



LONGWAVE GROUP



IAN GORDON ECONOMIC FORECASTER & INTERPRETER OF THE KONDRATIEFF CYCLE

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

May 25, 2009

THAT WAS THE WEEK THAT WAS

Monday, May 25th.

- U.S. markets closed for the Memorial Day holiday
- The Munich-based Ifo institute reports that its German “business climate index” rose from 83.7 in April to 84.2 in May
- Alex Weber, Germany’s Bundesbank President, warns that a further “*massive (economic) deterioration could unfold in Germany, if hopes of a fast recovery dissipate*”
- Canadian Finance Minister Flaherty announces that Canada’s fiscal 2010 deficit will likely exceed \$50 billion (CAD) compared to the \$33.7 billion (CAD) that the Minister forecast in his January budget. (*See Winter Warning – Flaherty Will Get You Nowhere, February 2, 2009.*)
- Manulife Financial raises \$250 million (CAD) via preferred share issue
- General Motors disclosed that it has borrowed an additional \$4 billion (U.S.) from the Treasury Department, bringing its total government loans outstanding to \$19.4 billion (U.S.). GM says it now expects to require \$7.6 billion in additional loans after June 1st.

Tuesday, May 26th.

- The U.S. Conference Board reports that American consumer confidence rose to 54.9 in May from an upwardly revised 40.8 in April, citing a better outlook for job availability and an improving expectations for the economy in 6-month’s time
- For the 1st. quarter, the S&P Case-Shiller U.S. National Home Price Index posted a 19.1% drop from a year earlier, representing the biggest quarterly decline in the reading’s 21-year history. S&P Case-Shiller releases 10-city and 20-city indexes on a monthly basis, as well as a broader national index quarterly
- German Gross Domestic Product (GDP) contracts by 3.8% in the 1st. quarter
- Bank of Montreal profit declines by 44% to \$358 million (CAD) in the 2nd. quarter, citing increased provisions for bad loans and weak stock markets negatively impacting BMO’s mutual fund and investment businesses. The BMO also announced 1,100 management job layoffs
- Canadian Auto Workers Union (CAW) approves new contract with General Motors
- Canadian unemployment claims rose by 65,300 in March, representing a 10.6% increase from February
- The Certified General Accountants Association (CGA) of Canada reports that Canadian national house hold debt has increased to a record \$1.3 trillion (CAD)
- German exports decline by 9.7% in the 1st. quarter

Wednesday, May 27th.

- General Motors withdraws its \$27 billion (U.S.) debt-for-equity exchange offer to bondholders, setting



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the stage for the company's chapter 11 bankruptcy filing next week

- Staples Inc. the world's largest office supply retailer, profit falls by 33% to \$143 million (U.S.) in the 1st. quarter, citing higher operating expenses and one-time charges
- Canadian home prices fell by 9.6% in March on a year-over-year basis
- Laurentian Bank profit declines by 15% to \$21.2 million (CAD) in the 2nd. quarter
- U.S. existing home sales rose by 2.9% to a seasonally adjusted annual level of 4.68 million in April, compared to a revised 4.55 million in March
- FDIC-insured American banks collectively lost \$26.2 billion (U.S.) in the 4th. quarter, representing their first quarterly loss since 1990

Thursday, May 28th.

- U.S. durable goods orders rose by 1.9% in April compared to a revised decline of 2.1% in March, previously reported as a decline of 0.8%
- U.S. initial claims for state unemployment benefits declined by 13,000 to 623,000 for the week ending May 23rd. from a revised 636,000 reported the previous week. Continuing claims increased by 110,000 to a record 6.788 million for the week ending May 16th.
- U.S. auto parts manufacturer Visteon and chassis manufacturer Metaldyne file for Chapter 11 bankruptcy
- The Canadian Imperial Bank of Commerce reports a \$51 million (CAD) loss in the 2nd. quarter, compared to a loss of \$1.1 billion (CAD) in the same period a year ago, citing a series of charges and write-offs, including a \$475 million (CAD) charge related to its structured credit activities.
- The Toronto-Dominion bank reports a profit of \$618 million (CAD) in the 2nd. quarter, compared to a profit of \$852 million (CAD) a year ago, citing a tripling of loan loss provisions to \$656 million (CAD)
- National Bank of Canada reports a 46% increase in net profit to \$241 million (CAD) in the 2nd. quarter, compared to a profit of \$165 million (CAD) a year ago, citing sizeable profits in trading activities and reduced charges related to non-bank asset backed commercial paper (ABCP)
- General Motors bondholders accept an amended debt-for-equity offer. GM will emerge from corporate restructuring with \$25 billion (U.S.) in debt secured by the U.S. Treasury
- Bank of Nova Scotia reports a profit of \$872 million (CAD) in the 2nd. quarter, representing an increase of 4% from the previous quarter
- The U.S. Mortgage Bankers Association reports that a record 12% of American homeowners with a mortgage are late on their payments, or are in foreclosure
- U.S. Commerce Department reports that new home sales rose by 0.3% in April to a seasonally adjusted annual rate of 352,000
- Canada lost 60,700 jobs in March
- Dell Inc. reports a 63% decline in 1st. fiscal quarter earnings to \$290 million (U.S.) compared with a profit of \$784 million (U.S.) in the same period a year ago



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Friday, May 29th.

- U.S. gross domestic product (GDP) contracted at a 5.7% annual rate in the 1st. quarter, following a decline of 6.3% in the 4th. quarter of 2008, reflecting weakness in housing, inventories and business investment and recording the worst economic 6-month performance in 50 years
- The U.S. dollar index future breaks below the 80 level to 79.55 and continues to be weak against the British pound, the Euro and the Canadian dollar
- Canada records a current account deficit of \$9.06 billion (CAD) in the 1st. quarter
- Canfor idles 3 pulp mills in British Columbia, affecting 570 jobs
- Royal Bank of Canada posts a \$50 million (CAD) loss in the second fiscal quarter, citing a previously disclosed \$1 billion (CAD) writ down on its U.S. operations. The loss compares to a profit of \$928 million in the same period a year ago.

Written By: Christopher Funston

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

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