

Valance Company, Inc.



Weekly

November 2, 2011

III

Highlights

US – Consumer Confidence contrasting moderate growth

EU – Data and inadequate political solutions presenting a scary picture

JN – Jobless Data improves, Industrial Production & Retail Sales decline

UK – Uncertain Q3 GDP Estimate

CA – GDP continues to expand

AU – RBA finally eased

NZ – RBNZ not clear about tightening

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Valance Co., Inc.

Valance Economic Report: *United States*

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November 2, 2011

Confidence indicators remain at levels last seen in 2009 despite modest growth and increased personal spending and personal income. The economy remains extremely volatile as the European debt crisis, expiring FICA tax cuts, and super committee discussions create uncertainty for consumers. The FOMC did not announce any policy changes but gave a slightly more upbeat assessment for Q3 growth. The only dissent came from Evans who favored additional policy accommodation.

Weekly Highlights

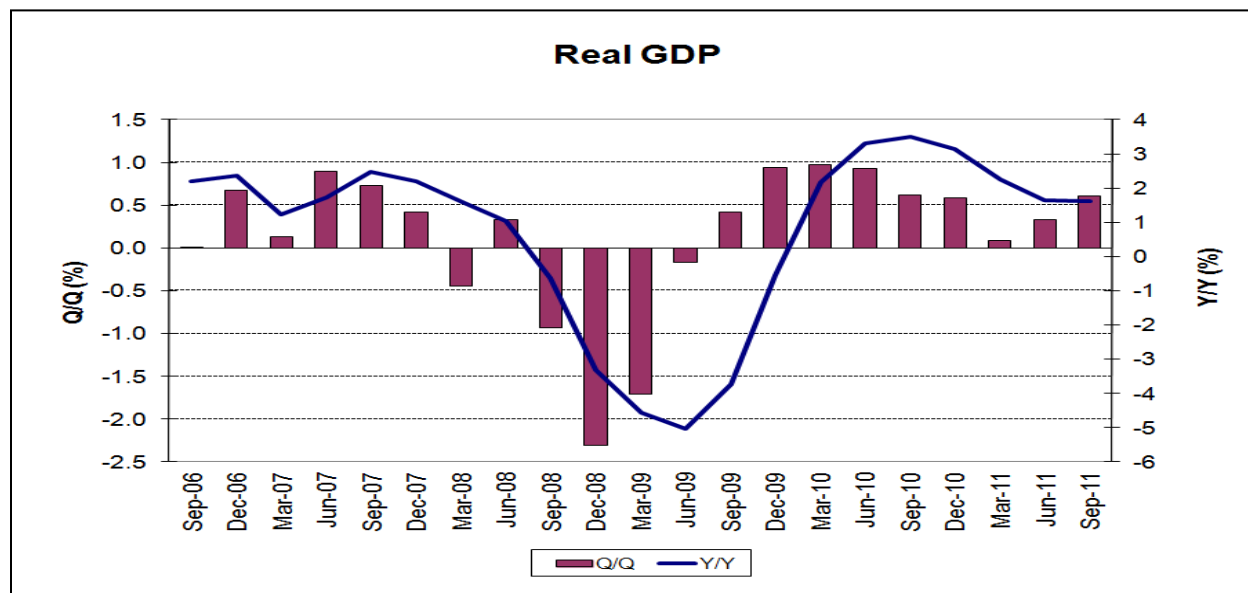
GDP – rose 2.5% in Q3 from 1.3% in Q2. (US 1)

Personal Spending – rose 0.5% M/M in September. (US 3)

Core PCE – remained unchanged M/M in September. (US 4)

Weekly Releases

Chart of the Week: *GDP*



The first reading of Q3 Real GDP was 2.5%, up from 1.3% in Q2. This was in line with market expectations. The expansion in Q3 marks the American economies first time GDP has surpassed its pre-recession level. Personal consumption increased 2.4% Q/Q and contributed 1.7% to GDP, Services grew 3.0% and contributed 1.4%, Fixed Investment rose 13.7% Q/Q and contributed 1.6%, and Equipment/Software gained 17.4% Q/Q and contributed 1.2%.

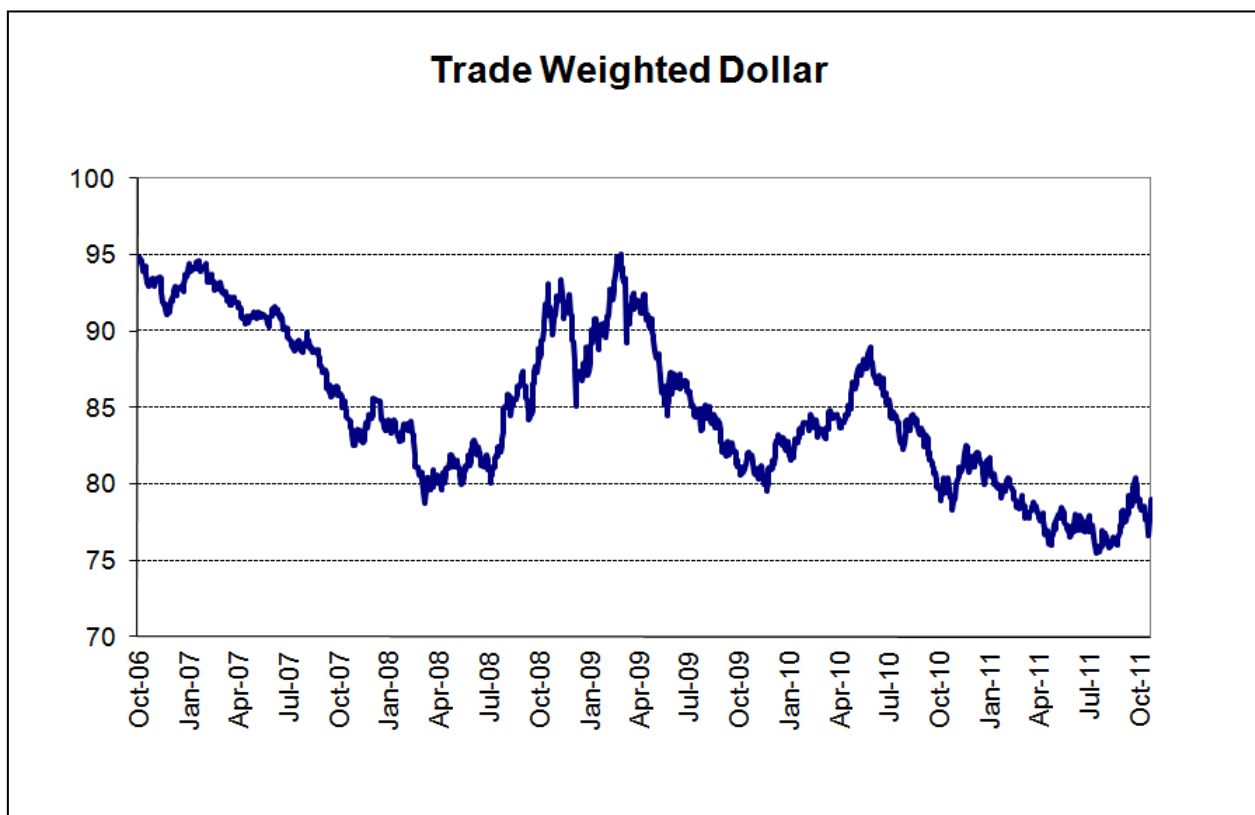
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

U.S.	Latest period (\$blns)	Last 12mth. as a % of GDP
Budget Balance	-127.0 (Aug)	-8.4%
Trade Balance	-45.6 (Aug)	-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 8.4% of GDP. The trade deficit as of August is 3.6% of GDP. The budget deficit is quite large but is starting to shrink through a combination of the expiration of stimulus funds and congressional spending cuts. The budget deficit will help build private balances and support a sluggish economic recovery.

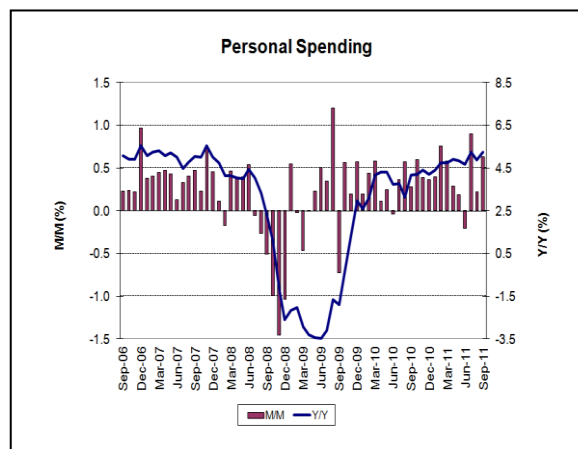
Trade Weighted Dollar



US-2

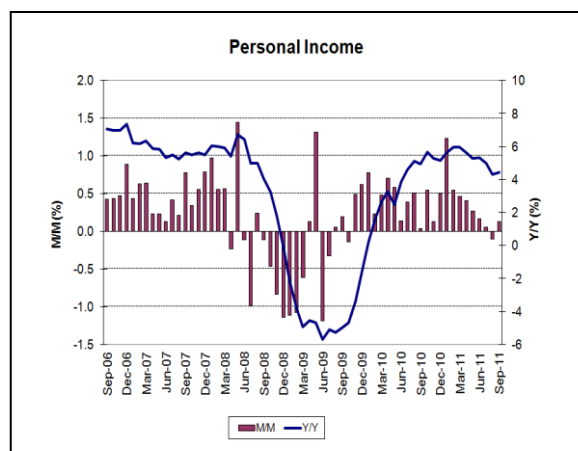
Personal Spending

Personal Spending gained 0.5% M/M and 2.2% Y/Y in September. It gained 0.2% M/M and 2.9% Y/Y in real terms; the three month annualized rate remained unchanged.



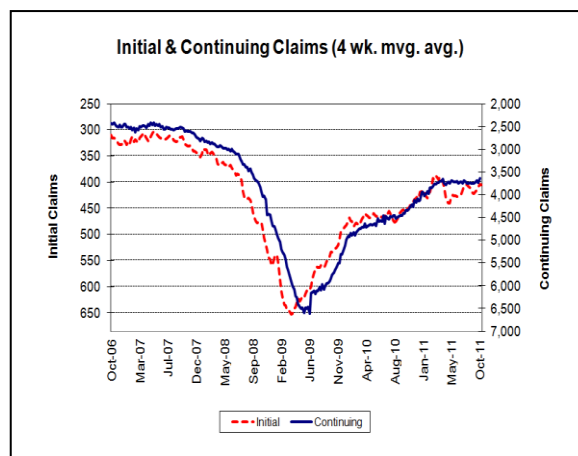
Personal Income

Personal Income increased 0.1% M/M and 4.4% Y/Y in September. The wage and salary component was up 0.3% M/M and 3.7% Y/Y.



Initial & Continuing Claims

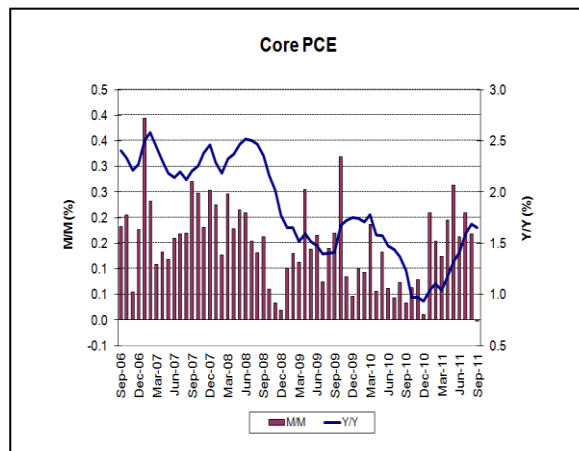
Initial Claims decreased from a revised 404k to 402k, above market expectations of 401k. The four week moving average of Initial Claims increased to 405.5k from 403k. Continuing Claims rose from a revised 3741k to 3645k, well below expectations of a 3700k reading.



Core PCE, Chicago PMI, & ISM Manufacturing

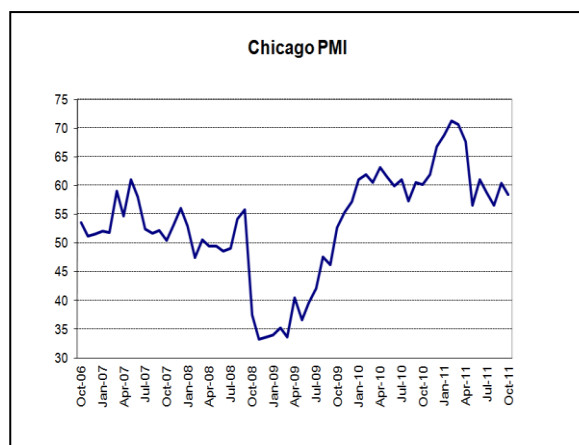
Core PCE

Core PCE remained unchanged M/M and increased 1.6% Y/Y in September. The three month annualized rate accelerated to 2.1%. Headline PCE increased 0.2% M/M and 3.1% Y/Y. The three month annualized rate has been above 2.0% four consecutive prints.



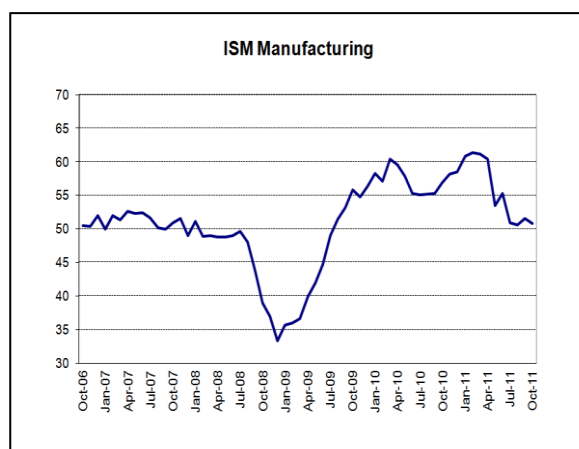
Chicago PMI

The Chicago PMI fell from 60.4 to 58.4 in October, below expectations of a drop to 59.0. The New Orders component fell from 65.3 to 61.3. Production declined from 63.9 to 63.4. The Inventories component dropped from 60.3 to 54.4. The employment component improved from 60.9 to 62.3.



ISM Manufacturing

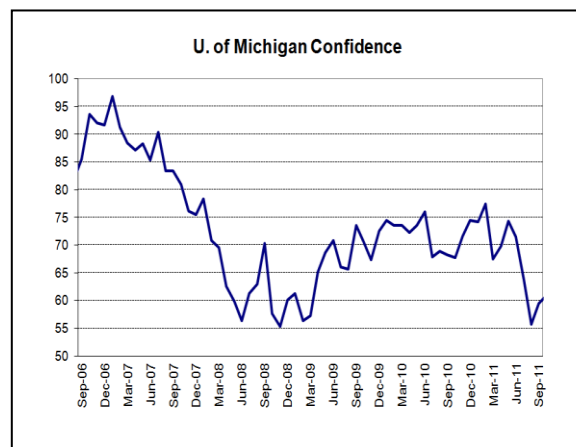
The ISM Manufacturing Index fell from 51.6 to 50.8 in October. New orders improved from 49.6 to 52.4. However, the employment component declined from 53.8 to 53.5. Prices paid declined from 56.0 to 41.0. Deliveries decreased from 51.4 to 51.3.



Confidence, Comfort, & Vehicle Sales

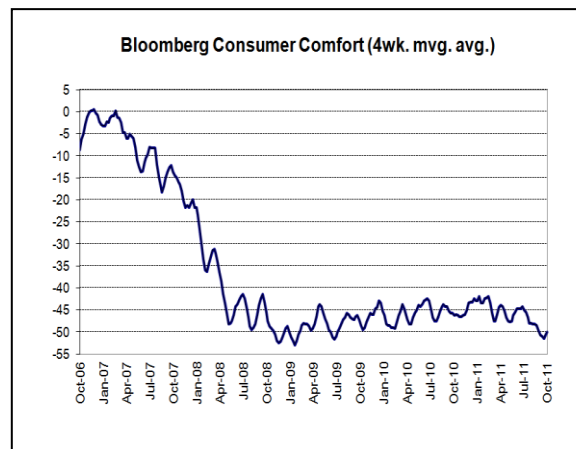
U. of Michigan Confidence

The University of Michigan Confidence Index increased from 59.4 in September to 60.9 in October. The current conditions component increased from 74.9 to 75.1 as the expectations component rose from 49.4 to 51.8. Inflation expectations over five years decreased to 2.7% in October from 2.9% in September.



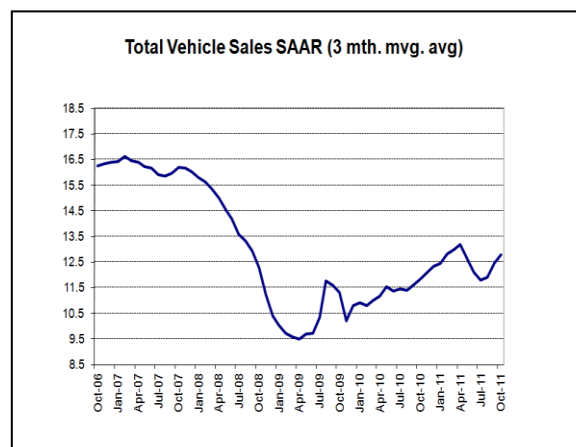
Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index fell from -48.4 to -51.1. The state of the economy component regressed from -85.8 to -90.0. The buying climate also fell from -51.5 to -51.8. Lastly, the personal finances decreased as well, from -7.7 to -11.6.



Total Vehicle Sales

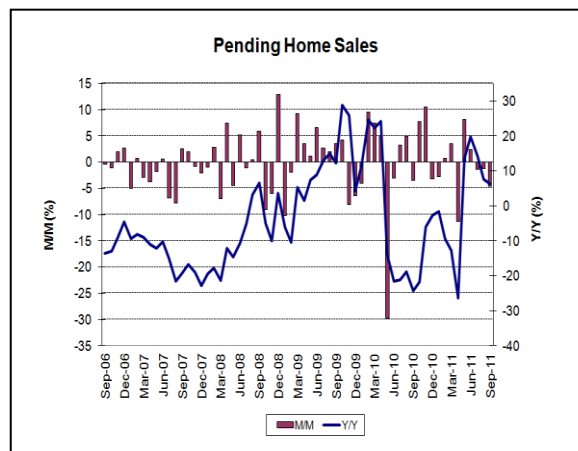
As expected, Total Vehicle Sales improved from 13.20M to 13.04M seasonally adjusted annualized units in October.



Home Sales, Construction Spending, & Mortgage Apps.

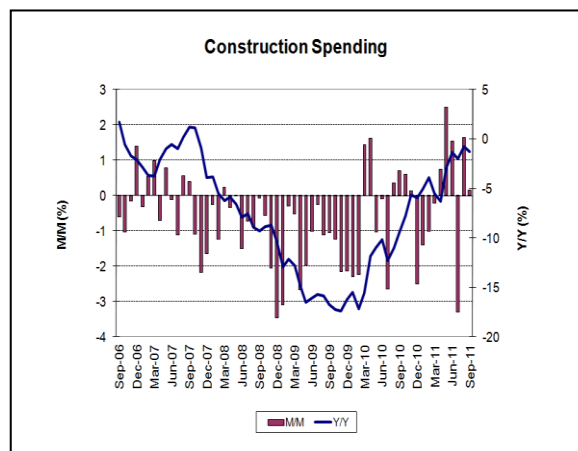
Pending Home Sales

Pending Home Sales fell 4.6% M/M though have risen 7.9% Y/Y, in September. Despite record low mortgage rates, home delinquencies continue to drive property prices lower keeping potential buyers on the sidelines.



