

Valance Company, Inc.



Weekly

July 7, 2005

III

Highlights

US – Manufacturing surveys stabilize (page 2)

Euroland – Weaker Euro helping sentiment (page 8)

Japan – Capex intentions, employment, CPI all pick up (page 16)

UK – Stronger PMI delays rate cut (page 25)

Canada– Strongest GDP growth in 8 mths (page 30)

United States
Cesar Guerra
CGuerra@Valance.US

Euroland
Sean O'Reilly
SOreilly@Valance.US

Japan
China
La-Toya Elizee
LElizee@Valance.US

United Kingdom
Gabe Webber
GWebber@Valance.US

Canada
Australia
New Zealand
Davin Patton
DPatton@Valance.US

Switzerland
Milo Prochazka
MProchazka@Valance.US

China
Sweden
Evelyn Richards
ERichards@Valance.US

June 30 – July 7 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	3.25	3.55	3.86	4.02	4.07	4.09
EU	2.00	2.11	2.08	2.06	2.09	2.17
JN	0.00	0.06	0.09	0.10	0.13	0.14
UK	4.75	4.65	4.37	4.20	4.15	4.17
CA	2.50	2.65	2.76	2.99	3.12	3.20
AU	5.50	5.60	5.66	5.66	5.58	5.54
NZ	6.75	6.98	7.01	6.94	6.72	6.58
SZ	0.75	0.73	0.71	0.70	0.76	0.86

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Valance Economic Report: United States

Cesar Guerra
(340) 692-7710
cguerra@valance.us

July 7, 2005

The recent tragic bombings in London will most likely be a non-event for the U.S. economy. Equity and fixed income markets have already snapped-back significantly from their initial reactions. Economic data last week showed tame inflation, a slight rebound in manufacturing and gains in consumer confidence. Wal-Mart had same-store-sales growth of 4.5% in June and is projecting 3% to 5% gains in July. The consumer has not shown signs of weakening this summer and unemployment claims data remains healthy.

Weekly Highlights

Core PCE Deflator – increased 0.2% M/M in May. (page 2)

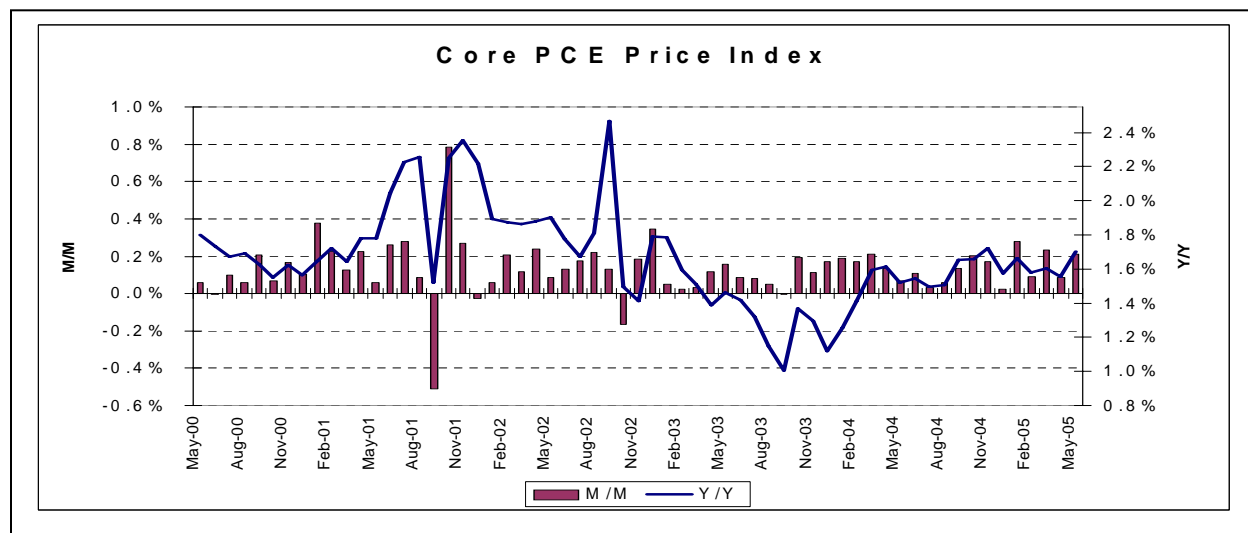
Personal Spending – flat in May. (page 3)

ISM Manufacturing – recovered a bit in June. (page 4)

Consumer Confidence Indicators – gained in June. (page 6)

Weekly Releases

Chart of the Week: *PCE Core*

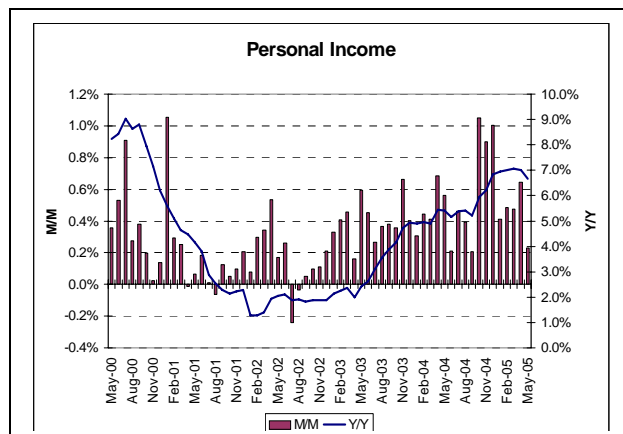


The Core PCE deflator increased 0.2% M/M and 1.6% Y/Y in May. The Fed's favorite measure of inflation has remained in the Fed's comfort zone of 1% to 2%. However, the latest Fed statement tells us that they still view inflation as a real threat to the economy and rates as accommodative.

Personal Income and Spending & Construction Spending

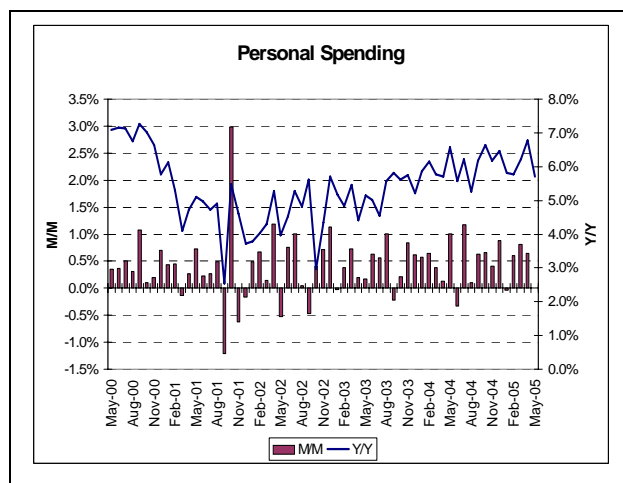
Personal Income

Personal Income increased 0.2% M/M and 6.7% Y/Y in May. The chart shows that adjusted for the Microsoft dividend, income growth has remained stable at healthy levels around 7% since December.



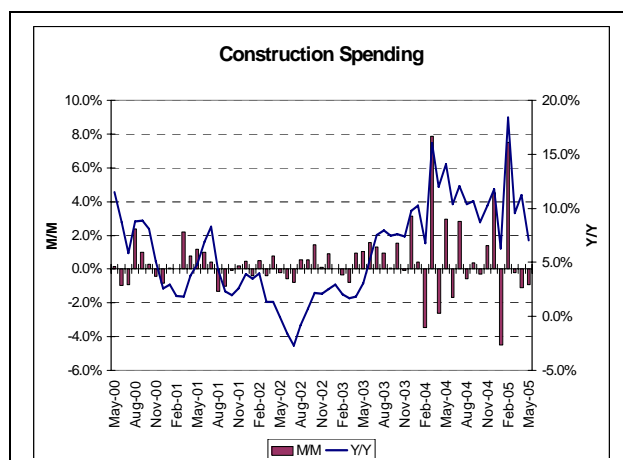
Personal Spending

Personal Spending was flat M/M and increased 5.7% Y/Y in May. Spending data confirms some of the softness seen in May's retail sales. However, the Y/Y rate has stabilized at healthy levels and guidance from Wal-Mart and Target indicates the consumer has not weakened in June and July.



Construction Spending

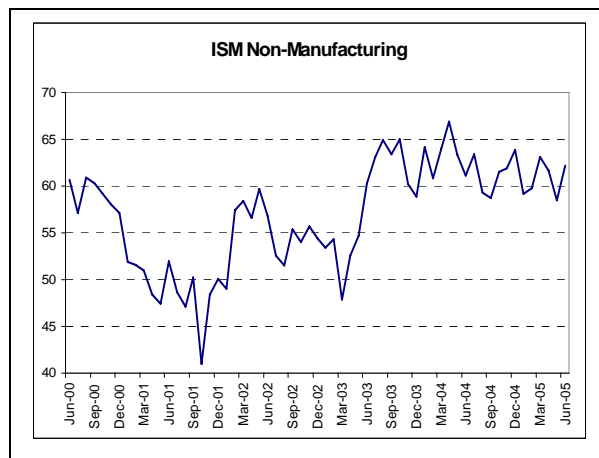
Construction Spending experienced its third consecutive month of declines, decreasing 0.9% M/M and increasing 7.0% Y/Y in May. Construction spending has looked soft after experiencing extremely large gains in February. Y/Y trends remain at healthy levels, but the trend is deteriorating.



ISM & Chicago Purchasing Manager

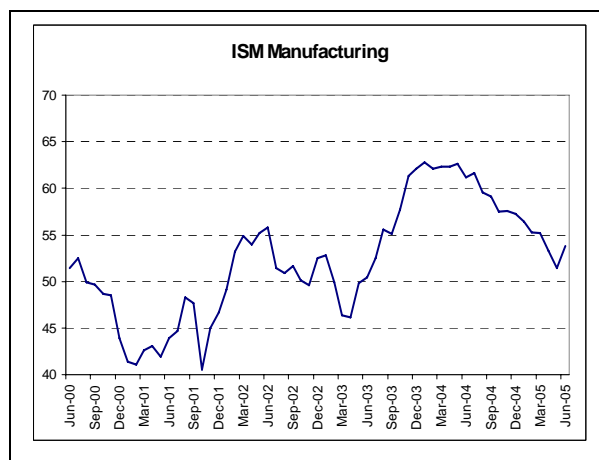
ISM Non-Manufacturing

The ISM Non-Manufacturing Index increased from 58.5 to 62.2 in June. The employment component improved from 53.4 to 57.4 and the prices component moved from 57.9 to 59.8.



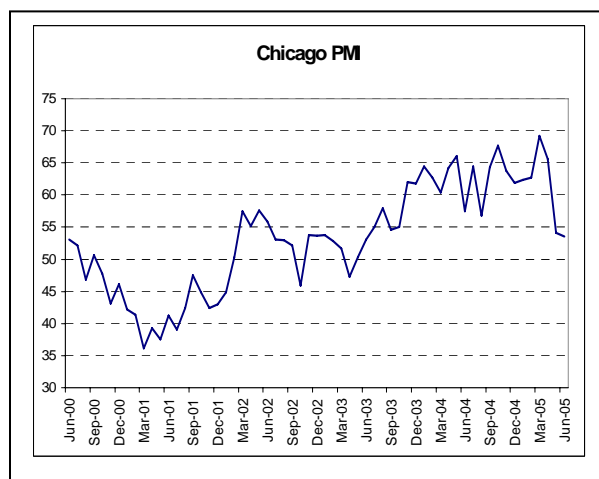
ISM Manufacturing

The ISM Manufacturing Index improved from 51.4 to 53.8 in June. The employment series increased from 48.8 to 49.9. The pricing component fell from 58.0 to 50.5, its lowest level since February of 2002.



Chicago Purchasing Manager

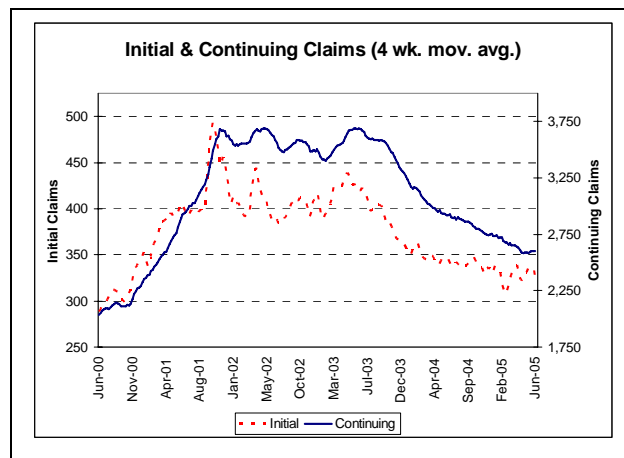
The Chicago PMI decreased slightly from 54.1 to 53.6 in June. The employment component dropped from 54.7 to 48.9 and the price component increased from 54.3 to 59.7.



Continuing Claims, Help Wanted Index & Vehicle Sales

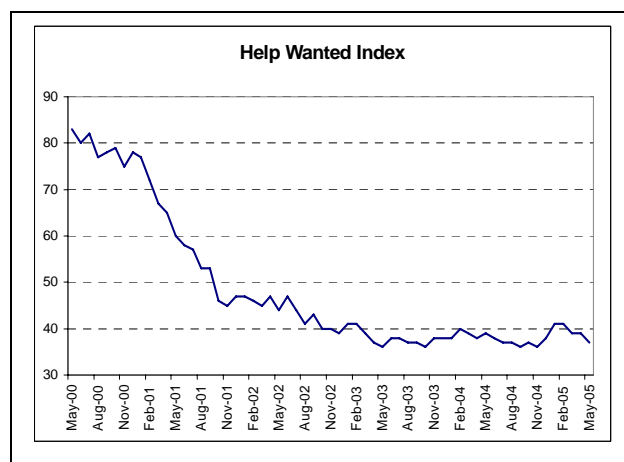
Initial & Continuing Claims

The four-week moving average of initial claims dropped to 321k and continuing claims remained flat at 2,603k. The level of continuing claims continue to suggest that payrolls should expand above trend and the recent drop in initial claims suggest that the up-tick at the end of May was an aberration.



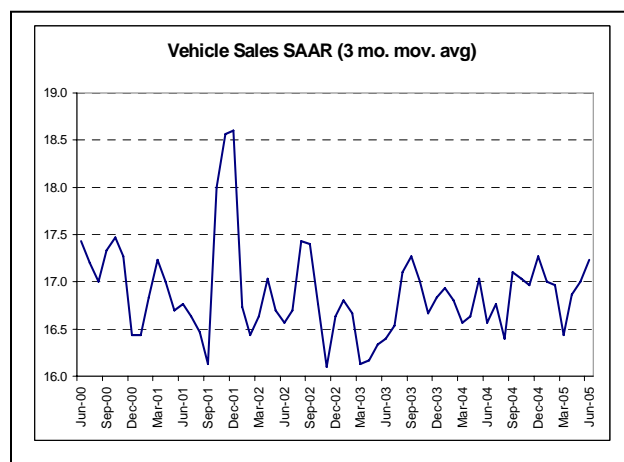
Help Wanted Index

The Help Wanted Index declined to 37 in May. This indicator has continued to highlight a lack of demand for labor since 2003. However, the shift from traditional media like newspapers could be masking some marginal improvements.



Total Vehicle Sales

The seasonally adjusted annual rate of total vehicle sales increased from 16.7 million to 17.5 million in June. General Motors led the liquidation of high inventory levels with aggressive "employee discounts" offered to customers. Ford has now matched these discounts going into July.



