

Valance Company, Inc.



Weekly

August 24, 2011

III

Highlights

US – Philly Fed collapse

EU – Confidence weakening

JN – Corp Service Prices Unchanged, Industry Activity Increased

UK – Weak Retail, factory orders improving

CA – Positive CPI met expectations

AU – “Currency intervention isn’t warranted”

NZ – Exodus continues

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Valance Co., Inc.

Valance Economic Report: *United States*

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August 24, 2011

The Philly Fed plummeted to levels last seen in November of 2008 in August, which looks to be just the beginning of a string of ugly August releases. Fortunately, there has not been a significant jump in Unemployment Claims, boding well for next week's payroll report. All eyes will be on Bernanke's Jackson Hole speech Friday, though we believe market participants looking for significant new actions from the Fed will be disappointed.

Weekly Highlights

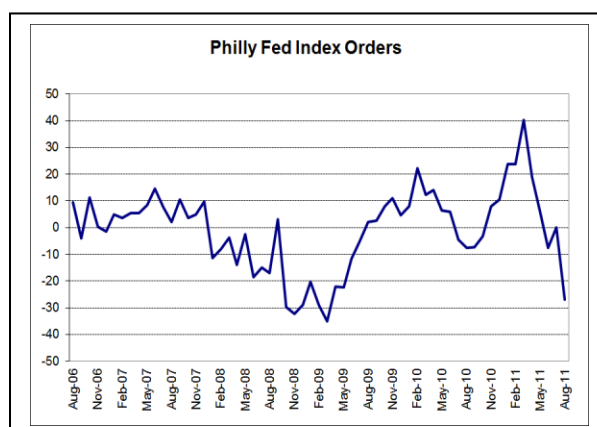
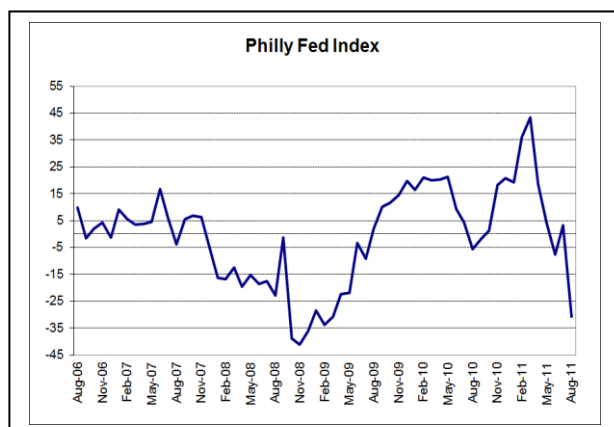
Philly Fed Index – fell dramatically in August, dropping from 3.2 to -30.7. (US 1)

Core CPI – increased 0.2% M/M in July; the three-month annualized core rate is now at 3.1%. (US 3)

Headline Durable Goods Orders – increased 4.0% M/M; strong core order revisions. (US 3)

Weekly Releases

Chart(s) of the Week: *Philly Fed Index*



The Philly Fed Index fell dramatically in August, dropping from 3.2 to -30.7. This was much lower than expectations of 2.0. This is the lowest level since November 2008. The survey has collapsed since recording a multi-decade high of 43.4 in March. The New Orders component dropped from 0.1 to -26.8 and Unfilled Orders from -16.3 to -20.9. The previously encouraging Employment component fell from 8.9 to -5.2. Prices paid and received declined from 25.1 and 1.1 to 12.8 and -9.0, respectively.

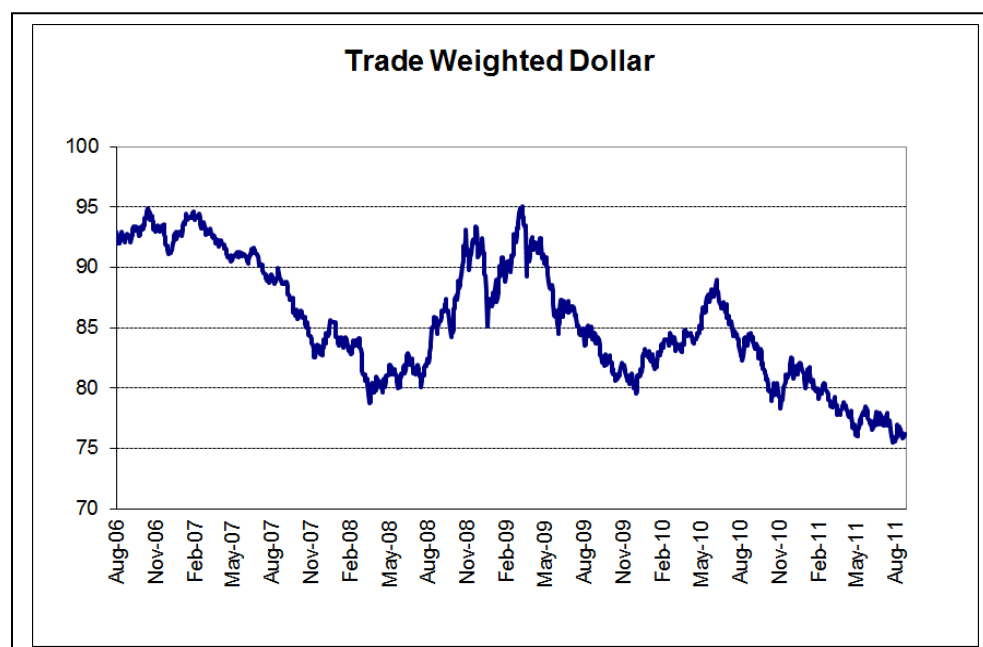
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

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

The budget deficit on a trailing twelve month basis as of July is 8.1% of GDP. The trade deficit as of June is 3.6% of GDP. The budget deficit is quite large and should remain that way due to tax cuts, high expenditures and revenues that are just starting to turn upwards. The large budget deficit will help private balances build and support an economic recovery.

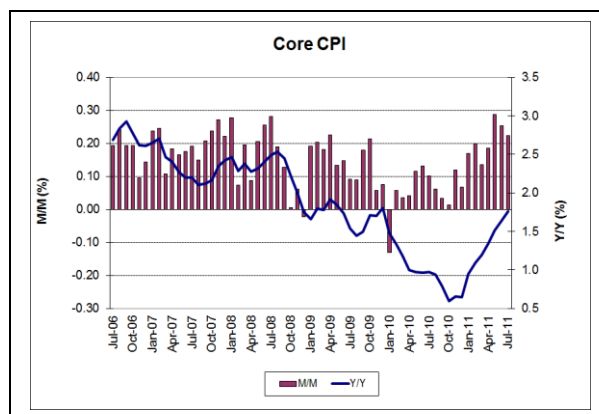
Trade Weighted Dollar



Core CPI, Durable Goods & Unemployment Claims

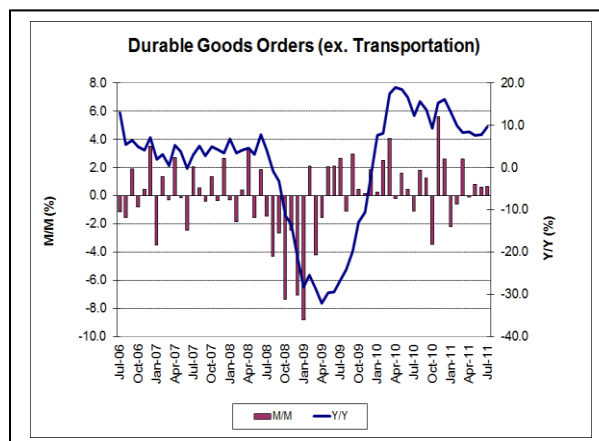
Core CPI

Core CPI increased 0.2% M/M and 1.8% Y/Y in July. The three-month annualized core rate is now at 3.1%. Owners' equivalent rent rose 0.3% M/M. The headline rate rose 0.5% M/M and is up 3.6% Y/Y. Energy prices gained 2.8% M/M.



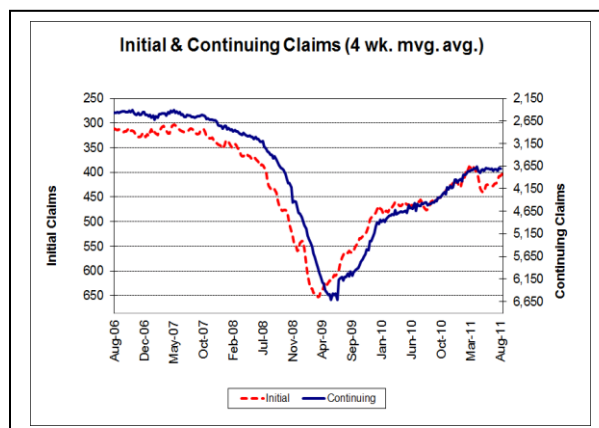
Durable Goods ex. Transport

Headline Durable Goods Orders increased 4.0% M/M and 9.1% Y/Y. Non-defense capital goods orders, excluding aircraft, fell 1.5% M/M, but had strong upward revisions in June and May. The three-month annualized core rate is 13.7%. The strength in core orders is a positive signal for future capex.



Initial & Continuing Claims

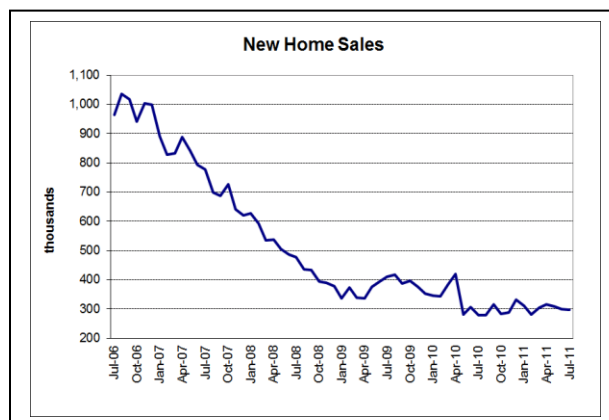
Initial Claims increased from 395k to 408k. The four week moving average of Initial Claims dropped 3k to 403k and Continuing Claims fell from 3695k to 3702k. Initial Claims have trended down from 500k in the summer of 2010 and after improving in the beginning of 2011 are once again approaching those lows.



Housing

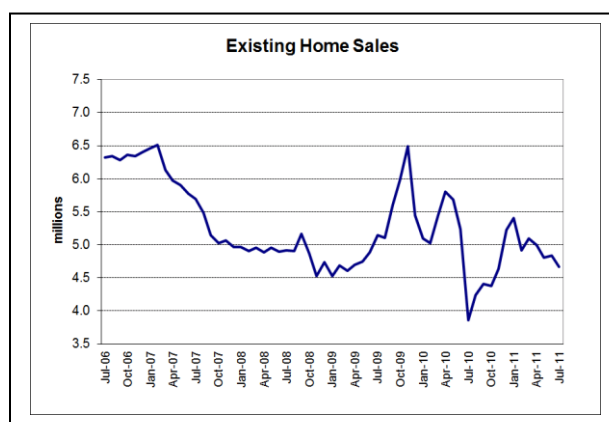
New Home Sales

New Home Sales fell from a revised 300k to 298k in July, the lowest level in five months. It was a decline of 0.7% M/M and is up 6.8% Y/Y. Median prices fell 6.3% M/M and are up 4.7% Y/Y. Inventory levels remained at 6.6 months of supply and actual inventories fell 1k to 165k.



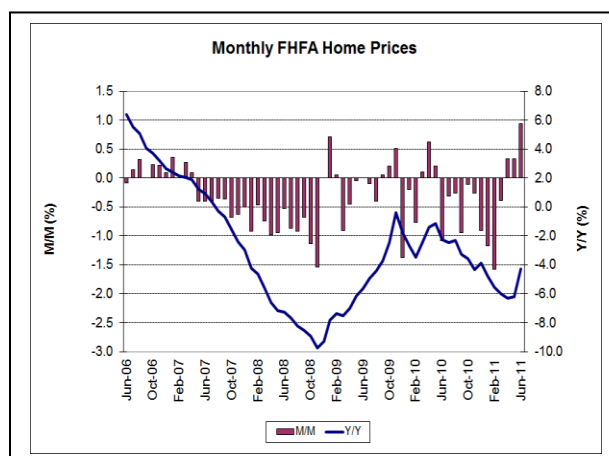
Existing Home Sales

Existing Home Sales fell from 4.77 mln seasonally adjusted annualized units to 4.67 mln in July, down 3.5% M/M. Median prices fell 1k to 174k. Inventory levels increased from 9.2 months to 9.4 months of supply. Existing home sales have jumped dramatically from the July 2010 lows though have declined steadily since the beginning of the year.



OFHEO House Price Index

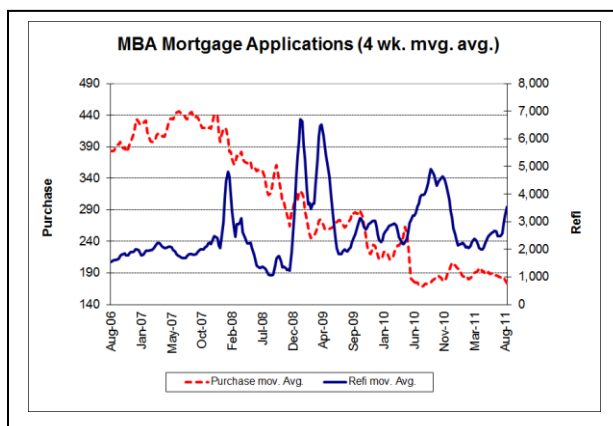
The monthly OFHEO House Price Index rose 0.8% M/M in June but is down 4.3% Y/Y. This was the largest M/M gain since 2005 though the index is just off its lowest level since 2004.



