

# Valance Company, Inc.



Weekly

October 12, 2011

III

## Highlights

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US – Payroll report eases recession fears but still weak

EU – ECB held rates at 1.5%

JN – Machinery Orders better than expected

UK – Largest number of unemployed since 1996

CA – Unemployment Rate lowest since 2008

AU – Confidence has improved

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Valance Co., Inc.

# Valance Economic Report: *United States*

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October 12, 2011

**In a light week of data, the Payroll report and Initial Claims came in better than expected. While the reports were far from signaling robust growth in the employment sector, they are also not pointing towards another recession. Obama's Jobs package was not able to get through the Senate; it will now be broken up with the smaller components being voted on individually.**

## Weekly Highlights

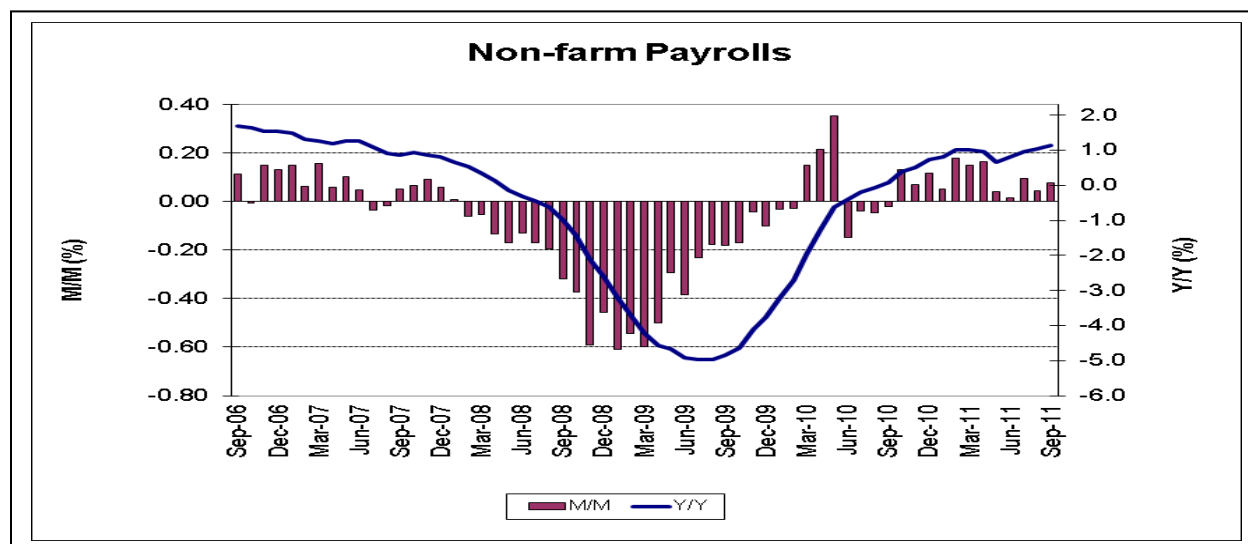
**Non-farm Payrolls** – increased 103k in September, private payrolls gained 137k. (US 1)

**Average Hourly Earnings** – rose 0.2% M/M and 1.9% Y/Y in September. (US 3)

**Average Weekly Hours** – rose 0.1% M/M and 1.9% Y/Y in September. (US 3)

## Weekly Releases

### Chart of the Week: *Non-farm Payrolls*



Non-farm Payrolls increased 103k in September, in line with expectations after adjusting for returning Verizon strikers. August non-farm payrolls were revised upward from no change to a 57k increase. Private payrolls increased 137k, surpassing expectations of 90k. August figures for private payrolls were also revised upward from 17k to 42k. Manufacturing payrolls fell -4k to -13k in September. The Unemployment Rate remained at 9.1%.

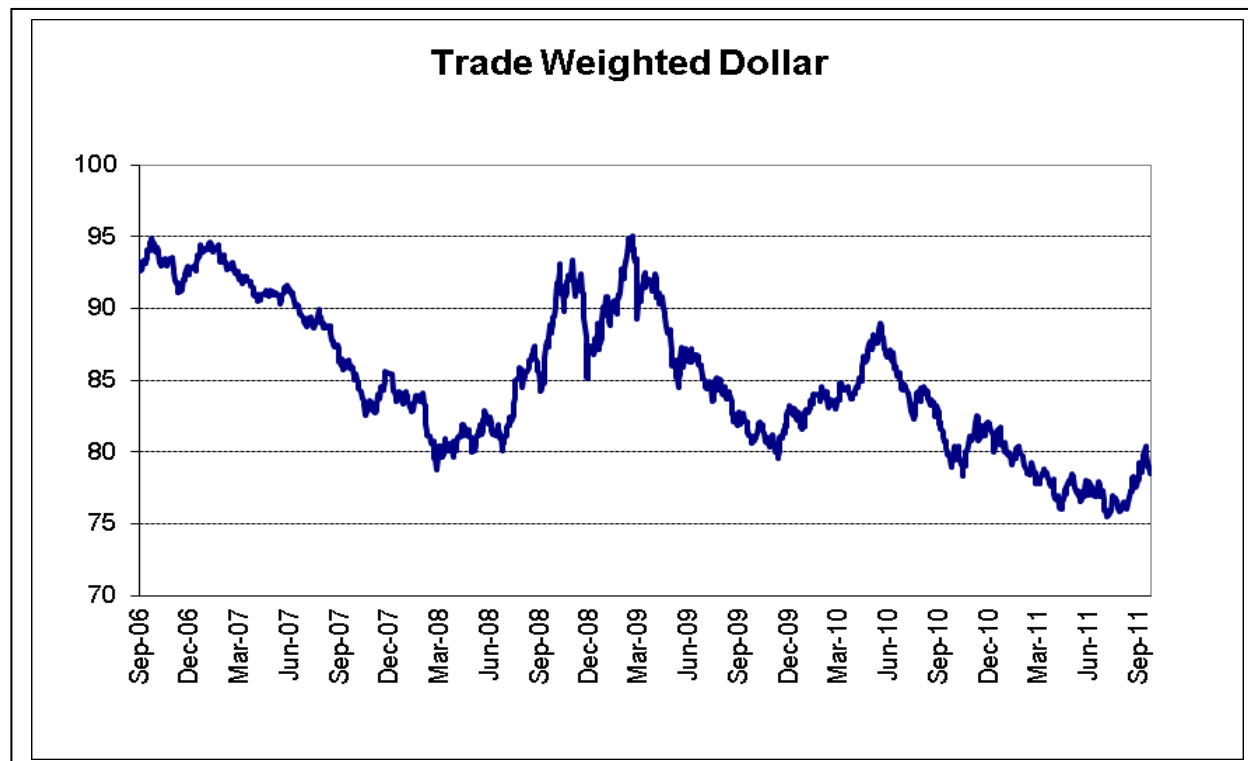
## ***U.S. Financial Balances & Trade Weighted Dollar***

### ***Financial Balances***

<i>U.S.</i>	<i>Latest period (\$blns)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-127.0 (Aug)	-8.4%
Trade Balance	-44.8 (July)	-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.

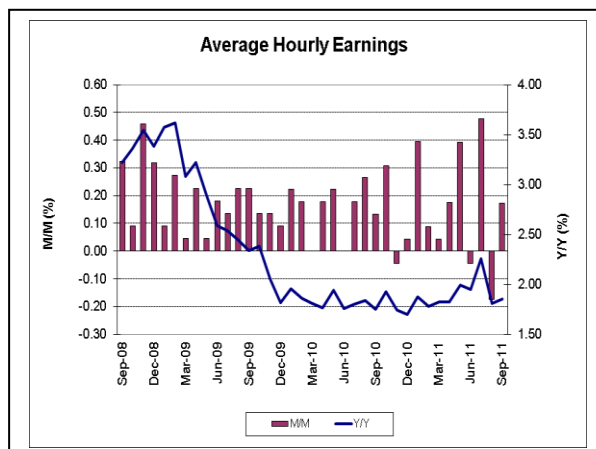
### ***Trade Weighted Dollar***



## Weekly Earnings, Weekly Hours, & Claims

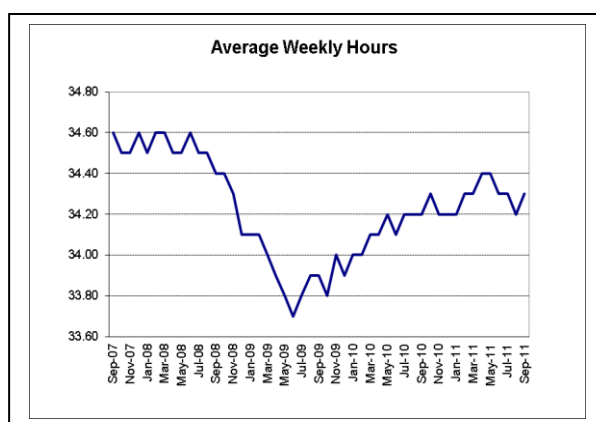
### Average Hourly Earnings

Average Hourly Earnings rose 0.2% M/M and gained 1.9% Y/Y in September. Y/Y growth in wages has slowed from 3.5% at the start of 2009 to a lower range due to labor market slack.



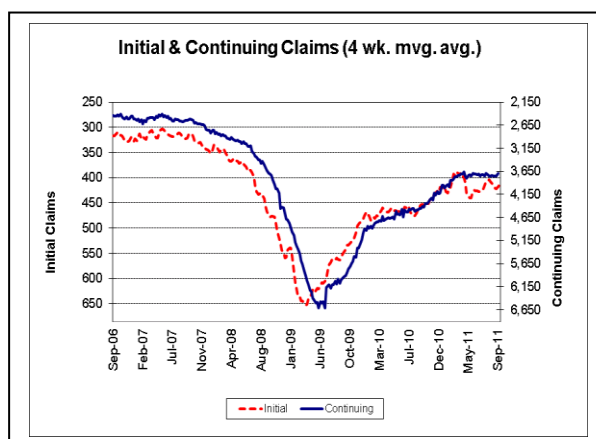
### Average Weekly Hours

Average Weekly Hours rose 0.1 hours to 34.3 in September.



### Initial & Continuing Claims

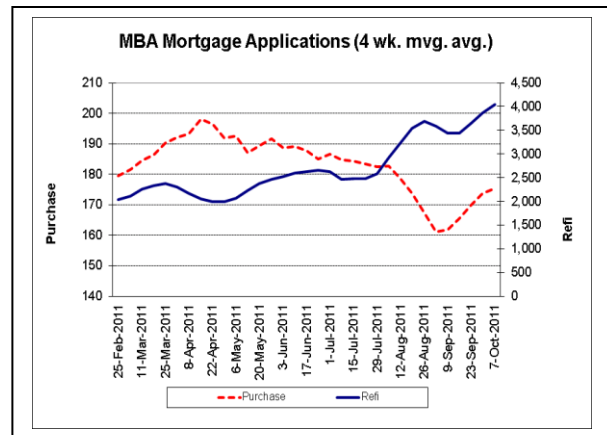
Initial Claims increased from 391k to 401k, below market expectations of 410k. The four week moving average of Initial Claims decreased to 414k. Continuing Claims fell from a revised 3752k to 3700k, also below expectations of a 3725k reading.



## MBA Mortgage Apps & Consumer Comfort

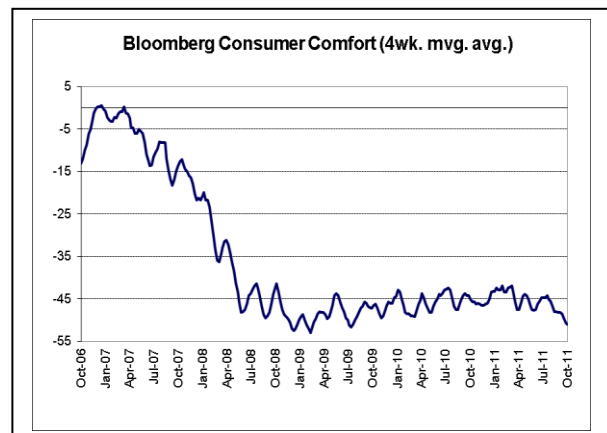
### MBA Mortgage Applications

Purchase Mortgage Applications gained 1.3% W/W, after losing 4.3% W/W last week. Refi applications remained unchanged W/W this week.



### Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index rose from -53.0 to -52.0. The state of the economy component improved from -86.4 to -84.3. The buying climate rose from -61.0 to -57.3. Lastly, the personal finances component increased as well, from -11.6 to -9.1.



## *Key Dates This Week*

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/13	Trade Balance	AUG	-\$45.8B	-\$44.8B
10/13	Initial Jobless Claims	OCT 8	405K	401K
10/13	Continuing Claims	OCT 1	3710K	3700K
10/13	Bloomberg Consumer Comfort	OCT 9	- -	-50.2
10/14	Import Price Index (M/M)	SEP	-0.40%	-0.40%
10/14	Retail Sales Less Autos	SEP	0.30%	0.10%
10/14	U. of Michigan Confidence	OCT	60.3	59.4
10/17	Empire Manufacturing	OCT	-4	-8.82
10/17	Industrial Production	SEP	0.20%	0.20%
10/17	Capacity Utilization	SEP	77.50%	77.40%
10/18	Producer Price Index (M/M)	SEP	0.30%	0.00%
10/18	PPI Ex Food & Energy (M/M)	SEP	0.10%	0.10%
10/18	NAHB Housing Market Index	OCT	15	14
10/19	MBA Mortgage Applications	OCT 14	- -	1.30%
10/19	Consumer Price Index (M/M)	SEP	0.30%	0.40%
10/19	CPI Ex Food & Energy (M/M)	SEP	0.20%	0.20%
10/19	Housing Starts	SEP	592K	571K
10/19	Building Permits	SEP	613K	625K

Valance Co., Inc.