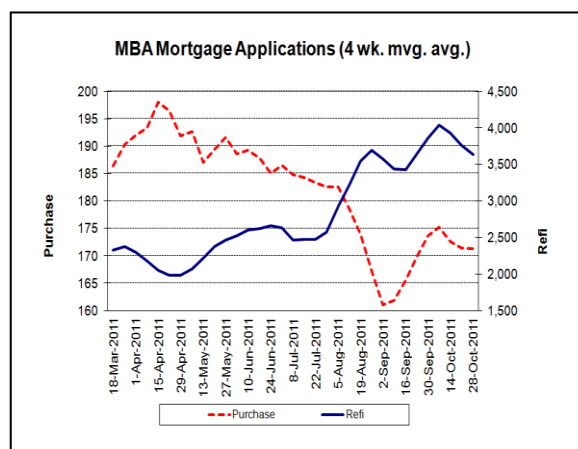
Construction Spending

Construction Spending increased 0.2% M/M in September but decreased 1.3% Y/Y. Residential Spending rose 0.7% M/M but is down 1.1% Y/Y. Non-residential spending fell 0.1% M/M and is now down 1.3% Y/Y.



MBA Mortgage Applications

Purchase Mortgage Applications gained 0.2% W/W, after gaining 4.9% W/W last week. Refi applications fell 0.2% W/W this week.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
11/03	Initial Jobless Claims	29-Oct	400K	402K
11/03	Continuing Claims	22-Oct	3693K	3645K
11/03	Bloomberg Consumer Comfort	30-Oct	- -	-51.1
11/03	ISM Non-Manf. Composite	OCT	53.5	53
11/04	Change in Nonfarm Payrolls	OCT	95K	103K
11/04	Change in Private Payrolls	OCT	125K	137K
11/04	Change in Manufact. Payrolls	OCT	2K	-13K
11/04	Unemployment Rate	OCT	9.10%	9.10%
11/04	Underemployment Rate (U6)	OCT	- -	- -
11/04	Avg Hourly Earning MOM All Emp	OCT	0.20%	0.20%
11/04	Avg Weekly Hours All Employees	OCT	34.3	34.3
11/09	MBA Mortgage Applications	4-Nov	- -	0.20%

Valance Economic Report: *Euro Zone*

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November 2, 2011

Persistent inflation pressure continues to impede the ECB from otherwise cutting rates. PMI and unemployment data this week were dismal and the political side perhaps worse. Its difficult for firms to be optimistic with unemployment rising, and consumer confidence falling, especially when the response is continued austerity. Markets rallied significantly on the Greek debt deal, though the EFSF remains dramatically underfunded and the political will to allow the ECB to fund troubled states is nonexistent.

Weekly Highlights

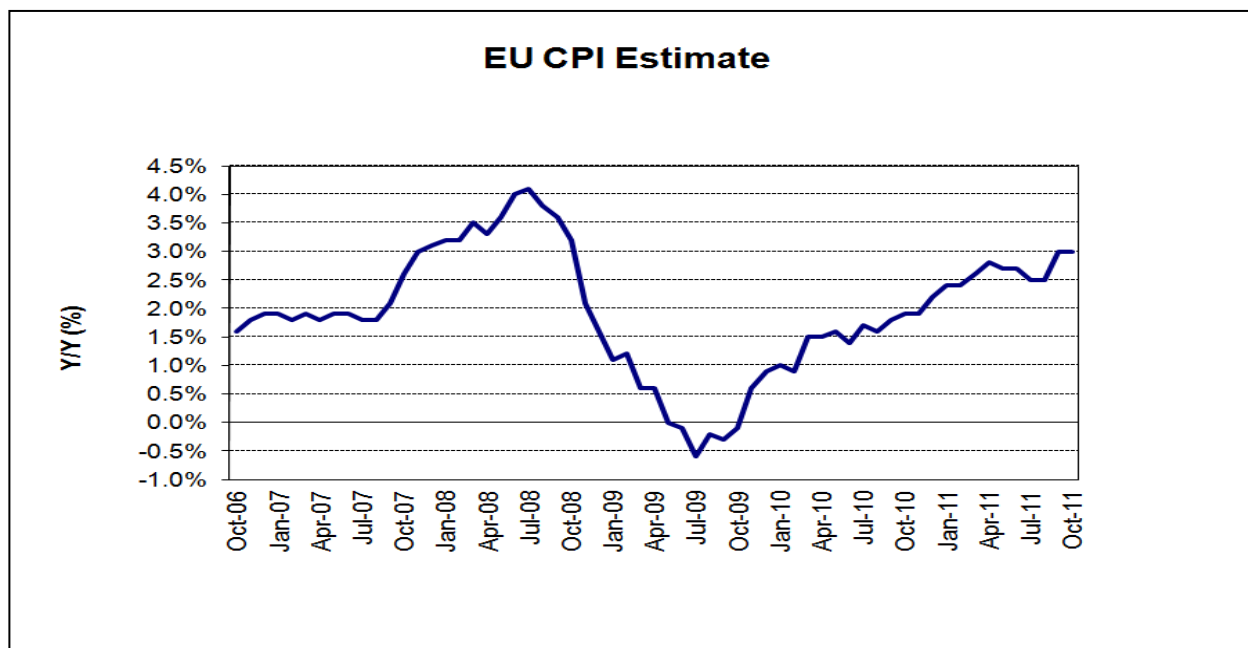
EU CPI - remains steady in October at 3.0% Y/Y. (EU 1)

EU's Consumer Confidence – lowest recording in nearly two years in October. (EU 3)

EU Unemployment Rate - increased 0.1% to 10.2% in September. (EU 3)

Weekly Releases & News

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



The Euro Zone's CPI growth remained at 3.0% Y/Y in October. Market expectations were for 2.9%. The ECB in its October Monthly Bulletin stated that inflation is expected stay over 2% for the coming months, but to decline thereafter.

EU 1

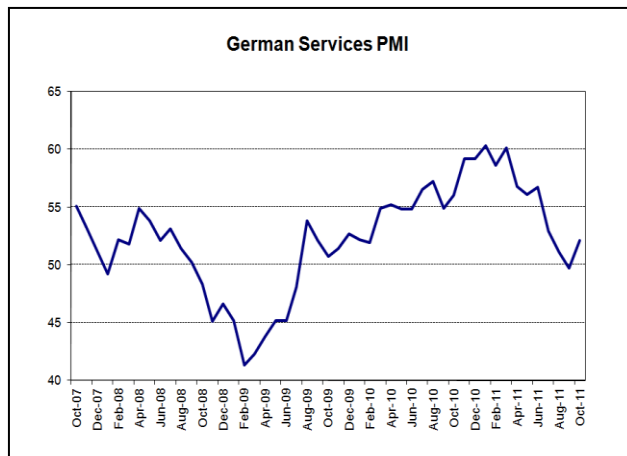
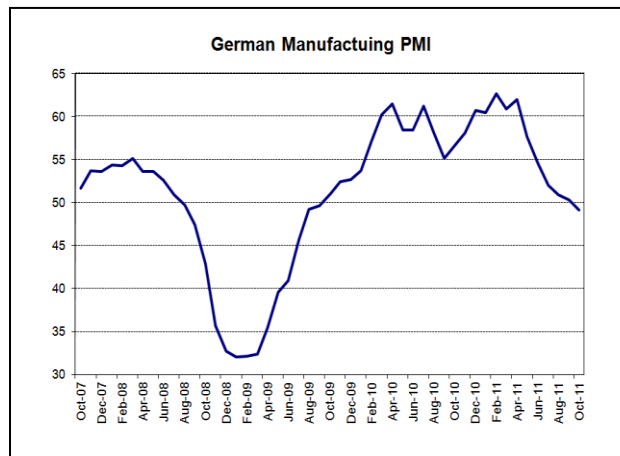
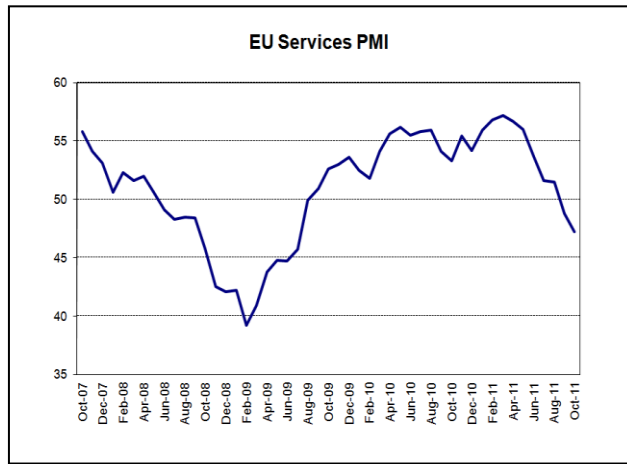
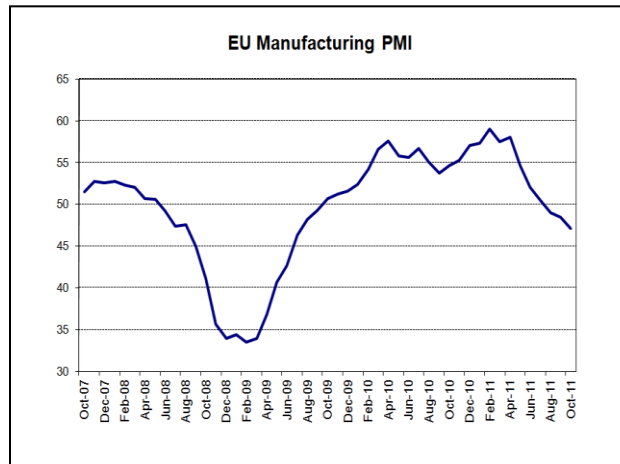
Euro Zone Financial Balances & Trade Weighted Euro

Financial Balances

<i>Germany</i>	<i>Last period (\$blns euros)</i>	<i>Last 12mth. as a % of GDP*</i>
Budget Balance		-3.3%
Trade Balance	11.8 (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 Euro



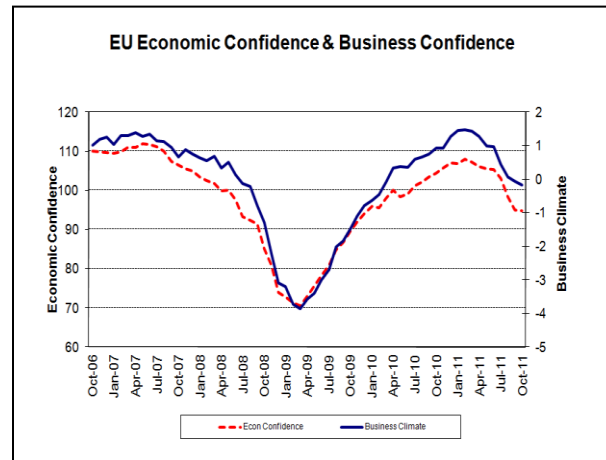
EU PMI**Euro Zone PMI**

EU Manufacturing PMI fell from 48.5 in September to 47.1 in October. The Services PMI fell from 48.8 to 47.2. German Manufacturing decreased from 50.3 to 49.1 in October. German Services PMI rose from 49.7 to 52.1.

EU Economic/Consumer Confidence & Unemployment Rate

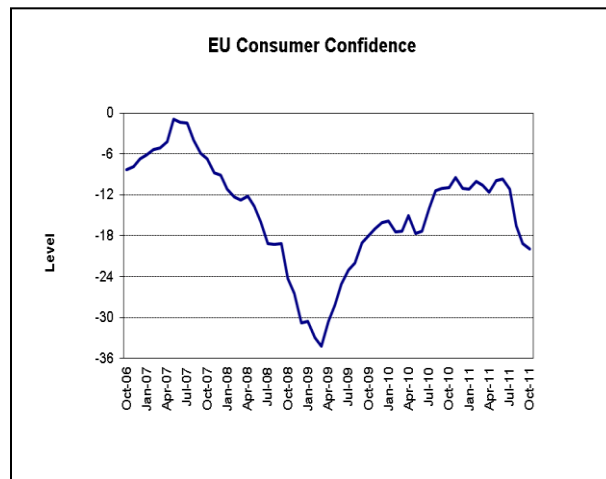
Euro Zone Economic Confidence

The Euro Zone's Economic Confidence fell from 95.0 to 94.8 in October. Market expectations were for a reading of 93.8. The Business Climate Index fell from -0.06 to -0.18.



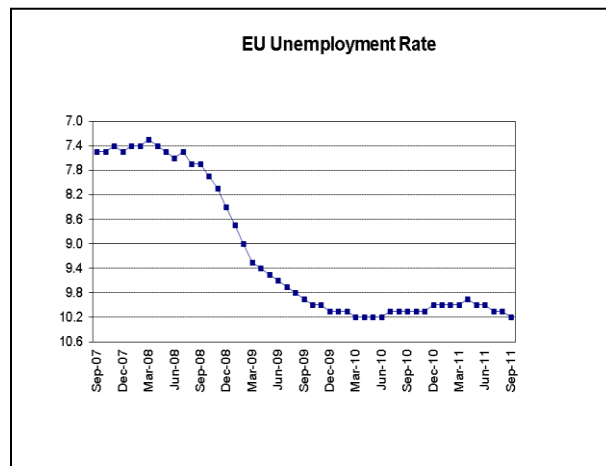
EU Consumer Confidence

EU Consumer Confidence fell from -19.1 in September to -19.9 in October, its lowest reading in almost two years.

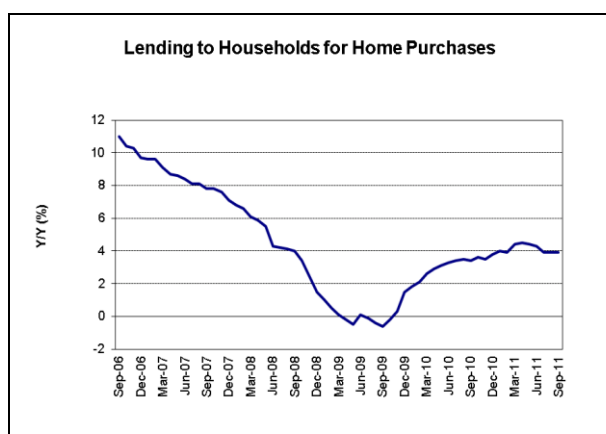
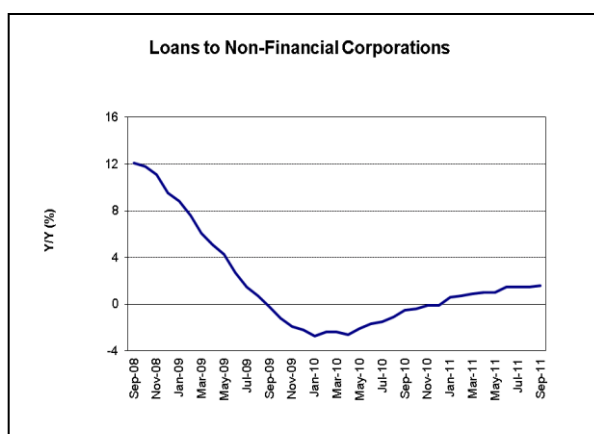
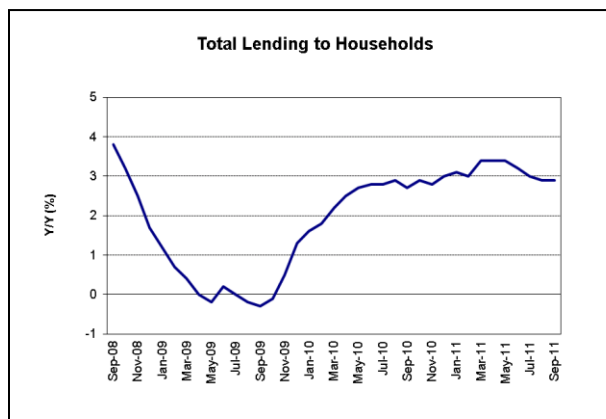
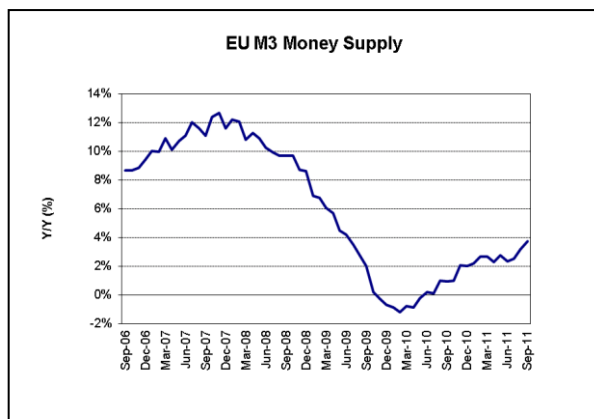


EU Unemployment

The EU Unemployment Rate unexpectedly increased from 10.1% in August to 10.2% in September, its highest rate since June 2010. The number of unemployed in the Euro Area, increased by 188k in September to reach 16.2 mln.



EU Money and Credit Data



M3 Money Supply growth accelerated from 3.2% Y/Y in August to 3.7% Y/Y in September. On a 3mth. mov. avg. basis, loan growth accelerated from 2.3% Y/Y to 2.6% Y/Y in September. Lending to Households increased 2.9% Y/Y in September, matching August's reading and Lending to Households for Home Purchases increased 3.9%, the same reading as the previous two months. Loans to Non-Financial Corporations growth increased 1.6% Y/Y, compared to the 1.5% Y/Y gain in August.

German Retail Sales, Unemployment & CPI

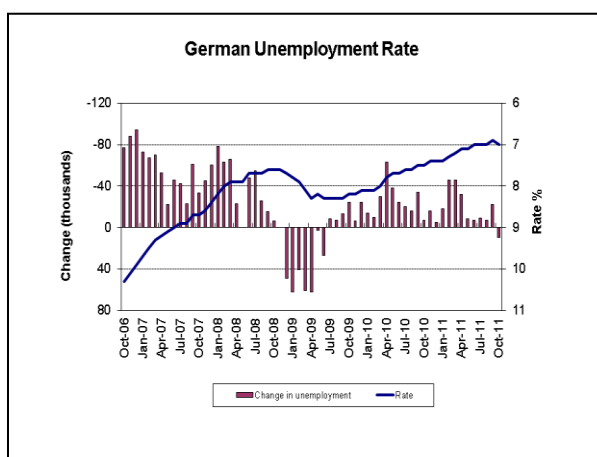
German Retail Sales

German Retail Sales increased 0.4% M/M and 0.3% Y/Y in September, below market expectations. Market expectations were for a 1.0% M/M and 1.6% Y/Y gain.



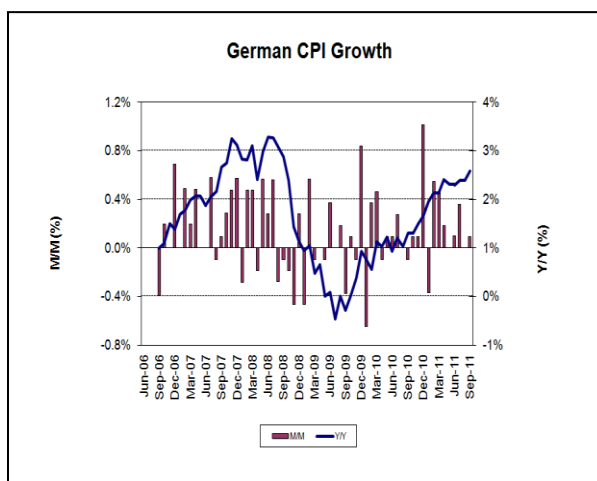
German Unemployment

Germany's Unemployment Rate rose 0.1% to 7.0% in October. Market expectations were for the unemployment rate to remain unchanged at 6.9%.



