



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

August 3, 2009

THAT WAS THE WEEK THAT WAS

Monday, August 3rd. (Civic Holiday in Canada)

- U.S. Institute for Supply Management manufacturing index rose to 48.9 in July from 44.8 in June
- Ford Motor's U.S. vehicle sales increased by 2.3% in July, representing the 1st. monthly increase in two years
- U.S. Commerce Department reports domestic construction spending rose by 0.3% in June, compared with a revised decline of 0.8% in May
- The National Employment Law Project, a private U.S. research group, forecasts 1.5 million jobless Americans will exhaust their unemployment insurance benefits during the second half of 2009. Despite the ability to collect unemployment benefits for up to 79 weeks in two dozen States, thousands of laid-off American workers have already used up their benefits and their numbers are expected to escalate rapidly over the next few months. *Obviously, the most frustrating prospect of being unemployed is the dreaded combination of an inability to find a new job, while simultaneously exhausting unemployment insurance benefits. (See Winter Warning, The Scourge of Unemployment, July 27, 2009).*
- General Motors expects to lay off 7,500 hourly workers over the next several months, in order to reach the company's previously stated target of 40,500 by the end of 2009
- According to the U.K. Chartered Institute of Purchasing and Supply (CIPS) the purchasing manager's index which measures activity in the manufacturing sector, rose to a reading of 50.8 in July from 47.4 in June
- New York Attorney General Andrew Cuomo has subpoenaed Ken Lewis, Chairman and CEO of Bank of America, investigating whether B of A shareholders were misled about huge losses at Merrill Lynch, during the B of A takeover of Merrill in the autumn of 2008
- In the U.K. *The Observer*, the world's oldest (218 years) Sunday newspaper, may be forced to close due to mounting losses, currently estimated at 20 million pounds

Tuesday, August 4th.

- U.S. pending home sales rose by 3.6% in June, representing an increase for the fifth consecutive month
- Union Bank of Switzerland (UBS) reports a loss of \$1.32 billion (U.S.) in the 2nd. quarter, reflecting further outflows from its private banking business, as well as various restructuring and impairment charges
- U.S. personal incomes fell by 1.3% in June – the biggest decline in four years – further underscoring the American consumer's bias to increase savings and limit spending
- Toyota Motor reports a loss of \$819 million (U.S.) in its 1st. quarter (April-to-June) for fiscal 2010
- Ford Canada's vehicle sales soar 47.7% in July



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Wednesday, August 5th.

- The Institute for Supply Management's index of non-manufacturing businesses, which comprise almost 90% of the U.S. economy, declined to a reading of 46.4 in July from a reading of 47 in June.
- Proctor & Gamble, the world's largest household products maker, posts a net income of \$2.47 billion (U.S.) in its fiscal 4th. quarter ended June 30th. down 18% from the corresponding period a year ago.
- In a ruling imposed by an Ontario judge, theatre impresario Garth Drabinsky is sentenced to seven years in jail and his business partner Myron Gottlieb to six years for accounting fraud at Livent Inc.
- Canadian Finance Minister Jim Flaherty joins his friend Bank of Canada Governor Mark Carney in voicing concern about the level of the Canadian dollar (currently \$0.93 U.S.) hampering Canada's economic rebound and blaming speculators for at least some of the foreign exchange volatility. *To our knowledge, Canada still operates as a free market economy and currency speculation is part of it. A weaker Canadian dollar by itself is not necessarily going to stimulate demand for Canadian goods from a slow U.S. economy, despite all the jawboning these two government officials can muster.*
- Furthermore, these same two government officials will lead a Canadian delegation (including financial and insurance executives) to China later this month in order to strengthen and expand business ties between the two countries. *Pity this delegation couldn't give Canadians a break by choosing a "slow boat" as its mode of transport.*
- Montreal-based carrier Air Canada plans to cut costs beyond the \$250 million (CAD) in expenses originally targeted.
- U.S. factory orders rose by 0.4% in June, the fourth increase in the last five months
- Insolvent paper giant Abitibi Bowater announces a 25% staff reduction at its Montreal head office, as part of a plan to reduce company expenses by \$100 million (U.S.) a year
- Export Development Corp. lends \$173 million (CAD) to Scandinavian Airline Services (SAS) in order to purchase eight aircraft from Canadian manufacturer Bombardier
- Hyatt Hotels plans to raise \$1.5 billion (U.S.) in capital via an independent public offering (IPO)
- Peter Marrone, chief executive officer of Yamana Gold, predicts that global economic developments will *"form a perfect storm"* to devalue currencies and propel the price of gold bullion to \$1,500 (U.S.) an ounce
- San Jose-based Cisco Systems, the world's largest manufacturer of computer networking equipment, reports a net profit of \$1.1 billion (U.S.) for its fiscal 4th. quarter ended July 25th. down 46% from the corresponding period a year ago

Thursday, August 6th.

- The U.S. Labor Department reports that initial claims for state unemployment benefits declined by 38,000 to 550,000 for the week ending August 1st. while a revised continuing claims number rose by 69,000 to a record 6.31 million in the week ending July 25th.
- The Bank of England increases its quantitative easing program by \$84 billion (U.S.) and keeps its



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lending rate at 0.5%

- The European Central Bank (ECB) left its key lending rate unchanged at 1%
- In its quarterly monetary policy report, China's central bank sends a message to the world's developed economies: *"Failure to manage the degree of easing may lead to concerns about mid-term and long-term inflation and exchange rate stability."*
- Manulife Financial cuts its quarterly dividend by 50% to 13 cents (CAD) per share, saving the insurer \$800 million (CAD) a year
- Calgary-based air carrier WestJet reports a profit of \$9.2 million (CAD) for the quarter ended June 30th. compared to a profit of \$26.8 million in the corresponding period a year ago, citing low passenger demand driven by weak economic conditions
- BCE, Canada's largest telephone company, reports a net profit of \$346 million (CAD) in the 2nd. quarter, down 4% from \$361 million (CAD) in the same period a year ago and increases its quarterly dividend by 5%
- U.S. retailers, especially mall-based chain stores, are reporting slow sales levels for July as consumers focus their spending on necessities and worry about rising unemployment
- Sun Life Financial reports a net profit of \$591 million (CAD) compared with a net profit of \$519 million (CAD) in the comparable period a year ago
- German industrial orders rose by 4.5% in June, following a 4.4% increase in May, according to the Berlin economics ministry

Friday, August 7th.

- The U.S. Labor Department reports that non-farm payrolls declined by 247,000 in July following a revised decline of 443,000 in June, representing the 19th. consecutive month of job losses but the smallest drop since August, 2008. The U.S. unemployment rate declined slightly to 9.4% in July from 9.5% in June.
- American International Group (AIG), the insurance giant massively supported by the U.S. Government, reports a 2nd. quarter net profit of \$1.82 billion (U.S.) – its first net profit in two years, as investment losses narrowed.
- The Canadian economy lost 45,000 jobs in July while the unemployment rate remained steady at 8.6%
- The Royal Bank of Scotland posts a \$1.8 billion (U.S.) loss in the first half of 2009
- Most European central banks agree to lower the ceiling on annual sales of gold bullion from the current limit of 500 tonnes to 400 tonnes over the next five years, beginning October 1st. Meanwhile, the Swiss central bank announced that it has no plans to sell gold bullion in the foreseeable future.
- The number of individual insolvencies in England and Wales rose to 33,073 by the end of the 2nd. quarter of 2009, which the government's Insolvency Service reported is the highest level since records commenced in 1960.



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