Valance Company, Inc.

Weekly

November 16, 2005

Highlights

US – Core CPI contained in October & Inflation Expectations recede in November (page 2)

Euroland – Euro Zone economies rebound after a weak Q2 (page 10)

Japan – Q3 Real GDP exceeded expectations (page 20)

UK – BOE released a dovish Inflation Report (page 30)

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November 10 – November 16 Short Term Interest Rates

Country	Official Rate	3 Mth. LIBOR	Dec-05	Mar-06	Jun-06	Sep-06
Change in BPs			(3Mth. Futures Contracts Yields)			
	0.00	0.05	2.50	7.00	8.50	7.00
US	**4.00**	**4.28**	**4.49**	**4.79**	**4.89**	**4.90**
	0.00	0.06	7.00	11.00	12.00	11.00
EU	**2.00**	**2.26**	**2.41**	**2.61**	**2.76**	**2.85**
	0.00	0.00	-0.50	0.50	2.50	3.50
JN	**0.00**	**0.06**	**0.10**	**0.19**	**0.30**	**0.41**
	0.00	0.01	2.00	8.00	8.00	9.00
UK	**4.50**	**4.61**	**4.60**	**4.61**	**4.63**	**4.68**
	0.00	0.05	1.50	3.00	4.00	6.00
CA	**3.00**	**3.23**	**3.46**	**3.72**	**3.87**	**3.96**
	0.00	-0.01	-1.00	-3.00	-3.00	-3.00
AU	**5.50**	**5.57**	**5.64**	**5.68**	**5.70**	**5.72**
	0.00	0.05	6.00	5.00	6.00	8.00
NZ	**7.00**	**7.38**	**7.45**	**7.44**	**7.35**	**7.20**
	0.00	0.04	10.00	15.00	19.00	22.00
SZ	**0.75**	**0.87**	**1.07**	**1.37**	**1.64**	**1.84**

Valance Co., Inc.

Valance Economic Report: United States

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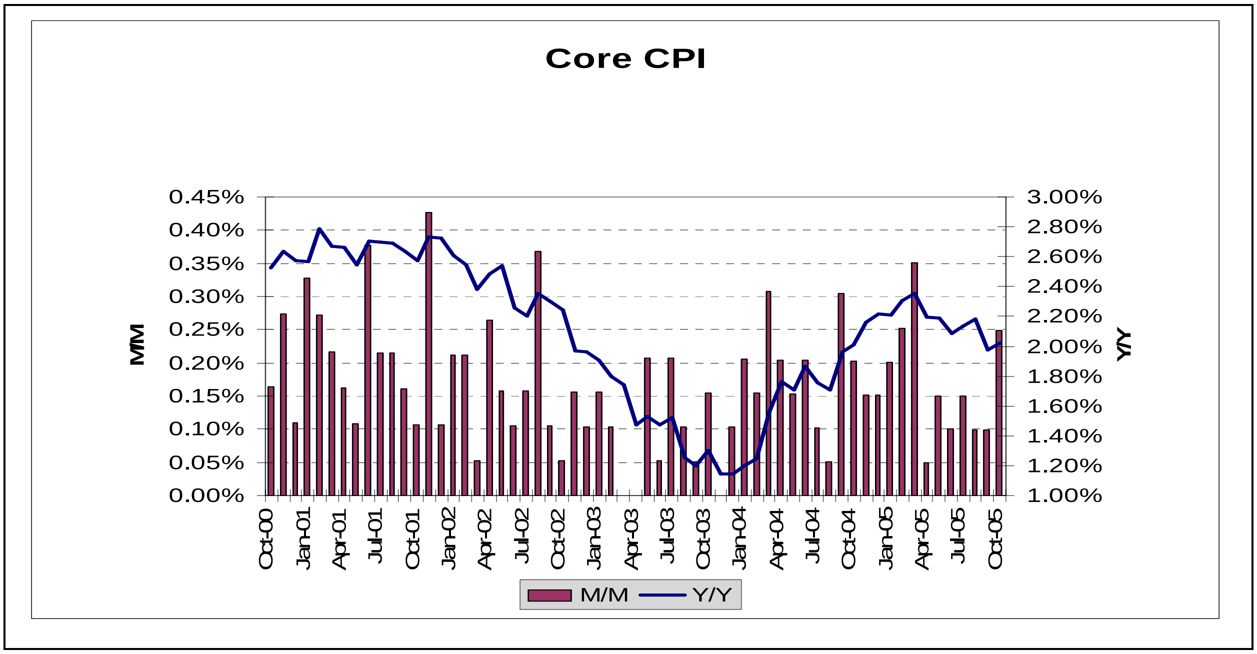
November 16, 2005

This week's economic data showed contained inflation in Core CPI readings with some inflationary pressures evident in Import Prices, PPI and expectations measures. Inflation expectations (1 year forward) in the University of Michigan survey decreased from 4.6% to 3.5% in October as energy prices fell. Retail Sales, excluding autos and gas, increased 1.1% M/M in October- showing a very healthy consumer heading into the holidays.

Weekly Highlights

Core CPI- up 0.2% M/M in October. (page 2)
Core PPI- down 0.3% M/M in October. (page 4)
Retail Sales- excluding autos & gas, up 1.1% M/M in October. (page 4)
U. of Mich. Inflation Expectations- decreased from 4.6% to 3.5% in November. (page 6)

Weekly Releases
Chart of the Week: *Core CPI*



Core CPI increased 0.2% M/M (0.248%) and 2.1% Y/Y in October; the annualized 3-month rate of growth has accelerated from 1.4% to 1.8% currently. The headline rate increased 0.2% M/M and 4.3% Y/Y. Higher energy prices and inflation expectations have yet to significantly pass through to core consumer prices.

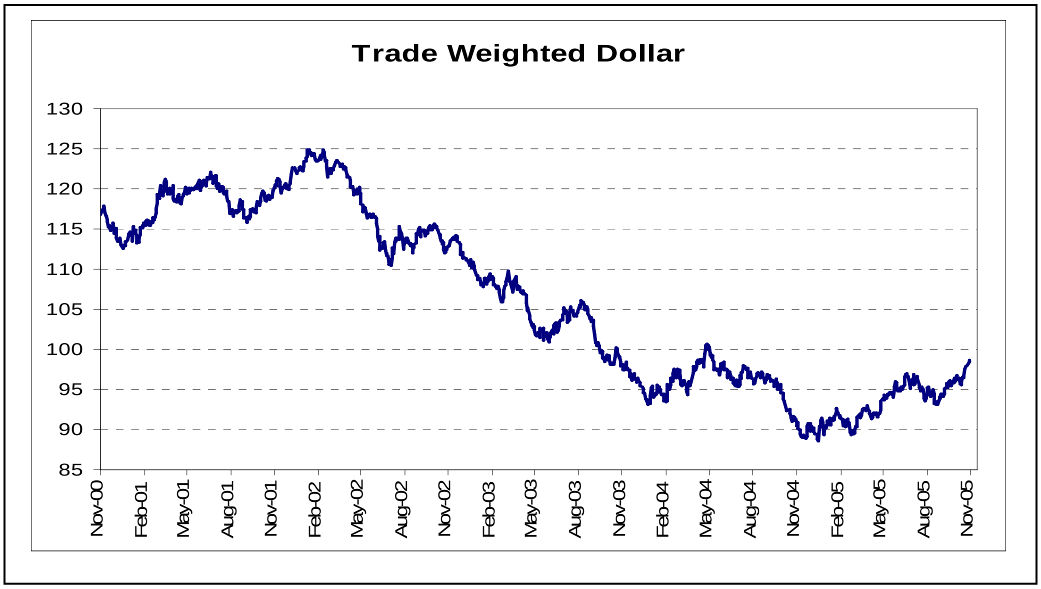
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

U.S.	*Latest period ($blns)*	*Last 12mth. as a % of GDP*
Budget Balance	-47.2 (October)	-2.4%
Trade Balance	-66.1 (September)	-5.6%
Current Account Balance	-195.7 (Q2)	-6.0%
Private Balance	--	-3.6%

The budget deficit is currently at $308 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 September is still 5.6% 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.

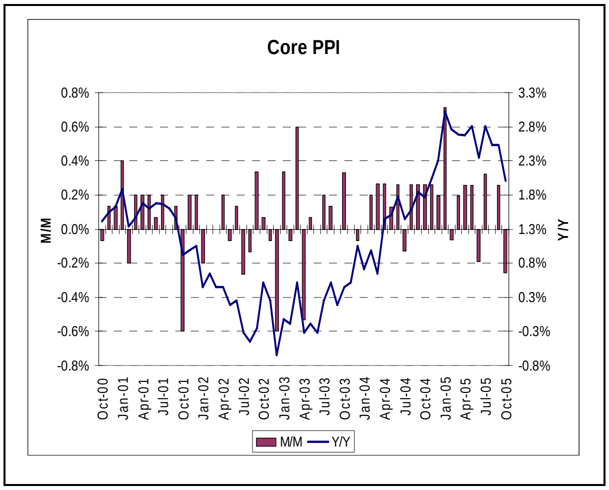
Trade Weighted Dollar



PPI, Import Prices & Retail Sales

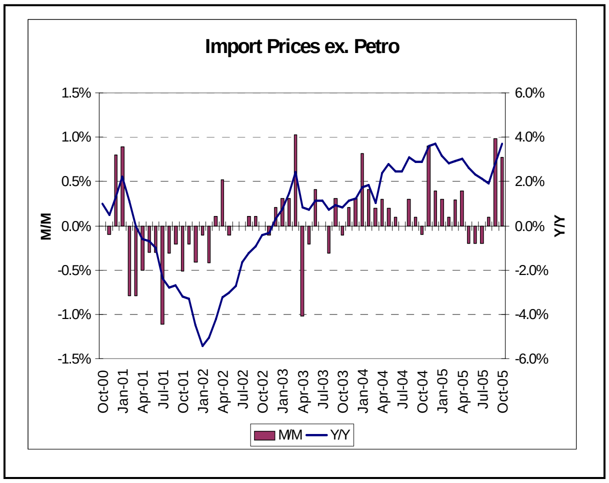
Core PPI

Core PPI was down 0.3% M/M and 2.0% Y/Y in October due in part to a 3% decline in auto prices. Core intermediate goods increased 1.2% M/M and core crude goods decreased 1.2% M/M.



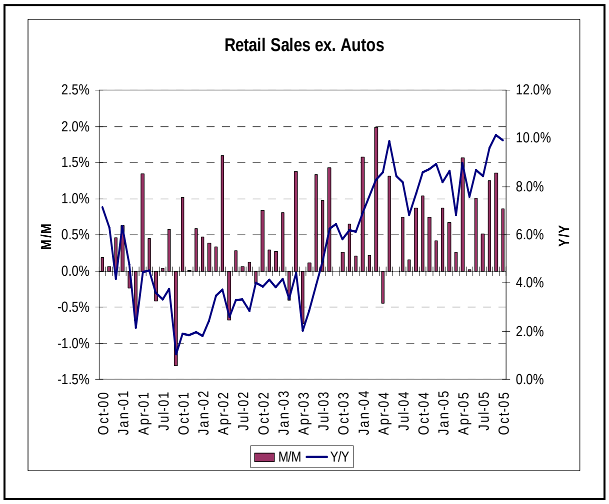
Import Prices ex. Petro

Import prices, excluding Petroleum, increased 0.8% M/M and 3.7% Y/Y in October. Excluding all fuel, import prices gained 0.3% M/M and 1.7% Y/Y. Inflationary pressures continue to rise through imports even though the dollar continues to strengthen.



Retail Sales ex. Autos

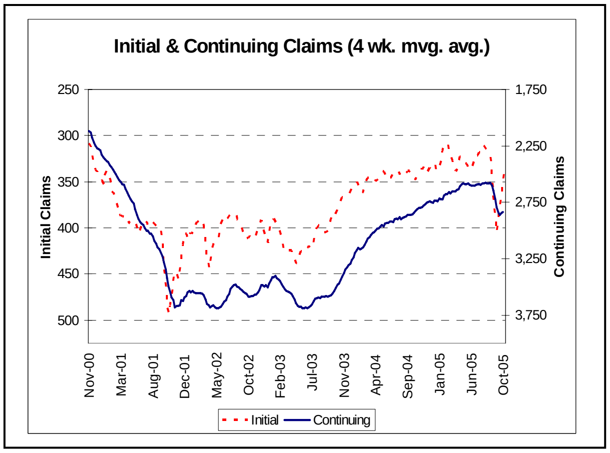
Retail Sales, excluding autos, increased 0.9% M/M and 9.9% Y/Y in October. Retail Sales, excluding autos and gas, were up 1.1% M/M, a sign that consumers are still quite strong heading into the holidays.



Employment Claims, Mort. Apps. & Empire Index

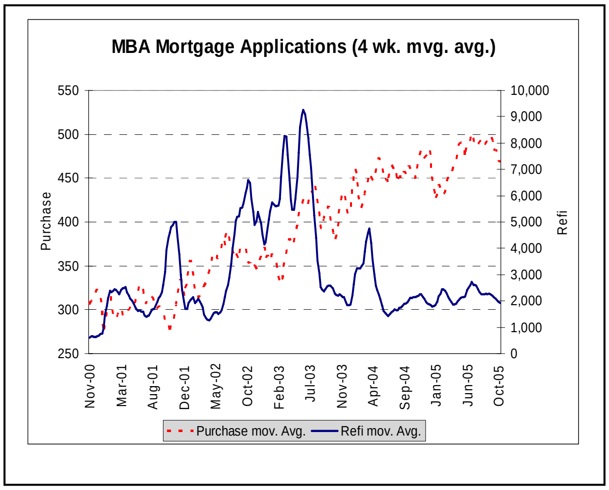
Initial & Continuing Claims

The four week moving average of initial claims and continuing claims dropped to 334 and 2,836k, respectively. Initial claims are back to pre-Katrina levels, but continuing claims remain at elevated levels.

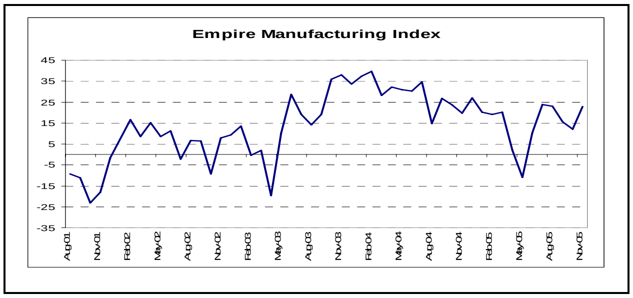


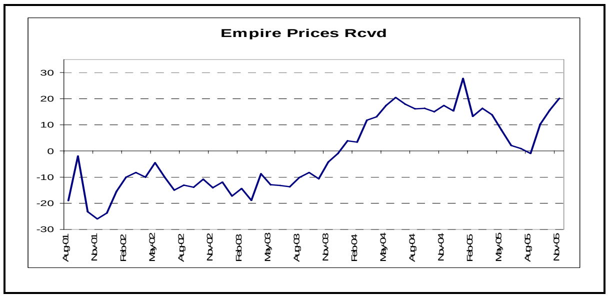
MBA Mortgage Applications

Purchase and refinancing mortgage applications increased 2.6% and decreased 5.4%, respectively, this week. The four-week moving average is now down 2.8% Y/Y.



Empire Manufacturing Index



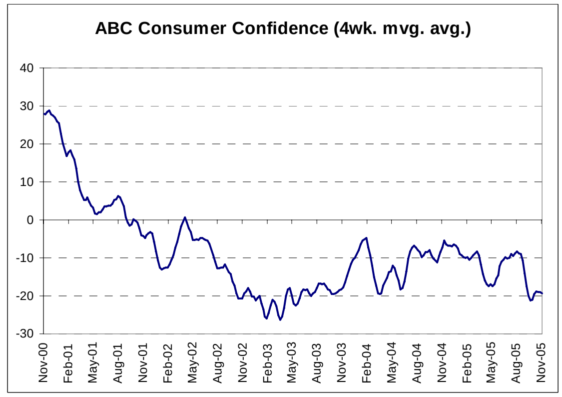


The Empire Manufacturing Index improved from 12.1 to 22.8 in November, still showing expansion in the manufacturing sector. The prices paid and prices received component increased from 57.3 and 15.6 to 60.6 and 20.2, respectively. The employment component strengthened further from 9.3 to 16.9.

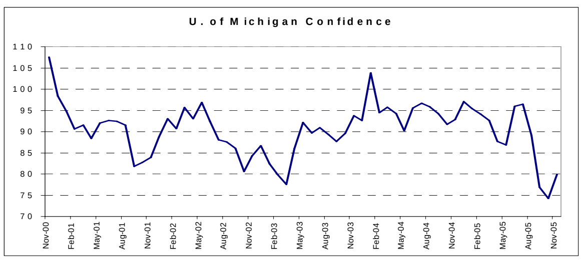
Consumer Confidence & Budget Balance

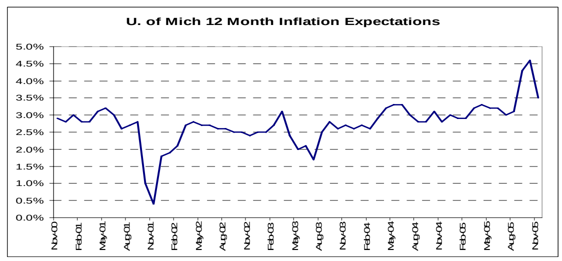
ABC Consumer Confidence

The ABC Consumer Confidence Index improved from –19 to -18. The components were mixed: the economy component improved, the buying component was flat and the finance component declined.



U. of Michigan Confidence

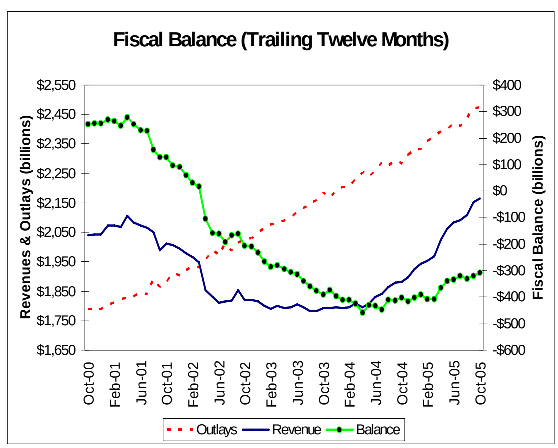




The University of Michigan Confidence Index improved from 74.2 to 79.9 in November. The current and expectations components both increased, to 100.3 and 66.8 from 91.2 and 63.2, respectively. Inflation expectations (one year out) dropped from 4.6% to 3.5% in early November as energy prices have declined. Long-term inflation expectations dropped from 3.2% to 3.1% November.

Budget Balance

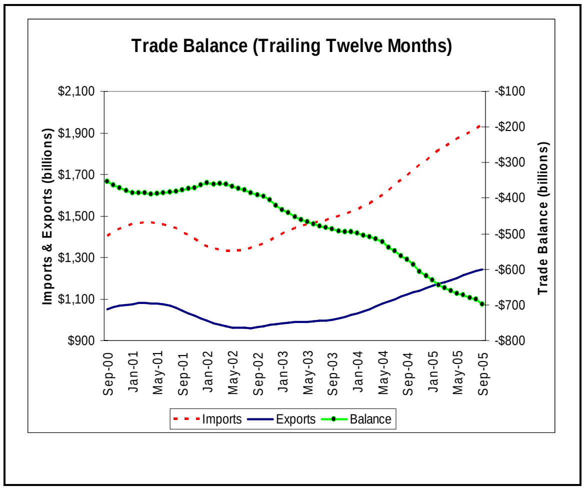
The Fiscal Balance in October had a deficit of $47.2 bln versus $57.3 bln in October 2004. On a trailing twelve month basis, the deficit fell from $318 bln to $308 bln. Katrina related spending has boosted most 2006 deficit estimates over $400 bln. Those estimates may be too high based on the strength of the revenue path.



Trade Balance & Fed Comments

Trade Balance

The Trade Deficit widened from $59 bln to $66 bln in September. Imports grew 2.4% M/M and 14.5% Y/Y and exports declined 2.6% M/M and increased 7.7% Y/Y. The trailing twelve month trade deficit is now $699 bln or 5.6% of GDP. Higher oil imports and reduced exports, as a result of the Boeing strike, drove the widening trade deficit.



Fed Comments

"Most analysts would contend that U.S. interest rates were lowered by the world's accumulation of dollars. Accordingly, in the event of a significant diminishing of the dollar's reserve currency status, U.S. interest rates would presumably rise. Although I doubt that the U.S. dollar will lose its status as the world's reserve currency any time soon, there are, in my judgment, lessons to be learned from the experience of sterling as it faded as the world's dominant currency… Any diminution of the reserve status of the dollar, should it occur, is likely to be readily absorbed by a far more flexible U.S. economy than existed in Britain immediately following World War II. This, of course, presupposes that we in the United States in the years ahead maintain and, I trust, enhance our economy's degree of flexibility and our involvement in the highly successful globalization of recent decades." – Alan Greenspan

"One possible step toward greater transparency would be for the FOMC to state explicitly the numerical inflation rate or range of inflation rates it considers to be consistent with the goal of long-term price stability, a practice currently employed by many of the world's central banks. I have supported this idea in my academic writings and in speeches as a Board member. Providing quantitative guidance about the meaning of "long-term price stability" could have several advantages, including further reducing public uncertainty about monetary policy and anchoring long-term inflation expectations even more effectively." -Ben Bernanke

"In conclusion, a policymaker today probably has a different perspective on the world compared with that of a policymaker forty years ago, long before the Great Moderation. Without targeting asset prices, we need to be more attentive now to financial markets because asset prices affect spending to a greater degree than before and because asset prices provide us with a greater amount of timely information to guide policy." -Ferguson

Earnings Commentary

General Electric- “I just think this is a massively resilient economy and I think outside of the short-term impacts, vis-à-vis the energy chain, natural gas, and things like that, we still see pretty good economic activity in the world we look at.”

