

Valance Company, Inc.



Weekly

May 16, 2012

III

Highlights

US – QE3 remains doubtful without data weakening

EU – German GDP was stronger than expected

JN – Weaker than expected Tertiary Industry Activity in March

CA – Strong employment data

NZ – Weak Retail sales

CH – Trade surplus widens

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Valance Economic Reports

Valance Co., Inc.

Valance Economic Report: United States

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May 16, 2012

Retail Sales and the Empire survey posted encouraging readings this week, while the housing market is again showing some signs of strength. FOMC minutes maintained QE3 is likely off the table unless data weakens.

Weekly Highlights

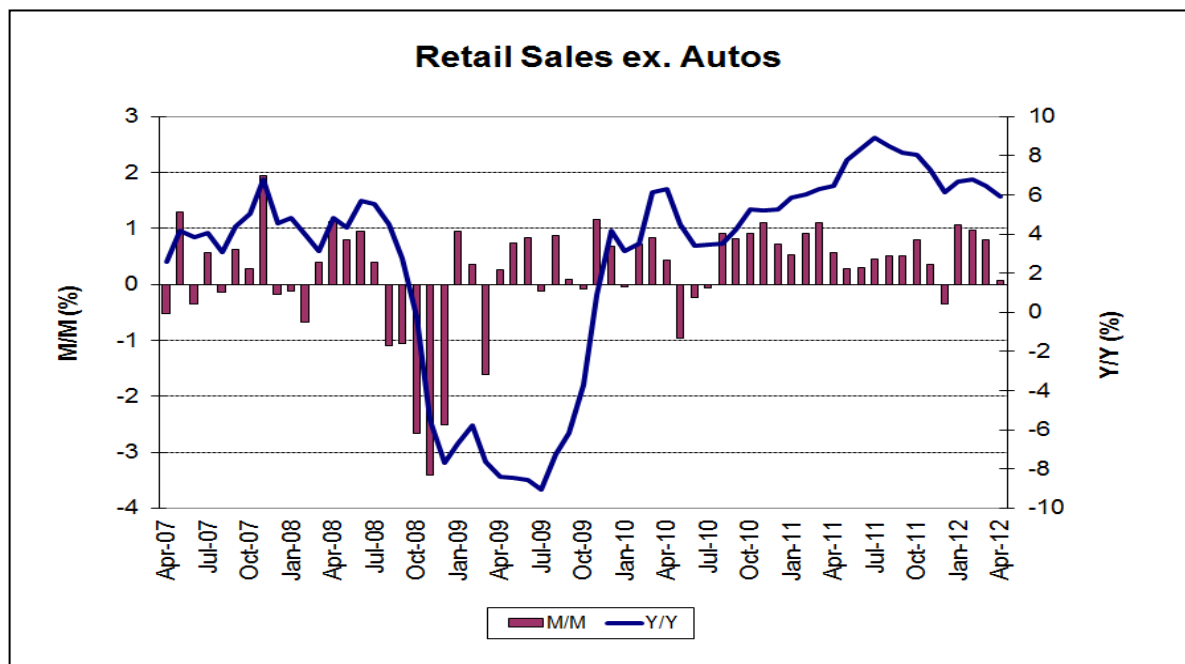
Core Retail Sales– gained 0.4% M/M (US 1)

Industrial Production – improved 1.1% M/M and 5.2% Y/Y in April (US 3)

NAHB Index – improved from 4 points to 25 in April the highest level since June 2007 (US 6)

Weekly Releases

Chart of the Week: Retail Sales ex. autos



Retail Sales, excluding autos, gained 0.1% M/M and 4.3% Y/Y in April, following a gain of 0.8% in March and matching expectations. Headline Retail Sales also rose 0.1% M/M and 7.4% Y/Y. Core Retail Sales (excluding gas, building materials and autos), gained 0.4% M/M and 3.6% Y/Y. The three-month annualized rate improved to 6.9%.

US 1

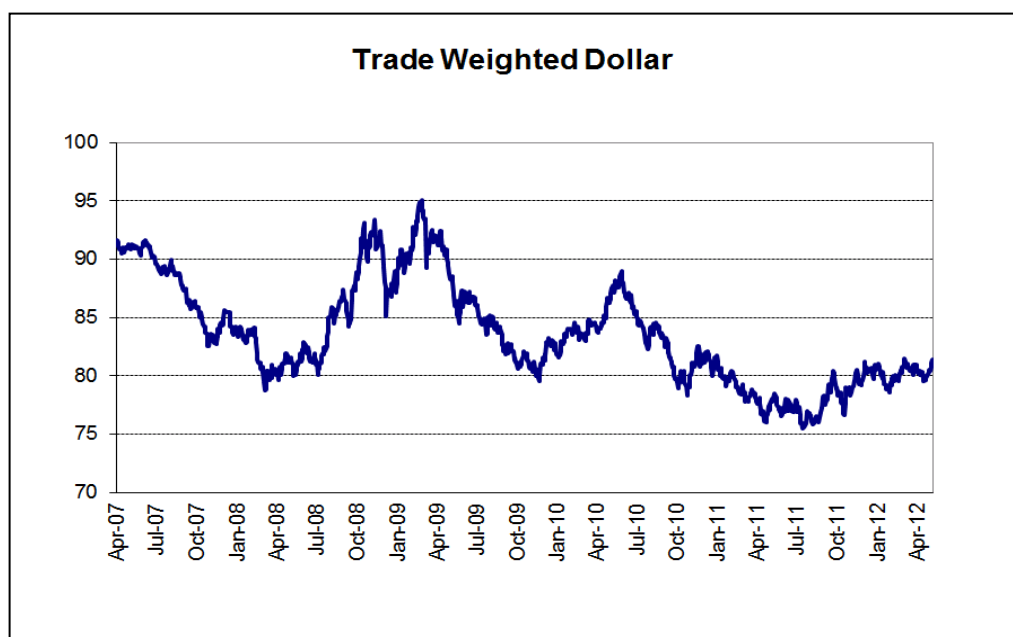
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

U.S.	Latest period (\$blns)	Last 12mth. as a % of GDP
Budget Balance	59.1 (Mar)	-7.4%
Trade Balance	-51.8 (Mar)	-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 April is 7.4% of GDP. The trade deficit as of March is 3.7% of GDP. The budget deficit is quite large but starting to shrink as expenditures are slowing and tax revenues increasing. The large budget deficit will continue to help build private balances and support an economic growth.

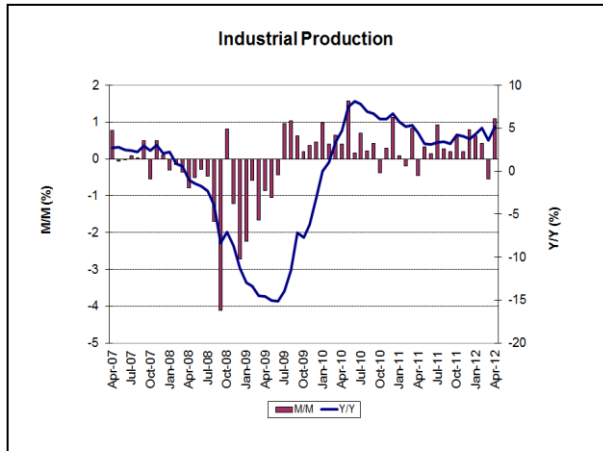
Trade Weighted Dollar



Industrial Prod., Empire Manufacturing & Initial Jobless Claims

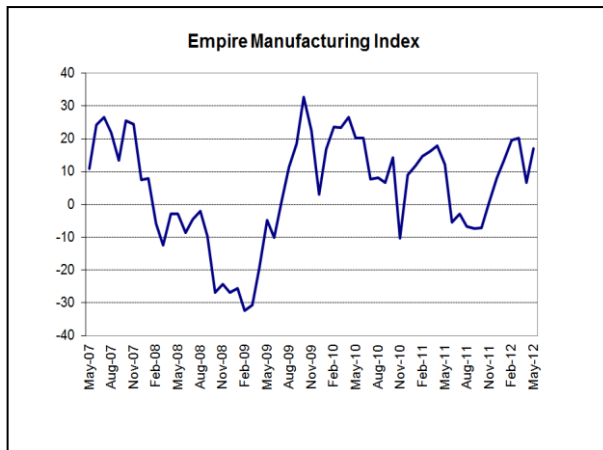
Industrial Production

Industrial Production improved 1.1% M/M and 5.2% Y/Y in April. Manufacturing gained 0.6% M/M and 5.1% Y/Y; February was revised from -0.2% to -0.5%. Utilities and mining increased 4.5% and 1.6% M/M, respectively.



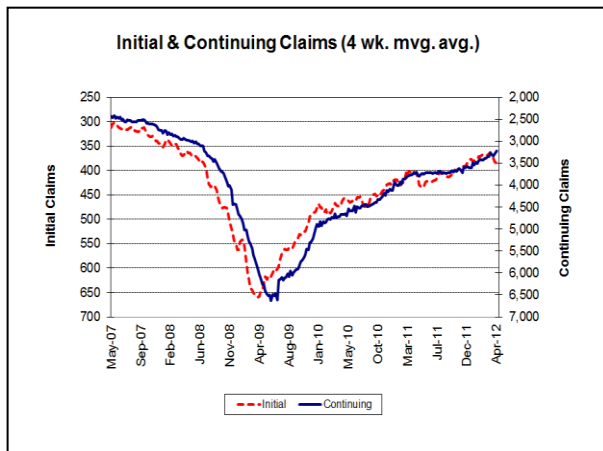
Empire Manufacturing

The Empire Manufacturing Index increased from 6.6 to 17.1 in May, beating expectations for 9.0. The average workweek improved from 6 to 12. Shipments jumped from 6 to 24.



Initial Jobless Claims

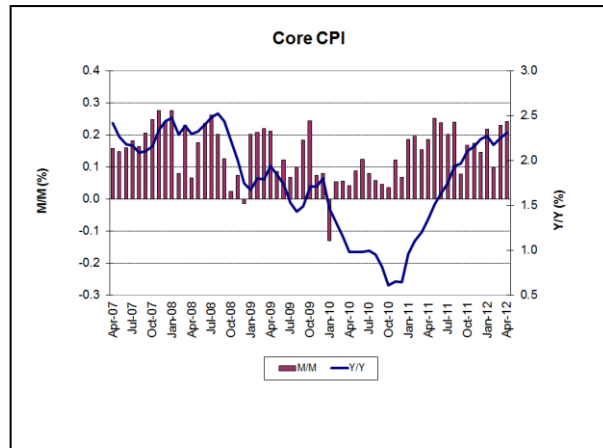
Initial Claims fell 1k to 367k. The series has been volatile since the beginning of the year and had been stabilizing in the 350k range. The four week moving average of Initial Claims dropped from 384k to 379k, off the highest level since the beginning of the year. Continuing Claims dropped from 3290k to 3229k.



Consumer Prices, Producer Prices and Import Prices

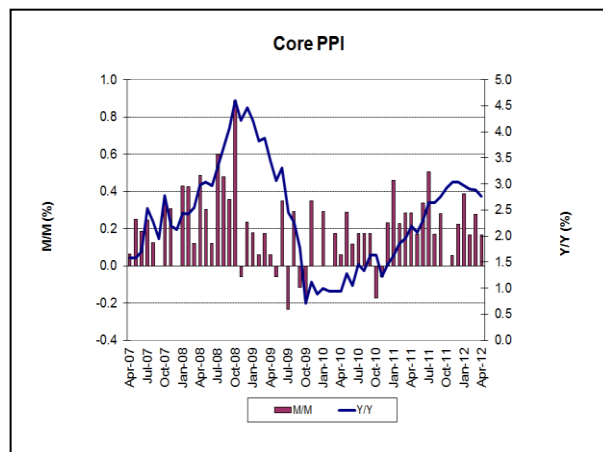
Consumer Price Index

Core CPI increased 0.2% M/M and 2.3% Y/Y in March. The three-month annualized core rate is 2.3%. Owners equivalent rent rose 0.2% M/M. The headline rate was flat M/M and up 2.3% Y/Y. Energy prices fell 1.7% M/M and are now only up 0.9% Y/Y.



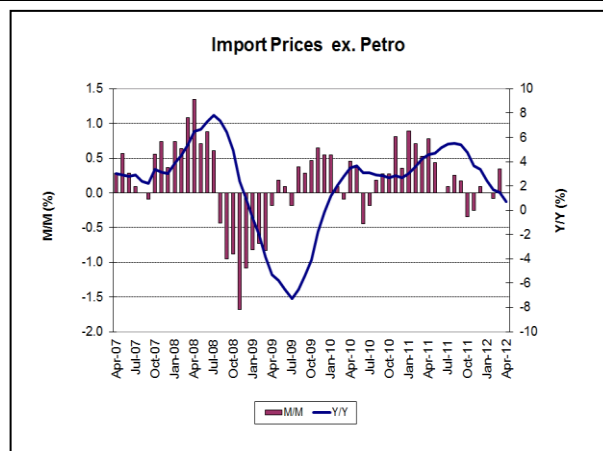
Producer Price Index

Core PPI increased 0.2% M/M and 2.7% Y/Y in April. Headline PPI was flat M/M and decelerated to 1.9% Y/Y growth. The three-month annualized core rates remains at 3.6%. Core intermediate goods increased by 0.6% M/M.



Import Price Index

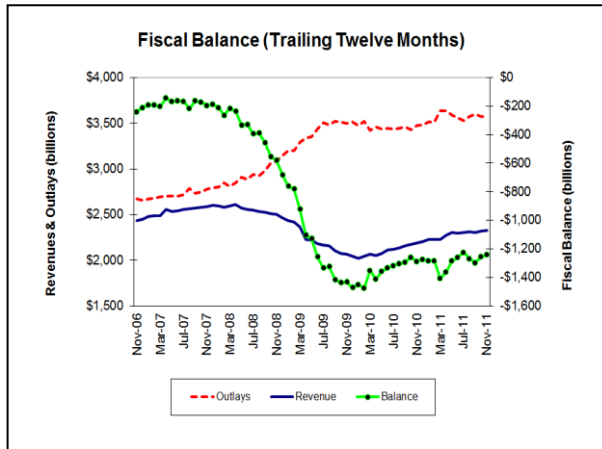
Import Prices, excluding petroleum, was flat M/M and up 1.8% Y/Y in April. Prices of all goods imported into the US fell 0.5% M/M and are only up 0.5% Y/Y. Goods from China fell 0.3% M/M and are up 2.0% Y/Y.



Monthly Budget Statement, Trade Balance & Capacity Utilization

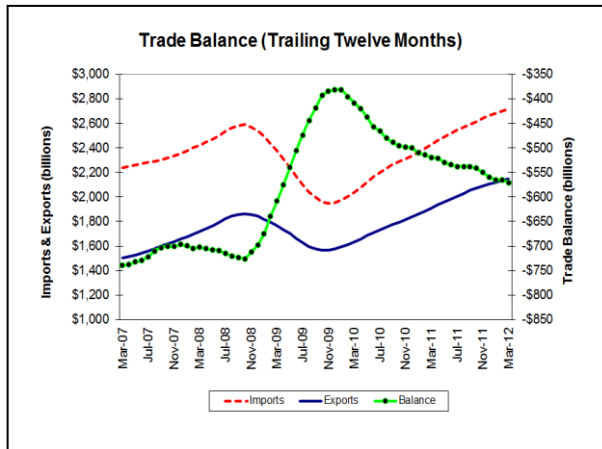
Monthly Budget Statement

The Fiscal Balance in March showed a surplus of \$59.1 bln versus a deficit of \$40.4 bln a year ago. This was the first monthly surplus since 2008. On a trailing twelve month basis, the deficit narrowed to \$1,145.8 bln (7.4% of GDP). The deficit has narrowed as tax revenues have started to increase and spending slowed.



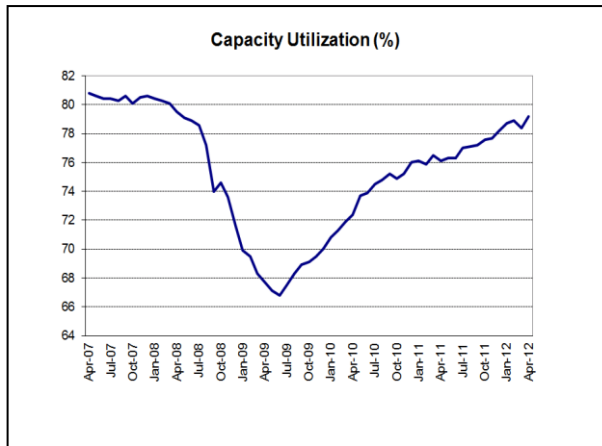
Trade Balance

The Trade Deficit widened from -\$46.0 bln to -\$51.8 bln in March. Total exports gained 2.9% M/M and are up 7.3% Y/Y. Imports increased 5.2% M/M and are up 8.4% Y/Y. The trailing twelve month trade deficit is now \$571 bln or 3.7% of GDP.



Capacity Utilization

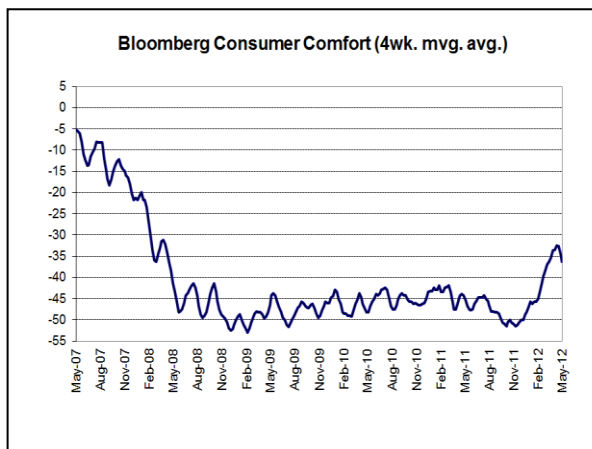
Capacity Utilization increased from 78.6% to 79.2% in April, beating expectations of a climb to 79.0%. Utilization has shown significant improvement from 2009 lows and is starting to approach the 80% levels last seen in 2008.