German CPI

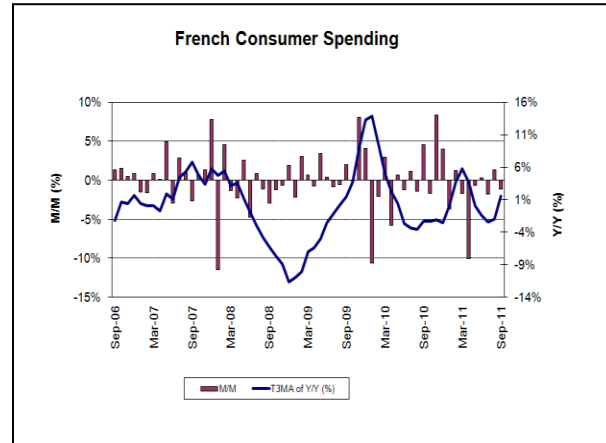
German CPI increased 0.1% M/M and 2.6% Y/Y in September. Preliminary data shows that German CPI was flat M/M and increased 2.5% Y/Y in October.



French Consumer Spending & Producer Prices

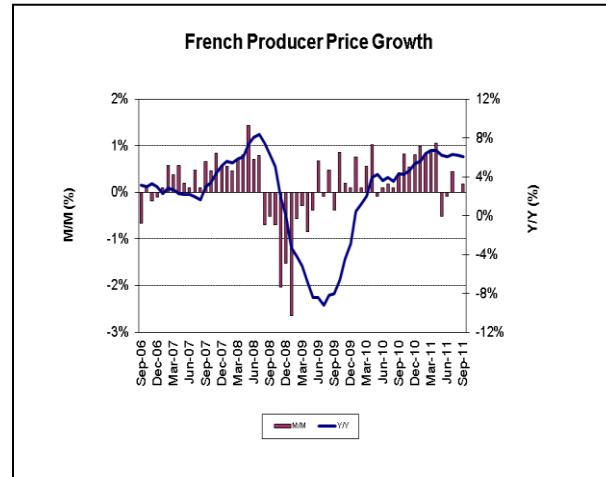
French Consumer Spending

French Consumer Spending fell 0.5% M/M and 1.3% Y/Y in September.



French Producer Prices

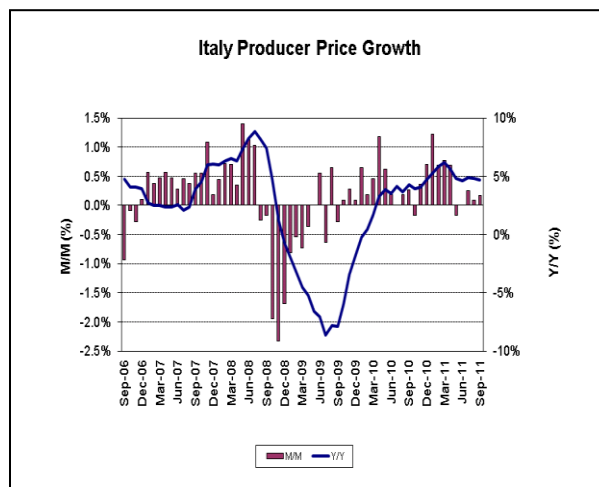
French Producer Prices increased 0.2% M/M and 6.1% Y/Y in September. Market expectations were for a reading of 0.1% M/M and 6.1% Y/Y.



Italian Producer Prices, CPI & Unemployment

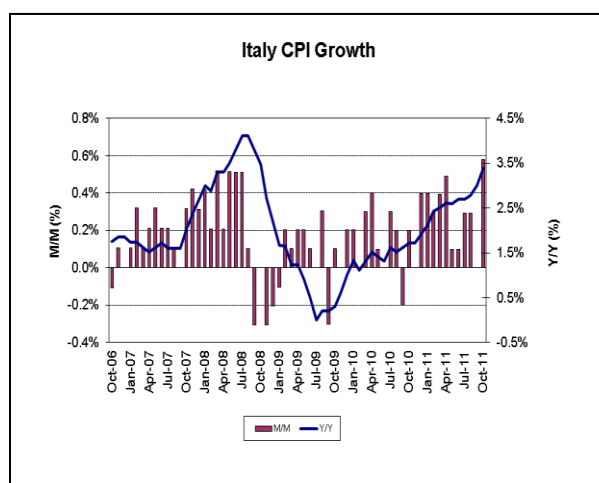
Italian Producer Prices

Italian Producer Prices increased 0.2% M/M and 4.7% Y/Y in September. PPI ex. energy, increased 0.1% M/M and 3.7% Y/Y.



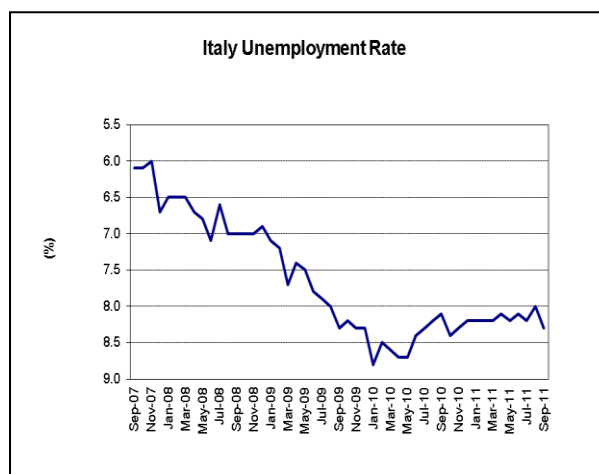
Italian CPI

Preliminary data showed that Italian CPI increased 0.6% M/M and 3.4% Y/Y in October, above market expectations for a reading of 0.1% M/M and 2.9% Y/Y.



Italian Unemployment

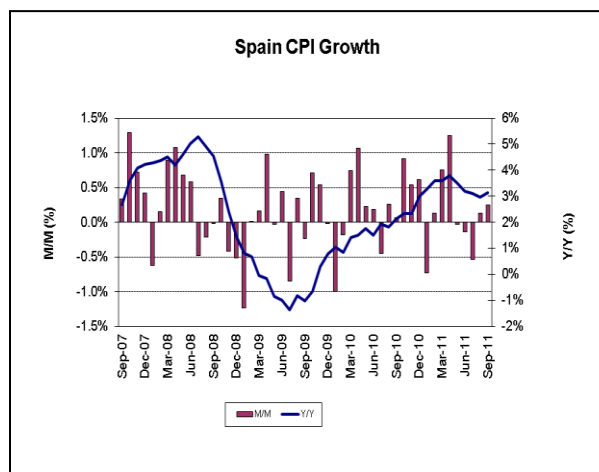
Italian Unemployment increased from 8.0% (previous 7.9%) in August to 8.3% in September. Market expectations were for a reading of 7.9%.



Spanish CPI, Unemployment Rate & Current Account

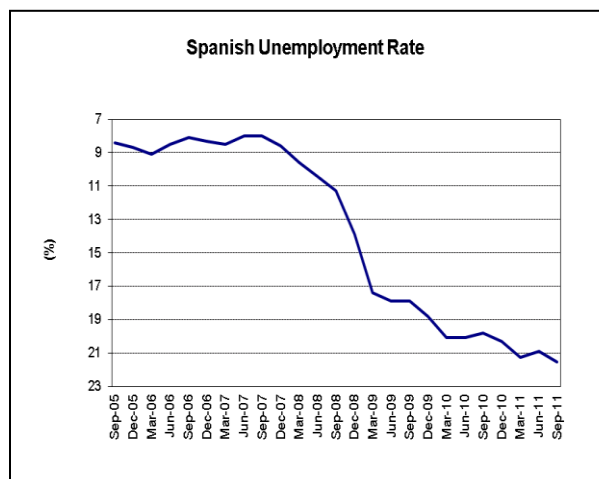
Spanish CPI

Preliminary data shows that Spanish CPI growth decelerated from 3.1% Y/Y in September to 3.0% Y/Y in October. Market expectations were for an unchanged reading.



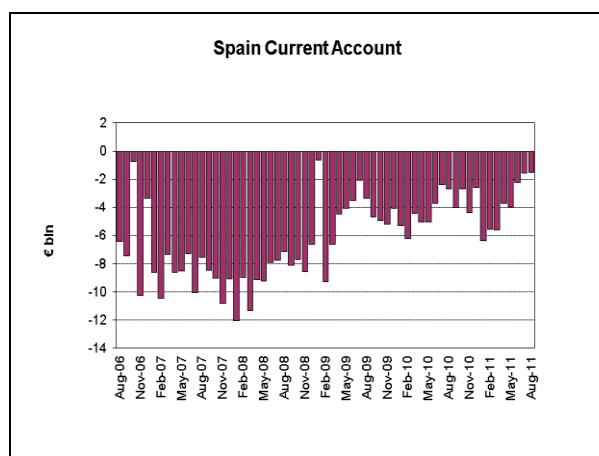
Spanish Unemployment Rate

Spain's Unemployment Rate unexpectedly increased from 20.9% in Q2 to 21.5% in Q3. Market expectations were for a 20.9% unemployment rate.



Spanish Current Account

Spain's Current Account Deficit stood at €1.5 bln in August, matching July's reading. This compares to a €2.7 bln deficit seen in August 2010.



News/Comment/Data

November 2nd - German Lawmaker Says Greece Must Meet Commitments to Get Aid (Bloomberg)

Wolfgang Bosbach, head of the German parliament's interior-affairs committee from Chancellor Angela Merkel's Christian Democrats, said he "can't imagine" that the next bailout tranche of 8bln euros (\$11 bln) for Greece will be disbursed without assurances that the country meets its commitments under the aid plan. "Solidarity can't just mean that we pay and accept liabilities for Greece, solidarity must also mean that Greece, the country that receives aid, meets its commitments," Bosbach said on Germany's ZDF public television. Euro region members should wait for the outcome of the referendum before deciding on any further payments to Greece, Bosbach said. "Greece is obviously incapable of financing itself by its own means and the solution for the problem can't be that the other 16 states accept liabilities or pay indefinitely," Bosbach said.

November 2nd - Papandreou Says Bailout Referendum to Confirm Greece in Euro (Bloomberg)

Greek Prime Minister, George Papandreou, said a referendum on Europe's rescue package will confirm the nation's membership of the euro as he stuck to plans to hold the vote amid signs his government may collapse. "The referendum will be a clear mandate and strong message within and outside Greece on our European course and our participation in the euro," Papandreou told his ministers in Athens early today, according to an e-mailed transcript. It will "ensure this course in the most decisive way." The Cabinet voted unanimously to endorse the plan. Papandreou will fly to France today to face European leaders surprised by his decision to put the bailout plan to a national vote and call a confidence vote in parliament. His grip on power weakened after a lawmaker from his socialist Pasok party defected, leaving him with 152 deputies in the 300-seat chamber, while another, Vasso Papandreou, called for the formation of a national unity government. Another four lawmakers have criticized the plans for the referendum, stopping short of defection, and six members of the party called on the premier to resign in a joint letter, Athens News Agency said yesterday. Opposition parties have ramped up calls for elections.

November 1st - Fitch Says Greek Referendum Threatens European Stability (Bloomberg)

Greece's plan to hold a referendum on Europe's bailout for the nation poses a threat to financial stability in the region, Fitch Ratings said. The vote "dramatically raises the stakes for Greece and the euro zone as a whole," Fitch said in a statement today, adding that it increases the risk of a "disorderly" default. Greek Prime Minister George Papandreou late yesterday called for a referendum on Europe's plan to contain the country's debt turmoil. Austerity measures by the government to reduce the deficit have eroded Papandreou's popularity and sparked a wave of social unrest, while a poll published Oct. 29th showed most Greeks believe the new bailout package is negative. A rejection of the European Union-International Monetary Fund plan "would increase the risk of a forced and disorderly sovereign default and -- whilst not Fitch's central rating case -- potentially a Greek exit from the euro," Fitch said. Both scenarios "would have severe financial implications for the financial stability and viability of the euro zone." Greek, Italian and Spanish bonds fell today and the euro dropped 1.7% against the dollar. Europe's Stoxx 600 Index plunged 4.2%.

November 1st - ECB's new boss Draghi faces first test (National Post)

When the European Central Bank's leadership meets in Frankfurt this Thursday, it will be the first headed by new president Mario Draghi, and decisions on a possible rate cut for the ailing monetary union and the future of the ECB bonds purchasing program will be his first test. "[This week's] meeting will provide a first idea on how strong is the position of the new president inside the board, but with some risk of disappointment for the time being," Frederic Pretet, economist with Scotia Capital, said in a note to clients. On the one hand the European economy is, by the latest indications, hanging on for dear life and desperately avoiding recession. The ECB in recent months has been focused on "non-standard measures" related to liquidity designed to keep the mechanisms of monetary policy running, but the need to turn its attention back towards interest rates and price stability is rising, Mr. Pretet said. "Indications that the decision to keep

News/Comments Cont'd

rates unchanged last month was not a consensus one and the fact that the 'accommodative stance' of the monetary policy is no longer mentioned hints that a rate cut is in the pipeline," he said. "Since then, worsening activity data and indications of tighter credit conditions should have strengthened the case for a rate cut inside the board and next meeting would look as a perfect one to deliver the pills."

November 1st - Draghi's Day One at ECB Blighted as Greece Faces Referendum (Bloomberg) - Mario Draghi's first day as head of the European Central Bank was blighted by George Papandreou. Italian bonds slid and the risk premium between German debt and the rest of the euro area increased after the Greek prime minister announced late yesterday he will hold a referendum on the terms of his country's bailout. Papandreou's gambit, hours before Draghi succeeded Jean- Claude Trichet, exposed the political pitfalls in the fight to keep the euro from blowing apart and adds to the pressure on the ECB to keep buying distressed bonds. An ultimate rejection of the rescue deal by the Greek electorate would threaten a default in Athens and a plunge in Italian and Spanish debt that may require the central bank to consider an unlimited guarantee of all euro-region bonds. "Mr. Draghi, welcome to your new job," said Holger Schmieding, London-based chief economist at Joh. Berenberg Gossler & Co. "The Greek move makes it all the more important that Italian and euro-zone policy makers, including those from the ECB, build a reliable firewall around Greece to prevent more serious contagion to Italy." The ECB was said by people with knowledge of the matter to be buying Italy's bonds today as the difference between the yield on its 10-year securities over similar German bunds widened to a euro-era record. The euro, stocks and U.S. index futures declined.

October 31st - Mixed Signals for European Central Bank as Data Point to Slowdown (International Herald Tribune) - The European economy presented the incoming president of the European Central Bank with a tough quandary Monday — whether to keep a tight rein on inflation that remains well above the bank's comfort level, or give the economy running room to address rising unemployment and further signs of a looming recession. As signals of a downturn accumulate, the Organization for Economic Cooperation and Development called on the E.C.B. on Monday to essentially ignore inflation by cutting interest rates to encourage growth. The statement added to the pressure on Mario Draghi, who is to take over as head of the E.C.B. on Tuesday and will oversee his first monetary policy meeting Thursday. "The status quo is not acceptable," Ángel Gurría, the secretary general of the O.E.C.D., said in Paris as the organization updated its economic forecasts ahead of the meeting of government leaders from the Group of 20 scheduled for Cannes beginning Thursday.

October 31st - Italy's Crisis Deepens on Eurozone Slump, Bail-out Doubts (Telegraph) - Italy's borrowing costs have onceagain surged to danger levels amid growing doubts over the viability of Europe's bail-out machinery, dashing hopes that last week's summit deal would at last contain the crisis. Yields on 10-year bonds jumped to 6.18pc on Monday, while spreads over German Bunds reached 410 basis points, nearing the critical level where LCH Clearnet raises margin requirements. This, in turn, triggers further selling. Intesa Sanpaolo Giovanni Bazoli said the spreads are unsustainable "not just in the medium run, but in the short run as well". He warned of a credit crunch in Italy as banks struggle to meet higher capital ratios set by EU leaders. The renewed jitters came as the OECD club of rich states slashed its eurozone growth forecast for next year from 2pc to just 0.3pc, implying an outright recession over the winter. The body called on the ECB to cut interest rates and deploy its full lending power to head off debt contagion to Italy and Spain. The OECD said the world risks a fresh crisis of equal magnitude to the Great Recession if authorities fail to act in time, with GDP contractions of up to 5pc in some big economies by early 2013.

Key Dates This Week

<i>Date</i>	<i>Country</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
11/03	EC	ECB Announces Interest Rates	3-Nov	1.50%	1.50%
11/03	SP	Unemployment M/M Net ('000s)	OCT	52	95.8
11/04	EC	PMI Composite	OCT F	47.2	47.2
11/04	EC	PMI Services	OCT F	47.2	47.2
11/04	EC	Euro-Zone PPI (M/M)	SEP	0.20%	-0.10%
11/04	EC	Euro-Zone PPI (Y/Y)	SEP	5.80%	5.90%
11/04	FR	PMI Services	OCT F	46	46
11/04	IT	PMI Services	OCT	45.5	45.8
11/04	SP	Industrial Output WDA (Y/Y)	SEP	0.40%	0.30%
11/04	SP	Industrial Output NSA (Y/Y)	SEP	--	0.60%
11/04	SP	Spain Services PMI	OCT	--	--
11/07	EC	Sentix Investor Confidence	NOV	--	-18.5
11/07	EC	Euro-Zone Retail Sales (M/M)	SEP	--	0.10%
11/07	EC	Euro-Zone Retail Sales (Y/Y)	SEP	--	-0.10%
11/08	FR	Trade Balance (Euros)	SEP	--	-4967M
11/09	FR	Bank of France Bus. Sentiment	OCT	--	97
11/09	FR	Survey of Industrial Investments	--	--	--
11/09	FR	Central Govt. Balance (Euros)	SEP	--	-102.8B

Valance Economic Report: Japan

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November 2, 2011

While the Unemployment data was better than expected and Household Spending improved, Industrial Production, Retail Sales and Housing Starts all declined.