Ford- “Further, third-quarter real GDP growth of 3.8% confirmed that the economy was on solid footing heading into the recent energy price shocks, and forward-looking manufacturing surveys continue to suggest strength in that sector. So overall, while we are closely watching the consumer indicators for signs of a more significant spending pullback, the broad picture for the economy in 2006 is still consistent with trend growth, although with somewhat weaker consumer spending growth than we saw in 2005, and that has been our perspective for the past several months now.”

Kodak- “At our September 28, meeting, I indicated that we had reduced relative to plan our digital camera and printer dock production quantities, a move to prudently acknowledge some of the uncertainty in the economy this fourth quarter; however, we left some flexibility in our supply chain to move up or down depending on November owing of sales numbers for the industry.”

Wells Fargo- “We have also been very disciplined in our credit practices, not offering negative amortizing mortgages, not doing non-prime interest-only mortgages, requiring higher down payments and tightening credit standards in some markets that have experienced unusually high real estate appreciation.’

Metris- “The ongoing higher level of energy costs is something that is related to the hurricanes and we are watching it closely. There have been many third party reports regarding the impact of higher gas prices on customers' wallets. We have also seen such trends with our customer base. Our customers' average gasoline purchase increased approximately $6 per transaction over the last 12 to 15 months. The number of gasoline transactions as a percentage of total transactions on our cards has also increased approximately 20% over the last 15 months. Despite the increase in gasoline costs, our analysis shows that our customers have reduced other spending to manage the impact on their overall debt burden. Customers probably don't have as much cushion as before but we are pleased with how they have responded thus far, resulting in our highest portfolio payment rates ever. We will obviously continue to monitor the impact of higher energy prices on our customers.”

Washington Mutual- “Now let me turn to the housing market. While we continue to see strong loan demand in all of our key markets, we're keeping a very watchful eye on this situation, and believe that we maybe entering a period of industry shake-out, in both the prime and sub-prime mortgage sectors. You'll recall that last quarter I talked about speculative activity we were seeing in some of the hottest housing markets. It now appears to us that this activity is beginning to subside, in addition we're seeing homes for sale in some areas remain on the market for longer periods of time. We're reading more reports of declining consumer confidence, and perhaps the effect of higher oil prices is beginning to work its way through the economy.”

United Technology- “The U.S. market still appears to be very strong. There is good underlying demand in the industrial economy in the States. Europe, weaker, but Europe's been slower growth for a while and you can find of pockets within it like Italy that are quite slow, but Europe's been slower than the States for quite a while and Asia is very, very good, particularly China where we continue to see very good rates of growth and you'll find a market like Korea that's a little bit slower, but overall I'd say Asia remains a growth market for UTC and will remain into the future. So I think all this goodness that we've felt in the economy over the last year or two should continue and extrapolate into 2006. We don't see a change right now.”

Countrywide Financial- “Most market forecasts for 2006 suggest that the market value will decrease from the 2005 levels. Given that decrease, what level of market share would Countrywide’s need to achieve in 2006 in order to keep this origination volume at or near the 2005 levels? Let's use Countrywide's market estimate for 2006 at 2.6 trillion, down 20% from our 2005 estimates at 3.2 trillion. The midpoint of Countrywide's 2005 full-year origination estimates is $458 billion, which represents 17.6% share of our 2006 forecast. As you'll notice, according to CFC's third quarter estimates, CFC has a current market share of 15.6%. So to maintain we would need to increase our market share by 2 percentage points.”

Wal-Mart- “As I said in the beginning of the call, given the obstacles we face, I feel pretty good about our results. Likewise, even with the lingering impact of the hurricanes and the impact of higher energy prices, I believe we will have a good holiday season. You know, hurricanes dilute consumer wealth in the short-term, but they are accretive to GDP; they are accretive to employment and real income in the longer-term. Although January and February could be difficult as holiday and utility bills come due, I like Wal-Mart's prospects for this next fiscal year. This will be driven by an improving economy, plus our continued improvements in merchandising and operations.”

Key Dates This Week

Date	*Indicator*	*Expectation*	*Previous*
11/17	Housing Starts (OCT)	2070K	2108K
11/17	Building Permits (OCT)	2160K	2189K
11/17	Initial Jobless Claims (NOV 12)	324K	326K
11/17	Continuing Claims (NOV 5)	2783K	2818K
11/17	Industrial Production (OCT)	1.0%	-1.3%
11/17	Capacity Utilization (OCT)	79.6%	78.6%
11/17	Philadelphia Fed. (NOV)	15.3	17.3
11/21	Leading Indicators (OCT)	0.8%	-0.7%
11/22	ABC Consumer Confidence (NOV 20)	NA	-18
11/23	MBA Mortgage Applications (NOV 18)	NA	-0.6%
11/23	U. of Michigan Confidence (NOV)	80.4	79.9
11/23	Help Wanted Index (OCT)	39	39

Valance Co., Inc.

Valance Economic Report: Euro Zone

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November 16, 2005

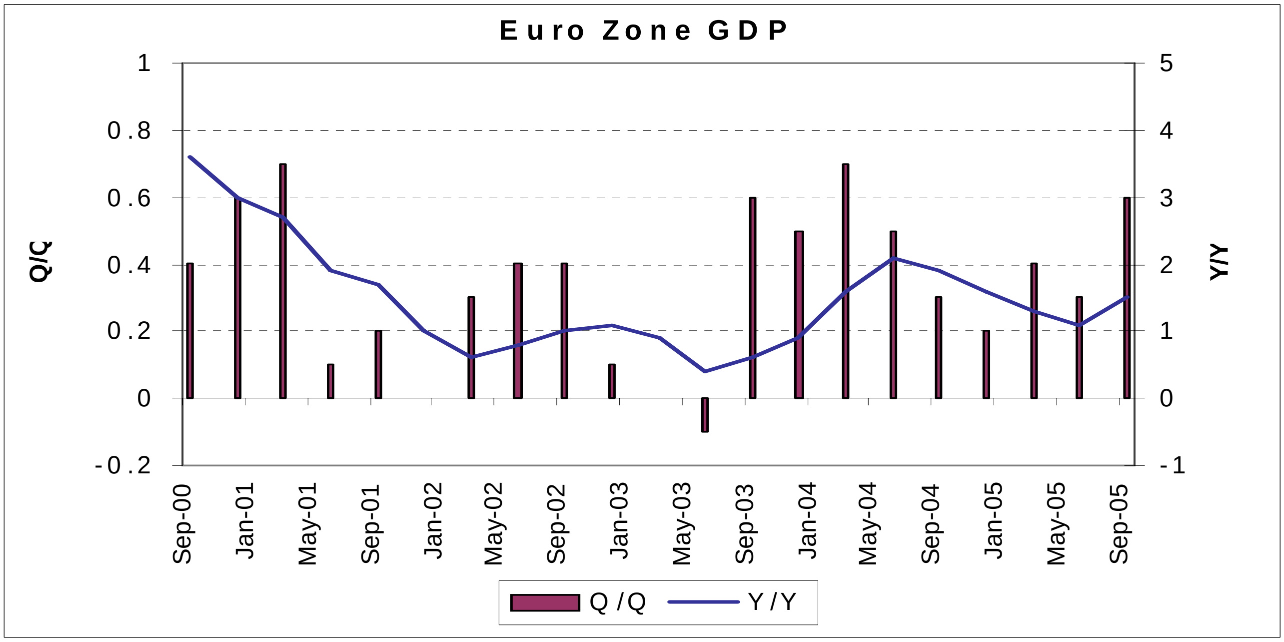
This week's data confirmed what everyone had already assumed as the Euro Zone economy rebounded strongly last quarter from a disappointing Q2. On the inflation front, pressures appeared to ease slightly as October's price growth was revised downward and November's Euro Zone CPI decelerated. Interestingly, German confidence declined despite the strong GDP report as companies may be becoming wary regarding an impending ECB rate hike.

Weekly Highlights

German GDP– expanded 0.6% Q/Q in Q3. (page 12)
French GDP– expanded 0.7% Q/Q in Q3. (page 12)
German ZEW– unexpectedly declined in November. (page 13)

Weekly Releases & News

Chart of the Week: *Euro Zone GDP*



Euro Zone growth accelerated at its fastest pace in a year and a half in Q3, increasing 0.6% Q/Q and 1.5% Y/Y. A weakening currency and strong global demand played large roles in the economy's bounce back from a weak Q2. Despite this, signs are already suggesting an impending slow down in growth for Q4.

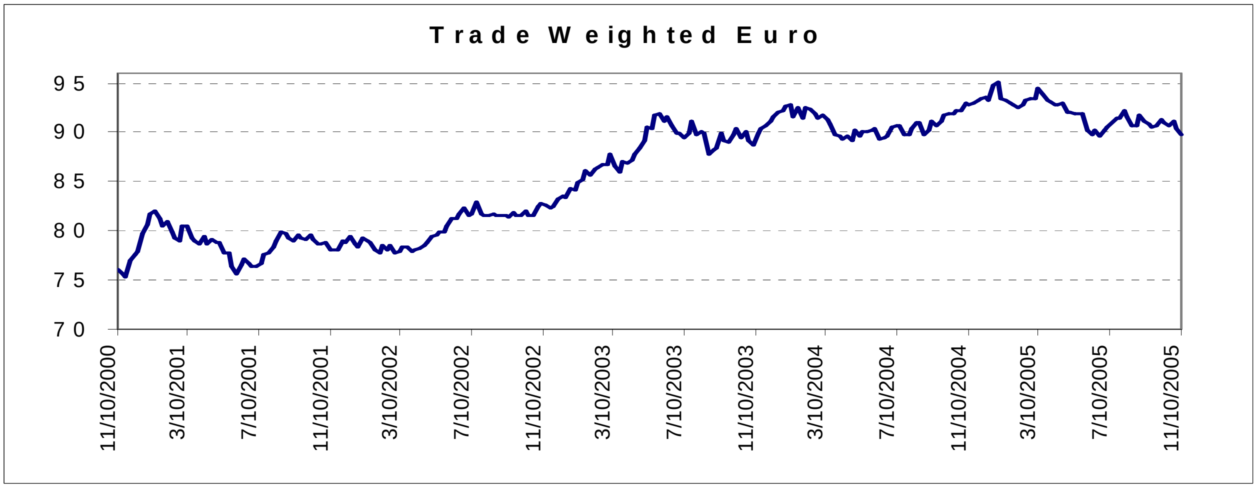
Euro Zone Financial Balances & Trade Weighted Euro

Financial Balances

Germany	Last period ($blns euros)	Last 12mth. as a % of GDP
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%
France		
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%
Italy		
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.

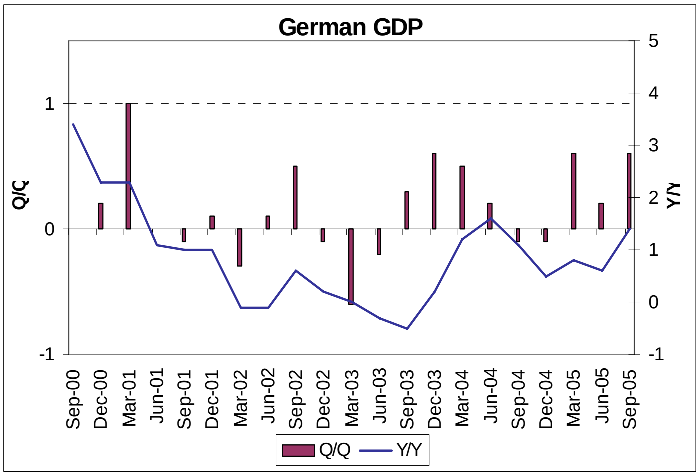
Trade Weighted Euro



German, French & Spanish GDP

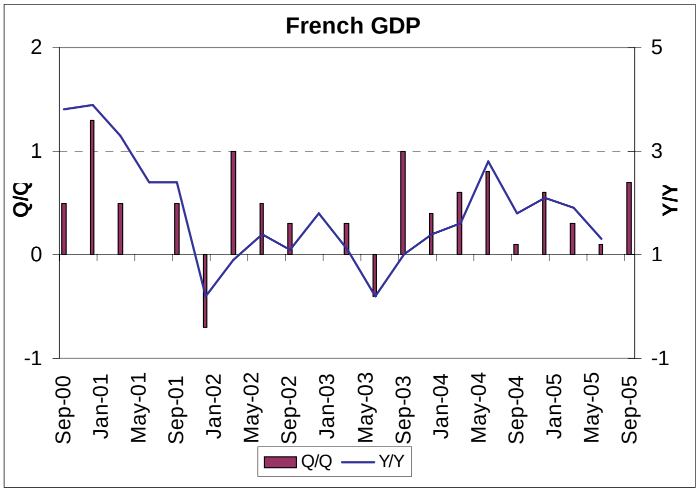
German GDP

The German economy rebounded from a weak Q2, expanding 0.6% Q/Q and 1.4% Y/Y. Demand from Eastern Europe and Asia fueled export growth while domestic spending remained lackluster. Q2 growth was revised upward from 0.0% Q/Q to 0.2% Q/Q.



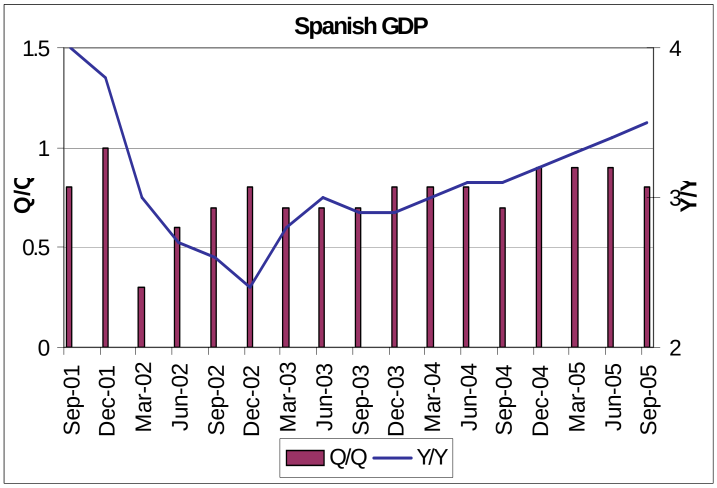
French GDP

The French economy rebounded strongly from Q2, expanding 0.7% Q/Q. Market expectations were for a 0.5% Q/Q increase.



Spanish GDP

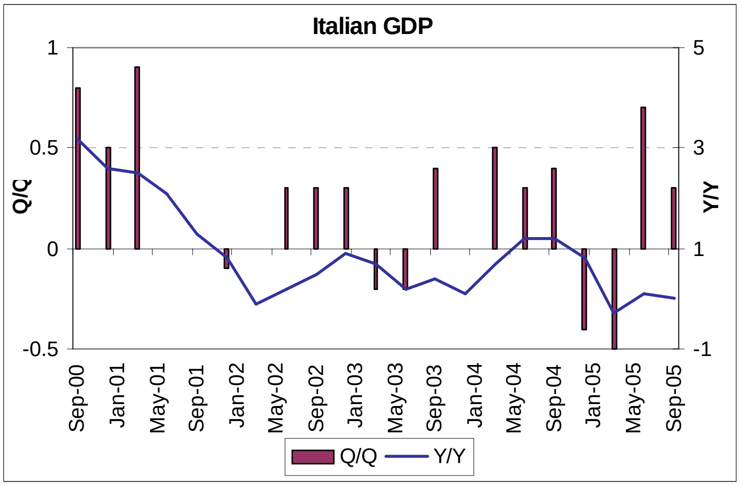
Spanish economic expansion slowed slightly in Q3, as the economy grew 0.8% Q/Q and 3.5% Y/Y.



Italian GDP, Euro Zone & German ZEW Surveys

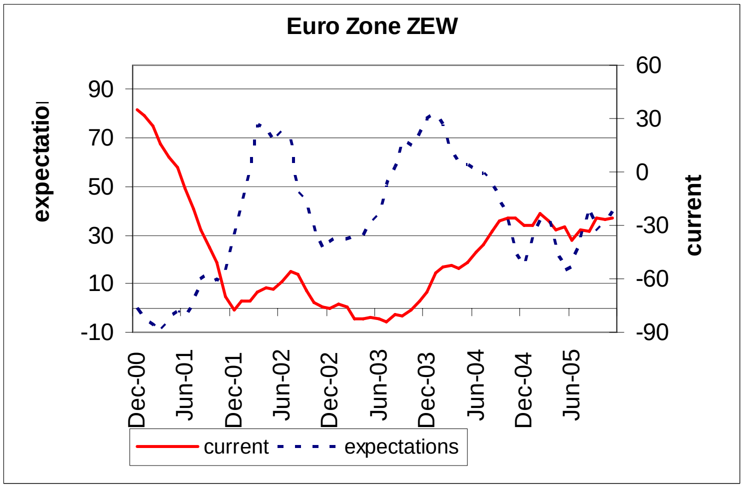
Italian GDP

The Italian economy slowed in Q3, expanding 0.3% Q/Q and 0.0% Y/Y.



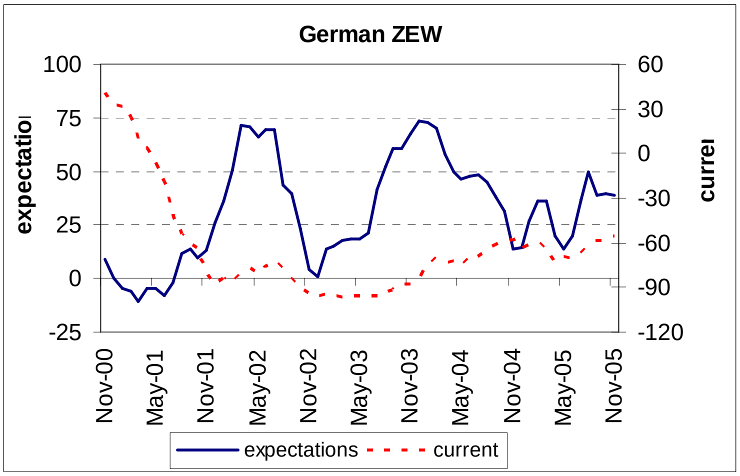
Euro Zone ZEW

The Euro Zone's November ZEW economic sentiment survey increased markedly, rising from 34.7 in October to 40. The current assessment survey increased from -26.9 to -25.5.



German ZEW

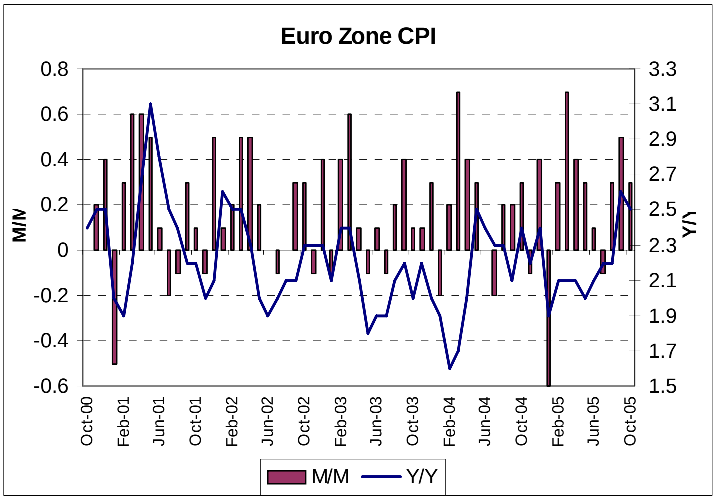
German investor confidence unexpectedly fell in November, as the economic sentiment survey declined from 39.4 in October to 38.7. The current assessment survey increased from -58 to -55.2.



Euro Zone CPI, French Wages & Consumer Prices

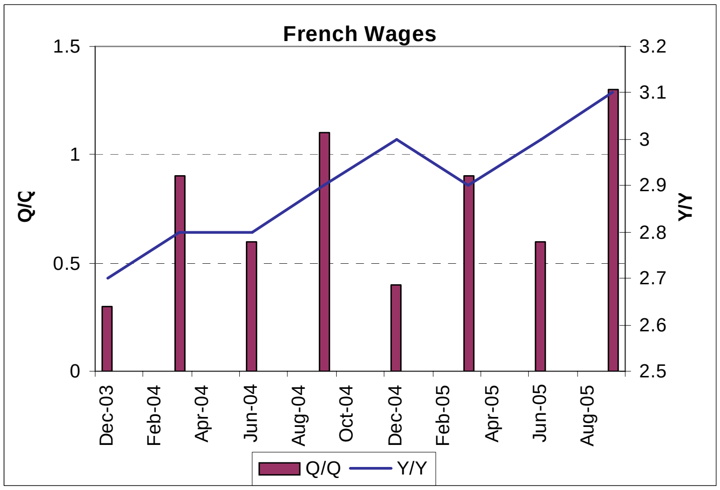
Euro Zone CPI

Euro Zone Consumer Prices receded slightly in October as prices grew 0.3% M/M and 2.5% Y/Y. Core CPI picked up slightly, accelerating from 1.3% Y/Y in September to 1.4% Y/Y.



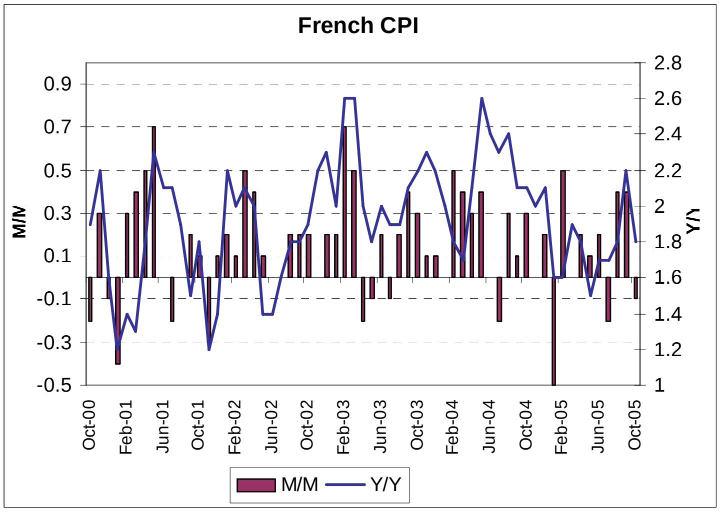
French Wages

French Hourly Wages continued to accelerate in Q3, increasing 1.3% Q/Q and 3.1% Y/Y.