Mortgage Applications & Consumer Confidence

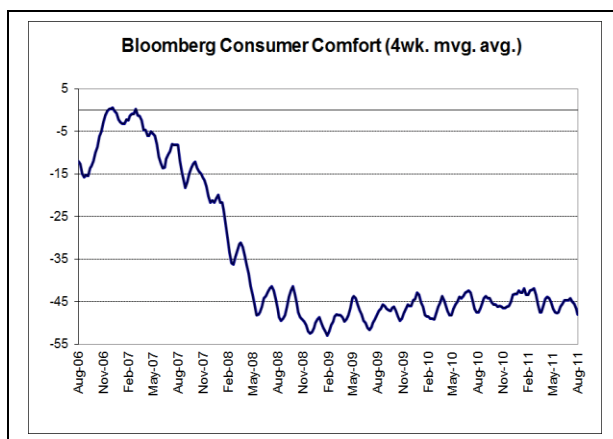
Mortgage Applications

Purchase Mortgage Applications fell 5.7% W/W and refi applications 1.7% W/W this week. Refi activity remains strong as mortgage rates are approaching levels last seen in the fall of 2010.



Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index improved from -49.1 to -48.3. The state of the economy component ticked lower from -85.2 to -85.4. The personal finance component dropped from -7.2 to -8.4. The buying climate rose from -55.0 to -51.2.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
08/25	Initial Jobless Claims	AUG 26	405K	408K
08/25	Bloomberg Consumer Comfort	AUG 28	--	-48.3
08/26	GDP (Q/Q)(Annualized)	2Q	1.10%	1.30%
08/26	Personal Consumption	2Q	0.20%	0.10%
08/26	Core PCE (Q/Q)	2Q	2.10%	2.10%
08/26	U. of Michigan Confidence	AUG	55.9	54.9
08/29	Personal Income	JUL	0.30%	0.10%
08/29	Personal Spending	JUL	0.40%	-0.20%
08/29	PCE Core (M/M)	JUL	0.20%	0.10%
08/29	Pending Home Sales (M/M)	JUL	0.00%	2.40%
08/30	S&P/CS Composite-20 (Y/Y)	JUN	-4.97%	-4.51%
08/30	Consumer Confidence	AUG	53	59.5
08/30	Minutes of FOMC Meeting	--	--	--
08/31	MBA Mortgage Applications	AUG 26	--	-2.40%
08/31	ADP Employment Change	AUG	105K	114K
08/31	Chicago Purchasing Manager	AUG	54	58.8
08/31	Factory Orders	JUL	1.00%	-0.80%
08/31	Initial Jobless Claims	AUG 26	405K	408K

Valance Economic Report: Euro Zone

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August 24, 2011

This week's data suggests a rapid deceleration of German economic growth as the German IFO and ZEW Surveys fell sharply and the Manufacturing PMI stalled in August. Both the Eurozone August Consumer Confidence and Eurozone Industrial New Orders surprisingly fell. Eurozone Manufacturing PMI contracted less than expected.

Weekly Highlights

German IFO Business Confidence – fell 4.2pts to 108.7 in August. (EU 1)

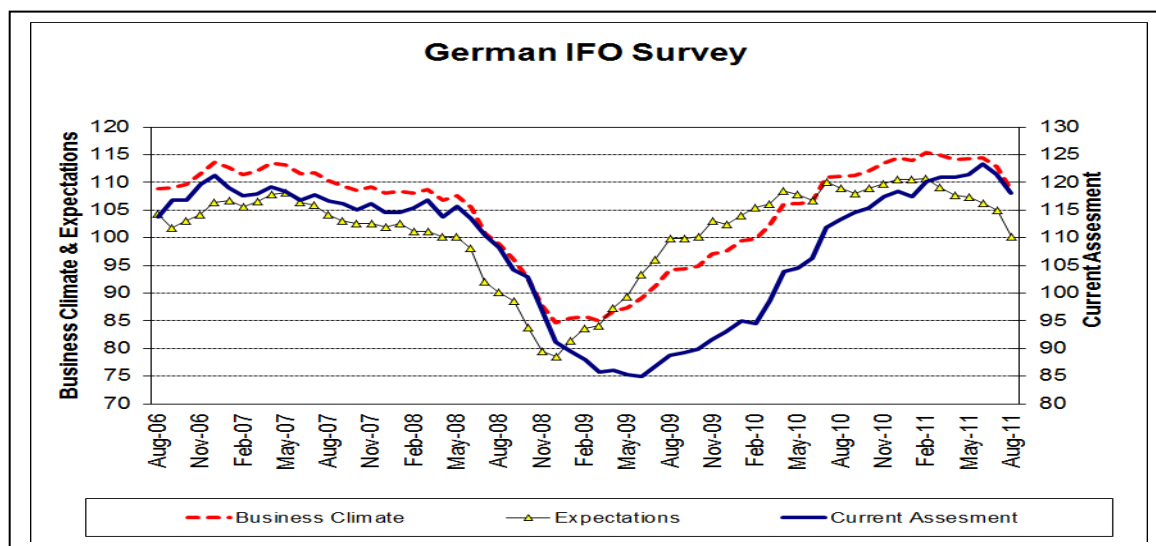
German ZEW Survey – fell from 15.1 to -37.6 in August. (EU 4)

Eurozone Industrial New Orders – fell 0.7% M/M vs. +0.4% M/M expected. (EU 3)

Eurozone Consumer Confidence – deteriorated from -11.2 to -16.6 in August. (EU 4)

Weekly Releases & News

Chart of the Week: German IFO Business Confidence



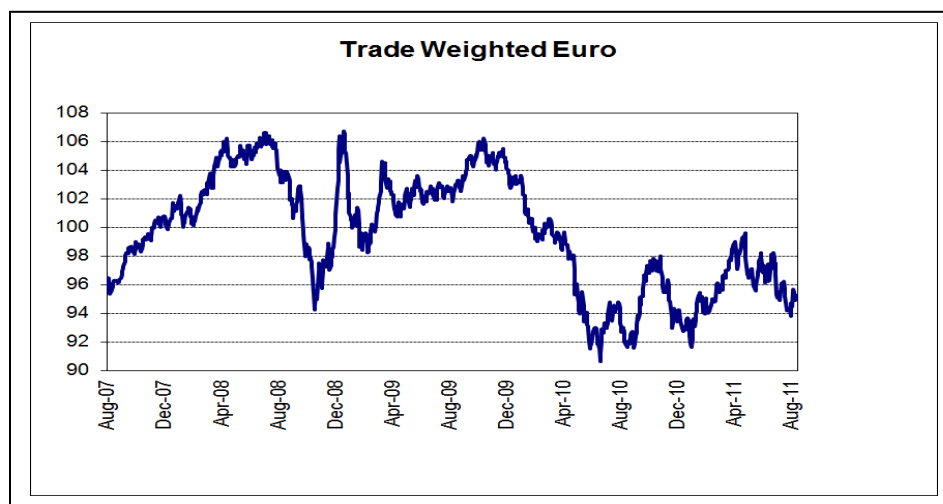
German IFO Business Confidence fell from 112.9 in July to 108.7 in August (111.0 expected), compared to the cycle low of 84.6 seen in December 2008. August's reading is the lowest since June 2010. The index reached a record high of 115.4 in February. The Current Assessment component fell from 121.4 to 118.1. The Expectations component fell from 105.0 to 100.1.

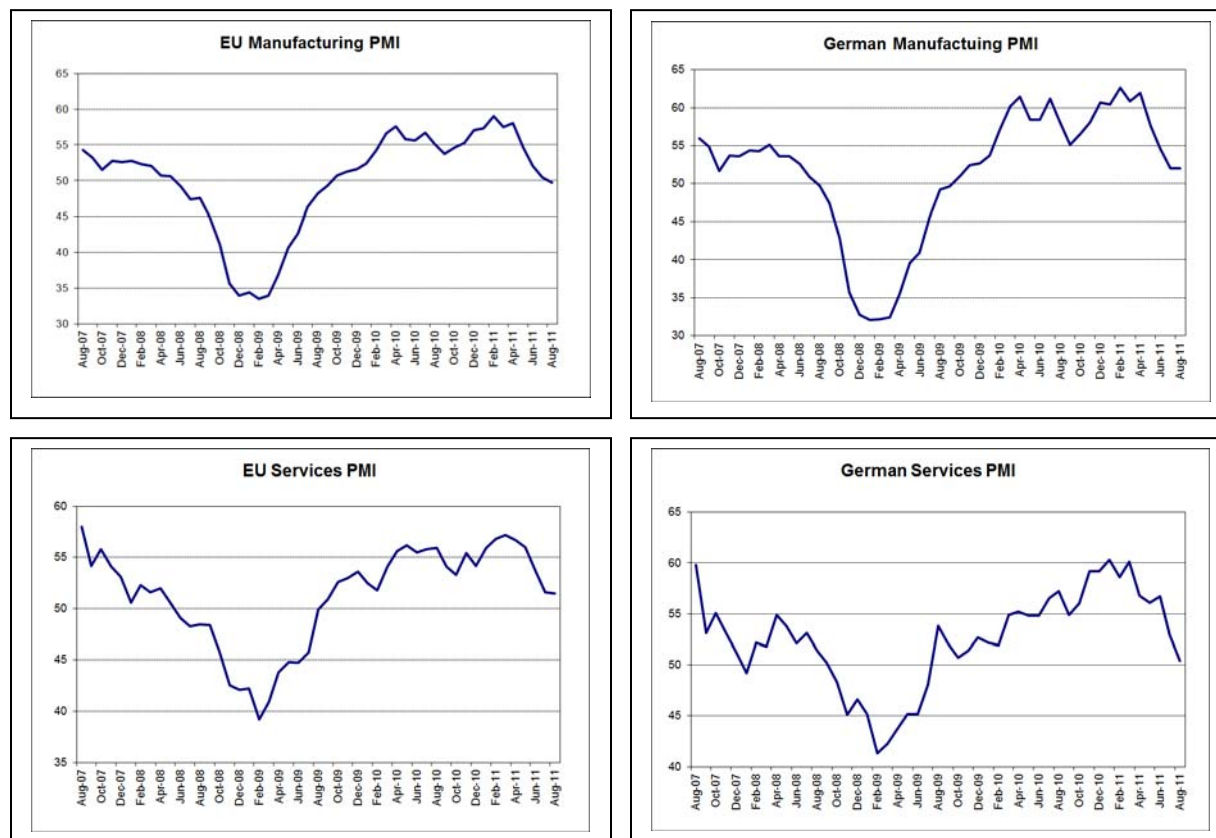
Euro Zone Financial Balances & Trade Weighted Euro

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	14.8 (May)	2.0%
Current Account Balance	6.9 (May)	5.6%
Private Savings Balance		8.9%
<i>France</i>		
Budget Balance		-7.0%
Trade Balance	-7.4 (May)	-4.7 %
Current Account Balance	-5.5 (May)	-2.2%
Private Savings Balance		4.8%
<i>Italy</i>		
Budget Balance		-4.5 %
Trade Balance	-2.4 (May)	-0.6%
Current Account Balance	-5.1 (May)	-3.5%
Private Savings Balance		1.0
*Budget Balance as of year end 2010 – Source OECD		

Trade Weighted Euro

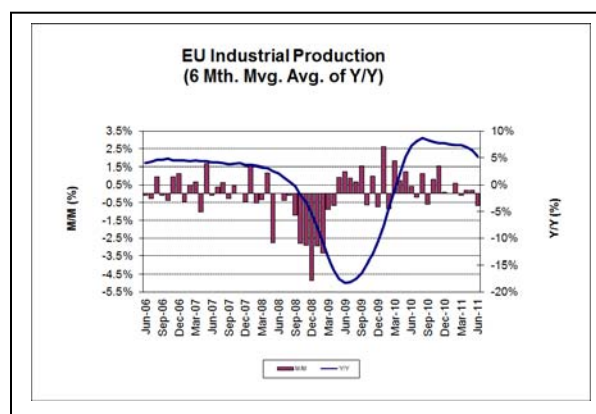




EU Manufacturing PMI fell from 50.4 in July to 49.7 in August, versus market expectations for a reading of 49.5. The Services PMI fell from 51.6 to 51.5 while the Composite index remained at 51.1. German Manufacturing remained unchanged at 52.0 in August, versus market expectations for a reading of 50.6. German Services PMI fell from 52.9 to 50.4.

Eurozone Industrial New Orders

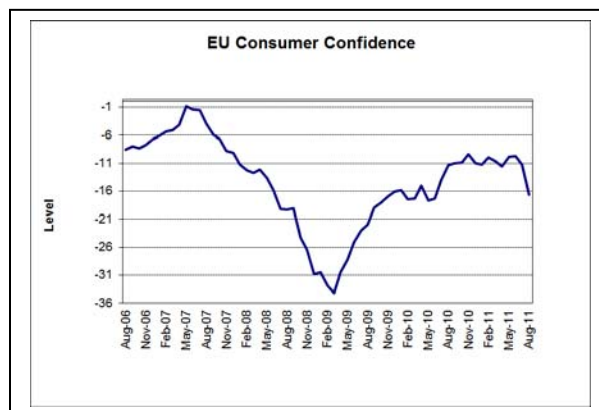
Eurozone's June's Industrial New Orders Index fell 0.7% M/M (+3.6% M/M gain previously) and decelerated from 13.8% Y/Y to 11.1% Y/Y (+11.9% exp.) Expectations were for a 0.4% M/M gain. This is the largest monthly drop since September 2010. Industrial Orders in Germany rose 1.2% in June after a 1.9% increase a month earlier. Euro-area orders for intermediate goods dropped 5.3% in June after a 2.8% increase a month earlier. Orders for durable consumer goods slipped 3.4%, while those for capital goods rose 4.1%. Total orders excluding heavy transport equipment such as ships and trains fell 3%.



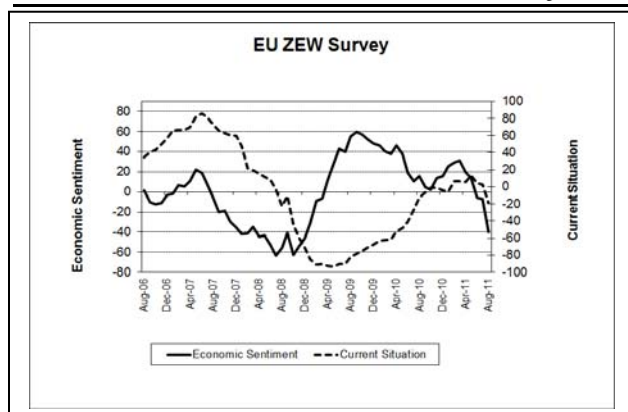
EU Confidence, EU/German ZEW Surveys & German PPI

Euro Zone Consumer Confidence

The Euro Zone's Consumer Confidence fell from -11.2 in July to -16.6 in August. This is the lowest level since June 2010. Expectations were for a reading of -12.4.