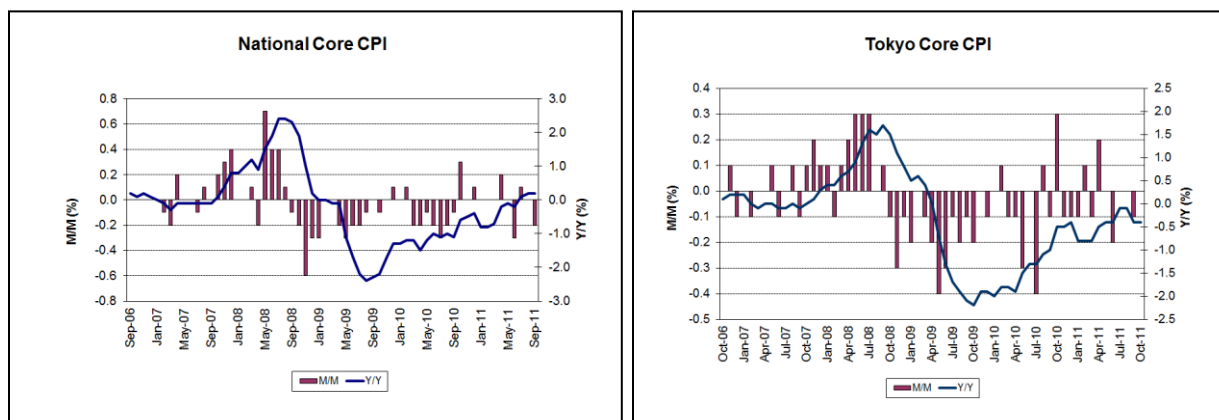
Weekly Highlights

Core CPI – dropped 0.2% M/M and increased 0.2% Y/Y in September. (JN 1)

Employment – the jobless rate declined to 4.1% in September. (JN 3)

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

Charts of the Week: *CPI*

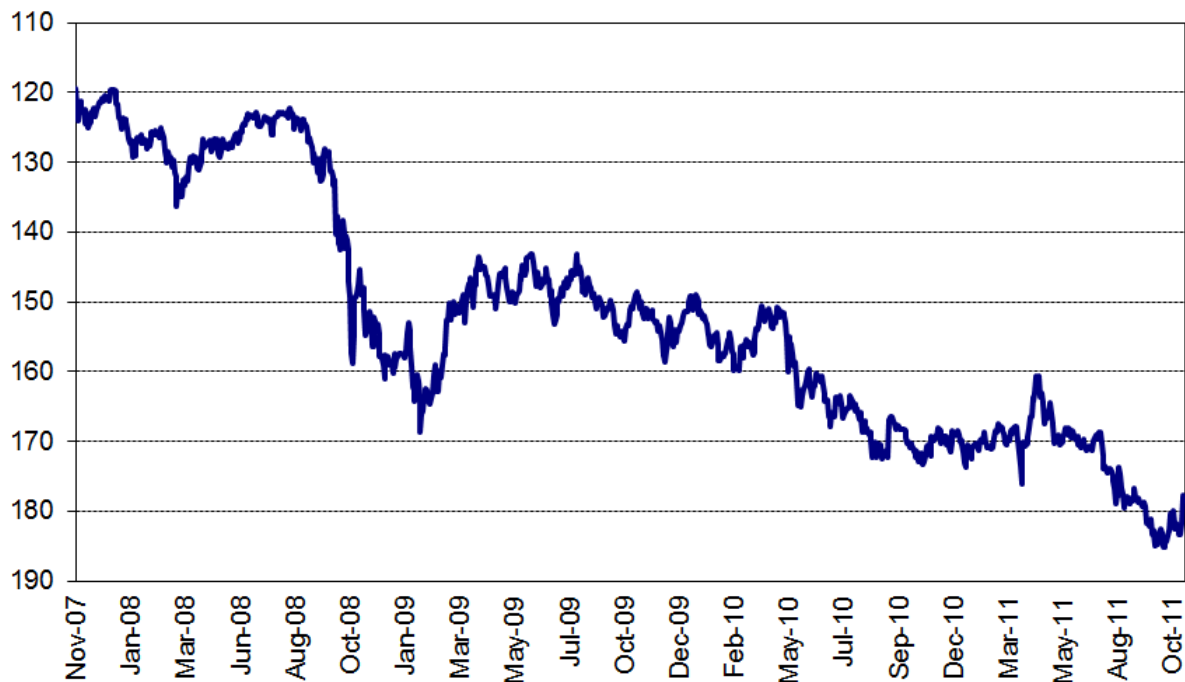


Nationwide Core CPI dropped 0.2% M/M and increased 0.2% Y/Y in September, in line with market expectations. Core Core CPI, which excludes all foods and energy, declined 0.2% M/M and 0.4% Y/Y, also in line with market expectations. Within the data, the M/M change occurred as price increases in utilities, transport/communication, and entertainment were outweighed by declines in household goods, clothing, medical care, and housing.

Within Tokyo, Core CPI was unchanged and declined 0.4% Y/Y in October. Core-Core Tokyo CPI declined 0.2% M/M and 1.0% Y/Y.

Japan's Financial Balances***Financial Balances***

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

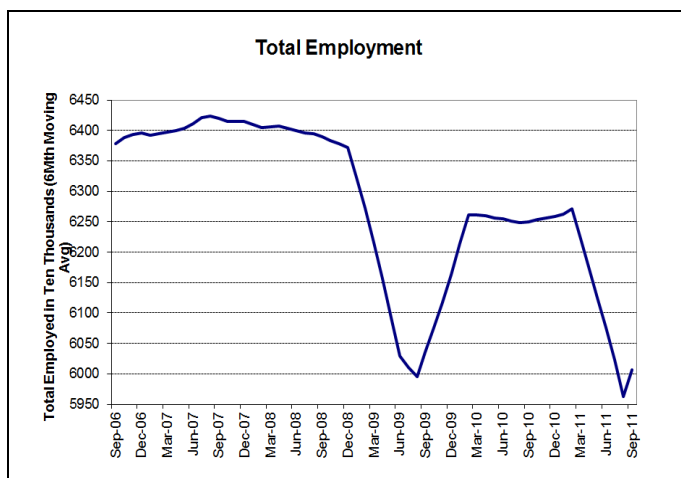
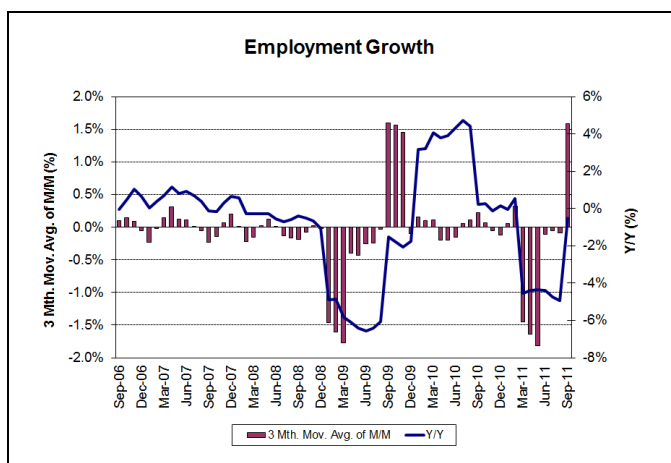
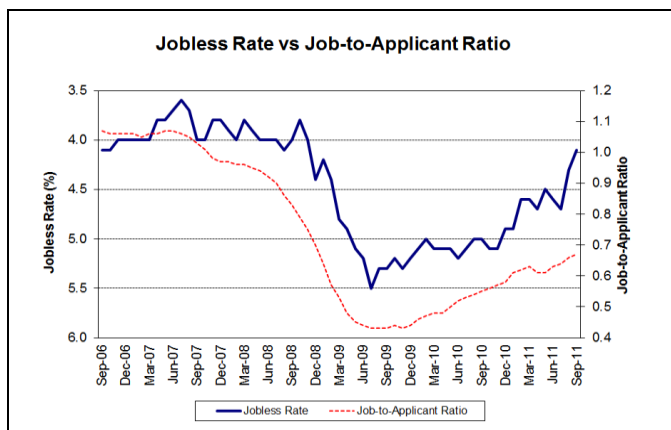
Japanese Yen (Trade-Wtd.)

Employment Data

Employment

The Unemployment Rate declined from 4.3% in August to 4.1% in September, moving against market expectations which called for an increase to 4.5%.

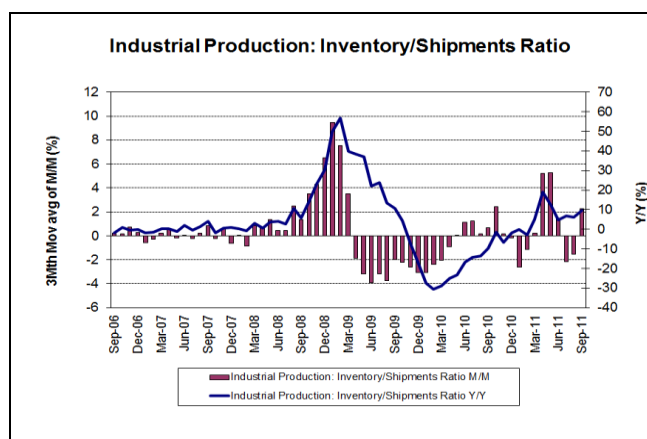
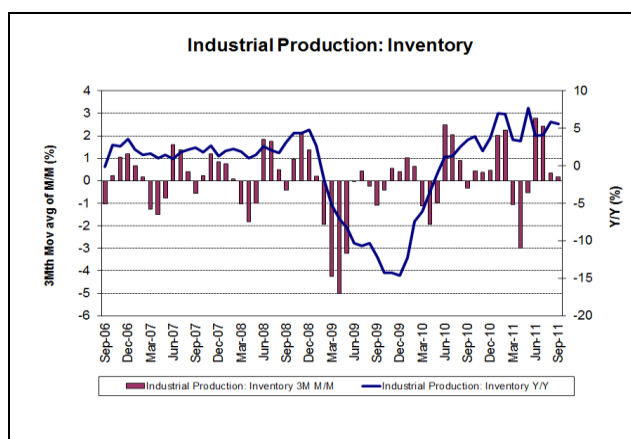
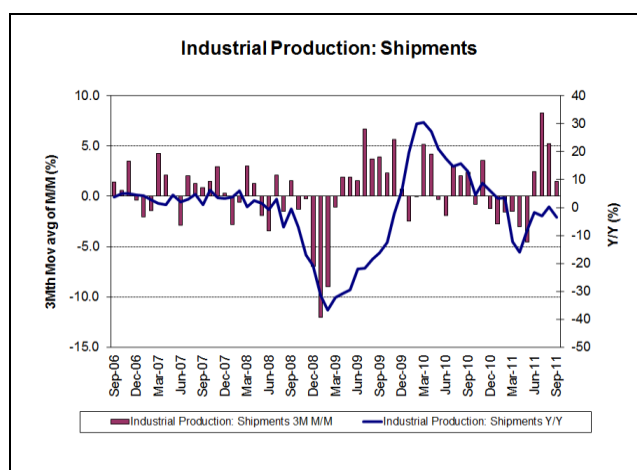
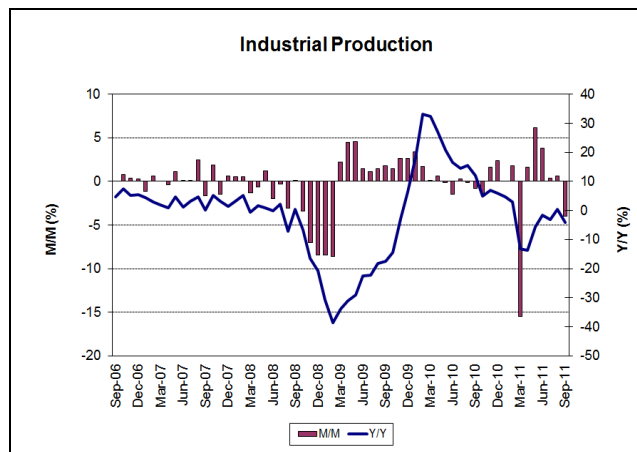
The drop in the Unemployment Rate was the second in a row and occurred as the number of employed increased by 3.03 mln while the number of unemployed declined by 30k. The labor force increased by 3.01 mln and the non-labor force increased by 1.96 mln.



Industrial Production

Industrial Production fell 4.0% M/M and 4.0% Y/Y in September against a market expected decline of 2.1% M/M and 2.3% Y/Y. Shipments declined 2.6% M/M and 3.6% Y/Y. Inventories were unchanged M/M and increased 5.6% Y/Y. The Inventory Ratio increased 4.2% M/M and 9.6% Y/Y. The overall decline in production was caused by drops in transport equipment, general machinery, and electrical machinery.

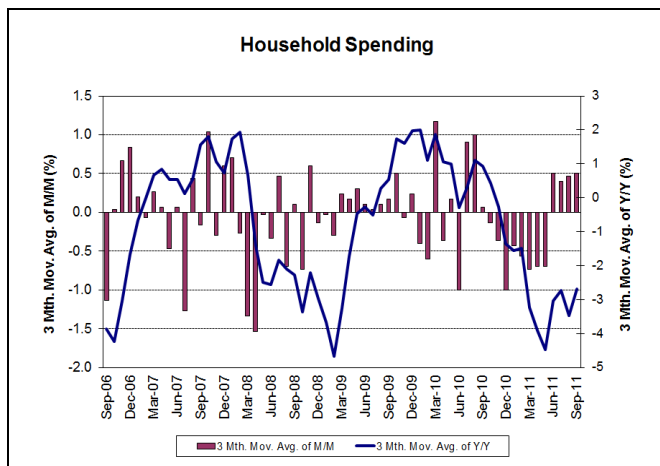
Looking forward, the surveyed industries expect overall production to increase 2.3% M/M in October and 1.8% M/M in November.



Household Spending & Retail Trade

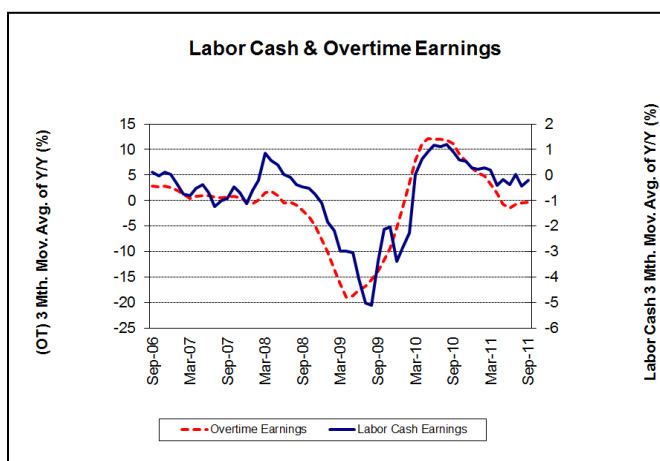
Household Spending

Household Spending increased 0.9% M/M and declined 1.9% Y/Y in September. Among workers, spending increased 2.4% M/M and dropped 2.8% Y/Y.



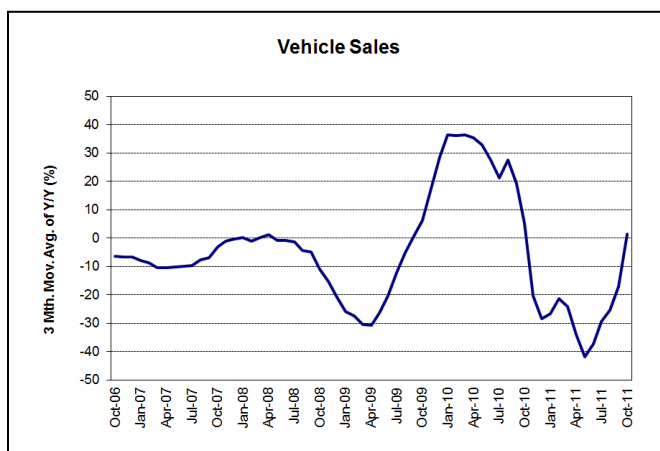
Labor Cash Earnings

Labor Cash Earnings were unchanged Y/Y in September after dropping for three consecutive months. Overtime earnings increased 0.2% Y/Y while contracted earnings increased 0.1% Y/Y. Regular earnings were unchanged. Also within the survey, hours worked increased 0.2% Y/Y on an increase in manufacturing hours worked. Employment increased 0.5% Y/Y on an increase in full time employment.



Vehicle Sales

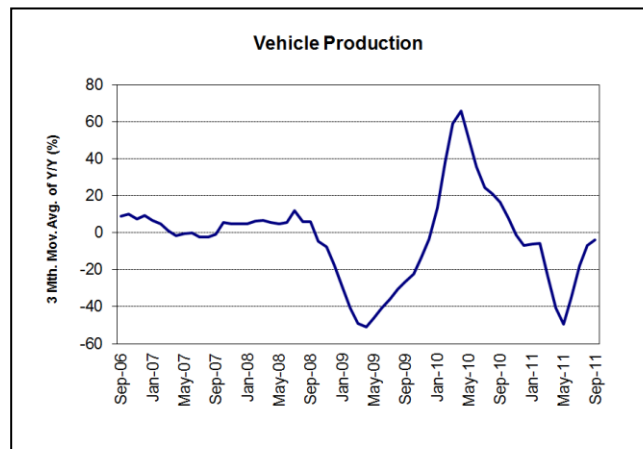
Vehicle Sales increased 28.3% Y/Y in October.



Housing Starts & Construction Orders

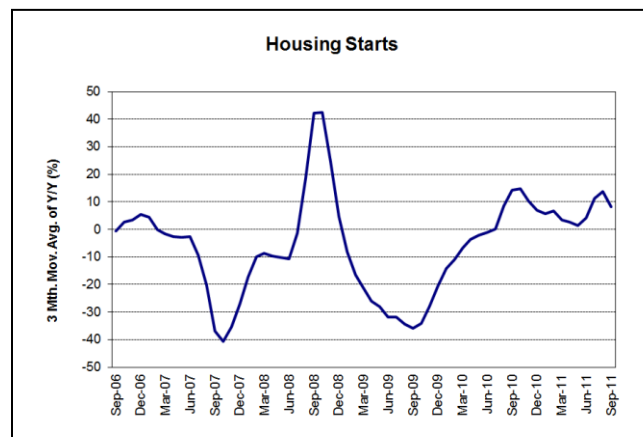
Vehicle Production

Vehicle Production declined 4.5% Y/Y in September.



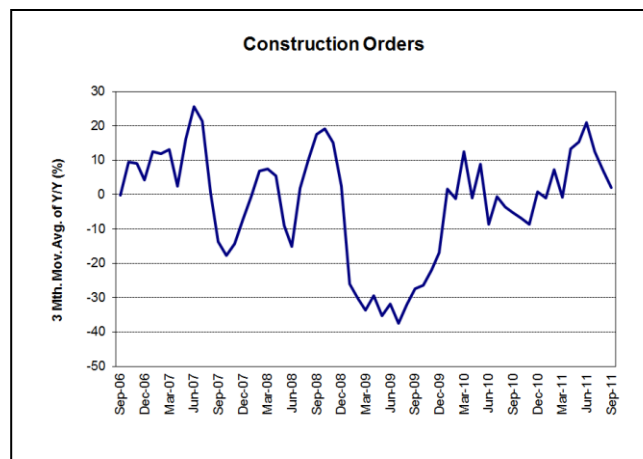
Housing Starts

The annualized rate of Housing Starts declined from 0.934 mln units to 0.745 mln units in September, a much sharper drop than the decline to 0.906 mln units the market anticipated. On a monthly basis, the number of starts declined 20.2% M/M, marking a 10.8% Y/Y decline. The number of houses for sale declined 18.6% M/M and 7.7% Y/Y.



Construction Orders

Construction Orders declined 9.3% Y/Y in September.

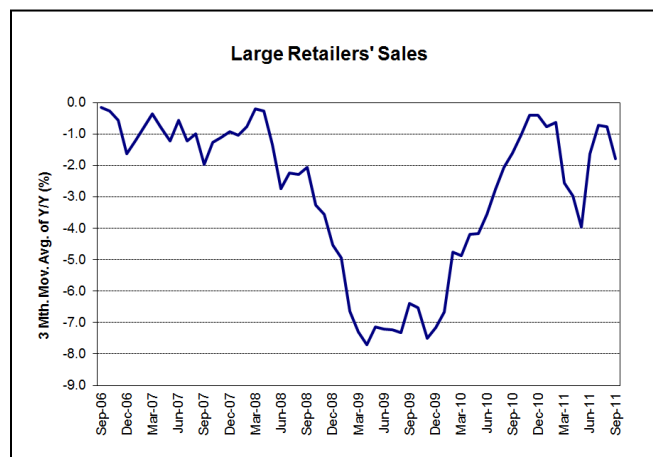
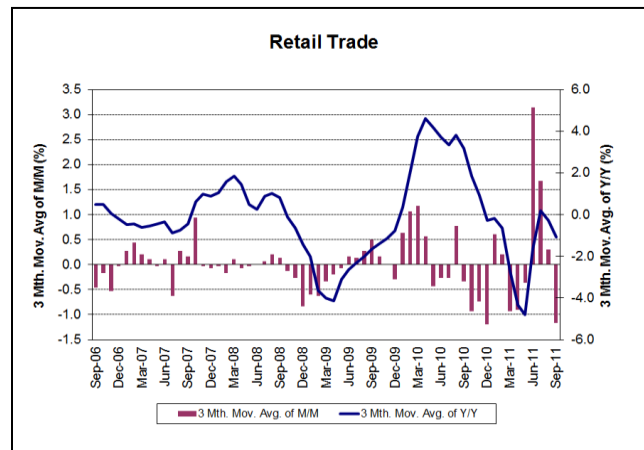


Retail Trade

Retail Trade

Retail Sales declined 1.5% M/M and 1.2% Y/Y in September against market expectations for a 0.5% M/M and 0.1% Y/Y drop. Large Store Sales declined 0.8% M/M and 3.6% Y/Y in September.

