

Valance Company, Inc.



Weekly

November 9, 2011

III

Highlights

US – Underwhelming payroll report

EU – ECB cut rates; Greece and Italian Prime Ministers agree to step down

JN – Exports improve

UK – Negative effect from Euro-area crisis

CA – BoC renewed its inflation target.

AU – RBA cut Growth/CPI forecast

NZ – Unemployment continued to edged up

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Valance Co., Inc.

Valance Economic Report: *United States*

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November 9, 2011

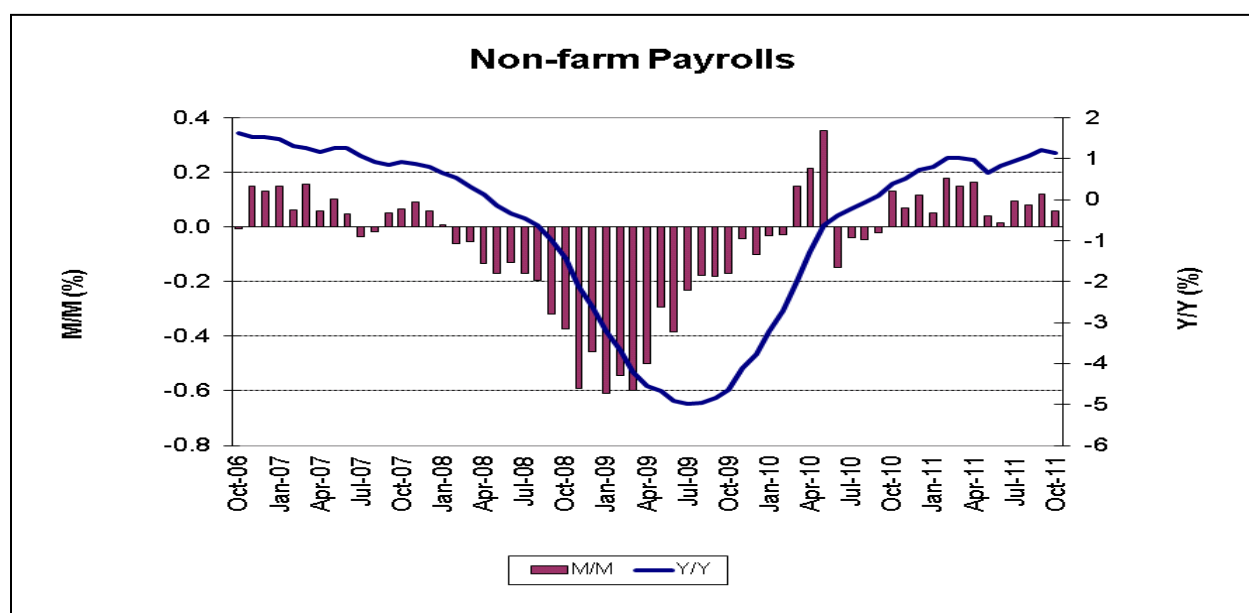
A light week of data continued the recent trend of moderate growth. The payroll report was underwhelming, though it contained moderate positive revisions and the unemployment rate finally declined. European debt turmoil continues to drive market movement.

Weekly Highlights

Non-farm Payrolls – increased 80k in October. (US 1)

Average Weekly Hours – remained unchanged in October. (US 3)

Average Hourly Earnings – rose 0.2% M/M and 1.8% Y/Y. (US 3)

Weekly Releases**Chart of the Week: *Non-farm Payrolls***

Non-farm Payrolls increased by 80k in October, lower than expectations for a gain of 95k. September non-farm payrolls were revised upward from 103k to 158k. Private payrolls increased 104k, also less than expectations of 125k. September figures for private payrolls were also revised from 137k to 191k. Manufacturing payrolls rose 5k. The Unemployment Rate dropped 0.1%, for the first time in four months, to 9.0%. The still reflects a lack of growth and demand in the economy.

US 1

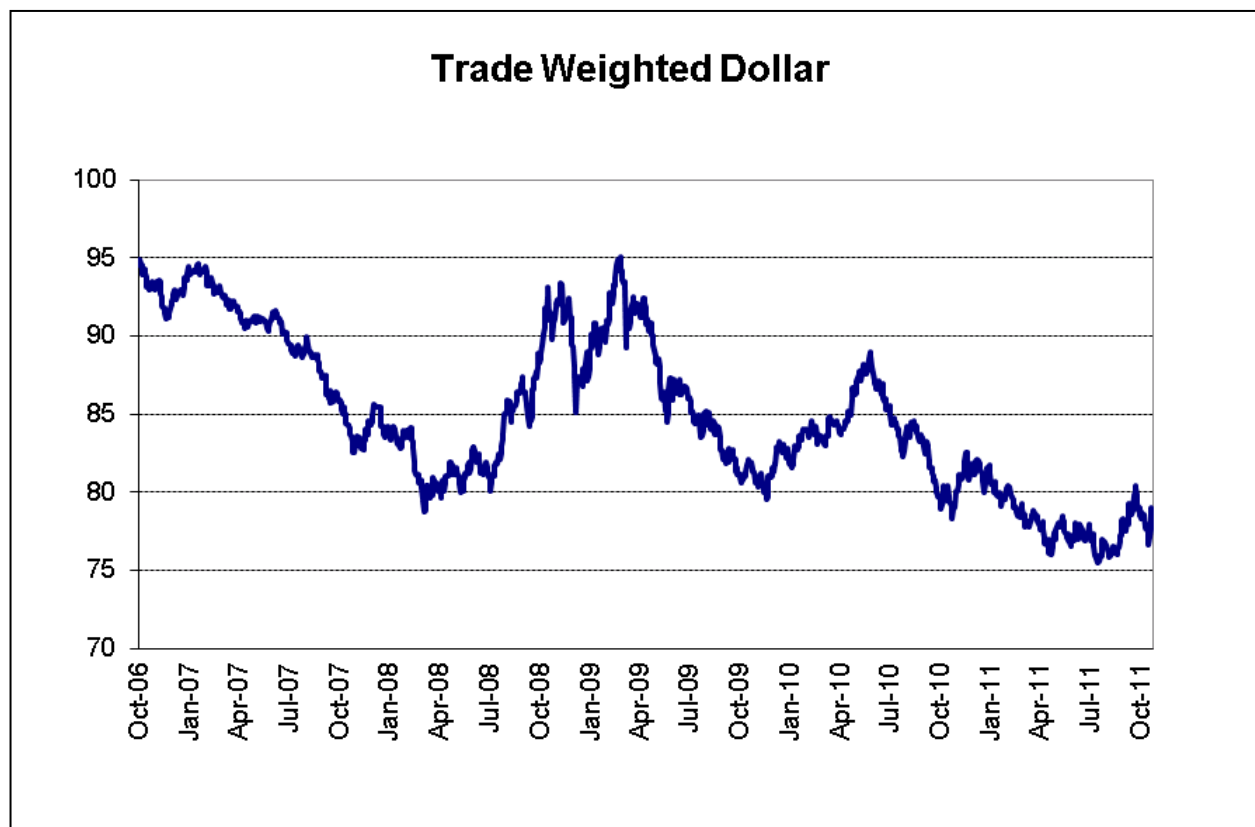
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

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

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

Trade Weighted Dollar

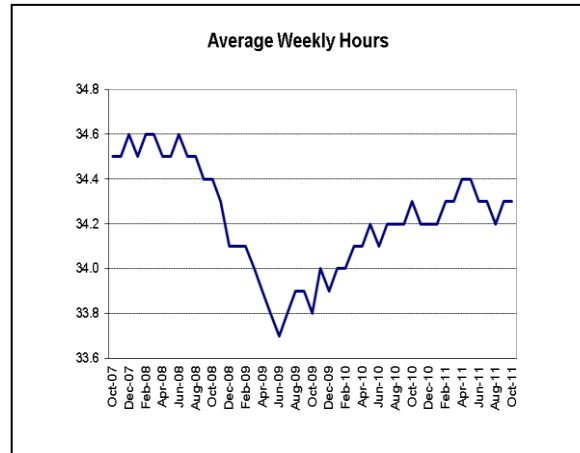


US 2

Weekly Hours, Hourly Earnings, & Claims

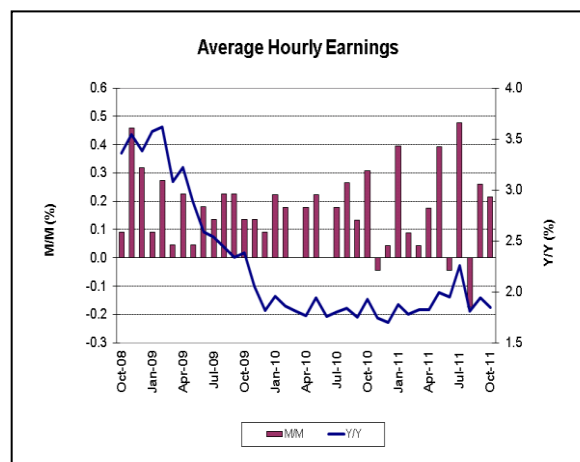
Average Weekly Hours

Average Weekly Hours remained unchanged at 34.3 in October. Aggregate hours stood at the same level a year ago.



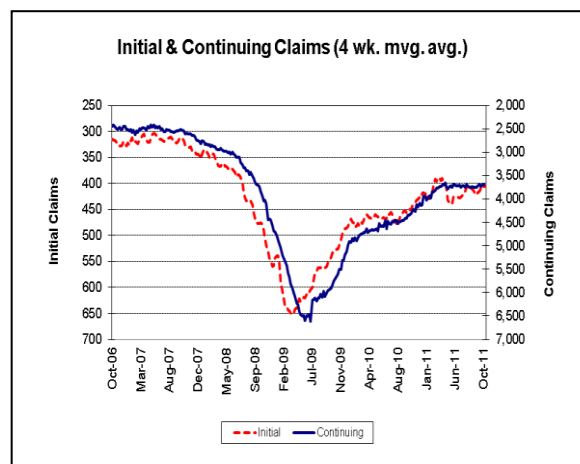
Average Hourly Earnings

Average Hourly Earnings rose 0.2% M/M and gained 1.8% Y/Y in October. Y/Y growth in wages has slowed dramatically since the crisis began due to labor market slack. With a large supply of untapped labor, wages are expected to remain stable.



Initial & Continuing Claims

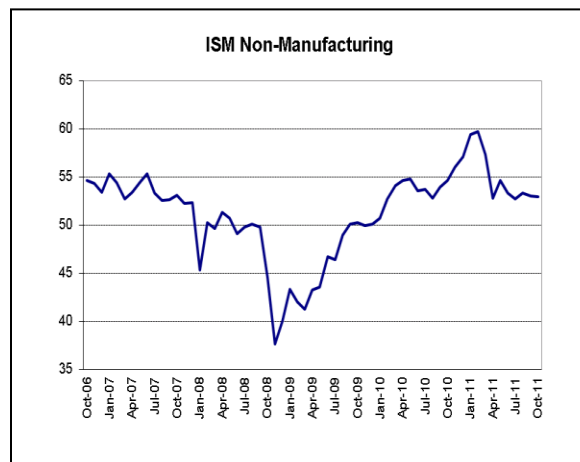
Initial Claims decreased from a revised 406k to 397k, below market expectations of 400k. The four week moving average of Initial Claims rose to 405.5k from 404.5k. Continuing Claims fell from a revised 3698k to 3683k.



ISM, Consumer Comfort, & Mortgage Apps

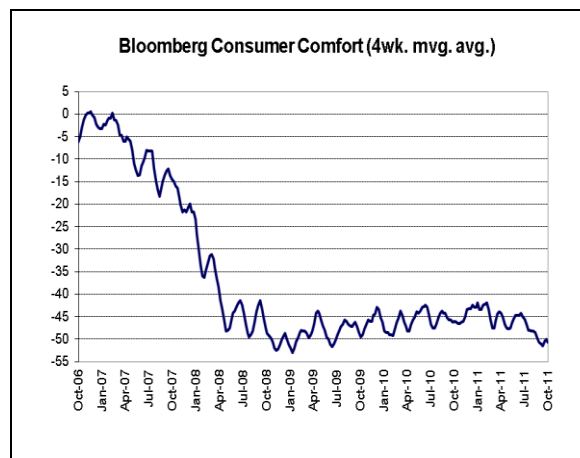
ISM Non-Manufacturing

The ISM Non-Manufacturing Index surprisingly decreased from 53.0 to 52.9 in October. New Orders regressed from 56.5 to 52.4 and the employment component rose from 48.7 to 53.3. The price component decreased from 61.9 to 57.1.



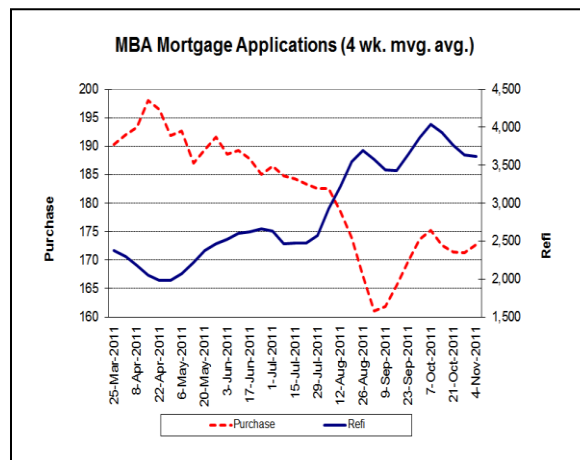
Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index fell from -51.1 to -53.2, the lowest level in over two years. The state of the economy component regressed from -90.0 to -90.2. The buying climate also fell from -51.8 to -53.3. Lastly, personal finances decreased as well, from -11.6 to -16.2.



MBA Mortgage Apps

Purchase Mortgage Applications gained 1.3% W/W, after gaining 0.2% W/W last week. Refi applications rose 12.1% W/W this week.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
11/10	Import Price Index (M/M)	OCT	0.10%	0.30%
11/10	Trade Balance	SEP	-\$46.0B	-\$45.6B
11/10	Initial Jobless Claims	NOV 5	400K	397K
11/10	Continuing Claims	OCT 29	3681K	3683K
11/10	Bloomberg Consumer Comfort	NOV 6	-51	-53.2
11/10	Monthly Budget Statement	OCT	-\$105.0B	-\$140.4B
11/11	U. of Michigan Confidence	NOV	61.5	60.9
11/15	Producer Price Index (M/M)	OCT	-0.10%	0.80%
11/15	PPI Ex Food & Energy (M/M)	OCT	0.20%	0.20%
11/15	Retail Sales Less Autos	OCT	0.20%	0.60%
11/15	Empire Manufacturing	NOV	-3	-8.48
11/16	MBA Mortgage Applications	NOV 11	--	--
11/16	Consumer Price Index (M/M)	OCT	0.00%	0.30%
11/16	CPI Ex Food & Energy (M/M)	OCT	0.10%	0.10%
11/16	Industrial Production	OCT	0.50%	0.20%
11/16	Capacity Utilization	OCT	77.70%	77.40%
11/16	NAHB Housing Market Index	NOV	17	18

Valance Co., Inc.

Valance Economic Report: Euro Zone

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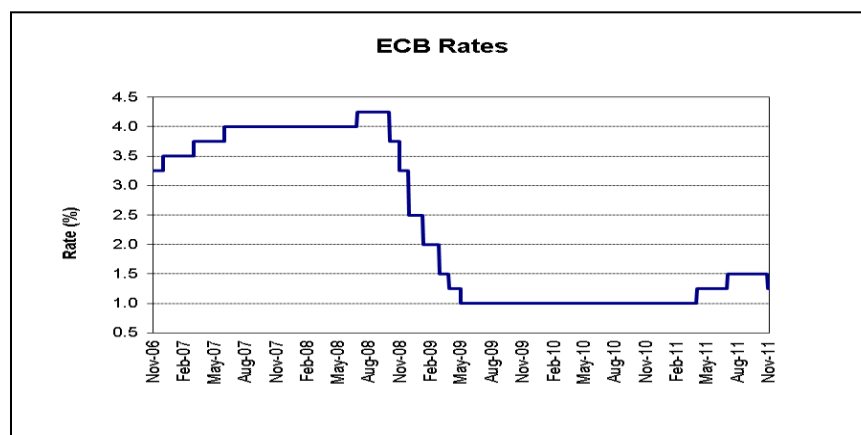
November 9, 2011

The ECB cut its benchmark interest rate by 25 bps to 1.25% amidst market turmoil. Mr. Papandreou, the Greek Prime Minister, resigned. Italy's Prime Minister, Silvio Berlusconi has also agreed to step down as soon as Parliament approves cost cutting measures. On the data front, September saw a decline in EU Retail Sales and a fall in German Industrial Production. The EU Sentix Investor Confidence fell to a two year low.

