

Valance Company, Inc.



Weekly

June 11, 2008

III

Highlights

US – Fed's inflation comments and strong pending home sales data overwhelm unemployment rate weakness (page 2)

EU – French CPI growth accelerated to a 12-year high (page 7)

JN – Q1 GDP revised higher on Capex (page 14)

UK – Housing Market remained very weak (page 22)

AU – Confidence showed signs of weakness (page 37)

NZ – The RBNZ hinted a rate cut by the end of the year (page 41)

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Valance Economic Reports

Valance Co., Inc.

Valance Economic Report: United States

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June 11, 2008

This week's economic data led to extreme volatility in interest rate markets. The sell-off caused by the drop in initial claims was reversed by the large jump in the unemployment rate- only to be reversed again by the strength of the pending home sales data and Fed comments emphasizing inflation concerns.

Weekly Highlights

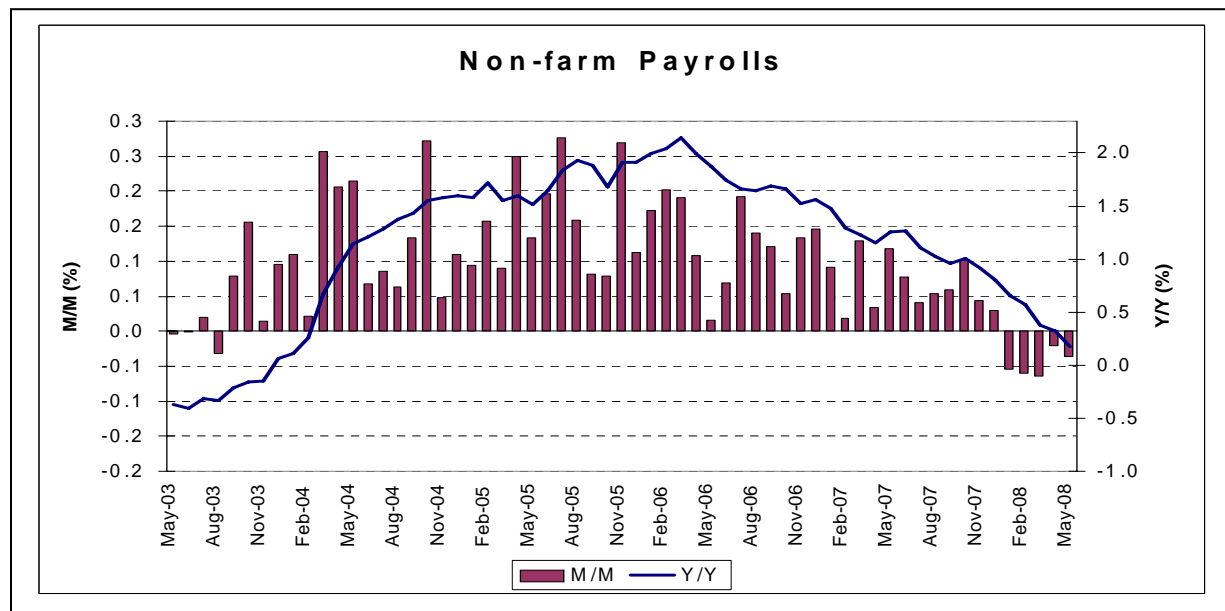
Payrolls- dropped 49k in May and the unemployment rate jumped to 5.5%. (page 2)

Initial Claims- fell to 357k last week. (page 4)

Pending Home Sales- jumped 6.3% M/M in April. (page 5)

Weekly Releases

Chart of the Week: *Non-Farm Payrolls*



Non-farm Payrolls dropped by 49k in May after dropping 28k in April and 88k in March. Net revisions were down 15k. Construction jobs continued to fall in May as housing indicators offered mixed signals. The diffusion index fell from 48.0 to 45.4, showing widespread softness. The unemployment rate jumped from 4.95% to 5.49% as the Household Survey showed 285k of job losses and 577k gain in the labor force. The labor force increase was particularly pronounced for 16 to 19 year olds- increasing by 261k. The unemployment rate may be trending higher, but the recent data point is almost certainly overstated.

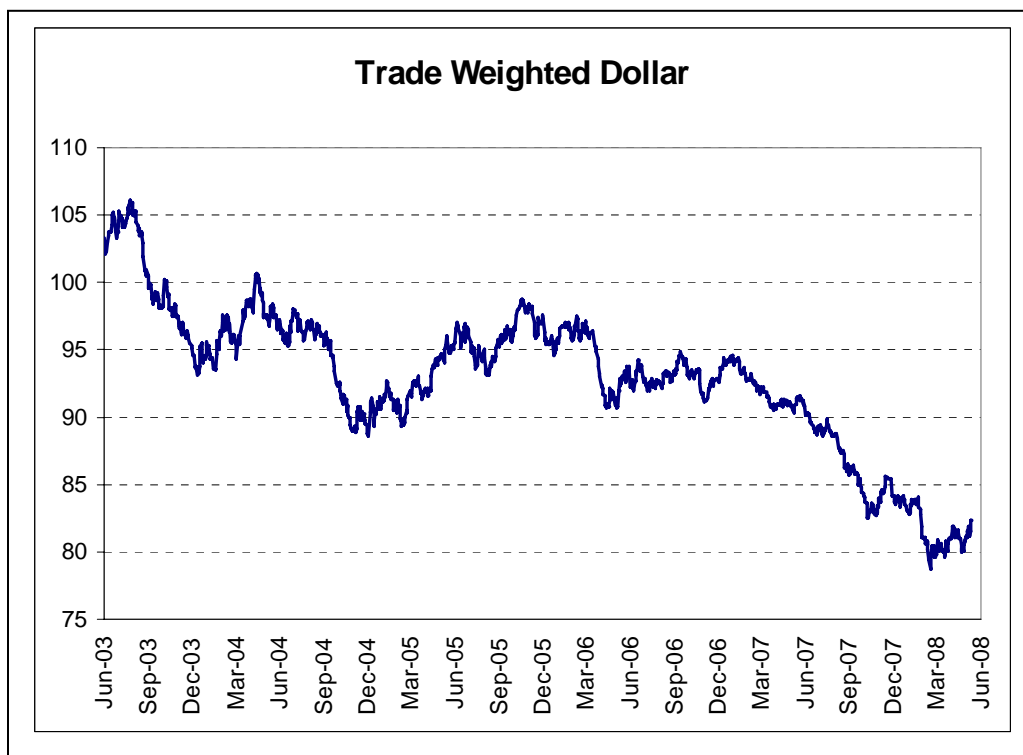
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

<i>U.S.</i>	<i>Latest period (\$blns)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	159.3 (April)	-1.7%
Trade Balance	-60.9 (March)	-4.9%
Current Account Balance	-172.9 (Q4)	-5.6%
Private Balance	--	-3.3%

The budget deficit is currently at \$234.3 bln on a trailing twelve month basis. The trade deficit as of March is still 4.9% of GDP, with signs of narrowing. The budget deficit will remain too small to support a robust and sustained expansion, given the size of the current account deficit. As debt service levels increase, fragility in the economy should continue to be evident.

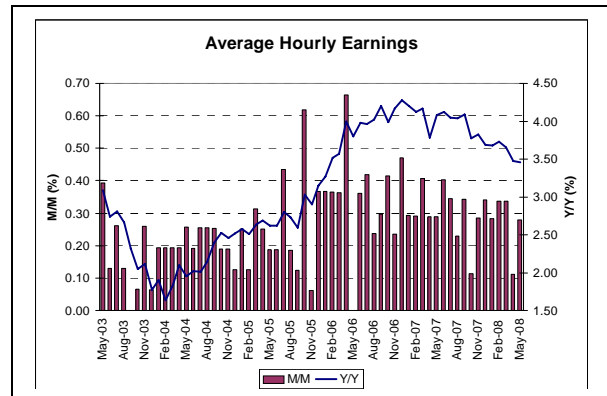
Trade Weighted Dollar



Hourly Earnings, Weekly Hours & Unemployment Claims

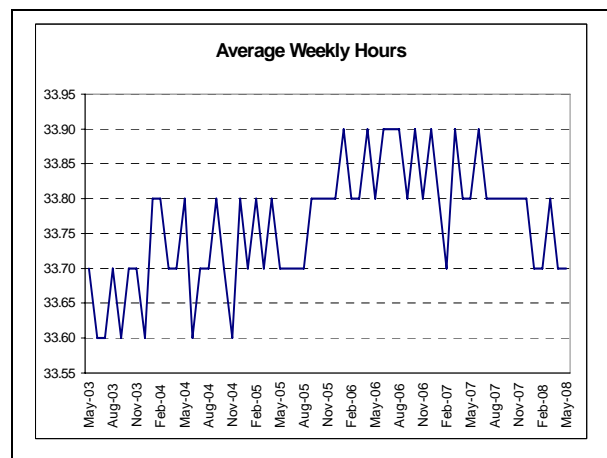
Average Hourly Earnings

Average hourly earnings grew 0.3% M/M and 3.5% Y/Y in May. Y/Y growth has continued to decelerate and does not show any pass-through from accelerating headline inflation.



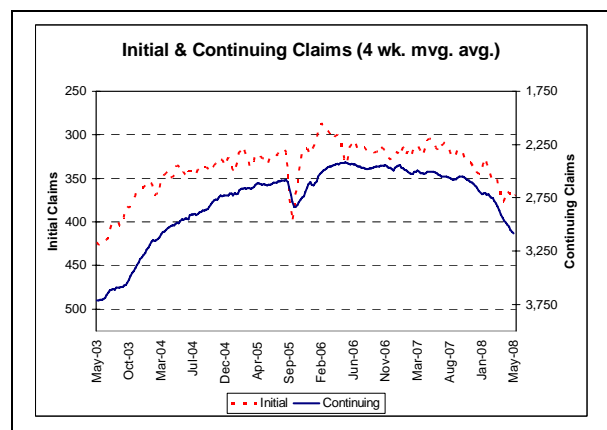
Average Weekly Hours

Average weekly hours remained at 33.7 in May. The total hours index dropped 0.1% M/M, after falling 0.4% in April. Q2 GDP is off to quite a weak start based on hours worked.



Initial & Continuing Claims

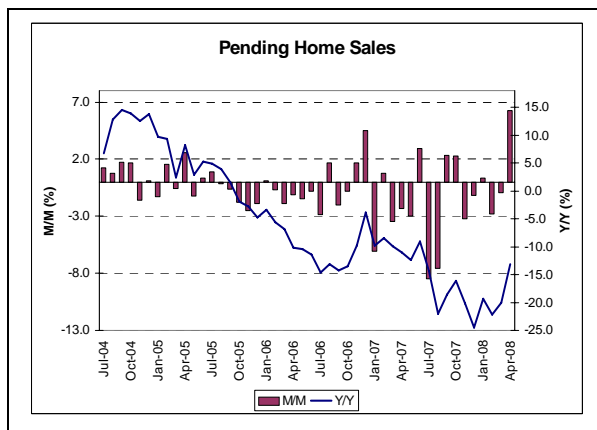
The four week moving average of initial claims decreased from 371 to 369k and continuing claims increased by 15k to 3,086k. Last week's reading of initial claims dropped from 375k to 357k, possibly signaling that the labor market started to strengthen in late May.



Housing & Trade Balance

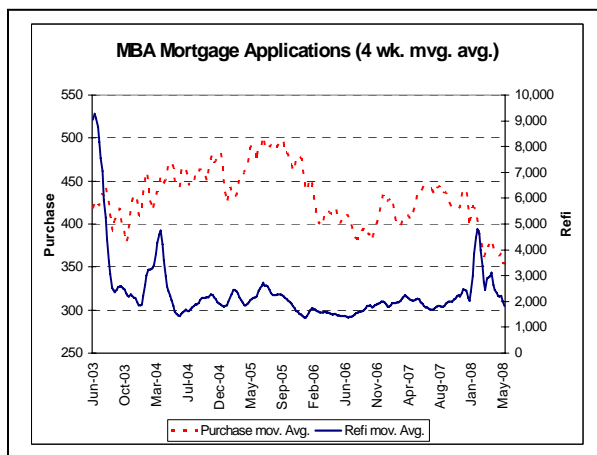
Pending Home Sales

Pending Home Sales jumped 6.3% M/M and fell 13.1% Y/Y in April. The reversal in this series may be early evidence that the deterioration in the housing market is over. However, other housing indicators still show a weakening market, making it too early to come to a definitive conclusion.



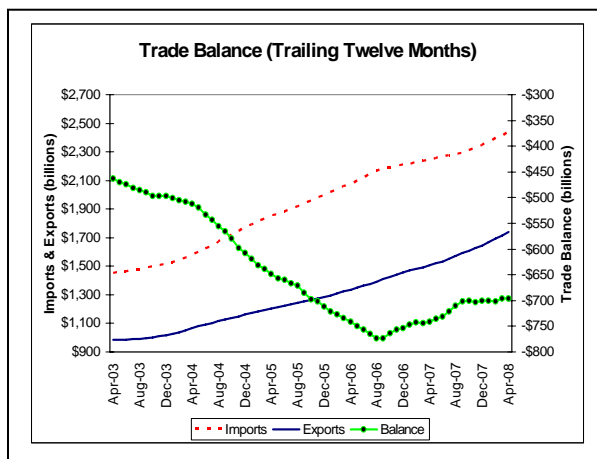
MBA Mortgage Applications

Purchase mortgage applications increased 12.8% W/W and refi applications were up 8.4% W/W this week. The four-week moving average of purchase applications is down 19.8% Y/Y and down 19.0% just based on last week's reading. The four-week moving average of refi applications are down 3.9% Y/Y.



Trade Balance

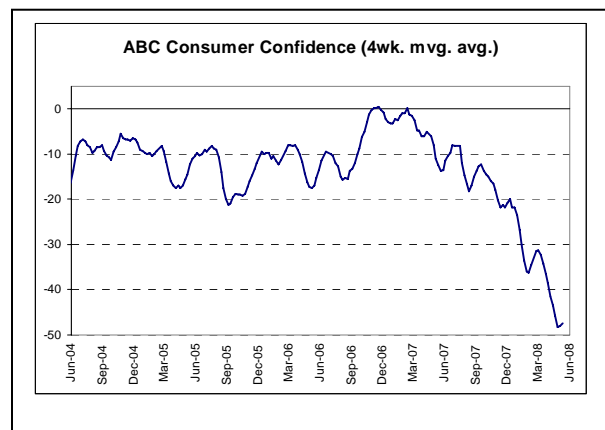
The Trade Deficit widened from \$56.5 bln to \$60.9 bln in April. Imports increased 4.5% M/M and 13.5% Y/Y while exports increased 3.3% M/M and 19.2% Y/Y. The trailing twelve month trade deficit is now \$696.3 bln or 4.9% of GDP. The real trade deficit narrowed from \$46.97 to \$46.90, providing a slight contribution to GDP to start Q2.



Consumer Confidence & Upcoming Dates

ABC Consumer Confidence

The ABC Consumer Confidence Index remained at -45, stabilizing after hitting record lows two weeks ago. The buying climate fell, the economy component was flat, and finances component improved.



Key Dates This Week

Date	Indicator	Expectation	Previous
06/12	Import Price Index (MAY) (M/M)	2.5%	1.8%
06/12	Retail Sales ex. Autos (MAY)	0.7%	0.5%
06/12	Initial Jobless Claims (JUN 7)	370K	357K
06/12	Continuing Claims (MAY 31)	3118K	3093K
06/13	CPI ex. Food & Energy (MAY) (M/M)	0.2%	0.1%
06/13	U. of Michigan Confidence (JUN)	59.0	59.8
06/16	Empire Manufacturing (JUN)	-1.4	-3.2

Valance Co., Inc.

Valance Economic Report: Euro Zone

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June 11, 2008

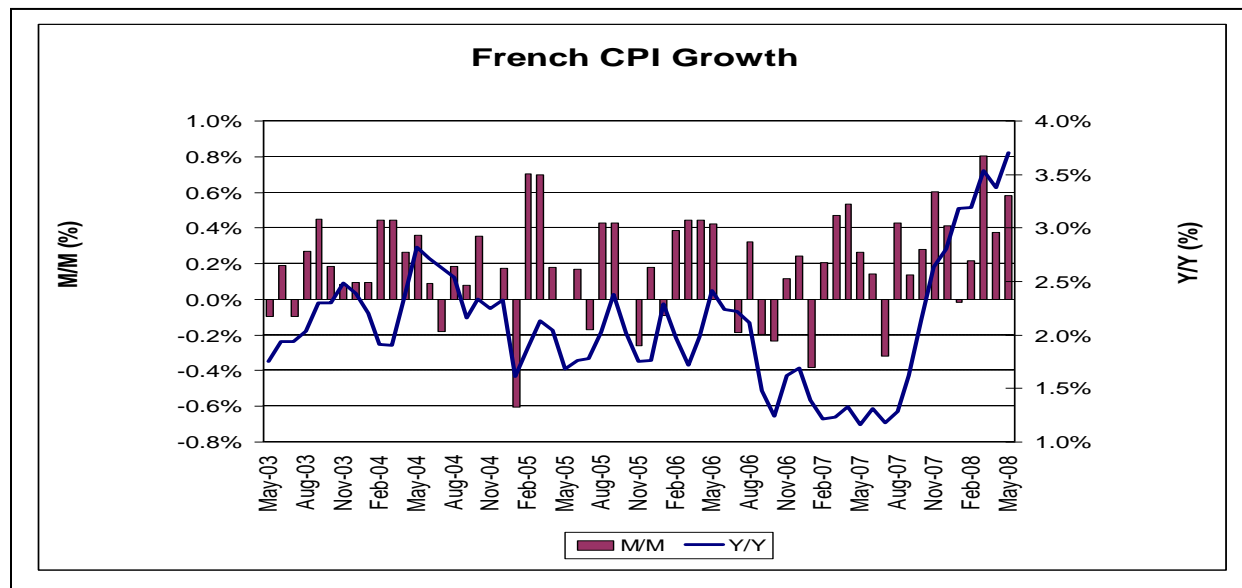
French economic releases were the highlight of this past week's economic data. French CPI accelerated to a 12-year high, Industrial Production increased above expectations and unemployment, not including overseas territories, recorded its lowest reading in 25 years. Also of interest, this past week, the ECB held rates steady at 4.00% and hinted a possible interest rate hike next month.

