

Valance Company, Inc.



Weekly

June 15, 2005

III

Highlights

US – Inflation pipeline pressures warning? (page 2)

Euroland – No improvement seen as German exports fall for 2nd month in 3 (page 8)

Japan – Consumer confidence picks up (page 14)

UK – RICS home price survey unexpectedly declines (page 21)

Canada– Strong trade and employment data (page 28)

Sweden – Ready for a rate cut (page 47)

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June 9 - June 15 Short Term Interest Rates

Country	Change in BPs		(3Mth. Futures Contracts Yields)			
	Official Rate	3 Mth. LIBOR	Sep-05	Dec-05	Mar-06	Jun-06
US	0.00	0.04	10.50	12.50	14.00	16.00
US	3.00	3.42	3.82	3.97	4.05	4.13
EU	0.00	0.00	4.00	7.00	10.50	14.00
EU	2.00	2.11	2.09	2.08	2.12	2.21
JN	0.00	0.00	0.00	0.00	-0.50	-1.00
JN	0.00	0.05	0.09	0.11	0.13	0.17
UK	0.00	0.00	11.00	14.00	15.00	16.00
UK	4.75	4.86	4.78	4.65	4.56	4.52
CA	0.00	0.03	6.50	16.00	17.00	16.00
CA	2.50	2.64	2.75	2.93	3.08	3.19
AU	0.00	0.01	8.00	13.00	15.00	14.00
AU	5.50	5.62	5.68	5.65	5.59	5.56
NZ	0.00	0.04	5.00	7.00	18.00	18.00
NZ	6.75	6.99	7.04	6.95	6.86	6.63
SZ	0.00	0.00	2.00	3.00	4.00	4.00
SZ	0.75	0.75	0.78	0.81	0.88	1.00

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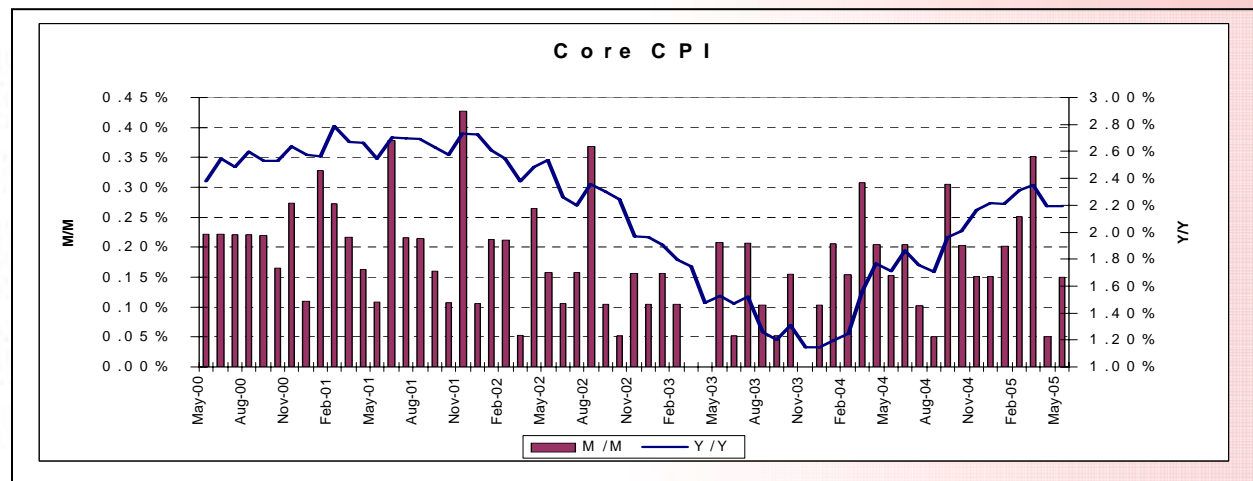
Valance
Economic
Reports

Valance Co., Inc.

Valance Economic Report: United StatesCesar Guerra
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June 15, 2005

This week's economic data was highlighted by restrained core inflation in CPI, PPI and import prices. Also, the weakness seen in May's retail sales is being discounted given the strength of retail sales in April. Fed officials appear to be leaning towards more measured hikes, in juxtaposition to Fisher's comments, and it would take a soft demand picture AND core inflation clearly receding before the Fed stops its tightening campaign.

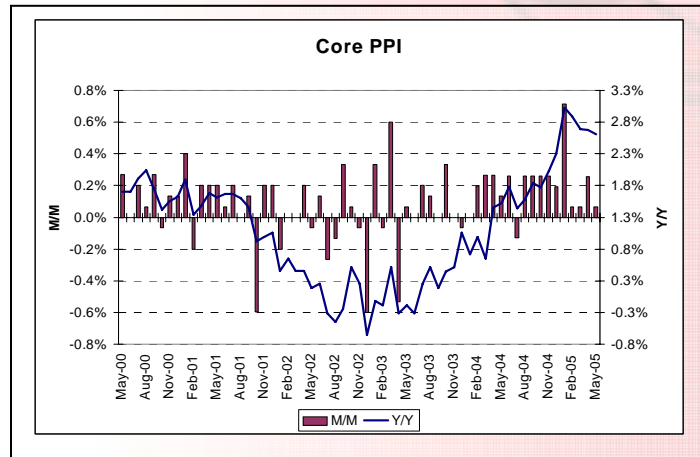
Weekly Highlights**Core CPI-** up 0.1499% M/M in May. (page 2)**Core PPI-** increased 0.1% M/M in May. (page 3)**Retail Sales ex. autos-** declined 0.2% M/M in May. (page 4)**Capacity Utilization-** snapped back to 79.4% in May. (page 4)**Mortgage Applications-** jump on lower rates this week. (page 6)**Weekly Releases****Chart of the Week: Core CPI**

Core CPI increased 0.1% M/M and 2.2% Y/Y in May. The M/M increase actually rounded down from 0.1499%. Core CPI appears relatively stable at about 2.2% Y/Y growth since November, but the Fed would like to make sure the upward trend since early 2004 does not continue. The easing of automobile prices, import prices and early stages of producer prices should all help to keep a tame inflationary environment.

Core PPI, Import Prices & Initial and Continuing Claims

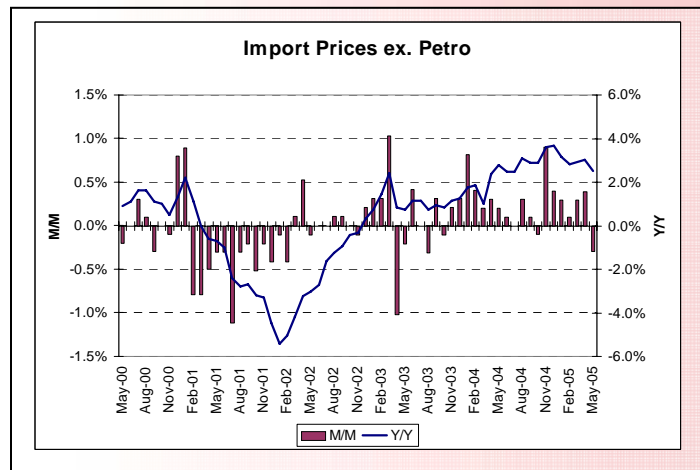
Core PPI

Core PPI increased 0.1% M/M and 2.6% Y/Y in May. Crude and core intermediate goods' prices dropped 2.0% M/M and 0.3% M/M, respectively. The deflationary pressures in the early stages of PPI should help keep inflationary pressures contained.



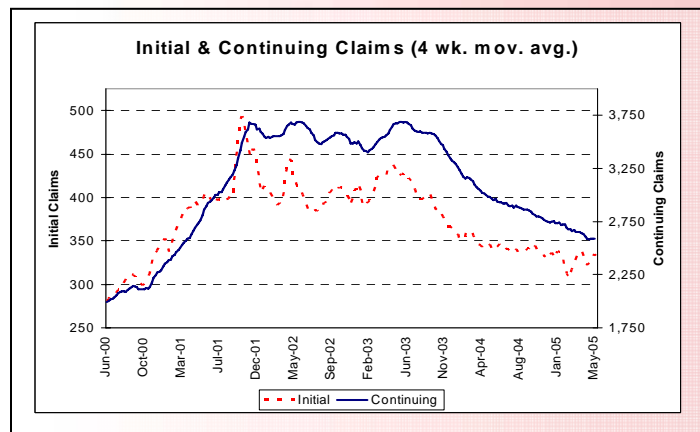
Import Prices

Import Prices, excluding petroleum, decreased 0.3% M/M and increased 2.5% Y/Y in May. The recent strengthening of the dollar should start exerting more deflationary pressures via import prices.



Initial & Continuing Claims

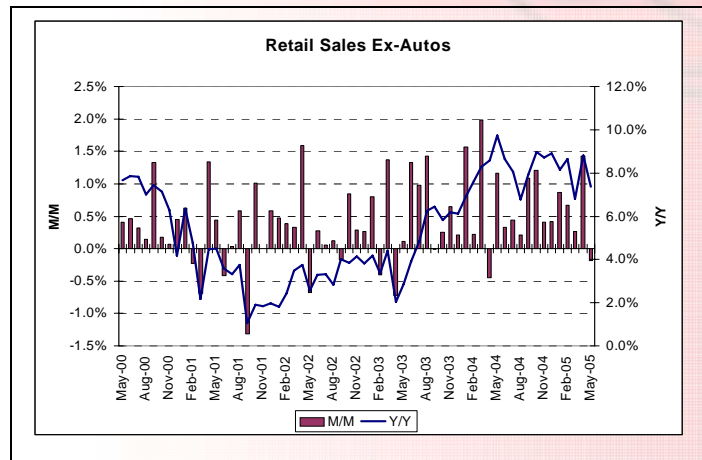
The four-week moving average of initial and continuing claims dropped to 332k and 2,587k, respectively. The level of continuing claims continue to suggest that payrolls should expand above trend and initial claims moved back down to 330k after reaching 350k last week.



Retail Sales, Industrial Production & Capacity Utilization

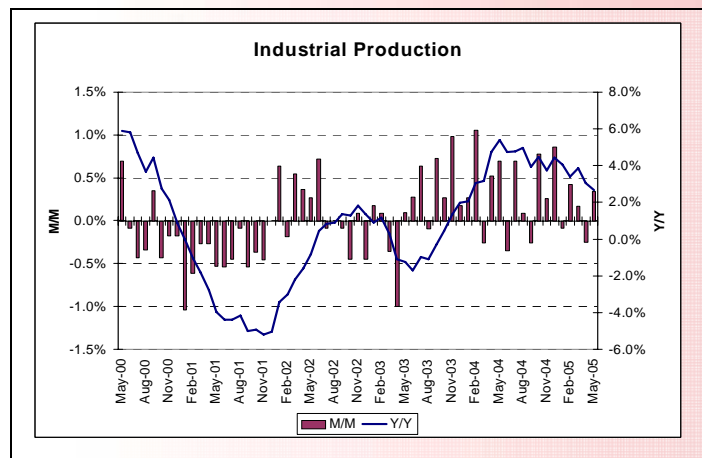
Retail Sales

Retail sales, excluding autos, increased 0.2% M/M and 7.4% Y/Y in May, below expectations. However, May's weakness could merely be reversion to trend growth after April experienced 1.4% M/M growth revised up from 1.1% M/M.



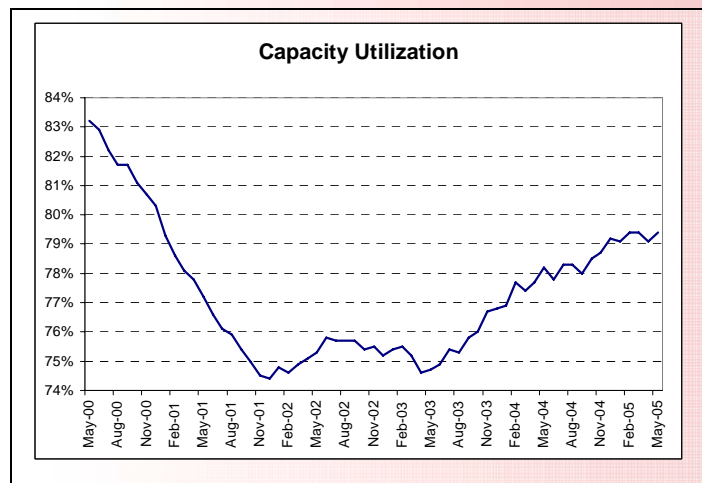
Industrial Production

Industrial Production increased 0.3% M/M and 2.7% Y/Y in May. The Y/Y growth trend in Industrial Production continues to slow, but remains positive despite the weakness seen in the manufacturing survey in May.



Capacity Utilization

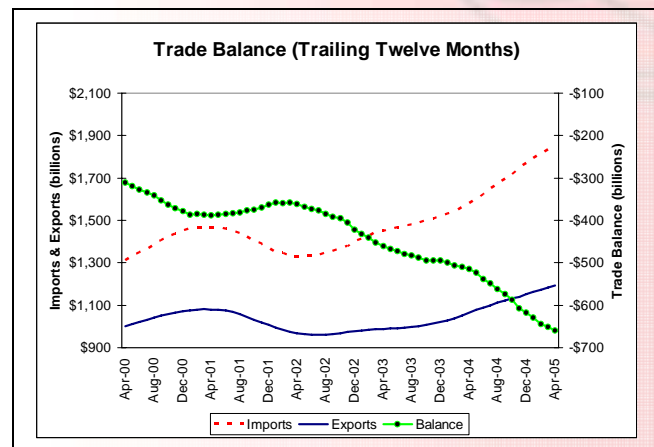
Capacity Utilization snapped back to 79.4% in May from 79.1% in April. If the weakness in manufacturing is more than a temporary inventory correction, we should see the slack reflected in lower utilization rates going forward.



Trade Balance, Budget Statement & Empire Index

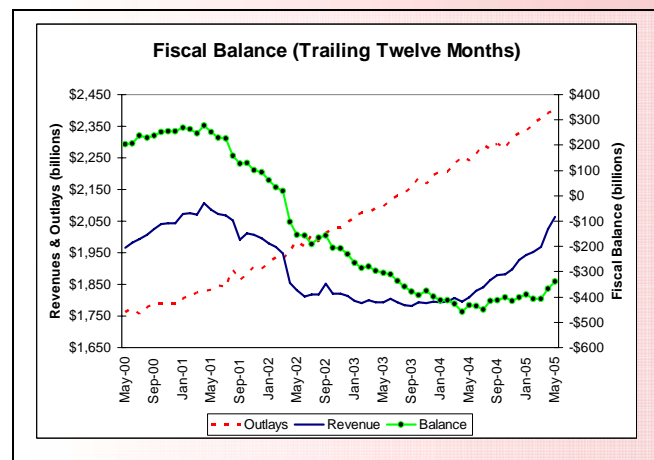
Trade Balance

The trade balance widened to -\$57 billion in April, and on a trailing twelve month basis, expanded to -\$659 billion. Imports grew 14% Y/Y and exports fell 13% Y/Y. April's data shows the trade balance narrowing on a Q/Q basis. If April's trend extends to May and June, the trade balance will make a positive contribution to GDP growth for the second quarter.



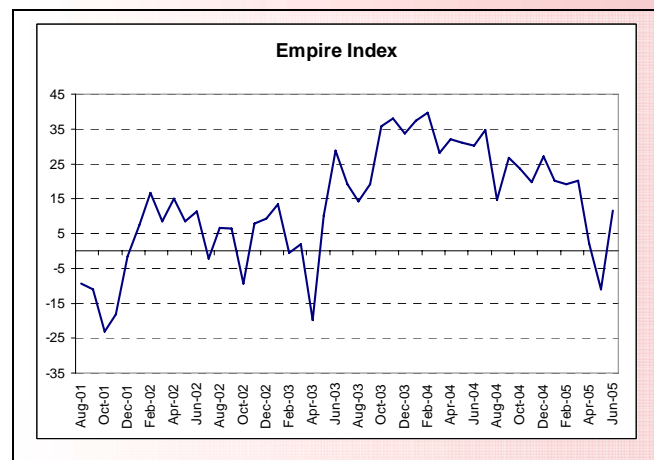
Budget Balance

The budget balance in May posted a deficit of \$35.3 billion. On a trailing twelve month basis, the deficit has dropped from \$365.9 billion to \$338.8 billion. Tax collections grew 32% on a Y/Y basis while expenditures only grew 6% Y/Y.



