

Valance Company, Inc.



Weekly

February 1, 2012

III

Highlights

US – GDP disappoints, large inventory contribution

EU – Money Supply and Lending growth slowed

JN – Consumer Prices continue downward trend

UK – Consumer Confidence improves

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Valance Economic Reports

Valance Co., Inc.

Valance Economic Report: United States

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February 1, 2012

GDP led off a disappointing week of releases. With the exception of the volatile Durable Goods series, the indicators were largely below expectations. Excluding the inventory contribution to GDP, growth was below trend leaving the potential for QE3 very much alive.

Weekly Highlights

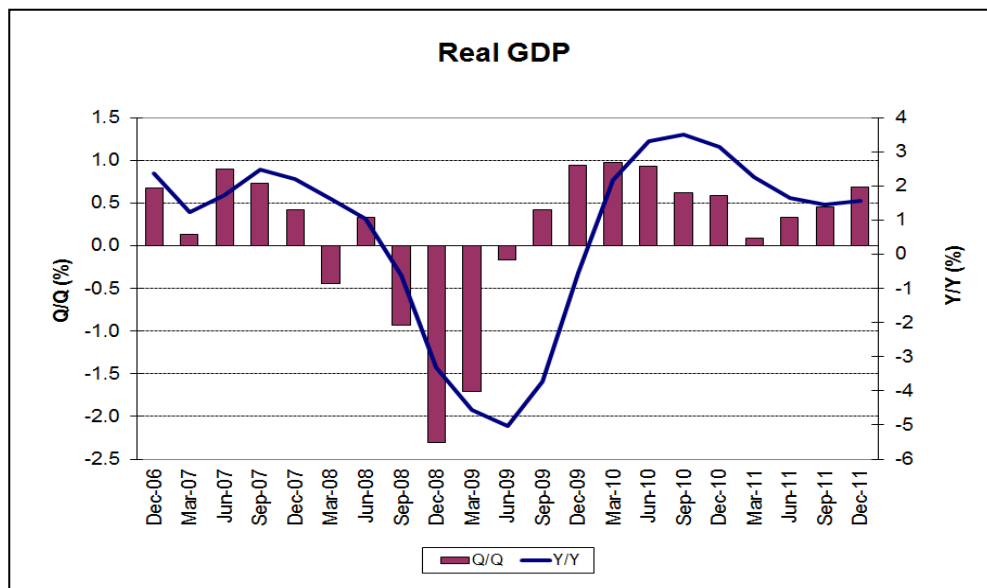
Real GDP – 2.8% growth in Q4; 1.9% contribution from inventories. (US 1)

Personal Spending – flat M/M; personal savings rate increases to 4.0% in December. (US 3)

Durable Goods Orders ex. Transportation – increased 2.1% M/M in December. (US 3)

ISM Manufacturing Index – improved from 53.1 to 54.1 in January. (US 4)

Weekly Releases Chart of the Week: *GDP*



The first reading of Q4 Real GDP was 2.8%, weaker than the 3.0% expected. Inventories contributed 1.9%, consumer spending 2%, and fixed investment 0.4%. Government spending was a 0.9% drag as were net exports at 0.1%. From the growth side, consumer spending gained 2%, fixed investment 3.3%, exports 4.7%, and imports 4.4%. Government spending fell 4.6%. Core PCE decelerated from 2.1% to 1.1%

US 1

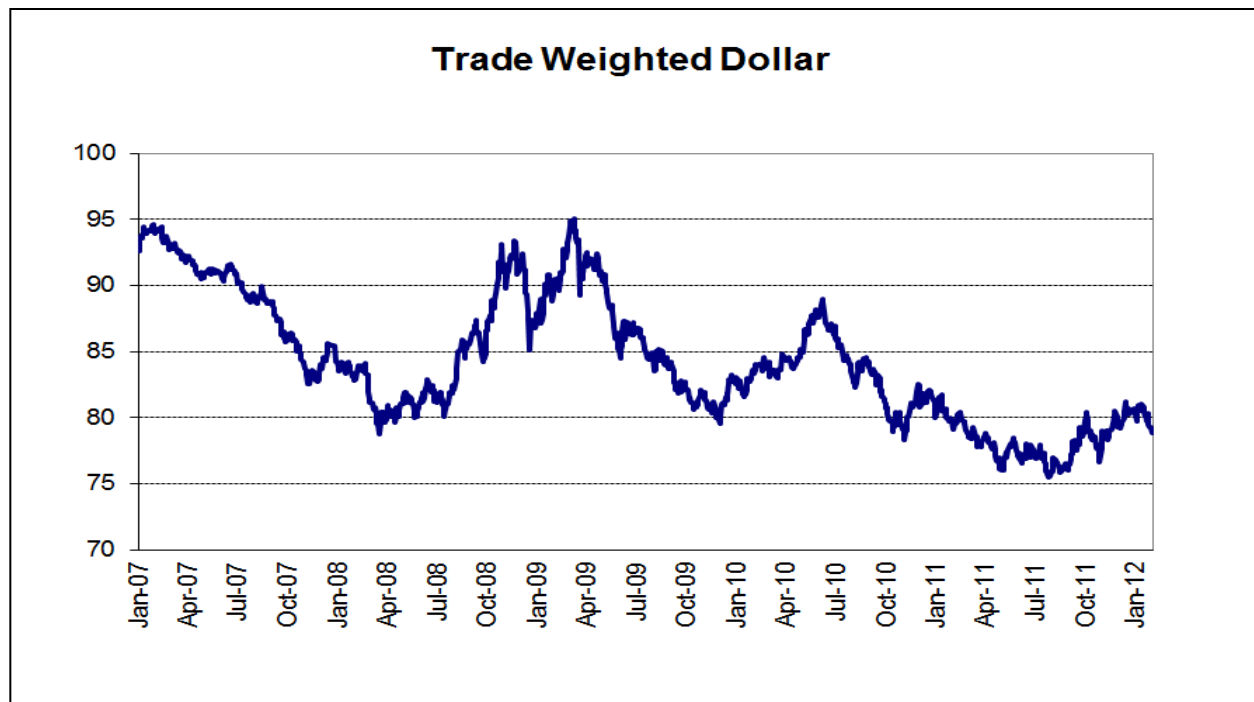
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

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

The budget deficit on a trailing twelve month basis as of November is 8.2% of GDP. The trade deficit as of November is 3.6% of GDP. The budget deficit is quite large and should remain that way due to tax cuts, high expenditures and revenues that are just starting to turn upwards. The large budget deficit will help private balances build and support an economic recovery.

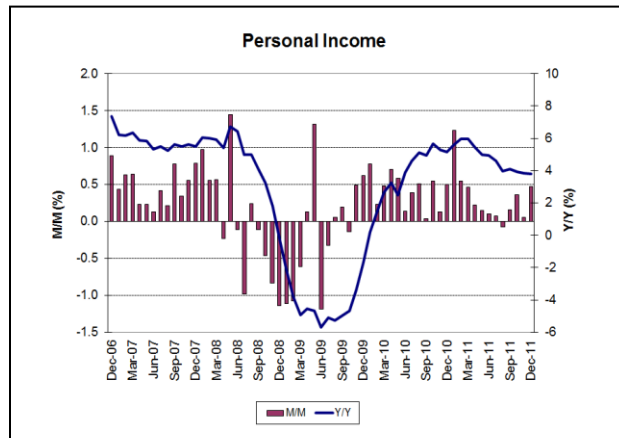
Trade Weighted Dollar



Personal Income/Spending & Durables Ex Transportation

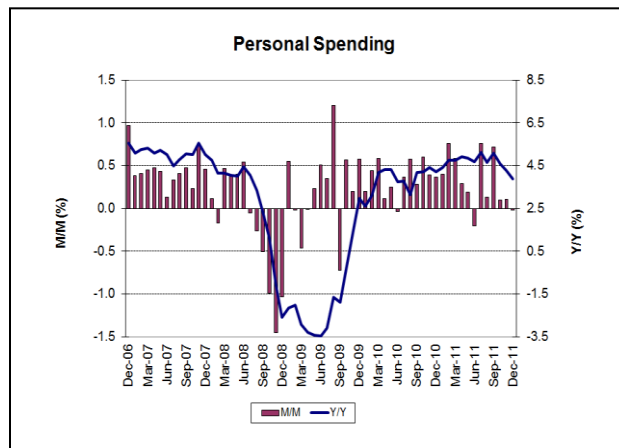
Personal Income

Personal Income increased 0.5% M/M and 3.8% Y/Y in December. The wage and salary component gained 0.4% M/M while gaining 3.8% Y/Y. The saving rate jumped from 3.5% to 4.0%.



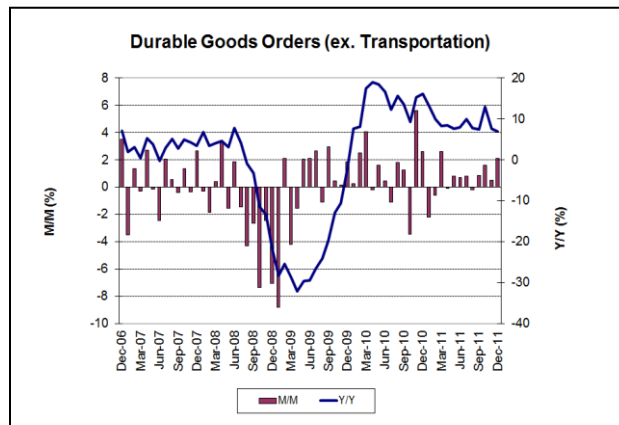
Personal Spending

Personal Spending was flat M/M and gained 3.9 Y/Y in December. It fell 0.1% M/M gained 1.7% Y/Y in real terms; the three month annualized rate is 2.0%. This was the first M/M real decline since June.



Durables Ex Transportation

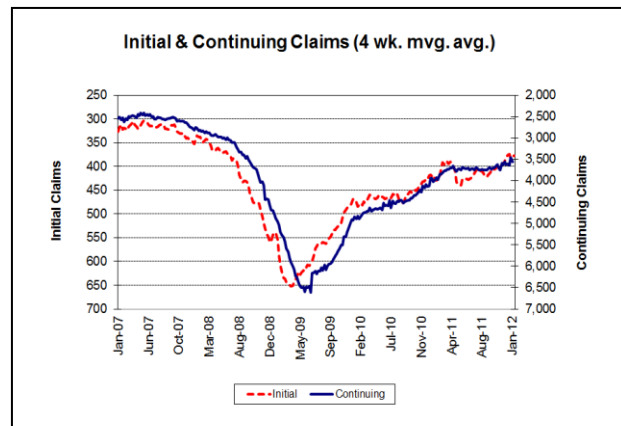
Durable Goods Orders ex. Transportation increased 2.1% M/M and 4.7% Y/Y in December. Non-defense capital goods orders, excluding aircraft, gained 2.9% M/M and 3.5% Y/Y. The three-month annualized core rate slowed from 3.6% to 1.8%.



Initial Jobless Claims, Chicago Purchasing Managers Index & ISM Manufacturing

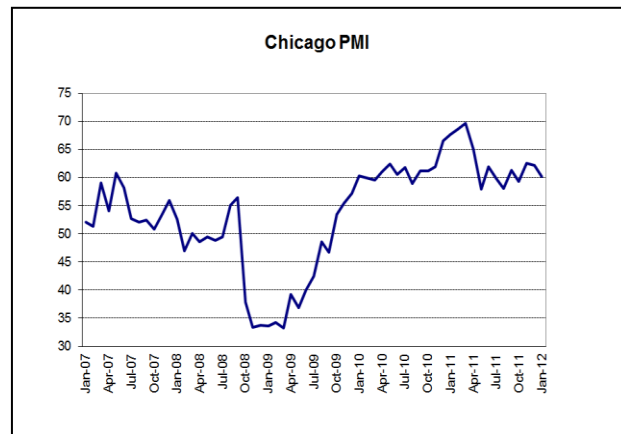
Initial Jobless Claims

Initial Claims increased by 21k to 377k, the series has been particularly volatile since the beginning of the year. The four week moving average of Initial Claims fell 4k to 378k. Continuing Claims increased from 3466k to 3554k.



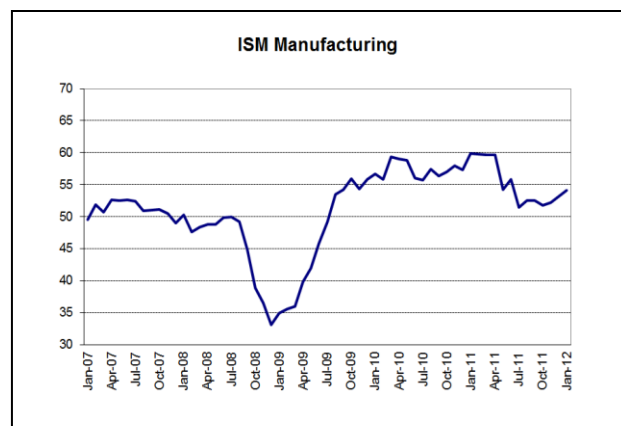
Chicago Purchasing Manager

The Chicago PMI fell from 62.2 to 60.2 in January, worse than expectations of 63.0. The New Orders component dropped from 67.1 to 63.6 and production from 64.9 to 63.8. The employment component also dropped for the fourth consecutive month, it declined from 59.2 to 54.7.



ISM Manufacturing

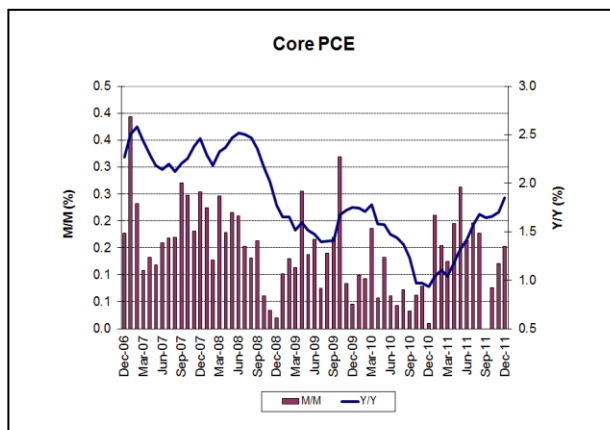
The ISM Manufacturing Index improved from 53.1 to 54.1 in January. New orders increased from 54.8 to 57.6, it is the highest component in the index and at an eight month high. The employment component declined from 54.8 to 54.3. Prices paid jumped from 47.5 to 55.5.



Core PCE, Consumer Confidence & Bloomberg Consumer Comfort

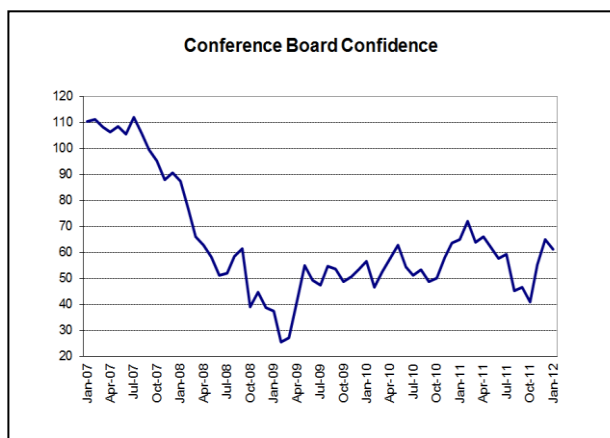
Core PCE

Core PCE increased 0.2% M/M and 1.8% Y/Y in December. The three month annualized rate remained at 1.1%. Headline PCE fell 0.1% M/M and is up 2.4% Y/Y. The large output gap should continue to keep core inflation below the Fed's 2% target for the foreseeable future.



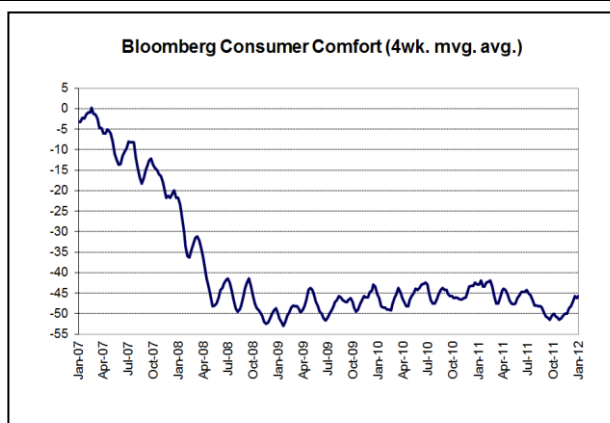
Consumer Confidence

Consumer Confidence declined from 64.8 to 61.1 in January, far from expectations of a jump to 68.0. The present situation component dropped from 46.5 to 38.4 and the expectations from 77.0 to 76.2. The jobs plentiful, minus jobs hard to get component fell from -35.0 to -37.4.



Bloomberg Consumer Comfort

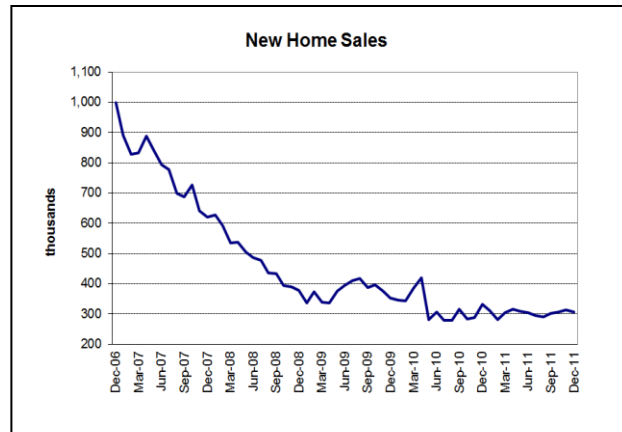
The Bloomberg Consumer Comfort Index improved from -47.4 to -46.4. The state of the economy increased from -82.5 to -81.1 as did personal finances from -7.5 to -6.9.



New Home Sales, S&P/CaseShiller Home Price & MBA Mortgage Applications

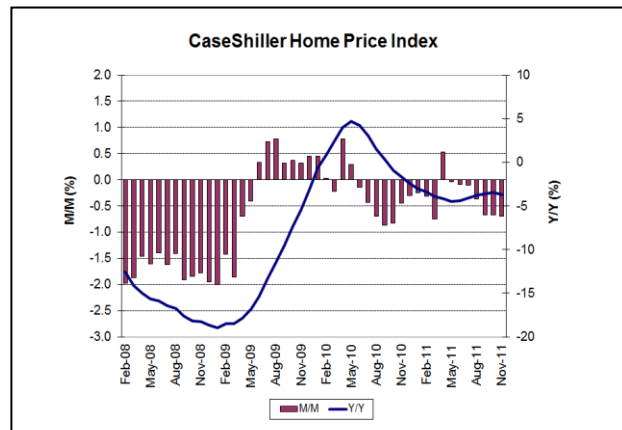
New Home Sales

New Home Sales fell from 314k to 307k in December. It was a decline of 2.2% M/M and 7.3% Y/Y. Median prices fell 2.5% M/M and 12.8% Y/Y. Inventory levels ticked up from 6.0 to 6.1 months of supply and actual inventories fell from 158k to 157k.