Weekly Highlights

French CPI - increased 0.6% M/M and 3.7% Y/Y in May. (page 7)

German Industrial Production – unexpectedly decreased 0.8% M/M in April. (page 9)

French Unemployment Rate - fell from 7.8% in Q4 to 7.5% in Q1. (page 11)

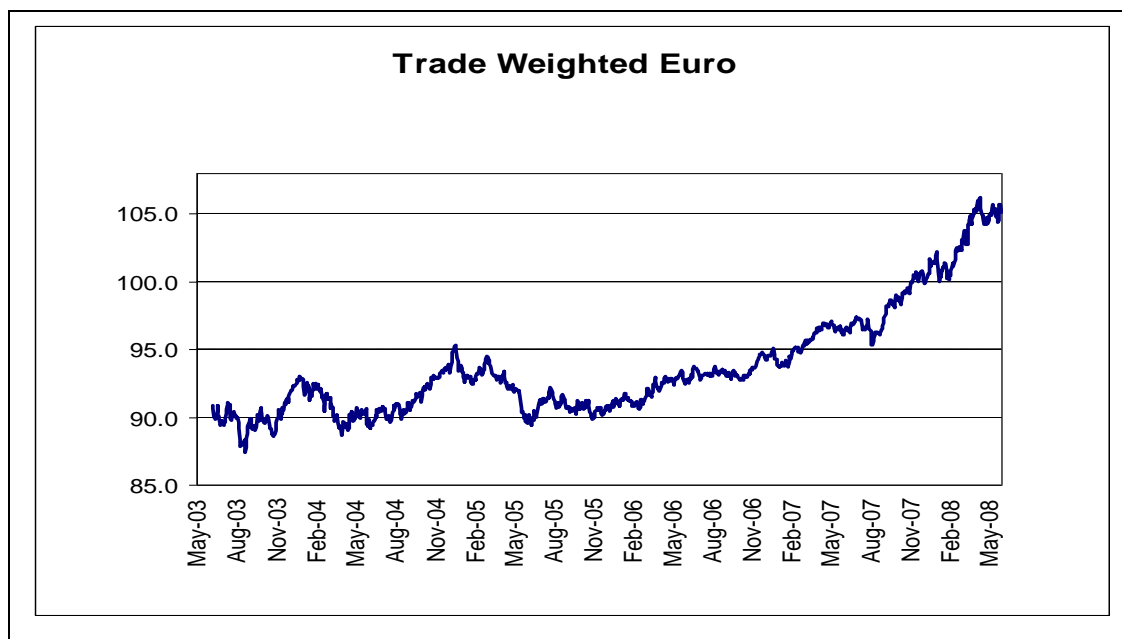
Weekly Releases & News**Chart of the Week: French CPI**

French CPI increased 0.6% M/M and 3.7% Y/Y in May. The Y/Y growth is at its highest level since 1996, when the series started. Energy and food costs continue to be the key elements putting upward pressure on CPI.

Euro Zone Financial Balances & Trade Weighted Euro

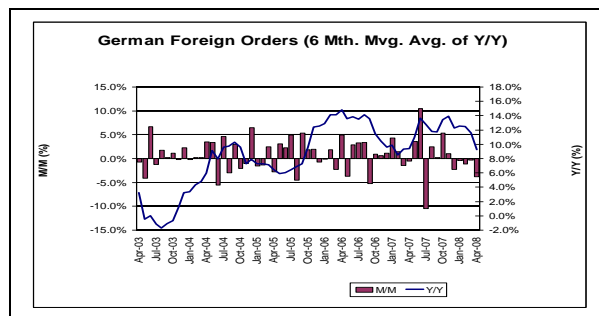
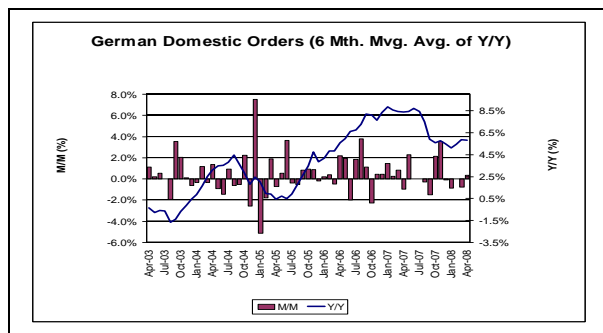
Financial Balances

<i>Germany</i>	<i>Last period (\$blns euros)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	...	--
Trade Balance	16.7 (Mar)	--
Current Account Balance	17.2 (Mar)	--
Private Savings Balance	--	--
<i>France</i>		
Budget Balance	-22.5 (Mar YTD)	-3.7%
Trade Balance	-4.8 (Mar)	-1.8%
Current Account Balance	-2.5 (Mar)	-2.1%
Private Savings Balance	--	--
<i>Italy</i>		
Budget Balance	-8.0 (May)	-4.5 %
Trade Balance	-1.4 (Apr)	-1.7%
Current Account Balance	-4.5 (Mar)	-3.2%
Private Savings Balance	--	--



German Factory Orders and German and French Industrial Production

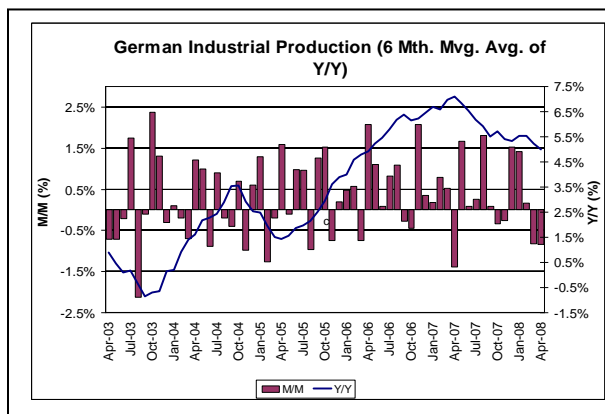
German Factory Orders



German Factory Orders unexpectedly decreased 1.8% M/M and increased 15.0% Y/Y in April. Domestic Factory Orders increased 0.3% M/M and 4.8% Y/Y in April. Foreign Factory Orders decreased 3.8% M/M and increased 3.4% Y/Y.

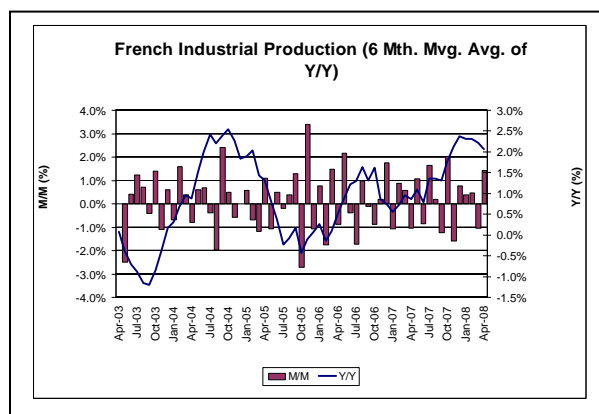
German Industrial Production

Germany's Industrial Production posted a downside surprise, decreasing 0.8% M/M in April. Y/Y growth increased 4.8%. Intermediate goods decreased 2.2% and consumer goods decreased 2.5% M/M. Capital goods increased 1.7%, following two consecutive monthly declines.



French Industrial Production

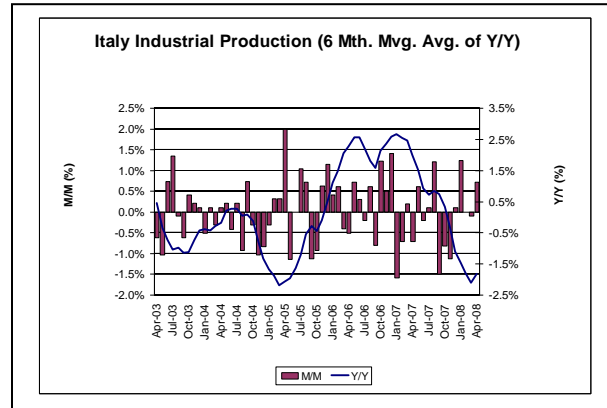
French Industrial Production increased 1.4% M/M and 3.2% Y/Y, above market expectations for an increase of 0.3% M/M and 1.9% Y/Y.



Italian Industrial Production, and Spanish CPI

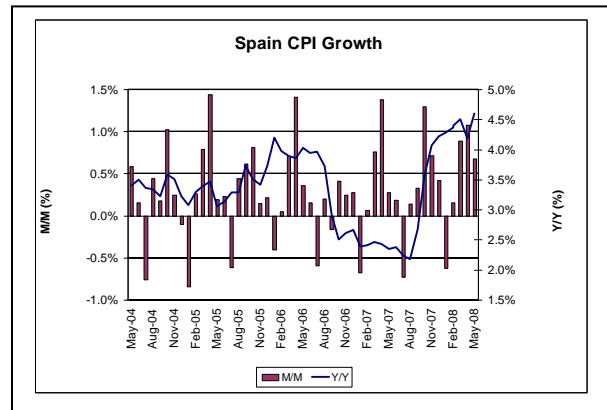
Italian Industrial Production

Italy's Industrial Production unexpectedly increased 0.7% M/M and 2.0% Y/Y in April. Production of consumer goods increased 3.0% and production of output clothing and textiles increased 2.0%. Food and beverages production surged 3.7%.



Spanish CPI

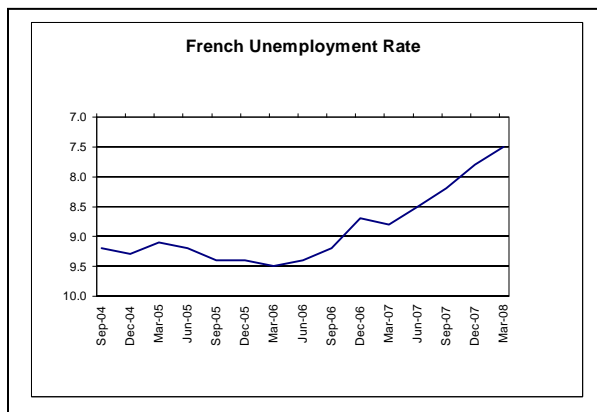
Spanish CPI increased 0.7% M/M and 4.6% Y/Y in May. Core CPI increased 0.3% M/M and 3.3% Y/Y.



French Unemployment, Spanish Industrial Output & ECB Interest Rates

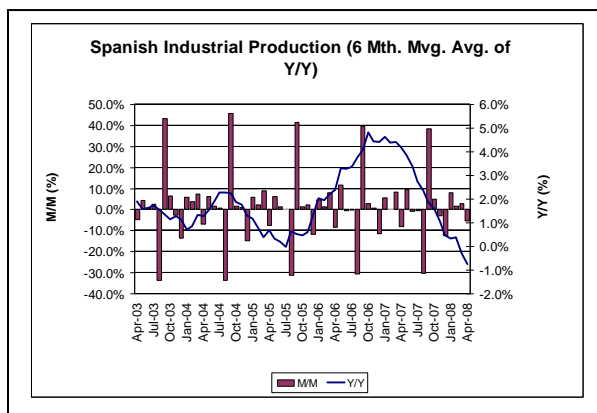
French Unemployment

The French Unemployment Rate fell from 7.8% in Q4 to 7.5% in Q1. Market expectations were for the unemployment rate to remain unchanged. Excluding France's overseas territories, the unemployment rate stood at 7.2%, the lowest rate in 25 years.



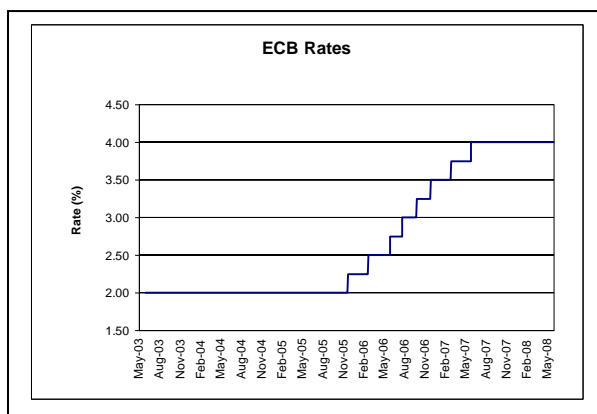
Spanish Industrial Production

Spain's Industrial Production decreased 5.3% M/M and 0.2% Y/Y in April. On trend terms, Industrial Production growth has been on a sharp down trend since the end of 2006.



ECB Interest Rates

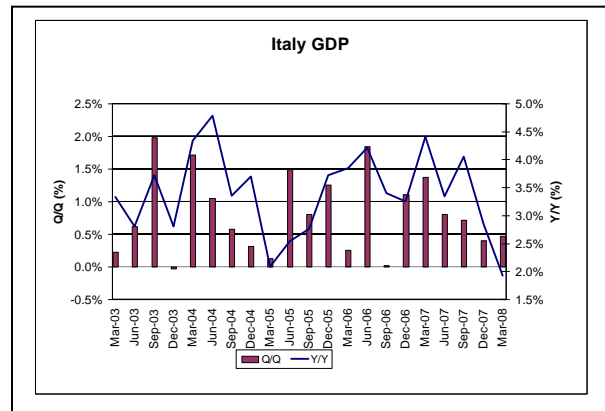
The ECB left rates unchanged at 4.0% in June, but hinted a possible interest rate hike next month.



Italian GDP & Comments

Italian GDP

Final results showed Italian GDP 0.5% Q/Q and 1.9% Y/Y in Q1. Government Spending increased 0.4% Q/Q. Private Consumption increased 0.1% Q/Q.



Data

Sentix Investor Confidence - The Sentix Investor Confidence index increased from 3.5 in May to 5.2 in June. Overall, the Current Situation increased from 23.50 to 27.00 and Expectations increased from -14.75 to -14.50.

Comments

June 11th – ECB is Not Talking about a Series of Increases, Stark Comments - “The markets have understood the Governing Council's signal,” Bloomberg News reported ECB board member, Juergen Stark, as saying in an interview in Chatham, Massachusetts. “However, we are not talking about a series of rate increases.” “We will do everything that is necessary to anchor inflation expectations and to deliver price stability in the medium term,” Stark was also reported as saying.

June 11th – Inflation Expectation Increasing, Liikanen Says - European Central Bank council member, Erkki Liikanen, commented that inflation expectation is starting to increase in the euro area. “We’re at a point when inflation expectations are starting to increase,” Liikanen was reported as saying. “If we can keep inflation expectations in check, we can avoid big, sudden increases in rates in the future.”

June 10th – Price Stability is Important for Jobs, Growth, Trichet Says - “Medium-term price stability is essential, not only because it protects the income of all our fellow citizens, especially the most vulnerable and the poorest, but also because it is a condition required for growth and job creation,” Trichet wrote in an article in Spain's, *La Gaceta de los Negocios*.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
06/09-06/12	German Wholesale Prices (MAY) (M/M)	--	0.6%
06/09	German Trade Balance (APR)	--	16.7B
06/09	German Current Account (APR)	--	17.2B
06/09	German Imports (APR) (M/M)	--	0.8%
06/09	German Exports (APR) (M/M)	--	-0.5%
06/12	EU Industrial Production (APR) (M/M)	--	-0.2%
06/13	EU New Car Registrations (MAY)	--	--
06/13	EU Employment (Q/Q)	--	0.2%
06/13	French Bank of France Bus. Sentiment (MAY)	--	101
06/13	Italian CPI (MAY) (M/M)	--	0.5%
06/16	EU CPI (MAY) (M/M)	--	0.3%
06/16	Italian Labor Costs (Q/Q)	--	0.6%
06/17	EU Trade Balance (APR)	--	2.4B
06/17	Spanish Labor Costs (MAY) (Y/Y)	--	4.1%
06/17	Italian Trade Balance (APR)	--	-545.0M

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Valance Economic Report: Japan

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June 11, 2008

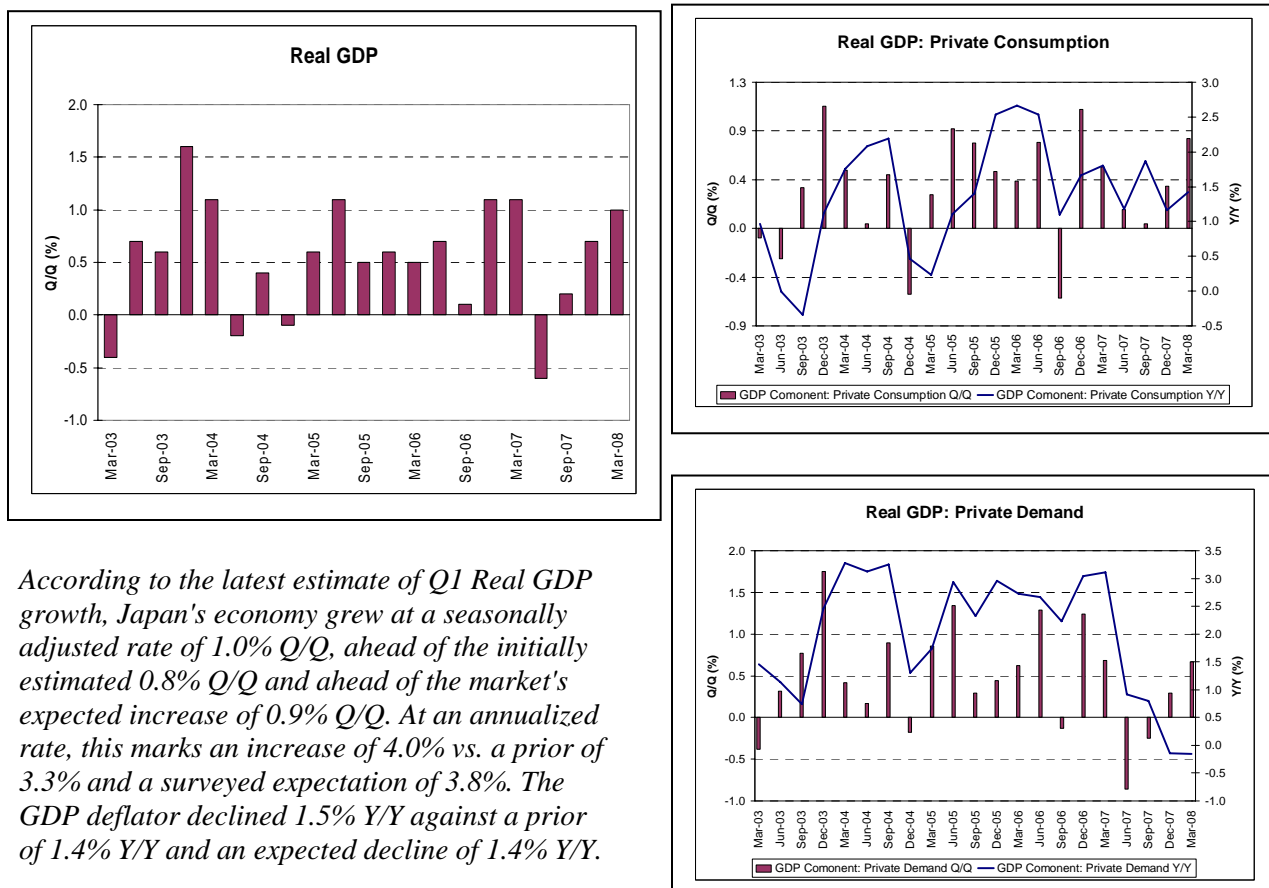
This week's data from Japan reflected the resilience of the Japanese economy to recent market and economic conditions, both domestically and abroad. Q1 Real GDP was revised higher on better than expected capital investments. Corp Goods Prices continued to increase on energy prices and Machine Orders posted large gains. Sentiment remains mixed however, and both the Government and the BoJ recognize the risk of an economic slowdown in the coming quarters. On balance however, we expect the BoJ to leave rates unchanged through much of the year amid mounting inflationary pressures and solid growth expectations.

