

Valance Company, Inc.



Weekly

April 26, 2006

III

Highlights

US – Capex strong & housing sales resilient in March (page 2)

Euroland – Confidence continues to set highs; ECB all but confirms June hike (page 8)

Japan – Tertiary Index declined in February; Trade Surplus increased in March (page 17)

UK – Real GDP surprised to the upside in Q1 2006 (page 23)

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Valance Economic Reports

Valance Co., Inc.

Valance Economic Report: United States

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April 26, 2006

This week's data addressed several key points of the Fed's macroeconomic forecast and suggests hiking past 5% is increasingly likely. Home sales were stronger than expected in March, capital expenditures were quite strong as well, the labor market continues to improve and energy prices are providing upward price pressures.

Weekly Highlights

Durable Goods ex. Transport- increased 2.8% M/M and 9.6% Y/Y in March. (page 2)

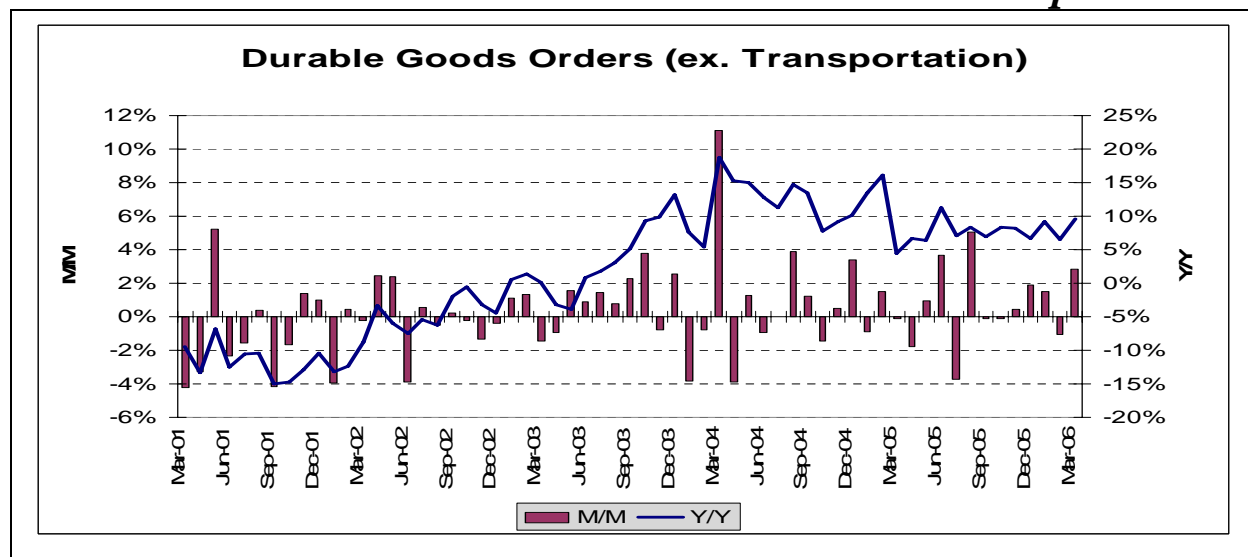
Existing & New Home Sales- volumes remain firm. (page 4)

Mortgage Purchase Applications- down 11.6% Y/Y on a four-week moving average basis. (page 4)

Unemployment Claims- continue to show a strong labor market. (page 5)

Weekly Releases

Chart of the Week: *Durable Goods ex. Transport*



Durable Goods in March, excluding Transportation, grew 2.8% M/M and increased 9.6% Y/Y. Headline Durable Goods Orders increased 6.1% M/M and 17.7% Y/Y. Non-defense capital goods orders, excluding aircraft, increased 3.0% M/M and is up 13.3% Y/Y. The three month annualized of core capital expenditures reached 15.5% and will make a meaningful contribution to Q1 GDP. Although volatile, this data supports the Fed's notions that business investment can help pick up the slack of any consumer slowdown and is likely to keep the Fed on a tightening bias.

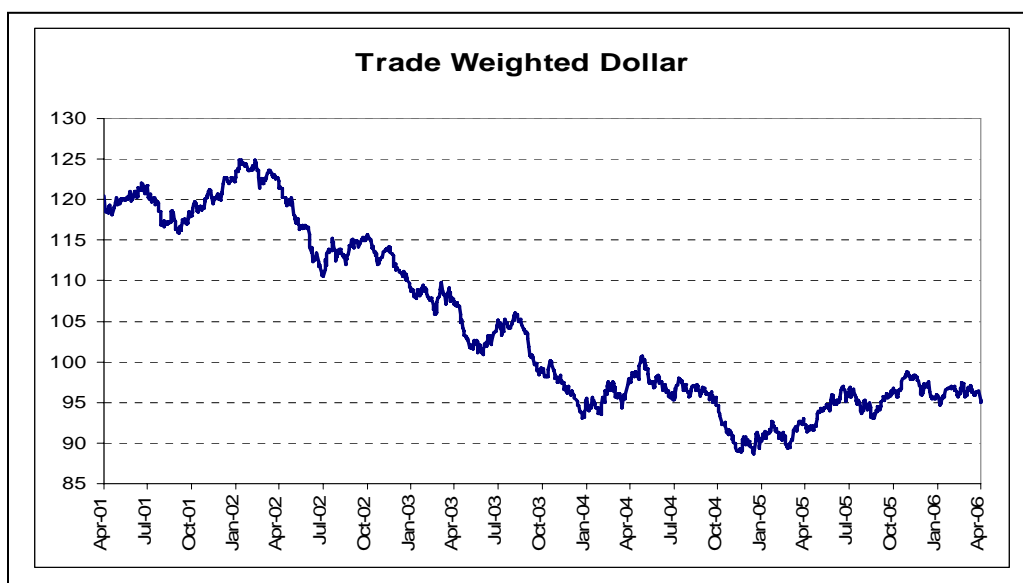
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

<i>U.S.</i>	<i>Latest period (\$blns)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-85.5 (March)	-2.6%
Trade Balance	-65.7 (February)	-5.8%
Current Account Balance	-224.4 (Q4)	-6.3%
Private Balance	--	-3.7%

The budget deficit is currently at \$327 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 February 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.

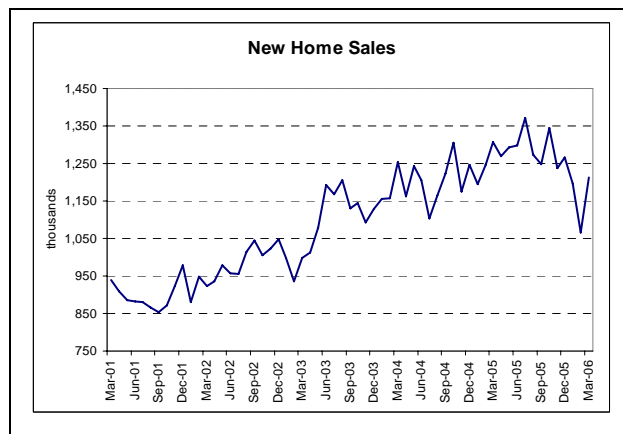
Trade Weighted Dollar



Housing

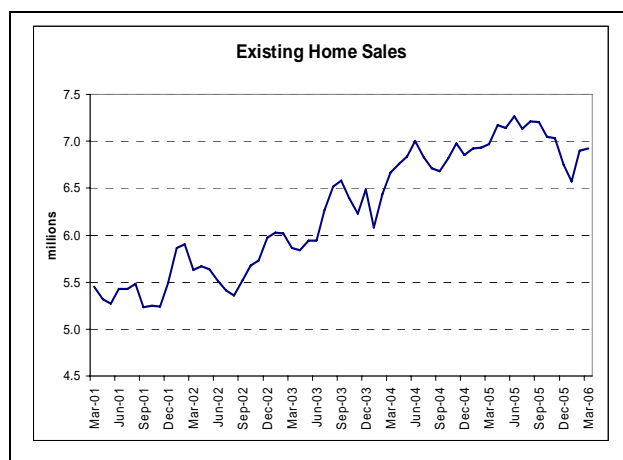
New Home Sales

New Home Sales grew from 1,066k seasonally adjusted annualized units to 1,213k, up 13.8% M/M and down 7.2% Y/Y in March. Prices also fell 6.5% M/M and 2.2% Y/Y. Inventory levels decreased from 6.3 months to 5.5 months. It appears lower prices have been key in moving inventory.



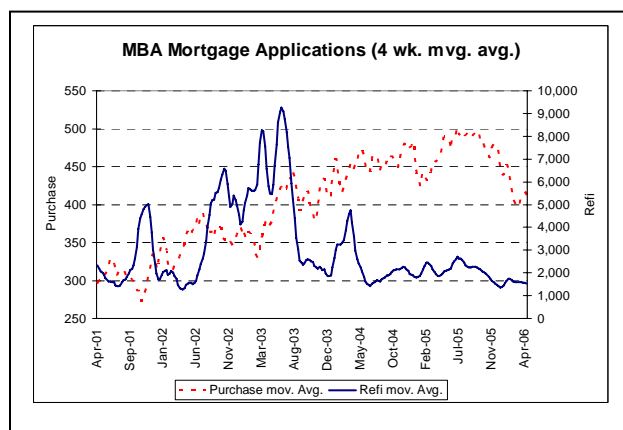
Existing Home Sales

Existing Home Sales increased from 6.90mln to 6.92mln on a seasonally adjusted annualized basis in March. The number of home sales was up 0.3% M/M, but down 0.7% Y/Y. Median prices were flat M/M and increased 7.4% Y/Y. Inventories remained at historical highs, 5.5 months, likely putting downward pressure on prices going forward. This data reflects closings, and thus reflects buying activity from several months ago.



MBA Mortgage Applications

Purchase mortgage applications decreased 4.4% W/W and refi applications were down 2.4% W/W this week. The four-week moving average of purchase applications is down 11.6% Y/Y and was down 19.2% Y/Y just based on last week's reading. The slowing of the housing market is evident in mortgage application data.

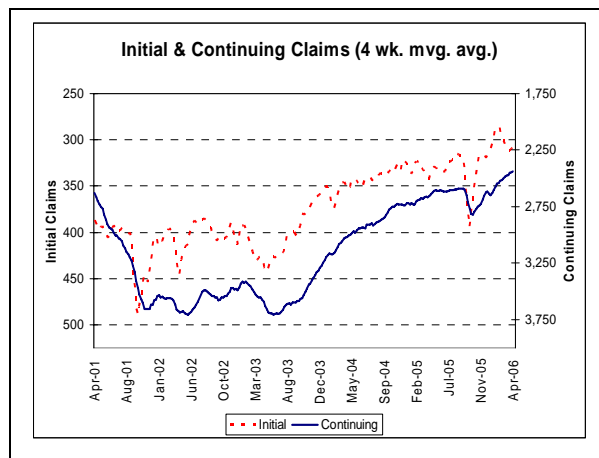


Employment Claims & Consumer Confidence

Initial & Continuing Claims

The four week moving average of initial claims decreased by 3k to 305k while continuing claims decreased by 6k to 2,439k.

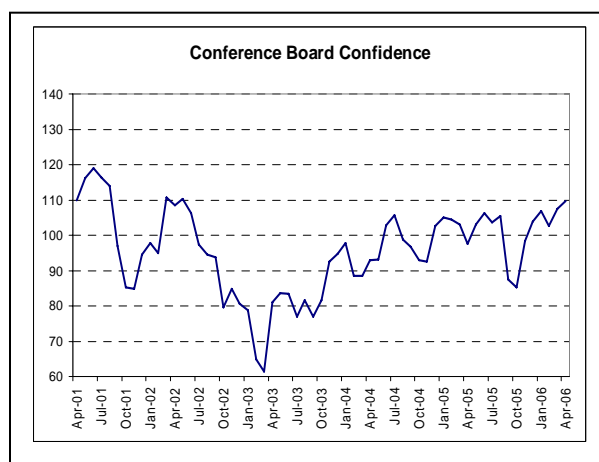
Claims data continues to suggest a strong labor market that is likely to put downward pressure on the unemployment rate.



Conference Board Confidence

The Conference Board's Index of Consumer Confidence increased from 107.5 to 109.6 in April.

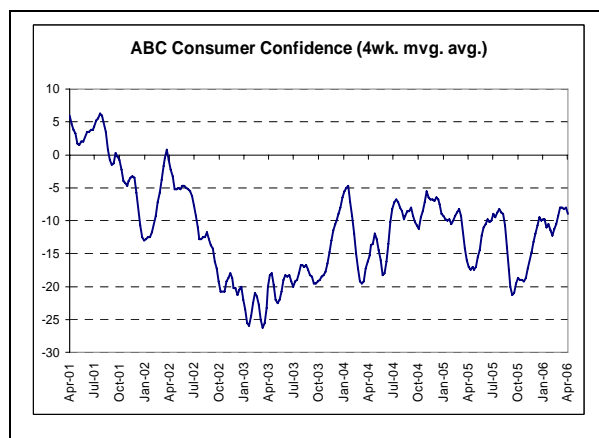
Expectations improved from 90.3 to 91.9 and people's assessment of current conditions increased, from 133.3 to 136.2. The job plentiful component increased from 28.3 to 29.1 and jobs hard to get, dropped slightly from 20.4 to 19.6.



ABC Consumer Confidence

The ABC Consumer Confidence Index decreased from -7 to -11.

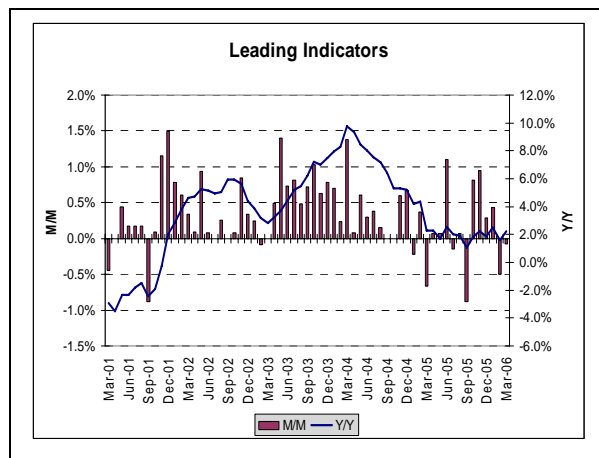
The economy, finance and buying components all declined at least two points. It will be important to monitor if higher gas prices at the pump start to have a lasting negative impact on consumer confidence.



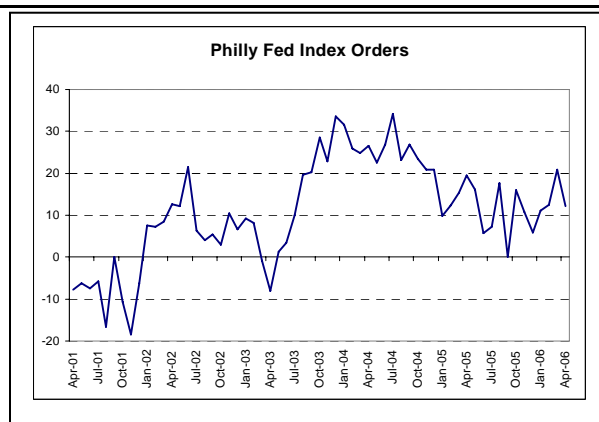
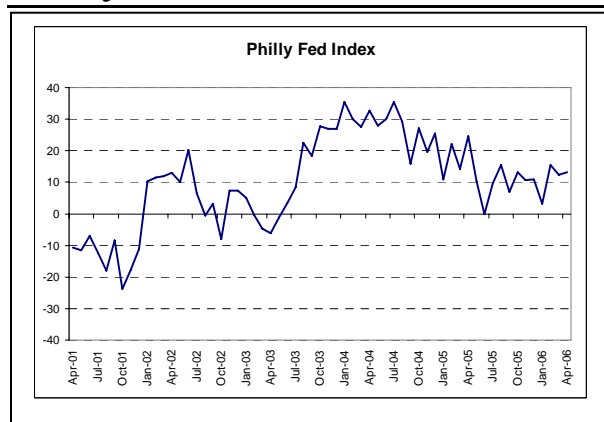
Leading Indicators & Philly Fed Index

Leading Indicators

Leading Indicators decreased 0.1% M/M and increased 2.2% Y/Y in March. The individual components were mixed, netting out to little change in the overall index.