French CPI

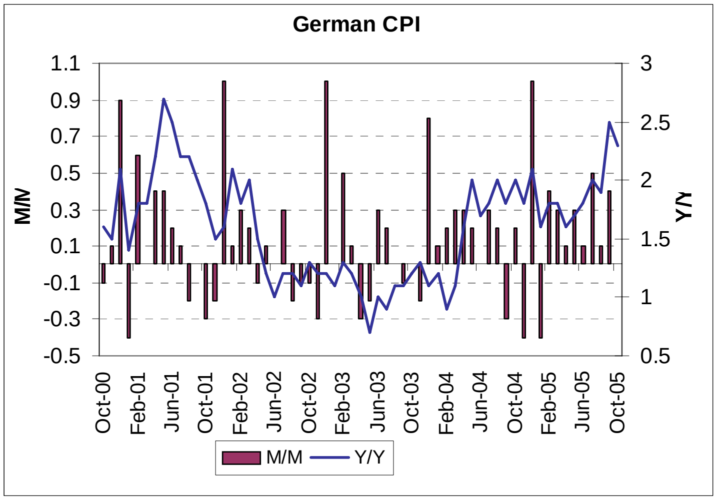
French Consumer Prices unexpectedly fell 0.1% M/M in October, while increasing 1.8% Y/Y as oil prices failed to seep into the broader economy.



German & Italian CPI, Euro Zone Leading Indicator

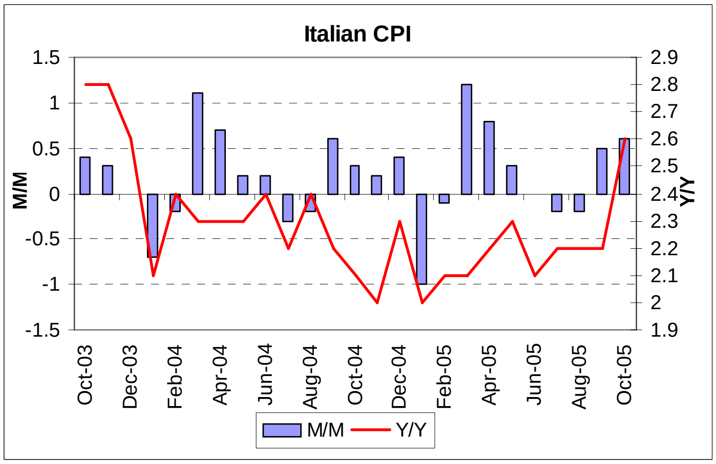
German CPI

Germany's October Consumer Prices were revised downward from 0.1% M/M and 2.4% Y/Y to 0.0% M/M and 2.3% Y/Y.



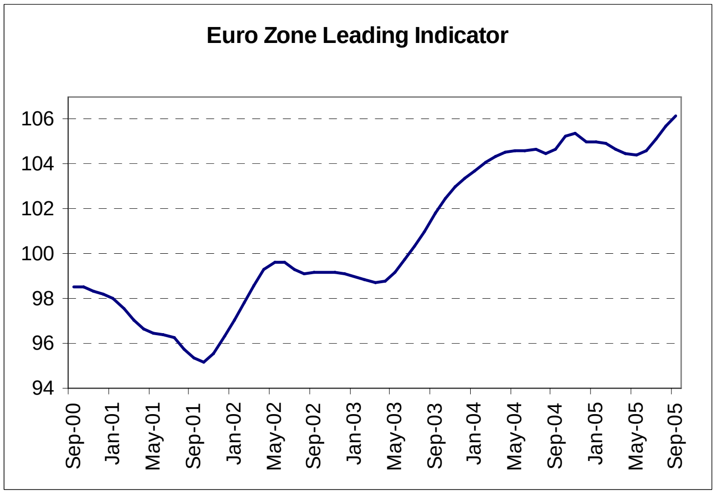
Italian CPI

Italy's October Consumer Prices were revised upward from 0.5% M/M and 2.5% Y/Y to 0.6% M/M and 2.6% Y/Y.



Euro Zone OECD Leading Indicator

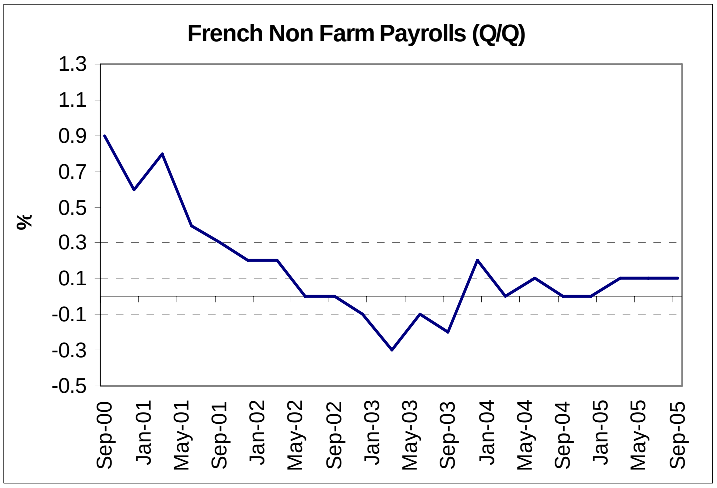
The Euro Zone's September OECD Leading Indicator increased from 106.0 in August to 106.5.



French Payrolls, French & Italian Ind. Production

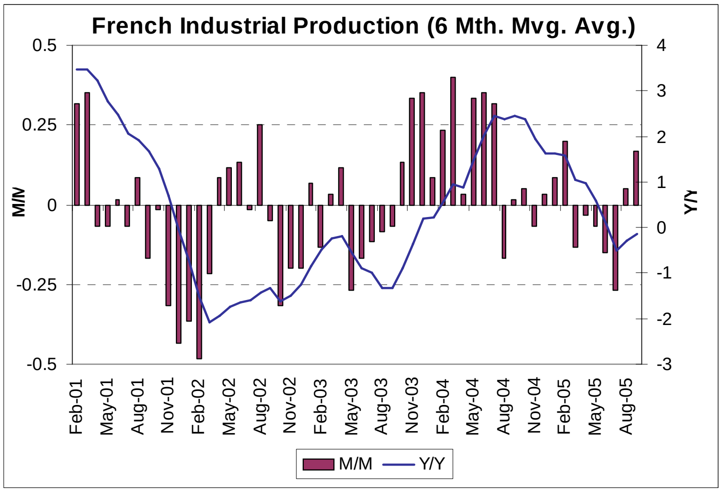
French Non Farm Payrolls

France's Q3 Non Farm Payrolls increased 0.1% Q/Q, the same as Q1 and Q2. Job growth was centered in the construction and services industries, while the manufacturing sector continues to shed jobs.



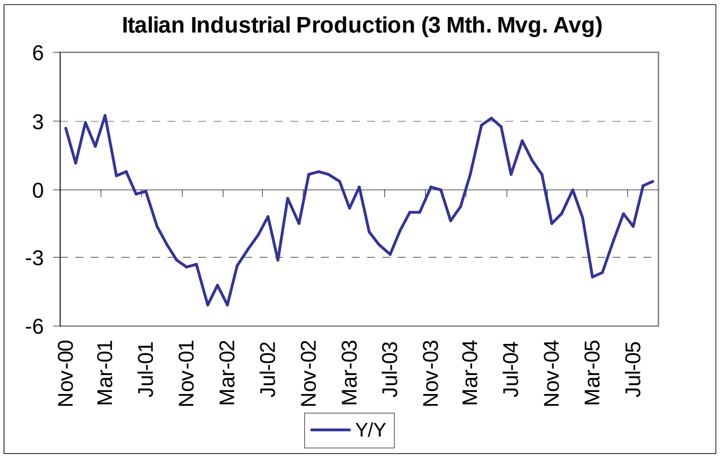
French Industrial Production

France's September Industrial Production increased 0.2% M/M and 0.2% Y/Y. August's production was revised upward from 0.8% M/M and 1% Y/Y to 1.2% M/M and 1.5% Y/Y.



Italian Industrial Production

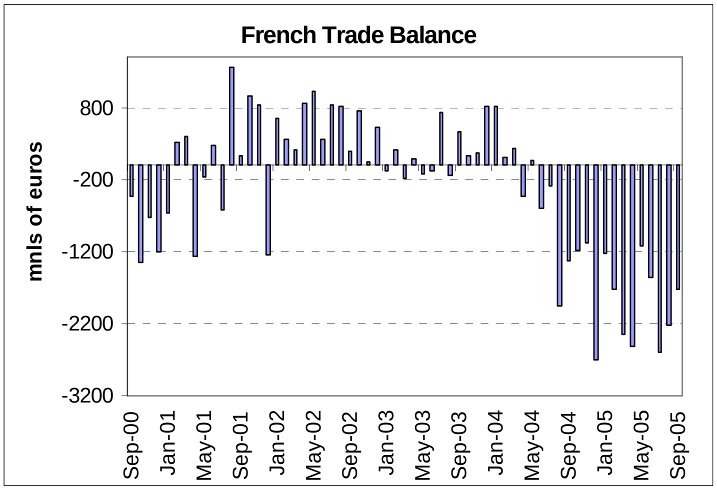
Italy's September Industrial Production unexpectedly contracted 1.0% M/M and 1.7% Y/Y. It was the third month in four that production contracted on a Y/Y basis.



French & Italian Trade Balances

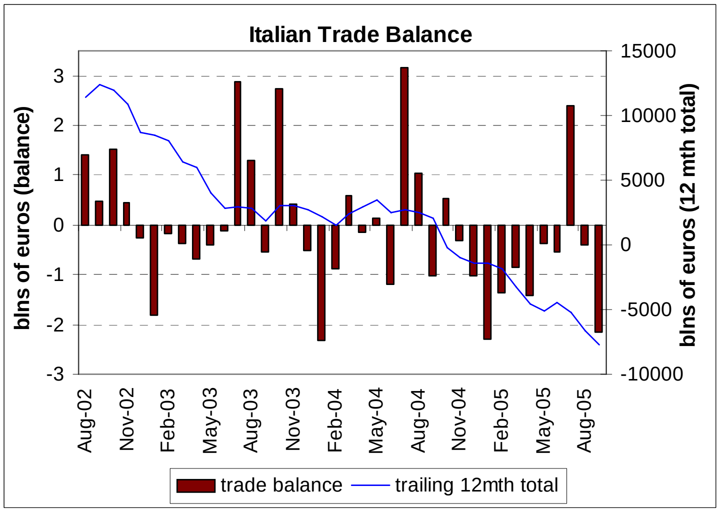
French Trade Balance

France's September Trade Deficit narrowed from 2.2 bln euros in August to 1.7 bln as exports expanded 4.6% M/M and imports grew 2.7% M/M.



Italian Trade Balance

Italy's September Trade Deficit widened from 386 mln euros in August to 2.2 bln as imports expanded 10.7% Y/Y and exports grew 6.5% Y/Y.



News

Nov. 16th – Market News International, citing unidentified banking officials, stated that the ECB will likely raise interest rates in January. The report also stated that 1/3rd of the members are still reluctant to raise rates and that the ECB will likely not find a consensus to lift rates in December. ECB President Trichet attempted to end the division speculation, stating that the there is no division among the members regarding their approach to interest rates.

Nov. 14th – The head of Germany's mining, chemical and energy labor union said plans to raise VAT justify higher wage demands. Chancellor Merkel recently approved a deficit reduction program which includes increasing VAT 3 percentage points to 19%. Merkel did note however that she plans on increasing next year to prepare the economy for the higher taxes that will come in 2007.

Nov. 11th – ECB member Klaus Liebscher stated that inflation is a growing danger and the bank "can always bite". Liebscher noted, "I've become more concerned about inflation in recent months…prevention is better than a cure afterward." Member Bini Smaghi did note however that "the ECB hasn't decided anything" as yet.

Nov. 10th - The ECB stated the need for "strong vigilance" regarding the risks that higher oil prices and a strengthening economy pose to inflation. They also noted that "The short term outlook for inflation has deteriorated significantly."

Key Dates This Week

Date	*Indicator*	*Expectation*	*Previous*
11/17	Euro Zone Industrial Production (SEP)	0.5% M/M	0.8% M/M
11/18	French GDP (Q3)	1.9% Y/Y	1.3% Y/Y
11/18	Spanish Factory Orders (SEP)	--	9.3% Y/Y
11/21	Italian Industrial Orders (SEP)	--	1% M/M
11/21	Euro Zone Trade Balance (SEP)	--	-2.6 mln
11/22	German Private Consumption (Q3)	-0.3% Q/Q	--
11/22	French Consumer Spending (OCT)	--	-0.6% M/M

Valance Co., Inc.

Valance Economic Report: Japan

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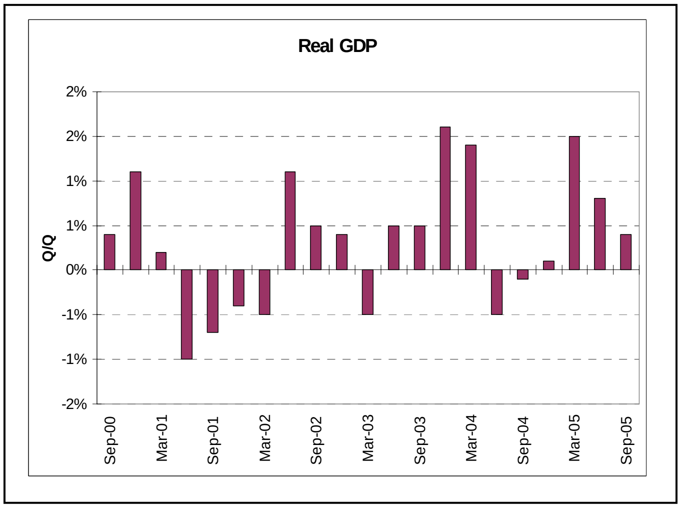
November 16, 2005

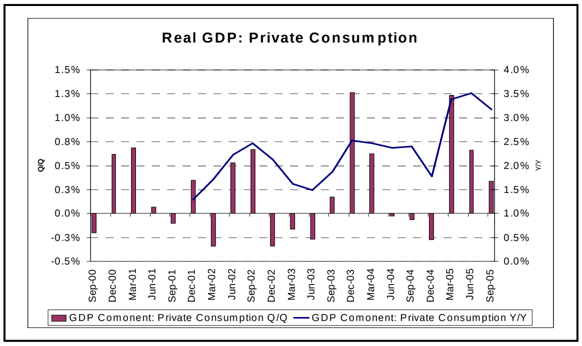
Recent data from Japan continues to be supportive of the growth and recovery view. Real GDP growth exceeded expectations in Q3 and exports remain firm due to Chinese demand. Corporate Goods Prices continued to increase in October, and although the Leading Index edged downward, growth and recovery projections remain on track for a change in policy either late FY2005 or early FY2006.

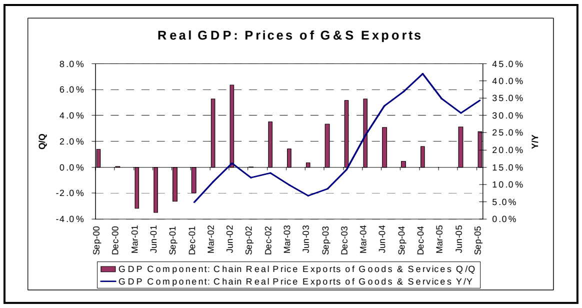
Weekly Highlights

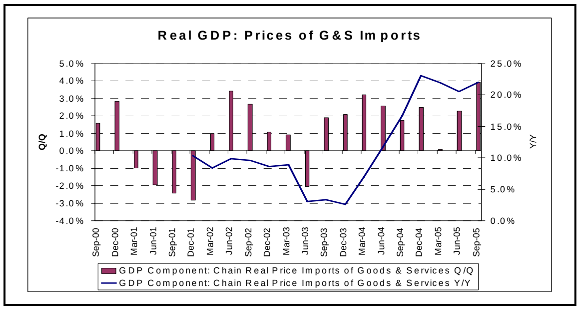
Real GDP – increased 0.4% Q/Q and 3.0% Y/Y in Q3. (page 20)
Current Account – increased from ¥1.292 trln in August to ¥1.624 trln in September. (page 22)
CGPI – increased 0.2% M/M and 1.9% Y/Y in October. (page 23)

Charts of the Week: *Gross Domestic Product*









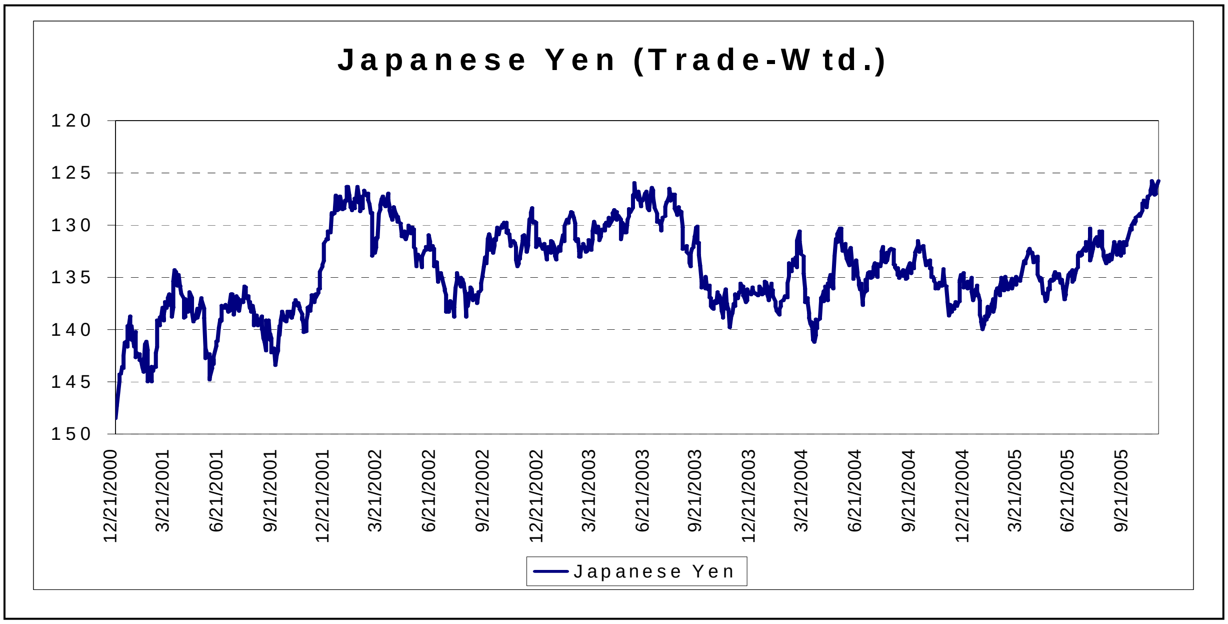
Japan's Real GDP increased 0.4% Q/Q and 3.0% Y/Y in Q3. The increase in Q3 growth was slightly more than the 0.3% Q/Q increase the market anticipated, and was largely due to a 0.5% Q/Q increase in private consumption, and a 1.5% Q/Q increase in residential investments. Public demand posted a solid gain as well, increasing 0.5% Q/Q and 1.3% Y/Y.

With improvement in sentiment among both consumers and corporations, both private consumption and capital spending are expected to continue to drive overall gains in economic growth.

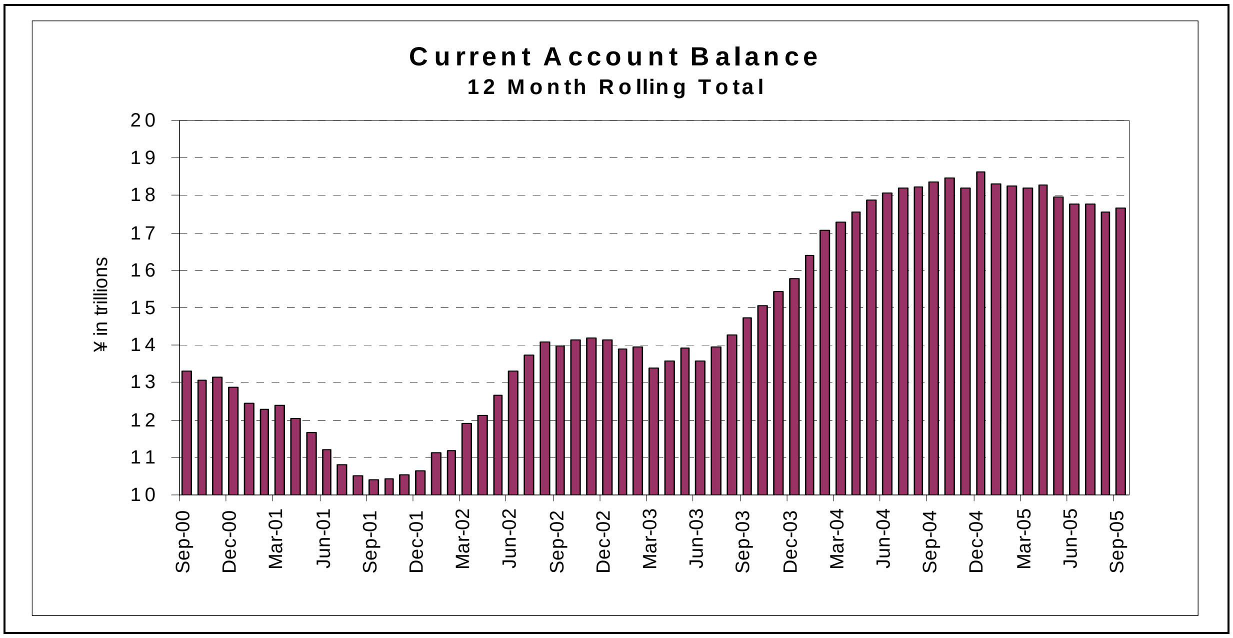
Japan's Financial Balances

Financial Balances

Japan	*Last period (¥trln)*	*Last 12mth. as a % of GDP*
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 Balance

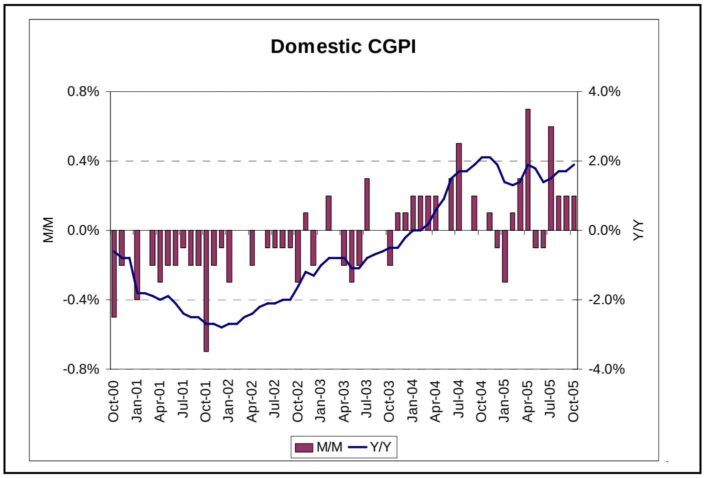


Japan's Current Account Balance increased from ¥1.292 trln in August to ¥1.624 trln in September. The surplus was the fourth largest on record and was due in part to exports to China and other Asian economies. The income account, which covers income from Japanese investments in foreign securities and payments by foreign employers in Japan, increased 23.7% from the year earlier and was the highest on record. At the same time, the Balance of Payments Trade Balance increased from ¥632.3 bln to ¥732.9 bln in September.