Bloomberg Consumer Comfort, U. of Michigan Confidence & NAHB Housing Market Index

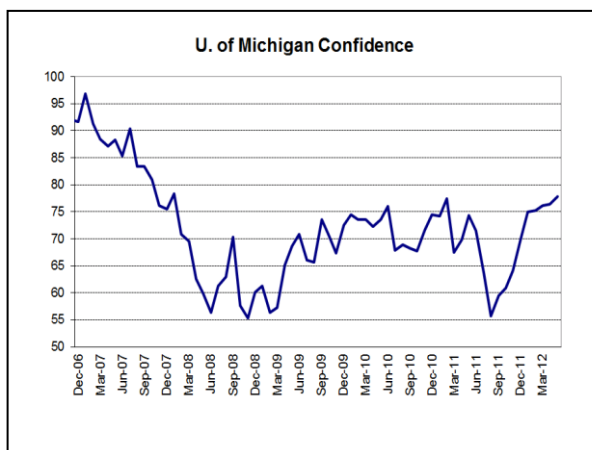
Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index dropped from -37.6 to -40.4, the lowest recording since February. The personal finances component declined from -6.6 to -11.2. The buying climate dropped 3.8 pts to -45.8.



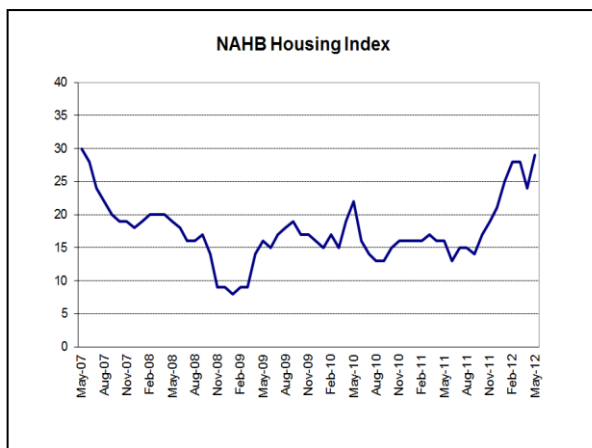
U. of Michigan Confidence

The preliminary University of Michigan Confidence Index rose from 76.4 to 77.8 in May. The current conditions component improved from 82.9 to 87.3 while the expectations component fell slightly from 72.3 to 71.7. Inflation expectations over the next year fell from 3.2% to 3.1% and the five year expectations ticked higher to 3.0%.



NAHB Housing Market Index

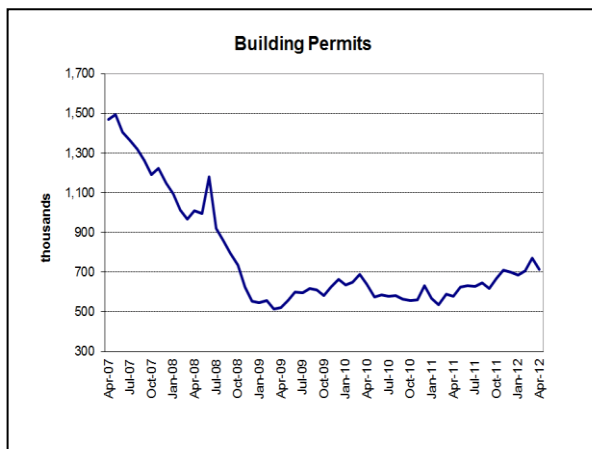
The NAHB Index improved from 4 points to 25 in April. Every component improved: traffic from 18 to 23, future sales from 31 to 34 and present sales 25 to 30. The index is at levels last seen in June 2007.



Building Permits, Housing Starts & MBA Mortgage Applications

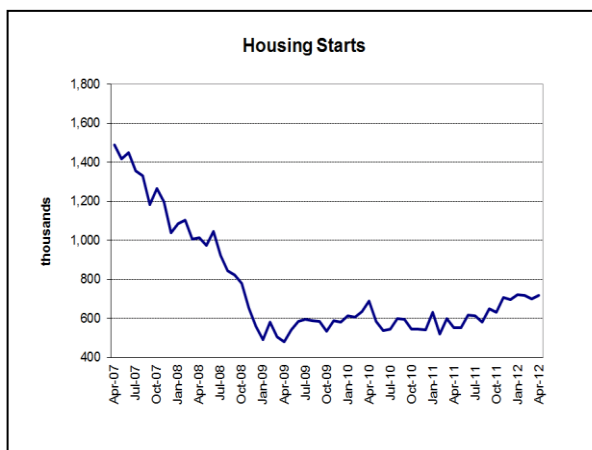
Building Permits

Building Permits fell sharply, declining 7.0% M/M, from 769k to 715k in April, led by a fall in multi-family permits from 303k to 240k. Single-family permits rose from 466k to 475k. Permits lead housing starts and suggest that housing starts could begin to improve from these low levels in the second half of 2012.



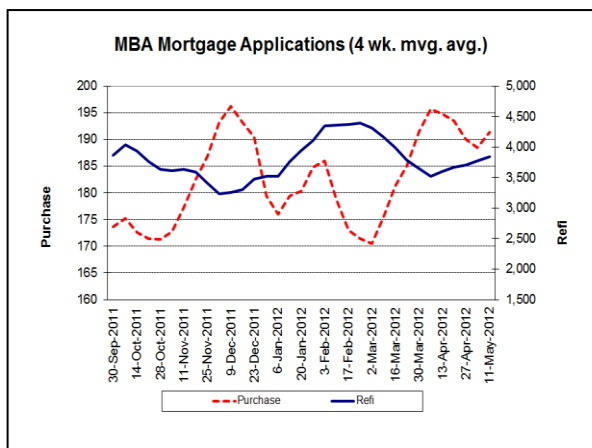
Housing Starts

Housing Starts gained 2.6% M/M in April, up from 699k to 717k on a seasonally adjusted annualized basis. Single family starts improved from 481k to 492k. Multi-family increased from 218k to 225k. Housing Starts are up 29.9% Y/Y.



MBA Mortgage Applications

Purchase Mortgage Applications fell 2.4% W/W. Refi applications jumped 13.0% W/W. The FRM 30-year contract fell to 3.96%, an all-time low.



Key Dates This Week

Date	Indicators		Expectations	Previous
17-May	Initial Jobless Claims	12- May	365K	367K
17-May	Bloomberg Consumer Comfort	13- May	--	-40.4
17-May	Philadelphia Fed.	MAY	10	8.5
17-May	Leading Indicators	APR	0.10%	0.30%
21-May	Chicago Fed Nat Activity Index	APR	--	-0.29
22-May	Existing Home Sales	APR	4.60M	4.48M
22-May	Existing Home Sales M/M	APR	2.70%	-2.60%
23-May	House Price Index M/M	MAR	--	0.30%
23-May	New Home Sales	APR	335K	328K
23-May	New Home Sales M/M	APR	2.10%	-7.10%

Valance Co., Inc.

Valance Economic Report: Euro Zone

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May 16, 2012

EU GDP growth was unexpectedly flat in Q1 as strong growth in Germany offset a flat reading in France and a contraction in Italy. Euro Zone CPI increased in line with expectations in March and EU ZEW Survey (Economic Sentiment) decreased in May.

Weekly Highlights

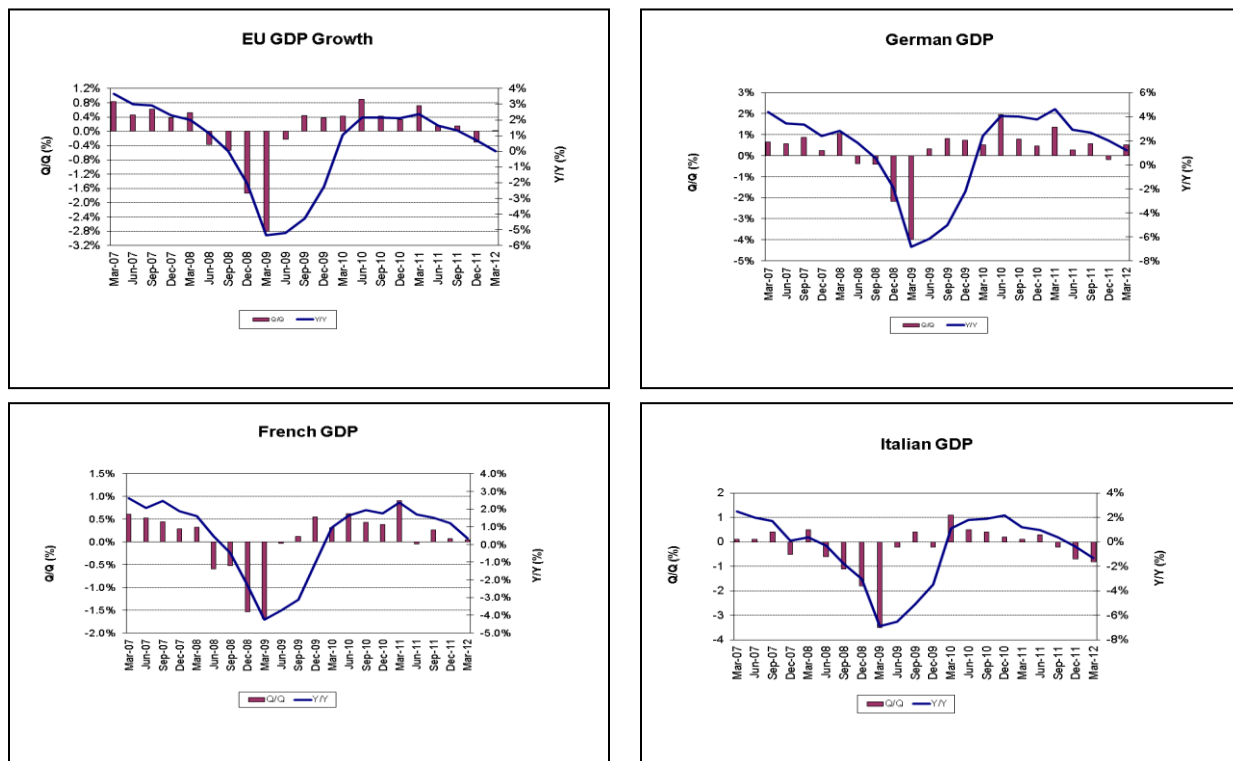
Euro Zone CPI – increased 0.5% M/M and 2.6% Y/Y in March. (EU 1)

EU GDP - was flat Q/Q and Y/Y in Q1. (EU 3)

EU ZEW (Economic Sentiment) - fell from 13.1 in April to -2.4 in May. (EU 4)

Weekly Releases & News

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



EU GDP was flat Q/Q in Q1 versus market expectations for a 0.2% Q/Q decrease. Y/Y growth was also flat. German GDP expanded 0.5% Q/Q and 1.7% Y/Y, well above market expectations for a 0.1% Q/Q and a 0.9% Y/Y gain. French GDP was flat Q/Q and gained 0.3% Y/Y in Q1. Market expectations were for a flat Q/Q reading and a 0.5% Y/Y gain. Italian GDP fell 0.8% Q/Q and 1.3% Y/Y in Q1. Market expectations were for a 0.7% Q/Q and a 1.2% Y/Y decline.

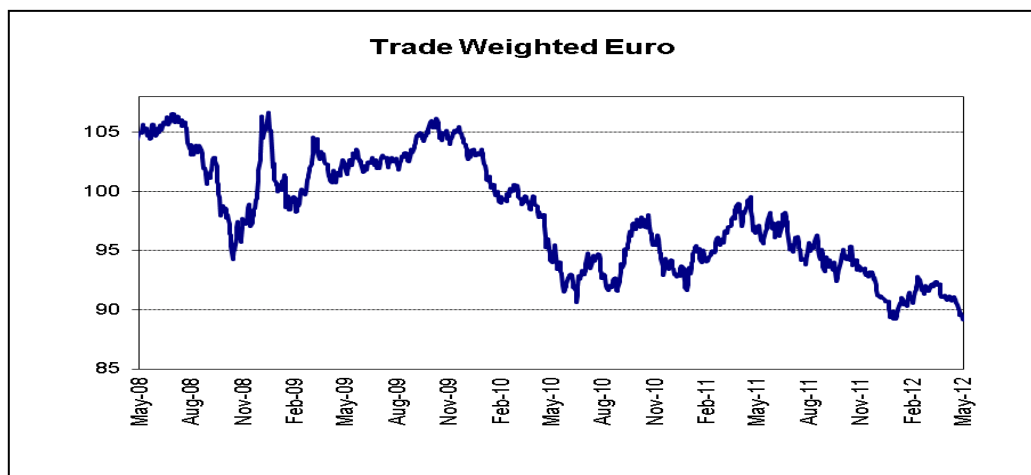
Euro Zone Financial Balances & Trade Weighted Euro

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	14.7 (February)	2.0%
Current Account Balance	11.1 (February)	5.6%
Private Savings Balance		9.9%
<i>France</i>		
Budget Balance		-2.7%
Trade Balance	-6.4 (February)	-4.9 %
Current Account Balance	-4.2 (January)	-3.9%
Private Savings Balance		-1.2%
<i>Italy</i>		
Budget Balance		-4.5 %
Trade Balance	4.3 (January)	-7.7%
Current Account Balance	-8.0 (January)	-3.5%
Private Savings Balance		1.0%

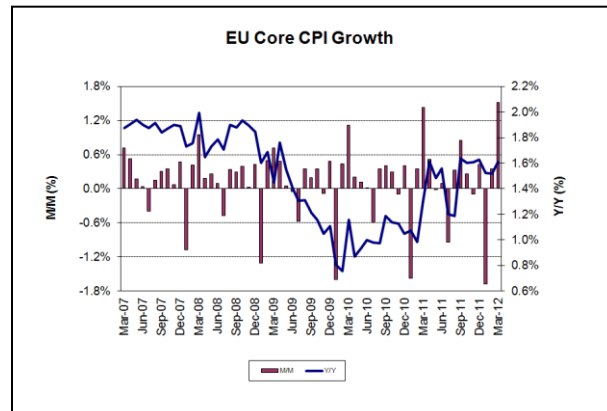
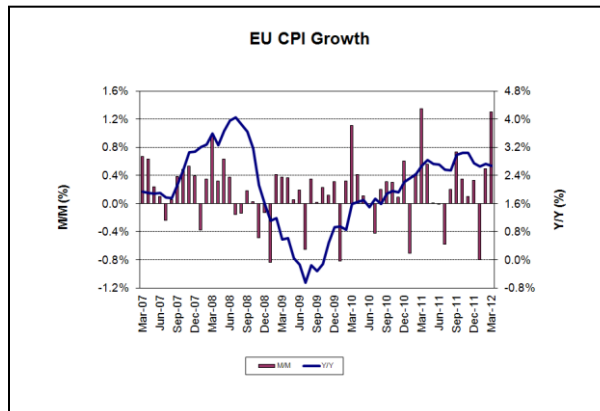
**Budget Balance as of June 2011 – Source OECD*

Trade Weighted Euro



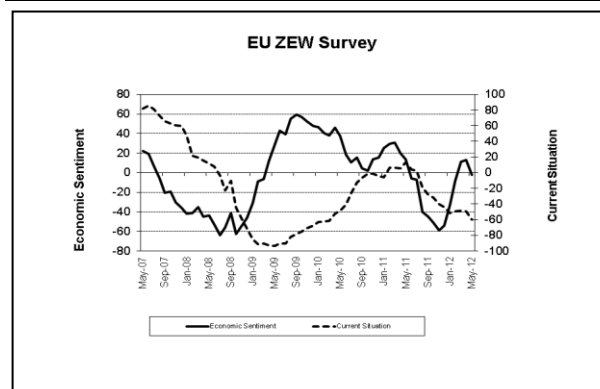
EU CPI & Zew Surveys

EU CPI



Euro Zone CPI increased 0.5% M/M and 2.6% Y/Y in April in line with market expectations. Core CPI increased 0.5% M/M and 1.6% Y/Y.

EU & German ZEW Surveys

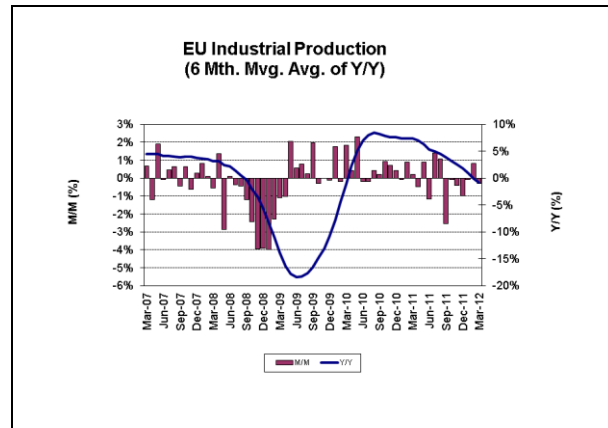


The EU ZEW (Economic Sentiment) fell from 13.1 in April to -2.4 in May. The Current Situation component decreased from -49.0 in April to -60.2 in May. German ZEW Survey (Economic Sentiment) fell from 23.4 in March to 10.8 in April. The Current Conditions Index increased from 40.7 to 44.1.

EU Industrial Production & Trade Balance

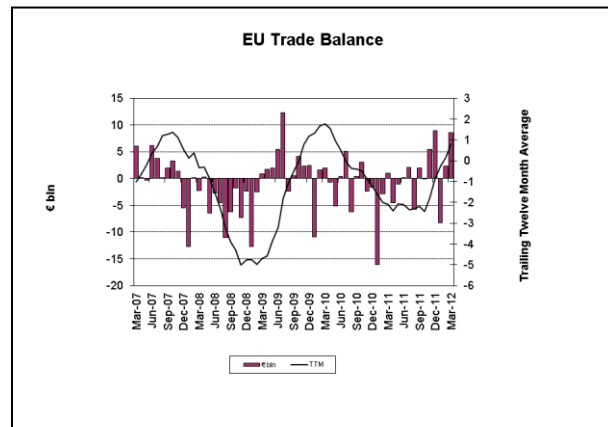
EU Industrial Production

EU Industrial Production unexpectedly decreased 0.3% M/M and 2.2% Y/Y in March. Market expectations were for a 0.4% M/M gain and a 1.4% Y/Y decline.



EU Trade Balance

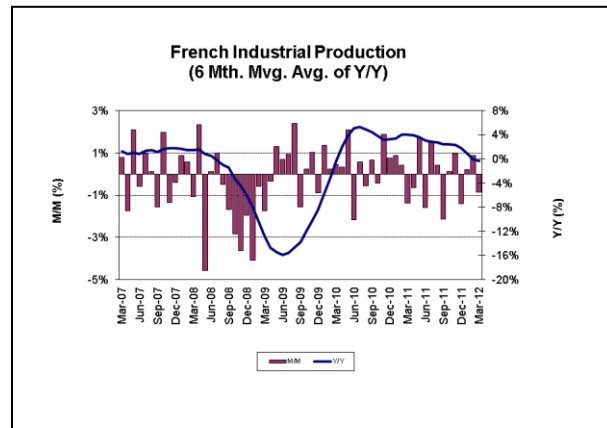
EU Trade Balance surplus widened from €2.3 bln in February to €8.6 bln in March. Exports increased 4.4% M/M and 10.1% Y/Y and Imports increased 3.4% M/M and 5.9% Y/Y. The Trade Balance stood at a deficit of €1.0 bln in March 2011.