Weekly Highlights

ECB - reduced benchmark interest rate by 25 bps to 1.25%. (EU 1)

EU Retail Sales - fell 0.7% M/M and 1.2% Y/Y in September. (EU 2)

Weekly Releases & News**Chart of the Week: ECB Benchmark Lending Rates**

The ECB reduced its benchmark interest rate by 25 bps to 1.25%, amid European economic turmoil, mixed with high inflation. "What we are observing now is...slow growth heading toward a mild recession by year-end," President Mario Draghi told a news conference. "A significant downward revision to forecasts and projections for average real GDP growth in 2012 (is) very likely," he added.

EU 1

Euro Zone Financial Balances & Trade Weighted Euro

Financial Balances

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

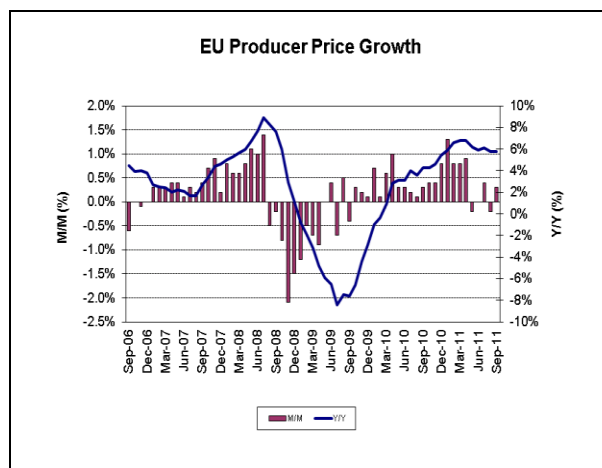
Trade-Weighted Exchange Rate



EU Producer Prices & Retail Sales

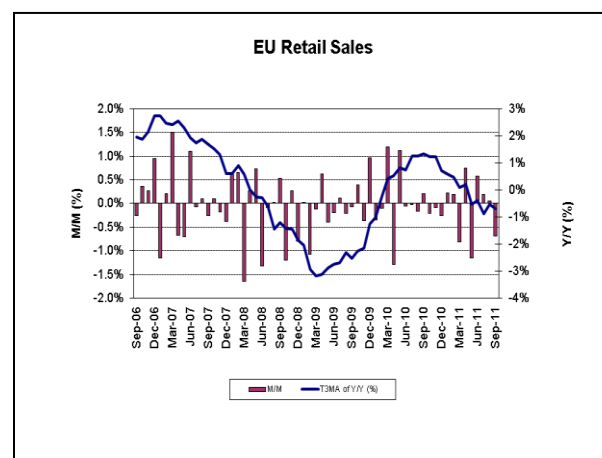
EU Producer Prices

EU Producer Prices increased 0.3% M/M and 5.8% Y/Y in September. Market expectations were for a reading of 0.2% M/M and 5.8% Y/Y. Energy prices, creating the most upward pressure on Producer Prices, increased 1.0% M/M and 12.2% Y/Y. Durable Consumer Goods increased 0.4% M/M and 2.5% Y/Y.



EU Retail Sales

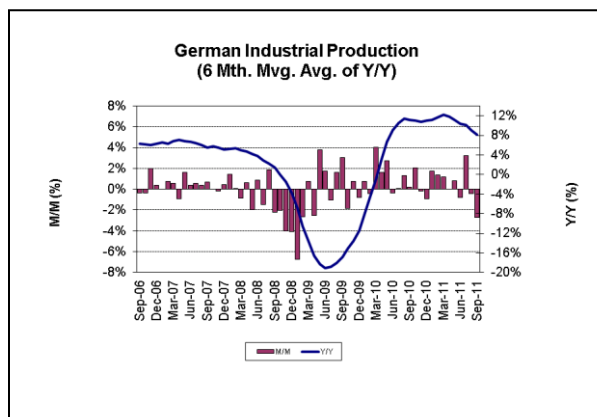
EU Retail Sales fell 0.7% M/M and 1.2% Y/Y in September. Market expectations were for a 0.1% M/M and a 0.5% Y/Y decline. The Food, Drink and Tobacco sector was flat M/M and fell 1.5% Y/Y. Non-food products fell 0.8% M/M and 1.9% Y/Y.



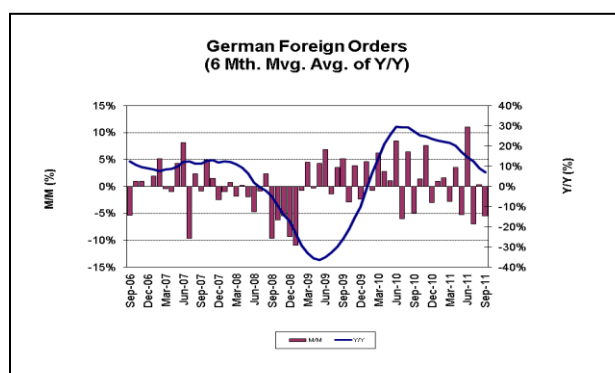
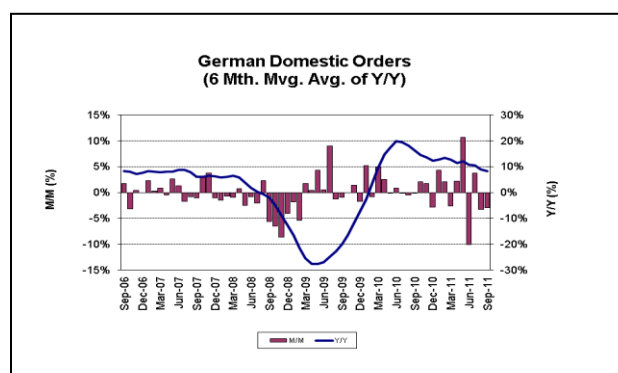
German Industrial Production & Factory Orders

German Industrial Production

German Industrial Production fell 2.7% M/M in September, mainly as a result of a 3.0% M/M decline in the Manufacturing & Mining sector. Y/Y growth increased 5.4%. Market expectations were for a 0.9% M/M decline and 7.2% Y/Y gain.



German Factory Orders

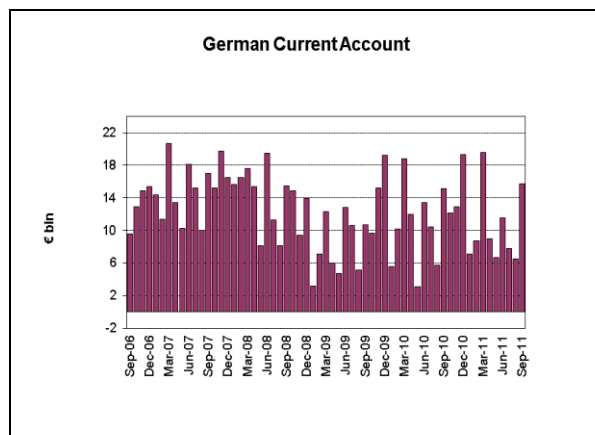


German Factory Orders unexpectedly fell 4.3% M/M and increased 2.4% Y/Y in September. Market expectations were for a 0.1% M/M and 7.5% Y/Y gain. Domestic Factory Orders fell 3.0% M/M and increased 8.3% Y/Y. Foreign Orders fell 5.4% M/M and increased 1.4% Y/Y.

German Current Account, Trade Balance & Exports

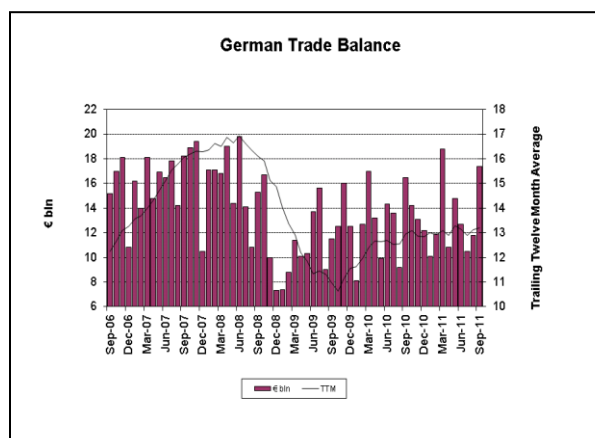
German Current Account

Germany's Current Account surplus widened from €6.5 bln in August to €15.7 bln in September. The Current Account balance stood at €15.1 bln in September 2010.



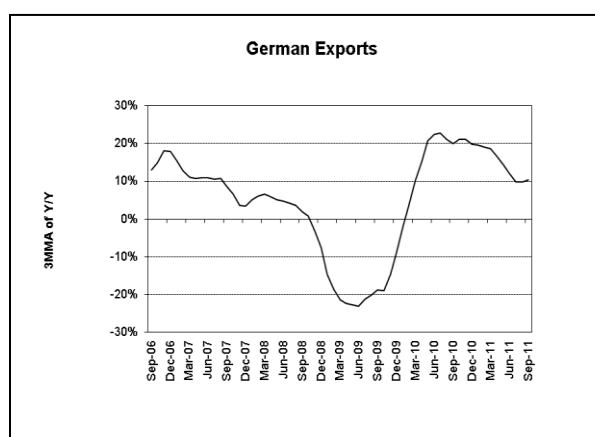
German Trade Balance

Germany's Trade surplus widened from €11.8 bln in August to €17.4 bln in September as exports increased and imports fell. The surplus stood at €16.5 bln in September 2010.



German Exports

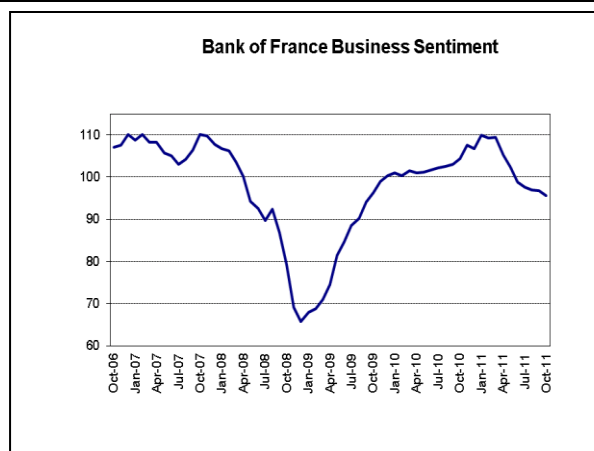
German Exports increased 0.9% M/M and 10.4% Y/Y in September. Imports fell 0.8% M/M and increased 11.6% Y/Y.



French Business Sentiment & Trade Balance

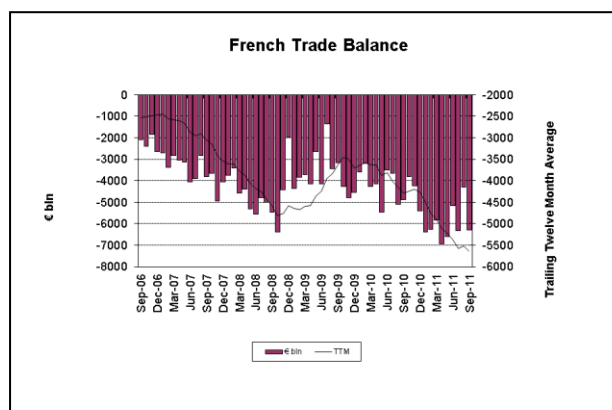
Bank of France Business Sentiment

French Business Sentiment fell from 97 in September to 96 in October, in line with market expectations. The Price of Finished Goods remained at 2 and the Activity sector fell from 9 to 2.



French Trade Balance

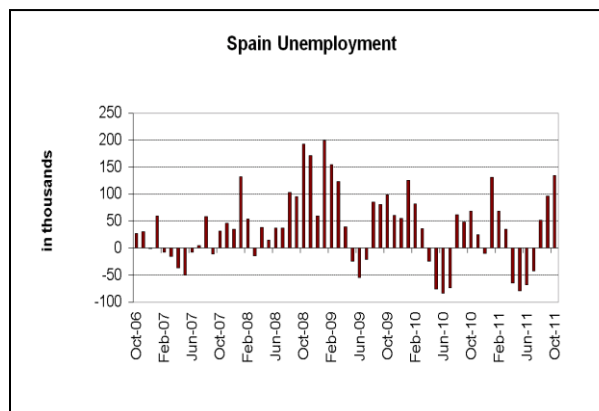
The French Trade deficit widened from €4.3 bln in August to €6.3 bln in September. Exports fell 5.3% M/M and increased 7.5% Y/Y. Imports fell 0.6% M/M and increased 10.3% Y/Y. The Trade Balance stood at a deficit of €4.9 bln in September 2010.



Spanish Unemployment & Industrial Production

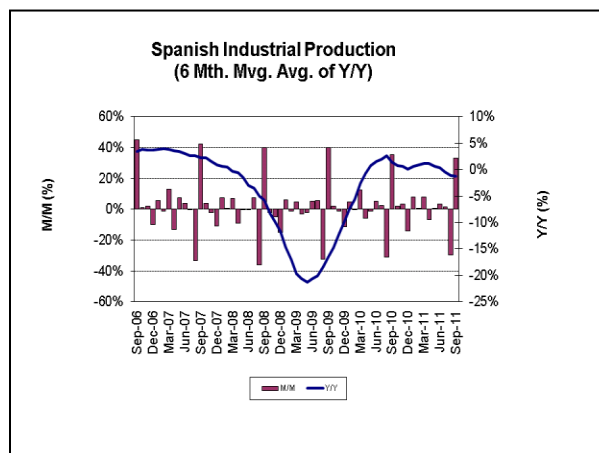
Spanish Unemployment

Spanish Unemployment increased by 134.2 K in October, increasing the most in two years. Market expectations were for a reading of 52K. The unemployment rate stood at 22.6% in September.



Spanish Industrial Production

Spanish Industrial Production growth increased 1.8% Y/Y in September following a flat reading in August.



Comments/Data/News

EU Sentix Investor Confidence - fell from -18.5 in October to -21.2 in November, reaching a two year low.

Nov. 8th - German Growth Seen Falling Below 1 Percent (Bloomberg) (AP) - Germany's economic growth will slip below 1 percent next year amid increasing global uncertainty and pressure on rich countries to reduce their debts, the government's panel of independent economic advisers said Wednesday. The panel's annual report predicted that Europe's biggest economy will grow by only 0.9% in 2012. For this year, it forecast growth of 3% - below last year's figure of 3.7%. Germany's return to strong growth has been led by exports and improving domestic demand. But the economy is losing steam as the global outlook cools partly because of the debt troubles in the eurozone. The slowdown is evident in recent figures showing a sharp decline in industrial orders in September, and a smaller drop in industrial production. In their report, the economists stressed Germany's "particular responsibility" to resolve the eurozone debt crisis even though any solution will "entail great expense and considerable uncertainty." "Safeguarding the stability of monetary union is not only in the interests of Europe, it is also in Germany's own best interests," they wrote.

Nov. 8th - ECB's Provopoulos Calls For Government to be Formed Immediately (Bloomberg) - Greece's Central Bank Governor George Provopoulos, a member of the European Central Bank's Governing Council, called on Greek political parties to immediately agree on a new government. It is "imperative that a new government is formed immediately and that the new government and the major political parties commit to the full implementation of the agreement of the Heads of State of October 27th and the measures underpinning that agreement," Provopoulos said in an e-mailed statement from the Athens-based bank. "Political uncertainty has added to the stress facing the economy and the banking system." "Any delay in forming a new government threatens to damage further the country's credibility," he said. "To safeguard financial stability in this very-challenging environment, it is essential that a strong coalition government pursues the necessary policies that will ensure Greece's future within the euro area."

Nov. 8th Germany Forces EU to Drop Sanctions Threat for Trade Surpluses (Bloomberg) - Germany's external surpluses won't face European Union sanctions under a new economic-monitoring system, the EU said, in a concession to Europe's dominant export power. German Finance Minister, Wolfgang Schaeuble, forced the EU to spare surplus countries from any penalties under the new procedure for sounding the alarm about the buildup of economic imbalances. "Now it's absolutely clear that there won't be sanction proceedings for surpluses," Schaeuble told reporters after EU finance chiefs met in Brussels today. "In the debates in Germany I've said time and again that this isn't going to happen and we reached our goal." Finance ministers endorsed a scoreboard of 10 economic indicators that the European Commission will monitor for signs that an economy is out of kilter. The scoreboard is meant to catch bubbles like Ireland's real-estate boom that went bust, forcing the Irish government to seek financial aid. Current-account deficits of 4% of gross domestic product will flash an alert signal, while surpluses will be considered benign unless they top 6%.

