

Valance Company, Inc.



Weekly

September 14, 2005

III

Highlights

US – Retail Sales Ex-Autos shows consumer strength pre-Katrina (page 2)

Euroland – Has Euro Zone Manufacturing peaked already? (page 8)

Japan – Strong Q2 GDP data (page 15)

UK – Headline CPI surges while Core CPI decreases (page 23)

Canada – Capacity Utilization increases, Trade Surplus widens (page 29)

China – Trade Surplus remains near record high (page 41)

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September 8 - September 14 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	0.08	1.00	1.00	2.00	2.00
	3.50	3.87	3.89	4.08	4.18	4.22
EU	0.00	0.00	0.50	4.50	7.50	8.50
	2.00	2.14	2.14	2.18	2.21	2.27
JN	0.00	0.00	-1.00	0.00	1.00	4.50
	0.00	0.06	0.08	0.11	0.16	0.24
UK	0.00	0.01	3.00	8.00	10.00	10.00
	4.50	4.60	4.60	4.51	4.42	4.39
CA	0.00	0.06	2.50	3.00	4.00	4.00
	2.75	2.92	2.91	3.04	3.16	3.25
AU	0.00	0.02	1.00	1.00	6.00	6.00
	5.50	5.57	N/A	5.58	5.56	5.49
NZ	0.00	-0.01	3.00	2.00	7.00	7.00
	6.75	6.96	7.08	7.03	6.96	6.75
SZ	0.00	0.00	0.00	7.00	8.00	9.00
	0.75	0.76	0.78	0.90	1.01	1.16

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Valance Economic Reports

Valance Co., Inc.

Valance Economic Report: United States

Cesar Guerra
(340) 692-7710cguerra@valance.usSeptember 14th, 2005

This week's economic data showed evidence of tame inflationary forces and a strong consumer pre-Katrina. Comments from Yellen seemed a bit hawkish, while comments from Fisher were relatively neutral. Yellen highlighted that inflation risks were "on the upside" and Fisher expressed more of a wait-and-see attitude. Weekly retail sales and mortgage application data are some of the only post-Katrina data and they have both remained stable. This will most likely be seen by the Fed as support for continuing to hike rates.

Weekly Highlights

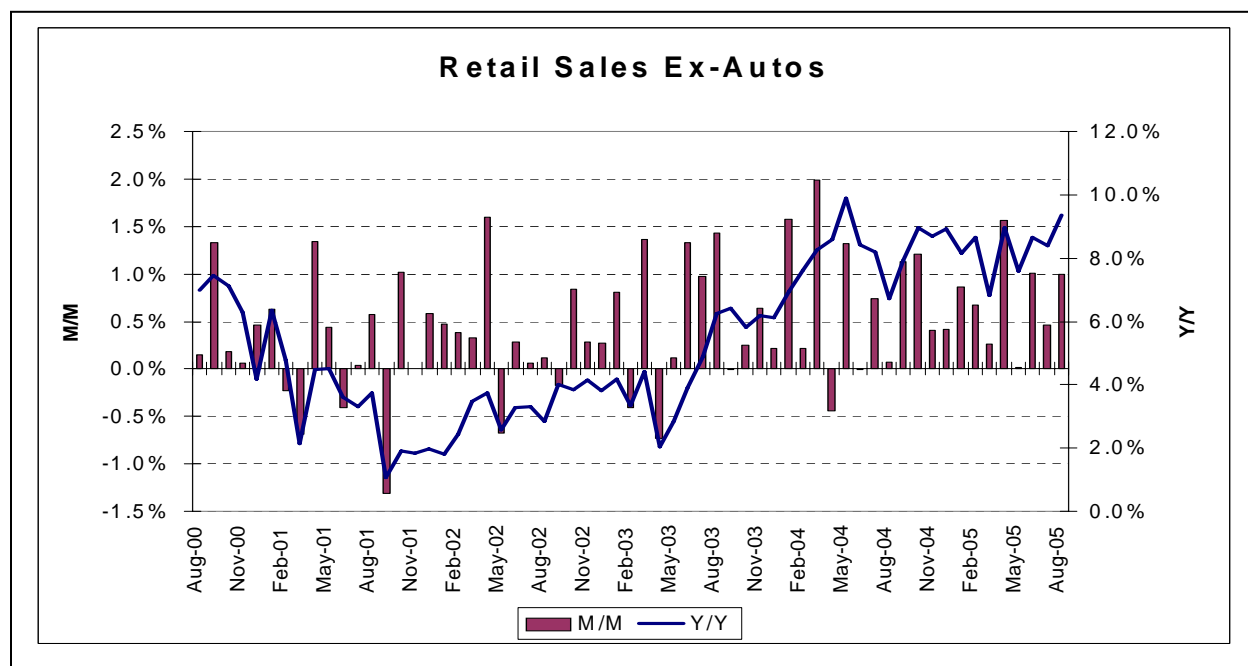
Retail Sales ex. Autos & Gas- increased 0.5% M/M in August. (page 2)

Core PPI- flat M/M in August. (page 4)

Capacity Utilization- remained at 79.8% in August. (page 5)

Weekly Releases

Chart of the Week: *Retail Sales ex. Autos*



Retail Sales, excluding autos, increased 1.0% M/M and 9.4% Y/Y in August. The headline number decreased 2.1% M/M due to weak auto sales. Retail sales, excluding autos and gas, were still up 0.5% M/M, a sign that the consumer was quite strong before Katrina.

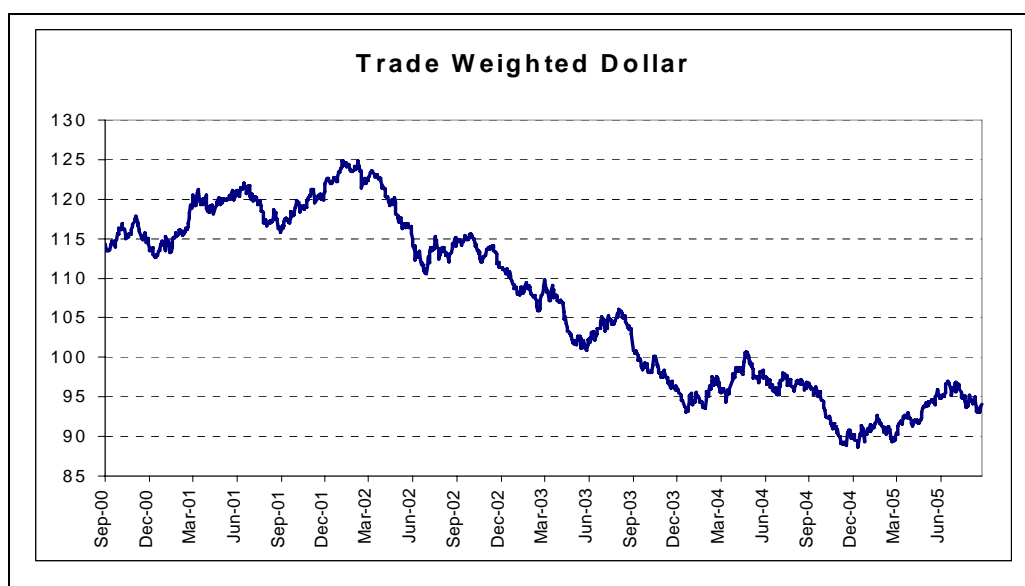
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

	<i>Latest period (\$bns)</i>	<i>Last 12mo. as a % of GDP</i>
Budget Balance	-50.0 (August)	-2.7%
Trade Balance	-57.9 (July)	-5.5%
Current Account Balance	-195.1 (Q1)	-5.8%
Private Balance		-3.1%

The budget deficit is currently at \$328 bln on a trailing twelve month basis and forecasts see the budget deficit increasing to \$400 bln with Katrina related spending in 2006. The larger budget deficit will stimulate the economy in the short-run, but the trade deficit as of July is still 5.5% of GDP, with no clear signs of narrowing quickly. The budget deficit will remain too small to support a robust and sustained expansion, given the size of the current account deficit. As mortgage equity extraction slows and debt service levels increase, fragility in the economy should become more evident.

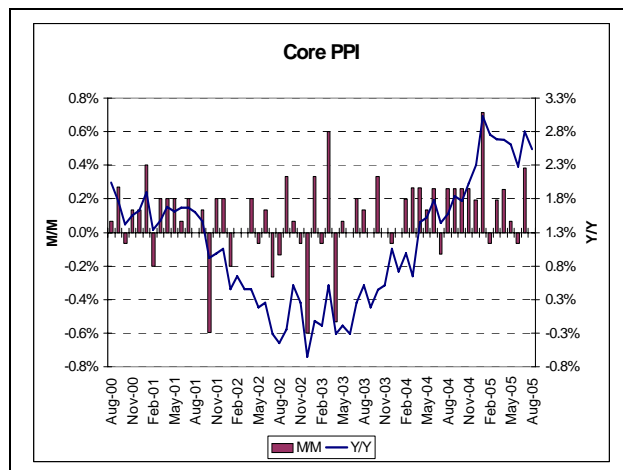
Trade Weighted Dollar



PPI, Import Prices & Mortgage Applications

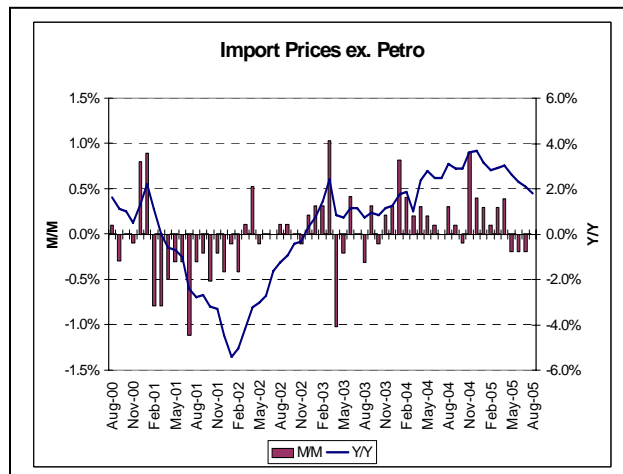
Core PPI

Core PPI was flat M/M and up 2.5% Y/Y in August. Core Crude and core intermediate goods' prices increased 4.6% M/M and decreased 0.1% M/M, respectively. The inflationary pressures seen in earlier stages of production have not been evident in wholesale or consumer prices.



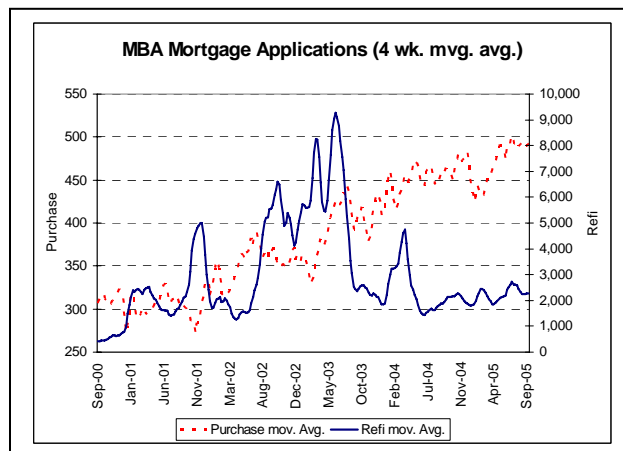
Import Prices ex. Petro

Import Prices, excluding petroleum, were flat M/M and increased 1.8% Y/Y in August. Import prices continue to exert a disinflationary force. The weakness initially seen in the dollar after Katrina has begun to fade.



MBA Mortgage Applications

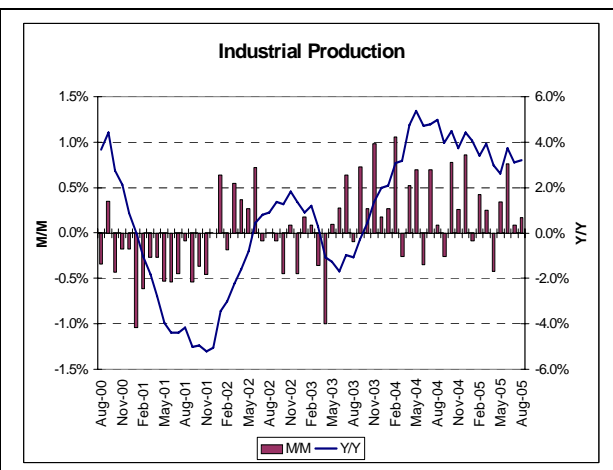
Purchase and refinancing mortgage applications increased 2.9% and decreased 6.7%, respectively this week. Post-Katrina purchase mortgage applications have remained firm. This series suggests that the national housing market has not yet been negatively impacted by Katrina.



Industrial Production, Cap. U. & Unemployment Claims

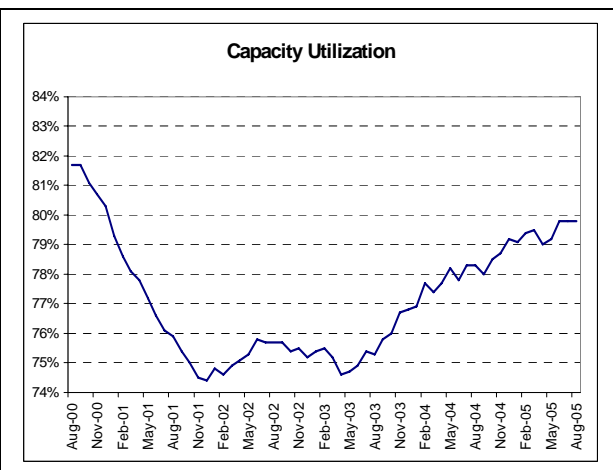
Industrial Production

Industrial Production increased 0.1% M/M and 3.1% Y/Y in August. Most of the weakness came from declines in non-durable materials. Chemicals and textiles declined 1.1% in August and petroleum & coal were down 0.9%.



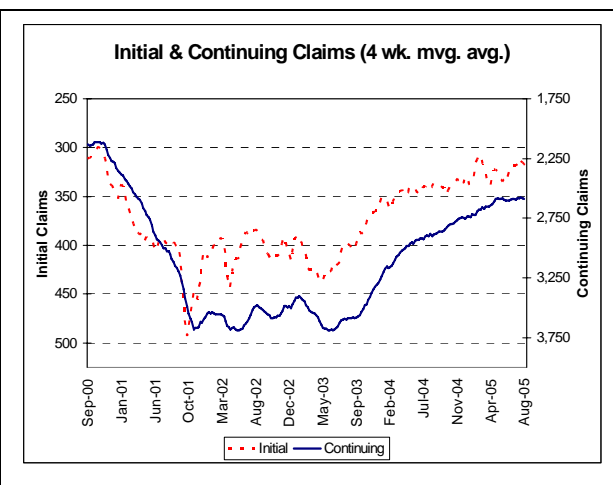
Capacity Utilization

Capacity Utilization remained flat at 79.8% in August and has been at that level for the past three months. Utilization was dragged lower by the industries mentioned above that experienced M/M declines in production.



Initial & Continuing Claims

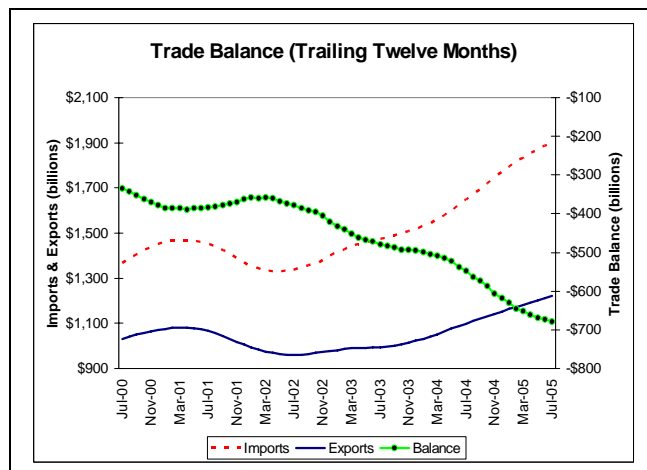
The four-week moving average of initial and continuing claims increased slightly to 319k and 2,587k, respectively. The level of continuing unemployment claims continued to suggest strength before Katrina.



Trade Balance, Fiscal Balance & Consumer Confidence

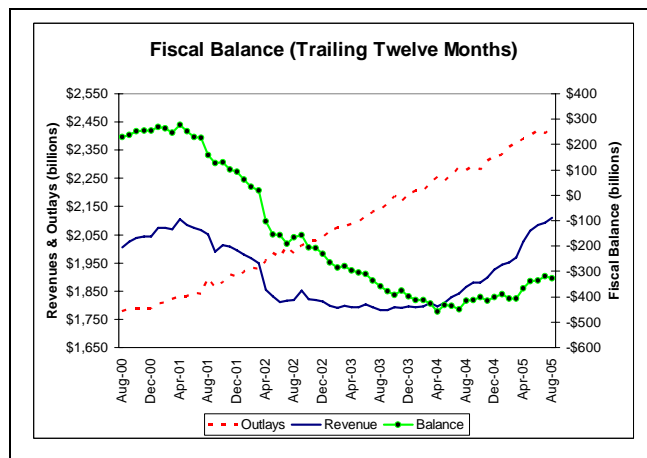
Trade Balance

The Trade Balance narrowed to \$57.9 bln in July and on a trailing twelve month basis, expanded to -\$679.7 bln (5.5% of GDP). Imports decreased 0.7% M/M and increased 11.3% Y/Y while exports grew 0.4% M/M and 10.4% Y/Y.