**Valance Economic Report: Euro Zone**

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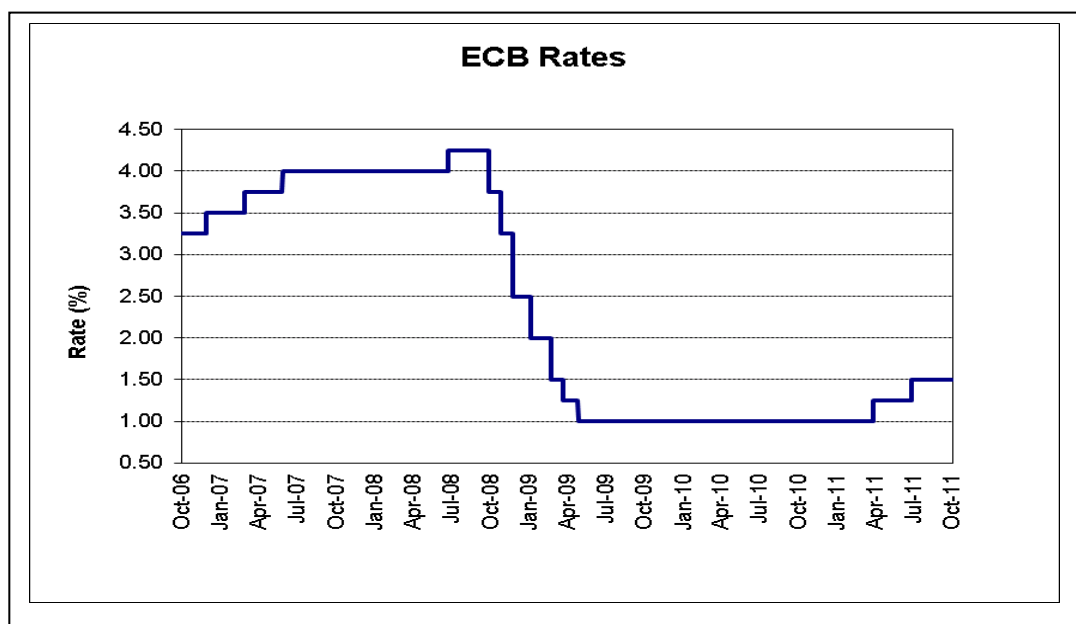
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**The ECB held rates steady at 1.50%, despite some expectations for a 50 bps rate cut. On the data front, EU Industrial Production increased above market expectations. Italian Industrial Production data, in particular, was strong.**

**Weekly Highlights**

**EU Industrial Production** – increased 1.3% M/M and 5.1% Y/Y in August, above market expectations. (EU 1)

**ECB** - held interest rates steady at 1.50%. (EU 3)

**Weekly Releases & News****Chart(s) of the Week: *ECB Interest Rates***

ECB unexpectedly held interest rates steady at 1.50%, stating that “inflation has remained elevated and incoming information has confirmed our view that inflation is likely to stay above 2% over the months ahead but to decline thereafter. At the same time, the underlying pace of monetary expansion continues to be moderate.” Members also looked at the pros and cons of decreasing rates; however, in the end the majority vote was for rates to remain unchanged.

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

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### ***Financial Balances***

<i>Germany</i>	<i>Last period (\$blns euros)</i>	<i>Last 12mth. as a % of GDP*</i>
Budget Balance		-3.3%
Trade Balance	11.8 (August)	2.0%
Current Account Balance	7.0 (August)	6.9%
Private Savings Balance		-3.6%
<i>France</i>		
Budget Balance		-2.7%
Trade Balance	-5.0 (August)	-4.9 %
Current Account Balance	-2.9 (August)	-3.9%
Private Savings Balance		-1.2%
<i>Italy</i>		
Budget Balance		-3.9 %
Trade Balance	-1.8 (July)	-7.7%
Current Account Balance	1.7 (July)	5.5%
Private Savings Balance		-4.5
*Budget Balance as of year end 2010 – Source OECD		

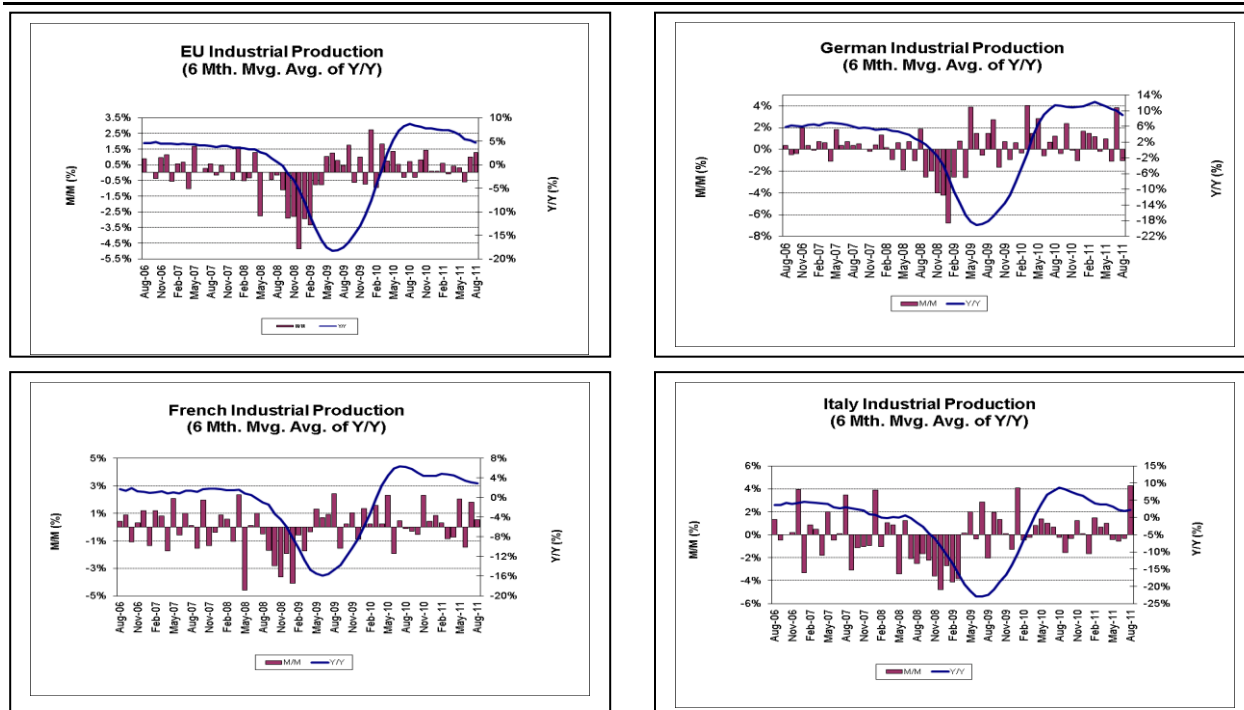
### ***Trade-Weighted Exchange Rate***





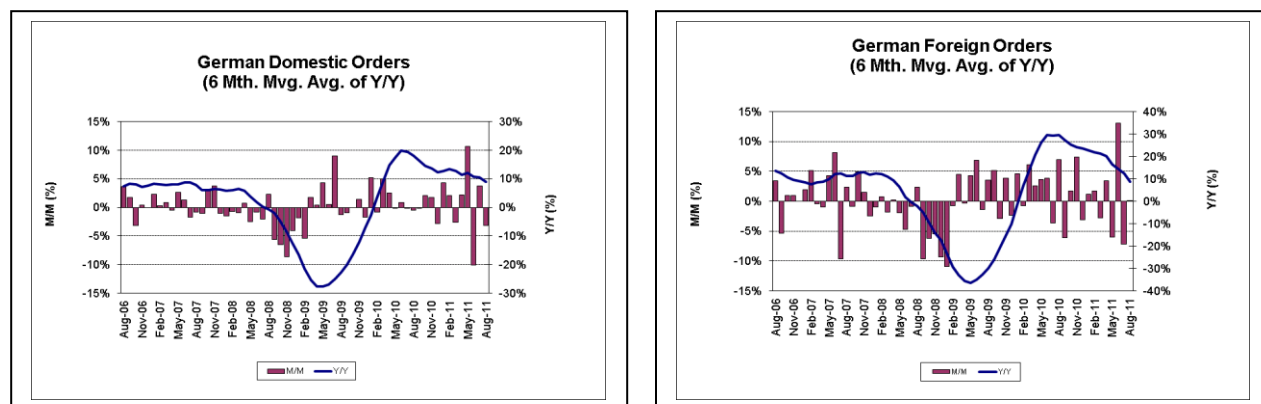
## Industrial Production & German Factory Orders

### Industrial Production



EU Industrial Production posted an upside surprise, increasing 1.3% M/M and 5.1% Y/Y in August. Market expectations were for a 0.8% M/M decline and a 2.1% Y/Y gain. French and Italian Industrial Production were responsible for the EU M/M gain in Industrial Production while German Industrial Production exerted some downward pressure. German Industrial Production fell 1.0% and increased 7.9% Y/Y. French Industrial Production Increased 0.5% M/M and 4.4% Y/Y and Italian Industrial Production increased 4.3% M/M and 3.8% Y/Y.

### German Factory Orders

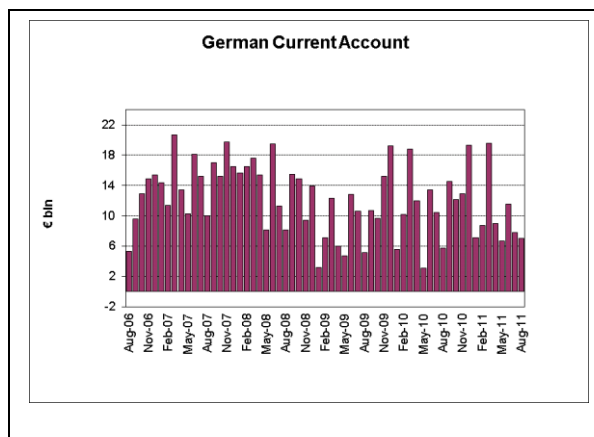


German Factory Orders fell 1.4% M/M and increased 3.9% Y/Y in August, versus market expectations for a flat M/M and a 3.9% Y/Y reading. Domestic Orders fell 3.2% M/M and increased 6.6% Y/Y. Foreign Orders increased 0.1% M/M and 1.5% Y/Y.

## **German Current Account, Trade Balance & Exports**

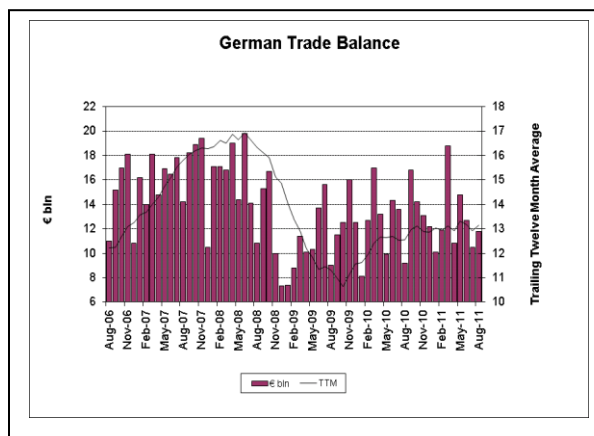
### **German Current Account**

Germany's Current Account surplus shrank from €7.8 bln in July to €7.0 bln in August. The Current Account balance stood at €5.7 bln in August 2010.



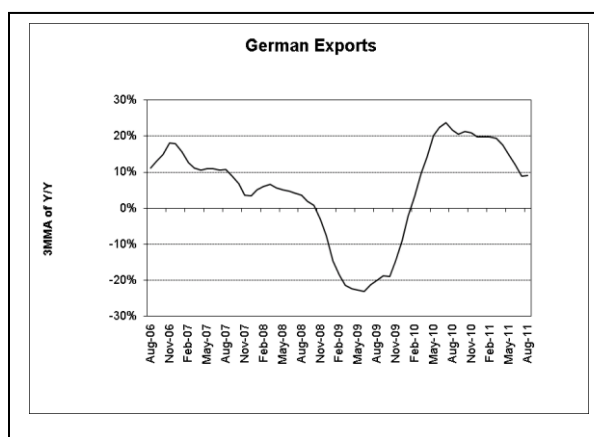
### **German Trade Balance**

Germany's Trade surplus widened from €10.5 bln in July to €11.8 bln in August. The surplus stood at €9.2 bln in August 2010.



### **German Exports**

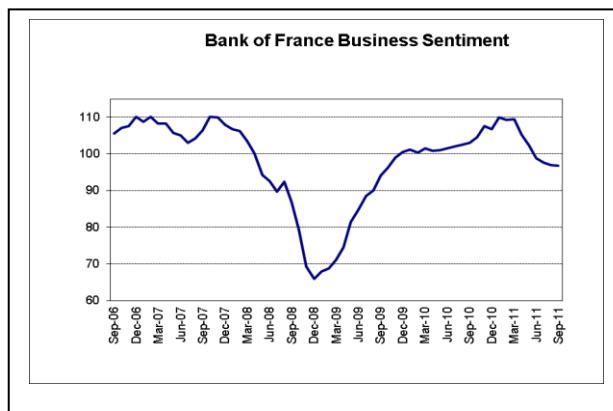
Exports increased 3.5% M/M in August, above expectations for a 1.1% M/M gain. Y/Y growth increased 2.3%. Imports were flat M/M and increased 3.5% Y/Y.



## ***French Business Sentiment, Current Acct. & Trade Balance***

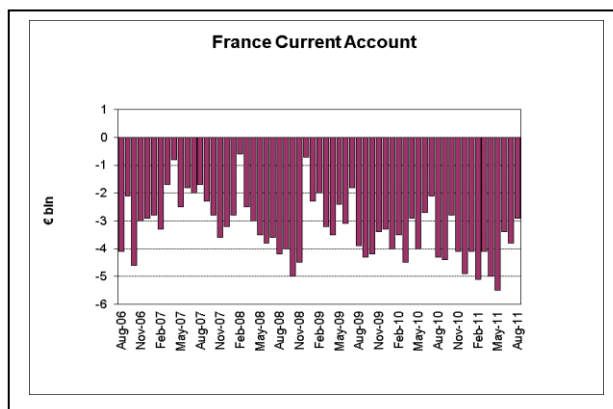
### ***Bank of France Business Sentiment***

French Business Sentiment remained at 97 in September. The Production Outlook component fell from 4 to 0 and the Order Level component fell from 3 to -3. The Capacity Utilization Rate increased from 78.8 to 79.3. Stocks of finish goods increased from 3 to 5. The activity component increased from 1 to 9 and the aggregated demand component increased from 3 to 8.



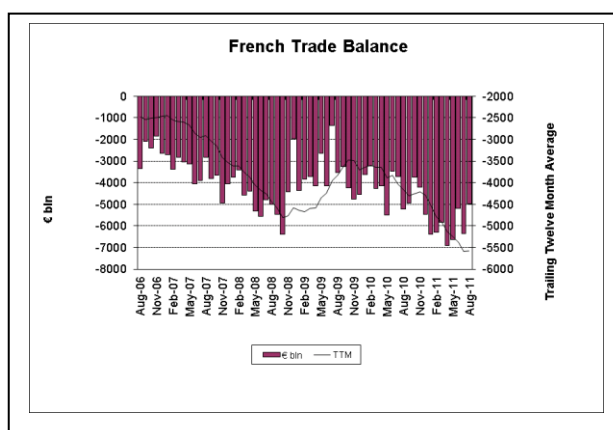
### ***French Current Account Balance***

The French Current Account deficit narrowed from €3.8 bln in July to €2.9 bln in August. The Current Account Balance stood at a deficit of €4.3 bln in August 2010.



