

Valance Company, Inc.



Weekly

September 14, 2011

III

Highlights

US – Initial Claims disappointed

EU – The ECB cut its growth forecast

JN – Q2 Real GDP Revised Lower

UK – Jobless-benefit claims continue to rise

CA – Lost jobs in August

AU – Unemployment rate rising

NZ - Manufacturing sales fell in Q2

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Valance Co., Inc.

Valance Economic Report: *United States*

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September 14, 2011

The lack of employment continues to affect economic prospects. Although last week's layoff numbers were not exceedingly high and new hiring remained anemic, the unemployment rate remained unchanged. With core retail sales holding steady, large corporations have no incentive to hire. Obama's jobs proposal, a \$447 bln package comprised of spending increases and tax cuts, could stimulate employment if it meets Republican approval in Congress. Encouragingly, although, initial claims increased 4k, continuing claims fell a modest 30k in August.

Weekly Highlights

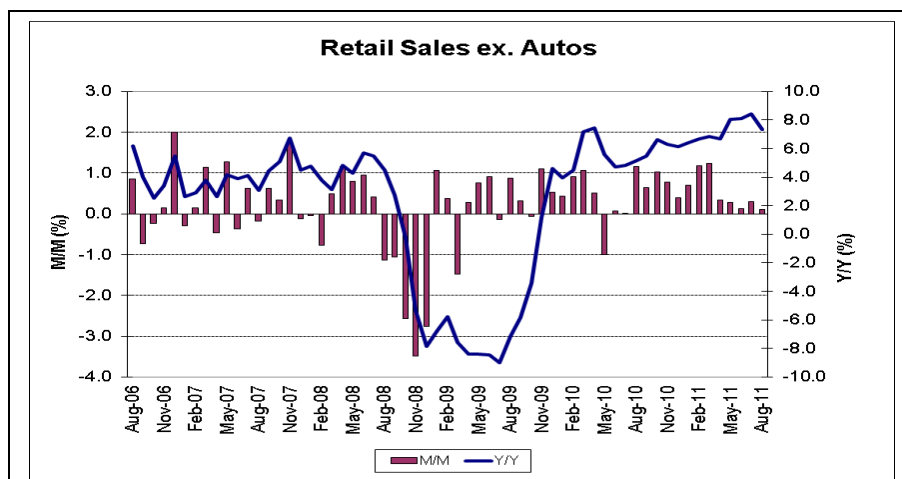
Retail Sales Ex. Auto – increased 0.1% M/M. (US 1)

Import Prices – fell less than the expected 0.8% M/M decrease. (US 3)

Trade Balance – unexpectedly fell from -\$51.6 bln to -\$44.8 bln. (US 4)

Weekly Releases

Chart(s) of the Week: *Retail Sales Ex. Auto*



Retail Sales, excluding autos, increased 0.1% M/M and 8.2% Y/Y in August. Headline Retail Sales remained unchanged M/M and increased 8.4% Y/Y. Core Retail Sales (excluding gas, building materials and autos), also remained unchanged M/M but increased 6.0% Y/Y and are now growing at a 3.3% three-month annualized rate. A nearly invariable unemployment rate displayed its effects on consumption in that the labor market neither shrank nor increased and retail sales excluding gas remained constant.

US-1

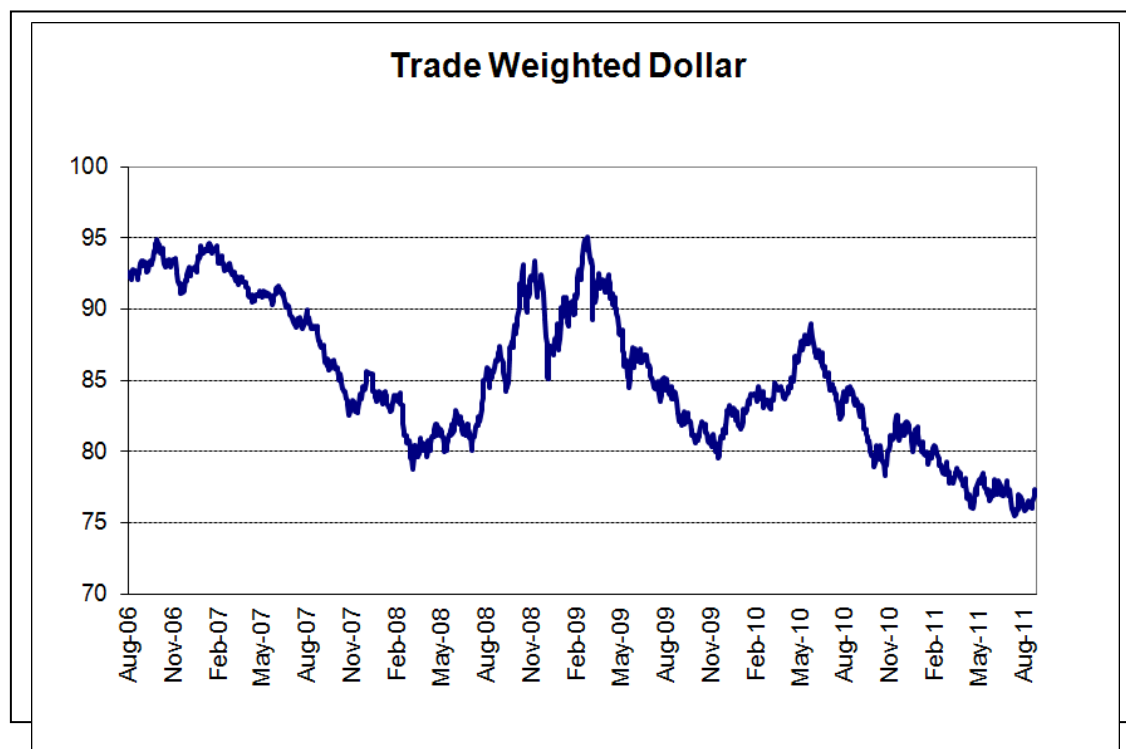
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

<i>U.S.</i>	<i>Latest period (\$blns)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-129.4 (July)	-8.1%
Trade Balance	-44.8 (July)	-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 July 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. If the Obama job plan passes Congress, a short- to medium-term increase in the budget deficit is expected. Presumably, this will increase earnings and lower the unemployment rate.

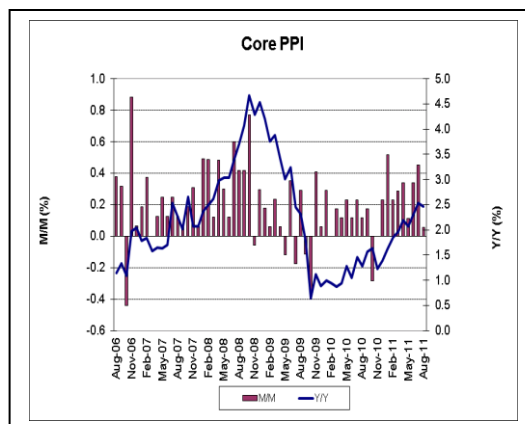
Trade Weighted Dollar



Core PPI, Import Price Index, & Initial Claims

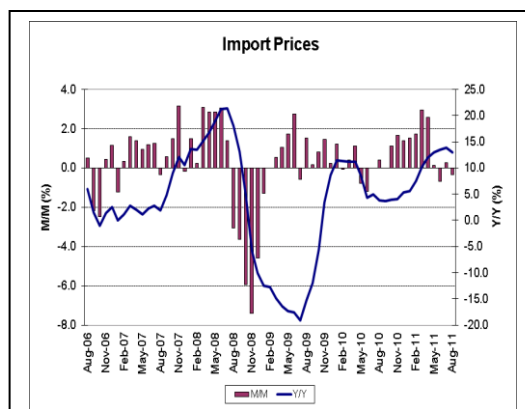
Core PPI

Core PPI increased 0.1% M/M and 2.5% Y/Y in August. Headline PPI was flat M/M and increased 6.5% Y/Y. Core intermediate goods decreased by 0.1% M/M and increased 7.6% Y/Y. Core crude goods rose 1.6% M/M and Y/Y growth accelerated to 24.1%.



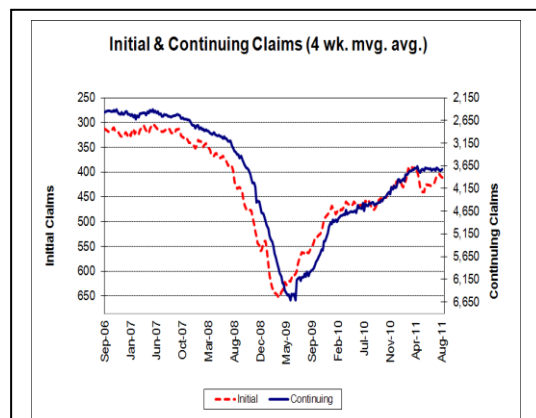
Import Price Index

Import Prices, excluding petroleum, increased 0.3% M/M and 5.5% Y/Y in August. Prices of all goods imported into the U.S. fell 0.4% M/M, but increased 13.0% Y/Y. Goods from China rose 0.1% M/M and 3.6% Y/Y.



Initial & Continuing Claims

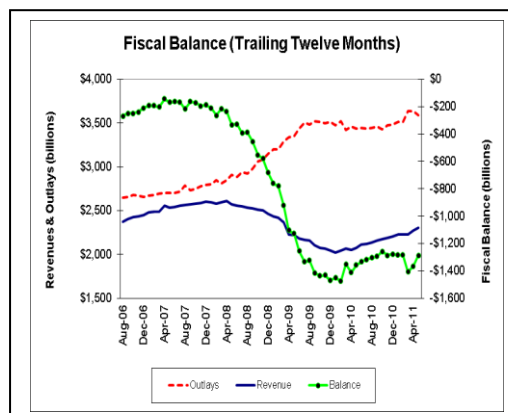
Initial Claims increased from 409k to 414k in August. The 4-week moving average of Initial Claims remained at 414.8k and Continuing Claims fell from a revised 3747k to 3717k. Initial Claims have trended down from 500k in the summer of 2010 and after improving in the beginning of 2011, are once again approaching those lows.



Monthly Budget Statement, Mortgage Applications & Trade Balance

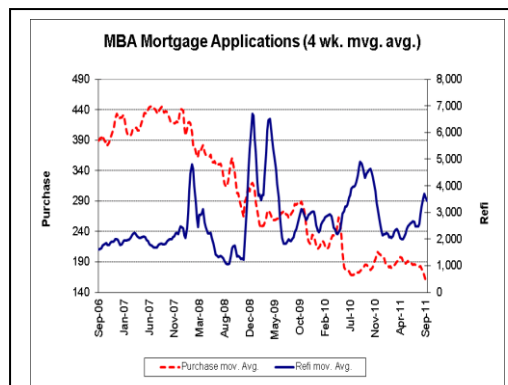
Monthly Budget Statement

The Fiscal Balance in August showed a deficit of \$134.2 bln in August versus a deficit of \$90.6 bln a year ago. On a trailing twelve month basis, the deficit narrowed from \$1,383.2 bln to \$1,234.1bln (8.2% of GDP). The deficit will narrow as tax revenues have increased 7.6% Y/Y.



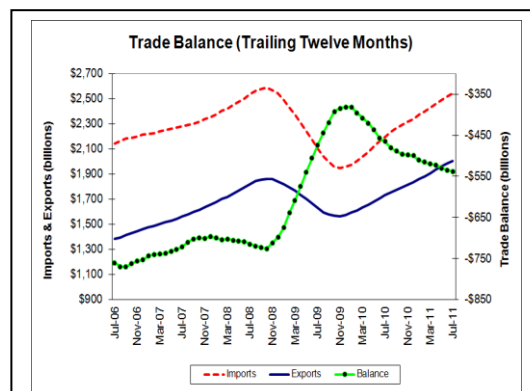
MBA Mortgage Applications

Purchase Mortgage Applications gained 6.3% W/W, the first increase in the past 4 weeks. Refi applications increased 6.0% W/W this week.



Trade Balance

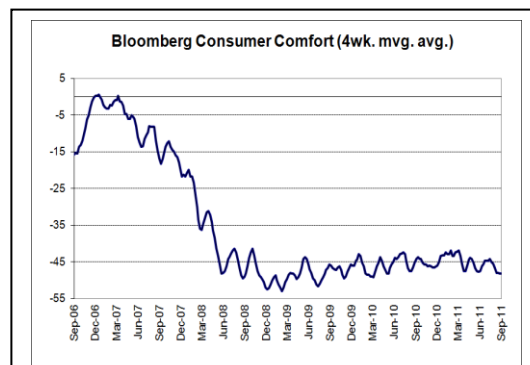
The Trade Deficit unexpectedly fell from -\$51.6 bln to -\$44.8 bln in July, the biggest gap shrink since February 2009. Total exports increased 3.6% M/M and are up 15.1% Y/Y. Imports fell 0.2% M/M and are up 13.6% Y/Y. The trailing twelve month trade deficit is now \$5381 bln or 3.59% of GDP.



Bloomberg Consumer Comfort & Key Dates

Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index regressed from -49.1 to -49.3. The state of the economy component dropped from -87.3 to -88.7. The buying climate and personal finances indices increased from -54.0 to -53.5 and -6.2 to -5.8, respectively.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
09/15	Consumer Price Index (M/M)	AUG	0.20%	0.50%
09/15	CPI Ex Food & Energy (M/M)	AUG	0.20%	0.20%
09/15	CPI Core Index SA	AUG	- -	225.463
09/15	Current Account Balance (Q/Q)	2Q	-\$122.9B	-\$119.3B
09/15	Empire Manufacturing	SEP	-3.95	-7.72
09/15	Initial Jobless Claims	10-Sep	410K	414K
09/15	Continuing Claims	3-Sep	3710K	3717K
09/15	Industrial Production	AUG	0.00%	0.90%
09/15	Bloomberg Economic Expectations	SEP	- -	-34
09/15	Bloomberg Consumer Comfort	11-Sep	--49.0	-49.3
09/15	Capacity Utilization	AUG	77.50%	77.50%
09/15	Philadelphia Fed.	SEP	-15	-30.7
09/16	U. of Michigan Confidence	SEP	56.5	55.7
09/20	Housing Starts	AUG	580K	604K
09/20	Building Permits	AUG	590K	601K
09/21	MBA Mortgage Applications	16-Sep	- -	- -
09/21	Existing Home Sales	AUG	4.72M	4.67M
09/21	FOMC Rate Decision	21-Sep	- -	0.25%

Valance Economic Report: *Euro Zone*

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September 14, 2011

The ECB kept its benchmark rate at 1.5% and cut its growth forecast for both 2011 and 2012. European Industrial Production rebounded in July, led by strong German output. Italy's parliament gave final approval to Prime Minister Berlusconi to move ahead with the Italian government's austerity package. The 54 billion Euro plan is an attempt by officials to stimulate sluggish economic growth.

Weekly Highlights

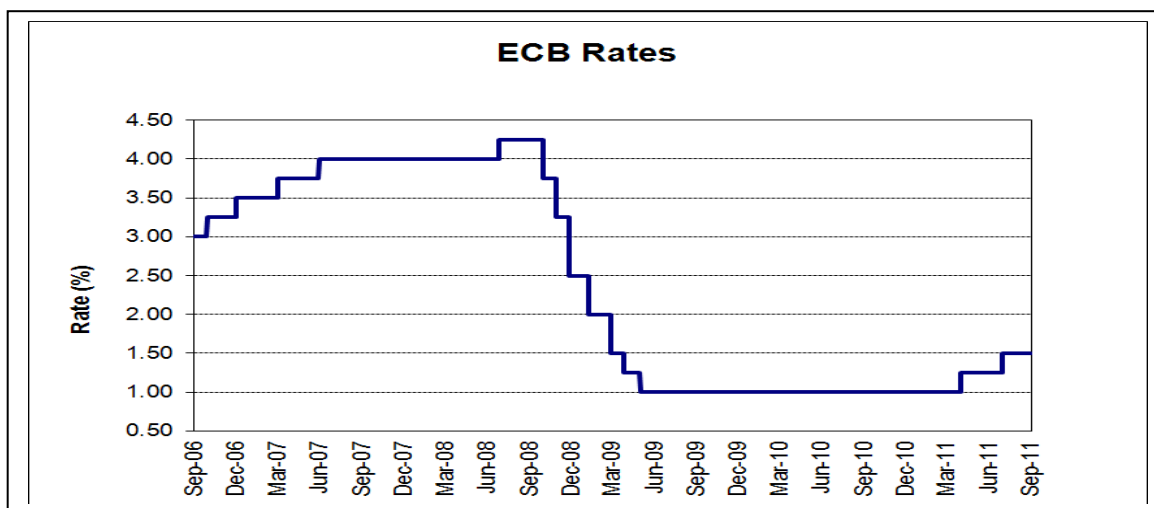
ECB Interest Rate – remained unchanged at 1.5%. (EU 1)

Euro Zone Industrial Production – advanced 1.0% M/M and 4.2% Y/Y in July. (EU 3)

German Exports – unexpectedly decreased 1.8% M/M in July.(EU 3)

Weekly Releases & News

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



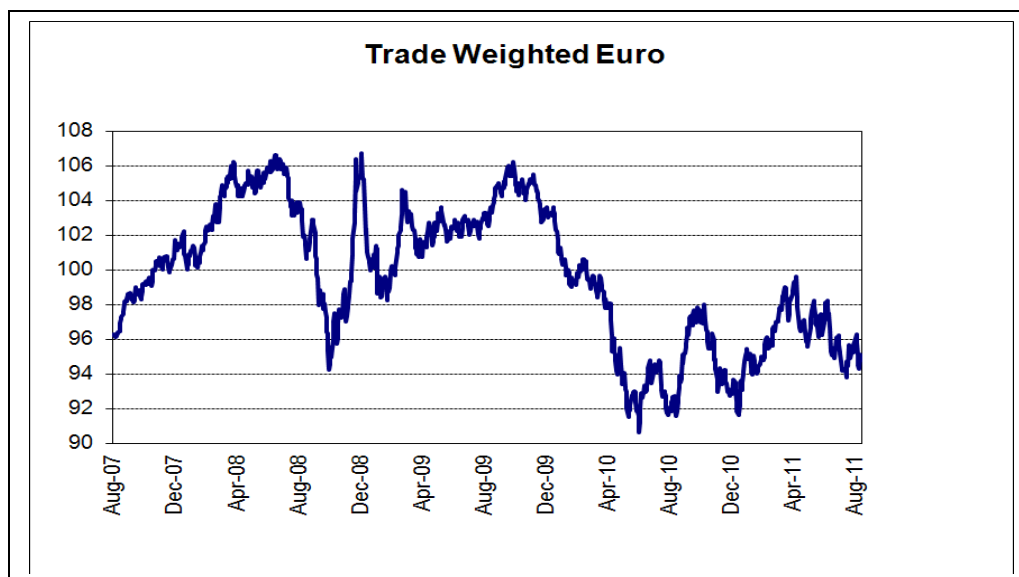
The ECB left its benchmark interest rate on hold and cut its 2011 growth forecast from 1.9% to 1.6% and from 1.7% to 1.3% for 2012. Inflation forecasts were left unchanged at 2.6% for 2011 and 1.7% for next year. ECB President Trichet stated, "We expect the euro area economy to grow moderately, subject to particularly high uncertainty and intensified downside risks." As a result of the increased downside risk, the ECB believes inflation is balanced and, therefore, the benchmark interest rate will remain unchanged at 1.5%.

Euro Zone Financial Balances & Trade Weighted Euro

Financial Balances

<i>Germany</i>	<i>Last period (\$blns euros)</i>	<i>Last 12mth. as a % of GDP*</i>
Budget Balance		-3.3%
Trade Balance	10.4 (July)	2.0%
Current Account Balance	7.5 (July)	6.3%
Private Savings Balance		-3.6%
<i>France</i>		
Budget Balance		-7.0%
Trade Balance	-6.5 (July)	-5.3 %
Current Account Balance	-4.5 (July)	-4.0%
Private Savings Balance		-1.3%
<i>Italy</i>		
Budget Balance		-2.3 %
Trade Balance	-1.5 (July)	-5.1%
Current Account Balance	-4.3 (June)	-14.2%
Private Savings Balance		-0.8
*Budget Balance as of year end 2010 – Source OECD		

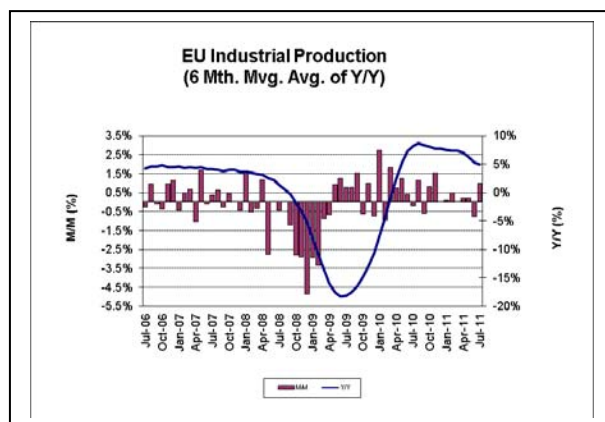
Trade Weighted Euro



Euro Zone Industrial Production, German CPI & Exports

Euro Zone Industrial Production

EU Industrial Production rose 1.0% M/M (+4.2% Y/Y) in July, after falling 0.8% M/M in June. This is the largest monthly gain since November 2010. Market expectations were for a 1.5% M/M and 4.6% Y/Y increase. Germany Industrial Output surged 4.1% from June, when it fell 0.8%. French Production advanced 1.6% M/M, while Italy showed a 0.7% M/M drop.