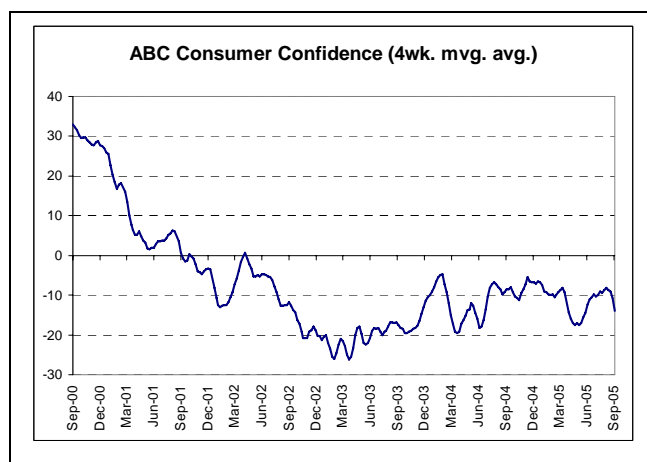
Fiscal Balance

The Fiscal Balance in August had a deficit of \$50.0 bln versus \$41.1 bln in August 2004. On a trailing twelve month basis, the deficit has dropped from \$414 bln last year to \$328 bln, driven by accelerating tax collections. Katrina related spending has boosted most 2006 deficit estimates over \$400 bln.



ABC Consumer Confidence

The ABC Consumer Confidence Index decreased from -15 to -20. The economy, finance and buying, all dropped, declining to -36, 12 and -36, respectively. The overall index has now dropped four weeks in a row.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
09/15	Empire Manufacturing (SEP)	15.5	23.0
09/15	CPI Ex Food & Energy (M/M) (AUG)	0.2%	0.1%
09/15	Business Inventories (JUL)	0.1%	0.0%
09/15	Initial Jobless Claims (SEP 10)	350K	319K
09/15	Continuing Claims (SEP 3)	2592K	2593K
09/15	Philadelphia Fed. (SEP)	13.3	17.5
09/16	Current Account Balance (2Q)	-\$193.0B	-\$195.1B
09/16	U. of Michigan Confidence (SEP)	85.0	89.1
09/19	NAHB Housing Market Index (SEP)	68	67
09/19	Housing Starts (AUG)	2025K	2042K
09/20	Building Permits (AUG)	2130K	2167K
09/20	FOMC Rate Decision Expected (SEP 20)	3.75%	3.50%
09/20	ABC Consumer Confidence (SEP 18)	NA	-20
09/21	MBA Mortgage Applications (SEP 16)	NA	-1.4%

Valance Co., Inc.

Valance Economic Report: Euro Zone

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September 14, 2005

This week's Euro Zone economic indices echoed a theme that we noted last week when manufacturing PMI data suggested an impending slowdown in Euro Zone production. German exports slowed to 0.5% M/M, French exports fell 3.3% M/M and French and Spanish production both contracted, all in July. If the PMI data is any indication, August's manufacturing performance should remain weak as well.

Weekly Highlights

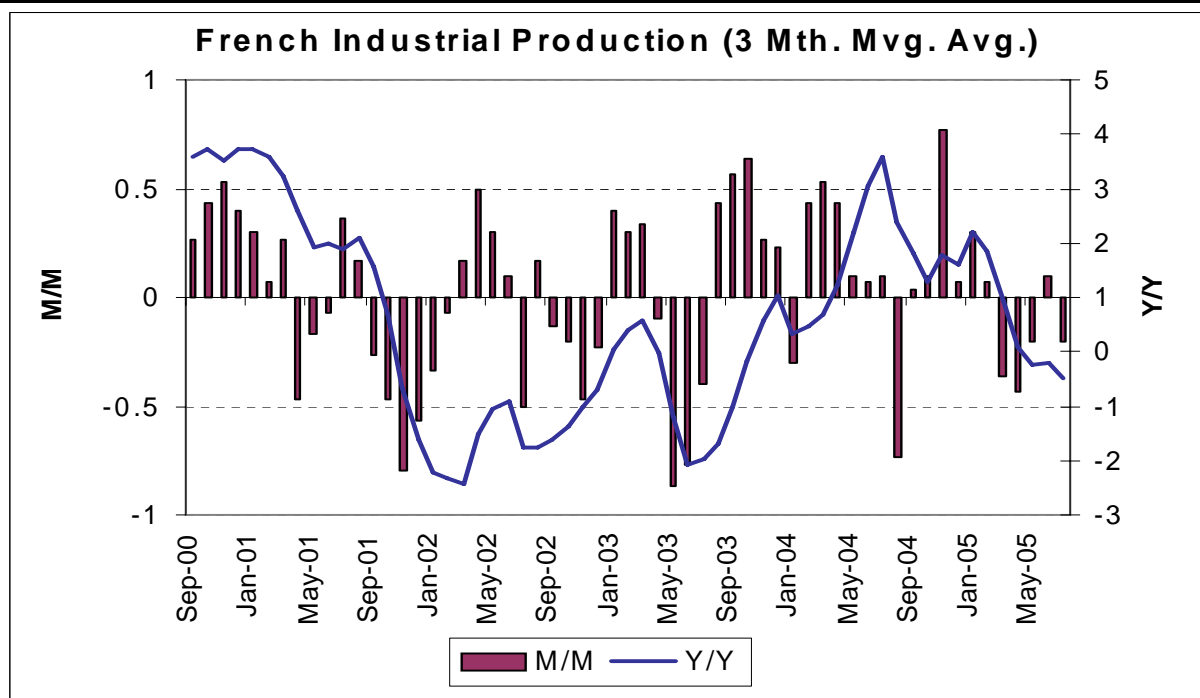
German Trade – exports disappointed in July. (page 10)

French Trade – exports declined 2% Y/Y in July. (page 10)

Italian Business Confidence – inched upward in August, but remained weak overall. (page 11)

Weekly Releases & News

Chart of the Week: *French Industrial Production*



French Industrial Production unexpectedly fell by the most in 11 months in July, declining 0.9% M/M and 0.7% Y/Y. It was the fourth M/M decline in the past 5 months. Expectations were for a 0.3% M/M gain but high oil prices have continued to crimp demand.

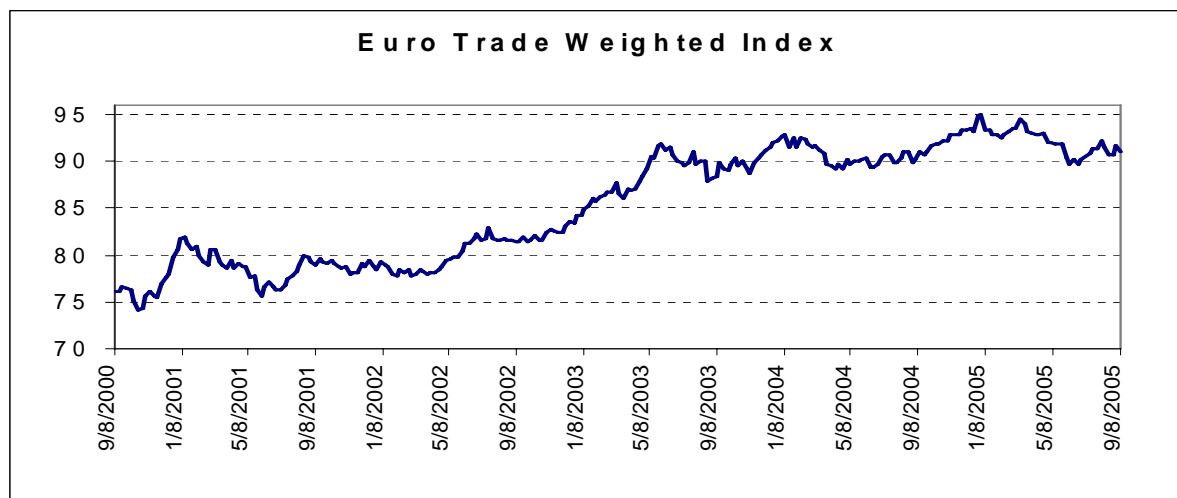
Euro Zone Financial Balances & Trade Weighted Euro

Financial Balances

<i>Germany</i>	<i>Last period (\$blns euros)</i>	<i>Last 12mo. as a % of GDP</i>
Budget Balance	-80.3 (12/04)	-3.6%
Trade Balance	12.1 (May)	7.1%
Current Account Balance	5.2 (May)	3.6%
Private Savings Balance		7.2%
<i>France</i>		
Budget Balance	-5.15 (May)	-3.4%
Trade Balance	-1.25 (May)	-1.3%
Current Account Balance	-2.87 (May)	-1.0%
Private Savings Balance		2.4%
<i>Italy</i>		
Budget Balance	-3.4 (July)	-3.5%
Trade Balance	-0.36 (May)	0.4%
Current Account Balance	-3.2 (May)	1.2%
Private Savings Balance		4.7%

Euro area public deficits will most likely overshoot their official targets once again in 2005 as growth this year has proven much weaker than forecasted. Initial 2006 budget drafts also suggest overly optimistic growth forecasts. Citigroup forecasts an average euro area deficit of 3.2% in 2005 and 3.4% in 2006, above the EU's 3% limit.

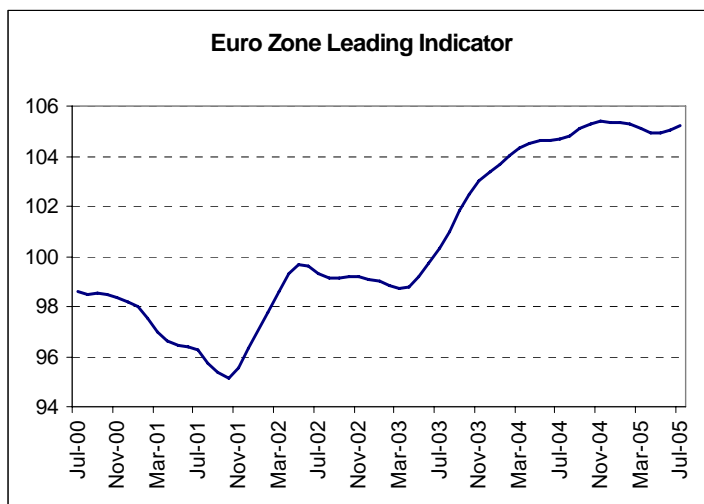
Trade Weighted Euro



Euro Zone Leading Indicator, German & French Trade

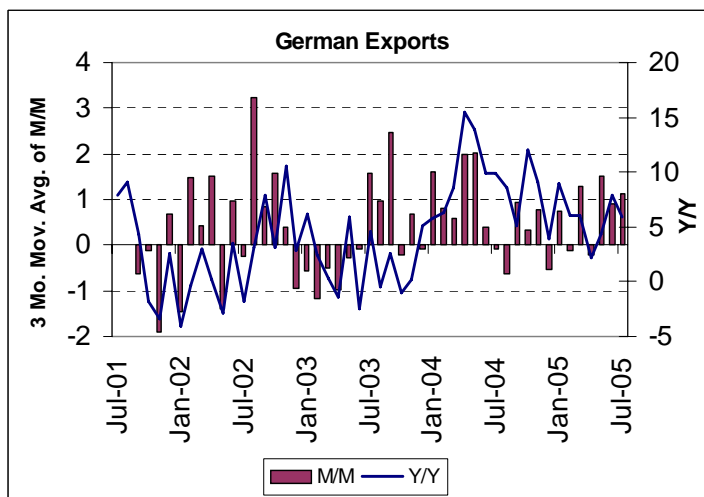
Euro Zone OECD Leading Indicator

The Euro Zone's July OECD Leading Indicator increased for the third consecutive month, improving from 103.6 in June to 103.9.



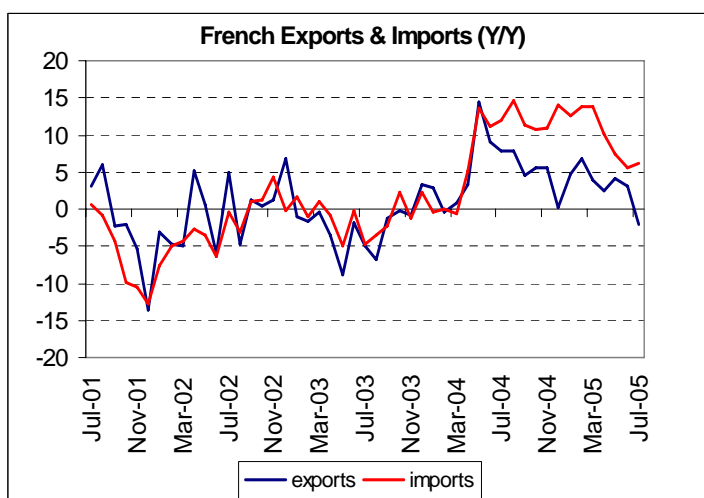
German Trade

Germany's July Trade Surplus narrowed from 16.8 bln in June to 14.1 bln as imports expanded 3.7% M/M while exports grew a less than expected 0.5% M/M.



French Trade

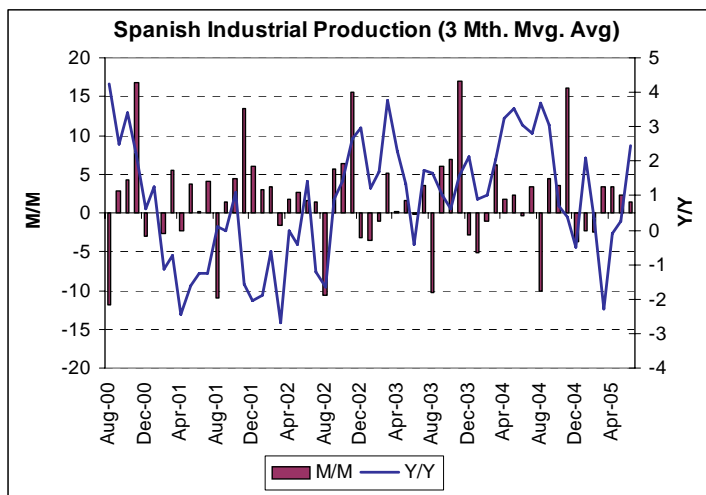
France's July Trade Deficit doubled from 1.3 bln euros in June to 2.7 bln as exports declined 3.3% M/M while imports grew 1.2%. On a Y/Y basis, exports declined 2% while imports grew 6.5%.



Spanish Ind. Pro., Italian Ind. Orders & Business Confidence

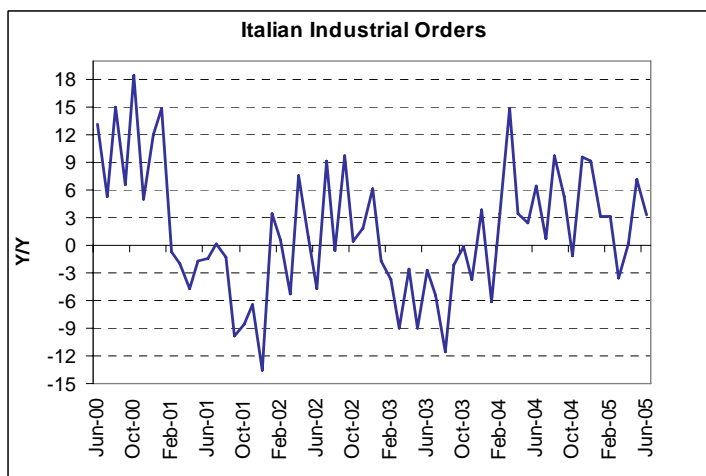
Spanish Industrial Production

Spain's July Industrial Production fell for the 2nd consecutive month, declining 3.5% Y/Y. Certain analysts believe that Spain is still investing heavily in equipment, but that they are purchasing them from abroad. No M/M figure was released.



Italian Industrial Orders

Italy's June Industrial Orders increased 2% M/M and 3.3% Y/Y. Industrial Sales increased 0.4% M/M and 1.2% Y/Y.



Italian Business Confidence

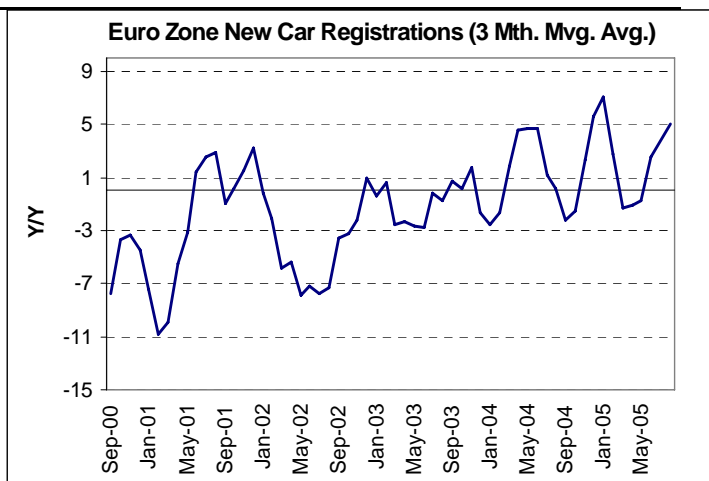
Italian Business Confidence unexpectedly rose to a 7 month high in August, climbing from 86.0 in July to 87.5. A sub index measuring foreign orders expectations increased from 11 in July to 14.



Euro Zone Car Registrations, French & Spanish CPI

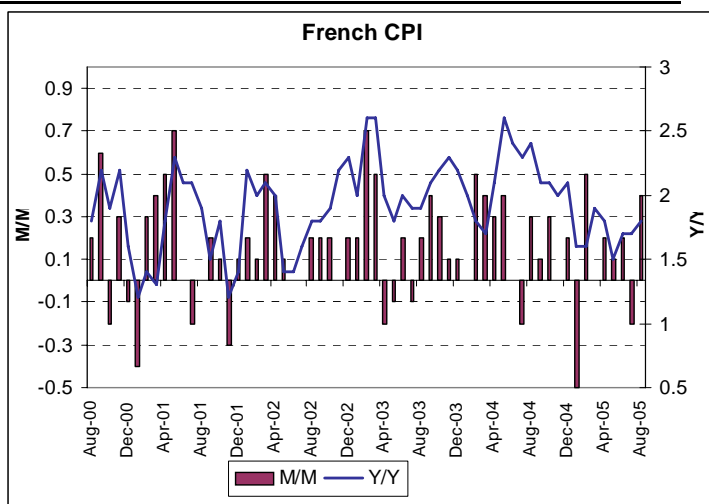
Euro Zone New Car Registrations

New Car Registrations in the Euro Zone increased 7.5% Y/Y. On a year to date basis, car registrations in 2005 are down 0.5% compared to last year.



