

Valance Company, Inc.



Weekly

April 5, 2006

III

Highlights

US – Core PCE remains contained (page 2)

Euroland – Confidence soars while retail sales disappoint (page 10)

Japan – Unemployment Rate sees sharp decline in February (page 18)

UK – Manufacturing Output surprisingly decreased (page 27)

Australia – Firming in retail and export data (page 36)

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Valance
Economic
Reports

Valance Co., Inc.

Valance Economic Report: United States

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cguerra@valance.usApril 5th, 2006

This week's economic data showed Core PCE stable at 1.8% (still at the high-end of the Fed's comfort zone), healthy personal income growth and some more signs of a softening housing market. Comments from Hoenig about being in the "upper end of neutrality" caused the markets to price a less aggressive Fed, but strong employment data on Friday could reverse this move. Lacker also commented that solid income growth should more than offset any moderation in consumer spending via the housing channel.

Weekly Highlights

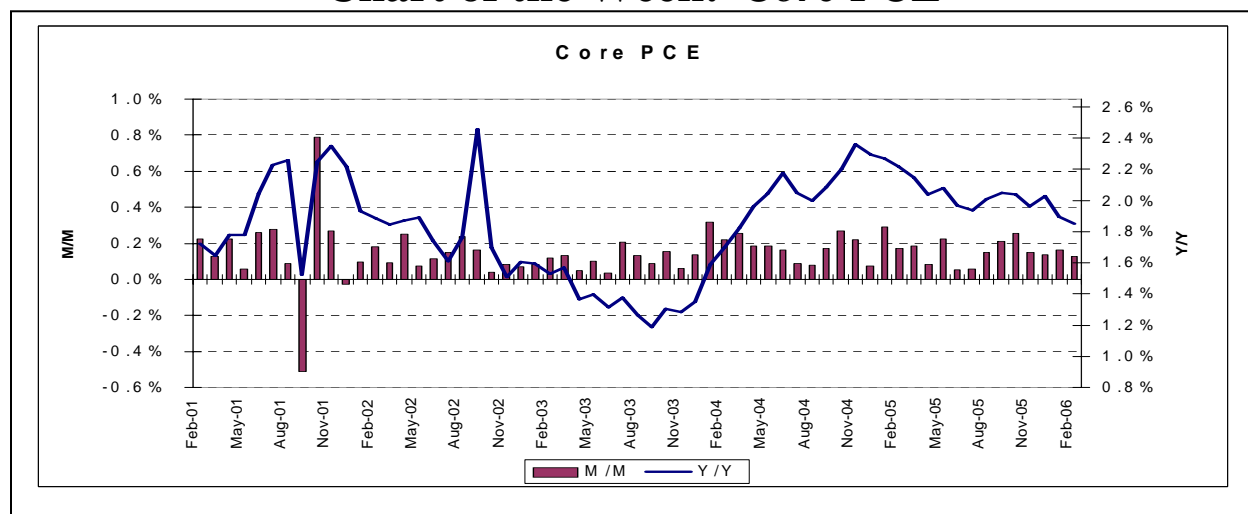
Core PCE- increased 0.1% M/M and 1.8% in February. (page 2)

Personal Income- up 0.3% M/M and 5.6% Y/Y. (page 4)

Pending Home Sales- down 0.8% M/M and 5.2% Y/Y. (page 6)

Weekly Releases

Chart of the Week: Core PCE



Core PCE increased 0.1% M/M and 1.8% Y/Y in February. The six month annualized rate is at 2.1% - confirming that the Fed's favorite measure of inflation remains at the high-end of the range with which they feel comfortable. Although core inflation has recently been stable, potential wage pressure from the low unemployment rate does pose a credible threat.

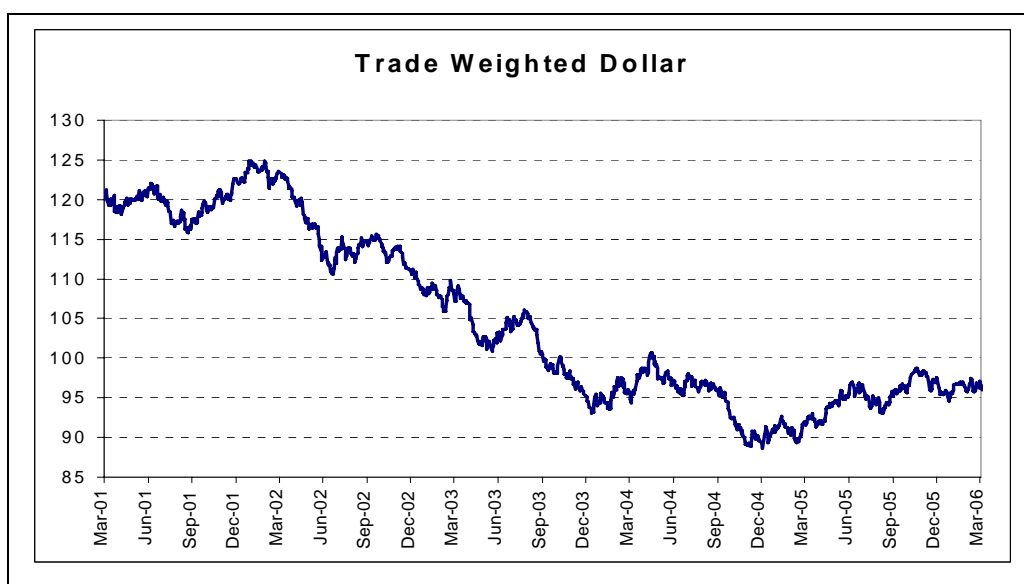
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

<i>U.S.</i>	<i>Latest period (\$blns)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-119.2 (February)	-2.4%
Trade Balance	-68.5 (January)	-5.8%
Current Account Balance	-224.4 (Q4)	-6.3%
Private Balance	--	-3.9%

The budget deficit is currently at \$313 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 January is still 5.8% 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.

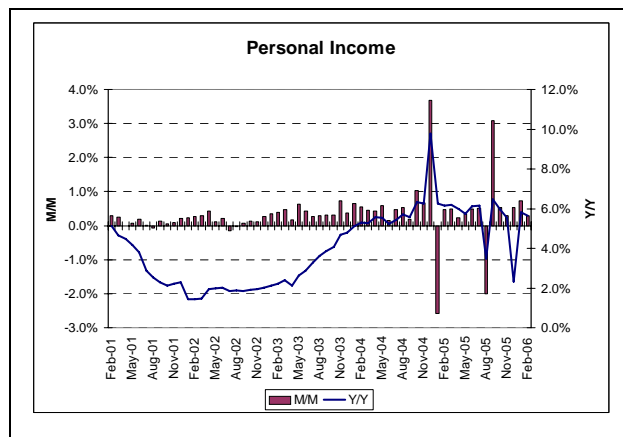
Trade Weighted Dollar



Personal Income and Spending & Vehicle Sales

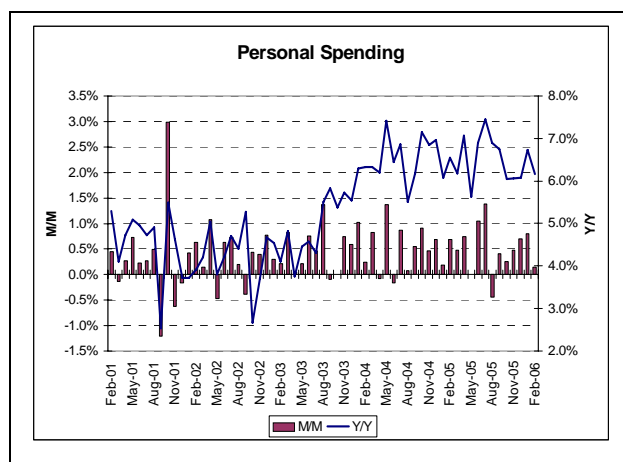
Personal Income

Personal Income increased 0.3% M/M and 5.6% Y/Y in February. The wage and salary component increased 0.4% M/M and 5.1% Y/Y. Income gains still remain healthy and should allow for spending growth to remain firm at least in the short-term, barring a major adjustment in saving rates.



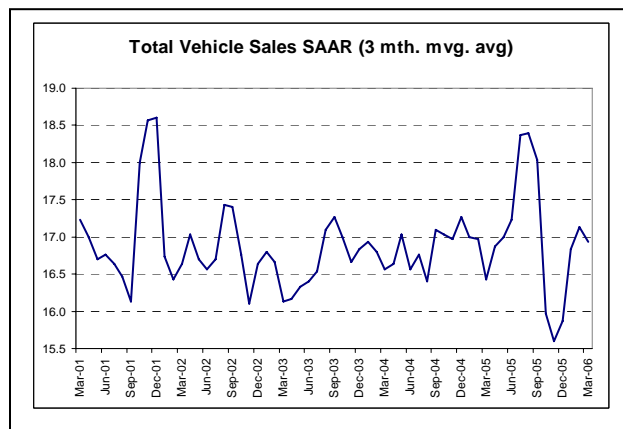
Personal Spending

Personal Spending increased 0.1% M/M and 6.2% Y/Y in February. Spending grew at a slower rate than income after three straight months of out-performance. Strong gains in spending on services balanced the drop in spending on goods.



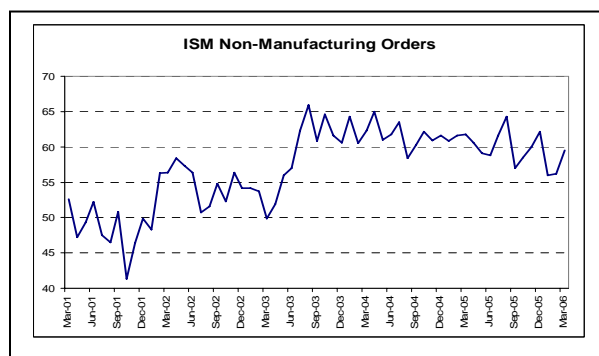
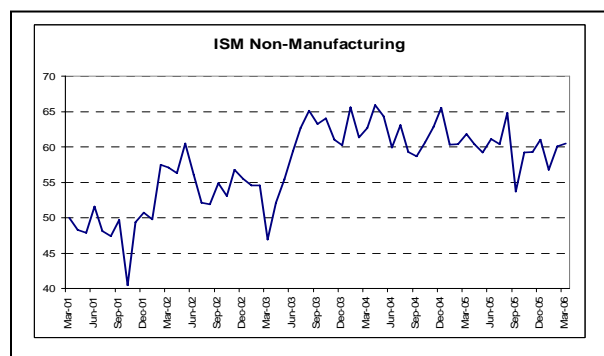
Total Vehicle Sales

The seasonally adjusted annual rate of Total Vehicle Sales remained flat at 16.6 mln in March. Vehicle Sales only averaged 15.9 mln in Q4 2005, but averaged 16.9 mln in Q1 2006. The recovery in vehicle sales should help drive GDP back well above potential after only increasing 1.7% in Q4 2005.



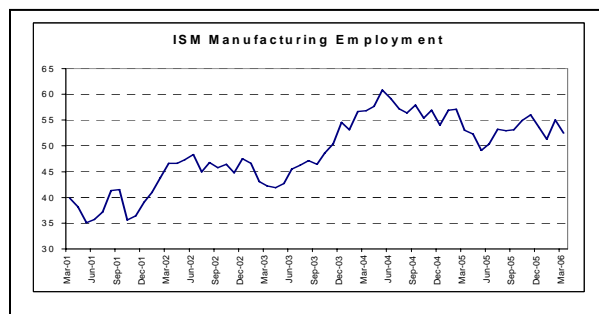
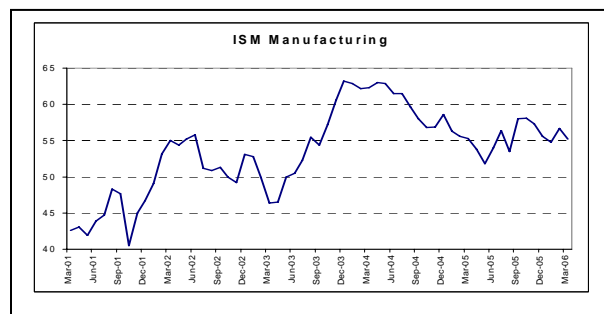
ISMs & Chicago PMI

ISM Non-Manufacturing



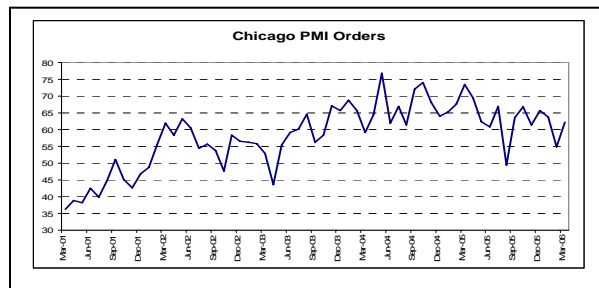
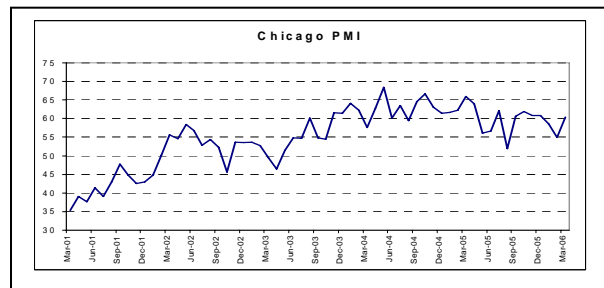
The ISM Non-Manufacturing Index increased from 60.1 to 60.5 in March. The new orders component improved from 56.2 to 59.5 and the price component declined from 64.8, but remained elevated at 60.5. The employment component also declined from 58.2 to 54.6.

ISM Manufacturing



The ISM Manufacturing Index decreased from 56.7 to 55.2 in March. The price component declined from 62.5 to 66.5 and the employment component fell from 55.0 to 52.5. The orders component also dropped from 61.9 to 58.4. The Manufacturing sector seems to be decelerating a bit, but continues to expand.

Chicago PMI

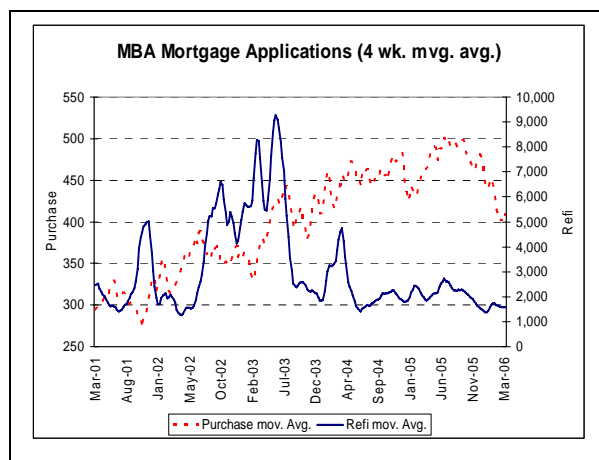


The Chicago PMI increased from 54.9 to 60.4 in March. The orders component jumped from 54.9 to 62.2. The price component dropped a bit from 71.6 to 71.1, but remains at elevated levels. The employment component increased from 54.9 to 55.6.

Housing

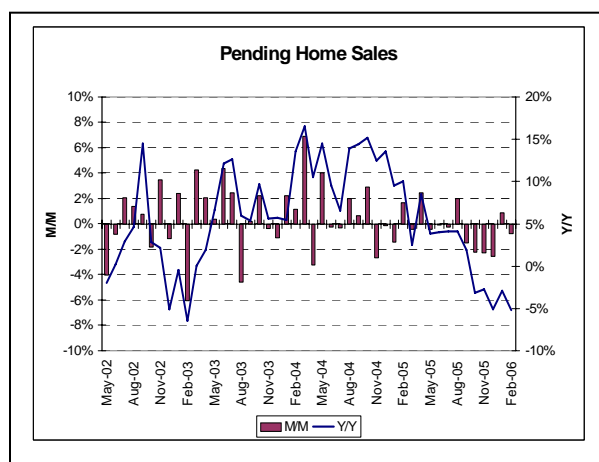
MBA Mortgage Applications

Purchase mortgage applications increased 8.4% w/w and refi applications were up 5.3% w/w this week. The four-week moving average of purchase applications is down 10.3% Y/Y and was down 1.7% Y/Y just based on last week's reading. The slowing of the housing market is evident in mortgage application data.



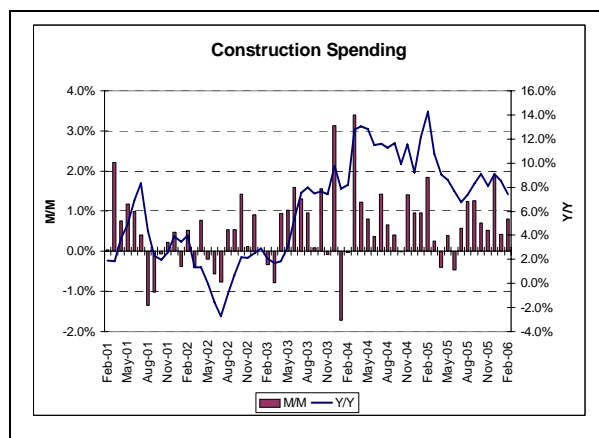
Pending Home Sales

Pending Home Sales declined 0.8% M/M and 5.2% Y/Y in February. This series continues to show weakness and provides more evidence of a slowing housing market.