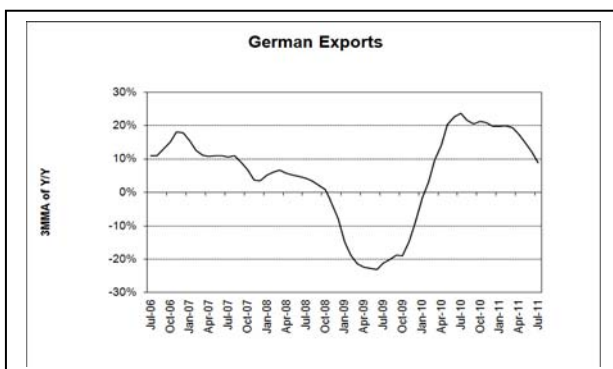
German CPI

Final figures show German CPI remained flat M/M and increased 2.4% Y/Y in August, greater than market expectations of -0.1% M/M and 2.3% Y/Y, respectively. CPI, calculated using a harmonized European Union method, remained unchanged M/M and increased 2.5% Y/Y.



German Exports

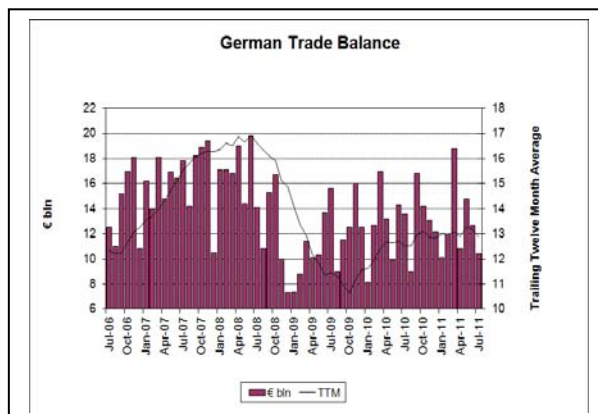
Exports decreased 1.8% M/M and increased 6.9% Y/Y in July. Exports were expected to increase 0.5% M/M. Imports decreased 0.3% M/M and increased 11.6% Y/Y.



German Trade Balance, Current Account & French Bus. Sentiment

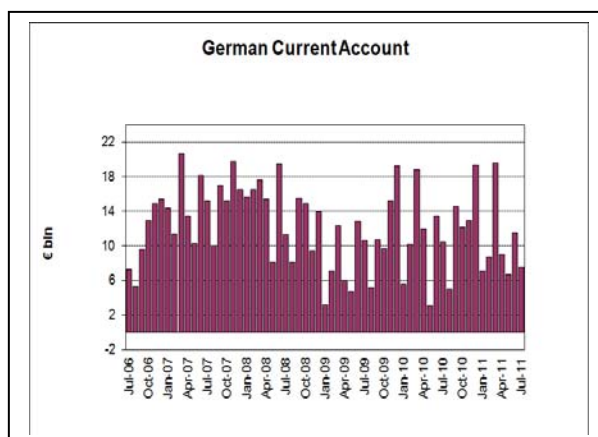
German Trade Balance

Germany's Trade surplus shrank from €12.7 bln in June to €10.4 bln in July. The surplus stood at €13.6 bln in July 2010.



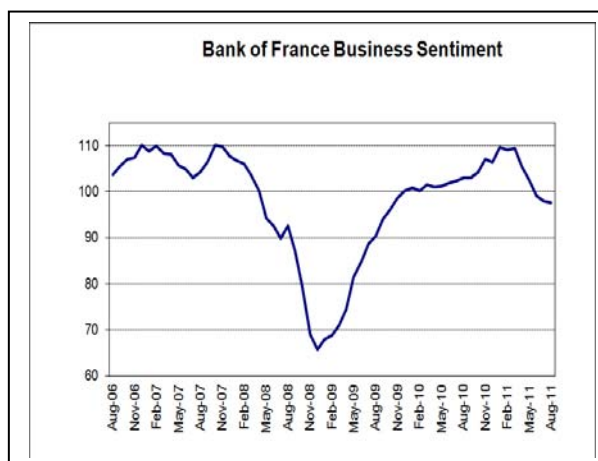
German Current Account

Germany's Current Account surplus shrank from €11.5 bln in June to €7.5 bln in July. The Current Account balance stood at €10.4 bln in July 2010.



Bank of France Business Sentiment

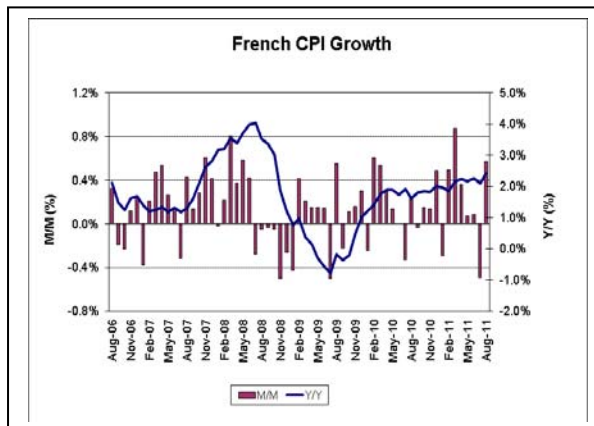
French Business Sentiment remained unchanged at 98 in August, - a 22-month low. Market expectations were for the index to fall to 97. The Production Outlook component remained at 5 and the Price of Finished Goods component was fell from 4 in July to 3 in August. The Order Level component fell from 7 to 4. Capacity Utilization Rate fell from 79.4 to 78.7.



French CPI, Non-Farm Payrolls & Ind. Production

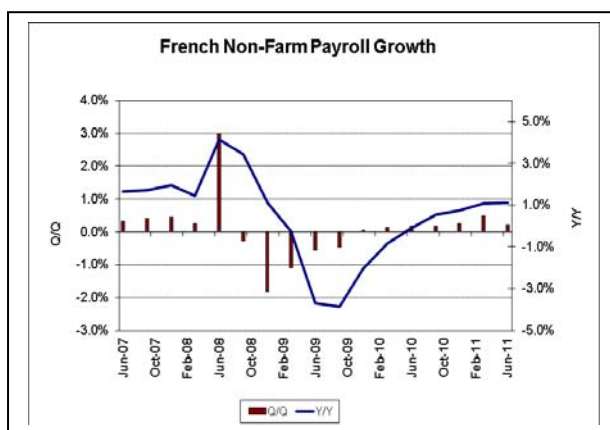
French CPI

Final figures show French CPI increased 0.5% M/M and 2.2% Y/Y in August, greater than market expectations of 0.3% M/M and 2.0% Y/Y, respectively. CPI, calculated using a harmonized European Union method, increased 0.6% M/M and 2.4% Y/Y, also greater than market expectations.



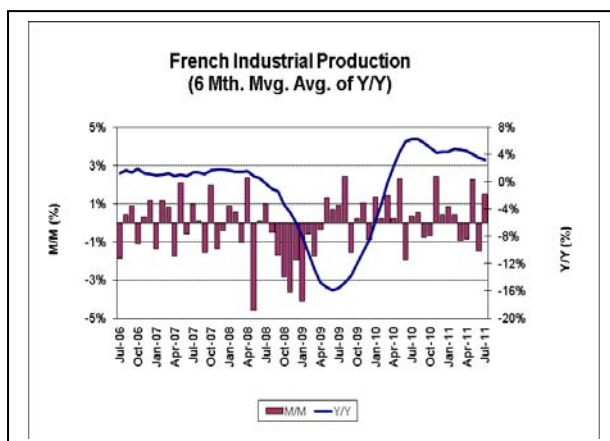
French Non-Farm Payrolls

French Non-farm Payrolls increased 0.2% Q/Q in Q2, its seventh consecutive quarterly gain. Y/Y growth increased 1.1%.



French Industrial Production

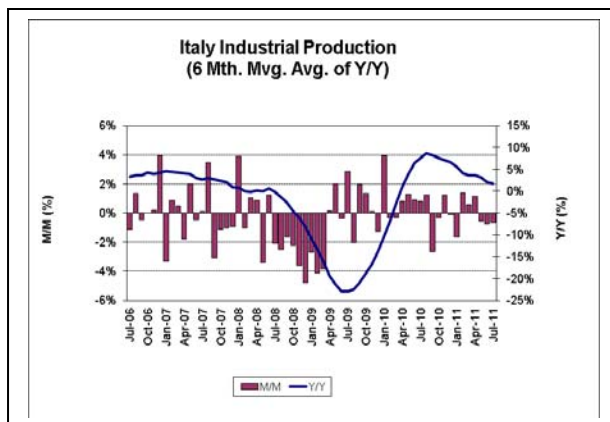
French Industrial Production rose 1.5% M/M and increased 3.7% Y/Y in July. Manufacturing Production increased 1.4% M/M and 4.2% Y/Y.



Italian/ Spanish Ind. Production & Spanish CPI

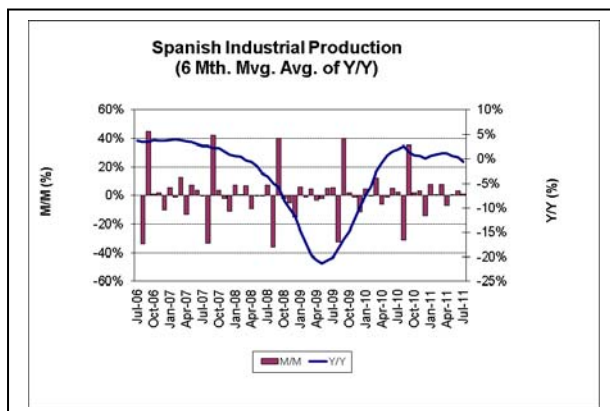
Italian Industrial Production

Italian Industrial Production fell 0.8% M/M and 1.6% Y/Y in July. The first Y/Y decline since December 2009.



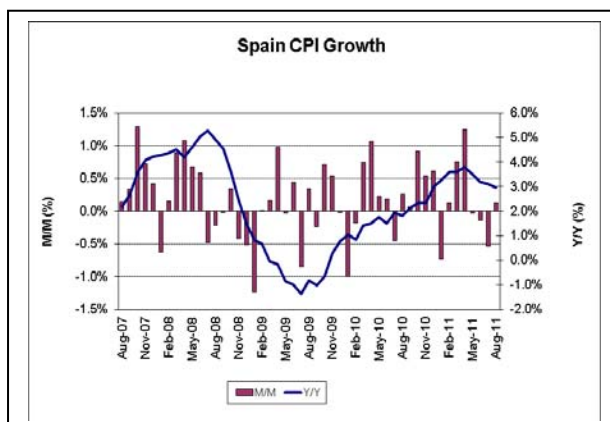
Spanish Industrial Production

Spanish Industrial Production fell 2.4% M/M and 2.8% Y/Y in July. The fifth straight monotonically decreasing month.



Spanish CPI

Final figures show Spanish CPI increased 0.2% M/M and 1.6% Y/Y in August. CPI, calculated using a harmonized European Union method, remained unchanged M/M and increased 2.7% Y/Y.



Sep 13th - Central bankers see slowdown but no recession (AP) - "We are certainly observing ourselves the slowing down of the global economy," said European Central Bank chief Jean-Claude Trichet as chairman of his last Global Economy Meeting of the Bank for International Settlements. He added, however, that "We don't see a recession in the cards, not at all." While Trichet said emerging economies were slowing down, though not dramatically, he said central banks did not expect growth in developed nations to come "close to zero." Uncertainty over the slowdown and Europe's debt crisis have pushed bank stocks sharply lower in recent days, but Trichet said the central bankers believe they "have the weaponry to provide liquidity" to banks as needed worldwide provided there is adequate collateral. Debt-hobbled nations must quickly regain control of their finances and "inspire confidence," Trichet told reporters.

Sep 13th - Merkel warns against Greek default, euro exit (Reuters) - German Chancellor Angela Merkel said on Tuesday that Europe was doing everything in its power to prevent Greece from defaulting on its debt. Asked by RBB inforadio whether a Greek default would doom the euro, Merkel answered: "We are using all the tools we have to prevent this. We need to avoid all disorderly processes with regards to the euro." Calling Europe's challenge "historic", she added that everything must be done to keep the euro zone intact "because we would see domino effects very quickly." "In a currency union with 17 members, we can only have a stable euro if we prevent disorderly processes. Therefore it is our top priority to avoid an uncontrolled default, because it would hit not only Greece. The danger would be very high that it would hit many other countries."

Sep 13th - Euro Falls Toward Lowest in Decade Versus Yen on Italy Debt Woes (Bloomberg) - The euro fell toward its weakest level in a decade against the yen on speculation Greece is nearing default and as Italy's borrowing costs rose at a sale of 3.9 billion euros of bonds. The 17-nation currency reversed yesterday's gain versus the dollar amid uncertainty China will buy Italian assets. The Norwegian krone fell for a third day against the euro after the Nordic nation's interest-rate expectations declined. New Zealand's dollar dropped against the yen after a report showed manufacturing volumes unexpectedly fell last quarter. "The Italian story is enough of a headwind for now to continue to keep the euro on the defensive," said Jeremy Stretch, executive director of foreign-exchange strategy at Canadian Imperial Bank of Commerce in London. The Chinese have previously "been touted as the saviors of Europe, but it seems they are heavily invested already and whether they want to add to those positions is probably a moot point." The euro weakened 0.5 percent to 105.07 yen at 6:28 a.m. in New York, after sliding to 103.90 yesterday, the lowest since June 2001. The shared currency depreciated 0.3 percent to \$1.3641.

Sep 12th - ECB Said to Dilute Distressed-Bank Plan as Debt Crisis Worsens (Bloomberg) - The European Central Bank plans to dilute a proposal to wean distressed banks off its emergency funding on concern it would exacerbate the region's debt crisis. Instead of imposing higher interest rates on emergency loans to penalize Greek, Irish and Portuguese banks, the ECB and national central banks would ask financial institutions to detail how they will repay the money. Banks would also need to outline expected future ECB funding needs and how they plan to raise money in markets. The measures are similar to those agreed with Irish banks as part of that country's rescue. The ECB along with national central banks would assess the feasibility of banks' funding intentions and track compliance with any agreed plan.

Sep 12th - Berlusconi says he has "no power" as Italy crisis bites (Reuters) - Prime Minister Silvio Berlusconi complained on Friday that constitutional constraints hindered his government from making major reforms. Lashing out at "communists" and an "anti-Italian" press and opposition, Berlusconi told a rally of young supporters in Rome that it was almost impossible to change Italy's deeply entrenched problems given limits on executive power. "We have found it is extremely difficult to do anything concrete in a system that gives no power to the person who is in charge of the government," he said. "In all these years, I have felt a truly dramatic sense of impotence." "We can hope -- hope, because there is no certainty -- that we can move ahead with reforms needed by the country," he said.

News/Comments/Data Cont'd.

Sep 9th - ECB Says Banks Increased Overnight Deposits to 15-Month High (Bloomberg) - The European Central Bank said financial institutions increased overnight deposits to the highest since July last year. Banks parked 172.8 billion euros (\$240.1 billion) with the ECB last night, up from 166.1 billion euros the previous business day. Lenders borrowed 83 million euros at the marginal rate of 2.25 percent, down from 86 million euros, the ECB said in a statement.

Sep 9th - Trichet Opens Way for More Steps After Growth Forecast Cut (Bloomberg) - The economy faces "particularly high uncertainty and intensified downside risks," ECB President Jean-Claude Trichet said at a press conference. While monetary policy is still "accommodative," financing conditions have worsened in parts of the 17-member euro region and the ECB stands ready to pump more cash into markets if needed, he said. The ECB today cut its 2011 growth forecast to 1.6 percent from 1.9 and to 1.3 percent from 1.7 percent for 2012. Inflation forecasts were left unchanged at 2.6 percent for 2011 and 1.7 percent for next year. "We stand ready to provide liquidity as we have done in the past, taking into account the need for the banking sector," he said.

Sep 9th - Trichet Clears the Decks for Draghi to Use All ECB Tools (Bloomberg) - European Central Bank President Jean-Claude Trichet is clearing the decks for Mario Draghi to step up the fight against Europe's worsening debt crisis. "If it remains a market crisis, the ECB may just give banks more liquidity but if it spreads to the real economy, they may even cut rates," said Chris Scicluna, deputy head of economic research at Daiwa Capital Markets Europe in London. "If things get bad enough, Draghi's first job in November may be to cut rates. Trichet prepared the ground for it." Trichet, yesterday left the door open for the ECB to reverse its interest-rate increases earlier this year and add new emergency liquidity lines to the euro region's crisis-hit banks. After last month expanding its bond-purchase program to include Spain and Italy and offering banks emergency cash for six months, Trichet acknowledged that the economic outlook has since worsened and inflation risks have eased.

Sep 8th - Spain approves constitution amendment on deficits (AP) - Spanish lawmakers have overwhelmingly approved a constitutional amendment to force the government to keep future deficits very low in a move to head off a bailout. The Senate voted 233-3 in favor, brushing off opposition by extreme leftist parties that abstained and labor unions that held protests in opposition to the amendment sought by investors to maintain confidence in the eurozone's fourth largest economy. The vote Wednesday night means that the amendment is almost certainly headed for approval. Spain's lower house had already approved the measure proposed by Prime Minister Jose Luis Rodriguez Zapatero. It appears unlikely that opponents will get enough votes from lawmakers to force a national referendum on the amendment.

Sep 8th - Merkel promises 'euro will not fail' (FT) - Angela Merkel, German chancellor, declared on Wednesday that "the euro will not fail" after the country's powerful constitutional court rejected a series of challenges to the multibillion-euro rescue packages agreed last year. The chancellor welcomed the court's judgment as "absolutely confirming" her government's policy of "solidarity with individual responsibility". Germany would continue to demand drastic debt reduction from its eurozone partners in exchange for providing them with financial guarantees, she said. "Germany's future is inseparably bound to the future of Europe," she declared. But she also rejected opposition calls for jointly backed eurobonds as a way to provide debt relief for eurozone governments in difficulty, stressing they would undermine any incentive to reduce excess borrowing.

Sep 8th - EU Said to Delay Bank Bond Writedown Plans Amid Turbulence (Bloomberg) - The European Union is delaying proposals for senior bondholders of failing banks to take losses because the measures may spook investors. Michel Barnier, the EU's financial services commissioner, will unveil draft legislation on the measures in October at the earliest. The bondholder plans are part of broader proposals for orderly closure of failing lenders that the European Commission had intended to present this month. "The pricing of bank debt spiked" in January when the commission published a preliminary version of its plans, the British Bankers' Association said in a paper. It is "uncertain" whether a move to a so-called bail-in regime in which senior bondholders would financially contribute to bank wind downs "has been fully priced in at this stage," the BBA said.