French Industrial Production, CPI & Current Account

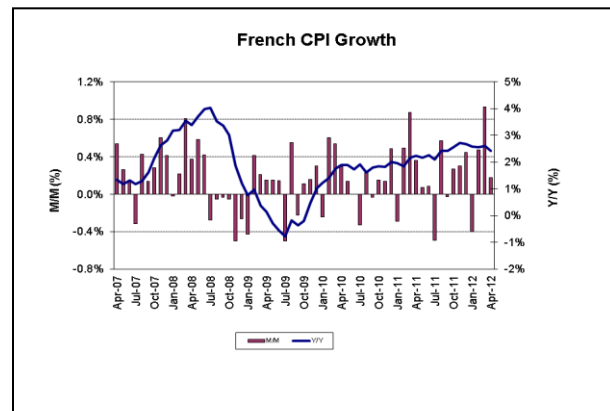
French Industrial Production

French Industrial Production fell 0.9% M/M in March versus market expectations for a 0.6% M/M decline. On a Y/Y basis production fell 0.9%.



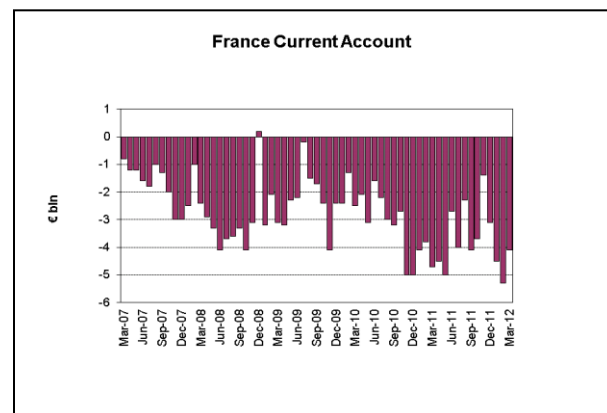
French CPI

French CPI increased 0.2% M/M and 2.4% Y/Y in April. Market expectations were for a 0.2% M/M and a 2.5% Y/Y gain.



French Current Account

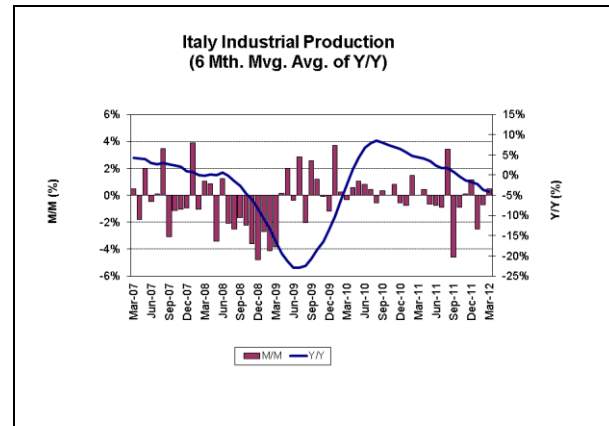
French Current Account deficit narrowed from €5.3 bln in February to €4.1 bln in March. The Current Account deficit stood at €4.7 bln in March 2011.



Italian Industrial Production & Trade Balance

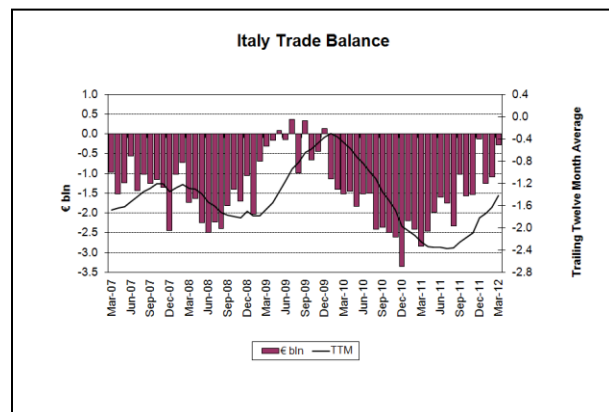
Italian Industrial Production

Italian Industrial Production increased 0.5% M/M and fell 5.8% Y/Y in March. Market expectations were for a 0.1% M/M gain and a 6.2% Y/Y loss.



Italian Trade Balance

Italian Non EU Trade Deficit narrowed from €1.1 bln in February to €0.3 bln in March. Exports increased 0.7% M/M and fell 2.2% Y/Y in February and Imports fell 1.5% M/M and 6.6% Y/Y.



Data/News/Comments & Up Coming Dates

May 15th - Moody's Downgrades Italian Banks (WSJ) - Moody's docked the credit ratings of 26 Italian lenders, citing the banks' vulnerability to mounting loan defaults and potential funding problems. The ratings for Italian banks are now among the lowest within advanced European countries, reflecting these banks' susceptibility to the adverse operating environments in Italy and Europe, Moody's said in a statement. The rating firm cited Italy's double-dip recession as being a driving factor in its decision to lower the banks' credit score. Moody's move came hours after the firm raised an alarm on Spain, arguing the country's banks remain vulnerable even after Madrid moved to increase the banks' cushions against potential losses from real-estate loans.

May 10th - ECB Says Forecasters Raise Inflation Estimates, Cut GDP (Bloomberg) - Forecasters estimate euro-area inflation will average 2.3 percent this year and 1.8 percent in 2013, up from 1.9 percent and 1.7 percent three months ago, the ECB said in its monthly bulletin today. Gross domestic product will drop 0.2 percent in 2012 rather than the 0.1 percent predicted in February. The 17-nation economy will expand 1 percent in 2013, less than the previous 1.1 percent forecast. While "economic activity is expected to recover gradually over the course of the year," tensions in some euro-area sovereign debt markets, balance sheet adjustments and high unemployment "are expected to continue to dampen the underlying growth momentum," the ECB reiterated in today's report.

Key Dates

Date	Event	Expectations	Previous
21-May	EC Construction Output SA M/M	MAR --	-7.10%
21-May	EC Construction Output WDA Y/Y	MAR --	-12.90%
22-May	EC OECD Economic Outlook (Table)	MAY	
22-May	EC Euro-Zone Consumer Confidence	A --	-19.9
23-May	EC Euro-Zone Current Account nsa	MAR --	-5.9B
23-May	EC ECB Euro-Zone Current Account SA	MAR --	-1.3B
18-May	GE Producer Prices (M/M)	APR 0.30%	0.60%
18-May	GE Producer Prices (Y/Y)	APR 2.50%	3.30%
18-May	IT Industrial Orders s.a. (M/M)	MAR 1.00%	-2.50%
18-May	IT Industrial Orders n.s.a. (Y/Y)	MAR --	-13.20%
18-May	IT Industrial Sales s.a. (M/M)	MAR --	2.30%
18-May	IT Industrial Sales n.s.a. (Y/Y)	MAR --	-1.50%
21-May	IT Current Account (mlns euro)	MAR --	-5138M
23-May	IT Consumer Confidence Ind. sa	MAY --	89
17-May	SP GDP (Constant SA) (Q/Q)	1Q F -0.30%	-0.30%
17-May	SP GDP (Constant SA) (Y/Y)	1Q F -0.40%	-0.40%
18-May	SP Trade Balance (Mln Euros)	MAR --	-3759.1M

Valance Co., Inc.

Valance Economic Report: Japan

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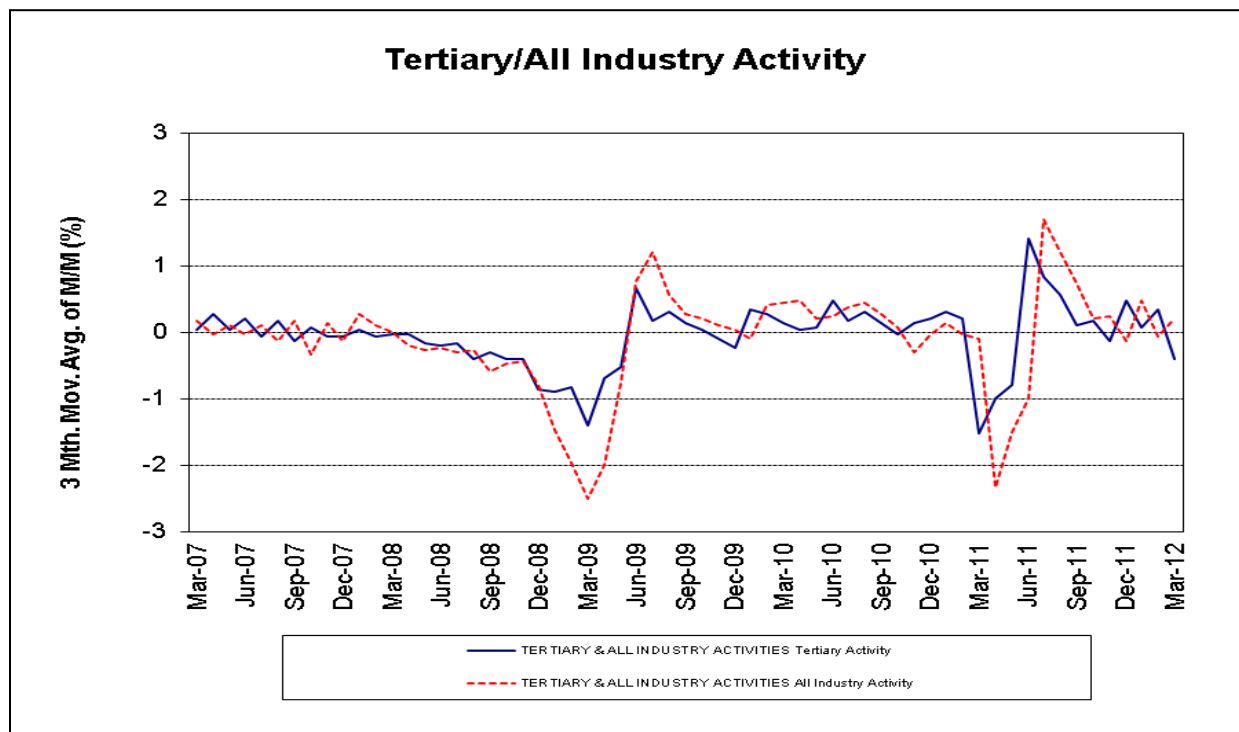
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May 16, 2012

Tertiary Industry Activity was weaker than expected in March although Corporate Goods Prices, the Current Account Balance, and Machinery Orders fared better than expected. On the whole, data remains relatively weak however as Consumer Confidence saw its first decline in a year.

Weekly Highlights

Tertiary Industry Activity – declined 0.6% M/M and increased 4.2% Y/Y in March. (JN 1)
CGPI – increased 0.3% M/M and declined 0.2% Y/Y in April. (JN 3)

Chart(s) of the Week: Tertiary industry Activity

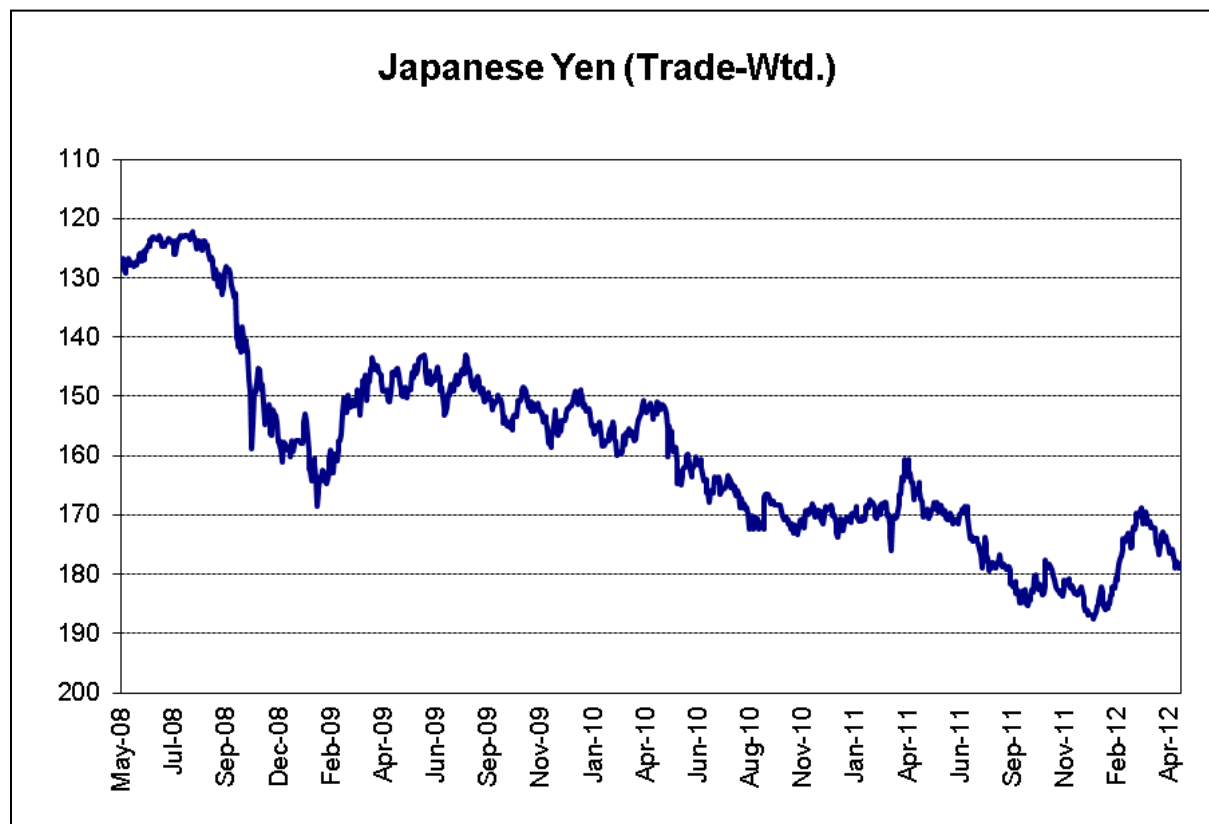
The Tertiary Industry Activity Index declined 0.6% M/M and increased 4.2% Y/Y in March, faring worse than the 0.4% M/M drop the market anticipated. Within the details, wholesale/retail, information/communication, and living related services led declines while improvements were seen in electricity/gas, misc services, finance/insurance, and medical/health care sectors.

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%

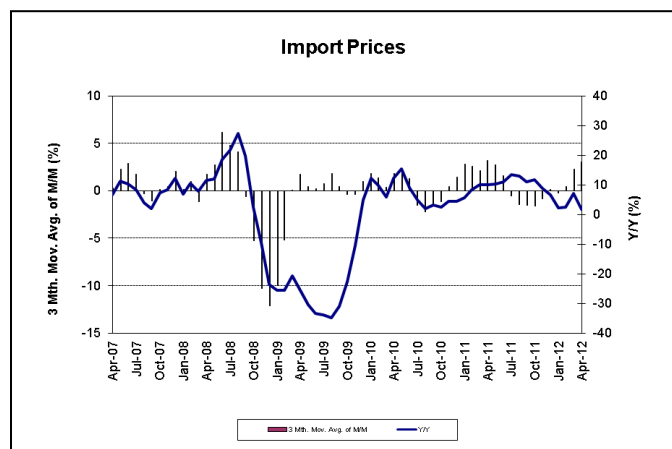
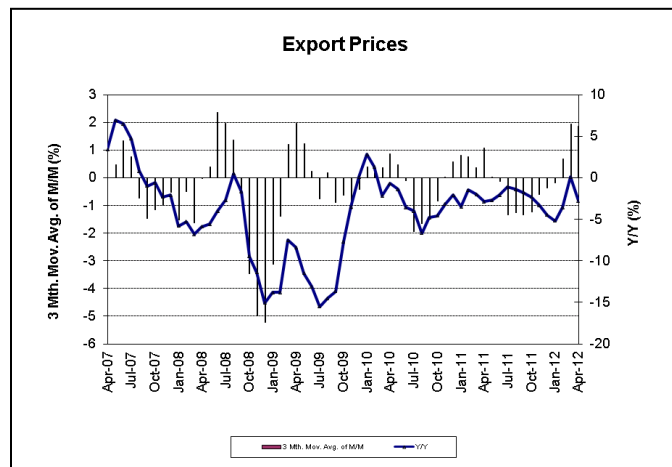
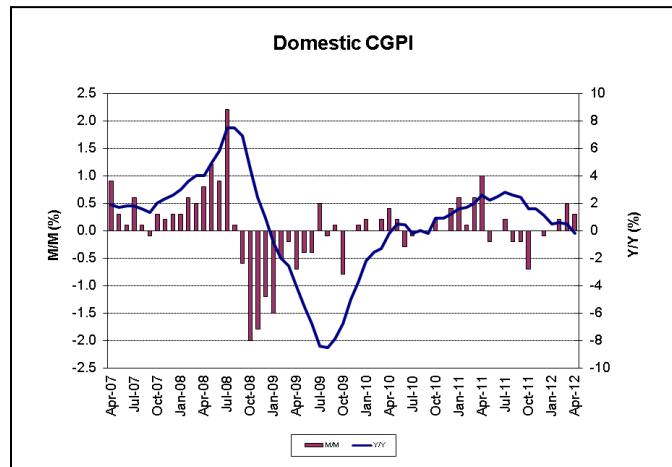


CGPI, Export & Import Prices

Corporate Goods Prices increased 0.3% M/M and dropped 0.2% Y/Y in April, against market expectations for a 0.1% M/M improvement and a 0.3% Y/Y decline.

By industry, manufacturing prices improved 0.2% M/M while agriculture saw a 2.5% M/M increase and utilities saw a 1.4% M/M increase. Minerals were unchanged and scrap/waste saw a 1.5% M/M drop.

