



Highlights

US – 3 Month Annualized Core CPI reaches 2.4% in November from 1.4% in August (page 2)

Euroland – German Manufacturing remains strong while the French economy continues to slow (page 9)

Japan – Business confidence and solid corporate capex continue to drive the recovery. (page 18)

UK – Tame CPI reduces the chances of a rate hike (page 31)

December 8 – December 15 Short Term Interest Rates

Country	Change in BPs Official Rate	3 Mth. LIBOR	(3Mth. Futures Contracts Yields)			
			Dec-05	Mar-06	Jun-06	Sep-06
	0.25	0.02	0.50	2.50	0.50	1.50
US	4.25	4.50	4.51	4.76	4.82	4.82
	0.00	0.02	1.50	3.50	6.50	8.00
EU	2.25	2.48	2.48	2.69	2.88	2.97
	0.00	0.00	-0.50	-0.50	-0.50	-0.50
JN	0.00	0.07	0.09	0.13	0.20	0.30
	0.00	0.01	1.00	-1.00	0.00	0.00
UK	4.50	4.65	4.64	4.63	4.68	4.72
	0.00	0.02	1.50	1.00	7.00	8.00
CA	3.25	3.44	3.49	3.92	4.15	4.19
	0.00	-0.01	0.00	0.00	1.00	-1.00
AU	5.50	5.58	5.63	5.68	5.71	5.71
	0.25	-0.03	6.00	-2.00	-6.00	-8.00
NZ	7.25	7.60	7.68	7.56	7.40	7.20
	0.25	-0.03	-6.00	-6.00	-2.00	2.00
SZ	1.00	1.01	1.01	1.33	1.59	1.80

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Valance Economic Reports

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December 15, 2005

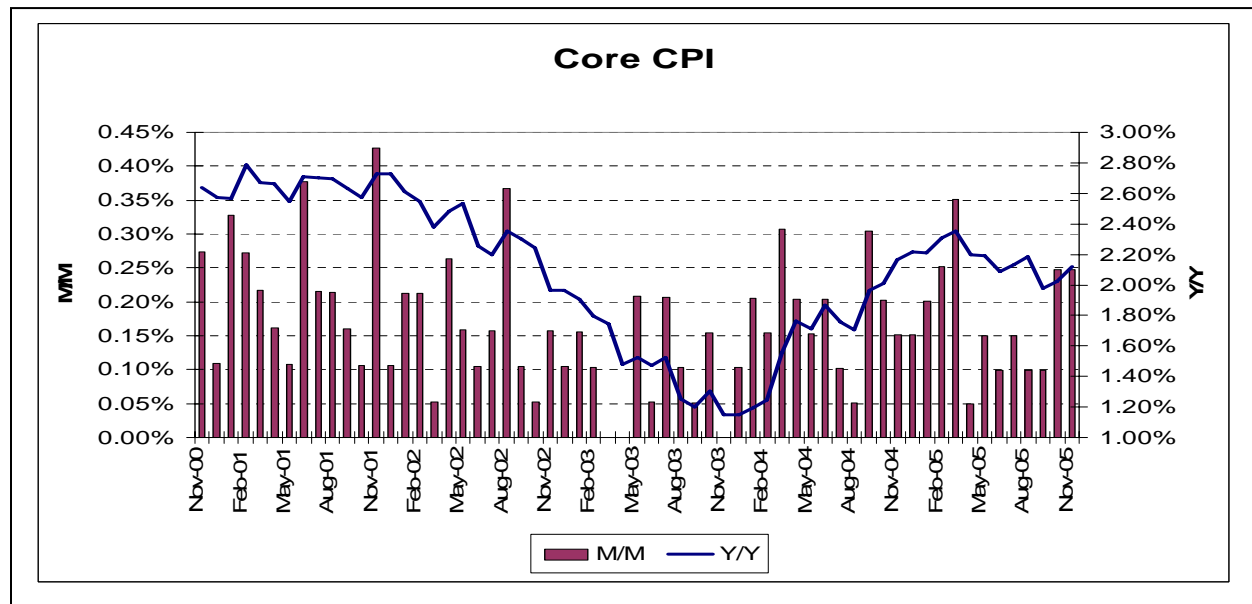
The Fed increased rates to 4.25% and removed the accommodative language from their statement, but signaled that more rate hikes are needed to keep the risks to the economy balanced. The path of rates will be more data-dependant now that they have reached the zone of neutrality, but to think the Fed was signaling an end to the hiking cycle is a mistake. This week's economic data is supportive of further hikes: the 3-month annualized rate of Core CPI accelerated to 2.4%, Industrial Production remains robust, and Core Consumption is strong.

Weekly Highlights

Core CPI- up 0.248% M/M in November. (page 2)

Retail Sales- excluding autos & gas, up 0.5% M/M in November. (page 4)

Capacity Utilization- increased to 80.2% in November. (page 6)

Weekly Releases**Chart of the Week: Core CPI**

Core CPI increased 0.2% M/M (0.248%) and 2.1% Y/Y in November; the annualized 3-month rate of growth has accelerated from 1.4% in August to 2.4% currently. The recent pick-up in core inflation suggests the Fed is more likely to be at 5% than 4.5% by June of 2006.

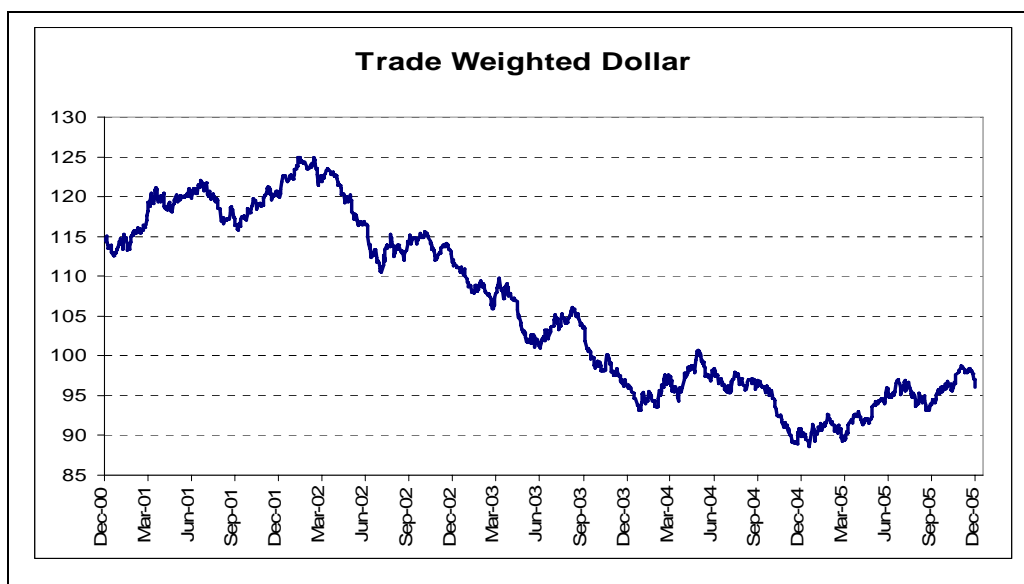
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

<i>U.S.</i>	<i>Latest period (\$blns)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-83.1 (November)	-2.6%
Trade Balance	-68.9 (October)	-5.7%
Current Account Balance	-195.7 (Q2)	-5.9%
Private Balance	--	-3.3%

The budget deficit is currently at \$332 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 October is still 5.7% 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.

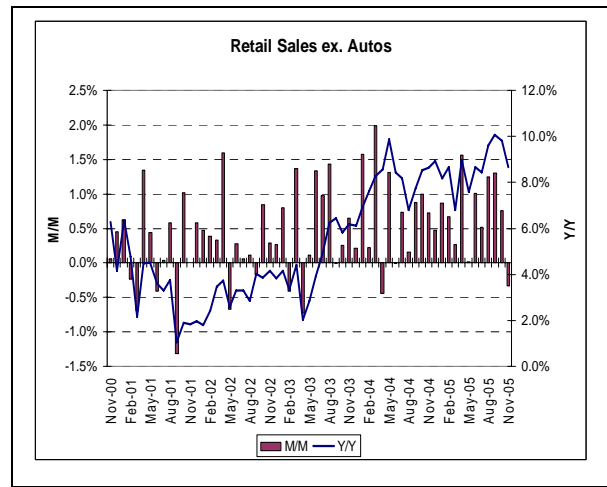
Trade Weighted Dollar



Retail Sales, Import Prices & Mort. Applications

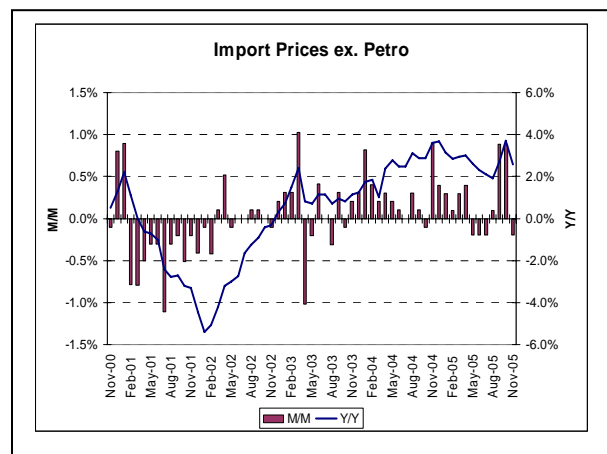
Retail Sales ex. Autos

Retail Sales, excluding autos, decreased 0.3% M/M and increased 8.7% Y/Y in November. Retail Sales, excluding autos and gas, were up 0.5% M/M, showing consumer strength as the holidays start.



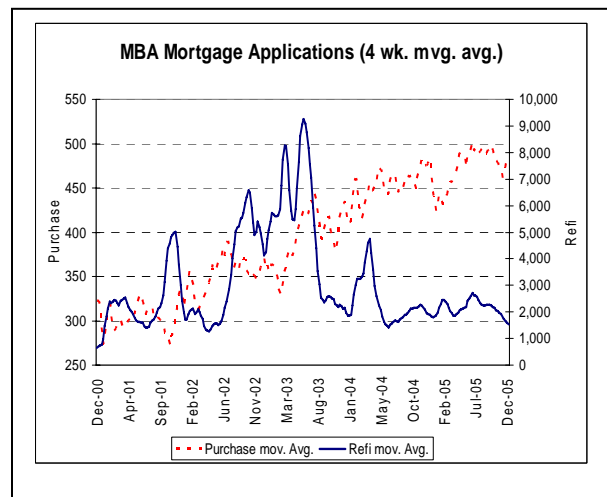
Import Prices ex. Petro

Import Prices, excluding Petroleum, decreased 0.2% M/M and increased 2.6% Y/Y in November. Excluding all fuel, Import Prices still declined 0.1% M/M and gained 1.4% Y/Y.



MBA Mortgage Applications

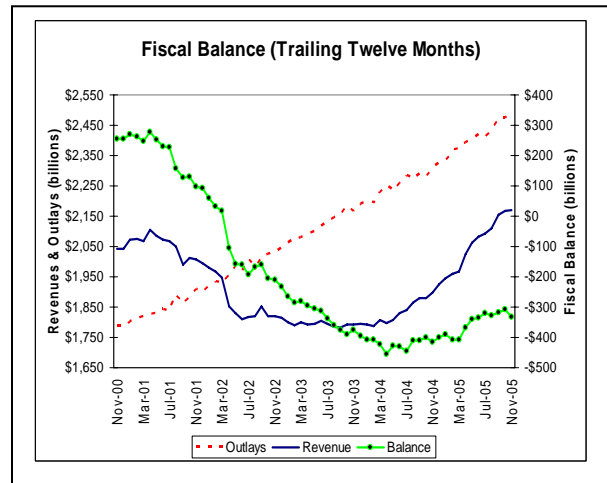
Purchase and refinancing mortgage applications decreased 3.5% and 9.7%, respectively, this week. The four-week moving average for purchases is now up 1.0% Y/Y.



Fiscal Balance, Trade Balance & Employment Claims

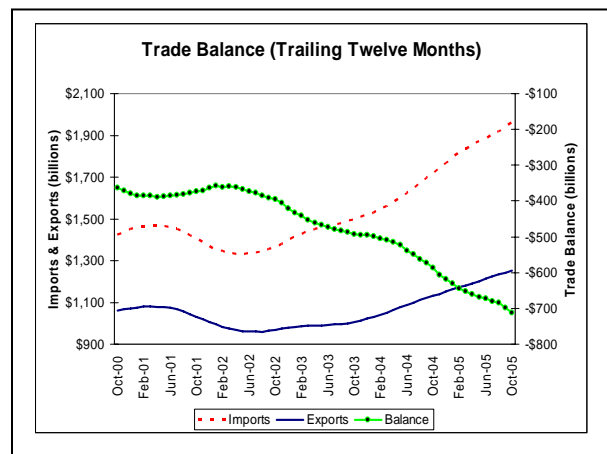
Fiscal Balance

The Fiscal Balance in November posted a deficit of \$83.1 bln versus \$57.9 bln in November 2004. On a trailing twelve month basis, the deficit expanded from \$307 bln to \$332 bln. Katrina related spending has boosted most 2006 deficit estimates over \$400 bln. Those estimates may be too high based on the strength of the revenue path.



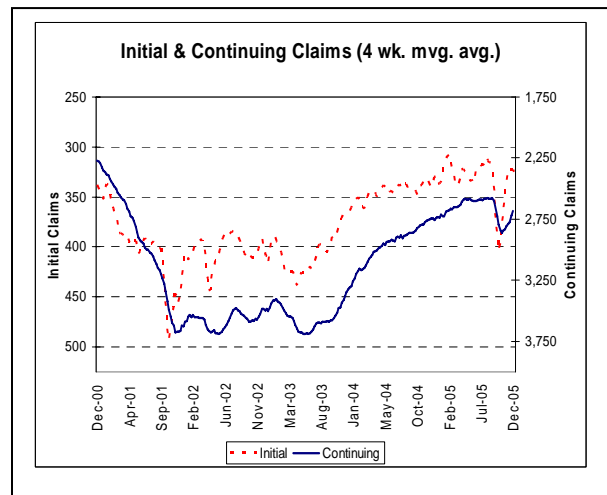
Trade Balance

The Trade Deficit widened from \$66 bln to \$69 bln in October. Imports grew 2.7% M/M and 14.5% Y/Y and exports grew 1.7% M/M and 9.2% Y/Y. The trailing twelve month trade deficit is now \$712 bln or 5.7% of GDP.



Initial & Continuing Claims

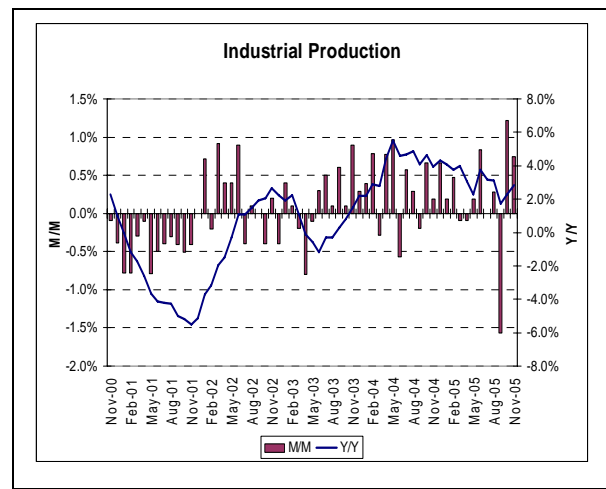
The four week moving average of Initial claims and Continuing claims increased slightly to 329k and 2,606k, respectively. Continuing claims are now back to pre-Katrina levels and show strength in the labor market.



Industrial Production, Cap. Utilization & Empire Index

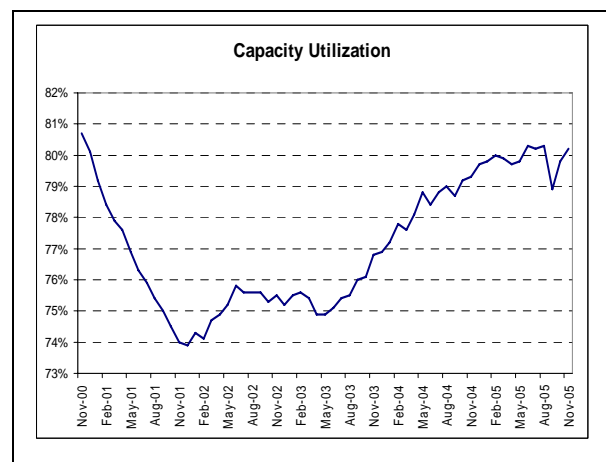
Industrial Production

Industrial Production increased 0.7% M/M and 2.8% Y/Y in November after increasing 1.2% M/M in October. The motor vehicle and parts component declined 4.3% and held back the series from showing even stronger gains. The economy continues to show strong momentum.

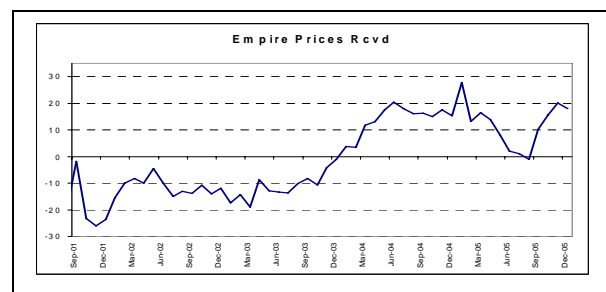
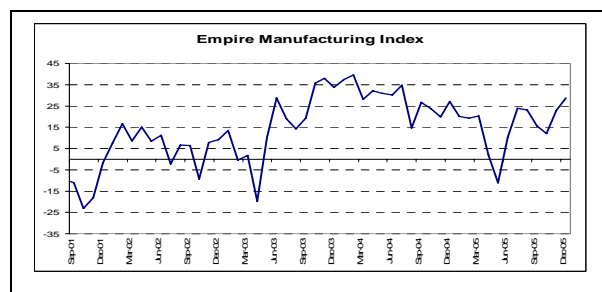


Capacity Utilization

Capacity Utilization increased from 79.8% to 80.2% in November and is now almost back to pre-Katrina levels. This reduction of slack could keep the Fed moving well into 2006.



Empire Manufacturing Index

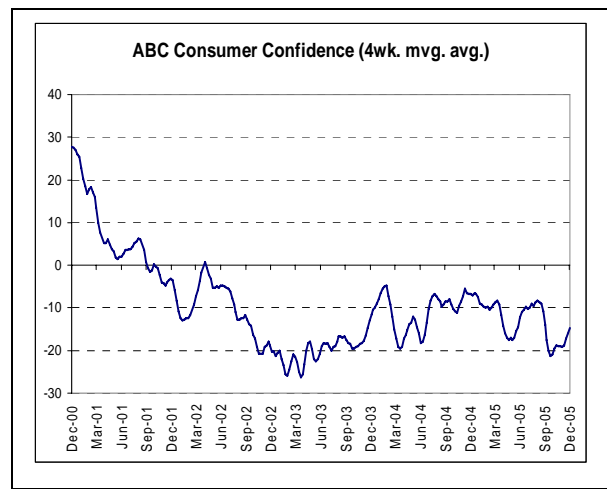


The Empire Manufacturing Index improved from 22.8 to 28.7 in December, still showing expansion in the manufacturing sector. The prices paid and prices received component decreased from 60.6 and 20.2 to 47.2 and 18.0, respectively, but remain elevated. The employment component softened from 16.9 to 6.6.

Consumer Confidence

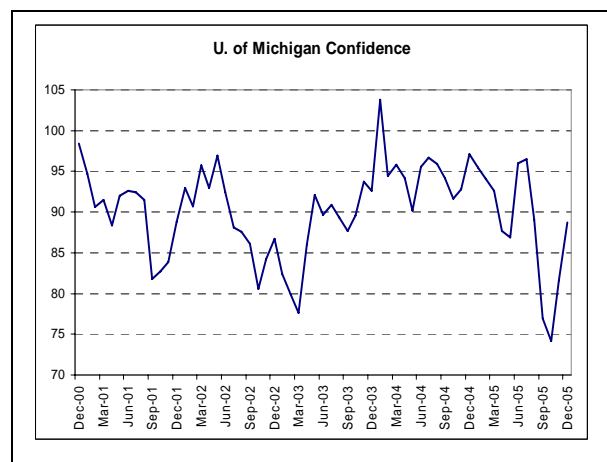
ABC Consumer Confidence

The ABC Consumer Confidence Index improved from -14 to -13. This is the sixth week in a row of gains in overall confidence. The economy and finance components moved higher to -26 and 14, respectively. The buying component declined from -26 to -28.



U. of Michigan Confidence

The University of Michigan Confidence Index improved from 81.6 to 88.7 in December. The current and expectations components both increased, to 106.6 and 77.3 from 100.2 and 69.6, respectively. Inflation expectations (one year out) dropped from 4.6% to 3.2% in November as energy prices declined. Long-term inflation expectations dropped from 3.2% to 3.0% in November.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
12/16	Current Account Balance (Q3)	-\$205.0B	-\$195.7B
12/19	NAHB Housing Market Index (DEC)	61	60
12/20	PPI Ex. Food & Energy (NOV) (M/M)	0.2%	-0.3%
12/20	Housing Starts (NOV)	2008K	2014K
12/20	Building Permits (NOV)	2093K	2103K
12/20	ABC Consumer Confidence (DEC 18)	NA	-13
12/21	MBA Mortgage Applications (DEC 16)	NA	-5.7%
12/21	GDP Annualized (Q3)	4.3%	4.3%

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Valance Economic Report: Euro Zone

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The trend continues: Germany's manufacturing sector produced another strong month, keeping the German economy afloat and sending confidence soaring while Germany's neighbors remained relatively stagnant. French and Italian Industrial Production both contracted in October, French Exports contracted, and French Non Farm payrolls were unchanged in Q3, despite structural changes aimed at boosting employment. In addition, price pressures continued to abate as Euro Zone Labor Costs slowed to 2.2% Y/Y in Q3 and French inflation fell to a yearly low of 1.6% in November.

