

Valance Company, Inc.



Weekly

November 23, 2005

III

Highlights

US – Housing market shows some weakness (page 2)

Euroland – A slow start to Q4 (page 9)

Japan – Industry Activity headline declined although details were optimistic (page 16)

UK – MPC members voted 9-0 to leave rates unchanged. (page 22)

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November 17 – November 23 Short Term Interest Rates

Country	Change in BPs		(3Mth. Futures Contracts Yields)			
	Official Rate	3 Mth. LIBOR	Dec-05	Mar-06	Jun-06	Sep-06
US	0.00	0.02	-1.25	-5.50	-9.00	-11.50
	4.00	4.39	4.50	4.73	4.79	4.76
EU	0.00	0.09	8.50	8.50	10.50	10.50
	2.00	2.44	2.51	2.72	2.86	2.93
JN	0.00	0.00	0.00	-2.50	-4.00	-5.50
	0.00	0.07	0.09	0.13	0.20	0.30
UK	0.00	0.00	-1.00	-4.00	-5.00	-6.00
	4.50	4.62	4.60	4.52	4.51	4.54
CA	0.00	0.03	1.00	3.00	-1.00	-5.00
	3.00	3.35	3.50	3.86	3.97	3.98
AU	0.00	0.00	0.00	1.00	1.00	2.00
	5.50	5.57	5.62	5.62	5.63	5.66
NZ	0.00	0.04	0.00	-2.00	-3.00	-6.00
	7.00	7.61	7.57	7.56	7.46	7.27
SZ	0.00	0.02	1.00	2.00	2.00	2.00
	0.75	0.97	1.06	1.38	1.63	1.79

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Valance Co., Inc.

Valance Economic Report: United States

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November 23, 2005

This week's light economic data showed some signs of weakness in the housing market along with a recovery in Industrial Production in October. The Fed Minutes caused the markets to reshape expectations of the path of the fed funds rate lower, but recent comments from Moskow did not have a dovish tone.

Weekly Highlights

Building Permits- down 6.7% M/M in October. (page 2)

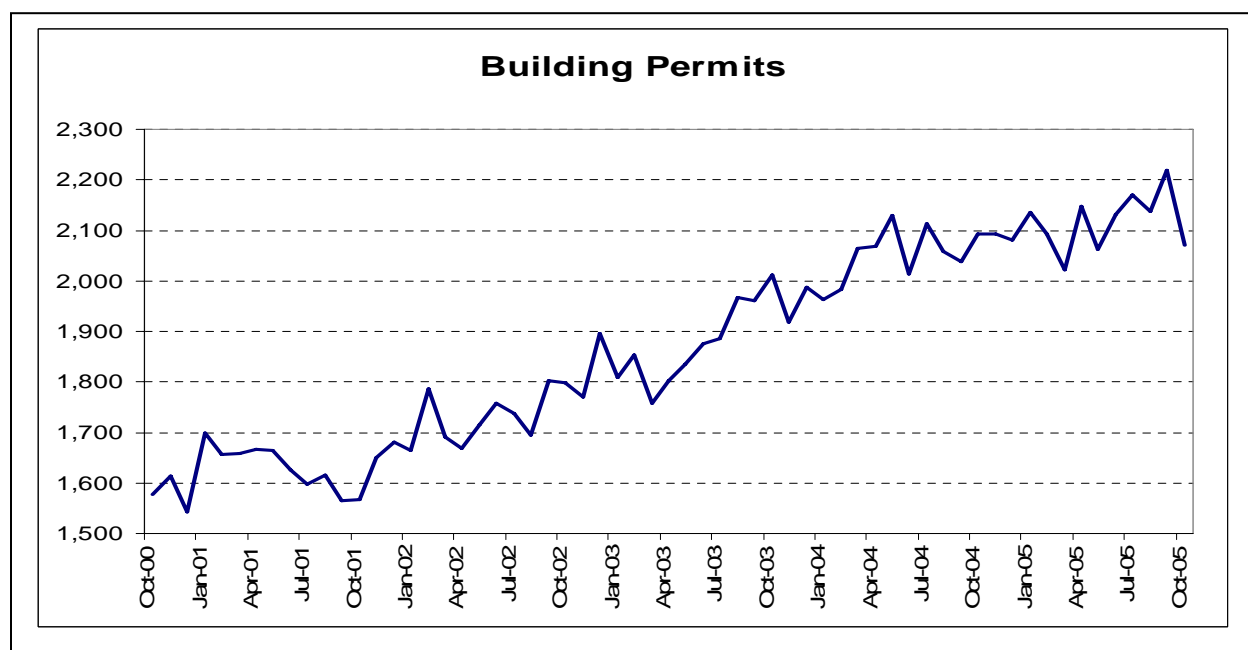
Housing Starts- down 5.6% M/M in October. (page 4)

Industrial Production- recovered in October. (page 5)

U. of Mich. 1yr Inflation Expectations- decreased from 4.6% to 3.3% in November. (page 5)

Weekly Releases

Chart of the Week: *Building Permits*



Building Permits declined from 2,219k to 2,071k in October on a seasonally adjusted annualized basis. Despite the 6.7% M/M decline, the absolute level remains within the range seen in 2005. However, the market continues to focus on any signals that the housing market is beginning to weaken as that may slow consumption and GDP in 2006.

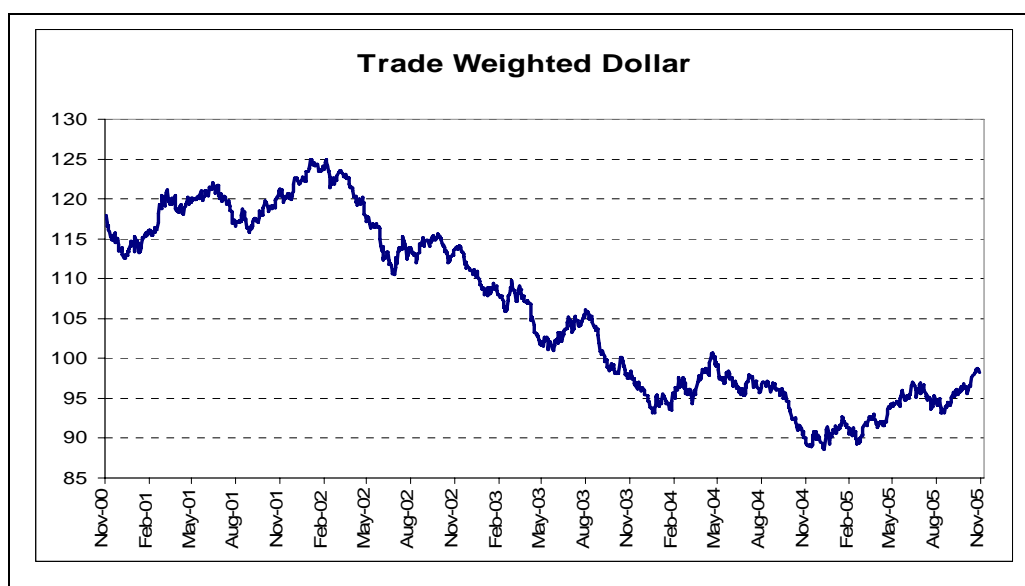
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

<i>U.S.</i>	<i>Latest period (\$blns)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-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.

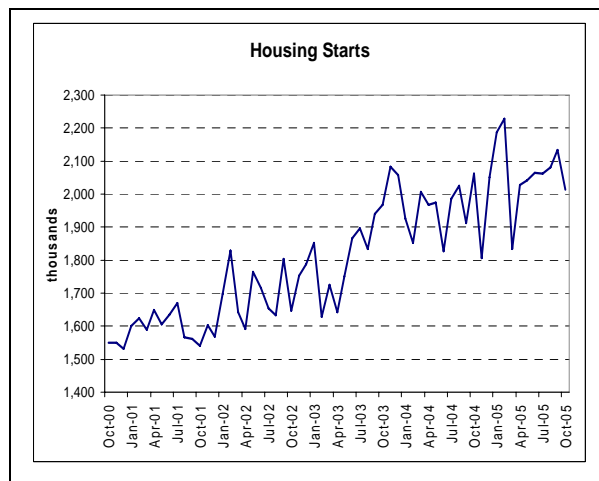
Trade Weighted Dollar



Housing Starts, Help Wanted Index & Mort. Apps.

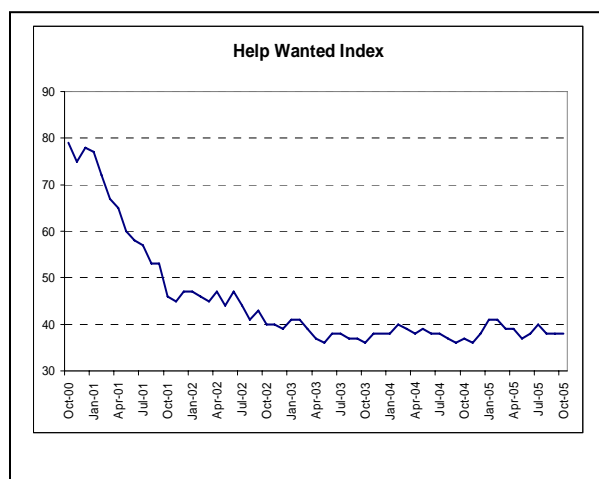
Housing Starts

Housing Starts declined from 2,134k to 2,014k on a seasonally adjusted annualized basis in October. Despite the drop, housing starts remain at a healthy level on an absolute basis, but markets are focusing on any signs of a slowdown in the housing market.



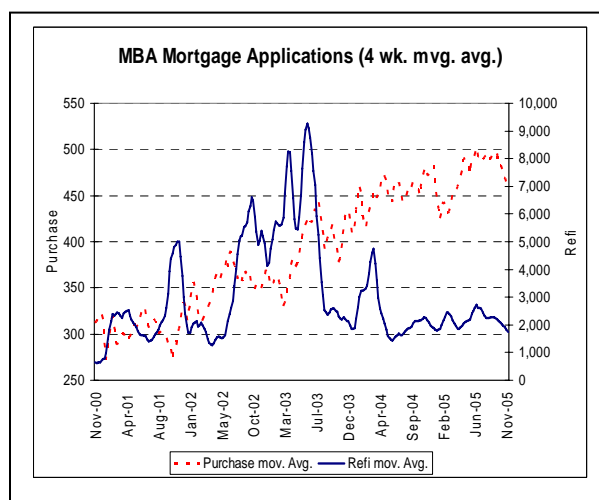
Help Wanted Index

The Help Wanted Index remained at 38 in October. This index continues to flat-line.



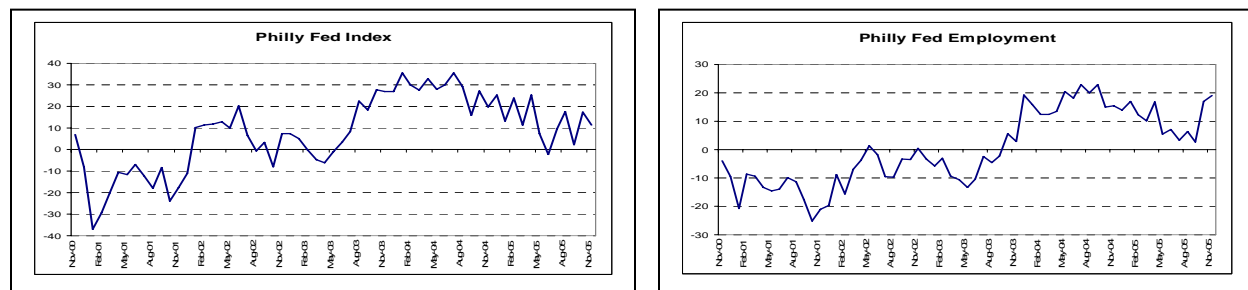
MBA Mortgage Applications

Purchase and refinancing mortgage applications decreased 1.2% and 6.9%, respectively, this week. The four-week moving average for purchases is now down 3.6% Y/Y.



Philly Fed, Cap. Utilization & Industrial Production

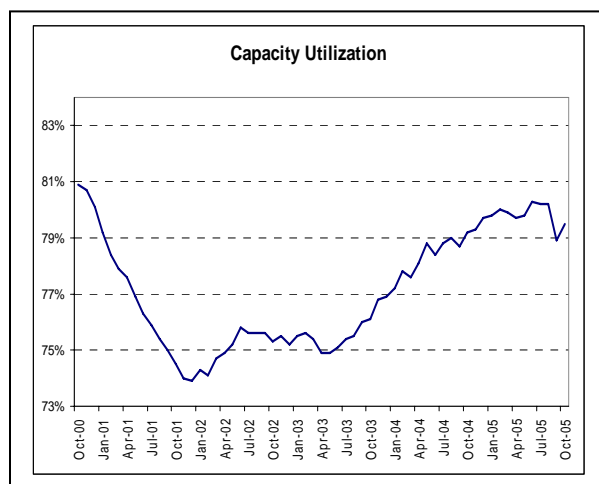
Philly Fed Index



The Philly Fed Index decreased from 17.3 to 11.5 in November, below expectations. The employment component increased from 17.0 to 19.1. The Philly prices paid dropped from 67.6 to 56.8 and the prices received remained relatively flat at 32.5.

