

Valance Company, Inc.



Weekly

July 6, 2011

III

Highlights

US – Manufacturing confidence rebounds

EU – Consumer Prices held at 2.7% in June

JN – Q2 Tankan Survey weak; BoJ reports regional improvements

UK – Mfg PMI followed the global trend

CA – Real GDP stalled in April

AU – RBA held rates still but turned dovish

NZ – Business surveys were upbeat

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Valance Co., Inc.

Valance Economic Report: *United States*

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July 6, 2011

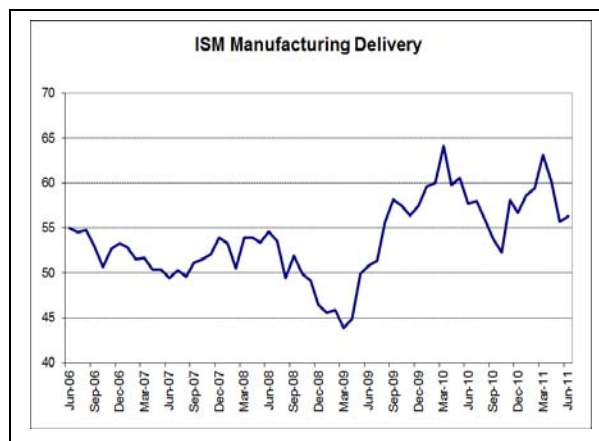
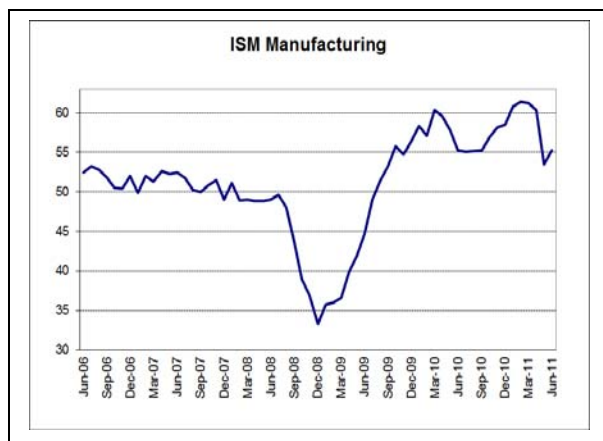
Unexpected upturns in Manufacturing and Confidence Indices highlighted this holiday shortened week. The June Payroll report will be released Friday; Private Payrolls are forecasted to gain 125k jobs. Initial Claims have remained in a very tight range around 425k the past two months.

Weekly Highlights

ISM Manufacturing – reversed recent slide, expanding from 53.5 to 55.3. (US 1)
Chicago PMI – improved from 56.6 to 61.1. (US 3)

Weekly Releases

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



The ISM Manufacturing Index unexpectedly rose from to 53.5 to 55.3 in June. New Orders improved from 51.0 to 51.6 and the Employment component remains firm, rising from 58.2 to 59.9. Prices paid declined from 76.5 to 68.0. Deliveries increased from 55.7 to 56.3.

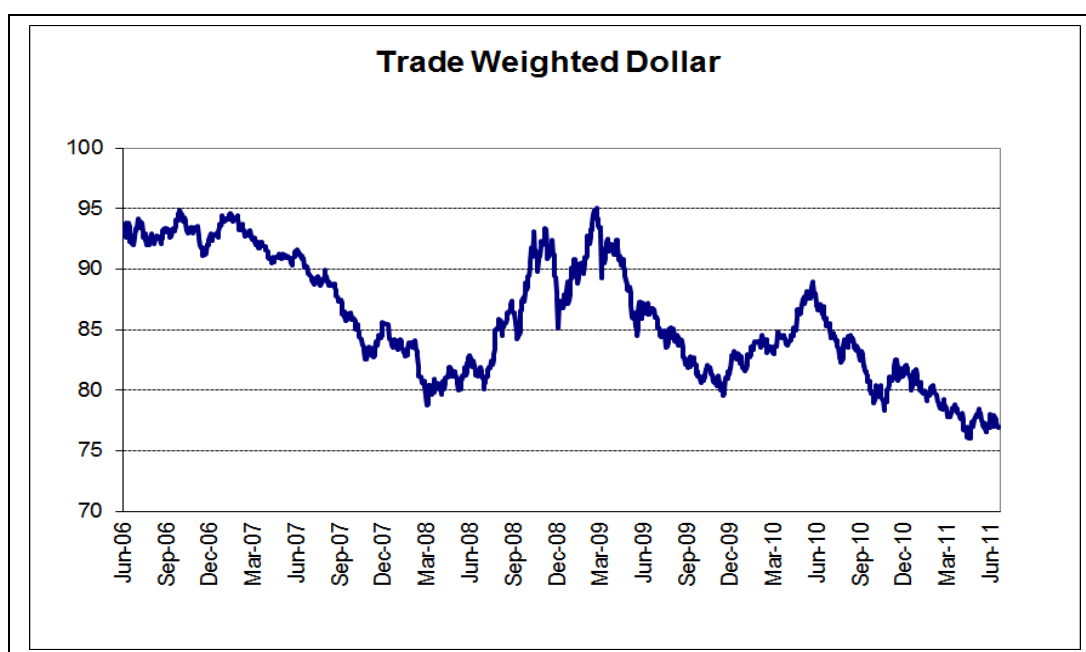
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

<i>U.S.</i>	<i>Latest period (\$blns)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-188.1 (May)	-8.6%
Trade Balance	-43.7 (May)	-3.5%
Current Account Balance	-119.3B (Q1)	-3.1%
Private Balance	--	5.3%

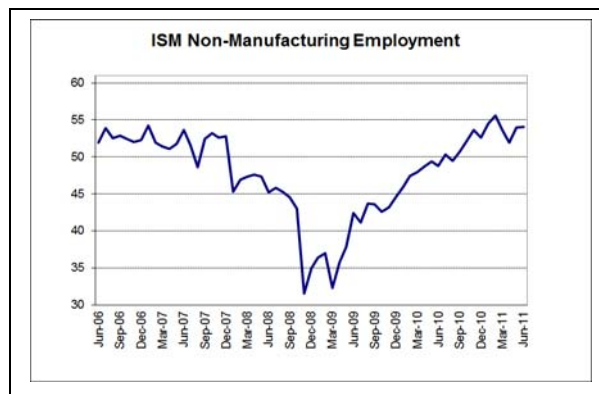
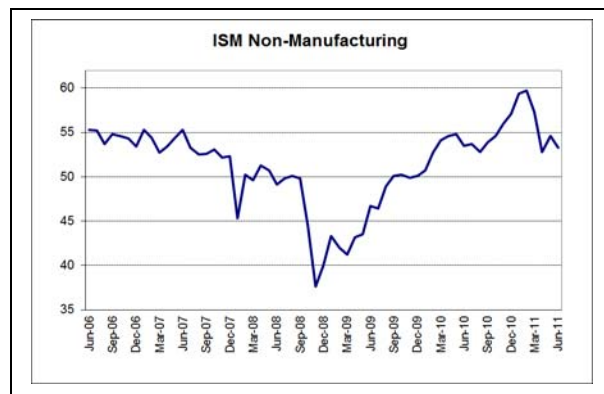
The budget deficit on a trailing twelve month basis as of March is 9.4% of GDP. The trade deficit as of March is 3.4% of GDP. The budget deficit is quite large and should remain that way due to tax cuts, high expenditures and revenues that are just starting to turn upwards. The large budget deficit will help private balances build and support an economic recovery.

Trade Weighted Dollar



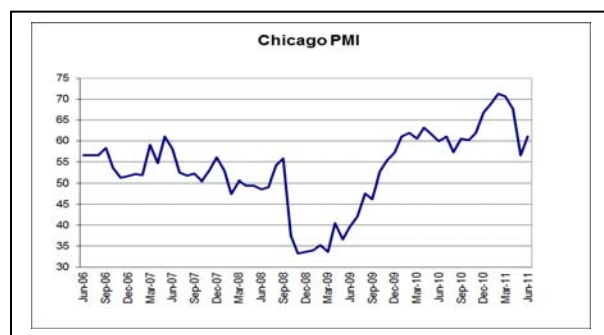
ISM, Chicago PMI & Unemployment Claims

ISM Non-Manufacturing



The ISM Non-Manufacturing Index fell from 54.6 to 53.3 in June. New Orders declined from 56.8 to 53.6 and Prices Paid from 69.6 to 60.9, the fifth consecutive decline. The employment component ticked up from 54.0 to 54.1. The service based economy continues to show a strong recovery.

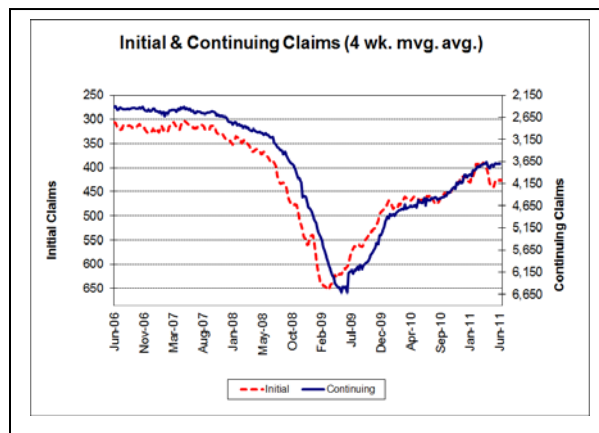
Chicago PMI



The Chicago PMI improved from 56.6 to 61.1 in June. The New Orders component surged from 53.5 to 61.2. Production jumped from 56.0 to 66.9. The Inventories component dropped from 61.6 to 46.9 and the Employment component from 60.8 to 58.7.

Initial & Continuing Claims

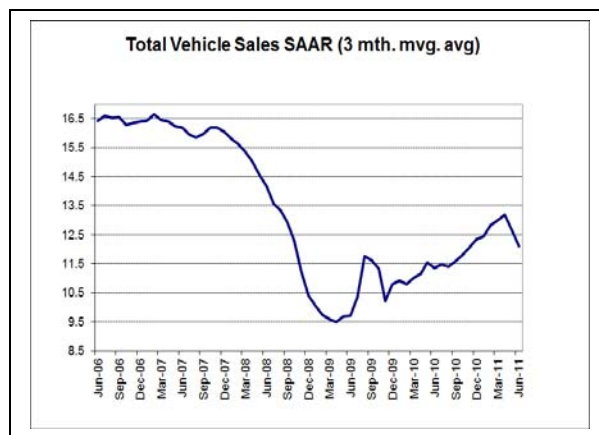
Initial Claims decreased from 429k to 428k. The four week moving average of Initial Claims remained at 426k and Continuing Claims fell from 3714k to 3702k. Initial Claims have trended down from 500k in the summer of 2010 and after improving in the beginning of 2011 are stabilizing around 425k.



Total Vehicle Sales, Confidence & Construction Spending

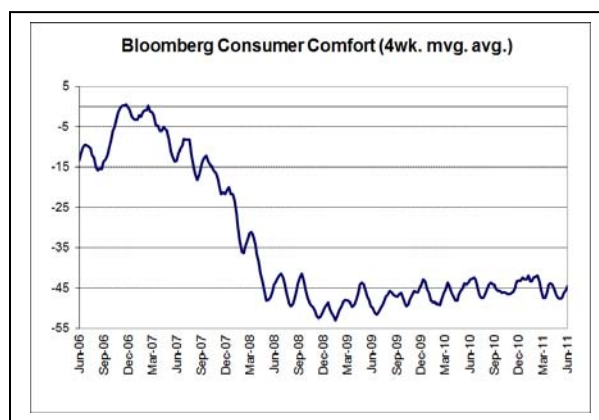
Total Vehicle Sales

Total Vehicle Sales declined from 11.76M to 11.41M seasonally adjusted annualized units in June.



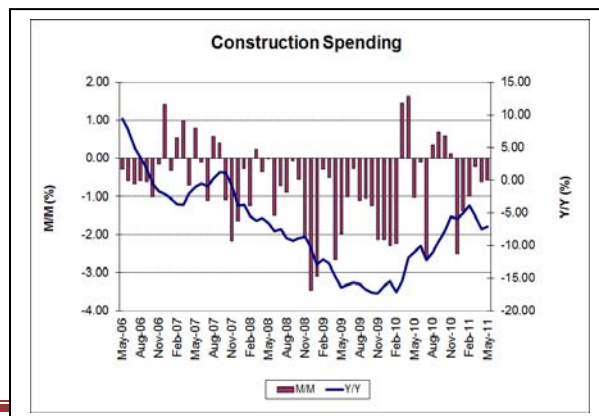
Bloomberg Consumer Comfort

The Bloomberg Consumer Comfort Index rose from -44.9 to -43.9. The state of the economy component rose from -80.1 to -79.2 and the personal finance component from -7.6 to -5.5. The buying climate improved, ticked higher from -47.0 to -46.9. This series is slowly trending higher from its absolute lows and has regained momentum in recent weeks.



Construction Spending

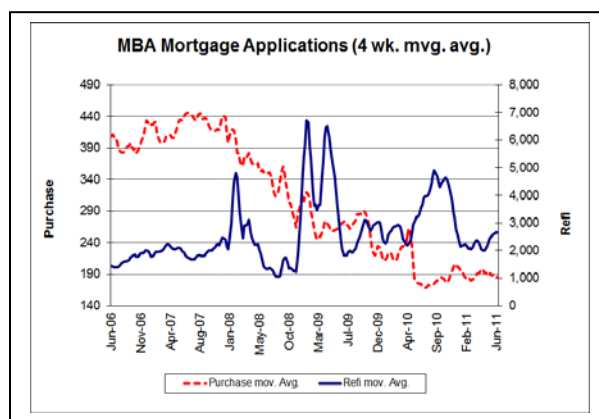
Construction Spending declined 0.6% M/M in May and fell 7.1% Y/Y. Residential Spending declined 2.1% M/M and 6.9% Y/Y. Non-residential Spending rose 0.1% M/M and is now down 7.2% Y/Y.



Mortgage Applications & Upcoming Dates

MBA Mortgage Applications

Purchase Mortgage Applications gained 3.0% W/W and refi applications fell 9.2% W/W this week. Purchase and refi applications remain at low absolute levels.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
07/07	ADP Employment Change	JUN	70K	38K
07/07	Initial Jobless Claims	JUL 2	420K	428K
07/07	Bloomberg Consumer Comfort	JUL 3	- -	-43.9
07/08	Change in Nonfarm Payrolls	JUN	100K	54K
07/08	Change in Private Payrolls	JUN	125K	83K
07/08	Unemployment Rate	JUN	9.10%	9.10%
07/08	Avg Hourly Earning M/M All Emp	JUN	0.20%	0.30%
07/08	Avg Weekly Hours All Employees	JUN	34.4	34.4
07/08	Consumer Credit	MAY	\$4.000B	\$6.247B
07/12	Trade Balance	MAY	-\$44.2B	-\$43.7B
07/13	MBA Mortgage Applications	JUL 8	- -	- -
07/13	Import Price Index (M/M)	JUN	-0.50%	0.20%
07/13	Minutes of FOMC Meeting	- -	- -	- -
07/13	Monthly Budget Statement	JUN	- -	-\$57.6B

Valance Economic Report: Euro Zone

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July 6, 2011

The Euro Area recorded mixed data this past week. Consumer Prices held at 2.7% in June, remaining above the ECB 2.0% target for the seventh straight month. Money Supply growth accelerated in May and the EU Unemployment Rate held at 9.9%. EU Retail Sales fell in May, driven by the 2.8% M/M decline in Germany. We look for a 25 bp hike from the ECB tomorrow.

Weekly Highlights

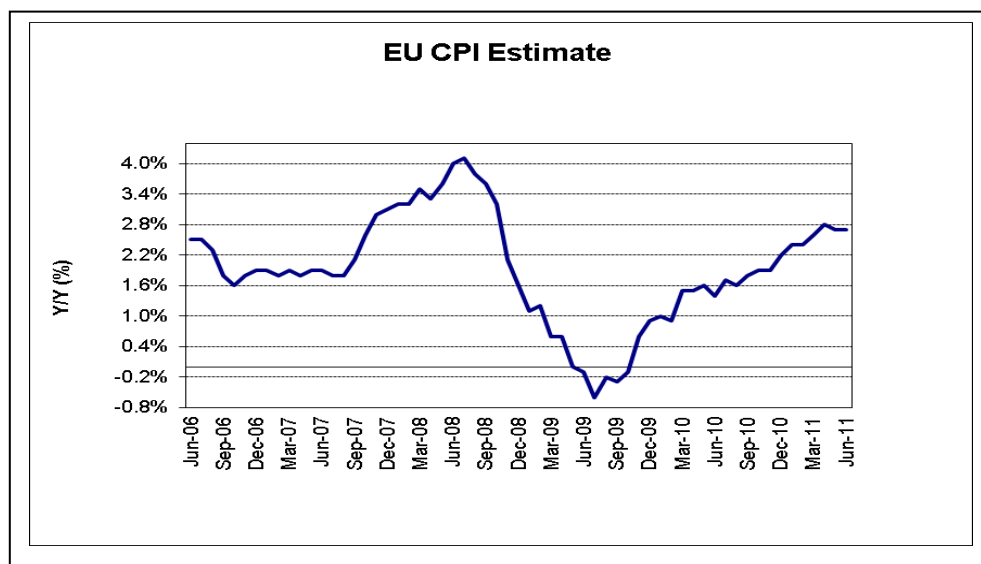
EU CPI – held at 2.7% Y/Y in June. (EU 1)

M3 Money Supply growth - accelerated from 2.3% Y/Y in April to 2.7% Y/Y in May. (EU 3)

EU Unemployment Rate – held at 9.9% in May. (EU 4)

Weekly Releases & News

Charts of the Week: EU CPI



EU CPI increased 2.7% Y/Y in June, matching the previous month's reading, making the seventh consecutive month that CPI growth has exceeded the ECB's 2% limit. The ECB is expected to increase its policy rate by 25 bps tomorrow in an attempt to help control price pressures.