Construction Spending

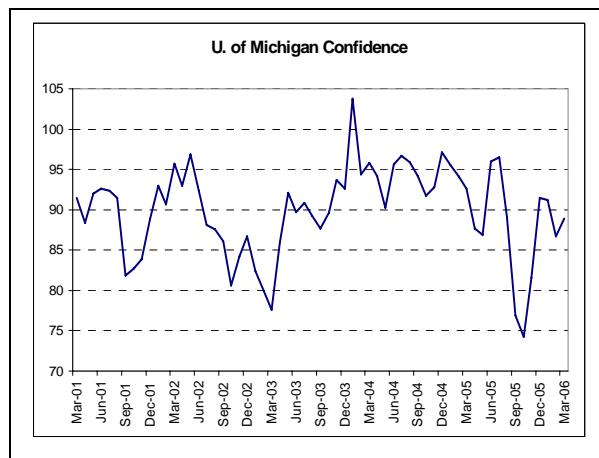
Construction Spending increased 0.8% M/M and 7.4% Y/Y in February. The residential component grew 1.3% M/M and 7.0% Y/Y. This data is consistent with the strength seen in housing starts.



Confidence

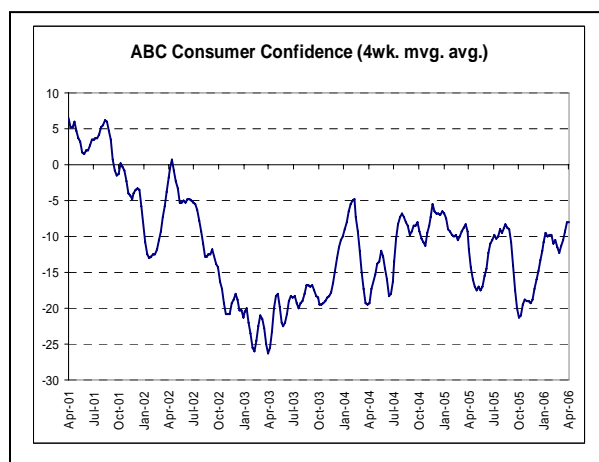
U. of Michigan Confidence

The University of Michigan Confidence Index increased from 86.7 to 88.9 in March. The current component improved from 105.6 to 109.1 and the expectations component moved from 74.5 to 76.0. Long-term inflation expectations remained at 2.9%



ABC Consumer Confidence

The ABC Consumer Confidence Index declined from -7 to -9. The economy component improved from -18 to -16, but the buying and finance components declined from -22 and 20 to -28 and 18, respectively.



Fed Comments

Hoenig- "We have ... systematically moved the fed funds rate or the policy rate from a very accommodative level, about 1 percent, to what we think of as a more neutral level."

"This is definitely, I think, within the range of neutrality, perhaps even at the upper end of neutrality. But whether it is the right rate or not depends on how the economy plays out."

Lacker- "Thus, going forward, the adjustment of the housing market to evolving fundamentals will continue to fit comfortably within the standard economic framework. My assessment is that plausible rates of moderation in housing activity will not pose a problem for overall activity this year or next. Moreover, I don't see diminished housing price appreciation as a major problem for consumer spending, since again, the primary determinant of spending is income, and we see solid and improving prospects for real incomes for the nation as a whole."

"Falling relative prices should continue to support technology upgrades that enhance efficiency for many firms. In addition, rising capacity utilization rates suggest that many firms will need to add capacity to keep up with demand growth. And if I am correct, this capital spending should be enough to support overall demand in the economy, even as the housing market cools down."

Fisher- "The relationship between measures of domestic economic slack, such as industrial capacity utilization, and domestic inflation seems to have declined across a broad range of advanced countries in recent years."

"At the same time, proxies for global slack—such as unemployment rates and output gaps in a wide array of countries—seem to be of growing importance."

"And for some countries, including—and to my mind especially—the United States, the proxies for global slack have become more important predictors of changes in inflation than measures of domestic slack."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/06	Initial Jobless Claims (APR 1)	305K	302K
04/06	Continuing Claims (MAR 25)	2483K	2483K
04/07	Change in Non-farm Payrolls (MAR)	190K	243K
04/07	Unemployment Rate (MAR)	4.8%	4.8%
04/07	Average Hourly Earnings (MAR) (M/M)	0.3%	0.3%
04/07	Average Weekly Hours (MAR)	33.8	33.7
04/07	Wholesale Inventories (FEB)	0.5%	0.1%
04/07	Consumer Credit (FEB)	\$3.0	\$3.9B
04/11	ABC Consumer Confidence (APR 10)	NA	7.2%
04/12	MBA Mortgage Applications (APR 7)	NA	-9
04/12	Trade Balance (FEB)	-\$68.1B	-\$68.5B
04/12	Monthly Budget Statement (MAR)	-\$71.2B	-\$71.2B

Valance Co., Inc.

Valance Economic Report: Euro Zone

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April 5, 2006

This past week's data did little to clarify the Euro Zone's growth situation as the trend of strong soft data coupled with some weak hard data continued. German Confidence was significantly stronger than expected, while German and Euro Zone Retail Sales both contracted more than expected. But December German retail sales data was revised significantly upward, supporting ECB research that concludes that 'soft-data' has historically provided a better real-time read on the economy than 'hard-data'. Wages remained contained and Euro Zone inflation was forecasted to slow slightly in March. Also of note, IG Metall, Germany's largest labor union, backed away from its 5% wage demands, settling for 3.5% for a portion of its workers.

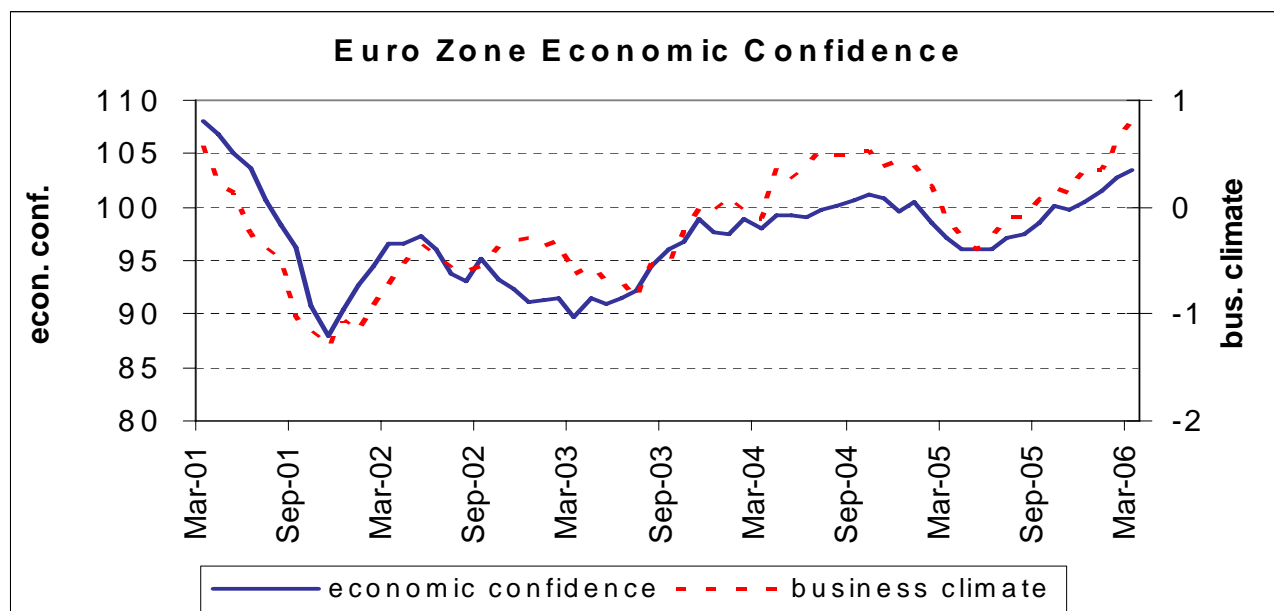
Weekly Highlights

Euro Zone Business Climate— much stronger than expected in March (page 10)

German Retail Sales— declined 0.6% M/M in February. (page 12)

Weekly Releases & News

Chart of the Week: *Euro Zone Confidence*



Euro Zone Confidence continued to soar in March to new 5yr highs as the Business Climate Index expanded from 0.61 to a much stronger than expected 0.80. Consumer Confidence declined slightly from -10 to -11, and Economic Confidence expanded from 102.7 to 103.5. Expectations for most March data were on the soft side after robust February readings.

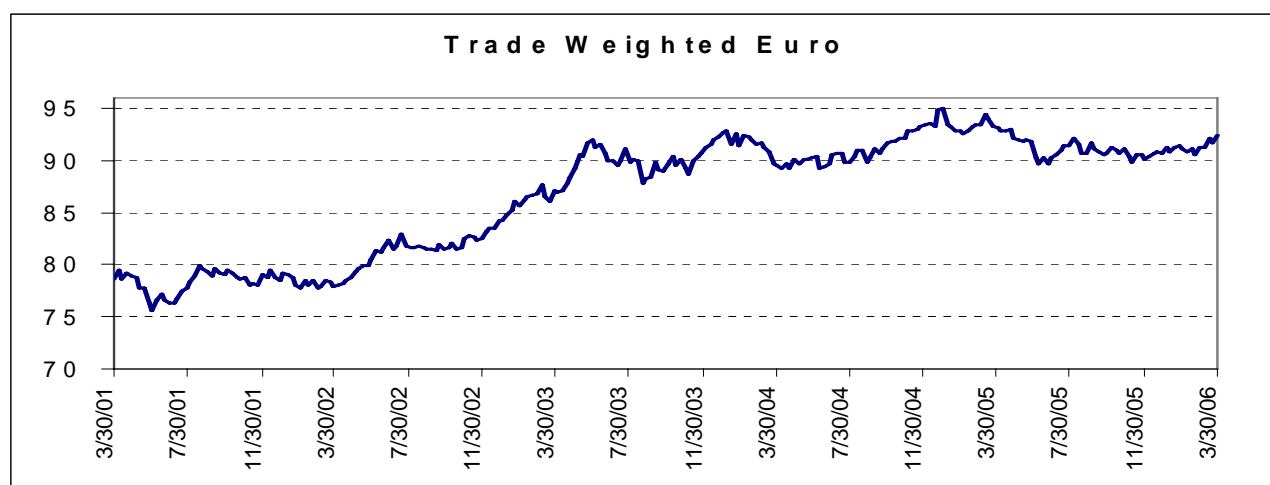
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Euro Zone Financial Balances & Trade Weighted Euro

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)	-3.5% (2005)
Trade Balance	12 (Jan)	7.1%
Current Account Balance	5.2 (Jan)	3.5%
Private Savings Balance	--	7.0%
<i>France</i>		
Budget Balance	-6.7 (Jan)	-4.3%
Trade Balance	-2.4 (Jan)	-1.5%
Current Account Balance	-3.2 (Jan)	-2.1%
Private Savings Balance	--	2.2%
<i>Italy</i>		
Budget Balance	-15.7 (Mar)	-4.8%
Trade Balance	-1.9 (Feb)	-1.0%
Current Account Balance	-4.3 (Jan)	-1.3%
Private Savings Balance	--	3.5%

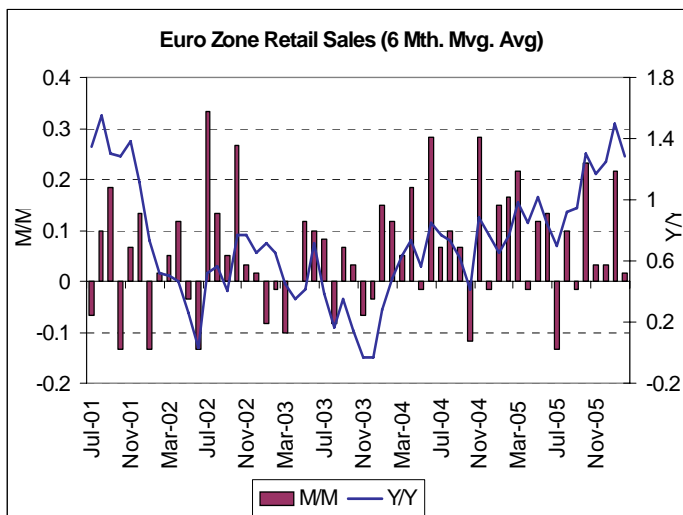
Trade Weighted Euro



Euro Zone & German Retail Sales, Euro Zone Unemployment

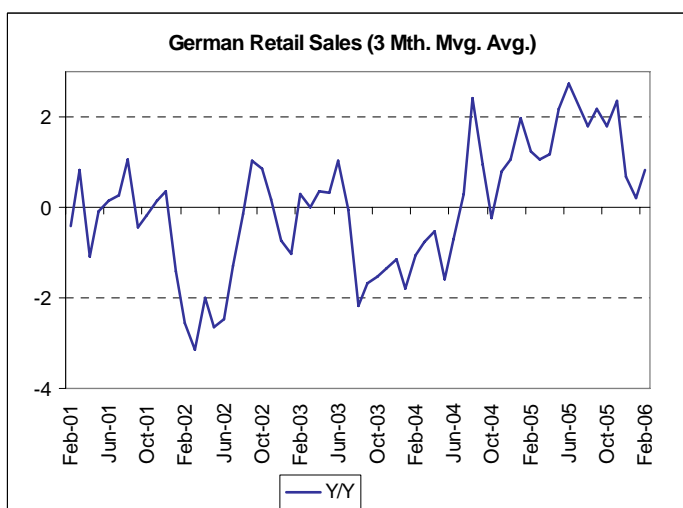
Euro Zone Retail Sales

Euro Zone Retail Sales contracted for the 2nd month in 3 in February, falling 0.2% M/M while expanding 1% Y/Y.



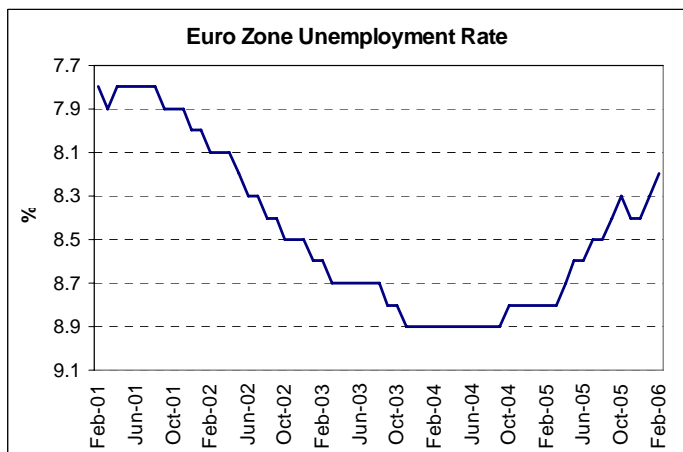
German Retail Sales

German Retail Sales contracted more than expected in February, declining 0.6% M/M while growing 1.1% Y/Y. January's growth figure was revised downward from 2.7% M/M to 1.9% M/M. But December real retail sales were revised from -1.4% m/m to -0.8% m/m, enough to likely lead to upward revisions to Q4 growth.



Euro Zone Unemployment

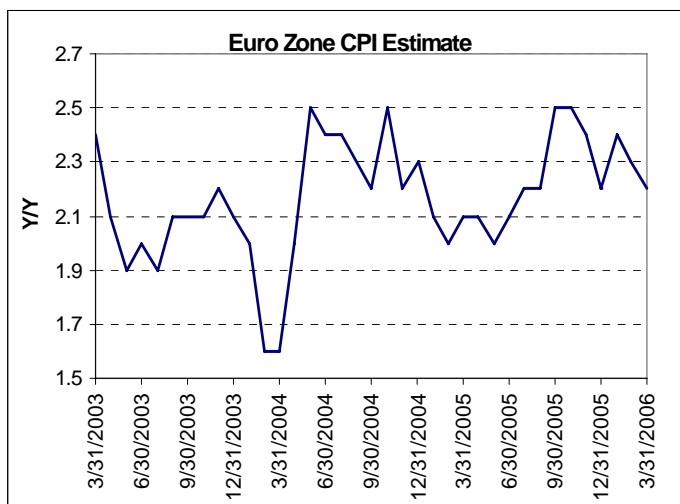
The Euro Zone's February Unemployment Rate declined from 8.3% in January to 8.2%.



Euro Zone CPI, Italian Hourly Wages & CPI

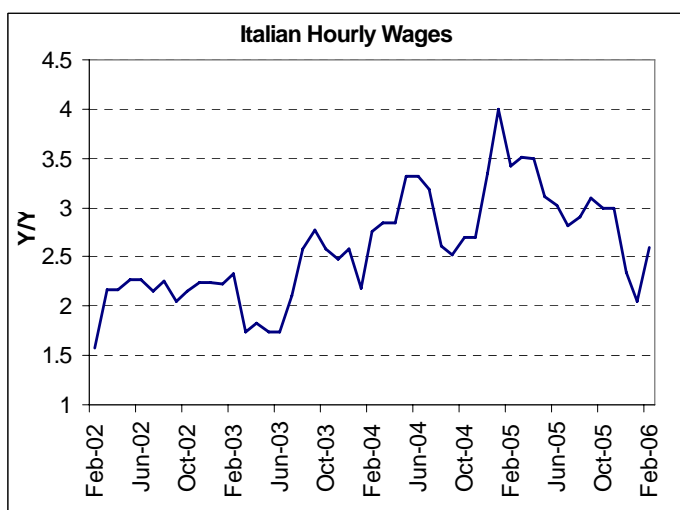
Euro Zone CPI Estimate

The Euro Zone's March CPI estimate slowed from 2.3%Y/Y in February to 2.2%.



