

Valance Company, Inc.



Weekly

October 26, 2011

III

Highlights

US – Consumer Confidence erosion mirroring Europe's

EU – Business and Consumer Confidence at cycle lows

JN – Exports improve although domestic conditions remain weak

UK – Manufacturers' optimism dropped sharply

CA – BoC cut its 2011/12 growth forecast

AU – Inflation moderated in Q3

NZ – RBNZ may delay hikes

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Valance Co., Inc.

Valance Economic Report: *United States*

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October 26, 2011

Confidence indicators moved in opposite directions this week with the Philly Fed Index soundly beating expectations while Consumer Confidence continued its plummet, reaching levels last seen in 2009. A proposal to revise the HARP refinancing standards was introduced, but is unlikely to have a significant effect on the housing market which remains relatively flat at extremely low levels.

Weekly Highlights

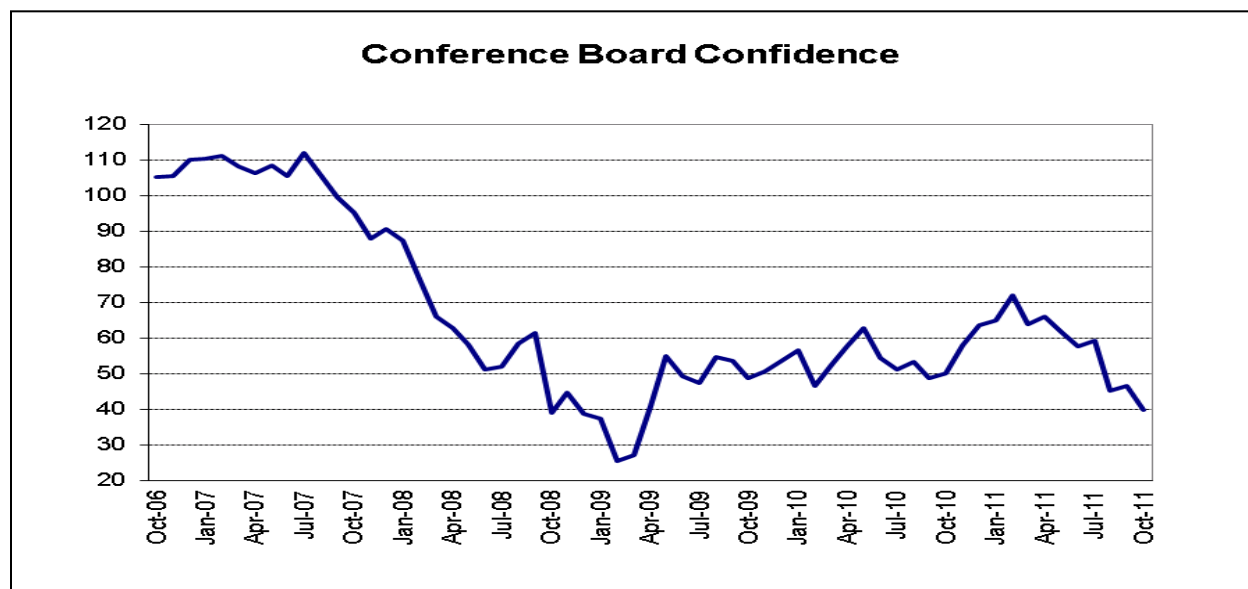
Consumer Confidence – fell from 45.4 to 39.8 in October. (US 1)

Philly Fed Index – increased from -17.5 to 8.7 in October. (US 3)

Durable Goods – decreased 0.8% M/M in September. (US 3)

Weekly Releases

Chart of the Week: *Consumer Confidence*



Consumer Confidence collapsed from 45.4 to 39.8 in October, below market expectations of 46.0 and the lowest reading since March 2009. The present situation component dropped from 33.3 to 26.3 and the future expectations from 55.1 to 48.7. The jobs plentiful, minus jobs hard to get component, rose from -43.8 to -43.7.

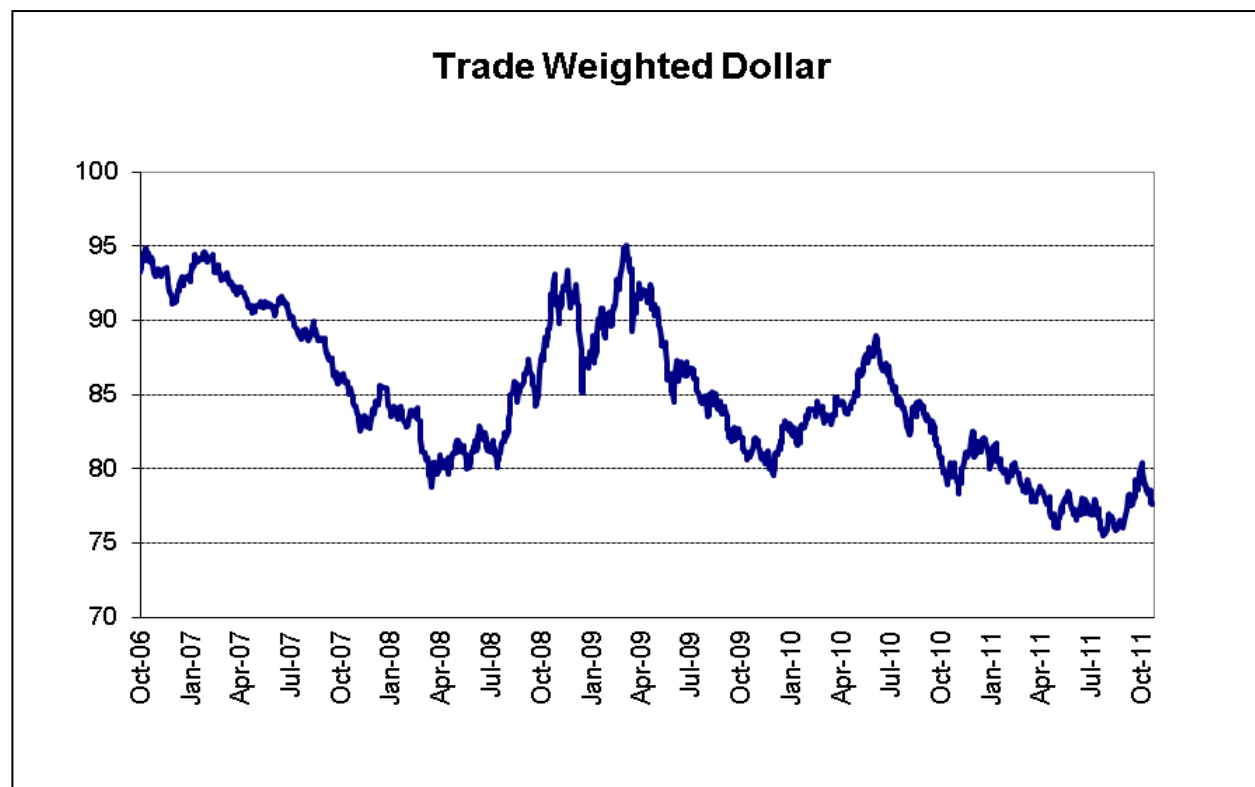
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

<i>U.S.</i>	<i>Latest period (\$blns)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-127.0 (Aug)	-8.4%
Trade Balance	-45.6 (Aug)	-3.6%
Current Account Balance	-118.0B (Q2)	-3.1%
Private Balance	--	5.3%

The budget deficit on a trailing twelve month basis as of August is 8.4% of GDP. The trade deficit as of August is 3.6% of GDP. The budget deficit is quite large but is starting to shrink through a combination of the expiration of stimulus funds and congressional spending cuts. The budget deficit will help build private balances and support a sluggish economic recovery.

Trade Weighted Dollar

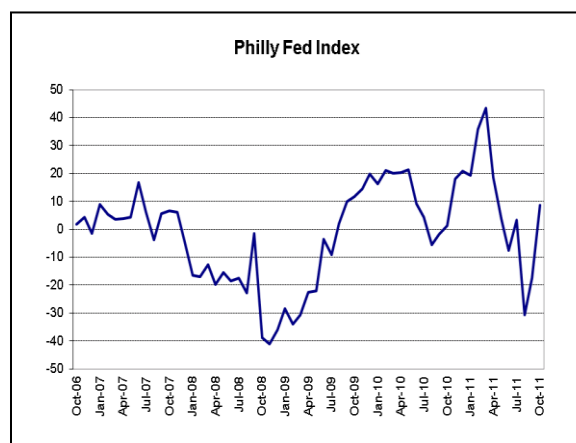


US - 2

Philly Fed, Durable Goods, & Claims

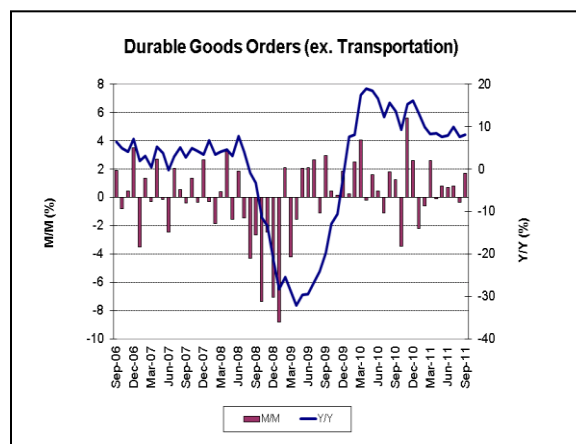
Philly Fed Index

The Philly Fed Index increased dramatically in September, from -17.5 to 8.7. This was far greater than expectations of -9.4. The survey has made a serious comeback the past two months after a collapse since recording a multi-decade high of 43.4 in March. The New Orders component increased from -11.3 to 7.8 and Unfilled orders from -10.4 to 3.4. The Employment component is down from 5.8 to 1.4. Prices paid and received regressed from 23.28 and 0.9 to 20.0 and -2.5, respectively.



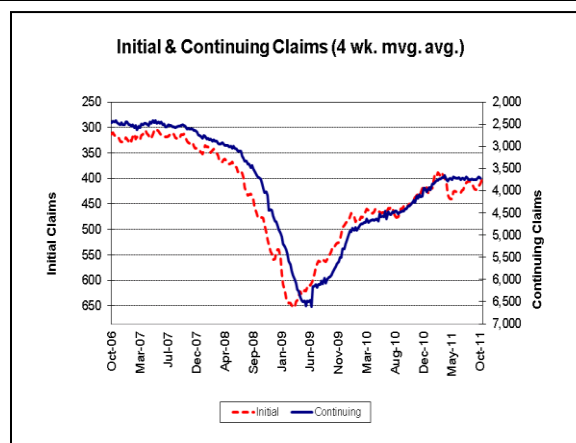
Durable Goods ex Transportation

Headline Durable Goods Orders decreased 0.8% M/M but increased 4.3% Y/Y in September. Core Durable Goods rose 1.7% M/M and 7.3% Y/Y. Non-defense capital goods orders, excluding aircraft, rose 2.4% M/M and 7.9% Y/Y. The three-month annualized core rate is 8.4%.



Initial & Continuing Claims

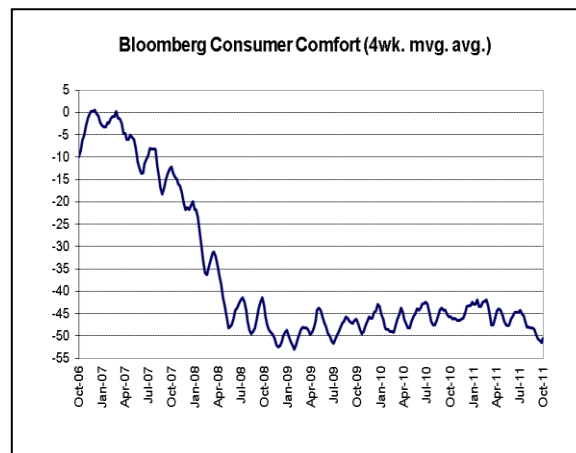
Initial Claims decreased from a revised 409k to 403k, above market expectations of 400k. The four week moving average of Initial Claims decreased to 403k. Continuing Claims rose from a revised 3694k to 3719k.



Consumer Comfort & Home Sales

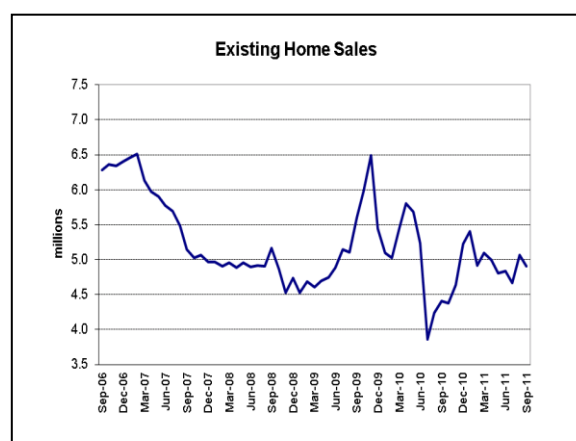
Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index rose from -50.8 to -48.4. The state of the economy component improved from -87.1 to -85.8. The buying climate rose from -53.7 to -51.5. Lastly, the personal finances increased as well, from -11.5 to -7.7.



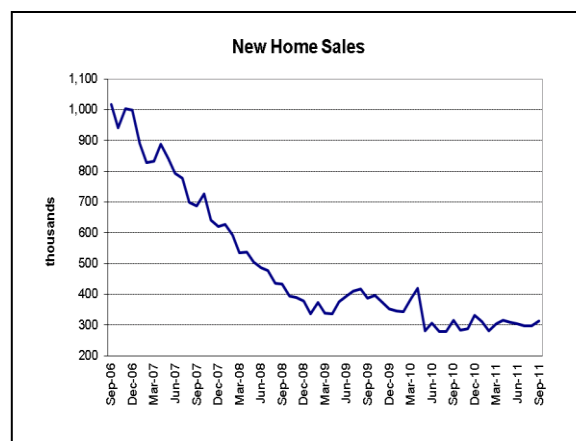
Existing Home Sales

Existing Home Sales fell from a revised 5.06 mln seasonally adjusted annualized units to 4.91 mln in September, down 3.0% M/M. Median prices fell 6k to 165k. Inventory levels increased from 8.4 months to 8.5 months of supply as the selling rate slowed.



New Home Sales

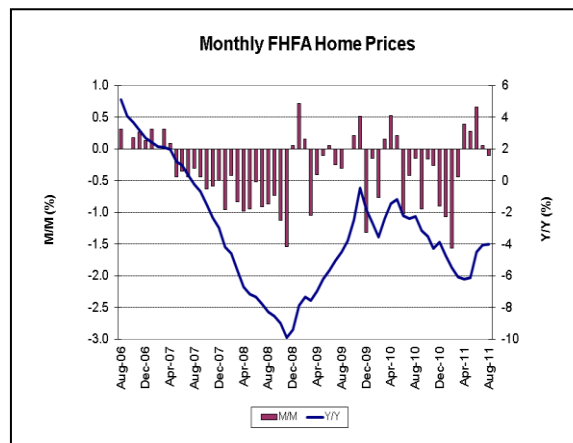
New Home Sales rose from a revised 296k to 313k in September. It was an increase of 5.7% M/M, but down 0.9% Y/Y. Median prices fell 3.1% M/M and 10.4% Y/Y. Inventory levels fell from 6.6 to 6.2 months of supply and actual inventories fell 2k to 163k.