Philly Fed Index



The Philly Fed Index increased from 12.3 to 13.2 in April. The Orders component dropped from 20.8 to 12.2, but the employment component improved from 5.4 to 21.7. The Philly prices paid increased from 17.2 to 29.0 and the prices received remained flat at 15.4.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/27	Initial Jobless Claims (APR 22)	305K	303K
04/27	Continuing Claims (APR 15)	2441K	2439K
04/27	Help Wanted Index (MAR)	40	39
04/28	GDP Annualized (Q1)	4.9%	1.7%
04/28	Employment Cost Index (Q1)	0.9%	0.8%
04/28	U. of Michigan Confidence (APR)	89.0	89.2
04/28	Chicago Purchasing Manager (APR)	58.5	60.4
05/01	Personal Income (MAR)	0.4%	0.3%
05/01	Personal Spending (MAR)	0.4%	0.1%
05/01	PCE Core (MAR M/M)	0.2%	0.1%
05/01	Construction Spending (MAR M/M)	0.3%	0.8%
05/01	ISM Manufacturing (APR)	55.1	55.2
05/02	Pending Home Sales (MAR M/M)	-0.6%	-0.8%
05/02	Total Vehicle Sales (APR)	16.7M	16.6M
05/02	ABC Consumer Confidence (MAY 1)	--	-11

Valance Co., Inc.

Valance Economic Report: Euro Zone

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April 26, 2006

German optimism continued to rise further than expected in March as the German IFO set 15 yr highs. German consumer and French Business Confidence joined the party as well, reaching 5yr highs. On the consumer demand side, Italian Retail Sales remained muted and French Consumer Spending contracted in March. March Eurozone data showed price pressures remained muted, though obviously above the ECB's 2% guideline. German CPI in April was not so benign however, posting a 0.4% M/M increase.

Weekly Highlights

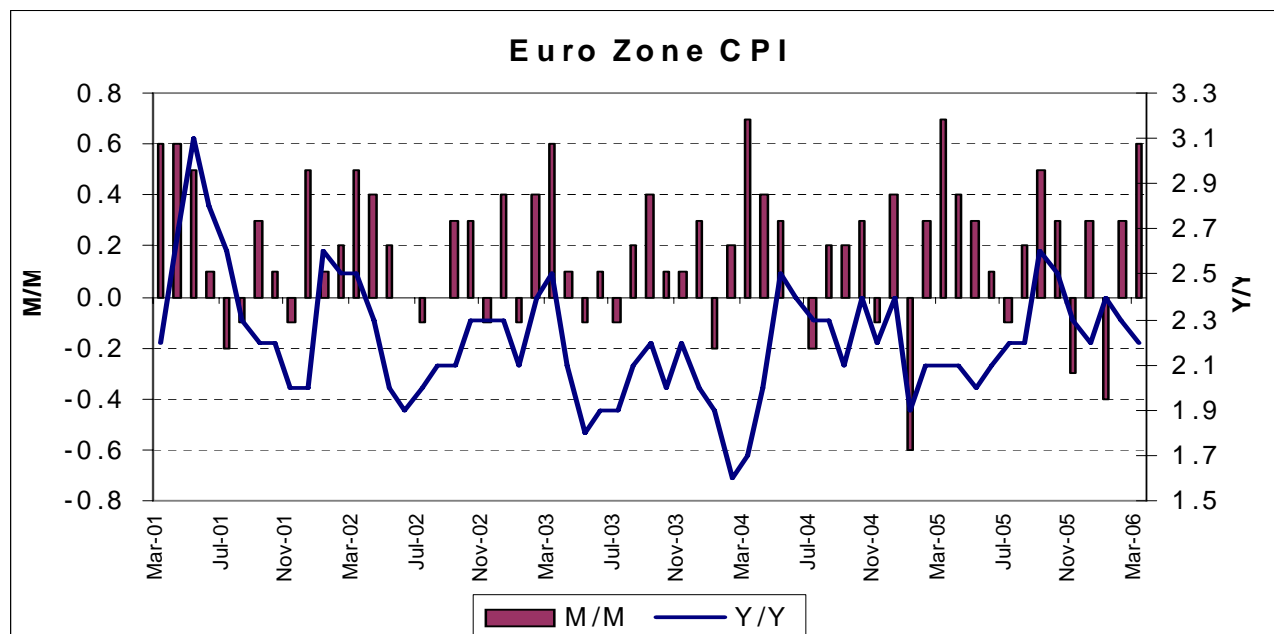
Euro Zone CPI– inflation slowed to 2.2% in March. (page 8)

French Consumer Spending– contracted 0.6% M/M in March. (page 10)

German IFO– reached 15 year high in March. (page 13)

Weekly Releases & News

Chart of the Week: *Euro Zone CPI*



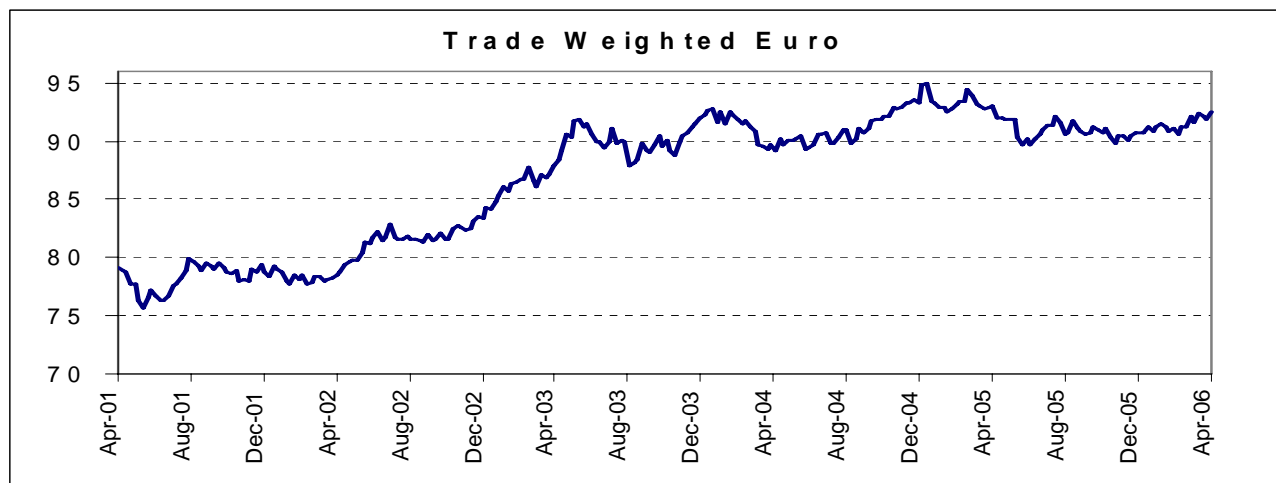
Euro Zone Consumer Prices decelerated in March, slowing from 2.3% Y/Y in February to 2.2%. M/M, prices increased 0.6% while Core Prices accelerated from 1.2% Y/Y in February to 1.3%. Core inflation rose 0.7% M/M. Higher clothing prices made the largest contribution.

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%

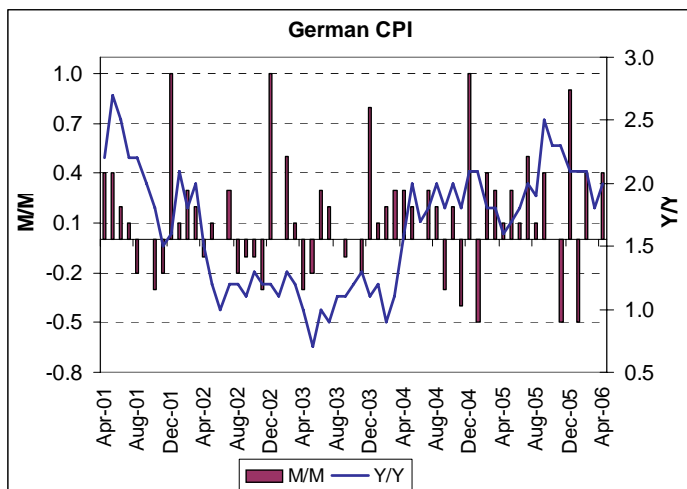
Trade Weighted Euro



German CPI, Euro Zone & German Industrial Production

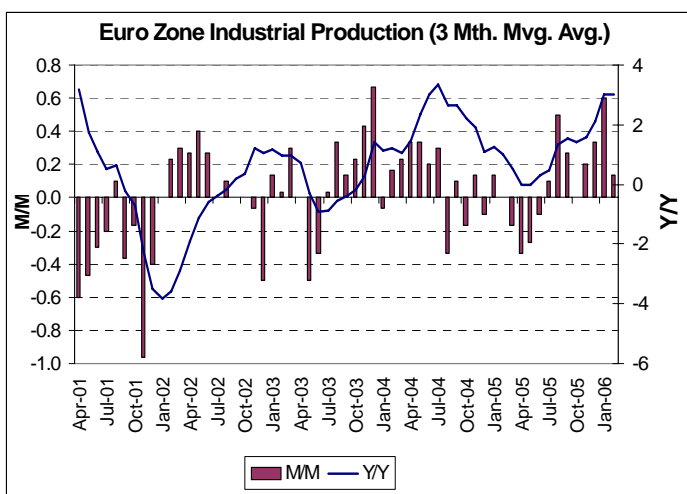
German CPI

German Consumer Prices accelerated for the first time in 7 months on a y/y basis, expanding 0.4% M/M and 2.0% Y/Y. The increase was primarily due to oil and energy prices.



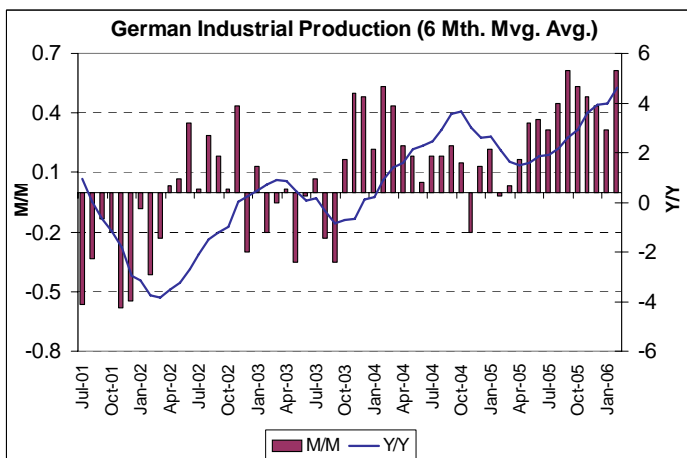
Euro Zone Industrial Production

Euro Zone Industrial Production was unchanged M/M in February and expanded 3.2% Y/Y. Industrial New Orders expanded 2.7% M/M and 13.3% Y/Y.



German Industrial Production

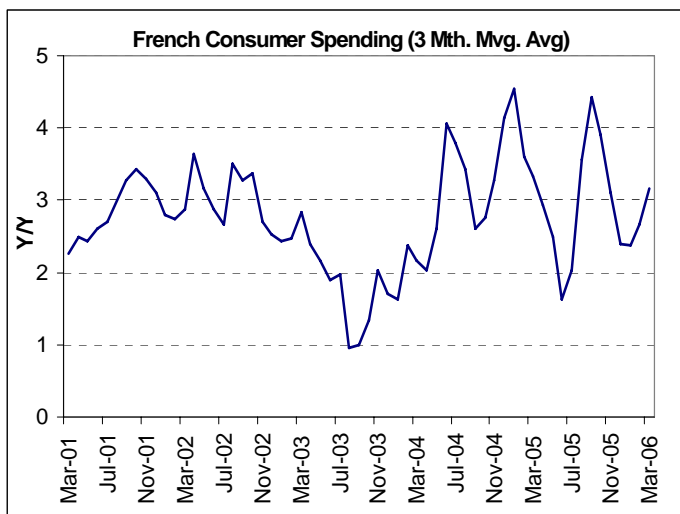
German Industrial Production expanded 1% M/M and 6.4% Y/Y in February. January's figures were revised upward from -0.1% M/M to 0.4%.



French Consumer Spending & Euro Zone Trade

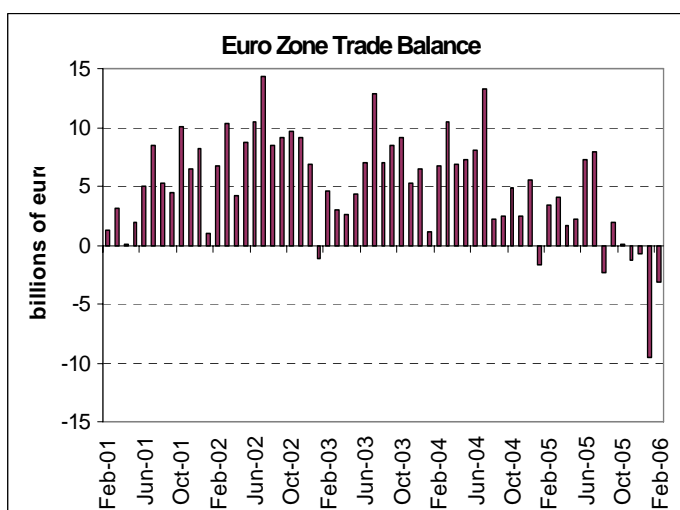
French Consumer Spending

French Consumer Spending declined in March, though less than expected. Spending contracted 0.6% M/M while expanding 3.5% Y/Y. February's figures were revised downward from 1.8% M/M growth to 1.4%.



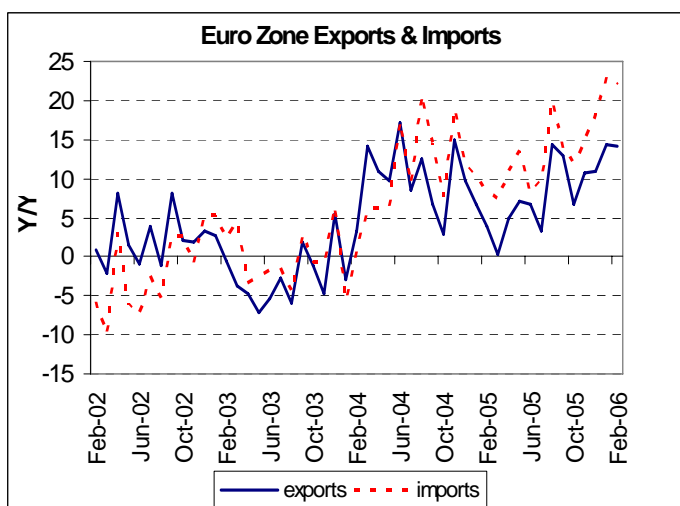
Euro Zone Trade Balance

The Euro Zone Trade Deficit narrowed from 9.5 bln euros in January to 3.1 bln in February.



Euro Zone Trade

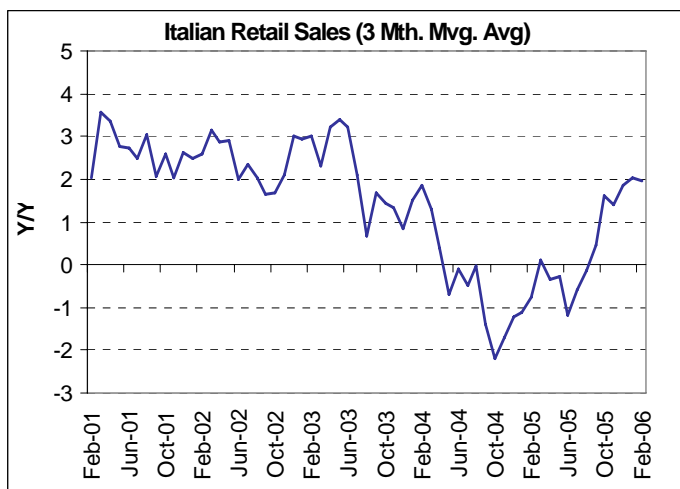
Euro Zone exports expanded 4.3% M/M and 14.2% Y/Y in February while Imports contracted 2.1% M/M while expanding 22.1% Y/Y.



Italian Retail Sales, Industrial Sales & Trade

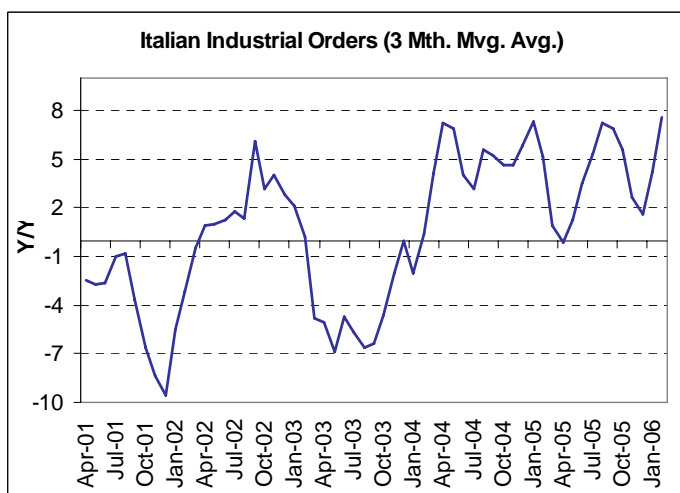
Italian Retail Sales

Italian Retail Sales expanded 0.1% M/M and 1.5% Y/Y in February. Trend improvement continues.



