

Valance Company, Inc.



Weekly

September 28, 2011

III

Highlights

US – Political battles on both sides of the Atlantic overshadowing data

EU – Markets slightly more optimistic resolution will be reached

JN – Light week of data

UK – The IMF lowered its 2011 growth projections

CA – Retail Sales worse than expected

NZ - Economy nearly stalled in Q2

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Valance Economic Report: United States

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September 28, 2011

A light week of data kept focus on the political battles on both sides of the Atlantic. The averted government shutdown of emergency relief institutions has revamped budget deficit worries that will continue to mount unless the Senate Super Committee proposes a plan that can be approved by Congress. Strong core durable goods orders bode well for improved GDP in Q3, likely around 2%. Subpar economic growth and static data keep QE3 on the table.

Weekly Highlights

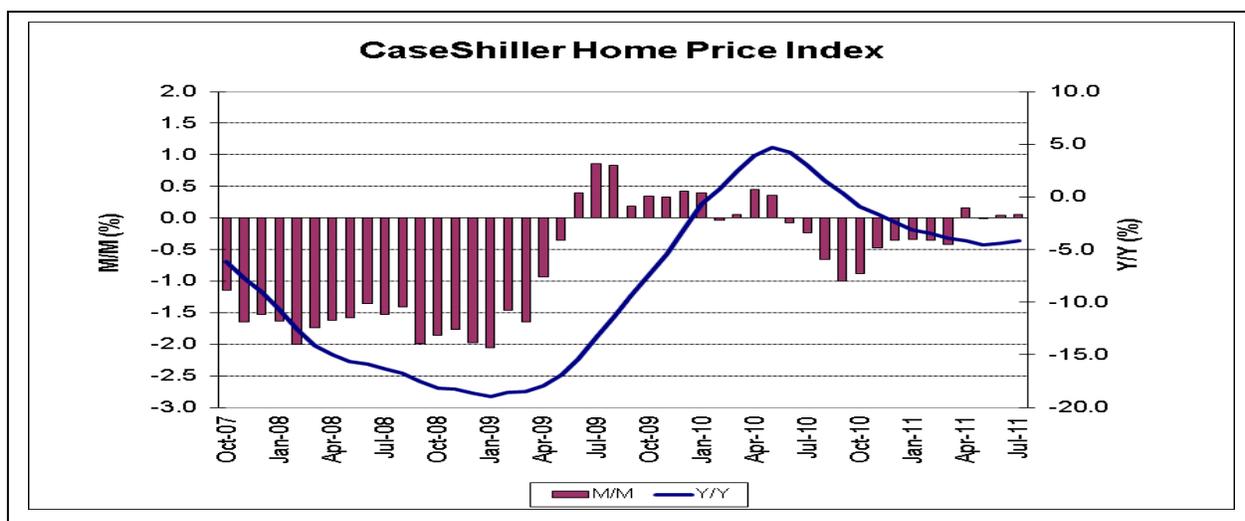
Case-Shiller – increased 0.1% M/M in July, to the highest level in 2011. (US 1)

Core Durable Goods Orders – rose 1.1% M/M in August and positive revisions to July. (US 3)

New Home Sales – fell from 302k to 295k in August. (US 4)

Weekly Releases

Chart of the Week: *Case-Shiller Home Price Index*



The Case-Shiller Index showed home prices rose 0.05% M/M and fell 4.11% Y/Y in July. Market expectations were for readings of 0.1% M/M and -4.40% Y/Y. This home price index has declined on a M/M basis for eleven of the past 14 months. The Case-Shiller Home Price Index improved from a revised 141.48 reading to 142.77, the highest level in 2011.

US-1

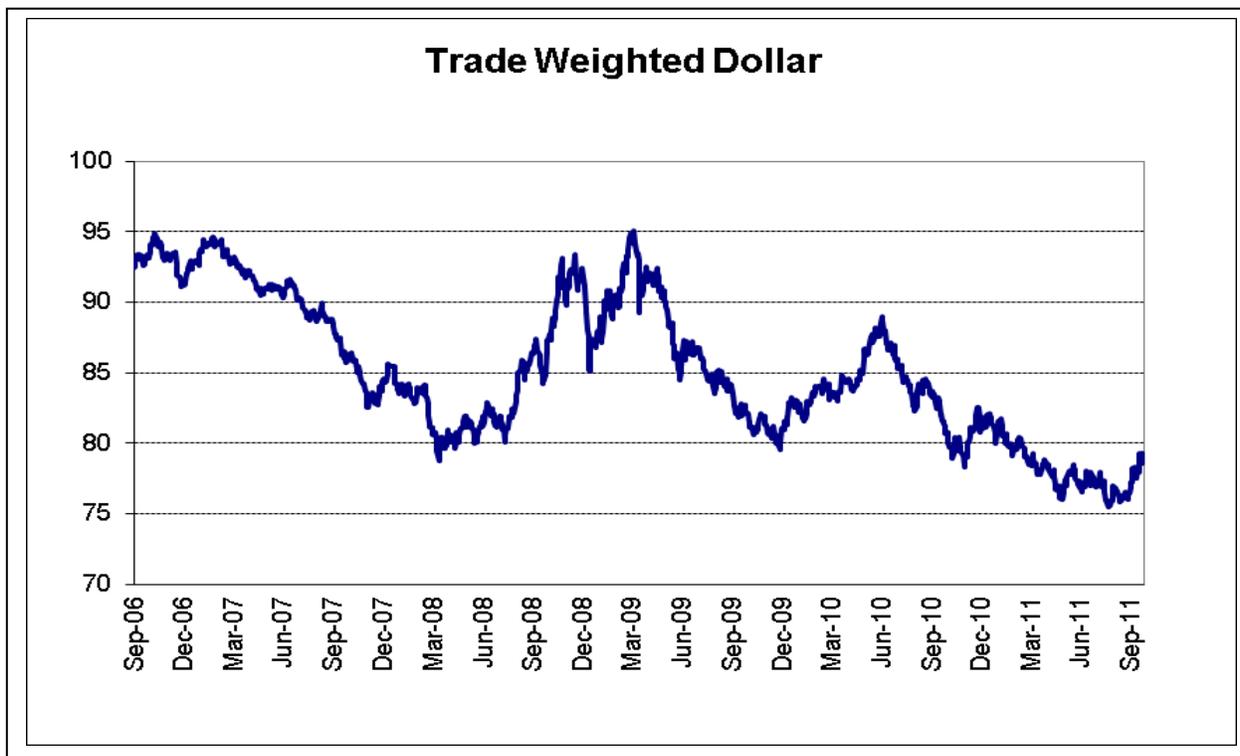
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

<i>U.S.</i>	<i>Latest period (\$blns)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-129.4 (July)	-8.1%
Trade Balance	-53.0 (June)	-3.6%
Current Account Balance	-118.0B (Q2)	-3.1%
Private Balance	--	5.3%

The budget deficit on a trailing twelve month basis as of August 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

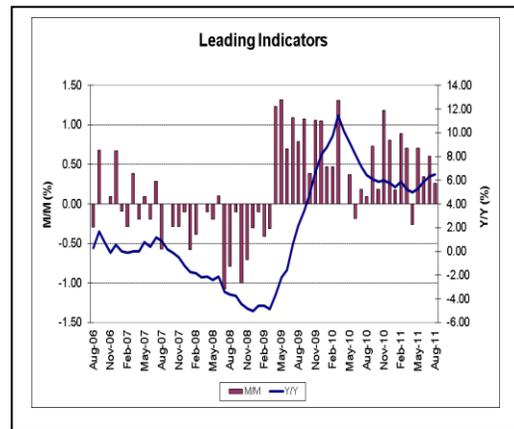


US-2

Leading Indicators, Claims, & Durable Goods Orders

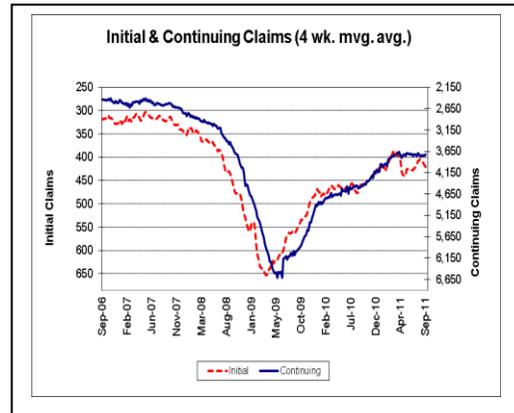
Leading Indicators

Leading Economic Indicators increased 0.3% M/M in August. The 6 month annual change fell from 6.1% in July to 4.8%.



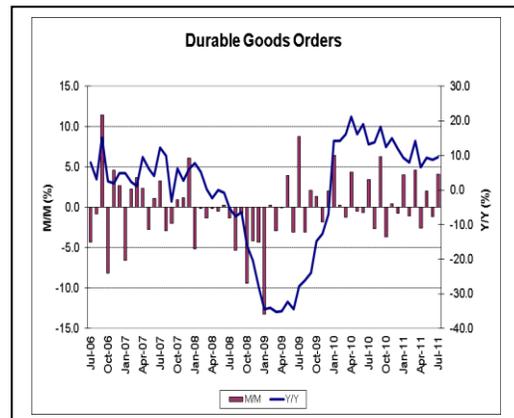
Initial and Continuing Claims

Initial Claims decreased from 428k to 423k, greater than market expectations of 420k. The four week moving average of Initial Claims increased to 421k, the fifth straight week in which average claims have risen. Continuing Claims fell from 3755k to 3727k.



Durable Goods Orders

Headline Durable Goods Orders fell 0.1% M/M and increased 14.1% Y/Y in August. Non-defense capital goods orders, excluding aircraft, rose 1.1% M/M and 11.0% Y/Y. The three-month annualized core rate is 9.0%. The strength in core orders is a positive signal for future capex.



New Home Sales, Mortgage Applications & House Prices

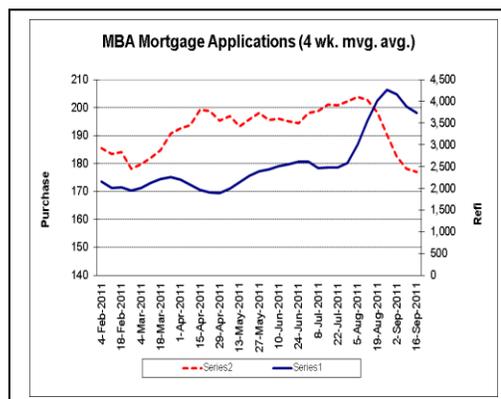
New Home Sales

New Home Sales fell from a revised 302k to 295k in August, the lowest level in six months. It was a decline of 2.3% M/M, but is up 6.1% Y/Y. Median prices fell 8.7% M/M and 7.7% Y/Y. Inventory levels remained at 6.6 months of supply and actual inventories fell 3k to 162k.



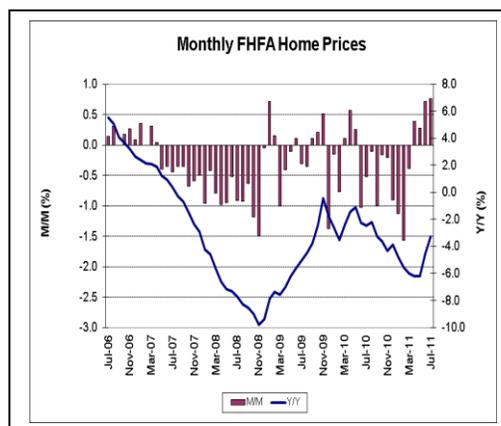
MBA Mortgage Applications

Purchase Mortgage Applications gained 9.3% W/W. Last week's reading was revised upward from 0.6% W/W to 10.0% W/W. Mortgage Applications are up 12.3% Y/Y. Refi applications increased 1.8% W/W.



House Price Index

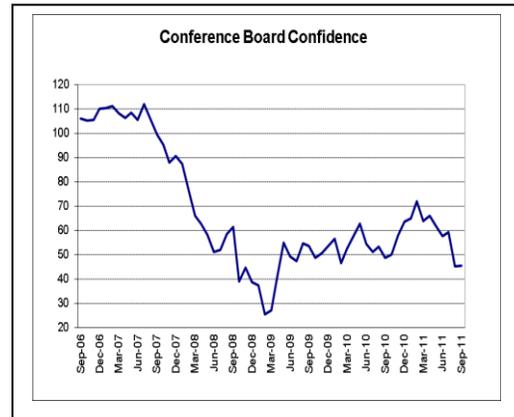
The monthly OFHEO House Price Index rose 0.8% M/M in July, but is down 3.3% Y/Y. This was the largest M/M gain since 2005. The June index was revised down from 0.9% to 0.7%.



Consumer Confidence

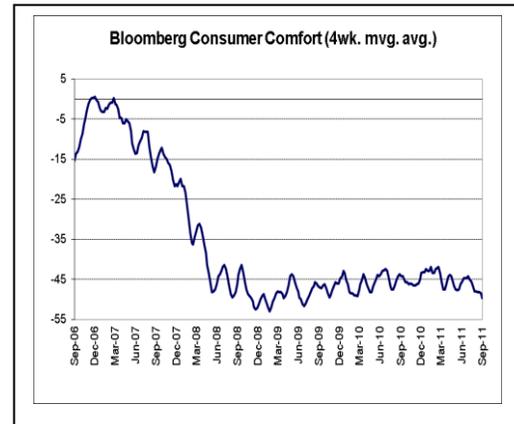
Conference Board Consumer Confidence

Consumer Confidence increased from 45.2 to 45.4 in September. Expectations were for an increase from 52.4 to 54.0 and the present situation component dropped from 34.3 to 32.5. The jobs plentiful, minus jobs hard to get component also fell, dropping from -43.7 to -44.5.



Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index fell from -49.3 to -52.1. The state of the economy component regressed from -86.6 to -88.9. The buying climate rose from -60.7 to -59.9, but personal finances decreased from -0.7 to -7.5.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
09/29	GDP (Q/Q) (Annualized)	2Q T	1.20%	1.00%
09/29	Personal Consumption	2Q T	0.04%	0.40%
09/29	GDP Price Index	2Q T	2.40%	2.40%
09/29	Core PCE (Q/Q)	2Q T	2.20%	2.20%
09/29	Initial Jobless Claims	23-Sep	420K	423K
09/29	Continuing Claims	17-Sep	3730K	3727K
09/29	Bloomberg Consumer Comfort	25-Sep	-51.0	-52.1
09/29	Pending Home Sales (M/M)	AUG	-1.00%	-1.30%
09/30	Personal Income	AUG	0.10%	0.30%
09/30	Personal Spending	AUG	0.20%	0.80%
09/30	PCE Deflator (Y/Y)	AUG	2.90%	2.80%
09/30	PCE Core (M/M)	AUG	0.20%	0.20%
09/30	Chicago Purchasing Manager	SEP	56.5	56.5
09/30	U. of Michigan Confidence	SEP F	57.8	57.8
10/03	Construction Spending	AUG	-0.20%	-1.3%
10/03	ISM Manufacturing	SEP	50.4	50.6
10/03	ISM Prices Paid	SEP	52.5	55.5
10/03	Total Vehicle Sales	SEP	12.03M	12.10M
10/04	Factory Orders	AUG	0.2%	2.4%
10/05	MBA Mortgage Applications	30-Sep	--	--
10/05	ISM Non-Manufacturing Composite	SEP	53.3	53.3

Valance Economic Report: Euro Zone

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September 28, 2011

After a global sell off last week, equity markets in Europe have begun to show some signs of strength on news that the G20, ECB, IMF and EFSF will plan some sort of support for the nations of the EU. Many plans have been proposed, however, no plans have been approved. The turmoil and indecision continues to drive Business and Consumer Confidence lower; most confidence metrics are at levels last seen in 2009.