Weekly Highlights

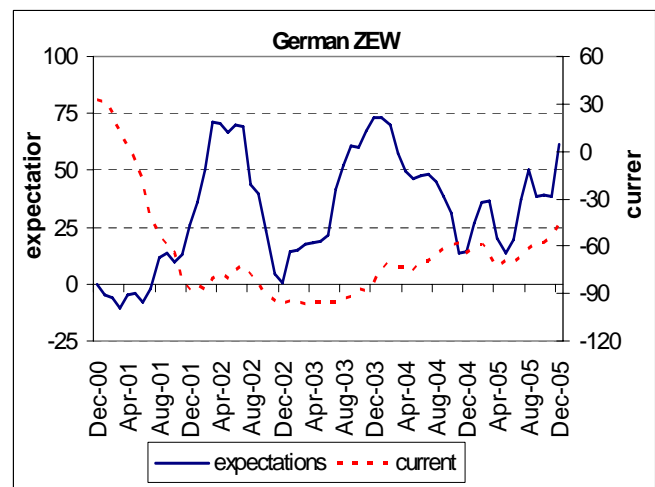
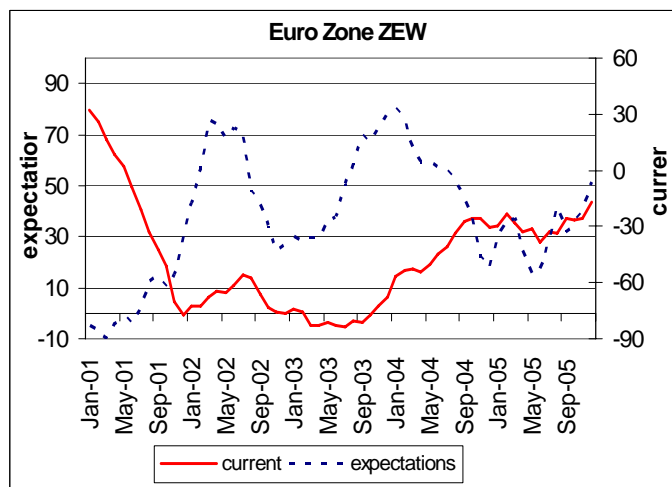
German Industrial Production– remained strong in October. (page 12)

Euro Zone Labor Costs– continued to slow in Q3. (page 11)

Euro Zone Car Registrations– contracted for 2nd consecutive month in November. (page 15)

Weekly Releases & News

Charts of the Week: German, Euro Zone ZEW



Euro Zone and German ZEW Confidence both spiked sharply in December, with German Confidence increasing the most in 12 years. The Euro Zone Expectations Index increased from 40.0 in November to 51.2, while the Current Assessment Index increased from -25.5 to -16.8. Germany's Expectations Index increased from 38.7 in November to 61.6, while the Current Assessment Index increased from -55.2 to -44.4. A ZEW economist stated, "We have had a strong increase in incoming orders. We also still have strong support from growth in the world economy for exporters" and also that "uncertainty regarding the future of the German government has decreased."

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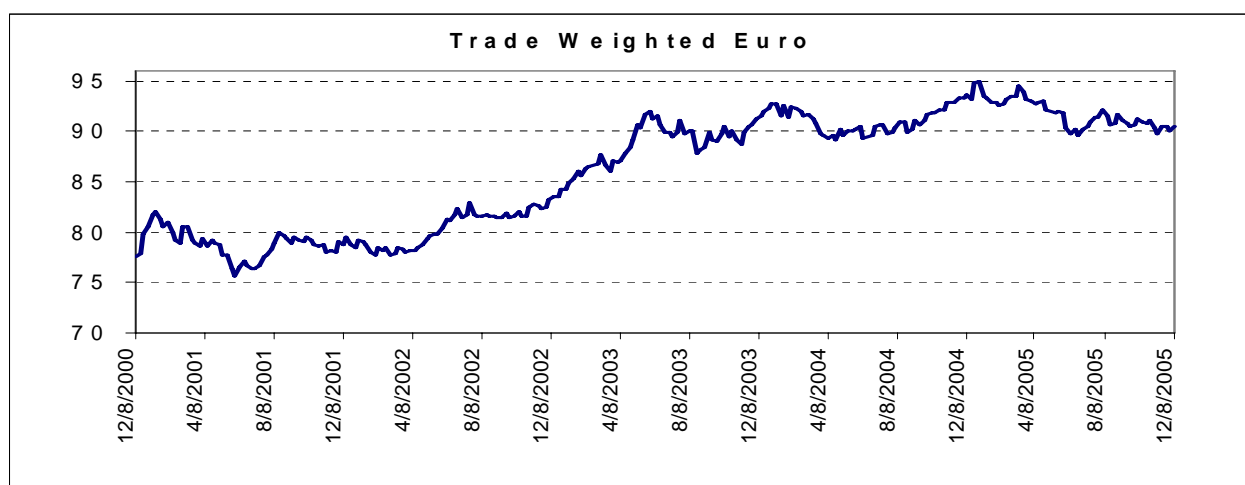
Euro Zone Financial Balances & Trade Weighted Euro

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.

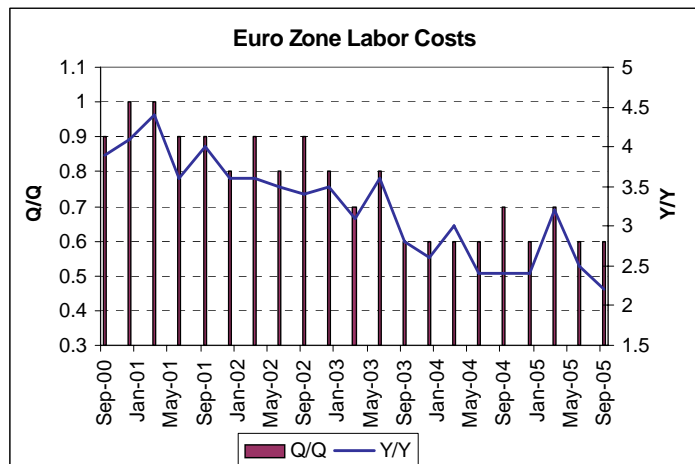
Trade Weighted Euro



Euro Zone Labor Costs, French & Spanish CPI

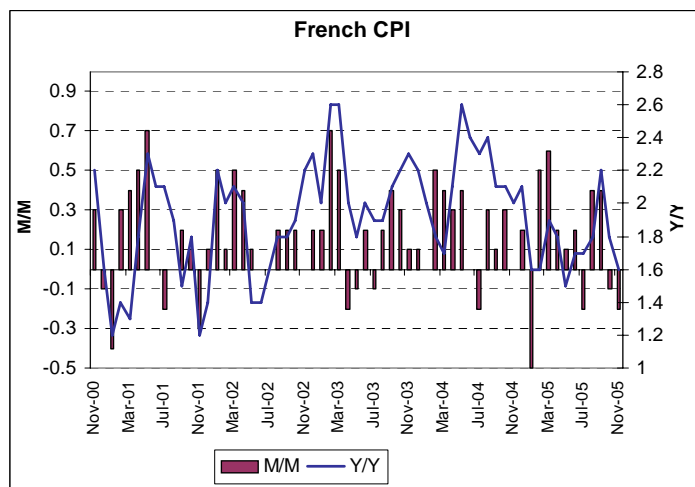
Euro Zone Labor Costs

The Euro Zone's Q3 Labor Costs continued to ease, slowing from 2.5% Y/Y in Q2 to 2.2% while increasing 0.6% Q/Q. Labor Costs in Germany increased from 1.0% to 1.1% Y/Y while French Labor Costs remained unchanged at 2.8% Y/Y.



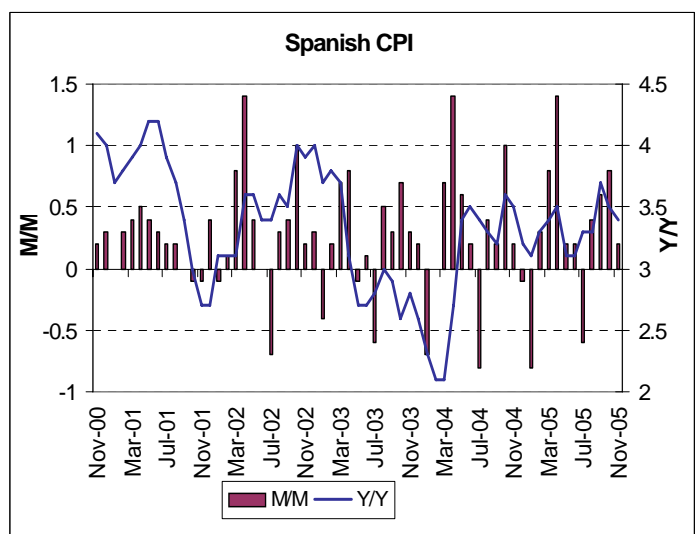
French CPI

France's November Consumer Prices fell more than expected, declining 0.2% M/M while slowing from 1.8% Y/Y to 1.6% Y/Y. Inflation has slowed from 2.2% in September to 1.6% as oil prices have receded.



Spanish CPI

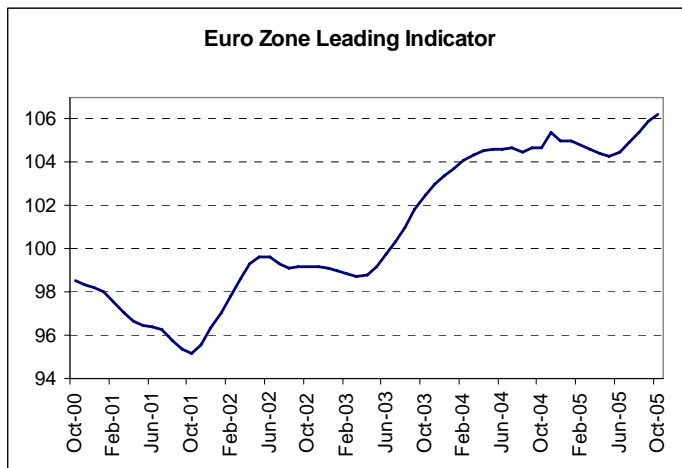
Spain's November Consumer Prices increased 0.2% M/M, while slowing from 3.5% Y/Y in October to 3.4%.



Euro Zone Leading Ind., German & French Ind. Production

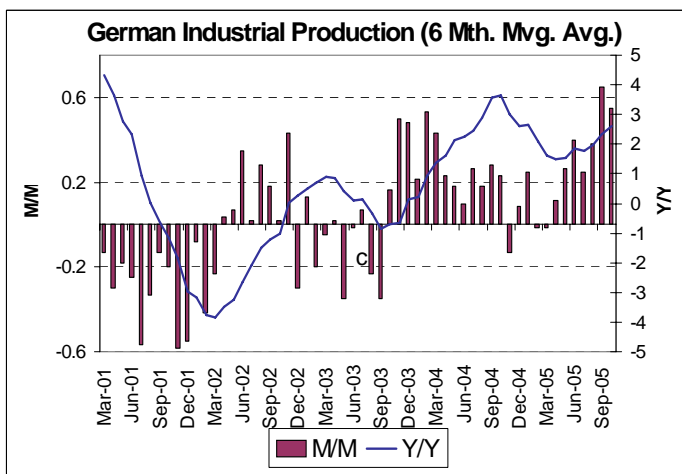
Euro Zone OECD Leading Indicator

The Euro Zone's October OECD Leading Indicator expanded from 104.8 in September to 105.3.



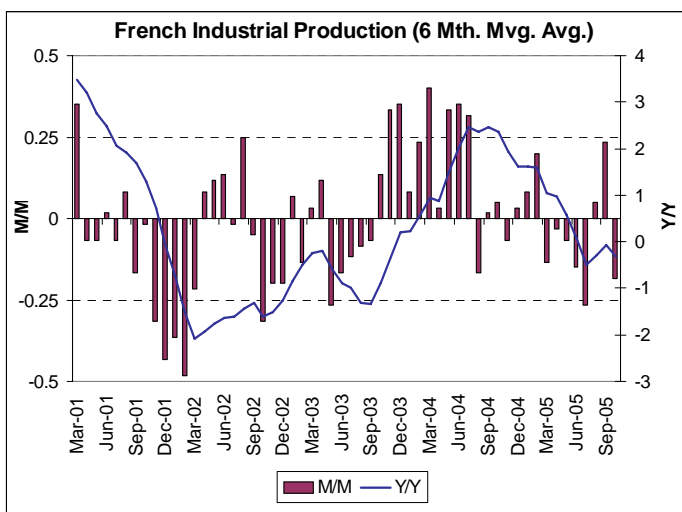
German Industrial Production

Germany's October Industrial Production increased more than expected, climbing 1.1% M/M and 3.8% Y/Y. Gains were led by strong Manufacturing and Mining growth.



French Industrial Production

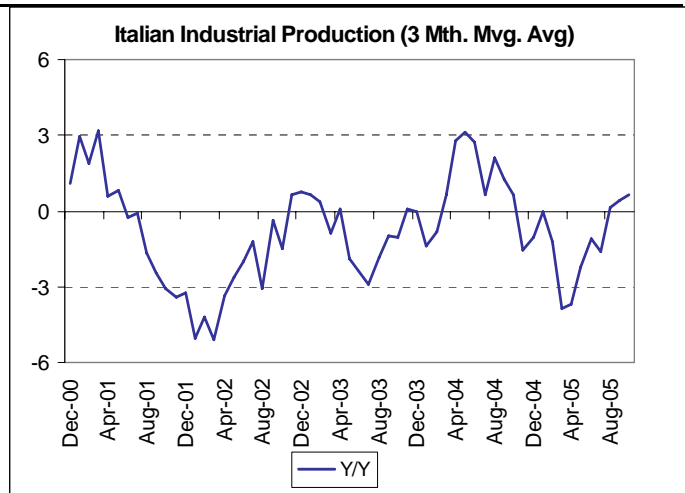
French Industrial Production contracted 2.5% M/M and 1.4% Y/Y in October. It was the largest M/M drop in 6 years. Market expectations were for a moderate pickup, but slumping car sales, among other factors, resulted in the contraction.



Italian Ind. Production, German & French Trade

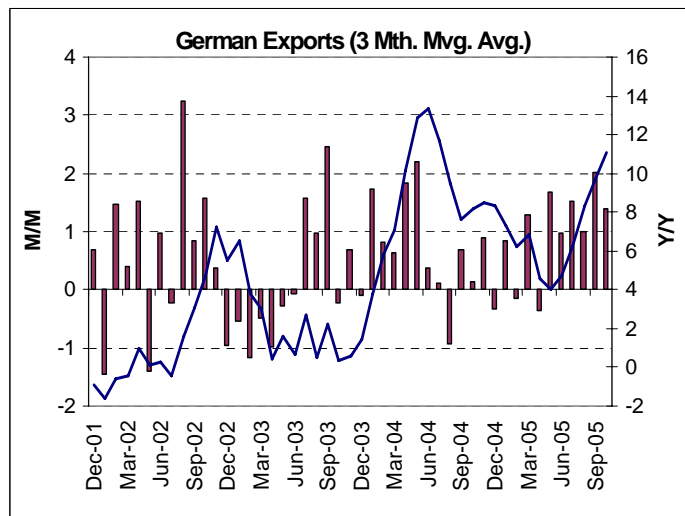
Italian Industrial Production

Italy's October Industrial Production unexpectedly fell for the 2nd consecutive month, declining 0.9% M/M and 2.7% Y/Y.



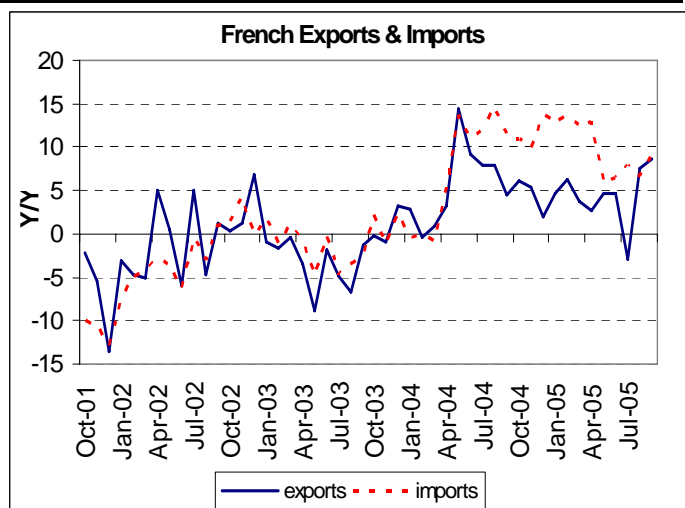
German Trade

Germany's October Trade surplus narrowed from 7.8 bln euros in September to 6.4 bln as exports contracted for the first time in 4 months. Exports declined 0.6% M/M while Imports expanded 3.1% Y/Y.



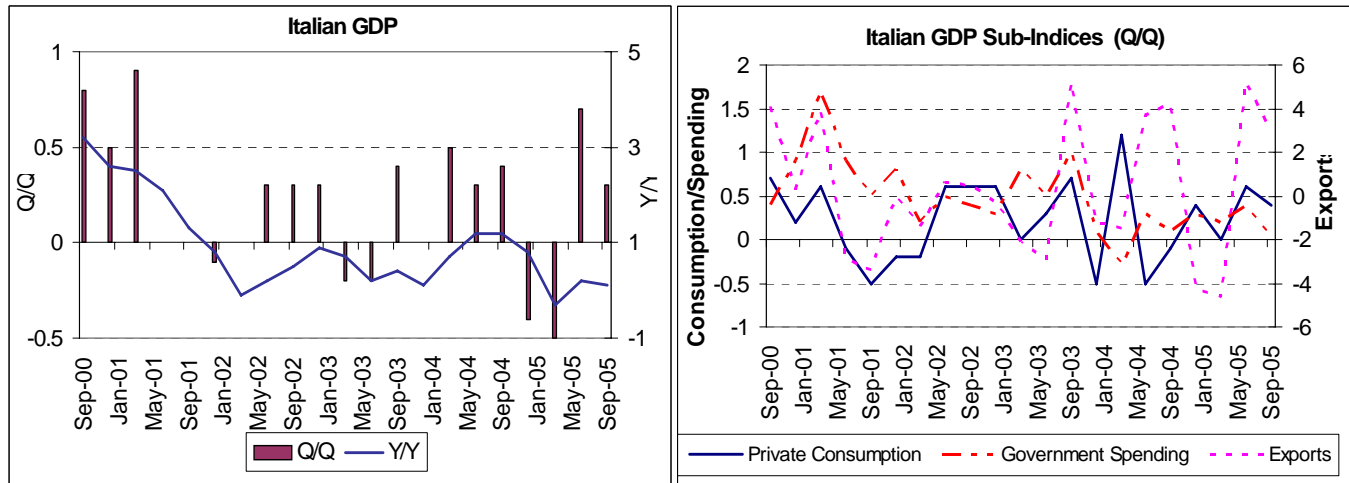
French Trade

France's October Trade Deficit widened from 1.5 bln euros in September to 2.5 bln as Exports contracted 3% M/M and Imports were unchanged. One French economist noted, "We are not in the right markets. Even when the euro decreases, we don't benefit from it."



Italian GDP Components & French Non Farm Payrolls

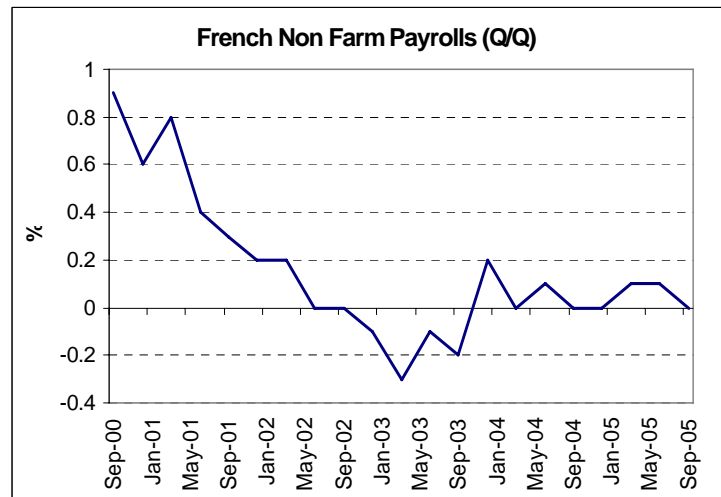
Italian GDP



Italy's Q2 & Q3 GDP were revised slightly as the economy expanded 0.2% Y/Y in Q2; up from the 0.1% reported initially. The economy expanded 0.3% Q/Q and 0.1% Y/Y in Q3; Y/Y growth was revised upward from 0.0% in Q3. Private Consumption was stronger than expected, expanding 0.4% Q/Q, while Government Spending was weaker than expected, remaining unchanged Q/Q. Exports expanded 2.9% Q/Q and Imports grew 1.1%.

French Non Farm Payrolls

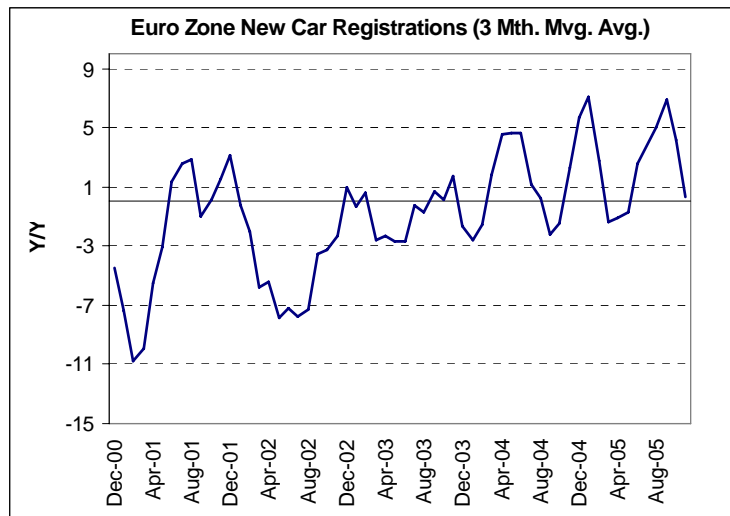
France's Q3 Non Farm Payrolls were revised downward from a 0.1% Q/Q expansion to 0.0% as payrolls increased a meager 900 in the quarter.



Euro Zone New Car Registrations & News

Euro Zone New Car Registrations

The Euro Zone's November New Car Registrations contracted 2% Y/Y after contracting 1.4% Y/Y in October.



News

Dec. 15th -Germany's Gesamtmetall employer's group said it seeks a pay accord for Germany's 3.4 mln metal and electrical workers that won't add to companies' costs. Unlike the IG Metall union which is seeking 5% pay increases, Gesamtmetall is seeking a 1.2% increase, in line with the forecasted gain in productivity. The Union stated, "An agreement that dents the international competitiveness of companies will lead to jobs being shed."

Dec. 15th – ECB President Jean Claude Tricot commented on inflation and monetary conditions, stating, "All the indications are that our fellow European citizens require us to be vigilant with regard to price stability and that they are not overly content with the situation as it stands... We must not wait until inflation has become established before we tackle it... We will in the future take the decisions that will be necessary to deliver price stability."

Dec. 12th – 3 ECB members stated that rates are low enough to support growth. Liikanen, stated that "monetary policy still clearly continues to support growth", Caruana added that he foresees a "sustained recovery", and Liebscher added that rates are "not an obstacle." Liebscher noted, as has been stated before, "rate increases are not currently planned, but we will analyze the data at every monetary policy meeting and draw our conclusions from that."

Dec. 9th – Germany's BDI industry association president, Juergen Thumann, stated that the German economy is doing better than expected and that GDP may expand 1.1% in 2005, up from the previous 0.8% forecast. He also stated that growth may be higher than 1.5% in 2006 after previously stating that 1.5% was the limit, stating, "The outlook for exports is splendid."

News

Dec. 9th – ECB member Axel Weber stated that the bank “could” have raised rates more in December, stating, “I can’t hide the fact that I could have absolutely imagined a somewhat stronger normalization of interest rates.” The ECB’s monthly report clearly stated that the ECB is still concerned with upside risks to inflation which explains Weber’s rhetoric. The ECB stated, “The main scenario for price stability emerging from economic analysis remains subject to upside risks”, “We will monitor closely all developments with respect to risks to price stability.” Regarding the timing of a further hike, member Bini Smaghi added, “

Dec. 9th – German Chancellor Angela Merkel stated that she may not go ahead with fully with a 3 percentage point increase in VAT. Her Economic advisor Peter Bofinger stated, “So far it’s just been a statement of intent for 2007. WE’ll have to see how 2006 develops.”