Nov. 8th - Stark Can't See ECB Ever Agreeing to Monetize Debt (Bloomberg) - European Central Bank Executive Board Member, Juergen Stark, said he can't see the ECB "ever giving in to pressure" to buy unlimited debt directly from distressed governments. "I can see the pressure but I don't see anyone who could give in to this pressure," Stark said in a panel discussion in Lucerne, Switzerland, when asked about how Italy could be rescued. "We're back on the issue relating to responsibilities of central banks and states. We have a no-bailout clause."

Key Dates This Week

<i>Date</i>	<i>Country</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
11/10	EC	ECB Publishes Nov. Monthly Report	--	--	--
11/14	EC	Euro-Zone Ind. Prod. wda (Y/Y)	SEP	--	5.30%
11/14	EC	Euro-Zone Ind. Prod. sa (M/M)	SEP	--	1.20%
11/15	EC	Euro-Zone GDP s.a. (Q/Q)	3Q	--	0.20%
11/15	EC	Euro-Zone GDP s.a. (Y/Y)	3Q	--	1.60%
11/15	EC	ZEW Survey (Econ. Sentiment)	NOV	--	-51.2
11/15	EC	Euro-Zone Trade Balance	SEP	--	-3.4B
11/16	EC	Euro-Zone CPI (M/M)	OCT	--	0.80%
11/16	EC	Euro-Zone CPI (Y/Y)	OCT	--	3.00%
11/10	GE	CPI - EU Harmonised (M/M)	OCT	0.00%	0.00%
11/10	GE	CPI - EU Harmonised (Y/Y)	OCT	2.80%	2.80%
11/15	GE	GDP s.a. (Q/Q)	3Q	--	0.10%
11/15	GE	GDP wda (Y/Y)	3Q	--	--
11/15	GE	Zew Survey (Current Situation)	NOV	--	38.4
11/15	GE	ZEW Survey (Econ. Sentiment)	NOV	--	-48.3
11/10	FR	Consumer Price Index (M/M)	OCT	0.20%	#####
11/10	FR	Consumer Price Index (Y/Y)	OCT	2.30%	2.20%
11/10	FR	CPI Ex Tobacco Index	OCT	122.65	122.5
11/10	FR	Industrial Production (M/M)	SEP	-0.70%	0.50%
11/10	FR	Industrial Production (Y/Y)	SEP	3.90%	4.40%
11/14	FR	Current Account (EURO)	SEP	--	-2.9B
11/15	FR	Gross Domestic Product (Q/Q)	3Q	--	0.00%
11/15	FR	Gross Domestic Product (Y/Y)	3Q	--	1.70%
11/10/	IT	Industrial Production wda(Y/Y)	SEP	1.10%	4.70%
11/10	IT	Industrial Production nsa(Y/Y)	SEP	0.50%	4.60%
11/15	IT	Trade Balance (Total) (Euros)	SEP	--	--

Valance Economic Report: Japan

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November 9, 2011

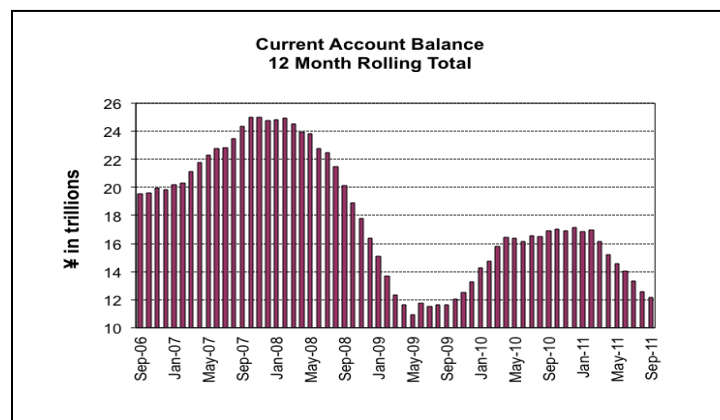
The Current Account surplus increased in September on a seasonally adjusted basis, due to an improvement in Exports. While the Eco Watchers Survey improved as well, the Leading Index declined.

Weekly Highlights

Current Account Surplus – increased from ¥652.6 to ¥1186.6 bln in September. (JN 1)

Eco Watchers Survey Current Conditions Index – improved 0.6pts to 45.9. (JN 3)

Chart(s) of the Week: *Current Account Balance*

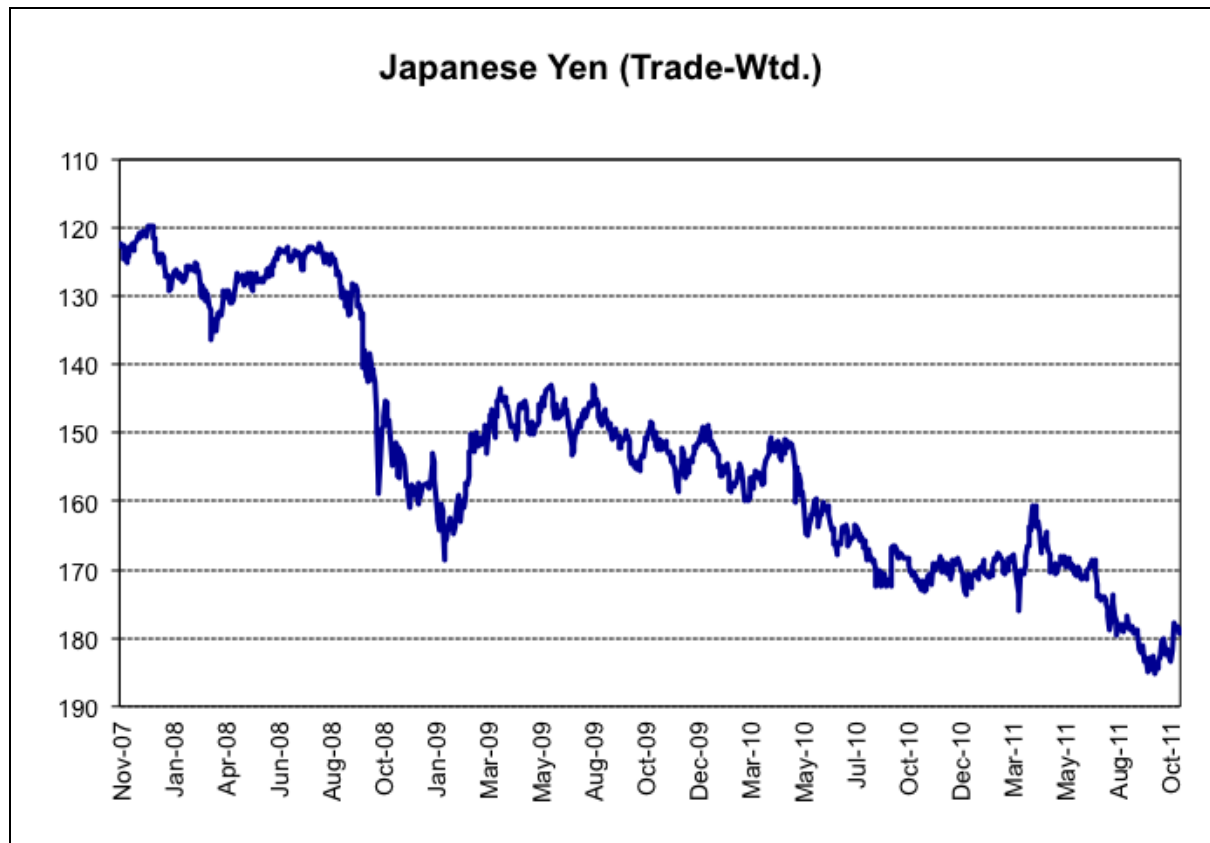


The adjusted Current Account Surplus increased from ¥652.6 bln to ¥1186.6 bln in September. The increase was larger than the market's expected increase to ¥963.2 bln. The Trade Balance, on a balance of payments basis, increased from -¥199.2 bln to ¥91.9 bln in September. Within the details, exports increased 1.8% M/M and 3.0% Y/Y. Imports dropped 3.6% M/M and 15.2% Y/Y.

Japan's Financial Balances

Financial Balances

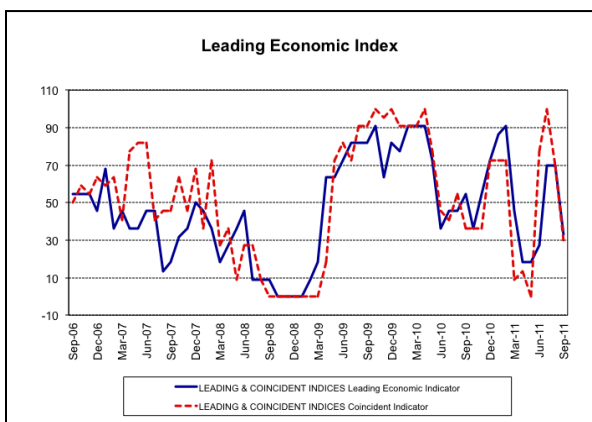
<i>Japan</i>	<i>Last period (¥trln)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-3.03 (May)	-6.9%
Trade Balance	0.70 (Sep)	2.2%
Current Account Balance	1.66 (Sep)	5.4%
Private Balance	--	0.7%



Leading/Coincident Index, Eco Watchers Survey & Bankruptcies

Leading/Coincident Index

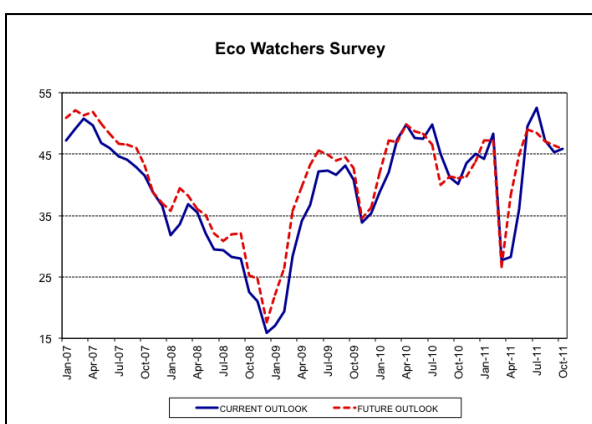
The Leading Economic Index dropped 2.2pts to 91.6 in September against market expectations for a drop to 91.9. The Coincident Index dropped 1.4pts to 88.9.



Eco Watchers Survey

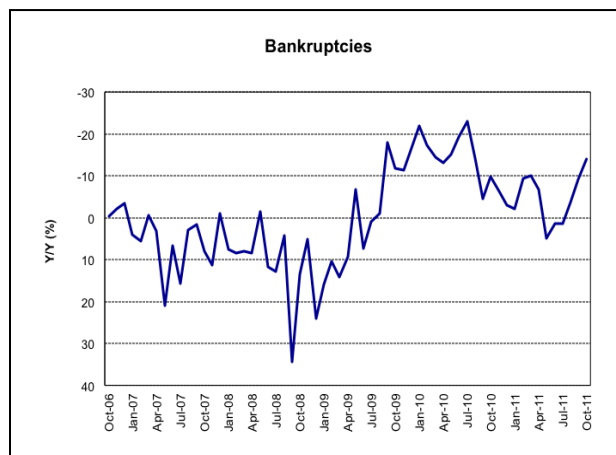
In October, the Eco Watchers Survey's current conditions index improved 0.6pts to 45.9, marking the first improvement in three months. The outlook index dropped 0.5pts to 45.9.

Within the current conditions index, employment conditions dropped 3.6pts to 54.8. Business conditions improved 0.1pts to 46.1. Household conditions improved 1.3pts to 44.5.



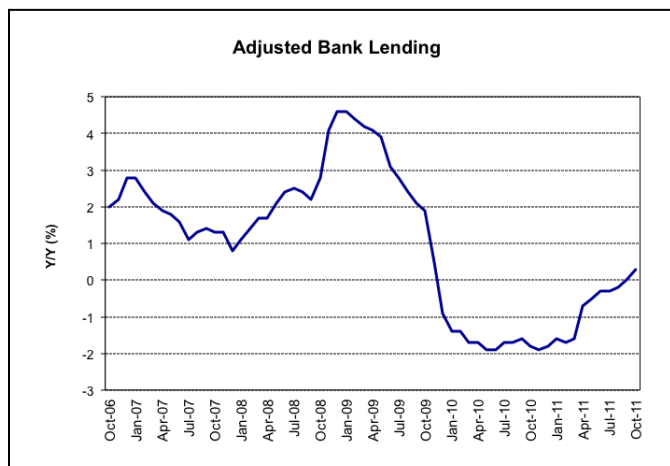
Bankruptcies

Bankruptcies dropped 14.1% Y/Y in October. The decline was the third consecutive and was attributed to government aid and funding assistance to businesses affected by the March earthquake disaster.



Bank Lending

Corporate Lending was unchanged Y/Y in October. Among all banks, lending increased 0.1% Y/Y. Among city banks, lending dropped 1.6% Y/Y. Among regional banks, lending increased 2.0% Y/Y.



News

November 9th - BoJ Policy Board Member Nakamura Comments - BoJ Policy Board Member Seiji Nakamura commented that “Taking (the fact that Japanese investors may not continue to invest in JGBs) into account, I cannot say that we can rule out long term interest rates rising due to some event.” Nakamura also commented that “We must put into action concrete measures toward a healthy fiscal condition while we still have the trust of the market and rates are low.”

November 9th – Service Sector Likely to Remain Weak - According to a survey conducted by The Nikkei, leisure activity carries less weight for consumers following the March earthquake, with service sector sales having declined 0.4% Y/Y in Q3. Declines within the index were widespread.

November 9th – Nikkei Index – Consumption Weak - The Nikkei’s Consumption Forecasting Indicator declined 5.8pts M/M to 84.3 in October based on fears regarding the direction of the economy due to strength in the yen and falling stock prices.

November 9th – Japanese Gov’t Debt Could Top Y1000tn - For the first time on record, the Finance Ministry is projecting a government balance in excess of Y1,000 tln yen due to emergency spending on reconstruction following the March earthquake.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/09	Machine Orders (M/M)	-7.10%	11.00%
11/09	Machine Orders (Y/Y%)	10.60%	2.10%
11/08 - 11/11	Tokyo Avg Office Vacancies (%)	N/A	8.64
11/10	Consumer Confidence	39	38.6
11/10	Machine Tool Orders (Y/Y)	N/A	20.10%
11/10	Loans & Discounts Corp (Y/Y)	N/A	-1.60%
11/10	Tertiary Industry Index (M/M)	-0.50%	-0.20%
11/10	Domestic CGPI (M/M)	-0.20%	-0.10%
11/10	Domestic CGPI (Y/Y)	2.20%	2.50%
11/13	GDP Deflator (Y/Y)	-2.20%	-2.20%
11/13	Nominal GDP (Q/Q)	1.40%	-1.50%
11/13	GDP Annualized	5.80%	-2.10%
11/13	Gross Domestic Product (Q/Q)	1.50%	-0.50%
11/13	Industrial Production (M/M)	N/A	-4.00%
11/13	Industrial Production (Y/Y%)	N/A	-4.00%
11/13	Capacity Utilization (M/M)	N/A	2.40%
11/13 - 11/18	Nationwide Dept. Sales (Y/Y)	N/A	-2.40%
11/13 - 11/18	Tokyo Dept. Store Sales (Y/Y)	N/A	-3.60%
11/14	Tokyo Condominium Sales (Y/Y)	N/A	16.70%
11/15	Housing Loans (Y/Y)	N/A	2.40%
11/15 - 11/16	BOJ Target Rate	N/A	0.10%

Valance Co., Inc.

Valance Economic Report: *United Kingdom*

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November 9, 2011

The Euro-area crisis continues to cloud the export and investment outlook for the U.K. economy. The CBI said that Britain's recovery will stall in Q4 and cut its 2012 growth from 2.2% to 1.2%. The NIESR said that U.K. economic growth probably expanded 0.5% in the three months through October. The HBOS and RICS Surveys showed that the U.K. housing market remains subdued with some activity indicators improving.