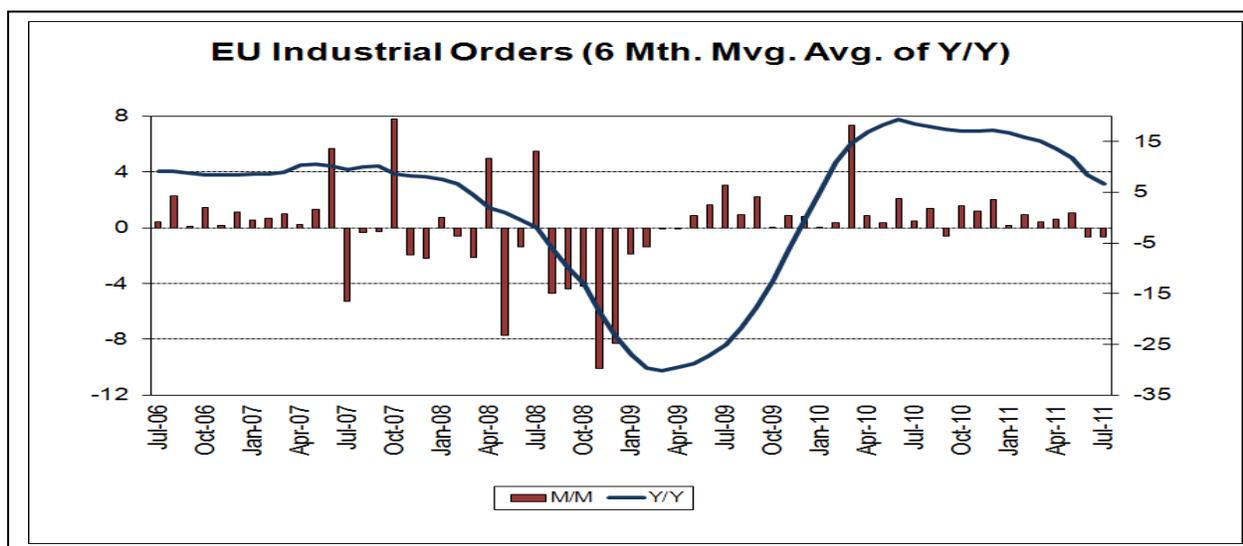
Weekly Highlights

Euro-Zone Industrial Orders – decreased 2.1% M/M in July. (EU 1)

Euro-Zone Consumer Confidence – fell from -16.5 to -18.5 in September. (EU 3)

Weekly Releases & News

Chart of the Week: Euro-Zone Industrial Orders



Eurozone's July Industrial New Orders Index fell 2.1% M/M (-0.7% M/M gain previously) and decelerated from 10.6% Y/Y to 8.4% Y/Y (+10.5% exp.) Expectations were for a 1.2% M/M loss. Industrial Orders in Germany fell 3.1% in July after a 1.2% increase a month earlier. Euro-area orders for intermediate goods rose 2.3% in July after a 5.3% decrease a month earlier. Orders for durable consumer goods grew 5.1%, while those for capital goods slipped 2.5%. Total orders, excluding heavy transport equipment such as ships and trains, increased 1.4%.

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	10.4 (July)	2.0%
Current Account Balance	7.5 (July)	6.3%
Private Savings Balance		-3.6%
<i>France</i>		
Budget Balance		-7.0%
Trade Balance	-6.5 (July)	-5.3 %
Current Account Balance	-4.5 (July)	-4.0%
Private Savings Balance		-1.3%
<i>Italy</i>		
Budget Balance		-2.3 %
Trade Balance	-1.5 (July)	-5.1%
Current Account Balance	-1.7 (July)	-5.5%
Private Savings Balance		-0.8
*Budget Balance as of year end 2010 – Source OECD		

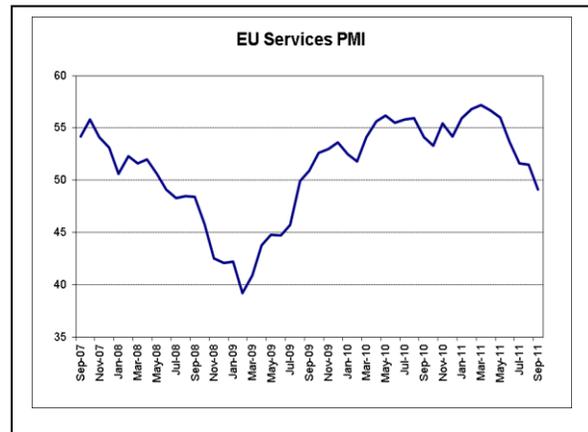
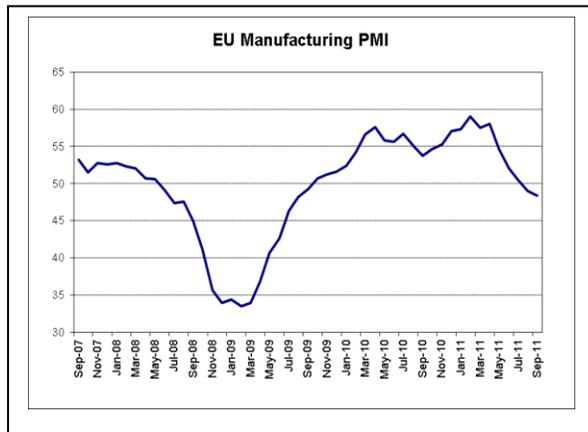
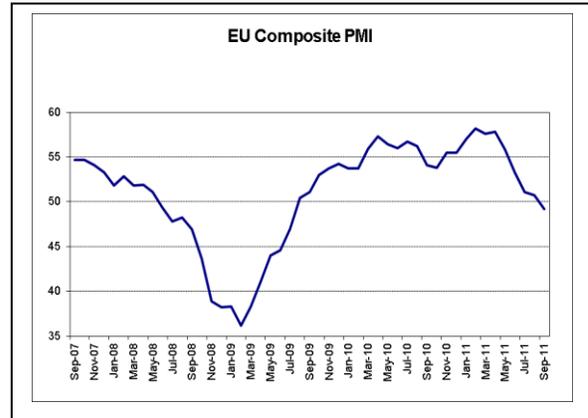
Trade Weighted Euro



Euro PMI & Consumer Confidence

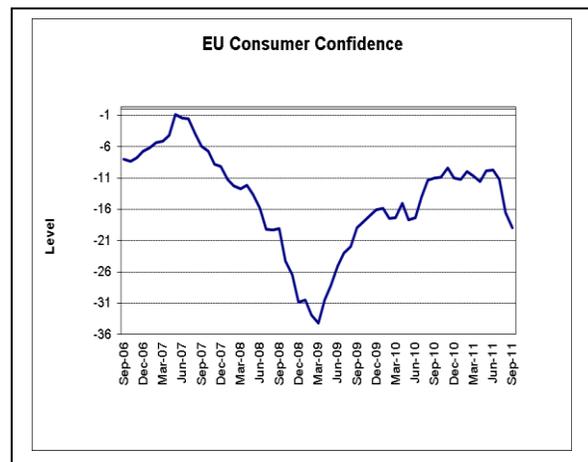
Euro-Zone PMI

The Composite PMI decreased from 50.7 in August to 49.2 in September. This was the first time since July 2009 the Composite Index fell was below 50. The index was expected to fall to 50.8. Manufacturing PMI fell from 49.0 to 48.4, and the Services PMI decreased from 51.5 to 49.1.



Euro-Zone Consumer Confidence

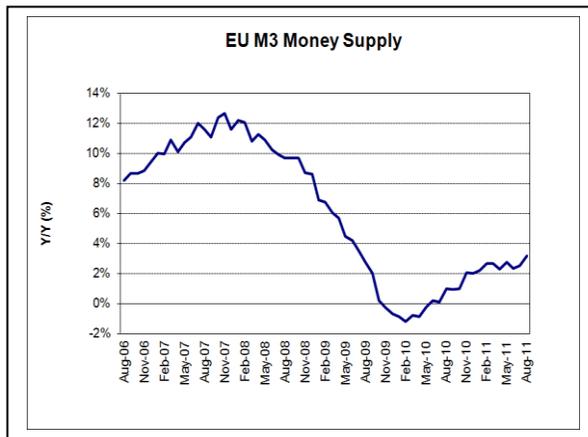
The Euro Zone's Consumer Confidence fell from -16.5 in August to -18.5 in September. This is the lowest level since September 2009. Expectations were for a reading of -18.0.



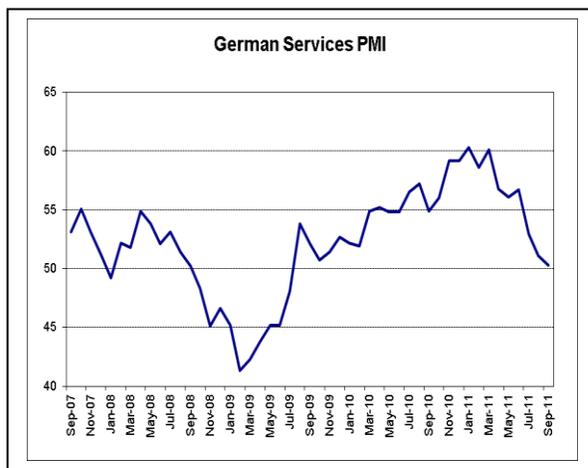
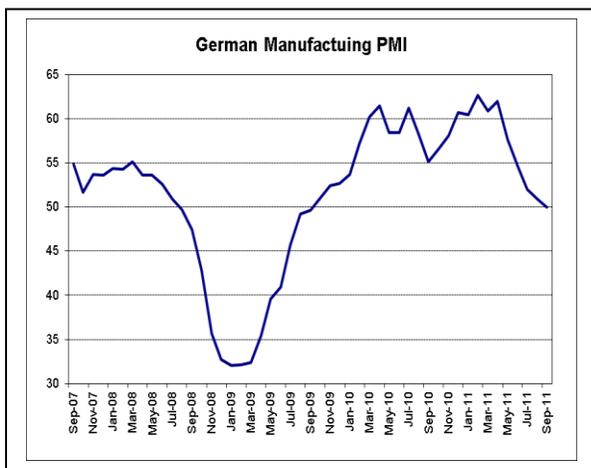
Euro Money Supply & German PMI

Euro-Zone Money Supply

M3 Money Supply growth increased 2.8% Y/Y in August. On a 3mth. mov. avg. basis, loan growth increased 2.3% Y/Y (2.1% previously). Expectations for Y/Y growth and the 3mth. mov. avg. were both at 2.0%.



German PMI

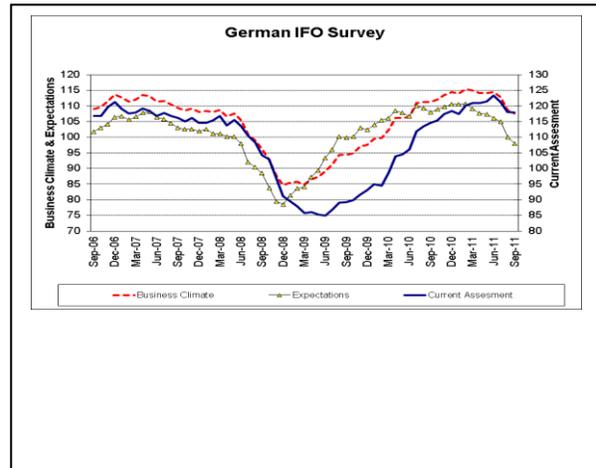


German Manufacturing PMI decreased from 50.9 to 50.0 in September. German Services PMI fell from 51.1 to 50.3. Market expectations for both manufacturing and services stood at 50.5.

German IFO Survey, Import Prices, & CPI

German IFO Survey

German IFO Business Climate fell from 108.7 in August to 107.5 in September. The Current Assessment component decreased from 118.1 to 117.9. The expectations component decreased from 100.1 to 98.0. Expectations are now at levels last seen in July 2009.



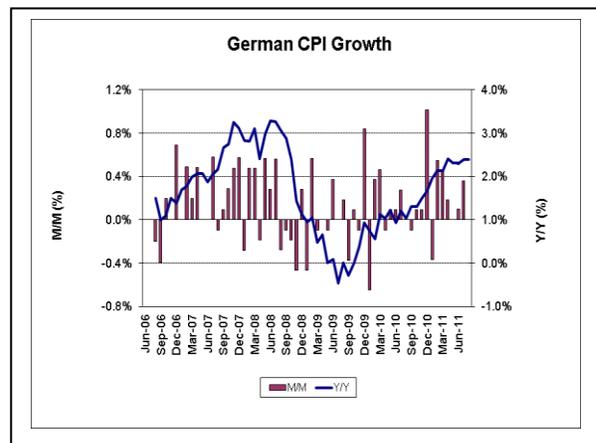
German Import Price

German Import Prices decreased 0.7% M/M and increased 6.6% Y/Y in August, below expectations for -0.3% M/M and 6.7% Y/Y readings. The Import Price Index, ex. Petroleum, fell 0.1% M/M, but increased 3.9% Y/Y.



German CPI

Final figures show German CPI increased 0.1% M/M and 2.6% Y/Y in September, greater than market expectations of -0.1% M/M and 2.4% Y/Y, respectively. CPI, calculated using a harmonized European Union method, increased 0.1% M/M and 2.8% Y/Y, as opposed to market expectations of -0.1% M/M and 2.6% Y/Y.



Spain Prices, French GDP, & French Confidence

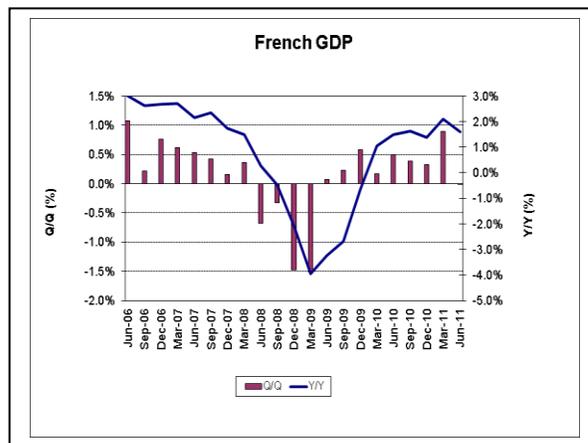
Spain Producer Prices

Spanish Producer Prices decreased 0.3% M/M, but increased 7.1% Y/Y in August, in relation to market expectations for an unchanged M/M and 7.0% Y/Y gains.



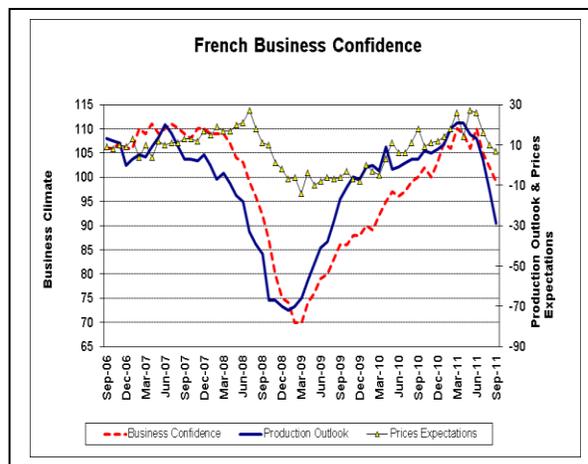
French GDP

French GDP was unchanged Q/Q and increased 1.7% Y/Y in Q2, in line with market expectations. Household Consumption decreased 0.7% Q/Q and increased 0.7% Y/Y. Government Expenditure increased 0.4% Q/Q and increased 1.9% Y/Y.