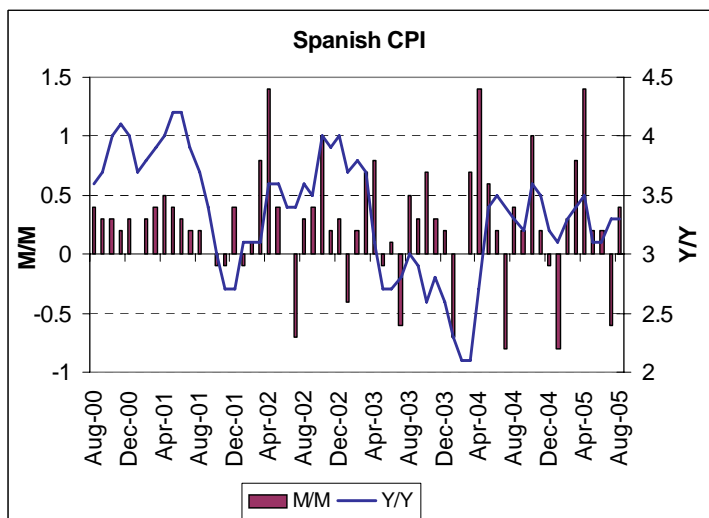
French CPI

Consumer Prices in France accelerated slightly in August as prices increased 0.4% M/M and 1.8% Y/Y; up from 1.7% Y/Y in July.



Spanish CPI

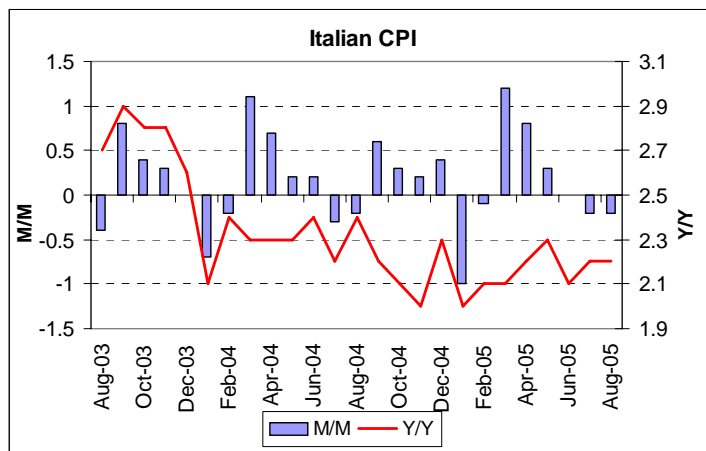
Spain's August Consumer Prices increased 0.4% M/M and 3.3% Y/Y. Inflation in Spain remains 1.1% higher than the average for the Euro Zone.



Italian CPI & News

Italian CPI

Italy's August Consumer Prices were revised upward slightly as prices fell 0.2% M/M while increasing 2.2% Y/Y (revised upward from -0.3% M/M and 2.1% Y/Y).



News

ECB

Sept 14th – ECB President Jean Claude Trichet noted that inflation risks are rising and may pick up toward the end of the year. Trichet added that “there’s absolutely no doubt” that oil prices will slow growth in the Euro Zone. ECB member Axel Weber added that inflation expectations may be rising while ECB Chief Economist, Otmar Issing, added that the bank may cut its 2005 growth forecasts further if oil prices continue rising. The current forecast calls for 1.3% growth this year.

Sept 14th – IMF director, Michael Deppler, stated that ECB rates are appropriate and should only be lowered if the recovery falters. Deppler stated, “In our view, monetary conditions have been supportive and interest rates broadly appropriate.”

Sept 12th – France offered assistance to farmers while Hungary cut fuel taxes in attempts to spur economic growth in the midst of rising energy costs. French Prime Minister Dominique de Villepin stated that, “we need to bring specific help to farmers because they can’t raise prices.”

Germany

Sept 14th – Germany’s IWH Institute cut its 2005 growth forecast from 1.1% to 0.9%, noting that booming exports have failed to create hiring or spur consumer spending. They stated that, “Signs of a spillover of impetus from abroad to the domestic economy are increasing, but they’re too weak to influence growth and employment in a sustainable way.”

News & Upcoming Dates

Germany

Sept 13th – A study by the IFW Institute found that Germany's unemployed demand too much pay, resulting in high unemployment. German job seekers expect to earn an average of 10% more than they did at their previous place of employment.

Sept 10th – The German Finance Ministry stated that tax revenue (especially VAT) is picking up, suggesting that the economy has returned to growth after stalling in Q2.

Sept 8th – IFO Chief Economist Otmar Issing stated that the IFO institute may raise its 2005 growth forecasts next month on increasing signs that the economy will recover. Issing stated, "Our growth estimate (of 0.8%) is at the lower range...if the development we've seen in the industrial sector over the past few months should continue, it could well be that we'll have to revise up our growth estimates."

Sept 8th – Germany's Kiel Institute cut its Euro Zone 2006 growth forecast from 1.8% to 1.7%, citing the effects of rising oil prices on consumption and investment. The 2005 forecast was unchanged at 1.2%.

France

Sept 14th – French President Jacques Chirac proposed cutting the highest tax rate by 17%, lowering the rate from 48.1% to 40% in 2007. In an attempt to increase employment, France will also give 1,500 euros in tax credits to any job seeker who moves to attain a job.

Sept 14th – The Bank of France stated that France will expand 0.3% in Q3 and 1.4% for 2005. The Bank's forecast contrasts with that of Finance Minister Breton, who is expecting a pickup in growth. Breton expects 1.5 -2% growth this year, followed by 2-2.5% in 2006.

Key Dates This Week

Date	Indicator	Expectation	Previous
09/15	Italian Current Account (JUL)	--	-2.7 bln euros
09/15	Spanish Current Account (JUN)	3.3 mln euros	5.2 bln
09/15	Italian Industrial Production (JUL)	0.1% M/M	-0.7% M/M
09/16	Euro Zone CPI (AUG)	0.1% M/M	-0.1% M/M
09/16	Euro Zone Industrial Production (JUL)	0.4% M/M	0.3% M/M
09/20	Euro Zone ZEW econ. Sent. (SEP)	--	41.6
09/21	French Consumer Spending (AUG)	--	--

Valance Co., Inc.

Valance Economic Report: Japan

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September 14, 2005

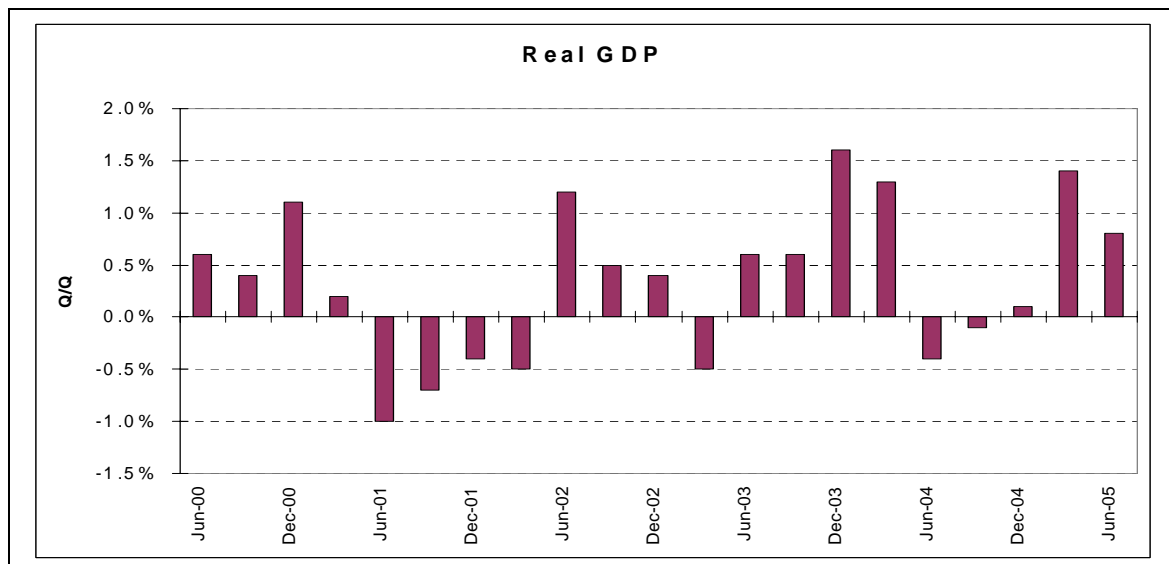
This week's data reflected a recovering economy that's gathering momentum. Q2 real GDP growth was more than double what the market expected. The Current Account Surplus narrowed on higher import demand and the decline in July core machine orders wasn't as severe as the market had anticipated. Combined, the data has been leading some groups such as Merrill Lynch and the OECD to revise growth estimates. On the political front, Koizumi remains in power, having won in a landslide election. His plans for postal and fiscal reform are now certain and the market's focus can return to fiscal and economic concerns.

Weekly Highlights

Real GDP – increased 0.8% Q/Q in Q2. (page 15)

Current Account Surplus– narrowed from 1.504 tln yen to 1.368 tln yen in July. (page 17)

Machine Orders – increased 5.5% M/M and 7.6% Y/Y in July. (page 18)

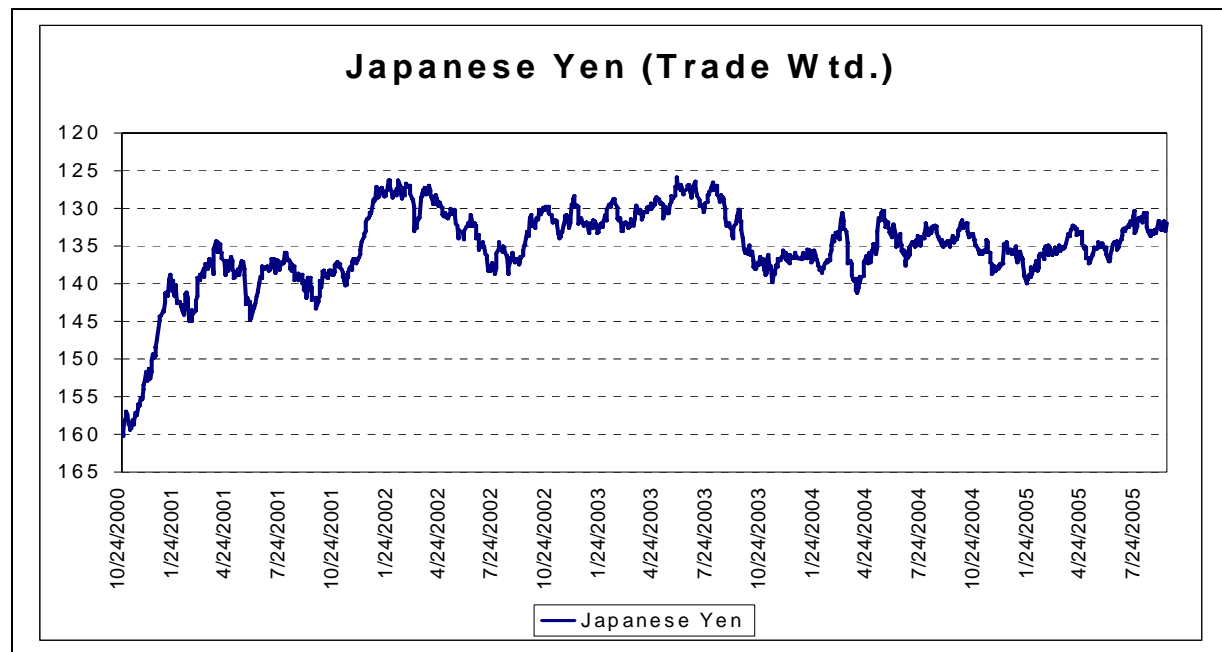
Weekly Releases & News**Chart of the Week: *Real GDP***

Japan's economy grew 0.8% Q/Q in Q2 and the annualized rate increased from an original 1.1% to 3.3%, surpassing expectations for a revision to an annualized rate of 1.5%. Although growth slowed from Q1's 1.4% Q/Q increase, most sectors posted solid increases, including private consumption, household spending, domestic demand, and private demand. The increase in growth led major banks such as Merrill Lynch to increase their growth estimates for the country. Merrill for example, which expected Japan to grow 2.4% in the year ending March 31st 2006, now expects the economy to grow 3% over the period. The sentiment was also echoed by the BoJ, and is in line with our view that the recovery continues to gather steam.

Japan's Financial Balances

Financial Balances

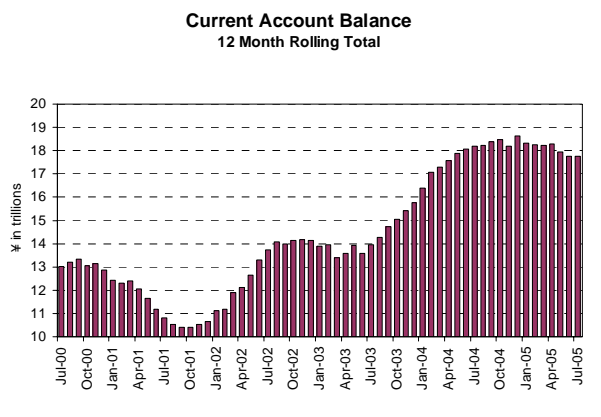
<i>Japan</i>	<i>Last period (¥trln)</i>	<i>Last 12mo. as a % of GDP</i>
Budget Balance	-3.03 (May)	-6.9%
Trade Balance	0.69 (June)	2.2%
Current Account Balance	1.50 (June)	5.2%
Private Balance		12.1%



Current Account Surplus, Industrial Production, & Bank Lending

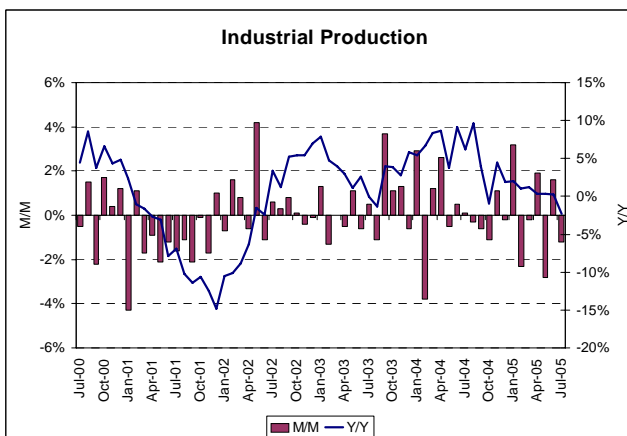
Current Account Surplus

Japan's Current Account Surplus declined from 1.504 tln yen to 1.368 tln yen in July. It narrowed for the first time in four months due to increases in the cost of oil affecting the cost of imports in addition to an increase in domestic demand.



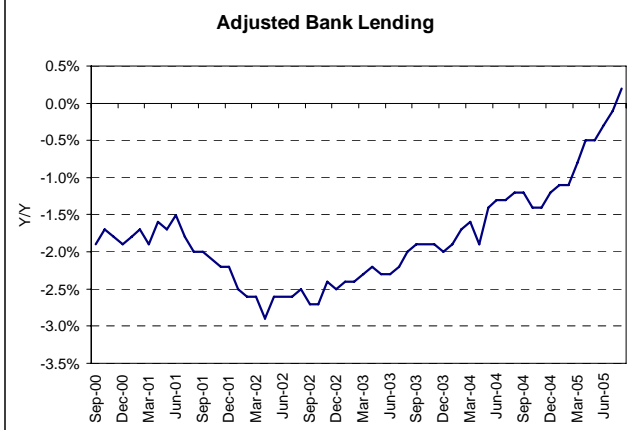
Industrial Production

Industrial production declined 1.2% M/M and 2.3% Y/Y in July, slightly greater than expectations for a 1.1% M/M and 22% Y/Y decline. Shipments declined 1.5% M/M and 2.6% Y/Y. Inventories increased 0.5% M/M and 5.1% Y/Y. METI's current forecast is for a 2.3% increase in production in August and September.



Adjusted Bank Lending

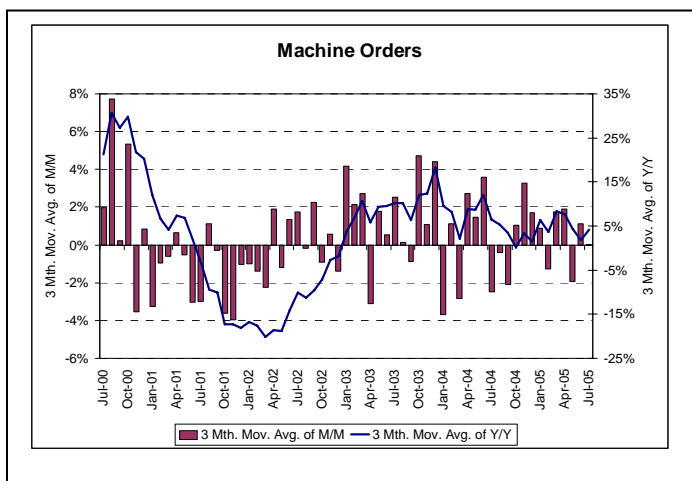
Bank lending increased 0.2% Y/Y in August, on a seasonally adjusted basis. The increase was the first on record since the BoJ began tracking the figures in October of 1998.