On a M/M basis, the drop in sales was caused by declines in fabrics/apparel, food/beverages, general merchandise, wholesale and retail sales.



News Cont'd & Upcoming Dates

November 2nd – BoJ Shirai Comments on Euro Crisis – BoJ Policy Board Member, Sayuri Shirai commented on overseas markets, stating that, “Amid the integration of international financial markets, Japanese stock prices could follow any falls overseas, and the yen—which is considered to be relatively safe—could also rise further against the US dollar or emerging and commodity-exporting nations’ currencies.”

November 1st – BoJ Minutes – According to the minutes released from the BoJ’s October 6th-7th Policy Board Meeting, a board member commented that, “Further monetary easing might become necessary depending on future developments”

November 1st – Japan Gov’t Intervenes in FX Market – The Japanese Government intervened in the forex market in an attempt to weaken the Yen. The intervention was the largest on record, involving the sale of roughly 7-8 trln Yen. Economic Minister Furukuwa commented following the intervention announcement that the Government is prepared to conduct further yen selling operations if necessary.

October 31st – Japanese Public Debt Expect to Reach Record High – Japan’s public debt is expected to increase to a record Y1,024 trln by the end of this fiscal year as the government finances reconstruction efforts following the March earthquake and tsunami.

October 31st – Gov’t Revises Assessments on Q3 Economic Conditions – The Finance Ministry upgraded its economic assessments of 8 of 11 regions in Japan, including the quake-stricken Tohoku region. The upgrades occurred on improvements in output and spending. There were no downgrades.

October 27th – BoJ Expands Stimulus – At its Monetary Policy Meeting, the BoJ expanded its stimulus efforts, increasing the credit and asset-purchase programs to a total of Y55trln from Y50trln. BoJ Governor Shirakawa noted that the increase was in response to recent appreciation in the Yen as well as concerns regarding the European debt crisis.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/06-11/07	Tokyo Avg Office Vacancies (%)	N/A	8.64
11/07	Coincident Index CI	92.8	107.6
11/07	Leading Index CI	90.9	104.3
11/08	Bank Lending Ex-Trusts (Y/Y)	N/A	-0.30%
11/08	Bank Lending incl Trusts (Y/Y)	N/A	-0.30%
11/08	Current Account Total	¥1330.5B	¥407.5B
11/08	Adjusted Current Account Total	¥941.0B	¥652.6B
11/08	Current Account Balance (Y/Y%)	-34.60%	-64.30%
11/08	Trade Balance - BOP Basis	¥327.1B	-¥694.7B
11/08	Bankruptcies (Y/Y)	N/A	-9.20%
11/09	Eco Watchers Survey: Current	N/A	45.3
11/09	Eco Watchers Survey: Outlook	N/A	46.4
11/09	Machine Orders (M/M)	-6.90%	11.00%
11/09	Machine Orders (Y/Y%)	11.40%	2.10%

Valance Co., Inc.

Valance Economic Report: *United Kingdom*

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November 2, 2011

Q3 Real GDP grew 0.5% Q/Q, more than the 0.3% expected. The ONS said that Q3 GDP estimate is "complicated" by factors in Q2. UK manufacturing PMI dropped to a 28-month low level, Consumer Confidence fell to its weakest reading since February 2009, and the Lloyds Business Barometer dropped to its weakest reading since March 2009.

Weekly Highlights

Q2 Real GDP – rose 0.5% Q/Q and 0.5% Y/Y in Q3. (UK 1)

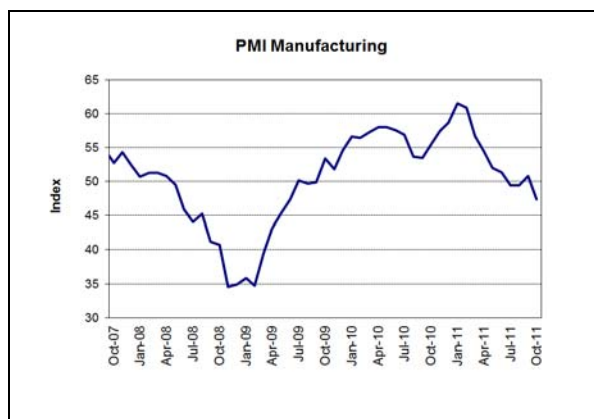
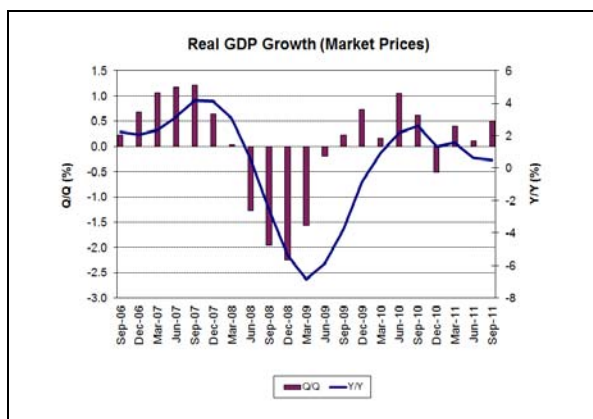
BoE Mortgage Approvals – fell by 1.3k in September. (UK 3)

GfK Consumer Confidence – slipped from -30 to -32 in October. (UK 3)

PMI Manufacturing – Dropped from 50.8 in Sep. to 47.4 in October. (UK 5)

Weekly Releases & News

Chart(s) of the Week: *Real GDP & Mfg. PMI*

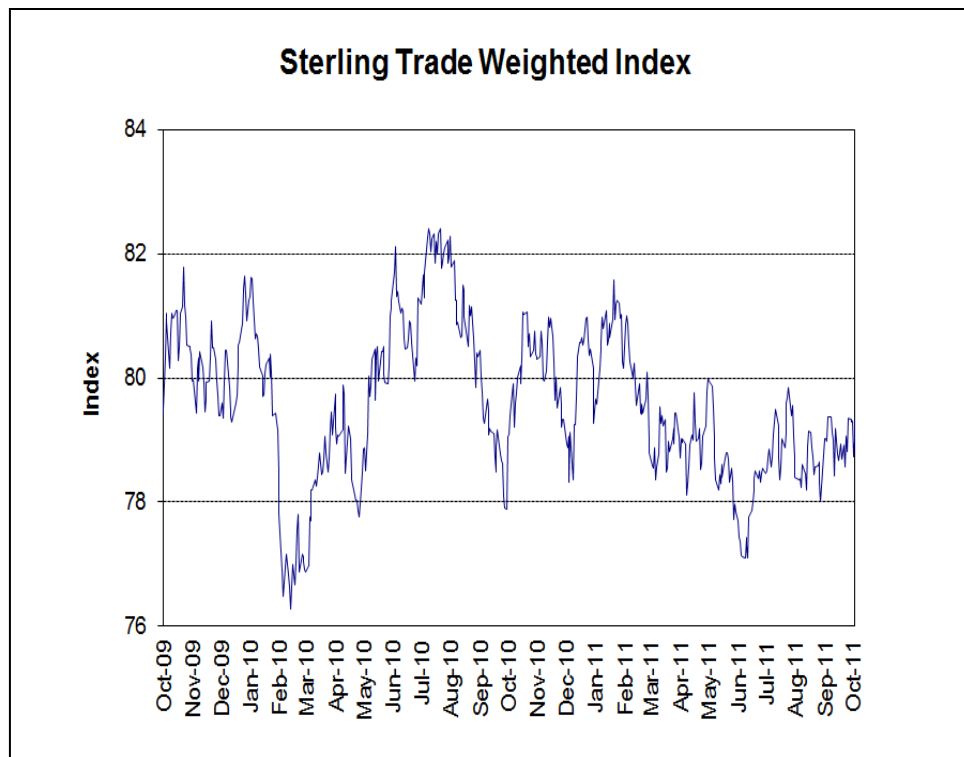


Q2 Real GDP [preliminary estimate] rose 0.5 % Q/Q, more than the 0.3% Q/Q expected, and 0.5% Y/Y. Services output grew 0.7% Q/Q, while industrial production increased 0.5% Q/Q. The Office for National Statistics said the interpretation of Q3 GDP estimate is "complicated" by factors in Q2, including the additional public holiday for the royal wedding in April and the earthquake in Japan in March. It "may be wise" to look at Q2 and Q3 together, it said, adding that growth was 0.6% in the six-month period. BoE's Paul Fisher said that "the pace may not be sustained and there's a chance of stagnation in Q3. PMI Index of Manufacturing dropped 2.4pts to 47.4 in October, worse than the 50.0 expected, and a 28-month low level. The index was at a 17-year low level of 34.5 in November 2008.

UK - 1

Financial Balances & FX

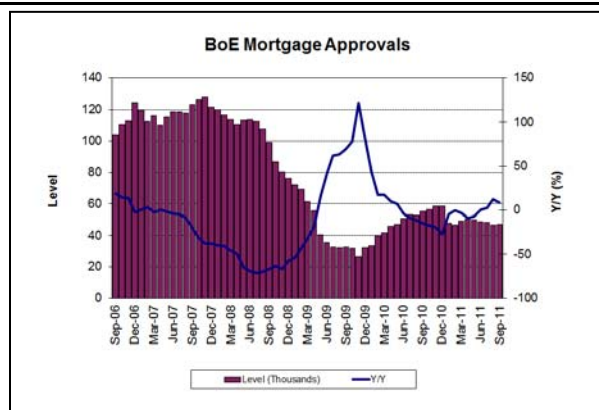
<i>U.K.</i>	<i>Last Period (blns)</i>	<i>Last 12mth. % of GDP</i>
Budget Balance (monthly/total)	+11.4 (Sep)	+7.2%
Curr. Acct. Balance (quarterly)	-2.0(Q2)	-0.5%
Private Balance	+9.4	+6.7%



BoE Loans, GfK Cons. Confidence & N'wide House Prices

BoE Mortgage Approvals

Lenders granted 51.0k mortgages in September, down from 52.3k in October. Economists expected 50.6k.



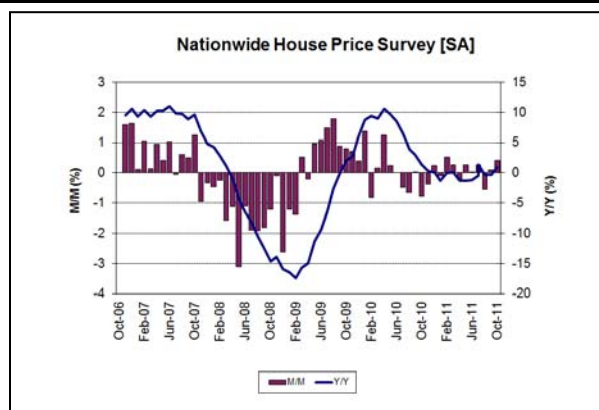
GfK Consumer Confidence Survey

The GfK Consumer Confidence Index improved slightly from -30 in September, to -32 in October, its lowest level since February 2009. Expectations for the overall index were for -30. The worst level on record (-48) was reached in January 2009. A measure of expectations for the economy fell 4 pts to -31 and a gauge of households' assessment of whether this is a time to make major purchases decreased 4 pts to -32.



Nationwide House Prices

U.K.'s October Home Prices rose 0.4% M/M and 0.8% Y/Y (-0.3% prev.), their first annual increase in six months. Nationwide commented that "With the U.K. economic recovery expected to remain sluggish, house price growth is likely to remain soft in the period ahead, with prices moving sideways or drifting modestly lower over the next year."



Data & News

Data & News

PMI Construction – According to the Markit Economics and the Chartered Institute of Purchasing and Supply, a gauge of building activity based on a survey of purchasing managers increased from 50.1 in September to 53.9 in October.

Hometrack House Prices (Bloomberg) - U.K. house prices dropped for a sixth month in October and a slowdown in London's housing market will cause the pace of decline to accelerate in the coming months, property researcher Hometrack Ltd. said. The average cost of a home fell 0.2 % from September and was down 2.8 % from a year earlier. Prices based on Hometrack's gauge have fallen every month except one since July 2010.

Index of Services - services, which account for about 75 % of the economy, grew 0.3 % in August from the previous month and were up 0.9 % Y/Y. On a three-month basis, the index of services rose 0.4 %.

CBI Reported Sales - U.K. retail sales fell in October for a fifth month as hardware and footwear purchases faltered, the Confederation of British Industry said. The gauge of annual sales growth was at -11 compared to -15 in September, which was the lowest since May 2010. A gauge of expected sales for next month showed an increase to 4, which the CBI said points to modest growth. U.K. households are under pressure from the biggest public spending squeeze since World War II and inflation that's accelerated to 5.2 %, the highest in three years. "Family budgets continue to be stretched because of a combination of high inflation, low wage growth and soaring unemployment, so consumer confidence is severely dented," Ian McCafferty, chief economic adviser at the CBI, said. "Consumers will continue to be on the back foot. A measure of three-month sales volumes fell to -13 this month, the lowest since August 2009, from -11. An index of the volume of sales for the time of year fell to -34, the weakest since May 2009, from -30. A gauge of orders placed on suppliers rose to 1 from -16, while an index of stock volumes in relation to expected demand fell 1 point to 15.

Lloyds Business Barometer - An index of business expectations about the economic outlook fell 22 points in October from September to - 15, its weakest reading since March 2009, Lloyds Bank Corporate Markets said. A measure of perceptions about trading prospects over the next 12 months climbed 3 points to 37, the Lloyds Banking Group Plc unit said. The probability of the U.K. falling into a recession has risen to as much as 30 % and may increase further, Lloyds Bank Corporate Markets said in an e- mailed statement. The unit of Lloyds Banking Group Plc forecasts growth will slow to 0.1 % in the fourth quarter from 0.5 % in the three months through September.

U.K.'s Third-Quarter GDP Suggests More QE Next Year: Niraj Shah (Bloomberg) - The BoE is likely to expand its 275 bln-pound quantitative easing program in February after the U.K. economy grew 0.5 % in Q3, according to a first estimate released yesterday. That is 0.25 %age point less than the BOE projected in August. A decline in the manufacturing PMI for October to 47.4 from a revised 50.8 the previous month suggests the economy may contract in the final three months of the year. Growth in the July-September period was led by a 0.7 % quarter-on-quarter expansion of the services sector, while industrial production increased 0.5 % and the construction industry shrank 0.6 %. The fiscal squeeze imposed by the government and the escalating euro-zone crisis are likely to weigh on growth in the fourth quarter and in next year. The level of GDP is 4 % below its pre-recession peak and the BOE Inflation Report next week may show output is unlikely to return to its 2008 level before the end of 2013. That would be slower than the recovery after the Great Depression of the 1930s, which lasted four years and three months. An expansion in QE is looking more and more likely.

News Cont'd

Nov. 1st - More Britons Expect House-Price Drop Next Year, Halifax Says (Bloomberg) - Britons' confidence in the housing market has fallen, with more consumers forecasting price declines than increases in the next year, a survey by Halifax showed. A gauge of the housing market measuring price expectations fell to - 2 from 9 in April, Halifax. Thirty % predict prices will fall over the next 12 months, with 28 % forecasting increases, according to the survey. "We expect little change in both prices and activity over the next few months," Halifax economist Martin Ellis said. Halifax said that more than a quarter of the 1,986 people surveyed between Oct. 7 and Oct. 13 forecast that house prices will be unchanged in a year's time.

Oct. 27th - Fisher Says BOE Move Justified as Economy May Be Shrinking (Bloomberg) - BoE Markets Director Paul Fisher said expanding monetary stimulus by 75 bln pounds (\$120 bln) this month was the minimum amount needed to shore up an economy that may already be shrinking. "There was sufficient downward momentum in the U.K. economy to justify 75 bln," Fisher, 53, said in an interview in London yesterday, referring to the bank's Oct. 6 decision to buy more bonds. "Even if we get a silver bullet solution to Europe, I still thought we needed to do something like that to head off the risk of a slowdown." Fisher said U.K. growth may be "not much better than flat" in the fourth quarter and there is a "significant" chance of another U.K. recession. "Looking at the fourth quarter for example, at best it seems to be flat, could easily have negative growth, so the technical outcome of two quarters of negative growth in a row could quite easily come about," he said in a separate Bloomberg Television interview. "But hopefully we have spotted it coming and we've taken action which will help prevent it." "I voted for 75 because I was pretty sure we'd have to do at least 75," he said.

Oct. 27th - BOE's Posen Sees 0.5% U.K. Growth Next Year, Independent Says (Bloomberg) - BoE policy maker Adam Posen predicted U.K. economic growth of "0.5 % or below" this year and "0.5 % or above" in 2012, the Independent reported. In an interview with the newspaper, Posen said while the central bank's decision this month to increase so-called quantitative easing by 75 bln pounds (\$120 bln) should help to prevent a double-dip recession, he doesn't foresee growth recovering until 2013. Although U.K. consumer price inflation exceeded 5 % last month, Posen forecast that prices will come down sharply next year because tax changes and oil-price increases won't be repeated; he said the inflation figure might fall below the bank's 2 % target, the Independent reported.

Oct. 27th - Miles Says U.K. Faces 'Difficult' Environment, Newspaper Says (Bloomberg) - BoE policy maker David Miles said that the U.K. is in a "difficult economic environment," the North-West Evening Mail reported, citing an interview. "Real spending power of householders is being squeezed, the disposable income has fallen for many householders and that is a reflection of the fact most people's income -- if they are lucky enough to be in a job -- has increased by two per cent over the last two years while inflation has been at 4 to 5 per cent," Miles told the newspaper.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
01-04 NOV	Halifax House Prices sa (MoM)	OCT	0.10%	-0.50%
01-04 NOV	Halifax House Price 3Mths/Year	OCT	- -	-2.30%
11/3	PMI Services	OCT	52	52.9
11/3	Official Reserves (Changes)	OCT	- -	-\$2444M
11/4	New Car Registrations (YoY)	OCT	- -	-0.80%
11/6	Lloyds Employment Confidence	OCT	- -	-67
11/7	BRC Sales Like-For-Like YoY	OCT	- -	0.30%
11/7	RICS House Price Balance	OCT	- -	-23%
11/8	Industrial Production (MoM)	SEP	- -	0.20%
11/8	Industrial Production (YoY)	SEP	- -	-1.00%
11/8	Manufacturing Production (MoM)	SEP	- -	-0.30%
11/8	Manufacturing Production (YoY)	SEP	- -	1.50%
11/8	NIESR GDP Estimate	OCT	- -	0.50%
11/8	BRC Shop Price Index YoY	OCT	- -	2.70%
11/9	Visible Trade Balance GBP/Mn	SEP	- -	-£7768
11/9	Trade Balance Non EU GBP/Mn	SEP	- -	-£4867
11/9	Total Trade Balance (GBP/Mln)	SEP	- -	-£1877

Valance Economic Report: Canada

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November 2, 2011

Real GDP expanded 0.3% M/M in August, above market forecasts and the third consecutive monthly increase. In September, Industrial Product Prices increased more than expected, while Raw Material Prices also surprised to the upside.