Dec. 8th – Germany’s Kiel and RWI Institutes both raised their growth forecasts for 2006, stating that the euro’s decline will boost export growth. Kiel increased their 2005 forecast from 0.7% to 0.8% and increased their 2006 forecast from 1.1% to 1.5%. The RWI Institute raised its 2006 forecast from 1.4% to 1.6%. The Kiel Institute also stated that they expect the ECB to hike rates twice more in 2006.

Dec. 8th – ECB member Bini Smaghi commented on the ECB’s rate setting decision, stating “For now we are not entering a tightening at the moment. We’re just taking away excess liquidity.” **On timing of rate increases:** “Vaccination prevents fever but vaccination has to happen at the right time. It should happen neither too late nor too soon, especially if the body is still weak and maybe under antibiotics. “If vaccination is given while the body is still under antibiotics, the body may weaken further, especially if antibiotics have been taken for a long time, maybe actually for too long. “The right sequence, which a doctor would suggest, is to first to stop the antibiotic cure and then only after a while start the vaccination. “One way of characterizing the decision of Dec. 1 is that this was part of taking away antibiotics from the body. We haven't come yet to the full treatment with vaccines to prevent influenza, which is inflation.” **On the economy's readiness for another rate increase:** “The body needs to get stronger before getting the shot.” **Asked about the ECB's current monetary policy stance,** he said: “Hike and see.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
12/16	German IFO Bus. Climate (DEC)	98.2	97.8
12/16	Euro Zone CPI (NOV)	-0.2% M/M	0.3% M/M
12/19	Euro Zone Industrial Production (OCT)	--	1.0% Y/Y
12/20	Spanish Factory Orders (OCT)	--	8.7% Y/Y
12/20	Italian Industrial Orders (OCT)	1.2% M/M	-3.3% M/M
12/21	French Consumer Spending (NOV)	--	-0.6% M/M
12/21	Italian Hourly Wages (NOV)	0.1% M/M	0.1% M/M
12/22	German CPI (DEC)	--	-0.5% M/M

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Valance Economic Report: Japan

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December 15, 2005

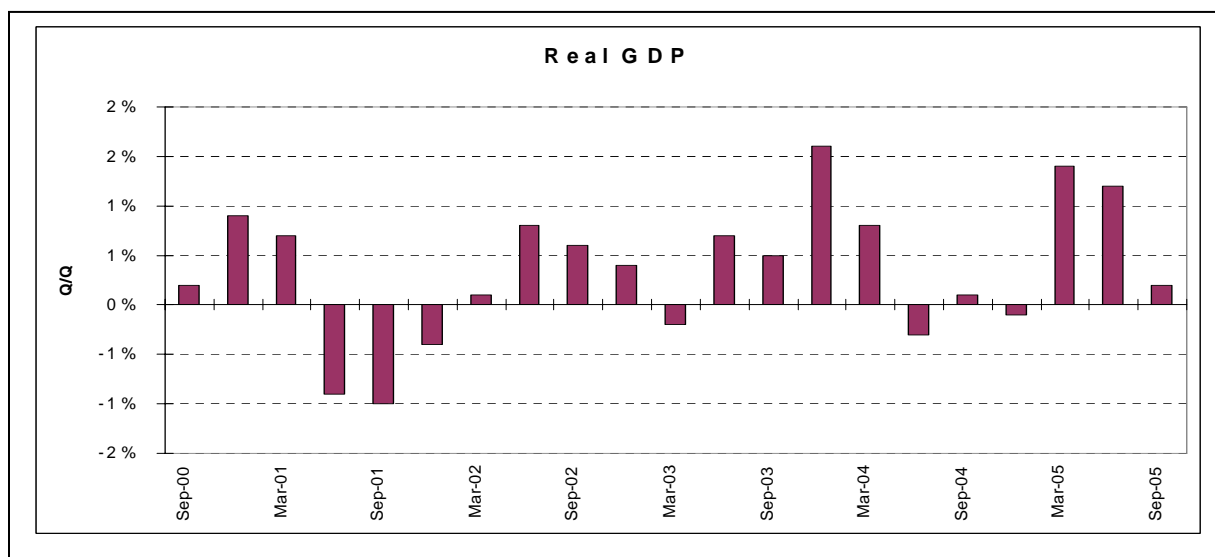
The recovery in Japan continues to be driven by solid corporate capex, improving business confidence, and both domestic and foreign demand. Although some of the data released, such as the Q3 GDP growth, were slightly below expectations, future prospects appear positive: Consumers are becoming more optimistic and, based on the Tankan, the current-strong trend in capex appears likely to continue to into 2006.

Weekly Highlights

Real GDP – increased 0.2% Q/Q in Q3 2005. (page 18)

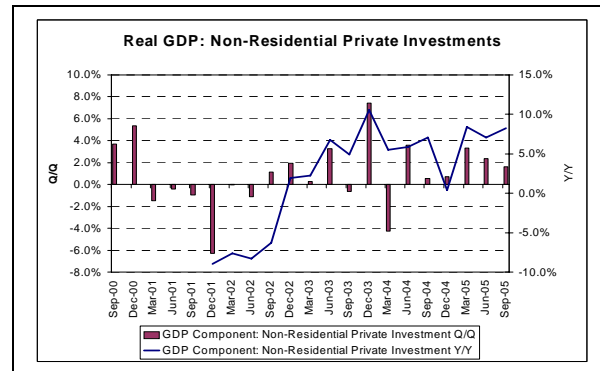
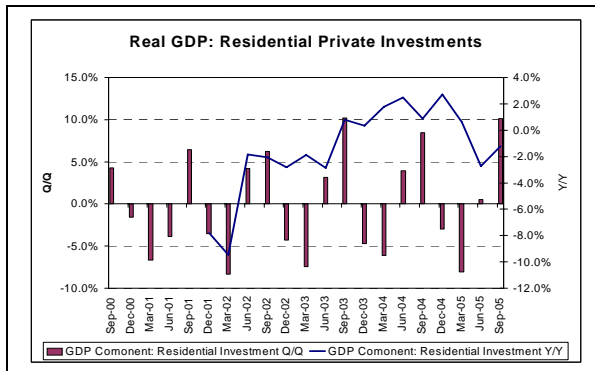
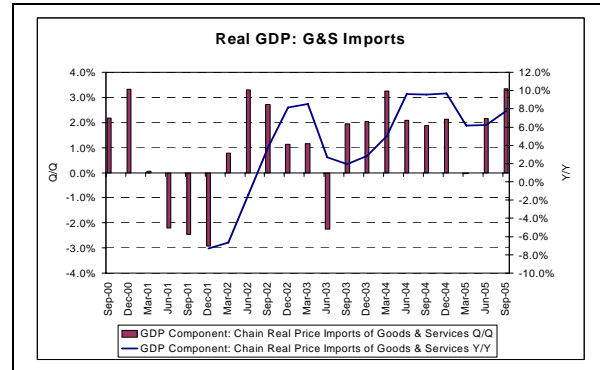
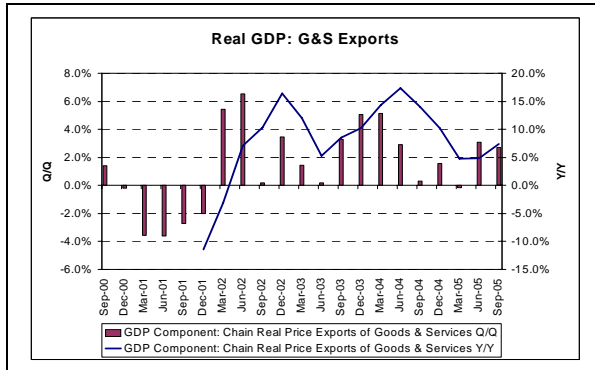
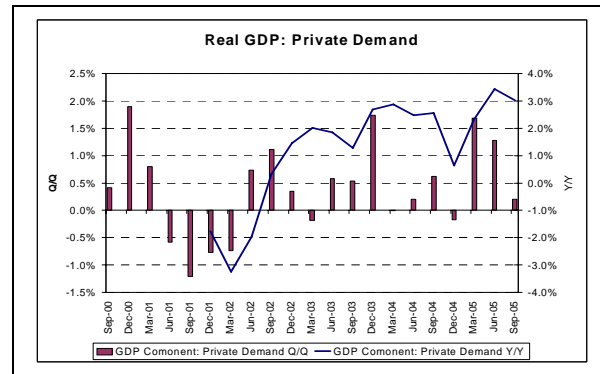
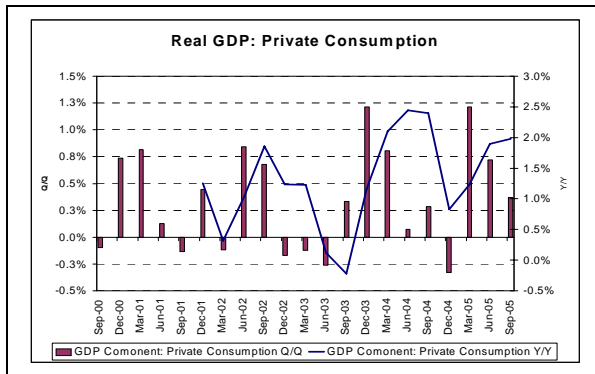
Tankan –Large Manufacturer’s Index increased from 19 to 21 in Q4. (page 21)

CGPI – was unchanged M/M and increased 1.9% Y/Y in November. (page 23)

Chart of the Week: *Gross Domestic Product*

Japan’s economic growth was revised downward from 0.4% to 0.2% Q/Q in Q3 in real terms. On an annual basis, growth was revised from a rate of 1.7% to 1.0% in Q3. The revisions fell below market expectations for a 0.6% Q/Q increase but the details indicated broad-based domestic growth: domestic demand improved 0.3% Q/Q, private demand grew 0.2% Q/Q, public demand grew 0.5% Q/Q, household spending and household consumption grew 0.4% Q/Q, residential investment grew 1.6% Q/Q, nonresidential investment grew 1.6% Q/Q, and fixed capital formation increased 1.3% Q/Q. With these improvements in business investments and both private and public demand, the report isn’t as negative as it seems and it appears that the economy is set to continue growing at a stable rate in the coming months.

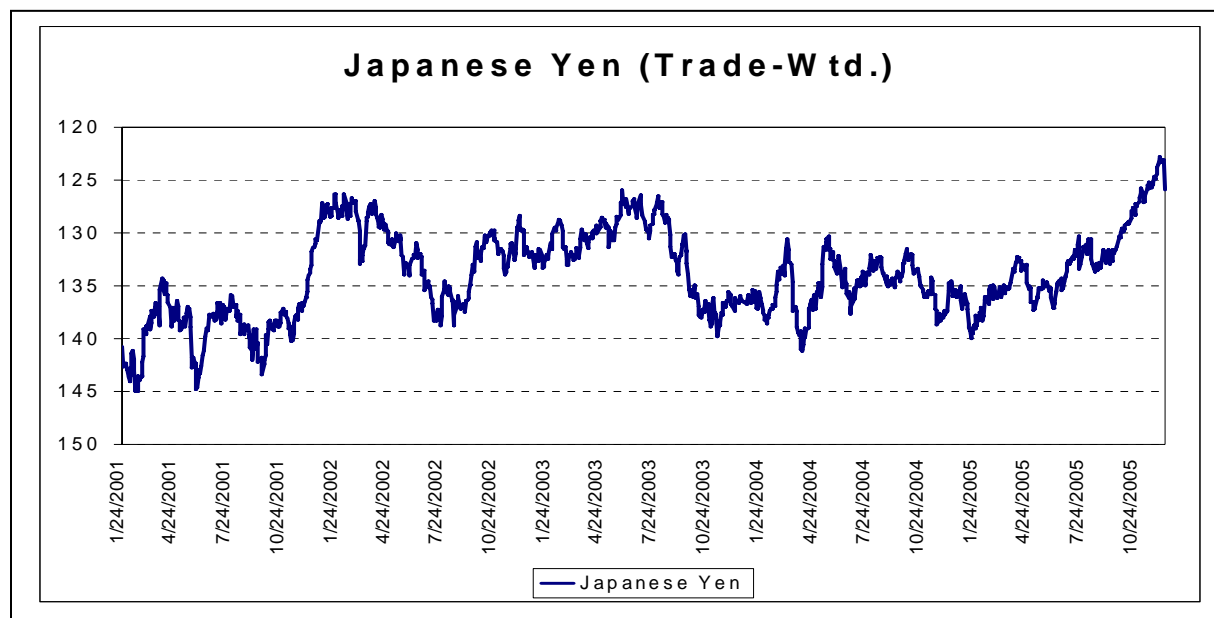
Charts of the Week (Cont'd) – GDP Components



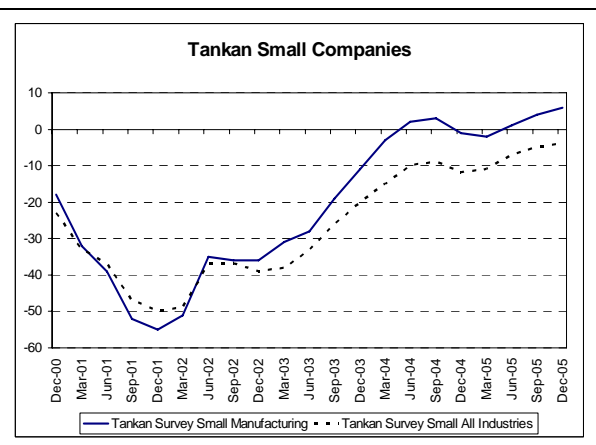
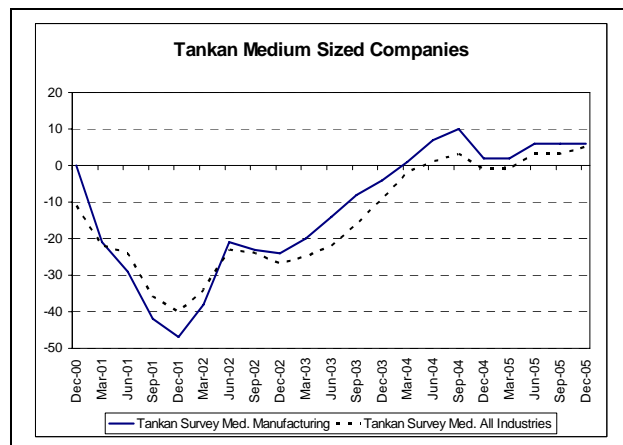
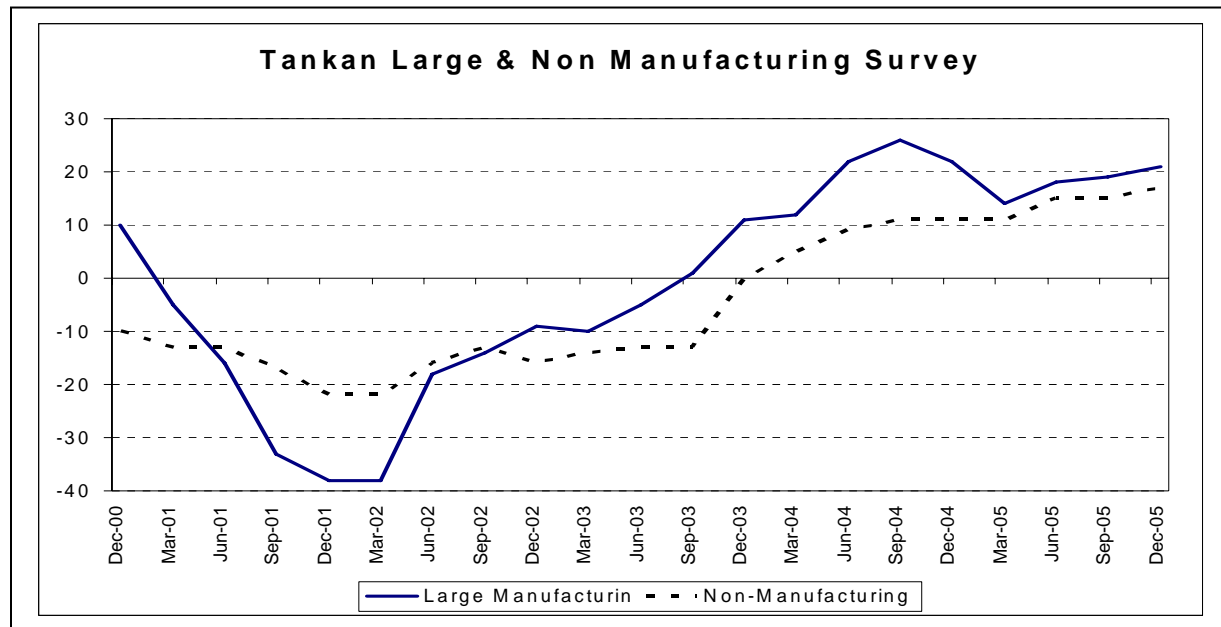
Japan's Financial Balances

Financial Balances

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



Tankan Survey



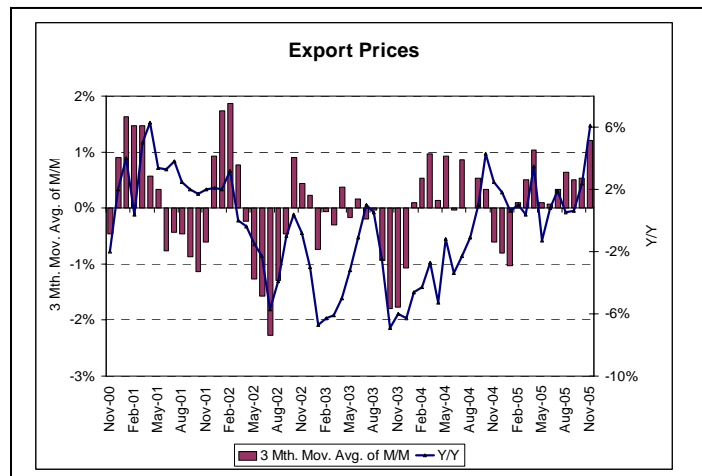
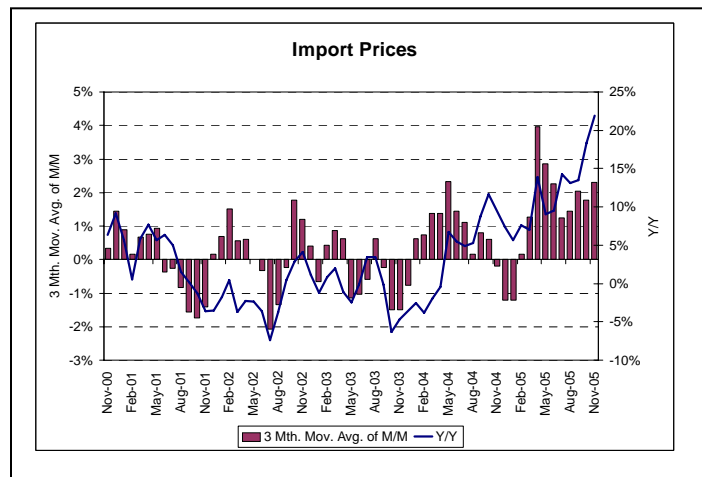
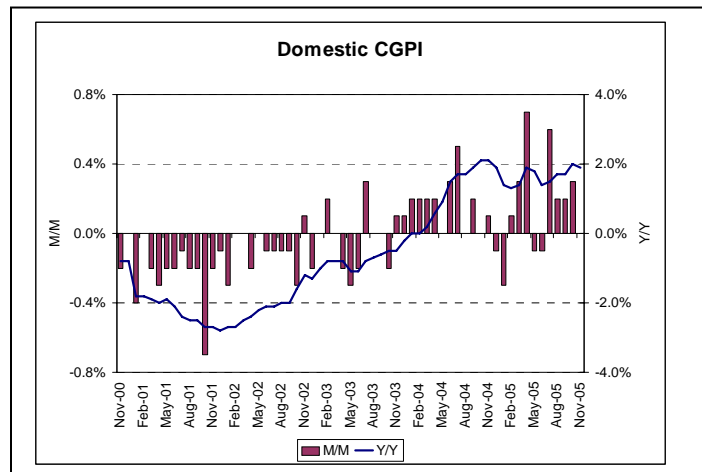
The Tankan Large Manufacturer's Index increased from 19 to 21 in Q4. Within the survey, the large manufacturer's outlook increased from 18 to 19, the non manufacturing index increased from 15 to 17, and the non manufacturing outlook increased from 16 to 17. The Capex component of the index improved as well, increasing from 9.3 to 10.4 in Q4. Overall, the headline index increased to a 1 year high. The details were also positive as companies reported that they intend on continuing to increase business investments, which have grown at their fastest pace since 1990.

CGPI, Import & Export Prices

CGPI

Domestic Corporate Goods Prices were unchanged M/M and increased 1.9% Y/Y in November. Export Prices increased 1.6% M/M and 6.1% Y/Y, led by textiles and metals. Import Prices increased 1.7% M/M and 21.9% Y/Y, led by increases in metals and lumber.

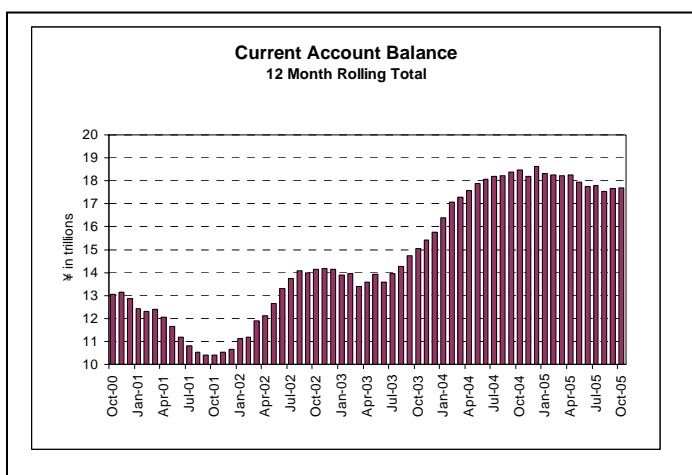
The headline changes were close to market expectations for a 0.1% M/M and 1.9% Y/Y increase. The overall increase was strong however, as declines in global commodity prices were more than offset by the depreciation of the Yen. In addition, due to a contraction in the supply/demand gap, the prices of final goods increased 0.5% Y/Y. This marked the first Y/Y increase since September 1992, with the exclusion of a period in FY1997, where the consumption tax was increased.