EU - 1

Euro Zone Financial Balances & Trade Weighted Euro

Financial Balances

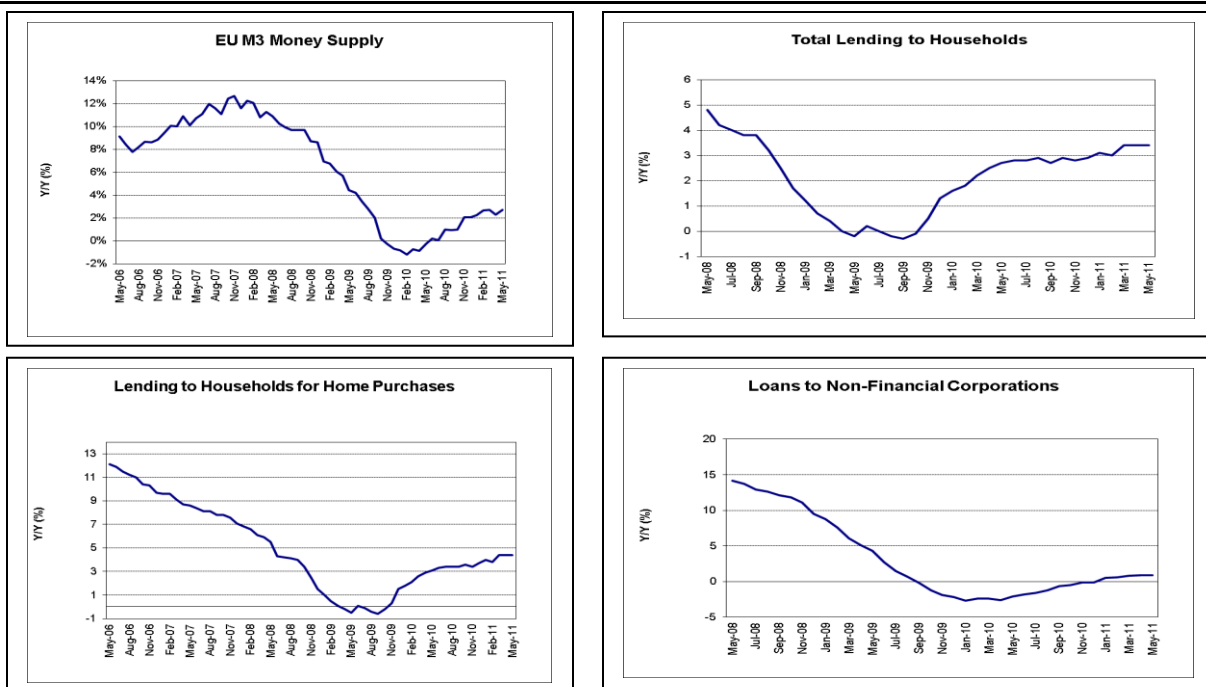
<i>Germany</i>	<i>Last period (\$blns euros)</i>	<i>Last 12mth. as a % of GDP*</i>
Budget Balance		-3.3%
Trade Balance	10.9 (April)	2.0%
Current Account Balance	8.8 (April)	5.6%
Private Savings Balance		8.9%
<i>France</i>		
Budget Balance		-7.0%
Trade Balance	-7.1 (April)	-4.7 %
Current Account Balance	-4.8 (April)	-2.2%
Private Savings Balance		4.8%
<i>Italy</i>		
Budget Balance		-4.5 %
Trade Balance	-3.8 (April)	-0.6%
Current Account Balance	-5.6 (April)	-3.5%
Private Savings Balance		1.0
*Budget Balance as of year end 2010 – Source OECD		

Trade-Weighted Exchange Rate



Money Supply Data

Money Supply Data

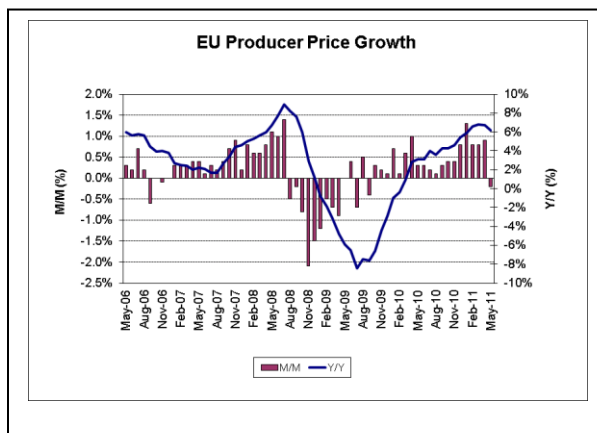


M3 Money Supply growth accelerated from 2.3% Y/Y in April to 2.7% Y/Y in May. On a 3mth. mov. avg. basis, loan growth accelerated from 2.1% Y/Y to 2.2%. Lending to Households growth increased 3.4% Y/Y, matching the previous two month's reading. Lending to Households for Home Purchases increased 4.4% Y/Y, also matching the previous two month's reading. Loans to Non-Financial Corporations growth increased 0.9% Y/Y in May.

EU PPI, Retail Sales & Unemployment Rate

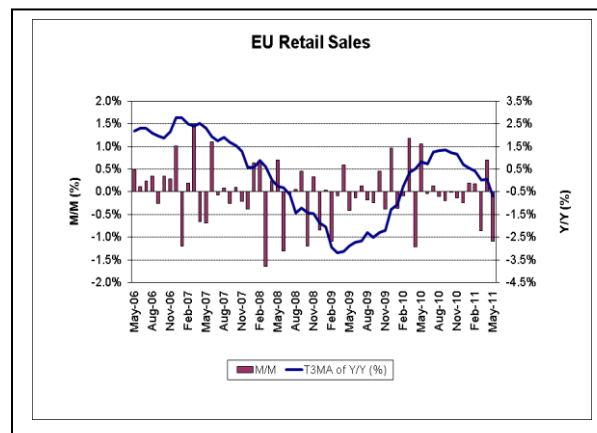
EU PPI

EU PPI decreased 0.2% M/M in May, with energy prices falling 1.1% M/M. The 0.2% M/M decline in May followed a strong 0.9% M/M gain in April. Y/Y growth increased 6.2%. PPI, ex energy, increased 0.2% M/M and 4.2% Y/Y.



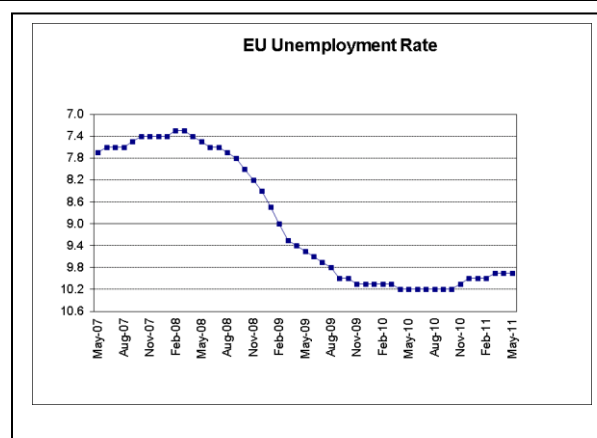
EU Retail Sales

EU Retail Sales fell 1.1% M/M and 1.9% Y/Y in May. Details show that prices for food, drink and tobacco fell 0.6% M/M and 2.1% Y/Y while non-food products prices fell 0.9% M/M and 1.3% Y/Y.



EU Unemployment Rate

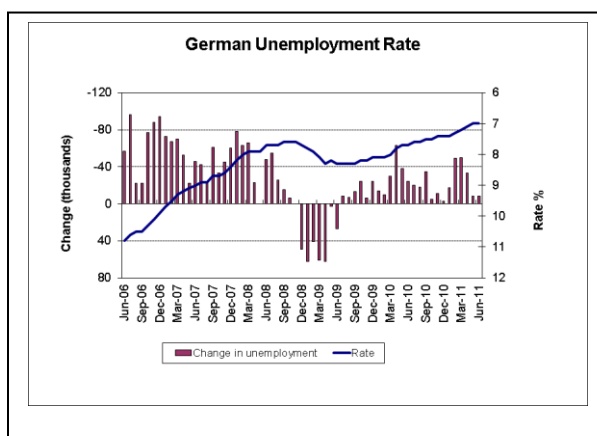
EU Unemployment Rate held at 9.9% in May, remaining at that level for the third straight month. Of the major EU countries, Germany holds the lowest unemployment rate at 7.0% while Spain has the highest rate at 20.9%.



German Unemployment Rate, Retail Sales & Factory Orders

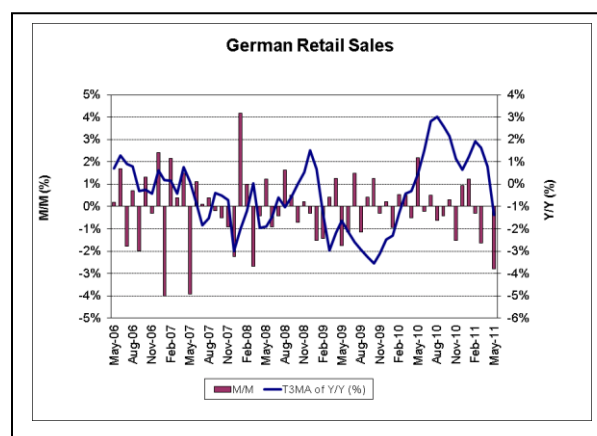
German Unemployment Rate

German Unemployment Rate held at 7.0% in June, in line with market expectations. The number of people unemployed fell by 8K.

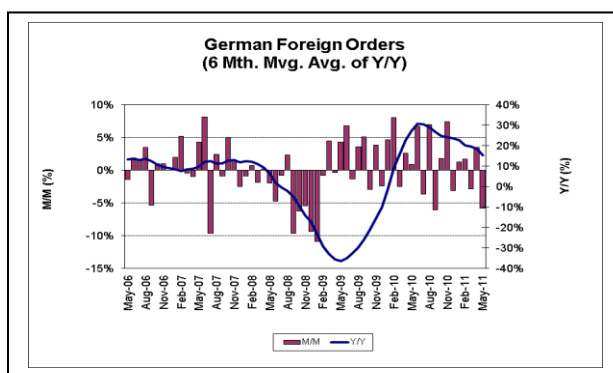
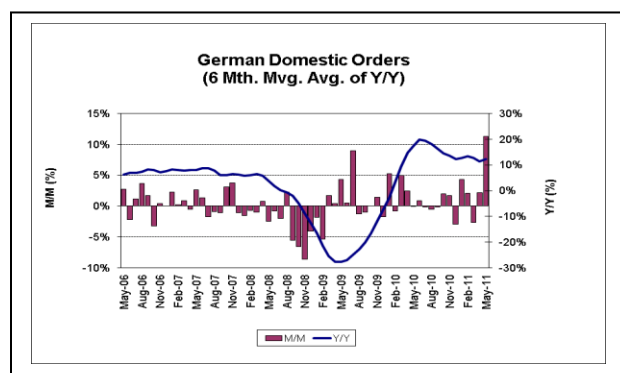


German Retail Sales

Retail Sales unexpectedly fell 2.8% M/M and increased 2.2% Y/Y in May. Market expectations were for a 0.5% M/M and 0.2% Y/Y increase.



German Factory Orders

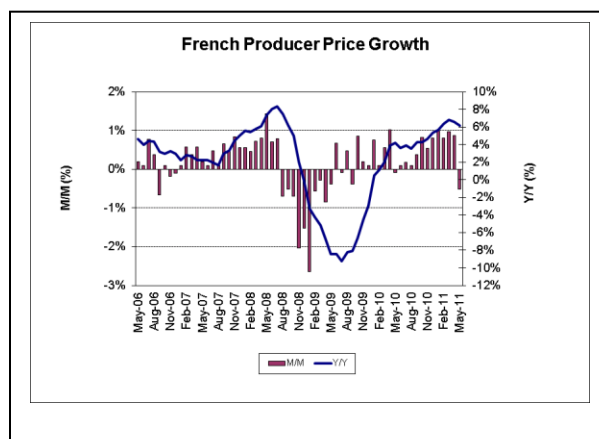


German Factory Orders unexpectedly increased 1.8% M/M and 12.2% Y/Y in May, led by Domestic Demand. Market expectations were for a 0.5% M/M decline and a 9.5% Y/Y gain. Domestic Orders increased 11.3% M/M and 19.0% Y/Y. Foreign Orders fell 5.8% M/M and increased 6.4% Y/Y.

French Producer Prices & Italian CPI/Unemployment Rate

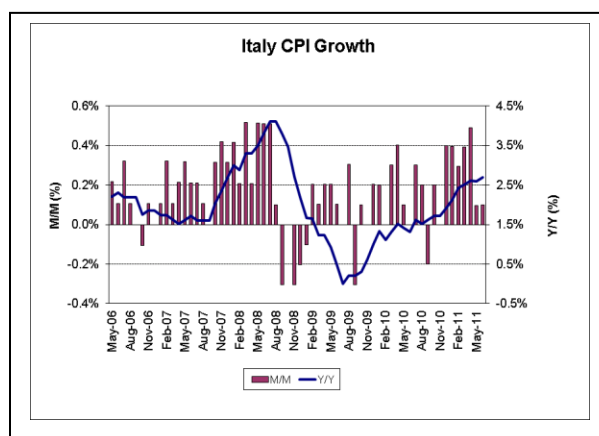
French Producer Prices

French Producer Prices unexpectedly fell 0.5% M/M and increased 6.1% Y/Y in May. Market expectations were for a 0.2% M/M and 6.6% Y/Y growth. The Coke and refinery sector provided the most downward pressure with a 4.6% M/M decline followed by the mining, elec. and utilities sector with a 1.8% M/M decline.



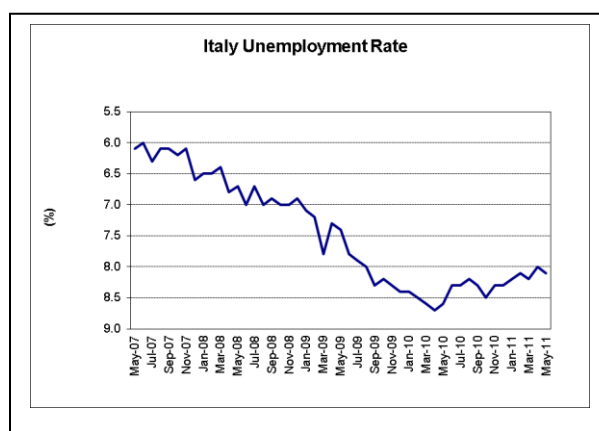
Italian CPI

Preliminary data shows that Italian CPI increased 0.4% M/M and 2.5% Y/Y in May, in line with market expectations. CPI increased 0.1% M/M and 2.6% Y/Y in May.



Italian Unemployment Rate

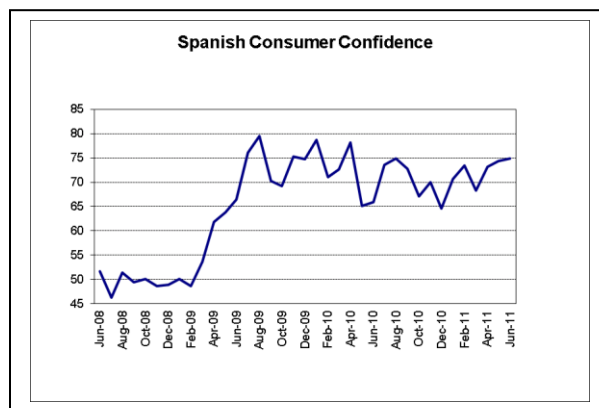
Italy's Unemployment Rate increased from 8.0% in April to 8.1% in May, in line with market expectations. The Unemployment rate fell from 8.4% in Q4 to 8.1% in Q1.



Spanish Consumer Confidence & Unemployment

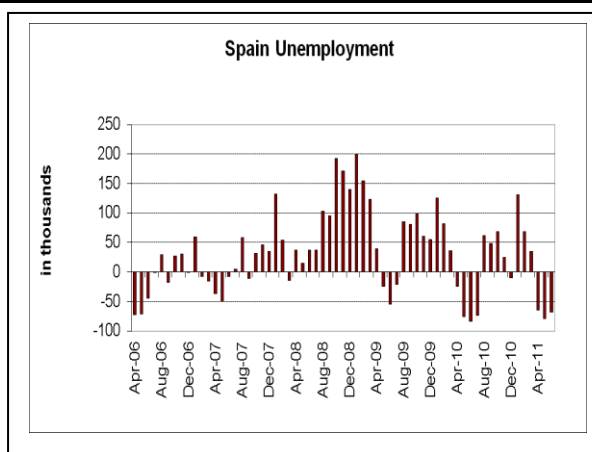
Spanish Consumer Confidence

Spanish Consumer Confidence increased from 74.3 in May to 74.9 in June. The Current Economic Situation increased from 41.8 to 42.8. Expectations for the Economic Situation fell from 92.5 to 89.7.



Spanish Unemployment

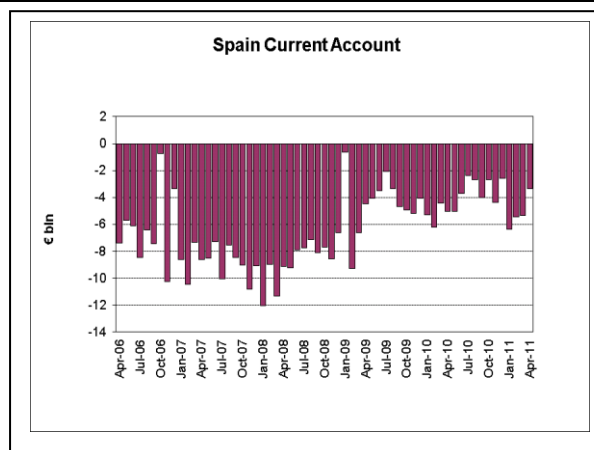
Spanish Unemployment fell by 67.9K in June, its third straight month of decline.



Spanish Current Account & Industrial Production

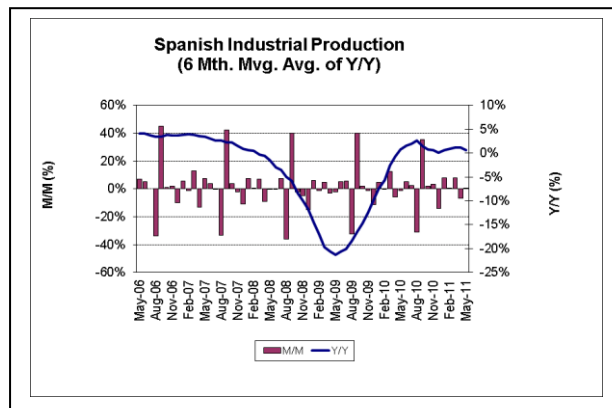
Spanish Current Account

Spain's Current Account Deficit narrowed from €5.7 bln in March to €3.4 bln in April. The Current Account Balance stood at a deficit of €5.1 bln in April 2010.



Spanish Industrial Production

Spanish Industrial Production increased 0.1% M/M and fell 0.4% Y/Y in May.



Data/Comments/News

Sentix Economic Confidence - increased from 3.5 in June to 5.3 in July. A measure of current business conditions climbed to 19.25 from 18.50, while an indicator of expectations increased from -10.50 to -7.75. "It seems that the correction in commodity prices, in particular oil prices, is seen as a relief," Sentix said in the statement. "Investors' assessment certainly also profited from the approved support package for Greece."

July 5th - Trichet Says Non-Standard Measures 'In Line' With ECB's Mandate (Bloomberg) - European Central Bank President, Jean- Claude Trichet, said that the widening of collateral eligibility in non-standard monetary policy operations is "fully in line with" the bank's primary mandate to maintain price stability. Non-standard measures have "supported the flow of credit to the economy in extraordinarily difficult circumstances," Trichet said in a letter to Member of the European Parliament Andreas Moelzer. Trichet also said Emergency Liquidity Assistance programs that can be set up by national central banks in the euro area are "exceptional crisis-management" tools to "support illiquid, but solvent financial institutions."

July 5th - Spain Approves Spending Rule, Will Pay Town Halls' Pending Bills (Bloomberg) - Spain's Cabinet passed a rule to cap central-government and town-hall expenditures, while offering 3.4 bln euros (\$4.9 bln) of state loans so that municipalities can pay debts to suppliers. The government will urge Spain's regions to adopt similar measures to the decree, Deputy Prime Minister, Alfredo Perez Rubalcaba said. Under the new law, inflation- adjusted spending can only rise in line with the average of economic growth over the past five years and projected growth for the next four. The Cabinet also authorized the state credit institute to pay as much as 3.4 bln euros of municipalities' unpaid bills, giving mayors three years to pay the money back.