Weekly Highlights

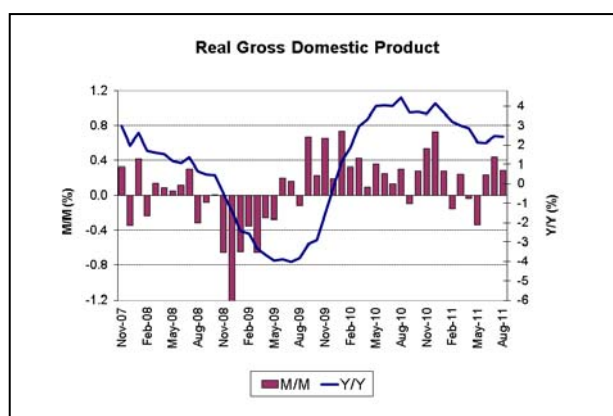
Real GDP – expanded 0.3 % M/M and 2.4% Y/Y in August. (CA 1)

Raw Materials Price Index – rose 1.4% M/M (-1.9% exp.) in September. (CA 3)

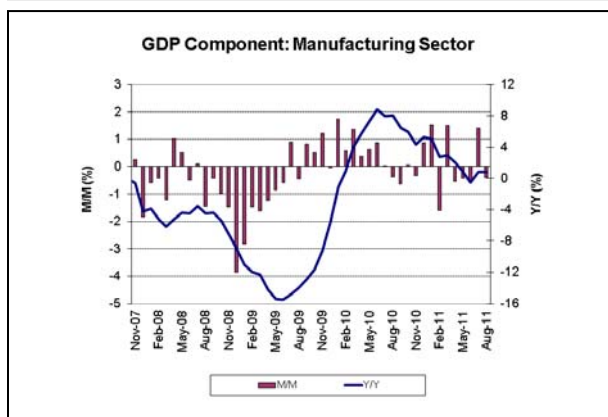
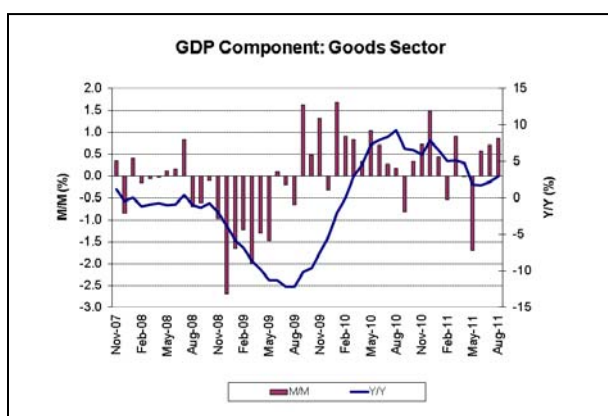
Industrial Product Price Index – rose 0.4% M/M in September. (CA 3)

Weekly Releases & News

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



Real GDP expanded 0.3 % M/M in August, after expanding 0.4% M/M in July. Y/Y growth remained at 2.4%. Expectations were for 0.2% M/M growth and +2.2% Y/Y. The mining & quarrying sector surged 3.3% M/M, while manufacturing production fell 0.4% M/M, after a 1.4% M/M expansion. Goods-producing industries rose 0.9% M/M, the utilities sector fell 0.8% M/M, and wholesale trade dropped 1.4% M/M.



Financial Balances & Trade Weighted Exchange Rate

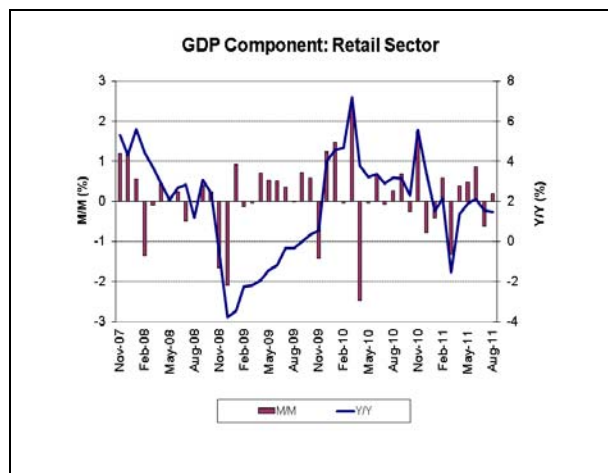
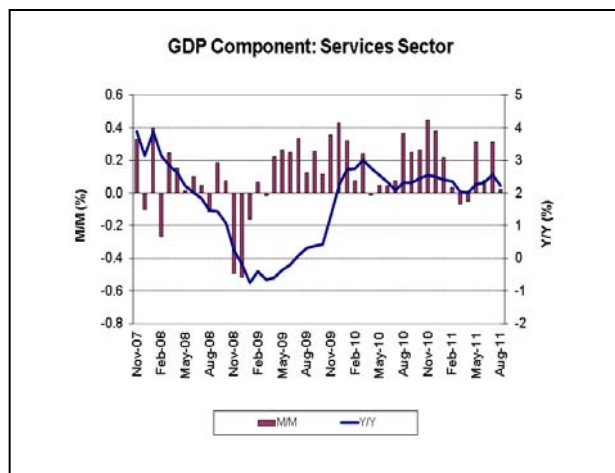
Financial Balances

<i>Canada</i>	<i>Latest period (C\$bln)</i>	<i>Last 12mth. as % of GDP</i>
Budget Balance	-0.9 (Feb)	-2.3%
Trade Balance	-0.62 (Aug)	-1.5%
Current Account Balance	-15.3 (Q2)	-7.3%
Private Balance	--	-5.0%

Trade-Weighted Exchange Rate



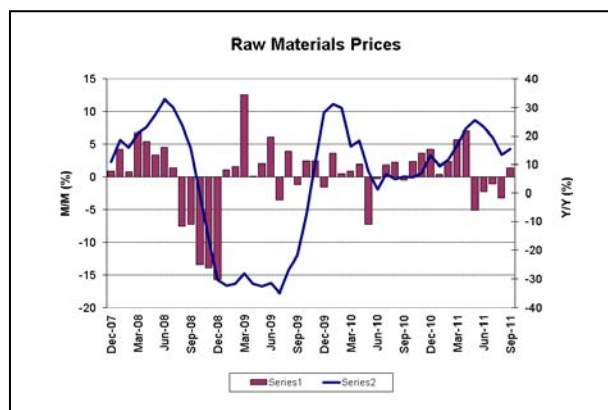
GDP Data Cont'd., RMPI & IPPI



Retail output in July rose 0.2% M/M, while the service-producing sector was flat M/M.

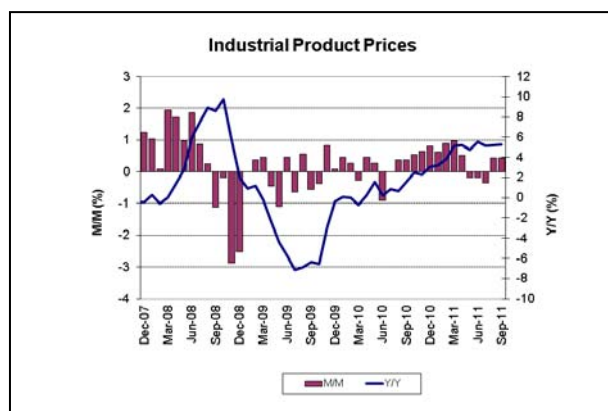
Raw Materials Price Index

Raw Materials Prices rose 1.4% M/M in September after dropping 3.2% M/M in August. The market expected a 1.9% M/M decline. This monthly increase was driven by mineral fuels (+4.1%). Ex-mineral fuels, prices fell 1.0% M/M. Y/Y growth for the overall RMPI was 15.2%.



Industrial Product Price Index

Industrial Product Prices rose 0.4 % M/M in September, after increasing a downwardly revised 0.4% M/M (+0.5% prev.) in August. Expectations were for a 0.2% M/M gain. Ex-petroleum/coal products, the IPPI gained 0.5% M/M. Y/Y growth for the overall IPPI was 5.3% and ex. petro/coal it was 2.5%.



News & Upcoming Dates***News***

Nov. 1st - Flaherty Says Bank of Canada Inflation Mandate to Be Unchanged (Bloomberg) - Canadian Finance Minister, Jim Flaherty, said the Bank of Canada's mandate will remain unchanged, as the government prepares its five-year renewal of the central bank's inflation target. Flaherty, speaking yesterday to reporters in Trenton, Ontario, said the government will once again announce the range in which the central bank seeks to keep inflation, once it completes its review. At the last renewal, in November 2006, the central bank and finance department agreed the target would remain the 2% midpoint of a 1% to 3% range. "We will announce the range, of course, as we do, Flaherty said." Other than that, the mandate remains the same for the Bank of Canada." The House of Commons Finance Committee is also studying whether the central bank's monetary policy mandate should be broadened to include other targets, such as full employment or output.

Nov. 1st - IMF Says Canada May Need to Tighten Consumer Lending Rules (Bloomberg) - Canadian policy makers may have to take further steps to rein in household lending should rising house prices prompt consumers to go further into debt, the International Monetary Fund said today. Steps the government should consider include raising mortgage down payment requirements and tightening the existing cap on debt service-to-income ratios, an IMF team said after concluding a yearly assessment of Canadian economic policies. "There are signs that mortgage debt - the rate of growth - is slowing," Gian Maria Milesi-Ferretti, Assistant Director of the IMF's North American Division, told reporters today in Toronto. If household debt continues to rise rapidly and house prices "continue to outperform, there is clearly scope for a further tightening of measures." The Canadian dollar is "relatively strong" given historical trends and "on the strong side of fundamentals," Milesi-Ferretti said. "Canada wouldn't be hurt if the Canadian dollar was a little bit weaker," he said.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectations</i>	<i>Previous</i>
11/04	Building Permits (M/M)	SEP	--	-10.4%
11/04	Ivey Purchasing Managers Index	OCT	56.0	55.7
11/04	Unemployment Rate	OCT	7.2%	7.1%
11/04	Employment Change	OCT	+20.0k	+60.9k
11/08	Housing Starts	OCT	--	207.6k
11/09	New House Price Index (M/M)	SEP	--	+0.1%

Valance Co., Inc.

Valance Economic Report: Australia

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November 2, 2011

The RBA lowered its target rate 25bps to 4.50%, citing “recent information suggests the subdued demand conditions and the high exchange rate have contained inflation.” The RBA statement doesn’t appear to suggest further easing in the near term, but the market is pricing in about 75% chance of another 25bp rate cut in December. Building Approvals dropped to their lowest level since November 2002.

Weekly Highlights

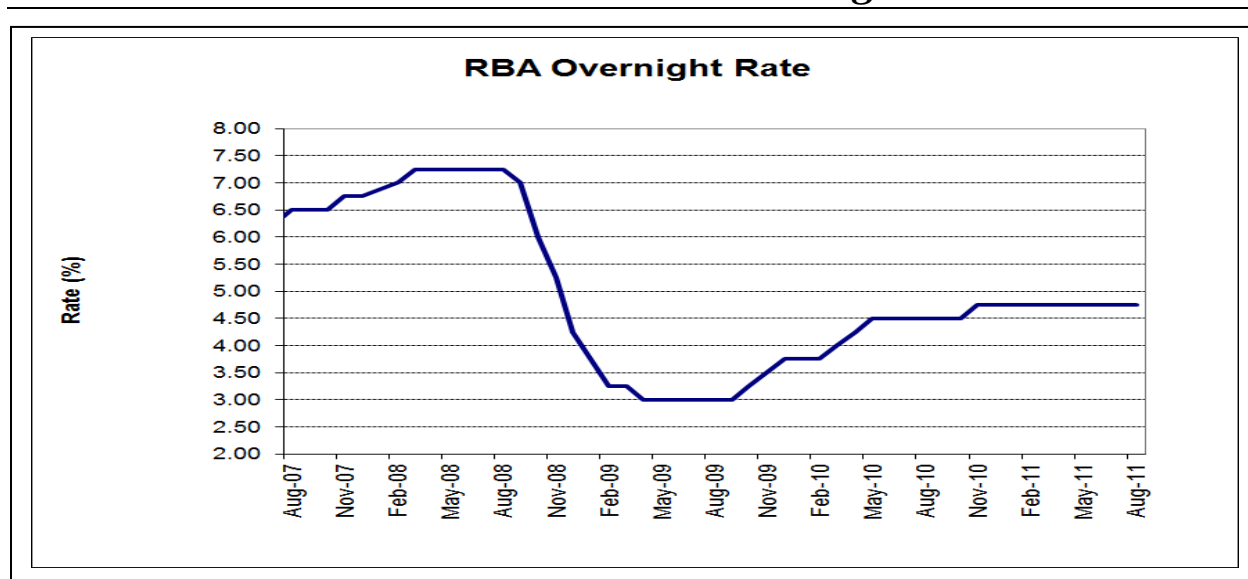
RBA Cash Target Rate – lowered 25bps to 4.50%. (AU 1)

AiG Manufacturing Index – improved from 42.3 in September to 47.4 in October. (AU 3)

Building Approvals – dropped 13.6% M/M in September. (AU 2)

Weekly Releases & News

Chart of the Week: *RBA Target Rate*



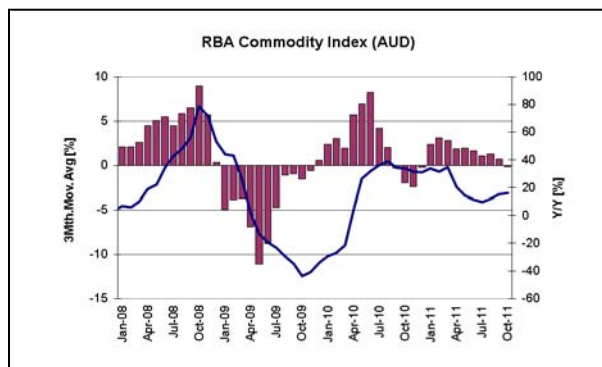
The RBA lowered its benchmark interest rate 25bps to 4.50%, the first cut since April 2009. The RBA said that “the likelihood of a significant acceleration in labor costs in the near term has lessened”, it is likely to be some time before concerns about the European situation can definitively be laid to rest” and that “across Asia, trade performance, however, is starting to see some effects of a significant slowing in economic activity in Europe, where the prospects are for economic weakness to continue.”

AU - 1

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RBA Commodity Index, Building Approvals & Data

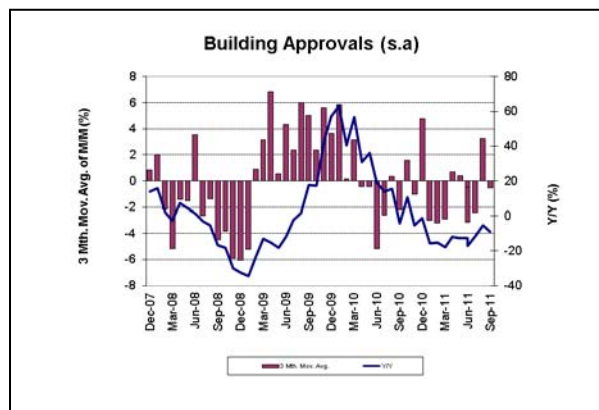
RBA Commodity Index & AUD



The RBA's October's Commodity Price Index (SDR terms) fell 3.9% M/M and Y/Y. In AUD terms, the index fell 3.2% M/M and rose 16.0% Y/Y. Following the rate cut, the AUD dropped to \$1.048, compared to the \$1.1081 reached on July 27th, the highest level since it was freely floated in 1983.

Building Approvals

September's Building Approvals fell 13.6% M/M, compared to the 10.7% M/M increase in August. This is the lowest level since November 2002. Expectations were for a 4.9% M/M drop. On an annual basis, permits were down 12.0%.



Data

AiG Performance of Manufacturing Index - The Performance of Manufacturing Index rose from 42.3% in September to 47.4 in October. This is the fourth consecutive contraction, and compares to the reading of 49.4 a year ago. A reading above 50 indicates the sector is expanding.

HIA New Home Sales - According to the Housing Industry Association, total sales of newly built homes fell 3.5% M/M in September. Detached house sales fell 3.3% M/M, the lowest monthly level since December 2000. The HIA said "the September figures highlight the present soft conditions facing new home building and reinforce the importance that the RBA board calls it right today by cutting interest rates."

ABS Q3 House Price Index - Australian House Prices fell 1.2% Q/Q (-1.5% exp.) and 2.2% Y/Y in Q3 after -2.2% Y/Y in Q2. This is the third quarterly decline in a row. The ABS Index covers detached houses only and excludes townhouses, apartments and terraces.

RBA Rate Decision Statement

At its meeting today, the Board decided to lower the cash rate by 25 basis points to 4.5 per cent, effective 2 November 2011.

*Recent information is consistent with a moderation in the pace of global growth, though fears of a major downturn have not been borne out so far. The pace of US economic expansion picked up in the September quarter, but is still only moderate and leaves considerable spare capacity. **China's growth has slowed, as policymakers there had intended. Output in Asia has now recovered from the effects of the Japanese earthquake, and domestic demand in the region is generally expanding. Trade performance, however, is starting to see some effects of a significant slowing in economic activity in Europe, where the prospects are for economic weakness to continue.** Commodity prices, while still at high levels, have generally declined over recent months.*

***Financial markets have recovered somewhat from the turmoil of recent months, helped by stronger economic data in the United States and by signs that European governments are making progress in their efforts to deal with the sovereign debt and banking problems.** Equity markets have gained ground and the Australian dollar has risen significantly as risk aversion has lessened. But it is likely to be some time yet before concerns about the European situation can definitively be laid to rest and the effects of the recent turmoil on confidence may result in a period of precautionary behaviour by firms and households.*

Information about the Australian economy suggests moderate growth overall. The terms of trade have now peaked and will decline somewhat in the near term, but they remain very high. In response, investment in the resources sector is picking up very strongly, with much more to come. Some related service sectors are enjoying better-than-average conditions. In other sectors, cautious behaviour by households and the high exchange rate have had a noticeable dampening effect. The unemployment rate has increased a little over recent months, though it remains close to 5 per cent.

*After underlying inflation started to pick up in the first half of the year, recent information suggests the subdued demand conditions and the high exchange rate have contained inflation more recently, notwithstanding continuing sizeable increases in utilities charges. CPI inflation on a year-ended basis remains above the target, due to the effects of weather events last summer, but is now starting to decline as production of key crops recovers. **Moreover, with labour market conditions now softer, the likelihood of a significant acceleration in labour costs outside the resources and related sectors in the near term has lessened. Accordingly, the Bank's current judgement is that inflation is likely to be consistent with the 2–3 per cent target in 2012 and 2013, abstracting from the impact of the carbon pricing scheme.***

Financial conditions have been easing somewhat recently, with market interest rates declining a little and competition to lend increasing. But overall conditions have remained tighter than normal, with borrowing rates still a little higher than average, credit growth subdued and asset prices lower than earlier in the year. The exchange rate has been very variable over the past few months, but on the whole has remained at historically high levels.