### ***French Trade Balance***

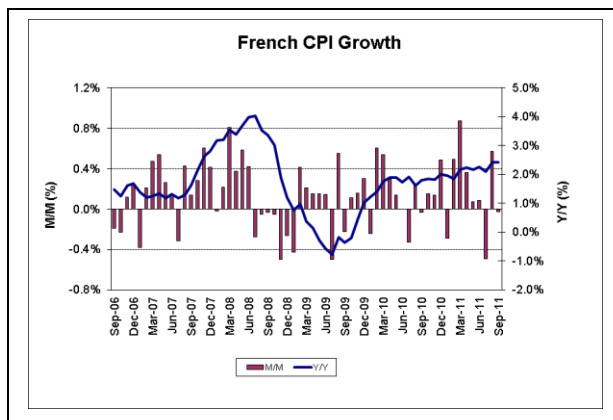
The French Trade deficit narrowed from €6.4 bln in July to €5.0 bln in August. Exports increased 6.1% M/M and 10.4% Y/Y and Imports increased 1.8% M/M and 8.4% Y/Y. The Trade Balance stood at a deficit of €5.0 bln last year.



## French CPI, Spanish CPI & News/Comments

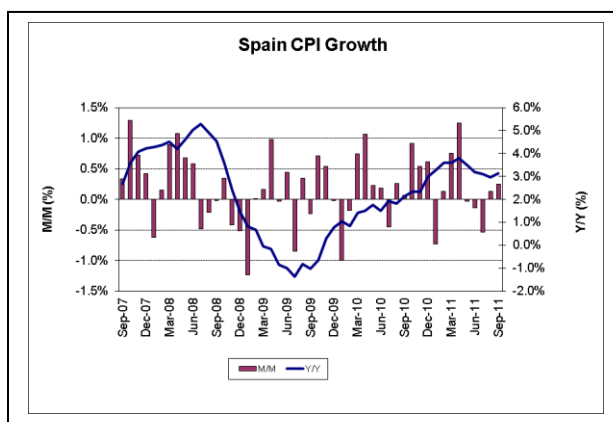
### French CPI

French CPI was flat M/M and increased 2.4% Y/Y. Market expectations were for 0.1% M/M and a 2.6% Y/Y growth.



### Spanish CPI

Spanish CPI increased 0.2% M/M and 3.1% Y/Y in September in line with market expectations.



### News/Comments

**Oct. 12<sup>th</sup> - ECB's Stark Says Euro Needs 'Major Strengthening' of Governance (Bloomberg)** - European Central Bank Executive Board member, Juergen Stark, said the euro area needs a "major strengthening" of economic governance if the currency area is to solve its problems. The "ultimate objective" is "institutional arrangements that provide credible incentives for sound policies," Stark said at an event in Riga today. Countries "should be aware this requires the transfer of sovereignty to a central institution with much stronger powers." Stark announced his resignation from the ECB board on Sept. 9<sup>th</sup> after signaling discontent over the ECB's program of buying the bonds of debt-strapped European governments. The European Parliament's economic committee endorsed German Deputy Finance Minister, Joerg Asmussen, as Stark's replacement on Oct. 10<sup>th</sup>. The reform package agreed by the European Union "falls short of the 'quantum leap' in economic governance that the ECB has long advocated for the euro area," Stark said.

## ***News/Comments Cont'd.***

**Oct. 12<sup>th</sup> - ECB's Weidmann Can't Rule Out Greek Restructuring, Bild Reports (Bloomberg)** - European Central Bank Governing Council Member, Jens Weidmann, said a restructuring of Greek debt "can't be ruled out," Germany's Bild newspaper reported, citing an interview. "A debt haircut mustn't become an attractive way out of self-imposed problems," Weidmann, who also heads Germany's Bundesbank, told the newspaper. "Otherwise, confidence in the sovereign debt of endangered countries won't return." Weidmann also said that a repeated increase in the size of the region's rescue fund "can't be the solution," Bild reported.

**Oct 11th - EU, ECB, IMF Says They Conclude Fifth Review of Greece's Economy (Bloomberg)** - A European Union, International Monetary Fund and European Central Bank team of inspectors said Greece has overall made important progress in fiscal consolidation. "The success of the program continues to depend on mobilizing adequate financing from private sector involvement (PSI) and the official sector," the statement said. "Ongoing discussions on PSI together with assurances provided by European leaders at their July 21<sup>st</sup> summit suggest that the program remains fully financed." Once the Eurogroup and the IMF's Executive Board have approved the conclusions of the fifth review, the next tranche of 8 billion euros will become available, most likely, in early November; the statement said. Trichet Sees 'Systemic' Risk Amid Debate on Greek Writedowns.

**Oct. 11<sup>th</sup> - ECB's Trichet Warns of Threats to the Financial System (Bloomberg)** - European Central Bank President, Jean-Claude Trichet, warned of threats to the financial system as the conflict among political leaders intensified over how to extricate Europe from the debt crisis. "The crisis has reached a systemic dimension," Trichet told European lawmakers in Brussels today. "Sovereign stress has moved from smaller economies to some of the larger countries. The crisis is systemic and must be tackled decisively." European officials are toiling to meet an end-of-month deadline set by French President, Nicolas Sarkozy, to get to grips with the crisis, which has propelled Greece to the brink of default, shaken world markets and fueled speculation that the 17-nation currency might not survive in its current form. Greek bondholders may face writedowns of more than the 21% envisioned in a July rescue plan, Luxembourg Prime Minister, Jean-Claude Juncker said, setting the stage for high-stakes bargaining at an Oct. 23<sup>rd</sup> crisis summit. Asked by Austrian television last night whether Europe is considering writedowns of 50% to 60%, Juncker, who chairs euro-area finance meetings, said: "We're talking about more." A spokesman for Juncker, Guy Schuller, said today Juncker meant euro-area officials were discussing investor losses on their Greek holdings exceeding 2%. Both the ECB and banks oppose such a revision.

**Oct. 7th - ECB Says Banks Report Tighter Credit Standards as Crisis Bites (Bloomberg)** - "The increase in the net tightening of credit standards reported for the third quarter of 2011 should be seen against the background of a re-intensification of the sovereign debt crisis that undermined the perceived soundness of euro-area banks," the ECB said, citing its quarterly Bank Lending Survey. The ECB also said company demand for loans declined in the third quarter for the first time in more than a year and banks expect it to drop further in the fourth quarter. "This decline points to a significant contraction of loan demand from the corporate sector over the summer period, possibly driven by increasing overall uncertainty and a moderation in the pace of economic activity, notably investment," the ECB said.

## Key Dates This Week

<i>Date</i>	<i>Country</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/13	GE	Consumer Price Index (M/M)	SEP F	0.10%	0.10%
10/13	GE	Consumer Price Index (Y/Y)	SEP F	2.60%	2.60%
10/13	SP	Spain Business Confidence	3Q	- -	-9.2
10/14	EC	Euro-Zone CPI - Core (Y/Y)	SEP	1.50%	1.20%
10/14	EC	Euro-Zone CPI (M/M)	SEP	0.80%	0.20%
10/14	EC	Euro-Zone CPI (Y/Y)	SEP	3.00%	3.00%
10/14	EC	Euro-Zone Trade Balance sa	AUG	- -	-2.5B
10/14	EC	Euro-Zone Trade Balance	AUG	-4.0B	4.3B
10/14	IT	Trade Balance (Total) (Euros)	AUG	- -	1438M
10/14	IT	Trade Balance Eu (Euros)	AUG	- -	1773M
10/14	IT	CPI - EU Harmonized (M/M)	SEP F	1.90%	1.90%
10/14	IT	CPI - EU Harmonized (Y/Y)	SEP F	3.50%	3.50%
10/18	EC	ZEW Survey (Econ. Sentiment)	OCT	- -	-44.6
10/18	GE	Zew Survey (Current Situation)	OCT	- -	43.6
10/18	GE	ZEW Survey (Econ. Sentiment)	OCT	- -	-43.3
10/18	IT	Current Account (mlns euro)	AUG	- -	1663M
10/19	EC	Euro-Zone Current Account nsa	AUG	- -	-3.2B

# Valance Economic Report: Japan

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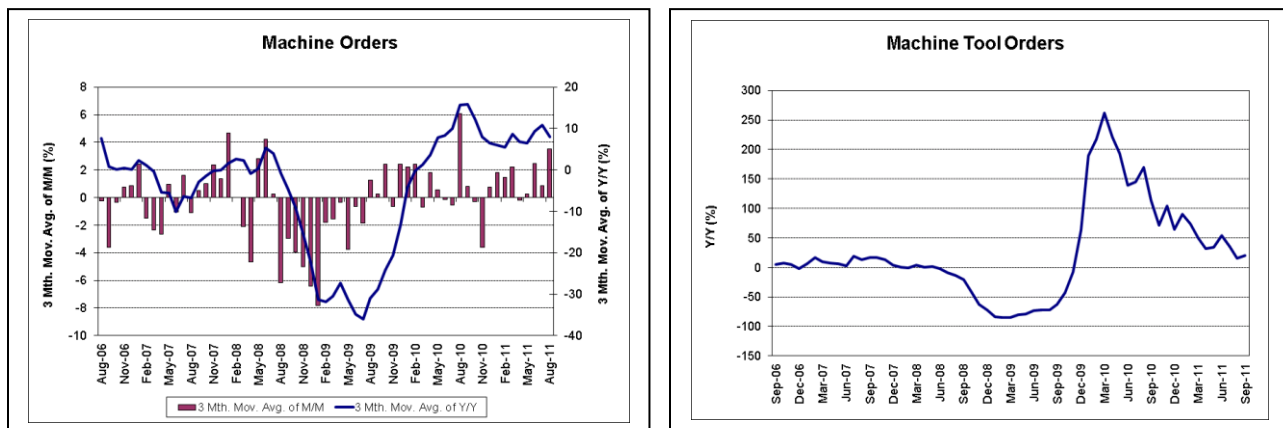
October 12, 2011

Machinery Orders improved in August, exceeding market expectations and suggesting that business investment may continue to improve. Meanwhile, the Current Account Surplus declined, as did the Eco Watchers Survey, although Consumer Sentiment improved.

## Weekly Highlights

**Machinery Orders** – improved 11.0% M/M and 2.1% Y/Y in August. (JN 1)  
**Consumer Confidence** - increased 1.6pts to 38.6 in September. (JN 4)

## Charts of the Week: Machine Orders & Tool Orders



Core Machinery Orders improved 11.0% M/M and 2.1% Y/Y in August, exceeding market expectations for a 3.9% M/M gain and a 3.6% Y/Y drop. The increase occurred as manufacturers saw a 13.7% M/M improvement on solid foreign demand. Meanwhile, preliminary data indicates that Machinery tool orders increased 20.3% Y/Y in September.

Overall, the data reflects a rebound in orders in August and suggests that companies are willing to invest, despite risks of economic slowdown; demand for electrical machinery products as well as IT-related machinery drove growth.



## Japan's Financial Balances

### Financial Balances

Japan	Last 12mth. as a % of GDP
Budget Balance (Dec)	-8.1
Current Account Balance (Dec)	3.6
Private Balance (Dec)	11.7

### Japanese Yen (Trade-Wtd.)



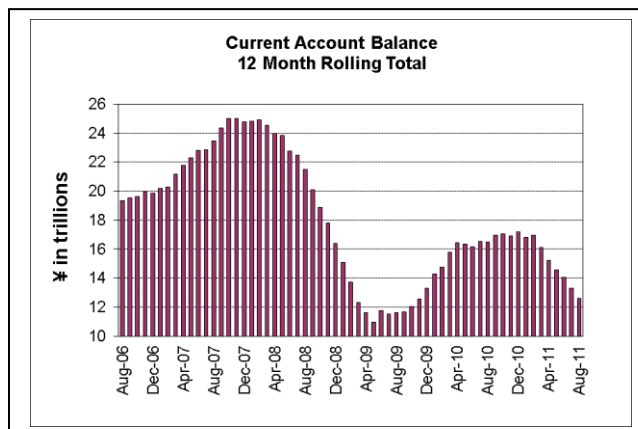


## Current Account Surplus & Bank Lending

### Current Account Surplus

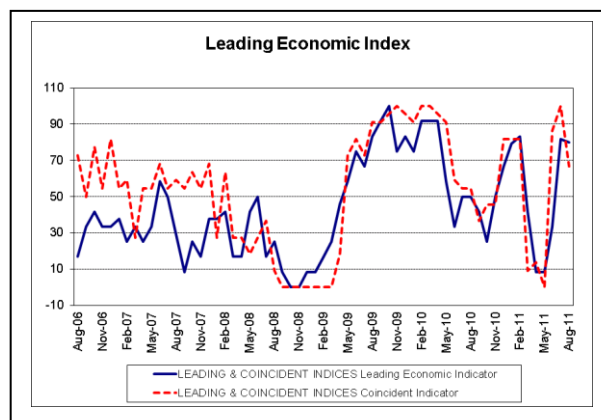
The Adjusted Current Account Surplus dropped from Y752.5 bln in July to Y652.6 bln in August. The decline still fared better than market expectations however, which called for a decline to Y509.9 bln.

The Trade Balance, on a Balance of Payments basis, declined from -Y41 bln to -Y199.2 bln as exports declined 0.7% M/M and increased 4.0% Y/Y while imports increased 2.3% M/M and 22.4% Y/Y.



### Leading/Coincident Indices

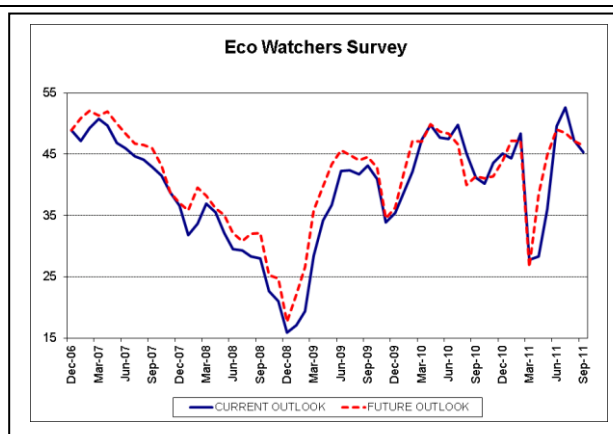
The Leading Index DI dropped from 81.8 to 80.0 in August while the Coincident Index dropped from 100.0 to 66.7. In CI terms, the Leading Index dropped 0.8pts to 103.8 while the Coincident Index increased 0.3pts to 107.4.



### Eco Watchers Survey

The Eco Watchers Survey Current Conditions Index dropped 2.0pts to 45.3 in September. Within the data, household conditions dropped 2.0pts to 43.2 on weaknesses in services and housing. Business conditions dropped 2.3pts to 46.0 on weakness among non-manufacturers. Employment was unchanged at 58.4. Overall, the data was below market expectations - which called for a decline to 46.5 vs. the decline to 45.3 that occurred. The decline seen also brought the series to its lowest level since May.

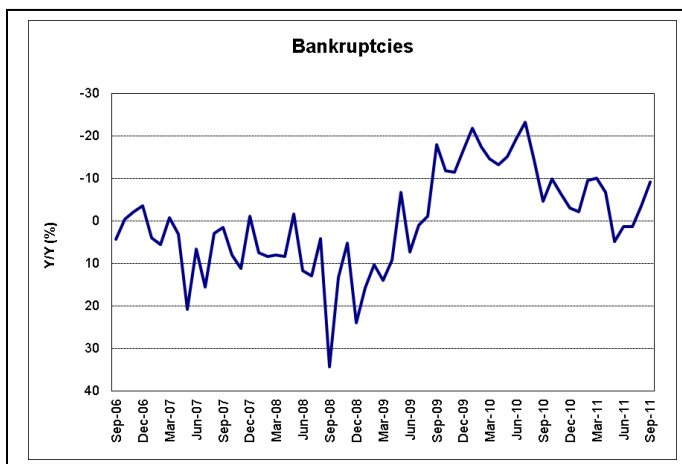
Within the expectations index, overall expectations declined 0.7pts to 46.4 as household expectations improved while business and employment expectations declined.