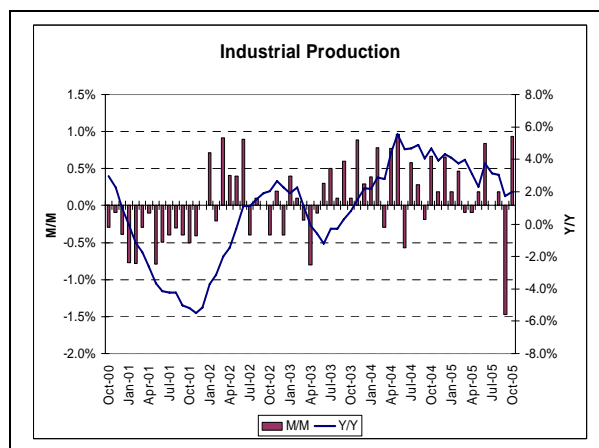
Capacity Utilization

Capacity Utilization increased from 78.9% to 79.5% in October, but still has not reached pre-Katrina levels of 80.2%. It will be important to monitor if utilization continues to recover or remains at levels that reflect some slack in the economy.



Industrial Production

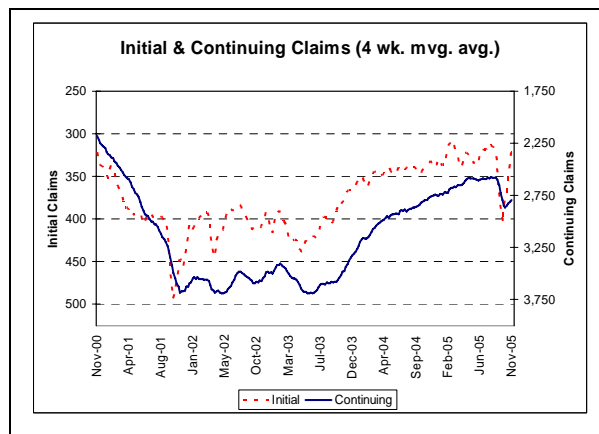
Industrial Production increased 0.9% M/M and increased 2.0% Y/Y in October after falling 1.5% M/M in September. The resolution of the Boeing strike, as well as a post-Katrina recovery in some industries, led to the increase.



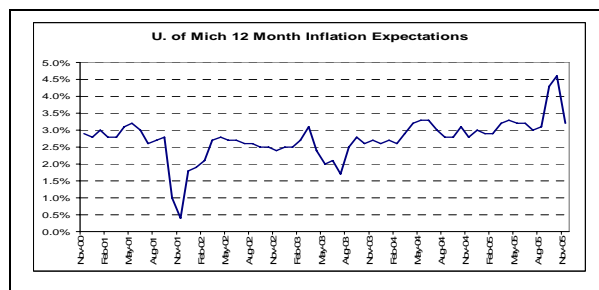
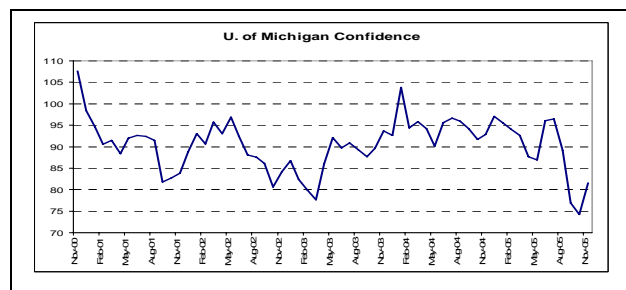
Employment Claims & Consumer Confidence

Initial & Continuing Claims

The four week moving average of initial claims and continuing claims dropped to 323 and 2,794k, respectively. Continuing claims increased this week after three straight weeks of declines and the four-week moving average is 200k higher than pre-Katrina levels.



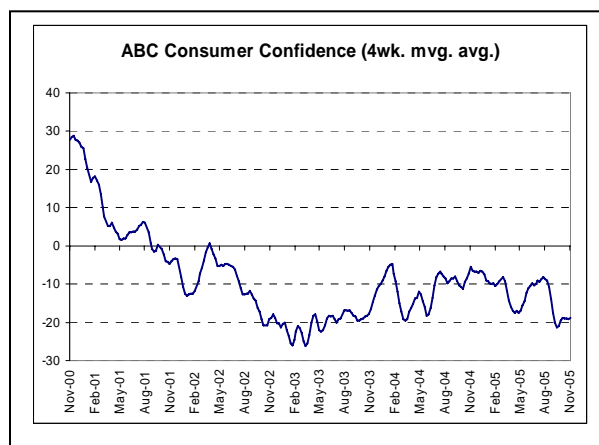
U. of Michigan Confidence



The University of Michigan Confidence Index improved from 74.2 to 81.6 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 3.3% in November as energy prices have declined. Long-term inflation expectations dropped from 3.2% to 3.0% in November.

ABC Consumer Confidence

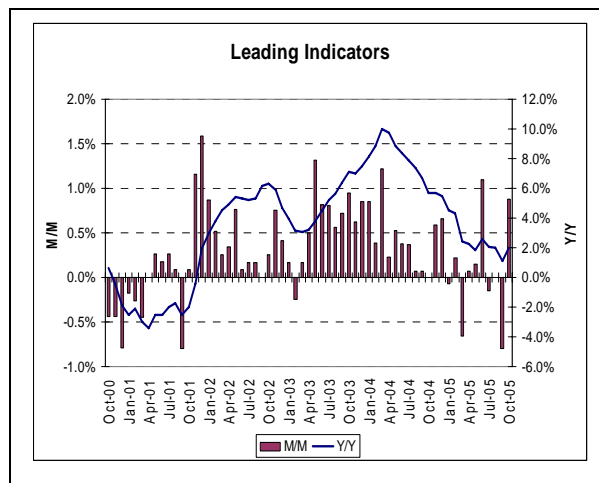
The ABC Consumer Confidence Index improved from -18 to -17. The economy and finance component remained flat at -28 and 10, respectively. The buying component improved from -36 to -34.



Leading Indicators & Fed Comments

Leading Indicators

Leading Indicators increased 0.9% M/M and 2.0% Y/Y in October. This series snapped back after declining 0.8% M/M in September. The two main drivers of the recovery in October were a recovery in the labor market and a steepening of the yield curve.



Fed Comments

“One can produce a range of estimates for the neutral nominal rate depending on the historical periods you choose and your inflation forecast. By such measures, we're currently near the bottom of this range.” –Moskow

“But there is another very important point to emphasize. Even if the funds rate were at neutral, further changes in policy may be appropriate. My view is that inflation will likely remain contained. Energy prices have come off their highs, and solid underlying trends in productivity should keep overall production costs in check. But there are risks to this scenario. With inflation at the upper end of my comfort zone, an unexpected increase in inflation would be a serious concern, while a decline in inflation would be beneficial. My views about policy will depend importantly on how these cost factors play out and affect the outlook for inflation. In addition, if inflation or inflation expectations were to rise persistently, then policy clearly would have to be tightened further. Of course, other events could transpire that result in prospects for inflation and growth that would be consistent with a less firm policy stance.” –Moskow

“Some members cautioned that risks of going too far with the tightening process could also eventually emerge. Nonetheless, all members agreed to indicate at the conclusion of this meeting that a continued measured pace of policy firming remained likely.” –Fed Minutes

“A survey measure of the near-term inflation expectations of households had risen notably, but intermediate- and longer-term inflation expectations implied by Treasury security yields had remained fairly stable. It was noted, however, that longer-term expectations of inflation remained contained in the context of an increase in the extent of additional monetary policy tightening expected in financial markets” –Fed Minutes

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/23	Help Wanted Index (OCT)	39	39
11/28	Existing Home Sales (OCT)	7.20M	7.28M
11/29	Durables Ex. Transportation (OCT)	1.0%	-1.0%
11/29	Consumer Confidence (NOV)	90.0	85.0
11/29	New Home Sales (OCT)	1200K	1222K
11/29	ABC Consumer Confidence (NOV 27)	NA	-17
11/30	MBA Mortgage Applications (NOV 25)	NA	-3.4%
11/30	GDP Annualized (Q3)	4.1%	3.8%
11/30	Personal Consumption (Q3)	3.9%	3.9%
11/30	Chicago Purchasing Manager (NOV)	60.0	62.9

Valance Co., Inc.

Valance Economic Report: Euro Zone

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November 23, 2005

After a relatively strong Q3, things are already appearing gloomy in the Euro Zone, as we expect. French Consumer Spending contracted for the 2nd consecutive month in October, Euro Zone Industrial Production unexpectedly contracted in September, and the Q3 German GDP details showed further deterioration in the German consumer. Despite this news flow, the ECB has prepared the market for a rate hike; however, Trichet did note that the assumption of there being a series of hikes is wrong.

Weekly Highlights

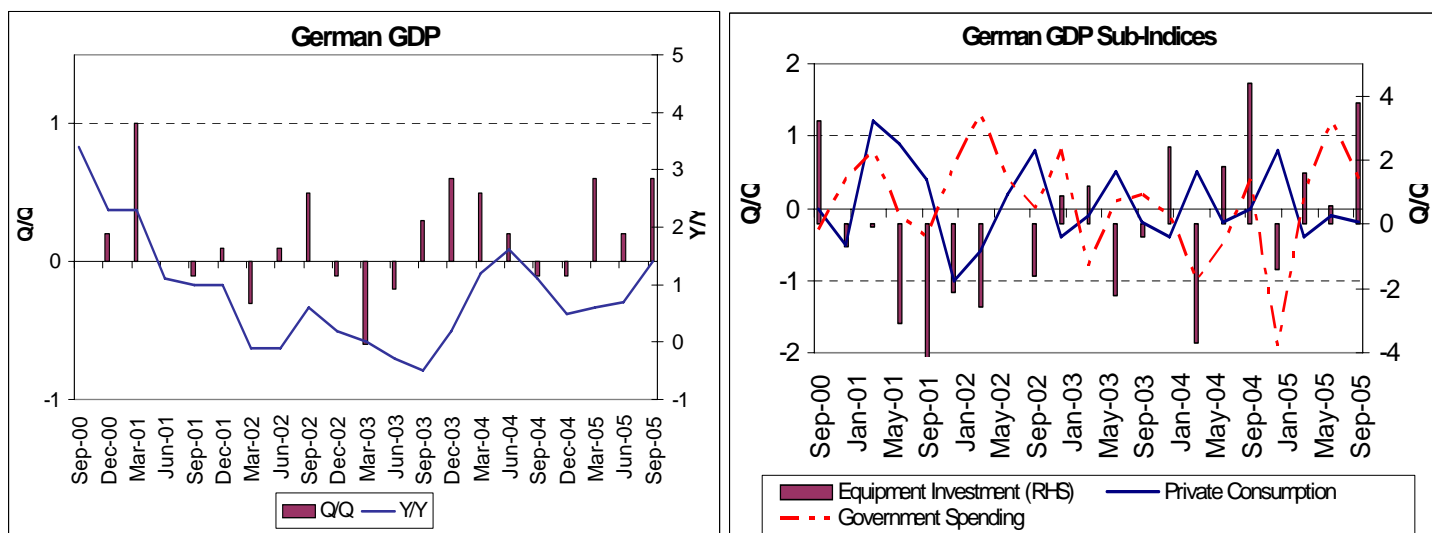
German Private Consumption— contracted in Q3 despite solid overall growth. (page 9)

French Consumer Spending— unexpectedly contracted in October. (page 11)

Euro Zone Industrial Production— contracted 0.4% M/M in September. (page 11)

Weekly Releases & News

Charts of the Week: German GDP



German GDP rebounded in Q3, expanding 0.6% Q/Q and 1.4% Y/Y, led by strong government spending and a slight pickup in domestic demand. Private Consumption fell 0.2% Q/Q, Government Spending expanded 0.4%, and Domestic Demand expanded 0.3%, Imports grew 4.4%, and Exports grew 4.7%, all Q/Q.

