



# LONGWAVE GROUP



IAN GORDON ECONOMIC FORECASTER & INTERPRETER OF THE KONDRATIEFF CYCLE

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

March 16, 2009

## THAT WAS THE WEEK THAT WAS

### Monday, March 16th.

- New York Empire State Manufacturing Index declined to minus 38.23 in March versus minus 34.65 in February
- U.S. industrial production fell by 1.4% in February while capacity utilization declined to 67.4%, the lowest level recorded since 1948
- Canadian capacity utilization fell to 74.7% in the 4th. quarter of 2008
- American International Group (AIG) says that it was legally obliged to pay out \$165 million (U.S.) in bonuses to executives in the financial products division. However, AIG chief executive, Edward Liddy, announced that he has “asked those who received retention bonuses of \$100,000 (U.S.) or more, to return at least half of those payments.”
- In a 60 Minutes TV interview yesterday, Federal Reserve Board Chairman Ben Bernanke stated that “We’ll see the recession coming to an end probably this year.”

### Tuesday, March 17th.

- U.S. Commerce Department reports housing starts rose by 22% in February to a seasonally adjusted annual rate of 583,000, buoyed by a surge in construction of multiple units, such as apartment buildings
- Nokia announces 1,700 job layoffs in sales marketing and research, mostly in Finland
- Canadian factory shipments fell 5.4% in January
- Caterpillar announces an additional 2,365 job layoffs and closes plant in Georgia
- U.S. building permits rose 3% in February versus a decline of 2.9% in January
- Weyerhaeuser to close 2 U.S. mills and cut 307 jobs
- U.S. producer price index (PPI) rose 0.1% in February, resulting in a year-over-year decline of 1.3%
- In its Quarterly Bulletin, the Bank of England states that Britain is displaying symptoms of falling into a “debt deflation trap,” wherein, the combination of falling prices and soaring debt burdens lead to a 1930’s economic depression
- U.K. house prices fall by 11.5% in January
- Temminco temporarily cutting jobs and production
- Potash Corp. extends layoffs for 940 workers
- The International Monetary Fund (IMF) expects the global economy to contract by 0.6% in 2009 and lowers its outlook for the Canadian economy in 2009 and 2010

### Wednesday, March 18th.

- U.S. Consumer Price Index (CPI) rose 0.4% in February, resulting in a year-over-year increase of 0.2%
- U.S. current account deficit declined to \$132.8 billion (U.S.) in the 4th. quarter of 2008 versus \$181.3 billion (U.S.) in the 3rd. quarter of 2008
- Canadian wholesales sales fell 4.2% in January
- U.K. initial jobless claims increase by 138,400 in February, increasing the number of continuing claims to 2.03 million people
- David Dodge, former Governor of the Bank of Canada, says he expects Canada will endure a prolonged economic recession



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- Chinese government rejects Coca-Cola's bid for juice maker Huiyuan, citing the takeover would unduly restrict competition
- The World Bank lowered its forecast for China's GDP growth in 2009 to 6.5% from the 7.5% rate it had predicted last November, citing a huge drop in exports and slowing private sector investment (See *That Was The Week That Was - Wednesday, March 4 /09*)
- The Bank of Japan plans to increase its purchases of Japanese Government bonds by more than 30%
- The U.K. Financial Services Authority (FSA) urges British banks to bolster capital reserves and declares a willingness to regulate U.K. subsidiaries of foreign banks more aggressively
- The International Monetary Fund says Britain's economic recession could be deeper and longer than most other countries
- IBM reportedly in talks to buy SunMicrosystems for \$7 billion (U.S.) in cash
- David Friehling, Bernard Madoff's accountant is charged with securities fraud, aiding investment advisor fraud and making false filings to the Securities and Exchange Commission (SEC).  
*Mr. Friehling, 49 years old, faces a maximum of 105 years in prison if convicted on all counts; which upon his eventual release date in 2114 should qualify him as the world's oldest man.*
- The Federal Open Market Committee (FOMC) stated that since its January meeting, the American economy had contracted further, suffering additional "job losses, declining equity and housing wealth and tight credit conditions have weighed on consumer sentiment and spending." Accordingly, it announced that the Fed will purchase \$300 billion (U.S.) of long-term Treasury bonds over the next 6 months.

## **Thursday, March 19th.**

- FedEx Corp. announces a second plan to cut \$1 billion (U.S.) in costs, including job and salary cuts during 2009 and 2010, as the company posted a 75% drop in profits to \$97 million (U.S.) in its 3rd. fiscal quarter versus a profit of \$393 million (U.S.) in the same period a year ago
- U.S. Index of Leading Economic Indicators declined by 0.4% in February
- The International Air Travel Association (IATA) predicts the world's airlines will lose \$2.9 billion (U.S.) in 2009
- Recreational vehicle manufacturer, Winnebago Industries Inc. announces a fiscal 2nd. quarter loss and job layoffs for 50% of its work force, amid a continuing "dramatic" drop in wholesale shipments
- The Treasury Department announces a \$5 billion (U.S.) Supplier Support Program to aid struggling auto parts suppliers by guaranteeing their receivables, which will prevent supplier loan defaults. Naturally, this raises the prospect that the government will extend more assistance to General Motors and Chrysler.
- Hank Morris and David Loglisci, two top advisors to Alan Hevesi, former New York State Comptroller, were charged by New York State Attorney General in a 123-count indictment, citing fraud and millions of dollars in kickbacks received from Wall Street firms, in exchange for business directed from New York's \$120 billion (U.S.) pension fund
- Canadian consumer price index rose 0.7% in February, representing a 1.4% increase on a year-over-year basis
- British International Auto Show is cancelled
- U.S. initial jobless claims declined by 12,000 to 646,000 in the latest weekly report
- The Province of Quebec forecasts a \$7.7 billion (CAD) deficit over fiscal 2009 and 2010, while planning to raise its sales tax to 8.5% in 2011

## **Friday, March 20th.**

- Eurozone industrial production drops 17.3% in January



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- European Union to bolster International Monetary Fund (IMF) by \$75 billion (U.S.)
- Xerox cuts 1st. quarter profit forecast by 75%, reflecting restructuring costs and a slowdown in technology spending
- Canadian new auto sales rose by 6.4% in January
- Canadian retail sales rise 1.9% in January versus a decline of 5.2% in December
- Sony Ericsson forecasts a 4th. quarter loss
- Blockbuster posts 4th. quarter loss
- Nortel seeks court approval to pay company executives \$23 million (CAD) in bonuses for performance and retention purposes. Nortel is still operating under creditor protection and did not pay any bonuses in 2008.
- Having recorded a loss of \$2.8 billion (U.S.) in 2008, the U.S. Postal Service is offering early retirement packages to 150,000 workers, reducing management positions and closing offices
- The U.S. Congressional Budget Office calculates that President Obama's budget for fiscal 2010 will create deficits totaling \$2.3 trillion (U.S.) in excess of its projections over the next decade. The difference largely reflects the administration's more optimistic forecasts of economic growth through 2019. (See *Winter Warning, A Man of Constant Sorrow (2) - March 2 /09*).

Written By: Christopher Funston

Ian A. Gordon, The Long Wave Analyst, [www.longwavegroup.com](http://www.longwavegroup.com)

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