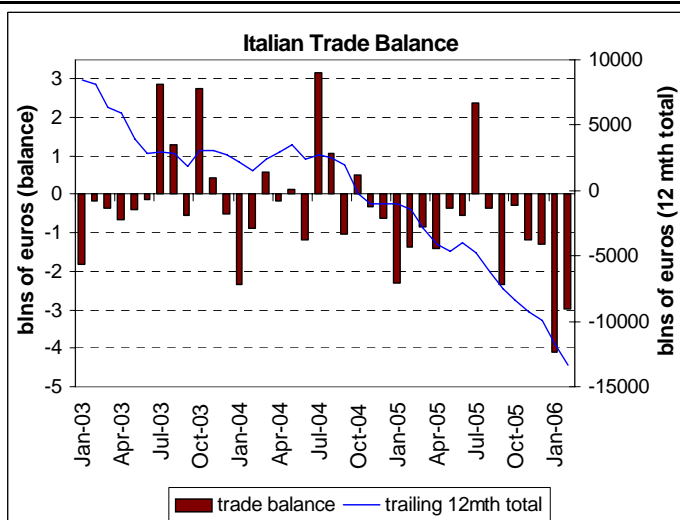
Italian Industrial Orders

Italian Industrial Orders expanded stronger than expected in February, climbing 4.3% M/M and 14.1% Y/Y. Industrial Sales expanded 1.9% M/M and 8.1% Y/Y.



Italian Trade

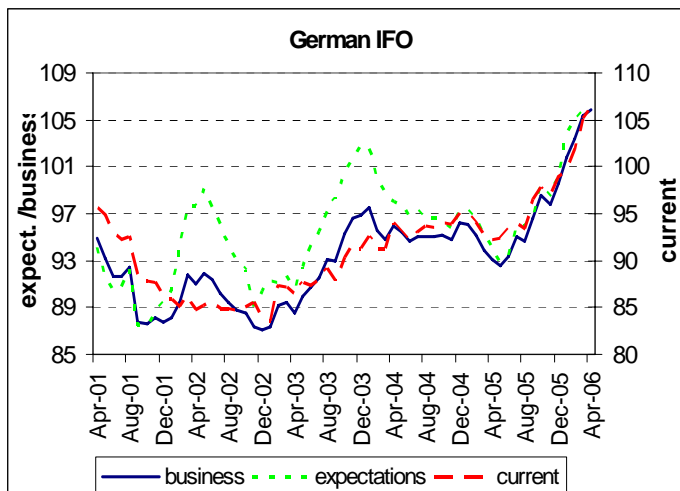
Italy's March non-EU Trade Deficit narrowed from 2.6 bln euros in February to 1.4 bln euros as exports expanded 2% M/M and imports contracted 1.2% M/M.



German IFO, French & Italian Confidence

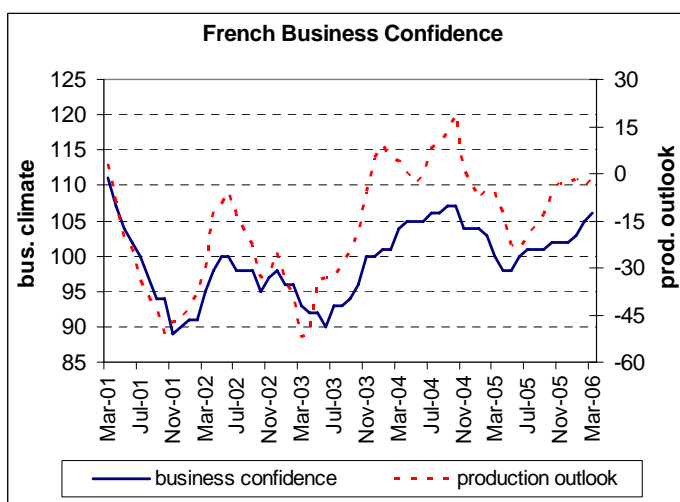
German IFO

German Business Confidence unexpectedly expanded to a 15 year high, increasing from 105.4 in March to 105.9 in April. The Current Assessment index expanded from 105.1 to 105.4 while the Expectations Index contracted from 105.7 to 105.5. After two consecutive strong months in February and March, combined with a stronger Euro and higher oil prices, a decline had been expected. Ifo's Nerb commented that job creation looks to be picking up, companies are continuing to see robust growth, and that oil had little impact on confidence.



French Business Confidence

French Business Confidence unexpectedly expanded to its highest level in 5 years, expanding from 105 in March to 108 in April. The Production Outlook Indicator expanded from -2 to 2.



Italian Consumer Confidence

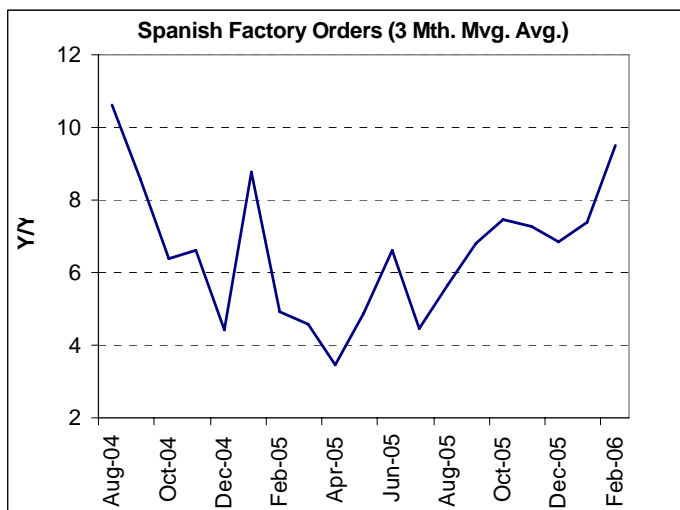
Italian Consumer Confidence fell to a six month low in April, declining from 109.2 in March to 106.1. Concerns over the narrow margin of victory in recent elections are cited as a possible reason for the fall in confidence.



Spanish Orders, Euro Current Account & German Import Prices

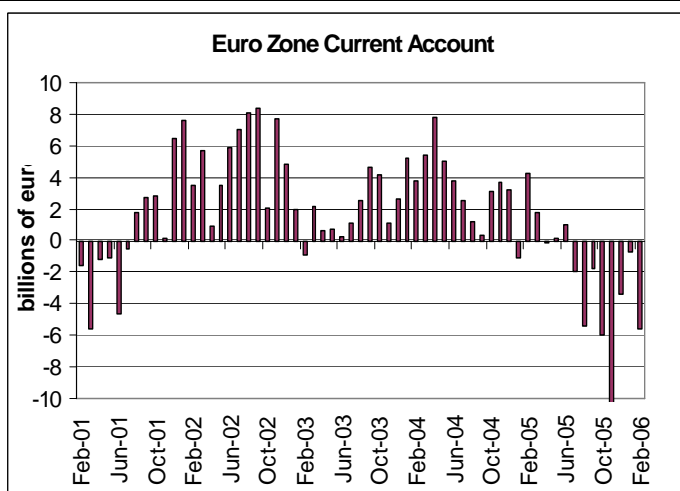
Spanish Factory Orders

Spanish Factory Orders increased 15.2% Y/Y in February, led by a sharp rise in Capital Goods sales.



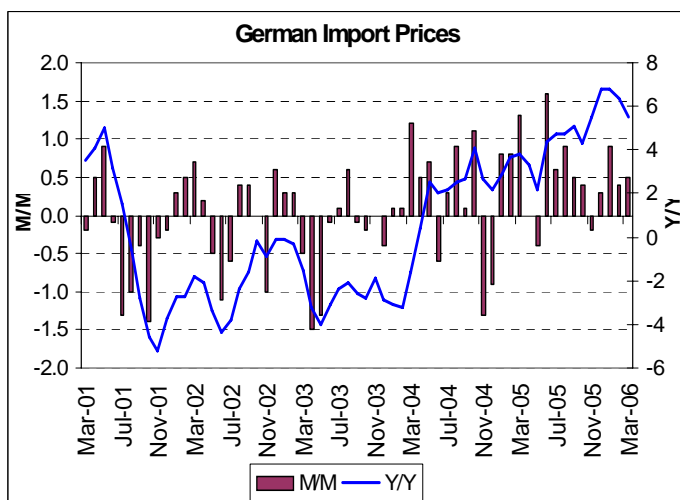
Euro Zone Current Account

The Euro Zone February Current Account deficit widened from -0.7 bln euros in January to -5.6 bln.



German Import Prices

Germany's March Import Prices increased 0.5% M/M and 5.5% Y/Y. It was the fourth consecutive month of M/M price gains.



News

April 26th – **ECB Member Liikanen made a few comments on interest rates**, stating: “recent survey data are being consistently stronger”, “ifo confirms picture of last few months”, and the ECB “will monitor oil prices closely.” Member Bini Smaghi also commented, when asked if the ECB would hike in June he responded, “if the euro region’s recovery strengthens and continues, rates will be adjusted to avoid inflation.” The comments were also repeated by member Lucas Papademos who stated that further increases would likely be needed due to upside risks. ECB member Otmar Issing also added that investor expectations that we will raise rates to 2.75% in June are “more in line with our assessment.” Issing also noted that increasing oil prices will likely cause the ECB to push up their inflation forecast.

April 24th – **ECB Member Mario Draghi commented that inflation expectations** were “solidly anchored and so is the credibility of the European Union and of the ECB.” President Trichet commented that it is “essential that medium to long term inflation expectations in the euro area are well anchored.” Trichet also stated that “we are observing the materialization of a (oil) risk.”

April 26th – **Six German Institutes, including IFO, DWI, and HWWI**, increased their growth forecast for the German economy in 2006 from 1.7% to 1.8%. The German BDI Lobby also raised their forecast, stating that growth may reach as high as 2%. The BDI group also stated that exports would peak this year before slowing in coming years due in part to a slowdown in global growth.

April 26th – **German GfK Confidence increased from 5.3 in April to 5.5 in May**. The Economic Outlook increased from 14 in March to 22 in April. Income Expectations fell from 1 to -0.5 and Willingness to Buy increased from 19.5 to 34.5.

April 23rd – **The Eurostat released 2005 budget deficit figures for the Euro Zone member states** (% of GDP): Germany -3.3%, France -2.9%, Italy -4.1%, Spain +1.1%.

April 23rd – **The IMF is urging Italy to take extra measures to reduce public debt** and boost growth, because spending control, especially related to health care, are not working. The IMF is predicting that Italy’s deficit will reach 4% of GDP this year with upside risk of 4.25%.

April 22nd – **German manufacturers and the IG Metall Labor Union** agreed on a 3% pay rise in the North Rhine Westphalia state. The pay rise will take effect in June and will be accompanied by a one time payment of 310 euros. ECB member Stark said one would be hard pressed to call a 3% outcome “moderate”.

April 21st – **German tax revenue increased 8% Y/Y in March** as accelerating growth boosted tax receipts.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/26	Spanish Retail Sales (MAR)	--	-0.4% M/M
04/27	Italian Business Confidence (APR)	93.5	94.2
04/27	German Unemployment (APR)	11.3k	11.4k
04/27	Italian Hourly Wages (MAR)	0.2% M/M	0.6% M/M
04/28	German Retail Sales (MAR)	0.4% M/M	-1.1% M/M
04/28	French Consumer Confidence (APR)	-26	-26
04/28	French Unemployment Rate (MAR)	9.6%	9.6%
04/28	Euro Zone M3 (Mar)	7.9%	8.0%
04/29	Euro Zone Business Climate (APR)	0.78	0.80

Valance Co., Inc.

Valance Economic Report: Japan

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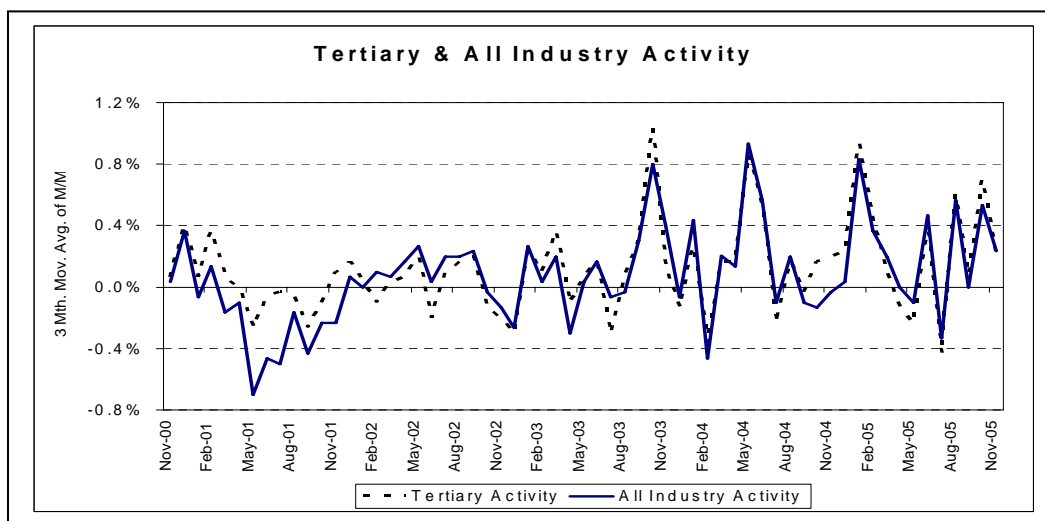
April 26, 2006

This week's data was relatively light. Demand for services declined in February and the Trade Surplus increased more than expected. Our view on the economy remains unchanged; we continue to expect the economy to gather momentum in the coming months and the BoJ to end its zero interest rate policy in early Q3 2006.

Weekly Highlights

Tertiary Industry Index – declined 1.5% M/M and increased 2.4% Y/Y in February. (page 17)

Trade Surplus – increased from ¥686.5 bln to ¥698.1 bln in March. (page 19)

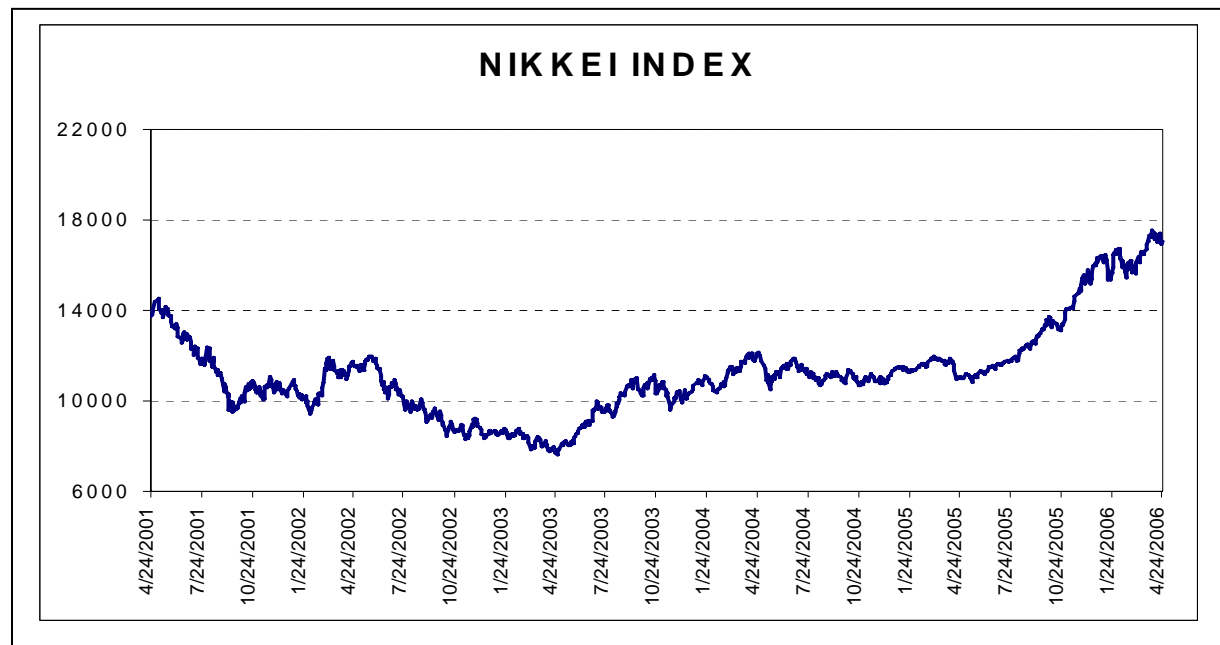
Chart of the Week: Tertiary & Industry Indices

The Tertiary Industry Index, a measure of demand for services, declined 1.5% M/M and increased 2.4% Y/Y in February. In addition, the All Industry Index declined 0.9% M/M and increased 2.5% Y/Y in February. M/M declines were seen in IT, Finance/Insurance, Medical, and Real Estate sectors. Overall, the data was weaker than expected, but offsets a particularly strong 1.5% M/M gain in January. Looking forward, we expect services demand to pick up in line with economic growth.

