

# Valance Company, Inc.



Weekly

August 31, 2011

III

## Highlights

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US – QE3 gaining momentum

EU – Confidence weakening

JN – Core CPI Prices increase, deflation still expected

UK – Very weak Q2 growth

CA – Economy contracted in Q2

NZ – Strong retail sales beat expectations

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Valance Co., Inc.

## Valance Economic Report: *United States*

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August 31, 2011

Aside from the collapse in Consumer Confidence this week, data came in firmer than the poor numbers the market was braced for. Unemployment Claims remain low, Personal Spending strong, some PMIs remain expansionary and an encouraging ADP release were all reasons for optimism ahead of Friday's payroll report. Fed minutes this week were very dovish; QE3 is very much on the table for the September FOMC meeting.

### Weekly Highlights

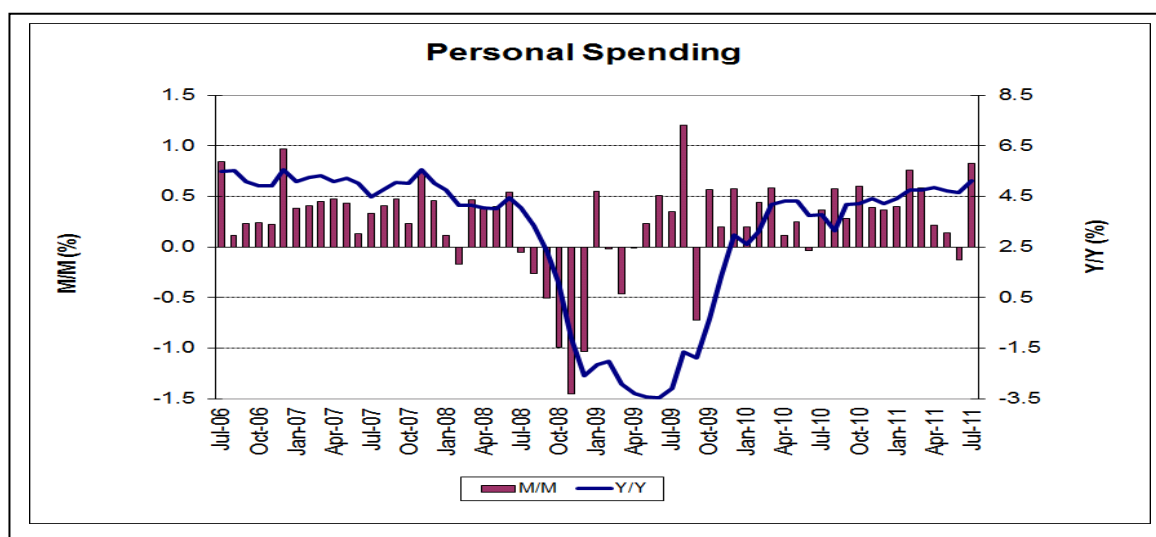
**Personal Spending** – gained 0.8% M/M and 5.1% Y/Y in July. (US 1)

**Chicago PMI** – fell from 58.8 to 56.5 in August, beating expectations. (US 3)

**Consumer Confidence** – collapsed from 59.5 to 44.5 in August. (US 5)

### Weekly Releases

#### Chart(s) of the Week: *Personal Spending*



Personal Spending gained 0.8% M/M and 5.1% Y/Y in July. It gained 0.5% M/M in real terms; the three month annualized rate remained at 0.4%. Consumption is being supported by income gains driven by increasing payroll growth and moderately higher wages. Making up 70% of the economy, the health of consumption dynamics bodes well for GDP growth in the second half of 2011.

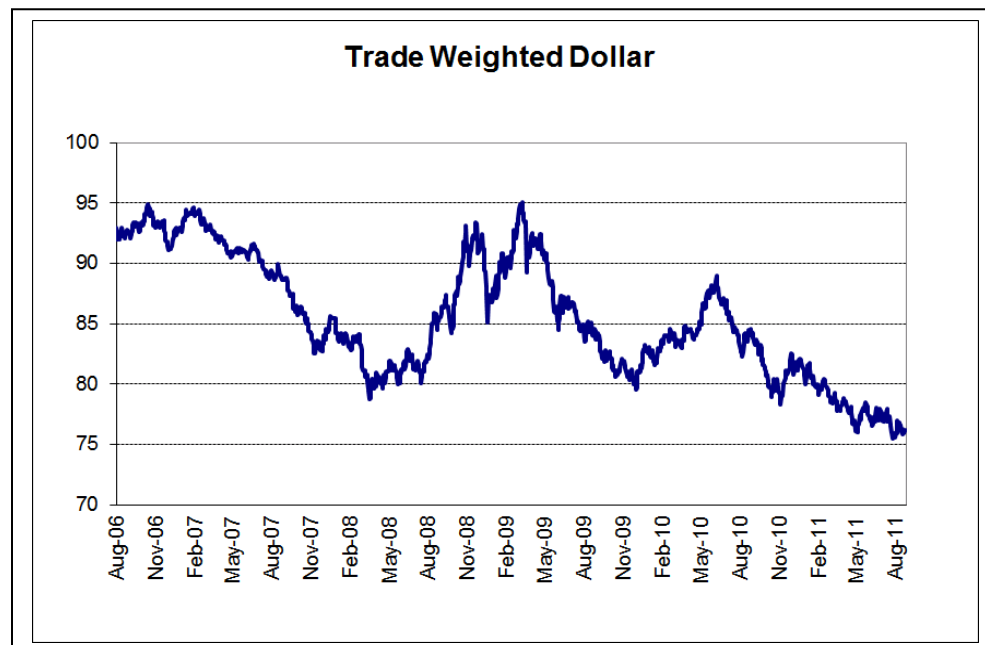
## ***U.S. Financial Balances & Trade Weighted Dollar***

### ***Financial Balances***

<i>U.S.</i>	<i>Latest period (\$blns)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-129.4 (July)	-8.1%
Trade Balance	-53.0 (June)	-3.6%
Current Account Balance	-119.3B (Q1)	-3.1%
Private Balance	--	5.3%

The budget deficit on a trailing twelve month basis as of July is 8.1% of GDP. The trade deficit as of June 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.

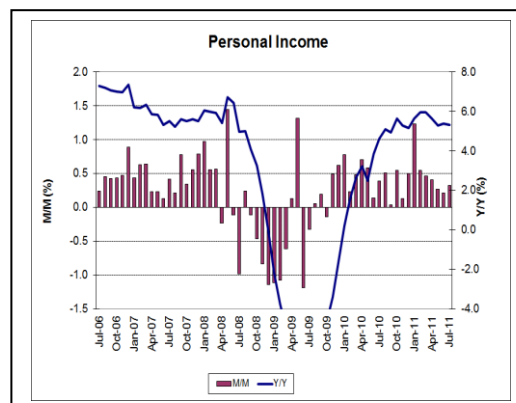
### ***Trade Weighted Dollar***



## Personal Income, Core PCE & Chicago PMI

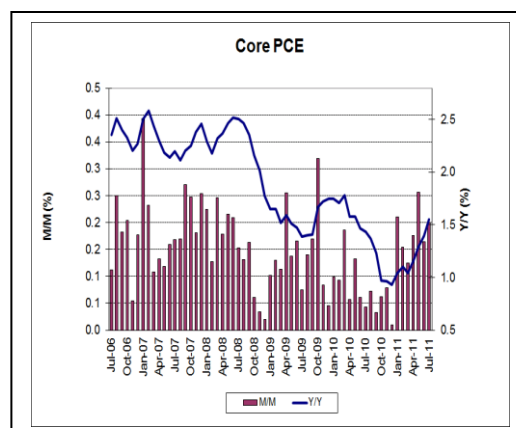
### Personal Income

Personal Income increased 0.3% M/M and 5.3% Y/Y in July. The wage and salary component was up 0.4% M/M and 3.9% Y/Y. Higher wage rates and payroll growth continue to support consumption.

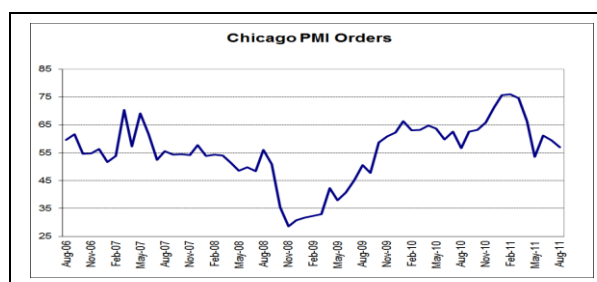
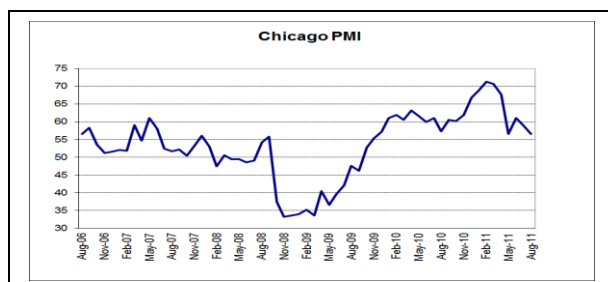


### Core PCE

Core PCE rose 0.2% M/M and increased to 1.6% Y/Y in July. The three month annualized rate accelerated to 2.4%. Headline PCE rose 0.4% M/M and increased to 2.8% Y/Y. The three month annualized rate has been above 2.0% for three consecutive months. The recent commodity sell off should seep into the August report, easing headline inflation pressures.



### Chicago PMI



The Chicago PMI fell from 58.8 to 56.5 in August, much better than expectations of a drop to 53.3. The New Orders component fell from 59.4 to 56.9. Production declined from 64.3 to 57.8. The Inventories component dropped from 53.2 to 52.9. The employment component improved from 51.5 to 52.1.

## GDP

The second reading of Q2 Real GDP was revised lower from 1.3% to 1.0%, compared to 1.3% in Q1. This was below expectations of 1.1%.

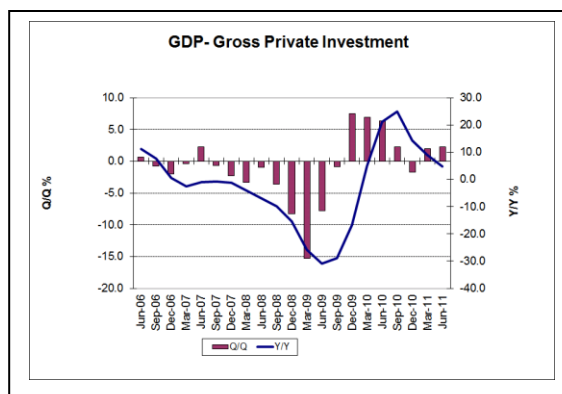
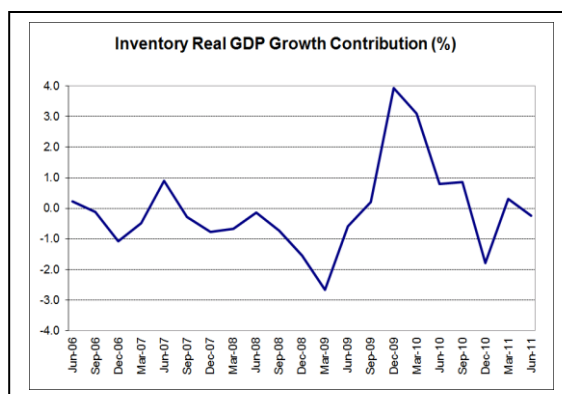
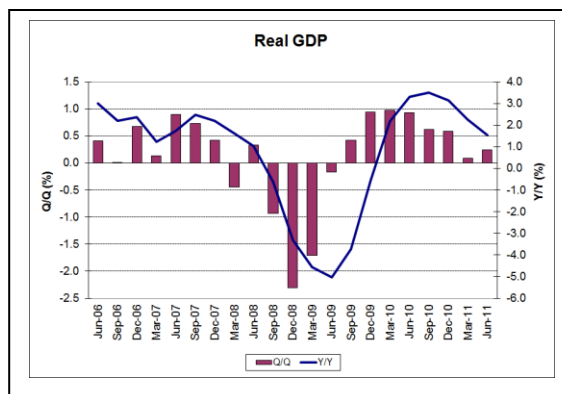
Inventory contribution was revised from a gain of 0.2% to a loss of 0.2%. Net exports were also revised lower from 0.6% to 0.1%.

Personal Consumption was revised from 0.1% to 0.4% in Q2, after gaining 2.2% in Q1, contributing 0.3% to growth. Consumption of durable goods fell 5.1%, services increased 1.5%.

Gross Private investment grew 6.4% and Equipment & Software grew 7.9% in Q2. Gross private investment contributed 0.8% to growth.

Government Spending fell 0.9% and was a drag of 0.18%.

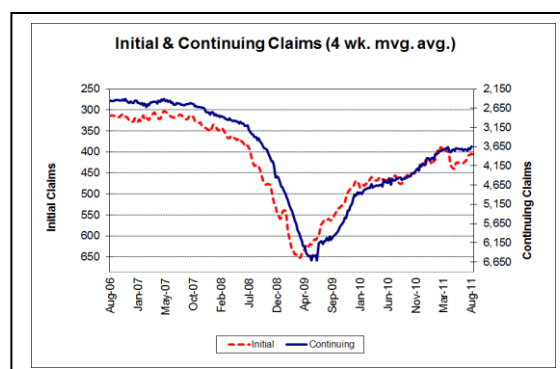
Exports grew 3.4% (revised from 6.0) and imports 1.9% (revised from 4.4%). Net exports were a 0.06% drag.



## Unemployment Claims & Confidence

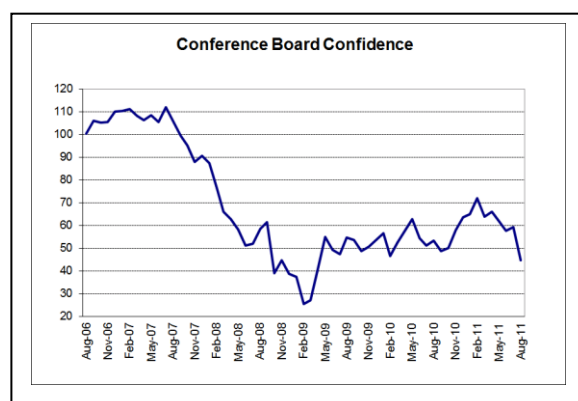
### Initial & Continuing Claims

Initial Claims increased from 408k to 417k though most of the rise is attributed to striking Verizon employees. The four week moving average of Initial Claims increased 4k to 407k and Continuing Claims fell from 3702k to 3641k. Initial Claims have trended down from 500k in the summer of 2010 and after improving in the beginning of 2011 are once again approaching those lows.

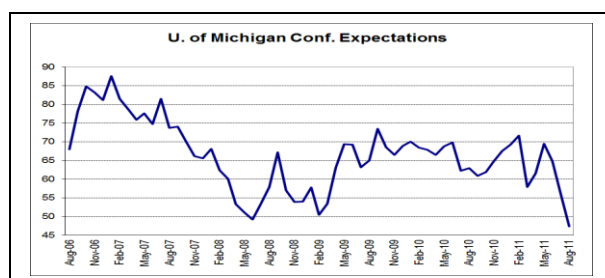
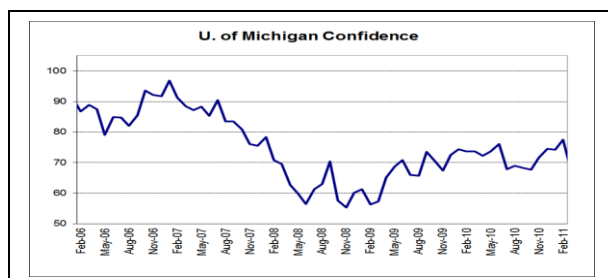


### Conference Board Consumer Confidence

Consumer Confidence collapsed from 59.5 to 44.5 in August on the back of the debt ceiling debacle. The present situation component dropped from 35.7 to 33.3 and the expectations from 74.9 to 51.9. The jobs plentiful, minus jobs hard to get component also fell, dropping from -38.6 to -44.4.



### U. of Michigan Confidence

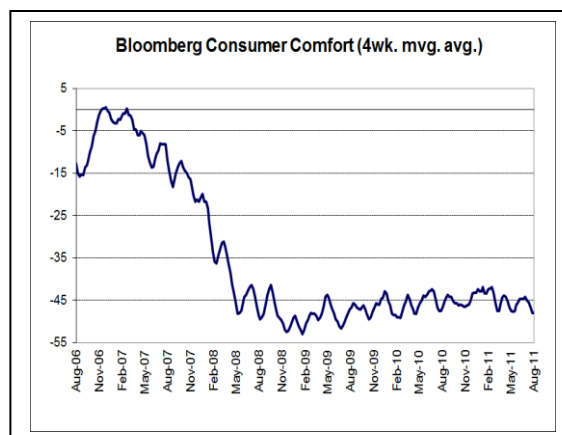


The final reading of University of Michigan Confidence Index improved from 54.9 to 55.7 in August. The current conditions component was revised lower from 69.3 to 68.7. The expectations component rose from 45.7 to 47.4. Inflation expectations over the next year were revised up 0.1% to 3.5% and expectations over five years remained at 2.9%.

