

Valance Company, Inc.



Weekly

August 22, 2012

III

Highlights

US – Mixed data

EU – Consumer Prices fell for the third straight month in July

JN – Trade balance declines on weak exports

UK - Unexpectedly strong Retail Sales in July

CA – Consumer Prices unexpectedly fell in July

AU - Westpac Leading Economic Index rose 0.5% M/M and 2.4% Y/Y in July

NZ - Producer Output Prices rose 0.3% Q/Q in Q2.

CH – Foreign Direct Investment fell to its lowest level in two years in July

SW – The PES Unemployment Rate was little changed in July

SZ – ZEW Economic Sentiment improved in August

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Valance Economic Reports

Valance Co., Inc.

Valance Economic Report: United States

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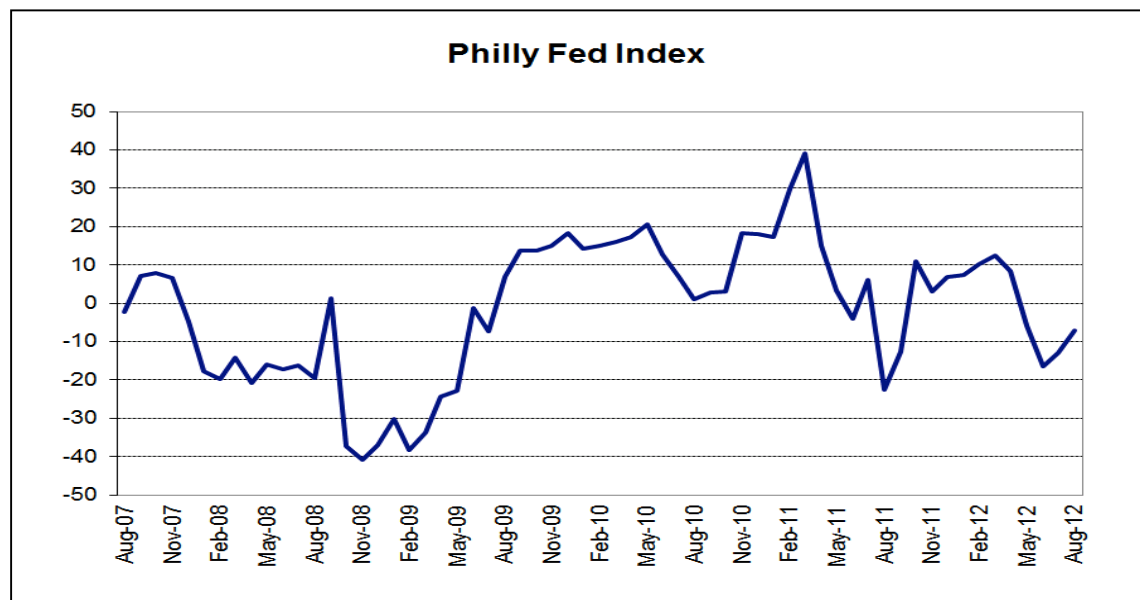
August 22, 2012

Light week of data in the US. The Philly Fed Index recorded its fourth consecutive print in negative territory. There was also unexpected strength in building permits.

Weekly Highlights

Philly Fed Index – improved from -12.9 to -7.1 in August (US 1)

Building Permits – jumped 6.8% M/M, from 760k to 812k in July (US 3)

Weekly Releases**Chart of the Week: Philadelphia Fed.**

The Philly Fed Index improved slightly from -12.9 to -7.1 in August. Expectations were -5.1. The New Orders component improved slightly to -5.5, its fourth consecutive month in negative territory. Unfilled Orders dropped from -9.5 to -16.2. Prices paid jumped from 3.7 to 11.2.

US 1

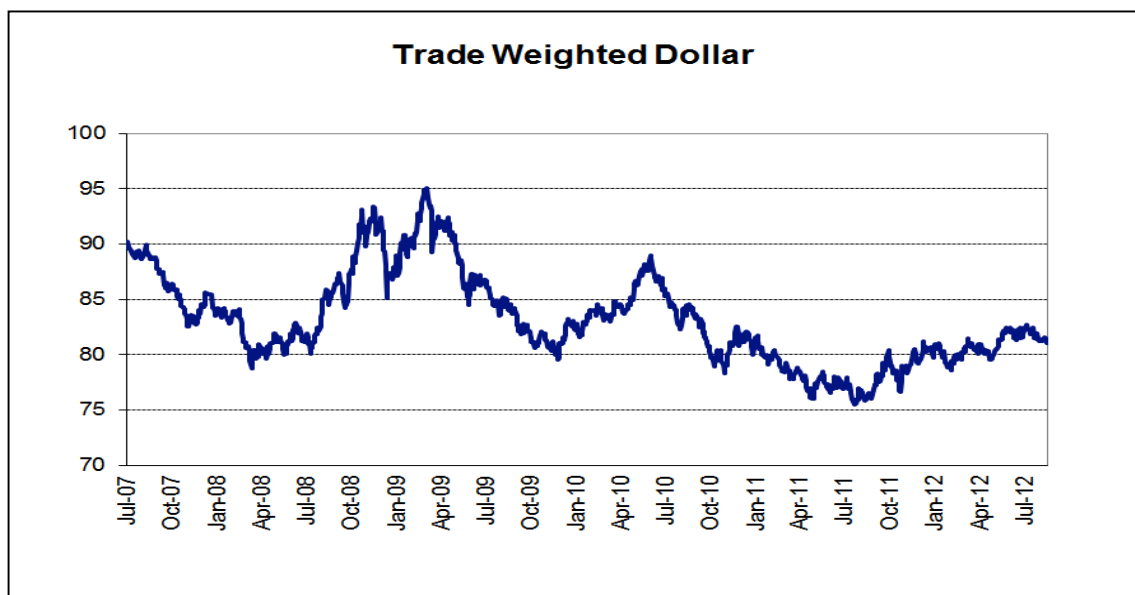
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

U.S.	Latest period (\$blns)	Last 12mth. as a % of GDP
Budget Balance	-124.6 (May)	-7.8%
Trade Balance	-51.8 (April)	-3.7%
Current Account Balance	-137.3B (Q1)	-3.6%
Private Balance	--	5.3%

The budget deficit on a trailing twelve month basis as of July is 6.2% of GDP. The trade deficit as of June is 3.7% of GDP. The budget deficit is quite large but shrinking as expenditures are slowing and tax revenues increasing. The budget deficit will continue to help build private balances and support an economic growth.

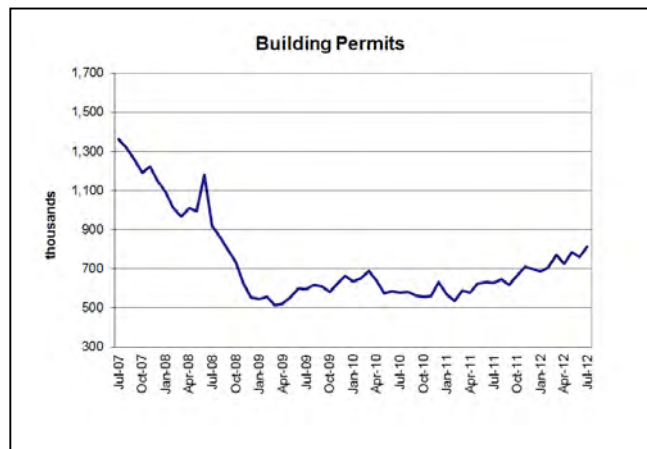
Trade Weighted Dollar



Building Permits, Housing Starts & Existing Home Sales

Building Permits

Building Permits jumped 6.8% M/M, from 760k to 812k in July. The drop was led by multi-family permits falling from 294k to 262k. Single and multi-family permits improved from 491k and 269k to 513k and 299k, respectively. Permits lead housing starts and suggest that housing starts could continue to improve from these low levels in the second half of 2012.



Housing Starts

Housing Starts fell 1.1% M/M in July, down from 754k to 746k on a seasonally adjusted annualized basis. Single family dropped from 537k to 502k while multi-family starts improved from 217k to 244k.



Existing Homes Sales

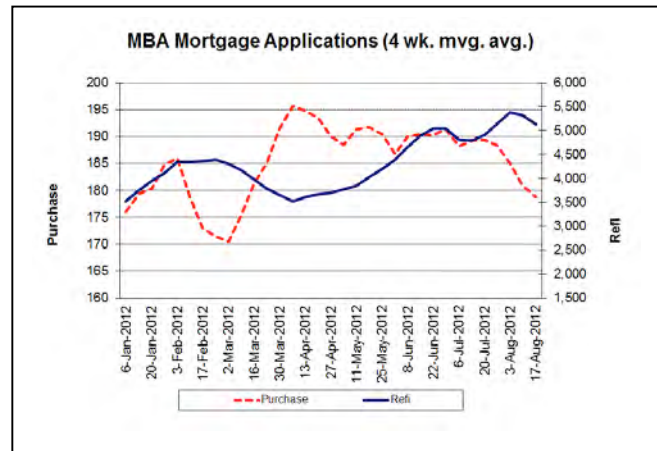
Existing Home Sales increased from 4.37 mln seasonally adjusted annualized units to 4.47 mln in July, up 2.3% M/M. Median prices dropped 1.5k to 187k. Inventory levels fell from 6.5 to 6.4 months of supply.



MBA Mortgage Applications, Initial Jobless Claims & U. of Michigan Confidence

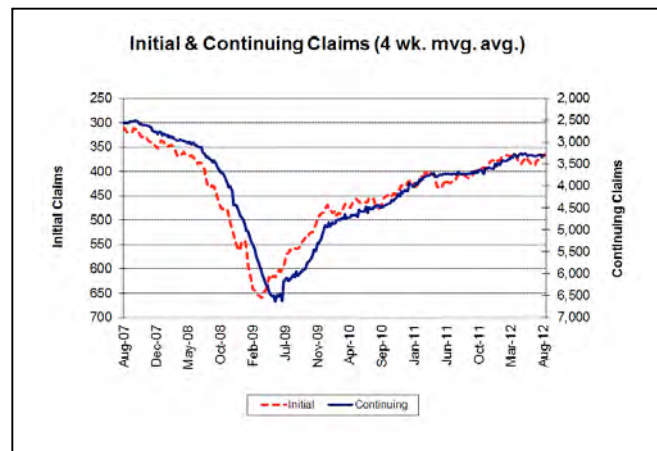
MBA Mortgage Applications

Purchase Mortgage Applications increased 0.9% W/W. Refi applications dropped 9.2% W/W as the FRM 30-year contract jumped 10bps to 3.86%.



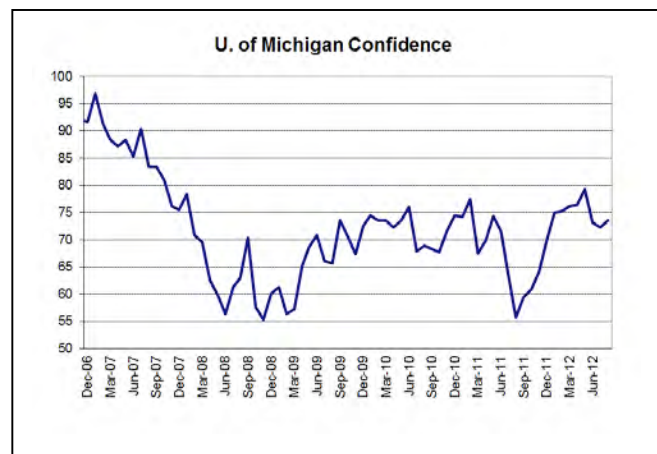
Initial Jobless Claims

Initial Claims increased from 364k to 366k. The four week moving average of Initial Claims decreased 5.5k to 364k. Continuing Claims fell from 3336k to 3305k.