## Bankruptcies & Consumer Sentiment

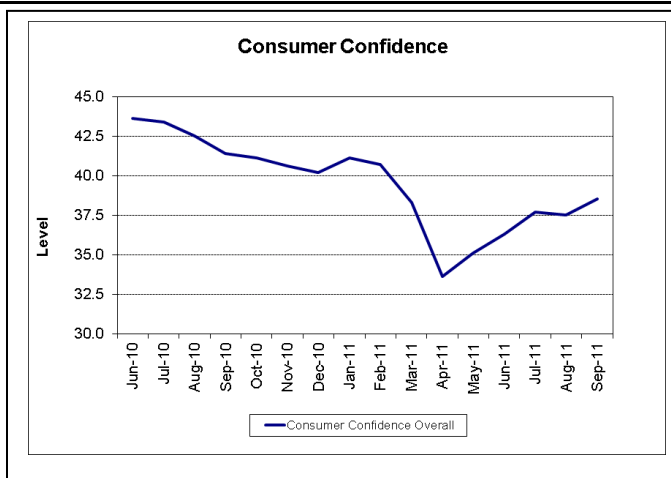
### Bankruptcies

Corporate Bankruptcies declined 9.2% Y/Y in September



### Consumer Sentiment

Consumer Confidence among all households increased 1.6pts to 38.6 in September, against expectations for a smaller increase to 37.2. Within the details, overall livelihood improved 1.0pts to 39.9, income growth improved 0.9pts to 39.6, employment improved 2.9pts to 34.7, and willingness to buy durable goods improved 1.4pts to 40.1.



## News & Upcoming Dates

### News

**10/12 – Gov't to Submit Sales Tax Hike Bill Next Year** – Finance Minister Azumi commented that the government will submit legislation to raise the consumption tax rate “next year along with bills on reforming the tax and social security systems.”

**10/12 – Gov't Sees Economy Improving** – According to the BoJ, “Production and exports have continued to increase, although their paces have moderated after going through the recovery phase immediately following the quake-induced plunge.” The BoJ also commented that “In this situation, business fixed investment has been increasing moderately, aided partly by the restoration of disaster stricken facilities. Private consumption has also been picking up on the whole, although weakness remains in some aspects of consumer behavior.”

**10/07 – Shirakawa comments on Yen, Rates** – Following the BoJ's announcement to leave policy unchanged, BoJ Gov Shirakawa commented that, “My concern is that if the yen rapidly surges and that prompts Japanese companies to move their production facilities abroad, even if the yen's strength is corrected later, it's difficult to move those facilities back... That leads to lasting damage.”

### Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
10/12	Bank Lending Ex-Trusts (Y/Y)	-0.50%	-0.50%
10/12	Bank Lending incl Trusts (Y/Y)	N/A	-0.50%
10/12	Tertiary Industry Index (M/M)	-0.30%	-0.10%
10/13	Tokyo Condominium Sales (Y/Y)	N/A	1.70%
10/13	Domestic CGPI (M/M)	-0.20%	-0.20%
10/13	Domestic CGPI (Y/Y)	2.50%	2.60%
10/16- 10/17	Cabinet Office Monthly Economic Report	N/A	N/A
10/17	Industrial Production (M/M)	N/A	0.80%
10/17	Industrial Production (Y/Y%)	N/A	0.60%
10/17	Capacity Utilization (M/M)	N/A	0.60%
10/18	Nationwide Dept. Sales (Y/Y)	N/A	-1.70%
10/18	Tokyo Dept. Store Sales (Y/Y)	N/A	-2.90%
10/18	Machine Tool Orders (Y/Y)	N/A	20.30%
10/19	All Industry Activity Index (M/M)	N/A	0.40%

Valance Co., Inc.

# Valance Economic Report: *United Kingdom*

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October 12, 2011

As widely expected, the BoE kept its benchmark rate unchanged, but raised the ceiling for QE to £275 bln. Factory Output fell more than expected in August while Input Prices rose sharply in September. U.K. Unemployment rose to its highest level in 15 years in August, while the number of unemployed increased to the highest level since 1994. All three major housing surveys showed that the UK Housing Market remained subdued in the past couple of months.

## Weekly Highlights

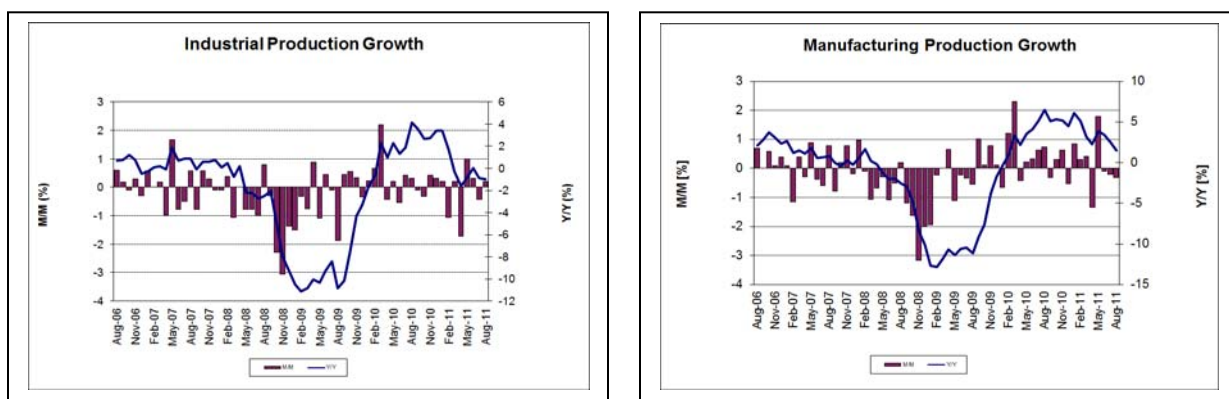
**BoE Overnight Rate** – held at 0.50%. (UK 2)

**Jobless Claims** – increased by 17.5k in September. (UK 3)

**RICS Net House Price Balance** – remained at -23 in September. (UK 6)

## Weekly Releases & News

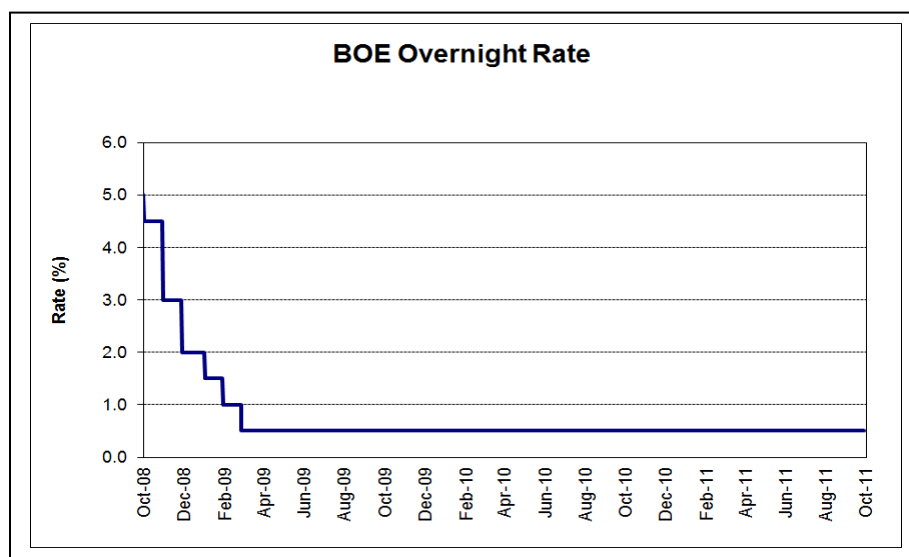
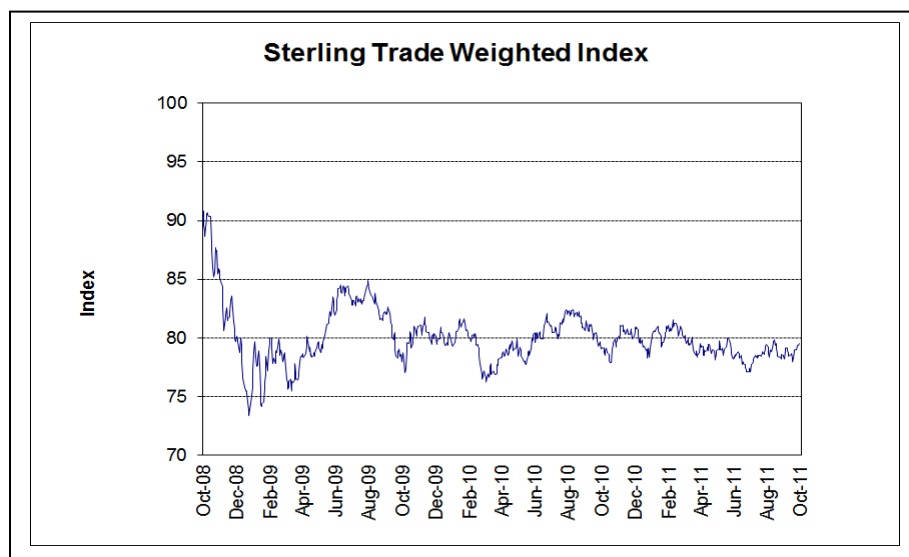
### Chart(s) of the Week: *Mfg. & Industrial Production*



August Factory Output fell 0.3% M/M (-0.4% prev.) and rose 1.5% Y/Y. Out of 13 categories, 7 fell and 6 rose. The monthly decline was led by wood and paper products. Industrial Production rose 0.2% M/M and fell 1.0% Y/Y in August. For both Factory and Industrial output, the market expected 0.2% monthly declines.

## ***Financial Balances, FX & BoE Overnight Rate***

<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%



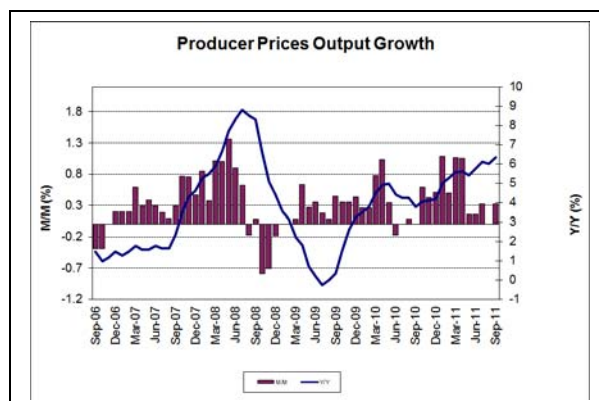
The MPC voted to keep its benchmark rate at 0.50% and expanded the Asset Purchase Target to £275 bln. The 75bn increase was the largest expansion since the first round of stimulus in March 2009. The Bank Rate has been at 0.50% since March 2009.

UK - 2

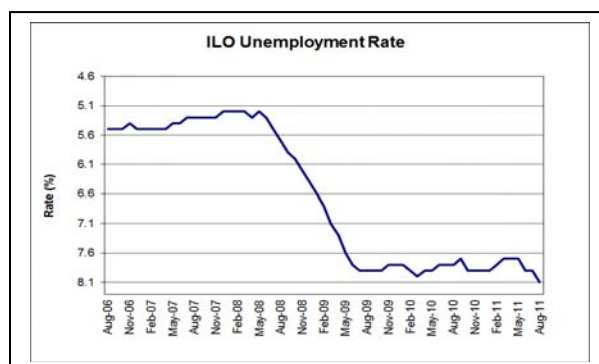
## PPI & Employment Data

### Producer Prices Input/Output Growth

September Prices charged by factories rose 0.3% M/M, more than expected, and 6.3% Y/Y. Core Producer Prices rose 0.3 % M/M and 3.8% Y/Y. Raw Material Prices jumped 1.7% M/M and 17.5% Y/Y, driven by a 5.1% M/M jump in the cost of crude oil.



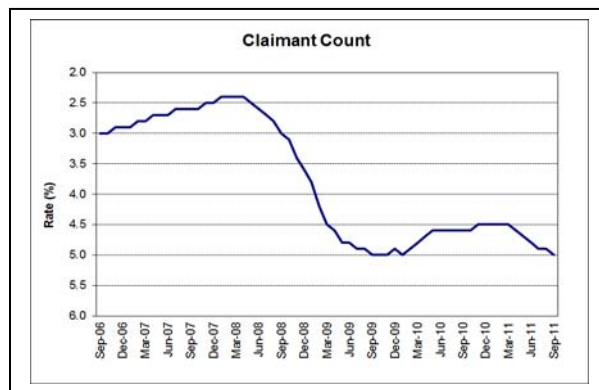
### Employment Data



The ILO Unemployment Rate rose from 7.9% to 8.1% in the three months through August. Expectations were for 8.0%.

The Claimant Count Rate rose from 4.9% in August to 5.0% in September, its highest since January 2010.

The number of people claiming benefits rose by 17.5k in September, against expectations for 24k. The number of unemployed increased to 2.57 mln, the most since 1994.

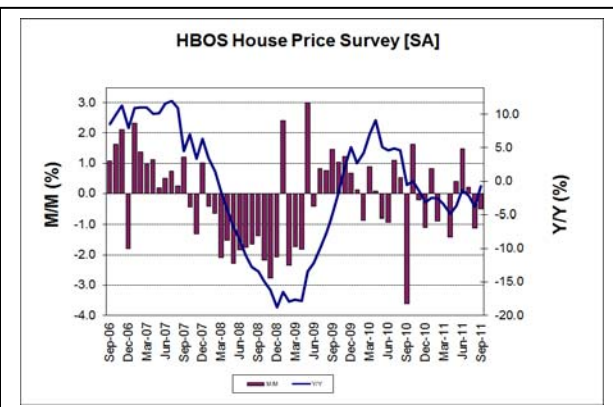




## Halifax, DCLG & RICS Housing Surveys

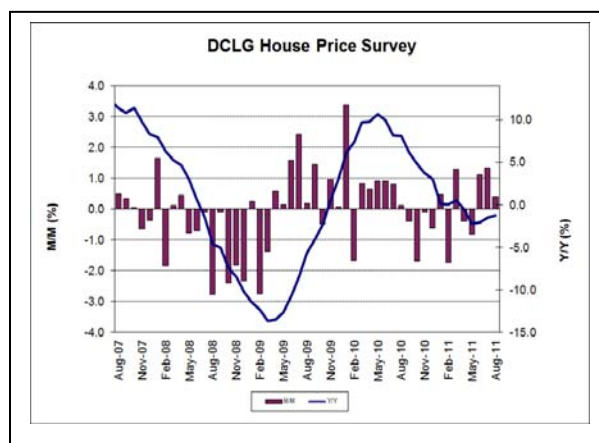
### Halifax House Prices

HBOS House Prices fell 0.5% M/M in September, after falling 1.1% M/M in August. On a 3mth avg., prices fell an annual 2.3% after -2.3% previously. The market expected a 0.2% M/M gain and 2.1% 3mths Y/Y decline. Halifax said that “U.K. house prices fell for a second consecutive month in September as a darkening economic outlook and a squeeze on household incomes curbed demand for homes.”