Japan's Financial Balances

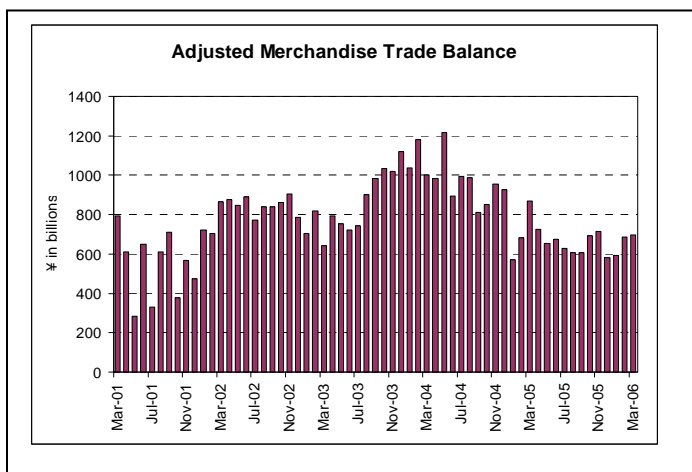
Financial Balances

<i>Japan</i>	<i>Last period (¥trln)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-3.50 (Dec)	-6.9%
Trade Balance	0.58 (Dec)	1.5%
Current Account Balance	1.87 (Dec)	3.5%
Private Balance	--	11.6%

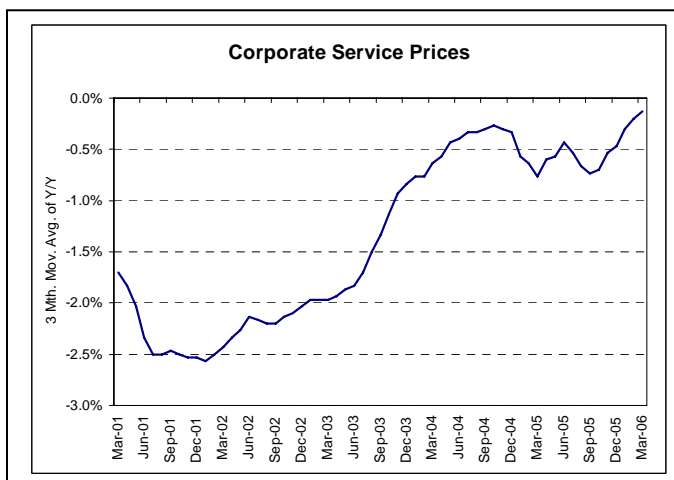


Merchandise Trade Balance, Corp. Service Prices & Dept. Store Sales

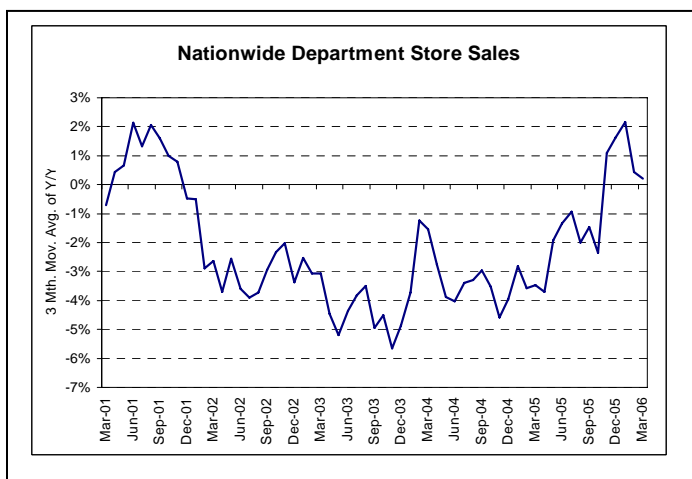
The Adjusted Merchandise Trade Balance increased from ¥686.5 bln to ¥698.1 bln in March, against market expectations for a decline to ¥572.1 bln. The increase was greater than anticipated as exports improved on demand for cars and electronics. Imports declined 0.7% M/M and increased 25.2% Y/Y. Exports declined 0.4% M/M and increased 18.1% Y/Y.



Corporate Service Prices increased 0.5% M/M and declined 0.2% Y/Y in March. M/M improvements were largest in Real Estate, Transportation, and Advertising. Although the decline is the 96th consecutive, the index is nearing stabilization.

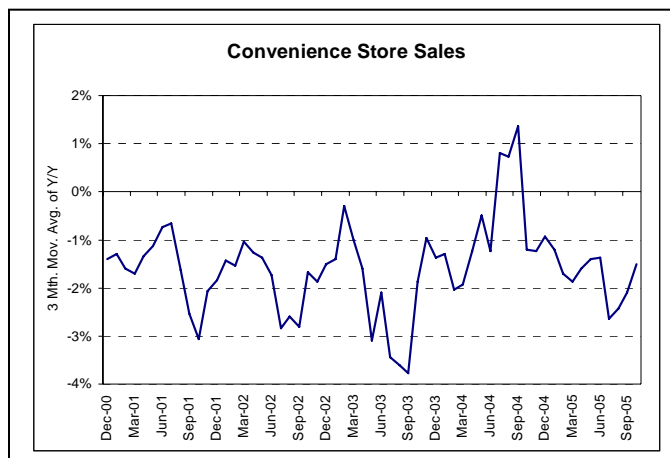


Nationwide Dept. Store Sales increased 2.0% Y/Y in March, due largely to increases in accessory sales, as well as, clothing sales.

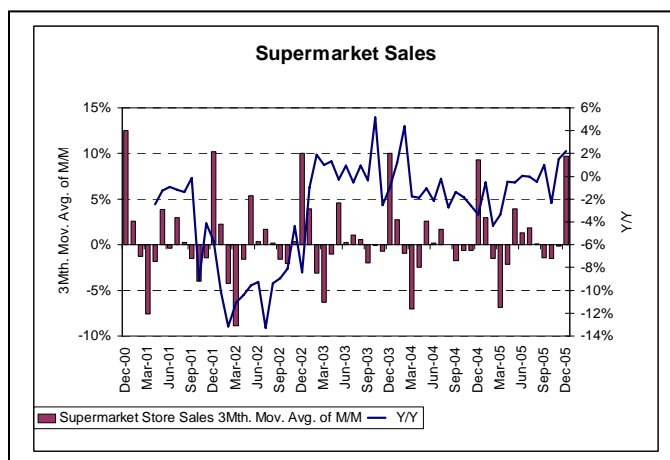


Convenience Store Sales & Supermarket Sales

Convenience Store Sales in Japan increased 0.8% Y/Y in March.



Supermarket Sales increased 9.6% M/M and declined 2.1% Y/Y in March. Declines in Services and miscellaneous “other” components offset gains in the household goods component.



News

April 26th – According to a survey compiled by Nihon Keizai Shimbun, major corporations intend on increasing the number of college graduates they hire on a non-periodic, or out of season, basis. The survey found that corporations expect to see an increase of 15.4% Y/Y on FY06 of non-periodic hires and a 20.9% Y/Y increase in 2007. The survey also found that 47% of the respondents intend on conducting non-periodic hiring, above the 40.2% that said so last year.

April 26th – Based on a survey conducted by the Cabinet Office, Japanese companies expect the economy to grow by an average of 1.9% annual in real terms for the next five years. The data was 0.3 pts higher than last year's poll and marked the survey's highest result in nine years. It also exceeds the 1.3% potential growth rate for 2005 estimated by the Cabinet Office.

April 26th – The Ministry of Finance commented that regional economies as a whole “continue to recover at a moderate pace,” adopting the same wording for the ninth consecutive quarter. The MoF also commented that the recovery in each region is “becoming increasingly steady and solid.”

April 26th – The BoJ released a report defending Energy Prices in CPI, commenting that a consumer price index that excludes fresh food prices, but includes energy prices excels as a measure of inflation. The report also noted that a CPI that excludes the top and bottom 10% of diffusion is equally effective.

April 21st – BoJ Gov. Fukui commented that, “I don't think it is productive to comment on day-to-day moves” in long term rates, but noted that, “Long term interest rates seem to be moving in a way the strongly reflects broad economic movement.” “Still, we must closely follow interest rate moves because they could have a psychological impact” on the economy.

April 21st – Finance Minister Tanigaki commented in a press conference that, “Recent long term rate moves, as the Bank of Japan governor noted, are a bit volatile. A rapid rise in long term rates is undesirable for the Japanese economy because it is still in mild deflation.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/27	Small Business Confidence (April)	51.5	51.5
04/27	Jobless Rate (Mar)	4.1%	4.1%
04/27	Job-Applicant Ratio (Mar)	1.05	1.04
04/27	Overall HHold Spending (Mar Y/Y)	-0.2%	-1.5%
04/27	Tokyo Core CPI (April M/M)	-0.1%	0.1%
04/27	Tokyo Core CPI (April Y/Y)	0.2%	0.2%
04/27	National Core CPI (Mar M/M)	0.1%	0.0%
04/27	National Core CPI (Mar Y/Y)	0.6%	0.5%
04/27	Industrial Production (Mar M/M)	0.1%	-1.2%
04/27	Industrial Production (Mar Y/Y)	3.2%	3.9%
04/27	Large Retailers' Sales (Mar)	-0.8%	-1.9%
04/27	Retail Trade (Mar M/M)	0.4%	-1.4%
04/27	Retail Trade (Mar Y/Y)	1.3%	1.1%
04/27	Monetary Policy Meeting & Announcement	N/A	N/A
04/28	Housing Starts (Mar Y/Y)	8.3%	13.7%
04/28	Construction Orders (Mar Y/Y)	2.3%	27.4%
04/30	Labor Cash Earnings (Mar Y/Y)	N/A	0.4%
04/30	Overtime Earnings (Mar Y/Y)	N/A	2.0%
05/01	Vehicle Sales (April Y/Y)	N/A	-1.7%

Valance Co., Inc.

Valance Economic Report: United Kingdom

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April 26, 2006

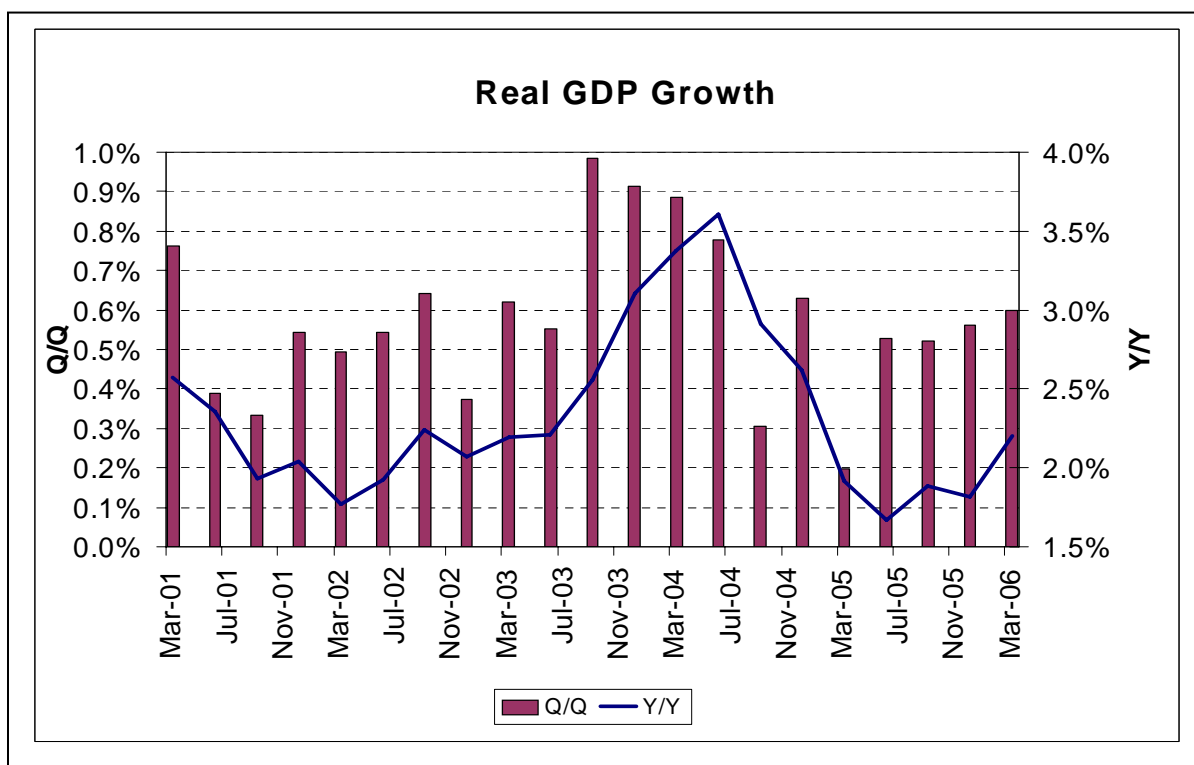
Annual GDP surprised to the upside on the back of stronger industrial production, though growth in the Services subcomponent decelerated. The underlying trend of Retail Sales continues to show sluggish consumer activity.

Weekly Highlights

Real GDP - increased 0.6% Q/Q and 2.2% Y/Y in its first revision for Q1 2006. (page 23)

CPI - increased 0.2% M/M and 1.8% Y/Y in March. (page 25)

Retail Sales - increased 0.6% M/M and 2.6% Y/Y in March. (page 25)

Weekly Releases & News**Chart of the Week: Real GDP Growth**

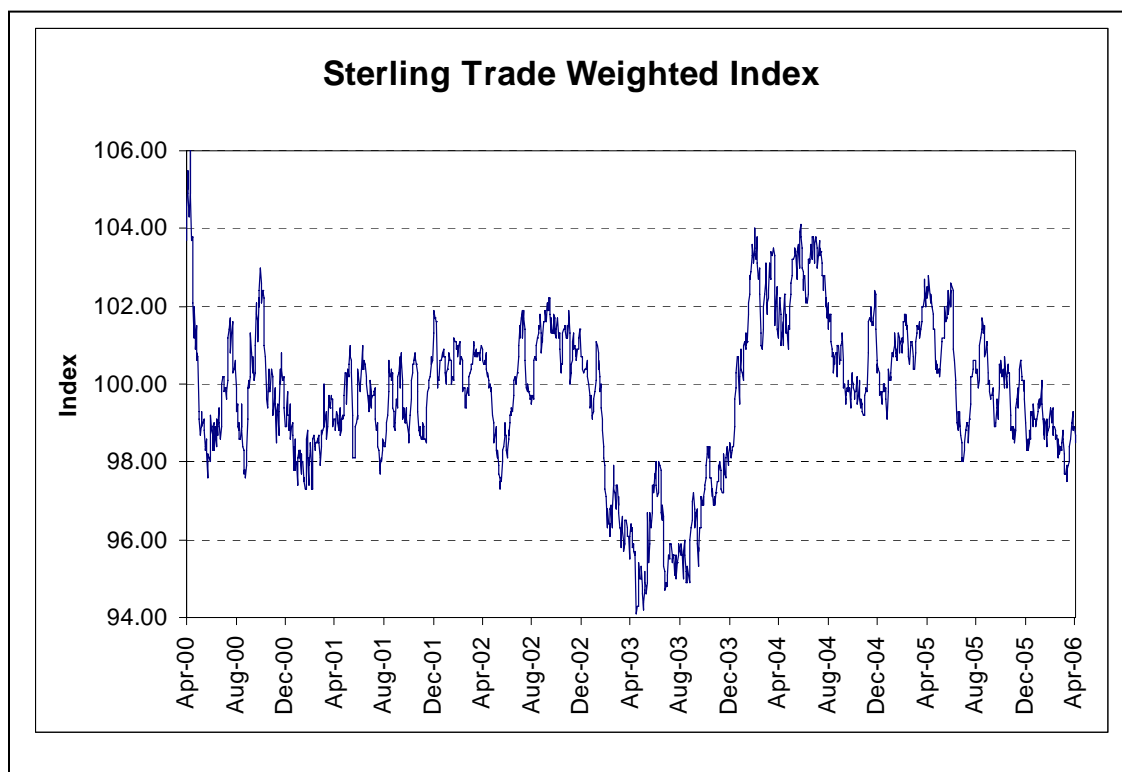
Real GDP increased 0.6% Q/Q and 2.2% Y/Y in its first release for Q1, the fastest quarterly growth since Q1 2005. The quarterly growth was mainly driven by Industrial Production, which increased 0.7% Q/Q, its fastest pace in six years due to global demand for UK exports. Service sector growth decelerated from 1.0% Q/Q to 0.6% Q/Q due to weaker retail sales and car sales.