EU & German ZEW Surveys



The EU ZEW Survey (Economic Sentiment) fell from -7.0 in July to -40.0 in August. Germany's ZEW Survey (Econ. Sentiment) fell from -15.1 to -37.6, its lowest reading since December 2008 and the largest drop since July 2006. This value is below the indicator's historical average of +25.9 points. The Current Conditions dropped from 90.6 to 53.5, well below the record high of 91.5 seen in May.

German Producer Prices

German Producer Prices increased 0.7% M/M and 5.8% Y/Y in July, well above market expectations for a 0.1% M/M and 5.3% Y/Y gains. PPI, less energy, increased 0.2% M/M and 3.7% Y/Y.



News/Comments/Data

Aug 24th - German President Concerned Over ECB Bond-buying (AP) - Germany's president said Wednesday that he has legal concerns about the European Central Bank's drive to buy the bonds of financially weak governments, a key tool in the region's efforts to ease market tensions. The ECB earlier this month started buying Italian and Spanish bonds to drive borrowing costs down to affordable levels -- reviving a bond-buying program that has caused unease in Germany and was publicly criticized when it was launched last year. "I consider the massive buying of individual countries' bonds by the European Central Bank legally questionable," President Christian Wulff said in a speech in Lindau in southern Germany, according to a manuscript released by his office. "This can't work out in the long run and can at best be tolerated on a transitional basis," he added.

Aug 24th - European Central Bank Said to Purchase Italian, Spanish Bonds (Bloomberg) - The European Central Bank bought Italian and Spanish government bonds today, according to three people familiar with the transactions. The purchases were in small volumes and included 10-year securities, said one of the people, who declined to be identified because the trades are confidential. A spokeswoman from the ECB in Frankfurt declined to comment when contacted today by telephone.

Aug 24th - Euro Zone Considers New Greek Collateral (WSJ) - Euro-zone governments are discussing a plan to have non-cash Greek government assets, including real estate, offered as collateral for a new round of rescue lending to Greece. The Finnish-Greek deal would see Greece pay Finland hundreds of millions of euros in cash as collateral against the loans. "It can't be that one country gets extra collateral," German Chancellor Angela Merkel told parliament members of her ruling Christian Democrats, or CDU, in a meeting on European policy. The International Monetary Fund also opposes the deal, because it could threaten the IMF's customary "preferred creditor" status that ensures the fund is always first to be repaid, officials say.

Aug 24th - France Prepares to Unveil Broad Spending Cuts (WSJ) - The French government is set to unveil broad spending cuts Wednesday in order to meet its deficit goals for this year and next. The government is considering additional budget savings of as much as €4 billion (\$5.8 bln) for this year and €10 bln for 2012 in order to stick to its deficit targets and make up for softer-than-expected economic growth. The measures under discussion would allow the government to meet its budget deficit forecast for this year of 5.7% of gross domestic product and next year's target of 4.6% of GDP. President Nicolas Sarkozy has ruled out a general tax increase, including a hike in the VAT rate, with the country already sporting an overall tax rate of 42%.

Aug 23rd - Bundesbank opposes ECB bond buying (FT) - In its monthly bulletin, the Bundesbank wrote that the surge in borrowing costs for Italy and Spain would "in no way" have amounted in the short term to an unsustainable burden on the countries' finances that required immediate rescue measures. Even at the higher rates demanded by financial markets, interest payments in Spain as a share of gross domestic product would have remained below the eurozone average in 2012. For Italy, they would still have been below the level when the euro was launched in the late-1990s. The Bundesbank warned that steps announced by eurozone leaders in late July would weaken incentives for sound public finances and undermine the principles behind the eurozone.

News/Comments/Data Cont'd.

Aug 23rd - Bundesbank Says Leaders' Decisions May Weaken Monetary Union (Bloomberg) - "By shifting extensive additional risks to the countries providing assistance and to their taxpayers, the euro area has taken a major step toward pooling risks arising from unsound public finances," the Bundesbank said in its monthly report. Fiscal policy is still determined by national parliaments, "but risks and burdens are increasingly being dealt with by the community, and in particular by financially strong states," it said. In the absence of a common fiscal policy or political union, "there's a danger that the trend toward indebtedness in euro-area states will increase and that pressure for a looser common monetary policy will grow," the Bundesbank said.

Aug 23rd - Bundesbank Sees 'Robust' Global Economic Recovery Next Year (Bloomberg) - "Overall, there's still a lot of evidence that the global recovery is intact and for robust growth in the coming year," the Bundesbank said. "However, undoubtedly there're also risks not least with regard to confidence losses in the long-term sustainability of public finances in some countries." Economic growth in Germany will likely remain "the pacemaker" for the 17-nation currency union, the Bundesbank said. While economic growth "remains tilted to the upside in the second half of the year," it may weaken somewhat, the bank said. "Low growth in the second quarter taken by itself is no evidence yet that the German economy has lost robustness due to weaker foreign demand and increased uncertainty," the Bundesbank said.

Aug 23rd - Greece expects recession to deepen (AP) - Finance minister Evangelos Venizelos said the ministry forecasts annual output to shrink in 2011 between 4.5% and 5.3% of Gross Domestic Product. "All the measures we are taking ... are aimed to stem the recession," Venizelos said. "We (are approaching) the last quarter, the budget must be executed, we must achieve our fiscal targets -- and this has become very difficult due to the deeper recession," Venizelos told a news conference. "There is undoubtedly a vicious cycle. We have been obliged over the past two years and in the coming three to implement a gigantic fiscal adjustment ... which has a negative impact on the real economy. But these are the terms under which we receive our loans and rescue packages."

Aug 22nd - Merkel defies pressure on debt crisis (FT) - "Politics cannot and will not simply follow the markets," Germany's chancellor Angela Merkel said. "The markets want to force us into doing certain things, and that we won't do," Ms Merkel said. "Solving the current crisis won't be possible with eurobonds and that's why eurobonds are not the answer," Ms Merkel told German television. Instead, states should continue to tackle the markets' crisis of confidence "at the roots" by pursuing the "extremely difficult task" of improving competitiveness and growth. "The 'debt union' has to be replaced by a 'stability union,'" she said. "This is a hard and arduous path, which we will not be able to avoid by means of some magic bullet, like issuing eurobonds."

Aug 22nd - German July Tax Revenue Surges 9.9%, Finance Ministry Says (Bloomberg) - German tax revenue jumped 9.9% in July from a year earlier, helping put Europe's biggest economy on course to balance its budget by 2014, the Finance Ministry said. Tax revenue rose to 39.7 bln euros (\$57 bln). The ministry aims to collect 4.4 percent more tax this year. The deficit will narrow to about 1.5% of gross domestic product in 2011, a smaller shortfall than anticipated earlier this year, it said. "Prospects for public administration budgets are favorable," the ministry said. Credible budget consolidation "can pay off and contribute to a quick return to growth and solid budgetary positions."

Aug 22nd - Fears mount of cuts in EU bank lending (FT) - The index of five-year bank CDS's is now trading wider than during 2008. Three-month interbank lending rates for euros are at their highest levels since 2009, and Italian use of the European Central Bank funding facilities doubled in July to €80 bln. Not only do US and European central banks have in place more emergency facilities and are prepared to use them. But also new data out on Friday from the Federal Reserve showed that US branches of foreign banks increased their cash assets from \$758 bln for the week ending August 3 to \$813 bln. More than €90 bln was parked overnight on Thursday, significantly below the €145 bln peak earlier this month. Overall use of ECB liquidity by all eurozone banks has crept up from about €400 bln three months ago to about €500 bln now.

News/Comments/Data Cont'd.

Aug 22nd - Spain Cuts Tax on New Home Sales, Passes Austerity Measures (Bloomberg) - Value-added tax on purchases of new homes will be cut to 4% from 8% until the end of the year, said Development Minister Jose Blanco, whose ministry estimates there are 700,000 unsold homes left over from the housing boom. The Cabinet also passed a decree to bring forward corporate tax payments, worth 2.5 bln euros (\$3.6 bln) this year. It will also stop doctors from prescribing brand drugs in a bid to save an annual 2.4 bln euros in health-care spending. Spain has already reduced wages, frozen pensions and raised sales taxes in an austerity program that is undermining the economic recovery, and is now turning to companies to bolster the public coffers.

Aug 19th - ECB chief economist opposes eurobonds (AP) - Juergen Stark was quoted as telling Friday's edition of Germany's Handelsblatt daily that introducing joint eurozone bonds would be "a transfer of creditworthiness from stable, solid countries to states that have less solid state finances." "The incentive to tackle structural problems in budgets is reduced" by introducing joint bonds, Stark said -- adding that their introduction without far deeper political integration would address "the symptoms and not the causes." He argued that they could make sense following "a political decision for stronger European integration with European fiscal policy and a European finance minister with direct rights to intervene in national budget policies," according to the report. "But I don't know how that could happen."

Aug 19th - Bank Turmoil Shows Need for EU Short-Selling Curbs, Barnier Says (Bloomberg) - Market volatility that included the biggest decline in some lenders' shares for almost 2 1/2 years "should be a clear call" for legislators to conclude the negotiations on a law quickly, Michel Barnier, the European Union's financial services commissioner, said. "I am confident that we are close to an agreement" on the rules that include measures to "circumscribe very tightly the conditions for uncovered short sales" in both normal market conditions and crisis situations, Barnier said, adding that he also plans to seek reinforced penalties for market abuse. Barnier proposed legislation last September to rein in short selling and empower the European Securities and Markets Authority to ban the practice in crisis situations.

Key Dates This Week

<i>Date</i>	<i>Country</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
08/26	EC	Euro-Zone M3 s.a. 3 mth ave.	JUL	2.30%	2.20%
08/30	EC	Business Climate Indicator	AUG	--	0.45
08/30	EC	Euro-Zone Consumer Confidence	AUG	--	--
08/30	EC	Euro-Zone Economic Confidence	AUG	--	103.2
08/30	EC	Euro-Zone Indust. Confidence	AUG	--	1.1
08/30	EC	Euro-zone Services Confidence	AUG	--	7.9
08/31	EC	Euro-Zone Unemployment Rate	JUL	--	9.90%
08/29	GE	Consumer Price Index (M/M)	AUG	--	0.004
08/29	GE	CPI - EU Harmonised (M/M)	AUG	--	0.005
08/29	GE	CPI - EU Harmonised (Y/Y)	AUG	--	0.026
08/29	GE	Retail Sales (M/M)	JUL	--	0.063
08/29	GE	Retail Sales (Y/Y)	JUL	--	-0.01
08/31	GE	Unemployment Change (000's)	AUG	--	-11K
08/31	GE	Unemployment Rate (s.a)	AUG	--	0.07
08/25	FR	Jobseekers- Net Change	JUL	0	33.6
08/25	FR	Total Jobseekers	JUL	2720.4	2720
08/25	SP	Producer Prices (M/M)	JUL	--	0.001
08/26	SP	GDP (Constant SA) (Q/Q)	2Q	0.002	0.002
08/26	SP	GDP (Constant SA) (Y/Y)	2Q	0.007	0.007
08/29	SP	Mortgages on Houses (Y/Y)	JUN	--	-0.32
08/29	SP	Retail Sales (Real) (Y/Y)	JUL	--	-0.07
08/30	SP	CPI (EU Harmonised) (Y/Y)	AUG	--	0.03
08/30	SP	Consumer Price Index (Y/Y)	AUG	--	0.031
08/31	SP	Current Account (Euros)	JUN	--	-3.6B
08/31	SP	Spain Budget Balance YtD	JUL	--	-24.13B

Valance Economic Report: *Japan*

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August 24, 2011

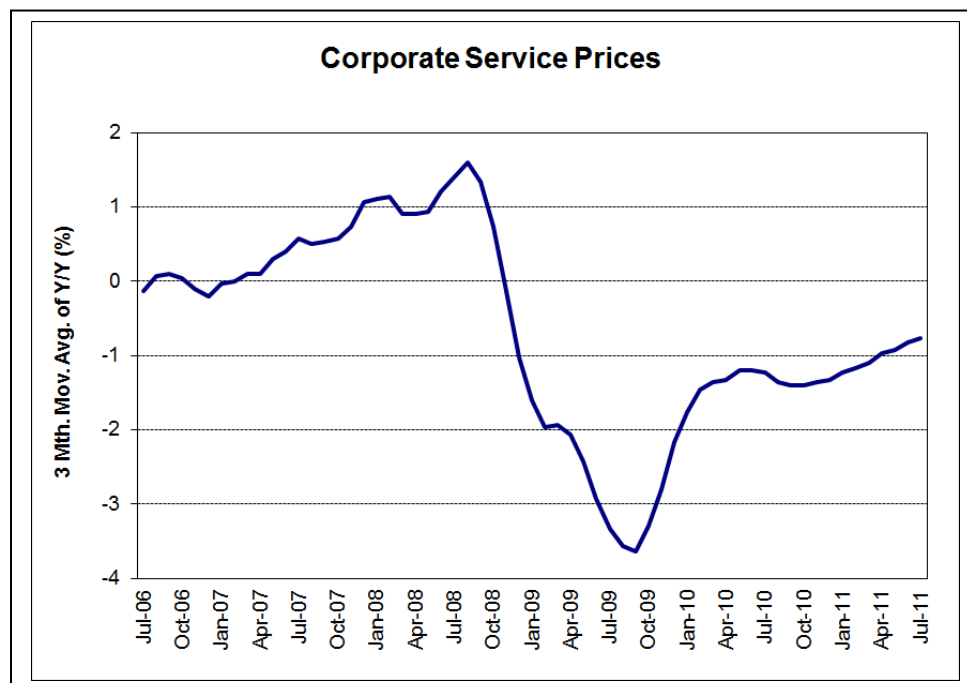
Corporate Service Prices were unchanged M/M and **Industrial Activity** increased. **Convenience Store Sales** and **Supermarket Store Sales** increased as well, although **Department Store Sales** declined.