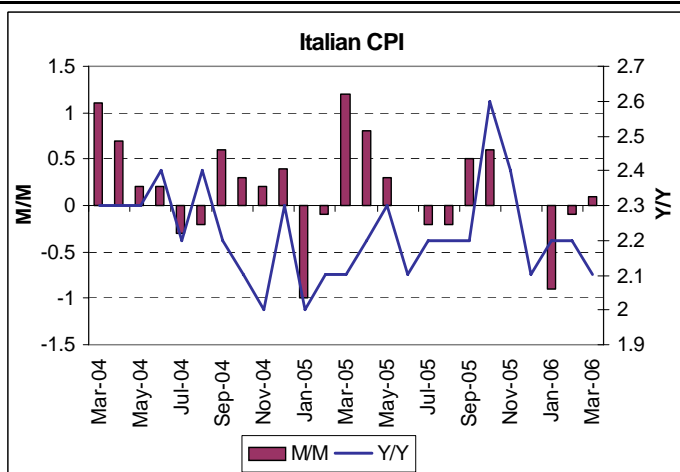
Italian Hourly Wages

Italian Hourly Wages increased less than expected in February, expanding 0.6% M/M and 2.6% Y/Y. Expectations were for a 1.3% M/M expansion.



Italian CPI

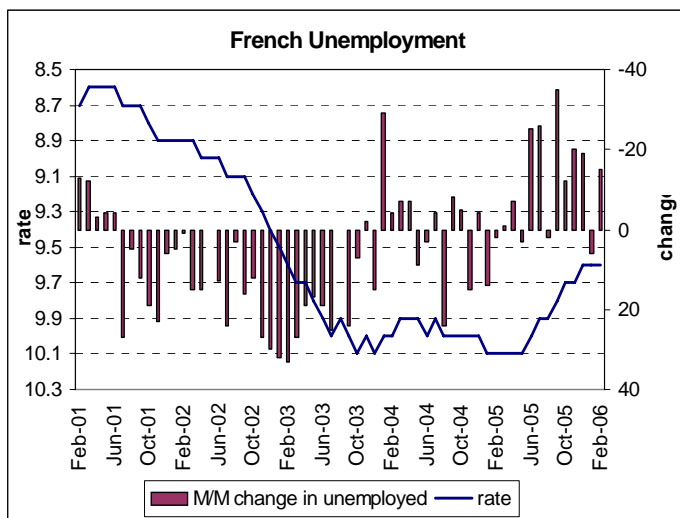
Italian Consumer Prices slowed slightly in March, expanding 0.1% M/M and falling from 2.2% Y/Y in February to 2.1%.



French & Spanish Unemployment, French GDP

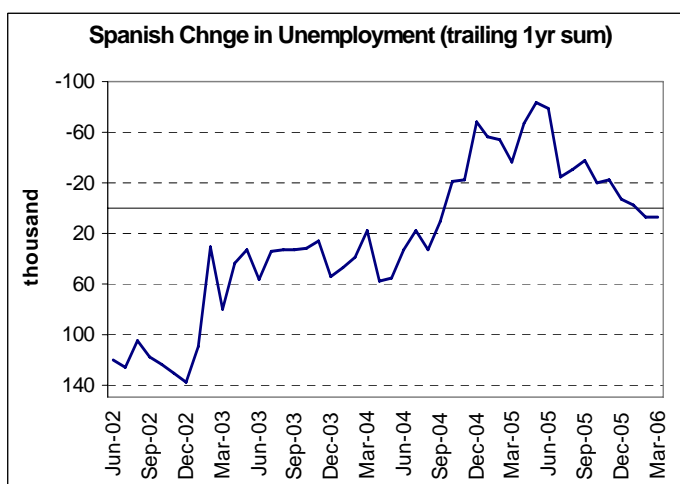
French Unemployment

French Unemployment fell by 15,000 in February, leaving the Unemployment Rate unchanged at 9.6%. Government subsidies and new work rules are believed to have helped boost employment.



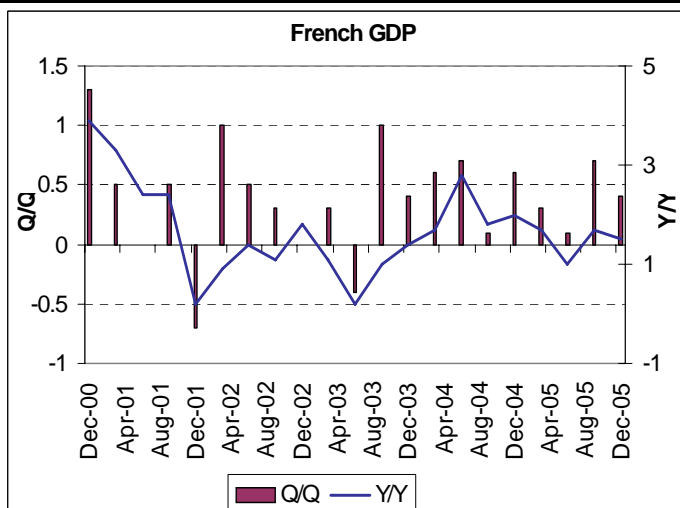
Spanish Unemployment

Spanish Unemployment continued to decline, falling 20k in March. The total number of jobs in Spain expanded at a 4.9% Y/Y pace in Q4.



French GDP

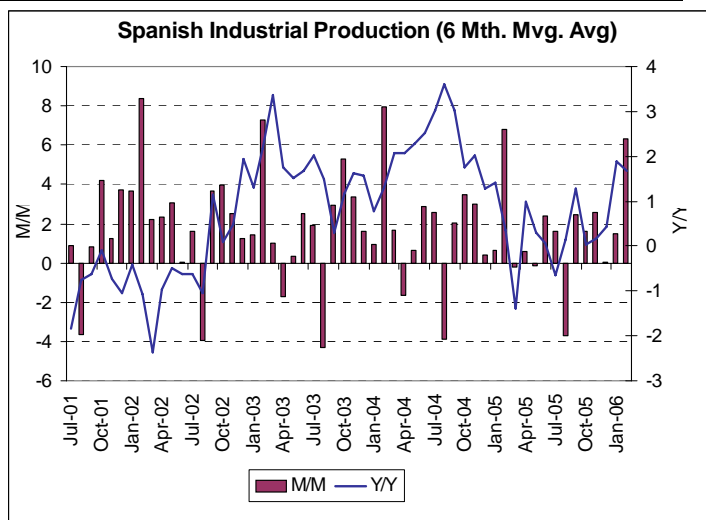
France's Q4 GDP was revised upward from 0.2% Q/Q and 1.2% Y/Y to 0.4% Q/Q and 1.5% Y/Y; an improvement, but still a slowing from Q3. Household Consumption expanded 0.6% Q/Q.



Spanish Ind. Production, Euro Zone PMI

Spanish Industrial Production

Spanish Industrial Production slowed in February, expanding 2.3% Y/Y, down from 5.3% Y/Y in January.



Euro Zone Services PMI

The Euro Zone's March Services PMI remained unchanged at 58.2. The German Services PMI fell from 57.8 to 56.6, France's PMI rose from 60.1 to 60.4, Spain's PMI rose from 55 to 56.2 and Italy's PMI rose from 57.7 to 59. Employment rose by 1 point.

Euro -12 Services PMI:	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	July	June	May
Overall:	58.2	58.2	57.0	56.8	55.2	54.9	54.7	53.4	53.5	53.1	53.5
Employment:	54.1	53.1	52.6	52.6	51.5	51.6	51.6	50.8	50.4	50.3	50.6
New Business:	56.8	56.4	55.8	55.2	53.5	54.2	54.0	52.5	52.9	52.3	52.6
Business Expectations:	65.9	66.9	69.9	66.2	64.8	64.5	63.4	63.3	62.8	63.1	64.4

Euro Zone Manufacturing PMI

The Euro Zone's March Manufacturing PMI Index rose from 54.5 in February to 56.1. Germany's PMI rose from 55 to 58.1; France's PMI rose from 52.2 to 54.5; Spain's PMI rose from 52.8 to 54.7; and Italy's PMI rose from 55.1 to 55.5. (Numbers above 50 indicate expansion while numbers below 50 indicate contraction). It now stands above the U.S. PMI for the first time in 3 years.

Euro-12 Manufacturing PMI:	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	July	June	May
Overall Index	56.1	54.5	53.5	53.6	52.8	52.7	51.7	50.4	50.8	49.9	48.7
Output	59.0	57.0	55.9	55.8	54.8	54.3	53.8	51.8	52.8	51.0	50.0
Employment	50.9	49.7	49.6	50.3	49.9	49.9	48.9	48.3	47.8	48.2	47.5

News

April 4th - **Germany's IMK economic institute**, a labor union-affiliated research body, said the German economy will grow 1.7% this year, fuelled by exports. Growth will slow to 1.1 percent in 2007, weighed down by the government's attempts to lower the budget deficit, IMK said.

April 4th - **Germany's Ver.di Union**, Germany's second-largest union, said it will seek 5% more pay for banking staff across Europe's largest economy, mirroring demands made by the country's biggest union, IG Metall, on behalf of engineering workers. Interestingly the demands come on the heels of IG Metall accepting lower wages for a portion of the labor force. IG Metall union agreed this week to a 3.5% pay increase for workers at Mahr Group, a Gottingen-based maker of measurement equipment, the first time it's stepped back from a demand for 5% more pay nationwide

April 4th - **French Finance Minister Thierry Breton** said Europe's third-largest economy is on track to meet the government's growth forecast of around 2% in 2006. "Growth is picking up within a range of 2 to 2.5 percent," Breton said.

April 3rd - **Italian Prime Minister Silvio Berlusconi's** government today lifted its deficit forecast for this year because of slower-than-expected growth, complicating its chances of meeting an European Union pledge by 2007. The deficit will swell to about 3.8 % of GDP (up from the initial 3.5% forecast), matching the prediction of the European Commission

April 3rd - **Interest rate policy in the economy of the 12 nations** sharing the euro remains "expansive," the Bank of Spain said. "The tone of the ECB's monetary policy is still clearly expansive, in line with the weakness that domestic demand is still showing," the bank said in its monthly bulletin published in Madrid.

March 31st - **ECB's Trichet commented on interest rates and structural reform, stating:**
On interest rates: "Currently nominal and real interest rates are at historically low levels. The main achievement which we see at present is low nominal and real rates consistent with stable inflation, due to the credibility of the ECB in solidly anchoring long-term inflation expectations.

On the stability and growth pact: "Don't be surprised if you see the ECB always very, very, very vigilant. It's a crucial part" of the economic and monetary union. "The stability and growth pact, the sound fiscal policies, are key in this pact. Another element, which we judge extremely important are structural reforms."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/06	ECB announces Rates (APR)	2.50%	2.50%
04/07	German Trade Balance (FEB)	13.0B	12.5B
04/07	Euro Zone OECD Lead. Indicator (FEB)	--	107.3
04/10	French Industrial Production (FEB)	--	0.3% M/M
04/11	French Trade Balance (FEB)	--	-2.4B
04/11	German ZEW (Econ. Sentiment) (APR)	--	63.4
04/12	Spanish CPI (MAR)	--	4% Y/Y

Valance Co., Inc.

Valance Economic Report: Japan

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April 5, 2006

Recent data from Japan remained positive. Core consumer prices in February were unchanged M/M, as expected. The Unemployment Rate declined sharply, and although the Tankan Survey edged downward, it remained at a firm level. With this week's data, our outlook remains unchanged for an end to the BoJ's Zero Interest Rate Policy as early as Q3 2006.

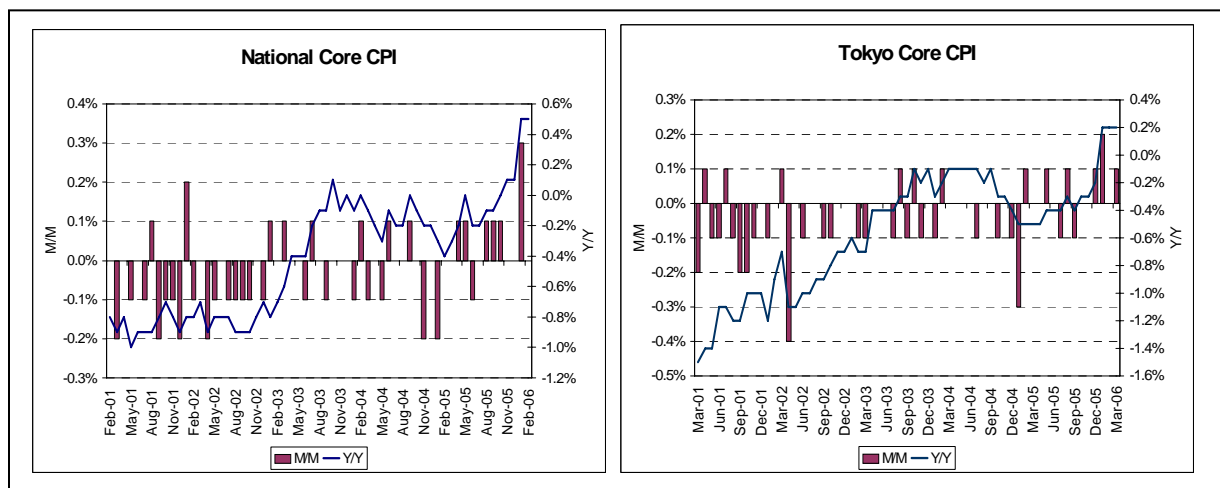
Weekly Highlights

Core CPI – unchanged M/M and increased 0.5% Y/Y in February. (page 18)

Employment – Jobless Rate declined from 4.5% to 4.1% in February. (page 20)

Tankan Survey– Large Manufacturer's Index declined from 21 to 20 in Q1. (page 22)

Charts of the Week: *CPI*

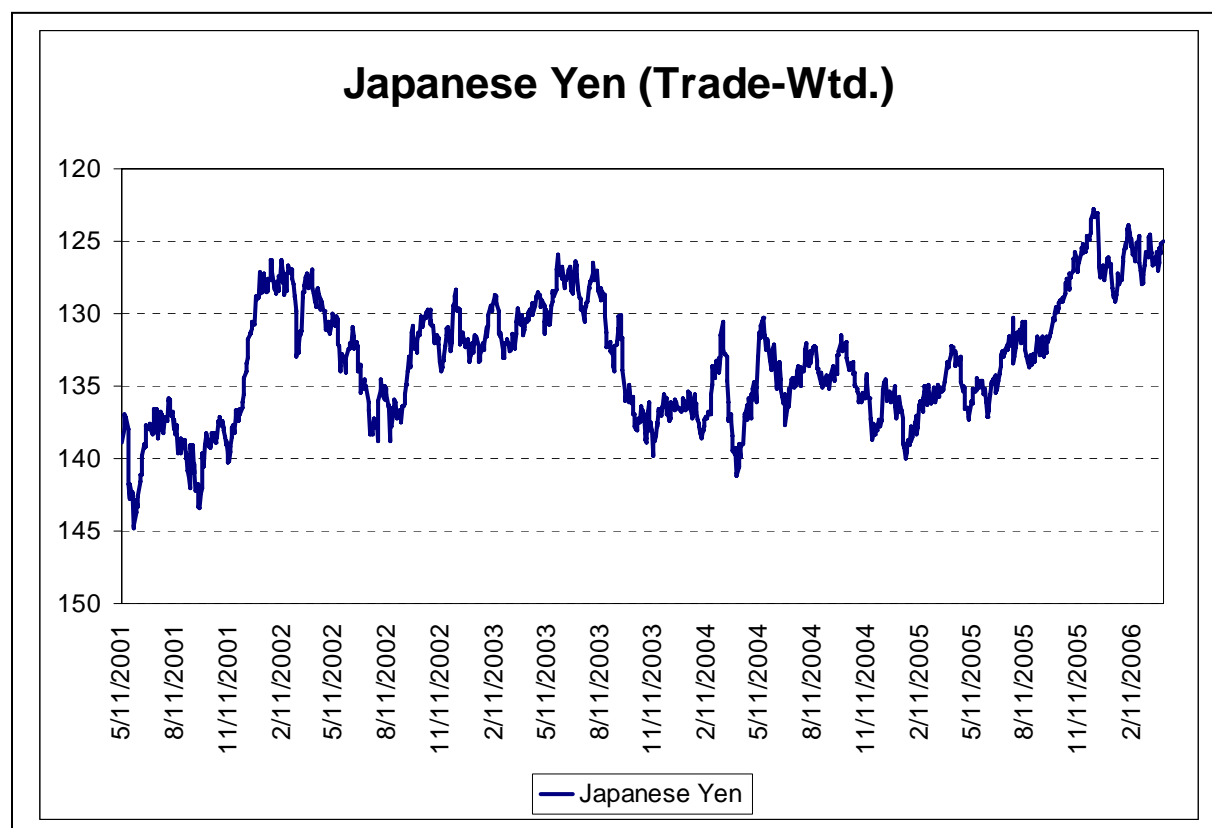


Core Prices in Japan were unchanged M/M and increased 0.5% Y/Y in February; on the low side of market expectations for no M/M gain and a 0.6% Y/Y increase. In Tokyo, Core Prices increased 0.1 M/M and 0.2% Y/Y in March, meeting market expectations.