Current Account Balance, Eco Watchers Survey

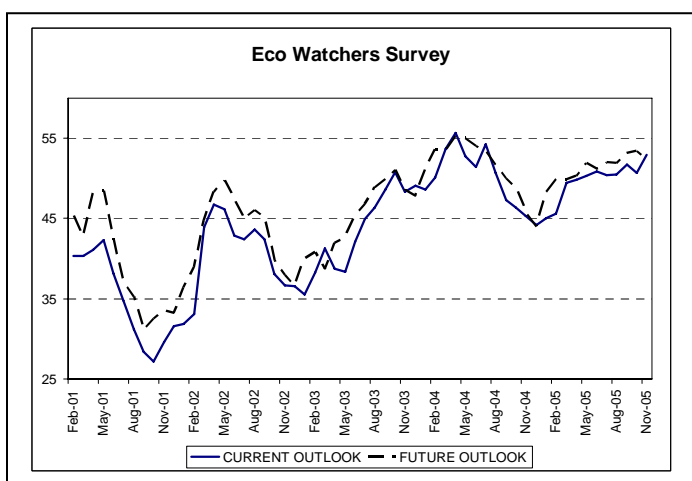
Current Account Balance

Japan's Adjusted Current Account Balance increased from ¥1624.3 bln to ¥1673.6 bln in October. At the same time, the Trade Balance, on a Balance of Payments basis, increased from ¥732.9 bln to ¥752.0 bln.



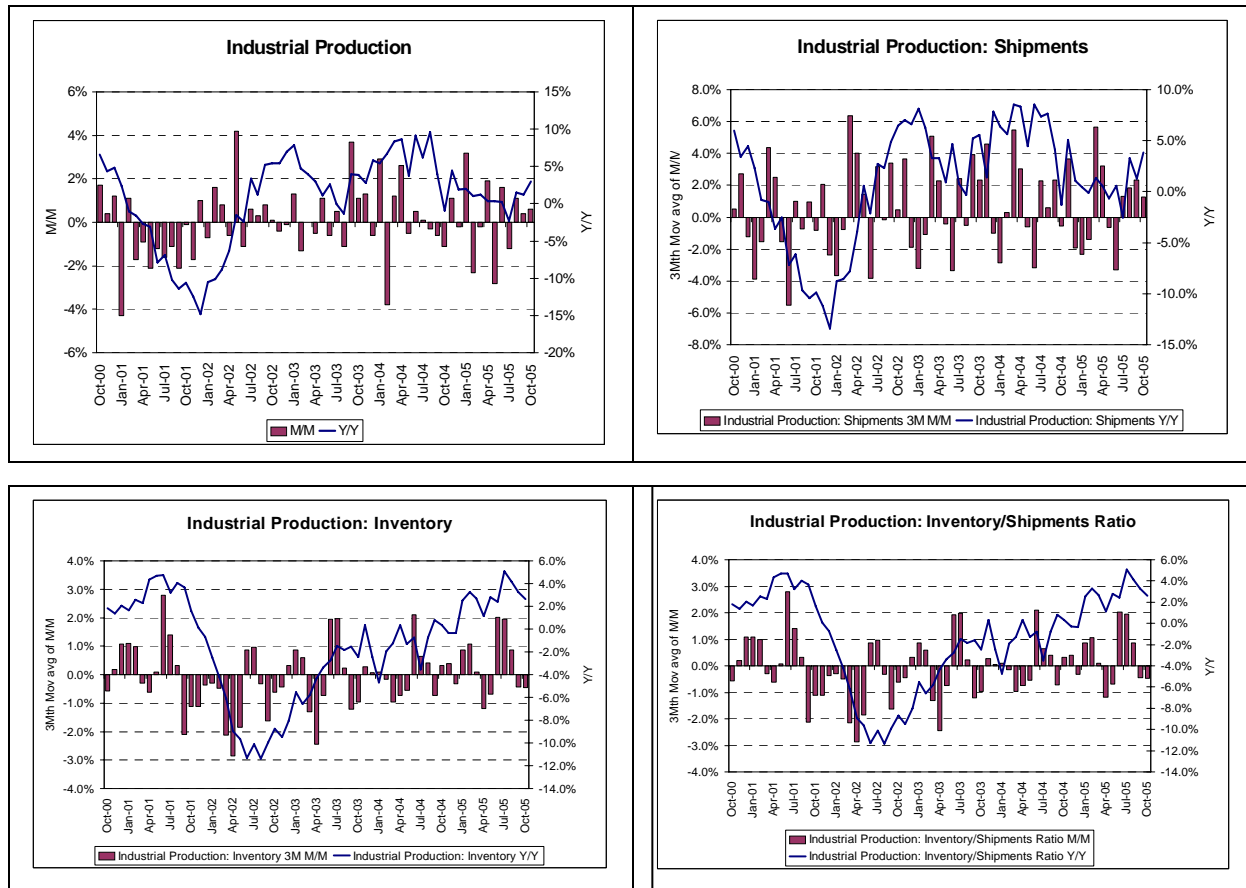
Eco Watchers Survey

The Eco Watchers Survey Current Index increased from 50.7 to 52.9 in November. The Outlook Index edged downward from 53.4 to 52.4. Although household and most business expectations declined in the month, Manufacturer's expectations improved. In terms of their current outlook, both households and businesses saw broad gains.



Industrial Production

Industrial Production

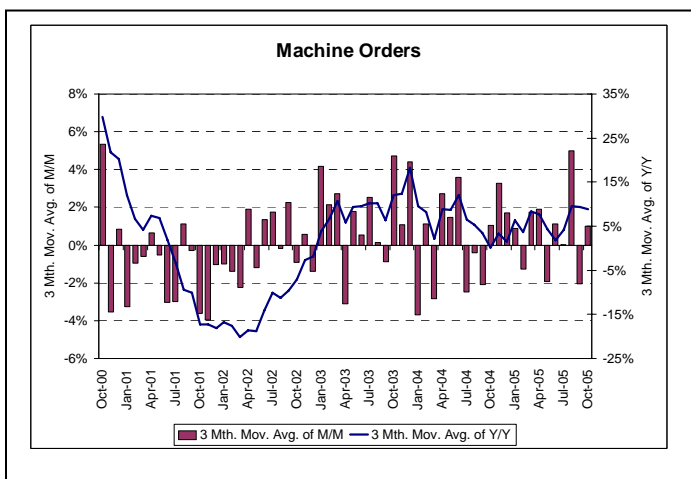


Industrial Production increased 0.6% M/M and 3.0% Y/Y in October. The data was unchanged from the preliminary estimate and met market expectations. Shipments improved 1.9% M/M and 3.9% Y/Y. Inventories declined 1.7% M/M and increased 3.9% Y/Y. The inventory ratio declined 2.0% M/M and increased 2.5% Y/Y. All told, the data was positive and met market expectations as companies adjusted inventories to meet demand.

Machine Orders, Machine Tool Orders & Capacity Utilization

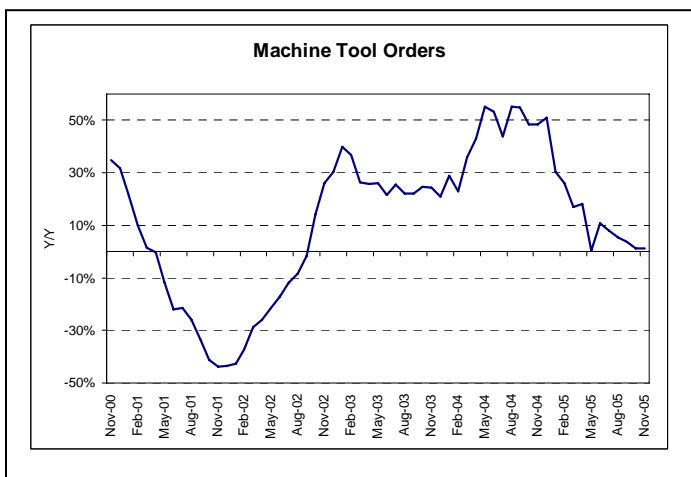
Machine Orders

Core Machine Orders increased 4.8% M/M and 8.5% Y/Y in October. The increases were below market expectations for a 6.0% M/M and 10.2% Y/Y increase, but were improved from the previous month's 10.0% MM decline. The increase came as automakers and retailers expanded in anticipation of higher consumer spending, both domestic and overseas. The improvement also supports other data, including surveys and trade data, which indicates manufacturers have been doing well and that capex will likely continue to improve well into H1 2006.



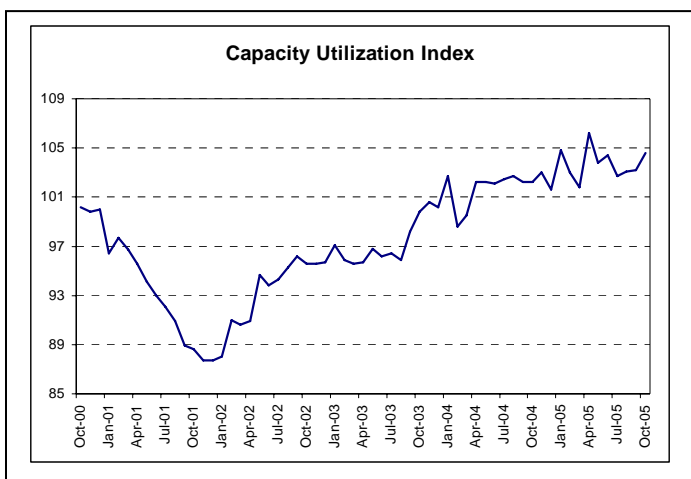
Machine Tool Orders

Machine Tool Orders increased 5.5% M/M and 1.3% Y/Y in November.



Capacity Utilization

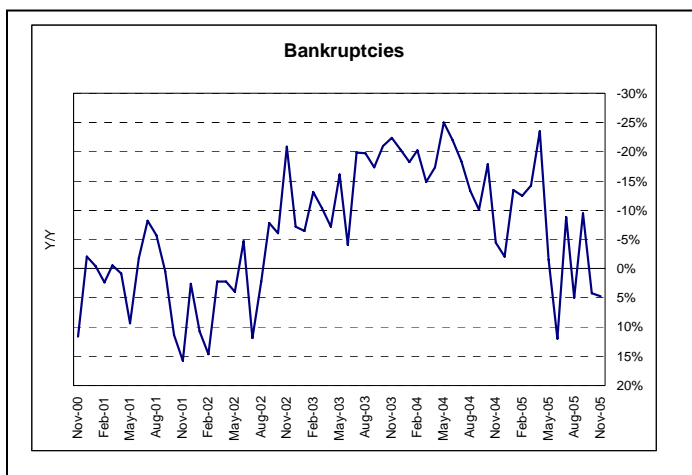
The Capacity Utilization Operating Ratio for Manufacturers increased from 103.2 to 104.6 in October.



Corporate Bankruptcies & Consumer Confidence

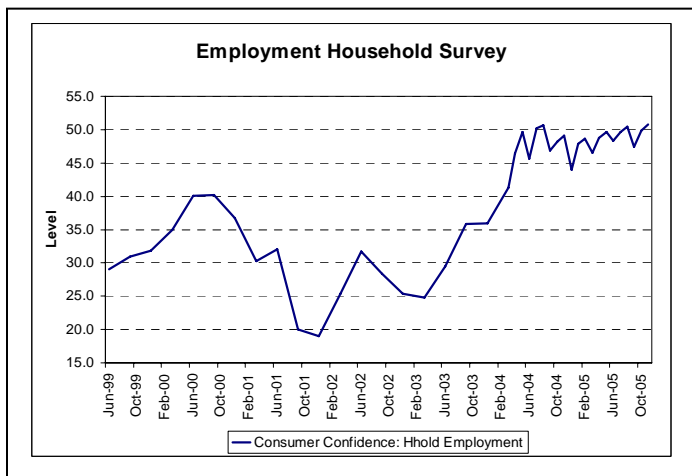
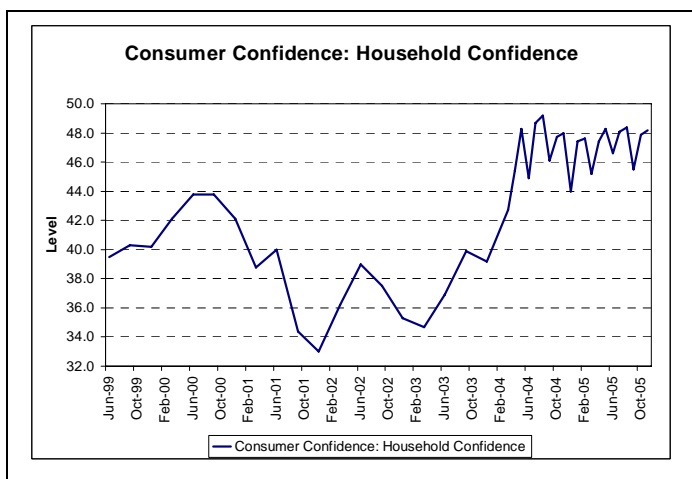
Corporate Bankruptcies

Corporate Bankruptcies increased 4.6% Y/Y in November.



Consumer Confidence

Consumer Confidence among households increased from 47.9 in October to 48.2 in November. The employment component of the survey improved from 49.9 to 50.8. The improvement suggests that consumers are becoming less pessimistic on wages, jobs, and the economy, and suggests that they will help sustain growth into Q4.

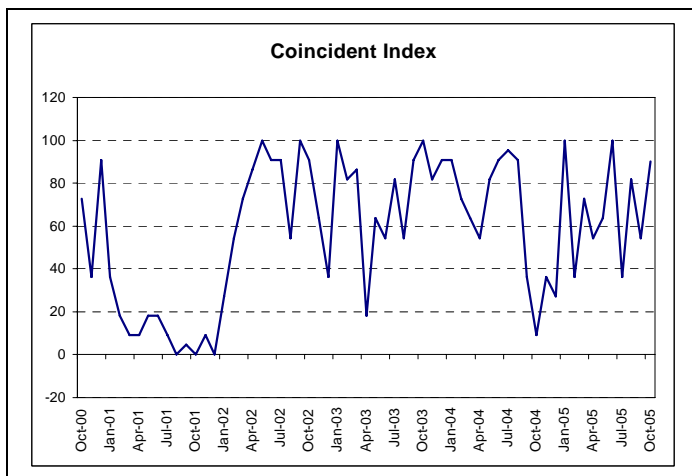
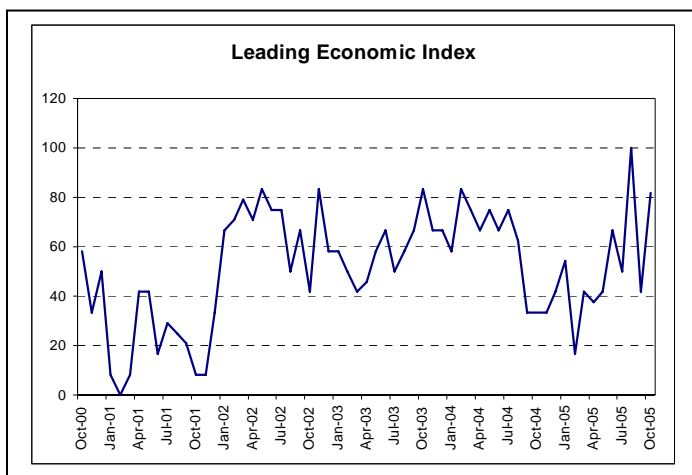


Leading & Coincident Index

Leading Economic Index & Coincident Index

The final October Leading Economic Index was 81.8%, above the preliminary 80.0% and slightly higher than the market's forecast for 81.4%. The Coincident Index was revised higher from 88.9% to 90.0%, meeting market expectations.

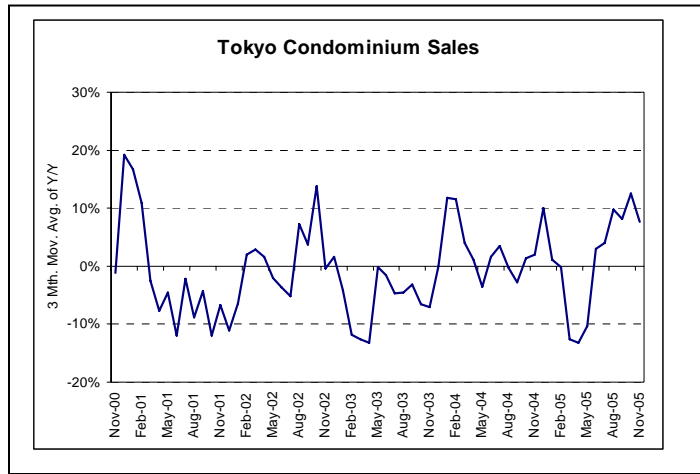
Most sectors in the Leading Index saw improvement, including producers, job offers, and new machinery orders, among others.



Tokyo Condominium Sales & Tokyo Dept. Store Sales

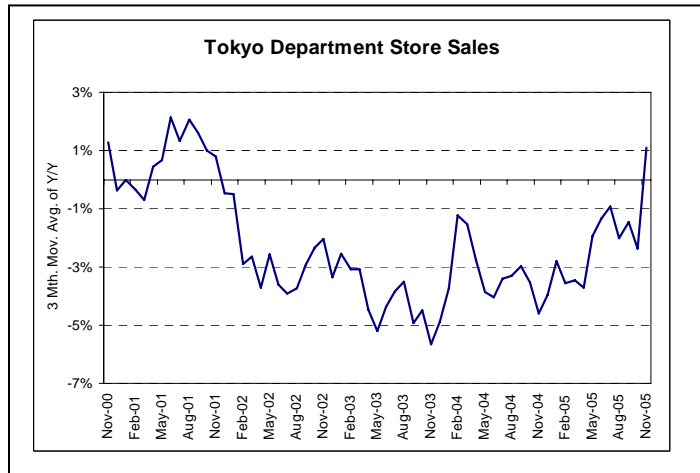
Tokyo Condominium Sales

Tokyo Condominium Sales declined 2.3% Y/Y in November, following a strong 8.9% Y/Y improvement in October.



Tokyo Department Store Sales

Tokyo Department Store Sales increased 4.3% Y/Y in November.



News

LDP Panel Eyes ¥20bln Cut in Income and Residence Taxes

The tax panel of the LDP approved a tax reform plan for FY06 calling for a ¥20 bln annual tax reduction for individuals. The outline calls for reducing national income taxes by about ¥3.03 trln/yr while curbing an increase in the residence tax, a regional government levy, to ¥3.01 trln through an exemption system. The plan should be implemented by 2007 as a part of the government's "trinity reform," which aims to transfer tax revenue sources from the central to local governments.

BoJ Governor Fukui Comments on Possibly Ending Ultra-Loose Policy

BoJ's Gov. Fukui commented that it is "clear to everyone" that the current ultra-loose monetary policy is drawing to a close. Referring to opposition within the government, he commented that it "would create a market risk if the central bank is perceived as being at the government's beck and call." Regarding the timing of the change, he commented that, "The possibility of changing the framework of the monetary policy will increase toward the beginning of fiscal 2006 in April." Regarding the BoJ's stance after ending the quantitative easing policy, he commented that, "If inflationary pressure appears to remain muted, we will have sufficient time to steer the monetary policy."

Union Demands Pay Hikes in Spring Wage Talks

The leadership at the Japanese Electrical Electronic & Union, which represents approximately 620,000 workers, endorsed a plan to seek a 2,000 base salary hike in next year's spring wage negotiations. At the same time, the Japan Federation of Basic Industry Workers' Unions officially announced its own plans to demand a 3,000 yen raise in the spring talks. The decision by these major labor unions, which both belong to the Japan Council of Metal Workers' Unions, is expected to set the tone for other industries' negotiations targets.

No Need to Change Gov't Econ View After GDP

Economy and Banking Minister, Kaoru Yosano, commented on December 9th that there is no need to change the government's assessment, and that the economy is gradually recovering after revised Q3 data indicated weaker growth than in the preliminary figures. "There were issues of (higher) oil (prices) and inventory adjustment. That the inventories fell is a bright sign for the economy," Yosano told a regular press conference. "For the overall economy, there is no change to our view on the economy and there is no need to change it."

News & Upcoming Dates

Tanigaki: Gov't, BoJ Still Need to Keep Fighting Deflation

Japanese Finance Minister, Sadakazu Tanigaki, commented that the BoJ still needs to keep up its fight against deflation. “There’s no change in the situation that the government and the BoJ must keep fighting deflation,” he commented.

Winter Bonuses Increase Most in 14 Years

Winter bonuses at Japanese companies increased 3.54% Y/Y, the steepest increase since the 3.76% Y/Y marked in 1991, according to the Nihon Keizai Shimbun survey released Monday. This was the second highest winter bonus on record, trailing only that paid in 1997. It also marked the third consecutive year of growth. Bonuses in the manufacturing sector increased 4.31% Y/Y following the previous year’s 4.52% increase. The growth rates were highest in steel, machinery, automotive and automotive parts sectors. The bonuses among non-manufacturers increased 1.69%, rising beyond 1% for the first time in eight years.

Gov't To Retire Up To 5.5 tln in BoJ Held JGBs in FY06

The MoF announced that it will seek to repurchase and retire up to ¥5.5 trln in long-term Japanese government bonds held by the BoJ. By doing this, the government intends on lowering its debt servicing burden by drawing down the outstanding bond balance. The BoJ would then have more leeway in buying government bonds from the market, thereby helping to stabilize long term rates.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
12/16	BoJ Monetary Policy Monthly Report	N/A	N/A
12/20	Convenience Store Sales (Nov Y/Y)	N/A	-2.9%
12/21	BoJ Monetary Policy Meeting Minutes	N/A	N/A

Valance Co., Inc.

Valance Economic Report: *United Kingdom*

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December 15, 2005

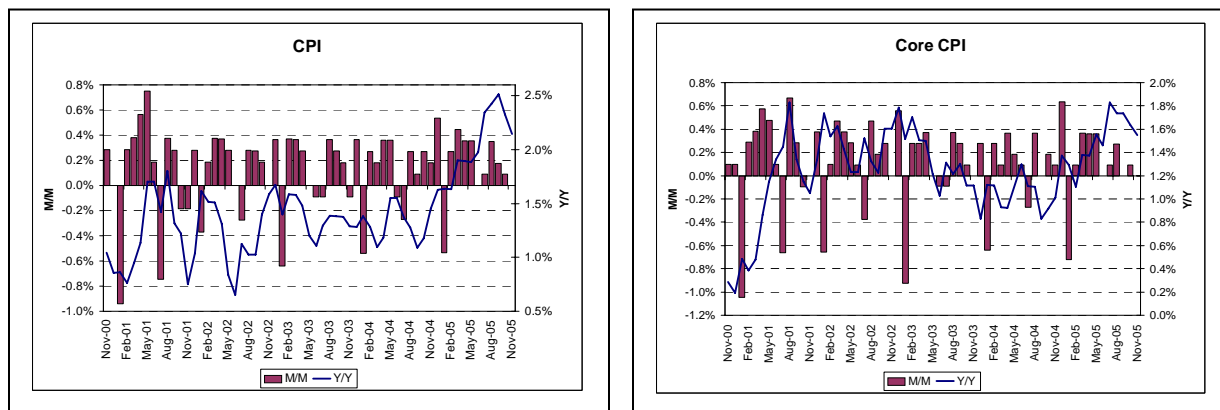
The retreat of crude oil prices has tamed annual CPI inflation to levels likely to make the MPC more comfortable. Falling oil prices, along with aggressive holiday discounting by retailers led to Retail Sales jumping 0.7% M/M in November. With the risk of runaway inflation decreasing and growth remaining sluggish, the chances of a rate cut in early to mid 2006 continue to increase.