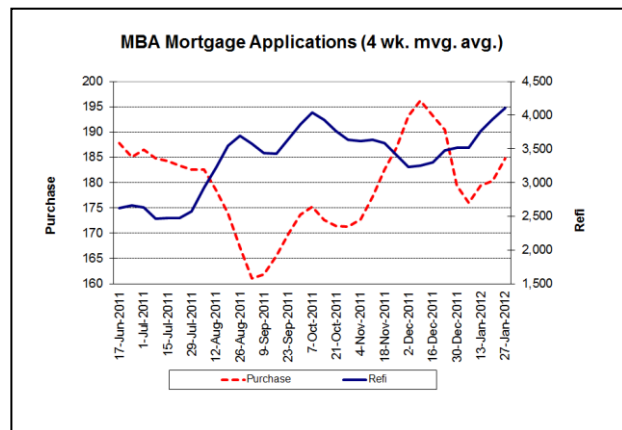
S&P/CaseShiller Home Price

The Case-Shiller Index fell 0.7% M/M and 3.7 Y/Y in November. This home price index has declined on a M/M basis for 17 of the past 18 months.



MBA Mortgage Applications

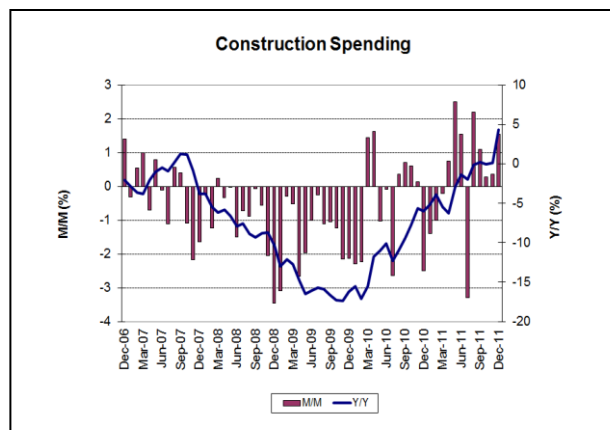
Purchase Mortgage Applications fell 1.7% W/W. Refi applications also declined, falling 3.6% W/W.



Construction Spending & Key Dates

Construction Spending

Construction Spending increased 1.5% M/M and 4.3% Y/Y in December. Residential and Non-residential spending improved 0.7% and 1.9% M/M and 3.8% and 4.5% Y/Y, respectively.



Key Dates This Week

Date	Indicators		Expectations	Previous
2-Feb	Initial Jobless Claims	28-Jan	371K	377K
2-Feb	Continuing Claims	21-Jan	3535K	3554K
2-Feb	Bloomberg Consumer Comfort	29-Jan	-45	-46.4
3-Feb	Change in Nonfarm Payrolls	JAN	145K	200K
3-Feb	Change in Private Payrolls	JAN	165K	212K
3-Feb	Unemployment Rate	JAN	8.50%	8.50%
3-Feb	Avg Hourly Earning M/M All Emp	JAN	0.20%	0.20%
3-Feb	Avg Weekly Hours All Employees	JAN	34.4	34.4
3-Feb	ISM Non-Manf. Composite	JAN	53.2	52.6
7-Feb	Consumer Credit	DEC	\$7.000B	\$20.374B
8-Feb	MBA Mortgage Applications	3-Feb	--	--

Valance Co., Inc.

Valance Economic Report: Euro Zone

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February 1, 2012

Economic Releases over the past week were highlighted by a marked slowdown in growth in Money Supply and Lending. Also in this week's data, the EU Unemployment Rate held steady at 10.4% in December, its highest rate in 14 years.

Weekly Highlights

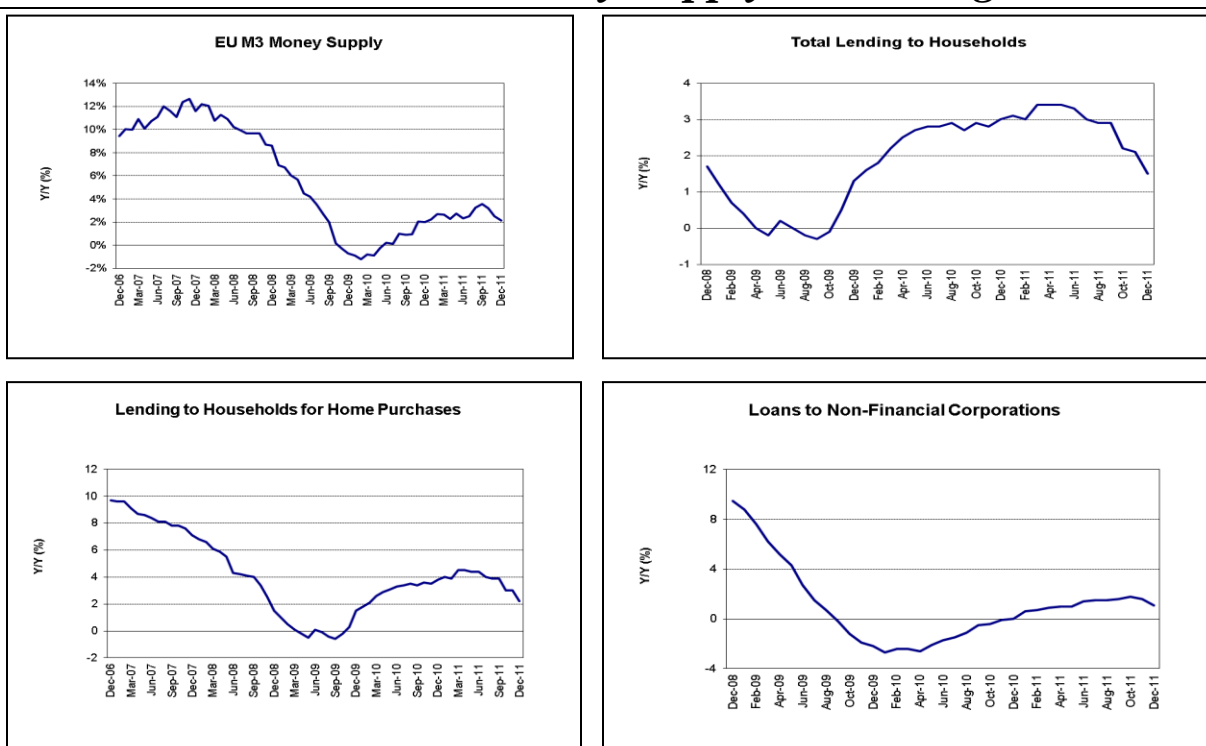
M3 Money Supply – growth decelerated from 2.5% Y/Y in Nov to 2.1% Y/Y in Dec. (EU 1)

EU Unemployment Rate – held at a 10.4% in December. (EU 3)

EU CPI – increased 2.7% Y/Y in January, matching December's reading. (EU 3)

Weekly Releases & News

Chart of the Week: Money Supply & Lending Data



M3 Money Supply growth, which the ECB uses as an indicator for future inflation, decelerated from 2.5% Y/Y in November to 2.1% in December. On a 3mth. mov. avg. basis, loan growth decelerated from 2.5% Y/Y to 2.1% Y/Y. Lending to Households growth decelerated from 2.1% Y/Y to 1.5% Y/Y in December and Lending to Households for Home Purchases growth decelerated from 3.0% Y/Y to 2.2% Y/Y. Loans to Non-Financial Corporations growth continue to decelerate from 1.6% Y/Y to 1.1% Y/Y.

EU 1

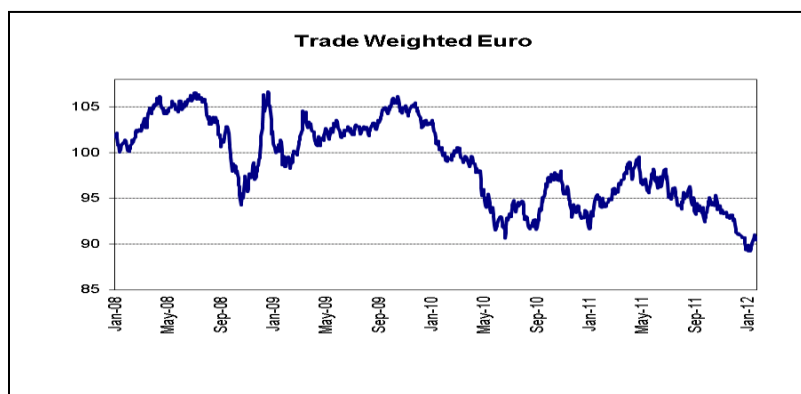
Euro Zone Financial Balances & Trade Weighted Euro

Financial Balances

Germany	Last period (\$blns euros)	Last 12mth. as a % of GDP*
Budget Balance		-3.3%
Trade Balance	16.2 (November)	2.0%
Current Account Balance	14.3 (November)	6.9%
Private Savings Balance		-3.6%
<i>France</i>		
Budget Balance		-2.7%
Trade Balance	-4.4 (November)	-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

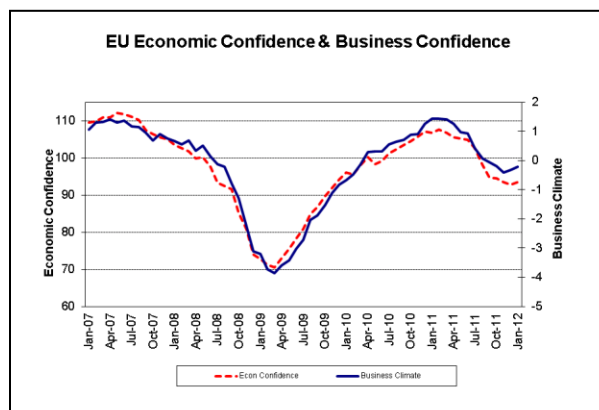
Trade Weighted Euro



EU Economic Confidence, CPI & Unemployment

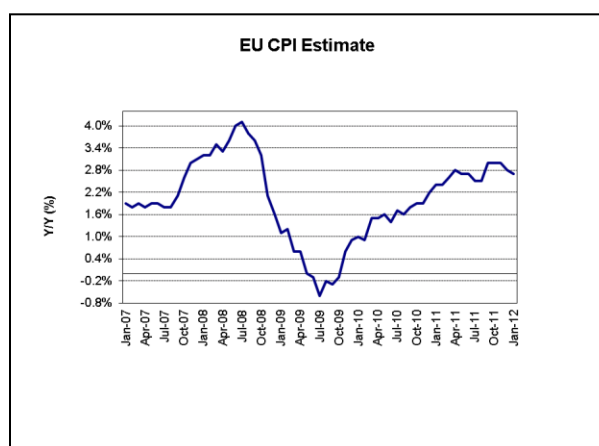
Euro Zone Economic Confidence

The Euro Zone's Economic Confidence increased from a revised 92.8 (previous 93.3) in December to 93.4 in January. The Business Climate Index increased from -0.32 to -0.21.



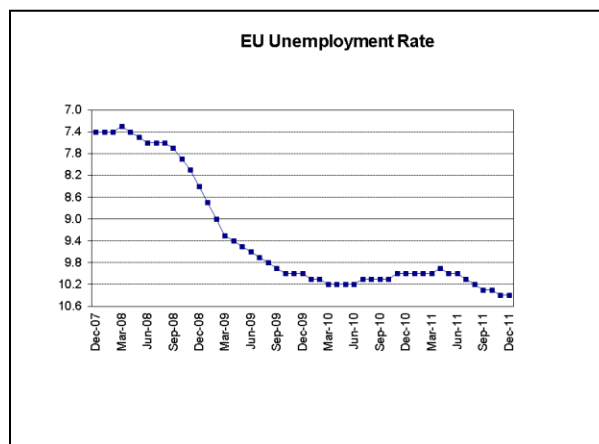
Euro Zone CPI Estimate

The Euro Zone's CPI increased 2.7% Y/Y in January, matching December's reading.



Euro Unemployment Rate

EU Unemployment Rate remained at its highest level in 14 years. December's Unemployment rate held at 10.4% matching November's revised reading and market expectations. November's reading was previously reported as 10.3%.



German Retail Sales, CPI & Import Prices

German Retail Sales

German Retail Sales unexpectedly fell 0.4% M/M and 1.4% Y/Y in December. Expectations were for a 0.8% M/M and a 0.9% Y/Y gain.



German CPI

German CPI increased 0.7% M/M and 2.1% Y/Y in December. Preliminary data shows that German CPI fell 0.4% M/M and increased 2.0% Y/Y.



German Import Prices

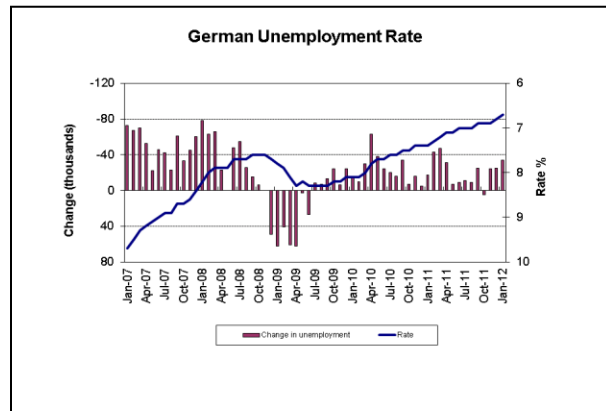
German Import Prices increased 0.3% M/M and 3.9% Y/Y in December. Export Prices increased 0.4% M/M and 2.1% Y/Y in December.



German Unemployment Rate & French Producer Prices/Consumer Confidence

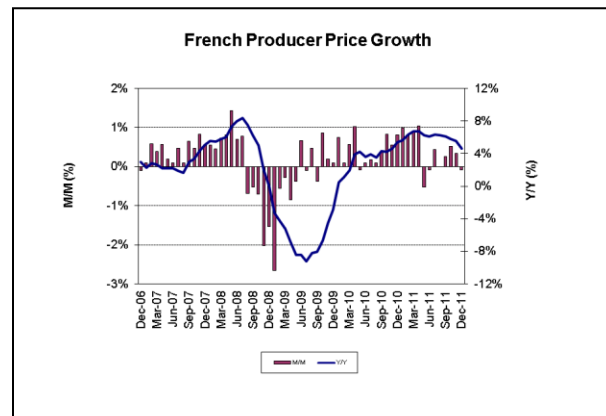
German Unemployment Rate

The number of people unemployed decreased by 34K in January versus expectations for a 10K decline. The Unemployment Rate decreased from 6.8% to 6.7%.



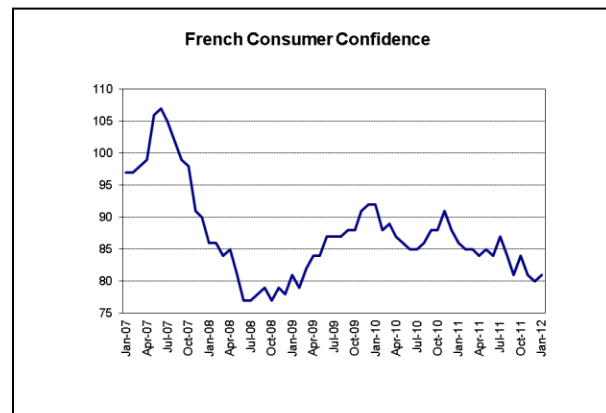
French Producer Prices

French Producer Prices fell 0.1% M/M and increased 4.7% Y/Y in December. The largest negative contribution came from Coke and refinery production (0.4%).



French Consumer Confidence

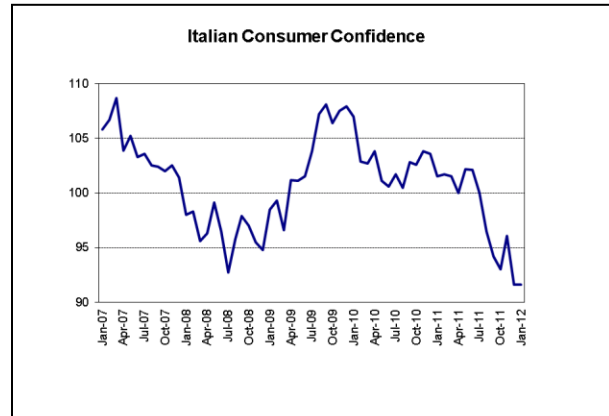
French Consumer Confidence increased from 80 in December to 81 in January.



Italian Consumer/Business Confidence & PPI

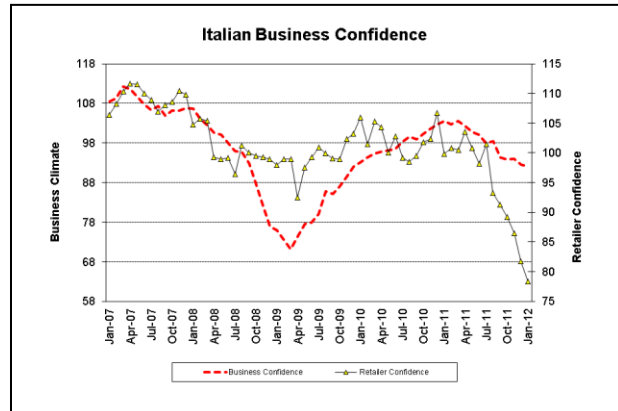
Italian Consumer Confidence

Italian Consumer Confidence remained at 91.6 in January. Market expectations were for a reading of 92.



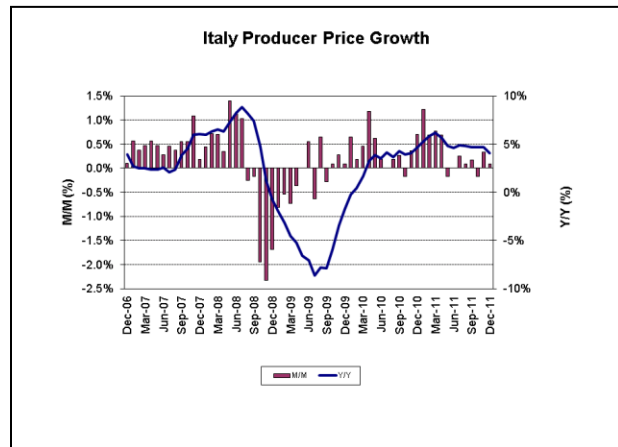
Italian Business Confidence

Italian Business Confidence decreased marginally from 92.5 in December to 92.1 in January. Market expectations were for a reading of 92.3.