Key Dates This Week

<i>Date</i>	<i>Country</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
09/15	EC	ECB Publishes Sept. Monthly Report	--	--	--
09/15	EC	Euro-Zone Core CPI (Y/Y)	AUG	1.20%	1.20%
09/15	EC	Euro-Zone CPI (M/M)	AUG	0.20%	-0.60%
09/15	EC	Eurozone Employment (Q/Q)	2Q	--	0.10%
09/15	IT	CPI - EU Harmonized (M/M)	AUG F	0.30%	0.30%
09/15	IT	Current Account (mlns euro)	JUL	--	-4252M
09/15	SP	House Prices T/T Homes Q/Q	2Q	--	-3.50%
09/16	EC	EU 25 New Car Registrations	JUL	--	-8.10%
09/16	EC	ECB Euro-Zone Current Account SA	JUL	--	-7.4B
09/16	EC	Euro-Zone Labour Costs (Y/Y)	2Q	--	2.60%
09/16	EC	Euro-Zone Trade Balance	JUL	2.0B	0.9B
09/16	IT	Trade Balance Eu (Euros)	JUL	--	-294M
09/16	SP	Labour Costs (Y/Y)	2Q	--	0.80%
09/19	EC	Construction Output SA M/M	JUL	--	-1.80%
09/20	EC	ZEW Survey (Econ. Sentiment)	SEP	--	-40
09/20	GE	Producer Prices (M/M)	AUG	--	0.70%
09/20	GE	Zew Survey (Current Situation)	SEP	--	53.5
09/20	GE	Zew Survey (Econ. Sentiment)	SEP	--	-37.6
09/20	IT	Industrial Orders s.a. (M/M)	JUL	--	4.10%
09/20	IT	Industrial Sales s.a. (M/M)	JUL	--	-1.70%

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Valance Economic Report: Japan

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September 14, 2011

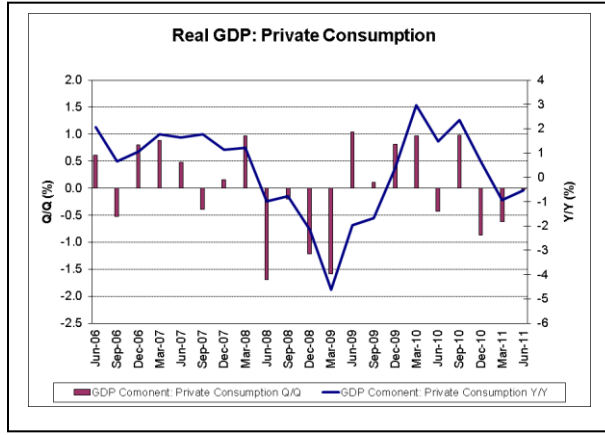
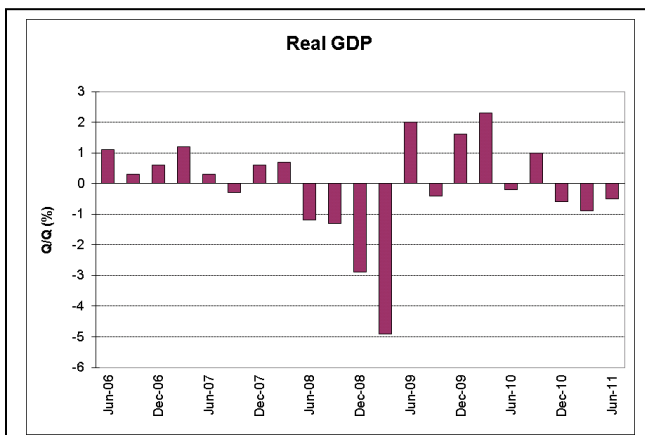
This week saw a downward revision to Japan's GDP, due largely to a decline in capex. Overall data was relatively weak as well, as CGPI declined, the Eco Watchers Survey declined, the Current Account Surplus dropped, and Tertiary Industry Activity dropped.

Weekly Highlights

Q2 Real GDP – revised downward from -1.3% AR to -2.1% AR. (JN 1)

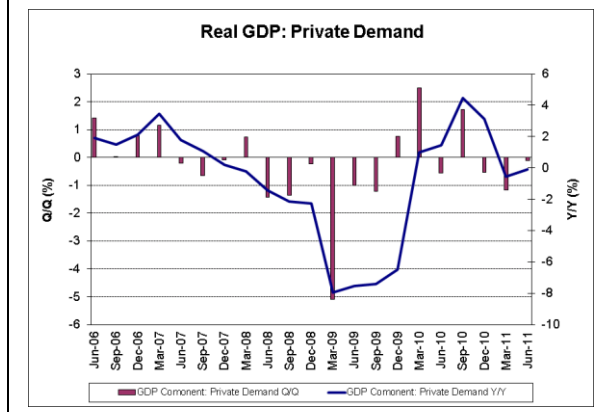
CGPI– dropped 0.2% M/M and increased 2.6% Y/Y in August. (JN 5)

Chart(s) of the Week: *Gross Domestic Product*



According to the latest estimate of Q2 Real GDP growth, Japan's economy experienced a seasonally adjusted annualized contraction of 2.1%, below the original 1.3% estimate, and in line with market expectations. On a quarterly basis, the economy contracted 0.5%. The GDP deflator was unchanged at -2.2%.

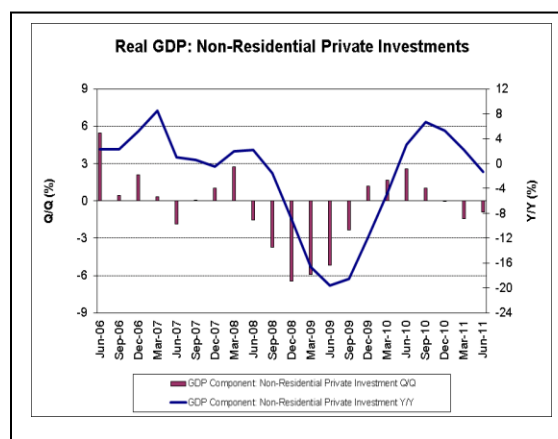
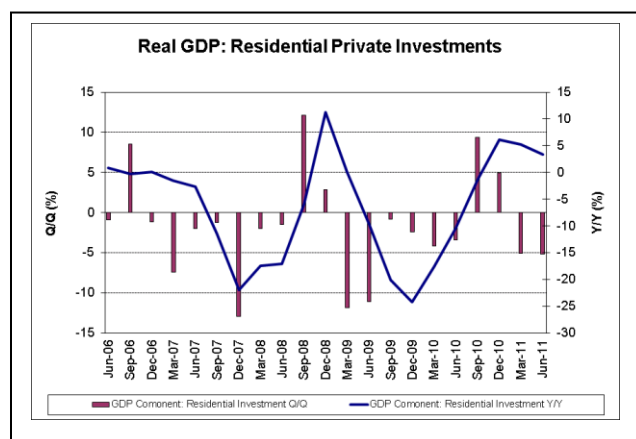
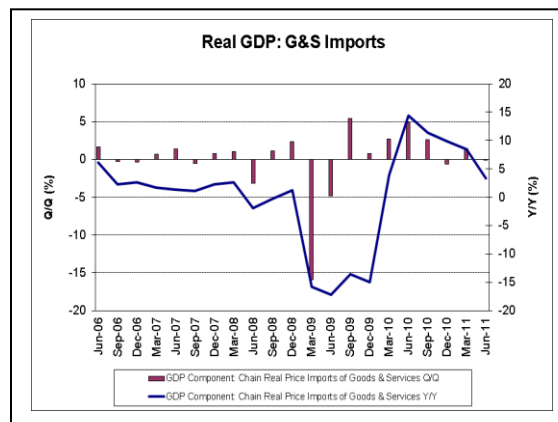
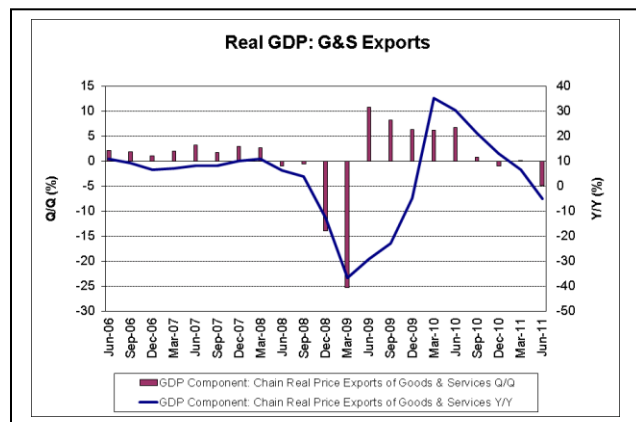
Within the data, domestic demand increased 0.2% Q/Q (below the 0.4% Q/Q originally estimated), private demand dropped 0.1% Q/Q (below the +0.3% Q/Q originally estimated), public demand grew 1.2% Q/Q (ahead of the 0.9% Q/Q originally estimated), and fixed capital formation was unchanged (below the +0.5% originally estimated).



Net exports were relatively unchanged as exports dropped 4.9%, while imports were unchanged.

Overall, the downward revision occurred as companies revised their investments lower and supports increasing concerns that economic growth will remain weak through the year.

Gross Domestic Product Components



Japan's Financial Balances

Financial Balances

<i>Japan</i>	<i>Last period (¥trln)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-3.50 (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.)

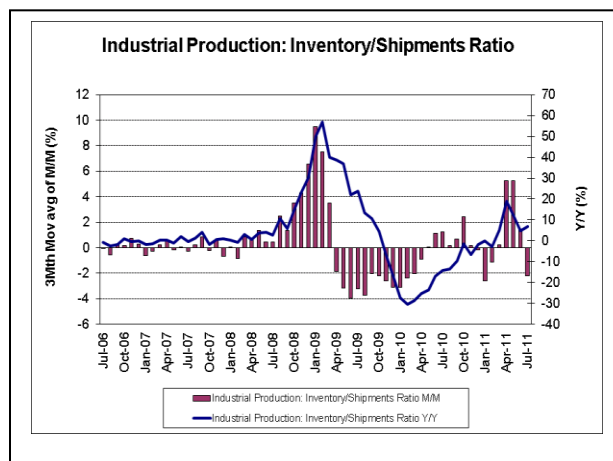
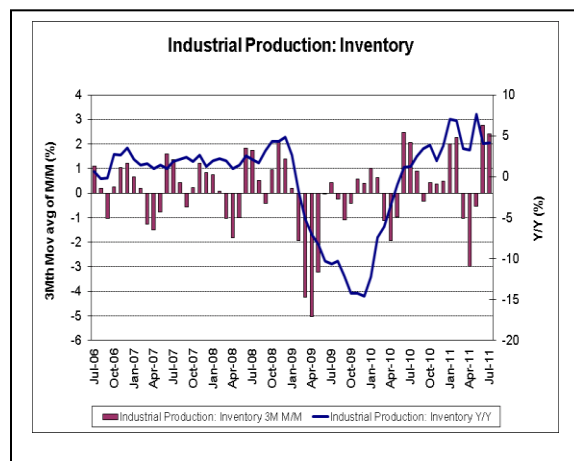
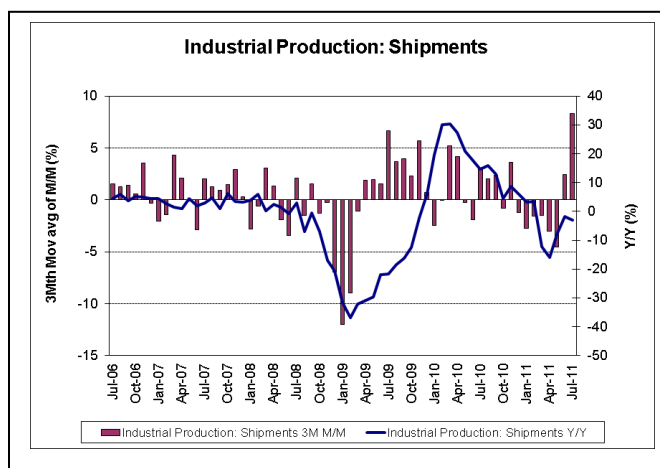
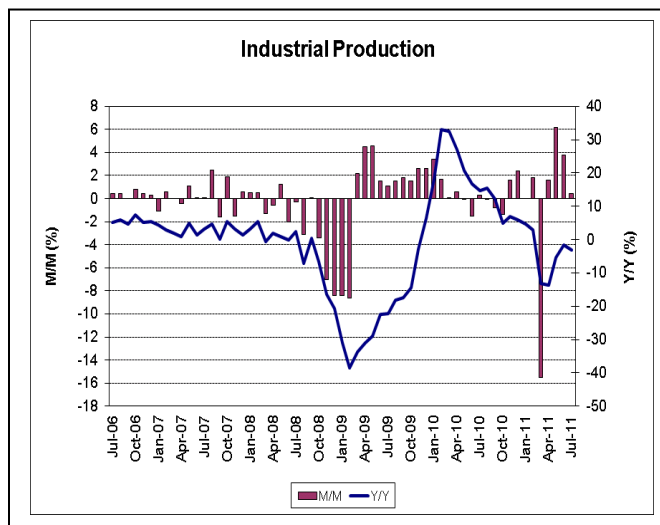


Industrial Production

Final data on July's Industrial Production indicated a 0.4% M/M increase and a 3.0% Y/Y decline (from a preliminary 0.6% M/M increase).

Shipments increased 0.1% M/M and dropped 3.0% Y/Y vs a preliminary estimate of a 0.2% M/M gain. Inventories dropped 0.1% M/M and increased 4.1% Y/Y against a preliminary estimate of a 0.2% M/M decline. The inventory ratio increased 4.0% M/M and 6.7% Y/Y vs original estimates of a 3.9% M/M increase.

As noted in the original report, producers expect production to improve 2.8% M/M in August and drop 2.4% M/M in September.

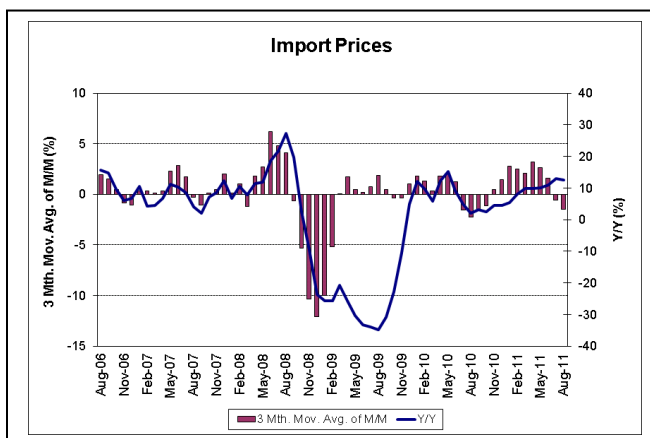
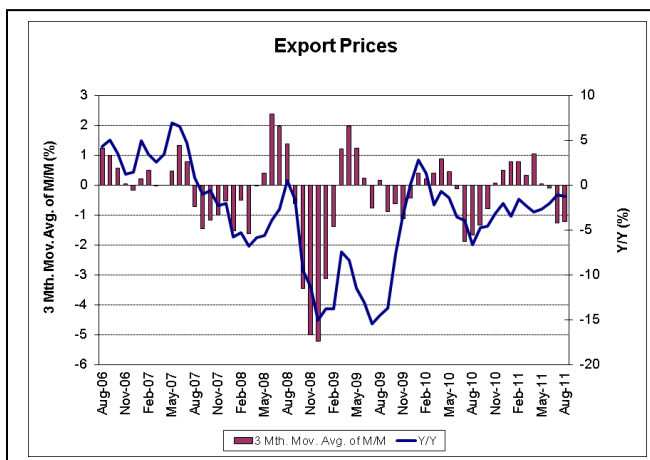
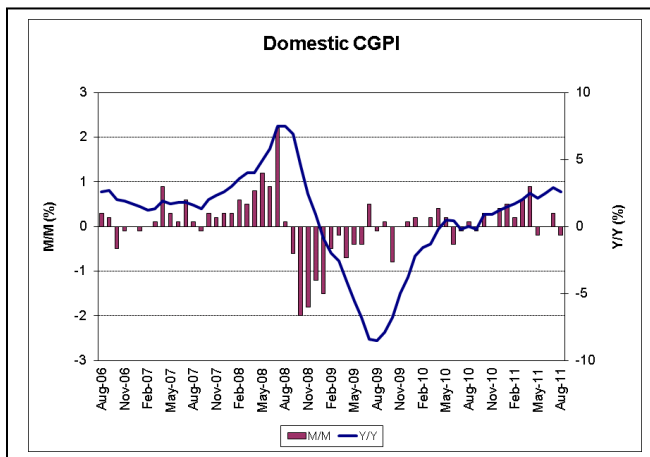


CGPI, Export & Import Prices

Japan's Corporate Goods Prices Index dropped 0.2% M/M and increased 2.6% Y/Y in August, roughly in line with market expectations.

By industry, manufacturers saw a 0.3% M/M decline in prices. Agriculture and minerals sectors were unchanged M/M. Utilities increased 1.5% M/M and scrap/waste dropped 3.2% Y/Y.

Export prices dropped 1.8% M/M and 1.3% Y/Y. Import prices dropped 2.4% M/M and increased 12.5% Y/Y.



BSI Business Conditions Index & Tertiary Industry Activity

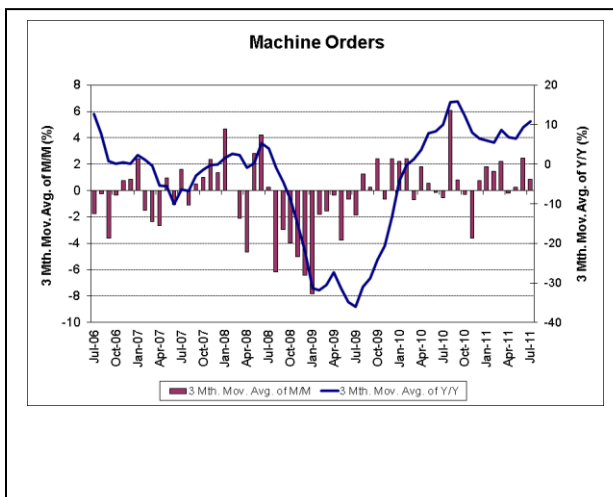
BSI Business Conditions Index

The BSI All Industry Index for Large Firms improved from -22.0 in Q2 to +6.6 in Q3, with a positive number indicating that the number of optimists outweigh the number of pessimists.

Among manufacturers, the current conditions survey improved from -23.3 to +10.3. Among non-manufacturers, the survey improved from -21.4 to +4.6.

Regarding domestic conditions, large firm sentiment improved from -45.0 to +1.5. Small firm sentiment improved from -62.3 to -32.6. Regarding employment, large firm sentiment improved from -1.9 to +1.3, while small firm sentiment improved from -2.4 to +3.4.

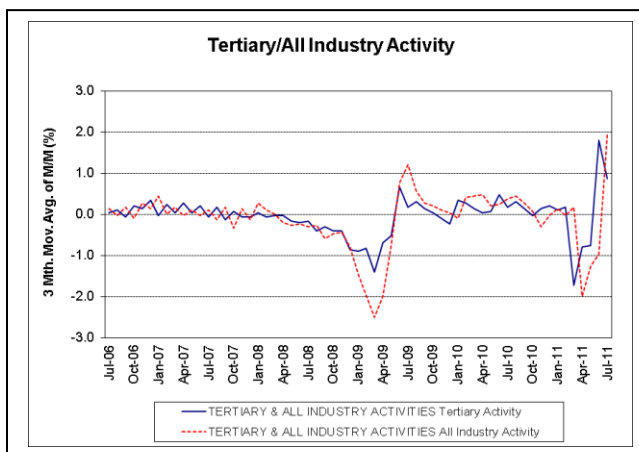
Looking forward, large firms expect conditions to improve to +8.1 in Q4, before declining to +6.0 in Q1 2012. Both manufacturers and non-manufacturers are expected to contribute to these movements.



Tertiary Industry Activity

The Tertiary Industry Activity Index dropped 0.1% M/M and 0.2% Y/Y in July, missing market expectations for a 0.2% M/M increase.

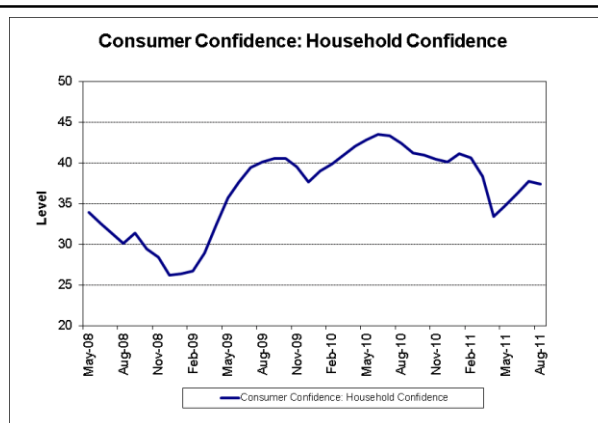
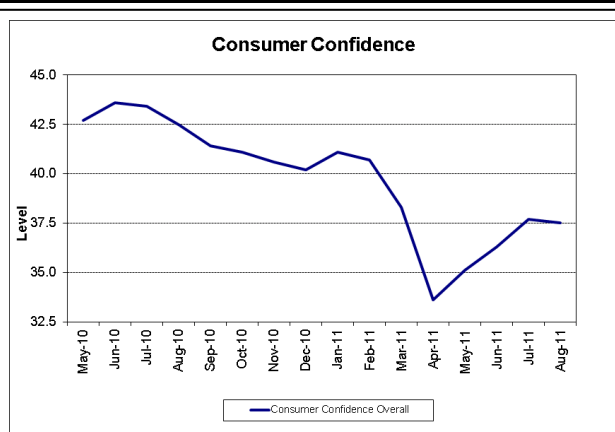
Within the data, gains in wholesale/retail, finance, and eating were offset by declines in electricity/gas, misc services, IT, and transportation.