Empire Index

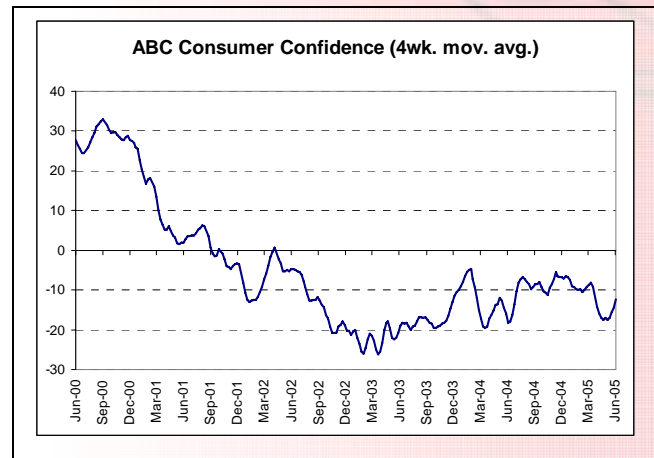
The Empire Manufacturing Index jumped from -11.06 to 11.65 in June. The employment component increased from 0.14 to 5.53 and the price component declined from 41.58 to 30.61.



Consumer Confidence & Mort. Apps.

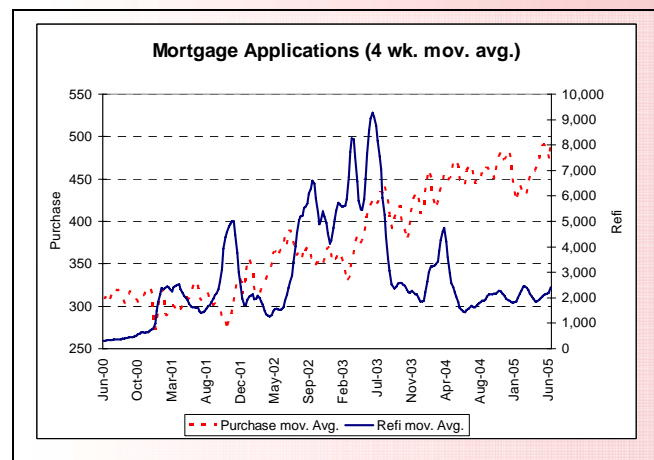
ABC Consumer Confidence

The ABC Consumer Confidence Index increased from -12 to -9 this week. The buying climate series improved from -26 to -22 and the economic component moved from -28 to -22. The financial component has remained at 18 for the last four weeks while the others have improved.



MBA Mortgage Applications

Purchase and refinancing mortgage applications increased 10.4% and 25.6%, respectively this week. Lower mortgage rates continue to drive applications higher and are likely to keep the housing market strong in the short-run.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
06/16	Housing Starts (MAY)	2050K	2038K
06/16	Building Permits (MAY)	2107K	2129K
06/16	Initial Jobless Claims (JUN 11)	330K	330K
06/16	Continuing Claims (JUN 4)	2593K	2588K
06/16	Philadelphia Fed. (JUN)	10.0	7.3
06/17	Current Account Balance 1Q	-\$190.0B	-\$187.9B
06/17	U. of Michigan Confidence (JUN P)	88.8	86.9
06/20	Leading Indicators (MAY)	-0.3%	-0.2%
06/21	ABC Consumer Confidence (JUN 19)	NA	-9
06/22	MBA Mortgage Applications (JUN 17)	NA	17%

Valance Co., Inc.

Valance Economic Report: Euro Zone

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June 15, 2005

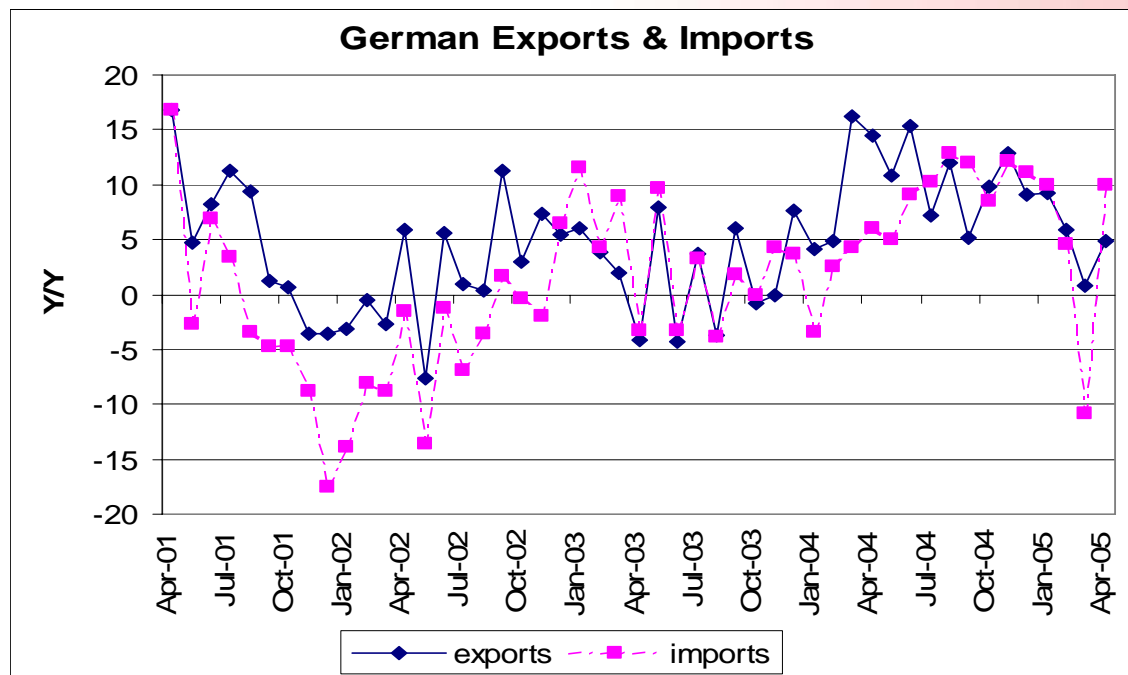
This week calmly reaffirmed what the whole world has already accepted: the Euro Zone is in trouble. German Exports fell again in April while French Industrial Production fell for a third consecutive month. The most interesting news this week was the ECB's scramble to "correct" Issing's dovish comments.

Weekly Highlights

German Exports – fell for the 2nd time in 3 months in April. (page 8)

French Industrial Production – fell 0.3% M/M in April. (page 10)

French CPI – prices decelerated for the second consecutive month in May. (page 11)

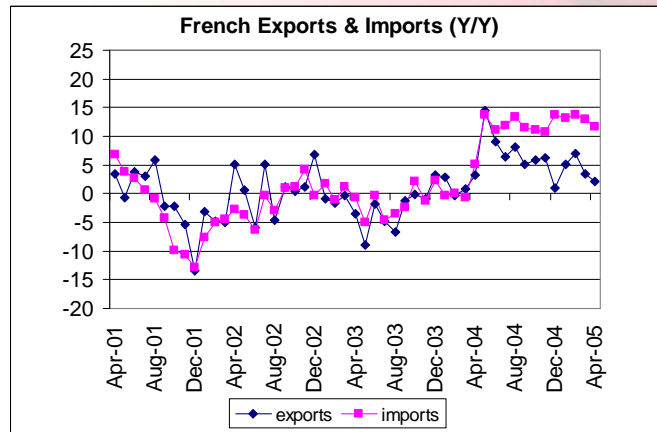
Weekly Releases & News**Chart of the Week: German Trade**

Germany's April Trade surplus narrowed from 16.3 billion euros in March to 12.6 billion as exports unexpectedly fell for the second time in three months. April's exports declined 0.4% M/M while rising 4.9% Y/Y. Exports were the one beacon of light for Germany's waning economic recovery. April's imports increased 3.8% M/M and 10% Y/Y.

French Trade, Euro Zone Current Account & Leading Indicator

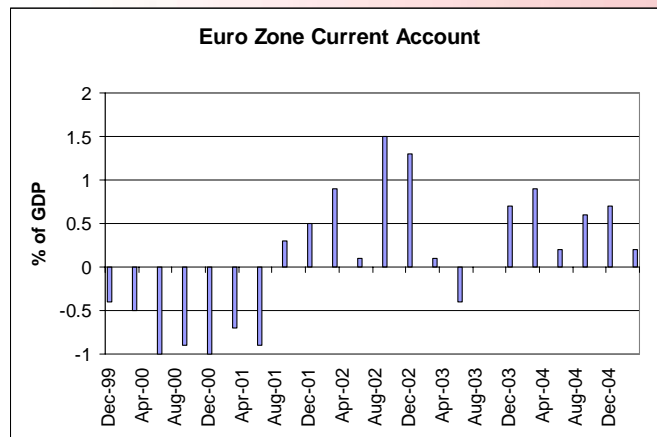
French Trade

France's April Trade deficit widened from 2.4 billion euros in March to a record 3.2 billion as exports remained stagnant and imports grew (M/M). On a Y/Y basis, exports gained 2% and imports gained 11.8%.



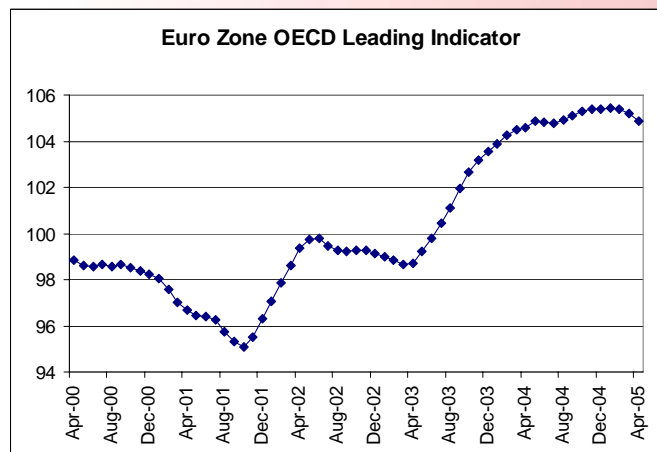
Euro Zone Current Account

The Euro Zone's Q1 Current Account surplus narrowed from 0.7% of GDP in Q4 to 0.2% of GDP. The surplus currently stands at 4.5 billion euros.



Euro Zone OECD Leading Indicator

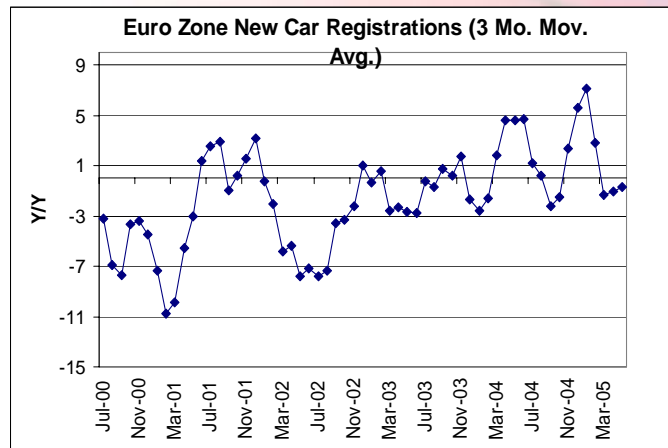
The Euro Zone's April OECD Leading Indicator fell for the second consecutive month, declining from 105.2 in March to 104.9.



Euro Zone Car Reg.'s, French & Italian Industrial Production

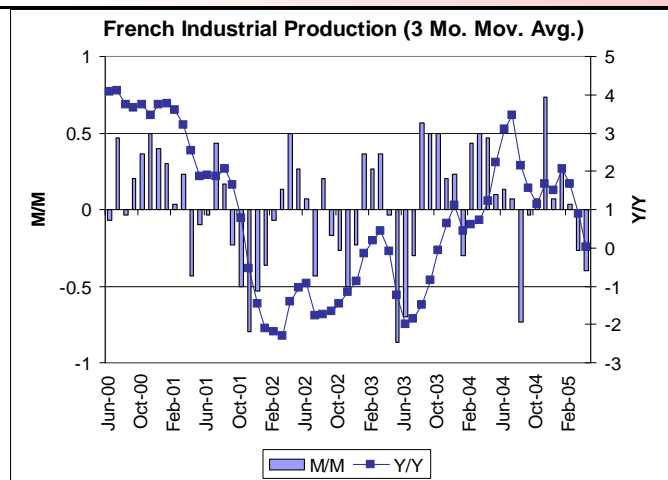
Euro Zone New Car Registrations

The Euro Zone's April New Car Registrations fell 1.3% Y/Y.



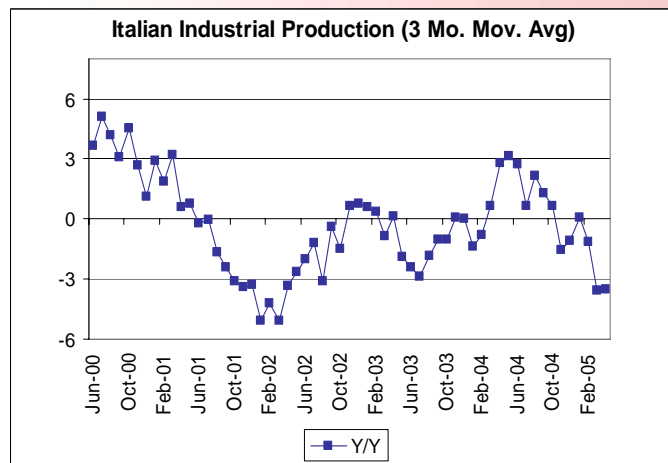
French Industrial Production

France's April Industrial Production fell for the third consecutive month, adding to concerns that the recovery has prematurely peaked. Production fell 0.3% M/M while remaining unchanged Y/Y.



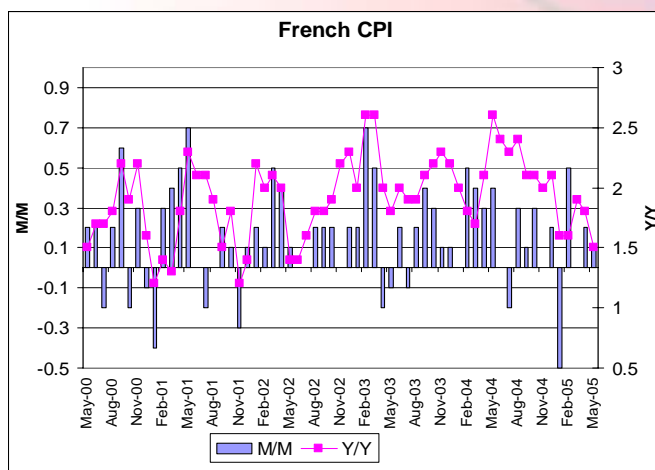
Italian Industrial Production

Italy's April Industrial Production unexpectedly rebounded, increasing 1.9% M/M and 0.8% Y/Y. It is the first positive sign for Italy in a very long time.



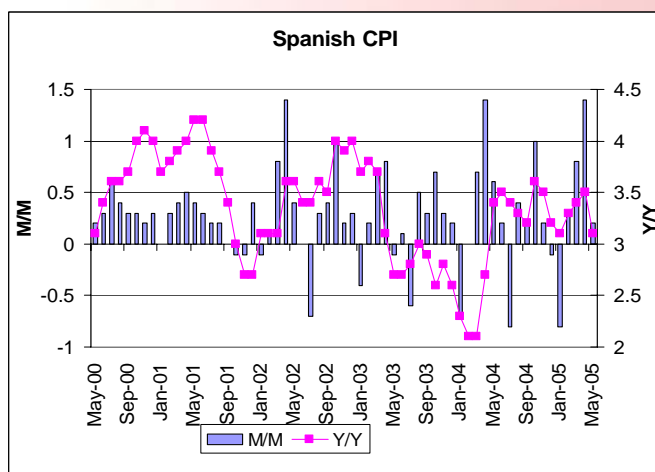
French CPI

France's May Consumer Prices decelerated for the second consecutive month, slowing to 0.1% M/M and 1.5% Y/Y.



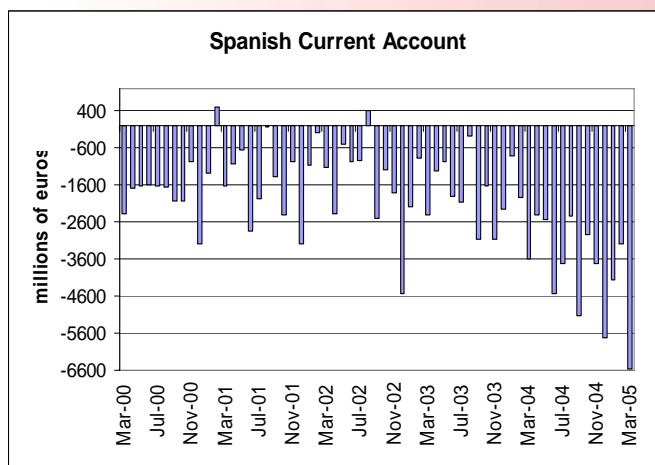
Spanish CPI

Spain's May Consumer Prices increased 0.2% M/M and 3.1% Y/Y as the worst drought in 50 years boosted food prices. Fresh vegetables and olive oil, two staples, have increased nearly 10% this year, further hurting Spanish consumers.