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%



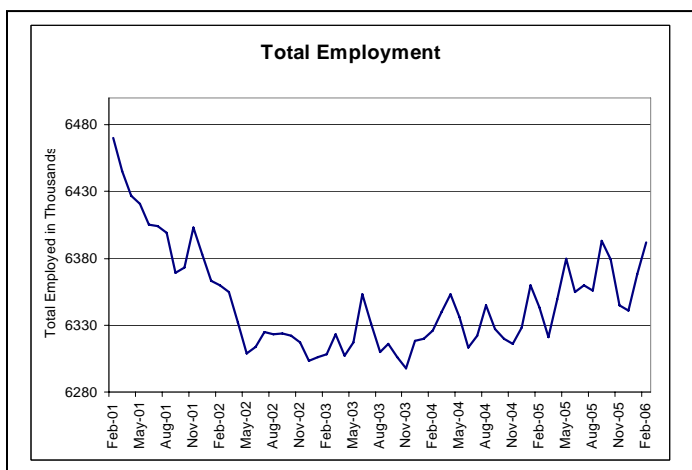
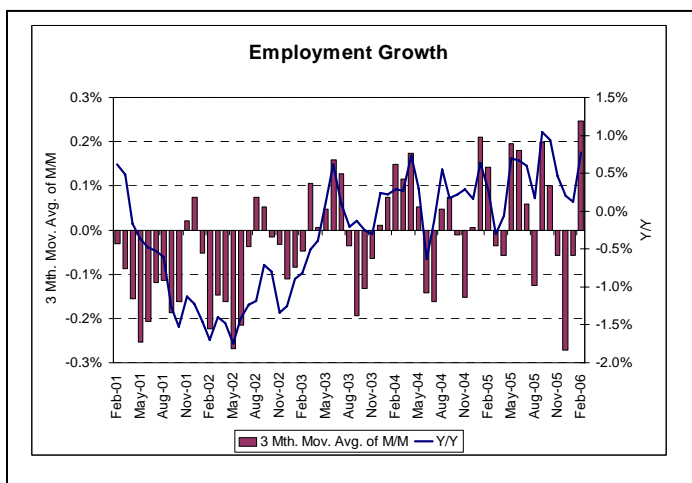
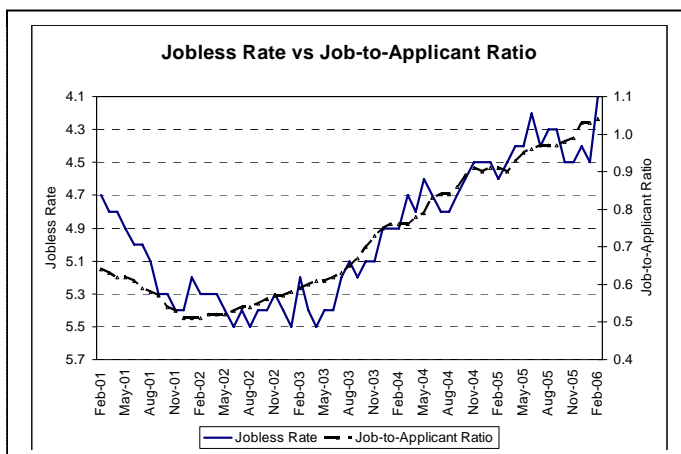
Employment Data

Employment

The Unemployment Rate in Japan declined from 4.5% in January to 4.1% in February as the labor force increased in size by 30k, total employment increased by 240k, and the number of unemployed declined by 210k. The decline in the unemployment rate brought it to its lowest level since July 1998.

On a sector by sector basis, Transportation and communication industries led the improvements, followed closely by manufacturing.

Also in the report, the Job-Applicant Ratio, increased from 1.03 in January to 1.04 in February, marking a new 13 year high.

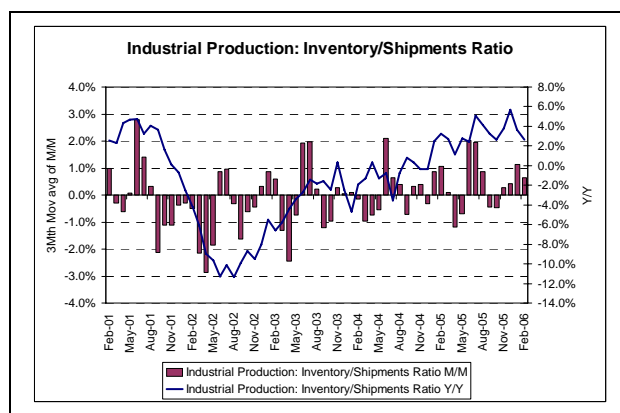
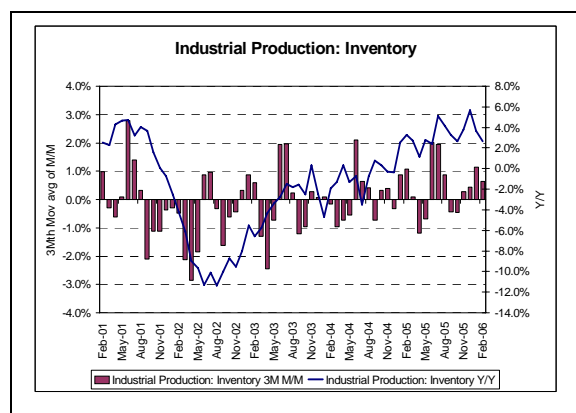
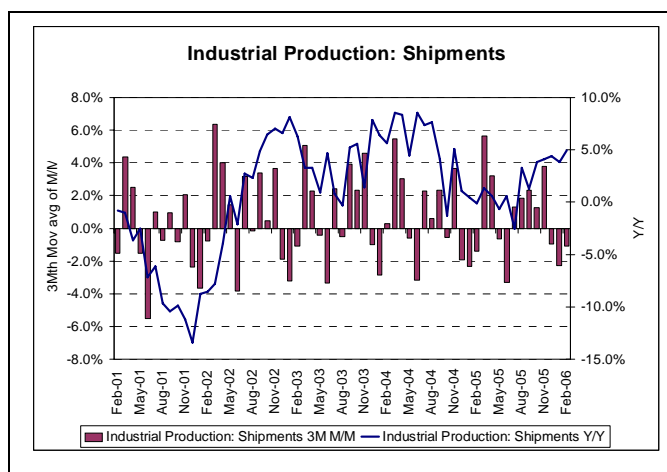
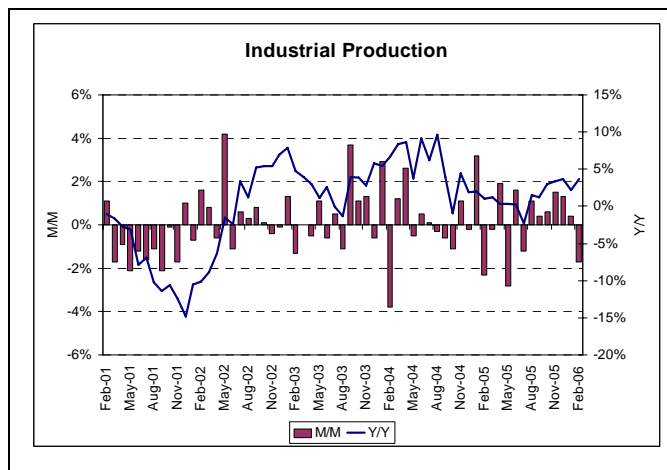


Industrial Production

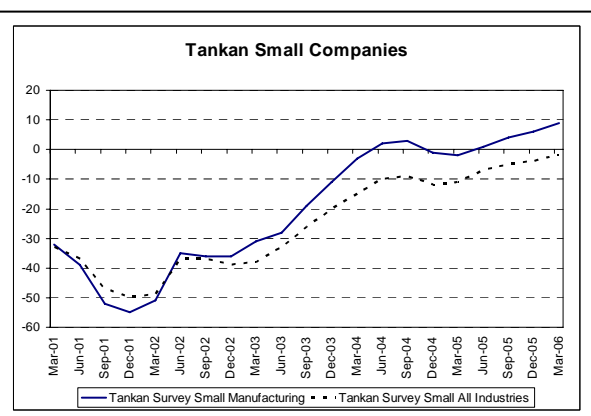
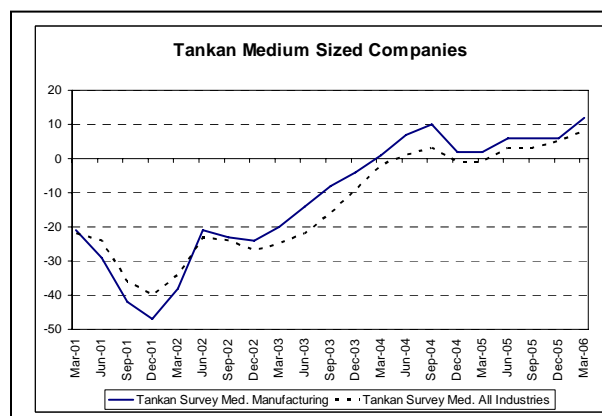
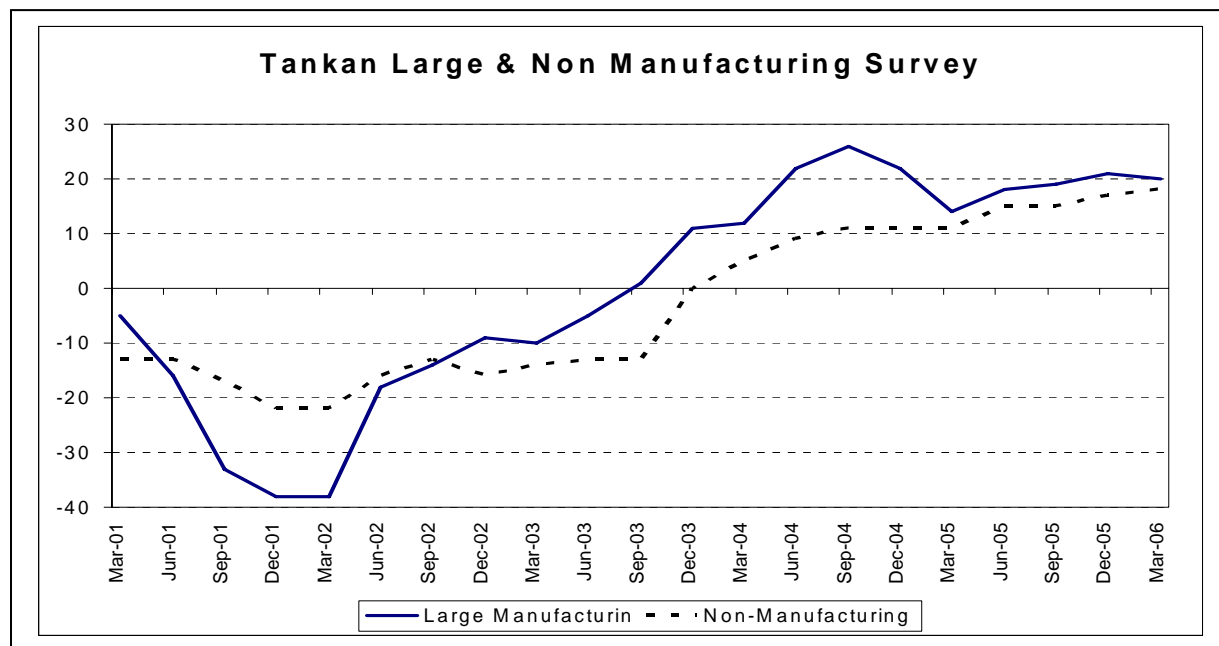
Preliminary data on Industrial Production in February indicated a decline of 1.7% M/M and an increase of 3.7% Y/Y, below the 0.1% M/M and 5.4% Y/Y increases the market anticipated. Industries that contributed the most to the decline were the chemicals (excl drugs), general machinery, and electrical machinery industries.

Among the subcomponents, Shipments declined 2.8% M/M and increased 4.9% Y/Y. Inventories increased 0.3 % M/M and 2.6% Y/Y, as originally estimated. The Inventory Shipments ratio increased 2.9% M/M.

Despite the apparently soft release, Industrial Production remains on a moderate upward trend. Looking forward, METI expects production to improve in March and April as the industry is looking for a 0.3% M/M gain in March and a 3.1% M/M gain in April.



Tankan Survey



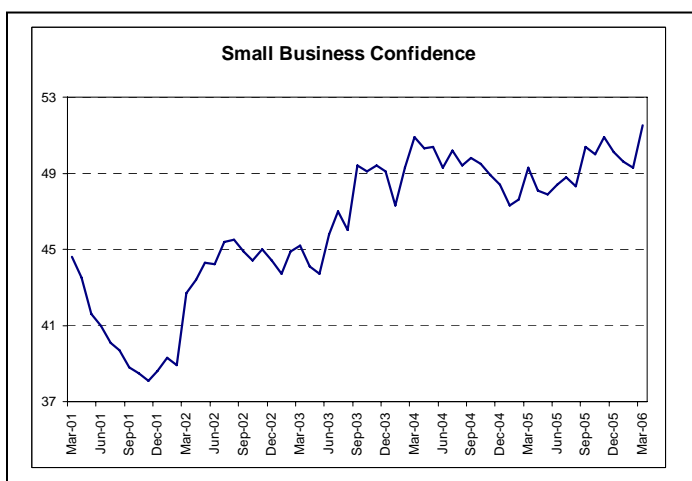
The Tankan Large Manufacturer's Index decreased from 21 to 20 in Q1. Large Non-manufacturer's Business Conditions increased from 17 to 18. Medium manufacturer's conditions improved from 9 to 12. Small Manufacturer's Business Conditions remained unchanged at 7, and Small Non-Manufacturer's Business Conditions declined from -7 to -9. Large Firms FY05 Capex increased 2.5% Y/Y, ahead of expectations for a 1.6% Y/Y improvement. Small firms FY05 Capex declined 16.1% Y/Y, which was more than the -12.5% the market expected.

Higher material prices seemed to dampen the sentiment among the raw material industry while non-manufacturers saw improvements with better consumer spending. On the whole, the report is in line with continued economic expansion even though some of the data was softer than expected.

Small Business Confidence, Vehicle Sales & Production

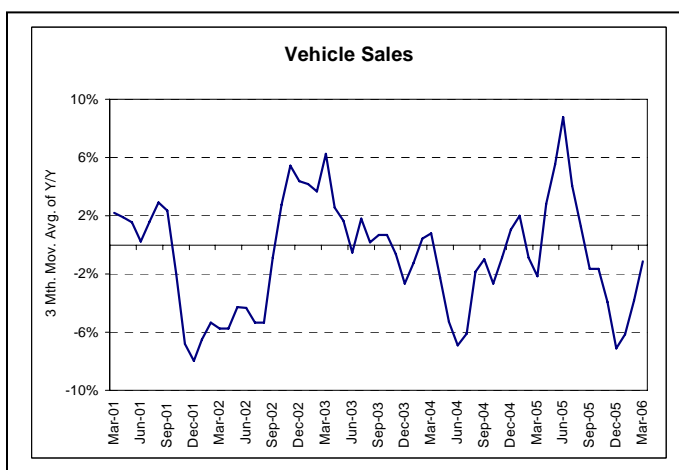
Small Business Confidence

Small Business Confidence increased from 49.3 in February to 51.5 in March as the wood products, printing, and transportation industries improved. The increase has also brought the series to a new 15 year high in March.



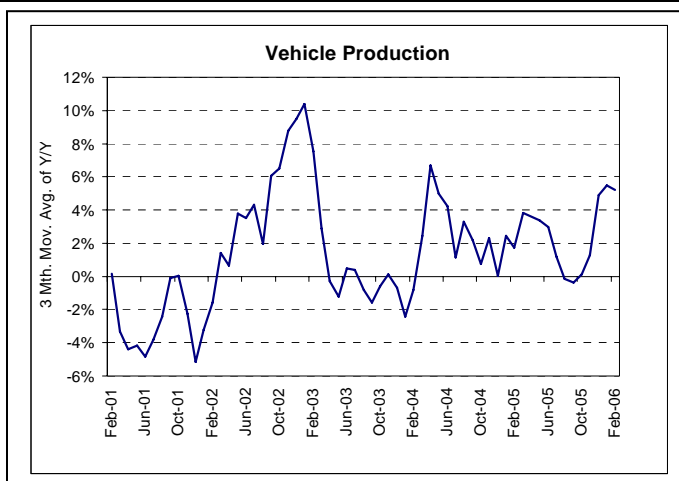
Vehicle Sales

Vehicle Sales declined 1.7% Y/Y in March.



Vehicle Production

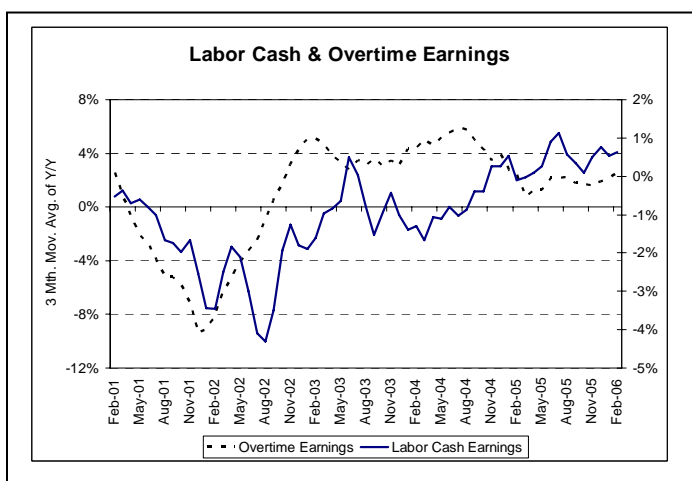
Vehicle Production increased 3.0% Y/Y in February.