Weekly Highlights

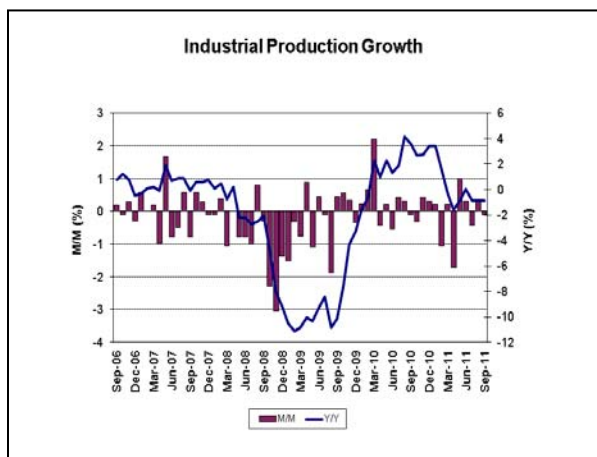
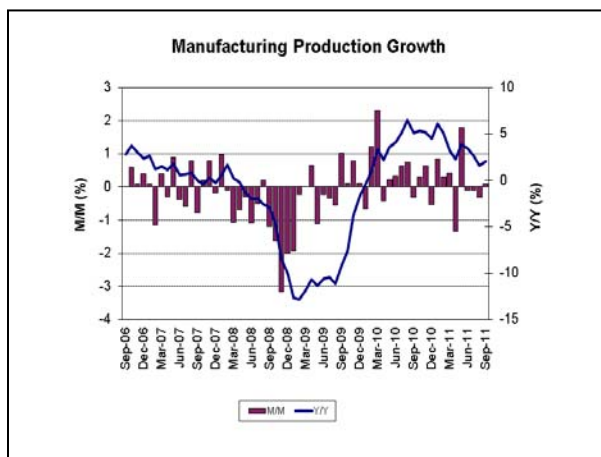
Factory Output – fell 0.4% M/M in September. (UK 1)

HBOS House Prices - rose 1.2% M/M in October. (UK 3)

RICS - remained in negative territory (-24) in October. (UK 4)

Weekly Releases & News

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



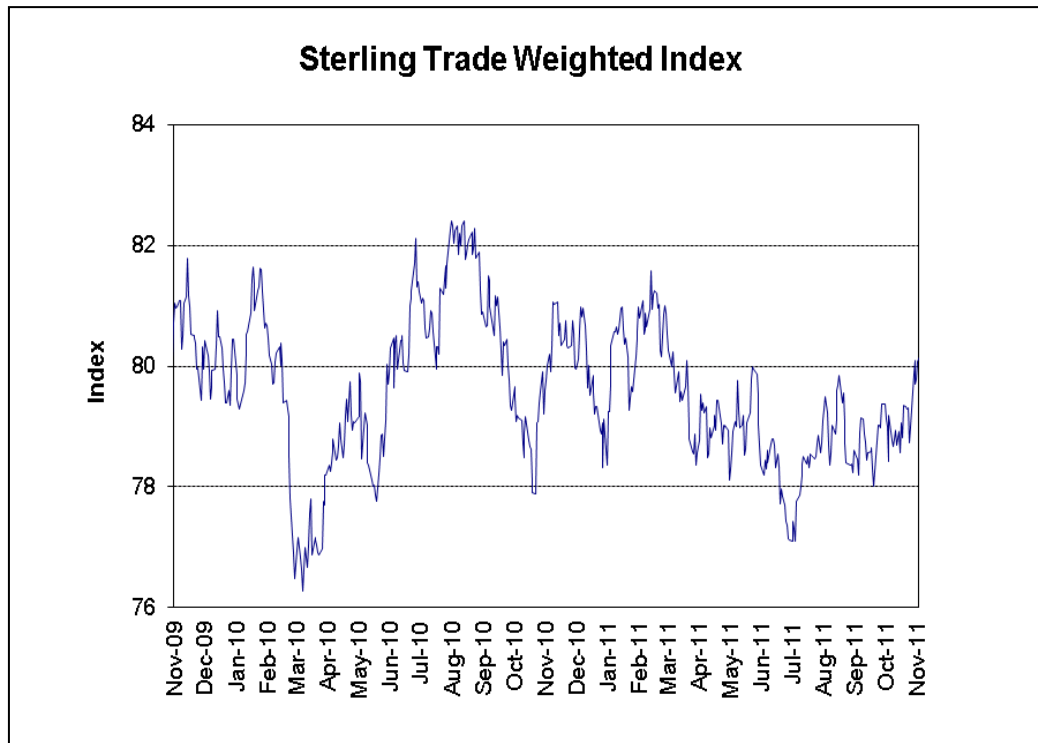
September Factory Output rose 0.2% M/M (-0.3% prev.) and rose 2.0% Y/Y. This is the first monthly increase since May. Out of 13 categories, 6 rose and 5 fell, and 2 were unchanged. Industrial Production was flat M/M (+0.3% prev.) and fell 0.7% Y/Y. In Q3, industrial output rose 0.4% Q/Q. For both Factory and Industrial output, the market expected a 0.1% monthly gain.

UK - 1

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Financial Balances, FX & BoE Overnight Rate

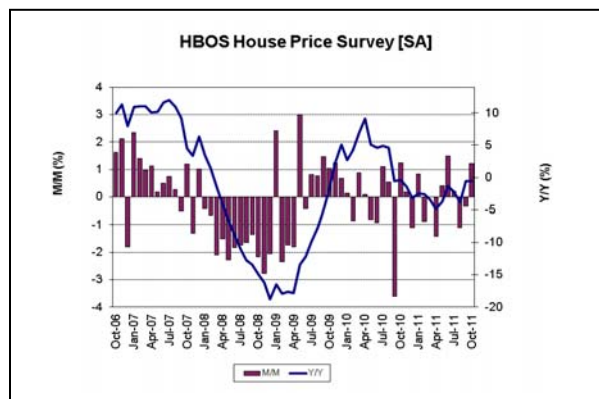
<i>U.K.</i>	<i>Last Period (blns)</i>	<i>Last 12mth. % of GDP</i>
Budget Balance (monthly/total)	+£12.0 (June)	+10.6%
Curr. Acct. Balance (quarterly)	-£9.4(Mar)	-3.2%
Private Balance	+£2.6	+7.4%



HBOS Housing Survey & Trade Balance

HBOS House Prices

HBOS House Prices rose 1.2% M/M in October, after falling 0.3% M/M in September. This is the first monthly increase in three months. On a 3mth avg., prices fell an annual 1.8% from -2.3% previously. The market expected a 2.3% 3mths/YR decline.

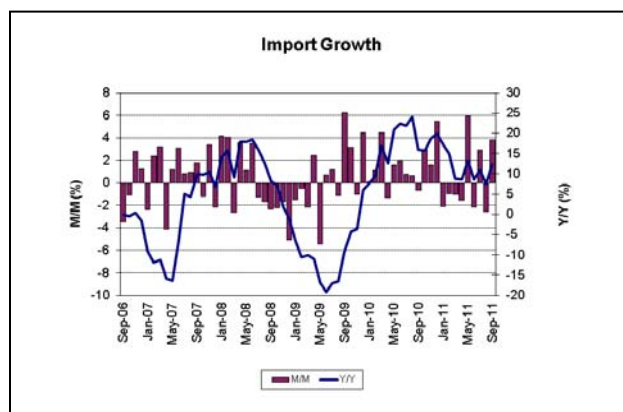
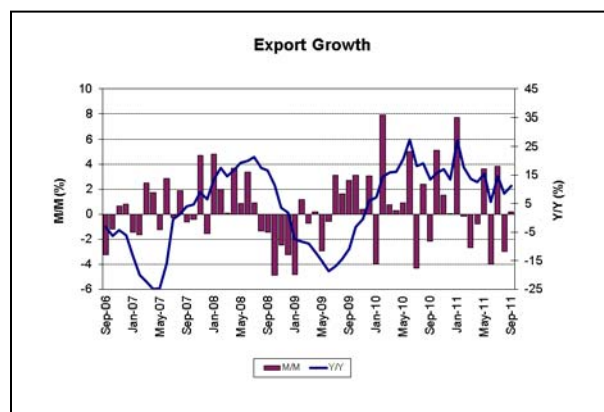


Trade Balance

The September Trade Deficit widened from £2.73bln to £3.94bln. The trailing twelve month trade deficit is now £33.5bln (about 2.5% of GDP). The goods (visible) trade gap grew to £9.81 bln, the most since the data series began in 1998.



Exports & Imports

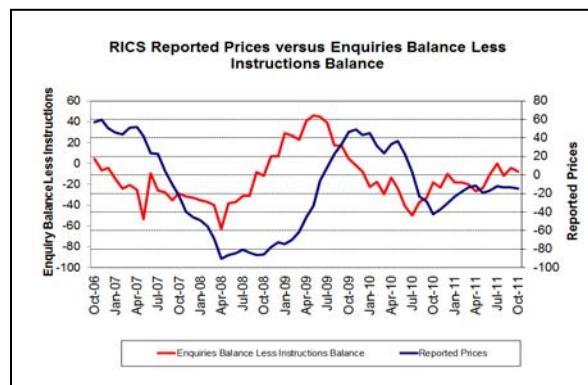


Imports surged 3.8% M/M and rose 12.3% Y/Y in September, driven by chemicals and oil and silver. Exports rose 0.2% M/M and 11.2% Y/Y.

RICS House Price Survey

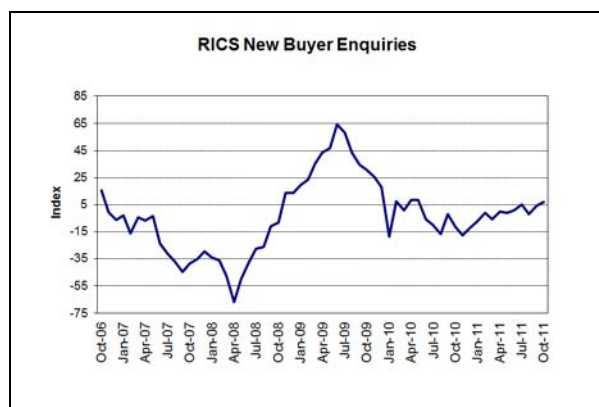
RICS House Price Survey

The RICS House Price survey remained in negative territory moving from -23 to -24 in October. RICS said that “with the chaotic events in the euro area threatening to spill over to the U.K. and banks still imposing tough conditions on loans to first-time buyers, any recovery in sales is still likely to be relatively modest.”

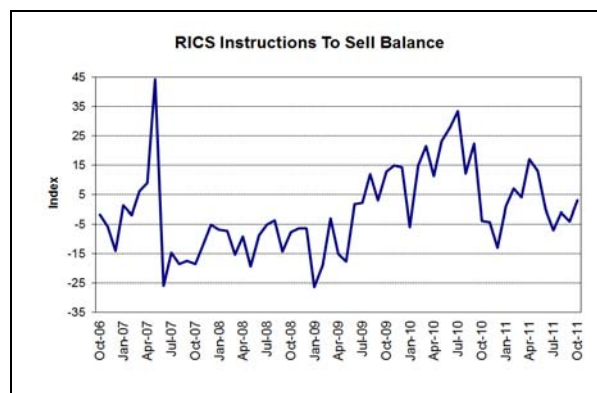


RICS New Buyer Enquiries

New Buyer Enquiries net balance increased from +4 to +7 in October.



RICS Price Expectations & Instructions to Sell



The price expectations net balance remained unchanged at -22 in October. New vendor instructions moved from -4 to +3 in October.

Data & News

Data & News

Q2 NIESR GDP Estimate - According to the National Institute of Economic and Social Research (NIESR), Britain's economy maintained its growth pace in the three months through October, even with the U.K. facing "significant headwinds" from the euro-region crisis. GDP probably expanded 0.5% in the three months through October, same as previous estimate in September. NIESR commented as follows:

- *It's welcome news that the U.K. economy has continued to expand.*
- *But the U.K. faces significant headwinds from the euro area's sovereign-debt crisis.*

New Car Registrations - According to the Society of Motor Manufacturers and Traders, New Car Registration rose 2.6% Y/Y in October, compared to the -0.8% Y/Y decline in September.

PMI Services - The PMI Index of Services fell from 52.9 in July to 51.3 in October. The market expected a reading of 52.0.

Nov. 8th - Goodhart Says BOE's Latest Round of QE Won't Be 'That Effective' (Bloomberg) - Former BoE policy maker Charles Goodhart said the central bank's latest expansion of quantitative easing is going to be less effective than its previous round. The central bank's decision to expand its emergency bond- purchase program by 75 bln pounds last month is "not going to be that effective," Goodhart said. "It was effective the first time round" because that was at the height of the financial crisis in 2009, Goodhart said. "It's not clear to me that driving down interest rates at the long end will achieve very much." Goodhart said his preference was to put much more weight on so-called credit easing and increasing lending to small- and medium-sized companies.

Nov. 8th - Julius Says BOE Restarting QE Won't Prevent New U.K. Recession (Bloomberg) - Former BoE policy maker DeAnne Julius said while she agrees with the central bank's decision to restart its quantitative easing program last month, it won't stop the U.K. economy from falling back into recession. "I do support the bank's decision, not because I think it will work in keeping us out of recession, but I think we have a real confidence issue and QE has an important signalling element," Julius said at an event hosted by Fathom Financial Consulting in London today. "It does signal the BoE is on the case."

Gieve Says He Supports BOE's Resumption of Quantitative Easing (Bloomberg) - Former BoE Deputy Governor John Gieve said he supports the central bank's resumption of its emergency bond purchase plan last month. "The U.K. recovery seems to be petering out" and economic activity in Europe is weakening "quite rapidly," Gieve said.

Nov. 9th - U.K. Shop-Price Inflation Cools to Slowest This Year, BRC Says (Bloomberg) - U.K. shop-price inflation eased to the slowest this year in October as flagging consumer demand and competition among supermarkets pushed down food costs, the British Retail Consortium said. Retail prices rose 2.1 % from a year earlier, down from 2.7 % in September, the trade group and Nielsen Co. said in an e-mailed report in London today. A separate report from KPMG LLP showed hiring of permanent staff fell last month for the first time in more than two years. Slowing inflation may provide comfort to consumers hit by the government's budget squeeze and unemployment at a 15-year high. Tesco Plc, Britain's largest supermarket chain, cut prices of 3,000 basic items such as milk and vegetables in September. The BRC said "hard-pressed households are clearly benefiting" from competition between supermarkets.

News Cont'd.

Nov. 9th - U.K. Recovery to Stall as Euro Crisis Persists, CBI Forecasts (Bloomberg) - Britain's recovery will stall this quarter and 2012 growth will be about half the pace previously forecast as the euro-area crisis clouds the export and investment outlook, the Confederation of British Industry said. The economy will expand 0.9 % this year and 1.2 % in 2012, compared with previous forecasts for growth of 1.3 % and 2.2 %, the London-based business lobby said in a report today. It also cut its projections for euro- area and global growth. "The outlook for the U.K., as we look into 2012, is critically dependent on the outcome of the turmoil in the euro zone," said Ian McCafferty, chief economic adviser at the CBI, told a press conference in London yesterday. "The risk of a double-dip has certainly risen" though it isn't the group's central forecast, he said. **U.K. growth will be flat in the fourth quarter and accelerate to 0.2 % in the first three months of the year, the CBI said. The group sees the euro region slipping back into a recession and failing to grow in 2012.** Global expansion will be 3.5 % in 2012, the CBI said, cutting a previous forecast of 4.5 %. The CBI urged the government to stick to its deficit- reduction plan, which has resulted in the deepest fiscal squeeze since World War II and been criticized by the opposition Labour Party for stifling the recovery. "I don't think that spending money we don't have is an option," CBI Director-General John Cridland told reporters.

Nov. 7th - BOE May Pause Bond Program as Officials Monitor Euro Debt Crisis (Bloomberg) - The BoE may pause its emergency stimulus plan next week after reactivating it in October, economists said, as policy makers await further developments in the crisis engulfing the euro area. All 38 economists in a Bloomberg News survey forecast the Bank of England will keep its bond plan at 275 bln pounds (\$449 bln) on Nov. 10th. The central bank, which expanded the program by 75 bln pounds last month, will also keep its key interest rate at a record-low 0.5%, said all 52 economists in another survey. The National Institute for Economic and Social Research said on Nov. 3rd that the U.K. economy has a 50% chance of slipping back into recession. The same day, the European Central Bank unexpectedly cut interest rates as political instability in Greece threatened to splinter the euro region. Policy makers will "have plenty to discuss regarding the latest largely disappointing news on the economy and the ongoing turmoil in the euro zone," Howard Archer, an economist at IHS Global Insight in London, said in an e-mailed note. While no move is forecast next week, "we suspect that the Bank of England will feel compelled to enact at least a further 50 bln pounds of quantitative easing in the first quarter of 2012 and a similar dosage" in the second quarter, he said. The Monetary Policy Committee led by Governor Mervyn King will have new forecasts for growth and inflation at the meeting. They will be published on Nov. 16th and minutes of the meeting will be released a week later. Citigroup Inc. said yesterday there is a chance that the worsening economic outlook will prompt the central bank to expand stimulus again next week. "Updated economic forecasts for the November meeting are likely to show a much weaker growth outlook than the August forecasts," economist Michael Saunders said. "If financial- market strains intensify in coming days, the MPC may well conclude that the safer course of action is to immediately expand QE rather than to accept an even longer period of economic weakness."

