



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

August 17, 2009

THAT WAS THE WEEK THAT WAS

Monday, August 17th.

- Japan's gross domestic product (GDP) expands by 0.9% in the 2nd. quarter
- The U.S. Federal Reserve Board and U.S. Treasury extend their joint Term Asset-Backed Securities Loan Facility (TALF) by three months to March 31 /10
- New York State Attorney General Andrew Cuomo launches lawsuit against Charles Schwab Corp. claiming the California-based discount brokerage falsely represented auction-rated securities as liquid investments without disclosing their risks. Schwab insists that the Attorney General is ignoring "the real culprits" i.e. banks that underwrote the products.
- The Empire State manufacturing index rose to 12.1 in July from a negative 0.6 in June. Readings over zero mean most firms reported business improved from the previous month. New orders and shipments rose to their highest levels in more than a year.
- Home improvement retailer Lowe's reports a net income of \$759 million (U.S.) in the 2nd. fiscal quarter ended July 31st. compared with a profit of \$938 million (U.S.) in the same period a year ago
- Equity analysts at Citigroup are predicting a decline in back-to-school sales for the first time since they began compiling the figures in 1995. They estimate August and September sales at stores open for at least a year (known as same-store sales) will fall 3 - 4%, compared with an increase of nearly 1% in the same period last year.
- In a recent study, the U.K. business consultancy group Bain reports that U.K retail banks must close one-third of their branches, in order to restore profitability

Tuesday, August 18th.

- U.S. producer price index declines by 0.9% in July versus a 1.8% increase in June
- U.S. housing starts decline by 1% to 581,000 in July from a revised 587,000 in June
- Home Depot posts a net profit of \$1.12 billion (U.S.) in the 2nd. fiscal quarter ended August 2nd. compared with net earnings of \$1.2 billion (U.S.) in the same period a year ago
- Target Corp. posts a net profit of \$594 million (U.S.) in the 2nd. fiscal quarter versus a net profit of \$634 million (U.S.) in the same period last year
- Readers Digest files for Chapter 11 bankruptcy protection
- The Mannheim, Germany-based ZEW institute reports its investor "economic sentiment" indicator, which gauges expectations about economic trends over the next 6 months, rose by 16.6 points to a reading of 56.1 points in August, the highest reading since April, 2006
- The U.K. annualized inflation rate remains unchanged at 1.8% in July
- Luxury retailer Saks Inc. posts a loss of \$54.5 million (U.S.) in the fiscal 2nd. quarter ended August 1st. compared with a loss of \$32.7 million (U.S.) in the same period a year ago



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Wednesday, August 19th.

- Citing a filing in a U.S. District Court in Florida, American authorities are building criminal cases against more than 150 U.S. nationals who held accounts with Swiss banking group Union Bank of Switzerland (UBS) in order to evade U.S. taxes. The Internal Revenue Service and the Department of Justice completed an agreement with UBS enabling the transfer of an “unprecedented amount” of information about 4,450 American holders of accounts at UBS, which at one time totaled some \$18 billion (U.S.).
- Moline, Illinois-based farm equipment manufacturer Deere & Co. reports a net profit of \$420 million (U.S.) in the fiscal 3rd. quarter ended July 31st. compared with a net profit of \$575 million (U.S.) in the same period last year, citing lower demand for construction equipment
- Hewlett-Packard posts net earnings of \$1.6 billion (U.S.) in the fiscal 3rd. quarter ended July 31st. versus net earnings of \$2 billion in the same period a year ago, citing lower sales of personal computers, printers and software
- Statistics Canada reports the Canadian consumer price index fell by 0.9% in July, resulting in an annual core inflation rate (excluding food and energy) of 1.8%, its lowest level since 1953
- Disgraced Canadian financial consultant Earl Jones is declared bankrupt, as a bankruptcy trustee cites Mr. Jones used more than \$12 million (CAD) entrusted to him by his clients, to buy a life of luxury that included automobiles, condos and private schooling for his children
- Toronto-based retailer Sears Canada posts a net profit of \$49.1 million (CAD) in the fiscal 2nd. quarter ended August 1st. compared to a net profit of \$1.42 billion (CAD) in the same period a year ago
- Germany’s producer price index declines by 7.8% in July on a year-over-year basis
- Nouriel Roubini, professor of economics at New York University’s Stern School of Business, predicts that GDP (gross domestic product) growth in the world’s “advanced economies is likely to remain anemic and well below trend for at least a couple of years.”
- The World Gold Council reports that global demand for gold is at a 6-year low. India reports that gold imports have declined by 68% since July /08
Since the price of gold bullion is hovering at \$945 (U.S.) per ounce, what will the price be after global demand reasserts itself?
- According to data provider Dealogic, global corporate bond issuance has surpassed the \$1 trillion (U.S.) level, marking the first time this has occurred within a single year
- Investor Warren Buffet, the world’s second richest man, states that the “gusher of federal money” flowing into the U.S. economy could eventually fuel inflation and devalue the greenback.

