

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



Monday, March 29TH

Greece issues 5 billion euros of 7-year bonds to yield 6.00%, even yield compared to its outstanding maturities, but 334 basis points over comparable German bunds. Greece must borrow an additional 11.6 billion euros during April and May.

MONDAY, MARCH 29TH

- Calgary RCMP charge four Alberta residents with defrauding over 1,000 people across North America by operating a \$60 million (CAD) ponzi scheme called HMS Financial which offered risk-free investment plans that guaranteed annual returns of between 8% and 12%
- The Royal Bank of Canada raises its rate on 3-year closed fixed rate mortgages by 20 basis points to 4.35%; the rate on 4-year closed fixed rate mortgages by 40 basis points to 5.34% and the rate on 5-year closed fixed rate mortgages by 60 basis points to 5.85%
- The Toronto-Dominion Bank raises its rate on 3-year closed fixed mortgages by 40 basis points to 4.70%; the rate on 4-year closed fixed mortgage rate by 40 basis points to 5.34% and the rate on 5-year closed fixed rate mortgages by 60 basis points to 5.85%
- In its final analysis of U.S. President Obama's fiscal 2011 budget, released last Thursday, the Congressional Budget Office (CBO) concludes the budget will generate nearly \$10 trillion (U.S.) in cumulative budget deficits over the next 10 years, which is \$1.2 trillion (U.S.) more than the administration projected. Moreover, it will raise the federal debt level to 90% of the nation's gross domestic product (GDP) by the year 2020. (See also Winter Warning, March 29, 2010 – The Greater Fool Theory)
- The Commerce Department reports U.S. personal income was unchanged in February from January, while consumer spending rose by 0.3% in February following a 0.4% increase in January
- The U.S. Treasury plans to sell its 7.7 billion common share holding (a 27% stake) in New York-based Citigroup during the remainder of 2010 using a “pre-arranged trading plan”
- According to a new World Gold Council (WGC) report, China's demand for gold will double within the next decade. While Chinese gold consumption totaled more than \$14 billion (U.S.) in 2009, the WGC report also predicted that China's gold mines would not keep production pace with demand and might even be exhausted within six years.
- As is reported in the New York Times, California, New York, New Jersey and other states are exhibiting signs of debt overload that recently took Greece to the brink – by breeding budgets that do not balance, embracing accounting methods that mask debt, using derivatives to plug deficit loopholes and employing armies of retired public workers who are relying on benefits that are proving increasingly difficult to fund; raising concerns of their own looming debt crises. In an attempt to generate more revenue, states are considering new taxes on virtually everything – from garbage removal to haircuts.

TUESDAY, MARCH 30TH

- The Case-Shiller Standard & Poors home price index of 20 major U.S. cities declines by 0.4% in January compared to December, citing only Los Angeles experienced rising house prices. Only 4 major U.S. cities had experienced rising house prices in December, 2009.
- The Conference Board's U.S. consumer confidence index rose to a reading of 52.5 in March from a level of 46.4 in February
- Calgary-based Athabasca Oil Sands Corp. is set to launch a \$1.35 billion (CAD) initial public offering (IPO) next week on the Toronto Stock Exchange. Among the largest Canadian IPO's ever, Athabasca will price the offering of 75 million shares at \$18.00 (CAD) per share.
- The Irish government unveils a new rescue plan to acquire toxic assets from Irish banks, as it seeks to stimulate the economy and encourage banks to start lending again. Initially, the National Asset Management Agency (NAMA) plans to spend 8.5 billion euros (\$11.5 billion U.S.) to acquire more than 1,200 loans from various lenders valued at \$16 billion euros. Ultimately, the government expects NAMA to acquire loans valued at 81 billion euros by the end of February, 2011.
- In its 3rd. revision of GDP growth, the Office for National Statistics reports the U.K. economy grew by 0.4% in the 4th. quarter of 2009, citing stronger output from the construction, agriculture and service industries

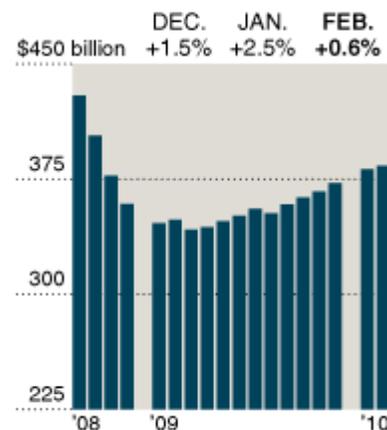
What does the preceding chart portray? Is this the beginning of the end of the great recession or, is this the end of the beginning of the second great depression? We believe it is the latter because, not only is the U.K. Labour government unwilling to tackle its massive debt and deficit situations in a meaningful way, but also, the British election (expected on May 6th.) could result in political gridlock! The danger of Britain soon losing its coveted 'AAA' sovereign debt rating is real; not imagined. Gird ye up thy loins, while ye may!