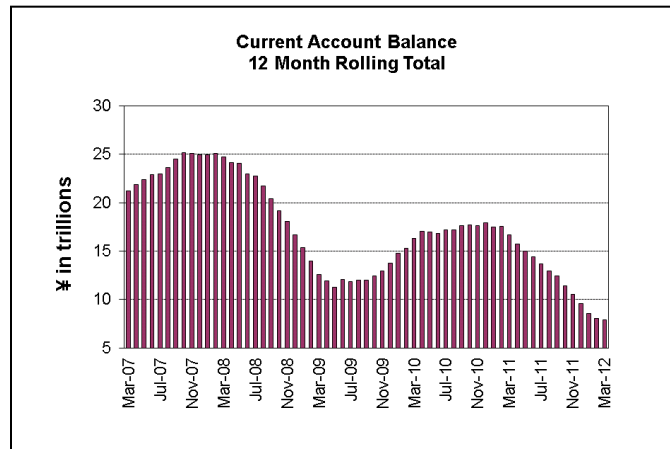
In export/import terms, export prices dropped 0.8% M/M and 1.4% Y/Y. Import prices increased 0.5% M/M and 1.6% Y/Y.



Nationwide, Tokyo Dept. Store Sales & Convenience Store Sales

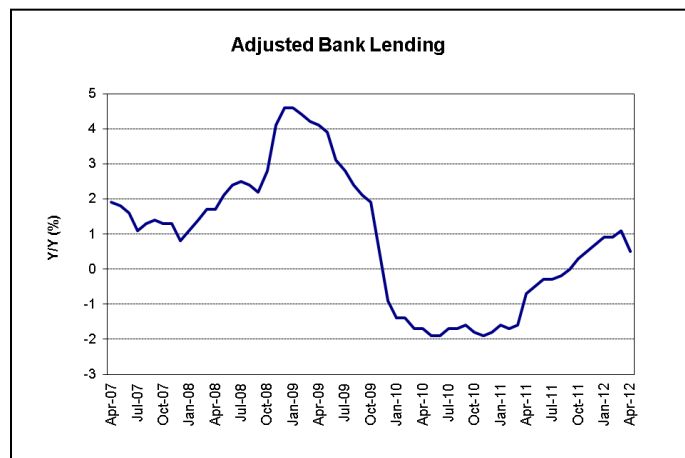
Current Account Surplus

The Adjusted Current Account Balance declined from ¥856.2 bln in February to ¥785.5 bln in March against expectations for a decline to ¥647.7 bln. The Trade Balance, on a Balance of Payments basis, declined from ¥102.1 bln to ¥4.2 bln against expectations for a drop to ¥42.8 bln. Exports increased 3.3% M/M and 7.3% Y/Y. Imports increased 9.3% M/M and 11.9% Y/Y.



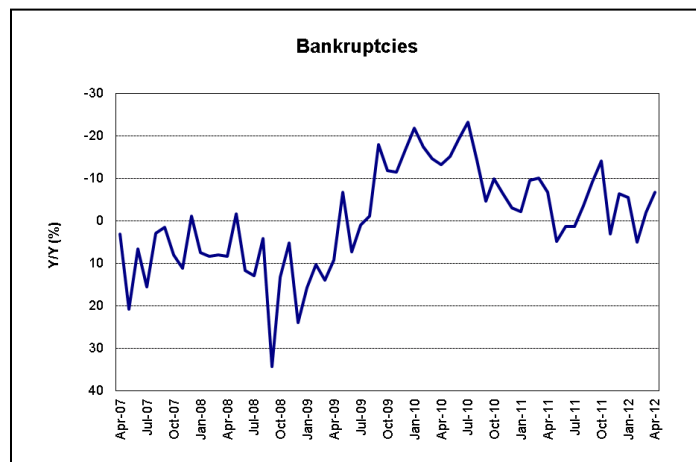
Bank Lending

Adjusted Bank Lending increased 0.3% Y/Y in April. Among city banks, lending dropped 1.3% Y/Y. Among regional banks, lending increased 2.1% Y/Y. Among Shinkin banks and foreign banks, lending dropped 0.4% Y/Y and 22.7% Y/Y respectively.



Bankruptcies

Corporate Bankruptcies declined 13.5% M/M and 6.6% Y/Y in April.

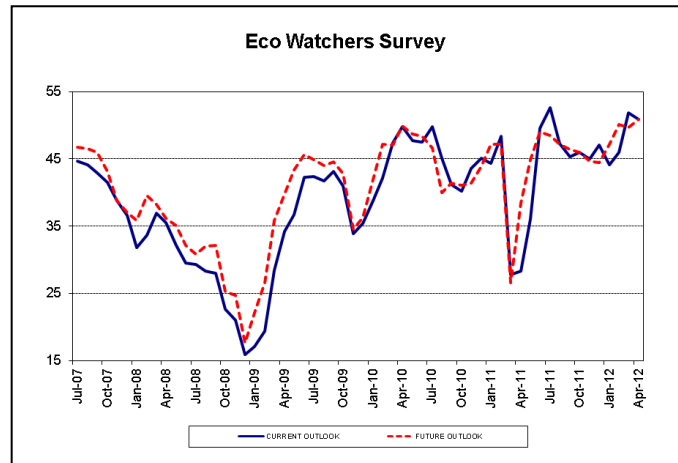


Bank Lending, Bankruptcies & Eco Watchers Survey

Eco Watchers Survey

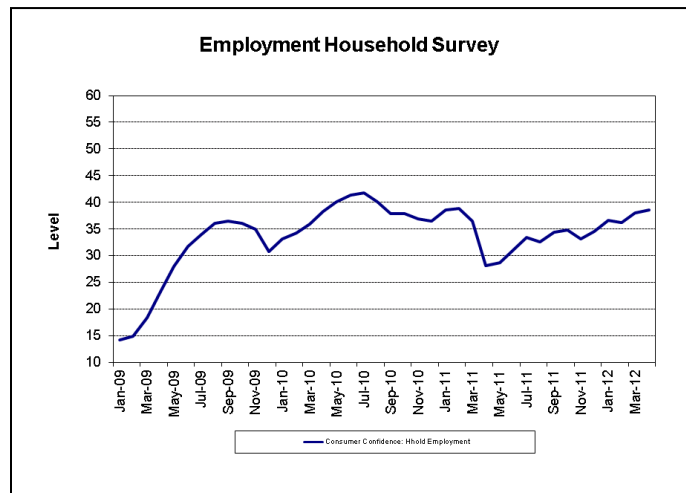
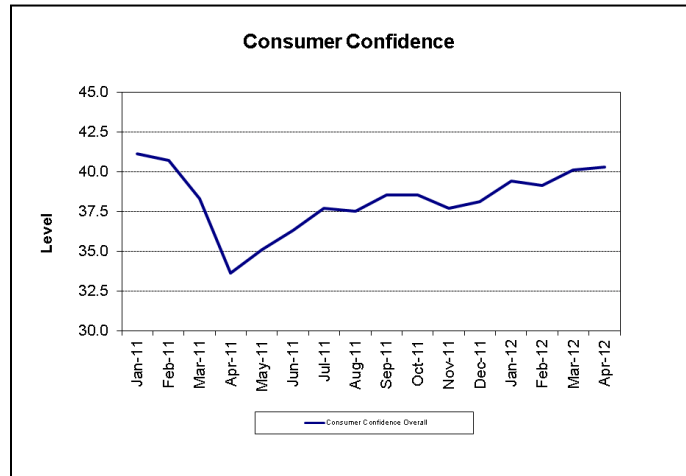
In April, the Eco Watchers Survey dropped 0.9pts to 50.9. Within the series, household conditions dropped 0.8pts to 50.3 on declines in retail and housing subcomponents. Business conditions dropped 2.3pts to 48.7. Employment conditions improved 1.5pts to 59.6.

Within the outlook index, the overall outlook improved 1.2pts to 50.9 as household outlook improved 1.3pts to 50.6, business outlook improved 1.0pts to 49.8, and employment outlook improved 1.6pts to 55.9.



Consumer Sentiment

In April, Consumer Sentiment declined 0.3pts to 40.0 as overall livelihood declined 0.8pts to 40.3, income growth increased 0.2pts to 39.6, and willingness to buy durable goods declined 0.4pts to 41.7.

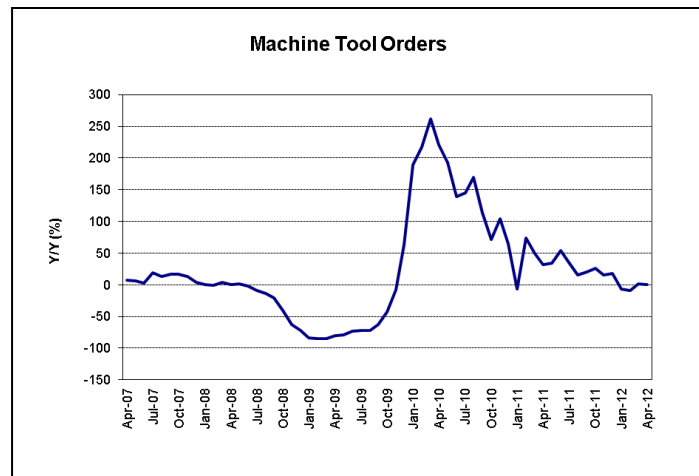
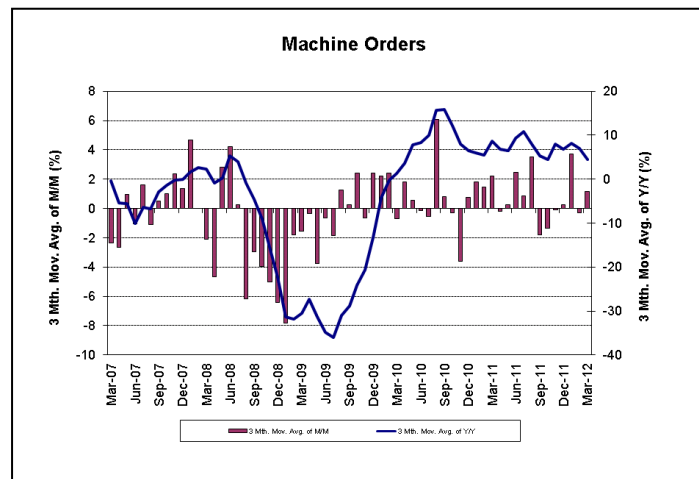


Machine/ Tool Orders & Tokyo Condominium Sales

Machine/Tool Orders

Machine Orders declined 2.8% M/M and 1.1% Y/Y in March against expectations for a 3.5% M/M decline. Within the data, manufacturers saw a 8.4% M/M drop while non-manufacturers saw a 3.9% M/M drop.

Machinery Tool Orders improved 0.5% Y/Y in April.



News

May 16th – Bank of Japan Stimulus Hits a Wall as Bond Purchase Falls Short (Bloomberg) – The Bank of Japan’s asset-purchase program, expanded twice in three months, hit a roadblock today when the central bank couldn’t find enough government securities to buy. Financial institutions agreed to sell 480.5 billion yen (\$6 billion) of one- to two-year debt, less than the BOJ’s planned 600 billion yen of purchases, the central bank said on its website. It was the first shortfall since the BOJ set up the program to spur growth in October 2010. The result may boost pressure on BOJ Governor Masaaki Shirakawa’s board to broaden the program to encompass longer- dated debt, or other types of assets. Japan’s financial companies are the largest holders of the nation’s government debt, amid a lack of demand growth in corporate and household lending and a flight to safety sparked by Europe’s crisis. “As the BOJ expands its asset-purchase fund, we may see more people rejecting dealing with the central bank’s buying operation because there is nothing to invest in when they sell short-term notes,” said Toshiaki Terada, a researcher at Totan Research Co., a money-market brokerage in Tokyo. In a second part of today’s operation, the BOJ received 700.8 billion yen in offers for debt with a maturity from two to three years, compared with its goal of 100 billion yen. The failure to meet the targets suggest limits to the central bank’s main policy tool since the benchmark interest rate was brought near zero as the global financial crisis deepened in 2008.

News Cont'd & Upcoming Dates

News (Cont'd)

May 15th – Big Banks' Earnings Up but Lending Still Sluggish (Nikkei) – Japan's real gross domestic product expanded at an annualized rate of 3.5% in the January-March period, the first gain in two quarters, according to the median forecast of 30 private-sector research institutions surveyed by QUICK Corp. On a quarter-to-quarter basis, the growth estimate came to 0.9%. The cabinet is due to release the results Thursday.

May 14th – Firms Predict 24% Pretax Profit Growth in FY12 (Nikkei) – Combined pretax profit at the nation's publicly traded companies is expected to rise 24% this fiscal year. Overall sales are seen up 6%. Nikkei Inc. tabulated earnings forecasts released as of Friday by 1,064 companies with March book-closings, excluding financial firms, utilities, and those listed on the two major markets for start-ups. The group represents 68% of all listed companies in Japan and 88% of total market capitalization. More firms foresee better results, with 74% eyeing improved pretax earnings, compared with 55% a year earlier. As a result, the listed companies' combined pretax profit will likely climb back to roughly 80% of the all-time high marked in fiscal 2007.

May 14th – Azumi Warns Against FX Speculation After European Elections (Nikkei) – Japanese Finance Minister Jun Azumi said Monday that he is ready to respond to any speculative-driven gains in the yen after elections in Europe over the weekend heightened global risk aversion, warning currency markets not to take advantage of the poll results. "I will respond properly and appropriately as circumstances warrant," Azumi told reporters at the Ministry of Finance on Monday afternoon, using coded language signaling a willingness to intervene in currency markets to stem the yen's strength.

Key Upcoming Dates

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
5/16	Housing Loans YoY	N/A	2.20%
5/16	GDP Annualized	3.50%	-0.70%
5/16	Gross Domestic Product (QoQ)	0.90%	-0.20%
5/16	Nominal GDP (QoQ)	1.00%	-0.50%
5/16	GDP Deflator YoY	-1.50%	-1.80%
5/16	Tokyo Condominium Sales (YoY)	N/A	-6.10%
5/16	Capacity Utilization (MoM)	N/A	-1.70%
5/16	Industrial Production (MoM)	N/A	1.00%
5/16	Industrial Production YOY%	N/A	13.90%
5/16	Machine Tool Orders (YoY)	N/A	0.50%
5/16	Nationwide Dept. Sales (YoY)	N/A	14.10%
5/16	Tokyo Dept. Store Sales (YoY)	N/A	26.70%
5/16	All Industry Activity Index (MoM)	N/A	-0.10%
5/16	Leading Index CI	N/A	96.6
5/16	Coincident Index CI	N/A	96.5
5/16	Convenience Store Sales YoY	N/A	0.40%
5/16	Supermarket Sales (YoY)	N/A	-2.40%
5/16	Merchnds Trade Balance Total	N/A	-¥82.5B
5/16	Adjusted Merchnds Trade Bal.	N/A	-¥621.3B

Valance Economic Report: United Kingdom

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May 16, 2012

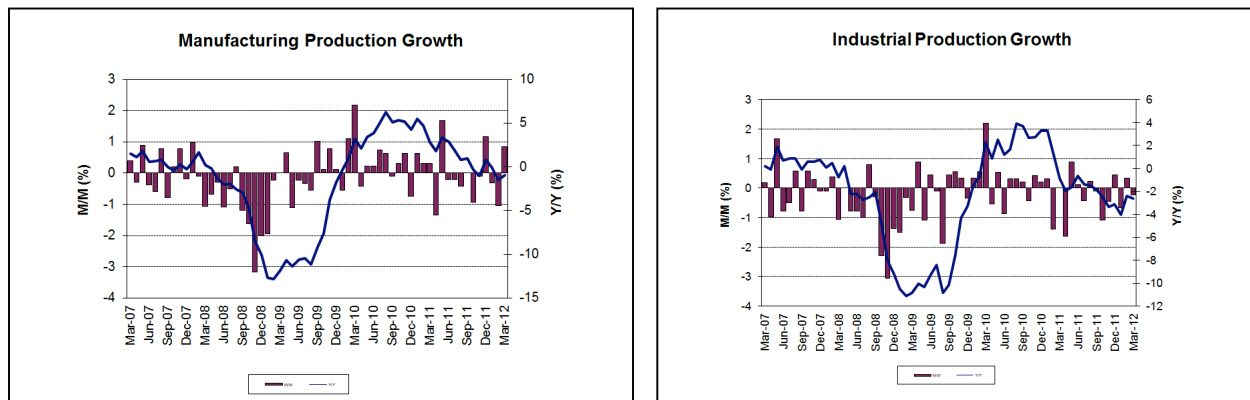
Factory Output dropped in line with market expectations although manufacturing output was better than expected. Labor data was also better than expected. On the BoE front, this week saw a meeting that resulted in no change in rates or asset purchases, as the market had anticipated. In its inflation report, the BoE observed inflation running above target over the next year.

Weekly Highlights

Factory Output – declined 0.3% M/M and 2.6% Y/Y in March. (UK 1)
Unemployment Rate – declined from 8.3% to 8.2% in March. (UK 3)

Weekly Releases & News

Chart of the Week: *Manufacturing & Industrial Production*

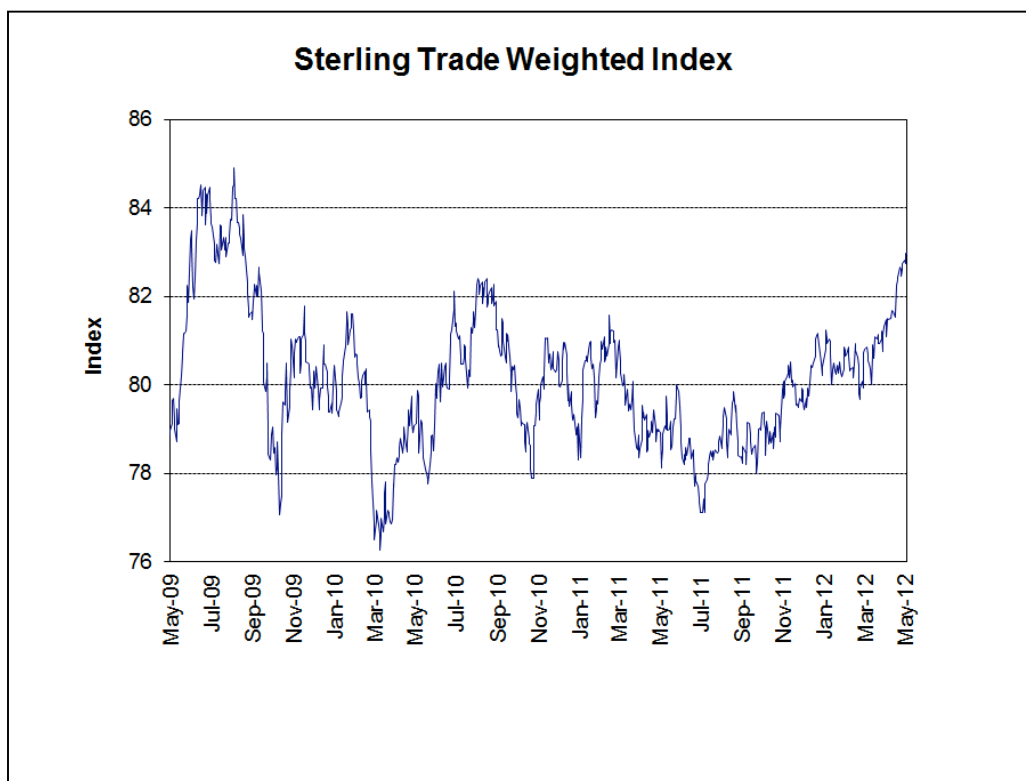


March Factory Output dropped 0.3% M/M and 2.6% Y/Y, in line with market expectations. Among manufacturers, factory output increased 0.9% M/M and dropped 0.9% Y/Y, beating market expectations for +0.5% M/M and -1.3% Y/Y. Within the details of the report, Mining and quarrying, electricity, water, and oil/gas all saw M/M declines.

