

Valance Company, Inc.



Weekly

November 30, 2005

III

Highlights

US – Housing data mixed; Strong Q3 GDP revision (page 2)

Euroland – The start of a short hiking cycle? (page 8)

Japan – Stable Core CPI in October supports BoJ view (page 17)

UK – Surge in House Prices appears to have ended following the last rate cut (page 23)

United States
Cesar Guerra
cguerra@valance.us

Euroland
Sean O'Reilly
soreilly@valance.us

Japan
Davin Patton
dpatton@valance.us

United Kingdom
Gabe Webber
gwebber@valance.us

China
Canada
La-Toya Elizee
lelizee@valance.us

Australia
New Zealand
Milo Prochazka
mprochazka@valance.us

Sweden
Switzerland
China
Evelyn Richards
erichards@valance.us

November 24 – November 30 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	0.03	1.25	9.50	15.50	16.00
	4.00	4.42	4.50	4.79	4.89	4.86
EU	0.00	0.03	0.50	0.50	1.50	1.50
	2.00	2.48	2.52	2.72	2.86	2.94
JN	0.00	0.00	0.00	0.50	-0.50	0.50
	0.00	0.06	0.09	0.14	0.20	0.30
UK	0.00	0.00	1.00	6.00	7.00	7.00
	4.50	4.62	4.61	4.58	4.58	4.61
CA	0.00	0.04	0.00	6.00	9.00	10.00
	3.00	3.39	3.50	3.93	4.06	4.07
AU	0.00	0.00	0.00	-1.00	0.00	-2.00
	5.50	5.57	5.61	5.60	5.62	5.62
NZ	0.00	0.03	6.00	11.00	6.00	7.00
	7.00	7.63	7.63	7.67	7.52	7.34
SZ	0.00	0.04	2.00	7.00	4.00	2.00
	0.75	1.01	1.08	1.45	1.67	1.81

This document is for information purposes only and should not be regarded as an offer to sell or as a solicitation of an offer to buy the products mentioned in it. No representation is made that any returns will be achieved. Past performance is not necessarily indicative of future results; any information derived herein is not intended to predict future results. This information has been obtained from various sources, including where applicable, entered by the user; we do not represent it as complete or accurate. Users of these calculators are hereby advised that Valance Co., Inc. takes no responsibility for improper, inaccurate or other erroneous assumptions to the extent such data is entered by the user hereof. Opinions expressed herein are subject to change without notice. The securities mentioned in this document may not be eligible for sale in some states or countries, nor suitable for all types of investors.

Valance Economic Reports

Valance Co., Inc.

Valance Economic Report: United States

Cesar Guerra

(340) 692-7710

cguerra@valance.us

November 30, 2005

This week's light economic data was highlighted by mixed signals in the housing market and a strong upwards revision to Q3 GDP. Durable goods orders also showed capital expenditures are expanding at a solid pace and the Chicago PMI showed more price pressures building.

Weekly Highlights

Existing Home Sales- declined to 7.09 mln. (page 2)

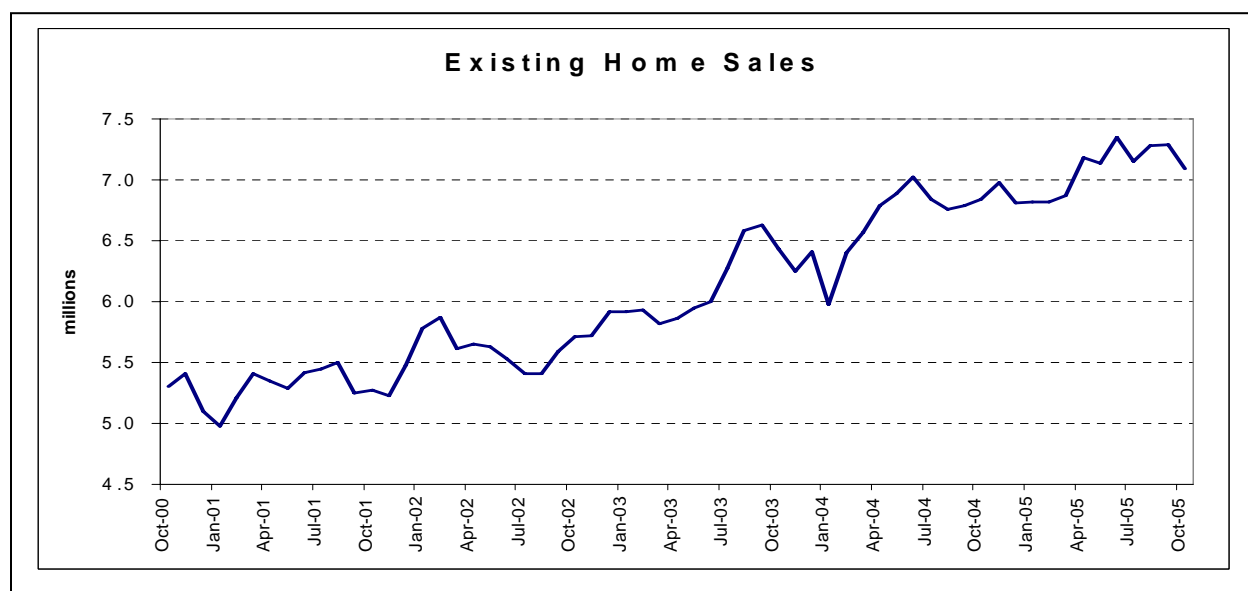
New Home Sales- increased to 1.424 mln. (page 4)

Durable Goods ex. Trans. - increased 0.3% M/M and 8.7% Y/Y. (page 4)

GDP- increased at a revised rate of 4.3% on an annualized basis in Q3. (page 5)

Weekly Releases

Chart of the Week: *Existing Home Sales*



The volume of Existing Home Sales dropped from 7.29 mln to an annualized rate of 7.09 mln in October- showing signs of weakness in the housing market. Excluding the impact of the various hurricanes, volumes would have been even lower. Median prices were still up 2.3% M/M and 16.6% Y/Y. The supply of existing homes increased from 4.6 months to 4.9 months, the highest since June 2003. The weakness in the existing homes data was balanced by the strength in the new homes data (shown on page 4) released the next day.

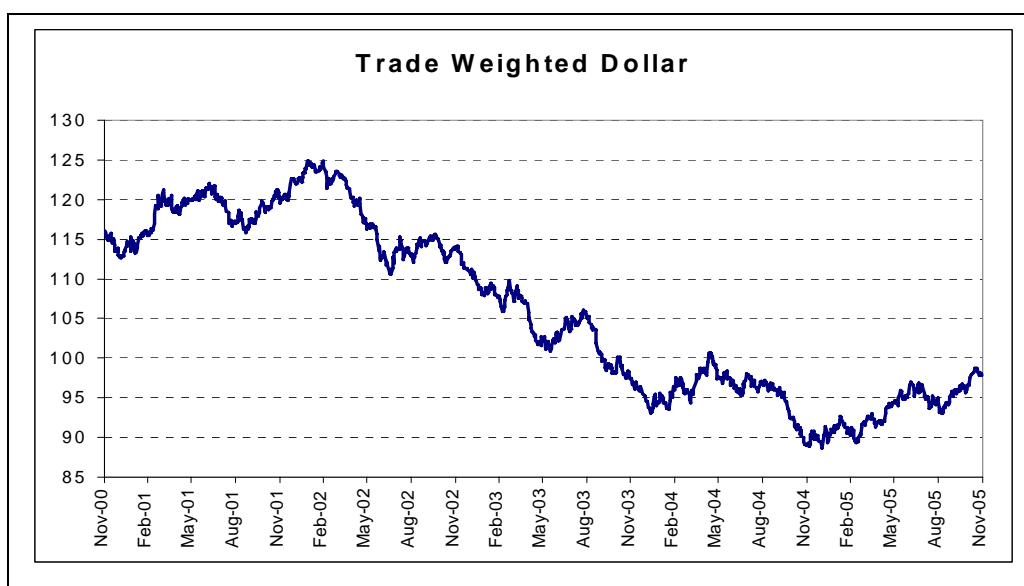
U.S. Financial Balances & Trade Weighted Dollar

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.

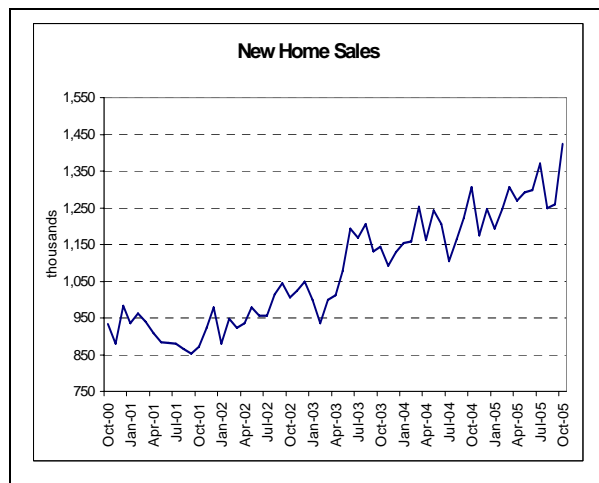
Trade Weighted Dollar



New Home Sales, Mort. Apps & Durable Goods

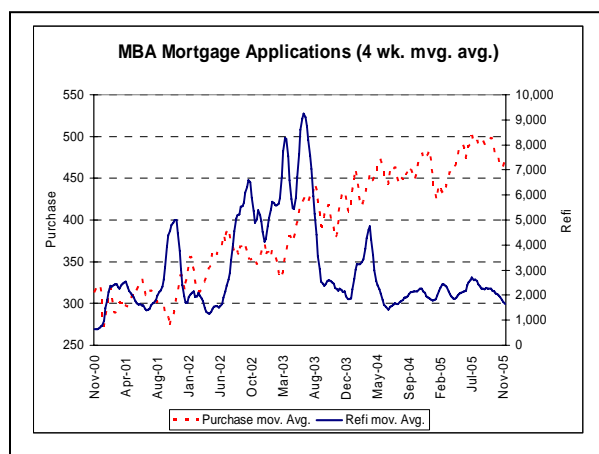
New Home Sales

New Home Sales increased from 1.260 mln to 1.424 mln in October, above expectations. Median prices were up 1.6% M/M and up only 0.9% Y/Y. The supply of new homes dropped from 4.7 months to 4.3 months. This data showed strength in the housing market and eased fears that the housing market would start to unravel.



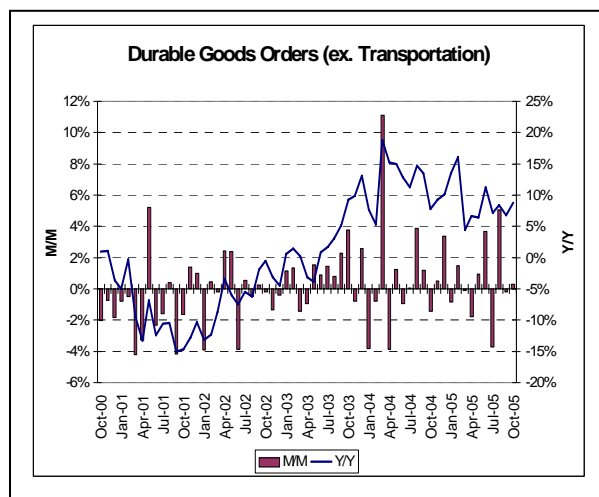
MBA Mortgage Applications

Purchase and refinancing mortgage applications increased 0.8% and decreased 6.3%, respectively, this week. The four-week moving average for purchases is now up 0.3% Y/Y.



Durable Goods ex. Trans.

Durable Goods Orders, excluding transportation, increased 0.3% M/M and increased 8.7% Y/Y in October. This volatile series recovered after a dip in September. Non-defense capital goods orders, excluding aircraft (a proxy for business capex in the GDP report), increased 1.3% M/M and the 3 month annualized rate is 8.4%.



GDP

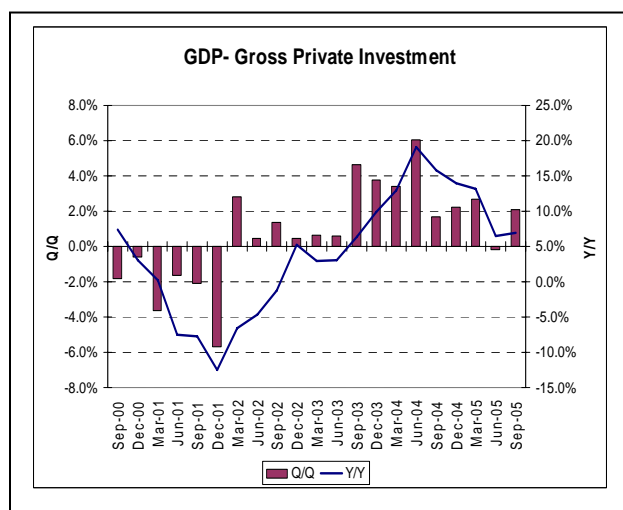
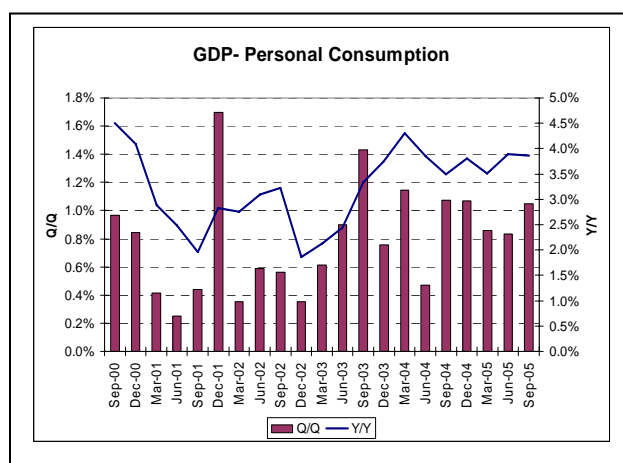
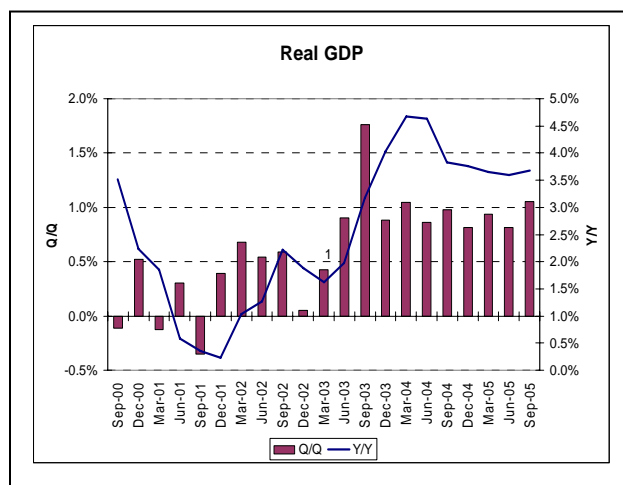
Q3 GDP annualized Q/Q growth was 4.3%, up from initial estimates of 3.8% and Q2 results of 3.3%.

Inventories subtracted 0.44% from Q3 growth and vehicle sales added 0.53%.

Personal Consumption grew 4.2% and gross private investment grew 5.8%.

The core consumption price deflator was up 1.2% on a Q/Q annualized basis, down from 1.7% in Q2.

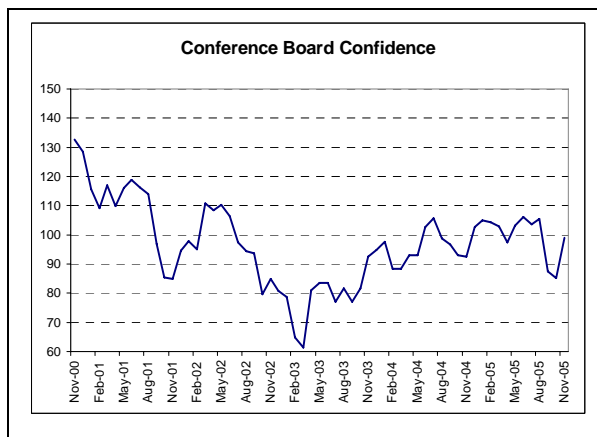
Overall, the report showed above potential economic growth with tame inflation.



Confidence & Chicago PMI

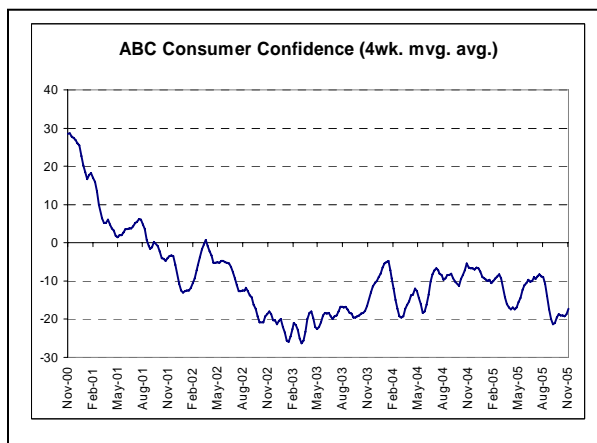
Conference Board Confidence

The Conference Board's Index of Consumer Confidence jumped from 85.2 to 98.9 in November, above expectations. Expectations and people's assessment of current conditions both increased, from 70.1 to 88.8 and from 107.8 to 114, respectively. The job plentiful component increased from 20.7 to 20.8 and jobs hard to get dropped from 25.3 to 23.2.

