

UNDERSTANDING THE LONGWAVE ECONOMIC AND FINANCIAL CYCLE

# THAT WAS THE WEEK THAT WAS



## Monday, April 30th

Statistics Canada reports the nation's gross domestic product contracted by 0.2% to \$1.28 trillion (CAD) in February, citing slower activity in the mining and energy sectors

### MONDAY, APRIL 30TH

- Front Page Headline, Financial Times – “S&P Downgrades 11 of Spain’s Largest Banks. Standard & Poor’s downgrades the credit ratings of eleven Spanish banks – including Banco Santander’s credit rating to ‘A’ (Low) from ‘A’ (High) – as the government holds talks to segregate problematic mortgages into one or more asset management companies to lift the burden from struggling banks. This ‘bad bank’ scheme is the latest attempt by the center-right government of Prime Minister Mariano Rajoy, to avoid an international bailout program of the sort required by Greece, Ireland and Portugal. Prime Minister Rajoy’s Popular Party government has deepened fiscal austerity, reformed Spain’s labour market and ordered banks to set aside an extra 54 billion euros of bad loan provisions and capital buffers this year. Luis de Guindos, Spain’s economy minister had decided that Spanish banks wouldn’t need a bailout. However, many economists believe the mortgage crisis and bad loan situation is so dire that weak banks will need a further recapitalization of about 100 billion euros. Separately, the National Statistics Institute reports Spain’s gross domestic product (GDP) contracted by 0.3% in the 1st. quarter and by 0.4% on a year-over-year basis.”
- Front Page Headline, Daily Telegraph U.K. – “Britain’s Unemployment Rate Could Ignite Social Unrest. In a new report, the International Labour Organization (ILO) warns: ‘Britain faces another summer of ‘unjustified’ riots by demoralized young people who have lost faith in government and believe austerity measures are unfair. When people are out of work for longer than a

year, they become demoralized; lose self-esteem and drop out of the labour market. These are individual effects, but at some point it leads to anger with everything and with authority. This is very worrying.’ The latest official unemployment figures indicate one-third of Britain’s jobless have been out of work for more than a year. Long-term unemployment is at a 16-year high, reaching 883,000 in the three months to February, while more than 20% of young people are without jobs.”

- Front Page Headline, Mineweb News – “Twelve Countries Increase Their Gold Reserves in March: IMF. According to the latest International Monetary Fund statistics, at least 12 countries are known to have increased their gold reserves in March, indicating a continuation of a trend now going back more than two years; and one which has been on its own a substantial supporter of the higher gold prices seen over the period. Overall, central banks appear to have purchased no less than 58 tonnes in the month, which could suggest acceleration in their increases in holdings, if buying at this rate continues throughout the year. While the majority of these countries only raised their reserves by a very small amount, there were indeed some quite significant purchases – notably by Mexico, which increased its holdings by 16.81 tonnes to a total of 122.58 tonnes; Russia with purchases of 16.55 tonnes giving it total reserves now of 895.75 tonnes; Turkey with 11.48 tonnes taking it to 209.6 tonnes in its reserves. Argentina bought 7 tonnes taking its holdings to 61.7 tonnes; Kazakhstan with 4.3 tonnes raising its holdings to 96.16 tonnes; and Ukraine with 1.18 tonnes bringing its holdings to

96.16 tonnes; and Ukraine with 1.18 tonnes bringing its holdings to 29.21 tonnes. A further six countries raised their holdings by increments of less than a tonne ... During 2011, central banks that do report their statistics, were seen to have purchased 439.7 tonnes of gold and many gold analysts are predicting similar levels of purchases during 2012. If the March IMF statistics are any indicator, this figure could even prove conservative; although admittedly, central bank purchases in February and January were very small by comparison with the March figures.”

