

Valance Company, Inc.



Weekly

January 4, 2012

III

Highlights

US – ISM Manufacturing posted modest improvements in December

EU – EU price pressures receded in December

JN – Weak data continues

UK – Real GDP improves in Q3, BoE warns of weak Q4

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Valance Co., Inc.

Valance Economic Report: *United States*

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January 4, 2012

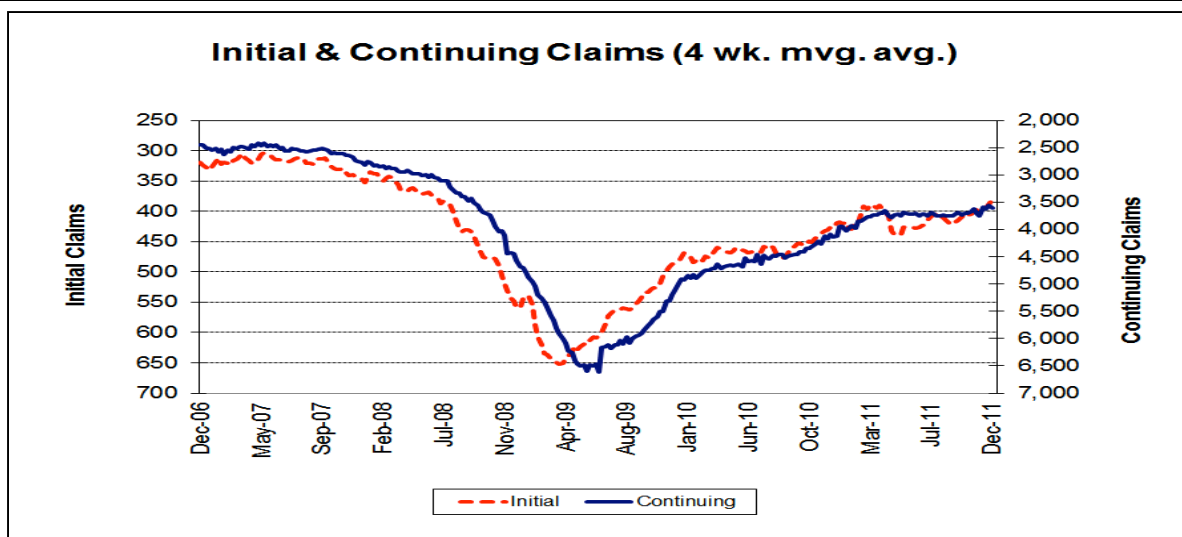
Initial Claims increased more than expected for the week ending December 24th, following record low levels the previous week. ISM Manufacturing posted modest improvements with encouraging gains in New Orders and Chicago PMI was broadly unchanged in December.

Weekly Highlights

Initial Jobless Claims – 4-wk mov. average dropped 5.5k to 375k. (US 1)

ISM Manufacturing – rose from 52.7 to 53.9 in December. (US 4)

Chicago PMI – broadly unchanged in December. (US 5)

Weekly Releases**Chart of the Week: *Initial Jobless Claims***

Initial Jobless Claims increased from 366k to 381k. Applications rose for the first time in a month in the week ended Dec. 24th, increasing by a more-than forecast 15k. The four week moving average of Initial Claims fell 5.5k to 375k, the lowest level since June 2008. Continuing Claims increased from 3567k to 3601k.

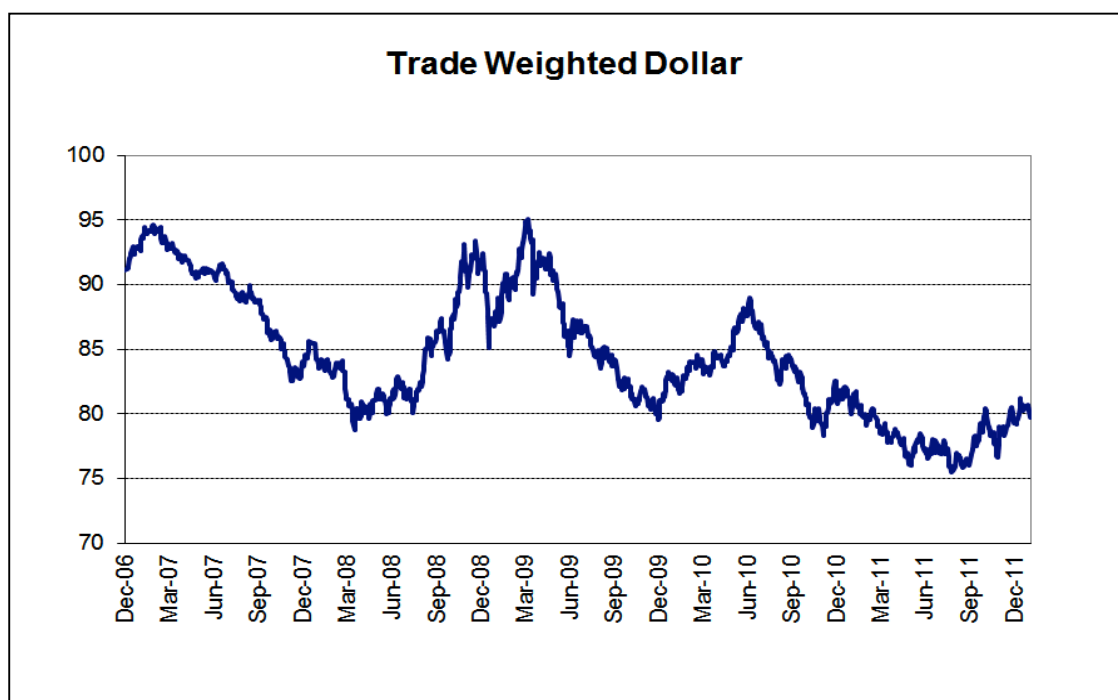
US 1

U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

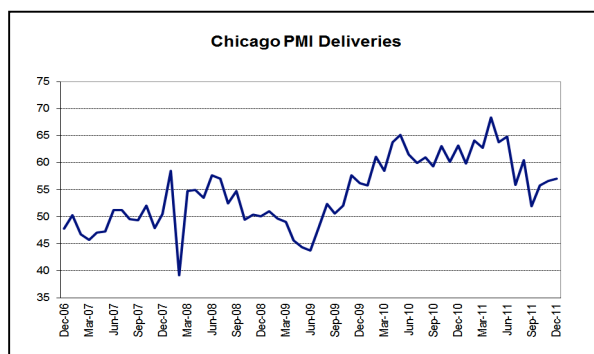
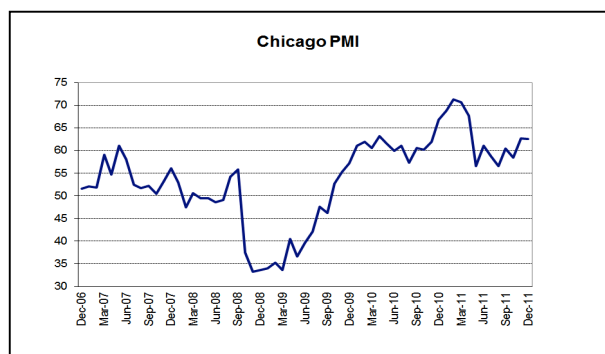
<i>U.S.</i>	<i>Latest period (\$blns)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-137.3 (Nov)	-8.2%
Trade Balance	-43.1 (Oct)	-3.6%
Current Account Balance	-110.3B (Q3)	-3.1%
Private Balance	--	5.3%

Trade Weighted Dollar



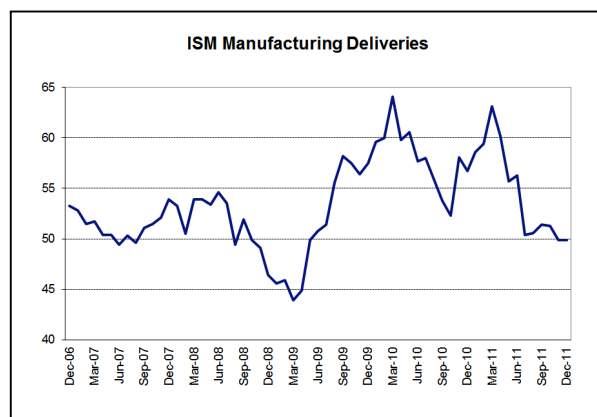
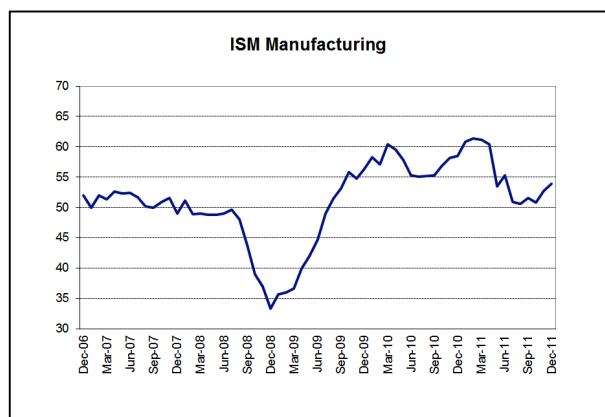
Chicago PMI, ISM Manufacturing & Durable Ex Transportation

Chicago PMI



The Chicago PMI fell slightly from 62.6 to 62.5 in December, faring better than the expected drop to 61.0. The New Orders component fell from 70.2 to 68.0. Production eased from 67.3 to 66.2. The Inventories component fell from 53.6 to 52.2. The employment component improved from 56.9 to 58.6.

ISM Manufacturing

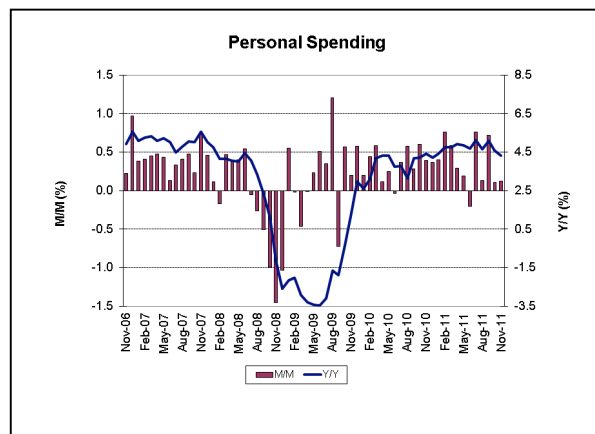


The ISM Manufacturing Index rose from 52.7 to 53.9 in December. This is the fastest expansion in six months. New Orders increased from 56.7 to 57.6, while New Export Orders increased from 52.0 to 53.0. The employment component increased from 51.8 to 55.1. Prices paid improved from 45.0 to 47.5. Inventories fell from 48.3 to 47.1.

Personal Income/Spending & Core PCE

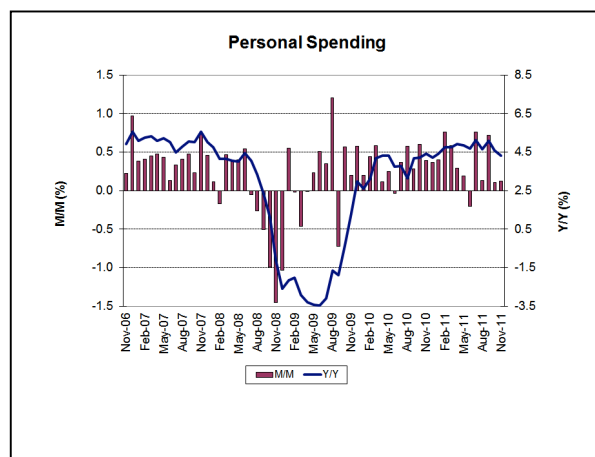
Personal Income

Personal Income increased 0.1% M/M and 4.3% Y/Y in November. The wage and salary component fell 0.1% M/M while gaining 3.3% Y/Y.



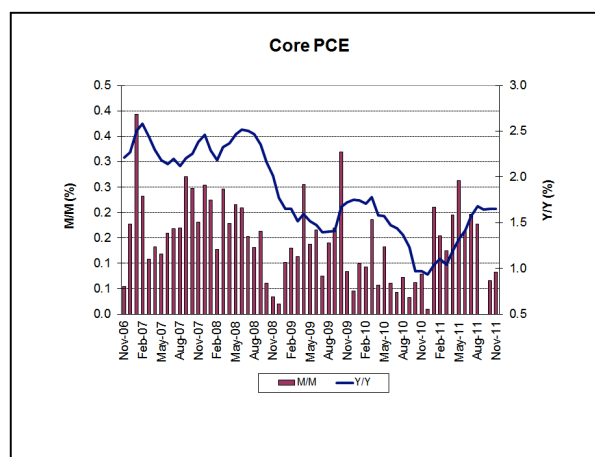
Personal Spending

Personal Spending gained 0.1% M/M and 4.3 Y/Y in November. It gained 0.2% M/M and 1.7% Y/Y in real terms; the three month annualized rate is 4.8%.



Core PCE

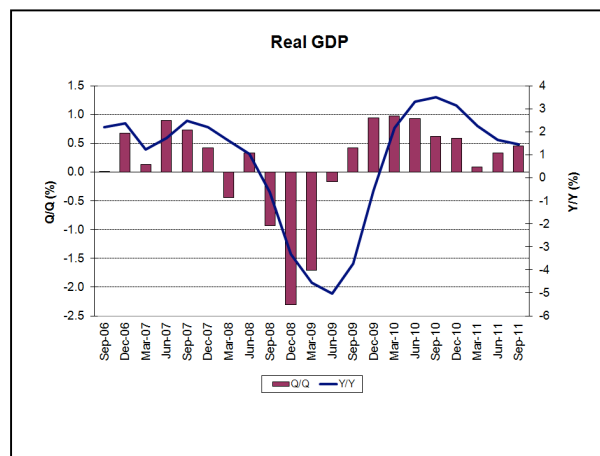
Core PCE increased 0.1% M/M and 1.7% Y/Y in November. Headline PCE was flat M/M and increased 2.5% Y/Y in November.



Annualized GDP & Durable Ex Transportation

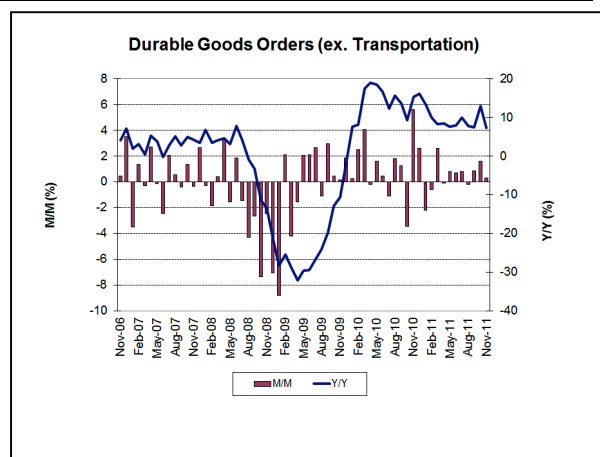
Annualized GDP

Real GDP increased 0.5% Q/Q and 1.5% Y/Y in Q3. Personal Consumption and Net Exports contributed 1.2% and 0.4%, respectively.



Durable Ex Transportation

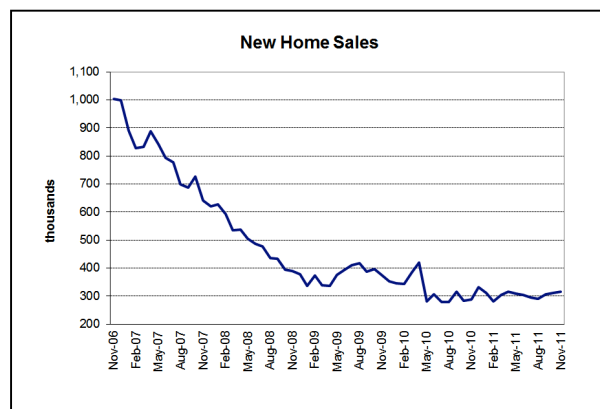
Durable Goods Orders ex. Transportation increased 0.3% M/M and 6.5% Y/Y in November. Non-defense capital goods orders, excluding aircraft, fell 1.2% M/M in November. The three-month annualized core rate slowed from 6.7% to 3.8%. The slowing in core orders is worrisome as capex has been a large driver of recent growth.



New Homes Sales, Pending Home Sales & House Price Index

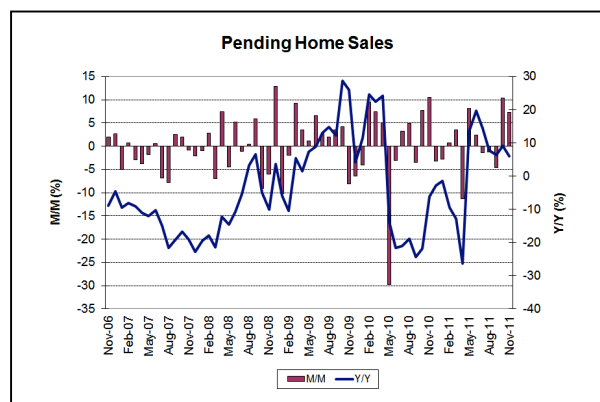
New Homes Sales

New Home Sales improved from a revised 310k to 315k in November. It was a gain of 1.6% M/M and 9.8% Y/Y. Median prices fell 3.8% M/M and 2.5% Y/Y. Inventory levels dropped from 6.2 to 6.0 months of supply and actual inventories fell from 160k to 158k



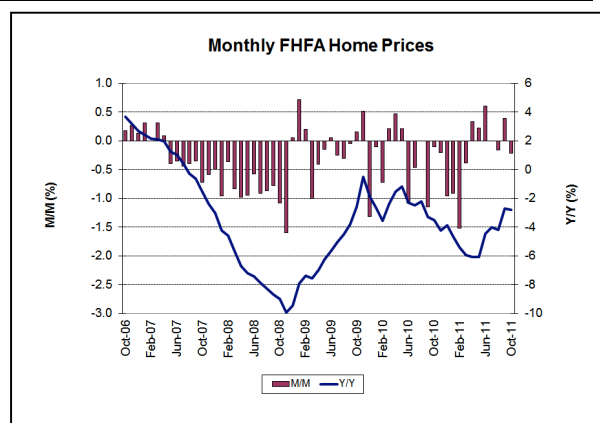
Pending Home Sales

Pending Home Sales increased 7.3% M/M, well above market expectations for a reading of 1.5% M/M, as a decrease in house prices coupled with lower borrowing cost encouraged purchases. Y/Y growth increased 6.9%.



FHFA House Price Index

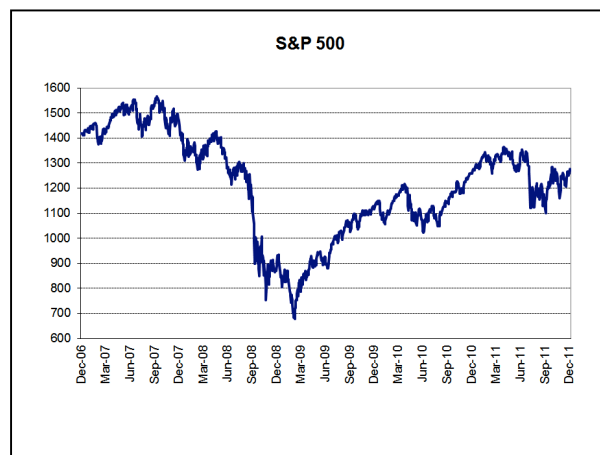
The monthly OFHEO House Price Index fell 0.2% M/M and 2.2% Y/Y in October. September was revised lower from 0.9% to 0.4% M/M gain.