July 5th - Moody's Slashes Portugal Rating to Junk (WSJ) - Moody's said it is unlikely that Portugal will be able to tap private markets for financing in 2013 if Greece's second bailout demands private investors to roll over Greek debt they hold. "This development is significant not only because it increases the economic risks facing current investors, but also because it may discourage new private sector lending going forward and reduce the likelihood that Portugal will soon be able to regain market access on sustainable terms," Moody's said. Portugal's €78 bln bailout plan will allow it to stay away from markets for financing until the second half of 2013. If it can't tap investors, the country will need a second round of help Moody's said. Portugal's long-term government bond rating was cut to Ba2 and assigned a negative outlook.

July 5th - Moody's Gives Banks Greek Debt Warning (WSJ) - Moody's said that the French plan could mean immediate charges against debt held on bank balance sheets as "available for sale," and that bonds "held to maturity" on banks' books could also be subject to impairment charges. Moody's said the ultimate treatment of the bonds would depend on how banks and their auditors interpret international accounting rules. "If an investor receives anything less than the full market value promised under the bond's contractual terms at each designated coupon payment date or at a principal maturity date, or adequate financial compensation for any variation in terms, it is most likely a default under our definition," Moody's said last week.

Key Dates This Week

<i>Date</i>	<i>Country</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
07/07	EC	ECB Announces Interest Rates	7-Jul	1.50%	1.25%
07/13	EC	Euro-Zone Ind. Prod. wda (Y/Y)	MAY	--	5.20%
07/13	EC	Euro-Zone Ind. Prod. sa (M/M)	MAY	--	0.20%
07/07	GE	Industrial Prod. YoY (nsa wda)	MAY	7.00%	9.60%
07/07	GE	Industrial Production (M/M) (sa)	MAY	0.70%	--
07/08	GE	Exports SA (M/M)	MAY	1.50%	--
07/08	GE	Imports SA (M/M)	MAY	1.50%	--
07/08	GE	Current Account (EURO)	MAY	7.0B	8.8B
07/08	GE	Trade Balance	MAY	12.2B	10.9B
07/12	GE	Consumer Price Index (M/M)	JUN F	--	0.10%
07/12	GE	Consumer Price Index (Y/Y)	JUN F	--	2.30%
07/07	FR	Trade Balance (Euros)	MAY	-5700M	-7144M
07/08	FR	Bank of France Bus. Sentiment	JUN	--	103
07/11	FR	Industrial Production (M/M)	MAY	--	#####
07/11	FR	Industrial Production (Y/Y)	MAY	--	2.60%
07/12	FR	Consumer Price Index (M/M)	JUN	--	0.10%
07/12	FR	Consumer Price Index (Y/Y)	JUN	--	2.00%
07/12	FR	Current Account (EURO)	MAY	--	-4.8B
07/08	IT	Industrial Production sa (M/M)	MAY	-0.10%	1.00%
07/08	IT	Industrial Production wda (Y/Y)	MAY	2.20%	3.70%
07/08	IT	Industrial Production nsa (Y/Y)	MAY	--	#####
07/13	SP	Consumer Price Index (M/M)	JUN	--	0.00%
07/13	SP	Consumer Price Index (Y/Y)	JUN F	--	3.20%

Valance Economic Report: *Japan*

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July 6, 2011

Mixed data continues in Japan. On the positive side, Core CPI was unchanged M/M, largely as expected. The Jobless rate declined unexpectedly and Wages improved although the Tankan Survey was significantly weaker than expected. Also, according to a report from the BoJ, most regions are seeing improvements in economic conditions post-earthquake.

Weekly Highlights

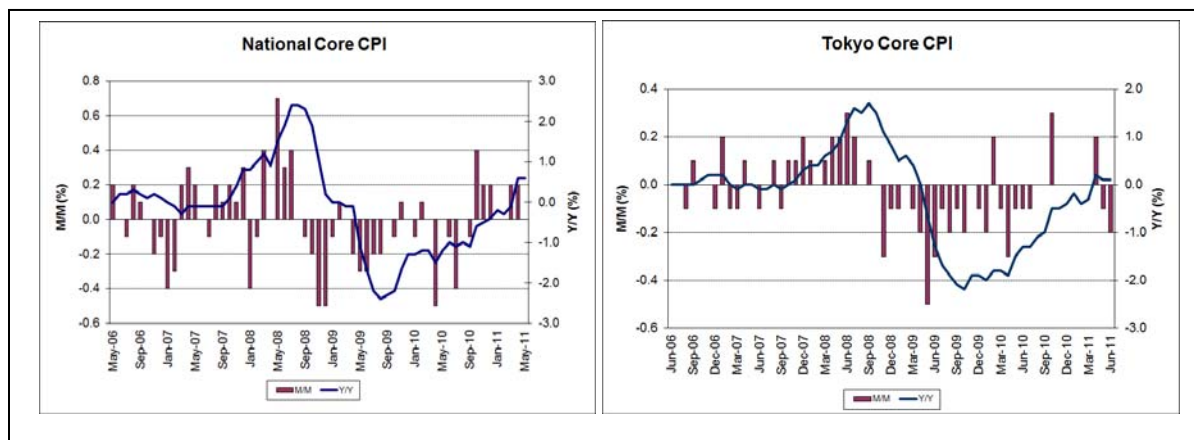
Core CPI – unchanged M/M and increased 0.6% Y/Y in May. (page 1)

Employment – Jobless Rate dropped to 4.5% in May. (page 3)

Tankan – large firms' sentiment declined from +6 to -9 in Q2 (page 4)

Weekly Releases & News

Charts of the Week: *CPI*

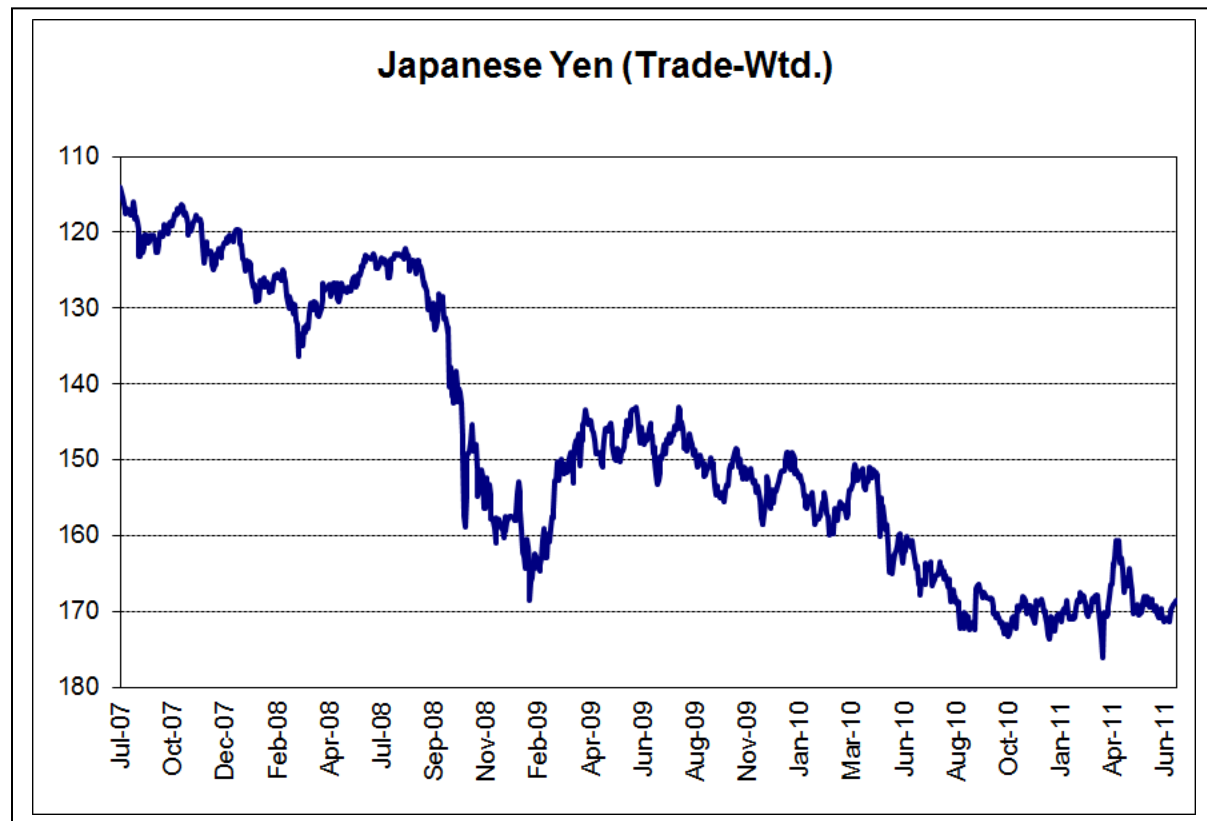


The Nationwide Core CPI was unchanged M/M in May and increased 0.6% Y/Y. Core-Core CPI, which excludes energy as well as food, increased 0.1% M/M and 0.1% Y/Y. The increases were roughly in line with market expectations and occurred as monthly clothing, medical care, and entertainment prices increased, offsetting declines in food and utilities.

Within Tokyo, Core CPI prices declined 0.2% M/M and increased 0.1% Y/Y in June. Core-Core Prices were unchanged M/M and increased 0.1% Y/Y.

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

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

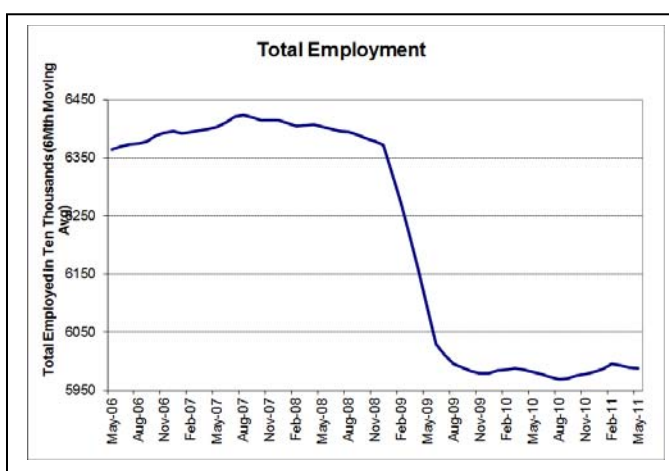
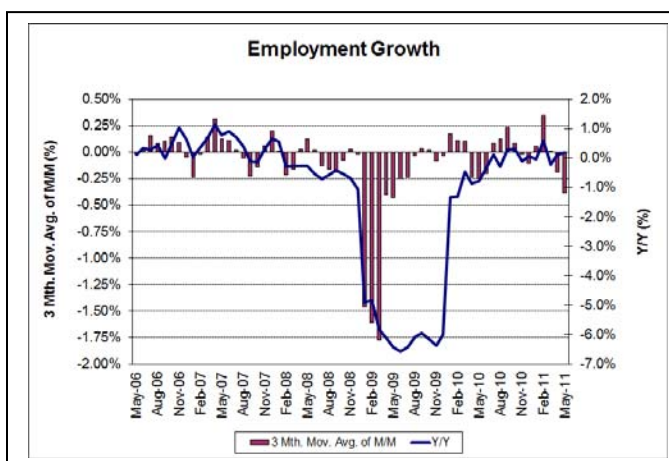
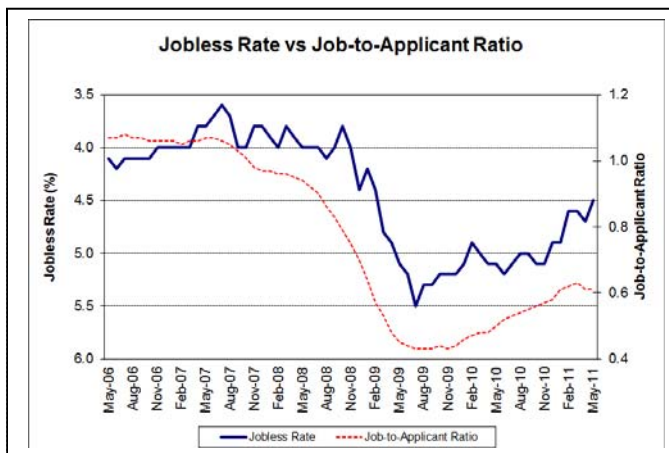


Employment Data

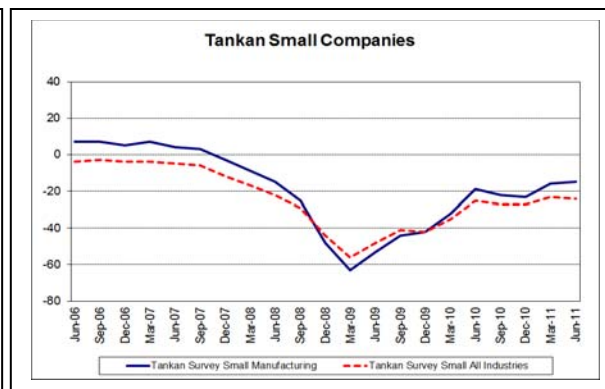
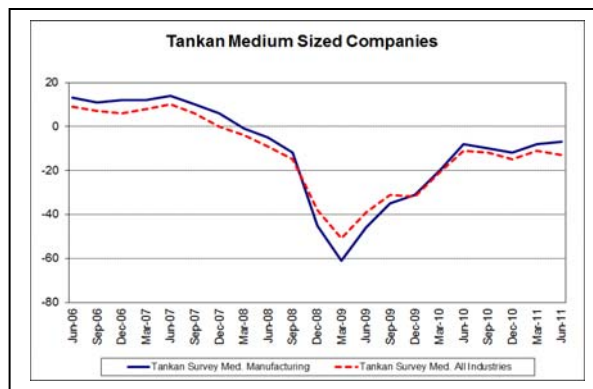
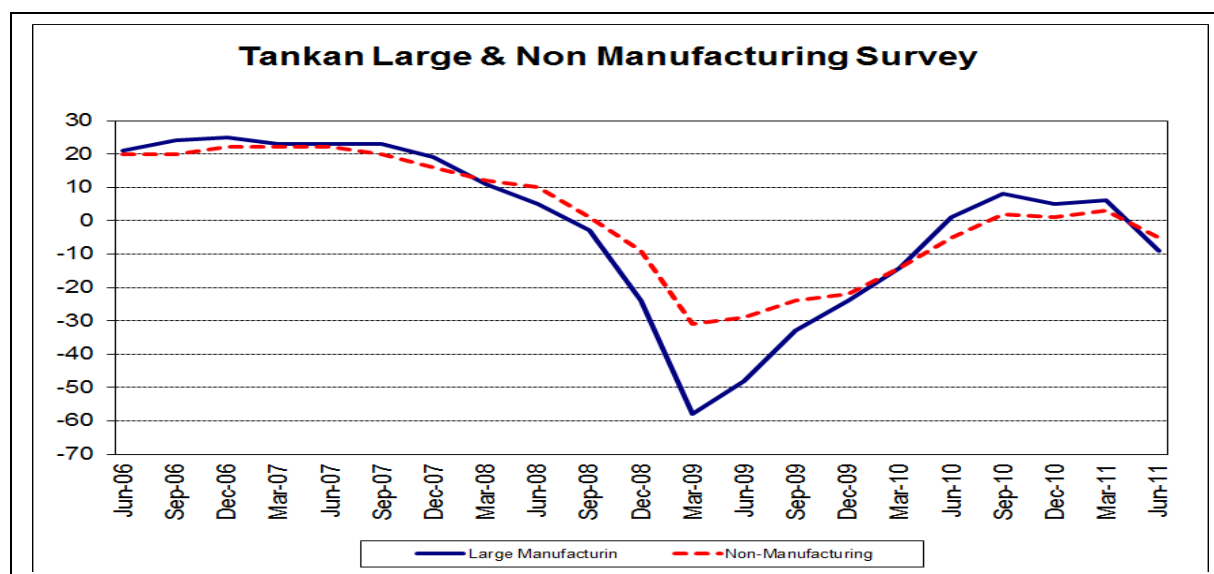
Employment

The Unemployment Rate dropped in May, falling from 4.7% in April to 4.5% on a seasonally adjusted basis. The drop went against market expectations for an increase to 4.8% and occurred as the number of employed declined by 100k while the number of unemployed declined by 90k, the labor force contracted by 190k, and the non-labor force increased by 220k.

The Job-Applicant Ratio was unchanged at 0.61 against market expectations for a drop to 0.60.



Tankan Survey



Large Manufacturing Sentiment declined from +6 to -9 in Q2, significantly weaker than the +2 expected in the prior survey and also weaker than the -7 the market had anticipated. Small business sentiment declined from -10 to -21. Among non-manufacturers, large firm sentiment declined from +3 to -5 while small firm sentiment declined from -19 to -26. Across all industries, sentiment dropped from -9 to -18. A negative number in these indices means pessimists outnumber optimists.

Employment conditions improved from +5 to +7 among large firms and from +4 to +8 across all enterprises.

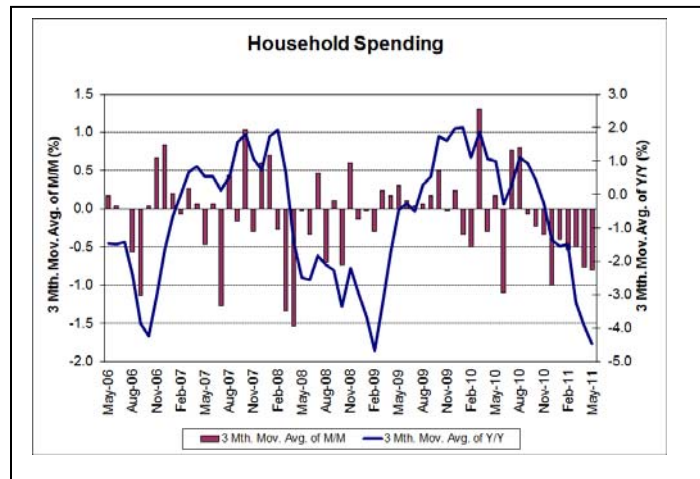
Across all industries, sales growth is expected to drop from 4.5% to 1.5%. Profits are expected to drop from 69.7% to 0.4%. Capital Spending is expected to increase 9.2% among large manufacturers and remain unchanged across all industries as small manufacturers are expecting investment to decline.

Looking forward, sentiment among large manufacturers is expected to improve from -9 to +2. Sentiment among small manufacturers is expected to improve from -21 to -15. Across all industries, sentiment is expected to improve from -18 to -15.

Household Spending & Leading Index

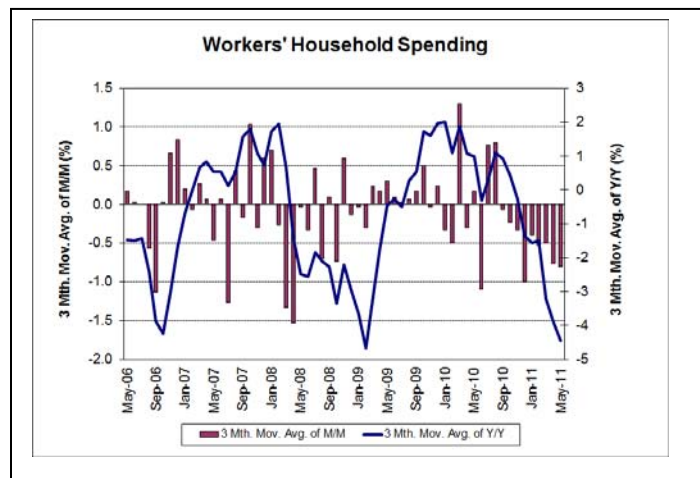
Household Spending

Household Spending dropped 0.3% M/M and 1.9% Y/Y in May. Among workers, spending was unchanged M/M and declined 1.0% Y/Y.