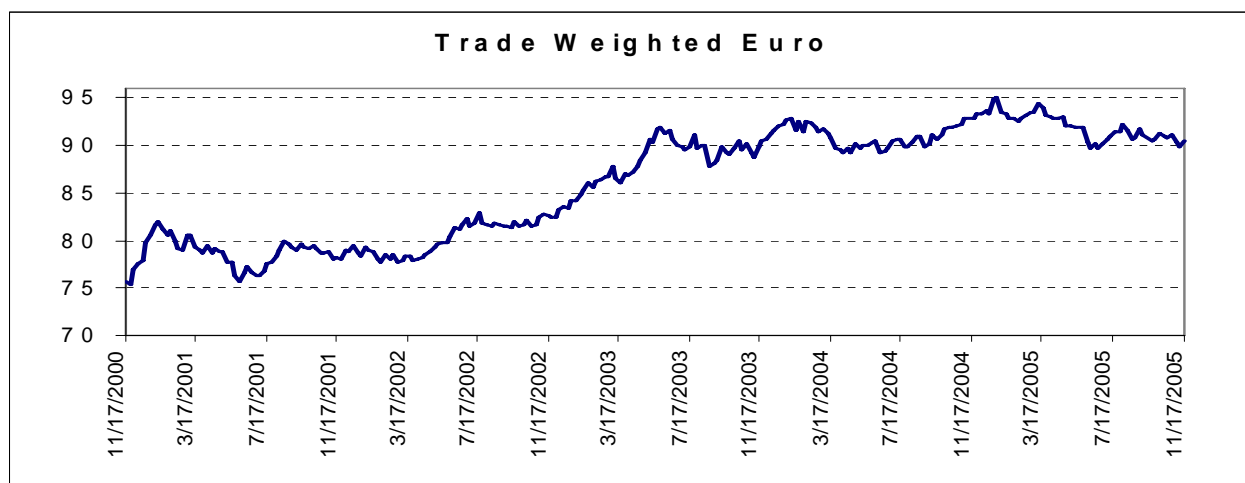
Euro Zone Financial Balances & Trade Weighted Euro

Financial Balances

<i>Germany</i>	<i>Last period (\$blns euros)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-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.

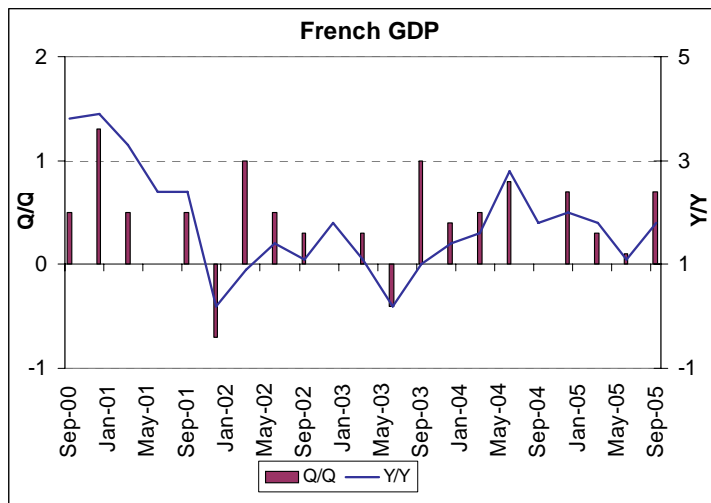
Trade Weighted Euro



French GDP, Consumer Spending & Euro Zone Production

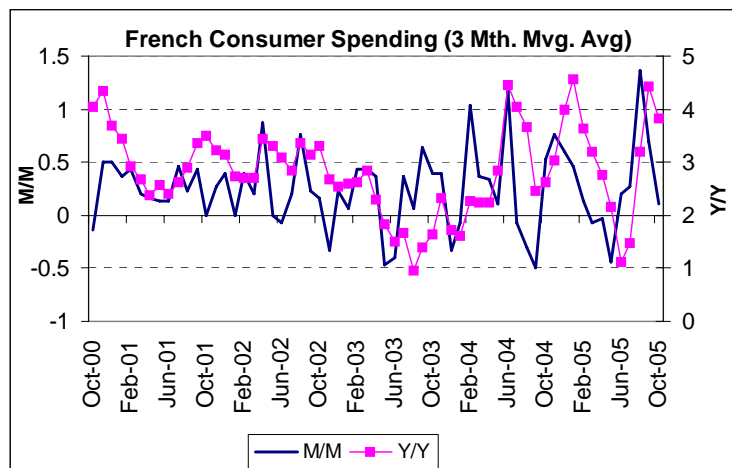
French GDP

The French economy expanded 0.7% Q/Q and 1.8% Y/Y in Q3, its fastest quarterly pace in over a year. Consumer spending expanded 0.7% Q/Q after Q2's drop and exports expanded 3.1% Q/Q.



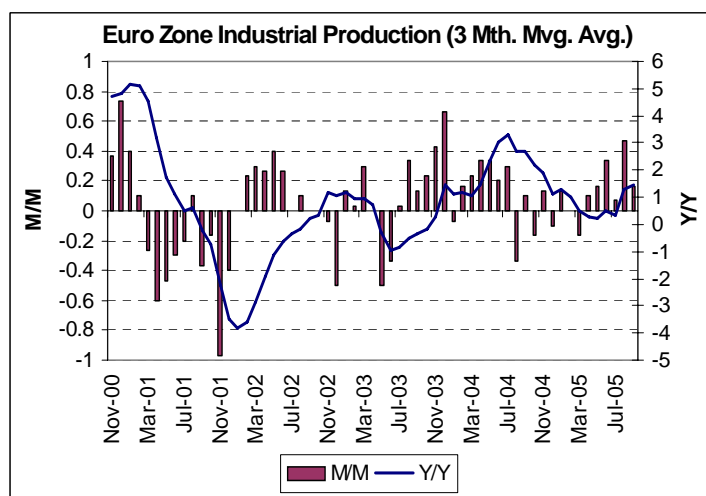
French Consumer Spending

French Consumer Spending unexpectedly fell in October, contracting 0.6% M/M while expanding 1.8% Y/Y. It was the second consecutive M/M decline.



Euro Zone Industrial Production

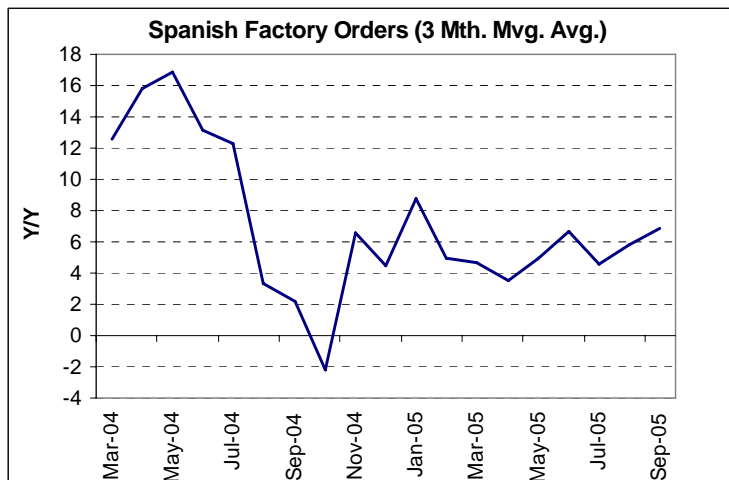
The Euro Zone's September Industrial Production contracted 0.4% M/M while expanding 1% Y/Y. Expectations were for a 0.5% M/M increase, but weak demand for consumer and intermediate goods resulted in declining production.



Spanish & Italian Orders, Euro Zone Trade

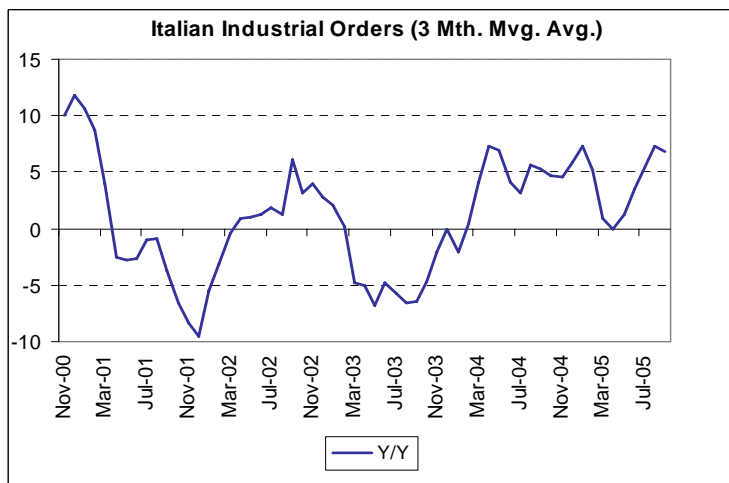
Spanish Factory Orders

Spain's September Factory Orders expanded 8.7% Y/Y, led by strong capital and energy related goods.



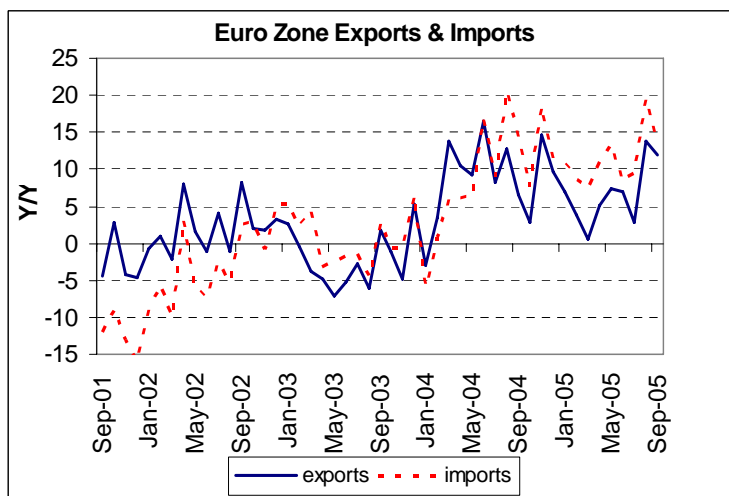
Italian Industrial Orders

Italy's September Industrial Orders contracted more than expected, decreasing 3.3% M/M while expanding 2.1% Y/Y. Industrial Sales contracted 5.3% M/M while expanding 2.6% Y/Y. Both domestic and foreign sales declined M/M.



Euro Zone Trade

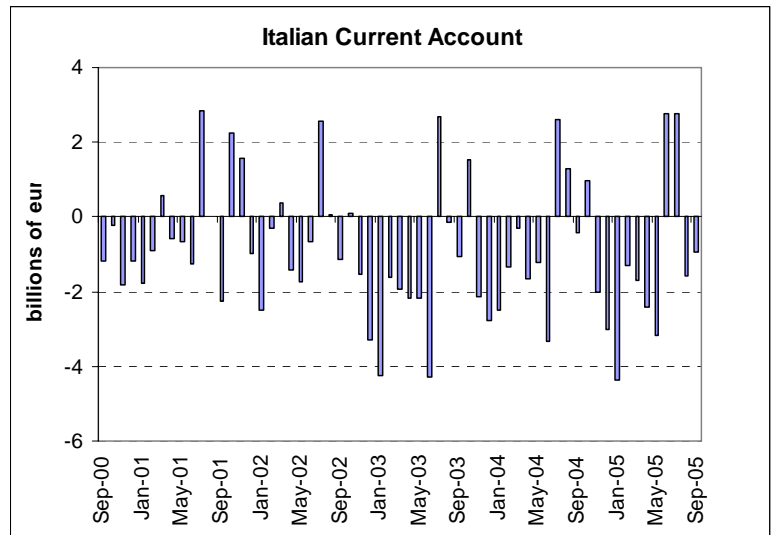
The Euro Zone's September Trade Balance improved from a deficit of 2.5 mln euros to a surplus of 1.4 mln. As exports expanded 12% M/M, imports also expanded 8% M/M.



Italian Current Account

Italian Current Account

Italy's September Current Account deficit narrowed from 1.6 bln euros in August to 1bln. Expectations were for a widening to 2.1bln.



News

Nov. 21st – ECB President, Jean Claude Trichet, dampened expectations for a series of rate hikes, stating, “It would not be a good working assumption to consider that we are at the start of a series of interest-rate increases.” Trichet also noted that real rates have been negative and that negative real rates could not last forever. Member, Jose Manuel Gonzalez-Paramo added, “There is no change in analysis. There has been no decisive factor. There is no smoking gun. There’s simply an increase in upside risks to price stability as we’ve been repeating for the last month.” Member, Klaus Liebscher was a slight bit more hawkish, stating that there was no bias as to whether or not there would be a series of hike, noting that “At every meeting we will have to make that assessment.”

Nov. 21st – Germany’s IW Economic Institute raised its growth forecast for next year for the 2nd time in six weeks, increasing it from 1.1% to 1.5%, stating, “The revised growth figures from the second quarter and the strong third quarter have improved the statistical basis.”

Nov. 21st – The German Bundesbank stated that euro consumers are unlikely to increase spending anytime soon, stating, “Very low confidence in October suggests that we can’t count on a revival of consumer demand in the coming months.”

Nov. 19th – The Bank of Italy stated that the Italian economy may not grow at all this year and will struggle to grow next year, stating, “The most recent indications point toward a slowdown in growth during the final quarter of the year...Avg. GDP growth may be slightly positive this year.”

Nov. 18th – ECB President, Jean Claude Trichet, signaled a rate increase, stating that the bank is ready “to moderately augment the present level of interest rates in order to take into account the level of risks to price stability.” ECB member, Lucas Papademos, also added that the bank “will be ready to adjust interest rates as quickly as this is warranted”, adding that they are prepared to “act preemptively.” Member, Axel Weber rounded out the hawkish comments by mentioning that he’s concerned that inflation will be too high as economic growth picks up, stating, “Of course that unsettles us as a central bank.”