Italian Producer Prices

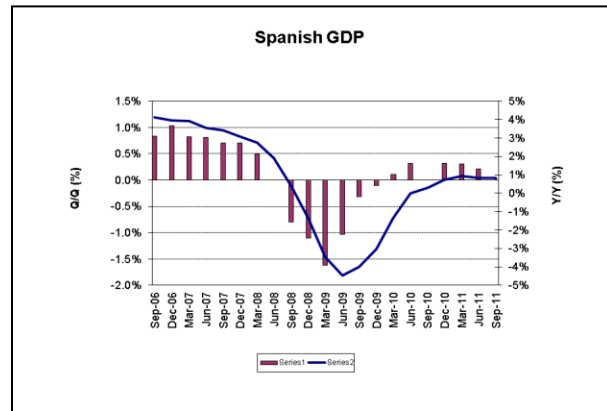
Italian Producer Prices unexpectedly increased 0.1% M/M and 4.0% Y/Y in December. Market expectations were for a 0.1% M/M decline and a 3.7% Y/Y gain.



Spanish GDP & Unemployment Rate

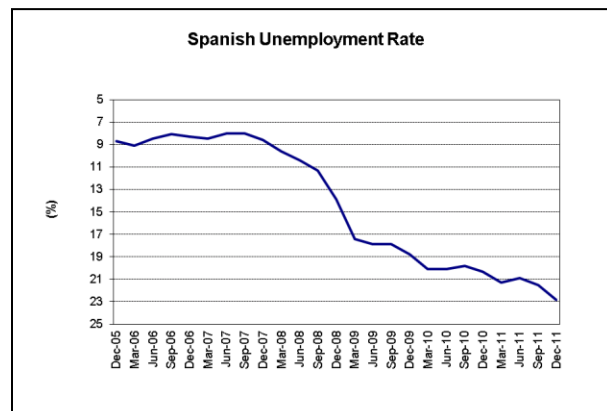
Spanish GDP

Spanish GDP contracted 0.3% Q/Q and increased 0.3% Y/Y in Q4, in line with expectations.



Spanish Unemployment Rate

Spanish Unemployment Rate increased from 21.5% in Q3 to 22.9% in Q4.



News/Comments

Jan. 26th - German Consumer Confidence Will Increase in February, GfK Says (Bloomberg) -

German consumer confidence will increase in February as falling unemployment boosts the economic outlook and households' willingness to spend even as Europe's debt crisis remains unresolved, GfK SE said. The Nuremberg-based market research company forecast today that its consumer-sentiment index, based on a survey of about 2,000 people, will rise to 5.9 from revised 5.7 this month. Economists predicted it would remain unchanged from the initial January reading of 5.6, according to the median of 26 estimates in a Bloomberg News survey.

Jan. 31st - Draghi Stuck With Trichet's 'Temporary' Bond Plan: Euro Credit (Bloomberg) -

The European Central Bank's bond program, dubbed "temporary" by Jean-Claude Trichet, shows no signs of ending even after 219 billion euros (\$289 billion) of purchases augmented by twice as much in three-year loans. The ECB, led by Mario Draghi since he replaced Trichet on Nov. 1, has bought bonds for its Securities Market Program every week since August. Even after handing banks 489 billion euros that they don't have to repay until the end of 2014, the central bank will need to spend as much as 15 billion euros per month to cap yields, said Nikolaos Panigirtzoglou, European head of global asset allocation at JPMorgan Chase & Co. in London.

Jan. 31st - Europe Tightens Fiscal Ties (WSJ) -

Leaders of 25 European Union governments agreed that the European Court of Justice will be empowered to impose fines on euro countries running excessive deficits. Fines will be capped at 0.1% of gross domestic product. It will require governments to keep their budget deficits to an average of 0.5% of GDP over the economic cycle—and to reduce their total government debt toward 60% of GDP over time. The EU has long-standing rules that are supposed to limit budget deficits in any year to 3% of GDP, and limiting government debt to 60% of GDP, but they have never been enforced. Officials said a proposal to boost the €500 billion European Stability Mechanism would be delayed until the leaders' next scheduled summit on March 1.

Jan. 27th - Draghi Sees No Evidence ECB Loans Are Financing Economy Yet (Bloomberg) -

"Do we know that actually this money is going to finance the real economy? We don't have evidence of this kind yet," ECB President Mario Draghi told Davos. "There is a lag. We will have to see." "We know for sure we have avoided a major, major credit crunch, a major funding crisis," he said today. "You have parts of the euro area where credit is more or less normal, but you have other parts where credit is seriously contracting." "If you take 0.5 trillion euros and then you take off the reimbursement of other short-term facilities by the banking system in December, you get a figure of roughly 220 billion euros, which is exactly the amount of bank bonds that were to come due in this period of time," he said.

Jan 26th - IMF Warns of Hit to Creditors on Greece Deal (WSJ) -

International Monetary Fund chief Christine Lagarde said Greece's public-sector creditors may have to take a hit on their loans if private lenders can't agree on a restructuring plan that goes far enough to make the country's debt sustainable. "The bigger the private effort, the smaller the participation of public creditors will need to be," Ms. Lagarde said. "If the level demanded of private investors isn't reached, then public creditors will have to step in too." The fund said it has "no view" on the relative combination of private- and public-sector contributions, but sees it as "essential" that any Greek deal brings the nation's debt down to 120% of gross domestic product by 2020.

Key Dates This Week

Data	Indicators	Expectations	Previous
2-Feb	EC Euro-Zone PPI (M/M)	DEC -0.10%	0.20%
2-Feb	EC Euro-Zone PPI (Y/Y)	DEC 4.30%	5.30%
3-Feb	EC PMI Composite	JAN F 50.4	50.4
3-Feb	EC PMI Services	JAN F 50.5	50.5
3-Feb	EC Euro-Zone Retail Sales (M/M)	DEC 0.30%	-0.80%
3-Feb	EC Euro-Zone Retail Sales (Y/Y)	DEC -1.30%	-2.50%
6-Feb	EC Sentix Investor Confidence	FEB --	-21.1
3-Feb	GE PMI Services	JAN F 54.5	54.5
6-Feb	GE Factory Orders Y/Y (nsa)	DEC --	-4.30%
6-Feb	GE Factory Orders M/M (sa)	DEC 0.10%	-4.80%
7-Feb	GE Industrial Production M/M (sa)	DEC -2.00%	-0.60%
7-Feb	GE Industrial Prod. Y/Y (nsa wda)	DEC --	3.60%
8-Feb	GE Exports SA (M/M)	DEC -2.00%	2.50%
8-Feb	GE Imports SA (M/M)	DEC --	-0.40%
8-Feb	GE Current Account (EURO)	DEC --	14.3B
8-Feb	GE Trade Balance	DEC --	16.2B
3-Feb	FR PMI Services	JAN F 51.7	51.7
7-Feb	FR Trade Balance (Euros)	DEC --	-4412M
8-Feb	FR Bank of France Bus. Sentiment	JAN --	96
8-Feb	FR Central Govt. Balance (Euros)	DEC --	-97.2B
3-Feb	IT PMI Services	JAN 45.4	44.5
3-Feb	IT CPI (NIC incl. tobacco) (M/M)	JAN P 0.30%	0.40%
3-Feb	IT CPI (NIC incl. tobacco) (Y/Y)	JAN P 3.20%	3.30%
3-Feb	IT CPI - EU Harmonized (M/M)	JAN P -1.70%	0.30%
3-Feb	IT CPI - EU Harmonized (Y/Y)	JAN P 3.60%	3.70%
2-Feb	SP Unemployment MoM Net ('000s)	JAN 127	1.9

Valance Economic Report: Japan

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February 1, 2012

Consumer Prices continued to trend downward as expected in December although **Industrial Production** surprised on the upside. Overall, conditions remain weak however as the **Jobless Rate** increased and both **Earnings** and **Spending** dropped.

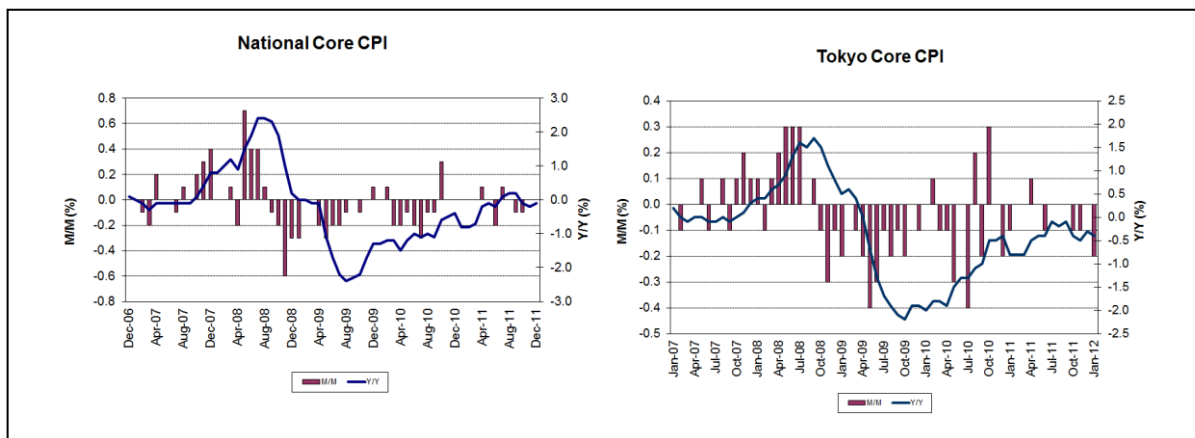
Weekly Highlights

Core CPI – unchanged M/M and declined 0.1% Y/Y in December. (JN 1)

Employment – Jobless Rate increased from 4.5% to 4.6% in December. (JN 3)

Industrial Production – increased 4.0% M/M and declined 4.1% Y/Y in December. (JN 4)

Charts of the Week: CPI



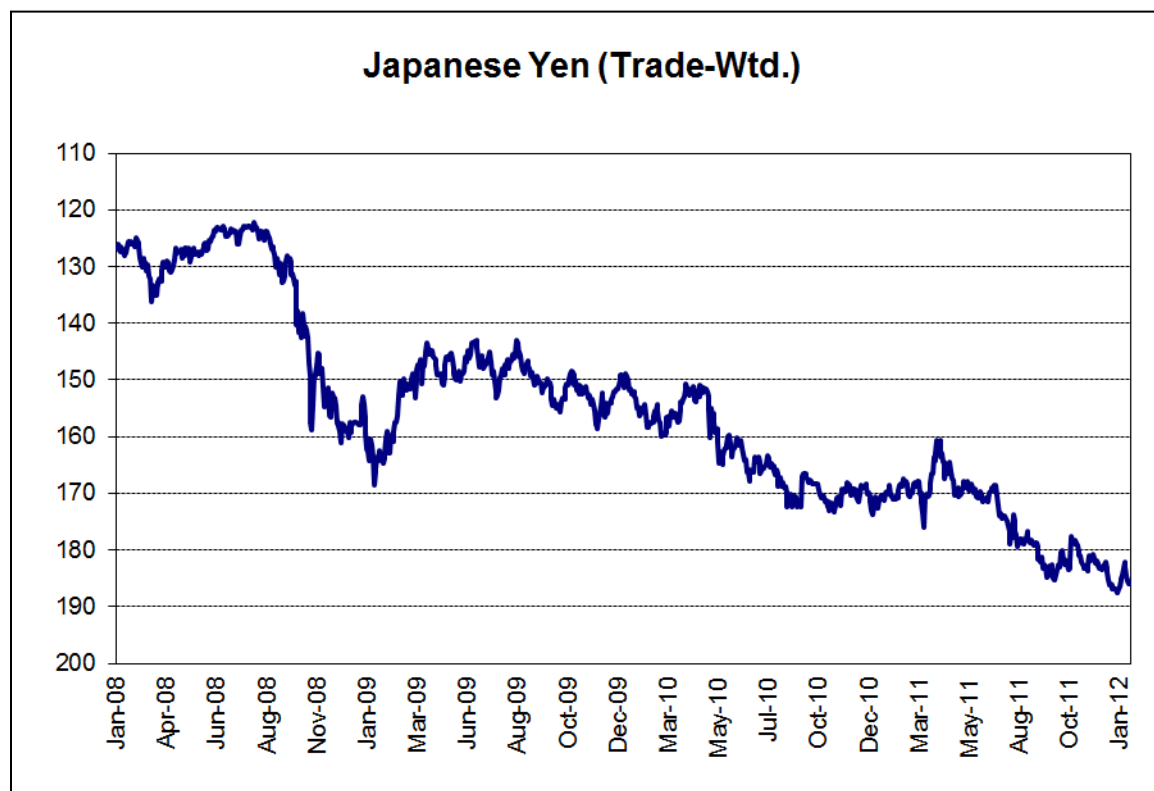
National Core was unchanged M/M and declined 0.1% Y/Y in December, roughly meeting market expectations. Core-Core CPI, which excludes fresh foods and energy, declined 0.1% M/M and 1.1% Y/Y, also meeting market expectations. Within the series components, price increases in food, utilities, transportation and entertainment were evened out by declines in the costs of household goods, clothing, and medical care.

Within Tokyo, Core CPI increased 0.1% M/M and declined 0.4% Y/Y. Core-Core CPI dropped 0.2% M/M and 1.1% Y/Y.

Japan's Financial Balances

Financial Balances

Japan	Last period (¥trln)	Last 12mth. as a % of GDP
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%



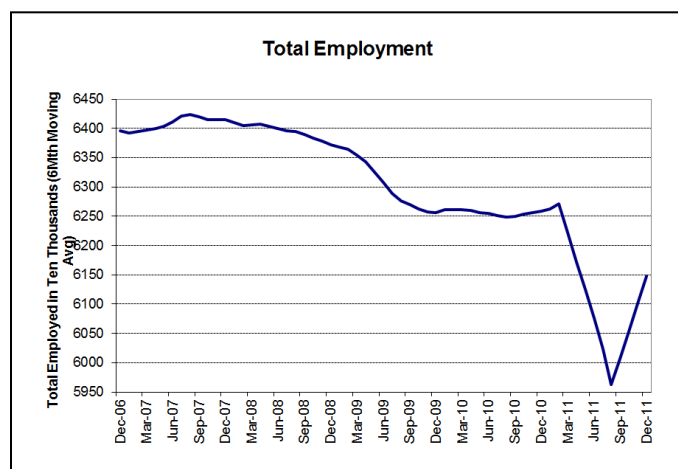
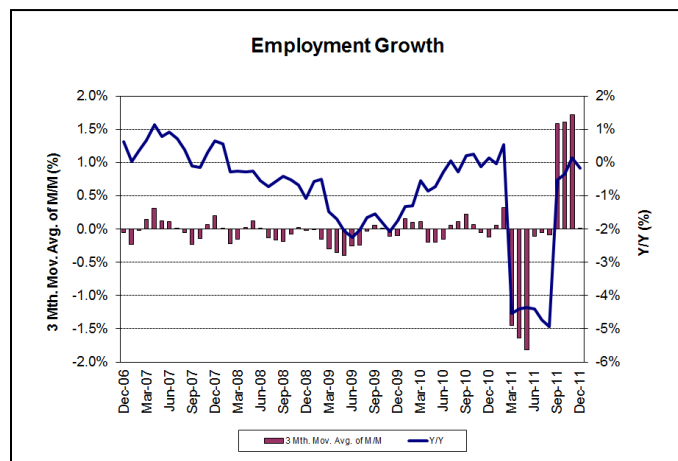
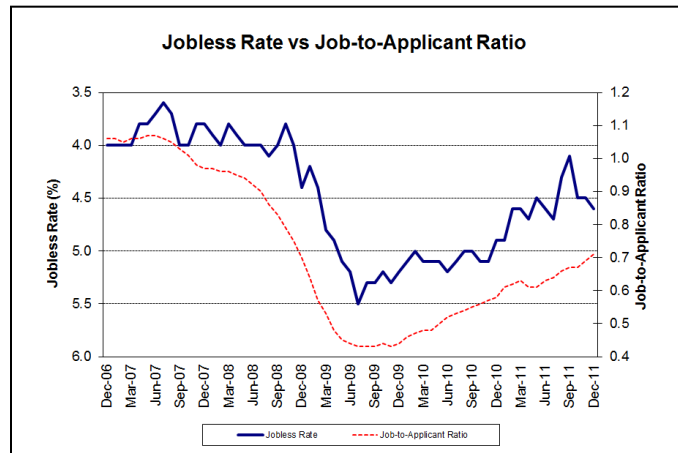
Employment Data

Employment

The Unemployment Rate in Japan increased from 4.5% in November to 4.6% in December against market expectations for no change.

Within the data, the number of employed declined by 30k, the number of unemployed increased by 30k, the labor force grew by 10k and the non-labor force was unchanged.