Leading Index

The Leading Index CI improved from 96.2 in April to 99.8 in May and the Coincident Index CI improved from 103.6 to 106.0. The data was roughly in line with market expectations.

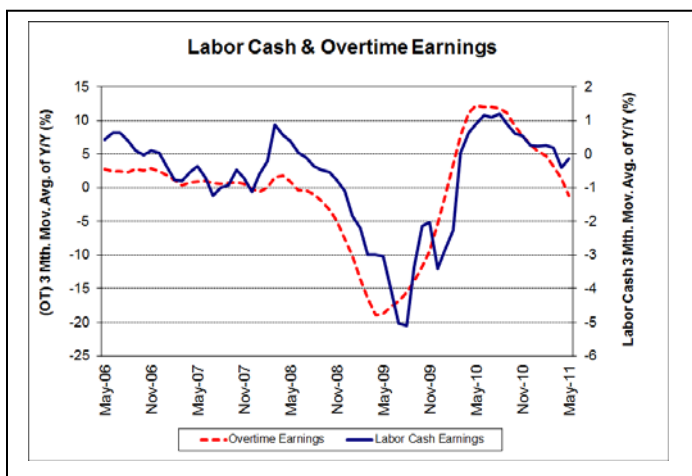


Labor Cash/OT Earnings, Vehicle Sales & Production

Labor Cash Earnings

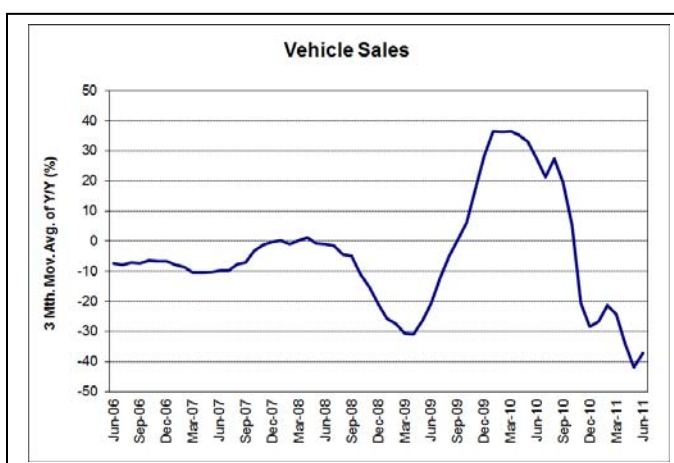
Labor Cash Earnings increased 1.1% Y/Y in May after having increased 1.4% Y/Y in April. The increase went against market expectations for a 0.6% Y/Y decline and was the first increase in three months.

Also within the survey, hours worked declined 0.4% Y/Y as overtime hours worked declined 3.2% Y/Y, scheduled hours worked declined 0.2% Y/Y, and manufacturing hours worked declined 6.9% Y/Y.



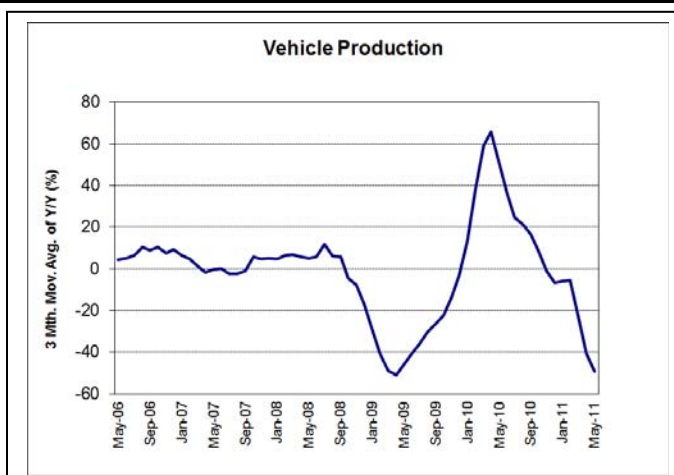
Vehicle Sales

Vehicle Sales declined 23.3% Y/Y in June.



Vehicle Production

Vehicle Production declined 30.9% Y/Y in May.



Housing Starts & Construction Orders

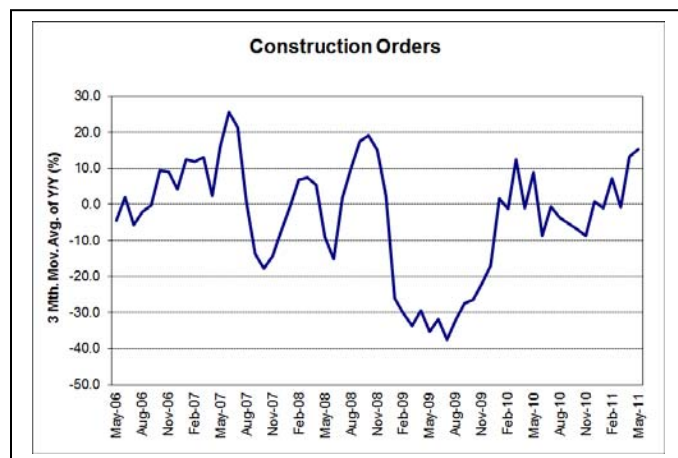
Housing Starts

Housing Starts increased 6.4% Y/Y in May, against market expectations for a 3.1% Y/Y improvement. On an annualized basis, the number of starts increased from 0.798 to 0.815 million units against expectations for a drop to 0.790 million units.



Construction Orders

Construction Orders increased 25.5% Y/Y in May.



News

July 6th - BoJ: Consumer Sentiment Worsened After Quake – According to a BoJ survey, Consumer Sentiment dropped from -42.3 to -59.5, following the March disaster in Japan. The DI is calculated by subtracting those who say conditions are worse Y/Y from those who say that conditions have improved.

July 6th - Spending Changed Post Earthquake – According to an article in the Nikkei, Japanese consumers have been spending differently since the March earthquake, with power limitations and sympathy for disaster victims becoming factors in how consumers have been spending.

July 5th - Business Sentiment Improved in May – In a survey released by Teikoku Databank Ltd, Business Sentiment improved 1.8pts to 33.2 in June. Despite the increase, the series remains below February's 35.4 level.

July 5th - Business Sentiment Improved in May – The leader of the LDP, the main opposition party, called for a doubling of the nation's consumption tax to 10% immediately if it returns to power, in an attempt to finance the country's rising social security costs. The chief of the party noted that it intended to increase the rate as quickly as possible, rather than incrementally as proposed by the current DPJ led government. The proposal hasn't gained broad support within the LDP so far however, and the government and the DPJ last week worked out a proposal whereby the consumption tax would increase to 10% in stages by the mid 2010s.

July 4th - BoJ Gov Shirakawa Comments – BoJ Gov Shirakawa commented that, "Looking ahead, Japan's economy is expected to return to a moderate growth path as supply side constraints ease further and production recovers momentum. Shirakawa also commented that the economy was experiencing a "supply shock" as firms were forced to scale down their output. "Although those downward pressures remain, output and domestic demand show signs of picking up...and business and household sentiment has slightly improved."

July 4th - BoJ Report – Economy Recovering – According to the quarterly regional economic report, seven of Japan's nine regions including Tohoku upgraded their assessments of their local economies in the July edition of the report. Two other regions held their views unchanged.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
7/06	Machine Orders (M/M)	3.00%	-3.30%
7/06	Machine Orders (Y/Y%)	10.90%	-0.20%
7/06	Tokyo Avg Office Vacancies (%)	N/A	8.88
7/07	Bank Lending Ex-Trusts (Y/Y)	N/A	-0.80%
7/07	Bank Lending incl Trusts (Y/Y)	-0.50%	-0.70%
7/07	Current Account Total	¥306.0B	¥405.6B
7/07	Adjusted Current Account Total	¥215.0B	¥546.3B
7/07	Current Account Balance (Y/Y%)	-75.20%	-69.50%
7/07	Trade Balance - BOP Basis	-¥764.0B	-¥417.5B
7/08	Bankruptcies (Y/Y)	N/A	4.90%
7/08	Eco Watchers Survey: Current	40	36
7/08	Eco Watchers Survey: Outlook	46	44.9
7/11	Consumer Confidence	N/A	34.2
7/11	Machine Tool Orders (Y/Y)	N/A	34.00%
7/11	Tertiary Industry Index (M/M)	N/A	2.60%
7/11	Domestic CGPI (M/M)	N/A	-0.10%
7/11	Domestic CGPI (Y/Y)	N/A	2.20%
7/11- 7/12	BOJ Target Rate	N/A	0.10%
7/12- 7/13	Cabinet Office Monthly Economic Report	N/A	N/A
7/13	Industrial Production (M/M)	N/A	5.70%
7/13	Industrial Production (Y/Y%)	N/A	-5.90%
7/13	Capacity Utilization (M/M)	N/A	-1.10%
7/13	Bank of Japan Monthly Economic Report	N/A	N/A

Valance Co., Inc.

Valance Economic Report: *United Kingdom*

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July 6, 2011

The GfK Consumer Confidence continued to be weak in June. The Manufacturing PMI followed the global trend, falling to its lowest level in nearly 2 years, while the Services and Construction PMI's continued to expand in June. House Price reports were mixed.

Weekly Highlights

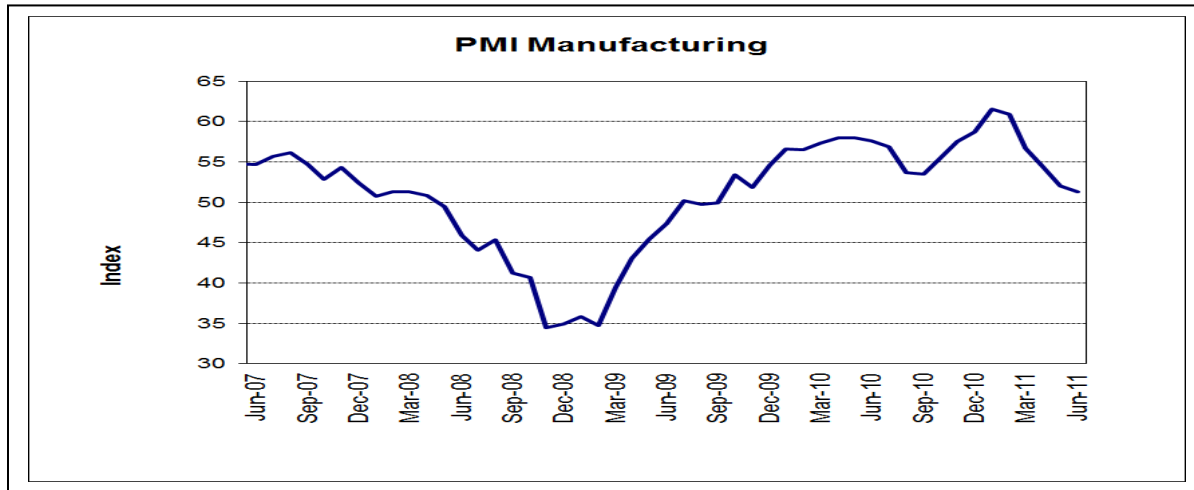
PMI Manufacturing – slowed from 52.0 in May to 51.3 in June. (UK 1)

Nationwide House Prices – were flat M/M and fell 1.1% Y/Y in June. (UK 3)

HBOS House Prices – rose 1.2% M/M in June. (UK 3)

Weekly Releases & News

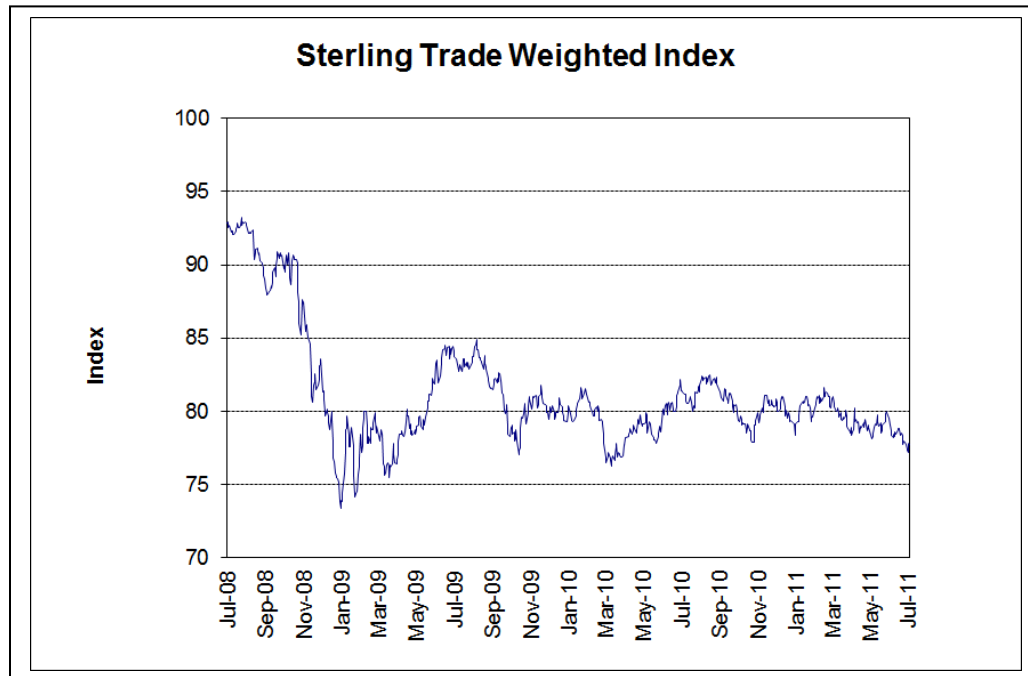
Chart of the Week: *PMI Manufacturing*



PMI Index of Manufacturing eased 0.7pts to 51.3 in June, the lowest level since September 2009. This is lower than the 52.3 expected. The index was at a 17-year low level of 34.5 in November 2008. CIPS said that “manufacturers remain in cautious spirits as the global slowdown has been constraining export growth. Of most concern looking ahead is how far problems such as domestic austerity measures, the euro-zone debt crisis and monetary tightening in markets such as China may start to soften growth even further.”

Financial Balances & FX

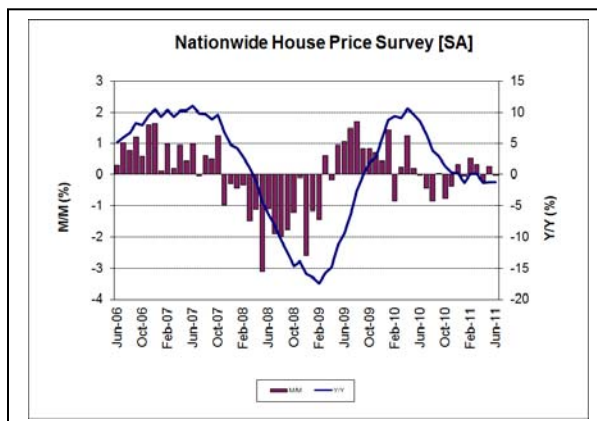
<i>U.K.</i>	<i>Last Period (blns)</i>	<i>Last 12mth. % of GDP</i>
Budget Balance (monthly/total)	+£15.2 (Apr)	+12.6%
Curr. Acct. Balance (quarterly)	-£9.4(Mar)	-2.5%
Private Balance	+£5.8	+10.1%



Nationwide and HBOS Housing Surveys & GfK Cons. Conf.

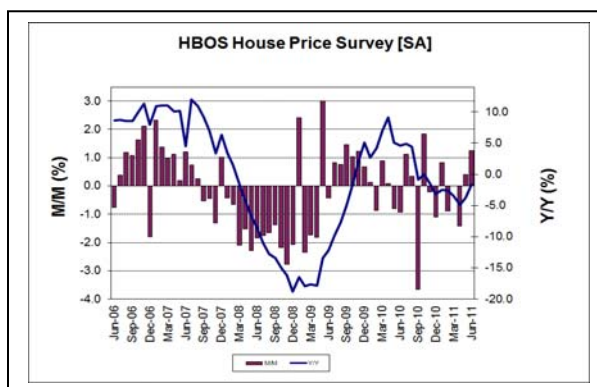
Nationwide House Price Survey

U.K.'s Nationwide Home Prices were flat M/M and fell 1.1% Y/Y in June. The monthly result was in line with expectations. Nationwide commented that, "the property market will probably record 'flatish house prices' in the second half." In Q2, home prices fell 1.2% Y/Y.



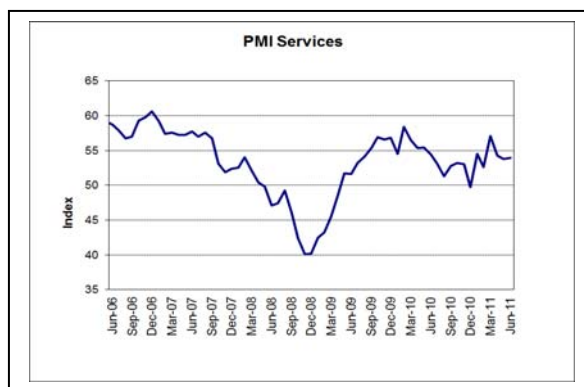
Halifax Housing Survey

HBOS House Prices rose 1.2% M/M in June, after increasing 0.4% M/M in May. This is the largest monthly increase in eight months. On a 3Mth avg., prices fell an annual 3.5% (-0.5% Q/Q) from -4.2% previously. From a year earlier, prices fell 1.6%. The market expected a 4.2% 3Mths/Y decline. Halifax said that the housing market "is likely to continue to face significant headwinds."



PMI Services

The PMI Index of Services rose slightly from 53.8 in May to 53.9 in June. CIPS commented that, "The fractionally faster rate of growth of business activity also masks some more worrying signs in some of the other survey indicators. The rate of services expansion remains below trend."



GfK Consumer Confidence Survey, Data & Comments

GfK Consumer Confidence Survey

The GfK Consumer Confidence Index worsened 4pts to -25 in June. The worst level on record (-48) was reached in January 2009. Expectations for the overall index were for a 3pt decline to -24. Expectations for the general economic situation over the coming 12 months slipped 3pt to -18. The climate for major purchases gauge worsened 1pts to -27. All five measures in the index declined in June.



Data & News

New Car Registrations - According to the Society of Motor Manufacturers and Traders, New Car Registration dropped 6.2% Y/Y in June, compared to the -1.7% Y/Y in May.

PMI Construction - The PMI Index of Construction fell 0.4pt to 53.6 in June. Economists expected a reading of 53.8.

BRC Retail Inflation - According to the British Retail Consortium, U.K. shop-price growth accelerated last month to the fastest pace since October 2008 as rising commodity costs and a decline in the pound boosted inflation. Retail Prices rose 2.9 % from a year earlier after advancing 2.3 % in May. On the month, prices rose 0.5% after increasing 0.1% in May.

July 6th - Osborne Says FPC Powers Won't Undermine BOE's Inflation Mandate (Bloomberg) - U.K. Chancellor of the Exchequer, George Osborne said the Bank of England's new role in charge of financial stability won't undermine its inflation mandate. Speaking at a U.K. Parliament Committee hearing today, he also said he returned financial powers to the central bank so that different parts of the system are not "pulling in different directions." "The person who is ultimately responsible in peacetime for systemic risks in the financial system is also monitoring individual institutions and undertaking monetary policy," Osborne said. "The inflation target is very, very clear. I'm certainly not suggesting a weakening in any respect of the MPC role on inflation targeting," he said. "If anything, the other parts of the system have to operate around that central MPC inflation target."