CGPI, Import & Export Prices

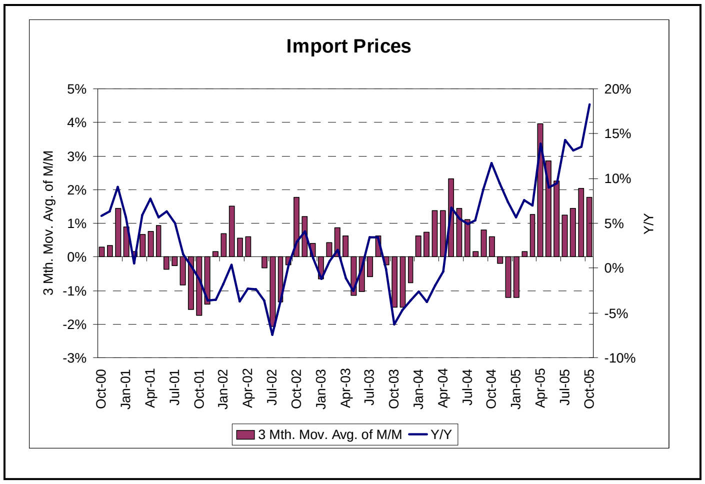
CGPI

Japan's Corporate Goods Price Index, or prices paid by producers for materials, increased 0.2% M/M and 1.9% Y/Y in October. The increase was the 20th consecutive monthly increase and was partly due to increasing oil prices.



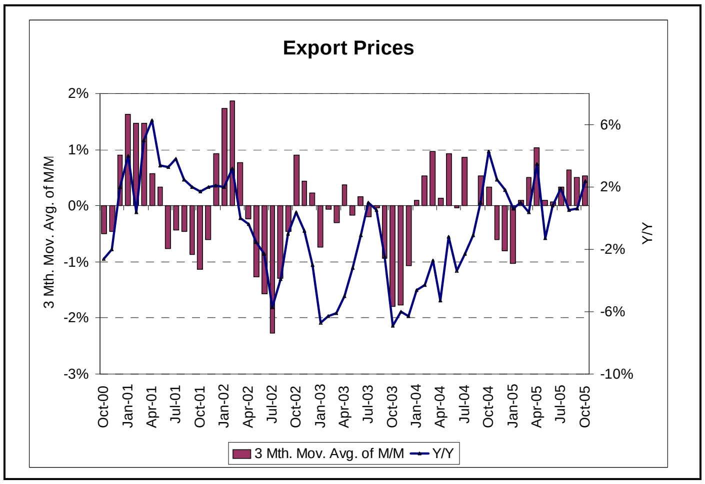
Import Prices

Import Prices increased 3.4% M/M and 18.3% Y/Y in October due to higher fuel prices.



Export Prices

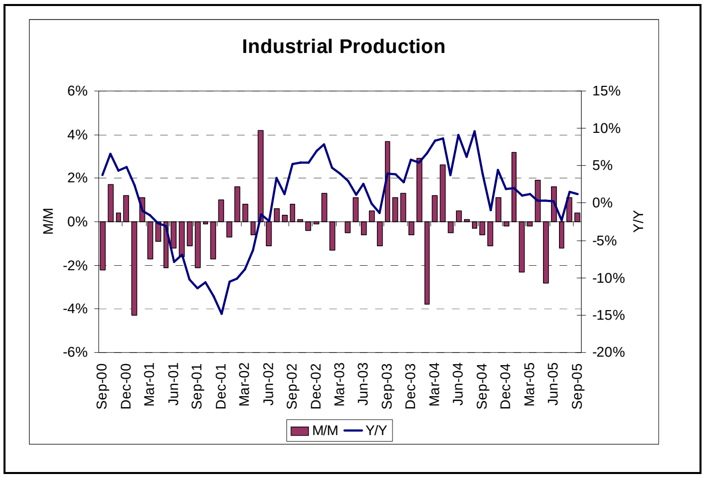
Export Prices increased 1.9% M/M and 2.4% Y/Y in October due to increases in metals and chemical exports.



Industrial Production, Capacity Utilization & Machine Orders

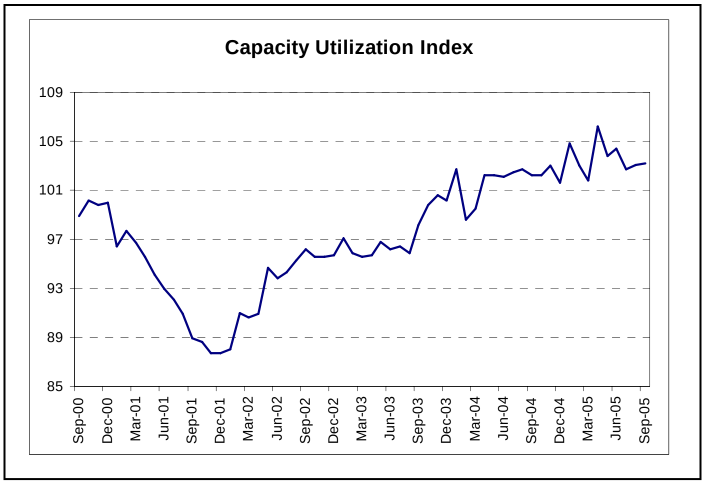
Industrial Production

Industrial Production increased 0.4% M/M and 1.2% Y/Y in September, above market expectations for a 0.2% M/M and 1.0% Y/Y increase. Shipments declined 0.8% M/M and increased 1.3% Y/Y. Inventories increased 0.9% M/M and 3.3% Y/Y, and the Inventory Ratio increased 2.4% M/M and 4.0% Y/Y.



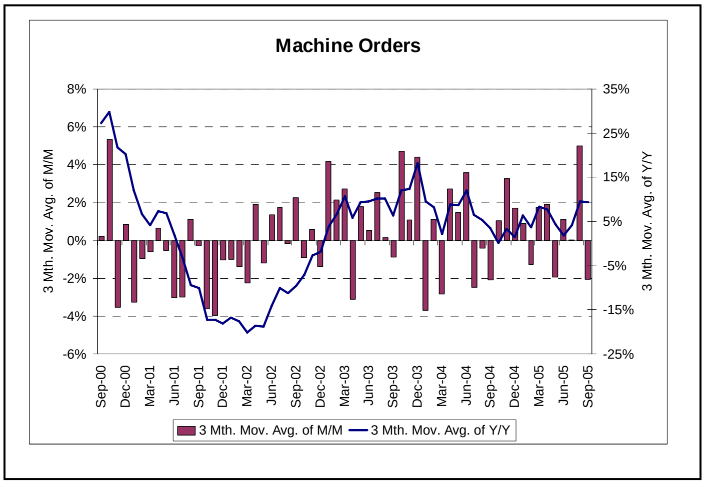
Capacity Utilization

The Capacity Utilization Index increased from 103.1 to 103.2 in September.



Machine Orders

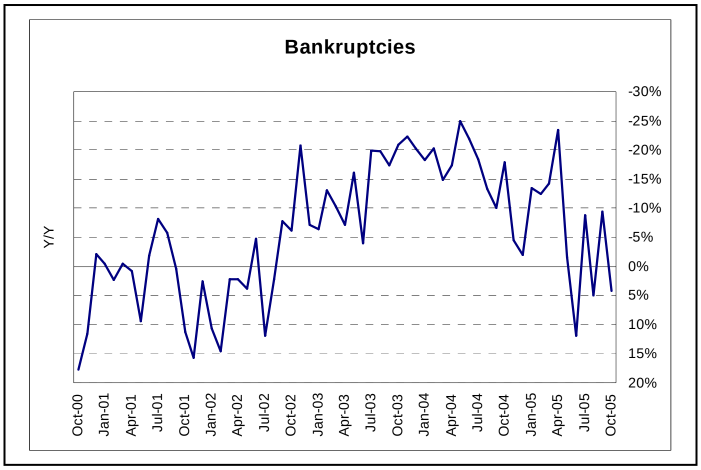
Machinery Orders declined 6.4% M/M in September. Core Orders declined 10.0% M/M, but increased 4.8% Y/Y.



Corporate Bankruptcies & Consumer Confidence

Corporate Bankruptcies

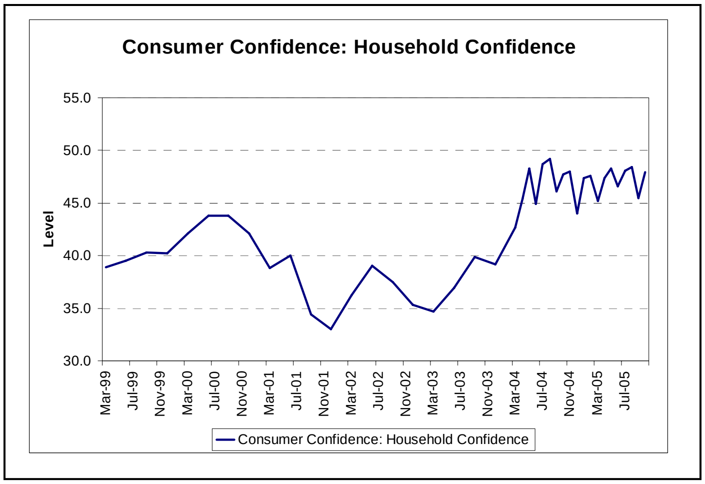
Corporate Bankruptcies increased 18.6% M/M and 4.2% Y/Y in October. Total Debts increased 7.7% M/M and declined 19.3% Y/Y in October.

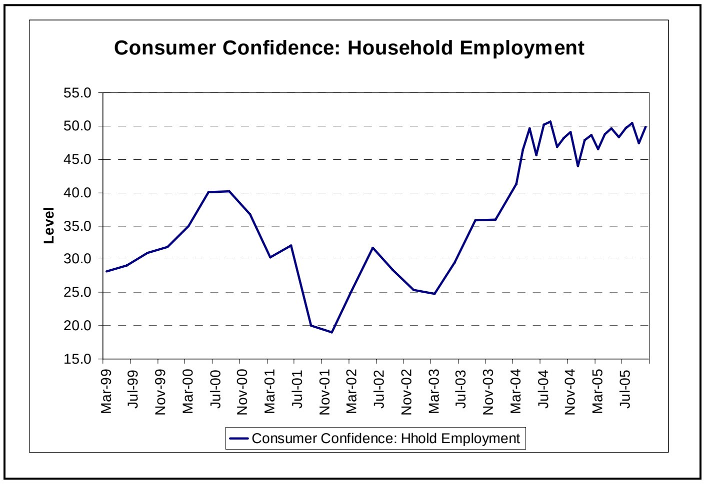


Consumer Confidence

Consumer Confidence for Households increased from 45.5 in September to 47.9 in October. The Employment Sentiment Index increased from 49.7 to 52.8 in Oct. The Willingness to Buy Durable Goods Index increased from 49.8.to 51.3 in Oct., and the Income Growth Index increased from 43.2 to 46.1 in October.

These improvements were largely stronger than the gains economists anticipated, which called for an overall rise to 47.1 as opposed to the actual overall confidence increase from 45.6 to 47.9.

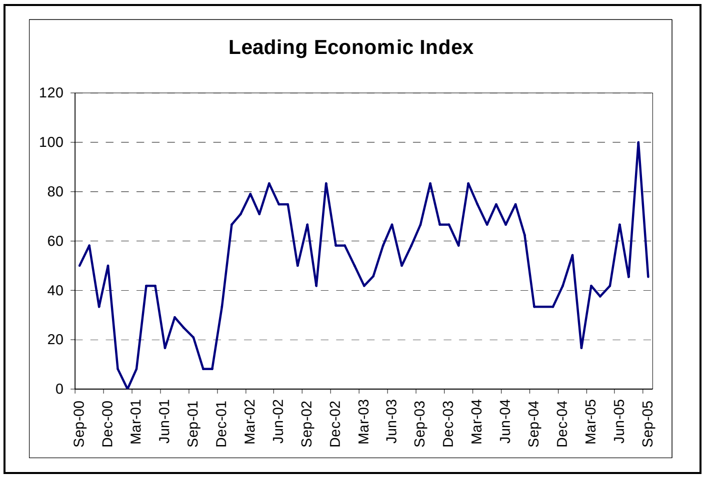


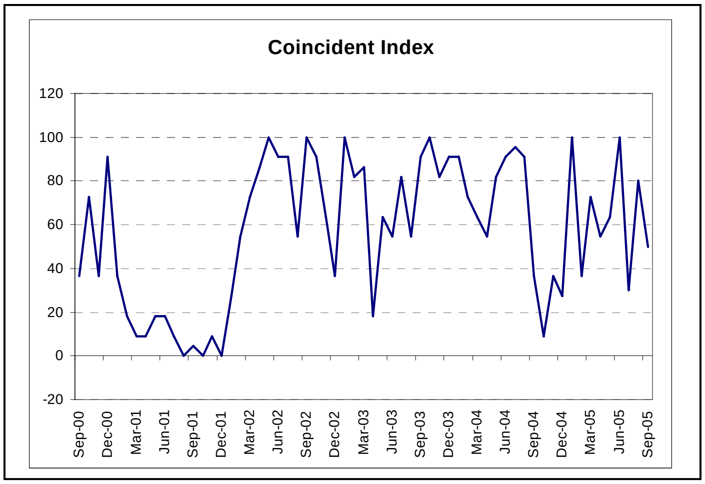


Leading & Coincident Index

Leading Economic Index & Coincident Index

The Leading Economic Index declined from 104.3 to 102.0 in September and the Coincident Index also declined, edging downward from 108.1 to 107.7 in September. Most components in the Leading Index declined, although some such as housing starts, consumer durable shipments, and Nikkei commodity prices, improved. In the Coincident Index, industrial production, manufacturer's shipments, and large firms' power usage components all improved, while capital goods shipments, retail sales, and small-mid size firm sales all declined.

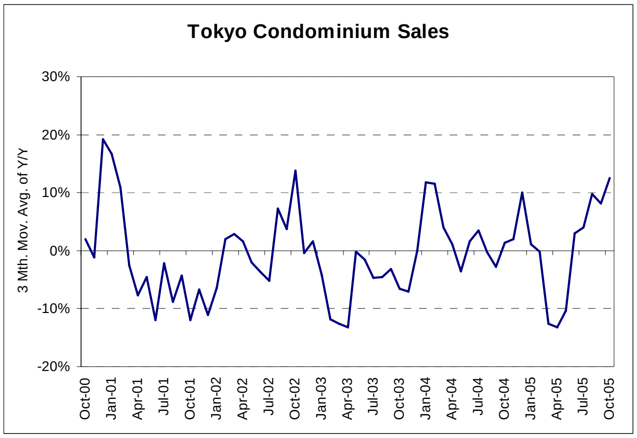




Tokyo Condominium Sales & Tokyo Dept. Store Sales

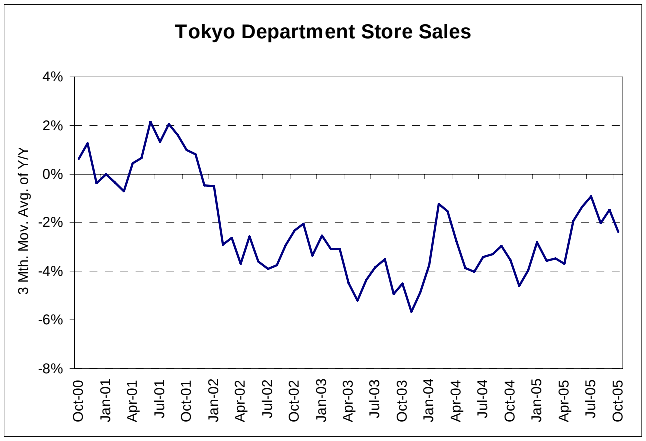
Tokyo Condominium Sales

The number of condominiums for sale in the Tokyo area increased 8.9% Y/Y in October. The number of condominiums actually sold increased 22.2% Y/Y as the number unsold declined 25.2% Y/Y. The average price per square meter declined 3.9% Y/Y.



Tokyo Department Store Sales

Tokyo's Dept. Store Sales declined 1.5% Y/Y in October as improvements in sales of accessories and cosmetics were offset by a decline in housing appliances and food.



News

BoJ's Comments

Nov 14th – The Bank of Japan's Governor, Toshihiko Fukui, reaffirmed his view that the BoJ will end its policy of quantitative easing as soon as Core CPI enters a stable and positive uptrend. He also reiterated his view that the monthly change in prices is likely to enter positive territory toward year end. In a longer term view, he added that the economy is unlikely to stage a rapid "V-shaped recovery" as companies are still cautious about capital spending. With the backing of consumer and corporate spending however, he expects the recovery to be lasting.

LDP Panel & Tax Plans

The Liberal Democratic Party's tax panel has planned on improving the country's tax revenues as needed to support economic growth. One of their key aims is to scale back corporate tax breaks, and to increase revenues among industries that are faring well, including IT related sectors. In addition, the Ministry of Finance is calling for the elimination of certain tax cut provisions, although the Ministry of Economy, Trade, and Industry, as well as, the Japan Business Federation, would prefer to see a continuation of the policy, noting that it is necessary for Japanese companies to maintain international competitiveness.

Consumers will likely see higher taxes as the temporary income tax cuts from 1999 end. The Government has already voted to reduce the relief by half in 2006 and finish it completely in 2007.

Koizumi's Plan to Reduce Gov't Size by 5% in 5 Years

Prime Minister, Junichiro Koizumi's panel has proposed a plan to reduce the size of Japan's government by 5% from its current size of 687k people over the next 5 years. The plan focuses on reductions in the Self Defense Forces, the Diet, the courts, the Board of Audit, and the National Personnel Authority. The margin of the reduction will likely apply to 332k employees and excludes postal system employees.

BoJ's Plans Receive Political Backlash

BoJ Gov. Fukui's recent comments suggesting a swift end to the BoJ's current policy of quantitative easing, was attacked as lawmakers warned against the premature termination of the five year old policy. Among those opposed to the near term changes in policy include, LDP policy chief Nakagawa, Prime Minister Koizumi, and Chief Cabinet Secretary Abe, who all urged caution regarding the end to the policy. Nakagawa commented that the government may need to consider changing the BoJ Law if the BoJ does not understand that its monetary policy must support the government's basic economic policy framework. In response, BoJ Governor Fukui commented that it is still too early to end ultra-easy monetary policy, and noted that Japan is still in a state of deflation.

News & Upcoming Dates

Gov't Seeks to Combine National, Employee Pension Programs

The Fiscal System Council is working on a proposal to combine the national and employee pension insurance programs in an aim to reduce the number of special government accounts by at least half. The proposal calls for the government and ruling coalition parties to devise a road map for consolidating some of the 31 special accounts by year end. It also recommends merging several accounts and moving some tax revenues into general accounts. The proposals are expected to be announced on November 18th.

Key Dates This Week

Date	Indicator	Expectation	Previous
11/17	Machine Tool Orders (Oct Y/Y)	N/A	0.8%
11/21	Tertiary Industry Index (Sep M/M)	N/A	1.7%
11/21	All Industry Activity Index (Sep M/M)	0.4%	1.1%

Valance Co., Inc.

Valance Economic Report: United Kingdom

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November 16, 2005

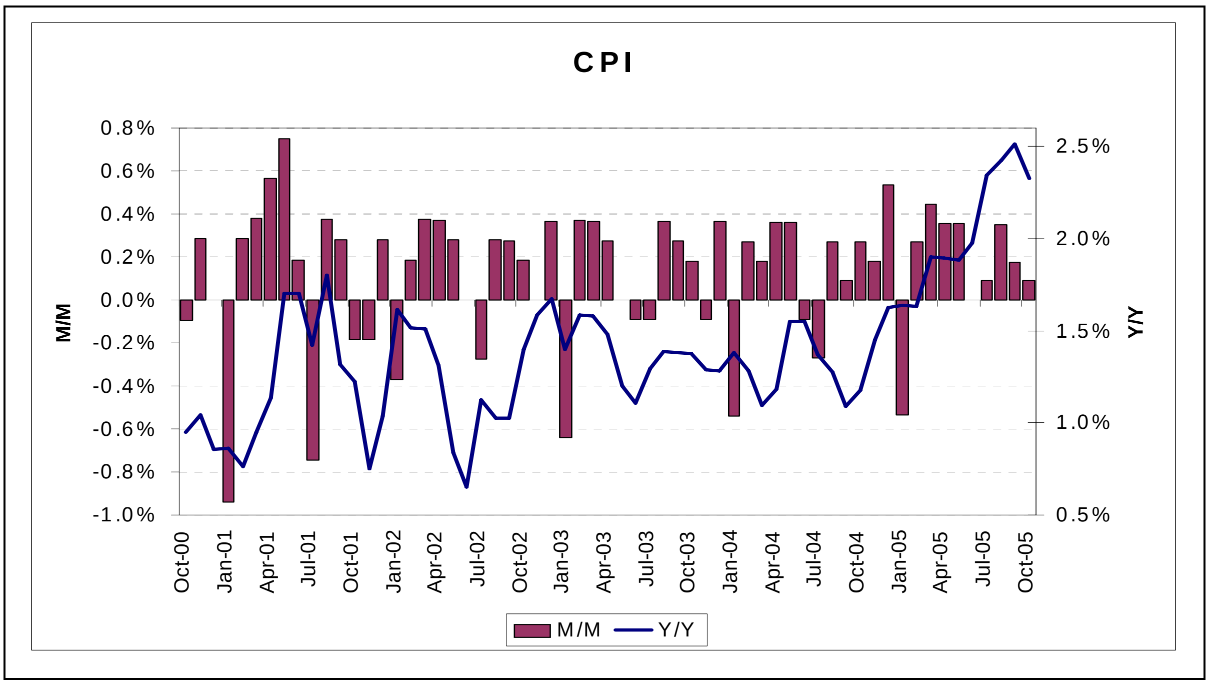
The Bank of England released its November *Inflation Report* which was more dovish in tone than expected. The report, combined with slowing annual Headline CPI growth and subdued Average Earnings brings back the possibility of a rate cut being the MPC's next move.