## Confidence & Housing

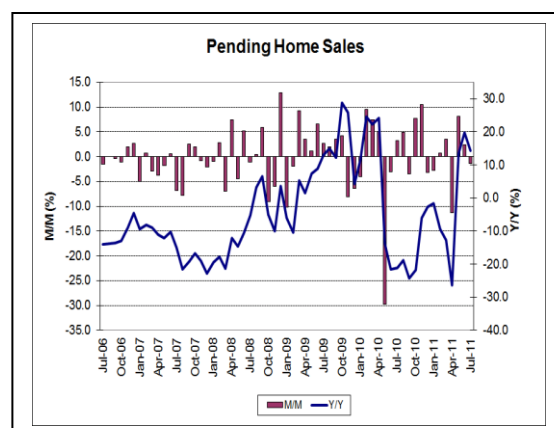
### Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index improved from -48.3 to -47.0. The state of the economy component dropped from -85.4 to -84.3 and the buying climate from -51.2 to -52.4. The personal finance component increased from -8.4 to -4.5.



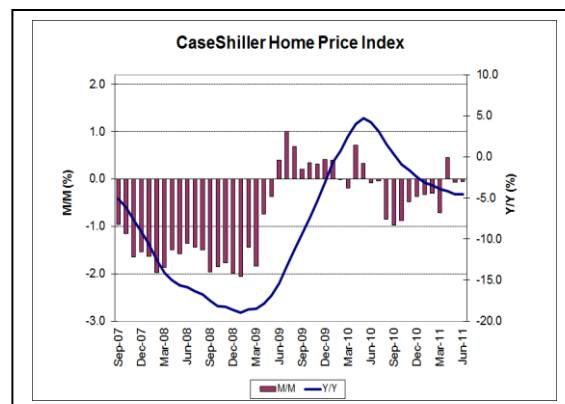
### Pending Home Sales

Pending Home Sales fell 1.3% M/M though have risen 10.1% Y/Y. Foreclosures continue to drive property prices lower, keeping potential buyers on the sidelines.



### S&P Case Shiller House Index

The Case-Shiller Index showed home prices fell 0.06% M/M and 4.5% Y/Y in June. This home price index has declined on a M/M basis for eleven of the past 12 months.

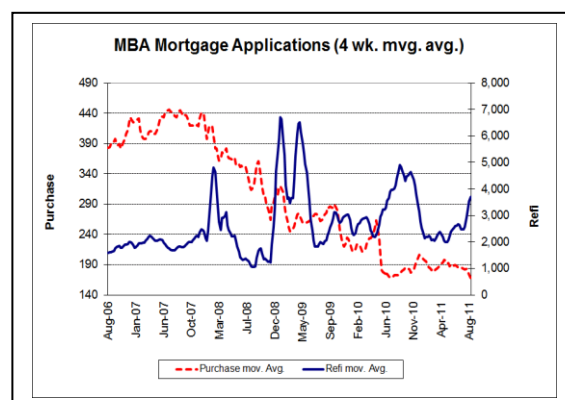




## *Mortgage Applications & Upcoming Dates*

### *MBA Mortgage Applications*

*Purchase Mortgage Applications gained 0.9% W/W, the first weekly gain in August. Refi applications fell 12.2% W/W this week.*



### *Key Dates This Week*

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
09/01	Nonfarm Productivity	2Q F	-0.50%	-0.30%
09/01	Initial Jobless Claims	27-Aug	410K	417K
09/01	Bloomberg Consumer Comfort	28-Aug	- -	-47
09/01	Construction Spending (M/M)	JUL	0.20%	0.20%
09/01	ISM Manufacturing	AUG	48.5	50.9
09/01	ISM Prices Paid	AUG	55	59
09/01	Total Vehicle Sales	AUG	12.10M	12.20M
09/02	Change in Nonfarm Payrolls	AUG	75K	117K
09/02	Change in Private Payrolls	AUG	103K	154K
09/02	Unemployment Rate	AUG	9.10%	9.10%
09/02	Avg Hourly Earning (M/M) All Emp	AUG	0.20%	0.40%
09/02	Avg Weekly Hours All Employees	AUG	34.3	34.3



# Valance Economic Report: *Euro Zone*

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August 31, 2011

Economic data came in largely as expected this week with no significant movements, with the exception of Economic Confidence, which continues to fall. The EU debt drama continues to play out with Italy and Spain hastily drawing up austerity measures while political pressure rises in Germany and Finland.

## Weekly Highlights

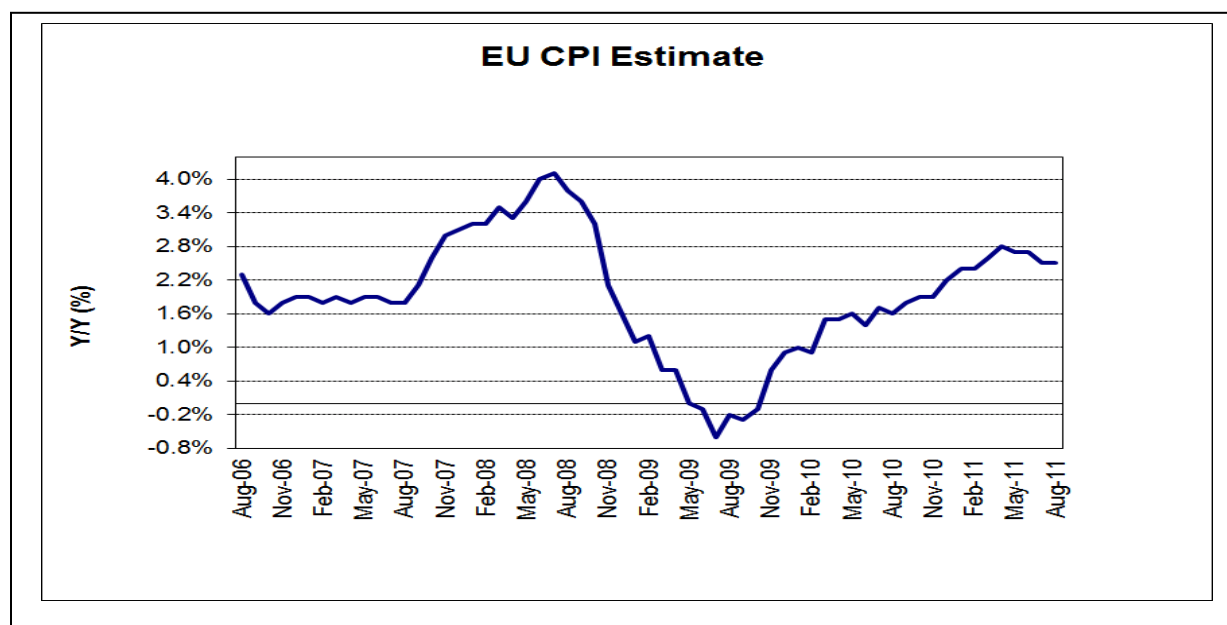
**EU Economic Confidence** – fell from 103.0 in July to 98.3 in August. (EU 4)

**EU Unemployment Rate** – remained at 10.0% in July. (EU 4)

**Italian Business Confidence** – surprisingly increased from 98.8 to 99.9 in August. (EU 7)

## Weekly Releases & News

### Chart(s) of the Week: *Euro Zone CPI*



Euro Zone CPI was unchanged in August. Y/Y growth increased 2.5%, in line with market expectations and remained above the ECB's 2% target for the ninth straight month.

## ***Euro Zone Financial Balances & Trade Weighted Euro***

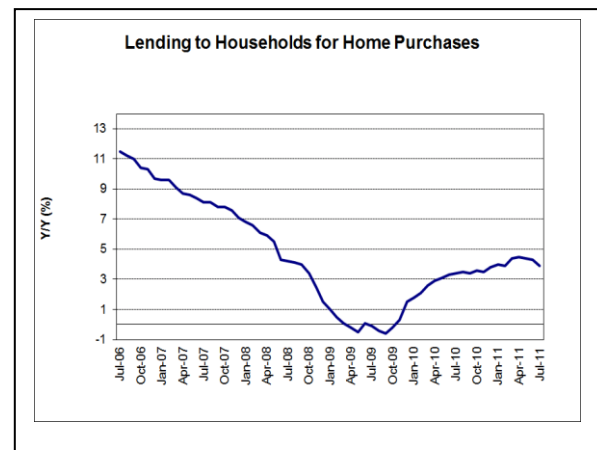
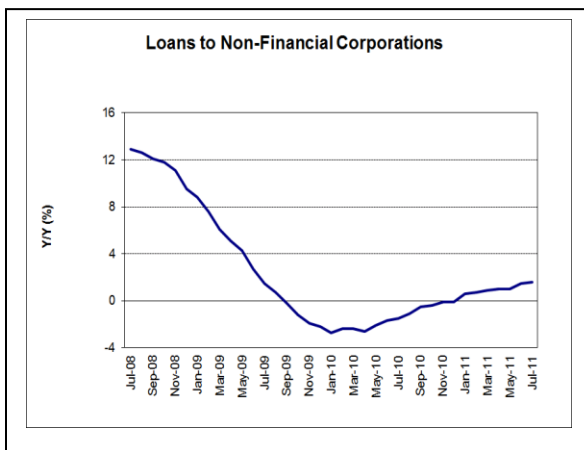
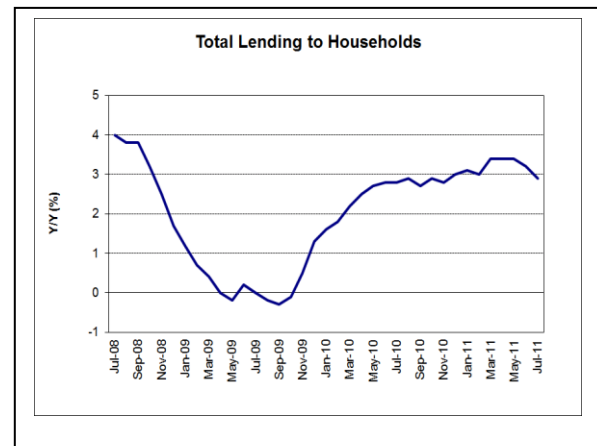
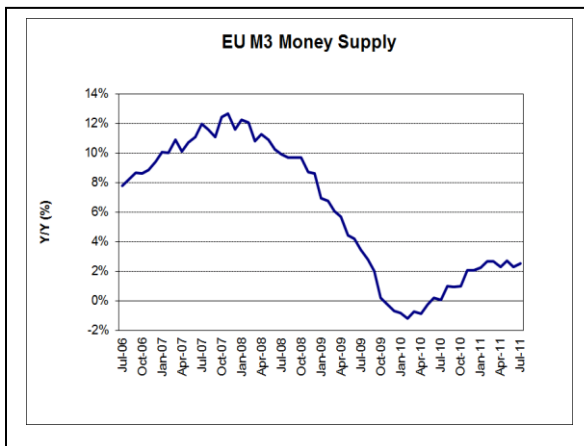
### ***Financial Balances***

<i>Germany</i>	<i>Last period (\$blns euros)</i>	<i>Last 12mth. as a % of GDP*</i>
Budget Balance		-3.3%
Trade Balance	14.8 (May)	2.0%
Current Account Balance	6.9 (May)	5.6%
Private Savings Balance		8.9%
<i>France</i>		
Budget Balance		-7.0%
Trade Balance	-7.4 (May)	-4.7 %
Current Account Balance	-5.5 (May)	-2.2%
Private Savings Balance		4.8%
<i>Italy</i>		
Budget Balance		-4.5 %
Trade Balance	-2.4 (May)	-0.6%
Current Account Balance	-5.1 (May)	-3.5%
Private Savings Balance		1.0
*Budget Balance as of year end 2010 – Source OECD		

### ***Trade Weighted Euro***



## Money Supply & Lending Data

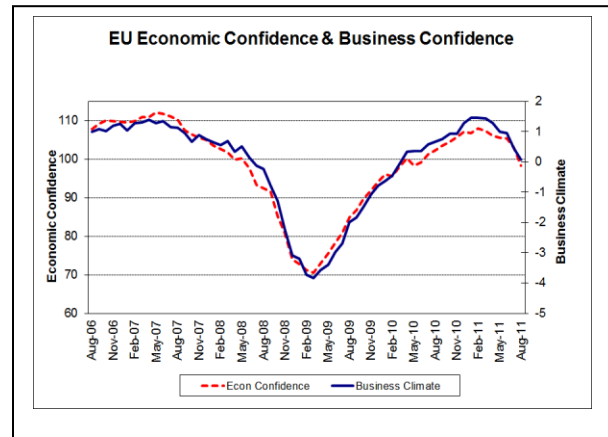


M3 Money Supply growth increased 2.0% Y/Y in July. On a 3mth. mov. avg. basis, loan growth increased 2.1 Y/Y (2.0% previously). Total Lending to Households slowed from 3.2% Y/Y to 3.0% Y/Y and Lending to Households for Home Purchases slowed from 4.3% Y/Y to 3.9% Y/Y. Loans to non-financial corporations remained at 3.5%.

## ***EU Economic Confidence & Unemployment***

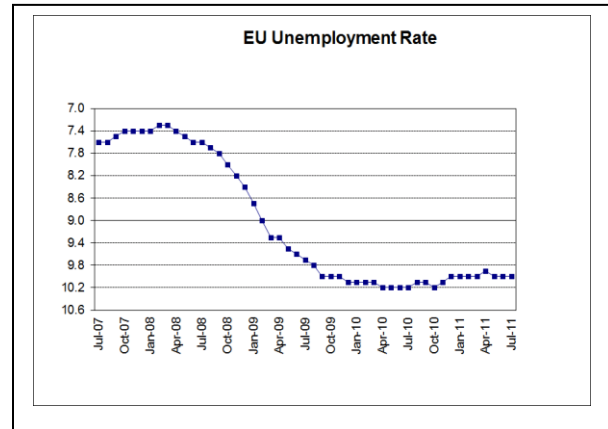
### ***Euro Zone Economic Confidence***

*The Euro Zone's Economic Confidence fell from 103.0 in July to 98.3 in August, versus market expectations for a reading of 100.2. The Business Climate Index fell from 0.44 to 0.07. Market expectations were for a reading of 0.10.*



### ***Euro Zone Unemployment***

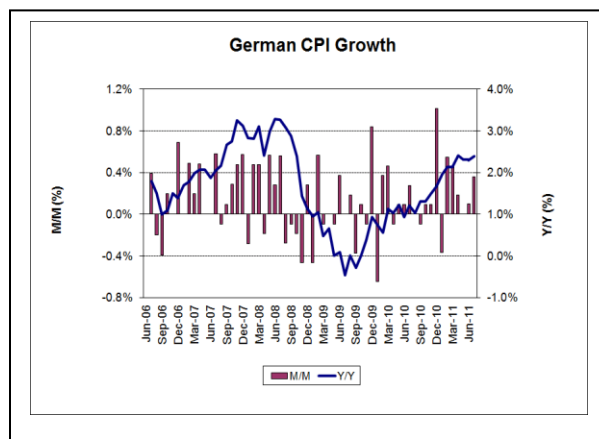
*The Euro Zone's Unemployment Rate remained at 10.0% in July from the previous month; above market expectations of 9.9%.*



## German CPI, Import Prices & Retail Sales

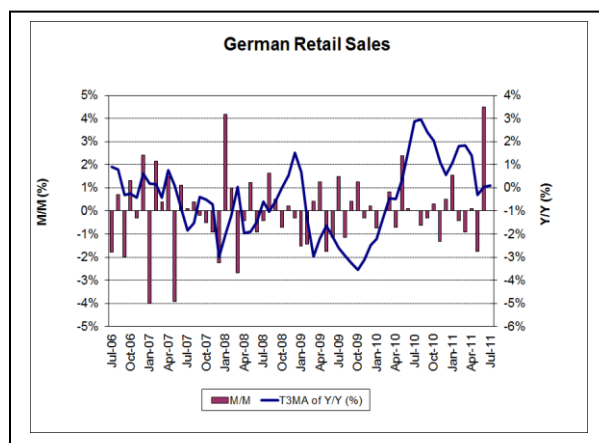
### German CPI

Preliminary data shows that German CPI fell 0.1% M/M and rose 2.3% Y/Y in August. This compares to a 0.4% M/M and 2.4% Y/Y gain in July.



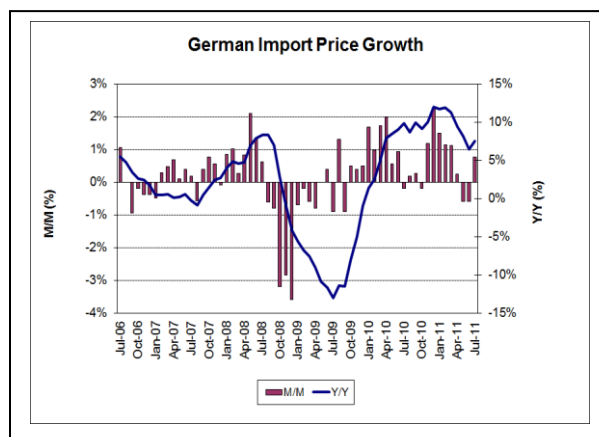
### German Retail Sales

German Retail Sales were flat on the month, but fell 1.6% Y/Y in July; compared with 4.5% M/M and -2.1% Y/Y the month before. Market expectations were for a 1.5% M/M and 0.8% Y/Y loss.