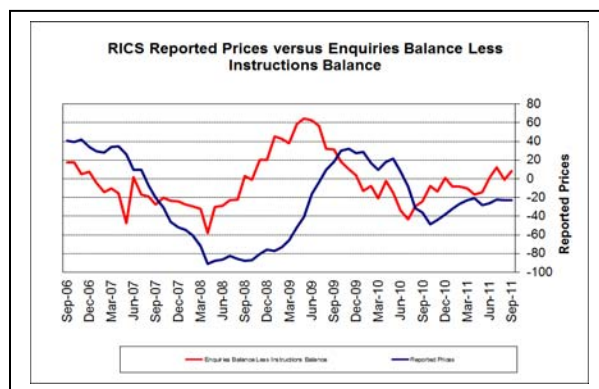
### DCLG House Price Survey

According to the Department for Communities and Local Government, House Prices fell 1.3% Y/Y in August after they dropped 1.5% Y/Y in July. This is the fifth straight annual decline. In London, prices rose 3.2% Y/Y after gaining 0.9% Y/Y, previously.



### RICS House Price Survey

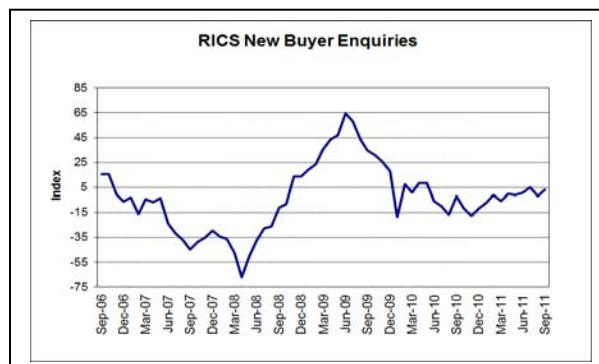
The RICS House Price Net Balance survey remained at a depressed level of -23 in September, slightly better than the -24% expected. Of the 11 regions RICS tracks, London was the only area to record an increase in prices over the past three months. RICS said that “falling supply of fresh stock is indicative of general fears overhanging the economy, with many potential sellers preferring to stay put for now.”



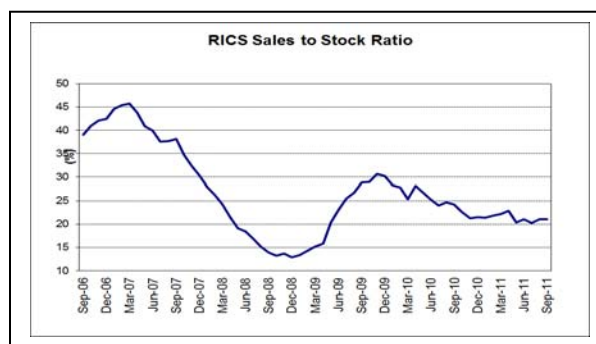
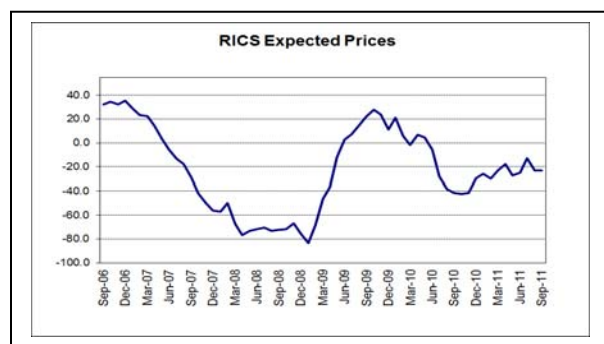
## ***RICS House Price Survey Cont'd & Data***

### ***RICS New Buyer Enquiries***

New Buyer Enquiries edged up from -2 to +3 in September.



### ***RICS Expected Prices & Sales to Stock Ratio***



The ratio of completed sales (over the last three months), compared to stocks of unsold property on the market, increased from 21.0% to 21.1% in September. New Vendor Instructions declined from -1 to -5 during the same month.#

## ***Data***

**Index of Services Data** - The Service Industries Index rose 0.9% 3M/3M in July after growing 0.2% 3M/3M in June. Y/Y, services grew 1.3% in July. Service industries account for about 75% of the U.K. economy. Business Services and Finance grew 0.4% M/M, while Government Services increased 0.3% M/M.

**September NIESR GDP Estimate** - According to the National Institute of Economic and Social Research (NIESR), "GDP probably grew 0.5% in the three months through September compared to a 0.4% in the quarter through August." It said that GDP remains 4% below its pre-recession peak, "suggesting the recovery will be the weakest of any since the end of the First World War."



## News

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**Oct. 12<sup>th</sup> - O'Neill Says It's 'Dangerous' to Rule Out U.K. Economy Weakening (Bloomberg)** - Goldman Sachs Asset Management Chairman Jim O'Neill said it would be "dangerous" to rule out that the U.K. economy could deteriorate further after data today showed unemployment in Britain rose to the highest level since 1996. "I think it would be a dangerous thing to rule out" that it could get worse "with what the evidence is showing," O'Neill said in an interview with Maryam Nemazee on Bloomberg Television's "The Pulse" program in London today. "It might be because of the fiscal tightening that is coming home to roost." He also said "this is something that I didn't envisage a few months ago" and "if I was a policy maker, I'd be a little troubled by it," referring to recent U.K. economic data.

**Oct. 12<sup>th</sup> - BOE's Dale Says QE Success Will Depend on U.K., World Economy (Bloomberg)** - Bank of England's Chief Economist, Spencer Dale, said the success of the central bank's resumption of so-called quantitative easing will depend on how the U.K. economy and global economy performs, Reuters reported, citing an interview. "The ultimate judge of the success of QE is whether we hit the inflation target -- so in a couple of years' time whether we've managed to support demand and we've hit the inflation target," Dale told Reuters. "I think it will depend critically on what happens in our economy, but even more importantly in the rest of the world." The policy maker also told the news organisation that "the main reason why our economic outlook has deteriorated very substantially over the past few months is what's happening in the rest of the world, and therefore, how we will set the stance of policy going forward." "A big feature of the weakness of growth this time around isn't something related to the financial crisis and a 'lost decade,' but that households' real incomes are being squeezed by increases in imported commodities and other imports prices," Reuters reported him as saying.

**Oct. 12<sup>th</sup> - Posen Says BOE Prepared to Add More Stimulus If It's Needed (Bloomberg)** - Bank of England policy maker, Adam Posen, said the central bank's new round of stimulus is the "right place" to start and officials are ready to do more if it's needed. "We are going to review it on an ongoing basis," Posen said in an interview with Bloomberg Television in New York late yesterday, referring to the bank's Oct. 6<sup>th</sup> decision to increase so-called quantitative easing. "We will readjust it if it turns out we need more." The Bank of England raised the ceiling for asset purchases to 275 bln pounds (\$429 bln) from 200 bln pounds, the biggest expansion since the first round of stimulus in March 2009. Posen said the increase should be enough "to make a material improvement in prospects versus what it otherwise would be and it's the right place for us to start." Bank of England Governor, Mervyn King, said last week that the expansion of stimulus was a response to what may be the worst financial crisis ever. Posen said its right to be concerned about turmoil in financial markets. A report last week showed the U.K. economy barely grew in the second quarter and data today showed unemployment rose to the highest in 15 years in the three months through August. "I'd be a fool not to be quite worried" about the potential impact on U.K. banks from the debt crisis in the euro area, Posen said.

**Oct. 11<sup>th</sup> - U.K. Mortgage Approvals Rose 7% in August From July, CML Says (Bloomberg)** - U.K. mortgage approvals rose 7% to 52,000 in August from the previous month, the Council of Mortgage Lenders said. The reading is up 2% from a year earlier, the London-based group said in an e-mailed statement today. The value of the loans increased to 7.9 bln pounds in August from 7.2 bln pounds the previous month, the CML said.

**Oct. 11<sup>th</sup> - U.K. Risks Losing AAA Rating, Investec's Stewart Says (Bloomberg)** - Under base case scenario of low medium-term growth, U.K. deficit reduction will be "very limited," Investec's Ewen Stewart says; can't take AAA rating 'for granted' Deficit may be ~7.5% of GDP in 2015 on GDP growth of 1% p/yr.

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## *News Cont'd.*

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**Oct. 7<sup>th</sup> - King Says 'Poor' Global Data Spurred BOE to Expand Stimulus (Bloomberg)** - "The news from the rest of the world in the past few months has been very poor," Bank of England's Governor, Mervyn King, said in an interview with BBC Television. "The world economy has slowed, America has slowed, China has slowed, and of course particularly the European economy has slowed. That's affecting our ability to engineer a recovery here so we took action today." "It's pretty clear that the world economy as a whole is slowing down much faster than people even thought a few months ago," King said. He also said inflation probably peaked in September and is likely to slow "sharply" in 2012. King said the new round of bond purchases "will have an effect."

**Oct. 7<sup>th</sup> - Fleet buyers bolster flat new car sales (FT)** - The Society of Motor Manufacturers and Traders now expects car sales in 2012 to remain flat. Registrations of new cars totalled 332,476 in September, 0.8% lower than a year ago, the SMMT said. Fleet buyers registered 7% more vehicles than a year ago. However, registrations of new cars by private buyers showed a 9% year-on-year drop last month. The SMMT said that the market remained on track to reach the expected full-year total of about 1.92m registrations. However, the group revised its forecast for next year down from just over 2m to 1.96m. Britain's production of cars was 4% higher in the eight months to end-August than a year previously, and engine production was up 5% on a year ago.

**Oct. 7<sup>th</sup> - Osborne Backs King View That This Is Worst Crisis Since 1930's (Bloomberg)** - U.K. Chancellor of the Exchequer, George Osborne, said he supported Bank of England Governor, Mervyn King's, view that the economic crisis is the most serious in 80 years. "I do," Osborne told BBC Radio 4's "Today" program. "It's as serious as anything since the 1930's."

## *Key Dates This Week*

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/10-10/14	Nationwide Consumer Confidence	SEP	--	48
10/15-10/20	CBI Trends Total Orders	OCT	--	-9
10/15-10/20	CBI Trends Selling Prices	OCT	--	13
10/15-10/20	CBI Business Optimism	OCT	--	-16
10/16	Rightmove House Prices (M/M)	OCT	--	0.70%
10/16	Rightmove House Prices (Y/Y)	OCT	--	1.50%
10/18	CPI (M/M)	SEP	--	0.60%
10/18	CPI (Y/Y)	SEP	--	4.50%
10/18	Core CPI (Y/Y)	SEP	--	3.10%
10/18	Retail Price Index	SEP	--	236.1
10/18	RPI (M/M)	SEP	--	0.60%
10/18	RPI (Y/Y)	SEP	--	5.20%
10/18	RPI Ex Mort Int.Payments (Y/Y)	SEP	--	5.30%
10/19	Bank of England Minutes	--	--	--

# Valance Economic Report: Canada

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October 12, 2011

**The Canadian economy added a much larger than expected number of jobs in September, while the Unemployment Rate fell to its lowest since 2008. New Home Prices increased for the fifth straight month in August.**

## Weekly Highlights

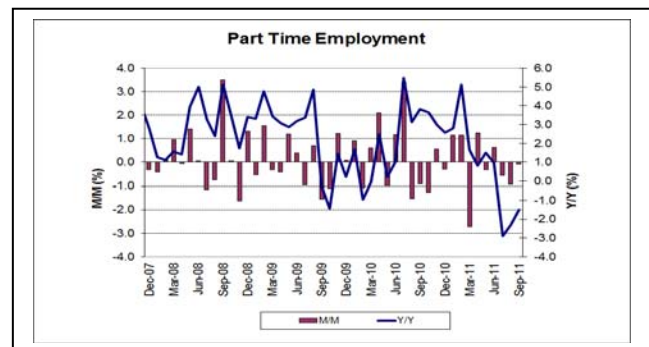
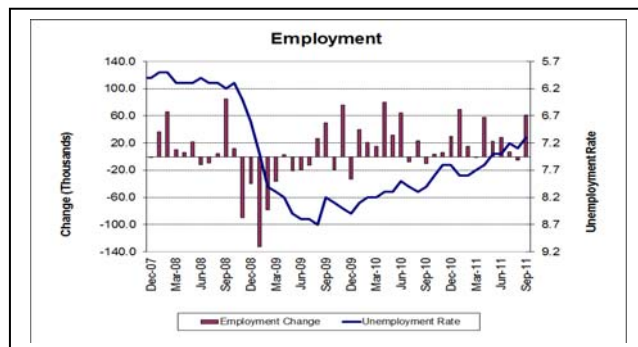
**Employment** – the economy added 60.9k jobs in September. (CA 1)

**Housing Starts** – rose 7.3% M/M and 11.1% Y/Y in September. (CA 3)

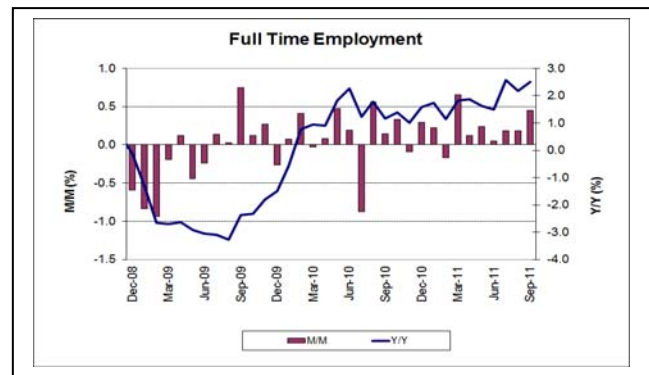
**Ivey Purchasing Managers Index** – eased 0.7pts to 55.7 in September. (CA 3)

## Weekly Releases & News

### Chart(s) of the Week: *Employment Data*



The Canadian economy added 60.9k jobs in September, following a 5.5k job decline in August, and beating expectations for a 15.0k job gain. This monthly increase was the largest in eight months and was driven by hiring in education. The Unemployment Rate fell from 7.3% to 7.1%, less than the 7.3% expected and the lowest since 2008. Full-time jobs gained 63.8k and part-time jobs fell 2.9k.