Weekly Highlights

CPI- remained flat M/M and decelerated from 2.3% Y/Y to 2.1% Y/Y in November. (page 31)

Retail Sales- increased 0.7% M/M and 2.2% Y/Y in November. (page 33)

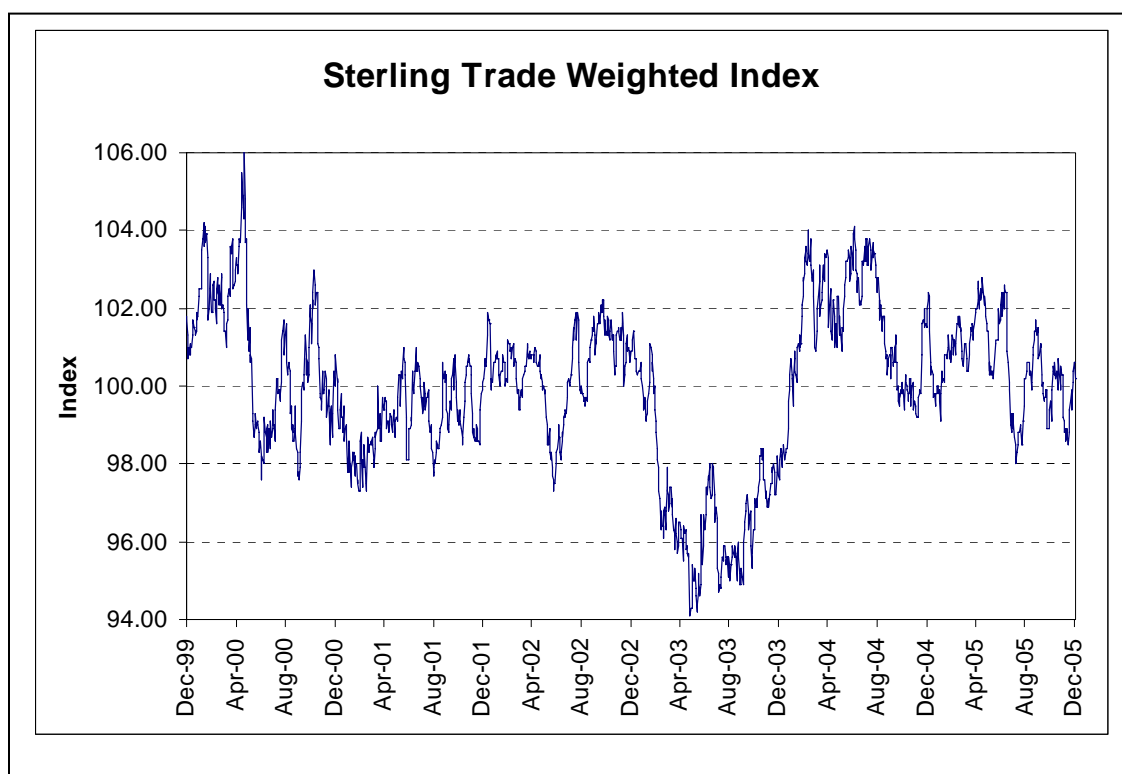
Average Earnings- accelerated to 4.0% 3M/3M and 4.0% Y/Y in October. (page 33)

Weekly Releases & News**Chart of the Week: *CPI Growth***

CPI remained flat M/M, below expectations of a 0.1% M/M rise, and decelerated from 2.3% Y/Y to 2.1% Y/Y in November amid declining oil prices, and is now back in line with the BoE's target rate. The decline resulted largely from transport prices, which decreased 1.6% M/M amid lower petrol and diesel costs. Core CPI decreased from 1.6% Y/Y to 1.5% Y/Y, below expectations for an increase of 1.7% Y/Y.

Financial Balances & Trade Weighted Index

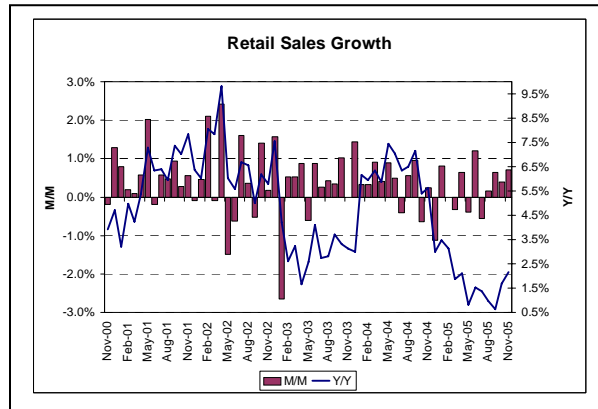
U.K.	<i>Last Period (blns)</i>	<i>Last 12mth. % of GDP</i>
Budget Balance (monthly)	-£2.2(Oct)	+3.1%
Trade Balance (monthly)	-£3.9 (Sept)	-2.1%
Curr. Acct. Balance (quarterly)	-£3.1 (June)	-1.6%
Private Balance	--	-4.7%



Retail Sales, Average Earnings & Trade Deficit

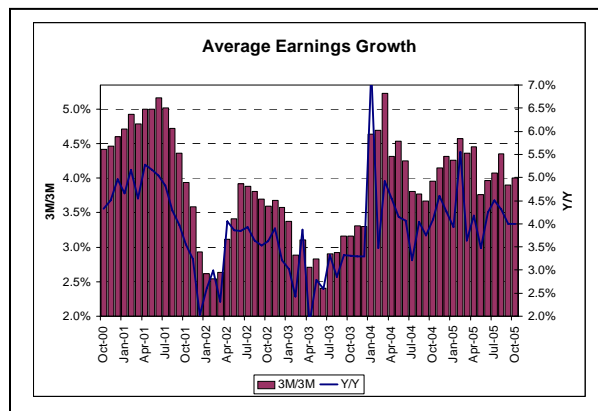
Retail Sales Growth

Retail Sales increased 0.7% M/M and 2.2% Y/Y in November, the fifth consecutive monthly increase as consumers have been reacting positively to heavy discounts by retailers to entice shoppers before the holiday season. Food Store Sales increased 0.5% M/M and non-food store sales increased 0.8% M/M. Clothing stores showed the strongest monthly growth at 3.6% M/M, the highest since August 2004.



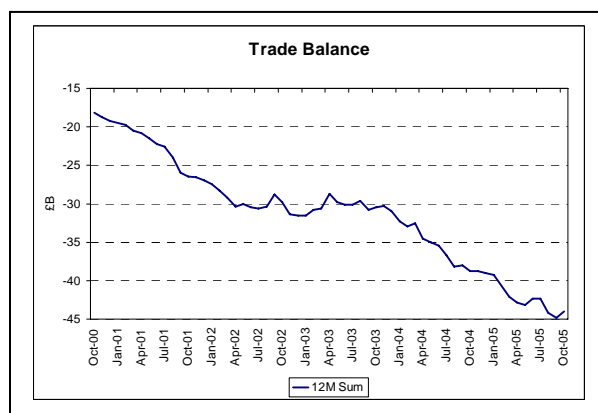
Average Earnings Growth

Average Earnings increased 4.0% 3M/3M and 4.0% Y/Y in October from 3.9% 3M/3M and 4.0% Y/Y in September. The BoE continues to watch for any signs that higher oil prices are feeding into wages; so far no data has offered evidence of this. Average Earnings, excluding bonuses, increased 3.9% 3M/Y.



Trade Deficit

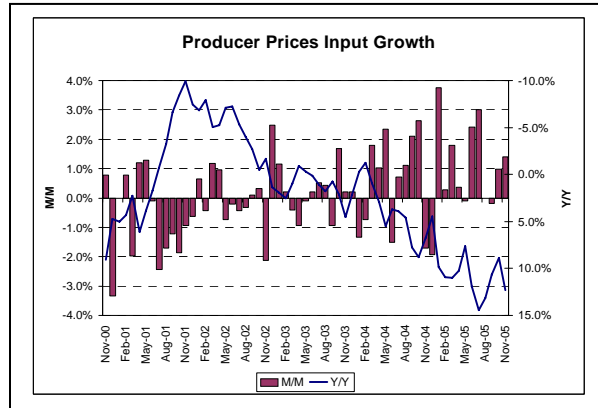
The Trade Deficit decreased from £3.9 bln to £2.9 bln in October as trade in oil returned to a surplus and demand from Euroland strengthened. Oil trade had been in a deficit for two months as the North Sea oil fields had been shut down due to scheduled maintenance and repair. Exports increased 2.0% M/M and imports decreased 2.9% M/M.



Producer Prices & ODPM House Prices

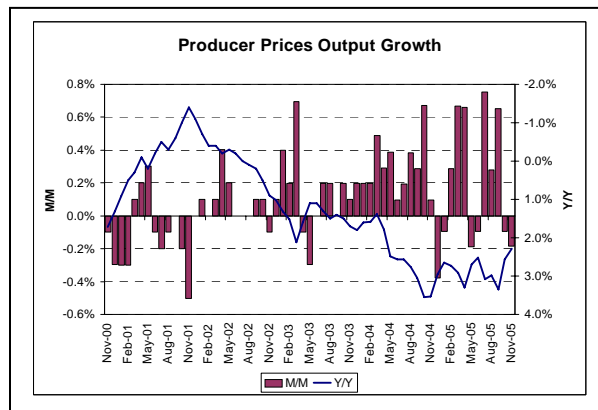
Input Producer Prices

Input Producer Prices increased 1.4% M/M and accelerated from 8.9% Y/Y to 12.3% Y/Y in November, mainly reflecting a rise in fuel prices and home produced food, but was partially offset by a decline in crude oil prices. Core Input Prices increased 1.6% M/M and 8.7% Y/Y.



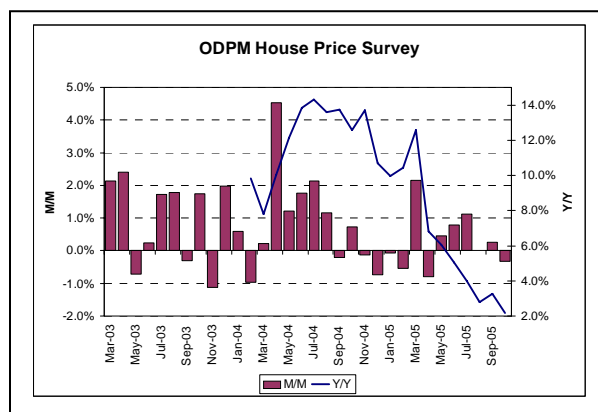
Output Producer Prices

Output Producer Prices decreased 0.2% M/M and decelerated from 2.6% Y/Y to 2.3% Y/Y in November, mainly reflecting a fall in petroleum products prices. Core Output Prices increased 0.1% M/M and 1.3% Y/Y.



ODPM House Price Survey

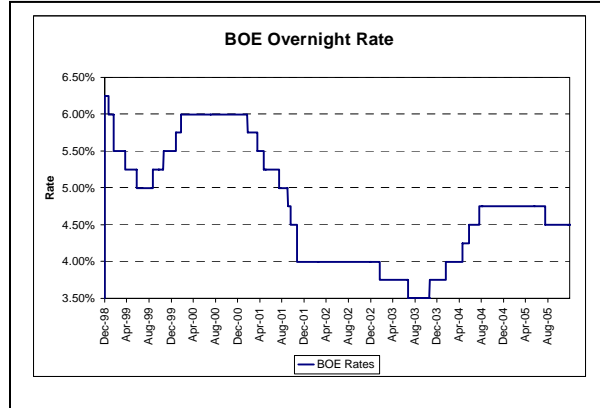
ODPM House Prices decreased 0.3% M/M and increased 2.2% Y/Y in October.



BOE Rate, Claimant Count & ILO Unemployment

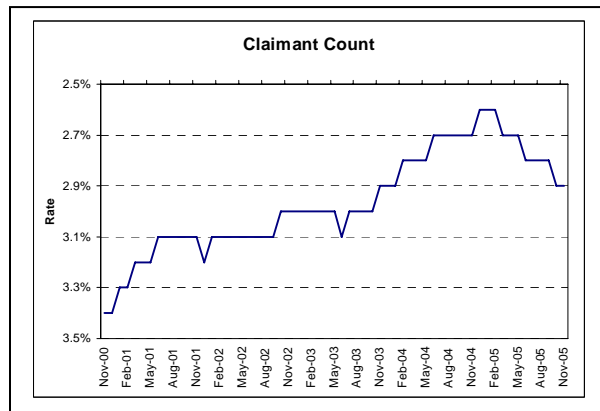
BOE Overnight Rate

The Bank of England voted to keep rates at 4.50% for the fifth consecutive month in December.



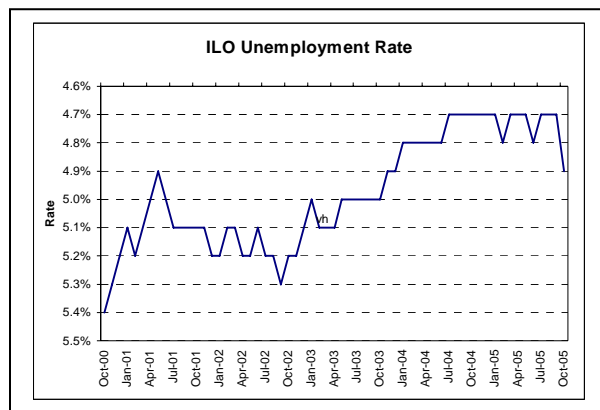
Claimant Count Unemployment Rate

Claimant Count Unemployment Rate remained at 2.9% for the second consecutive month in November, its highest rate in nine months. The number of people claiming unemployment increased by 10,500.



ILO Unemployment Rate

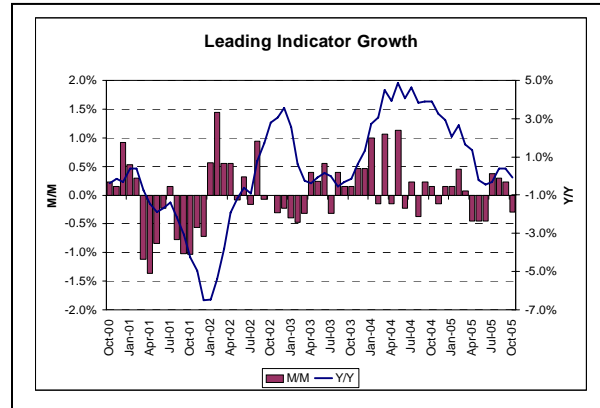
The ILO Unemployment Rate jumped from 4.7% to 4.9% in October, its highest rate in two years.



Leading & Coincident Indicator

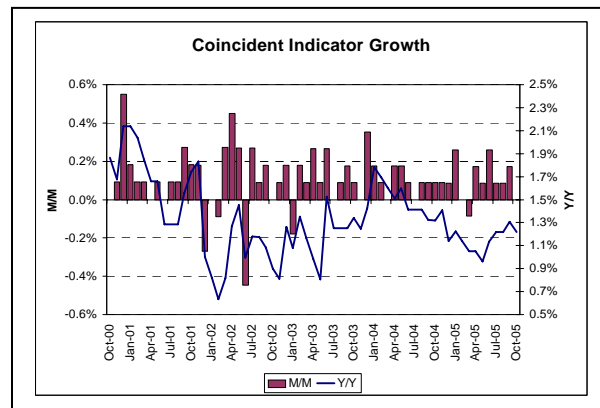
Leading Indicator

The Leading Indicator decreased 0.3% M/M and 0.1% Y/Y in October. Order Book Volumes decreased 6.7% M/M, and volume of expected output and Consumer Confidence both contributed to the decline.



Coincident Indicator

The Coincident Indicator remained flat M/M and rose 1.2% Y/Y in October. Industrial Production decreased 1.0% M/M while Retail Sales and Employment both remained flat M/M.



Data & Comments & Upcoming Dates

Data

CBI Industrial Trends

The Confederation of British Industry (CBI) reported that Total Orders increased from -25 to -22 in December. Export Orders decreased from -13 to -23 as average prices that businesses expect in the next three months increased from -5 to 0.

Rightmove House Price Survey

The Rightmove House Price Survey reported prices decreased 0.8% M/M and decelerated from 4.0% Y/Y to 3.4% Y/Y in December. Rightmove explained the drop as due to the traditional cutting of house prices prior to Christmas.

Comments

Gordon Brown's comments:

Gordon Brown said he's confident that economic growth will pick up next year and that a slump this year was caused mostly by interest-rate increases by the Bank of England. "As we move into next year people can be quite confident about growth. I don't think anybody should be in any doubt that four interest-rate rises was bound to be the major factor in affecting consumer demand in the economy."

Former MPC Member, Marian Bell's comments:

Former MPC Member, Marian Bell, dovishly commented that, "Although there are lots of reasons to think growth will pick up, my view would be that there are downside risks attached to those forecasts, if I was still on the committee, I would be examining the case for a rate cut." In regards to second round effects from inflation she stated, "I would be quite relaxed about the oil-price rise having caused what now appears to be a very short period of above-target inflation. What they don't want to do is to allow second-round effects, which inflate everything. It has to be said that there is little sign of that yet. The earnings numbers are looking extraordinarily benign, suggesting an easing rather than a pick up in wage pressures."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
12/19	RICS House Price Balance	-5	-9
12/20	CML & BBA Mortgage Lending Data	--	--
12/20	Public Sector Net Borrowing	£9.0 bln	-£2.2 bln
12/22	GDP	0.4%Q/Q 1.7% Y/Y	0.5%Q/Q 1.5% Y/Y
12/22	Current Account	-£7.3 bln	-£5.0 bln
08/17	Claimant Count	--	2.8%

Valance Co., Inc.

Valance Economic Report: Canada

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December 15, 2005

Last week's economic releases posted solid numbers across the board, as New House Prices, Capacity Utilization and Manufacturing shipments all increased above expectations.

Weekly Highlights

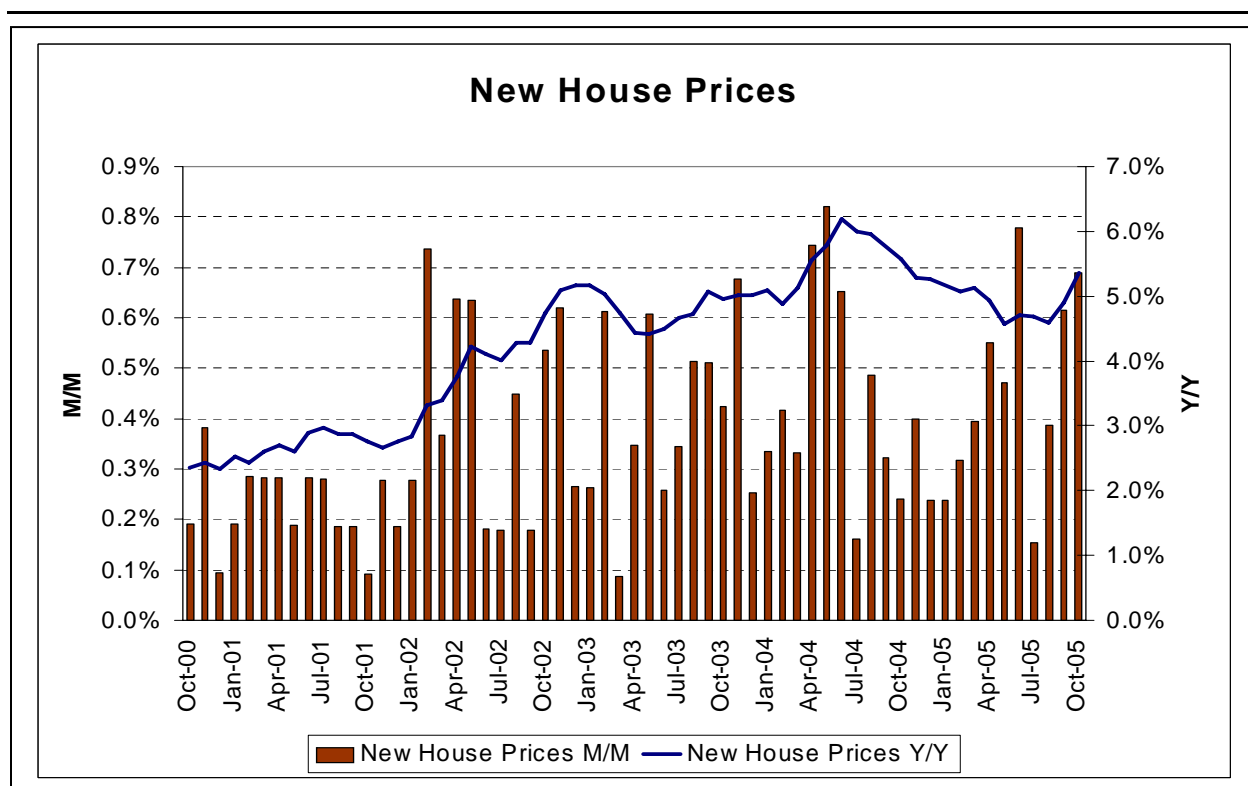
New House Prices - increased 0.7% M/M and 5.4% Y/Y in October. (page 38)

Capacity Utilization - increased from 86.7% in Q2 to 86.9% in Q3. (page 40)

Manufacturing Shipments - increased 0.9% M/M and 3.4% Y/Y in October. (page 42)

Weekly Releases & News

Chart of the Week: New House Prices



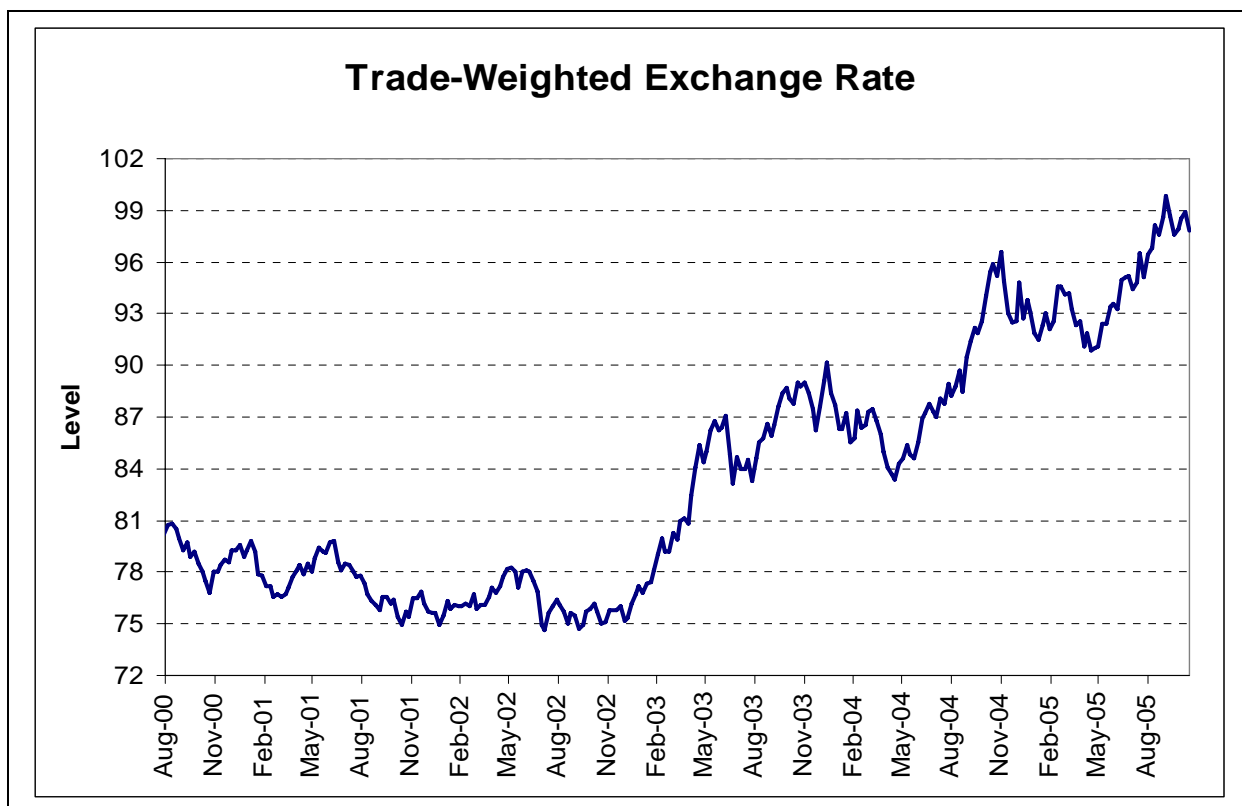
New House Prices increased from 0.6% M/M and 4.9% Y/Y in September to 0.7% M/M and 5.4% Y/Y in October, well above expectations. Building materials and labor cost increases, coupled with higher energy costs, continue to place upward pressure on New House Prices. Land value increases also contributed to price increases as a total of 15 of the 21 metropolitan areas surveyed posted monthly gains.