Spanish Current Account

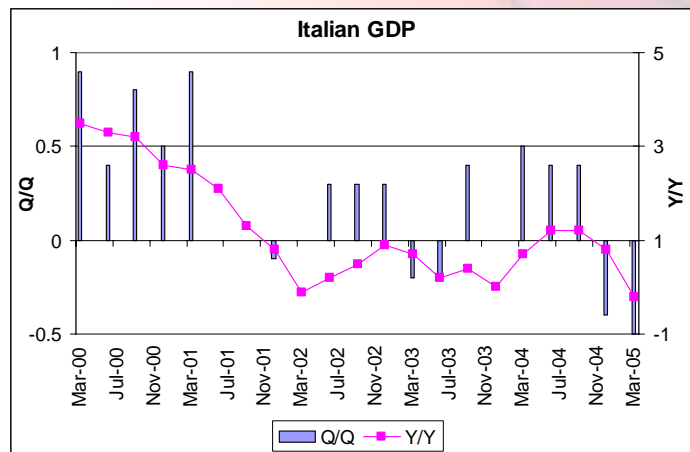
Spain's March Current Account deficit nearly doubled from 3.2 billion euros in February to 6.6 billion.



Italian GDP & News

Italian GDP

Italy's Q1 GDP was unrevised, contracting 0.5% with sub-indices figures being released. Q1 Exports fell 4.1% from Q4, Imports fell 2.4%, Private Consumption expanded 0.2%, and Government Spending expanded 0.2%.



News

June 15th – ECB President, Jean Claude Trichet, stated that he is not preparing for a rate change, stating, “We are not biased...I have said that I was not preparing the markets for a rate cut. Nor am I preparing them for a rise in interest rates.” Trichet’s comments echo those of ECB member Weber who stated that the bank had a “wait and see” attitude and those rates were currently “appropriate.” The comments can be almost viewed as damage control as numerous economists and institutes have reported that a rate cut is imminent after reading ECB member Issing’s rate comments in a German magazine. Issing’s comments, concerning slowing growth, fewer risks to price stability and statements concerning the market’s ability to correctly predict rate movements, were viewed as a departure from the ECB’s previous stance. The ECB immediately stated that the interview was inaccurate, but that did not stop such institutes as the DIW to proclaim, “ECB to reduce rates by the end of September.”

June 11th – German Finance Minister, Hans Eichel, noted that economic growth would slow further in Q2 as Europe struggles with a deterioration of business expectations. Interestingly, he stated that the fundamental data “is good” and that he expects stronger growth in the second half of the year.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
06/16	French Non Farm Payrolls (Q1)	--	0.1% Q/Q
06/16	Euro Zone CPI (May)	0.3% M/M	0.4% M/M
06/17	French Current Account (APR)	-1750M	-1660M
06/17	Euro Zone Industrial Production (APR)	0.1% M/M	-0.2% M/M
06/20	Spanish Factory Orders (APR)	--	-0.2% Y/Y
06/20	Italian Unemployment rate (Q1)	--	8%

Valance Co., Inc.

Valance Economic Report: Japan

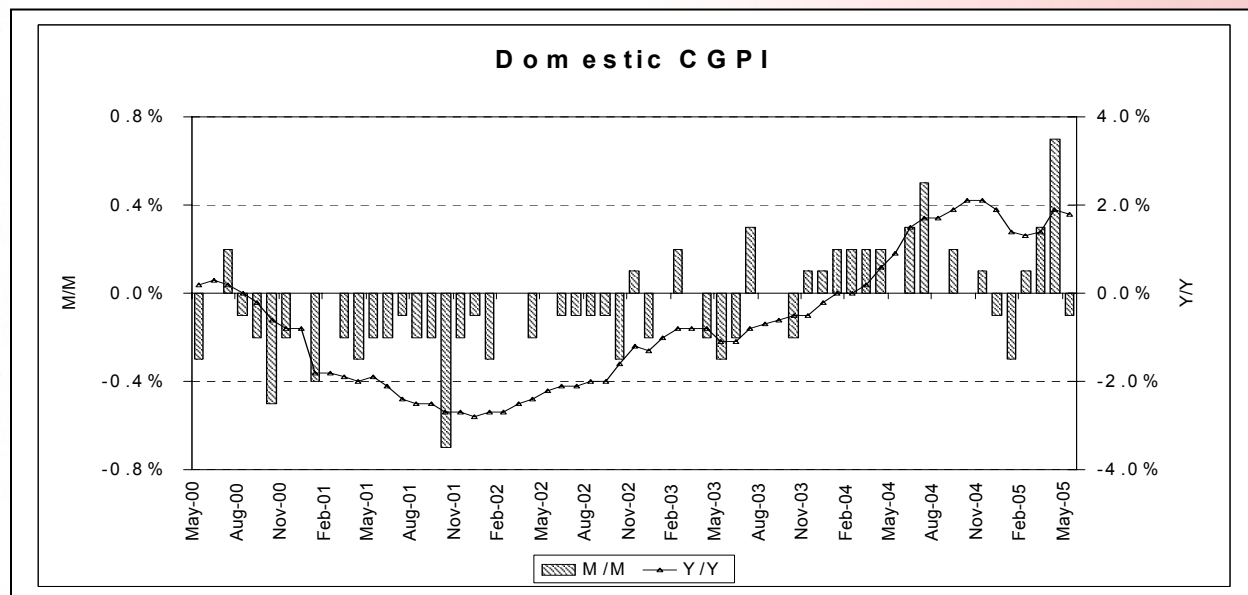
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June 15, 2005

Recent economic releases in Japan contained mixed news. **Consumer Confidence** increased across the board while **real GDP** and **Industrial Production** were revised down. Meanwhile, the **BoJ** in its monthly report appeared a little more optimistic compared to previous reports, stating that Japan's economy continues on a recovery trend.

Weekly Highlights

- **Domestic CGPI** - decreased 0.1% M/M and increased 1.8% Y/Y in May, more or less in line with expectations. (page 14)
- **Consumer Confidence** - increased from 47.4 in April to 48.3 in May, above expectations. (page 15)
- **Industrial Production** - was revised down. (page 16)

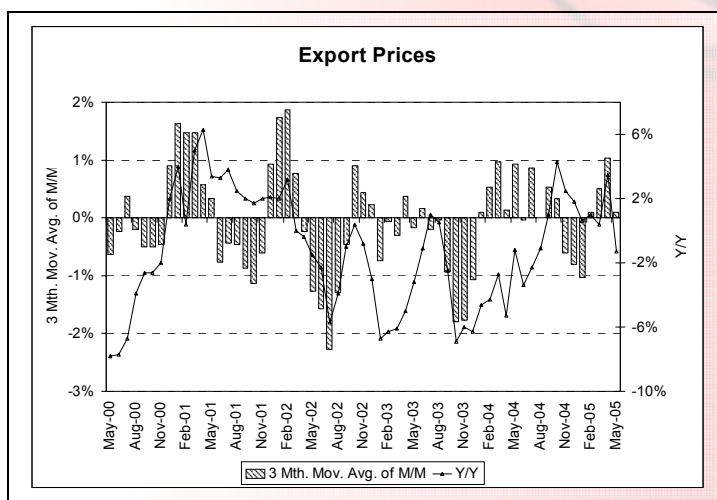
Weekly Releases & News**Chart of the Week: Domestic CGPI**

Domestic CGPI decreased 0.1% M/M and increased 1.8% Y/Y in May, more or less in line with expectations. The 0.1% M/M decline followed the highest level recorded since 1980 in the previous month. Raw materials decreased 0.7% M/M while both the intermediate and final good prices remained flat M/M.

Export and Import Prices & Consumer Confidence

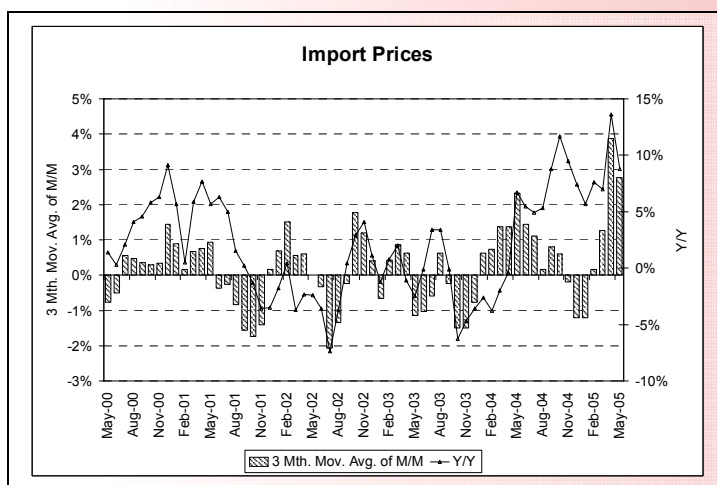
Export Prices

Export Prices decreased 1.3% M/M and 1.3% Y/Y in May.



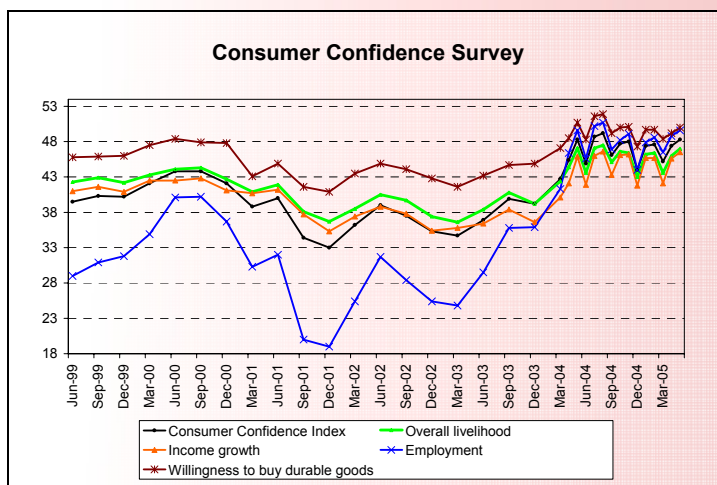
Import Prices

Import Prices decreased 0.5% M/M and increased 8.8% Y/Y in May.



Consumer Confidence

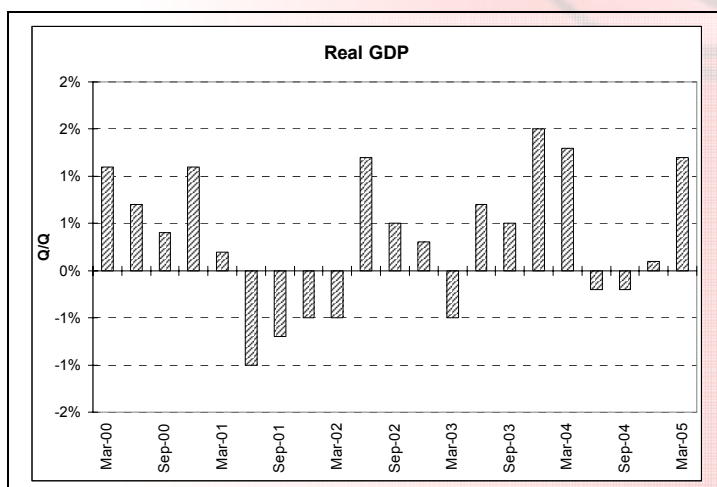
Consumer Confidence increased from 47.4 in April to 48.3 in May, above expectations. Confidence increased across the board with the overall likelihood component displaying the most improvement with an increase of 1 point. Confidence in employment increased 0.9 point.



Real GDP, Industrial Production & Capacity Utilization

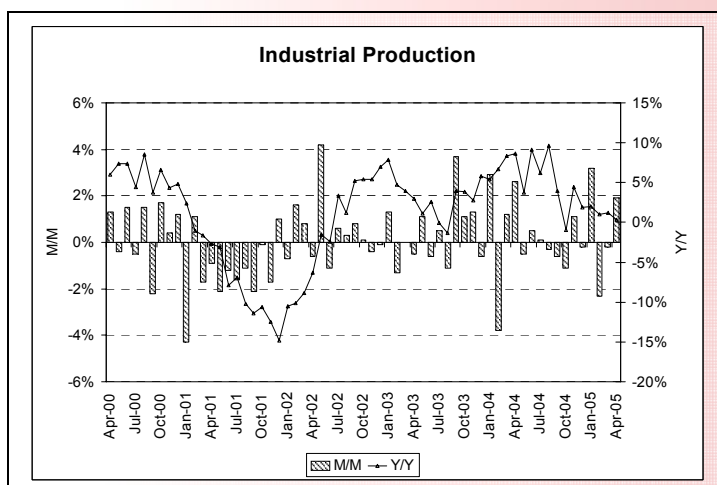
Real GDP

Japan's Q1 Real GDP was revised down from 1.3% Q/Q to 1.2%. The annualized figure was revised down from 5.3% to 4.9%. Inventory investment was the main reason for the downward revision, boding well for future growth. The GDP deflator was revised up from -1.2% Y/Y to -1.0% Y/Y.



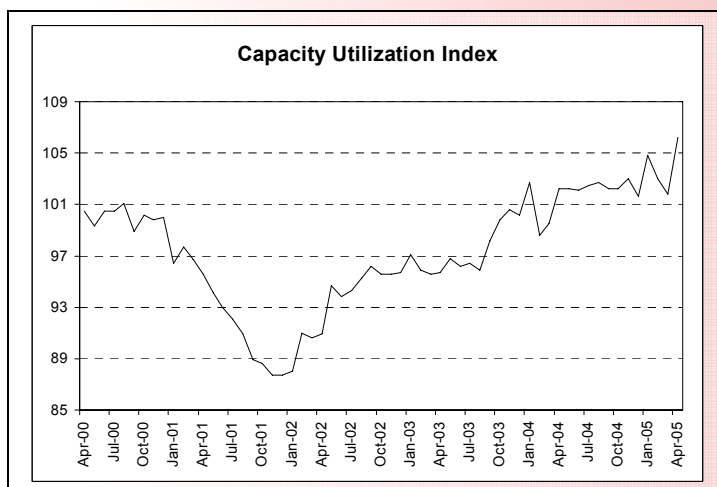
Industrial Production

Industrial Production for April was revised down from 2.2% M/M and 0.6% Y/Y to 1.9% M/M and 0.3% Y/Y.



Capacity Utilization

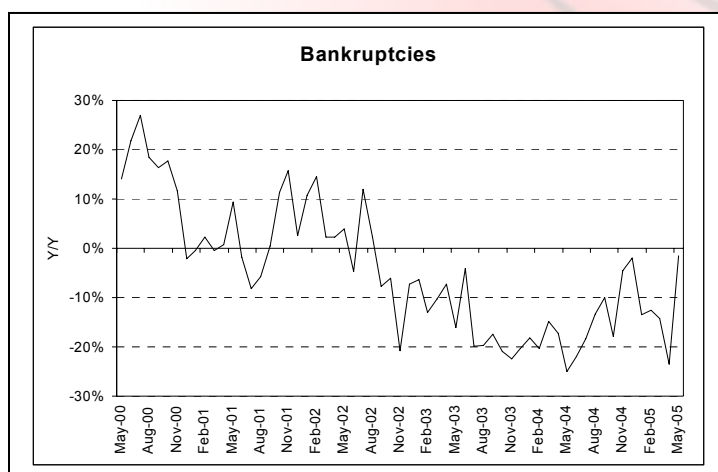
April's Capacity Utilization was revised up from 101.8 to 106.2, its highest level since 1996.



Bankruptcies and Tokyo Condominium & Department Store Sales

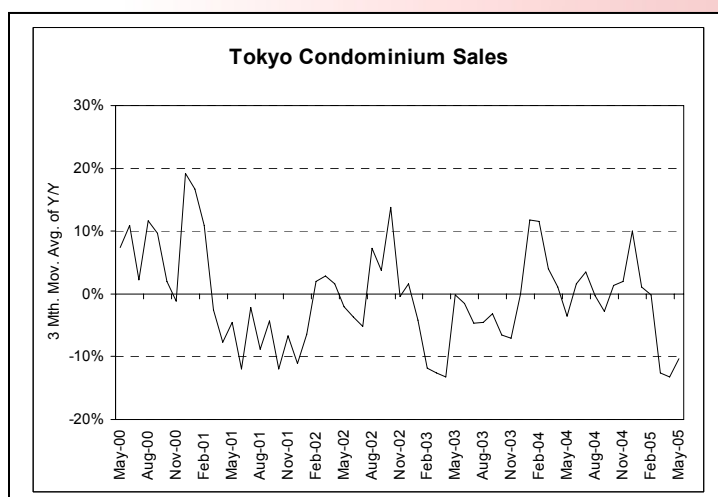
Bankruptcies

Bankruptcies decreased 1.6% Y/Y in May, recording its slowest pace of decline since 2002.