Consumer Confidence & Factory Orders

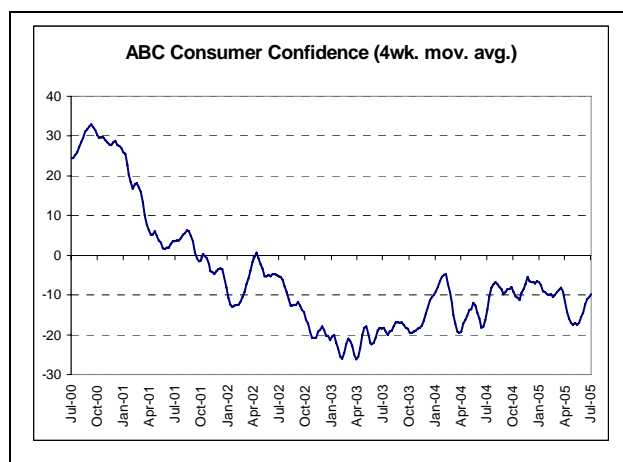
U. of Michigan Confidence

The recent reading of the University of Michigan Confidence Index showed an increase from 86.9 to 96.0 in June. The current and expectations component also experienced large gains. The recent attacks in London could quickly reverse the current improving trend in consumer confidence.



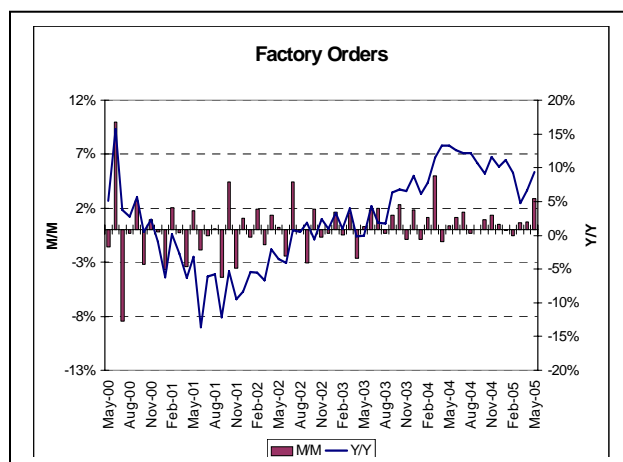
ABC Consumer Confidence

The ABC Consumer Confidence Index increased from -11 to -9 this week. The economy and buying component firmed up from -24 to -20 and from -24 to -22, respectively. The financial component remained flat.



Factory Orders

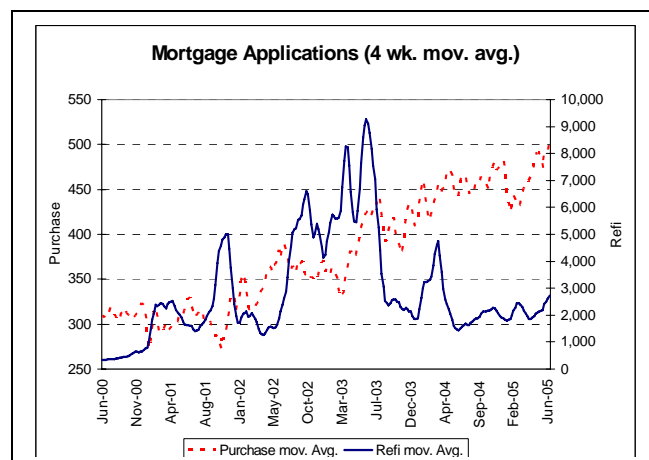
Factory Orders increased 2.9% M/M and 9.3% Y/Y in March. However, orders excluding transportation actually decreased 0.1% M/M. Durable goods industries increased 5.5% M/M, a sign that investment spending may be still healthy.



MBA Mortgage Applications & Key Dates

MBA Mortgage Applications

Purchase and refinancing mortgage applications increased 9.1% and 10.2%, respectively this week. Purchase applications continue to suggest strength in the housing market, despite widespread discussion of bubbles and froth.



Key Dates This Week

Date	Indicator	Expectation	Previous
07/08	Average Hourly Earnings MoM (MAY)	0.2%	0.2%
07/08	Change in Nonfarm Payrolls (JUN)	191K	78K
07/08	Average Weekly Hours (JUN)	33.8	33.8
07/08	Wholesale Inventories (MAY)	0.5%	0.8%
07/12	ABC Consumer Confidence (JUL 10)	NA	-9
07/13	MBA Mortgage Applications (JUL 8)	NA	9.6%
07/13	Trade Balance (MAY)	-\$57.0B	-\$57.0B
07/13	FOMC Rate Decision Expected (JUN 30)	3.25%	3.00%
07/13	Import Price Index MoM (JUL 8)	NA	1.0%
07/13	Monthly Budget Statement (JUN)	\$25.0B	\$19.1B
07/14	CPI Ex Food & Energy YoY (JUN)	0.2%	0.1%
07/14	Retail Sales Less Autos (JUN)	0.5%	-0.2%
07/14	Initial Jobless Claims (JUL 9)	NA	320K
07/14	Continuing Claims (JUL 2)	NA	2,582K

Valance Co., Inc.

Valance Economic Report: Euro Zone

Sean O'Reilly

(340) 692-7710

soreilly@valance.us

July 7, 2005

This week's Euro Zone economic indices, like those of last week's, reflected the blessings of a weaker euro. Euro Zone Business Confidence, a good proxy for GDP, increased in June for the 1st time in six months. In addition, German Factory Orders were strong in May, and Manufacturing PMIs were strong across most countries in June.

Weekly Highlights

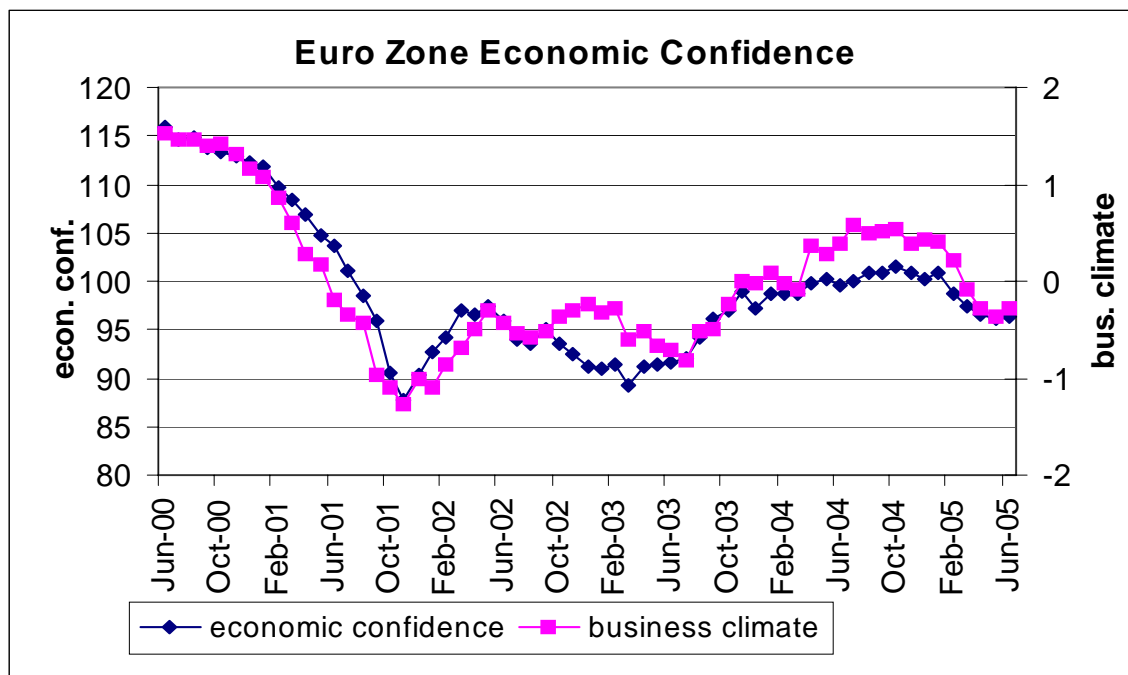
French GDP – Q1 growth revised upward to 0.3% Q/Q. (page 9)

German Factory Orders –rebounded in May. (page 9)

French Consumer Confidence – confidence fell again in June. (page 11)

Weekly Releases & News

Chart of the Week: *Euro Zone Business Confidence*

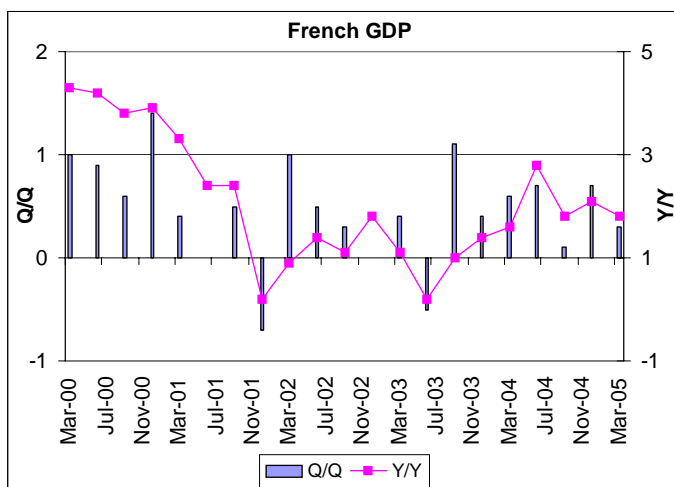


The Euro Zone's June Business Climate Index increased for the first time since December of last year as a falling currency increased optimism among manufacturers. The Business Climate Index improved from -0.37 in May to -0.29. Economic Confidence also increased, rising from 96.1 to 96.3. Consumer Confidence was unchanged.

French GDP, Germany Factory Orders & Spanish Production

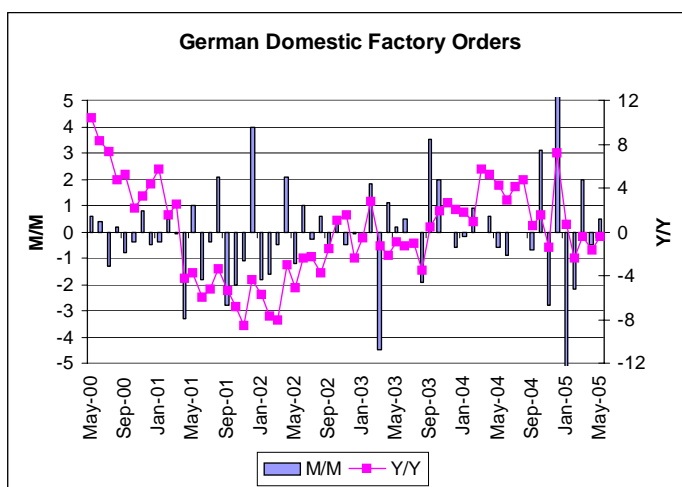
French GDP

France's Q1 GDP figures were revised up slightly from 0.2% Q/Q to 0.3% Q/Q and from 1.7% Y/Y to 1.8% Y/Y. The Q/Q rate of growth was about half that of the previous quarter. Consumer spending and corporate investment were both slightly stronger than initially reported (0.8% vs. 0.7% and 1.7% vs. 1.6%).



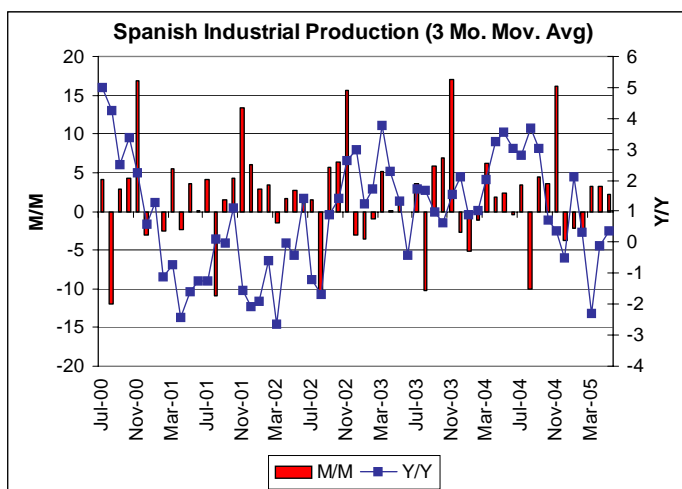
German Factory Orders

Germany's May Factory Orders rose more than expected on the back of a falling euro. Orders expanded 2.7% M/M, after falling in April, and rose 1.3% Y/Y. The growth was strictly from orders abroad, as domestic orders fell 0.5% Y/Y.



Spanish Industrial Production

Spain's May Industrial Production increased 0.4% M/M and 0.5% Y/Y.



Euro Zone, German & French Unemployment

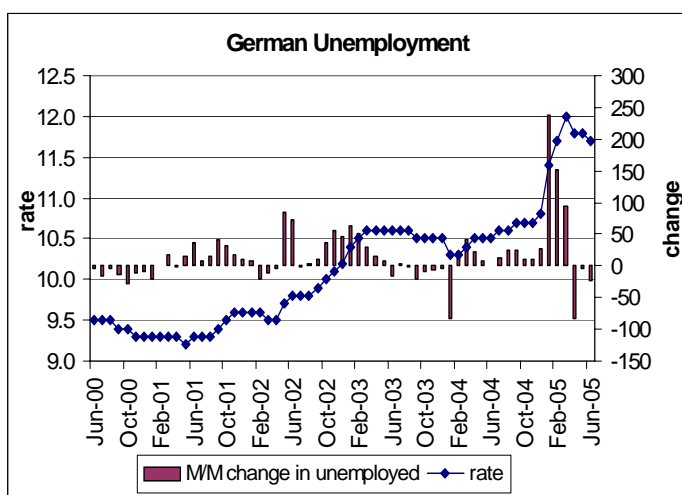
Euro Zone Unemployment

The Euro Zone's May Unemployment Rate fell from 8.9% in April to 8.8% as high oil costs, low growth and structural problems continue to prevent any true job creation.



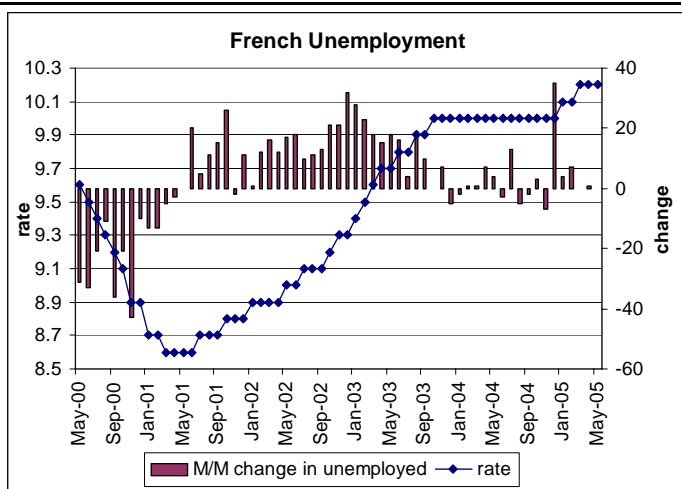
German Unemployment

Germany's June Unemployment Rate fell for the 2nd consecutive month, declining from 11.8% in May to 11.7%. The total unemployed fell by 23,000. The gains are believed to have been caused by "labor market measures" and not by any additional hiring.



French Unemployment

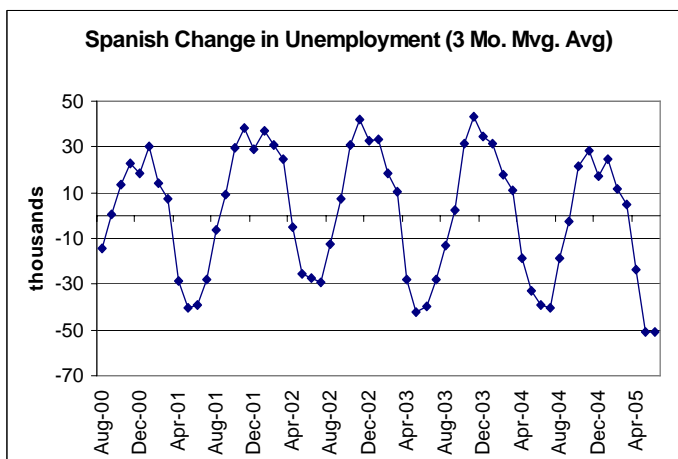
France's May Unemployment Rate remained unchanged at 10.2% as the number of unemployed increased by 1,000.