U. of Michigan Confidence

The preliminary University of Michigan Confidence Index improved from 72.3 to 73.6 in August. The current conditions increased from 82.7 to 87.6. Expectations fell slightly from 65.6 to 64.5.



Key Dates This Week

Date	Indicators		Expectations	Previous
23-Aug	Initial Jobless Claims	18-Aug	365K	366K
23-Aug	New Home Sales	Jul	365K	350K
23-Aug	House Price Index M/M	Jun	0.60%	0.80%
24-Aug	Durable Goods Orders	Jul	2.50%	1.60%
24-Aug	Durables Ex Transportation	Jul	0.50%	-1.10%
24-Aug	Cap Goods Orders Nondef Ex Air	Jul	-0.20%	-1.40%
28-Aug	S&P/CS 20 City MoM% SA	Jun	0.30%	0.91%
28-Aug	Consumer Confidence	Aug	65	65.9
29-Aug	MBA Mortgage Applications	24-Aug	--	-7.40%
29-Aug	GDP QoQ (Annualized)	2Q S	1.70%	1.50%
29-Aug	Pending Home Sales M/M	Jul	1.30%	-1.40%
29-Aug	Fed's Beige Book			

Valance Economic Report: Euro Zone

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August 22, 2012

EU CPI inflation decreased, in line with market expectations in July, falling for the third straight month. The Trade Surplus widened more than expected in June.

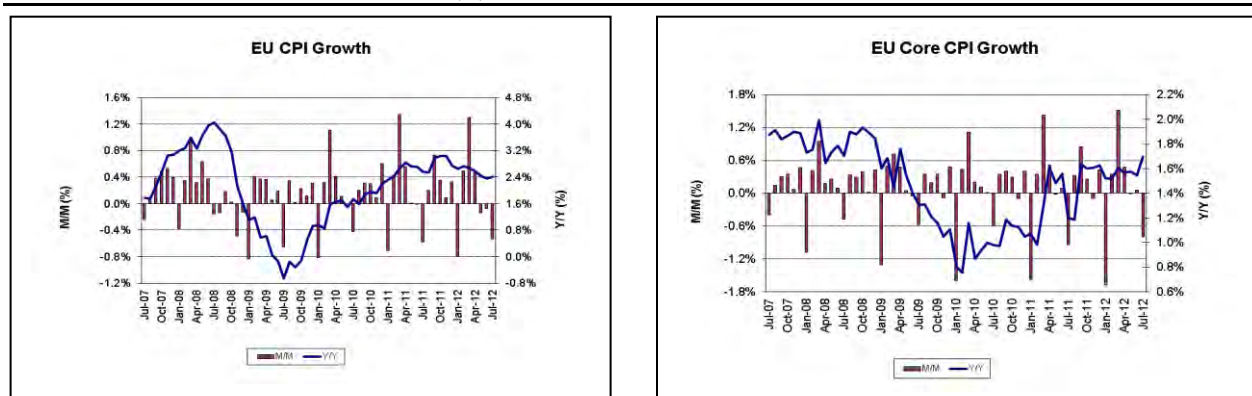
Weekly Highlights

Euro Zone CPI – fell 0.5% M/M and increased 2.4% Y/Y in July. (EU 1)

EU Trade Surplus – widened from €7.1 bln in May to €14.9 bln in June. (EU 3)

Weekly Releases & News

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



Euro Zone CPI fell 0.5% M/M in July, in line with market expectations. July makes the third straight month of negative growth. The Y/Y growth held steady at 2.4%. Core CPI fell 0.8% M/M and increase 1.7% Y/Y.

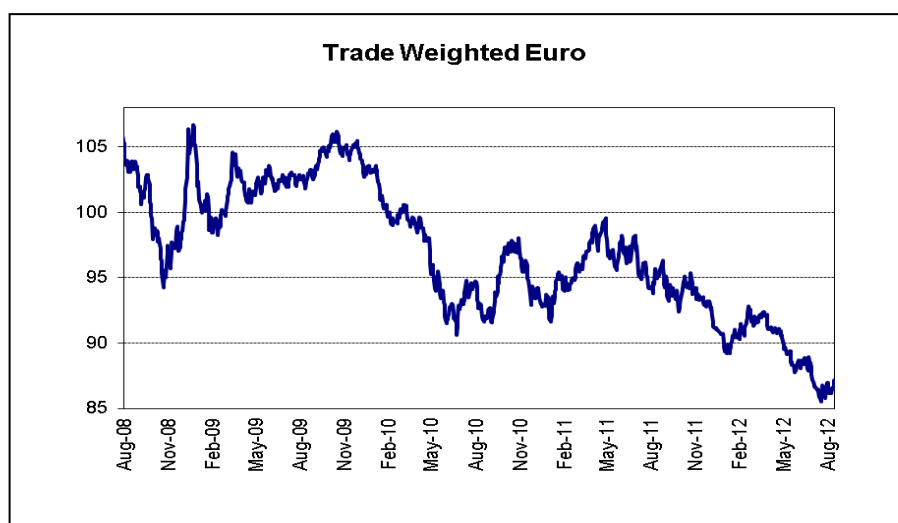
Euro Zone Financial Balances & Trade Weighted Euro

Financial Balances

<i>Germany</i>	<i>Last period (\$blns euros)</i>	<i>Last 12mth. as a % of GDP*</i>
Budget Balance		-4.3%
Trade Balance	15.3 (May)	2.0%
Current Account Balance	9.0 (May)	5.6%
Private Savings Balance		9.9%
<i>France</i>		
Budget Balance		-2.7%
Trade Balance	-5.3 (May)	-4.9 %
Current Account Balance	-4.1 (May)	-3.9%
Private Savings Balance		-1.2%
<i>Italy</i>		
Budget Balance		-4.5 %
Trade Balance	-0.8 (April)	-7.7%
Current Account Balance	-1.1 (April)	-3.5%
Private Savings Balance		1.0%

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

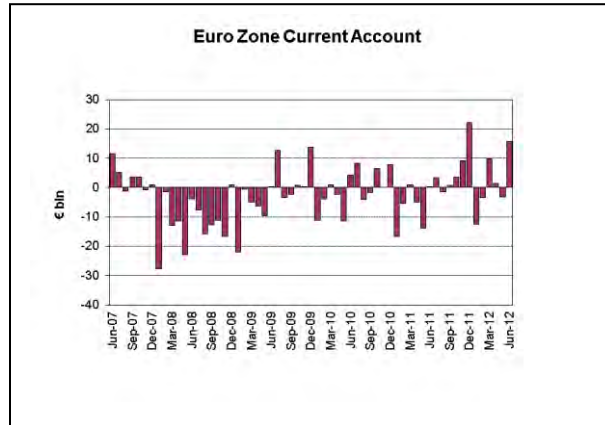
Trade Weighted Euro



EU Current Account, EU Trade Balance & German PPI

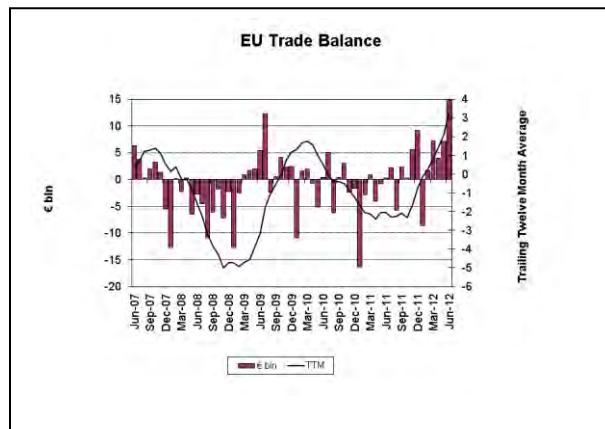
EU Current Account

EU Current Account balance swung from a deficit of €3.2 in May to a surplus of €15.7 bln in June. The Current Account balance stood at a surplus of €0.3 bln in June 2011.



EU Trade Balance

EU Trade Surplus widened from €7.1 bln in May to €14.9 bln in June as exports increased and imports fell. Exports increased 2.1% M/M and 12.3% Y/Y and Imports fell 2.9% M/M and increased 0.9% Y/Y. The Trade Balance stood at a surplus of €0.2 bln in June 2011.



German Producer Prices

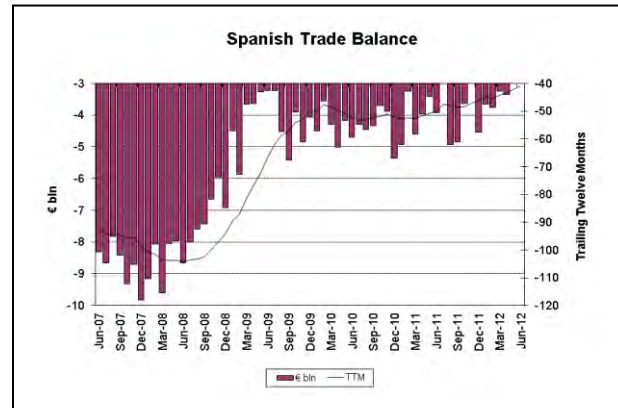
German Producer Price growth was flat M/M and increased 0.9% Y/Y in July. Market expectations were for a 0.3% M/M and 1.2% Y/Y gain. Producer Prices, ex. Energy fell 0.2% M/M and increased 0.6% Y/Y.



Spanish Trade Balance

Spanish Trade Balance

Spain's Trade Deficit widened from €1.9 bln in May to €2.7 bln in June as exports fell and imports increased. Exports fell 3.1% M/M and increased 5.1% Y/Y and Imports gained 0.8% M/M and fell 1.4% Y/Y. The deficit in March 2011 stood at €3.9 bln.



Data/News/Comments

August 21st - Fitch's Riley Says Euro-Region Sovereign Ratings Are at Risk (Bloomberg) -

Recessions in Spain and Italy "are eating away at political support for austerity and political support for the euro," Fitch Ratings Managing Director David Riley told Bloomberg. "If we don't see progress by the end of this year, we can see further rating downgrades." Easing the crisis depends on European governments implementing the terms of their June agreement on creating a regional banking supervisor and the European Central Bank creating a framework to offer countries further support, Riley said. Addressing the seniority of any ECB loans to cash-strapped governments is a key issue that needs to be clarified, he said. The ECB's announcement that it's ready to purchase government bonds in tandem with Europe's rescue funds along with governments' latest efforts mark "a big step in the resolution of the crisis" if they can be implemented, Riley said.

August 21st - Germany backs Draghi bond plan against Bundesbank (Telegraph) -

"A currency can only be stable if its future existence is not in doubt," said Jrg Asmussen, the powerful German member of the ECB's executive board. Mr Asmussen told the Frankfurter Rundschau that the surge in Club Med bond yields over recent months "reflects fears about the reversibility of the euro, and thus a currency exchange risk" rather than bad economic policies in struggling states. Mr Asmussen confirmed that purchases may be "unlimited" in scale, a far cry from the half-hearted intervention of the past two years, which failed to stem capital flight. The Daily Telegraph can confirm reports in Der Spiegel that ECB technicians are examining plans to cap Spanish and Italian bond yields, among other options.

August 20th - Bundesbank Says German Economy May Cool Further in Second Half

(Bloomberg) - "The prevailing uncertainty in the euro area could have a more negative impact on economic activity in Germany in the second half of the year," the Bundesbank said in its monthly report. "However, as long as demand for German products from non euro-area countries remains essentially intact, a reversal of the cyclical trend in Germany is highly unlikely." Growth in Europe's largest economy slowed to 0.3 percent in the second quarter from 0.5 percent in the first as demand from euro-area trading partners waned. "In addition to ongoing strong construction activity, the outlook for private consumption remains favorable," the Bundesbank said.