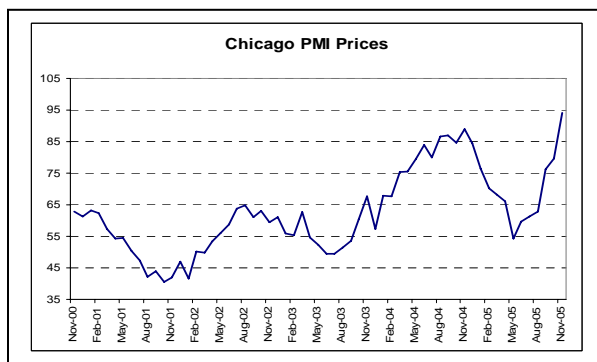
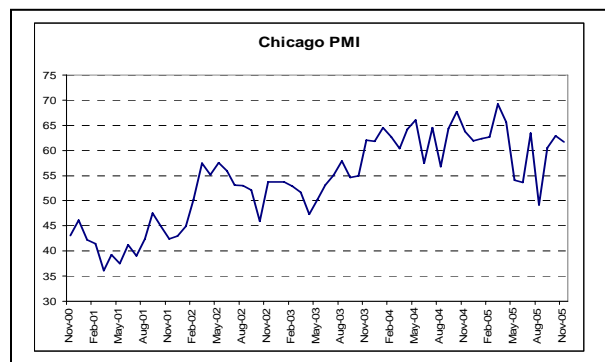


ABC Consumer Confidence

The ABC Consumer Confidence Index improved from -17 to -15. The economy component remained flat at -28. The finance component increased from 10 to 12 and the buying component improved from -34 to -28.



Chicago PMI



The Chicago PMI decreased from 62.9 to 61.7 in November. Prices paid components jumped from 79.6 to 94.1. The employment and new order components both declined from 51.3 to 50.3 and from 72.6 to 61.6, respectively.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
12/01	Personal Income (OCT)	0.5%	1.7%
12/01	Personal Spending (OCT)	0.2%	0.5%
12/01	PCE Core (OCT) (M/M)	0.2%	0.2%
12/01	Initial Jobless Claims (NOV 26)	352K	335K
12/01	Continuing Claims (NOV 19)	2780K	2824K
12/01	Construction Spending (OCT) (M/M)	0.5%	0.5%
12/01	ISM Manufacturing (NOV)	58.0	59.1
12/01	Total Vehicle Sales (NOV)	15.9M	14.7M
12/02	Change in Nonfarm Payrolls (NOV)	210K	56K
12/02	Unemployment Rate (NOV)	5.0%	5.0%
12/02	Average Weekly Hours (NOV) (M/M)	0.2%	0.5%
12/05	ISM Non-Manufacturing (NOV)	59.0	60.0
12/06	Nonfarm Productivity (Q3)	4.2%	4.1%
12/06	Unit Labor Costs (Q3)	-0.5%	-0.5%
12/06	Factory Orders (OCT)	1.1%	-1.7%
12/06	Pending Home Sales (OCT) (M/M)	NA	-0.3%
12/06	ABC Consumer Confidence (DEC 4)	NA	-15
12/07	MBA Mortgage Applications (DEC 2)	NA	1.8%
12/07	Consumer Credit (OCT)	\$5.5B	-\$0.1B

Valance Co., Inc.

Valance Economic Report: Euro Zone

Sean O'Reilly

(340) 692-7710

soreilly@valance.us

November 30, 2005

The ECB will almost certainly increase interest rates from 2.0% to 2.25% tomorrow on the back of slightly stronger economic data and in an attempt to preemptively kill “second rough effects.” With weak domestic economies and no true inflationary pressures, we maintain our view that the hiking cycle will be short lived and will be just enough to maintain ECB credibility and create a positive real rate.

Weekly Highlights

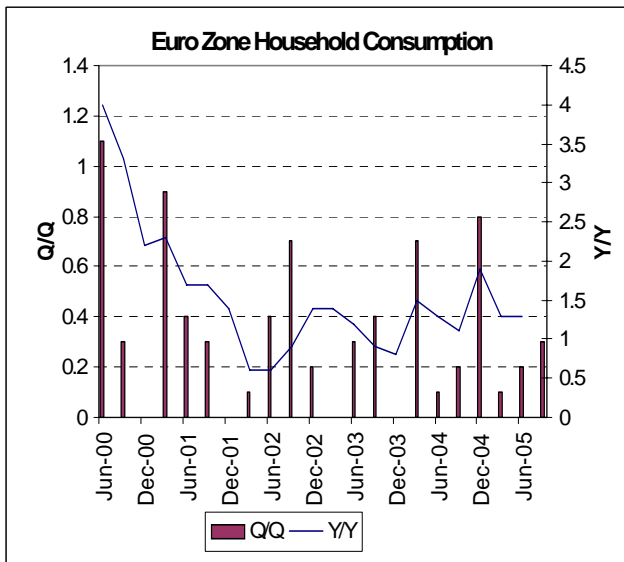
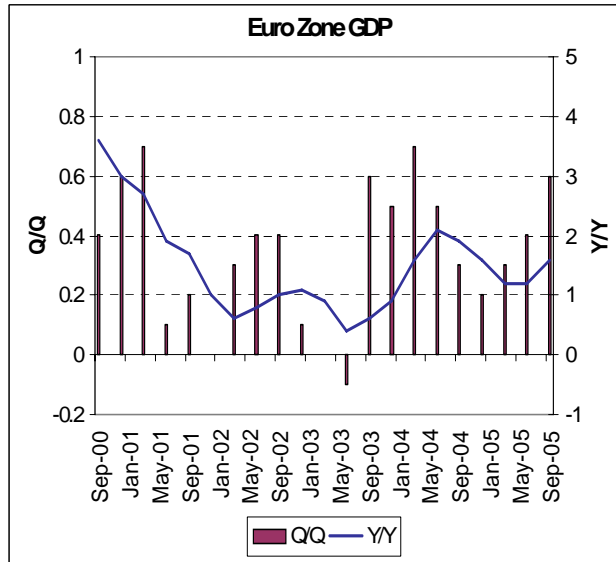
Euro Zone Household Consumption— expanded 0.3% Q/Q in Q3. (page 8)

German IFO— business confidence unexpectedly contracted in November. (page 10)

French Business Confidence— plummeted in November. (page 11)

Weekly Releases & News

Charts of the Week: Euro Zone GDP



The Euro Zone economy expanded 0.6% Q/Q and 1.6% Y/Y in Q3 (revised upward from 1.5% Y/Y). Household Consumption expanded 0.3% Q/Q (up from 0.2% in Q2), Government Consumption expanded 0.7% Q/Q (up from 0.6% in Q2), Exports expanded a very strong 3.4% Q/Q and Imports grew 2.8% Q/Q.

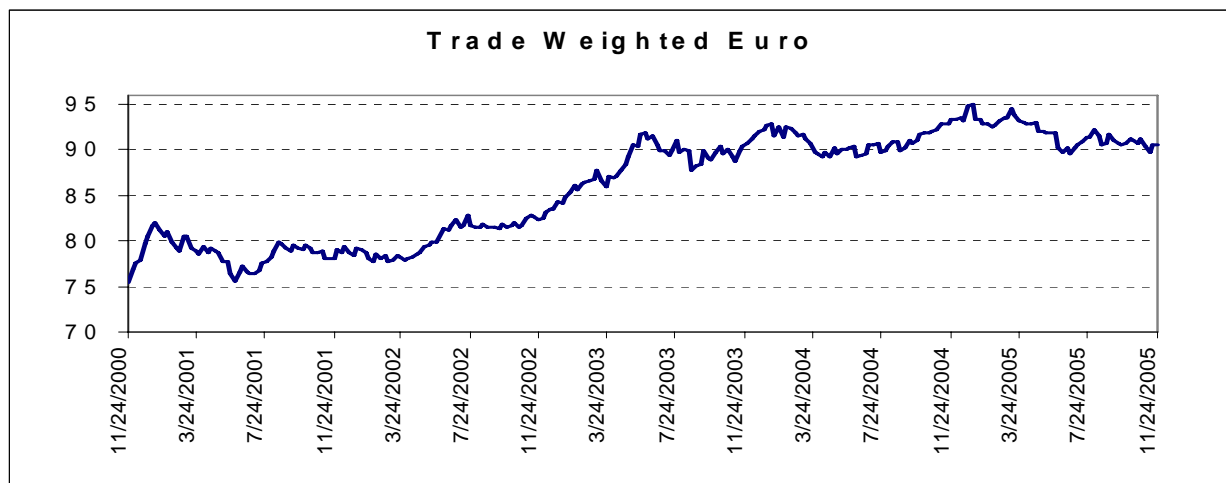
Euro Zone Financial Balances & Trade Weighted Euro

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.

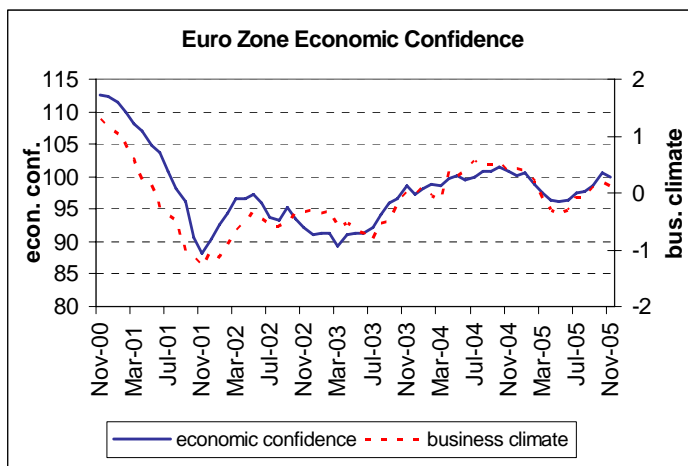
Trade Weighted Euro



Euro Zone Confidence, German IFO & French Confidence

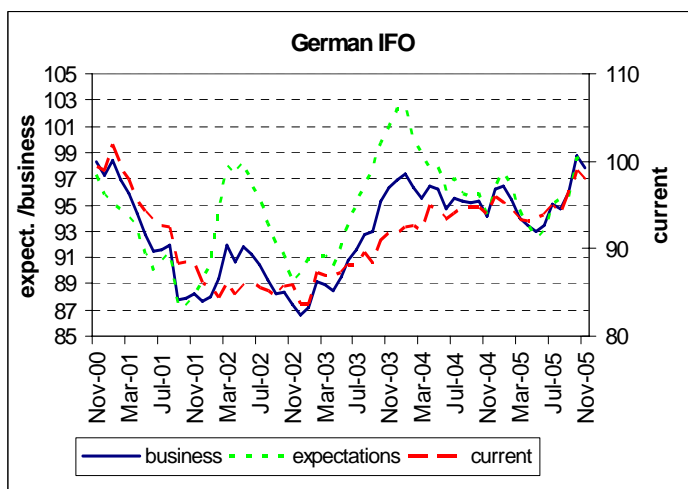
Euro Zone Confidence

The Euro Zone's November Economic Confidence Index fell from 100.5 in October to 99.9. The Business Climate Index unexpectedly declined from 0.15 to 0.13 while the Consumer Confidence Index remained unchanged.



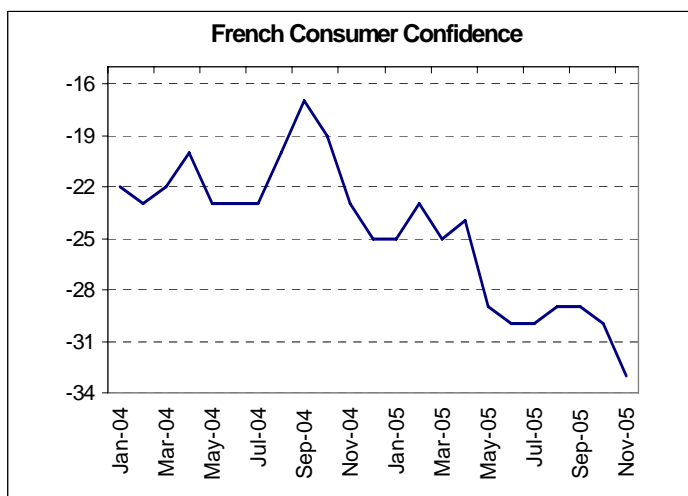
German IFO

Germany's November Business Climate survey fell from 98.8 in October to 97.8. The Current Assessment Index unexpectedly fell from 98.9 to 97.8 and the Expectations Survey fell from 98.5 to 97.7.



French Consumer Confidence

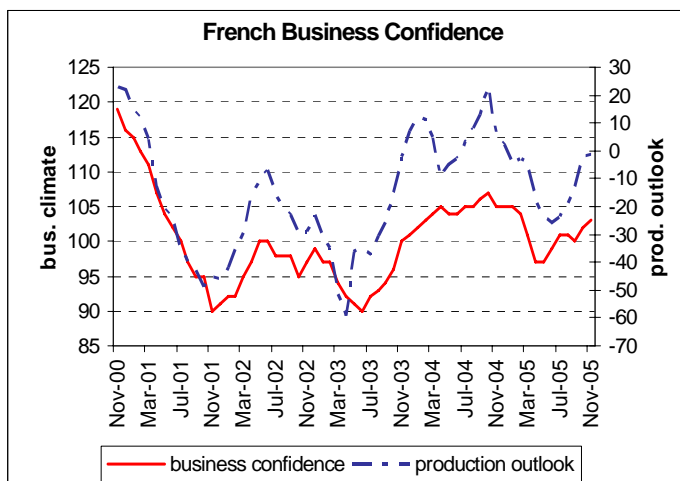
French Consumer Confidence fell significantly once again in November, declining from -30 in October to -33. Riots that spanned three weeks in October most likely played a part in the decline.



French & Italian Confidence

French Business Confidence

French Business Confidence increased for the 2nd consecutive month in November, increasing from 102 in October to 103, the highest reading since February. The Production Outlook indicator increased from -2 to -1.



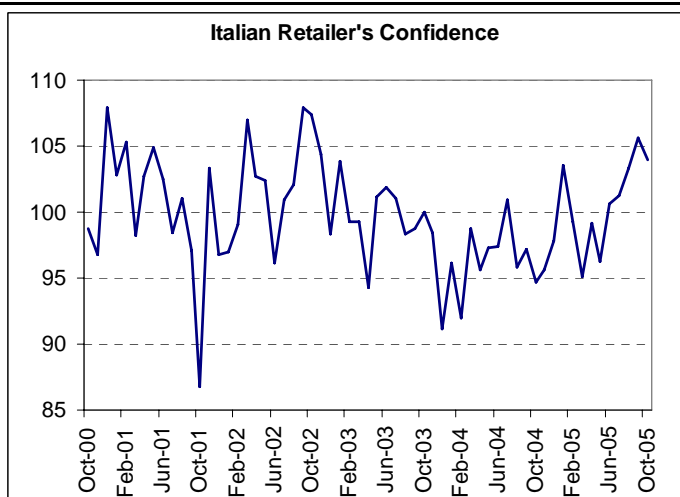
Italian Business Confidence

Italian Business Confidence rose from 89.5 in October to 90.1 in November; it's highest in 13 months. It was the fourth consecutive M/M gain as businesses such as Fiat are becoming "cautiously optimistic."



Italian Retailer's Confidence

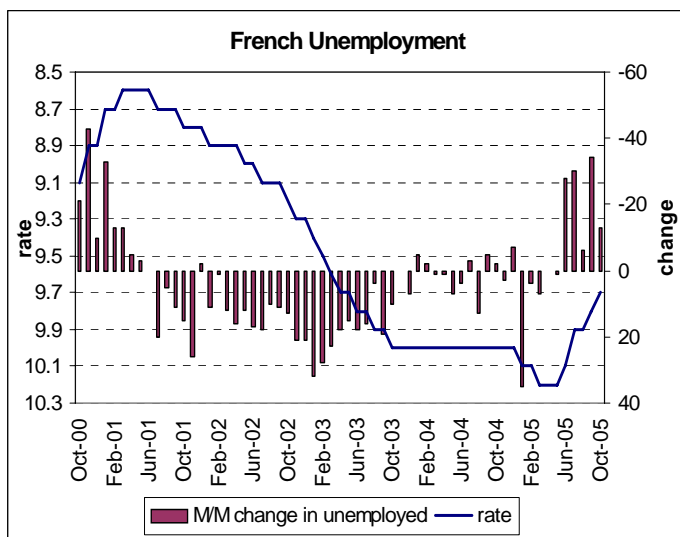
Italian Retailer's Confidence declined in October, falling from 105.6 in October to 104.0 after a sharp decline in business' "sales outlook."



French Unemployment, Euro Zone CPI & M3

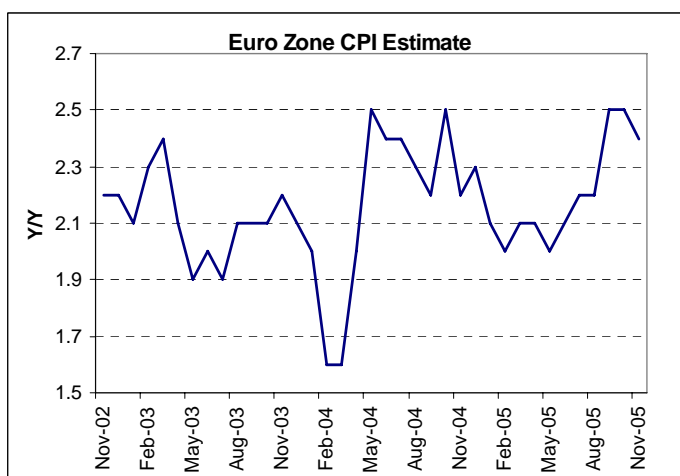
French Unemployment

France's October Unemployment Rate fell from 9.8% in September to 9.7% as the total unemployed fell by 13k. Prime Minister Dominique de Villepin stated that 200k jobs were created in the past four months under a new law that makes it easier for companies to fire workers.