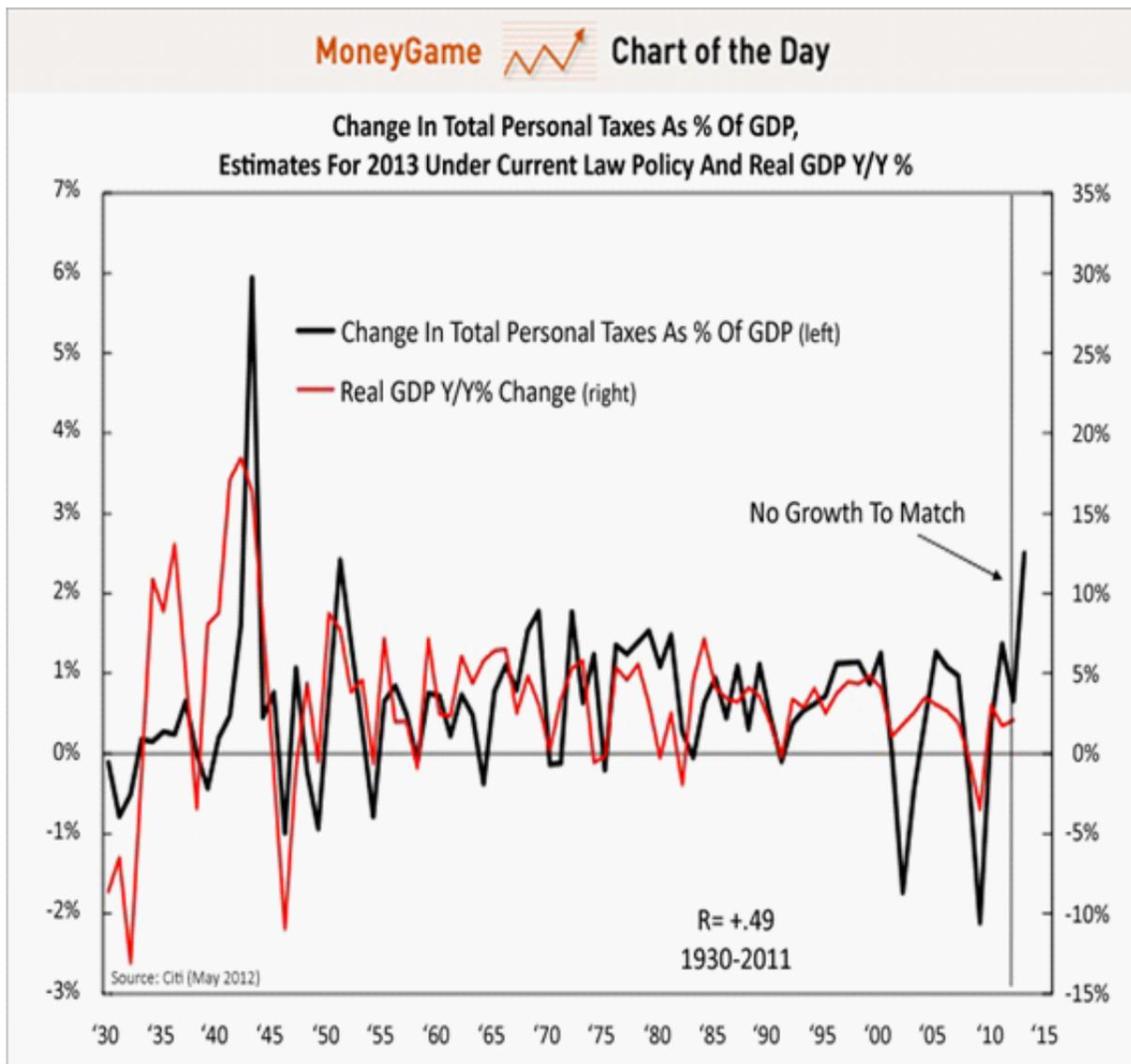
- Front Page Headline, The Slog – “The Politics of Coalition Government. The following are ‘democratic’ states I would describe as capable of having a massive influence on the global economy and its money-transmission systems: the United States (sheer size), the United Kingdom (banking center), France (bulwark against Merkelism), Australia (raw materials) and Greece (raw materials and financial contagion). They are all divided right down the middle between the hypocritical and meaningless divisions of left and right. Moreover, they all have small oligarchies running (for office) that show who – because they protect their positions – utterly fail to represent their constituencies at large. Republican, Democrat, Labour Party, Conservatives, UMP, Labor, Liberals, PASOK and New Democracy. The people they represent – all of them – are the people with the kind of money, organization and communicatory power to make a difference to opinion generally, and elections in particular: globalist multinationals, banks, media conglomerates, internet service providers (ISP) and bureaucrats. Since 2008, what have we discovered about the way these people are treated by government? Well, large global concerns pay on average one-third of the tax rate enjoyed by the rest of us; banks which lost money through their own reckless stupidity have been bailed out by the rest of us, and starved the businesses of the rest of us; media conglomerate crime has been protected by both legislators and policemen in their pay; ISPs provide risible service and carte blanche to close down, ban, ignore and even demonize users; and in the U.K. especially, bureaucrats have enriched themselves at the expense of the public purse to the tune of 1.3 trillion pounds in pension obligations. This is the human ‘tribal power’ model of social anthropology: four or five key families with the alpha genes tolerate the Chief and constantly compete to replace him, while the rest of the tribe or ‘pack’ are kept reasonably well fed, distracted and therefore, happy with their lot ... Thus, one tiny group receives infallible protection and the other 93% get the crumbs. To rationalize that reality, wombats like Milton Friedman come along and explain how this is the only way to create wealth. However, no matter what degree of bollocks is applied to the attempt to make red green and up down, the practice of The Law is the obvious giveaway ... Why does any of this mat-