Nov. 18th – Germany’s Gesamtmetall Employers Group opposes the 4% pay increase proposed by IG Metall Union, stating that the pay increases, if accepted, would lead to job losses. They also noted that the German governments plan to ease companies’ ability to fire employees would also result in job losses.

Nov. 17th – The EU released their Autumn forecast, raising their inflation forecast from 1.5% Y/Y in 2006 to 2.2%, while trimming the 2005-2006 growth forecasts from 1.6% and 2.1% Y/Y to 1.3% and 1.9%. Labor costs were forecasted at 1.3% in 2006 and 1.4% in 2007. Personal consumption was forecasted at 1.4% in 2006 and 1.9% in 2007, while unemployment was forecasted at 8.4% in 2006 and 8.1% in 2007.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/23	Italian Consumer Confidence (NOV)	105.0	105.3
11/23	Euro Zone Industrial New Orders (SEP)	0.9% M/M	-0.1% M/M
11/24	French Business Confidence (NOV)	103	102
11/24	German IFO – Business Climate (NOV)	98.6	98.7
11/25	Italian Business Confidence (NOV)	89.8	89.5
11/25	Italian Hourly Wages (OCT)	0.1% M/M	0.3% M/M
11/27	German Gfk Confidence	--	--

Valance Co., Inc.

Valance Economic Report: Japan

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November 23, 2005

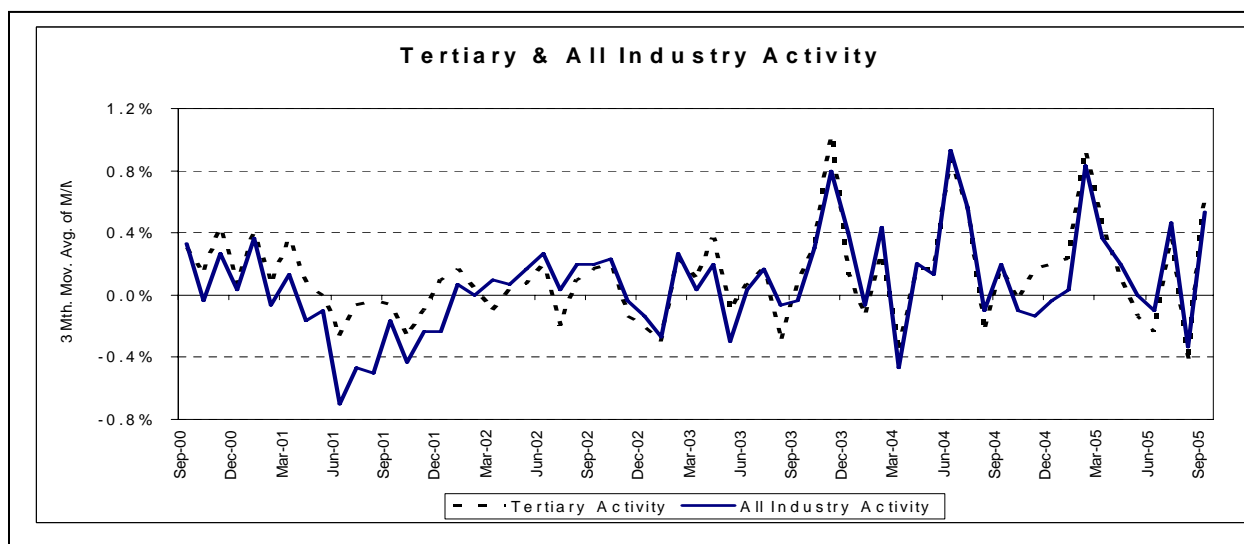
Data this week was mixed. The Tertiary and All Industry Activity Indices both declined in September and were softer than expected. Details within the data were more optimistic however, and we continue to look for a change in policy from the BoJ by early FY2006.

Weekly Highlights

Tertiary Index – declined 0.7% M/M and increased 2.3% Y/Y in September. (page 16)

All Industry Activity Index– declined 0.4% M/M and increased 2.0% Y/Y in September. (page 18)

Machine Tool Orders – declined 6.1% M/M and increased 1.1% Y/Y in October. (page 18)

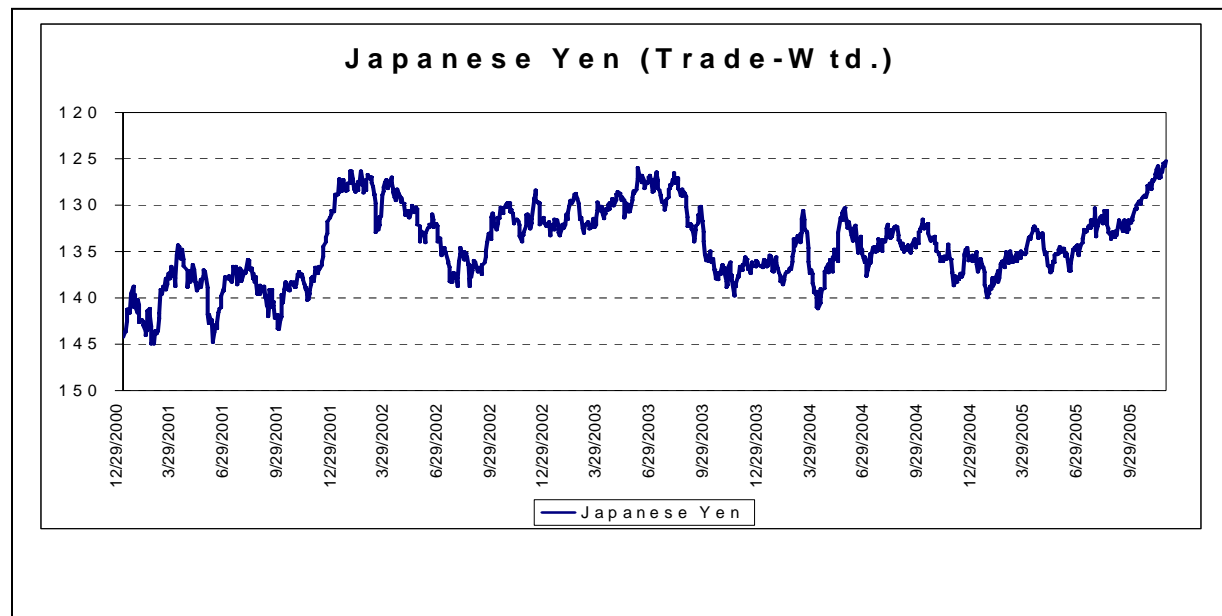
Chart of the Week: *Tertiary & All Industry Activity Indices*

Japan's All Industry Activity Index declined 0.4% M/M and increased 2.3% Y/Y in September. The Tertiary Index declined 0.7% M/M and increased 2.0% Y/Y in September. This data was somewhat short of economists' expectations for a 0.1% M/M decline in the All Industry Activity Index and a 0.4% M/M decline in the Tertiary Index. The M/M declines came after sharp increases in prior months and were largely due to declines in government services, non-housing construction, and private sector civil engineering construction components. The industrial production and private sector housing construction components experienced solid M/M gains however. In all, the data isn't suggestive of any impending weakness and we continue to look for a change in Monetary Policy by early FY06.

Japan's Financial Balances

Financial Balances

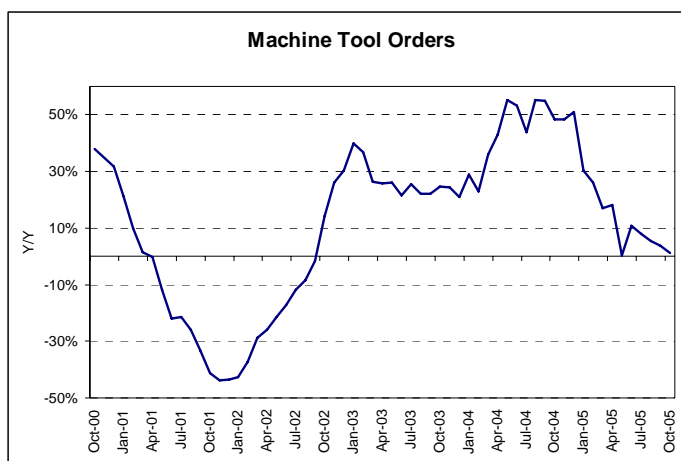
<i>Japan</i>	<i>Last period (¥trln)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-3.03 (May)	-6.9%
Trade Balance	0.69 (June)	2.2%
Current Account Balance	1.50 (June)	5.2%
Private Balance	--	12.1%



Machine Tool Orders & Convenience Store Sales

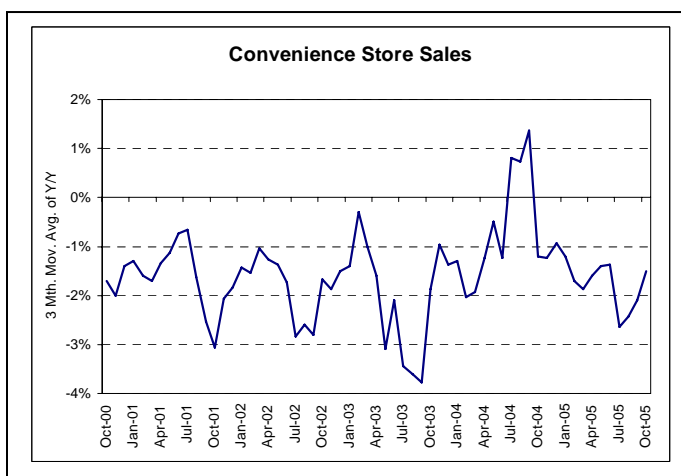
Machine Tool Orders

Japan's Machine Tool Orders declined 6.1% M/M and increased 1.1% Y/Y in October. The Y/Y increase was due to the shipbuilding/transport, electrical machinery, and precision machinery components of the index. The M/M declines were caused by declines in precision and "other" manufacturing.



Convenience Store Sales

Convenience Store Sales increased 0.5% Y/Y in October, but declined 2.9% Y/Y on a same store basis. Customer Traffic increased 0.7% Y/Y on a same store basis.



News

BoJ's Comments

Nov 18th – The BoJ decided to maintain its ultra-easy monetary policy at its policy board meeting by a 7-2 vote. The decision was widely expected as consumer prices have continued to fall in Y/Y terms. The BoJ also left its core economic assessment unchanged in its report, commenting that the economy continues to recover. The BoJ offered a slightly different assessment on housing investments, commenting that “housing investment has shown some strength,” whereas the previous statement noted that “housing investment has recently shown some increase.”

Nov 18th – To counteract speculation regarding a growing rift between the BoJ's view on the economy and the Government's view, BoJ's Governor Fukui commented that, “I don't think there is any discrepancy now, and I don't think there will be one going forward.”

Research Institutes' Growth Expectations

The 15 private-sector research institutes in Japan expect Japan's real GDP will increase 2.6% in FY 2005. Nominal growth was expected to reach an average of 1.6%. In FY2006, the institutes expect real growth to reach 2.1%.

Parties Discuss Tobacco Tax Hike to Reduce Medial Costs

As Japan's medial costs increase, ruling coalition parties discussed plans to increase the tobacco tax to reduce smoking-related illnesses by discouraging cigarette smoking in general. Proponents of the tax are hoping that the government will draw this up by the end of this year. With significant opposition from some lawmakers however, the fate of the proposal remains uncertain.

Upcoming CPI Revision

The government is planning to revise its methodology for calculating its Consumer Price Index for August 2006. If the changes are enacted according to plan, they may exclude energy prices from the Core CPI measure and push down the index.. The details regarding the changes are expected to be released on November 25th when the Ministry of Internal Affairs and Communications, which compiles the data, is set to release its monthly update on nationwide and Tokyo CPI.

News

Business Lobby Supports Change in Monetary Policy

The Japan Association of Corporate Executives, known as the Keizai Doyukai, stated in an opinion paper that although the ultra-easy policy was an effective “emergency” measure to prevent the economy from spiraling deeper into deflation, it is time to consider implementing concrete ways to end its policy of quantitative easing.

“When considering that the side effects may become more pronounced, the time is approaching (for the BoJ) to steer toward a return to normal monetary policy targeting positive interest rates,” the Doyukai said. “For Japan’s economy, a (monetary) policy shift is an inevitable process, and in the long run, it can limit the huge negative effects which will result if structural reforms are delayed.”

This support from the business community is encouraging to the BoJ, which in attempting to move toward a policy shift, has drawn fire from some politicians.

Government Proposes Limits on JGB Issuance, Other Reform Measures

The Fiscal System Council has asked the government to limit its bond issuances close to 30 trln yen. The proposal was included in a report submitted to Finance Minister, Sadakazu Tanigaki, on November 20th and discusses the need to reduce outlays in Japan’s budget. The report also discusses health care reform, recommends that co-payments made by patients under 70 years of age be maintained, and suggests increasing the payments made by patients above 70 years of age. It also proposes a “significant reduction” in treatment fees paid to doctors by the national health insurance scheme. In terms of tax revenues, the panel recommended shifting revenue from road construction taxes to the general account while maintaining the current rates of gasoline and other special purpose taxes.