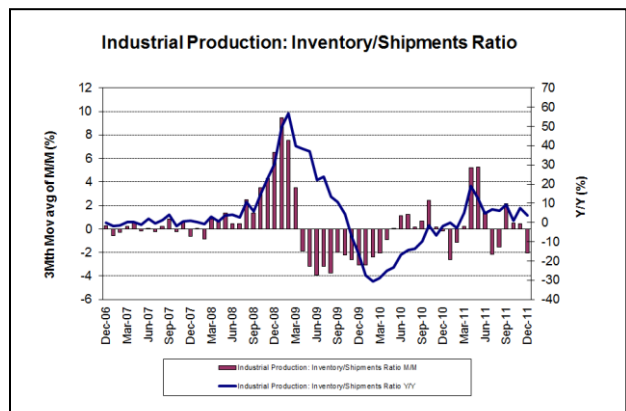
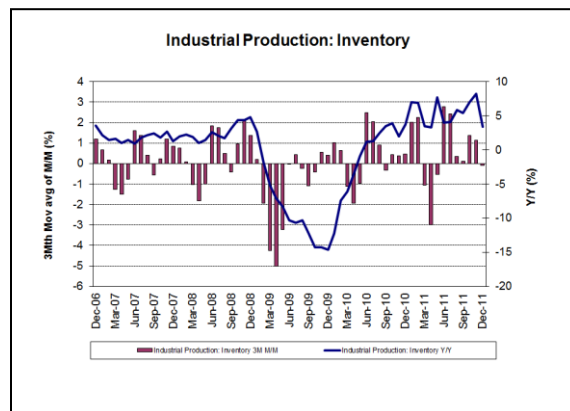
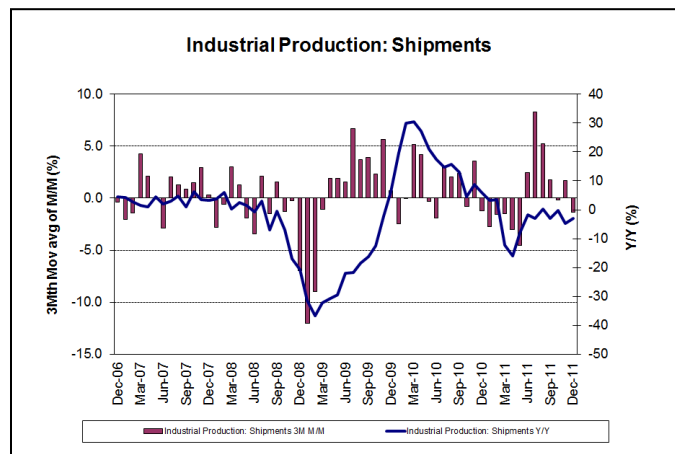
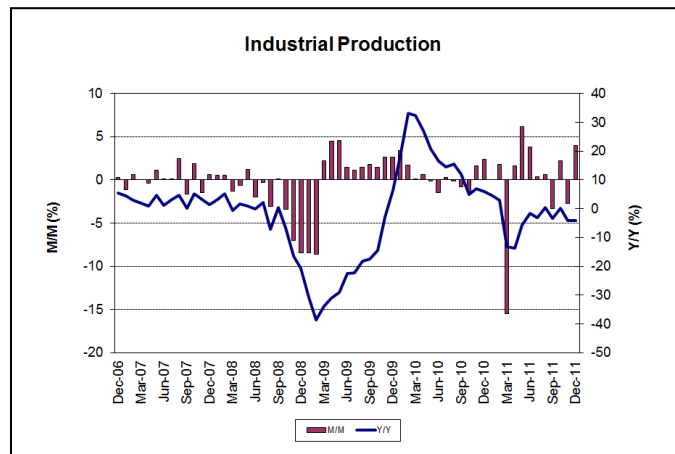
The job-applicant ratio increased from 0.69 to 0.71 against expectations for an improvement to 0.70.



Preliminary data on Industrial Production indicated that it increased 4.0% M/M and declined 4.1% Y/Y in December. The M/M was better than the 3.0% M/M increase the market expected. It occurred as shipments improved 4.5% M/M and dropped 3.1% Y/Y, inventories declined 2.9% M/M and increased 3.4% Y/Y, and the inventory ratio declined 3.6% M/M and increased 3.8% Y/Y.

According to the report, the M/M increase was attributed to strength in transportation equipment, IT equipment, and electronic parts & devices.

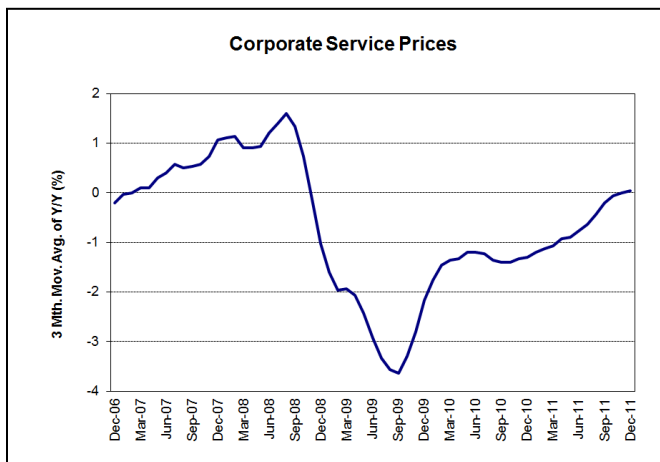
Looking forward, manufacturers expect production to improve 2.5% M/M in January and a further 1.2% M/M in February.



Retail Trade

Corp Service Prices

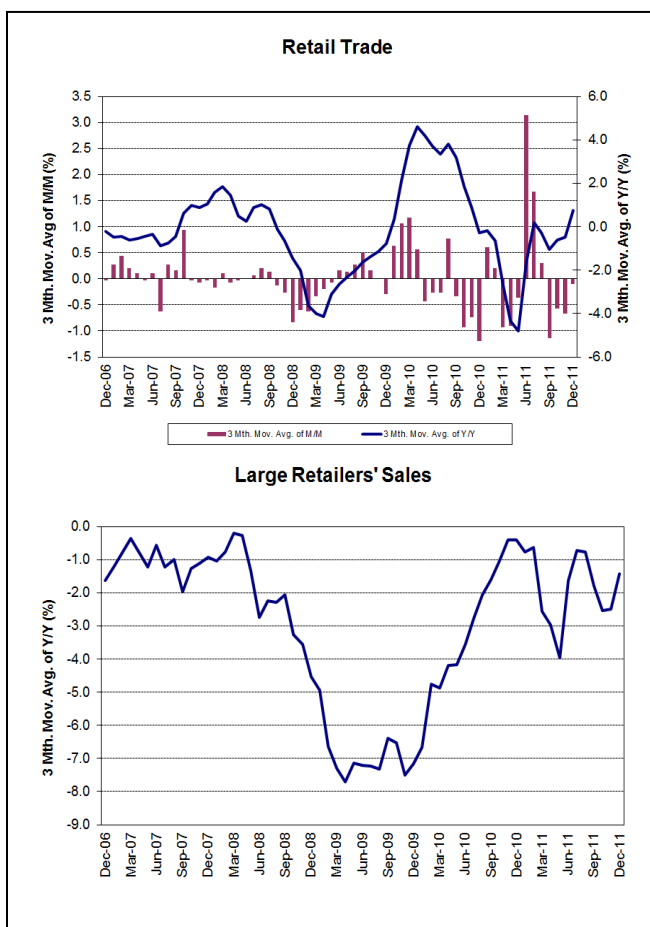
Corporate Service Prices were unchanged M/M and increased 0.1% Y/Y in December against market expectations for no change Y/Y. November's 0.2% Y/Y decline was revised upward to a 0.1% Y/Y decline. By sector, M/M gains in transportation, leasing and other services were outweighed by declines in advertising and financial services.



Retail Trade

Retail Trade increased 0.3% M/M and 2.5% Y/Y in December, with the M/M data being roughly in line with market expectations. The M/M improvement occurred as general merchandise, fabrics, and household machines saw solid sales gains.

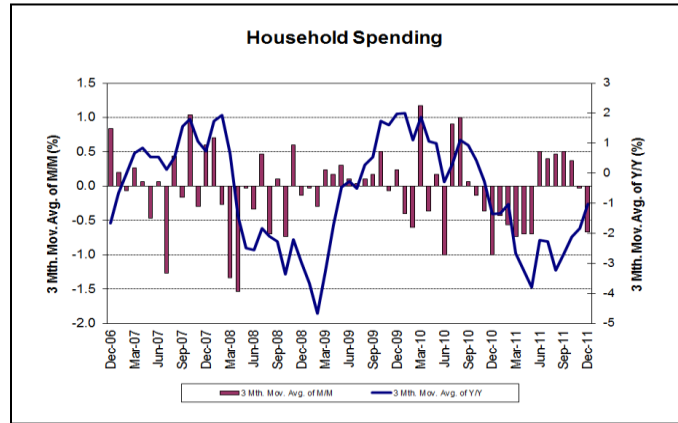
Also within the data, Large Retailers Sales declined 0.4% Y/Y in December against market expectations for a 0.6% Y/Y decline.



Household Spending, Labor Cash/OT Earnings & Vehicle Sales

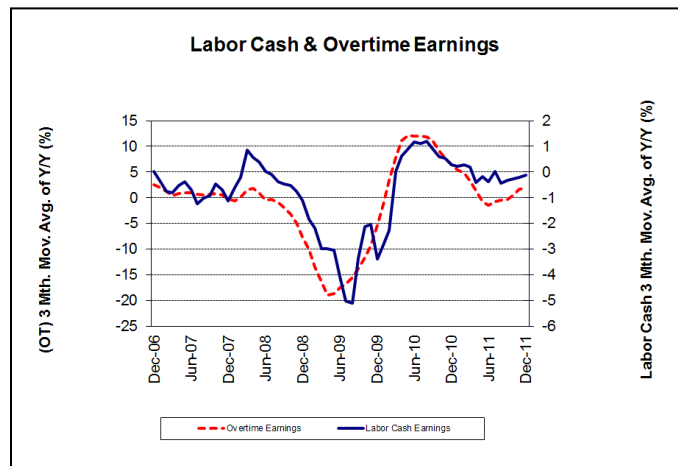
Household Spending

Household Spending declined 1.0% M/M and improved 0.5% Y/Y in December, faring significantly better than the 0.1% Y/Y decline the market expected. Among workers, spending declined 2.4% M/M and increased 0.9% Y/Y. The Y/Y improvement was the first in ten months.



Labor Cash Earnings

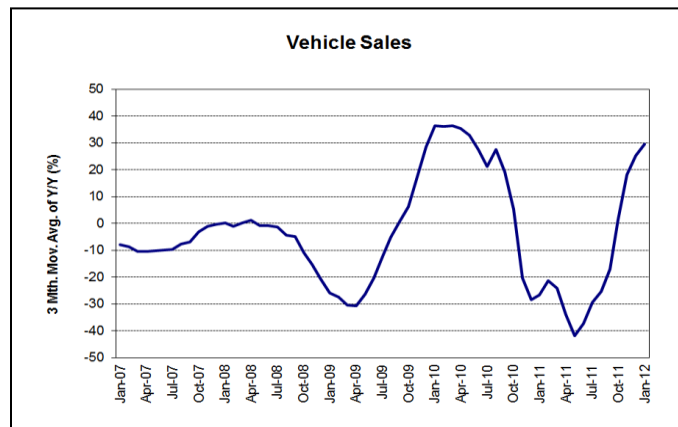
Labor Cash Earnings declined 0.2% Y/Y in December, against market expectations for a 0.3% Y/Y decline. Within the data, contracted earnings were unchanged as regular earnings dropped 0.1% Y/Y while overtime earnings increased 0.3% Y/Y. Bonus earnings dropped 0.3% Y/Y however.



Also within the report, hours worked increased 0.2% Y/Y on an increase in scheduled work. Manufacturing hours worked increased 2.0% Y/Y. Employment improved 0.6% Y/Y on an improvement in full time work although manufacturing employment continued to drop, seeing its 12th consecutive decline.

Vehicle Sales

Vehicle sales increased 40.7% Y/Y in January.

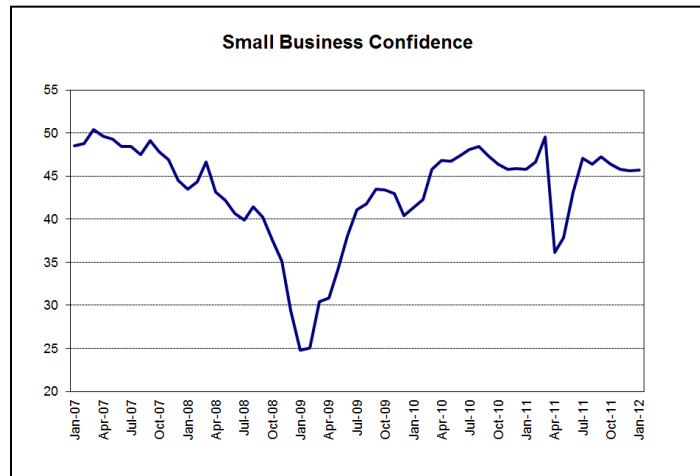


Small Business Confidence & Housing Starts

Small Business Confidence

Small Business Confidence increased 0.1pt to 45.7 in January. Within the data, manufacturing dropped 1.0pt to 44.2 while non-manufacturing dropped 1.1pts to 46.9, and Services increased 0.8pt to 47.3.

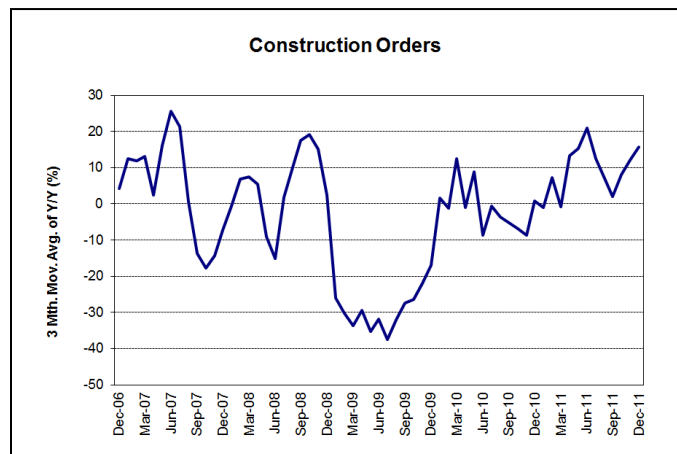
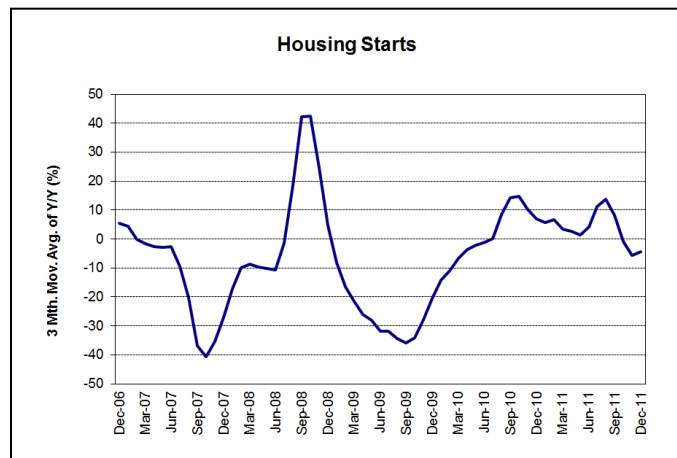
Looking forward, surveyed companies expect conditions to improve 0.7pt to 46.4 as manufacturers expect conditions to improve 1.5pts to 45.7, non manufacturing expects conditions to improve 0.1pt to 47.0, and services companies expect conditions to drop 0.3pts to 47.0.



Housing Starts

Total Housing Starts declined 5.0% M/M and 7.3% Y/Y in December, falling faster than the 1.5% Y/Y drop the market had expected. On an annualized basis, the number of starts dropped from a downwardly revised 0.824 million units to 0.783 million units, against expectations for an increase to 0.848 million units. Overall the numbers were the results of generally weak data as owner occupied and houses for rent both dropped. The decline in starts was also the fourth consecutive.

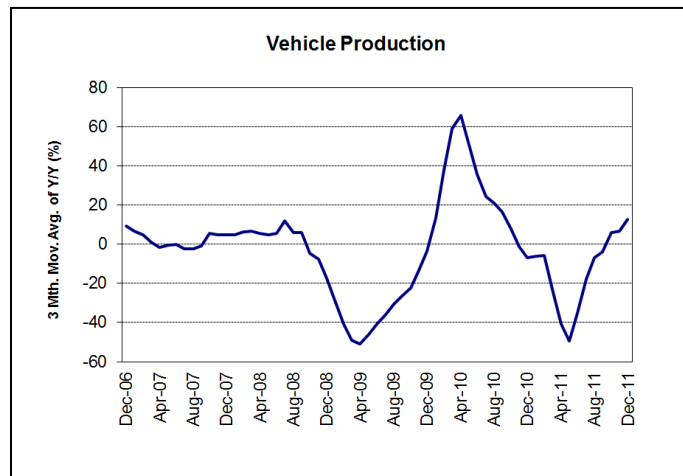
Construction orders increased 1.5% Y/Y in December.



Vehicle Production & News

Vehicle Production

Vehicle Production increased 13.4% Y/Y in December.



News

January 31st - Tax Revenues Increase in December – Tax revenues increased 3.1% Y/Y in December on growing tax receipts. Copr tax revenues increased 28.0% Y/Y and Personal income tax receipts increased 2.4% Y/Y.

January 31st - Finance Min Azumi on Yen – Finance Minister Azumi commented on the Yen stating that he will take “decisive steps” if speculators push the yen up too sharply, adding that “There is no change in my stance” on foreign exchange issues.

January 29th – BoJ Minutes – According to the minutes from the BoJ’s Dec 20-21 meeting, policy board members suggested that the bank is open to further easing if the current European sovereign debt crisis continues to weigh down the Japanese economy. The minutes noted on outlook that “a few members commented that it was necessary for the bank to continue to make its utmost efforts to maintain financial market stability, bearing in mind the possibility of further disturbances in financial markets due to the worsening of the sovereign debt problems in Europe”

Janury 29th – MoF Sales Tax Hike Not Enough – According to a forecast from the Finance Ministry, even after cutting spending and raising the consumption tax as planned, Japan will still have to increase bond issuances to 45.4 tln yen in FY15 to make up for the deficit in revenue.

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
2/5 - 2/10	Machine Tool Orders (YoY)	N/A	17.40%
2/5 - 2/11	Tokyo Avg Office Vacancies (%)	N/A	9.01
2/7	Coincident Index CI	N/A	90.3
2/7	Leading Index CI	N/A	93.2
2/7	Bank Lending Ex-Trusts YoY	N/A	0.50%
2/7	Bank Lending incl Trusts (YoY)	N/A	0.40%
2/7	Current Account Total	N/A	¥138.5B
2/7	Adjusted Current Account Total	N/A	¥480.4B
2/7	Current Account Balance YOY%	N/A	-85.50%
2/7	Trade Balance - BOP Basis	N/A	-¥585.1B
2/7-2/8	Eco Watchers Survey: Current	N/A	47
2/7-2/8	Eco Watchers Survey: Outlook	N/A	44.4
2/8	Housing Loans YoY	N/A	2.10%
2/8	Japan Money Stock M2 YoY	N/A	3.10%
2/8	Japan Money Stock M3 YoY	N/A	2.60%
2/8	Machine Orders (MoM)	N/A	14.80%
2/8	Machine Orders YOY%	N/A	12.50%

Valance Co., Inc.