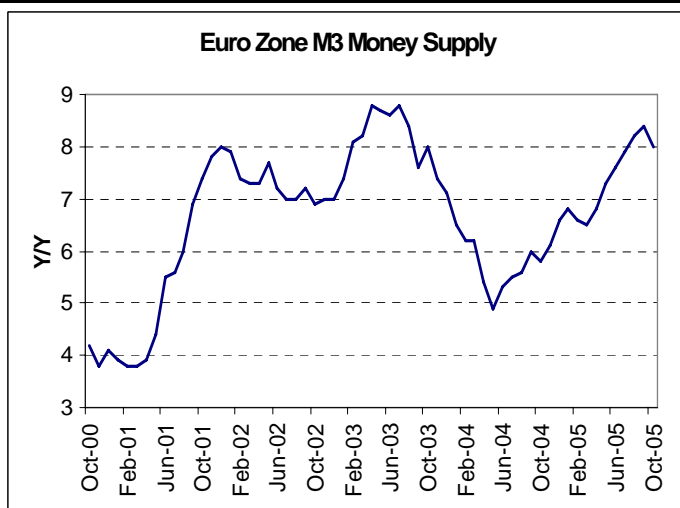
Euro Zone CPI Estimate

The Euro Zone November CPI Estimate slowed from 2.5% Y/Y in October to 2.4%.



Euro Zone M3

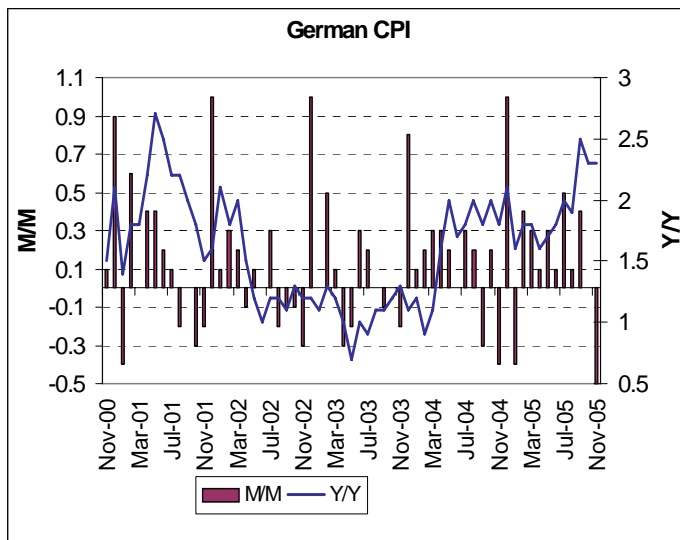
Euro Zone M3 slowed slightly in October, slowing from 8.5% Y/Y in September to 8% Y/Y. ECB views suggest that growth in excess of 4.5% Y/Y is inflationary. Credit to EU residents increased 7.7% Y/Y, Capital and Reserves grew 6.0% Y/Y, and Credit Loans expanded 8.8% Y/Y.



German CPI, Italian CPI & Hourly Wages

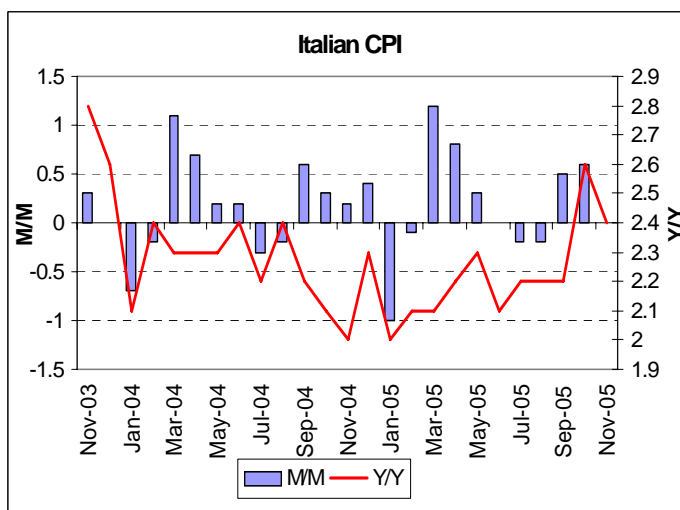
German CPI

German Consumer Prices fell markedly in November, declining 0.5% M/M while climbing 2.3% Y/Y. The decline in oil prices is credited with much of the fall.



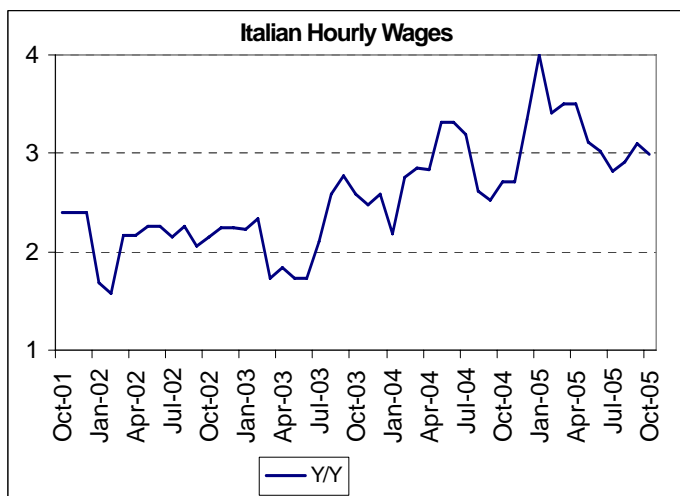
Italian CPI

Italy's November Consumer Prices were unchanged M/M and expanded 2.4% Y/Y.



Italian Hourly Wages

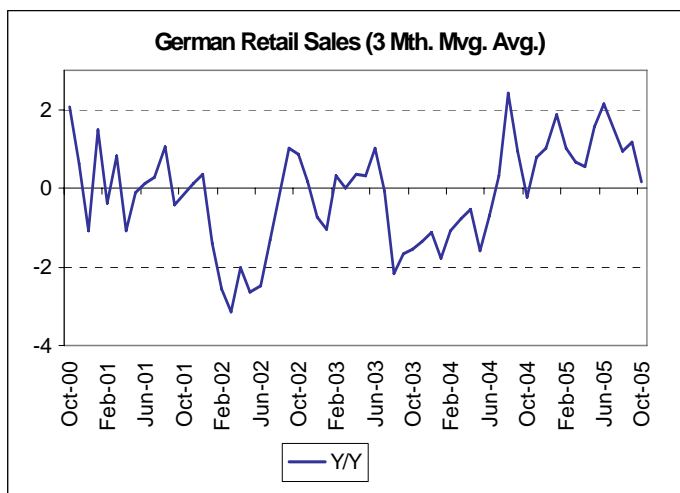
Italian Hourly Wages increased 0.1% M/M and 3% Y/Y in October, slowing slightly from its 3.1% Y/Y pace in September.



German, Italian & Spanish Retail Sales

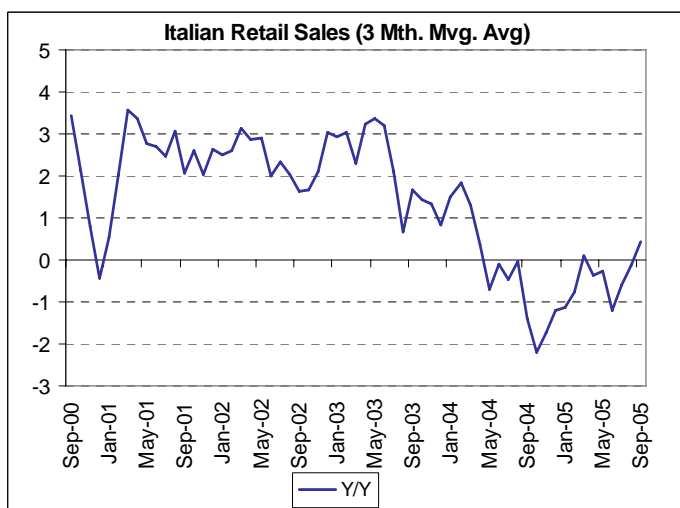
German Retail Sales

German Retail Sales increased 1.9% M/M while falling 0.8% Y/Y in October. M/M Sales have contracted in five of the past eight months as the German domestic economy remains particularly weak.



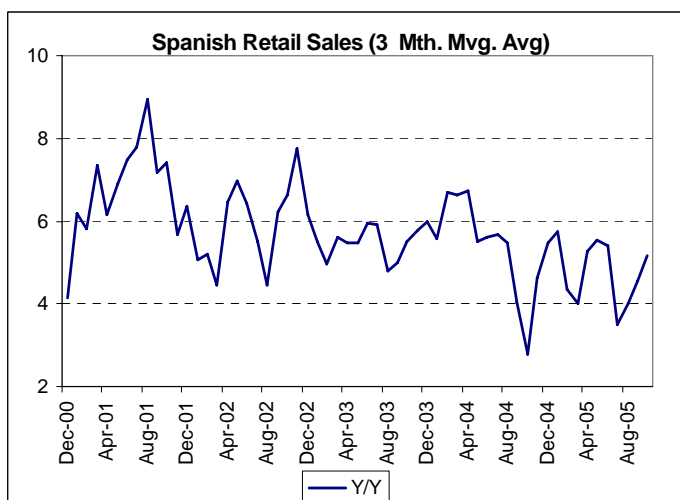
Italian Retail Sales

Italian Retail Sales fell 0.1% M/M while increasing 1.1% Y/Y in September.



Spanish Household Expenditure

Spanish Retail Sales expanded 3.2% M/M and 3.3% Y/Y in October.



News

Nov. 30th – **The ECB raised its 2006 inflation and economic growth forecast**, increasing their inflation forecast from 1.9% in 2006 to 2.1% and increasing their growth forecast from 1.8% in 2006 to 1.9%, according to an unidentified person.

Nov. 30th – **ECB member Lorenzo Bini Smaghi** stated that the bank's rate increases will be "limited" and that borrowing costs will remain "low" as long as inflation doesn't increase, stating, "We raise rates in a limited way to assure inflation stays low." Smaghi's comments support those made by Trichet earlier when he stated that the ECB has not necessarily planned a series of rate hikes.

Nov. 30th – **German Chancellor Angela Merkel** stated that she will cut the German deficit to spur economic growth.

Nov. 29th – **The Financial Times Deutschland reported that German companies** will increase investment 3.6% in 2006, after a 2.6% increase this year. KfW Bankengruppe stated that they expect export growth to continue to support company investment while financing costs will remain favorable.

Nov. 29th – **The OECD stated that German growth may accelerate** to as high as 1.8% next year as sustained demand for exports spurs investment at home. They also cut their 2005 growth forecast from 1.2% to 1.1%. The OECD also raised their 2005 and 2006 Euro Zone growth forecasts from 2.6% in 2005 and 2.8% in 2006 to 2.7% and 2.9% respectively.

Nov. 28th – **IG Metall, Europe's biggest industrial labor union**, plans to restrain wage demands for 2006 by not factoring in a sales tax increase that's planned for 2007, stating that tax increases will only have an effect on their policies AFTER inflation increases and not "ahead of time."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
12/01	ECB Announces Interest Rates	2.25%	2.0%
12/01	German Manufacturing PMI (NOV)	53.0	53.1
12/01	German Unemployment Change (NOV)	-20k	-36k
12/02	Italian New Car Registrations (NOV)	--	5.5% Y/Y
12/02	Spanish Industrial Output (OCT)	1.7% Y/Y	0.5% Y/Y
12/05	German Services PMI (NOV)	--	55.2
12/05	Euro Zone Retail Trade (OCT)	--	-0.4% M/M

Valance Co., Inc.

Valance Economic Report: Japan

Davin Patton
(340) 692-7710
dpatton@valance.us

November 30, 2005

Recent data from Japan was mixed although it was broadly in line with market expectations. Core Consumer Prices remained stable in October, and Industrial Production increased. Although the unemployment rate increased, details were more optimistic. Looking forward, the data appears to be supportive of a change in policy from the BoJ in the beginning of FY06.

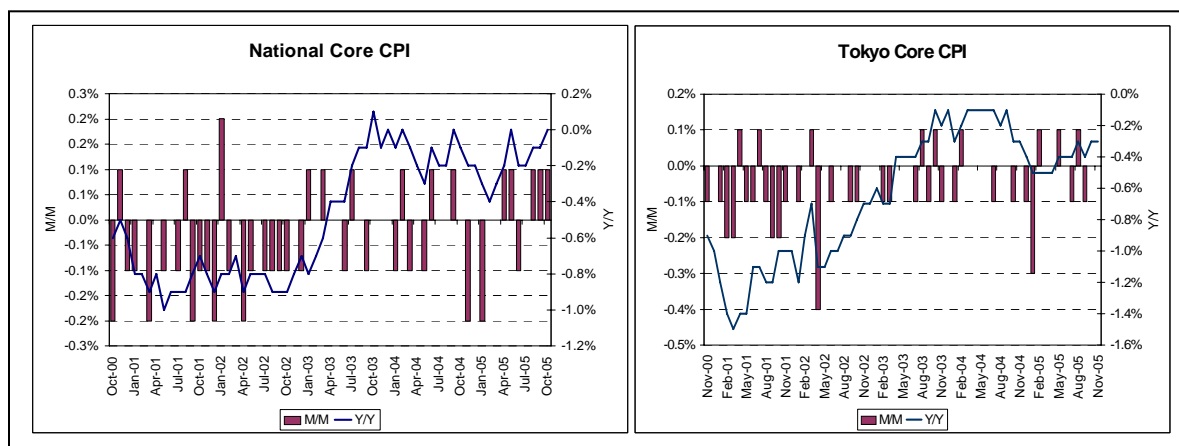
Weekly Highlights

Core CPI – increased 0.1% M/M and was unchanged Y/Y in October. (page 17)

Employment– Jobless Rate increased from 4.2% to 4.5% in October. (page 19)

Industrial Production (Prelim) – increased 0.6% M/M and 3.0% Y/Y in October. (page 20)

Charts of the Week: *CPI*

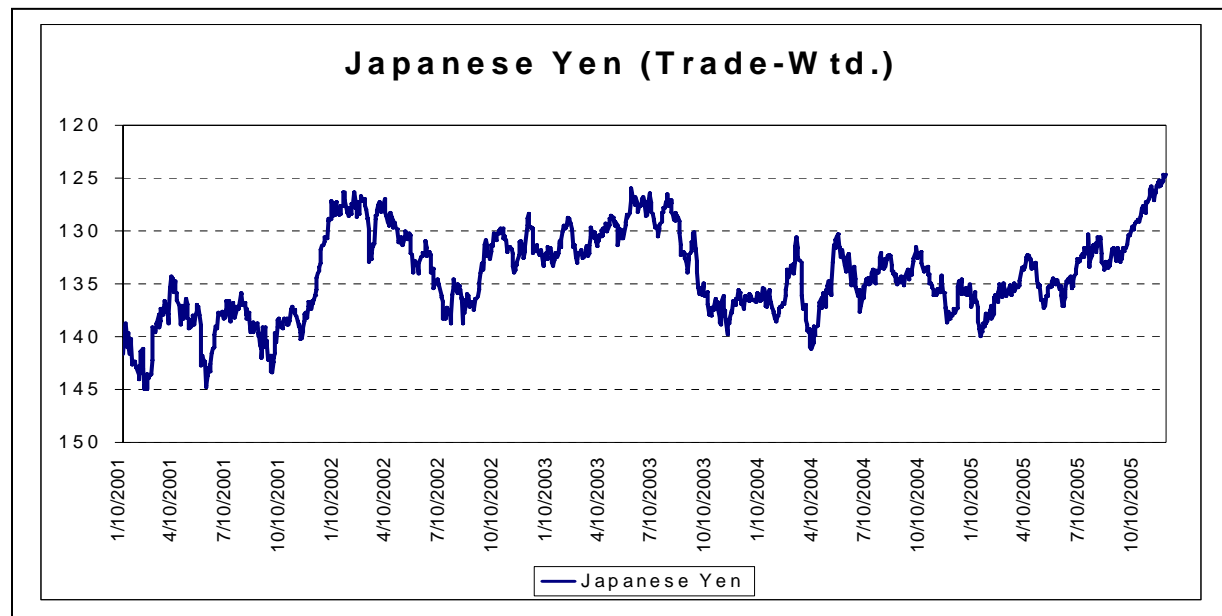


Core Prices in Japan increased 0.2% M/M and were unchanged Y/Y in October, slightly above the 0.1% M/M and 0.0% Y/Y changes expected. In Tokyo, Core Prices were unchanged M/M and declined 0.3% Y/Y in November, which were slightly below the 0.1% M/M and 0.0% Y/Y changes the market expected. While some may view the data as not being very positive, it is important to note that the data reflects stability in prices: this is the fourth consecutive month that Core Prices have been unchanged or improved, and the third consecutive month of M/M gains. Going back to the BoJ's policy, this data is supportive of a change in policy in the near term. Combined with solid production data, corporate profits and optimism, as well as, both domestic and foreign demand, the balance of risks continue to trend higher on the upside in the upcoming months.