August 20th - Germany to Run Budget Close to Balance From 2014, Ministry Says

(Bloomberg) - Germany will run a national budget that's close to balance starting in 2014, complying with European Union rules spelled out in the fiscal pact for budgetary discipline, according to the Finance Ministry.

Tax revenue rose 8.6 percent in July from a year earlier, led by Germany's 16 states, while revenue in the first seven months of the year increased 5 percent, the Berlin-based ministry said in its monthly report.

Even so, economic indicators suggest that the expansion of Europe's biggest economy is likely to slow in the course of this year, the ministry said, citing business sentiment surveys. German companies are suffering from declining demand in the other 16 countries that use the euro, it said.

Key Dates This Week

Date	Indicators		Expectations	Previous
23-Aug	EC PMI Composite	Aug A	46.5	46.5
23-Aug	EC PMI Manufacturing	Aug A	44.2	44
23-Aug	EC PMI Services	Aug A	47.7	47.9
23-Aug	EC Euro-Zone Consumer Confidence	Aug A	-22	-21.5
28-Aug	EC Euro-Zone M3 s.a. 3 mth ave.	Jul	--	3.00%
28-Aug	EC Euro-Zone M3 s.a. (Y/Y)	Jul	--	3.20%
23-Aug	GE GDP s.a. (Q/Q)	2Q F	0.30%	0.30%
23-Aug	GE GDP wda (Y/Y)	2Q F	1.00%	1.00%
23-Aug	GE Imports	2Q	1.00%	0.00%
23-Aug	GE Private Consumption	2Q	0.20%	0.40%
23-Aug	GE PMI Manufacturing	Aug A	43.4	43
23-Aug	GE PMI Services	Aug A	50.1	50.3
24-30 AUG	GE Import Price Index (M/M)	Jul	0.90%	-1.50%
24-30 AUG	GE Import Price Index (Y/Y)	Jul	1.40%	1.30%
27-Aug	GE IFO - Business Climate	Aug	--	103.3
27-Aug	GE IFO - Current Assessment	Aug	--	111.6
27-Aug	GE IFO - Expectations	Aug	--	95.6
28-Aug	GE GfK Consumer Confidence Survey	Sep	--	5.9
29-Aug	GE Consumer Price Index (M/M)	Aug P	--	0.40%
29-Aug	GE Consumer Price Index (Y/Y)	Aug P	--	1.70%
23-Aug	FR PMI Manufacturing	Aug P	43.7	43.4
23-Aug	FR PMI Services	Aug P	50	50
08/29	FR Business Confidence Indicator	Aug	--	90
08/29	IT Retail Sales s.a. (M/M)	Jun	--	-0.20%
08/29	IT Retail Sales (Y/Y)	Jun	--	-2.00%
08/29	IT Consumer Confidence Ind. sa	Aug	--	86.5
08/24	SP Producer Prices (M/M)	Jul	--	-0.50%
08/24	SP Producer Prices (Y/Y)	Jul	--	2.50%

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Valance Economic Report: Japan

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August 22, 2011

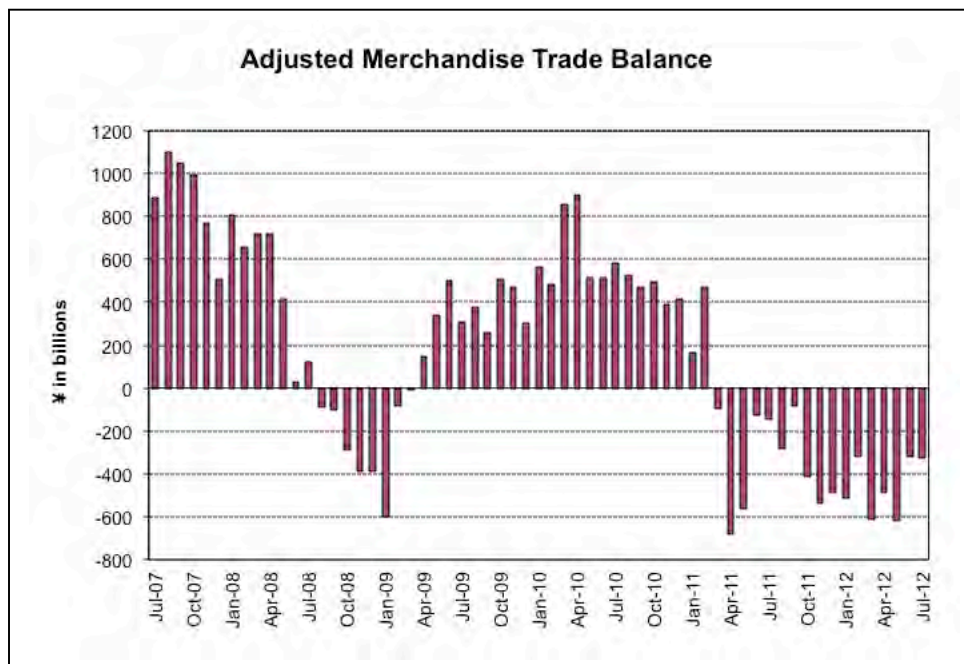
In this week's data, the Trade Balance declined on weak exports. Meanwhile Department Store Sales and Convenience Store Sales declined and the BOJ announced that it expects nominal GDP growth to outpace Real GDP growth for the first time in 16 years.

Weekly Highlights

Trade Balance – declined from -Y317.6 bln to -Y325.7 bln in July. (JN 1)

Dept Store Sales – dropped 3.3% Y/Y in July. (JN 4)

Charts of the Week: Trade Balance



The Adjusted Trade Balance declined from a downwardly revised -¥317.6 bln (originally -¥300.8 bln) to -¥325.7 bln in July. This was above the market's expected decline to -¥451.8 bln. Within the data, imports declined 0.9% M/M and increased 2.1% Y/Y. Exports declined 0.1% M/M and 8.1% Y/Y. By region, exports to the US increased 4.7% Y/Y while exports to Europe declined 25.1% Y/Y, exports to Asia declined 9.0% Y/Y, and exports to China declined 11.9% Y/Y.

JN 1

Financial Balances

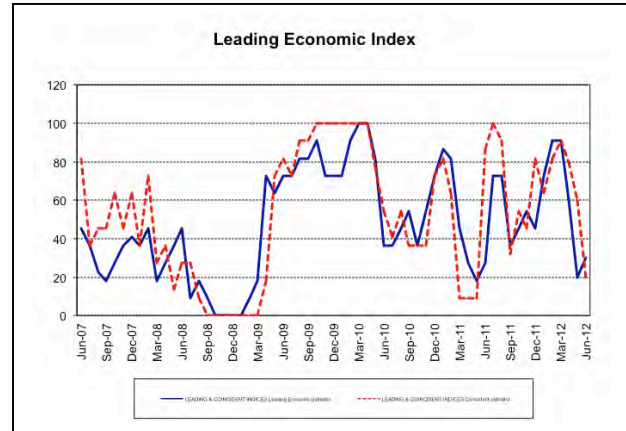
<i>Japan</i>	<i>Last period (¥trln)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-3.50 (Dec)	-6.9%
Trade Balance	0.58 (Dec)	1.5%
Current Account Balance	1.87 (Dec)	3.5%
Private Balance	--	11.6%



Leading/Coincident Index, Nationwide Dept Store Sales & Tokyo Dept Store Sales

Leading & Coincident Index

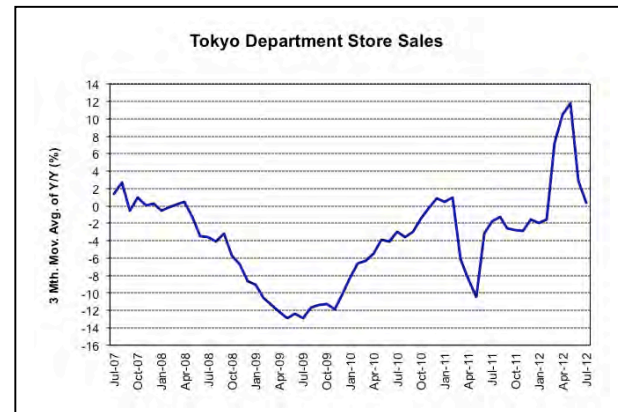
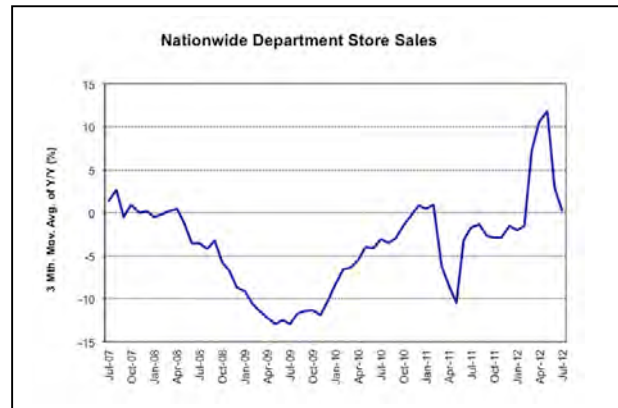
Final data on the leading index showed an upward revision from 92.6 to 93.2 in June. The Coincident Index declined from 95.8 to 94.1.



Nationwide & Tokyo Dept. Store Sales

Nationwide Dept Store Sales declined 3.3% Y/Y in July. The decline occurred on weakness in clothing, accessories, cosmetics, household goods, food, restaurant and other sales. The only type of sales to see a Y/Y increase in the month was services, which improved for the second consecutive month.

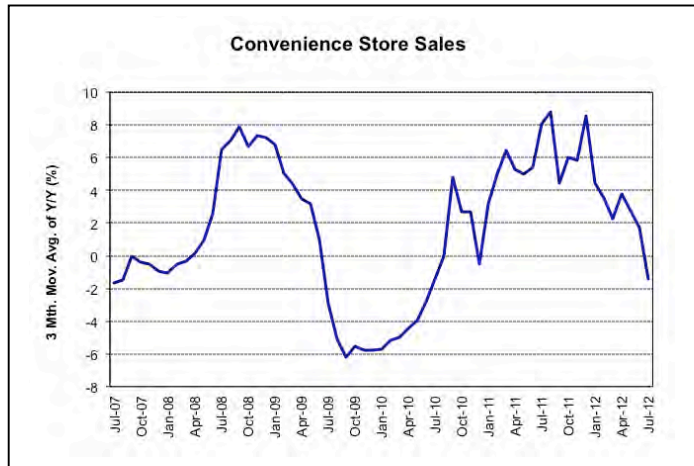
Tokyo Dept Store Sales declined 1.0% Y/Y in July. Within the data, accessory sales improved however clothing, cosmetics, household appliance and food sales all dropped.



Convenience Store Sales, Condominium Sales & Supermarket Sales

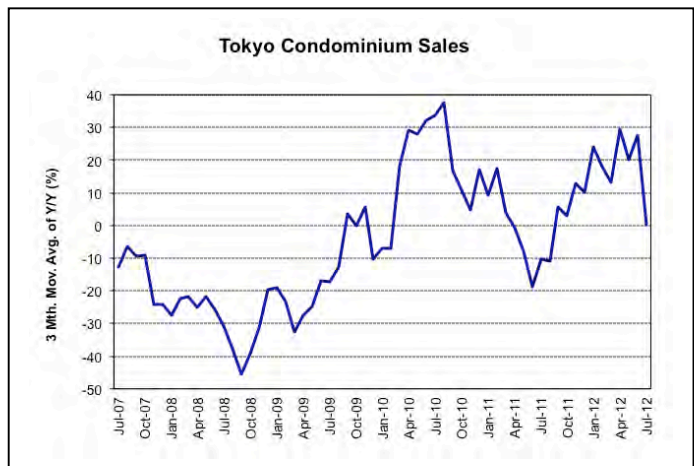
Convenience Store Sales

Convenience Store Sales declined 3.3% Y/Y in July. Spending declined 0.6% Y/Y, Traffic declined 2.7% Y/Y, and the number of stores increased 5.0% Y/Y.