Valance Economic Report: United Kingdom

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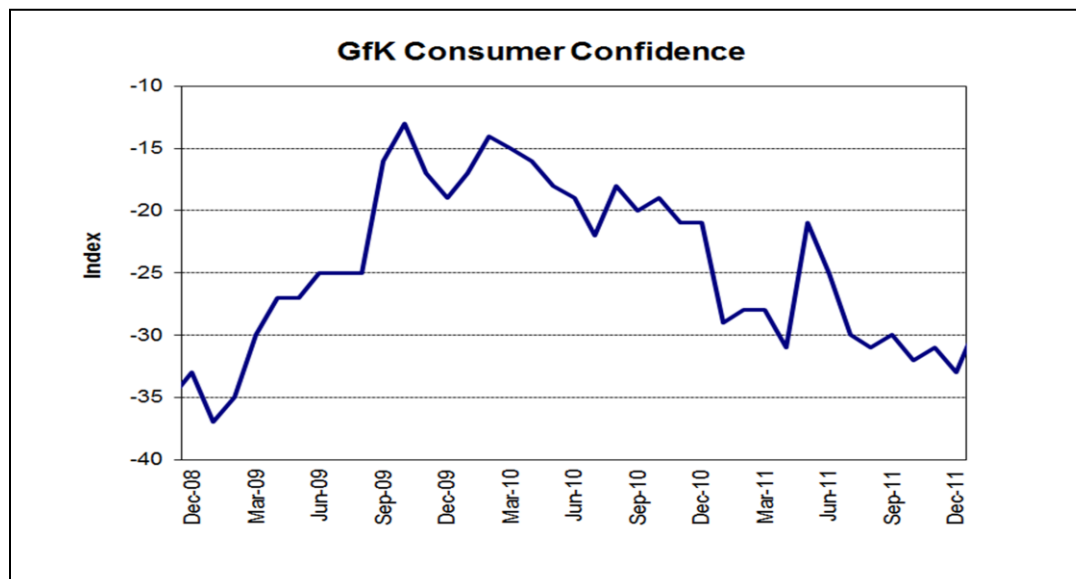
February 1 2012

Consumer confidence improved in January, as did the PMI Manufacturing Index. Mortgage Approvals increased as well, although they missed market expectations. House Prices declined.

Weekly Highlights

GfK Consumer Confidence – improved from -33 to -29 in January. (UK 1)

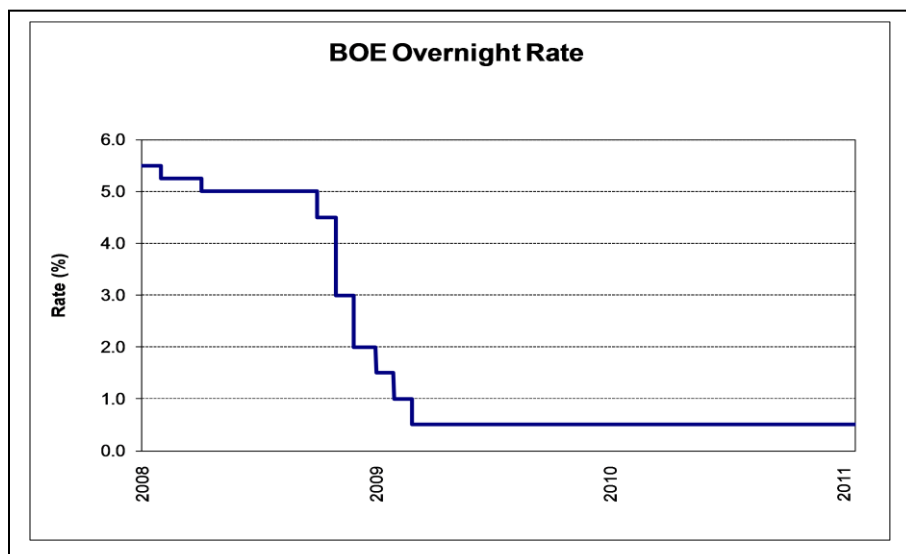
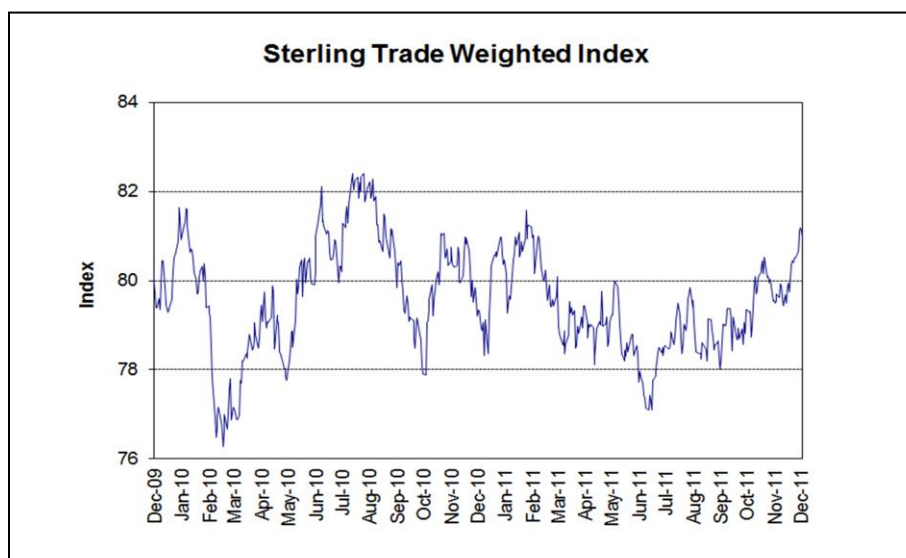
PMI Manufacturing – increased from 49.7 to 52.1 in January. (UK 3)

Weekly Releases & News**Chart(s) of the Week: GfK Consumer Confidence**

GfK Consumer Confidence saw a modest improvement as it increased from -33 to -29 in January, beating market expectations for a smaller improvement to -32. The improvement brings the series to its highest level in seven months and occurred as the climate for major purchases improved 9pts to -22, personal finances over the last 12 months improved 1pts to -22, future personal finances improved 1pt to -9, consumer's economic situation over the last 12 months improved 4pts to -58, and consumer's economic situation forecasted over the coming 12 months improved 8pts to -33. Saving intentions improved 1pt to -11.

Financial Balances, FX & BoE Overnight Rate

U.K.	Last Period (blns)	Last 12mth. % of GDP
Budget Balance (monthly)	-£14.5 (Jun)/	-12.8%
Curr. Acct. Balance (quarterly)	-£9.6(Q3)	-1.9%
Private Balance	£4.9	+10.9%

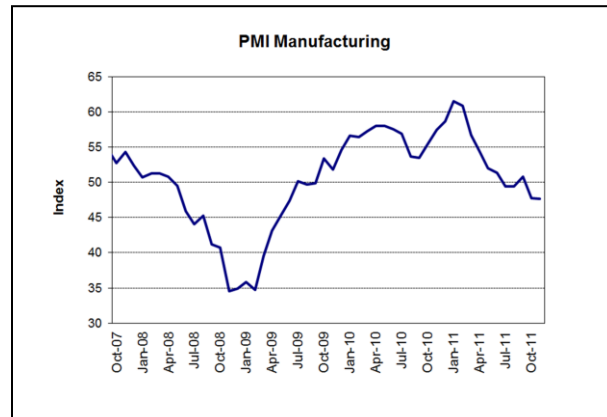


The benchmark rate remains at 0.50% and the Asset Purchase Target at £200 bln.

PMI Manufacturing, Mortgage Approvals & House Prices

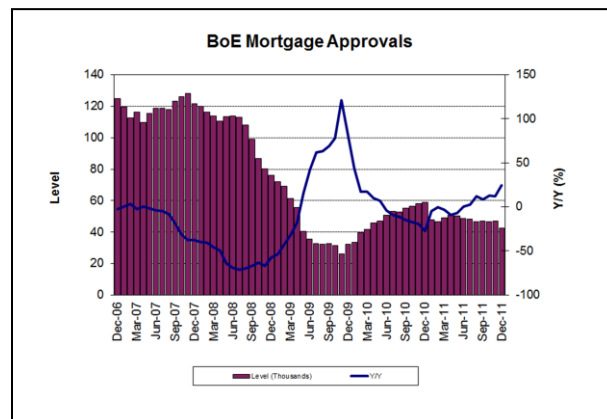
PMI Manufacturing

The UK Manufacturing Index unexpectedly grew from a revised 49.7 in December (from 49.6) to 52.1. The market had expected a smaller increase to 50.0. The increase brings the series to an eight month high in January.



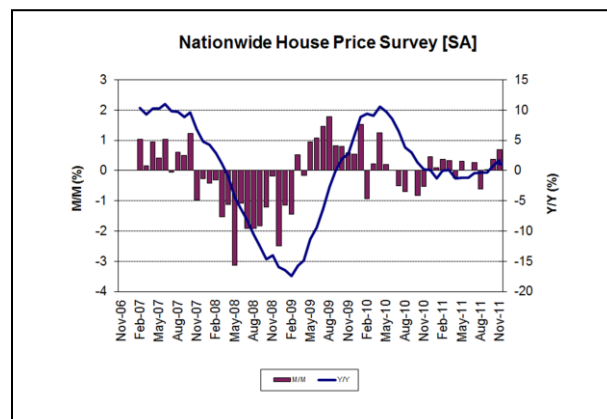
BoE Mortgage Approvals

Mortgage Approvals increased from a revised 52.6k (from 52.9k) in November to 52.9k in December, below market expectations for an increase to 54.0k.



Nationwide House Prices

UK House Prices declined 0.2% M/M and increased 0.6% Y/Y in December. While the M/M drop was in line with market expectations, the non seasonally adjusted Y/Y gain was half of the 1.2% Y/Y growth the market expected. Nationwide's chief economist commented that "The weakness in buyer demand is partly a reaction to the uncertain outlook for the economy, especially the labor market... with the flow of properties coming onto the market still more of a trickle than a flood, house prices are likely to continue to move sideways or only modestly lower in the months ahead."



Data, News & Key Upcoming Dates

Data

Net Consumer Credit – Dropped 0.4 Bln in December as expected. Lending for Dwellings increased 0.7 Bln against expectations for a 0.8 Bln increase.

M4 Money Supply – M4 Money Supply fell 1.4% M/M in December, after falling 0.5% M/M in November (downwardly revised from an original 0.6% M/M decline). On a Y/Y basis M4 fell 2.5%.

News

January 30th - Hometrack – UK Home Prices Face Downward Pressure in 2012 – From the year before, UK Home Prices fell 1.6% in January according to UK firm Hometrack. While prices were unchanged from the month before, they commented that “downward pressure” on prices will continue amid a squeeze on buyers.

January 27th - Retail Sales Drop – According to the Confederation of British Industry, annual sales growth fell from 9 in December to -22 in December. The gauge of expected sales next month was -10. The chief economic advisor of CBI commented that “shoppers have reined in spending across the board at the start of the new year after taking advantage of early discounting last month.”

Key Upcoming Dates

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
2/1-2/8	Halifax House Prices sa (MoM)	JAN	N/A	-0.90%
2/1-2/8	Halifax House Price 3Mths/Year	JAN	N/A	-1.30%
2/2	PMI Construction	JAN	52.5	53.2
2/2	Lloyds Business Barometer	JAN	N/A	-23
2/3	PMI Services	JAN	53.3	54
2/3	Official Reserves (Changes)	JAN	N/A	-\$1943M
2/5	Lloyds Employment Confidence	JAN	N/A	-75
2/6	BRC Sales Like-For-Like YoY	JAN	N/A	2.20%
2/6	New Car Registrations (YoY)	JAN	N/A	-3.70%
2/7	BRC Shop Price Index YoY	JAN	N/A	1.70%

Valance Economic Report: Canada

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February 1, 2012

A couple of downside surprises were posted in the Canadian economic releases over the past week. Real GDP, for November, fell 0.1% M/M versus market expectations for a 0.2% M/M gain. Raw Materials Prices fell 2.4% M/M in December compared to consensus for a flat M/M reading. Industrial Product prices were also weaker than expected in December.

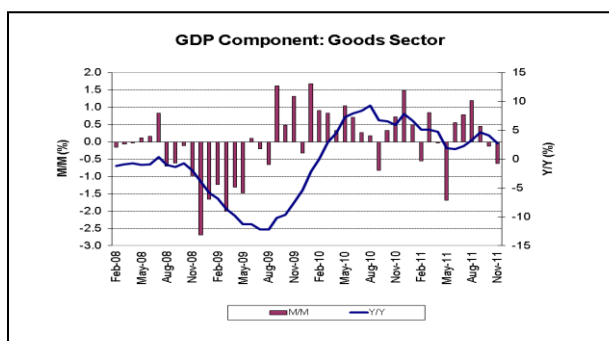
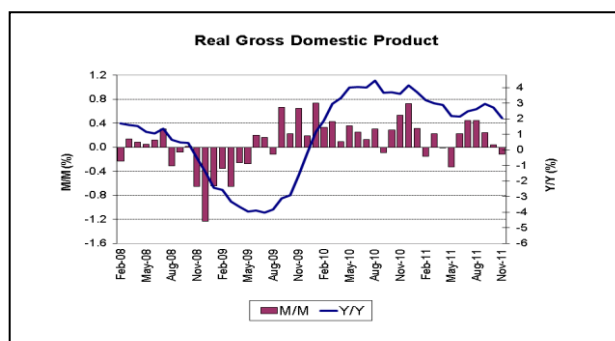
Weekly Highlights

Real GDP – unexpectedly fell 0.1% M/M in November. (CA 1)

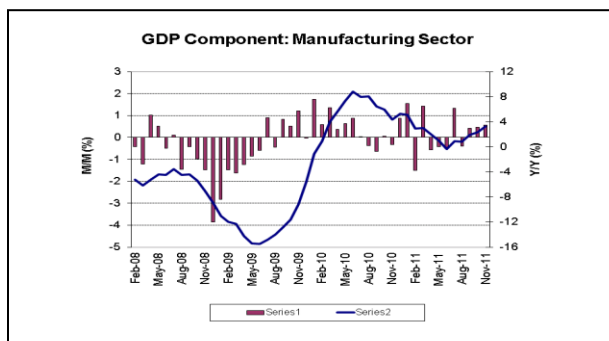
Raw Material Prices – unexpectedly fell 2.4% M/M in December. (CA 3)

Weekly Releases & News

Chart(s) of the Week: Real GDP Data



Real GDP unexpectedly fell 0.1% M/M in November, versus market expectation for 2.0% Y/Y growth. This follows flat M/M growth in October. Y/Y growth decelerated from 2.7% in October to 2.1% in November. The Goods sector fell 0.6% M/M and increased 2.7% Y/Y and the Manufacturing Sector increased 0.6% M/M and 3.3% Y/Y.

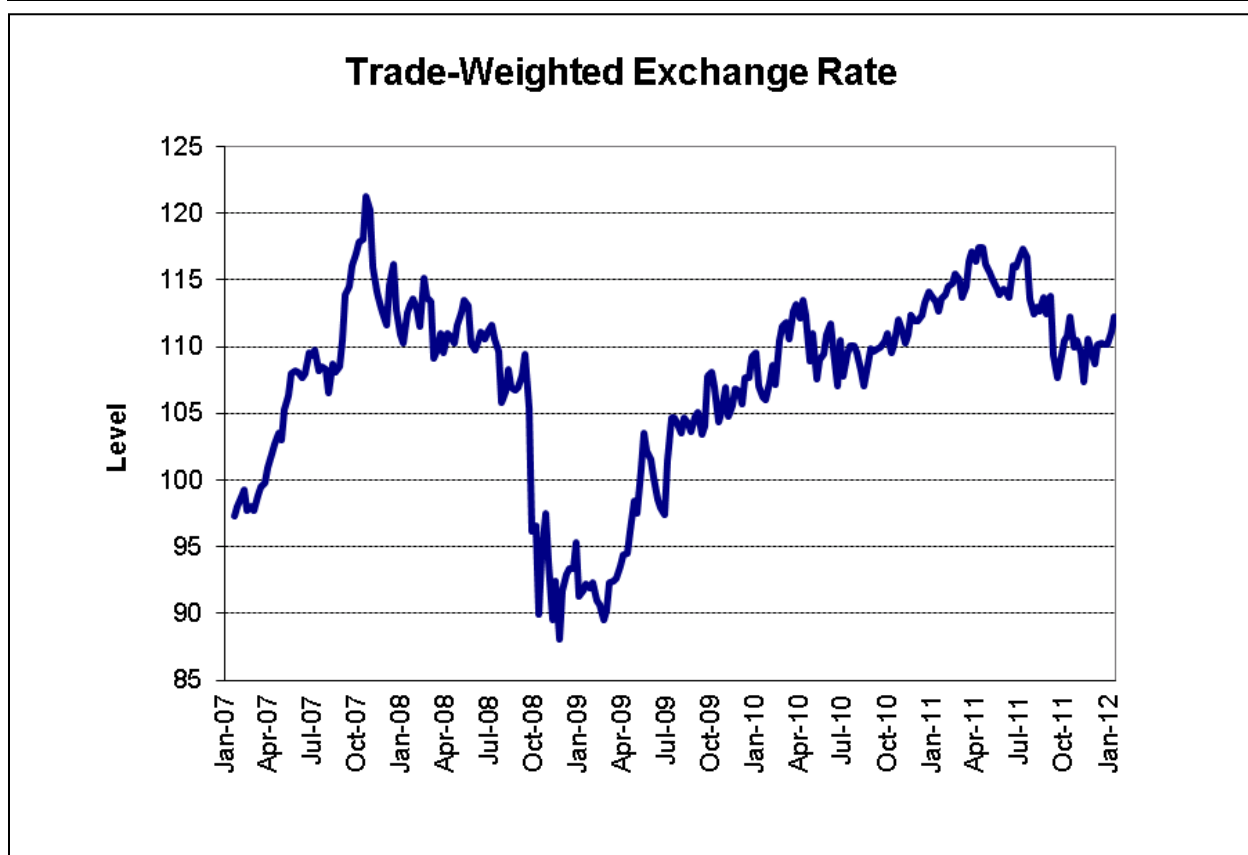


FX and Financial Balances

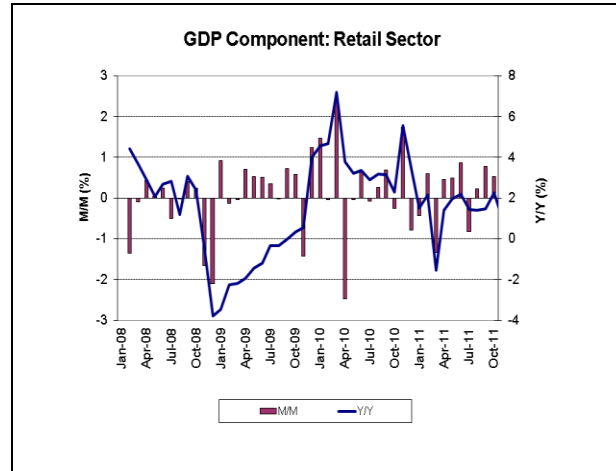
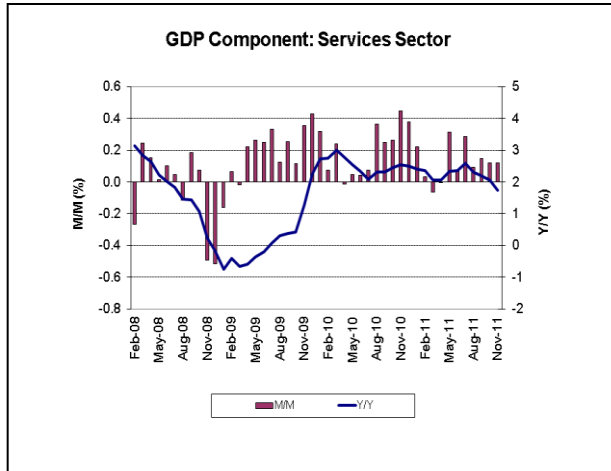
Financial Balances

Canada	Latest period (C\$bln)	Last 12mth. as % of GDP
Budget Balance	-0.9 (Feb)	-2.3%
Trade Balance	-0.89 (Oct)	-1.4%
Current Account Balance	-12.1 (Q3)	-6.3%
Private Balance	--	-4.0%

Trade-Weighted Exchange Rate



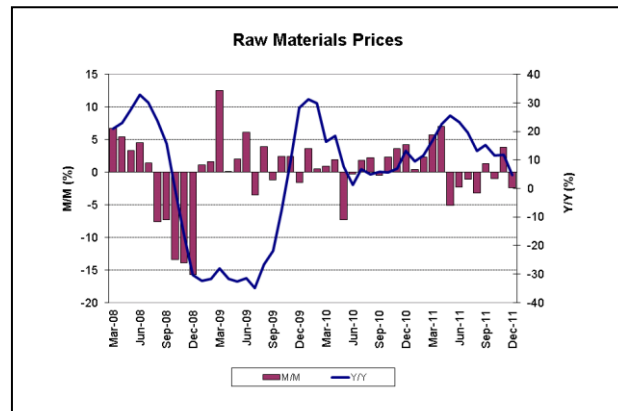
GDP Data Cont'd., RMPI & IPPI



The Service sector increased 0.1% M/M and 1.7% Y/Y in November, while the Retail sector rose 0.6% M/M and 1.1% Y/Y in the same period.