Weekly Highlights

Corporate Service Prices –unchanged M/M in July. (JN 1)

All Industry Activity – increased 2.3% M/M and 0.2% Y/Y in June. (JN 3)

Chart of the Week: *Corporate Service Prices*



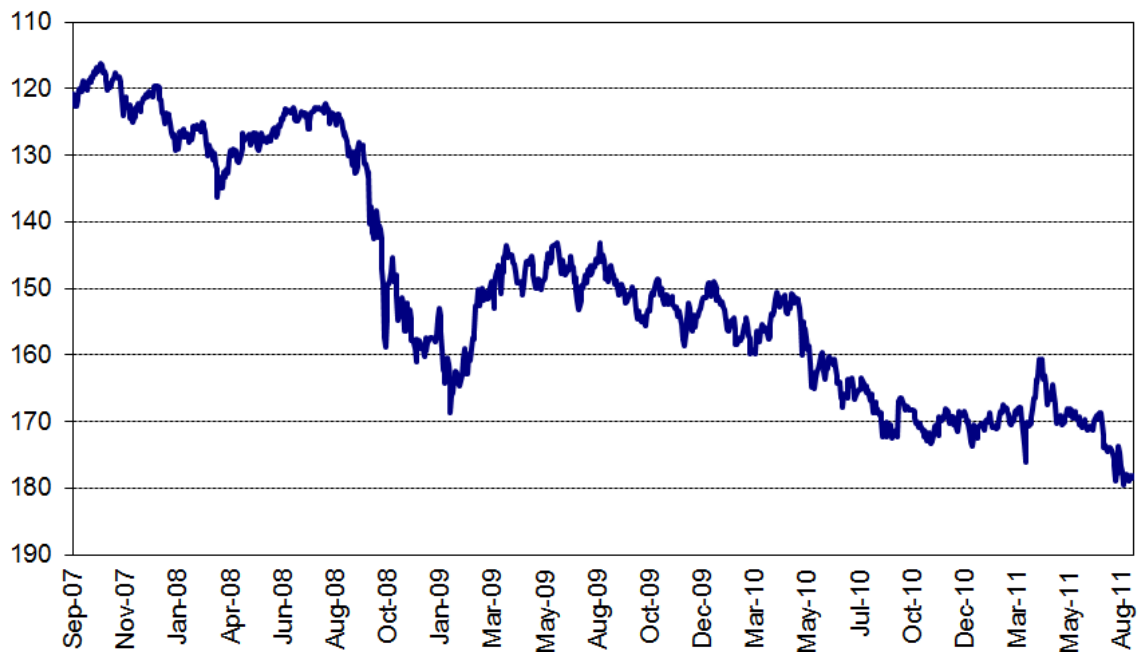
Corporate Service Prices were unchanged M/M in July and declined 0.5% Y/Y. On a M/M basis, increases in prices in rail transport, air transport, and hotels were outweighed by declines in the prices of real estate, rents, and sea transport.

Japan's Financial Balances

Financial Balances

Japan	Last period (¥trln)	Last 12mth. as a % of GDP
Budget Balance	-3.50 (Dec)	-6.9%
Trade Balance	0.58 (Dec)	1.5%
Current Account Balance	1.87 (Dec)	3.5%
Private Balance	--	11.6%

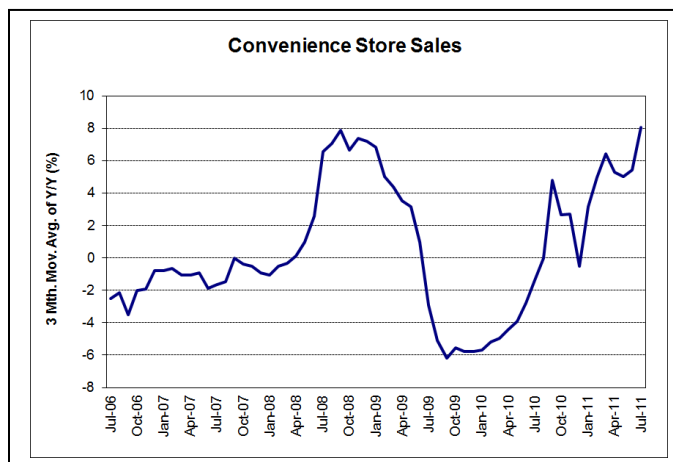
Japanese Yen (Trade-Wtd.)



Convenience Stores/Supermarket Sales & All Industry Activity

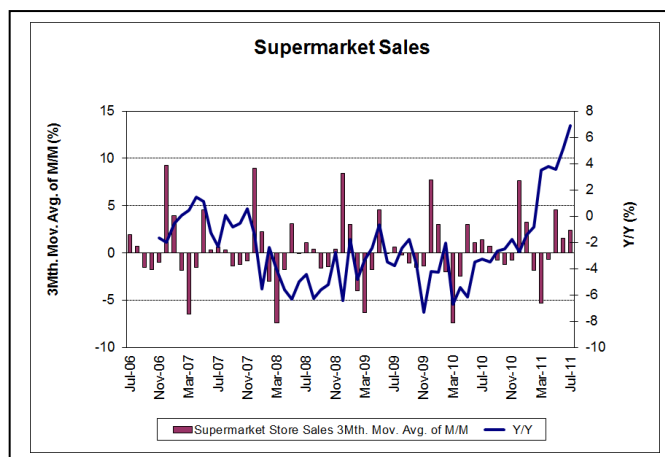
Convenience Store Sales

Convenience Store Sales increased 11.5% Y/Y in July. On a same store basis, sales increased 9.5% Y/Y. Meanwhile spending increased 6.9% Y/Y and traffic increased 2.4%.



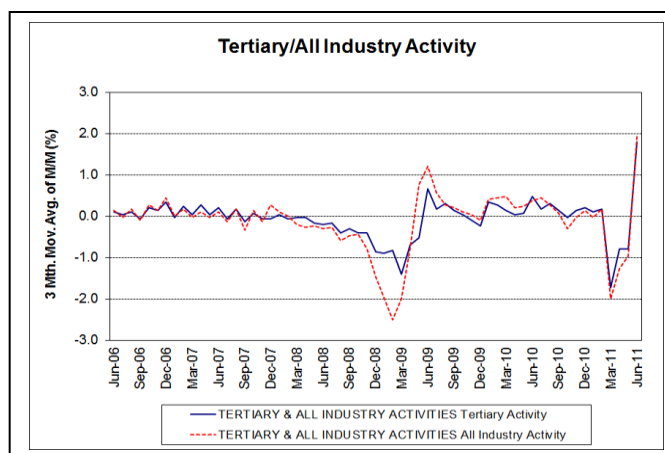
Supermarket Sales

Supermarket Store Sales increased 6.0% M/M and 2.1% Y/Y in July as most components saw improvements.



All Industry Activity

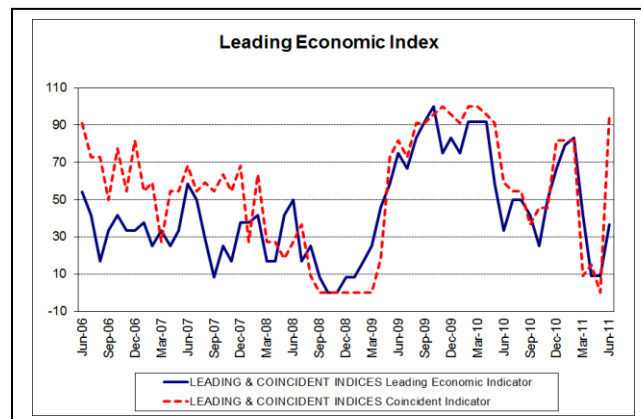
All Industry Activity increased 2.3% M/M and 0.2% Y/Y in June. Tertiary Industry Activity increased 1.9% M/M, Manufacturing increased 3.8% M/M, Government increased 0.8% M/M, and Construction increased 0.3% M/M.



Leading/Coincident Indices & Nationwide/Tokyo Dept Store Sales

Leading & Coincident Index

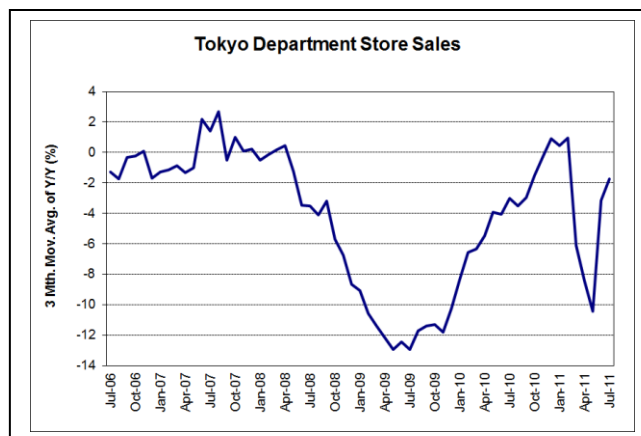
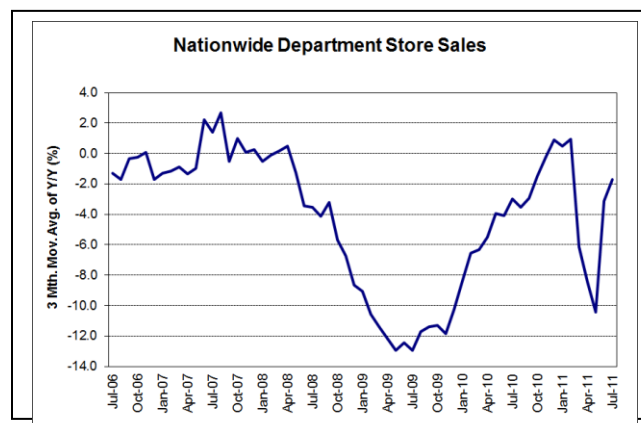
The Leading Index CI saw an improvement from 99.4 to 103.2 in June. The Coincident Index improved 2.7pts to 108.8. Within the Leading Index details, the increase occurred on gains in consumer durable shipments, small business sales forecasts, consumer sentiment and new machinery orders while producers final demand and inventory ratios dropped.



Nationwide & Tokyo Dept. Store Sales

Nationwide Dept Store Sales declined 0.1% Y/Y in July. The decline occurred as improvements in household goods, restaurant sales, and accessories were outweighed by declines in clothing, food, services, and others.

Within Tokyo, Dept Store Sales declined 1.3% Y/Y.



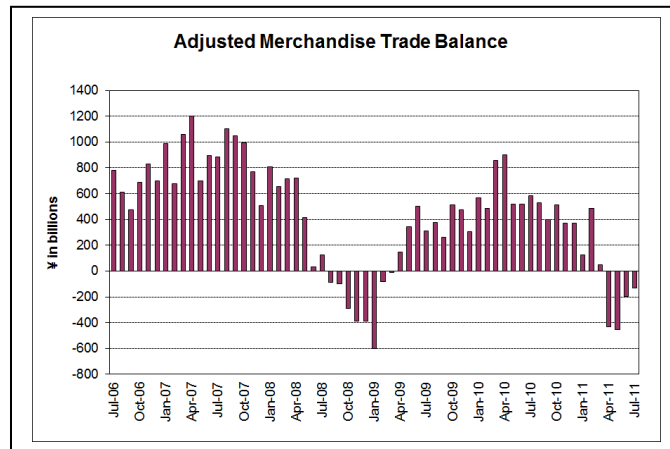
Trade Balance, Machine Tool Orders

Trade Balance

The Adjusted Trade Balance increased from a revised -¥196.5 bln in June to -¥130.5 bln in July against market expectations for an increase to -¥131.9 bln.

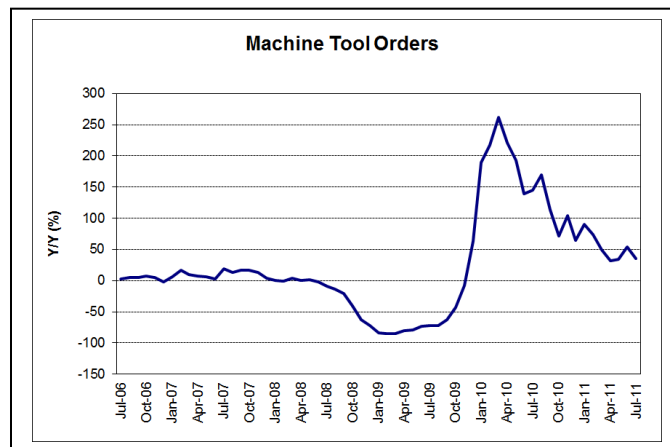
Within the details, exports increased 0.8% M/M and dropped 3.3% Y/Y. Imports declined 0.4% M/M and increased 9.9% Y/Y.

By region, exports to the US dropped 8.2% Y/Y, exports to Europe increased 6.0% Y/Y, exports to Asia dropped 2.7% Y/Y, and exports to China dropped 1.0% Y/Y.



Machine Tool Orders

Machinery Tool Orders increased 34.8% Y/Y in July.



News

Aug 23rd - Kan Says Farewell to Ministers - Prime Minister Naoto Kan told his Cabinet Ministers that he will step down once parliament passes two upcoming bills. He stated that he expects to see his successor in office within a week.

Aug 23rd - BoJ Gov Shirakawa Comments - BoJ Gov Shirakawa commented on the Yen, stating that, "The BoJ will carefully watch how the yen's appreciation will affect the economy and act properly." He also commented that capital flows and speculative moves are behind the recent appreciation in the currency.

Aug 23rd - Maehara becomes Leading Candidate for PM - Former Foreign Minister Maehara commented that he will run in the DPJ's presidential election and has become the leading contender to be the country's sixth PM since 2006.

Aug 23rd - July CPI seen falling - According to a survey conducted by Quick Corp, Economists see Japan's core CPI ex-perishables declined 0.1% Y/Y in July.