Cabinet Office Comments on Q3 Demand

According to estimates by the Cabinet Office, demand in the Japanese economy almost caught up with supply in Q3, following the rebound in consumer spending. They noted that the Q3 supply-demand gap was -0.2%, the third consecutive quarter where the gap has declined at the lowest level since the gap turned negative in Q2 1997. They also commented that one of the driving factors behind the balance in supply and demand has been corporate restructuring.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/23	Adj. Merchandise Trade Balance (Oct)	564.9 Bln	556.5 Bln
11/23	Avg. Lending Rate (Sep)	N/A	1.311%
11/24	BoJ Monetary Policy Meeting Minutes	N/A	N/A
11/24	Supermarket Sales (Oct Y/Y)	N/A	-1.9%
11/24	Nationwide Dept. Sales (Oct Y/Y)	N/A	0.8%
11/24	Tokyo CPI SA (Nov M/M)	0.1%	0.0%
11/24	Tokyo CPI Ex Fresh Food (Nov M/M)	0.1%	0.0%
11/24	Tokyo Consumer Prices (Nov Y/Y)	-1.0%	-1.0%
11/24	Tokyo CPI Ex Fresh Food (Nov Y/Y)	-0.2%	-0.3%
11/24	National CPI Ex Fresh Food (Oct M/M)	0.1%	0.1%
11/24	National CPI Ex Fresh Food (Oct Y/Y)	0.0%	-0.1%
11/24	Corp Service Price (Oct Y/Y)	-0.6%	-0.6%
11/27	Large Retailers' Sales (Oct Y/Y)	N/A	-2.7%
11/27	Retail Trade (Oct M/M SA)	N/A	N/A
11/27	Retail Trade (Oct Y/Y)	N/A	0.1%
11/28	Jobless Rate (Oct)	N/A	4.2%
11/28	Job-Applicant Ratio (Oct)	N/A	0.97
11/28	Workers' Household Spending (Oct M/M)	N/A	-0.2%
11/28	Workers' Household Spending (Oct Y/Y)	N/A	0.4%
11/28	Industrial Production (Oct Y/Y)	N/A	1.2%
11/29	Labor Cash Earnings (Oct Y/Y)	N/A	0.8%
11/29	Overtime Earnings (Oct Y/Y)	N/A	0.4%

Valance Co., Inc.

Valance Economic Report: United Kingdom

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November 23, 2005

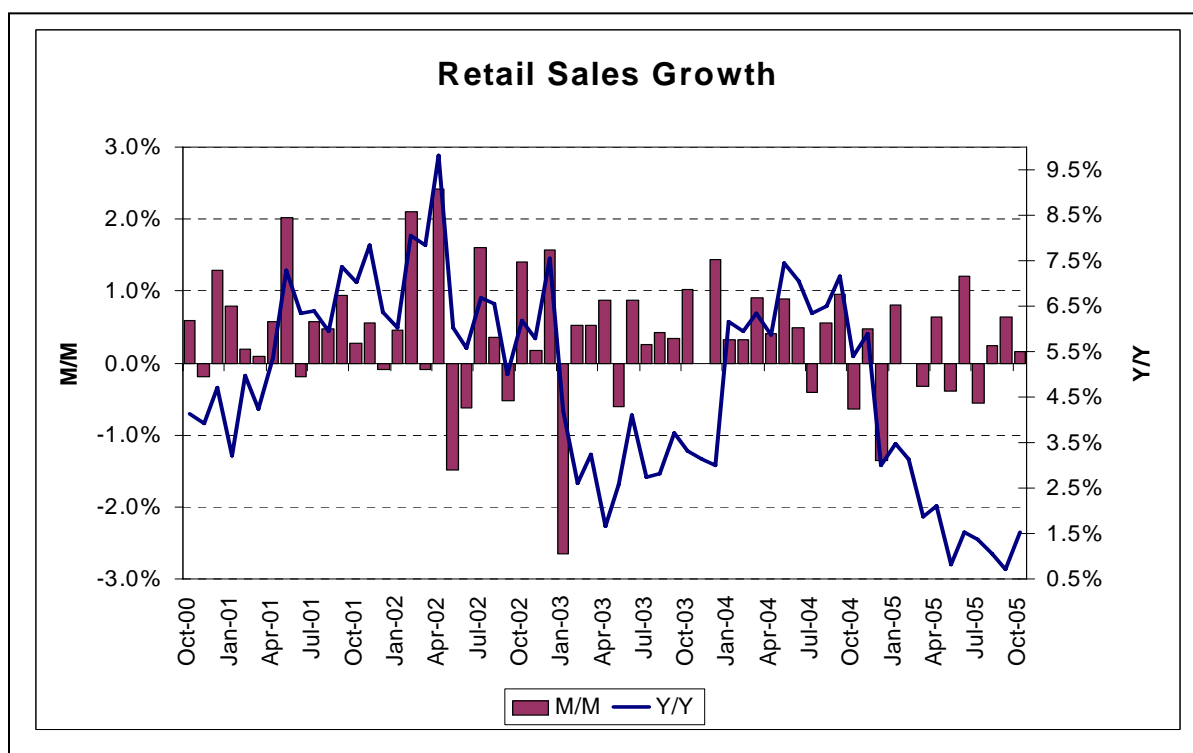
The MPC Minutes showed that members continue to be in their “wait and see mode” as they are uncertain about the near-term profile for inflation. Consumer spending indicators such as Retail Sales and ODPM House Prices both increased, but are in conflict with the recent decline in Consumer Confidence.

Weekly Highlights

Retail Sales- increased 0.2% M/M and 1.5% Y/Y in October. (page 22)

MPC Minutes- Members voted 9-0 to leave rates unchanged. (page 24)

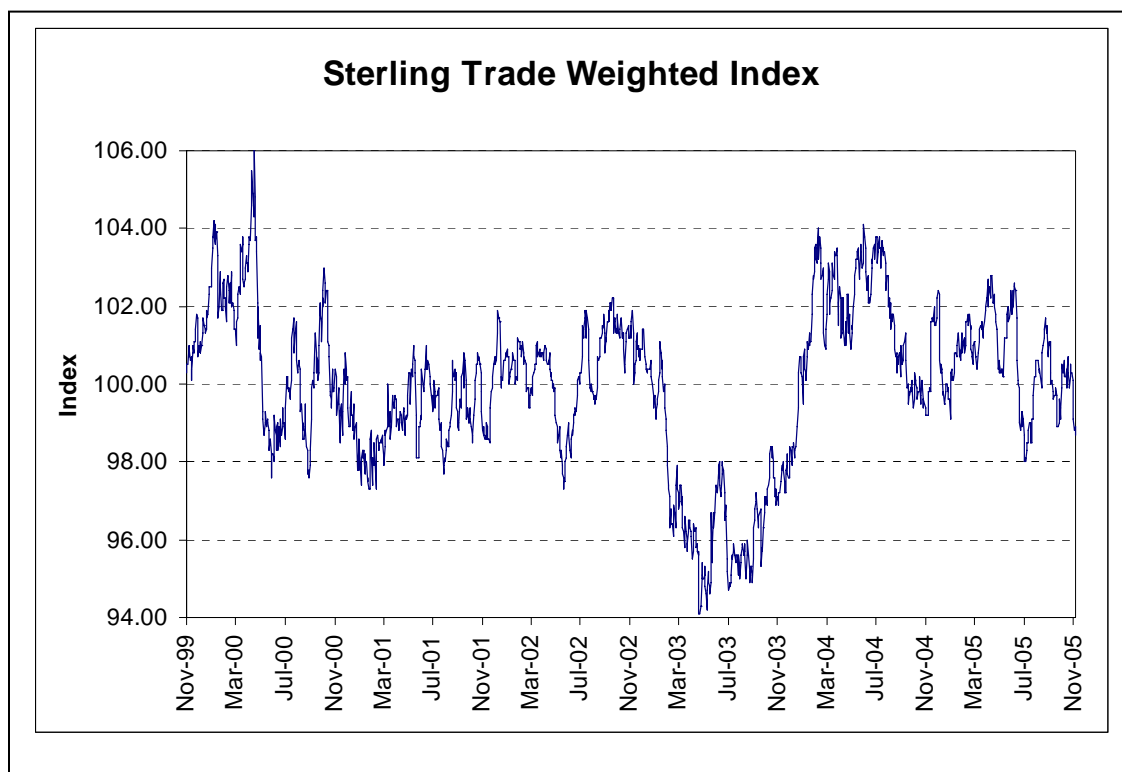
ODPM House Prices- increased 0.3% M/M and 3.3% Y/Y in September. (page 25)

Weekly Releases & News**Chart of the Week: Retail Sales**

Retail Sales increased 0.2% M/M and 1.5% Y/Y in October. Sales increased in most sectors. The last time retail sales rose for three straight months was the period ending in June 2004.

Financial Balances & Trade Weighted Index

<i>U.K.</i>	<i>Last Period (blns)</i>	<i>Last 12mth. % of GDP</i>
Budget Balance (monthly)	-£2.2(Oct)	+3.1%
Trade Balance (monthly)	-£3.9 (Sept)	-2.1%
Curr. Acct. Balance (quarterly)	-£3.1 (June)	-1.6%
Private Balance	--	-4.7%



MPC Minutes

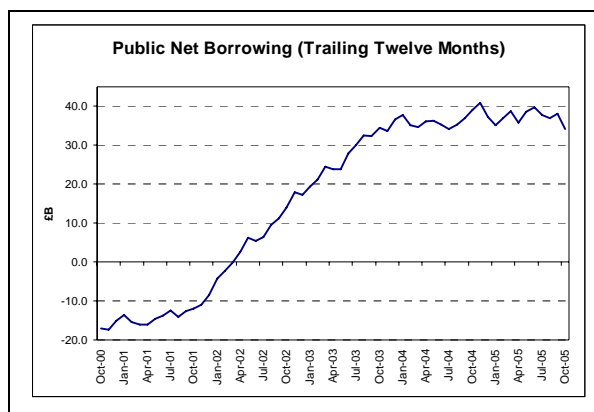
The MPC continues in its “wait and see mode” as it closely watches energy prices before deciding its next rate move.

- *The official measure of output growth in the United Kingdom had turned out a little weaker in Q3 than embodied in the Committee’s August central projection, suggesting that some of the near-term downside risks identified then may have materialized. Nonetheless, there were signs that output growth in the second half of the year would be a little stronger than in the first half, and that Q1 might prove to have been the trough in GDP growth.*
- *There remained a discrepancy between the official data and survey-based estimates of service sector growth. There was also a puzzle in the labor market: employment data seemed strong relative to output. Consequently, it was unclear how far capacity pressures had eased through 2005.*
- *There remained uncertainty about the prospects for demand, particularly the near-term path of consumption.*
- *Household spending indicators were mixed: somewhat stronger retail sales and housing market indicators contrasted with weaker car sales and consumer confidence data.*
- *The latest surveys and the Bank’s regional Agents’ survey suggested that investment intentions remained subdued, despite the strength of corporate profits and the low level of long-term interest rates.*
- *Public demand growth was expected to remain robust.*
- *There was a range of views among individual members concerning the likely pace of demand growth over the forecast period.*
- *Some members believed that the balance of risks to GDP growth was weighted slightly more on the downside in the second half of the forecast period.*
- *There was also considerable uncertainty about the impact of higher energy prices on inflation, both in the recent past and in the immediate future, and about the future path of energy prices.*
- *There were, as yet, no signs of second-round effects on pay, nor of medium-term inflation expectations being dislodged. But the Committee would monitor those effects carefully, and noted that January was an important month for private sector settlements.*
- *Looking ahead, output growth strengthened gradually under the central projection, while inflation was close to target two years or so ahead.*
- *The risks around those central projections were evenly balanced, but there was more uncertainty than usual about the near-term profile for inflation.*

Budget Deficit & ODPM House Price Survey

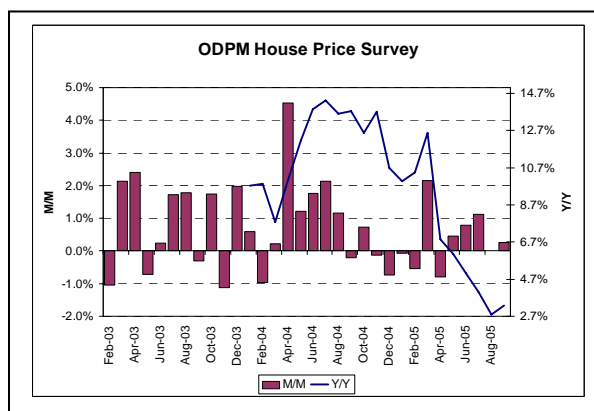
Budget Deficit

The Budget balance fell from +£1.7 bln in October 2004 to -£2.2 bln in October 2005, and is currently 3.1% of GDP on an annual basis.