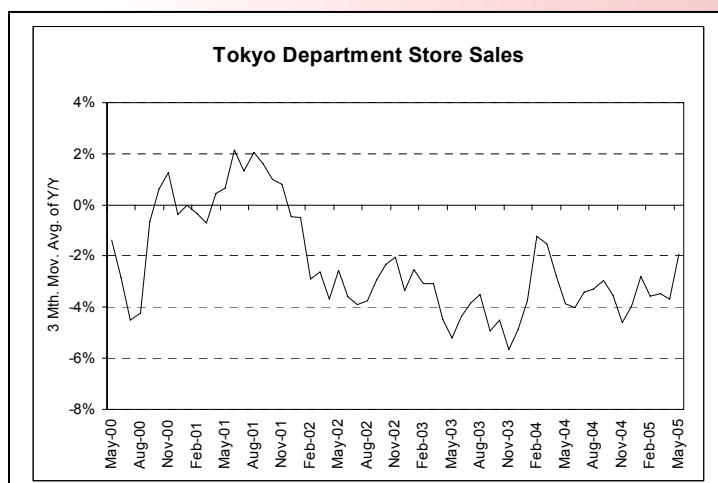
Tokyo Condominium Sales

Tokyo's Condominium Sales decreased 4.4% Y/Y in May.



Tokyo Department Store Sales

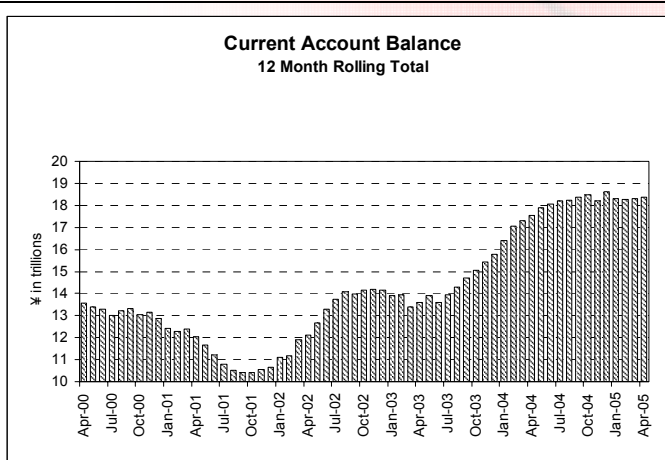
Tokyo's Department Store Sales decreased 2.9% Y/Y in May.



Trade Data

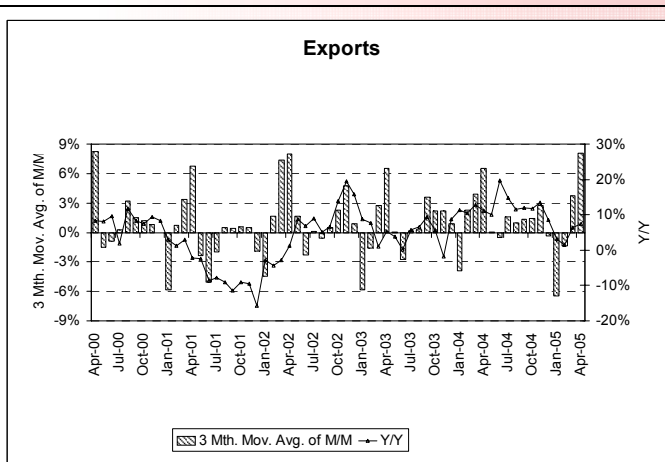
Current Account Balance

The Adjusted Current Account surplus widened from ¥1372.7 billion to ¥1388.7 billion April. On a twelve month rolling basis, the Current Account surplus has steadied around ¥18 trillion (about 3.7% of GDP) for about one year.



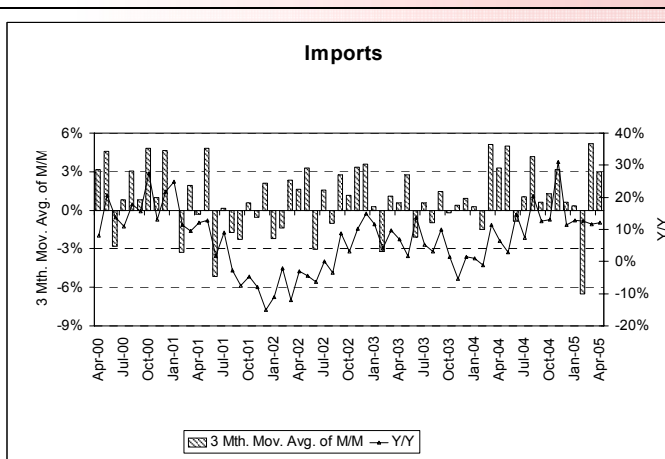
Exports

Exports decreased 4.8% M/M and increased 7.5% Y/Y in April. On trend terms, exports have begun to pick up after experiencing a sharp decline in January.



Imports

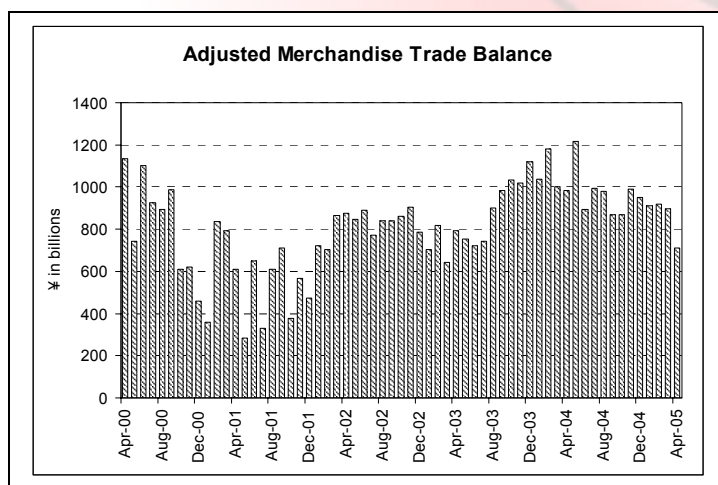
Imports decreased 5.5% M/M and increased 12.1% Y/Y in April.



Trade Data Cont'd

Adjusted Trade Balance

Japan's Adjusted Merchandise Trade surplus narrowed from ¥895.7 bln in March to ¥712.2 bln in April.



News & Upcoming Dates

June 15th, BOJ Monetary Policy Monthly Report – In its June 15th Monthly Report, the BoJ acknowledged that Japan's economy "continues a recovery trend." This view is supported by the fact that both industrial production and business fixed investment have continued to increase. In addition, household income has expanded as the employment situation improves.

June 15th, BOJ Monetary Policy Meeting -- The Bank of Japan decided by a majority vote to keep its current account deposits target around Y30 trillion to Y35 trillion and to allow the deposits to fall below the target as demand for funds remain weak.

June 15th, Comments from BoJ Governor - Governor Toshihiko Fukui commented that two of the Bank of Japan's nine board members proposed cutting the bank's current account reserves. "The two board members said that the central bank can win the understanding of financial markets even if it takes one step further," Fukui told reporters. Fukui further stated that the bank plans no additional policy steps for now but the bank's policy options are "totally open."

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
06/16	Machine Orders (M/M) (APR)	-2.0%	1.9%
06/16	Machine Orders (Y/Y) (APR)	1.3%	13.2%
06/16	Machine Tool Orders (Y/Y) MAY F	0.1%
06/17	Leading Economic Index (APR F)	31.8	25.0
06/17	Coincident Index (APR F)	40	44.4
06/20	BOJ Monetary Policy Meeting Minutes
06/20	Convenience Store Sales (Y/Y) (MAY)	-0.9%
06/21	Merchandise Trade Balance Total (MAY)	¥962.8B
06/21	Adjusted Merchandise Trade Balance Total (MAY)	¥712.2B

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Valance Economic Report: United Kingdom

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June 15, 2005

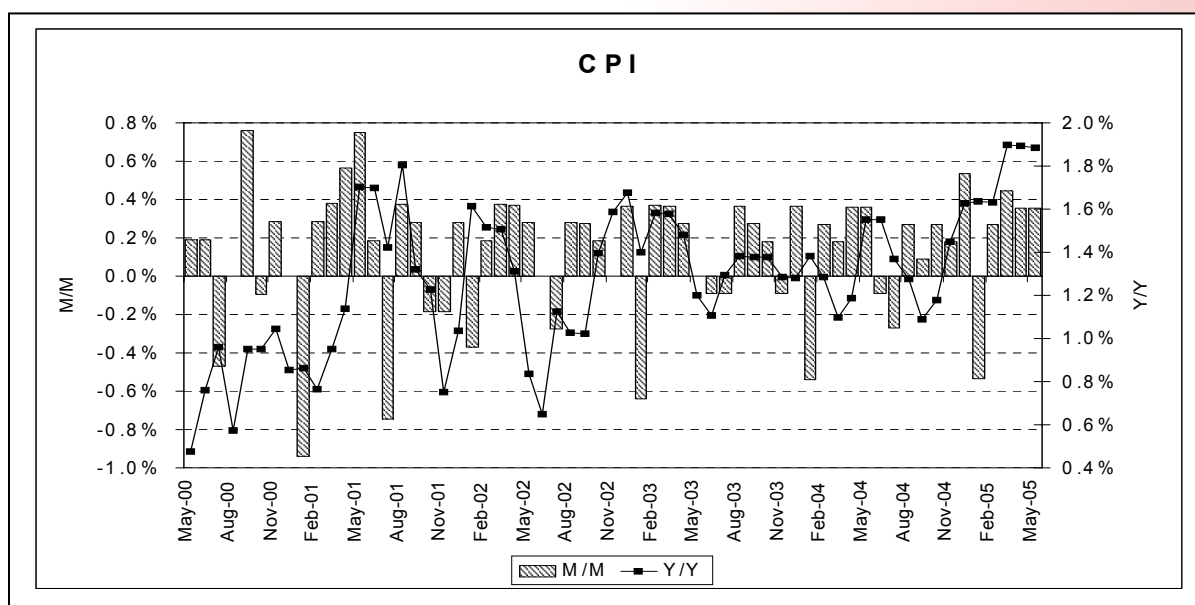
Discussions of rate cuts cooled this week after annual CPI remained near the Banks 2.0% target. Meanwhile, MPC Governor King commented that consumer spending may bounce back after a weak first half and that inflation may accelerate.

Weekly Highlights

CPI- increased 0.4% M/M and 1.9% Y/Y in May, slightly above expectations. (page 21)

RICS House Price Survey - decreased from -41 to -49 in May, the lowest since November 1992. (page 22)

The Claimant Count- jobless claims increased by 13,200, higher than the expectations of 5,000. (page 23)

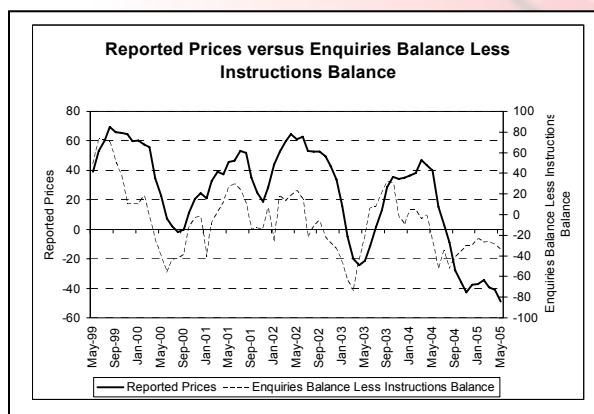
Weekly Releases & News**Chart of the Week: CPI**

CPI increased 0.4% M/M and 1.9% Y/Y in May. The index was boosted by a 18.5% M/M increase in airfare. There were downward effects from clothing and telecom.

RICS House Price Survey

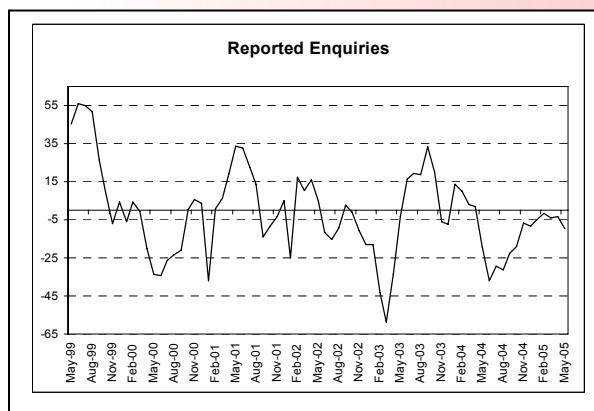
RICS Reported Prices

RICS House Price Survey decreased from -41 to -49 in May, the lowest since November 1992. The survey had been showing signs of stabilizing, but this severe drop wipes out any post-election expectations of a housing market recovery.



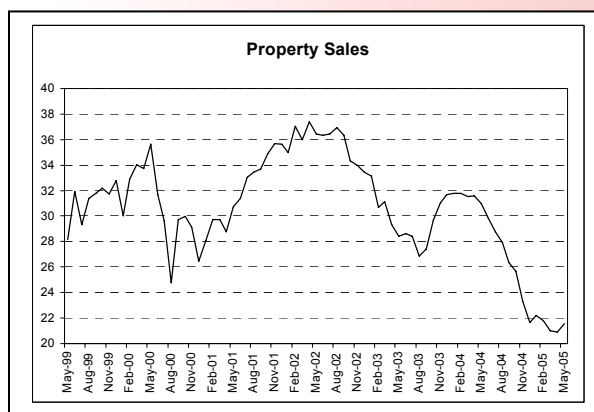
RICS New Buyer Enquiries

RICS New Buyer Enquiries decreased from -3 to -10 in May after being stable for several months. Agents have commented that uncertainty over the economy has kept potential buyers away.



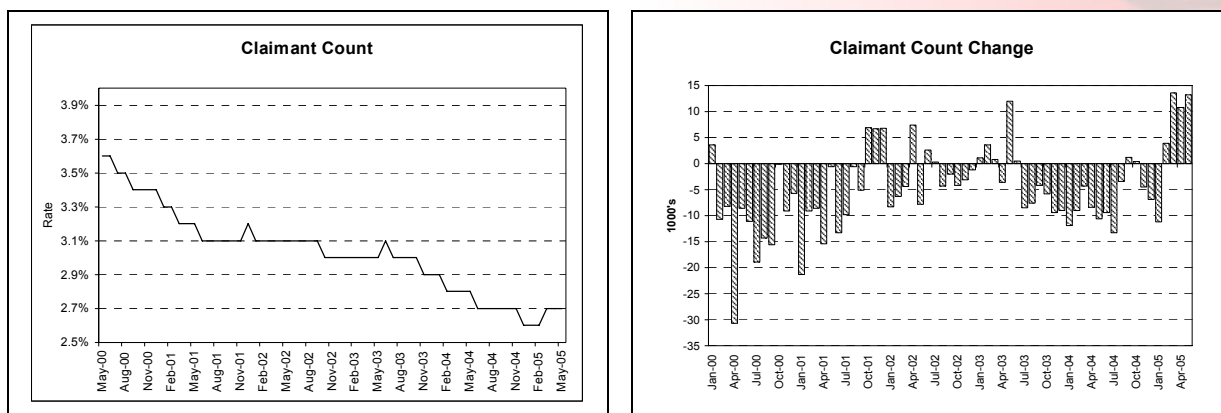
RICS Property Sales

RICS Property Sales decreased slightly from +22 to +21 in May. However, this is 30% lower than May of last year, reflecting the sharp drop off in activity in the second half of 2004.



Employment Data & Average Earnings Growth

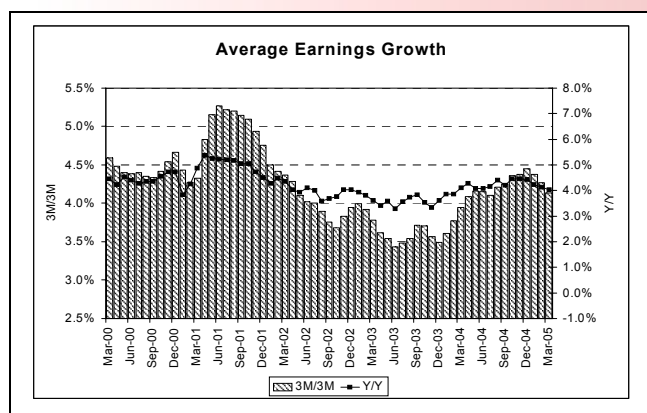
Claimant Count



The Claimant Count remained at 2.7% for the third consecutive month in May. However, the Claimant Count jobless amount increased by 13,200, above the expected 5,000. The increase is likely attributed to the collapse of MG Rover in late April. In addition, the rise in unemployment appears to reflect the increase in workers coming into the UK from EU 10 Accession countries displacing British workers.