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Financial Balances & Trade Weighted Index

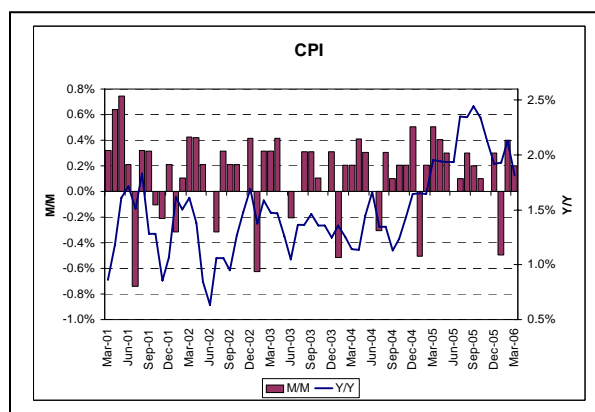
<i>U.K.</i>	<i>Last Period (blns)</i>	<i>Last 12mth. % of GDP</i>
Budget Balance (monthly)	£6.9 (Mar)	+2.4%
Trade Balance (monthly)	-£4.8 (Feb)	-1.7%
Curr. Acct. Balance (quarterly)	-£11.0 (Dec)	-3.9%
Private Balance	--	-6.3%



CPI Growth & Retail Sales Growth

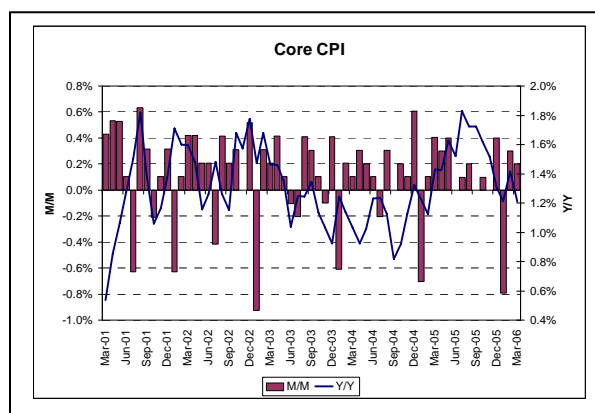
CPI Growth

CPI increased 0.2% M/M and decelerated from 2.1% Y/Y to 1.8% Y/Y in March. The largest downward effect on annual CPI came from food and non-alcoholic beverages which decreased 0.6% Y/Y and 0.4% Y/Y, respectively. The annual deceleration came despite utility bills increasing 6.0% Y/Y, their sharpest annual increase since the series began in 1997.



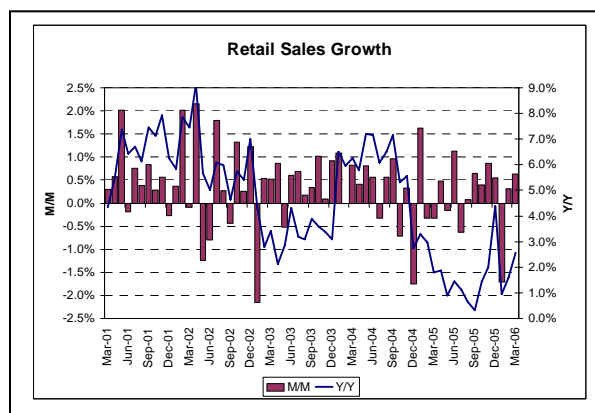
Core CPI Growth

Core CPI increased 0.2% M/M and decelerated from 1.4% Y/Y to 1.2% Y/Y in March.



Retail Sales Growth

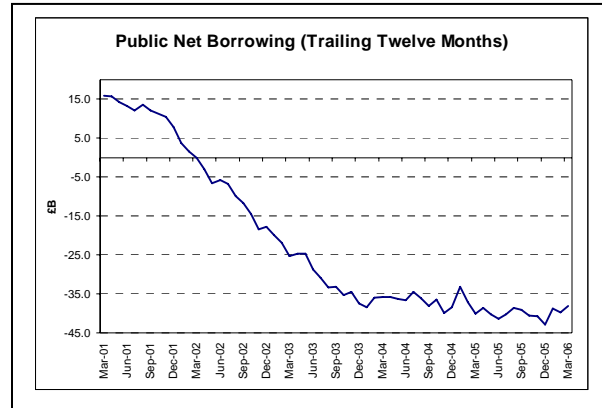
Retail Sales increased 0.6% M/M and 2.6% Y/Y in March. The underlying trend remains subdued: food stores sales increased 0.1% 3M/3M and non-food stores sales decreased 1.4% 3M/3M.



Budget Deficit

Budget Deficit

The Budget Deficit decreased from £8.55 bln in March 2005 to £6.96 bln in March 2006 and is currently 2.4% of GDP on an annual basis.



Data & Comments

Data

CBI Factory Orders

The Confederation of British Industry (CBI) survey reported that factory orders increased from -16 to -11 in April, a fourteen month high. However, CBI commented that manufacturers are still struggling with cost increases. Future orders increased from -9 in January to +2 in April, its highest level in two years.

CML Mortgage Lending

The Council of Mortgage Lending (CML) reported that mortgage lending increased 26.0% M/M and 34.0% Y/Y in March. CML commented that, “house buying activity was particularly strong around London, reflecting high city bonuses.”

Comments

Kate Barker’s Comments:

MPC Member, Kate Barker, commented that wage growth is likely to be contained and that the Central Bank has a tendency to overestimate inflation. Barker commented that judging the correct interest rate is a “difficult decision,” and that she “thinks that we are not going to see a great deal of upward pressure on wages.” In addition, “inflation in fact over the past few months has tended to come in a little bit lower than we expected.” Determining interest rates at the present time is “quite a difficult decision and we have got these signs of softness in the economy, particularly in the consumer sector; on the other hand in the short term we have got some upward pressures on inflation. Balancing these things out, that's what led me to vote to leave rates on hold over the last few months.”

Stephen Nickell’s Comments:

MPC Member, Stephen Nickell, commented that the U.K.'s balance of payments position is “probably” sustainable despite a widening trade deficit, a rising current account deficit and a large number of takeovers of U.K. firms by foreign competitors during the past year. He added that the U.K. ran a current account deficit of £31.9 bln in 2005, equivalent to 2.5% of GDP and half a percentage point above its average of the past 20 years. In addition he said the deficit is sustainable, given U.K. investors earn more from their overseas investments than foreign investors earn from their investments in the U.K. “The income generated by the foreign assets owned by U.K. residents exceeds that generated by U.K. assets owned by foreign residents by over 2% of GDP,” he said. He noted a “large and permanent” appreciation of sterling could reduce that earnings surplus, but added “at present, this seems unlikely.”

News & Upcoming Dates

News

April 26th - BOE Confirms Money-Market Reforms - The Bank of England confirmed that on May 18th it will introduce money-market reforms designed to reduce market volatility and implement interest rate decisions more effectively. The changes will also allow U.K. banks to manage their day-to-day liquidity needs more efficiently. The reforms will involve a change to the way deposits, held by banks and building societies, are calculated with the central bank. For the first time since its beginnings in the 17th century, the BOE will pay interest on such balances. The reforms will widen the number of U.K. banks able to borrow and deposit funds with the BOE. In addition, they will mean that overnight market interest rates are in line with the MPC's official repo rate - currently 4.5% - reducing day-to-day market volatility.

April 25th - Brown would not have met Golden Rule, data shows - Gordon Brown overshot his borrowing forecasts by several billion pounds in March. It was confirmed that the Chancellor would have missed his "Golden Rule" had he not redefined the economic cycle last year. Borrowing on the current budget, which is used to calculate the Golden Rule, was £3.5 bln; well down from the £5.8 bln recorded in March 2005. Over the year, the current budget was in deficit by £10.8 bln, compared with £19 bln the previous year. Under the Chancellor's Golden Rule, the current budget must be in balance or surplus over the economic cycle. The figures prompted the Conservatives to cry foul, as they showed that the Chancellor would have broken his cycle by an average of 0.027% of GDP had he not changed his definition of the cycle last year, from one that ran from 1999 to 2006 to one that ran from 1997 to 2009.

April 24th - Migrants 'have kept interest rates down' - Immigration into Britain has eased pressure on the labor market and allowed interest rates to be lower than they would have been, according to a new analysis. The Ernst & Young Item Club, which uses the Treasury's model of the economy, suggests that the increase in net migration into Britain in recent years has reduced interest rates by half a percentage point and that the effect is likely to grow to one percentage point. This net migration, which reached 223,000 in 2004, the latest year for which figures are available, has allowed employers to fill jobs more easily.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/27	Nationwide House Prices	0.5% M/M 5.2% Y/Y	1.1% M/M 5.3% Y/Y
04/28	GfK Consumer Confidence	-6	-7
05/02	CIPS Manufacturing PMI	--	50.8
05/02	CBI Distributive Trade Survey	--	--
05/02	Nationwide Consumer Confidence	--	96
05/03	CIPS Construction PMI	--	54.7

Valance Co., Inc.

Valance Economic Report: *Canada*

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April 26, 2006

The Bank of Canada (BoC) hiked interest rates 25bps to 4.00%, the highest level since 2001, citing that “some modest further increase in the policy interest rate may be required.” On the data front, both Headline and Core CPI increased above expectations while Retail Sales surprised to the downside.

Weekly Highlights

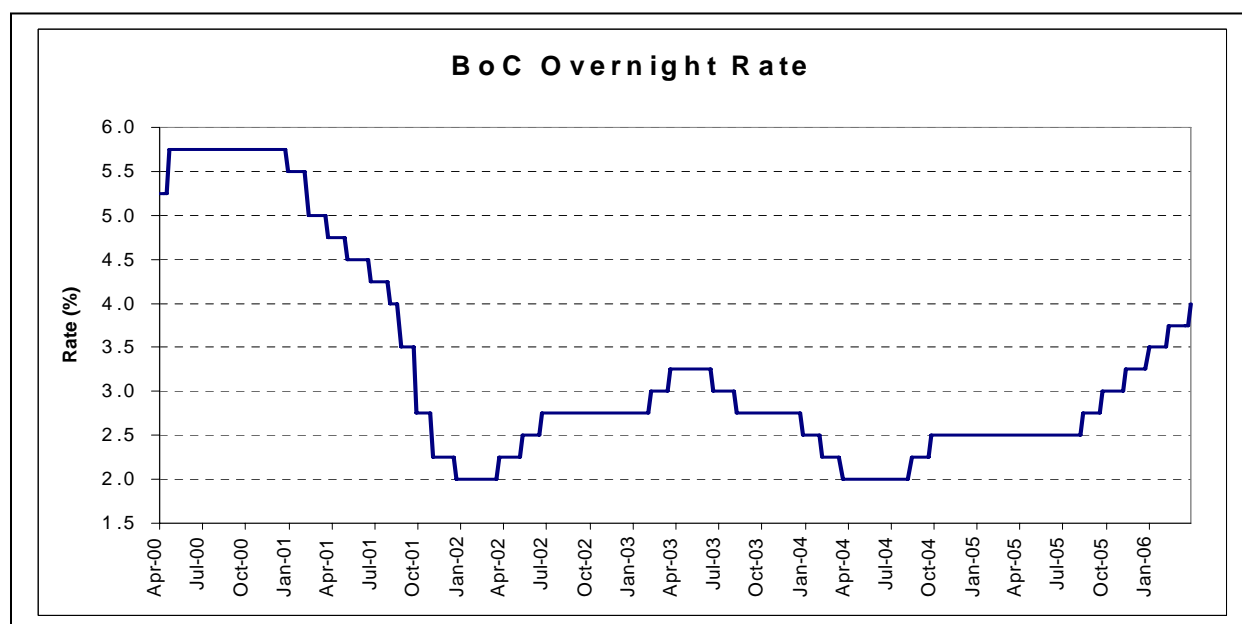
The Bank of Canada - raised its overnight rate by 25bps to 4.00%, as expected. (page 29)

Core CPI - increased 0.4% M/M and 1.7% Y/Y, above expectations, in March. (page 31)

Retail Sales growth - decreased 0.4% M/M and increased 4.6% Y/Y in February. (page 31)

Weekly Releases & News

Chart of the Week: *BoC Overnight Rate*



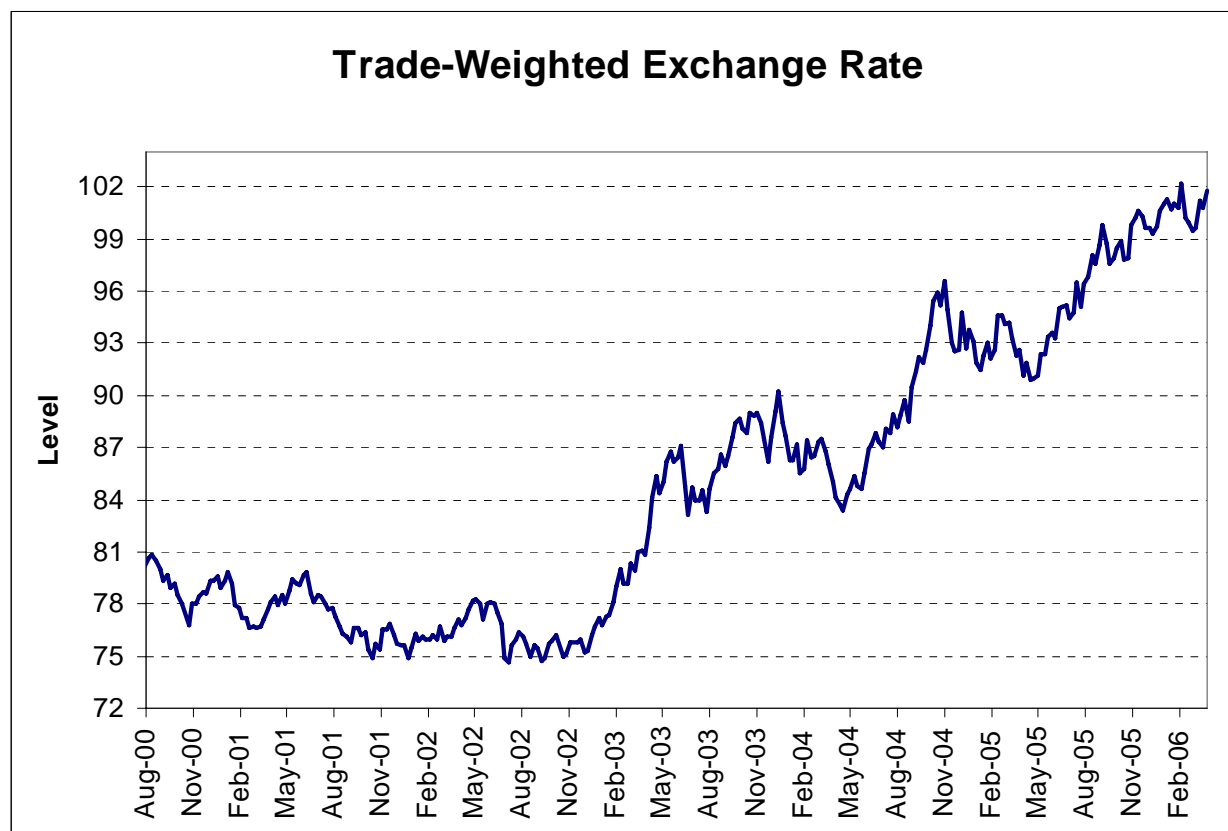
The Bank of Canada (BoC) raised its overnight rate by 25bps to 4.00%, as expected, to reach the highest level since September 2001. The Bank noted that, “some modest further increase in the policy interest rate may be required to keep aggregate supply and demand in balance and inflation on target over the medium term,” repeating comments made in its previous statement. The Bank also reiterated that global competition and the past appreciation of the Canadian dollar continues to pose challenges; nonetheless, Canada is still operating at or just above production capacity. Energy prices have kept CPI “somewhat above” the Bank’s 2% target, however, persistent downward pressure from cheap imports has kept core inflation below 2%, the Bank added. The Monetary Policy Report is scheduled to be released tomorrow and the next rate decision is scheduled for May 24th.