ODPM House Price Survey

ODPM House Prices increased 0.3% M/M and 3.3% Y/Y in September, the first increase in the annual rate in six months.



Data & Comments & Upcoming Dates

Data

CML

The Council of Mortgage Lending (CML) reported that mortgage lending decreased 2.6% M/M and increased 16.2% Y/Y in October. Re-mortgages continue to be a large part of the increase in mortgage lending as home owners continue to take advantage of the last rate cut.

BBA

The British Bankers' Association (BBA) reported that mortgage lending decreased 8.5% M/M in October.

Rightmove House Prices

Rightmove House Price Survey increased 0.8% M/M and 4.0% Y/Y in November, the second consecutive month of increases.

Comments

MPC Member, Kate Barker, hawkishly commented that the U.K. economy may pick up in 2006 as rising wages help increase consumer spending. "The current climate calls more for caution than it does for optimism, but I believe brighter things are round the corner. I am confident we can see some kind of improvement in consumer spending by the middle of next year." In addition she commented that, "on the whole, the economy has stood up quite well to everything it has had thrown at it given the slowdown in consumer spending, rises in oil prices and the knock-on effect to energy costs and petrol prices."

MPC Member, David Walton, commented that interest rates should remain at their current levels as inflation remains above the BOE's target. "We are seeing some signs that the economy is recovering. We also have to be careful though because inflation is above target and we need to make sure it comes back to target. And so that means a steady course for interest rates at the moment. What we would expect over the next year is that as the economy gets a bit better then households will have a bit more money at their disposal."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/25	GDP 2 nd Revision, Q2	0.4% Q/Q	0.5% Q/Q
11/29	Net Consumer Credit	--	--
11/29	Net Lending Secured on Dwellings	--	+£1.2 bln

Valance Co., Inc.

Valance Economic Report: *Canada*

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November 23, 2005

Canada's recent economic data was highlighted by soft CPI readings coupled with strong Core Retail Sales. Overall, the economic data continues to support an interest rate hike from the Bank of Canada in its next meeting scheduled for December 6th.

Weekly Highlights

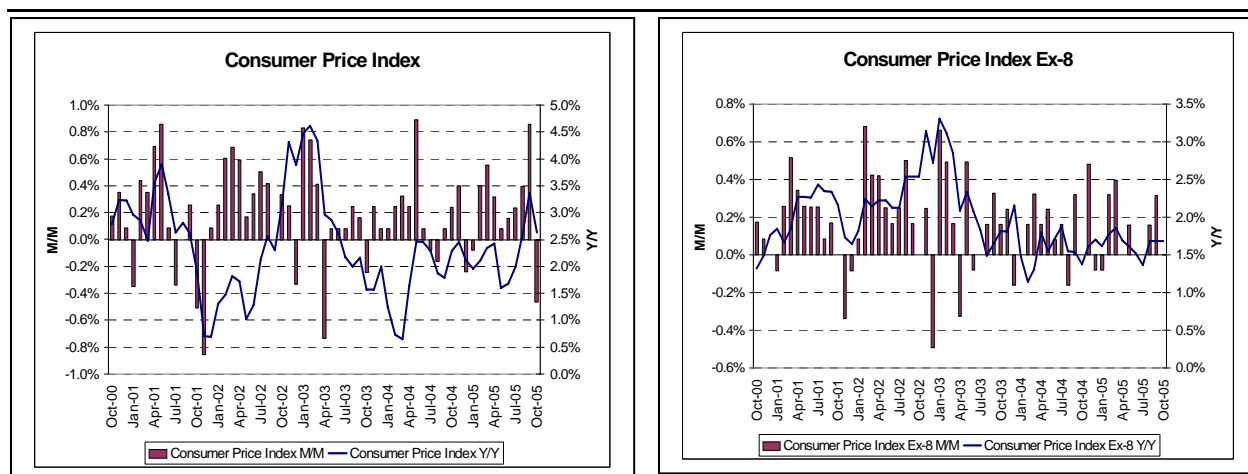
Headline CPI - decreased 0.5% M/M and increased 2.6% Y/Y in October. (page 27)

Core Retail Sales - increased 1.7% M/M and 7.5% Y/Y. (page 29)

Wholesale Sales - decreased 0.1% M/M and increased 5.6% Y/Y in September. (page 29)

Weekly Releases & News

Charts of the Week: *CPI*



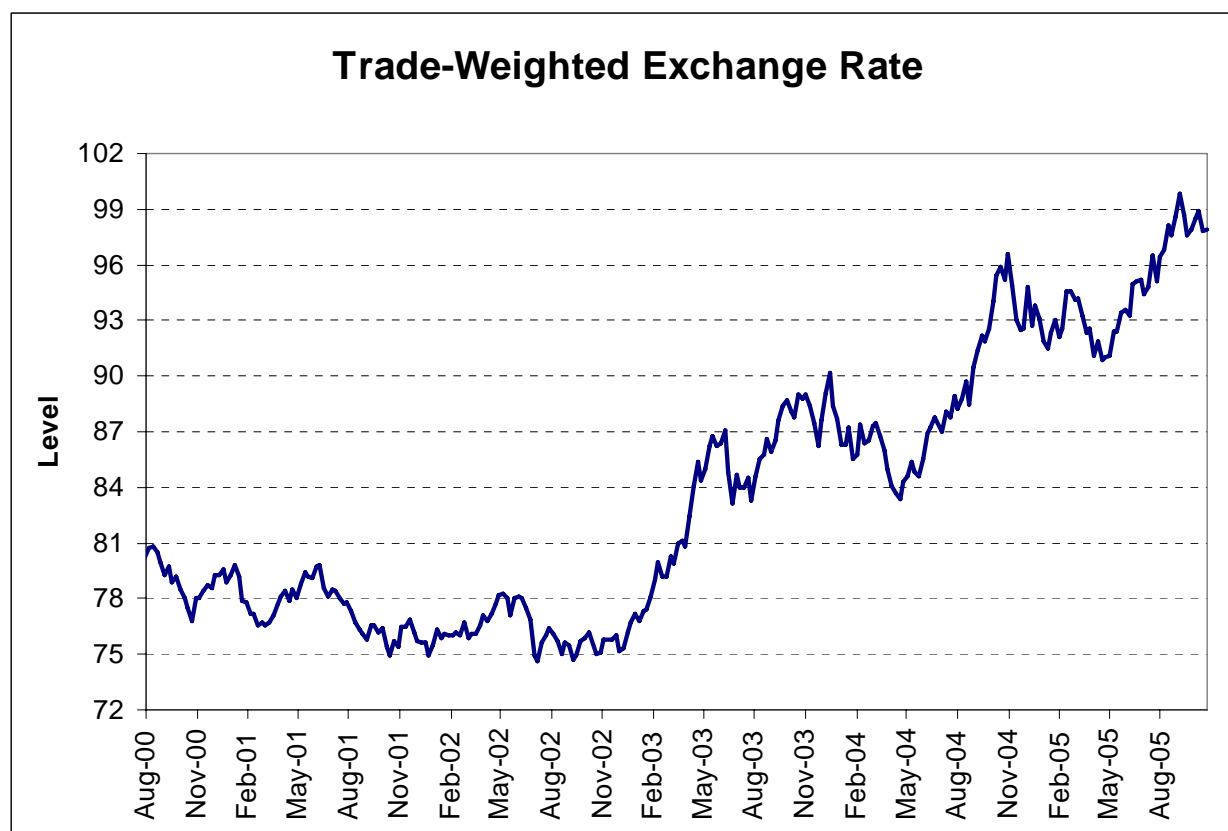
Canada's headline CPI decreased 0.5% M/M last month, mainly due to the decline in gasoline prices. Lower prices for traveler's accommodation and women's clothing also attributed to this decline. The Y/Y growth slowed from 3.4% in September to 2.6% in October. Core CPI remained flat M/M and increased 1.7% Y/Y in October, compared to a reading of 0.3% M/M and 1.7% Y/Y in September. A seasonal increase in property taxes (+3.2% M/M) created some upward pressure on core CPI on a mth/basis, but as they did not rise as much as a year-ago, they damped the Y/Y comparison. Although both the headline and core readings were below expectations, the results are unlikely to stall the BoC's interest rate hiking cycle as the core inflation rate of 1.7% is still a bit higher than the BoC's estimate for Q4 of 1.6%.

Financial Balances & Trade Weighted Exchange Rate

Financial Balances

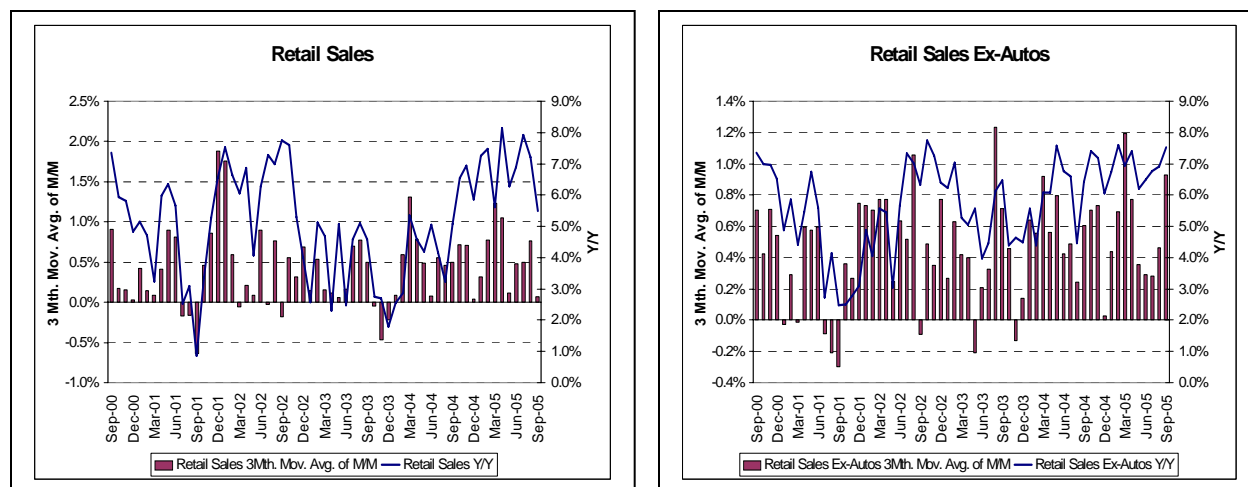
<i>Canada</i>	<i>Latest period (C\$bln)</i>	<i>% of GDP</i>
Budget Balance	1.7 (June)	.2%
Trade Balance	4.9 (June)	4.9%
Current Account Balance	4.7 (Q2)	2.2%
Private Balance	--	2.0%

Trade-Weighted Exchange Rate



Retail Sales, Wholesale Sales & Leading Indicators

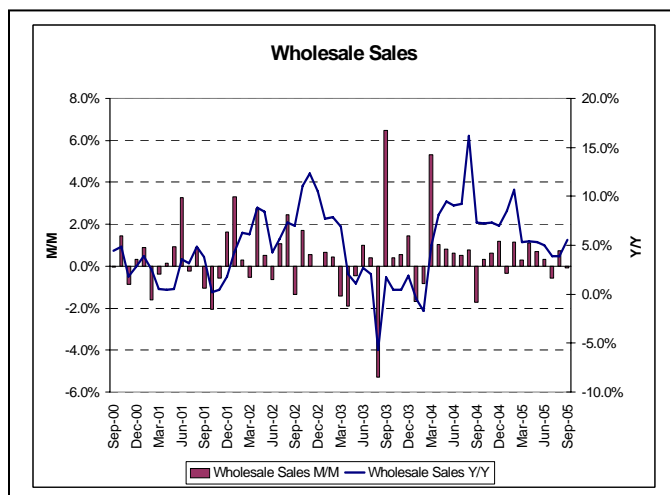
Retail Sales



Retail Sales decreased 0.9% M/M and increased 5.5% Y/Y in September, largely due to lower demand for motor vehicles. Notably though, consumers increased their spending in all other retail sectors in September, excluding the automotive sector. Increases in sales ranged from 0.6% M/M in the furniture and electronics sector to 2.6% M/M in the clothing sector. Retail Sales, ex- autos, posted solid gains, increasing 1.7% M/M and 7.5% Y/Y.