Average Earnings

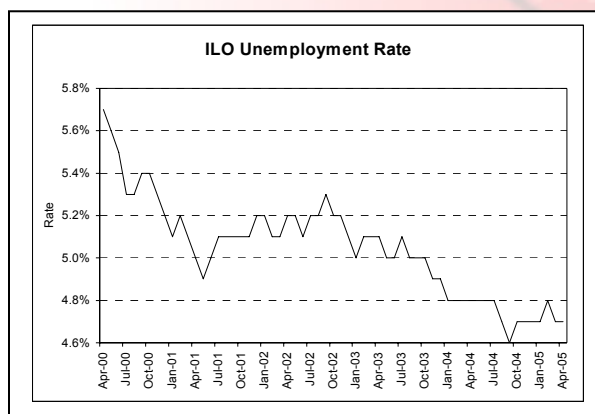
Average Earnings (ex bonus) increased 4.1% 3M/3M and 4.0% Y/Y in April. This “subdued pay growth” is due in part to a surge of new workers from EU 10 Accession countries whom will work for much lower wages. Average Earnings (inc. bonus) increased 4.6% 3M/3M and 4.3% Y/Y.



Employment Data & Production Growth

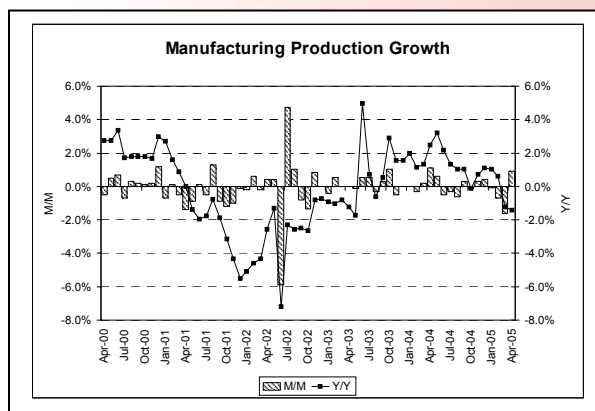
ILO Unemployment

The International Labor Organization (ILO) reported that the UK's unemployment rate remained at 4.7% for a second consecutive month in April.



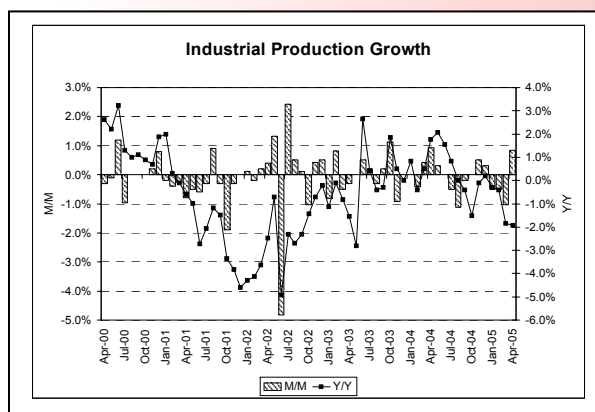
Manufacturing Production

Manufacturing Production increased 0.9% M/M and decreased 1.4% Y/Y in April. The main components consisting of transportation increased 2.1% M/M, chemicals and man-made fibers increased 1.8% M/M and electrical and optical equipment increased 1.8% M/M.



Industrial Production

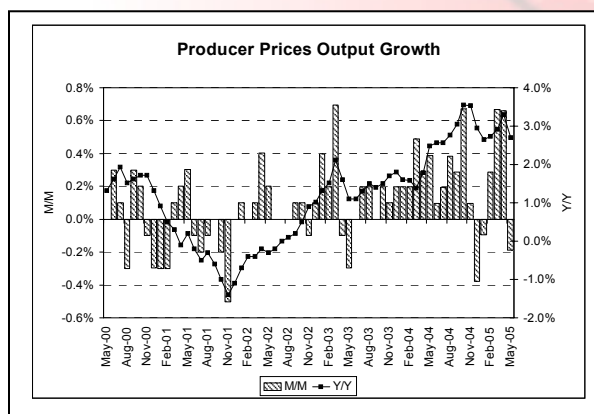
Industrial Production, which excludes mining and quarrying, increased 0.8% and decreased 1.9% Y/Y in April.



Producer Prices Growth & Trade Deficit

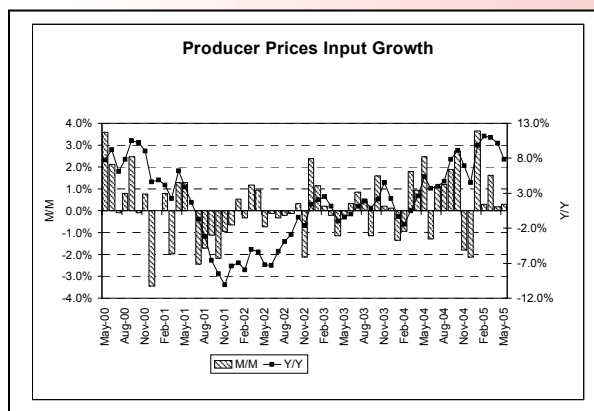
Output Producer Prices

Output Producer Prices decreased 0.2% M/M and increased 2.7% Y/Y in May. This unexpected decline was due to the drop in petroleum products and recycled materials such as scrap steel. Core output prices, excluding food, tobacco and petroleum, slowed from 2.7% Y/Y in April to 2.5% Y/Y in May.



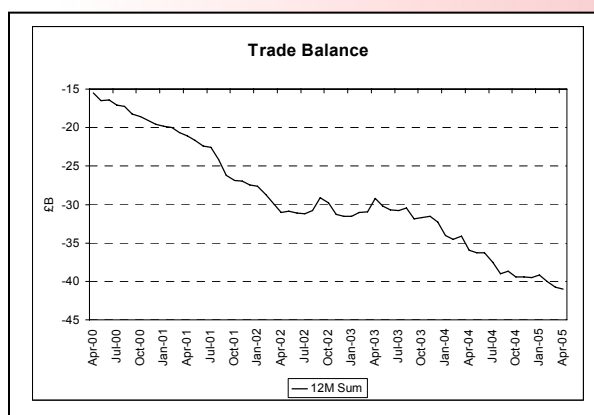
Input Producer Prices

Input Producer Prices increased 0.3% M/M and 7.8% Y/Y in May. The M/M increase was due to rising costs of food, imported parts and equipment, and fuels, and was offset by decreases in crude oil prices. Core input prices inflation slowed from 7.0% Y/Y to 6.9% Y/Y.



Trade Deficit

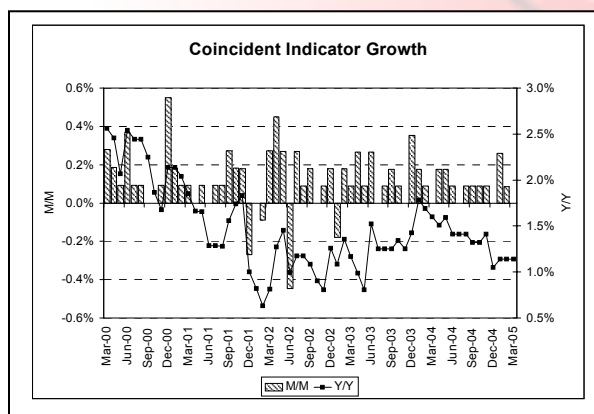
The Trade Deficit increased from £3.2 billion to £3.4 billion in April. The deficit with the EU was slightly lower at £2.2 billion as exports of crude oil, chemicals and cars increased. The deficit with non-EU countries increased to £2.6 billion as imports of oil and other fuels, cars and other consumer goods increased.



Coincident and Leading Indicator

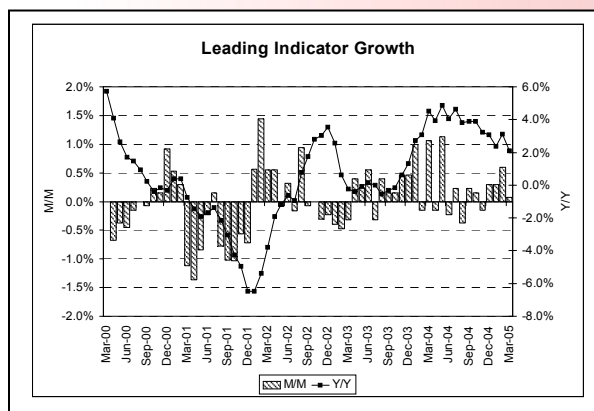
Coincident Indicator

The Coincident Indicator remained flat M/M and increased 1.1% Y/Y in March. Industrial Production and Retail Sales decreased 0.1% M/M and 0.1% M/M respectively, while Employment increased 0.1% M/M.



Leading Indicator

The Leading Indicator increased 0.1% M/M and 2.1% Y/Y in March. Order Book volume decreased 0.2% M/M while volume of Expected Output increased 0.3% M/M.



Data, Comments & Upcoming Dates

Data

NIESR GDP Estimate

The NIESR estimates that real GDP growth may have stagnated at 0.3% 3M/3M in May amid a housing market and consumer spending slowdown.

Comments

Mervyn Kings Comments

MPC Governor, Mervyn King, commented that the inflow of workers from EU's 10 Accession countries may have helped cap UK's labor market strains. He argued that risks to consumer spending may lie to the downside, while risks to inflation may lie to the upside due to rising import prices, buoyant money growth and a pick up in unit labor costs, if the inflow from EU's 10 Accession countries eases.

MPC Governor King also said consumer spending may bounce back after a weak first half and that inflation may accelerate, suggesting the Central Bank may not cut interest rates as soon as many investors expect. "The starting point is that inflation is very close to target and the economy is still growing at a rate not far from its long run average. It is possible that we are seeing a temporary slowdown in spending on durable and semi-durable goods." In addition, he said "the downward pressure on inflation from falls in import prices may have come to an end."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
06/16	Retail Sales	0.1% M/M 1.8% Y/Y	0.5% M/M 2.3% Y/Y
06/19	Rightmove House Prices		0.3% M/M 4.9% Y/Y
06/20	Public Net Borrowing		£1.3Bn
06/20	CML, BBA & BSA Mortgage Lending Data		91k
06/22	MPC Minutes		0

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Valance Economic Report: Canada

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June 15, 2005

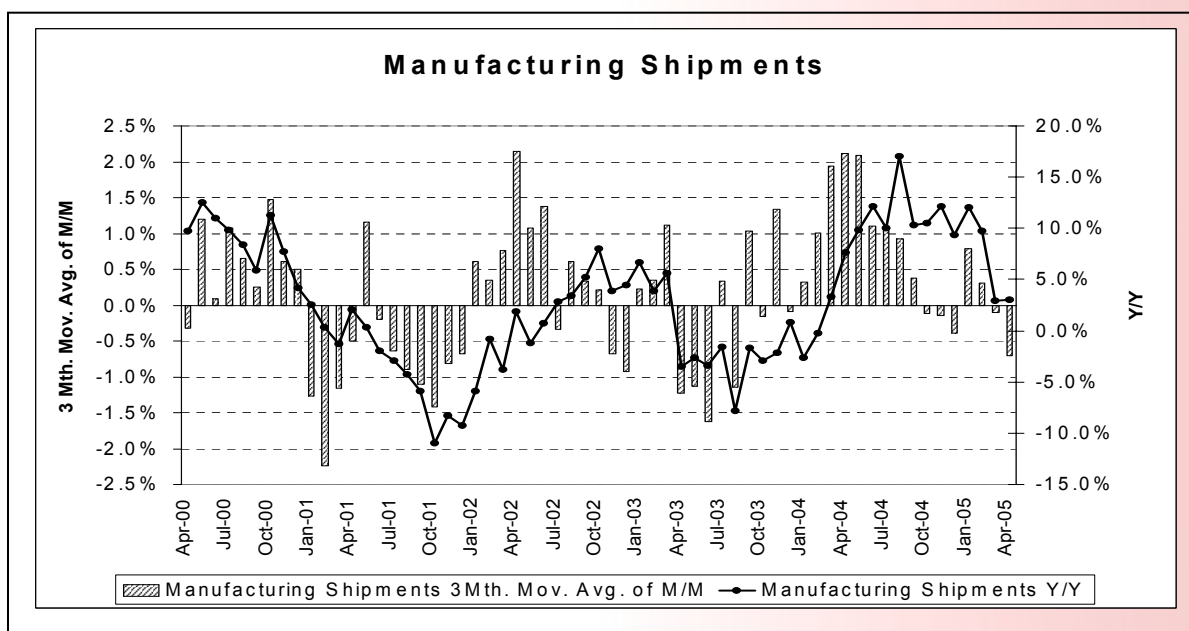
This month's data was solid. Employment data improved the trade surplus widened on an increase in exports while manufacturing shipments remained resilient. The key data to watch in the upcoming months will be manufacturing. Should exports continue to strengthen and jobs increase in the sector, a BoC hike will probably follow.

Weekly Highlights

Manufacturing Shipments – increased 0.9% M/M and 3.1% Y/Y in April. (page 28)

Trade Surplus– widened from \$4.8 billion to \$5.1 billion in May. (page 29)

Employment –35.4k new jobs in May. (page 30)

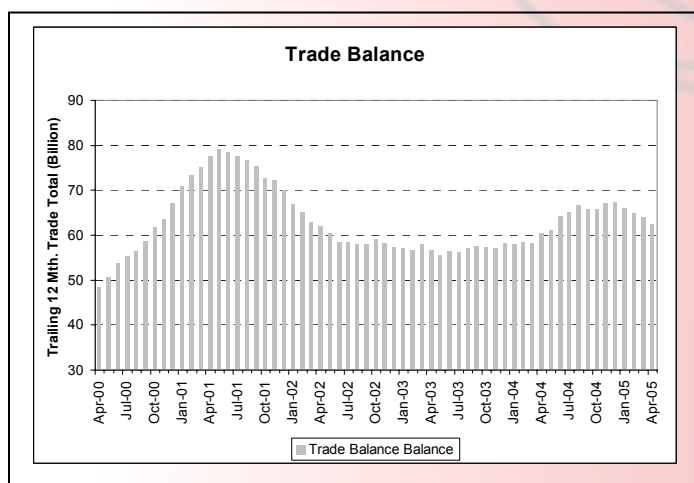
Data Releases & News**Manufacturing Shipments**

Manufacturers remained resilient in April, despite challenging economic conditions. Manufacturing shipments in Canada increased 0.9% M/M and 3.1% Y/Y in April. Orders increased 0.4% M/M and 2.0% Y/Y in April; inventories were unchanged and increased 8.9% Y/Y; and unfilled Orders increased 1.1% M/M and 5.9% Y/Y. With manufacturing remaining key to Canada's economy, this data suggests that the BoC will be able to continue to remain on hold before needing to increase its overnight rate.

Trade Balance, Exports & Imports

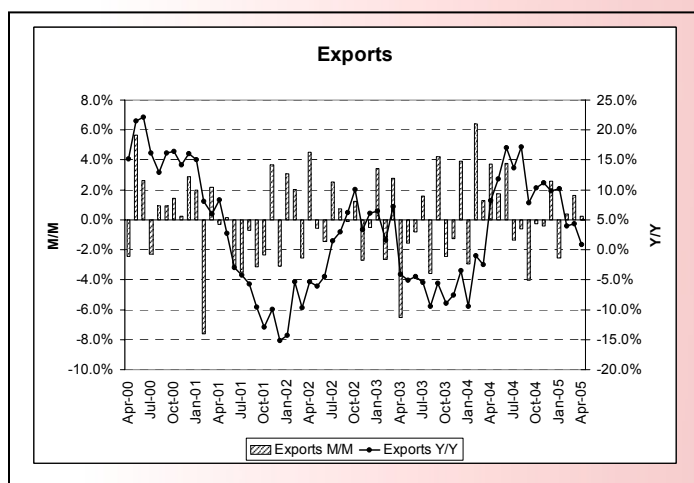
Trade Balance

Canada's trade surplus widened in April from a revised \$4.8 billion in March to \$5.1 billion in April. The increase in the surplus was greater than the \$4.5 billion level the market forecasted.



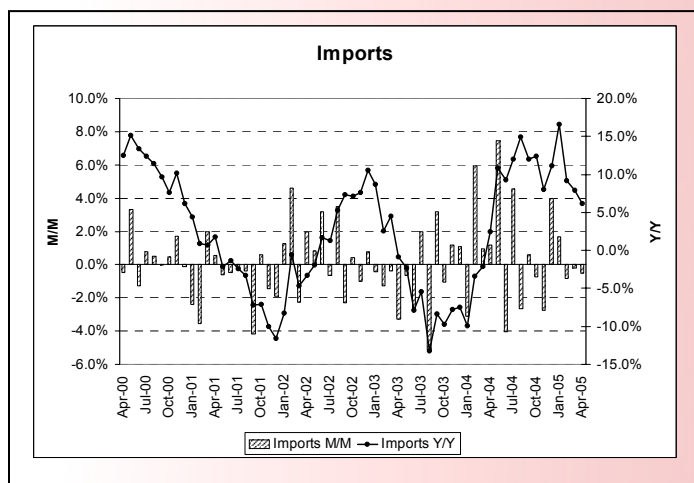
Exports

Exports increased 0.3% M/M in April due largely to meat products and aircraft. Exports of automotive products declined 1.2% M/M. Exports to the U.S. edged downward 0.4% M/M while exports to the rest of the world increased 4.0% M/M to a record high.