July 6th - U.K. Companies' Profitability Rises to 2-Year High on Oil Prices (Bloomberg) - U.K. companies' profitability rose to the highest in more than two years in the first quarter as rising energy prices boosted earnings at operators of oil and gas rigs, offsetting falls for factories and service providers. Non-financial companies' net rate of return was 12.7%, compared with 12.5% in the previous three months and 11.1% a year earlier, the Office for National Statistics said in a report in London today. The Q1 reading was the highest since the last three months of 2008. Profitability at companies operating on the U.K.'s continental shelf rose to 47.6% in the first quarter from 44.4% in the previous three months. The rates of return for this category broadly follow movements in oil and gas prices, the ONS said. Crude oil prices gained about 14% in the first three months of 2011. The net rate of return for manufacturers slumped to 6.1% in the first quarter from 11.2 % in the previous three months, while for services companies it decreased to 14.9% from 15.2%.

Comments Cont'd.

July 4th - Lehman Crisis Shows U.K. Needs Bigger Payment System, BOE Says (Bloomberg) - The U.K. must increase the number of banks that participate in its large-value payment system to eliminate risks to financial stability, said Chris Salmon, chief cashier at the BoE. With 18 firms serving the entire sterling-denominated banking industry, the current system "introduces unnecessary risk and change is needed," Salmon said in a speech in Leeds, England today. "The experience of the financial crisis, in particular the case of Lehman Brothers, has added further evidence for the case for change." The situation in the U.K. compares with Hong Kong, where all licensed banks must be members of the large-payment system, and the U.S., where there are over 7,000 participants, Salmon said. With a small number of members, more transactions must be settled indirectly in a so-called tiering problem, raising risks of intraday credit risk in case one of the banks involved in a payment arrangement runs into trouble. The BoE may consider measures to boost membership of its large-value payment system to reduce risks, Salmon said. Currently, some intraday credit lines may exceed 10% of the intermediating banks' core Tier 1 capital. Adding the five biggest "second tier" banks would cut indirect settlements by about a quarter, and adding the 10 largest would cut it by more than a third, he said. "In the first instance," the BoE "will engage with correspondent banks" that are members of the CHAPS payment system and customer banks "to encourage the change that we want to see," Salmon said. "But if membership does not increase and tiering continues to be a significant issue for the U.K., the bank may consider recourse to more formal actions." The central bank published a report in May that showed U.K. lenders could experience liquidity restrictions within an hour if a firm stops or reduces its transfers through the nation's large-value transaction system.

July 1st - BOE's Fisher Says Debt Crisis an Obstacle to Financial Recovery (Bloomberg) - The progress made by financial markets since the crisis and the recession "is encouraging in terms of financial stability and support for the real economy, but further healing is still required," BoE policy maker Paul Fisher said in a speech. "Looking ahead, there are some clear obstacles to that process. The sovereign debt crisis, currently focused on the euro area, is one." "U.K. bank funding costs, as proxied by their CDS premia, remain elevated," he said. "Sovereign strains, and their potential impact on the European banking sector in particular, represent the most immediate and material threat to markets generally and to U.K. financial stability."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
07/07	BoE Rates	JUL	-	-
07/07	Industrial Production (M/M)	MAY	-	-
07/07	Mfg Production (M/M)	MAY	-	-
07/08	PPI Input/Output (M/M)	JUN	-	-
07/07	NIESR GDP Estimate	JUN	-	-
07/11	RICS	JUN	-	-
07/12	DCLG House Prices (Y/Y)	MAY	-	-
07/12	CPI (M/M)	JUN	-	-
07/12	Jobless Claims Change	JUN	-	-
07/12	Trade Balance	MAY	-	-

Valance Co., Inc.

Valance Economic Report: Canada

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July 6, 2011

Real GDP stalled in April, mostly due to weakness in the Manufacturing sector as automobile production was disrupted by the natural disasters in Japan; economists expected a modest decline. In May, both Industrial and Raw Materials Price inflation figures were lower than market expectations.

Weekly Highlights

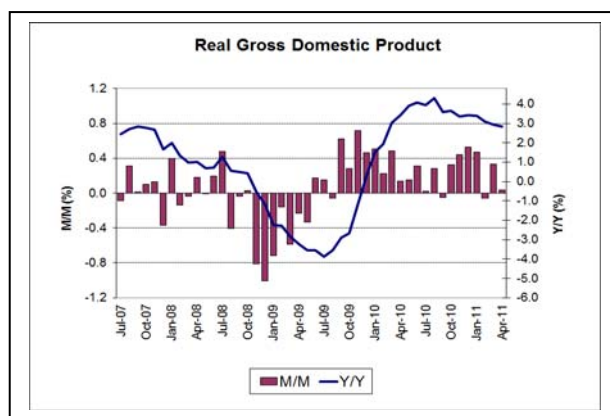
Real GDP – was flat M/M and rose 2.8% Y/Y in April. (CA 1)

Raw Materials Price Index – dropped 5.2% M/M (-3.0% exp.) in May. (CA 3)

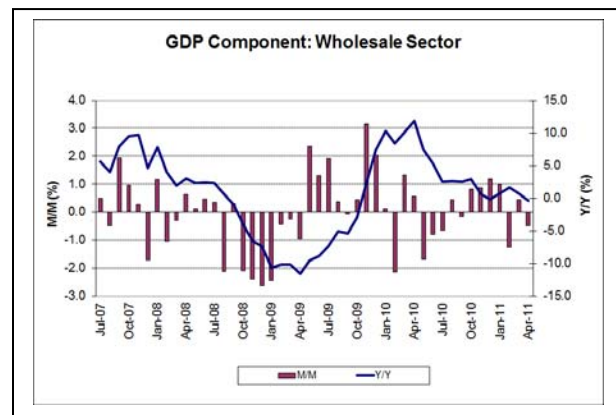
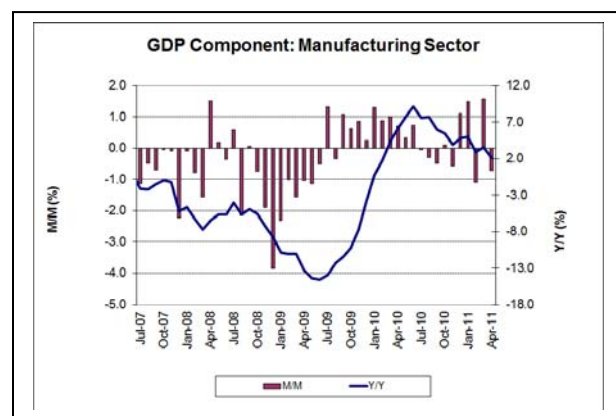
Industrial Product Price Index – fell 0.2% M/M (-0.1 % exp.) in May. (CA 3)

Weekly Releases & News

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



Real GDP was flat M/M in April, after a 0.3% M/M expansion in March. Y/Y growth slowed from 2.9% to 2.8%. Expectations were for a 0.1% M/M contraction. Goods-producing industries were flat M/M - Manufacturing Production fell 0.7% M/M in April after a 1.6% M/M increase in March. Wholesale Trade fell 0.5% M/M, Construction edged up 0.1% M/M and Mining/oil/gas extraction increased 1.0% M/M. Service-producing industries were also flat M/M in April.

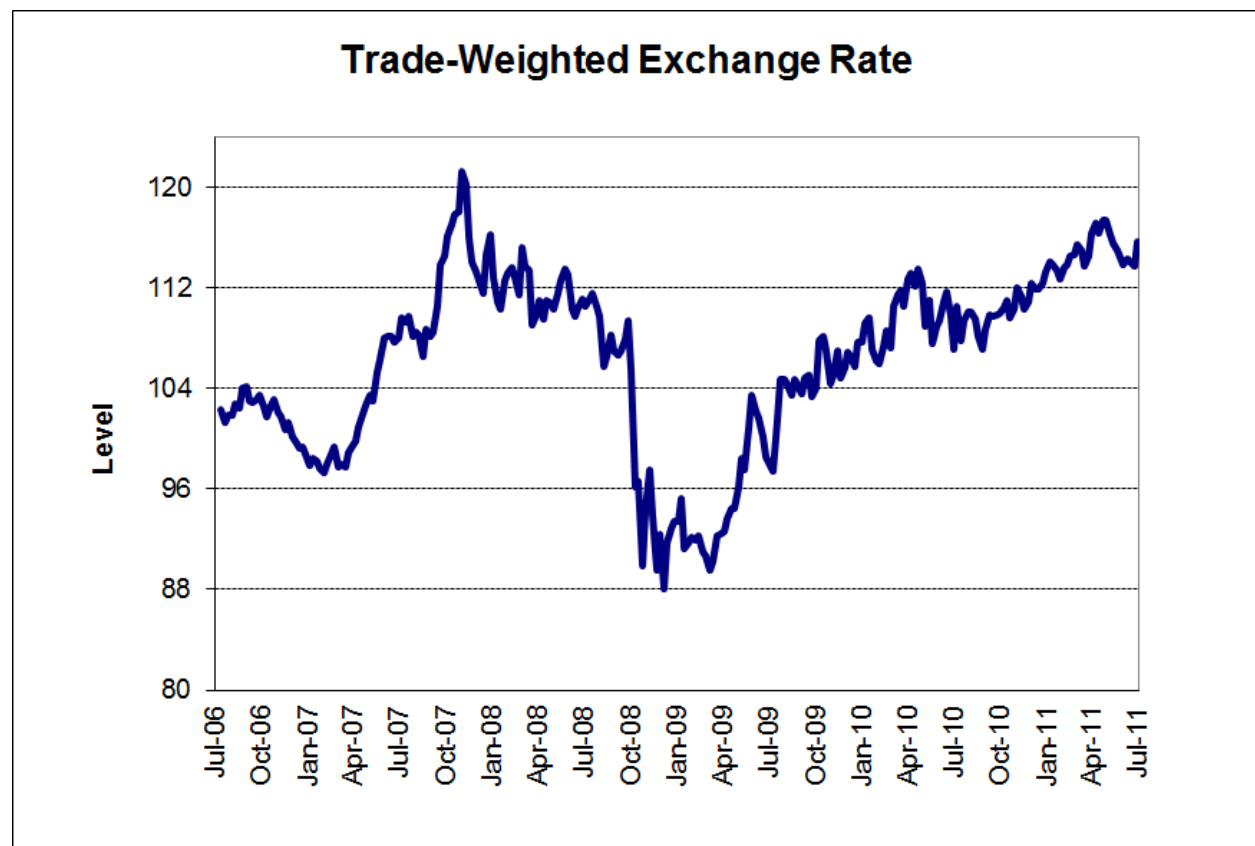


Financial Balances & Trade Weighted Exchange Rate

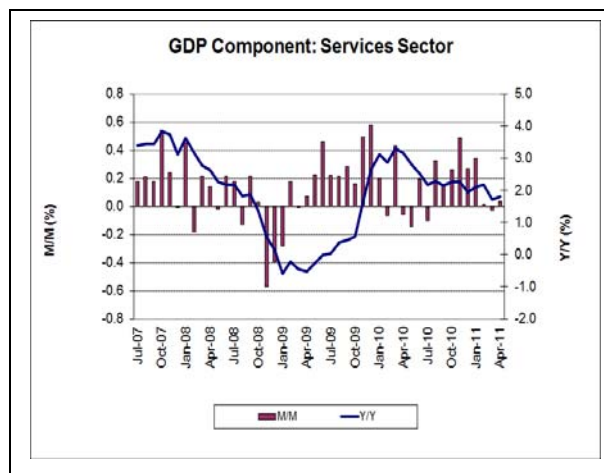
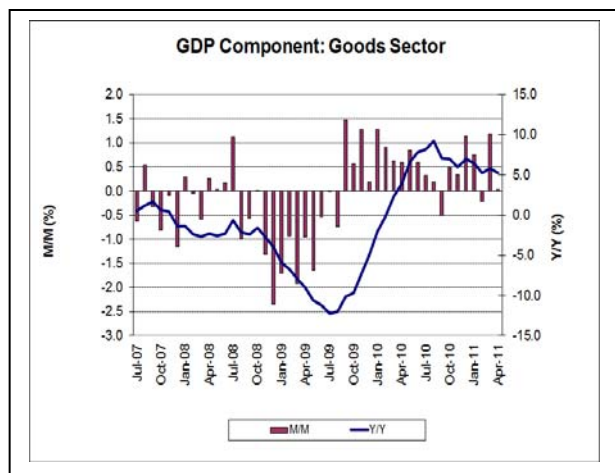
Financial Balances

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

Trade-Weighted Exchange Rate

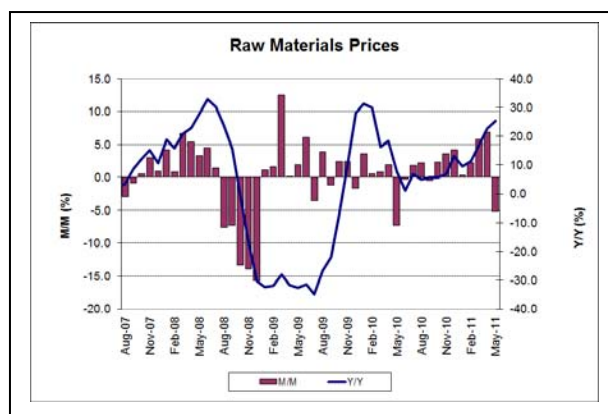


GDP Data Cont'd., RMPI & IPPI



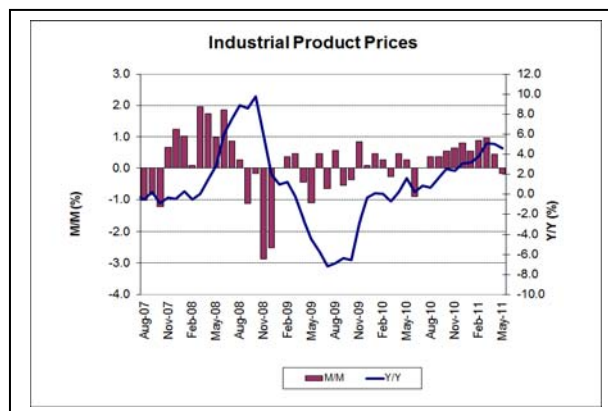
Raw Materials Price Index

Raw Materials Prices dropped 5.2% M/M in May after they gained an upwardly revised 6.9% M/M (+6.8% prev.) in April. The market expected a 3.0% M/M decline. This monthly increase was driven by mineral fuels (+8.4%). Ex-mineral fuels, prices fell 1.9% M/M. Y/Y growth for the overall RMPI was 25.4%.



Industrial Product Price Index

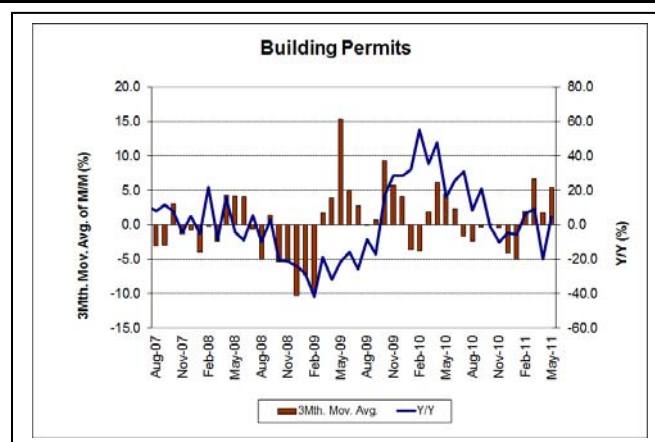
Industrial Product Prices fell 0.2% M/M in May after gaining 0.5% M/M. Expectations were for a flat monthly result. Ex-petroleum/coal products, the IPPI slipped 0.1% M/M. Y/Y growth for the overall IPPI was 4.5% and ex. petro/coal it was 1.4%.



Building Permits, News & Upcoming Dates

Building Permits

Building Permits surged 20.9% M/M in May after dropping 21.5% M/M in April. Expectations were for a 5.0% M/M increase. Y/Y growth was up 4.6%. Residential Permits rose 5.3% M/M and Non-residential permits jumped 50.9% M/M.



News

July 4th - Canada June Auto Sales Rise 6.6% From Year Ago, Desrosiers Says (Bloomberg) - Canadian sales of light motor vehicles rose 6.6% in June from a year earlier to 164,796 units, DesRosiers Automotive Consultants Inc. said in an e- mailed report today.

July 4th - Corporate Debt Issuance Slows to 10-Month Low (Bloomberg) - Corporate bond sales in Canada dropped to a 10-month low in June as concern over a possible escalation of the Greek crisis curbed investor appetite for riskier assets such as company debt. About C\$4.41 bln worth of corporate bonds were sold, the smallest monthly tally since August, according to data compiled by Bloomberg. Issuance declined from C\$ 5.53 bln in May and C\$ 7.98 bln in June 2010, the data showed. Relative yields on Canadian corporate bonds widened to 136 basis points over government benchmarks on June 24th, the most since January, making it more expensive for companies to issue debt. Investors worldwide shunned riskier assets in June as Greek Prime Minister, George Papandreou, struggled to win support for a five-year plan of budget cuts and asset sales, amid a wave of strikes and protests before parliament finally approved the package on June 29th.

Key Dates This Week

Date	Indicator	Month	Expectation	Previous
07/07	New Housing Price Index (M/M)	MAY	-	-
07/07	Ivey Purchasing Managers Index	JUN	-	-
07/07	Unemployment Rate	JUN	-	-
07/07	Employment Change	JUN	-	-
07/11	Housing Starts	JUN	-	-
07/12	Trade Balance	MAY	-	-

Valance Co., Inc.

Valance Economic Report: *Australia*

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July 6, 2011

The RBA didn't surprise the market, leaving its Target Rate unchanged at 4.75% at its July meeting, and expressed a more dovish outlook in its rate decision statement. Data was mixed as both Retail Sales and Building Approvals surprised to the downside, Manufacturing PMI expanded, and Services PMI continued to contract in June.