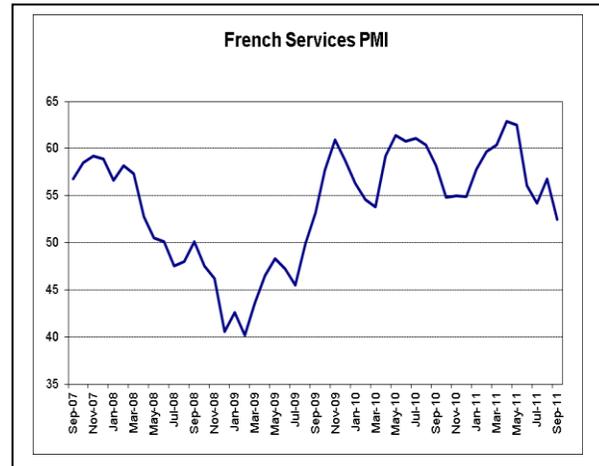
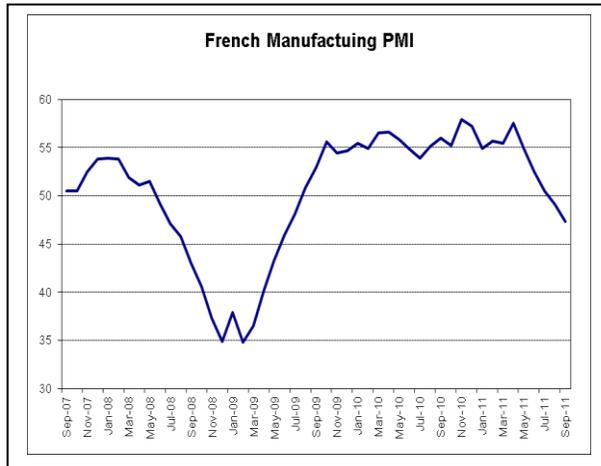
French Business Confidence

French Business Confidence decreased from 102 to 99 in September. The Production Outlook indicator fell from -13 to -29 in September. Price expectations fell from 10 to 7.



French PMI & Consumer Confidence

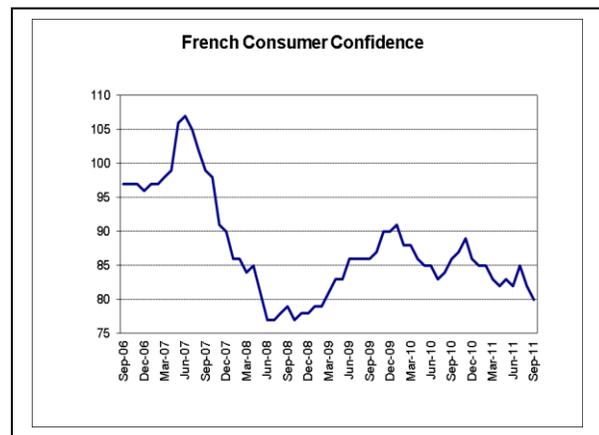
French PMI



French Manufacturing PMI decreased from 49.1 to 47.3 in September, versus market expectations of 48.0. French Services PMI also fell from 56.8 to 52.5. Market expectations were for a reading of 54.2.

French Consumer Confidence

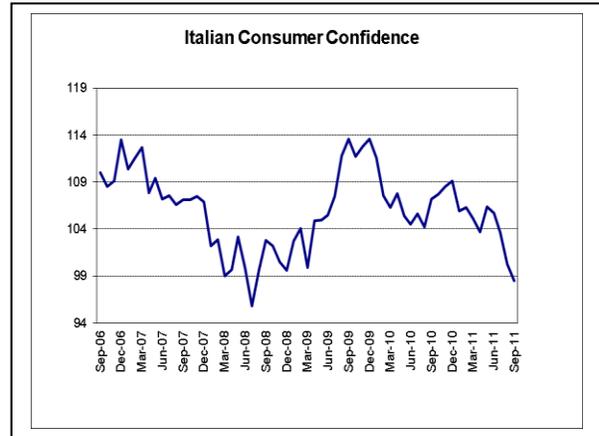
French Consumer Confidence decreased from 82 to 80 in September. Details show that the future sentiment for savings capacity declined from 20 to 16 and standard of living decreased from -53 to -59.



Italian Confidence & Retail Sales

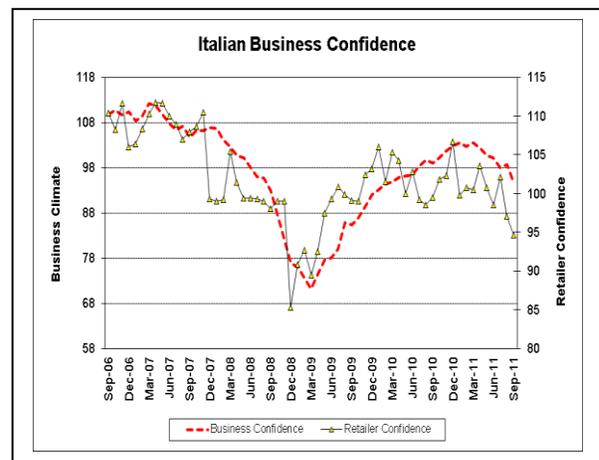
Italian Consumer Confidence

Italian Consumer Confidence decreased from 100.3 in August to 98.5 in September, the lowest level since March 2009.



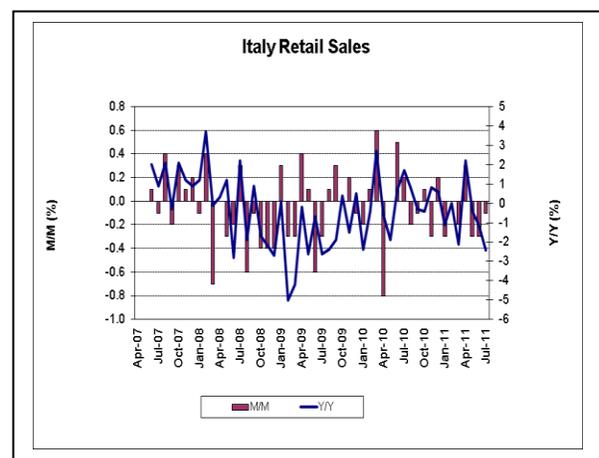
Italian Business Confidence

Italian Business Confidence decreased from 99.9 to 94.5 in September. The Production Outlook indicator gained from -5 to -1.



Italian Retail Sales

Italian Retail Sales fell 0.1% M/M and 2.4% Y/Y in July.



Data & News/Comments

Data

German GfK Consumer Confidence – According to GfK, Consumer Confidence remained unchanged at 5.2 in October. Market expectations were for a reading of 5.0.

Spain Mortgages – Mortgages-capital loaned fell from 48.3% Y/Y in July, after falling 41.0% Y/Y in June. Similarly, mortgages on houses fell 47.0% Y/Y in July, after falling 42.4% Y/Y in June.

French Jobseekers – Net job seekers fell from 36.1 to -2.0 in August. Expectations were for a reading of 33.3. Total job seekers fell from 2756.5k to 2754.5k; also well below expectations of 2900.0k.

French Wages – French Wages increased 0.6% Q/Q in Q2 after rising 1.0% Q/Q in Q1.

Italian Hourly Wages – Italian Hourly Wages remained unchanged M/M and increased 1.7% Y/Y in August.

News/Comments

Sep 28th - Former ECB Chief Economist Issing Says Greece Will Exit the Euro (Bloomberg) - Former European Central Bank chief economist, Otmar Issing, one of the architects of the euro, said Greece's exit from the 17-nation monetary union is inevitable. "There is no other way," Issing told Germany's Stern in an interview, according to a transcript supplied by the magazine. With Greece's debt forecast to reach 160% of gross domestic product next year, the country needs to renege on at least 50 percent of its obligations and "that can't happen within the monetary union," Issing is quoted as saying. ECB President Jean-Claude Trichet has said the suggestion that a country could leave the euro is "absurd" and insisted that Greece can solve its problems through fiscal reforms. Issing said it's "too late for that" now and that "the country won't get back on its feet without a drastic debt restructuring." That can't happen within the euro area because it would be "a license for Greece and other highly-indebted nations to dispose of their problems through a reduction of their debt levels" and result in "the end of the monetary union," Issing said.

Sep 27th - Europe thinks the unthinkable to solve crisis (FT) - Leaders are debating at least five different proposals on how to make EFSF money go further, mostly by leveraging the available remaining cash. One proposal is for the EFSF to guarantee losses of up to 20 per cent on sovereign bonds rather than buying the bonds outright. Another variant would speed up by a year the creation of the EFSF's replacement, the permanent European stability mechanism. Proposals that rely more on the ECB include turning the EFSF into a bank and allowing it to borrow money from the ECB, a nearly unlimited reserve. Another version would keep the ECB purchasing sovereign debt as it now does but have the EFSF guarantee the bond purchases, moving potential losses to the fund rather than the ECB.

Sep 27th - Options open on ECB rate cut, October talk "wild" (Reuters) - Luxembourg's Yves Mersch, in an interview with Boersen-Zeitung, said rate cuts could be considered if the economic situation worsened considerably more than expected. "Interest rate cuts are not completely ruled out," he was quoted as saying. "Should there be, compared with current data, a significant worsening of the dynamics of the economy in the euro zone, we do have room to move." Finnish ECB policymaker, Erkki Liikanen, suggested that deterioration may already be happening. "We said (in the last meeting) risks to inflation are balanced and risks to growth are to the downside. And my personal opinion is that the risks to growth are substantially to the downside," he said at an Atlantic Council discussion.

News/Comments Cont'd.

Sep 27th - European Loan Growth Quickened in August, Defying Debt Crisis (Bloomberg) - Loans to the private sector grew 2.6% in August from a year earlier after advancing an annual 2.4% in July, the European Central Bank said. The rate of growth in M3 money supply, which the Frankfurt-based ECB uses as a gauge of future inflation, stood at 2.8% compared with 2.1% in the previous month. The ECB purchased 60 bln euros (\$81 bln) of covered bonds in a one-year program that expired in June last year to encourage lending during the region's worst recession since World War II. M3 grew 2.3% in the three months through August from the same period a year earlier, the ECB said.

Sep 26th - Schaeuble Says EFSF Can Be Leveraged Without Involving ECB (Bloomberg) - German Finance Minister, Wolfgang Schaeuble, said policy makers can make the European Financial Stability Facility more efficient by leveraging it without involving the European Central Bank. "I'm not just saying what can't be done, I'm also saying what can be done" in terms of leveraging the EFSF, Schaeuble told reporters after the meeting of the International Monetary Fund in Washington. "We want to use it in a most efficient way. There are other forms of applying leverage than taking recourse to the ECB." "Maybe we can manage it a bit earlier," Schaeuble said. Schaeuble said the ESM will have a "quite different lasting, stabilizing, confidence-creating function" and Germany "would not oppose" bringing it forward.

Sep 26th - EU Plans Greek Buyback program Open to All debt, All Investors (Bloomberg) - Greece could buy back its debt through a modified Dutch auction using short-term discount bills issued by the European Financial Stability Facility. A European Union planning document envisions the EFSF as the only source of funding for the buyback operation. "If the offer is for EFSF short-term paper rather than cash, each bidder will make its own decision how to value the EFSF bills," the document says. "Bidding will simply be made by reference to the principle amount of bills each bidder requires in exchange for 100 euros" of Greek bonds. The buyback is likely to offer more overall debt reduction for Greece than the accompanying bond swap, the internal EU document said.

Sep 26th - Merkel: Europe's rescue fund needs to be expanded (AP) - German Chancellor, Angela Merkel said Sunday, in an ARD interview, that once the EFSF's permanent successor, the European Stability Mechanism, is in place, "I don't exclude that we at some point ... that one could do the insolvency of a state just as of banks." The ESM is currently slated to start in 2013. The chancellor also said a permanent structure would allow other European partners to set up a "barrier" around Greece to prevent a domino-effect on other nations. Merkel underlined her argument for making changes to European regulations in order to allow for an "ability to intervene" to discipline member nations that fail to stick to the regulations set up to govern the common currency. "We must only take steps that we can truly control," Merkel said.

Sep 26th - Christine Lagarde: IMF may need billions in extra funding (Telegraph) - The head of the IMF has warned that its \$384 bln (£248 bln) war chest designed as an emergency bail-out fund is inadequate to deliver the scale of the support required by troubled states. In a document distributed to the IMF steering committee at the weekend, Ms Lagarde said: "The fund's credibility, and hence effectiveness rests on its perceived capacity to cope with worst-case scenarios. Our lending capacity of almost \$400bn looks comfortable today, but pales in comparison with the potential financing needs of vulnerable countries and crisis bystanders." The suggestion came after European officials revealed they were working on a radical plan to boost their own bail-out fund, the European Financial Stability Facility (EFSF), from €440 bln (£384 bln) to around €3 trln.

Sep 23rd - G20 pledges bank support, eyes bolder euro fund (Reuters) - "We commit to take all necessary actions to preserve the stability of banking systems and financial markets as required," the group, including the United States and China, said in a communique. French Finance Minister, Francois Baroin used the word "leverage" in comments to reporters. A U.S. official, speaking after the G20 meeting, said the group showed a heightened sense of urgency but did not discuss a specific mechanism to leverage or expand the bailout fund. Initially, officials had not planned to issue a statement. A G20 source said the reference to the EFSF in the communique was left ambiguous to keep open the possibility of leveraging up the fund or using it to buy government debt on secondary markets.

News/Comments Cont'd.

Sep 22nd - Greek government announces new austerity measures (AP) - Government spokesman, Elias Mossialos outlined the new spending cuts after a 6 1/2 hour Cabinet meeting. The new measures include increasing the number of civil servants to be suspended on partial pay to 30,000 by the end of this year from 20,000. Mossialos said this amounted to a total of about 3 percent of public sector staff. Under the new measures, monthly pensions above euro1,200 (\$1,636) will be subject to a 20% cut of the amount above the euro1,200 threshold, while pensioners below the age of 55 will see a 40% cut in the amounts of their pensions above the euro1,000 limit. The tax-free limit on annual income will drop to euro5,000 (\$6,818) from euro8,000 (\$10,908), and the cut will be applied to this year's income, Mossialos said.

Sep 22nd - ECB Paper Says Crisis Puts Monetary Union's Survival at Risk (Bloomberg) - Europe's sovereign debt crisis is putting the survival of the 17-nation Economic and Monetary Union at risk, according to a paper published today by the European Central Bank. "The greatly increased fiscal imbalances in the euro area as a whole and the dire situation in individual member countries risk undermining stability, growth and employment, as well as the sustainability of EMU itself," the paper, co-written by ECB Executive Board member, Juergen Stark, and published on its website, says. It proposes additional measures to strengthen fiscal governance that go beyond those planned by governments, saying the challenge of how to place public finances on a sound footing remains "as yet unresolved." The fiscal crisis that started in Greece has engulfed Ireland and Portugal and is now threatening Italy and Spain. With governments prevaricating over how to stop the contagion, the ECB has been forced to step into the breach, supplying banks with unlimited cash and buying government bonds to reduce market borrowing costs. The paper, titled "The Stability and Growth Pact, Crisis and Reform," says the views expressed are those of the authors and "do not necessarily reflect those of the ECB." It says while proposed tougher fiscal rules go in the right direction, they don't represent the "quantum leap" needed. The paper identifies five additional fiscal-governance measures it says are "essential to ensure effective policy coordination and sound public finances in the future." These are: a requirement that national budget deficits be approved at the European level where they exceed safe levels; automatic correction of slippages; financial receivership when adjustment programs do not remain on track; automatic fines for deficits in excess of 3% of gross domestic product; and independent entities at the national and European level to ensure compliance.