Consumer Confidence Tokyo & Condominium Sales

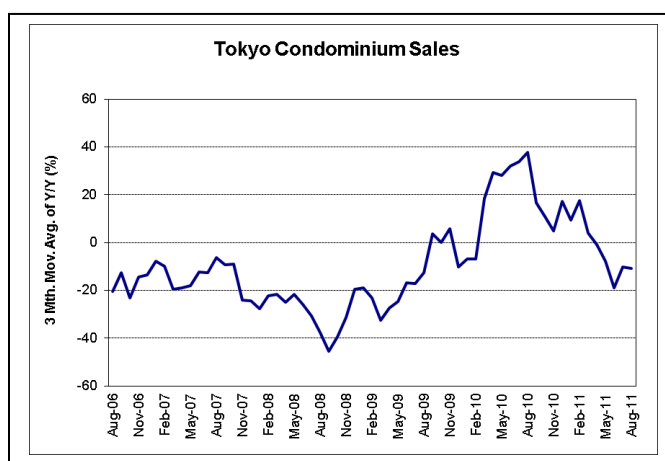
Consumer Sentiment

Consumer Confidence was unchanged on the month at 37.0 in August. Overall livelihood increased 0.1 pts to 38.9. Income growth increased 0.7pts to 38.7. Employment declined 0.1pts to 31.8. Willingness to buy durable goods declined 0.5pts to 38.7.



Tokyo Condominium Sales

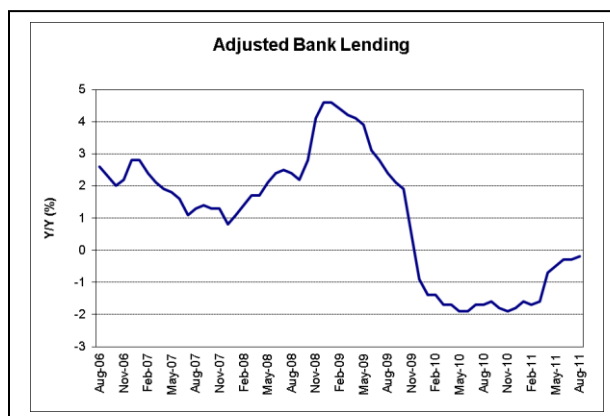
The number of condominiums for sale increased 1.7% Y/Y in August. The number of condominiums sold declined 5.1% Y/Y. The number of condominiums unsold declined 1.0% Y/Y. The average unit price increased 15.6% Y/Y, while the average price per sq meter increased 10.0% Y/Y.



Bank Lending, Bankruptcies & Machine Orders

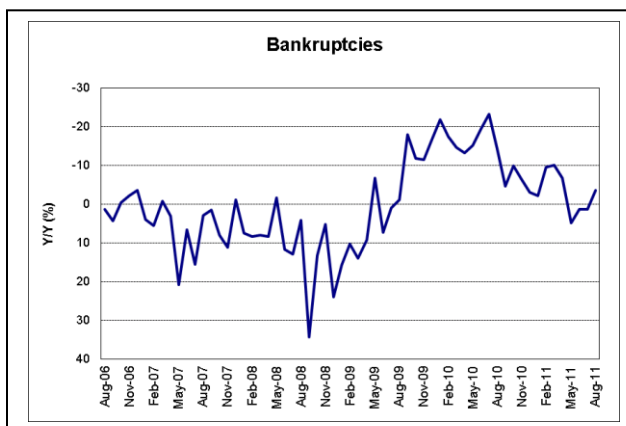
Bank Lending

Bank Lending declined 0.5% Y/Y in August. Among city banks, lending declined 2.6% Y/Y. Among regional banks, lending increased 1.7% Y/Y, while Shinkin banks saw a 0.3% Y/Y decline and Foreign banks saw a 28.0% Y/Y decline.



Bankruptcies

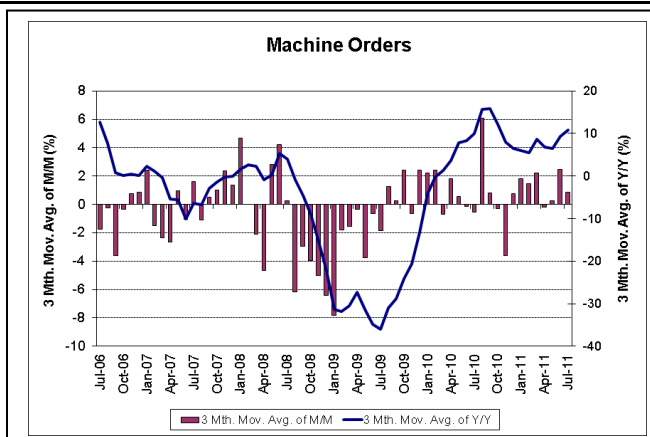
Corporate Bankruptcies declined 5.0% M/M and 3.5% Y/Y.



Machine Orders

Core Machine Orders declined 8.2% M/M and increased 4.0% Y/Y in July. Among manufacturers, orders declined 5.2% M/M and increased 3.2% Y/Y. Among non-manufacturers, orders declined 1.4% M/M and increased 5.8% Y/Y.

The 8.2% M/M drop went against market expectations for a 4.2% M/M drop and added to market concerns that the rebound is beginning to stall.



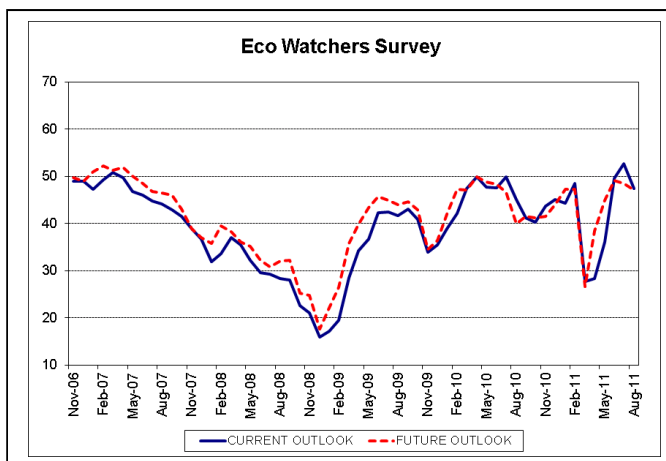
Eco Watchers Survey, Current Acct Surplus & Machine Tool Orders

Eco Watchers Survey

In July, the Eco Watchers Survey current conditions index declined from 52.6 to 47.3. The outlook index declined from 48.5 to 47.1.

Within the current conditions data, household conditions declined 6.6pts to 45.2. Business conditions declined 3.4pts to 48.3. Employment conditions declined 1.1pts to 58.4.

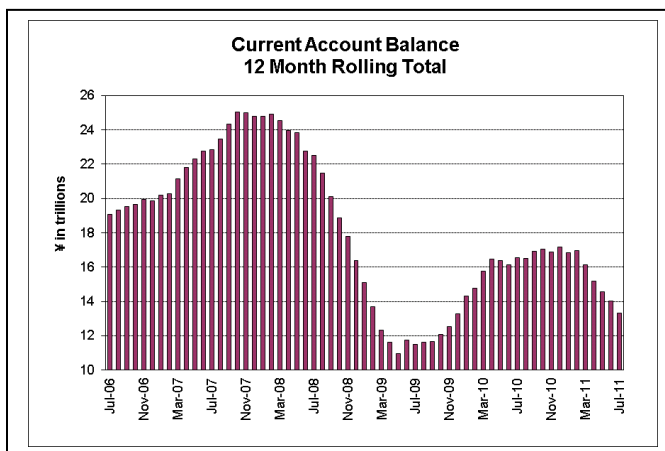
Within the outlook index, household conditions declined 1.0 pts to 45.4. Business conditions declined 1.6pts to 48.3. Employment conditions improved 3.4pts to 55.3.



Current Account Surplus

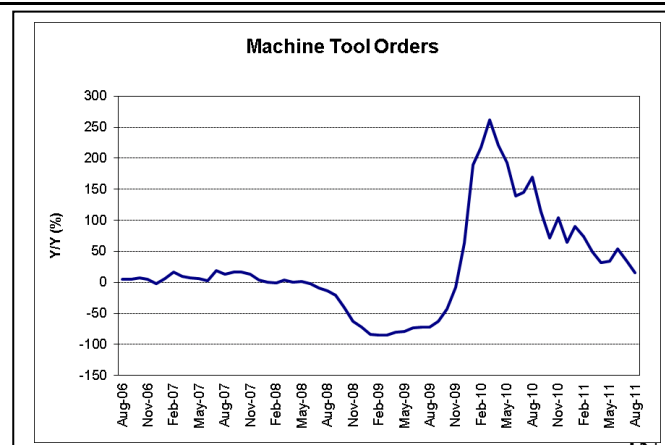
The adjusted Current Account Surplus dropped from ¥922.8 Bln to ¥752.5 Bln in July, against market expectations for an increase to ¥990.8 Bln.

The Trade Balance declined from ¥131.5Bln to ¥123.3Bln, against market expectations for an increase to ¥149.1 Bln. Imports increased 2.4% M/M and 13.6% Y/Y. Exports increased 1.4% M/M and dropped 2.3% Y/Y.



Machine Tool Orders

Machine Tool Orders increased 15.2% Y/Y in August.



News & Upcoming Key Dates

News

Sep 14th – BoJ Miyao Comments – Bank of Japan Policy Board Member Ryuzo Miyao commented that data released so far indicates that domestic firm sentiment hasn't deteriorated substantially, despite recent increases in the Yen vs dollar. He added that "The BoJ doesn't steer policy by looking only at foreign exchange rates. If judged necessary after carefully examining economic and price conditions including foreign exchange moves, overseas economies as well as local economies, we will take appropriate steps."

Sep 13th – Business Chief to Pursue Corp Tax Cut – The head of the Japan Association of Corporate Executives vowed to cut the corporate tax rate as planned before the March Earthquake and Tsunami. "I haven't given up on a 5 pctg pt reduction from FY12" Yasuchika Hasegawa commented. He also warned that Japan will suffer from being a less attractive place to base operations than it already is if the tax rate remains unchanged when other countries are vying for international companies by offering attractive tax rates.

Sep 12th – BoJ August Meeting Minutes – According to the minutes from the August 4 BoJ Monetary Policy Meeting, BoJ board members agreed that an expansion in the size of asset purchases "should be of enough size to have a notable impact, with the aim of clearly presenting the bank's policy stance that it would sufficiently enhance monetary easing at this point, taking into account various potential risk factors."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
09/15 - 09/16	Cabinet Office Monthly Economic Report	N/A	N/A
9/20	Coincident Index CI	N/A	109
9/20	Leading Index CI	N/A	106
9/20	Nationwide Dept. Sales (YoY)	N/A	-0.10%
9/20	Tokyo Dept. Store Sales (YoY)	N/A	-1.30%
9/20	Convenience Store Sales YoY	N/A	9.50%
9/20	Merchnds Trade Balance Total	N/A	¥72.5B
9/20	Adjusted Merchnds Trade Bal.	N/A	-¥130.5B
9/20	Merchnds Trade Exports YoY	N/A	-3.3
9/20	Merchnds Trade Imports YoY	N/A	9.9
9/21	All Industry Activity Index (MoM)	N/A	2.30%

Valance Co., Inc.

Valance Economic Report: *United Kingdom*

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September 14, 2011

As widely expected, the BoE kept its benchmark rate unchanged; The BoE did not extend economic stimulus despite the calls from U.K. Institute of Directors for a £50 bln asset-purchase plan increase; Adam Posen said that the BOE may need up to £100 bln in more QE. CPI accelerated in August, meeting expectations. The Unemployment Rate remained at 7.9% but public sector payrolls fell sharply in July. The RICS Survey showed that the UK housing market remained subdued in August, while the DCLG survey continued its negative annual growth in July.

Weekly Highlights

CPI – rose 0.6% M/M and 4.5% Y/Y in August. (UK 1)

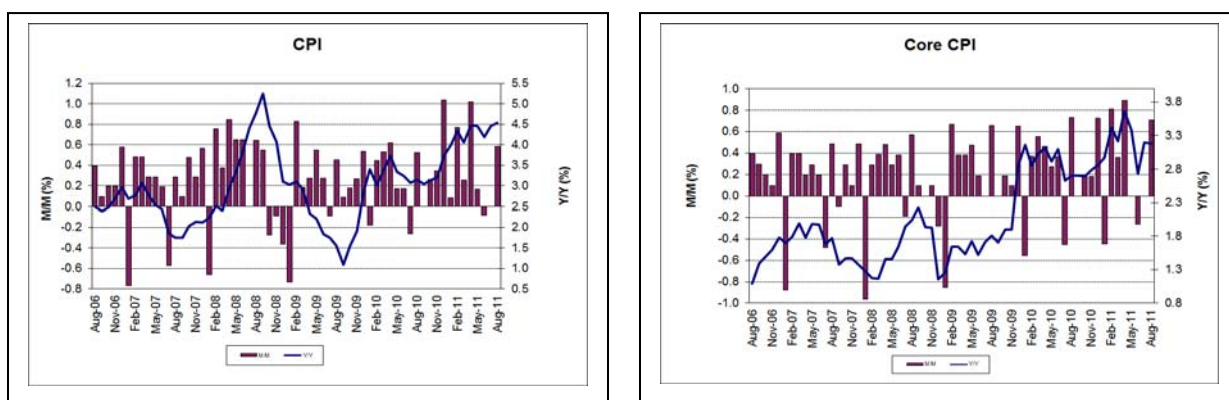
BoE Overnight Rate – held at 0.50%. (UK 2)

Jobless Claims – increased by 20.3k in August. (UK 3)

RICS Net House Price Balance – fell from -22 in July to -23 in August. (UK 6)

Weekly Releases & News

Chart(s) of the Week: *CPI*

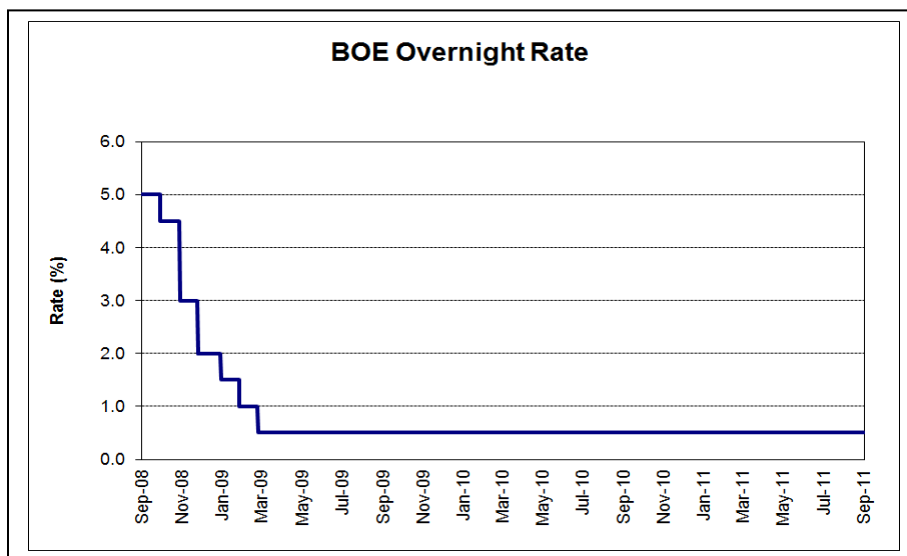
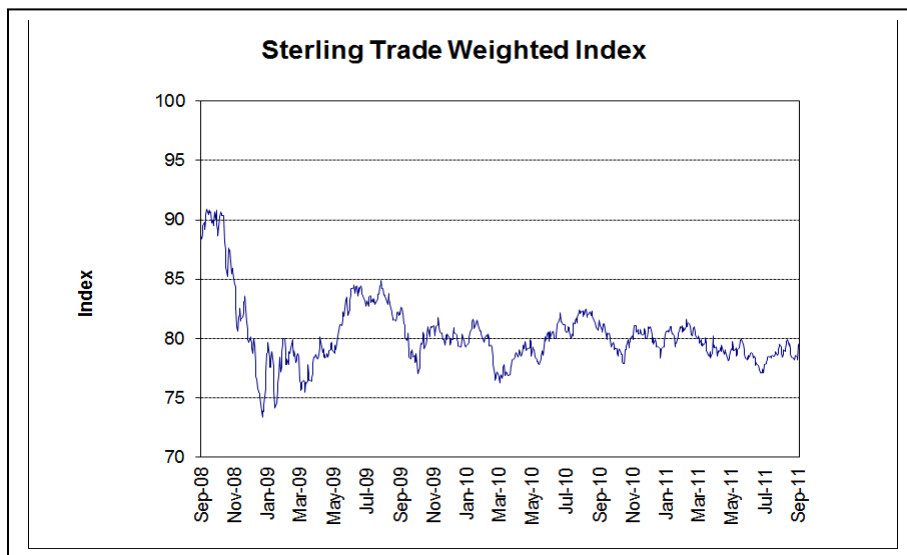


Headline CPI increased 0.6% M/M (0.6% exp.) and accelerated from 4.4% Y/Y to 4.5% Y/Y (4.5% exp.) in July. This is the fastest pace in three months. Clothes prices jumped 3.7% M/M (a record for the month of August), while household utility costs rose 0.5% M/M. Core inflation rose 0.7% M/M and remained at 3.1% Y/Y, slightly more than the 3.0% Y/Y expected. The BoE forecast that price growth may accelerate to an annual 5% in the coming months.

UK - 1

Financial Balances & FX

<i>U.K.</i>	<i>Last Period (blns)</i>	<i>Last 12mth. % of GDP</i>
Budget Balance (monthly/total)	-£2.0 (June)	-1.8%
Curr. Acct. Balance (quarterly)	-£9.4(Mar)	-2.5%
Private Balance	+£7.4	-0.7%

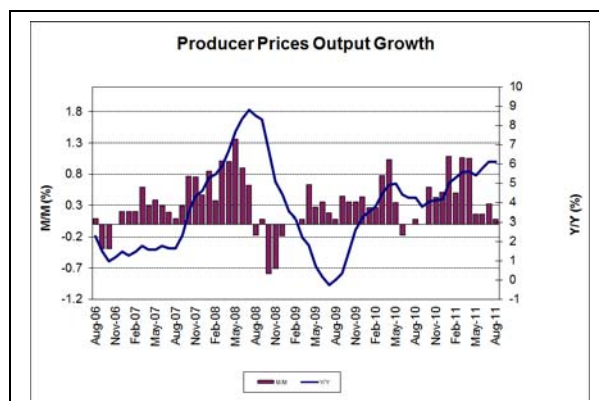


The MPC voted to keep its benchmark rate at 0.50% and maintained the Asset Purchase Target at £200 bln. The Bank Rate has been at 0.50% since March 2009.

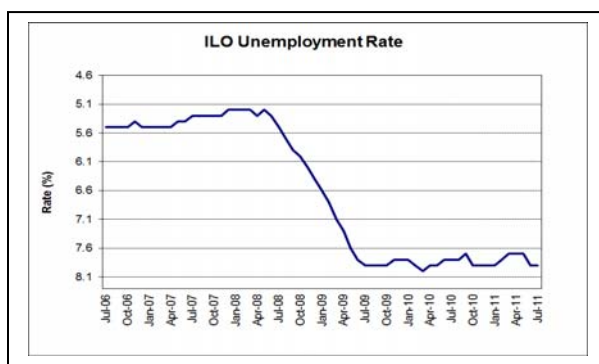
PPI & Employment Data

Producer Prices Input/Output Growth

August Prices charged by factories rose 0.1% M/M, meeting expectations, and 6.1% Y/Y. This is the smallest monthly increase since September 2010. Core Producer Prices rose 0.2% M/M and 3.6% Y/Y. Raw Material Prices fell 1.9% M/M and rose 16.2% Y/Y; this is the largest monthly drop since April 2009 and was driven by a 5.9% decline in crude oil.



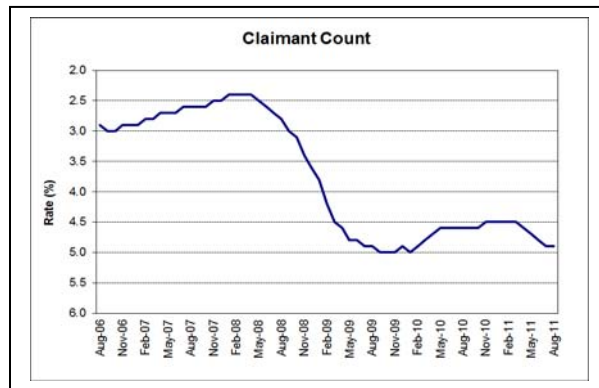
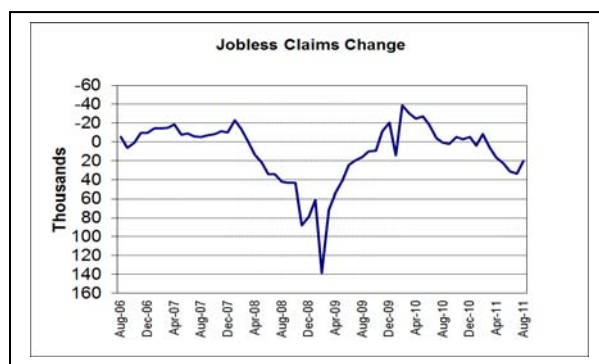
Employment Data



The ILO Unemployment Rate remained at 7.9% in the three months through July. Expectations were for 7.9%.