Weekly Highlights

CPI- increased 0.1% M/M and decelerated from 2.5% Y/Y to 2.3% Y/Y in October. (page 30)
RICS Reported Prices Balance- increased from -21 to -9 in October. (page 33)
The Claimant Count Unemployment Rate- remained at 2.8% in October as the number of unemployed increased by 12,100. (page 34)

Weekly Releases & News

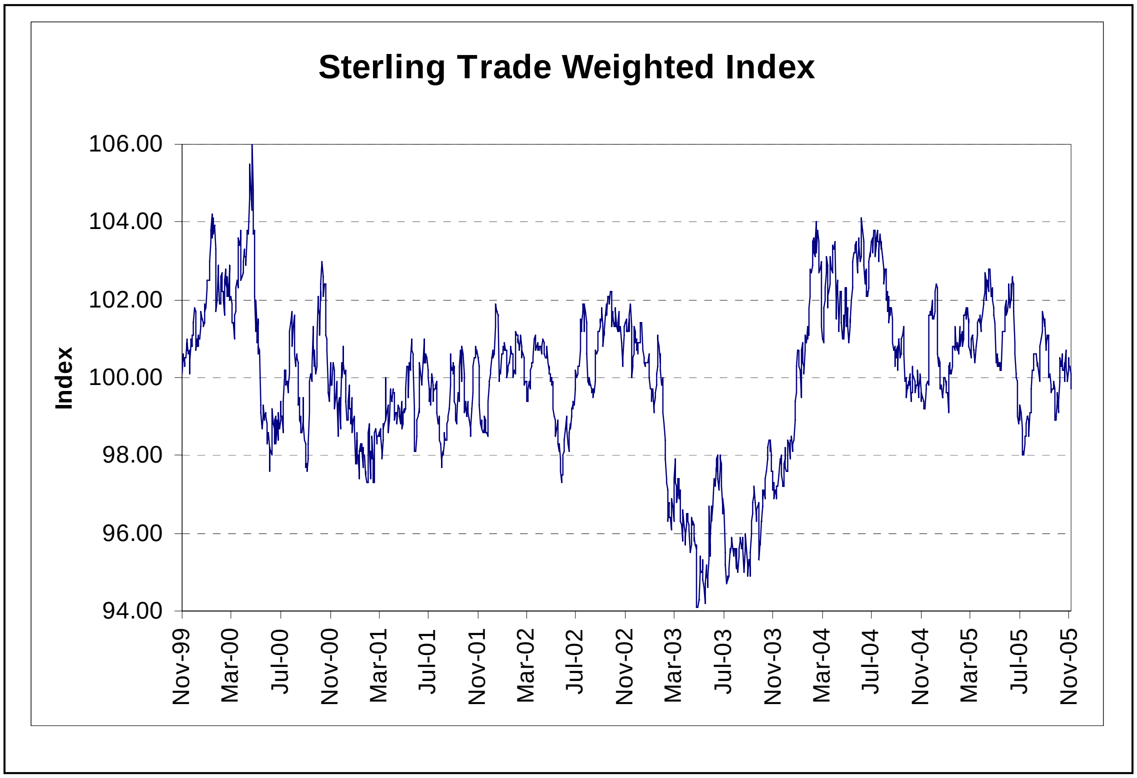
Chart of the Week: *CPI*



CPI increased 0.1% M/M and decelerated from 2.5% Y/Y to 2.3% Y/Y in October, the first time annual inflation has slowed in over a year. The main contributor to the deceleration in the annual rate was transport which slowed from 6.0% Y/Y to 5.8% Y/Y, mainly due to fuels and lubricant prices which decreased 1.4% M/M.

Financial Balances & Trade Weighted Index

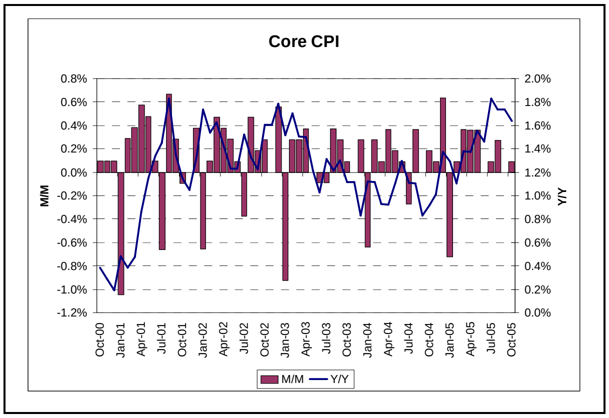
U.K.	*Last Period (blns)*	*Last 12mth. % of GDP*
Budget Balance (monthly)	-£5.2 (Sept)	+2.8%
Trade Balance (monthly)	-£3.9 (Sept)	-2.1%
Curr. Acct. Balance (quarterly)	-£3.1 (June)	-1.6%
Private Balance	--	-4.4%



Core CPI & Producer Prices

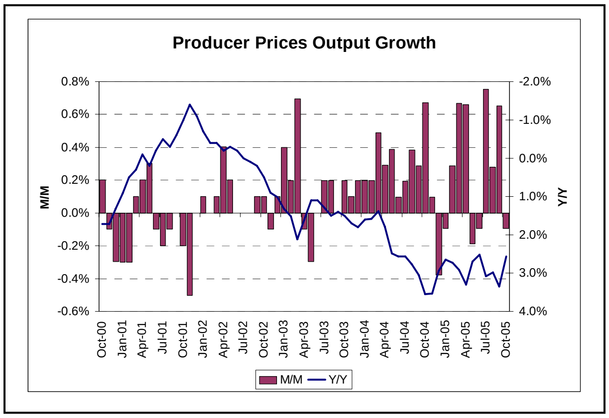
Core CPI

Core CPI increased 0.1% M/M and decelerated from 1.7% Y/Y to 1.6% Y/Y in October.



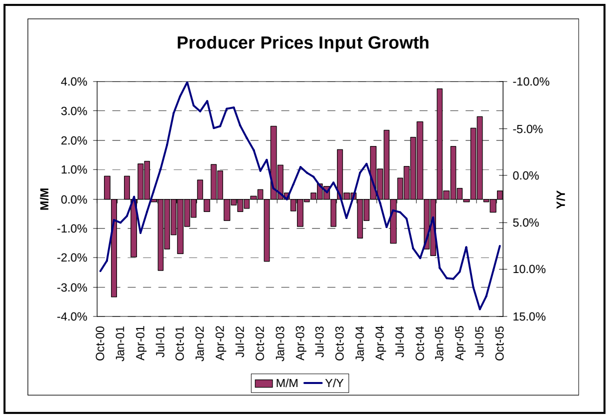
Output Producer Prices

Output Producer Prices decreased 0.1% M/M and increased 2.6% Y/Y in October, the first time M/M growth has slowed in four months as raw material prices fell amid lower oil prices. The largest M/M decrease came from food which decreased 0.4% M/M, the largest fall in six years. Output prices, excluding food, beverages, tobacco and petroleum, decreased 0.3% M/M and increased 1.3% Y/Y.



Input Producer Prices

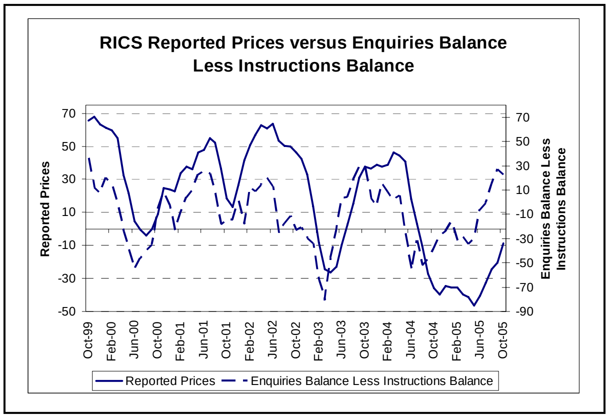
Input Producer Prices increased 0.3% M/M and 7.5% Y/Y in October, the slowest annual pace in five months mainly due to the decline in oil prices. Input prices, excluding food, beverages, tobacco and petroleum, increased 1.0% M/M and 5.7% Y/Y.



RICS House Price Survey

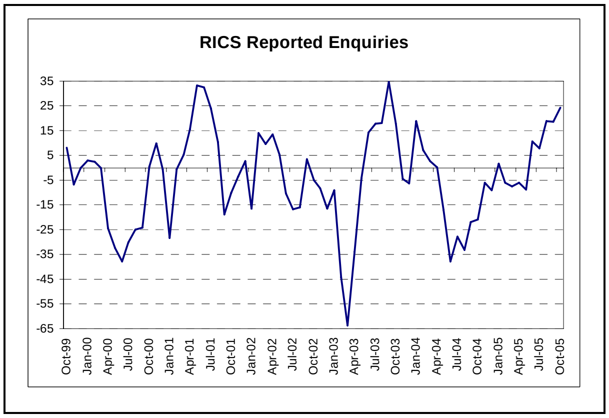
Reported Prices Balance

Reported Prices Balance increased from -21 to -9 in October, the slowest pace of decline in fifteen months. House prices across southern England have either stabilized or shown marginal declines, though London prices showed the first increase in almost 1½ years. Prices in northern England and the Midlands continued to decrease, but prices rose in the North West and Scotland.



New Buyer Enquiries

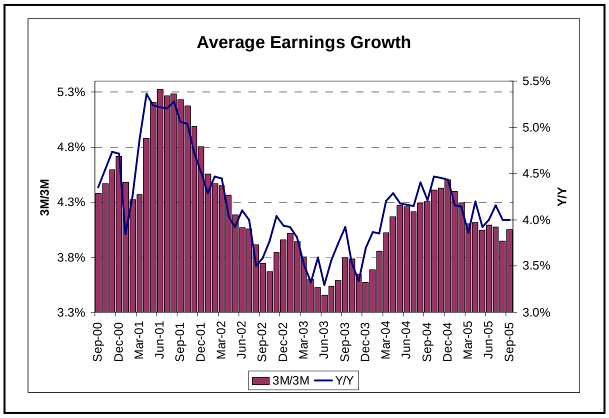
New Buyer Enquiries increased from +19 to +24 in October, the fourth consecutive increase and the highest level in twenty five months. Surveyors continue to note the problem of over-priced properties attracting little interest and remaining unsold.



Employment Data

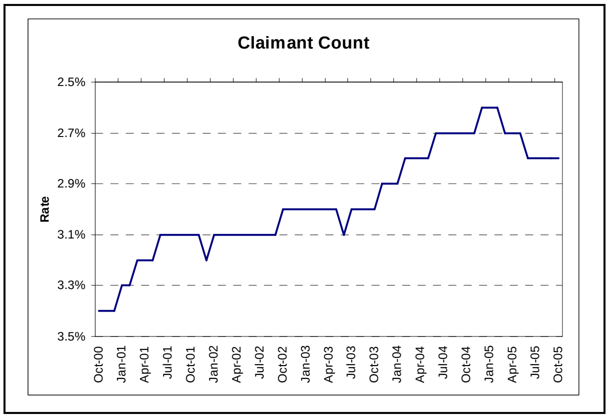
Average Earnings

Average Earnings (ex. bonus) increased 4.0% 3M/3M and 4.0% Y/Y in September. The private sector (inc. bonus) increased 4.4% 3M/3M and 4.3% Y/Y, while the public sector (inc. bonus) increased 4.2% 3M/3M and 4.0% Y/Y.



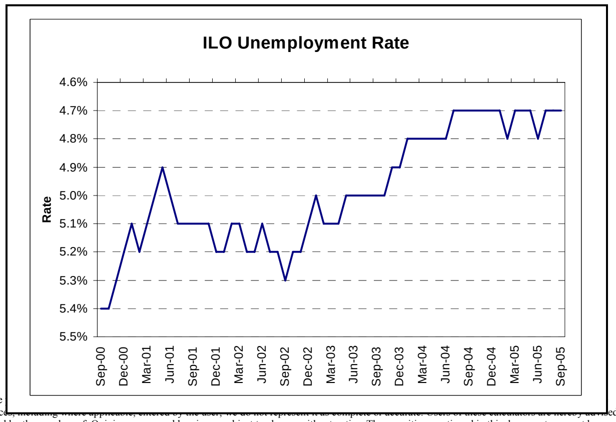
Claimant Count Rate

The Claimant Count Unemployment Rate remained at 2.8% for the fifth consecutive month in October. The number of unemployed increased by 12,100 individuals; this was much larger than the consensus of 5,000. This is the longest run of rising unemployment since the recession of 1990-92. Job losses were mainly in the retail and manufacturing sectors.



ILO Unemployment Rate

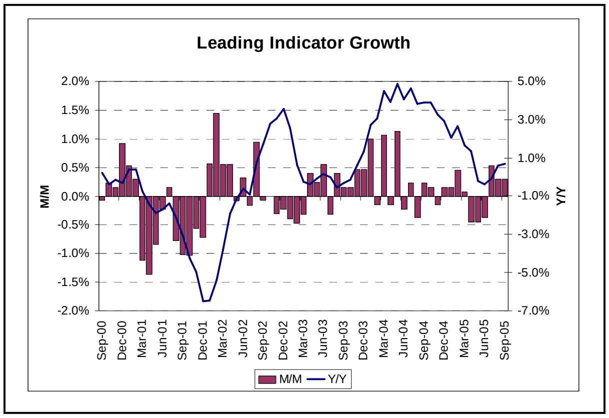
The ILO Unemployment Rate remained at 4.7% for the third consecutive month in September.



Leading & Coincident Indicator

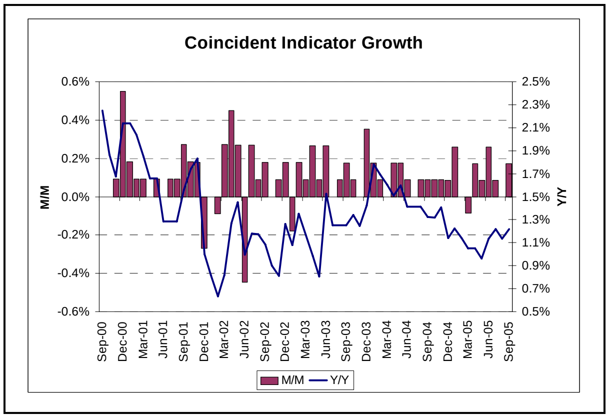
Leading Indicator

The Leading Indicator increased 0.3% M/M and 0.7% Y/Y in September. Gains were led by the FTSE and volume of expected output.



Coincident Indicator

The Coincident Indicator increased 0.2% M/M and 1.2% Y/Y in September. Employment increased 0.1% M/M and retail sales increased 0.7% M/M.



Inflation Report

Inflation Report Summary

The Bank of England released their quarterly Inflation Report which was more dovish than expected.

Inflation Outlook from *Inflation Report*:

- *Under the central projection, inflation falls below the 2% target in the first year of the forecast as the impact of past steep increases in the oil price drop out of the twelve-month CPI inflation rate. In the near term, the recent easing in the pressures of demand on supply also pushes down on inflation. Further ahead, inflationary pressures build again as output regains momentum and spare capacity is eroded.*
- *CPI inflation picks up to around the 2% target at the two-year point, and remains close to it thereafter. Compared with August, the central projection is a little lower. That is primarily because the pressures of demand on supply are a little weaker than in the previous Report, and because the assumed exchange rate profile is slightly higher.*
- *The Committee judges that the risks to CPI inflation, relative to the central projection, are balanced. Though this reflects the best collective judgment of the MPC, there is a range of views among individual MPC members. The main risks around the central projection relate to: the prospects for demand; the impact of higher energy prices and migration on the prospects for supply; the outlook for energy prices and their impact on inflation expectations; and the sources of the recent pickup in inflation.*

GDP Outlook from *Inflation Report*:

- *The central projection of GDP is to remain below trend in the near term. That primarily reflects the sluggish short-term outlook for consumer spending.*
- *Further ahead, GDP growth regains momentum. That is driven by a gradual recovery in consumption growth, continued firm growth in government demand and an improving contribution from net trade. In the early part of the forecast period, stock building also provides some upward impetus to growth. Towards the end of the forecast period, the pace of GDP growth slows a little, as the impetus from public spending wanes and consumption growth eases.*
- *Overall, the central projection for four-quarter GDP growth is a little weaker than in the August Inflation Report for the first part of the forecast period. In part, that reflects a more subdued outlook for consumption. In addition, as the market yield curve has risen since August, the Committee's projection is conditioned on a higher path for the official interest rate than it was three months ago. There is a range of risks to the central projection for GDP growth. The prospects for consumption pose both upside and downside risks, and there is also a variety of risks related to world prospects.*
- *Overall, the Committee judges that the risks to GDP growth, relative to the central projection, are broadly balanced. Though this reflects the best collective judgment of the MPC, there is a range of views among individual members. In particular, some members believe that the balance of risks to GDP growth is weighted slightly more to the downside in the second half of the forecast period.*

Key Dates This Week

Date	*Indicator*	*Expectation*	*Previous*
11/17	Retail Sales	0.2% M/M 1.5% Y/Y	0.7% M/M 0.7% Y/Y
11/18	Public Sector Net Borrowing	₤1.2 bln	₤5.2 bln
11/20	Rightmove House Prices	--	0.5% M/M 1.5% Y/Y
11/21	ODPM House Prices	--	2.8% Y/Y
11/23	MPC Minutes	--	--

Valance Co., Inc.

Valance Economic Report: Canada

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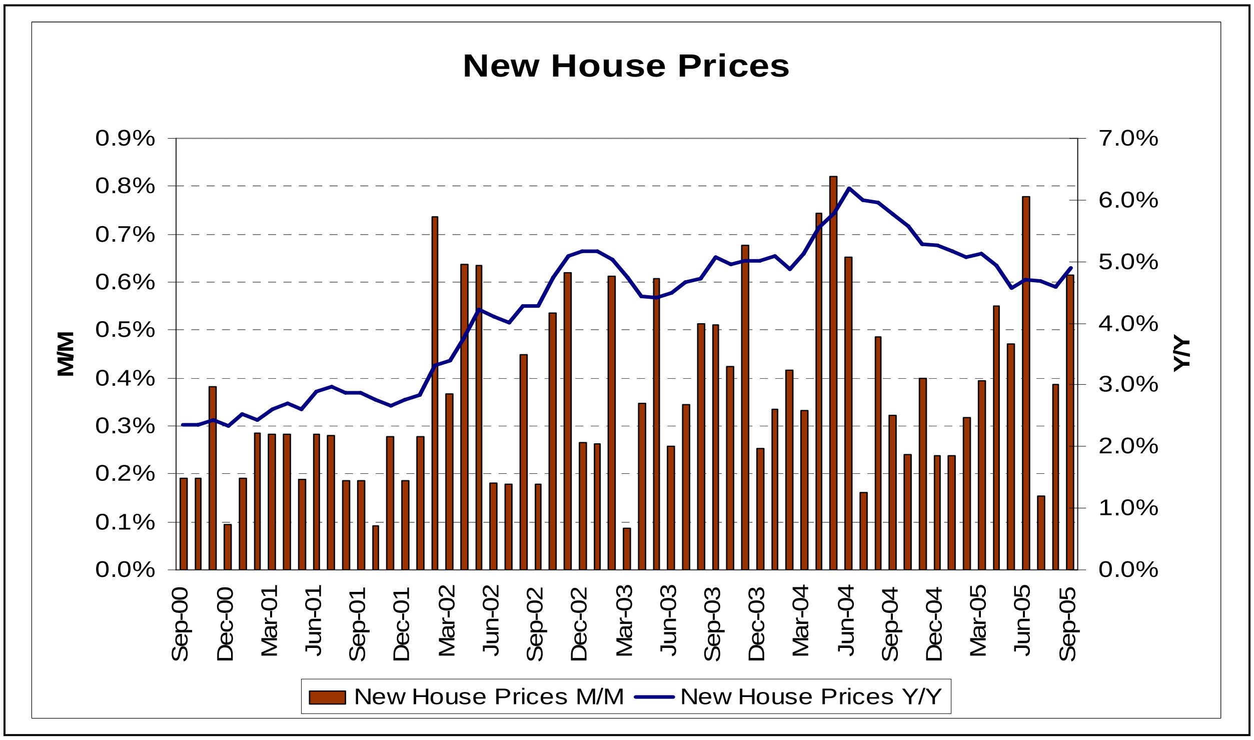
November 16, 2005

A solid increase in New House Prices and the widening of the Trade Surplus were the highlights of last week's economic data.