### German Import Prices

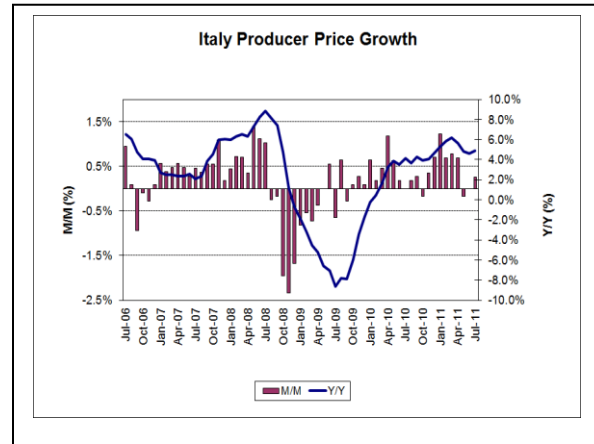
German Import Prices rose 0.8% M/M and 7.5% Y/Y in July, above expectations of 0.3% M/M and 7.0% Y/Y.



## Italian PPI & Retail Sales

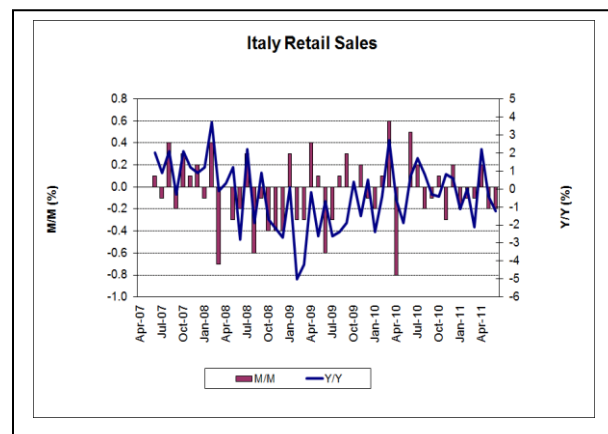
### Italian PPI

Italian PPI rose 0.3% M/M and increased 4.9% Y/Y in July. Market expectations were for 0.4% M/M and 4.8% Y/Y growth.



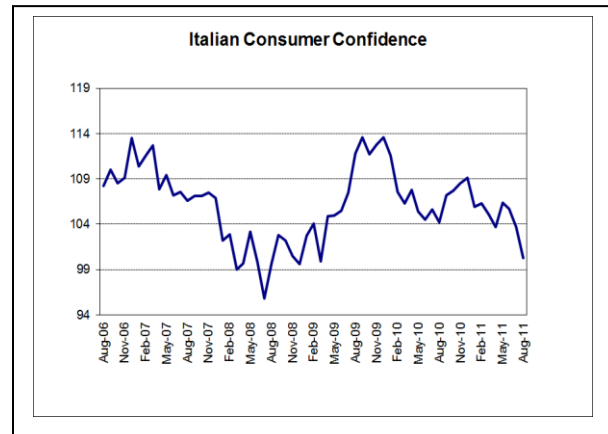
### Italian Retail Sales

Italian Retail Sales posted a 0.2% M/M loss in June. The Y/Y growth slowed 1.2%.



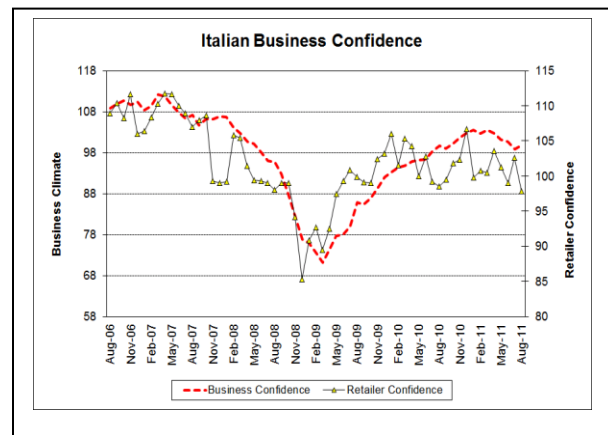
## Italian Consumer Confidence

*Italian Consumer Confidence fell from 103.7 in July to 100.3 in August, below expectations for a reading of 101.9. The report also showed that a gauge measuring the overall future climate index dropped from 87.8 to 87.5.*



## Italian Business Confidence

*Italian Business Confidence surprisingly increased from 98.8 in July to 99.9 in August. The Production Outlook indicator fell from 9 to 7 in August.*

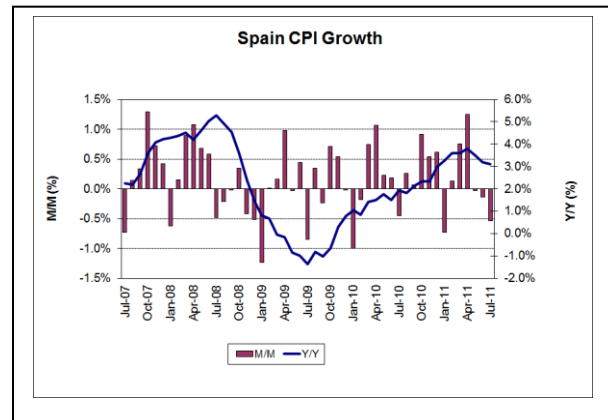




## Spanish CPI, Producer Prices & Retail Sales

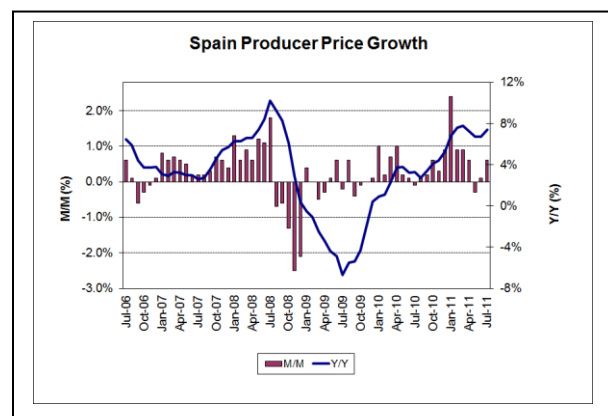
### Spanish CPI

Spanish CPI fell 1.2% M/M while gaining 3.0% Y/Y in July. Preliminary data shows that Spanish CPI increased 2.7% Y/Y in August.



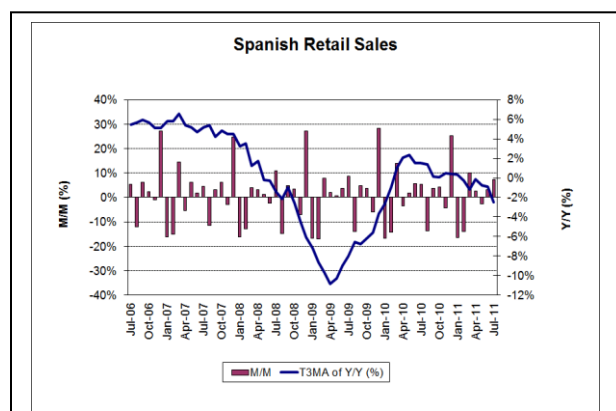
### Spanish Producer Prices

Spanish Producer Prices rose 0.6% M/M and 7.4% Y/Y in July.



### Spanish Retail Sales

Spanish Retail Sales fell 6.0% Y/Y in July, compared with a -7.6% Y/Y loss suffered the previous month.



**Aug 31<sup>st</sup> - Finland Not Willing to Abandon Collateral Issue (Bloomberg)** - Finland isn't willing to abandon its goal of securing collateral in exchange for its commitment to a new Greek bailout, Prime Minister Jyrki Katainen said. "If we want to be listened to, we need to be constructive," Katainen told reporters after a meeting of his National Coalition Party in Espoo, Finland today. Still, "this collateral issue will be taken to its end," he said. Finland's insistence of getting collateral for new Greek loans was part of a euro-area agreement struck July 21. The country, which this month agreed a model with Greece that involves cash collateral, has been the target of criticism from other euro members including Austria and the Netherlands, which both said they may pursue similar deals.

**Aug 30<sup>th</sup> - Trichet Says the Euro Is Very Solid Currency, Kept its Value (Bloomberg)** - European Central Bank President Jean-Claude Trichet said the single currency remains solid and is not threatened by the sovereign debt crisis. "The euro is a very solid currency which has kept its value remarkably over time," Trichet told broadcaster Euronews in an interview. "Nobody is challenging the euro as a currency."

**Aug 30<sup>th</sup> - ECB to reassess inflation risks (FT)** - The outlook for inflation would be considered at the ECB's governing council on September 8, when fresh forecasts for the 17-country eurozone would be available, ECB president Jean-Claude Trichet told the European Parliament. Currently, medium-term risks were "under study", he said. Mr Trichet admitted economic and financial market turmoil had added to uncertainty about the outlook, with the US also facing "both fiscal and structural headwinds amidst weakened economic prospects". Mr Trichet warned that eurozone inflation would remain above 2% "over the months ahead". While eurozone growth had slowed, the region's economy was still expected to continue expanding "at a modest pace in a context of overall relatively sound economic fundamentals for the euro area as a whole".

**Aug 30<sup>th</sup> - ECB slows down government bond-buying program (AP)** - The ECB last week spent euro6.65 bln (\$9.64 bln) on debt by countries like Italy and Spain to protect them from financial market turmoil. The purchases announced by the bank on Monday compared with euro14.3 bln reported a week earlier and euro22 bln the week before. The central bank launched the purchases Aug. 8<sup>th</sup> as market turmoil and fears about the global economy worsened. Bank head Jean-Claude Trichet has said he expects the eurozone's bailout fund to take over the purchases as soon as national parliaments agree to give the fund that authority in coming weeks. The bond purchases have driven the yields on Italian and Spanish debt down to near 5% from over 6% before.

**Aug 29<sup>th</sup> - European Banks Are Better Capitalized Than a Year Ago, EU Says (Bloomberg)** - The European Union said banks in the region are better capitalized than a year ago, countering a call by the International Monetary Fund for mandatory recapitalization of EU lenders. "European banks are significantly better capitalized now than a year ago, which was confirmed by the third wave of stress tests," Amadeu Altafaj, spokesman for EU Economic and Monetary Affairs Commissioner Olli Rehn, told reporters today in Brussels. "There are no surprises to be predicted." Christine Lagarde, the IMF chief, said on Aug. 27<sup>th</sup> that it was "urgent" that European banks build up their balance sheets to prevent the debt crisis from spreading. "I don't see any extra element" in Lagarde's comments, Altafaj said. "This discussion has already taken place between the EU and the IMF," he said, adding that "restoring the banking sector is a key aspect" of the response to the financial crisis.

**Aug 28<sup>th</sup> - Greek Banks' Liquidity Is Suffering As Nervous Clients Withdraw Savings (WSJ)** - In the last 20 months, the country's banks have suffered an unprecedented withdrawal of customer deposits. The outflow of deposits from Greek banks began in late 2009. Deposits by households and businesses with Greek banks grew strongly in the years after Greece joined the euro in 2001, peaking at about €238 billion (\$343 bln) in September 2009, according to figures from Greece's central bank. By January 2011, private-sector deposits at the banks had fallen to €206 bln. By June, they were down to about €188 bln. About a third of the funds withdrawn from banks have gone abroad, the Greek central bank estimates.

**Key Dates This Week**

<i>Date</i>	<i>Country</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
09/01	FR	ILO Mainland Unemployment Rate	2Q	0.092	0.092
09/01	FR	ILO Unemployment Rate	2Q	0.097	9.70%
09/01	GE	GDP nsa (Y/Y)	2Q F	0.028	- -
09/01	GE	Exports	2Q	1.60%	2.30%
09/01	GE	Imports	2Q	2.30%	1.50%
09/01	GE	Private Consumption	2Q	-0.20%	0.40%
09/01	IT	PMI Manufacturing	AUG	--	5010.00%
09/01	FR	PMI Manufacturing	AUG F	--	4930.00%
09/01	GE	PMI Manufacturing	AUG F	52	5200.00%
09/01	IT	Hourly Wages (M/M)	JUL	- -	0.10%
09/01	EC	PMI Manufacturing	AUG F	49.7	4970.00%
09/01	IT	New Car Registrations (Y/Y)	AUG	- -	-0.107
09/01	IT	Budget Balance	AUG	- -	4.0B
09/02	SP	Unemployment (M/M) Net ('000s)	AUG	--	--
09/02	EC	Euro-Zone PPI (M/M)	JUL	0.50%	0.00%
09/05	SP	Spain August Services PMI			
09/05	IT	PMI Services	AUG	- -	4860.00%
09/05	FR	PMI Services	AUG F	- -	56.1
09/05	GE	PMI Services	AUG F	- -	50.4
09/05	EC	PMI Composite	AUG F	- -	51.1
09/05	EC	PMI Services	AUG F	- -	51.5
09/05	EC	Sentix Investor Confidence	SEP	- -	-13.5
09/05	EC	Euro-Zone Retail Sales (M/M)	JUL	- -	0.009
09/05	EC	Euro-Zone Retail Sales (Y/Y)	JUL	- -	-0.40%
09/06	EC	Euro-Zone GDP s.a. (Q/Q)	2Q P	- -	0.002

# Valance Economic Report: Japan

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August 31, 2011

Core CPI Prices increased in July while the Unemployment Rate and Industrial Production both increased as well.

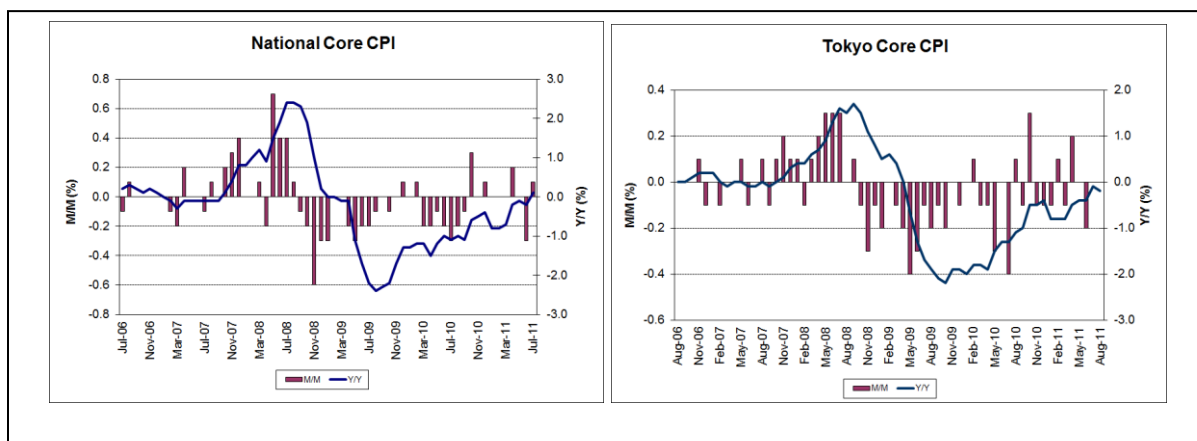
## Weekly Highlights

**Core CPI** – increased 0.1% M/M and Y/Y in July. (JN - 1)

**Employment** – Jobless Rate declined from 4.6% to 4.7% in July. (JN - 3)

**Industrial Production** – increased 0.6% M/M and declined 2.8% Y/Y. (JN - 4)

## Charts of the Week: *CPI*



Nationwide Core CPI increased 0.1% M/M and Y/Y in July. Core-Core CPI, which excludes both food and energy, declined 0.5% M/M and was unchanged Y/Y against market expectations for a 0.6% Y/Y decline.