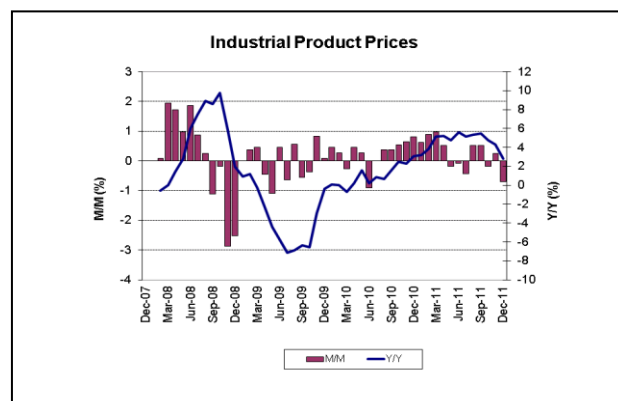
Raw Materials Price Index

Raw Materials Prices unexpectedly fell 2.4% M/M in December, following a 3.8% M/M gain in November. Market expectations were for a flat M/M reading. Y/Y growth decelerated from 11.7% to 4.7%. Lower prices for petroleum and metals were mainly responsible for the decline in Raw Material Prices.



Industrial Product Price Index

Industrial Product Prices (IPPI) fell 0.7% M/M in December, mainly as a result of lower prices for petroleum and coal products (-3.7%) and primary metal products (-2.4%). The 0.7% M/M decline was the largest decline since the 0.9% M/M decline posted in June 2010. Y/Y growth for the overall IPPI decelerated from 4.3% in November to 2.8% in December.



News

Jan. 30th - Canada's Subprime Crisis Seen With U.S.-Styled Loans: Mortgages (Bloomberg) -

Canadian lenders are loosening standards on mortgages that are similar to U.S. subprime loans, posing an “emerging risk” to financial institutions, according to the country’s banking regulator.

Banks and other lenders are becoming “increasingly liberal” with mortgages and home-equity credit lines that don’t require individuals to prove their income, according to documents obtained by Bloomberg News under freedom of information law from the Office of the Superintendent of Financial Institutions.

The mortgages, typically granted to the self-employed and recent immigrants, “have some similarities to non-prime loans in the U.S. retail lending market,” the documents show. “Non-income qualified” lending has been added to a list of issues to be considered by OSFI’s “emerging-risk committee,” the documents show.

“It just speaks to the general easing in lending standards, which has contributed to a booming housing market,” said David Madani, an economist in Toronto with Capital Economics, which estimates that Canadian housing prices may fall 25 percent over the next few years. “The problem is sort of baked in now, so I’m not sure there’s a way to prevent a weakening of the housing market.”

Canada’s housing market has surged since the 2009 recession as near-record low mortgage rates fueled prices and home purchases, unlike the U.S., where sales and values have fallen since 2007. Bank of Canada Governor Mark Carney has said record consumer debts are the greatest domestic threat to the country’s financial institutions, even as the central bank has held the benchmark rate at 1 percent since September 2010.

Key Dates This Week

Date	Indicators		Expectations	Previous
3-Feb	Unemployment Rate	JAN	7.50%	7.50%
3-Feb	Net Change in Employment	JAN	22.0K	17.5K
3-Feb	Full Time Employment Change	JAN	--	-25.5
3-Feb	Part Time Employment Change	JAN	--	43.1
3-Feb	Participation Rate	JAN	66.6	66.6
6-Feb	Ivey Purchasing Managers Index SA	JAN	--	63.5
7-Feb	Building Permits MoM	DEC	--	-3.60%

Weekly Economic Report: *China*

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February 1, 2012

The PMI Manufacturing surveys rebounded slightly in January.

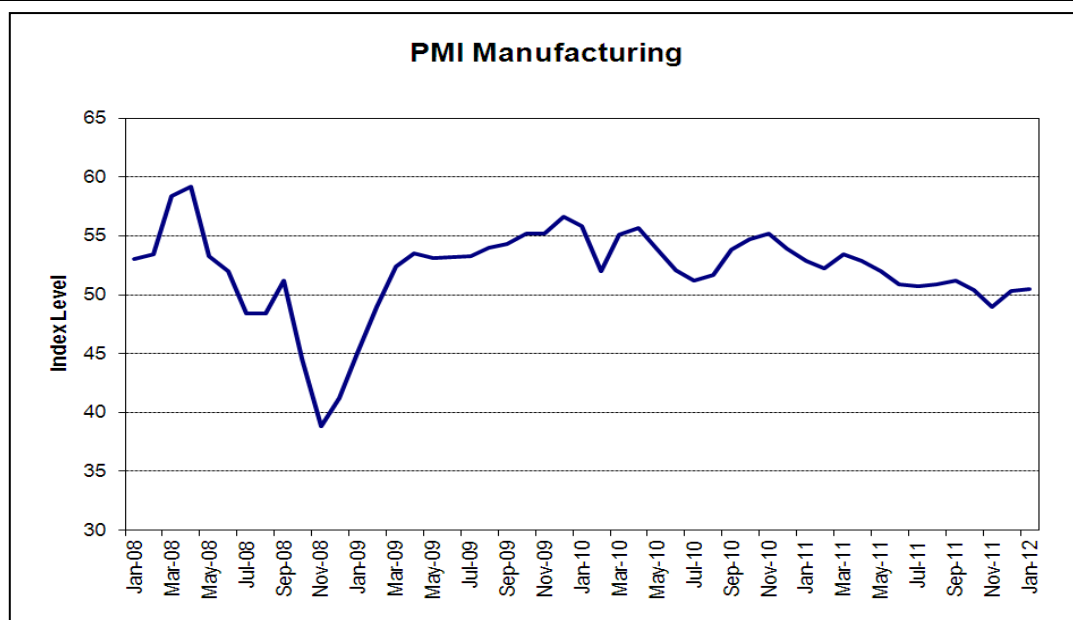
Weekly Highlights

PMI Manufacturing – rose from 50.3 in December to 50.5 in January. (CH 1)

HSBC Manufacturing PMI – rose from 48.7 in December to 48.8 in January. (CH 2)

Weekly Releases & News

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



According to the China Federation of Logistics and Purchasing, the Purchasing Managers' Index rose 0.2 percentage points, from 50.3 in December to 50.5 in January. The Index was forecast to reach 49.6. Researcher Zhang Liqun of Development Research Centre of the State Council remarked, "January PMI continued to pick up slightly from the reading of December, indicating that the economic slowdown trend is gradually stabilizing. The improvement in both new order[s] and stock of purchase sub-indexes reflected the factory production is recovering. But the new export order sub-index dropped last month, showing that the external demand is shrinking and we should pay high attention to the possible hit from external uncertainties." See PMI Manufacturing Results on the following page.

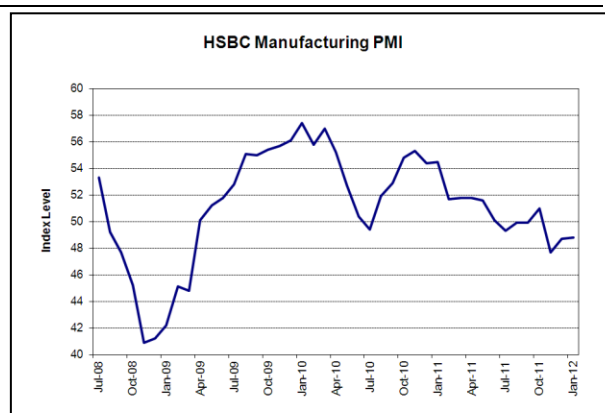
PMI Manufacturing Results, HSBC Manufacturing & Data

PMI Manufacturing Results

	Jan 2012	Dec 2011	Nov 2011	Oct 2011	Sep 2011	Aug 2011	July 2011	June 2011
Manufacturing PMI	50.5	50.3	49.0	50.4	51.2	50.9	50.7	50.9
Output	53.6	53.4	50.9	52.3	52.7	52.3	52.1	53.1
New Orders	50.4	49.8	47.8	50.5	51.3	51.1	51.1	50.8
New Export Orders	46.9	48.6	45.6	48.6	50.9	48.3	50.4	50.5
Backlogs of Work	43.2	46.6	45.2	46.0	48.9	47.6	46.5	45.9
Inventories of Finished Goods	48.0	50.6	43.1	50.3	49.9	48.9	49.2	51.0
Purchases Quantity	50.2	50.9	49.8	50.7	51.5	51.2	52.0	51.5
Imports	46.9	49.1	47.3	47.0	50.1	49.7	49.1	48.7
Input Prices	50.0	47.1	44.4	46.2	56.6	57.2	56.3	56.7
Inventories of Raw Materials	49.7	48.3	46.7	48.5	49.0	48.8	47.6	48.5
Employment	47.1	48.7	49.0	49.7	51.0	50.4	50.5	50.2
Supplier Delivery Times	49.7	50.1	50.4	50.7	49.5	49.9	50.3	49.8

HSBC Manufacturing PMI

The HSBC Manufacturing PMI rose slightly from 48.7 in December to 48.8 in January; in line with the flash reading previously released. Qu Hongbin, Chief HSBC Economist remarked, “The final results of January’s PMI survey confirmed the still weak growth momentum of manufacturing activities into the New Year. This calls for more aggressive easing measures to support growth, given that inflation is no longer a concern.”



Data

February 1st (Bloomberg) - Home Prices Fell for 5th Month in January - According to SouFun, the nation’s biggest real-estate website owner, China’s home prices fell for the fifth consecutive month, in January, to 0.18% M/M. Residential prices slipped in 60 of 100 cities. Annually, prices rose 1.7% Y/Y.

January 29th - China’s Holiday Retail Sales – rose 16.2% Y/Y to 470 bln yuan, according to the Ministry of Commerce. Clothes, jewelry and food sales increased 18.7% Y/Y, 16.4%, and 16.2% Y/Y, respectively.

News

February 1st (Reuters) - China economy faces downward risks in 2012 - Finance Minister Xie Xuren stated in an article published in the Communist Party's magazine:

There exists some downward pressure for the economic growth. As the external demand is now fading clearly, Chinese exporters are facing increasing difficulties.

It is necessary and also possible for us to continue to implement a proactive fiscal policy.

We will further improve tax cut policies in some areas to promote the development of enterprises and boost household consumption.

February 1st (Yonhap) - China Says it Will Implement Proactive Fiscal Policy This Year - Chinese Minister of Finance Xie Xuren stated:

The country's exports are facing increasing difficulties, affected by significantly weakening external demand. New drivers for economic growth need to be developed.

February 1st (Bloomberg) – Premier Pledges Funding Support for Small Companies - Chinese Premier Wen Jiabao said the government will support small companies with a 15 billion-yuan. Jiabao stated:

Supporting the healthy development of small and micro-sized business is of significant strategic importance for China's economy to overcome the impact from the global financial crisis and to maintain stable, relatively fast growth.

January 31st (Bloomberg) - Property Curbs to Stay, Reiterates Fine-Tuning - China's Premier Wen Jiabao stated:

We must maintain keen observation and make accurate judgments about the domestic and external economic situations and be on high alert for any signs or trends in the economy.

[The government will] properly manage the strength, pace and focus of macro-controls, and fine-tune policies at the appropriate time and with appropriate intensity

We will consolidate the results of property controls, continue to strictly implement and gradually improve policy measures aimed at curbing speculative demand and push prices to return to reasonable levels.

[...the government will work to] effectively solve prominent problems affecting people's well-being.

News (Cont'd.)

January 30th (Reuters) Govt debt risk "controllable", sets reforms - China's Premier Wen Jiabao said:

Currently, our government debt is overall safe and controllable.

We are taking the issue of managing local government debt very seriously. Through clean-ups and regulation, the trend of expanding investment vehicles has been effectively contained.

[...China] must both actively and appropriately ease financial and fiscal risks, and also ensure the funding needs of key construction projects approved by the government.

We cannot simplistically hit the brakes and use a one-size-fits-all approach, and must avoid turning localised risks into comprehensive, systemic risks.

We must study standards for determination and a framework for assessing our country's systemically important financial institutions, and we must adopt more stringent oversight standards towards these institutions, enhancing external constraints on them.

Improving financial services for small businesses requires the reform, innovation and regulated development of financial institutions that come in different types and different sizes.

[...China should] accelerate nurturing of a market system for benchmark interest rates, guide financial institutions towards enhancing their risk price-setting capacities, and steadily advance marketising reform of interest rates.

[...commitment to] further improve the renminbi exchange rate formation mechanism, strengthen the flexibility of the renminbi exchange rate in both directions, maintaining a basically stable renminbi exchange rate at a reasonable and balanced level.

We should explore a multi-layer investment channel for our foreign exchange reserves and further improve the skill of managing the reserve assets by steadily diversifying the investment to maintain safety, liquidity and preserve and increase its value.

January 26th (Bloomberg) - WTO's Lamy Says China Foreign Investment Will Grow in Next Years - WTO Director-General Pascal Lamy remarked:

We will see in the years to come that China's investments grow, and I have no doubt that that will happen.

Chinese investment abroad is the next phase [of the country's development].

<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%

Valance Co., Inc.

Valance Economic Report: Australia

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February 1, 2012

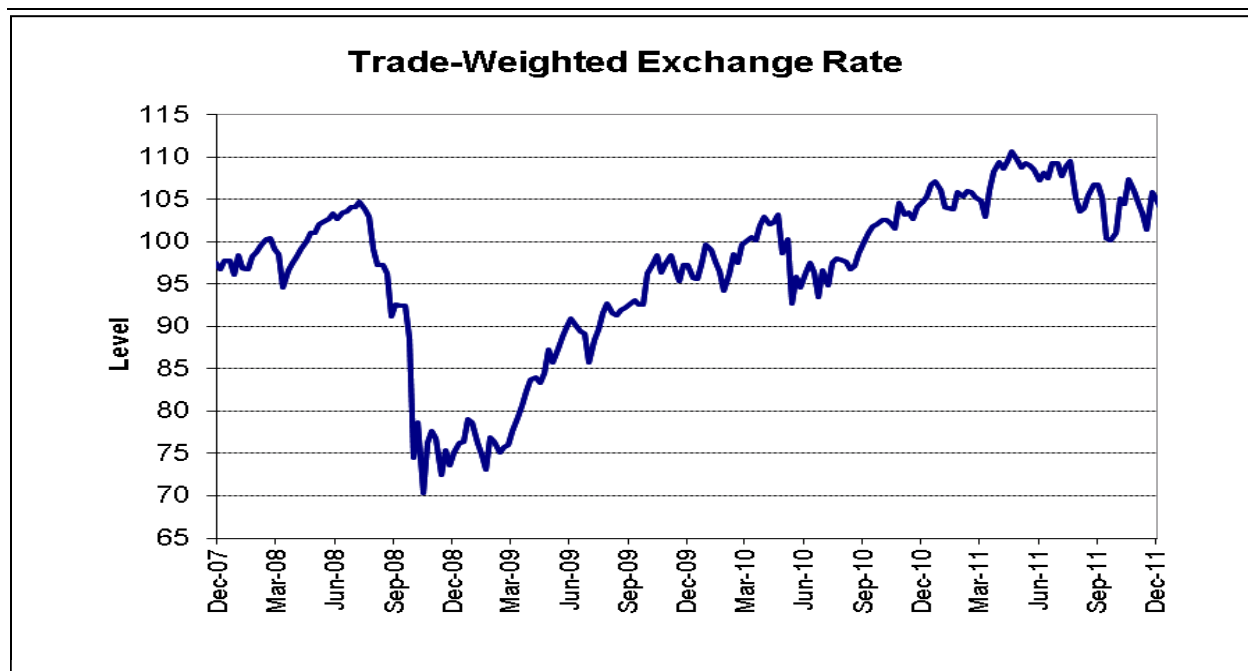
Australian house prices plunged by the most on record in 2011 as global economic uncertainty and concerns about its impact at home kept a lid on demand. Sales of new homes fell a seasonally adjusted 4.9 percent in December.

Weekly Highlights

New Home Sales – fell a 4.9% in December. (AU 2)

Australian Business Confidence – improved from 2 to 3. (AU 2)

AiG Manufacturing Index – fell 0.4pts to 60.7 in January. (AU 2)

Weekly Releases & News**Chart of the Week: FX**

Data/News

AiG Performance of Manufacturing Index:

The manufacturing index's reading on wages fell 0.4 point to 60.7 and inventories gained 0.4 point to 54.3, today's report showed. Supplier deliveries added 2.8 points to 55.6.

A gauge of employment advanced 5 points to 51 in January, and new orders held at 49.9, the report showed. The production measure lost 0.3 point to 50.7.

- The manufacturing index was 51.6 last month compared with 50.2 in December, the Australian Industry Group and PricewaterhouseCoopers said in a survey released today. It was the first back-to-back reading above 50, the dividing line between expansion and contraction, since August 2010 and the highest reading since June.