ter? For one thing, in Greece it has started to break down. Over the last ten days, young voters there have realized that they can defy the self-interested 3%. The Greek and Brussels oligarchies have in turn seen this happening – indeed, spied upon its occurrence – and, I remain convinced, will do whatever they can to derail its progress. It matters in America, where the self-appointed elite let a tame black man into the White House. Their antidote for this empty suit is Mitt Romney. It matters in the U.K. where a Prime Minister who has lied to Parliament on several occasions now tries to defend a slimy careerist on grounds so illogically ridiculous, the media barely know where to start in deconstructing it. It matters in France, where (having torpedoed one opponent) the Sarkozyites are now busily engaging the services of bankers and Germans to demonize the new challenger. (They needn’t worry: Hollande is not exactly a game-changer in my book). It matters in Australia, where the truly appalling Labour Stateist Julia Gillard came to power and stays there on the basis of a grubby agreement with mining conglomerates. However, above all, it matters because these clowns are in power to do as they’re told, not to address the profound problems facing their respective nations. America’s debt and sociopathic banker elite are driving the country towards inevitable ruin. The weakness of its banks and dependence upon an imploding European Union, make the United Kingdom a hugely vulnerable nation, in turn saddled with gigantic debt. France is a nation suffering from an identity crisis, an increasingly bellicose neighbour, wasteful bureaucracy and perhaps Europe’s biggest exposure to Greek default. Greece finds itself surrounded by malign forces ranging from the Troikonauts to Recep Erdogan. Australia has an overdependence upon mining exports to China – coupled with a frightening property bubble – that will give it, in time, the sort of economic and fiscal descent to make Greece’s demise look like a gradual incline. My soundbite tonight is this: the faster the descent, the greater the dissent. As the Greek tragedy also befalls first Spain, then France and finally us here in the U.K. then – when we are hit with a vicious right hook in the pocket – the sofa dwellers will finally rise up and do something. However, my recurring fear is that they will go for somebody horrible with a nice line like “Let me take you away from all this.” See also, Economic Winter – Federal Governments: The U.S. Republic and the Canadian Constitutional Monarchy, February 22, 2012.

- Front Page Headline, Bloomberg News – “U.S. Perfecting Formula for Budget Failure: Erskine Bowles. In a speech last week to a New York City audience at the U.S. Council of Foreign Relations, Erskine Bowles – Co-Chairman of President Obama’s National Commission on Fiscal Responsibility – warned: ‘I think today that America faces the most predictable economic crisis in its history. Fortunately, I think it’s also the most avoidable. If

you do the simple arithmetic, it's clear that the fiscal path that the nation is on is simply not sustainable. Notably, 100% of the U.S. Treasury's tax revenue in 2011 was expended mandatorily – for programs such as Medicare, Medicaid and Social Security – and to pay the interest on the country's staggering \$15.6 trillion (U.S.) national debt. This means that every single dollar spent on everything else: including two wars, national defense, homeland security, education, infrastructure, research etc. was borrowed. Moreover, about half of it was borrowed from foreign countries, which is a formula for failure in anybody's book. America is now paying \$250 billion (U.S.) a year to service the national debt and that is only because interest rates are at historic lows. If interest rates were normalized, the annual debt servicing bill would be \$600 billion (U.S.) ... May I remind you of the numerous 'fiscal cliffs' which America faces at the end of 2012, when the George W. Bush tax cuts expire. More than \$1.1 trillion (U.S.) will be cut