Key Dates This week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
11/02	Retail Sales (M/M)	SEP	--	+0.6%
11/02	AiG Services Index	OCT	--	50.3
11/06	ANZ Job Ads (M/M)	OCT	--	-2.1%
11/07	NAB Business Confidence	OCT	--	-2
11/08	Westpac Consumer Confidence (M/M)	NOV	--	+0.4%
11/08	Home Loans (M/M)	SEP	--	+1.2%

Valance Economic Report: New Zealand

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November 2, 2011

As widely expected, the RBNZ left its benchmark interest rate unchanged and issued an almost identical statement to their September one. Wage Inflation across the board was subdued in Q3.

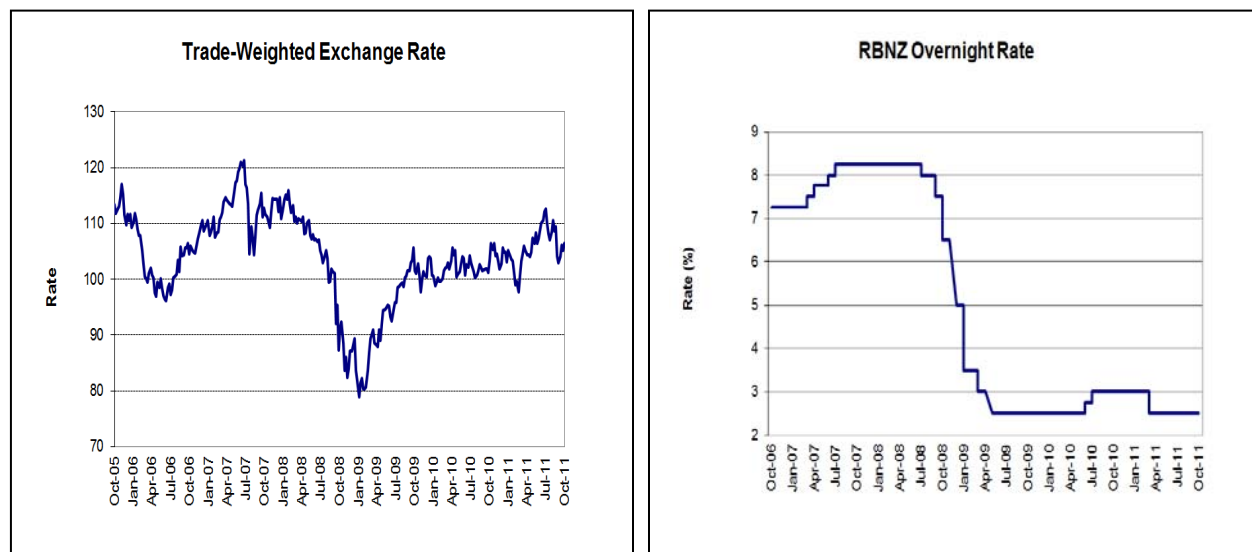
Weekly Highlights

Overnight Rate – remained unchanged at 2.50%. (NZ 1)

All Sectors Private Wages – rose 0.5 % Q/Q in Q1. (NZ 2)

Weekly Releases & News

Charts of the Week: *OCR & FX*

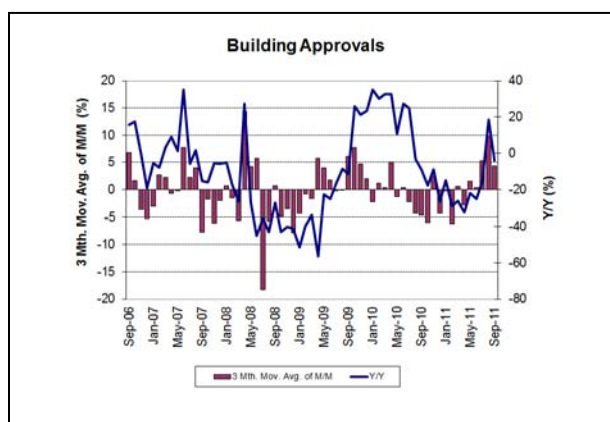


As expected, the RBNZ left its benchmark interest rate unchanged at 2.50%. Interestingly, despite soft domestic inflation, subdued business confidence and weaker economic developments - domestically and offshore, the RBNZ didn't signal any delays of tightening, which, in its September MPS, the RBNZ estimated to begin sometime around March 2012.

Building Permits, ANZ Commodity Prices & Q2 Labor Cost

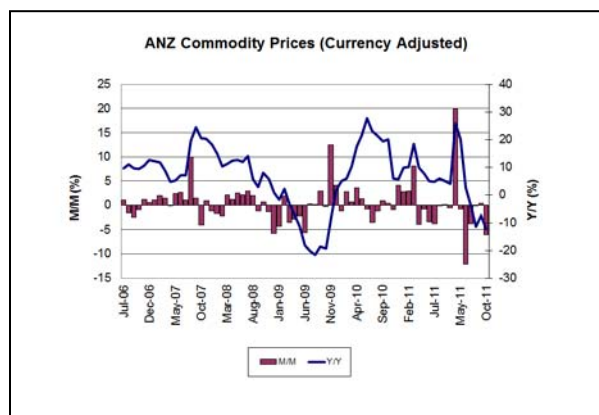
Building Permits

Homebuilding Approvals dropped 17.1% M/M in September, after surging 16.7% M/M in August. Ex-apartments, approvals dropped 14.0% M/M after increasing 17% M/M previously. Y/Y, approvals growth fell 3.9%.



ANZ Commodity Prices

October's Commodity Export Price Index fell 3.5% M/M, the largest drop in 32 months. Prices rose 9.1% Y/Y. This index has declined 7.9% since May. Prices fell 0.6% M/M and fell 12.3% Y/Y in local currency terms.



Q3 Labor Cost

The private sector salary and wage rates (excluding overtime) rose 0.5% Q/Q (0.5% prev. and 0.5% exp.) in Q3. Y/Y, private wages rose 2.0%. The RBNZ's preferred labor cost measure (the overtime-inclusive private sector Labor Cost Index) also increased 0.5% Q/Q (0.5% prev. and 0.5% expected) and 2.0% Y/Y. Average hourly earnings for non-governmental workers rose 1.3% Q/Q (0.7% exp.) after rising 1.2% Q/Q in Q2.

The Quarterly Employment Survey (Statistics New Zealand) - The QES showed that Average ordinary-time hourly earnings for non-governmental workers rose 1.3% in Q3. Demand for labor was steady in the third quarter, the statistics agency said, citing new seasonally adjusted figures in the survey. The number of full-time equivalent employees rose 0.1% from the second quarter while filled jobs gained 0.7%. Total weekly paid hours were unchanged from Q2 when they gained 0.7%.

RBNZ's OCR Statement & Upcoming Dates

RBNZ's OCR Statement

OCR unchanged at 2.5%

"Domestic activity has continued to expand at only a modest pace despite relatively strong commodity prices. More recently, domestic business confidence has fallen back somewhat. Further ahead, earthquake repairs and reconstruction in Canterbury are still expected to provide significant impetus for demand.

"As foreshadowed at the time of the September Monetary Policy Statement, there is a real risk that the European sovereign debt crisis could cause a further slowing in global activity, putting downward pressure on New Zealand's commodity export prices. The difficult international market conditions could also result in increased New Zealand bank funding costs over the coming year.

"Annual headline CPI inflation continues to be above the Bank's 1 to 3 percent target band. That largely reflects the one-off effect of last year's increase in the rate of GST. September quarter inflation data suggest that, once GST and other one-off influences have passed, underlying inflation is settling near 2 percent.

"Given the ongoing global economic and financial risks, it remains prudent to continue to keep the OCR on hold at 2.5 percent for now. However, if global developments have only a mild impact on the New Zealand economy, it is likely that gradually increasing pressure on domestic resources will require future OCR increases."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
11/02	Unemployment Rate	Q3	6.4	6.5 %
11/02	Employment Change Q/Q	Q3	0.6%	0.0%
11/08	QV House Prices Y/Y	OCT	-	+0.7%
11/09	Card Spending (M/M)	OCT	-	+0.2%

Weekly Economic Report: *China*

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November 2, 2011

China's PMI Manufacturing indices posted mixed signals with the official PMI slowing to its lowest level since early 2009 and the private sector PMI improving slightly in October.

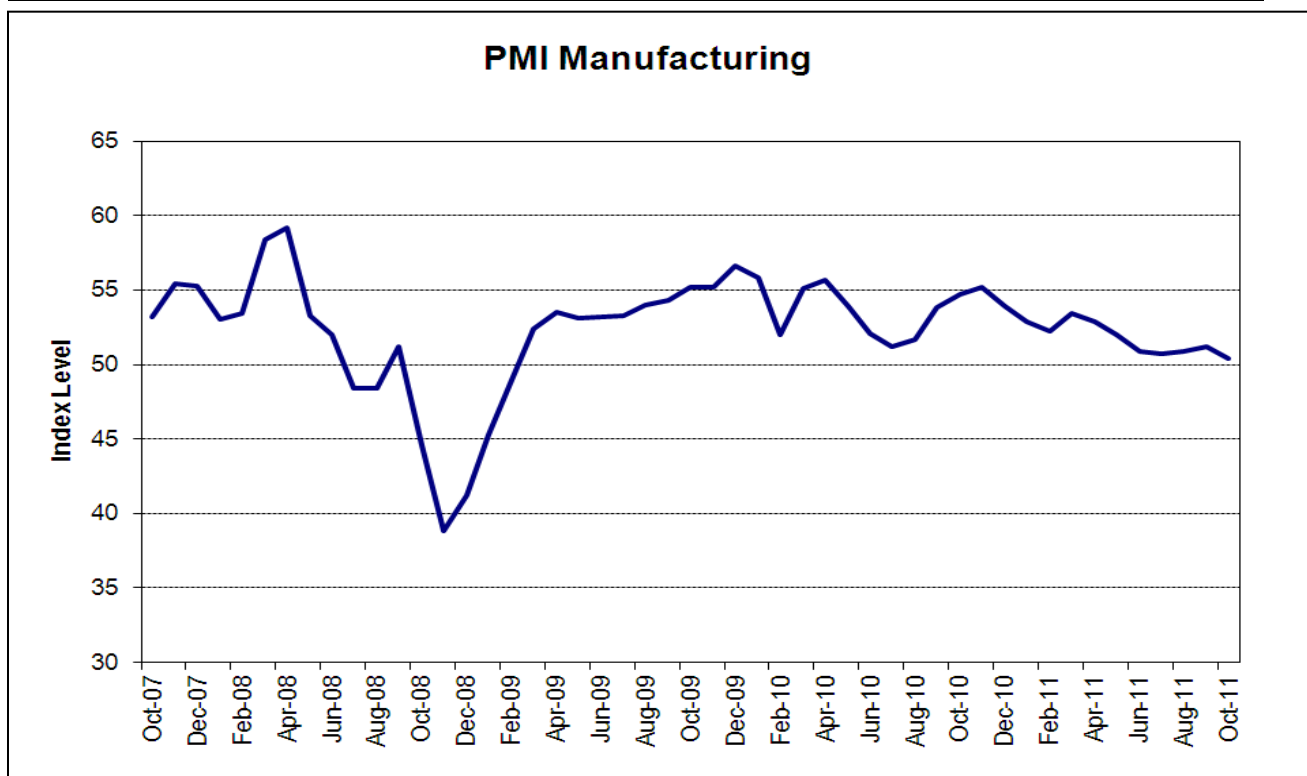
Weekly Highlights

PMI Manufacturing – fell from 51.2 in September to 50.4 in October. (CH 1)

HSBC Manufacturing PMI – rose from 49.9 in September to 51.0 in October. (CH 2)

Weekly Releases & News

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



According to the China Federation of Logistics and Purchasing, the Purchasing Managers' Index fell from 51.2 in September to 50.4 in October – the lowest since February 2009. The Index was forecast to reach 51.8. See PMI Manufacturing Results on the following page.

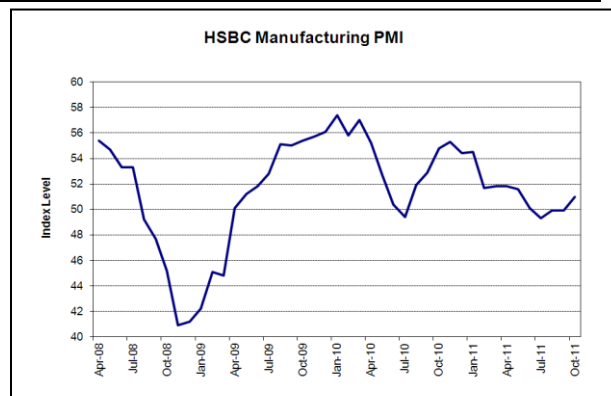
PMI Manufacturing Results, HSBC Manufacturing & Leading Index

PMI Manufacturing Results

	Oct 2011	Sep 2011	Aug 2011	July 2011	June 2011	May 2011	Apr 2011	Mar 2011
Manufacturing PMI	50.4	51.2	50.9	50.7	50.9	52.0	52.9	53.4
Output	52.3	52.7	52.3	52.1	53.1	54.9	55.3	55.7
New Orders	50.5	51.3	51.1	51.1	50.8	52.1	53.8	55.2
New Export Orders	48.6	50.9	48.3	50.4	50.5	51.1	51.3	52.5
Backlogs of Work	46.0	48.9	47.6	46.5	45.9	47.7	50.7	51.4
Inventories of Finished Goods	50.3	49.9	48.9	49.2	51.0	50.0	50.8	51.3
Purchases Quantity	50.7	51.5	51.2	52.0	51.5	53.6	53.8	54.1
Imports	47.0	50.1	49.7	49.1	48.7	50.5	50.6	52.0
Input Prices	46.2	56.6	57.2	56.3	56.7	60.3	66.2	68.3
Inventories of Raw Materials	48.5	49.0	48.8	47.6	48.5	49.5	52.0	51.6
Employment	49.7	51.0	50.4	50.5	50.2	50.9	51.8	51.8
Supplier Delivery Times	50.7	49.5	49.9	50.3	49.8	49.9	50.6	50.4

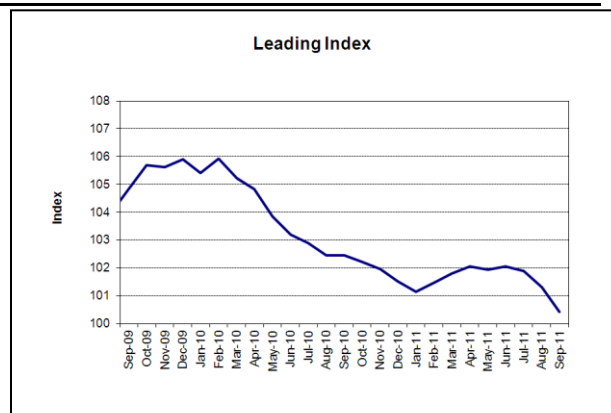
HSBC Manufacturing PMI

The HSBC Manufacturing PMI expanded slightly from 49.9 in September to 51.0 in October. Qu Hongbin, Chief HSBC Economist remarked, “The final PMI confirms the notable improvement in China's manufacturing activities driven by rising new business from both domestic and external markets. We expect stable monetary policy with targeted easing in the coming month.”



Leading Index

China's Leading Index fell from 101.31 in August to 100.43 in September.



Data & News

Data

October 26th (Bloomberg) - China's Industrial Profits – rose from 23.3% Y/Y in August to 27.0% Y/Y in September – reaching 3.68 trln yuan and marked the slowest expansion rate of industrial profits in the year.

News

November 2nd (Bloomberg) - China May Introduce Stimulus If Economy Slows - HSBC's Stephen King made the following comments in an interview:

China won't want to see anything below, say, 7 percent.

There's always been a fear that something must be going wrong in China because it's achieved a growth that's without precedent" during the past three decades. I think the 5 percent forecast is far too pessimistic.

We are close to an inflection point now...that the need for further tightening is gone.

November 2nd (Reuters) - China CPI Seen Easier, Commodity Prices Volatile - Peng Sen, NDRC vice Chairman stated:

At present, prices are stabilising and are under overall control.

China's CPI has peaked at 6.5 percent in July before easing to 6.2 percent in August and 6.1 percent in September, and we are expecting to see a further fall in the coming period of time,

Commodity prices in the international markets may become more volatile next year.

November 1st (China Daily) - OECD foresees single-digit growth for China – The OECD said that China's economy will slow from 10.4% in 2010 to 9.3% this year, and will advance 9.5% in 2013.

October 31st (Reuters) - China's Hu says Europe can solve its economic woes – President Hu Jintao told reporters:

We are following the economic development under the current difficulties with attention.

We are convinced that Europe has the wisdom and has the competence to overcome the current difficulties.

News (Cont'd.) & Upcoming Dates

News (Cont'd.)

October 31st (Bloomberg) - China's Cheng Siwei Says Yuan Should Be in IMF Currency Basket - Cheng Siwei, a Former Chinese Legislator remarked at a conference in NY:

The renminbi should have a certain percentage in the SDR to reflect China's economic growth in the modern monetary system.

We need to make the RMB fully convertible. How can you call it a reserve currency if you can't convert it?

Key Dates This Week

Date	Indicator	Month	Expectation	Previous
11/02	China Non-Manufacturing PMI	OCT	--	59.3
11/02	China HSBC Services PMI	OCT	--	53.0
11/08	CPI	OCT	5.5% / 5.8%	6.1% / 6.5%
11/08	PPI	OCT	-- / 13.4%	14.2% / 13.8%
11/08-09	Fixed Assets Inv Excl. Rural YTD Y/Y	OCT	24.7%	24.9%
11/08-09	Retail Sales / Y/Y	OCT	-- / 17.6%	17.0% / 17.7%

Valance Economic Report: Sweden

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November 2, 2011

As expected, the Riksbank kept its repo rate unchanged at 2.0% for the second consecutive meeting and lowered its forecast for the projected rate path. In September, Retail Sales fell for the third consecutive month. Swedbank's October PMI Index rebounded, but is still below its expansion zone of 50.