Financial Balances & Trade Weighted Exchange Rate

Financial Balances

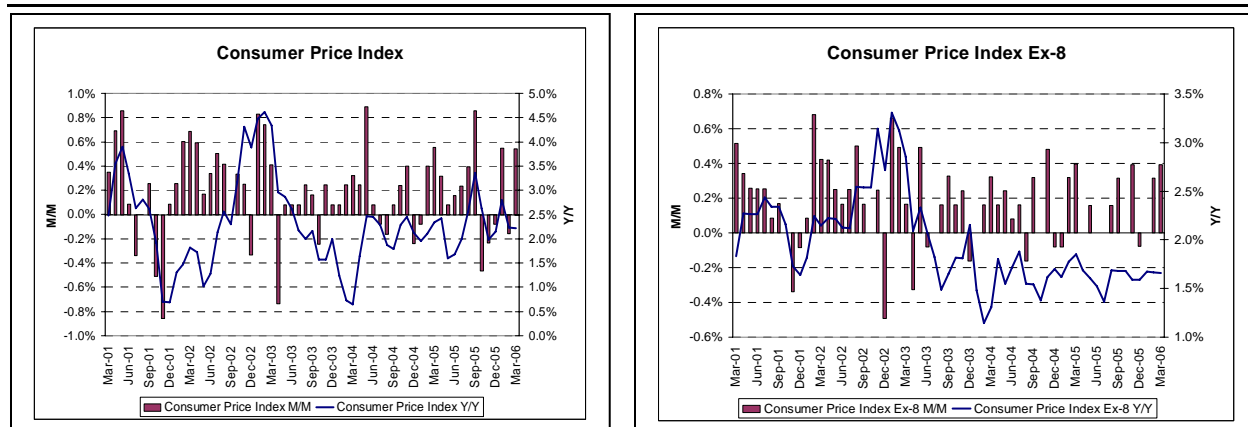
<i>Canada</i>	<i>Latest period (C\$bln)</i>	<i>Last 12mth. as % of GDP</i>
Budget Balance	4.1 (Feb)	0.4%
Trade Balance	6.3 (Feb)	4.8%
Current Account Balance	13.3 (Q4)	2.2%
Private Balance	--	1.8%

Trade-Weighted Exchange Rate



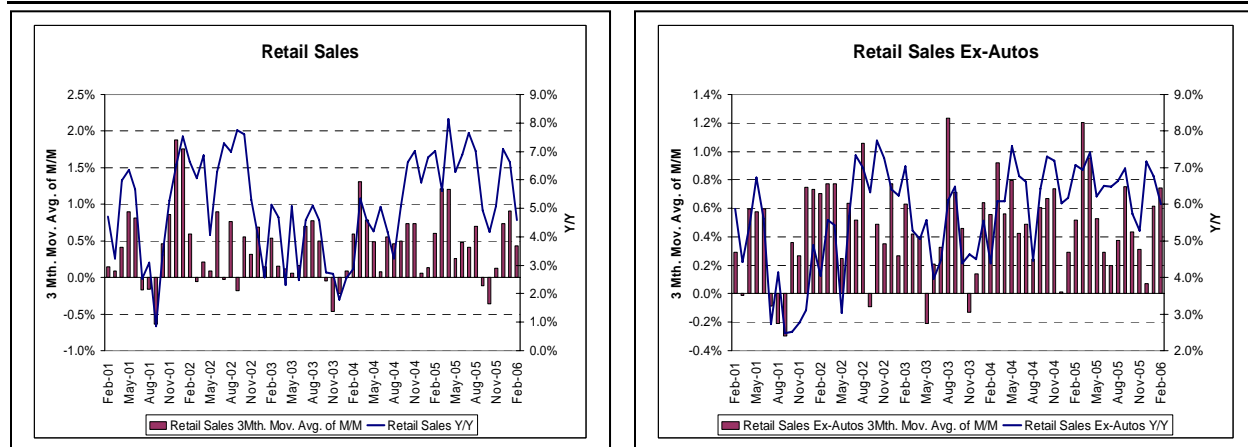
CPI & Retail Sales

CPI



Canada's Headline CPI increased 0.5% M/M and 2.2% Y/Y in March, above expectations for a 0.4% and 2.1% Y/Y increase. The M/M gain occurred mainly as a result of increases in the prices of gasoline and women's clothing. Core CPI increased 0.4% M/M and 1.7% Y/Y, above expectations, mainly as a result of increases in women's clothing (+6.8%), automotive vehicle insurance premiums (+2.0%), and travel tours.

Retail Sales

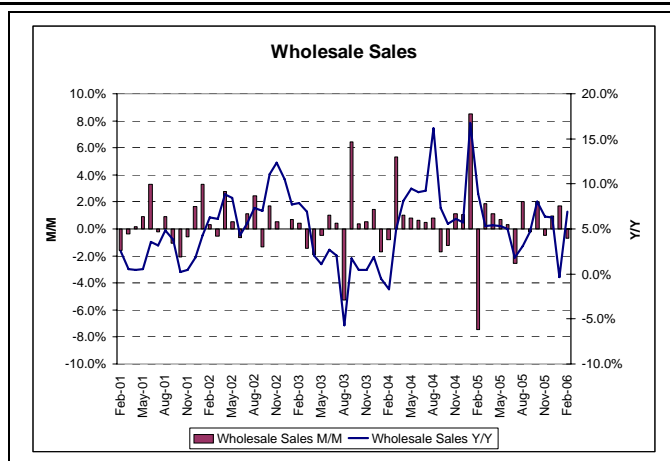


Retail Sales growth decreased 0.4% M/M and increased 4.6% Y/Y in February. The M/M decline in Retail Sales was the first in four months, and was mainly attributed to a decline in sales in the automotive sector. Retail Sales, excluding autos, increased 0.3% M/M, and 6.0% Y/Y.

Wholesale Sales & News

Wholesale Sales

Wholesale Sales decreased 1.1% M/M and increased 6.9% Y/Y in February. On a M/M basis, sales decreased in five of the seven sectors, with the largest declines in personal and household goods (-3.7%) and automotive products (-1.1%).



News

April 26th - Correction to Canada's fourth quarter 2005 productivity – Statistics Canada announced that the 2005 growth rate in Canada's labor productivity, reported on March 10th as 1.1%, is actually 2.2%. This correction shows that labor productivity in Canada at the end of 2005 posted its strongest annual productivity performance since 2000.

April 25th – Canada's export growth is expected to slow - Export Development Canada noted in its quarterly forecast that it expects Canada's export growth to slow this year as energy prices decrease and the global economy cools. The value of exports of goods and services is forecasted to slow from 5.3% in 2005 to 3% in 2006 and 1% in 2007. The report also showed that global economic growth is expected to slow from 4.5% in 2005 to 4.3% this year.

April 20th - Canada's February Budget Surplus Narrows to C\$4.08 bln – Canada's budget surplus narrowed from C\$5.8 bln in February of 2005 to C\$4.1 bln in February 2006. Program expenses increased 14% to C\$12.9 bln mainly as a result of transfers to other governments. Provinces and other public administrations were allocated C\$9.1 bln for healthcare programs. Revenue decreased 0.5% to C\$19.7 bln as manufacturers (excluding energy producers) paid less tax based on lower profits.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/27	Business Conditions Orders (APR)	-1.5	1.0
04/28	Gross Domestic Product (M/M) (FEB)	0.2%	0.2%
05/01	Industrial Product Price (M/M) (MAR)	0.3%	-0.4%
05/01	Raw Materials Price Index (M/M) (MAR)	1.5%	-3.2%

Valance Co., Inc.

Valance Economic Report: Australia

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April 26, 2006

Australia's headline inflation accelerated faster than expected in Q1 though underlying measures were tame; the market has now priced in a May 3 rate hike and a 50% chance of another 25bp rate hike by the end of this year.

Weekly Highlights

CPI – rose 0.9% Q/Q and 3.0% Y/Y in Q1. (page 34)

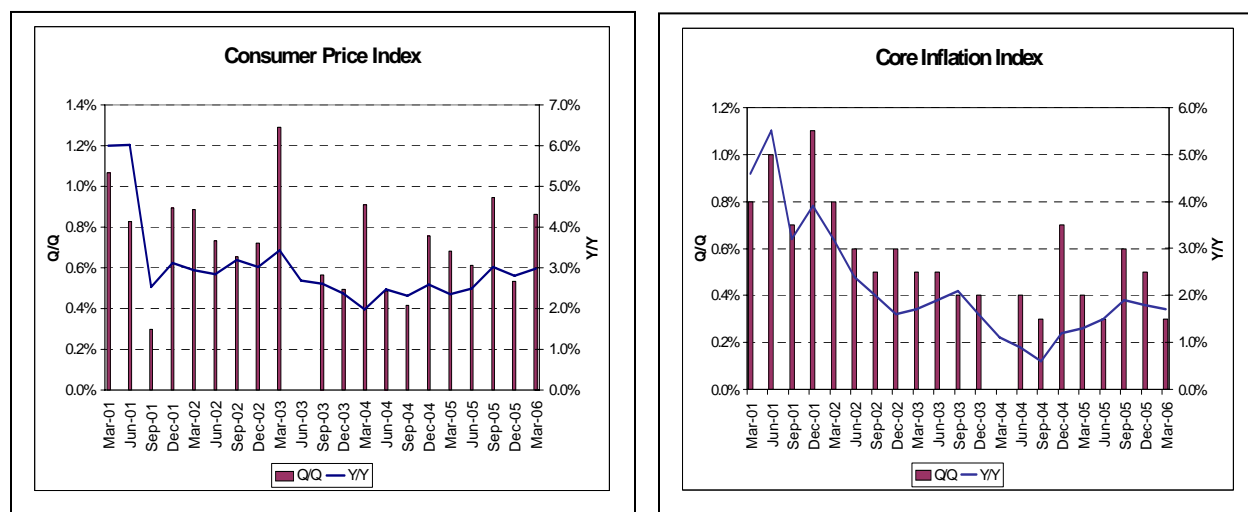
PPI - rose 0.8% Q/Q and 3.8% Y/Y in Q1. (page 35)

New Vehicle Sales – decreased 2.0% M/M and 2.8% Y/Y in March. (page 35)

Skilled Vacancies - gained 1.3% in April from March. (page 36)

Weekly Releases & News

Chart of the Week: CPI



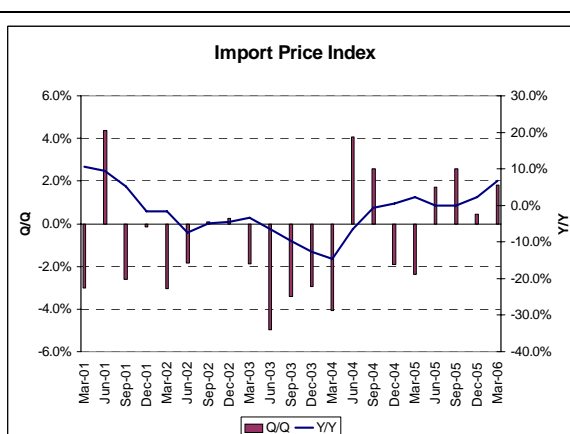
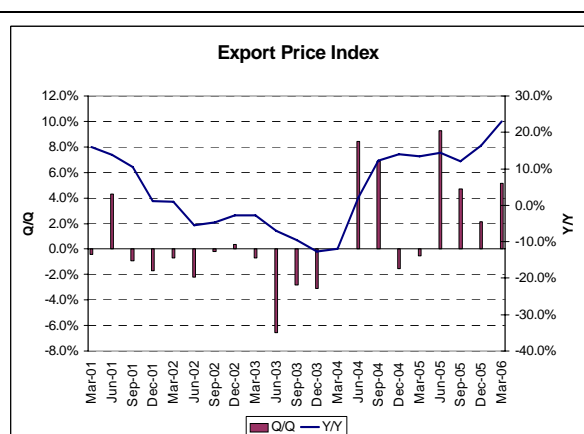
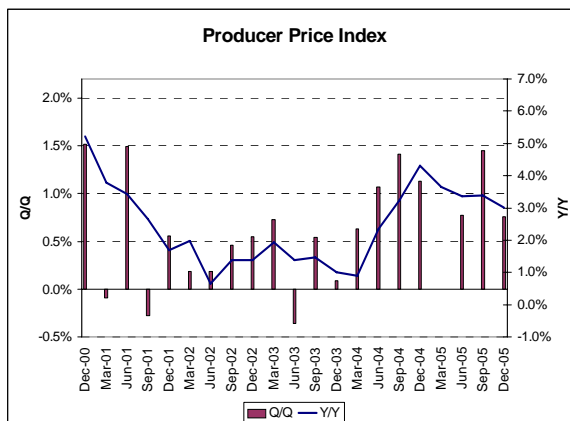
The Consumer Price Index rose 0.9% in Q1 after rising 0.5% in Q4. Prices rose 3.0% Y/Y in Q1 compared to a 2.8% increase in Q4. A measure of core inflation, which excludes volatile items such as gasoline, education costs, and fruit and vegetables, rose 0.3% in the quarter for an annual increase of 1.7%. Stoking inflation, education fees gained 5.6% and pharmaceutical drug costs jumped 14.2% in Q1. Fuel costs rose 1.4%. The period of tradables deflation has ended. But the shake-out in the housing market has seen non-tradables inflation ease modestly.

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PPI & New Vehicle Sale

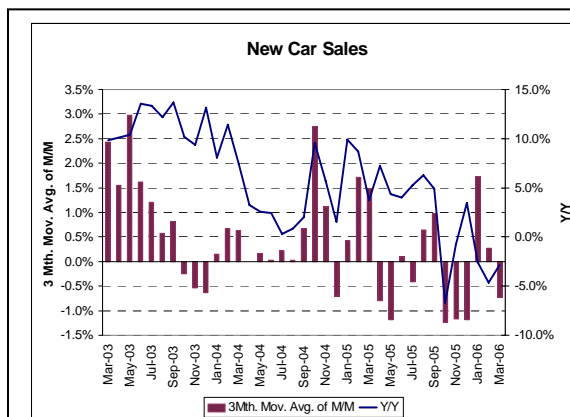
Producer Price Index

The PPI rose 0.8% Q/Q and 3.8% Y/Y in Q1. Import and Export Prices rose 1.8% and 5.1% Y/Y respectively in Q1.



New Vehicle Sales

Sales of New Vehicles decreased 2.0% M/M and 2.8% Y/Y in March.



DEWR Skilled Vacancies & News

DEWR Skilled Vacancies

An index measuring the number of jobs available for skilled workers in Australia gained 1.3% in April from March. Total skilled vacancies were 5.6% lower in April than a year earlier. Jobs for tradesmen (including builders and mechanics) rose 1.5%. Positions for professionals (including doctors and lawyers) increased 0.4%.

News

Treasurer Peter Costello on Oil to Stoke Australian Q2 Prices (04/26/2006):

- “Rising oil prices will have a bigger impact on Australia's inflation rate in the second quarter than they did in the first quarter.”
- “We have seen a little impact from petrol prices in the March quarter, but unfortunately there is a bigger impact yet to come. The June quarter, with the price rises that we've seen will have a bigger petrol impact.”
- “You hear of some companies that are announcing already that they want to put up prices because of fuel costs. There is evidence some companies are trying to get price rises.”

Ken Henry Reappointed Australian Treasury Secretary:

Henry, 48, was appointed to the role in 2001 and is a member of the RBA's policy-setting board. Henry has worked in the department since 1984 and was a senior adviser to Treasurer Peter Costello between 1986 and 1991. “I express my continuing appreciation of Dr. Henry's contribution to this important department”, Prime Minister John Howard said in his statement

Westpac-Melbourne Institute Leading Index

The annualized growth rate of the Westpac-Melbourne Institute Leading Index of Economic Activity, which indicates the likely pace of economic activity three-to-nine months in the future, was 3.5% in February. That was down from 3.7% in January and below the long-term trend of 3.7%. The February leading index rose 0.4 points to 235.4.

Yet the Coincident Index, which measures current activity, showed annualized growth accelerating to 2.3%, from 1.9% in January.

Upcoming Dates

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/27	HIA New Home Sales (MAR)	---	---
04/27	RBA's Governor Speaks	---	---
05/02	RBA CASH TARGET (MAY)	---	5.50%

Valance Co., Inc.

Valance Economic Report: New Zealand

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April 26, 2006

Business Confidence at a seven-month high combined with other, more upbeat data, leaves the RBNZ very little room to change its last policy meeting's stance. Employment and profit expectations have risen and export intentions are at a four-year high. The latest data suggest that the economy is far from being on the ropes.