Weekly Highlights

Real GDP – revised from 3.3% annualized growth to 4.0% annualized in Q1. (page 14)

CGPI– increased 1.1% M/M and 4.7% Y/Y in May. (page 17)

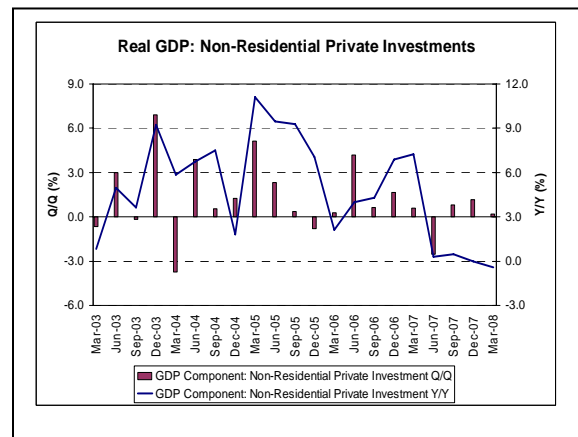
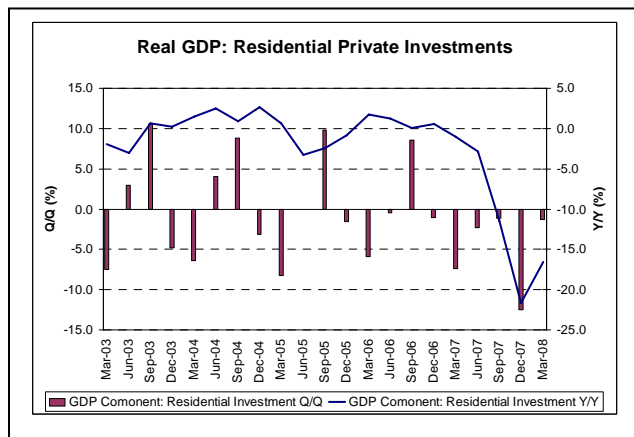
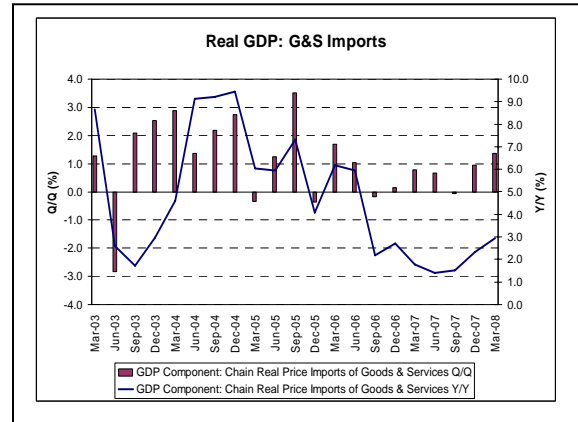
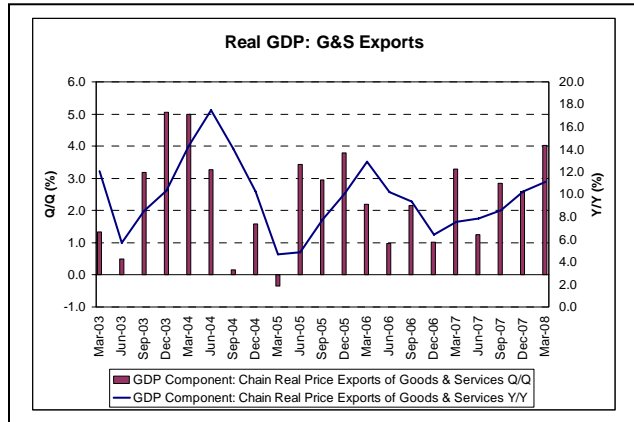
Chart(s) of the Week: Gross Domestic Product



According to the latest estimate of Q1 Real GDP growth, Japan's economy grew at a seasonally adjusted rate of 1.0% Q/Q, ahead of the initially estimated 0.8% Q/Q and ahead of the market's expected increase of 0.9% Q/Q. At an annualized rate, this marks an increase of 4.0% vs. a prior of 3.3% and a surveyed expectation of 3.8%. The GDP deflator declined 1.5% Y/Y against a prior of 1.4% Y/Y and an expected decline of 1.4% Y/Y.

The upward revision to the index was largely caused by a sharp upward revision to Capex, which went from an originally estimated 0.9% Q/Q decline to a 0.2% Q/Q increase. Private demand was also revised a couple ticks higher, from 0.5% to 0.7% Q/Q. The decline in Public demand was revised from -0.4% Q/Q to -0.2% Q/Q. Fixed capital formation increased from 0.3% to 1.0% Q/Q. Net exports were revised lower from 4.5% to 4.0% Q/Q while net imports declined from 2.0% to 1.4% Q/Q. Overall, the data indicates that the economy grew at a faster pace than potential for the last two quarters in spite of a softer US economy, underscoring the resilience of the Japanese economy to the market and economic conditions that the US has faced.

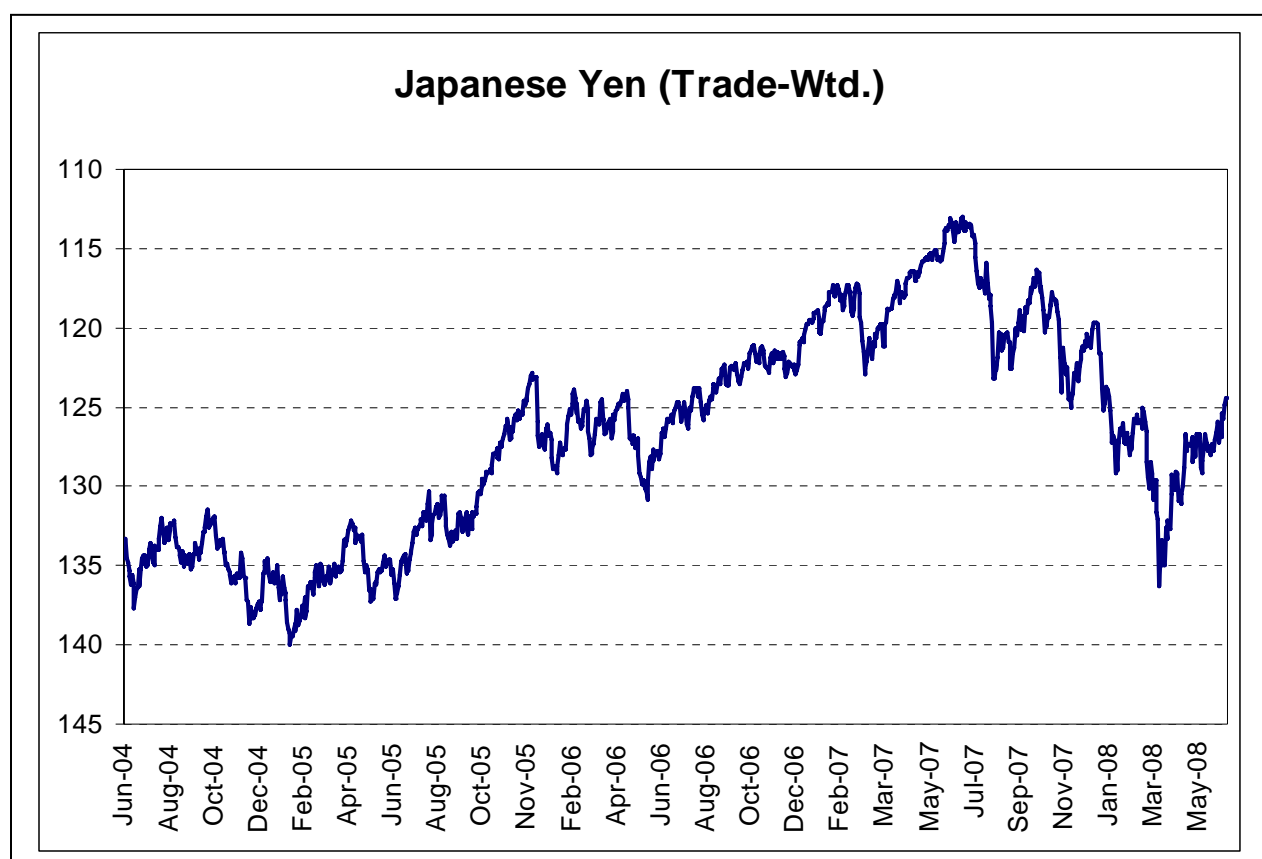
Gross Domestic Product Components



Japan's Financial Balances

Financial Balances

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



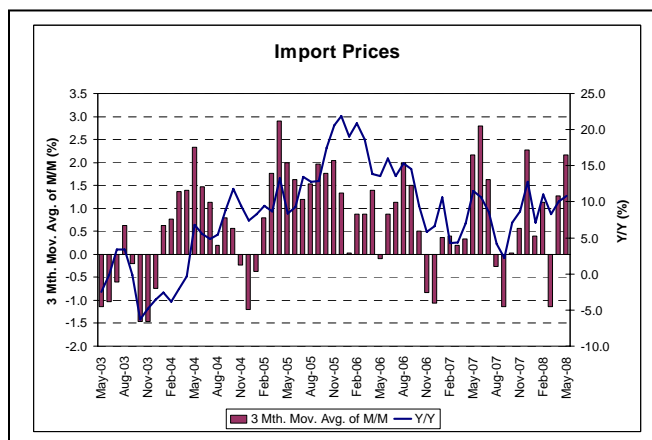
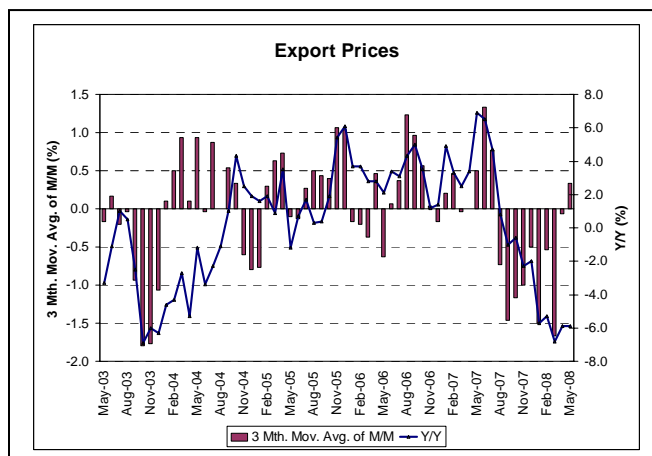
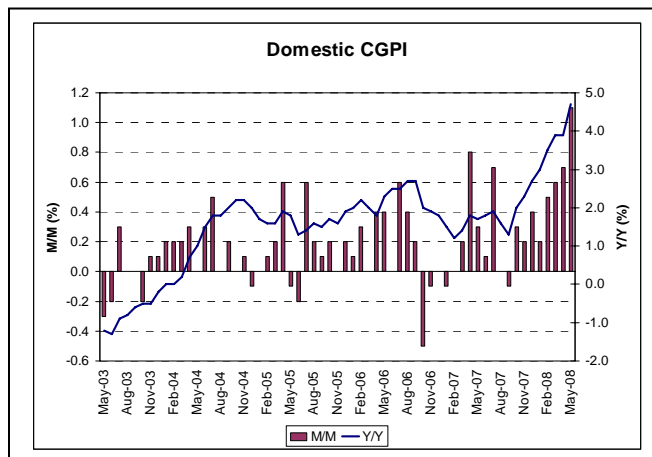
CGPI, Export & Import Prices

Japan's Domestic CGPI increased 1.1% M/M and 4.7% Y/Y in May, following a 0.7% M/M and 3.9% Y/Y increase in April (upwardly revised from 0.6% M/M and 3.7% Y/Y) and above market expectations for a 0.7% M/M and 4.0% Y/Y increase.

The Y/Y improvement in the index was the largest in 27yrs and was mainly caused by the reinstatement of the provisional gasoline tax and surges in commodity prices. The data suggested that the rate of price increases in domestic final demand goods picked up as well, increasing 1.4% Y/Y in May from 0.5% Y/Y in April, also due to higher crude prices as well as the gasoline tax.

Within the index, export prices increased 1.5% M/M and declined 5.9% Y/Y. Import prices increased 4.3% M/M and 10.8% Y/Y.

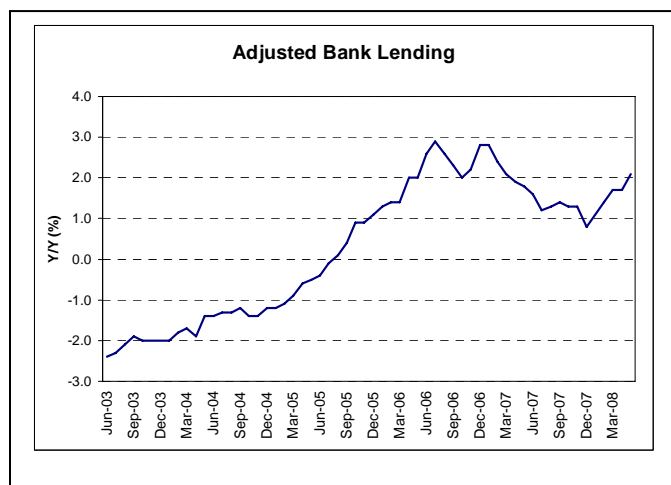
Overall, upward pressure on prices remains strong and is likely to present downside risk to the purchasing power of both households and corporations.



Bank Lending, Machine Orders & Machine Tool Orders

Bank Lending

Bank Lending, including Trusts, increased 1.5% Y/Y in May after increasing 1.2% Y/Y in April. Excluding Trusts, Lending increased 1.6% Y/Y, ahead of market expectations for a 1.3% Y/Y increase. On an adjusted basis, Lending increased 2.1% Y/Y, ahead of market expectations for a 1.8% Y/Y increase, and ahead of April's 1.7% Y/Y increase.

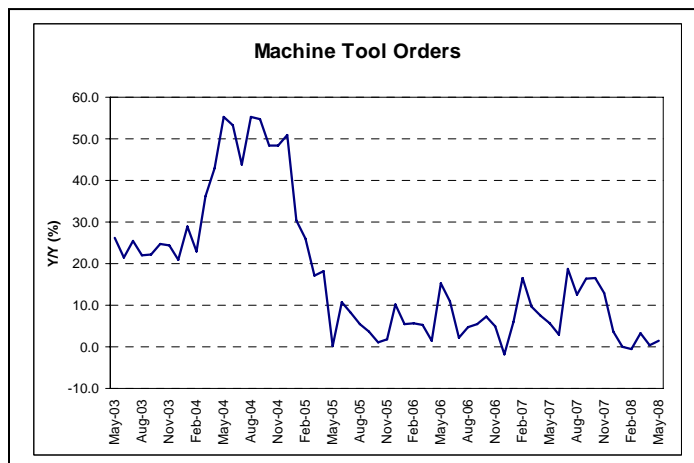
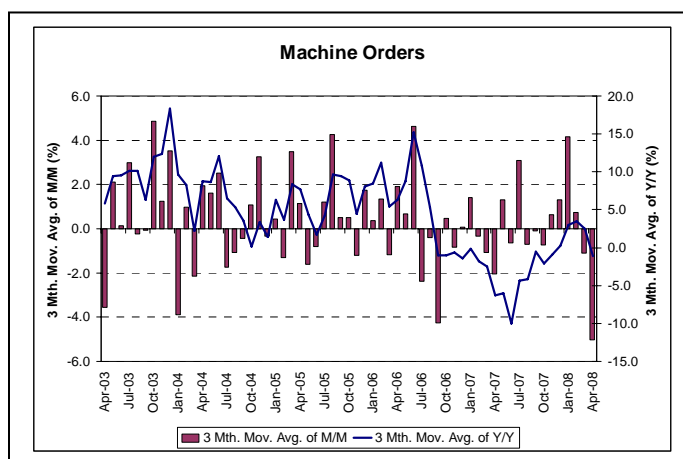


Machine Orders & Machine Tool Orders

Core Machinery Orders increased 5.5% M/M and 0.5% Y/Y, bouncing back from March's 8.3% M/M and 6.2% Y/Y decline, and beating expectations for a 3.0% M/M gain and 1.7% Y/Y decline. The Machine Tool Orders index improved 1.4% Y/Y in May according to preliminary data.

The improvement in Machinery Orders was largely caused by an improvement in orders within the non manufacturing sector (which posted a 8.8% M/M gain after a 9.5% M/M decline). The manufacturing sector posted a smaller rebound (improving from -7.0% M/M to +1.9% M/M). Foreign orders rebounded by 4.6% M/M, after having declined 16.1% M/M in March.

Overall, while the headline data is solid, some of the details were less impressive with private demand including shipbuilding and electrical power declining.

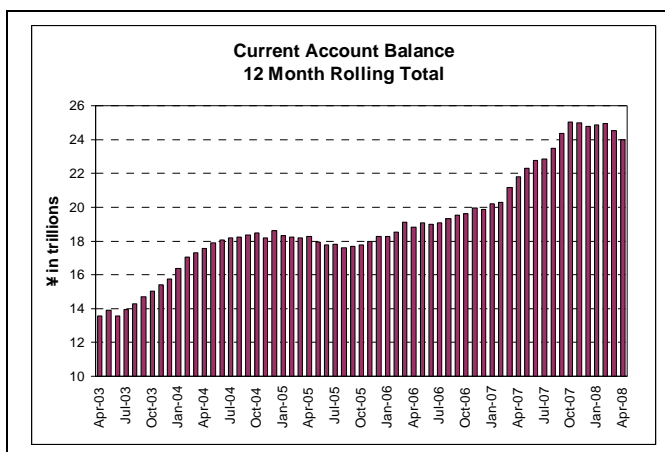


Current Account Surplus, Bankruptcies & Leading Index

Current Account Surplus

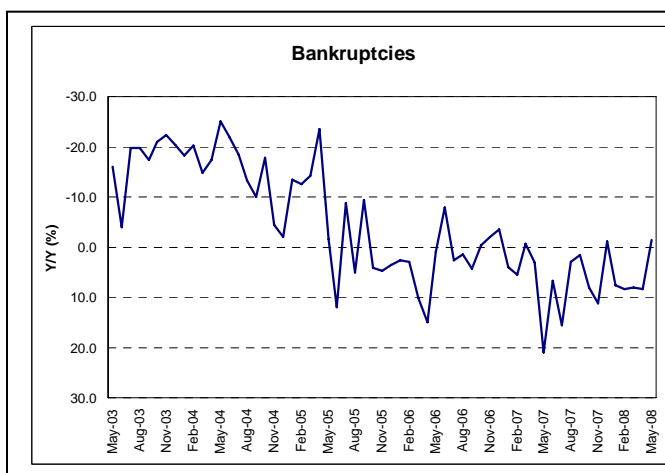
The adjusted Current Account Surplus narrowed from ¥2096.6 bln to ¥1510.7 bln in April, against an expected decline to ¥1825.6bln as increasing energy costs increased import prices. The Trade Balance declined from ¥1250.7 bln to ¥634.7 bln against expectations for a decline to ¥609.3 bln.

Exports declined 5.6% M/M and increased 4.9% M/M while Imports declined 4.8% M/M and increased 13.4% Y/Y.



Bankruptcies

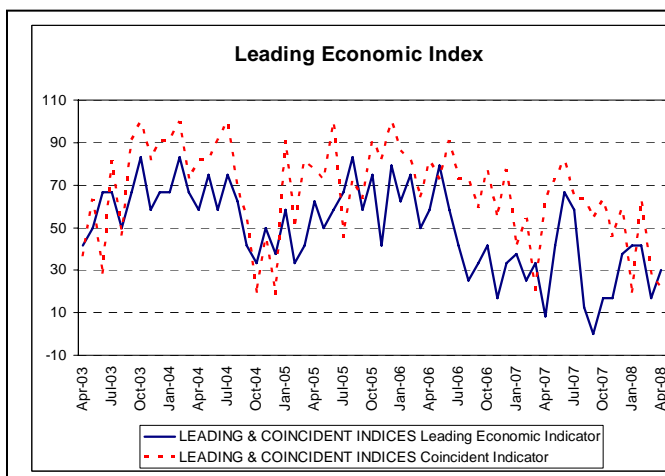
Corporate Bankruptcies declined 1.5% Y/Y in May after increasing 8.3% Y/Y in April.



Leading Index

The Leading Index increased from a downwardly revised 90.8 (from 94.1) to 92.8 in April, a tick below market expectations for an increase to 92.9. The Coincident Index declined from a downwardly revised 102.4 (from 110.9) to 101.7 in April, against market expectations for a decline to 102.1.