S&P/CS 20 City, Construction Spending & MBA Mortgage Applications

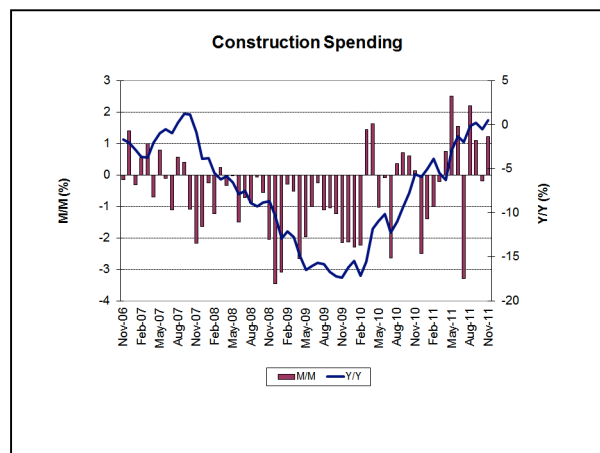
S&P/CS 20 City

S&P/CS 20 City Index increased from a revised -0.66% (previous -0.57%) to -.62% in October. Market expectations were for a reading of -0.40%.



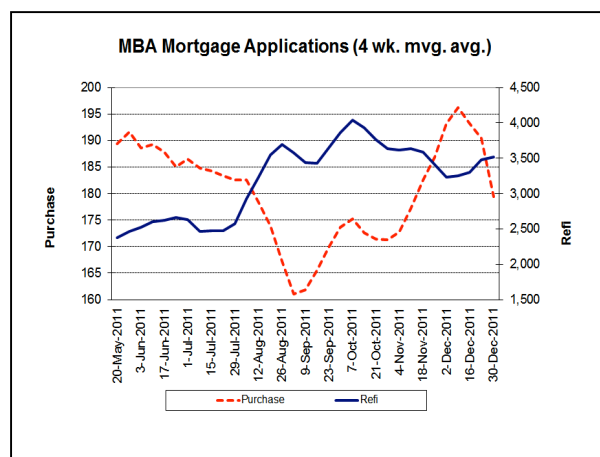
Construction Spending

Construction Spending increased 1.2% M/M in November, above expectations for a reading of 0.5% M/M. Y/Y growth increased 0.5%. Residential Spending and nonresidential spending increased 1.8% M/M and 0.9% M/M, respectively.



MBA Mortgage Applications

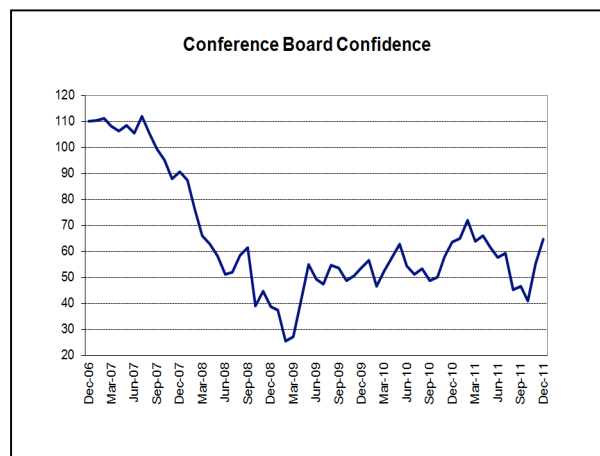
Purchase Mortgage Applications fell 4.1% W/W, after gaining 0.3% W/W the previous week. Refi applications fell 9.9% W/W this week.



Consumer Confidence & Bloomberg Consumer Comfort

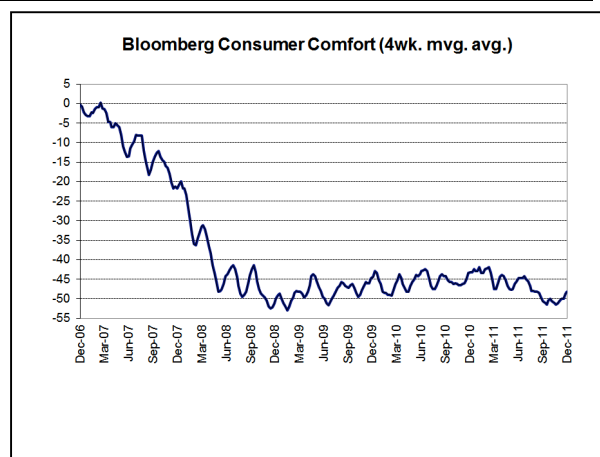
Consumer Confidence

Consumer Confidence jumped from 55.2 in November to 64.5 in December, increasing to an eight month high. Market expectations were for a reading of 58.9. The present situation component improved from 38.3 to 46.7 and the expectations from 66.4 to 76.4.



Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index increased from -49.9 to -45.0. The state of the economy component improved from -85.8 to -85.0. The buying climate component fell from -46.9 to -52.5 and personal finances also fell from -2.5 to -4.9.



Key Dates This Week

Dates	Indicator	Month	Expectations	Previous
5-Jan	Challenger Job Cuts Y/Y	DEC	- -	-12.80%
5-Jan	ADP Employment Change	DEC	165K	206K
5-Jan	Initial Jobless Claims	31-Dec	375K	- -
5-Jan	Bloomberg Consumer Comfort	1-Jan	- -	-45
5-Jan	ISM Non-Manf. Composite	DEC	53	52
5-Jan	ICSC Chain Store Sales Y/Y	DEC	- -	3.20%
6-Jan	Change in Nonfarm Payrolls	DEC	150K	120K
6-Jan	Change in Private Payrolls	DEC	160K	140K
6-Jan	Change in Manufact. Payrolls	DEC	5K	2K
6-Jan	Unemployment Rate	DEC	8.70%	8.60%
6-Jan	Avg Hourly Earning M/M All Emp	DEC	0.20%	-0.10%
6-Jan	Avg Hourly Earning Y/Y All Emp	DEC	2.10%	1.80%
6-Jan	Avg Weekly Hours All Employees	DEC	34.3	34.3
9-Jan	Consumer Credit	NOV	\$7.000B	\$7.645B
10-Jan	JOLTs Job Openings	NOV	- -	3267
10-Jan	Wholesale Inventories	NOV	0.40%	1.60%
11-Jan	MBA Mortgage Applications	6-Jan	- -	- -
11-Jan	Fed's Beige Book			

Valance Economic Report: Euro Zone

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January 4, 2012

EU price pressures receded in December while November saw a slowdown in Money Supply Growth. The number of people unemployed in Germany decreased by 22K in December pushing down the unemployment rate from 6.9% to 6.8%.

Weekly Highlights

EU's CPI – growth decelerated from 3.0% Y/Y in November to 2.8% Y/Y in December. (EU 1)

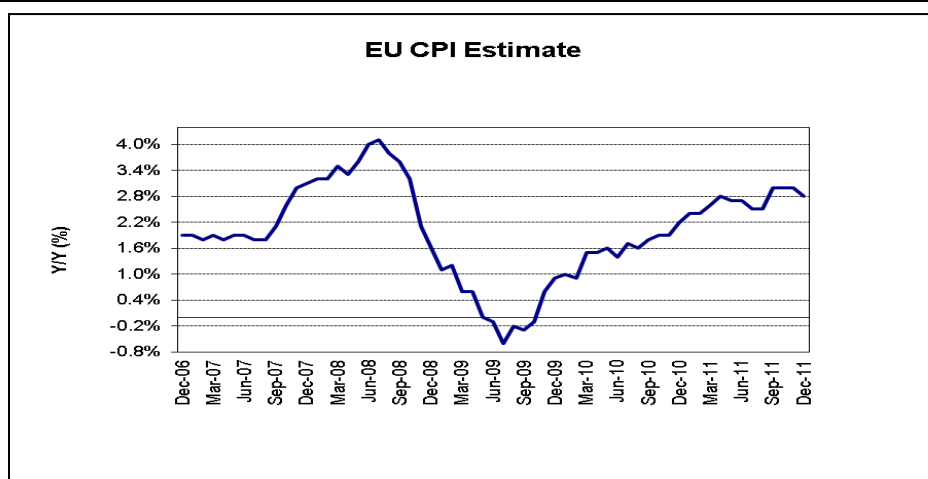
M3 Money Supply growth – slowed in November. (EU 3)

German Unemployment - fell by 22K in December. (EU 4)

French Consumer Spending - fell 0.1% M/M and 2.1% Y/Y in November. (EU 5)

Weekly Releases & News

Chart of the Week: *Euro Zone CPI*



Euro Zone's CPI growth decelerated from 3.0% Y/Y in November to 2.8% Y/Y in December, after stabilizing at 3.0% Y/Y for three consecutive months. As price pressures recede the ECB will have more room to cut interest rates further.

Euro Zone Financial Balances & Trade Weighted Euro

Financial Balances

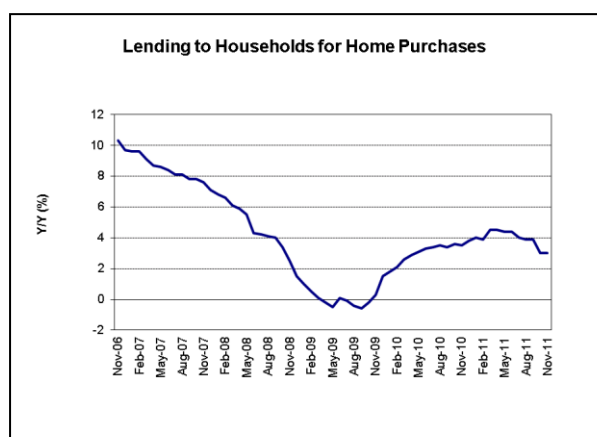
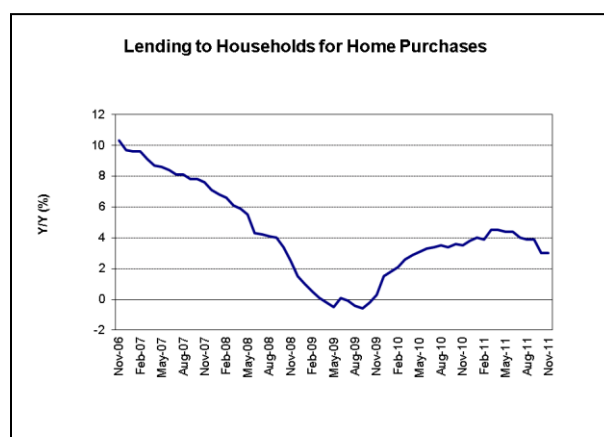
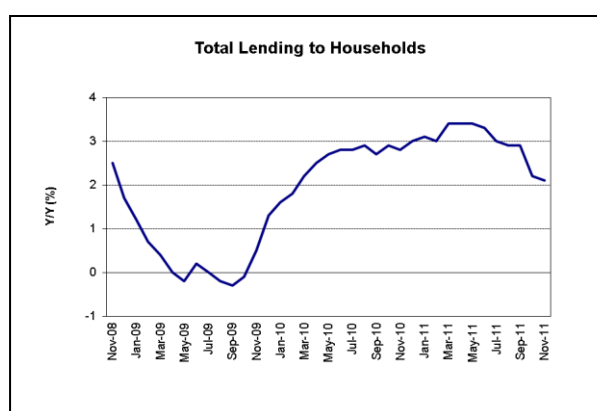
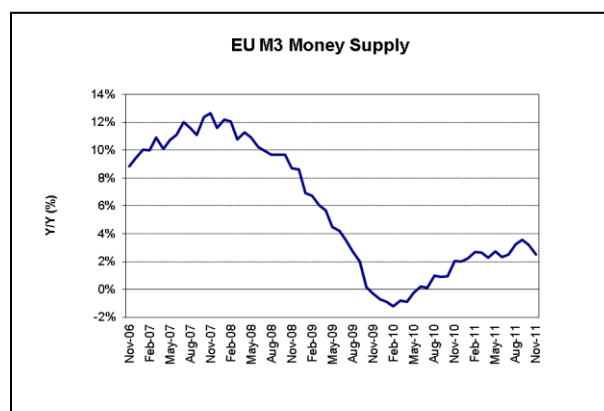
<i>Germany</i>	<i>Last period (\$blns euros)</i>	<i>Last 12mth. as a % of GDP*</i>
Budget Balance		-3.3%
Trade Balance	11.6 (October)	2.0%
Current Account Balance	10.3 (October)	6.9%
Private Savings Balance		-3.6%
<i>France</i>		
Budget Balance		-2.7%
Trade Balance	-6.2 (October)	-4.9 %
Current Account Balance	-4.5 (October)	-3.9%
Private Savings Balance		-1.2%
<i>Italy</i>		
Budget Balance		-3.9 %
Trade Balance	-1.1 (October)	-7.7%
Current Account Balance	-2.5 (October)	5.5%
Private Savings Balance		-4.5
*Budget Balance as of year end 2010 – Source OECD		

Trade Weighted Euro



Money Supply & Lending Data

M3



M3 Money Supply growth s.a., which the ECB uses as an indicator for future inflation, decelerated from 3.2% Y/Y in October to 2.5% Y/Y in November. M3 Money Supply s.a. growth slowed from 2.8% Y/Y to 2.5% Y/Y. Lending to Households growth slowed from 2.2% Y/Y in October to 2.1% Y/Y in November. Lending to Households for Home Purchases growth remained stable at 3.0% Y/Y. Loans to Non-Financial Corporations growth slowed from 1.8% Y/Y in October to 1.6% Y/Y in November.

German CPI & Unemployment Rate

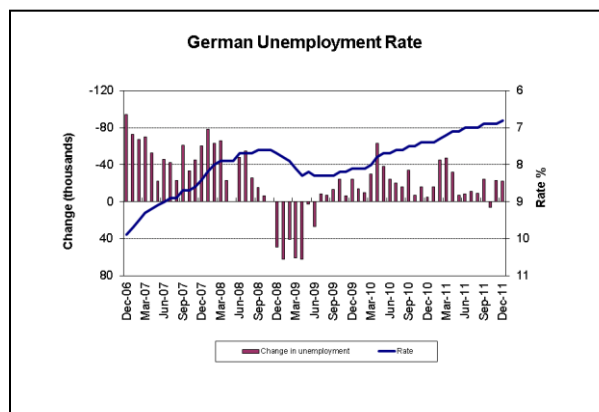
German CPI

German CPI was flat M/M and increased 2.4% Y/Y in November. Looking ahead preliminary data shows that German CPI increased 0.7% M/M and 2.1% Y/Y.



German Unemployment Rate

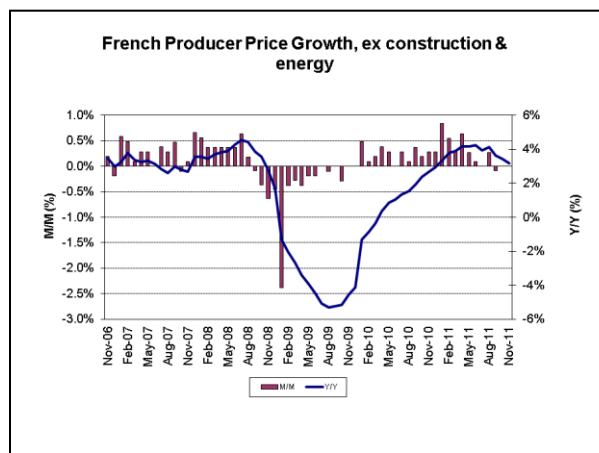
German Unemployment fell by 22K in December, pushing down the unemployment rate from 6.9% to 6.8%. Market expectations were for unemployment to decrease by 10K and the unemployment rate to remain unchanged.



French Producer Prices/Consumer Spending & Italian Consumer Confidence

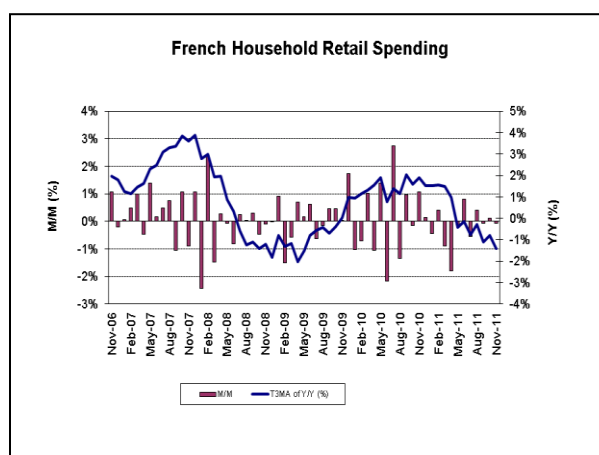
French Producer Prices

French Producer Prices increased 0.4% M/M and 5.6% Y/Y in November. Market expectations were for a flat M/M reading and a 5.2% Y/Y increase.



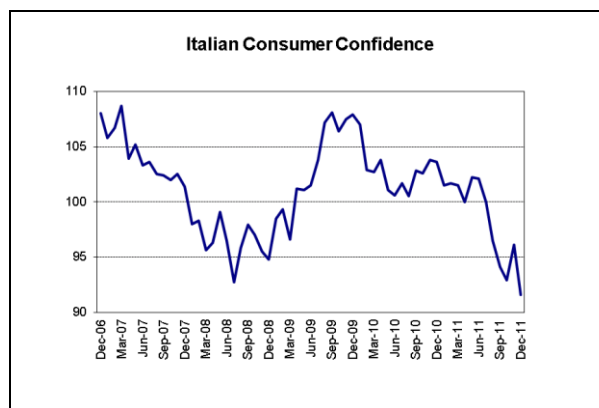
French Consumer Spending

French Consumer Spending fell 0.1% M/M and 2.1% Y/Y in November. A decline on spending on food products, household durables, textile-leather, other engineered goods and energy all contributed to the decline in overall spending.



Italian Consumer Confidence

Italian Consumer Confidence decreased from 96.1 in November to 91.6 in December, below expectations for a reading of 95.3. The Future Climate Index fell from 88.9 to 82.9 and the current Climate Index fell from 102.2 to 98.4.



Italian CPI, Producer Prices & Business Confidence

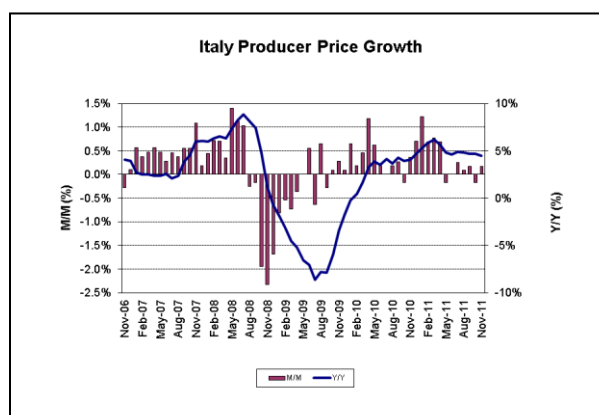
Italian CPI

Italian CPI increased 0.4% M/M and 3.3% Y/Y in December, above market expectations for an increase of 0.3% M/M and 3.2% Y/Y.