Weekly Highlights

New House Prices - increased 0.6% M/M and 4.9% Y/Y in September. (page 38)
Canada's Merchandise Trade Surplus – increased from C$6.4 bln to C$7.0 bln in September. (page 40)
Manufacturing Shipments – decreased 0.6% M/M in September. (page 41)

Weekly Releases & News
Charts of the Week: *New House Prices*



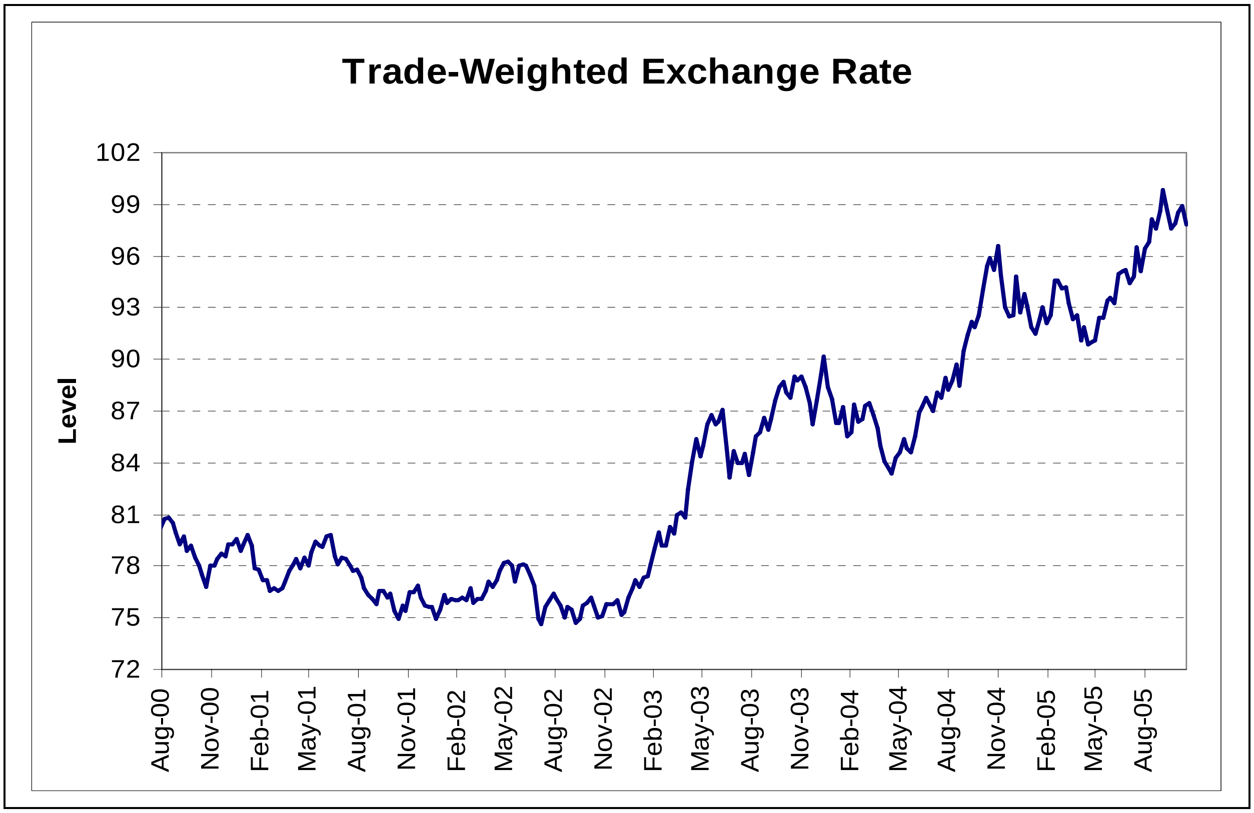
New House Prices increased 0.6% M/M and 4.9% Y/Y in September, above expectations of 0.4%. Building materials and labor cost increases, coupled with higher energy costs, contributed to the increase in New House Prices. Land value increases also contributed to price increases in 9 of the 21 metropolitan areas surveyed. A total of 18 of the 21 metropolitan areas surveyed posted monthly gains.

Financial Balances & Trade Weighted Exchange Rate

Financial Balances

Canada	*Latest period (C$bln)*	*% of GDP*
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%

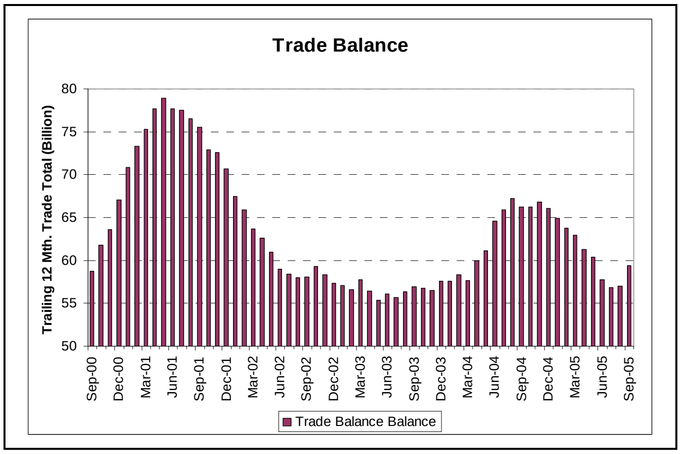
Trade-Weighted Exchange Rate



Trade Data

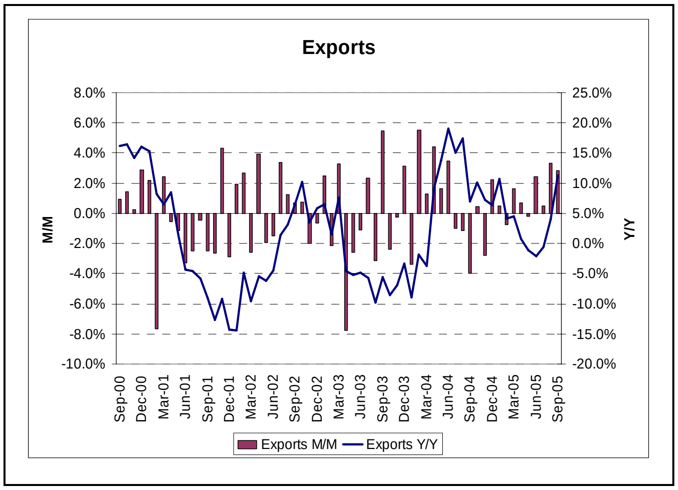
Trade Balance

Canada's Merchandise Trade Surplus increased from a revised C$6.4 bln (from C$5.6 bln) in August to C$7.0 bln in September. Canada's trade surplus with the United States exceeded $10.7 bln, the second highest level ever. Exports to the United States increased 3.8% in September.



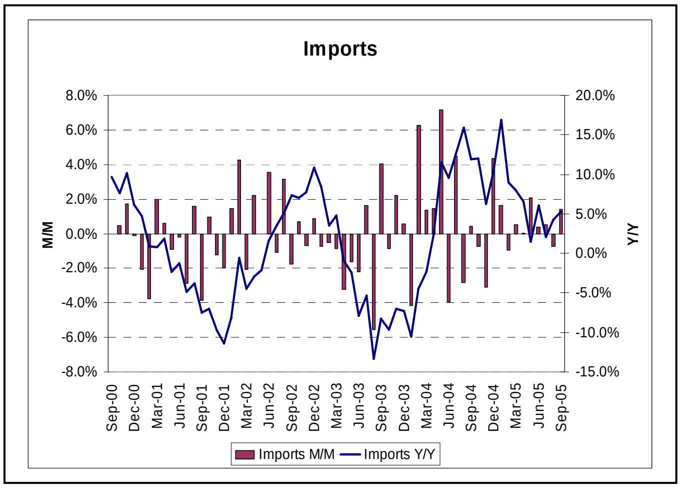
Exports

Exports increased 2.8% M/M and 11.3% Y/Y in September to a record $39.8 bln. The increase in energy exports accounted for 80% of the total increase in exports. Excluding energy from total exports, September's exports increased 0.2%.



Imports

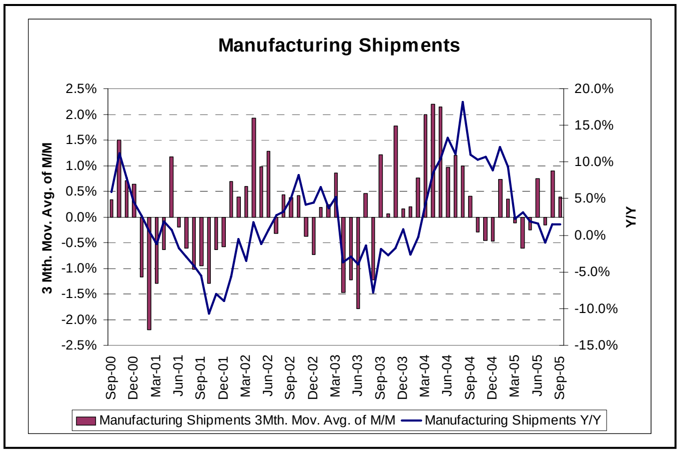
Imports increased 1.4% M/M and 5.3% Y/Y. Five of the seven import sectors posted increases, with crude petroleum increasing 17.9% to a record high $2.2 bln. The automotive (-1% M/M) and machinery and equipment sectors (-0.6% M/M) were two areas that posted declines.



Manufacturing Data

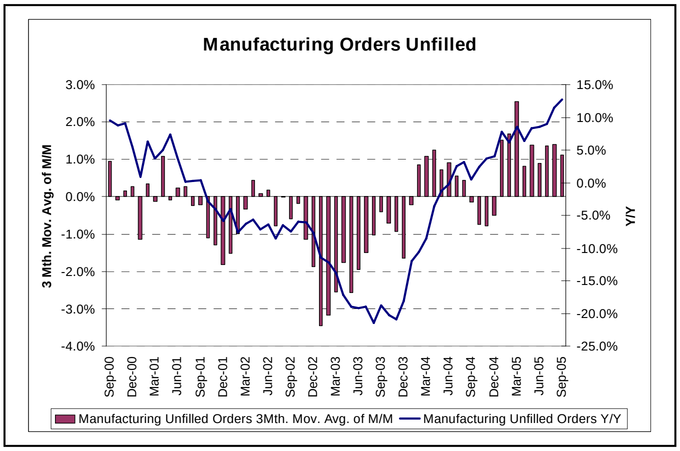
Manufacturing Shipments

Manufacturing Shipments posted a downside surprise in September, decreasing 0.5% M/M versus expectations of +0.6% M/M. Shipments increased 1.5% Y/Y. Shipments of cars and trucks decreased 8.2% M/M, following a 12% M/M increase in August. Excluding automobiles, shipments increased 0.6% M/M.



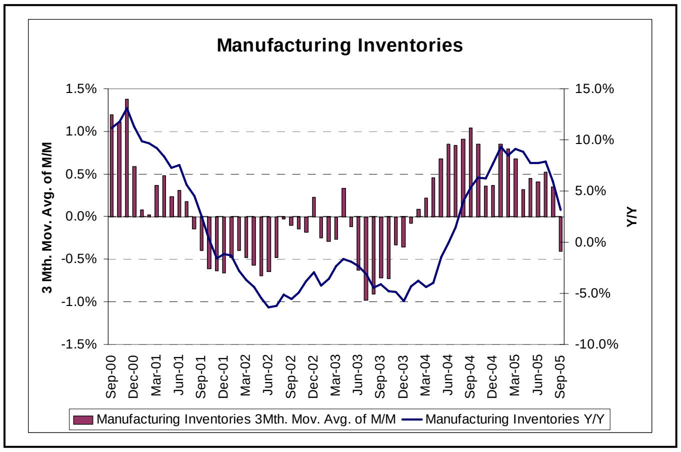
Manufacturing Orders Unfilled

Unfilled manufacturing orders, a good leading indicator of future production, increased 0.1% M/M and 12.8% Y/Y in September.



Manufacturing Inventories

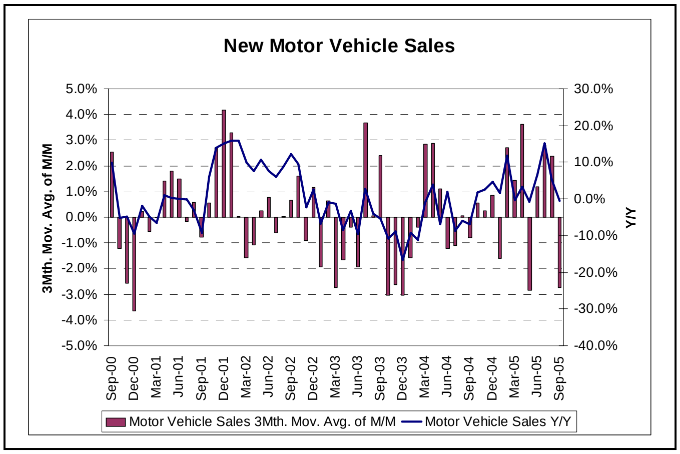
Manufacturing Inventories decreased 2% M/M and increased 3.1% Y/Y in September. The inventory-to-shipment ratio decreased from 1.3 in August to 1.2 in September.



New Motor Vehicle Sales & News

New Motor Vehicle Sales

New Motor Vehicles Sales decreased 7.9% M/M in September. Despite two consecutive months of declines, new motor vehicle sales increased 1.6% Q/Q in Q3 due to solid increases in sales in July. Based on preliminary figures from the auto industry, new motor vehicle sales rebounded in October, increasing 3% M/M.



News

Nov. 15th - Consumer Confidence Rebounded - A survey conducted between October 6th and 13th shows that Canadian consumer confidence bounced back from a four year low, with the index increasing 3 points to 111 as more consumers commented that it was a good time to purchase homes and cars. September's reading fell to a four year low due to a surge in gasoline prices.

Nov. 14th – Canada will most likely keep its 2% inflation target – The Bank of Canada's Governor, David Dodge, commented that the Bank is expected to keep its 2% inflation target when it renews an agreement with the government next year. "The evidence will have to be quite compelling before we would change our target," Governor Dodge commented. He further stated that the inflation target "has been very successful" and has "provided consumers and businesses with the confidence they need to make long-range plans."

Nov. 14th – Canada's Budget Surplus is expected to Widen to C$13.4 bln – According to a budget update released by Finance Minister, Ralph Goodale, Canada's Budget Surplus is expected to widen to C$13.4 bln this fiscal year. The February forecast called for a budget surplus of C$4 bln this fiscal year. Finance Minister Goodale commented that, "Record profits for businesses, including natural gas exporters, are much stronger than projected." His plans also call for a C$29 bln in personal tax cuts over the next 6 years. Tax cuts include, a reduction in the lowest personal income tax rate from 16% to 15% and a C$500 increase in the lowest income level on which taxes are imposed. In regards to economic growth, Goodale commented that Canada's economy is expected to grow by 2.8% this year, 2.9% in 2006 and 3.1% in 2007.

Nov. 13th - Election News - Canada's Three Opposition Parties, the leaders of the Conservatives, Bloc Quebecois and the New Democratic Party, agreed to work together to force Prime Minister, Paul Martin's minority government to hold an election as early as mid-February.

Key Dates This Week

Date	*Indicator*	*Expectation*	*Previous*
11/18	Wholesale Sales (M/M) (SEP)	0.5%	0.7%
11/21	Retail Sales (M/M) (SEP)	0.0%	-0.3%
11/21	Retail Sales Less Autos (M/M) (SEP)	0.7%	0.2%
11/22	Consumer Price Index (M/M) (OCT)	-0.2%	0.9%
11/22	Consumer Price Index (Y/Y) (OCT)	2.9%	3.4%
11/22	Core Consumer Price Index (M/M) (OCT)	0.2%	0.3%
11/22	Core Consumer Price Index (Y/Y) (OCT)	1.8%	1.7%
11/22	Leading Indicators (M/M) (OCT)	0.3%	0.3%

Valance Co., Inc.

Valance Economic Report: Australia

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November 16, 2005

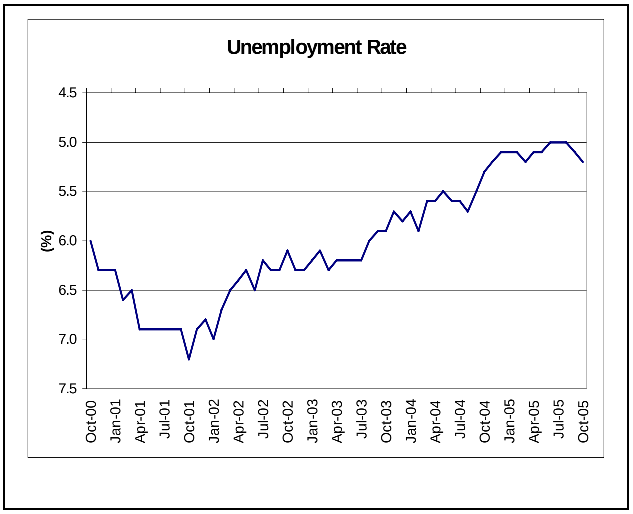
Mixed labor market data may ultimately mean that interest rates stay on hold a little longer than expected. Even though wage growth has picked up, presently it's not at a level that would concern the RBA.

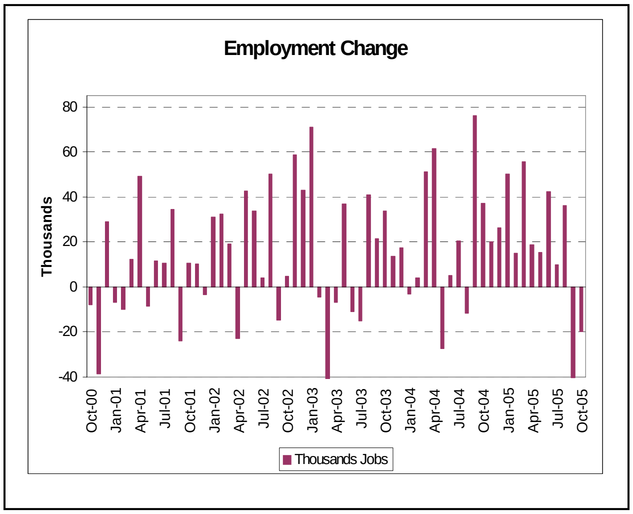
Weekly Highlights

Employment – 19.8k jobs were lost; the Unemployment Rate rose to 5.2% in October. (page 44)
Wage Price Index – rose 1% Q/Q and 4.2% Y/Y in Q3. (page 45)
Westpac Leading Economic Index – rose from 230.1 in Aug. to 230.9 in Sept. (page 45)

Weekly Releases & News

Chart of the Week: *Employment*





In October 19,800 jobs were lost, which resulted in the Unemployment Rate unexpectedly rising to a 7-month high of 5.2% in October from 5.1% in September. Full-time jobs slumped by 60,800. This is the largest monthly decline in 14 years and helped to reinforce expectations that the RBA will keep interest rates unchanged this year.

Wage Price Index, Westpac Leading Economic Index & News

Wage Price Index

Australian wages increased 1% Q/Q in the Q3 and 4.2% Y/Y in Q3 as the continuing low jobless rate has been prompting companies to pay more to hire and retain skilled workers.

Westpac Leading Economic Index

An index of leading economic indicators for Australia was little changed in September as gains in share prices offset a decline in building approvals. The leading index, a gauge of growth for the next six to nine months, rose 0.8 points from 230.1 in August to 230.9 in September.

News

Australia's Prime Minister John Howard comments on unemployment, gasoline prices and the economy:

"What the unemployment figures indicated is that there's a little bit of moderation in the economy."

"There's no doubt that higher petrol prices have had a damping effect on economic activity."

"All the forecasts suggest that moderation will not be great."

Australian Workers Protest Labor Law Changes:

An estimated 500,000 Australian workers rallied in Melbourne, Sydney and other cities to protest the government's plans to reduce the power of unions in negotiating pay and benefits. This was the largest workers' rally Australia has ever seen.

Key Dates This Week

Date	*Indicator*	*Expectation*	*Previous*
11/16	Average Weekly Earnings (Q3)	---	1.5%
11/20	New Car Sales (OCT)	---	2.0%
11/22	Construction Work Done (Q3)	---	4.0%
11/22	DEWR Skilled Vacancies (NOV)	---	-0.2%

Valance Co., Inc.

Valance Economic Report: New Zealand

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November 16, 2005

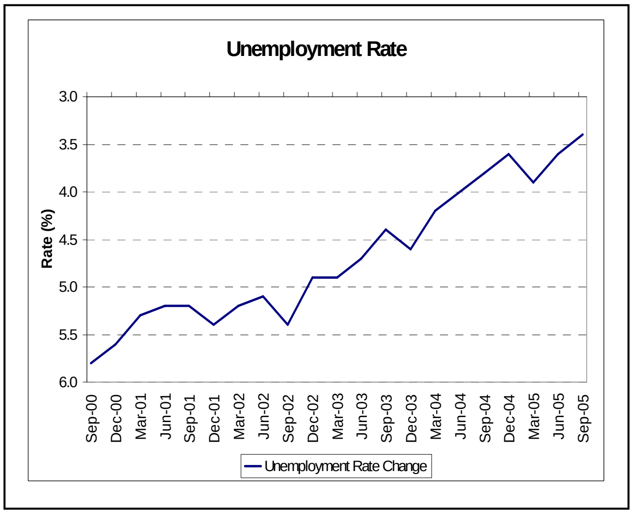
This week's highlights included strong employment data for the Q3, suggesting that wage growth may pick up and prompt the RBNZ to raise interest rates again at its December meeting.