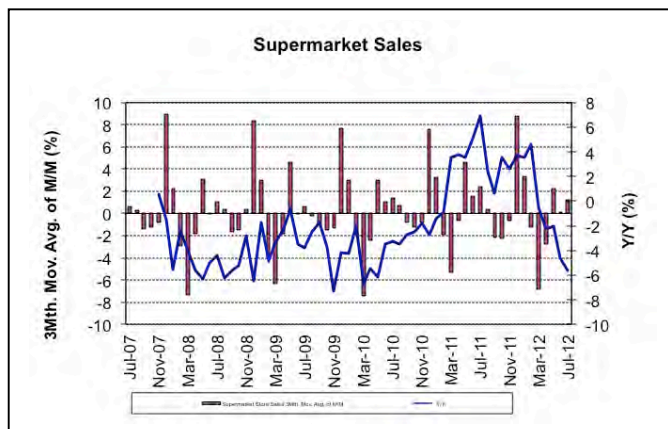
Tokyo Condominium Sales

Condominium Sales declined 1.0% Y/Y in July.



Supermarket Sales

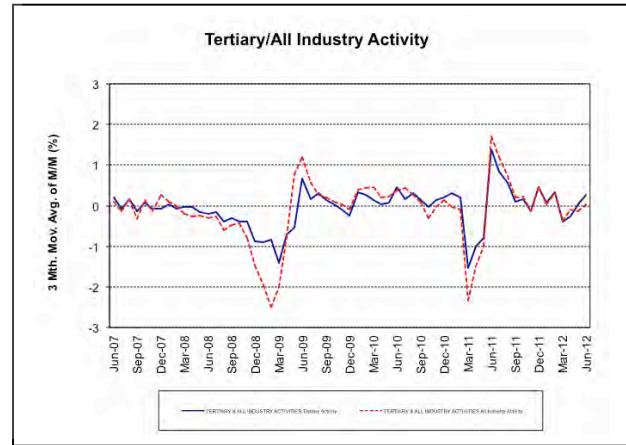
Supermarket Store Sales increased 5.0% M/M and declined 4.9% Y/Y in July. While the monthly improvement occurred on strong increases in services sales, all classes of sales saw month on month improvements.



All Industry Activity & News

Tertiary/ All Industry Activity

The All Industry Activity Index increased 2.0% M/M in June, in line with market expectations. On a Y/Y basis, activity increased 0.5%. The monthly increase occurred on improvements in industrial production and tertiary industry activity. Government services and construction services both declined.



News

8/22 – Japan Should Target Easing at companies, Sugimoto Says (Bloomberg) – Japan’s monetary easing efforts to spur economic growth will fail until it finds a way to jumpstart corporate investment, said Kazuyuki Sugimoto, who previously served as the nation’s vice finance minister. The Bank of Japan should work with government-related institutions to extend long-term funding for companies, said Sugimoto, who is now chairman of Mizuho Research Institute Ltd. The central bank has kept benchmark interest rates near zero since October 2010 to spur the economy, while the government voted this month to double the sales tax to lessen its dependence on debt. To ease monetary conditions, “the traditional first step is cutting interest rates,” Sugimoto, 61, said in an interview in Tokyo on Aug. 20. “But they’re already smashed flat. Then there’s quantitative easing, but quantity is already out there. But in addition to all that, we can lengthen the duration of money-supply funds.”

8/17 – Loans Growing Most Since 2009 – Japan’s steepest increase in bank loans since 2009 is seen as a false dawn for the industry by UBS AG and Barclays Plc, who say interest rates near record lows and deposits at all-time highs will curb earnings. Bank lending rose 1 percent in July from a year earlier, the most since October 2009, central bank figures showed on Aug. 8. The average interest rate on new loans in the country was 1 percent in June, close to February’s unprecedented 0.92 percent low, according to Bank of Japan data. Companies in Asia Pacific outside of Japan paid an average margin of 2.96 percentage points over London interbank offered rate for dollar facilities last quarter, data on 50 facilities tracked by Bloomberg show. Libor is 0.4345 percent. Customer deposits held by Japan’s banks exceeded loans by the equivalent of \$2.2 trillion in July, sending the gap between the two close to a record set the previous month and signaling companies and households are parking cash at banks rather than borrowing. Lenders may be forced to funnel that excess money into government bonds, even as sovereign notes are heading for their worst monthly loss since January 2011, according to Bank of America Merrill Lynch index data. “The lending increase isn’t enough to propel profits as margins get thinner and thinner,” said Shinichi Ina, a bank analyst at UBS in Tokyo. “Banks will keep buying JGBs as savings increase more than lending.””

News & Key Dates This Week

News

8/16 – Nominal GDP to Outpace Real Growth 1st Time in 16Yrs (Bloomberg) – The government predicts that nominal gross domestic product growth will surpass real GDP growth in fiscal 2013, The Nikkei has learned. It is the first time in 16 years that the government expects the inflation-adjusted figure to be larger. In its latest report, the Cabinet Office predicts real growth of 1.7% for fiscal 2013 and nominal growth of 1.9%. It expects the GDP deflator -- the broadest measure of price trends -- to expand for the first time in 16 years. When nominal GDP growth is greater than real GDP growth, it is a sign that the economy is moving out of deflation. An increase in the nominal reading could push up the tax-revenue estimate for fiscal 2013. The government expects the GDP deflator for fiscal 2013 to rise mainly because of an improved job market, brisk consumer spending and solid domestic demand led by disaster-rebuilding efforts. The deflator grew 0.9% on the year in fiscal 1997, but that was because the introduction of the 5% consumption tax pushed up nominal GDP. If this reading is considered a special case and not factored in, the last time nominal GDP growth outpaced real GDP growth was fiscal 1993. In its latest report, the Cabinet Office cut its nominal GDP growth forecast for the current year to 1.9%, down 0.1 percentage point from its year-end estimate. It left the real GDP estimate unchanged at 2.2%. The latest figures will be presented to a cabinet meeting on Friday to set the criteria for fiscal 2013 budget requests.

Key Dates

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
8/23	Corp Service Price Index (YoY)	-0.20%	-0.30%
8/23- 8/24	Cabinet Office Monthly Economic Report	N/A	N/A
8/27	Machine Tool Orders (YoY)	N/A	-6.80%
8/28	Small Business Confidence	N/A	46.6
8/29	Retail Trade YoY	N/A	0.20%
8/29	Retail Trade MoM SA	N/A	-1.20%
8/29	Large Retailers' Sales	N/A	-2.60%

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Valance Economic Report: United Kingdom

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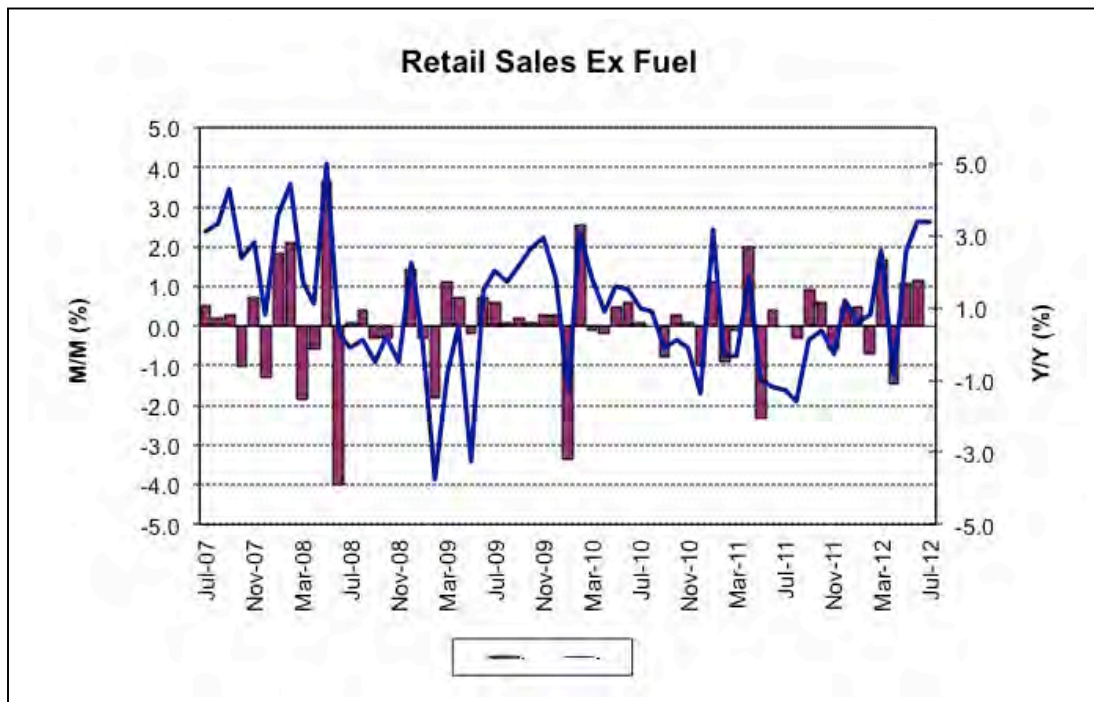
August 22, 2012

Retail Sales were unexpectedly strong in July. Meanwhile Industry Orders declined and the country ran an unexpected monthly fiscal deficit.

Weekly Highlights

Retail Sales – increased 3.3% M/M in July. (page UK 1)

GfK Public Sector Net Borrowing – unexpected deficit in July. (page UK 3)

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

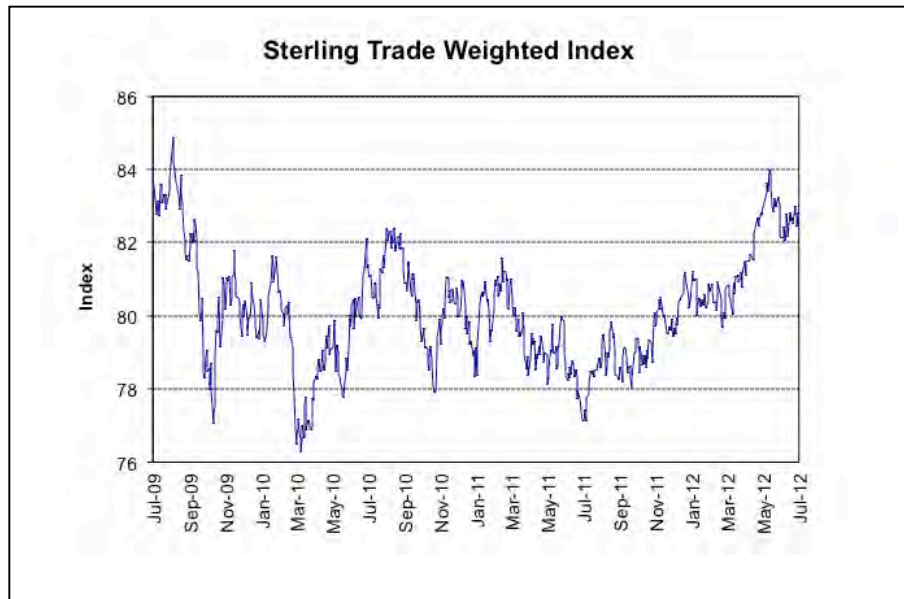
Core Retail Sales increased 0.3% M/M and 2.8% Y/Y in July, beating market expectations for a 0.1% M/M decline and a more modest 1.4% Y/Y increase. June's 0.1% M/M increase was revised substantially higher to a 0.8% M/M increase. Ex-Auto Fuel retail sales were unchanged M/M against expectations for a 0.2% M/M decline. In Y/Y terms, Retail Sales Ex-Auto Fuel saw a 3.3% Y/Y increase against expectations of a 2.0% Y/Y increase.