Despite the weakness within the details, manufacturing data fared better than expected overall, on rises in chemicals, transport equipment, and electronics helped to recover from weather related slowdowns in February.

Financial Balances, FX & Manufacturing Data

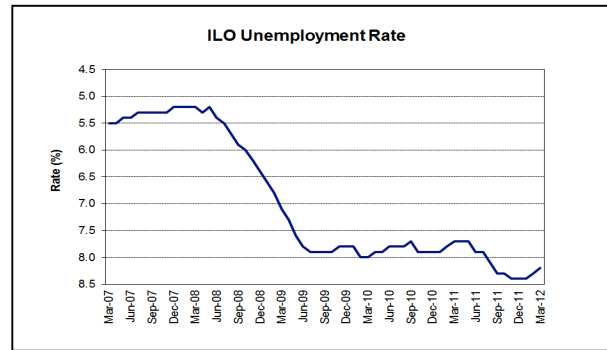
U.K.	Last Period (blns)	Last 12mth. % of GDP
Budget Balance	+£16.4 (Mar)	+14.5%
Curr. Acct. Balance (quarterly)	-£10.5(Dec)	-2.9%
Private Balance	-£0.2	+11.6%



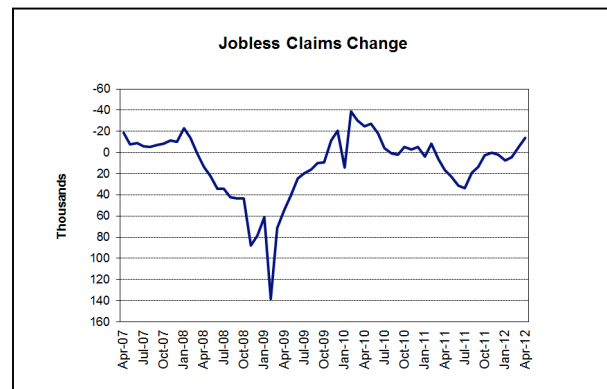
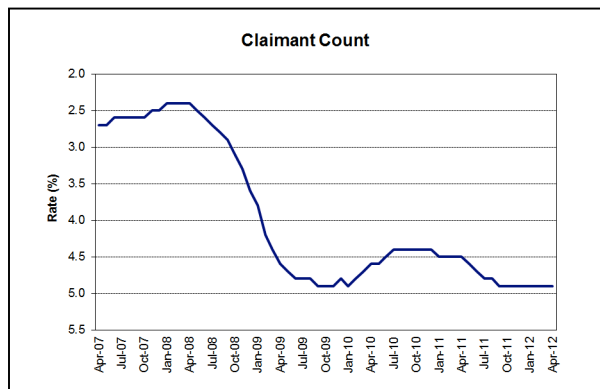
Employment Data & Average Earnings

ILO Unemployment Rate

The ILO 3month Unemployment Rate dropped from 8.3% in February to 8.2% in March, against expectations for an increase to 8.4%.



Employment Data



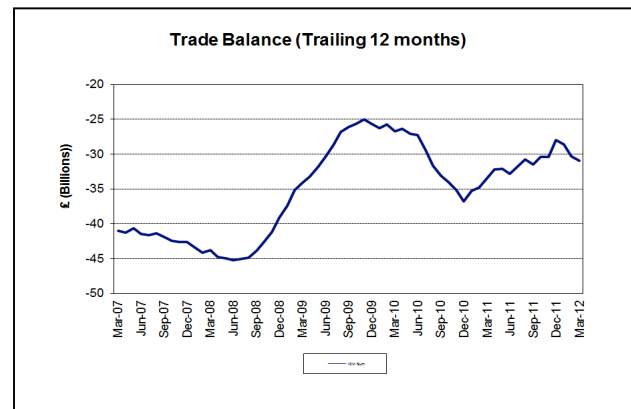
The number of people claiming unemployment benefits declined 13.7k in April against expectations for a 5.0k increase. March's 3.6k increase was revised to a 5.4k decline. The decline was the second consecutive and represented the largest drop since July 2010.

Weekly earnings, including bonuses, increased 0.6% 3m Y/Y in March. This was below the market's expectations for a 1.0% 3m Y/Y improvement. Excluding bonuses, weekly pay increased 1.6% 3m Y/Y. This was better than the market's expected 1.4% 3m Y/Y gain.

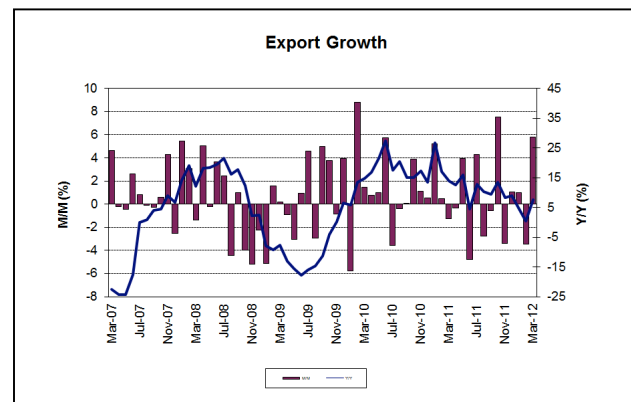
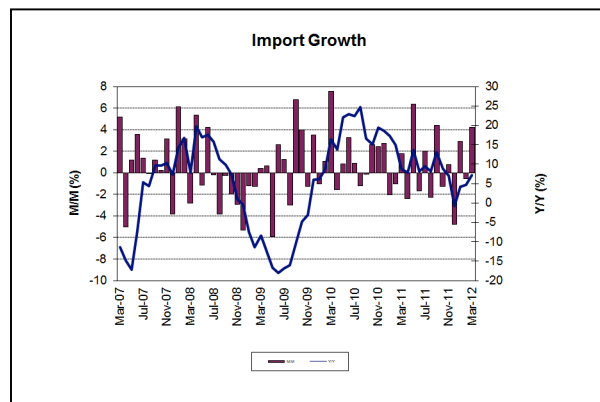
Trade Balance

Trade Balance

The March Trade Deficit declined slightly from £8.590 bln to £8.564 bln, against market expectations for an increase to £8.4 bln.



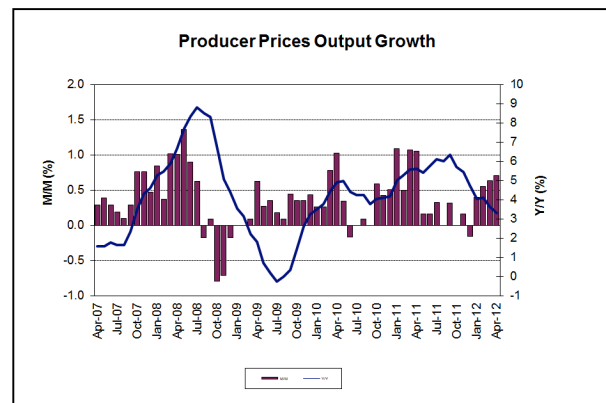
Exports & Imports



Imports increased 3.6% M/M and 0.3% 3M/3M. Exports increased 6.5% M/M and 0.2% 3M/3M. The trade deficit with non-EU countries declined from 4.871 bln pounds to 4.109 bln pounds. The trade deficit with EU countries dropped from, 3.719 bln pounds to 4.455 bln pounds.

Producer Prices Input/Output Growth

March Prices charged by factories increased 0.7% M/M and 3.3% Y/Y. This was better than the 0.4% M/M and 2.9% Y/Y gain the market had anticipated. Core prices improved 0.6% M/M and 2.3% Y/Y. Food and beverage prices increased 0.9% M/M and 4.6% Y/Y. Petroleum product prices increased 0.5% M/M and 3.7% Y/Y. Across the board, raw manufacturing input prices declined 1.5% M/M and increased 1.2% Y/Y.



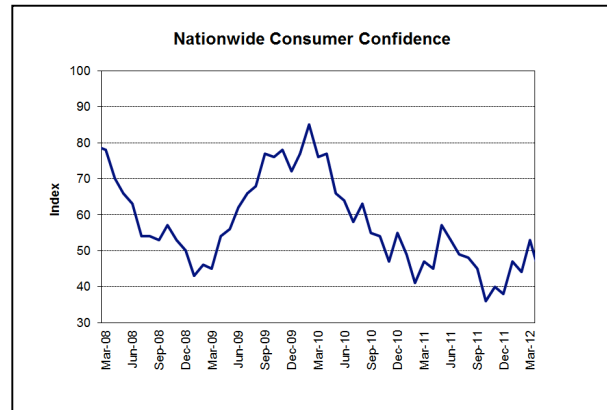
Trade Balance

Nationwide Consumer Confidence

Nationwide Consumer Confidence Index eased in April, dropping from 53 to 44. The 3 month average dropped from 48 to 47.

Within the data, the present situation index dropped 3pts to 21 while the expectations index dropped 13pts to 60 and the spending index dropped 11pts to 75.

Nationwide commented on the report, stating that “(the index indicates) ongoing caution on the part of UK consumers...it’s not surprising that confidence remains fragile, with the economy shrinking over the past six months and labor market conditions still weak.”



Data & Inflation Report

Data

NIESR GDP Estimate - According to the National Institute of Economic and Social Research (NIESR), the U.K. economy expanded in the three months to April. GDP rose 0.1% after contracting 0.2% in the quarter through March. NIESR commented that “With the economy stagnant, the negative output gap is likely to widen further...while significant downside risks persist, we expect economic recovery to begin to take hold in 2013.”

Inflation Report

Overview of the Inflation Report – May 2011

Output had barely grown for a year and a half and was estimated to have contracted slightly in the past two quarters. The euro-area economy remained weak, but global activity overall continued to expand at a moderate pace. A number of one-off factors are likely to affect the pattern of quarterly growth of domestic output during 2012. Looking through those effects, underlying demand growth is likely to remain subdued in the near term, before a gentle increase in households’ real incomes and consumption helps the recovery to gain traction. Stimulus from monetary policy should continue to support demand, although headwinds from the external environment, tight credit conditions and the fiscal consolidation are likely to persist. The possibility that the substantial challenges within the euro area will lead to significant economic and financial disruption continues to pose the greatest threat to the UK recovery.

CPI inflation stood at 3.5% in March 2012, down from a peak of 5.2% in September 2011. That fall reflected the effects of earlier increases in energy prices and VAT dropping out of the twelve-month inflation rate. The prospects for inflation are uncertain. The near-term outlook is judged to be somewhat higher than expected three months ago, with inflation now likely to remain above the 2% target for the next year or so. But a gradual easing in the impact of external price pressures, together with a continuing drag from economic slack, should lead inflation to fall back to around the target. Under the assumptions that Bank Rate moves in line with market interest rates and the size of the asset purchase programme remains at £325 billion, the risks of inflation being above or below the target by the end of the forecast period are judged to be broadly balanced.

Chart 1 GDP projection based on market interest rate expectations and £325 billion asset purchases

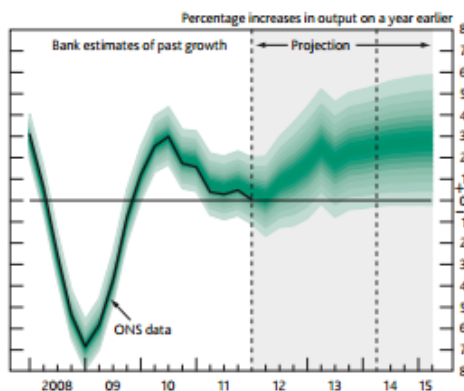
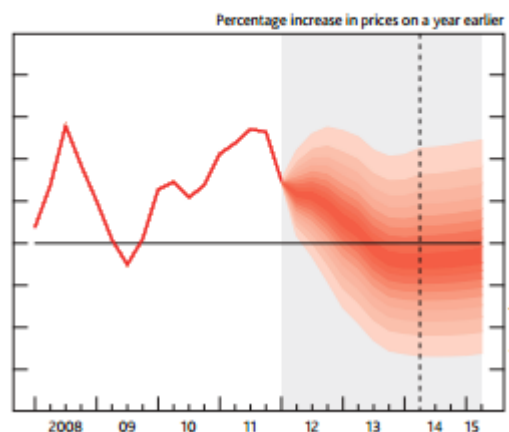


Chart 3 CPI inflation projection based on market interest rate expectations and £325 billion asset purchases



News

May 10th – BoE Halts Stimulus as UK Inflation Threat Outweighs Slump (Bloomberg) - Bank of England officials halted stimulus expansion after seven months of bond purchases as the threat of inflation trumped concerns about an economy that's succumbed to a double-dip recession. The nine-member Monetary Policy Committee led by Governor Mervyn King today held its quantitative-easing target at 325 billion pounds (\$525 billion), ending a second round of stimulus. Unlike the last time the bank halted quantitative easing in February 2010, the central bank didn't issue a statement today. King is due to speak at a press conference on May 16, when the bank will publish the new economic forecasts that underpinned today's decision. Minutes of the meeting, showing how policy makers voted, will be released on May 23.

May 13th - U.K. Employment Index Signals Hiring for First Time in a Year (Bloomberg) - U.K. short-term employment prospects have improved, according to the Chartered Institute of Personnel and Development, which said the gain may not be sustained as economic weakness damps company sentiment. The CIPD's net employment balance for the second quarter rose to 6 from minus 8 in the previous three months, the London-based group said in an e-mailed report released in London today. That's the first reading above zero, which indicates more employers intend to raise rather than cut staff levels, in more than a year. Britain's economy has slipped into a double-dip recession and the European Commission forecasts that unemployment will rise to 8.5 percent this year from 8 percent in 2011. Still, the Bank of England halted expanding bond purchases last week as inflation concerns mounted. It will publish new economic and inflation forecasts this week that may indicate more stimulus remains an option. "The jobs market is desperately seeking good news, so this latest set of positive figures is very welcome," Gerwyn Davies, an adviser at the CIPD and author of the report. "However, any short-term jobs recovery may not be sustained because of the zigzagging economic backdrop." Private hiring led the gain in CIPD's employment gauge, with that index increasing to 25 from 11. Within manufacturing, the index rose to 19 from 1.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
5/20	Rightmove House Prices (MoM)	N/A	2.90%
5/20	Rightmove House Prices (YoY)	N/A	3.40%
5/22	ONS House Price YoY	N/A	0.30%
5/22	Public Finances (PSNCR)	N/A	16.5B
5/22	PSNB ex Interventions	N/A	18.2B
5/22	Public Sector Net Borrowing	N/A	15.9B
5/22	CPI (MoM)	N/A	0.30%
5/22	CPI (YoY)	N/A	3.50%
5/22	Core CPI YOY	N/A	2.50%
5/22	Retail Price Index	N/A	240.8
5/22	RPI (MoM)	N/A	0.40%
5/22	RPI (YoY)	N/A	3.60%
5/22	RPI Ex Mort Int.Payments (YoY)	N/A	3.70%
5/23	Bank of England Minutes	N/A	N/A
5/23	Retail Sales Ex Auto Fuel(MoM)	N/A	1.50%
5/23	Retail Sales Ex Auto Fuel(YoY)	N/A	2.80%
5/23	Retail Sales w/Auto Fuel (MoM)	N/A	1.80%
5/23	Retail Sales w/Auto Fuel (YoY)	N/A	3.30%
5/23	CBI Trends Total Orders	N/A	-8
5/23	CBI Trends Selling Prices	N/A	7

Valance Economic Report: Canada

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May 16, 2012

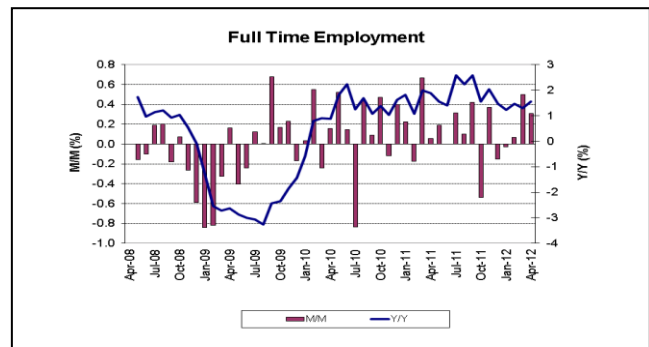
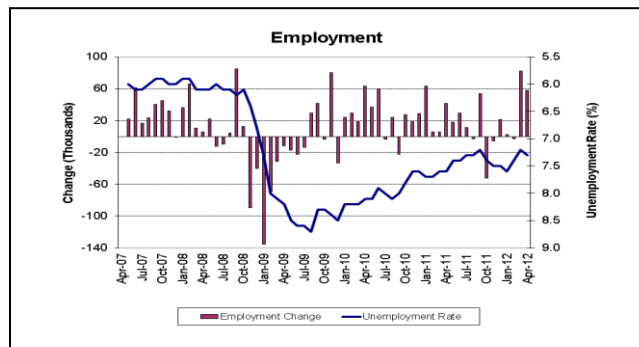
A strong labor market, for the second consecutive month in April, was the highlight of this past week's economic releases. Manufacturing Shipments and New House Prices also increased above market expectations.