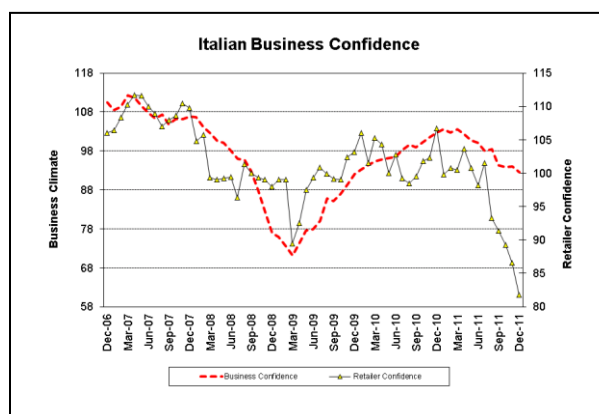
Italian Producer Prices

Italian Producer Prices increased 0.2% M/M and 4.5% Y/Y in November. Prices in the non-domestic market fell 0.1% M/M and increased 3.5% Y/Y. Market expectations were for Producer Prices to increase 0.1% M/M and 4.4% Y/Y.



Italian Business Confidence

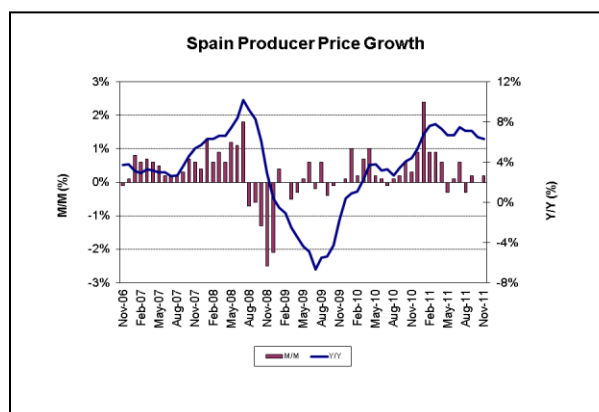
Italy's Business Confidence decreased from a revised 94.0 in November (previously 94.4) to 92.5 in December, a two year low. Market expectations were for a reading of 93.7. Retailers' Confidence fell from 86.6 to 81.8.



Spanish Producer Prices, CPI & Retail Sales

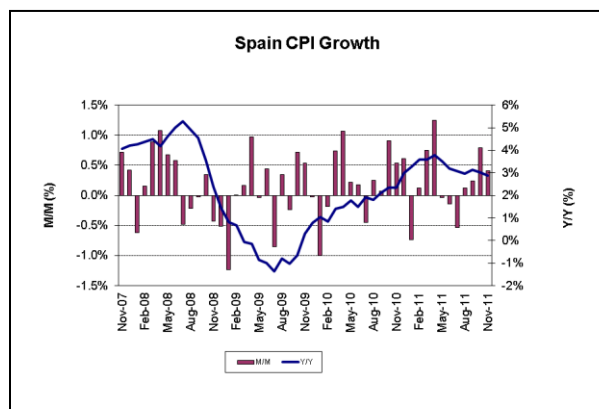
Spanish Producer Prices

Spain's Producer Prices increased 0.2% M/M and 6.3% Y/Y in November. Details show that prices for consumer goods increased 0.2% M/M and 2.6% Y/Y.



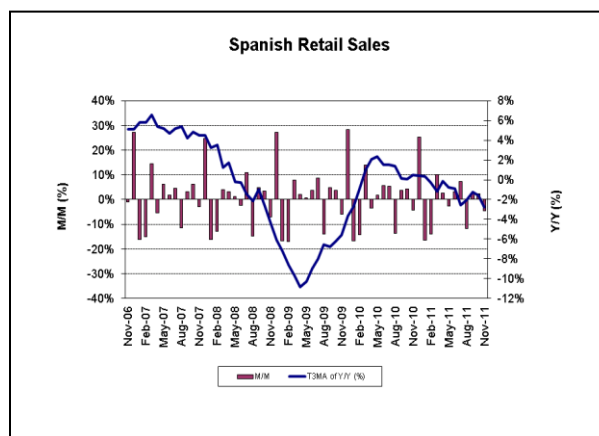
Spanish CPI

CPI increased 0.4% M/M and increased 2.9% Y/Y in November. Preliminary data showed that Spanish CPI growth decelerated from 2.9% Y/Y in November to 2.4% Y/Y in December.



Spanish Retail Sales

Spanish Retail Sales fell 4.6% M/M and 3.7% Y/Y (current prices) in November.



News/Comments

Jan. 4th - Juncker Rules Out Greek Euro Exit, Sees Bond Talks Ending Soon (Bloomberg) -

Greece isn't weighing a return to the drachma as a way out of its "difficult" financial predicament, Luxembourg Prime Minister Jean-Claude Juncker said. "A return to the drachma isn't an option, either for Greece or the euro zone as a whole," Juncker, who chairs euro finance meetings, told German NDR radio. "The Greek government also made clear yesterday that it is not seriously contemplating this scenario." Negotiations with bondholders over debt relief as part of Greece's second aid package will conclude soon, Juncker said. "The situation in Greece is difficult, as in other countries, but a Greek solution remains feasible," Juncker said. A transcript of the interview was posted on the Luxembourg government's website.

Jan. 4th - Juncker Says Europe on Brink of a Recession of Unknown Scope (Bloomberg) -

Luxembourg Prime Minister Jean-Claude Juncker said the European Union is facing a recession of unknown scope. "Europe is on the brink of a recession of which one doesn't yet know its scope," Juncker said today at an event in Luxembourg. "One has to react adequately to it."

Jan. 2nd - Euro Will Lose a Country in 2012 as Breakup Begins, CEBR Says (Bloomberg) -

At least one country will pull out of the euro area this year as the breakup of the single currency begins, according to the Centre for Economics and Business Research. "It now looks as though 2012 will be the year when the euro starts to break up," the London-based CEBR said in a statement today. "It is not a done deal yet -- we are only forecasting a 60 percent probability -- but our forecast is that by the end of the year at least one country (and probably more) will leave." CEBR said the likelihood of a euro breakup in the next decade has increased to 99 percent. European leaders return to work this week seeking to buy time for the Spanish and Italian governments to wrest control over their debt and rescue the euro from fragmentation in its 10th anniversary year.

Jan 1st - Wellink Expects States Have to Write Down Greek Debt, FD Says (Bloomberg) -

Nout Wellink, a former member of the European Central Bank's governing council, said euro-region countries may have to partly write down their loans to Greece, Het Financieele Dagblad reported, citing an interview. "The balance between the public and private sector changed in such a way that if writedowns really take place, it's almost unthinkable that the government can escape it," Wellink, the former president of the Dutch central bank, was cited as saying. Wellink questioned whether a writedown of 50 percent of Greek debt held by banks is sufficient, the Dutch newspaper reported.

Key Dates This Week

Date	Indicator			Expectations	Previous
5-Jan	EC	Euro-Zone PPI (M/M)	NOV	0.10%	0.10%
5-Jan	EC	Euro-Zone PPI (Y/Y)	NOV	5.20%	5.50%
6-Jan	EC	Business Climate Indicator	DEC	-0.5	-0.44
6-Jan	EC	Euro-Zone Consumer Confidence	DEC F	-21.2	-21.2
6-Jan	EC	Euro-Zone Economic Confidence	DEC	93.3	93.7
6-Jan	EC	Euro-Zone Indust. Confidence	DEC	-7.6	-7.3
6-Jan	EC	Euro-zone Services Confidence	DEC	-1.7	-1.7
6-Jan	EC	Euro-Zone Retail Sales (M/M)	NOV	-0.40%	0.40%
6-Jan	EC	Euro-Zone Retail Sales (Y/Y)	NOV	- -	-0.40%
6-Jan	EC	Euro-Zone Unemployment Rate	NOV	10.30%	10.30%
9-Jan	EC	Sentix Investor Confidence	JAN	- -	-24
6-Jan	GE	Factory Orders YoY (nsa)	NOV	-1.30%	5.40%
6-Jan	GE	Factory Orders MoM (sa)	NOV	-1.60%	5.20%
9-Jan	GE	Exports SA (M/M)	NOV	- -	-3.60%
9-Jan	GE	Imports SA (M/M)	NOV	- -	-1.00%
9-Jan	GE	Current Account (EURO)	NOV	- -	10.3B
9-Jan	GE	Trade Balance	NOV	- -	11.6B
9-Jan	GE	Industrial Prod. Y/Y (nsa wda)	NOV	- -	4.10%
9-Jan	GE	Industrial Production M/M (sa)	NOV	- -	0.80%
5-Jan	FR	Consumer Confidence Indicator	DEC	80	79
9-Jan	FR	Trade Balance (Euros)	NOV	- -	-6248M
10-Jan	FR	Bank of France Bus. Sentiment	DEC	- -	95
5-Jan	IT	Unemployment Rate (s.a)	3Q	8.10%	8.00%

Valance Economic Report: Japan

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January 4, 2012

Recent data from Japan continued to remain weak. While Core CPI and unemployment were relatively unchanged, Wages, Household Spending, Retail Sales, and Industrial Production were all weaker than expected.

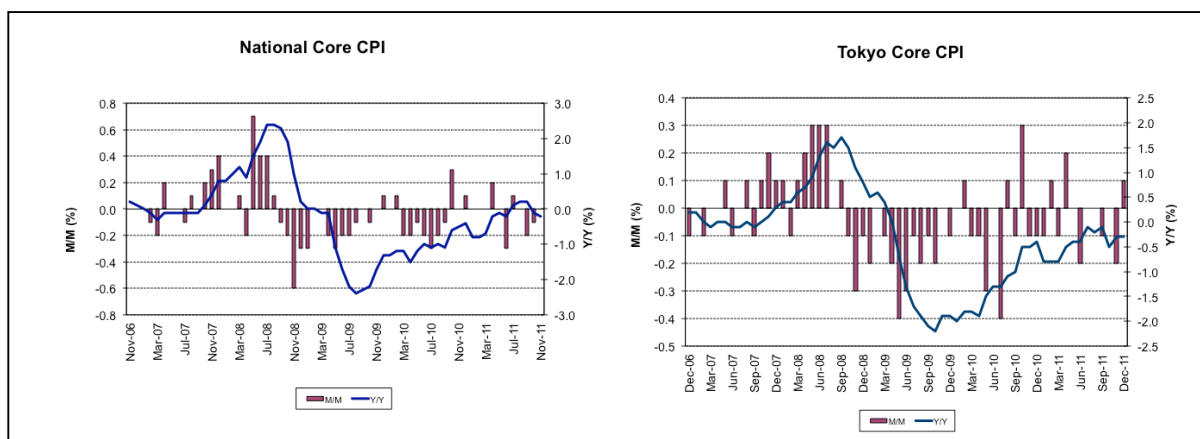
Weekly Highlights

Core CPI – unchanged M/M and declined 0.2% Y/Y in November. (JN 1)

Employment – the Unemployment Rate was unchanged at 4.5% in November. (JN 3)

Retail Trade – declined 2.1% M/M and 2.3% Y/Y in November. (JN 5)

Charts of the Week: *CPI*



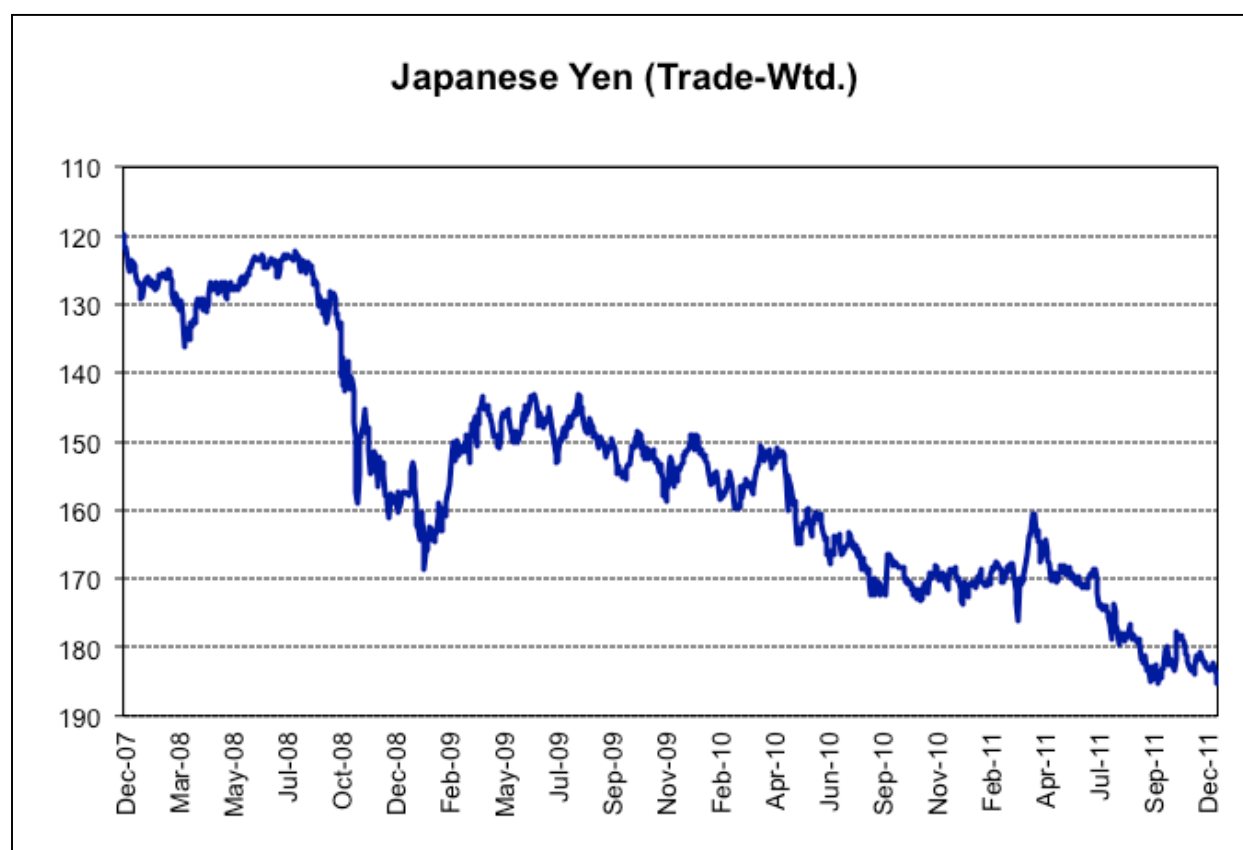
Nationwide Core Consumer Prices were unchanged M/M and declined 0.2% Y/Y in November. Core-Core Prices, which exclude food and energy, declined 0.2% M/M and 1.1% Y/Y, roughly in line with market expectations. Within the data, declines in the prices of entertainment, household goods, and food were offset by increases in the prices of utilities, clothing/footwear, and miscellaneous items.

In Tokyo, Core Prices increased 0.1% M/M and dropped 0.3% Y/Y in December, while Core-Core Prices declined 0.1% M/M and 1.1% Y/Y.

Japan's Financial Balances

Financial Balances

<i>Japan</i>	<i>Last period (¥trln)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-3.03 (May)	-6.9%
Trade Balance	0.69 (June)	2.2%
Current Account Balance	1.50 (June)	5.2%
Private Balance	--	12.1%



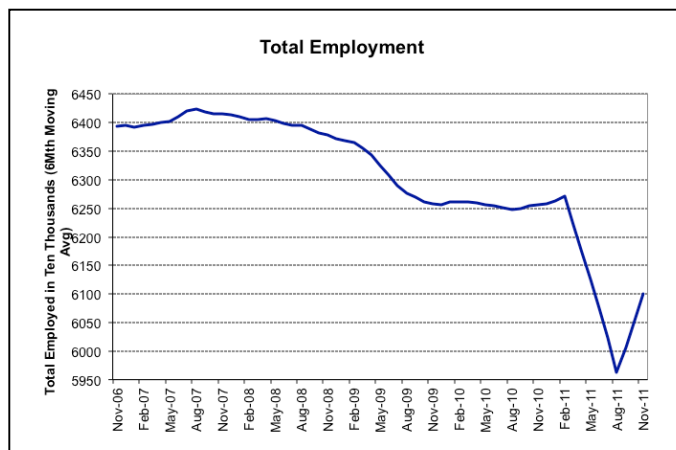
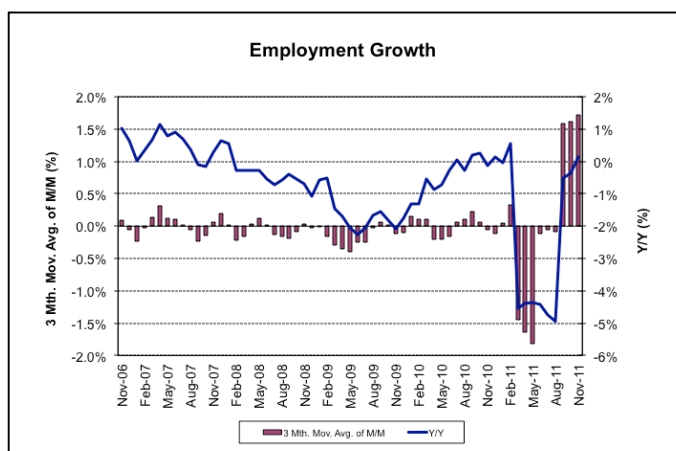
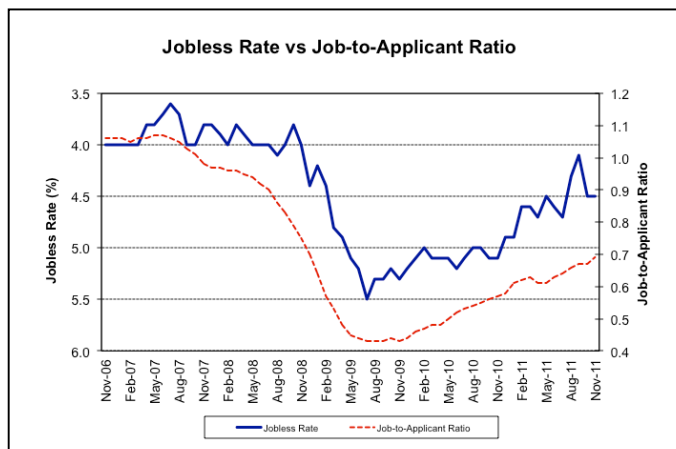
Employment Data

Employment

The Unemployment Rate in Japan was unchanged at 4.5% in November, as the market had largely anticipated.

Within the data, the number of employed increased by 30k while the number of unemployed increased by 40k. The labor force grew by 80k while the non-labor force declined by 80k.