The unexpected rise in July was partly due to a surge in gasoline sales that occurred on promotions that saw a drop in fuel prices. Food sales and non-store retailing also drove sales higher in the month.

UK 1

Financial Balances, FX & BoE Overnight Rate

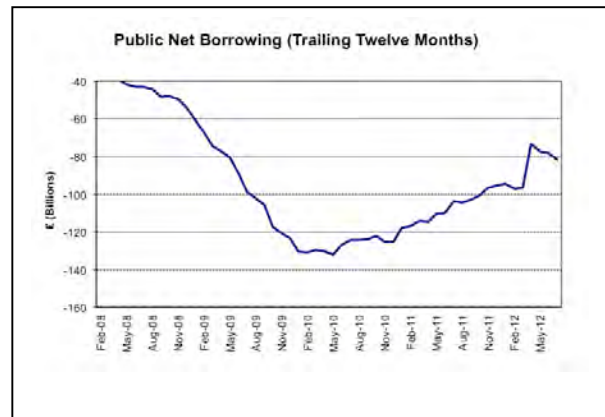
U.K.	Last Period (blns)	Last 12mth. % of GDP
Budget Balance (monthly)	-£5.3 (Jan)/	1.8%
Curr. Acct. Balance (quarterly)	-£9.6(Q3)	-1.9%
Private Balance	£4.9	+10.9%



Public Sector Net Borrowing & Rightmove Prices

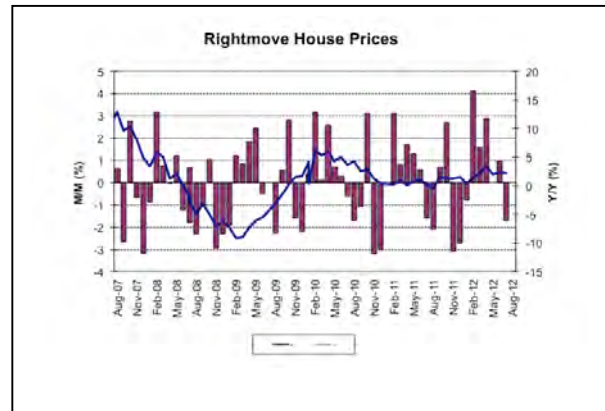
Public Sector Net Borrowing

The UK posted a £0.557 bln budget deficit in July against expectations for a £2.2 bln surplus. The decline was largely due to a decline in company tax revenue.



Rightmove House Prices

House Prices declined 2.4% M/m and increased 2.0% Y/Y in August. In London, sales declined 1.2% M/M and increased 8.8% Y/Y. Rightmove commented that “With buyers distracted by sport and the economic backdrop, sellers will now have to compete hard to win their attention in the upcoming autumn selling season...while the main Olympic distractions have passed, many other market challenges remain for sellers to overcome.”



Data & News

Data

CBI Trends Total Orders – The latest Industrial Trends Survey declined as Total Orders dropped from -6 to -21. Export orders dropped from -9 to -17. Average selling prices improved however, rising from -3 to +1. CBI commented that “The economic environment for UK manufacturers remains challenging, with domestic demand relatively muted and the ongoing euro-zone crisis now seeming to drag on broader global economic momentum.”

News

August 22nd - Posen Says BOE Should Mull Non-Filt Purchases as UK Stagnates (Bloomberg) – Bank of England policy maker Adam Posen said the U.K. economy is in a state of “stagnation” and the central bank should do more to boost demand and buy assets other than government bonds. The U.K. is “in a state of poor growth, stagnation,” Posen, who leaves his position as an external member of the Monetary Policy Committee on Aug. 31, said in an interview broadcast on BBC’s “Hardtalk” program today. “Myself and other external members of the committee have suggested we should be buying things other than just gilts. That was the key way in which we didn’t live up to what we could have done.” The MPC said this month it will assess “other potential policy options” as it reviews the impact of its funding for lending plan to boost credit, though it dropped a reference to potential interest-rate cuts. Officials kept the target of their quantitative-easing program on hold on Aug. 2 after increasing it in July by 50 billion pounds (\$79 billion). “Talking about lowering interest rates or more QE, there is really not a big distinction between them,” Posen said. “It’s really about what’s the amount we need to do.” He said the central bank should consider buying private debt, securitised debt, and bonds issued to finance construction or infrastructure. “The creative thing that the BOE just came out with, the so-called Funding for Lending Scheme, is a step in that direction,” he said. “I would want the bank to try and do more to go around the banking system, rather than working with the current banking system.”

August 22nd - Osborne Doing ‘Too Little’ to Boost Growth, UK Business Says (Bloomberg) - U.K. business leaders urged Chancellor of the Exchequer George Osborne to do more to boost growth, arguing his government is doing “too little, too slowly.” A poll of 1,277 members of the Institute of Directors published today by the London-based business lobby group found a majority thought Prime Minister David Cameron and Osborne had been “ineffective” at reducing tax, tackling regulations on businesses and simplifying employment laws. The poll, which also found that more than four out of 10 companies have delayed at least one investment or employment decision this year due to uncertainty, was carried out between July 26 and Aug. 3. “We don’t want to see any slowdown in deficit reduction but we do want to see much more aggressive supply-side action,” IoD Chief Economist Graeme Leach told BBC 5Live radio today. Osborne is under pressure after figures published yesterday showed Britain unexpectedly posted a budget deficit in July as corporation-tax receipts plunged, partly due to the closing of the Elgin gas field in the North Sea. While the drop in revenue was largely centered on company taxes, the U.K.’s struggle to climb out of a recession has raised concerns that the chancellor will miss his forecast for a deficit of 120 billion pounds (\$190 billion) in the current fiscal year. Osborne has resisted demands to ease the pace of his fiscal squeeze, saying his plans have helped to insulate Britain from the euro-area debt crisis.

Upcoming Dates

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
8/23	BBA Loans for House Purchase	Jul	27250	26269
8/23	CBI Reported Sales	Aug	16	11
8/24	GDP (QoQ)	2Q P	-0.50%	-0.70%
8/24	GDP (YoY)	2Q P	-0.60%	-0.80%
8/24	Private Consumption	2Q P	-0.20%	-0.10%
8/24	Government Spending	2Q P	0.30%	1.90%
8/24	Gross Fixed Capital Formation	2Q P	-0.60%	1.90%
8/24	Exports	2Q P	-0.90%	-1.70%
8/24	Imports	2Q P	0.40%	-0.30%
8/24	Total Business Investment(QoQ)	2Q P	0.30%	1.90%
8/24	Total Business Investment(YoY)	2Q P	3.60%	14.80%
8/24	Index of Services (MoM)	Jun	-1.80%	0.90%
8/24	Index of Services (3mth/3mth)	Jun	0.00%	0.50%
8/26	Hometrack Housing Survey (MoM)	Aug	N/A	-0.10%
8/26	Hometrack Housing Survey (YoY)	Aug	N/A	-0.50%
8/28-8/31	Nat'wide House prices sa (MoM)	Aug	N/A	-0.70%
8/28-8/31	Nat'wide House prices nsa(YoY)	Aug	N/A	-2.60%

Valance Economic Report: Canada

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August 22, 2012

Canadian economic releases over the past week posted a string of downside surprises. Consumer Prices unexpectedly fell in July while Manufacturing Sales, Retail Sales and Wholesale Sales all surprisingly fell in June.

Weekly Highlights

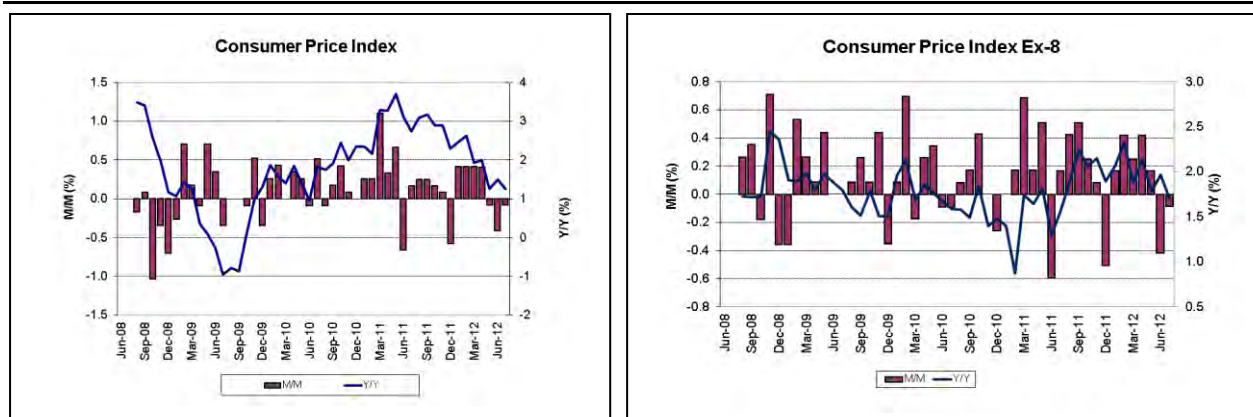
CPI – unexpectedly fell 0.1% M/M and increased 1.3% Y/Y in June. (CA 1)

Manufacturing Shipments - fell 0.4% M/M and increased 6.9% Y/Y in June. (CA 3)

Retail Sales - decreased 0.4% M/M and 1.7% Y/Y in May. (CA 4)

Weekly Releases & News

Chart(s) of the Week: CPI



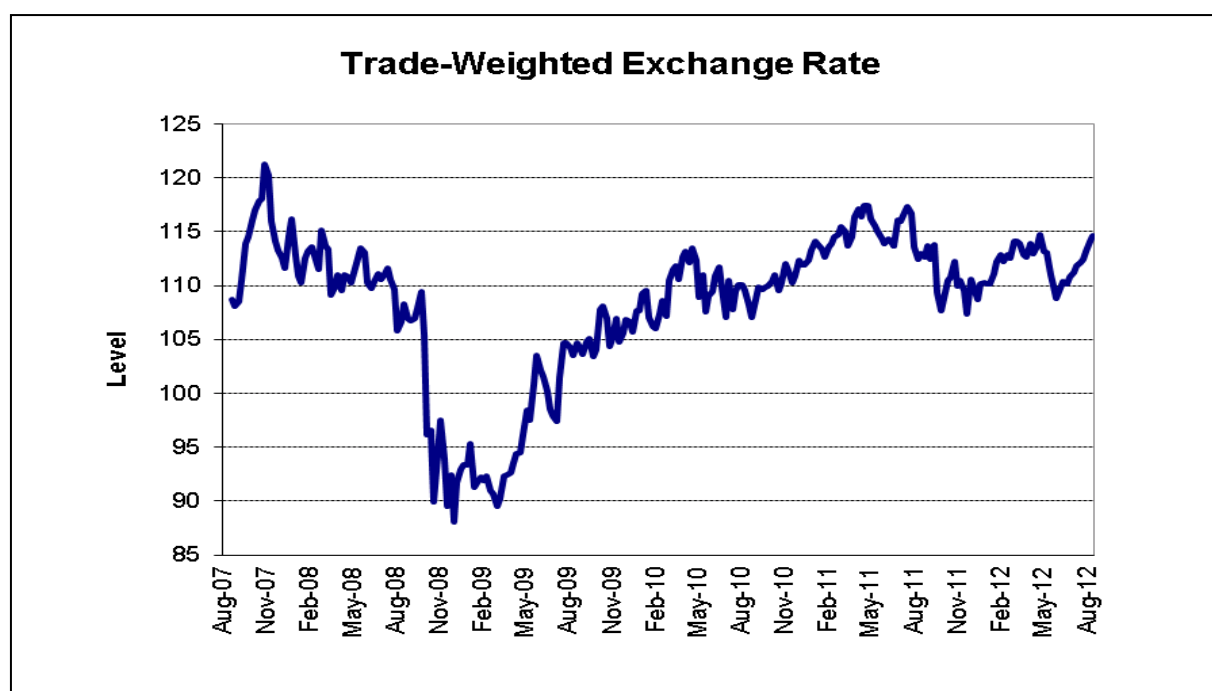
Consumer Prices unexpectedly fell 0.1% M/M in July, versus market expectations for a 0.2% M/M gain. Lower prices for clothing/shoes (-1.5% M/M), transportation (-0.9%) and health/personal care (-0.3%) contributed the most to July's decline. On a Y/Y basis, prices increased 1.3% compared to market expectations for 1.5% gain. Core inflation fell 0.1% M/M and increased 1.7% Y/Y. Market expectations were for Core Inflation to increase 0.2% M/M and 2.0% Y/Y.