Home Prices & MBA Mortgage Applications

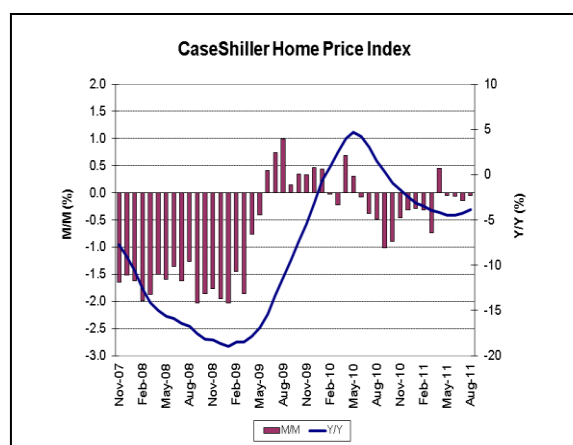
FHFA Home Prices

The monthly OFHEO House Price Index fell 0.1% M/M in August, but is down 4.0% Y/Y. This marks the first monthly decrease in this index since March 2011.



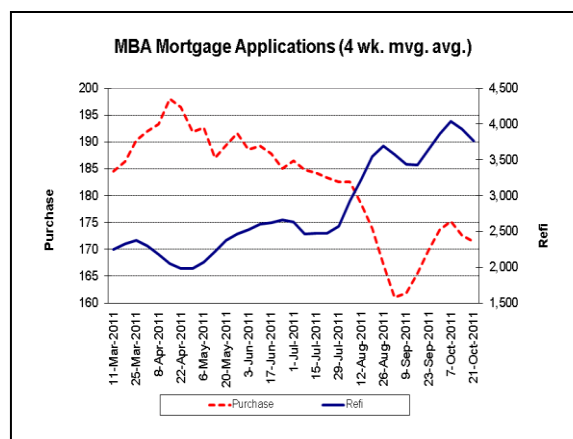
Case-Shiller Home Index

The Case-Shiller Index showed home prices fell 0.05% M/M and 3.8% Y/Y in August. This home price index has declined on a M/M basis for twelve of the past thirteen months.



MBA Mortgage Applications

Purchase Mortgage Applications gained 4.9% W/W, after losing 14.9% W/W last week. Refi applications rose 4.4% W/W this week.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/27	GDP Q/Q (Annualized)	3Q A	2.50%	1.30%
10/27	Personal Consumption	3Q A	1.90%	0.70%
10/27	Initial Jobless Claims	22-Oct	401K	403K
10/27	Continuing Claims	15-Oct	3700K	3719K
10/27	Bloomberg Consumer Comfort	23-Oct	- -	-48.4
10/27	Pending Home Sales M/M	SEP	0.30%	-1.20%
10/28	Personal Income	SEP	0.30%	-0.10%
10/28	Personal Spending	SEP	0.60%	0.20%
10/28	PCE Core (M/M)	SEP	0.10%	0.10%
10/28	U. of Michigan Confidence	OCT F	58	57.5
10/31	Chicago Purchasing Manager	OCT	59	60.4
11/01	Construction Spending M/M	SEP	0.30%	1.40%
11/01	ISM Manufacturing	OCT	52.2	51.6
11/01	ISM Prices Paid	OCT	55	56
11/01	Total Vehicle Sales	OCT	13.05M	13.04M
11/02	MBA Mortgage Applications	28-Oct	- -	4.90%
11/02	FOMC Rate Decision	2-Nov	0.25%	0.25%

Valance Economic Report: Euro Zone

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October 26, 2011

The turmoil and uncertainty throughout the Euro Area continues to drive business and consumer confidence lower; most confidence metrics are at lows last seen in 2009. The EU PMI surveys all remain below the contraction level for the second straight month and Consumer Confidence continued to drop in October.

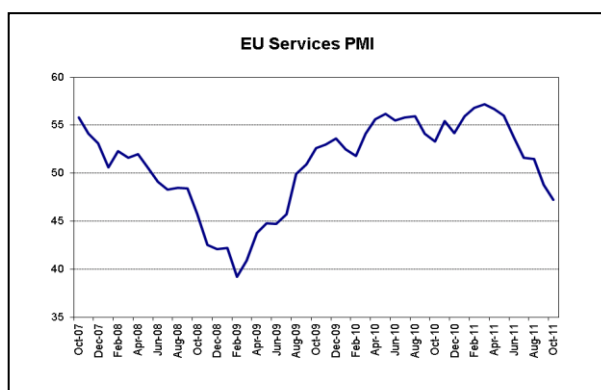
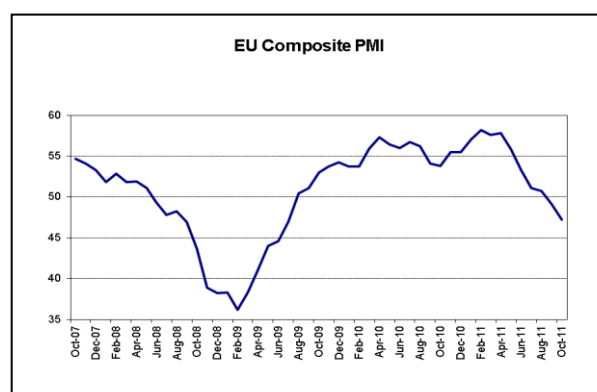
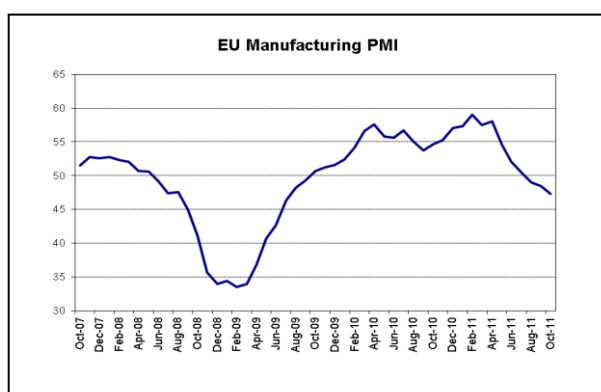
Weekly Highlights

EU PMIs – fell across the board in October. (EU 1)

EU Consumer Confidence – fell to its lowest level since August 2009, in October. (EU 3)

Weekly Releases & News

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



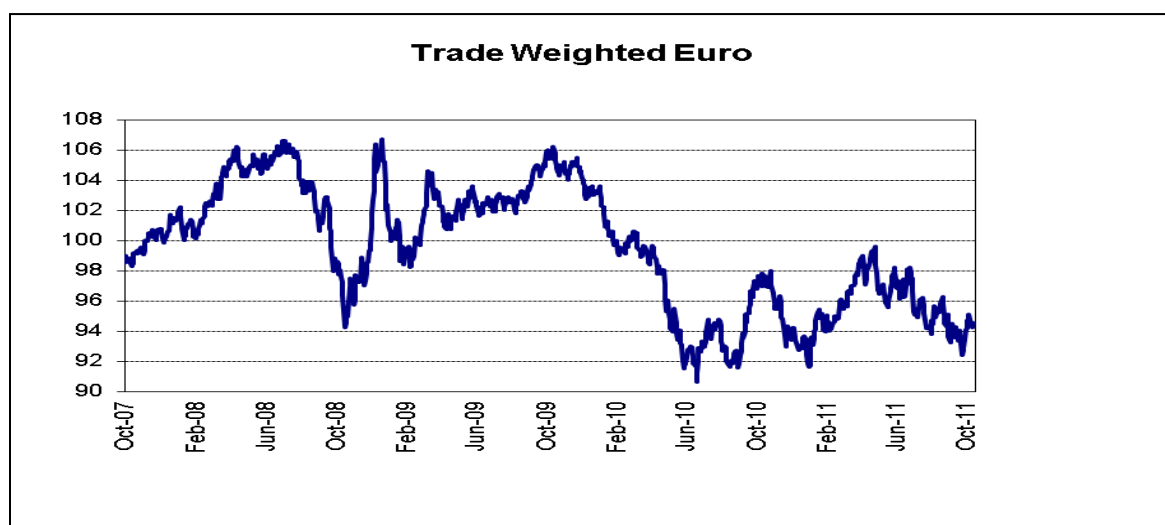
EU PMI surveys all remain below contraction level for the second straight month. The Composite PMI decreased from 49.1 in September to 47.2 in October, its lowest reading since July 2009. The market expected a reading of 48.8. The Manufacturing PMI fell from 48.5 to 47.3, and the Services PMI also decreased from 48.8 to 47.2.

Euro Zone Financial Balances & Trade Weighted Euro

Financial Balances

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

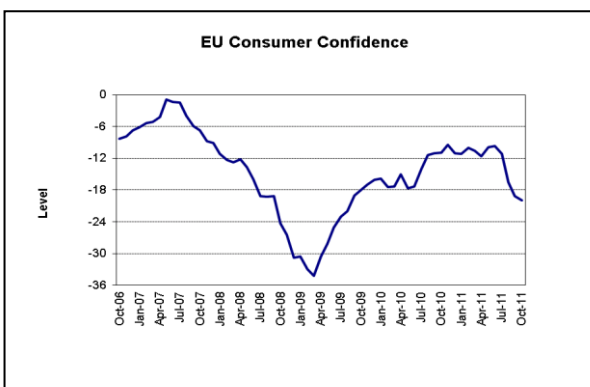
Trade Weighted Euro



Euro Consumer Confidence & German PMI

Euro-Zone Consumer Confidence

The Euro Zone's Consumer Confidence fell from -19.1 in September to -19.9 in October. This is the lowest level since August 2009. Expectations were for a reading of -20.0.



German PMI

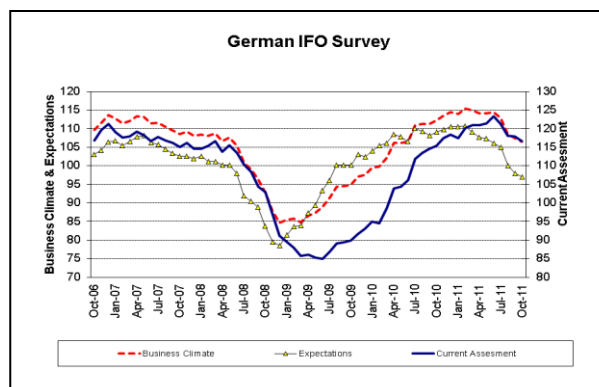


German PMI Manufacturing decreased from 50.3 to 48.9 in October, below market expectations for a reading of 50.0. German PMI Services increased from 49.7 to 52.1 versus a reading of 49.9.

German IFO Survey, Import Prices, & PPI

German IFO Survey

The German IFO Business Climate fell from 107.4 in September to 106.4 in October. The Current Assessment component decreased from 117.9 to 116.7. The expectations component decreased from 97.9 to 97.0.



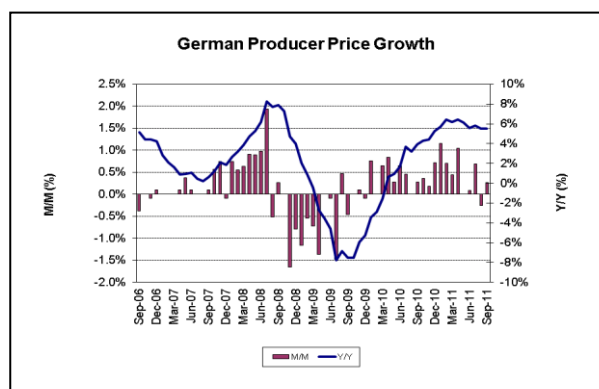
German Import Prices

German Import Prices increased 0.6% M/M and 6.9% Y/Y in September, in line with market expectations. The Import Price Index ex. Petroleum was flat M/M and increased 3.6% Y/Y.



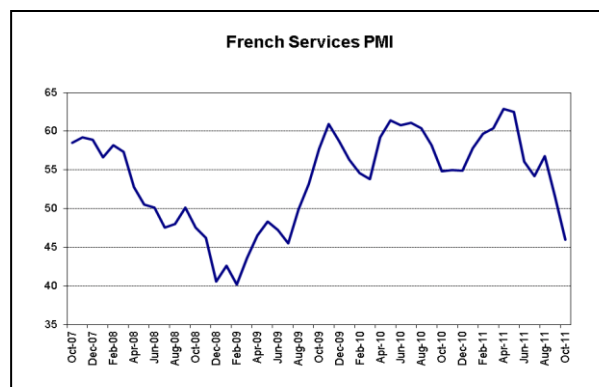
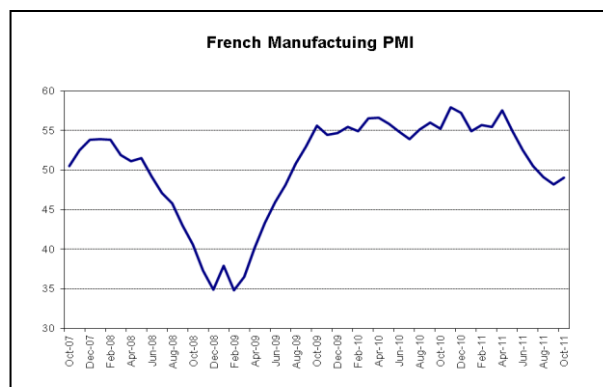
German PPI

German Producer Prices increased 0.3% M/M above market expectations for a reading of 0.2%. Y/Y growth increased 5.5%.



French PMI & Business/Consumer Confidence

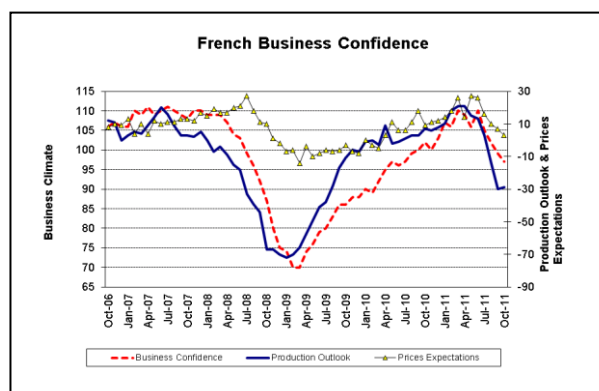
French PMI



French PMI Manufacturing increased from 48.2 to 49.0 in October, versus market expectations of 48.0. French PMI Services fell from 51.5 to 46.0. Market expectations were for a reading of 50.4.

French Business Confidence

French Business Confidence decreased from 99 in September to 97 in October. The Production Outlook indicator increased from -30 to -29 in September. Price expectations fell from 7 to 3.