Nov. 7th - U.K. Output Index Drops, Indicating 'Serious Risk' of Recession (Bloomberg) - A U.K. output index declined in October to the lowest level in more than two years, suggesting a "serious risk" of the economy slipping back into recession, accountancy firm BDO LLP said. The gauge estimating output over the coming three months dropped to 92.6, the lowest since June 2009, from 93.3 the previous month, BDO said in an e-mailed statement today. Readings below 95 indicate contraction. A measure of employment dropped to 93.4 from 95.9.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
11/10	BOE Asset Purchase Target	NOV	--	275B
11/10	BOE ANNOUNCES RATES	10-Nov	0.50%	0.50%
11/11	PPI Input NSA (MoM)	OCT	--	1.70%
11/11	PPI Input NSA (YoY)	OCT	--	17.50%
11/11	PPI Output n.s.a. (MoM)	OCT	--	0.30%
11/11	PPI Output n.s.a. (YoY)	OCT	--	6.30%
11/11	PPI Output Core NSA (MoM)	OCT	--	0.30%
11/11	PPI Output Core NSA (YoY)	OCT	--	3.80%
11/14- 11/18	Nationwide Consumer Confidence	OCT	--	45
11/15	CPI (MoM)	OCT	--	0.60%
11/15	CPI (YoY)	OCT	--	5.20%
11/15	Core CPI YOY	OCT	--	3.30%
11/15	Retail Price Index	OCT	--	237.9
11/15	RPI (MoM)	OCT	--	0.80%
11/15	RPI (YoY)	OCT	--	5.60%
11/15	RPI Ex Mort Int.Payments (YoY)	OCT	--	5.70%
11/15- 11/20	CBI Trends Total Orders	NOV	--	-18
11/15- 11/20	CBI Trends Selling Prices	NOV	--	1
11/16	Claimant Count Rate	OCT	--	5.00%
11/16	Jobless Claims Change	OCT	--	17.5K
11/16	Average Weekly Earnings 3M/YoY	SEP	--	2.80%
11/16	Weekly Earnings exBonus 3M/YoY	SEP	--	1.80%
11/16	ILO Unemployment Rate (3mths)	SEP	--	8.10%
11/16	Bank of England Inflation Report			

Valance Economic Report: Canada

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November 9, 2011

In October, the Canadian economy unexpectedly lost the largest number of jobs since February 2009, while the Unemployment Rate increased from 7.1% to 7.3%. New Home Prices increased for the sixth straight month in September. The BoC renewed its 2% inflation target.

Weekly Highlights

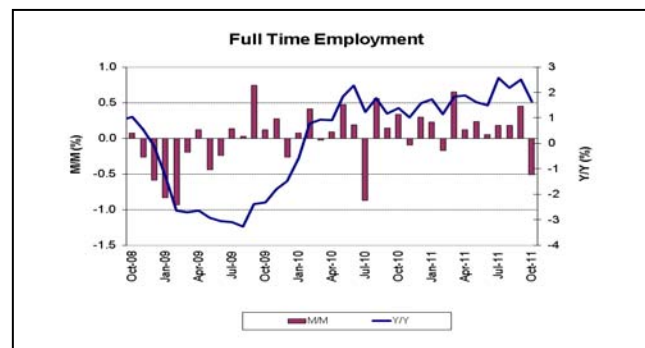
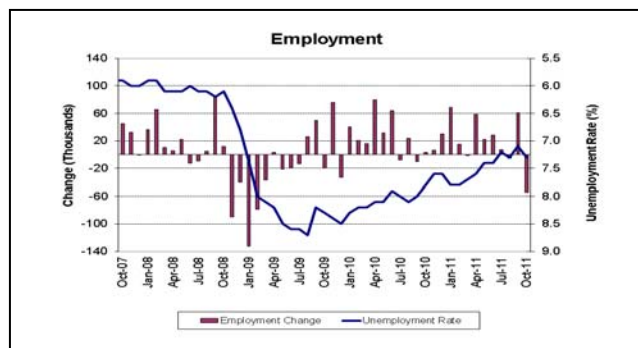
Employment – the economy lost 54.0k jobs in October. (CA 1)

New Housing Price Index – rose 0.2% M/M and 2.3% Y/Y in September. (CA 3)

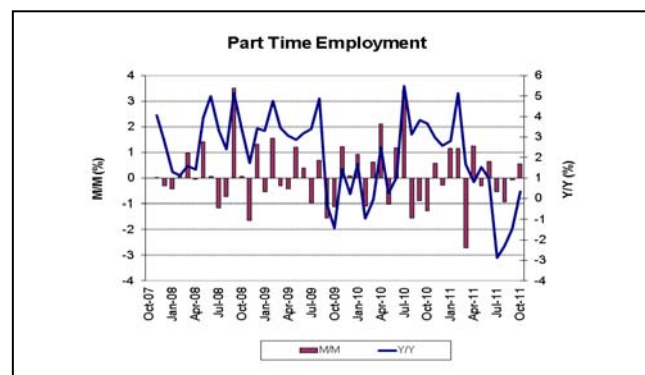
Ivey Purchasing Managers Index – eased 1.3pts to 54.4 in October. (CA 3)

Weekly Releases & News

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



The Canadian economy shed 54.0k jobs in October, following a 60.9k job increase in September. Expectations were for a 15.0k job gain. This monthly decline was the largest since February 2009, driven by declines in the manufacturing and construction industries. The Unemployment Rate rose from 7.1% to 7.3%, more than the 7.1% expected. Full-time jobs declined by a hefty 71.7k, while part-time jobs gained 17.7k.

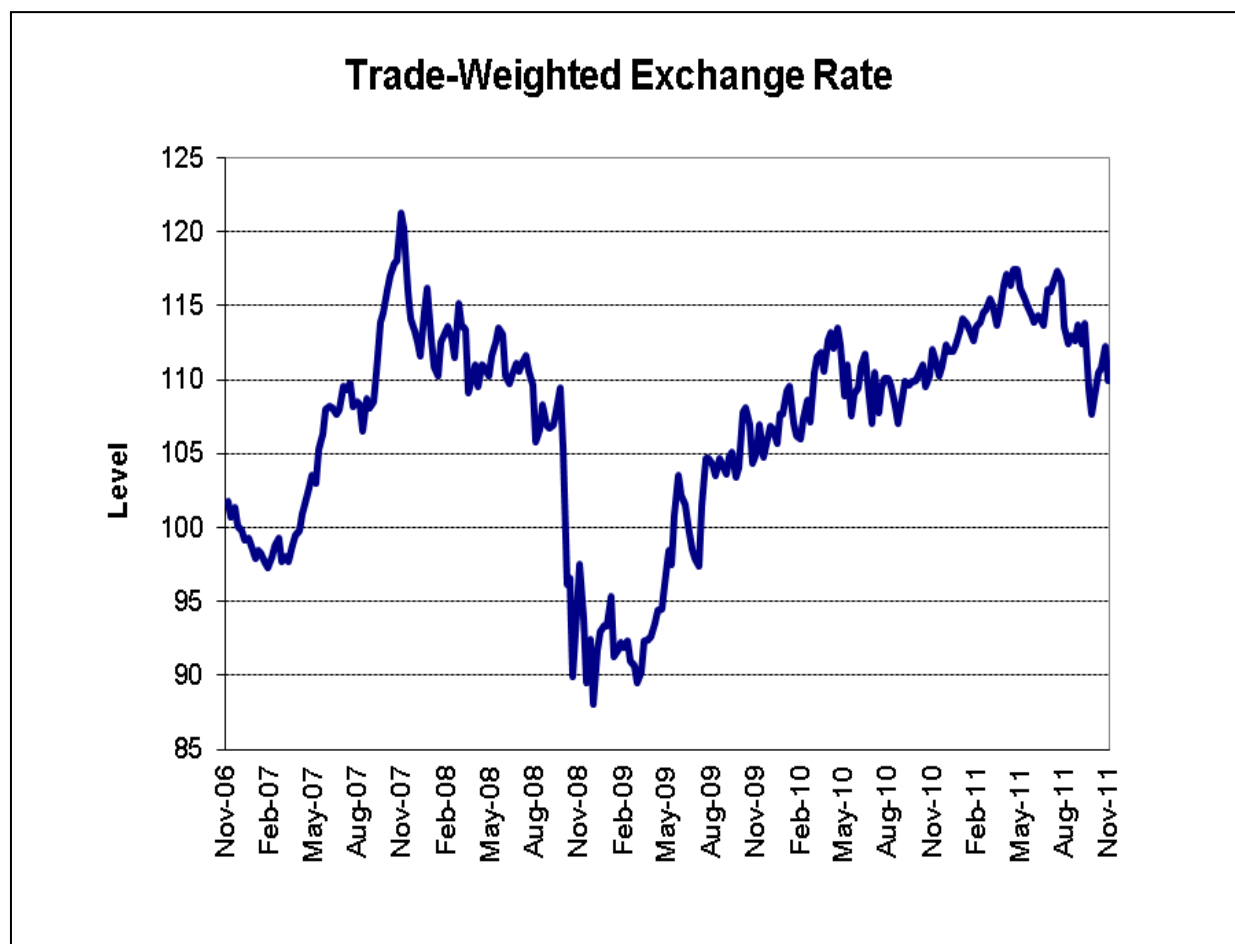


Financial Balances & Trade Weighted Exchange Rate

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 (Monthly)	-0.62 (Aug)	-1.5%
Current Account Balance (Quarterly)	-15.3 (Q2)	-3.1%
Private Balance	--	-5.4%

Trade-Weighted Exchange Rate



Housing Data & Ivey Purchasing Managers Index

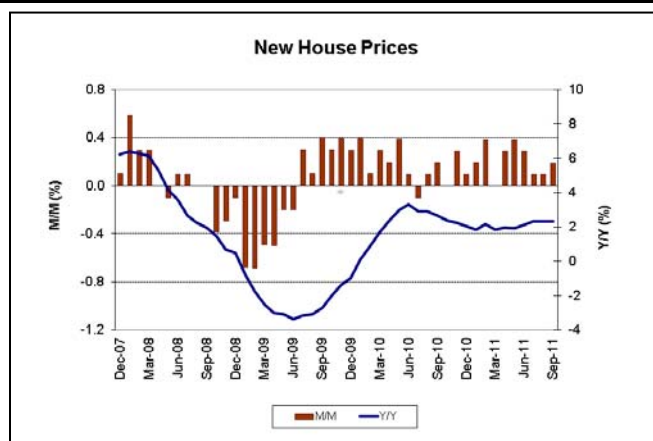
Housing Starts

Housing Starts eased from 208.8k in September to 207.6k in October. This translated into a 0.6% M/M decline. Y/Y, starts increased 20.6%. Expectations were for 195.0k.



House Price Index

The New House Price Index rose 0.2% M/M in September, following the 0.1% M/M increase in August. This is the sixth straight monthly increase. The market expected a 0.2% M/M gain. Y/Y, prices rose 2.3%, following the same increase in August.



Ivey Purchasing Managers' Index

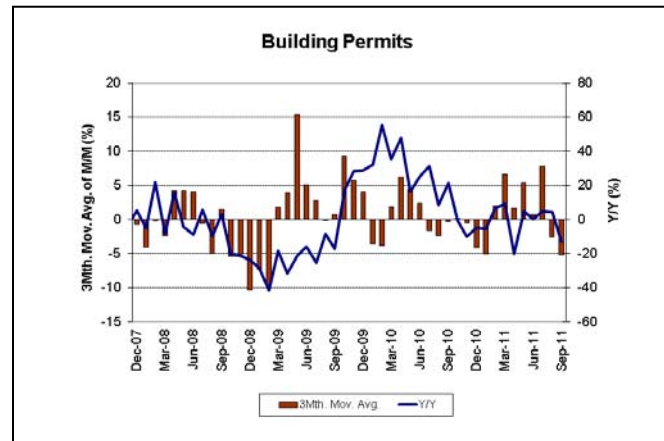
The Ivey Purchasing Managers' Index (S.A.) eased from 55.7 in September to 54.4 in October, below expectations for 55.4. On a 3-month average the index was at 55.4 a year ago. The supplier deliveries index rose from 40.8 to 43.3, indicating that deliveries were slower than in September, and the prices index was 63.9, up from 61.9, showing the pace of price increases eased.



Building Permits & News

Building Approvals

Building Permits dropped 4.9% M/M in September, after falling 10.1% M/M in August. Expectations were for a 2.6% M/M increase. Y/Y growth was down 12.8%. Residential Permits fell 1.0% M/M (-4.8% Y/Y) and Non-residential Permits dropped 11.0% M/M (-24.1% Y/Y).



News

Nov. 8th - Canada Says More Time May Be Needed to Hit Inflation Target (Bloomberg) – The BoC today released the document Renewal of the Inflation-Control Target. This release follows the 8 November announcement by the Government of Canada and the BoC that the inflation-control target agreement has been renewed for five years, to the end of 2016. Under the agreement, the Bank will continue to conduct monetary policy aimed at keeping inflation, as measured by the total consumer price index (CPI), at 2%, with a control range of 1% to 3% around this target. Governor Mark Carney will keep using a horizon of 18 months to 24 months to bring inflation back to target in most cases, while using discretion when financial or economic conditions require otherwise. The report also included an analysis on monetary policy and financial stability where it concluded that in "some exceptional circumstances" monetary policy may be an appropriate tool to support the financial system.

Nov. 7th - Canadian housing market to stay pretty much the same in 2012, CMHC says (Canadian Press) - The Canadian housing market has flattened out and will likely stay pretty close next year to where it is now in terms of new housing starts and re sales, according to Canada Mortgage and Housing Corp.. The federal agency said Friday that the market has shifted to a more balanced position as listings have increased and prices are expected to remain flat to the end of 2012. Low mortgage rates, the domestic economy and immigration remain positive factors for the real estate market. "These factors will continue to support Canada's housing sector in 2012," said Mathieu Laberge, deputy chief economist for CMHC. Uncertainty in the global economy and U.S. economic recovery pose threats as the CMHC said it expected new housing starts to come in around the 191,000-unit mark this year and level off next year to about 186,750 units. The agency said existing home sales will be come in this year at between 423,600 and 470,100 units, rising only "modestly" to between 406,100 and 509,000 units next year. The average home price in Canada for 2011 is expected to be \$363,900 in 2011 and reach \$368,200 in 2012.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
11/10	Trade Balance	SEP	--	-0.62bln
11/15	Manufacturing Sales (M/M)	SEP	--	+1.4%

Valance Economic Report: Australia

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November 9, 2011

In September, Retail Sales remained firm, while both the NAB Business Confidence and Westpac Consumer Confidence strengthened as the market expected the RBA to cut rates further. In its MPS, the RBA cut its forecasts for economic growth and inflation for the next two years and said that “the risks to its economic forecasts continue to be tilted to the downside, with a very disruptive outcome in Europe still possible.”