Financial Balances & Trade Weighted Exchange Rate

Financial Balances

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

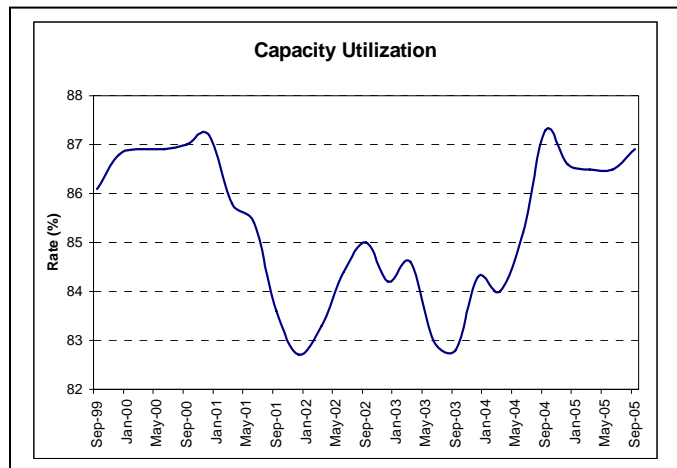
Trade-Weighted Exchange Rate



Capacity Utilization, Labor Productivity & Leading Indicators

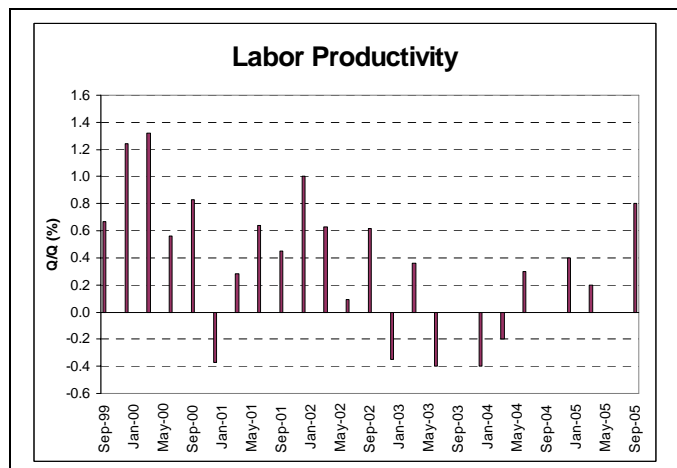
Capacity Utilization

Capacity Utilization increased from 86.7% in Q2 to 86.9% in Q3. The gain in Capacity Utilization was attributed to the rebound in exports of automobile products.



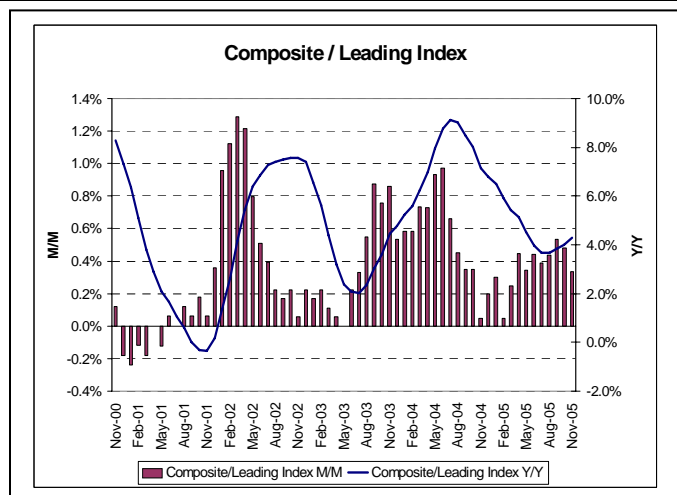
Labor Productivity

Labor Productivity increased from a flat reading Q/Q in Q2 to 0.8% Q/Q in Q3, as production increased at a faster pace than the number of hours worked.



Composite/Leading Indicators

The Composite/Leading Indicator increased 0.3% M/M and 4.3% Y/Y in November as business investment demand remained firm.

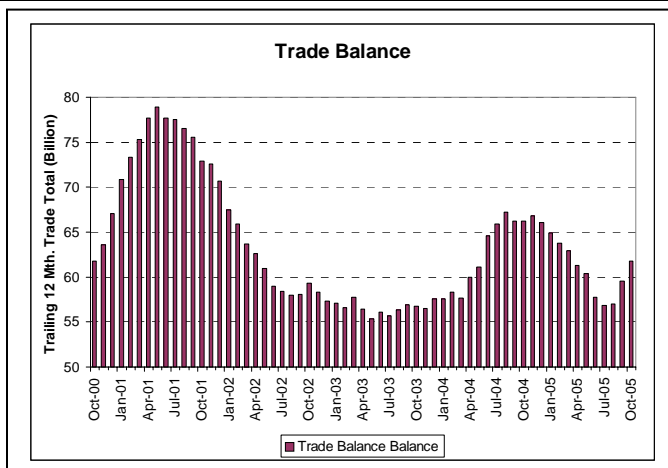


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Trade Data

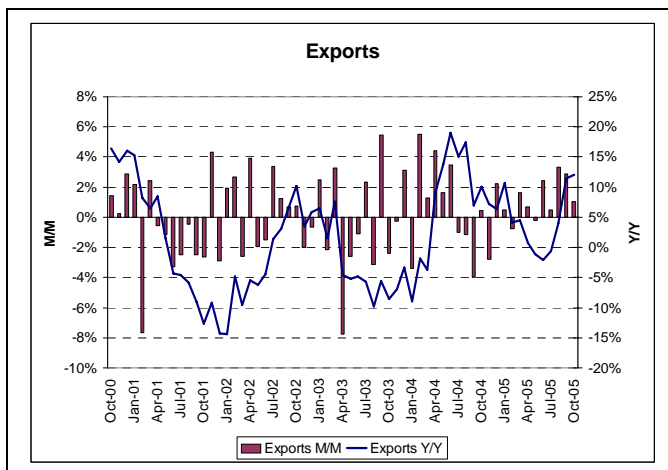
Trade Balance

Canada's Merchandise Trade Surplus stood at C\$7.2 bln in October. September's figure was revised from C\$7.0 bln to C\$7.2 bln.



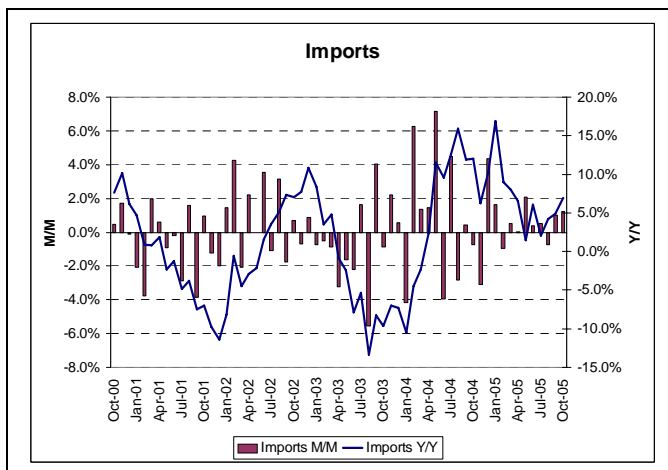
Exports

Exports increased 1.0% M/M and 12.0% Y/Y in October, led by autos and energy.



Imports

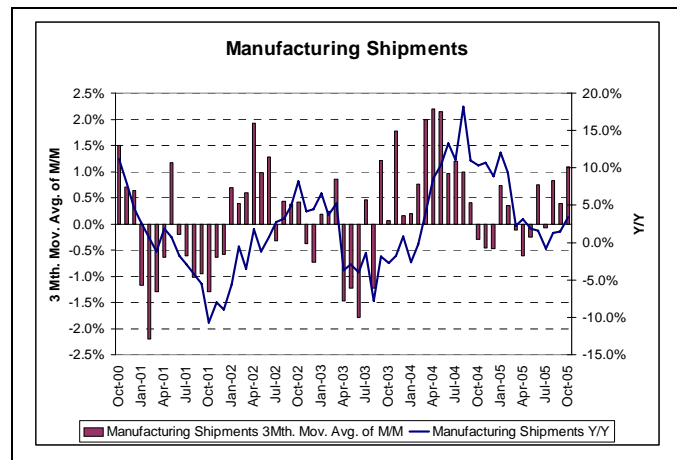
Imports increased 1.2% M/M and 7.0% Y/Y in October, led by gains in machinery and equipment and auto parts.



Manufacturing Data

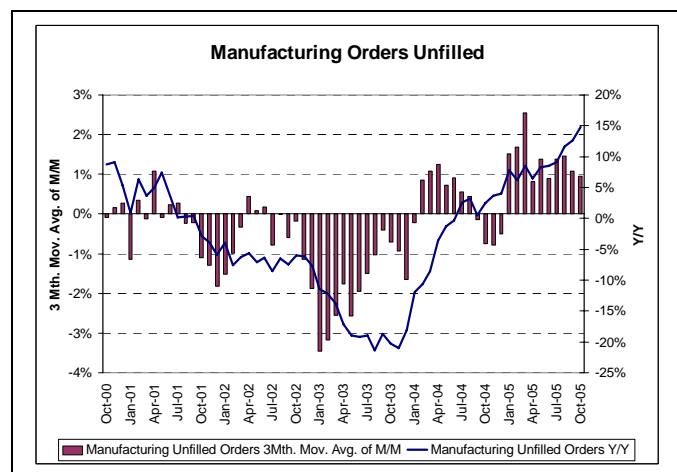
Manufacturing Shipments

Manufacturing Shipments in October bounced back from -0.5% M/M to 0.9% M/M, above expectations of 0.6% M/M. Shipments increased 3.4% Y/Y. Shipments of motor vehicles increased 7.6% M/M in October, following a decrease of 8.2% M/M in September. Excluding automobiles, shipments remained flat (0.0% M/M).



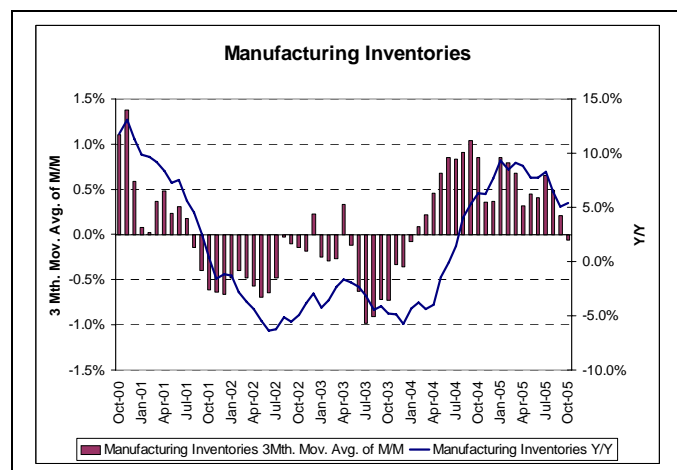
Manufacturing Unfilled Orders

Unfilled manufacturing orders, a good leading indicator of future production, increased 1.4% M/M and 14.8% Y/Y in October.



Manufacturing Inventories

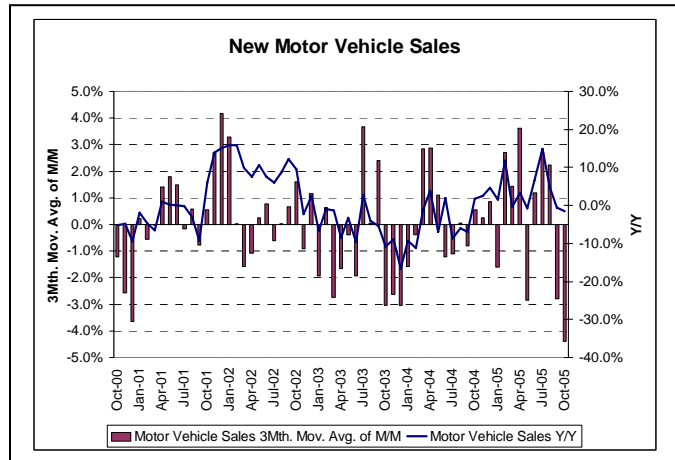
Manufacturing Inventories increased 0.5% M/M and 5.4% Y/Y in October. The inventory-to-shipment ratio remained at 1.3%.



New Motor Vehicle Sales

New Motor Vehicle Sales

New Motor Vehicles Sales increased 3.3% M/M and decreased 1.6% Y/Y in October. Based on preliminary figures from the auto industry, new motor vehicle sales increased 3% M/M in November.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
12/19	Wholesale Sales (M/M) (OCT)	0.4%	-0.1%
12/20	Consumer Price Index (M/M) (NOV)	-0.1%	-0.5%
12/20	Consumer Price Index (Y/Y) (NOV)	2.3%	2.6%
12/20	Core - Consumer Price Index (M/M) (NOV)	0.2%	0.0%
12/20	Core - Consumer Price Index (Y/Y) (NOV)	1.6%	1.7%
12/21	Retail Sales (M/M) (OCT)	0.3%	-0.9%
12/21	Retail Sales Less Autos (M/M) (OCT)	-0.4%	1.7%

Valance Co., Inc.

Valance Economic Report: Australia

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December 15, 2005

The RBA left its overnight cash rate target unchanged for the ninth consecutive month at 5.5% last week. Positive employment data suggests that economic growth is rebounding after a temporary weakness in Q3.

Weekly Highlights

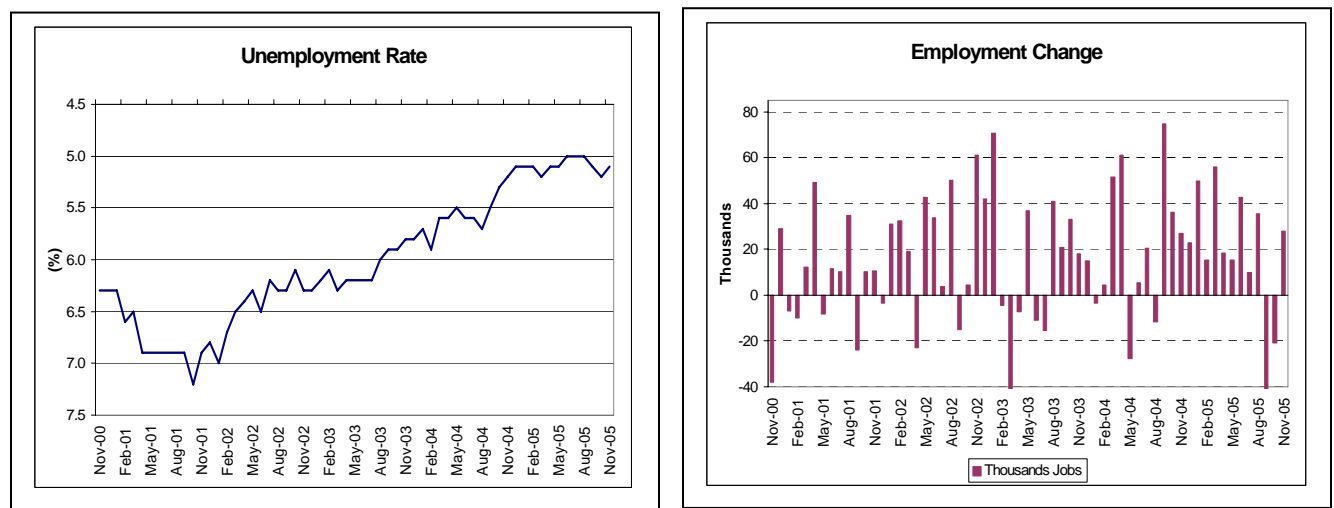
Unemployment Rate – fell to 5.1% from a seven-month high of 5.2% in November. (page 45)

Westpac Consumer Confidence – fell from 107.6 to 104.7 in December. (page 46)

RBA Governors' Speech – titled "Some Observations on Recent Economic Developments" (page 46)

Weekly Releases & News

Chart of the Week: Unemployment



Employment rose 28,000 in November as full-time employment gained 48,100 in November and part-time positions fell 20,100. The jobless rate fell to 5.1% from a seven-month high of 5.2%. Australian employment rose for the first month in three in November as expansion by mining companies led the rebound.

Westpac Consumer Confidence & RBA's Speech

Westpac Consumer Confidence

Australian Consumer Confidence fell in December as house prices declined amid concern that the RBA would raise interest rates. The Consumer Sentiment Index fell 2.7% from November's 107.6 to 104.7 in December.

Speech by RBA's Governor Ian Macfarlane

The following is a synopsis of a speech by RBA's Governor Ian Macfarlane to a dinner of business economists in Sydney on Dec 13th. The speech is titled "Some Observations on Recent Economic Developments":

"I have decided to talk about three topics: how the world has coped with a tripling of oil prices, how the world is emerging from a period of exceptionally low interest rates, and, quite separately, is there an Australian model of macro-economic policy?"

On Oil Prices:

"For the world as a whole, the rise in oil prices was not a negative supply shock, as it was in the seventies, but was the result of a positive demand shock. Of course, global growth could well have been stronger in the absence of the oil price rise, but even with its constraining effect, there was still plenty of growth to go around and current forecasts are still looking good. On why the rise in inflation was so modest, the story is very interesting. We should start by reviewing a bit of history. This shows that even before OPEC I and II came along, OECD area inflation was rising year by year."

"The situation is very different now. After more than a decade of low and stable inflation, inflationary expectations are better anchored. Discipline in goods markets from domestic and foreign competitors means the old cost-plus mentality no longer prevails."

"I am only talking about the increases to date. Obviously, if we enter a new round of similar increases, the situation would have to be reassessed."

RBA's Speech Cont. & Upcoming Dates

On World Interest Rates:

“The world is returning to normality on interest rates because it could not have continued with borrowing costs that prevailed in 2002 and 2003. What we are seeing now around the world is a gradual return to normality in interest rates. The most important factor behind the recent moves is the realization that the world could not have safely continued with the sort of interest rates that prevailed in 2002 and 2003.”

“It is well known that the world has recently gone through a phase of exceptionally low interest rates, but I am not sure that people appreciate how low they were by historical standards.”

“We could ask the question of why such low interest rates were put in place in this decade when it had not been seen to be necessary to do so on earlier occasions. This is a very big question and I do not propose to answer it tonight. Nor do I wish to maintain that a different global monetary policy should have been put in place.”

“Usually when interest rates are kept very low for an extended period the main risk is that there will be a pronounced pick-up in inflation. As we know, there has been little of that on a global scale, or indeed in individual countries, even though commodity prices have risen sharply.”

“We in Australia can make some claim to being the first in this process because we began in mid 2002. Over the past two years the predominant tendency among countries has been to raise interest rates. Virtually every developed country except Japan has now participated, with the move by the ECB earlier this month being an important step.”

Ian Macfarlane has also said that he expects a pickup in exports and business investment to underpin growth in the A\$800 bln (\$605 bln) economy as consumer demand cools. Exports rose to the second highest on record in October, a government report showed last week.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
12/15	Dwelling Starts (3Q)	---	5.5 %
12/20	Westpac Leading Economic Index (OCT)	---	230.9
12/20	New Car Sales M/M;Y/Y (NOV)	---	-6.7%/-6.7%

Valance Co., Inc.

Valance Economic Report: New Zealand

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December 15, 2005

The RBNZ raised its benchmark interest rate a quarter point to a record 7.25%, saying that the ninth increase since January 2004 was needed to curb household spending and inflation. In other data, business confidence hit a new low, the Terms of Trade Index fell again in Q3 and Retail Sales unexpectedly dropped for a second consecutive month.

Weekly Highlights

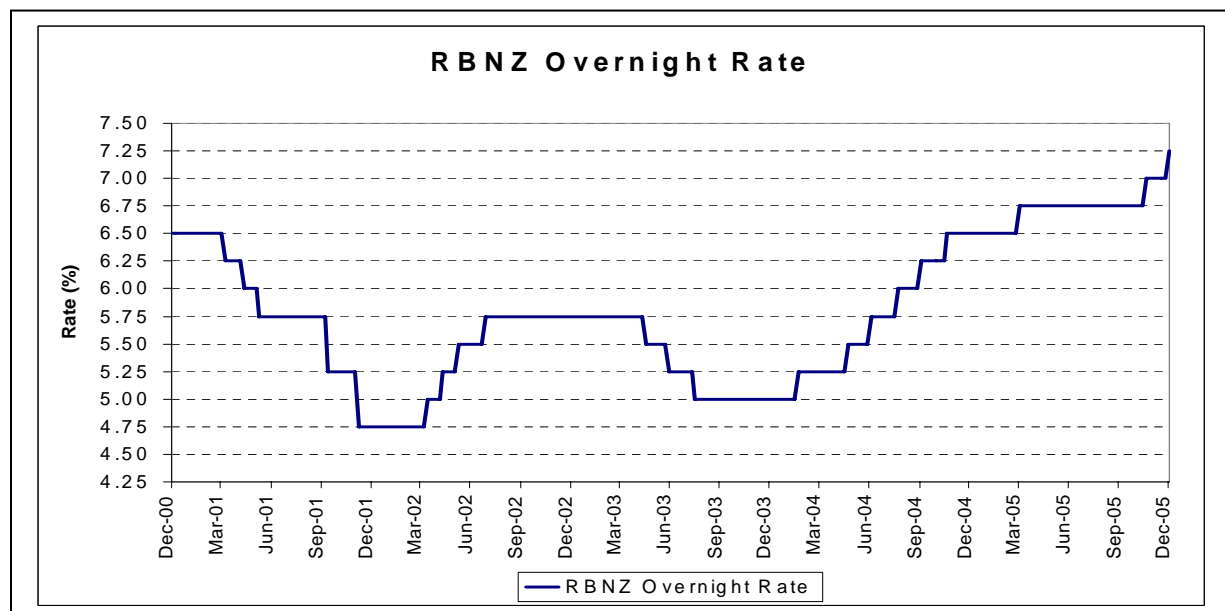
RBNZ Cash Rate – was increased to 7.25%. (page 48)

ANZ Job Vacancies – unchanged at 3% in November. (page 49)

Retail Sales – unexpectedly declined 0.2% M/M in October. (page 49)

Weekly Releases & News

Chart of the Week: *RBNZ Cash Rate*

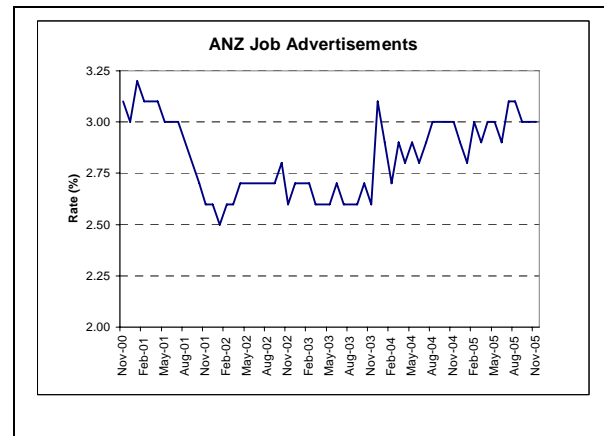


The RBNZ raised its benchmark interest rate a quarter point to 7.25% and signaled it is likely to increase borrowing costs again as inflation has been increasing. There has been an ongoing momentum in domestic demand and persistently tight capacity constraints. The RBNZ remains concerned that inflation pressures are not abating sufficiently to achieve its medium-term target of 1% - 3%.