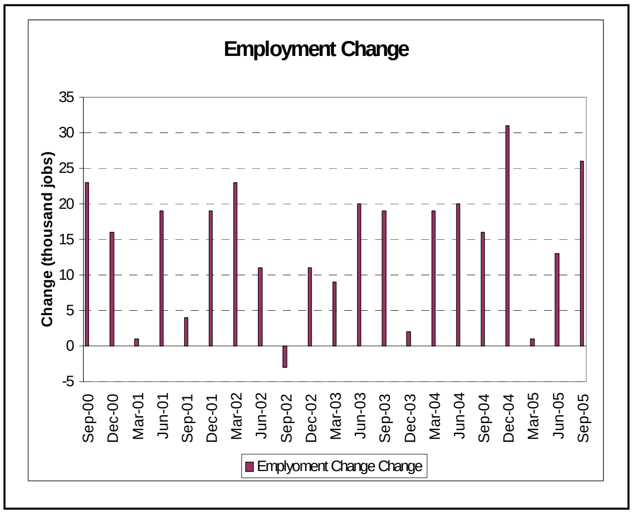
Weekly Highlights

Employment – 26k jobs were added, the Unemployment Rate fell to 3.4% in Q3. (page 47)
Retail Sales - fell 0.8% M/M and gained 6.5% Y/Y in September. (page 48)
ANZ Job Advertisements – rate unchanged at 3% in October. (page 48)
ANZ-Business NZ PMI – contracted to 49.6 in October from 52.3 in September. (page 48)

Weekly Releases & News

Chart of the Week: *Employment*



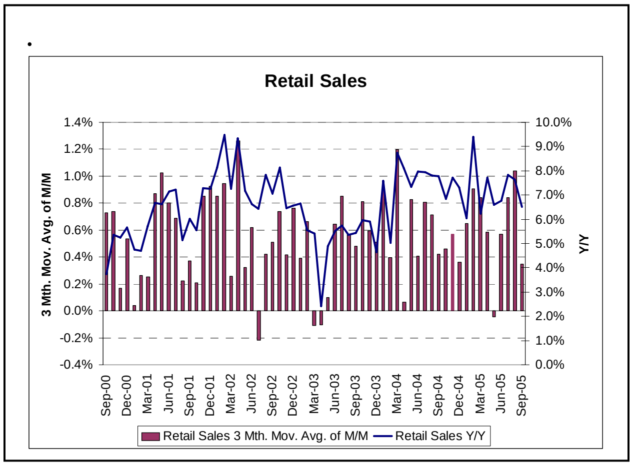


Businesses added 26,000 jobs in Q3 and the Unemployment Rate fell unexpectedly to 3.4% from 3.7% in Q2 as companies hired the most full-time workers in five years (22,000). The Participation Rate, which measures the proportion of the population working or seeking employment, rose to a record 68.2% from 67.7% in Q2.

Retail Sales, ANZ Business PMI & ANZ Job Vacancies

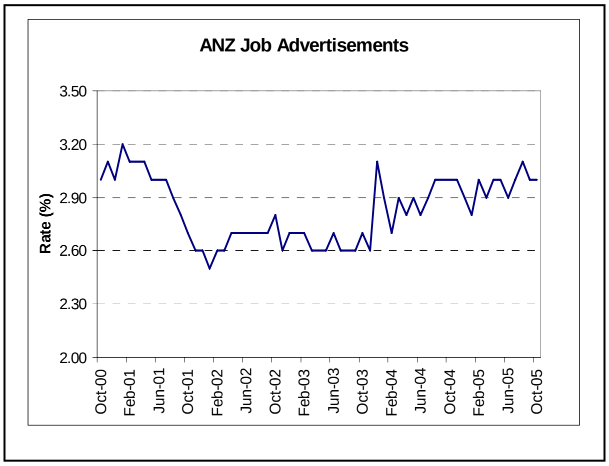
Retail Sales

New Zealand Retail Sales fell 0.8% M/M and gained 6.5% Y/Y in September as higher interest rates and gasoline prices crimped consumer confidence and spending. It was the first drop in four months.



ANZ Job Advertisements

Job vacancies were unchanged at 3.0% in October as employment growth paced an increase in job advertising in newspapers and on the Internet. Job vacancies measures job advertisements in newspapers and on the Internet as a proportion of employment.



ANZ Business NZ PMI

New Zealand's manufacturing PMI fell to 49.6 in October from 52.3 in September, in part due to a stronger currency.

News & Upcoming Dates

RBNZ's Governor Alan Bollard said that the nation's currency has been pushed to unsustainably high levels because record-high interest rates are luring funds from overseas.

"Very strong capital inflows have pushed the New Zealand dollar to unsustainably high levels that have hurt the tradable goods sector and contributed to a widening balance of payments deficit."

"Investors have been attracted to New Zealand dollar investments at a time when our interest rates have been high relative to those available elsewhere."

"Our ability to affect economic behavior and achieve our domestic inflation objective has become more difficult."

Key Dates This Week

Date	*Indicator*	*Expectation*	*Previous*
11/17	Home Sales (OCT)	---	9186
11/21	Visitor Arrivals (OCT)	---	2.0%
11/22	NBNZ Business Confidence (NOV)	---	-54.9%

Valance Co., Inc.

*Weekly Economic Report: **China***

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November 16, 2005

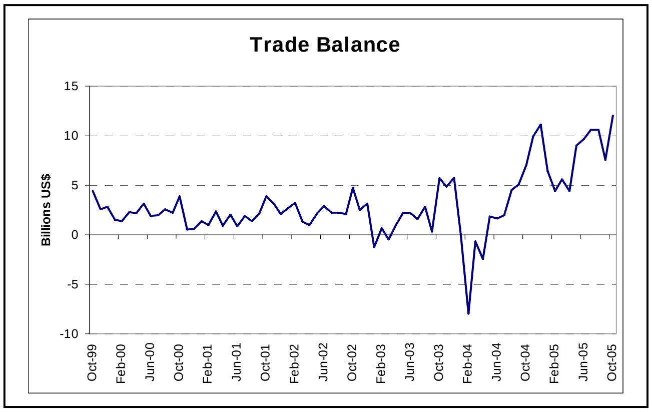
China's economic data continues to surprise on the upside. The Trade Surplus widened to a record $12 bln in October and M2 Money Supply surpassed the PBoC's target for the fifth consecutive month. In addition, Retail Sales, Value-Added Industry and Investment indices all remained firm.

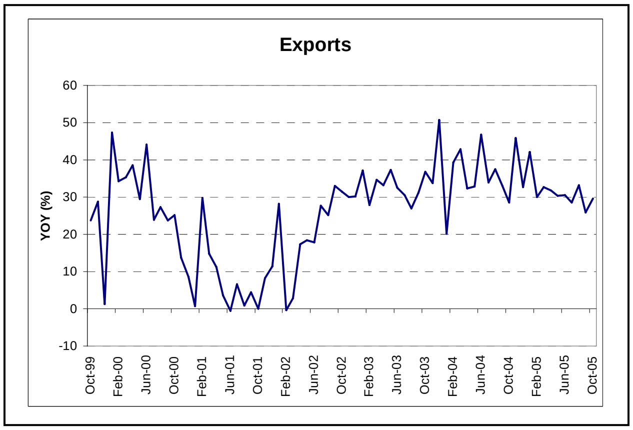
Weekly Highlights

China's Trade Balance - widened from $7.6bln in September to $12.0 bln in October. (page 50)
Consumer Prices – increased from 0.9% Y/Y in September to 1.2% Y/Y in October. (page 51)
Value Added Industry growth - remained strong, increasing 16.1% Y/Y in October. (page 52)
Money Supply M2 - increased 18.0% Y/Y in October. (page 53)

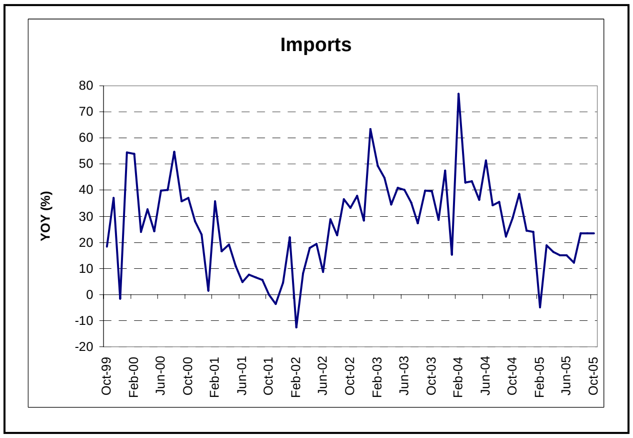
Weekly Releases & News

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





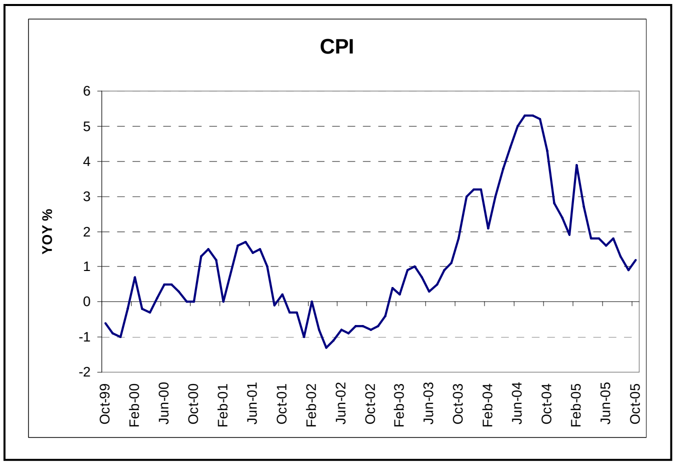
China's Trade Balance widened from $7.6 bln in September to $12.0 bln in October, well above expectations for a reading of 9.7 bln. Total Export growth increased from 25.9% Y/Y in September to 29.7% Y/Y in October, as electronic and machinery exports continue to post strong growth. Import growth also remained elevated, increasing 23.4% Y/Y due to large increases in imports of coal, iron ore and soybeans.



CPI, Producer Price Index & Purchasing Price Index

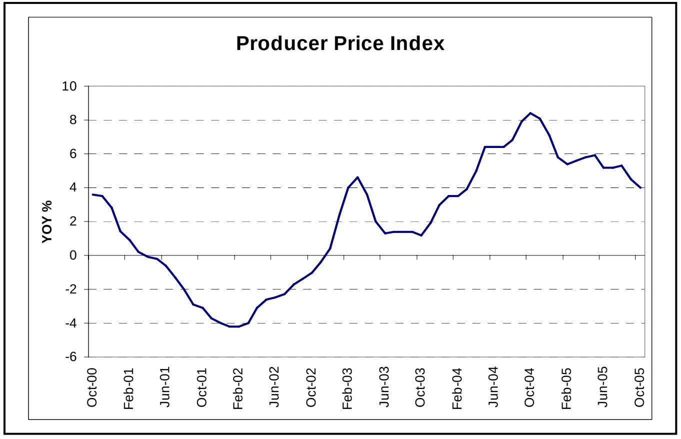
CPI

Consumer Price growth increased 0.9% Y/Y in September to 1.2% Y/Y in October, above expectations of 1.1% Y/Y. Food Price growth bounced back from 0.3% Y/Y in September to 1.3% Y/Y in October. Last week, the PBoC announced in its Q3 Quarterly Monetary Policy Report that CPI inflation is now expected to increase 2% Y/Y in 2005, compared to a previous forecast of 4% Y/Y.



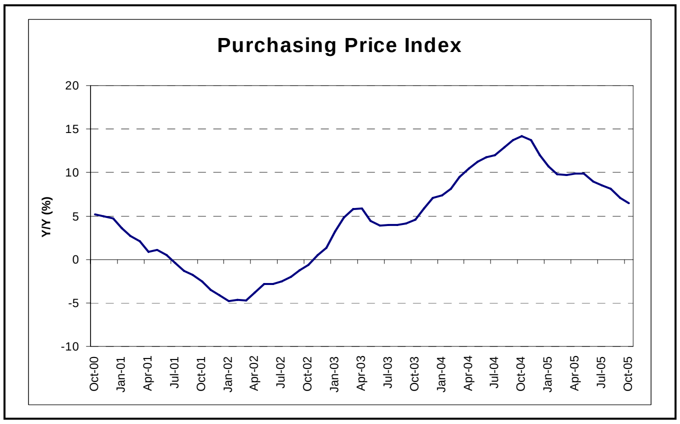
Producer Price Index

The Producer Price Index increased 4.0% Y/Y in October, slightly below expectations of 4.2%. Producer goods prices increased 5.6% Y/Y in October, compared to a 6.2% Y/Y increase in September. Prices for consumer goods slowed from -0.4% Y/Y to -0.5% Y/Y.



Purchasing Price Index

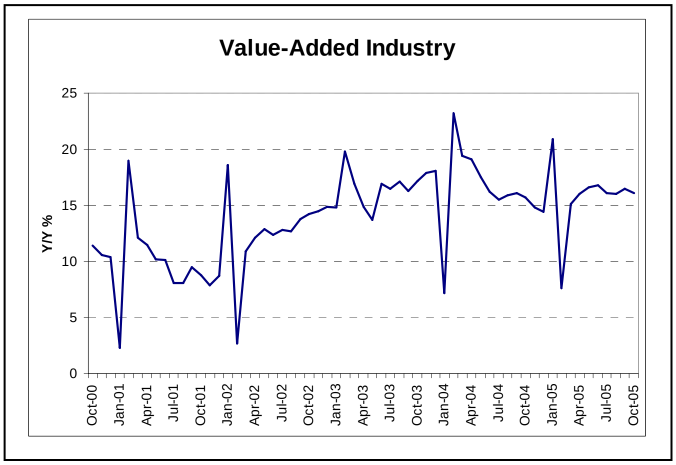
Purchasing Price growth slowed from 7.1% Y/Y in September to 6.5% Y/Y in October.



Value-Added Industry, Retail Sales & Household Savings

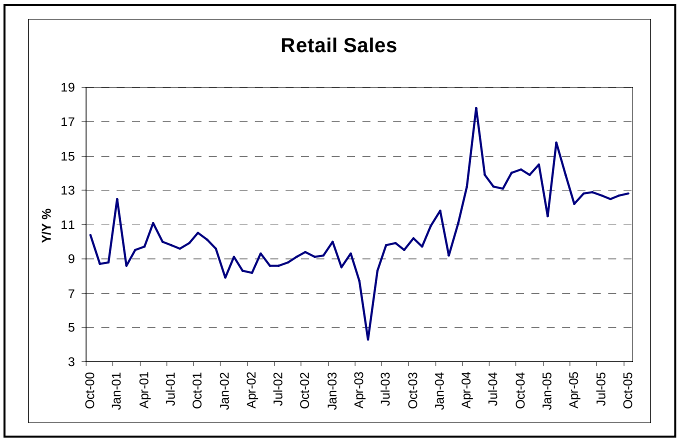
Value-Added Industry

Value Added Industry growth (Industrial Production) remained firm, increasing 16.1% Y/Y in October. This series has stabilized at approximately 16% for the past six months.



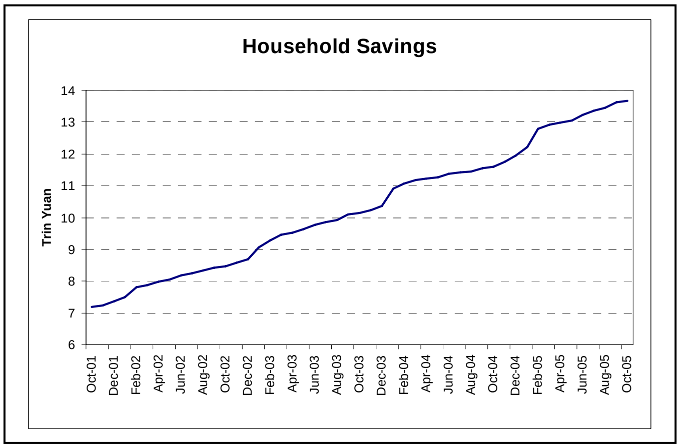
Retail Sales

Retail Sales growth, an important indicator of China's consumption demand, increased from 12.7% Y/Y in September to 12.8% Y/Y in October.



Household Savings

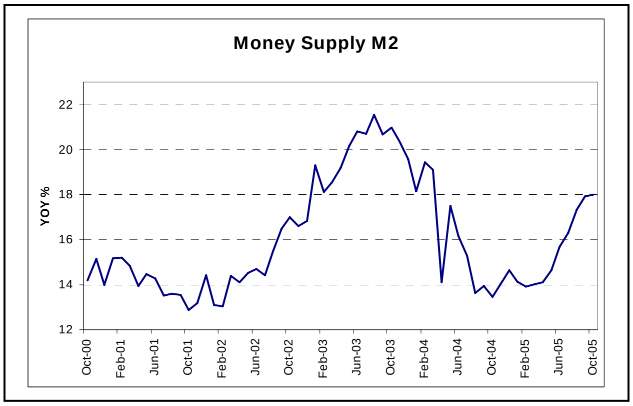
Household Savings increased 0.6% M/M and 19% Y/Y in October.



Money Supply

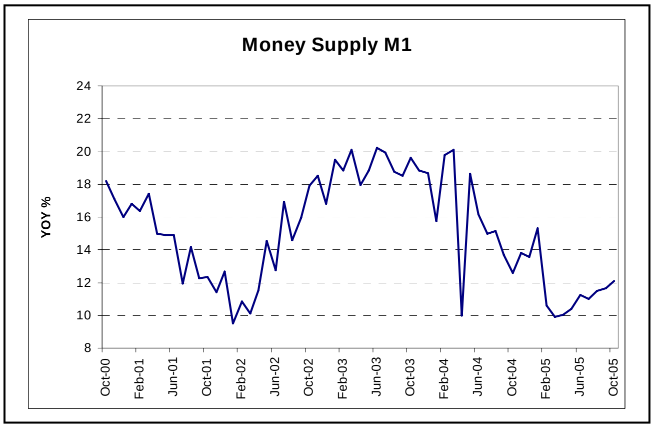
Money Supply – M2

Money Supply M2 increased from 17.9% Y/Y in September to 18.0% Y/Y in October, above market expectations of 17.6% Y/Y. The PBoC announced its new forecast of 17% Y/Y for M2 money supply in 2005, after M2 had exceeded its earlier forecast of 15% Y/Y for four consecutive months. If M2 growth continues its solid uptrend, it is likely that it will continue to outpace the bank's new forecast.



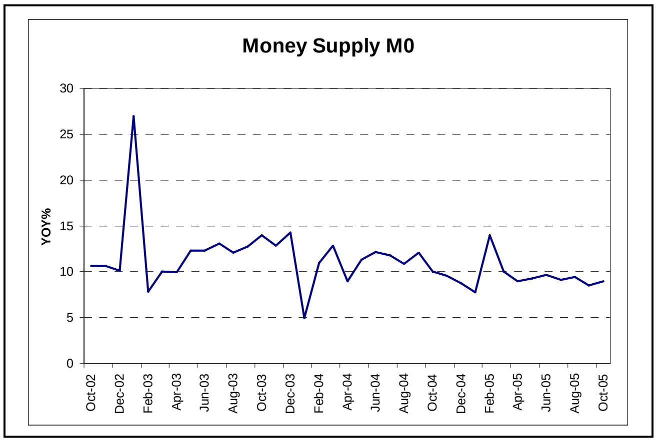
Money Supply – M1

Money Supply M1 growth increased from 11.6% Y/Y in September to 12.1% Y/Y in October.



Money Supply – M0

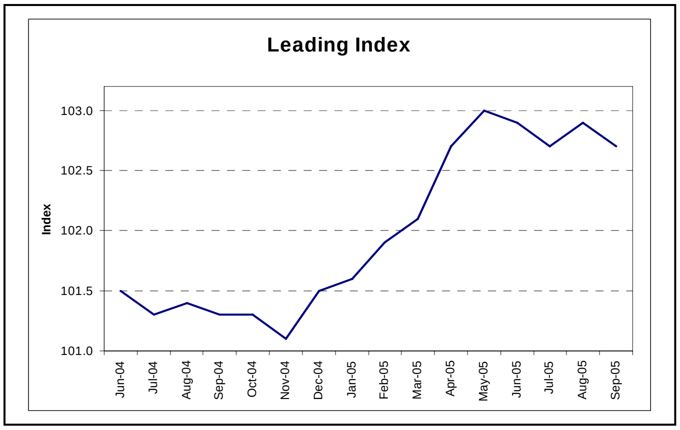
Money Supply M0 growth increased from 8.5% Y/Y in September to 9.0% Y/Y in October.



Leading, Lagging & Coincident Indices

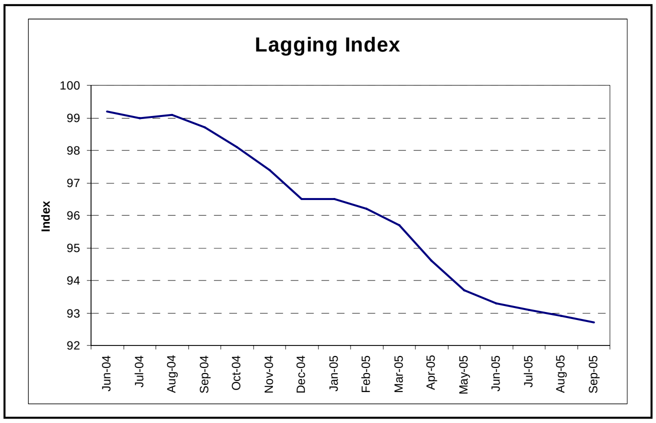
Leading Index

The Leading Index decreased marginally from a reading of 102.8 in August to 102.7 in September.



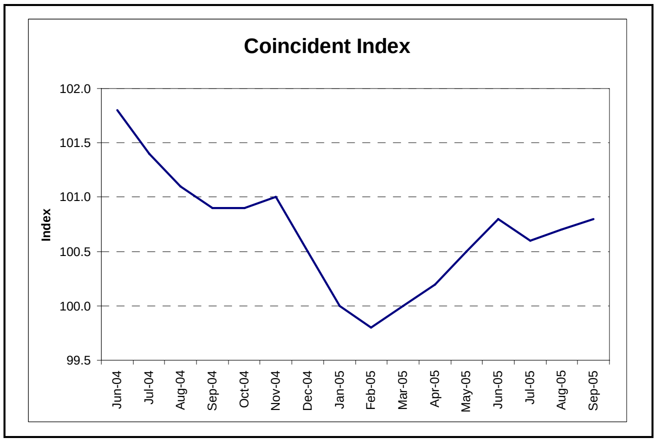
Lagging Index

The Lagging Index decreased from 92.8 in August to 92.7 in September. This index, which is comprised of fiscal expenditure, household savings, CPI, non-agricultural short-term loans and industrial inventories, has been on a declining trend.