Machine Orders, Machine Tool Orders & Capacity Utilization

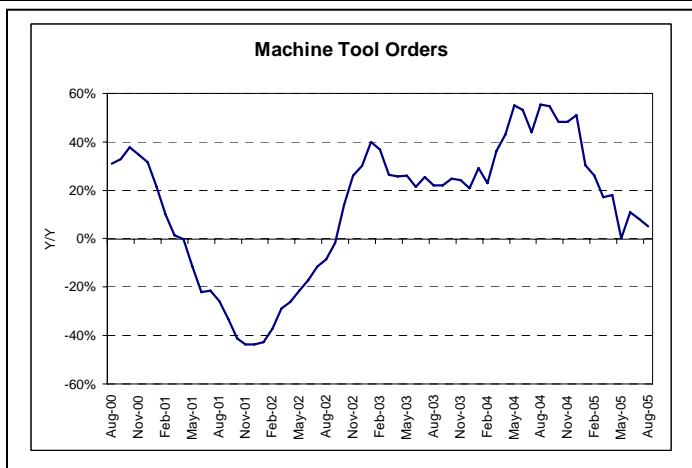
Machine Orders

Machine Orders declined 5.5% M/M and 7.6% Y/Y in July. Core machine orders, which exclude ships and utilities, declined 4.3% M/M and increased 10.0% Y/Y. The decline wasn't as large as the 5.0% M/M decline the market expected and may rebound in the upcoming months as capex has been trending firm.



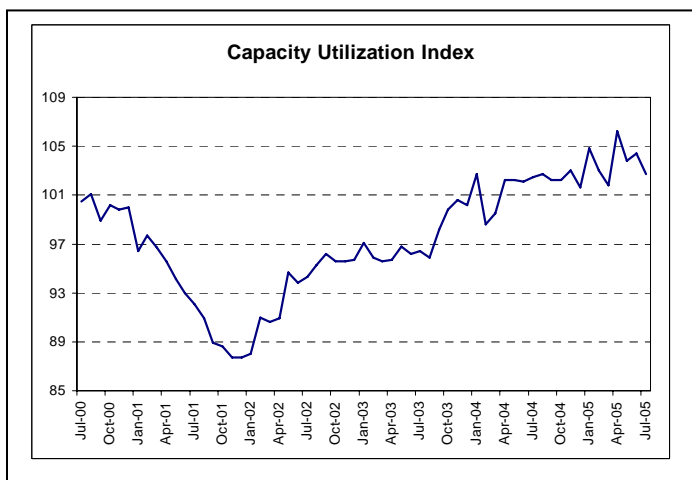
Machine Tool Orders

Machine tool orders declined 2.0% M/M and increased 5.2% Y/Y as domestic demand for tools increased 1.8% M/M and 10.9% Y/Y.



Capacity Utilization

The Capacity Utilization Index declined from 104.4 to 102.7 in July.

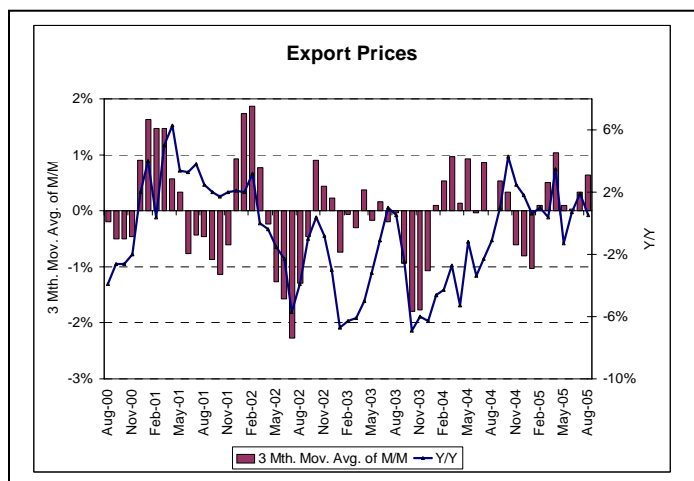
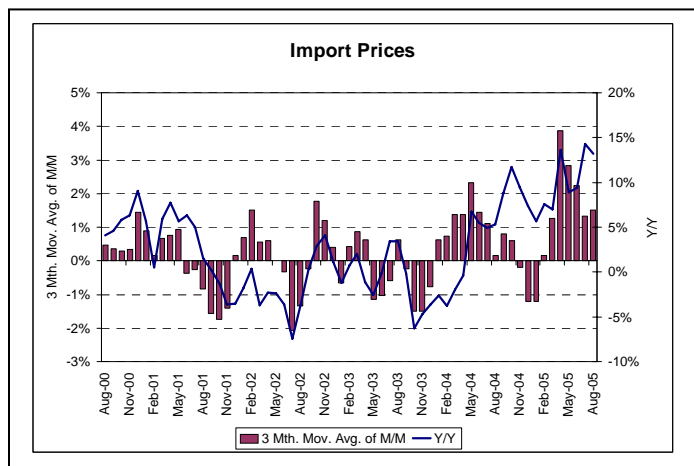
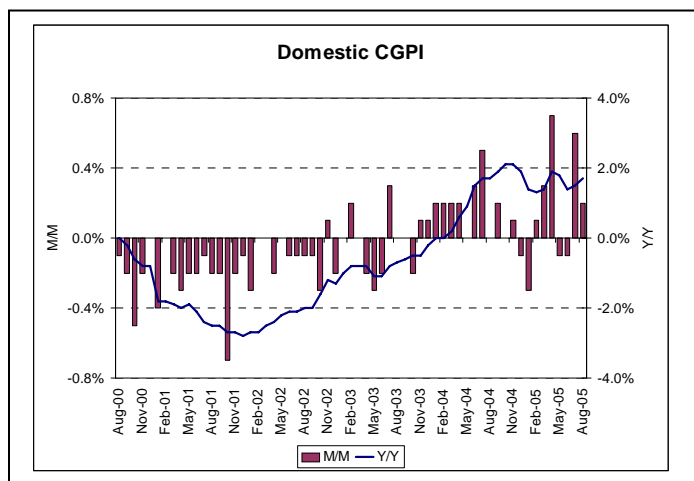


CGPI, Import Prices & Export Prices

Domestic CGPI

Prices of Corporate Goods increased 0.2% M/M and 1.7% Y/Y in August, meeting market expectations. The increases were attributed to an increasing cost of crude oil, driving raw materials prices higher.

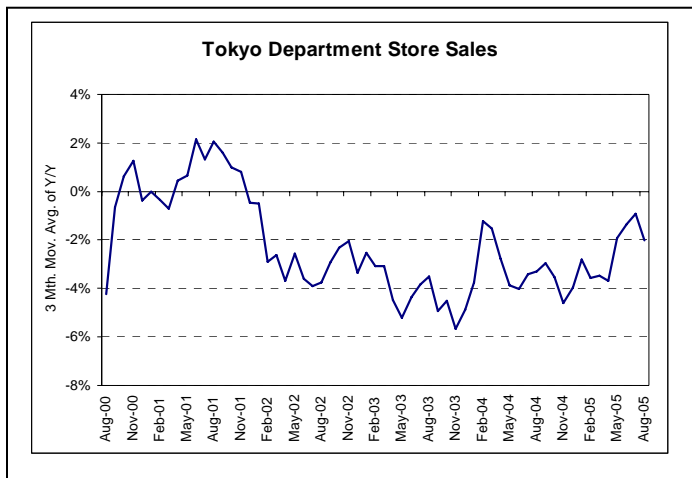
Import prices increased 0.2% M/M and 13.2% Y/Y in August. Export prices decreased 0.4% M/M and increased 0.5% Y/Y.



Tokyo Dept. Store Sales, Tokyo Condominium Sales & Bankruptcies

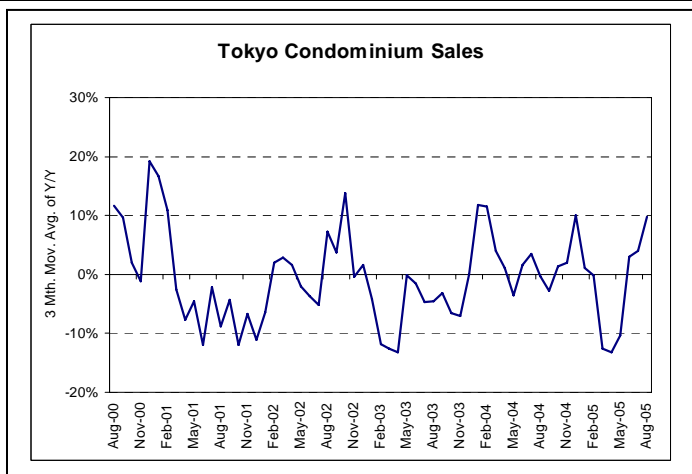
Tokyo Dept. Store Sales

Tokyo's Department Store Sales declined 6.1% Y/Y due largely to a decline in household goods.



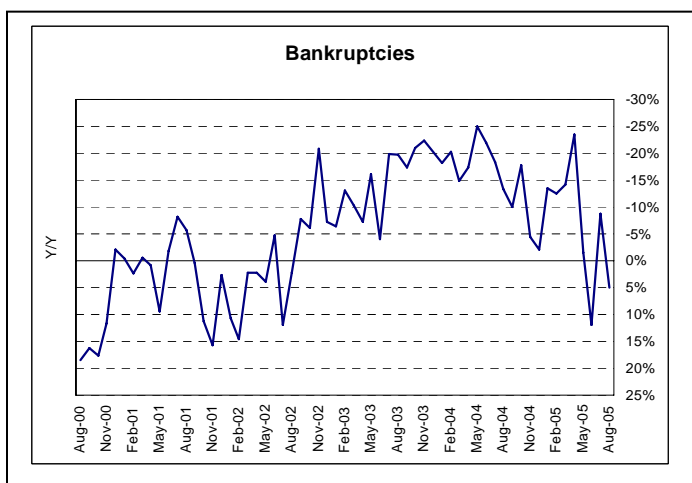
Tokyo Condominium Sales

The number of Condominiums for sale in Tokyo increased 12.7% Y/Y in August and the number sold increased 25.1% Y/Y. The average unit price increased 10.9% Y/Y, bringing the price of Condos to its highest level in Tokyo in over 5 years.



Bankruptcies

Bankruptcies increased 5.0% Y/Y in August, the second increase in over three years.



News

Political Update & Reforms

Koizumi and his Liberal Democratic Party won in a landslide election on the 11th as they grabbed 327 of 480 seats in the lower house. The win came as most independents supported the LDP and will ensure that his postal bills will clear through the Diet in a special session later this month. The percentage of LDP seats on the lower house now totals 61.7% and exceeds the all time high of 58.6% reached in 1986. Following the election, the PM is expected to focus on tax reforms to address the government deficit. The government is expected to begin eliminating the flat-rate personal income and residential tax cuts introduced in 1999, which reduced the two taxes by as much as 290,000 yen annually. Many economists believe the government will raise the consumption tax high enough to increase revenue by at least 7-8 tln yen, although this is only expected after the economy posts solid 2% growth for 2 or more years.

BoJ Comments

BoJ Fukui reiterated his stance on Sept. 9th that, “Even if the consumer price index rises above water, the decision on whether the risks of deflation returning are gone must be made carefully.” He also stated that, “We are committed to keeping our current ultra-easy monetary policy until the core consumer price index stabilizes at zero or above. This is a strong promise that we would like to keep until the end.” He also acknowledged that the Y/Y change in CPI may flatten or turn higher toward the end of the year. On Oil, he commented that, “it is still difficult to say what the future effects will be from the surge in oil prices,” although he expects the world economy to fare well even if oil prices remain high.

In a separate report by the BoJ, the BoJ continued to state that the economy continues to recover, but it dropped its reference to IT-related sectors from its overall economic assessment. Overall conditions remain largely unchanged however, and the BoJ expects the economy to continue to recover.

BoJ board member, Toshikatsu Fukuma, commented on Sept. 14th that the BoJ should move slowly and not rush on the implementation of future monetary policy, noting that markets have built up positions under the assumptions that zero-interest rates will continue. He believed that “taking a double edged approach of holding the overnight call rate near zero percent under the quantitative easing framework, but also decreasing the amount of funds the BoJ provides to the market would be in line with current financial and economic conditions.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
09/15	Leading Economic Index (July)	45.5%	50.0%
09/15	Coincident Index (July)	20.0%	22.2%
09/15	Consumer Confidence (Aug)	N/A	48.2
09/15	Consumer Confidence Households (Aug)	N/A	48.1
09/20	Convenience Store Sales (Aug Y/Y)	N/A	-4.7%

Valance Co., Inc.

Valance Economic Report: *United Kingdom*

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September 14, 2005

CPI rose this week to its highest annual growth since 1997 as fuel prices continue to increase. Gordon Brown blamed the current high fuel prices on OPEC for not producing enough oil, however it should be noted that the UK has the second highest level of taxes per liter in Europe, 61.1%. Brown will most likely not reduce these VAT and duty taxes, as it would affect the annual budget and reduce the chance that he meets his so called “Golden Rule.”

Weekly Highlights

CPI- surged 0.4% M/M and 2.4% Y/Y in August, mainly due to fuel prices. (page 23)

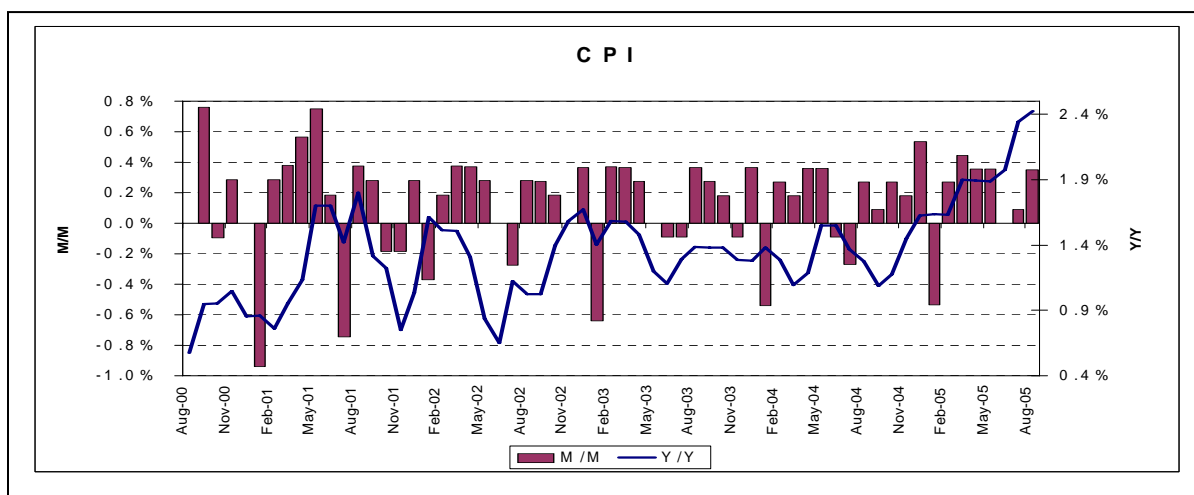
Output Producer Prices- increased 0.3% M/M and 3.0% Y/Y in August, with 9 of the 10 sectors increasing. (page 25)

Average Earnings- (ex. bonus) increased 3.9% 3M/3M and 4.0% Y/Y in July. (page 26)

Claimant Count Unemployment Rate- remained at 2.8% as the number of unemployed increased by 1,600. (page 26)

Weekly Releases & News

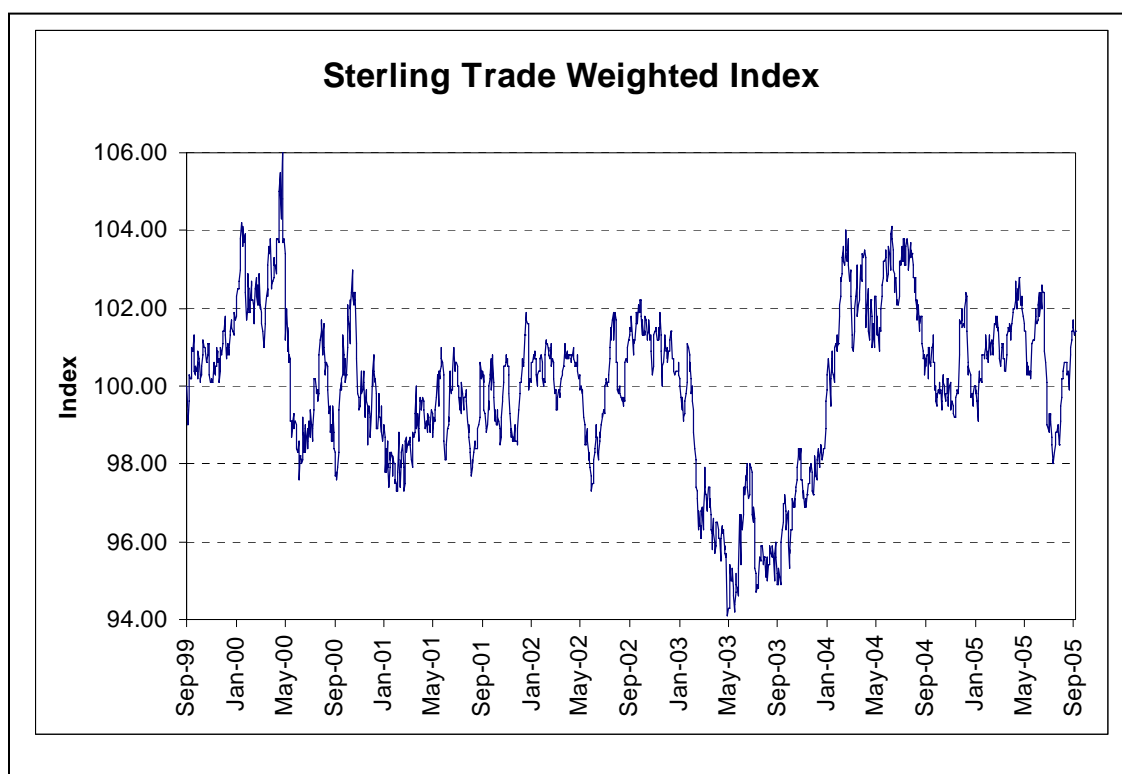
Chart of the Week: *CPI*



CPI surged 0.4% M/M and 2.4% Y/Y in August, the highest annual rate since the series started in 1997. The largest annual effect resulted from transport, up 5.4% Y/Y, for the second consecutive month, as fuel prices continue to increase due to increasing crude oil prices. There were also upward contributions from air and sea travel. Another large upward effect resulted from food, mainly due to a number of small upward contributions from non-seasonal food items.