Sep 22nd - Berlusconi resists pressure to resign (FT) - Silvio Berlusconi, centre-right prime minister, is resisting mounting pressure to resign. In a front-page editorial headlined "Mr Prime Minister, Italy above all", Il Sole 24 Ore's Roberto Napolitano, chief editor, said Italy was the country now most at risk after Greece. "This is due to the fragility of its governing coalition, the chain of embarrassing scandals that have directly touched the prime minister, his ministers and their closest collaborators, and the consistent incapacity to make painful but necessary decisions," Mr Napolitano wrote. Corriere della Sera urged the prime minister to follow the example of Spain's socialist prime minister by calling early elections which he would not contest.

Key Dates This Week

<i>Date</i>	<i>Country</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
09/29	EC	Business Climate Indicator	SEP	-0.16	0.07
09/29	EC	Euro-Zone Consumer Confidence	SEP F	-18.9	-18.9
09/29	EC	Euro-Zone Economic Confidence	SEP	96.2	98.3
09/29	GE	Unemployment Change (000's)	SEP	-8K	-8K
09/29	SP	Total Housing Permits (M/M)	JUN	--	12.90%
09/29	SP	Consumer Price Index (Y/Y)	SEP P	3.00%	3.00%
09/29	SP	Retail Sales (Real) (Y/Y)	AUG	--	-6.00%
09/29	IT	Deficit to GDP (year to date)	2Q	--	7.70%
09/30	EC	Euro-Zone Unemployment Rate	AUG	10.00%	10.00%
09/30	SP	Current Account (Euros)	JUL	--	-2.3B
09/30	FR	Producer Prices (M/M)	AUG	0.00%	-0.10%
09/30	IT	Unemployment Rate (s.a)	2Q	8.00%	8.20%
09/30	IT	CPI (NIC incl. tobacco) (M/M)	SEP P	-0.10%	0.30%
09/30	IT	PPI (M/M)	AUG	0.10%	0.30%
10/03	EC	PMI Manufacturing	SEP F	--	48.4
10/03	GE	PMI Manufacturing	SEP F	--	50
10/03	SP	Spain Manufacturing PMI	SEP	--	--
10/03	FR	PMI Manufacturing	SEP F	--	47.3
10/03	IT	PMI Manufacturing	SEP	--	47
10/04	EC	Euro-Zone PPI (M/M)	AUG	--	0.50%
10/05	EC	PMI Composite	SEP F	--	49.2
10/05	EC	PMI Services	SEP F	--	49.1
10/05	EC	Euro-Zone Retail Sales (M/M)	AUG	--	0.30%
10/05	GE	PMI Services	SEP F	--	50.3
10/05	SP	Spain Services PMI	SEP	--	--
10/05	FR	PMI Services	SEP F	--	52.5
10/05	IT	PMI Services	SEP	--	48.4

Valance Economic Report: Japan

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September 28, 2011

In a relatively light week of data, Corporate Service Prices declined as expected while Small Business Confidence Improved.

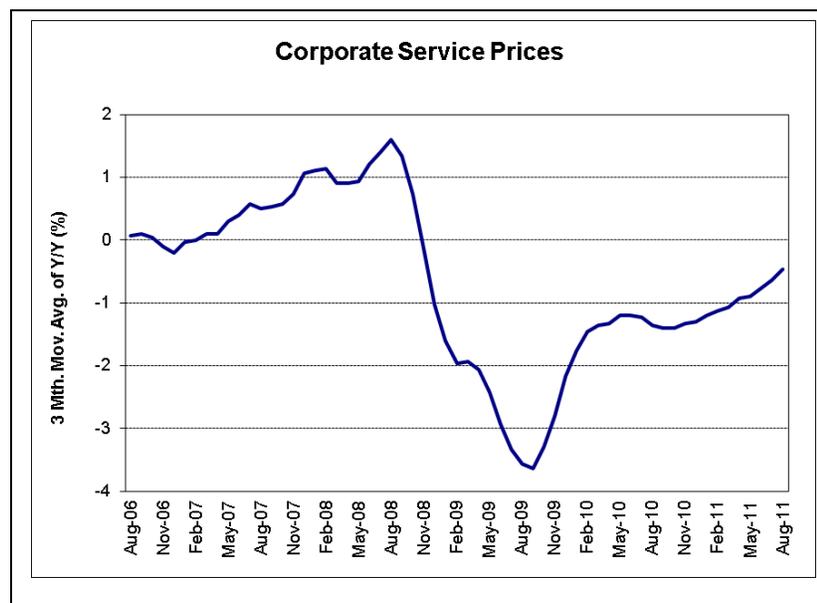
Weekly Highlights

Corp Service Prices – declined 0.4% M/M and 0.4% Y/Y in August. (JN 1)

Small Business Confidence – increased 0.8pts to 47.2 in September. (JN 2)

Weekly Releases & News

Chart of the Week: *Corporate Service Prices*

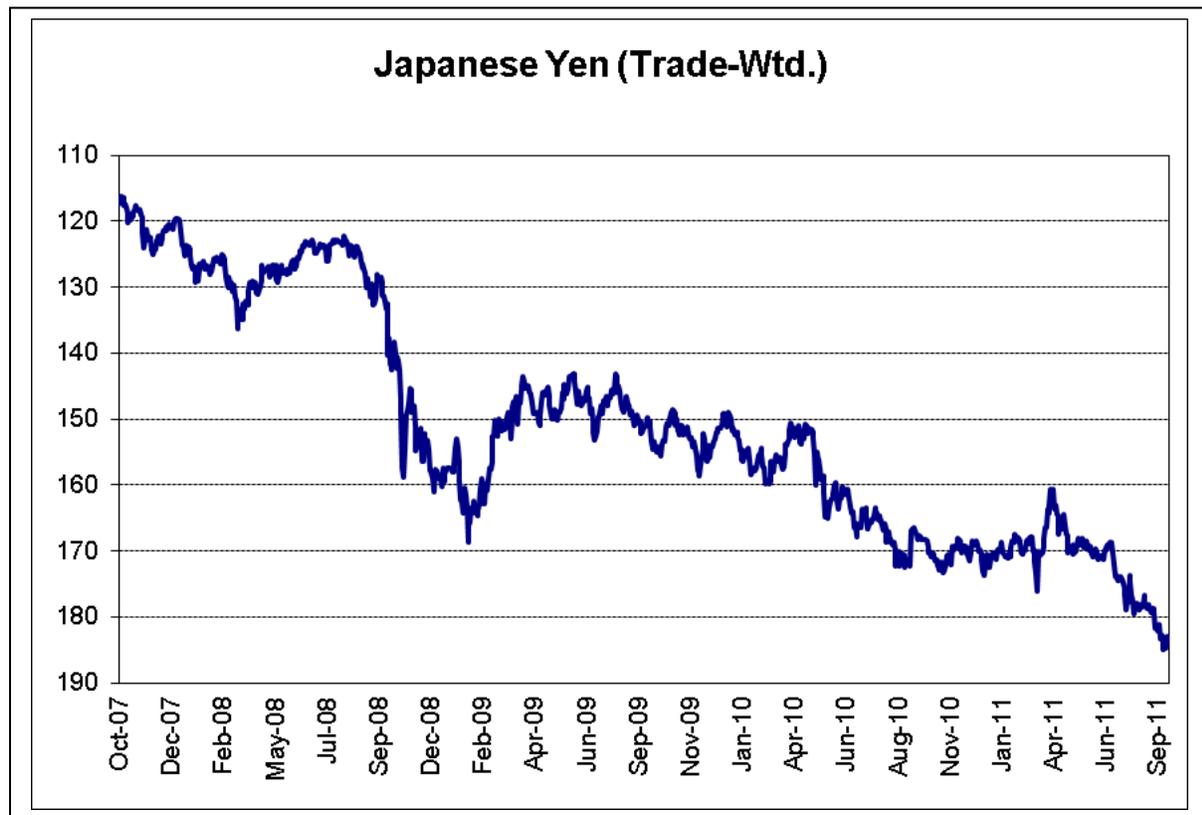


Corporate Service Prices declined 0.4% M/M and 0.4% Y/Y in August which, as expected, marked the first M/M decline in three months. Within the data, transportation prices increased while ship chartering and freight prices dropped. Information and services prices declined as well, as did advertising and leasing services.

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%



Small Business Confidence, Supermarket Sales & News

Small Business Confidence

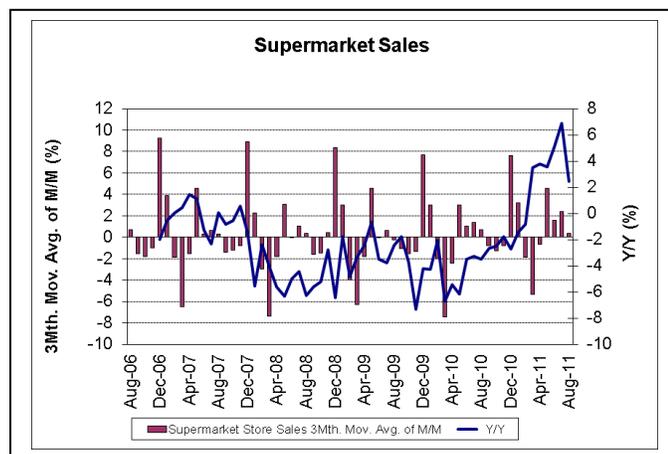
Business Confidence increased 0.8pts to 47.2 in September as confidence among manufacturers increased 2.8pts to 48.9 while confidence among non-manufacturers dropped 0.8pts to 45.8. Within the data, monthly gains were driven by IT, truck transport, chemical, metals, and transport equipment sectors. Declines were seen in eating/accommodation, services, retail trade, construction, and general machinery.

Within the forward looking index, conditions are expected to improve 0.3pts to 47.5 in October as manufacturers expect conditions to drop 0.6pts to 48.3 while non-manufacturers expect conditions to improve 1.0pts to 46.8.



Supermarket Sales

Supermarket Store Sales dropped 5.1% M/M and 2.2% Y/Y in August. Monthly declines were driven by drops in clothing and household goods although services and other sectors declined as well. Food sales increased.



News

September 28th - BoJ Gov – No Intention of Financing Govt Borrowing – BoJ Governor Shirakawa indicated that the BoJ has no intention of financing the government's debt, stating that doing so would eventually hurt the economy and also noting that Japan's laws ban it from directly buying JGBs.

September 28th - Tax Hike Plan Scaled Down – The government and the DPJ agreed to seek Y9.2trln in temporary tax increases for reconstruction financing. The DPJ will next discuss the plan with the PPJ before taking it to the opposition and enacting a final plan. Meanwhile, the government and the DPJ agreed on the third extra budget, totaling Y12 tln for the FY ending March 2012.

September 26th - Gov't Creating Tax Cut Package for Areas Impacted by Earthquake – According to the Nikkei, the Japanese government is working on a package of corporate tax breaks designed to create jobs and spur capital investment. The package is expected to allow businesses to be able to write off capital investments and make deductions from corporate tax liabilities. It is also expected to allow companies to subtract labor costs from tax bills and apply for tax breaks.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
09/28	Retail Trade (Y/Y)	-0.80%	0.70%
09/28	Retail Trade (M/M) SA	0.20%	-0.30%
09/28	Large Retailers' Sales	-0.60%	0.80%
09/29	Job-To-Applicant Ratio	0.65	0.64
09/29	Overall Hhold Spending (Y/Y)	-2.80%	-2.10%
09/29	Jobless Rate	4.70%	4.70%
09/29	Tokyo CPI YoY	-0.20%	-0.20%
09/29	Tokyo CPI Ex-Fresh Food (Y/Y)	-0.10%	-0.20%
09/29	Tokyo CPI Ex Food, Energy (Y/Y)	-0.50%	-0.60%
09/29	Natl CPI (Y/Y)	0.10%	0.20%
09/29	Natl CPI Ex-Fresh Food (Y/Y)	0.10%	0.10%
09/29	Natl CPI Ex Food, Energy (Y/Y)	-0.60%	-0.50%
09/29	Industrial Production (M/M)	1.50%	0.40%
09/29	Industrial Production Y/Y%	1.10%	-3.00%
09/30	Vehicle Production (Y/Y)	N/A	-8.90%
09/30	Construction Orders (Y/Y)	N/A	5.70%
09/30	Annualized Housing Starts	0.860M	0.955M
09/30	Housing Starts (Y/Y)	4.50%	21.20%
10/02	Loans & Discounts Corp (Y/Y)	N/A	-1.60%
10/02	Tankan Lge Manufacturers Index	2	-9
10/02	Tankan Non-Manufacturing	2	-5
10/02	Tankan Lge Mfg Outlook	3	2
10/02	Tankan Non-Mfg Outlook	2	-2
10/02	Tankan Large All Indust Capex	4.30%	4.20%
10/03	Vehicle Sales (Y/Y)	N/A	-25.50%
10/03	Labor Cash Earnings (Y/Y)	N/A	-0.10%

Valance Co., Inc.

Valance Economic Report: United Kingdom

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September 28, 2011

In August, U.K. Mortgage Approvals rose to their highest level in 15 months, while the CBI measure of Factory Export Orders fell to their lowest in a year. The IMF lowered its 2011 growth projections for the U.K. from 1.5% to 1.1% and from 2.3% to 1.6% for 2012.