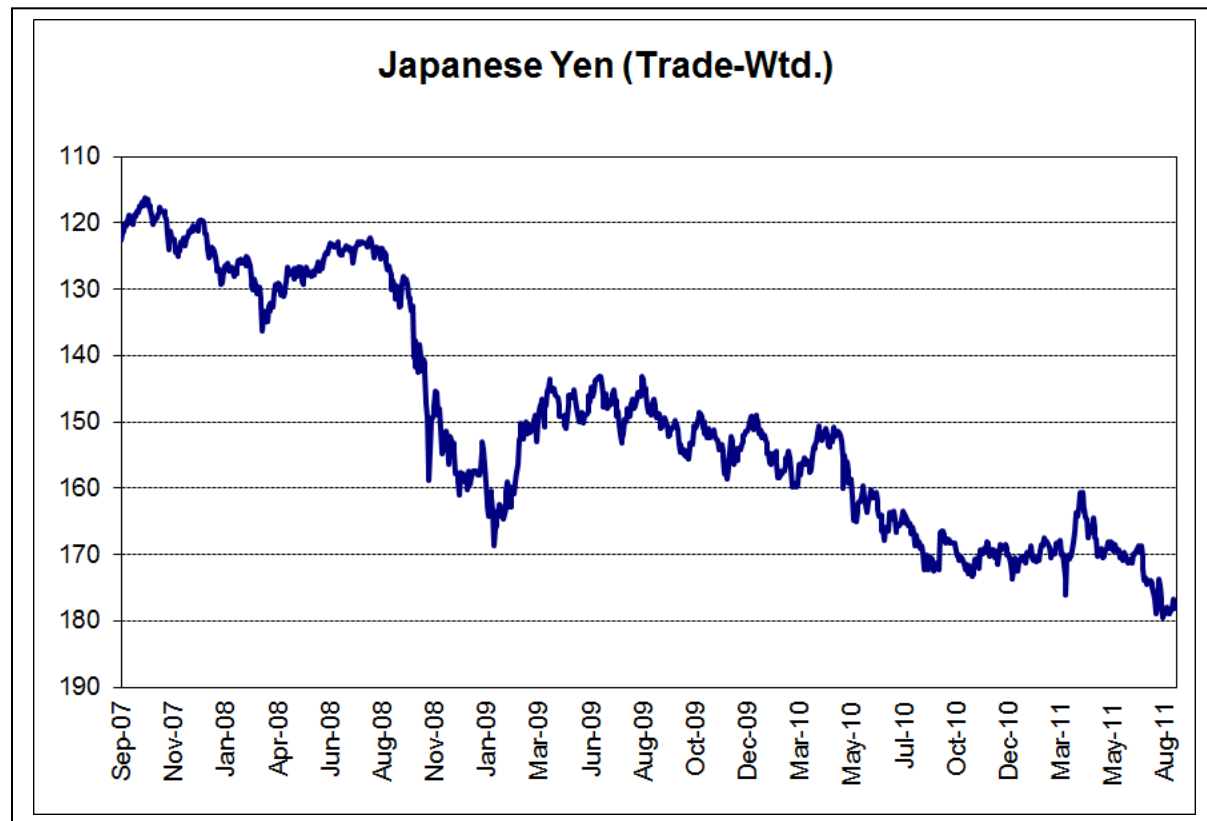
Within Tokyo, Core CPI was unchanged M/M and declined 0.2% Y/Y. Core-Core CPI declined 0.3% M/M and 0.6% Y/Y.

The M/M increase in core nationwide prices occurred as utilities, transport, entertainment and food prices increased, outweighing declines in household goods, medical care, clothing/footwear, and education.

Overall, while the Y/Y increase was the first in over two years, expectations remain that the economy will continue to experience some level of deflation in the coming months.

**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%



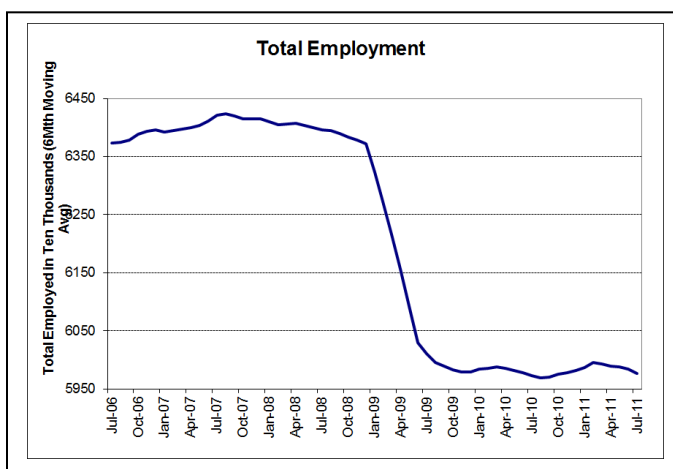
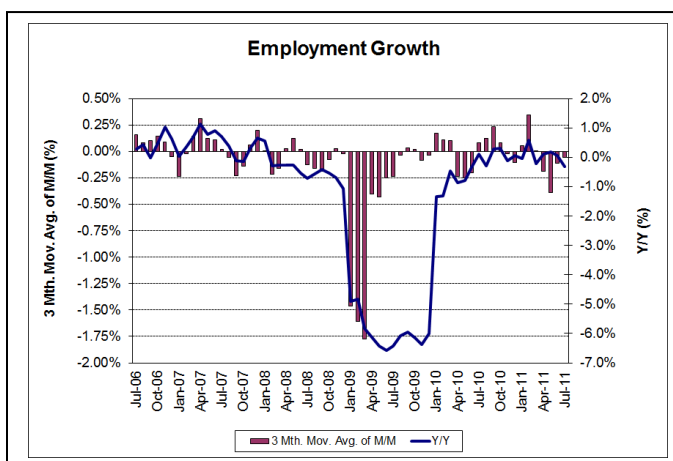
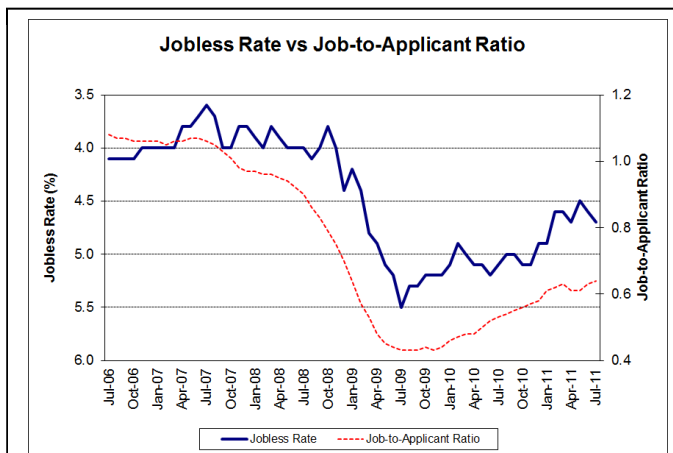
## Employment Data

### Employment

The Unemployment Rate increased from 4.6% to 4.7% in July, against expectations for no change.

Within the data, the number of employed declined 40k, the number of unemployed increased by 50k, the labor force grew by 10k, and the non-labor force was unchanged.

The Job-Applicant ratio increased from 0.63 to 0.64.

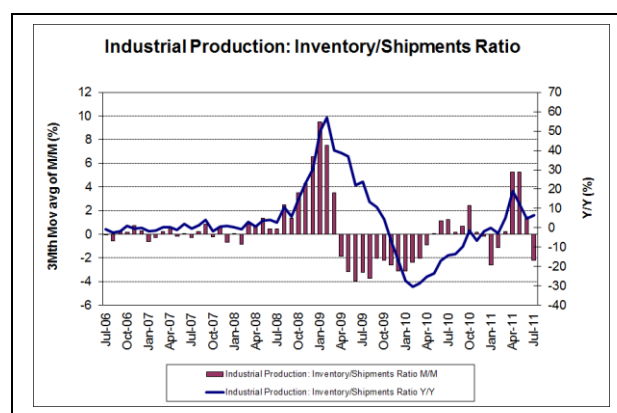
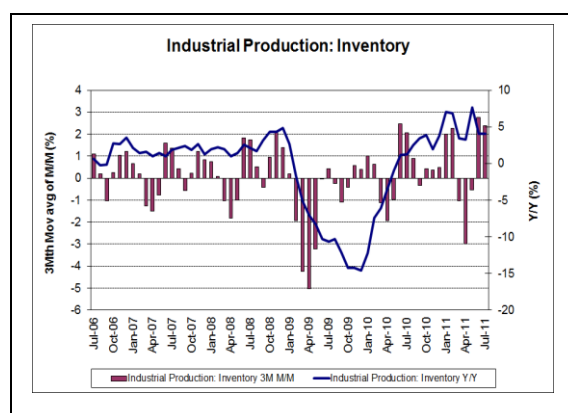
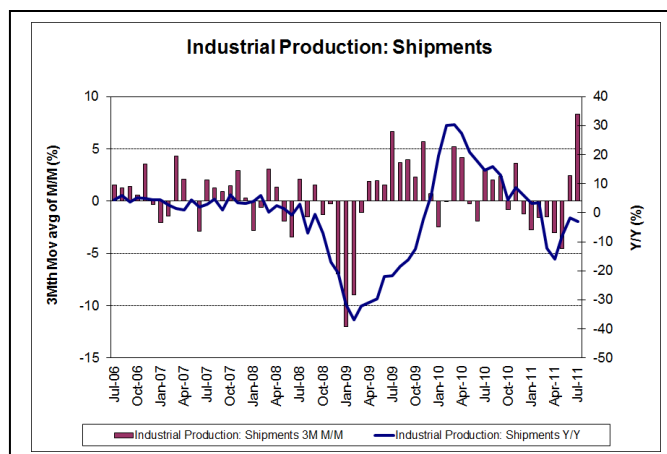
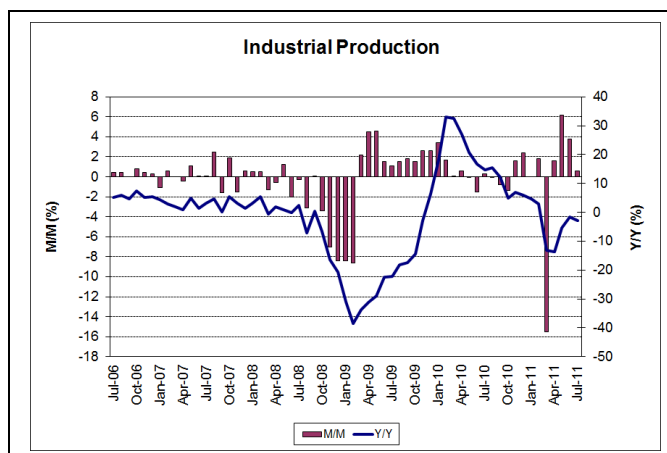


According to the Preliminary Report for July, Industrial Production increased 0.6% M/M and declined 2.8% Y/Y, against market expectations for a 1.4% M/M increase and 1.9% Y/Y decline.

Within the data, shipments increased 0.2% M/M and dropped 2.9% Y/Y. Inventories dropped 0.2% M/M and increased 4.0% Y/Y. The inventory ratio increased 3.9% M/M and 6.7% Y/Y.

By sector, production saw the strongest increase in transport equipment, IT, and general machinery.

Looking forward, producers expect production to increase 2.8% M/M in August and decline 2.4% M/M in September.

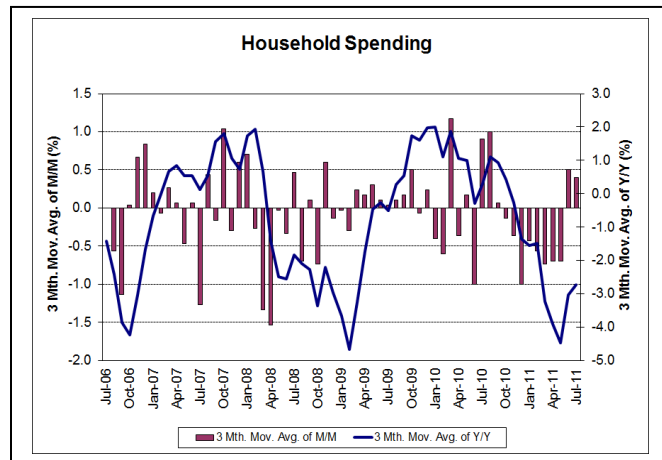




## Household Spending & Retail Trade

### Household Spending

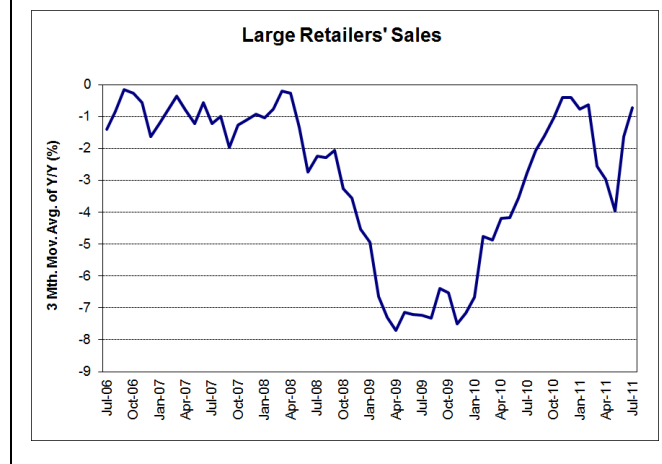
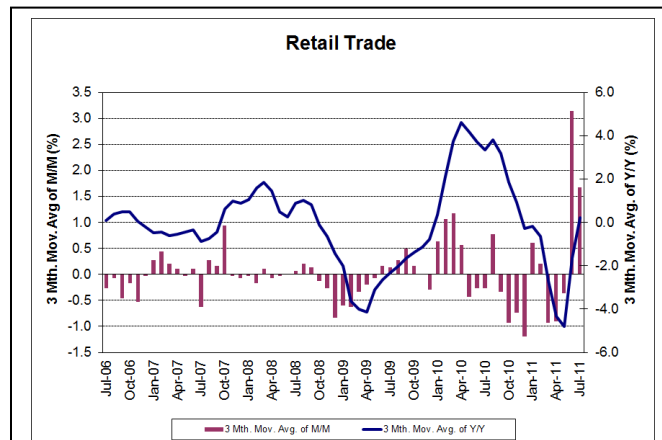
Household Spending increased 0.7% M/M and declined 2.1% Y/Y in July, against market expectations for a 2.9% Y/Y drop.



### Retail Trade

Retail Trade dropped 0.3% M/M and increased 0.7% Y/Y in July against market expectations for a 0.5% M/M and 1.3% Y/Y increase.

Among large retailers, trade increased 0.8% M/M.

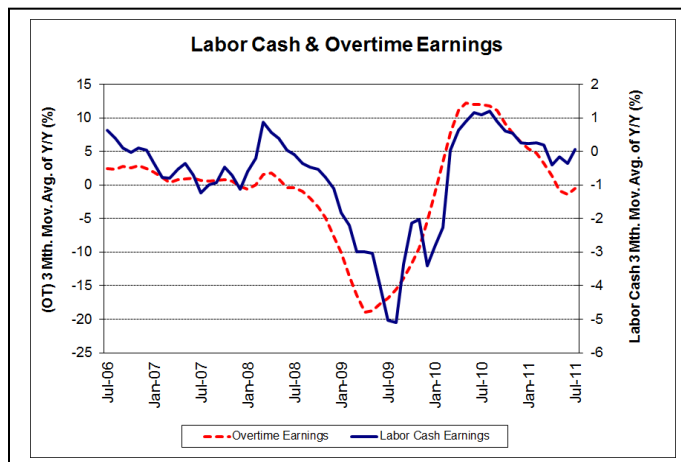


## Labor Cash/OT Earnings & Small Business Confidence

### Labor Cash Earnings

Labor Cash Earnings declined 0.1% Y/Y in July against market expectations for a 0.5% Y/Y increase. Contracted earnings declined 0.1%, regular earnings declined 0.1%, overtime earnings increased 0.8%, and bonus earnings declined 0.1%.

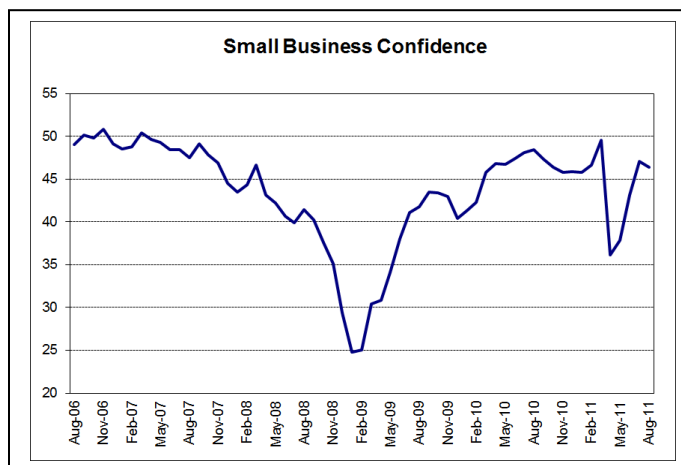
Also within the survey, hours worked declined 1.1% Y/Y as both overtime and scheduled hours worked declined 1.0% Y/Y. Manufacturing hours worked were unchanged.



### Small Business Confidence

Small Business Confidence declined 0.7pts to 46.4 in August. Among manufacturers, confidence declined 2.8pts to 46.1. Non-manufacturing confidence increased 1.1pts to 46.6.