Housing Starts & Construction Orders

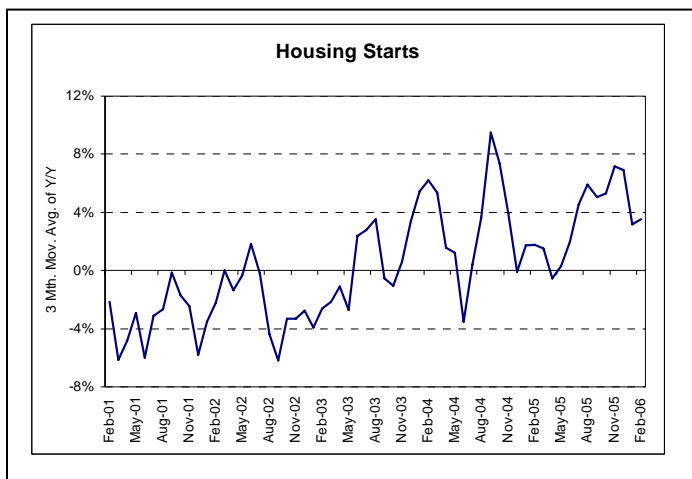
Labor Cash Earnings

Labor Cash Earnings improved 0.4% Y/Y in January while Overtime Earnings improved 2.4% Y/Y in February. Winter Bonuses in 2005/2006 increased 1% after increasing 2.2% in 2004/2005, the first back to back gain since 1996.



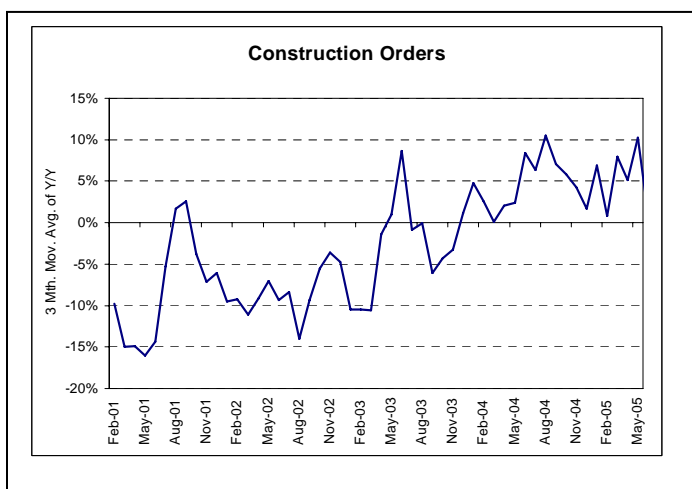
Housing Starts

Housing Starts in Japan increased 6.0% M/M and 13.7% Y/Y in January, better than the 4.0% Y/Y increase the market expected. On an annualized basis, Housing Starts increased from 1.256 mln to 1.334 mln. The number of houses for sale increased 18.7% M/M.



Construction Orders

Construction Orders increased 27.4% Y/Y in February as solid Private and Manufacturing demand kept the series on an upward trend.



News

News

Mar 30th – According to the Nikkei, Japanese firms are increasing their investments into domestic production after a period of shifting production bases to China and elsewhere to cut costs.

Mar 31st – According to estimates by the Cabinet Office, the potential growth rate of the Japanese economy increased 0.1pctg pts from 1.2% to 1.3% for 2005, reaching its highest level since 1995's 1.5%. The increase was due to an increase in capital investments, which lifted the potential growth rate by 0.5 points and productivity, which increased the figure by 1.1 pts, while labor brought the figure down by 0.3 pts.

Mar 31st – Economy Minister Yosano commented on Friday that, “We can’t rely on one or two data in determining whether Japan has escaped deflation....that should be determined by looking at both the CPI and the overall economy.” In addition, he felt that the government should also listen to the opinions of “experts.”

Mar 31st – Finance Minister Tanigaki commented that it was too soon for the BoJ to end its ZIRP, stating that, “The BoJ has just ended its quantitative easing policy. So it is too early to debate the end of a zero rate policy.”

April 3rd – BoJ Gov. Fukui commented that the BoJ’s Tankan survey showed business sentiment remains “extremely firm.” He also commented that corporate reactions were calm and were not “bubbling over”, a sign to him that the recovery is a sustainable one.

April 4th – BoJ Gov. Fukui commented that, “The Japanese economy is transforming from an economy with continuous signs of stagnation to one that grows dynamically.” He also added that “Japanese firms are poised to engage in their operations more actively.”

April 5th – According to an article in the Nikkei, more part time employees are moving to full time as the labor market tightens. They noted that the trend was particularly noticeable in the retail and financial sectors, and is expected to become more widespread as labor shortages deepen and as baby boomers retire en masse.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/06	Leading Economic Index (Feb)	80.0%	81.8%
04/06	Coincident Index (Feb)	55.6%	95.0%
04/06	Machine Tool Orders (Mar Y/Y)	N/A	5.6%
04/09	BoJ Monetary Policy Meeting	N/A	N/A
04/10	Machine Orders (Feb M/M)	N/A	-6.2%
04/10	Machine Orders (Feb Y/Y)	N/A	9.8%
04/10	Eco Watchers Survey: Current (Mar)	N/A	53.5
04/11	Bank Lending (Mar Y/Y)	N/A	0.2%
04/11	Adj. Current Account Total (Feb)	N/A	¥1403.5 Bln
04/11	BoP Trade Balance (Feb)	N/A	-¥209.4 Bln
04/12	Condominium Sales (Mar Y/Y)	N/A	-16.7%

Valance Co., Inc.

Valance Economic Report: United Kingdom

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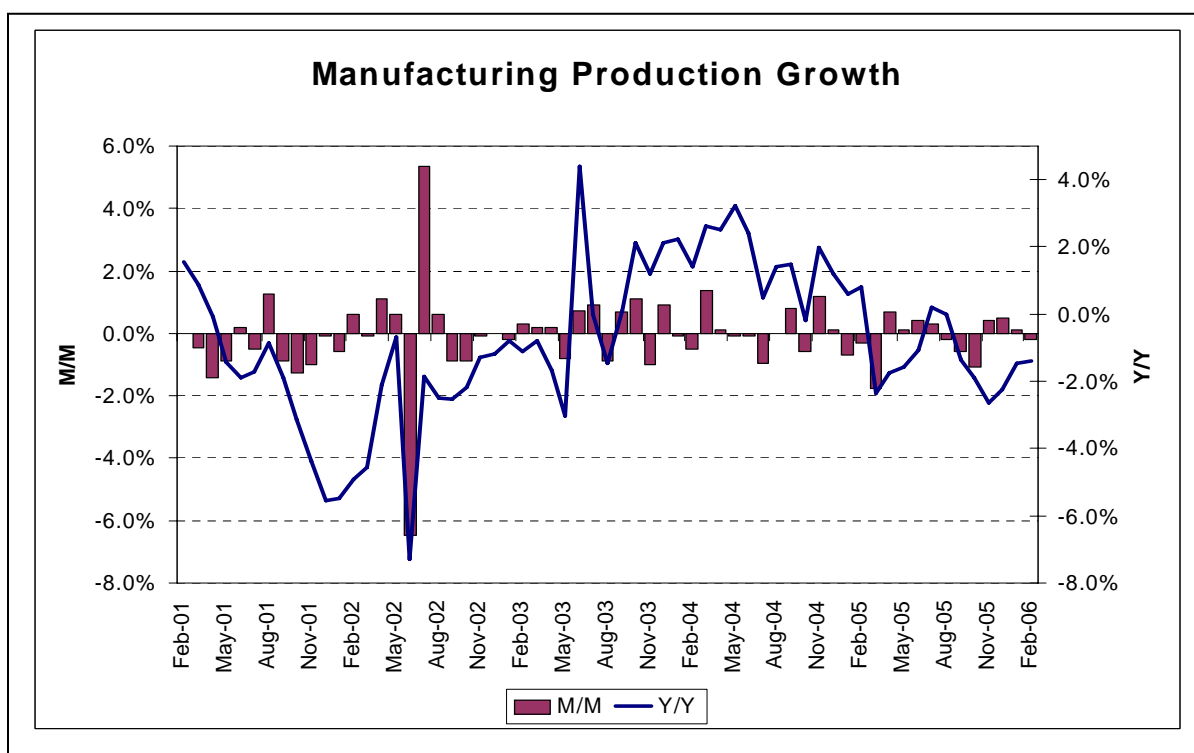
April 5, 2006

Manufacturing output surprisingly decreased 0.2% M/M and decreased 1.4% Y/Y in February. This data was also confirmed by the Manufacturing PMI.

Weekly Highlights

Manufacturing Production- decreased 0.2% M/M and 1.4% Y/Y in February, the first M/M decline in four months. (page 27)

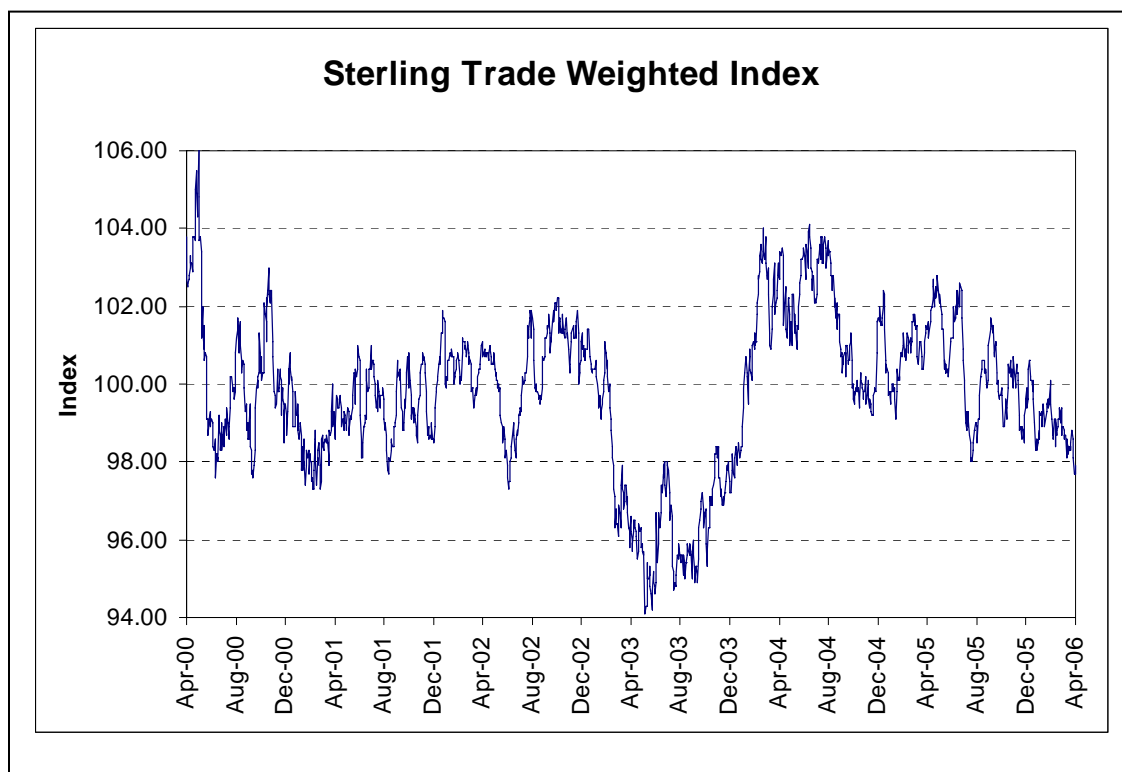
CIPS Manufacturing PMI- decreased from 51.5 to 50.8 in March. (page 30)

Weekly Releases & News**Chart of the Week: Manufacturing Production Growth**

Manufacturing Production fell 0.2% M/M and 1.4% Y/Y in February, the first M/M decline in four months. Eight of the thirteen subcomponents decreased, led by chemicals and man-made fibers decreasing 1.8% M/M, and metal products decreasing 0.7% M/M. The ONS explained that the large M/M decrease was due to a large decrease in pharmaceutical production from near-record levels.

Financial Balances & Trade Weighted Index

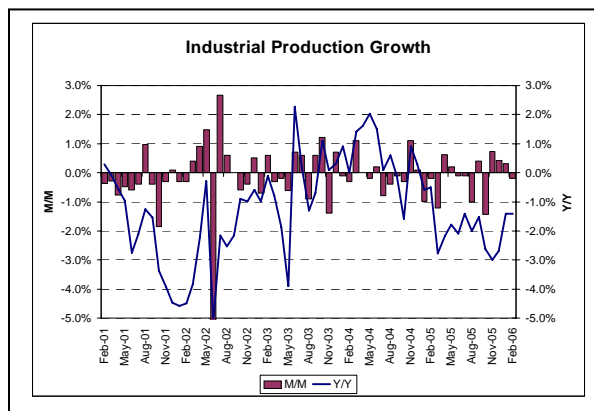
<i>U.K.</i>	<i>Last Period (blns)</i>	<i>Last 12mth. % of GDP</i>
Budget Balance (monthly)	-£2.3 (Feb)	+0.8%
Trade Balance (monthly)	-£3.8 (Jan)	-1.3%
Curr. Acct. Balance (quarterly)	-£10.9 (March)	-3.9%
Private Balance	--	-4.6%



Industrial Production, Consumer Confidence & Mortgage Equity Withdrawal

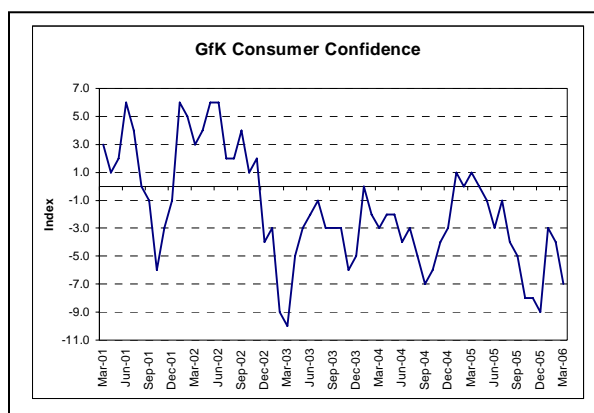
Industrial Production

Industrial Production, which excludes mining and quarrying, decreased 0.3% M/M and decreased 1.5% Y/Y in February.



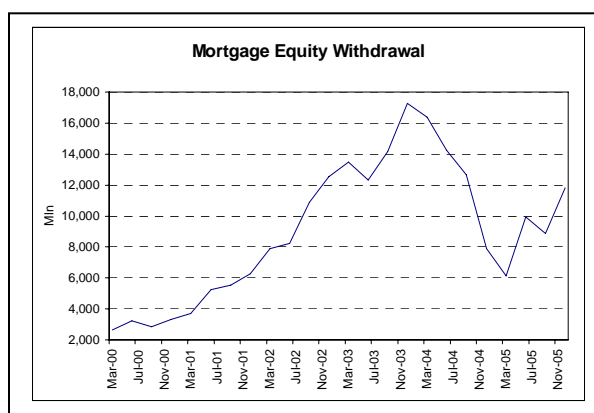
GfK Consumer Confidence

GfK Consumer Confidence decreased from -4 to -7 in March, a three month low. Sentiment about the economic situation in the next 12 months decreased from -14 to -20, the lowest since December. Confidence about personal finances in the past 12 months decreased from -1 to -4.



Mortgage Equity Withdrawal

Mortgage Equity Withdrawal increased from £8.8 bln in Q3 to £11.8 bln in Q4, the largest amount in five quarters.



Data

Data

PMI Manufacturing

CIPS Manufacturing PMI decreased from +51.5 to +50.8 in March. Four of the nine subcomponents decreased with the index mainly affected by Output which decreased from +54.0 to +51.6. Input Prices decreased from +65.7 to +64.5 as Output Prices increased from +54.1 to +55.1.

PMI Services

CIPS Services PMI decreased from +58.9 to +57.4 in March. New Business decreased from +58.2 to +57.2 as Outstanding Business decreased from +51.8 to +51.4. Business Expectations decreased from +74.3 to +72.9.

PMI Construction

CIPS Construction PMI increased from +51.9 to +54.7 in March. Housing Activity increased from +52.9 to +59.6. New Orders increased from +54.6 to +56.5. Future Business Activity decreased from +78.5 to +75.7. Employment increased from +53.4 to +55.5.

BRC Shop Price Index

The BRC Shop Price Index decreased 0.4% M/M and decreased 1.2% Y/Y in March. Non-food items decreased 0.3% M/M and food prices decreased 0.5% M/M, the first decline in food prices this year.