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%



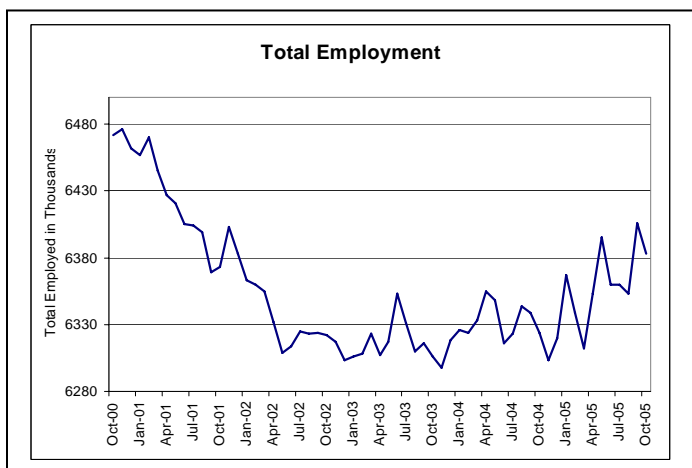
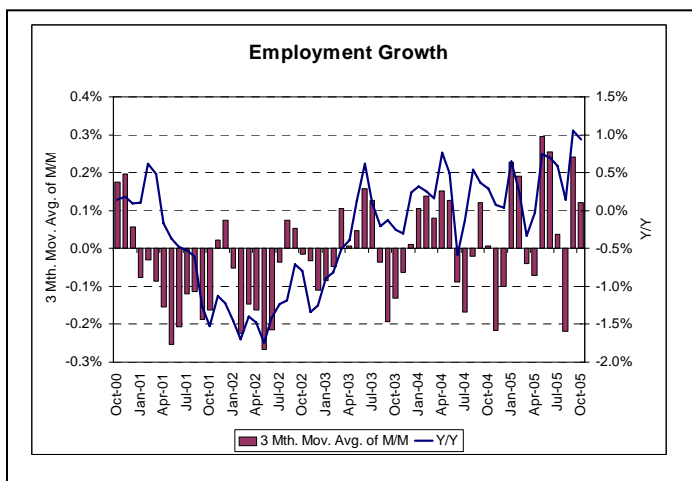
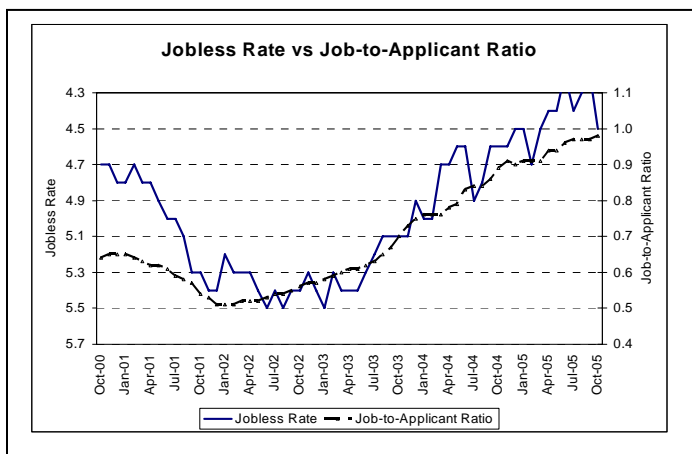
Employment Data

Employment

The Unemployment rate in Japan increased from 4.2% to 4.5% in October. The increase was caused as the labor force decreased in size by 50k people and total employment declined by 230k people.

The telling part of the picture however, lies in the broader view: total employment increased 0.9% Y/Y in October, and salaried workers increased 1.8% Y/Y in October. Both represent cycle-high Y/Y. By sector, the manufacturing sector continued to drive salaried employment as it increased by 120k people Y/Y in October.

The Job-Applicant Ratio increased from 0.97 to 0.98 in October: The increase resulted as job offers increased 0.2% M/M while Job Seekers declined 0.7% M/M in October.



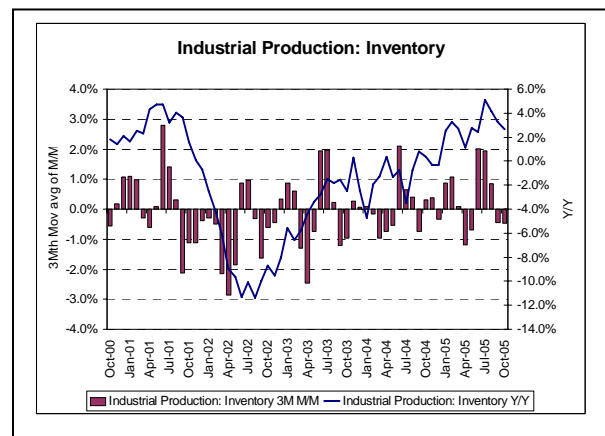
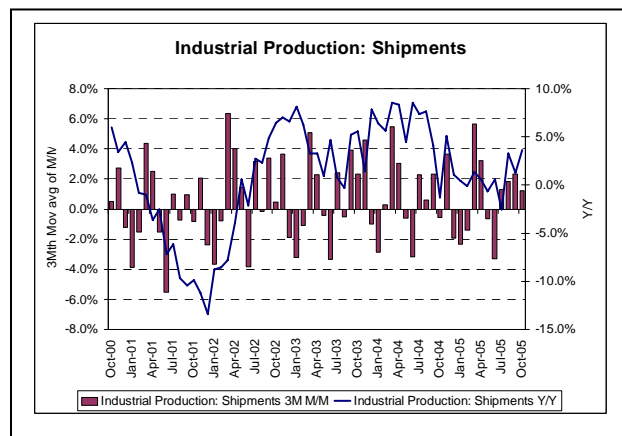
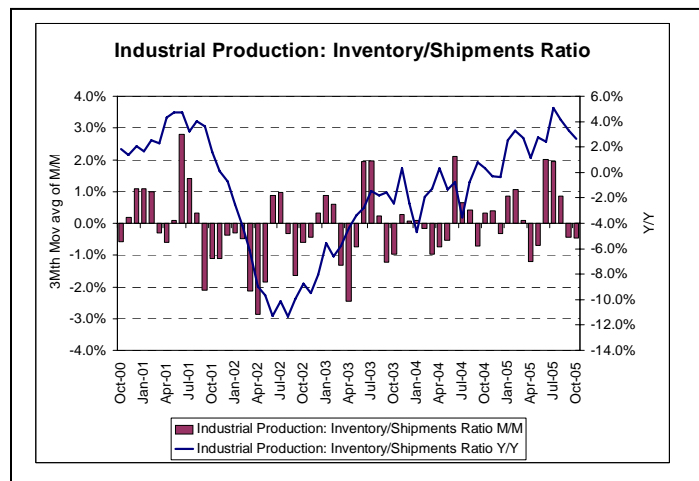
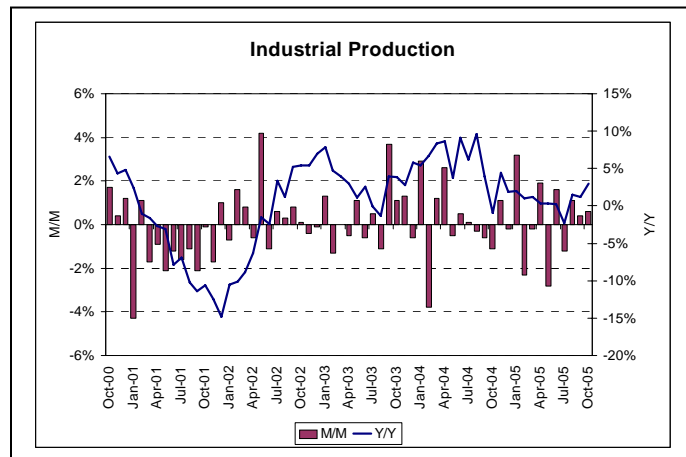
Industrial Production

Industrial Production

Preliminary data on Industrial Production in October indicates that it increased 0.6% M/M and 3.0% Y/Y. The data was below market expectations for a 1.3% M/M and 3.6% Y/Y increase.

Among the subcomponents, Shipments increased 1.7% M/M and 3.7% Y/Y. Inventories declined 1.7% M/M and increased 2.6% Y/Y and the Inventory Ratio decreased 2.2% M/M and increased 2.3% Y/Y

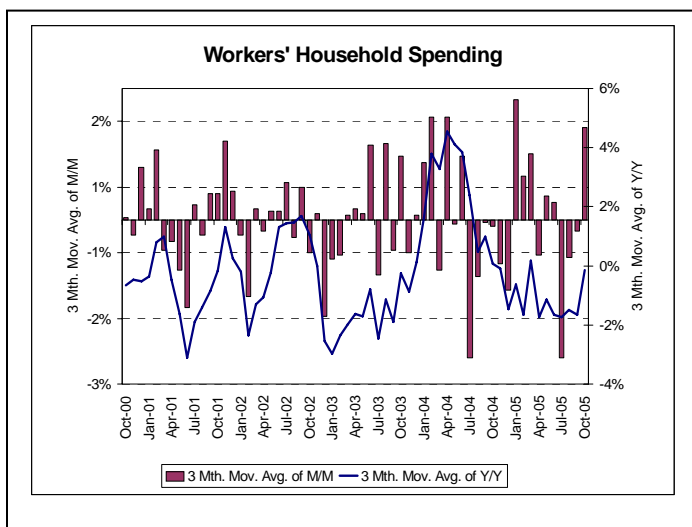
All in all, the data isn't as soft as the headline number appears- these details suggest that market expectations were missed as companies worked to reduce inventories, more so, than increasing production in October. With this correction in inventories, it appears likely that manufacturers will be able to return their focus on increasing production in the upcoming months. METI forecasts for Industrial Production call for a 4.6% M/M increase in November and a 0.6% M/M in December.



Household Spending & Lending

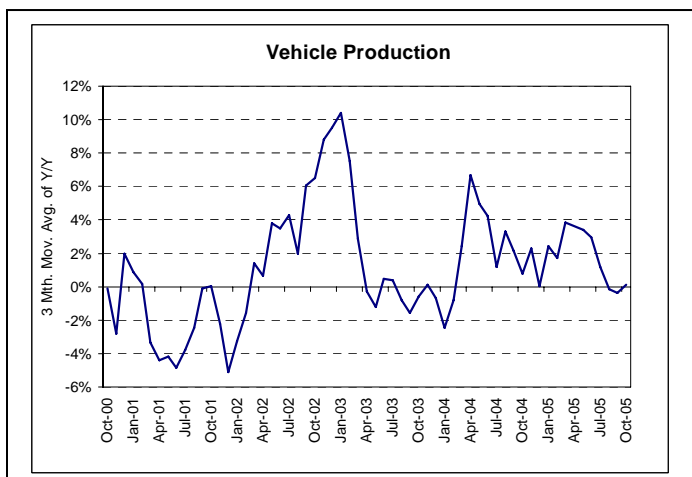
Workers' Household Spending

Workers' Household Spending increased 1.2% M/M and 1.3% Y/Y in October. Income in October increased 0.6% M/M and decreased 0.1% Y/Y while disposable income increased 0.8% M/M and declined 0.3% Y/Y. The Y/Y increases in spending were attributed primarily to furniture and household utensil spending, as well as, durable goods purchases..



Vehicle Production

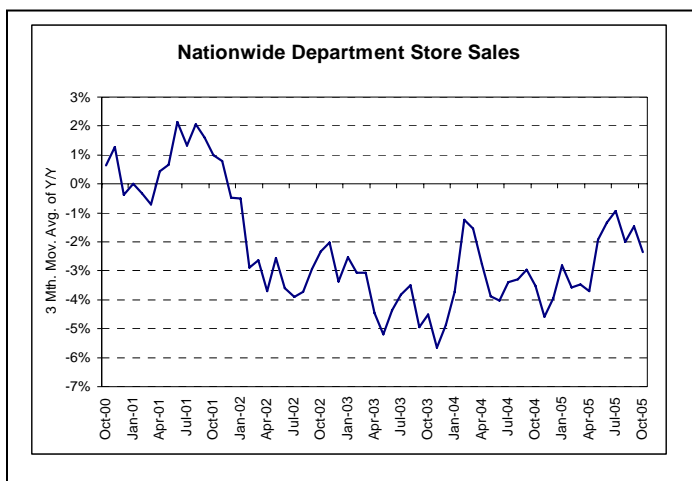
Vehicle Production declined 1.0% Y/Y in October. The decline was led by Nissan Motor Co. and came as fewer customers visited showrooms. Overall however, analysts expect vehicle production for Japan's 12 automakers this year to improve over last year's production.



Dept. Store, Supermarket, & Retailers' Sales

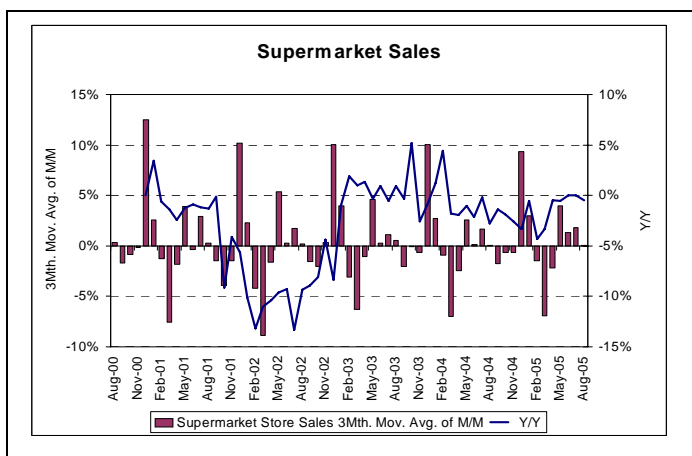
Nationwide Dept. Store Sales

Department Store Sales increased 0.1% Y/Y in October due to increases in cosmetics and accessory sales.



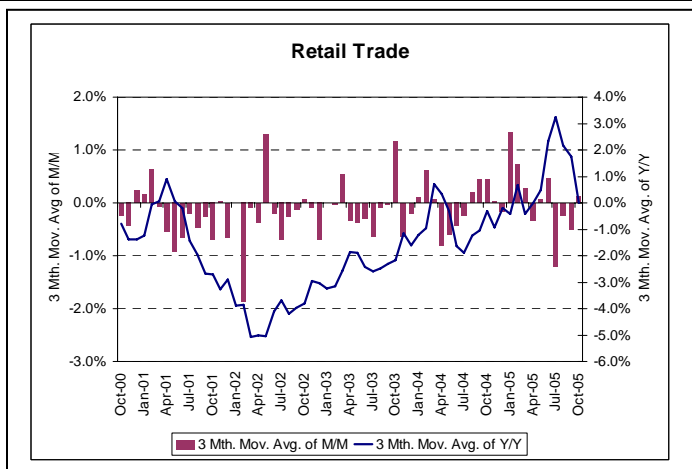
Supermarket Sales

Supermarket Sales increased 5.4% M/M and declined 4.6% Y/Y in October. The M/M increase was due largely to clothing sales.



Retail Sales

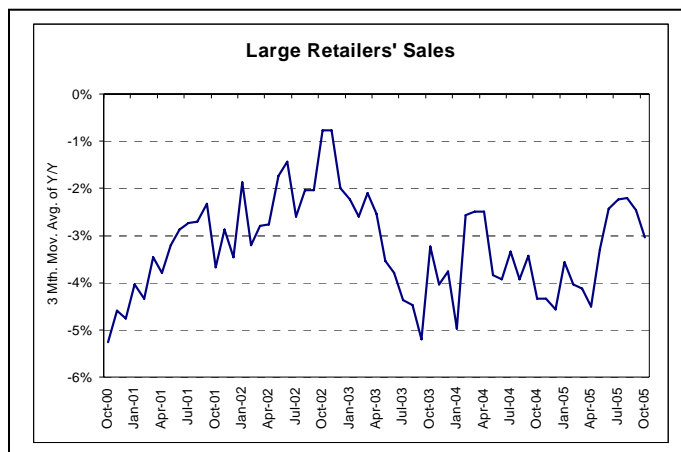
Preliminary data on Retail Trade indicates a 0.3% M/M and 0.3% Y/Y decline in October. Wholesale Sales increased 4.2% M/M and 2.6% Y/Y in October. The increases were attributed to increased sales in clothing.



Large Retailers' Sales, Corp. Service Prices & Small Business Confidence

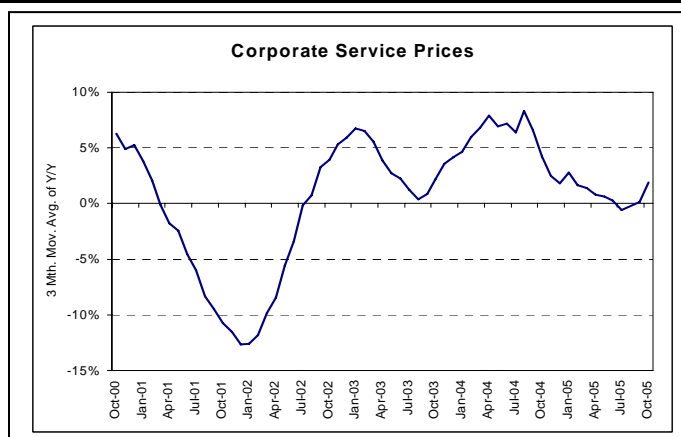
Large Retailers' Sales

Large Retailers' Sales increased 0.1% M/M and declined 1.9% Y/Y in October. As with Retail Trade data, clothing sales supported growth, but not to the extent that it had in previous years. Also, on a whole, retailers found that consumers were spending less. Some economists attribute this slowdown in spending to relatively warmer weather for this time of the year.