Financial Balances & Trade Weighted Exchange Rate

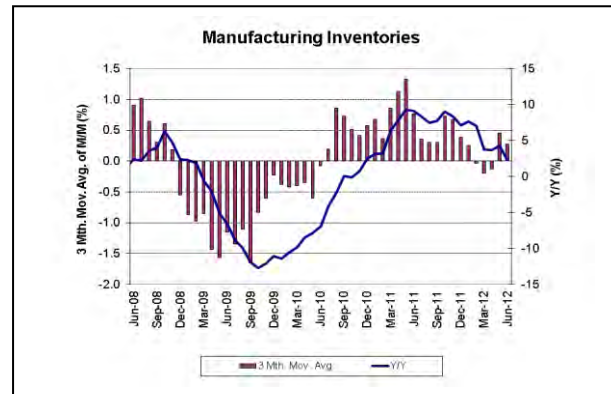
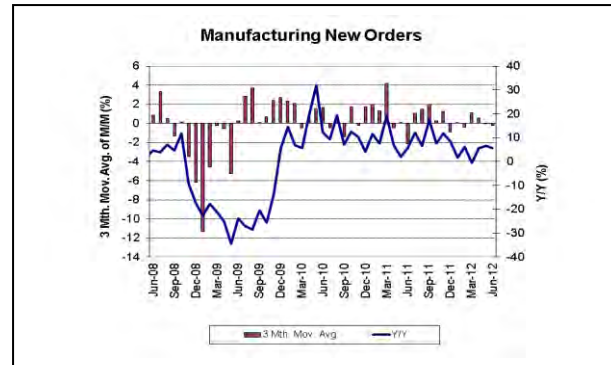
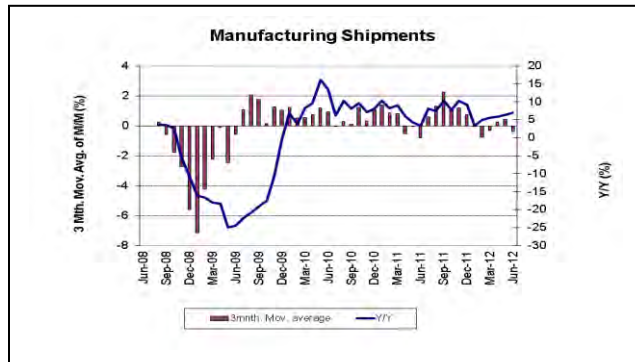
Financial Balances

Canada	Latest period (C\$bln)	Last 12mth. as % of GDP
Budget Balance	-9.0 (Mar)	-2.3%
Trade Balance	-0.8 (May)	-1.4%
Current Account Balance	-10.3 (Q1)	-6.3%
Private Balance	--	-4.0%

Trade-Weighted Exchange Rate



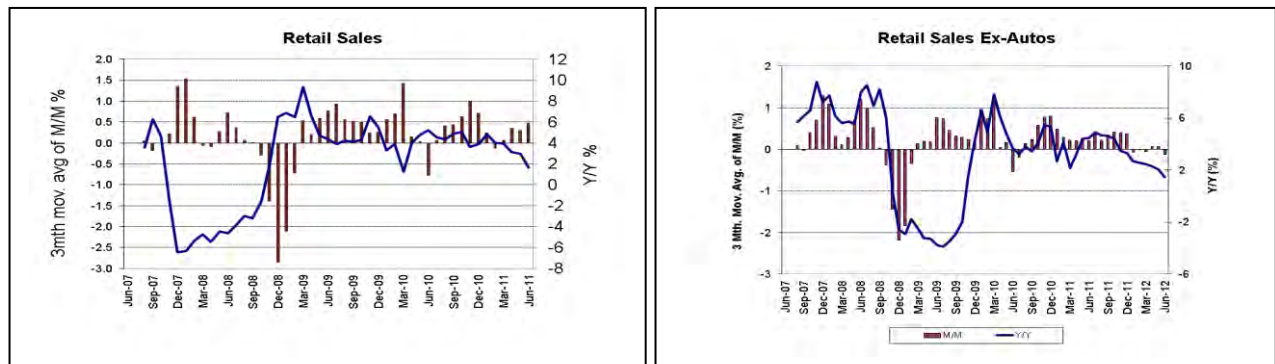
Manufacturing Data



Manufacturing Shipments unexpectedly fell 0.4% M/M in June versus market expectations for a 0.3% M/M gain. Shipments increased 6.9% Y/Y. New Orders increased 1.7% M/M and 5.7% Y/Y. Inventory levels fell 1.7% M/M and 2.3% Y/Y. Unfilled orders increased 2.2% M/M and 9.9% Y/Y.

Retail Sales, Wholesale Sales & News

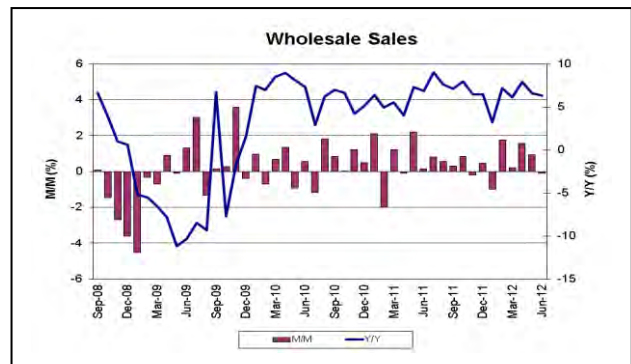
Retail Sales



Retail Sales decreased 0.4% M/M in June versus market expectations for a 0.1% M/M gain. Sales decreased in 7 of the 11 retail subsectors which amount to only 64% of total sales. Retail Sales increased 1.7% Y/Y. Retail Sales, ex-autos, decreased 0.4% M/M and 1.5 % Y/Y.

Wholesale Sales

Wholesale Sales posted a downside surprise decreasing 0.1% M/M in June versus market expectations for a 0.3% M/M gain. The sharp decline in wholesales for agriculture supplies offset gains in auto wholesales. Wholesale Sales increased 6.3% Y/Y.



News

August 22 - Carney Says Canada May Need Higher Rates Due to Domestic Demand (Bloomberg) -- Bank of Canada Governor Mark Carney reiterated that higher borrowing costs "may become appropriate" if the country's domestic demand-driven expansion continues, even amid signs that a slowing global economy is hampering Canadian growth.

Carney, in the text of a speech he's giving today in Toronto at a Canadian Auto Workers union convention, said growth is expected to accelerate through next year and the economy's momentum remains in line with potential output.

"To the extent that the economic expansion in Canada continues and the current excess supply in the economy is gradually absorbed, some modest withdrawal of the present considerable monetary policy stimulus may become appropriate," said Carney...

Key Dates This Week

Date	Indicators		Expectations	Previous
08/29	Industrial Product Price M/M	July	-0.3%
08/29	Raw Materials Price Index M/M	July	-4.0%

Valance Co., Inc.

Valance Economic Report: Australia

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August 22, 2012

RBA Minutes stated that with inflation expected to be consistent with the target and growth close to trend, but with a more subdued international outlook than was the case a few months ago, the Board judged that the stance of monetary policy remained appropriate. Westpac Leading Economic Index rose while Skilled Vacancies fell.

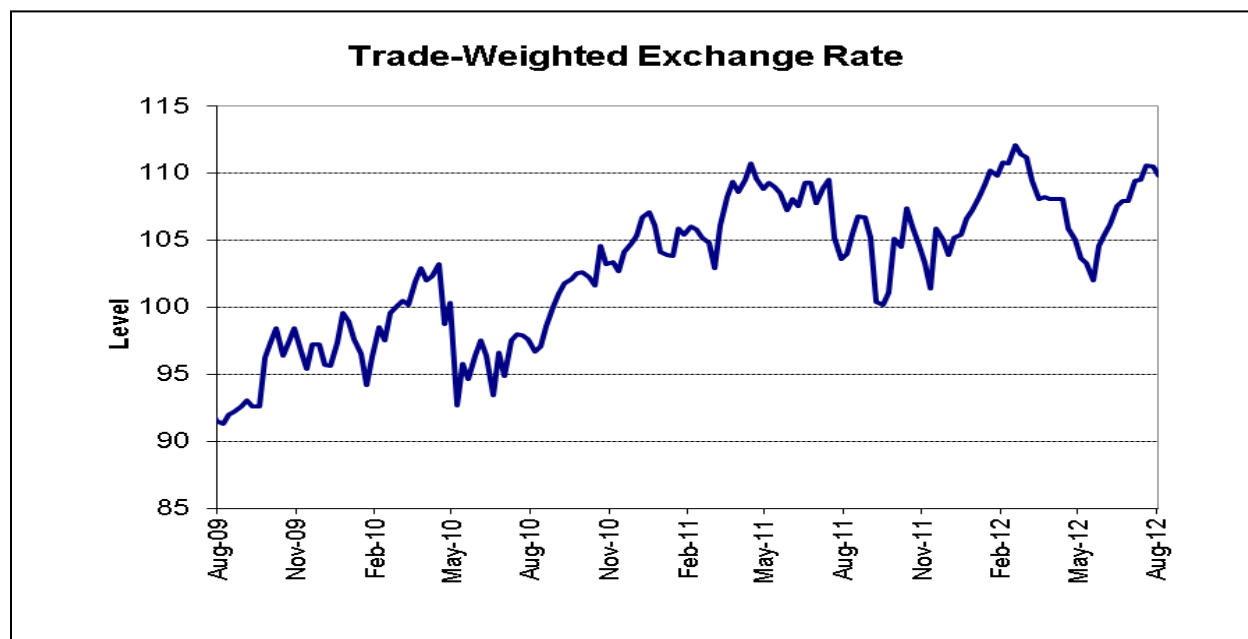
Weekly Highlights

Westpac Leading Economic Index - rose 0.5% M/M and rose 2.4% Y/Y in July. (AU 3)
DEWR Skilled Vacancies – fell 3.1% M/M in July. (AU 3)

Weekly Releases & News

Charts of the Week: FX

Trade-Weighted Exchange Rate



AU 1

RBA Minutes

Minutes:

Considerations for Monetary Policy

The global economic environment remained fragile, with the uncertainty emanating from the euro area affecting financial markets and potentially delaying spending by firms and households. The latest forecasts for global growth had been revised down a little, reflecting further deterioration in Europe and slower growth in the United States and parts of Asia. Economic developments in China, however, had been a little more positive, with tentative signs that growth was stabilizing at a more sustainable pace. The forecast for global growth in 2012 was close to its long-term average and growth was expected to pick up somewhat in 2013. Nevertheless, the risk of significant economic and financial disruption in the euro area continued to cloud the outlook.