Housing Price Index:

Australian house prices plunged by the most on record in 2011 as global economic uncertainty and concerns about its impact at home kept a lid on demand. An index measuring the weighted average of prices for established houses in eight major cities slid 4.8% Y/Y and 1% Q/Q in the three months to December from the previous quarter, when they retreated a revised 1.9 percent.

HIA New Home Sales:

Sales of new homes fell a seasonally adjusted 4.9 percent in December, with detached house sales dropping 7.7 percent, a separate report from the Housing Industry Association showed.

NAB Business Confidence Survey:

The Australian Business Confidence Index improved from 2 to 3 in December.

Jan. 27 - Bond Sales Seen Falling 50% on Gillard Surplus: Australia Credit (Bloomberg)- Prime Minister Julia Gillard's pledge to return Australia's budget to surplus by 2013 means the government will cut bond sales by 50 percent this year, the first decline since 2006.

The Australian Office of Financial Management will reduce bond auctions to A\$32 billion (\$34 billion) in 2012 from A\$63.4 billion last year, according to the median estimate of five analysts surveyed by Bloomberg News. The government's funding arm holds its first auction of the year on Feb. 1.

Investor demand for Australia's AAA rated sovereign debt, last year's third-best performing market after the U.K. and New Zealand, drove the extra yield its 10-year notes offer over similar-maturity U.S. Treasuries to 177 basis points on Jan. 19 from 2011's high of 248 on Aug. 10, Bloomberg data show. Demand for the nation's assets amid a mining boom helped spur a 51 percent advance by the local currency against the U.S. dollar since the end of 2008, and 61 percent against the euro.

The dissatisfaction with currencies like the euro and U.S. dollar relative to the attraction of Australia's AAA rating and economic strength mean there's a vast amount of demand for Aussie paper, said Adam Donaldson, head of debt research at Commonwealth Bank of Australia in Melbourne. He estimates A\$35 billion of sales this year. The sovereign is benefiting from that.

Key Dates This Week

Date	Indicator		Expectation	Previous
2-Feb	AiG Performance of Service Index	JAN	--	49
5-Feb	TD Securities Inflation M/M%	JAN	--	0.50%
5-Feb	TD Securities Inflation Y/Y%	JAN	--	2.40%
5-Feb	ANZ Job Advertisements (M/M)	JAN	--	-0.90%
5-Feb	Retail Sales Ex Inflation(Q/Q)	4Q	--	0.60%
5-Feb	Retail Sales s.a. (M/M)	DEC	--	0.00%
6-Feb	AiG Perf of Construction Index	JAN	--	41
6-Feb	RBA CASH TARGET	7-Feb	4.00%	4.25%
7-Feb	Foreign Reserves	JAN	--	A\$46.1B
7-Feb	Westpac Consumer Confidence s.a. (M/M)	FEB	--	2.40%
7-Feb	Westpac Consumer Confidence Index	FEB	--	97.1

Valance Co., Inc.

Valance Economic Report: New Zealand

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February 2, 2012

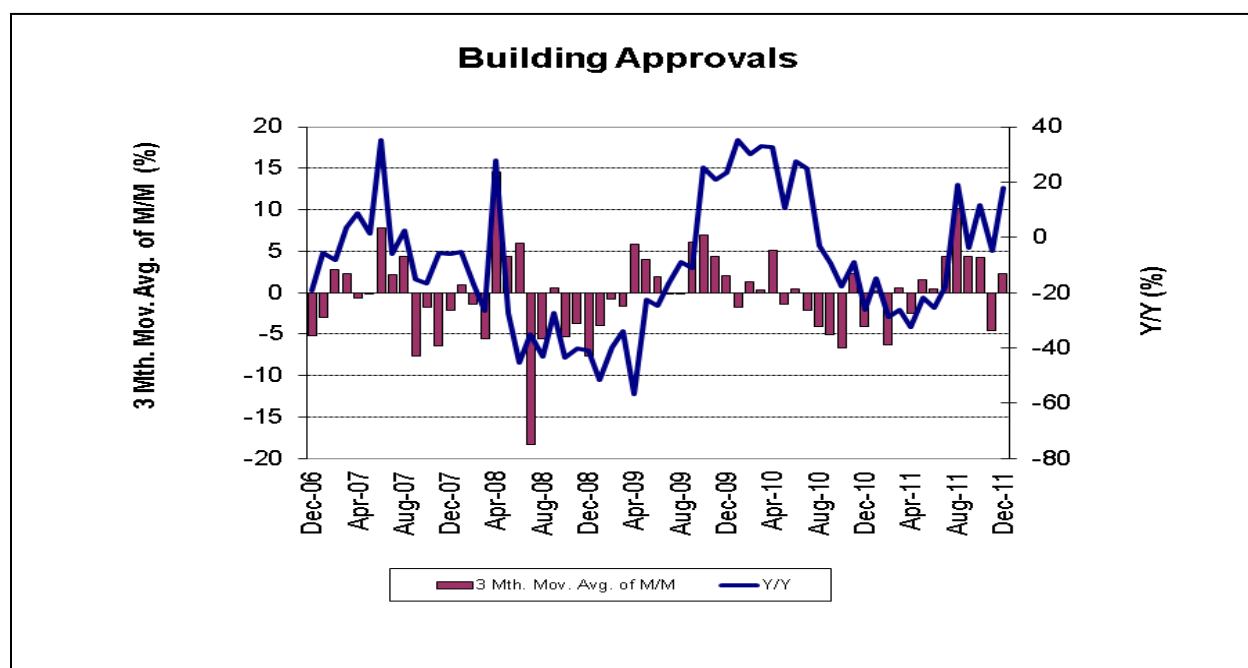
Building approvals rebounded in December and the Trade Balance recorded its first surplus in five months the price and volume of dairy exports climbed to record highs.

Weekly Highlights

Building Permits –rose 2.1% M/M in December, after declining 6.2% M/M in November (NZ 1)

Trade Balance - rose from NZ\$ -308 mln in November to NZ\$338 mln in December. (NZ 2)

Exports & Imports - exports rose 10.4% M/M and 12.8% Y/Y, Imports fell 5.6% M/M and 1.6% Y/Y. (NZ 2)

Chart(s) of the Week: Building Approvals

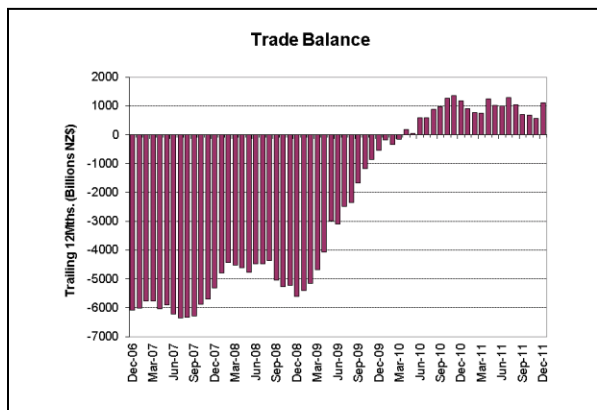
Home-Building Approvals rose 2.1% M/M in December, after declining 6.2% M/M in November, market expectations were for a 8.0% M/M gain. On a Y/Y basis Permits increased 18.1%. Ex-apartments, approvals fell 0.2% M/M after falling 2.7% M/M previously.

NZ 1

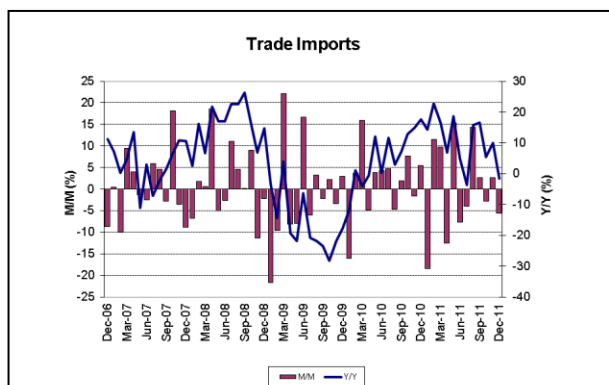
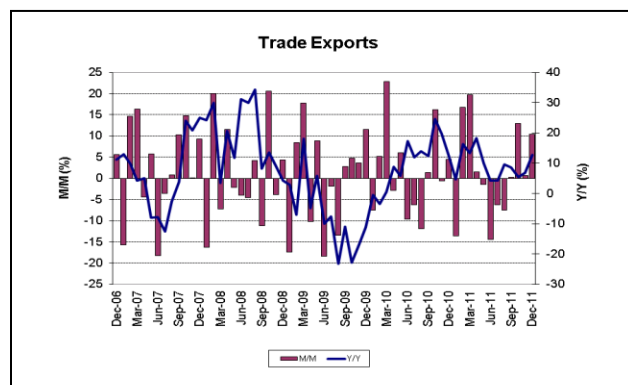
Trade Balance & Data

Trade Balance

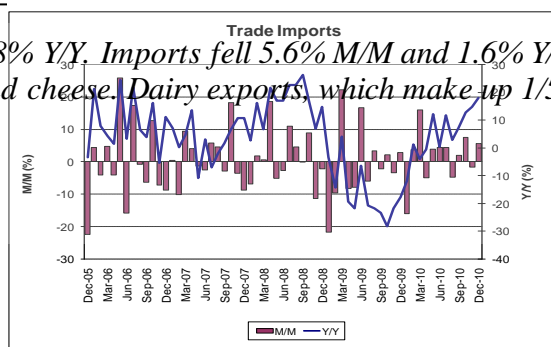
New Zealand's Trade Balance rose from NZ\$ -308 mln in November to NZ\$338 mln in December. The annual trade surplus rose from NZ\$ 555 mln to NZ\$ 1113 mln. Expectations were for NZ\$ -50 mln monthly and NZ\$ 723 mln annual surplus.



Exports & Imports



In December, Exports rose 10.4% M/M and 12.8% Y/Y, Imports fell 5.6% M/M and 1.6% Y/Y, due to overseas sales of milk powder, butter, and cheese. Dairy exports, which make up 1/5th of the total, increased 32% from the year earlier.



Data

Jan. 29th - New Zealand service sector struggling to expand (CTX) - New Zealand's service sector is struggling and will continue to struggle in the near future, an industry leader said Monday on the release of the latest Performance of Services Index (PSI).

The BNZ-Business New Zealand PSI figure for December was just 50.6, down from 56.2 in November and down 0.2 points from the October figure.

A PSI figure above 50 indicates expansion, and below 50 a decline.

The December figure was also below the 2011 PSI average of 52.6 and the 2010 average of 53.2, but it was above the 2009 figure of 48.8.

Business New Zealand chief executive Phil O'Reilly said both the PSI and the Performance of Manufacturing Index (PMI) have ended 2011 with "more of a whimper than a bang."

"While the PSI has now remained in positive territory for 26 consecutive months, it has struggled to push any higher than moderate levels of expansion," said O'Reilly in a statement from Business New Zealand.

"The results for December and October indicate that the sector may struggle for stronger expansion in the near future."

BNZ bank senior economist Craig Ebert said the December PSI gave a sense of "ongoing progression," underscored by its employment component remaining in expansion.

Key Dates This Week

Date	Indicator		Expectation	Previous
2-Feb	Net Migration SA	DEC	--	-50
6-Feb	Average Hourly Earnings Q/Q	4Q	--	1.30%
6-Feb	Private Wages Exc Overtime Q/Q	4Q	--	0.50%
6-Feb	Private Wages Inc Overtime Q/Q	4Q	--	0.50%
8-Feb	Unemployment Rate	4Q	--	6.60%
8-Feb	Employment Change (Q/Q)	4Q	--	0.20%
8-Feb	Employment Change (Y/Y)	4Q	--	1.10%
8-Feb	Participation Rate (Q/Q)	4Q	--	68.40%

Valance Co., Inc.

Valance Economic Report: Sweden

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February 1, 2012

In December, Sweden's Trade Surplus declined due to a fall in Exports; PPI fell less than expected; and the Unemployment rate rose to 7.1%. Sweden's PMI manufacturing rebounded, following five consecutive months of contraction.

Weekly Highlights

Trade Surplus – narrowed to a surplus of SEK 2.8 bln in December. (SW 1)

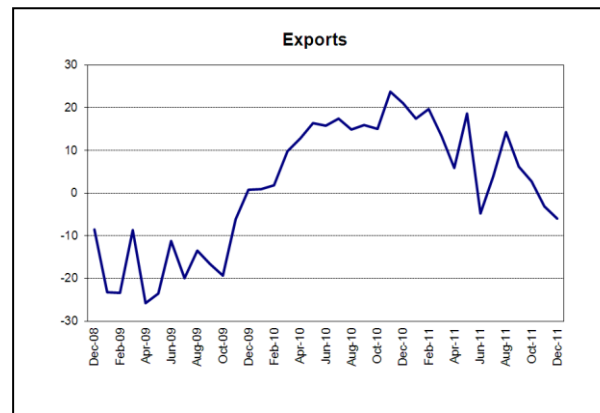
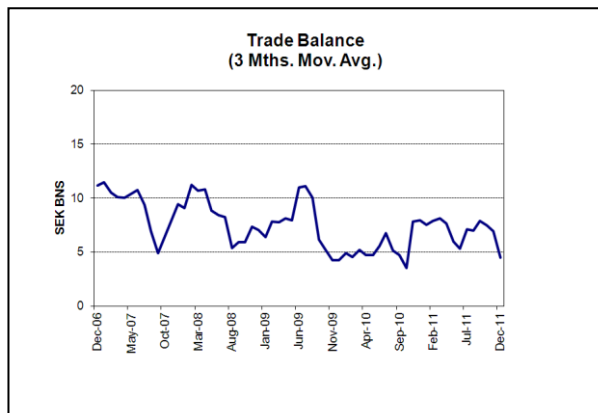
PPI – fell 0.2% M/M and 2.1% Y/Y in December. (SW 2)

PMI – rose from 48.9 in December to 51.4 in January. (SW 2)

Unemployment Rate – rose to 7.1% in December. (SW 4)

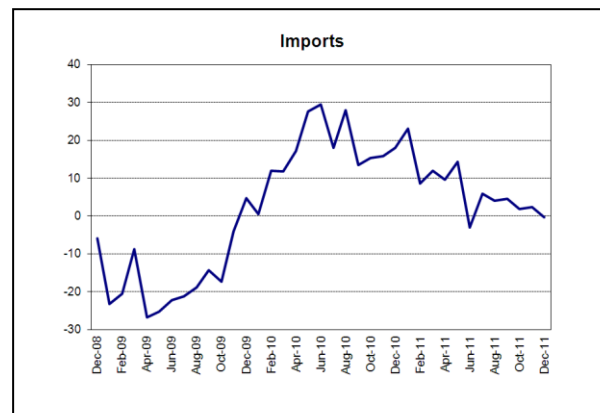
Weekly Releases & News

Chart(s) of the Week: Trade Data



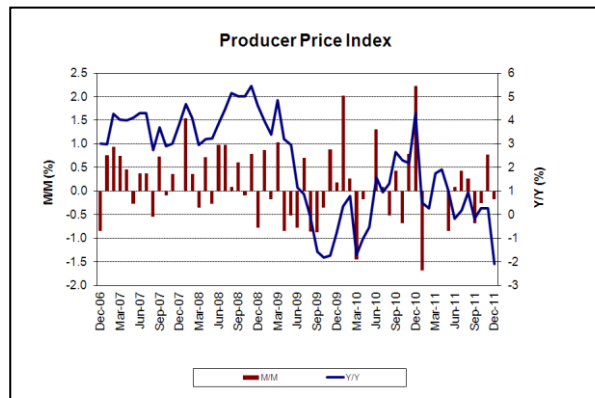
Sweden's Trade Surplus narrowed from SEK 3.8 bln in November to SEK 2.8 bln in December; and down from a surplus of SEK 8.9 bln a year earlier. A surplus of SEK 6.5 bln was expected.

Exports decreased by 6.0% Y/Y totaling SEK 95.7 bln; while Imports remained unchanged, reaching SEK 92.9 bln.



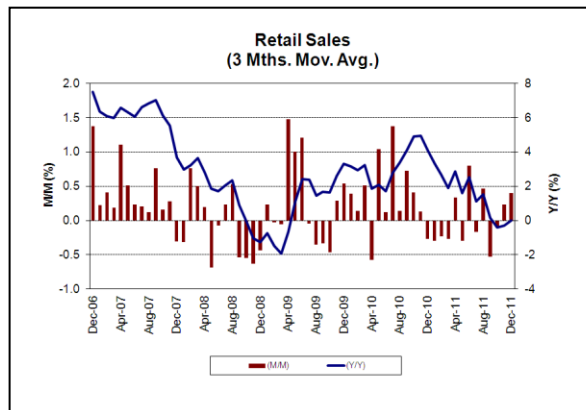
PPI

The Producer Price Index fell 0.2% M/M and 2.1% Y/Y in December, compared with +0.8% M/M and +0.3% Y/Y the previous month. Prices were forecast to fall 0.4% M/M and 2.3% Y/Y.



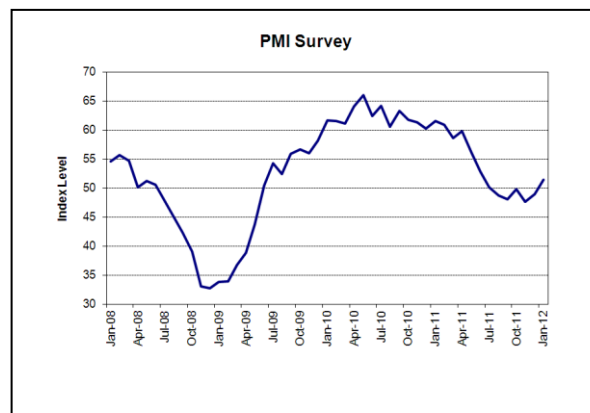
Retail Sales

Retail Sales rose 0.1% M/M and 1.5% Y/Y in December, compared with 0.7% M/M and 0.6% Y/Y in November. Sales were forecast to fall 0.5% M/M and gain 0.8% Y/Y. Additionally, Retail Sales for consumables and durables increased by 2.4% Y/Y and 1.0% Y/Y, respectively.



PMI

Sweden's Purchasing Managers' Index rebounded from 48.9 in December to 51.4 in January; after 5 consecutive months below 50. It was expected to reach 49.5. Six of the Index's 10 subcomponents expanded above the expansion zone. Swedbank remarked, "The increase in demand was primarily in the domestic market." See below for PMI results.



