



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

April 13, 2009

THAT WAS THE WEEK THAT WAS

Monday, April 13th.

- Investment bank Goldman Sachs raises \$5.5 billion (U.S.) for its private equity fund via a common share issue at \$123.00 (U.S.). Goldman announces that it intends to use the proceeds to help “redeem all” of the \$10 billion (U.S.) it owes the U.S. government under the Troubled Asset Relief Program (TARP)
- New York Times article suggests the U.S. Treasury Department has told General Motors to prepare bankruptcy papers for filing by June 1st., if it becomes necessary
- British Telecom Group reportedly will announce 10,000 job layoffs and write downs totaling \$2.7 billion (U.S.)
- Japanese wholesale prices fell by 2.2% in March
- U.S. Treasury Secretary Geithner to host G7 meeting on April 25th.
- Standard & Poors (S&P) raises Ford Motor debt rating to CCC (High)

Tuesday, April 14th.

- Goldman Sachs reports a net profit of \$1.7 billion (U.S.) in the 1st. quarter
- Philips Electronics reports a net loss of \$79 million (U.S.) in the 1st. quarter
- U.S. retail sales fell 1.1% in March
- Federal Reserve Board Chairman Ben Bernanke says “*that tentative signs that the sharp decline in economic activity may be slowing*”
- Qantas Airways announces 1,750 job layoffs, citing a poor outlook for the remainder of 2009
- U.S. producer price index (PPI) fell by 1.2% in March
- U.S. business inventories fell by 1.3% in March
- Fortis Bank posts \$33 billion (U.S.) loss in 2008
- The Securities and Exchange Commission (SEC) is reviewing whether the Bank of America broke the law by not informing shareholders about Merrill Lynch’s plan to pay out \$3.6 billion (U.S.) in bonuses prior to a shareholder vote in December /08, for a government-backed takeover by B of A
- Hallmark announces 750 job layoffs

Wednesday, April 15th.

- Canadian new vehicle sales fell 2.2% in March
- Union Bank of Switzerland (UBS) announces 8,700 job layoffs in global work force, while posting a \$1.8 billion (U.S.) loss in the 1st. quarter
- U.S. Industrial output fell by 1.5% in March, as capacity utilization fell to 69.3%
- Province of Ontario to raise \$1.2 billion (CAD) via bond issue in Europe
- Canadian home prices fell by 1.7% in March, while home sales rose by 7%
- Rio Tinto to issue \$3 billion (U.S.) in bonds to raise capital and restructure company debt
- KLM / Air France to cut 2,500 jobs by attrition
- U.S. consumer price index (CPI) fell by 0.1% in March



LONGWAVE GROUP



IAN GORDON ECONOMIC FORECASTER & INTERPRETER OF THE KONDRATIEFF CYCLE

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

- PetroCanada announces 200 layoffs of Alberta oil sands workers
- J.P. Morgan cuts its rating for Goldman Sachs (GS) to neutral from overweight and leaves its share price target unchanged at \$120 (U.S.), citing the stock is currently fully valued. The stock closed today at \$121.19 (U.S.). The J.P Morgan analyst report cites that the \$1.7 billion (U.S.) 1st. quarter profits at Goldman (see *Tuesday above*) are not sustainable in the current fixed income, currency and commodities environments.

*We are inclined to agree with this J.P. Morgan report, since enormous profits were made by Goldman in bond market trading, mostly as a result of the U.S. Federal Reserve (FOMC) "quantitative easing" announcement on March 18th. That it would commence buying up to \$300 billion (U.S.) of long-term Treasury bonds over the next six months. The Treasury market immediately reacted with the 10-year bonds declining by 50 basis points in yield from 3.00% to 2.50%, which represents a whopping price jump of over \$4.00 (U.S.) per \$1,000 (U.S.) bond. A four point move on \$1 billion (U.S.) of 10-year Treasuries means a profit of \$40 million (U.S.). We have to believe that not only, was Goldman long the Treasury market across the yield curve big time, but also, was a huge seller of the 10-year maturity in the 2.50% yield range; as well as other Treasury holdings at the same time. The 10-year Treasury tranche closed today trading at a yield of 2.79%. (See *Winter Warning, March 30th. Never Look a Gift Horse in the Mouth*).*

Thursday, April 16th.

- Nokia profit falls by 90% in the 1st. quarter with an uncertain outlook for the remainder of 2009
- China's Gross Domestic Product (GDP) grows by 6.1% in the 1st. quarter
- General Growth, the second largest mall owner in America, files for bankruptcy, being unable to refinance \$27 billion (U.S.) in maturing mortgage debt
- U.S. initial jobless claims fell by 53,000 to 610,000 in the week ended April 11th. from a revised 663,000 the previous week; while continuing claims rose to 6.022 million in the week ended April 4th. up from 5.88 million the prior week
- U.S. housing starts declined by 10.8% in March to 510,000 versus an increase of 17.2% in February to 572,000 while building permits fell by 9%
- J.P. Morgan Chase reports 1st. quarter net income fell by 10% to \$2.1 billion (U.S.), but its investment banking business (*bond trading similar to Goldman Sachs noted above*) reported record results. Also, the bank raised \$3 billion (U.S.) today by issuing 10-year, 6.30% senior notes (devoid of an FDIC guarantee) priced at a yield spread of 350 basis points over comparable U.S. Treasury bonds.
- Statistics Agency Eurostat reports that euro zone industrial production declined by 2.3% in February
- Canadian factory shipments rose by 2.2% in February
- Canadian consumer bankruptcies rose by 25.2%, while business bankruptcies declined by 16.5% in February
- Southwest Airlines posts \$91 million (U.S.) loss in the 1st. quarter and intends to reduce its work force by offering employees buyout packages
- Standard & Poors cuts Macy's credit rating to junk status
- Abitibi Bowater files for bankruptcy protection in the U.S. and creditor protection under the Canadian Companies' Creditors Arrangement Act in Montreal.



LONGWAVE GROUP



IAN GORDON ECONOMIC FORECASTER & INTERPRETER OF THE KONDRATIEFF CYCLE

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

Friday, April 17th.

- University of Michigan consumer sentiment index rose to 61.9 in April from 57.3 in March
- Royal Bank of Canada to take \$850 million (CAD) write down from U.S. operations, but stock dividend remains unchanged
- Sony Ericsson Mobile Communications announces 2,000 job layoffs after posting a 1st. quarter loss of \$386 million (U.S.)
- Canadian consumer price index rose by 2.1% in March
- Citigroup posts 1st. quarter profit of \$1.59 billion (U.S.), as its institutional and trading business (*bond trading similar to Goldman Sachs and J.P. Morgan noted above*) registered strong gains
- General Electric's 1st quarter profit falls by 35%, reflecting a sharp drop in revenue by its financial services division GE Capital
- The Province of Quebec announces a temporary loan guarantee of \$100 million (U.S.) which will serve as a debtor-in-possession loan to help restructure its Montreal-based Abitibi-Consolidated subsidiary.

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.