



# LONGWAVE GROUP



IAN GORDON ECONOMIC FORECASTER & INTERPRETER OF THE KONDRATIEFF CYCLE

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

June 8, 2009

## THAT WAS THE WEEK THAT WAS

### Monday, June 8th.

- Standard & Poor's downgrades Ireland's sovereign debt from AA (High) to AA
- The Organization for Economic Co-operation and Development (OECD) cites "stronger economic signals of a possible trough" in Canada, France, Italy and Great Britain
- Canada Mortgage & Housing Corp. (CMHC) reports that Canadian housing starts rose by 9.2% in May, to a seasonally adjusted annual rate of 128,400 up from 117,600 in April
- World Bank President Robert Zoellick seeks additional monies from Canada to bolster lending operations to poor, developing nations
- Inmet Mining to raise \$345 million (CAD) via common share issue
- New York Times economist Paul Krugman predicts a U.S. economic recovery will commence in September of this year

### Tuesday, June 9th.

- Ten American banks are granted permission to repay \$68 billion (U.S.) of TARP loans to the U.S. Treasury
- Facing a State budget deficit of \$24.3 billion (U.S.), California Governor Arnold Schwarzenegger orders a halt to funding for all State contracts signed since March 1, 2009, excluding those for public safety and projects funded by bonds and federal stimulus funds. (See *Winter Warning, June 8, 2009: California - The Golden State at the Brink of Collapse*).
- German retail group Arcandor files for bankruptcy protection
- Germany's exports declined by 4.8% in April, representing a year-over-year drop of 28.7%
- The Berlin economics ministry reported that German industrial production declined by 1.9% in April
- The largest of the Boston Globe (owned by the New York Times) labour unions rejects a proposed package of wage and benefits cuts designed to achieve \$10 million (U.S.) in company cost reductions; risking the closure of one of America's most prestigious newspapers.
- Fitch Ratings agency downgrades the sovereign debt of Malaysia from A (High) to A, citing concerns about the country's rising budget deficit
- Standard & Poor's downgrades the credit rating of Clear Channel Communications from B (Low) to CCC, citing concerns that the company may have to default on its \$20 billion (U.S.) of debt

### Wednesday, June 10th.

- Property consultant CB Richard Ellis to raise \$550 million (U.S.) in capital via \$400 million (U.S.) note issue and \$150 million (U.S.) common share issue
- Canadian new home prices declined by 0.6% in April, representing 3.3% on a year-over-year basis
- Canada posts trade deficit of 179 million (CAD) in April following a \$1 billion (CAD) surplus in March



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- The Commerce Department reports that the U.S. trade deficit increased by 2.2% in April to \$29.2 billion (U.S.), driven by significantly higher oil prices
- Lloyds Banking Group announces 1,660 job layoff in the U.K. suggesting the possible closure of up to 400 bank branches over the next 3 years
- Bank of Montreal to raise \$275 million (CAD) in capital via preferred share issue
- U.S. Government auctions \$19 billion (U.S.) of 10-year Treasuries at a yield of 3.99%, up 149 basis points from their recent low of 2.50% last March, while Russia states it may move some of its reserves out of the U.S. dollar. Meanwhile, the Fed's \$3.5 billion (U.S.) purchase today of Treasuries maturing between August, 2019 and February, 2026 brings the amount purchased to date \$156.528 billion (U.S.) (See *Winter Warning, Never Look a Gift Horse in the Mouth, March 30, 2009*)
- In its periodic Beige Book business survey, the Federal Reserve Board stated that U.S. "economic conditions remained weak or deteriorated further" from mid-April through May, while 5 of the 12 Fed districts noted "that the downward trend is showing signs of moderating.
- The Ontario Securities Commission (OSC) lays 12 charges against Weizhen Tang, who if convicted could receive a 60-year jail sentence (See *That Was The Week That Was, Thursday, March 26, 2009*)

#### Thursday, June 11th.

- U.S. retail sales rose by 0.5% in May, following an upwardly revised minus 0.2% in April, previously reported as minus 0.4%
- U.S. initial claims for state unemployment benefits declined by 24,000 to 601,000 in the week ended June 6th. from a revised 625,000 the previous week, while continuing claims rose to a record 6.816 million in the week ended May 30th.
- Canadian Finance Minister Flaherty predicts Canada will post a budget surplus in fiscal 2013-2014
- Prime Minister Stephen Harper delivers a rosy economic report on the progress of his government's stimulus spending, stating that 80% of the money earmarked under the plan has been allocated across Canada
- U.S. hedge fund giant BlackRock Inc. acquires Barclays Global Investors for \$13.5 billion (U.S.) in a cash and stock takeover, creating a firm with over \$2.7 trillion (U.S.) under management
- U.S. Government auctions \$11 billion of 30-year bonds at a yield of 4.72%, attracting bids from indirect buyers – a class of investors which includes foreign central banks. Indeed, Japanese Finance Minister Yosano says his government is confident about the outlook for U.S. Treasuries because "we have complete trust in the fact that the U.S. views its strong dollar policy as fundamental. So, our trust in U.S. Treasuries is absolutely unshakable."

*Perhaps, if Mr. Yosano were to check the recent dramatic slide in the U.S. dollar; as well as the frenetic whirring of the U.S. national debt clock, currently surpassing \$11.465 trillion (U.S.) – blind trust aside, he might just experience some shaking in his boots. Caveat emptor!*



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## Friday, June 12th.

- Eurostat, the European Union's statistical office, reports that industrial production in the Eurozone declined by 1.9% in April, extending the steep declines registered in the second half of 2008
- University of Michigan consumer sentiment index rose moderately from 68.7 in April to 69.0 in May
- Cessna Aircraft, the largest American manufacturer of corporate jets, announces another 1,300 job layoffs, raising the number of jobs eliminated to half of its work force since November /08
- Tembec to suspend operations at 4 Ontario plants

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