



LONGWAVE GROUP



Ian Gordon Economic Forecaster & Interpreter of the KONDRATIEFF CYCLE

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

March 2, 2009

THAT WAS THE WEEK THAT WAS

Monday, March 2nd.

- Berkshire Hathaway reports a profit of \$4.99 billion (U.S.) for 2008 versus a profit of \$13.21 billion (U.S.) for 2007, citing investment and derivative losses of \$7.5 billion.
Despite his lack of focus on the macro economic picture and reliance on mathematical models; to his credit, at least Warren Buffet (the Oracle of Omaha) has the guts, not only, to admit to his mistakes, but also, to take full responsibility for them, unlike the Caisse de Depot et Placements du Quebec and lots of other investment fund managers on both sides of the border.
- American International Group (AIG) reports a loss of \$61.66 billion (U.S.) for the 4th. quarter, creating a loss of \$100 billion (U.S.) for the year 2008. The U.S. Government restructures many aspects of AIG's bailout deal including a commitment for an additional \$30 billion (U.S.) of capital if required.
- PNC Financial Services cuts its quarterly dividend by 85% to 10 cents (U.S.) per share, saving the Company \$1 billion (U.S.) per annum
- Toyota Motor Corp. forecasts its world wide production will decline by 12% during its fiscal year ending March 31, 2010
- HSBC Holdings PLC launches a \$22.7 billion (U.S.) rights issue at a price discount of nearly 50% to raise capital and announces the closing of its U.S. consumer finance business under the brand names of Household International (HFC) and Beneficial Finance, resulting in 6,100 job layoffs and cuts its quarterly dividend by 29% to 10 cents (U.S.) per share
- Nortel Networks burned through \$1 billion (U.S.) in cash during 2008 and sales plunged 15% during the 4th. quarter, prior to the Company filing for bankruptcy in January /09
- The Canadian economy contracted by 1% in December /08 and by 3.4% in the 4th. quarter, on an annualized basis
- International Paper cuts its annual dividend by 90% to 10 cents (U.S.) per share to preserve \$400 million (U.S.) per year
- Led by German concerns over mounting government deficits, European Commission leaders reject pleas for financial assistance from eastern European countries, such as Poland, Hungary, Romania and the Czech Republic.

Tuesday, March 3rd.

- The Bank of Canada cuts its bank rate by 50 basis points to 0.50%. In an accompanying statement, the Central Bank stated that "*it is refining the approach it would take to provide additional monetary stimulus, if required, through credit and quantitative easing.*" *This means that the Bank would be willing to purchase outstanding corporate bond issues and other fixed income securities in the open market, in an effort to stabilize bond prices and prevent corporate yield spreads from widening in the credit markets.*
- Bank of Montreal recorded a 1st. quarter profit of \$225 million (CAD), down \$30 million (CAD) or 12% from a year ago
- Bank of Nova Scotia posted a 1st. quarter profit of \$842 million (CAD) versus profit of \$835 million (CAD) in the 1st. quarter of fiscal 2008
- Ford Motor vehicle sales in the U.S. decline by 46.3% in February
- Province of Ontario projects an \$18 billion (CAD) deficit over the next 2 years
- General Motors vehicle sales in the U.S. fall by 52.9% in February
- Magna International may seek bankruptcy protection and risks delisting from the TSX by April 1st.
- Toyota Motor seeks \$2 billion (U.S.) in Japanese Government aid for its subsidiary Toyota Financial Services
- General Motors Canada vehicle sales drop by 56.7% in February
- Chrysler vehicle sales in the U.S. decline by 44% in February
- Canada's major chartered banks cut their prime rate by 50 basis points to 2.5%
- Blockbuster may file for bankruptcy protection



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- Standard and Poors (S&P) downgrades Bank of America's credit rating from A+ to A
- U.S. bankruptcy filings increase by 37% since February /08
- General Motors Europe seeks financial aid from European Union countries

Wednesday, March 4th.