The 0.7pt decline in the coincident CI was caused by shipments, power consumption, retail sales, and the effective job offer rate, all declining. The 2.0pt increase in the leading CI was caused by over eight components improving, including final demand for goods, producers' inventory ratio of finished goods, new job offers, and housing starts.



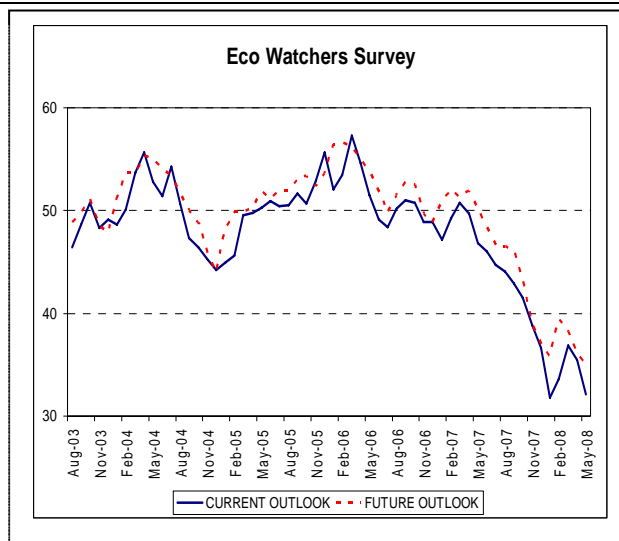
Eco Watchers Survey

Eco Watchers Survey

In May, the Eco Watchers Survey Current Conditions Index declined from 35.5 to 32.1 against expectations for a decline to 34.0, due to an increase in gasoline prices. The Outlook Index declined from 36.1 to 35.1 in May.

Within the details, the DIs for retail, restaurants, services and housing, all declined M/M. Within retail, declines were seen within shopping malls, dept stores, supermarkets apparel, and passenger car sales, outweighing improvements in convenience stores and electrical superstores.

For consumers, the revival of the gasoline tax, combined with an increase in food prices, are likely to have dampened confidence. For corporations, the decline in sentiment among both manufactures and non manufacturers continued on higher energy prices. Looking forward, personal consumption is expected to be soft, holding near flat while corporate confidence is expected to wane on pressures to pass on higher energy costs.



News

June 10th – Econ Min Ota Comments – Finance Minister Ota commented that it's too early to say that the economy has peaked out, stating that, "There is no change in the view that the economy is in a lull. (Recent coincident indicators) suggest only the possibility of a growth peak-out. Its' too early to say."

June 10th – Convenience Store Sales – Same store sales at all of the four major convenience store operators increased for the first time in May, the first such increase since July 2004. The increase was attributed to consumers buying more boxed lunches and other foods as opposed to going out to eat, due to rising food and gasoline prices.

June 10th – Electronics Makers Expected to Lower Capex – According to an article in the Nikkei, total capital investments by the eight major home electronics makers are estimated to decline more than 30% Y/Y in FY08. The decline is partly attributed to a decline in property purchasing plans as were conducted in the prior FY.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
6/12	BoJ Monetary Policy Meeting	N/A	N/A
6/13	BOJ Target Rate	0.50%	0.50%
6/13	Industrial Production (MoM)	-0.30%	-0.30%
6/13	Industrial Production (YoY)	1.80%	1.80%
6/13	Capacity Utilization (MoM)	N/A	-3.50%
6/13	Consumer Confidence	35	35.4
6/13	Consumer Confidence Households	35	35.2
6/13	BOJ Monthly Report	N/A	N/A
6/14-20	Tokyo Dept. Store Sales (YoY)	N/A	-0.70%
6/15-20	Nationwide Dept. Sales (YoY)	N/A	-3.40%
6/16	Tokyo Condominium Sales (YoY)	N/A	-29.70%
6/16	Cabinet Office June Monthly Economic Report	N/A	N/A
6/16	Tertiary Industry Index (MoM)	N/A	0.30%
6/17	Machine Tool Orders (YoY)	N/A	1.40%
6/17	BoJ Monetary Policy Meeting Minutes for April 30	N/A	N/A
6/17	BoJ Monetary Policy Meeting Minutes for May	N/A	N/A
6/18	Leading Index CI	N/A	N/A
6/18	Coincident Index CI	N/A	N/A

Valance Co., Inc.

Valance Economic Report: United Kingdom

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June 11, 2008

Manufacturing Production increased more than forecast and Producer Prices rose at a record annual pace. RICS Housing Market Sentiment stopped its sharp decline but remained subdued while the unemployment rate increased. BoE policy makers maintained the overnight rate at 5.00%.

Weekly Highlights

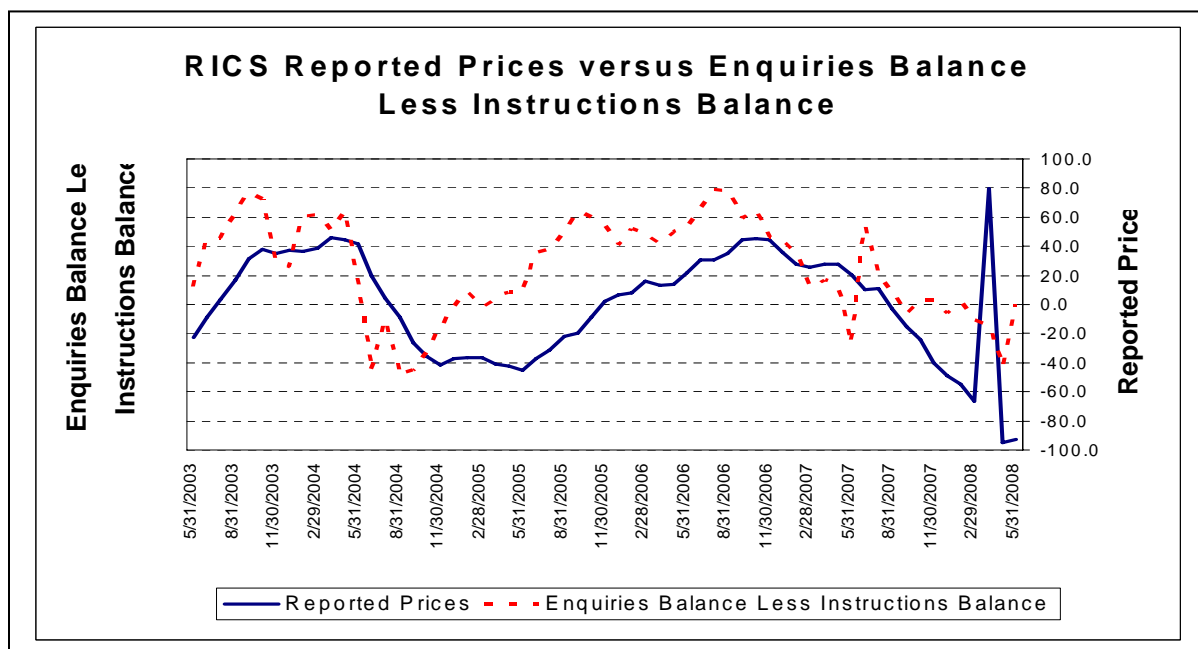
RICS House Prices Survey – improved slightly from -94.7 to -92.9 in May. (page 22)

Producer Prices - prices charged by factories rose the most since 1986. (page 25)

HBOS house prices – declined 3.8% Y/Y, the largest decline in 15 years. (page 24)

Weekly Releases & News

Chart of the Week:

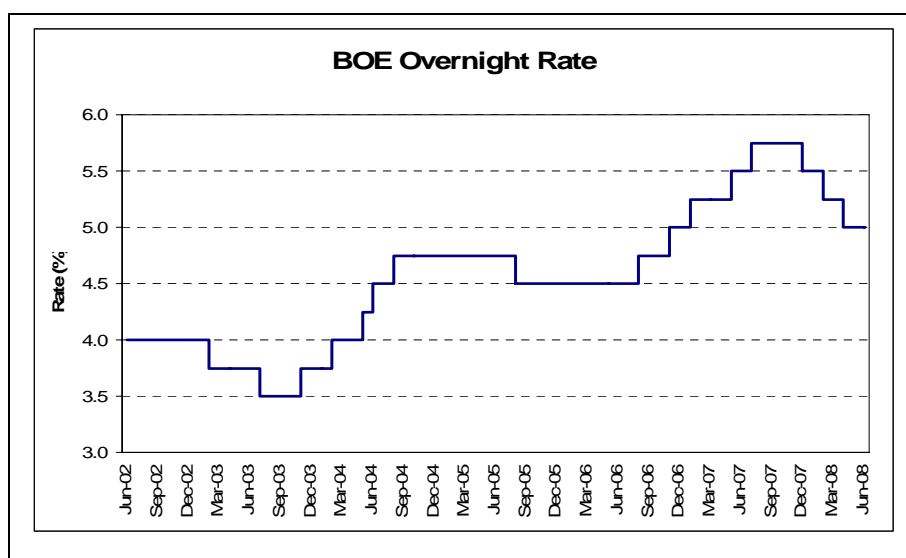
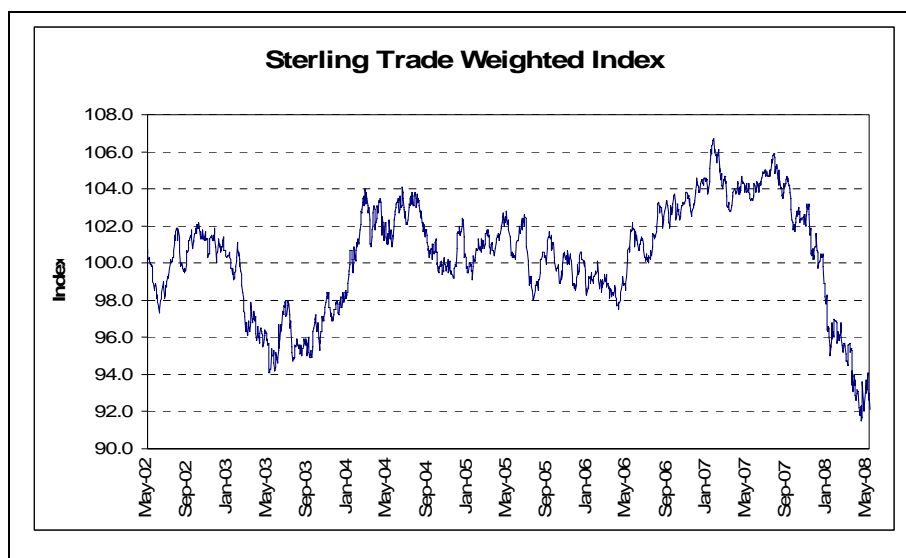


RICS House Price survey improved slightly from -94.7 (largest negative balance since the series began in 1978) to -92.9 in May. Every region tracked by RICS showed prices falling over the past three months. In London, more real-estate agents have reported price declines than gains for seven consecutive months.

22

Financial Balances, FX & BoE Overnight Rate

U.K.	Last Period (blns)	Last 12mth. % of GDP
Budget Balance (monthly)	+£10.2 (Feb)	+3.2 %
Trade Balance 12 m trail. (monthly)	-£51.9 (Apr)	-15.9%
Curr. Acct. Balance (quarterly)	-£8.5(Dec)	-2.8%
Private Balance	--	--

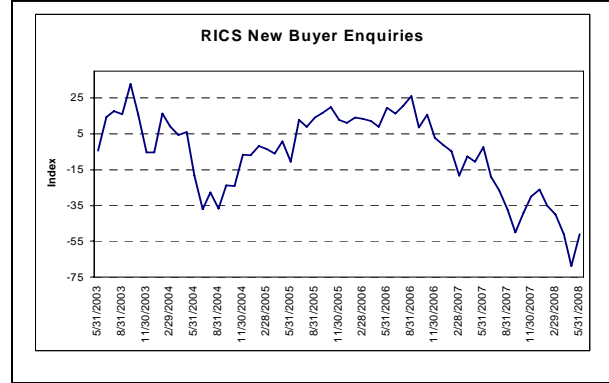


The MPC voted to leave rates unchanged at 5.00% in June. The Minutes of the meeting will be released on June 18th.

RICS House Price Survey

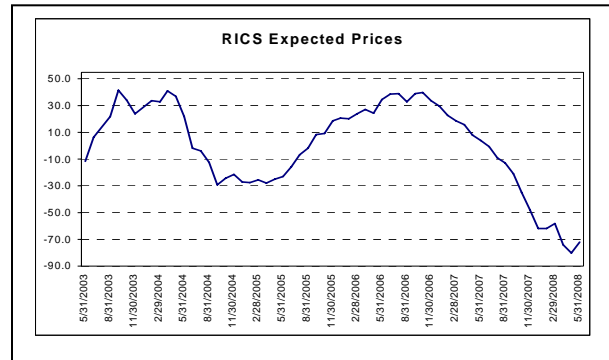
RICS New Buyer Enquiries

New Buyer Enquiries declined 51% M/M, compared to the 69% M/M decline in April. This was the eighteenth consecutive month of decline.

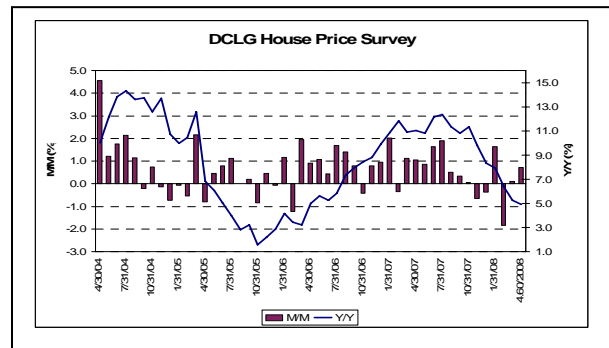
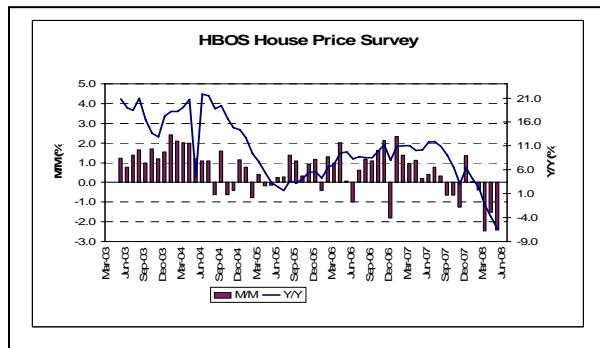


RICS Expected Prices

Confidence in the house price outlook improved from -80 to -72 in May. Confidence in home prices is expected to fall further in the near term.



HBOS House Price Survey & DCLG House Price Survey

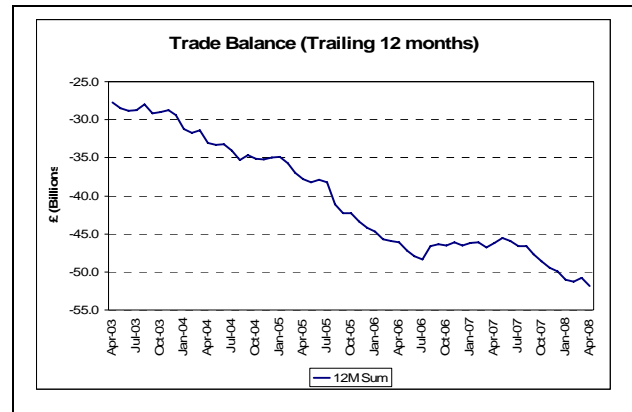


According to Halifax Bank, U.K. house prices declined 2.4% M/M and decelerated from -3.9% Y/Y to -6.4% Y/Y in May. This was the largest Y/Y decline since April 1993. House prices had risen approximately 180% in the previous 10 years, raising the cost of an average home from £70,000 pounds at the end of 1997 to £184,111 last month.

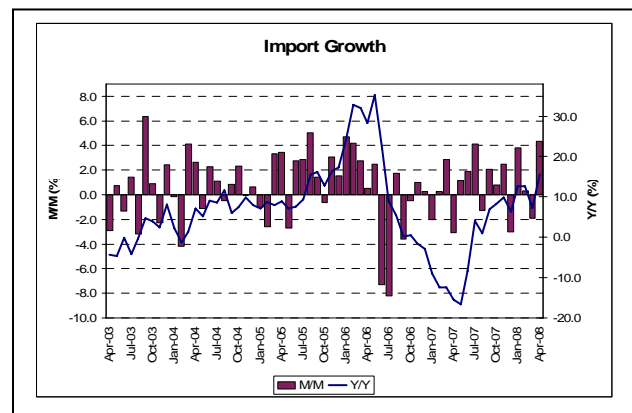
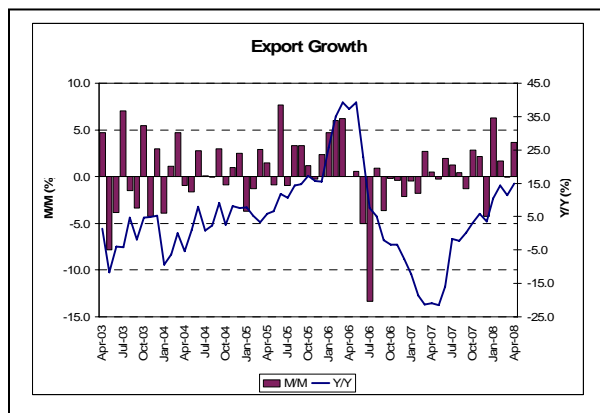
DCLG House Prices rose 0.7% M/M and decelerated from 5.2% Y/Y to 4.9% Y/Y in April. Y/Y house price increases in London decelerated slightly from 7.6% Y/Y to 7.5% Y/Y. The average house price stands at £218.8k.

Trade Balance & PPI

The April Trade Deficit widened from £3.75 bln to £4.3 bln. The trailing twelve month trade deficit is now £51.9 bln or 15.9% of GDP.

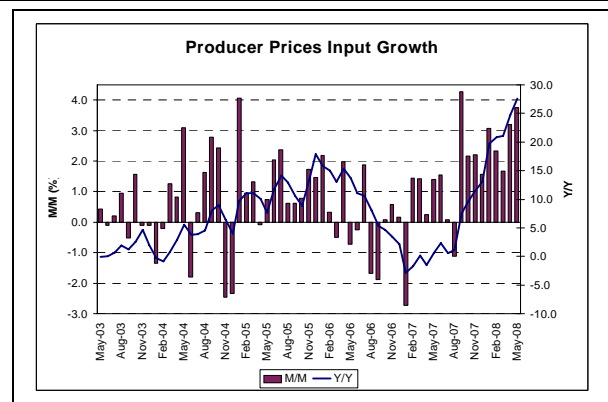
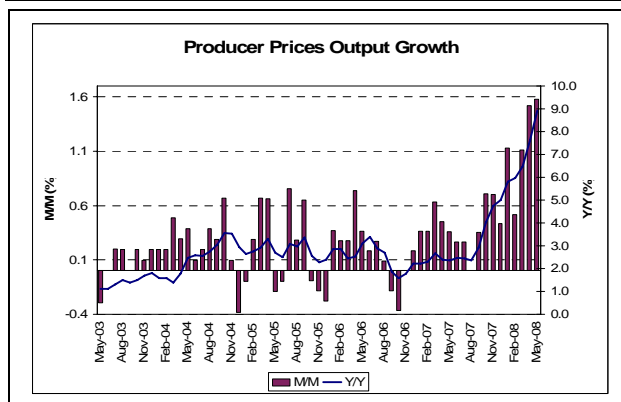


Exports & Imports



Import growth increased 4.4% M/M (the most since July 2005) and accelerated from 7.4% Y/Y to 15.6% Y/Y in April. Export growth increased 3.7% M/M and accelerated from 11.4 Y/Y to 14.7% Y/Y.