Spanish Unemployment, French & Italian Confidence

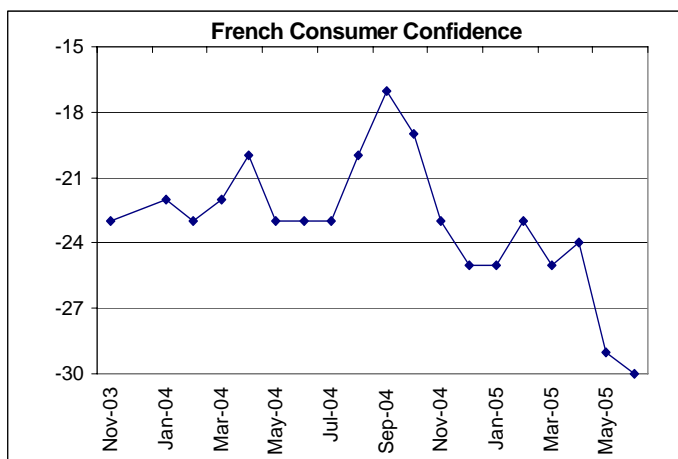
Spanish Unemployment

Spain's June Total Unemployed decreased by another 32,500, after falling by 88,600 in May. The total unemployed stands at 1.97 million.



French Consumer Confidence

France's June Consumer Confidence fell for the second consecutive month, decreasing from -29 in May to -30. The recent fall off in confidence has put a halt to the domestic expansion that France was experiencing.



Italian Retailer's Confidence

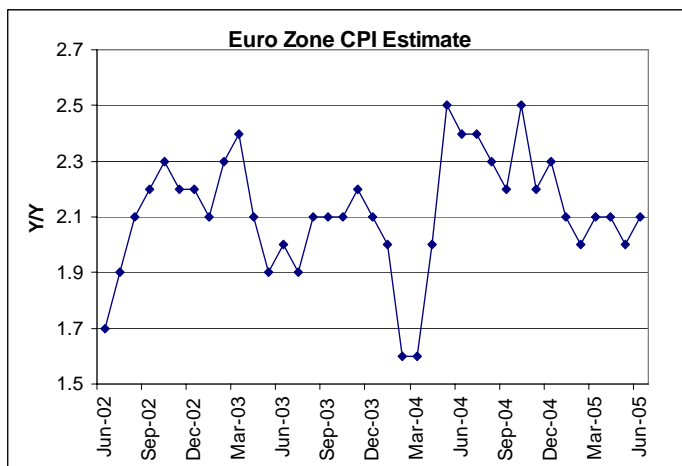
Italy's May Retailer's Confidence fell from 99.2 in April to 96.0.



Euro Zone CPI, Retail Trade & German Retail Sales

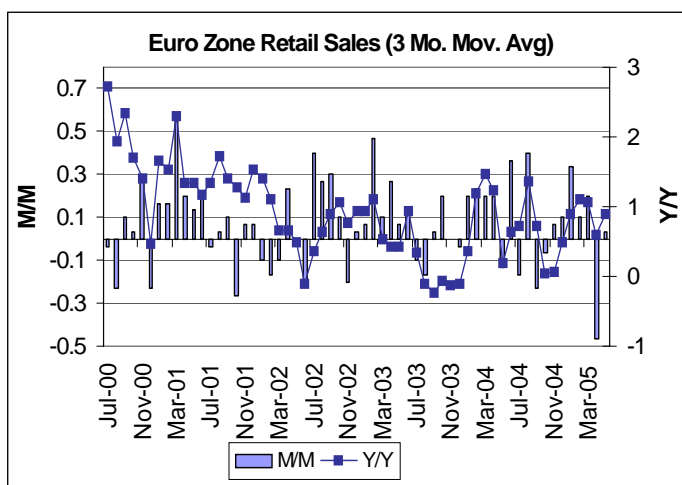
Euro Zone CPI Estimate

The Euro Zone's June CPI estimates a modest pickup, rising from 2.0% in May to 2.1%.



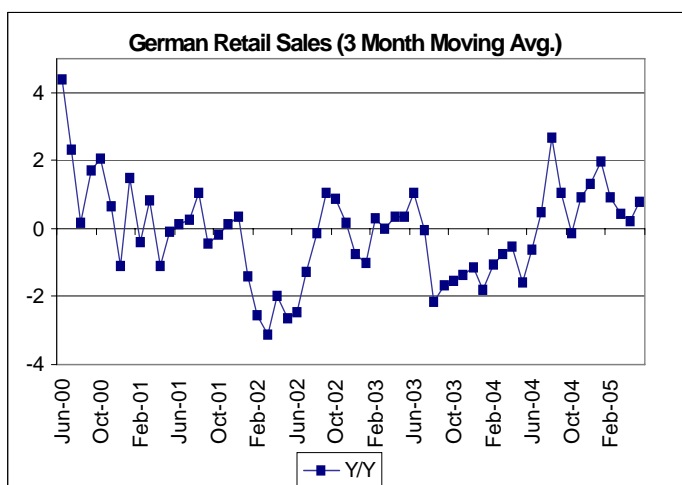
Euro Zone Retail Trade

The Euro Zone's May Retail Sales increased 1.1% M/M and 2% Y/Y, rebounding from poor April figures.



German Retail Sales

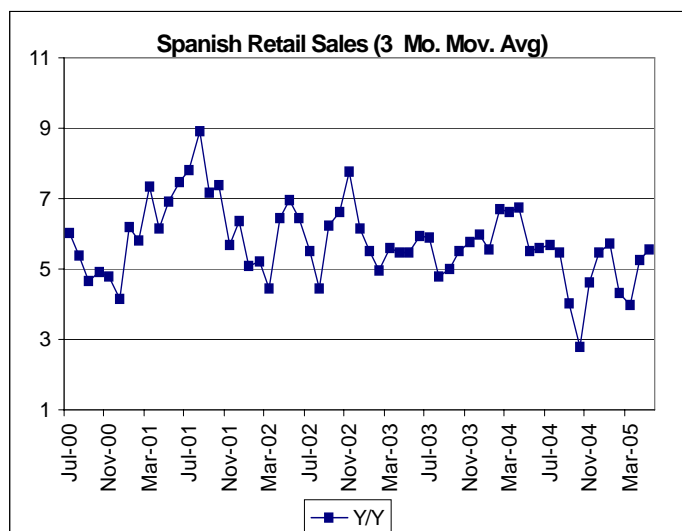
Germany's May Retail Sales increased 1.2% M/M and 2.7% Y/Y.



Spanish Retail Sales & Euro Zone PMI

Spanish Retail Sales

Spain's May Retail Sales fell 1.9% M/M while increasing 2.1% Y/Y.



Euro Zone Services & Manufacturing PMI

The Eurozone's June Manufacturing PMI Index increased from 48.7 in May to 49.9. Spain's PMI rose from 48.5 in May to 49.3 in June, Italy's rose from 47.1 to 48.9, France's rose from 48.8 to 50.7, and Germany's rose from 49.4 to 49.8 (Numbers above 50 indicate expansion while numbers below 50 indicate contraction.)

Euro-12 Manufacturing PMI	June 05	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct
Overall Index	49.9	48.7	49.2	50.4	51.9	51.9	51.4	50.4	52.4
Output	51.0	50.0	50.3	51.6	53.4	53.3	52.3	50.4	54.0
Employment	48.2	47.5	47.6	48.8	49.3	48.1	48.3	48.0	49.0

The Euro Zone June Services PMI fell from 53.5 in May to 53.1. The German Services PMI fell from 52.6 in May to 52.3, France's PMI fell from 59.0 to 57.9, and Italy's PMI increased from 47.3 to 48.9.

Euro -12 Services PMI:	June 05	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct
Overall:	53.1	53.5	52.8	53.0	53.0	53.4	52.6	52.6	53.5
Employment:	50.3	50.6	50.9	51.0	50.6	50.7	50.6	50.5	50.9
New Business:	52.3	52.6	52.7	51.4	52.0	52.7	51.3	50.7	52.1
Business Expectations:	63.1	64.4	63.5	67.5	64.3	66.3	63.2	61.4	62.2

News

July 7th – ECB President, Jean Claude Trichet, commented on the bank's decision to keep rates at 2%. **On rates:** the "monetary policy stance is appropriate given the current outlook for price stability over the medium term...At the same time, the EC remains vigilant with respect to inflation risks." Trichet also reaffirmed his "wait and see stance", noting that they looked at all factors with extreme care and concluded that rates were appropriate.

On growth: "Recent indicators of economic activity in the euro area confirmed that growth remains subdued...Available data are still mixed, with some indicators showing a slight improvement but there are still no signs that a more sustained recovery has already started."

On inflation: "We continue to see no evidence of price pressures building up in the euro area.... Monetary and credit growth in the euro area remain strong. The monetary analysis identifies risks to price stability over the long term, supporting the need for ongoing vigilance."

July 6th – ECB members, Axel Weber and Jaime Caruana, commented on rates, both implying that lower rates will do nothing to spur growth in the Euro Zone economy. Caruana stated that rates were "appropriate" and that the problems were structural and wouldn't be solved with lower rates. Weber added that it is up to politicians, not the ECB, to spur growth.

July 6th – German Bundesbank board member, Hans Reckers, stated that he doubts that the ECB will change rates for another year, stating, "I'll even go so far as to say that the interest rate will stay unchanged at 2% until the summer of 06." Recker is an advisor to ECB member, Axel Weber.

July 4th – ECB council member and French Central Bank Governor, Christian Noyer, stated that countries using the euro are free to leave the currency if they so desire. Noyer did note however, that it might put their membership in the EU in doubt. The comments were made in response to the recent discontent voiced by EU members in regards to the euro and their desire to continue using it.

July 4th – The Italian government is scheduled to adopt a plan to cut spending by 15 billion euros in an effort to contain the deficit, according to a report by La Repubblica. There are also talks to increase revenues by increasing value added taxes, though a compromise has not yet been reached on that matter.

July 3rd – ECB member, Klaus Liebscher, called the recent slowdown in activity a "temporary phase of weakness", stating that export growth and a falling euro will revive growth by the end of 2005. Liebscher stated that Euro Zone growth would approach its potential growth rate this year as well.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
07/08	German Exports (MAY)	0.5% M/M	-0.5% M/M
07/08	German Industrial Production (MAY)	-0.4% M/M	1.1% M/M
07/08	Euro Zone OECD Leading Ind. (MAY)	--	105.2
07/11	French Industrial Production (MAY)	--	-0.3% M/M
07/11	French Trade Balance (MAY)	--	-3215 M euros

Valance Co., Inc.

Valance Economic Report: Japan

La-Toya C. Elizee
 (340) 692-7710
lelizee@valance.us

July 7, 2005

Broad-based positive economic improvements from the BOJ's Tankan report, an upside surprise in Nationwide Core CPI and strong employment growth are the highlights of this week's report. The Tankan Survey showed that business optimism in the Manufacturing and the Non-Manufacturing sectors both increased above expectations. Nationwide Core CPI increased 0.1% for the second consecutive month. On the labor market front, full-time employment recording its fifth consecutive month of increase; its largest YY increase since 1995.

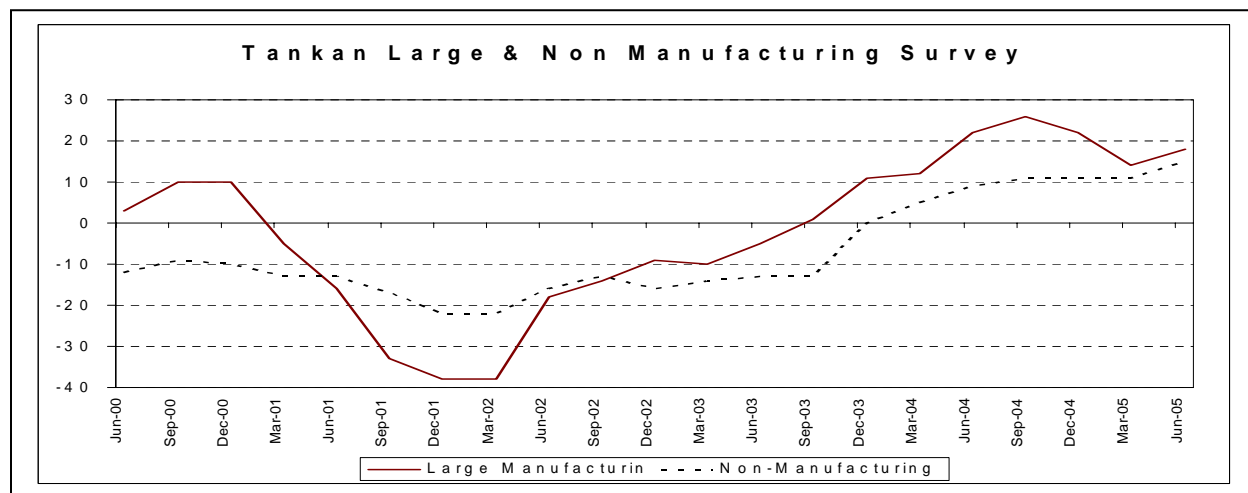
Weekly Highlights

Large Manufacturing Sector – sentiment increased from +14 to +18 in June, above expectations. (page 16)

Small Business Confidence - increased from 47.9 to 48.4 in June, above expectations. (page 17)

National Core Consumer Prices - posted an upside surprise in May, increasing 0.1% M/M. (page 18)

Employment – increased 0.7% M/M (420,000) in May. (page 19)

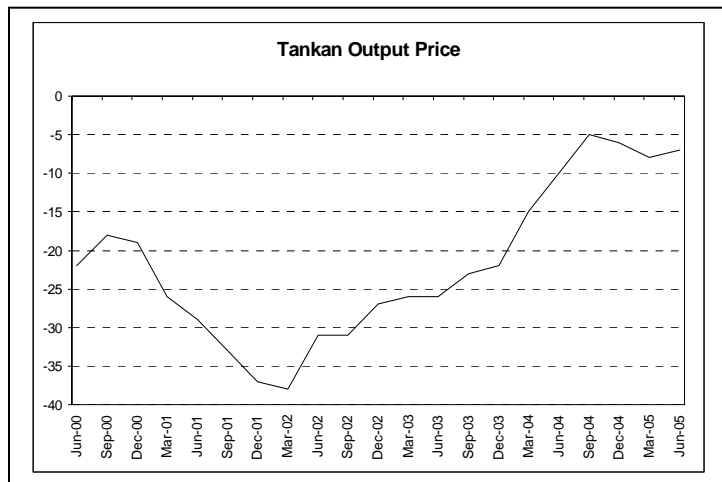
Weekly Releases & News**Chart of the Week: *Tankan Large & Non Manufacturing Survey***

The BOJ Tankan report showed that business sentiment in the large manufacturing sector increased from +14 in March to +17 in June, above expectations of +16. Non manufacturing business sentiment increased from +10 in March to +14 in June, above expectations of +12, reaching its highest level since 1992. The medium size manufacturing increased from +6 to +8 and the small manufacturing sector increased from 0 to +2. Confidence among service companies also increased, from 11 to 15 points, the highest since 1992. All in all, these results point toward a strong, broad based economic recovery in Japan.

Tankan Data and Small Business Confidence

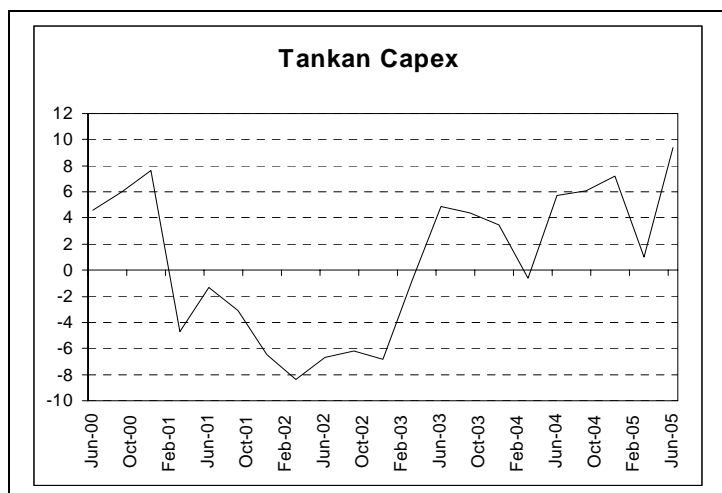
Tankan Output Price

The Tankan Output Price Index improved from -8 in March to -7 in June, remaining near cyclical highs.