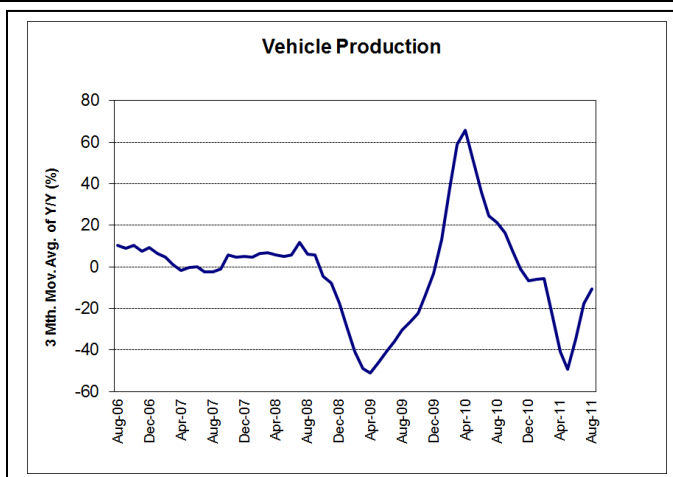
Looking forward, the industry expects overall confidence to improve 1.8pts to 48.2 in September as manufacturing is expected to improve 4.2pts to 50.3 while non-manufacturing is expected to drop 0.2pts to 46.4.



# Vehicle Production, Housing Starts & Construction Orders

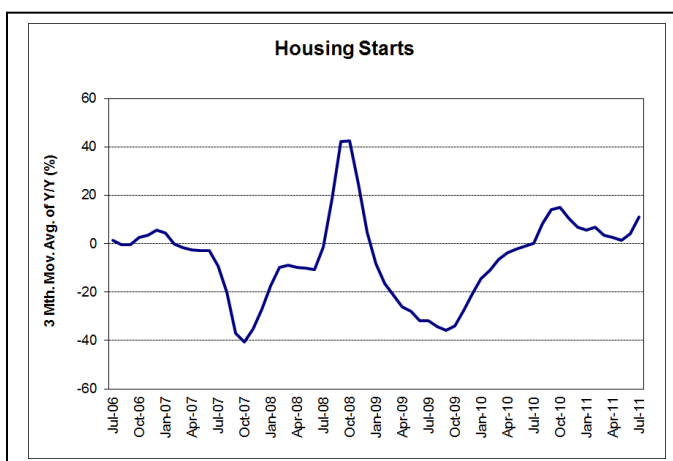
## Vehicle Production

Vehicle Production declined 8.9% Y/Y in July.



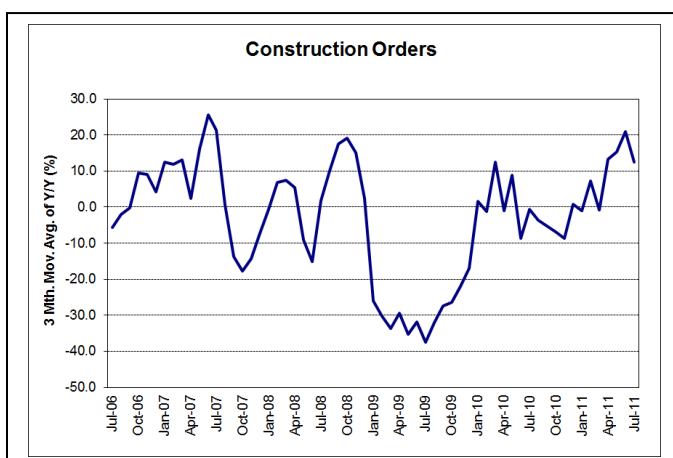
## Housing Starts

Housing Starts increased 21.2% Y/Y in July against expectations for a 4.9% Y/Y gain. On an annualized basis, the number of starts increased from 0.817 mln to 0.955 mln against expectations for an increase to 0.829 mln.



## Construction Orders

Construction Orders increased 5.7% Y/Y in July.



## News & Upcoming Dates

### News

**August 31<sup>st</sup> - Building Equipment Shipments Increase in July** – Shipments of construction machinery, including replacement parts, increased 9.1% Y/Y in July marking the 19<sup>th</sup> consecutive monthly increase. Excluding replacement components, shipments increased 8.6% Y/Y.

**August 30<sup>th</sup> – Noda named as Japan's next Prime Minister** – Yoshihiko Noda was named as Japan's next prime minister following a presidential election on Monday. He's expected to form his cabinet by Friday according to comments from DPJ members.

### Key Dates This Week

Date	Indicator	Expectation	Previous
9/01	Vehicle Sales (Y/Y)	N/A	-27.60%
9/01	Capital Spending excl Sftwre	0.70%	4.20%
9/01	Capital Spending	1.00%	3.30%
9/06- 9/07	BOJ Target Rate	N/A	0.10%
9/07	Coincident Index CI	N/A	108.8
9/07	Leading Index CI	N/A	103.2
9/07	Bank Lending Ex-Trusts (Y/Y)	N/A	-0.60%
9/07	Bank Lending incl Trusts (Y/Y)	N/A	-0.50%
9/07	Current Account Total	N/A	¥526.9B
9/07	Adjusted Current Account Total	N/A	¥922.8B
9/07	Trade Balance - BOP Basis	N/A	¥131.5B
9/07	Machine Orders (M/M)	N/A	7.70%
9/07	Machine Orders (Y/Y%)	N/A	17.90%

Valance Co., Inc.

# Valance Economic Report: *United Kingdom*

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August 31, 2011

**Q2 second GDP estimate showed growth of 0.2% Q/Q, matching the estimate from a month ago, while the CBI Retail Sales gauge fell to the lowest level since May 2010. Nationwide Consumer Confidence fell in July as outlook for the economy worsened.**

## Weekly Highlights

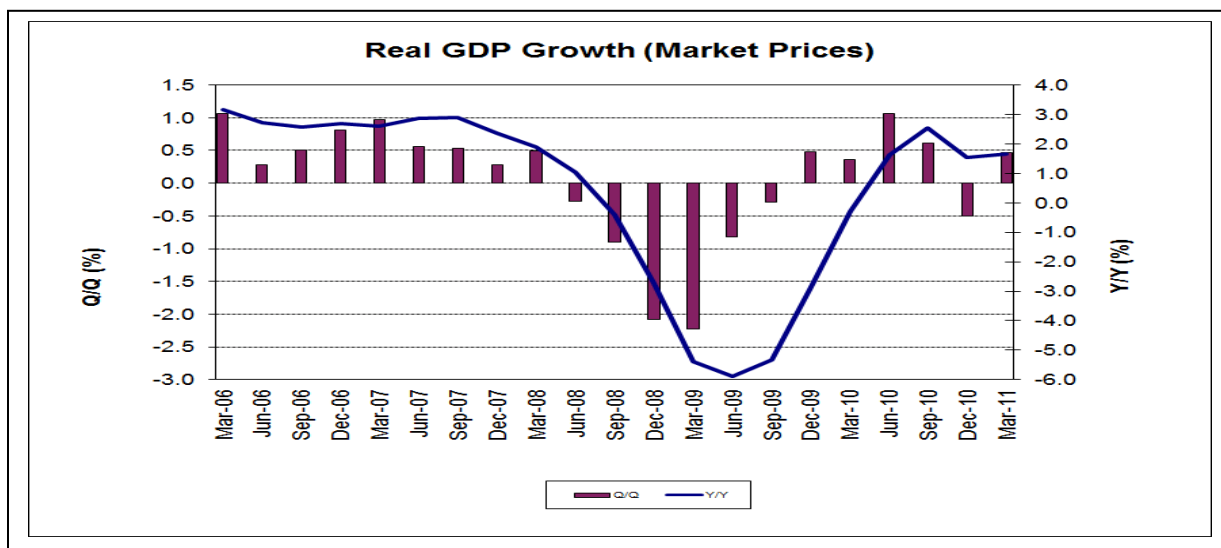
**Q2 preliminary GDP** – rose 0.2% Q/Q and 0.7% Y/Y in Q2. (UK 1)

**Nationwide Consumer Confidence** – fell 2 pts to 49 in July. (UK )

**GfK Consumer Confidence** – fell from -30 to -31 in August. (UK 3)

## Weekly Releases & News

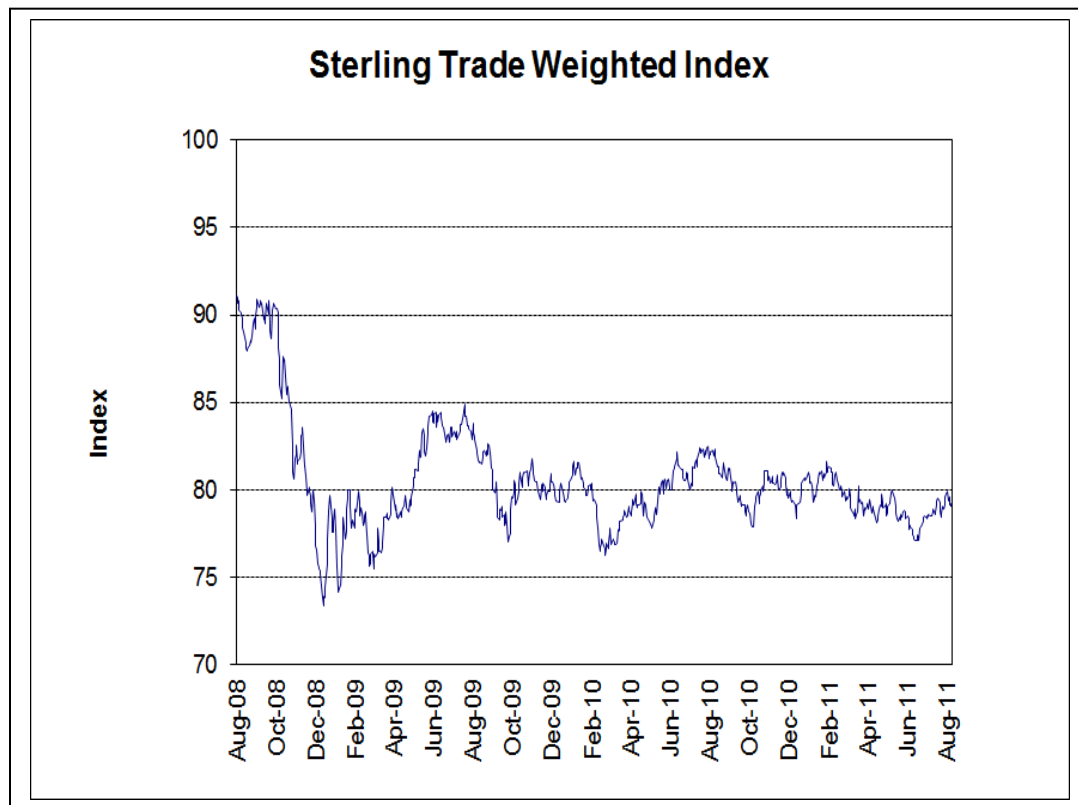
### Chart(s) of the Week: *Real GDP*



GDP rose 0.2% Q/Q in Q2, the same as estimated a month ago. Output rose 0.7% Y/Y. Services output grew 0.5% Q/Q, led by transport and business services/finance. Construction grew 0.5% Q/Q. Manufacturing fell 0.5% Q/Q and total industrial product (incl. mining and utilities' output, contracted 1.6%, the largest contraction since Q1 2009.

## ***Financial Balances & Trade Weighted Index***

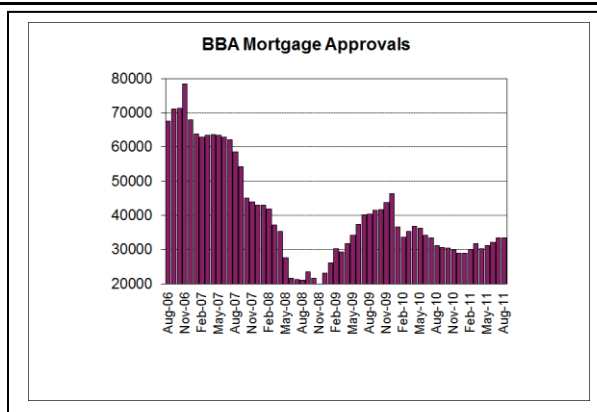
<i>U.K.</i>	<i>Last Period (blns)</i>	<i>Last 12mth. % of GDP</i>
Budget Balance (monthly/total)	+£12.0 (June)	+10.6%
Curr. Acct. Balance (quarterly)	-£9.4(Mar)	-2.5%
Private Balance	+£2.6	+8.1%



## ***BoE Loans & Nationwide and GfK Cons. Confidence***

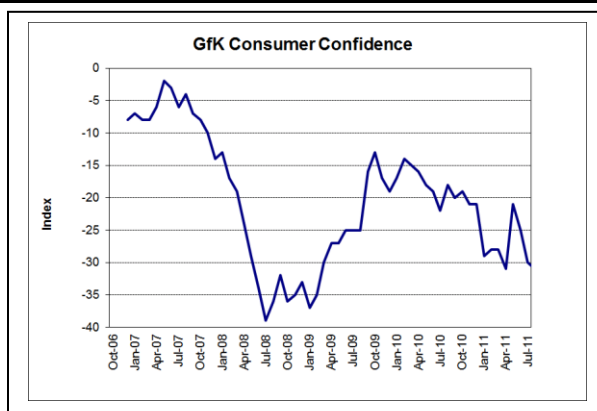
### ***BoE Mortgage Approvals***

*Lenders granted 49,239 mortgages in July, up from 48,500k in June. This is the highest level since May of last year.*



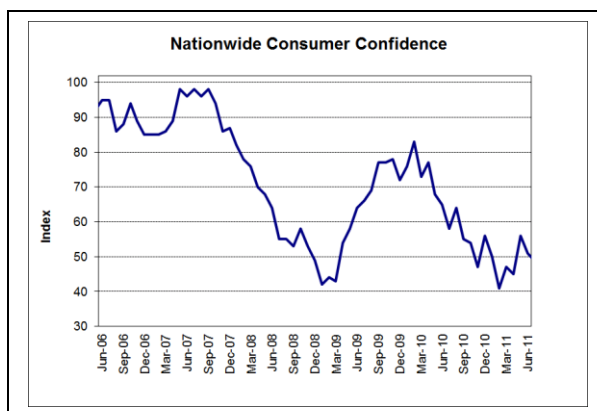
### ***GfK Consumer Confidence Survey***

*The GfK Consumer Confidence Index fell from -30 to -31 in August. Expectations for the overall index were -33. Expectations for the general economic situation over the coming 12 months dropped 4 pts to -31. The climate for major purchases gauge remained at -31.*



### ***Nationwide Consumer Confidence***

*Nationwide Consumer Confidence Index fell 2pts to 49 in July, against expectations for +45. This is the lowest reading since April. A gauge of consumers' future expectations for the economy in the next six months fell 3 pts to 67. A gauge of whether Britons think it's a good time to buy household goods or make major purchases fell 1 pt to 73.*





## Data

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### Data

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**CBI Reported Sales** – According to the Confederation of British Industry, a U.K. retail-sales index fell to its lowest level since May 2010 in August as Britons bought fewer clothes and household goods amid a continuing squeeze on household budgets. Retailers saying sales volumes decreased from a year ago outnumbered those reporting increases by 14 percentage pts, compared to 5 pts in July. Expectations were for a reading of -10. Demand on suppliers decreased this month, with an index of orders falling to -22, the lowest since May 2010, from -13 in July. A gauge of the volume of stocks in relation to expected demand rose to a three-month high of 22. Orders volumes fell at the fastest pace since May last year. A quarterly measure of retailers' business situation dropped 9 pts to -11, the lowest reading since February 2009.

**Index of Services Data** - The Service Industries Index rose 0.5% 3M/3M in June after growing 1.2% 3M/3M in May. From May, services fell 0.1% (+1.6% Y/Y) when they rose 1.6%. Service industries account for about 75% of the U.K. economy.

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### News

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**Aug. 29<sup>th</sup> - U.K. August House Prices Fall for Fourth Month, Hometrack Says (Bloomberg)** -U.K. house prices fell for a fourth month in August Hometrack Ltd. said. The average cost of a home slipped 0.1% from July and was down 3.7% from a year earlier. In London, prices increased by 0.1%. "Weak consumer sentiment, pressure on household incomes and the uncertain economic outlook are likely to see demand weaken further over the remainder of the year," Richard Donnell, Hometrack's director of research, said in a statement. Demand for homes fell by 1.2% in August, the Hometrack survey showed. The percentage of sales agreed rose 3.6% this month, compared with a 9.6% jump in July. Sellers accepted on average 92.5% of the asking price of a property, the least in six months.

**Aug. 26<sup>th</sup> - U.K. July House Prices Rise 1.3% on Month, Land Registry Says (Bloomberg)** - U.K. house prices rose 1.3% in July from the previous month, the Land Registry said on its website today. Values were at an average of 163,049 pounds.

**Aug. 25<sup>th</sup> - Weale Says U.K. Growth Outlook Weakened Amid Contagion Risk (Bloomberg)** - Bank of England policy maker Martin Weale said he abandoned his call for an interest-rate increase this month because the U.K. economic outlook weakened amid the risk of contagion from events in Europe and the U.S. Given "the weaker economic outlook" and "its implications for U.K. inflation, the need for insurance is less than it was," he said today in Doncaster, England. "I did not see the case for an immediate increase in Bank Rate." Weale had pushed since January to raise the key rate by a quarter point from the current record low of 0.5% to control inflation that's more than double the bank's target. Though Chief Economist Spencer Dale had joined him, both abandoned that call this month as the European sovereign debt crisis intensified, the U.S. lost its top AAA credit rating and global stock markets plunged. "We are exposed to financial contagion from both the euro area and the U.S.," Weale said. "It is a cause for concern that there was very little growth in the euro area in the second quarter and that leading indicators do not point to a revival." "An early increase would have put us in a better position to address things should the picture for inflation have worsened. At the long end of the market, however, yields are not historically low," Weale said. "There is undoubtedly scope for further asset purchases to trigger further reductions in yields on government debt should the need arise." Still, banks are "better capitalized and have much more liquidity than they did three years ago," he said. "So they are in a much better position to deal with difficulties than they were then." A "silver lining" for the U.K. economy can be seen in the drop in oil prices this month, Weale said. He said the decline may be enough to reduce the consumer price index by about 0.2 percentage pts. A feed-through to energy prices and utility bills could create another drop in the inflation rate of the same size.

