	MAR	--	50.3
04/04	Service Production	FEB	--	-0.8% / 1.2%

Valance Economic Report: Switzerland

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March 28, 2012

In February, Switzerland's Trade Surplus widened unexpectedly and the UBS Consumption Indicator contracted.

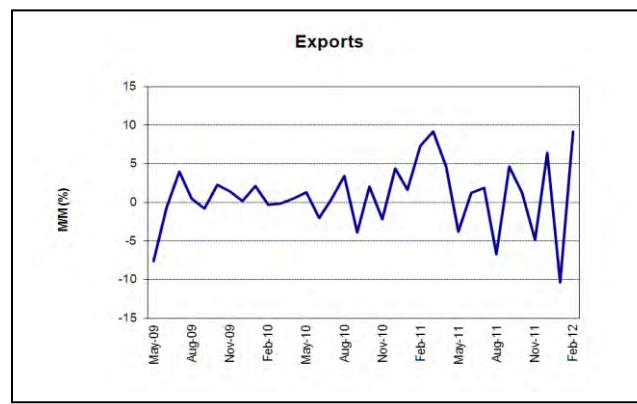
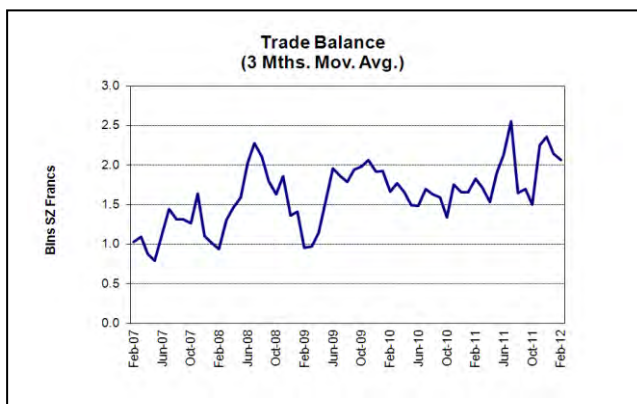
Weekly Highlights

Trade Surplus – widened to 2.68 bln francs in February. (SZ 1)

UBS Consumption Indicator – fell from 0.93 in January to 0.87 in February. (SZ 2)

Weekly Releases & News

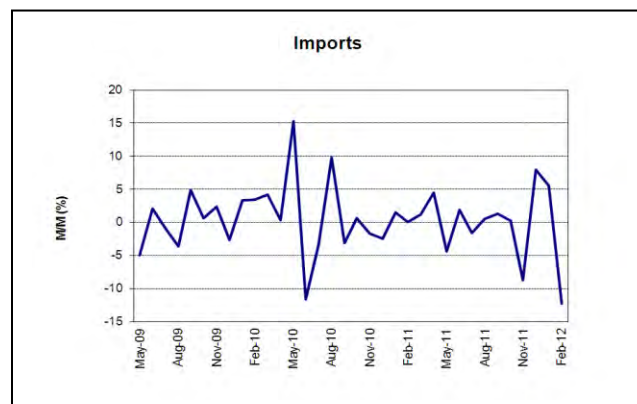
Chart(s) of the Week: *Trade Data*



Switzerland's Trade Balance widened from a surplus of 1.50 bln francs in January to a surplus of 2.68 bln francs in February.

Adjusted for inflation and seasonal swings, Exports rebounded from -10.4% M/M in January to 9.2% M/M in February.

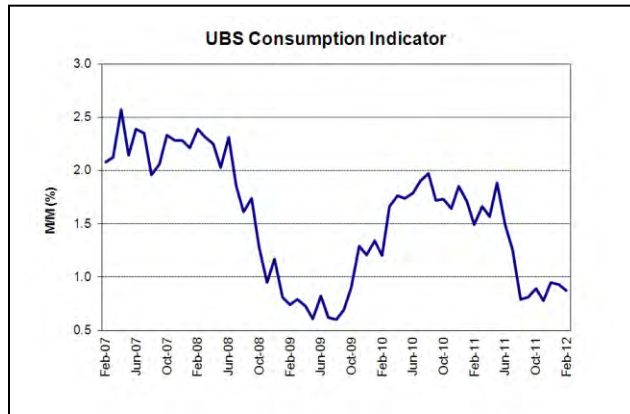
Imports contracted 12.3% M/M in February, compared with a 5.5% M/M gain posted the previous month.



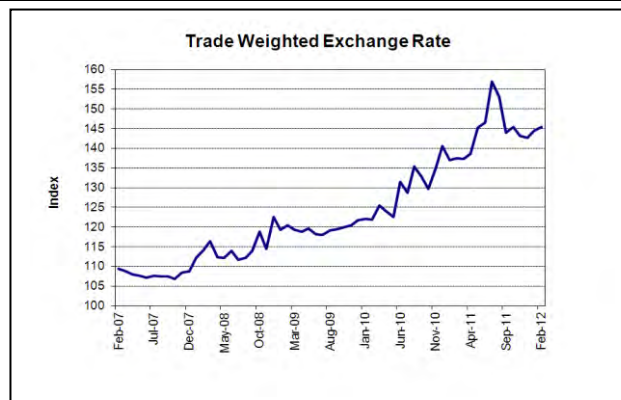
UBS Consumption Indicator, Trade Weighted Exchange Rate & News

UBS Consumption Indicator

The UBS Consumption Indicator fell from 0.93 in January to 0.87 in February. UBS said, “While UBS anticipates an acceleration in consumption in 2012 compared with last year, the UBS consumption indicator suffered in February a further slight decline. Nevertheless, the indicator remains above the lows of last autumn.”



Trade Weighted Exchange Rate



News

March 23rd (Bloomberg) - Swiss Firms Slightly Less Worried About Franc – The SNB’s quarterly bulletin stated:

The exchange rate situation was no longer given the same prominence [in the first quarter as in the previous three months].

However, some manufacturing companies and service providers still regard the current exchange rate level as critical.

The minimum exchange rate for the Swiss franc against the euro brought welcome planning security for many companies and even prevented some from going out of business. Pressure to optimize costs is continuing.

News (Cont'd.) & Upcoming Dates

News (Cont'd.)

March 23rd (Bloomberg) - Franc Limit Is 'Front and Center' of SNB Policy – SNB Board Member Jean-Pierre Danthine remarked:

The minimum exchange rate of 1.20 francs per euro remains front and center of the SNB's monetary policy.

[SNB will enforce the limit] with the utmost determination. It is prepared to buy foreign currency in unlimited quantities for this purpose.

[If the global economy worsens or the franc doesn't weaken further as expected,] downside risks to price stability could re-emerge. Whatever the case may be, the SNB stands ready to take further measures at any time, if the economic outlook and the risk of deflation so require.

March 23rd – KOF Institute Revises Swiss 2012 GDP Forecast – The KOF Economic Research Institute revised its forecast for Switzerland's 2012 GDP from 0.2% in December to 0.8% and kept its forecast for 2013 unchanged at 1.9%.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
03/30	KOF Swiss Leading Indicator	MAR	0.07	-0.12
04/02	Retail Sales	FEB	--	4.4%
04/02	PMI Manufacturing	MAR	--	49.0