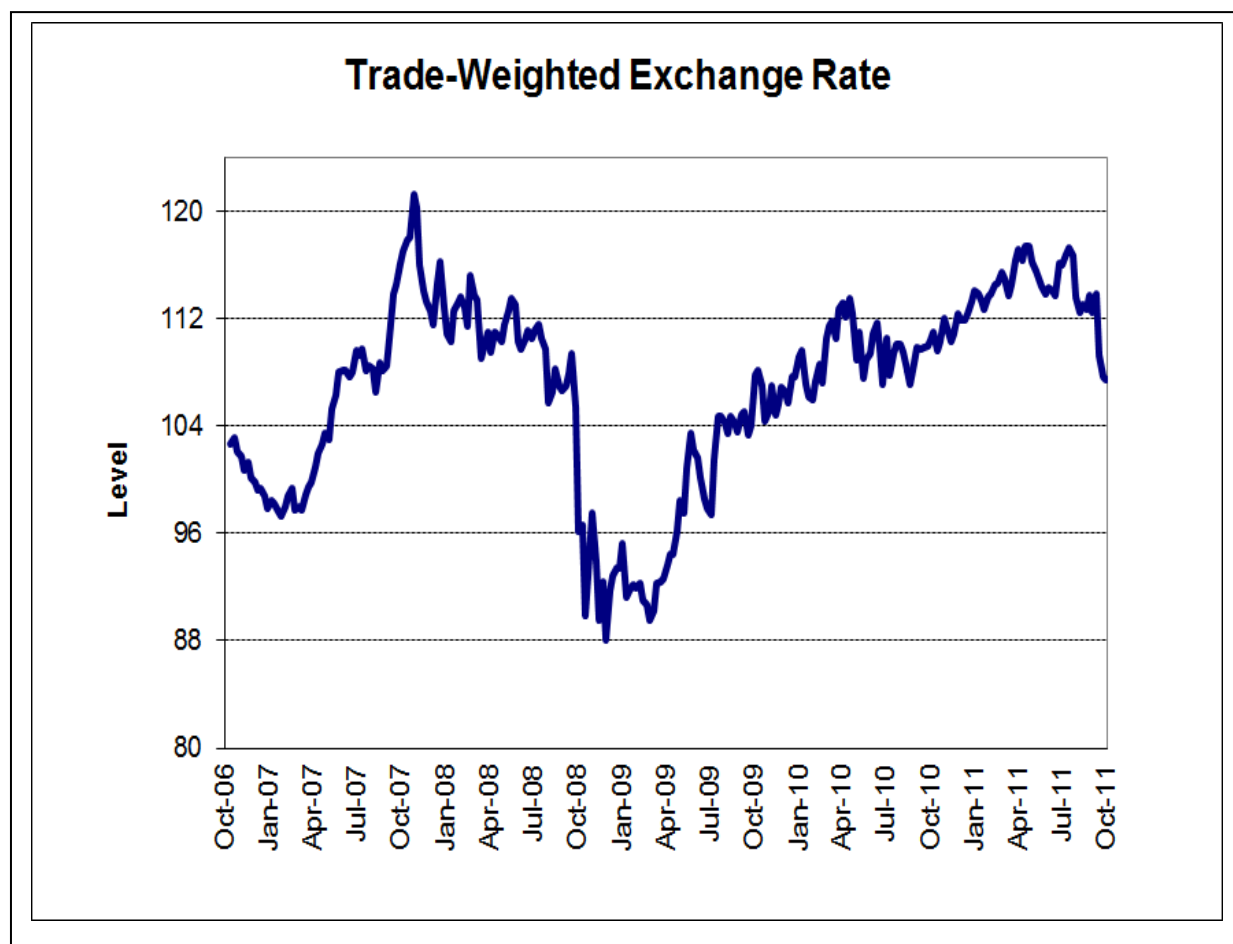


## ***Financial Balances & Trade Weighted Exchange Rate***

### ***Financial Balances***

<i>Canada</i>	<i>Latest period (C\$bln)</i>	<i>Last 12mth. as % of GDP</i>
Budget Balance	-0.9 (Feb)	-5.5%
Trade Balance (Monthly)	-0.75 (Jul)	-1.6%
Current Account Balance (Quarterly)	-15.3 (Q2)	-2.7%
Private Balance	-16.2	-8.2%

### ***Trade-Weighted Exchange Rate***



## ***Housing Data & Ivey Purchasing Managers Index***

### ***Housing Starts***

Housing Starts rose from 191.9k in August to 205.9k in September. This translates into a 7.3% M/M and 11.1% Y/Y gains. Expectations were for 190.0k.



### ***House Price Index***

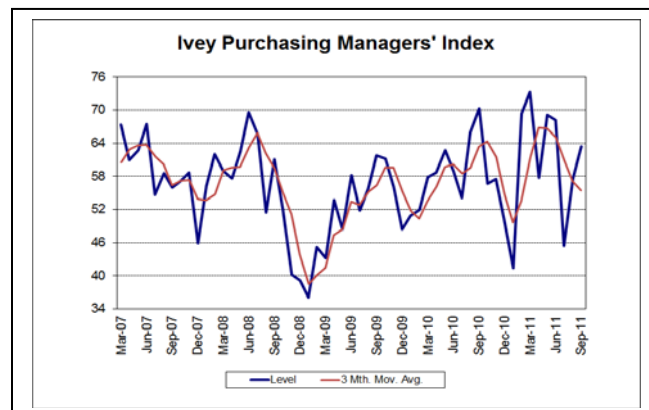
The New House Price Index rose 0.1% M/M in August, following the 0.1 % M/M increase in July. The market expected a 0.1% M/M gain. Y/Y, prices rose 2.3%, following the same increase in July.



### ***Ivey Purchasing Managers' Index***

The Ivey Purchasing Managers' Index (S.A.) eased from 56.4 in August to 55.7 in September, above expectations for 54.8. The index was at 62.5 a year ago.

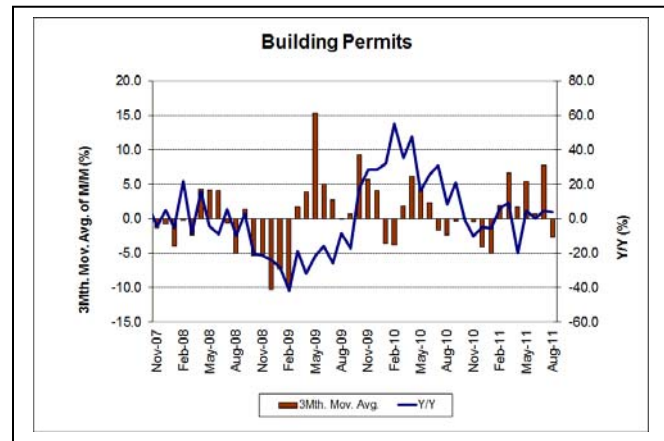
On a not seasonally adjusted basis, the index increased 5.8pts to 63.4 in September. This compares to a 70.3 level a year ago.



## Building Permits & Upcoming Dates

### Building Approvals

Building Permits dropped 10.4% M/M in August after falling 0.4% M/M in July. Expectations were for a 0.3% M/M increase. Y/Y growth was up 3.9%. Residential Permits fell 6.0% M/M and Non-residential Permits dropped 16.6% M/M.



### Key Dates This Week

Date	Indicator	Month	Expectation	Previous
10/13	Trade Balance	AUG	--	-0.7bln
10/14	Manufacturing Sales (M/M)	AUG	--	+2.7%
10/19	Leading Indicators (M/M)	SEP	--	0.0%
10/17	Business Outlook Survey (Q/Q)	Q3	--	+20.0



Valance Co., Inc.

# Valance Economic Report: Australia

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October 12, 2011

The Westpac Consumer Confidence Index rose for the fourth time in a row in October and the NAB Business Confidence Index had the largest monthly increase since January in September. In September, the AiG Construction Index dropped to its lowest level since February 2009.

## Weekly Highlights

**Home Loans** – rose 1.2% M/M in August (AU 1)

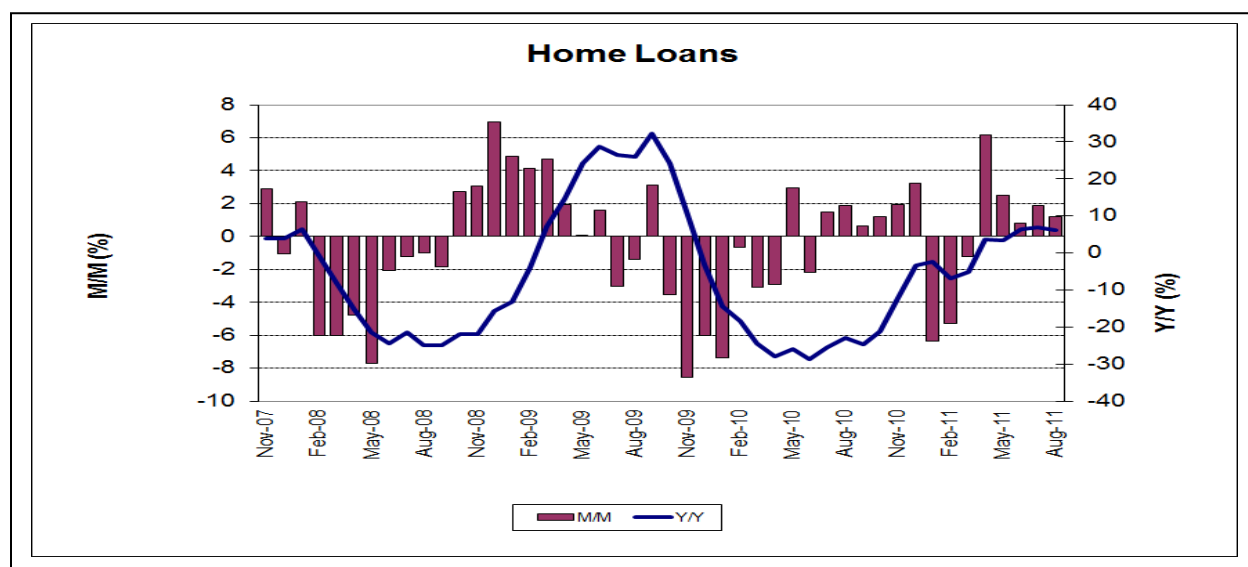
**Westpac Consumer Confidence Index** – rose 0.4% M/M in October. (AU 3)

**NAB Business Confidence** – increased 7pts to -2 in September. (AU 3)

**AiG Construction Index** – fell 2.1pts to 30.0 in September. (AU 3)

## Weekly Releases & News

### Chart of the Week: *Home Loans*

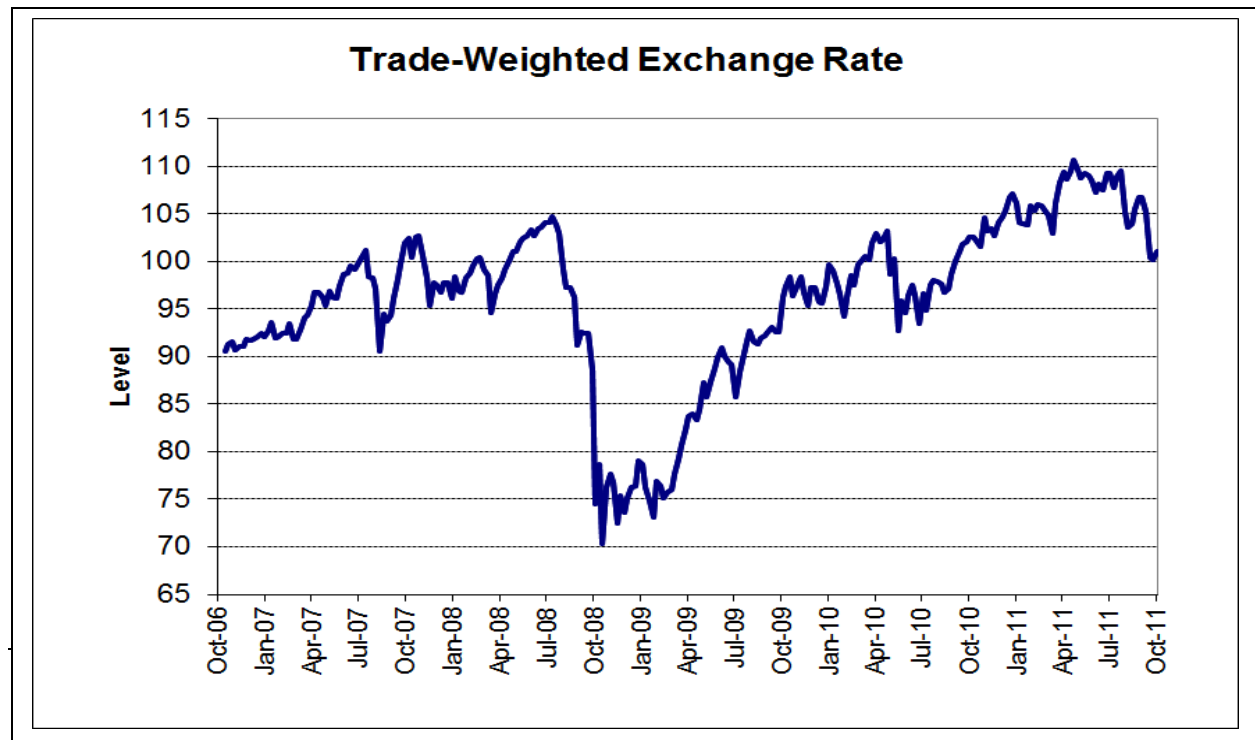


In August, the number of Home Loan approvals rose 1.2% M/M after increasing 1.9% M/M in July. The market expected a 1.0% M/M gain. First-time home buyers accounted for 15.3% of dwellings that were financed in August, up from 14.9% in July, the first increase since March. The number of refi loans rose 1.7% M/M.

AU - 1

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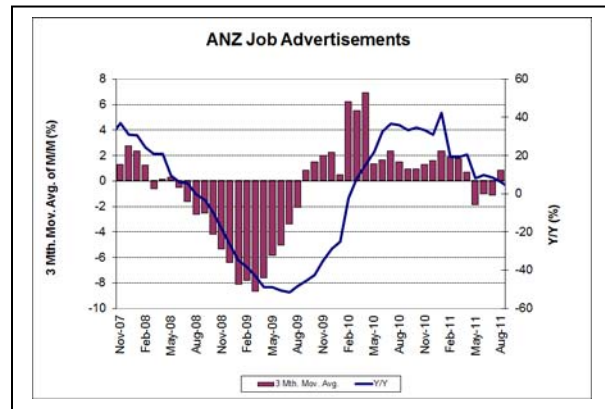


***FX******Trade-Weighted Exchange Rate***

## ANZ Job Advertisements & Data/Comments

### ANZ Job Advertisement

Job advertisements fell 2.1% M/M in September after -0.7% M/M in August. Y/Y, ads were up 3.1%.



### Data/ Comments

**Westpac/MI Consumer Confidence** - The Consumer Sentiment Index rose by 0.4% M/M in October. The Confidence Index is now at 97.2; this compares to the reading of 117.0 from a year ago. This is a second straight monthly increase, following four consecutive declines. The measure of the state of economy in 12-months' time rose 0.9% M/M after surging 16.7% M/M in September. A reading above 100 indicates optimists outnumbered pessimists.