***Key Dates This Week***

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
09/01	MPI Mfg	AUG	-	49.1
09/02	PMI Construction	AUG	-	53.5
09/05	PMI Services	AUG	-	55.47
09/06	BRC Shop Prices (Y/Y)	AUG	-	+2.8%
09/07	Factory Output (M/M)	JUL	-	-0.4%
09/07	Industrial Production (M/M)	JUL	-	0.0%
09/07	NIESR GDP Estimate	AUG	-	+0.6%

# Valance Economic Report: Canada

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August 31, 2011

**Canadian GDP contracted slightly in Q2. Although Consumer and Government Spending were strong, the deterioration in the Trade Balance was too much to overcome. The Current Account Deficit widened to the second largest total on record.**

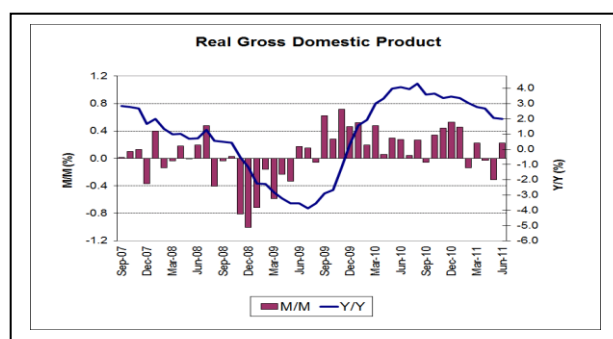
## Weekly Highlights

**Real GDP** – expanded 0.2% M/M in June, but contracted 0.1% Q/Q. (CA 1)

**Current Account Deficit** – widened from C\$ 10.1 bln in Q1 to C\$15.3 bln in Q2. (CA 4)

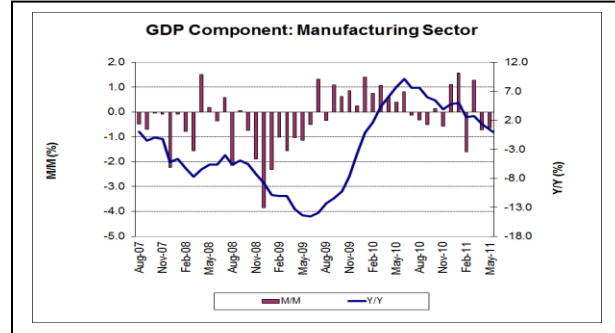
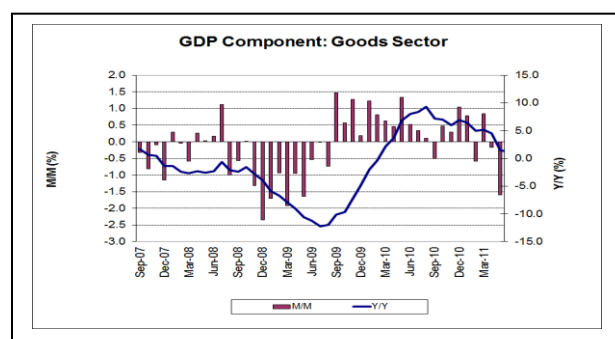
## Weekly Releases & News

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



*Real GDP expanded 0.2% M/M in June, against a 0.1% M/M consensus, and 2.0% Y/Y. Real GDP contracted 0.4% in Q2 on an annualized basis after increasing 0.9% in Q1.*

*Real final domestic demand was up 3% for the quarter, but was more than offset by a 2.1% drop in exports and increase in imports which are now growing at nearly 10% on an annualized basis.*

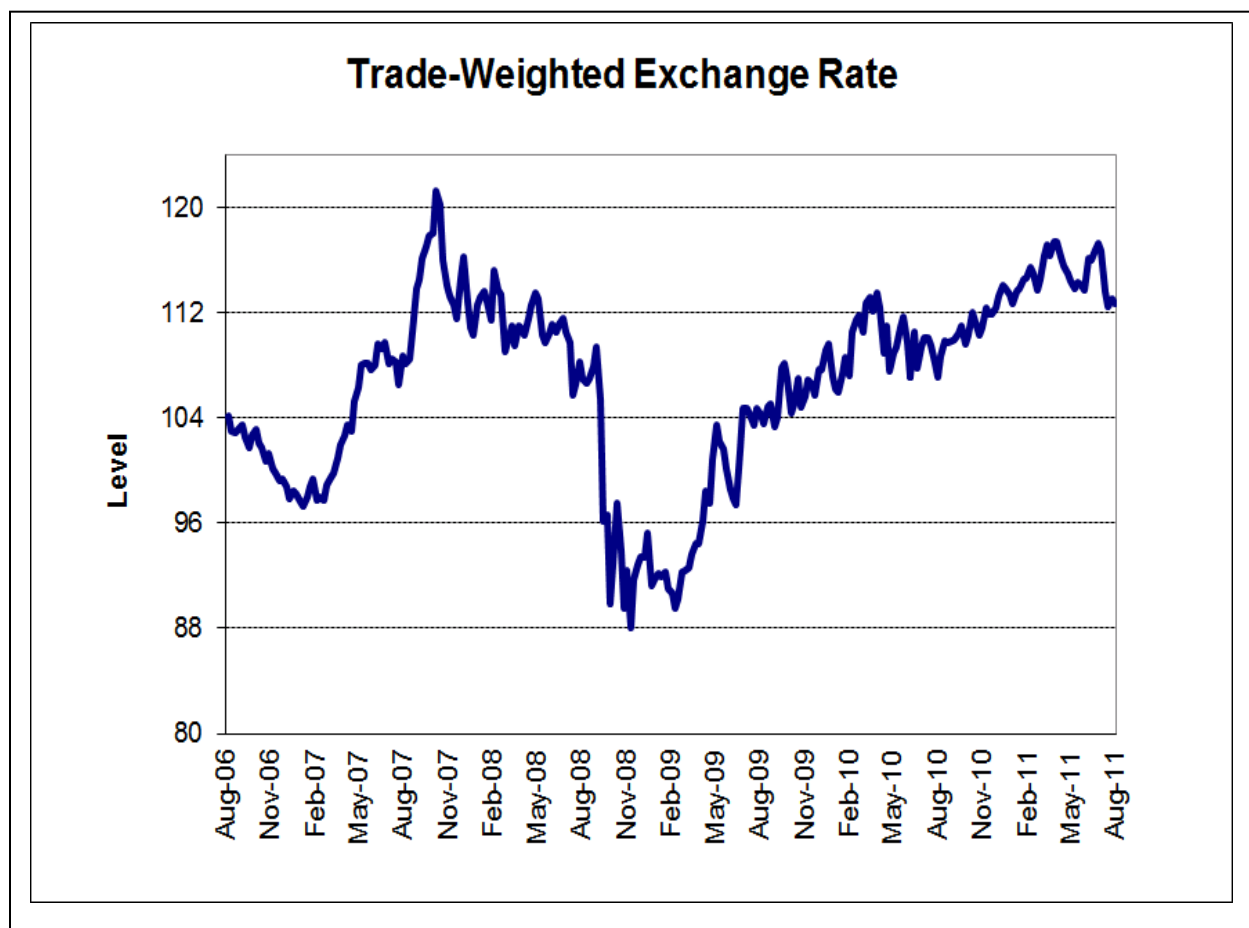


## Financial Balances, FX & BoC Overnight Rate

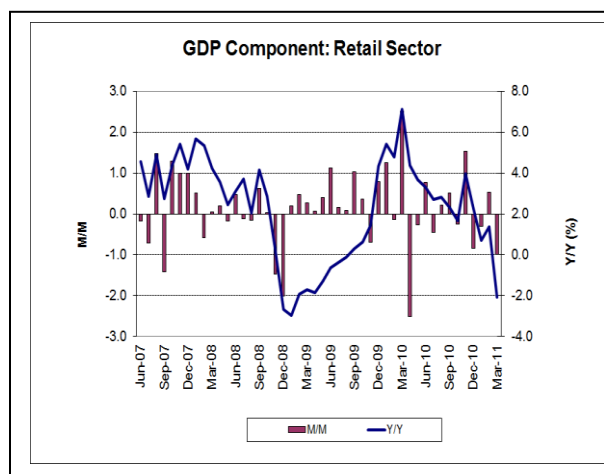
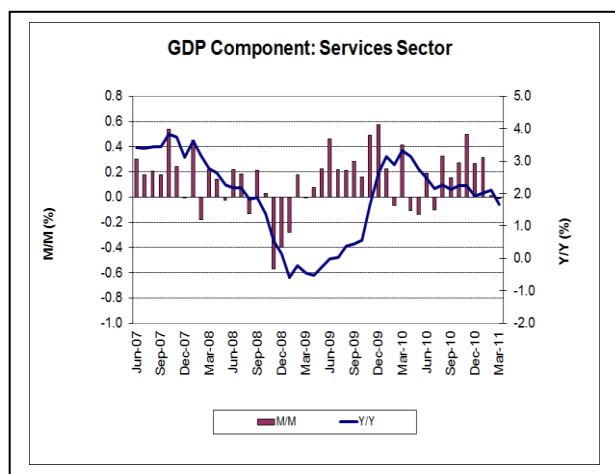
### Financial Balances

Canada	Latest period (C\$bln)	Last 12mth. as % of GDP
Budget Balance	-0.9 (Feb)	-2.3%
Trade Balance	-1.6 (Jun)	-1.6%
Current Account Balance	-8.9 (Q2)	-12.1%
Private Balance	--	-2.8%

### Trade-Weighted Exchange Rate



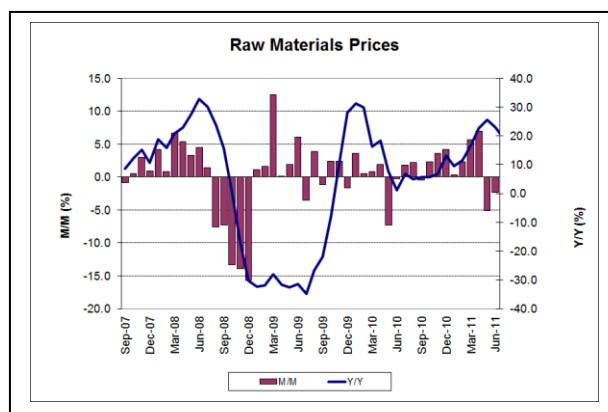
## GDP Data Cont'd., RMPI & IPPI



The Service sector growth gained 0.2% M/M and increased 2.3% Y/Y in June. The retail sector grew 1.0% M/M and 1.6% Y/Y in the same period.

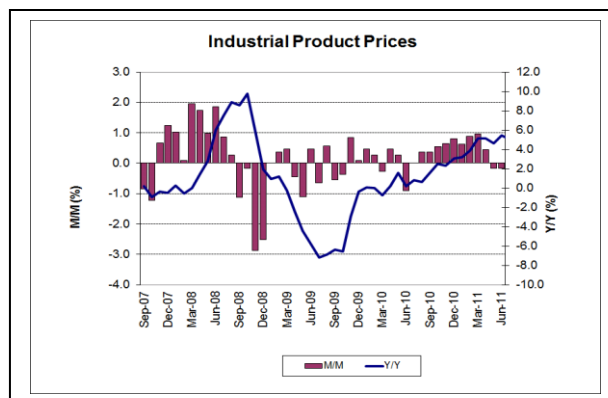
## Raw Materials Price Index

Raw Materials Prices fell 1.2% M/M in July after a drop of 2.4% M/M in June. The market expected a 0.1% M/M decline. Y/Y growth for the overall RMPI was 19.4%. Ex – mineral fuels, the RMPI fell 0.1% M/M and rose 16.9% Y/Y.



## Industrial Product Price Index

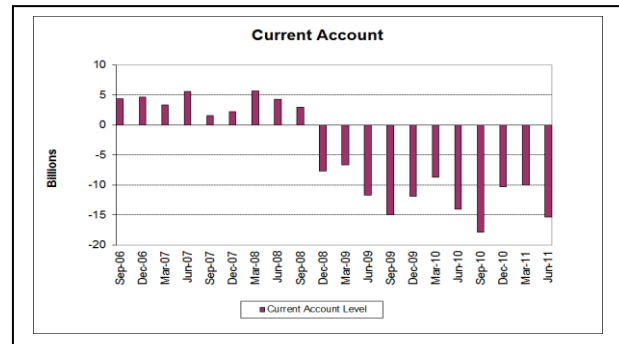
Industrial Product Prices fell 0.3% M/M in July after a 0.2% M/M drop in June. Ex-petroleum and coal products, the IPPI fell 0.5% M/M. Y/Y growth for the overall IPPI was 5.1% and ex. petro/coal it was 2.0%.



## Current Account Deficit, News & Upcoming Dates

### Current Account Deficit

The Current Account Deficit widened from C\$ 10.1 bln in Q1 to C\$15.3 bln in Q2, the second largest deficit on record.



### News

**Teranet-National BankHouse Prices** - According to the Teranet Bank Composite House Price Index, prices rose 1.69 % M/M and 4.5% Y/Y (4.4% prev.) in June. This is the seventh straight monthly increase. The index level rose to a record 144.3.

### Key Dates This Week

Date	Indicator	Month	Expectations	Previous
09/07	Ivey Purchasing Managers Index	AUG	-	45.4
09/07	BoC Rate	SEP	-	1.00%

# Valance Economic Report: Australia

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August 31, 2011

**Building Approvals increased in July, but were below expectations. New Home Sales declined.**

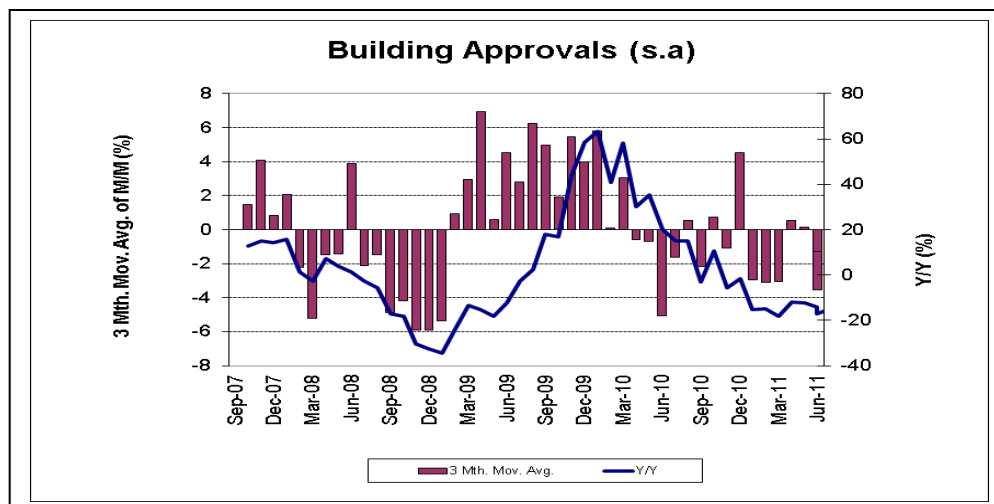
## Weekly Highlights

**Building Approvals** – increased 1.0% M/M and dropped 15.0% Y/Y in July. (AU 1)

**HIA New Home Sales** – dropped 8.0% M/M in July. (AU 3)

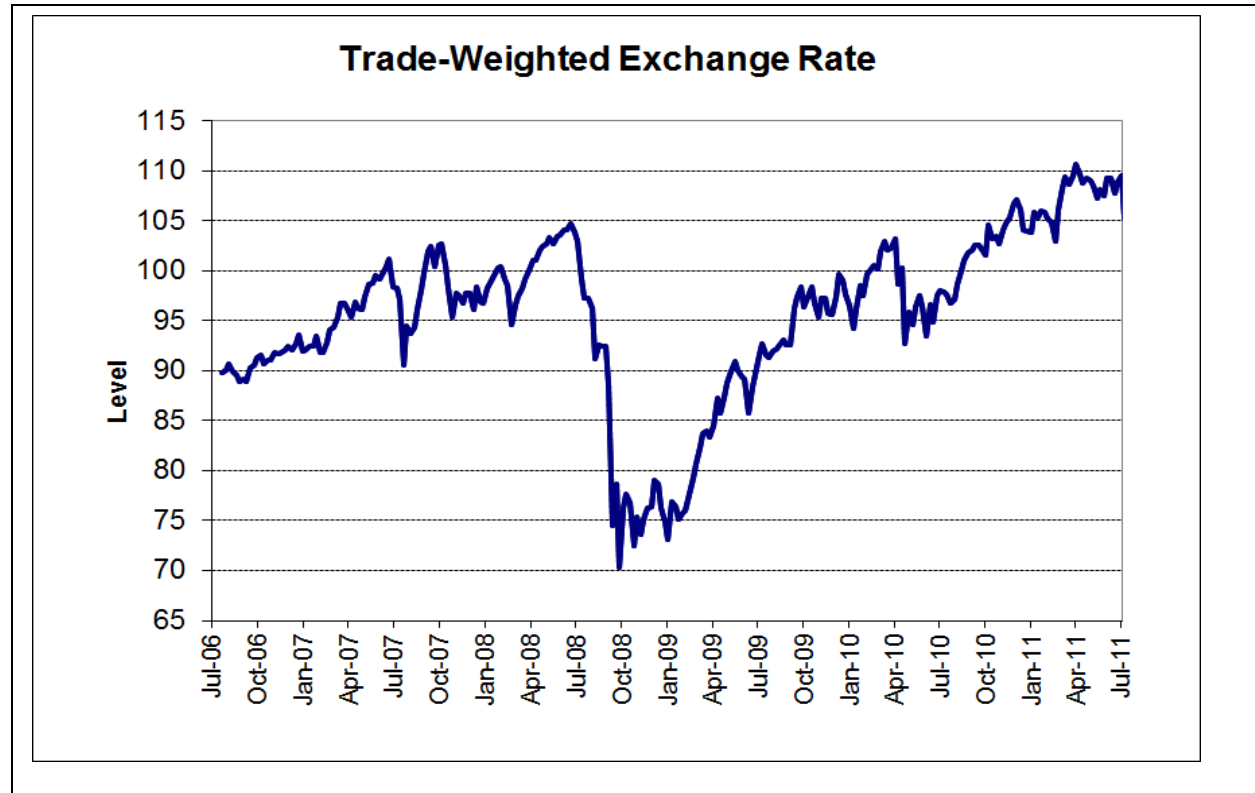
## Weekly Releases & News

### Chart of the Week: *Building Approvals*



Building Orders increased 1.0% M/M and dropped 15.0% Y/Y in July. While the increase was the first in four months, it was below market expectations for a 2.0% M/M increase and 12.4% Y/Y decline.