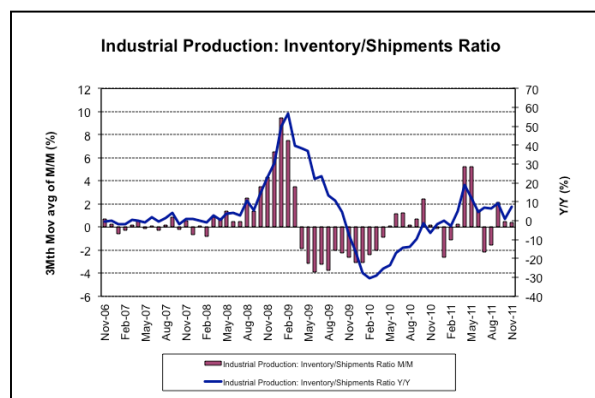
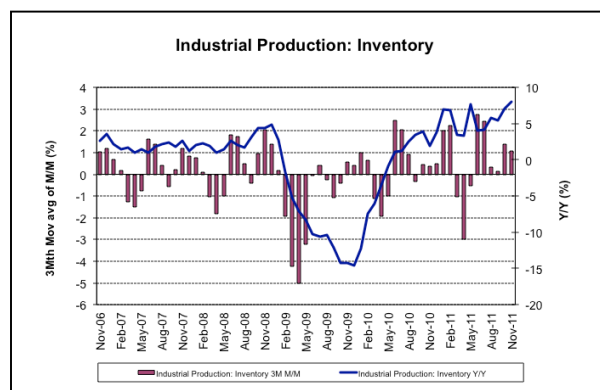
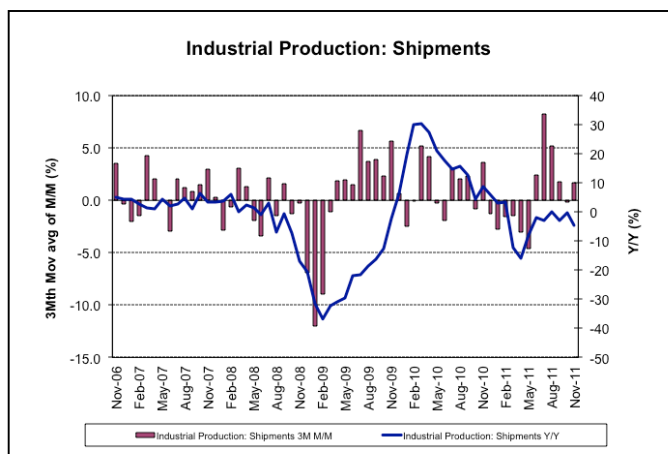
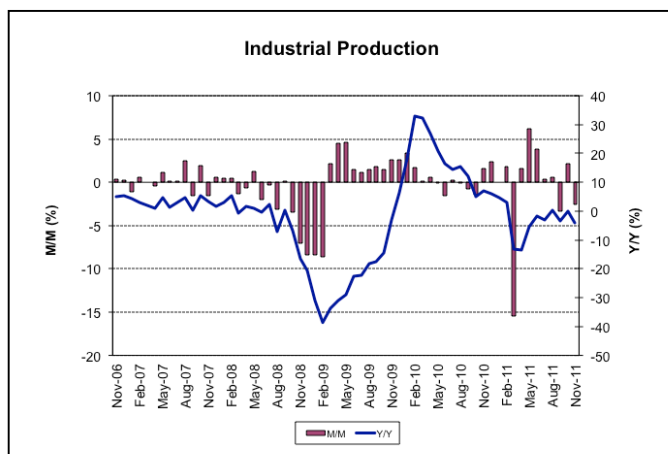
The job-applicant ratio increased from 0.67 to 0.69 against expectations for an increase to 0.68.



According to preliminary data, Industrial Production dropped 2.6% M/M and 4.0% Y/Y in November, falling faster than the 0.8% M/M drop the market had expected.

Within the report, shipments declined 1.5% M/M and 4.5% Y/Y. Inventories declined 0.8% M/M and 8.0% Y/Y. The inventory ratio declined 1.7% M/M and increased 7.5% Y/Y.

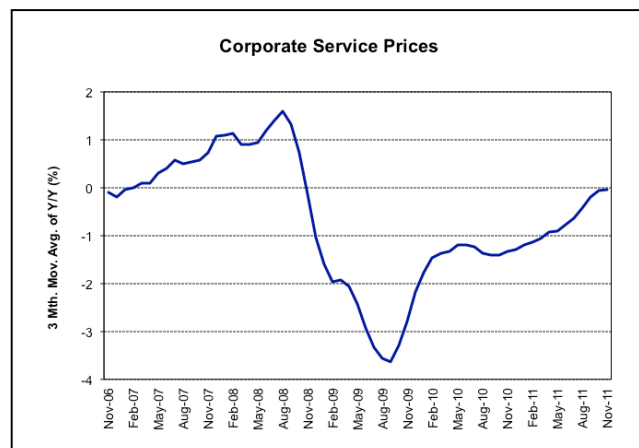
Declines in production were largely attributed to weakness in transport equipment, IT, and iron & steel industries, in that order. Looking forward to December, producers expect production to increase 4.8% M/M before increasing a further 3.4% M/M in January.



Corp Service Prices & Retail Trade

Corp Service Prices

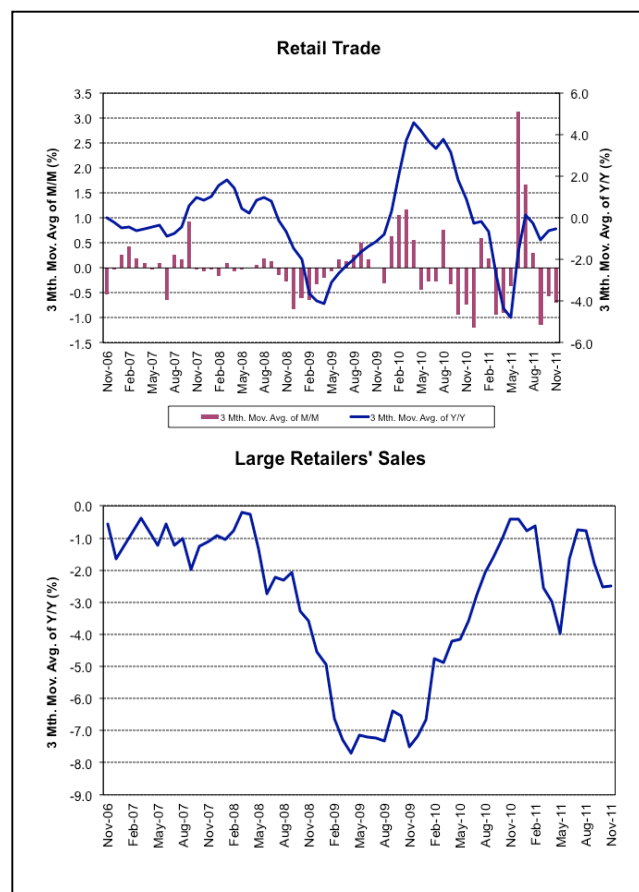
Corporate Service Prices declined 0.2% M/M and 0.2% Y/Y in November, marking the third monthly decline in four months. The decline went against market expectations for no change and occurred on weaknesses in real estate, air and rail freight, internet, and advertising service prices.



Retail Trade

Retail Sales declined 2.1% M/M and 2.3% Y/Y in November, falling significantly quicker than the 0.5% M/M drop the market had anticipated.

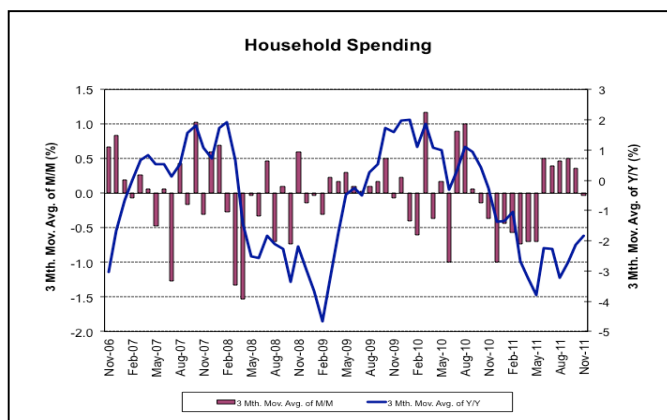
Among large stores, sales declined 1.5% M/M and 2.5% Y/Y.



Household Spending, Small Business Confidence & Supermarket Store Sales

Household Spending

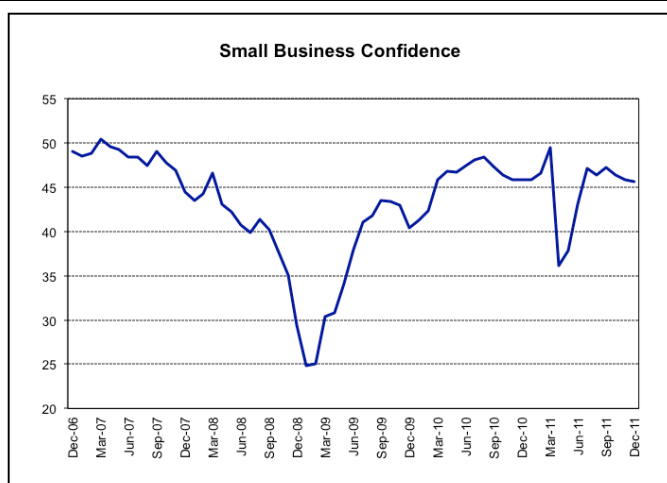
Overall Household Spending declined 1.3% M/M and 3.2% Y/Y while spending among workers declined 1.7% M/M and 4.1% Y/Y. This decline compared with market expectations for a 1.2% Y/Y drop.



Small Business Confidence

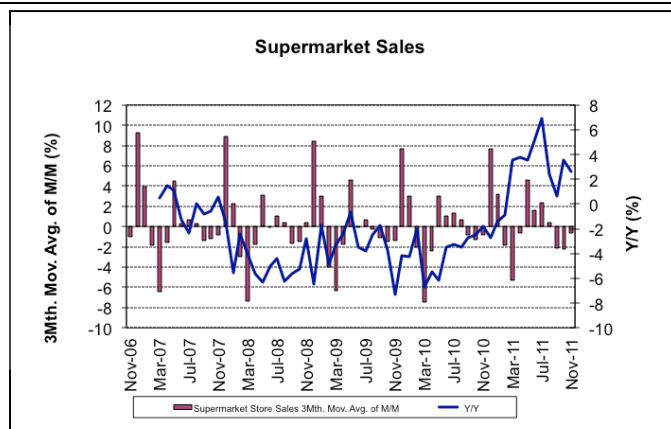
Small Business Confidence ticked lower by 0.2pts in December, dropping to 45.6. The decline occurred as both manufacturing and non-manufacturing confidence dropped 0.2pts, bringing them to 45.2 and 45.8 respectively.

Within the forward looking index, confidence is expected to drop 0.6pts to 45.0 in January as manufacturing confidence is expected to drop an additional 1.0pts to 44.2 while non-manufacturing confidence is expected to drop an additional 0.3pts to 45.5.



Supermarket Store Sales

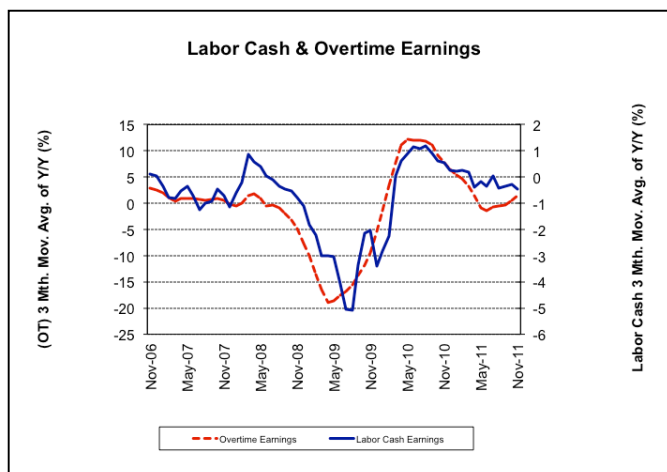
Supermarket Store Sales dropped 0.4% M/M and 2.3% Y/Y in November as food and other sales outweighed monthly improvements in clothing, household goods and services.



Labor Cash Earnings & Vehicle Production

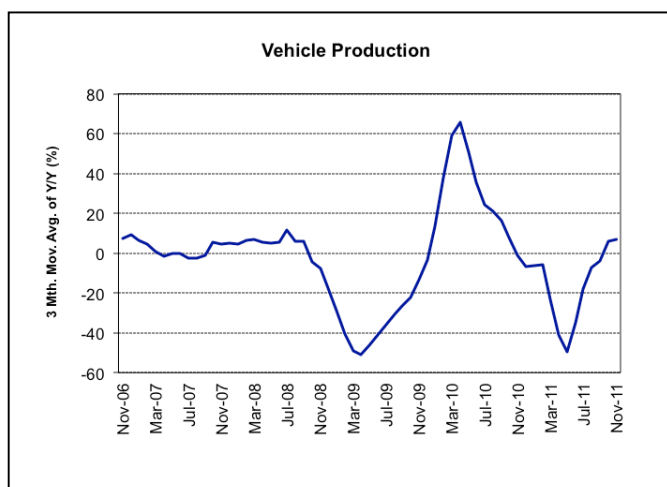
Labor Cash Earnings

Labor cash Earnings declined 1.0% Y/Y in November against market expectations for no change. Also within the report, hours worked increased 0.1% Y/Y as overtime hours worked dropped 0.9% Y/Y while scheduled hours worked increased 0.2% Y/Y. Manufacturing hours worked did not change. In addition, the report showed that employment increased 0.6% Y/Y due to full time gains although manufacturing employment declined 0.3% Y/Y.



Vehicle Production

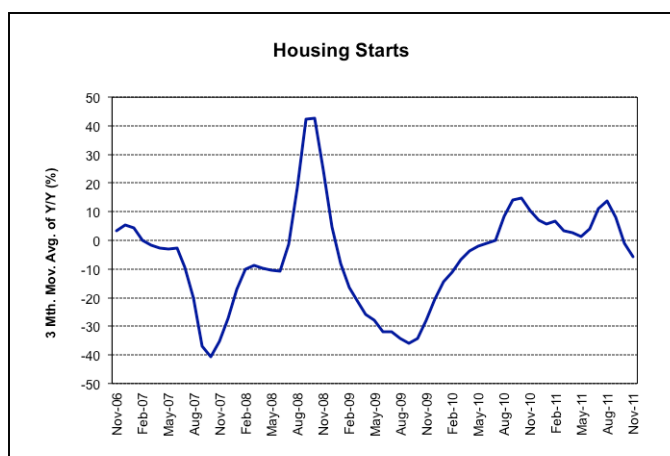
Vehicle Production increased 4.5% Y/Y in November.



Housing Starts, Construction Orders & News

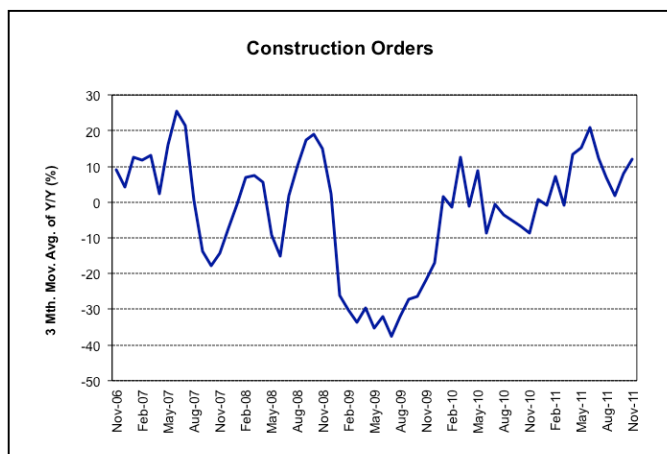
Housing Starts

Housing Starts increased 9.1% M/M and dropped 0.3% Y/Y in November. The number of houses for sale increased 15.9% M/M and 13.1% Y/Y. On an annualized basis, the number of starts increased from 774k in October to 844k in November, the strongest rate since August.



Construction Orders

Construction Orders increased 21.0% Y/Y in November due to domestic private demand.



News

January 4th – PM Noda Promises to Raise Sales Tax – PM Yoshihiko Noda commented that he'd "never give up" achieving the goal of raising the consumption tax, commenting that "I believe the situation will change if I can firmly explain something that is in a good cause." He promised to submit the bill to parliament by the end of this fiscal year (March) but acknowledged that he has to overcome "several hurdles" to obtain approval. The ruling DPJ seeks to raise the consumption tax from the current 5% to 8% in October 2013 and raise it again to 10% in April 2015.

January 4th – Machinery Tool Makers Forecast Turns "Cloudy" – According to a survey conducted by the Nikkei, industrial machinery and machine tool industries face "cloudy" conditions in Q1 after having enjoyed "partly sunny" skies the previous quarter. For the second consecutive quarter, no sectors are projected to bask in the "sun". Just one sector, electricity providers, is expected to be hit with "rain".

Key Dates

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
1/5	Vehicle Sales (YoY)	N/A	24.10%
1/10	Official Reserve Assets	N/A	\$1304.8B
1/11	Coincident Index CI	N/A	91.4
1/11	Leading Index CI	N/A	92
1/11	Bank Lending Ex-Trusts YoY	N/A	0.20%
1/11	Bank Lending incl Trusts (YoY)	N/A	0.20%
1/11	Current Account Total	N/A	¥562.4B
1/11	Adjusted Current Account Total	N/A	¥518.6B
1/11	Current Account Balance YOY%	N/A	-62.40%
1/11	Trade Balance - BOP Basis	N/A	-¥206.1B

Valance Co., Inc.

Valance Economic Report: United Kingdom

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January 4, 2012

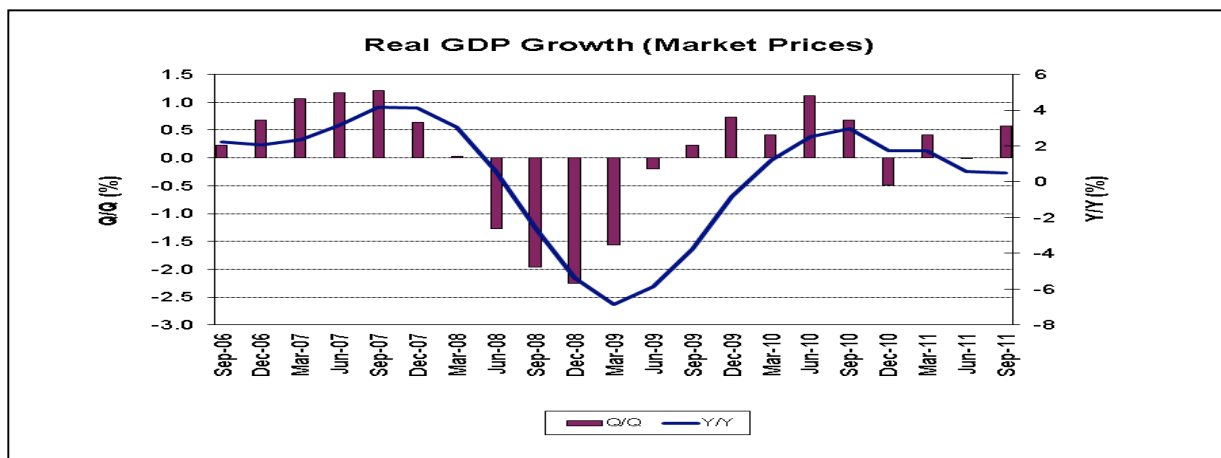
Q3 economic growth accelerated more than previously estimated but the BoE asserted that the U.K. economy “may fail to grow in Q4 and the first part of 2012.