**NAB Business Confidence Survey** - The Australian Business Confidence Index rose from -9 pts in August to -2 pts in September, the largest improvement since January. The lowest level on record (-32) was reached in January 2009. The Business Conditions Index improved from -3 pts to +2.

**AiG Performance of Construction Index** - The Performance of Construction Index fell 2.1pts to 30.0 in September. This is the lowest level since February 2009 as new orders dropped to a record low level of 23.9. This compares to the 40.8 level reached a year ago.

**Oct. 7<sup>th</sup> - Australia Has Scope to Cut Rates If Needed, IMF Staff Say (Bloomberg)** - Australia's central bank has "ample scope" to cut interest rates and the government has room to deploy fiscal stimulus in the event of another global financial crisis, International Monetary Fund staff said today. Australia's economy will expand 1.8% this year, accelerating to 3.3% in 2012, the IMF staff said in the report, called an Article IV consultation, reiterating forecasts made last month. Bolstered by Asian demand for commodities, the outlook "remains favorable, despite global financial market volatility in recent months," it said. "The RBA has ample scope to cut the policy interest rate and provide liquidity support to banks, which proved effective in the global financial crisis," the report said. "In discussions with the mission, the RBA agreed that there is considerable policy space to react to a downside scenario." "Staff estimates suggest an overvaluation of the Australian real effective exchange rate by 10-20% from a medium-term perspective," the IMF said. While recent global financial market volatility has increased uncertainty about the outlook, further increases in the policy interest rate are likely to be needed to contain inflation if the recovery remains on track," the IMF staff report said. "An exit from budget deficits is needed to increase fiscal space and support monetary policy."

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

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/12	Employment Change	SEP	--	-9.7K
10/13	Unemployment Rate	SEP	--	5.30%
10/14	Full Time Employment Change	SEP	--	-12.6K
10/15	Part Time Employment Change	SEP	--	2.9K
10/16	Participation Rate	SEP	--	65.60%
10/17	RBA Minutes			
10/18	New Motor Vehicle Sales (M/M)	SEP	--	3.30%
10/19	New Motor Vehicle Sales (Y/Y)	SEP	--	4.40%
10/20	Westpac Leading Index (M/M)	AUG	--	0.50%
10/21	DEWR Internet Skilled Vacancies (M/M)	SEP	--	-0.60%
10/22	Consumer Inflation Expectation	OCT	--	2.80%

Valance Co., Inc.

# Valance Economic Report: New Zealand

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October 12, 2011

Both the REINZ and QV Home Price surveys increased in September.

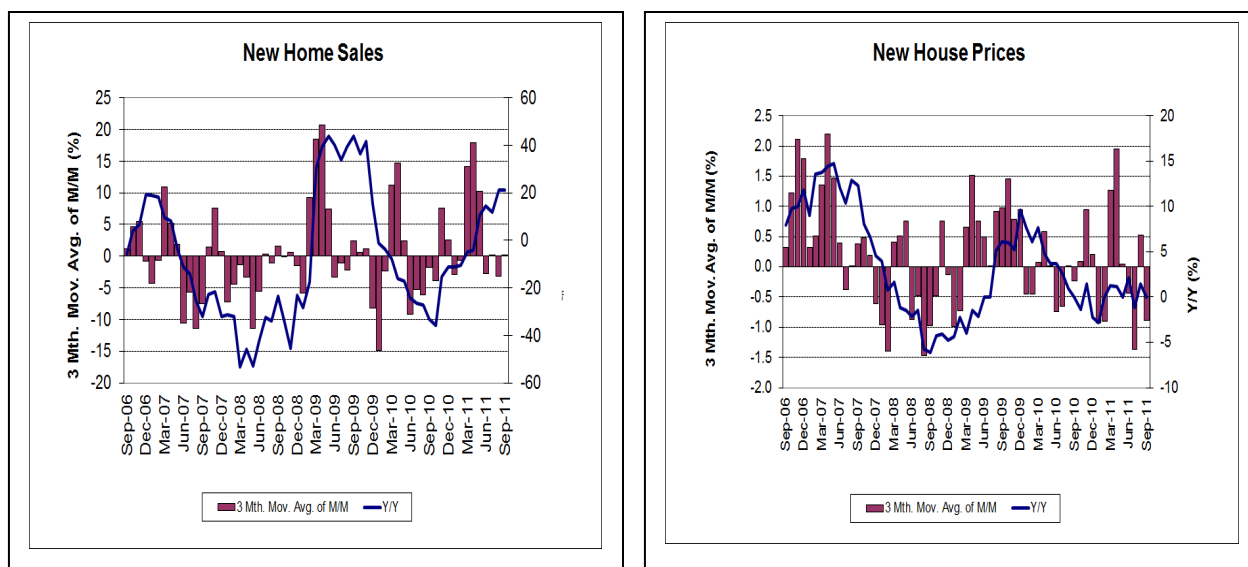
## Weekly Highlights

**REINZ Home Prices** – increased 1.7% M/M in Sept., after rising 0.5% M/M in August. (NZ 1)

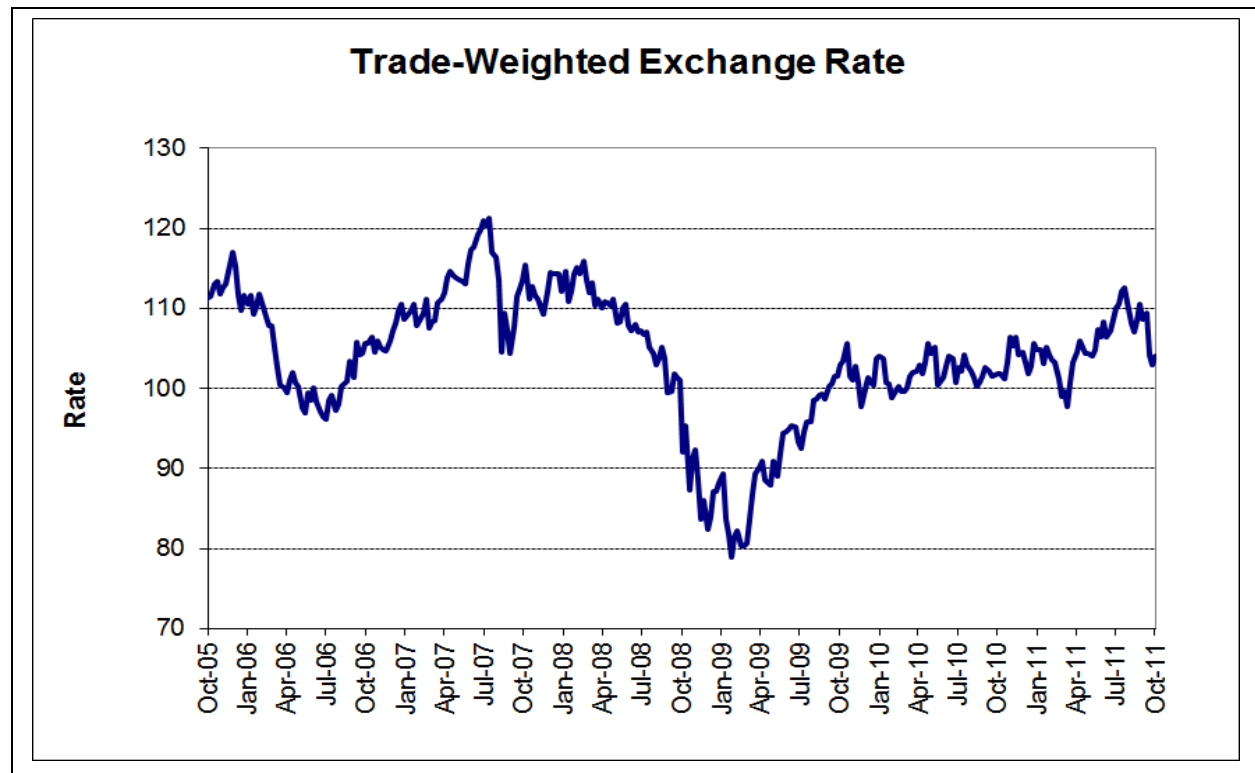
**QV Home Prices** – rose 0.7% Y/Y in September, following +0.1% Y/Y in August. (NZ 3)

## Weekly Releases & News

### Charts of the Week: *REINZ Housing Survey*



According to the Real Estate Institute of New Zealand Inc., House Sales were up 0.8% M/M and 21.1% Y/Y in September. Median House Prices fell 1.4% M/M and were flat Y/Y. It took 37 days to sell a house, compared to 39 days in August.

***FX***

## ***Data/News & Upcoming Dates***

### ***Data/News***

**QV Home Prices** - According to Quotable Value New Zealand Ltd., the government's valuation agency, the National House Price Index rose 0.7% M/M in September, after increasing 0.1% M/M in August, and fell 0.4% Y/Y in July.

**Oct. 11<sup>th</sup> - New Zealand Budget Deficit Higher Than Forecast in May (Bloomberg)** – The 2010-2011 deficit of NZ\$ 18.4b was wider than the May budget forecast of NZ\$ 16.7b after higher-than-expected costs and liabilities from the Christchurch earthquake. The deficit before gains and losses on investments held by state-owned financial institutions, grew from NZ\$ 6.32b a year earlier. NZ's English says he is committed to halving deficit this year.

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

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/12	Food Prices (M/M)	SEP		-1.3%
10/12	Business PMI	SEP	-	52.9
10/12	ANZ Consumer Confidence Index	OCT	-	112.6
10/16	Services Index	SEP	-	53.9

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## Weekly Economic Report: **China**

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October 12, 2011

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***No economic data released this week.***

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### News Releases

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#### **October 12<sup>th</sup> (Boston Globe) - China slams US currency bill as threat to trade –**

Foreign Ministry Spokesman, Ma Zhaoxu: *It is completely harmful and unbeneficial.*

*It not only cannot solve the problems in the U.S. economy or unemployment, but will seriously impede Sino-U.S. economic and trade ties and impede the joint efforts that China, the U.S. and the international community have made to enable a strong recovery and the growth of the global economy.*

Commerce Ministry Spokesman, Shen Dayang: *If it becomes law, Sino-U.S. economic and trade relations will inevitably be severely damaged.*

#### **October 10<sup>th</sup> (Fox Business) - China: New Currency Bill Would Hurt U.S. Job Growth - Vice Foreign Minister, Cui Tiankai stated:**

*(The currency bill) in no way represents the reality of the economic and trade relationship between China and the United States, and it might have an adverse impact on the development of the relations between the two countries.*

*Should the proposed legislation become law, the only result would be a trade war between China and the U.S. and that would be a lose-lose situation for both sides.*

*If this type of situation occurs, of course it would be detrimental to the development of economic and trade relations between China and the U.S. and detrimental to U.S. economic and job growth. At the same time, it would hinder global economic recovery.*

**October 10<sup>th</sup> (Reuters) – China think-tank sees 2011 GDP growth at 9.4 pct** - The Xinhua News Agency reported, citing the Chinese Academy of Social Sciences, that China's economy will likely slow from 10.4% in 2010 to 9.4% Y/Y in 2011 (from an earlier forecast of 9.6%), before slowing further to 9.2% in 2012. The Academy also predicts inflation will be at 5.5% this year. China's trade surplus is expected to weaken, with imports and exports reaching 26.2% Y/Y and 21.8% Y/Y, respectively, the Academy continued.

**October 10<sup>th</sup> (Bloomberg) - China Unlikely to Raise Rates** - Li Yang, a former academic adviser to the PBOC remarked in an interview with China's Securities Journal:

*Tight monetary policy should be maintained as long as there is no big reversal in the economic situation. It is still too early to talk about changing the monetary policy stance.*

**October 6<sup>th</sup> (Washington Post) - Help for debt-laden businesses as cash crunch deepens** - Premier Wen Jiabao said:

*We should maintain the continuity and stability of our policies while giving them more foresight, relevance and flexibility.*

*Effective measures should be taken to contain the trend of usury, crack down on illegal fundraising and properly handle the problems of collateral and capital shortage in order to prevent risks from spreading and evolving on a regional scale.*

*Small businesses play an irreplaceable role in creating jobs and boosting economic growth. It is of overall and strategic significance to support their development.*

**October 6<sup>th</sup> (GMA News) - White House voices concern on China currency bill** - White House Press Secretary, Jay Carney told reporters:

*We certainly ... have concerns about this particular legislation, and whether or not it would create consistency issues with our international obligations.*

*We have, from the beginning as an administration, worked on the issue of the undervalued Chinese currency. And it has appreciated to some degree as a result, we think, of those efforts. More needs to be done.*

Democratic Senator, Charles Schumer: *...has broad, broad support and it would send an important signal to China that they can't keep getting away with economic murder.*

Democratic Senator, Sherrod Brown: *Other than those who want to stand with companies that outsource jobs to China, I don't see where any real opposition to this bill should come from.*

*Where I come from we say that when you throw a rock at a pack of dogs, the one that yelps is the one you hit. These are all arms of the Chinese Communist Party. Of course they are not happy when we do this.*

Republican Senator, Mark Kirk of Illinois: *A trade war with the second-largest economy in the world would be unwise, at best.*

**October 6<sup>th</sup> (Washington Post) - China Says U.S. Policy, Not Undervalued Currency, to Blame for Economic Woes** – A Xinhua News Agency editorial stated:

*It's crystal clear that labeling China as a 'currency manipulator' is just a cheap excuse for some in Washington to launch a protectionist war. It is also unfair and unwise to make China a scapegoat for the economic problems of America's own making. The United States has to look inward to revive its economic growth.*



## Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/12	Business Climate Index	Q3	--	135.6
10/12	Entrepreneur Confidence Index	Q3	--	132.4
10/12	Trade Balance	SEP	\$16.30B	\$17.76B
10/12	Exports / Imports	SEP	20.5% / 24.2%	24.5% / 30.2%
10/11-15	Actual FDI	SEP	--	11.1%
10/11-15	Foreign Exchange Reserves	SEP	\$3,327.5B	\$3,197.5B
10/11-15	New Yuan Loans	SEP	550.0B	248.5B
10/11-15	Money Supply – M0 / M1 / M2	SEP	-- / 12.0% / 14.0%	14.7% / 11.2% / 13.5%
10/13	CPI	SEP	6.1%	6.2%
10/13	PPI	SEP	6.9%	7.3%
10/17	Real GDP YTD	Q3	9.5%	9.6%
10/17	Real GDP Q/Q / Y/Y	Q3	-- / 9.3%	2.2% / 9.5%
10/17	IP	SEP	14.1% / 13.3%	14.2% / 13.5%
10/17	Fixed Assets	SEP	24.8%	25.0%
10/17	Retail Sales YTD / Y/Y	SEP	16.9% / 17.0%	16.9% / 17.0%
10/18	Conference Board China August Leading Economic Index			

Valance Co., Inc.