**FX****Trade-Weighted Exchange Rate**

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## ***Data/Comments***

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**Q2 Housing Affordability** - According to a report by the CBA and the HIA, Australia's Housing Affordability Index rose from 55.8pts in Q1 to 56.2pts in Q2. This compares to 52.4pts a year ago.

**Housing Industry Association - New Home Sales** - Sales of newly built homes dropped 8.0% M/M (-8.7% prev.) in July, their third monthly increase in a row. Sales in the volatile apartment sector rose 1.0% M/M.

**Aug. 26<sup>th</sup> - RBA's Stevens Says Falling Confidence to Help Cool Inflation (Bloomberg)** - Reserve Bank of Australia Governor, Glenn Stevens said weaker consumer confidence driven by the rout in global financial markets will help ease inflation pressures, making it prudent to "sit still" on interest rates. "Inflation bears careful watching, but we can keep it under control," Stevens told a parliamentary committee today in Melbourne. "It would be reasonable to anticipate that a decline in confidence arising from the recent events internationally may well dampen demand somewhat compared with the outlook set out in the Statement on Monetary Policy published in early August." During questioning, Stevens indicated that the central bank has sufficient "ammunition" with rates to respond to a sudden downturn in the global economy, an outcome he said he isn't anticipating. Australian companies and consumers are better positioned to withstand market volatility than it was three years ago, he said. Morgan Stanley this month cut its forecast for global growth this year, citing an "insufficient" response to Europe's problems, weakened confidence and the prospect of fiscal tightening. The New York-based bank predicted an expansion of 3.9 %, down from a previous forecast of 4.2 % growth. Stevens said today that while he doesn't see the global economy on the verge of a renewed collapse, Australian policy makers are well placed to cushion any decline.

**Key Dates This Week**

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
08/31	AiG Mfg. Index	AUG	-	43.4
08/31	Private Capital Expenditure (Q/Q)	Q2	-	+3.4%
09/04	Company Operating Profit (Q/Q)	Q2	-	-2.0%
08/31	Retail Sales (M/M)	JUL	-	-0.1%
09/04	AiG Services	AUG	-	48.8
09/04	Inventories (Q/Q)	Q2	-	+0.4%
09/05	Current Account Balance	Q2	-	-10447mln
09/06	RBA Target	SEP	4.75%	4.75%
09/06	AiG Construction	AUG	-	36.1
09/06	GDP (Q/Q)	Q2	-	-1.2%

Valance Co., Inc.

# Valance Economic Report: New Zealand

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August 31, 2011

**In Q2, Retail Sales, adjusted for inflation, rose more than forecast. NBNZ Business Confidence declined.**

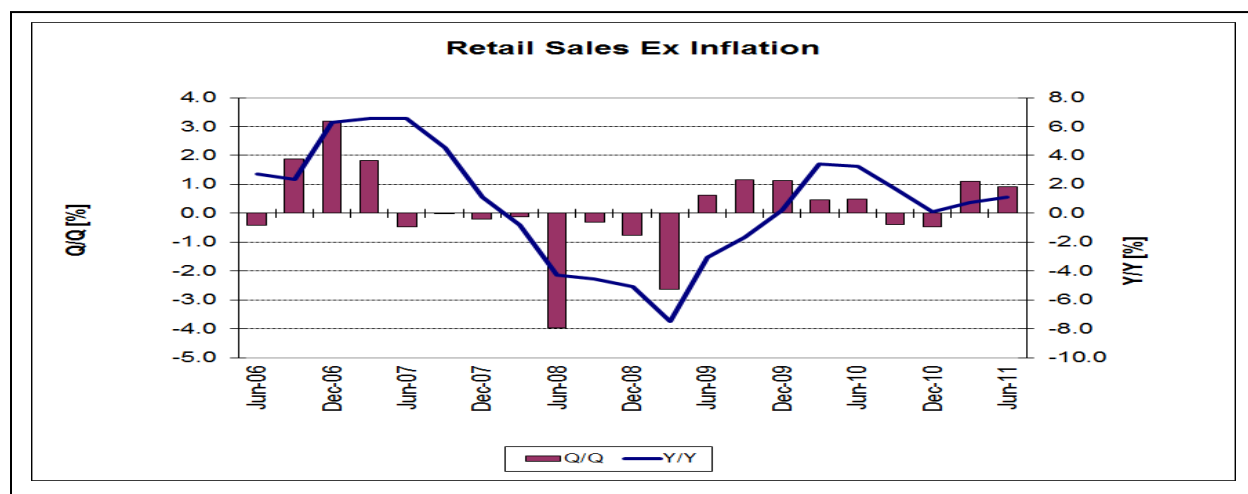
## Weekly Highlights

**Retail Sales** – rose 0.9% Q/Q in Q2 vs. +0.6% expected. (NZ 1)

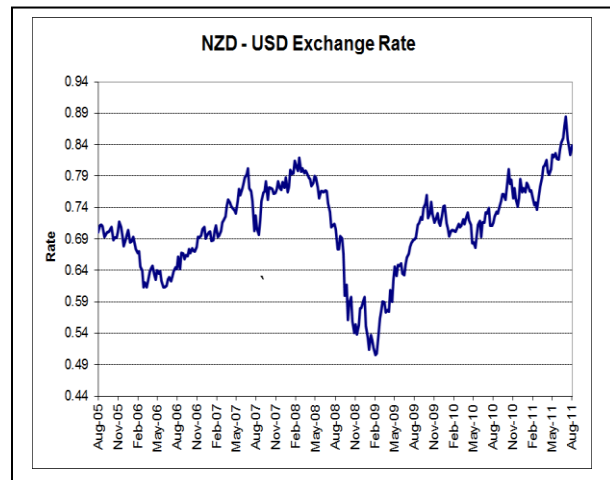
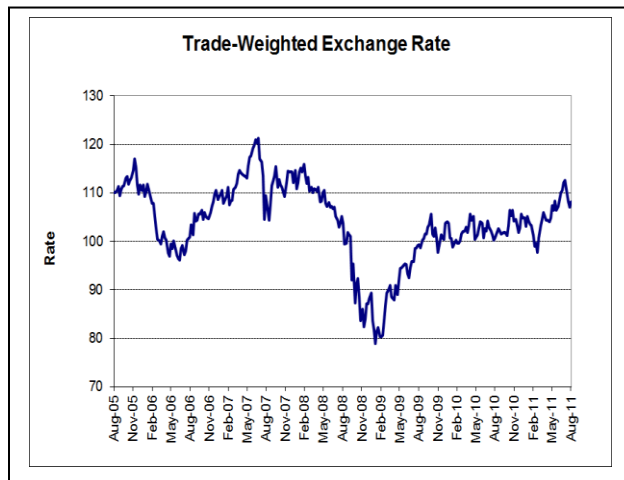
**NBNZ Business Confidence** – declined to 34.4 in August. (NZ 3)

## Weekly Releases & News

### Charts of the Week: *Retail Sales*



The quarterly measure of Retail Sales, ex. inflation, rose 0.9% Q/Q (+0.6% exp.), from a revised +1.1% Q/Q (previously +0.9%) in Q2. On an annual basis, Retail Sales, ex. inflation, rose 1.1%. Sales rose at 12 of 15 store categories. Core sales, which exclude vehicle dealers and fuel outlets, gained 1% Q/Q, matching the pace in Q1. Spending was led higher by a 4.2% rise in vehicle sales, while Supermarket and grocery store purchases, which make up a quarter of the total sales, gained 0.2% Q/Q. Fuel sales fell 4.1% Q/Q.

**FX**

## ***Data/Comments & Upcoming Dates***

### ***Data/Comment***

**NBNZ Business Confidence** - The NBNZ Business Confidence Index declined from 47.6 to 34.4 in August. The NBNZ Activity Outlook series dropped from 43.7 to 43.3.

In August, a net 18.5% expect exports to improve, below the 31.4% seen in July. A net 9.1% expect employment to improve and a net 115.6% expect profits to improve, both below the 18.9% and 23.9% respectively.

**Food Prices** - In July food prices rose 2.0% M/M after gaining 1.4% M/M in June. This increase was led by fruit & veggies rising a sharp 8.9% M/M. On an annual basis, prices increased 7.9%.

### ***Key Dates This Week***

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
08/31	Terms of Trade (Q/Q)	Q2	-	+0.9%
08/31	ANZ Commodity Prices (M/M)	AUG	-	-0.1%
09/06	QV House Prices	AUG	-	-0.4%

## Weekly Economic Report: **China**

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August 31, 2011

**In July, China's Leading Index rose 0.2 percentage points and Industrial Profits rose 28.3% Y/Y.**

### Weekly Highlights

**Leading Index** - rose from 102.04 in June to 102.25 in July. (CH 1)

**Industrial Profits** – rose to 28.3% Y/Y in July. (CH 2)

### Weekly Releases & News

### Chart(s) of the Week: *Leading Index*

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China's Leading Index rose from 102.04 in June to 102.25 in July.

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## News

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**August 30<sup>th</sup> (Economic Times) – China's Economic 2011 Growth Likely to Fall Below 9% -**

According to JPMorgan Managing Director, Jing Ulrich, China's economy is expected to grow below 9.0% this year and slow even further to around 8.5% in 2012. The downward revision is due, in part, to conditions in the U.S., the EU, and Japan – China's largest trading partners.

**August 30<sup>th</sup> (Bloomberg) - China Margin Reserves Move May Be Last Tightening Step –**  
HSBC Holdings Plc, remarked in a note:

*Concerns on over-tightening are unwarranted as the central bank could inject liquidity to offset a potential liquidity crunch in the money market if necessary. Further, we are not seeing any mounting risk of a collapse in growth as indicated by stabilizing HSBC Flash PMI readings in August. This is likely to be the last meaningful step towards credit tightening.*

**August 26<sup>th</sup> (Bloomberg) - China's Industrial Profits** – dropped from 28.7% Y/Y in June to 28.3% in July – reaching 2.8 trln yuan.**August 26<sup>th</sup> (China Daily) - China to stick to controlling property market** – NDRC Head, Zhang Ping stated in his remarks to National People's Congress:

*We'll unswervingly stick to controlling the property market without changing the direction or loosening the policies.*

**August 25<sup>th</sup> (Reuters) - China says stabilising prices still priority** - China's Finance Minister, Xie Xuren, remarked in a report to the National People's Congress:

*We need to make stabilising prices the top priority. We will slow down price rises, but avoid causing big fluctuations in economic growth.*

**August 25<sup>th</sup> (Bloomberg) - UBS Cuts China Growth Estimate on Weaker Developed Economies** – Economist Wang Tao of UBS stated that the Bank revised its GDP forecast for 2011 from 9.3% to 9.0% and from 9.0% to 8.3% for 2012. Tao said, "This downward revision reflects much weaker growth prospects in developed economies. A significant drop in export growth, which could start in the fourth quarter of 2011, is also expected to affect manufacturing, investment and consumption



***Key Dates This Week***

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
08/31	PMI Manufacturing	AUG	51.0	50.7
08/31	HSBC Manufacturing PMI	AUG	--	49.3
09/02	China Non-Manufacturing PMI	AUG	--	59.6
09/04	China HSBC Services PMI	AUG	--	53.5

# Valance Economic Report: Sweden

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August 31, 2011

**Retail sales were weak in July and consumer and manufacturing confidence both dropped.**

## Weekly Highlights

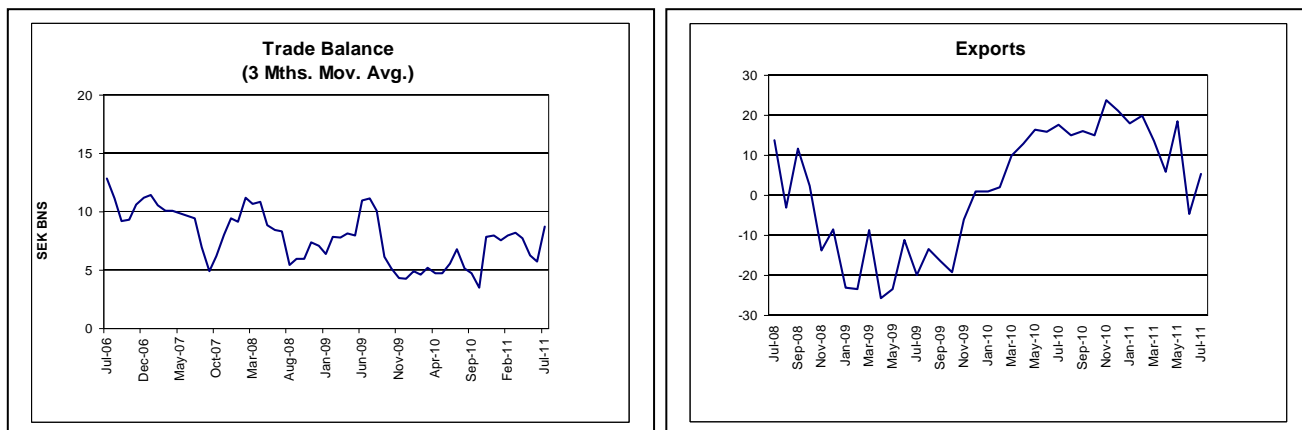
**Trade Surplus** – widened from SEK 7.7 bln in June to SEK 12.2 bln in July. (SW 1)

**PPI** – rose 0.4% M/M and 0.2% Y/Y in July. (SW 2)

**Unemployment Rate** – dropped from 8.8% in June to 6.9% in July. (SW 3)

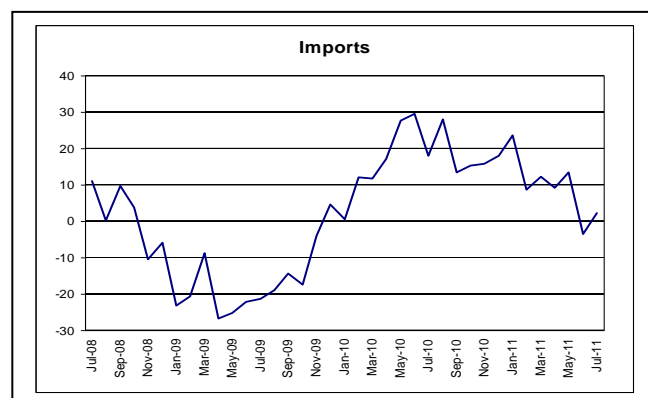
## Weekly Releases & News

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



Sweden's Trade Surplus widened from SEK 7.7 bln in June to SEK 12.2 bln in July, and up from a surplus of SEK 9.4 bln a year earlier. A surplus of SEK 7.5 bln was expected.