Weekly Highlights

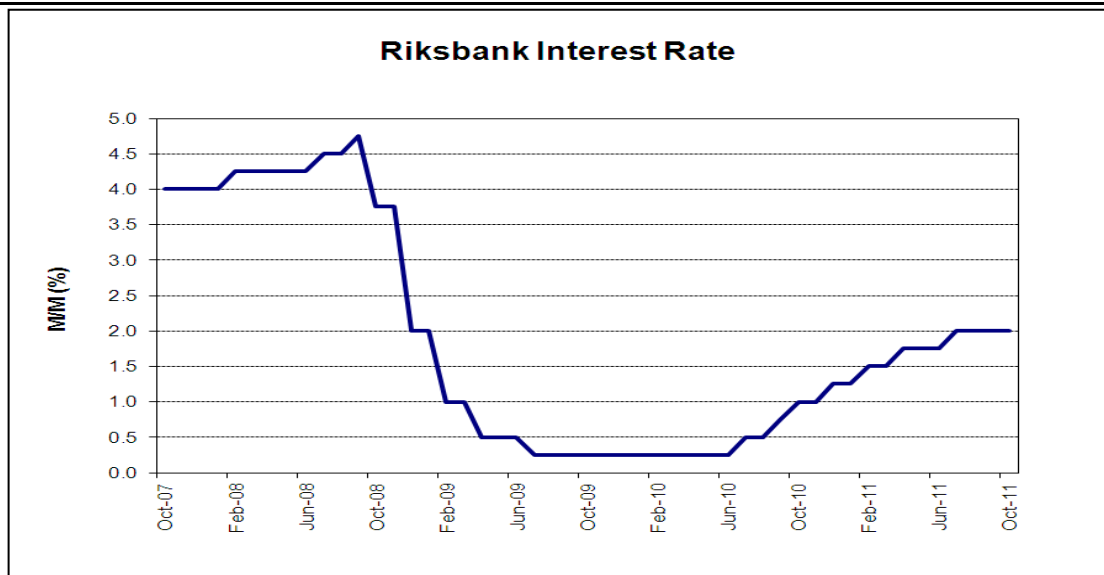
Riksbank Interest Rate – was unchanged at 2.0%. (SW 1)

Retail Sales - fell 0.2% M/M and 0.6% Y/Y in September, compared with -0.3% M/M and +0.3% Y/Y in August. (SW 2)

PMI – rose from 48.1 in September to 49.8 in October. (SW 3)

Weekly Releases & News

Chart(s) of the Week: *Riksbank Interest Rate*



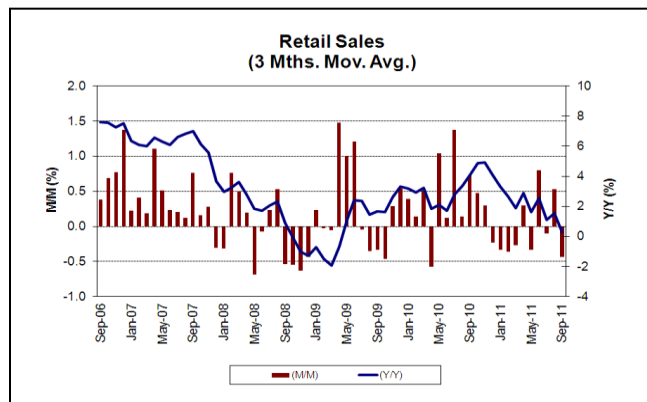
As expected, the Riksbank held its repo rate at 2.0% for the second consecutive meeting. The Bank remarked, "The difficulties in resolving the public finance crisis in Europe has led to increased uncertainty. In Sweden, growth is expected to be slightly weaker in the coming period. At the same time, inflationary pressure is low. The Executive Board of the Riksbank has therefore decided to hold the repo rate unchanged at 2 percent and to wait to increase it until sometime next year." Deputies Lars E. O. Svensson and Karolina Ekholm, were hoping for a rate cut to 1.75% and a rate path of 1.5% from Q1 of 2012 until Q1 of 2013. The Bank has now predicted that 2012 economic growth will reach 1.5%, from a previous forecast of 1.7%, and lowered its repo rate forecast for Q4 of 2012 from 2.6% to 2.3%. It added, Output will grow 2.4% and 2.5% in 2013 and 2014, respectively; and Underlying Inflation will average 1.3% in 2012 (down from 1.5% predicted earlier).

SW - 1

Retail Sales, Consumer & Manufacturing Confidences

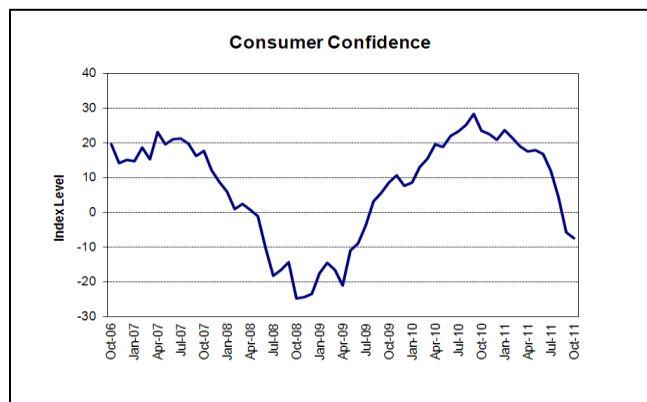
Retail Sales

Retail Sales fell 0.2% M/M and 0.6% Y/Y in September, compared with -0.3% M/M and +0.3% Y/Y in August. Sales were forecast to increase 0.3% M/M and fall 0.2% Y/Y. Additionally, Retail Sales for consumables increased by 0.4% Y/Y; while durables fell 1.3% Y/Y.



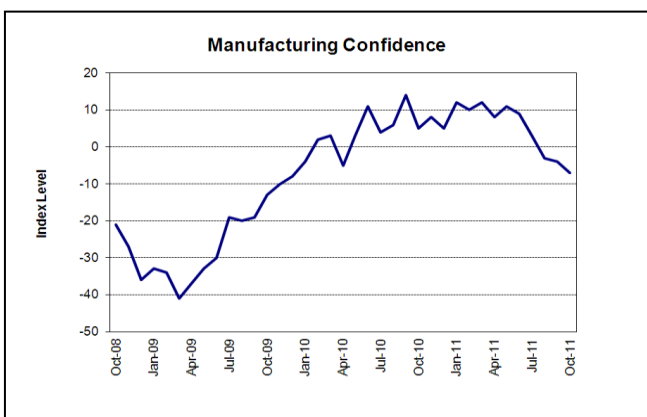
Consumer Confidence

Consumer Confidence fell from -5.8 in September to -7.5 in October. This marked the lowest reading since June 2009. Expectations were for a reading of -6.4. The Riksbank remarked, "the difficulties in resolving the public finance crisis in Europe has led to increased uncertainty."



Manufacturing Confidence

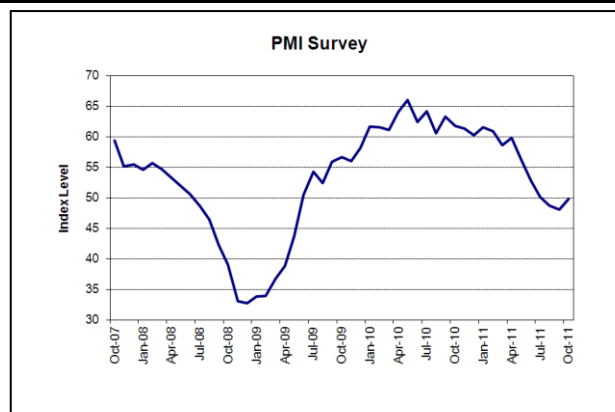
The seasonally adjusted Manufacturing Confidence indicator dropped to -7 in October, compared with a reading of -4 the previous month. A reading of -5 was expected.



PMI & Trade Weighted Exchange Rate

PMI

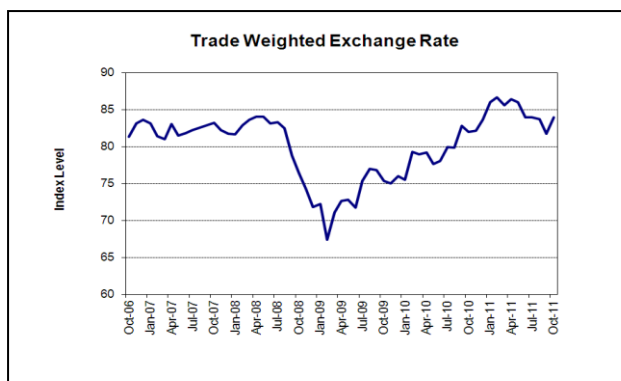
Sweden's Purchasing Managers' Index rebounded from 48.1 in September to 49.8 in October, dropping below 50 for the third time since July 2011. It was expected to reach 47.2. Eight of the Index's 10 subcomponents also dropped below the expansion zone. Raw Materials Prices was the largest negative contributor, dropping 7.1 points. Swedbank remarked, "Companies are preparing for a weaker economy. The industrial economy has clearly weakened." See below for PMI results.



PMI Results

	Oct 2011	Sep 2011	Aug 2011	July 2011	June 2011	May 2011	Apr 2011	Mar 2011	Feb 2011	Jan 2011	Dec 2010
PMI	49.8	48.1	48.7	50.1	52.9	56.1	59.8	58.6	60.9	61.5	60.2
Orders	50.5	46.5	47.0	45.4	52.3	55.4	61.5	56.1	59.5	64.2	63.6
Production	48.2	48.9	48.6	49.4	54.0	59.8	61.9	61.4	65.0	64.9	62.8
Employment	50.7	50.0	50.9	53.7	51.3	54.4	57.7	58.3	61.1	57.7	57.1
Delivery Times	47.8	47.5	49.1	54.4	58.1	61.0	65.1	66.0	67.2	64.6	64.5
Stocks	47.1	52.0	51.5	50.1	51.4	55.6	54.6	52.0	64.4	51.9	55.5
Export Orders	48.9	48.3	48.0	46.9	52.5	52.8	58.3	54.7	58.8	61.9	60.5
Domestic Orders	49.1	46.2	42.3	43.4	48.8	56.4	56.9	54.0	56.3	62.1	63.6
Stocks of Orders	48.9	47.0	47.9	49.1	51.0	55.3	57.3	54.3	58.0	60.2	59.5
Raw Material Prices	39.9	47.0	47.4	51.5	60.5	63.5	74.5	79.8	77.1	77.1	71.9
Import Prices	46.8	45.8	48.5	50.4	52.2	56.2	58.5	58.9	60.2	58.6	59.7

Trade Weighted Exchange Rate



Data, News & Upcoming Dates

Data

October 28th - August Economic Tendency Survey (RTT News) – fell from 96.6 in September to 94.3 in October. The Survey was expected to reach 96.0.

October 27th - Household Borrowing Growth (Bloomberg) – slowed from 6.2% Y/Y in August to 5.7% Y/Y in September. In September 2010, the growth rate was 8.9% Y/Y.

News

October 31st (Bloomberg) - Sweden Has ‘Very High’ Economic Strength - Moody’s said:

Sweden’s susceptibility to event risk is very low as the banking sector remains solid.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
11/07	Service Production	SEP	--	-0.1% / 3.7%
11/07	Budget Balance	OCT	--	1.7B
11/09	Riksbank Minutes			
11/09	IP	SEP	--	-3.1% / 5.6%
11/09	IO	SEP	--	-0.5% / 4.2%

Valance Economic Report: Switzerland

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Switzerland's economy continued to show signs of sharp slowing: In October, the KOF Economic Indicator fell further and Manufacturing Output contracted more than economists forecast in October, adding to signs of a worsening economic slump. Retail Sales declined in September.

Weekly Highlights

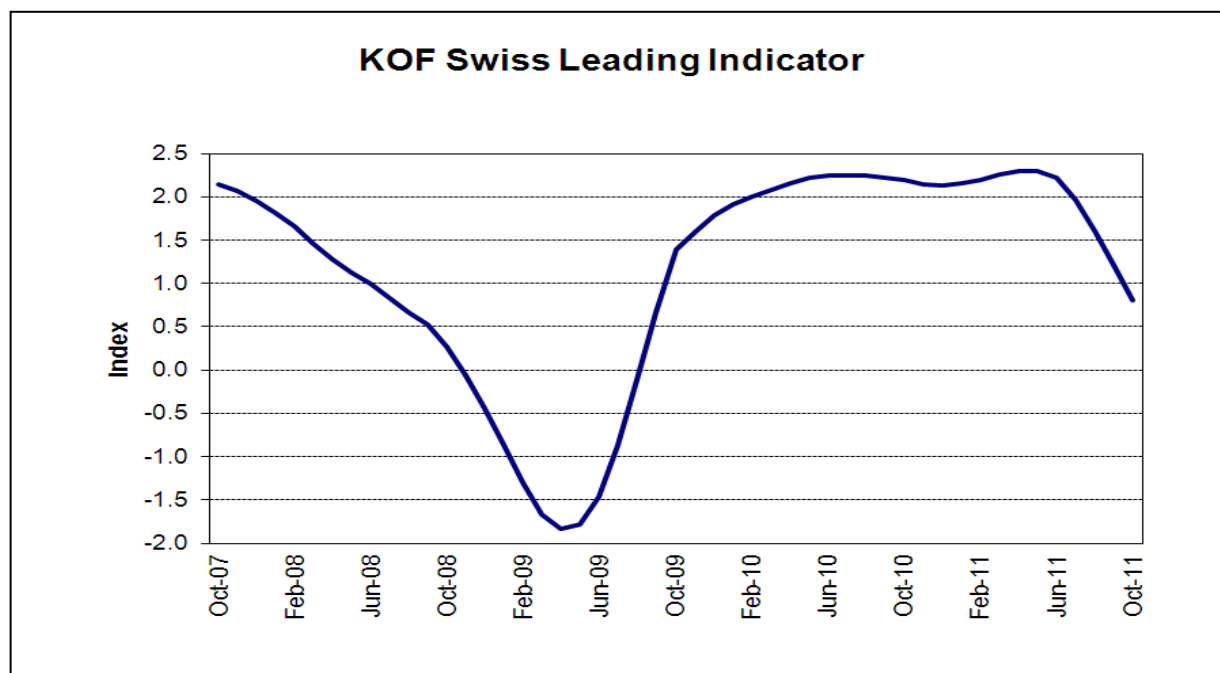
KOF Swiss Leading Indicator – fell from 1.21 in September to 0.80 in October. (SZ 1)

Real Retail Sales – fell 0.9% Y/Y in September. (SZ 2)

PMI – fell from 48.2 in September to 46.9 in October. (SZ 2)

Weekly Releases & News

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



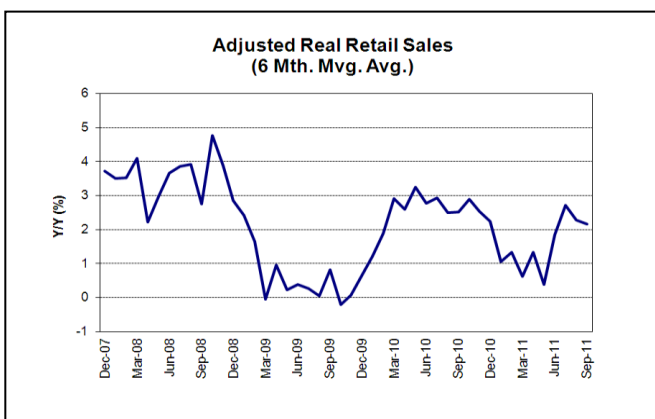
The monthly aggregate of indicators retreated from 1.21 in September to 0.80 in October – the lowest since September 2009. The KOF remarked, “The indicator’s decline suggests Swiss economic growth is likely to slow markedly. Still a recession is not likely to develop within the next few months.” The Indicator was expected to reach 1.00.

SZ - 1

Retail Sales & PMI

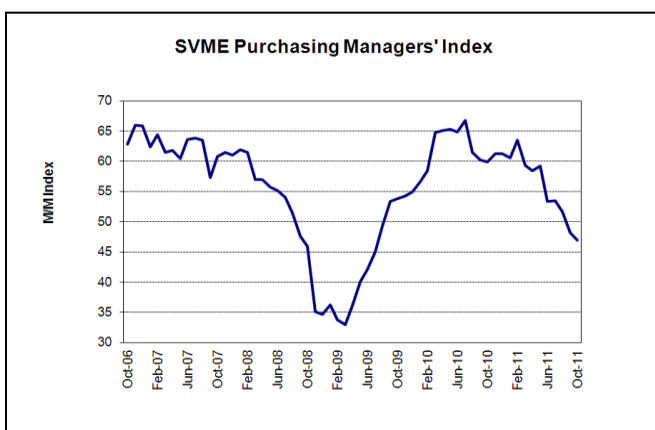
Retail Sales

September Real Retail Sales remained flat on a monthly basis and dropped 0.9% Y/Y, compared with -0.8% Y/Y the previous month.



PMI

Switzerland's Purchasing Managers' Index unexpectedly fell from 48.2 in September to 46.9 in October. The index was expected to reach 47.7. Four of the index's subcomponents posted increases. Credit Suisse remarked, "The horse trading that has surrounded the euro crisis has resulted in clear signs of a slowdown in industrial activity, with new hiring and inventories particularly hard hit. All of the sub-indicators that feed into the PMI survey were out of the growth zone."

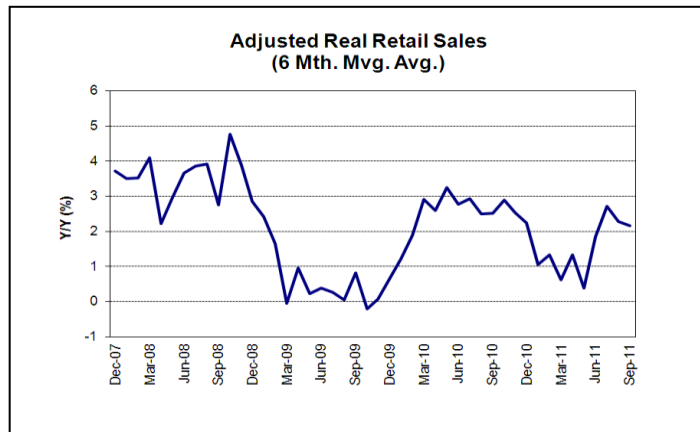


PMI Results

	Oct 2011	Sep 2011	Aug 2011	July 2011	June 2011	May 2011	Apr 2011	Mar 2011	Feb 2011	Jan 2011	Dec 2010
PMI s.a.	46.9	48.2	51.7	53.5	53.4	59.2	58.4	59.3	63.5	60.5	61.2
Output	48.0	46.5	54.3	51.5	46.6	61.1	57.3	59.3	64.7	60.6	65.3
Backlog of Orders	46.2	44.9	46.4	45.6	48.8	57.0	55.2	57.8	67.1	64.2	59.0
Quantity of Purchase	42.6	40.1	46.1	42.8	46.7	55.5	56.4	61.7	64.4	62.1	59.6
Purchase Prices	41.3	36.7	34.6	46.2	51.8	60.2	69.2	75.4	76.1	70.0	72.1
Suppliers Delivery Times	45.8	55.6	60.0	67.8	69.2	66.8	68.8	68.6	59.2	58.7	60.3
Stocks of Purchases	44.9	47.1	51.0	57.1	50.9	51.9	55.2	52.6	56.1	54.1	52.2
Stocks of Finished Goods	45.3	46.7	50.7	54.0	51.3	49.9	52.5	50.3	52.4	53.8	52.1
Employment	48.6	50.6	50.3	55.4	58.2	57.9	58.2	58.2	63.7	59.5	56.4
PMI NSA	47.7	50.7	50.5	51.9	55.7	59.4	60.2	61.1	62.7	60.0	55.7

Trade Weighted Exchange Rate & News

Trade Weighted Exchange Rate



News

October 31st (Bloomberg) - Moody's New Credit Analysis of Switzerland Says Outlook Stable – Moody's remarked, "the outlook on the rating is stable" and the SNB's efforts to control the appreciating franc "are on balance credit positive."

October 27th (Bloomberg) - Schneider-Ammann Says There's 'No Talk' of Swiss Recession - Economy Minister, Johann Schneider-Ammann made the following comments:

I'm hoping that the environment will stabilize.

Even at 1.20, we're still far away from purchasing power parity, which is considerably higher. We have a lower limit, which is giving companies some planning security.

...while the economy is in a difficult environment, there's no talk of a recession.

October 27th (Bloomberg) - Swiss Economy May Not Grow Through First Quarter 2012 -The BAK Basel Economic Research Institute said:

The Swiss economy will probably stagnate from summer 2011 through spring 2012...

...prospects for the coming months remain bleak.

The outlook for 2012 is very subdued given the continued euro debt crisis. Negative risks for Switzerland, as for the global economy, remain extraordinarily high.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
11/03	UBS Real Estate Bubble Index	Q3	--	.65
11/04	Foreign Currency Reserves	OCT	--	282.4B
11/07	Unemployment Rate / sa	OCT	--	2.8% / 3.0%
11/07	CPI	OCT	--	0.3% / 0.5%
11/07	CPI – EU Harmonised	OCT	--	0.3% / 0.2%
11/08	SECO Consumer Confidence	OCT	--	-17