Wholesale Sales

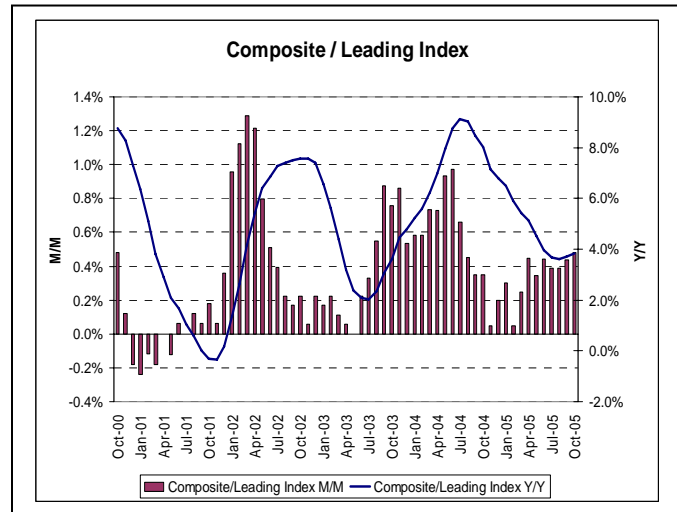
Wholesale Sales decreased 0.1% M/M and increased 5.6% Y/Y in September. The strong increase in sales of building materials was sufficient to offset the declines in the household products and machinery sectors. Inventories increased 1.3% M/M, their strongest monthly increase since January 2005.



Leading Indicators & Upcoming Dates

Leading Indicators

Canada's Composite/Leading Indicators increased from 0.4% M/M and 3.7% Y/Y in September to 0.5% M/M and 3.8% Y/Y in October. Housing was the only component out of ten to decline.



Key Dates This Week

Date	Indicator	Expectation	Previous
11/29	Industrial Product Price (M/M) (OCT)	-0.2%	0.4%
11/29	Raw Materials Price Index (M/M) (OCT)	-0.8%	-0.3%
11/29	Current Account (BOP) (Q3)	\$8.7B	\$4.7B
11/30	Gross Domestic Product (M/M) (SEP)	0.2%	0.5%
11/30	Quarterly GDP Annualized (Q3)	3.6%	3.2%

Valance Co., Inc.

Valance Economic Report: New Zealand

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November 23, 2005

Tough talk from leading economic policy makers has helped bring business confidence to a 5-year low. Earlier this month, the RBNZ's Governor Alan Bollard said that he is willing to raise rates in a way that would attempt to dissuade people from spending.

Weekly Highlights

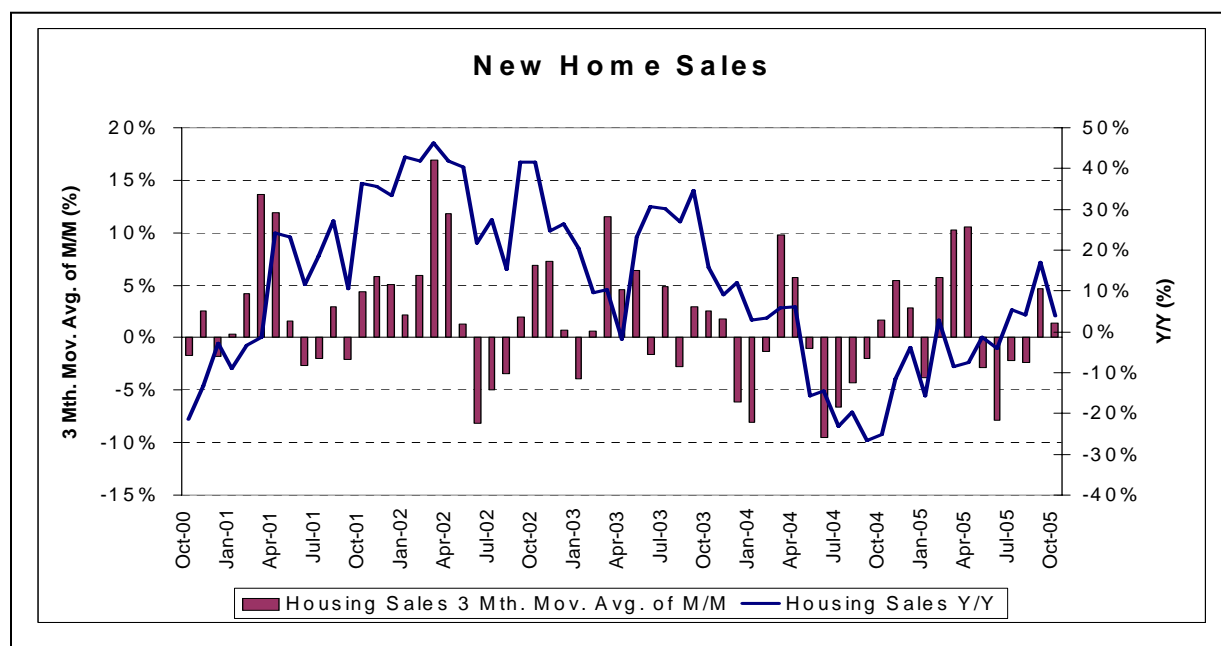
New Home Sales – declined 7.3% M/M and rose 3.9% Y/Y in October. (page 31)

Visitor Arrivals – decreased 3.4% M/M and rose 3.1% Y/Y in October. (page 32)

NBNZ Business Confidence – fell to -66.2% in October from -54.9% in September. (page 32)

Weekly Releases & News

Chart of the Week: *New Home Sales*

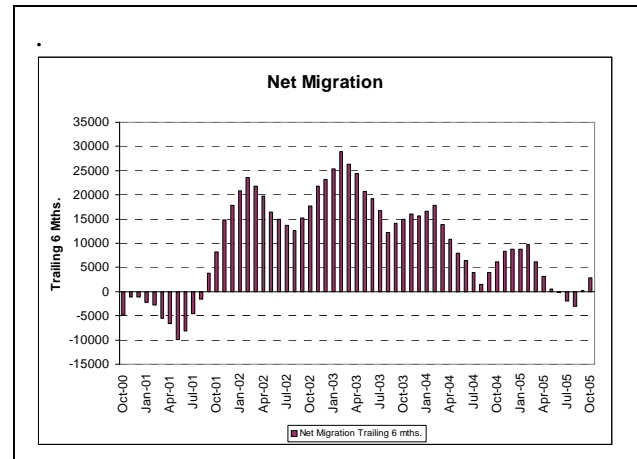


New Home Sales declined 7.3% M/M and rose 3.9% Y/Y in October. The median house price rose 17% Y/Y in October.

Visitor Arrivals & NBNZ Business Confidence

Visitor Arrivals

New Zealand had fewer tourists and short-term visitors for the first month in three in October, curbing spending in an industry that makes up about 10 percent of the economy. Short-term visitor arrivals fell 3.4% M/M and rose 3.1% Y/Y in October. Migrant arrivals exceeded departures by 6,000 in the 12 months ended on Oct. 31st.



NBNZ Business Confidence

New Zealand's Business Confidence slumped to a 5-year low in October amid expectations that rising interest rates would crimp profits and may push the economy into a recession. The Business Confidence Index fell to -66.2% in October from -54.9% in September. This level of confidence is indicative of an economy at a standstill. Earlier this month, Alan Bollard said: "We are willing to raise rates in a way that really hurts to dissuade people from spending."

News & Upcoming Dates

RBNZ Governor on Consumer Debt and Domestic Economy

“New Zealand's economy may face testing time as some consumers who have borrowed heavily to buy homes and cars face higher finance costs.”

“Consumer debt is a record 1.5 times disposable income and about one in 10 of the households who have mortgages pay at least half their income in finance costs.”

“These developments have sown the seeds for a more testing time. Changes in circumstances facing some households and firms will mean possible strains on the abilities of some to service debt.”

Note:

New Zealand credit card spending rose 1.2% M/M and 8.5% Y/Y in October.

“Slowing the pace of domestic demand is a priority and another interest-rate increase cannot be ruled out.”

“Core inflation remains high even as economic growth is slowing. This makes setting interest rates challenging.”

Note:

The bank has indicated further increases in the official cash rate cannot be ruled out, and in recent weeks market participants and analysts have shifted to the view that further rises are likely and appropriate. 13 of the 14 economists surveyed by Bloomberg News expect the RBNZ to raise the official cash rate a quarter point to 7.25% on Dec. 8th.

October briefing on the Reserve Bank of New Zealand:

The RBNZ has issued a paper to brief the new incoming Minister of Finance on the role and functions of the Reserve Bank of New Zealand. This paper is also intended to be a useful briefing to other interested parties, and can be found on the RBNZ's official website.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/23	Producer Prices – Inputs/Outputs (Q3)	---	2.0%/1.2%
11/24	Trade Balance (OCT)	---	-992 mln
1/29	Building Permits M/M (OCT)	---	-2.5%

Valance Co., Inc.

Weekly Economic Report: **China**

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November 23, 2005

China's Real Estate Climate Index and Industrial Profits growth both slowed in October.

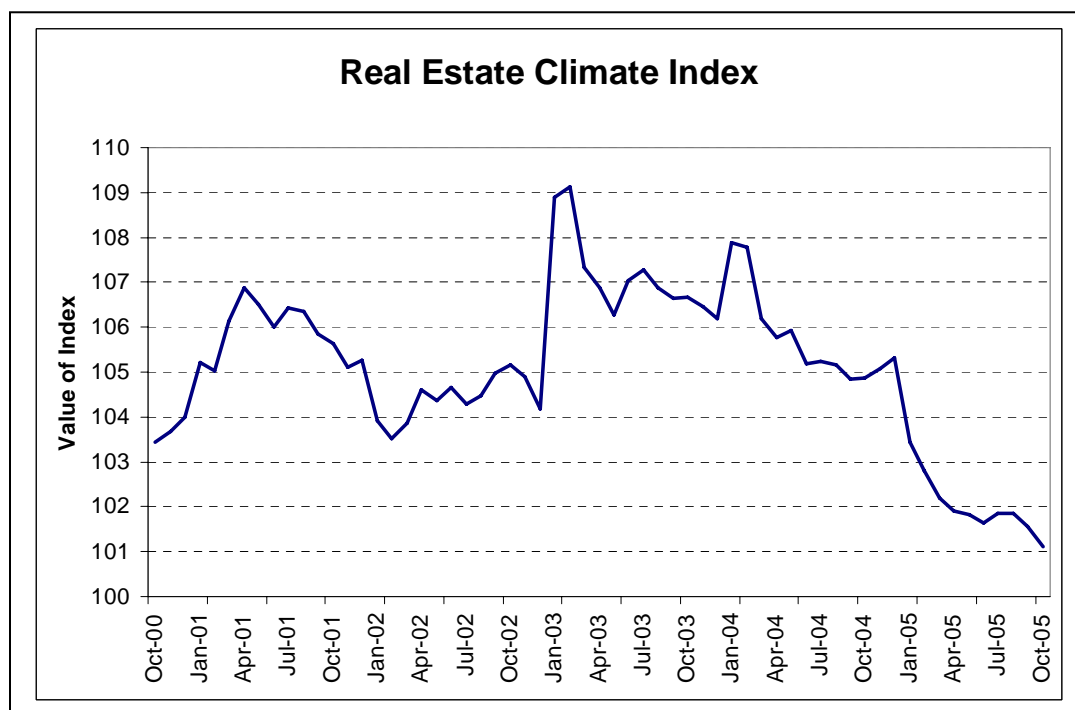
Weekly Highlights

China's Real Estate Climate Index - decreased from 101.6 in September to 101.1 in October.
(page 34)

Industrial Profits growth - slowed from 20.1% Y/Y in September to 19.4% Y/Y in October.
(page 35)

Weekly Releases & News

Chart of the Week: *Real Estate Climate Index*

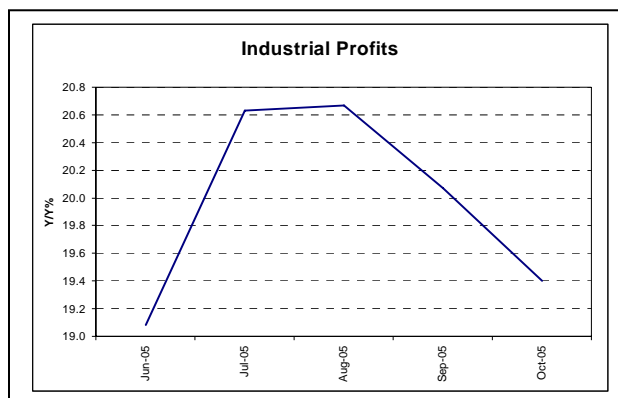


China's Real Estate Climate Index decreased from 101.6 in September to 101.1 in October. There were marginal decreases across the board, with the highest decrease in the Capital Source sector (.7). Overall, this index has been on a declining trend since March 2003; however, it has remained above the 100 advance/decline level through the slowdown.

Industrial Profits & News Releases

Industrial Profits

Industrial Profits growth slowed from 20.1% Y/Y in September to 19.4% Y/Y in October.



News Releases

November 22nd – China Expected to Surpass Germany as Second Largest Trading Country in 2008 -

Gao Hucheng, Vice Minister of Commerce, predicted that China is expected to become the second largest trading country in 2008, provided that foreign trade stays at 15% annually. He further predicted that China may surpass the U.S. and claim the number one spot between 2015 and 2020.

November 20th – Trade Surplus Expected to Exceed \$100 bln in 2005 -

Chief Economist, Yao Jingyuan, from China's National Bureau of Statistics, expects China's trade surplus to reach over \$100 bln this year. Yao commented that every time he travels "everything I pick up in stores says made in China." Yao added that, "We must continue to negotiate with our trading partners, but we also must pay more attention in managing our domestic manufacturers to make sure they don't use only a high-volume, price cutting approach to exports."

