



LONGWAVE GROUP



Ian Gordon Economic Forecaster & Interpreter of the KONDRATIEFF CYCLE

Those who cannot remember the past are condemned to repeat it. Santayana

February 23, 2009

THAT WAS THE WEEK THAT WAS

Monday, February 23rd.

- U.S. President Obama will set a goal in his fiscal 2010 budget, to reduce the annual U.S. deficit by 50% by the end of his term of office in 2013
- Citigroup reportedly in talks with the U.S. Government regarding an increase from the current 8% to as much as a 40% investment in the bank through the conversion of preferred shares
- Meeting in Berlin, European Union leaders called for new global regulation of hedge funds, endorsed a doubling of funds for the International Monetary Fund (IMF) and a strengthening of the supervisory role of the Financial Stability Forum
- The Ontario Municipal Employees Retirement System (OMERS) loses \$8 billion (CAD) in 2008 versus a profit of \$4 billion (CAD) in 2007
- Canadian retail sales fell by 5.4% in December
- J.P. Morgan cuts its dividend from 38 cents (U.S.) to 5 cents (U.S.) per share, saving the company \$5 billion (U.S.) annually
- Royal Bank of Scotland Group (RBS), 70% owned by the U.K. Government, will establish a "non-core" subsidiary which will hold \$432 billion (U.S.) of troubled assets. The Bank will also cut costs by more than \$1.44 billion (U.S.) resulting in 20,000 job layoffs, more than half of which will occur in the U.K.

Tuesday, February 24th.

- German business confidence at a 26-year low
- Hudson Bay Mining drops bid for Lundin Mining
- Magna International loses \$148 million (U.S.) in the 4th. quarter, as sales decline by 29%
- Home Depot posts loss of \$54 million (U.S.) in the 4th. quarter
- Conference Board reports that U.S. consumer confidence index plunges to a record low level of 25.0 in February versus a revised 37.4 reading in January
- In his semi-annual testimony before the Senate Banking Committee, Federal Reserve Board Chairman Ben Bernanke projects U.S. core inflation will remain low for the next 2 years and the U.S. economy will recover from recession in 2-3 years, as "downside risks to the economy probably outweigh upside risks" today
- Case-Schiller housing index reports that house prices in 20 major U.S. cities fell by 18.5% during 2008
- Next week, American International Group (AIG) may report a \$60 billion (U.S.) loss for the 4th. quarter of 2008 and project a \$100 billion loss for the year 2009
- Office Depot reports that sales fell by 15% in the 4th. quarter
- Target Stores profit plunges 41% in the 4th. quarter
- U.S. bankruptcy court rules that auto parts supplier Delphi Corp. may eliminate retirement health care and life insurance benefits for 15,000 salaried workers and their surviving spouses (**see Winter Warning, The Penchant for Pensions – December 15, 2008**)
- Irish Police officers and fraud investigators from the Office of the Director of Corporate Enforcement raid the central Dublin offices of Anglo Irish Bank Corp. seeking computers and documents

Wednesday, February 25th.

- Japan's trade deficit widened to a record level in January as exports declined by 45.7%, representing the fastest drop on record
- Taiwan's exports plunge to record low in January and Hong Kong's economy contracted by 2.5% in the last 3 months of 2008
- Same store sales at Sears Canada declined by 6.2% in the 4th. quarter



LONGWAVE GROUP



Ian Gordon Economic Forecaster & Interpreter of the KONDRATIEFF CYCLE

Those who cannot remember the past are condemned to repeat it. Santayana

- Britain's gross domestic product (GDP) contracted by 1.9% in the 4th. quarter of 2008 and for the year GDP rose by 0.7%
- Toronto Dominion Bank reports a 27% decline in its 1st. quarter profit to \$712 million (CAD), recording significant charges from its debt securities portfolio, increased loan losses and restructuring costs for its Commerce Bancorp subsidiary
- U.S. existing home sales declined by 5.3% in January to a level of 4.49 million, representing the slowest pace since July, 1997
- Nortel announces additional 3,200 job layoffs worldwide, omits severance pay and cancels all bonuses due from 2008
- The Caisse de Depot et Placements du Quebec reports a \$39.8 billion (CAD) loss in 2008 (**See Winter Warning, Your First Loss Is Always Your Smallest – February 16, 2009**)
- Saks Inc. reports a loss of \$99 million (U.S.) in its fiscal 4th. quarter, reflecting declining sales and profit margins

Thursday, February 26th.

