

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



Monday, April 18th

In an updated report, rating agency Standard & Poors (S&P) affirms America's sovereign debt 'AAA' credit rating. Simultaneously, S&P fires warning shot

MONDAY, APRIL 18TH

across the bow of the USS Obama Administration by lowering the rating outlook from stable to negative, citing: "We believe there is a material risk that U.S. policy makers might not reach an agreement on how to address medium-term and long-term budgetary challenges by 2013. If an agreement is not reached and meaningful implementation does not begin by then, in our view this would render the U.S. fiscal profile meaningfully weaker than that of peer 'AAA' sovereigns." In a Bloomberg TV interview, David Beers, S&P's global head of sovereign and international public finance ratings commented: "S&P's negative outlook means that the firm views a one-in-three chance it will cut a borrower's (credit) rating within a two-year (time) horizon." See also, Winter Warning, March 30/11 - The Coming International Trade Crisis – The Federal Budget Proposal for 2010

- The National Association of Home Builders (NAHB) reports its U.S. index of industry sentiment declined slightly to a reading of 16 in April from a level of 17 in March, citing continuing high unemployment, tighter lending standards and increased requirements for down payments are preventing many prospective buyers from purchasing homes

- Robert Bobb, the emergency financial manager for the Detroit Public School District issues layoff notices to the system's 5,466 salaried employees, including all of its teachers – a preliminary step in seeking broad work force cuts to deal with lower student enrollment. Mr. Bobb will soon acquire additional authority under a measure signed into law on March 17th, broadening Michigan's power to intervene in the finances and governance of struggling municipalities and school districts. Accordingly, Mr. Bobb has pledged to use those powers to deal decisively with the Detroit district's \$327 million (U.S.) shortfall and its educational deficiencies. Furthermore, Mr. Bobb has raised the possibility of making unilateral changes to the collective bargaining agreements signed with teachers less than two years ago. Who would have thought that Michigan Governors and legislators would grant a manager dictatorial powers amid their democracy-loving communities? See also, Winter Warning, Feb. 15/11- It's Still the Debt, Stupid - The Motown War Zone

TUESDAY, APRIL 19TH

- The Commerce Department reports U.S. housing starts rose by 7.2% to an annual pace of 549,000 in March, following a decline of 19% in February

- Statistics Canada reports the nation's consumer price index rose at an annual rate of 3.3% in March, citing higher costs for food and gasoline. The core rate, which excludes food and energy, rose by 0.9% during the month to an annual rate of 1.7%.
- Egypt and Iran announce resumption of diplomatic relations after a hiatus of at least 30 years, causing concern in the United States, Israel and Saudi Arabia regarding the fragile balance of power in the Middle East

WEDNESDAY, APRIL 20TH

- Gold bullion exceeds \$1,500 (U.S.) per troy ounce, reflecting fears of the inexorable climb in U.S. deficits and the approaching national debt ceiling; as well as apprehension regarding possible restructuring and rescheduling of Greece's sovereign debt. James West, editor of the MidasLetter.com warns: "The U.S. Federal Reserve is nothing more and nothing less than the off-balance sheet entity of the U.S. Treasury, which permits the illegal fabrication of (U.S.) dollars out of thin air without prosecution. Of course, this off-balance sheet entity is not an official government body ... the best defense against their intentional destruction of the United States currency is selling dollars to buy gold for capital preservation and silver for low risk capital appreciation. The day will come when today's politicians ... will be accurately portrayed as naïve, negligent and just plain stupid populists, whose ignorance on real economic matters was exactly the ingredient necessary to permit the psychopathic and misanthropic banking community to form the financial policies of their governments."
See also, Winter Warning, September 14, 2009 – Behold a Pale Horse and He Who Sat Upon Him Was Named Death, and Hell Followed With Him
- The National Association of Realtors reports U.S. existing home sales rose 3.7% to an annual pace of 5.1 million in March, citing 40% of the sales were distressed properties. Michelle Meyer, a senior economist at Bank of America- Merrill Lynch in New York commented: "It will take many years for the housing market to return to equilibrium."
- In the wake of the March 11th. earthquake and tsunami, Japan's exports declined by 2.2% in March as automobile shipments plummeted

- Following Standard and Poors' lowering of America's sovereign debt credit rating outlook; in an interview with the French daily newspaper Le Monde, Olivier Blanchard, chief economist at the International Monetary Fund (IMF) warns: "There are reasons to be worried. The United States lacks a credible plan, for the medium term, to reduce its budget deficit. (Separately,) euro zone peripheral countries must considerably improve their productivity or trim salaries, or both, to get their economies back on track." See also, Winter Warning, June 14, 2010 – The Long Wave Winter Monetary Crisis

- A jury finds Lee Farkas, the former chairman of Ocala, Florida-based Taylor, Bean and Whitaker Mortgage Corp., guilty on all 14 charges stemming from a 7-year, \$2.9 billion (U.S.) fraud scheme that led to the collapse of his firm and Colonial Bank. According to Assistant Attorney General Lanny Breuer, Mr. Farkas was the "mastermind of one of the largest bank fraud schemes in U.S. history. His shockingly brazen scheme poured fuel on the fire of the financial crisis."