Aug 23rd - Japan to Cut Policy Spending - Finance Minister Noda the Cabinet members to cut policy spending by 10% in the FY12 budget from the current year, in an effort to secure the funds he feels necessary to cover welfare costs and reflect the policy priority of a new prime minister.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
8/25	Tokyo CPI (Y/Y)	-0.20%	0.50%
8/25	Tokyo CPI Ex-Fresh Food (Y/Y)	-0.10%	0.40%
8/25	Tokyo CPI Ex Food, Energy (Y/Y)	-0.60%	0.30%
8/25	Natl CPI YoY	0.00%	0.20%
8/25	Natl CPI Ex-Fresh Food (Y/Y)	-0.10%	0.40%
8/25	Natl CPI Ex Food, Energy (Y/Y)	-0.60%	0.10%
8/29	Job-To-Applicant Ratio	N/A	0.63
8/29	Overall Hhold Spending (Y/Y)	N/A	-4.20%
8/29	Jobless Rate	N/A	4.60%
8/29	Retail Trade (Y/Y)	N/A	1.10%
8/29	Retail Trade MoM SA	N/A	2.90%
8/29	Large Retailers' Sales	N/A	-0.50%
8/29- 8/30	Small Business Confidence	N/A	47.1
8/30	Industrial Production (M/M)	N/A	3.80%
8/30	Industrial Production (Y/Y%)	N/A	-1.70%
8/30	Labor Cash Earnings (Y/Y)	N/A	-0.80%
8/31	Vehicle Production (Y/Y)	N/A	-13.90%
8/31	Construction Orders (Y/Y)	N/A	6.00%
8/31	Annualized Housing Starts	N/A	0.817M
8/31	Housing Starts (Y/Y)	N/A	5.80%

Valance Co., Inc.

Valance Economic Report: United Kingdom

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August 24, 2011

Retail Sales increased less than forecast in July, while the CBI index of factory orders rose from a three-month low in August.

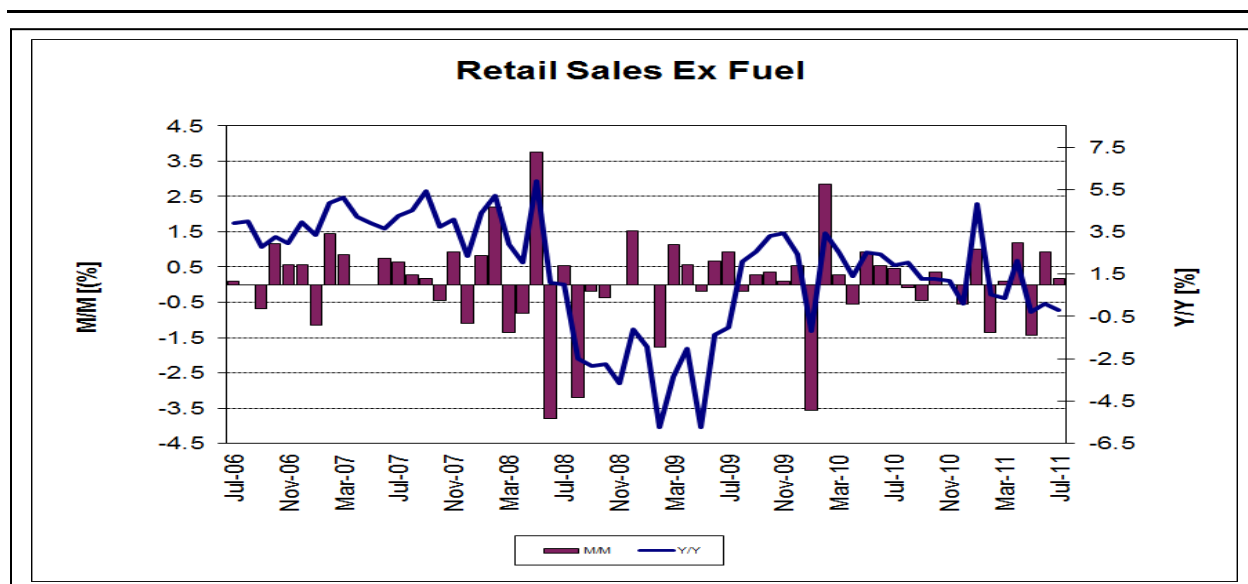
Weekly Highlights

Retail Sales – rose 0.2% vs. +0.3% expected in July. (UK 1)

CBI New Orders – increased from -10 to +1 in August. (UK 3)

Weekly Releases & News

Chart of the Week: Retail Sales

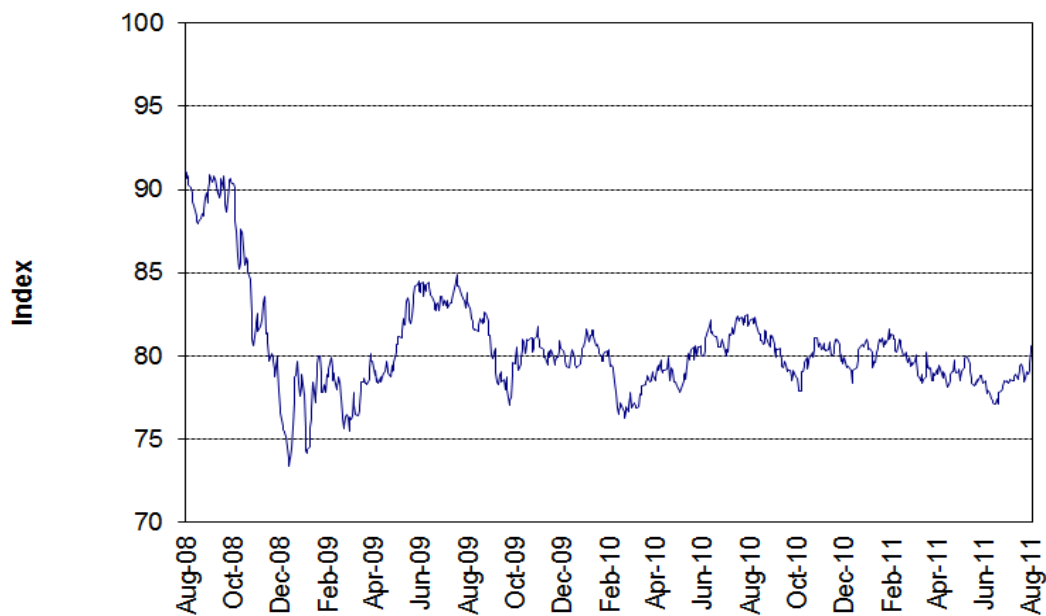


July's Retail Sales rose 0.2% M/M (0.3% exp.) and were flat Y/Y. Excluding fuel, sales also rose 0.2% M/M (+0.4% exp.) and fell 0.2% Y/Y. Food led the increase in sales in July, rising 0.7 % M/M. Clothing, shoes and textile sales slipped 0.3 % M/M, as did household goods. Clothes sales had jumped 1 % M/M in June as stores brought forward seasonal discounting.

Financial Balances & FX

<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%

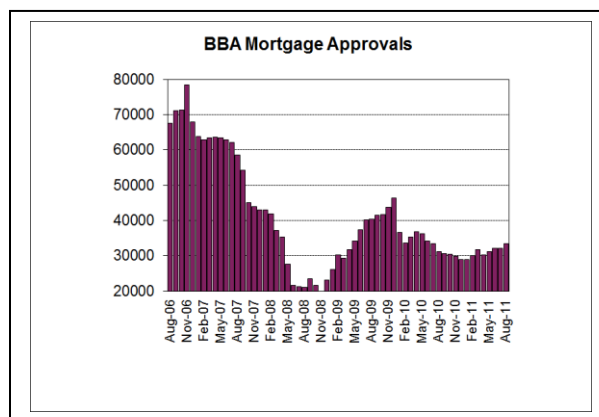
Sterling Trade Weighted Index



BBA Home Loans, Budget Balance & Data

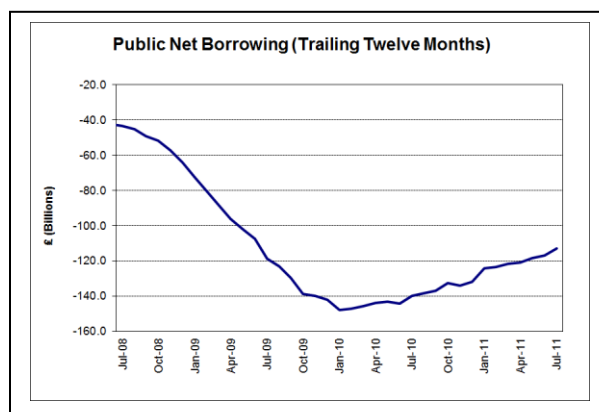
BBA Home Loans

Banks granted 33,417 loans for home purchases in July, up from the upwardly revised 32,123 in June (previously 31,747). The number of loans for re-mortgaging rose from 24,311 to 26,043.



Budget Balance

Public sector net debt (excluding financial interventions) was £940.1 bln (equivalent to 61.4% of GDP) at the end of July 2011. This compares to £805.5 bln (55.2% of GDP) as at the end of July 2010.



Data

CBI Factory Orders Index - According to the Confederation of British Industry, the U.K. index of factory orders rose from a three-month low in August and consumer-goods manufacturers predict a “strong rise” in output in the next quarter, the Confederation of British Industry said. The gauge of new orders rose from -10 to +1 (-12 exp.) in August. The measure of expected average selling prices increased from +4 to +9. A measure of export orders rose from -8 to zero, while the gauge of manufacturers’ stockpiles rose from 12 to 14 and an index of the volume of output rose from 6 to 13. CBI Chief Economic Adviser, Ian McCafferty commented as follows:

- *Manufacturing order books are holding up.*
- *But the risks to manufacturing activity and business confidence have, if anything increased due to market volatility and the recalibration of growth expectations worldwide. Concerns about growth in the U.S. and the euro area present further challenges to the manufacturing recovery.*

Comments

Aug. 24th - Business Investment Set to Hit Record Low Amid Fears for UK Growth (Telegraph) -

Business investment in Britain is heading for its lowest level on record, according to Barclays Capital, raising concerns about a key plank of the Government's growth strategy. Figures on Friday are expected to show that companies are not spending despite the Government's best efforts to encourage corporate activity by slashing employers' National Insurance contributions and corporation tax. Stagnant investment in Q2, as BarCap has forecast, would follow a 3.2pc decline in Q1. By contrast, the Office for Budget Responsibility expects business investment to expand by 6.7pc this year and contribute a third of total growth. Trade is expected to deliver the bulk of the rest.

Aug. 23rd - King Says Commodity Price Drop to Ease Income Squeeze Sooner (Bloomberg) - Bank of England Governor Mervyn King said a decline in commodity prices will accelerate the day when Britons feel less strain in their personal finances. "There has been for the first time, for some while, signs of a fall back in oil and commodity prices," he said. "That will bring forward the day when the squeeze on real living standards will come to an end."

Aug. 19th - Loosen bank capital requirements, says BoE official (FT) - In a powerful paper that drew parallels with President Franklin D. Roosevelt's handling of the US economy and bank regulation in the 1930s, Andrew Haldane, executive director for financial stability at the Bank and a member of its new macro-prudential financial policy committee (FPC), said the situation in the US in 1938 was "eerily reminiscent of today". "Criticism of banks' unwillingness to lend to the real economy was rampant. Fear in financial markets was mounting," he said. Roosevelt's response – to loosen banks' regulatory requirements – was an early example of macro-prudential regulation, Mr Haldane enthused. "It worked. Lending and growth resumed."

Aug. 19th - UK house prices up 14% by 2015, predicts think tank (Bloomberg) - The price of an average house will rise 14 % over the next four years, reaching the highest ever recorded in Britain. Respected analysts the Centre for Economics and Business Research predict the typical home will be worth more than 200,000 by 2015, up from its current 176,000. While the expected rise is still likely to be below inflation, the positive news will come as a relief to homeowners, many of whom have been left in negative equity as the value of their properties collapsed since the recession. Average house prices peaked at 191,200 in 1997. Douglas McWilliams, CEBR chief executive, said the chronic lack of homes for sale is one of the main reasons that prices will start rising again. He said: We do not expect a house price boom, but the housing shortage is likely to push prices gently upwards. In a further boon for homeowners, the CEBR believes the Bank of England will keep the base rate low for several more years. It was cut to 0.5 % in March 2009, slashing the cost of mortgages for millions. Mr McWilliams predicts the base rate is unlikely to rise above 2 % before 2015.

Aug. 18th - BOE's Weale Says He Doesn't Think It is Time for More QE (Bloomberg) - Bank of England policy maker Martin Weale said he doesn't think it's time for the central bank to expand its bond-purchase program and U.K. economic growth may accelerate in the third quarter from the previous three months. "I don't think it is," Weale said. When asked if he thought it was time the bank should carry out more quantitative easing. "In Q3, I think it quite likely that the published growth figures will look better than they did in Q2. Part of this is because we had the royal wedding and there are special factors like that. Underlying growth is nevertheless likely to be somewhat weaker." "Looking into next year it's perfectly possible that we get back towards trend economic growth," he said. Still, Weale said he couldn't rule out that the U.K. may tip back into recession.

Aug. 18th - U.K. July Gross Mortgage Lending Little Changed, CML Says (Bloomberg) - U.K. gross mortgage lending was little changed in July at 12.6 billion pounds from the previous month, the Council of Mortgage Lenders said.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
08/26	GDP (Q/Q)	Q2P	+0.2%	+0.2%
08/26	Index of Services (M/M)	JUN	-	+1.6%
08/30	BoE Mortgage Approvals	JUL	-	48.4k
08/30	GfK Consumer Confidence	AUG	-	-30
08/31	Nationwide House Prices (M/M)	AUG	-	+0.2%

Valance Economic Report: Canada

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August 24, 2011

Both Headline and Core Inflation met expectations in July, with the annual headline rate slowing for a second straight month. In June, Wholesale Sales surprised to the upside, but Retail Sales only met expectations in June, while Core Retail Sales unexpectedly fell.