Domestically, the economy was forecast to grow around trend pace over the medium term. Resource investment was projected to continue to increase rapidly over the next year or so, broadly in line with earlier expectations. The eventual decline in resource investment was expected to be roughly offset, in the forecasts, by a ramp-up in resource exports as projects were completed, and a gradual strengthening in some parts of the non-resource economy that had been relatively weak. Members noted that there was a good deal of uncertainty surrounding the forecast timing of these shifts.

Domestic financial conditions had eased in recent months as a result of the earlier reductions in the cash rate, which had seen borrowing rates fall a little below their medium-term averages. While the full effects would take some time yet to become apparent, there were tentative signs of an effect on the housing market. There had also been a noticeable pick-up in business credit growth over recent months. Consumption growth had strengthened, though this probably reflected, in part, the government payments made over recent months. At the same time, however, the exchange rate had remained at a relatively high level, notwithstanding the weakening in the global outlook and decline in many commodity prices.

The inflation data for the June quarter were broadly in line with expectations, and confirmed that underlying inflation was around the bottom of the target. This reflected the lagged effects of the earlier appreciation of the exchange rate and weakness in demand in some parts of the non-resource economy, which had seen inflation of non-tradable prices ease in the first half of 2012 to its average over the inflation-targeting period. Inflation was forecast to increase a little as the effects of the earlier exchange rate appreciation continued to wane, and it would also temporarily be pushed higher by the introduction of the carbon price. Inflation was nonetheless forecast to be around the middle of the target range by late 2013 and to be consistent with the target over the medium term.

With inflation expected to be consistent with the target and growth close to trend, but with a more subdued international outlook than was the case a few months ago, the Board judged that the stance of monetary policy remained appropriate.

The Decision

The Board decided to leave the cash rate unchanged at 3.50 per cent.

Data

Westpac Leading Index - The Westpac Leading Economic Index rose 0.5% M/M and rose 2.4% Y/Y in June, below its long term trend growth of 2.7%. The index currently stands at 284.0.

DEWR Skilled Vacancies - The index measuring the number of jobs available for skilled workers were fell 3.1% M/M in July, this is the 7th straight and largest decline this year. Jobs for professionals, including doctors and lawyers fell 3.5% M/M and positions for trade people, including builders and mechanics, fell 2.7% M/M.

Key Dates This Week

Date	Indicator	Month	Expectation	Previous
23-Aug	Conference Board Leading Index	Jun	--	0.40%
27-Aug	HIA New Home Sales (M/M)	Jul	--	2.80%
28-Aug	Construction Work Done	2Q	--	5.50%
29-Aug	Private Capital Expenditure	2Q	--	6.10%
29-Aug	Building Approvals (M/M)	Jul	--	-2.50%
29-Aug	Building Approvals (Y/Y)	Jul	--	10.20%

Valance Economic Report: New Zealand

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August 22, 2012

Producer Output Prices increased more than expected, likely increasing factory margins in Q2. Permanent Net Migration and Credit Card Spending fell in July

Weekly Highlights

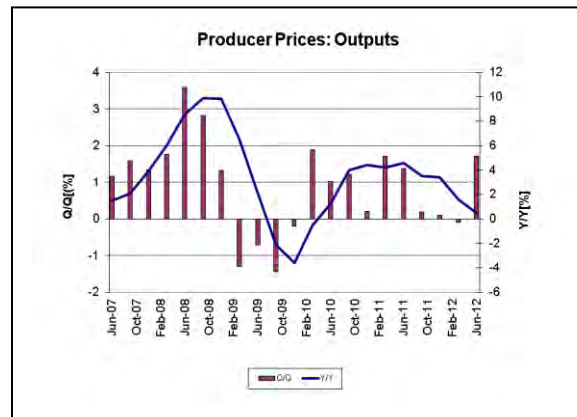
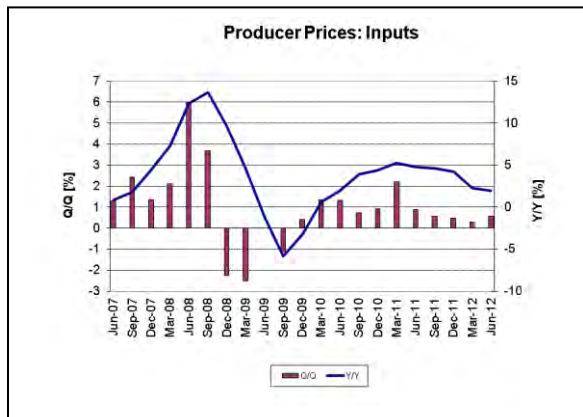
Producer Output Prices – rose 0.3% Q/Q in Q2. (NZ 1)

Net Migration – fell 660 in July. (NZ 2)

Credit Card Spending - fell 1.5% M/M in July. (NZ 3)

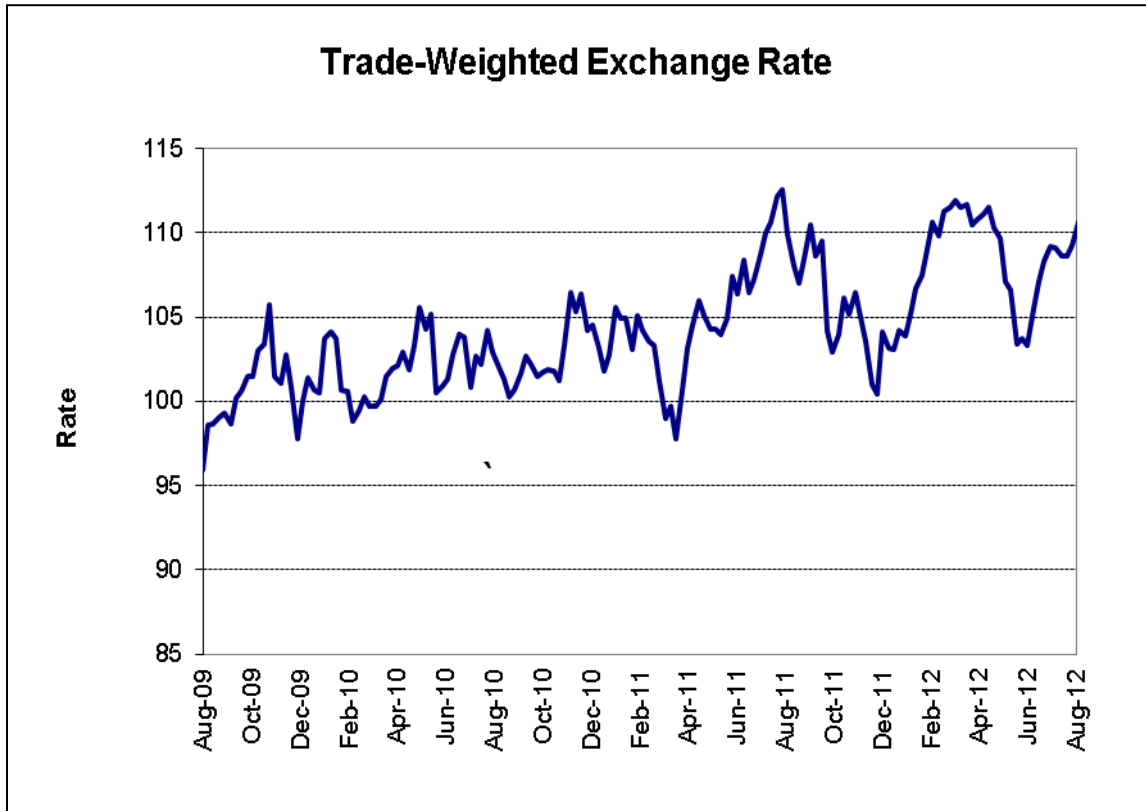
Weekly Releases & News

Charts of the Week: *Producer Prices*



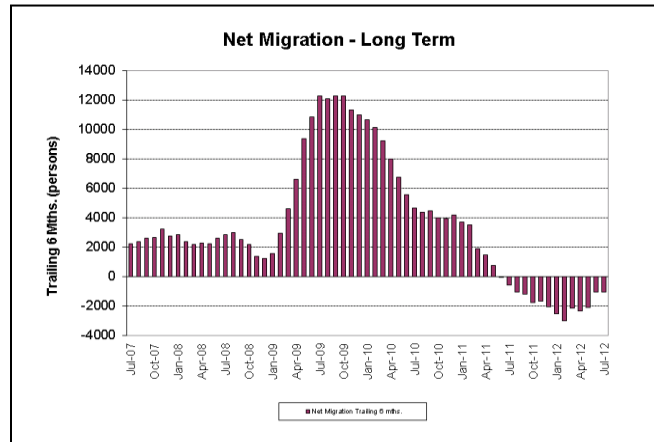
Producer Input Prices rose 0.6% Q/Q and 1.9% Y/Y in Q2. Producer Output Prices rose 0.3% Q/Q and 0.5% Y/Y. This is a sixth consecutive quarterly increase where Input Prices exceeded Output Prices which indicates an increase in Q2 profit margins.

FX



Net Migration & Data

Net Migration



In July, permanent migration fell for the first time in three months. Permanent departures exceeded arrivals by 660 in July after a revised 520 in June. Departures outpaced arrivals for the 13th time in 17 months since February 2011.

Data

Performance of Services Index - The Performance of Services Index fell 0.8pts to 53.1 in July. Y/Y the index fell 0.1% in July.

Q1 RBNZ 2-yr Inflation Expectations - According to a survey conducted for the RBNZ, company executives decreased their 2-year forward inflation expectations from 2.4% in Q2 to 2.3% in Q3. This is the lowest rate since Q1 2011. One - year forward inflation expectations were decreased from 4.4% to -1.5%.

Credit Card Spending - According to the RBNZ, total credit card spending fell 1.5% M/M in July, after increasing 0.7% in M/M in June. Spending rose 0.1% Y/Y (3.9% prev.)

Key Dates This Week

Date	Indicator	Month	Expectation	Prior
23-Aug	Trade Balance	Jul	30M	331M
23-Aug	Trade Balance 12 Mth YTD	Jul	-647M	-747M
23-Aug	Exports	Jul	3.78B	4.20B
23-Aug	Imports	Jul	3.76B	3.87B
29-Aug	Building Permits M/M	Jul	3.00%	5.70%
29-Aug	NBNZ Activity Outlook	Aug	--	24
29-Aug	NBNZ Business Confidence	Aug	--	15.1

Weekly Economic Report: *China*

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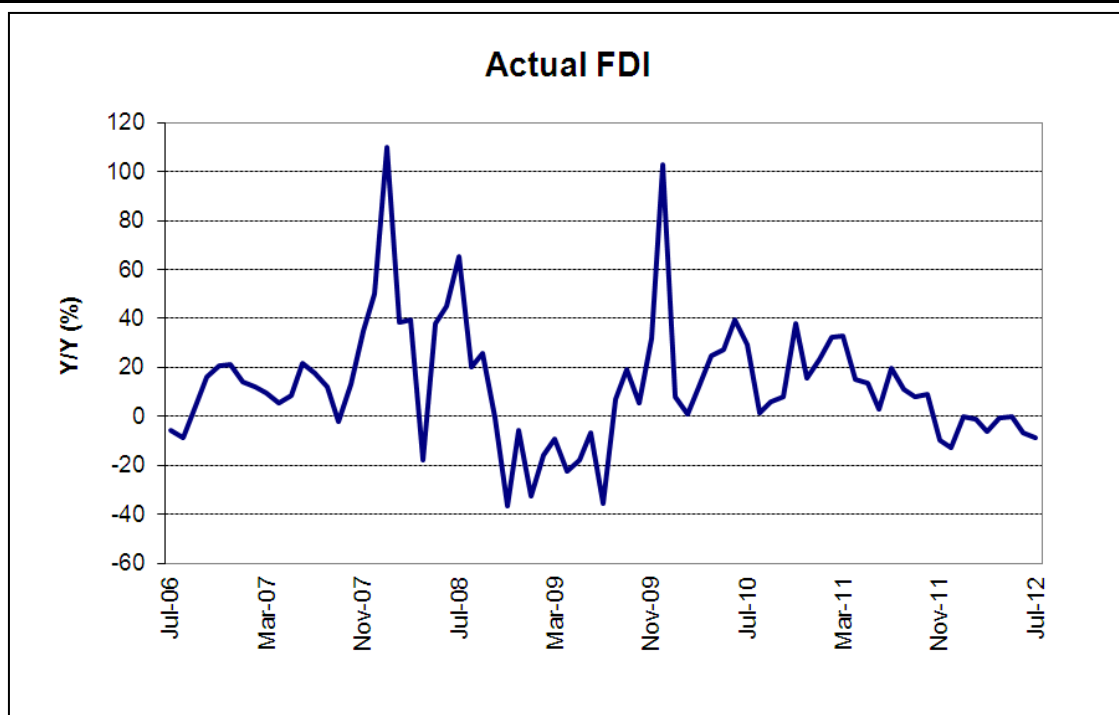
August 22, 2012

Foreign direct investment in China fell to the lowest level in two years in July

Weekly Highlights

Actual FDI – fell 8.7% Y/Y in July. (CH 1)

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



Foreign Direct Investment fell 8.7% Y/Y in July (totaling US\$7.58 bln) – the eighth drop in nine months and the smallest inflow since July 2010 - following a loss of 6.9% Y/Y in June. FDI for January-July period totaled US\$66.7 bln.