Imports

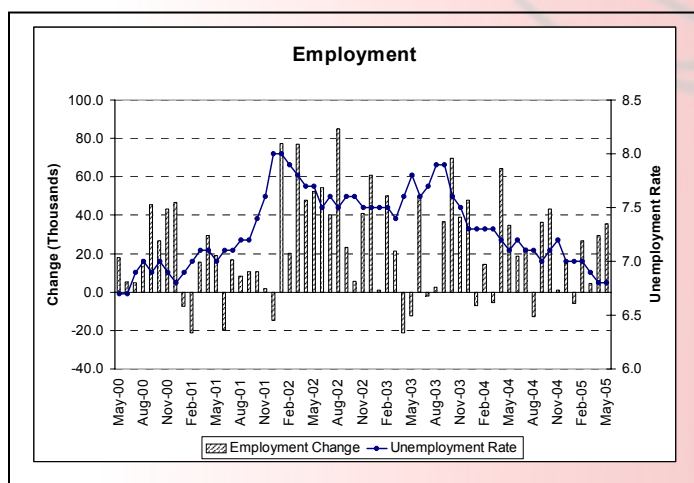
April's Imports declined 1.2% M/M. The decline ended four consecutive months of gains and resulted as industrial and agricultural machinery imports slowed. Imports of aircraft and other transportation machines increased however. Imports of consumer products decreased 3.3% M/M.



Employment, Labor Productivity & Capacity Utilization

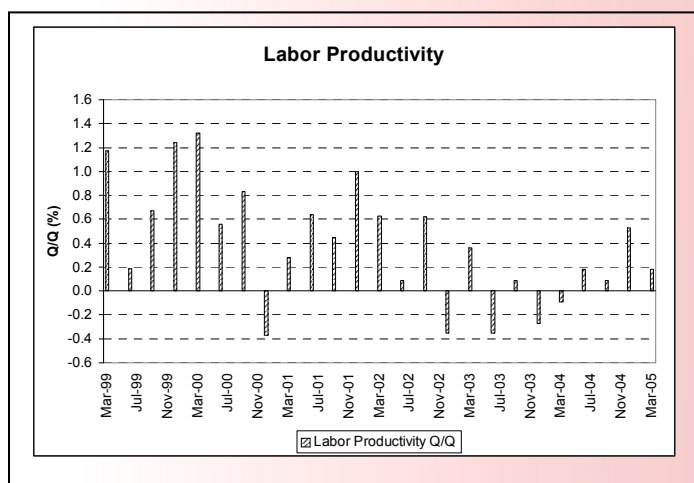
Employment

Canada added 35.4k jobs in May as the unemployment rate remained unchanged at 6.8%. The increase in jobs was led by the trade sector, which had a gain of 44.8k jobs. The manufacturing sector lost 18.8k jobs and the construction sector lost 14.9k jobs. The increase in jobs in May was driven by 36k new full time jobs while 23k part time jobs were lost.



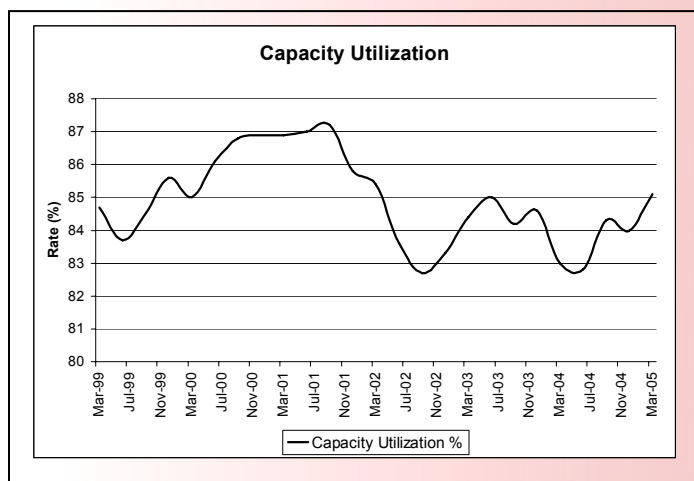
Labor Productivity

Labor productivity increased 0.2% Q/Q and 1.0% Y/Y in Q1. The increase followed a stronger 0.5% increase in Q4 of last year and came as a stronger C\$ encouraged businesses to increase their purchases of machinery and equipment.



Capacity Utilization

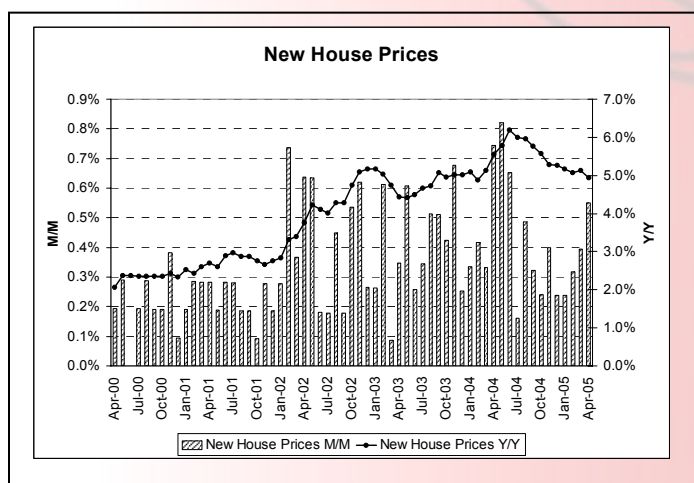
Canada's capacity utilization declined from 86.6% in Q4 2004 to 86.4% in Q1 2005. Energy sectors declined from 87.2% to 84.7% in Q1. Manufacturing increased from 86.5% to 87.0% in Q1. Construction declined from 84.9% to 84.4% in Q1, and Forestry & Lodging declined from 97.3% to 92.7% in Q1.



New House Prices, New Motor Vehicle Sales & Election Update

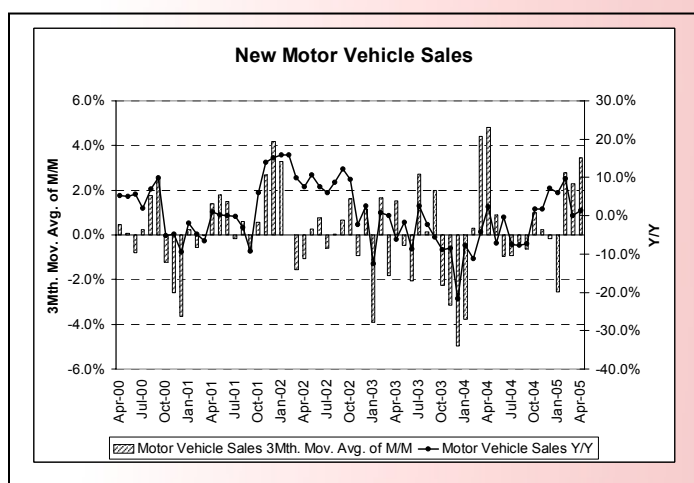
New House Price Index

The Canadian Index of New House Prices increased 0.6% M/M and 5.0% Y/Y in April.



New Motor Vehicle Sales

The number of motor vehicles sold in April increased 1.6% M/M and 1.4% Y/Y.



Election Update

June 15th – Canada's Prime Minister, Paul Martin, was able to remain in power as he achieved the required number of votes for the support of his budget. The votes were deemed matters "of confidence," which meant that if the budget was defeated, his minority government would have been forced to resign.

Consumer Confidence, Company Employment & Upcoming Dates

Consumer Confidence

According to the Conference Board of Canada's consumer confidence gauge, Consumer Confidence increased from 121.1 to 122.6 in May, a 1.2% M/M increase.

Company Employment Forecasts

A recent Manpower Inc. Survey found that Canadian employers intend on increasing their rate of hiring in the 3rd quarter this year. The increase was led by mining companies and retailers, who led 34% of all employers that stated that they intended on adding workers. The increase is larger than the 31% forecasted in Q2. Although the increase suggests significant growth may lie ahead for Canada, their net employment outlook, which subtracts the percentage of companies that plan to fire workers from the share that expect to add jobs, was unchanged at 18% from the second quarter.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
06/17	Wholesale Sales (April)	0.7%	0.5%
06/21	Retail Sales (April)	0.4%	0.2%
06/21	Retail Sales Ex-Autos (April)	0.5%	0.9%

Valance Co., Inc.

Valance Economic Report: Australia

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June 15, 2005

This week's data came in on the softer side. Details behind May's employment numbers were softer than the headline implied. May's Business Confidence and June's Consumer Confidence both edged downward. RBA Governor Macfarlane stated that this slowdown is healthy however, supporting our view that rates will remain unchanged through the remainder of the year.

Weekly Highlights

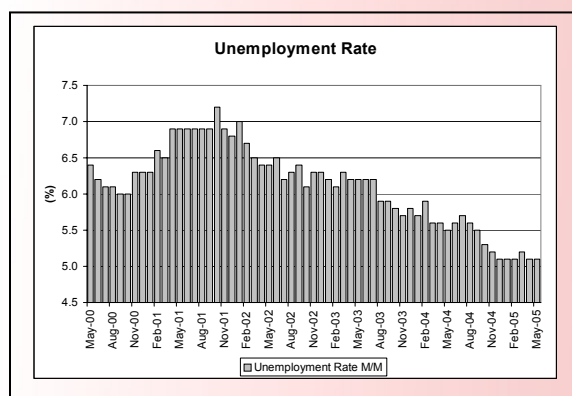
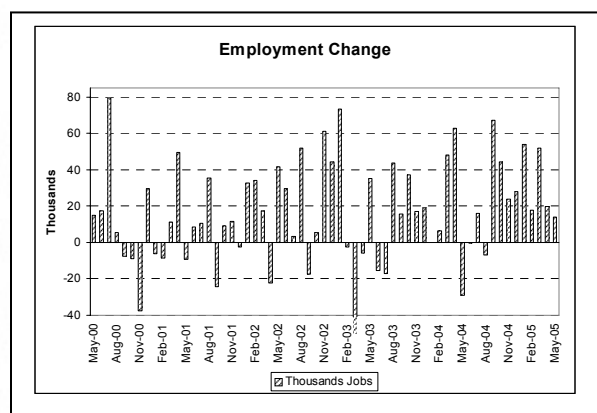
Employment – 14K jobs were added; Unemployment rate unchanged at 5.1% in May. (page 33)

RBA's Comments – recent slowdown healthy. (page 34)

Costello's Comments – despite strength in labor, economy expected to slow. (page 34)

Weekly Releases & News

Employment



The Australian economy added 14K jobs while the unemployment rate remained unchanged at 5.1% in May. The monthly increase in jobs was unexpected as the market forecasted a 5k decline in jobs. The Unemployment rate remained at its 28 year low. Details behind the news were not quite as strong; full-time employment declined 600 in May and part-time employment increased by 14.6k positions. April's increase was revised upward from 6.9k to 14.0k. The number is likely to support a continued tightening bias from the RBA in the upcoming months.

RBA's Comments, Costello's Comments & Manufacturing

RBA's Comments

In a statement in Sydney, RBA Governor, Ian MacFarlane, stated that the recent slowdown in the Australian economy is a "healthy correction" for an economy in its 14th year of expansion. "The economic situation has evolved quite favorably with domestic demand continuing to slow to what appears to be a sustainable rate," MacFarlane stated. He also commented that "Output, as measured by GDP, has also slowed...some people are disappointed that GDP growth is now running at a below average rate, but I view recent events as a healthy correction and certainly a much better outcome than several other potential outcomes."

Costello's Comments

Australian Treasurer, Peter Costello, commented on employment that, "It indicates that the economy still has some strength in it. Most people would think the unemployment rate would go up this time. This was stronger than expected. Employment is normally a lagging indicator. What it tells you is that we have strong consistent growth and that is still working itself into good jobs growth."

On house prices, Costello stated that, "There is no doubt that the housing market has plateaued. Prices are no longer rising in the unsustainable rate they were at. Approvals have come off. Credit has come off. Auction clearance rates have risen. This is no bad thing. Prices were rising too fast and in an unsustainable way, so if we can have an orderly slowdown in the housing market, that's actually a good thing for the economy."

Manufacturing

The AIG Manufacturing Index declined to its lowest quarterly level in over three years as softer consumer demand led factories to reduce their output-37% of manufacturers surveyed stated that they expect to increase production over the next 12 months, lower than the 51% that stated the same thing last quarter.

Consumer Confidence, Business Survey & Business Confidence

Consumer Confidence

According to the Westpac Consumer Confidence Index, Consumer Confidence declined 0.5% M/M and 0.7% Y/Y in June. The decline came as signs of slowing growth in the economy lowered consumers' optimism. The confidence index remains below the record levels from before the RBA raised rates in March. Three of five components in the index increased in June. The index measuring the state of family finances, compared with a year earlier, gained 0.1%. The index measuring the outlook for family finances, over the next 12 months, increased 0.3%. The index, measuring whether now is a good time to buy major household goods, increased 8.4%.

The indices that declined were ones that measured the economic outlook for the next 12 months, which declined 4% M/M in June, and the index that measures the consumers' economic forecast over the next five years, declined 10%.

The index, which measured whether or not it is a good time to buy a home, increased 26.8% however, offsetting 13.3% decline in March.

Business Survey

The index measuring business confidence remained at a two year low in May, while the index measuring companies' expectations of the economy over the next six months remained unchanged at -5 pts from three months earlier. A negative result indicates that more companies expect the economy to worsen instead of improve.

Business Confidence

The National Australia Bank Business Confidence Survey indicated that business confidence increased in May, edging above its three year low. The business confidence index increased from 4 to 5 in May as companies experienced increased profits and miners and manufactures reported a gain in new orders. The increase in confidence isn't expected to be enough to alter expectations for the slowing economy however, and the NAB itself noted that they do not expect the improvement in business confidence to continue.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
06/15	Consumer Inflation Expectations	N/A	N/A
06/16	Reserve Bank of Australia Monthly Bulletin	N/A	N/A
06/19	Dwelling Starts (Q1)	N/A	-0.6%
06/20	Treasury Secretary Ken Henry Speaks	N/A	N/A
06/21	Westpac Leading Economic Index (April)	N/A	N/A
06/21	Australian Skilled Vacancy Report	N/A	N/A
06/21	New Motor Vehicle Sales (May)	N/A	2.0%

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Valance Economic Report: New Zealand

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June 15, 2005

This week's data was mixed. With accelerating home prices in May and a larger than expected increase in retail sales in April, the RBNZ's recently hawkish tone seems justified. Amid recent signs of softening domestic demand however, the RBNZ may not find the need to turn their bias into actions.