Weekly Highlights

Retail Sales – rose 0.4% M/M in September. (AU 1)

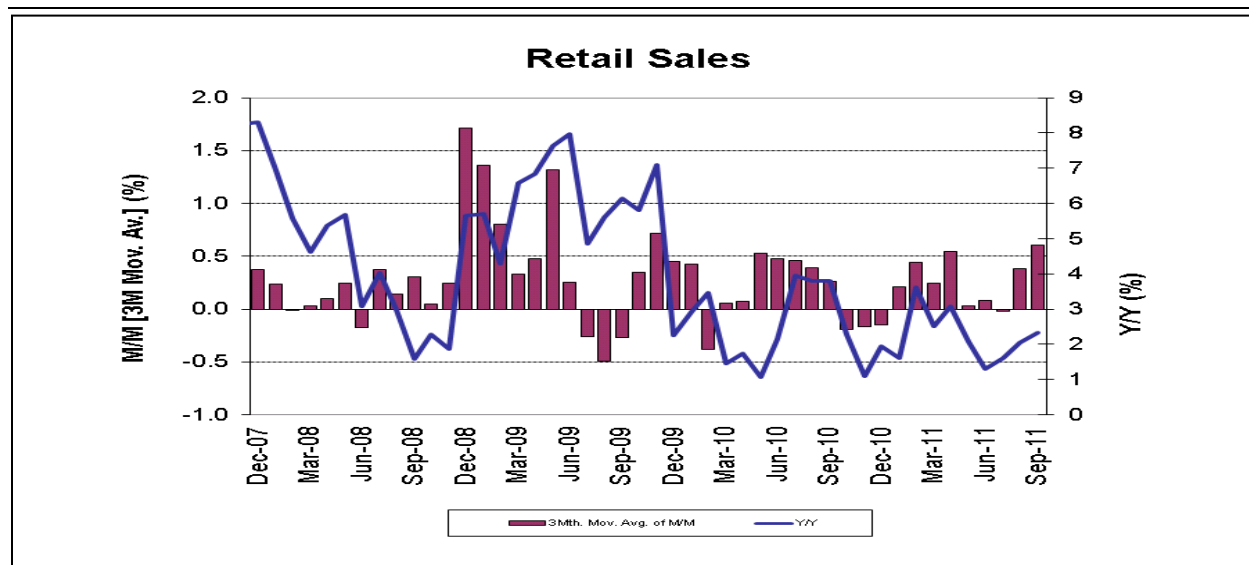
NAB Business Confidence – rose from -1 to +2 in October. (AU 4)

Westpac Consumer Confidence – rose 6.3% M/M in November. (AU 4)

AiG Services Index – fell 1.5pts to 48.8 in October. (AU 4)

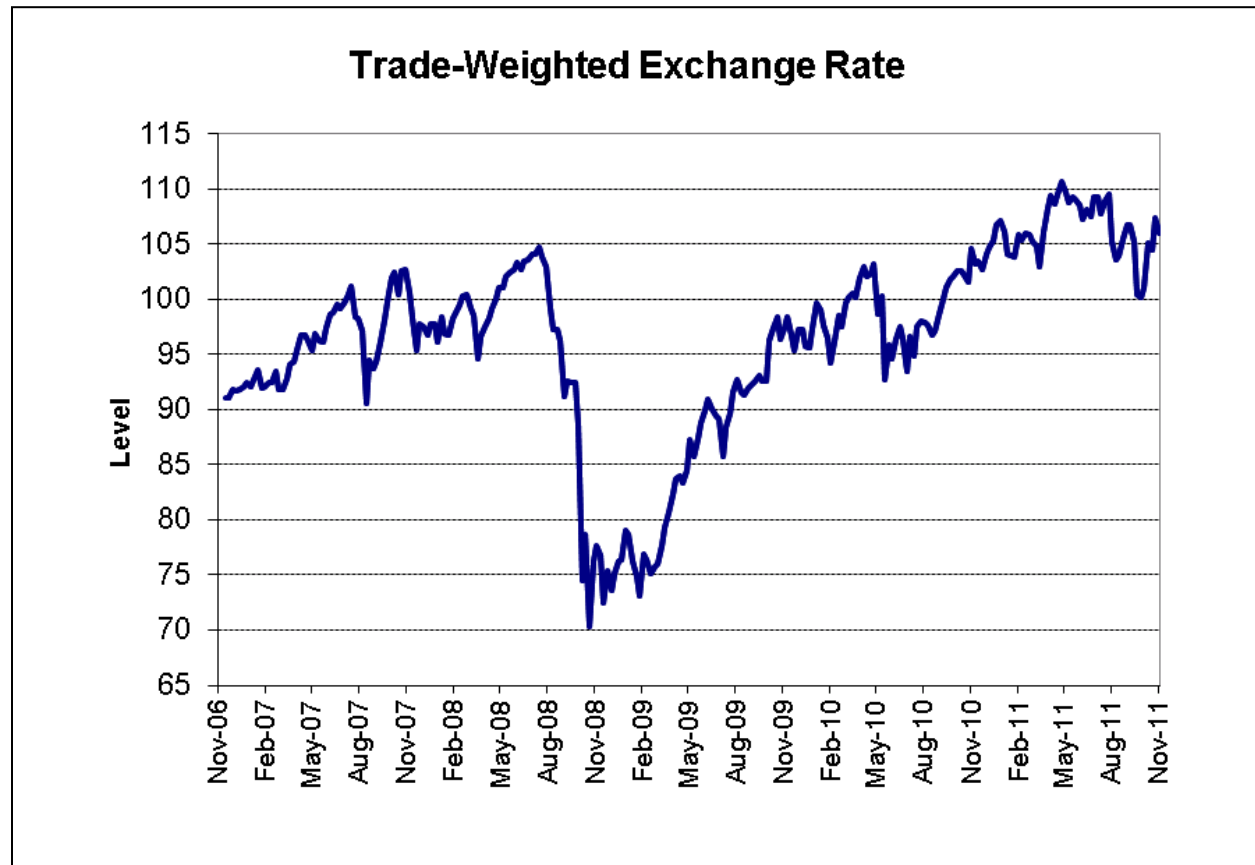
Weekly Releases & News

Chart of the Week: Retail Sales



September's Retail Sales rose 0.4% M/M (in line with expectations) and 2.3% Y/Y. This monthly increase followed August's 0.6% and July's 0.8%. Spending rose in all categories, led by a 1.0% increase in household goods and a 0.9% M/M increase in restaurants. Retail Sales, ex. inflation, increased 0.6% Q/Q in Q3, also in line with expectations. This is the largest quarterly jump since Q2 last year.

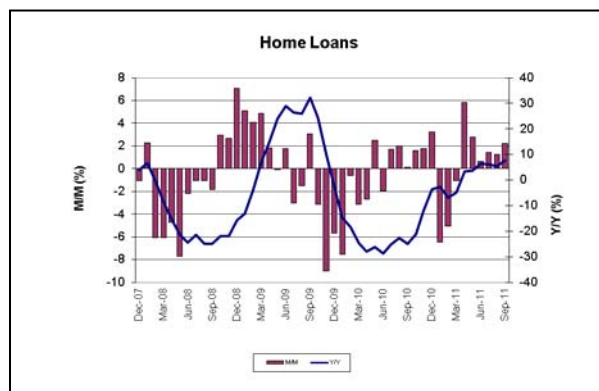
AU - 1

FX

Building Approvals & Trade Balance

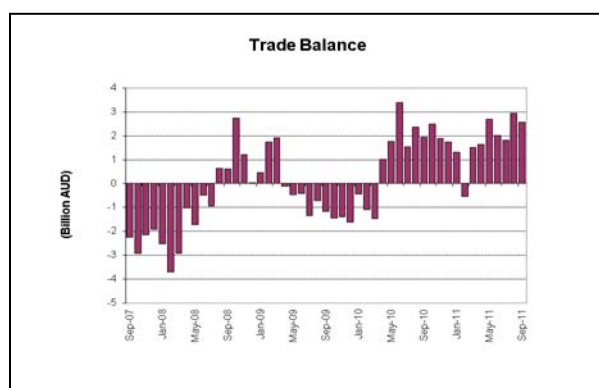
Home Loans

In September, the number of Home Loan approvals rose 2.2% M/M after increasing 1.2% M/M in August. The market expected a 1.5% M/M gain. The number of refi loans rose 4.6% M/M.

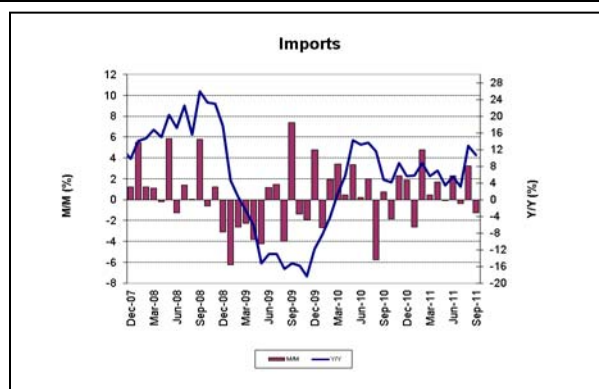
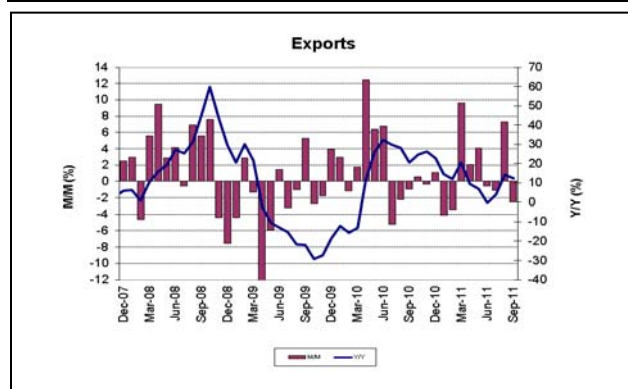


Trade Balance

September's Trade Surplus narrowed from A\$ 2.95 bln to A\$ 2.56bln.



Exports & Imports



Total Exports fell 2.5% M/M and rose 12.3% Y/Y as shipments of non-monetary gold dropped 24.0% M/M. Total Imports fell 1.3% M/M and rose 10.7% Y/Y, led by lower imports of fuels and lubricants.

ANZ Job Advertisements & Data

ANZ Job Advertisements

Job vacancies advertised in major newspapers and on the internet fell 0.7% M/M and rose 1.8% Y/Y in October. This is the fourth straight monthly decline.



Data

AiG Performance of Construction Index - The Performance of Construction Index rose 4.7 pts to 34.7 in October. This compares to the 44.0 level reached a year ago.

AiG Services Index - The Australian Industry Group/Commonwealth Bank Performance of Services Index (PSI) dropped 1.5pts to 48.8 in October. This compares to the level of 50.7 a year ago and is the first contraction since July. The overall survey is similar to the U.S. Non-manufacturing ISM index.

NAB Business Confidence Survey - The Australian Business Confidence Index rose 3pts to +2 in October. This is the highest level in five months. The Business Conditions Index eased 3pts to -1. The only positive reading was recorded in Trading (+3).

Westpac/MI Consumer Confidence - The Consumer Sentiment Index rose by 6.3% M/M in November. The Confidence Index is now at 103.4; this compares to a reading of 110.7 from a year ago. This is the highest level since May. The measure of the state of economy in 12-months' time surged 18.8% M/M. A reading above 100 indicates optimists outnumbered pessimists.

Nov 4th - RBA Cuts Growth, CPI Forecasts as Europe's Turmoil Deepens (Bloomberg) - The RBA sees growth of 4% in the 12 months to June 30, 2012, down from its Aug. 5th estimate of 4.5%. Consumer prices will rise 2% over the period, from a previous prediction of 2.5%; underlying inflation is predicted at 2.5% from a previous 3%. The estimates are based on the overnight cash rate target remaining unchanged, the RBA said. "The mining-related parts of the economy are growing strongly," the central bank said today in its quarterly monetary policy statement. "In contrast, in a number of other industries, the high exchange rate, the fading injections from the earlier fiscal stimulus and changes in household spending and borrowing behavior are contributing to subdued conditions." The RBA said the chance of a significant acceleration in wage growth has lessened. Hiring has been fueled by a mining investment boom driven by China and India's demand for iron ore, liquefied natural gas and coal, boosting prices for Australia's resources. "The recent falls in commodity prices and the slowing in global demand suggest that the peak in the terms of trade has now been reached and indeed the recent significant falls in the price of iron ore suggest that the decline could be happening a little faster than earlier expected," the central bank said. The RBA noted that in Asia, including China, growth "remains solid," though slower than in 2010, reflecting tighter macroeconomic policy over the past year. "There are also some indications that the troubles in the North Atlantic economies are having an effect, with growth in exports and industrial production in the region slowing over recent months," the RBA said. The RBA said the risks to its economic forecasts "continue to be tilted to the downside, with a very disruptive outcome in Europe still possible."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
11/09	Employment Change	OCT	--	+20.4k
11/15	DEWR Internet Skilled Vacancies	OCT	--	-1.3% M/M
11/15	Wage Cost Index	Q3	--	+0.9% Q/Q
11/14	New Car Sales	OCT	--	-1.5% Y/Y
11/14	RBA Minutes	NOV	--	--
11/15	Westpac Leading Index (M/M)	SEP	--	+0.8%

Valance Co., Inc.

Valance Economic Report: New Zealand

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November 9, 2011

The jobless rate in Q3 unexpectedly increased. Quotable Value House Prices increased in October for the third straight month.

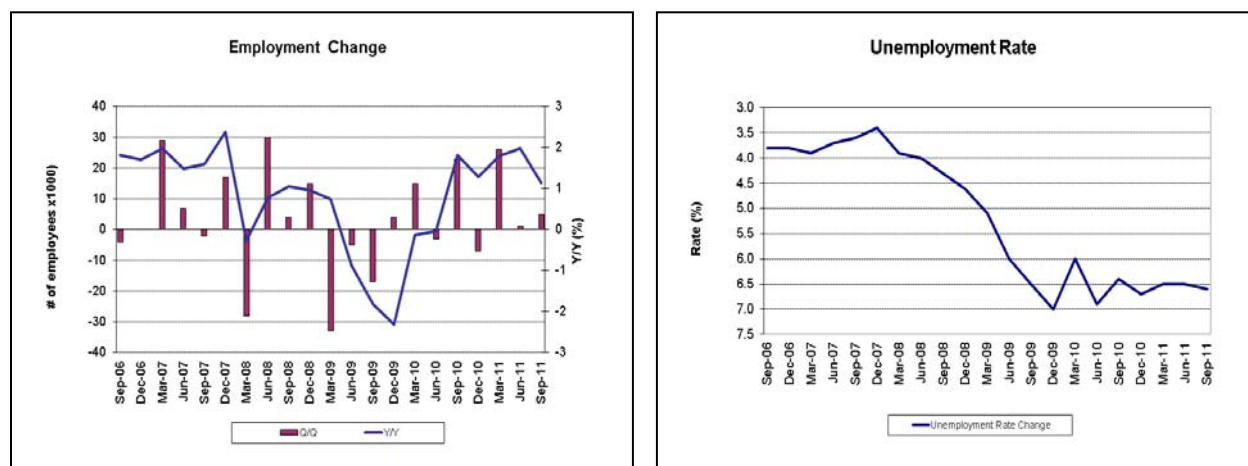
Weekly Highlights

Unemployment Rate – rose from 6.5% to 6.6% in Q3. (NZ 1)

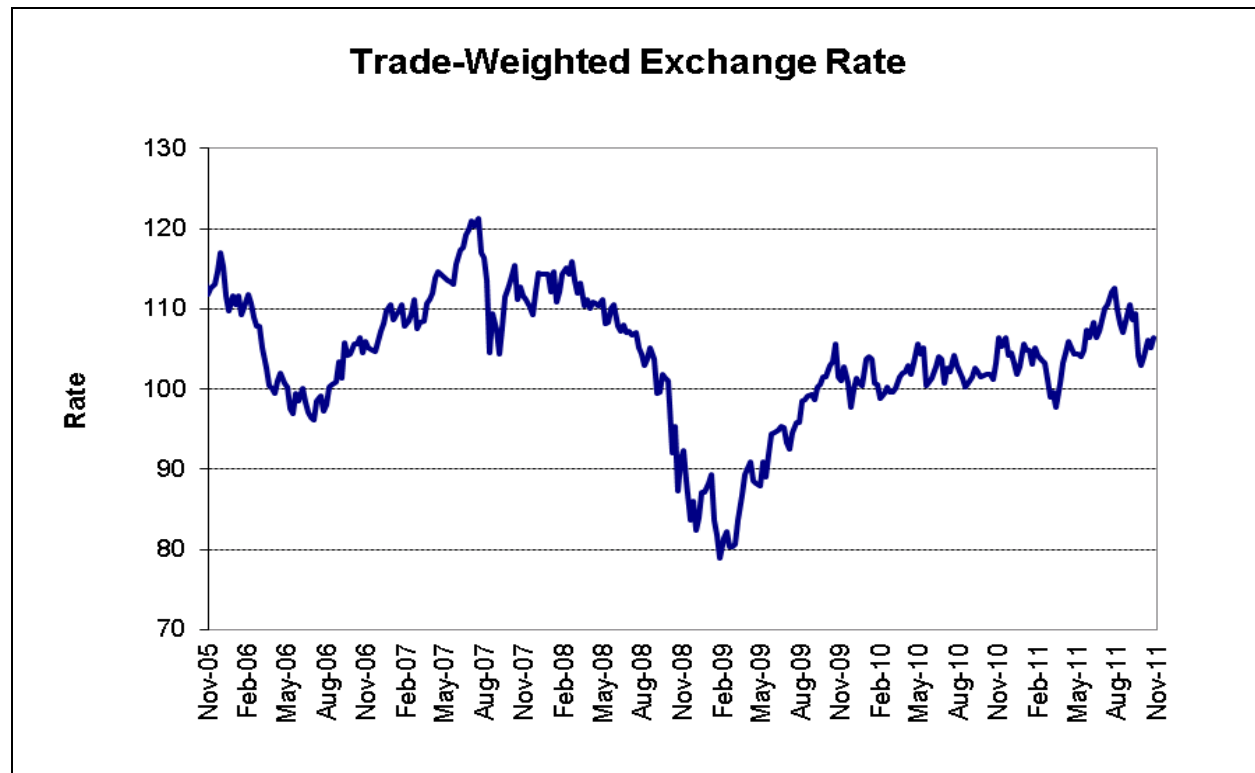
QV Home Sales – rose 1.2% Y/Y in October. (NZ 3)

Weekly Releases & News

Chart(s) of the Week: *Employment*



New Zealand Businesses added 5.0k jobs in Q3 and the Unemployment Rate rose from 6.5% to 6.6%. Total employment rose by 0.2% Q/Q and 1.1% Y/Y (25.0k). The market expected a total job gain of 0.6% Q/Q and unemployment rate of 6.4%. Full time employment rose by 0.4% Q/Q (7.0k) and part time employment fell 0.6% Q/Q (3.0k). Total actual hours worked per week rose 1.0% Q/Q, while excluding Canterbury, they surged 1.7% Q/Q.