Weekly Highlights

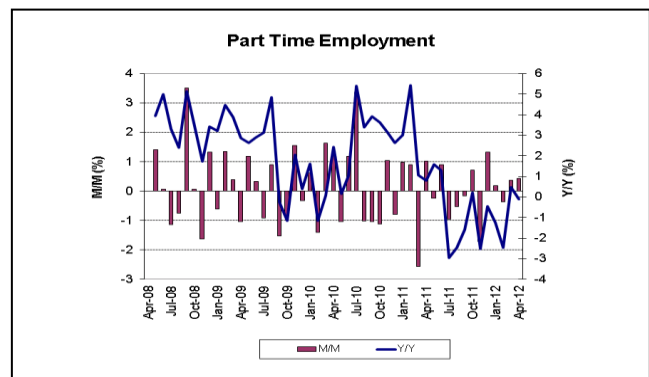
The Labor Market – gained 58.2K jobs in April. (CA 1)
New House Prices - increased 0.3% M/M and 2.6% Y/Y in March. (CA 3)

Weekly Releases & News

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



The Canadian economy gained 58.2K jobs in April following an 82.3K job gain in March, creating the largest two-month increase in more than 30 years. Market expectations were for 10.0K job gain in April. Despite such strong job gain the unemployment rate increased from 7.2% to 7.3% as the labor force grew by 72.5K. Full-time jobs increased 43.9 K and part-time employment gained 14.3 K.

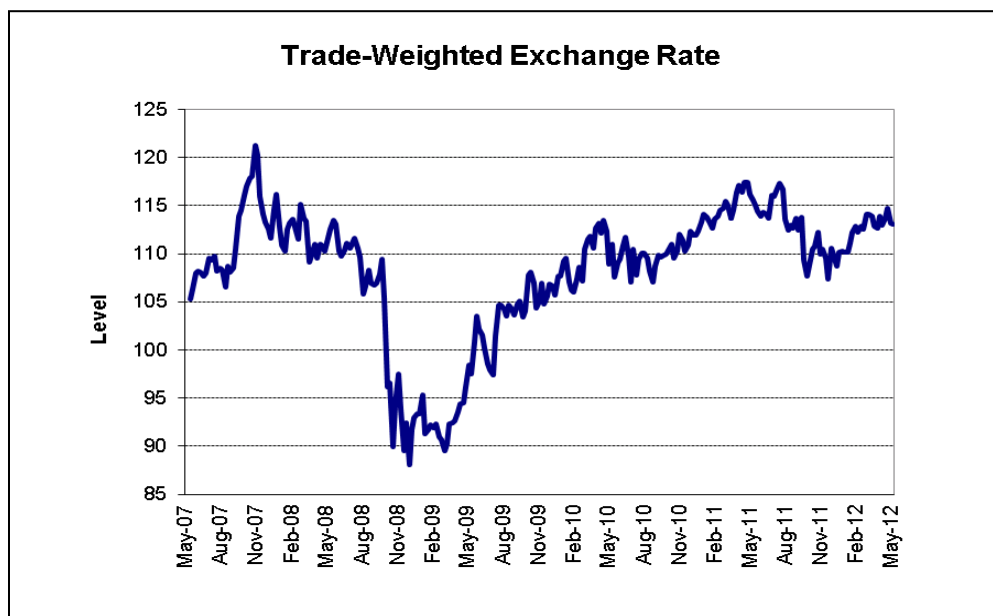


Financial Balances & Trade Weighted Exchange Rate

Financial Balances

Canada	Latest period (C\$bln)	Last 12mth. as % of GDP
Budget Balance	1.7 (Jan)	-2.3%
Trade Balance	0.3 (Feb)	-1.4%
Current Account Balance	-10.3 (Q4)	-6.3%
Private Balance	--	-4.0%

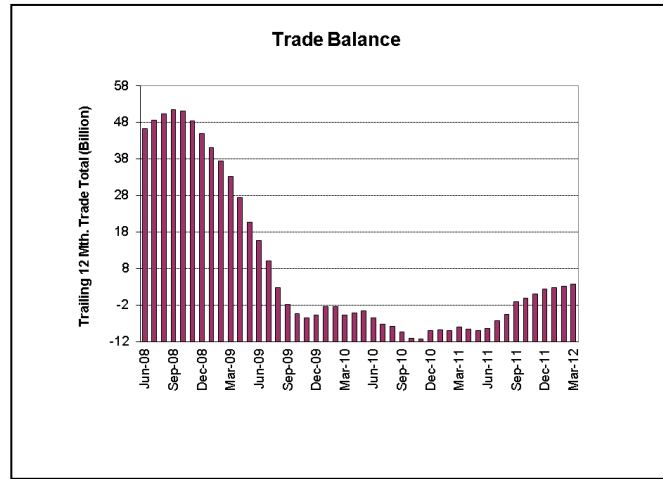
FX



Trade Data

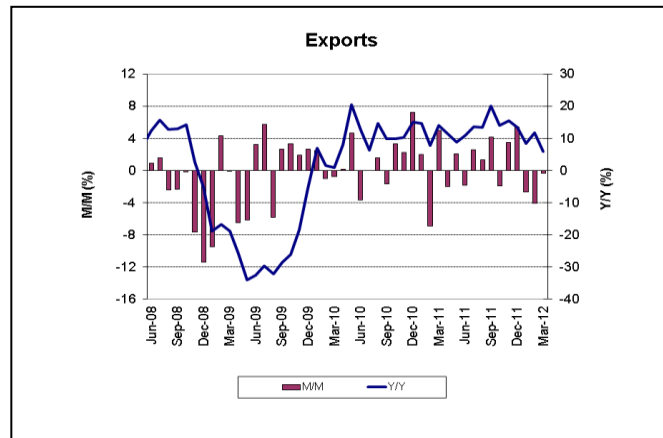
Trade Balance

Trade Surplus widened from C\$0.3 bln in February to C\$0.4 bln in March, as exports fell less than imports. The surplus with the US narrowed from C\$ 4.9 bln to C\$4.6 bln.



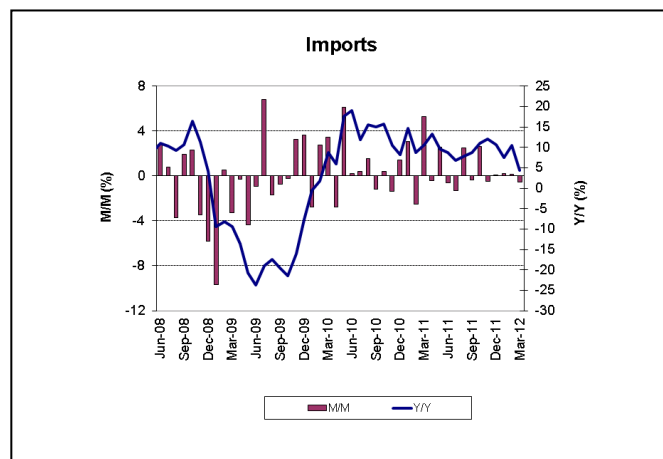
Exports

Exports fell 0.4% M/M in March, the third straight decrease. Exports of energy products decreased 8.9% M/M while automotive exports fell 0.7%. Total Exports gained 6.0% Y/Y.



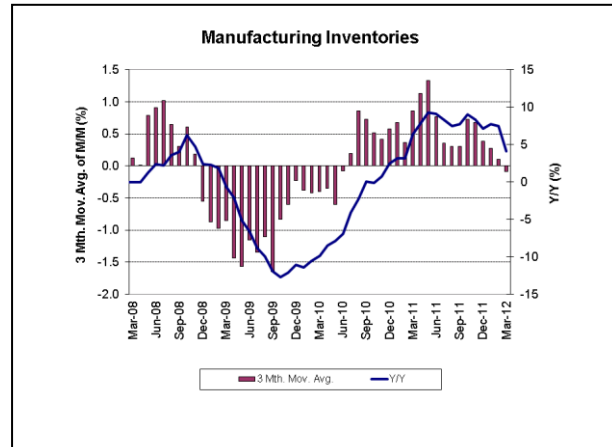
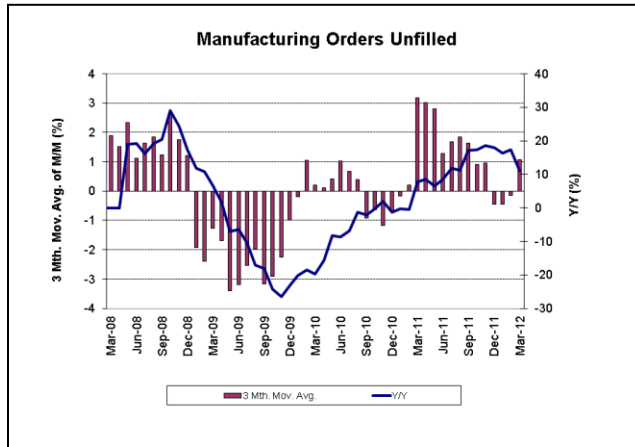
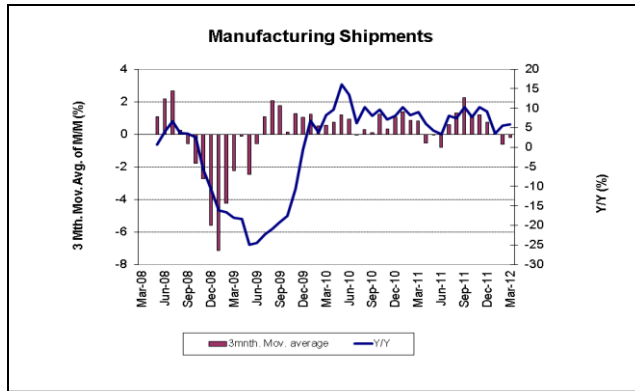
Imports

Imports decreased 0.6% M/M in March mainly as a result of a 14.9% M/M decline in energy products and a 4.0% decline in industrial goods and materials. On a Y/Y basis Imports increased 4.3%.



Manufacturing Data & New House Prices

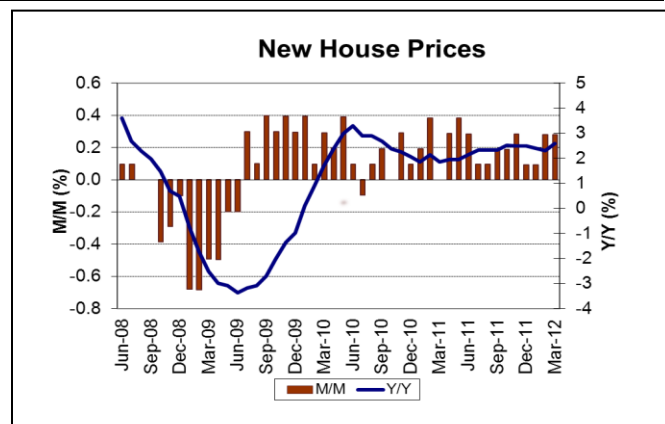
Manufacturing Data



Manufacturing Shipments gained 0.9% M/M in March, well above expectations for a 0.3% M/M gain. This strong gain in March followed a 0.2% M/M fall in February and a 2.3% M/M decline in January. On a Y/Y basis shipments gained 5.9%. New Orders increased 2.0% M/M and fell 0.1% Y/Y. Inventory levels fell 1.2% M/M and 4.2% Y/Y. Unfilled orders rose 2.0% M/M and 11.1% Y/Y.

New House Prices

New House Prices increased 0.3% M/M and 2.6% Y/Y in March, above market expectations for a 0.2% M/M and a 2.4% Y/Y gain. Prices for houses only increased 0.4% M/M and 2.9% Y/Y and prices for land only increased 0.2% M/M and 1.9% Y/Y.



News

May 15th - Canadian April Existing-Home Sales Rise 0.8%, Realtors Say (Bloomberg) -

Canadian existing-home sales rose in April for a third straight month while prices climbed from a year earlier, according to a realtor group's data that also showed divergence between Toronto and Vancouver, the country's two priciest markets.

Sales increased 0.8 percent to 40,830 units last month, the Canadian Real Estate Association said in a statement today. From a year earlier, purchases rose 11.5 percent, the Ottawa-based group said. Sales climbed 2.8 percent in Toronto from the prior month and dropped 2 percent in Vancouver.

Finance Minister Jim Flaherty has been warning households to avoid taking on debts that may become unaffordable when interest rates rise, and his March 29 budget called for greater oversight of the federal housing agency. Home purchases and home equity loans drove consumer debt burdens to record highs last year, and Bank of Canada Governor Mark Carney on April 24 said housing prices are high compared to income.

The average home price rose 0.9 percent in April from a year ago to C\$375,810 (\$374,900), with Toronto prices gaining 8.4 percent to C\$517,556 and Vancouver prices falling 9.8 percent to C\$735,315, according to the figures.

May 15th - Canada Consumer Confidence Little Changed in May, Nanos Says (Bloomberg) -

Canadian consumer confidence was little changed in May as waning perceptions of job security offset easing concerns about personal finances, according to the monthly Nanos Research poll.

The Nanos Economic Mood Index for May rose to 106.4 from 106.1 in April, according to a report released today by the Ottawa-based polling agency.

Canadians say they feel less secure about their jobs, possibly due to widespread media reports of cuts in the public sector, even as the labor market shows signs of improvement, Nanos Research President Nik Nanos said. Canadian Finance Minister Jim Flaherty in March announced plans to fire 12,000 workers in a bid to eliminate the government's deficit.

"The economic mood remains flat largely a result of continued concern about job security," Nanos said in an interview. "The persistent narrative of cuts in the federal government is likely having a job-security dampening effect beyond those Canadians that are directly affected."

The country's labor market has shown signs of strength over the last couple of months.

Key Dates This Week

Date	Indicators		Expectations	Prior
17-May	Int'l Securities Transactions	MAR	8.00B	12.49B
17-May	Wholesale Sales M/M	MAR	0.30%	1.60%
18-May	Consumer Price Index M/M	APR	0.30%	0.40%
18-May	Consumer Price Index Y/Y	APR	1.90%	1.90%
18-May	Bank Canada CPI Core M/M	APR	0.20%	0.30%
10-May	Bank Canada CPI Core Y/Y	APR	1.90%	1.90%
18-May	Consumer Price Index SA M/M	APR	0.20%	0.20%
18-May	Core CPI SA M/M	APR	0.20%	0.10%
18-May	Consumer Price Index	APR	--	121.7
23-May	Leading Indicators M/M	APR	--	0.40%
23-May	Retail Sales M/M	MAR	--	-0.20%
23-May	Retail Sales Less Autos M/M	MAR	--	0.50%

Valance Co., Inc.

Valance Economic Report: AustraliaReginald Perry
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May 16, 2012

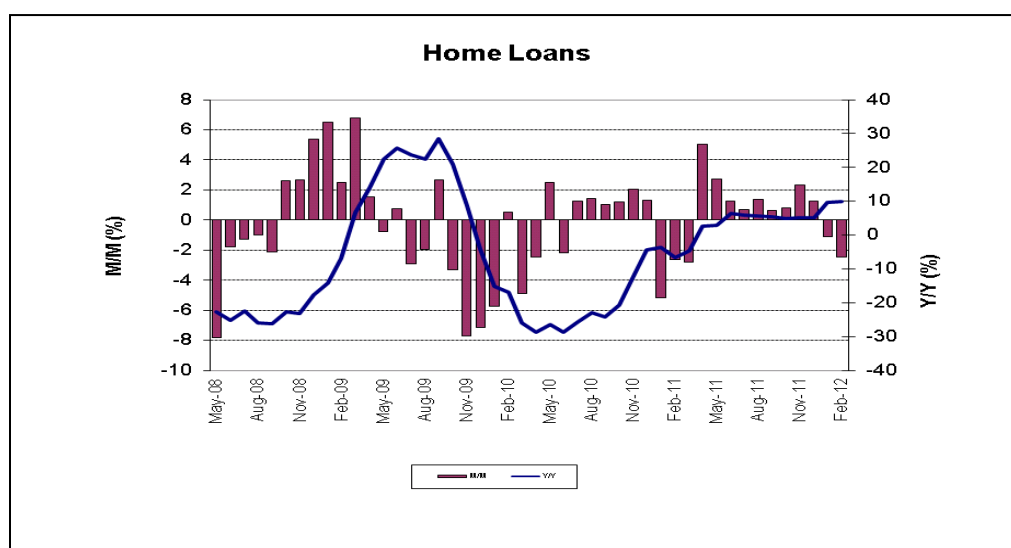
In April, New Car Sales fell while the Wage Cost Index rose as did the Westpac Consumer Confidence Index.

Weekly Highlights

Home Loans - rose 0.3% M/M in March. (AU1)

New Car Sales - fell 0.3% M/M in April. (AU4)

Wage Cost Index – rose 0.9% Q/Q and 3.6% Y/Y in Q1. (AU 2)

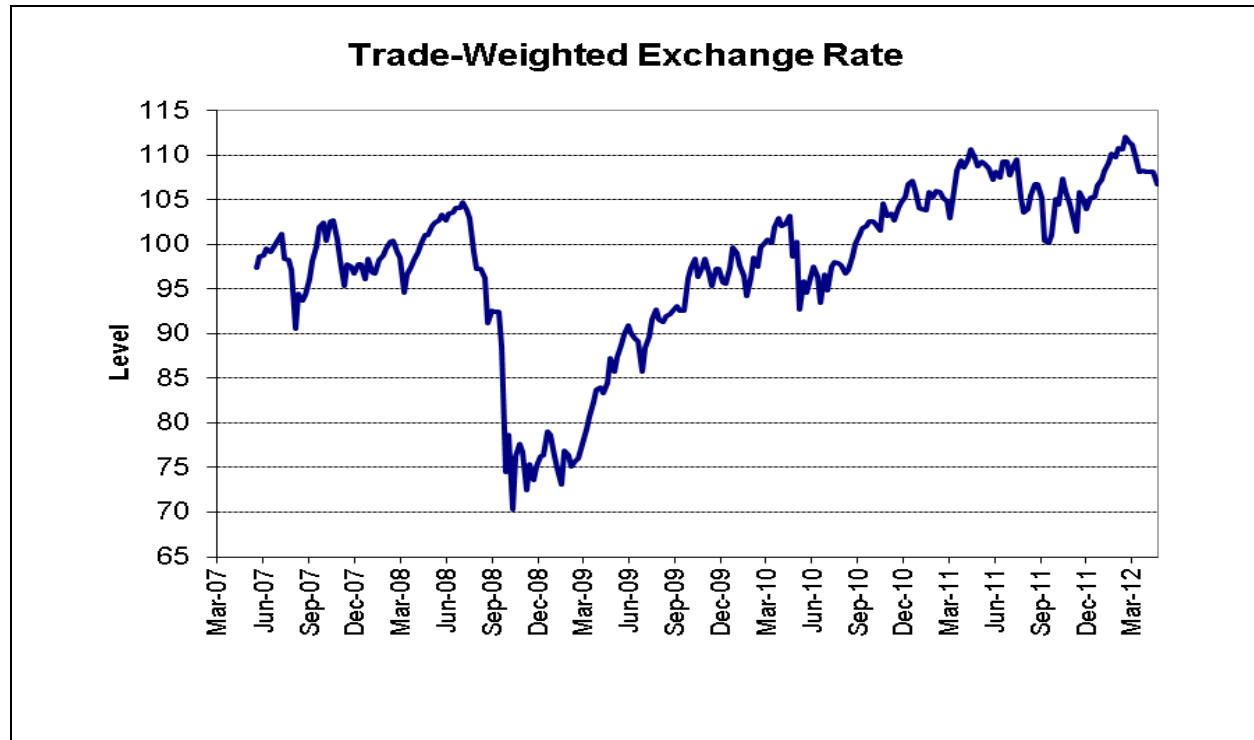
Weekly Releases & News**Charts of the Week: Home Loans**

Home Loans rose 0.3% M/M in March after dropping 2.5% M/M in February. Owner -Occupied Home Loans fell 0.3% M/M. Investment Lending fell 1.0% M/M in March after a 4.4% increase in M/M in February.