Weekly Highlights

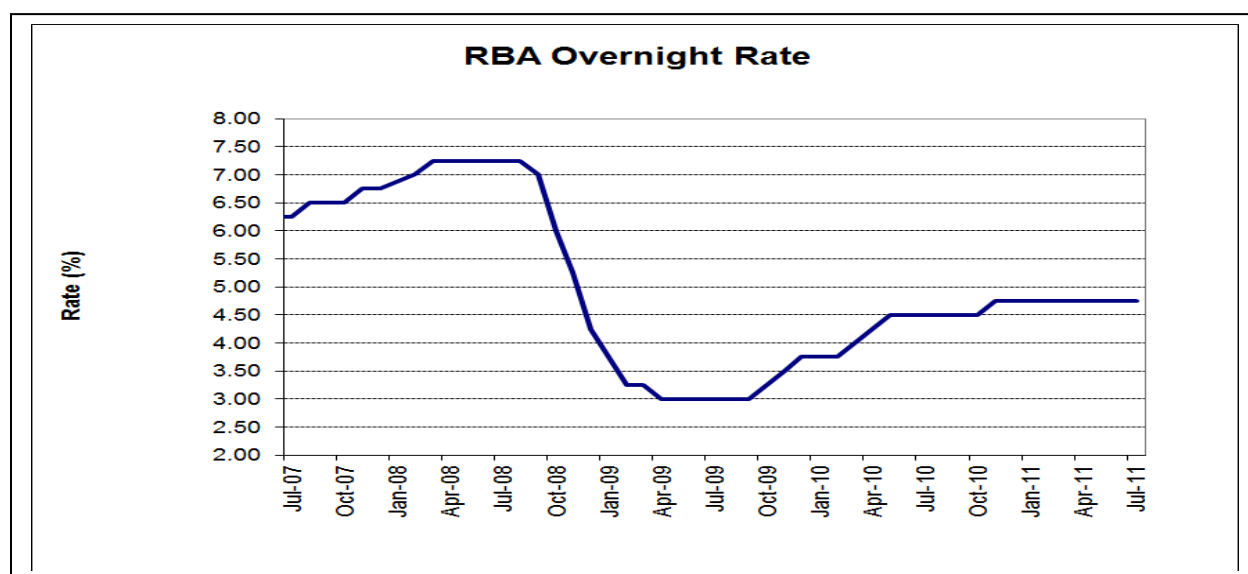
Cash Target Rate – maintained at 4.75 %. (AU 1)

Retail Sales – fell 0.6% M/M in May. (AU 3)

Manufacturing PMI – jumped 5.2pts to 52.9 in June. (AU 4)

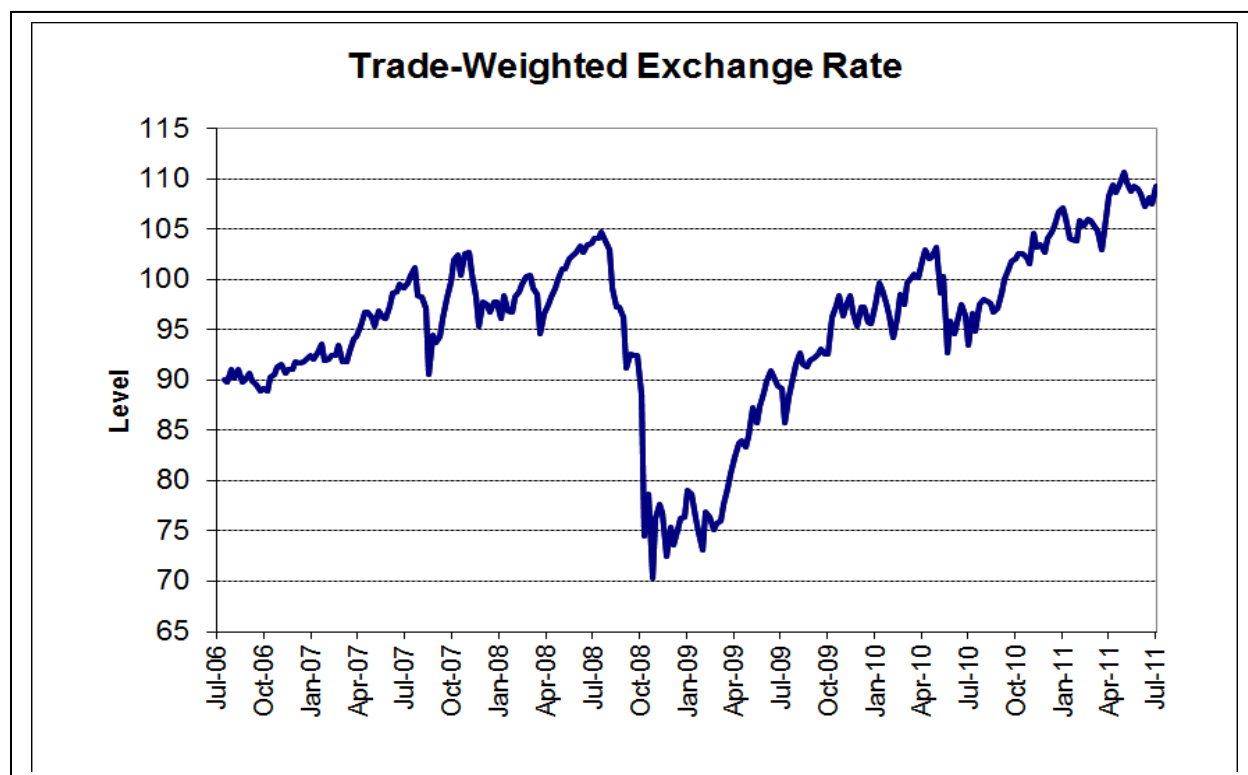
Weekly Releases & News

Chart of the Week: *RBA Target Rate*



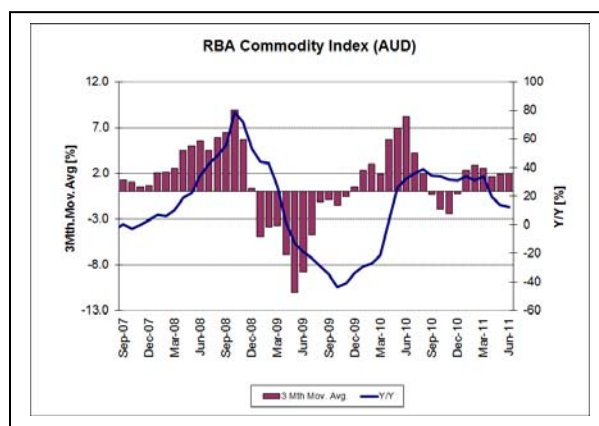
As widely expected the RBA left its target rate at 4.75% at its July's meeting. In its statement, the RBA suggests that the central tendency remains for growth in the world economy to be "at, or above, average over the next couple of years". However, regarding the Australian economy, the RBA noted that "cautious behavior by households and the high level of the exchange rate are having a noticeable dampening effect."

FX & RBA Commodity Index



RBA Commodity Index

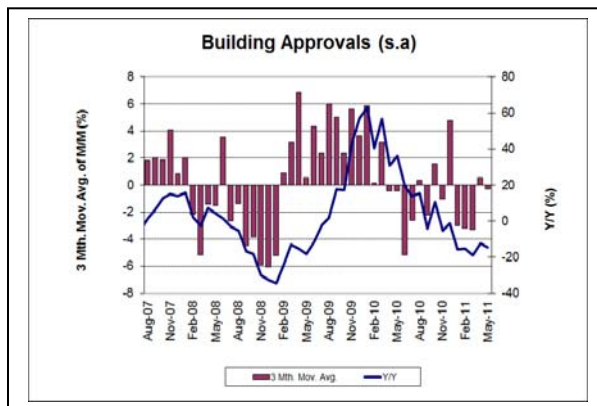
The RBA's Commodity Price Index rose 2.0% M/M and 43.0% Y/Y in June. In AUD terms, the index rose 3.4% M/M and 27.9% Y/Y.



Building Approvals, Retail Sales & ANZ Job Advertisements

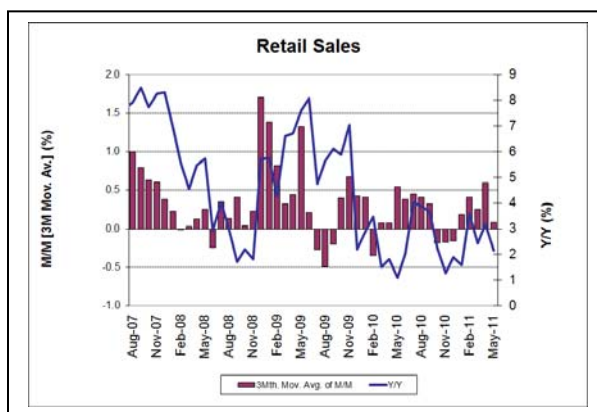
Building Approvals

May's Building Approvals fell 7.9% M/M, compared to the 0.3% M/M drop in April. Expectations were for a 0.5% M/M decline. On an annual basis, permits were down 14.4%.



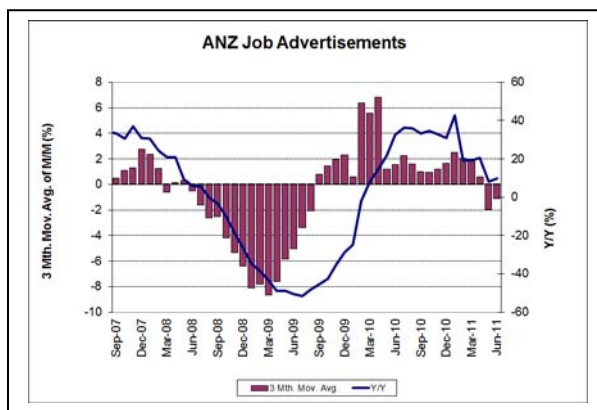
Retail Sales

May's Retail Sales fell 0.5% M/M against a 0.3% expected gain. April's 5% annual pace slowed to a 3.8% pace in May. The category detail showed broad declines with only cafes & restaurants recording a 0.4% M/M increase in sales.



ANZ Job Advertisement

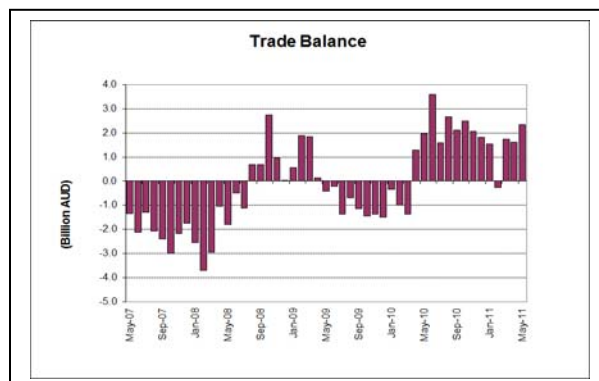
Job advertisements rose 3.7% M/M in June from a 6.5% M/M in May. Y/Y, ads were up 9.8%.



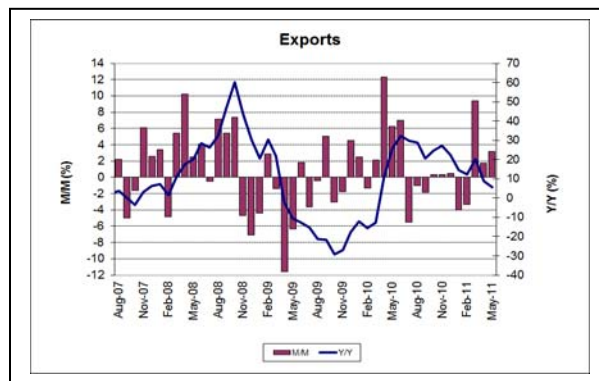
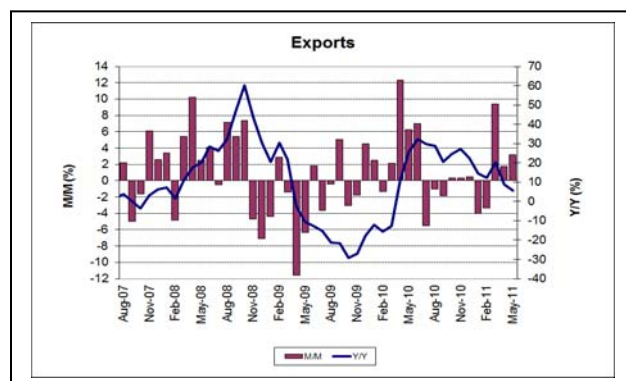
Trade Balance & Data

Trade Balance

The May Trade Surplus widened from A\$ 1.62 bln in April to A\$ 2.33 bln in May. This is the fifth largest trade surplus since figures began in 1971 and it is the widest in seven months.



Exports & Imports



Total Exports rose 3.2% M/M, led by Goods and Agricultural shipments. Gold shipments jumped by 49% M/M, the fifth-largest level on record (A\$1.62 bln). Total Imports rose 0.4% M/M, led by Consumer Goods.

Data

AiG Services Index - The Australian Industry Group/Commonwealth Bank Performance of Services Index (PSI) fell 1.4pts to 48.5 in June. This was the 8th contraction in a row, with the exception of April's expansion to 51.5) and the index was at 48.8 a year ago. The overall survey is similar to the U.S. Non-manufacturing ISM index.

AiG Manufacturing Index - The Performance of Manufacturing Index rose 5.2pts to 52.9 in June. This compares to the reading of 52.9 a year ago and is the first expansion since February 2011. The peak of 59.8 was reached in April 2010. New Orders rose 6pts to 54.6, Inventories rose 8.4pts to 52.8, and Exports rose 2.8pts to 45.9. Capacity Utilization rose 73.3% to 73.6%.

Housing Industry Association - New Home Sales - Sales of newly built homes fell 0.2% M/M in May, their first monthly decline since December 2010. Sales in the volatile apartment sector surged 23.3% M/M. The only state with positive sales was Queensland (+19.0% M/M).

RBA Rate Decision Statement

July 5th - The RBA Rate Decision Statement:

At its meeting today, the Board decided to leave the cash rate unchanged at 4.75 per cent.

The global economy is continuing its expansion, but the pace of growth slowed in the June quarter. The supply-chain disruptions from the Japanese earthquake and the dampening effects of high commodity prices on income and spending in major countries have both contributed to the slowing. The banking and sovereign debt problems in Europe have also added to uncertainty and volatility in financial markets over recent months.

A key question is whether this more moderate pace of growth will continue. Commodity prices have generally softened of late, though they remain at very high levels. Despite the challenging international environment, the central scenario for the world economy envisaged by most forecasters remains one of growth at, or above, average over the next couple of years. A number of countries have tightened monetary policy but, overall, global financial conditions remain accommodative and underlying rates of inflation have tended to move higher.

Australia's terms of trade are now at very high levels and national income has been growing strongly, though conditions vary significantly across industries. Investment in the resources sector is picking up strongly in response to high levels of commodity prices and the outlook remains very positive. A number of service sectors are also expanding at a solid pace. In other areas, cautious behaviour by households and the high level of the exchange rate are having a noticeable dampening effect. The impetus from earlier Australian Government spending programs is now also abating, as had been intended.

*A gradual recovery from the floods and cyclones over the summer is taking place, though the resumption of coal production in flooded mines continues to proceed more slowly than initially expected. The recovery will boost output over the months ahead, and there will also be a mild boost to demand from the broader rebuilding efforts as they get under way, but growth through 2011 is now unlikely to be as strong as earlier forecast. **Over the medium term, overall growth is still likely to be at trend or higher, if the world economy grows as expected.***

Growth in employment has moderated over recent months and the unemployment rate has been little changed, near 5 per cent. Most leading indicators suggest that this slower pace of employment growth is likely to continue in the near term. Reports of skills shortages remain confined, at this point, to the resources and related sectors. After the significant decline in 2009, growth in wages has returned to rates seen prior to the downturn.

*Credit growth remains modest. Signs have continued to emerge of some greater willingness to lend and business credit has expanded this year after a period of contraction. Growth in credit to households, on the other hand, has slowed. Most asset prices, including housing prices, have also softened over recent months. Year-ended CPI inflation is likely to remain elevated in the near term due to the extreme weather events earlier in the year. However, as the temporary price shocks dissipate, **CPI inflation is expected to be close to target over the next 12 months. In underlying terms, inflation has been in the bottom half of the target range, though a gradual increase is expected over time.***

At today's meeting, the Board judged that the current mildly restrictive stance of monetary policy remained appropriate. In future meetings, the Board will continue to assess carefully the evolving outlook for growth and inflation.

News

July 5th - Chinese Official Says Australia Labor Shortage Curbs Investment (Bloomberg) - Australia needs to address a shortage of skilled labor and infrastructure bottlenecks to maximize China's investment in the country, a Chinese embassy official said. "Chinese enterprises have experienced difficulties during their investment and operation in Australia," Ouyang Cheng, second secretary for economic and commercial affairs of the Chinese Embassy in Australia, said in a speech in Adelaide.

Australia is undergoing a surge in resource investment as mining and energy firms boost output to meet demand from China, the world's most populous nation. The government in Canberra plans a 30% tax on profit from coal and iron ore at companies including BHP Billiton Ltd. and Rio Tinto Group that will be introduced to parliament in the next six months. "There are some worries from the Chinese mining enterprises" in relation to the mining tax legislation and other issues, Cheng said in prepared remarks to the Australian Resources Chinese Investment Congress. "Australia's infrastructure bottleneck and shortage of skilled labor are hampering Australia's economic and trade development, and also limiting China's investment in Australia." Australia posted its biggest annual increase in employment on record last year and the nation's jobless rate is 4.9%. "We could have strong confidence that our two countries would have more cooperation and enjoy a more prosperous future," Cheng said, according to an e-mailed text of his comments today. "However, we shall also realize the challenges and difficulties ahead. If these challenges couldn't be dealt with properly, it would be difficult for China and Australia to maintain a healthy and steady economic cooperation." Demand for Australia's resources from China has bolstered the local dollar, the world's fifth-most traded currency, which advanced 14% last year and reached \$1.1012 on May 2, the highest since it was freely floated in 1983.

Swan Sees 'Lingering Impact' of Financial Crisis on Australia (Bloomberg) - Parts of Australia's economy are still suffering from effects of the 2008 global financial crisis, and the strength of the nation's currency is damaging tourism and manufacturing industries, Treasurer Wayne Swan said.

"Consumers are still more cautious than they have been in the period before the crisis -- spending less and saving a bit more," Swan said in a speech to parliament today in Canberra. "We know that the GFC is still having a lingering impact on some parts of the economy." Australia's economic outlook helped make its dollar the second-best performing major currency in the past year, climbing about 26% against its U.S. counterpart. The nation's northeast was buffeted by floods in the first quarter that slashed coal production and triggered the biggest contraction in the economy in two decades. "Although we've made significant progress in recovery, there's still a long way to go," Swan said, referring to the natural disasters. "The higher dollar -- a sign of our relative economic strength -- is also a burden for many of our industries, such as manufacturing and tourism." Swan said the "historic shift" in the global economy from Europe and the U.S. to Asia is driving Australia's terms of trade to record heights, and spurring a A\$430 bln pipeline of resource investment. "Despite the challenges facing the global economy, the government's reform agenda and our solid foundations will ensure the Australian economy remains the envy of the developed world," he said.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
07/06	Employment Change (M/M)	JUN	+15k	+7.8k
07/10	Home Loans (M/M)	MAY	--	+4.8%
07/11	NAB Business Confidence	JUN	--	+6
07/12	Westpac Consumer Confidence (M/M)	JUL	--	-2.6%
07/12	DEWR Skilled Vacancies (M/M)	JUL	--	-2.0%

Valance Co., Inc.

Valance Economic Report: New Zealand

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July 6, 2011

The QSBO Survey showed that New Zealand's economy recovered from a 2-year low in Q2, while the NBNZ Business Confidence increased to a 13-year high in June. The ANZ Commodity World Price Index declined for the first time in ten months in June. The Treasury Department said that the domestic economy is likely to expand 0.3% in Q1.