News

News

April 5th – Brown denies conflict over pension reform

Gordon Brown denied major conflict with Prime Minister Tony Blair over pension's reform and said he agreed with most of the proposals put forward by Lord Adair Turner's Pensions Commission. "We are 90 to 95 percent there in building consensus." He said he had no objection in principle to restoring the link between pensions and average earnings broken by Margaret Thatcher two decades ago. "There is [a] consensus about the importance of private savings, about auto-enrollment, about the need to help small businesses." "The issue is the £8bn cost," he added. –Financial Times

April 3rd - UK's financial service firms' profit growth dropped sharply

The country's financial service firms' profit growth dropped sharply in the first three months of 2006, but companies were at their most optimistic in nearly a decade about the business outlook. The Confederation of British Industry and a Price Waterhouse Coopers survey showed profit growth in the first quarter of 2006 slowed to less than half the rate seen in Q4 2005, as operating costs spiked and business volumes waned. The balance of firms reporting an increase in profitability fell to +18 in the first quarter of this year from a nine-year high of +41 in the December survey. However, the latest survey showed firms were their most upbeat in nine years about business volumes in the next three months, with a balance of +58 against +24 in the last survey. While corporate activity eased in the last three months, business from private investors rose at its fastest rate in six years, assisted by a pick up in demand for home loans. –Reuters

Upcoming Dates

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/06	HBOS House Prices	--	1.4% M/M 5.5% Y/Y
04/06	MPC Announces Rates	4.50%	4.50%
04/10	Input Producer Prices	--	0.0% M/M 15.0% Y/Y
04/10	Output Producer Prices	--	0.3% M/M 2.9% Y/Y
04/10	ODPM House Prices	--	4.3% Y/Y
04/10	BRC Retail Sales Monitor	--	--
04/11	Trade Balance	--	-£3.7 bln
04/12	Claimant Count Rate	--	2.9%
04/12	ILO Unemployment Rate	--	5.0%
04/12	Average Earnings	--	3.5% 3M/3M 3.8% Y/Y

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Valance Economic Report: Canada

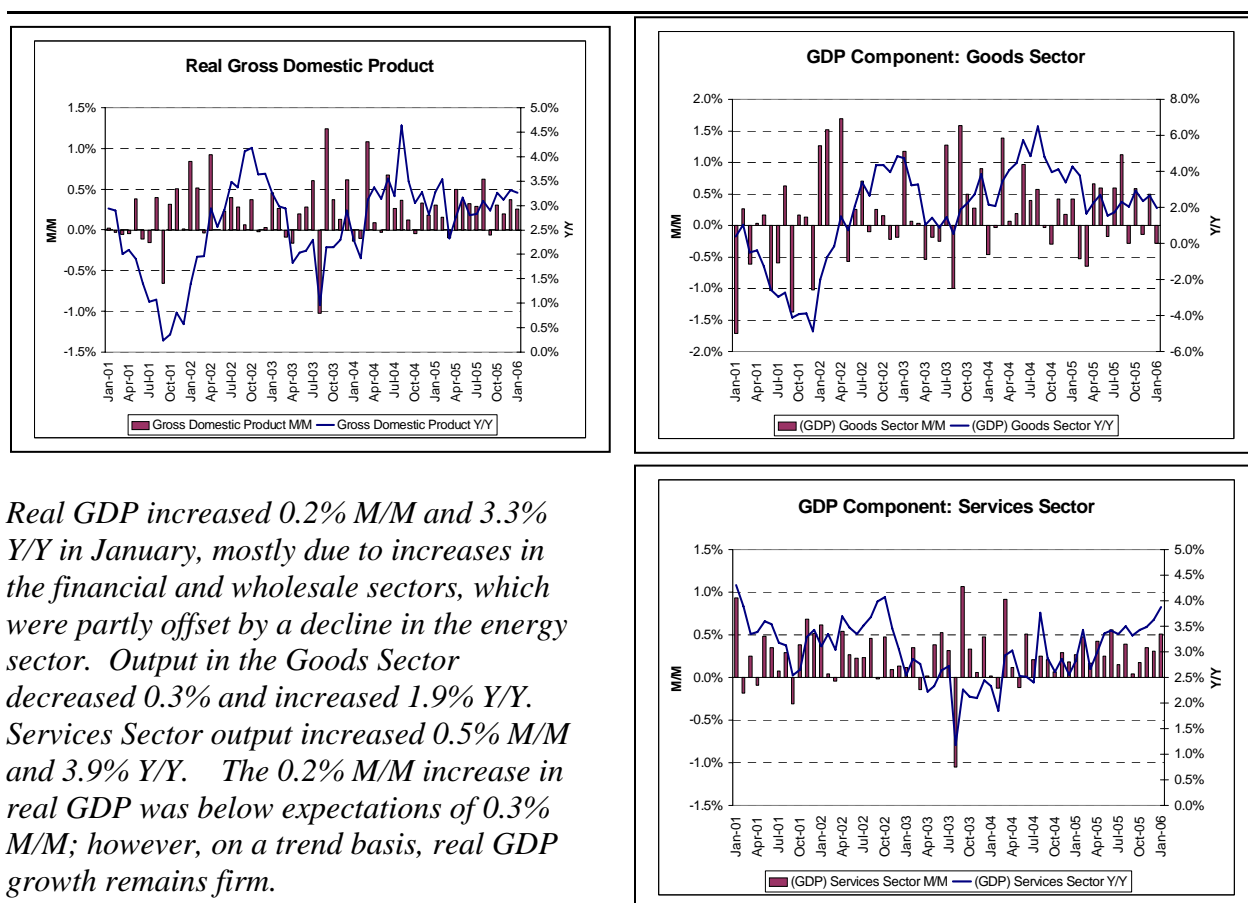
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April 5, 2006

Real GDP, the only economic data released this week, increased 0.2% M/M. Bank of Canada's Deputy Governor Pierre Duguay reiterated that interest rates may need to increase to control inflation.

Weekly Releases & News

Charts of the Week: *Real GDP*



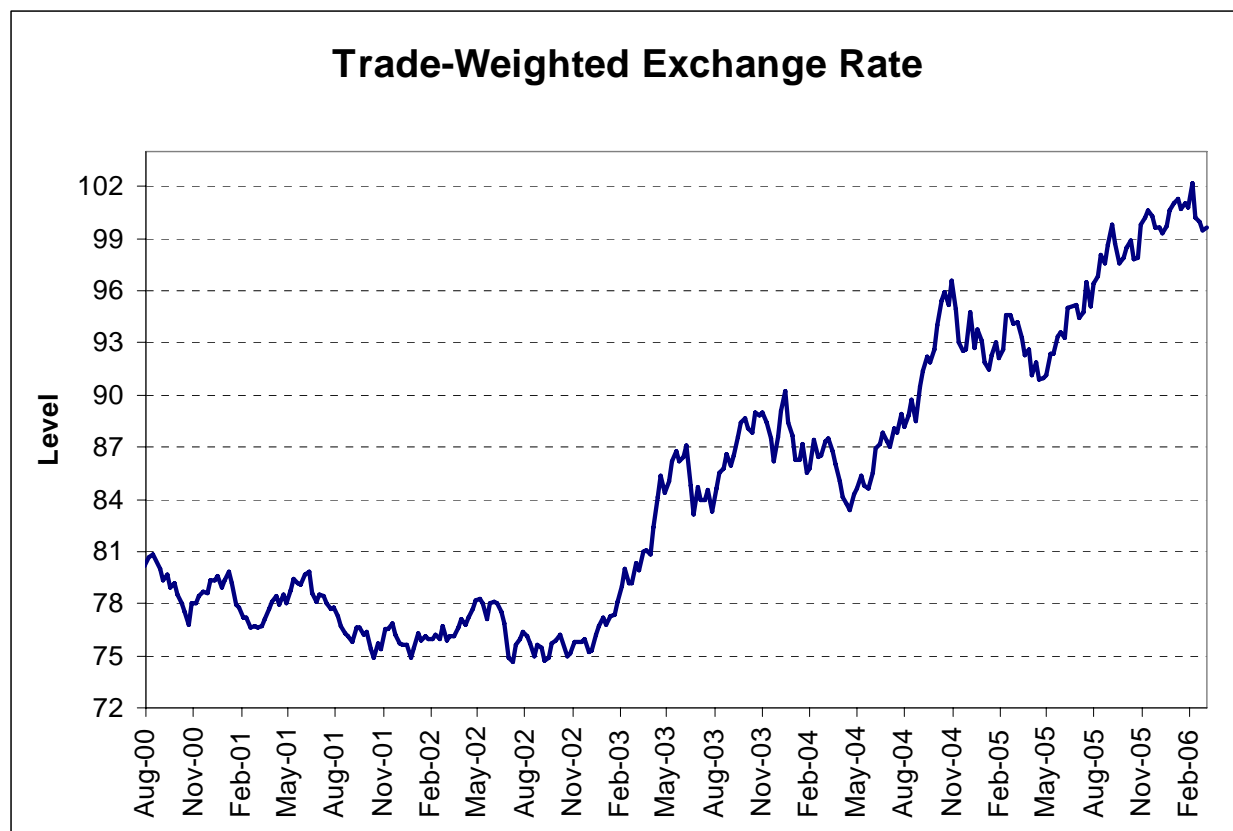
Real GDP increased 0.2% M/M and 3.3% Y/Y in January, mostly due to increases in the financial and wholesale sectors, which were partly offset by a decline in the energy sector. Output in the Goods Sector decreased 0.3% and increased 1.9% Y/Y. Services Sector output increased 0.5% M/M and 3.9% Y/Y. The 0.2% M/M increase in real GDP was below expectations of 0.3% M/M; however, on a trend basis, real GDP growth remains firm.

Financial Balances & Trade Weighted Exchange Rate

Financial Balances

<i>Canada</i>	<i>Latest period (C\$bln)</i>	<i>Last 12mth. as % of GDP</i>
Budget Balance	1.6 (Jan)	0.4%
Trade Balance	6.3 (Jan)	4.8%
Current Account Balance	13.3 (Q4)	2.2%
Private Balance	--	1.8%

Trade-Weighted Exchange Rate



News & Upcoming Dates

News

Comments from BoC Deputy Governor, Pierre Duguay – The Bank of Canada’s Deputy Governor, Pierre Duguay, reiterated that interest rates may need to increase to control inflation. “Some modest further increase in the policy interest rate may be required to keep aggregate supply and demand in balance and inflation on target over the medium term,” Duguay stated in a speech yesterday in Kelowna, British Columbia. The Bank of Canada has raised interest rates at its last five consecutive meetings and is expected to hike once more at its next meeting on April 25th.

Comments from BoC Governor, David Dodge - Bank of Canada’s Governor, David Dodge, commented that the increase in Canada’s currency reflects higher global commodity prices. “The signal here is that we’ve had a big rise in commodity prices, and we ought to be shifting resources from other sectors of the economy to the commodity-producing sector, because that’s where value is being added,” Dodge stated. “The rise of the Canadian dollar relative to the U.S. dollar is part of that process.” He further commented that the “price of the dollar is like the price of any other commodity or any other good or service.” “It’s just a signal to what should happen in the economy.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/06	Building Permits (M/M) (FEB)	0.2%	-19.3%
04/06	Ivey Purchasing Managers Index (MAR)	62.0	59.5
04/07	Unemployment Rate (MAR)	6.4%	6.4%
04/07	Net Change in Employment (MAR)	21.K	24.7K
04/10	Housing Starts (MAR)	21.0K	24.7K
04/11	New Housing Price Index (M/M) (FEB)	0.5%	0.9%
04/12	Int’l Merchandise Trade (FEB)	C\$6.2	C\$6.3

Valance Co., Inc.

Valance Economic Report: Australia

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April 5, 2006

The Trade Deficit data showed a reversal following the distortion of January's figure after the cyclone activity in Western Australia undermined mining exports. Retail Sales remained strong and housing showed sign of rebounding. As expected, the RBA kept its Target Rate unchanged, however the sentiment on rate move timing has changed.

Weekly Highlights

Trade Deficit - narrowed from A\$2.5bln in January to A\$595mln in February. (page 36)

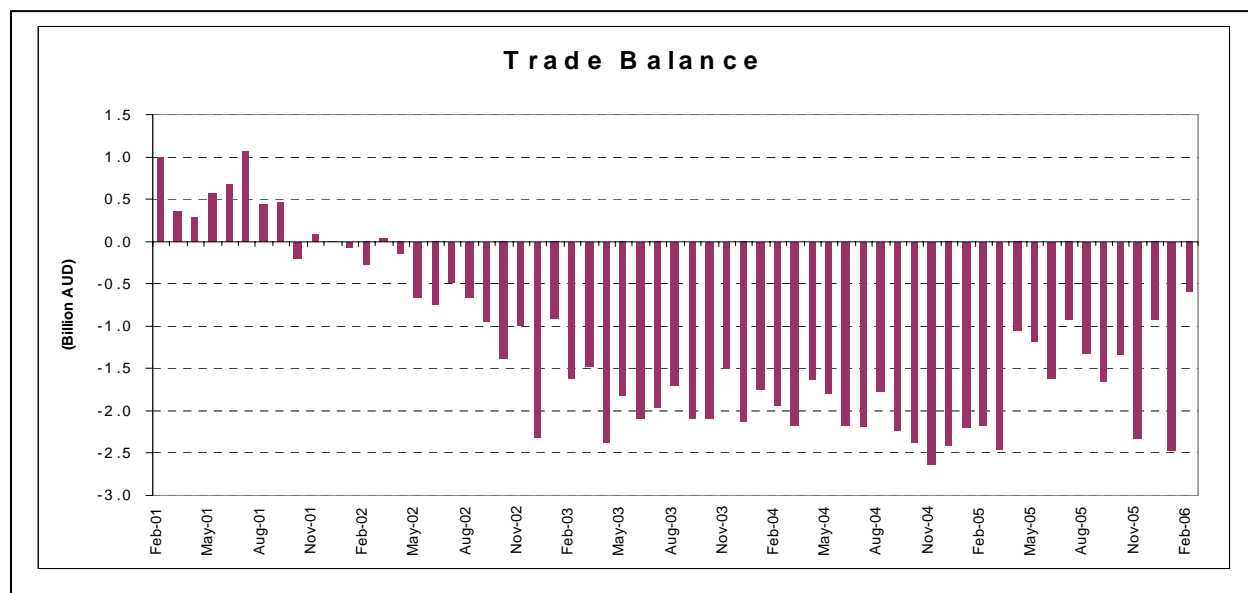
Retail Sales – rose 0.7% in February. (page 37)

Building Approvals– rose 1.3% M/M and fell 6.3% Y/Y in February. (page 37)

ANZ Job Advertisements – rose 2.0% M/M and fell 4.7% Y/Y in February. (page 38)

Weekly Releases & News

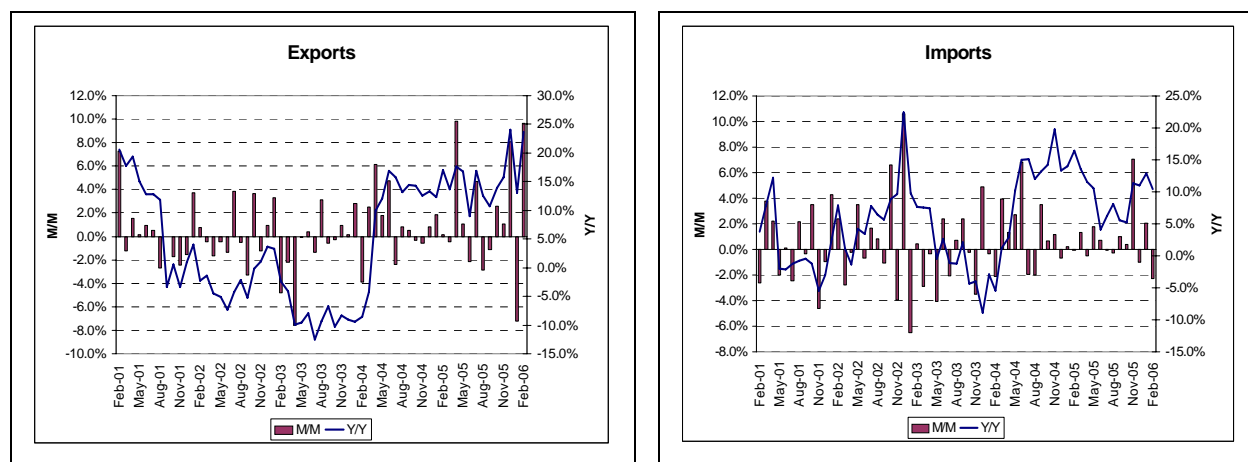
Chart of the Week: *Trade Deficit*



The trade gap narrowed to A\$ 595mln in February from a revised A\$2.5bln in January (previously 2.7bln). Imports fell 2.3% M/M and rose 9.7% Y/Y in February. Exports rose 9.6% M/M and 23.7% Y/Y in February. This quick turnaround was in part due to Iron ore and energy shipments, which bounced back quickly in February after shipments were delayed the prior month because of the cyclones. A narrower trade deficit may give the Aussie dollar some upward momentum.

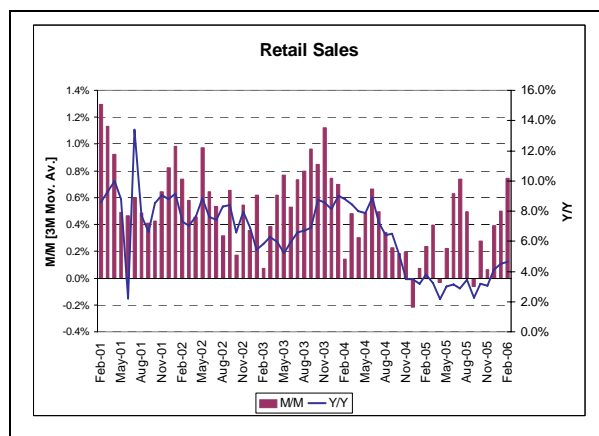
Exports, Imports, Retail Sales & Building Approvals

Exports & Imports



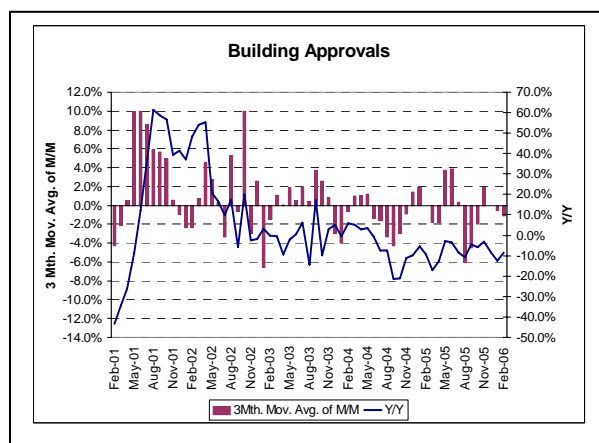
Retail Sales

Retail Sales in February jumped 0.7% from January, when they gained a revised 0.9% (previously 0.8%). This is a significant improvement after soft consumer spending for the most part of 2005.