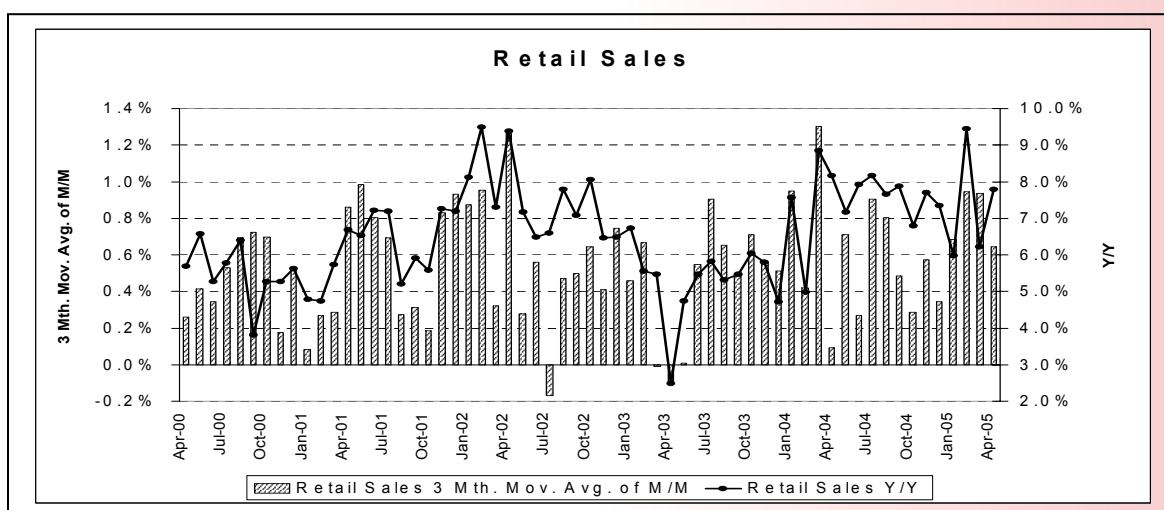
Weekly Highlights

Retail Sales – increased 0.7% M/M and 7.8% Y/Y in April. (page 37)

RBNZ – still on hold, albeit with a very hawkish tone. (page 38)

Weekly Releases & News

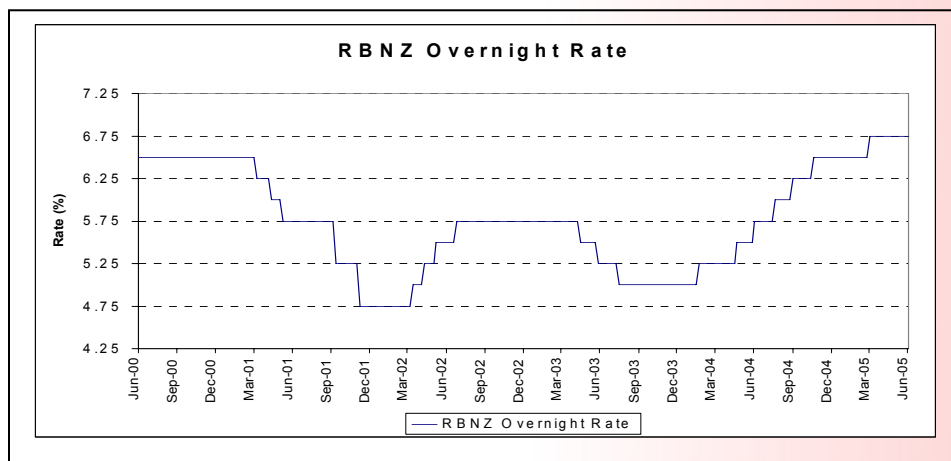
Chart of the Week: Retail Sales



Retail Sales in New Zealand increased 0.7% M/M and 7.8% Y/Y in April. The increase was more than the market's expected 0.5% M/M increase and was led by a 12.2% M/M increase in sales of smash repair/tires, a 7.1% M/M increase in clothing and soft goods, and a 4.1% M/M increase in appliance retailing. With a 10.9% M/M decline in department store sales in April however, the details of this data supports our view that, although the RBNZ will maintain its tightening bias for some time, the economy's growth is in fact slowing and we do not expect the RBNZ to raise its overnight rate this year.

Official Cash Rate, Bollard's Comments & Terms of Trade

Official Cash Rate & Bollard's Comments



The RBNZ left its overnight rate unchanged at 6.75% on June 8th, as the market expected. RBNZ Gov., Alan Bollard, gave a hawkish accompanying statement, stating that "inflation pressures remain persistent," and that "The current outlook offers no scope for an easing of policy in the foreseeable future and further policy tightening cannot be ruled out." He also stated that, "The balance of inflation risks remains on the upside," and that "Increases in the costs of labor, energy, and freight are now putting considerable pressures on margins and prices."

Bollard did however, acknowledge recent soft data, stating that "There is sufficient evidence that the economy is slowing, and that past policy tightening are yet to have their full effect." Going forward, should the economy continue to exhibit strength, a rate hike appears likely, however, if the economy begins to cool as we anticipate, the RBNZ will likely remain idle on the trigger through the end of the year.

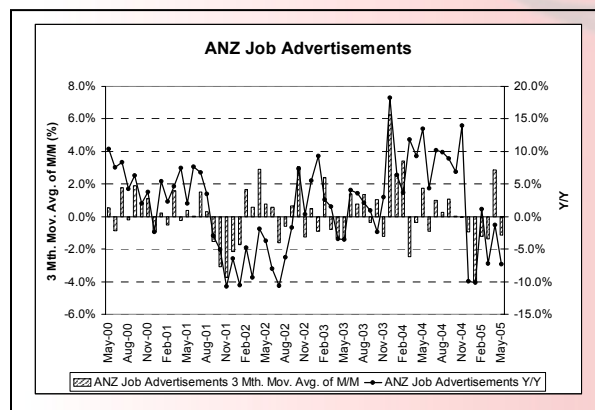
Terms of Trade

New Zealand export prices increased 0.2% Q/Q and 4.9% Y/Y. Import prices declined 1.9% Q/Q and increased 0.5% Y/Y. New Zealand's Terms of Trade increased 2.2% Q/Q and 4.4% Y/Y. The increase in export prices were below market expectations for a 0.5% decline as a gain in world commodity prices offset a higher local currency.

Job Advertisements & Bollard's Comments

Job Advertisements

Job advertisements in major New Zealand newspapers declined 3.8% M/M and 7.3% Y/Y.



Bollard's Comments

RBNZ Gov. Bollard commented on New Zealand's current account deficit, the exchange rate, and the country's outlook for economic growth in Parliament on June 9th. He stated that "We forecast a (current account) deficit of about 6.5% (of GDP). That is one of the things we think is not sustainable medium term.... That doesn't mean it comes back to balance. New Zealand is quite capable of going on with something like a 4% deficit over a long time period. We do try to apply monetary policy in a way that won't exacerbate this."

On the exchange rate, he stated that, "If the dollar falls away, it does have a direct impact through on to inflation and makes the inflation track worse and harder for the U.S. We would have to look as to whether there would have to be a monetary policy response to that."

On his economic forecast, he stated that, "Economic activity we think is peaking about now, and coming off, but more slowly than a lot of people think...The economic cycle is a little stronger than some think and going on for longer. We're tasked to look at the inflation cycle. That is peaking a little later than economic activity. We're not there yet." He also stated that, "We don't see a loosening in monetary policy in the foreseeable future. We still feel monetary policy as some work to do in terms of reducing demand and ensuring inflation pressures don't get stuck and cause damage to the economy."

Many economists believe that there's a large risk of a hard landing for the economy in the upcoming months, particularly if there's another rate hike. To this, Bollard stated that "Around the turning point you can be vulnerable and you don't want to be in a position where you are applying tight monetary policy that drives down the contraction much harder to a tougher landing than it otherwise would be. It's our view we're not doing that."

House Prices & Upcoming Dates

House Prices

House prices in New Zealand increased 13.5% Y/Y in May, accelerating from April's 12.5% Y/Y increase.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
06/15	Manufacturing Activity (Q1)	N/A	-1.1%
06/15	Visitor Arrivals (May)	N/A	-6.9%

Valance Co., Inc.

Valance Economic Report: China

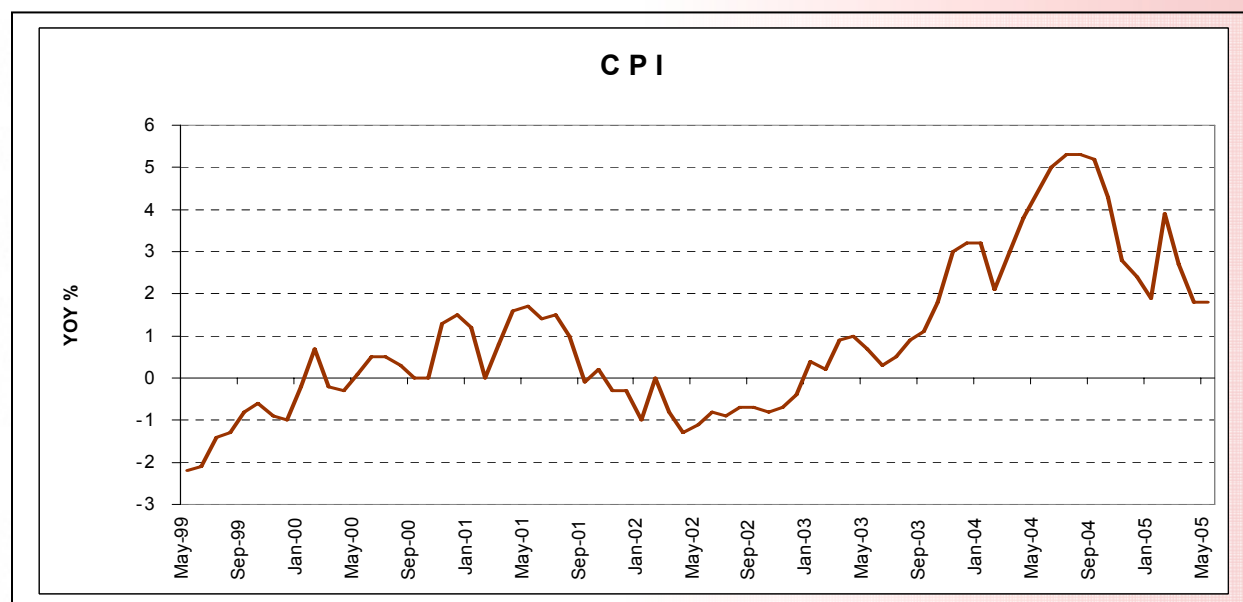
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June 15, 2005

Recent economic releases in China were mixed. Consumer Price growth remained at a 19 month low while Retail Sales and Producer Price growth ticked up. Meanwhile, China and the European Union have forged a textiles deal on 10 categories of textile exports. The 7.5% Y/Y cap that was outlined to be imposed on textiles earlier this year has been revised to an 8.0% to 12.5% range.

Weekly Highlights

- **Consumer Price growth** - remained at 1.8% Y/Y in May. (page 41)
- **Retail Sales** - increased from 12.2% Y/Y in April to 12.8% Y/Y in May, above expectations. (Page 42)
- **Producer Price growth**- increased from 5.8% Y/Y in April to 5.9% Y/Y in May. (Page 42)
- **China's trade surplus** - widened from US\$4.6 bln in April to US\$9.0 bln in May. (Page 43)

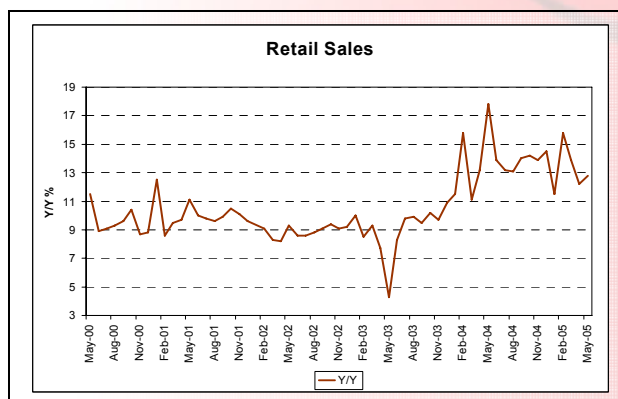
Weekly Releases & News**Chart of the Week: CPI**

Consumer Price growth remained at a 19 month low in May, increasing 1.8% Y/Y. This slowdown in growth has led the People's Bank of China to revise its 2005 inflation rate forecast from 4.0% to a 3.0% to 3.5% range (down from 3.9% in 2004). The Bank cited that "The pressure from food prices is easing, but there is still a possibility that crude oil and raw-material will rise at a high level."

Retail Sales, PPI & Value-Added Industry

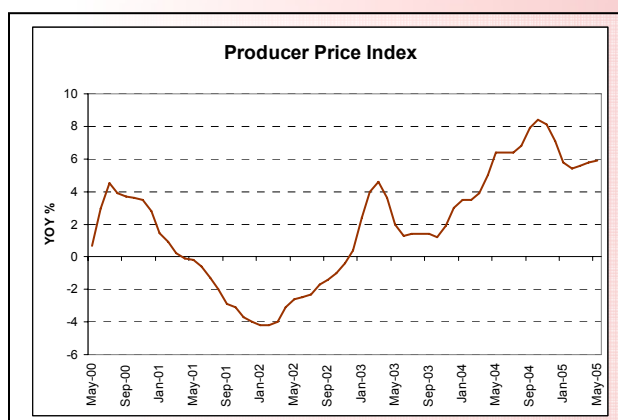
Retail Sales

Retail Sales growth increased from 12.2% Y/Y in April to 12.8% Y/Y in May, above expectations, as higher income boost spending. Restaurant sales, vehicle receipts and garment sales all increased 20%, 15% and 19% in May.



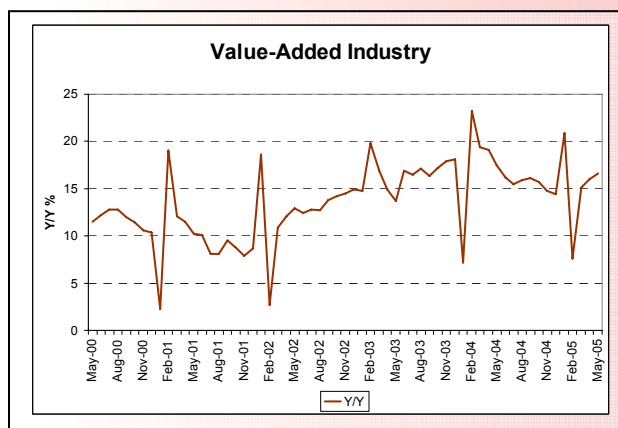
PPI

Producer Price growth increased from 5.8% Y/Y in April to 5.9% Y/Y in May. Following a sharp downturn last year, growth in producer prices has been trended up since January of this year.



Value-Added Industry

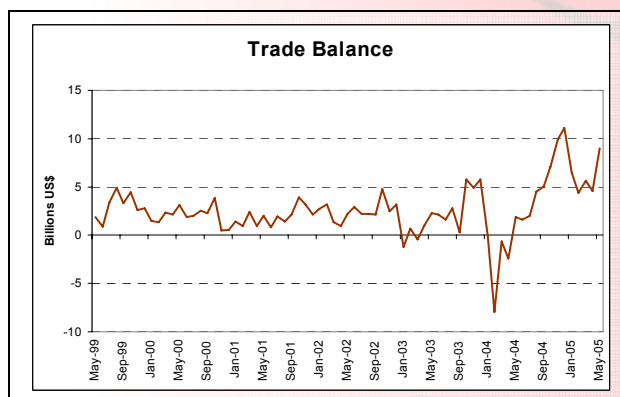
Value Added Industry growth increased from 16.0% Y/Y in April to 16.6 % Y/Y in May, above expectations.



Trade Balance, Total Exports & Imports

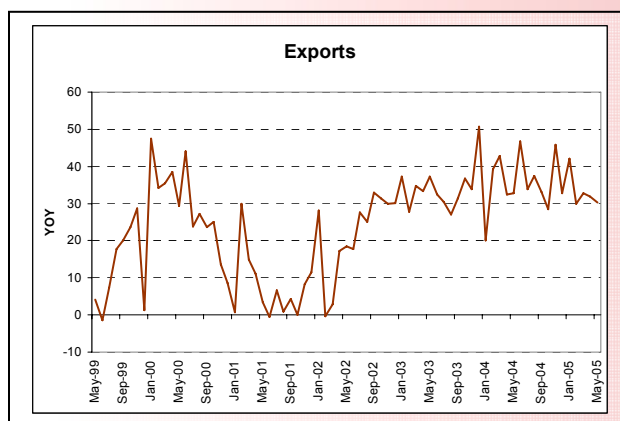
Trade Balance

China's trade surplus widened from US\$4.6 bln in April to US\$9.0 bln in May, as exports growth continues to overshadow that of imports.



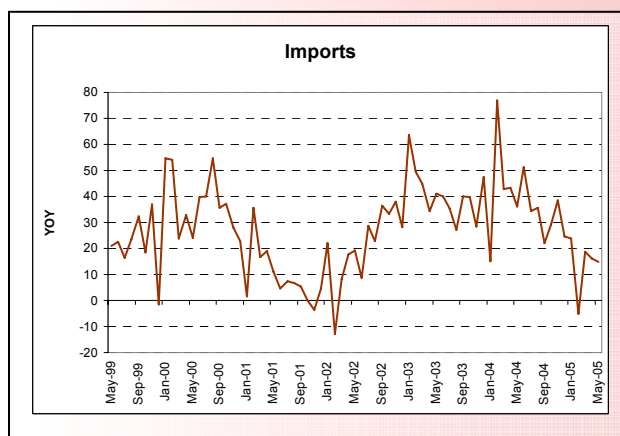
Total Exports

Total Export growth slowed from 31.9% Y/Y in April to 30.3% Y/Y in May.



Total Imports

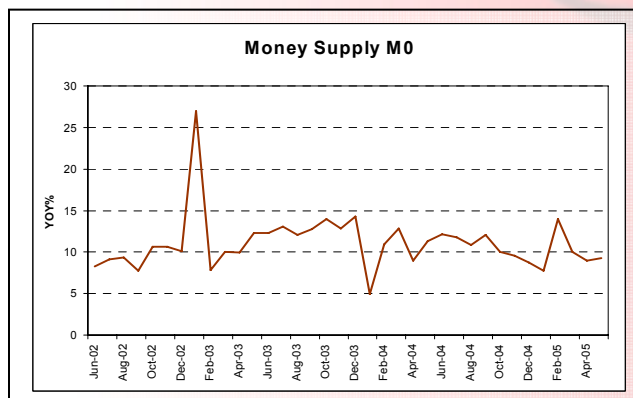
Total Import growth slowed from 16.2% Y/Y in April to 15.0% Y/Y in May. Imports have been trending down due to a slowdown in inventory investment.