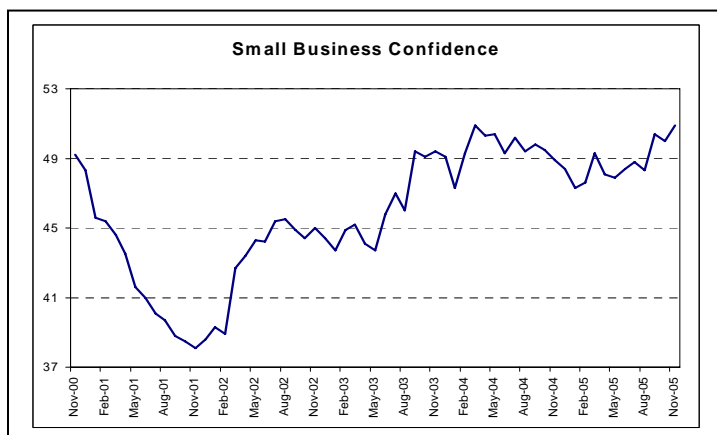
Corp. Service Prices

Corporate Service Prices increased 0.4% M/M and declined 0.6% Y/Y in October. M/M growth was driven by increases in transportation and advertising components while Y/Y declines were driven by real estate and communication components.



Small Business Confidence

Small Business Confidence increased from 50.0 to 50.9 in November, due to improvement in sentiment among manufacturers and retail sellers.



News

Tax Panel Calls for Ending IT Tax Break

The LDP's tax panel is expected to make a proposition to end the tax break intended to help companies upgrade their IT capabilities. This measure will be a part of a package that will go into effect in FY06 as part of new tax reform measures. The tax cut, which allows companies to deduct from their income the equivalent of 10% of their IT spending, is due to expire in March 2006.

Gov't to Sell Buildings & Idle Land to Halve Assets by FY15

According to the Nihon Keizai Shimbun, the government is debating a plan to expand the types of assets it will sell to reduce the overall assets under possession by halve as a percentage of the nominal GDP over a 10 year period. The change is expected to allow the government to sell buildings and idle property totaling ¥130-190 trln and will be discussed in the upcoming months.

Private Sector Capital Spending Up in FY05

Capital investments increased 15.2% Y/Y in FY05, the largest increase in 15 years, according to a survey by Nihon Keizai Shimbun Inc. The increase is a 3.4 pctg pt upgrade from their projections in May, which had anticipated an 11.8% increase. This data suggests that Capex may continue to drive economic growth through the remainder of FY05.

Gov't Backs Ending Income & Residency Tax Cuts By '07

The Government's Tax Commission submitted to PM Koizumi its report on tax system reform for FY06, which recommends abolishing proportional cuts in income and local residency taxes. Although many are against tax hikes, Koizumi noted that ending the cuts will be necessary and unavoidable in reorganizing the government's finances. If the taxes were removed, households of four with two children and an annual income of ¥10 mln would see an additional tax burden of ¥178k/yr.

MoF to retire ¥12trln of JGB's

The MoF announced on Friday, Nov 25th that it intends on repurchasing and retiring 12 trln of government bonds in FY06 using reserve funds. This figure is five times higher than the 2.2 trln yen in retirements, projected for FY05 and would be the highest level of retirements for a single year.

News & Upcoming Dates

BoJ's Iwata on CPI

Deputy BoJ's Gov. Iwata commented Wednesday that the nation's consumer prices were expected to increase soon. "I believe that the key to whether the BoJ has met the...conditions (for ending quantitative easing) lies in if we can say, according to our initial promise, that the core consumer price index is moving stably above zero," he stated. This comment reaffirms our view that the BoJ will be set to change its policy so long as data comes in line with its view. Given recent data, this appears likely to happen by the beginning of FY06, especially in light of the fact that the BoJ itself commented that it is committed to its CPI based views.

OECD Revises Japan's Growth Estimates

The Organization for Economic Cooperation and Development revised its growth estimate for Japan in 2006 upward from 1.7% to 2.0% as the economy has become less dependent on exports with a pickup in corporate spending. The OECD also revised Japan's '05 GDP growth upward from 1.5% to 2.4%. The OECD commented that Japan's expansion is broadening as economic activity increases in strength beyond the export-dependent sector as corporate investment has begun to increase. Private consumption is still somewhat subdued they noted, although it has benefited from improvements in the labor sector.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/30	Housing Starts (Oct Y/Y)	3.8%	-0.2%
11/30	Annualized Housing Starts (Oct)	1.222M	1.245M
11/30	Construction Orders (Oct Y/Y)	N/A	0.6%
12/01	Vehicle Sales (Nov Y/Y)	N/A	-3.4%
12/04	Capital Spending (Q3)	N/A	6.7%
12/04	Capital Spending Inc. Software (Q3)	N/A	7.3%
12/06	Household Spending (Oct Y/Y)	N/A	1.0%
12/06	Overall Household Spending (Oct M/M)	N/A	-0.4%

Valance Co., Inc.

Valance Economic Report: *United Kingdom*

Gabriel Webber

(340) 692-7710

gwebber@valance.us

November 30, 2005

The recent surge in house prices due to the August rate cut seems to be ending as Nationwide reported flat price growth in November and mortgage lending data from the BOE and BBA has started to diverge again. This data, in addition to oil prices falling and weak Q/Q GDP growth continues to make a rate cut by the MPC a more likely scenario as its next move.

Weekly Highlights

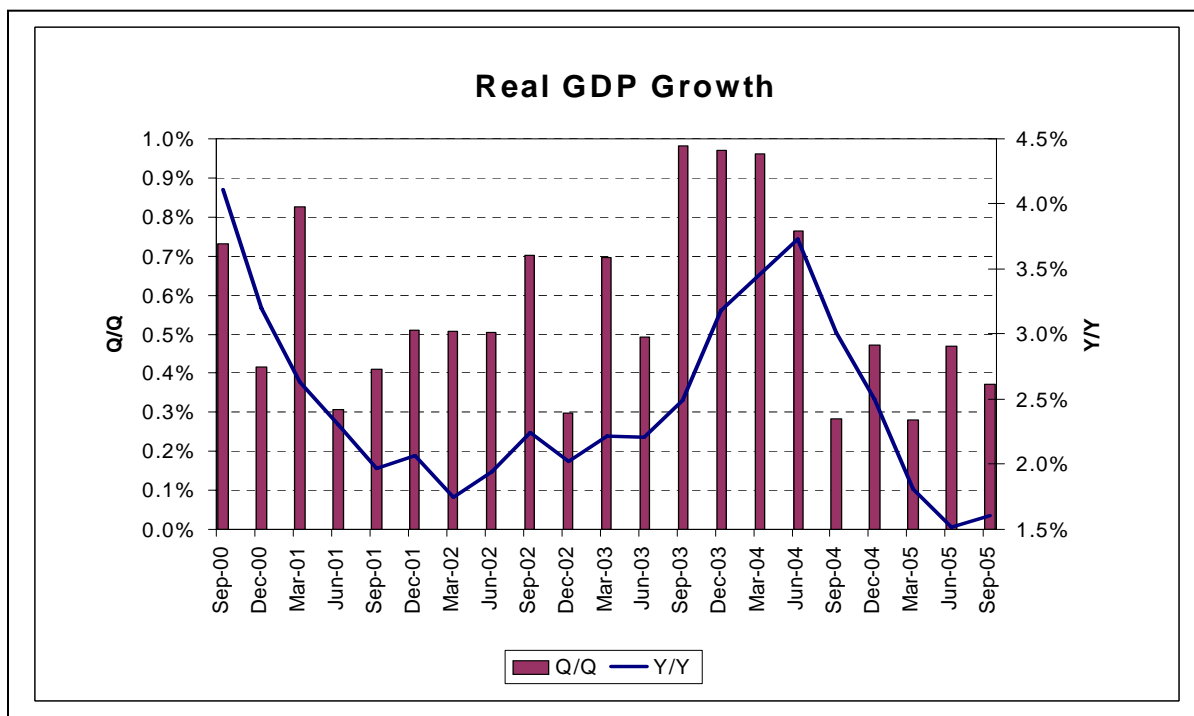
Real GDP- remained at 0.4% Q/Q and increased 1.6% Y/Y in its second revision of Q3. (page 26)

Nationwide House Prices- remained flat M/M and increased 2.4% Y/Y in November. (page 29)

BOE Mortgage Approvals- increased 1.3% M/M and decreased 63.6% Y/Y in October. (page 30)

Weekly Releases & News

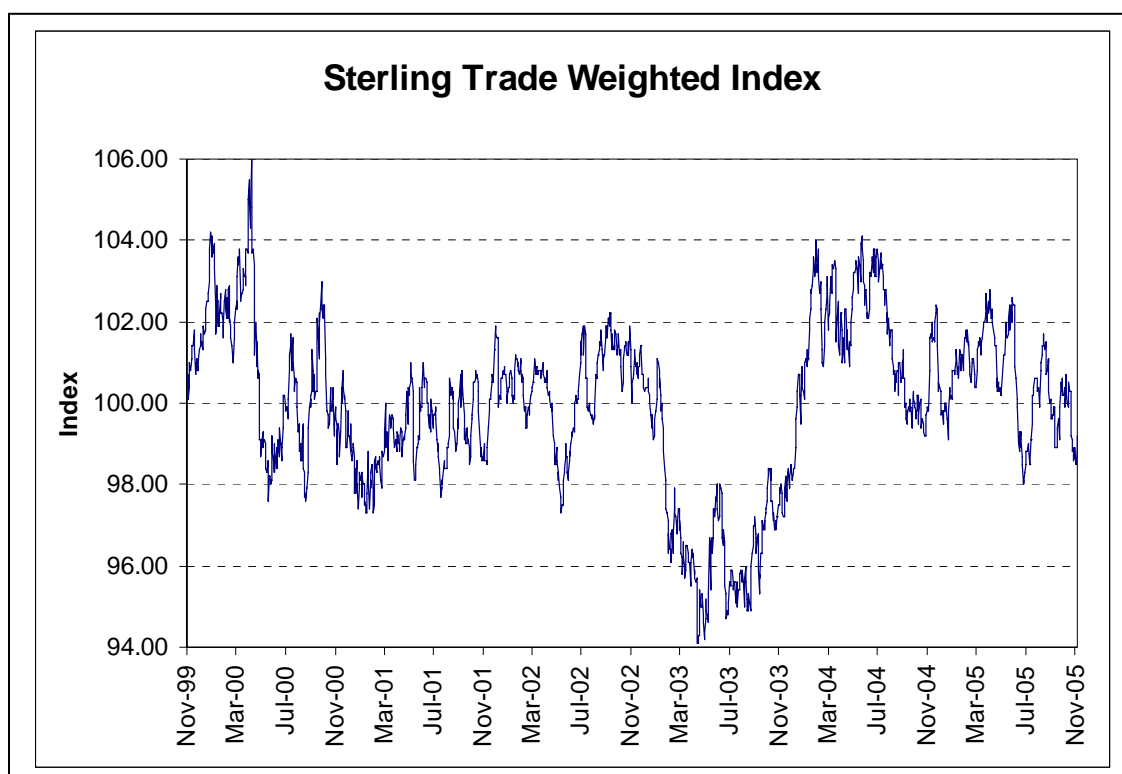
Chart of the Week: *Real GDP Growth*



GDP in its second revision for Q3 remained at 0.4% Q/Q and was revised up from 1.5% Y/Y to 1.6% Y/Y. Growth was led by increased investment in buildings and transport equipment and a modest pickup in consumer spending.

Financial Balances & Trade Weighted Index

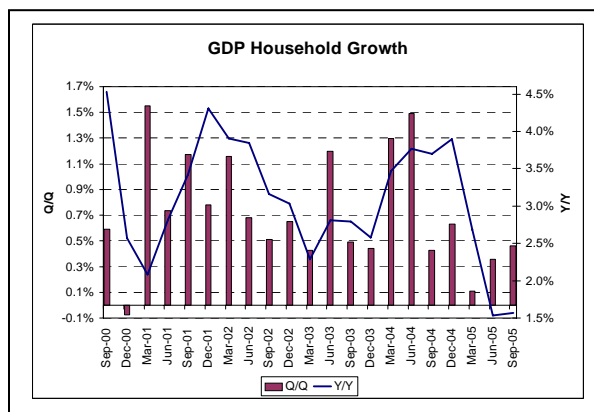
<i>U.K.</i>	<i>Last Period (blns)</i>	<i>Last 12mth. % of GDP</i>
Budget Balance (monthly)	-£2.2(Oct)	+3.1%
Trade Balance (monthly)	-£3.9 (Sept)	-2.1%
Curr. Acct. Balance (quarterly)	-£3.1 (June)	-1.6%
Private Balance	--	-4.7%



GDP Components

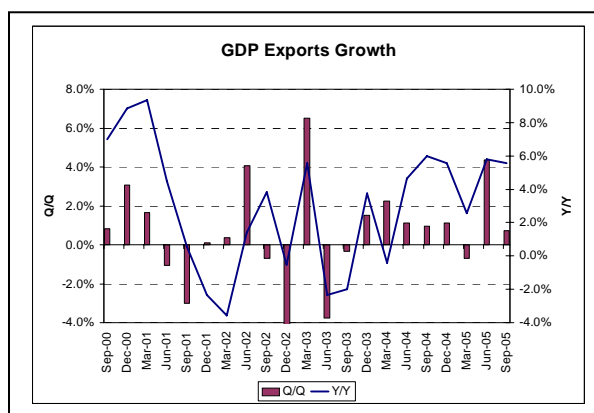
GDP Household Consumption Growth

Household Consumption increased 0.5% Q/Q and 1.6% Y/Y in Q3.



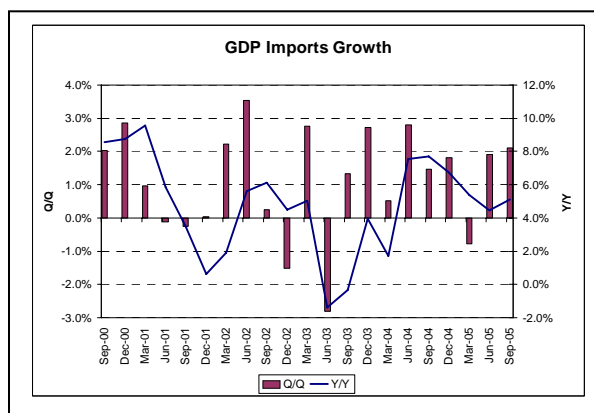
GDP Exports Growth

Exports increased 0.1% Q/Q and 6.6% Y/Y in Q3.



GDP Imports Growth

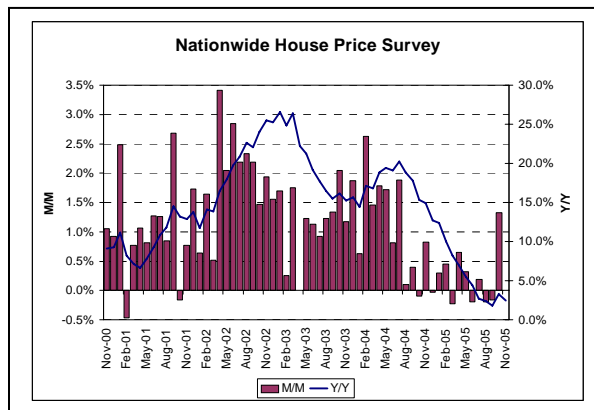
Imports increased 2.0% Q/Q and 7.3% Y/Y in Q3.



House Price Survey & Consumer Confidence

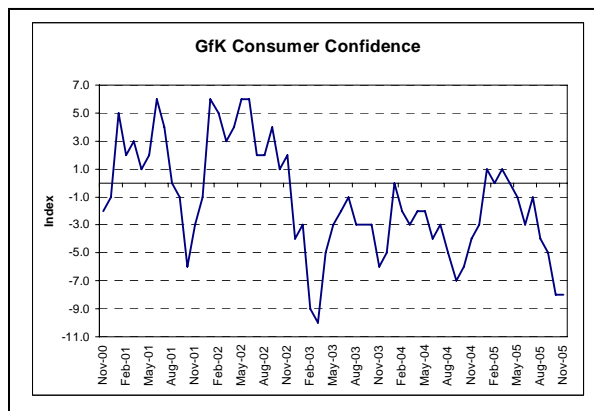
Nationwide House Price Survey

Nationwide House Prices remained flat M/M and increased 2.4% Y/Y in November, pointing to some stabilization after annual growth had accelerated to a fifteen month high in October. Nationwide reports that record asking house prices continue to negatively affect the housing market.



GfK Consumer Confidence

GfK Consumer Confidence remained at -8 for a second straight month in November and its lowest in thirty-two months.



Data & Comments

Data

BOE Net Lending Secured on dwellings

The Bank of England reported that the Net Lending Secured on Dwellings increased 0.8% M/M and 10.2% Y/Y in October.

BOE Mortgage Approvals

The Bank of England reported that the number of Mortgage Approvals increased 1.3% M/M and decreased 63.6% Y/Y in October.

BBA Mortgage Lending

The British Banker's Association (BBA) reported that Mortgage Lending decreased 1.7% M/M and increased 16.0% Y/Y in October, the highest annual growth rate since last October.

BBA Mortgage Approvals

The British Banker's Association (BBA) reported the number of Mortgage Approvals decreased 3.0% M/M and increased 7.0% Y/Y in October.

The BOE lending data is released several days after the BBA lending data and the market tends to place more emphasis it since the volume of approvals has been a good lead indicator of house price inflation due to their long term and stable relationship.

Comments

BOE Bean

MPC Member, Charles Bean, commented that, "there are signs the U.K. economy is picking up and that growth will accelerate next year. We think that there are some signs of a moderate pickup in prospects and a return to trend growth rates next year." In addition, the economy has been going through a "soft spot" but "it's not all doom and gloom. It has been reflected in the retail sector."