French Consumer Confidence

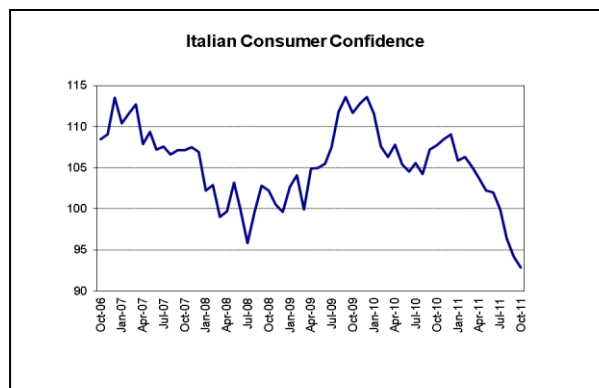
French Consumer Confidence increased from 80 in September to 82 in October. Details show that the future sentiment for savings capacity increased from -13 to -9 and standard of living increased from -59 to -55.



Italian Consumer/Business Confidence & Retail Sales

Italian Consumer Confidence

Italian Consumer Confidence decreased from 94.2 in September to 92.9 in October, the lowest level since March of 2008.



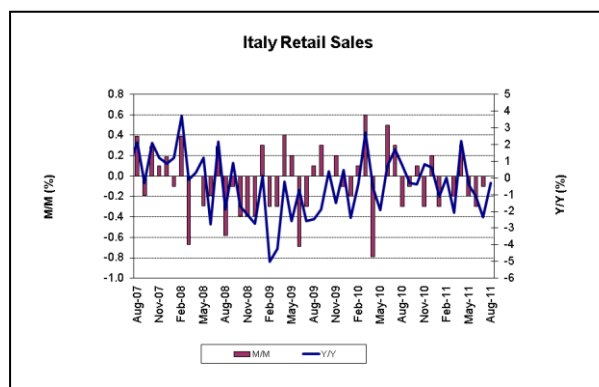
Italian Business Confidence

Italian Business Confidence decreased from 94.5 to 94.0 in October. The Production Retailer Confidence fell from 94.0 to 92.3



Italian Retail Sales

Italian Retail Sales were flat M/M and fell 0.1% Y/Y in August.



Spanish Producer Prices & News/Comments/Data

Spanish Producer Prices

Spanish Producer Prices increased 0.2% M/M and 7.1% Y/Y in September. Consumer Goods increased 0.2% M/M and 2.5% Y/Y in September. Capital Goods were flat M/M and increased 1.2% Y/Y. Energy Prices increased 0.8% M/M and 18.4% Y/Y.



News/Comments/Data

German GfK Consumer Confidence – increased from 5.2 in October to 5.3 in November versus market expectations for a decline to 5.1. “The pleasing labor-market situation and rising salaries” are making consumers “very optimistic when it comes to income expectations and willingness to buy,” GfK said in a statement. “However, ongoing discussions relating to the government debt crisis and the threat of Greek insolvency, which will also put pressure on the banks, are still unsettling Germans.”

Euro-Region Industrial Orders Unexpectedly Rise on Capital Goods (Bloomberg) - European industrial orders unexpectedly rebounded in August, as rising demand for capital goods such as excavators and metal-working machines helped offset a slump in durable consumer goods. Orders in the 17-nation euro region rose 1.9% from July, when they fell 1.6%, the European Union’s statistics office in Luxembourg said today. Economists had forecast order growth to stall, the median of 17 estimates in a Bloomberg News survey showed. Orders jumped 6.2% from a year earlier.

October 26th - Stark Warns Against More Bond Purchases by ECB, Stern Reports (Bloomberg) - European Central Bank Executive Board member Juergen Stark warned against additional sovereign bond purchases by the ECB, saying it creates the wrong incentive to governments, Germany’s Stern magazine reported, citing Stark. “This eliminates the incentive to direct policy toward reducing deficits,” Stark is cited as saying. “We shouldn’t be gamblers.”

October 26th - Trichet Says Europe Needs Solid Leadership, Handelsblatt Says (Bloomberg) - European Central Bank President, Jean-Claude Trichet, repeating his vision for a European Finance Ministry, said the union needs “solid leadership” to ensure that all countries stick to common goals. “Our agreements have not yet fulfilled this standard,” Trichet wrote in a guest contribution in Germany’s Handelsblatt. “We can only defend and strengthen our principles if we direct our policies accordingly.” “Is it too bold to consider a European Finance Ministry if we already have a common market, a common currency and one central bank?” he wrote. It’s conceivable that the European Council could become a senate, the European Parliament its lower house, and the European Commission could take over the role of the government, “with sovereignty divided for each part,” he wrote.

News/Comments/Data Cont'd.

October 26th - German Economic Growth Will Stagnate in Fourth Quarter, DIW Says (Bloomberg) -

The German economy, Europe's largest, will fail to grow in the current quarter after expanding 0.4% in the previous three-month period, the DIW economic institute said. "In the third quarter, businesses still benefited from good orders from the previous months," the Berlin-based institute said today in an e-mailed statement. "Industrial companies likely expanded production significantly and pushed German growth forward." DIW said consumers and companies are probably delaying big-ticket purchases and investment as the euro region's debt crisis undermines confidence. That will damp growth in the fourth quarter and the first quarter of 2012, it said. German business sentiment fell to a 16-month low last week as the possibility of a Greek default threatens banks and clouds the outlook for economic growth. At the same time, German unemployment fell for a 27th straight month in September, taking the jobless rate to 6.9% the lowest since reunification two decades ago.

October 25th -- ECB's Bini Smaghi Says Monetary Policy Can't Finance Governments (Bloomberg) -

European Central Bank Executive Board member, Lorenzo Bini Smaghi, said monetary policy in the euro area cannot be used to bail out governments. "Euro-area governments have to finance themselves directly in the market," Bini Smaghi said during a speech in Frankfurt on Oct. 17th, according to a text provided by the ECB. "This is sound and robust, because it avoids monetary financing and the risk of fiscal problems being solved through monetary financing." "In a crisis, such a constraint can become quite harsh, especially since the Maastricht Treaty did not foresee a situation in which a country would lose market access. Markets have perceived this as a fault line and tried to take advantage of it," Bini Smaghi added. Bini Smaghi said a "comprehensive solution" is needed to strengthen governance in the euro area and to end the debt crisis. "A comprehensive, timely solution is needed now. I am confident that Europe's leaders will find it," he said.

Key Dates This Week

<i>Date</i>	<i>Country</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/27	EC	Euro-Zone M3 s.a. 3 mth ave.	SEP	2.60%	2.30%
10/27	EC	Euro-Zone M3 s.a. (Y/Y)	SEP	2.80%	2.80%
10/27	EC	Business Climate Indicator	OCT	-0.2	-0.06
10/27	EC	Euro-Zone Consumer Confidence	OCT	-19.9	-19.9
10/27	EC	Euro-Zone Economic Confidence	OCT	93.8	95
10/31	EC	Euro-Zone CPI Estimate (Y/Y)	OCT	--	3.00%
10/31	EC	Euro-Zone Unemployment Rate	SEP	--	10.00%
11/02	EC	PMI Manufacturing	OCT	--	47.3
10/27	GE	Consumer Price Index (M/M)	OCT	0.10%	0.10%
10/27	GE	Consumer Price Index (Y/Y)	OCT	2.60%	2.60%
10/31-11/02	GE	Retail Sales (M/M)	SEP	1.00%	-2.90%
10/31-11/02	GE	Retail Sales (Y/Y)	SEP	1.70%	2.20%
11/02	GE	Unemployment Change (000's)	OCT	--	-26K
11/02	GE	Unemployment Rate (s.a)	OCT	--	6.90%
11/02	GE	PMI Manufacturing	OCT	--	48.9
10/28	FR	Consumer Spending (M/M)	SEP	0.00%	0.20%
10/28	FR	Consumer Spending (Y/Y)	SEP	-0.70%	0.30%
10/31	FR	Producer Prices (M/M)	SEP	--	0.00%
10/31	FR	Producer Prices (Y/Y)	SEP	--	6.30%
11/02	FR	PMI Manufacturing	OCT	--	49
10/31	IT	Unemployment Rate (SA)	SEP	--	7.90%
10/31	IT	CPI (NIC incl. tobacco) (M/M)	OCT	--	0.00%
10/31	IT	CPI (NIC incl. tobacco) (Y/Y)	OCT	--	3.00%
10/31	IT	PPI (M/M)	SEP	--	0.10%
10/31	IT	PPI (Y/Y)	SEP	--	4.80%

Valance Co., Inc.

Valance Economic Report: Japan

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October 26, 2011

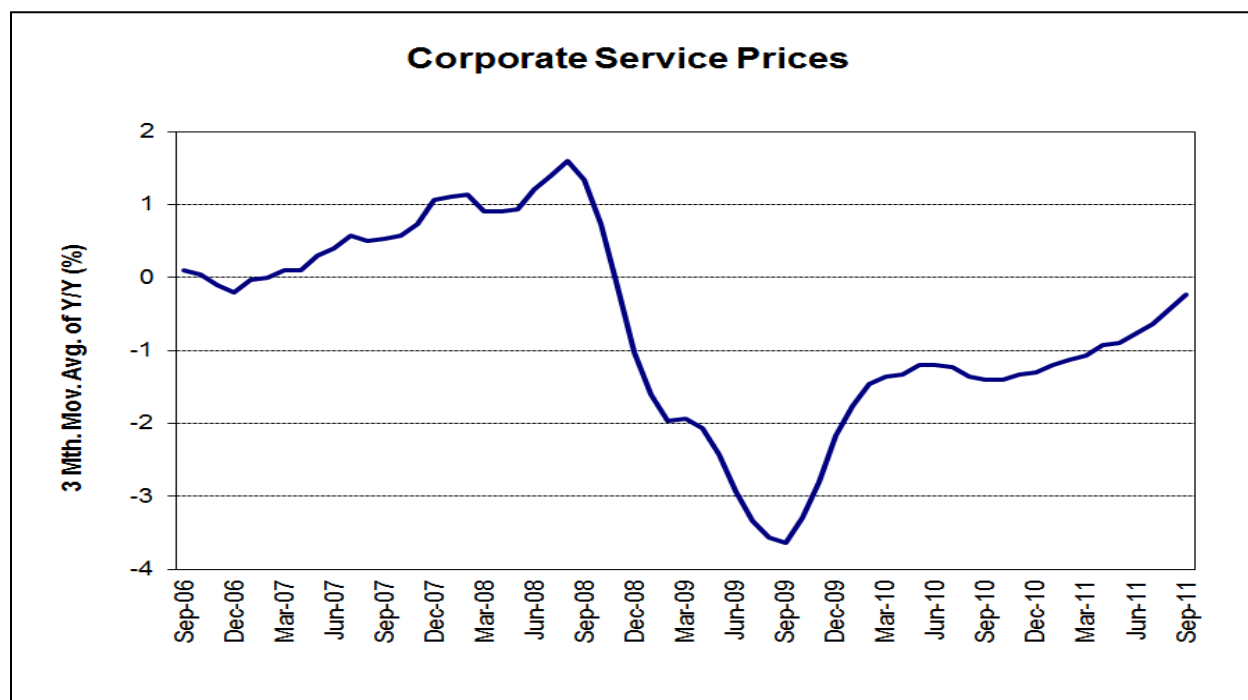
The Trade Balance improved in September as exports saw a stronger gain than expected. Elsewhere the data is less positive as supermarket store sales, small business confidence and the leading index all declined. With the Yen's strength continuing, overall conditions remain weak and the BoJ is widely expected to cut its economic view at its next meeting.

Weekly Highlights

Corp Service Prices – increased 0.1% M/M and dropped 0.1% Y/Y in September. (JN - 1)

Trade Balance – exports increased 2.0% M/M and 2.4% Y/Y in September. (JN - 3)

Charts of the Week: *Corp Service Prices*



Corporate Service Prices increased 0.1% M/M and dropped 0.1% Y/Y in September. The M/M gain was the first since June and went against expectations for a 0.4% Y/Y decline.

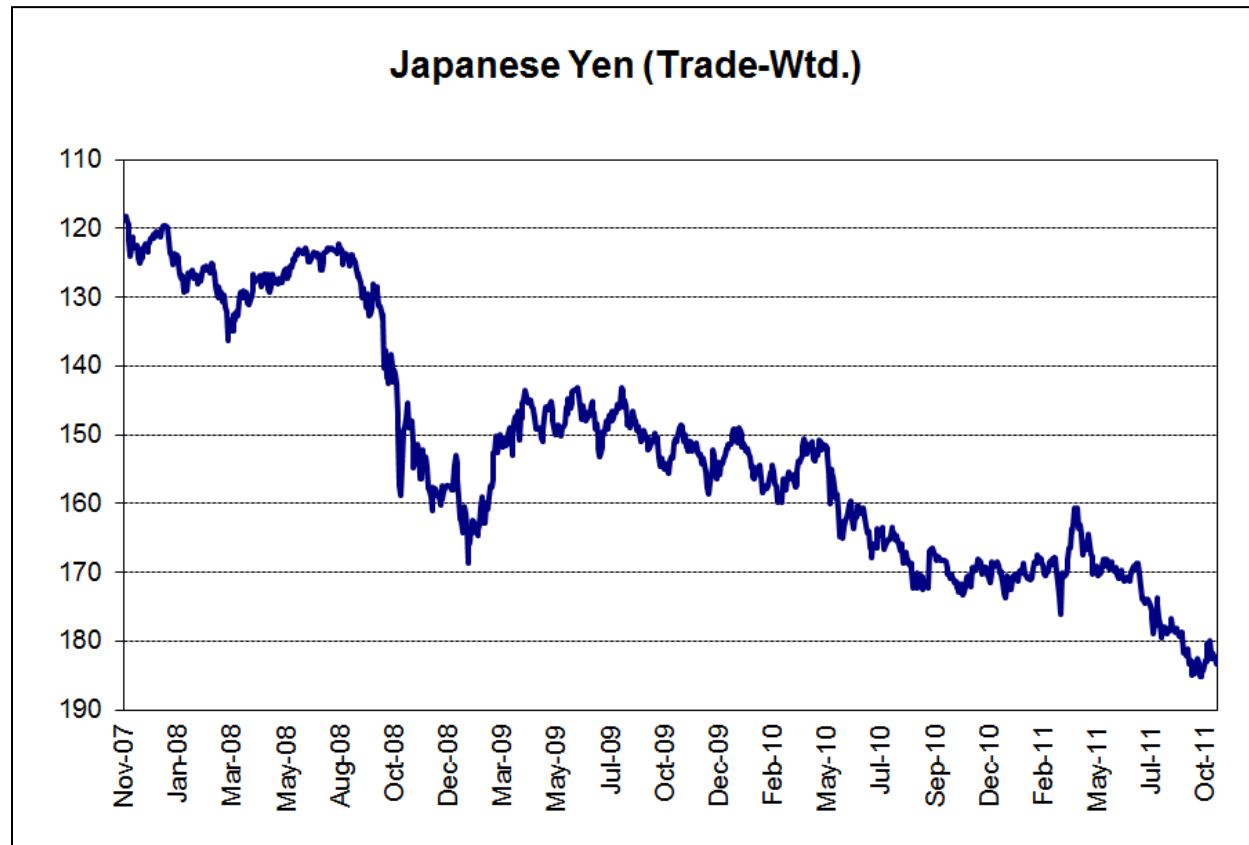
Within the data, the M/M gain occurred as advertising, ocean freight, internet services, and toll roads outweighed losses in transportation, accommodation, and real estate.