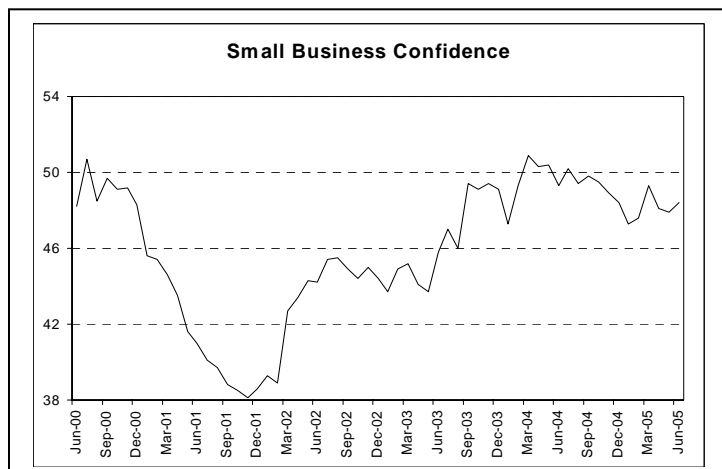
Tankan Capex Intention

Capex intention for large corporations posted a positive surprise increasing from +1 in March to +9 in June, well above expectations of +4.5. Capex intention for large corporations' increased from +3.4 to +16.2 and non-manufacturers increased from -0.6 to +6.1. June's result is the highest reading since 1991.



Small Business Confidence

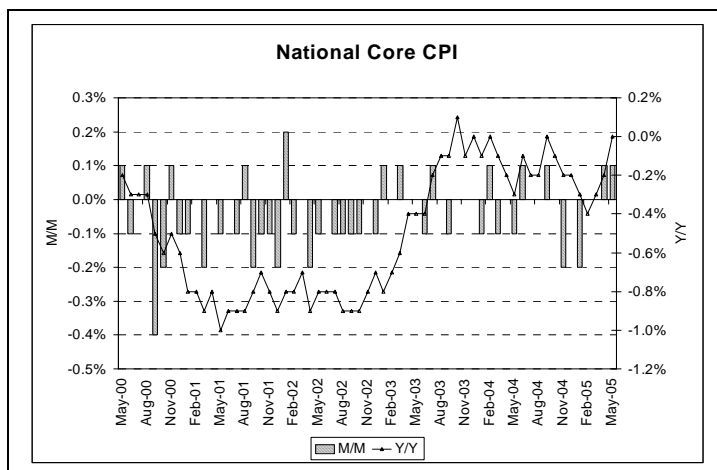
Japan's Small Business Confidence increased from 47.9 in May to 48.4 in June, above expectations. Sentiment among small manufacturers increased from 47.3 to 49.4 in June. Business Confidence among retailers, construction companies and other non-manufacturers decreased from 48.4 to 47.5.



National and Tokyo Core CPI and Household Spending

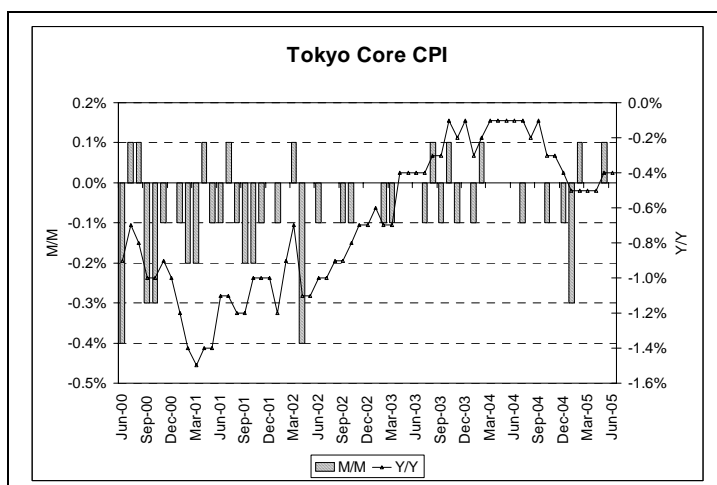
National Core CPI

National Core Consumer Prices posted an upside surprise, increasing 0.1% M/M and remaining flat Y/Y in May. May's result marks the second consecutive month of M/M increases. The increase was partly attributed to the rise in oil prices in addition to effects from the domestic demand recovery.



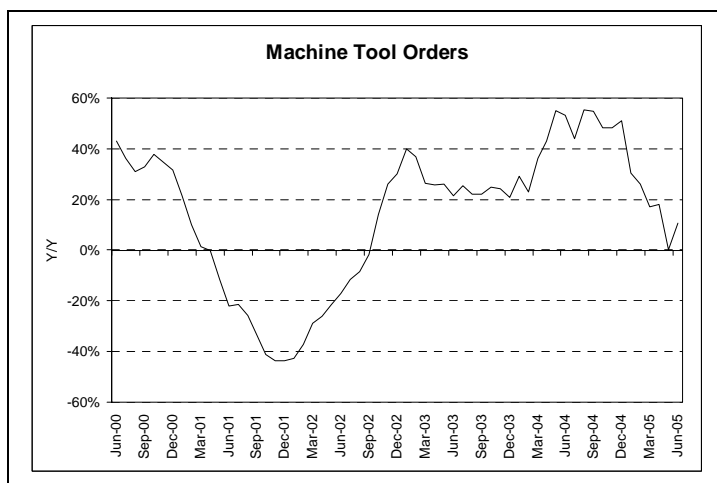
Tokyo Core CPI

Tokyo's Core CPI remained flat M/M and decreased 0.4% Y/Y, in June, in line with expectations.



Machine Tool Orders

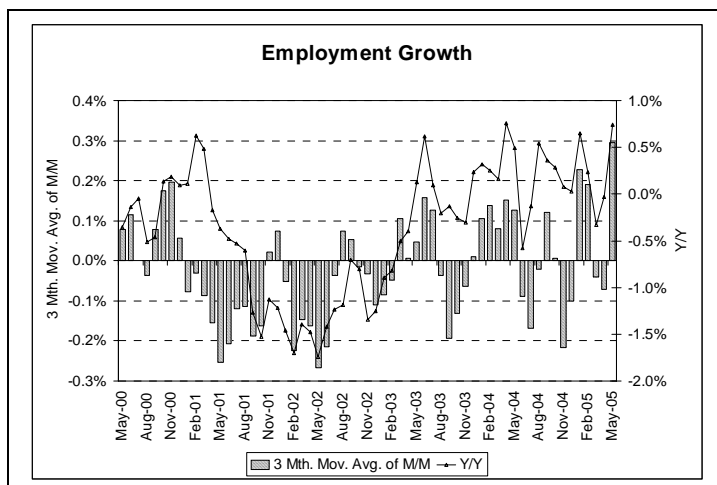
Machine Tool Orders increased 10.6% Y/Y in June.



Employment Data

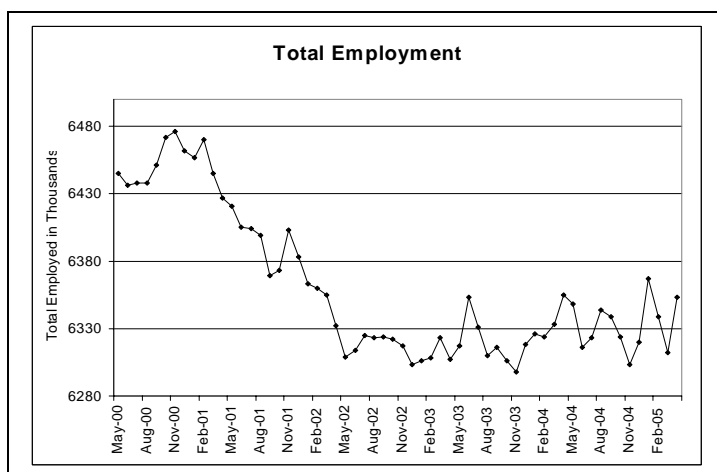
Employment Growth

Employment increased 0.7% M/M (420,000 jobs) and 0.7% Y/Y in May.



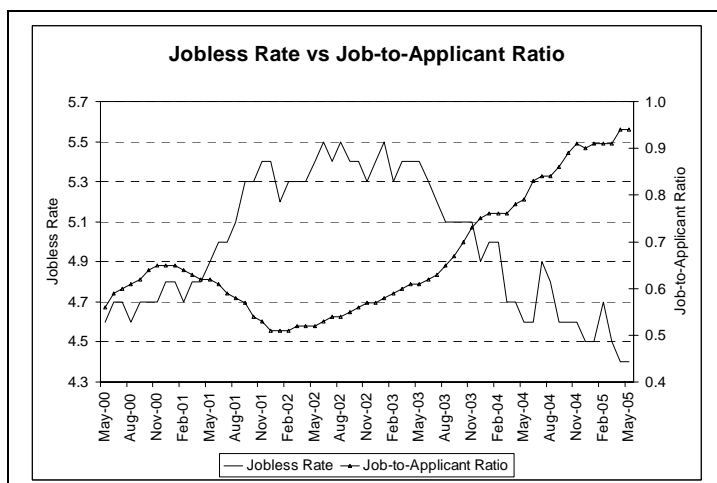
Total Employment

Japan's economy added 420,000 jobs, the largest increase since January. The two largest monthly increases since 1992 have been in January and May of this year.



Jobless Rate vs. Job-to-Applicant Ratio

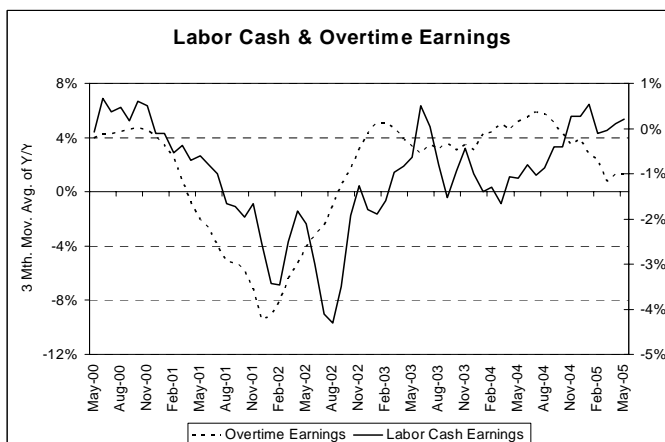
In May the Jobless Rate remained at 4.4%, its lowest level since 1998. At the same time, the Job Offer to Applicant Ratio remained at .94, its highest level since 1992. Both job offers and applicants rose 2% for the month.



Earnings and Housing Data

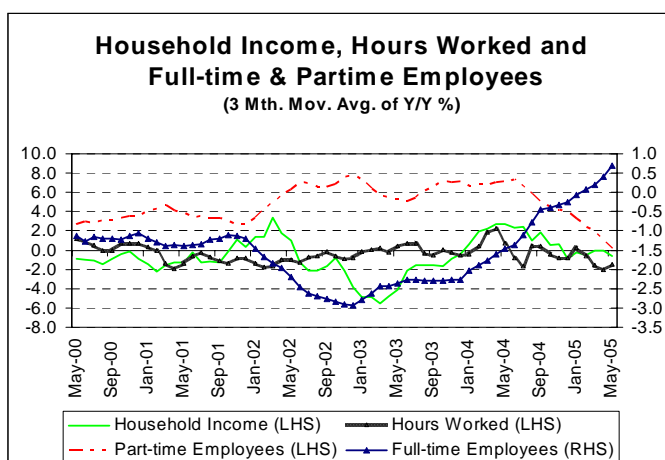
Labor Cash & Overtime Earnings

Labor Cash Earnings and Overtime earnings increased 0.4% Y/Y and 1.4% Y/Y, respectively in May.



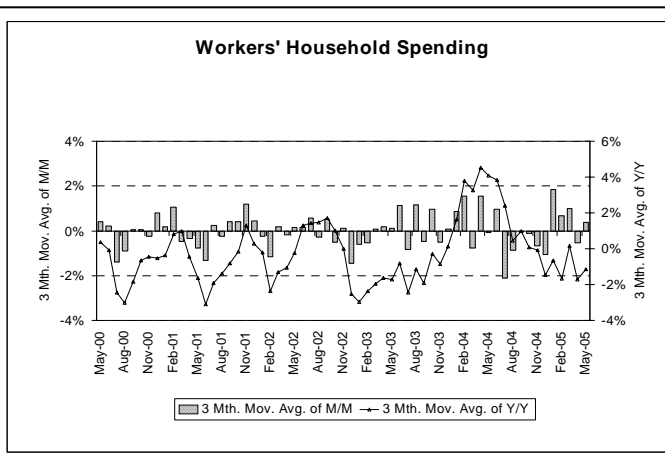
Household Income, Hours Worked and Full-time & Part-time growth

Full-time employment increased for the fifth consecutive month, increasing 1.1% Y/Y in May; its biggest annual increase since 1995. Prior to May, full-time employment had not posted increases since 1997. Household income, which has stabilized at a 0.0% growth on trend terms, is expected to improve in line with other employment data.



Workers' Household Spending

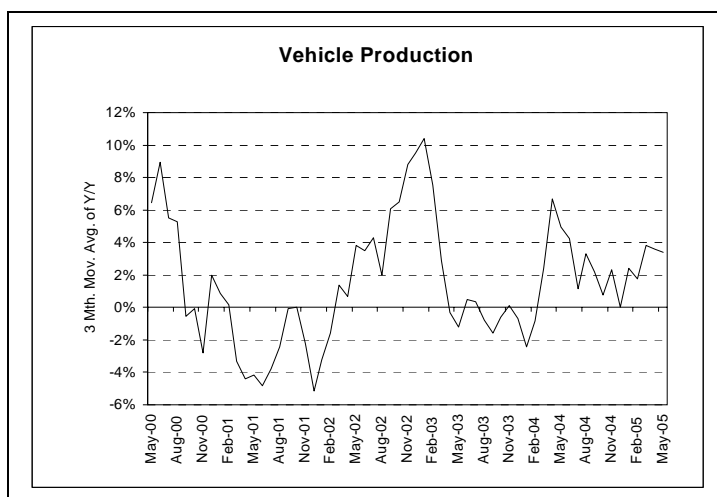
Worker's Household Spending decreased 1.4% M/M and 2.0% Y/Y in May as cool temperatures reduced purchases of light clothing and beverages. We also expect household spending growth to improve in line with the strong employment data.



Vehicle Production and Sales & Construction Orders

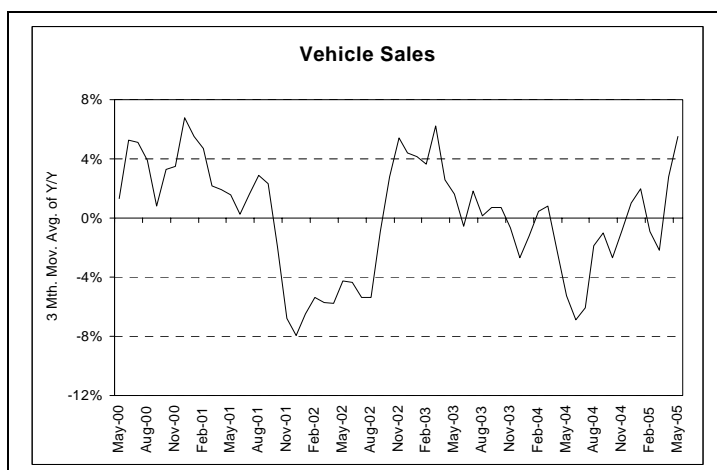
Vehicle Production

Vehicle Production increased 4.4% Y/Y in May.