MPC Walton

MPC Member, David Walton, commented that the MPC "should not rush to move interest rates until it has a clearer idea of whether higher inflation has spilt over into wages. With the wage round coming up, it seems to me it's quite sensible, really, to make sure that we don't have any 'second round effects' on wages before taking a strong view about where interest rates ought to be going in future, I think in the current circumstances, where it looks as though the economy has regained a bit of momentum ... where inflation is above target, I don't think we should be rushing to do anything precipitate."

In regards to the August rate cut, "It seemed to me that, given the balance of risks, particularly the risk that the economy would lose a bit more momentum, some precautionary cut in rates was appropriate."

Comments Cont. & Upcoming Dates

BOE Barker

MPC Member, Kate Barker, commented that high oil prices and an increase in wages may affect the Central Bank's growth and inflation estimates. "There are some big uncertainties around at the moment which could alter the bank's 'pretty favorable' economic forecasts. One uncertainty is how high oil prices would influence inflation and the economy and the other uncertainty is about wage growth." In addition, she commented that, "one of the things that has surprised us about the economy this year is that, although we had slower growth, on the whole employment has held up pretty well. The longer slower growth continues, we might see this pressure feeding through."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
12/01	PMI Manufacturing	51.8	--
12/01	CBI Distributive Trades	--	--
12/02	PMI Construction	--	--
12/05	PMI Services	--	--
12/05	Pre-Budget Report	--	--
12/05	BRC Retail Sales Report	--	--
12/06	Industrial Production	--	0.5% Q/Q -1.1% Y/Y
12/06	Manufacturing Production	--	-0.3% Q/Q -0.8% Y/Y
12/06	Nationwide Consumer Confidence	--	--
12/06	Nationwide Consumer Confidence	--	--

Valance Co., Inc

Valance Economic Report: *Canada*

La-Toya C. Elizee

(340) 692-7710

lelizee@valance.us

November 30, 2005

Q3 economic releases showed solid Real GDP growth and a widening of the Current Account Balance to the third largest surplus on record.

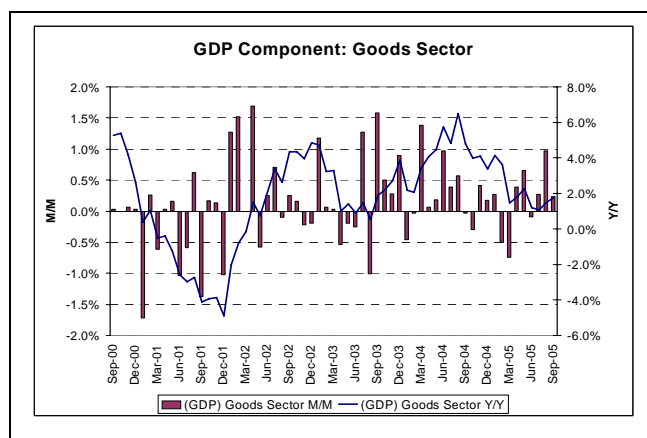
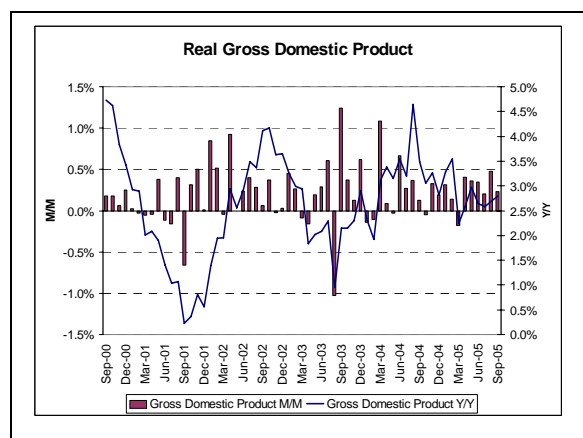
Weekly Highlights

Real GDP - increased 0.2% M/M and 2.8% Y/Y in September. (page 32)

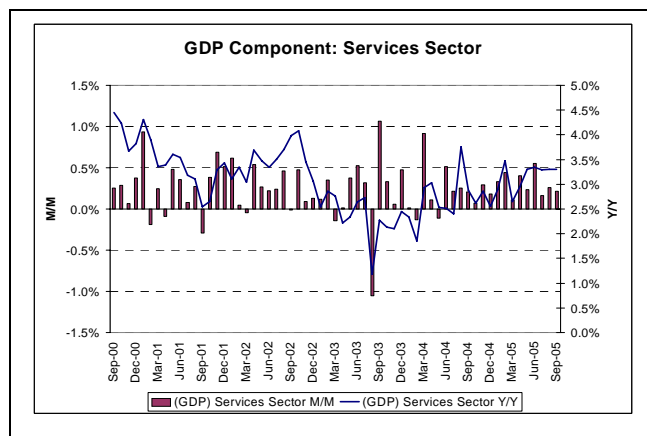
The Current Account Balance - widened from C\$4.9 bln in Q2 to C\$9.3 bln in Q3. (page 34)

Weekly Releases & News

Charts of the Week: *Real GDP*



Real GDP increased 0.2% M/M and 2.8% Y/Y in September. The Goods Sector increased 0.2% M/M and 1.8% Y/Y while the Services Sector increased 0.2% M/M and 3.3% Y/Y. Real GDP expanded 0.9% Q/Q in Q3 due to a sharp rebound in exports of automotive, agriculture and fishing products. The annualized rate for Real GDP stood at 3.6% in Q3 compared to 3.4% in Q2.

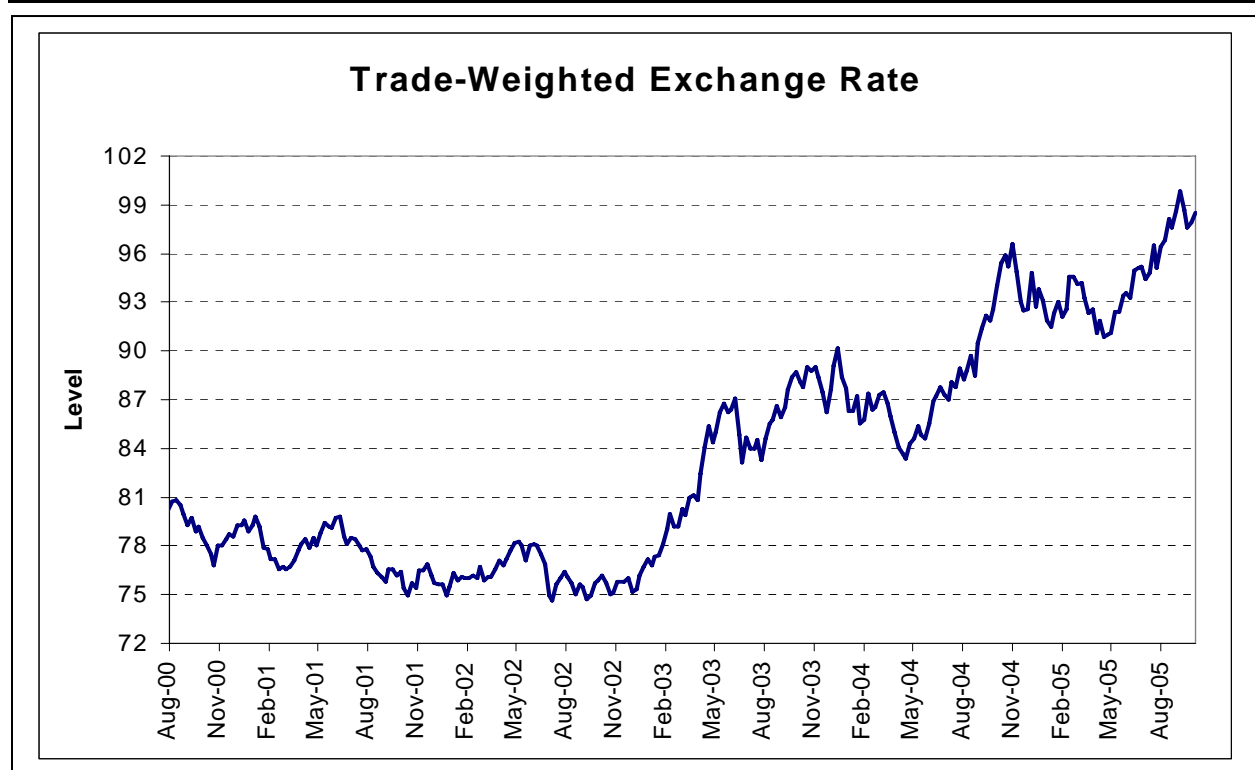


Financial Balances & Trade Weighted Exchange Rate

Financial Balances

<i>Canada</i>	<i>Latest period (C\$bln)</i>	<i>% of GDP</i>
Budget Balance	1.7 (June)	.2%
Trade Balance	7.0 (Sept)	4.9%
Current Account Balance	9.3 (Q3)	2.2%
Private Balance	--	2.0%

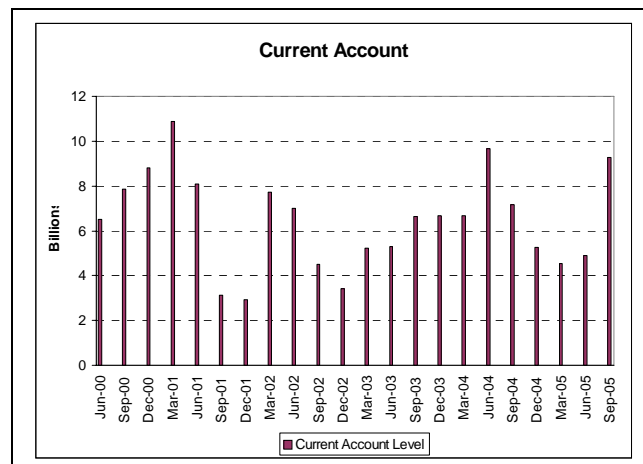
Trade-Weighted Exchange Rate



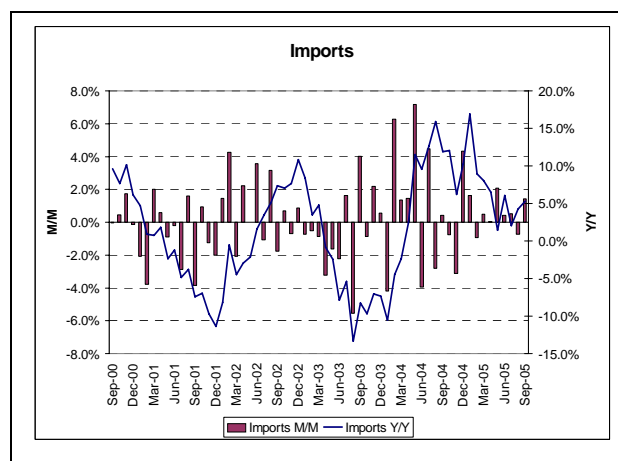
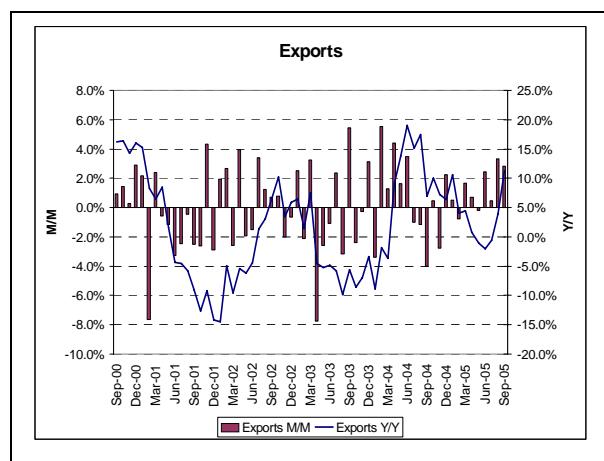
Trade Data

Current Account Balance

The Current Account Balance widened from C\$4.9 bln in Q2 to C\$9.3 bln in Q3 as high energy prices pushed up the value of exported natural gas and crude oil. Q3 posted the third largest surplus on record.



Exports & Imports

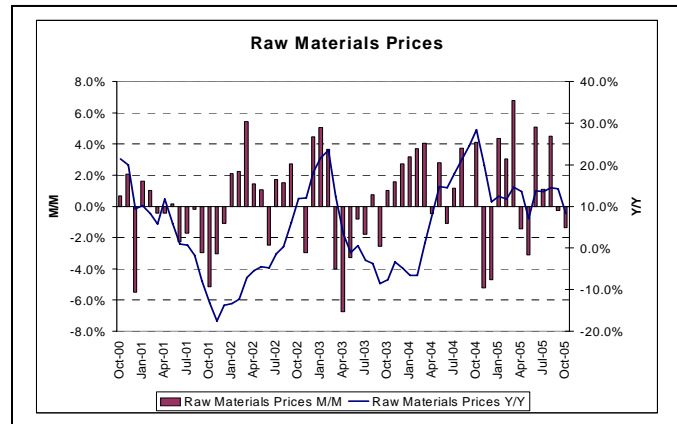


Exports increased 2.8% M/M and 11.3% Y/Y in September. Imports increased 1.4% M/M and 5.3% Y/Y.

Prices

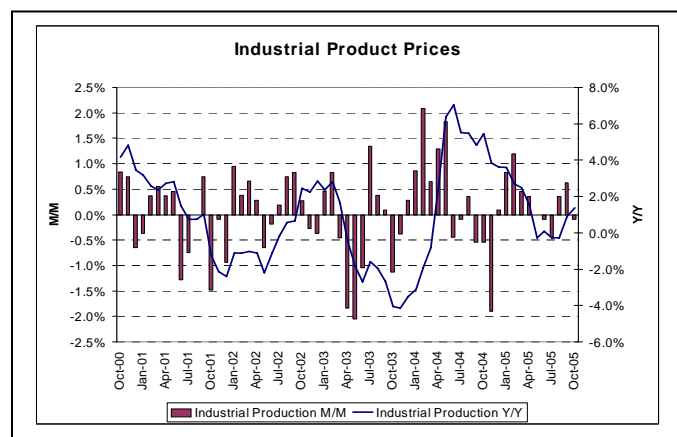
Raw Materials Prices

Raw Materials Prices decreased 1.4% M/M and increased 8.2% Y/Y in October. Prices for intermediate goods increased 0.4% M/M and prices for final goods decreased 0.9% M/M.



Industrial Product Prices

Industrial Product Prices decreased 0.1% M/M and increased 1.4% Y/Y in October.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
12/02	Unemployment Rate (NOV)	6.6%	6.6%
12/02	Net Change in Employment (NOV)	20.0K	66.7K
12/06	Building Permits (M/M) (OCT)	0.4%	-5.3%
12/06	Bank of Canada Rate	3.25%	3.00%
12/06	Ivey Purchasing Managers Index (NOV)		64.8

Valance Co., Inc.

Valance Economic Report: New Zealand

Milo Prochazka

(340) 692-7710

mprochazka@valance.us

November 30, 2005

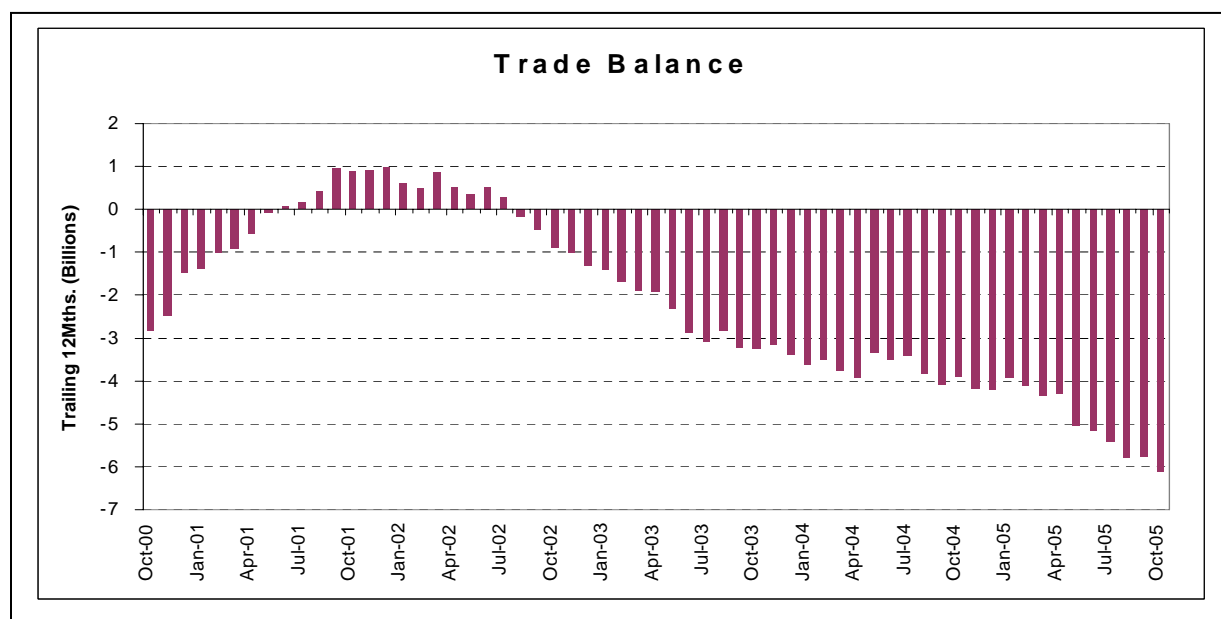
New Zealand's Trade Deficit narrowed in October but remained at a historically high level as surging fuel prices, consumer demand and aircraft purchases drove up imports. Q3 Producer Input Prices had the largest rise in almost five years. The NZ dollar surged to a 20 year high.