ANZ Job Vacancies, Retail Sales & Terms of Trade

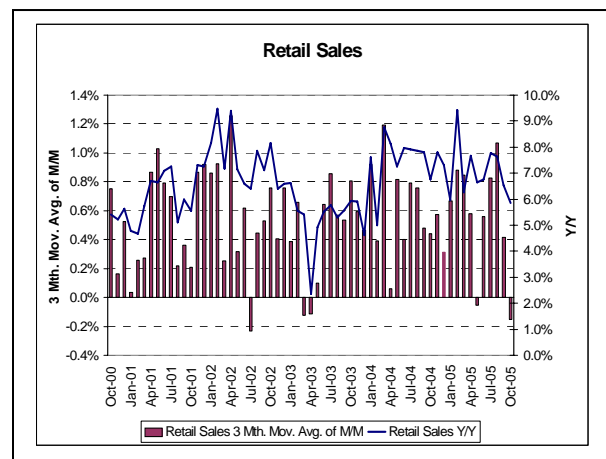
ANZ Job Vacancies

New Zealand Retail Sales unexpectedly declined 0.2% M/M and rose 5.9% Y/Y in October as record-high interest rates crimped consumer confidence and spending. In September Retail Sales declined 0.7%. Economists surveyed by Bloomberg News expected a 0.3% gain in October. It is the first time sales have declined for two consecutive months since April 2003.



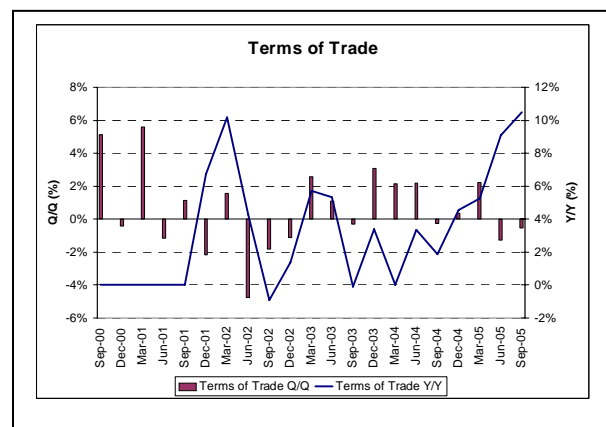
Retail Sales

Job vacancies were unchanged at 3.0% in November. Job vacancies measures job advertisements in newspapers and on the Internet as a proportion of employment. This new measure replaces the ANZ Bank's monthly job advertising report.



Terms of Trade

The merchandise Terms of Trade Index fell 0.6% in Q3, following a 1.2% fall the previous quarter. Merchandise export prices rose 1.9%, while merchandise import prices were up 2.5%. The merchandise trade data measures the difference between what New Zealand earns for its exports, and what it pays for its imports.



Consumer Confidence, News & Upcoming Dates

Consumer Confidence

57% of firms believe that conditions for business will get worse over the next six months, compared with 55% in the previous September survey and just 8% in March 2002. Only 8% of firms believe that business conditions will improve. 42% of firms believe it will continue to be harder to employ the right people with the right skills. Investment in buildings and machinery is continuing to decline and competition from China's rock bottom labor costs is resulting in lost accounts and orders.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
12/15	ANZ-Business NZ PMI (NOV)	---	49.6
12/15	NBNZ Business Confidence (DEC)	---	-66.2%
12/15	Home Sales (NOV)	---	8513
12/19	Visitors Arrivals (NOV)	---	-3.4%
12/20	Current Account Balance (3Q)	---	-2.849bln

Valance Co., Inc.

Weekly Economic Report: China

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December 15, 2005

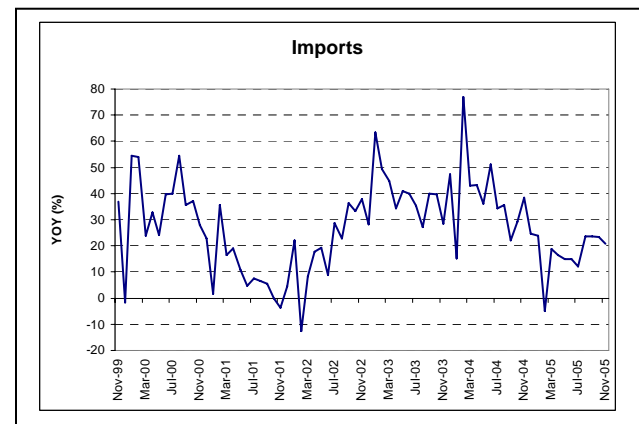
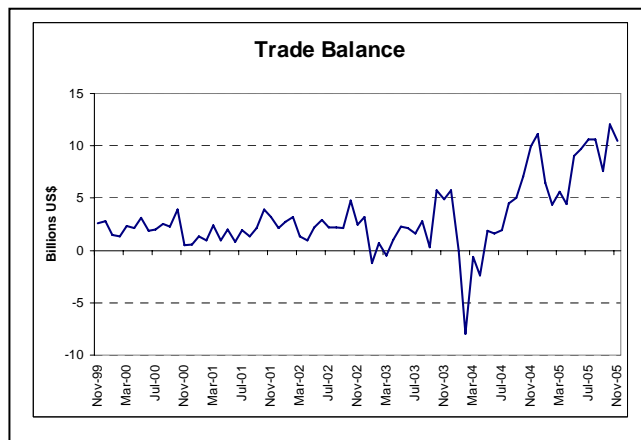
China's Trade Surplus narrowed from a record high as export growth moderated. At the same time, Consumer Price growth edged up and Value Added Industry and Retail Sales growth both remained firm.

Weekly Highlights

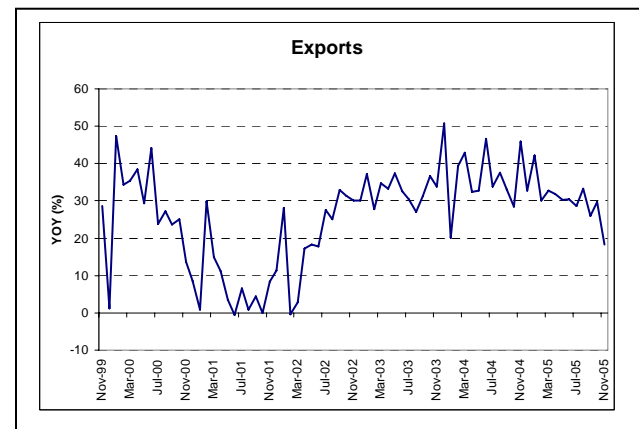
China's Trade Surplus - narrowed from \$12.0 bln in October to \$10.5 bln in November. (page 51)

Consumer Price growth - increased from 1.2% Y/Y in October to 1.3% Y/Y in November. (page 52)

Value Added Industry growth - increased 16.6% Y/Y in November. (page 53)

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

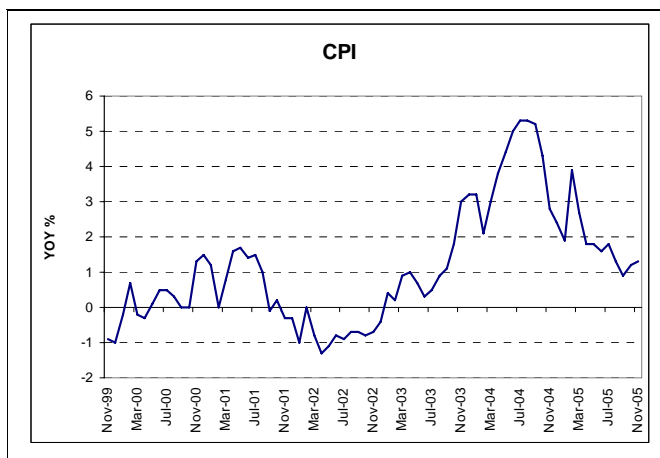
China's Trade Balance narrowed from a record \$12.0 bln in October to \$10.5 bln in November, below expectations of \$11.5 bln. Total Export growth slowed from 29.7% Y/Y in October to 18.4% in November. Import growth also slowed, from 23.4% Y/Y in October to 20.9% Y/Y.



CPI, Producer Price Index & Purchasing Price Index

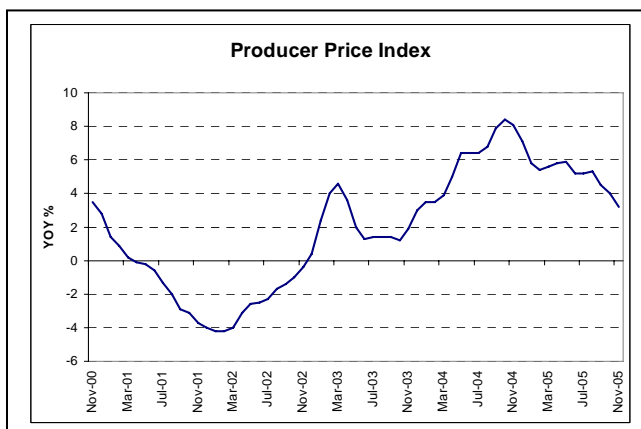
CPI

Consumer Price growth increased from 1.2% Y/Y in October to 1.3% Y/Y in November, edging up towards the 2% Y/Y growth the PBoC had forecast in its Q3 Quarterly Monetary Policy Report for 2005. Food Price growth increased from 0.3% Y/Y in September and 1.3% Y/Y in October to 1.6% Y/Y in November.



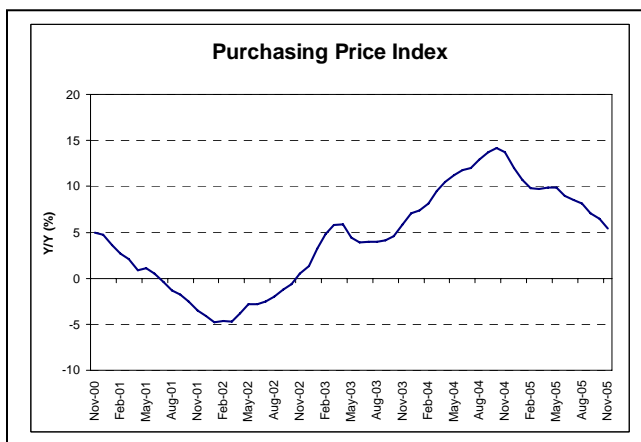
Producer Price Index

The Producer Price growth slowed from 4.0% Y/Y in October to 3.2% Y/Y in November. November's reading is the lowest since December, 2003.



Purchasing Price Index

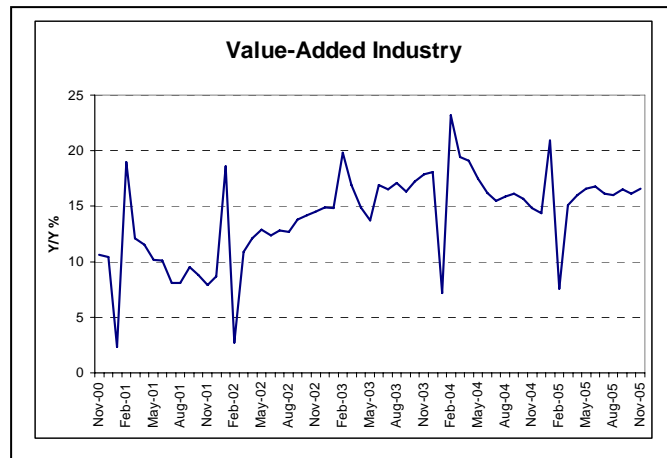
Purchasing Price growth slowed from 6.5% Y/Y in October to 5.4% Y/Y in November. Prices within the index increased across the board with fuel prices (12% Y/Y) increasing the most.



Value-Added Industry, Retail Sales & Household Savings

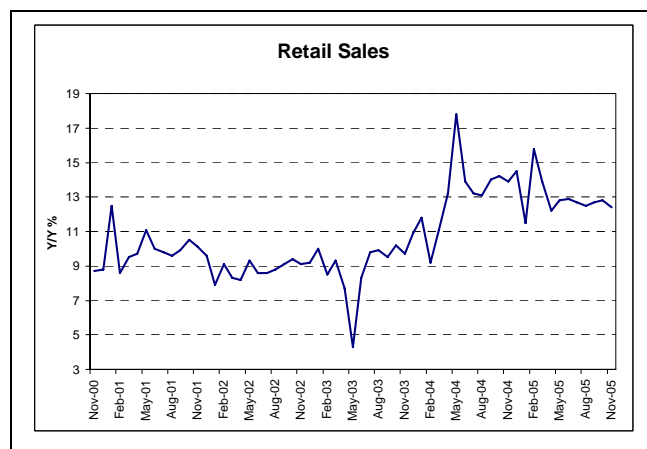
Value-Added Industry

Value Added Industry growth (Industrial Production) remained firm, increasing 16.6% Y/Y in November. This series has stabilized around 15-17% for the past seven months.



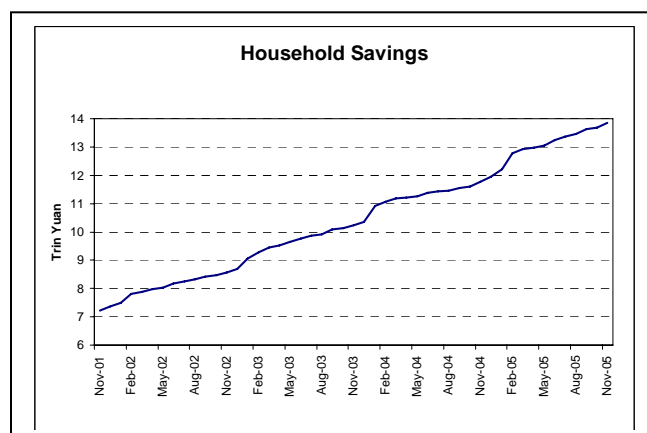
Retail Sales

Retail Sales growth, an important indicator of Chinese consumer demand, remained firm, with a 12.4% Y/Y increase in November.



Household Savings

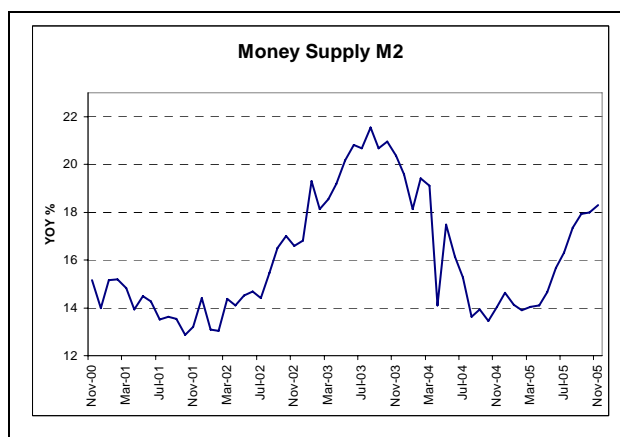
Household Savings increased 1.2% M/M and 18% Y/Y in November.



Money Supply

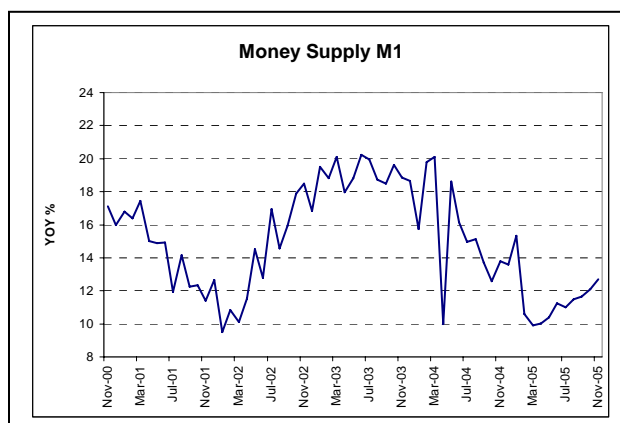
Money Supply – M2

Money Supply M2 increased from 18.0% Y/Y in October to 18.3% Y/Y in November, its fastest pace in almost two years. This series is currently above the PBoC's target of 17% for 2005.



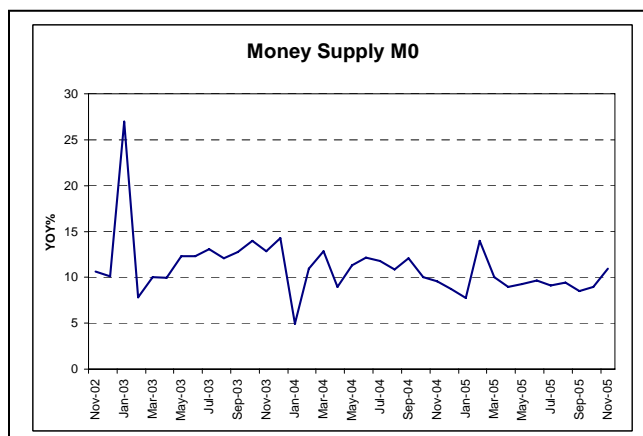
Money Supply – M1

Money Supply M1 growth increased from 12.1% Y/Y in October to 12.7% Y/Y in November.



Money Supply – M0

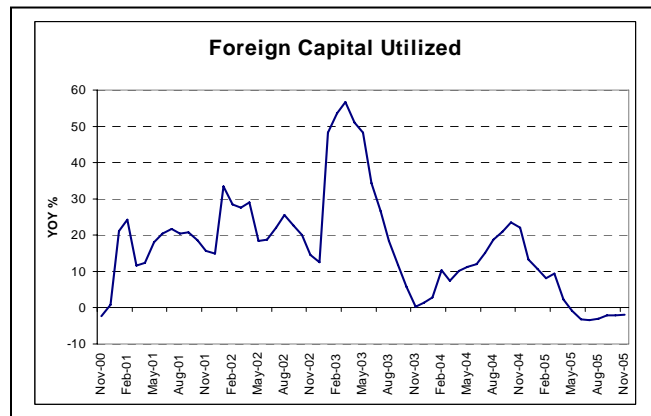
Money Supply M0 growth increased from 9.0% Y/Y in October to 10.9% Y/Y in November.



Foreign Capital & Fixed Assets Investments

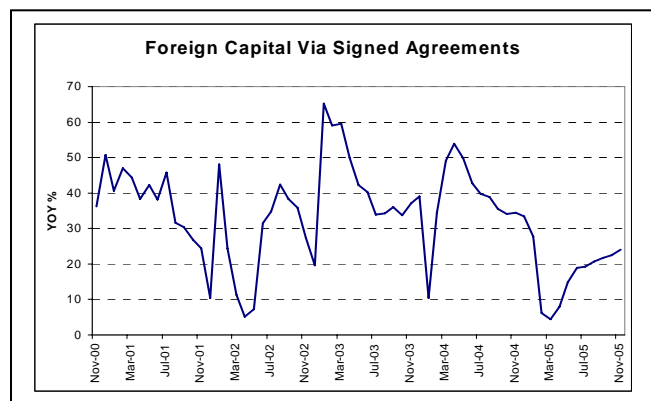
Foreign Capital Utilized

Foreign Capital Utilized decreased 1.9% Y/Y in November, slightly better than October's reading of -2.1%. As Foreign Capital Via Signed Agreements continues to increase, Foreign Capital Utilized is poised to show improvements in the upcoming months.



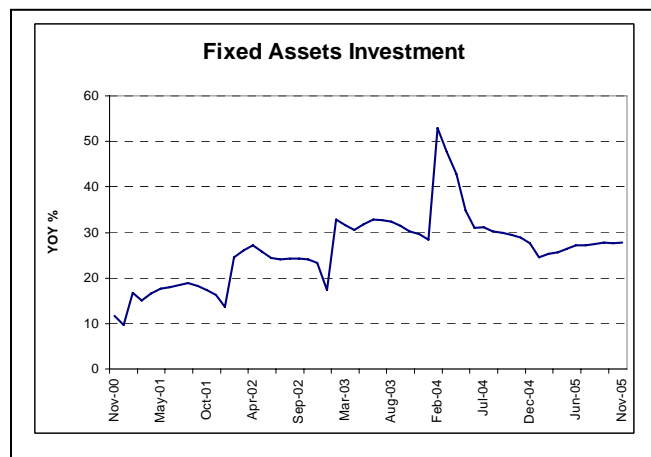
Foreign Capital Via Signed Agreements

Foreign Capital Via Signed Agreements (investment pledged, but not yet used) increased from 22.5% Y/Y in October to 24% Y/Y in November.



Fixed Assets Investment

Fixed Assets Investment growth remained solid, increasing from 27.6% Y/Y in October to 27.8% Y/Y in November. Investment in the primary, secondary and tertiary industries increased 15.7% Y/Y, 13.7% Y/Y and 13.1% Y/Y, respectively, in November.



News Releases

News Releases

December 14th – China May Have Fourth Largest GDP – The findings of a nationwide economic census have revealed that China's GDP figures may be understated by 20%, placing it above Italy, France and Britain as the world's fourth largest economy. The revision is due, in part, to inadequate data collection and underestimated figures. According to the National Bureau of Statistics, the official results are due to be released next week.

December 14th – Further Cuts to Import Tariffs - The Customs Tariff Commission reported, commencing on January 1st of next year, that China will cut tariffs on over 100 categories of imports which include: vegetable oil, raw chemicals, automotives and auto parts. This announcement came in response to China's already reduced tariff obligations, as well as, its entry into the WTO.

December 12th – China Is Top I.T. Export Producer for 2004 – The Organization for Economic Cooperation and Development announced that China held the top spot as the World's largest exporter of information technology devices (i.e. laptops, cell phones, etc.) in 2004. China exported \$180 bln worth of I.T. goods, while the U.S. only exported \$149 bln.

December 12th – Survey Shows Chinese Less Willing to Buy Homes and Take Out Loans - A Central Bank survey of 20k persons showed that fewer Chinese are less willing to purchase homes and take out loans. This could be attributed to the government's imposition of new taxes and increased mortgage rates stemming from the government's attempt to cool down the property sector.