JN - 1

Financial Balances & Trade Weighted Exchange Rate

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%

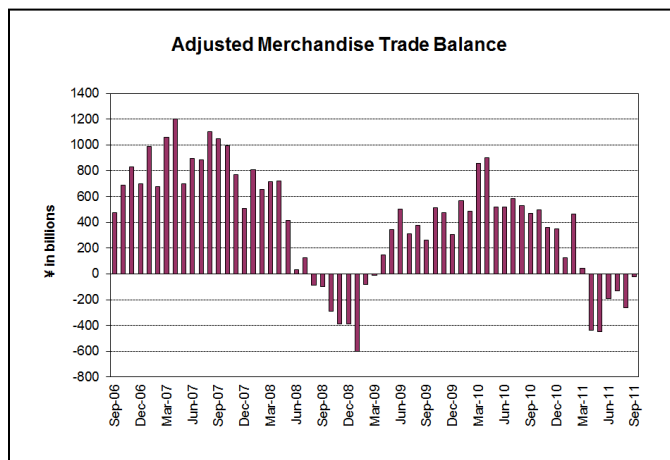


Merchandise Trade Balance

Merchandise Trade Balance

The adjusted Merchandise Trade Balance improved from -Y777.2bln to +Y300.4bln in September.

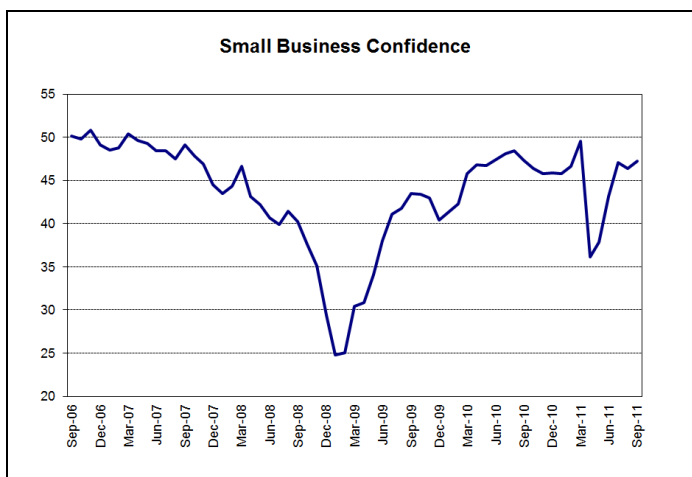
Within the data, exports increased 2.0% M/M and 2.4% Y/Y, against market expectations for a 1.0% Y/Y improvement. Imports dropped 2.2% M/M and increased 12.1% Y/Y. By region, exports to the US increased 0.4% Y/Y. Exports to Europe increased 7.6% Y/Y, exports to Asia increased 0.2% Y/Y and exports to China increased 2.7% Y/Y.



Small Business Confidence

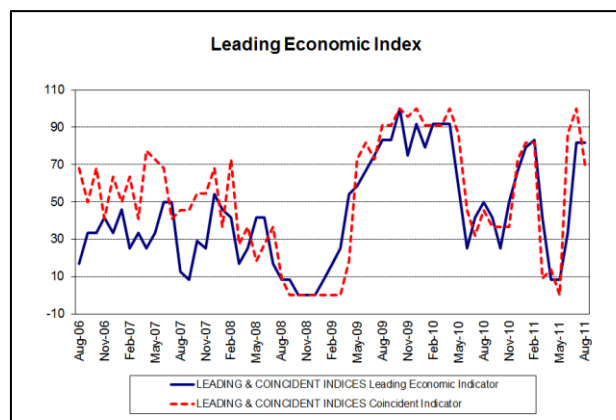
Small Business Confidence dropped 0.8pts to 46.4 in October. Within the data, manufacturing dropped 3.0pts to 45.9 while non-manufacturing increased 1.0pts to 46.8. The drop occurred on widespread declines, with transportation equipment, IT, textiles, wood products, and electrical machinery seeing the largest drops.

Looking forward, small businesses reported that they expect conditions to improve 0.7pts to 47.1 in November as manufacturers are expected to see a 0.9pt improvement in conditions to 46.8 while non-manufacturers are expected to see a 0.6pt improvement to 47.4.



Leading & Coincident Index

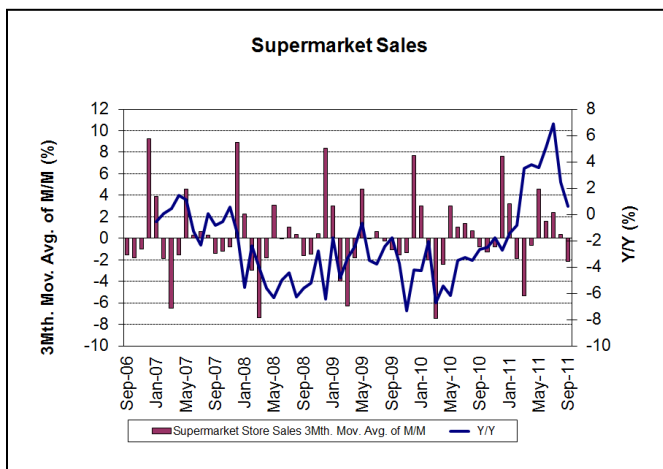
According to final data, the Leading Index dropped 0.3pts to 104.3 in August. The Coincident Index increased 0.5pts to 107.6. The drop in the Leading index was the first decline since April. In DI terms, the Leading Index was unchanged while the Coincident Index dropped from 100.0 to 70.0.



Small Business Confidence & Vehicle Production

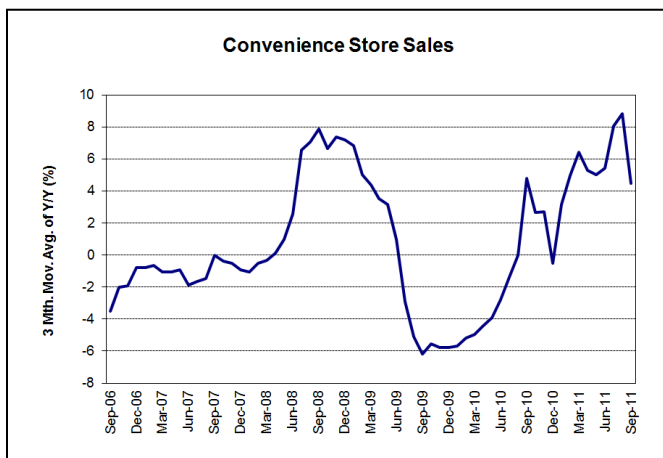
Supermarket Sales

Supermarket Store Sales declined 7.4% M/M and 3.6% Y/Y in September after having dropped 2.2% Y/Y in August. The decline was the second consecutive and occurred on widespread declines among supermarket store products.



Convenience Store Sales

Convenience Store Sales dropped 2.0% Y/Y in September. On a same store basis, sales dropped 4.0% Y/Y, spending dropped 4.4% Y/Y, and traffic increased 0.4% Y/Y.



News

October 26th – Finance Minister Azumi - Finance Minister, Jun Azumi, commented that the government and the BoJ “share a sense of crisis” regarding the yen’s rise. He added that, “I believe (the BoJ) will make a timely and appropriate response” while noting that he believes the yen’s advance is an “extremely speculative move.”

October 26th – Extra Budget Seeks to Create Jobs – A new Y6.1 trln package put together on Tuesday aims to create or maintain over 580,000 jobs by providing support to businesses hit by the March 11th disaster. The plan itself calls for Y5.7 trln dedicated to supporting the economic revival of the Tohoku region as well as additional subsidies for businesses and jobs packages to continue a special lending program for firms affected by the disaster. The plan also includes aid for rebuilding fishing ports and restoring aquaculture businesses.

October 26th – Shirakawa Comments – BoJ Gov Shirakawa commented that “Monetary policy alone can’t get Japan out of deflation.” He also addressed criticism on the volume of the BoJ’s asset buying program, noting that “it is not necessarily small.” At its next Monetary Policy Meeting, the BoJ is widely expected to cut its economic view and engage in further easing policy.

October 25th – Labor Minister Komiyama Asks Firms not to cut Nonregular Jobs – Labor Minister, Yoko Komiyama, urged businesses to maintain employment levels despite the negative impacts of the Yen’s continued strength.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
10/26	Retail Trade (Y/Y)	-0.10%	-2.60%
10/26	Retail Trade (M/M) SA	-0.50%	-1.70%
10/26	Large Retailers' Sales	-2.50%	-2.60%
10/26	BOJ Target Rate	0.10%	0.10%
10/26	Job-To-Applicant Ratio	0.67	0.66
10/26	Overall Hhold Spending (Y/Y)	-3.50%	-4.10%
10/26	Jobless Rate	4.50%	4.30%
10/26	Tokyo CPI (Y/Y)	-0.50%	-0.20%
10/26	Tokyo CPI Ex-Fresh Food (Y/Y)	-0.40%	-0.10%
10/26	Natl CPI (Y/Y)	0.10%	0.20%
10/26	Natl CPI Ex-Fresh Food (Y/Y)	0.20%	0.20%
10/26	Natl CPI Ex Food, Energy (Y/Y)	-0.40%	-0.50%
10/26	Industrial Production (M/M)	-2.10%	0.80%
10/26	Industrial Production (Y/Y%)	-2.30%	0.40%
10/26	Vehicle Production (Y/Y)	N/A	1.80%
10/26	Construction Orders (Y/Y)	N/A	9.30%
10/26	Annualized Housing Starts	N/A	0.934M
10/26	Housing Starts (Y/Y)	N/A	14.00%
10/26	Labor Cash Earnings (Y/Y)	N/A	-0.60%
10/26	Vehicle Sales (Y/Y)	N/A	1.70%

Valance Co., Inc.

Valance Economic Report: United Kingdom

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October 26, 2011

Retail Sales surprised to the upside in September, while the **CBI Index of Factory Orders** fell sharply to drive manufacturers' optimism to the lowest level since April 2009 in October. The **Current Account Deficit** narrowed to the smallest since Q1 2008 and the smallest as a percentage of the GDP since Q3 1998.

Weekly Highlights

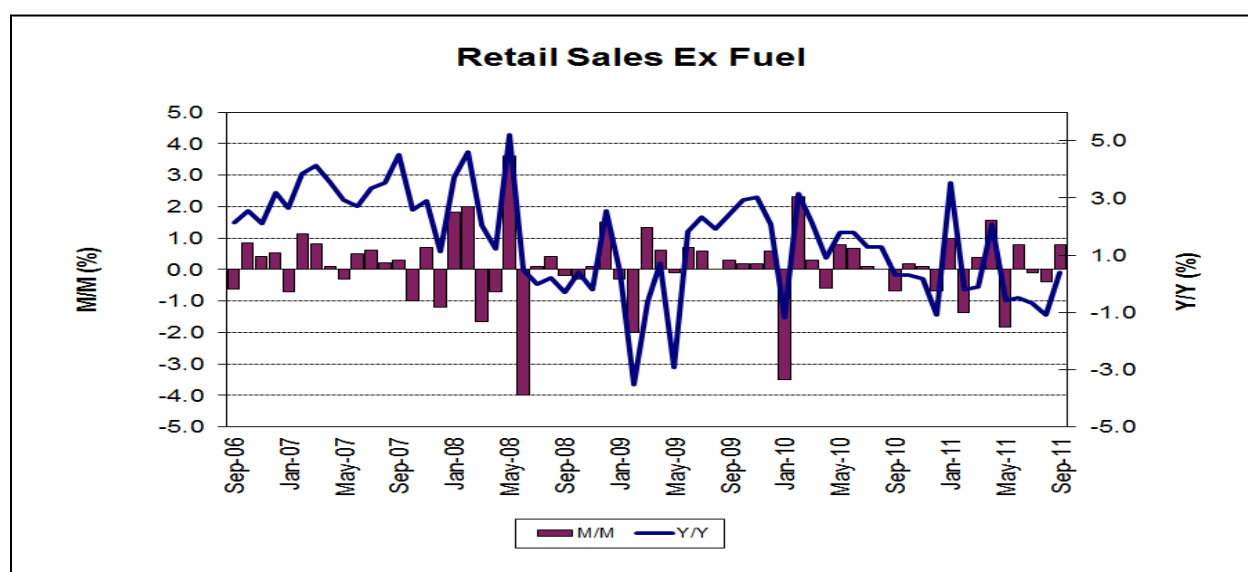
Retail Sales – rose 0.6% M/M vs. 0.0% expectations in September. (UK 1)

Nationwide Consumer Confidence – fell from 48 in August to 45 in September. (UK 3)

CBI Total New Orders – dropped from -9 to -18 in October. (UK 3)

Weekly Releases & News

Chart of the Week: Retail Sales



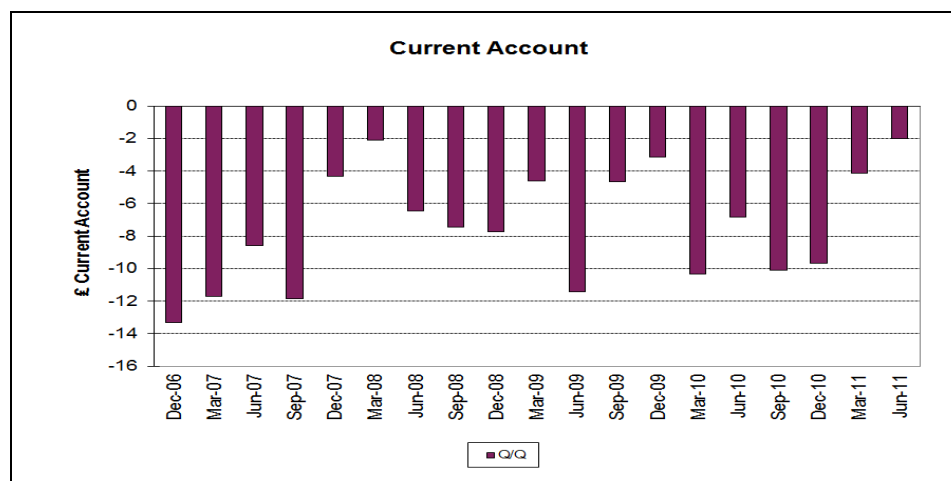
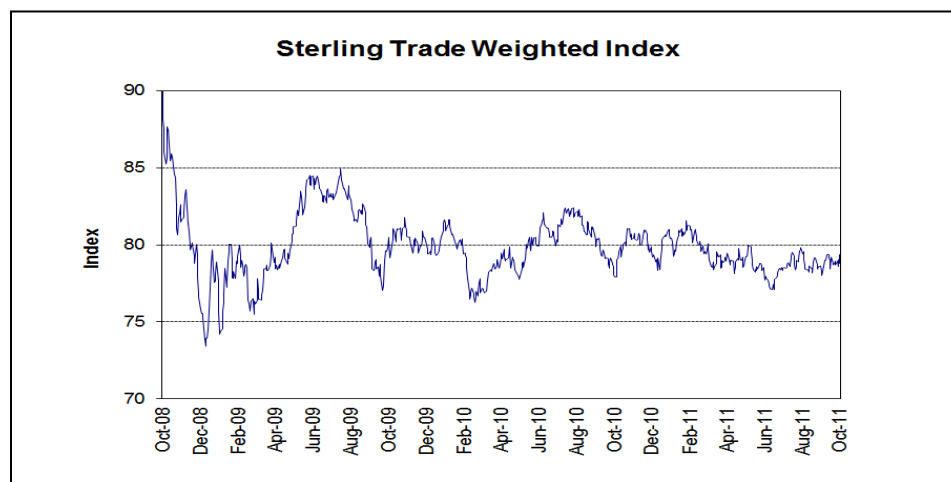
September's Retail Sales rose 0.6% M/M (0.0% exp.) and were up 0.6% Y/Y. This is the largest monthly gain since April. Excluding fuel, sales also rose 0.7% M/M (+0.2% exp.) and 0.4% Y/Y. Sales at household-goods stores jumped 3.2% M/M, while food sales were unchanged on the month and clothing sales fell 0.7% M/M. The Retail Sales deflator fell from 5.2% in August to 4.8% in September. Excluding auto fuel, the deflator fell from 3.8% to 3.3% in the same period.