Weekly Highlights

Trade Deficit – narrowed to NZ\$882mln in Oct. compared with NZ\$973mln in Sep. (page 37)

Producer Prices – Input and Output Prices rose 2.9% and 1.8% respectively in Q3. (page 38)

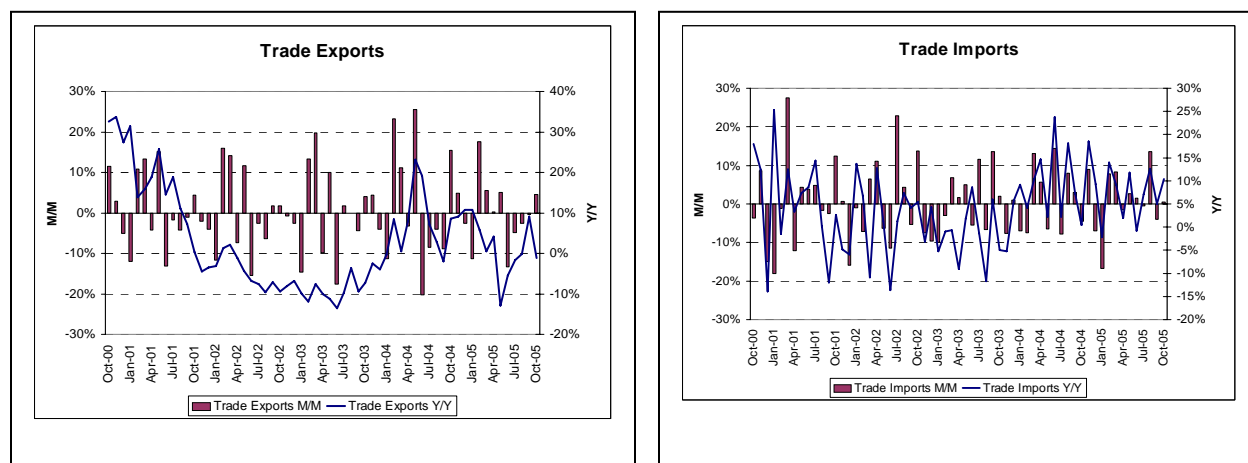
Home Building Approvals – declined 6.7% M/M and 18% Y/Y in October. (page 39)

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

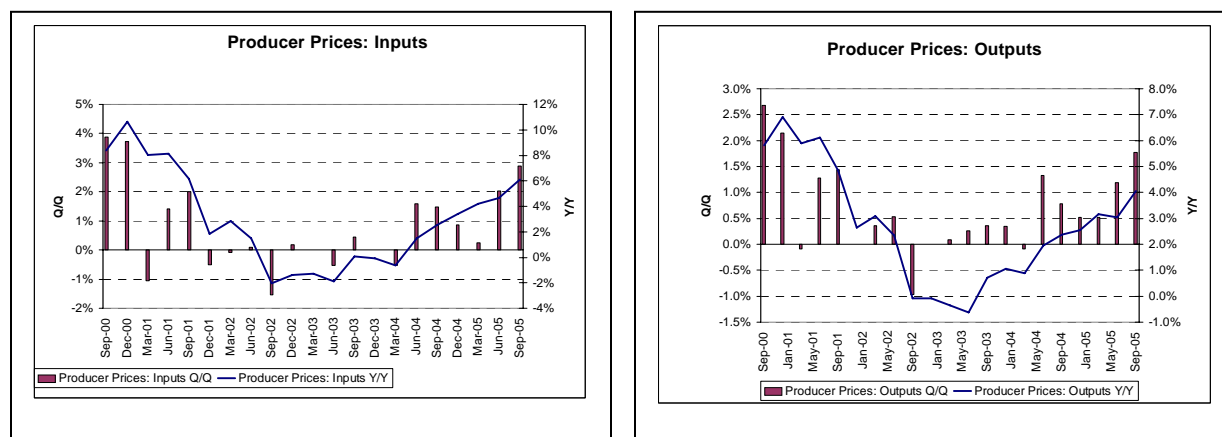
New Zealand's Trade Deficit narrowed to a NZ\$ 882.3mln in October from a downwardly revised NZ\$972.5mln (Prior NZ\$992mln). Surging fuel prices, consumer demand and aircraft purchases drove imports up 0.5% M/M. New Zealand's Current Account Gap was 6.8% of GDP in the year to October. Exports fell 1.2% Y/Y Imports rose 10% Y/Y in October.

Exports, Imports & Producer Prices

Exports & Imports



Producer Prices

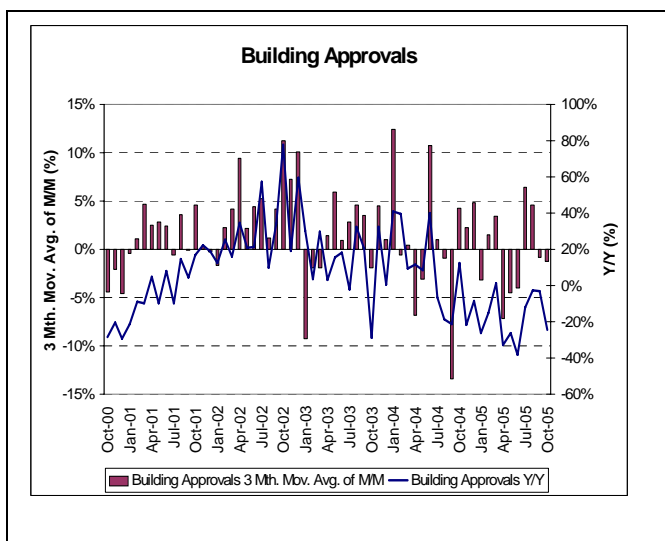


Producer Input Prices rose 2.9% Q/Q and surged 6.1% Y/Y in Q3. Output Prices gained 1.8% Q/Q and gained 4.1% Y/Y in Q3. Higher prices received for gasoline and jet fuel were the largest influence on output prices, while generators also received higher prices for electricity. Offsetting that, wood pulp prices fell to their lowest in almost seven years.

Home Building Approvals Trade-Weighted Exchange Rate

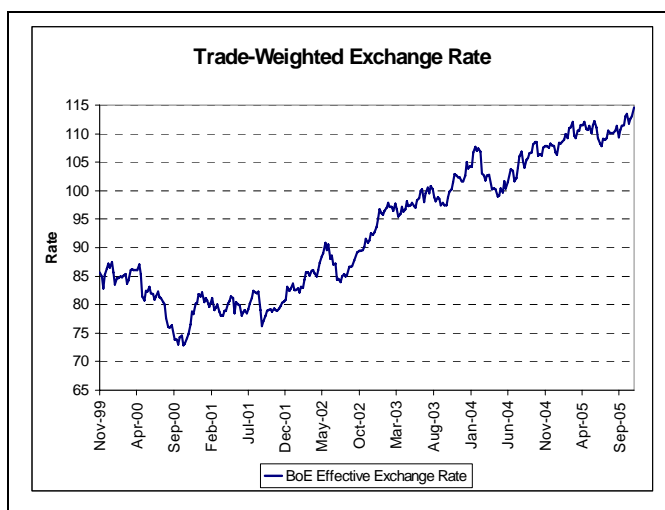
Building Approvals

Approvals to build new homes declined 6.7% M/M and 18% Y/Y in October, suggesting the housing boom that stoked economic growth in 2004 is slowing further.



Trade-Weighted Exchange Rate

Exporters are calling on the RBNZ to resist further interest rate hikes in the bank's continuing war to curb inflation, as the Kiwi dollar hit a 20-year high.



News & Upcoming Dates

News

New Zealand Prime Minister Helen Clark comments on exchange rates in an interview in Brussels on November 29th.

On New Zealand dollar:

“The dollar has been at a high point for longer than is normal for the dollar cycle.”

“We need more export revenue. Our current account is of concern to us at the moment.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
12/07	RBNZ Official Cash Rate (DEC 7)	7.25%	7.00%

Valance Co., Inc.

Weekly Economic Report: **China**

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

November 30, 2005

Over the past week, the Leading and Coincident indicators both decreased marginally. Meanwhile, the OECD revised its 2006 growth forecast for China from 9.2% in September to 9.4% and called on China to let its currency appreciate. Also in the news, the U.S. Government declined to name China a currency manipulator.

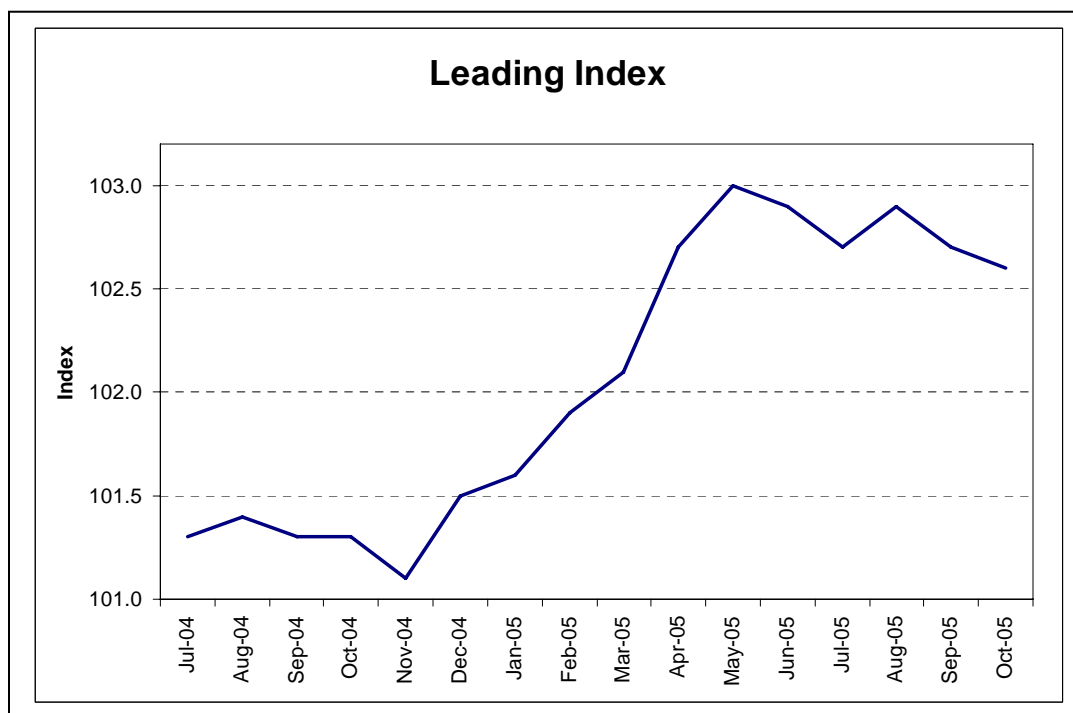
Weekly Highlights

The Leading Index - decreased from a reading of 102.7 in September to 102.6 in October.
(page 41)

The Coincident Index - decreased from 100.8 in September to 100.7 in October. (page 42)

Weekly Releases & News

Chart of the Week: *Leading Index*

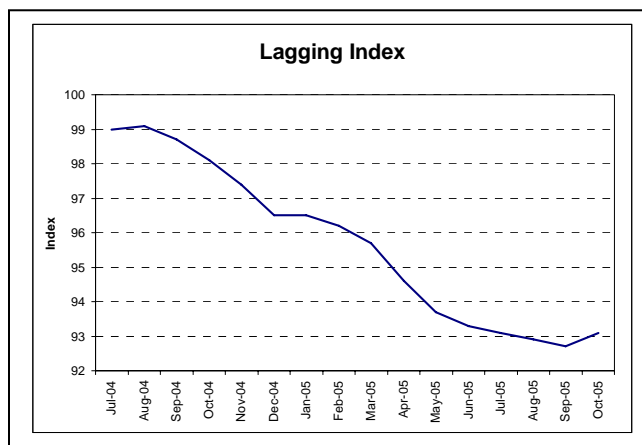


The Leading Index decreased marginally from a reading of 102.7 in September to 102.6 in October.

Lagging and Coincident Indices & Government Revenue

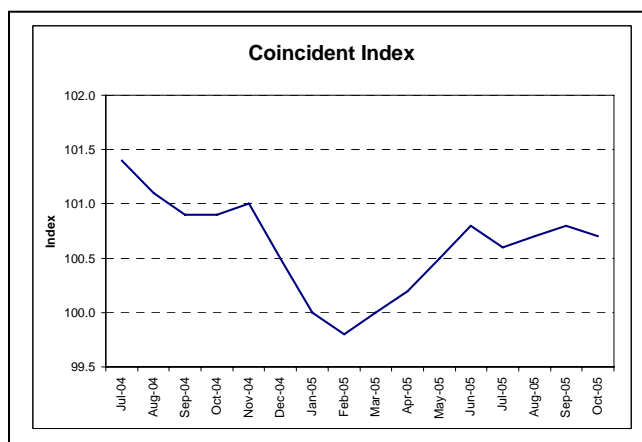
Lagging Index

The Lagging Index increased from 92.7 in September to 93.1 in October. This index, which is comprised of fiscal expenditure, household savings, CPI, non-agricultural short-term loans and industrial inventories, appears to be reversing its declining trend.



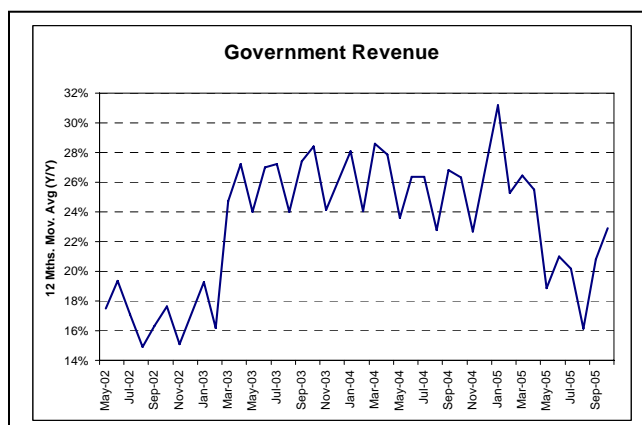
Coincident Index

The Coincident Index decreased from 100.8 in September to 100.7 in October.



Government Revenue

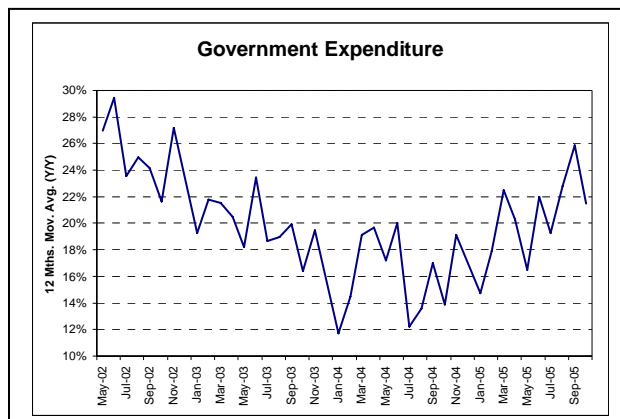
Government Revenue increased from 41.1% Y/Y in September to 56.8% Y/Y in October.



Government Expenditure & News Releases

Government Expenditure

Government Expenditure moved from an increase of 45.5% Y/Y in September to a decrease of 10% in October.



News Releases

November 29th – OECD Revises China’s 2006 Growth Forecast – The OECD revised its 2006 growth forecast for China from 9.2% in September to 9.4% and also called on China to let its currency appreciate. The increase in the GDP forecast occurred as growth appears to be driven by domestic demand and private consumption remains strong.

November 28th & 29th – This Week’s Comments on China’s Currency Reform – The following are comments made this week relative to the ongoing issue of China’s yuan revaluation:

- Nov. 30th – U.S. Treasury Secretary, John Snow stated that the Chinese “have agreed with our basic proposition that the currency should be more flexible; it should reflect underlying market conditions. The disappointment is they haven’t moved faster.” “We’re going to continue to press them to move faster. But I don’t think we should take the view that nothing has happened.”
- Nov. 29th – The PBoC remarked, “Global market expectations of a further appreciation of the yuan are waning after China revalued the currency.” “In the long run, yuan appreciation would help balance the nation’s trade and international payments.”
- Nov. 29th - The OECD stated: “A further appreciation of the yuan would help resolve these problems and guard against a resurgence of inflation.” “It would also help move economic policy toward the use of market instruments, reducing the need for administrative controls of credit and thereby reinforcing the progress that has been made in reforming the banking sector in the past year.”
- Nov. 28th – According to a question and answer column created by the China Securities Journal, the PBoC continues to maintain that a timetable has not yet been set in making the yuan fully convertible. The Journal added that China will take into consideration its economic conditions, as well as its international balance of payments prior to making a decision.

News Releases (cont'd.)&Upcoming Dates

News Releases (cont'd.)

November 28th – China Didn't Manipulate Its Currency - Despite accusations from U.S. officials claiming that China manipulates its currency, a Treasury report released today said just the opposite: "Treasury has refrained from designating China at this time." However, Treasury Under-Secretary, Tim Adams, indicated that the U.S. "will be watching extremely closely" and "assumes the Chinese will do what they say they are going to do." In other news, Foreign Ministry spokesperson, Liu Jianchao stated, "China has never manipulated the yuan." Liu added, "Our policy has been to reform the yuan's exchange rate for the benefit of China and the international community."

November 28th – Economy Forecast to Expand 9.3% in 2005 - The National Development & Reform Commission reported that it expects China's economy and inflation to expand 9.3% and 2.5%, respectively, this year.

November 28th – China Considering Cutting Trade Surplus – The State Administration of Foreign Exchange said China is considering reducing its trade surplus by improving its imports and maintaining export growth. The Administration commented that China will experience a "sizable" surplus in international payments in H2 of 2005.

