

UNDERSTANDING THE LONGWAVE ECONOMIC AND FINANCIAL CYCLE  
**THAT WAS THE WEEK THAT WAS**



Monday, November 30TH

Eurostat, the European Union's statistical agency, reports that consumer prices in the eurozone rose by 0.6% in November, citing higher energy prices as the main reason

MONDAY, NOVEMBER 30TH

- The Institute for Supply Management-Chicago Inc. reports its business index rose to a reading of 56.1 in November from a level of 54.2 in October
- Statistics Canada reports that Canada's gross domestic product (GDP) expanded at an annualized rate of 0.4% in the 3rd. quarter, citing gains in domestic demand and government spending. The 2nd. quarter GDP, previously reported as a contraction at an annualized rate of 3.4%, was upwardly revised to an annualized rate of 3.1%.
- In a research note to clients entitled 'Tougher Times in 2010' written by the bank's European investment analysts, Morgan Stanley warns that Britain risks becoming the first country, in the G10 bloc of major economies, to risk capital flight and a full-blown sovereign debt crisis in 2010. "Growing fears over a hung parliament would likely weigh on both the currency (the pound) and gilt (government bond) yields; since it would (not only) represent something of a leap into the unknown, (but also) increase the probability that some of the (credit) rating agencies (might) remove the UK's 'AAA' status. In an extreme situation, a fiscal crisis could lead to some domestic capital flight, severe pound weakness and a sell-off in UK government bonds. The Bank of England may feel forced to hike (interest) rates to shore up confidence in monetary policy and stabilize the currency, threatening the fragile economic recovery." Beware of the Ides of March!
- According to the Central Statistical Organization, India's gross domestic product (GDP) expanded by an annualized 7.9% in its second fiscal quarter ended September 30, 2009, citing "significant growth" in the mining, manufacturing, construction and energy sectors
- During a European Union / China summit of finance ministers in Beijing, senior European leaders failed to persuade China to allow its currency (the yuan) to appreciate in value. Jean-Claude Juncker, Prime Minister of Luxembourg warned that "an orderly and gradual appreciation of the yuan would be in the best interests of China and of the global economy."

TUESDAY, DECEMBER 1ST

- The Bank of Japan (BOJ) maintains its overnight call-rate at 0.1% and establishes a new 10 trillion yen (\$120 billion U.S.) lending facility, which will accept Japanese government bonds, corporate bonds, commercial paper and property deeds as collateral for loans. The BOJ pledged to co-operate with the Japanese government to do all it can to pull the country out of deflation, which it expects to last for the next three fiscal years. In a statement, the BOJ noted that "while Japan's economy is improving, there is not yet sufficient momentum to support (a) self-sustaining recovery in business, fixed investment and private consumption."

- The National Association of Realtors reports that the U.S. pending home sales index rose by a seasonally adjusted 3.7% in October and is 31.8% higher compared with October, 2008
- The General Motors Board of Directors votes to dismiss Fritz Henderson as chief executive officer (CEO) in a surprise move that will see the ailing U.S. government-controlled automaker install its second new boss in less than a year
- The Tempe, Arizona-based Institute for Supply Management, a trade group of purchasing executives, reports that its manufacturing index fell to a reading of 53.6 in November from October's three-year high of 55.7. Readings above 50 signal expansion.
- The Commerce Department reports that U.S. construction spending rose by 0.4% in October
- General Motors, Ford Motor, Toyota and Honda all report new vehicle sales in the U.S. were about the same in November as they were in November, 2008
- Staples Inc. the largest U.S. office supply company, reports a net profit of \$269.4 million (U.S.) in the 3rd. fiscal quarter ended October 31st. citing an improving catalogue business and solid profits from its European office products sector
- The Royal Bank of Canada launches a new monthly Canadian Consumer Outlook Index, citing 62% of consumers surveyed expect the Canada's economy to improve over the next year
- The Reserve Bank of Australia raises its key cash rate by 25 basis points to 3.75%
- Toyota Canada Inc. posts record monthly sales of 16,112 vehicles in November
- European unemployment rate remains unchanged at 9.8% in October
- ADP Employer Services reports that private sector firms in the U.S. cut an estimated 169,000 jobs in November, citing the fewest jobs lost since July, 2008. Peter Boockvar, equity strategist at Miller Tabak & Co. commented "There remains no question that the pace of job losses has slowed, but the path to healthy job gains I believe will still be unfortunately long."
- According to a Bloomberg report, BNP Paribas SA, Barclays Plc and Banco Santander SA are among at least 353 European lenders that have increased in size since early 2007. Indeed, fifteen European banks now have assets larger than their home economies, compared with 10 banks three years ago. David Lascelles, senior fellow at the London-based Centre for the Study of Financial Innovation, a research group, comments that "We are sowing the seeds for the next (financial) crisis."
- In its fourth budget update, Canada's government announces Canadian provincial and municipal governments must finalize decisions regarding federal stimulus projects within the next two months, or "the (federal) government will reallocate funding to other initiatives, or allow funds to lapse."
- Talisman Energy announces 220 job layoffs at its natural gas division
- In its latest 'beige book' report, prepared by the Federal Reserve Bank of New York, the Federal Reserve examined economic conditions across the U.S. from late October through November 20th. citing a "modest improvement." However, the Fed also noted that the economy was still plagued by a weak labour market and a deteriorating commercial real estate sector.
- Testifying before the Senate Agriculture Committee, U.S. Treasury Secretary Tim Geithner, affirmed that the federal government is close to the point at which "we can wind down" the \$700 billion (U.S.) Troubled Asset Relief Program (TARP)

#### WEDNESDAY, DECEMBER 2ND

- The Bundesbank (German central bank) warns that German banks face a further 90 billion euros of write downs in 2010. Accordingly, the German government is considering a new package of bailout measures to prevent a second credit crisis.

#### THURSDAY, DECEMBER 3RD

- Comcast Corp. the largest U.S. cable television company, will start a joint venture valued at about \$37 billion (U.S.) with General Electric's entertainment unit – NBC Universal. The transaction will add \$8 billion (U.S.) to General Electric's balance sheet, giving it a cash position of about \$26 billion (U.S.).

Bank of America repays \$45 billion (U.S.) TARP loan to the U.S. government

- The Institute for Supply Management's non-manufacturing index declined to a reading of 48.7 in November from a level of 50.6 in October
- China's Premier Wen Jaibao publicly scolds Canada's Prime Minister Stephen Harper for not visiting Beijing sooner. While China imports about \$1 trillion (CAD) worth of goods annually, Canada accounts for only 1% of that total.

#### FRIDAY, DECEMBER 4TH

- About 30 national chain retailers report monthly sales at established stores, including Costco and JC Penney, did not measure up to expectations due to unseasonably warm weather and shoppers looking for better post Thanksgiving Day holiday sales
- The Labor Department reports that the U.S. unemployment rate declined to 10% in November from 10.2% in October
- The U.S. Treasury reports that 25% of American homeowners, assisted under the government's massive foreclosure prevention plan Making Home Affordable, have already fallen into delinquency in their new mortgage payments

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