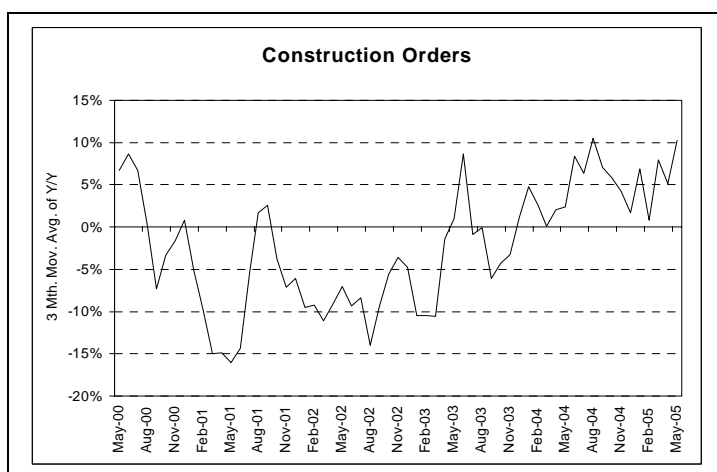
Vehicle Sales

Vehicle Sales increased 8.6% Y/Y in May, remaining on a sharp uptrend since June 2004.



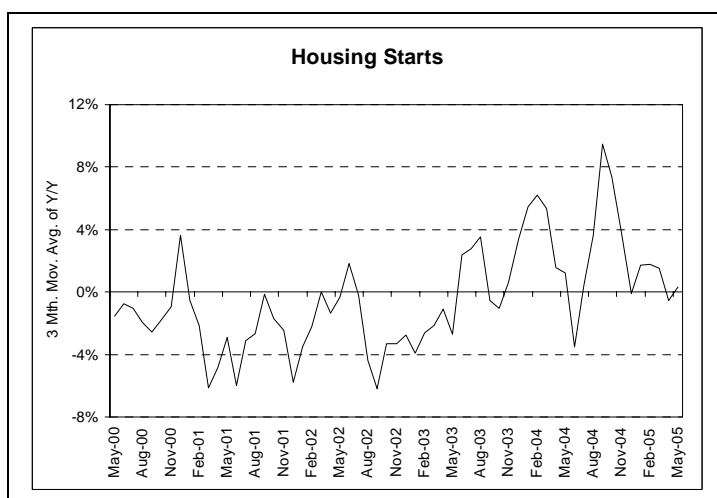
Construction Orders

Construction Orders increased 0.5% Y/Y in May, below expectations. On trend terms construction orders increased 10% Y/Y. Improvements in construction orders bode well for housing starts.



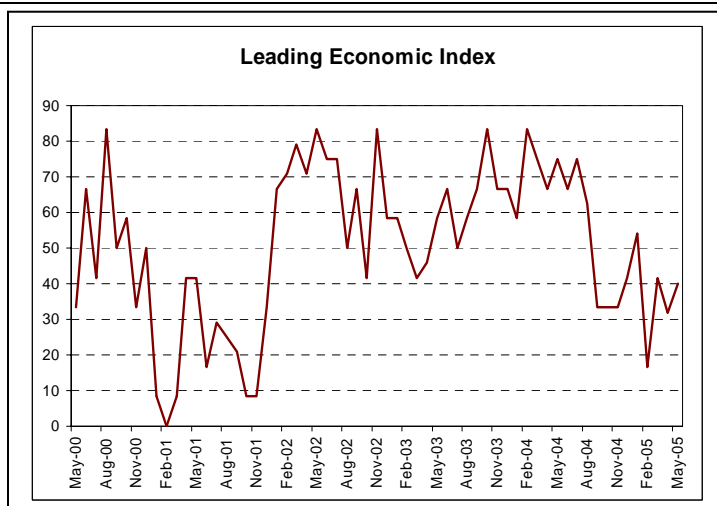
Housing Starts and Leading & Coincident Indices

Housing Starts posted an upside surprise, increasing 3.0% Y/Y in May, compared to expectations of -0.1%.



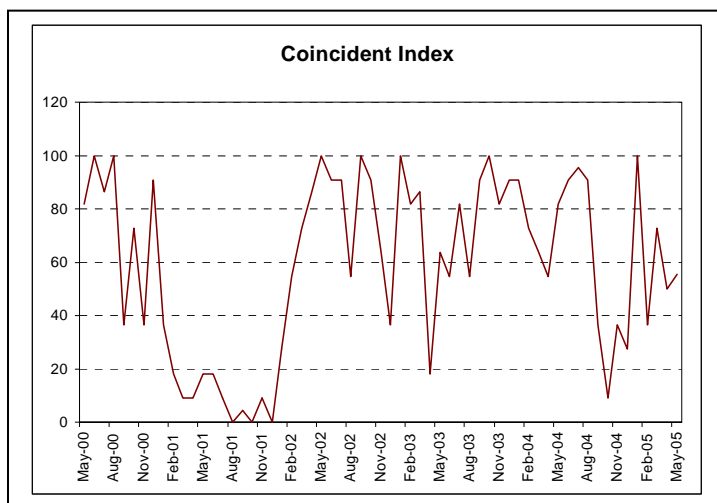
Leading Economic Index

The preliminary figures show that the Leading Economic Index, which measures job offers, consumer confidence and other indicators of future activity, increased from 31.8 in April to 40.0 in May, in line with expectations.



Coincident Index

The Coincident Index increased from 50.0 in April to 55.6 in May, remaining above the 50 mark for the third consecutive month. This index combines results from 11 indicators including factory production, department store sales and power used by large manufacturers, to measure current economic performance.



News

July 6 – Fukui Vows to Maintain Bank's Policy - Governor Toshihiko Fukui reiterated that the Bank of Japan will maintain its current monetary policy to help boost Japan's economy. "The Bank of Japan is committed to maintaining" its policy, Fukui commented. He also stated that "Japan's economy continues a recovery trend, albeit with adjustments" in the information-technology industry and that consumer spending is "firm." These comments came after the strong June Tankan survey results were released.

July 6th - Japan's Regions are Recovering - A survey compiled by the central bank's bureaus revealed that seven of Japan's nine regions are showing economic recovery. "The economy is on a gradual recovery trend in many regions, with some weak movements diminishing," the Bank of Japan's bureau chiefs stated in a report in Tokyo. The two regions that aren't recovering are Hokkaido and Tohoku. Corporate spending, however, is improving in all nine regions.

July 5th - Japan Is Monitoring Oil Prices - Finance Minister, Sadakazu Tanigaki, reiterated that Japan is closely monitoring crude oil prices. He stated that, "With oil prices hovering at about \$60 per barrel, prices in Japan are edging up gradually... We must keep a close watch on prices."

July 4th – Increase seen FY04 Tax Revenue - Japan's tax revenue increased to ¥45.59 trillion in the year ending March 31st, exceeding the government's projections as Japan's economy recovers. In light of this, the government sold ¥35.49 trillion of new bonds last fiscal year, ¥1.1 trillion less than planned. This is the second consecutive year that tax revenue has exceeded the government's expectations.

Upcoming Dates

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
07/08	Household Spending (Y/Y) (MAY)	-2.0%	-3.0%
07/08	Household Spending (M/M) (MAY)	.....	1.0%
07/08	Machine Orders (Y/Y) (MAY)	2.0%	2.5%
07/08	Machine Orders (Y/Y) (MAY)	-2.0%	-1.0%
07/08	Eco Watchers Survey: Current (JUN)		50.3
07/08	Eco Watchers Survey: Outlook (JUN)		51.9
07/11- 07-12	BoJ Monetary Policy Meeting		
07/11	Domestic CGPI (M/M) (JUN)	0.1%	-0.1%
07/11	Domestic CGPI (Y/Y) (JUN)	1.6%	1.8%
07/11	Export Price Index (M/M) (JUN)	.....	-1.3%
07/11	Export Price Index (Y/Y) (JUN)	.....	-1.3%
07/11	Import Price Index (M/M) (JUN)	.....	-0.5%
07/11	Import Price Index (Y/Y) (JUN)	.....	8.8%
07/12	Consumer Confidence (JUN)	.....	48.2
07/12	Consumer Confidence Households (JUN)	.....	48.3
07/12	Current Account Total (MAY)	¥1273.8B	¥1626.9B
07/12	Adjusted Current Account Total (MAY)	.....	¥1388.7B
07/12	Trade Balance –BOP Basis (MAY)	.....	¥1196.6B
07/13	Industrial Production (M/M) (MAY F)	.....	-2.3%
07/13	Industrial Production (Y/Y) (MAY F)	.....	0.9%
07/13	Capacity Utilization (MAY F)		106.2

Valance Co., Inc.

Valance Economic Report: United Kingdom

Gabriel Webber

(340) 692-7710

gwebber@valance.us

July 7, 2005

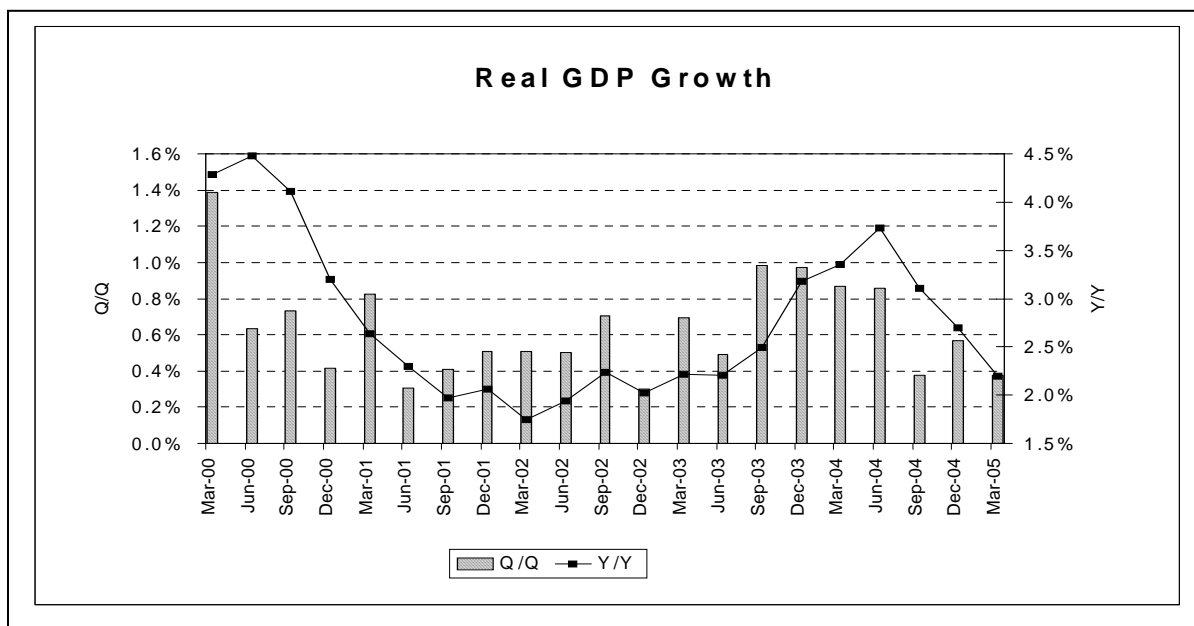
Today the MPC announced that they voted to leave the repo rate unchanged at 4.75% amid stronger PMI data which cooled rate cut expectations after the surprise downward revisions to Q1 GDP and the continued deterioration of the housing market last week. Today's bombing attacks in London may cause some short term economic weakness, increasing the chances that the MPC will vote to cut rates at their next meeting in August.

Weekly Highlights

GDP- for Q1 was revised down to 0.4% Q/Q and 2.1% Y/Y. (page 25)

Manufacturing Production- increased 0.1% M/M and decreased 1.7% Y/Y in May as oil prices pushed up factories' costs. (page 26)

HBOS House Prices- increased 0.1% M/M and slowed to 1.8% Y/Y in June. (page 26)

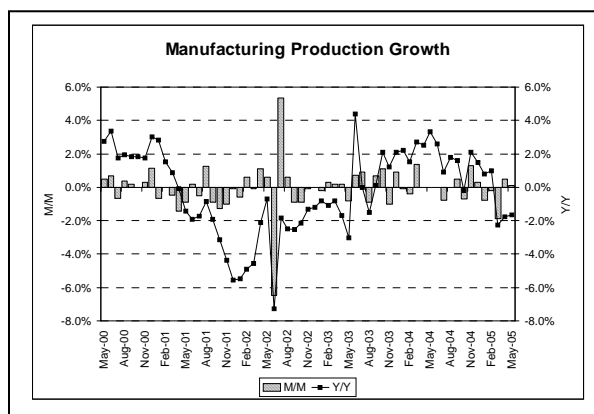
Weekly Releases & News**Chart of the Week: GDP**

Real GDP for Q1 was revised down from 0.7% Q/Q to 0.4% Q/Q and from 2.9% Q/Q to 2.1% Y/Y as consumer spending rose at the slowest pace in four years and manufacturing slowed amid higher oil costs. GDP has generally been revised up in revisions, thus providing the surprise that accelerated rate cut expectations.

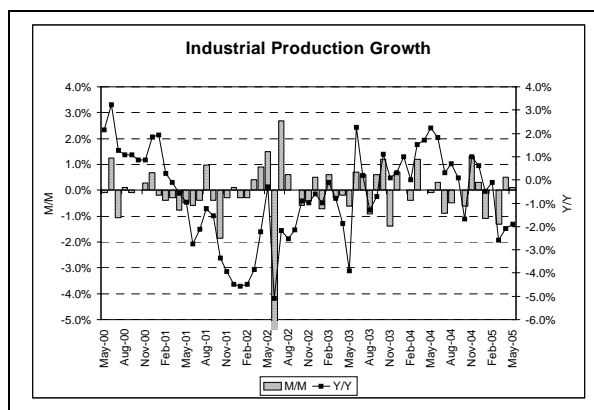
Production Growth & House Prices

Manufacturing & Industrial Production

Manufacturing Production increased 0.1% M/M and decreased 1.7% Y/Y in May as oil prices pushed up factories costs. The decline was broad-based: output of consumer durables decreased 0.7% Y/Y, output of consumer durables decreased 2.5% Y/Y, output of capital goods decreased 1.3% Y/Y and output of intermediate goods decreased 2.6% Y/Y.

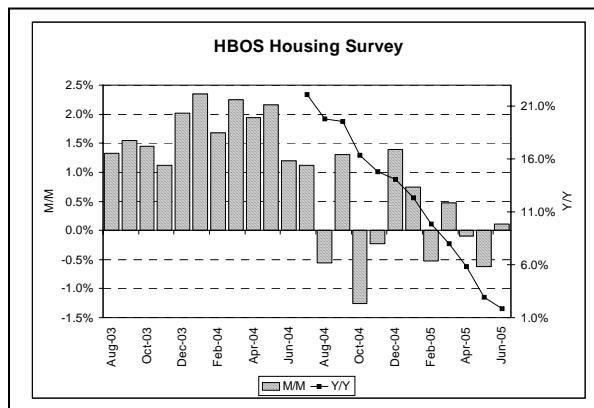


Industrial Production, which excludes mining and quarrying, increased 0.1% M/M and decreased 1.9% Y/Y in May.



HBOS House Price Survey

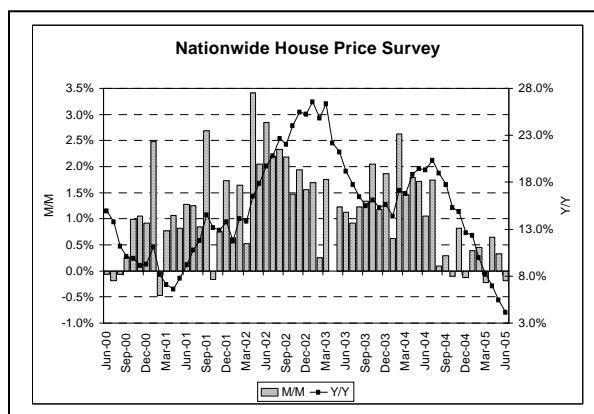
HBOS House Price Survey increased 0.1% M/M and slowed to 1.8% Y/Y in June. While house prices have been falling nationwide, there has been a more significant decrease across southern England.