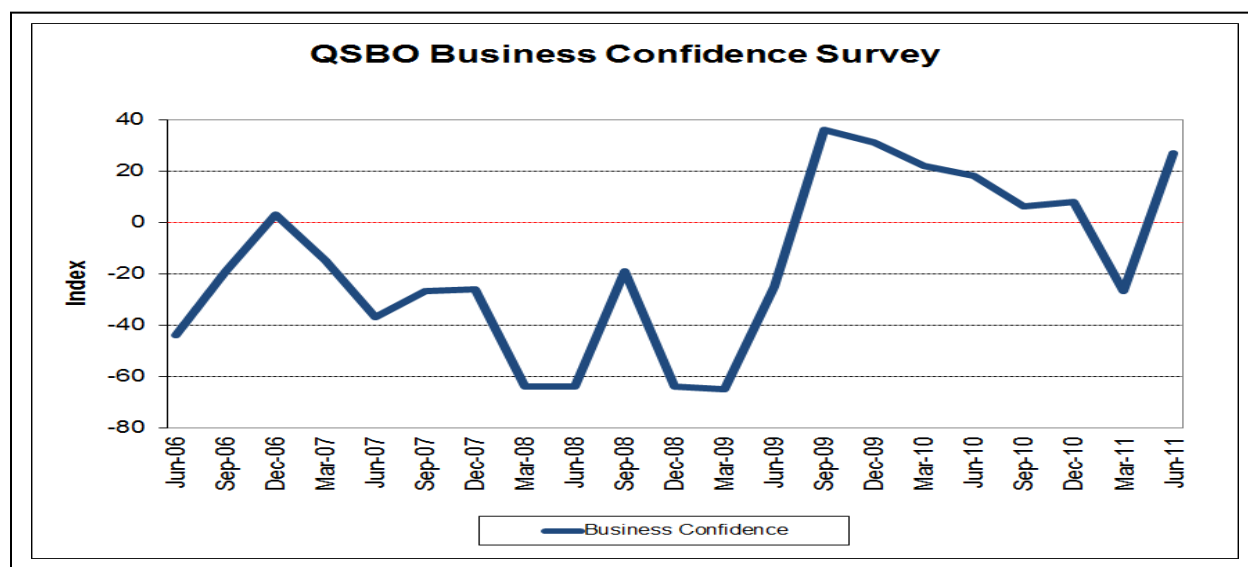
Weekly Highlights

NZIER Quarterly Survey of Business Opinion – surged 54pts to +27 in Q2. (NZ 1)

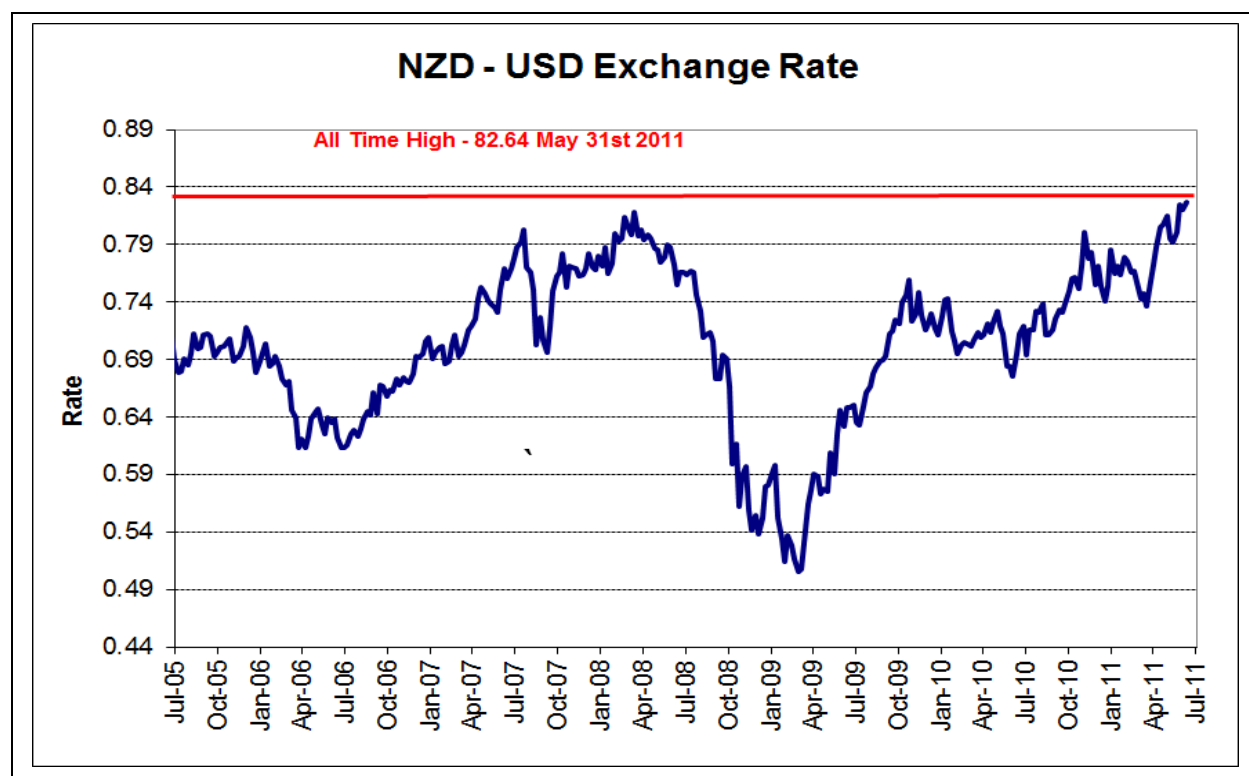
NBNZ Business Confidence – increased 8.2pts to +46.5 in March. (NZ 3)

Weekly Releases & News

Chart(s) of the Week: *NZIER Business Confidence Survey*



The NZIER Business Confidence Survey surged from -27 in Q1 to +27 in Q2. This translates into a net 27% of the 782 companies surveyed in Q2 that expect the general economy to improve over the next 6 months, up from the 27% expecting deterioration in the previous survey. Capacity Utilization fell slightly from 89.4% to 88.9%. See details of this survey in the data section below.

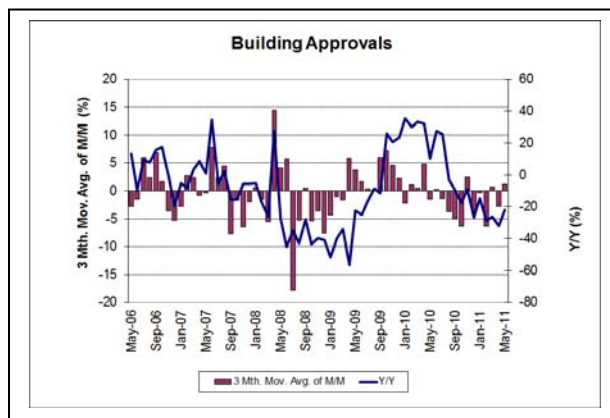
FX

The kiwi dollar traded at 83.20 U.S. cents from 83.22 cents before the QSBO survey was released, after earlier touching 83.32 cents, the highest level since exchange controls were taken away in 1985.

ANZ Commodity Prices, Building Permits & Data

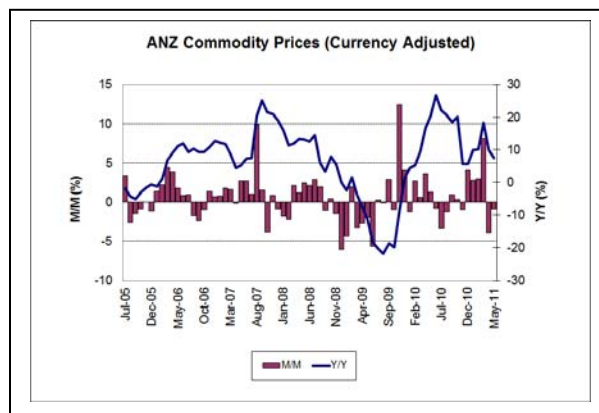
Building Permits

Home-Building Approvals rose 2.2% M/M in May, after falling 1.2% M/M in April. Ex-apartments, approvals increased 0.9% M/M after increasing 3.7% M/M previously. Y/Y, approval growth fell 22.0%.



ANZ Commodity Prices

May's Commodity Export Price Index fell 1.2% M/M and rose 20.6% Y/Y. This was the first monthly decline in ten months. Dairy Product prices fell 0.7% M/M and rose 11.7% Y/Y. Prices fell 3.3% M/M and rose 4.9% Y/Y in local currency terms. The sharp increase in the value of the NZD compounded the decline in commodity prices.



Data

NBNZ Business Confidence - The March NBNZ Business Confidence Index (broader economy survey) increased from 38.3 in May to 46.5 in June. This is the highest level since May 2010. A net 46.5% of companies expect the economy will improve over the next year, up from 38.3% in May. A second measure of expectations for companies' sales and earnings was 38.7%, compared to 39.7% in May. A net 15.4% of the 455 companies surveyed expect to increase investment in the next year, compared with 14.8% in May. The ANZ said that "business confidence continues to hold out the alluring prospect of better times for the economy."

Household lending - According to the RBNZ, New Zealand lending to households rose 0.1% M/M in May. From a year earlier, lending growth was 1.2%, matching April and the slowest pace since records began in 1991. Lending for housing rose 1.3% from May last year and lending to consumers fell 0.1% in the same period.

Data Cont'd., News & Upcoming Dates

Q1 Business Confidence Details - According to the New Zealand Institute of Economic Research, a net 18% of firms expect their sales will improve and just 1% expect profits will fall, the lowest in more than a year. Investment intentions also rose, it showed. A net 9% of respondents planned to spend more on plant and equipment in the third quarter, up from zero in the previous survey. A net 7% expect to hire more workers. A net 2% of companies said trading improved in the three months through June, led by manufacturers and builders in Christchurch, the institute said. A net 23% of firms said profits fell, less than the 28% three months earlier. The NZIER Institute commented as follows:

- *Business expectations and intentions have improved but we are yet to see the catalyst that transforms this confidence into hiring and investment.*
- *Current soft inflation and modest economic growth mean the Reserve Bank can hold the cash rate until early 2012.*

July 6th - New Zealand Budget Deficit Narrower Than Forecast (Bloomberg) - According to the Treasury Department New Zealand's budget deficit was narrower than forecast in the 11 months through May after better-than-expected sales-tax receipts that add to the case for increased consumption. The cash shortfall was NZ\$ 12.87 bln in the period from July 1st, 2010, to May 31st, or NZ\$ 365 mln narrower than forecast in May's budget. The full-year operating deficit before gains and losses on investments is expected to be closer to NZ\$ 16 bln than the NZ\$ 16.7 bln forecast by Finance Minister, Bill English in the May 19th budget.

July 6th - Whole Milk Powder Prices Fall 7.4% to Six-Month Low (Bloomberg) - Whole milk powder auction prices fell to a six-month low, according to Fonterra Cooperative Group Ltd. Powder for September delivery fell 7.4% from three weeks earlier, according to a trade-weighted price index calculated by the company after its latest GlobalDairyTrade auction. The average price was \$3,666 a metric ton, the lowest since the Jan. 5th auction. Prices have dropped 26% since hitting a record in early March, amid expectations of greater supply from New Zealand and more northern hemisphere milk products entering the market. Fonterra in May forecast it would pay its farmers 10% less this year for their milk as global prices begin to drop and the New Zealand dollar gained.

July 4th - N.Z. Economy Likely Grew 0.3% in Q1, Treasury Says (Bloomberg) - New Zealand's economy likely expanded 0.3% in Q1, the Treasury Department said. Official GDP figures are published on July 7th. Growth likely picked up in Q2, but "within the bounds" of the department's earlier forecasts of first-half growth of less than 1%, it said. Further acceleration will be reliant on continued global growth, it said.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
07/06	GDP (Q/Q)	Q1	0.3%	+0.2%
07/10	QV House Prices (Y/Y)	JUN	--	-1.6%
07/12	Food Prices (M/M)	Jun	--	+0.5%

Weekly Economic Report: *China*

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July 6, 2011

China's Manufacturing sector continued to slow in June with declines in both manufacturing indices.

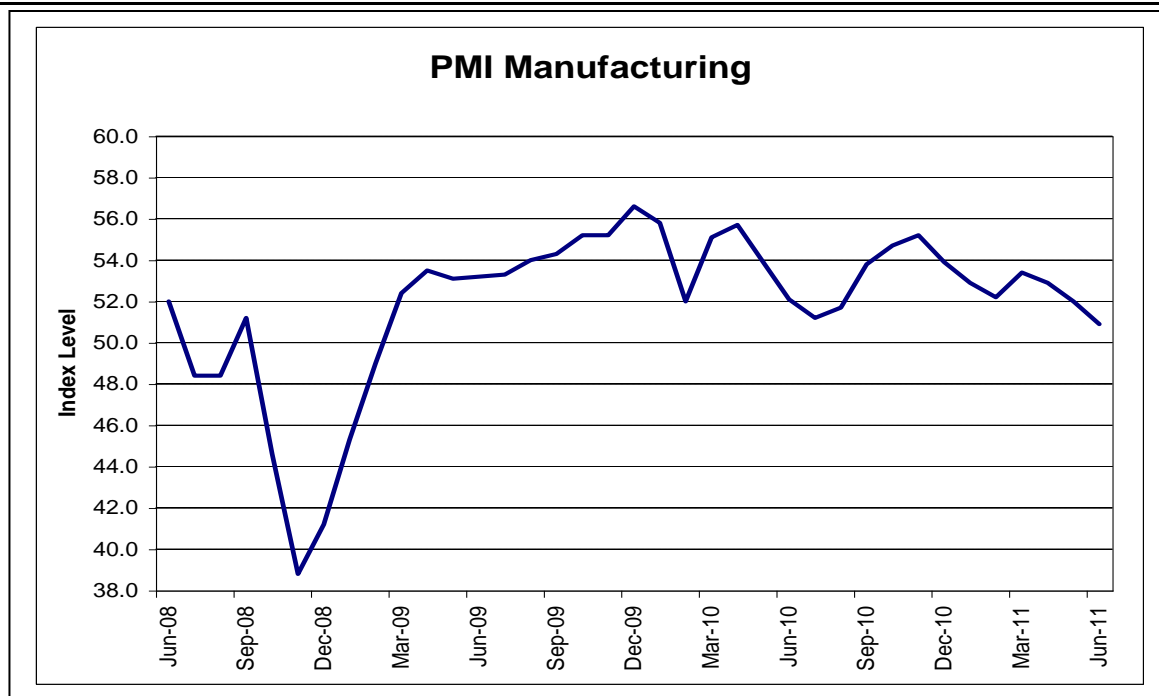
Weekly Highlights

PMI Manufacturing – fell from 52.0 in May to 50.9 in June. (CH 1)

HSBC Manufacturing PMI – fell from 51.6 in May to 50.1 in June. (CH 2)

Weekly Releases & News

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



According to the China Federation of Logistics and Purchasing, the Purchasing Managers' Index fell to a 28-month low in June. The Index dropped from 52.0 in May to 50.9 in June, below expectations of 51.5. This marked the third consecutive month of decline for the PMI. See PMI Manufacturing Results on the following page.

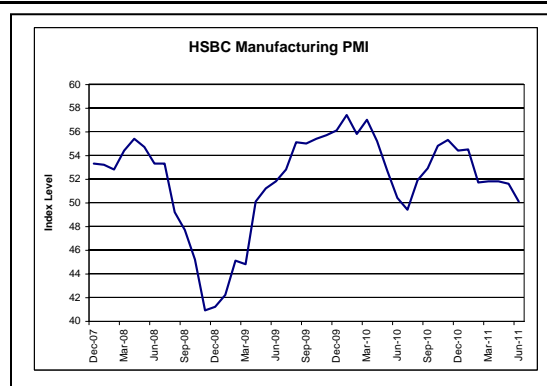
PMI Manufacturing Results, HSBC & Non Manufacturing

PMI Manufacturing Results

	June 2011	May 2011	Apr 2011	Mar 2011	Feb 2011	Jan 2011	Dec 2010	Nov 2010
Manufacturing PMI	50.9	52.0	52.9	53.4	52.2	52.9	53.9	55.2
Output	53.1	54.9	55.3	55.7	53.8	55.3	57.5	58.5
New Orders	50.8	52.1	53.8	55.2	54.3	54.9	55.4	58.3
New Export Orders	50.5	51.1	51.3	52.5	50.9	50.7	53.5	53.2
Backlogs of Work	45.9	47.7	50.7	51.4	46.6	46.5	50.7	50.5
Inventories of Finished Goods	51.0	50.0	50.8	51.3	46.4	47.9	48.7	47.7
Purchases Quantity	51.5	53.6	53.8	54.1	54.5	57.7	56.8	57.4
Imports	48.7	50.5	50.6	52.0	53.9	53.0	50.4	50.6
Input Prices	56.7	60.3	66.2	68.3	70.1	69.3	66.7	73.5
Inventories of Raw Materials	48.5	49.5	52.0	51.6	49.5	52.0	50.8	49.7
Employment	50.2	50.9	51.8	51.8	48.9	49.0	51.5	52.0
Supplier Delivery Times	49.8	49.9	50.6	50.4	48.2	49.5	49.6	48.9

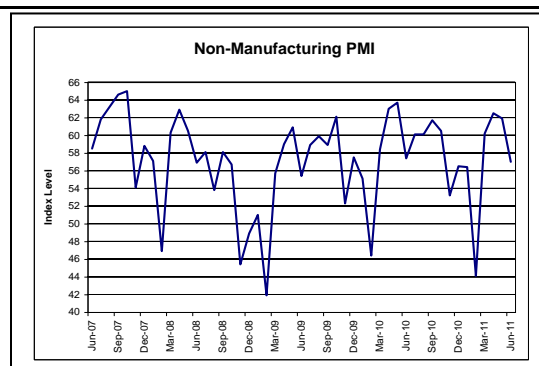
HSBC Manufacturing PMI

The HSBC Manufacturing PMI ticked-down from 51.6 in May to 50.1 in June – matching the flash reading released earlier. Qu Hongbin, Chief HSBC Economist remarked, “both activity and inflation keep cooling. This implies that policy tightening is working, pointing to a peak of inflation in the coming months.”



Non-Manufacturing PMI

The Non-Manufacturing Purchasing Managers' Index slipped from 61.9 in May to 57.0 in June – slowest pace in four months. See results below.



Non-Manufacturing PMI Level	June 2011	May 2011	Apr 2011	Mar 2011	Feb 2011	Jan 2011	Dec 2010
	57.0	61.9	62.5	60.2	44.1	56.4	56.5

News

July 6th - China Raises Rates to Counter Fastest Inflation Since 2008 (Bloomberg) – Effective tomorrow, July 7th, the PBoC will raise China's benchmark interest rates, for the third time this year, from 3.25% to 3.5%. This move comes as a result of the country's inflation accelerating to its fastest pace in two years.

July 6th - China Faces 'Crisis' If Monetary Policy Loosened (Bloomberg) – Economist Andy Xie, formerly of Morgan Stanley made the following comments on Bloomberg TV:

The market consensus is that China will loosen in the second half. Such a move could boost inflation and investors should duck for cover if that happens.

July 5th - China Banks' Outlook May Be Souring on Loans (Bloomberg) – Analyst, Yvonne Zhang, of Moody's Investors Service stated the following in a report:

The Chinese audit agency could be understating banks' exposure to local governments.

The apparent absence of a clear master plan to deal with this issue is likely to exacerbate problems and lenders may be left to manage a portion of the souring loans on their own.

July 5th - China 2011 New Bank Loans May Fall Below Target (Bloomberg) - The China Securities Journal reported today, citing unidentified sources, that China will likely have 6.7 trln yuan of bank lending this year, as opposed to its target of between 7 to 7.5 trln yuan. Four trln yuan of new loans was given in H1, with between 500 to 600 bln yuan in June alone.

July 4th - China Still Faces Inflationary Pressure (Bloomberg) – The PBoC made the following comments following a monetary policy committee meeting:

We must pay close attention to the latest international and domestic economic and financial trends and influences, and implement a prudent monetary policy.