Weekly Highlights

Real GDP – grew 0.6% Q/Q and 0.5% Y/Y in Q3. (UK 1)

PMI Manufacturing Index – increased 1.9pts to 49.6 in December. (UK 4)

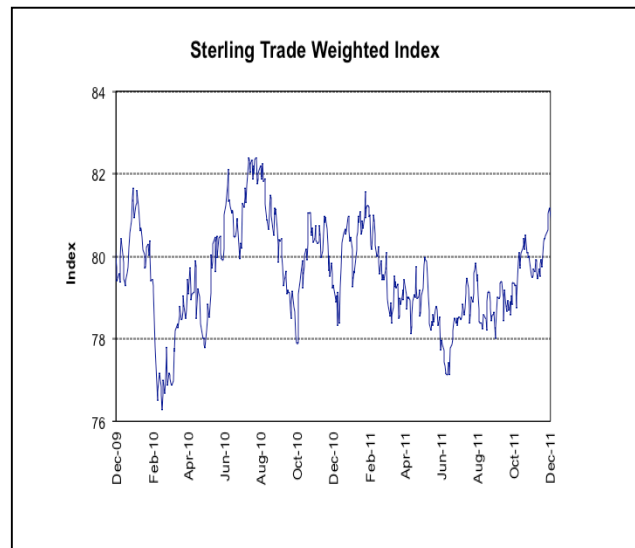
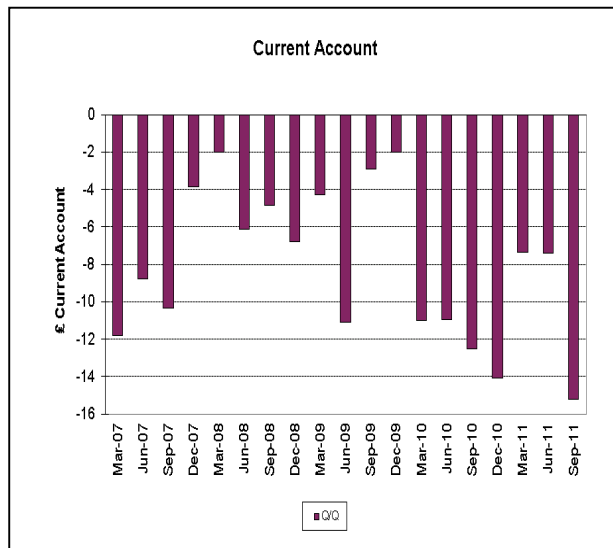
BoE Mortgage Approvals – rose from 52.7k to 52.8k in November. (UK 4)

Weekly Releases & News**Chart(s) of the Week: *Real GDP Growth***

Q3 GDP grew 0.6% Q/Q and rose 0.5% Y/Y. Original estimates were for 0.5% Q/Q and 0.5% Y/Y growth. Consumer spending was unchanged Q/Q, while government spending rose 0.2% Q/Q. Exports declined 0.8% Q/Q and imports rose 0.5% Q/Q. The annual GDP deflator was 2.8%. Total Business Investment rose 0.3% Q/Q (-1.4% prev., -1.4% exp.) and accelerated from 0.3% Y/Y in Q2 to 4.3% Y/Y (0.3% prev., 0.3% exp.). The BoE said that the U.K. economy may fail to grow in Q4 and the first part of 2012.

Financial Balances, FX & Current Account

<i>U.K.</i>	<i>Last Period (bln BP)</i>	<i>Last 12mth. % of GDP</i>
Budget Balance (monthly/total)	+15.2 (Nov)	+12.6%
Curr. Acct. Balance (quarterly)	-2.0(Sep)	-2.9%
Private Balance	+13.2	+9.4%

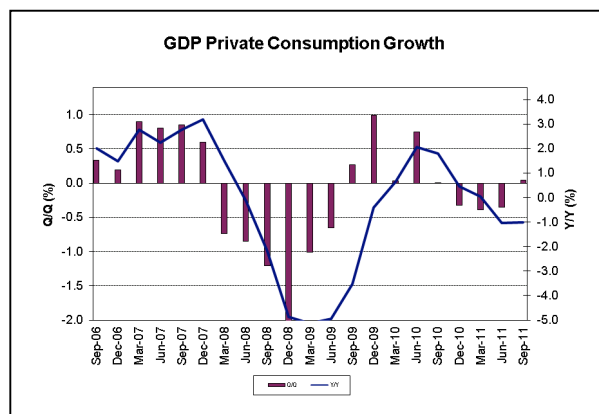


The Current Account Deficit widened from a revised 7.4bln (previously -2.0bln) in Q2 to -15.2bln in Q3. As a percentage of GDP, the deficit rose from 2.8% to 2.9%.

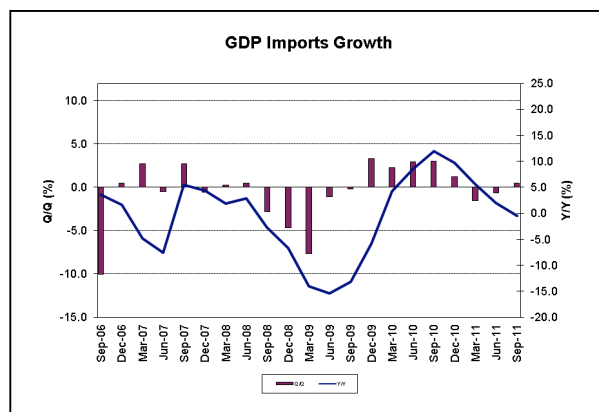
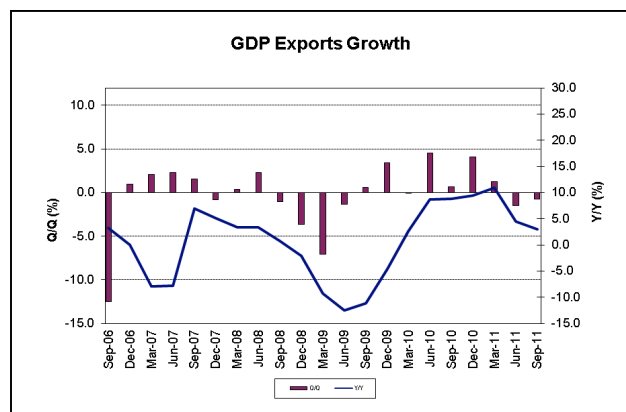
GDP Details & BBA Loans

Household Consumption Growth

Household Consumption was flat Q/Q and fell 1.0% Y/Y in Q3.



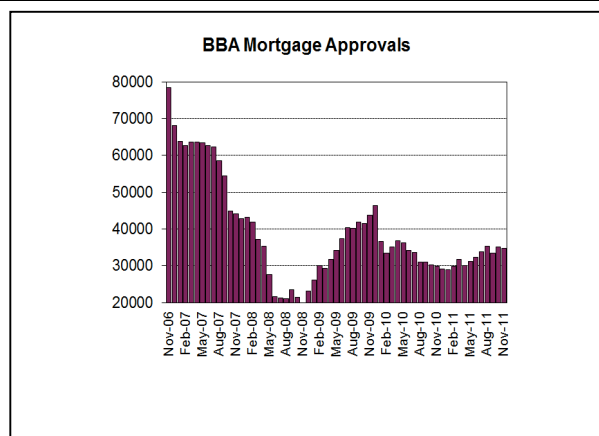
Exports & Imports



Total Exports fell 0.8% Q/Q and rose 3.0% Y/Y in Q3. Total Imports rose 0.5% Q/Q and fell 0.5% Y/Y.

BBA Loans

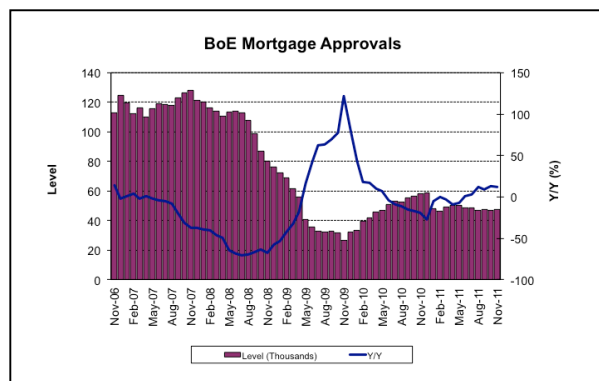
Banks granted 34,738 loans for home purchases in November, down from the downwardly revised 35,196 in October (previously 35,295). The number of loans for re-mortgaging fell 11.3% M/M in November.



BoE Mortgage Approvals, N'wide Housing Survey & PMI

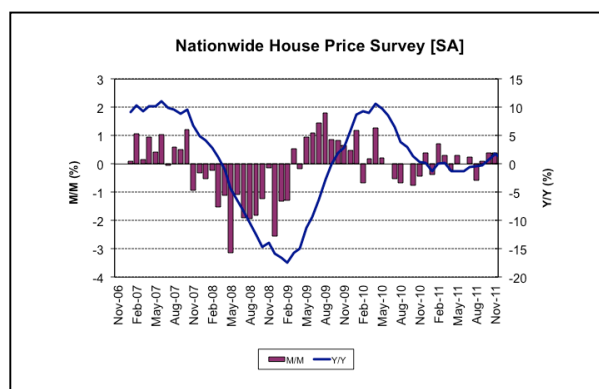
BoE Mortgage Approvals

According to the BoE, lenders granted 52,854 loans to buy homes in November, compared with 52,786 in October. This improvement brings the series to a two year high although overall lending to consumers and businesses remains weak.



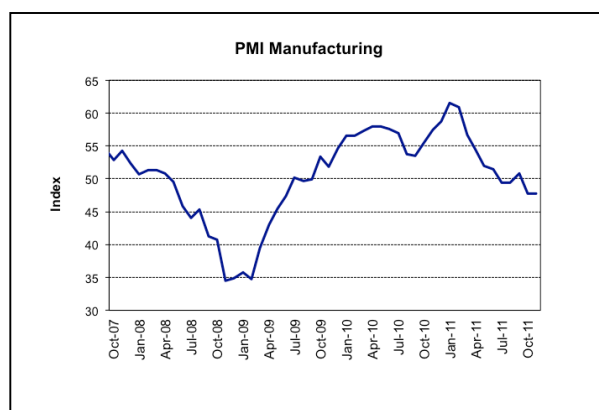
Nationwide House Price Survey

U.K.'s December Home Prices fell 0.2% M/M and slowed from 1.6% Y/Y to 1.0% Y/Y. Economists predicted a flat monthly result.



PMI - Manufacturing

The PMI Index of Manufacturing increased from 47.7 in November to 49.6 in December, more than the 47.3 expected. The average level of this index in Q4 is the weakest since Q2 2009. The index was at a 17-year low level of 34.5 in November 2008.



Data & Comments

Index of Services Data:

The Service Industries Index dropped 0.7% M/M and rose 0.2% 3M/3M in October after increasing 0.1% M/M and 0.3% 3M/3M previously. This is the largest 3M/3M decline in six months. Business Services and Finance rose 0.2% 3M/3M, while Wholesale and Retail dropped 1.6% 3M/3M. The Hotel & Restaurants category had a 0.2% 3M/3M decline.

PMI - Construction

The PMI Index of Construction rose from 52.3 in November to 53.2 in December. The increase was unexpected and extended the expansion period to 12 months.

Jan. 2nd - U.K. Economy Likely to Worsen in 2012, Economists Tell Study (Bloomberg) - The U.K.'s economy is likely to deteriorate in 2012 as its performance is affected by the ongoing crisis in the euro area, according to three-quarters of the 83 economists polled in a survey, the Financial Times reported. The majority of respondents, which included 11 former members of the Bank of England's Monetary Policy Committee, don't believe Chancellor of the Exchequer George Osborne should abandon his austerity plan for Britain despite the worsening situation, the FT said. While the measures were "a bit bold," the country "should not backtrack now," John Gieve, former deputy governor of the Bank of England, said, according to the newspaper. Just 21 of those surveyed said the measures were "too far and too fast," the FT said.

Jan. 2nd - U.K. Business Confidence Declines, Signaling Slump, Lloyds Says (Bloomberg) - U.K. business confidence in the economic outlook plunged last month to its lowest level in three years, according to Lloyds Bank Corporate Markets, which said there was a 74 % chance of a recession. An index of British companies' optimism about the economy compared with three months earlier dropped by 3 points from November to minus 23, the unit of Lloyds Banking Group Plc said in an e-mailed report released in London today. December's reading was the lowest since January 2009. "The results indicate that the economy will almost certainly begin the new year with a contraction," Lloyds economists Hann-Ju Ho and Jonathan Thomas wrote in the report. "As this indicator leads quarterly gross domestic product growth by three to four months, it suggests that economic activity will progressively weaken during the first quarter and the start of the second quarter of 2012."

News Cont'd.

Dec. 26th - U.K. House Prices Will Extend Declines in 2012, Hometrack Say (Bloomberg) - U.K. house prices will extend declines in 2012 as rising unemployment and weak consumer confidence erode demand, Hometrack Ltd. said. The average cost of a home will drop 3 % by December 2012, after decreasing 2.1 % this year and 1.6 % in 2010, the London-based property researcher said in an e-mailed report today. Values fell 0.2 % this month from November. "The fortunes of the housing market are directly linked to the wider economy, and looking ahead to 2012 the expectation is that growth will remain sluggish," Richard Donnell, Hometrack's director of research, said in a statement. "Low interest rates and housing turnover will continue to act as a support to prices, but the overall trend will be downwards." Property demand has weakened as banks restrict lending and Britons are squeezed by government spending cuts and tax increases aimed at narrowing the budget deficit. New homebuyer registrations, an indicator of demand, fell 11 % in the second half as uncertainty about the economy fueled by the euro- area debt crisis undermined confidence, Hometrack said.

Dec. 26th - Britain Loses Spot as Sixth-largest Economy to Brazil (Telegraph) - Britain has lost its spot as the world's sixth largest economy to Brazil, according the Centre for Economics and Business Research. The resource-rich South American economy has surged on exports to China, unhampered by the 2008 financial crisis that has hit growth in the UK. CEBR chief executive Douglas McWilliams said: "Brazil has beaten the European countries at soccer for a long time, but beating them at economics is a new phenomenon. Our world economic league table shows how the economic map is changing, with Asian countries and commodity-producing economies climbing up the league while we in Europe fall back." However over the next 10 years, Britain is expected to fare better than France, which is currently the fifth-largest economy behind the US at number one, China, Japan and Germany. The CEBR forecasts that the UK will be the eighth largest economy by 2020, with France in ninth spot, Germany in seventh spot and Russia and India in fourth and fifth place. Growth in Europe is expected to be slow next year, restricted by austerity measures to reduce huge government debts. The European Union will remain the world's largest trading bloc, though a recession next year is expected to hit global growth. The latest forecasts by the CEBR show world growth falling to 2.5pc in 2012, a downward revision on its predictions in September. However, this could fall to 1.1pc should "one or more countries" leave the euro, and there are "sovereign defaults and banks going bust and needing to be bailed out".

News Cont'd

Dec. 23rd - King Says Debt Crisis Threatens to Hurt Europe's Real Economy (Bloomberg) - Mervyn King, vice chairman of the European Systemic Risk Board, said Europe's sovereign debt crisis is threatening to hurt the real economy and the outlook for financial stability has worsened. Growth prospects "have deteriorated" since September, King, who is also governor of the Bank of England, said at a briefing hosted by the European Central Bank in Frankfurt yesterday. "Investors lack confidence to continue to provide normal levels of funding. Dependence on central banks has risen." The ECB loaned banks a record 489 billion euros for three years on Dec. 21 to avert a credit crunch from the sovereign debt crisis. The central bank said earlier this week that the turmoil has taken on systemic proportions not seen since the 2008 collapse of Lehman Brothers Holdings Inc. King said the outlook for financial stability has "worsened" since the last ESRB meeting in September, and while intervention by the ECB is expected to "assuage funding problems in the near term, in the longer term private funding markets must be revitalized."

Dec. 22nd - U.K. Housing Shortage Will Limit Price Drop in 2012, RICS Says (Bloomberg) - British house prices will "edge lower" next year as a supply shortage helps to limit the impact of weak economic growth on values, the Royal Institution of Chartered Surveyors said. Prices will be about 3 % lower at the end of 2012 than in the fourth quarter of this year. A survey of estate agents shows northern England will have the weakest performance, while prices in the capital will "move sideways," RICS said. "The general economic climate is likely to be the biggest influence on the residential property market," RICS said. "Prices could edge a little lower as unemployment continues to rise. However, the lack of supply in the market is likely to prevent any significant house-price declines." Demand for homes has weakened as banks restrict lending and Britons are squeezed by government spending cuts and tax increases aimed at narrowing the budget deficit. The economy will be "broadly stagnant" during the first half of next year as unemployment rises, preventing a "material upswing" in new buyer enquiries, RICS said.

DEC. 22nd - U.K. Third-Quarter GDP May Be as Good as It Gets: Niraj Shah (Bloomberg) - The U.K. may slide into recession in the first half of 2012. The country's weak expansion in Q3 is likely to be as good as it gets for the foreseeable future. The country's average growth rate has been 2.4 % since 1955 and was 3 % in the 10 years before the financial crisis. The OECD said the U.K. probably entered recession in October. The Office for Budget Responsibility and the BoE expect growth to grind to a halt in the first half. Moody's cut its forecast to 0.7 % for 2012. The U.K. economy only grew in Q3 as a result of stock building and government spending. Inventories added 0.7 %age point to GDP, while government expenditure added 0.2 %age point, according to the second estimate. That is unlikely to continue in the quarters ahead. Austerity measures alone may lower output by 0.8 %age point next year, based on OBR forecasts that government spending will contract at an annual average rate of 1.3 %. That compares with an average growth rate of 2.3 % in expenditures between 2000 and 2010. Government spending has a 23 % weighting in the national accounts. The euro-area debt crisis is expected to hamper investment and slow down trade within a region that accounts for about half of British exports.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
1/5	PMI Services	DEC	52.1
1/5	Official Reserves (Changes)	DEC	-\$249M
1/6	New Car Registrations (YoY)	DEC	-4.20%
1/8	Lloyds Employment Confidence	DEC	-75
1/9	BRC Sales Like-For-Like YoY	DEC	-1.60%
1/9	RICS House Price Balance	DEC	-17%
09-13 JAN	Halifax House Prices sa (MoM)	DEC	-0.90%
09-13 JAN	Halifax House Price 3Mths/Year	DEC	-1.00%
1/10	BRC Shop Price Index YoY	DEC	2.00%
1/11	Visible Trade Balance GBP/Mn	NOV	-7557
1/11	Trade Balance Non EU GBP/Mn	NOV	-4554
1/11	Total Trade Balance (GBP/Mln)	NOV	-1552

Valance Economic Report: Canada

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January 4, 2012

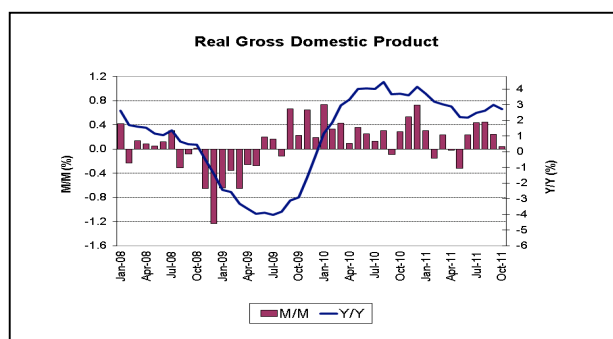
Real GDP stalled in October, supporting the BoC's expectation of modest growth in Q4 and early next year. The IMF cautioned about the rising level of household debt.

