



LONGWAVE GROUP



IAN GORDON ECONOMIC FORECASTER & INTERPRETER OF THE KONDRATIEFF CYCLE

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

June 15, 2009

THAT WAS THE WEEK THAT WAS

Monday, June 15th.

- New York Federal Reserve Empire State Manufacturing Index declined to minus 9.4 in June from minus 4.6 in May, indicating the economic downturn has broadened to include more companies
- Amusement park giant Six Flags Inc. files for bankruptcy protection, citing its recent default on \$2.4 billion (U.S.) of debt
- U.S. net overall capital investment outflow was \$53.2 billion (U.S.) in April
- U.S. insurer Lincoln National Corp. plans to raise \$2.05 billion (U.S.) by accepting government rescue funds and selling common shares and bonds to private investors
- In a communiqué following weekend G8 meetings in Lecce, Italy, finance ministers stated that despite some signs of economic stabilization, *"the (global) situation remains uncertain and significant risks remain to economic and financial stability."* IMF Managing Director, Dominique Strauss-Kahn said *"we have to be cautious. The large part of the worst is not behind us yet."*
- Canadian factory shipments fell by 0.1% in April
- Air Canada seeks a \$600 million (CAD) loan from a syndicate which could include a minor role for the Canadian Government. If the Montreal-based carrier is unable to secure new loans, industry analysts say that the company could be forced to file for bankruptcy protection for the second time in 6 years.
- U.S. credit card defaults rose to a record high in May, noting a steep deterioration in the lending portfolios of American Express and Bank of America
- IMF raises its estimate for U.S. economic growth in 2010
- Bank of Canada reports that surging Canadian household debt is emerging as the greatest risk to Canada's financial system
- In its latest *'financial stability review'* the European Central Bank (ECB) warns that Eurozone banks face additional loan losses of more than \$283 billion (U.S.) over the next 18 months

Tuesday, June 16th.

- U.S. producer price index (PPI) rose by 0.2% in May following an increase of 0.3% in April, while year-over-year the index declined by 5% representing the largest drop since August 1949
- U.S. housing starts rose by 17.2% in May, rebounding from April's record lows
- German investor confidence, as measured by the Mannheim-based ZEW institute's *'economic sentiment index'* rose from 31.1 points in May to 44.8 points in June. However, German Chancellor Angela Merkel fears a looming debt crisis involving several countries once economic stimulus packages are exhausted. For 2009, Germany's deficit is projected to be 4% of gross domestic product (GDP).
- U.S. industrial production fell by 1.1% in May, led by big declines in the manufacture of motor vehicle, mining and high-technology products, while year-over-year industrial output declined by 13.4% – the biggest drop since 1946



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- U.S. capacity utilization fell to a record low of 68.3% in May from 69% in April
- U.K consumer price index (CPI) declined to 2.2% in May from 2.3% in April
- The U.S. Treasury is planning a sweeping overhaul of securitization markets by implementing tough new rules designed to restore confidence in these securities. Regulators plan to force investment banks to retain part of the credit risk of the loans that are bundled into securities and then marketed to investors.

Wednesday, June 17th.

- U.S. consumer price index rose by 0.1% in May, while year-over-year the index declined by 1.3%, representing the largest drop since April, 1950
- Michelin announces 2,900 job layoffs in France
- Government of Canada to give the forestry sector \$1 billion (CAD) in aid
- Watson Pharma buys Arrow Group for \$1.75 billion (U.S.)
- Trans Canada Pipelines to raise \$1.6 billion (CAD) in capital via common share issue
- U.S. Mortgage Bankers Association's index of applications to purchase a home or refinance a loan declined by 16% to 514.4 in the week ended June 12th. from 611 the previous week
- U.S. President Obama warned that robust growth was needed if the U.S. is to rein in its budget deficit without raising taxes for most Americans. *"Dream on, Mr. President."*
- The Commerce Department reports that the U.S. current account (the broadest measure of international trade) deficit declined to \$101.5 billion (U.S.) in the 1st. quarter, representing a 34.5% drop from the deficit recorded in the 4th. quarter of 2008
- Canadian leading economic indicator index fell by 0.1% in May
- Seattle-based clothing retailer Eddie Bauer files for bankruptcy protection
- U.S. President Obama announces an extensive reform of financial regulations, including a determination to toughen oversight, the regulation of derivative products and creation of a consumer protection agency.
These reforms and many others will be expensive, enlarge the government bureaucracy, require congressional approval and represent overkill in their implementation. (See Winter Warning – The More Corrupt a Republic, the More Laws, November 10, 2008).

Thursday, June 18th.

- U.S. claims for state unemployment benefits increased by 3,000 to 608,000 in the week ending June 13th. while continuing claims declined by 148,000 to 6.687 million in the week ending June 6th.
- The Nelson A. Rockefeller Institute of Government reports U.S. state income tax revenue fell by 26% in the first 4 months of 2009, compared to the same period in 2008. *States are required by law to balance their budgets, so lower tax revenues usually translate into service cuts, tax increases, or a combination of both. Presently in California, however, neither of these options seems to be popular with either the State Legislature, or the electorate. (See Winter Warning, California – The Golden State at the Brink of Collapse, June 8, 2009).*
- Treasury Secretary Geithner testifies before the Senate Banking Committee defending the sweeping changes to regulatory reform in the financial services industry, announced yesterday by President Obama



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- U.S. leading economic indicators rose by 1.2% in May
- Statistics Canada reports the Canadian consumer price index (CPI) rose by 0.7% in May following a decline of 0.1% in April. On a year-over-year basis, the CPI declined to 0.1% in May from 0.4% in April
- U.S. Treasury announces it will auction a total of \$104 billion (U.S.) in notes next week, consisting of 2-year, 5-year and 7-year maturities.
- Lumber, pulp and paper producer Fraser Papers has filed for bankruptcy protection under the federal Companies' Creditors Arrangement Act in the Ontario Superior Court
- The Conference Board of Canada predicts that auto parts makers will cut 37,000 jobs, representing 1/3 of their work force in Canada. Although this sector has been shedding jobs for years, this year's losses are expected to exceed the combined total of the last 4 years.

Friday, June 19th.

- Sir Allen Stanford, the Texas billionaire accused by the Securities and Exchange Commission of perpetrating an \$8 billion (U.S.) fraud through his company the Stanford Financial Group, will be arraigned today in federal court in Richmond, Virginia
- Canadian retail sales declined by 0.8% in April, led by 1.9% drop in vehicle sales in the automotive sector and a 1.0% drop in food and beverage sales
- International Monetary Fund first deputy managing director John Lipsky said the IMF was likely to upwardly revise its 2010 economic growth outlook for the world economy on July 7th.
- Irish Prime Minister Brian Cowan expects Ireland to hold a second referendum on the European Union reform treaty in early October
- U.K. retail sales fell 0.6% in May, raising doubts regarding the potential for a near-term recovery in the U.K. economy
- German sports car manufacturer Porsche reports declining profits amid a 27.6% decline in sales for the fiscal 9 months ended May 31st.

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