UK - 1

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Financial Balances, FX & Current Account Balance

U.K.	Last Period (blns)	Last 12mth. % of GDP
Budget Balance (Public Net Borrowing)	+£11.4 (Sep)	+7.2%
Curr. Acct. Balance (Quarterly)	-£2.0(Q2)	-0.5%
Private Balance	+£9.4	+6.7%

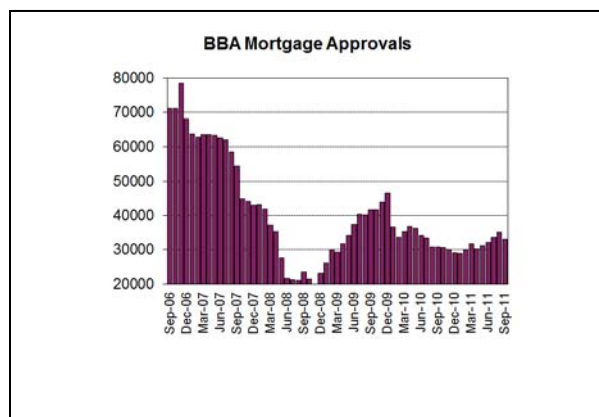


The Current Account Deficit narrowed from a revised £4.1bln (previously -£9.4bln) to 2.0bln in Q2, the smallest since Q1 2008. As a percentage of GDP, the deficit fell 2.5% to 0.5%, the least since Q3 1998.

BBA Home Loans, Budget Balance & Consumer Confidence

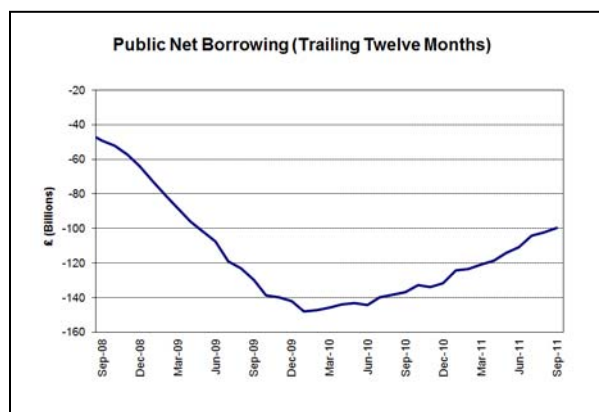
BBA Home Loans

Banks granted 33,130 loans for home purchases in September, down from the downwardly revised 35,069 in August (previously 35,226). This is the first decline since April. The number of loans for re-mortgaging fell from 26,643 to 24,498.



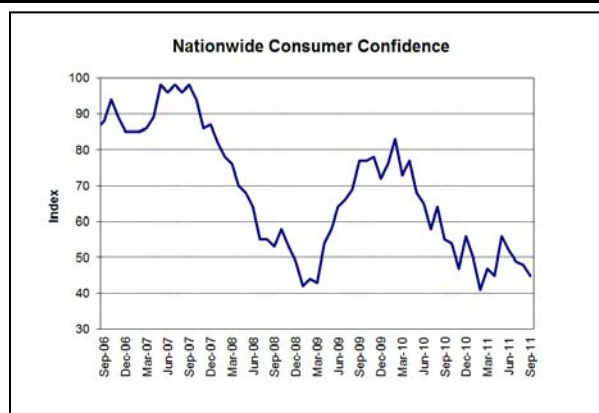
Budget Balance

Public sector net debt (excluding financial interventions) narrowed from £15.4 bln to £14.1 bln in September. Revenue rose 4.2% and spending climbed just 0.5%. The deficit in September including government support for banks was £11.4 bln. Net debt climbed to £966.8 bln, or 62.6% of GDP.



Nationwide Consumer Confidence

The Nationwide Building Society Index of sentiment fell 3pts to 45 in September, its lowest level since April. A gauge of Britons' assessment of their present situation fell 2 pts to 21, while the measure of shoppers' views on whether it's a good time to make a major purchase fell 2 pts to 77. Nationwide said that "these relatively downbeat findings are understandable given the challenging economic backdrop."



Data & Comments

CBI Factory Orders Index - According to the Confederation of British Industry, a U.K. index of factory orders fell and optimism plunged to the lowest level in 2 1/2 years as manufacturers predicted "significantly" weaker demand over the next quarter. The gauge of new orders dropped from -9 to -18 (-7 exp.) in October. The measure of expected average selling prices fell from +13 to +1. A measure of export orders fell from -12 to -14, the lowest level in a year, while the gauge of manufacturers' stockpiles remained at 21 and an index of the volume of output dropped from +9 to -11. CBI Chief Economic Adviser, Ian McCafferty commented as follows:

- *Sentiment deteriorated sharply and firms expect sizable falls in activity over the next three months.*
- *Confidence among manufacturers is also being sapped by uncertainty over developments in the euro zone, leading to broader concerns over global growth.*
- *In line with the softening in activity, more firms are now working below full capacity and plans for capital spending in the year ahead remain negative.*
- *Price pressures have moderated considerably as companies kept domestic prices unchanged and cut export prices for the first time since 2009.*

Oct. 25th - King Says Balance of Risks Have Changed in Recent Months (Bloomberg) - Bank of England Governor, Mervyn King, said policy makers' decision to increase bond purchases earlier this month was prompted by a change in the balance of risks facing the economy in recent months. "When we felt the risk change, then we altered our view" to vote for an increase in asset purchases, King told a parliamentary hearing in London today. The outlook for Europe had a large influence on the Monetary Policy Committee's decision, he said.

Oct. 25th - U.K. Inflation Expectations Fell in October, Citigroup Says (Bloomberg) - U.K. inflation expectations for the coming year fell to 3.4 % in October from 3.5% the previous month, Citigroup Inc. said, citing a YouGov survey. Inflation expectations for the coming 5 to 10 years dropped to 3.4 % from 3.8 %, Citigroup said in an e-mailed statement. The survey of 2,004 people was conducted from Oct. 21st-24th.

Oct. 21st - Miles Says Things 'Much Worse' for Many Companies, Paper Says (Bloomberg) - Bank of England policy maker, David Miles, said the situation for many businesses has deteriorated, the Westmorland Gazette newspaper reported, citing an interview. "Over the last six months things have got much worse for many companies," he told the paper in an interview published late yesterday. "It was one of the main reasons our committee decided on a round of quantitative easing across the U.K." He said consumers' disposable income "has been squeezed" and that their "shrinking income" is restraining spending. "Still, companies "should all see an improvement over the next 12 months."

Oct. 20th - U.K. Mortgage Lending Fell 2% in September on Month, CML Says (Bloomberg) - U.K. gross mortgage lending fell 2 % in September from the previous month to 12.9 bln pounds, the Council of Mortgage Lenders said. The reading is up 4% from a year earlier, the CML said in an e-mailed statement.

Comments Cont'd.

Oct. 20th - BOE's Broadbent Sees Inflation Drop, Liverpool Daily Post Says (Bloomberg) - Bank of England policy maker, Ben Broadbent, said that inflation will fall “pretty sharply” as an increase in sales tax drops out of calculations next year, he said in an interview with the Liverpool Daily Post. He also said lending margins will fall and “allow business conditions to improve,” according to the interview posted on the paper’s website today.

Oct. 20th - BOE's Miles Says U.K. Is Emerging From Very Deep Recession (Bloomberg) - Bank of England policy maker, David Miles, said the U.K. is emerging from a very deep recession and that the bank is working to support the recovery. “We’re emerging from a very deep recession and are to trying keep demand going” with a record-low interest rate and so-called quantitative easing, he said in an interview today on BBC Radio Cumbria. He said “very few” people say they need higher interest rates, and that “most households see they’ve been squeezed.”

Oct.19th - Bean Says Euro Area Crisis Hurting U.K. Outlook, Confidence (Bloomberg) - Bank of England Deputy Governor, Charles Bean, said that the U.K. was being hit by the crisis in the euro area and that a premature rate increase would hurt the economy. “Problems in the euro area are starting to spill over to us and potentially hit consumer confidence here,” Bean said in an interview on BBC Radio Manchester today. “That’s not the best background to get the economy moving again.”#“Growth has been slowing a bit through the course of this year and orders have come off, and there’s a degree of trepidation on what may happen across the channel,” he said, referring to conversations he’s had with local businesses. A premature interest-rate increase would “hit the economy hard,” he said.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/24-10/31	BoE Housing Equity Withdrawal	2Q	-£6.0B	-£5.8B
10/27	CBI Reported Sales	OCT	--	-15
10/27	GfK Consumer Confidence Survey	OCT	-30	-30
10/29-10/31	Nat'wide House prices sa (MoM)	OCT	--	0.10%
10/29-10/31	Nat'wide House prices nsa(YoY)	OCT	--	-0.30%
10/30	Lloyds Business Barometer	OCT	--	7
10/30	Hometrack Housing Survey (MoM)	OCT	--	-0.10%
10/30	Hometrack Housing Survey (YoY)	OCT	--	-3.50%
10/31	Net Consumer Credit	SEP	--	0.5B
10/31	Net Lending Sec. on Dwellings	SEP	--	0.6B
10/31	Mortgage Approvals	SEP	--	52.4K
10/31	M4 Money Supply (MoM)	SEP	--	-0.20%
10/31	M4 Money Supply (YoY)	SEP	--	-0.60%
10/31	M4 Ex OFCs 3M Annualised	SEP	--	2.30%
11/01	PMI Manufacturing	OCT	--	51.1
11/01	GDP (QoQ)	3Q A	--	0.10%
11/01	GDP (YoY)	3Q A	--	0.60%
11/01	Index of Services (MoM)	AUG	--	0.20%
11/01	Index of Services (3mth/3mth)	AUG	--	1.30%
11/01-11/04	Halifax House Prices sa (MoM)	OCT	--	-0.50%
11/01-11/04	Halifax House Price 3Mths/Year	OCT	--	-2.30%
11/02	PMI Construction	OCT	--	50.1

Valance Economic Report: Canada

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October 26, 2011

In September, the annual inflation rate unexpectedly accelerated and core inflation reached its highest level since December 2008. In August, Retail Sales fully reversed their monthly decline from July. In its rate decision statement, the BoC forecast slow domestic growth through mid-2012, a “brief recession” for Eurozone and “persistent strength of the CAD”. The BoC cut its 2011 growth from 2.8% to 2.1% and 2012 growth from 2.6% to 1.9%.

Weekly Highlights

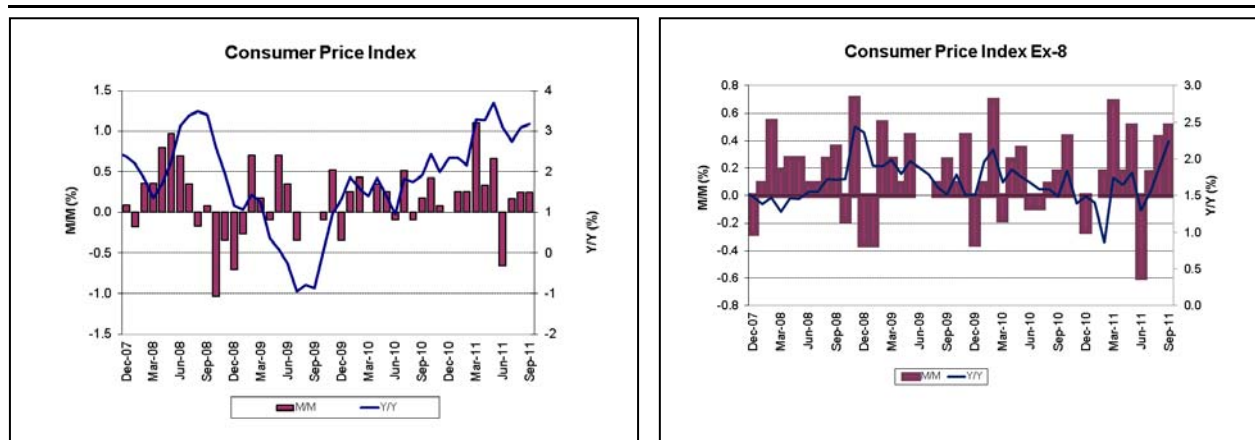
Headline CPI – rose 0.2% M/M in September. (CA 1)

BoC Overnight Rate – left at 1.0%. (CA 1)

Retail Sales – increased 0.5% M/M in August. (CA 3)

Weekly Releases & News

Chart(s) of the Week: CPI



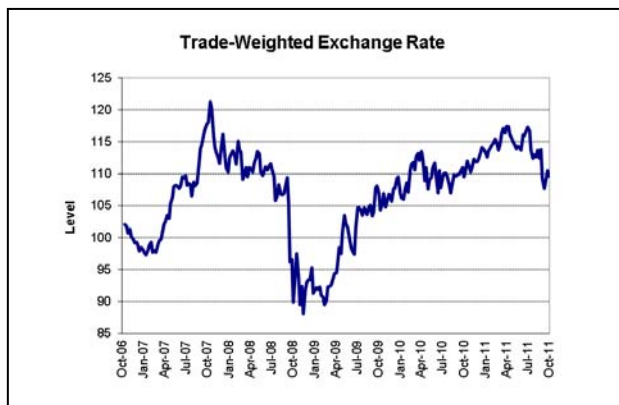
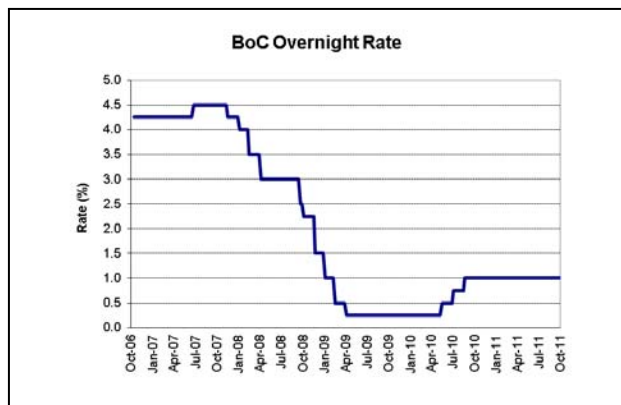
Consumer Prices rose 0.2% (+0.3% prev.) M/M and quickened from 3.1% Y/Y to 3.2% Y/Y in September, versus expectations for +0.2% M/M and 3.1% Y/Y. The annual peak of 3.7% was reached in May. Core CPI rose 0.5% M/M (+0.4% previously) and accelerated from 1.9% Y/Y to 2.2% Y/Y, more than the 2.0% expected. Headline inflation has been above BoC's 2% target for 10 consecutive months. Average annual inflation was 3.0% from July through September, compared to the BoC's forecast of 2.8%.