- General Motors posts a loss of \$5.9 billion (U.S.) in the 4th. quarter and a \$16.8 billion (U.S.) loss for all of 2008
- U.S. initial jobless claims increased by 41,000 to 667,000 in the week ended February 21st. while continuing claims rose to 5.11 million
- U.S. durable goods declined by 5.2% in January
- Royal Bank to raise capital through issuance of \$200 million (CAD) of preferred shares
- U.S. Government budget deficit projected to be \$1.75 trillion (U.S.) for fiscal year 2010, representing 12% of U.S. Gross Domestic Product (GDP) and the White House predicts a deficit of \$533 billion (U.S.) representing 3% of GDP by the end of 2013
- U.S. new home sales decline by 10.2% in January
- National Bank profit declines to \$69 million (CAD) in the 1st. fiscal quarter compared to a profit of \$255 million (CAD) posted a year ago, as a result of charges related to the Company's holdings of non-bank asset backed commercial paper (ABCP). (**See Winter Warning, If You Aren't Skeptical, Then You Are Liable to be Gullible – January 19, 2009**)
- Royal Bank of Canada profit declines by 15% to \$1.05 billion (CAD) in the 1st. fiscal quarter
- CIBC reports profit of \$147 million (CAD) in the 1st. fiscal quarter compared to a loss of \$1.46 billion (CAD) posted a year ago
- JP Morgan announces 2,800 additional job layoffs as a result of its takeover of Washington Mutual
- CIBC to raise capital via issuance of \$275 million (CAD) of preferred shares
- Torstar posts \$211 million (CAD) loss in 4th. quarter and cuts its dividend in half
- Province of Alberta forecasts \$1.4 billion (CAD) budget deficit for fiscal 2009
- Alberta Heritage Fund seen posting \$3 billion (CAD) loss in fiscal 2009
- The Federal Deposit Insurance Corporation (FDIC) cites 252 problem U.S. banks in the 4th. quarter, up 50% from the 3rd. quarter
- U.S. banking industry loses \$26.2 billion (U.S.) in the 4th. quarter
- As Royal Bank of Scotland reports a net loss of 24.1 billion pounds for 2008, the U.K. Government agrees to inject up to 25.5 billion pounds into UBS to own a potential 96% and insure 325 billion pounds of the company's assets

Friday, February 27th.

- U.S. 4th. quarter Gross Domestic Product (GDP) revised downward from a minus 3.8% annualized rate to a minus 6.2% annualized rate
- Canadian factory prices fell 0.1% in January
- U.S. Treasury increases ownership in CitiGroup to 36% while company takes a \$9.68 billion (U.S.) write down in 4th. quarter; suspends quarterly dividend and reorganizes its board of directors with emphasis on independent members
- Unemployment rate in Eurozone rises to 8.2% in January while the inflation rate contracts to 1.1%



LONGWAVE GROUP



Ian Gordon Economic Forecaster & Interpreter of the KONDRAIEFF CYCLE

Those who cannot remember the past are condemned to repeat it. Santayana

- Canadian current account deficit climbs to \$7.5 billion (CAD) in January
- Bank of America President and CEO Ken Lewis is subpoenaed by New York Attorney General Mario Cuomo regarding payment of Merrill Lynch bonuses (**see *Winter Warning, The Clash of Cultures – February 2, 2009***)
- Dell Inc. profit falls 48% in the 4th. Quarter
- General Electric plans to cut its quarterly dividend from 31 cents (U.S.) per share to 10 cents (U.S) per share
We now must express our serious doubts regarding the Company's ability to retain its AAA credit rating
- Moody's Investors Service predicts that during the next few years, the default rate for non-investment grade corporate credits will exceed the numbers recorded for this sector during **the Great Depression of the 1930's**

Written By: Christopher Funston

Ian A. Gordon, The Long Wave Analyst, www.longwavegroup.com

Disclaimer : The opinions and conclusions contained in this report are solely those of the author. The information contained in this report is drawn from sources believed to be reliable, but its accuracy and completeness is not guaranteed. It does not provide investment advice, because the author has no knowledge of the specific investment objectives, or the financial circumstances and specific needs of any individual reading this report. The author accepts no responsibility or liability incurred by the reader as a result of any loss incurred in any investment decision by the reader, whether direct or indirect, insofar as the purpose of the article is stimulate thought and enquiry and is opinion and not investment recommendation. All readers must obtain expert investment advice before committing funds.

Readers of this report must understand that statements regarding future prospects may not be achieved. Investment values are subject to gains and losses.

The information and recommendations contained in this report is not a solicitation to buy or sell securities that may be mentioned in this report. The information contained in this report as of the date shown, and the author assumes no obligation to update the information or advise on further developments.