November 25th – US Withdraws Request for Quotas – The Ministry of Commerce reported, on its website, that the Committee for the Implementation of Textile Agreement of the U.S. announced that 24 requests for quotas on Chinese imports have been withdrawn. This followed the November 8th agreement between China and the U.S. which will allow the U.S. to place restrictions on 21 Chinese categories through 2008.

November 25th – Jobless Expected to Peak – Vice Minister of the National Development and Reform Commission, Du Ying, expects China's jobless level to equal 17 mln in 2006. Ying described China's job market as "complicated and grave." Ying added that the annual number of unemployed persons will average about 12.3 mln during 2006 through 2010.

Key Dates This Week

Nothing to report.

Valance Co., Inc.

Valance Economic Report: Sweden

Evelyn L. Richards

(340) 692-7710

erichards@valance.us

November 30, 2005

A narrowing Trade Balance was the highlight of this week's Swedish data. Declines were also experienced in PPI and Consumer & Manufacturing Confidences, while Retail Sales improved.

Weekly Highlights

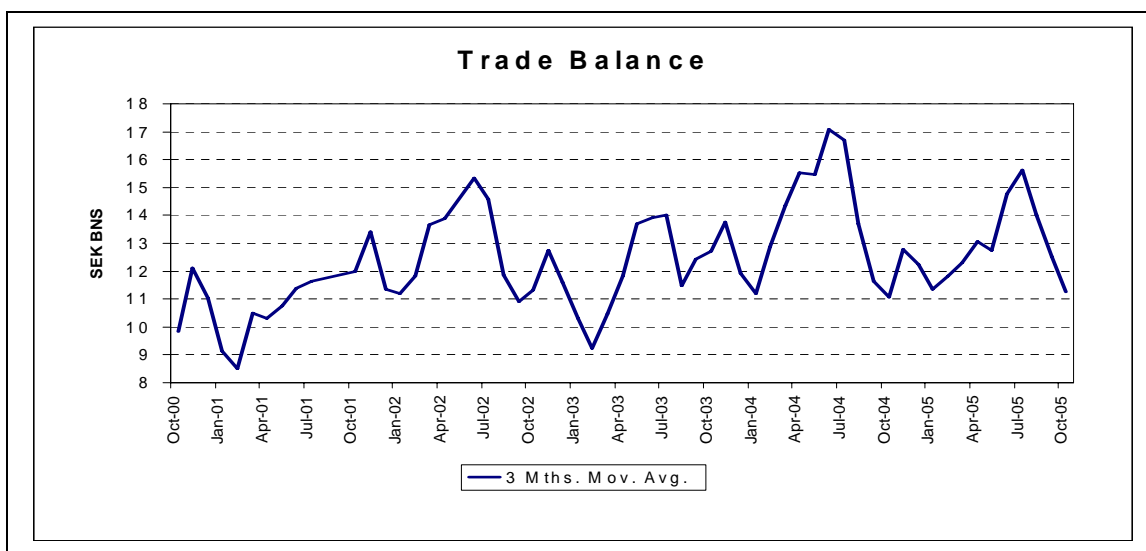
Trade Balance - narrowed from a revised SEK 14.7 bln in September to SEK 11.0 bln in October. (page 45)

Consumer Confidence - fell from 12.2 in October to 9.9 in November. (page 47)

Retail Sales - Retail Sales rose 0.8% M/M and 7.3% Y/Y in October. (page 46)

Weekly Releases & News

Chart of the Week: Trade Balance

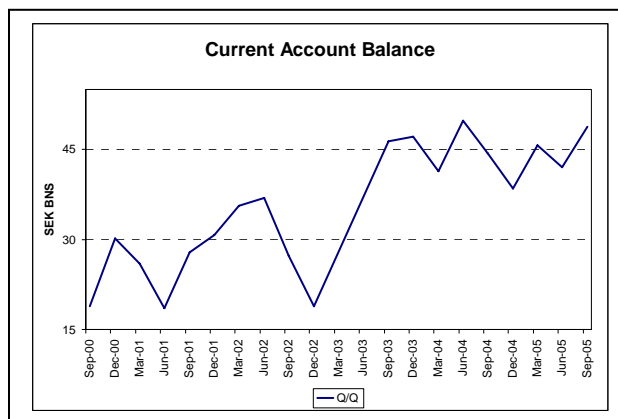


The Trade Balance narrowed from a revised SEK 14.7 bln (down from SEK 15.6 bln) in September to SEK 11.0 bln in October, as imports rose 3.5% M/M while exports decreased 1.2%. Expectations were for a surplus of SEK 15.0 bln. Exports and imports advanced 11.0% Y/Y and 15.0% Y/Y, respectively.

Current Account Balance, Retail Sales & PPI

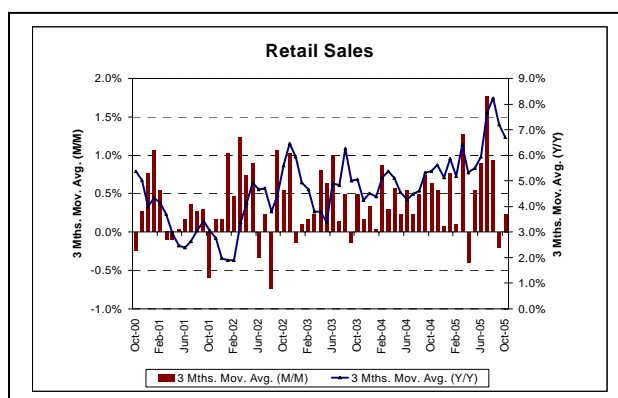
Current Account

Sweden's Current Account Balance widened from a revised SEK 42.1 bln (down from SEK 48.1 bln) in Q2 to SEK 48.8 bln in Q3 of this year. As a % of GDP, the current account surplus now stands at 1.2%.



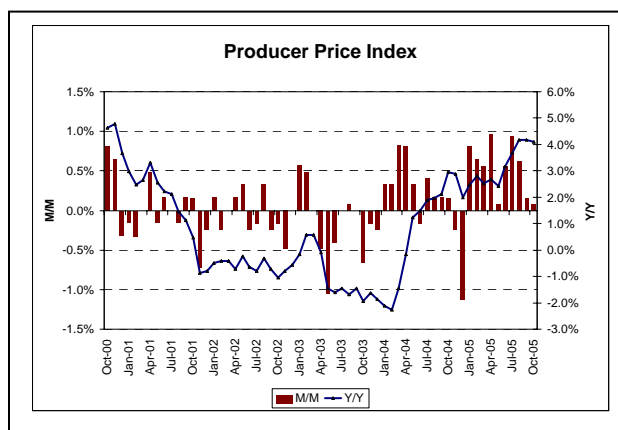
Retail Sales

Retail Sales rose 0.8% M/M and 7.3% Y/Y in October. The M/M increase can be explained by improving consumer spending, on durables, which rose 9.5% last month.



PPI

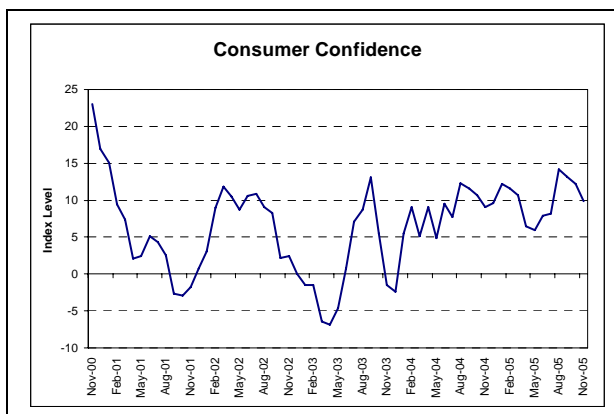
The Producer Price Index slowed from 0.2% M/M and 4.2% Y/Y in September to 0.1% M/M and 4.1% Y/Y in October, above expectations of no change from the month before.



Consumer Confidence, Manufacturing Confidence & Trade Weighted Exchange Rate

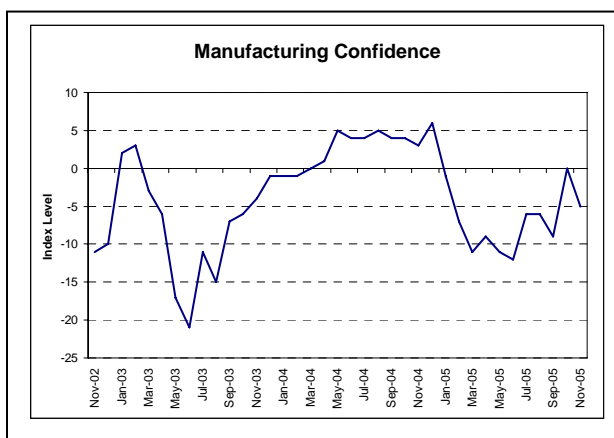
Consumer Confidence

Consumer Confidence fell from 12.2 in October to 9.9 in November, the third consecutive monthly decline. Expectations were for an increase to 12.8

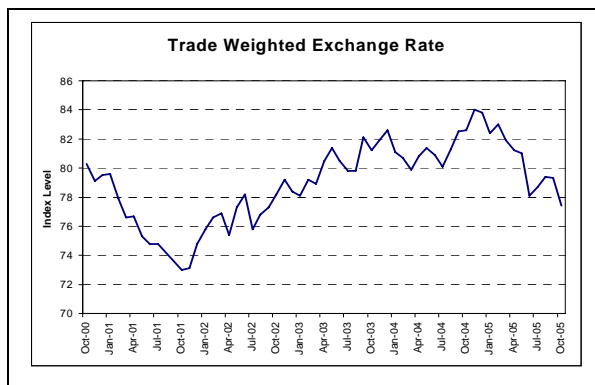


Manufacturing Confidence

Manufacturing Confidence fell from 0 to -5.0 in November. Expectations were for a rise to 0.6.



Trade Weighted Exchange Rate



News Releases

November 29th – Sweden's Labor Board Expects Unemployment to Drop Next Year – The Swedish Labor Board reported that it expects Sweden's Unemployment Rate to be 6.0% this year and drop to 5.2% in 2006. Next year's decline will be partially attributed to more workers being hired, as well as, an increase in government training programs. The head of the Labor Board, Bo Bylund commented, "At last good economic growth is starting to be reflected in the labor market."

November 29th – OECD Predictions – The following are predictions made by the OECD on growth in Sweden's economy:

- GDP – forecast to expand from 2.4% this year to 3.5% in 2006 and slow to 3.0% in 2007
- Consumption – expected to rise from 2.3% in 2005 to 2.9% in 2006 and slow to 2.4% in 2007.
- Exports – predicted to rise from 3.9% this year to 7.6% in 2006 and to 7.8% in 2007

November 25th - Riksbank's Deputy Governor Bergstroem's Comments on Inflation – Central Bank Deputy Governor, Villy Bergstroem, made the following comments on inflation:

- "My assessment -- and this is my personal opinion -- is that financial conditions are very expansionary and that it would now appear that tighter monetary policy is required to ensure that inflation is not allowed to accelerate and threaten the 2 percent target."
- "The longer the krona remains weak, the greater is the risk that it will affect future inflation." "Thus, in practice, the development of the krona can also come to play a role in future monetary policy."

The following were remarks made in response to Bergstroem's comments:

- Chief Bond Analyst at SEB Merchant Banking, Henrik Mitelman – "It was surprisingly hawkish and it's fairly clear that he'll vote for a rate increase next week." "He's speaking for himself and not acting as a spokesman for the bank."
- Analyst at Danske Bank A/S, Michael Grahn – "This was a very hawkish speech and very bearish for bonds." "He's likely to vote for a December hike and he might be able to persuade others to follow. The strong focus on the krona is very significant, and a change in rates in December is now reasonable."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
12/01	Swedbank PMI Survey - Nov	57.2	57.7
12/02	Riksbank Interest Rate – Dec 2	1.5%	1.5%
12/06	GDP s.a. (Q/Q)/ w.d.a. (Y/Y) – Q3	--	0.6% / 2.3%
12/07	Swedish Budget Deficit - Nov	--	-4.0B

Valance Co., Inc.

Valance Economic Report: Switzerland

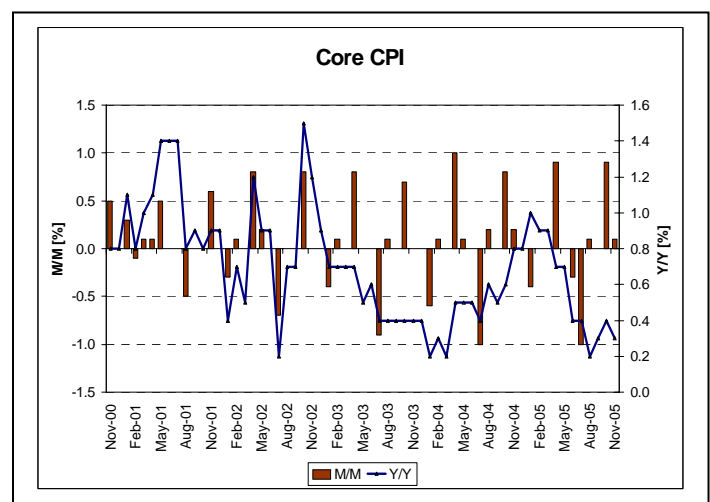
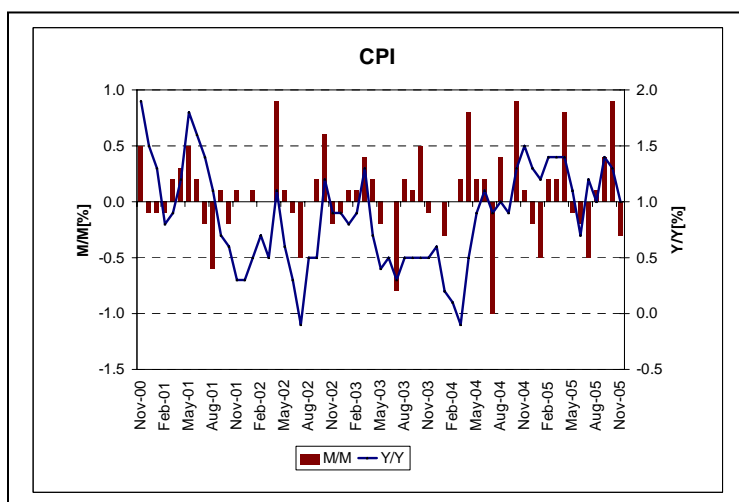
Evelyn L. Richards

(340) 692-7710

erichards@valance.us

November 30, 2005

A greater-than-expected decline in inflation was the highlight of this week's Swiss data. Switzerland's CPI and Core CPI both slowed in November. Conversely, the KOF Swiss Leading Indicator rose to its highest level in five years.

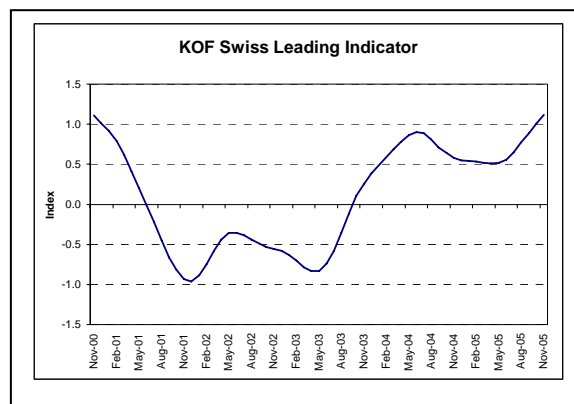
Weekly Releases & News**Charts of the Week: CPI & Core CPI**

Swiss Consumer Prices slowed from 0.9% M/M and 1.3% Y/Y in October to -0.3% M/M and 1.0% Y/Y in November, below expectations. The decrease was mainly attributed to declining oil and gasoline costs. Core CPI also slowed from 0.9% M/M and 0.4% Y/Y in October to 0.1% M/M and 0.3% Y/Y in November.

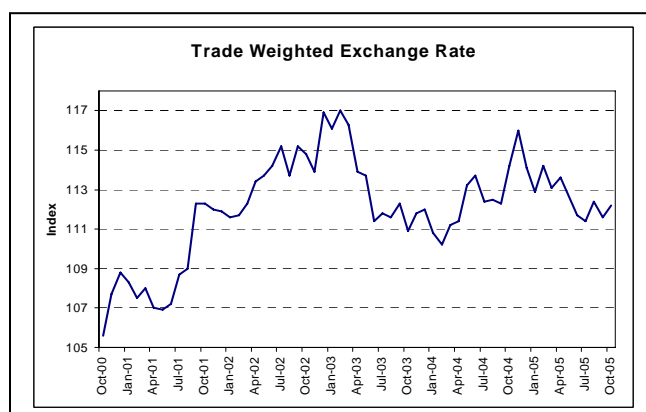
KOF Swiss Leading Indicator, Trade Weighted Exchange Rate & Upcoming Dates

KOF Swiss Leading Indicator

The monthly aggregate of indicators increased from a revised 1.01 (up from 0.81) in October to 1.12 in November. This marked the highest level in over five years. The pickup continues to be led by exports. Expectations were for a 0.85 outcome.



Trade Weighted Exchange Rate



Key Dates This Week

Date	Indicator	Expectation	Previous
12/01	GDP Q/Q / Y/Y – Q3	--	0.3% / 1.1%
12/01-21	Adjusted Real Retail Sales (Y/Y) - Sep	--	4.7%
12/01	SVME-Purchasing Managers' Index - Nov	--	56.8
12/07	Unemployment Rate / sa - Nov	--	3.7% / 3.7%