Welcome to the club, Warren ... better late than never!

Thursday, August 20th.

- Russia’s retail sales declined by 8.2% in July, following a drop of 6.5% in June



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- Illinois-based Sears Holdings Corp. posts a loss of \$94 million (U.S.) in its fiscal 2nd. quarter ended August 1st. compared to a net profit of \$65 million (U.S.) in the same period a year ago
- U.S. initial claims for state unemployment benefits increased by 15,000 to 576,000 in the week ended August 15th. from a revised 561,000 the week before, while the number of continuing claims was little changed at 6.24 million.
- The Conference Board's index of U.S. leading economic indicators rose 0.6% in July, following a revised 0.8% increase in June
- The Federal Reserve Bank of Philadelphia's general economic index rose to a reading of 4.2, the highest level since November /07 from a negative reading of 7.5 in July
- The Mortgage Bankers Association reports that the U.S. mortgage delinquency rate (one or more payments overdue) rose to a seasonally adjusted 9.24% in the 2nd. quarter (an all-time high) from 9.12% in the 1st. quarter
- Major U.S. pension funds have recouped less than half of the \$53.8 billion (U.S.) they've invested in private equity finds since the year 2000. They haven't turned a profit in 7 years.
- Canadian wholesale sales rose by 0.6% in June
- The Swiss Government sells its 8.5% stake in UBS AG, worth about \$5.22 billion (U.S.)

Friday, August 21st.

- Columbia University economics professor Joseph Stiglitz sees a "need for a global (currency) reserve system." He comments that the U.S. dollar has a high degree of risk and its role as a good store of value is "questionable".
- At the annual Kansas City Federal Reserve Symposium in Jackson Hole, Wyoming, Fed Chairman Ben Bernanke asserted that prospects for a return to economic growth in the U.S. "appear good." Mr. Bernanke added that "the economic recovery is likely to be relatively slow at first, with unemployment declining only gradually from high levels."
- Canadian Minister of National Revenue, Jean-Pierre Blackburn, says Canada Revenue Agency lawyers will meet with UBS in September to obtain information about Canadian investors who may have held accounts with UBS in order to evade Canadian taxes
- A former UBS banker, Bradley Birkenfeld, a 44-year old U.S. citizen. described by prosecutors as the man most responsible for initiating a broad U.S. investigation into wealthy Americans' usage of secret Swiss bank accounts to evade U.S. taxes, is sentenced to 40 months in federal prison
- Earl Devaney, Chairman of President Obama's stimulus monitoring board, is constructing the most complex government website in history by October 10th. to monitor the outflow of stimulus money. Mr. Devaney predicts that the website, which will enable citizens to monitor every dollar spent by Washington, will transform the way Americans interact with government.
- The Office for National Statistics reveals that the U.K. government recorded a deficit of 8 billion pounds in July, citing an unprecedented collapse in corporate and personal income tax revenues



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- The German Markit purchasing managers index (PMI), which measures the service and manufacturing sectors of the economy, rose to a reading of 54.2 in July from a level of 49.0 in June
- The National Association of Realtors reports that U.S. existing home sales increased by 7.2% in July to 5.24 million annualized units, following a 3.6% increase in June
- The State of California unemployment rate rises to 11.9% in July
- In its report for the 2nd. quarter of 2009, the Mortgage Bankers Association reveals that over 13% of all U.S. mortgages are either in a state of delinquency or foreclosure
- Canadian government deficit increases by \$5 billion (CAD) in July, mostly due to lower tax revenues, employment insurance payments and auto company bailouts

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