December 12th – China Should Loosen Yuan's Ties to U.S. Dollar -Yu Yonding, an Economist at the Chinese Academy of Sciences and a member of the Central Bank's Monetary Policy Advisory Committee, stated that in order to make the exchange rate more flexible, China should loosen the yuan's ties to the U.S. dollar. Yu remarked, "Reducing the U.S. dollar's weighting in the currency basket will help make the exchange rate system more flexible."

December 12th – Premier Wen's Thoughts on China's Exchange Rate System – Premier Wen stated at a regional meeting in Malaysia that China's exchange rate was "properly adjusted" and it "has been adjusted to a reasonable level." Wen added, "In implementing the new regime we considered not only the needs of China's economy and financial system, but also those of our neighbors and the world."

December 11th – Economy May Expand 8.9% in 2006 – A report by the Academy of Social Sciences stated that China's economy will slow from 9.4% this year to 8.9% in 2006. The slowdown is expected to come from the government's implementation of further macro-economic controls.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
12/18-23	Real Estate Climate Index - Nov	--	101.10
12/18-23	Property Prices Accumu (Y/Y) - Nov	--	--
12/21	Industrial Profits Cum (Y/Y) – Nov	--	19.4%

Valance Co., Inc.

Valance Economic Report: Sweden

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December 15, 2005

A seasonal decline in M/M inflation was the highlight of this week's Swedish data. Conversely, Industrial Production, Industrial Orders and the Activity Index Level all improved. In other news, the Central Bank's board members were evenly split on keeping rates at a record low. Separately, JP Morgan sees rate increases through 2006.

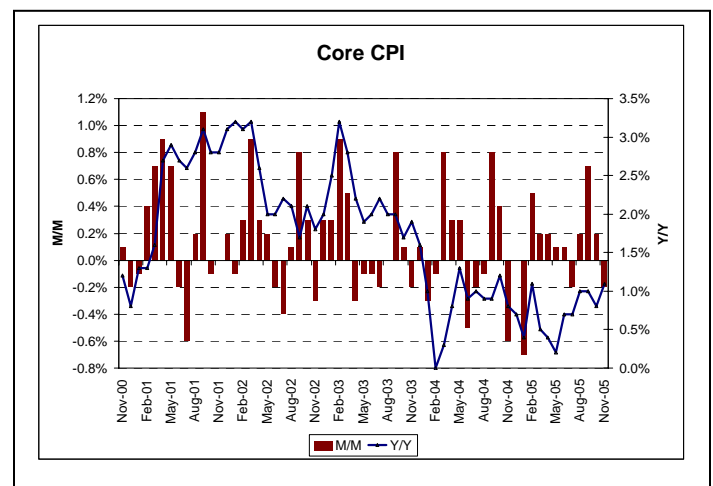
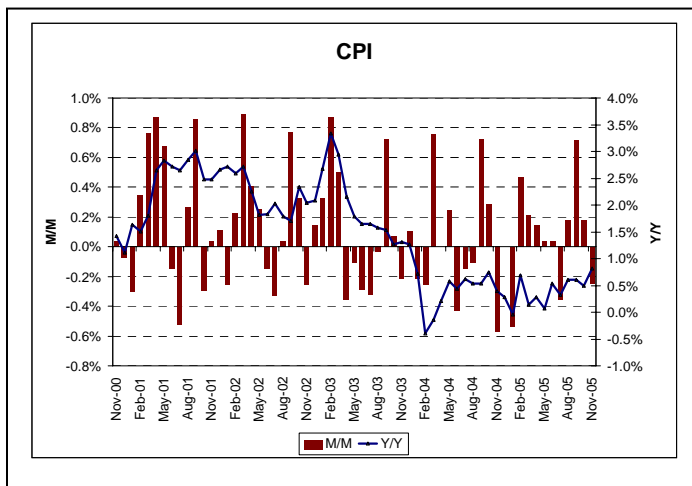
Weekly Highlights

CPI - slowed from 0.2 % M/M in October to -0.2 M/M in November, but increased from 0.5% Y/Y in October to 0.8% Y/Y in November. (page 58)

Core CPI - slowed from 0.2% M/M in October to -0.3 M/M in November and increased from 0.8% Y/Y in October to 1.1% Y/Y in November. (page 58)

Weekly Releases & News

Charts of the Week: CPI

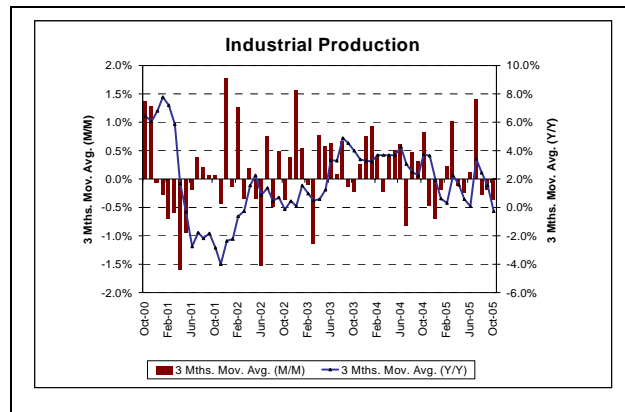


Swedish Consumer Prices slowed from 0.2 % M/M in October to -0.2 M/M in November, but increased from 0.5% Y/Y in October to 0.8% Y/Y in November. The monthly decline was primarily attributed to a drop in gasoline prices. Similarly, Core CPI also slowed from 0.2% M/M in October to -0.3 M/M in November and increased from 0.8% Y/Y in October to 1.1% Y/Y in November. Inflation continues to remain below the Bank's 2.0% target rate since September of 2003. The monthly declines were also seasonal in nature and widely expected.

Industrial Production, Industrial Orders & Activity Index Level

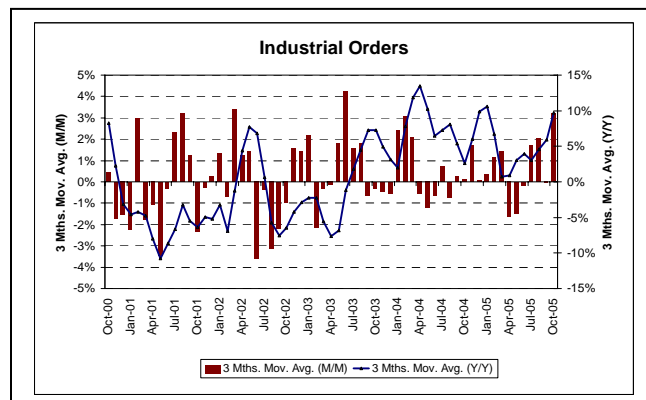
Industrial Production

Industrial Production rose 1.0% M/M and 2.5% Y/Y in October, above expectations. The increase was, in part, a result of a pickup in non-durable goods by 3.0%. Expectations were for a 0.6% M/M and 0.9% Y/Y gain.



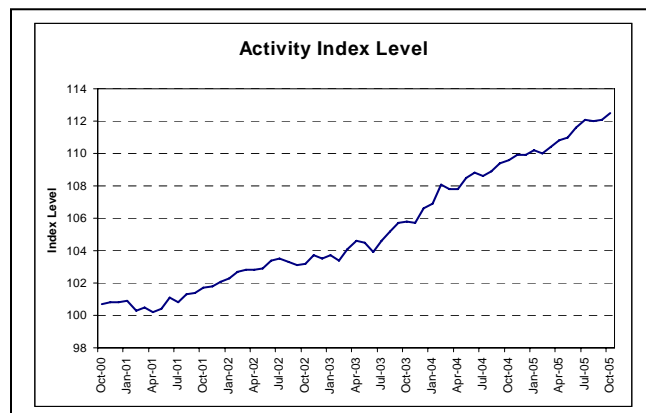
Industrial Orders

Industrial Orders increased 9.9% M/M and 11.3% Y/Y in October. The monthly gain was reflective of a 15.8% increase in export market orders and a 1.1% increase in domestic market orders. Also, new orders in the capital goods and intermediate goods industries increased by 16.5% M/M and 2.9% M/M, respectively.



Activity Index Level

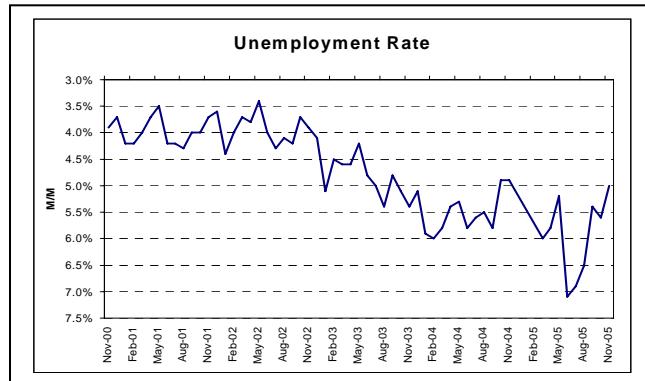
The Activity Index Level increased from a revised 112.1 (up from 112.0) in September to 112.5 in October.



Unemployment & Trade Weighted Exchange Rate

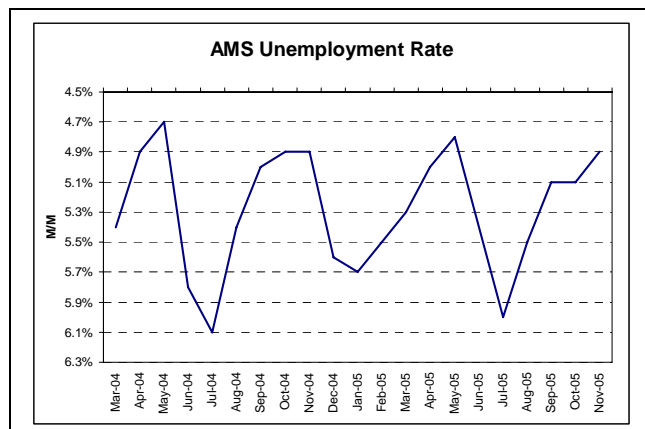
Unemployment Rate

The Unemployment Rate fell from 5.6% in October to 5.0% in November. Expectations were for a decline to 5.5%. The number of persons unemployed fell to 227K – down 27K from the month before. Conversely, the number of employed rose 4.30 mln -- up 6K in the same period -- as Swedish companies hire more workers amid an increase in consumer and business spending.

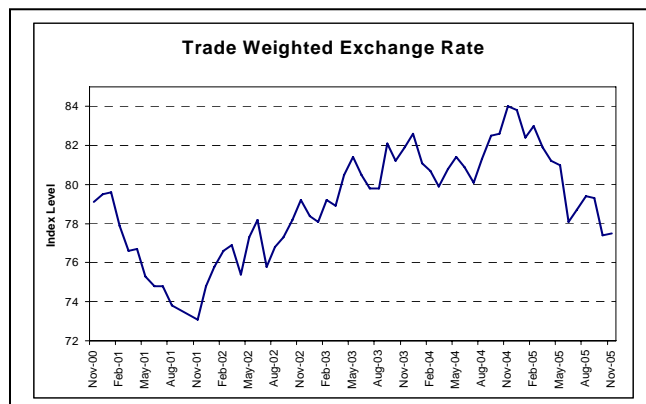


AMS Unemployment

The Labor Board's un-official Unemployment Rate fell from 5.1% in October to 4.9% in November. A total of 221K Swedes were unemployed (a decrease of 7K from the month before). There were 46K individuals that found jobs, while 33K new openings were reported, approximately 136K took part in government training programs and 4.5K were laid off.



Trade Weighted Exchange Rate



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News Releases & Upcoming Dates

News Releases

December 15th – Central Bank’s Board Evenly Split on Keeping Rates – Three of the Central Bank’s key players agreed on keeping the key interest rate at a record low, while the other three elected to raise borrowing costs. Deputy Governors Villy Bergstrom and Lars Nyberg and First Deputy Governor, Eva Srejber voted to raise rates by .25 basis points, while the remaining three voted to keep rates at a record low. Deputy Governor, Rosenberg commented, “In the considerations of when would be the right time to raise the repo rate, the market’s expectations of some time at the beginning of next year therefore appear reasonable.”

December 12th – JPMorgan Sees Rate Increases Through 2006 - JPMorgan Chase & Co stated that it expects the Riksbank to increase its benchmark interest rate to 1.75% in January followed by four more increases to 2.75 by the end of next year. Chief Economist at JPMorgan, David Mackie stated, “There remains the issue of whether the Riksbank could hike by 50 basis points in January.” Mackie added, “We are sympathetic to this idea; it would represent a decisive cancellation of the insurance taken out in the summer. But, we are not inclined to make it our central view, instead expecting two 25 basis point hikes in the first quarter.”

December 12th – Housing Price Indicator Posts Its Biggest Drop Ever – SEB Merchant Banking reported that its housing price indicator which measures the difference between persons expecting house prices to rise versus those expecting them to fall, has experienced its largest decline thus far, this month. This followed the Riksbank’s announcement that it may raise its benchmark interest rate. SEB Analysts, Charlotte Asgermyr and Henrik Mitelman, stated “The great decline in our indicator confirms that rates matter.” They added, “A simple message from the Riksbank – that rates will have to rise – is sufficient to cause a shift in sentiment.”

December 8th – Finance Minister, Paer Nuder Sees Unemployment Cut Next Year – Finance Minister, Paer Nuder, expects to see unemployment at a lower level next year, citing Sweden’s growing economy. Nuder stated, “The Swedish economy is currently in a very positive spiral,” and is “convinced that unemployment will fall next year.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
12/22	PPI M/M / Y/Y – Nov	--	0.1% / 4.1%

Valance Co., Inc.

Valance Economic Report: Switzerland

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December 15, 2005

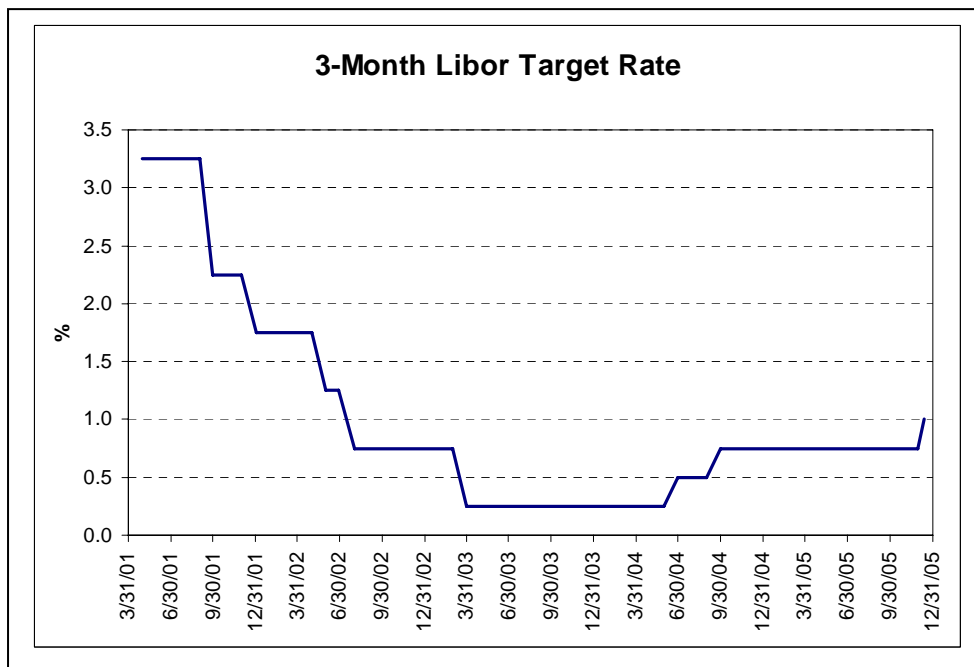
This week's economic news was highlighted by the Swiss National Bank's decision to raise its target for the three-month Libor Rate to 1.0%, marking the first increase in over a year. In other news, Central Bank President, Jean-Pierre Roth, commented on monetary policy, inflation and economic growth in Switzerland.

Weekly Highlights

3-Month Libor Target Rate – was raised to 1.0% as expected. (page 62)

Weekly Releases & News

Chart of the Week: 3-Month Libor Target Rate

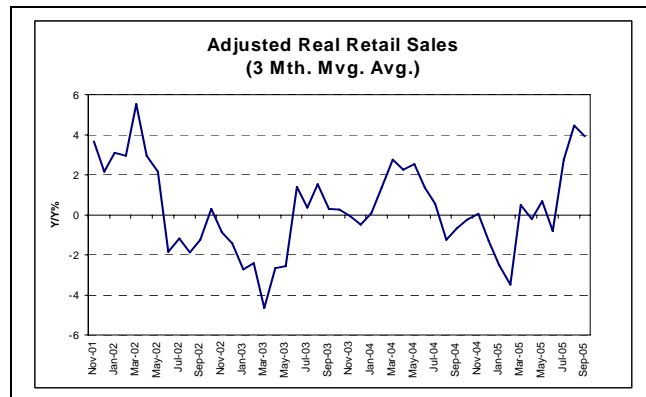


The Swiss National Bank raised its key target interest rate to 1.0%, as expected. This move marked the first increase in over a year. The Bank's policymaker's attributed its decision to raise the benchmark rate to control inflation as Switzerland's economy strengthens. Full details on the SNB decision start on page 63.

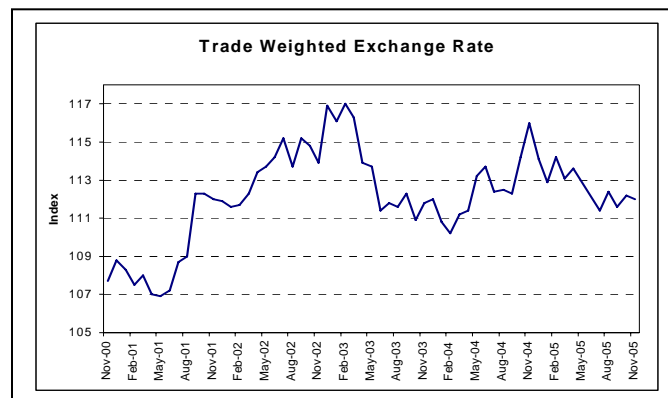
Adjusted Real Retail Sales, Trade Weighted Exchange Rate & Central Bank Comments

Adjusted Real Retail Sales

Swiss Retail Sales rose 1.6% Y/Y in September, when adjusted for inflation and shopping days. This marked the fourth consecutive month of increases as consumers spent more on clothes, shoes and household furnishings.



Trade Weighted Exchange Rate



Central Bank Comments

December 15th - Central Bank' President, Jean-Pierre Roth Comments on Monetary Policy, Inflation and Economic Growth - Swiss Bank President Jean-Pierre Roth made the following comments relative to Switzerland's monetary policy, inflation and economic growth, etc.:

On the bank's decision to raise the benchmark rate by 25 basis points to 1 percent:

“This change will take effect immediately. The SNB intends to hold the rate in the middle of the target range for the time being.”

On economic growth:

“Economic recovery is continuing as expected. It has grown stronger and more broad based. The SNB has raised its forecast for economic growth in 2005 and now expects the increase in GDP to reach just over 1.5 percent..” “For 2006, it projects growth of a little more than 2 percent.”

Central Bank Comments (cont'd.)

On inflation:

The Bank “anticipates average inflation for 2005 to remain at 1.2 percent. On the assumption that the three-month Libor remains unchanged at 1 percent, it forecasts annual inflation of 0.8 percent in 2006 and 1.2 percent in 2007.”

On monetary policy:

“By raising its target range the Swiss National Bank is adjusting its monetary policy to economic developments, which are proceeding as expected. The SNB thus ensures that the inflation outlook remains favorable. Despite the increase in the interest rate, the monetary policy of the SNB remains expansionary and supports the upswing. As economic recovery progresses, the SNB will continue to gradually adjust its monetary policy.” “If the franc were to appreciate rapidly, the national bank would react appropriately.” “Today's increase in the three-month Libor was generally expected. Why did financial markets anticipate this move? The answer is simple. The moderate increase in the interest rate is compatible with our strategy of making gradual corrections to a very expansionary monetary policy, while taking into account economic recovery.”

On the Swiss third-quarter growth report:

“The new figures are substantially higher than before, even after the considerable increase in the figure for the first quarter that was presented in September. Most observers were surprised by the size of the growth estimate for the third quarter.” “What is more, the retrospective revisions have considerably modified the perception of the economic situation in the first half of the year.” “Nevertheless, interpretation of the quarterly estimates is difficult in view of the sizeable fluctuations in final demand. And the fact that the main factor impacting on GDP momentum are changes in inventories.” “Other indicators such as the consumer confidence index, company expectations labor demand and the continued low level of inflation expectations, appear to indicate a more modest level of economic momentum.” “Information currently available to us indicates that economic recovery has accelerated over the past few months. Fourth-quarter indicators point to a continuation in the economic upswing.”

On exports:

“Although export growth is slowing, international demand remains robust. This momentum is increasingly shifting into the domestic sector, where it is acting as a stimulus. Companies expect demand to pick up over the next few months.”

On employment:

“Over the next few quarters, a high utilization rate of technical capacity in industry and a more favorable sales outlook are likely to provide greater support for investments in equipment and a gradual increase in labor demand. As a result, the disequilibrium in the labor market is likely to diminish.” “Since employment can be expected to increase over the course of 2006, consumer confidence should strengthen. By contrast, the stimulus provided by construction investment is likely to subside next year.”

News & Upcoming Dates

News

December 15th - Economics Institute Raises 2005-2006 Growth Outlook - The Basel Economics Institute revised its economic growth forecast for Switzerland from 1.2% to 1.8% for 2005 and from 1.5% to 1.8% next year.

December 14th - Swiss Economics Minister Sees Further Growth in Switzerland – Economics Minister, Joseph Deiss, expects Switzerland’s economy to expand to 1.8% or even 2.0% rather than the 1.7% predicted by the government. He attributes his predictions, in part, to exports and consumer spending. Deiss stated, “We have a very strong external economy” and “consumer demand is increasing.” Deiss further stated, “One explanation for the good situation in Switzerland, even if we didn't have a lot of growth in the past years, is that we had the chance to build on stability” in the “monetary sector.”

December 12th – Survey Shows Swiss Fear Unemployment Most - A survey by Credit Suisse Group revealed that 71% of Swiss voters fear unemployment most. Credit Suisse Group blames “regular media coverage of the unemployment rate, which has brought the topic to the attention of an increasingly large section of the population,” for the increasing worry. The health care and pension systems were the next big concerns.

December 10th – KOF Sees Swiss Economy Growing – The KOF Economic Research Institute expects that Switzerland’s economy will grow between 1.6% and 1.8% in 2005.

December 8th – 2005-2006 GDP Forecasts Revised - The Association of Business Economists have revised their 2005 growth predictions for Switzerland from 1.3% (forecast in September) to 1.6% in 2005 and from 1.7% to 1.8% in 2006.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
12/16-20	Producer & Import Prices (M/M) / (Y/Y) - Nov	-0.2% / 1.0%	0.0% / 1.0%
12/16	Industrial Production (Q/Q) / (Y/Y) – Q3	--	7.6% / 4.0%
12/22	Trade Balance - Nov	--	--
12/22	Employment Level / Y/Y – Q3	--	3.636M / 0.2%