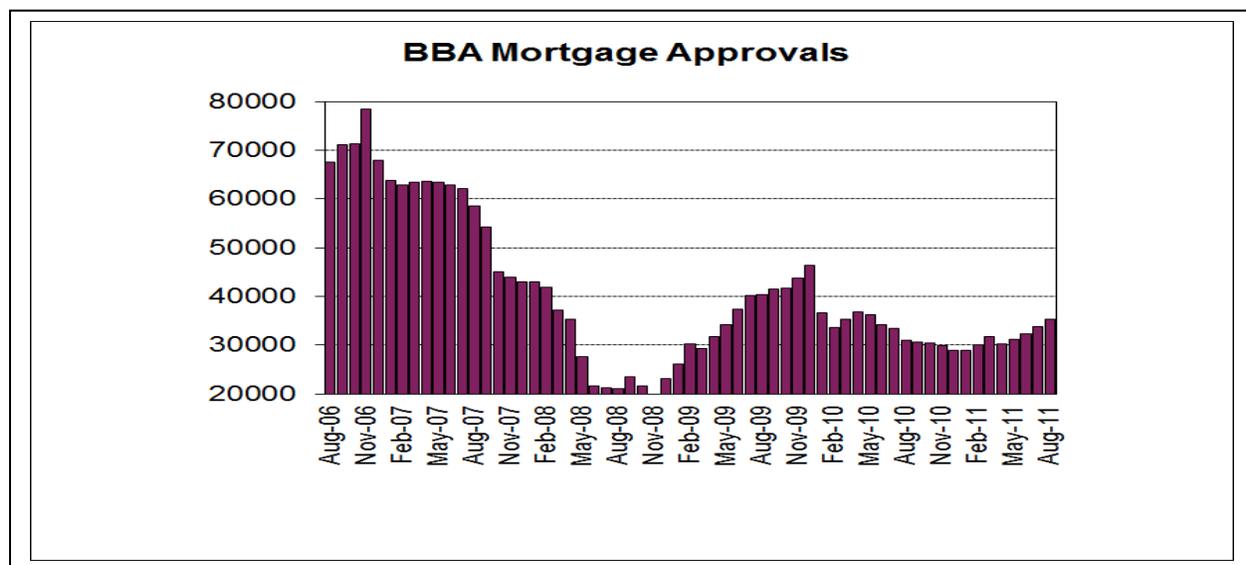
Weekly Highlights

BBA Home Loans – increased from 33.7k in July to 35.2k in August. (UK 1)

CBI Total Orders - dropped from +1 in August to -9 in September. (UK 3)

Weekly Releases & News

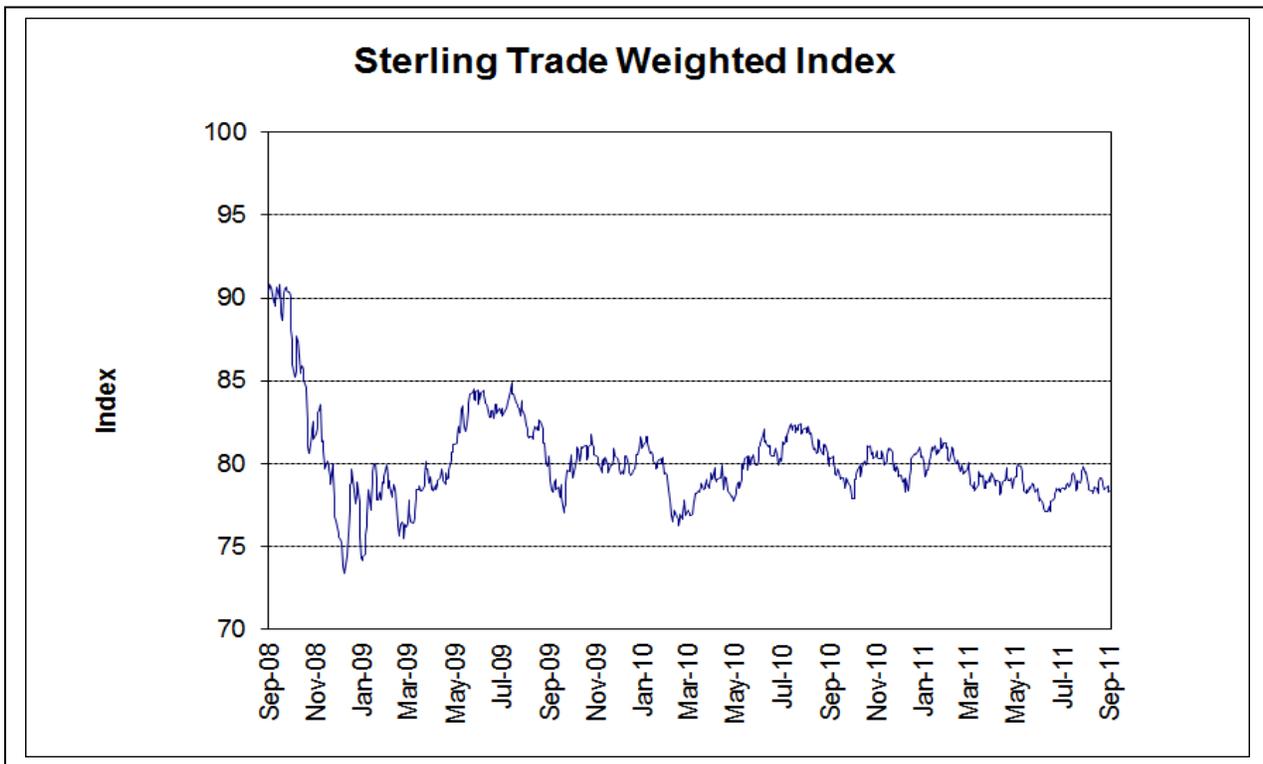
Chart of the Week: *BBA Mortgage Lending*



Banks granted 35,226 loans for home purchases in August, up from the upwardly revised 33,734 in July (previously 33,417). This is a 15-month high number. The number of loans for re-mortgaging rose 3.4% M/M in August. Despite the increased new mortgage lending, the BBA said that “weak economic environment continues to undermine confidence in both household and business sectors.”

Financial Balances & FX

<i>U.K.</i>	<i>Last Period (blns)</i>	<i>Last 12mth. % of GDP</i>
Budget Balance (monthly/total)	£13.2 (Aug)	4.2%
Curr. Acct. Balance (quarterly)	-£9.4(Mar)	-2.5%
Private Balance	+£3.8	+1.7%



Data & News

CBI Index of Factory Export Orders - The U.K. Index of Factory Export Orders declined from 0 to -12 in August. The measure of total orders fell from +1 to -9. The CBI's measure of expectations for output prices rose from 9 to 13, the highest level in three months, and the gauge of stocks increased from 14 to 21. An index of output volume dropped from 13 to 9. The CBI Commented as follows:

- *Manufacturers report some slackening of demand this month following the volatility in financial markets and the slowdown in growth in our major trading partners.*
- *Nevertheless, they remain optimistic that production will continue to grow over the coming three months.*

Note: The International Monetary Fund cut its 2011 and 2012 global growth forecasts this week and predicted “severe” repercussions if Europe fails to contain its debt crisis. It lowered its growth projections for the U.K. from 1.5% to 1.1% in 2011 and it trimmed its prediction for 2012 from 2.3% to 1.6%.

CBI Retail Sales Index - According to the Confederation of British Industry, U.K. retail-sales index fell to its lowest level in 16 months in September as Britons cut back spending on clothes and groceries amid a squeeze on household budgets. The gauge slipped from -14 to -15 in August, its lowest level since May 2010 and stores expect sales will fall at a “broadly similar pace” in October, the CBI said. Demand on suppliers also fell in September, though at a slower pace than in August, the CBI said. That gauge rose from -22 to -16. An index of expected demand on suppliers next month fell to -19, the lowest since September 2009. A measure of the volume of stocks in relation to expected demand slipped from 22 to 16.

Sep. 28th - BOE Says Bank Earnings Outlook May Limit Capital Raising (Bloomberg) - The Bank of England's Financial Policy Committee said market strains related to the euro-area debt crisis have dented the outlook for bank earnings and may impede their ability to strengthen balance sheets. “The committee had advised U.K. banks in June that if their earnings were strong, they should seek to build capital levels further,” it said in London today. “But events had lowered the likelihood that banks would be able to strengthen their balance sheets in this way over the short term.” The Bank of England said in a separate report today that lenders in a survey “pointed to adverse wholesale conditions as a key factor which might constrain future lending.” The FPC met 12 days after the bank's Monetary Policy Committee voted to maintain the key interest rate at a record low and leave its bond-purchase plan unchanged. Most MPC officials said it was “increasingly probable” that more stimulus may be needed to bolster the recovery.

Sep 28th - BOE's Miles Hints He May Be Edging Toward More U.K. Stimulus (Bloomberg) - Bank of England policy maker, David Miles, signaled he may be moving closer to voting for more asset purchases to aid the economy, saying the central bank has “substantial ammunition” if needed. The case for more so-called quantitative easing “has become in my mind quite finely balanced,” Miles said in an interview in the Times newspaper published today. “It wasn't quite as closely balanced a decision two or three months back, before we really got the bad news over the summer.” “I am pretty clear that the mechanisms that made QE quite effective in 2009 when we bought most of the assets are still in place today,” Miles said.

Sep. 27th - Sentance Says More Stimulus Will Do Little to Support Growth (Bloomberg) - Former Bank of England official, Andrew Sentance, said that more monetary stimulus won't help growth and policy should focus on ways to restructure their economies. What “we need now is not a repeat of 2008-09, when the main focus was on stimulatory policies to halt a downward spiral in world demand and output,” Sentance wrote in an article in the Financial Times published today. “Instead, we need a focus on the policies that will help build recovery.” More quantitative easing by central banks will do “little if anything to support growth,” he wrote. Policy should be about “structural adjustment” such as flexible labor markets, low tax rates and tax structures that aid businesses. Sentance also said central banks must “stop pretending they can remedy all the deficiencies of the economic system by providing unending amounts of stimulus.” They must focus on a “more conventional interpretation” of their inflation mandates “by tightening policy when appropriate, as well as being prepared to relax policy in response to downside risks.”

News Cont'd.

Sep. 22nd - Posen Says Inflation Concerns Are 'Exaggerated,' WSJ Reports (Bloomberg) - Bank of England policy maker, Adam Posen, said the risks that higher inflation expectations will get entrenched are “exaggerated,” the Wall Street Journal reported, citing an interview. “The likelihood of it happening in the current economic environment seems extremely low,” he said. He said central banks should take a “roughly coordinated” move to ease policy, though “at the moment there is no sign that this will happen.” Central bank officials have a “tendency to err on the side of being too tight” and operate in an environment where “there are all kinds of incentives to reward you for being sober and conservative and prudent,” he said. Policy makers who misunderstood the depth of the impact from the financial turmoil “made an honest mistake,” he said. “They just underestimated the extent of the shock.”

Sep. 22nd - Sentance Says More QE From Bank of England Wouldn't Be Effective (Bloomberg) - Former Bank of England policy maker, Andrew Sentance, said that resuming quantitative easing wouldn't be effective. “I don't think it will be particularly effective,” he said in an interview with CNBC today. “It's not actually addressing one of the key issues for the U.K. economy, which is that high inflation is squeezing disposable incomes, which is why growth is weakening.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
09/29	Mortgage Approvals	AUG	49.7K	49.2K
09/29	GfK Consumer Confidence Survey	SEP	-33	-31
10/02	Lloyds Business Barometer	SEP	--	-3
10/02	Hometrack Housing Survey (M/M)	SEP	--	-0.10%
10/02	Hometrack Housing Survey (Y/Y)	SEP	--	-3.70%
10/03	PMI Manufacturing	SEP	--	49
10/03-10/07	Halifax House Prices sa (M/M)	SEP	--	-1.20%
10/03-10/07	Halifax House Price 3Mths/Year	SEP	--	-2.60%
10/04	PMI Construction	SEP	--	52.6
10/04	BRC Shop Price Index (Y/Y)	SEP	--	2.70%
10/05	PMI Services	SEP	--	51.1
10/05	GDP (Q/Q)	2Q	--	0.20%
10/05	GDP (Y/Y)	2Q	--	0.70%
10/05	Private Consumption	2Q	--	-0.60%
10/05	Government Spending	2Q	--	0.50%
10/05	Exports	2Q	--	2.40%
10/05	Imports	2Q	--	-2.40%
10/05	Current Account (BP)	2Q	--	-9.4B
10/05	Total Business Investment(Q/Q)	2Q	--	--
10/05	Total Business Investment(Y/Y)	2Q	--	--

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Valance Economic Report: Canada

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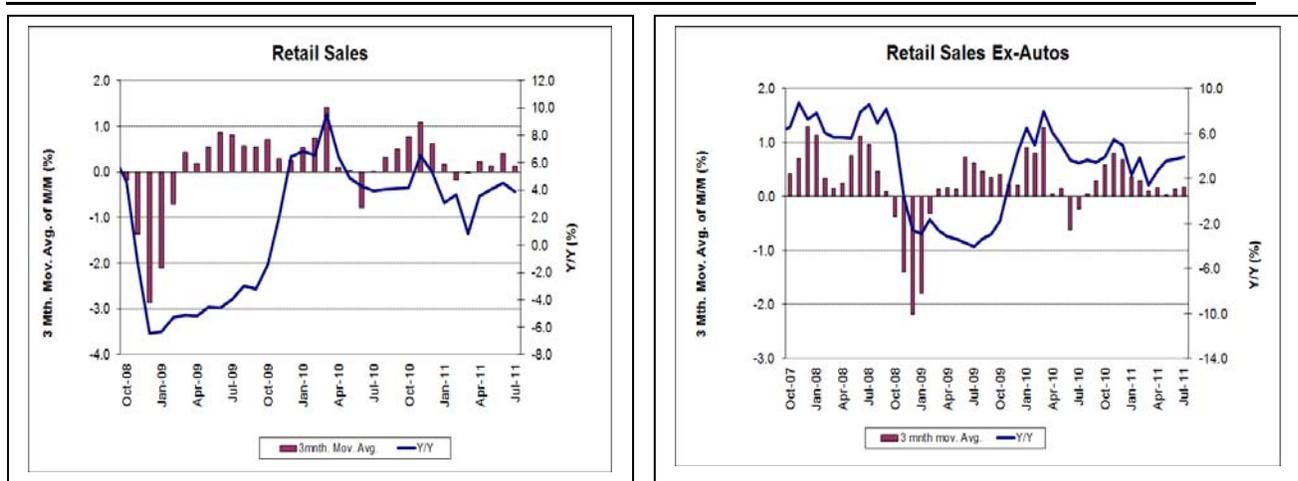
September 28, 2011

In July, Retail Sales fell more than expected, nearly reversing their increase in June, while House Prices rose for the eighth consecutive month in July.

Weekly Highlights

Retail Sales – fell 0.6% M/M in July. (CA 1)

Teranet Home Prices – rose 1.3% M/M and 5.3% Y/Y in July. (CA 3)

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

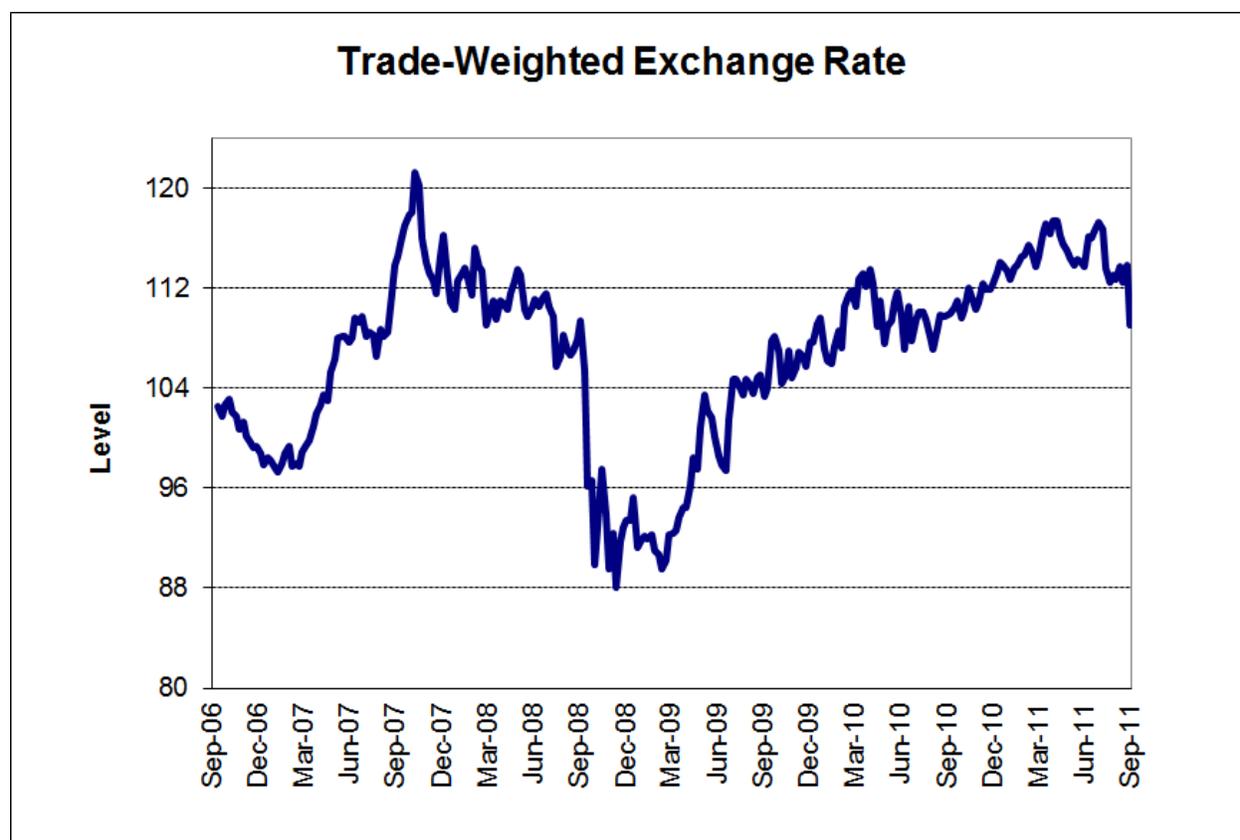
Retail Sales fell 0.6% M/M in July, after June's upward revision from +0.7% to +0.8%. Expectations were for a 0.3% monthly decline. Sales fell in 7 of the 11 retail subsectors; Y/Y growth increased 3.9%. The overall drop in Retail Sales was led by car dealers (-2.8% M/M) and Furniture stores (-2.9% M/M). Retail Sales, ex-autos, were flat M/M (+0.2 % exp.) and 3.9 % Y/Y.