WEDNESDAY, MARCH 31ST

- The Commerce Department reports U.S. factory orders rose by 0.6% in February, following January's upwardly revised increase of 2.5%

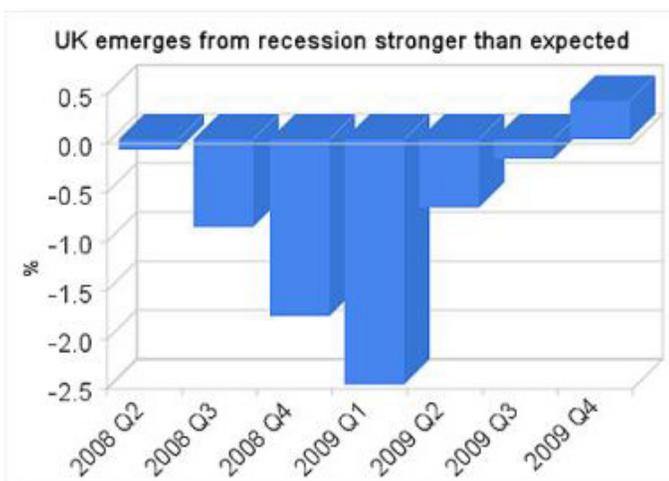
Factory Orders

Manufacturers' total new orders, seasonally adjusted.



Source: Commerce Department

- The Institute for Supply Management (ISM)-Chicago Inc. reports its business index declined to a reading of 58.8 in March from a February level of 62.6
- Petros Christodoulou, director general of the Public Debt Management Agency, announces Greece's plan to market a global bond issue denominated in U.S. dollars, comprising part of an effort to raise 11.6 billion euros (\$15.6 billion U.S. by the end of May)



- Statistics Canada reports the country's gross domestic product (GDP) rose by 0.6% in January, citing increased activity in the mining and manufacturing sectors
- Eurostat, the European Union's Statistical Agency, reports the eurozone's Unemployment rate rose to 10% in February from 9.9% in January, the highest level since August, 1998. In an initial release, Eurostat also reported the consumer price index in the 16-nation euro region rose by 1.5% in March on a year-over-year basis, following a 0.9% increase in February.
- Payroll-firm Automatic Data Processing (ADP) reports private employers announced 23,000 job layoffs in March
- Anglo Irish Bank reports a loss of 12.7 billion euros in the 15 months ended December 31, 2009 – the largest corporate loss in Irish history. The bank also revealed a 15.1 billion euro impairment charge on its toxic assets.
- America's President Barack Obama announces federal government authorization for drilling exploration of millions of acres of U.S. offshore areas for oil and natural gas

THURSDAY, APRIL 1ST

- The 'AAA' rated Municipal Finance Authority of British Columbia raises \$205 million (CAD) via a 10-year bond issue offering a yield of 4.45%, only 80 basis points over the comparable benchmark Government of Canada maturity, through a dealer group led by National Bank Financial
- U.S. vehicle sales increased by 24% in March to more than one million cars and light trucks, aided by hefty buyer incentives from most automakers
- The Labor Department reports U.S. initial claims for state unemployment benefits declined by 6,000 to a seasonally adjusted 439,000 in the week ended March 27th., while continuing claims were basically unchanged at 4.66 million in the week ended March 20th.

- According to Automated Access to Court Electronic Records, U.S. federal courts reported 158,000 bankruptcy filings in March, an increase of 35% over February
- Britain's manufacturing purchasing manager's index (PMI) increased to a reading of 57.2 in March from a level of 56.5 in February

FRIDAY, APRIL 2ND

(British, Canadian and American Good Friday Holiday)

- The Labor Department reports U.S. non-farm payrolls increased by a seasonally adjusted 162,000 in March, while the unemployment rate remained unchanged at 9.7%. The February report was upwardly revised from minus 46,000 to minus 14,000.