Weekly Highlights

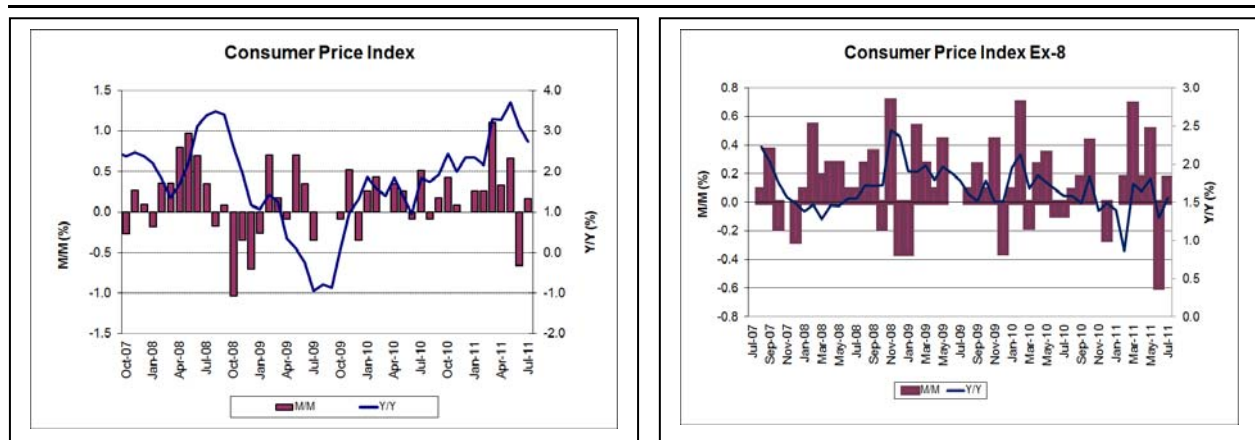
Headline and Core CPI – met expectations in July. (CA 1)

Retail Sales – rose 0.7% M/M in June. (CA 3)

Wholesale Sales – rose 0.2% M/M in June. (CA 3)

Weekly Releases & News

Chart(s) of the Week: CPI



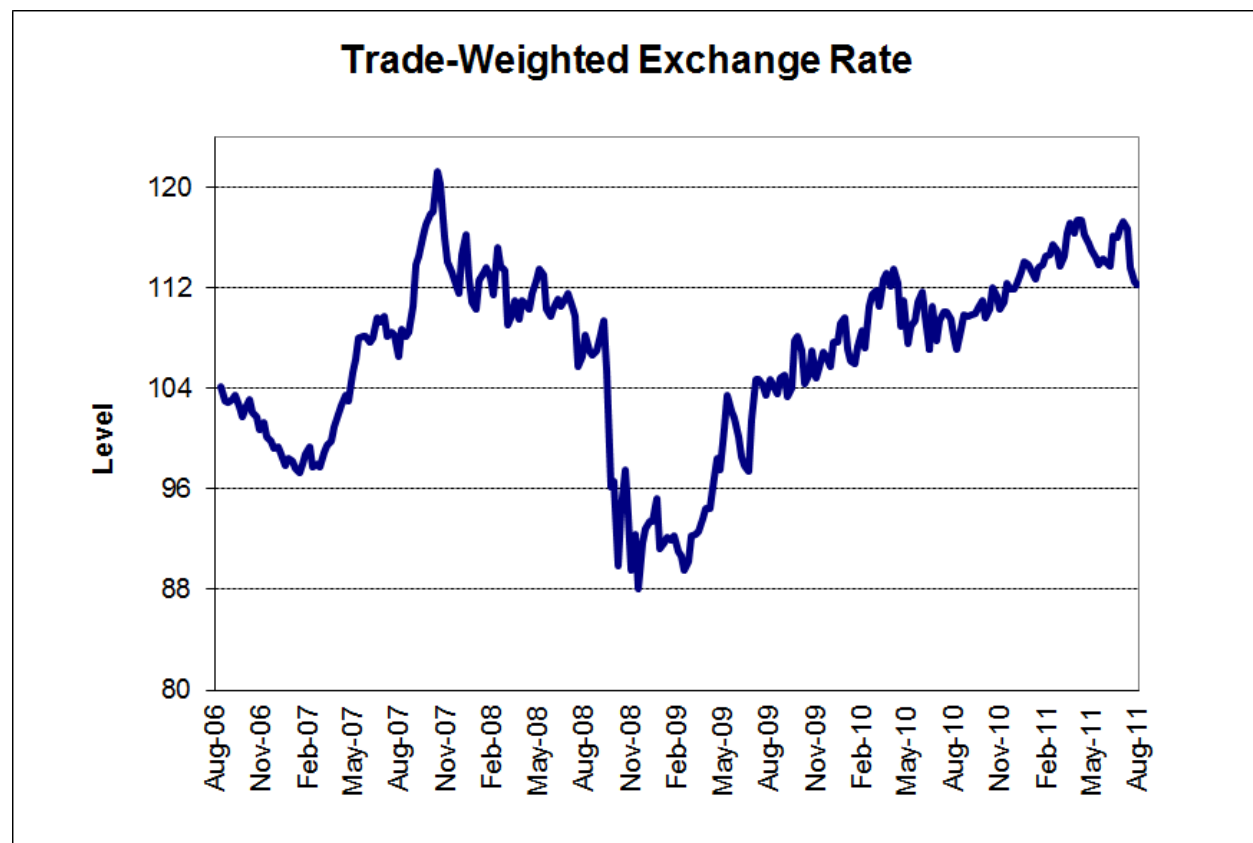
Consumer Prices rose 0.2% M/M (-0.7% prev.) and slowed from 3.1% Y/Y to 2.7% Y/Y in July, versus expectations for 0.2% M/M and 2.8% Y/Y. Core CPI also rose 0.2% M/M (-0.6% prev.) and quickened from 1.3% Y/Y to 1.6% Y/Y, versus expectations for +0.2% M/M and 1.6% Y/Y. 3-month annualized rate increased 0.7% for headline and 0.3% for core prices in July. Energy prices rose 0.6% M/M, food prices rose 0.5% M/M, while clothing/shoes prices fell 0.8% M/M.

Financial Balances & Trade Weighted Exchange Rate

Financial Balances

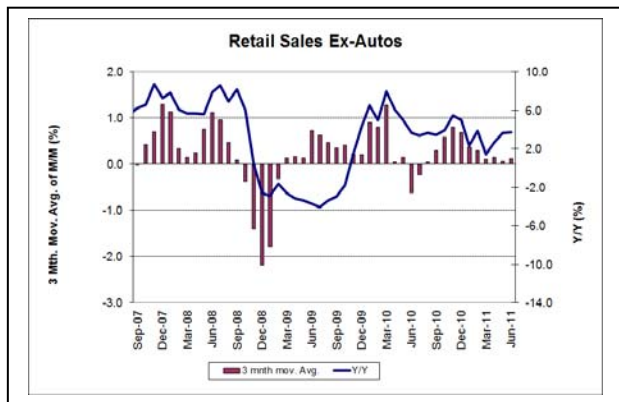
<i>Canada</i>	<i>Latest period (C\$bln)</i>	<i>Last 12mth. as % of GDP</i>
Budget Balance	-0.9 (Feb)	-2.3%
Trade Balance	-1.6 (Jun)	-1.6%
Current Account Balance	-8.9 (Q4)	-5.1%
Private Balance	--	-2.8%

Trade-Weighted Exchange Rate



Retail Sales & Wholesale Sales

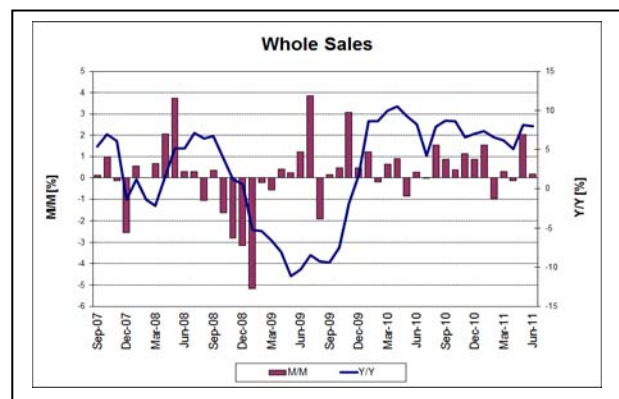
Retail Sales



Retail Sales rose 0.7% M/M in June, after gaining 0.3% M/M in May. This is a third consecutive monthly gain. Expectations were for a 0.7% M/M gain. Sales gained in 6 of 11 retail subsectors. Y/Y growth increased 4.6%. Retail Sales, ex-autos, fell 0.1% M/M (+0.1% exp.) and rose 3.7% Y/Y.

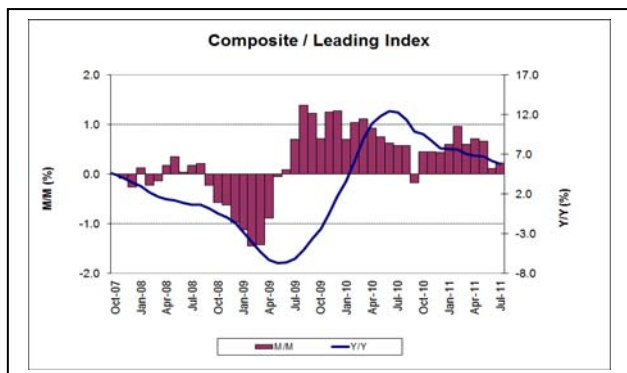
Wholesale Sales

Wholesale Sales rose 0.2% M/M (-0.5% exp.) and 8.0% Y/Y in June. Four of the seven main subsectors increased, representing nearly 50% of total wholesale sales. Ex. cars and car parts, sales were up 0.3% M/M and 9.4% Y/Y. The Inventory/Sales ratio remained at 1.18.



Leading Indicators

Leading Indicators increased 0.2% M/M in July, after a 0.1% gain in June. Y/Y growth increased 5.8%. New orders recovered from -0.2% M/M in June to +3.4% in July. The Toronto stock market trended down by 1.7% M/M, its largest monthly decline since 2009.



News & Upcoming Dates

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Survey</i>	<i>Prior</i>
08/30	Raw Materials Price Index (M/M)	JUL	-	-2.2%
08/30	Industrial Product Price	JUL	-	-0.3%
08/31	Teranet HPI Index (M/M)	JUN	-	+1.3%
08/31	GDP Q/Q Annualized	Q2	-	+3.9%

Valance Co., Inc.

Valance Economic Report: Australia

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August 24, 2011

Construction Work continued to increase in Q2, but less than expected. Average weekly wages rose more than expected in the three months to May. The RBA Deputy Governor said that “currency intervention isn’t warranted.”

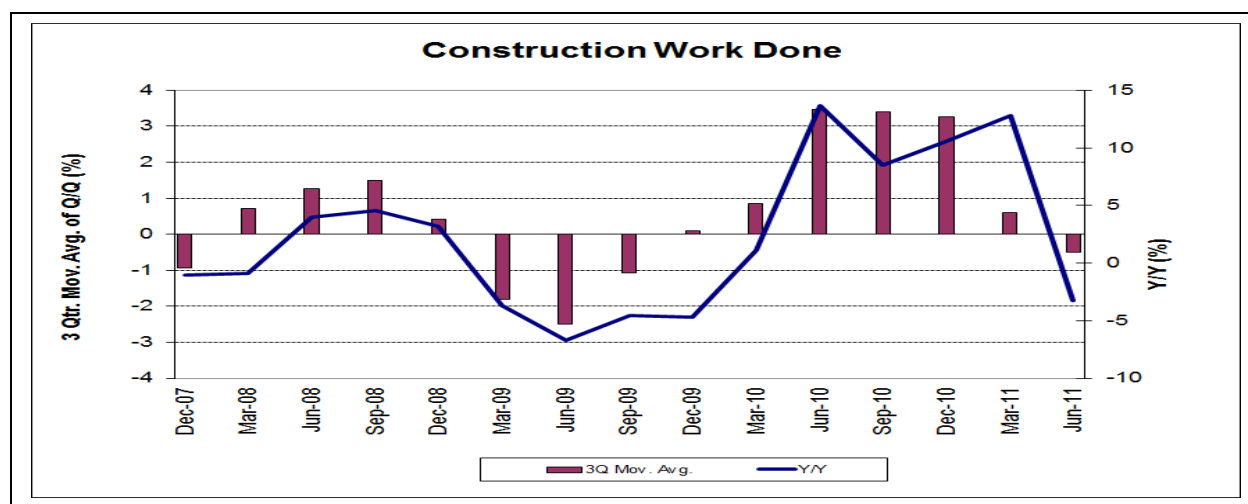
Weekly Highlights

Completed Construction Work - rose 0.7% Q/Q in Q2. (AU1)

Average Weekly Wages - rose 1.2% Q/Q and 4.4% Y/Y in May. (AU 2)