Coincident Index

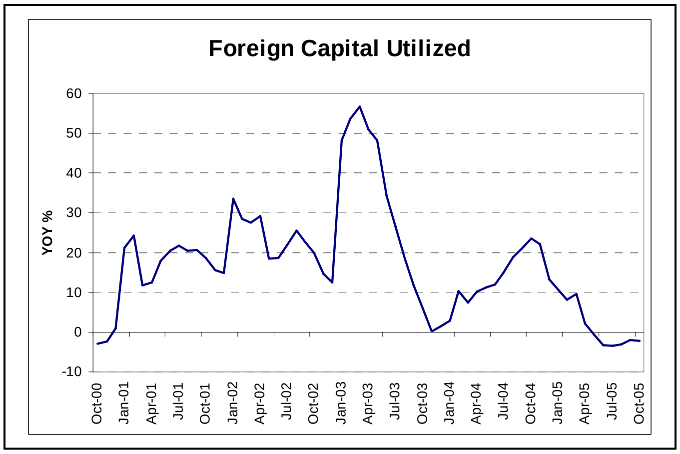
The Coincident Index increased from 100.7 in August to 100.8 in September.



Foreign Capital & Wholesale Prices

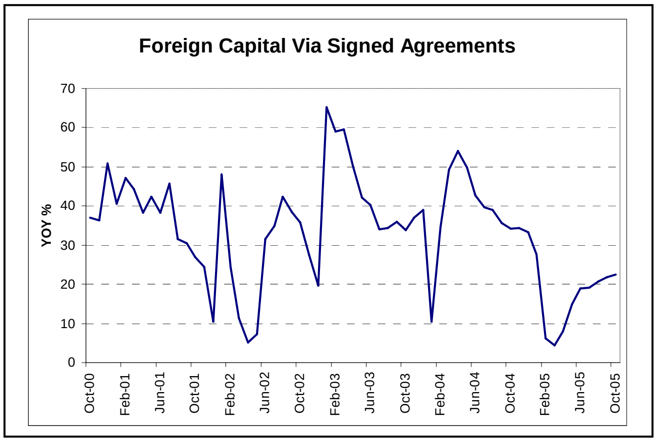
Foreign Capital Utilized

Foreign Capital Utilized decreased 2.1% Y/Y in October, matching September's reading. However, with Foreign Capital Via Signed Agreements on the increase, Foreign Capital Utilized is expected to show improvement in the coming months.



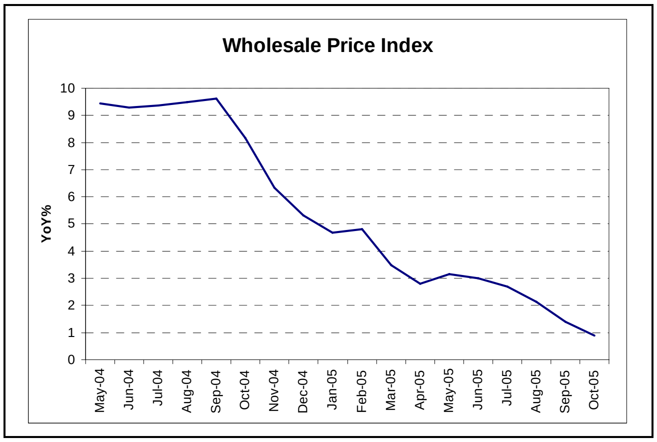
Foreign Capital Via Signed Agreements

Foreign Capital Via Signed Agreements (investment pledged but not yet used) increased from 21.8% Y/Y in September to 22.5% Y/Y in October.



Wholesale Price Growth

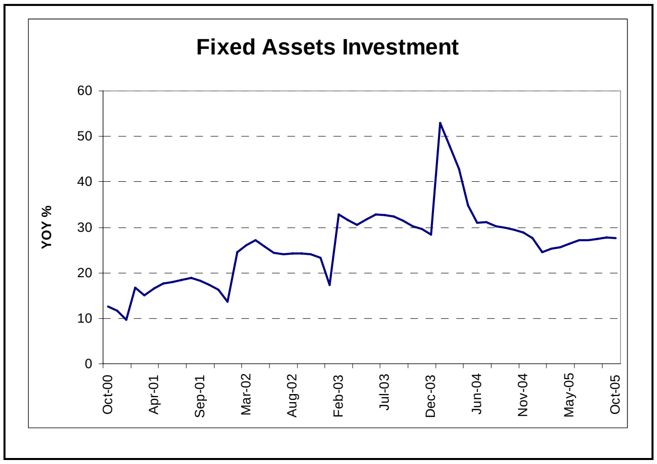
Wholesale Price growth slowed from 1.4% Y/Y in September to 0.9% Y/Y in October.



Fixed Assets Investment & News Releases

Fixed Assets Investment

Fixed Assets Investment growth remained firm, increasing 27.6% Y/Y in October. Investment in the primary, secondary and tertiary industries increased 20.7% Y/Y, 35.9% Y/Y and 22.3% Y/Y, respectively in October.



News Releases

November 16th – *President Bush Urges China to Take Action* – U.S. President, George Bush, is asking China to take action on realizing its goals relative to trade and currency reform. In a prepared speech he will deliver in Kyoto today, President Bush stated that China's promises to move further on its currency, to address its trade issues and to tackle counterfeiting were "a good beginning." However, he added that "China needs to take action to ensure that these goals are implemented."

November 14th – *Vice Minister of Commerce, Liao Xiaoqi, Comments on Trade Relations Between China and the U.S.* – China's Vice Minister of Commerce, Liao Xiaoqi, made the following comments at a conference in Beijing relative to trade relations between the U.S. and China:

- "In 2001, the average tariff in China was 15.3 percent and in 2004, the rate was reduced to 9.9 percent. U.S. companies have invested in many industries in China, including telecommunications, banking, insurance, and manufacturing. Those companies posted combined sales of $75 billion in China last year."
- "In the first 10 months, Sino-U.S. trade volume totaled $172.3 billion, up 26.2 percent from a year earlier. Due to the huge volume, frictions are inevitable. China believes in solving the conflicts through negotiation on the basis of equality."
- "The cause of the U.S. trade deficit with China is complicated. The increase is partly due to the transfer of deficits from countries such as Japan and South Korea."
- "If the U.S. relaxes curbs on high-tech product exports to China, the trade deficit would be eased a lot."

News Releases (cont'd.)

November 12th - *Unification of Tax Rates* – Deputy Finance Minister, Lou Jiwei, stated that in 2007, China will unify tax rates among foreign and Chinese companies. Currently Chinese companies are subject to a 33% tax rate while foreign companies are only charged a 15% tax rate.

November 11th – *China's 2006 Jobless Rate To Be Kept Below 4.6%* - A Ministry of Labor and Social Security Report showed that China plans to keep its jobless rate below 4.6% in 2006 and expects it to climb to about 5.0% by the year 2010. The Ministry's report also stated that China wishes to create jobs for nine million people next year.

November 11th – *Gradual Movement of Exchange Rate Reform* – Central Bank Vice Governor, Su Ning, stated that China will stand firm on its promise to move gradually on its exchange rate reform and defy pressures. Su stated, "Expectations that the yuan will appreciate are weakening." "We will watch the current state of the international balance of payments and development of the foreign-exchange market and gradually push forward the exchange-rate reform," Su added.

November 10th – *Economy Up By 9.0%* - The PBoC stated in its Q3 Quarterly Monetary Policy Report that it expects China's economy and CPI to grow 9.0% and 2.0%, respectively, in 2005. The forecast is partially attributed to a 9.4% growth in consumption, investment and net exports in the first nine months of this year. Other factors that may have an impact on the economy's development are higher incomes and improvements to the social security system. Other forecasts included in the PBoC's quarterly report are as follows:

- CPI is expected to be 2% Y/Y in 2005 versus a previous forecast of 4% Y/Y.
- M2 Money Supply is expected to increase 17% Y/Y in 2005 versus a previous forecast of 15%.
- The target for Y2.3 – 2.5 tln in new loan creation remains unchanged.

November 10th – *IEA Cut China's 2006 Oil Demand Forecast* –The International Energy Agency (IEA) has cut China's 2006 oil demand growth forecast from 7.0% to 6.5%. The revision was based on the fact that "Prospects for oil demand in power stations appear to have weakened further as power shortages have abated," the IEA stated.

November 10th – *GDP Will Probably Rise 9.4% in 2005* – The State Information Center reported that China's GDP is expected to rise 9.4% at the end of 2005 and slow to between 8.3% and 9.3% next year. The Center expects investment in fixed assets, including factories and apartments, to partly contribute to the country's economic development.

Key Dates This Week

Date	*Indicator*	*Expectation*	*Previous*
11/17-18	Real Estate Climate Index – Oct	--	101.57
11/17-18	Property Prices Accum. (Y/Y) – Oct	--	--
11/20-25	Leading, Coincident & Lagging Indices - Oct	--	--
11/21	Industrial Profits (Y/Y) – Oct	--	20.1%

Valance Co., Inc.

Valance Economic Report: Sweden

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November 16, 2005

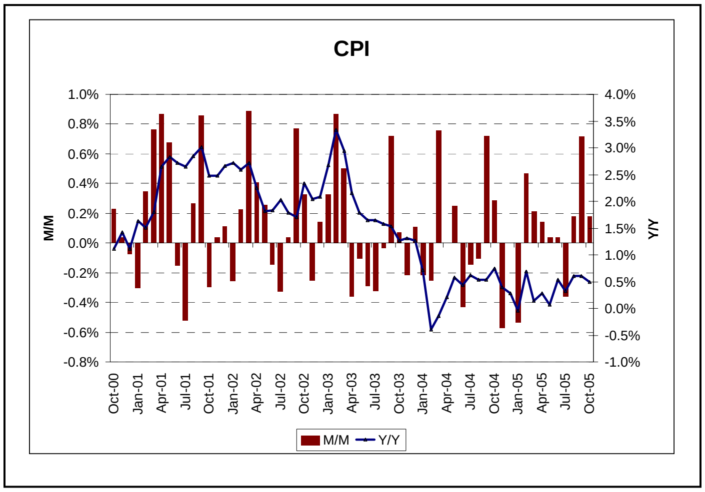
A slowdown in inflation was the highlight of this week's Swedish data. Sweden's CPI and Core CPI both decelerated from September to October. Similarly, Industrial Orders and the Activity Index Level also weakened. In other news, Central Bank Deputy Governors, Rosenberg and Persson, commented on economic conditions in Sweden.

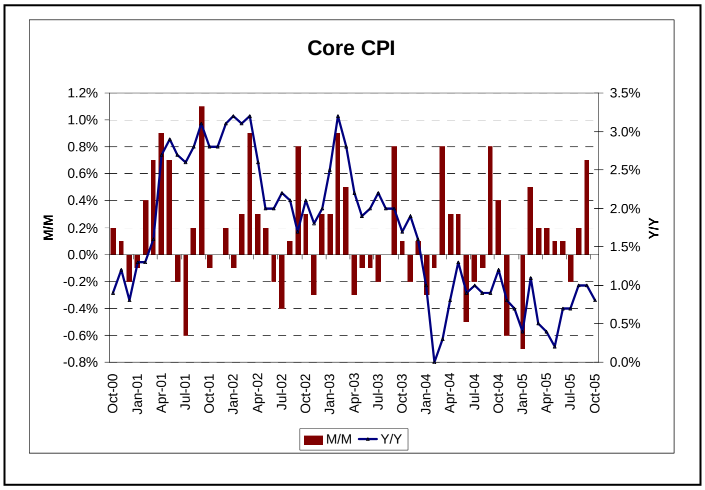
Weekly Highlights

CPI - slowed from 0.7% M/M and 0.6% Y/Y in September to 0.2% M/M and 0.5% Y/Y in October. (page 59)
Core CPI - slowed from 0.7% M/M and 1.0% Y/Y in September to 0.2% M/M and 0.8% Y/Y in October. (page 59)

Weekly Releases & News

Charts of the Week: *CPI*



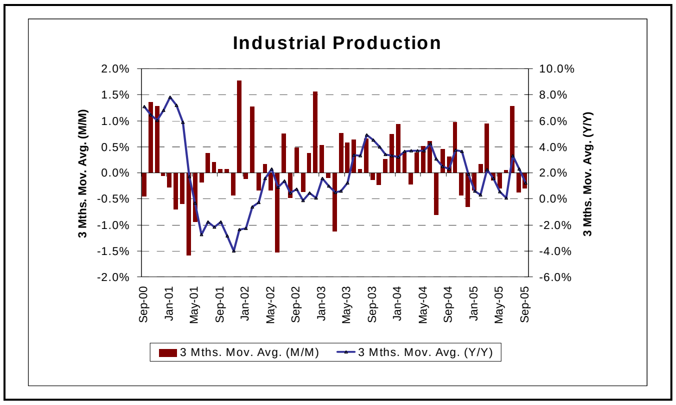


Swedish Consumer Prices decelerated from 0.7% M/M and 0.6% Y/Y in September to 0.2% M/M and 0.5% Y/Y in October, as expected. The decline was primarily attributed to a drop in gasoline prices. Core CPI also slowed from 0.7% M/M and 1.0% Y/Y in September to 0.2% M/M and 0.8% Y/Y in October. Inflation has remained below the Bank's 2.0% target rate since September of 2003.

Industrial Production and Orders & Activity Index Level

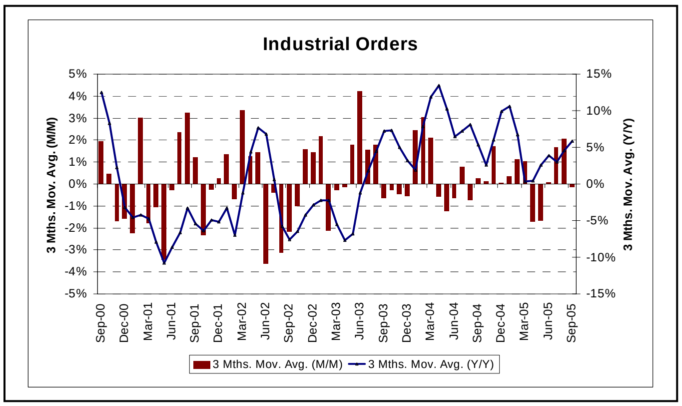
Industrial Production

Industrial Production rose 1.9% M/M and 0.0% Y/Y in September. The increase was, in part, a result of a pickup in durable goods by 7.6% and capital goods by 3.2%. Expectations were for a 1.2% M/M and Y/Y gain.



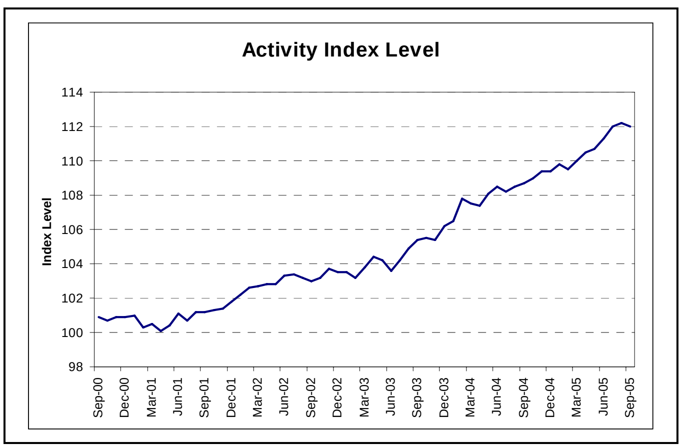
Industrial Orders

Industrial Orders fell -2.8% M/M and rose 2.3% Y/Y in September. ***.*** *The monthly loss was reflective of a 6.6% decrease in export market orders. Also, new orders in the capital goods industry decreased by 6.8%.*



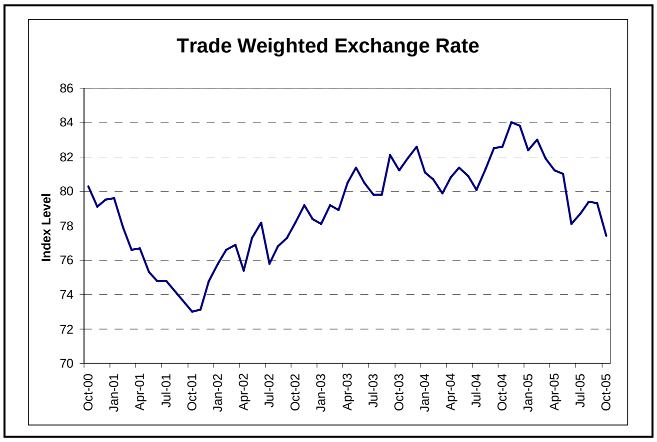
Activity Index Level

The Activity Index Level decreased from 112.2 in August to 112.0 in September.



Trade Weighted Exchange Rate & Riksbank's Comments

Trade Weighted Exchange Rate



Riksbank's Comments

November 11th - *Swedish Central Bank Deputy Governor, Irma Rosenberg, Comments on Developments in Sweden's Economy* – Central Bank Deputy Governor, Irma Rosenberg, stated in a speech posted on the Bank's website relative to the Bank's October forecast on growth and inflation: "In my opinion, the information that has been received since October suggests that our assessment of inflation prospects at that time is holding up well so far." Rosenberg's October comments were that, "Inflation is currently very low but the inflation outlook suggests that it is going to pick up."

November 9th – *Central Bank Deputy Governor, Kristina Persson, Comments on Economic Conditions in Sweden* – Sweden's Central Bank Deputy Governor, Kristina Persson, made the following comments in a speech posted on the Bank's website relative to economic conditions in Sweden:

- "The economic outlook is favorable and the conditions for a positive economic development are in place."
- "Companies are showing good profitability, investment is beginning to pick up and there are signs of improvement in the labor market."
- "It is the international picture and its effects on Sweden that I consider to be worrying,"
- "A possible international slowdown in the coming two years could lead to growth failing to reach the level indicated in the main scenario of the Riksbank's Inflation Report."

Key Dates This Week

Date	***Indicator***	***Expectation***	***Previous***
11/17	Unemployment Rate – Oct.	--	5.4%

Valance Co., Inc.

Valance Economic Report: Switzerland

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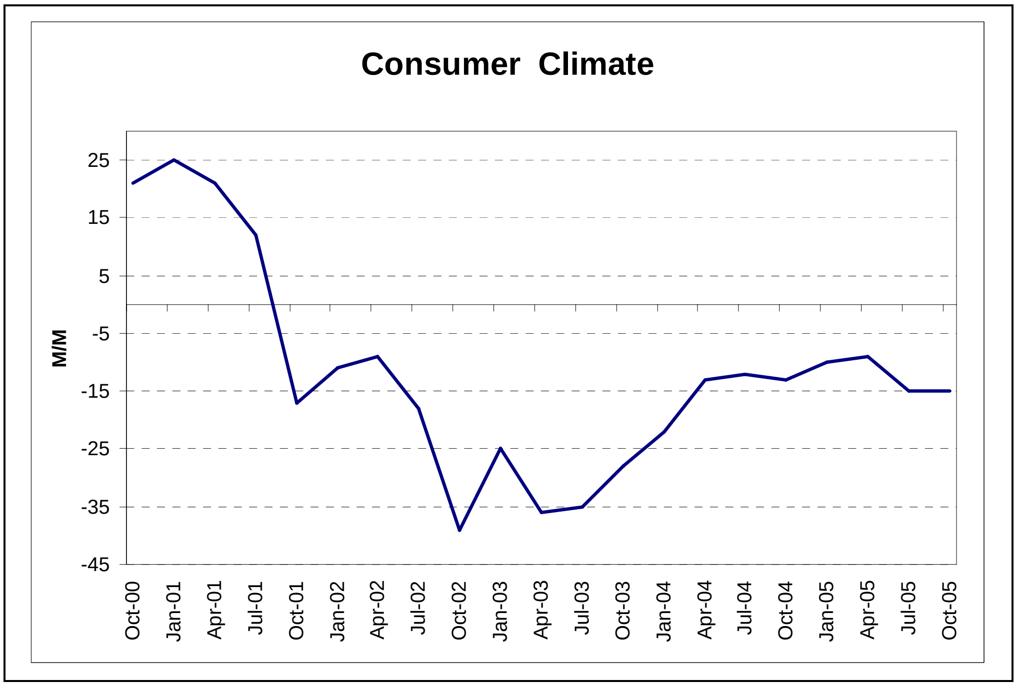
November 16, 2005

In an outlier relative to other, more positive data of late, Consumer Confidence in October suggested that pessimism still exists among consumers.

Weekly Releases & News

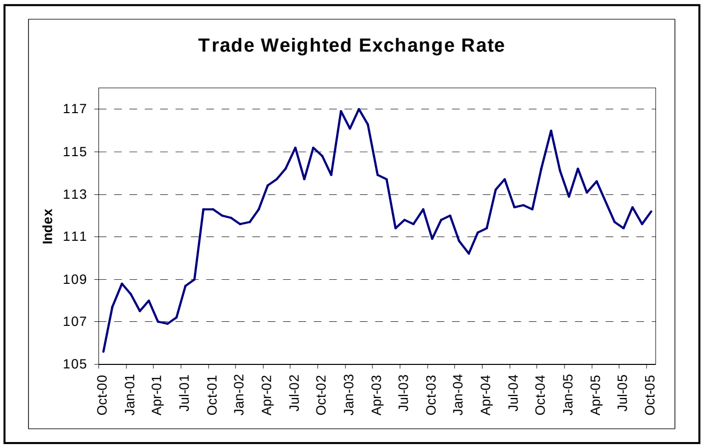
Chart of the Week: *SECO Consumer Climate*



Switzerland's Consumer Climate Index remained unchanged at -15 from September to October. Expectations were for an increase to -10. The State Secretariat for Economic Affairs stated that, "The brighter economic outlook since the beginning of the year still hasn't spilled over to consumers."

Trade Weighted Exchange Rate, News Releases & Upcoming Dates

Trade Weighted Exchange Rate



News Releases

November 11th – *KOF Survey Shows Q4 Expansion* - A survey of 5,000 executives, by the KOF Research Institute, showed that Switzerland's economy will expand through the fourth quarter. The Institute stated that, "For the coming months, we can expect a continuation of growth," however, "banks worry about a slight slowdown in demand in the fourth quarter after the pleasant results so far."

Key Dates This Week

Date	*Indicator*	*Expectation*	*Previous*
11/11-18	Adjusted Real Retail Sales (Y/Y) – Sep	--	4.7%
11/15-21	Producer & Import Prices – M/M / Y/Y - Oct	0.2% / 1.2%	0.7% / 1.5%
11/22	Trade Balance – Oct	--	--
11/22	UBS Consumption Indicator	--	--