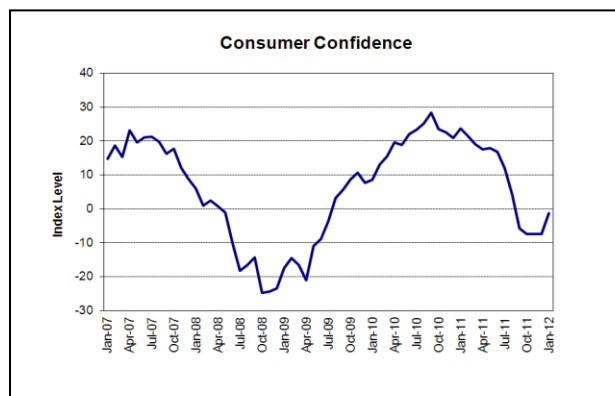
PMI Results, Consumer Confidence & Manufacturing Confidence

PMI Results

	Jan 2012	Dec 2011	Nov 2011	Oct 2011	Sep 2011	Aug 2011	July 2011	June 2011	May 2011	Apr 2011	Mar 2011
PMI	51.4	48.9	47.6	49.8	48.1	48.7	50.1	52.9	56.1	59.8	58.6
Orders	52.0	47.0	47.1	50.5	46.5	47.0	45.4	52.3	55.4	61.5	56.1
Production	52.9	49.2	46.2	48.2	48.9	48.6	49.4	54.0	59.8	61.9	61.4
Employment	48.0	49.5	48.3	50.7	50.0	50.9	53.7	51.3	54.4	57.7	58.3
Delivery Times	51.0	49.9	45.6	47.8	47.5	49.1	54.4	58.1	61.0	65.1	66.0
Stocks	47.0	48.3	46.0	47.1	52.0	51.5	50.1	51.4	55.6	54.6	52.0
Export Orders	49.9	48.7	47.5	48.9	48.3	48.0	46.9	52.5	52.8	58.3	54.7
Domestic Orders	49.0	45.1	46.1	49.1	46.2	42.3	43.4	48.8	56.4	56.9	54.0
Stocks of Orders	50.6	46.4	45.1	48.9	47.0	47.9	49.1	51.0	55.3	57.3	54.3
Raw Material Prices	50.3	42.6	42.6	39.9	47.0	47.4	51.5	60.5	63.5	74.5	79.8
Import Prices	50.3	46.5	44.5	46.8	45.8	48.5	50.4	52.2	56.2	58.5	58.9

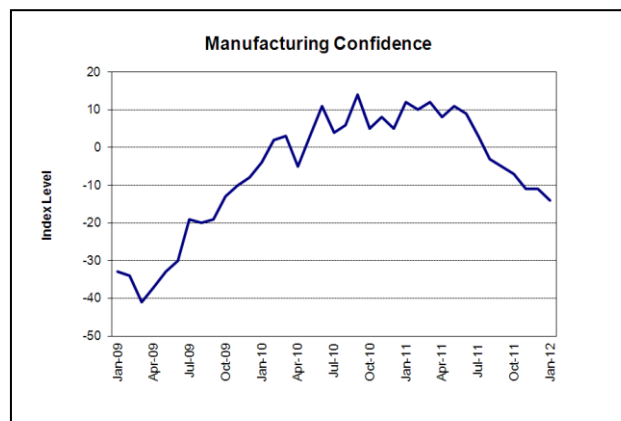
Consumer Confidence

Sweden's Consumer Confidence Index improved from -7.4 in December to -1.3 in January. Expectations were for a reading of -7.0.



Manufacturing Confidence

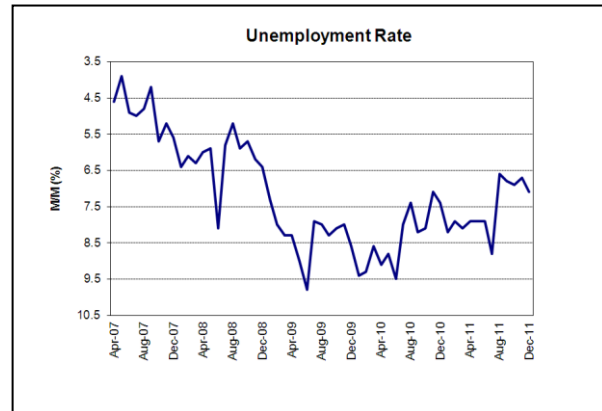
The seasonally adjusted Manufacturing Confidence Index fell from -11 in December to -14 in January. This marked the lowest reading in more than two years and was partly attributed to falling exports. A reading of -11 was expected.



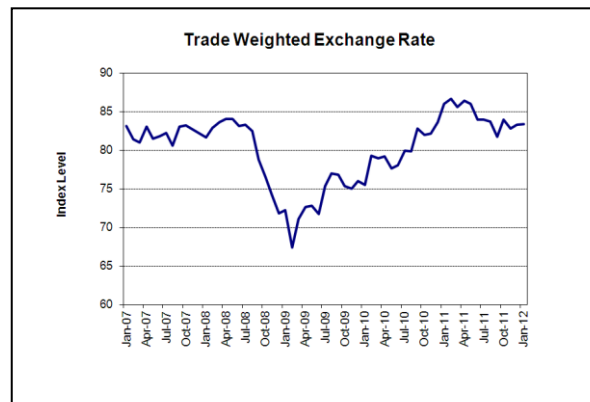
Unemployment Rate, Trade Weighted Exchange Rate & Data

Unemployment Rate

The Unemployment Rate (n.s.a.) rose from 6.7% in November to 7.1% in December. The rate was expected to reach 7.0%. The number of unemployed amounted to 353K persons; while the number of employed totaled approximately 4.62 mln (up 68K from the previous year);



Trade Weighted Exchange Rate



Data

January 27th - Household Borrowing Growth (Bloomberg) – slowed for a 15th month in December. Borrowing rose 5.2% Y/Y in December, compared with 5.3% Y/Y the previous month. It was forecast to reach 5.1% Y/Y.

January 26th (RTT News) – The Economic Tendency Survey – fell 1.5 points from 92.9 in December to 91.4 in January. It was expected to reach 93.0.

News

February 1st (SME Times) - 'Sweden not bound to eurozone despite joining EU pact' - Prime Minister Fredrik Reinfeldt stated:

It is the condition Sweden made when it is going to join the EU fiscal pact.

The European economic crisis has showed that our neighbours' problem is also our problem. It's about how to see to taking part in it and making an impact on it.

January 31st (The Local) - Sweden gets a seat at the eurozone table – Prime Minister Fredrik Reinfeldt made the following comments to TT News agency:

The attitude to shut the world out won't create welfare and growth in Sweden, on the contrary.

What the eurozone countries are going to do is what Sweden has done in the last 15 years.

If I have a mandate from the EU Committee, then I must act upon it.

January 27th (Bloomberg) Politicians Shouldn't Pressure ECB on Losses – Swedish Finance Minister Anders Borg remarked:

If they are forced to take a broad loss on Greek paper, they are more likely to come to the conclusion it was a mistake to become more active on these issues. I would prefer that we make it easier for the ECB to take an active role in combating this crisis. So the politicians should not put pressure on the ECB to take losses.

Italy has recognized that it's in a deep crisis and that they need structural reforms to regain competitiveness. [Italy's Prime Minister Mario Monti] is a game-changer in that respect.

We cannot afford to stimulate the economy. Growth comes when the confidence comes back and the confidence comes back when you do structural reforms even though it takes time.

January 26th (NASDAQ) - Sweden Says Greece Slow On Reform - Swedish Finance Minister Anders Borg remarked:

They need to do substantial fiscal reforms and they are dragging their feet.

They are destroying credibility for themselves which will only make this process more painful and more prolonged.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
02/06	Service Production	DEC	--	0.1% / 2.6%
02/07	Budget Balance	JAN	--	-90.8B

Valance Co., Inc.

Valance Economic Report: Switzerland

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February 1, 2012

In January, the KOF Leading Indicator fell to its lowest level in over two years and Switzerland's manufacturing PMI unexpectedly declined further, following four consecutive months of contraction. The UBS Consumption Indicator rebounded in December.

Weekly Highlights

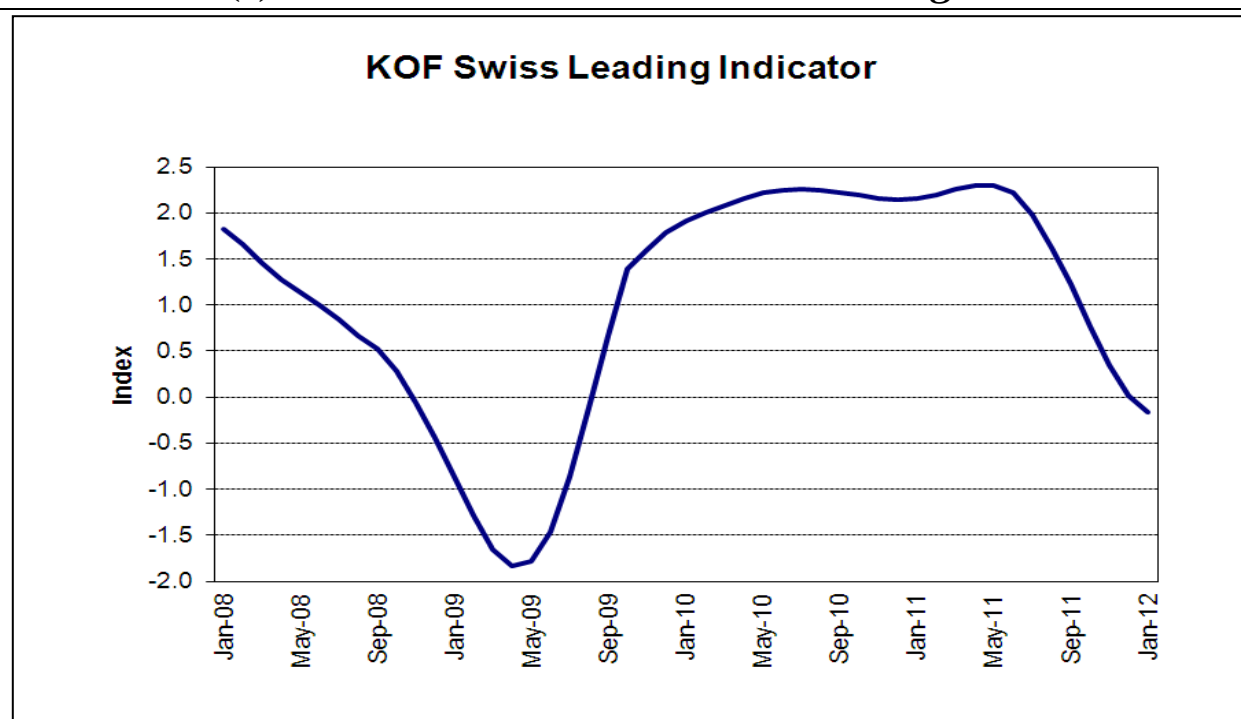
KOF Swiss Leading Indicator – fell from 0.01 in December to -0.17 in January. (SZ 1)

UBS Consumption Indicator – rose from 0.78 in November to 0.92 in December. (SZ 2)

PMI – fell from 49.1 in December to 47.3 in January. (SZ 2)

Weekly Releases & News

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



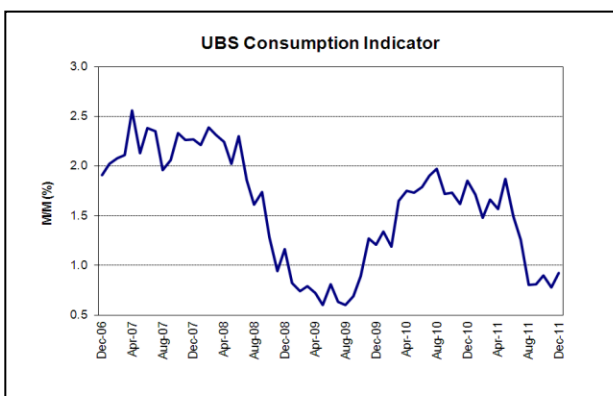
The monthly aggregate of indicators retreated from 0.01 in December to -0.17 in January – the lowest since July 2009. The KOF remarked, [The decline] “suggests that over the next few months Swiss economic growth is likely to decline slightly in year-on-year terms.” The Indicator was expected to reach -0.10.

SZ 1

UBS Consumption Indicator & PMI

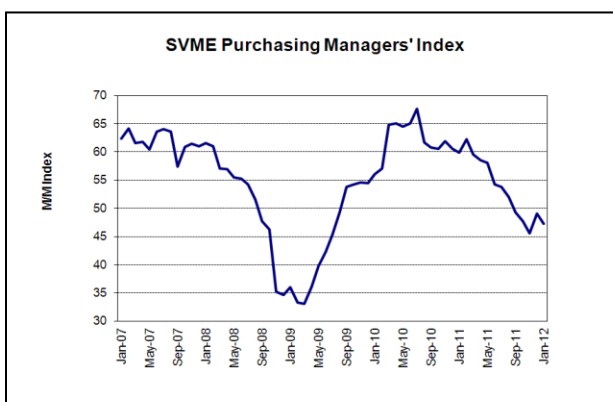
UBS Consumption Indicator

The UBS Consumption Indicator rose from 0.78 in November to 0.92 in December. UBS said, “The UBS economists are confident that the consumption indicator has bottomed out and believe it could rise over the course of the year. The persistently high immigration of labor force is likely to continue to support domestic consumption.”



PMI

Switzerland's Purchasing Managers' Index contracted from 49.1 in December to 47.3 in January. This marked the 5th consecutive month below 50. The index was expected to reach 51.2. Six of the Index's subcomponents decreased. Credit Suisse remarked, “The toing and froing in the debt crisis is reflected clearly in the index trend, with the industrial sector of the economy now stagnating after its significant loss of momentum in the second half of 2011. The current level of the PMI would even indicate a decline in industrial activity in the months to come.” See PMI Survey Results below.



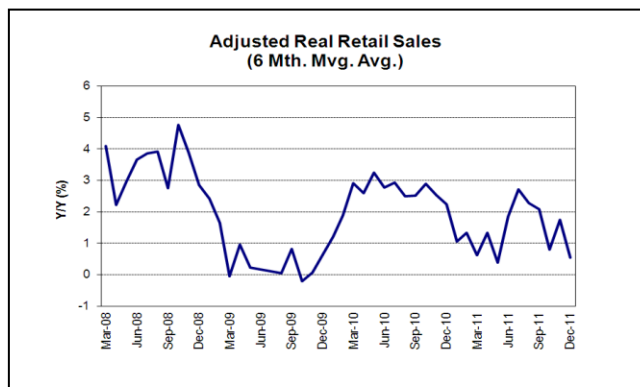
PMI Results

	Jan 2012	Dec 2011	Nov 2011	Oct 2011	Sep 2011	Aug 2011	July 2011	June 2011	May 2011	Apr 2011	Mar 2011
PMI s.a.	47.3	49.1	45.6	47.7	48.2	51.7	53.5	53.4	59.2	58.4	59.3
Output	51.8	52.2	47.3	48.0	46.5	54.3	51.5	46.6	61.1	57.3	59.3
Backlog of Orders	47.6	50.6	45.7	46.2	44.9	46.4	45.6	48.8	57.0	55.2	57.8
Quantity of Purchase	44.0	47.7	43.6	42.6	40.1	46.1	42.8	46.7	55.5	56.4	61.7
Purchase Prices	50.3	46.8	45.5	41.3	36.7	34.6	46.2	51.8	60.2	69.2	75.4
Suppliers Delivery Times	41.2	41.3	42.7	45.8	55.6	60.0	67.8	69.2	66.8	68.8	68.6
Stocks of Purchases	47.5	49.8	43.7	44.9	47.1	51.0	57.1	50.9	51.9	55.2	52.6
Stocks of Finished Goods	52.4	49.7	50.2	45.3	46.7	50.7	54.0	51.3	49.9	52.5	50.3
Employment	45.7	48.6	46.4	48.6	50.6	50.3	55.4	58.2	57.9	58.2	58.2
PMI NSA	47.4	45.1	45.2	47.7	50.7	50.5	51.9	55.7	59.4	60.2	61.1

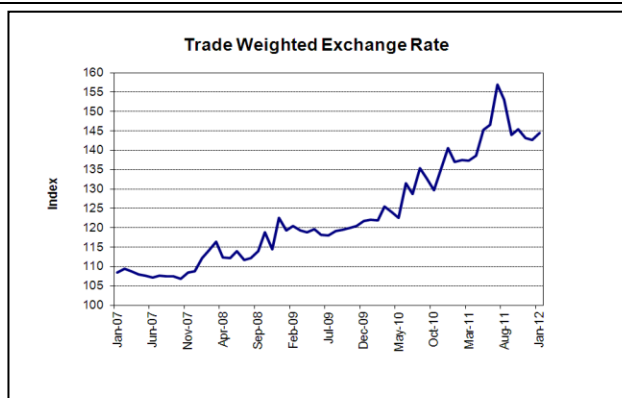
Retail Sales, Trade Weighted Exchange Rate & News

Real Retail Sales

December Real Retail Sales, adjusted for inflation, rose 0.6% Y/Y, compared to 1.8% Y/Y the previous month.



Trade Weighted Exchange Rate



News

January 28th (Bloomberg) - Widmer-Schlumpf Says Government Waiting for SNB on Succession - Swiss President Eveline Widmer-Schlumpf remarked:

We've signaled that we're very happy if the council makes a suggestion as soon as possible. [Thomas Jordan] does an excellent job [as an interim chairman].

We haven't seen huge volatility in response [to Hildebrand's resignation]. Two of three board members that have decided to impose the cap and to defend it with the utmost determination are still in place.

[The franc ceiling of 1.20 versus the euro is] respected in markets at the moment.

News (Cont'd.) & Upcoming Dates

News (Cont'd.)

January 28th - Franc Remains 'Overvalued' Versus Euro - Swiss Economy Minister Johann Schneider-Ammann stated:

I consider the franc overvalued, purchasing-power parity is around 1.35 or 1.40.

From history we know that an exchange rate moves toward purchasing-power parity. But it takes time. On average, it takes two years.

January 28th - Risk of Further Job Cuts on Franc Gains - Swiss Economy Minister Johann Schneider-Ammann stated:

I'm worried about a gradual deindustrialization of the country, that investments are being pushed back.

Every investment that's not undertaken is a risk. Overall, there's a certain risk that jobs will be cut.

...[while] the domestic economy is well under way [the] export industry is damped by the exchange rate. [The economy will only expand at a] modest [pace this year].

Key Dates This Week

Date	Indicator	Month	Expectation	Previous
02/02	Trade Balance	DEC	2.50B	2.95B
02/02	Exports / Imports	DEC	--	-6.8% / -7.7%
02/03	UBS Real Estate Bubble Index	Q4	--	0.58
02/06	Foreign Currency Reserves	JAN	--	254.2B
02/08	Unemployment Rate / sa	JAN	--	3.3% / 3.1%