Weekly Highlights

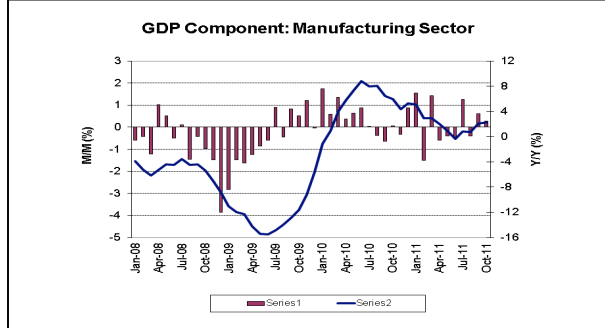
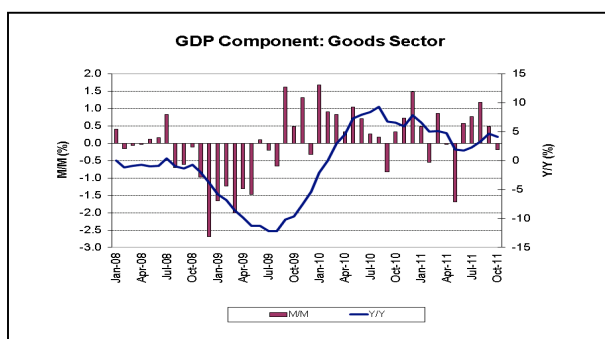
Real GDP – stalled M/M and grew 2.7% Y/Y in October. (CA 1)

Weekly Releases & News

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



Real GDP stalled M/M (+0.2% prev.) in October, against a 0.1% M/M growth expected, and slowed from 3.0% Y/Y in September to 2.7% Y/Y. This follows four consecutive monthly increases. On a quarterly annualized basis, real GDP grew 3.5% in the July-September period, following a 0.5% drop in the prior quarter.



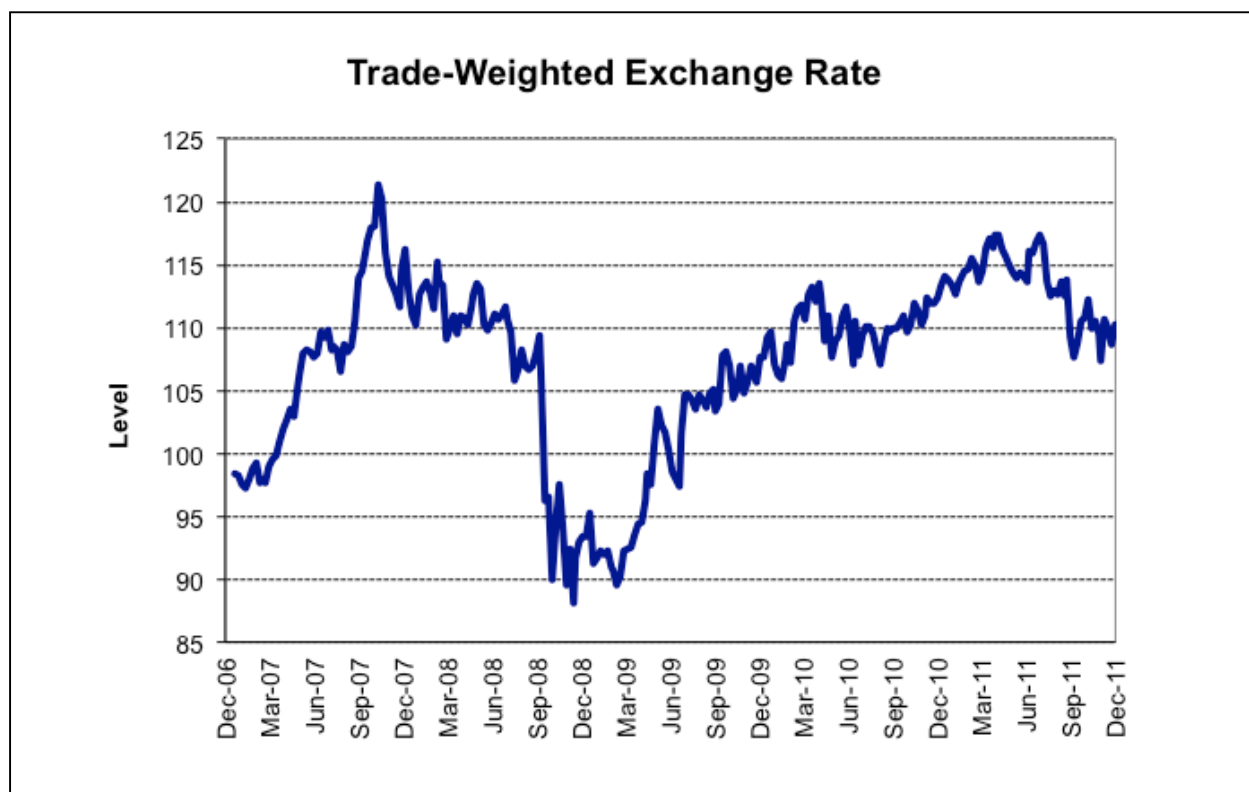
The Goods sector contracted 0.2% M/M, the Manufacturing sector expanded 0.3% M/M, Services grew 0.2% M/M, Construction fell 0.4% M/M and the Energy sector fell 0.2% M/M. The Industrial Production sector fell 0.1% M/M and Utilities dropped 1.5% M/M.

FX and Financial Balances

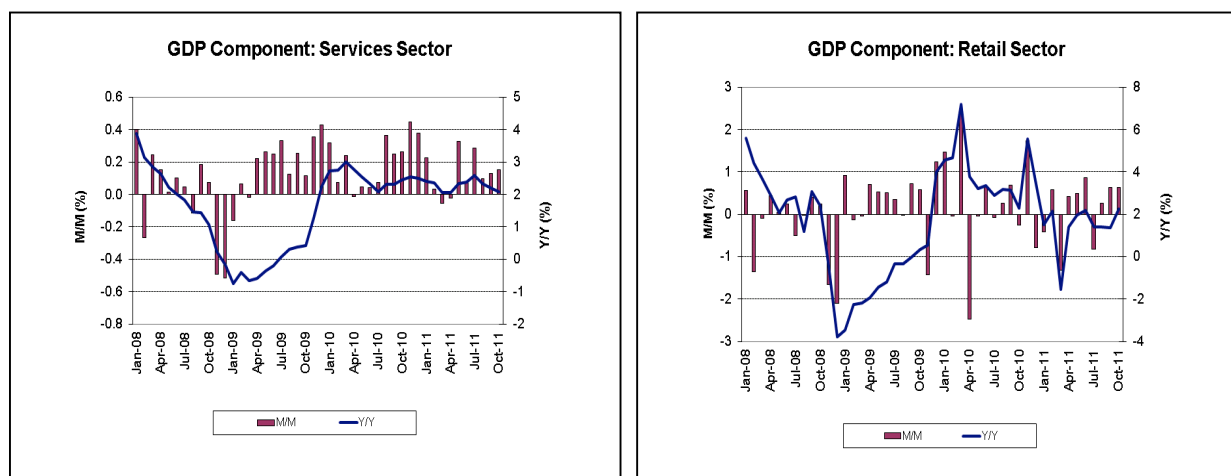
Financial Balances

<i>Canada</i>	<i>Latest period (C\$bln)</i>	<i>Last 12mth. as % of GDP</i>
Budget Balance	-0.9 (Feb)	-2.3 %
Trade Balance	+1.25 (Sep)	-1.5%
Current Account Balance	-12.1 (Q3)	-3.1%
Private Balance	--	-5.4%

Trade-Weighted Exchange Rate



GDP Data Cont'd., RMPI & IPPI



The Service sector growth was 0.2% M/M and 2.1% Y/Y in October, while the Retail sector rose 0.6% M/M and 2.3% Y/Y in the same period.

News

Dec. 22nd - IMF Sees Canada House Prices, Private Debt Threat to Growth (Bloomberg)

Canadian authorities may need to take more measures to rein in the rising level of household debt, which along with high house prices poses a risk to the nation's economy, the International Monetary Fund staff said. "Adverse macroeconomic shocks, such as a faltering global environment and declining commodity prices, could result in significant job losses, tighter lending standards, and declines in house prices, triggering a protracted period of weak private consumption as households reduce their debt," IMF staff wrote in the annual assessment of the country's economy. Canadian household debt rose to a record 153 % of disposable income in the third quarter as borrowing increased, Statistics Canada reported last week. The Bank of Canada said this month that high consumer debt is the main domestic risk to financial stability, and predicted the burden will keep reaching records as income growth lags behind borrowing. House prices in some regions are "above levels consistent with economic fundamentals," IMF economists said, citing an average of 10 % overvaluation. A 15 % decline in house prices accompanied by a severe downturn in construction activity "could result in a GDP decline of some 2.5 % over a period of two years relative to the baseline," IMF staff economists said in the report.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectations</i>	<i>Previous</i>
1/5	Industrial Product Price MoM	NOV	- -	-0.10%
1/5	Raw Materials Price Index MoM	NOV	- -	-1.20%
1/5	Ivey Purchasing Managers Index SA	DEC	- -	59.9
1/6	Full Time Employment Change	DEC	- -	34.6
1/6	Net Change in Employment	DEC	- -	-18.6K
1/6	Participation Rate	DEC	- -	66.6
1/6	Part Time Employment Change	DEC	- -	-53.3
1/6	Unemployment Rate	DEC	- -	7.40%
1/9	Building Permits MoM	NOV	- -	11.90%
1/10	Housing Starts	DEC	- -	181.1K

Valance Co., Inc.

Valance Economic Report: Australia

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January 4, 2012

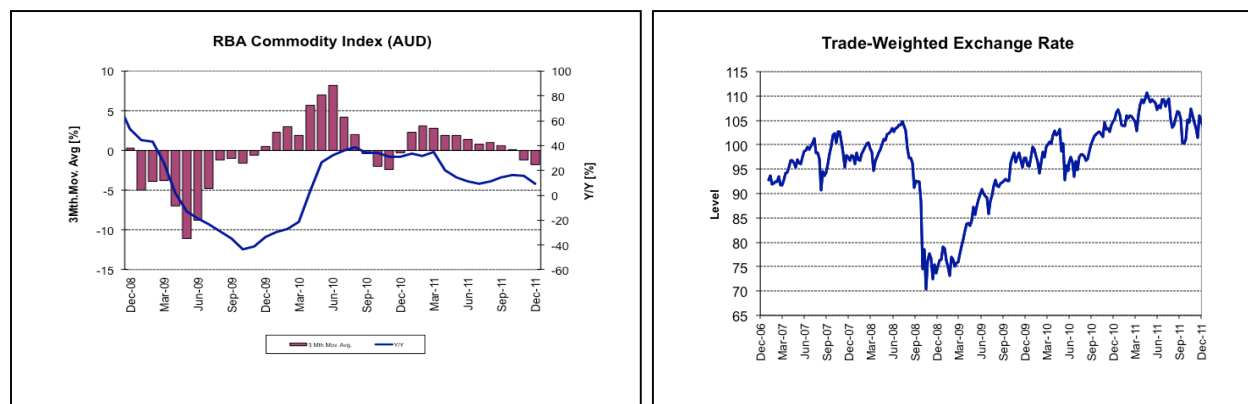
Manufacturing PMI expanded for the first time in six months in December. RP Data & the Riskmark housing survey showed that Australian home prices continued their weakest performance in the history of the survey.

Weekly Highlights

RBA Commodity Price Index – fell from 107.2 in November to 104.5 in December. (AU 1)

AiG Manufacturing Index – rose from 47.8 in November to 50.2 in December. (AU 2)

Riskmark Home Price Index – fell 0.2% M/M in November. (AU 2)

Weekly Releases & News**Charts of the Week: *RBA Commodity Prices & FX***

The RBA Commodity Price Index fell from 107.2 in November to 104.5 in December. This is the first monthly increase since August. In AUD terms, the index fell 2.5% M/M, its fourth straight monthly decline, and rose 9.5% Y/Y.

Data & News

AiG Performance of Manufacturing Index - The Performance of Manufacturing Index rose from 47.8 in October to 50.2 in December. This is a first expansion in 6 months and a third reading above 50 in 2011. A reading above/below 50 indicates the sector is expanding/contracting.

RP Data Riskmark Home Price Index - Home prices in Australia's eight capital cities slid 3.7% in the first 11 months of 2011, extending the largest drop in at least 12 years on concerns Europe's debt crisis may damp the nation's economic growth. Brisbane led the decline, slumping 7% in the January-November period, followed by Melbourne, which posted a 5.7% decline. Home prices dropped 3.5 % in November from a year earlier after falling 3.9 % in October, the largest slide since RP Data began keeping records 12 years ago. Brisbane had the biggest decline last month, down 7 %, followed by Melbourne with 5.6 %. First-time purchasers accounted for 17.9 % of dwellings financed in October, up from 16.4 % in September, according to statistics bureau data. Prices in the top 20 % of suburbs, which peaked in August 2010, fell 7.3 % in October from a year earlier, according to RP Data.

News Cont'd. & Upcoming Dates

News

Dec. 31st - Treasurer Swan Sees Australia Economy Weathering Global Slowdown (Bloomberg) - Australia's economy is well placed to weather a global slowdown, and China has ample "firepower" to stimulate growth if Europe's fiscal troubles worsen, Treasurer Wayne Swan told the Weekend Australian newspaper. "We are in a position to maximize the opportunities that will flow from the strongest part of the global economy -- the Asia-Pacific," Swan said in the interview. "We can't be blind to the fact that things could suddenly worsen if there were some sort of systemic shock elsewhere in the globe, but my core view is that we are in a far stronger position to handle it." China's manufacturing contracted for a second month in December as global growth faltered, a purchasing managers' index released yesterday indicated. The index was at 48.7 in December, HSBC Holdings Plc and Markit Economics said. A reading below 50 indicates contraction. China is Australia's biggest export market, with shipments reaching a record A\$7.25 bln in October, according to government figures. The People's Bank of China may cut lenders' reserve requirements before a Lunar New Year holiday starting Jan. 23 that will fuel demand for cash, according to Bank of America Merrill Lynch. "They have plenty of policy firepower to respond if they're adversely affected by Europe," the newspaper quoted Swan as saying. "We're right to be concerned about particular vulnerabilities in the Chinese economy, but every piece of analysis I get gives me confidence they will continue to manage whatever domestic challenges they have in a prudent way." "I am pessimistic but realistic about Europe and hopeful about the U.S.," he told the newspaper. "But every trend I see in the global economy is that the medium and longer term works in our favor."

Key Dates This Week

Date	Indicator	Expectation	Previous
01/09	Trade Balance (NOV)	--	AUD 1595 mln
01/08	Retail Sales (NOV)	--	+0.2% M/M
01/09	Building Approvals (NOV)	--	-10.7% M/M -29.8% Y/Y
01/05	AiG Construction Index (DEC)	--	39.6
01/10	Westpac Consumer Confidence (JAN)	--	-8.3% M/M
01/10	Job Vacancies (NOV)	--	+3.3% M/M

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Valance Economic Report: New Zealand

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January 4, 2012

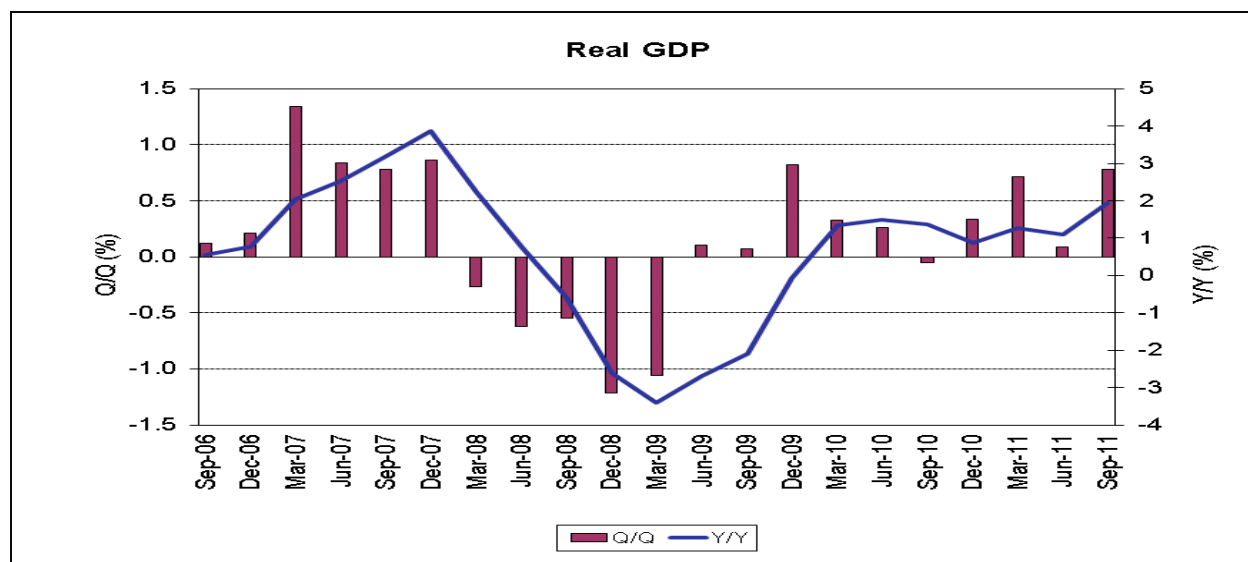
The NZ economy rebounded more than expected in Q3, as Rugby World Cup spending gave the economy a temporary lift.