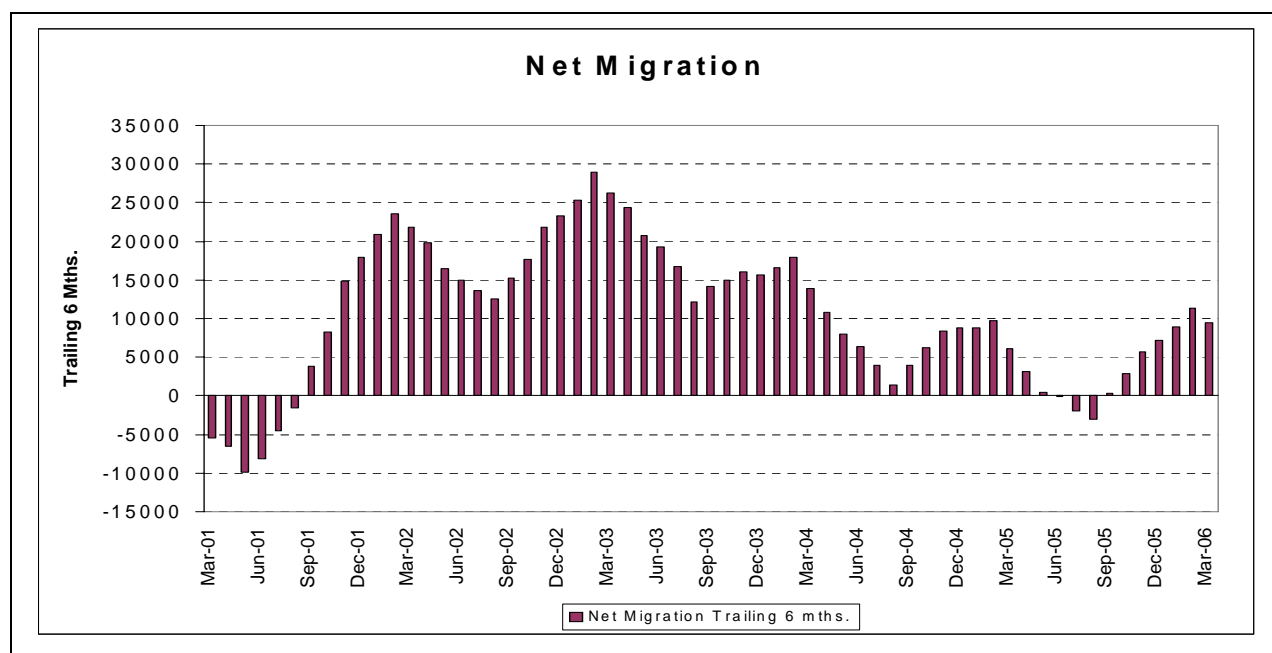
Weekly Highlights

Visitor Arrivals – decreased 0.1% M/M and 0.4% Y/Y in March. (page 38)

NBNZ Business Confidence – rose to a seven-month high in April. (page 39)

Weekly Releases & News

Chart of the Week: *Visitor Arrivals*

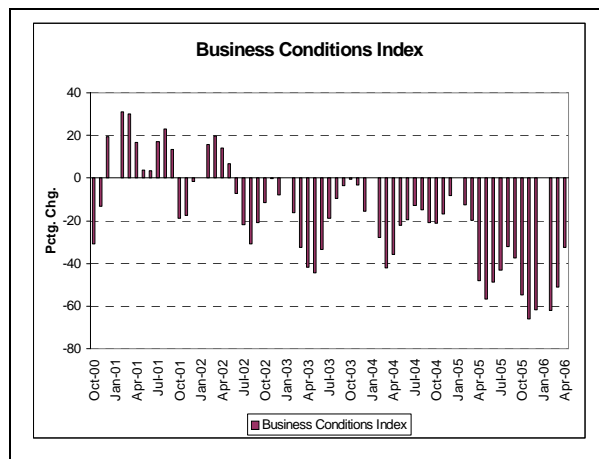


New Zealand gained 2.7% fewer permanent migrants in the year through March. Short-term visitor arrivals fell 0.1% in March from a 1.5% gain in February. From a year earlier, arrivals fell 0.4%. Migrant arrivals exceeded departures by 9,739 in the year ended on March 31st from 10,013 in the year to March 2005.

NBNZ Business Confidence & NZ Dollar

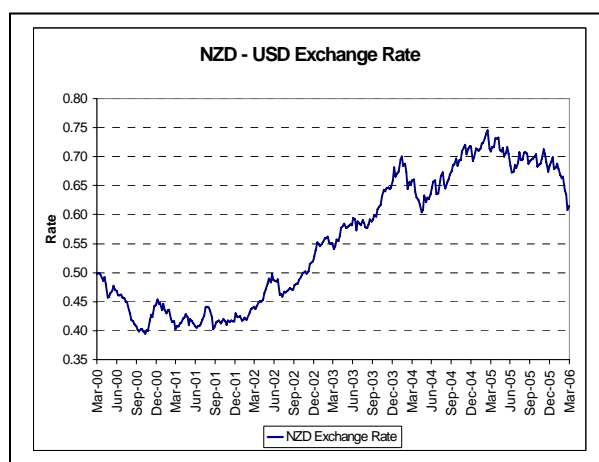
NBNZ Business Confidence

New Zealand Business Confidence rose to a seven-month high in April as the currency's 10% slump in Q1 buoyed the outlook for farmers and other exporters. 33% of companies surveyed this month expect sales to improve in the next 12 months from 28% in March. 19% of the companies surveyed expect sales to decline and 48% anticipate no change. Employment and profit expectations have risen and export intentions are at a four-year high. The Net Index increased from -51.0 in March to -32.4 in April.



NZ Dollar

The kiwi rebounded well above US63c and is holding its ground this week in response to a sharp fall in the US dollar, especially against the yen. The focus is on Thursday's review of interest rates by the RBNZ. Economists expect a hawkish statement that will further dampen prospects of interest rate cuts this year.



News & Upcoming Dates

More Color on Migration Data:

The net migrant inflow to New Zealand continues, which has a direct impact on housing and the labor market pressures. Tourist arrivals continue to decline slightly and New Zealanders chose to travel a bit less these days.

Bottom line is that the tally of the arrival and departure cards for March shows a steady inflow of people to New Zealand to live or work. The tourism figures are consistent with wider measures showing income pressure amongst the export industry while the migration figures are consistent with only a moderate slowdown in the wider economy and a slower than expected move to kick off the easing cycle by the RBNZ.

A seasonally adjusted net 1830 people migrated to New Zealand in March, the largest net inflow since Feb-04.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/26	RBNZ OCR (APR)	7.25%	7.25%
04/26	Trade Balance (MAR)	-251mn	-257mn
04/27	Building Permits M/M(MAR)	---	12.4%

Valance Co., Inc.

Weekly Economic Report: *China*

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April 26, 2006

Mostly solid economic performance was seen in China over the past week. Real GDP increased a strong 10.2% Y/Y in Q1, while Retail Sales, Value-Added Industry and Industrial Profits all held firm. On a softer note, Consumer Price growth continues to trend below the People's Bank of China's 3.0% inflation forecast for 2006.

Weekly Highlights

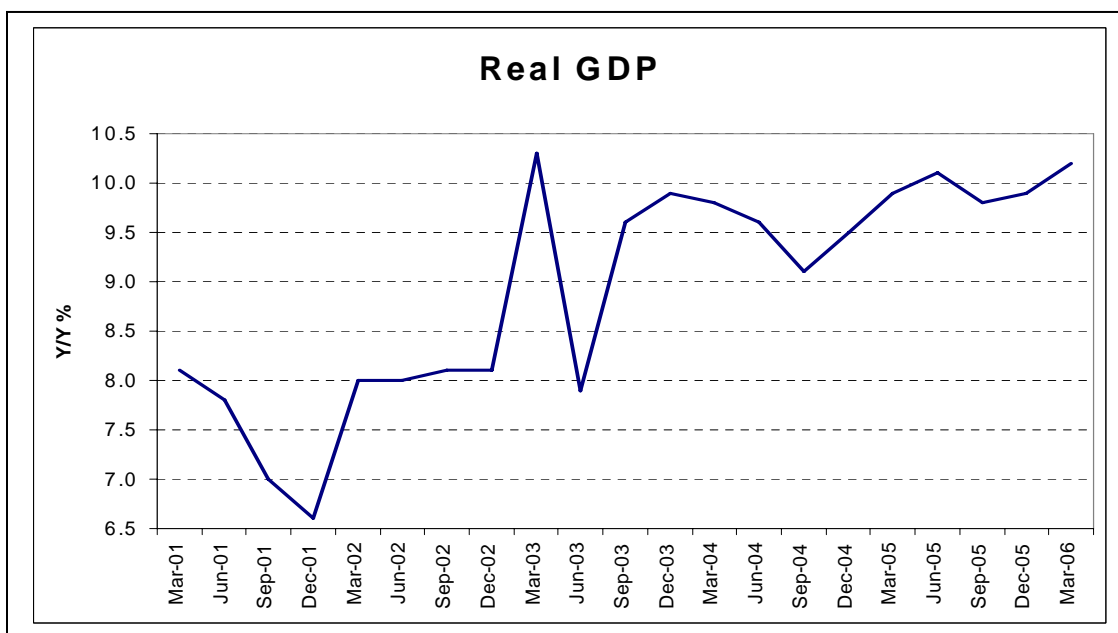
Real GDP - increased 10.2% Y/Y in Q1, above expectations. (page 41)

Consumer Price growth - slowed from 0.9% Y/Y in February to 0.8% Y/Y in March. (page 42)

Industrial Profits growth - increased 21.3% Y/Y in March. (page 44)

Weekly Releases & News

Chart of the Week: *GDP*

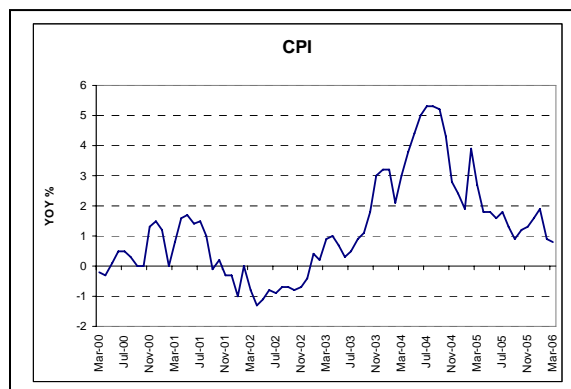


Real GDP increased from 9.9% Y/Y growth in Q4 to 10.2% Y/Y in Q1, due to a continued boom in investment and exports. Expectations were for a reading of 9.7% Y/Y. Growth in the primary sector slowed from 5.2% Y/Y in Q4 to 4.6% Y/Y in Q1. In the secondary industry sector, growth increased from 11.4% Y/Y in 4Q to 12.5% Y/Y in Q1, and in the tertiary sector growth slowed from 9.6% Y/Y in Q4 to 8.7% Y/Y in Q1.

CPI, Retail Sales & Producer Price Index

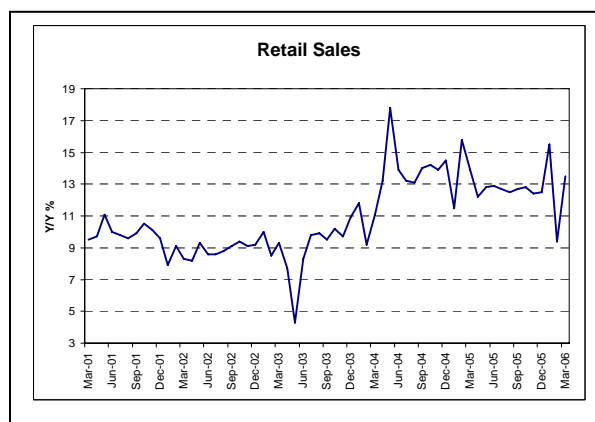
CPI

Consumer Price growth slowed from 0.9% Y/Y in February to 0.8% Y/Y in March, below expectations for a reading of 1.3% Y/Y. The prices of food and consumer products increased 0.8% Y/Y and 0.6% Y/Y, respectively. The prices of service items increased 1.6% Y/Y. The People's Bank of China has forecast inflation to increase around 3% this year, compared to 1.8% in 2005 and 3.9% in 2004.



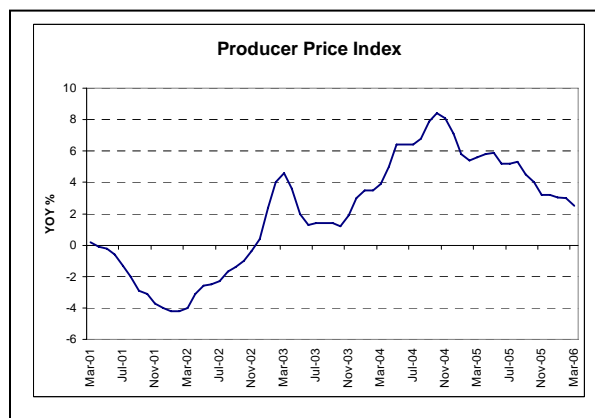
Retail Sales

Retail Sales growth, an important indicator of Chinese consumer demand, increased from 9.4% Y/Y in February to 13.5% Y/Y in March.



Producer Price Index

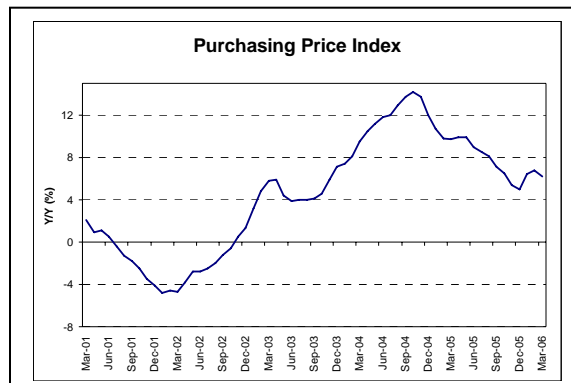
Producer Price growth slowed from 3.0% Y/Y in February to 2.5% Y/Y in March, its slowest pace in more than two years. The consumer goods component of the PPI decreased 0.3% Y/Y and prices for clothing increased 1.3% Y/Y.



Purchasing Price Index, Value-Added Industry & Fixed Assets Investment

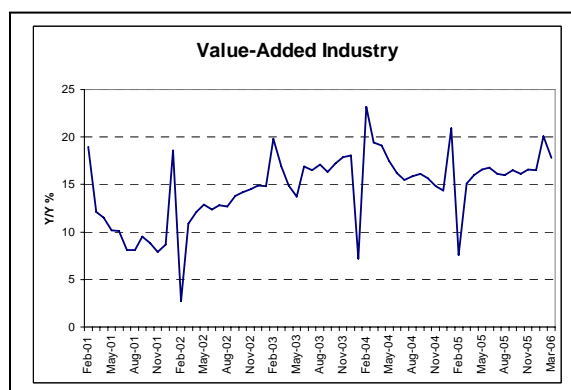
Purchasing Price Index

The Purchasing Price Index slowed from 6.8% Y/Y in February to 6.2% Y/Y in March.



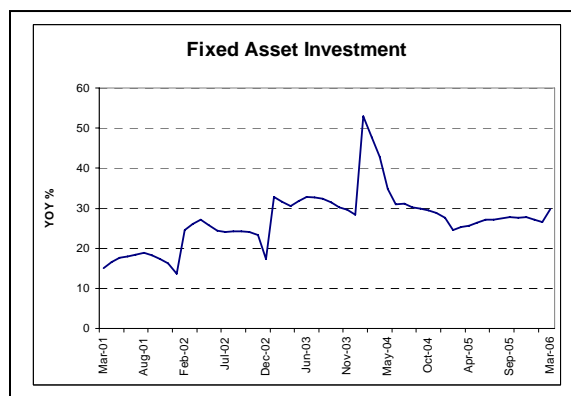
Value-Added Industry

Value Added Industry growth slowed from 20.1% Y/Y in February to 17.8% Y/Y in March, but was above market expectations for a result of 16.0% Y/Y.



Fixed Asset Investments

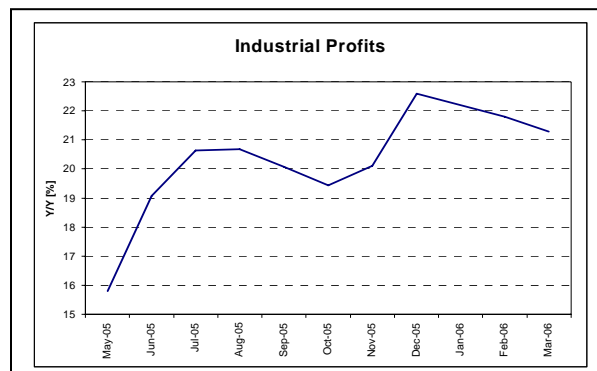
Fixed Asset Investments growth increased from 26.6% Y/Y in February to 29.8% Y/Y in March, remaining above the government's 18% Y/Y target for 2006.



Industrial Profits, Wholesale Prices & News Releases

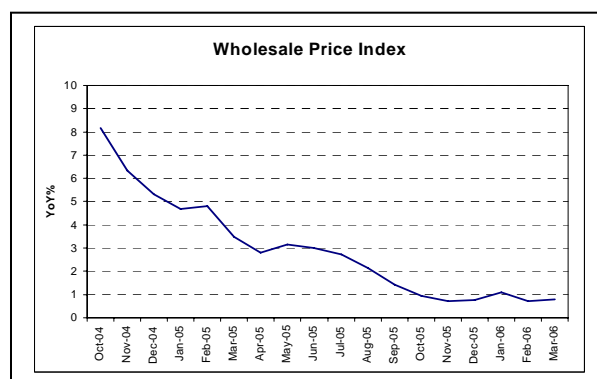
Industrial Profits

Industrial Profits growth increased 21.3% Y/Y in March as sales increased 25.3% Y/Y.