Financial Balances, FX & BoC Rate Decision

Financial Balances

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

BoC Rate & FX

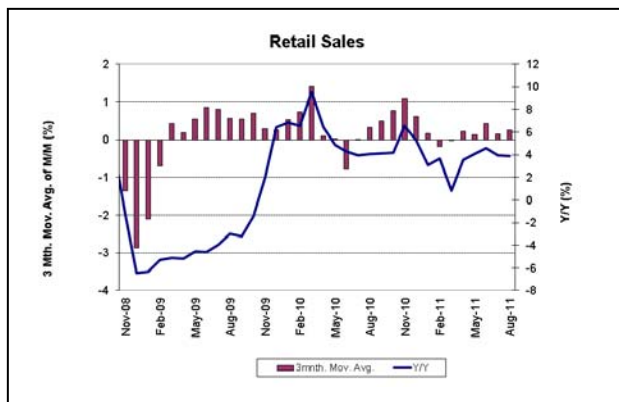


Retail and Wholesale Sales, Data & Comments

Retail and Wholesale Sales

Retail Sales rose 0.5% M/M in August, after falling 0.5 % M/M in July. Expectations were for a 0.3% M/M gain. Sales increased in 6 of 11 retail subsectors. Y/Y growth increased 3.9%. Retail Sales, ex-autos, rose 0.4% M/M and 4.0 % Y/Y. Sales declined at motor vehicle and parts dealers and at electronics/appliance stores.

Wholesale Sales rose 0.2% M/M (+0.5% exp.) and 7.7% Y/Y in August. Ex. cars and car parts, wholesalers' sales were up 0.1% M/M and 8.2% Y/Y.



Data & News

Teranet-National BankHouse Prices - According to the Teranet Bank Composite House Price Index, prices rose 0.9 % M/M and 5.4 % Y/Y (5.3% prev.) in August. The index level rose to a record 149.46.

Oct. 26th - Flaherty's Growth Outlook Leaves C\$12 Billion Canada Budget Gap (Bloomberg) - Canadian Finance Minister, Jim Flaherty, said he will cut his growth projections when he updates his fiscal plan in coming weeks, in a move that may leave him with C\$12 bln less in revenue than he projected in June. Flaherty's office released estimates showing economists forecast Canada's economy will generate C\$83 bln less in output between 2011 and 2015 than the government projected in June. That may reduce revenue by about C\$12 bln over that period, according to a calculation based on government figures from its June budget that shows the government expects revenue to be about 15% of nominal output over that time. Flaherty said private economists forecast 2011 economic growth of 2.2%, compared with their March forecast of 2.9 %. **The Bank of Canada yesterday also lowered its growth projections for the country's economy, reducing its forecast for Canadian growth this year to 2.1% from a 2.8% estimate in July, and cut its 2012 outlook to 1.9%, down from a 2.6% forecast.** Flaherty said the economists downgraded their forecasts by a similar amount, 0.7 %age points. The economists forecast growth next year at 2.1 %, down from a March projection of 2.8 %.

BoC Rate Decision Statement

The global economy has slowed markedly as several downside risks to the projection outlined in the Bank's July Monetary Policy Report (MPR) have been realized. Financial market volatility has increased and there has been a generalized retrenchment from risk-taking across global markets. The combination of ongoing deleveraging by banks and households, increased fiscal austerity and declining business and consumer confidence is expected to restrain growth across the advanced economies. **The Bank now expects that the euro area—where these dynamics are most acute—will experience a brief recession.** The Bank's base-case scenario assumes that the euro-area crisis will be contained, although this assumption is clearly subject to downside risks. In the United States, diminished household confidence, tighter financial conditions and increased fiscal drag are expected to result in weak real GDP growth through the first half of 2012, before growth strengthens gradually thereafter. In Japan, reconstruction activity is projected to boost growth over 2012-13, although Japan's economy will be constrained by reduced global activity and the sharp appreciation of the yen. **Growth in China and other emerging-market economies is projected to moderate to a more sustainable pace in response to weaker external demand and the lagged effects of past policy tightening.** These developments, combined with recent declines in commodity prices, are expected to dampen global inflationary pressures.

The outlook for the Canadian economy has weakened since July, with the significantly less favourable external environment affecting Canada through financial, confidence and trade channels. Although Canadian growth rebounded in the third quarter with the unwinding of temporary factors, underlying economic momentum has slowed and is expected to remain modest through the middle of next year.

Domestic demand is expected to remain the principal driver of growth over the projection horizon, though at a more subdued pace than previously anticipated. **Household expenditures are now projected to grow relatively modestly as lower commodity prices and heightened volatility in financial markets weigh on the incomes, wealth and confidence of Canadian households.** Business fixed investment is still expected to grow solidly in response to very stimulative financial conditions and heightened competitive pressures, although it will be dampened by the weaker and more uncertain global economic environment. **Net exports are expected to remain a source of weakness, owing to sluggish foreign demand and ongoing competitiveness challenges, including the persistent strength of the Canadian dollar.**

Overall, the Bank expects that growth in Canada will be slow through mid-2012 before picking up as the global economic environment improves, uncertainty dissipates and confidence increases. The Bank projects that the economy will expand by 2.1 per cent in 2011, 1.9 per cent in 2012, and 2.9 per cent in 2013.

The weaker economic outlook implies greater and more persistent economic slack than previously anticipated, with the Canadian economy now expected to return to full capacity by the end of 2013. As a result, core inflation is expected to be slightly softer than previously expected, declining through 2012 before returning to 2 percent by the end of 2013. The projection for total CPI inflation has also been revised down, reflecting the recent reversal of earlier sharp increases in world energy prices as well as modestly weaker core inflation. Total CPI inflation is expected to trough around 1 per cent by the middle of 2012 before rising with core inflation to the two per cent target by the end of 2013, as excess supply in the economy is slowly absorbed.

Several significant upside and downside risks are present in the inflation outlook for Canada. Overall, the Bank judges that these risks are roughly balanced over the projection horizon.

Reflecting all of these factors, the Bank has decided to maintain the target for the overnight rate at 1 per cent. With the target interest rate near historic lows and the financial system functioning well, there is considerable monetary policy stimulus in Canada. The Bank will continue to monitor carefully economic and financial developments in the Canadian and global economies, together with the evolution of risks, and set monetary policy consistent with achieving the 2 per cent inflation target over the medium term.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Survey</i>	<i>Prior</i>
10/31	Raw Materials Price Index (M/M)	SEP	-	-3.2%
10/31	Industrial Product Price (M/M)	SEP	-	+0.5%
10/31	GDP (M/M)	AUG	-	0.3%
10/31	GDP (Y//Y)	AUG	-	2.3%

Valance Economic Report: Australia

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October 26, 2011

In Q3, headline inflation matched expectations, while Core inflation was lower than expected; PPI inflation was also lower than forecast. The NAB Business Confidence fell to the lowest level since Q1 2009.

Weekly Highlights

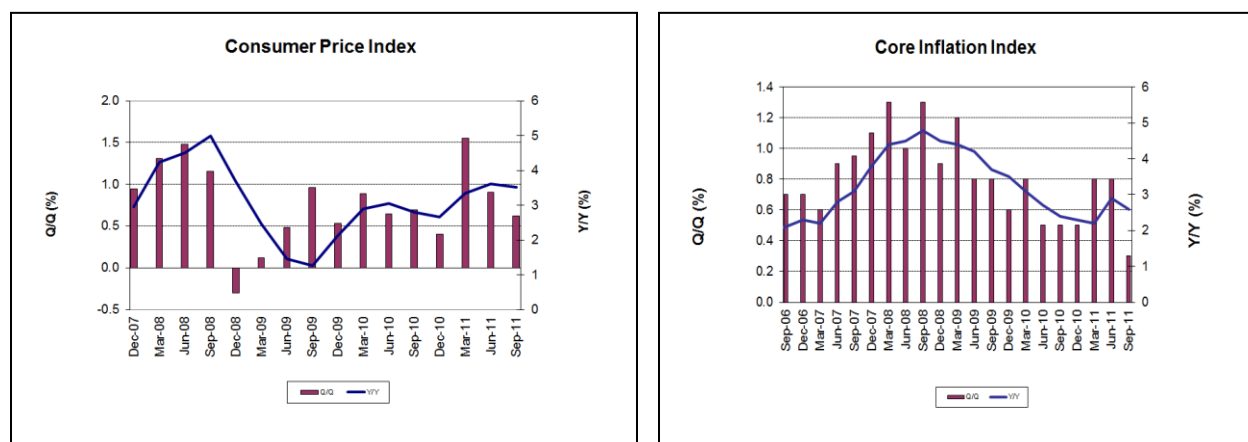
Headline Inflation – increased 0.6% Q/Q and 3.5 % Y/Y in Q3. (AU 1)

Producer Price – rose 0.6% Q/Q and 2.7% Y/Y in Q3. (AU 3)

NAB Business Confidence – fell 9pts to -4 in Q3. (AU 4)

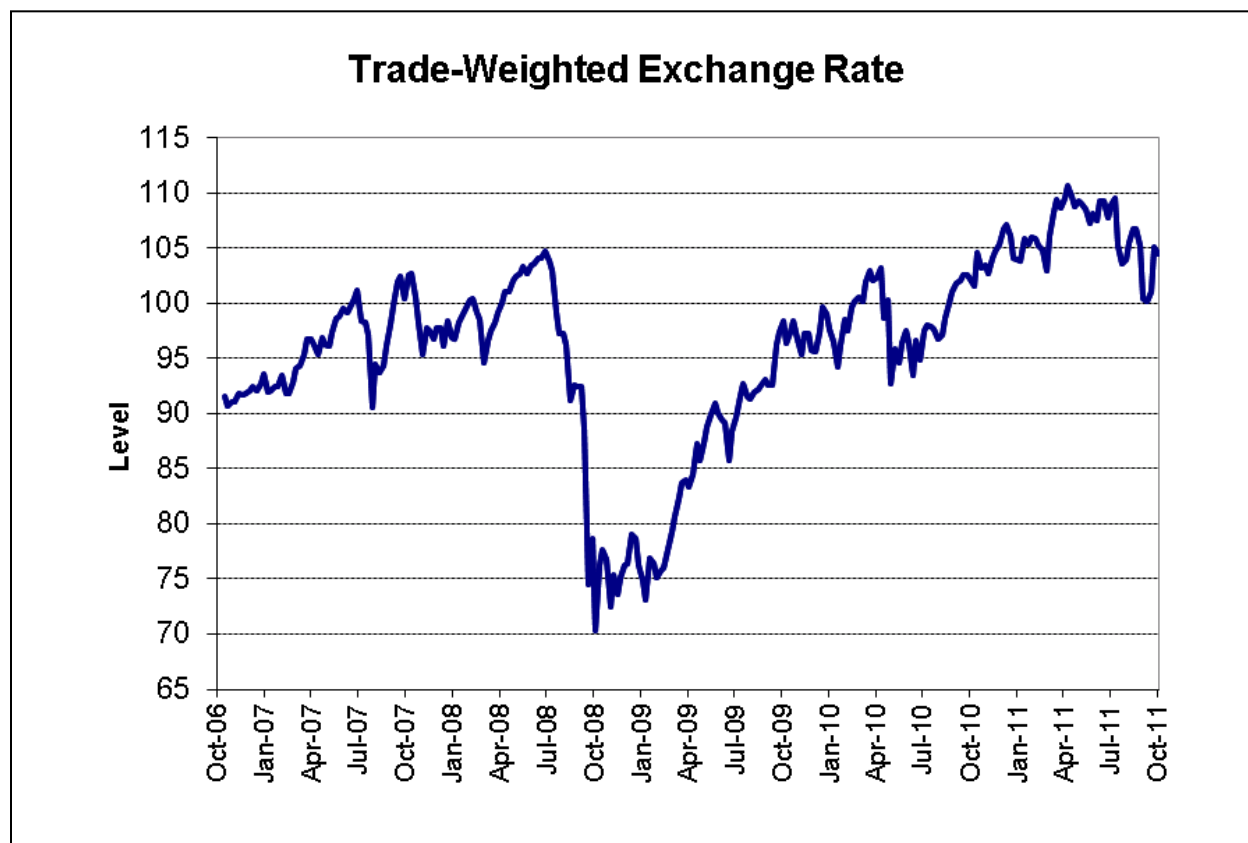
Weekly Releases & News

Chart(s) of the Week: *CPI*



The Consumer Price Index rose 0.6% Q/Q and 3.5% Y/Y in Q3. The annual pace is still near the fastest pace since December 2008's 3.7% and remains well above the top of the RBA's 2% to 3% target range. Expectations were for 0.6% Q/Q and 3.5% Y/Y. The RBA's favorite measure, the Trimmed Mean Inflation rate, rose 0.3% Q/Q and 2.3 % Y/Y from 2.6% Y/Y in Q2 (+0.6 Q/Q; +2.7% Y/Y expected). The RBA's measure of core inflation rose 0.3% Q/Q and 2.6% Y/Y from 2.9% Y/Y in Q2 (+0.6% Q/Q; +2.7% Y/Y expected).

Note: The average of two core measures of consumer prices closely watched by the RBA increased 0.3% Q/Q, the smallest rise since Q3 1997.

FX

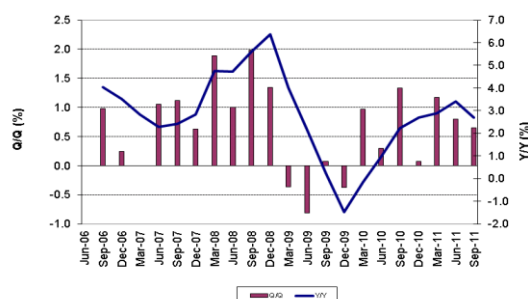
After the CPI release, Government bonds surged, with the yield on the three-year note dropping 17bps to 3.74%, the largest decline in more than a month.

PPI

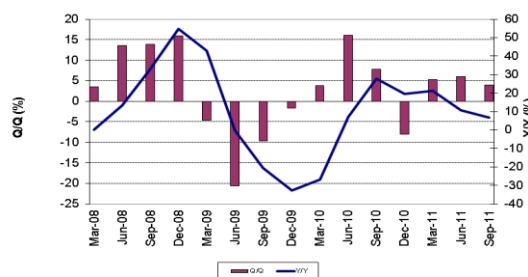
Q3 PPI rose 0.6% Q/Q and 2.7% Y/Y (3.4% prev.), less than the 0.8% Q/Q and 2.9% Y/Y expected. Cheaper manufacturing goods and construction partly offset gains in utility costs.