Weekly Highlights

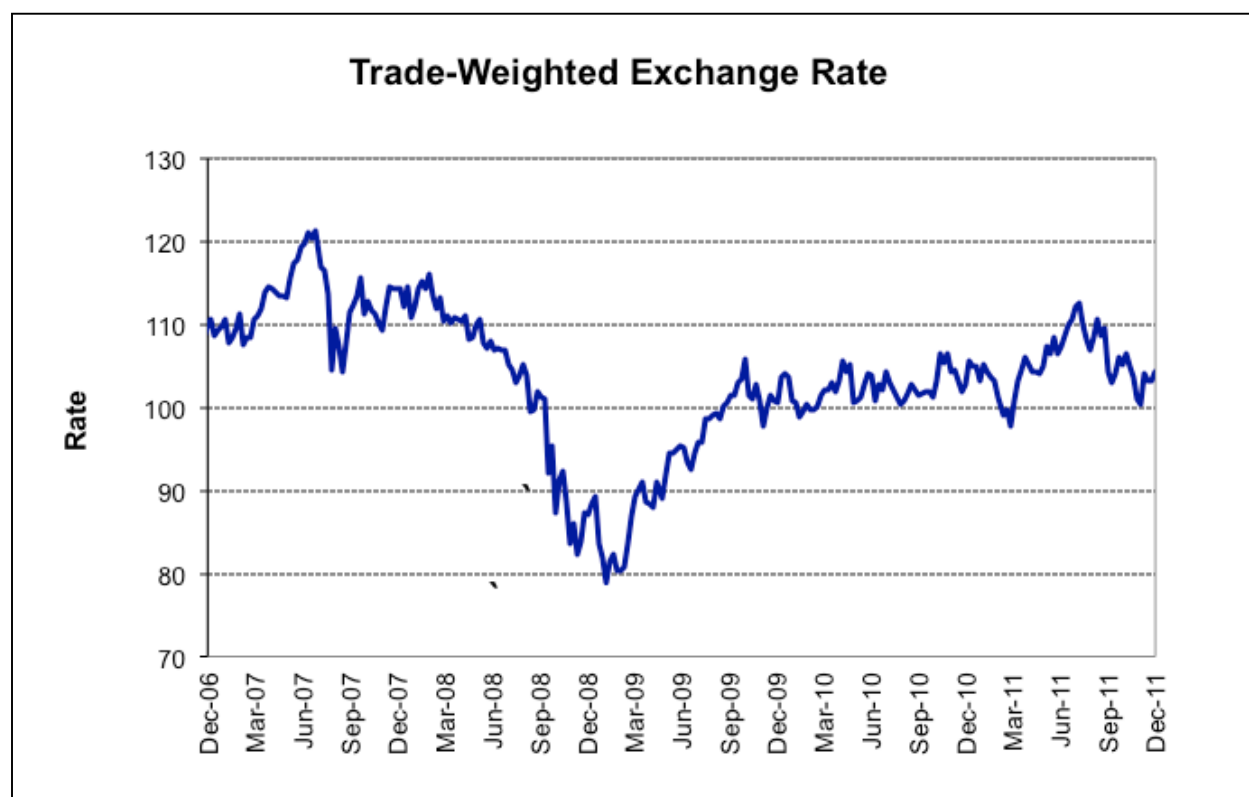
Real GDP – expanded 0.8% Q/Q in Q3. (NZ 1)

Weekly Releases & News

Charts of the Week: *Real GDP*

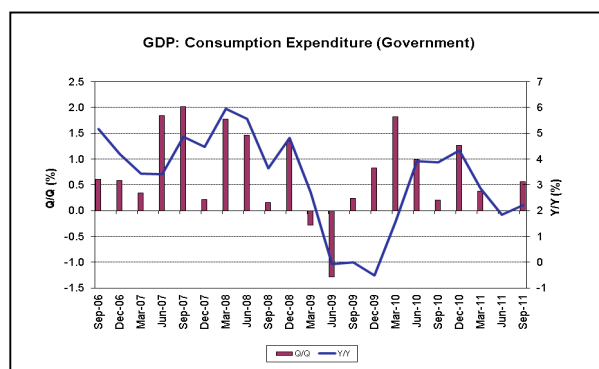
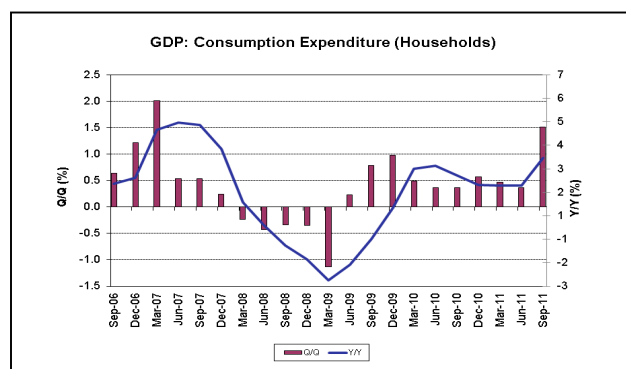


The economy grew 0.8% Q/Q (0.6% exp.) in Q3, after expanding 0.1% Q/Q in Q2. The economy grew 1.9% Y/Y, less than the 2.2% estimated. Retail trade rose 1.8% Q/Q, while restaurant and accommodation output increased 4.8% Q/Q, the most since records began in 1987.

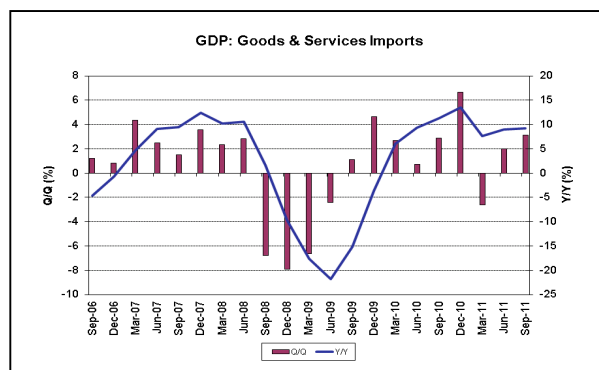
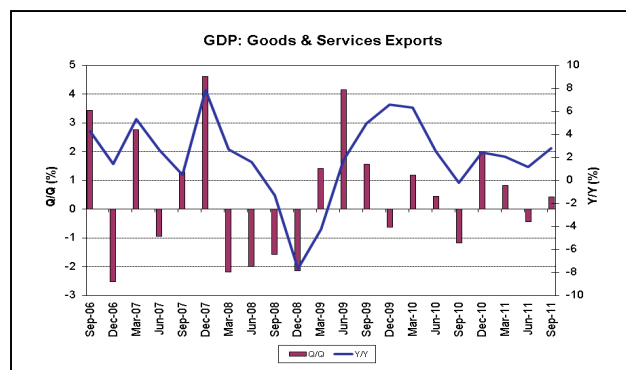
FX

GDP Components

Private/ Government Expenditure & Export/ Imports



Manufacturing advanced 2.3% Q/Q as meat and dairy production increased the most in nine years. Limiting growth, construction fell 2.2% Q/Q. Household consumption rose 1.5% Q/Q, the most since Q1 2007. Exports declined 1.8% Q/Q, while imports rose 3.1% Q/Q (including fees paid to host the Rugby Cup). Business Investment fell 1.9% Q/Q, as spending on residential buildings fell 1.8% Q/Q, the fifth straight decline.



Comments & Upcoming dates

Dec. 22nd - N.Z. Will Keep Cash Rate at 2.5% Until Sept, Deutsche Bank Says (Bloomberg) - Previously expected quarter-point rate rise in June. New Zealand Chief Economist, Darren, comments that he wouldn't be surprised is rate is unchanged throughout 2012.

Dec. 23rd - Christchurch Struck by Earthquake, Closing Malls and Airport (Bloomberg) - Christchurch, New Zealand's second- largest city, was struck by a magnitude-5.8 earthquake forcing officials to close the airport and evacuate shopping malls two days before Christmas. There were no reports of serious injuries or widespread damage following the temblor that struck just before 2 p.m., New Zealand Police said in an e-mailed statement. One person was injured and taken to hospital, police said. The temblor was 8 kilometers deep and centered 20 kilometers (13 miles) north-east of the city, New Zealand's GeoNet reported. There have been several aftershocks, including one of an equivalent magnitude, according to the U.S. Geological Survey. A part-demolished building and an empty house collapsed, police said. Some large holes were reported on a road.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
01/08	Trade Balance	NOV	-	-282 mln
01/09	Building Permits M/M	NOV	-	+11.2%

Weekly Economic Report: *China*

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The PMI Manufacturing indices rebounded in December. In November, Industrial Profits slowed to 24.4% Y/Y.

Weekly Highlights

PMI Manufacturing – rose from 49.0 in November to 50.3 in December. (CH 1)

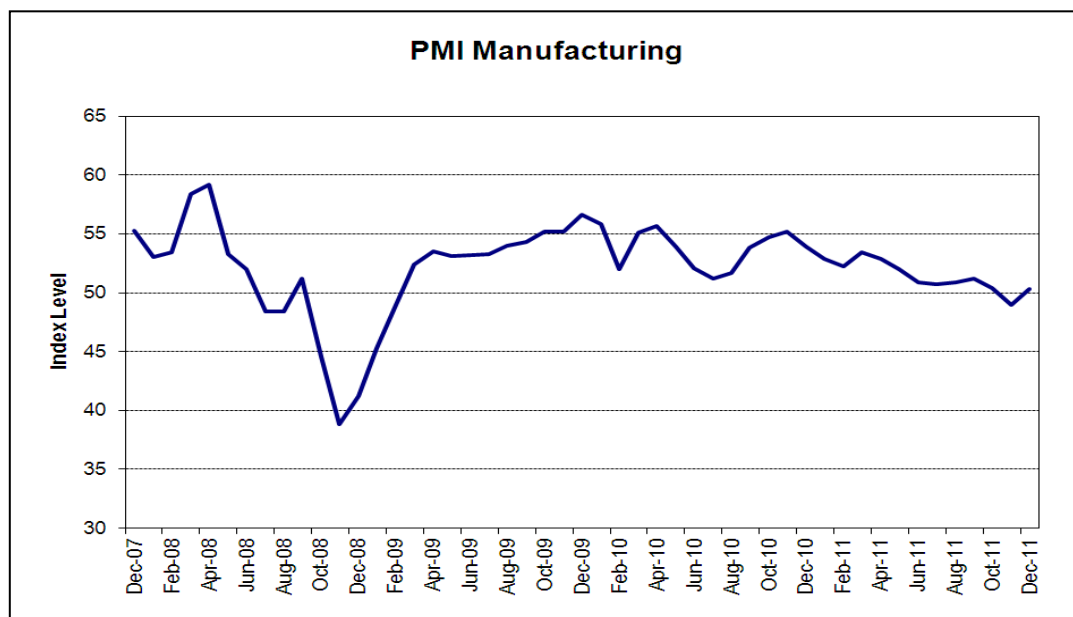
HSBC Manufacturing PMI – rose from 47.7 in November to 48.7 in December. (CH 2)

Leading Index – rose from 100.17 in October to 100.18 in November. (CH 3)

Industrial Profits – slowed from 25.3% Y/Y in October to 24.4% Y/Y in November. (CH 3)

Weekly Releases & News

Chart(s) of the Week: *PMI Manufacturing*



According to the China Federation of Logistics and Purchasing, the Purchasing Managers' Index rebounded 1.3 percentage points, from 49.0 in November to 50.3 in December – after sliding downward for two consecutive months. The Index was forecast to reach 49.1. Deputy Director of the CFLP, Cai Jin, remarked that “The fresh PMI data are beyond expectation. New Year's Day and the Spring Festival boosted demand and the newly drawn central policy brought by the Central Economic Working Conference enhanced public confidence on macro control.” See PMI Manufacturing Results on the following page.

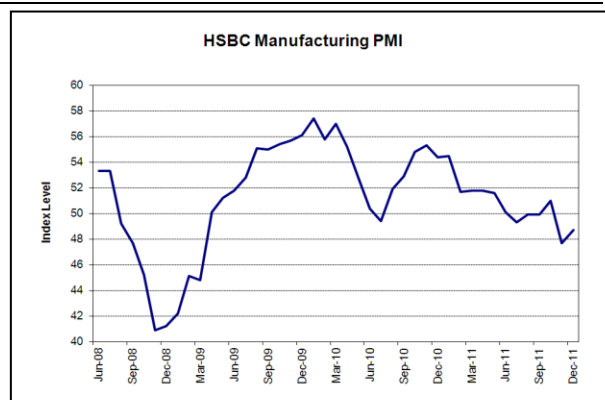
PMI Manufacturing Results, HSBC Manufacturing & Non-Manufacturing PMI

PMI Manufacturing Results

	Dec 2011	Nov 2011	Oct 2011	Sep 2011	Aug 2011	July 2011	June 2011	May 2011
Manufacturing PMI	50.3	49.0	50.4	51.2	50.9	50.7	50.9	52.0
Output	53.4	50.9	52.3	52.7	52.3	52.1	53.1	54.9
New Orders	49.8	47.8	50.5	51.3	51.1	51.1	50.8	52.1
New Export Orders	48.6	45.6	48.6	50.9	48.3	50.4	50.5	51.1
Backlogs of Work	46.6	45.2	46.0	48.9	47.6	46.5	45.9	47.7
Inventories of Finished Goods	50.6	43.1	50.3	49.9	48.9	49.2	51.0	50.0
Purchases Quantity	50.9	49.8	50.7	51.5	51.2	52.0	51.5	53.6
Imports	49.1	47.3	47.0	50.1	49.7	49.1	48.7	50.5
Input Prices	47.1	44.4	46.2	56.6	57.2	56.3	56.7	60.3
Inventories of Raw Materials	48.3	46.7	48.5	49.0	48.8	47.6	48.5	49.5
Employment	48.7	49.0	49.7	51.0	50.4	50.5	50.2	50.9
Supplier Delivery Times	50.1	50.4	50.7	49.5	49.9	50.3	49.8	49.9

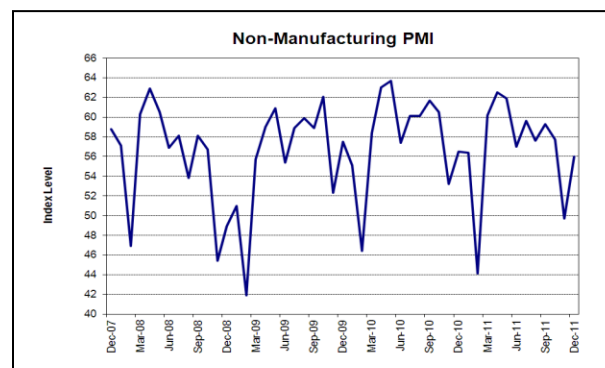
HSBC Manufacturing PMI

The HSBC Manufacturing PMI rose from a 32-month low of 47.7 in November to 48.7 in December; but fell short of the flash reading of 49. Qu Hongbin, Chief HSBC Economist remarked, “While the pace of slowdown is stabilising somewhat, weakening external demand is starting to bite. This, plus ongoing property market corrections, adds to calls for more aggressive action on fiscal and monetary fronts to stabilise growth and jobs, especially with prices easing rapidly.”



Non-Manufacturing PMI

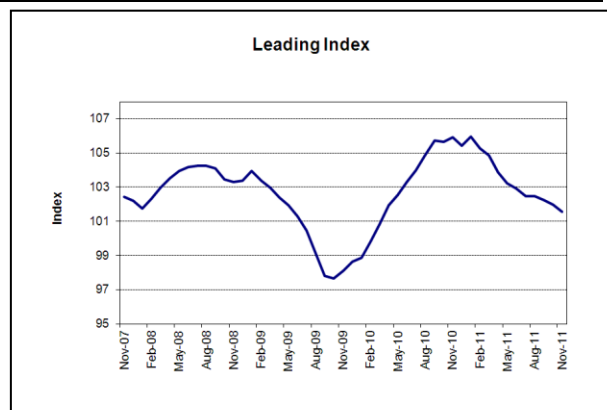
The Non-Manufacturing Purchasing Managers' Index rose from 49.7 in November to 56.0 in December. Vice Chairman, Cai Jin of the China Federation of Logistics and Purchasing remarked, “further reform and more favorable policies in taxation will promote a stable development in the service sector and a growth in consumer demand.”



Leading Index, Data & News

Leading Index

China's Leading Index rose slightly from 100.17 in October to 100.18 in November.



Data

December 26th (Bloomberg) - China's Industrial Profits – slowed from 25.3% Y/Y in November to 24.4% Y/Y in December – reaching 4.66 trln yuan. The National Bureau of Statistics stated, “Profitability of ferrous metal mining companies and oil and gas producers remained strong despite the general weakness.”

News

January 4th (Bloomberg) - China's Wen Jiabao Sees 'Relatively Difficult' First Quarter – Premier Wen Jiabao stated on the government's website:

We see downside pressure on our economy and elevated inflation at the same time.

We also face problems of weakening external demand and rising costs for companies.

Priority will be given to key projects and projects under construction, and we will limit industries suffering from overcapacity, those that cause heavy pollution and are energy intensive.

January 4th (Bloomberg) - China December Home Prices Fall – According to SouFun Holdings Ltd., home prices fell for a fourth consecutive month. Prices fell 0.25% M/M in December. Prices slid in 60 out of 100 cities tracked by the SouFun.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
01/01	CH HSBC Service PMI	DEC	--	52.5
01/06-10	Business Climate Index	Q4	--	133.4
01/06-10	Entrepreneur Conf. Index	Q4	--	129.4
01/08-13	PPI	DEC	1.7%	2.7%
01/08-13	CPI	DEC	4.0%	4.2%
01/09-10	Trade Balance	DEC	\$8.7B	\$14.53B
01/09-10	Exports / Imports	DEC	14.3% / 18.5%	13.8% / 22.1%
01/10-15	Foreign Exchange Res	DEC	\$3150.0B	\$3201.7B
01/10-15	New Yuan Loans	DEC	560.0B	565.2B
01/10-15	Money Supply – M0, M1, M2	DEC	-- / 7.7% / 12.6%	-- / 7.8% / 12.7%

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Valance Economic Report: Sweden

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January 4, 2012

In November, the Trade Surplus declined due to a fall in Exports; PPI rose above expectations; and Household Lending rose at a slower pace. Sweden's PMI manufacturing sector contracted less than expected in December. The minutes of the Riksbank's December 19th meeting showed four of the six board members agreed to the .25% repo rate cut and to lowering the repo rate path.