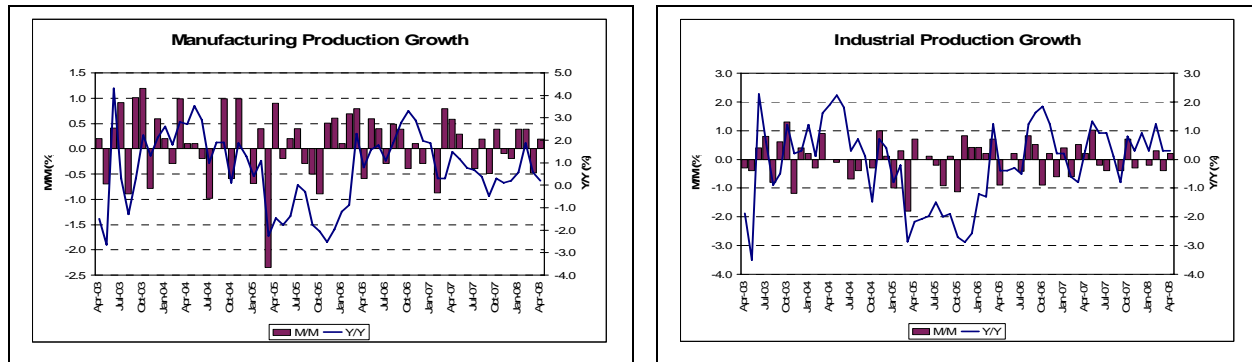
Producer Prices Input/Output Growth



April prices charged by factories increased by 1.6% M/M, the largest increase since records began in 1986. Y/Y, prices rose 8.9%, also the highest increase in the series. All 10 categories of producer prices increased on Y/Y basis led by sharp increases in other manufacturing products and petroleum products. Food prices rose 2% M/M, the most since records began. Raw material prices surged 27.9% Y/Y, the most since the series began in 1986.

PPI Cont'd & Employment Data

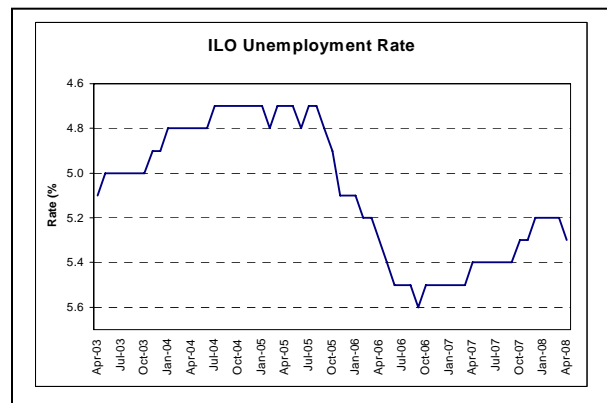
Manufacturing & Industrial Production



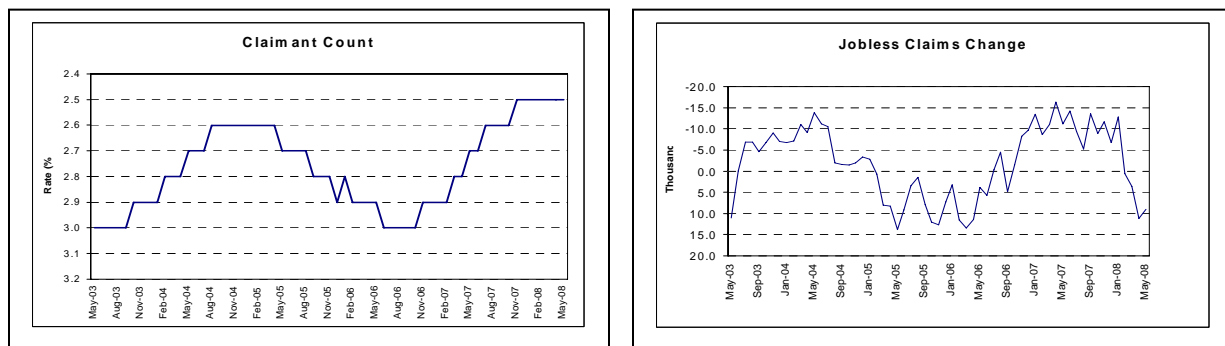
April Factory Output increased 0.1% and decelerated from 0.5% Y/Y to 0.1 % Y/Y. Industrial Production increased 0.2 % M/M and accelerated from 0.1% Y/Y to 0.2% Y/Y in April. The index of manufacturing was at 103.4. This is still close to the 103.7 reading reached in February, which was the highest level since 2001. The April increase in manufacturing was led by transportation equipment such as aircraft and motor vehicles.

ILO Unemployment Rate

The April ILO Unemployment Rate ticked up from 5.2% to 5.3% in the three months to April.



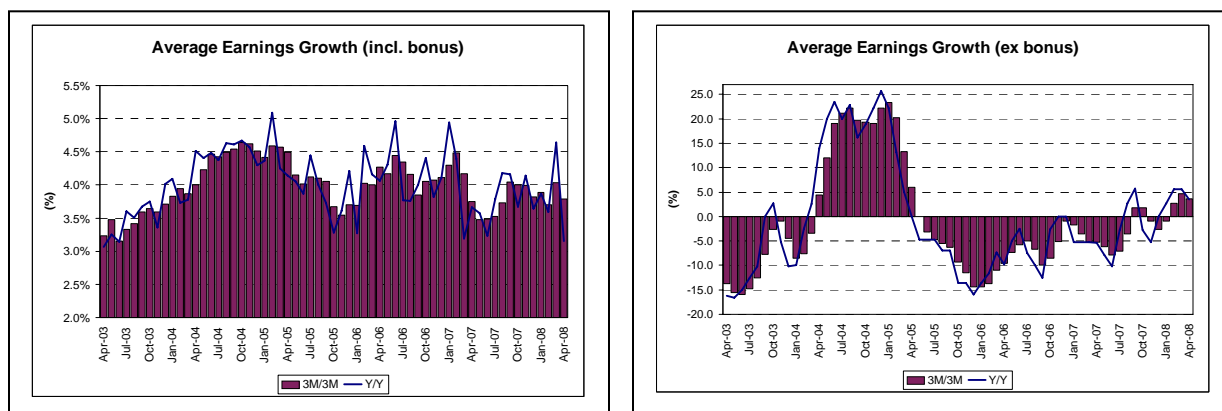
Employment Data



The Claimant Count Rate remained at 2.5 % in May, its lowest level in over two years. The number of people claiming benefits rose by 9.0k against expectations of +8.0k.

Employment Data Cont'd & Comments

Average Earnings Including/Excluding Bonuses



Average Earnings, including bonuses decelerated from 4.0% 3M/YoY to 3.8% 3M/YoY in April. Average Earnings, ex. bonuses, increased from 3.8% 3M/YoY to 3.9% 3M/YoY.

Average Earnings Including/Excluding Bonuses

June 11th - EU Tells U.K. to Cut Spending

The European Commission piled pressure on U.K. Chancellor of the Exchequer Alistair Darling to reduce Britain's budget deficit, saying that the government "is not respecting" budget rules. The commission, the European Union's executive arm in Brussels, placed the U.K. under close scrutiny because the deficit is likely to breach EU rules. The commission forecasts the budget shortfall will reach 3.3 % of GDP this fiscal year and next, which is above the 3 % limit.

June 10th - BoE Governor, Mervyn King's comments:

- *The BoE will unveil a new money-market system later this year designed to cope with both normal and stressed conditions.*
- *We intend to learn from the experience of the scheme to put in place a liquidity facility that works in all seasons – both normal and stressed.*
- *It will need the right pricing structure and it will need to overcome the stigma problem that has affected access to all central banks throughout the crisis.*
- *Wants to establish a framework for financial stability that is on as sound as footing as the system for setting interest rates.*
- *The prize will be an integrated framework, covering all our lending to the banking system and one that I hope, by making clear the terms on which liquidity will be provided in times of stress, will focus the minds of banks long before those stresses emerge.*

Comments Cont'd & Upcoming Dates

June 6th - U.K. Power Bills May Rise

U.K. energy suppliers will probably raise household natural gas and electricity prices for the next two years, fueling inflation that's already near the highest in a decade, futures trading shows. Natural gas for delivery this winter costs 54 % more than utilities paid at the start of the year and futures contracts for the winter which starts in 2009 traded higher still, according to London-based broker ICAP Plc. Household energy bills, which increased about 15 % in Q1, will rise to catch up, consumer group Energywatch said. Gas prices for U.K. households more than doubled since 2003 to an average 646 pounds a year, while electricity bills are 69 % higher. The average household now spends 1,058 pounds a year on power and fuel, according to Energywatch.

June 5th - House prices beyond reach of young workers

According to the Financial Times, more than a quarter of young working households are unable to get on to the property ladder because of mortgage difficulties and house prices that remain unaffordable. The worst affected areas are London and the south-west, where more than 40% of young households, aged between 21 and 40, are unable to access the housing market. Overall, more than 28% of young working households are unable to purchase property at the lowest level in their local housing market. The analysis also looks at the ratio of house price to household income for first-time buyers. Nationally, there are 42 areas with a ratio in excess of 6:1.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
06/17	CPI (MAY)	--	0.8% m/m +3.0% y/y
06/17	Core CPI (MAY)	--	+1.4% y/y
06/17	RPI (MAY)	--	+0.9% m/m +4.2 % y/y
06/17	Retail Price Index (MAY)	--	214.0
06/18	BoE Minutes	--	--
06/18	CBI Industrial Trends	--	--

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Valance Economic Report: Canada

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June 11, 2008

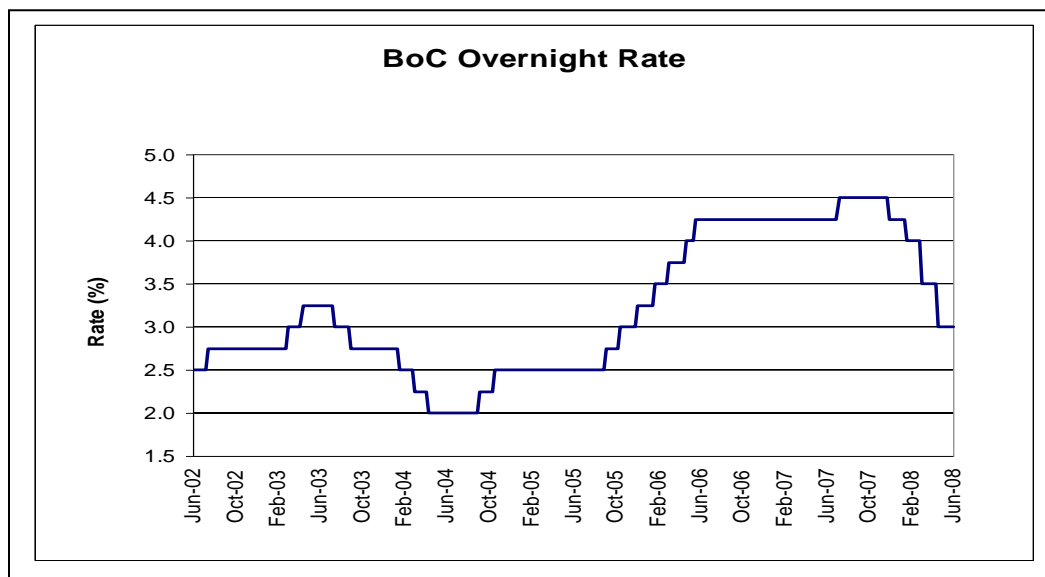
The Bank of Canada (BoC) unexpectedly kept its overnight target rate at 3.00%, citing that “the balance of risks to the Bank’s April projection for inflation in Canada has shifted slightly to the upside.” On the data front, the Canadian economy gained 8.4 K jobs in May, near market expectations. The Trade Surplus narrowed on higher energy and automotive products imports and Capacity Utilization stood at its lowest level since 1992.

Weekly Highlights

BoC – kept rates unchanged at 3.00%. (page 29)

The Canadian economy - gained 8.4K jobs in May. (page 31)

Capacity Utilization - fell to its lowest level since 1992. (page 34)

Weekly Releases & News**Chart(s) of the Week: BoC Overnight Rate**

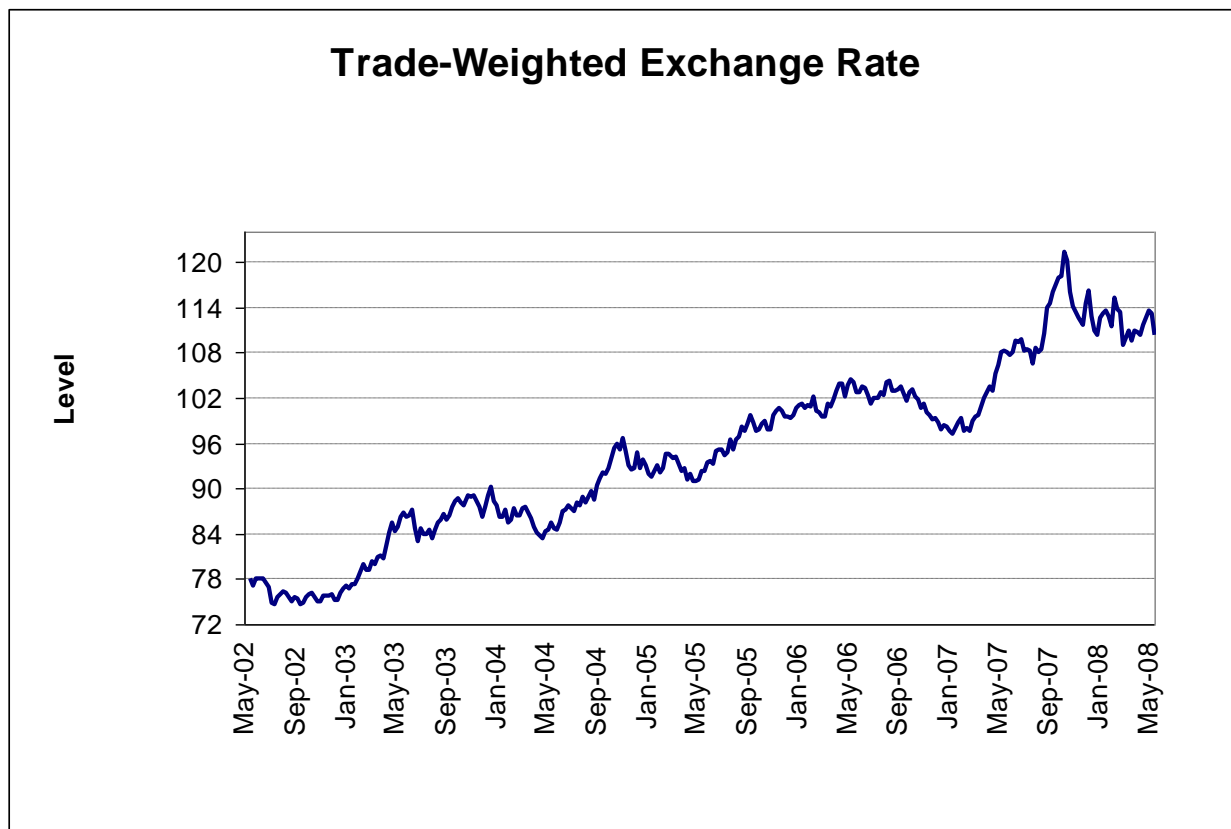
The Bank of Canada (BoC) unexpectedly kept rates steady at 3.00%, citing that, “the balance of risks to the Bank’s April projection for inflation in Canada has shifted slightly to the upside.” The Bank of Canada’s next scheduled date for announcing its overnight target interest rate is July 15th, 2008.

Financial Balances & Trade Weighted Exchange Rate

Financial Balances

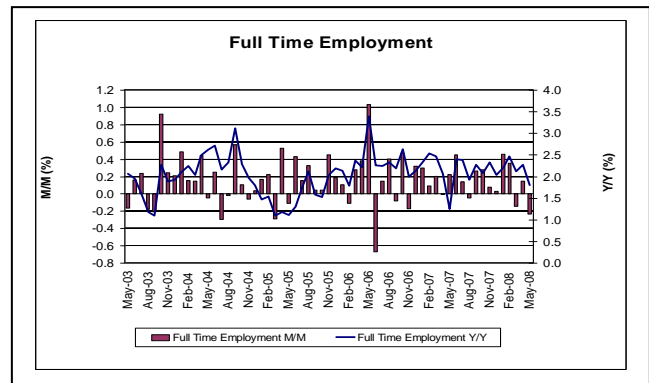
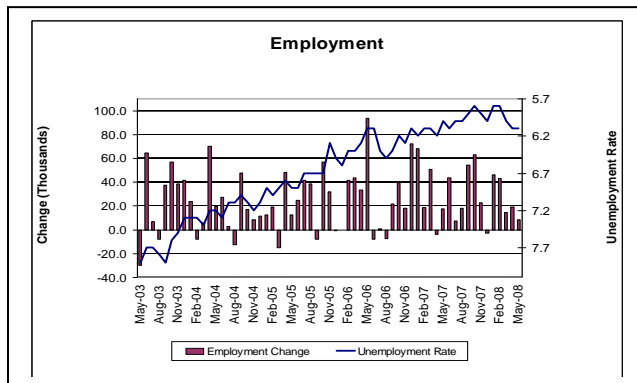
Canada	Latest period (C\$bln)	Last 12mth. as % of GDP
Budget Balance	-1.2 (March)	0.8%
Trade Balance	5.5 (April)	3.0%
Current Account Balance	5.6 (Q1)	1.0%
Private Balance	--	0.2%

Trade-Weighted Exchange Rate

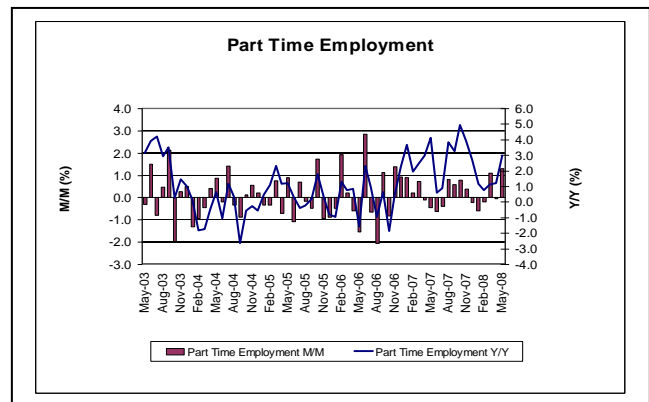


Employment Data & Ivey Purchasing Managers' Index

Employment Data

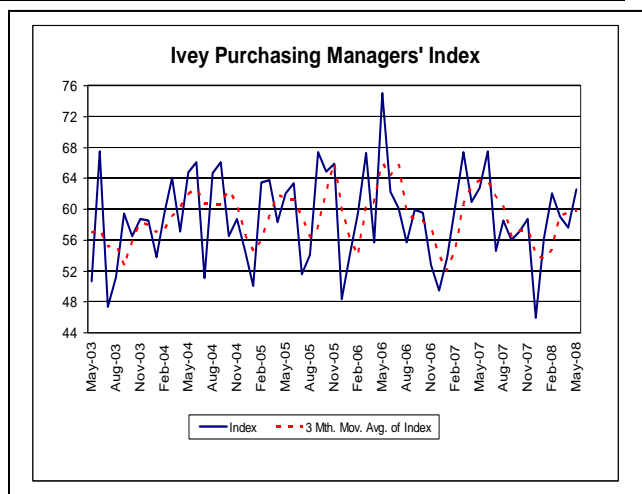


The Canadian economy gained 8.4K jobs in May, with the unemployment rate holding steady at 6.1%. Manufacturing, health care and social assistance, as well as other services added to employment in May, while agriculture and professional, scientific and technical services recorded losses. Expectations were for an increase of 10.0K jobs and an unchanged unemployment rate. The economy gained 40.6 K part-time jobs, while it shed 32.2 K full-time jobs (the sharpest decline since June 2006). Average Hourly Wages increased from 4.3% Y/Y to 4.8% Y/Y.