Financial Balances & Trade Weighted Exchange Rate

Financial Balances

Canada	Latest period (C\$bln)	Last 12mth. as % of GDP
Budget Balance	-0.9 (Feb)	-2.3%
Trade Balance	-0.75 (Jul)	-1.6%
Current Account Balance	-15.3 (Q2)	-7.3%
Private Balance	--	-5.0%

Trade-Weighted Exchange Rate



Data & News

Teranet-National BankHouse Prices - According to the Teranet Bank Composite House Price Index, prices rose 1.3% M/M and 5.3% Y/Y in July. This is the eighth consecutive monthly increase. Calgary led gains in July, with prices advancing 2.3% M/M.

Sales by Provinces, Cities Slow Most in 2 Years: Canada Credit (Bloomberg) - Debt sales by Canadian provinces slowed by the most in two years as the prospect of a default by Greece roils global financial markets, sending relative yields wider and making investors wary of stepping in too soon. Provinces, municipalities and some federal agencies sold about C\$21.3 bln of bonds since July 1st, or 25% less than last quarter, according to Bloomberg data. That's the largest deceleration since issuance tumbled 33% in the third quarter of 2009.

Sep. 27th - Macklem Says Canada Will Be Prudent on Stimulus in Recovery (Bloomberg) - Bank of Canada Senior Deputy Governor, Tiff Macklem, said policy makers will be cautious about reducing monetary stimulus in a slow economic rebound threatened by weak U.S. demand and Europe's debt crisis. "As the Canadian recovery has progressed, we have emphasized that we would be prudent with respect to the possible withdrawal of any degree of monetary stimulus," Macklem said in a speech today in Vancouver. "An anemic U.S. recovery, as well as a persistently strong Canadian dollar and elevated global risks, are all weighing on growth here." Prime Minister Stephen Harper met Finance Minister Jim Flaherty and central bank Governor Mark Carney earlier today to review Europe's debt crisis and the progress made by Group of 20 policy makers toward solving it. Canada and other G-20 members said Europe made some progress at meetings last weekend in Washington, and pushed for a complete solution. Macklem said European leaders must create a facility large enough to deal with investor concerns about defaults. "The immediate priorities are to provide a funding backstop for vulnerable European sovereigns that are sized to the scale of the problem and a comprehensive capital plan for European banks," Macklem said. "While the situation in Europe is immediate, the need for agreed measures to restore fiscal sustainability in the United States and Japan is no less important," he said. "This presents a fundamentally new landscape in which government debt can no longer be considered a risk-free asset in many advanced countries."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Survey</i>	<i>Prior</i>
09/29	Raw Materials Price Index (M/M)	AUG	-1.3%	-1.2%
09/29	Industrial Product Price (M/M)	AUG	-0.4%	--0.3%
09/30	GDP (M/M)	JUL	+0.3%	+0.2%

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Valance Economic Report: Australia

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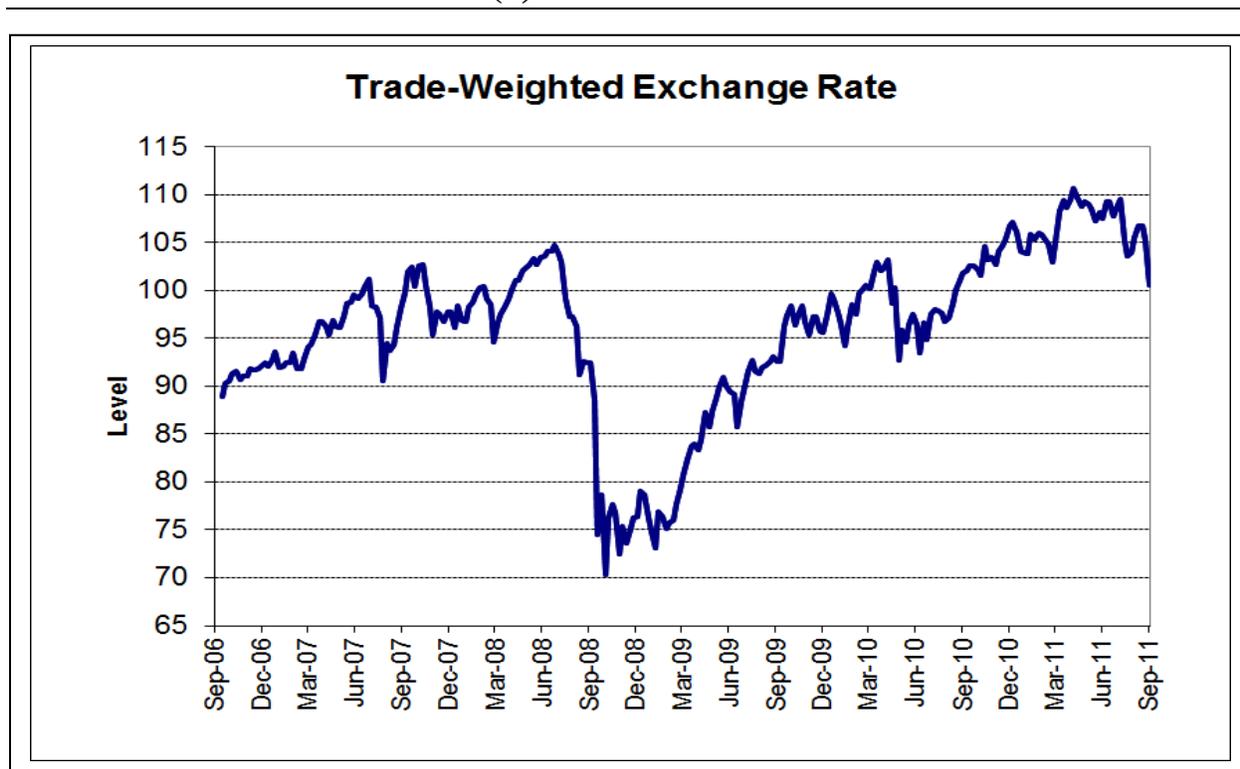
September 28, 2011

New Home Sales increased for the first time since April, while the Conference Board Index continued to suggest that the Australian economy may slow down in the near term.

Weekly Highlights

Conference Board Index – fell 0.1% M/M in July. (AU 2)

HIA New Home Sales – rose 1.1% M/M in August. (AU 2)

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

The Australian dollar fell below parity with the greenback for the first time in more than a month, after a report that a measure of Chinese manufacturing weakened in September.

Data & Comments

Conference Board Index - The Index of Leading Economic Indicators for Australia fell 0.1% to 120.5 pts in July, after declining the upwardly revised 0.5% (-0.8% prev.) in July. This was the second straight monthly decline. The Leading Index is a gauge of how the Australian economy may perform in the next three to six months.

HIA New Home Sales - According to the Housing Industry Association, Total Sales of newly built homes rose 1.1% M/M in August, their first monthly increase since April. The August rise in newly built dwellings followed monthly declines in June and July of more than 8%.

Sep. 26th - Australia Weathered Financial Crisis 'Relatively Well,' FSB Says (Bloomberg) - Australia's economic growth in recent years, fueled by demand for raw materials, helped the nation weather the global financial crisis, the Financial Stability Board said. "The resilience of the system largely reflected the resilience of the economy at large," the board said in the statement today after a review. "An important lesson from Australia's experience is that strong economic fundamentals provide a crucial bulwark against the risks of a financial crisis." The panel also cited challenges the country faces, including "structural change in response to the strong demand for commodities from emerging Asian economies" and "the size and nature of activities of the four big domestic banks could pose systemic and moral hazard risks."

Sep. 21st - RBA'S Lowe Sees 'Persistent' Increase in Australia Savings Rate (Bloomberg) - Australia's household savings will probably stay elevated for an extended period and extra income will be used on services rather than goods as spending patterns change, Reserve Bank Assistant Governor Philip Lowe said. Consumers who are putting aside more income is "a positive development from a national risk-management perspective," Lowe said in prepared remarks to a conference today in Sydney. "These higher saving rates are likely to be quite persistent and they represent a return to more traditional patterns." Lowe, who didn't address monetary policy in the text of his speech to the Australian Economics Forum 2011, said "significant changes" in saving and spending patterns will probably be most pronounced in the retail industry as the switch toward services lessens growth in spending on goods. "The largest increase in saving ratios is for those households that have become a lot more concerned over time about losing their job," Lowe said today. Lowe's colleague, RBA Deputy Governor, Ric Battellino, said in a speech in New York yesterday that the trends in unemployment could be an indication that the economy has slowed to a pace "below its potential." "On the other hand, there are some aspects of labor market numbers that have a stronger feel," Battellino said. "Contrary to the slowing in the number of people employed, there has been solid growth in total hours worked recently." Battellino also said that "Markets do seem to have reached a pessimistic assessment" based mainly on an assumption that the U.S. and Europe's economic problems will "flow through" to Australia.

Sep. 27th - Myer Holdings Chief Says Consumer Confidence 'Worst in 30 Years' (Bloomberg) - Myer Holdings Ltd., Australia's largest department-store chain, sees consumer confidence at a three-decade low and doesn't expect any improvement in at least six months, CEO, Bernie Brookes said. "The poor consumers are being bludgeoned," Brookes said in an interview at the World Retail Congress in Berlin today. Confidence is "probably the worst we've seen it in 30 years" as Australians are forced to pay new taxes on carbon use and funding reconstruction from floods while confronting rising unemployment and higher medical, energy and borrowing costs. Australia's fragile political environment is adding to consumer woes, and households may take another 6 to 12 months before resuming spending, Brookes said.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/02	AiG Mfg Index	SEP	--	43.3
10/03	RBA CASH TARGET RATE	OCT	--	4.75%
10/04	RBA Commodity Price Index (M/M)	SEP	--	113.3
10/03	AiG Services Index	SEP	--	52.1
10/03	Building Approvals (M/M)	AUG	--	+1.0%
10/04	Retail Sales (M/M)	AUG	--	+0.5%
10/03	Trade Balance	AUG	--	AUD 1,826 mln

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Valance Economic Report: New Zealand

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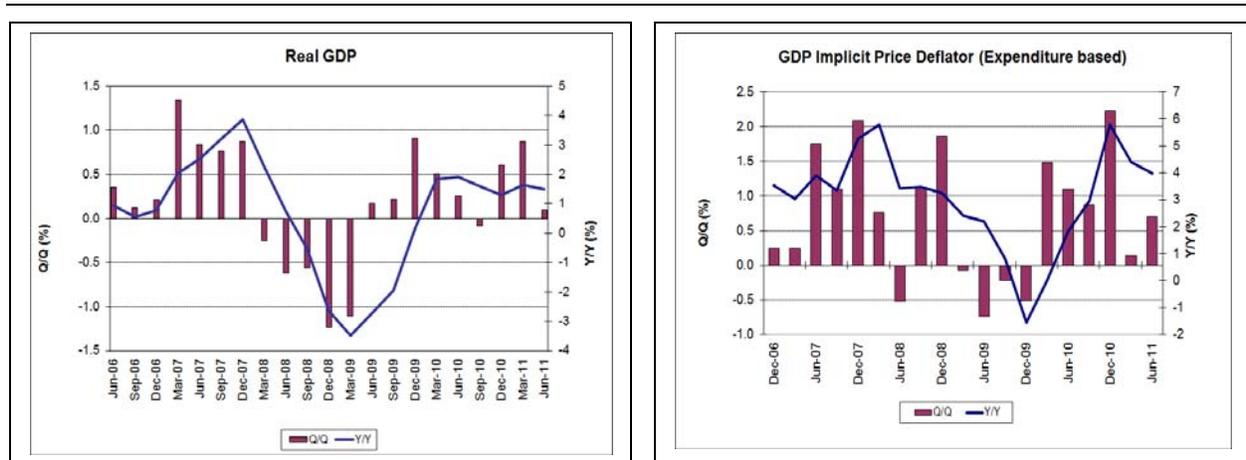
September 28, 2011

The NZ economy nearly stalled in Q2, expanding just 0.1% Q/Q, much less than expected. The RBNZ said it doesn't see "any particular rush to push rates up."

Weekly Highlights

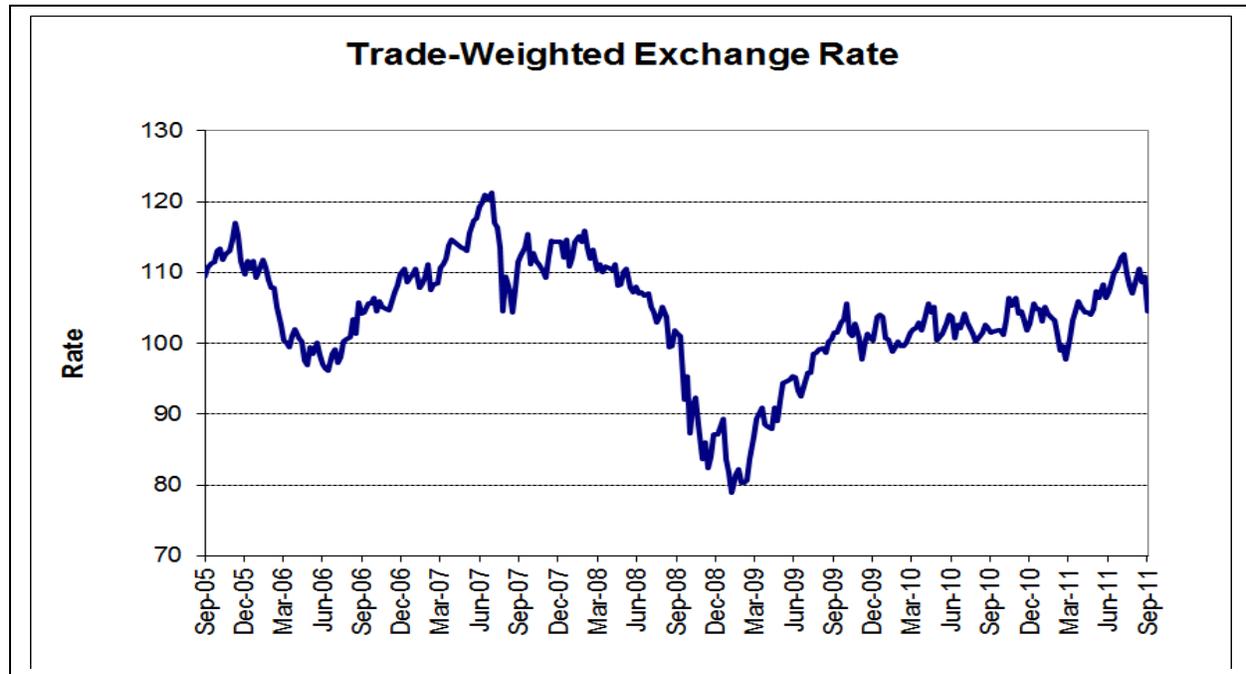
Real GDP – expanded 0.1% Q/Q and 1.5% Y/Y in Q2. (NZ 1)

Trade Balance – swung from a surplus to a NZ\$ 641 mln deficit in August. (NZ 3)

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

The economy expanded 0.1% Q/Q and 1.5% Y/Y in Q2, after expanding a revised 0.9% Q/Q (+0.8% prev.) in Q1. This was the weakest quarterly growth since a contraction in Q3 2010. The market and the RBNZ expected 0.5% Q/Q and 0.6% Q/Q, respectively. The Implicit Price Deflator rose 0.7% Q/Q and 4.0% Y/Y in Q2.