The Claimant Count Rate remained at 4.9% in August.

The number of people claiming benefits rose by 20.3k in August, against expectations of 35.0k - a sixth straight increase. Public-sector payrolls plunged 111k in the three months through June, while private-sector employment rose 41k.



Weekly pay, including bonuses, rose 2.8% in the quarter, from a year earlier, compared to a 2.7% gain in the previous three months. Excluding bonuses, pay growth eased from 2.3% to 2.1%.

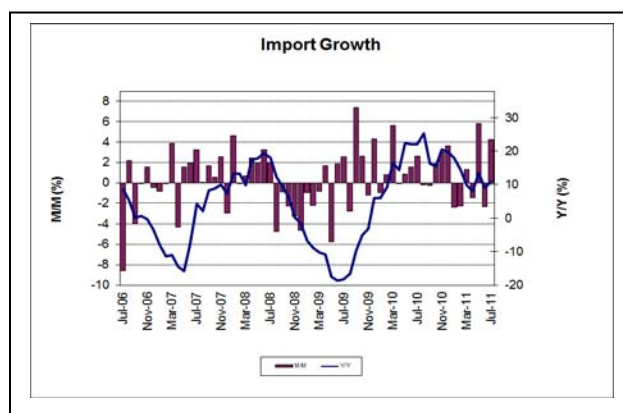
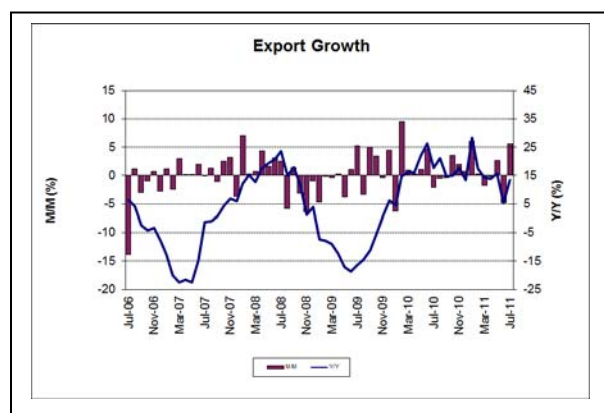
Trade Balance & DCLG Housing Survey

Trade Balance

July's Trade Deficit narrowed slightly from £4.49bln to £4.45bln. The trailing twelve month trade deficit is now £ 47.3bln (about 3.0% of GDP).



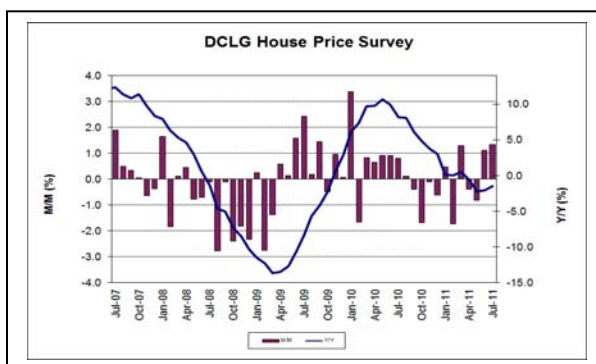
Exports & Imports



Imports rose 4.3% M/M and 10.8 Y/Y in July. Exports rose 5.6% M/M and 13.5% Y/Y.

DCLG House Price Survey

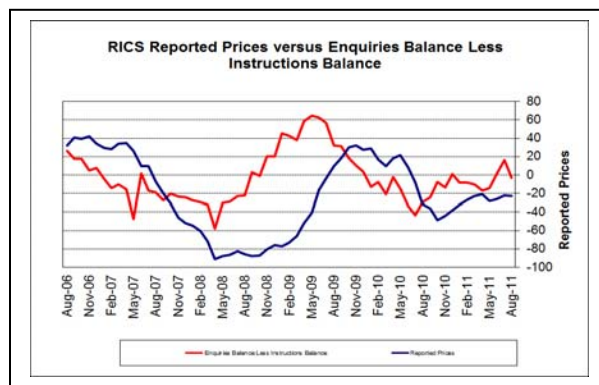
According to the Department for Communities and Local Government, House Prices fell 1.5% Y/Y in July after they dropped 2.0% Y/Y in June. This is a fourth straight annual decline. In London, prices rose 0.9% Y/Y after gaining 1.5% Y/Y previously.



RICS House Price Survey

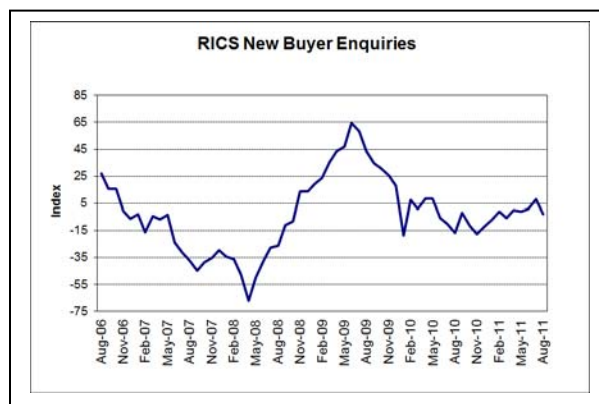
RICS House Price Survey

The RICS House Price Net Balance survey worsened 1pt to -23 in August.

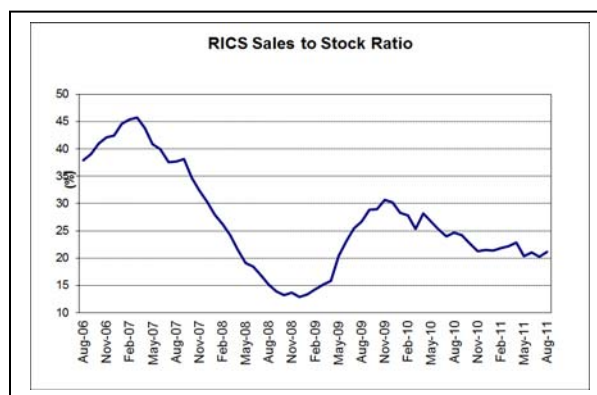
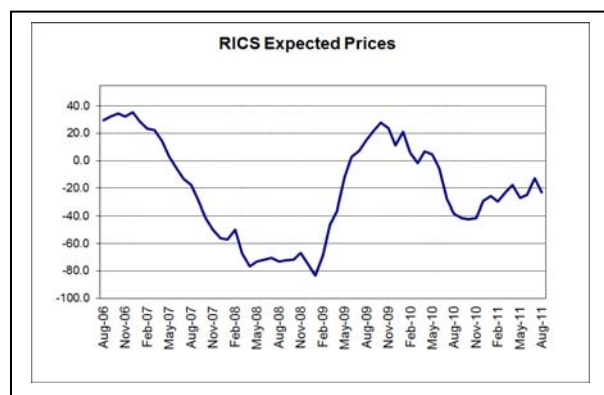


RICS New Buyer Enquiries

New Buyer Enquiries declined from +8 to -3 in August.



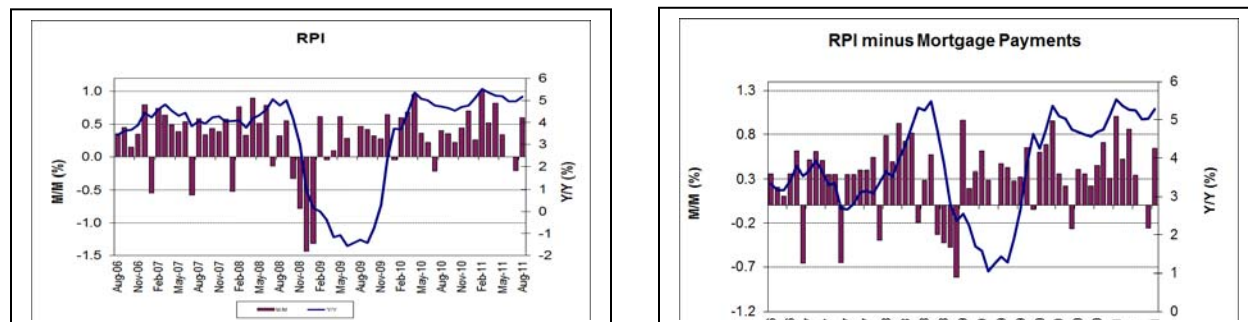
RICS Expected Prices & Sales to Stock Ratio



The house price outlook deteriorated from -13 to -23 in August. The ratio of completed sales (over the last three months), compared to stocks of unsold property on the market, increased 20.2 to 20.9 in August. New Vendor Instructions improved from -8 to 0 during the same month.

RPI & Other Data

RPI Growth & RPI, ex. Mortgage Interest Payments



RPI rose 0.6% M/M in August and 5.2% Y/Y from 5.0% Y/Y previously. RPI, excluding cost of home loans, rose 0.6% M/M and slowed from 5.4% Y/Y to 5.3% Y/Y.

News

Sep. 13th - Posen Says BOE May Need Up to 100 Bln Pounds in More QE (Bloomberg) – BoE policy maker, Adam Posen, said the central bank may need to expand its bond-purchase program by as much as 100 , 1 pounds to support the recovery. “We should start with a minimum of 50 , 1 pounds in gilt purchases in secondary markets, tilted toward the longer- end of the maturity spectrum, over the next three months,” Posen said in a speech today in Wotton-under-Edge, England. “Given that the forecast appears likely to turn worse due to external developments than the largely domestic U.K. one I have based my call for more quantitative easing upon up until now, that number should be 75 or 100 , 1 pounds.” Bank of England officials resisted pressure to extend economic stimulus at their policy meeting last week as they attempted to navigate a path between accelerating inflation and a faltering recovery. Posen, who has voted for more stimulus since October 2010, also today proposed the creation of a new public institution that would lend to businesses. He said there is “financial stress” and an “overly concentrated” retail banking industry in the U.K. “Recent increases in British and other banks’ credit default swap spreads will make credit conditions significantly tighter going forward, if sustained,” he said.

Comments

Sept. 12th - U.K. Output Index Drops to Level Indicating Economy May Shrink (Bloomberg) - A U.K. Output Index plunged in August to its lowest level in more than two years, suggesting the economy may return to contraction. The gauge estimating output over the coming quarter dropped to 93.6, the weakest since June 2009, from 95 in July, BDO LLP said. While a measure of confidence increased, it continued “to hover just over the point indicating positive growth,” BDO said. A reading below 95 indicates contraction. “This points to an increased likelihood of a return to negative growth for the U.K. economy,” BDO said. “The drop is being felt keenly in both the manufacturing and services sectors. Weak confidence is especially pronounced in the manufacturing sector.” BDO’s Confidence index rose to 95.5 in August from 95.1 in July, while an Employment gauge fell to 97.2 from 98, a third straight decline. Inflation expectations cooled, according to the report, with a price gauge slipping to 113.2 from 113.8.

Sept. 8th - Top U.K. Tax Rate Won’t Be Scrapped Before Review, Field Says (Bloomberg) - Prime Minister, David Cameron, sought to temper suggestions that the government is considering scrapping Britain’s top rate of income tax after a group of economists called for it to be abolished. A letter signed by 20 economists and published in the Financial Times yesterday said the 50 percent top tax rate, which was introduced by the previous Labour administration to help cut the budget deficit, is hurting economic growth by discouraging entrepreneurs. The rate applies to annual incomes of more than 150,000 pounds. Cameron’s spokesman, Steve Field, said the Treasury’s Revenue and Customs department needs to conclude a study of how much the 50 percent levy raises before any steps can be taken. The coalition government is also committed to increasing tax thresholds to help lower earners first, he said. “It means what it says,” Field told reporters in London yesterday, referring to the June 2010 coalition agreement to prioritize increasing the amount each worker can earn to 10,000 pounds a year before having to pay tax. On the top rate, “what HMRC will do is analyze self-assessment returns.” That work won’t begin until the end of January, the deadline for filing returns on earnings for the 2010-11 fiscal year that ended in March, the first since the top tax band was introduced. Chancellor of the Exchequer George Osborne said in March he wants to know whether it’s worth retaining the tax.

Sept. 8th - U.K. Should Lose Top AAA Rating as Growth Ebbs, Danske Bank Says (Bloomberg) - The U.K. should lose its top AAA credit rating and be cut by four notches to A+, the same as Standard & Poor’s rates Italy and Slovakia, as the economy slows and government debt levels rise more than expected, according to Danske Bank A/S. “A downgrade of the U.K. could in our view happen in 2012 and we believe it can remain a market theme into 2013,” Danske Bank analysts John Hydeskov and Hugo Railing said in a report dated yesterday. “It would of course create a lot of public furor and cause U.K. politicians to criticize rating agencies, but it would not lead to a huge gilt sell-off and we believe there would still be plenty of demand for British debt.” S&P, Moody’s Investors Service and Fitch Ratings have all assigned the U.K. the top grade with stable outlooks, indicating a change soon isn’t likely. The Office for Budget Responsibility, which oversees U.K. Treasury forecasts, sees government debt as a percentage of gross domestic product peaking at 71 percent in the fiscal year 2013-2014, before easing in the coming years. “We disagree with the OBR’s underlying assumptions about the debt-burden projection,” Hydeskov and Railing wrote in the e-mailed report. “Real growth could in our view be substantially lower” and “the U.K. debt burden will rise in the years to come because of the still-sizable public deficit.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
09/15	BoE/GfK Inflation Next 12 Months	AUG	-	3.9%
09/15	Retail Sales (M/M)	AUG	-0.2%	+0.2%
09/18	Rightmove House Price (M/M)	SEP	-	-2.1%
09/21	BoE Minutes	-	-	-
09/21	Budget	AUG	-	-2.0bln

Valance Economic Report: Canada

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September 14, 2011

The Canadian employment surprised to the downside in August. This is the first decline since March 2011 while the Unemployment Rate ticked up to 7.3%. Housing Starts slowed more than expected in August, while labor productivity fell at the fastest pace in five years in Q2.

Weekly Highlights

Employment – fell 5.5k jobs in August. (CA 1)

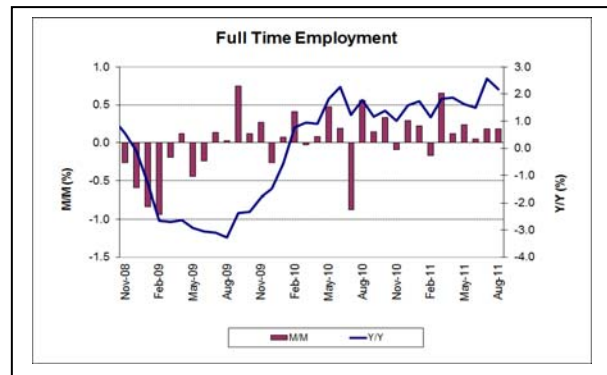
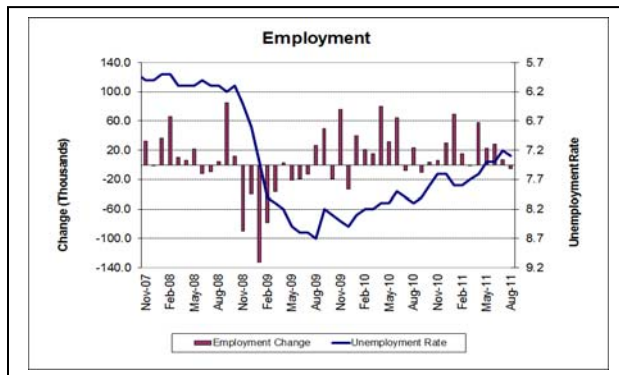
Labor Productivity – fell 0.9% Q/Q in Q2. (CA 3)

Housing Starts – fell from 204.5k in July to 184.7k in August. (CA 4)

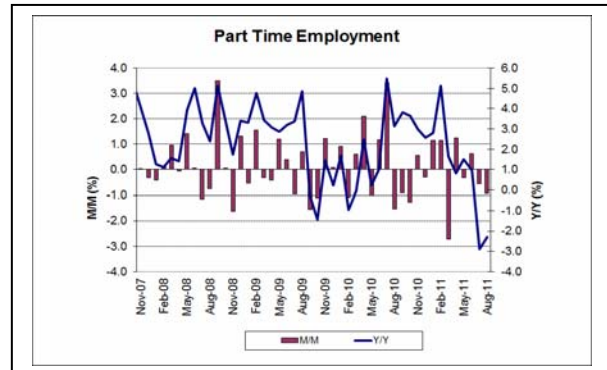
Trade Deficit – narrowed to C\$ 0.75bln in July. (CA 4)

Weekly Releases & News

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



The Canadian economy lost 5.5k jobs in August, following a 7.1k job gain in July. The Unemployment Rate increased from 7.2% to 7.3%; 7.2% was expected. Work fell by 40.1k in goods-producing industries, but rose by 34.6k in services. Private employment fell by 20.6k, while government jobs rose by 22k. Health-care and social assistance jobs rose by 50.1k in August.

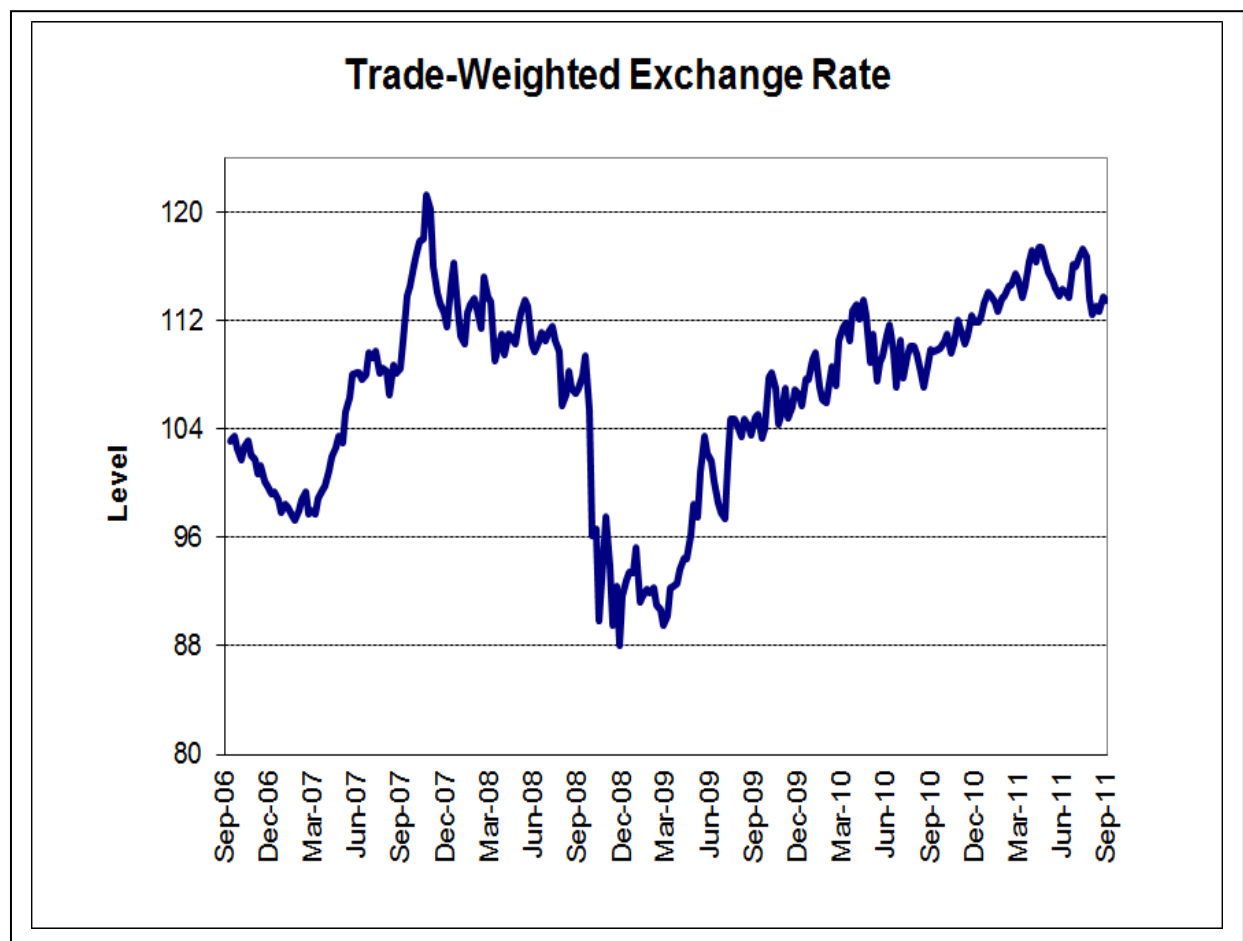


Financial Balances & Trade Weighted Exchange Rate

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	-0.75 (Jul)	-1.6%
Current Account Balance	-15.3 (Q2)	-7.3%
Private Balance	--	-5.0%

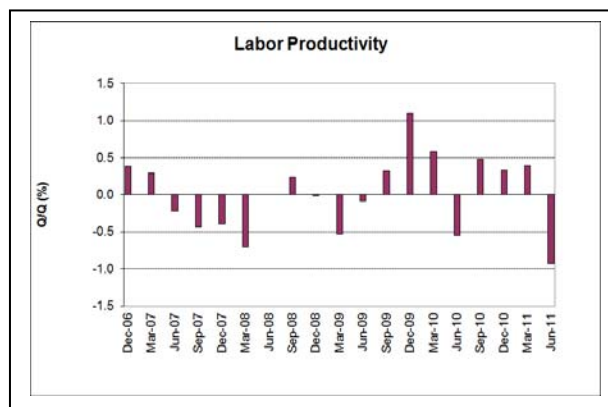
Trade-Weighted Exchange Rate



Labor Productivity, Cap. Utilization & New House Prices

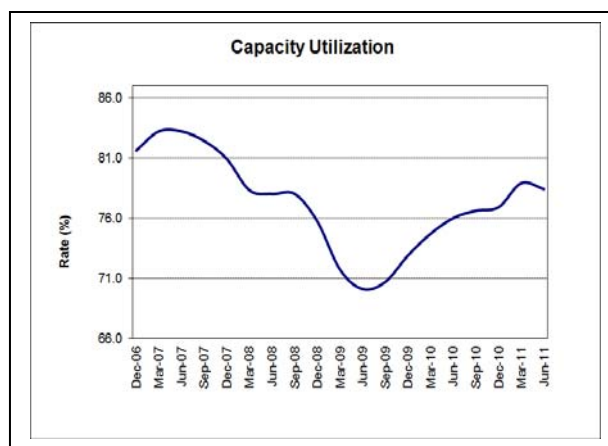
Labor Productivity

Labor Productivity fell 0.9% Q/Q (-0.7% exp.) in Q2, following a 0.4% Q/Q gain in Q3 and rose 0.3% Y/Y. This is the fastest pace of decline in five years. Unit labor costs increased 0.9% Q/Q, while Hours Worked increased 0.6% Q/Q. Hourly Compensation was flat Q/Q.