AU 1

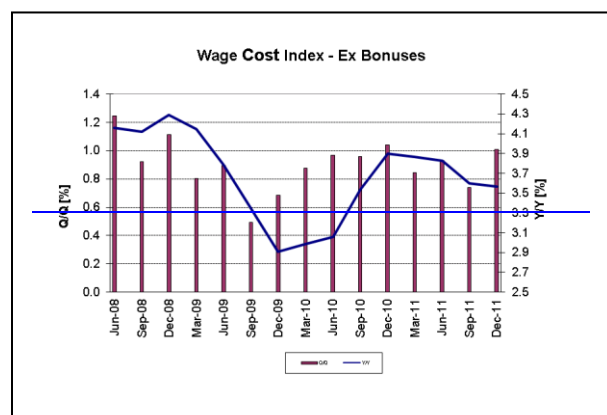
FX & Wage Inflation

Trade-Weighted Exchange Rate



Wage Cost Index

The Wage Cost Index, which measures hourly rates of pay, excluding bonuses, rose 0.9% Q/Q and 3.6% Y/Y in Q1. Economists had forecast 0.8% Q/Q and 3.5% Y/Y gains.



RBA Minutes

Summary of the RBA's Minutes from its Monetary Policy Board Meeting – May 1, 2012:

The Board decided to cut 50 basis points to a rate of 3.75 a two year low.

Summary:

The Reserve Bank of Australia made its deepest interest-rate cut in three years to help revive below-average growth, counter rising mortgage costs and shore up consumer confidence, minutes of its May 1 meeting showed.

Excerpts:

Members noted that interest rates faced by the general community had tended to increase a little since the boards previous change to the cash rate in December, the minutes showed, referring to two quarter-point cuts late last year. The board decided that a reduction of 50 basis points in the cash rate was, in this instance, necessary to deliver the appropriate level of borrowing rates.

The Australian dollar fell to the lowest this year after the minutes were released, touching 99.45 U.S. cents before trading at 99.84 cents as of 2:46 p.m. in Sydney, from 99.58 cents yesterday in New York.

The Australian dollar fell to the lowest this year after the minutes were released, touching 99.45 U.S. cents before trading at 99.84 cents as of 2:46 p.m. in Sydney, from 99.58 Governor Glenn Stevens slashed the overnight cash rate target by half a percentage point to a two-year low of 3.75 percent, with core inflation slowing to a 13-year low, export and house prices slumping, and consumer confidence weakening. Most economists had forecast a quarter-point reduction. Traders are pricing in an 84 percent chance of a quarter-point cut at the RBAs June 5 meeting.

Australia's four biggest banks are trying to guard margins against further erosion from elevated wholesale funding costs, by passing through less of the central banks rate reductions to mortgage holders. The minutes showed the RBAs decision on the size of a cut reflected a need for lower consumer rates.

Data

New Car Sales - Sales of new cars fell 0.3% M/M in April after increasing 4.0% M/M in March. Y/Y, sales increased 7.3% from 4.0% previously.

Westpac/MI Consumer Confidence - The Consumer Sentiment Index rose 0.8% M/M to 95.3 points in May, following a 1.6% M/M decline in March. This compares to the reading of 103.9 from a year ago. The greatest weakness came from the economic outlook part of the survey. The sub index measuring expected economic conditions over the next 12 months rose 1.3% M/M and over the next 5 years it rose 1.8% M/M. A reading above 100 indicates optimists outnumbered pessimists.

Key Dates This Week

Date	Indicator		Expectation	Previous
22-May	Conference Board Leading Index	MAR	--	0.00%
22-May	Westpac Leading Index (M/M)	MAR	--	0.20%
22-May	DEWR Internet Skilled Vacancies M/M	APR	--	0.80%
23-May	CBAHIA House Affordability	1Q	--	58.5

Valance Economic Report: New Zealand

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May 16, 2012

The Services Index and Credit Card Spending rose in April, while Food Prices and Real Retail Sales fell.

Weekly Highlights

Services Index - rose 2.6pts to 56.7 in April. (NZ 3)
Credit Card Spending - rose 0.6% M/M in April. (NZ 3)

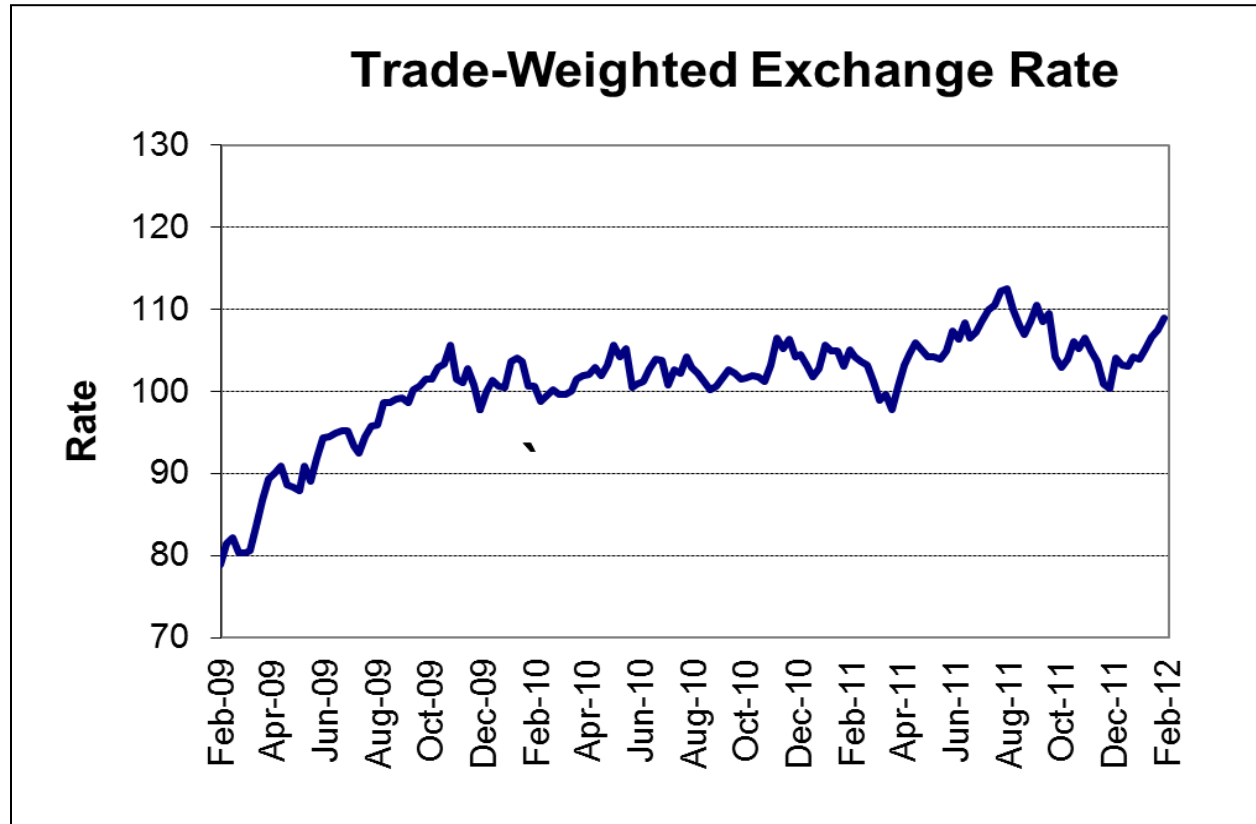
Weekly Releases & News

Chart of the Week: *Retail Sales Ex Inflation*



The quarterly measure of Retail Sales, ex. inflation, fell 1.5% Q/Q in Q1 (-0.5% exp.), from a revised 1.8% Q/Q (previously 2.2%) and rose 3.4% Y/Y.

FX



Data

Performance of Services Index - The Performance of Services Index rose 2.6pts to 56.7 in April from a revised 54.2 in March.

Food Prices - According to Statistics New Zealand, April's food prices fell 0.1% M/M and were flat Y/Y.

Credit Card Spending - According to the RBNZ, total credit card spending rose 0.6% M/M in April after falling 0.2% M/M in March. Retail spending rose 0.8% M/M in April after gaining 0.3% M/M in March.

Key Dates This Week

Date	Indicator		Expectation	Previous
20-May	Net Migration SA	APR	--	130
20-May	Credit Card Spending SA (M/M)	APR	--	0.30%
20-May	Credit Card Spending (Y/Y)	APR	--	5.20%
21-May	RBNZ 2yr Inflation Expectation	2Q	--	2.50%
23-May	Trade Balance	APR	--	134M
23-May	Exports	APR	--	4.22B
23-May	Imports	APR	--	4.08B
23-May	Trade Balance 12 Mth YTD	APR	--	207M

Valance Co., Inc.**Weekly Economic Report: China**

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May 16, 2012

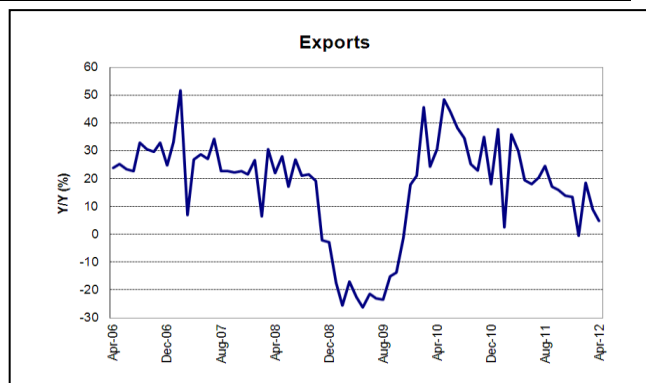
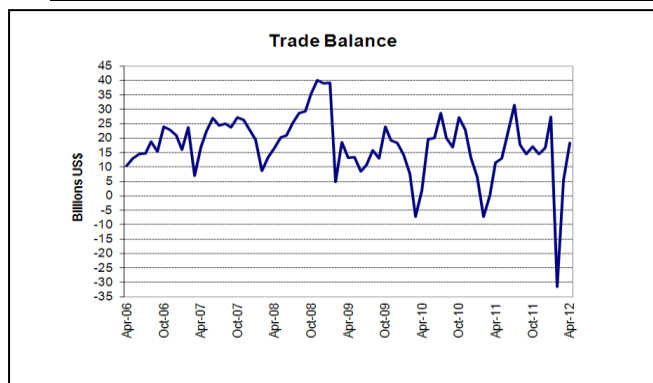
In April, China's Trade Surplus widened on weak Imports; Consumer Price inflation slowed; and Producer and Import Prices fell below expectations.

Weekly Highlights

Trade Surplus – widened to \$18.43 bln in April. (CH 1)
CPI – fell from 3.6% Y/Y in March to 3.4% Y/Y in April. (CH 2)
PPI – fell from -0.3% Y/Y in March to -0.7% in April. (CH 2)

Weekly Releases & News

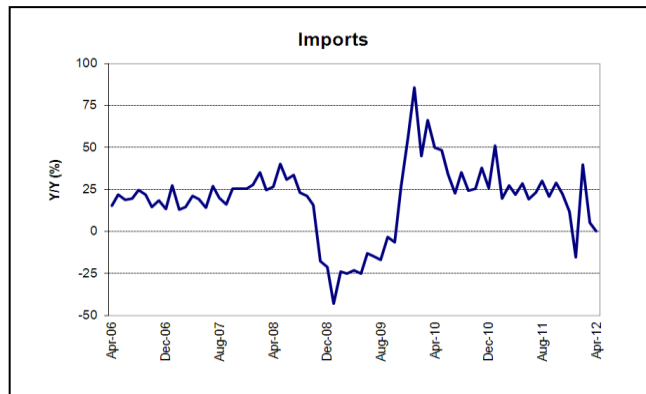
Chart(s) of the Week: *Trade Data*



China's Trade Balance widened from a surplus of \$5.35 bln in March to a surplus of \$18.43 bln in April; and above an expected surplus of \$9.90 bln.

Exports rose 4.9% Y/Y, compared with 8.9% Y/Y growth the previous month. They were expected to gain 8.5% Y/Y.

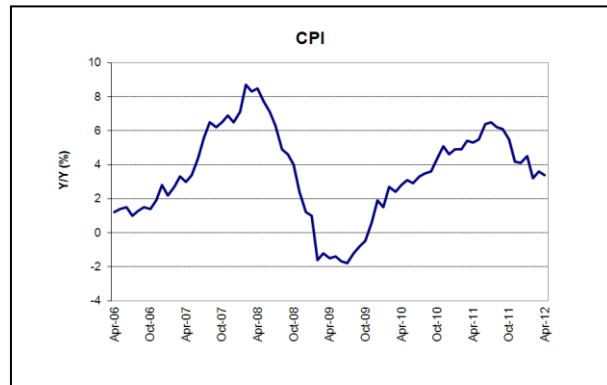
Imports rose 0.3% Y/Y, compared with 5.3% Y/Y growth the month before; and below expectations of a 10.9% Y/Y gain.



CPI, PPI & Industrial Production

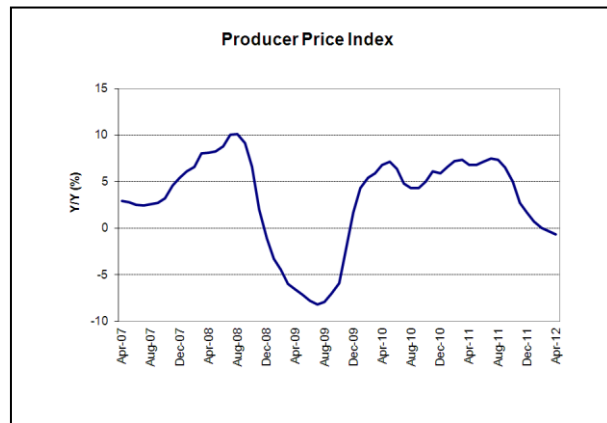
CPI

As expected, the Consumer Price Index rose 3.4% Y/Y in April, compared with 3.6% the previous month.



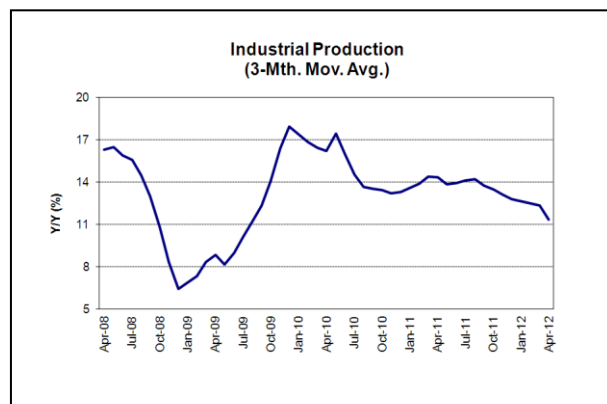
PPI

The April Producer Price Index fell 0.7% Y/Y, compared with 0.3% Y/Y loss the month before; and below expectations of -0.5% Y/Y.



Industrial Production

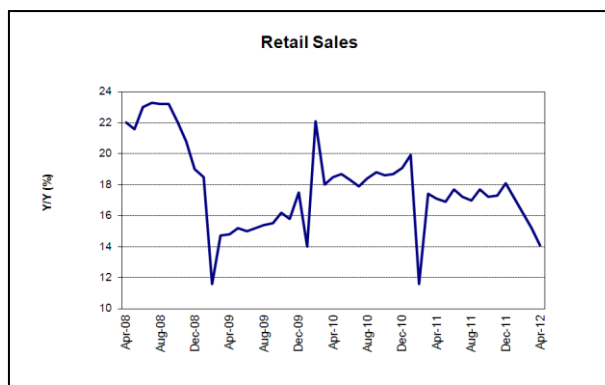
Industrial Production slowed from 11.9% Y/Y in March to 9.3% Y/Y in April, and below expectations of 12.2% Y/Y.



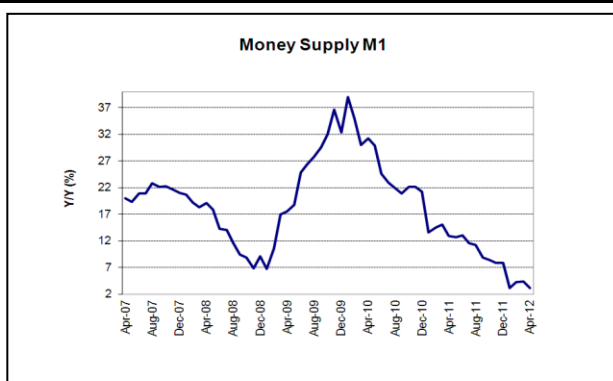
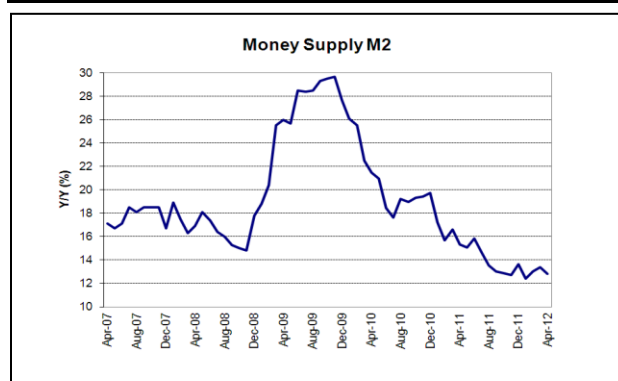
Retail Sales, Money Supply & New Yuan Loans

Retail Sales

Retail Sales slowed from 15.2% Y/Y in March to 14.1% Y/Y in April. Sales were expected to fall slightly to 15.1% Y/Y.



