

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



Monday, March 15TH

The Commerce Department reports U.S. industrial production rose by 0.1% in February, marking the eighth consecutive monthly increase

MONDAY, MARCH 15TH

- According to the U.S. Treasury Department, China sold \$5.8 billion (U.S.) of its U.S. Treasury holdings in January to retain \$889 billion (U.S.) and remains the largest foreign holder of these securities. Japan also reduced its holdings by \$300 million (U.S.) to retain \$765.4 billion (U.S.) and remains the world's second largest holder.
- Moody's Investors Service warns the United States and the United Kingdom have moved "substantially" closer to losing their coveted 'AAA' sovereign debt ratings. Although the outlook remains "stable, their 'distance-to-downgrade' in both cases has substantially diminished."
- According to the Washington Post, 5 million to 7 million U.S. properties are potentially eligible for foreclosure, but have not yet been repossessed and put up for sale. Some economists project it could take nearly 3 years before all of these properties can be put on the market and sold to new buyers. Also, the number of pending foreclosures could grow much larger over the coming year, as more distressed homeowners become delinquent and then, if they can't obtain mortgage rate relief, wade through the foreclosure process, which often takes more than a year to complete.

TUESDAY, MARCH 16TH

- The U.S. Federal Reserve repeats its pledge to maintain the Federal Funds rate within a range of 0 – 0.25% "for an extended period" and confirms its emergency stimulus measures aimed at the housing market will be terminated as planned at the end of March
- Standard & Poors affirms Greece's investment-grade 'BBB' (high) sovereign debt rating and removes the country's outlook from "credit watch negative," citing the 4.8 billion euros (\$6.6 billion U.S.) of budget cuts passed earlier this month "were appropriate to achieve" the goal of cutting its budget deficit to 8.7% of GDP this year, from the current 12.7%. To dream the impossible dream.
- Statistics Canada reports the country's factory shipments rose by 2.4% in January, to the highest sales level since November, 2008
- Royal Dutch Shell PLC announces 2,000 job layoffs effective before 2012, twice the amount previously announced in 2009 when 5% of its work force was laid off
- In a Reuters interview, Alexandra Wrage, whose TRACE International advises multinational companies how to avoid bribery and corruption in foreign markets, commented that "rampant, endemic extortion" by corrupt Russian officials has become so ingrained that "my recommendation is, maybe you should reconsider doing business in Russia." Will the ruble go to rubble once again?

WEDNESDAY, MARCH 17TH

- Video store chain Blockbuster Inc. warns it may have to file for bankruptcy protection. In a filing with U.S. regulators, the company stated that weakening sales and growing competition “raise substantial doubt about our ability to continue as a going concern.”
- The Labor Department reports the U.S. producer price index declined by 0.6% in February, as a significant drop in energy prices more than offset higher food prices
- The Office for National Statistics reports that the U.K. unemployment rate declined to 4.9% in February from 5% in January
- In testimony before the House Financial Services Committee, Federal Reserve Chairman Ben Bernanke warns against a Senate proposal to end the Fed’s oversight of smaller banks. Mr. Bernanke stated: “We think it’s very important for the Federal Reserve not to be just a big institution regulator. Smaller and medium-sized banks are very valuable to us and they provide irreplaceable information” for making monetary policy, understanding the economy and for financial stability. In other words, the smaller banks act as an ear for the Fed, but if you’re deaf, as the Fed has been in recent times, additional ears won’t make any difference.
- UBS, JP Morgan Chase, Deutsche Bank and Germany’s Depfa are charged with fraud for their roles in a 1.7 billion euro (\$2.3 billion U.S.) financing package for the City of Milan, Italy, after an Italian judge ruled there was sufficient evidence for them to face criminal charges of aggravated fraud for their role in devising a swaps package for the city’s 2005 bond issue
- The U.S. Senate passes an \$18 billion (U.S.) jobs bill that offers tax breaks to companies that hire unemployed workers, another initiative of President Barack Obama to combat the 9.7% American unemployment rate

THURSDAY, MARCH 18TH

- The Labor Department reports the U.S. consumer price index was unchanged in February, as the weak economy limits the ability of companies to charge more for goods and services

- The U.S. Labor Department reports initial claims for state unemployment benefits fell by 5,000 in the week ended March 13th. to a seasonally adjusted 457,000 while continuing claims increased to 4.58 million in the week ended March 6th.
- Reports that Greece may not be confident it can rely upon its eurozone partners to provide timely financial assistance should it be needed, and that it might request support from the International Monetary Fund (IMF), have raised new doubts whether Greece’s fiscal deficit woes have been contained. (See Winter Warning, March 15, 2010 – Beware of the Ides of March)
- Credit card firm Barclaycard announces 350 job layoffs in Scotland, as loan operations managed by Barclays Partner Finance in Glasgow will be relocated to Barclaycard’s secured loans business in Cardiff, Wales
- Statistics Canada reports international investors purchased \$11.8 billion (CAD) of Canadian securities in January, marking the third consecutive month of sizeable purchases by foreigners, who in 2009 bought a total of \$110 billion (CAD) of Canadian securities, including a record amount of bonds

FRIDAY, MARCH 19TH

- Statistics Canada reports the country’s consumer price index (CPI) rose by 1.6% in February compared to 1.9% in January
- The U.S. Court of Appeals in Manhattan rules the Federal Reserve must disclose documents identifying financial firms that received federal government bailout assistance, following the 2008 demise of Lehman Bros. U.S. Circuit Judge Dennis Jacobs wrote: “The statute as written by Congress sets forth no basis for the exemption the (Federal Reserve) Board asks us to read into it. If the (Federal Reserve) Board believes such an exemption would better serve the national interest, it should ask Congress to amend the statute.” In a separate ruling, a U.S. federal appeals court ruled that the U.S. Federal Reserve’s board of governors must disclose documents related to individual borrowing from its discount window and other “last resort” lending programs. Does this represent the beginning of the end for Federal Reserve secrecy and so-called central bank “independence?”

- The Reserve Bank of India increases its benchmark repurchase rate to 5% from 4.75%, citing containing inflation has become “imperative”
- The U.S. Federal Deposit Insurance Corp. (FDIC) closes Georgia-based Advanta Bank and Applachian Community Bank; as well as other banks in Ohio, Alabama and Minnesota, bringing the number of failed American banks to 37 this year

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