House Prices, Current Account & Consumer Confidence

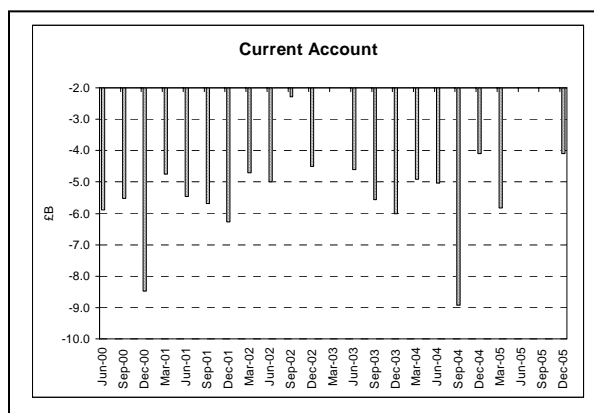
Nationwide House Price Survey

Nationwide House Prices decreased 0.2% M/M and slowed to 4.1% Y/Y in June, the slowest annual pace in nine years.



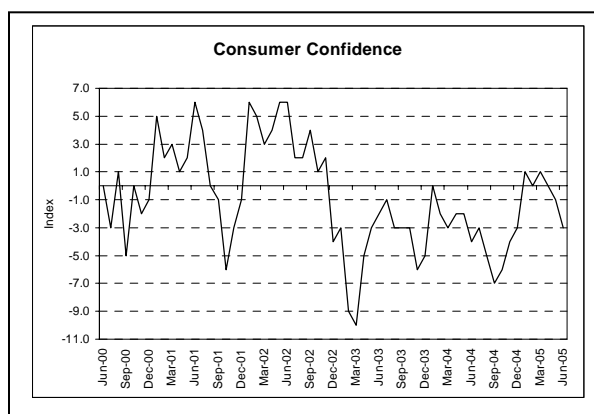
Current Account Deficit

Current Account deficit increased from -£4103 million to -£5824 million in Q1 2005.



GfK Consumer Confidence

GfK Consumer Confidence decreased from -1 to -3 in June, a six month low amid uncertainty over interest rates and house prices.



Data & Comments

Data

FT House Price Survey

The Financial Times House Price Survey increased 0.3% M/M and 5.0% Y/Y in June.

NIESR GDP Estimate

The NIESR estimated that GDP decelerated from 0.4% in Q1 to 0.3% in Q2, the slowest pace in almost four years as manufacturing production shrank and consumer spending stalled.

PMI Construction

CIPS PMI Construction increased from 52.6 to 55.8 in June, the sharpest increase in six months as new orders and housing activity increased.

PMI Manufacturing

CIPS PMI Manufacturing increased from 47.3 to 49.6 in June, but still below the threshold of 50.0 which signals expansion. Orders grew for the first time in three months as foreign demand improved while input prices edged up slightly and output prices fell again.

PMI Services

CIPS PMI Services increased from 55.1 to 55.8 in June, extending its growth to 27 months. New orders and employment both increased. The better than expected PMI releases slightly eased the pressure off the MPC to cut rates.

BRC Retail Sales

The British Retail Consortium (BRC) reported that retail sales decreased 0.5% M/M and increased 3.5% Y/Y in June. The combination of good weather and clearance sales caused a slight pickup in consumer spending.

BRC Shop Price Index

The British Retail Consortium (BRC) reported that shop prices decreased 0.3% M/M and increased 0.4% Y/Y in June. Non-food items decreased 0.2% Y/Y and food items increased 1.4% Y/Y. Food items increased amid shortages in the supply of certain commodities.

Employment Survey

NTC Research Ltd. reported that the pace of people finding unemployment slowed from 56.3 to 55.4 in June. Temporary staff billings increased from 53.9 to 54.1 while pay rates among temporary workers slipped from 55.3 to 54.6.

BOE Mortgage Equity Withdrawal

The BOE reported that mortgage equity withdrawals decreased from £8.3 billion in Q4 2004 to £6.4 billion (3.1% of personal income) in Q1 2005, down from a peak of £17.7 billion in Q4 2003.

Olympics

London beat out several other cities, including Paris, to host the 2012 Summer Olympics. London will spend \$15.8 billion and revive the eastern part of the city where most Olympic venues will be built. In addition, 9,000 new homes and about 11,000 new jobs will be created.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
07/11	Producer Price Input	--	0.3% M/M 7.8% Y/Y
07/11	Producer Price Output	--	-0.2% M/M 2.7% Y/Y
07/11	Visible Trade Balance	--	-£4838M
07/11	ODPM House Prices	--	
07/12	CPI	0.0% M/M 2.0% Y/Y	0.4% M/M 1.9% Y/Y
07/13	Claimant Count	2.8%	2.7%
07/13	Average Earnings	--	4.6% Q/Q 4.1% Y/Y

Valance Co., Inc.

Valance Economic Report: *Canada*

Davin Patton

(340) 692-7710

dpatton@valance.us

July 7, 2005

Recent data from Canada continues to support the view that the domestic side is doing well while the manufacturing side slowly recovers. A BoC survey found that company executives intend on increasing investments and are having increased difficulty meeting demand. Based on this data, the current trend of slow but steady growth is well supported and a rate hike later this year may lie in wait.

Weekly Highlights

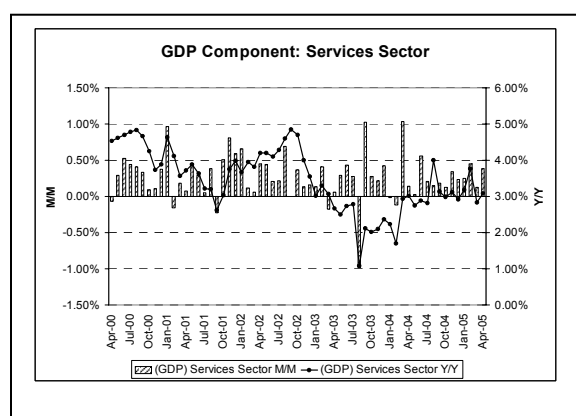
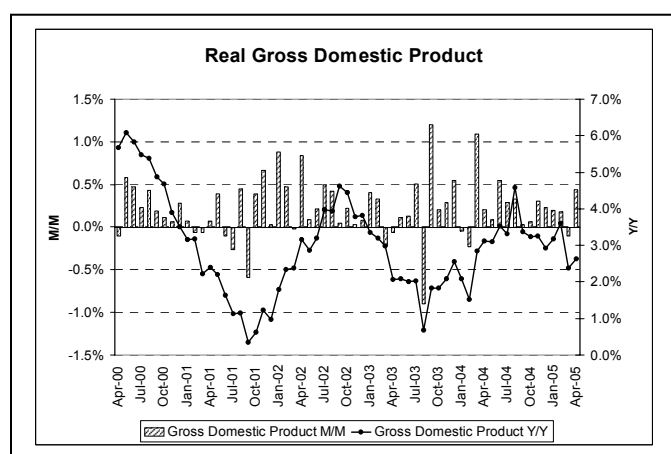
GDP—increased 0.4% M/M and 2.6% Y/Y in April. (page 30)

Housing Permits—decreased 2.1% M/M and increased 15.7% Y/Y in May. (page 31)

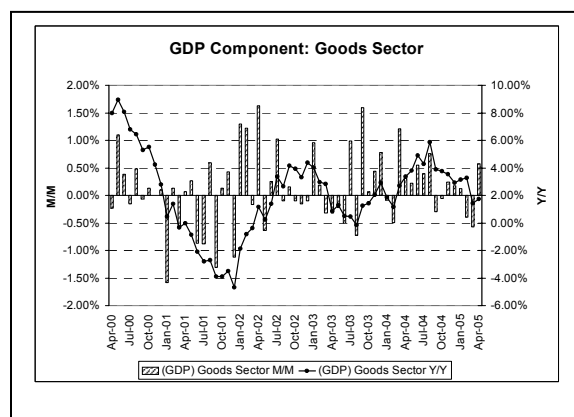
Ivey PMI—increased from 62 pts in May to 63.3 pts in June. (page 31)

Weekly Releases & News

GDP



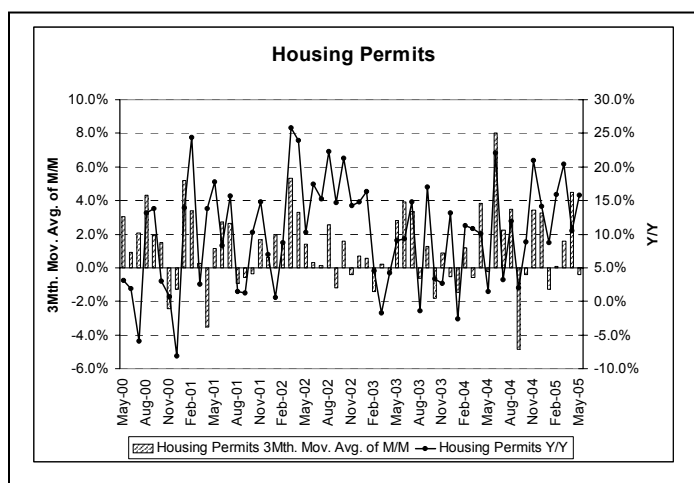
Canada's economy grew at a greater than expected 0.4% M/M and 2.6% Y/Y in April, its largest M/M increase in eight months. The increase was more than the 0.3% estimate that most economists had anticipated. The overall view remains unchanged; domestic demand remains strong while the manufacturing sectors remain soft. For the BoC to act on its hawkish bias, it will likely take either additional strength in the domestic sectors or strength in manufacturing.



Housing Permits, Ivey PMI & Raw Materials Prices

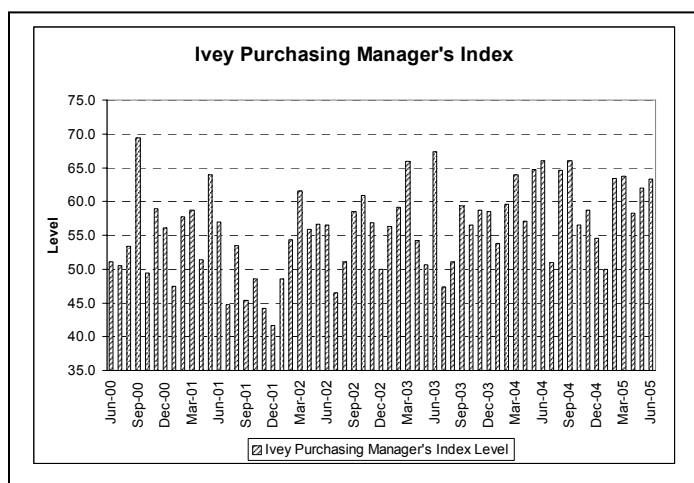
Housing Permits

Housing permits declined 2.1% M/M and increased 15.7% Y/Y.



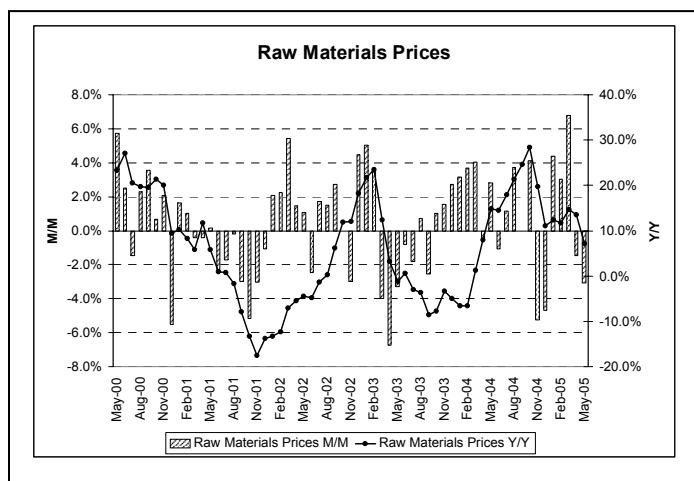
Ivey PMI

Canada's Ivey Purchasing Manager's Index increased from 62 pts in May to 63.3 pts in June. Details were not as positive however, as the employment index declined from 63.3 pts in May to 59.1 in June and the prices index declined from 63.0 pts in May to 61.1 pts in June.



Raw Materials Prices

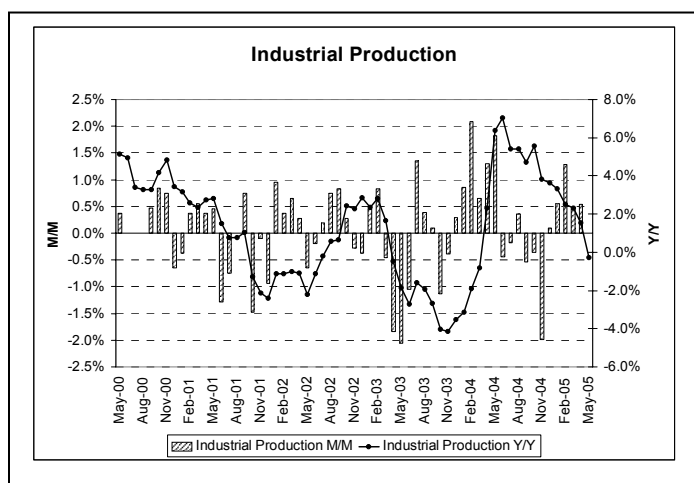
Prices that Canadian manufacturers paid for raw materials declined 3.1% M/M and increased 7.1% Y/Y in May.



Industrial Product Prices, News

Industrial Product Prices

Prices paid to manufacturers at the gate for their products were unchanged M/M in May and declined 0.3% Y/Y.



Home Sales

Existing home sales increased 0.2% M/M as new listings declined 2.1% M/M and the dollar volume of sales increased 2.6% M/M. These increases resulted as firm levels of employment continue to support the housing sector in Canada.

BoC Survey

A BoC survey found that Canadian companies intend on investing more in new equipment and less in their pace of hiring over the next year. In Q1, 39% of executives stated that they intended on increasing their investments on new equipment, whereas in Q2, 44% of executives stated the same thing. More companies also stated that they would struggle to fill an unexpected rise in demand, with 44% stating that they would have "some" or "significant" difficulty responding to unforeseen orders, up from 37% in Q1.

Motor Vehicle Sales

Canadian Motor Vehicle Sales increased 7.3% M/M in June. YTD Sales increased 2.2%. These increases suggest a boost for Retail Sales may come and support the trend of firm domestic demand.

News (Cont'd) & Upcoming Dates

Canada Exports to Stall on Lower Energy Prices

According to a report by the Canadian Government's export finance arm, exports will stall in 2006 as energy prices decline from current levels, potentially slowing growth in the Canadian economy. The value of shipments such as crude oil and natural gas will increase 11% this year, leading to a 4% increase in total growth, the agency stated. Shipments will decline 9% Y/Y in 2006 however, as optimism mounts that terrorism and bad weather won't create shortages, leading to little change in total exports.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
07/08	Employment Change (June)	19.0K	35.4K
07/08	Unemployment Rate (June)	6.8%	6.8%
07/11	Housing Starts (June)	222.5K	218.8K
07/12	New Housing Price Index (may)	0.6%	0.6%
07/12	BoC Rate	2.5%	2.5%
07/13	Int'l Merchandise Trade (May)	\$4.7 bln	\$5.1 bln
07/14	Manufacturing Shipments (May)	0.4%	0.9%

Valance Co., Inc.

Valance Economic Report: Australia

Davin Patton

(340) 692-7710

dpattson@valance.us

July 7, 2005

This week's data was relatively strong. The Trade Balance was unchanged in May as import demand continued firm. Employment and Retail Sales both increased more than the market anticipated in June and May, respectively. Despite leaving rates unchanged this week, with domestic demand remaining firm, it is likely that the RBA will remain vigilant.