Ivey Purchasing Managers' Index

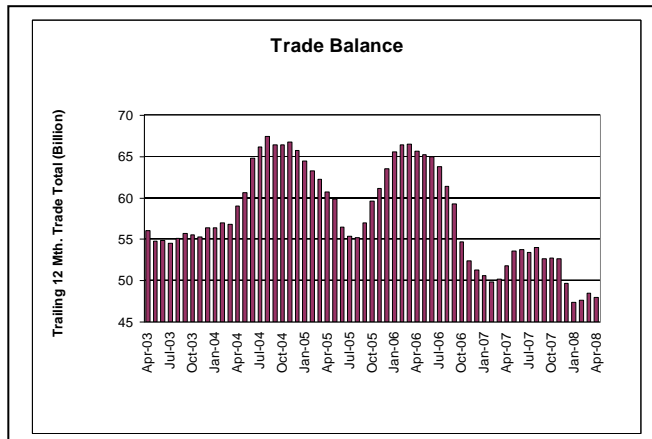
The Ivey Purchasing Managers' Index increased from 57.6 in April to 62.5. Expectations were for a reading of 59. The price index surged from 80.7 to 82.9, its highest level since at least 1999 when the index was established. The employment measure increased from 54.3 to 59.3.



Trade Data

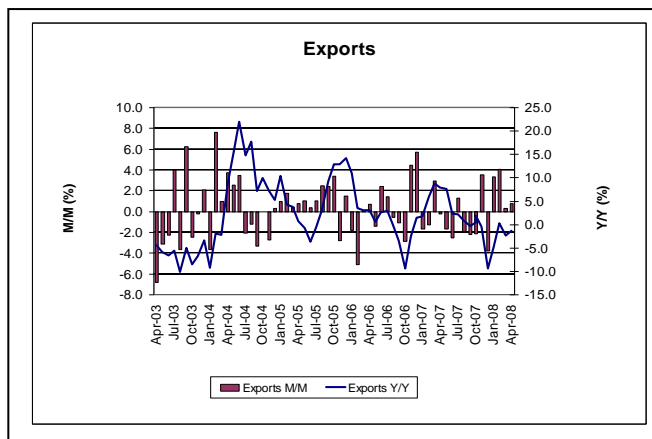
Trade Balance

Canada's Merchandise Trade Surplus narrowed from a revised C\$5.7 bln (previous C\$5.5 bln) in March to C\$5.1 bln in April, as import growth outpaced exports growth. The trade surplus with the United States narrowed from C\$8.6 bln to C\$8.2 bln.



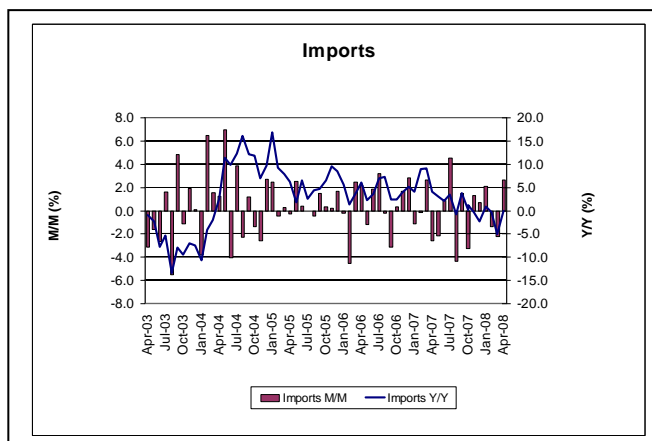
Exports

Exports increased 0.8% M/M in April, its fourth consecutive month of gains. The gain coincided with increasing energy prices. Y/Y growth decreased 1.3% Y/Y.



Imports

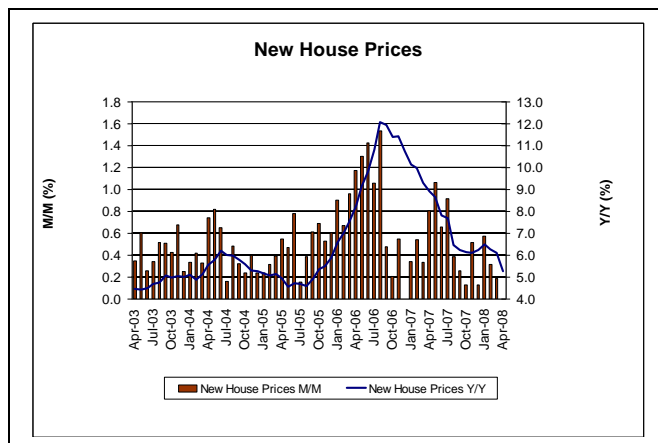
Imports increased 2.6% M/M and decreased 0.1% Y/Y in April. Imports of energy products increased 19.0% M/M and automotive products increased 4.7% M/M.



New House Prices, Building Permits & Housing Starts

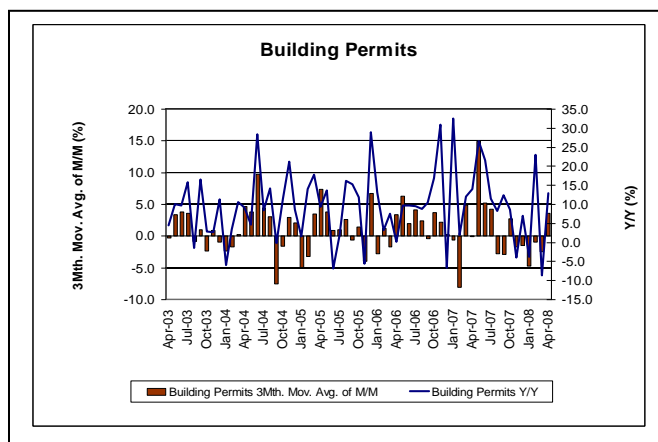
New Housing Prices

New House Prices remained flat M/M and increased 5.3% Y/Y in April. This deceleration continues the downward trend that started in September 2006, moving from a peak of 12.1% Y/Y in August 2006.



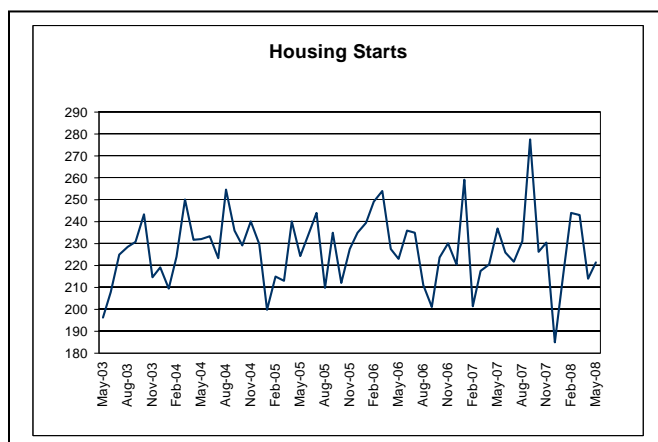
Building Permits

Building Permits increased 14.5% M/M and 13.0% Y/Y in April as construction plans for apartments and condominiums increased.



Housing Starts

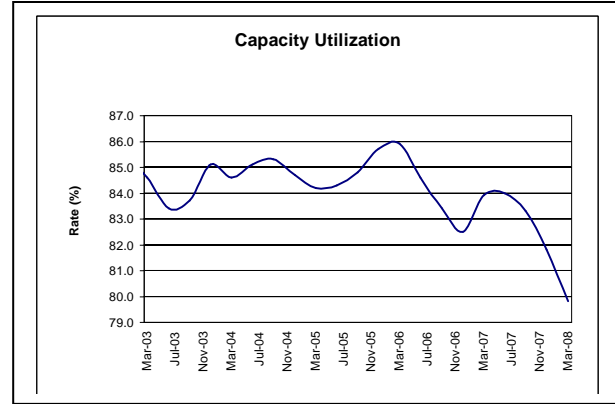
Housing Starts increased 3.5% M/M and decreased 6.5% Y/Y in April. Both single and multiple housing starts increased.



Capacity Utilization

Capacity Utilization

Capacity Utilization decreased from 81.8% in Q4 to 79.8% in Q1, its lowest level since 1992. Capacity utilization in the mining and oil and gas extraction industry was the only one of five major components in the index which posted a gain. Capacity use of manufacturers fell from 80.3% to 77.2%.



News & Upcoming Dates

The following is the BoC Press Release on June 10th:

Bank of Canada keeps overnight rate target at 3 per cent.

OTTAWA – The Bank of Canada today announced that it is maintaining its target for the overnight rate at 3 per cent. The operating band for the overnight rate is unchanged, and the Bank Rate remains at 3 1/4 per cent.

Since the April Monetary Policy Report (MPR), economic developments have been broadly in line with expectations. However, the balance of risks to the Bank's April projection for inflation in Canada has shifted slightly to the upside. Although the composition of U.S. growth has not been favourable for demand for Canadian goods and services, overall, global growth has been stronger and commodity prices have been sharply higher than expected. At the same time, many of the downside risks to inflation identified in the April MPR have eased, while the evolution of credit conditions has been in line with expectations. The risk remains that potential growth will be weaker than assumed.

With the decline in first-quarter GDP, the Canadian economy is judged to have moved into excess supply, which is expected to increase this year. Consistent with the April MPR, the Bank continues to project that economic growth will pick up this year and accelerate in 2009, owing in part to a firming of U.S. demand and accommodative monetary policy in Canada.

If current levels of energy prices persist, total CPI inflation will rise above 3 per cent later this year. However, with the Canadian economy operating in excess supply, core inflation is expected to remain below 2 per cent through 2009. Both total and core inflation should converge on 2 per cent in 2010 as the economy returns to balance.

Against this backdrop, the Bank now judges that the current stance of monetary policy is appropriately accommodative to bring aggregate demand and supply into balance and to achieve the 2 per cent inflation target. There continue to be important downside and upside risks to inflation in Canada, which the Bank will monitor closely.

Information note:

The Bank of Canada's next scheduled date for announcing the overnight rate target is 15 July 2008. The Bank will publish an updated projection for the economy and inflation, and its assessment of the risks, in the Monetary Policy Report Update on 17 July 2008.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
06/13	Manufacturing Shipments (M/M) (Apr)	0.5%	-1.6%
06/13	Labor Productivity (Q/Q) (1Q)	-0.4%	-0.8%
06/16	New Motor Vehicle Sales (M/M) (Apr)	0.4%	-0.5%
06/17	Leading Indicators (M/M) (May)	0.1%	0.1%

Valance Co., Inc.

Valance Economic Report: Australia

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June 11, 2008

April monthly Trade Deficit narrowed markedly as coal shipment bottlenecks have been eased. Housing finance was weaker than forecast and NAB Business Confidence remained weak. Westpac Consumer Confidence plunged to the lowest level since 1992.

Weekly Highlights

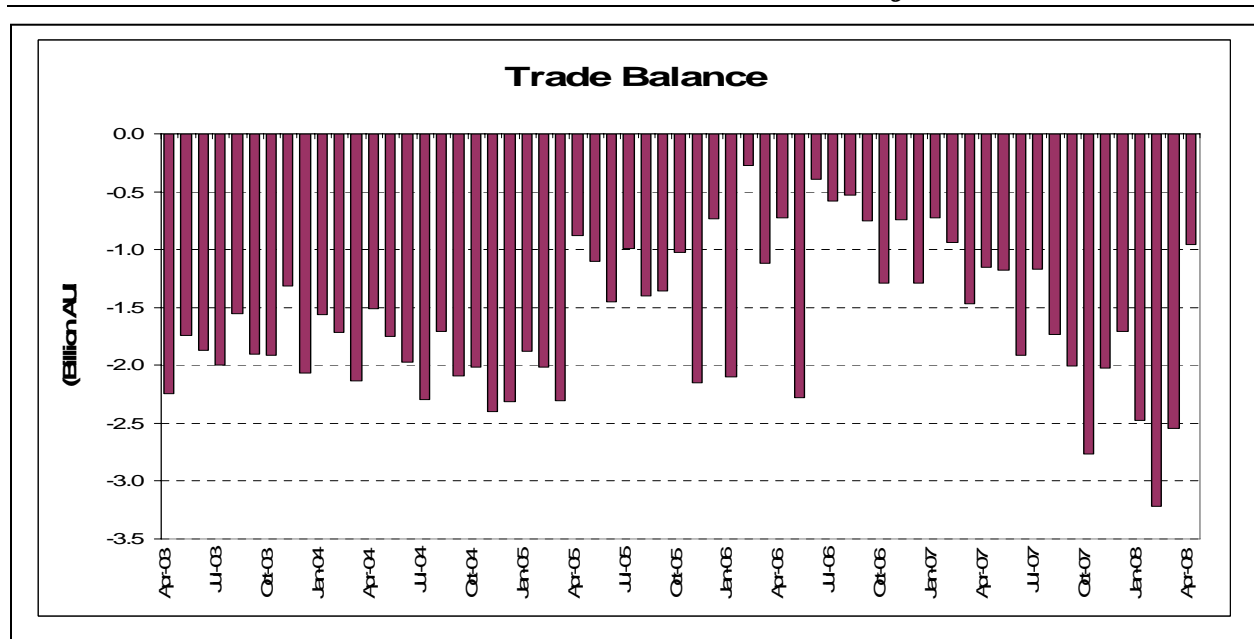
Monthly Trade Deficit – narrowed from A\$ 2.55 bln to A\$ 957 mln in April. (page 37)

NAB Business Survey – companies remained pessimistic in May. (page 39)

Westpac/MI Consumer Confidence – fell 5.6% M/M in June. (page 39)

Weekly Releases & News

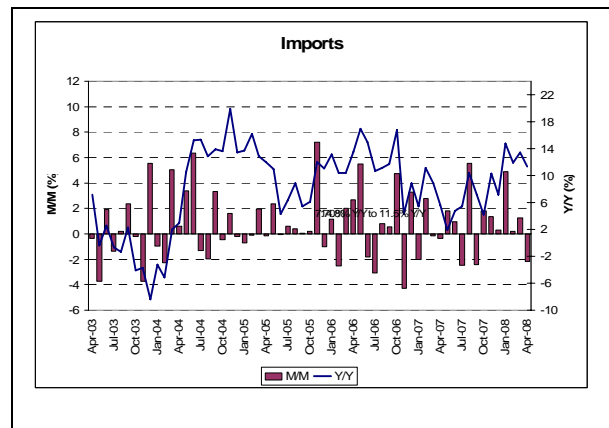
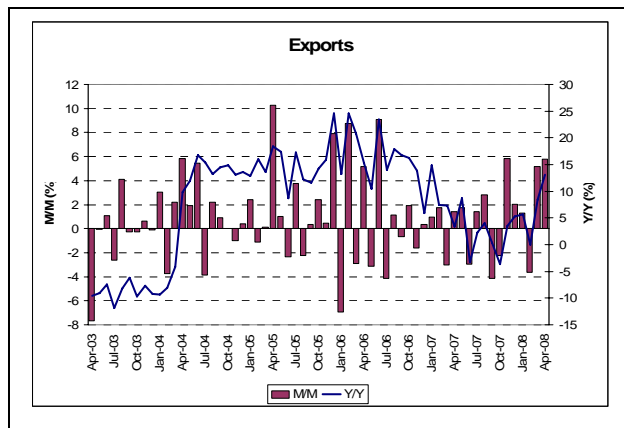
Chart of the Week: *Trade Deficit*



The April monthly trade gap narrowed from A\$2.55 bln to A\$957 mln. This is the smallest gap in 14 months due to firm exports of rural goods and a surge in coal shipments. Total exports gained 5.8% M/M, the most since records began in 1971, and rose 13.1% Y/Y. The strength in exports was led by coal shipments (+23% M/M), iron ore (+2.0% M/M) and meat (+7.0% M/M). Total Imports fell 2.2% M/M and rose 11.4% Y/Y. Car imports slumped 13% M/M and machinery/industrial equipment fell 10.2% M/M.

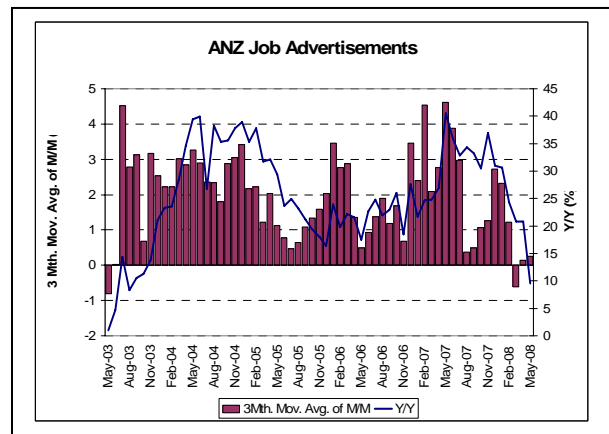
Exports, Imports, Retail Sales & Building Approvals

Exports & Imports



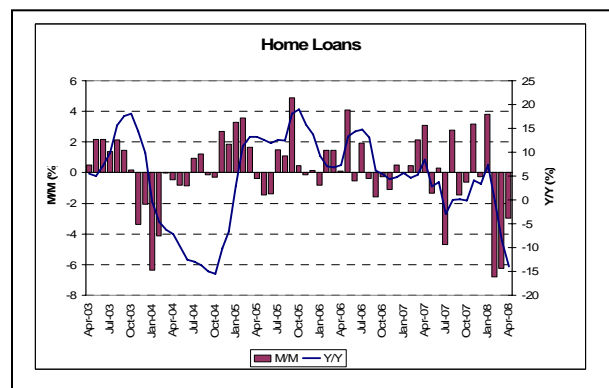
ANZ Job Advertisement

Job vacancies advertised in major newspapers and on the Internet declined 1.7% M/M in May. Newspaper job ads fell 13.7% M/M and fell 16.0% Y/Y while vacancies on the Internet declined 0.7% M/M and rose 11.8% Y/Y.