Import Prices were flat Q/Q and fell 1.7 % Y/Y. Export Prices rose 4.0% Q/Q and 6.6% Y/Y.

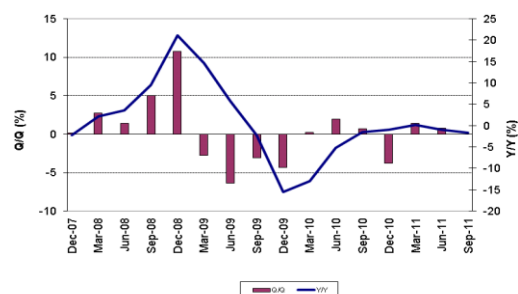
Producer Price Index



Export Price Index



Import Price Index



Data & Upcoming Dates

Conference Board Index - The Index of Leading Economic Indicators for Australia fell 0.1% to 120.5 points in August. The Leading Index is a gauge of how the Australian economy may perform in the next three to six months.

Q3 NAB Business Confidence Survey - The Australian Business Confidence Index fell 9pts to -4 in Q3. This is the lowest level since Q1 2009. The Business Conditions Index for the next 3 months fell 5pts to +5. NAB commented as follows:

- *Business conditions stumbled in the September quarter, reflecting an economy that it is still struggling to find traction, while activity is also seemingly being impacted by global influences.*
- *In new information contained in this survey, business capital spending intentions over the next 12 months fell a little in the September quarter, but remain at levels consistent with strong business investment (of around 10% per annum).*
- *Product price inflation weakened to a more subdued annualised rate of 0.9%. Retail prices were relatively flat, which together with rising input costs implies weaker retail profit margins.*

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/31	AiG Mfg Index	OCT	-	42.3
10/31	House Price Index (Q/Q)	Q3	-	-0.1%
10/31	RBA Cash Target	NOV	4.75%	4.75%
11/01	RBA Commodity Prices (Y/Y)	OCT	-	+26.6%
11/01	HIA New Home Sales (M/M)	SEP	-	+1.1%
11/01	Building Approvals (M/M)	SEP	-	+11.4%

Valance Co., Inc.

Valance Economic Report: New Zealand

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October 26, 2011

Both quarterly and annual headline inflation were lower than market expectations in Q3. Non-tradeables inflation unexpectedly softened from 1.1% to 0.6%, with annual rate declining from 5.2% to 4.5%. Due to moderating inflation pressures, the market expects the RBNZ to keep its OCR at 2.50% until Q2 2012. The NBNZ Business Confidence fell sharply in October.

Weekly Highlights

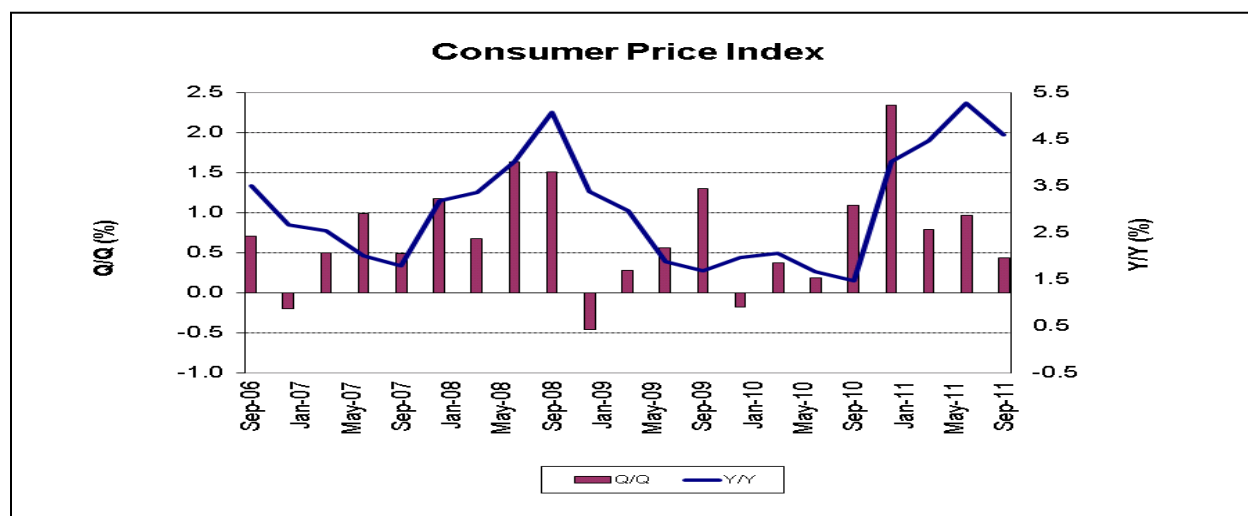
Headline CPI – rose 0.4% Q/Q and 4.6% Y/Y in Q3. (NZ 1)

Net Migration – 660 people left in September. (NZ 3)

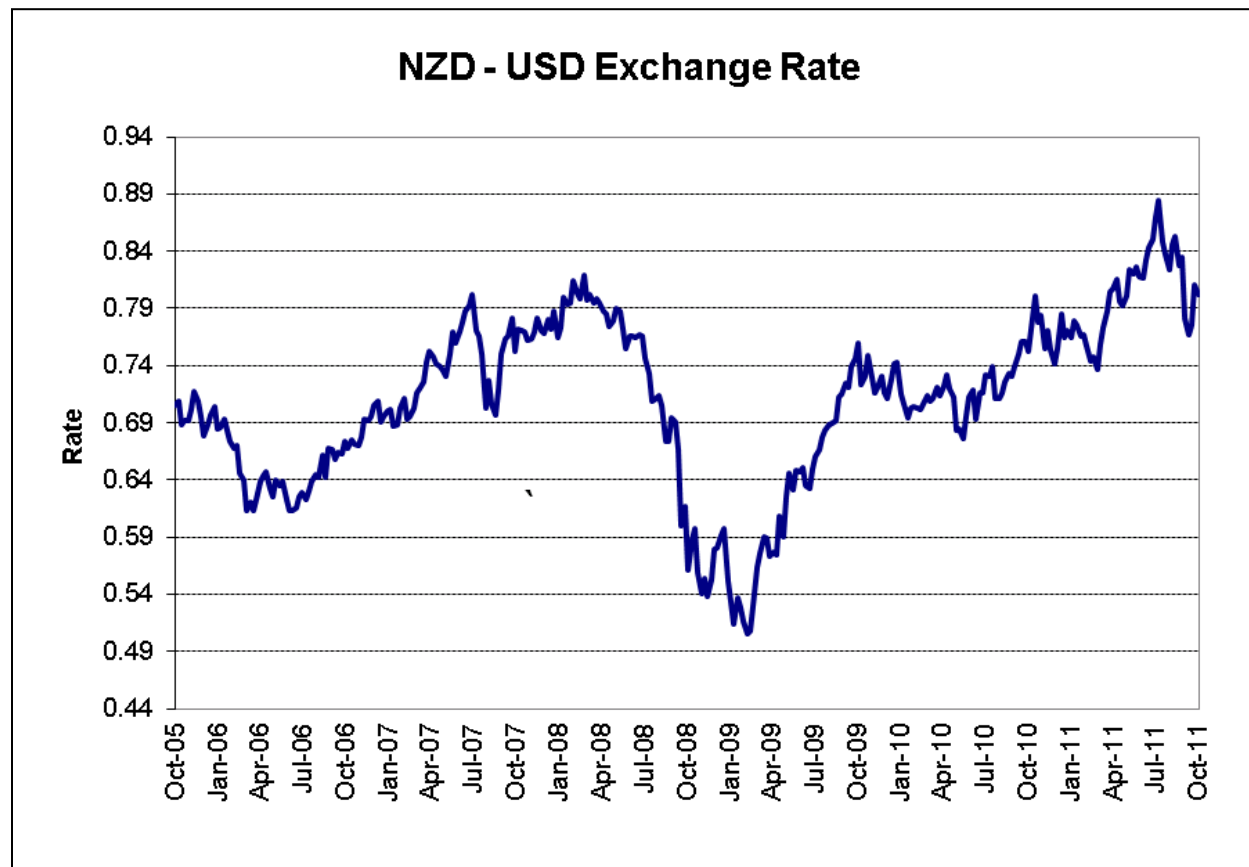
NBNZ Business Confidence – dropped from 30.3 in September to 13.2 in October. (NZ 3)

Weekly Releases & News

Chart of the Week: CPI



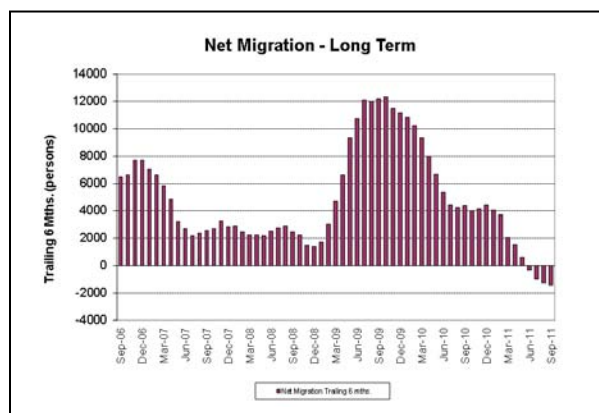
The Consumer Price Index rose 0.4% Q/Q (1.0% prev.) and 4.6% Y/Y (5.3% prev.) in Q3. The annual print includes a 2.3% increase in Q4 2010 when GST rose from 12.5% to 15%. The market expected 0.7% Q/Q and 4.9% Y/Y, while the RBNZ expected +0.7% Q/Q. Eight groups rose in Q3, with food (up 1.7 %), housing and household utilities (up 0.7 %), and miscellaneous goods and services (up 1.1 %) making the most significant contribution. Three groups decreased. The largest contributions came from transport (down 1.0 %) and communication (down 3.6 %). If food prices had remained unchanged from Q2, the CPI would have increased only 0.1 %, rather than 0.4 %. The closely watched non-tradeables inflation increased 0.6% Q/Q and 4.5% Y/Y (5.2% prev.); tradable prices rose 0.1% Q/Q and 4.6% Y/Y. Electricity prices saw a rare 0.3% Q/Q decline. Market participants are currently betting rates may not rise until Q2 2012.

FX

Net Migration & Data

Net Permanent Migration

In September, net outflows accounted for 660 people, after the first positive number (+120) in six months reached in August. This extends the largest exodus in a decade. September's number of permanent emigrants is the largest since February 2011. The number of New Zealanders leaving for Australia rose 49% to 43.8k in the year ended on September 30th, from 29.4k a year earlier.



Data & News

NBNZ Business Confidence - The NBNZ Business Confidence Index (broader economy survey) fell from 30.3 in September to 13.2 in October. The Activity Outlook measure fell from 35.4 in September to 26.1 in October. This is a third monthly decline in a row. The ANZ said that "the sacrificial lamb in this month's survey has been profits. This does not augur well for investment and employment, critical elixirs of sustained economic expansions." The ANZ also said "New Zealand's victories in the Rugby World Cup final and semi-finals occurred too late to influence the results."

Oct. 25th - Paid employment in New Zealand continues long-term rise (Xinhua via COMTEX) - The number of New Zealanders in paid employment saw its biggest monthly increase in three and a half years in August -- although much of the rise was due to short-term employment, the government statistics agency said Tuesday. The 2.1-% rise in August was the 16th straight month of increases and the highest year-on-year rise since April 2008, said a statement from Statistics New Zealand. On a monthly basis the number of filled jobs held by wage and salary earners adjusted to account for seasonal effects and movements was up by 1.1 % from July. "This month's increase appears to be due to a jump in short-term employment," said Statistics New Zealand industry and labor statistics manager Diane Ramsay. "Firms traditionally associated with short-term employment have more people on their books." The agency's national employment indicator focuses on changes and movements rather than the actual number of filled jobs to provide an early indication of filled jobs held by people collecting a wage or salary.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/26	RBNZ OCR	OCT	2.50%	2.50%
10/26	Trade Balance	SEP	-	-641 mln
10/30	Building Permits (M/M)	SEP	-	+12.5%
10/31	Hourly Earnings (Q/Q)	Q3	-	+1.2%
10/31	Private Wages Exc Overtime (Q/Q)	Q3	-	+0.5%
10/31	ANZ Commodity Prices (M/M)	OCT	-	-1.3%

Weekly Economic Report: **China**

Evelyn L. Richards

October 26, 2011

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No economic data released this week.

News Releases

October 24th (Bloomberg) - China Steps on Local Government Bonds 'Positive' – Moody's Investors Service stated in an email:

In addition to generating benefits for local governments seeking direct access to capital market funding, this step toward the eventual development of a municipal bond market is credit positive for China's central government.

October 23rd (Bloomberg) - China's HSBC Flash Manufacturing PMI – rose from 49.9 in September to 51.1 in October; moving ahead of the 50-point expansion level for the first time since July. HSBC Economist, Qu Hongbin remarked, "Thanks to the pick-up in new orders and output, the headline flash PMI rebounded back into expansionary territory during October, marking a steady start to manufacturing activities in the four quarter. Meanwhile, inflation components within the PMI results confirmed stable output prices growth and slower input price inflation. All these data confirm our view that there is no risk of a hard landing in China."

October 23rd (Reuters) - China's Wen says jobs a priority despite economic headwinds – The Official People's daily reported citing China's Premier Wen Jiabao:

Currently, economic growth is slowing and external demand is falling, and we should make employment even more of a priority in economic and social development, doing our utmost to expand employment.

Those efforts would include ensuring an appropriate rate of economic growth and supporting labour-intensive industries, small businesses and private firms.

To rein in prices, we must first properly deal with food prices.

With the arrival of winter, consumption (of pork) will increase.

All levels of government must take effective measures to consolidate the fruits of (housing price) controls.

On the one hand, we must get a grip on affordable housing construction. On the other hand, we must also increase land provision for ordinary commercial housing.

News Releases (Cont'd.) & Upcoming Dates

News (Cont'd.)

October 21st (Bloomberg) - China Unlikely to Reduce Rates – Former PBoC Adviser, Yu Yongding remarked:

Inflation is under control and the inflation rate will fall. I don't think there will be any major changes in policy either further tightening or loosening until cost-of-living gains decline.

The world's second-biggest economy won't see a substantial fall in growth, or a so-called hard landing, in the foreseeable future.

October 19th (Bloomberg) - Wider Use of Yuan, Real, May Benefit World – The IMF reported:

This process, however, will require deeper financial markets and further progress to reform and liberalize the capital account, along with other macroeconomic and structural policies

Key Dates This Week

Date	Indicator	Month	Expectation	Previous
10/27	MNI October Business Condition Survey	OCT	--	--
10/31	PMI Manufacturing	OCT	--	51.2
10/31	HSBC Manufacturing PMI	OCT	--	49.9
11/02	China Non-Manufacturing PMI	OCT	--	59.3
11/02	China HSBC Services PMI	OCT	--	53.0

Valance Co., Inc.

