



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

July 6, 2009

THAT WAS THE WEEK THAT WAS

Monday, July 6th.

- U.S. Institute for Supply Management's index of non-manufacturing businesses, which comprise almost 90% of the economy, rose to a reading of 47 in June from 44 in May
- On the eve of this week's Group of Eight summit meeting in L'Aquila, Italy; France joins China, India and Russia calling for a new global currency reserve standard. French Finance Minister Christine Lagarde challenged the U.S. dollar's supremacy *"in a world that has changed because of the (financial) crisis and the growing role of emerging countries."*
- India's budget deficit widens to 6.8% of its Gross Domestic Product (GDP)
- Fitch Ratings cuts California's credit rating to 'BBB'
- In a revised forecast from March 25, 2009, the Canadian Parliamentary Budget Officer, Kevin Page, states that the federal government is on a pace to record a \$16.7 billion (CAD) budget deficit in the fiscal year 2014, compared with the \$700 (CAD) million surplus that Finance Minister Flaherty projected in his January /09 budget. The revisions are based upon deteriorating economic conditions that threaten to boost unemployment and reduce tax revenue to levels unforeseen when Mr. Flaherty asserted that he would erase a \$50.2 billion (CAD) budget shortfall in 4 years. Mr. Page forecasts that 100,000 additional jobs will be lost this summer; adding there is no evidence that government stimulus has started to work through the economy.

Our kudos and compliments to Parliament's economic realist, Mr. Kevin Page. (See Winter Warning, February 2, 2009 – Flaherty Will Get You Nowhere).

Tuesday, July 7th.

- German Factory orders rose by 4.4% in May
- Weyerhaeuser cuts its quarterly dividend by 80% to 5 cents (U.S.) per share
- Canadian bankruptcies increased by 30.9% in May on a year-over-year basis
- Manulife Financial issues \$1 billion (CAD) in long term bonds to raise its tier 1 capital ratio
- Canadian building permits rose by 14.4% in May compared to April
- Yellow Pages to raise \$165 million (CAD) via debt issue
- Genworth Canada raises \$850 million (CAD) via initial public offering (IPO)
- Japan's Ministry of Finance reports that the country's current account surplus declined by 34.2% in May from the same period one year ago, while Japan's trade surplus fell by 22.1%
- Sergey Aleynikov, a former Goldman Sachs computer programmer, was arrested over the weekend and accused of stealing sensitive automated trading codes and uploading them to a server based in Germany
- In a speech in Singapore, Laura Tyson, an economic advisor to U.S. President Barack Obama, stated



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that the U.S. should consider drafting a second stimulus package focusing on infrastructure projects because the \$787 billion (U.S.) stimulus package approved in February was “a bit too small.”

Wednesday, July 8th.

- The Province of Quebec is going to court to fight against Canadian Finance Minister Flaherty’s plan to establish a national securities commission
- German industrial output rose by 3.7% in May
- Eurozone Gross Domestic Product (GDP) contracts by 4.9% in the 1st. quarter, on an annualized basis
- The International Monetary Fund (IMF) predicts that “*Britain’s recession will end this year, with its economy returning to anemic growth in 2010.*”
- According to a draft document from the economic summit in L’Aquila, Italy, leaders of the Group of Eight (G8) nations believe that the global economy is still facing “*significant risks*” and may need further support

G8 leaders best fax a copy of this document to the IMF in Washington, D.C.

Thursday, July 9th.

- The U.S. Labor Department reports initial claims for state unemployment benefits fell by 52,000 to 565,000 in the week ending July 4th. while continuing claims rose by 159,000 to a record 6.88 million in the week ending June 27th.
- J.C. Penney reports its June sales for stores open at least one year fell by 8.2%
- Pacific Investment Management Co. (PIMCO), the world’s biggest bond fund manager, withdrew its application in June to participate in the U.S. Treasury Dept. Public–Private Investment Program (PPIP) to buy \$40 billion (U.S.) in toxic assets from banks, because of “*uncertainties*” about the initiative’s design.
- Canadian housing starts rose to a seasonally adjusted annual level of 140,700 in June
- The Bank of England leaves its key lending rate unchanged at 0.5%, as well as maintains its quantitative easing program unchanged at \$235 billion (CAD)
- German exports rose by 0.3% in May compared to April
- Alcoa posts a \$454 million (U.S.) second quarter loss, tempered by the company’s aggressive cost-cutting program
- Hapag-Lloyd, Germany’s largest container shipping line, is seeking to raise \$2.4 billion (U.S.) in capital in order to bolster its battered balance sheet
- Congressman Ron Paul, Republican-Texas, has garnered the support of a majority of the House of Representatives for a bill that would audit the Fed’s monetary policy decisions. Rep. Paul told a Congressional hearing that he wanted the power to prevent the Fed from *being “secretive, clandestine and serving special interests.”* In response, the Federal Reserve Board warned that a growing Congressional threat to curtail its independence would destabilize markets and raise the cost of servicing U.S. debt for “*current and future generations.*”



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- The Ontario Securities Commission (OSC) announces that Vice Chairman, Larry Ritchie, has been “seconded” to the Canadian Securities Transition Office for the next year, where he will serve as executive vice president and senior policy advisor.

Friday, July 10th.

- Canada’s trade deficit widens from \$389 million (CAD) in April to \$1.4 billion (CAD) in May, as exports declined at a faster pace than imports and the CAD rose 6.4% against the USD
- Winnipeg-based media giant CanWest Global Communications reports a 3rd. quarter net loss of \$110 million (CAD), as two company units default with creditors
- General Motors emerges from bankruptcy protection after only 40 days, with the bulk of the automaker’s assets now owned by a company controlled by the U.S. Government
- Canada’s unemployment rate rose to 8.6% in June from 8.4% in May
- California closes state offices today in order to save cash
- China’s exports rose by 7.5% in June compared to May, but still down 21.4% on a year-over-year basis
- Testifying before the House Financial Services Committee, Treasury Secretary Tim Geithner said the Obama administration’s intention to regulate the multi-trillion dollar market for financial derivatives would require that all “standardized” instruments be traded on a regulated exchange, or through a central clearinghouse. Participants would have to disclose more information about their transactions and they would have to meet strict new capital requirements. Questions left unanswered, however, included which government agency would oversee the new regulations and which Congressional committees would draft the legislation.
- The New York Times reports that tighter mortgage rules are limiting home buyers and impeding any potential recovery in the U.S. housing market. The Federal National Mortgage Association (Fannie Mae), the government controlled company that buys mortgages, is so dominant in the lending market that its rules set the standard for the mortgage industry; so much so that many mortgage brokers “believe lenders and the government, in correcting the excesses of the past, have gone too far in the other direction.” (See *Winter Warning*, November 10, 2008 – *The More Corrupt a Republic, the More Laws*).

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