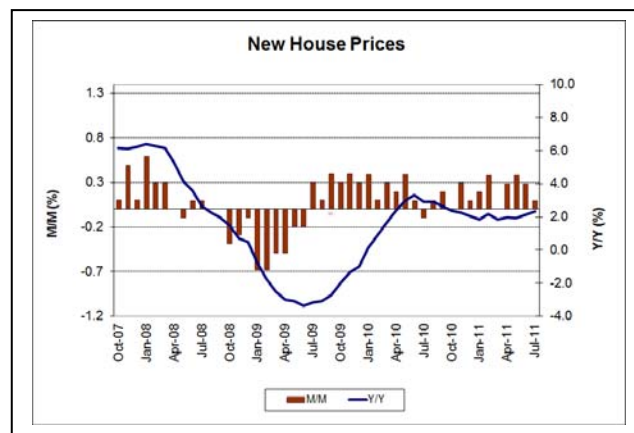
Capacity Utilization

Total Industry Capacity Utilization fell from 78.9% in Q1 to 78.4% in Q2. The record low of 68.1% was set in Q2 2009. The oil and gas extraction sector decreased its capacity use from 85.3% to 83.1%. Manufacturing capacity use fell from 79.6% to 78.8%. The market expected overall Cap. Util. of 78.0%.



New House Prices

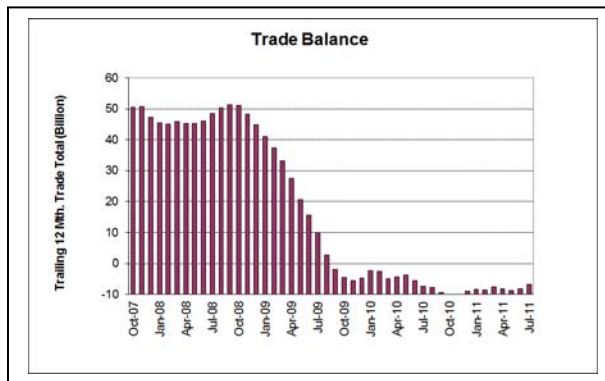
The New House Price Index increased 0.1% M/M in July, following a 0.3% M/M increase in June. Y/Y, prices rose 2.3%, after gaining 2.1% in June.



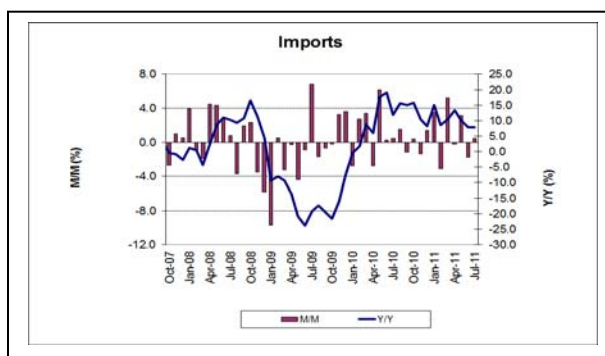
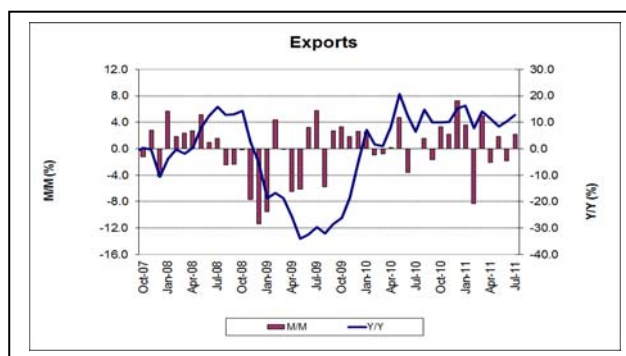
Trade Balance, Housing Starts & Building Permits

Trade Balance

Canada's Trade Deficit narrowed from a revised C\$ 1.37bln in June (previously C\$1.56bln) to C\$ 0.75bln in July. The trade surplus with the U.S. narrowed from C\$ 3.54 bln in June to C\$3.37 bln in July.

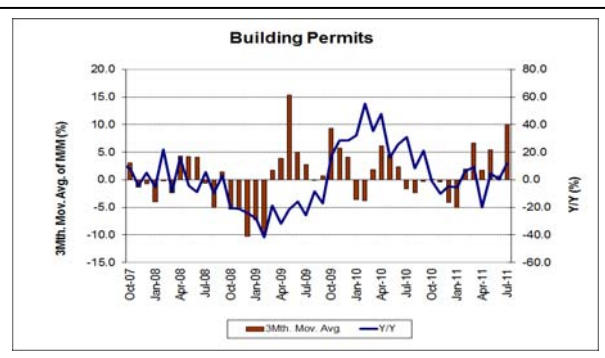


Exports & Imports



Exports rose 2.2% M/M, led by Machinery (+5.5% M/M). Y/Y growth increased 12.8%. Exports rose 2.1% M/M to the US, 7.0% M/M to EU, and 22.7% M/M to Japan. Imports were up 0.5% M/M, led by a 6.1% M/M jump in energy. Y/Y import growth increased 7.9%.

Housing Starts & Building Permits



Housing Starts fell from 204.5k in July to 184.7k in August. Expectations were for 200.0k.

Building Permits increased 6.3% M/M in July after rising 2.8% M/M in June. Expectations were for a 1.5% M/M drop. Y/Y growth was up 11.6%. Residential Permits increased 14.6% M/M and Non-residential permits were down 4.2% M/M.

News & Upcoming Dates***News***

Sept. 9th - Flaherty Says Currency Intervention Impact Usually Short-Lived (Bloomberg) - Canadian Finance Minister Jim Flaherty said that while the government and the Bank of Canada have a mechanism to intervene in currency markets, the impact of those transactions is short-lived and could impede trade. “We do have a mechanism to intervene,” Flaherty said in an interview with Bloomberg TV in Marseille, France, where he is attending a meeting of Group of Seven officials. “But we know that currency interventions tend to be short-lived in their effectiveness. We believe in free trading currencies.” Flaherty said yesterday he was concerned about the Swiss central bank’s decision to move “unilaterally” to stem gains in its currency.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
09/20	Wholesale Sales (M/M)	JUL	--	+0.2%
09/20	Leading Indicators (M/M)	AUG	--	+0.2%
09/15	Mfg Sales (M/M)	JUL	+1.2%	-1.5%
09/21	CPI (M/M)	AUG	--	+0.2%

Valance Co., Inc.

Valance Economic Report: Australia

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September 14, 2011

Australian businesses unexpectedly lost jobs for a second month in August, while the NAB Business Confidence plunged to the lowest level since April 2009. Conversely, the Westpac Consumer Confidence surprised with a strong result in September.

Weekly Highlights

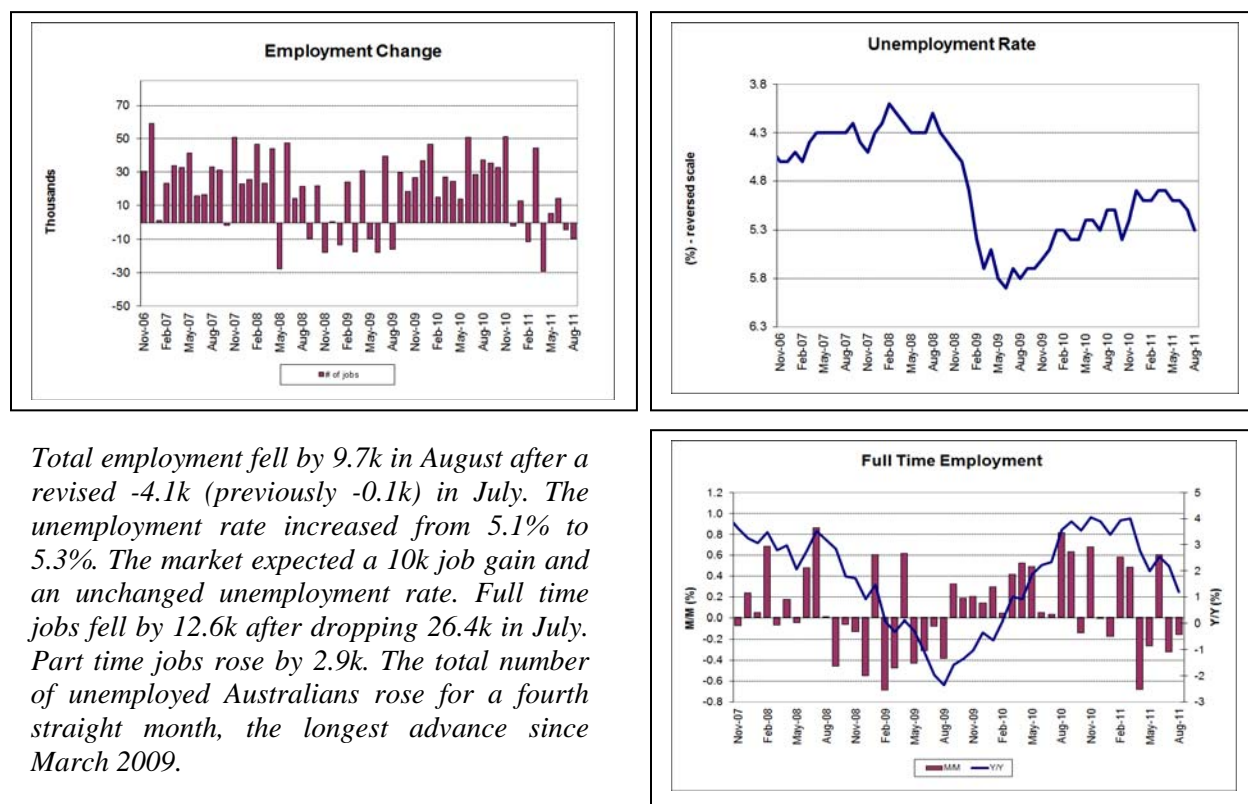
Unemployment Rate – rose from 5.1% to 5.3% in August. (AU 1)

Westpac Consumer Confidence Index – increased 7.3pts to 96.9 in September. (AU 3)

NBA Business Confidence – fell from +2 to -8 in August. (AU 3)

Weekly Releases & News

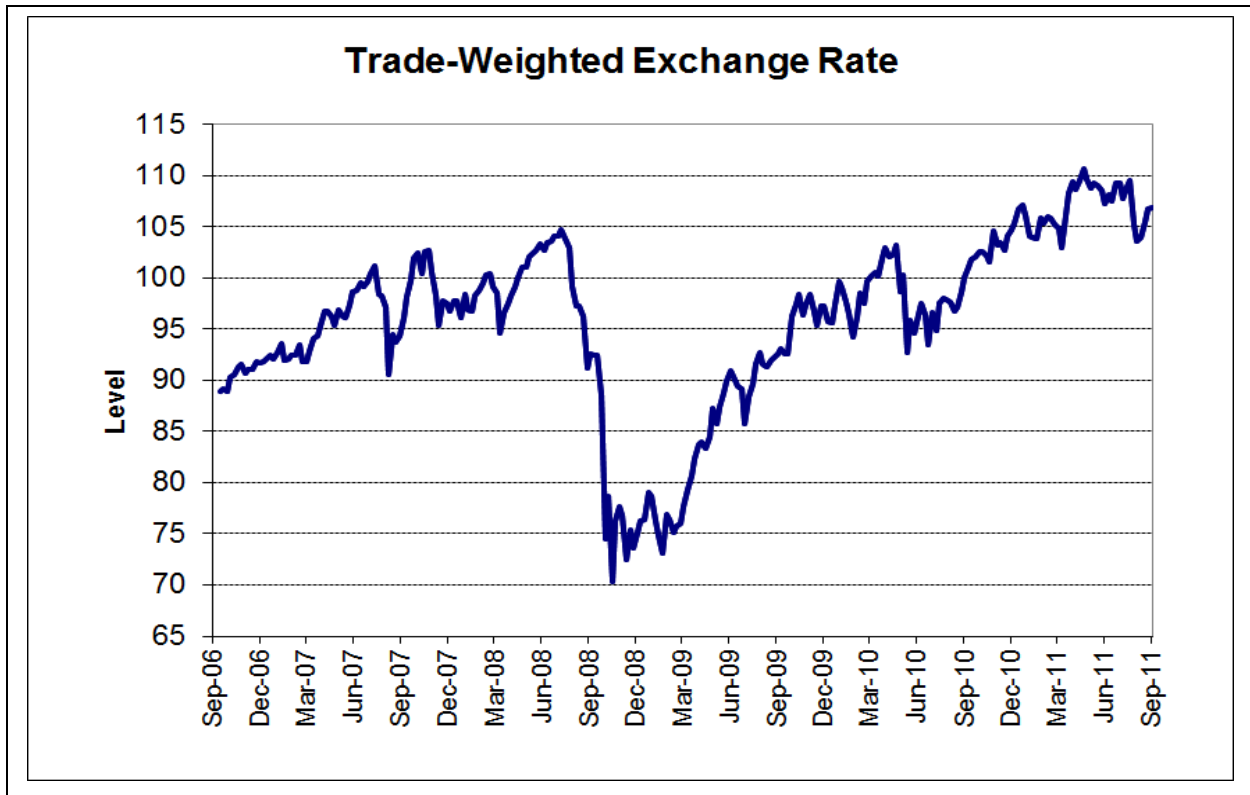
Chart of the Week: *Employment Data*



Total employment fell by 9.7k in August after a revised -4.1k (previously -0.1k) in July. The unemployment rate increased from 5.1% to 5.3%. The market expected a 10k job gain and an unchanged unemployment rate. Full time jobs fell by 12.6k after dropping 26.4k in July. Part time jobs rose by 2.9k. The total number of unemployed Australians rose for a fourth straight month, the longest advance since March 2009.

FX

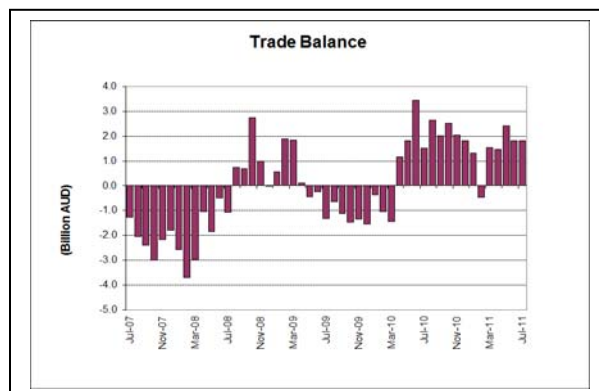
Trade-Weighted Exchange Rate



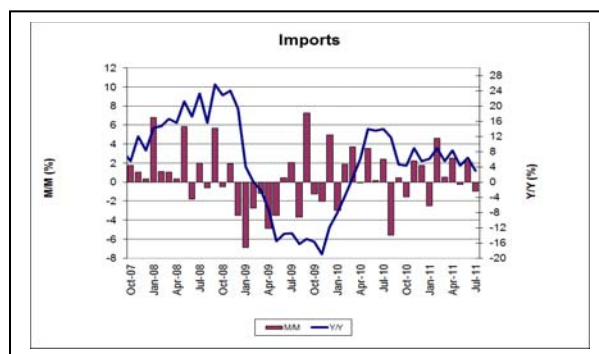
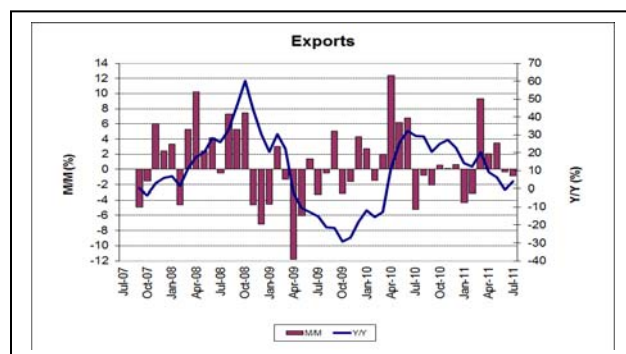
Trade Balance & Data

Trade Balance

The Trade Surplus widened slightly from A\$1.82 bln in June to A\$1.83 bln in July.



Exports & Imports



Total Exports fell 0.9% M/M and rose 4.0% Y/Y in July, while total Imports also fell 0.9% M/M and rose 2.9% Y/Y. An increase in metal exports helped to offset a decline in coal shipments.

Data

Westpac/MI Consumer Confidence - The Consumer Sentiment Index rose by 8.1% M/M in September. The Confidence Index is now at 96.9; this compares to the reading of 113.2 from a year ago. This ended a 4-month decline. The measure of the state of economy in 12-months' time surged 16.6% M/M. A reading above 100 indicates optimists outnumbered pessimists.

NAB Business Confidence Survey - The Australian Business Confidence Index fell from +2 points in July to -8 points in August. The last time the index was negative was in May 2009. The lowest level on record (-32) was reached in January 2009. The Business Conditions Index fell 2pts to -3.

Q2 Dwelling Starts - Total dwelling unit starts dropped 4.7% Q/Q and 18.6% Y/Y. This is the largest quarterly drop since Q3 2010. Expectations were for a 2.0% Q/Q increase. All main categories recorded a quarterly decline with new private sector houses falling 2.1% Q/Q.

News & Upcoming Dates

September 12th - Australian Properties for Sale Dropped 3.8% From Previous Month (Bloomberg)

- Australian properties listed for sale fell 3.8% in August from the previous month, according to data from SQM Research Pty. Homes listed for sale fell to 362,793 in August from 377,315 in July, the Sydney-based research group said in an e- mailed statement. Listings jumped 23.6% in August from a year ago. The decline from July “could be a seasonal effect and it also could be vendors withdrawing their properties on the hope of re-listing during better market conditions,” SQM Managing Director Louis Christopher said in the statement. “Our base case here is that listings will rise during the spring selling season.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
09/14	New Car Sales (M/M)	AUG	--	+8.6%
09/19	RBA Minutes	SEP	--	--
09/20	Westpac Leading Index (M/M)	JUL	-	+0.1%
09/20	Consumer Inflation Expectations	SEP	-	+2.7%

Valance Co., Inc.

Valance Economic Report: New Zealand

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September 14, 2011

Q2 Manufacturing Sales Volumes surprised to the downside, following two quarters of strong gains, but sales values increased. **QV Home Price's** annual measure increased for the first time in nine months in August, while **REINZ Housing sales** nearly reversed their monthly decline from July. The NZ Government signaled that NZ growth may be slower than forecast in May's budget.