FX

Data & News

QV Home Prices - According to Quotable Value New Zealand Ltd., the government valuation agency, the National House Price Index fell 0.6% M/M (in NZD), after falling 1.1% M/M in September and 1.8% in August, and rose 1.2% Y/Y in October, faster than the 0.7% annual increase in September. This is the third annual increase in a row. Prices in Christchurch have risen 3.4% Y/Y.

Credit Card Spending - According to the RBNZ, total credit card spending rose 1.8% M/M in October, after gaining 0.6% M/M in September. Retail Spending rose 1.5% M/M, after gaining 0.7% M/M in September. Excluding fuel outlets and car workshops, spending increased 0.9% M/M.

Nov. 2nd - N.Z. Will Leave Cash Rate at 2.5% Until June, Deutsche Says (Bloomberg) - New Zealand's Central Bank will leave the official cash rate at a record-low 2.5% until June, according to Deutsche Bank AG, which previously forecast an increase in March. The economic recovery and domestic inflation pressures lack upward momentum, Darren Gibbs, Chief New Zealand economist.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
11/09	Business PMI	OCT	-	50.8
11/10	Food Prices (M/M)	OCT	-	-1.0%
11/13	Retail Sales Ex Inflation (Q/Q)	Q3	-	+0.9%
11/13- 11/17	REINZ Housing Survey	OCT	-	-
11/13	Services	OCT	-	53.2

Weekly Economic Report: *China*

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November 9, 2011

In October, Consumer Prices continued to be above the government's 4% target for this year; and PPI, Industrial Production and Retail Sales were all below expectations.

Weekly Highlights

CPI – Inflation slowed from 6.1% in September to 5.5% Y/Y in October. (CH 1)

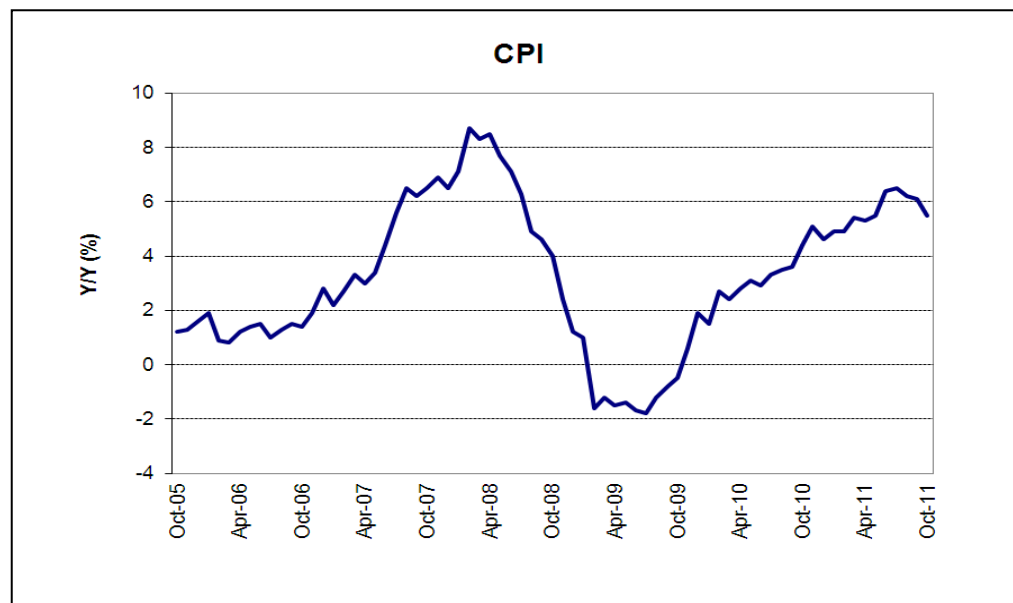
PPI – slowed from 6.5% in September to 5.0% in October. (CH 2)

Retail Sales – slowed from 17.7% Y/Y in September to 17.2% Y/Y in October. (CH 2)

Industrial Production – slowed from 13.8% Y/Y in September to 13.2% Y/Y in October. (CH 2)

Weekly Releases & News

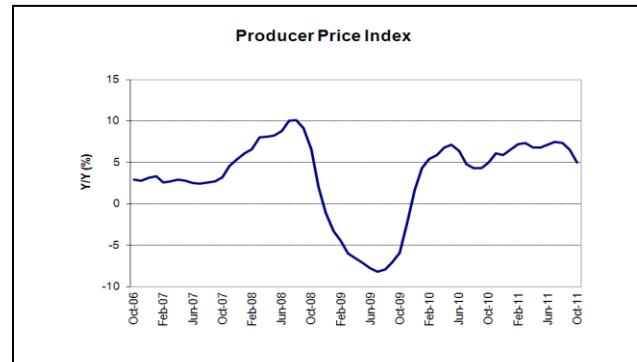
Chart(s) of the Week: *CPI*



As expected, the Consumer Price Index slowed from 6.1% in September to 5.5% Y/Y in October – easing for the third consecutive month.

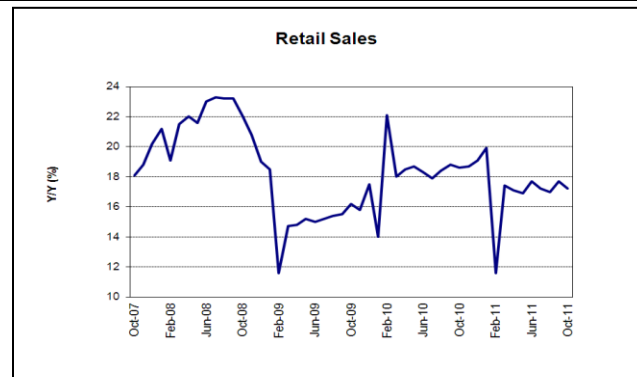
PPI

The October Producer Price Index fell 0.7% M/M and rose 5.0% Y/Y (from 6.5% Y/Y in September).



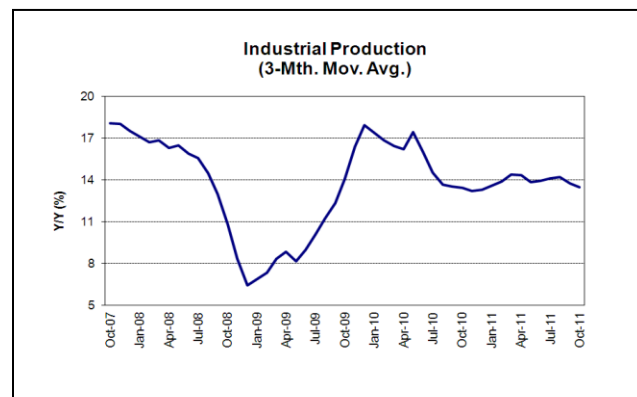
Retail Sales

Retail Sales slowed from 17.7 Y/Y in September to 17.2% Y/Y in October. Sales were expected to slow to 17.6%.



Industrial Production

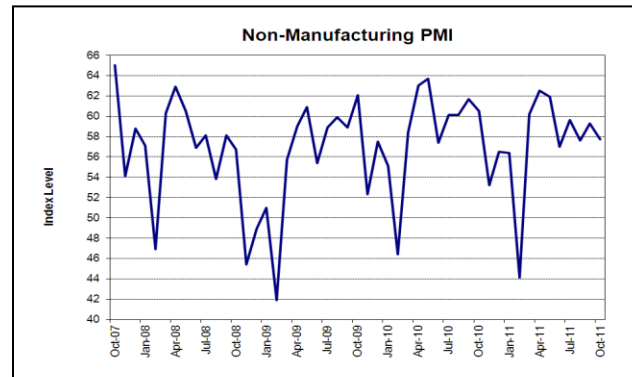
Industrial Production fell from 13.8% Y/Y in September to 13.2% Y/Y in October, below expectations of 13.4% Y/Y.



Non-Manufacturing PMI, Data & News

Non-Manufacturing PMI

The Non-Manufacturing Purchasing Managers' Index fell from 59.3 in September to 57.7 in October, as weakness in investment in real estate and railways offset strength in consumer demand. Vice Chairman, Cai Jin of the China Federation of Logistics and Purchasing remarked, "Despite a decline in the gauge, growth in the non-manufacturing sector is still robust."



Data

November 9th (Bloomberg) - China October Fiscal Revenue/Expenditure Rises – The Ministry of Finance announced that China's fiscal revenue and expenditure rose 16.9% Y/Y (to 918.8 bln yuan) and 24.5% Y/Y (to 807.9 bln yuan) in October.

November 9th (Bloomberg) - Fixed-Asset Investment – held at last month's level of 24.9% Y/Y, slight above expectations of 24.8% Y/Y.

November 2nd – HSBC Service PMI (Money Control) – rose from 53.0 in September to 54.1 in October. HSBC's Chief China Economist, Qu Hongbin remarked, "The service sector should find additional policy support in the coming year, as the State Council has unveiled selective policy easing measures, namely pilot VAT reform to relieve tax burdens for service sectors."

News

November 9th (Bloomberg) - China's October Home Sales Fall 25% on Harsher Measures – October housing sales declined 25.0% M/M. The value of homes fell from 493.9 bln yuan in September to 372.3 bln yuan in October. Sales from January to October climbed 16% Y/Y (to 3.6 trln yuan).

November 8th (Bloomberg) - Internationalizing Yuan Helps China Rebalance - Moody's Senior V.P., Thomas Byrne remarked:

It's a long process...

China's approach to gradually liberalize its capital market is probably a healthy approach.

News (Cont'd.)

November 8th (Bloomberg) - China's Negative Rates Pose Risk to Bank Funding - Moody's Senior V.P., Thomas Byrne remarked:

It's important to eliminate negative interest rates as it runs the risk of undermining the deposit bases banks use to fund themselves. Having a dependable source of funding can reduce lots of vulnerabilities.

Debt borrowed by China's local authorities has essentially reached the peak and over time will gradually decline.

November 6th (Reuters) - China may not relax monetary policy soon – Chief Economist, Fan Jainping at the State Information Center remarked:

It is hard to say whether inflation pressure has been fully curbed or not, so we cannot relax money supply in the future to stabilize economic growth. Otherwise, it may add fresh pressure to inflation,

Under such circumstances, there is little scope to loosen monetary policy, but the government has taken more action by using fiscal policies.

November 6th (Economic Times) - Chinese economy to register slowest growth in decade next year – PBoC Adviser, Li Daokui made the following comments:

Considering the economic turbulence in developed countries and its (China's) own urgent task of restructuring its growth pattern, an economic slowdown (in China) is inevitable.

It won't be eased as business owners have wished. There could be some minor adjustments, but liquidity will remain somewhat tight.

November 3rd (Bloomberg) - China to Commit on Currency Flexibility - Lael Brainard, U.S. Treasury Undersecretary for International Affairs said at the end of the G-20 summit:

China is playing a quite constructive role in conversations that will commit trade surplus countries to stepping up domestic consumption. Currency flexibility "will be part of the action plan..."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
11-09-10	Trade Balance	OCT	\$25.75B	\$14.51B
11/09-10	Exports / Imports	OCT	16.1% / 22.2%	17.1% / 20.9%
11/10-15	New Yuan Loans	OCT	500.0B	470.0B
11/10-15	Money Supply – M0 / M1 / M2	OCT	-- / 9.3% / 13.0%	12.7% / 8.9% / 13.0%
11/13-17	Actual FDI	OCT	--	7.9%
11/16	Conference Board China September Leading Economic Index			

Valance Economic Report: Sweden

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November 9, 2011

The minutes of the Riksbank's meeting on October 26th showed four of the six board members agreed to keep the repo rate unchanged at 2.0% and to increase the rate path 'sometime next year.' Sweden posted a SEK 3.0 bln budget surplus in October. In September, Industrial Output growth rose unexpectedly, M/M Orders slowed, and output in the service sector increased from last year.

Weekly Highlights

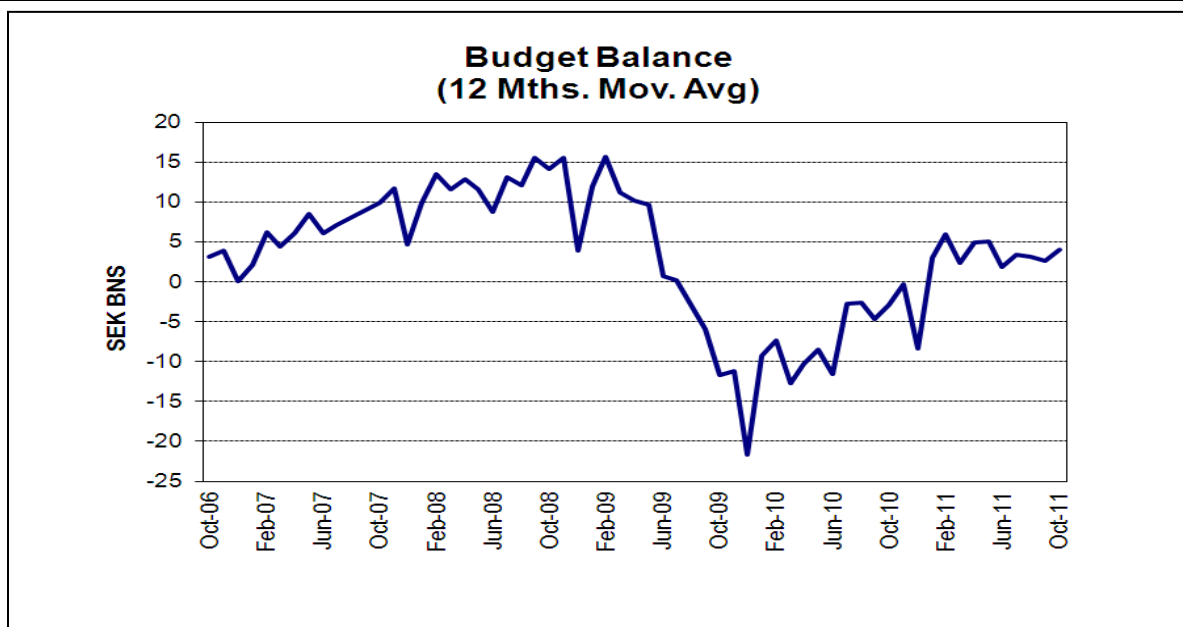
Budget Surplus – widened to SEK 3.0 bln in October. (SW 1)

Industrial Production – rose 1.3% M/M and 4.8% Y/Y in September. (SW 2)

Service Production – rose 0.5% M/M (sa) and 5.0% Y/Y (wda) in September. (SW 3)

Weekly Releases & News

Chart(s) of the Week: *Budget Surplus*



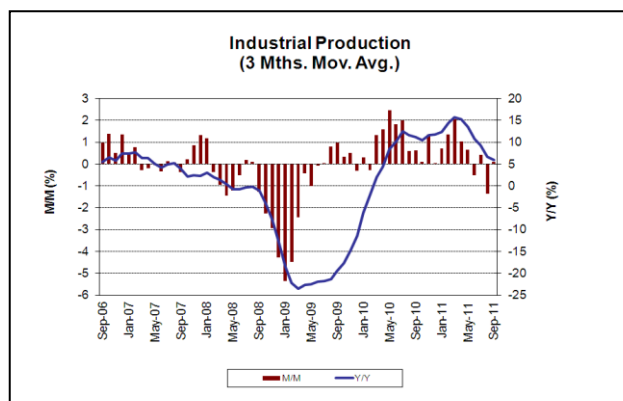
Sweden posted a Budget Surplus of SEK 3.0 bln in October, above the surplus of SEK 1.7 bln posted the previous month. On a 12-mth. mov. avg. basis, the budget balance strengthened from a surplus of SEK 2.62 bln in September to a surplus of SEK 4.04 bln in October.