Financial Balances

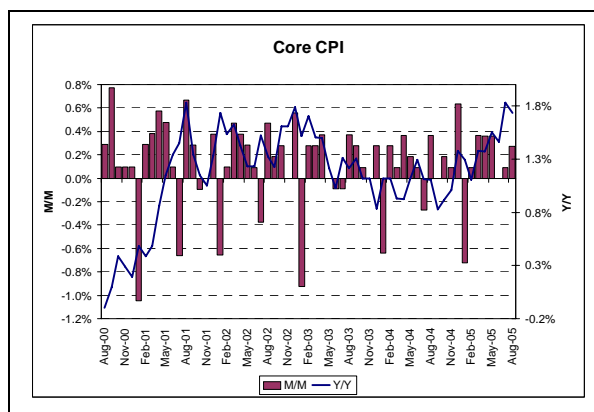
	<i>Last Period (billions)</i>	<i>Last 12m % of GDP</i>
Budget Balance (monthly)	-£5.9 (June)	-2.0%
Trade Balance (monthly)	-£3.4 (May)	-1.2%
Curr. Acct. Balance (quarterly)	-£5.8 (March)	-2.0%
Private Balance		-0.04%



Core CPI & Producer Prices

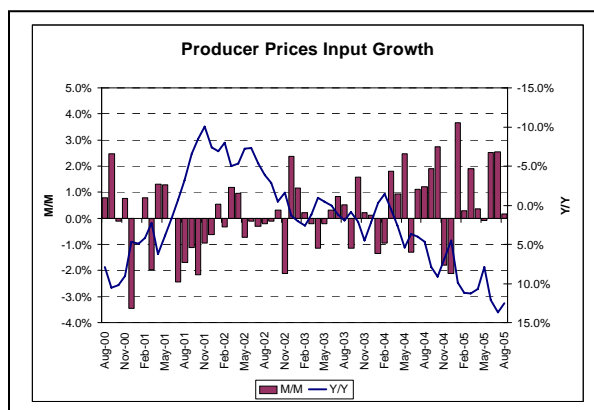
Core CPI

Core CPI inflation, excluding energy and food, increased 0.3% M/M and 1.7% Y/Y in August. The gap between the headline and core CPI highlights the impact of higher oil prices. Core CPI actually decelerated from 1.8% Y/Y to 1.7% M/M in August.



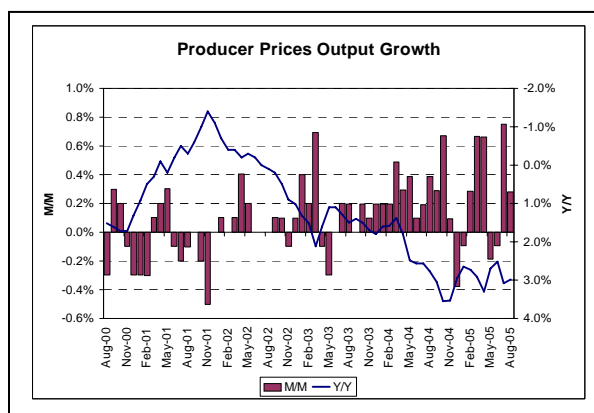
Input Producer Prices

Input Producer Prices increased 0.2% M/M and 12.5% Y/Y in August. The Y/Y increase reflects the 7.9% Y/Y increase of crude oil prices, though this was offset by a small decrease of 0.5% Y/Y in home material prices. Input Prices, excluding food, beverages, tobacco and petroleum, increased 6.9% Y/Y in August.



Output Producer Prices

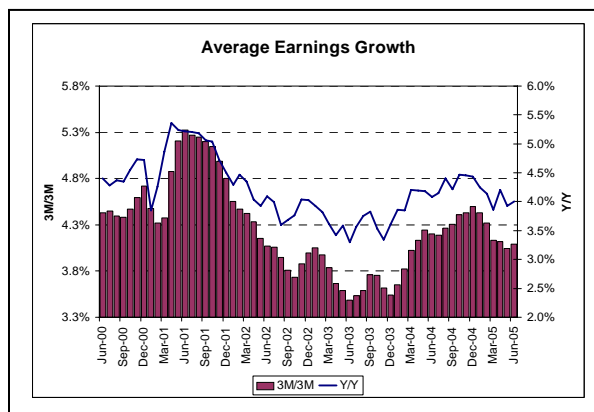
Output Producer Prices increased 0.3% M/M and 3.0% Y/Y in August. Nine of the ten output sectors had Y/Y growth increases, with petroleum products increasing the most, 1.3% Y/Y. Output Prices, excluding food, beverages, tobacco and petroleum, increased 1.9% Y/Y August.



Average Earnings & Employment Data

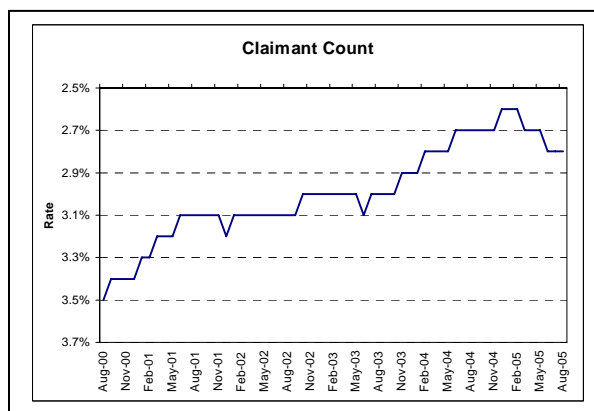
Average Earnings Growth

Average Earnings (ex. bonus) increased 3.9% 3M/3M and 4.0% Y/Y in July. The private sector increased 3.8% 3M/3M and 3.9% Y/Y while the public sector increased 4.6% 3M/3M and 4.2% Y/Y.



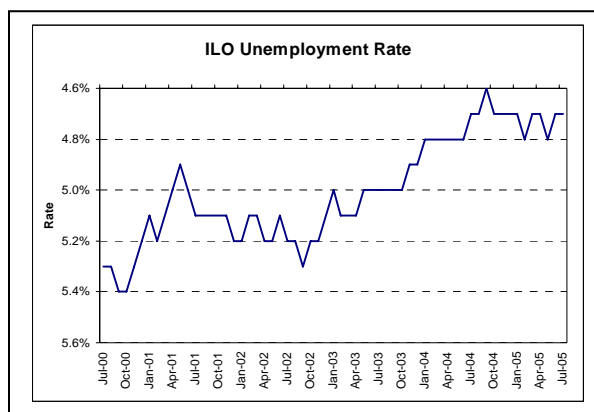
Claimant Count Rate

The Claimant Count Unemployment Rate remained at 2.8% for the third consecutive month in August. The number of unemployed increased by 1,600 individuals and is 52,400 higher than the recent low point in January 2005 and has now risen for 7 straight months, the longest such stretch in 12 years.



ILO Unemployment Rate

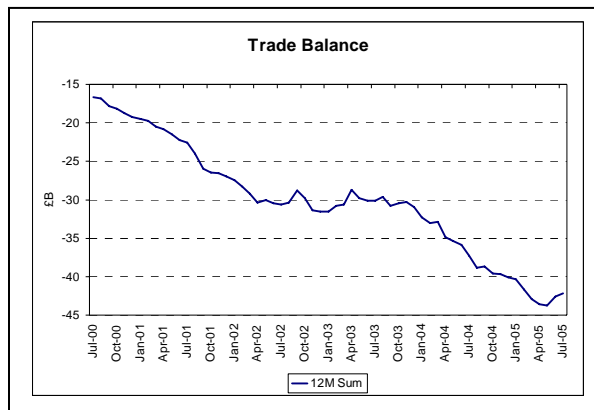
The ILO Unemployment Rate remained at 4.7% for the second consecutive month in July.



Trade Deficit & ODPM House Price Survey

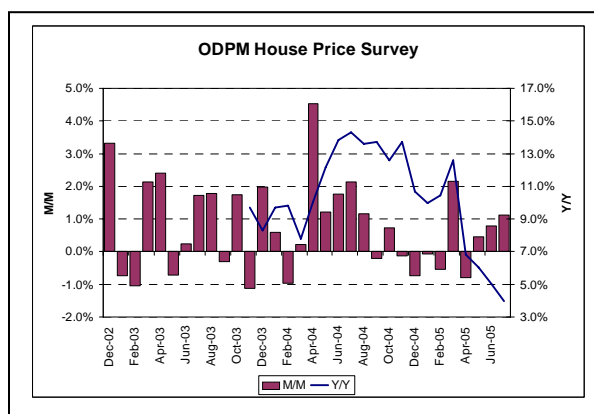
Trade Deficit

The Trade Deficit increased from £2.21 bln to £3.43 bln in July. There was a decline in exports of 3.9% M/M and a rise in imports of 0.1% M/M.



ODPM House Price Survey

The ODPM House Price Survey increased 1.1% M/M and 4.0% Y/Y in July. Annual growth slowed in all regions except Northern Ireland in July.



Data & Upcoming Dates

Data

Monster Employment Index

The Monster Employment Index for the UK which tracks online job recruitment and related employment opportunities decreased from 106 to 103 in August, the first decrease this year. Demand for service, shop and market sales workers decreased. In addition, online job offers within banking, finance and insurance also decreased sharply in August, reversing a consistent growth trend visible during the previous months. London had the largest regional decrease in online job demands, particularly across the banking, finance, insurance, sales, marketing and PR sectors. The largest increases in online job availability were for workers in the science, specifically research and development, healthcare and social services sectors.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
09/15	Retail Sales	0.3% M/M 1.3% Y/Y	-0.3% M/M 1.8% Y/Y
09/18	Rightmove House Price Survey		-0.2% M/M 2.1% Y/Y
09/19	RICS House Price Survey	--	-36
09/20	Public Sector Net Borrowing	--	£2.9 bln
09/21	MPC Minutes	--	--

Valance Co., Inc.

Valance Economic Report: *Canada*

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September 14, 2005

Mainly strong economic results were released in Canada over the past week. Capacity Utilization, Employment and the Merchandise Trade Surplus all increased above expectations. New House Price Index and the Ivey Purchasing Manager Index both increased, although below expectations.

Weekly Highlights

Capacity Utilization - increased from 86.4% in Q1 to 86.7% in Q2. (page 29)

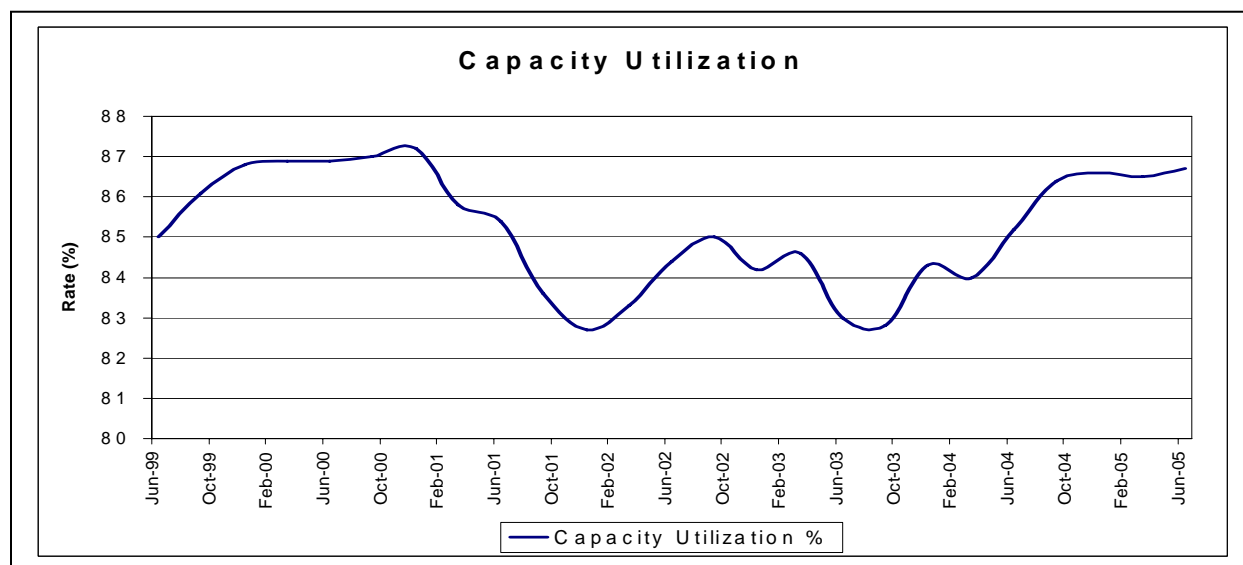
Employment - increased 27.5K in August. (page 31)

Merchandise Trade Balance - increased from C\$5.0 in June to C\$5.8 in July. (page 31)

The Ivey Purchasing Manager's Index - increased from 51.5 in July to 54.1 in August. (page 32)

Weekly Releases & News

Charts of the Week: *Capacity Utilization*



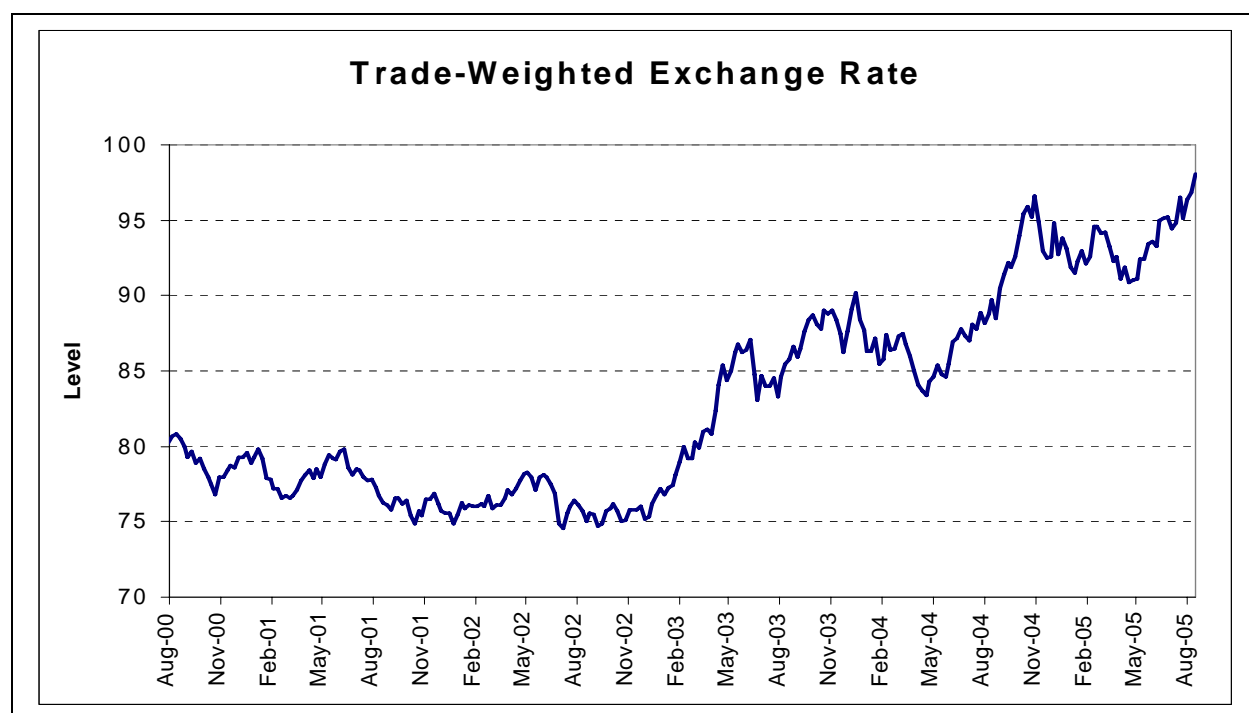
Capacity Utilization increased from 86.4% in Q1 to 86.7% in Q2, above market expectations. This is the highest level in almost five years and less than one percent below the peak of 87.6% recorded in the Q1 of 1998. This result followed the Bank of Canada's interest rate hike last week and its statement showing that, "With the Canadian economy operating close to capacity and the stance of monetary policy still stimulative, the Bank will be monitoring developments closely and continuing to assess underlying trends in the economy." This increase in Capacity Utilization will certainly play an important role in the Bank's next interest rate decision on October 18th.