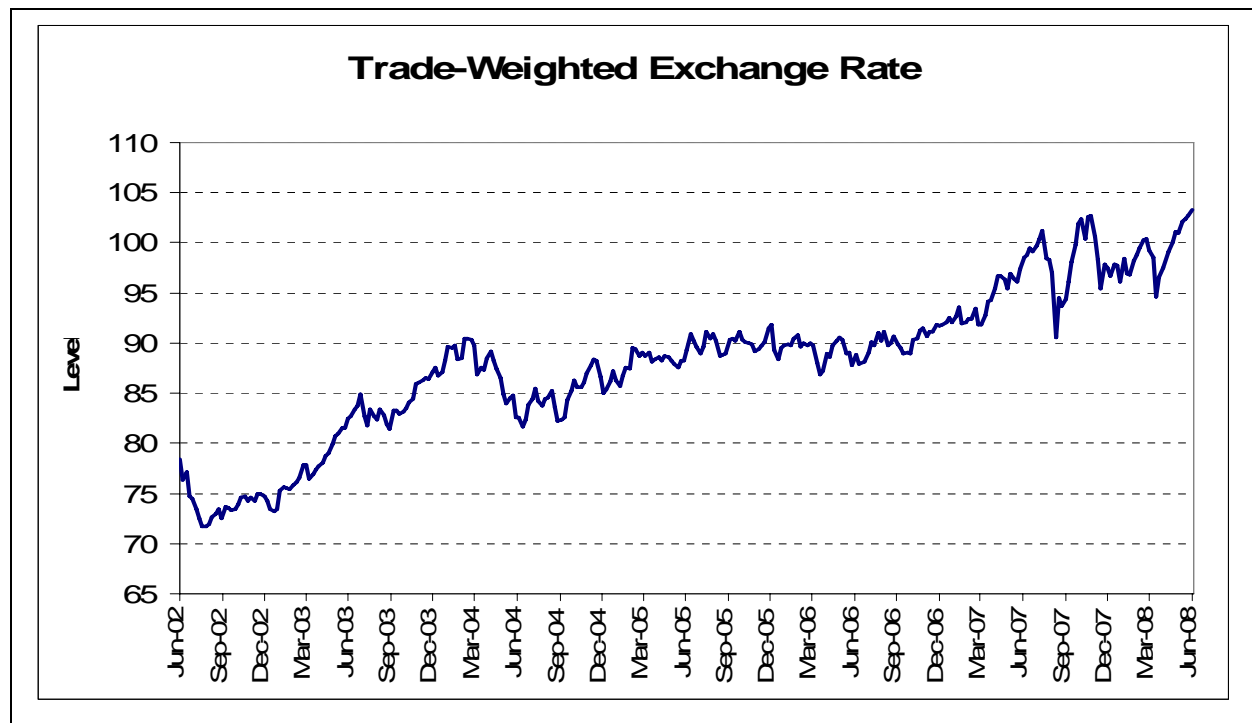


Home Loans

The number of home loan approvals fell 3.0% M/M (-5.7% in March) and decelerated from 8.6% Y/Y to 14.0% Y/Y in April. Economists expected a 2.0% monthly decline. New home purchase approvals fell 1.3% M/M while lending to investors rose 1.4% M/M. Refinancing was up 2.9% M/M, following two consecutive M/M declines.



AUD



Westpac/MI Consumer Confidence

According to Westpac Banking Corp. and Melbourne Institute, the Consumer Sentiment Index fell 5.6% to a reading of 84.7 in June. This was the fifth reading below 100 in a row. The index stands at its lowest level since December 1992. Y/Y, the index was down 30.3%.

NAB Business Survey

National Australia Bank Ltd.'s Quarterly Index of Business Confidence rose 4 points to -4 points in May. This was the fifth negative number in a row. The Business Conditions Index remained at +7. This indicates healthy conditions regarding earnings, sales and hiring last month. Capacity utilization fell 2% to 82.3%.

Data, Comments & Upcoming Dates

AiG Performance of Construction Index

The Performance of Construction Index fell from 42.6 points to 39.6 in May. This is the lowest level since the series began in September 2005. In May 2007, the index was at 45.6. A reading below 50 indicates contraction of the building industry.

Q3 Manpower survey

According to Manpower Comp., the employment outlook stood slowed from 31% in Q2 to 20% in Q3. The survey is based on interviews with 2,658 employers. Positive number means that employers are to increase hiring.

June 10th – Australia is Committed to Free-Trade Deal With China; Treasurer, Wayne Swan's comments:

- *We think there is great scope for both of us in financial, professional and education services, and investment in the mining sector.*
- *China and Australia have agreed to give new urgency and attention to the FTA discussions.*
- *A key priority for Australia is to boost cooperation with China on financial services and investment to enhance the interaction between our financial systems.*
- *Australia will become an approved destination for investment by authorized Chinese funds.*

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
06/11	Consumer Inflation Expectations (JUN)	--	+5.2%
06/11	Unemployment rate (MAY)	--	4.2%
06/11	Employment Change (MAY)	--	25.4k
06/12	Rba'S Governor Speech	--	--
06/17	Westpac Leading Index (APR)	--	+0.2% M/M

New Zealand

Valance Co., Inc.

Valance Economic Report: New Zealand

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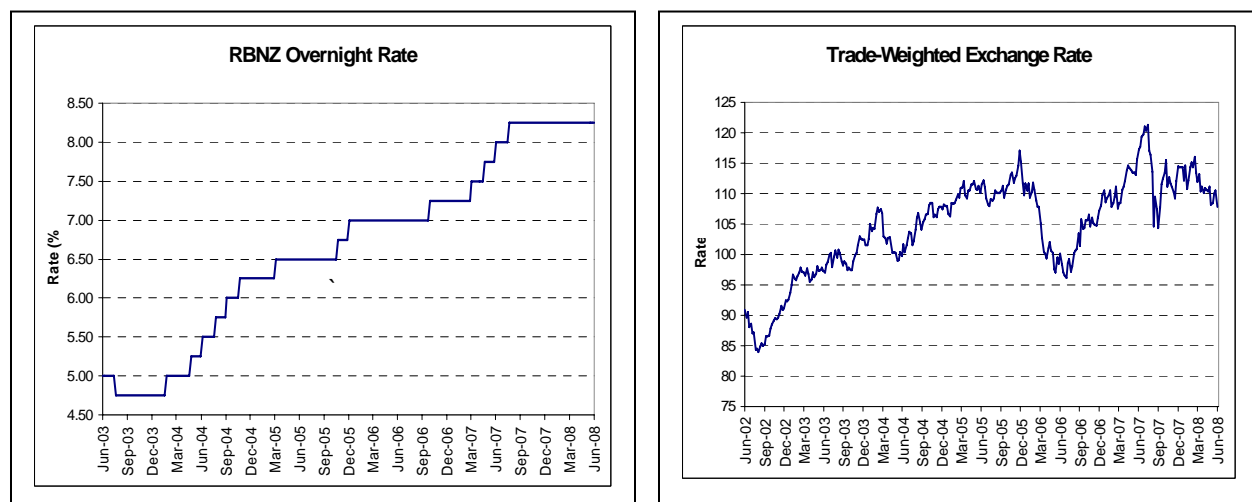
June 11, 2008

The RBNZ kept its overnight rate unchanged and despite its expectations for high inflation, it signaled a possibility of a rate cut by the end of the year. Q1 Terms of Trade rose far more than the market expected and housing data remained weak.

Weekly Highlights

Overnight Rate - the RBNZ kept its OCR at 8.25% in June. (page 41)

Terms of Trade Index - rose to a new 34-year high level in Q1. (page 42)

Charts of the Week: OCR & FX

The RBNZ kept its official cash rate at 8.25%, which was expected by the market. The RBNZ rate announcement statement triggered the largest sell off in the NZD vs the USD in the past 5 months.

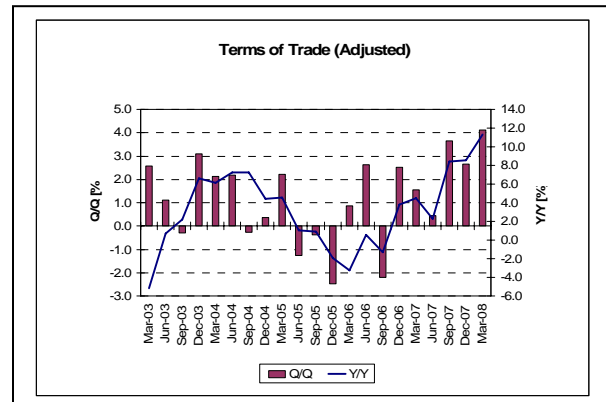
Terms of Trade, House Prices & Comments

Terms of Trade

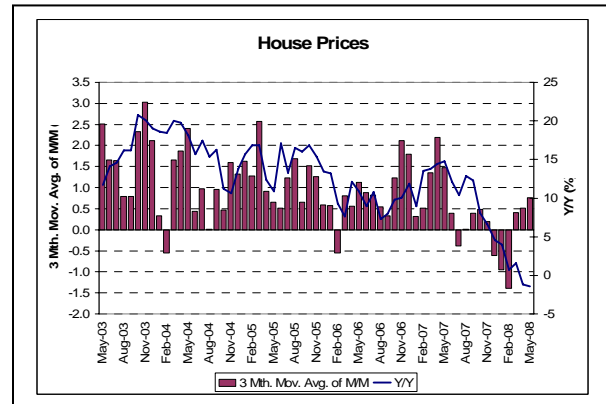
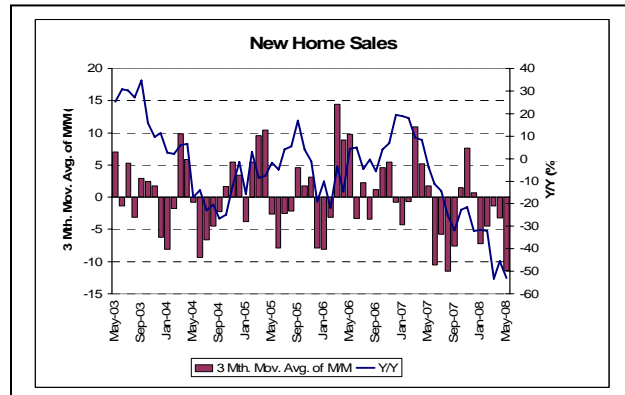
The Merchandise Terms of Trade Index rose 4.1% in Q1 from a downwardly revised 2.6% (previously +2.9%) gain in Q4. The forecast was for a 0.9% Q/Q increase. From a year earlier, the index climbed 11.3%. Export prices increased 4.5% Q/Q (the third consecutive quarter) due to higher prices for dairy products (+20% Q/Q and +63% Y/Y).

Import prices rose 0.3% Q/Q, (RBNZ's forecast was +2.1%), curbed by a strong NZD (the trade-weighted index rose 1.7% Q/Q).

Export volumes declined 3.5% Q/Q, led by milk powder, crude oil and wool. Import volumes declined 0.9% Q/Q, the first decline in eight quarters pushed lower by aircraft, cars and gasoline.



House Sales/Prices



According to the Real Estate Institute of New Zealand Inc., House Sales fell 52.9% Y/Y in May, compared to the 45.5% Y/Y decline in April. The median house price was flat M/M and fell 1.4% Y/Y (second negative number in a row). It took 49 days to sell a house from 44 days in April. The number of days to sell peaked in February (50 days).

House Prices

According to a report released by the government valuation agency, Quotable Value New Zealand Ltd., house prices decelerated from +4.9% Y/Y to +2.4% Y/Y in May. This is the smallest gain since the M/M series began in February 2005. Prices fell 0.3% M/M, the 3rd M/M decline in a row.

RBNZ's Monetary Policy Statement and Comments

June 5th – RBNZ's News Release

The Official Cash Rate (OCR) remains unchanged at 8.25 percent.

Reserve Bank Governor Alan Bollard said:

The global economy is currently experiencing significant increases in oil and food prices. These price increases are occurring at the same time as activity is weakening in many economies in response to the global credit crisis and slowing housing markets. In New Zealand, this confluence of factors is producing a challenging environment of weak activity and high inflation.

We project annual CPI inflation to peak at 4.7 percent in the September quarter of this year. Although much of this reflects higher food and energy prices, underlying inflation pressure also remains persistent.

Nevertheless, we do still expect inflation to return comfortably inside the target band over the medium term. This is based on the expectation that commodity prices stop rising, inflation expectations remain anchored, and weakening economic activity contributes to an easing in non-tradable inflation.

The outlook for economic activity is now weaker than in our previous Statement. We project little GDP growth over 2008, and only a modest recovery thereafter, largely reflecting a weaker household sector. Government spending and personal tax cuts will provide some offset to this lower growth but will also add to medium-term inflation pressure.

Consistent with the Policy Targets Agreement, the Bank's focus will remain on medium-term inflation. Provided the economy evolves in line with our projection, we are now likely to be in a position to lower the OCR later this year, which is sooner than previously envisaged.

June 8th - N.Z. Treasury on Economy

According to the Treasury Department, New Zealand's economy contracted more than expected in Q1, because of a decline in the housing market and rising unemployment. The contraction was probably more than the 0.1% forecast in the May budget. Last week, the RBNZ estimated that the economy shrank 0.3% in Q1. The forecast of 1.5% growth in the year ending March 31st, 2009, remained unchanged.

June 8th – Q3 Man Power Survey

According to Manpower Comp., the employment outlook stood slowed from 24% in Q2 to 12% in Q3. The survey is based on interviews with 893 employers. Positive number means that employers are to increase hiring.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
06/11	Food Prices (MAY)	--	+0.3% m/m
06/12	ANZ-Business NZ PMI (MAY)	--	51.4
06/12	Retail Sales M/M (APR)	--	-1.2% m/m
06/15	Manufacturing Activity (Q1)	--	+8.3% m/m
06/15	Performance of services Index (MAY)	--	--

Weekly Economic Report: *China*

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June 11, 2008

In May, the Trade Surplus narrowed from the previous year to \$20.21 bln and Producer Prices increased at their fastest pace in over three years. Effective, June 15th, banks have been ordered to raise their reserves to 17.0% -- the fifth increase this year.

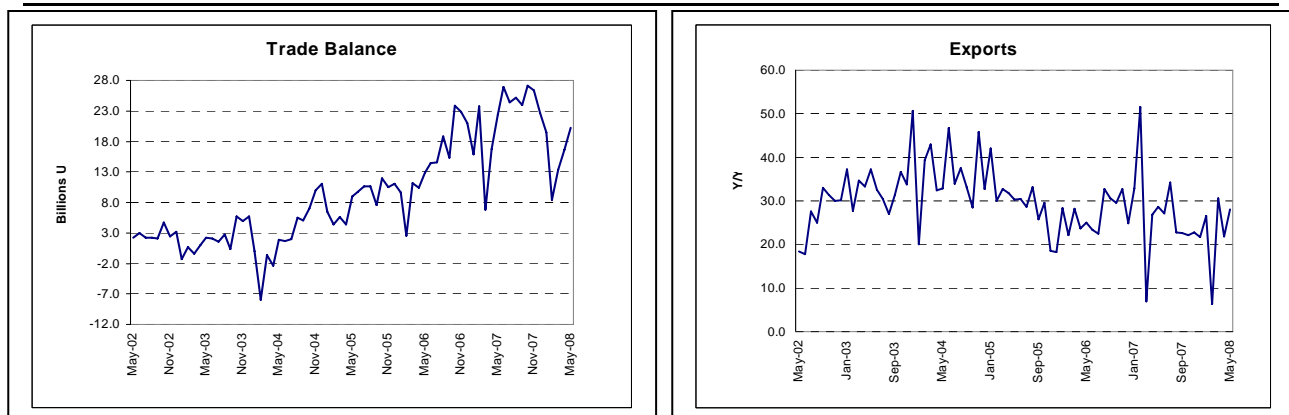
Weekly Highlights

Trade Surplus - widened from \$16.67 bln in April to \$20.21 bln in May, but narrowed from \$22.4 bln the previous year. (page 45)

PPI Growth - increased from 8.1% Y/Y in April to 8.2% Y/Y in May. (page 46)

Weekly Releases & News

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

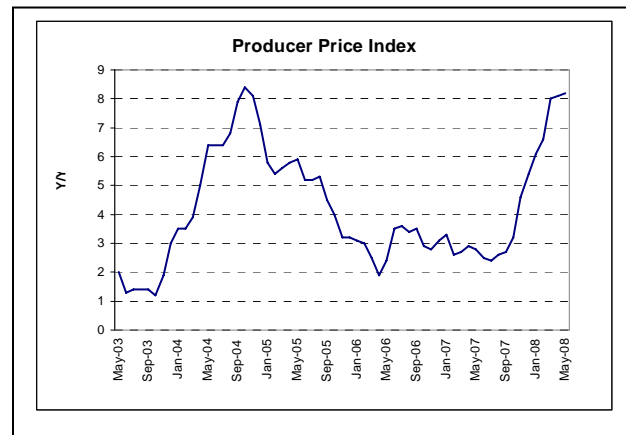


China's Trade Surplus widened from \$16.67 bln in April to \$20.21 bln in May, but narrowed from \$22.4 bln a year earlier. Market expectations were for a surplus of \$21.27 bln. Export growth rose to 28.1% Y/Y in May from 21.9% in April, while imports advanced 40.0% Y/Y in May from 26.4% in April. A General Administration of Customs report stated, "The continued strengthening of the yuan helped cut exports by dampening the cost advantage of Chinese products while boosting imports. Many domestic export-oriented companies expanded their import business."

PPI, Purchasing Price Index & News Releases

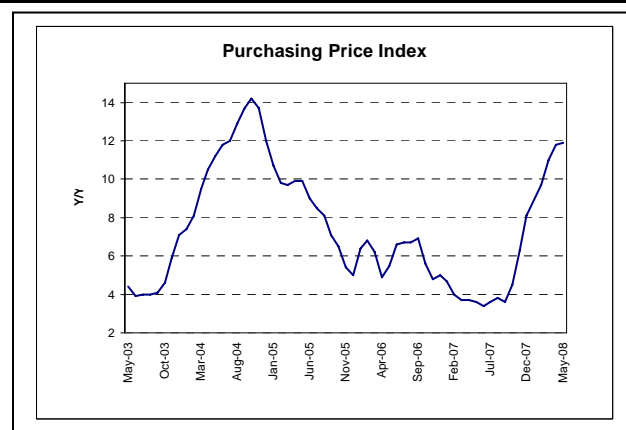
PPI

Producer Price growth increased from 8.1% Y/Y in April to 8.2% Y/Y in May.



Purchasing Price Index

The Purchasing Price Index increased from 11.8% Y/Y in April to 11.9% Y/Y in May.



News Releases

June 11th – Government Should Curb Illegal Capital Inflows - A former PBoC official, Xia Bin made the following comments:

“The government needs to step up controls on inflows of illegal money and should check if all the inflows through legal channels are indeed legal. It's possible that China will announce stricter transitional policies to curb money inflows. The government should put more restrictions on foreign private-equity funds acquiring real-estate assets in China if the current regulations aren't strict enough. China's private-equity funds, including domestic and joint-venture funds, should make investments abroad as the nation has such huge foreign-exchange reserves. Foreign-exchange regulators should encourage private equity funds to convert the yuan into foreign currencies to make investments overseas.”

News Releases (Cont'd.)

June 11th – Oil Imports Rose in May - The Customs General Administration of China stated that oil imports rose 25.0% Y/Y in May – to 16.2 metric tons – as demand increased caused by the recent earthquake.

June 10th – Inflation to Peak in 2009 – Deputy Director, Xu Xianchun of the National Bureau of Statistics stated that inflation is expected to climax next year. Xianchun said that the “economy will start a slow deceleration this year” and then come to a “stable landing.”

June 10th – Stronger Currency Needed to Ease Inflation - Xu Lianzhong of the National Development and Reform Commission stated that the yuan should be allowed to appreciate in an effort to ease inflation. Lianzhong said, “If we adopt more flexible currency policies and appropriately accelerate the yuan’s gain against the dollar, it will reduce the excessive trade surplus and ease pressure for price increases.”

June 10th – Investments to be Increased Abroad – Deputy Head, Sun Lujun of the State Administration of Foreign Exchange, stated that China will urge investors to increase investments overseas. Lujun said, “We should expand channels to lead capital out of China to form regular two-way capital transfers.”

June 10th – Inflation Slowed in May - China’s inflation rate slowed, below expectations, to 7.7% in May, according to unidentified sources. The decline was partly attributed to a decrease in food price gains. Stephen Green of Standard Chartered Bank Plc stated, “It is much, much too soon to break open the champagne. There are lots of other inflationary pressure points in the economy such as rising prices of fuel and raw materials.”

June 9th – Pension Fund to Have 1 Trln Yuan Assets by 2010 - Chairman, Dai Xianglong of the National Council for Social Security Fund, stated that China’s pension fund is expected to have 1 trln yuan assets in it by 2010.

June 7th - Banks Ordered to Raise Reserves - Banks have once again been ordered to raise their reserves, for the fifth time this year, in an effort to cool inflation. Effective, June 15th, banks must increase their reserves from 16.5% to 17.0%.