Wholesale Prices

Wholesale Price growth edged up from 0.7% Y/Y in February to 0.8% Y/Y in March. This series which the People's Bank of China created to track the trading prices among companies in the first phase of the wholesale process, has been relatively flat over the past five months.



News Releases

April 22nd – Yuan Convertibility Will be “Step by Step” - Deputy Director, Sun Lujun of the Capital Account Management Department of the State Administration of Foreign Exchange, stated that the yuan’s convertibility will be a “step by step” process and focus will be on reducing the surplus in the international balance of payments. Lujun indicated that, “Yuan convertibility is a systematic project and has to accommodate the nation’s macroeconomic development and financial reform.” Lujun further added, “The foreign exchange regulator this year will mainly focus on more measures to ease the surplus in the international balance of payments.”

April 22nd – China Is Making Strides to Reducing Its Trade Surplus - PBoC Governor, Zhou Xiaochuan, stated that China is adjusting its currency and taking steps to reduce its trade surplus. He said that, “China is adopting further measures to expand domestic demand, encourage consumption, open its markets, improve its exchange-rate regime, and restructure trade.” Xiaochuan further added that developed countries should “create job opportunities and export advantages to improve their competitiveness.”

News Releases (Cont'd.) & Upcoming Dates

News Releases (Cont'd.)

April 20th & 21st – Bush Urges Jintao to Let Currency Rise – U.S. President, George Bush and Chinese President, Hu Jintao, met at the White House to discuss trade and currency issues. Bush urged Jintao to let the yuan rise to help reduce the U.S.' trade deficit with China. Bush stated, "There's been some appreciation in the currency. We would hope there would be more appreciation in the future. The Chinese government takes the currency issues seriously and so do I." Jintao responded by saying that the Chinese government "understands U.S. concerns and will continue to take steps to" resolving the issues. He also stated that, "In the future we will continue to make adjustments to the renminbi exchange rate regime." "We do not pursue an excessively high trade surplus," Jintao added.

April 20th – JPMorgan Chase & Co. Revised Its 2006 Forecast – JP Morgan Chase & Co. has revised its 2006 growth forecast for China from 9.2% to 9.6%, as stronger-than-expected growth occurred in Q1. Its 2007 forecast, however, remained the same at 9.0%.

April 20th – Snow Pushes China for More Currency Flexibility - During meetings in Washington, U.S. Treasury Secretary, John Snow, pushed PBoC Governor, Zhou Xiaochuan and National Development and Reform Commission Chairman, Ma Kai, to allow for greater currency flexibility. However, Xiaochuan and Kai told Snow that the government's 5-year plan will lead to a more balanced domestic growth.

April 20th – WTO Predicts China To Be Premier Exporter In Five Years - The WTO has forecast, as a result of its trade statistics, that China could become the premier exporter of goods by 2007, providing that it maintains a 30.0% rate of increase in exports in the coming years.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/28-30	Government Revenue / Expenditure – Mar	--	253.5B / 156.0B
04/28-30	Leading/Coincident/Lagging Indices	--	102.6 / 100.6 / 94.2

Valance Co., Inc.

Valance Economic Report: Sweden

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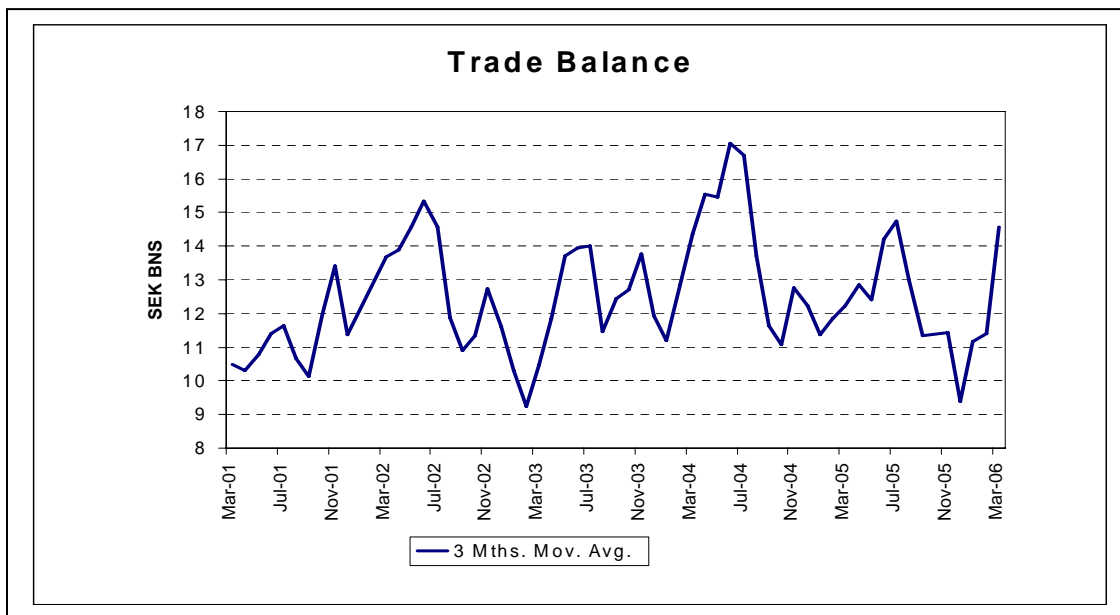
April 26, 2006

A widening Trade Balance was the highlight of this week's Swedish data. The labor market continues to strengthen after more than three years of stagnation.

Weekly Highlights

Trade Balance - widened to a surplus of SEK 17.5 bln in March from SEK 11.2 bln in February. (page 46)

Unemployment - fell to 5.5% in March from 5.6% in February. (page 47)

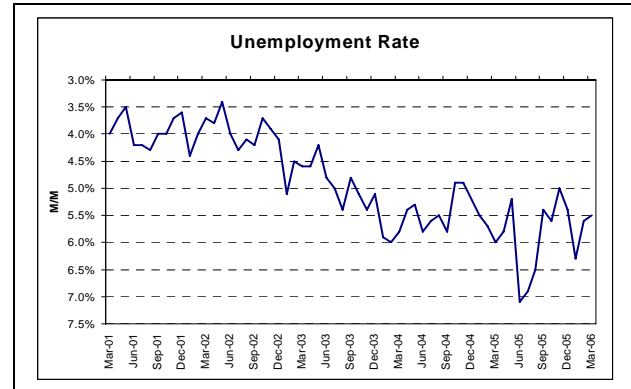
Weekly Releases & News**Chart(s) of the Week: Trade Balance**

The Trade Balance widened to a surplus of SEK 17.5 bln in March from a revised SEK 11.2 bln in February (down from 12.0 bln) and 13.5 bln a year earlier. Expectations were for a surplus of SEK 12.5 bln. Imports and exports advanced 20.0% Y/Y and 22.0% Y/Y, respectively.

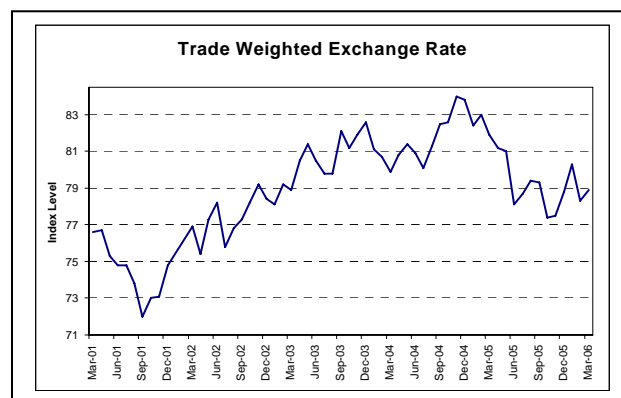
Unemployment Rate, Trade Weighted Exchange Rate & Upcoming Dates

Unemployment Rate

The Unemployment Rate fell from 5.6% in February to 5.5% in March. The number of unemployed individuals fell to 246K – down 7K from the month before, while the number of employed rose by 1K.



Trade Weighted Exchange Rate



Key Dates This Week

Date	Indicator	Expectation	Previous
04/27	Manufacturing Confidence s.a. – Q1	--	3.0
04/27	Consumer Confidence – Apr	--	15.5
04/27	PPI (M/M) / (Y/Y) – Mar	--	-0.5% / 15.5%
04/28	Retail Sales s.a. (M/M) – Mar	--	--
05/02	Swedbank PMI Survey – Apr	--	62.5

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Valance Economic Report: Switzerland

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April 26, 2006

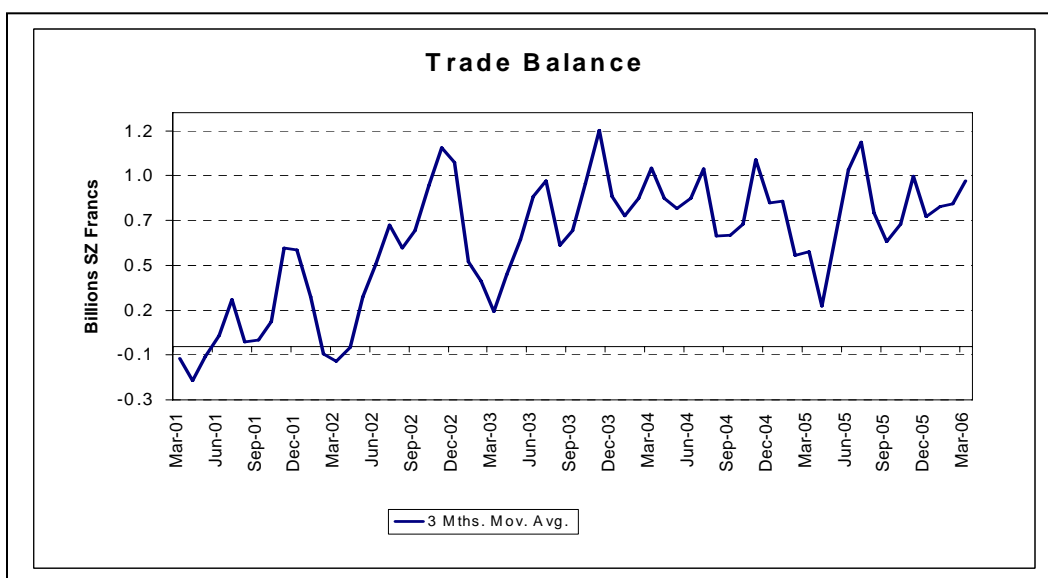
All indicators showed improvement this past week, highlighted by the export data. SNB Vice President, Niklaus Blattner, remarked on the Bank's possible "gradual increase" of interest rates.

Weekly Highlights

Trade Balance - widened from a surplus of 0.82 bln in February to a surplus of 0.84 bln in March. (page 48)

Weekly Releases & News

Chart(s) of the Week: *Trade Balance*

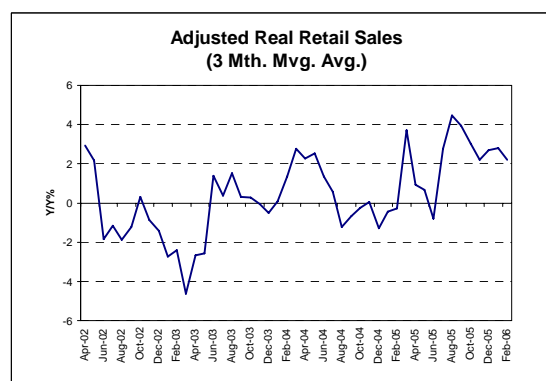


Switzerland's Trade Balance widened from a surplus of 817 mln in February to a surplus of 836 mln in March. Real exports rose by 4.8% while real imports declined 0.6%.

Adjusted Real Retail Sales, Producer and Import Prices & UBS Consumption Indicator

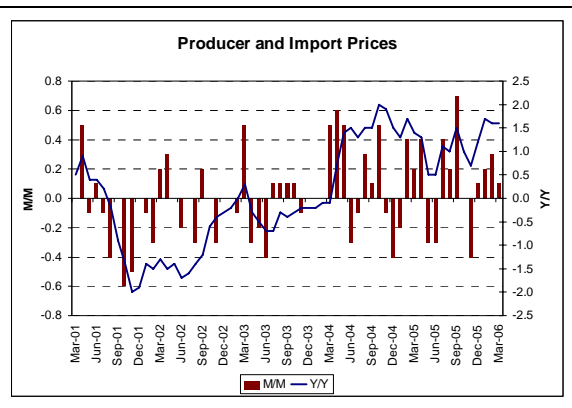
Adjusted Real Retail Sales

Swiss Retail Sales, when adjusted for inflation, increased for the ninth consecutive month in February by 0.4%. The increase was led by purchases of cosmetics, health care and electronic entertainment equipment. This marked the longest run of consecutive gains in four years.



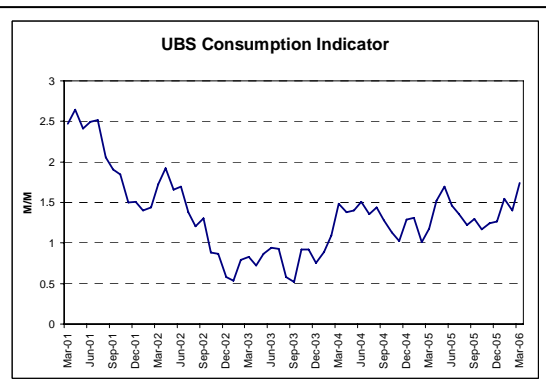
Producer & Import Prices

Producer & Import Prices rose 0.1% M/M and held at 1.6% Y/Y in March – led by higher crude oil prices.



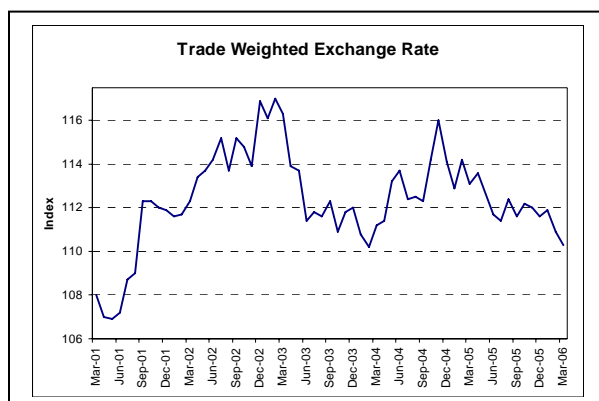
UBS Consumption Indicator

The UBS Consumption Indicator rose from a revised 1.401 in February (up from 1.391) to 1.743 in March, reaching the highest level in almost four years and was led by rising exports. UBS Economist, Daniel Kalt remarked, the “indicator suggests that consumer spending will continue to grow at a healthy rate.”



Trade Weighted Exchange Rate & News Releases

Trade Weighted Exchanged Rate



News Releases

April 24th – SNB Vice President, Niklaus Blattner, Expects Possible ‘Gradual Increase’ Of Rates -

Vice President, Niklaus Blattner of the SNB, expects growth to be at least 2.0% in 2006, suggesting that rates will gradually increase. Blattner remarked the following in an interview with the Swiss Equity Magazine: “Provided the economy develops as expected, we will continue to follow a course of gradually increasing rates from historic lows to a normal interest rate level.” He stated that the Bank predicts that exports will develop “robustly” while the domestic economy would experience “margin pressure.” “This will reduce some inflationary pressure so that the inflationary danger will tend to be rather modest,” Blattner added.

April 21st – Barclay’s Chief Economist, Thorsten Polleit, Comments on the Outlook for Switzerland’s Economy –

On economic growth: “You can expect Switzerland to grow strongly, much more than the long-term trend of growth indicates. Long-term average growth in Switzerland is about 1.3 percent. In the course of the year, you can expect the growth rate to exceed that figure significantly and to rise to about 2 percent.”

On the oil price: “Oil plays an important role not only for the development of prices but also for the real economic development. An oil price significantly above \$70 a barrel will probably leave its marks and slow down the economy. The economic forecasts are still very positive. However, the marks will become evident with a certain time delay. Next year, the Swiss growth rate is unlikely to be around 2 percent again but will probably turn out significantly lower, around 1.3 percent.”

On interest rates: “In general, a central bank shouldn’t react on oil price increases as these are development which it can’t influence. The problem at the moment is rather that central banks have cut real interest rates to zero. Interest rates have to be increased. I expect the Swiss central bank to raise short-term interest rates by 25 basis points in June.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/28	KOF Swiss Leading Indicator – Apr	1.31	1.30
05/02	SVME – Purchasing Mangers' Index – Apr	--	--