Weekly Highlights

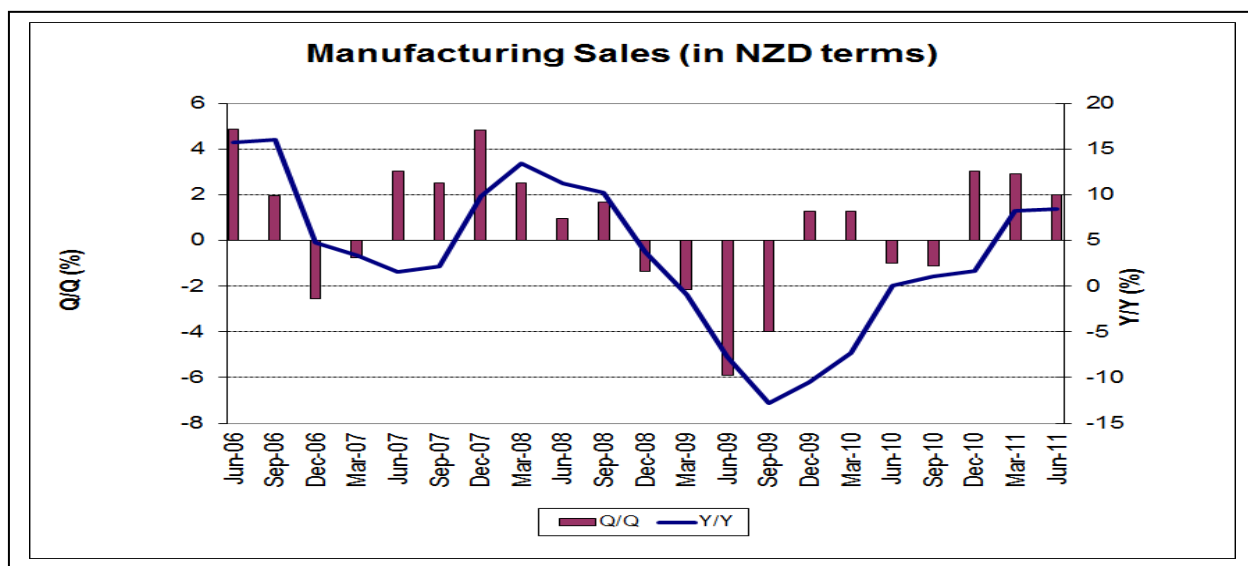
Q2 Manufacturing Sales Volumes – dropped 0.7% Q/Q in Q2 (NZ 1)

REINZ House Sales – rose 5.4% M/M in August. (NZ 2)

QV Home Sales – increased 0.1% Y/Y in August. (NZ 3)

Weekly Releases & News

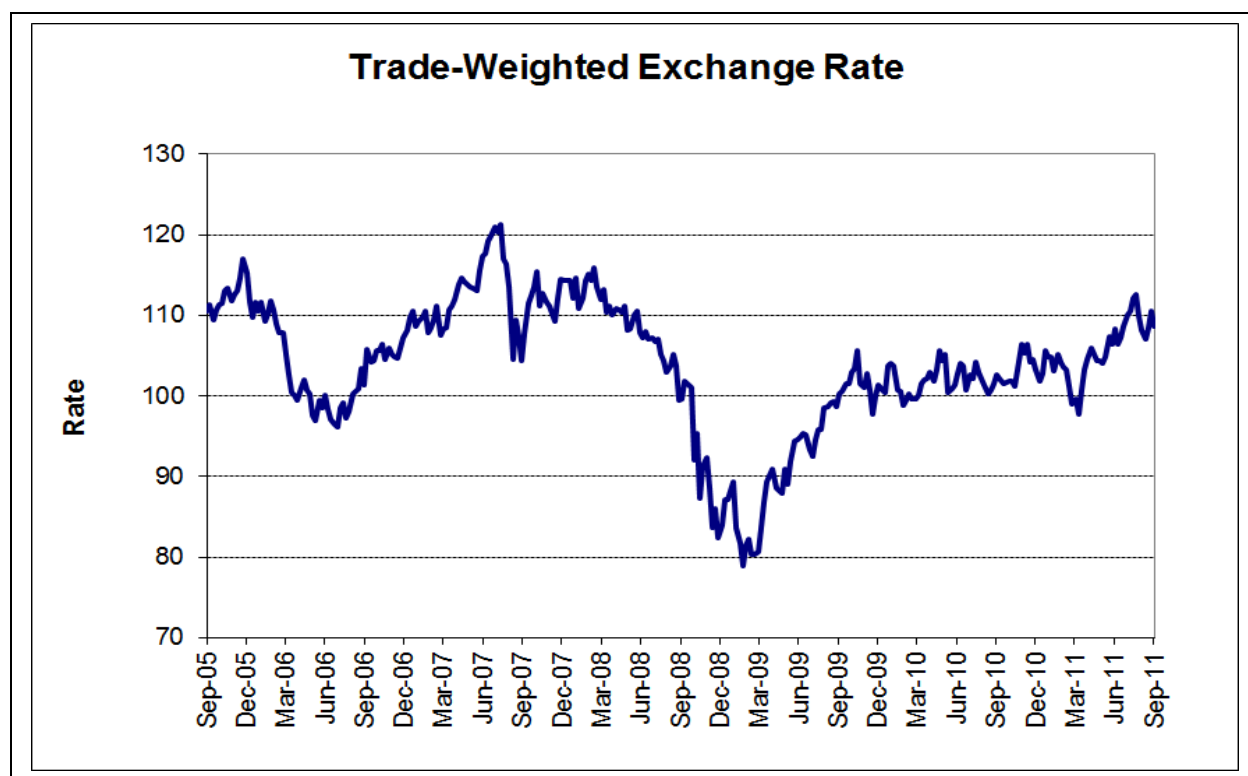
Charts of the Week: *Mfg. Sales*



Manufacturing Sales (value in NZD) rose 2.1% Q/Q and 8.2% Y/Y in Q2. Sales, ex-Meat & Dairy, also rose 2.1% Q/Q and 7.4% Y/Y. Meat & Dairy sales rose 4.9% Q/Q and rose 10.6% Y/Y. Sales volumes fell 0.7% Q/Q, compared to the downwardly adjusted 1.4% Q/Q (previously +1.9%) gain in Q1.

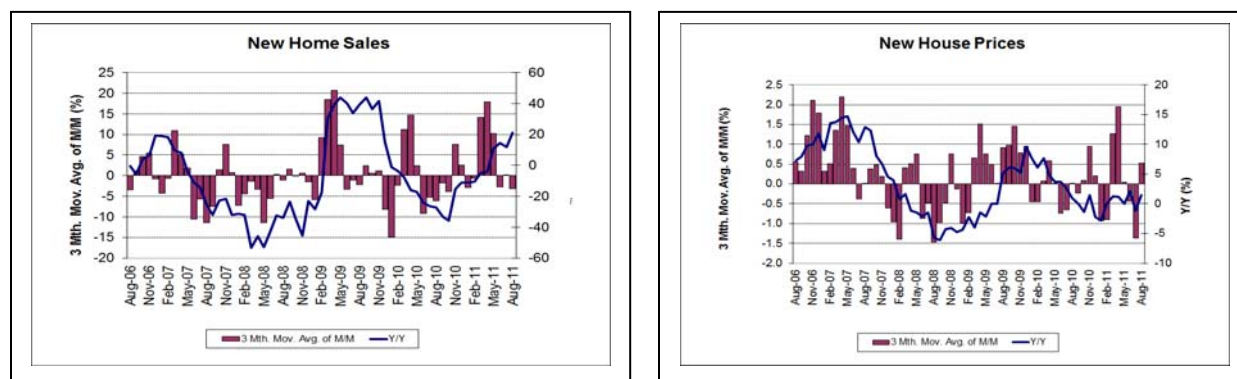
This document is for information purposes only and should not be regarded as an offer to sell or as a solicitation of an offer to buy the products mentioned in it. No representation is made that any returns will be achieved. Past performance is not necessarily indicative of future results; any information derived herein is not intended to predict future results. This information has been obtained from various sources, including where applicable, entered by the user; we do not represent it as complete or accurate. Users of these calculators are hereby advised that Valance Co., Inc. takes no responsibility for improper, inaccurate or other erroneous assumptions to the extent such data is entered by the user hereof. Opinions expressed herein are subject to change without notice. The securities mentioned in this document may not be eligible for sale in some states or countries, nor suitable for all types of investors.

FX & REINZ Housing Survey



The NZD has gained 10% in the past six months versus the USD, the most among its 16 major counterparts.

REINZ House Sales/Prices



According to the Real Estate Institute of New Zealand Inc., House Sales were up 5.4% M/M and 21.1 % Y/Y in August. Median House Prices rose 2.9% M/M and 1.4%Y/Y. It took 39 days to sell a house, compared to 42 days in July.

Data & News

QV Home Prices - According to Quotable Value New Zealand Ltd., the government's valuation agency, the National House Price Index (NZD) fell 1.8% M/M in August, after rising 0.4% M/M in July, and edged up 0.1% Y/Y, following eight months of annual declines.

Credit Card Spending - According to the RBNZ, total credit card spending fell 0.5 % M/M in August after increasing 0.2% M/M in July. Retail Spending fell 0.7% M/M after gaining 0.3% M/M previously.

Food Prices - According to Statistics New Zealand, June food prices fell 1.3 % M/M and rose 6.6% Y/Y in August. The largest fall was recorded in Fruits & Vegetables (5.9% M/M); the only non-negative category was Restaurants & Take-out Meals with a flat M/M result.

Sep. 12th - New Zealand Job Advertising Fell 1.9% in August, Seek Says (Bloomberg) - New Zealand employers placed fewer job advertisements in August, while applications increased, according to Seek New Zealand, which operates the nation's largest employment website. The Seek employment index, which measures the ratio of new job vacancies on the seek.co.nz website to applications submitted for those jobs, fell 3% from July, the Auckland-based company said in an e-mailed statement. The number of advertised vacancies fell 1.9% from July, and rose 15% from August last year.

Sep. 13th - N.Z. 2012 Growth May Be Slower Than Forecast (Bloomberg) - New Zealand's economic recovery may be slower next year than government forecasts as a high currency and weaker growth in the U.S. and Europe curb exports, Finance Minister Bill English said. "When our growth is export driven and the exchange rate is elevated, it's going to have an effect," English said. For households, "there's a bit of a relief factor there with interest rates looking like they're going to be lower for longer," English said. In May's budget, the government forecast the economy will grow 1.8% in the year ending March 31, 2012, and 4% a year later. "The data we've seen tells us things have been a bit stronger this year than was anticipated in the budget," English said. "You can see perhaps lower growth further out." New Zealand officials are monitoring the risk of market disruptions in Europe "which would change the mindset of people who lend to our banks and the government," English said. Still, "we're a reasonably strong sovereign and our banks are in good shape. Even if things get negative in Europe we should be able to continue to refinance." The turmoil abroad is also a "headwind" for New Zealand businesses that, while optimistic about the outlook for sales, are still unsure about hiring or new capital investments, he said.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
09/14	RBNZ Cash Rate	SEP 15	2.50%	2.50%
09/14	Business PMI	AUG	-	53.2
09/15	ANZ Consumer Confidence Index	SEP	-	113.3
09/18	Westpac Consumer Confidence	Q3	-	112.0
09/18	Services	AUG	-	54.5
09/20	Current Account Balance	Q2	-	-0.097bln
09/20	Net Migration	AUG	-	-220.0
09/20	Credit Card Spending (M/M)	AUG	-	+1.0%

Weekly Economic Report: **China**

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September 14, 2011

In August, Consumer Prices remained above the government's 4% target. Industrial Production and Retail Sales both grew in line with expectations as well

Weekly Highlights

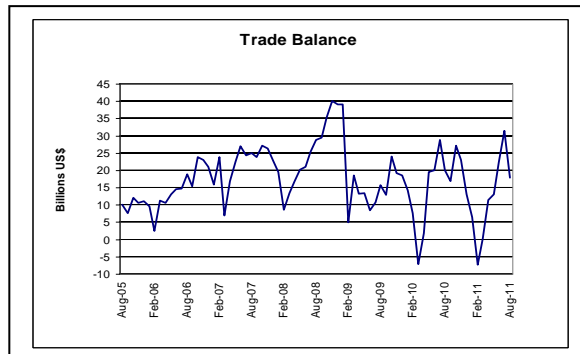
CPI – rose 6.2% Y/Y in August. (CH 2)

Retail Sales – fell from 17.2% Y/Y in July to 17.0% Y/Y in August. (CH 2)

Industrial Production – fell from 14.0% Y/Y in July to 13.5% Y/Y in August. (CH 3)

Weekly Releases & News

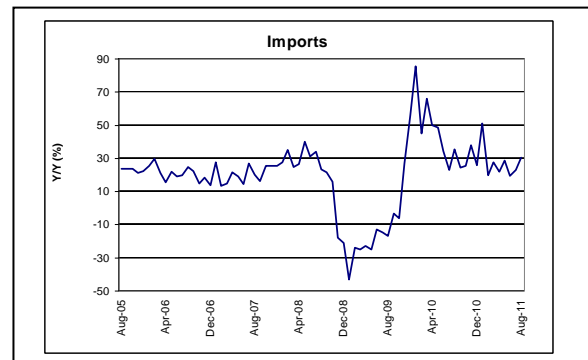
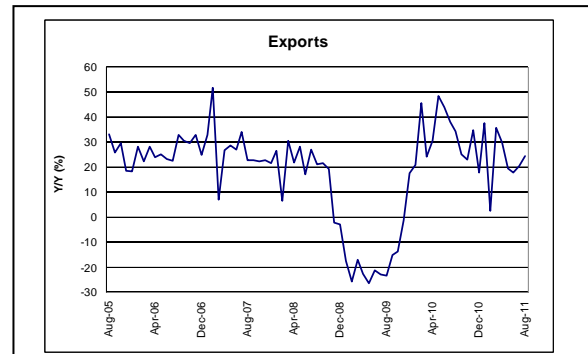
Chart(s) of the Week: *Trade Balance*



China's Trade Balance narrowed from a surplus of \$31.48 bln in July to a surplus of \$17.76 bln in August. The surplus was expected to reach \$24.60 bln.

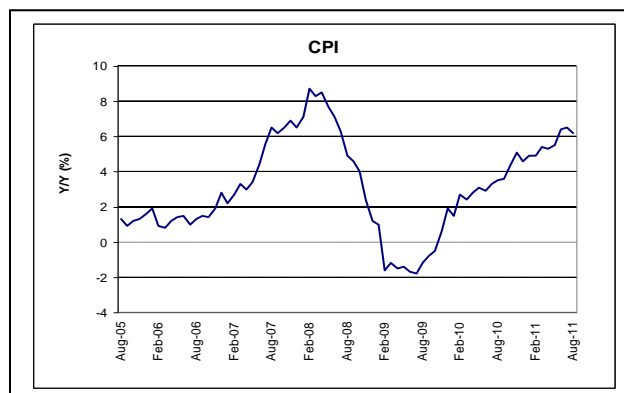
Export growth rose from 20.4% Y/Y in July to 24.5% Y/Y in August – above expectations for a 21.9% Y/Y gain.

Import growth jumped from 22.9% Y/Y in July to a record 30.2% Y/Y in August - above expectations of a 21.0% Y/Y gain.



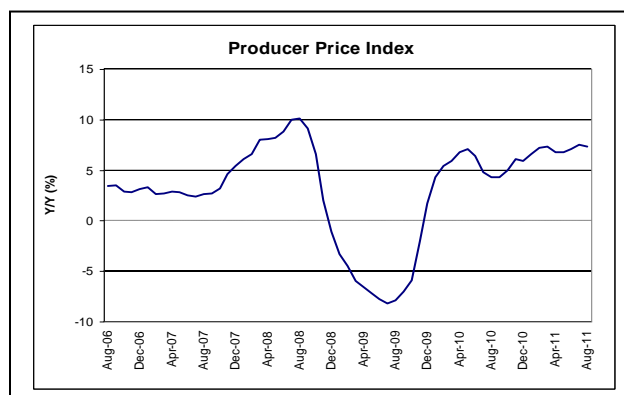
CPI

As expected, the Consumer Price Index rose 6.2% in August, down from 6.5% Y/Y growth posted the previous month.



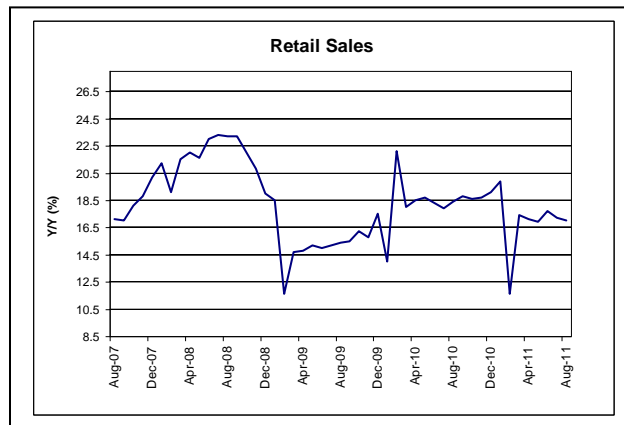
PPI

The Producer Price Index rose 7.3% Y/Y in August, compared with the 7.5% Y/Y gain reached the previous month, and higher than the 7.2% growth expected. Notably, prices of Production Materials rose 8.0% Y/Y, prices of Mining Sector products jumped 18.8% Y/Y, Raw Materials products prices climbed 11.6% Y/Y, and prices of products in the Processing industry edged up 5.4% Y/Y.



Retail Sales

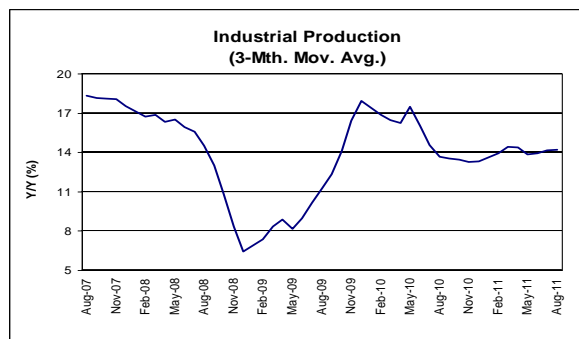
As expected, Retail Sales climbed 17.0% Y/Y in August, slower than the 17.2% gain posted in July.



Industrial Production & Money Supply

Industrial Production

Industrial Output growth slowed from +14.0% in July to +13.5% Y/Y in August, below expectations of +13.7% Y/Y.

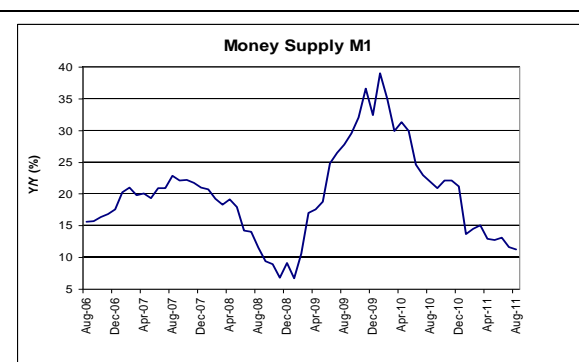
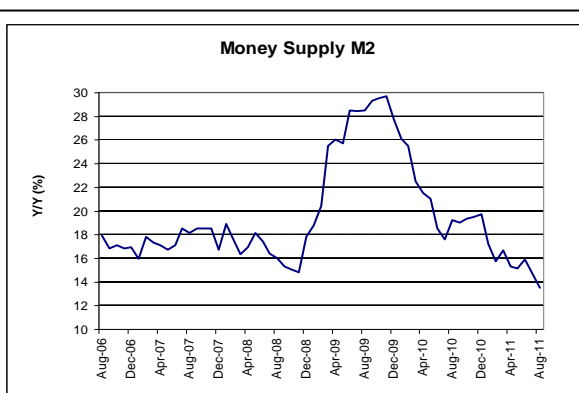


Money Supply

M2, the broadest measure of money supply, slowed from 14.7% Y/Y in growth July to 13.5% Y/Y in August (its slowest pace since January 2005); below expectations of 14.2%.

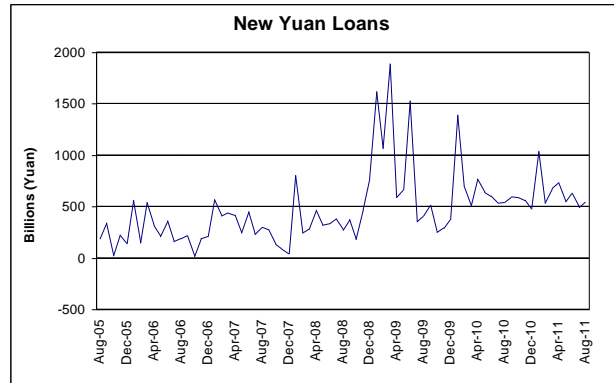
M1 Money Supply growth slowed from 11.6% Y/Y in July to 11.2% Y/Y in August. It was expected to reach 12.0% Y/Y.

M0 Money Supply growth rose from 14.3% Y/Y in July to 14.7% Y/Y in August.



New Yuan Loans

New Yuan Loans rose from \$492.6 bln in July to \$548.5 bln in August; above expectations of \$500.0 bln.