Valance Economic Report: Sweden

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October 26, 2011

This week's data was mixed with the Trade Surplus widening to SEK 11.9 bln, PPI falling below expectations, and the Unemployment Rate rising to 6.8%.

Weekly Highlights

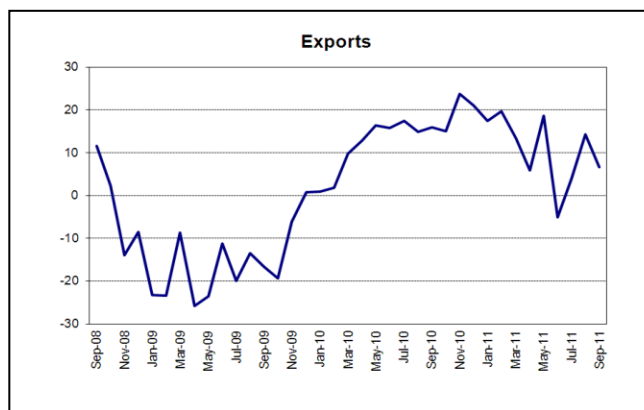
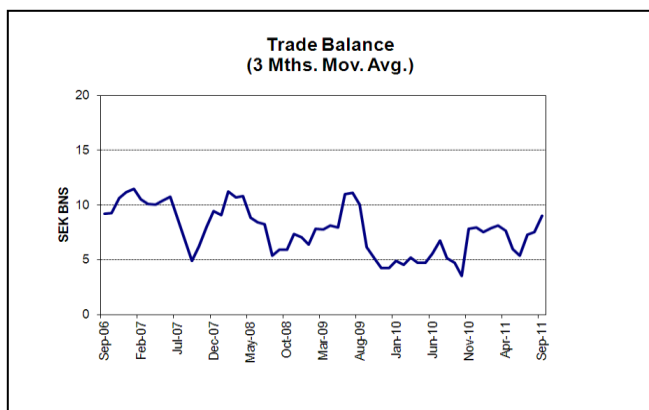
Trade Surplus – widened to a surplus of SEK 11.9 bln in September. (SW 1)

PPI – fell 0.7% M/M and 0.2% Y/Y in September. (SW 2)

Unemployment Rate - rose from 6.6% in August to 6.8% in September. (SW 2)

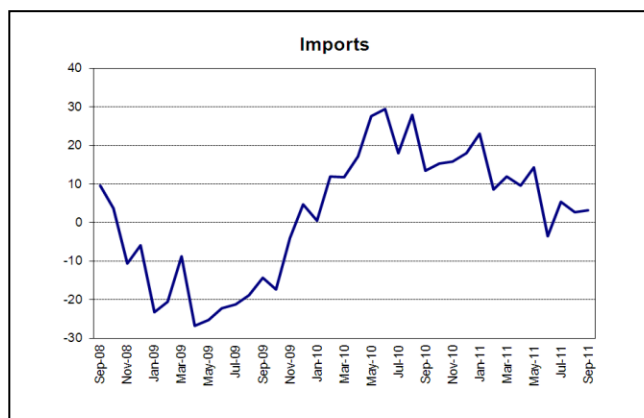
Weekly Releases & News

Chart(s) of the Week: Trade Data



Sweden's Trade Surplus widened from SEK 6.4 bln in August to SEK 11.9 bln in September, and up from a surplus of SEK 8.2 bln a year earlier. A surplus of SEK 7.5 bln was expected.

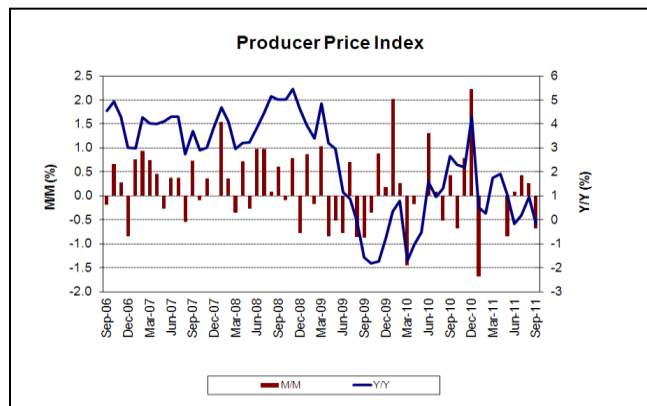
Exports climbed 6.6% Y/Y, while Imports advanced 3.2% Y/Y in September.



PPI, Unemployment Rate & Trade Weighted Exchange Rate

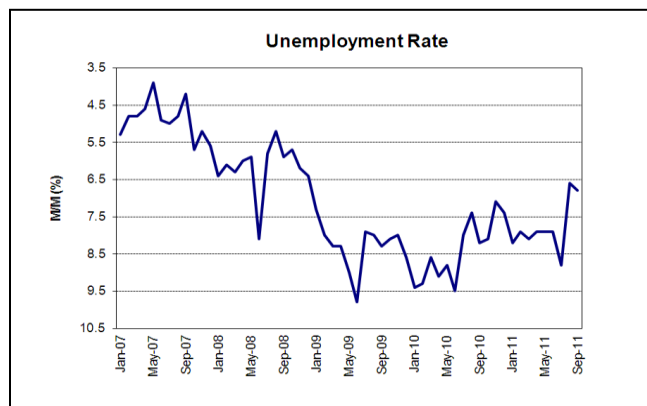
PPI

The Producer Price Index fell 0.7% M/M and 0.2% Y/Y in September, compared with 0.3% M/M and 0.9% Y/Y the previous month. Prices were forecast to fall 0.2% M/M and gain 0.3% Y/Y.

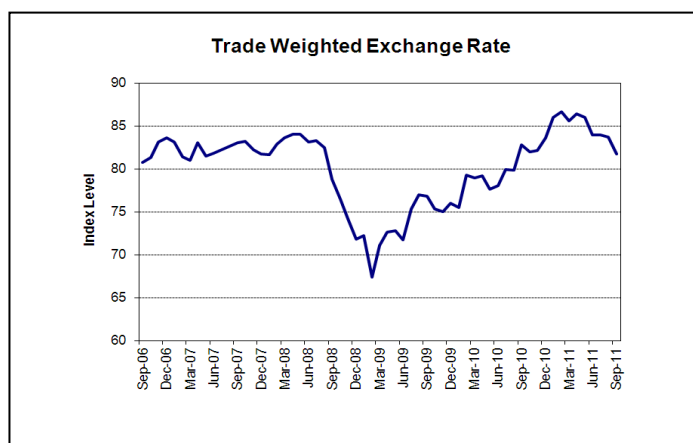


Unemployment Rate

The Unemployment Rate (n.s.a.) rose from 6.6% in August to 6.8% in September. The rate was expected to reach 7.0%. The number of employed totaled approximately 4.7 mln persons – an increase of 89K persons, compared with September 2010; while the number of unemployed totaled 341K persons -- down 44K. On a seasonally-adjusted basis, the unemployment rate reached 7.2% in September, amounting to 364K unemployed persons.



Trade Weighted Exchange Rate



News & Upcoming Dates

News

October 19th (Bloomberg) - Sweden Ready to Back Broader EU Bank Rescue Plan - Finance Minister Anders Borg said:

The main scenario is that it is the euro countries that deal with this through the European Financial Stability Facility. If some type of European backstop is needed, then it needs to come with tough conditions. We then have to be certain that taxpayers in all cases get their money back.

If there is an opportunity to find a European solution, Sweden will of course discuss that. But we're not there yet.

We want to eventually continue to gradually sharpen demands on Swedish banks both when it comes to liquidity and own capital.

We have a very responsible attitude that we also intend to implement in a cautious and moderate way. That means that banks must keep more capital in the future on their balance sheets.

Key Dates This Week

Date	Indicator	Month	Expectation	Previous
10/27	Household Lending	SEP	5.9%	6.2%
10/27	Riksbank Interest Rate	OCT 27	2.00%	2.00%
10/28	Consumer Confidence	OCT	-6.4	-5.8
10/28	Manufacturing Confidence	OCT	-5	-3
10/28	Economic Tendency Survey	OCT	96.0	96.9
10/28	Retail Sales	SEP	0.3% / -0.2%	-0.3% / 0.2%
10/31	Wages	AUG	--	2.4%
11/01	Swedbank PMI Survey	OCT	--	48.1

Valance Co., Inc.

Valance Economic Report: Switzerland

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October 26, 2011

In September, Switzerland's Trade Surplus widened, the consumption indicator stabilized after sharp declines in June and August, and the outlook for Switzerland's economy improved.

Weekly Highlights

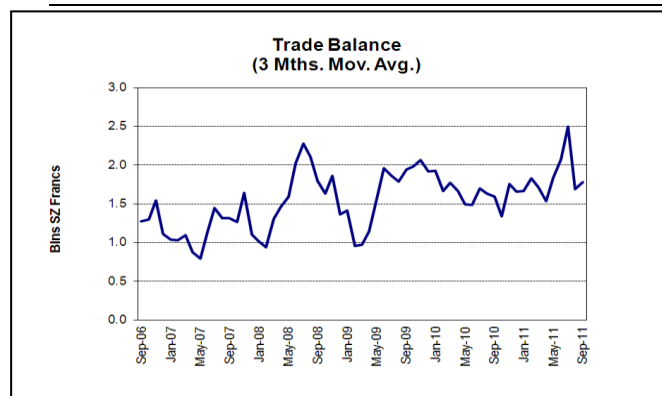
Exports – rebounded 3.4% M/M in September, after falling 6.9% M/M in August. (SZ 1)

UBS Consumption Indicator – rose from .80 in August to .84 in September. (SZ 2)

Swiss Investor Sentiment – improved from -75.7 in September to -54.4 in October. (SZ 2)

Weekly Releases & News

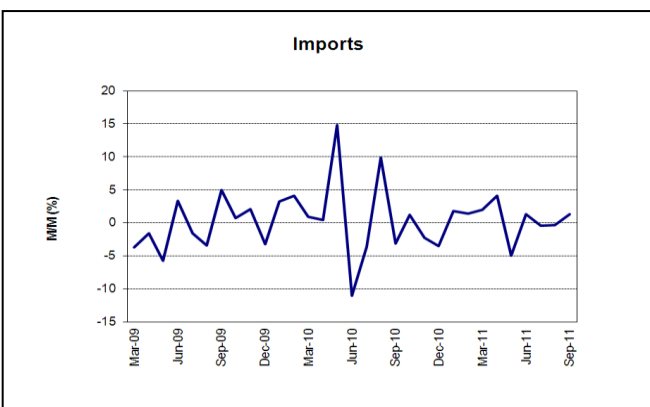
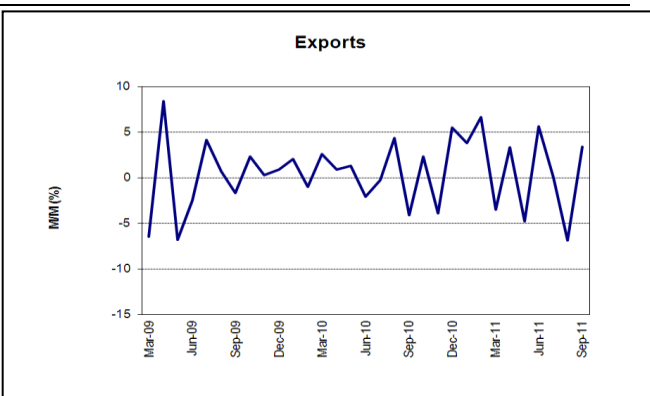
Chart(s) of the Week: Trade Data



Switzerland's Trade Balance widened from a surplus of .76 bln francs in August to a surplus of 1.85 bln francs in September.

Adjusted for inflation and seasonal swings, Exports rose 3.4% M/M, considerably higher than the 6.9% M/M loss posted the previous month.

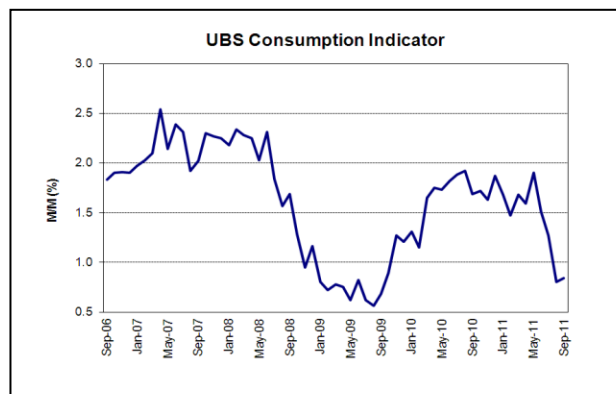
Imports jumped 1.3% M/M in September, compared with the 0.3% M/M loss suffered in August.



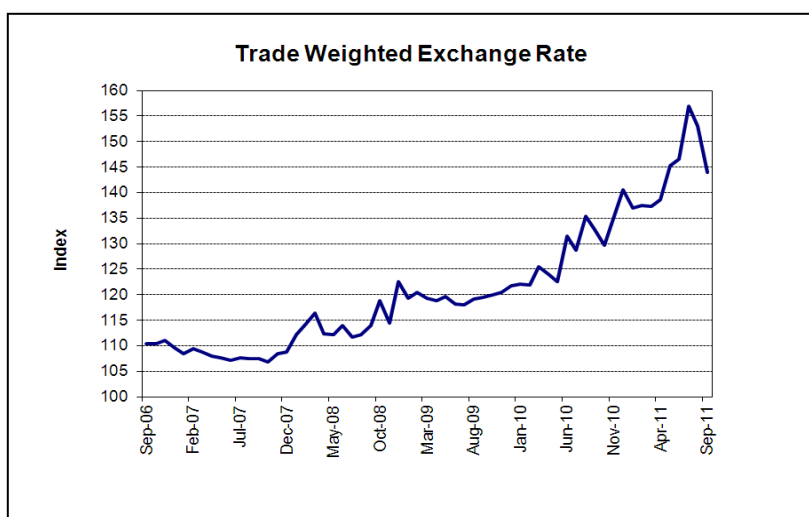
UBS Consumption Indicator, Trade Weighted Exchange Rate & News

UBS Consumption Indicator

The UBS Consumption Indicator rose from .80 in August to .84 in September. UBS said, “Consumers are increasingly benefiting from the passing on of continued exchange rate gains, which increases their purchasing power. Consequently, we don’t expect consumer sentiment to worsen further.”



Trade Weighted Exchange Rate



News

October 21st (RTT) - M3 Money Supply – rose from 8.0% Y/Y in August to 8.2% Y/Y in September.

October 20th – October Swiss Investor Sentiment (Bloomberg) - A survey by the ZEW Center for European Economic Research and Credit Suisse Group showed that the outlook for Swiss Investor Confidence improved from -75.7 in September to -54.4 in October.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
10/28	KOF Swiss Leading Indicator	OCT	1.04	1.21
11/01	Retail Sales	SEP	--	-1.9
11/01	PMI	OCT	--	48.2