Financial Balances & Trade Weighted Exchange Rate

Financial Balances

	<i>Latest period (C\$bn)</i>	<i>% of GDP</i>
Budget Balance	1.7 (June)	.2%
Trade Balance	4.9 (June)	4.9%
Current Account Balance	4.7 (Q2)	2.2%
Private Balance		2.0%

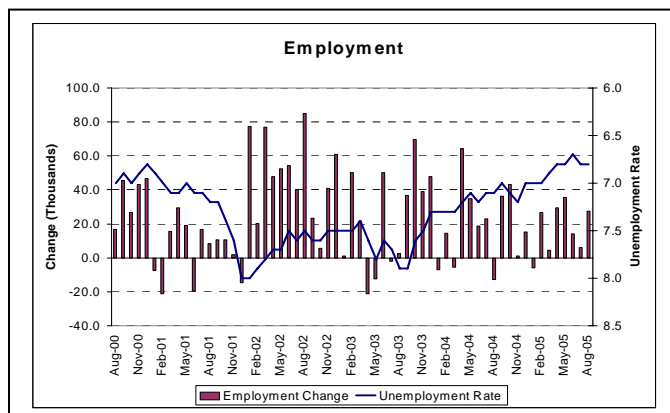
Trade-Weighted Exchange Rate



Employment, Labor Productivity & Merchandise Trade Balance

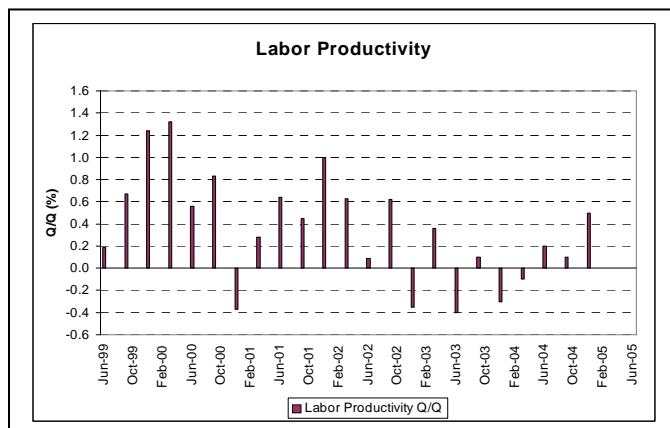
Employment

The Canadian economy gained 27.5K new jobs in August as a result of gains in full-time employment. The Unemployment Rate held steady at 6.8%. Full time employment increased 0.3% M/M and 1.9% Y/Y while part time employment decreased 0.3% M/M and 0.3% Y/Y. The construction sector added 31K new jobs.



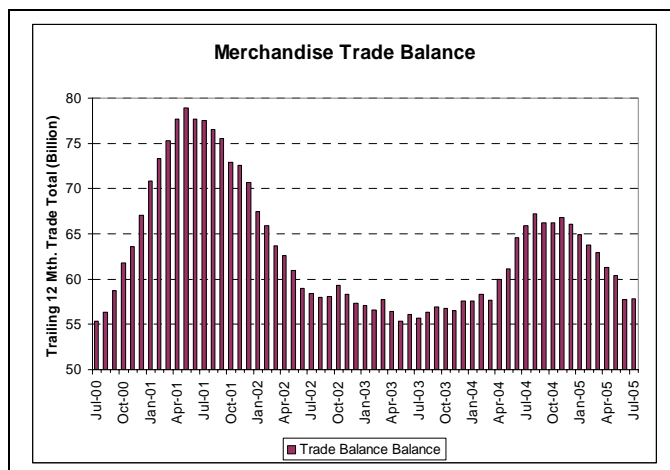
Labor Productivity

Labor Productivity remained flat Q/Q in Q2, its second consecutive quarter of a flat reading.



Merchandise Trade Balance

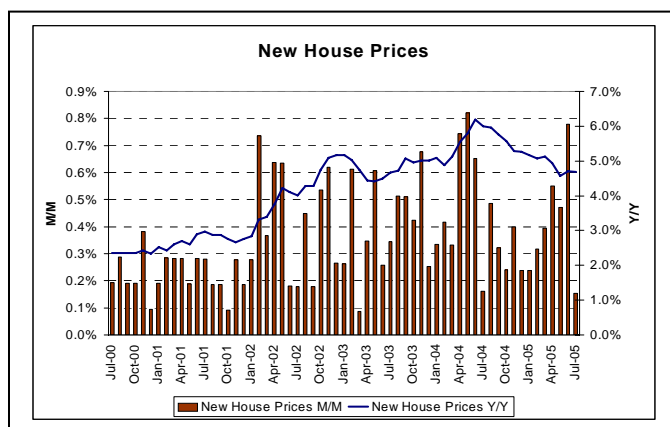
Canada Merchandise Trade Balance increased from C\$5.0 in June to C\$5.8 in July, above expectation of C\$5.1. Exports increased (2.1% M/M to \$38 bln) to the third highest level on record as a result of an increase in crude petroleum exports. Imports edged down 0.5% M/M



New House Prices, Housing Starts & Ivey Purchasing Manager's Index

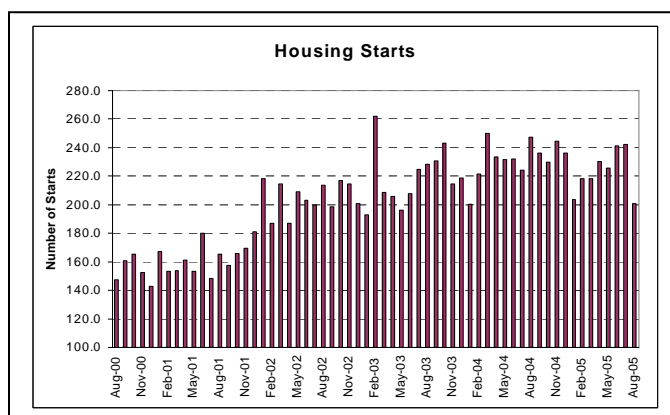
New House Prices

New House Prices increased 0.2% M/M and 4.7% Y/Y in July, well above expectations. A stable market for new housing coupled with increases in building materials and labor costs pushed up house prices.



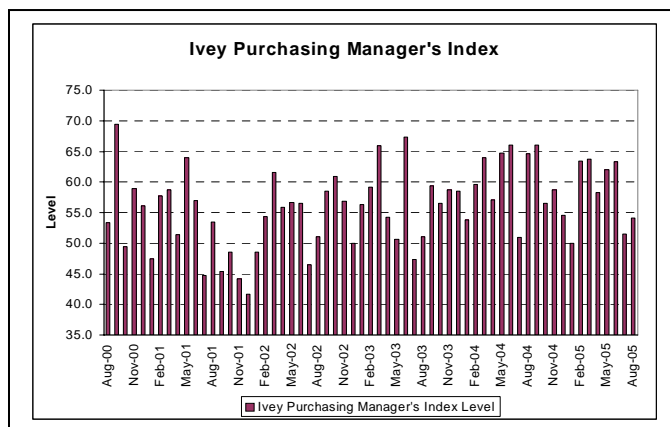
Housing Starts

Housing starts decreased 17% M/M and 18.7% Y/Y in August to 201K, below expectations of 230K. This decline was mainly attributed to the 20% decline in home construction in urban centers.



Ivey Purchasing Manager's Index

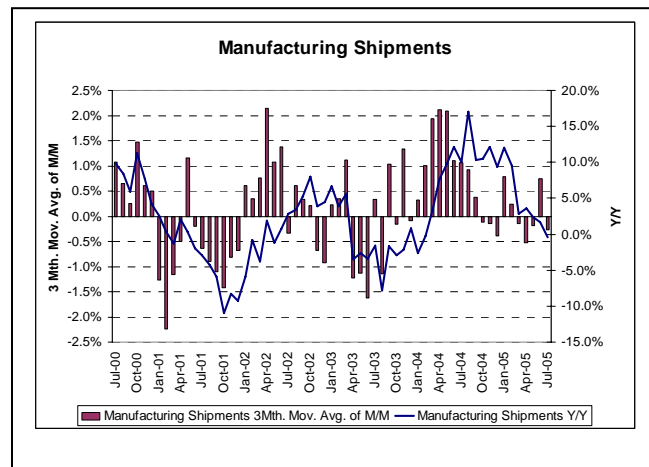
The Ivey Purchasing Manager's Index increased from 51.5 in July to 54.1 in August. The Price Index increased from 61.7 to 70.8 and the Employment Index decreased from 56.2 to 56.8. The index has remained above or at the expansion level for 25 consecutive months.



Manufacturing Shipments and Comments

Manufacturing Shipments

Manufacturing Shipments decreased 1.5% M/M and 0.4% Y/Y in July. Expectations were for an increase of 0.5% M/M. Manufacturing Orders decreased 0.4% M/M and increased 0.4% Y/Y. Inventories increased 1% M/M and 8.0% Y/Y.



Comments from the Bank of Canada's Advisor, John Murray

John Murray made the following comments during a panel discussion of economists in Toronto. Although Murray is an advisor to the Bank he stated that his views don't necessarily represent those of the bank.

On Energy Prices: "Energy is now positive, it appears, for the Canadian dollar."

On Canada's Economy: "The Canadian economy has remained at or near capacity for the past two years."

On Interest Rates: "Interest rates have been low almost everywhere, but certainly in Canada."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
09/14	Manufacturing Shipments (M/M) (JULY)	0.5%	0.5%
09/15	New Motor Vehicles Sales (M/M) (JULY)	7.0%	7.4%
09/19	Int'l Securities Transactions (JUL)		-C\$2.1
09/20	Wholesales (M/M) (JUL)	0.7%	0.5%
09/20	Leading Indicators (M/M) (AUG)	0.3%	0.3%
09/21	Retail Sales (M/M) (JUL)	1.1%	1.1%
09/21	Retail Sales Less Autos (M/M) (JUL)	0.5%	0.2%

Valance Co., Inc.

Valance Economic Report: *Australia*

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September 14, 2005

This week's data was rather mixed: The slump in Consumer Confidence stood in contrast to other recent positive economic events, including better-than-expected GDP growth, and another strong employment report. High gasoline prices have reinforced expectations that the Central Bank has finished raising interest rates this year and will keep its current wait-and-see monetary policy stance.

Weekly Highlights

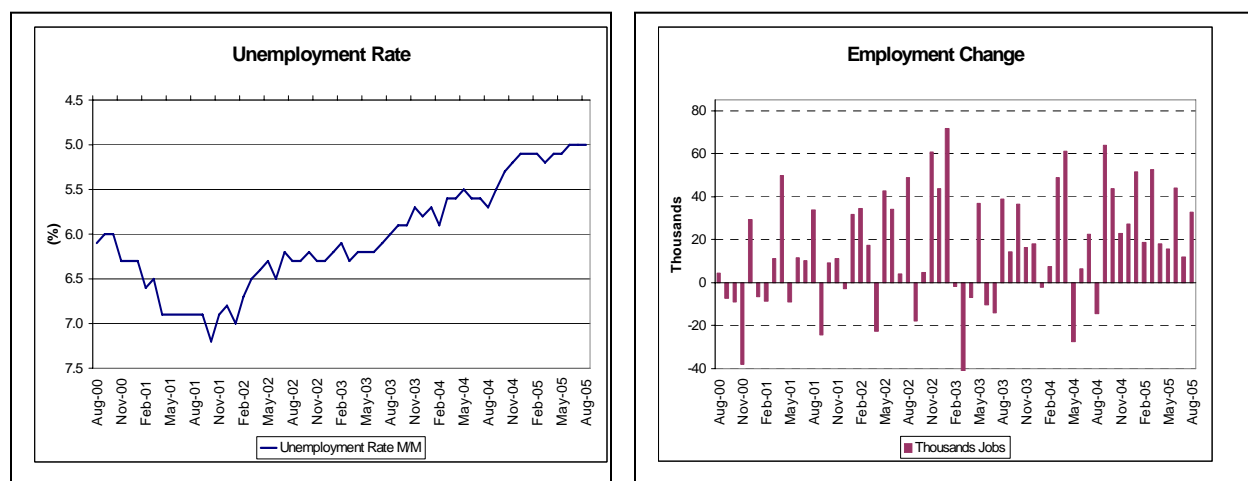
Employment – 32.6k jobs added; unemployment rate remained at 5% in August. (Page 35)

Dwelling Starts - increased 5.5% Q/Q in Q2 from an upwardly revised 2.5% in Q1 (previously negative 2.2%). (Page 36)

Westpac Consumer Confidence – fell sharply to 100.3 in September from 115.7 in August. (Page 36)

Weekly Releases & News

Charts of the Week: *Employment*



Employment climbed 32,600 last month, compared with a 12,700 gain in July and the jobless rate remained at a 29-year low of 5%. Full-time employment rose 16,100 and part-time positions increased 16,500 in August.

Dwelling Starts & Westpac Consumer Confidence

Dwelling Starts

Australia's dwelling starts for the June quarter rose 5.5% to 39,993 units, seasonally adjusted, from the upwardly revised 2.5% (37,912 units) in the March quarter (previously -2.2%). In the year to June 2005, total dwelling commencements fell an adjusted 6.1%.

Westpac Consumer Confidence

The Consumer Confidence Index in September dropped to 100.3 from 115.7 in August, the lowest level since March of 2003 as record gasoline prices threaten to damp spending and curb growth. The confidence decline reinforces expectations that the Central Bank has finished raising interest rates this year. Bill Evans, global head of economics at Westpac Bank, said that the sharp fall in confidence does provide a warning signal that there are ongoing concerns with Australian consumers. He expects steady interest rates for the remainder of 2005 and most of 2006.

News

Australian Economic Cable (GSJBW): RBA Opens a Window to Q405 hikes by scheduling October Speech;

Summary: It was just one month ago that the RBA explicitly abandoned its tightening bias, when RBA Governor Macfarlane declared that the probability of the next move being a rate cut was now equally likely as being a rate rise. We believe this move was premature, and the tone of recent dataflow supports this belief. It is interesting to note that the RBA have scheduled a speech by the Deputy Governor Glen Stevens entitled "Economic Conditions and Prospects" to be held on 11 October 2005.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
9/14	Consumer Inflation Expectations (SEP)	--	--
9/20	Westpac Leading Economic Index (JUL)	--	--
9/20	New Motor Vehicle Sales M/M (AUG)	--	0.4%

Valance Co., Inc.

Valance Economic Report: New Zealand

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September 14, 2005

July's Retail Sales growth was stronger than expected, which may exert an upward impact on GDP in Q3. Higher interest rates and record fuel prices are crimping consumer confidence.

Weekly Highlights

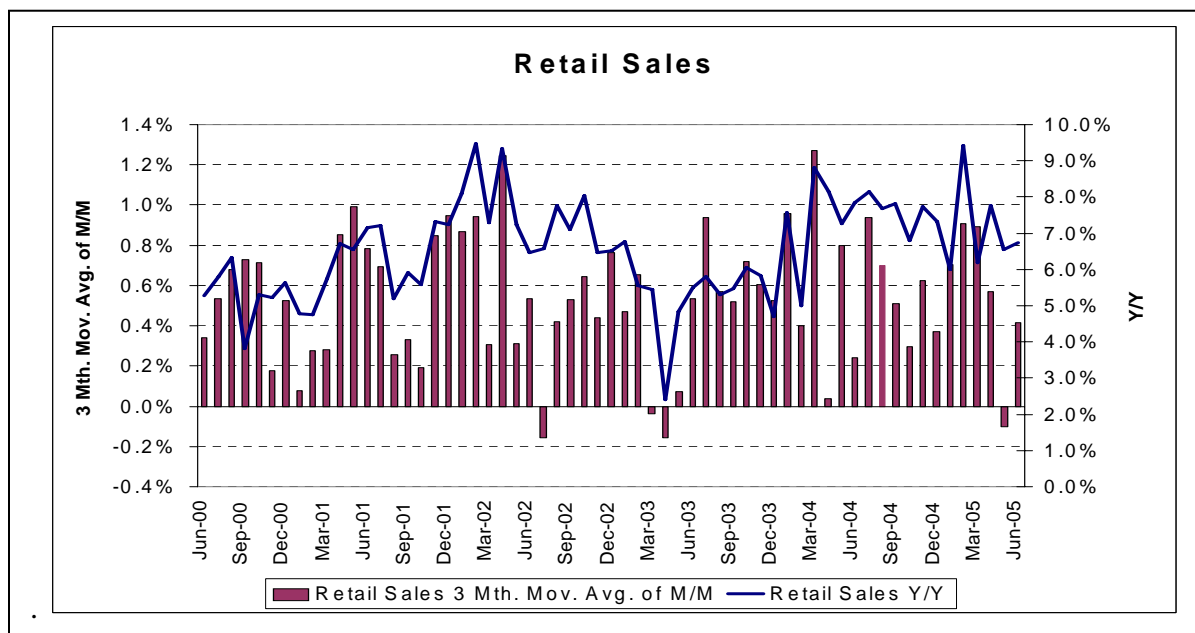
Retail Sales – rose a seasonally adjusted, 1.8% M/M and 7.9% Y/Y in July. (Page 38)

Terms of Trade Index – fell 1.0% M/M and rose 9.3% Y/Y in Q2. (Page 39)

ANZ Job Vacancies – unchanged at 3.1% M/M in August. (Page 39)

Weekly Releases & News

Chart of the Week: Retail Sales

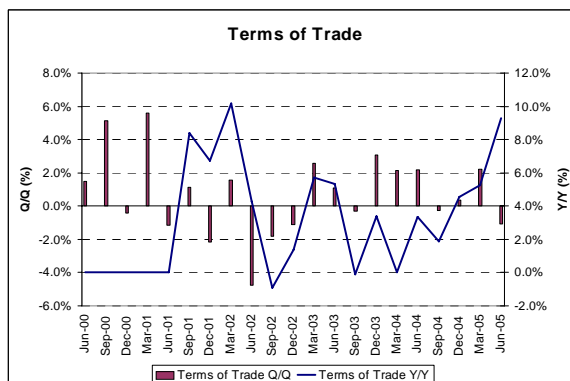


New Zealand's Retail Sales rose a seasonally adjusted 1.8% M/M and 7.9% Y/Y in July from the downwardly revised 1.1% M/M (previously 1.2%) in June. The gain was more than twice the pace expected in July, buoyed by overseas visitors supporting the touring British & Irish Lions rugby team.

Terms of Trade, ANZ Job Vacancies & News

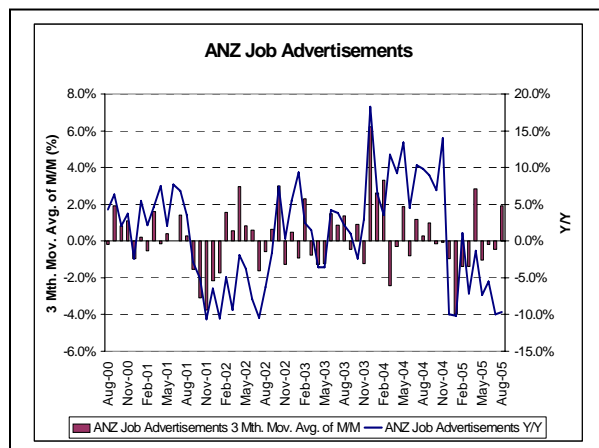
Terms of Trade

NZ's Terms of Trade, which measures the changes in the amount of imports that can be funded by a fixed volume of New Zealand's exports, fell 1.0% M/M and rose 9.3% Y/Y in Q2.