June 6th – Fiscal Revenue Increased in April – China Securities Journal reported, citing unnamed sources, that China’s fiscal revenue was up 29.4% Y/Y in April – totaling 2.28 trln yuan.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
06/11	CPI – May	8.0%	8.5%
06/12-19	Actual FDI YTD (Y/Y) - May	--	59.32%
06/12	Retail Sales (Y/Y) / (YTD) – May	21.7% / --	22.0% / 21.0%
06/13-17	Money Supply – M2 / M1 / M0 – May	17.0% / -- / --	16.9% / 19.1% / 10.7%
06/13-20	Wholesale Prices – May	--	10.3%
06/15-20	Industrial Production (Y/Y) / (YTD) – May	16.0% / --	15.7% / 16.3%
06/16	Fixed Assets Inv Urban YTD – May	25.6%	25.7%
06/17	Real Estate Climate – May	--	104.07

Valance Co., Inc.

Valance Economic Report: Sweden

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June 11, 2008

Annual core inflation rose to 2.9% in May – the highest level in over 5 years and the Activity Index improved in April. On a weaker note, both Industrial Production and Orders slowed on a monthly basis.

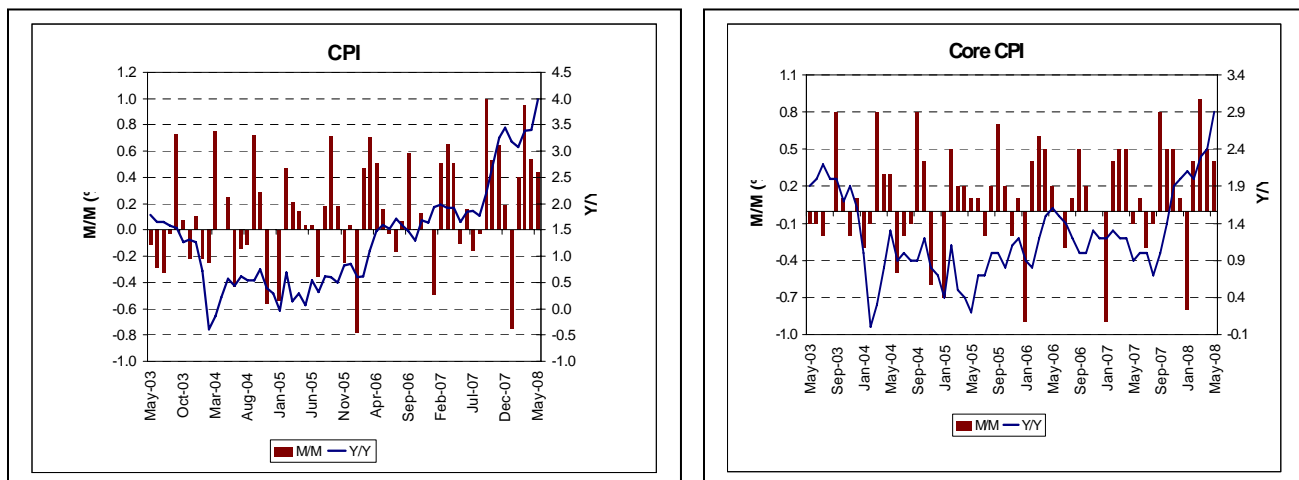
Weekly Highlights

CPI – rose 0.4% M/M and 4.0% Y/Y in May. (page 49)

Core CPI – rose 0.4% M/M and 2.9% Y/Y in May. (page 49)

Industrial Production – slipped 0.3% M/M and rose 0.2% Y/Y in April. (page 50)

Industrial Orders – slipped 6.8% M/M and rose 10.1% Y/Y in April. (page 50)

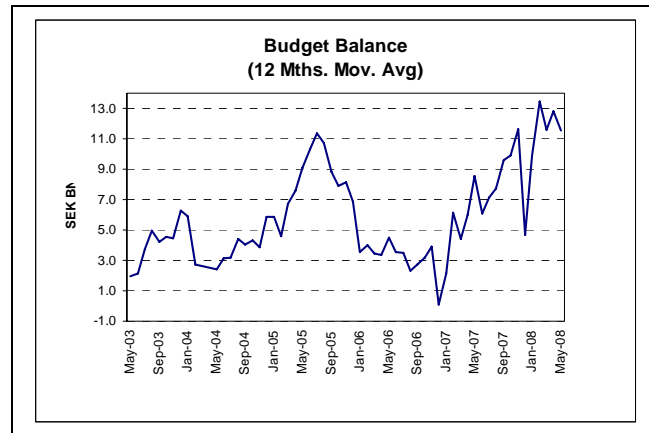
Weekly Releases & News**Chart(s) of the Week: CPI**

Consumer Prices rose 0.4 % M/M and 4.0% Y/Y in May, above expectations. On a core basis, consumer prices also rose 0.4% in the month, but rose to 2.9% Y/Y -- its highest since 2003.

Budget Balance, Industrial Production & Industrial Orders

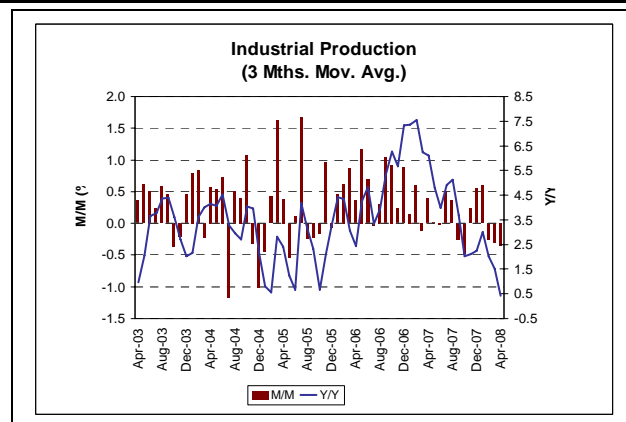
Budget Balance

Sweden posted a budget surplus of SEK 13.5 bln in May – down from SEK 23.3 bln in April, “as higher tax revenue helped finance increased lending to government agencies,” according to the National Debt Office. A forecast of SEK 9.2 bln was expected.



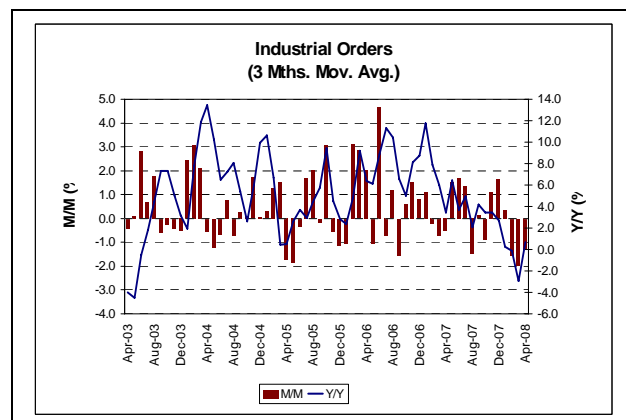
Industrial Production

Industrial Production slipped 0.3% M/M and rose 0.2% Y/Y in April on orders and exports. An annual gain of 2.2% was expected.



Industrial Orders

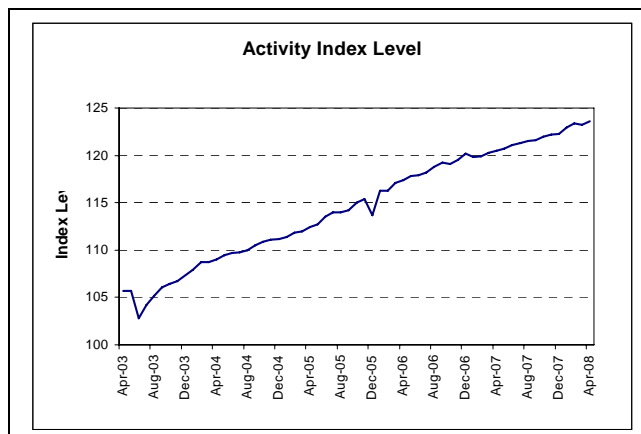
Industrial Orders slipped 6.8% M/M and rose 10.1% Y/Y in April. The monthly decrease was reflective of decreases in domestic and export orders by 7.83% and 6.1%, respectively. Also, new orders in the capital and intermediate goods industries decreased by 3.2% and 8.5%, respectively.



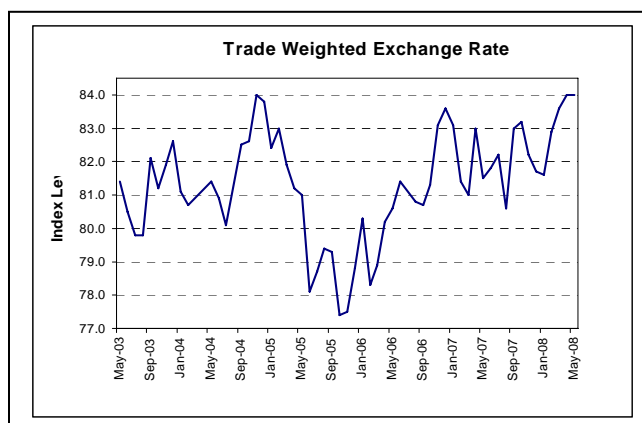
Activity Index Level, Trade Weighted Exchange Rate & Upcoming Dates

Activity Index Level

The Activity Index Level rose from a revised 123.2 (down from 123.3) in March to 123.6 in April. The increase was partly attributed to strong foreign trade, government sector employees' hours and sales in retail trade.



Trade Weighted Exchange Rate



Key Dates This Week

<u>Date</u>	<u>Indicator</u>	<u>Expectation</u>	<u>Previous</u>
06/12	Unemployment Rate / AMV Unemployment Rate – May	5.7% / 2.7%	6.0% / 2.9%
06/16	Average House Prices – May	--	1.787M

Valance Co., Inc.

Valance Economic Report: Switzerland

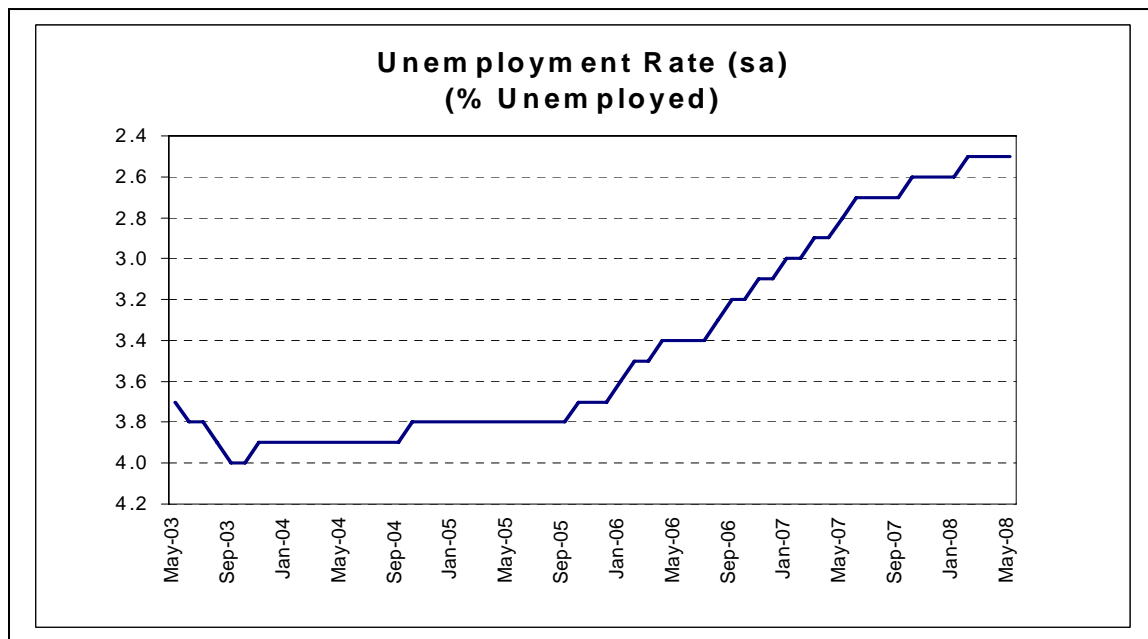
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June 11, 2008

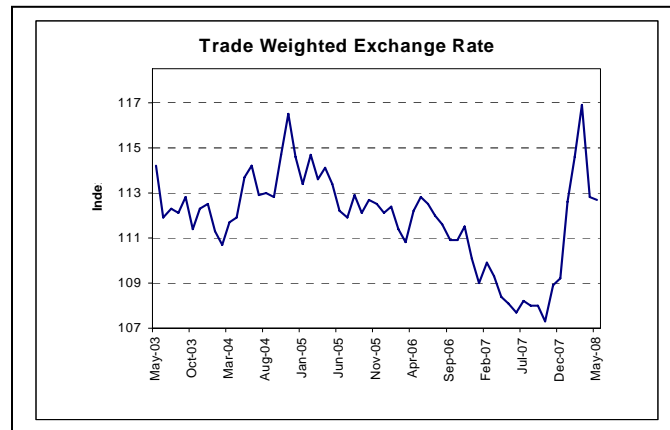
The jobless rate held at 2.5% in May -- the lowest in five years. SNB Governing Board member, Thomas Jordan, said it's "too early to give the all-clear" on the financial market crisis.

Weekly Releases & News**Chart(s) of the Week: Unemployment Rate**

Switzerland's seasonally adjusted Unemployment Rate held at a revised 2.5% in May (down from 2.6% in April) – the lowest since July 2002. The unadjusted unemployment rate held at 2.4% in May.

Trade Weighted Exchange Rate & News Releases

Trade Weighted Exchange Rate



News Releases

June 9th - Swiss Growth Cycle Nearing an End - SNB President, Jean-Pierre Roth stated that Swiss' growth cycle is "nearing an end" and there are "no flagrant signs of a real estate bubble." Roth made the following comments at a conference organized by Banque Cantonale Vaudoise in Lausanne, Switzerland:

"Now that the economic cycle nears an end, the odds look high that the situation in the real estate market will start to ease and that we'll enter a phase of more moderate price growth."

"The memory of our real estate crisis at the beginning of the 1990s has pushed the different actors to exercise some caution."

On the consequences of the financial market turbulence: "...haven't all been felt yet."

June 6th - "Too Early to Give All-Clear" on Money Markets – SNB Governing Board member, Thomas Jordan, made the following comments at an event in Geneva:

"In recent weeks, financial markets have improved, to some extent, from the situation that prevailed at the height of the turmoil in mid-March: risk premia have fallen on most assets, and equity prices have recovered. Even money markets, although still tense, have improved somewhat."

"These developments have given rise to the hope that the worst of the financial crisis might have passed by now. However, it may be too early to give the all-clear. There could still be a number of setbacks; we have already witnessed periods of apparent improvements in recent months, only to see the crisis return in full force. Thus it is still difficult, at this point of time, to draw conclusive lessons for the future."

"The objectives of monetary policy can be neatly summarized as stability, stability and stability."

"Monetary policy should aim at price stability in the long run. Under long run, I understand a horizon of up to a number of years. In the medium term, with a horizon of one to two years, monetary policy can be used for smoothing economic cycles. And in the short run, immediate action may sometimes be required to safeguard the stability of the financial system."

News Releases (Cont'd.)

(Cont'd.)

June 6th – “Too Early to Give All-Clear” on Money Markets –

“The tensions in the money markets in recent months therefore posed a serious headache to most central banks. Not only did money market tensions indicate potential problems for financial stability, but it also threatened the smooth functioning of the transmission mechanism of monetary policy.”

“The second important point concerning the transmission of monetary policy is the fact that it is not the current value of the policy rate that matters. Rather, it is the expected future path of that rate that determines the stance of monetary policy.”

“For example, a central bank can have an impact on the economy simply by signaling that its own view about the future path of the monetary policy rate is different from the current market view. If the central bank is credible, market expectations will adjust correspondingly and financial prices will henceforth reflect the new view communicated by the central bank.”

“How should we assess the impact and success of central bank actions so far? Although they have helped to limit tensions in the money market, the situation is still far from normal. The lack of confidence in the market cannot easily be removed by central bank action alone. Market participants have to undertake the necessary steps themselves to restore market confidence.”

“Lowering the policy rate is not the only thing a central bank can do to ensure financial stability in the short run; a central bank has other efficient instruments at hand, which, depending on the situation, may be equally or even better suited to safeguarding financial stability. Also, these instruments do not affect the stance of monetary policy and thus the economic stability and price stability objective, or only do so to a lesser degree.”

“The liquidity management operations have thus not resulted, as is sometimes claimed by analysts, in huge amounts of excess liquidity, nor can they necessarily be equated with a more expansionary monetary-policy stance. Many of the recent central bank liquidity management operations have not affected the monetary policy stance.”

“Changes in the stance of monetary policy must not be viewed as an immediate reaction of monetary policy to the financial-market crisis, but rather as a reaction to the expected effects of that crisis on economic growth and on inflation. This view also explains the apparent hesitation of some central banks to lower rates, in spite of the serious financial-market turmoil. The precise way in which the financial-market crisis will affect economic growth and inflation has not been obvious -- and is still not obvious.”

“The crisis has also demonstrated the limits of central bank intervention. Only in the short term can central bank intervention safeguard financial stability. Ultimately, it is market participants themselves who must overcome the crisis, by enhancing transparency, reestablishing markets for illiquid assets, rebuilding confidence among banks, writing off bad debt, recapitalizing balance sheets and running down excessive leverage. Central bank action is a first-aid kit to ensure that the patient does not die on the site of the crash from a loss of blood, but the subsequent healing process is up to the patient.”

News Releases (Cont'd.) & Upcoming Dates

News Releases (Cont'd.)

(Cont'd.)

June 6th – “Too Early to Give All-Clear” on Money Markets –

“Recent events have clearly shown that moral hazard is not just a textbook phenomenon, but is in fact a serious problem. There is no easy way to address the moral hazard problem. Larger capital and liquidity requirements do not eliminate moral hazard, but they limit the risk of an accident and thus the cost to the public in the event of a rescue.”

“Central bank action cannot resolve the underlying problems. It can only provide temporary relief. The solution to the crisis must come from market participants themselves. Central bank action appears to have been relatively successful. But there's one thing that every economist knows only too well, and it is that there is no such thing as a free lunch.”

“The first potential cost of recent central bank action is in terms of moral hazard. One of the biggest challenges that lie ahead of central banks and regulators, once the crisis has settled down, is to consider how to reduce moral hazard in financial markets, in order to prevent this factor from becoming the reason for the next -- and potentially even bigger -- financial crisis.”

“The financial-market crisis affects inflation in various ways. On the one hand, the crisis has resulted in a more expansionary monetary-policy stance in some countries. This has probably contributed to the rise in commodity prices in recent months, and to the rise in energy prices, in particular. On the other hand, the expected economic slowdown associated with the crisis should damp inflationary pressure.”

“However, the aggregate effect of the crisis on inflation is far from obvious. The crisis has thus increased the uncertainty surrounding the inflation outlook. Consequently, central bankers are currently challenged not only on the financial stability front; they also need to be extremely alert to developments on the price-stability front.”

Key Dates This Week

<u>Date</u>	<u>Indicator</u>	<u>Expectation</u>	<u>Previous</u>
06/15-21	Industrial Production (Q/Q) / (Y/Y) – Q1	--	-- / 9.1%
06/15-22	Producer & Import Prices – M/M / Y/Y – May	--	0.7% / 3.6%
06/16-23	Adjusted Real Retail Sales – Apr	--	9.7%
06/18	ZEW Survey – June	--	-60.4