News & Upcoming Dates

News

August 20th (Bloomberg) - China's Potential Growth May Slow Later in Decade - Cai Fang, Head of the Institute of Population and Labor Economics at the government's Chinese Academy of Social Sciences stated:

As experience in Japan can tell, there will be dramatic changes in economic growth. [The peak in China's labor force is an] important turning point.

It's wrong to think that we can lift up the potential-growth rate by stimulating growth.

August 15th (Reuters - China growth target at risk unless support stepped up - Zheng Xinli, Vice Chairman of China Centre for International Economic Exchanges (CCIEE) remarked:

Until now there have been no signs of a rebound in the economy. The GDP and factory output growth may slide further in the third quarter.

If China's economy does not bottom out in the third quarter, it would be hopeless to make it happen in the fourth quarter and we might miss the annual growth target of 7.5 percent.

If China's economy does not show signs of recovery in the third quarter, there will be employment problems, further deterioration of company profits and debt problems.

Under such a difficult situation, China needs to keep a certain scale of investment to realise economic restructuring and lift the economy.

After summing up the lessons of last year's crash, we should maintain comparatively big investment on high-speed lines.

Key Dates This Week

Date	Indicator	Month	Expectation	Previous
08/17	China July Property Prices			
08/22	Conference Board China July Leading Economic Index			
08/22	HSBC Flash Manufacturing PMI	AUG	--	49.3
08/23	MNI August Flash Business Sentiment Survey			
08/26	Industrial Profits YTD Y/Y	JUL	--	-2.2%
08/26-31	Leading Index	JUL	--	99.28

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Valance Economic Report: Sweden

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August 22, 2012

Sweden's Unemployment Rate was little changed in July. Industry Capacity stabilized in Q2.

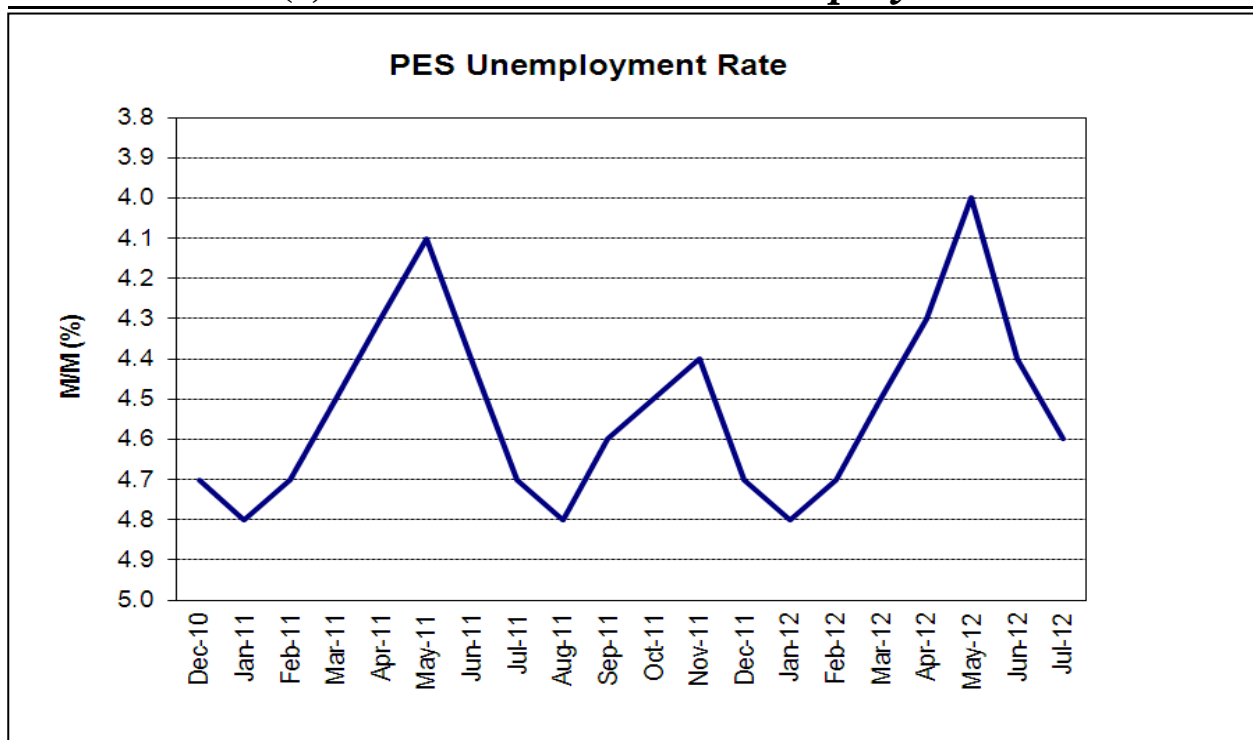
Weekly Highlights

Unemployment Rate – rose from 4.4% in June to 4.6% in July. (SW 1)

Industry Capacity – remained unchanged at 88.2% in Q2. (SW 2)

Weekly Releases & News

Chart(s) of the Week: PES Unemployment Rate

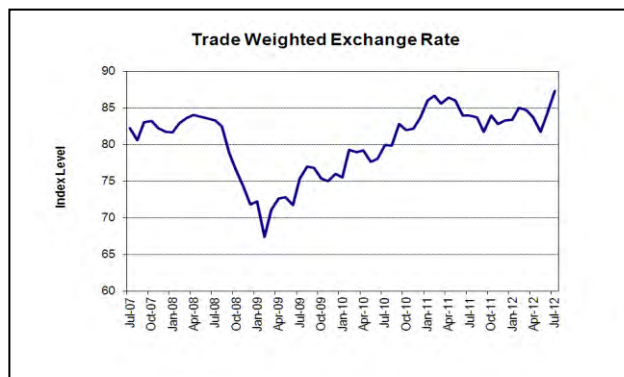


The Unemployment Rate (n.s.a.) rose from 4.4% in June to 4.6% in July, and down from 4.7% the year before. A forecast of 4.5% was expected. Head of the PES, Clas Olsson stated, "That almost 39,000 people got jobs is a relatively strong figure and the inflow of vacancies points to a continued recruitment need for many employers." The number of job vacancies rose from 35,779, a year earlier, to 36,379. The number of persons participating in government programs increased from 154,238, recorded last year, to 163,932 persons.

SW 1

Trade Weighted Exchange Rate, Data & News

Trade Weighted Exchange Rate



Data

May 14th – Industry Capacity – remained unchanged at 88.2% in Q2. Industry subsectors showed mixed development. Notably, capacity utilization in the mining and quarrying industry decreased from 94.6% to 89.6% and in the manufacturing industry, increased from 88.1% to 88.2%.

August 21st - Total Number of Employees – fell from 2.3% in Q1 to 2.0% in Q2.

News

August 21st (Bloomberg) - Europe Debt Crisis Prevails in Rate Setting - Riksbank First Deputy Governor Kerstin af Jochnick said:

What's most predominant and has been for a long time is the development in the euro zone. [Exports from Sweden, which remains outside the euro area, will] develop rather weakly during the second half [after stronger-than-expected growth in the first six months].

[Economic developments abroad have] possibly [been] slightly weaker than expected, [and the krona has gained more than estimated. This must be weighed against the country's economic growth which was] unexpectedly [fast in the second quarter].

On the krona: [A currency intervention] is not in the cards [even as the central bank monitors exchange rate developments] closely. The krona is strong but we also know that foreign exchange markets fluctuate a lot so one can't make too far reaching conclusions based on the krona right now.

It's incredibly important that we get measures in place to solve short-term, acute problems but also that long-term confidence is regained for the euro zone.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
08/23	Unemployment Rate	JUL	7.2%	8.8%
08/27	Household Lending	JUL	--	4.5%
08/27	PPI	JUL	--	0.2% / 0.4%
08/27	Retail Sales	JUL	--	-0.4% / 0.9%
08/28	Trade Balance	JUL	--	9.3B
08/29	Consumer Confidence	AUG	--	5.6
08/29	Manufacturing Confidence	AUG	--	-2
08/29	Economic Tendency Survey	AUG	--	96.1

Valance Economic Report: Switzerland

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August 22, 2012

No economic data released this week.

Data & Trade Weighted Exchange Rate

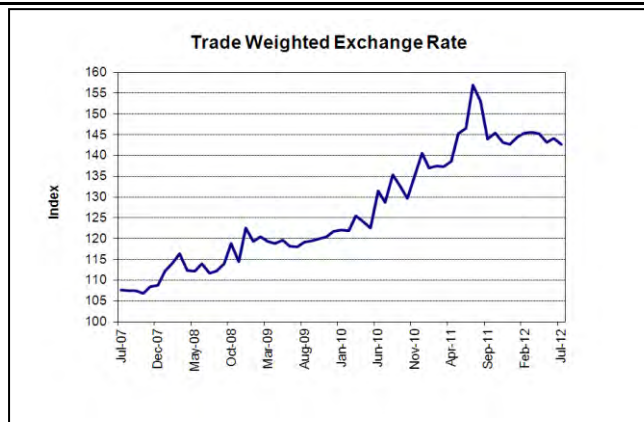
Data

August 21st - June M3 Money Supply Growth – rose 9.8% Y/Y, following an 8.5% Y/Y gain the month before. M2 also increased at a faster pace of 12.7% Y/Y during the month. M1, rose 15.6% Y/Y compared to a 13.6% increase in June.

August 21st – Real Estate Index Family Homes – fell from 410.4 in Q1 to 408.4 in Q2.

August 16th – Swiss Investor Sentiment - A survey by the ZEW Center for European Economic Research and Credit Suisse Group showed the outlook for Swiss Investor Confidence improved by 9.2 points, from -42.5 in July to -33.3 in August.

Trade Weighted Exchange Rate



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
08/23	Trade Balance	JUL	--	2.19B
08/23	Exports / Imports	JUL	0.5% / --	-2.6% / -3.1%
08/28	UBS Consumption Indicator	JUL	--	1.60
08/29	KOF Swiss Leading Indicator	AUG	--	1.43