Weekly Releases & News

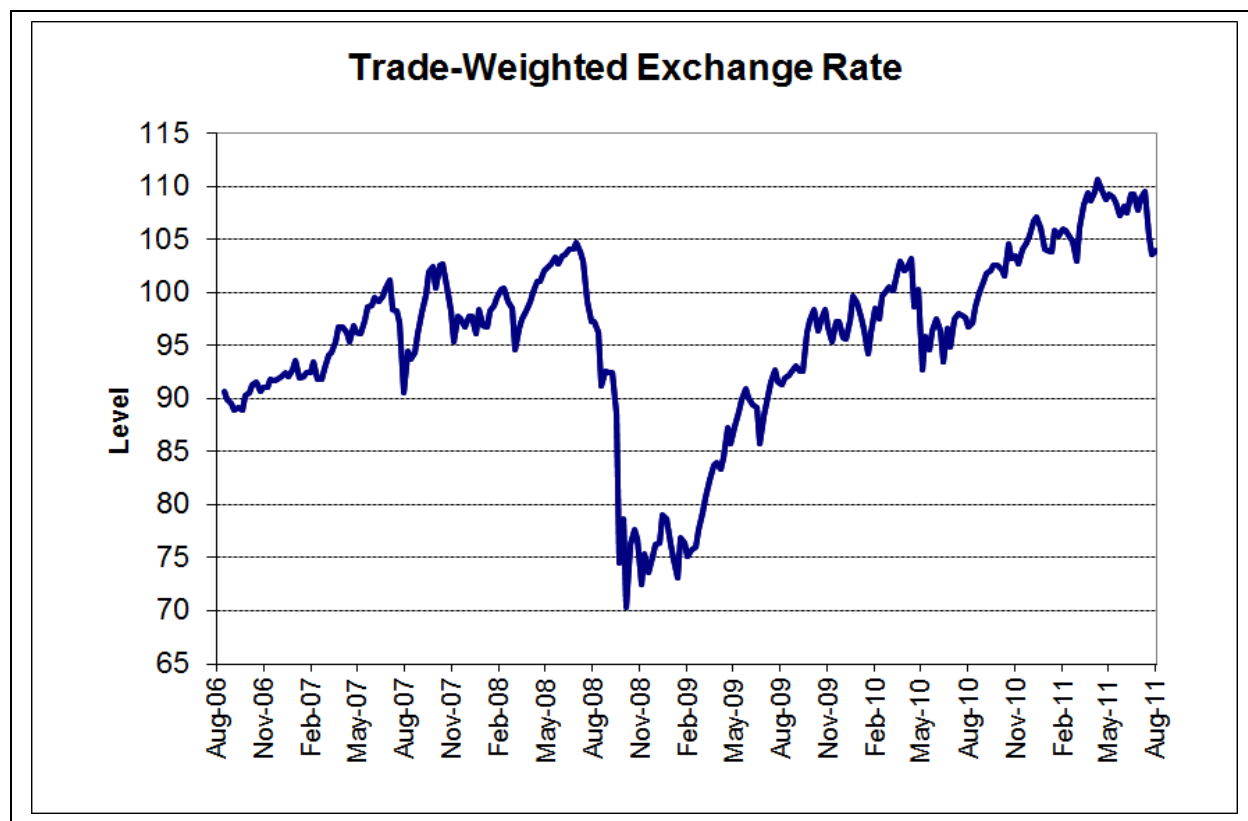
Chart of the Week: *Construction Work Done*



Q2 completed construction rose 0.7% Q/Q and fell 3.2% Y/Y. The market expected a 1.0% Q/Q increase. This is a third quarterly increase in a row. Private construction rose 1.3% Q/Q and Public works fell 0.7% Q/Q. Construction work growth in Q1 was revised up from 0.7% Q/Q to 1.2% Q/Q.

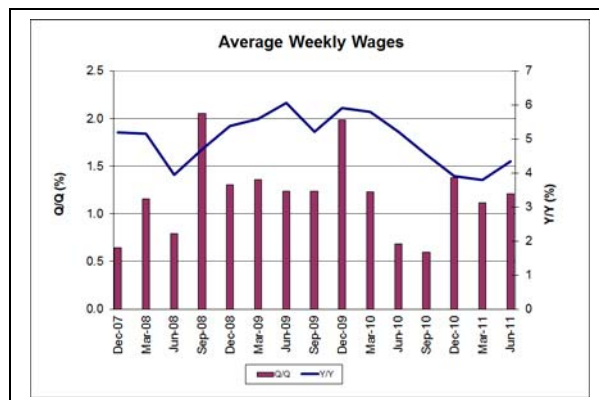
FX & Average Weekly Wages

Trade-Weighted Exchange Rate



Average Weekly Wages

Average Weekly Wages before overtime pay rose 1.2% Q/Q and 4.4% Y/Y in Q2. Private wages rose 1.2% Q/Q and 4.2% Y/Y. The market expected an increase of 1.0% Q/Q and 4.0% Y/Y. The previous quarterly number was upwardly revised from 1.0% to 1.1%.



Data, Comments & Upcoming Dates

Conference Board Index - The Index of Leading Economic Indicators for Australia fell 0.8% to 118.2 pts in June, after declining 0.2% in May. The Leading Index is a gauge of how the Australian economy may perform in the next three to six months.

Aug. 23rd - RBA's Battellino Says Currency Intervention Isn't Warranted (Bloomberg) - Australian government intervention to curb the local dollar's rise isn't warranted and other nations' attempts to influence exchange rates haven't worked, Reserve Bank Deputy Governor Ric Battellino said. I don't think the current circumstances would warrant intervention," he said in response to audience questions after a speech today in Sydney. "If you just stood back and looked at what's happened to the currency and compare it with the terms of trade, you really wouldn't say the currency was out of line." Without identifying specific cases, Battellino said "there have been plenty of countries overseas that have done intervention and, I have to say, my reading of that is that it has been ineffective," he said. "The economy overall is operating at a very high level of capacity," he said. While productivity growth is "quite modest" and the rise in the working age population has slowed in recent quarters -- which both diminish the economy's ability to supply goods and services -- "the labor market hasn't softened at all," he said.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
08/24	CBAHIA House Affordability	Q2	-	55.7
08/28	HIA New Home Sales (M/M)	JUL	-	-8.7%
08/30	Rismark House Prices - Raw (M/M)	JUL	-	-0.6%

Valance Economic Report: New Zealand

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August 24, 2011

In July, New Zealand continued to have net migration outflows. The RBNZ business survey showed that company executives lowered their inflation outlook. New Zealand's monthly trade surplus narrowed for a third month in a row.

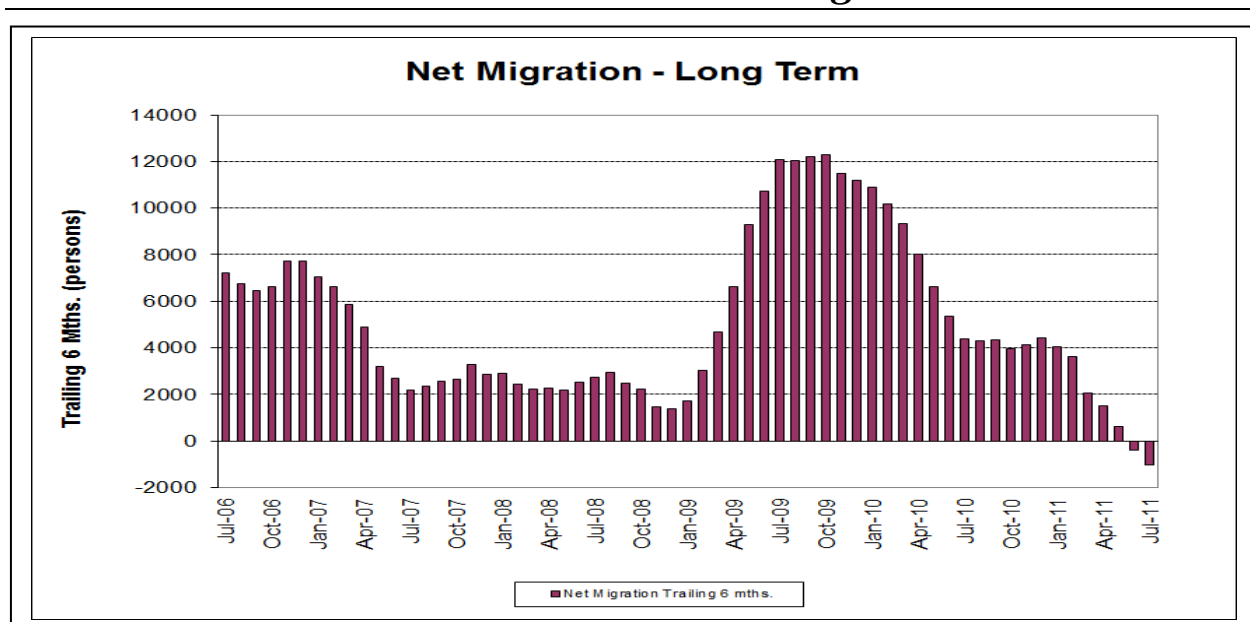
Weekly Highlights

Net Permanent Migration - departures exceeded arrivals by 220 in July. (NZ 1)

RBNZ 2yr Inflation Expectations – eased from 3.0% in Q2 to 2.9% in Q3. (NZ 3)

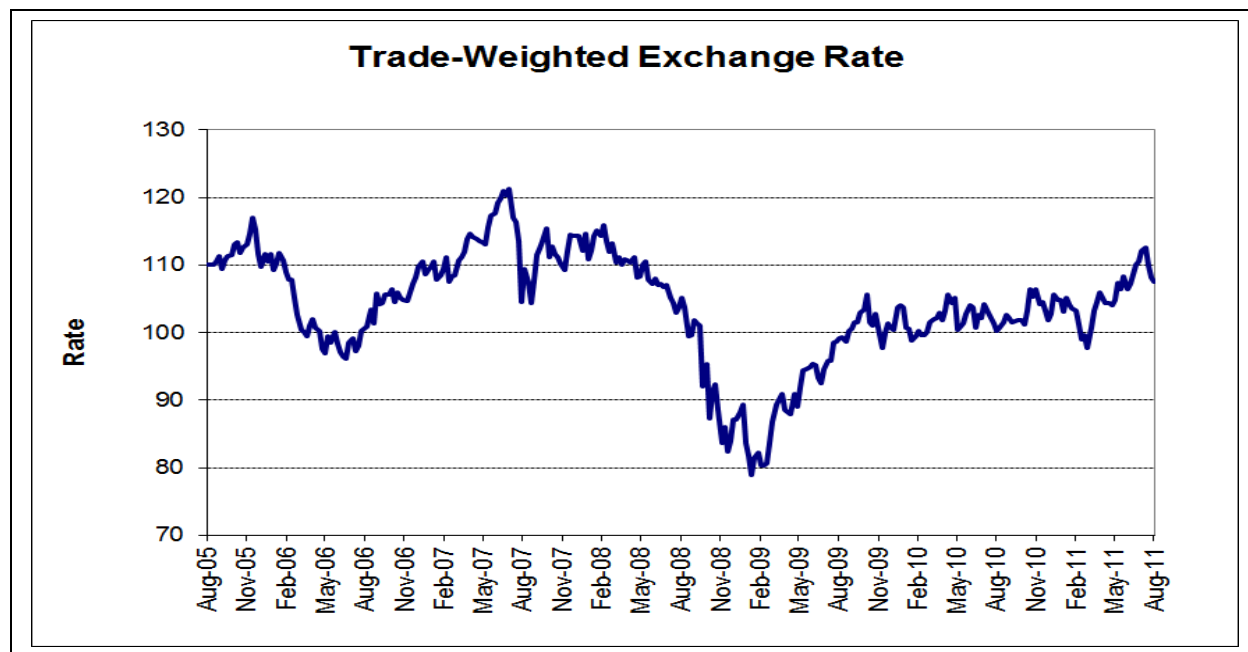
Weekly Releases & News

Chart of the Week: *Net Migration*



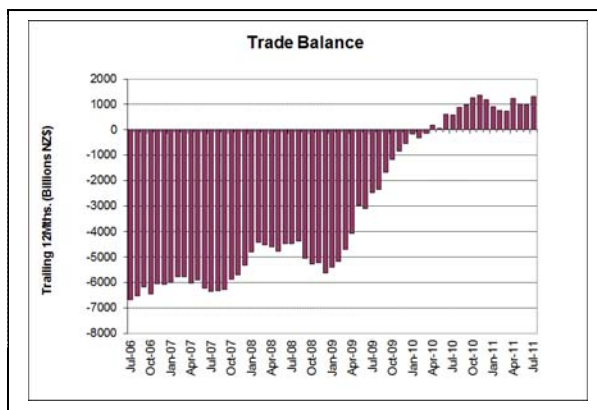
In July, net outflows accounted for 220 people, after 290 in June and 320 in May. This extended the longest outflow since 2001 to five months in a row. Christchurch residents departing permanently for overseas rose 4.2k in the March-July period from 2.5k in the same period last year. The net annual flow to Australia rose to 41.5k in the year through July 2011 and was the highest for any July month since 1978.

FX

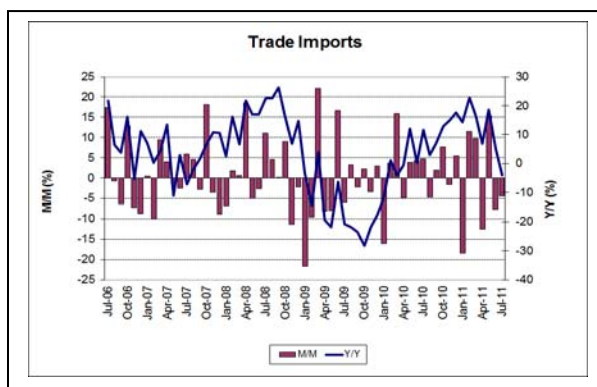
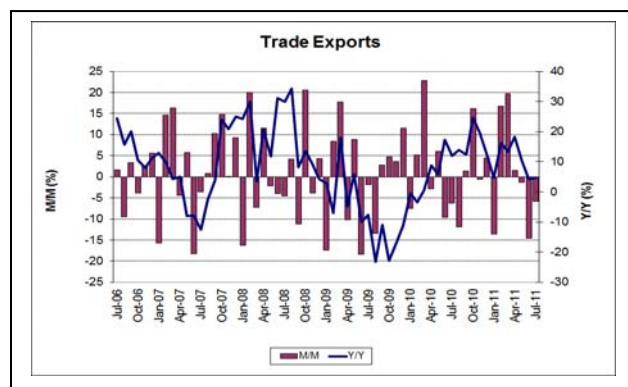


Trade Balance

New Zealand reported a monthly trade surplus of NZ\$ 129 mln in July after NZ\$ 197 mln in June. The annual trade surplus widened from NZ\$ 999 mln to NZ\$ 1.3 bln. This is the first surplus for any July since 1991.



Exports & Imports



Exports fell 5.9% M/M and rose 4.7% Y/Y. This is a third consecutive monthly decline. Imports fell 4.4% M/M and 4.0% Y/Y, their first annual decline since April 2010.