THURSDAY, APRIL 21ST

- In a speech before the lower house of parliament, Russian Prime Minister Vladimir Putin mocks U.S. monetary policy and budget deficits. Emphasizing the fact that Russia needs to become one of the world's top five economic powers by 2020, Mr. Putin observes: "Look at the American trade balance, their debt and budget. They turn on the printing press and flood the world with dollars and government bonds. There is no way we will act this way anytime soon. We don't have the luxury of such hooliganism."
- The index of U.S. leading economic indicators rose by 0.4% in March, following an upwardly revised 1% gain in February
- The Labor Department reports U.S. initial claims for state unemployment benefits declined by 13,000 to 403,000 in the week ended April 16th., while continuing claims fell by 7,000 to 3.7 million in the week ended April 9th. Those people who have exhausted their traditional benefits and are now collecting emergency and extended benefits under federal programs declined by about 70,000 to 4.24 million in the week ended April 2nd.

- The Finance Department reports the Canadian federal deficit increased by \$600 million (CAD) in February, making the total for the year to date \$28.3 billion (CAD) with one month's tabulation remaining in the 2011 fiscal year
- According to the Wall Street Journal, in 2010 the Federal National Mortgage Association (Fannie Mae) acquired 232 properties through foreclosure – more than double the amount in 2009 – and loans backing another 481 properties were seriously delinquent. The increase is a reminder that despite the rebound in apartment building prices in leading markets, owners and their lenders are still hurting in many parts of America ... The Federal Home Loan Mortgage Corporation (Freddie Mac) and Fannie Mae single-handedly prevented the multifamily industry from experiencing the credit crunch that overwhelmed the office and retail sectors. The two companies own or guarantee about 40% of the housing market, with \$325 billion (U.S.) in multifamily mortgages ... According to Green Street Advisors, a research firm, values of buildings owned by real estate investment trusts (REITs) are within 10% of their 2007 peak, however, vacancies hit 30-year highs during the financial crisis and still haven't recovered in many markets.
- The newsletter MetropoleCafe.com observes: "Keep in mind, silver's high of \$49.45 (U.S.) per ounce in 1980, would equal about \$140 (U.S.) in today's dollars adjusted to the consumer price index and about \$400 (U.S.) per ounce in today's dollars adjusted to the real rate of price inflation. Despite silver's huge gains in recent months, we have yet to see silver rise by \$2.00 (U.S.) or more in a single day. When we start to see a true 'silver mania' with investors around the world rushing out of their U.S. dollars and panic buying silver, we expect to see silver gain by \$5 to \$10 dollars in a single day on more than one occasion."
- According to Fox News, U.S. households are now receiving more in cash handouts from the federal government than they are paying in taxes for the first time since the Great Depression. American households received \$2.3 trillion (U.S.) in some form of federal government support in 2010, including expanded unemployment benefits, as well as payments for Social Security, Medicare, Medicaid and stimulus spending. According to an analysis by the Fiscal Times, that's more than the \$2.2 trillion (U.S.) that households paid in taxes. Moreover, according to the U.S. Census Bureau, an estimated 59% of the 308.7 million population base receive at least one federal benefit, i.e. an estimated 46.5 million receive Social Security; 42.6 million receive Medicare; 42.4 million receive Medicaid; 36.1 million get food stamps; 12.4 million get housing subsidies and 3.2 million receive Veterans' benefits. Federal Government cash handouts have accounted for a whopping 79% of household growth since 2007, while household tax payments for income, payroll and the like, have declined by \$312 billion (U.S.).
- Syria's leadership faces the largest outbreak of anti-regime social unrest in its four-decade rule. Major protestor groups penetrated the cordon of security police protecting Damascus, as tens of thousands of people chanting anti-regime slogans took to the streets in most other major Syrian cities. Security forces in several cities fired live ammunition and used tear gas, in an attempt to disperse the crowds, leaving at least 88 people dead.

FRIDAY, APRIL 22ND

GOOD FRIDAY HOLIDAY IN CANADA, THE UNITED STATES AND GREAT BRITAIN

CLOSING LEVELS FOR THURSDAY, APRIL 21ST.

		WEEKLY CHANGE
Dow Jones Industrial Average	12,506.00	+ 164.20 points
Spot Gold Bullion (May)	\$1,503.80 (U.S.)	+ \$17.80 per oz.
S&P / TSX Composite	13,972.00	+ 172.90 points
10-year U.S. Treasury Yield	3.40%	- 1 basis point

CLOSING LEVELS FOR THURSDAY, APRIL 21ST.		WEEKLY CHANGE
Canadian Dollar	104.78 cents (U.S.)	+ 0.55 cent
U.S. Dollar Index Future (Spot Price)	74.11 cents	- 0.71cent
WTI Crude Oil (May)	\$112.29 (U.S.)	+ \$2.63 per barrel

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