- Australian economy contracts by 0.50% in the 4th. quarter
- U.S. private sector firms cut 697,000 jobs in February, according to the ADP employment index, which is based upon millions of company payroll records.
- U.S. Bancorp cuts quarterly dividend by 88%
- Honda Motor seeks a Japanese Government loan to help fund its U.S. operations
- Chinese Purchasing Managers Index rose to 49.0 in February from 45.3 in January, however, both domestic and external demand remain weak
- Institute of Supply Management (ISM) non-manufacturing index declines to 41.6 in February from 42.9 in January
- Gaming operator MGM Mirage warns of a possible default on its debt in April
- Laurentian Bank 1st. quarter net earnings rose to \$25 million (CAD) from \$19.1 million (CAD) in the same period a year ago
- U.S. property values plunged by \$2.4 trillion (U.S.) in 2008
- German engineering companies report that foreign orders for machine tools and equipment declined by 47% in January, compared to the same period a year ago
- U.S. Federal Reserve Board's Beige Book reports continued downward pressure within the U.S. economy through the last week of February
- China contemplates an economic stimulus package totaling \$586 billion (U.S.) and hopes to achieve an 8% GDP growth rate this year.
Despite any potential new economic stimulus package materializing, given the global collapse of international trade and the fact that American stores are already well stocked with unsold Chinese manufactured goods, China will be fortunate to achieve a 6% GDP growth rate this year
- Chrysler Canada cuts work shift at Windsor, Ontario plant affecting 1,200 jobs

Thursday, March 5th.

- U.S. Initial jobless claims fell by 31,000 to 639,000 while continuing claims rose to 641,750 in the week ended February 27th.
- The Bank of England cuts key lending rate by 50 basis points to 0.50% and launches a program to purchase \$105 billion (U.S.) of commercial paper and government bonds over the next three months
- The European Central Bank cuts its key lending rate by 50 basis points to 1.5%
- General Motors and its auditor Deloitte & Touche said in a filing to the Securities and Exchange Commission (SEC) that bankruptcy was a possibility if its Viability Plan, as submitted to the U.S. Congress, doesn't succeed
- New York State Attorney General Andrew Cuomo issues subpoenas to several top Merrill Lynch executives who were each paid more than \$10 million (U.S.) bonuses in cash and stock in 2008
- Moody's Investors Services warns of a potential downgrade for Wells Fargo's credit rating, citing rising credit costs may impair the bank's capital ratios
- U.S. factory orders declined by 1.9% in January and December's report was revised from minus 3.9% to minus 4.9%
- The Reserve Bank of India cuts its benchmark lending rate by 50 basis points to 5.00%
- Canadian Imperial Bank of Commerce (CIBC) to issue \$1.6 billion (CAD) in notes to raise capital



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- Canadian current account deficit climbs to \$7.5 billion (CAD) in January
- Canadian Natural Gas cuts capital spending by \$800 million (CAD)
- Sheila Bair, Chairperson of the U.S. Federal Deposit Insurance Corporation, which is responsible for insuring deposits in banks, says the FDIC is running short of money due to a recent parade of bank failures. In order to replenish funds, Senate Banking Committee Chairman Christopher Dodd is working to enable the FDIC to temporarily borrow as much as \$500 billion (U.S.) from the U.S. Treasury Department

Friday, March 6h.

- Wells Fargo cuts its quarterly dividend by 85%, from 34 cents (U.S.) to 5 cents (U.S.), in order to save the Bank \$5 billion (U.S.) annually
- U.S. Labor Department reports that non-farm payrolls declined by 651,000 in February and the unemployment rate climbed to 8.1% from 7.6% in January
- Ann Taylor Stores reports a quarterly loss of \$376 million (U.S.) amid write downs, restructuring charges and declining sales.
- Bank of America uncovers at least \$120 million (U.S.) of losses incurred by one trader at Merrill Lynch's London, England office and "hundreds of millions" of other losses on derivative trades

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