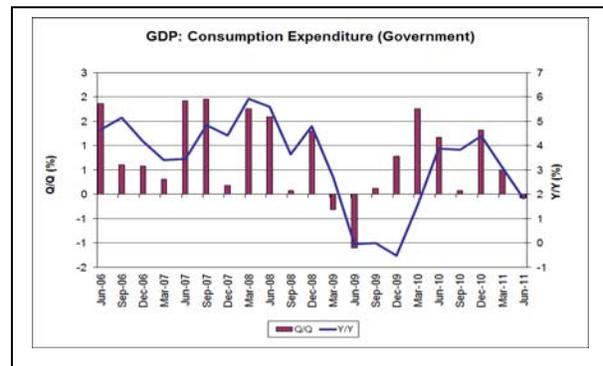
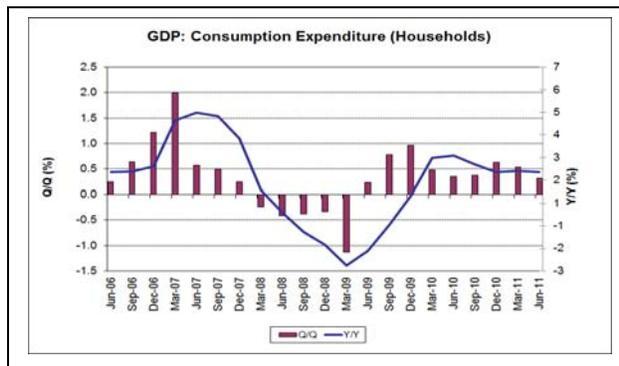
FX & REINZ Housing Survey



Following Q2 GDP results, the New Zealand dollar fell to a four-month low level. The RBNZ said that, “The New Zealand dollar is squeezing the private sector, leading to more moderation in the economy which is helping monetary policy.”

GDP Components & Trade Balance

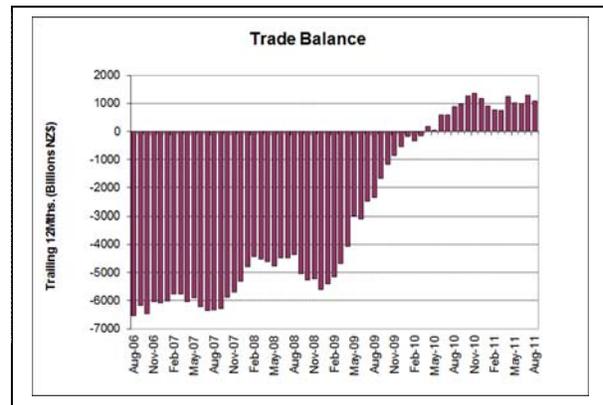
Private and Government Expenditure



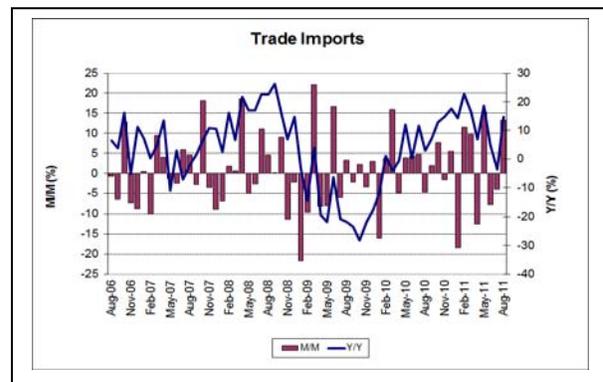
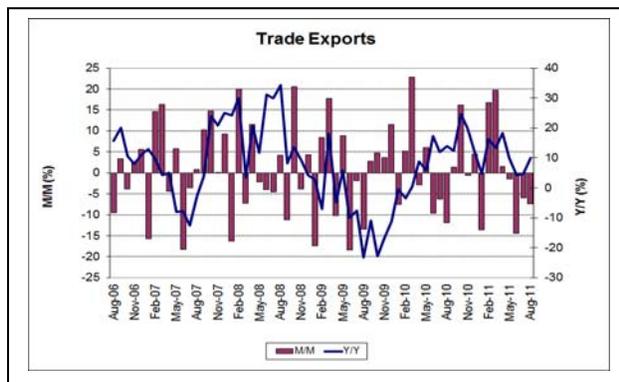
Private Spending rose 0.3% Q/Q, while Government Spending fell 0.1% Q/Q. Exports (30% of the economy) fell 0.5% Q/Q, Imports increased 1.7% Q/Q and Residential Building dropped 7.2% Q/Q. Business Investment gained 1.3% Q/Q.

Trade Balance

New Zealand reported a monthly trade deficit of NZ\$ 641 mln in August after a surplus of NZ\$ 111 mln in July. The annual trade surplus narrowed from NZ\$ 1.3 bln to NZ\$ 1.1 bln.



Exports & Imports



Exports fell 7.4% M/M and rose 10.0% Y/Y. Imports rose 13.2% M/M and 14.7% Y/Y. Imports were led higher by crude oil, machinery, and railway vehicles.

Data & News

Data & News

Sep. 27th - N.Z. Skilled Job Vacancies Rose 3.9% in August From July (Bloomberg) - New Zealand's skilled vacancy index, a measure of demand for workers based on vacancies posted on the nation's two largest recruitment websites, rose for the first time in three months in August, according to the Department of Labour. The number of skilled jobs advertised increased 3.9% from July when it fell 1.7%, the ministry said in an e-mailed statement, citing an index that measures vacancies posted on Trade Me and Seek.co.nz. From a year earlier, skilled vacancies gained 21%.

Sep. 22nd - New Zealand to Delay Rate Rise to 2012, Survey Shows After GDP (Bloomberg) - New Zealand Central Bank's Governor, Alan Bollard, will likely maintain record-low interest rates until next year, a survey of economists said after a report showed the economy almost stalled last quarter. Twelve of 17 economists polled yesterday by Bloomberg News predicted Bollard will wait until at least January before raising the official cash rate from 2.5%, up from nine last week. The chance of a rate increase in March fell to 36% from 64% late on Sept. 21, according to swaps prices from Westpac Banking Corp. "This result almost certainly rules out a hike this year," said Sharon Zollner, senior economist at ANZ National Bank Ltd. in Wellington. "They now have more of a domestic mandate for current easy policy settings."

Sep. 22nd - NZ Consumers Less Optimistic About Job Prospects, Westpac Says (Bloomberg) - New Zealand consumers are less optimistic about their job and earnings prospects, according to an index from Westpac Banking Corp. and McDermott Miller Ltd. The gauge fell to 104.2 in Q3 from 106.1 in Q2.

Sep. 21st - New Zealand Will Take Time Raising Rates, Bollard Says (Bloomberg) - Reserve Bank of New Zealand's Governor, Alan Bollard, said the central bank is in no rush to raise interest rates even as Europe's sovereign debt crisis and a U.S. slowdown are having a minimal impact on economic growth. "Why didn't we move to increase rates last time; because of the significant global risks out there," Bollard said. "At the moment we are not being particularly impacted in the short term by these risks but we are a big global trader and we know that when Lehman's happened on this side of the world in 2008 we had about 30 seconds before it hit New Zealand." "We do have a picture where we still do expect to have to push rates up," Bollard said. "However we don't think there is any particular rush to do that." "We've had to downgrade our own trading partner growth forecasts," Bollard said. "Our trading partners are the United States, euro zone, Asia and of course of Australia, pulling out of the financial crisis initially with a very strong recovery and then subsiding in to a decidedly soggy picture with rather unclear growth focus."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
09/29	Building Permits (M/M)	AUG	-1.5%	+13.0%
09/29	NBNZ Business Confidence	SEP	-	34.4
10/02	ANZ Commodity Prices (M/M)	SEP	-	-1.2%
10/03	NZIER QBOS (Q/Q)	Q3	-	+27

Weekly Economic Report: *China*

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September 28, 2011

In August, China's Leading Index fell .07 percentage points and Industrial Profits slowed slightly to 28.2% Y/Y.

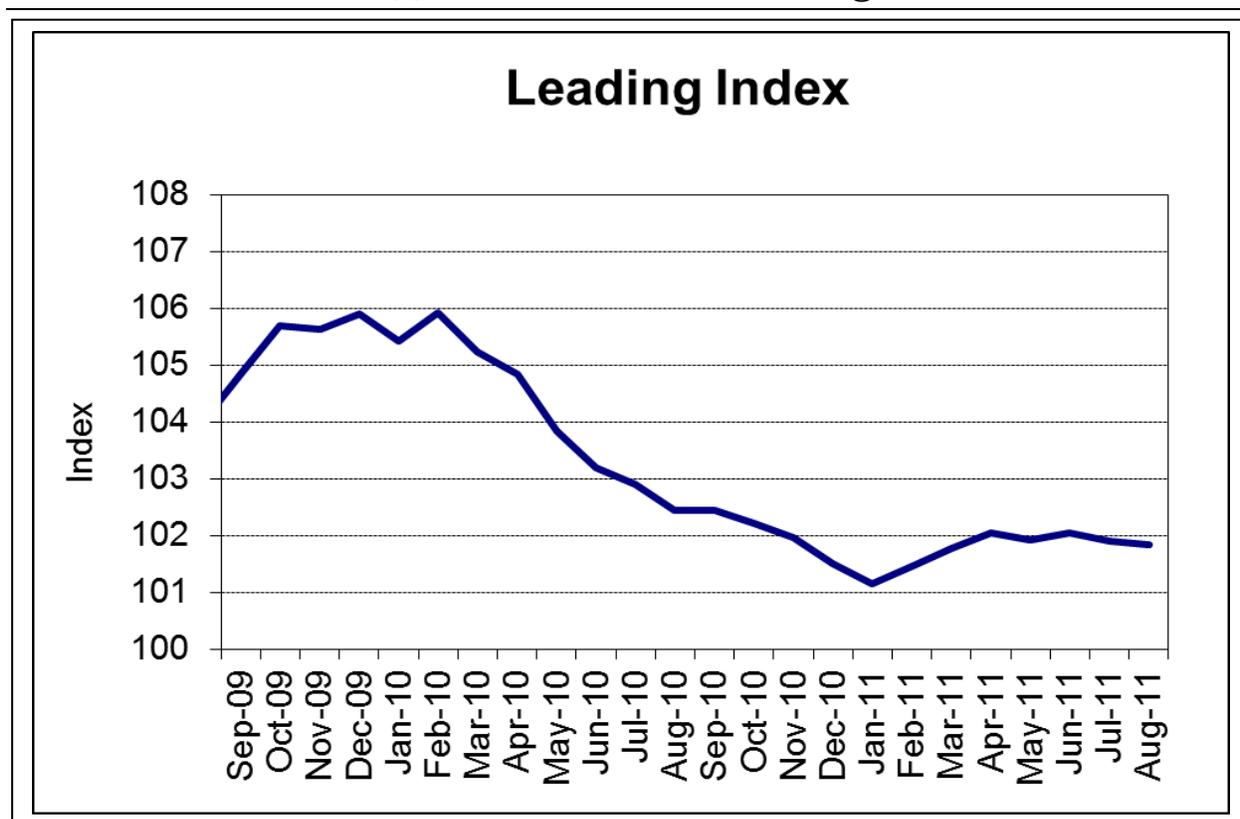
Weekly Highlights

Leading Index - fell from 101.90 in July to 101.83 in August. (CH 1)

Industrial Profits – slowed from 28.3% Y/Y in July to 28.2% Y/Y in August. (CH 2)

Weekly Releases & News

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



China's Leading Index fell from 101.90 in July to 101.83 in August.

News

September 27th (CRI English) - IMF Economists Call for Greater Effort to Rebalance China's Economy –

IMF's Senior Resident Representative for China IL, Houg Lee: *Emerging and developing countries' consumption in the share of total global GDP is not really picking up. So if there is no rebalancing and there is no growth coming from advanced countries, their growth over the medium term will remain low.*

IMF expert on the Chinese economy, Murtaza Syed: *In our previous projections, we had net exports contributing 1.1 percentage points to growth in 2012. We have now marked that down to 0.7. That's 0.4 percentage points reduction. And that matches more or less with what we've done to our growth forecast for China.*

Rebalancing the economy involves many different reforms in China. It's not just about the social safety net. It's also about developing the financial system. Rebalancing is also about improving household incomes. And there are many ways of doing this and will take some time.

September 27th (Bloomberg) - China Destabilizes World Economy – EU Trade Commissioner, Karel De Gucht, stated in Germany's Sueddeutsche Zeitung newspaper:

China keeps its currency artificially low and that's bad. China destabilizes the global economy. At the same time, we export two-thirds of the products we imported before. Chinese imports at low prices are therefore also indirectly helping our export industry.

September 26th (Bloomberg) - China's Industrial Profits – dropped from 28.3% Y/Y in July to 28.2% Y/Y in July – reaching 3.2 trln yuan.

September 26th (Bloomberg) - 'Too Early' to Decide How to Aid Europe – PBoC Governor, Zhou Xiaochuan told reporters at the IMF:

We need to first see if euro-zone countries can implement their July 21 decision.

Some are studying and proposing to increase the size of the EFSF [European Financial Stability Facility]. That needs to be done by the European countries.

...the momentum of world economic recovery has weakened markedly, with downward risks for economic operations on the rise, which urgently calls for global nations to step up coordination.

On the domestic economy: High inflation remains the top concern in China. We need to consider the time-lag effect. There's no immediate way to bring inflation down.

On China's economic growth momentum: remains relatively strong, but faces challenges such as relatively fast rises in consumer prices and relatively large amount of capital inflows in the short term.

News

September 26th (Bloomberg) - Fighting Inflation is Priority – PBoC Governor, Zhou Xiaochuan remarked in an interview with China Business News:

There has been no major change in China's overall economic situation, so there is no need for a fundamental change in the monetary or fiscal policies.