NZ - 2

Data/News

Q1 RBNZ 2-yr fwd Inflation Expectations - According to a survey conducted for the RBNZ, company executives lowered their 2-year forward inflation expectations from 3.0% in Q2 to 2.9% in Q3. One – year forward inflation expectations fell from 3.1% to 2.9%.

Credit Card Spending - According to the RBNZ, total credit card spending rose 1.0% M/M in July, after rising 0.5% M/M in June. Spending was up 7.3% Y/Y (+4.6% prev.)

Aug. 19th - New Zealand's Housing Recovery Will Be Slow, ASB Survey Shows (Bloomberg) - New Zealand's housing market will recover slowly, while a shortage of new construction is likely to bolster prices, ASB Bank Ltd. said, citing the results of a July survey. The proportion of respondents expecting higher home prices rose to 44 % from 35 % in the previous survey in April, Auckland-based ASB said in an e-mailed report today. Forty % said now is a good time to buy a house, unchanged from the previous survey. "We expect nationwide house prices will increase at a modest annual rate of 3 % heading into 2012," ASB Chief Economist Nick Tuffley said in the report. "The continued low level of residential building consent issuance raises the risk of an undersupply of housing over the coming years. This will likely provide support for prices." Home-building approvals fell 26 % in the six months ended June 30 from a year earlier, adding to a shortage of new homes that will bolster prices. Variable home-loan interest rates are at a 46-year low, according to central bank figures. Still, the %age of respondents in ASB's survey expecting higher home-loan interest rates over the next 12 months rose to 54 % from 46 %, the bank said. The increase in rate expectations means ASB's overall housing confidence gauge declined, Tuffley said. Since the survey, volatility in global financial markets has led to a reduction in bets the central bank will raise the official cash rate from a record-low 2.5 %, he said. There is a 28 % chance of a quarter-%age-point rate increase at the Sept. 15 policy meeting, down from 144 % on Aug. 1, according to a Credit Suisse Group AG index based on swaps trading.

Aug. 18th - Kiwi Dollar Gains May Limit Rugby Tourist Benefits, RBNZ Says (Bloomberg) - New Zealand's surging currency may prevent the nation's tourist industry from reaping long-term benefits from hosting the Rugby World Cup, according to a central bank report. About 95,000 overseas fans will attend the tournament in September and October this year, spending NZ\$700m on local goods and services. Tourism industry, which makes up 9% of economy, is betting a favorable experience by fans will encourage follow-up business and help an economic recovery. New Zealand dollar's 9.9% gain vs U.S. dollar the past 6 months means that tourists have less to spend

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
08/24	Retail Sales ex Inflation (Q/Q)	Q2	-	+0.9%
08/29	Building Approvals	JUL	-	+2.2% M/M
08/30	NBNZ Business Confidence	AUG	-	47.6

Weekly Economic Report: **China**

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August 24, 2011

No economic data released this week.

News Releases

August 24th (Xinhua via Comtex) - China should stick to prudent monetary policy – Xia Bin, PBoC Monetary Policy Committee Member, made the following comments in the China Securities Journal:

The government is adopting various measures to increase financing to small and medium enterprises, which is the right decision, but the market shouldn't misread it as loosening overall liquidity.

August 24th - China's trade surplus falls to 1.44 pct of GDP in H1 – China's Ministry of Commerce stated that the country's trade surplus fell to 1.44% in H1 and is expected to continue dropping this year.

August 23rd (Xinhua via Comtex) - Chinese consumer confidence dips slightly in Q2 – A survey by the Nielsen Company showed that Chinese consumers' optimism was stable despite dropping in Q2 to 105, from 108 the previous quarter (based on a survey of 3.5K consumers).

August 23rd (Bloomberg) - China's Manufacturing May Shrink at a Slower Pace - HSBC Holdings Plc and Markit Economics announced that China's flash manufacturing reading rose from 49.3 in July to 49.8 in August; indicating that growth may be moderating rather than slumping. HSBC Economist, Qu Hongbin stated, "This should help lower fears of a hard landing akin to 2008 autumn's sharp slowdown. Inflation, not growth, remains the top near-term macro risk." The actual reading will be released on September 1st.

August 23rd (Bloomberg) - China Upholds Prudent Monetary Policy - Vice Premier Wang Qishan said:

Facing the extremely complicated and uncertain global economic situation, the country's finance sector should strive to better handle the relationship between economic development, economic restructuring and checking inflation, continue to carry out the prudent monetary policy and optimise the credit structure.

Financial institutions should make renewed efforts to meet the reasonable funding demands from small enterprises and the 'three rurals' -- the rural economy, rural community and rural residents.

August 22nd (Bloomberg) - Global Market Turbulence Has Limited Impact on China - Researcher, Zhang Yansheng of the National Development and Reform Commission, said in an interview:

China's economy is mainly driven by domestic demand.

Should demand from the U.S. and Europe fall, regional growth along China's eastern coast in areas such as Guangdong, will take a hit but not the overall economy.

August 21st (Bloomberg Businessweek) - China, US share global responsibilities – US Vice President Joe Biden remarked in a speech at Sichuan University:

The more we can work together, the more our people can benefit ... the more the world can benefit.

The fact is, China and the United States face many of the same threats and share many of the same objectives and responsibilities.

Our generals should be talking to each other as frequently as our diplomats.

Asia and the United States are not separated by this great ocean. We are bound by it.

We're the two biggest engines in the world to be able to do that.

On raising the U.S. borrowing limit: *We made some significant progress, but not the progress we should have made and will make. But there is a group within the Republican Party that has a very strong voice now that wanted different changes.*

On the safety of China's \$1.17 trillion in U.S. Treasury securities: *You're safe.*

Please understand that no one cares more about this than we do, since Americans own 87 percent of all our financial assets and 69 percent of all our Treasury bonds, while China owns 1 percent of our financial assets and 8 percent of our Treasury bills, respectively.

So our interest is not just to protect Chinese investment. We have an overarching interest in protecting the investment, while the United States has never defaulted and never will default.

I recognize that many of you in this auditorium see our advocacy of human rights as, at best, an intrusion and, at worst, an assault on your sovereignty. I know that some in China believe that greater freedom could threaten economic progress by undermining social stability."

I believe history has shown the opposite to be true...that in the long run, greater openness is a source of stability and a sign of strength.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
08/25	MNI August Business Condition Survey			
08/26	Industrial Profits	JUL	--	28.7
08/26-29	Leading Index	JUL	--	101.76
08/31	PMI Manufacturing	AUG	--	50.7
08/31	HSBC Manufacturing PMI	AUG	--	49.3

Valance Economic Report: Sweden

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August 24, 2011

News

August 23rd (Statistics Sweden) - Number of employees up in Q2 – In Q2, the total number of employees increased 3.3% to approximately 4.19 mln persons. The total number of persons employed in the private and public sectors rose 4.7% and 0.3%, respectively.

August 19th (Bloomberg) - Borg Says Risk Has Increased After Stock Market Falls – Finance Minister, Anders Borg stated in a TV4 interview:

Hopefully it won't be as bad as in the fall 2008 but the risk that it will become more serious than I had expected has increased.

Sweden is well prepared to handle problems.

August 18th (Statistics Sweden) – Industry Capacity – decreased by 0.1% percentage points from 88.9% in Q1 to 88.8% in Q2. Most notably, Capacity Utilization in Chemical and Pharmaceuticals (-1.2 pp to 84.9%), Basic Metals (-0.2 pp to 91.4%), Electronics (-0.2 pp to 90.4), and Motor Vehicles (-6.2 pp to 86.5%) industries contributed negatively to the Index; while the Machinery Industry (+1.3 pp to 92.3%) contributed positively.

August 18th (Bloomberg) - Swedish Banks Must Gird for Next Credit Crisis - Chief Economist, Lars Frisell, of Sweden's Financial Regulator made the following comments in an interview:

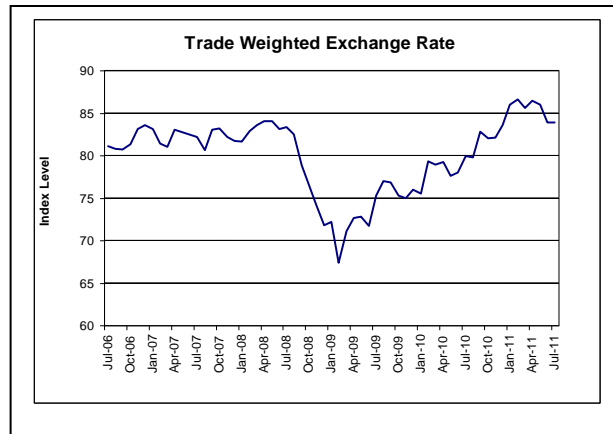
It won't take much for the interbank market to collapse.

It's not that serious at the moment but it feels like it could very easily become that way and that everything will freeze.

One solution would be to tax what we think imposes costs on society. We have the capital requirements for the banks so we can also charge an extra tax on short debts.

Trade Weighted Exchange Rate& Upcoming Dates

Trade Weighted Exchange Rate



Key Dates This Week

Date	Indicator	Month	Expectation	Previous
08/25	Consumer Confidence	AUG	9.0	12.0
08/25	Manufacturing Confidence	AUG	0	4
08/25	Economic Tendency Survey	AUG	100.0	104.4
08/25	Household Lending	JUL	--	6.7%
08/25	PPI	JUL	0.3% / 0.1%	0.1% / -0.2%
08/25	Unemployment Rate	JUL	7.1%	8.8%
08/26	Trade Balance	JUL	7.5B	8.2B
08/29	Retail Sales	JUL	--	3.15 / 3.4%
08/30	Wages – Non Manual Workers	JUN	--	2.3%
08/31	Current Account	Q2	--	71.1B

Valance Economic Report: Switzerland

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August 24, 2011

In July, Switzerland's Trade Surplus widened as Exports fell and Money Supply growth rose 5.9% Y/Y.

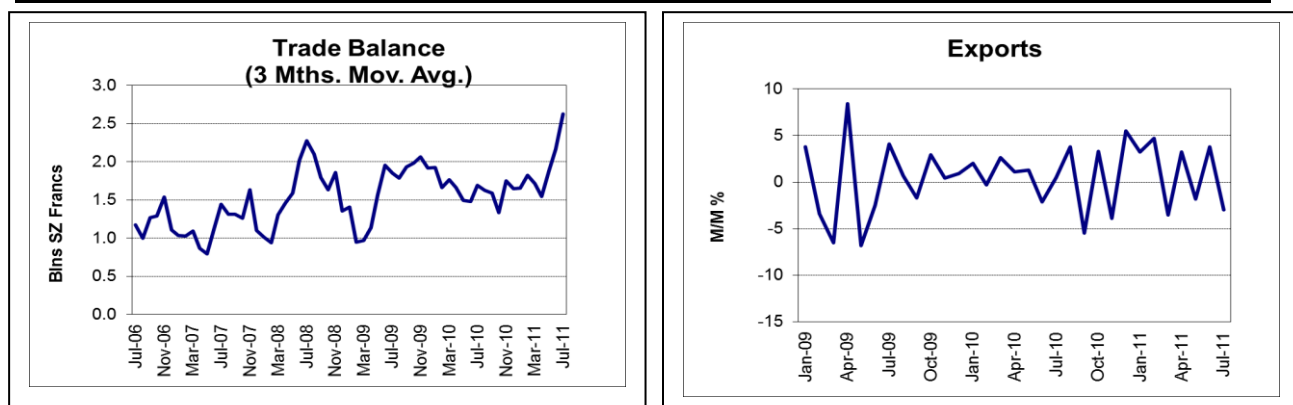
Weekly Highlights

Exports – fell 3.0% M/M and rose 4.8% Y/Y in July, compared with +3.8% M/M and +2/8% Y/Y the previous month. (SZ 1)

M3 Money Supply – rose from 4.9% Y/Y in June to 5.9% Y/Y in July. (SZ 2)

Weekly Releases & News

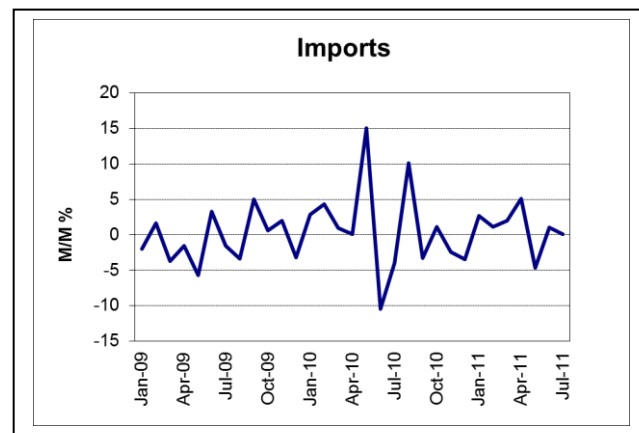
Chart(s) of the Week: Trade Data



Switzerland's Trade Balance widened from a surplus of 1.77 bln francs in June to a surplus of 2.83 bln francs in July.

Adjusted for inflation and seasonal swings, Exports declined 3.0% M/M, considerably lower than the +3.8% M/M gain experienced the previous month. Annually, Exports increased from 2.8% to 4.8%.

Imports rose 0.1% M/M and 1.9% Y/Y in July, compared with the 1.0% M/M gain and the 6.2% Y/Y drop posted in June.



Trade Weighted Exchange, News & Upcoming Dates

Trade Weighted Exchange Rate



News

August 24th - Swiss Manufacturers See 'Broad Decline' Unless Franc Weakens - The Swiss manufacturers' Association, Swissmem, remarked in a faxed statement:

If that doesn't happen, many companies will have to take drastic decisions in the fall.

What's looming is nothing less than a broad decline of Switzerland's industrial base.

Swissmem expects the SNB to continue along the path it has laid out. If necessary, it will have to take even sharper measures.

August 22nd - M3 Money Supply – rose from 4.9% % Y/Y in June to 5.9% Y/Y in July.

Key Dates This Week

Date	Indicator	Month	Expectation	Previous
08/25	Credit Suisse ZEW Survey	AUG	--	-58.9
08/26	KOF SZ Leading Indicator	AUG	1.80	2.04
08/30	UBS Consumption Indicator	JUL	--	1.48