News

September 14th (Bloomberg) - World Must Get 'Houses in Order,' Not Rely on China - Chinese Premier Wen Jiabao, made the following comments at the World Economic Forum in Dalian:

Countries must first put their own houses in order. Developed countries must take responsible fiscal and monetary policies. What is most important now is to prevent the further spread of the sovereign debt crisis in Europe.

We have on many occasions expressed our readiness to extend a helping hand, and our readiness to increase our investment in Europe...they should recognize China's full market economy status. To show one's sincerity on this issue a few years ahead of that time is the way a friend treats another friend.

September 14th (Bloomberg) - China Must Avoid Lending to 'Troubled' Nations - Yu Yongding, Former PBoC Adviser remarked in an email:

China has to wait until it can see a clearer road map by euro countries for solving sovereign-debt problems. The nation is not a lender of last resort for troubled countries.

September 14th (WSJ) - S&P Identifies Drags On China Productivity - Standard & Poor's Ratings Services said in a report:

China's economic growth over the next five to 10 years could slip from the levels to which it has become accustomed.

Senior economic planners in China are aware of most, if not all, of the obstacles to better economic efficiency. However, addressing these issues is likely to mean meeting the resistance of social and political groups.

News (Cont'd).

September 14th (Reuters) - China's Wen vows to fight inflation, confident on growth – China's Premier, Wen Jiabao comments as follows at the World Economic Forum:

We will keep overall price levels basically stable and prevent big swings in economic growth.

China is fully able and we have conditions and confidence in maintaining relatively fast economic growth.

Currently, the global economy is slowly recovering, but instability and uncertainty are growing.

Unemployment rates in the major economies continue to be high, and emerging economies face rising inflationary pressures.

All this shows that the global economic recovery will take a long time and be arduous and complex.

We believe the U.S. will be able to overcome its difficulties and achieve economic recovery.

However, we hope the U.S. will implement sound economic policies and ensure fiscal and financial stability to protect investors' interest and maintain confidence.

September 13th (The Australian) - China unlikely to loosen monetary policy – The PBoC remarked:

There is some control over the causes of rising prices, but they haven't been eliminated.

Inflation remains high and stabilising prices remains the top macro-control policy.

China needs to continue its prudent monetary policy and maintain steady and appropriate credit growth.

September 9th (Bloomberg) - Fixed-Asset Investment – slowed slightly from 25.4% Y/Y in July to 25.0% Y/Y in June. A 25.2% Y/Y gain was expected. Fixed Asset Investment in primary industry rose 23.0% Y/Y, while investment in secondary and tertiary increased 27.0% and 23.6% Y/Y, respectively.

September 9th (Bloomberg) - China Jan-Aug Home Sales Value - rose 24.4% to 2.78 Trillion Yuan. The country's property development investment climbed 33.2% to 3.78 trln yuan.

News (Cont'd).

September 9th (Reuters) - China yuan likely convertible by 2015 – PBoC Advisor, Li Daokui, remarked:

I should say it is quite possible for China to realise yuan convertibility by 2015. I believe there should be big progress.

Negative real interest rates are not good for China's long-term economic development and judging by that, the central bank should raise interest rates.

But...if the United States launches a very loose monetary policy at the end of September, and the European Central Bank follows suit, it will put large pressure on our economy.

September 8th (Reuters) - China monetary tightening should continue – Senior Adviser, Nigel Chalk of the IMF made the following comments in an interview with Reuters:

We still see growth as pretty healthy in China. We think the target they have for monetary growth this year is around 16 percent growth in M2, a pretty good level of monetary growth given the pace of growth in the economy.

The planned tightening that they have during this year looks about right to us.

The pace of reserve accumulation is growing faster. We are seeing trade surplus starting to come back, exports quite strong, so if you really want to have the economic effects from a strong renminbi, you really have to see it appreciating as basket of trading partners, and that has been relatively slow.

I don't think it is going to be a key process in the internationalization of the renminbi. Much more it is going to be driven by trade and development of financial instruments offshore denominated in renminbi.

Financial regulation they have been improving, consistently. The underlying liberalization of the financial system and moving toward a market economy, for example liberalization of interest rates, I wouldn't expect that is something you will see in the next one to two years, but over the course of the five years, I think you'll see it.

It is hard to tell. The problem is the economy is growing at 10 percent in real terms. It is not so much that consumption has to be faster, the problem is it has to be faster than GDP.

Although retail sales consumption through this year has help up pretty well, when we look at the data from last year you still saw consumption declining as a share of output. That is a kind of trajectory that needs to be reversed.

News (Cont'd.) & Upcoming Dates

News (Cont'd.)

September 8th (Reuters) - Fitch warns of downgrades for China, Japan - Andrew Colquhoun, Head of Asia-Pacific Sovereign Ratings at Fitch, told Reuters in an interview:

We expect a material deterioration in bank asset quality. If the problems in the banking system pan out as we expect or are even worse over the next 12 to 24 months, then that would incline us to take the rating downwards.

That by itself is sufficient to exhaust the banks' internal absorption capacity. So any further deterioration in asset quality beyond that... would lead to a requirement for sovereign support, which then affects the sovereign credit profile.

We haven't seen the full cost come through yet.

We think the ratings on current trends are more likely than not to go down. To shore ratings up at their current level we need to see a credible fiscal consolidation plan.

Our confidence that we will see it is not high because of the track record of the politics.

September 8th (Bloomberg) - China Fails to Meet Wen Market-Access Vow – The EU Chamber made the following comments in a report:

Despite these welcome and promising words, they do not reflect daily operations. There remains a prevalence of long-standing market access barriers, laws and regulations that unambiguously discriminate against foreign companies, as well as the biased and subjective implementation of laws and regulations.

Further opening of the market to both domestic private industry and foreign-invested enterprises is necessary to give play to sustainable driving forces.

Key Dates This Week

Date	Indicator	Month	Expectation	Previous
09/20	Conference Board CH July Leading Economic Index			

Valance Economic Report: Sweden

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September 14, 2011

In August, CPI Prices in Sweden remained unchanged as the economy showed signs of cooling and the Unemployment Rate rose to 4.3%. Industrial Output and Orders rebounded in July.

Weekly Highlights

CPI – was flat on the month and rose 3.4% Y/Y in August. (SW 1)

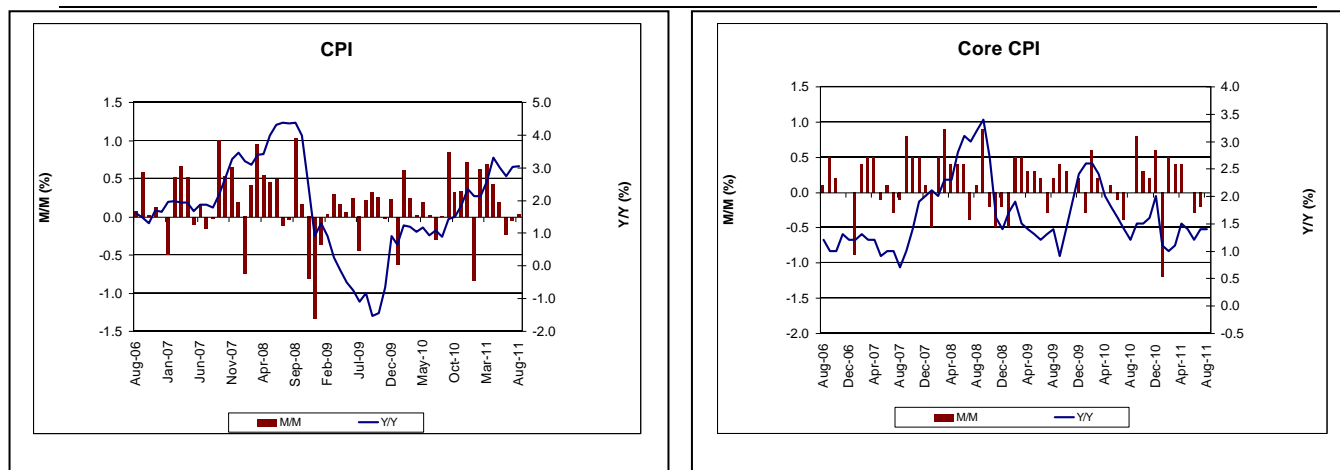
Core CPI – was flat on the month and rose 1.6% Y/Y in August. (SW 1)

Industrial Production – rose 2.8% M/M and 8.2% Y/Y in July. (SW 2)

PES Unemployment Rate – rose to 4.3% in August. (SW 2)

Weekly Releases & News

Chart(s) of the Week: CPI

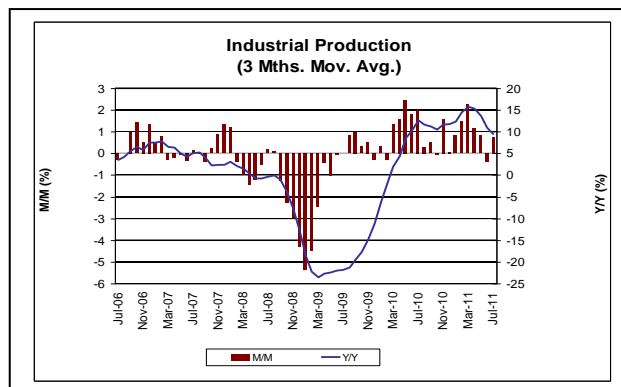


As expected, August Headline Consumer Price growth was unchanged from the previous month. Annually, prices rose 3.4%, compared with 3.3% the previous month. Increases in clothing/footwear (+4.1%) and owner occupied housing (+1.2%) contributed positively, while fuel (-2.4%), international flights (-8.5%), and package holidays (-8.3%) all had a negative effect on the monthly rate. On a core basis, prices were flat on the month, compared with -0.2% M/M the previous month, and rose 1.6% Y/Y, in line with expectations and unchanged from July.

Industrial Production/Orders & Unemployment Rate

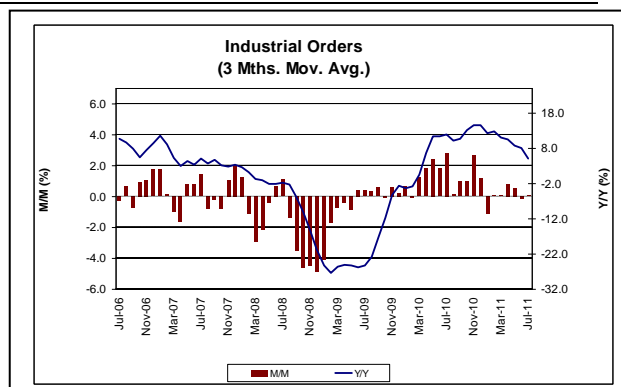
Industrial Production

Industrial Production rose 2.8% M/M and 8.2% Y/Y in July, compared with -2.8% M/M and +7.0% Y/Y the previous month. The motor vehicle industry had the strongest development (+22.3%). Production was expected to post gains of 0.4% M/M and 3.7% Y/Y.



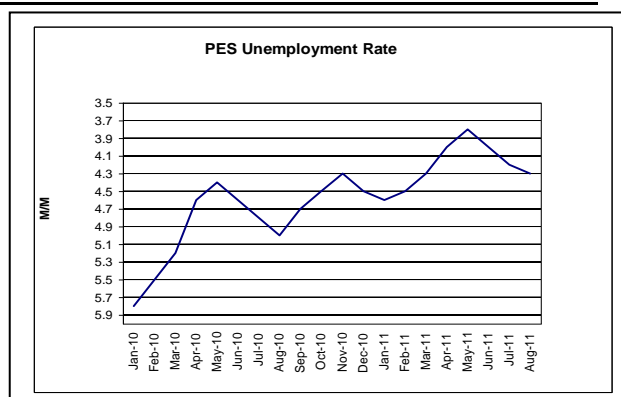
Industrial Orders

July Industrial Orders rose 0.6% M/M and 0.4% Y/Y, compared with -0.9% M/M and 5.9% Y/Y in June. Orders in the pharmaceutical industry had the most positive impact (16.1%); while the transport equipment industry had the most negative development (20.9%). New orders in the domestic market fell by 2.8% M/M; while new orders in the export market rose by 3.0% M/M.



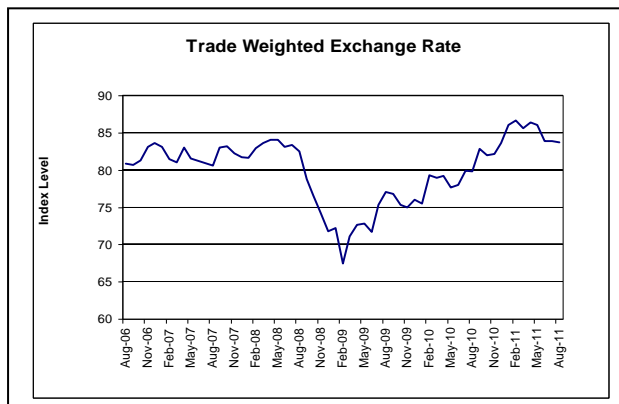
Unemployment Rate

As expected, the PES' non-seasonally adjusted Unemployment Rate rose from 4.2% in July to 4.3% in August.



Trade Weighted Exchange Rate & News

Trade Weighted Exchange Rate



News

September 14th (Bloomberg) - Survey Shows Rate Rising to 2.2% in 12 Months – A TNS Sifo Prospera survey showed the Riksbank will increase its benchmark interest rate 2.2% in 2012 and 2.5% in 2013. The survey also showed Consumer Prices rising to 2.4% in 2012 and 2.3% the following year; and GDP at 2.5% and 2.6%, respectively.

September 9th (Bloomberg) - Obama Jobs Plan Would Worsen Europe Crisis - Swedish Finance Minister Anders Borg made the following comments:

The only effect it has for us is that it directs even more capital to the U.S., which puts further pressure on countries that are in a weaker position in Europe. Should a country in Europe try this kind of policy it would have immediately led to significant difficulties with interest rates and pretty considerable difficulties to finance the banking system.

I don't think this stimulus will have any big effects.

September 7th (Bloomberg) - Sweden May Force Banks to Cut Reliance on Dollar Funding - Swedish Finance Minister Anders Borg made the following comments to reporters:

Developments during the last few days underline the importance that we actually do something about the liquidity situation. There's a far too big reliance on dollars in the Swedish banking system and we must eventually move away from that.

The government needs to decide whether it eventually will have to change laws so that the Riksbank gets more power to regulate how much dollar liquidity the banks are allowed to have.

News (Cont'd.) & Upcoming Dates

News (Cont'd.)

September 7th (Nasdaq) - Happy With Floating Exchange Rate, Krona Level - Riksbank Governor Stefan Ingves said:

We are happy where we are presently. We have had a floating exchange rate for a very long time now and that has served us well.

...economic growth in Sweden will be lower than in the recent period but fairly stable around the growth average.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
09/15	Average House Prices	AUG	--	2.034M
09/15	Unemployment Rate	AUG	6.8%	6.9%
09/20	Riksbank Minutes			
09/20	GDP s.a.	Q2	--	1.0%
09/20	GDP w.d.a.	Q2	--	5.3%

Valance Economic Report: Switzerland

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September 14, 2011

In August, Swiss Producer & Import Prices fell for the fourth consecutive month and the seasonally adjusted Unemployment Rate was unchanged at 3.0%.

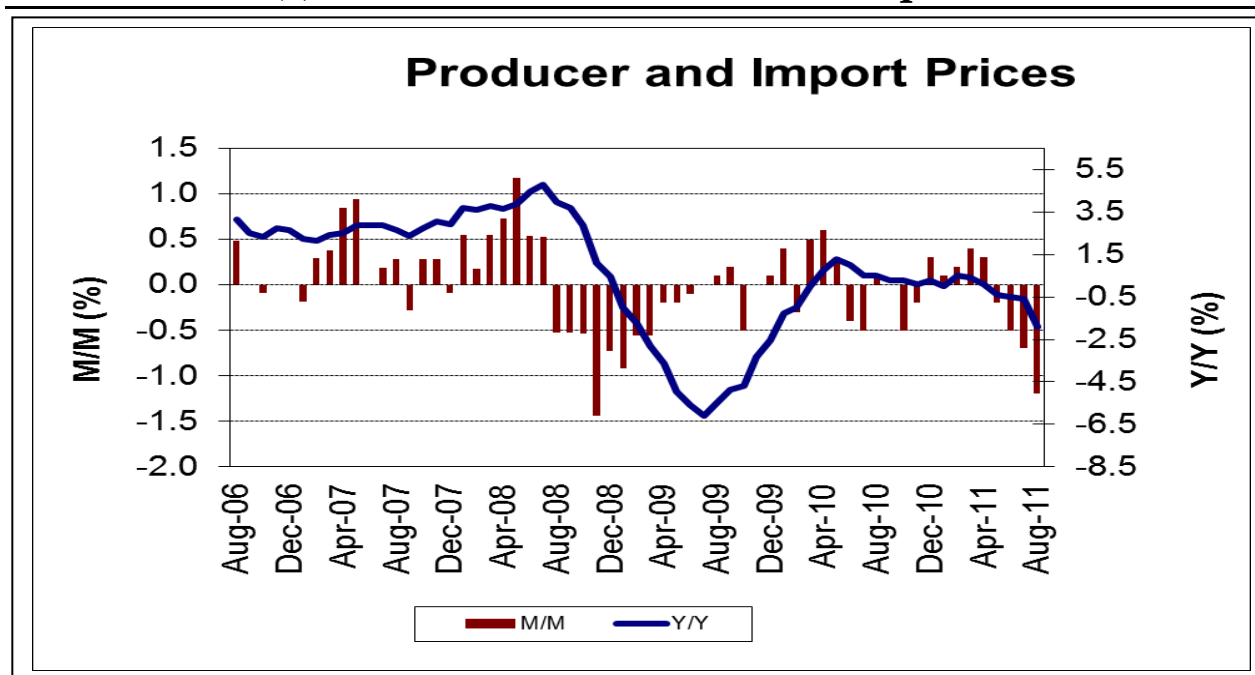
Weekly Highlights

PPI – fell 1.2% M/M and 1.9% Y/Y in August. (SZ 1)

Unemployment Rate (sa) – was unchanged at 3.0% in August. (SZ 2)

Weekly Releases & News

Chart(s) of the Week: *Producer & Import Prices*

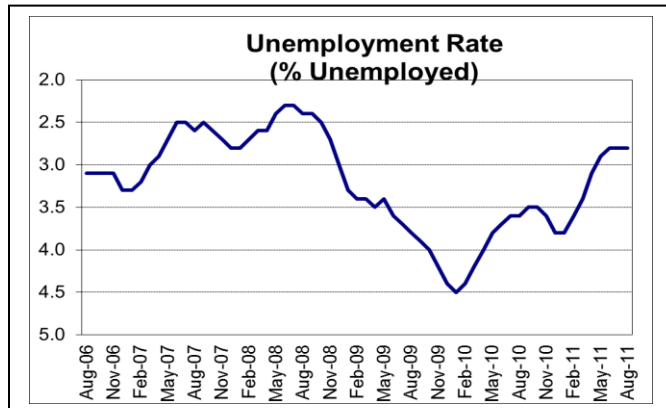


Switzerland's combined Producer & Import Price Index ticked down 1.2% M/M in August, compared with -0.7% M/M the previous month. Annually, the index slipped 1.9, compared with -0.6% the year before. Prices were expected to fall 0.4% M/M and 1.1% Y/Y. Separately, producer prices and import prices dropped 0.8% M/M and 2.0% M/M, respectively.

Unemployment Rate, Trade Weighted Exchange Rate & News

Unemployment Rate

As expected, Switzerland's seasonally adjusted Unemployment Rate was unchanged at 3.0% in August – its lowest level in over two and a half years. Meanwhile, the seasonally unadjusted Unemployment Rate also was unchanged – at 2.8% in August, in line with expectations. On an unadjusted basis, the total number of vacancies was approximately 18.6K – down by 571; and the total number of unemployed was around 110K – about 4K less than the previous month.



Trade Weighted Exchange Rate



News

September 14th (Bloomberg) - It's Up to SNB to Influence the Franc - Swiss Economy Minister Johann Schneider-Ammann said in a parliamentary debate:

Of course, only the SNB has a direct and immediate influence. In the government's view, it has taken the right decision.

September 7th (Bloomberg) - Swiss Economy May Grow Weaker Pace This Year – A KOF Swiss Economic Institute survey projects that the country's GDP will likely rise weaker than previously forecast -- to 1.9% (from 2.2%) this year and 1.3% (from 1.9%) in 2012.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
09/15	IP	Q2	3.0% / 2.75	-9.2% / 5.0%
09/15	SNB 3-Mth Libor Target Rate	SEP 15	0.0%	0.0%
09/20	Trade Balance	AUG	--	2.83B
09/20	Exports / Imports	AUG	--	-3.0% / 0.1%
09/21	M3 Money Supply	AUG	--	5.9%