ANZ Job Vacancies

Job vacancies were unchanged at 3.1% in August, the highest since January of 2001. Job vacancies measures job advertisements in newspapers and on the Internet as a proportion of employment. The new measure replaces ANZ Bank's monthly job advertising report.



Consumer Confidence Pool

More consumers expect the economy to slow over the next year, according to a Colmar Brunton poll for Television New Zealand Ltd. The proportion of pessimists rose for a second week, gaining 1 point to 33% due to pressure on peoples' spendable income because of higher fuel and mortgage costs

N.Z. National Party's Lead Narrows

New Zealand's opposition National Party holds a narrow lead over the ruling Labor Party just days before the Sept. 17 general election, according to a poll conducted for Television New Zealand One News.

Key Dates this Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
09/15	RBNZ Official Cash Rate (Sep 15)	6.75%	6.75%
09/14	Food Prices (AUG)	--	0.40%
09/20	Current Account Balance (2Q)	--	-1.421 bl

Valance Co., Inc.

Weekly Economic Report: **China**

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September 14, 2005

August's releases generally showed that China's economy is holding firm. The Trade Surplus stood at its third highest level on record, while Producer Price growth ticked up and M2 surpassed the PBoC's target for the third consecutive month.

Weekly Highlights

China's Trade Surplus - narrowed from US\$10.6 bln in July to US\$10.0 bln in August. (page 41)

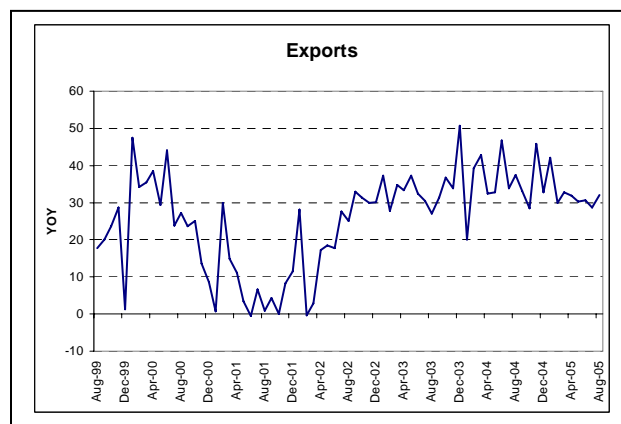
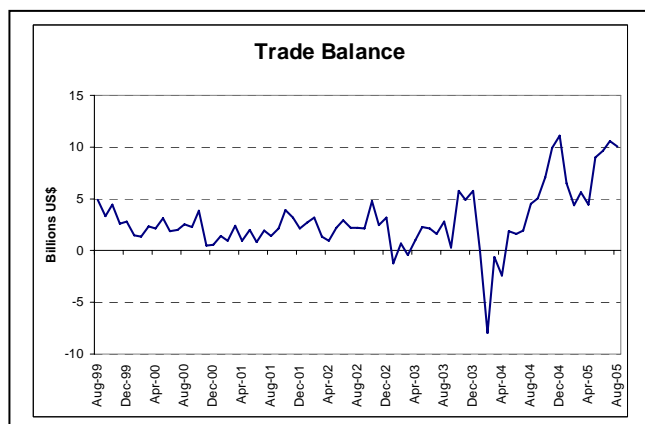
Consumer Prices - increased 1.3% Y/Y in August, below market expectations of 1.8% Y/Y. (page 42)

Producer Prices - increased from 5.2% Y/Y in July to 5.3% Y/Y in August. (page 42)

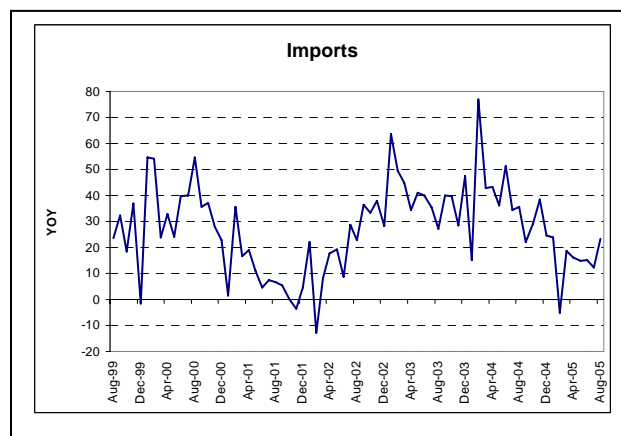
Money Supply M2 - increased from 16.3% Y/Y in July to 17.3% Y/Y in August. (page 43)

Weekly Releases & News

Chart of the Week: *Trade Balance, Total Exports & Imports*



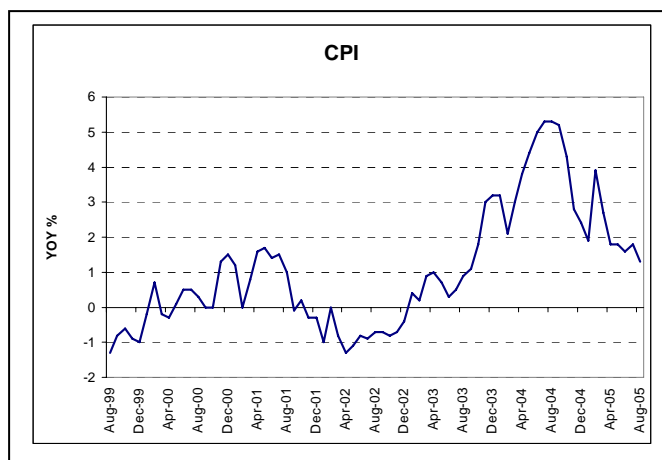
China's Trade Balance narrowed from US\$10.6 bln in July to US\$10.0 bln in August, the third highest level on record. Total Export growth increased from 28.7% Y/Y in July to 32.1% Y/Y in August. Import growth also increased, moving from 12.4% in July to 23.4% Y/Y in August. Exports to the European Union increased 39% Y/Y in the H1 of the year. The level of the Trade Balance suggests that the 2% increase in the value of the Yuan versus the U.S.\$ is likely insufficient to make any significant impact on China's surplus.



CPI, Retail Sales & Producer Price Index

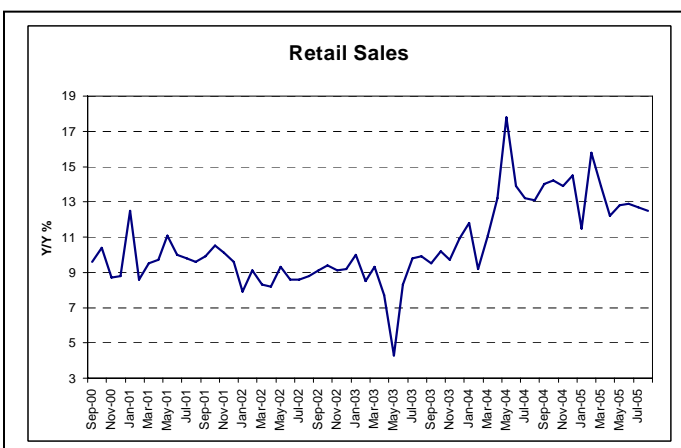
CPI

Consumer Price growth slowed from 1.8% Y/Y in July to 1.3% Y/Y in August, below market expectations of 1.8% Y/Y. Food prices posted a two-year low increase of 0.9% Y/Y. This was mostly due to a high base of comparison in 2004, and is a key factor behind the slowdown in headline inflation. Core CPI, excluding food prices, was unchanged at 1.5% Y/Y.



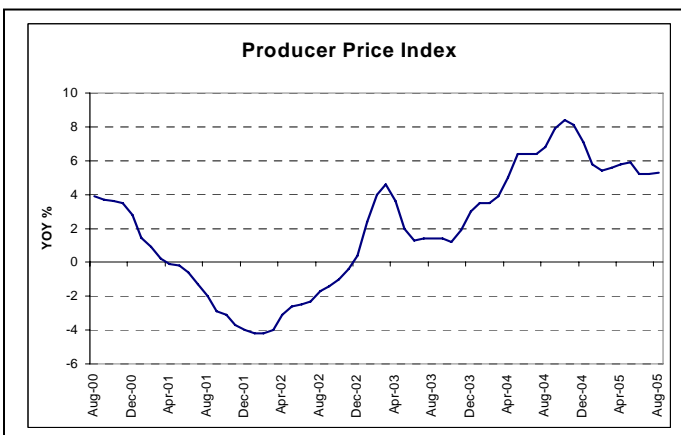
Retail Sales

Retail Sales growth slowed slightly from 12.7% Y/Y in July to 12.5% Y/Y in August, below market expectations of 12.7% Y/Y. The highest contribution to Retail Sales growth resulted from an increase in clothing +21.1% Y/Y in August vs. +16% Y/Y in July.



Producer Price Index

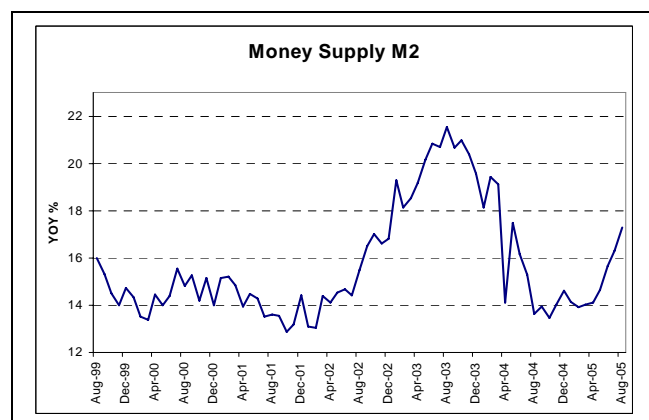
The Producer Price Index rose from 5.2% Y/Y in July to 5.3% Y/Y in August, above market expectations of 5.2% Y/Y. The increase in crude oil prices contributed 1.2 percentage points to August's Y/Y PPI growth.



Money Supply

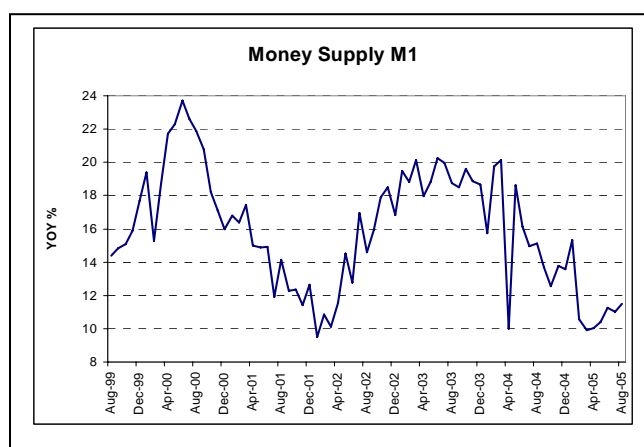
Money Supply – M2

Money Supply M2 increased from 16.3% Y/Y in July to 17.3% Y/Y in August, above market expectations of 16.2% Y/Y. M2 money supply exceeded the PBoC's 15% target for the third consecutive month.



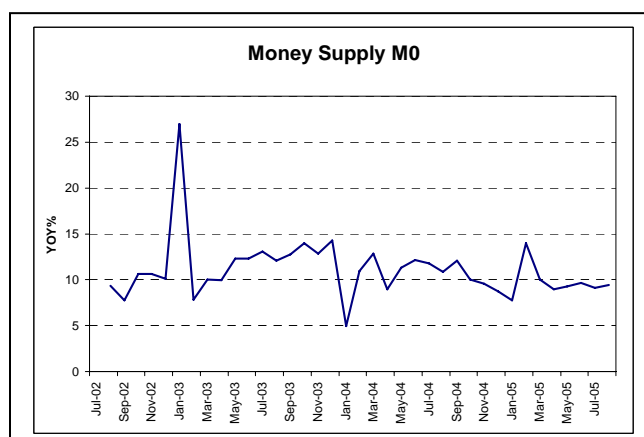
Money Supply – M1

Money Supply M1 growth increased from 11.0% Y/Y in July to 11.5% Y/Y in August.



Money Supply – M0

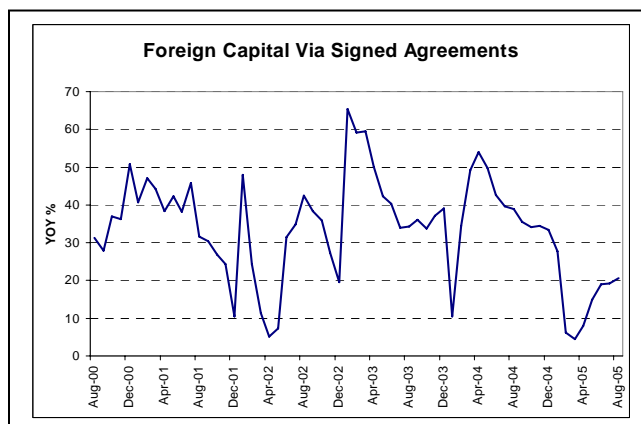
Money Supply M0 growth increased from 9.1% Y/Y in June to 9.4% Y/Y in August.



Fixed Assets Investment, Foreign Capital & Wholesale Prices

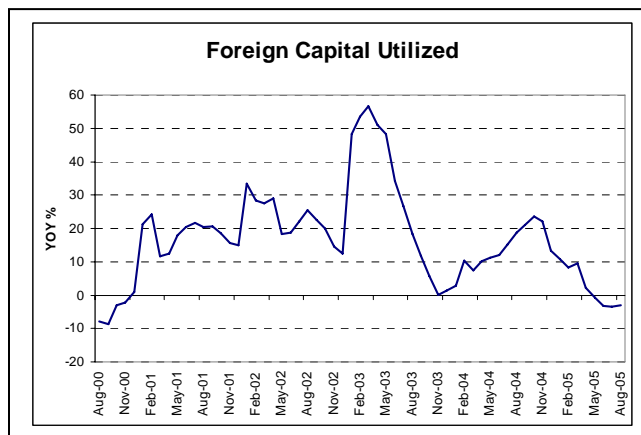
Foreign Capital Via Signed Agreements

Foreign Capital Via Signed Agreements (investment pledged but not yet used) increased from 19.2% in July to 20.7% Y/Y in August as foreign companies plan to build more factories in China.



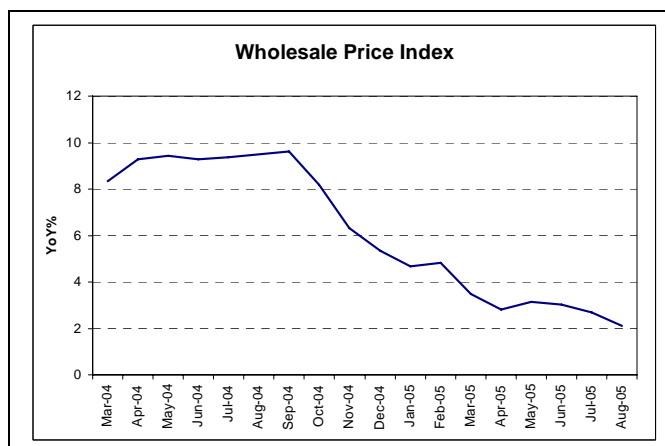
Foreign Capital Utilized

Foreign Capital Utilized decreased 3% Y/Y in August. The decline in investment was mainly as a result of the end of a three year expansion by Asian technology companies.



Wholesale Price Growth

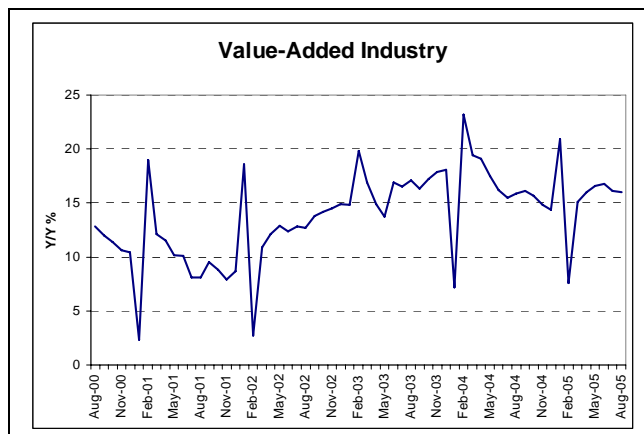
Wholesale Price growth remained flat M/M and increased 2.1% Y/Y in August.



Value-Added Industry & News Releases

Value-Added Industry

Value Added Industry growth (Industrial Production) increased 16% Y/Y in August. Car production increased 46% Y/Y and Output of Steel Production increased 28% Y/Y.



News Releases

September 13th – Chinese Textiles to Be Released – The AFP reported that Chinese textiles, including pullover sweaters, trousers, blouses, t-shirts, etc., held up at European ports will be released on September 14th. This comes after an agreement was reached between the E.U.’s Peter Mandelson and Chinese Commerce Minister, Bo Xilai, allowing 50% of the 80 mln textile products being blocked, to enter the E.U. while the other half will be added to China’s textile limit in 2006.

September 13th – Survey Shows Companies Reluctant to Hire - Despite Premier Wen Jiabao’s hopes of improving China’s job market by creating 9 mln new jobs this year, a Manpower, Inc. survey showed that Chinese employers are reluctant to hire, as a result of a slowdown in hiring plans by manufacturing, finance and real estate companies. The survey also showed that of the 2434 employers surveyed, 15.0% said they would hire more in Q4 while others who said they would cutback, rose to 6.0% from 5.0% in Q2.