Money Supply

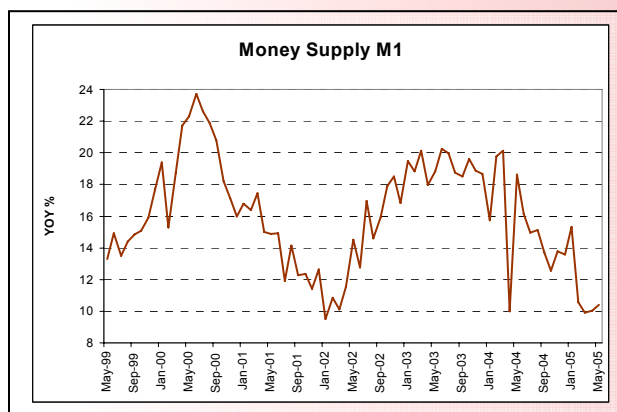
Money Supply – M0

Money Supply M0 increased from 9.0% Y/Y in April to 9.3% Y/Y in May.



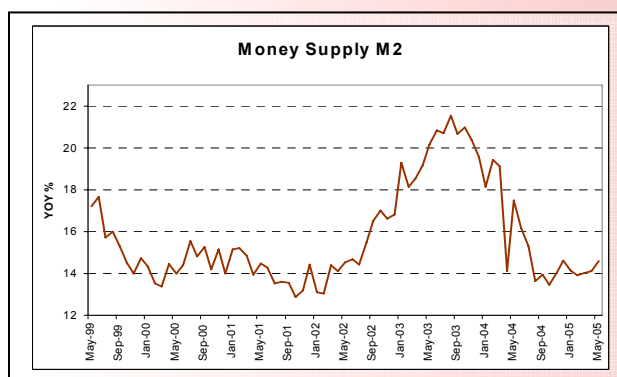
Money Supply – M1

Money Supply M1, which includes cash, increased 10.0% Y/Y in April to 10.4% Y/Y in May.



Money Supply – M2

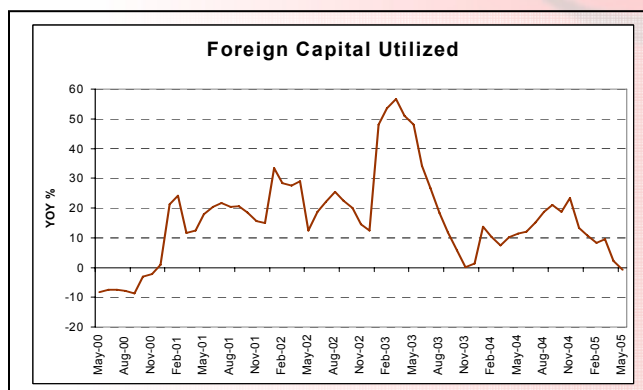
Money Supply M2, which includes cash and all deposits, increased from 14.1% Y/Y in April to 14.6% Y/Y in May. Money supply has steadied at a 14% level, for 10 consecutive months, slightly below the target range of 15% -17%, enforced to help control the “over-heated economy.”



Foreign Capital & News Releases

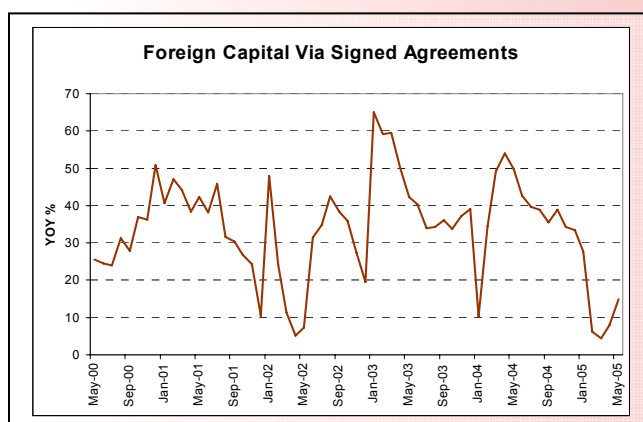
Foreign Capital Utilized

Foreign Capital Utilized decreased 0.8% Y/Y in May. Growth in this series has been slowing since January of 2004.



Foreign Capital Via Signed Agreements

Foreign Capital Via Signed Agreements growth increased from 8% in April to 14.8% Y/Y in May.



News Releases

June 14th – More Prudence In Property Lending – In an effort to stem property market speculation, the PBoC is encouraging financial institutions to be cautious in lending to investors. This comes after real estate loans in Shanghai increased over 40.0% last year. The Bank is urging institutions to limit its lending to luxury home investors and buyers, as well as, cut back on office development lending.

June 14th – Foreign Exchange Reform – The Central Bank is on its way to reforming China's foreign exchange policies to avoid capital moving back into China. The Bank stated there is a possibility that "unstable" capital that has left the country in the last 10 years may return, thus, "putting pressure on the yuan exchange rate mechanism, buffeting domestic financial markets and insidiously affecting financial stability." The Bank added that inflows are unknown, however, outflows from 1994 to 2003 total 1.72 trillion yuan.

News Releases (cont'd.) & Upcoming Dates

June 14th – China and E.U. Come to Agreement On Textile Issue – China and the European Union came to an agreement this past weekend to set limits on 10 categories of textile exports. The 7.5% Y/Y cap that was slated to be imposed on textiles, earlier, was revised and will range between 8.0% and 12.5%, allowing for greater growth. Furthermore, the new limit will expire in 2007. The U.S. has not been as accommodating, however, and has yet to reach an agreement with China, but is “reviewing the agreement,” stated an unknown U.S. Commerce Department’s Spokesperson. China’s Commerce Minister, Bo Xilai, praised the E.U. for the way the dispute was resolved, but indirectly criticized the U.S. stating “Unlike some other countries, the EU didn’t take unilateral steps against China, but discussed the issue in a friendly manner.” Bo added “Chinese people have a saying: ‘If you respect me by an inch, I’ll respect you by a foot’.”

June 9th – More Measures to Curb Bank Fraud – In an effort to eliminate fraud, the Bank of China has proposed nine measures -- one of which will force bank leaders to swap posts every three years. Spokesperson for the Bank, Wan Zhaowen, warned that “disciplinary measures” will be taken against individuals unwilling to exchange posts. Other measures are as follows: Managers will be allowed to take between 5 and 10 days vacation, during which time hand-picked supervisors will be assigned to check internal control systems; Headquarters will be notified of presidential appointments at lower branches; and Managers will be responsible for Human Resources and Accounting at county-level branches.

June 9th - Economy Expected To Grow 8.5% in First-Half – The Chinese Academy of International Trade and Economic Cooperation, a research arm of China’s Commerce Ministry, predicts the economy will increase 8.5% Y/Y in the first-half of 2005 and by 8.0% Y/Y through the entire year.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
06/19-29	Foreign Exchange Reserves – May	--	--
06/20-29	Household Savings – Trin Yuan – May	--	12.98T

Valance Co., Inc.

Valance Economic Report: Sweden

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June 15, 2005

Data released in Sweden over the past week continues to show signs of a struggling economy as Industrial Production, Industrial Orders and Consumer Price Y/Y growth experienced slowdowns. Conversely, the Activity Index Level increased. Deputy Governor, Irma Rosenberg, wouldn't confirm or deny market expectations of a rate cut, but stated there is room for "a more expansionary monetary policy." The Bank's policy makers will meet on June 20th to decide.

Weekly Highlights

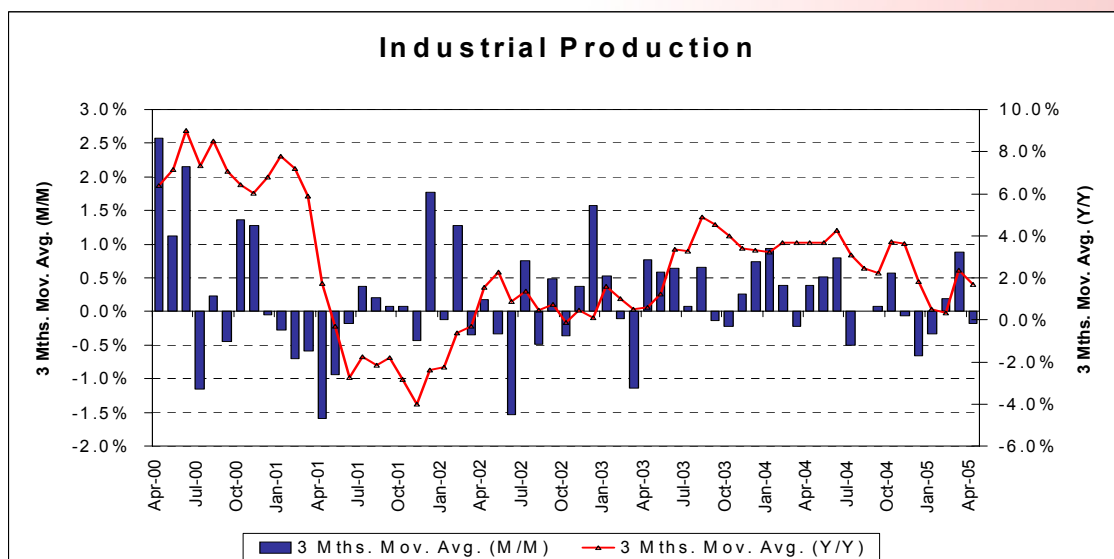
Industrial Production - fell 2.3% M/M and 2.1% Y/Y in April. (page 47)

CPI - M/M growth remained unchanged from April to May at 0.1% and grew 0.1% Y/Y in May. (page 48)

Industrial Orders - fell 3.9% M/M and rose 3.3% Y/Y in April. (page 48)

Weekly Releases & News

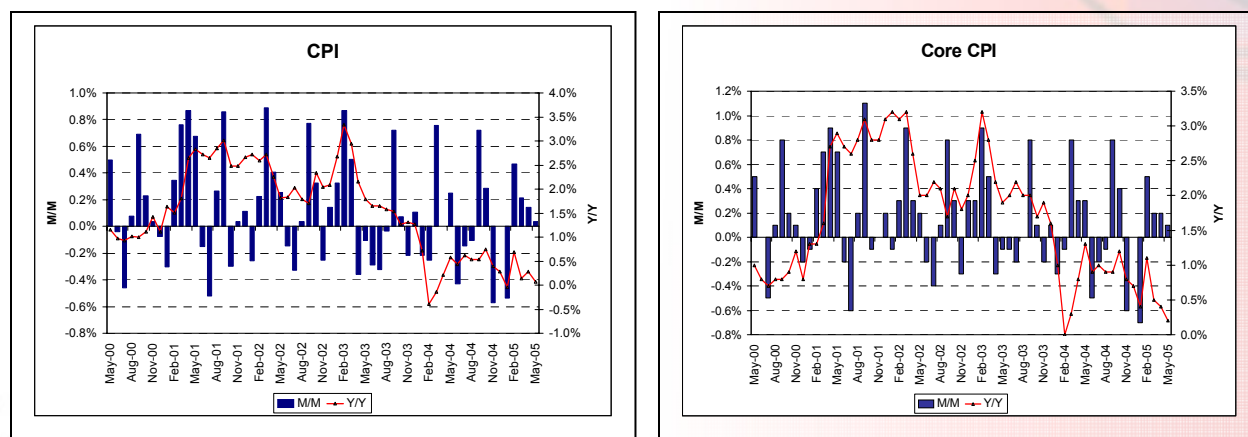
Chart of the Week: *Industrial Production*



Industrial Production fell 2.3% M/M and 2.1% Y/Y in April, below expectations of a -0.7% M/M loss and 2.4% Y/Y gain. This was the largest slowdown since January 2003. This data is another indication that a rate cut may be in order. Up to this point the Bank has kept its key rate unchanged at 2.0%.

CPI & Industrial Orders

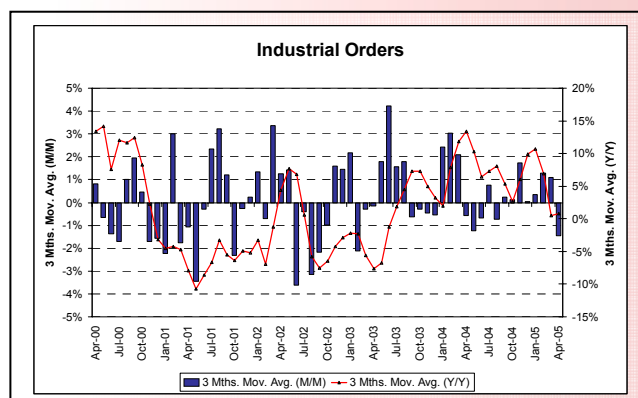
CPI



Swedish Consumer Prices M/M growth remained unchanged from April to May at 0.1%. The Y/Y growth eased from 0.3% in April to 0.1% Y/Y in May. The data was reflective of lower vegetable prices and telecommunications costs. Underlying inflation increased 0.1% M/M and 0.2% Y/Y, above expectations. This data is placing pressure on the Central Bank to reduce rates. The Bank expects inflation to hit its 2.0% target in two years.

Industrial Orders

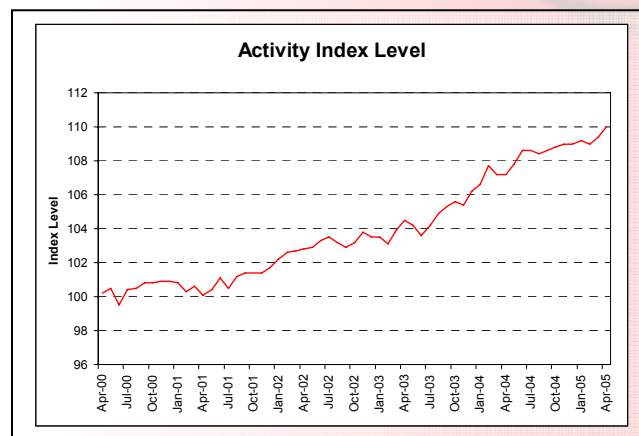
Industrial Orders fell 3.9% M/M and rose 3.3% Y/Y in April. This was reflective of M/M decreases in both export and domestic markets of 4.2% and 3.6%, respectively.



Activity Level Index, AMS Unemployment Rate & News Releases

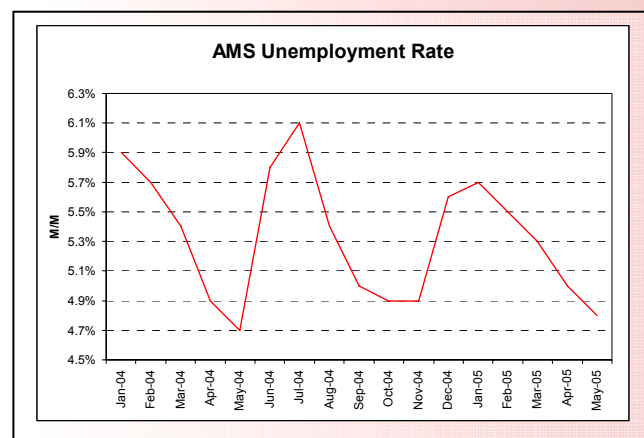
Activity Index Level

The Activity Index Level increased from a revised 109.5 in March (up from 109.4) to 110.0 in April.



AMS Unemployment Rate

The Labor Board's un-official Unemployment Rate declined from 5.0% in April to 4.8% in May. The decrease was a result of less individuals being fired and more jobs being offered. A total of 213K Swedes were unemployed – a drop of 8K from the month before. This data is based on the number of people collecting unemployment benefits at the end of the month. Labor Board Head, Anders Johansson, stated that the market is "starting to strengthen," but doesn't see a "dramatic upswing going forward."



News Releases

June 15th – Rosenberg's Thoughts on Monetary Policy – The Central Bank may lower interest rates as inflation is expected to be below target up to two years ahead or so Riksbank Deputy Governor, Irma Rosenberg, loosely indicated. She stated "I myself see scope for a more expansionary monetary policy," but it will be decided at the Bank's next meeting.

News Releases (cont'd.) & Upcoming Dates

June 9th – Budget Deficit Estimate Raised - The National Financial Management Authority raised its 2005 budget deficit forecast from SEK 23.2 bln to SEK 32.7 bln and then will widen to SEK 47.3 bln in 2006. The Authority explained the reason “for the large deficits is the weak development in the labor market in relation to gross domestic product.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
06/21	Riksbank Interest Rate	--	2.0%
06/22	Unemployment Rate - May	--	5.8%