# Valance Economic Report: Sweden

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October 12, 2011

**In September, Y/Y CPI inflation continued to remain above the Riksbank's 2% target. Industrial Output growth fell unexpectedly and Orders decreased slightly in August.**

## Weekly Highlights

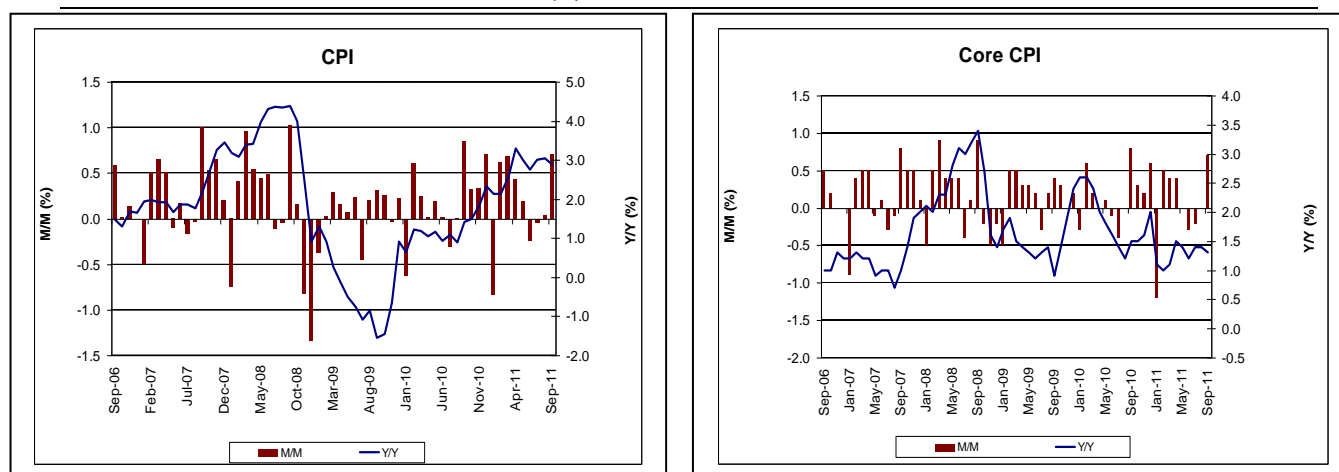
**CPI** – rose 0.7% M/M and 3.2% Y/Y in September. (SW 1)

**Core CPI** – rose 0.7% M/M and 1.5% Y/Y in September. (SW 1)

**Industrial Production** – fell 3.1% M/M and rose 5.6% Y/Y in August. (SW 2)

## Weekly Releases & News

### Chart(s) of the Week: CPI



As expected, Headline Consumer Price growth rose 0.7% M/M in September, compared with 0.0% M/M posted the month before. Annually, prices rose 3.2%, compared with 3.4% the previous month and slightly lower than the 3.3% Y/Y growth expected. Increases in clothing/footwear (12.2%), higher interest costs for owner occupied housing (+1.1%), fuel prices (+2.1%), and public transport (+4.8%) had a positive effect on the monthly rate; while lower prices for food and non-alcoholic beverages (-0.7%) and electricity (-2.2%) contributed negatively. As expected, on a core basis, prices rose 0.7% M/M and 1.5% Y/Y, compared to 0.0% M/M and 1.6 Y/Y the previous month.

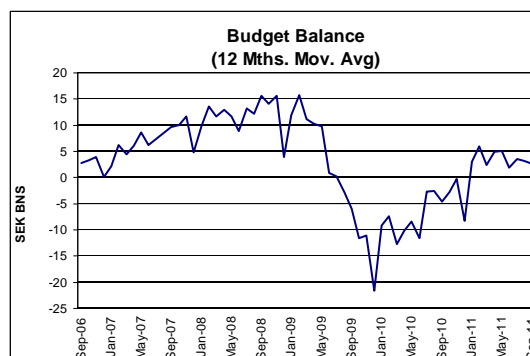
SW - 1

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## Budget Surplus, Industrial Production & Orders

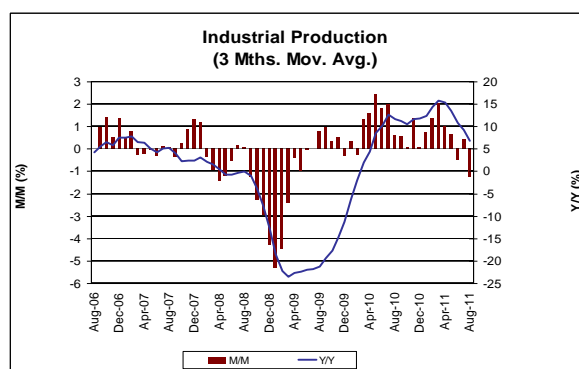
### Budget Surplus

Sweden posted a Budget Surplus of SEK 1.7 bln in September, below the surplus of SEK 8.8 bln posted the previous month. On a 12-mth. mov. avg. basis, the budget balance weakened from a surplus of SEK 3.14 bln in August to a surplus of SEK 2.62 bln in September.



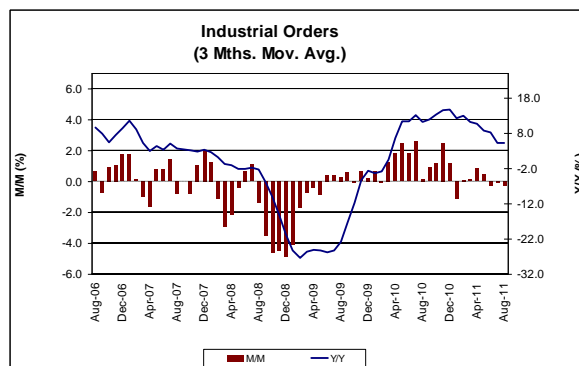
### Industrial Production

Industrial Production fell 3.1% M/M and rose 5.6% Y/Y in August. On a monthly basis, production in most subsectors decreased, with the weakest development in the wood industry (-26.7%).



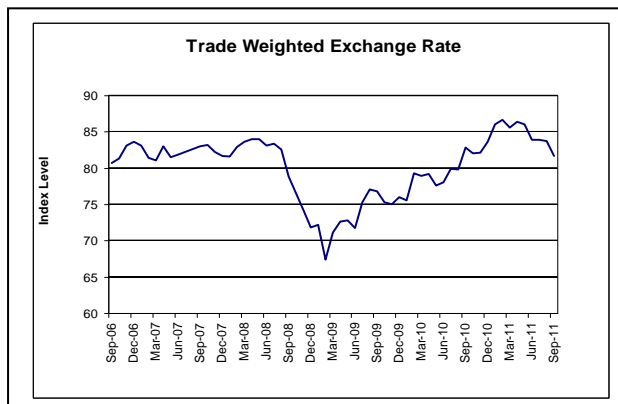
### Industrial Orders

August Industrial Orders fell 0.5% M/M and rose 9.0% Y/Y, compared with 0.5% M/M and 0.4% Y/Y in July. The transport equipment industry (-21.3%) suffered the greatest loss, while the electrical equipment industry (+141.4%) had the highest positive impact. New Orders in the domestic market rose 0.4% M/M and in the export market fell by 1.1% M/M.



## Trade Weighted Exchange Rate, News & Upcoming Dates

### Trade Weighted Exchange Rate



### News

**October 12<sup>th</sup> (Bloomberg) - Swedish Riksbank to Keep Rate at 2% in Next Year** – A survey by TNS Sifo Prospera showed the Riksbank will probably leave its benchmark interest rate unchanged at 2.0% in the next year and increase to 2.3% by 2013. Consumer Prices are expected to rise 1.9% in 2012 and 2.1% in 2013, the survey showed.

**October 7<sup>th</sup> (Bloomberg) - Premature to Shelve Rate Rises** - Riksbank Deputy Governor, Svante Oeberg stated in an interview:

*It looks pretty turbulent in Europe.*

*There hasn't been much improvement, but it hasn't become much worse either.*

*Resource utilization has a positive relationship with future inflation. It is an indicator of future inflation.*

**October 6<sup>th</sup> - Service Production** – fell 0.1% M/M (sa) and rose 3.7% Y/Y (wda) in August, compared with -0.1% M/M and +4.4% Y/Y the previous month. Notably, Art and Entertainment rose 10.9% Y/Y (wda).

### Key Dates This Week

Date	Indicator	Month	Expectation	Previous
10/13	PES Unemployment Rate	SEP	4.2%	4.3%
10/17	Average House Prices	SEP	--	2.106M

## Valance Economic Report: Switzerland

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October 12, 2011

In September, Swiss Inflation unexpectedly gained and the Unemployment Rate remained unchanged at 3.0% for the 5<sup>th</sup> consecutive month.

### Weekly Highlights

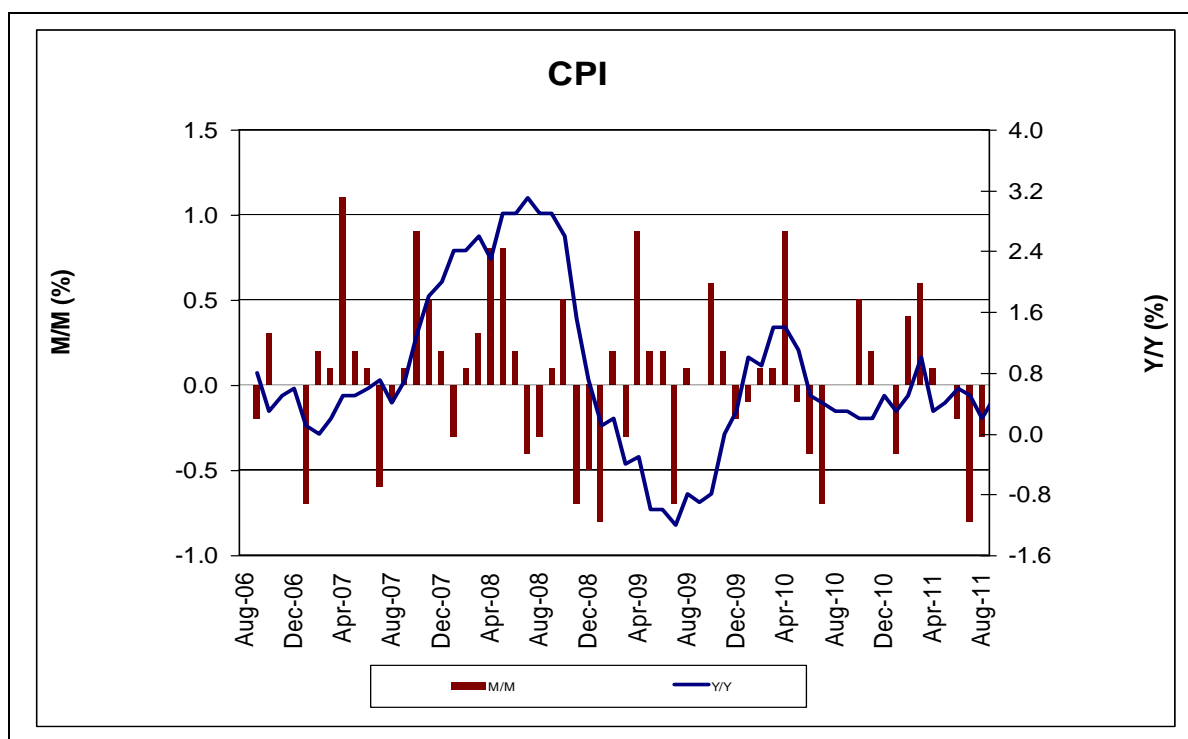
**CPI** – rose 0.3% M/M and 0.5% Y/Y in September. (SZ 1)

**Core CPI** – fell 0.3% M/M and 0.2% Y/Y in September. (SZ 1)

**Unemployment Rate** – was unchanged at 3.0% in September. (SZ 2)

### Weekly Releases & News

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



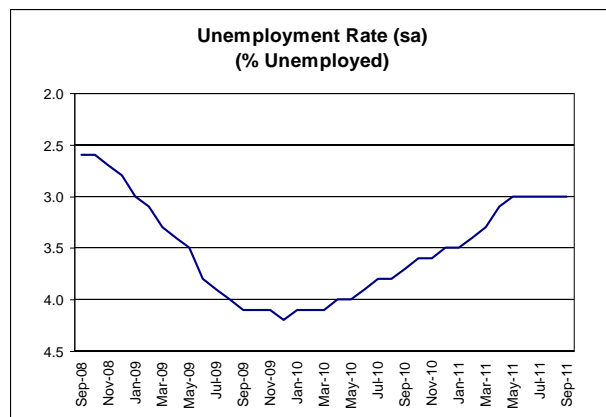
September Consumer Prices rose 0.3%, above expectations of 0.1% M/M, and compared with -0.3% M/M the previous month. On an annual basis, prices were up 0.5%, higher than the 0.2% growth posted the month before; in contrast to an expected annual reading of 0.3%. Additionally, Core Consumer Prices rose 0.3% M/M and 0.2% Y/Y in September, compared with -0.6% M/M and -0.3% Y/Y the previous month.

SZ - 1

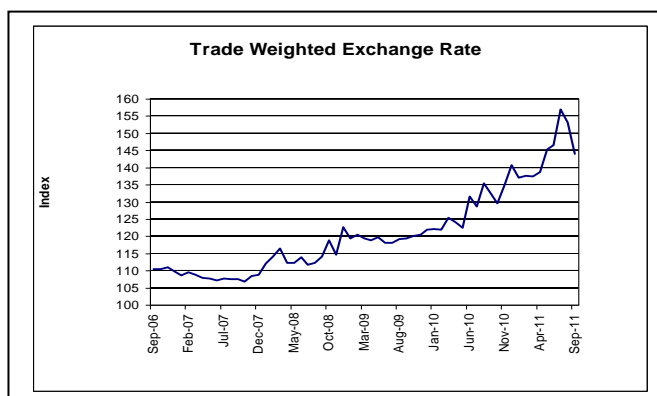
# Unemployment Rate, Trade Weighted Exchange Rate & News

## Unemployment Rate

As expected, Switzerland's seasonally adjusted Unemployment Rate was unchanged at 3.0% in September – its lowest level in over two and a half years. Meanwhile, the seasonally unadjusted Unemployment Rate also was unchanged – at 2.8% in September, in line with expectations. The number of unemployed persons fell approximately 29K from August. On an unadjusted basis, the total number of vacancies was approximately 19K – up by 851.



## Trade Weighted Exchange Rate



## News

**October 6<sup>th</sup> (Bloomberg) - Weaker Franc Would Boost Exports** – Spokeswoman, Antja Baertschi of the Swiss State Secretariat for Economic Affairs said in an interview:

*The decision of the Swiss National Bank has brought a stabilization for companies, but not a normalization.*

*Particularly for the export industry, it would be better if the franc was weaker.*

Marie-Gabrielle Ineichen-Fleisch, Secretariat Head: *The measures of the SNB brought stability, because now the companies have a certainty that it will not become worse. But a rate at 1.30 or 1.40 francs would be better...*

***Key Dates This Week***

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/13	Producer & Import Prices	SEP	-0.1% / -1.9%	-1.2% / -1.9%