Weekly Highlights

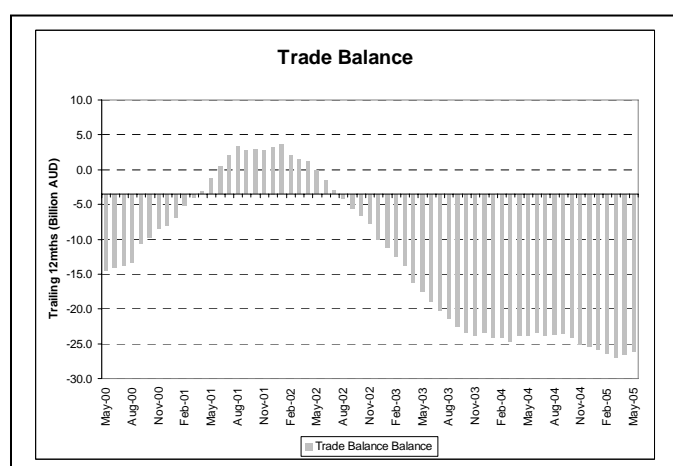
Trade Deficit – remained unchanged at \$1.56 billion in May. (page 34)

Employment – 41.7k jobs added; unemployment rate declined from 5.1% to 5.0% in June. (page 35)

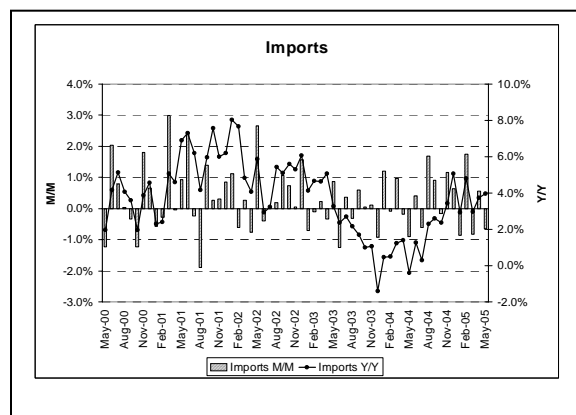
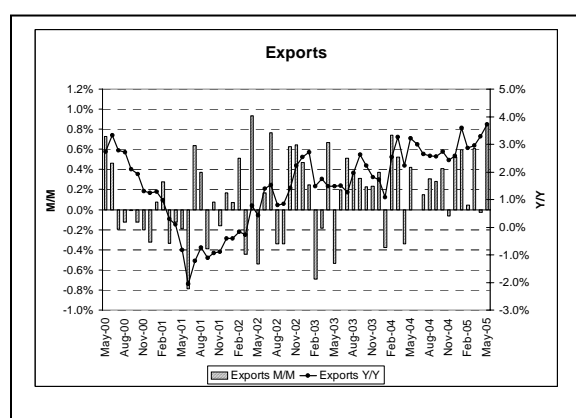
Retail Sales– increased 0.9% M/M and 2.8% Y/Y in May. (page 35)

Weekly Releases & News

Trade Balance

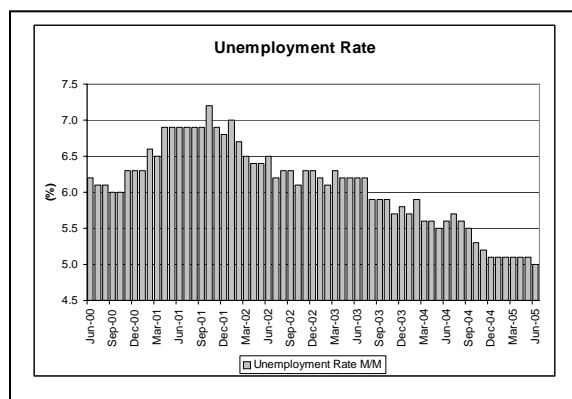
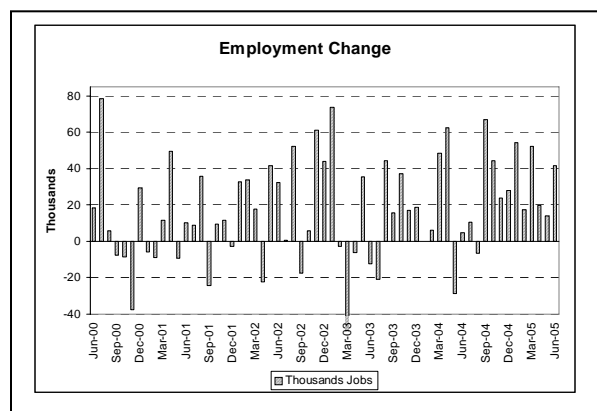


Australia's Trade Balance remained relatively unchanged at \$1.56 billion in May, against market expectations for a \$1.4 bln deficit. Increasing demand from Asia boosted exports 1.7% M/M and 16.3% Y/Y. Domestic demand continued strong however, as imports increased 1.5% M/M and 10.9% Y/Y. The data suggests that Australia will continue to operate in a trade deficit for some time as domestic demand remains firm.



Employment & Retail Sales

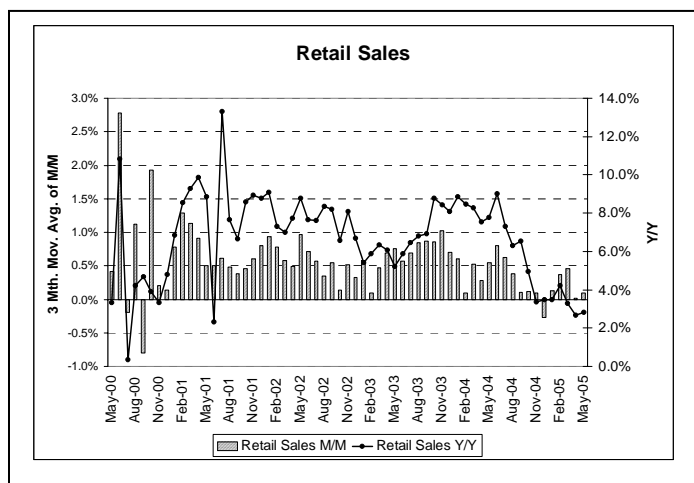
Employment



Australia added 41.7k jobs as the Unemployment rate declined from 5.1% to 5.0% in June. Full time employment increased by 60.2k jobs and part time employment declined by 18.6k jobs. The increase was the 10th consecutive and fits in with the strength in both domestic and foreign demand. If the economy continues to exhibit strength, the RBA may resume its hawkish stance. As it stands however, this data may be transitory and the RBA will likely continue to remain on hold.

Retail Sales

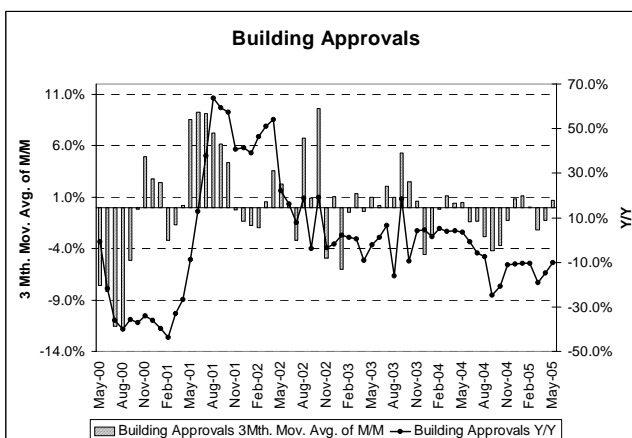
Retail sales in Australia increased 0.9% M/M and 2.8% Y/Y in May. The increase was nearly double what the market anticipated and was concentrated in department store sales and clothing and soft goods sales. Some stores noted colder weather increasing heater and electric blanket sales however, suggesting that domestic demand may not be as strong as the headline number suggests.



Building Approvals, Job Ads, RBA Overnight Rate

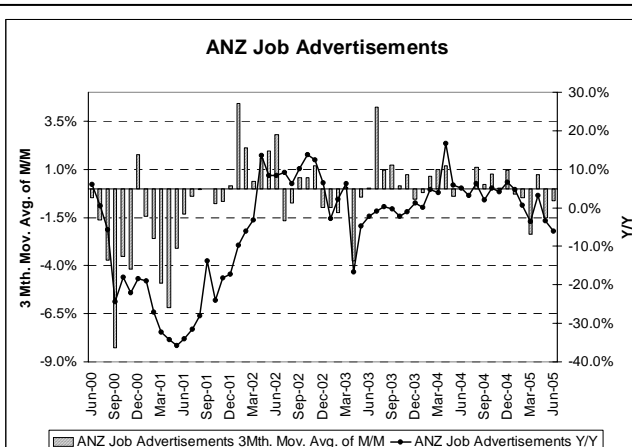
Building Approvals

Building Approvals in Australia increased 4.5% M/M and declined 10.1% Y/Y in May. The increase was the second consecutive and followed increases in employment and wages.



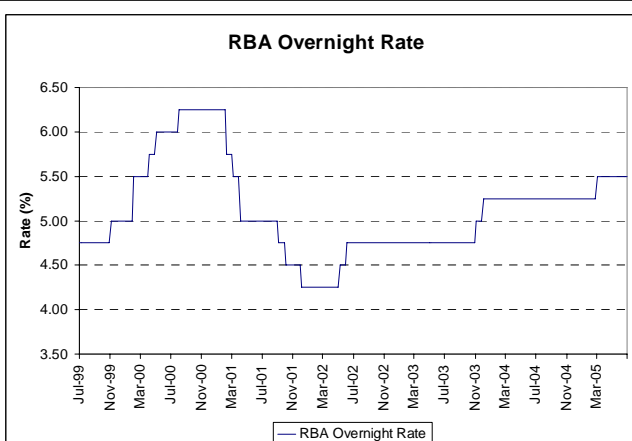
ANZ Job Advertisements

The number of jobs advertised in major Australian newspapers declined 1.9% M/M and 6.1% Y/Y in June. The number of ads reached a two year low, suggesting that recent strength be fleeting.



RBA Overnight Rate

The Reserve Bank of Australia left its overnight rate unchanged at its July 5th meeting. Although largely anticipated, there is still some debate as to what's next for the RBA. Most economists believe that the RBA will remain on hold through the upcoming months. If recent strong data becomes a trend, the RBA may resume its hawkish stance and possibly take further action.



News

Inflation Index

According to the TD Securities Consumer Price Index estimate, consumer prices increased 0.4% M/M and 2.7% Y/Y, higher than the 2.1% Y/Y increase in May. Core CPI increased 0.4% M/M and 2.7% Y/Y as well, according to the survey, suggesting that strong domestic demand and increased wages may be driving economic growth and pressuring consumer prices.

Drought to Ease

RBA member, Donald McGauchie, commented that the drought in eastern Australia should be easing, stating that, "The rain has generally improved the outlook for farming, particularly in the cropping areas," and that "As it stands now, I think we're on target for the sort of crop that won't have an adverse affect on GDP at all."

Labor & Howard's Comments

June 30th – An estimated 100,000 workers in Australia's most populous state, South Wales, protested against the Prime Minister's plan to change workplace rules. About 25,000 workers joined the protests in Sydney and about 100,000 workers marched through Melbourne to protest Howard's plan to create a new national wage system that would make it easier for businesses with fewer than 100 employees to fire people.

July 3rd – The Australian government may have details of a new workplace rules bill between September and October according to Employment Minister, Kevin Andrews. The new bill will create a new national wage system and make it easier for businesses with fewer than 100 employees to fire people.

July 6th – Australia's Prime Minister, John Howard, denied union claims that his new proposals will mean that less productive workers will get less than minimum wage, stating that, "It will be illegal to chisel away the minimum wage...this is about long term reform to benefit Australia, not a short term debating, slanging match."

Cashcard Index

Cashcard Australia stated that its retail index declined 0.5% M/M in June, its third consecutive decline. The decline suggests that recent strength in Retail Sales data may be transitory and that the overall trend for the retail sector will be one of slower growth in the upcoming months.

News (Cont'd) & Upcoming Dates

Credit to Consumers & Businesses

Total credit given to consumers and businesses increased 1.0% M/M and 11.8% Y/Y in May, roughly even with the 0.9% M/M and 12.0% Y/Y increase in April.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
07/10	Home Loans (May)	N/A	0.6%
07/11	National Australia Bank Business Survey (June)	N/A	N/A
07/12	Westpac Consumer Confidence (July)	N/A	N/A

Valance Co., Inc.

Valance Economic Report: China

Evelyn L. Richards

(340) 692-7710

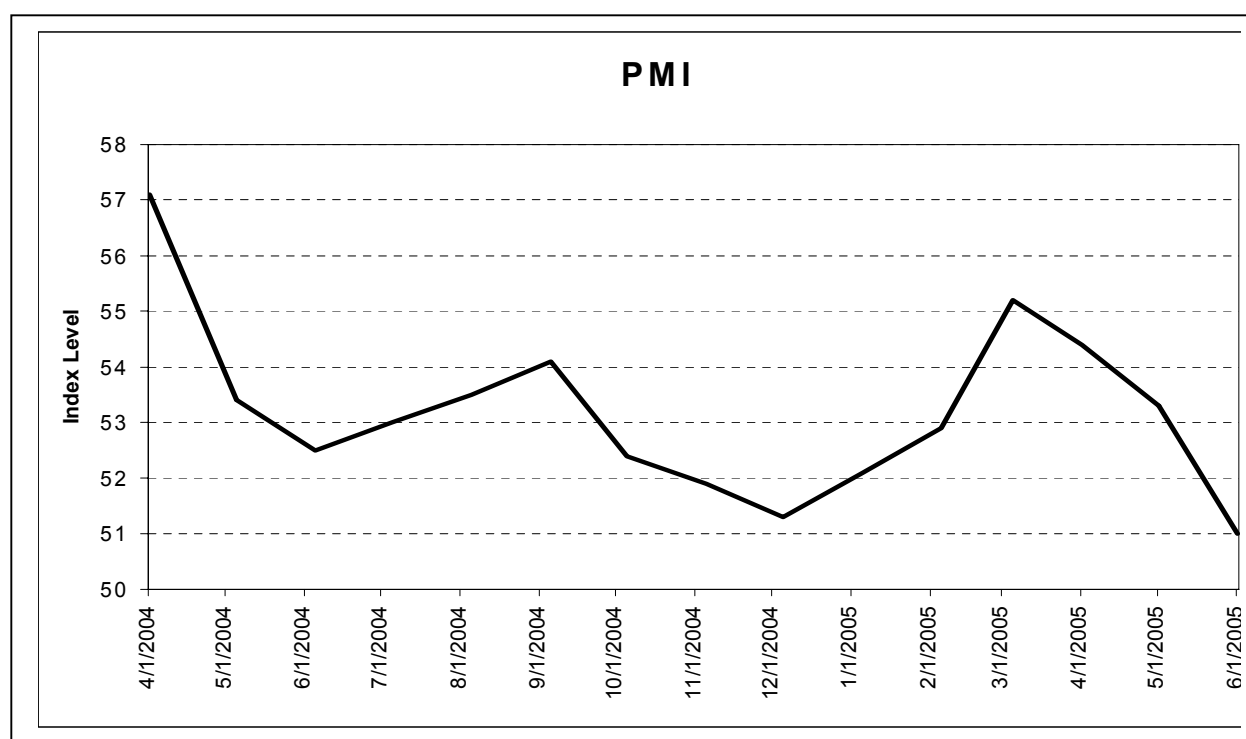
erichards@valance.us

July 7, 2005

China's Manufacturing PMI, the only economic release over the past week, fell by 2.3 points in June, but stayed above 50, indicating expansion. Meanwhile, the European Union has widened its investigation on imports of Chinese shoes after determining that declining prices of leather shoes from China may threaten European companies. Chinese Premier, Wen Jiabao, commented that "A great deal of preparation is still needed until we have favorable conditions" to revalue the Yuan.

Weekly Releases & News

Chart of the Week: *CLSA May Manufacturing PMI*



The Manufacturing PMI fell from 53.3 in May to 51 in June, the lowest reading since the survey began 15 months ago, but remained above the 50 mark which shows that the number of manufacturers who said conditions improved was greater than the number that said conditions deteriorated. The index decreased across the board with the exception of a .2 points increase in supplier deliveries. The following page displays the breakdown of the PMI Survey.

PMI Survey Results & News Releases

PMI Survey Results

Manufacturing PMI employment fell by 2.3 points to reach 51. New Orders decreased from 55.6 to 51.1 and Finished Goods decreased by a narrow margin from 49.2 to 48.9. Meanwhile, Input Prices decreased by 8.3 points. Additionally, Supplier Deliveries, the only component that increased, improved by .2 points. All in all, the results of the PMI Survey were softer, but the absolute level remains above the boom bust threshold.