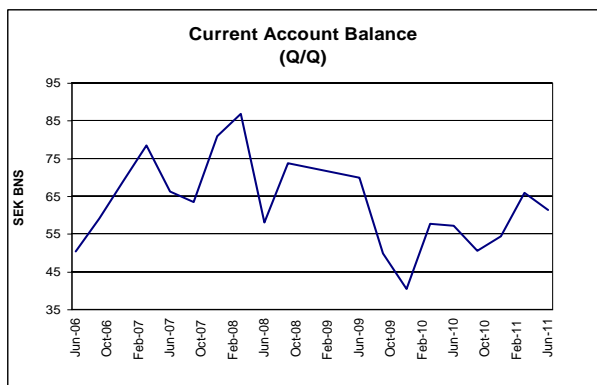
Exports and Imports increased by 5.0% Y/Y and 2.0% Y/Y in July, respectively.



## Current Account, PPI & Retail Sales

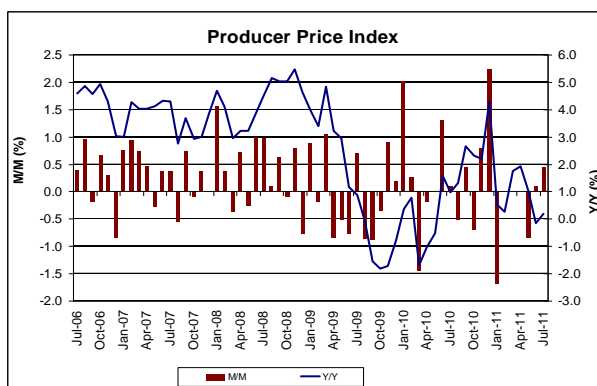
### Current Account

Sweden's Current Account surplus narrowed from SEK 65.9 bln in Q1 to SEK 61.3 bln in Q2. The decline was partly attributed "to a sharp fall in trade surplus and investment income," according to Statistics Sweden.



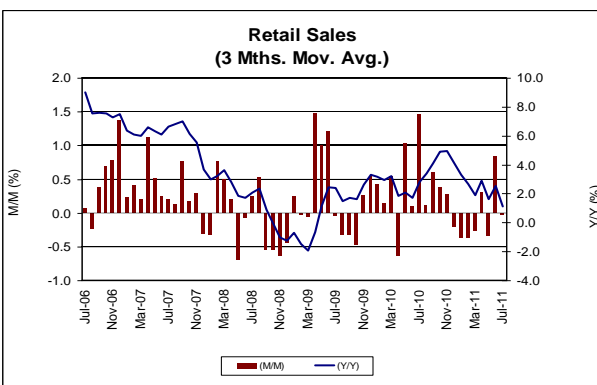
### PPI

The Producer Price Index rose 0.4% M/M and 0.2% Y/Y in July compared with 0.1% M/M and -0.2% Y/Y the previous month. Prices were forecast to gain 0.3% M/M and 0.1% Y/Y.



### Retail Sales

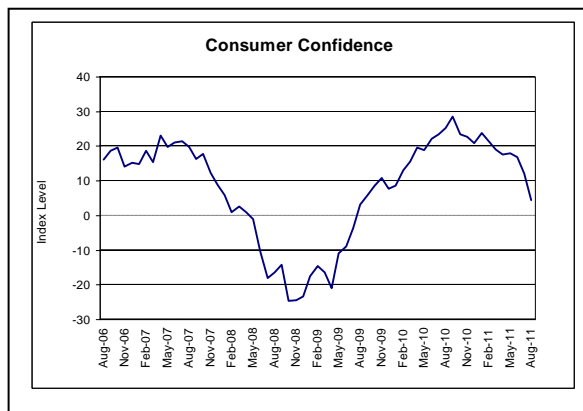
Retail Sales fell 0.7% M/M and rose 1.1% Y/Y in July, compared with 2.8% M/M and 3.2% Y/Y in June. Sales were forecast to gain 0.1% M/M and 2.5% Y/Y. Additionally, Retail Sales for consumables decreased by 1.8% Y/Y, while durables increased by 3.5% Y/Y.



## Consumer Confidence, Manufacturing Confidence & Unemployment Rate

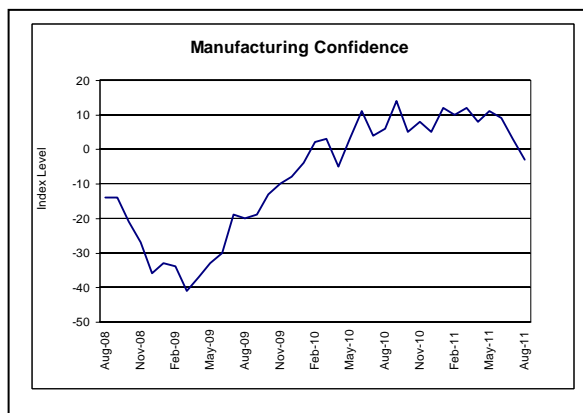
### Consumer Confidence

Consumer Confidence fell from 12.0 in July to 4.3 in August. Expectations were for a reading of 9.0.



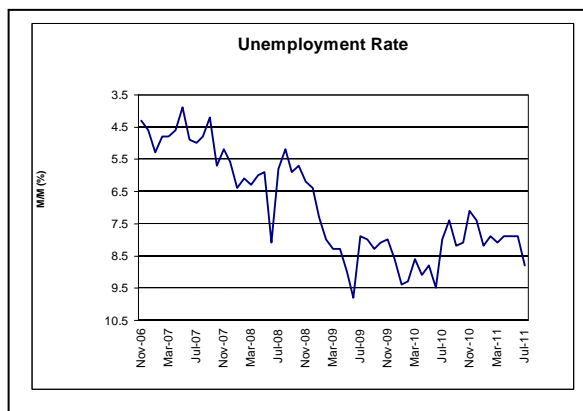
### Manufacturing Confidence

The seasonally adjusted Manufacturing Confidence indicator fell from 9 in July to -3 in August. A reading of 0 was expected.



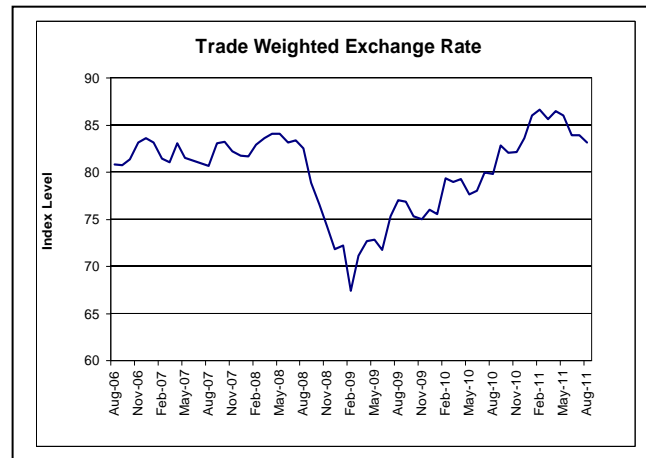
### Unemployment Rate

Sweden's Unemployment Rate dropped from 8.8% in June to 6.9% in July, below expectations of 7.1%. The number of employed totaled approximately 4.8 mln persons – an increase of 69K, compared with July 2010; while the number of unemployed totaled 359K persons – up about 20K. On a seasonally-adjusted basis, the unemployment rate reached 7.4% in July, amounting to 368K unemployed persons.



## Trade Weighted Exchange Rate & News

### Trade Weighted Exchange Rate



### News

**August 31<sup>st</sup> - Doubts Shouldn't Prevent Riksbank From Forecasting (Bloomberg)** – Riksbank Governor, Stefan Ingves, said at a parliamentary hearing:

*We're well aware of how uncertain interest rate forecasts are in the longer run and we have therefore endeavored to draw attention to this.*

*However, the fact that interest rate forecasts in the longer run are uncertain doesn't mean that we shouldn't make such forecasts.*

**August 31<sup>st</sup> - NIER Lowers Growth Forecast, Sees Riksbank on Hold (Bloomberg)** – The NIER announced that it expects Sweden's economy to slow from a forecast of 4.3% this year (down from an earlier estimate of 5.7%) to 1.9% in 2012 (from an earlier estimate of 2.9%). The Institute remarked, "The recovery of the world economy has slowed to a halt, and so has economic recovery in Sweden. In the latter months of 2012, recovery will resume, but no decrease in unemployment is expected until 2013." Inflation will slow to 1.9% in 2012 (from 3.0%) and unemployment will be 7.5% both this year and next, the NIER added.

**August 31<sup>st</sup> - Sweden's Recovery Stalls (WSJ)** – The NIER stated in a report:

*During the summer financial turbulence swept in from abroad, sending stock prices plummeting and adding to uncertainty. Concerned households and businesses are postponing consumption and investment decisions [so] growth is consequently slowing.*

*...domestically, conditions favor strong growth.*

*Household saving is high by historical standards, providing considerable scope for increases in consumption once uncertainty has subsided.*

## News (Cont'd.) & Upcoming Dates

### News (Cont'd.)

**August 25<sup>th</sup> - Household Borrowing Growth (Bloomberg)** – slowed from 6.6% Y/Y in June to 6.4% Y/Y in July.

**August 25<sup>th</sup> - August Economic Tendency Survey (RTT News)** – fell from 103.2 in July to 100.2 in August. The Survey was expected to reach 100.0.

**August 25<sup>th</sup> - Sweden Can't Ignore Market Turmoil in Rate Setting (Bloomberg)** – Riksbank First Deputy Governor, Svante Oeberg commented in an interview with Umeaa:

*One should be cautious in interpreting fresh events when one is shaping economic policy.*

*Our repo rate decisions are aimed at the future. Although uncertainty has increased, and economic activity abroad so far has been slightly weaker, the Swedish economy has developed largely in line with the outline we sketched in July. Moreover, the repo rate is still low.*

*One thing that I think is important is how this turbulence in the financial markets, or this sort of optimism or pessimism, how that will affect growth in different countries. That's something we'll really have to think hard about because that affects basically our exports and can also affect domestic demand.*

### Key Dates This Week

Date	Indicator	Month	Expectation	Previous
09/01	Swedbank PMI Survey	AUG	49.8	50.1
09/06	Service Production	JUL	--	0.35 / 5.7%
09/07	Budget Balance	AUG	--	-3.7B
09/07	Riksbank Interest Rate	SEP 7	--	2.00%

# Valance Economic Report: Switzerland

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August 31, 2011

In August, the outlook for Switzerland's economy diminished significantly, as investor sentiment plunged by 12.5 points and the KOF Swiss Leading Indicator fell below expectations. The UBS Consumption Indicator fell to its lowest level since December 2009, in July.

## Weekly Highlights

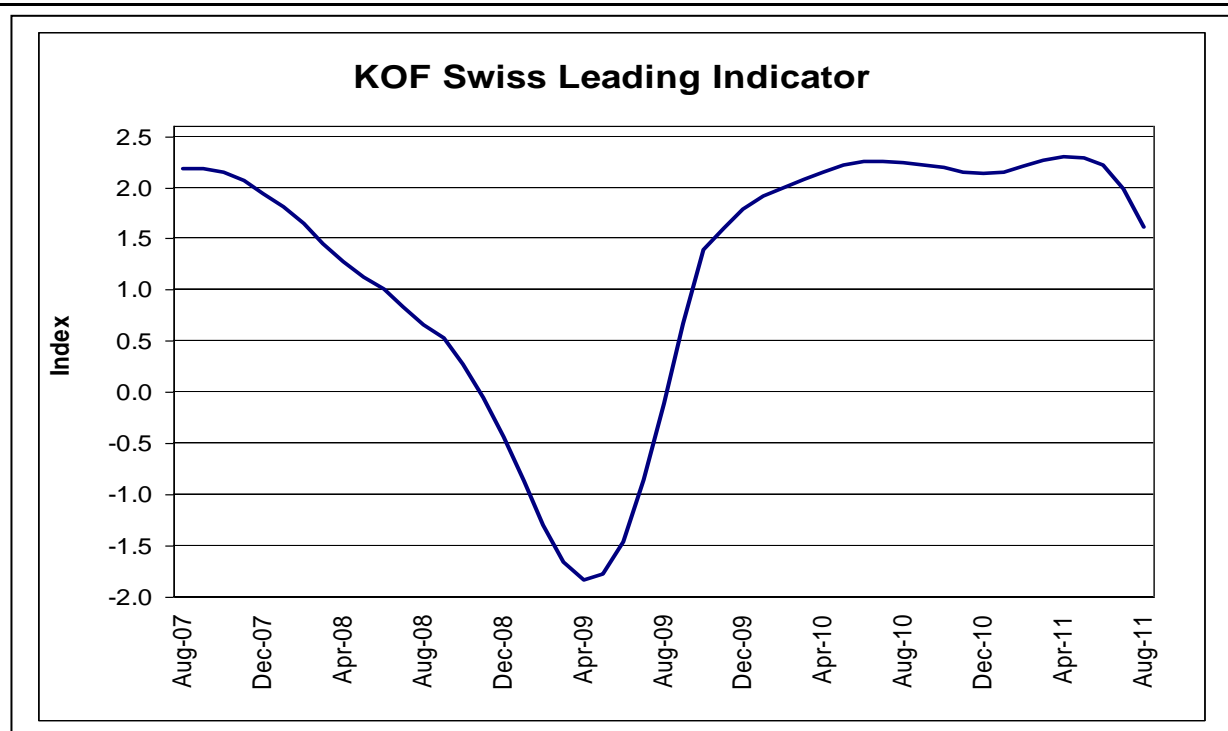
**KOF Swiss Leading Indicator** – dropped from 1.98 in July to 1.61 in August. (SZ 1)

**UBS Consumption Indicator** – dropped from 1.52 in June to 1.29 in July. (SZ 2)

**August Swiss Investor Sentiment** - fell from -58.9 in July to -71.4 in August (SZ 2)

## Weekly Releases & News

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



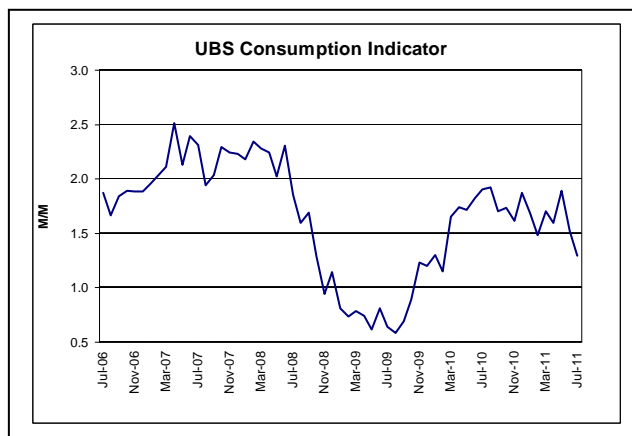
The monthly aggregate of indicators fell from 1.98 in July to 1.61 in August. The KOF remarked, "This has been the strongest decline since April 2009. Thus, the growth dynamics of Swiss Gross Domestic Product (GDP) is losing momentum." A decline to 1.80 was expected.

SZ - 1

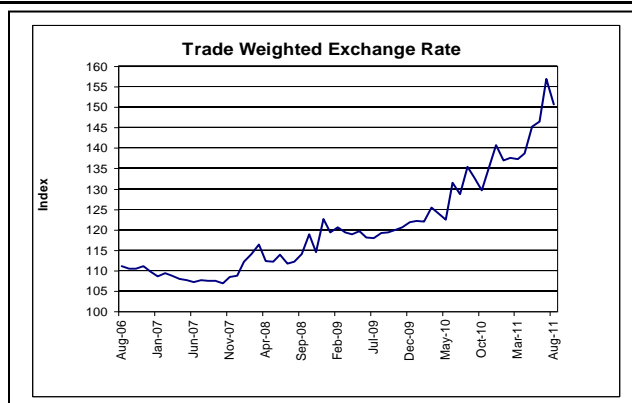
# UBS Consumption Indicator, Trade Weighted Exchange & News

## UBS Consumption Indicator

The UBS Consumption Indicator fell from 1.52 in June to 1.29 in July – its lowest level since December 2009. July's decline was partly due to poor performance in the retail sector and declining consumer sentiment.



## Trade Weighted Exchange Rate



## News

**August 30<sup>th</sup> - Switzerland's Government Expects Budget Surpluses Through 2013** – Switzerland's government said, in an emailed statement, the country will likely have budget surpluses from now through 2013. It expects surpluses of 0.8%, 0.6%, and 0.5% for 2011, 2012, and 2013, respectively.

**August 25<sup>th</sup> – August Swiss Investor Sentiment** - A survey by the ZEW Center for European Economic Research and Credit Suisse Group showed that the outlook for Swiss Investor Confidence fell from -58.9 in July to -71.4 in August – its lowest reading since December 2008, when it stood at -76.2.



***Key Dates This Week***

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
09/01	GDP	Q2	0.4% / 2.3%	0.6% / 2.5%
09/01	Retail Sales	JUL	--	7.4%
09/01	PMI Manufacturing	AUG	51.0	53.5
09/06	Foreign Currency Reserve	AUG	--	182.1B
09/06	CPI	AUG	--	-0.8% / 0.5%
09/06	CPI – EU Harmonised	AUG	--	-0.8% / 0.3%