September 12th - Oil Prices vs. China’s Economy – The AFP reported that rising oil prices are having a negative effect on China’s economy. Vice Chairman of the National Development and Reform Commission, Zhu Zhixin, without divulging specific information, admitted that rising “oil prices is having an impact” on the economy. Analysts forecast that increasing oil prices could lead to a percentage point drop in GDP growth in 2006 as well as a two percentage point jump in inflation.

September 12th – IMF’s Thoughts on Yuan Reform – The International Monetary Fund (IMF) is calling for further yuan reform. However, IMF officials differ on how soon the changes should take effect. Some officials are seeking a “gradual, cautious approach” while others feel that authorities should “move more quickly...,” according to an assessment released on Monday.

News Releases (cont'd.) & Upcoming Dates

News Releases (cont'd.)

September 9th – PBoC Governor, Zhou Xiaochuan's Comments on Currency Reform and the Chinese Economy – The People's Bank of China's Governor, Zhou Xiaochuan, made the following remarks in a panel discussion in Calgary, Canada with the Bank of Canada's Governor, David Dodge and European Central Bank Council Member, Christian Noyer:

On currency reform: "In China we always believe currency reform should be a gradual reform. We know that each method has advantages and disadvantages. Our experience is showing that China has been very successful to use the gradualism of the reform."

On the economy: "We also observe in China that the saving rate is going up. China has a saving rate that is going up to 40 percent. We don't want to see an increase, we want to see it go lower."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
09/14-29	Household Savings – Aug	--	--

Valance Co., Inc.

Valance Economic Report: Sweden

Evelyn L. Richards

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September 14, 2005

A pickup in inflation and stronger than expected Industrial Production were the highlights of this week's Swedish data. Swedish Prime Minister, Goeran Persson, pledged to keep the budget surplus at 2.0% of GDP while seeking to create more jobs.

Weekly Highlights

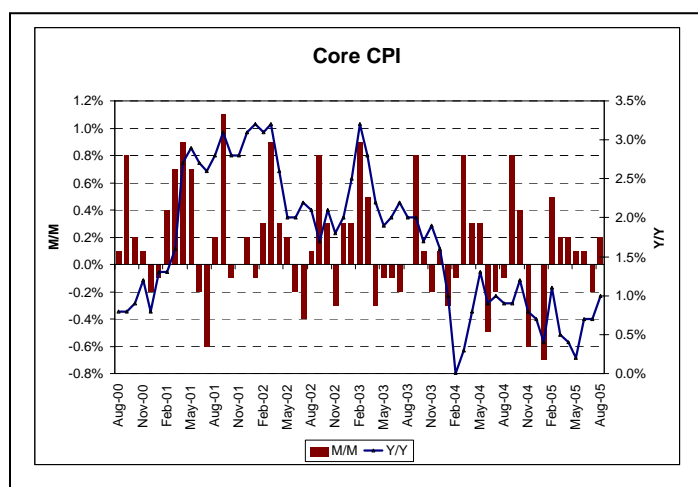
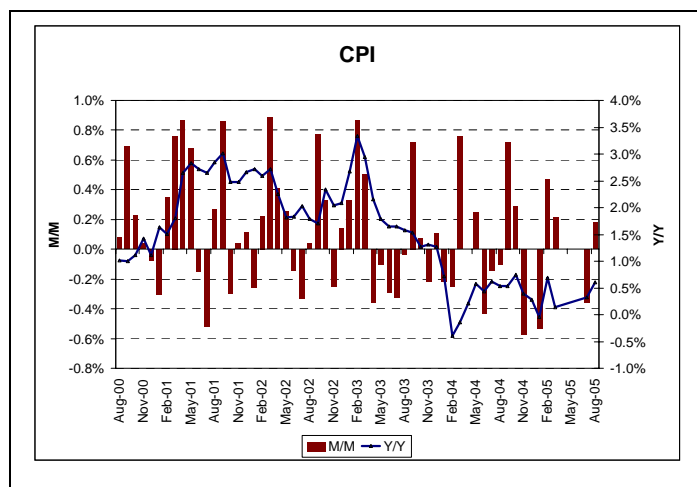
CPI – rose from -0.4% M/M and 0.3% Y/Y in July to 0.2% M/M and 0.6% Y/Y in August. (page 47)

Core CPI – rose from -0.2% M/M and 0.7% Y/Y in July to 0.2% M/M and 1.0% Y/Y in August (page 47)

Industrial Production - rose 1.6% M/M and 7.8% Y/Y in July. (page 48)

Weekly Releases & News

Charts of the Week: CPI

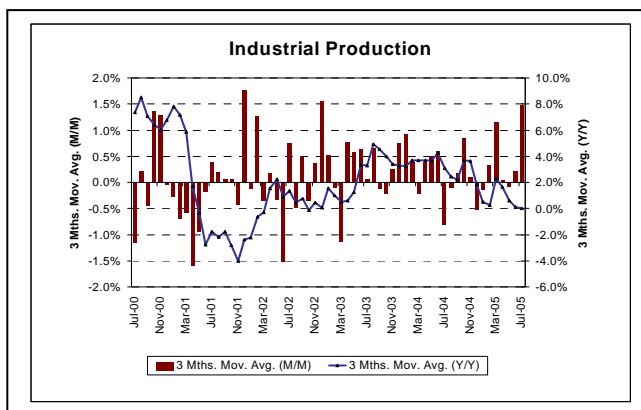


Swedish Consumer Prices rose from -0.4% M/M in July to 0.2% M/M in August. The Y/Y growth also increased from 0.3% in July to 0.6% in August. The M/M increase was mostly affected by increases in clothing/footwear (3.1%) and household goods (0.7%). Underlying Inflation rose from -0.2% M/M and 0.7% Y/Y in July to 0.2% and 1.0% in August, still remaining below the Bank's 2.0% target rate since September 2003.

Industrial Production, Industrial Orders & Activity Index Level

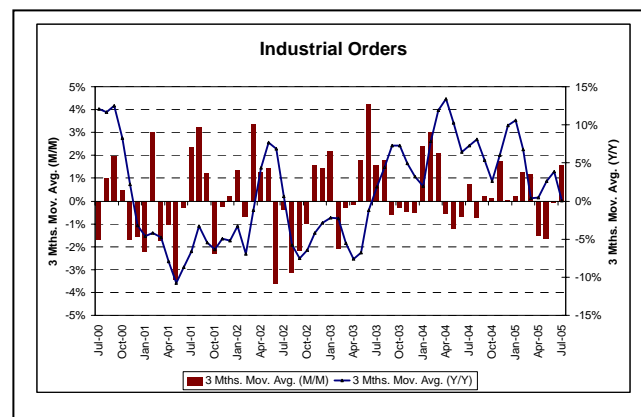
Industrial Production

Industrial Production rose 1.6% M/M and 7.8% Y/Y in July. Expectations were for no change M/M and a 3.2% Y/Y gain.



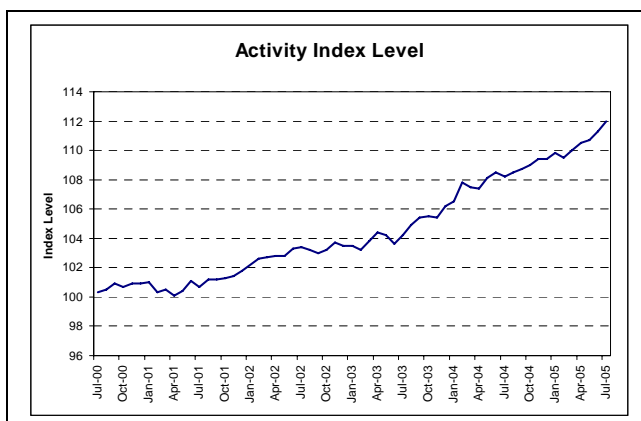
Industrial Orders

Industrial Orders rose 0.4% M/M and Y/Y in July. The monthly gain was reflective of a 2.4% increase in domestic market orders. In addition, new orders in the capital goods industry increased by 4.0%.



Activity Index Level

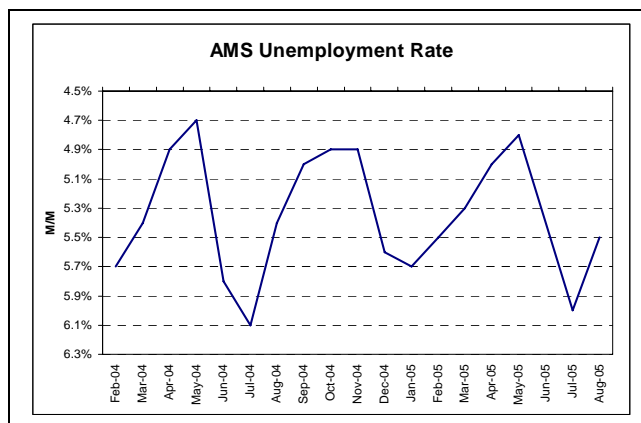
The Activity Index Level increased from a revised 111.3 (up from 110.5) in June to 112.0 in July.



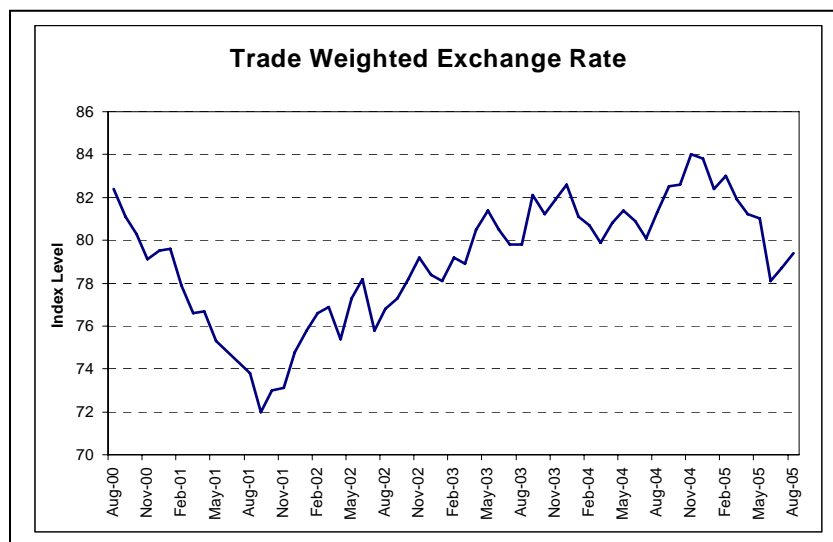
AMS Unemployment Rate, Trade Weighted Exchange Rate & News Releases

AMS Unemployment Rate

The Labor Board's un-official Unemployment Rate fell from 6.0% in July to 5.5% in August. The decrease was due to the government's efforts to create more jobs by spending more on training as well as a pick up in economic growth in recent months.



Trade Weighted Exchange Rate



News Releases

September 13th – Government to Keep Budget Surplus Target – Swedish Prime Minister, Goeran Persson, stated that the budget surplus will be held at 2.0% of GDP and fiscal spending limits will be imposed as more jobs are created. He has drawn much criticism, as the job market has weakened during his term.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
09/15	Unemployment Rate - Aug	--	6.9%

Valance Co., Inc.

Valance Economic Report: Switzerland

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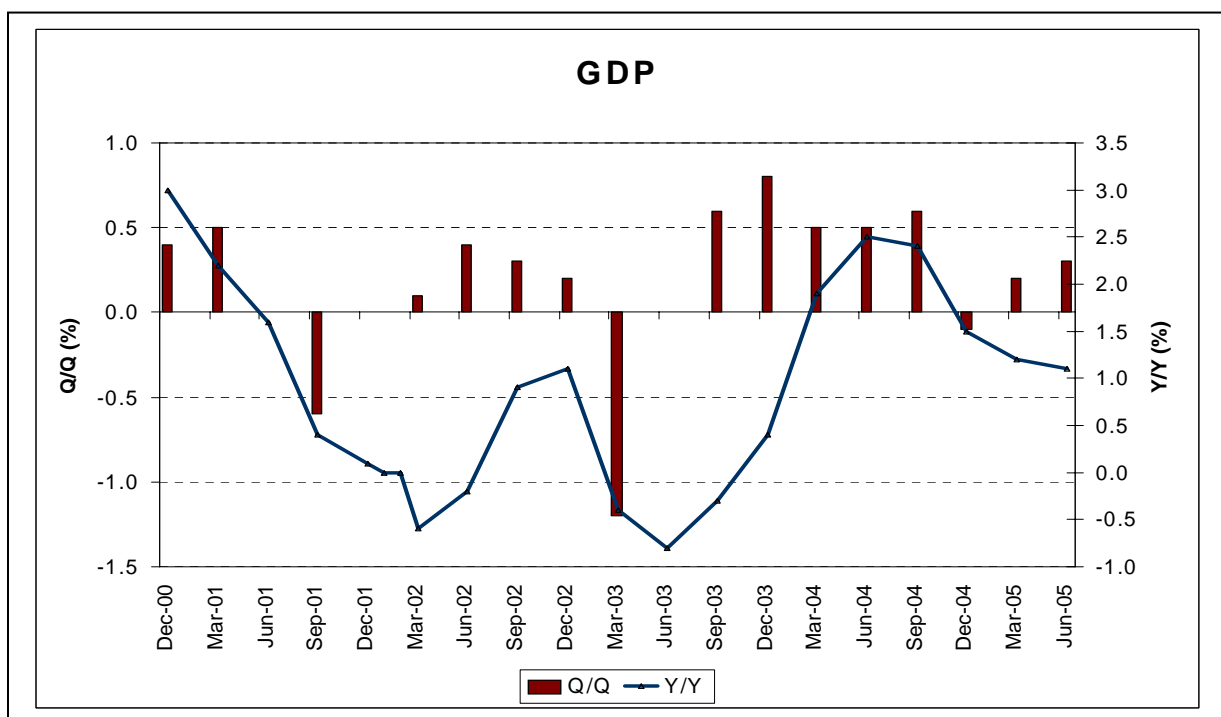
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September 14, 2005

Switzerland's GDP release was the highlight of this week's economic data. Real GDP rose from 0.2% Q/Q in Q1 to 0.3% Q/Q in Q2, while the Y/Y growth eased from 1.2% in Q1 to 1.1% in Q2. The Unemployment Rate remained unchanged at 3.8% for the 10th consecutive month in August. Also, a Manpower, Inc. survey suggested that companies expect to increase hiring in Q4.

Weekly Releases & News

Chart of the Week: GDP

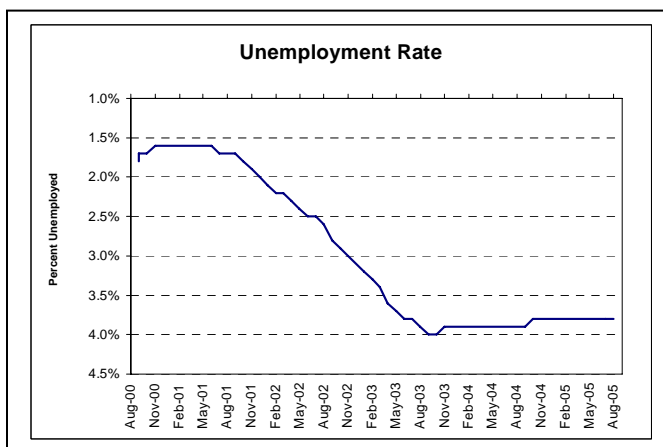


Switzerland's Real GDP expanded from 0.2% Q/Q in Q1 to 0.3% Q/Q in Q2. Y/Y growth fell from 1.2% in Q1 to 1.1% in Q2. Growth has been helped by the franc's 8.0% decline against the dollar this year. Exports, which account for almost half of Switzerland's GDP, climbed from 2.3% Q/Q in Q1 to 5.8% Q/Q in Q2.

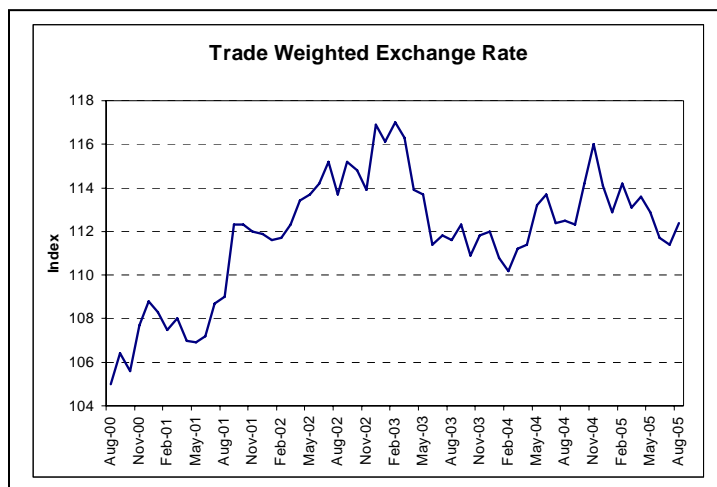
Unemployment Rate, Trade Weighted Exchange Rate & News

Unemployment Rate

The Unemployment Rate was unchanged at 3.8% in August for the tenth consecutive month. The data was partly reflective of companies suspending hiring plans as a result of rising oil prices and weakening consumer demand.



Trade Weighted Exchange Rate



News

September 13th – Survey Shows Companies To Hire in Q4 - A Manpower, Inc. survey showed that of 795 employers surveyed, 3.0% plan to increase hiring in Q4 -- led by Manufacturers.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
09/15-20	Producer & Import Prices - M/M / Y/Y - Aug	--	0.4% / 1.1%
09/15	SNB 3-Month Libor Target Rate – SEP 15	--	0.75%
09/16	Industrial Production – Q/Q / Y/Y – 2Q	3.8% / 0.5%	-6.5% / -0.3%
09/16-20	Adjusted Retail Sales – Y/Y - Jul	--	3.2%