	June 2005	May 2005	Apr 2005	Mar 2005	Feb 2005	Jan 2005	Dec 2004	Nov 2004	Oct 2004	Sept 2004	Aug 2004	July 2004
Seasonally Adjusted Index												
PMI	51	53.3	54.4	55.2	52.9	52.1	51.3	51.9	52.4	54.1	53.5	53.0
Output	51.3	55.4	56.1	56.6	54.6	53.9	53.2	54.5	55.1	56.4	55.6	55.5
New orders	51.6	55.1	58.0	59.4	55.5	54.9	53.0	53.7	54.1	56.9	55.3	54.6
New export orders	51.1	55.6	57.1	58.6	54.8	55.6	55.1	56.0	54.1	56.6	59.4	59.9
Backlog of work	53.3	56.5	59.2	61.6	56.8	56.9	54.0	55.9	55.3	56.9	56.2	54.0
Finished goods	48.9	49.2	47.5	47.8	49.4	49.0	46.9	48.9	48.3	46.6	48.2	49.8
Employment	50.3	50.6	50.4	51.5	50.2	49.5	49.2	49.8	49.9	50.7	51.0	51.2
Output prices	47.5	51.0	54.1	56.0	51.7	49.5	50.1	54.2	55.0	57.9	56.2	51.8
Input prices	46.1	54.4	69.2	71.3	59.6	56.0	59.1	64.0	71.8	74.0	71.7	62.4
Supplier deliveries	49.5	49.3	48.2	47.3	48.8	49.0	48.8	48.7	46.9	46.5	45.1	47.1
Quan. of purchases	52.8	54.8	56.9	57.4	55.0	54.6	52.5	53.8	54.7	58.1	57.3	55.6
Stocks of purchases	51	51.7	50.8	50.4	48.4	46.6	45.1	45.8	44.9	47.2	46.0	45.6

News Releases

July 7th - EU Widens Investigation on Imports of Chinese Shoes - The European Union increased its investigation on footwear imports from China after determining that falling prices of leather shoes from China may threaten European companies. “There is sufficient evidence to justify the initiation of a proceeding” to study leather shoes, the EU said on its Web site. “The investigation will determine whether the product concerned originating in the People's Republic of China and Vietnam is being dumped and whether this dumping has caused injury.” The investigation began today, and should last a maximum of 15 months. Meanwhile, the EU can introduce temporary measures, if needed, within the next nine months.

July 7th – Central Bank forecasts slowdown in GDP and Consumer prices - The Central Bank’s research bureau has forecasted that China's gross domestic product will expand 9% this year and that inflation will slow to 2.7%. China’s economy grew 9.5% and consumer prices increased 3.9% in 2004.

News Releases Cont'd & Upcoming Dates

July 7th – Overall Consumer Confidence Remains Stable – Overall consumer confidence increased slightly from 94.4 in March to 94.6 in June based on the results of a quarterly confidence survey conducted by the National Bureau of Statistics. However, Chinese are becoming less willing to purchase homes and cars as the proportion of those surveyed said that now is the right time to buy property, fell from 24% in March to 18% in June. The percentage that said they would consider purchasing a car, decreased from 17% to 13%. In addition, the percentage of respondents who expect the economy to continue to “prosper,” fell from 55% to 52%, while those who said the outlook was not clear, increased from 29% to 36%. Nevertheless, individuals who said that they expect their salaries to increase or remain the same, increased from 64% to 69%.

July 1st – The People’s Bank of China Reiterates Pledge to Keep Currency Stable - China's Central Bank announced that it will keep a stable exchange rate after U.S. lawmakers delayed a vote on a bill to impose tariffs on Chinese imports. The Bank also plans to spur domestic spending as it controls fixed-asset investment. Meanwhile, the Bank stated that it will move forward with efforts to “perfect” its exchange rate system while maintaining a “reasonable” exchange rate.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
06/07-14	Ttl Export - Ind. (Y/Y) - May	--	31.9%
06/07-14	Trade Surplus in US Bln - May	--	4.59B
06/07-14	Ttl Import – Ind. (Y/Y) – May	--	16.2%

Valance Co., Inc.

Valance Economic Report: Sweden

Evelyn L. Richards

(340) 692-7710

erichards@valance.us

July 7, 2005

After Swedish Central Bank policy makers cut the country's benchmark repo rate to a record low of 1.5% on June 20th, the Bank also predicted a lower growth for the Swedish economy within the upcoming 2 years. With inflation projected to be well below the 2% in the years ahead, according to the policy rule normally followed by the Riksbank, a rate hike should be distant. Sweden had a budget surplus of 2.4 billion kronor in June, instead of the predicted deficit of 4.3 billion kronor, due to taxpayers' decision to pay their supplementary taxes early. It is still too soon to determine how this will affect the forecast of the borrowing requirement for the year.

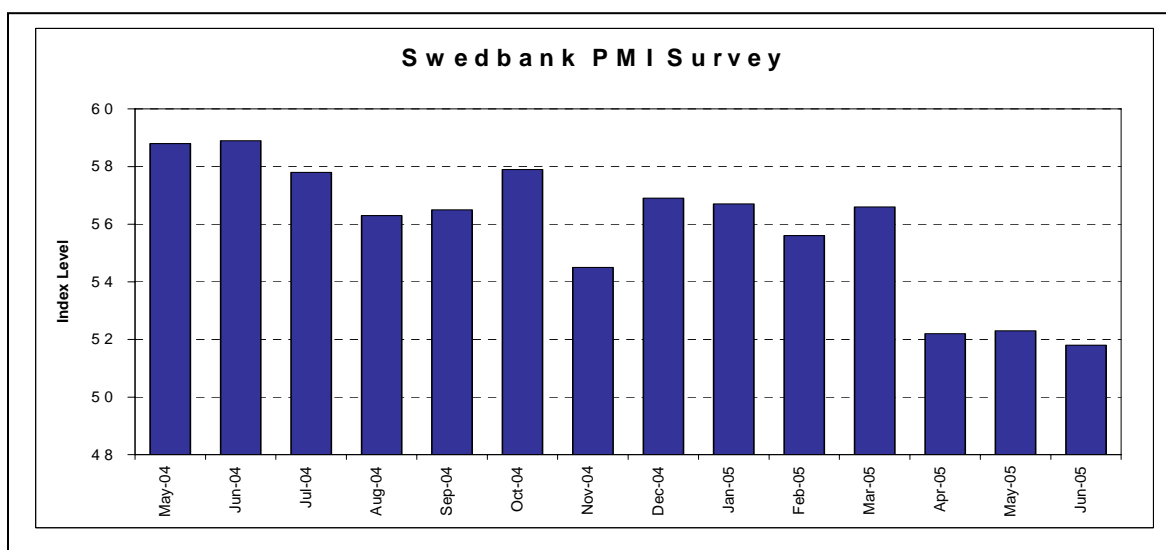
Weekly Highlights

Swedbank Purchasing Manager Index - fell to 51.8 in June from 52.3 in May. (page 42)

Budget Deficit - Sweden had a surprising budget surplus of 2.4 billion kronor in June. (page 43)

Weekly Releases & News

Chart of the Week: *Swedbank PMI Survey*

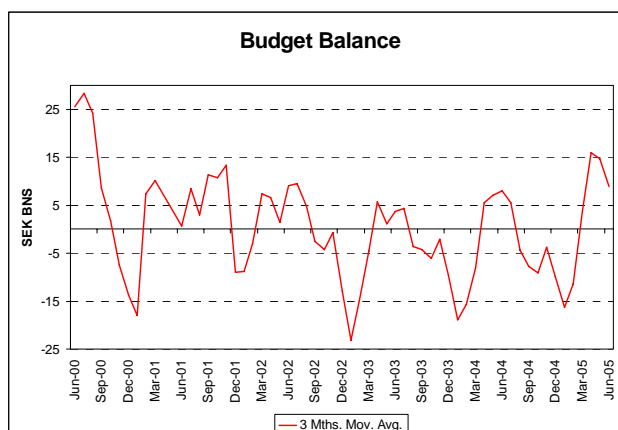


Sweden's Purchasing Managers' Index fell to 51.8 in June from 52.3 in May as a result of weakening export growth, which has held back industrial output. Also, slowing expansion in the U.S. is weighing on Swedish exports; economists expected a rise to 52.5, this means that the Swedish industrial business cycle is continuing to weaken. A reading higher than 50 signals expansion and one lower than 50 indicates contraction.

Budget Deficit & News Releases

Budget Deficit

Sweden had a budget surplus of 2.4 billion kronor despite the expected deficit of 4.3 billion kronor in June. The surplus excluding interest-rate payments was 2.5 billion kronor, which was 6.6 billion kronor more than expected.



News Releases

July 6th- CB Governor, Lars Heikensten:

“The central bank was concerned about an unexpected slowdown in Sweden's first-quarter gross domestic product to 1.4%, forcing a cut in the 2005 growth forecast to 1.9% compared with the 3.2% target. If the Riksbank had looked only at its inflation forecast, it might have decided on a bigger cut.”

“SCB could have cut rates by more than the half percentage point announced on June 21 due to a concern about high household debt and house prices. House prices won't continue to rise at their present rate indefinitely; the concern is that they might level off or even decline.”

The Riksbank's forecast:

The Riksbank predicted the economy will expand 1.9% this year compared with March 15th's forecast of 3.2%. It also reduced its forecast for growth next year to 2.7% from 3.2%.

The Riksbank said it expects the underlying inflation rate, excluding interest rates, subsidies and indirect taxes, to be 1.5% in two years, below its 2% target. The \$320 billion economy grew an annual 1.4% in the first quarter, half the pace the Bank forecast.

The Bank also reduced its forecast for export growth this year to 6% from 7% and to 6.7% from 6.9% for next year.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
07/08	Industrial Production s.a. (M/M) / n.s.a (Y/Y) - May	--	--
07/08	Industrial Orders s.a. (M/M) / n.s.a (Y/Y) - May	--	--
07/08	Activity Index Level – May	--	--
07/11	AMS Unemployment Rate - Jun	--	--
07/12	CPI Headline Rate (M/M / Y/Y) - Jun	--	--
07/12	CPI Underlying Inflation (M/M / Y/Y) - Jun	--	--

Valance Economic Report: Switzerland

Milo Prochazka
(340) 692-7710

mprochazka@valance.us

July 7, 2005

Despite the fact that the Swiss government has cut the nation's economic growth forecast for the second time from 1.5% to 0.9% this year, Swiss manufacturing growth accelerated in June for the first month in three as the declining franc made Swiss exports more competitive overseas. The labor market remains weak.

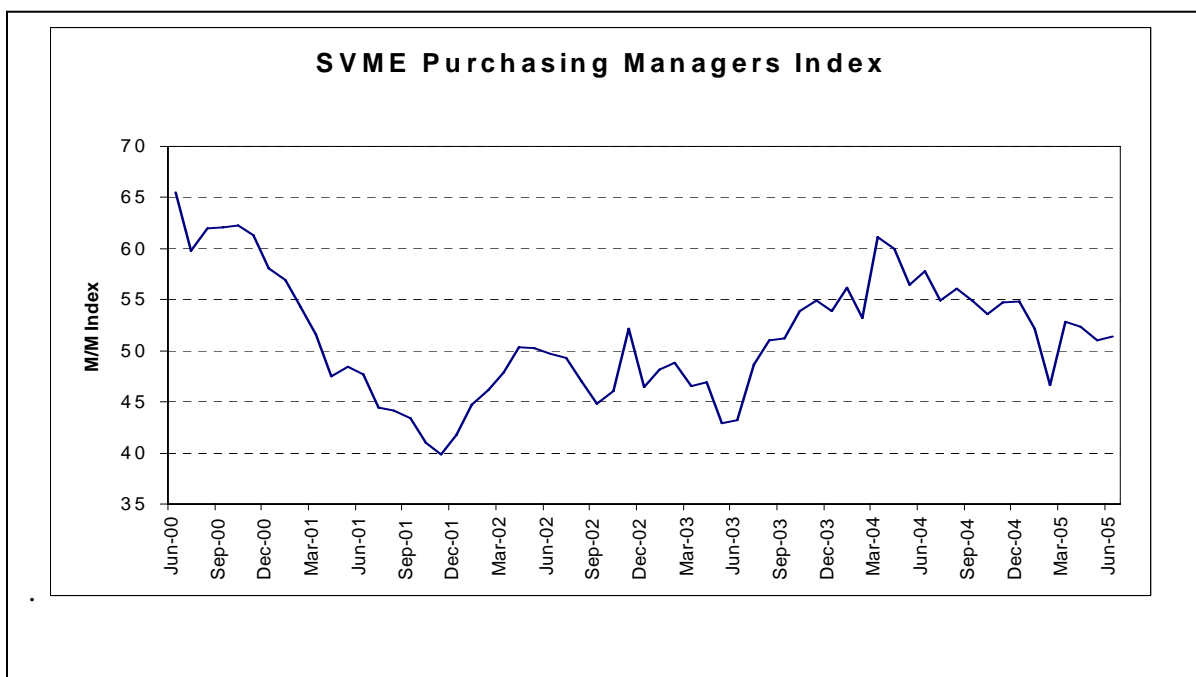
Weekly Highlights

SVME Purchasing Managers Index - rose to 51.4 in June from a revised 51.0 in May. (page 45)

Unemployment Rate - stays at 3.8%. (page 46)

Weekly Releases & News

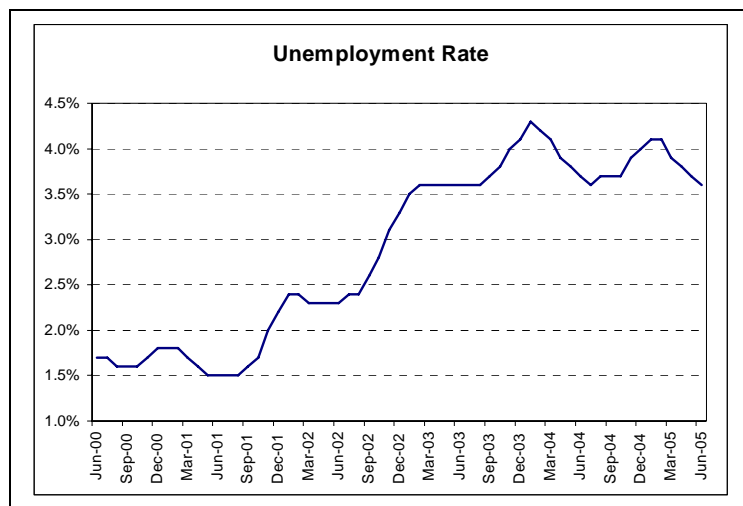
Chart of the Week: *SVME-Purchasing Managers Index*



The SVME Index, which measures executives' perceptions of manufacturing, rose to 51.4 in June from revised 51.0 in May. A reading above 50 indicates expansion and below 50 indicates contraction.

Unemployment Rate & News and Comments

Switzerland's Unemployment rate was unchanged at 3.8% for the ninth month in June as record oil costs and signs of slower growth in Europe prompted companies to hold off on hiring. The number of unemployed in June fell 0.4% to 148,677 from May's 149,424 when adjusted for seasonal swings.



News & Comments

June 16th - SNB's President Jean-Pierre Roth:

"The development in Switzerland's unemployment rate wasn't so good in the last few months and we expect a slight improvement in the second half of the year, but that will go slowly."

July 6th - UBS Survey:

"Growth in the Swiss economy may accelerate in the upcoming months after stagnating in the first quarter as companies intensify production to meet increased demand from home and abroad."

"Swiss companies such as machinery makers reported rising order intakes and are planning to further expand production over the upcoming months. Almost half of the 350 companies polled reported rising orders in the second quarter. About 39% of companies surveyed expect higher orders in the third quarter."

"Economic momentum regained strength in the second quarter and this upswing will remain largely intact from July to September. Both domestic and foreign order inflows were up."

"Switzerland's \$350 billion economy may gather speed as a 12% slide in the Swiss franc versus the dollar this year made exports more competitive overseas and also countered the impact of record oil prices. One of the first signs of recovery is manufacturing growth, which accelerated in June for the first month in three."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
07/11-22	Retail Sales	--	--