



LONGWAVE GROUP



IAN GORDON ECONOMIC FORECASTER & INTERPRETER OF THE KONDRATIEFF CYCLE

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

March 9, 2009

THAT WAS THE WEEK THAT WAS

Monday, March 9th

- The UK Government agrees to take a majority stake in Lloyds Banking Group under the Government's Asset Protection Plan, by insuring troubled assets approximating 260 billion pounds. The Government's share of ownership of the Bank will increase from the current 43% to about 60%, with the potential to climb to 70%, if required
With this transaction, the IMF reports that Great Britain has invested an amount equivalent to 20% of its GDP, on bailouts for the UK banking system
- The Canadian Auto Workers Union (CAW) has reached a tentative agreement with General Motors Canada, whereby, hourly wages and benefits of workers will be cut by about \$7.00 (CAD) per hour to \$63.00 (CAD), in order to facilitate GM securing financial assistance from the Canadian and Ontario Governments of as much as \$7 billion (CAD)
- Japan posts a current account (broadest measure of the country's international trade) deficit of \$1.8 billion (U.S.) in January, for the first time in 13 years
- Merck acquires Schering Plough in a \$41.1 billion (U.S.) takeover for cash and stock, representing a premium of 34% for Schering Plough stock
- Canadian housing starts fall 12% in February to 134,000 units

Tuesday, March 10th.

- U.K. factory output falls 2.9% in January
- Auto sales in China rebound 25% in February
- Chinese consumer prices decline by 1.6% in February
- United Technologies announces 11,600 job layoffs
- Federal Reserve Board Chairman, Ben Bernanke, urges a regulatory overhaul of the U.S. financial system
- TotalEnergies to cut 555 jobs in France over the next 3 years

Wednesday, March 11th.

- Bernard Madoff's securities fraud is now estimated to total \$65 billion (U.S.), upwardly revised from a previously reported \$50 billion (U.S.). Mr. Madoff, who is 70 years old, could face a sentence of 150 years in prison for his crimes, which also include money laundering, perjury and theft from company pension plans.
Obviously, the prison guard who will return Mr. Madoff's personal effects to him upon his release from jail in the year 2159, has yet to be born.
- Delta Airlines to cut 10% of its international flights
- The International Monetary Fund (IMF) says that the world is in the grip of a "great recession" and that the global economic growth rate could slip below zero for the first time in 60 years
- German factory orders drop 8% in January
- Union Bank of Switzerland (UBS) posts \$18 billion (U.S.) loss in 2008
- Canadian new home prices fall by 0.6% in January
- America Online (AOL) to cut 10% of global work force



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- China's exports drop 25.7% in February
- National Semiconductor announces 875 job layoffs
- Norway's Sovereign Fund records loss of \$90 billion (U.S.) in 2008
- Standard and Poors (S&P) places the sovereign debt rating of India on creditwatch
- The International Monetary Fund (IMF) warns Canada to brace for an economic slowdown this year, predicting that GNP will contract by 1.2%. Meanwhile, Prime Minister Harper boasts that Canada "will emerge from the economic recession faster than any other country".

Mr. Harper is obviously spending too much time in the company of Bank of Canada Governor, Mark Carney.

- Bank of Montreal plans to raise capital by issuing \$275 million (CAD) in preferred shares
- Toyota Motor announces a 10% cut in pay and production for workers at 2 plants in England and Wales, while seeking a 2.6 billion pound bailout plan from the U.K. Government

Thursday, March 12th.

- U.S. retail sales declined by 0.1% in February versus a revised increase of 1.8% in January
- U.S. initial jobless claims rose by 9,000 to 654,000 for the week ended March 7th. while continuing claims for unemployment benefits increased to a record 5.32 million, indicating that finding new employment is becoming more difficult
- Standard and Poors (S&P) downgrades GE Capital's credit rating from AAA to AA+ with a stable outlook.
While General Electric's management laments the downgrade, when will the GE Board understand that cutting the company's dividend last month was not exactly a sign of strength? (See That Was The Week That Was - Friday, Feb. 27th.)
- Eurozone producer prices fell by 0.5% in January
- U.S. home foreclosures jump by 30% in February
- Japanese economy contracts by 12.1% in the 4th. quarter
- Paint manufacturer PPG Industries announces 2,500 job layoffs and discontinues contributions to its employee retirement plans, in an effort to reach \$140 million (U.S.) in annual savings by 2010
- Chrysler LLC threatens to close Canadian plants, a move that would eliminate 9,000 Canadian jobs, unless federal and provincial governments provide \$2.3 billion (U.S.) in loans and its Canadian labour union agrees to cut worker wages by 25%.

Friday, March 13h.

- Canadian economy lost 82,600 jobs and the unemployment rate climbed to 7.7% in February, up from 7.2% in January
- U.S. trade deficit contracted by 9.7% to \$36 billion (U.S.) in January
- Canadian trade deficit expanded to \$993 million (CAD) in January
- Japan to launch a 3rd. economic stimulus package
- G-20 member countries meeting in Horsham, England to discuss the global economic situation as a precursor to the economic summit scheduled for April 2nd. in London
- University of Michigan consumer sentiment index edges higher to 56.6 in early March from 56.3 in February
- Fitch Ratings downgrades the senior unsecured debt rating of Berkshire Hathaway Inc. from 'AAA' to 'AA' with a



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- Bank of America CEO Ken Lewis reveals that the Bank was profitable in January and February and predicts that the bank will make a profit for the entire year
If the Bank of America can't make a profit with today's super wide interest rate spreads in the lending arena, reinforced by the positive shape to the yield curve in the bond market, then the Board of Directors had better put Mr. Lewis out to pasture (see Winter Warning, The Clash of Cultures – February 2 /09).
- Chinese Premier, Wen Jiabao, expresses concern about the safety of China's holdings of \$2 trillion (U.S.) in Treasuries as well as other American fixed income securities; and called upon the United States "to maintain its good credit standing, to honour its promises and to guaranty the safety of China's assets".
If Premier Jiabao is worried about the U.S. dollar maintaining its value and the U.S. Government retaining its 'AAA' credit rating, he has good reason to fret. So, when will Wen permit the Yuan to appreciate against the U.S. dollar? Who will buy the estimated \$2.7 trillion (U.S.) to \$4.2 trillion (U.S.) of U.S. government debt expected to be issued over the next two years? Why, all of those investors pursuing a perceived flight to quality, of course. (see Winter Warning, the Flight to Folly – September 22, 2008).

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