November 20th – Focus on Keeping Rate Stable -

Assistant PBoC Governor, Yi Gang, commented that China will keep its yuan stable, following a 2% gain against the dollar since July. He added that only a few have had an objection to the current revaluation process stating, "Our surveys reveal that only between 6.6% and 13.7% of exporters have decided to export less because of the revaluation." "Overall the market's reaction to yuan exchange rate reform has been positive," Yi added.

November 18th - China To Reform Currency and Ease Capital Flow Restrictions -

Central Bank's Governor, Zhou Xiaochuan, stated that over the next five years, China will continue to reform its currency system and ease restrictions on capital flows in order to become fully convertible. Zhou stated "Certain restrictions should still be put in place to curb short-term foreign debt and speculative positions even when the renminbi's capital account is basically convertible."

News Releases (cont'd.)&Upcoming Dates

News Releases (cont'd.)

November 17th – Yuan Policy May Hamper Economy - The IMF feels that China's refusal to make its exchange rate more flexible, is causing problems in its economy. One problem the IMF sighted was an upsurge of its reserves which may dissuade foreign investment. Another area that would lead to a global problem would be trade restrictions being placed on China from other countries, the IMF said.

November 17th – Economy To Expand 8.5% For Next Five Years – Director of the Calculation Department of National Economy, Xu Xianchun, stated that China's economy is expected to expand at an average of 8% in the first 20 years of the 20th century. Xu added that China will also experience an 8.5% increase in growth during the next five years up to 2010 with GDP above 26 trln yuan. He further stated that between 2010 and 2015, GDP will exceed 42 trln yuan with an annual growth rate of 8%. Investments and consumption will make up 42% and 57% of the growth.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/27-29	Government Revenue – Oct	--	235.2B
11/27-29	Government Expenditure – Oct	--	287.6B
11/27-30	Leading, Coincident & Lagging Indices – Oct	--	102.7 / 100.8 / 92.7
11/30	PMI Manufacturing – Nov		54.--1

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Valance Economic Report: Sweden

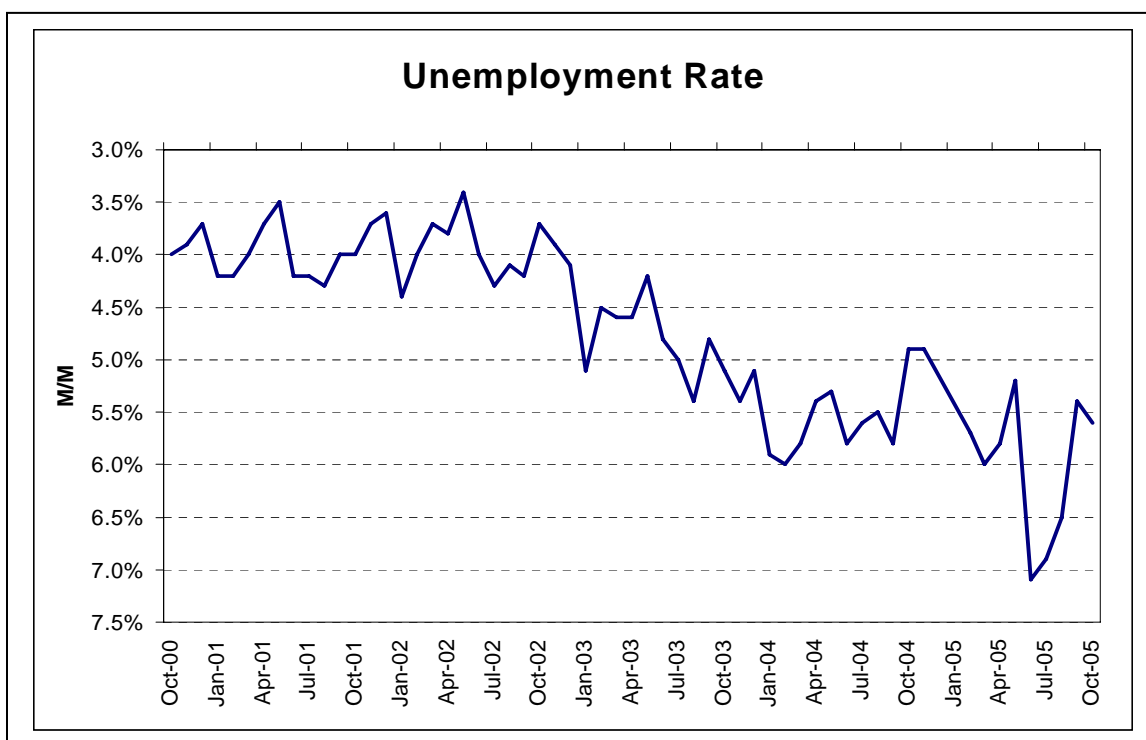
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November 23, 2005

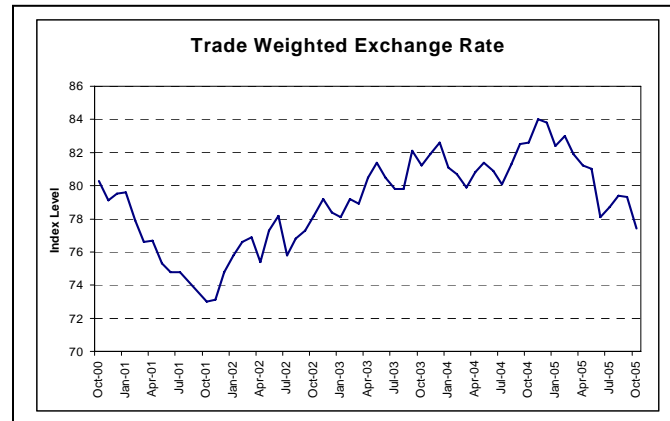
Sweden's Unemployment Rate, the only economic indicator released this week, rose from 5.4% in September to 5.6% in October.

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

The Unemployment Rate rose from 5.4% in September to 5.6% in October.. Expectations were for a decline to 5.3%. The number of persons unemployed rose to 254K -- up 12K from the month before. Conversely, the number of employed fell to 4.24 mln -- down 20K in the same period.

Trade Weighted Exchange Rate & Upcoming Dates

Trade Weighted Exchange Rate



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/24	Consumer Confidence – Nov	12.8	12.2
11/24	Manufacturing Confidence - Nov	0.6	--
11/25	Current Account - 3Q	45.0B	48.1
11/25	Trade Balance - Oct	15.0B	15.6B
11/25	PPI – M/M / Y/Y - Oct	0.2% / 4.2%	0.2% / 4.2%
11/29	Retail Sales s.a. M/M / n.s.a. Y/Y - Oct	--	0.3% / 6.5%

Valance Co., Inc.

Valance Economic Report: *Switzerland*

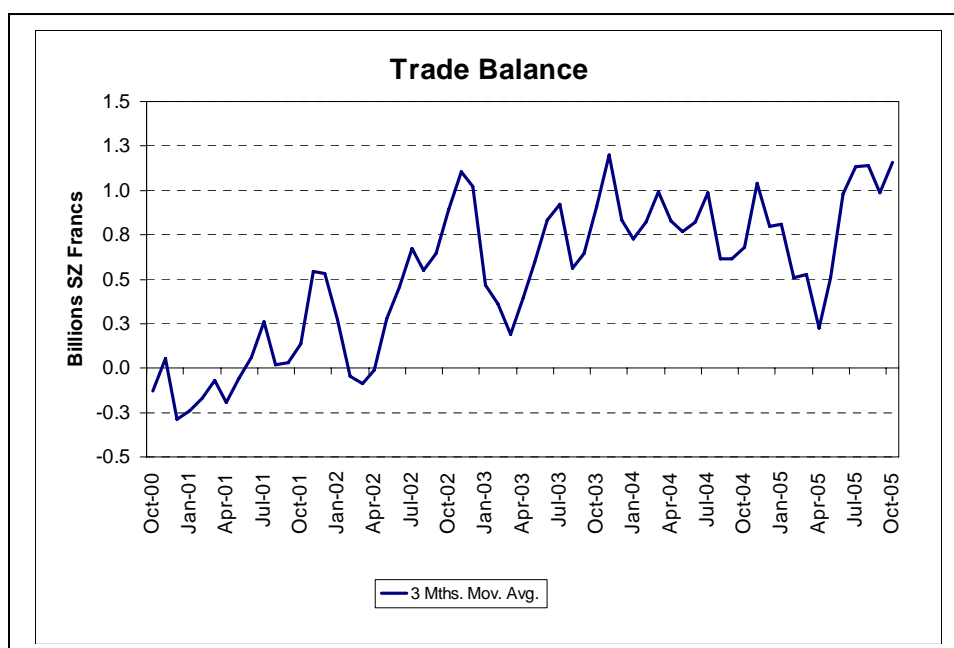
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November 23, 2005

Recent data showed an improvement in exports, as well as in the UBS Consumption indicator. Conversely, Producer & Import Prices slowed as a result of declining oil prices.

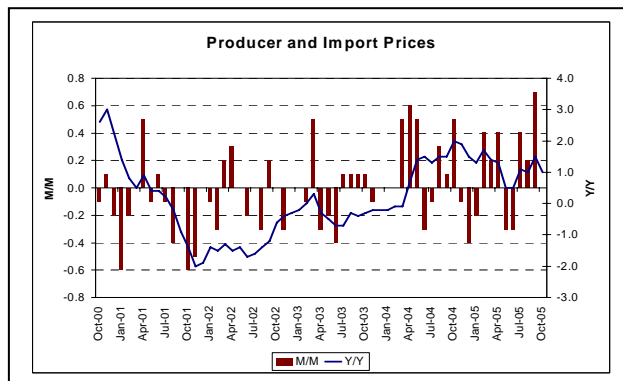
Weekly Releases & News**Chart of the Week: *Trade Balance***

Switzerland's Trade Balance improved from a surplus of 1.15 bln francs in September to a surplus of 1.16 bln francs in October, marking the largest surplus in four months. This increase was partly attributed to a rise in the exports of chemicals (3.8% Y/Y) and precision instruments (7.5% Y/Y). Exports and imports, adjusted for inflation, advanced 3.3% Y/Y and 5.8% Y/Y, respectively.

Producer and Import Prices, UBS Consumption Indicator & Trade Weighted Exchange Rate

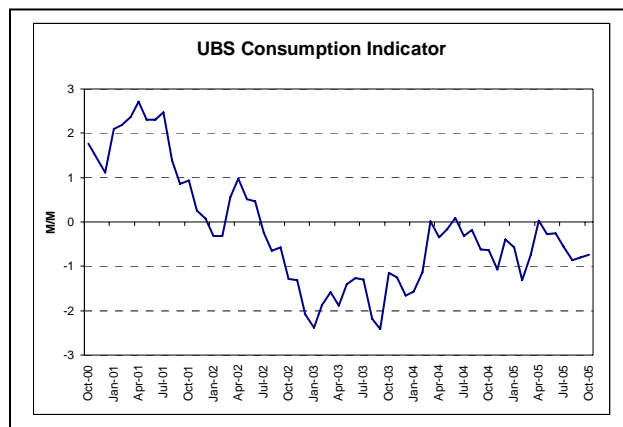
Producer & Import Prices

Producer & Import Prices slowed from 0.7% M/M and 1.5% Y/Y in September to 0.0% M/M and 1.0% Y/Y in October, mostly due to declining oil prices.

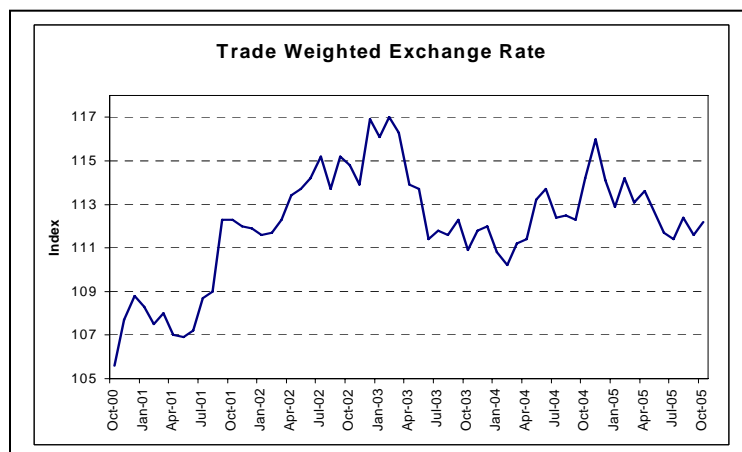


UBS Consumption Indicator

The UBS Consumption Indicator increased from -0.798 in September to -0.732 in October, marking the highest level since July.



Trade Weighted Exchange Rate



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/25	KOF Swiss Leading Indicator (Nov)	0.85	0.81
11/30	CPI - M/M / Y/Y (Nov)	--	0.9% / 1.3%