Weekly Highlights

Trade Surplus – narrowed to a surplus of SEK 3.5 bln in November. (SW 1)

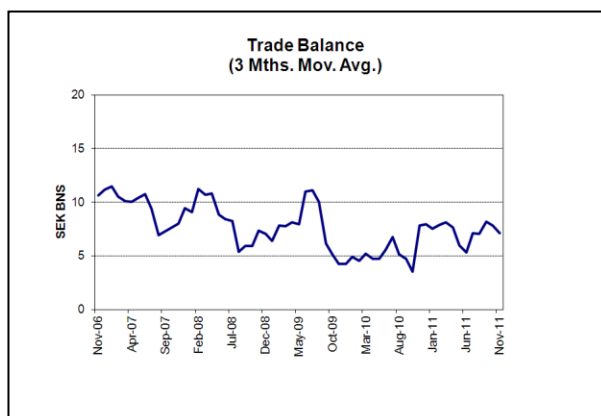
PPI – rose 0.8% M/M and 0.3% Y/Y in November. (SW 2)

PMI – rose from 47.6 in November to 48.9 in December (SW 2)

Household Lending – rose 5.3% Y/Y in November, following a 5.5% Y/Y gain in October. (SW 3)

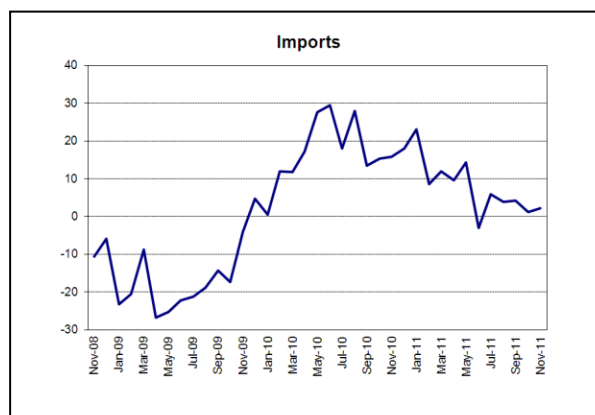
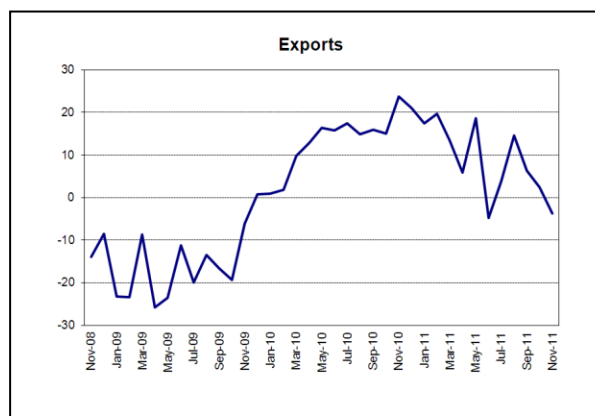
Weekly Releases & News

Chart(s) of the Week: Trade Data



Sweden's Trade Surplus narrowed from SEK 7.2 bln in October to SEK 3.5 bln in November, and down from a surplus of SEK 9.5 bln a year earlier. A surplus of SEK 7.5 bln was expected.

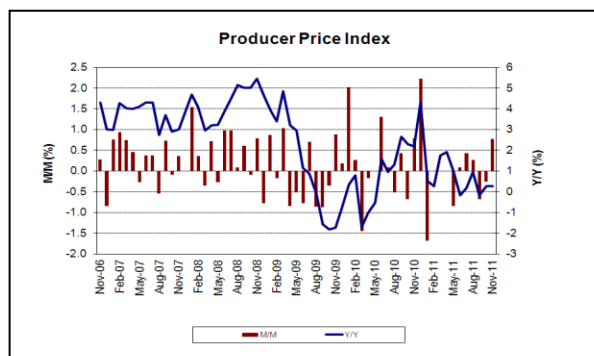
Exports decreased by 4.0% Y/Y, while Imports increased by 2.0% Y/Y to SEK 102.5 bln and SEK 99.0 bln, respectively.



SW 1

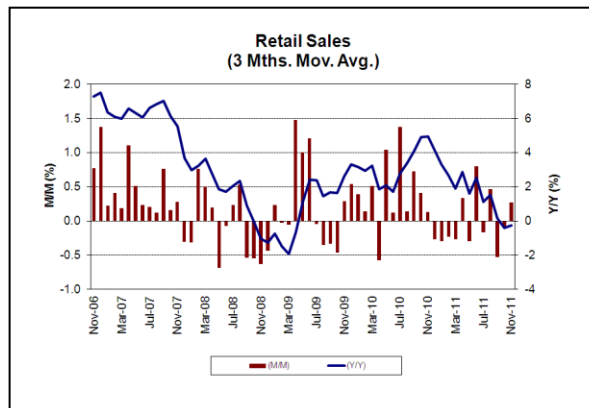
PPI

The Producer Price Index rose 0.8% M/M and 0.3% Y/Y in November, compared with -0.3% M/M and +0.3% Y/Y the previous month. Prices were forecast to gain 0.5% M/M and 0.1% Y/Y.



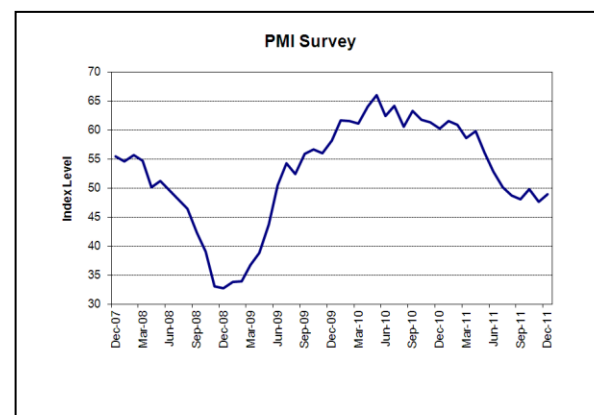
Retail Sales

Retail Sales rose 0.8% M/M and 0.7% Y/Y in November, compared with 0.4% M/M and -0.6% Y/Y in October. Sales were forecast to fall 0.3% M/M and 1.0% Y/Y. Additionally, Retail Sales for consumables were unchanged, while sales for durables increased by 1.3% Y/Y.



PMI

Sweden's Purchasing Managers' Index rebounded from 47.6 in November to 48.9 in December; still remaining below 50 for the fifth time since July 2011. It was expected to reach 47.9. All of the Index's 10 subcomponents remained below the expansion zone. Notably, Production, Delivery Times, and Employment were the largest positive contributors, while Orders declined. See below for PMI results.

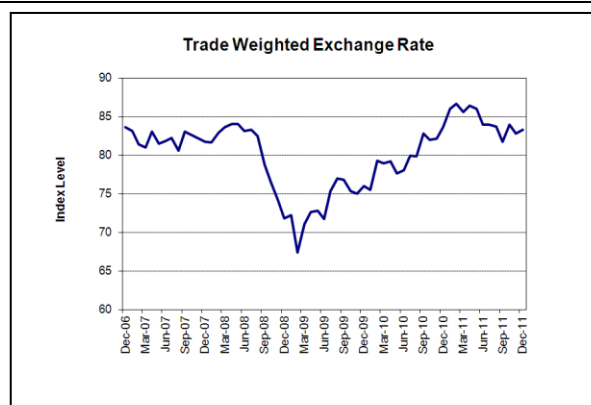


PMI Results, Trade Weighted Exchange Rate & Data

PMI Results

	Dec 2012	Nov 2011	Oct 2011	Sep 2011	Aug 2011	July 2011	June 2011	May 2011	Apr 2011	Mar 2011	Feb 2011
PMI	48.9	47.6	49.8	48.1	48.7	50.1	52.9	56.1	59.8	58.6	60.9
Orders	47.0	47.1	50.5	46.5	47.0	45.4	52.3	55.4	61.5	56.1	59.5
Production	49.2	46.2	48.2	48.9	48.6	49.4	54.0	59.8	61.9	61.4	65.0
Employment	49.5	48.3	50.7	50.0	50.9	53.7	51.3	54.4	57.7	58.3	61.1
Delivery Times	49.9	45.6	47.8	47.5	49.1	54.4	58.1	61.0	65.1	66.0	67.2
Stocks	48.3	46.0	47.1	52.0	51.5	50.1	51.4	55.6	54.6	52.0	64.4
Export Orders	48.7	47.5	48.9	48.3	48.0	46.9	52.5	52.8	58.3	54.7	58.8
Domestic Orders	45.1	46.1	49.1	46.2	42.3	43.4	48.8	56.4	56.9	54.0	56.3
Stocks of Orders	46.4	45.1	48.9	47.0	47.9	49.1	51.0	55.3	57.3	54.3	58.0
Raw Material Prices	42.6	42.6	39.9	47.0	47.4	51.5	60.5	63.5	74.5	79.8	77.1
Import Prices	46.5	44.5	46.8	45.8	48.5	50.4	52.2	56.2	58.5	58.9	60.2

Trade Weighted Exchange Rate



Data

December 28th - Household Borrowing Growth (Bloomberg) – slowed for a 14th month in November. Borrowing rose 5.3% Y/Y in November, compared with 5.5% Y/Y the previous month. This marked the lowest growth level in 9 years.

Riksbank Minutes

January 3rd (Riksbank.com) - Minutes of the Executive Board's monetary policy meeting on December 19, 2011:

At the monetary policy meeting on 19 December, the Executive Board of the Riksbank decided to cut the repo rate by 0.25 percentage points to 1.75 per cent and to lower the repo-rate path.

The decision was made against the background of the monetary policy discussion. This discussion concluded that there is still great uncertainty regarding the public-finance problems in, above all, the euro area. Although the global economy as a whole is growing at a relatively good rate, it is expected that growth in the euro area will be low in the period ahead. The weak development of the economy in the euro area is also having a dampening effect on the Swedish economy, which is now slowing down following strong development so far this year. There has been a fall in orders to Swedish export companies and exports will be much weaker next year. Households and companies will postpone their consumption and investment as a result of the poorer outlook. Lower demand will also affect the labour market and unemployment will increase somewhat in the year ahead. At the same time, underlying inflation is low. The weak demand in Sweden together with the poorer outlook abroad will also help to keep inflationary pressures low in the period ahead. The confidence of the Swedish households and companies will gradually recover when concern about the debt problems in the euro area declines. The Swedish economy is then expected to grow at a more normal rate.

Deputy Governors Karolina Ekholm and Lars E.O. Svensson entered a reservation against the decision to cut the repo rate to 1.75 and against the repo-rate path in the Monetary Policy Update.

News

January 4th (Bloomberg) - Riksbank to 'Wait-And-See' After Rate Cut - Riksbank Governor, Stefan Ingves remarked:

[The board] will enter a sort of wait-and-see mode, [since it is] extremely difficult to assess the probability of the bank's main economic forecast.

...well aware that new information can alter the preconditions governing future repo-rate decisions.

[There has been] an abrupt slowdown in the trade in goods and in consumption [in Sweden, while] unemployment has stopped falling and the demand for labor is leveling off. There are clear signals that exports are slowing down and that GDP growth will be weak in the quarters ahead.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
01/09	Service Production	NOV	--	-0.5% / 2.9%
01/10	Budget Balance	DEC	--	5.5B
01/10	IP	NOV	--	0.4% / 4.7%
01/10	IO	NOV	--	-1.8% / -5.0%

Valance Co., Inc.

Valance Economic Report: *Switzerland*

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January 4, 2012

The KOF Leading Indicator fell to its lowest level in over two years in December and Switzerland's manufacturing PMI expanded above expectations, following three consecutive months of contraction. The UBS Consumption Indicator declined in November, falling for the first time in three consecutive months.

Weekly Highlights

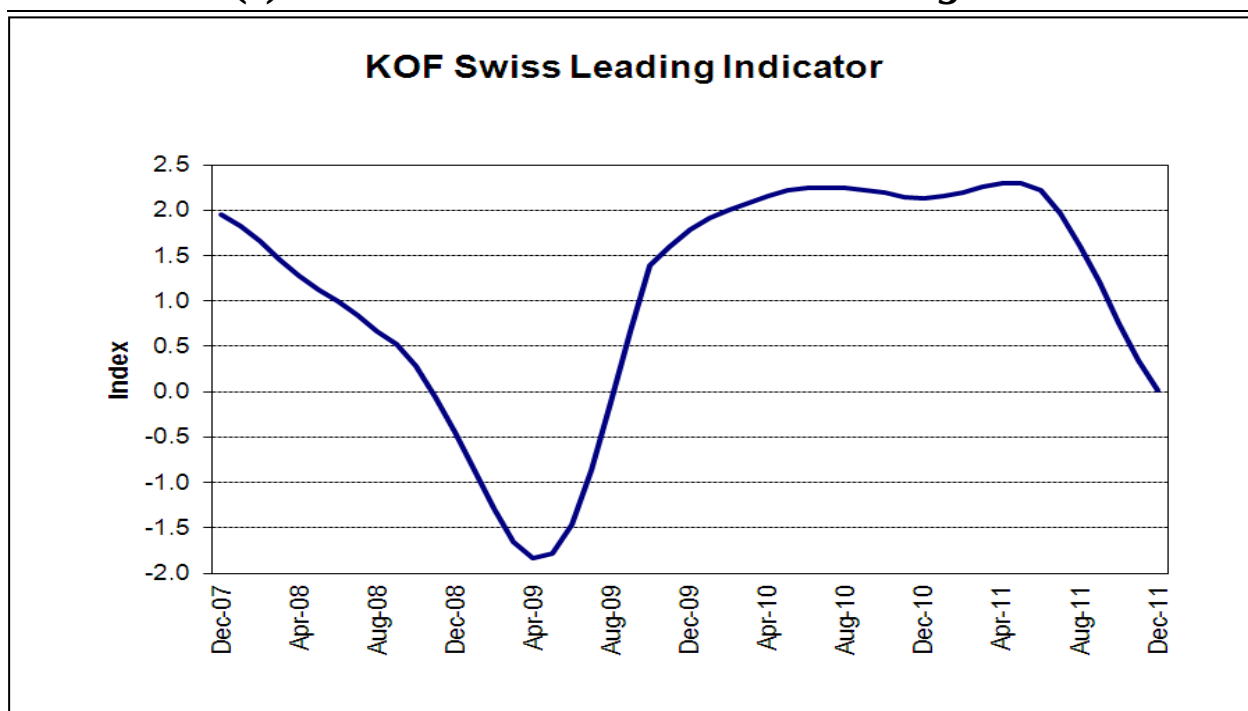
KOF Swiss Leading Indicator – fell from 0.34 in November to 0.01 in December. (SZ 1)

UBS Consumption Indicator – fell from 0.90 in October to 0.81 in November. (SZ 2)

PMI – rose from 44.8 in November to 50.7 in December. (SZ 2)

Weekly Releases & News

Chart(s) of the Week: *KOF Swiss Leading Indicator*



The monthly aggregate of indicators retreated from 0.34 in November to 0.01 in December – the lowest since August 2009. The KOF remarked, “Economic growth on a year-on-year perspective is going to stagnate over the first months of 2012.” The Indicator was expected to reach 0.23.

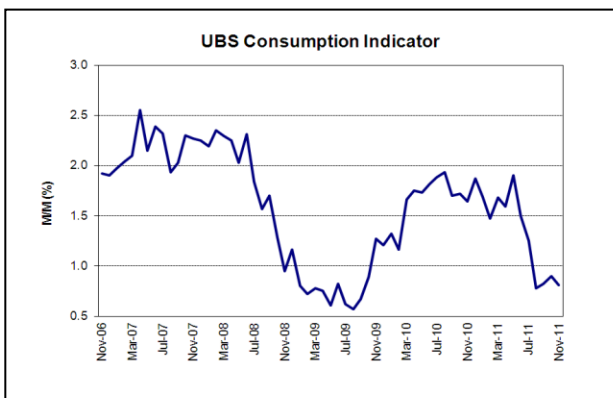
SZ 1

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UBS Consumption Indicator & PMI

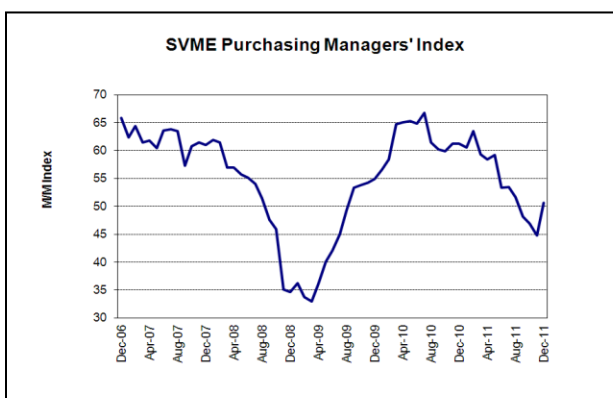
UBS Consumption Indicator

The UBS Consumption Indicator fell from 0.90 in October to 0.81 in November. UBS said, “A continuously high number of new vehicle registrations, benefitted by the present currency situation, is boosting the consumption indicator further. [While] the indicator's comparatively low level is due to ongoing poor business activity in the retail sector as well as consumer sentiment...”



PMI

Switzerland's Purchasing Managers' Index rebounded from 44.8 in November to 50.7 in December. The index was expected to reach 45.4. Six of the Index's subcomponents increased. Credit Suisse remarked, “The easing on the exchange-rate front and emerging hopes of a solution to the euro crisis at the end of 2011 have clearly stabilized the situation in the Swiss industry. [The current level] reinforces our view that the Swiss economy will grow in the current year despite the hostile environment.” See PMI Survey Results below.

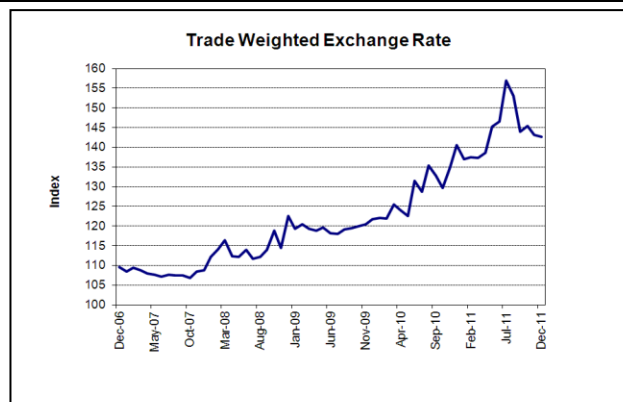


PMI Results

	Dec 2011	Nov 2011	Oct 2011	Sep 2011	Aug 2011	July 2011	June 2011	May 2011	Apr 2011	Mar 2011	Feb 2011
PMI s.a.	50.7	44.8	46.9	48.2	51.7	53.5	53.4	59.2	58.4	59.3	63.5
Output	56.1	45.9	48.0	46.5	54.3	51.5	46.6	61.1	57.3	59.3	64.7
Backlog of Orders	53.5	44.7	46.2	44.9	46.4	45.6	48.8	57.0	55.2	57.8	67.1
Quantity of Purchase	50.2	42.7	42.6	40.1	46.1	42.8	46.7	55.5	56.4	61.7	64.4
Purchase Prices	51.8	46.8	41.3	36.7	34.6	46.2	51.8	60.2	69.2	75.4	76.1
Suppliers Delivery Times	39.0	42.7	45.8	55.6	60.0	67.8	69.2	66.8	68.8	68.6	59.2
Stocks of Purchases	50.8	43.1	44.9	47.1	51.0	57.1	50.9	51.9	55.2	52.6	56.1
Stocks of Finished Goods	49.7	50.2	45.3	46.7	50.7	54.0	51.3	49.9	52.5	50.3	52.4
Employment	48.2	45.8	48.6	50.6	50.3	55.4	58.2	57.9	58.2	58.2	63.7
PMI NSA	45.1	45.2	47.7	50.7	50.5	51.9	55.7	59.4	60.2	61.1	62.7

Trade Weighted Exchange Rate & Upcoming Dates

Trade Weighted Exchange Rate



Key Dates This Week

Date	Indicator	Month	Expectation	Previous
01/06	Foreign Currency Reserves	DEC	--	229.3B
01/06	CPI	DEC	-0.1% / -0.6%	-0.2% / -0.5%
01/06	CPI – EU Harmonised	DEC	--	-0.4% / -0.8%
01/09	Unemployment Rate / sa	DEC	--	3.1% / 3.0%
01/09	Retail Sales (Real)	NOV	--	-0.2%