The first step depends on the eurozone countries.

Before that, we can study options, but it is too early to say how to do the next step.

First is to look at the choices and decisions in Europe.

Major developed countries should, as soon as possible, present a clear and credible medium-term adjustment strategy to boost market confidence.

China's current debt ratio is not high. It is in a controllable range. Of course, we do not rule out risks for some projects, but they will not cause systemic problems.

September 23rd (Bloomberg) - China, Japan Say Europe Must Find Its Own Fix for Debt Crisis – PBoC Deputy Governor, Yi Gang remarked:

At the margin we can do quite a bit to help.

At the same time, the real solution of the European sovereign debt crisis has to be done by Europeans themselves.

We've consistently invested in Europe. We will continue to do so.

...the whole world is still at a very low level. We have a very moderate recovery...

The probability of that is still rather limit[ed]. ...we can still have moderate growth...

Fiscal capacity is very limited and monetary policy is already used pretty much to the limit...

September 21st (Bloomberg) - China's HSBC Flash Manufacturing PMI – fell from 49.9 in August to 49.4 in September. The actual reading will be released on September 30th. HSBC Economist, Qu Hongbin remarked, “that a final reading below 50 for the third month implies that China's manufacturing sector will see weakening sequential growth in the coming months. Fears of a hard landing are unwarranted...”

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
09/29	MNI September Business Condition Survey			
09/29	HSBC Manufacturing PMI	SEP	--	49.9
09/30	PMI Manufacturing	SEP	51.1	50.9
10/02	China Non Manufacturing PMI	SEP	--	57.6

Valance Co., Inc.

Valance Economic Report: Sweden

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September 28, 2011

This week's data suggested that economic growth in Sweden may be weakening: The Trade Surplus narrowed to SEK 5.3 bln, while Exports and Imports advanced. In September, Consumer Confidence fell more than expected.

Weekly Highlights

Trade Surplus – narrowed to a surplus of SEK 5.3 bln in August. (SW 1)

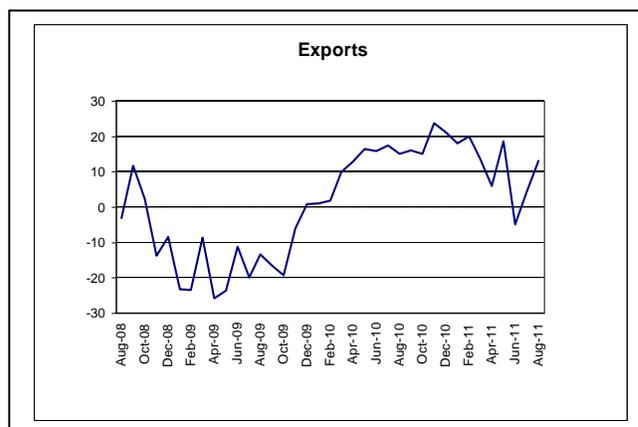
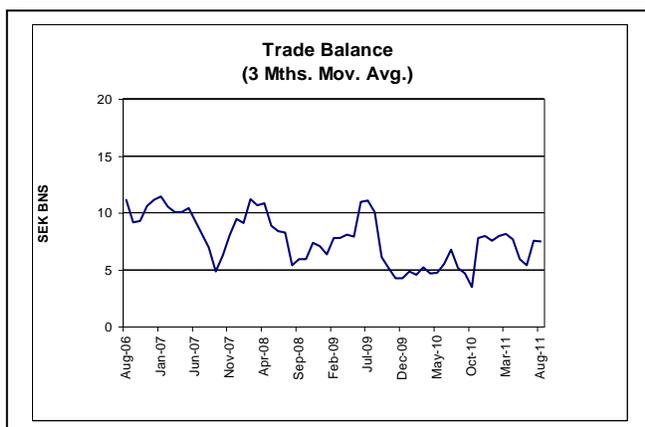
PPI – rose 0.3% M/M and 0.9% Y/Y in July. (SW 2)

Consumer Confidence - fell from 4.3 in August to -5.8 in September. (SW 2)

Economic Tendency Survey – fell from 100.3 in August to 96.9 in September. (SW 3)

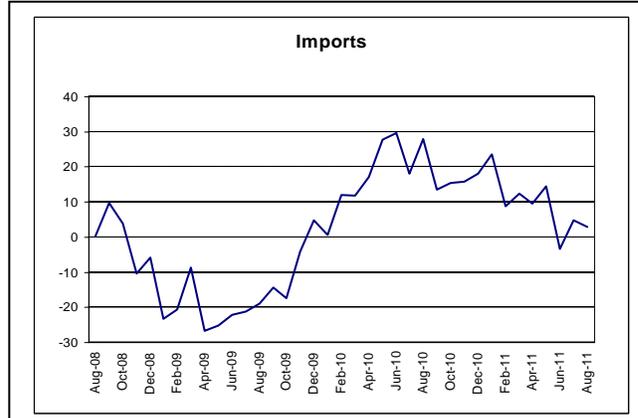
Weekly Releases & News

Chart(s) of the Week: Trade Data



Sweden's Trade Surplus narrowed from SEK 9.6 bln in July to SEK 5.3 bln in August, and up from a deficit of SEK 3.4 bln a year earlier. A surplus of SEK 6.0 bln was expected.

Exports climbed 0.4% M/M and 0.6% Y/Y, while Imports advanced 0.3% M/M and 2.8% Y/Y in August.

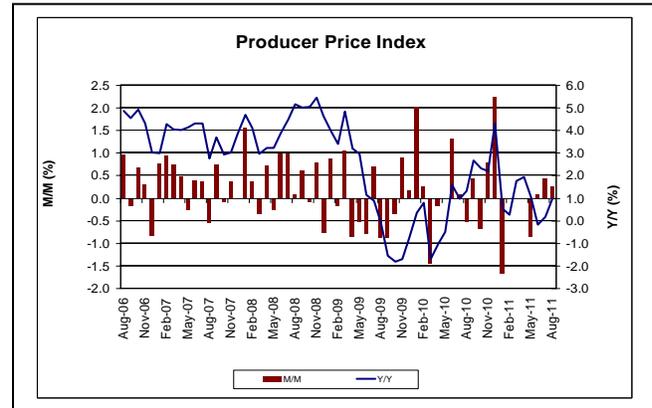


SW - 1

PPI, Consumer & Manufacturing Confidences

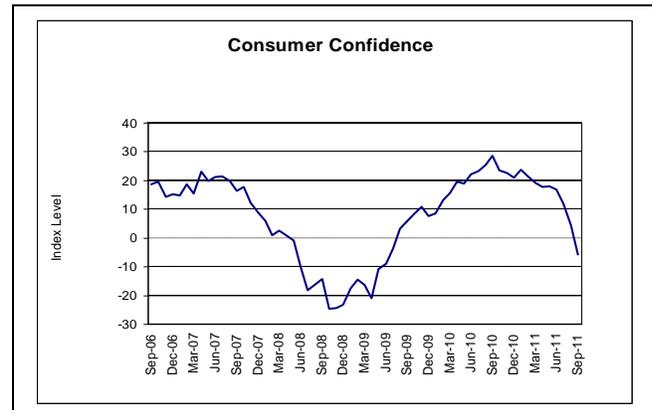
PPI

The Producer Price Index rose 0.3% M/M and 0.9% Y/Y in August, compared with 0.4% M/M and 0.2% Y/Y the previous month. Prices were forecast to fall 0.1% M/M and gain 0.6% Y/Y.



Consumer Confidence

Consumer Confidence fell from 4.3 in August to -5.8 in September. This marked the lowest reading since June 2009. Expectations were for a reading of 1.2.



Manufacturing Confidence

The seasonally adjusted Manufacturing Confidence indicator remained unchanged at -3 in September. A reading of -6 was expected.



Trade Weighted Exchange Rate & News

Trade Weighted Exchange Rate



News

September 28th - August Economic Tendency Survey (RTT News) – fell from 100.3 in August to 96.9 in September. The Survey was expected to reach 97.3.

September 27th - Household Borrowing Growth (Bloomberg) – slowed from 6.4% Y/Y in July to 6.2% Y/Y in August. In August 2010, the growth rate was 8.8% Y/Y.

September 27th - Swedish Banks Can Handle Loan Losses (Bloomberg) - Riksbank Deputy Governor, Lars Nyberg, said in a speech published on the bank's website:

The Riksbank's stress tests indicate Swedish banks have a good capacity to handle bigger loan losses, but that they take somewhat larger liquidity risks than many other European banks.

We have experience from excessive foreign-currency lending, both from excesses in Sweden in the 1990s and, more recently, from the Swedish banks' foreign currency lending in the Baltic States.

September 21st - Swedish Krona No Haven as Crisis May Spark Losses (Bloomberg) - Swedish Finance Minister, Anders Borg, stated in an interview:

I don't think the krona will ever have the same role as the Swiss franc; we are two very different economies. If we end up with trouble in the international financial system, I'm convinced that the krona will weaken.

The krona might just as well weaken. If there is an accident in the European financial system it's very likely that the exchange rate will be hit hard.

We have had a long period of rising prices. It's advantageous that we're now getting away from that situation. The best scenario would be if we have a reasonable price rise at the same time as growth recovers in the Swedish economy.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
09/29	Retail Sales	AUG	0.0% / 0.9%	-0.7% / 1.1%
09/30	Wages – Non Manual Workers	JUL	--	2.4%
10/03	Swedbank PMI Survey	SEP	--	48.7

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Valance Economic Report: Switzerland

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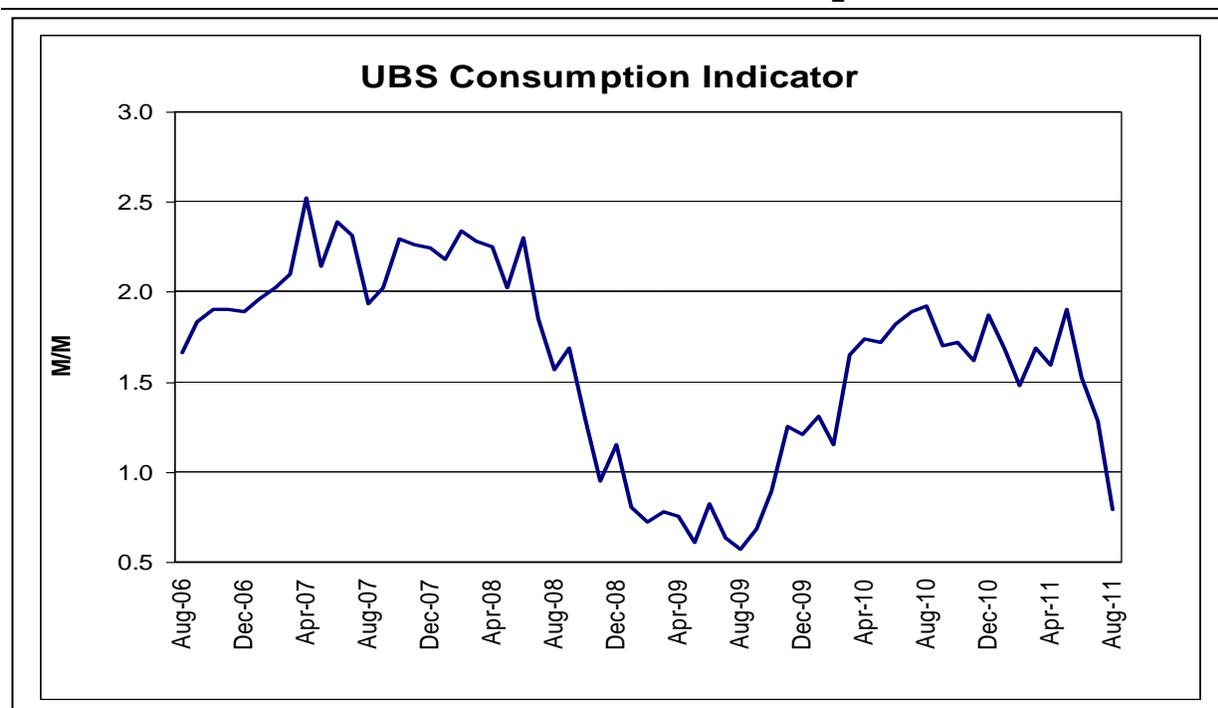
September 28, 2011

In September, the outlook for Switzerland's economy diminished further, as investor sentiment fell by 4.3 points. The UBS Consumption Indicator fell to its lowest level since September 2010.

Weekly Highlights

UBS Consumption Indicator – dropped from 1.28 in July to 0.79 in August. (SZ 1)

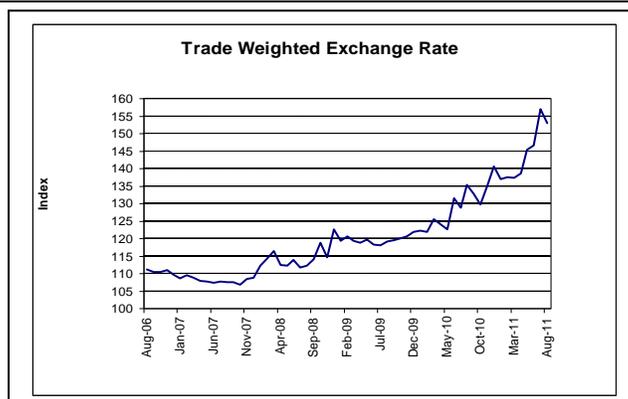
Swiss Investor Sentiment - fell from -71.4 in August to -75.7 in September. (SZ 2)

Weekly Releases & News**Chart(s) of the Week: UBS Consumption Indicator**

The UBS Consumption Indicator fell from 1.28 in July to 0.79 in August – the lowest in two years. UBS said, the decline “is attributable at least in part to the appreciation of the franc. This extreme overvaluation may well have unnerved consumers and prompted them to cut some of their spending.”

SZ - 1

Trade Weighted Exchange Rate



News

September 27th - Swiss Economy to Grow at Weaker Pace in 2011, 2012 (Bloomberg) – The KOF Economic Institute reported that it expects the Swiss economy to expand 2.3% (from 2.8%) this year and slow to 1.5% (from 1.9%) in 2012, then grow 2.5% in 2013. The KOF remarked:

The franc continues to be overvalued. The intervention by the SNB did lower the exchange-rate risks. Nevertheless, for many companies, the current exchange rate will be difficult to bring in line with their production costs.

Overcoming the high value of the franc must also be considered a source of uncertainty. Cessation of production can no longer be excluded, or at least a greater trend toward moving production abroad than forecast.

September 24th - SNB Says It Will Defend Franc Cap ‘With Utmost Determination’ (Bloomberg) – SNB President, Philipp Hildebrand said at a briefing at the IMF and World Bank meetings:

We will defend the cap with the utmost determination. We have done what was necessary and our colleagues here recognized that we are in an exceptional situation that required exceptional measures.

The SNB in its quarterly report remarked: The SNB is “prepared to buy foreign currency in unlimited quantities. With these measures, the SNB is taking a stand against the acute threat to the Swiss economy and the risk of deflationary development that springs from massive overvaluation of the franc.”

September 22nd – September Swiss Investor Sentiment (Bloomberg) - A survey by the ZEW Center for European Economic Research and Credit Suisse Group showed that the outlook for Swiss Investor Confidence fell from -71.4 in August to -75.7 in September – 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>
09/30	KOF Swiss Leading Indicator	SEP	1.33	1.61
10/03	Retail Sales	AUG	--	1.9%
10/03	PMI Manufacturing	SEP	--	51.7