The economy is heading in the expected direction but the country's economic and financial situation is still complicated. The world economic recovery remains slow and still faces many risks.

July 3rd – China's HSBC Services PMI (Bloomberg) – fell from 54.3 in May to 54.1 in June – second fastest pace this year. HSBC's Chief China Economist, Qu Hongbin remarked, "The continuous steady expansion of the service sector, in particular the notable improvement in employment, should lend support to economic growth. This should provide room for Beijing to keep the current tightening measures for another two to three months to slow inflation meaningfully into the fourth quarter."

July 1st – China to See Growth in H1 (China Knowledge) - The State Information Center reported that China's GDP is expected to reach 9.5% Y/Y in H1 and CPI to increase 5.3% Y/Y (before moving to between 4.5% and 5.5% in H2). The Center added that China's trade surplus may reach US\$148 billion this year (down 19% from the previous year).

News (Cont'd.) & Upcoming Dates

News (Cont'd.)

June 30th - China's Legislature Eases Tax Burden on Poor Amid Tension Over Inflation, Wealth Gap (Washington Post) - China's legislature approved a measure on Thursday to ease the tax burden on the country's poor in the government's latest effort to defuse tension over surging inflation and a yawning wealth gap. The legislature raised the minimum income on which workers must pay taxes from 2,000 yuan (\$300) to 3,500 yuan (\$540) a month.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Month</i>	<i>Expectation</i>	<i>Previous</i>
07/07	Business Climate Index	Q2	--	133.8
07/07	Entrepreneur Confidence	Q2	--	137.4
07/09	Trade Balance	JUN	\$14.75B	\$13.05B
07/09	Exports / Imports	JUN	18.5% / 25.3%	19.4% / 28.4%
07/09-15	Actual FDI	JUN	--	13.4%

Valance Economic Report: Sweden

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July 6, 2011

As expected, the Riksbank raised its repo rate by 25bps to 2.0% and kept its projected rate path unchanged. Manufacturing PMI declined to its lowest reading in almost two years, but still remained above 50.

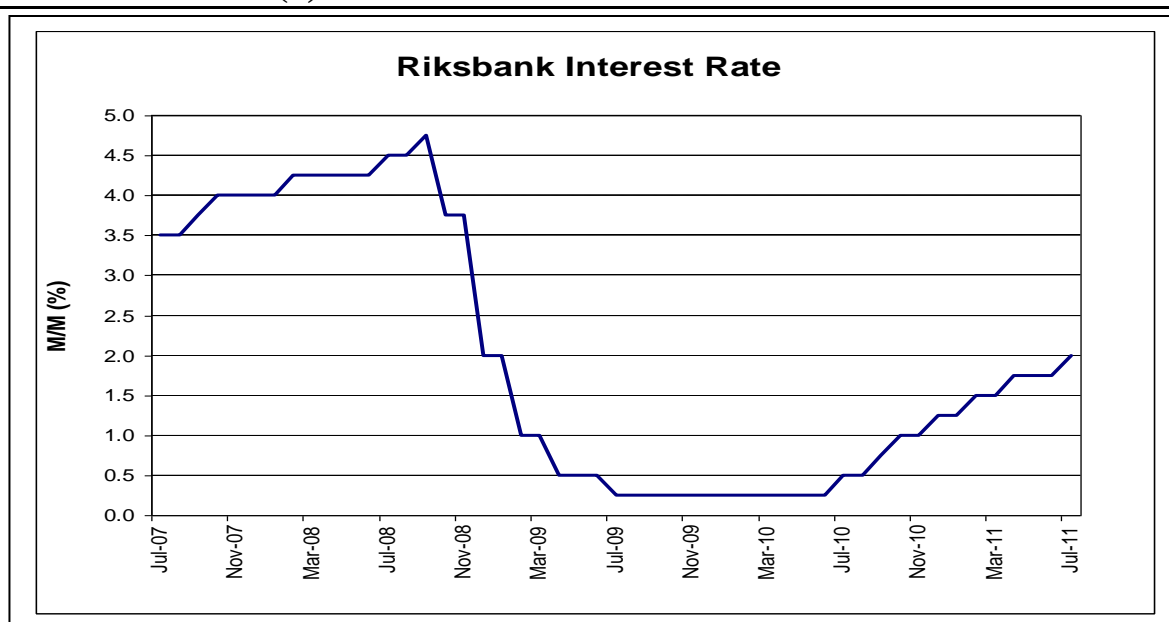
Weekly Highlights

Riksbank Interest Rate – rose from 1.75% to 2.0%. (SW 1)

PMI – fell from 59.2 in May to 53.4 in June. (SW 2)

Weekly Releases & News

Chart(s) of the Week: Riksbank Interest Rate



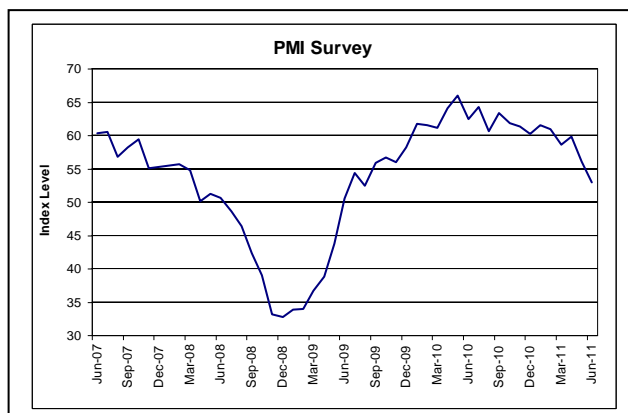
As expected, the Riksbank raised its repo rate from 1.75% to 2.0% - the seventh increase in a year. The Bank remarked, "The Swedish economy is growing at a good rate, although international developments are marked by uncertainty. Consumer price inflation is high at present as a result of rising mortgage rates. Underlying inflationary pressures remain low, but are expected to increase as economic activity strengthens." The Bank added "The Swedish economy is stable despite increased uncertainty globally." On the rate increase, Deputies Lars E. O. Svensson and Karolina Ekholm, opposed the decision to raise the rates and argued that the rate path be lowered. The Bank also remarked on its GDP growth outlook, Inflation and Unemployment as follows: GDP will reach 4.4% in 2011, 2.2% in 2012, and 2.5% in 2013; Headline Inflation will exceed the Bank's target for the next two years; and "The labour market situation is also continuing to develop positively, which means that the rate of wage increase is rising," the Bank said.

SW - 1

PMI & Trade Weighted Exchange Rate

PMI

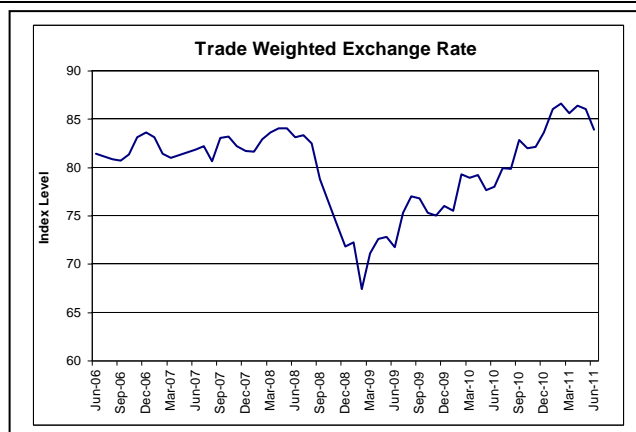
Sweden's Purchasing Managers' Index slowed from 56.1 in May to 52.9 in June - the lowest level since August 2009. It was expected to reach 55.5. All of the subcomponents in the index declined. Most notably changes were seen in the New Orders and Production subcomponents which fell 3.1 and 5.8 points, respectively. Swedbank remarked, "The Swedish industrial perception is growing at a much slower rate compared to the first quarter when the PMI index hovered around the 60 level." See below for PMI results.



PMI Results

	June 2011	May 2011	Apr 2011	Mar 2011	Feb 2011	Jan 2011	Dec 2010	Nov 2010	Oct 2010	Sept 2010	Aug 2010
PMI	52.9	56.1	59.8	58.6	60.9	61.5	60.2	61.3	61.8	63.3	60.6
Orders	52.3	55.4	61.5	56.1	59.5	64.2	63.6	60.4	63.0	65.8	61.8
Production	54.0	59.8	61.9	61.4	65.0	64.9	62.8	64.2	63.5	67.4	61.9
Employment	51.3	54.4	57.7	58.3	61.1	57.7	57.1	60.2	59.0	60.3	60.5
Delivery Times	58.1	61.0	65.1	66.0	67.2	64.6	64.5	67.2	66.8	66.3	64.5
Stocks	51.4	55.6	54.6	52.0	64.4	51.9	55.5	50.2	47.9	52.9	52.0
Export Orders	52.5	52.8	58.3	54.7	58.8	61.9	60.5	58.9	61.6	61.4	57.4
Domestic Orders	48.8	56.4	56.9	54.0	56.3	62.1	63.6	56.3	58.2	62.9	58.7
Stocks of Orders	51.0	55.3	57.3	54.3	58.0	60.2	59.5	58.2	61.7	62.2	59.7
Raw Material Prices	60.5	63.5	74.5	79.8	77.1	77.1	71.9	70.8	66.4	71.1	68.5
Import Prices	52.2	56.2	58.5	58.9	60.2	58.6	59.7	61.4	59.3	58.6	56.1

Trade Weighted Exchange Rate



News & Upcoming News

News

July 6th - Sweden Krona Gain Won't Hit Exports (Bloomberg) – Riksbank Governor, Stefan Ingves, made the following statements in a Bloomberg interview:

As far as we can see, we're going to have a very large current account surplus for the foreseeable future, so when it comes to the exchange rate, we're seeing a normalization rather than an excessive appreciation.

On concern about the impact of an appreciation on exporters: *no, we are not.*

Before we really get affected, many other countries would be affected before us.

Following the rate announcement: *The significant strengthening of the exchange rate is behind us.*

June 30th - Household Borrowing Growth (Bloomberg) – slowed from 7.2% Y/Y in April to 6.9% Y/Y in May – an 8-yr low. Household lending growth has seen a recent slowdown due, in part, to the Riksbank's interest rate increases since last summer.

Key Dates This Week

Date	Indicator	Month	Expectation	Previous
07/07	Service Production	MAY	-- / 5.1%	0.3% / 5.6%
07/07	Budget Balance	JUN	--	31.1B
07/08	Industrial Production	MAY	0.4% / 10.0%	-0.7% / 12.0%
07/08	Industrial Orders	MAY	0.0% / --	-0.1% / 9.2%
07/12	CPI Level	JUN	--	312.02
07/12	CPI Headline Rate	JUN	--	0.2% / 3.3%
07/12	CPI CPIF	JUN	--	0.1% / 1.7%
07/13	PES Unemployment Rate	JUN	--	3.8%

Valance Economic Report: Switzerland

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July 6, 2011

In June, Manufacturing PMI continued to expand, despite dipping to its lowest level in over two years. Real Retail Sales fell sharply in May.

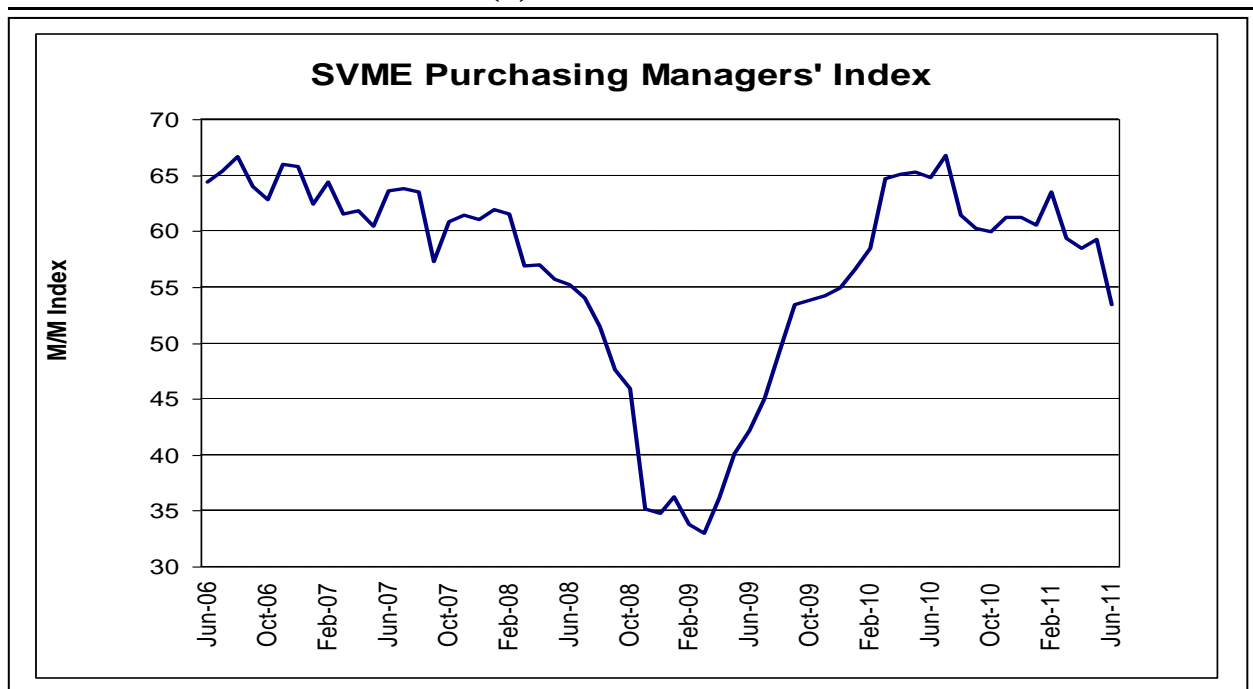
Weekly Highlights

PMI - fell from 59.2 in May to 53.4 in June. (SZ 1)

Retail Sales – slowed from +7.8% Y/Y in April to -4.1% Y/Y in May. (SZ 2)

Weekly Releases & News

Chart(s) of the Week: *PMI*



Switzerland's Purchasing Managers' Index unexpectedly fell from 59.2 in May to 53.4 in June – the lowest level since November 2008. The index was expected to reach 57.8. Three of the index's eight subcomponents posted increases. Most notably, the Output subcomponent fell significantly, by 14.5 points; the Backlog of Orders subcomponent dropped 8.2 points; while the Employment subcomponent rose 0.3 points. Credit Suisse remarked, "The surge in industrial activity evident for the past eighteen months came to a somewhat abrupt end. Switzerland is no longer immune to the slight cooling in the global economic climate." See PMI Survey Results below.

SZ - 1

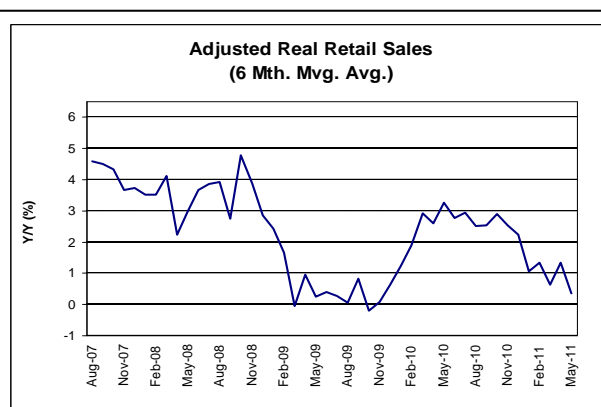
PMI Results, Retail Sales & Trade Weighted Exchange Rate

PMI Results

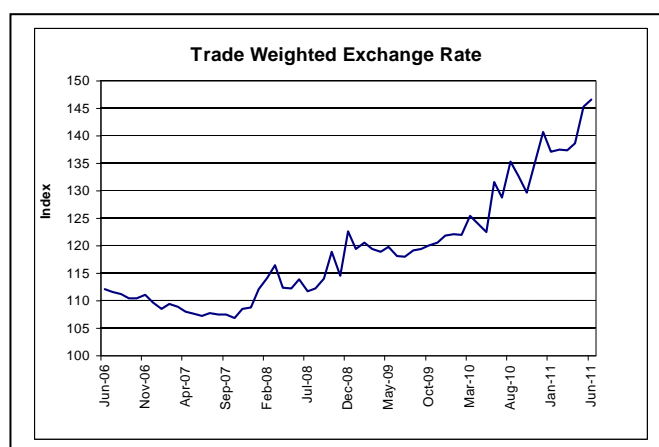
	June 2011	May 2011	Apr 2011	Mar 2011	Feb 2011	Jan 2011	Dec 2010	Nov 2010	Oct 2010	Sep 2010	Aug 2010
PMI s.a.	53.4	59.2	58.4	59.3	63.5	60.5	61.2	61.8	59.2	59.7	61.4
Output	46.6	61.1	57.3	59.3	64.7	60.6	65.3	64.2	56.9	57.0	60.1
Backlog of Orders	48.8	57.0	55.2	57.8	67.1	64.2	59.0	62.2	60.4	58.0	58.3
Quantity of Purchase	46.7	55.5	56.4	61.7	64.4	62.1	59.6	60.0	55.1	55.3	57.7
Purchase Prices	51.8	60.2	69.2	75.4	76.1	70.0	72.1	63.1	58.9	59.5	58.1
Suppliers Delivery Times	69.2	66.8	68.8	68.6	59.2	58.7	60.3	64.6	69.7	74.5	79.6
Stocks of Purchases	50.9	51.9	55.2	52.6	56.1	54.1	52.2	56.6	48.4	55.5	50.3
Stocks of Finished Goods	51.3	49.9	52.5	50.3	52.4	53.8	52.1	50.2	47.1	49.3	48.4
Employment	58.2	57.9	58.2	58.2	63.7	59.5	56.4	58.8	57.8	56.8	59.5
PMI NSA	55.7	59.4	60.2	61.1	62.7	60.0	55.7	61.7	60.7	62.7	60.2

Retail Sales

Real Retail Sales slowed from +7.8% Y/Y in April to -4.1% Y/Y in May -- driven by a turnover in food and beverages.



Trade Weighted Exchange Rate



News & Upcoming Dates

News

July 6th - Swiss cabinet rejects new measures on strong franc (Reuters) - The Swiss government remarked in a statement after a regular meeting:

The cabinet is aware that if the current situation continues there will be negative effects on the real economy.

It wants to continue its efforts to strengthen Swiss business but rejects any inefficient and long-term counter-productive measures.

June 30th - Swiss Q1 Current Account Surplus (Dow Jones) - fell by almost 2 bln Swiss francs, to CHF17.1 bln from CHF19.4 bln. The SNB remarked, "This was due mainly to net outflows for direct investment and portfolio investment."

June 29th - Swiss Franc Will Remain Export Challenge (Bloomberg) – Swiss Economy Minister, Johann Schneider-Ammann stated the following in an email:

The strong franc will persist. I am convinced that this is not a temporary phenomenon. Especially our exporters are facing some very demanding years.

Swiss exporters have long proven the ability to gradually increase their productivity. The government, in coordination with the Swiss National Bank, will evaluate all options to help bolster the economy.

Key Dates This Week

Date	Indicator	Month	Expectation	Previous
07/07	CPI	JUN	-0.2% / 0.7%	0.0% / 0.4%
07/07	CPI – EU Harmonized	JUN	--	-0.1% / 0.3%
07/08	Unemployment Rate / sa	JUN	2.8% / 3.0%	2.9% / 3.0%
07/13	Producer & Import Prices	JUN	--	-0.25 / -0.4%