Money Supply



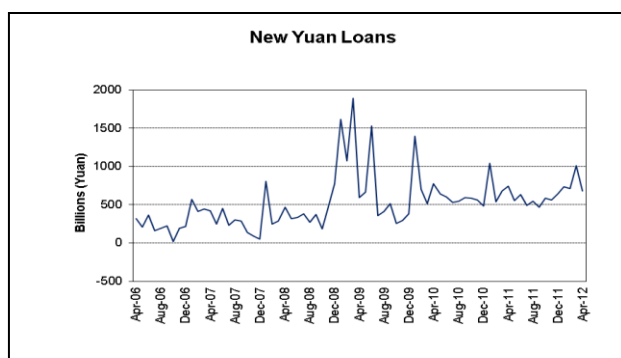
M2, the broadest measure of Money Supply, fell from 13.4% Y/Y in March to 12.8% Y/Y in April; below expectations of 13.3%.

M1 Money Supply growth fell from 4.4% Y/Y in March to 3.1% Y/Y in April. A gain of 4.5% Y/Y was expected.

M0 Money Supply growth fell from 10.6% Y/Y in March to 10.4% Y/Y in April.

New Yuan Loans

New Yuan Loans fell from \$1010.0 bln in March to \$681.8 bln in April; below expectations of \$780.0 bln.



Data & News

Data

May 11th - Fixed-Asset Investment – slowed from 20.9% Y/Y in March to 20.0% Y/Y in April. A 20.5% Y/Y gain was expected.

News

May 16th - Zhou Says China 1st-Quarter Growth Healthy, in Line With Targets (Bloomberg) - People's Bank of China Governor Zhou Xiaochuan said first-quarter economic growth was healthy and in line with targets. China will steadfastly prevent systemic financial risk while speeding up new products such as interest-rate swaps, Zhou said today at a securities-regulation conference in Beijing.

May 15th - Listed firms offer bleak outlook (China Daily) - Almost half of the companies listed on the mainland's two bourses that have so far released financial forecasts for the first six months expect to see a decline in earnings or to fall into the red, primarily due to falling demand amid an economic slowdown. According to Wind Information Co Ltd, a leading provider of economic data and financial information, 845 companies listed on the Shenzhen and Shanghai stock exchanges had released January-June financial performance forecasts as of May 13. A total of 384 companies forecast a slump in their net profit or a loss, accounting for 45.4 percent. Property developers and manufacturing companies account for the majority of poorly performing companies.

May 14th - China 2012 Growth Forecast Cut to 8.1%, Citigroup Says (Bloomberg) - Citigroup Inc. cut its full-year forecast from 8.4 percent, the bank said in an emailed note today.

* The bank expects the People's Bank of China to cut the reserve ratio for banks twice more this year

* The first cut in the reserve ratio will likely be by the end of July: Citigroup

May 14th - China 2012 Growth Outlook Revised to 8% From 8.2%, JPMorgan Says (Bloomberg) - China's economy will grow 8 percent in 2012, JPMorgan Chase & Co. said in an emailed note today.

* The bank originally forecast growth of 8.2 percent for the year.

* The bank expects two or three more reserve ratio cuts this year, the next one to be introduced this month.

May 14th - China Growth Seen at 13-Year Low by Pimco as Banks Cut Forecast (Bloomberg) - China's slowdown may deepen as policy makers unwind the excesses of a record credit boom while gradually stepping up stimulus, leaving 2012 growth at the weakest in 13 years, Pacific Investment Management Co. says. "The economy is unlikely to bottom until the third quarter," Ramin Toloui, Pimco's global co-head of emerging markets portfolio management in Singapore, said in e-mailed comments yesterday. "Policy makers will progressively turn the dial toward more stimulus, but not in the aggressive manner of 2009," restrained by the goal of tempering the credit-fueled property market, he said.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
05/13-18	Actual FDI	APR	2.8%	-6.1%
05/17	China April Property Prices			
05/17	MNI May Flash Business Sentiment Survey			
05/21	Conference Board CH April Leading Economic Index			
05/21-25	HSBC Flash China Manufacturing PMI	MAR	--	49.3

Valance Economic Report: Sweden

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May 16, 2012

In April, Inflation slowed for a second consecutive month, The PES Unemployment Rate fell to 4.3%, below expectations. Industrial production rebounded in March.

Weekly Highlights

CPI – rose 0.2% M/M and 1.3% Y/Y in April. (SW 1)

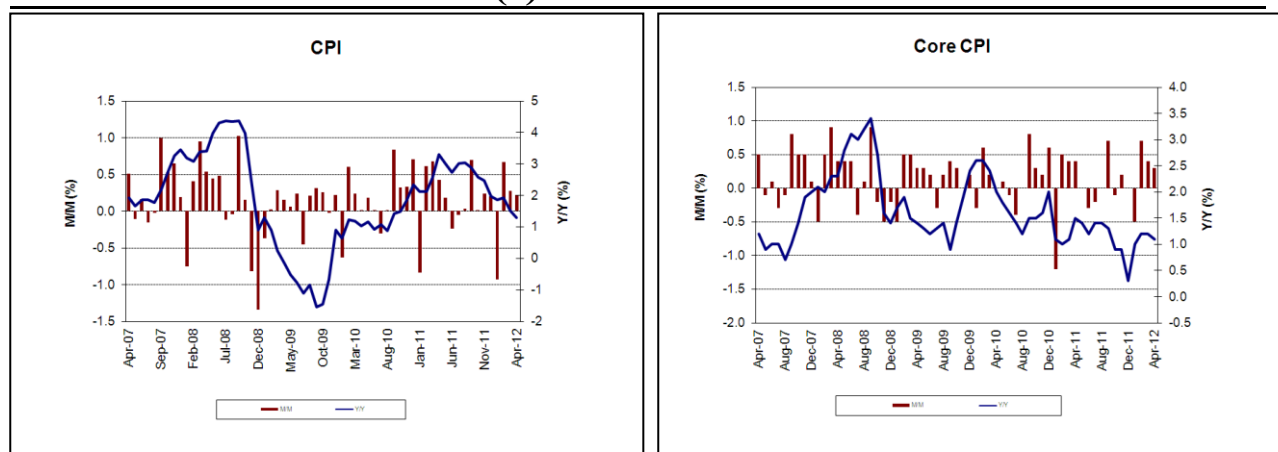
Core CPI – rose 0.3% M/M and 1.0% Y/Y in April. (SW 1)

Industrial Production – rose 0.4% M/M and fell 6.5% Y/Y in March. (SW 2)

Unemployment Rate – fell from 4.5% in March to 4.3% in April. (SW 2)

Weekly Releases & News

Chart(s) of the Week: CPI

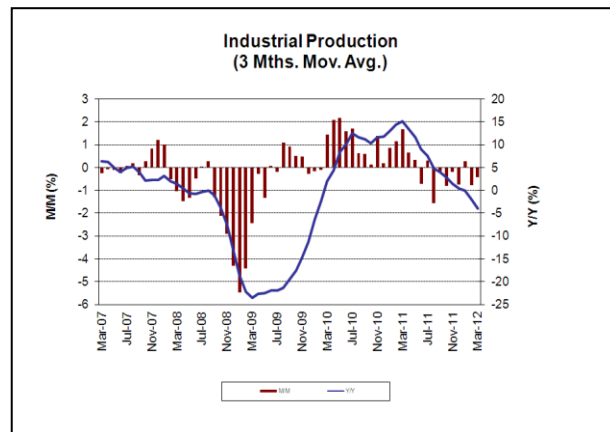


Headline Consumer Price growth rose 0.2% on the month, following a 0.3% M/M gain the previous month. Annually, prices rose 1.3%, compared with 1.5% the month before. Increases in clothing and shoes (3.7%), international flights (25.7%), and rents (0.5%) had a positive effect on the monthly rate; while lower prices for package holidays (-7.4%) and food (-0.7%) contributed negatively. On a core basis, prices rose 0.3% M/M and 1.0% Y/Y, compared with 0.4% M/M and 1.1% Y/Y the previous month.

Industrial Production, Industrial Orders & Unemployment Rate

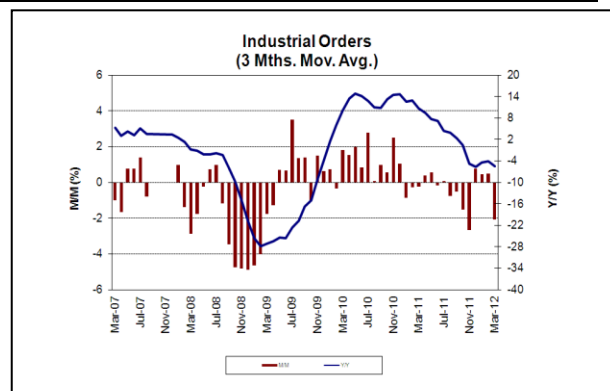
Industrial Production

Industrial Production rose 0.4% M/M and fell 6.5% Y/Y in March, compared with -5.1% M/M and -7.1% Y/Y the previous month. On a monthly basis, production in most of the industry's subsectors varied: the petroleum and other manufacturing industries showed the weakest development, while the industries for non-metallic products and textiles advanced the most. Annually, the strongest development was seen in the industry for non-metallic mineral products, while the motor vehicle and other manufacturing industries declined the most.



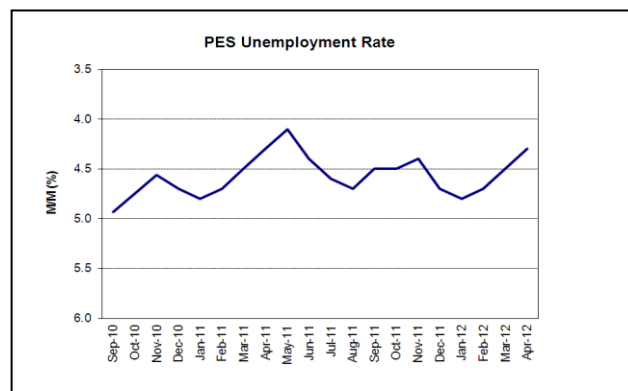
Industrial Orders

March Industrial Orders rose 2.0% M/M and fell 6.4% Y/Y, compared with -4.9% M/M and -7.6% Y/Y in February. The subsectors showed a mixed development: The most positive development was seen in the electrical equipment and machinery industries, while the industry for other transport equipment decreased the most. Additionally, new orders in the domestic market decreased 2.2% M/M, while new orders in the export market increased 5.0% M/M.



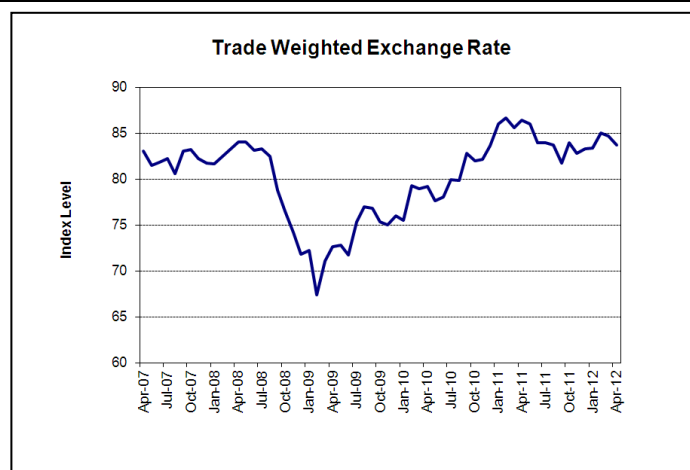
Unemployment Rate

As expected, the Unemployment Rate (n.s.a.) fell from 4.5 % in March to 4.3% in April. The number of persons registered as unemployed increased to 198,972 at the end of April from 193,926 a year earlier. The total number of new vacancies was 60,131 in April, slightly lower than 61,833 recorded in April 2011.



Trade Weighted Exchange Rate, Data & News

Trade Weighted Exchange Rate



Data

May 14th – Industry Capacity (sa) – increased from a revised 87.7% (originally 87.5%) to 88.4% in Q1.

News

May 15th –Sweden Has Room for Adjustment Should Slowdown Deepen, IMF Says (Bloomberg) - Swedish policy makers have room to act should a slowdown deepen in the largest Nordic economy, the International Monetary Fund said.

Sweden's economy may stall or grow 1 percent this year, resulting in a "small headline deficit," the IMF said in a report published today on the website of Sweden's central bank.

"Both fiscal and monetary policy instruments have room to make decisive adjustments should tail risks materialize, and, in the financial sector, various steps have been taken to bolster financial market resilience, with more underway," the Washington-based group said. "The outlook now is closely tied to that of Europe given that the economy is very open and that two thirds of exports go to Europe, as does much of the financial sector's external lending."

The government last month cut its growth forecast to 0.4 percent from 3.3 percent and projected a 0.3 percent deficit of gross domestic product this year. The central bank last month kept its main lending unchanged at 1.5 percent after two cuts since December to limit the slowdown as Governor Stefan Ingves predicted the Swedish economy has bottomed.

Sweden's economy will probably regain "steam from mid- year" even as "weak demand for exports is likely to continue," the IMF said. "But near- and medium-term downside risks to these projections are significant, reflecting European fragilities."

Key Dates This Week

Date	Indicator	Month	Expectation	Previous
05/23	Unemployment Rate	APR	--	7.7%

Valance Economic Report: Switzerland

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May 16, 2012

Producer & import prices unexpectedly decreased in April and the Swiss Investor Sentiment Survey decreased for the first time in four months.

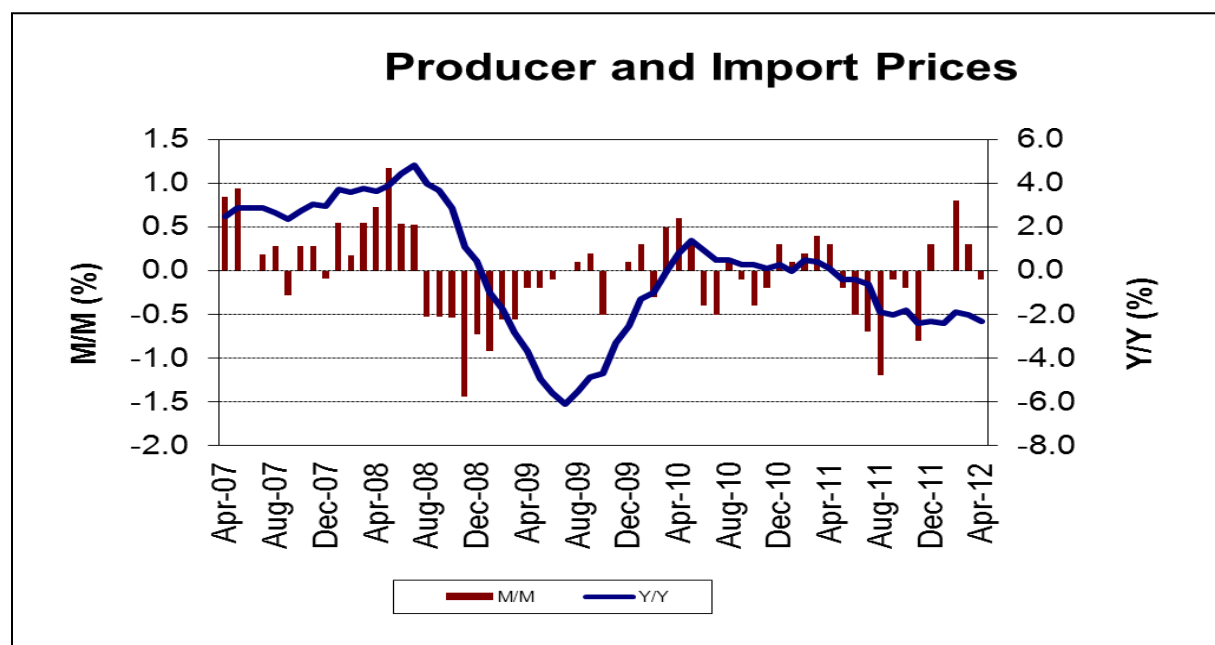
Weekly Highlights

Producer & Import Prices – dropped 0.1% M/M and 2.3% Y/Y in April. (SZ 1)

Investor Sentiment – decreased from 2.1 to -4.0 in May. (SZ 2)

Weekly Releases & News

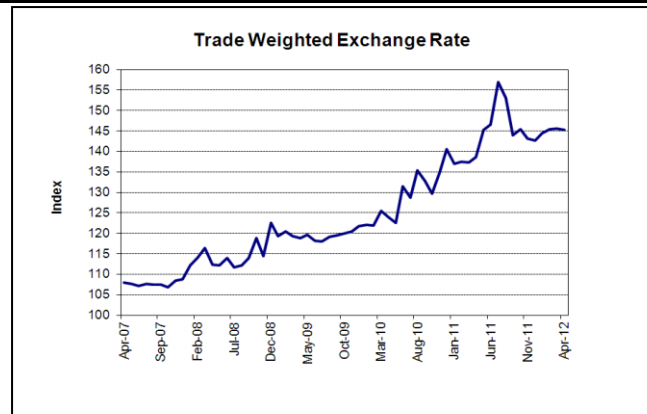
Chart(s) of the Week: *Producer & Import Prices*



Switzerland's combined producer & import price index dropped 0.1% M/M and 2.3% Y/Y in April. The M/M decline occurred as producer prices dropped while import prices were unchanged. The overall result was below the market's expected 0.2% M/M increase and 2.1% Y/Y decline.

Trade Weighted Exchange Rate, Data & News

Trade Weighted Exchange Rate



Data

May 16th (Bloomberg) – Swiss Investor Sentiment - A survey by the ZEW Center for European Economic Research and Credit Suisse Group showed that the outlook index for Swiss Investor Confidence decreased from 2.1 in April to -4.0 in May, its decline in four months.

News

May 16th - SNB's Jordan Says Minimum Exchange Rate Very Effective, Credible (Bloomberg)

- Swiss central bank President Thomas Jordan said introducing a minimum exchange rate for the Swiss franc has been a "very effective" and "credible" policy.

"We are convinced that by introducing a minimum exchange rate against the euro we opted for a very simple and a very clear policy," Jordan said in a speech in Frankfurt today.

"And so far, the minimum exchange rate has been very effective and credible to the markets."

"The minimum exchange rate was really the only effective option we had at that time available to combat the acute threat to the Swiss economy and also to combat the deflationary risk we faced at the time because of the massive overvaluation," Jordan said.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
05/21	SECO Consumer Confidence	APR	-14	-19
05/21	M3 Money Supply	APR	--	6.6%