Building Approvals

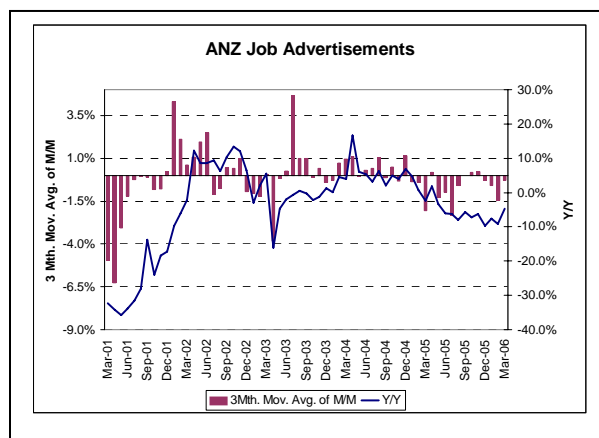
Home-building approvals gained 2.2% M/M and fell 6.3% Y/Y in February. Among other signs of an improvement in the housing market, sales of newly built homes and apartments jumped 7.6% in February.



ANZ Job Advertisements, RBA Cash Target & News

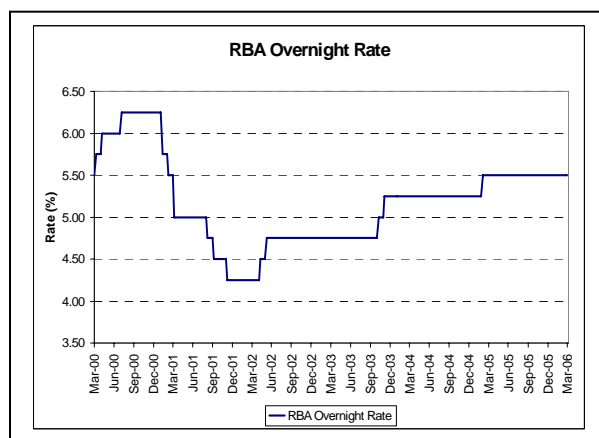
ANZ Job Advertisements

The number of jobs advertised in Australian newspapers rose 2.0% M/M, and declined 4.7% Y/Y in February.



RBA Cash Target Rate

As expected, the RBA kept its overnight cash rate target at 5.5% as forecast by all 22 economists surveyed by Bloomberg News. The RBA last raised rates in March 2005. The RBA doesn't release a statement when the target rate remains unchanged. Recent retail sales data has some analysts projecting a rate hike in May or June.



News

Australian Trade Minister Mark Vaile commented on record exports (04/03/2006):

“Australia recorded its highest monthly export figure on record in February and the lowest trade deficit since July 2002. Exports are on track to achieve record highs in the 2005-06 financial year.”

News Cont. & Upcoming Dates

Australian Treasurer Peter Costello commented on the economy (03/30/2006):

- “I think the domestic economy is a little less strong than it was two or three years ago, but it's still got some momentum behind it. We would like to see the composition of growth move increasingly to investment and exports. I think that is occurring.”

Australia's Costello Says Economy May Be Picking Up (04/04/2006):

- “An increase in petrol prices was bad for consumers, business and the economy. Still, I think Australia could prevent a second-round effect on inflation.”
- “I remain confident that if we continue being vigilant we can restrain inflation to our target.” (When asked about petrol prices)
- “The best we can do is try to prevent second-round effects, try to prevent those prices getting into the economy generally. To date, we've been successful in doing that.”

On Currency:

- “The recent adjustment in the Australian dollar has undoubtedly helped exporters. Exporters have had a pretty high exchange rate for some time and they won't be at all sorry to have seen recent developments, but there are movements both ways.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/05	Unemployment Rate (MAR)	5.2%	5.2%
04/06	Home Loans (FEB)	0.5%	0.0%
04/06	Investment Landing (FEB)	---	-1.3%
04/11	Westpac Consumer Confidence (APR)	---	110.7

Valance Co., Inc.

Valance Economic Report: New Zealand

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April 5, 2006

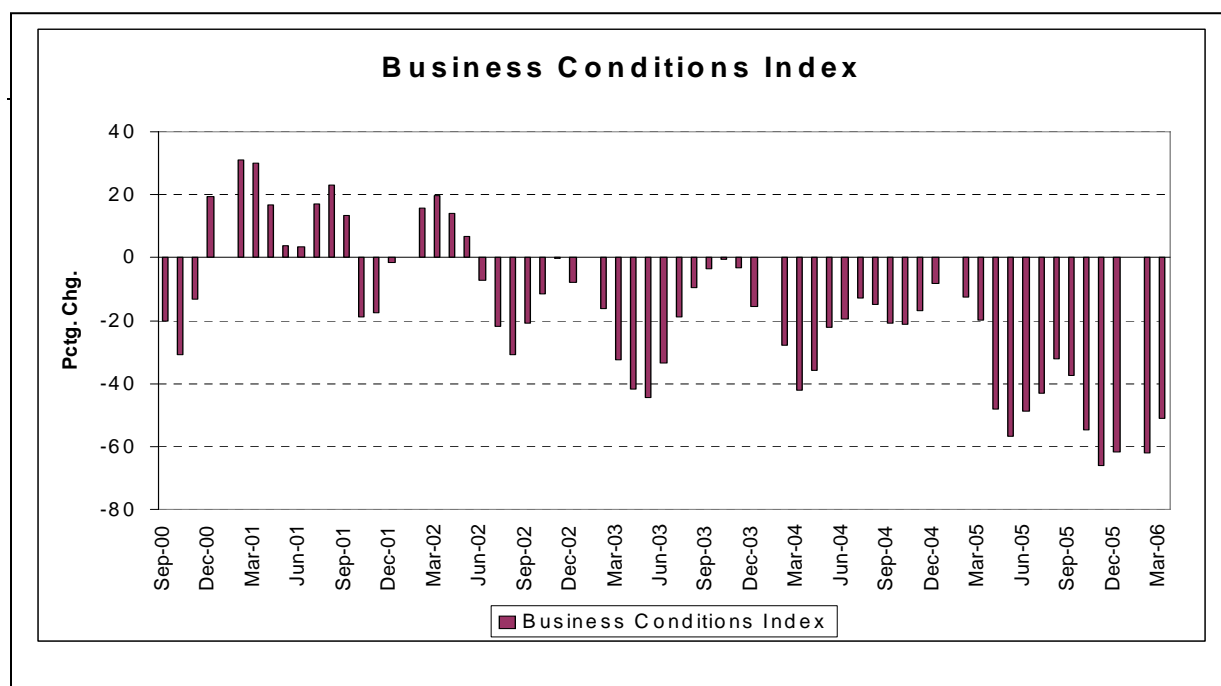
Indicators continue to point to soft activity in Q1, increasing the risk of a technical recession, though business confidence indicated decreased pessimism among businesses. A 22mth low for the NZ\$ against US\$ should help exporters in coming months.

Weekly Highlights

NBNZ Business Confidence – rose to a five-month high in March. (page 40)

ANZ Commodity Prices - dropped 1.4% in March. (page 41)

Chart of the Week: *Business Confidence*



New Zealand Business Confidence rose to a five-month high in March on expectations the RBNZ may cut interest rates. When asked about the broader economy, 59% of the companies surveyed by National Bank said it will get worse and 8% saw a possible improvement. The 51% gap in March compared with 62% in February. Companies in the agriculture industry are the most pessimistic on future profitability.

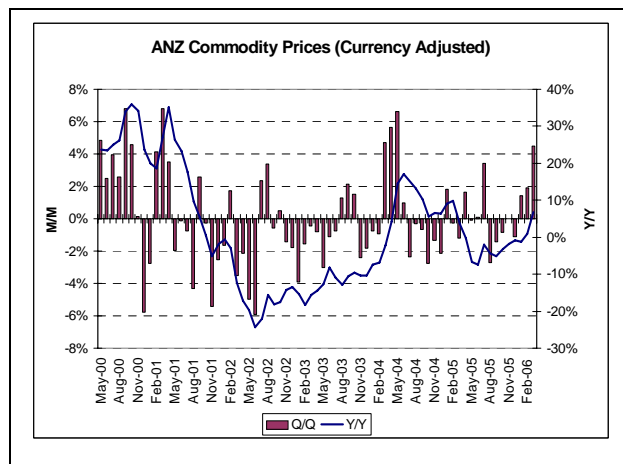
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ANZ Commodity Prices, Exchange Rate

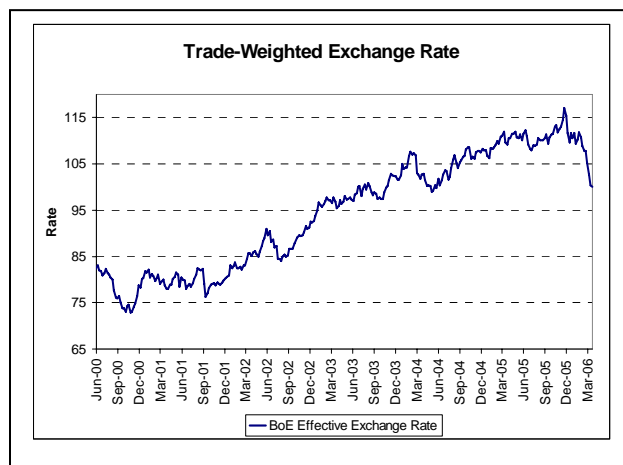
ANZ Commodity Prices

New Zealand's Commodity Export Price Index fell for the 10th straight month in March on M/M basis, the longest slide in seven years, led by lamb, beef, butter and aluminum. The index of prices dropped 1.4% in March from February when it declined 0.5%. From a year earlier, the index fell 6.3%. An 8.9% decline in the value of the New Zealand currency against the euro and a 6.7% drop against the British pound means that commodity prices rose 4.5% M/M and 6.7% Y/Y in local currency terms.



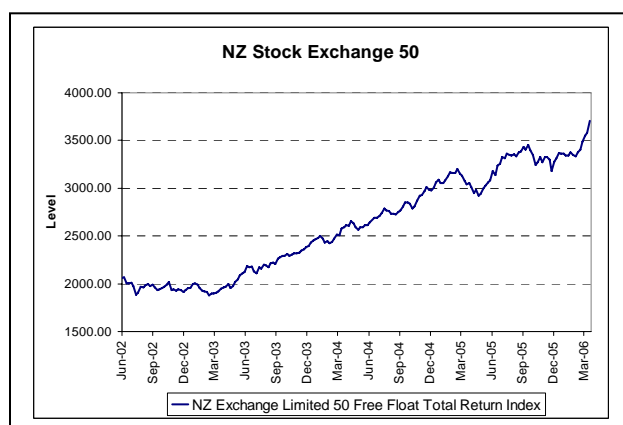
Trade-Weighted Exchange Rate

The New Zealand dollar's decline to a 22-month low of 59.53 cents on March 28th may start to boost the incomes of farmers and exporters later this year. More than 29% of those surveyed expect exports to improve this year while 15% forecast a decline.



The NZX-50 gross index

The New Zealand share market continued its record-breaking run this week with the index of top stocks jumping almost one per cent. Among the variables driving the market are takeover talks, the drop in the value of the NZ dollar, perceptions that interest rates would come down, and bullish statements from analysts.



News & Upcoming Dates

New Zealand Economy Probably Avoided Recession - NZ Treasury (04/02/2006):

“New Zealand's economy probably expanded in the first quarter, helping the nation avoid a recession.

“Indicators point to soft activity in the quarter. This increases the risk of a technical recession, although we are not forecasting such an event at this stage.

“Growth has slowed earlier and more rapidly than expected with the economy displaying less ongoing momentum. Annual growth rates are expected to slow further, with quarterly growth likely to remain weak.

“Record interest rates and a slowdown in house price inflation means the exuberant mood and behavior of consumers appears to be coming to an end.”

Car registration on the rise again (04/03/2006):

New Zealand New Car Registrations rose 7.8% in March from a year earlier, which should be helpful to a stronger Retail Sales number that was unchanged in January.

New Zealand Reviews Immigrations Laws to Lure Skilled Migrants (04/04/2006):

Immigration Minister David Cunliffe said that New Zealand is reviewing immigration laws and policy to smooth the entry of skilled migrants and others who will buoy the economy, while tightening laws against those the nation doesn't want. The review envisages a simpler visa system to enter and stay in New Zealand and wider powers for officials to confirm identities of applicants by using photographs or DNA analysis.

Key Dates Following Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/12	ANZ-Business NZ PMI (MAR)	---	51.2
04/12	Retail Sales (FEB)	---	0.0%

Weekly Economic Report: *China*

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April 5, 2006

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The light economic releases over the past week showed an increase in the Manufacturing PMI and a marginal decrease in the Business Climax Index.

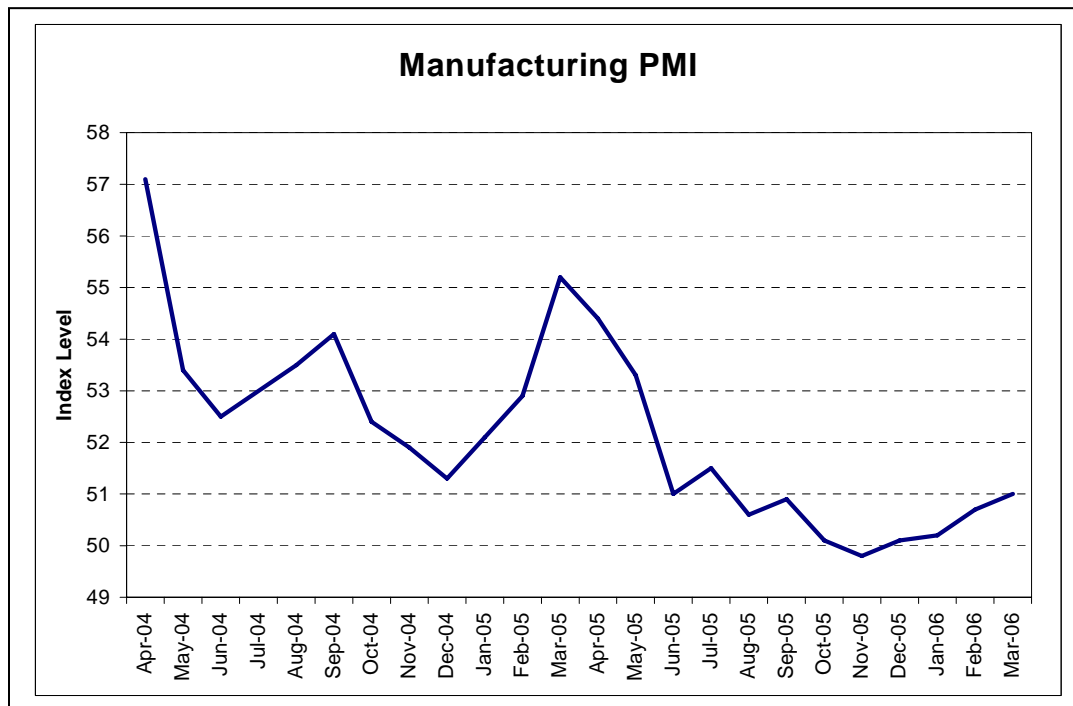
Weekly Highlights

Manufacturing PMI - increased from 50.7 in February to 51.0 in March. (page 43)

Business Climate Index - decreased marginally from 131.7 in Q4 to 131.5 in Q1. (page 44)

Weekly Releases & News

Chart of the Week: *Manufacturing PMI*



The Manufacturing PMI increased from 50.7 in February to 51.0 in March. The index increased in nine of the eleven components: output, new orders, new export orders, backlog of work, finished goods, output prices, input prices, quantity of purchases and stocks of purchases. Input Prices increased the most (1.9%) followed by Output Prices (0.6%). The index is at its highest level in eight months.

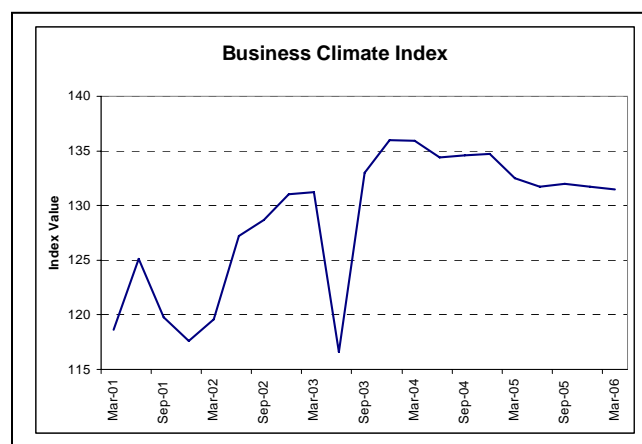
PMI Survey Results, Business Climate Index & News Releases

PMI Survey Results

	Mar 2006	Feb 2006	Jan 2006	Dec 2005	Nov 2005	Oct 2005	Sept 2005	Aug 2005	Jul 2005	Jun 2005	May 2005	Apr 2005	Mar 2005
Seasonally Adjusted Index													
PMI	51.0	50.7	50.2	50.1	49.8	50.1	50.9	50.6	51.5	51.0	53.3	54.4	55.2
Output	51.7	51.3	50.2	50.3	49.9	50.2	51.8	51.4	53.2	51.3	55.4	56.1	56.6
New orders	52.0	51.7	51.0	51.9	50.9	51.0	52.6	52.2	52.5	51.6	55.1	58.0	59.4
New export orders	52.9	52.6	50.8	52.7	51.9	51.1	52.3	52.5	51.6	51.1	55.6	57.1	58.6
Backlog of work	50.2	49.8	50.1	52.1	51.4	52.0	54.4	52.5	52.8	53.3	56.5	59.2	61.6
Finished goods	49.1	47.8	48.7	49.2	49.9	49.4	47.3	49.9	50.5	48.9	49.2	47.5	47.8
Employment	49.8	49.9	49.5	49.3	49.5	49.1	49.4	49.1	50.5	50.3	50.6	50.4	51.5
Output prices	49.8	49.2	48.6	46.3	48.6	49.4	49.9	49.2	47.1	47.5	51.0	54.1	56.0
Input prices	53.0	51.1	47.8	44.3	46.8	52.1	56.3	52.1	47.9	46.1	54.4	69.2	71.3
Supplier deliveries	49.4	49.7	50.0	52.4	52.5	50.9	49.7	50.1	50.2	49.5	49.3	48.2	47.3
Quan. of purchases	52.7	52.3	51.5	52.4	52.0	52.7	53.4	53.4	53.7	52.8	54.8	56.9	57.4
Stocks of purchases	48.7	48.2	49.6	49.8	50.3	50.2	47.0	48.3	48.7	51.0	51.7	50.8	50.4

Business Climate Index

The Business Climate Index decreased marginally from 131.7 in Q4 to 131.5 in Q1.