SW 1

Industrial Production/Orders & Trade Weighted Exchange Rate

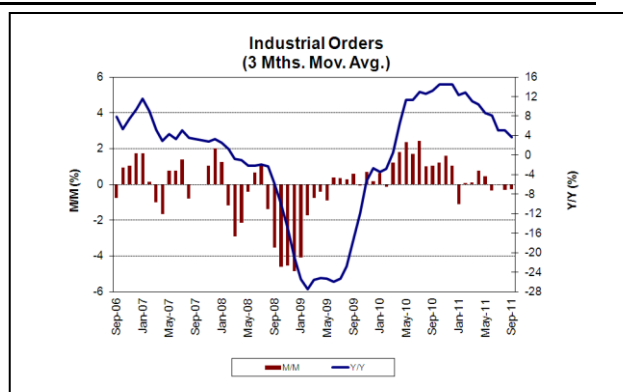
Industrial Production

Industrial Production rose 1.3% M/M and 4.8% Y/Y in September, compared with -3.3% M/M and 5.3% Y/Y the previous month. On a monthly basis, production was mixed, but mostly positive, in most of the industry's subsectors, with the strongest development in the motor vehicle and pharmaceutical industries; while the petroleum industry suffered the largest loss.

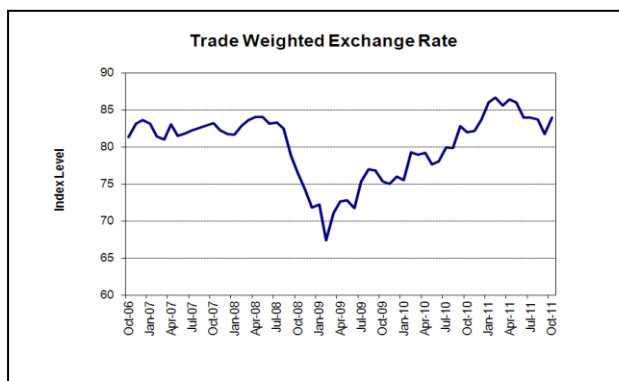


Industrial Orders

September Industrial Orders fell 0.9% M/M and rose 1.7% Y/Y, compared with -0.5% M/M and +8.9% Y/Y in August. The electrical and transport equipment industries suffered the greatest loss, while the electronics industry had the highest positive impact. New orders in the domestic market rose 1.7% M/M and in the export market, fell by 2.6% M/M.



Trade Weighted Exchange Rate



Riksbank Minutes

November 9 (Riskbank) - Minutes of the Executive Board's Monetary policy meeting on October 26th -

At the Monetary Policy Meeting on 26 October, the Executive Board of the Riksbank decided to hold the repo rate unchanged at 2 per cent. The Executive Board also decided to wait before making further increases in the repo rate until sometime next year. This repo-rate path is expected to contribute to stabilising inflation around the target of 2 per cent and resource utilisation around a normal level.

The decision was made against the background of the monetary policy discussion. The conclusions from the discussion are that the concern over public finance problems in both the United States and Europe are expected to subdue developments in the Swedish economy. So far, the main effect on Sweden has been a decline in confidence among households and companies. Household consumption is expected to increase more slowly, which will also lead to weaker developments in the Swedish economy in the coming period. As the uncertainty declines and confidence returns, the Swedish economy is expected to grow at a more normal rate and resource utilisation is expected to rise. Underlying inflationary pressures are currently low. However, as resource utilisation rises, this will put pressure on inflation.

Deputy Governors Karolina Ekholm and Lars E.O. Svensson entered a reservation against the decision to hold the repo rate unchanged and against the repo-rate path in the Monetary Policy Report.

November 9th (Bloomberg) - Swedish Riksbank Needs 'Great Vigilance' in Policy – Riksbank Governor, Sefan Ingves remarked in the minutes:

When it's difficult to assess events abroad because of turbulence in certain central countries, it is important that policy makers don't rock the boat with regard to monetary policy and create imbalances.

Monetary policy should be adapted gradually and shouldn't react in advance on the assumption of either negative or positive events.

There is great uncertainty over future developments and new shocks that are difficult to foresee could occur. The fiscal problems in several countries may worsen and delay the international recovery. But it is also possible that there will be a faster normalization abroad.

Deputy Governor, Lars Nyberg: *A decline in growth in Europe will sooner or later affect our exports. One might of course imagine cutting the repo-rate path further, given the increased uncertainty in Europe...monetary policy must deal with catastrophes if and when they arise, not in advance.*

Deputy Governor, Karolina Ekholm: *Indications that demand in the Swedish economy will be subdued by the weaker developments abroad are stronger now than they were in September said in the minutes.*

Deputy Governor, Svante Oeberg: *It has been a mistake made in many countries not to give sufficient consideration to the expansion in credit.*

Data, News & Upcoming Dates

Data

November 7th - Service Production – rose 0.5% M/M (sa) and 5.0% Y/Y (wda) in September, compared with 0.4% M/M and 4.4% Y/Y the previous month. Notably, Administrative and Supportive Services rose 10.6% Y/Y (wda).

News

November 9th (Bloomberg) - Riksbank to Cut Rate to 1.9% in Next Year – A Survey by TNS Sifo Prospera showed the Riksbank will cut its benchmark interest rate 1.9% in 2012 and rise to 2.3% in 2013. The survey also showed that consumer prices will likely rise 2.0% in 2012 and 2013. The Swedish economy will grow 1.8% in 2012 and 2.1 in 2013, the survey continued.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
11/10	CPI – Headline Rate	OCT	0.3% / 3.2%	0.7% / 3.2%
11/10	CPI – CPIX	OCT	0.2% / 1.4%	0.7% / 1.5%
11/10	CPI Level	OCT	314.10	313.41
11/11	PES Unemployment Rate	OCT	4.5%	4.5%
11/16	Industry Capacity	Q3	--	88.8%
11/16	Total Number of Employees	Q3	--	3.3%

Valance Economic Report: Switzerland

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November 9, 2011

In October, Swiss Inflation unexpectedly fell, Consumer Sentiment deteriorated sharply, and the Jobless Rate stayed at its lowest in 2 1/2 years.

Weekly Highlights

CPI – fell 0.1% M/M and 0.1% Y/Y in October. (SZ 1)

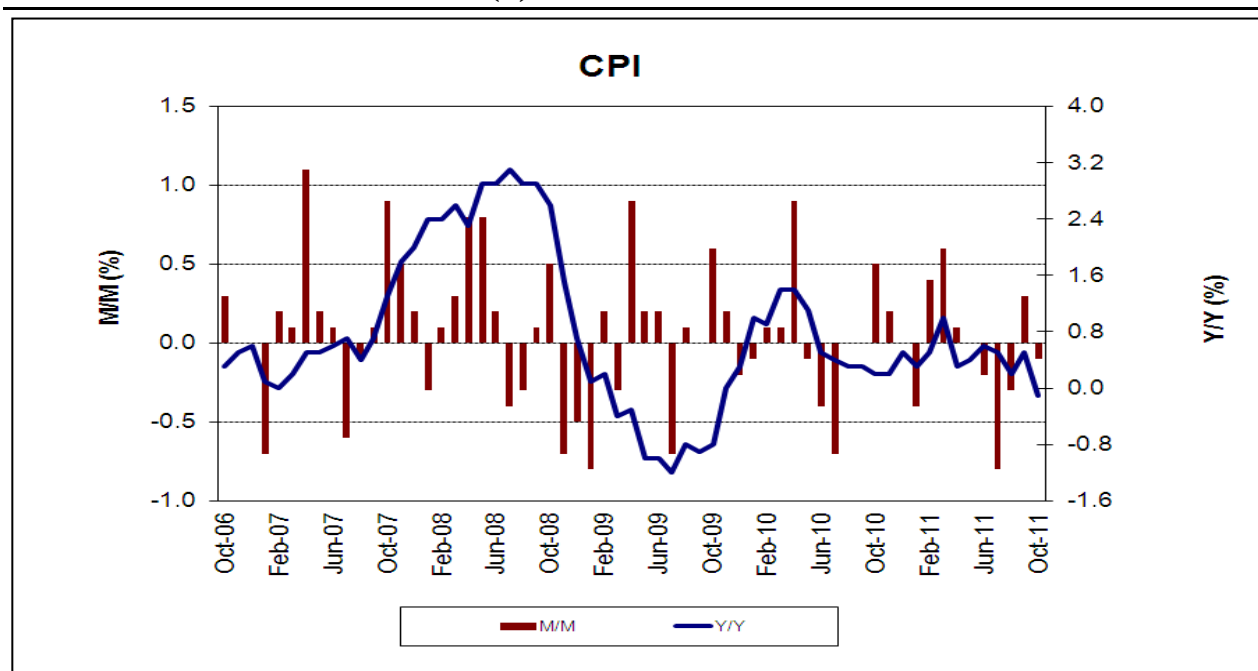
Core CPI – fell 0.1% M/M and 0.5% Y/Y in October. (SZ 1)

Consumer Confidence – fell from -17 in July to -24 in October. (SZ 2)

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

Weekly Releases & News

Chart(s) of the Week: CPI



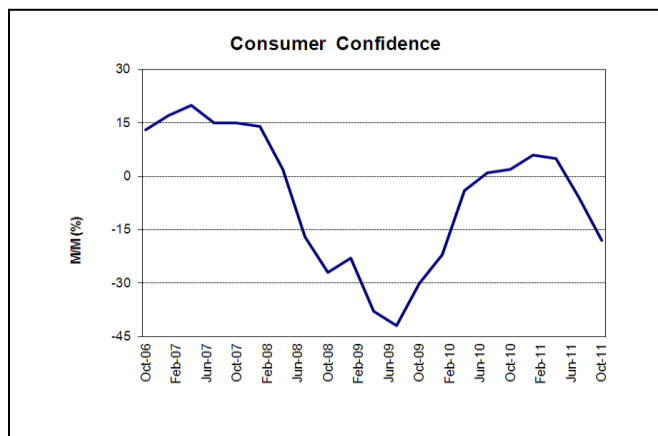
September Consumer Prices fell 0.1% in the month, below expectations of 0.2% M/M, and compared with 0.3% M/M the previous month. On an annual basis, prices were down 0.1%, lower than the 0.5% growth posted the month before; and in contrast to an expected annual reading of 0.2%. Additionally, Core Consumer Prices fell 0.1% M/M and 0.5% Y/Y in October, compared with 0.3% M/M and 0.2% Y/Y the previous month.

SZ 1

Consumer Confidence, Unemployment Rate & Trade Weighted Exchange Rate

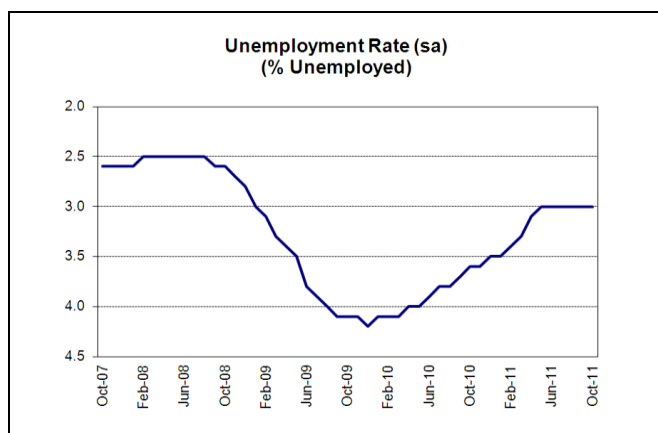
Consumer Confidence

Consumer Confidence unexpectedly fell from -17 in July to -24 in October. It was expected to drop to -22.

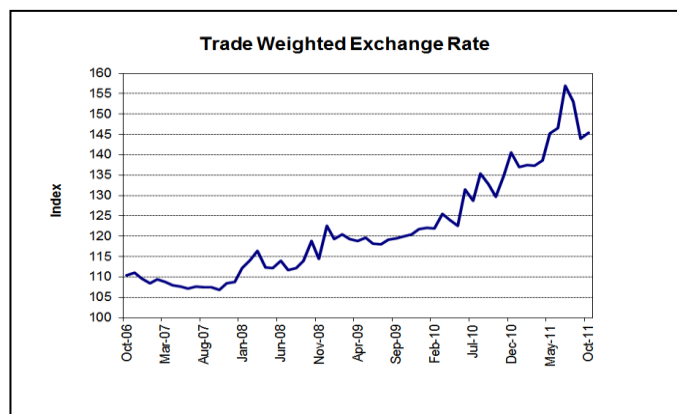


Unemployment Rate

As expected, Switzerland's seasonally adjusted Unemployment Rate was unchanged at 3.0% in October – its lowest level in over two and a half years. Meanwhile, the seasonally unadjusted Unemployment Rate rose from 2.8% in September to 2.9% in October, in line with expectations. On an unadjusted basis, the total number of vacancies was approximately 18.8K – up by 685.



Trade Weighted Exchange Rate



Data & News

Data

November 4th (Bloomberg) - SNB Foreign Currency Holdings Fall to 242.7 Billion Francs –

The SNB reported that its foreign currency holdings fell from 282.2 bln francs in September to 242.7 bln francs in October.

News

November 8th (Bloomberg) - Hildebrand Says SNB Needs Broader Mandate to Supervise Banks -

SNB President Philipp Hildebrand made the following comments:

On the Swiss National Bank's legal mandate: *The SNB's mandate says we are to contribute to financial stability. In other words, we currently have no formal competence in the area of banking supervision.*

On the need for a broader mandate for the SNB: *We clearly feel the need for the financial-stability arsenal of the SNB to be enhanced. It should be geared toward augmenting the resilience of the banking system and moderating its pro-cyclical behavior.*

Given its inevitable role as a lender of last resort, the SNB will play an active role in combating the financial crisis. The SNB should play a role in reducing the probability of a crisis emerging in the first place. Here, macro-prudential supervision, which is at the interface between micro-prudential supervision and monetary policy, has a key role to play.

In order to play that role, the formal legal competence of the SNB in the area of prevention needs to be enhanced carefully. We are working very actively at the moment with the government, parliament and Finma to achieve that objective.

On the tasks the SNB should handle: *This enhanced competence should ultimately build on two pillars. First, the SNB should have independent access to the bank data that is essential for conducting ongoing and appropriate financial-stability valuation. The inability today to collect and independently assess data from the systemically relevant banks was a key weakness in our ability to work preemptively in the run-up to the peak of the financial crisis in 2008 and 2009.*

Secondly, we feel we should have a more formal role to play in proposing or deciding on regulation that clearly impacts financial stability. To be specific here, we are not suggesting that we have a voice in all regulation, but in the regulation that will have a direct bearing on financial stability. Specifically, it should be the SNB's responsibility to mandate a countercyclical capital buffer as it has been set out in Basel III.

News (Cont'd.)

November 8th (Bloomberg) - Swiss Franc Limit Doesn't Curb SNB's Independence - Vice President Thomas Jordan remarked at a conference:

The minimum exchange rate can't be confused with an exchange-rate target.

With an exchange-rate target, there's an automatic loss of monetary policy autonomy. With the minimum exchange rate, that's not the case and the SNB will be able to maintain its mandate also in the future.

The independence of monetary policy is absolutely essential for a central bank to carry out its mandate in the long term.

When countries are carrying excessive debt loads, they tend to ask a central bank for help to solve any problems with its printing press. The fading limits of fiscal and monetary policy can have problematic consequences for an economy, however.

The SNB had to take far-reaching measures to limit the negative effects on the Swiss economy and to carry out its mandate. With the introduction of a minimum exchange rate versus the euro, the situation stabilized.

We are extremely affected by the crisis. Our mandate is very clear: we need to deliver price stability and make a contribution to the stabilization of the economy. We are monitoring the situation permanently. We are analyzing it and if there is a reason to act, we are obviously ready to take further measures.

The euro-area crisis probably won't disappear soon. Pressure on the franc will remain for a while.

For a small, open economy, it's not possible to live with an over-valuation for a longer period of time. After long consideration, we came to the conclusion that there's no other way than setting a minimum exchange rate.

November 6th (Bloomberg) - SNB Is Ready to Act on Franc – SNB President, Philipp Hildebrand said:

The Swiss National Bank expects the franc to depreciate further. Should that not be the case, it could lead to deflationary developments and weigh heavily on the economy. We are ready to take further measures in case economic prospects and a deflationary development should require it.

Asked whether the SNB would increase its cap on the franc versus the euro: *the central bank monitors the data and would take further measures if needed.*

We are noticing that our crystal-clear policy in introducing the minimum exchange rate is very credible. At the current exchange rate versus the euro, the franc is still highly valued.

In 2012, growth rates may be very slim at best.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
11/14	Producer & Import Prices	OCT	--	-0.1% / -2.0%