News Releases

April 4th – China Not Pursuing Large Forex Reserves - In response to the recent news about China's forex reserves surpassing Japan's, Central Bank Vice Governor, Wu Xialong, stated that China isn't purposely pursuing large forex reserves and that it comes from the country's concentration on foreign investment, exports and outflow restrictions.

April 4th – PBoC Has No Plans To Raise Interest Rate – Li Chao, PBoC's Spokesperson, stated at a press conference, that the Bank has no intentions of raising the benchmark interest rate. Chao stated, "Whether to adjust the interest rate or not will depend on the overall operation of the economy, and currently there is no such consideration."

News Releases (cont'd.)

April 3rd – State Information Centre Predictions - A State Information Centre (SIC) report published in the China Securities Journal showed that China's economy is forecast to grow 9.3% this year and slow to 8.8% in 2007. The report said, "Currently, some industries face serious overcapacity, and the negative influence of that overcapacity will start to fully show its effects in 2007, so the possibility of a slowdown in growth and entering into a period of adjustment in 2007 is relatively large." The SIC also expects retail sales to grow 12.8% in 2006 and slow to 12.5% next year. CPI is forecast to rise 2.0% this year, the report also showed.

April 3rd – E.U. Sides With China Document Shows – A document obtained by Bloomberg News showed that the European Commission has sided with China agreeing that China should not be pressured by other countries, namely the U.S., to adjust its currency system, but should move at its own pace. The document stated, "China should introduce greater exchange-rate flexibility in a gradual manner." It added, "An abrupt de-pegging of the renminbi, and possibly other Asian currencies, from the dollar could give rise to a sudden reversal of Asian capital flows into the U.S., which might risk an excessive additional downward movement of the dollar against the euro."

March 31st – Retail Sales Expected To Rise 13% This Year – The Xinhua News Agency stated that a Ministry of Commerce report shows that Retail Sales in China may rise 13.0% this year. The increase is expected to come from accelerated growth in rural areas. The report also predicted a 2.0% to 3.0% increase in consumer prices. Retail sales and consumer prices increased 9.4% Y/Y and 0.9% Y/Y, respectively, in February.

March 31st – China's Foreign Debt Slowed - The State Administration of Foreign Exchange reported that China's foreign debt growth slowed from 18.6% in 2004 to 13.6% in 2005 as restrictions were placed on banks to limit the amounts they could borrow overseas.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/06-07	Entrepreneur Confidence Index – Q1	--	125.4
04/10-14	Ttl Export /Import Individual (Y/Y) – Mar	21.9% / 25.7%	22.3% / 29.6%
04/10-14	Trade Surplus in US\$ Billion – Mar	7.12B	2.45B
04/10/-14	Money Supply – M2/ M1 / M0 (Y/Y) – Mar	--	18.80% / 12.40% / 8.00%
04/10-14	Foreign Exchange Reserves – Jan / Feb / Mar	--	818.87B / -- / --
04/10-14	Household Savings – Trin Yuan- Mar	--	15.12T
04/10-14	Actual / Contract FDI Cumulative (Y/Y) – Mar	--	7.79% / --

Valance Economic Report: Sweden

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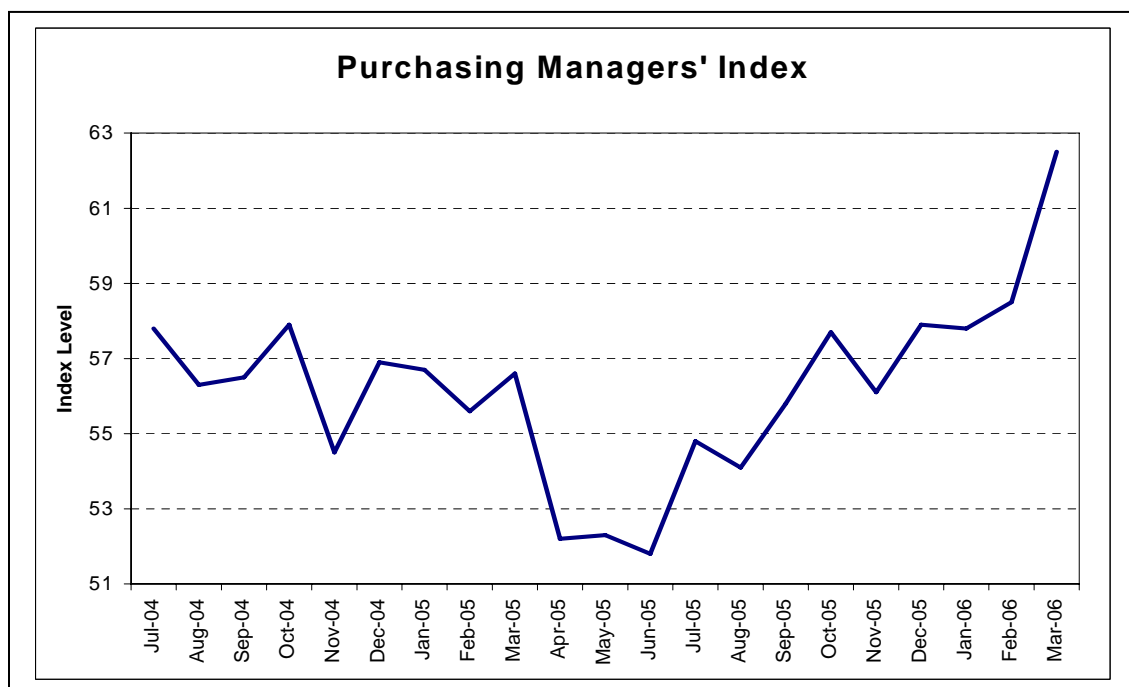
April 5, 2006

This week's light economic data was highlighted by Swedbank's PMI Survey which rose to its highest level since March 2004. Economists now expect the Riksbank will raise rates at the end of April, instead of June.

Weekly Highlights

Weekly Releases & News

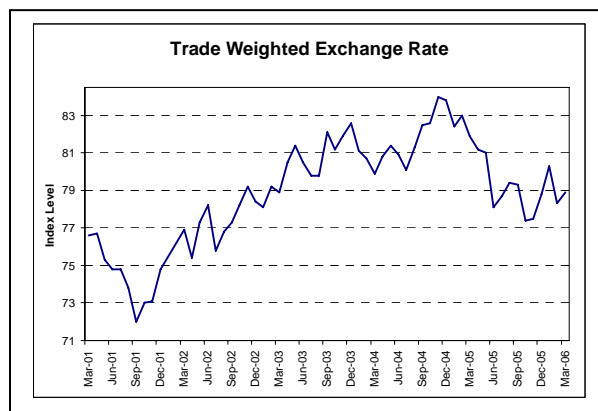
Chart of the Week: Swedbank PMI Survey



Sweden's Purchasing Managers' Index rose from 58.5 in February to 62.5 in March – the highest level since March 2004 – as the orders, production and hiring components all increased. The Employment Index also increased from 54.0 to 55.8 – the highest level since July 2003. Swedbank stated, "The good level of orders for industry is creating conditions for new hiring after several years of lay-offs." Conversely, the Inventories Index fell from 52.4 to 49.9.

Trade Weighted Exchange Rate & News Releases

Trade Weighted Exchange Rate



News Releases

April 4th – Asset Prices Should Be Taken Into Account In Setting Policies – Central Bank Governor, Stefan Ingves, stated in a speech on the Bank’s website that asset prices should be considered when establishing policies. Ingves said, “Large fluctuations in asset prices entail risks that we must take into account, even if the theoretical analysis of the significance of the asset prices has not yet been fully developed.” Chief Bond Strategist, Henrik Mitelman of SEB Merchant Banking, remarked on Ingves’ comments saying, “Ingves and the Riksbank crave flexibility and are trying to explain that it’s hardly a mechanical policy that the bank is pursuing. We know what the Riksbank wants to do – bring rates up in small and not too frequent steps.” Contrary to what other economists have said, Mitelman noted, “We don’t believe in an April rate hike since it will be really difficult for the Riksbank to take such an action without presenting a new inflation trajectory.”

April 3rd – Economists Expect Rate Hike This Month - In an emailed report, Analysts Peter Kaplan and Claes Maahlen of Handelsbanken AB, have predicted that the Riksbank will raise its benchmark rate from 2.0% to 2.25% in April rather than June, as they had forecast earlier. The report stated, “Since the Riksbank’s February meeting, expectations on global monetary policy have shifted toward more rapid rate hikes.” The Analysts added, “ECB hikes are likely to be more pronounced than what was to be expected in February. If the Riksbank doesn’t follow it may push the difference between Sweden’s key rate and the ECB’s benchmark rate to three-quarters of a percentage point.” Economist, Dominic Bryant of BNP Paribas SA, also stated that a rate hike is inevitable at the end of the month: “When the strength of growth, which is becoming increasingly evident, is taken in combination with inflation above the Riksbank’s forecast we believe this will be enough to persuade the Riksbank to deliver a quarter point hike at the end of April.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/07	Budget Balance – Mar	--	29.7B
04/10	Industrial Production s.a. (M/M) / n.s.a. (Y/Y) – Feb	--	1.7% / 5.9%
04/10	Industrial Orders s.a. (M/M) / n.s.a. (Y/Y) – Feb	--	10.4% / 10.6%
04/10	Activity Index Level - Feb	--	114.3
04/11	CPI – Headline Rate (M/M) / (Y/Y) – Mar	--	0.5% / 0.6%
04/11	CPI – Underlying Inflation (M/M) / (Y/Y) – Mar	--	0.4% / 0.8%
04/11	AMS Unemployment Rate – Mar	--	5.2%

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Valance Economic Report: Switzerland

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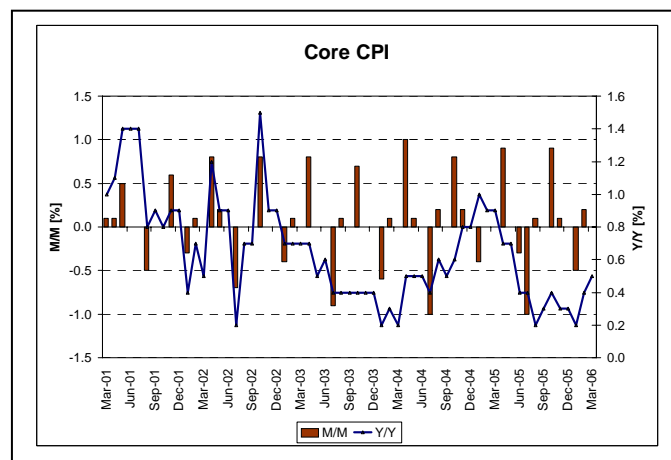
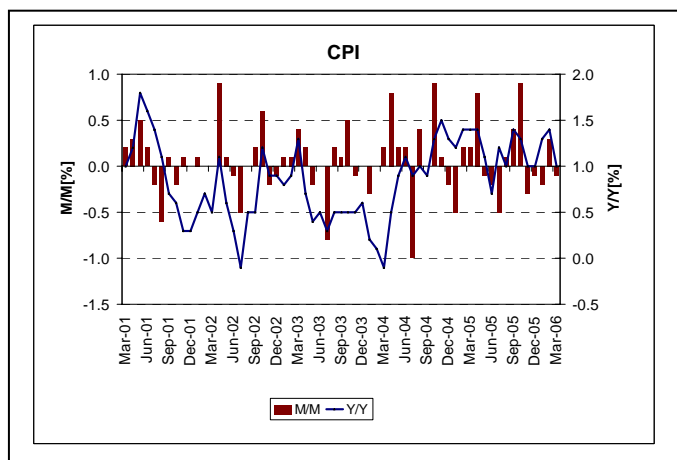
April 5, 2006

Headline inflation in Switzerland fell to its slowest pace in three months in March. Core inflation also declined on an M/M basis. The OECD recommended that Switzerland make “broader and deeper” changes to its economy to maintain its lifestyle.

Weekly Highlights

CPI – fell 0.1% M/M and rose 1.0% Y/Y in March. (page 50)

Core CPI – was unchanged M/M and rose from 0.4% Y/Y to 0.5% Y/Y in March. (page 50)

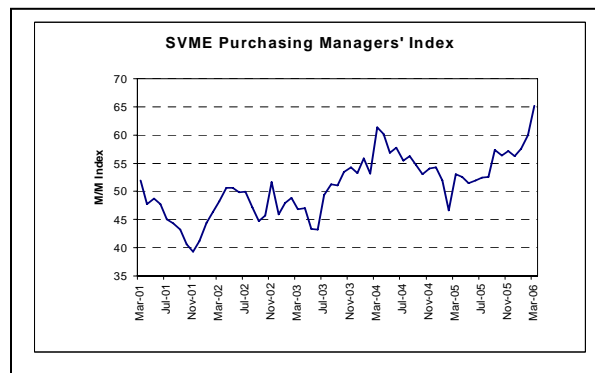
Weekly Releases & News**Chart(s) of the Week: CPI**

Swiss Consumer Prices fell by 0.1% M/M and rose 1.0% Y/Y in March – the slowest yearly pace in three months. The decline was led by a decrease in fuel and fruit prices. Core CPI was unchanged on the month and Y/Y growth rose from 0.4% in February to 0.5% in March.

Purchasing Managers' Index, PMI Results & Trade Weighted Exchange Rate

SVME-Purchasing Managers' Index

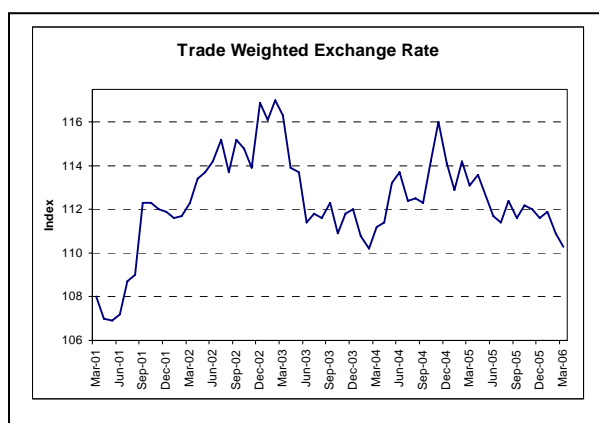
Switzerland's Purchasing Managers' Index rose from 60.0 in February to 65.2 in March – the highest level since May 2000. All components, in the PMI table below, experienced increases. February's reading marked the 13th consecutive month above 50. Expectations were for a reading of 59.5.



PMI Results

	Mar 2006	Feb 2006	Jan 2006	Dec 2005	Nov 2005	Oct 2005	Sep 2005	Aug 2005	Jul 2005	Jun 2005	May 2005
PMI s.a.	65.2	60.0	57.6	56.9	57.8	56.8	57.5	52.5	51.8	51.8	51.0
Output	68.0	63.7	59.1	63.1	62.0	55.0	60.2	54.1	51.2	55.9	52.0
Backlog of Orders	72.4	63.2	60.1	58.3	59.4	63.7	62.7	54.1	53.7	52.7	55.2
Quantity of Purchase	68.0	62.7	58.5	55.7	56.1	58.3	54.9	50.4	54.8	49.2	49.0
Purchase Prices	67.8	65.9	65.7	63.4	62.3	64.9	59.6	57.4	49.8	47.6	46.4
Suppliers Delivery Times	66.1	61.3	57.5	56.3	57.7	57.8	54.7	54.9	58.3	51.8	50.8
Stocks of Purchases	54.3	50.8	46.7	48.4	51.9	46.8	46.7	46.6	49.1	46.3	40.5
Stocks of Finished Goods	50.7	48.7	51.0	41.1	50.1	46.6	45.2	45.6	42.3	46.1	46.3
Employment	55.9	54.1	57.4	51.6	53.1	52.7	54.2	49.2	46.1	48.4	49.0
PMI NSA	66.7	61.3	58.8	51.6	56.2	57.3	59.6	49.4	49.9	54.1	52.3

Trade Weighted Exchanged Rate



News Releases & Upcoming Dates

News Releases

March 31st – OECD Says Switzerland Must Overhaul Its Economy – A report released by the OECD stated that Switzerland should overhaul its economy to maintain its lifestyle. The report stated, “The stable political system and the flexible employment market have made Switzerland one of the richest countries in the world. Without further reforms and opening of markets for more competition, it will be hard to maintain this standard.” The OECD suggested Switzerland make “broader and deeper” changes to its competition policies to support the domestic market and reduce trade barriers to establish a “positive environment” for international trade and investments.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/07	Unemployment Rate / sa – Mar	3.6% / 3.5%	3.8% / 3.5%