from the budget, about half of which will come from defense, because of the infamous 'sequester' of last year; and the payroll tax cut will expire; as well as will the 'patch' in the alternate minimum tax. When you add all those up, it's probably \$7 trillion (U.S.) worth of economic events that are going to occur in December and there's been little to no planning for that ... The Simpson-Bowles revised deficit reduction plan is the 'gold standard' for figuring a way out of the fiscal mess; with its combination of revenue increases, spending cuts and tax reform. Most people think there will be agreement on reducing the deficit by \$4 trillion (U.S.) – the minimum amount we need to reduce the deficit to stabilize the national debt – and place it on a downward path as a percentage of gross domestic product (GDP). Without serious debt reduction, it won't take much of an increase in interest rates to create a fiscal crisis for the United States, the likes of which only those who lived through the Great Depression (of



the 1930's) can recall. Once interest rates reach a level that reflects the genuine risk inherent in our ongoing fiscal mismanagement, and debt-servicing devours increasingly more of a shrinking (budgetary) pie, the financial crisis we have just lived through (and are still living through) will seem like a sideshow. Deficits are truly like a cancer and over time, they are going to destroy our country from within." See also, Economic Winter – The Pathology of Debt and Erosion of Civil Liberties in America, February 1, 2012.

- The Institute for Supply Management-Chicago Inc. purchasing managers' index (PMI) declined to a reading of 56.2 in April following a level of 62.2 in March, citing an unfolding recession in Europe and an economic slowdown in China affecting orders
- The Commerce Department reports U.S. consumer spending rose by 0.3% in March, following a revised gain of 0.9% in February, the biggest gain since August 2009
- The Federal Statistics Office in Wiesbaden reports German retail sales – seasonally and inflation adjusted – rose by 0.9% in March, citing slowing inflation and higher wages bolstered households' purchasing power
- The Census Bureau reports the U.S. home ownership rate declined to 65.4% in the 1st. quarter from 66% in the 4th. quarter of 2011. Paul Diggle, a property economist with Capital Economics in London commented: "Although house prices and mortgage rates have declined to levels that favour buying over renting, ongoing difficulty in accessing mortgage credit is preventing many prospective buyers from taking advantage."

## TUESDAY, MAY 1ST

- London-based Markit Economics and the Chartered Institute of Purchasing and Supply report the U.K. index of factory output declined to a reading of 50.5 in April from a level of 51.9 in March. Next week, Bank of England officials will debate whether monetary policy can risk halting stimulus in an economy struggling to shed the cloak of recession.
- China's statistics bureau and logistics federation reports its purchasing managers' index rose slightly to a reading of 53.3 in April, following a level of 53.1 in March. Alistair Thornton, a Beijing-based economist with IHS Economics commented: "While things do look (marginally) better ... policy makers continue to grapple with the challenge of loosening (monetary policy) enough to prevent a sharp (economic) slowdown, but not loosening too much and sparking an inflationary spiral."

- Front Page Headline, Bloomberg News – "RBA Lowers Benchmark Lending Rate by 50 Basis Points. The Reserve Bank of Australia lowers its overnight cash lending rate by 50 basis points to 3.75%. Following a monetary policy committee meeting, RBA Governor Glenn Stevens commented: "The 50 basis point cut was judged necessary in order to deliver a (more) appropriate level of (administered) lending rates. Over the next year or two, inflation will probably be lower than previously expected and within the RBA's target range of 2% to 3%."
- The Tempe, Arizona-based Institute for Supply Management's manufacturing index rose to a reading of 54.8 in April, following a level of 53.4 in March, citing a stronger demand for automobiles. Scott Brown, chief economist at Raymond James and Associates in St. Petersburg, Florida, commented: "We expect U.S. manufacturing (will continue) to outperform its counterparts in Europe."
- Front Page Headline, Globe and Mail – "Europeans Protest Austerity at May Day Rallies. Thousands of workers across southern Europe protest against government spending cuts in May Day rallies prior to weekend elections in Greece and France, where voters are expected to punish political leaders for austerity measures. Labour unions in Greece, Portugal, Spain, Italy and France are using the traditional marches to express anger over an austerity drive across the euro zone, aimed at bolstering public finances, but criticized for forcing countries deeper into economic recession. Italian demonstrators clashed briefly with police in riot gear in Turin and thousands marched in the city of Reiti to listen to the leaders of the country's three main labour unions denounce Prime Minister Mario Monti's economic reforms. In Madrid, tens of thousands marched in the rain to the City's main square, waving signs opposing government spending cuts; while in Athens about 5,000 workers, pensioners and students marched with banners labeled with the slogans: 'Revolt Now' and 'Tax the Rich.' Greeks vote Sunday in a parliamentary election that risks derailing the recent international bailout. Maria Drakaki, 45, a public sector worker whose salary has been reduced exclaimed: 'Our message will be stronger on Sunday. There's no way I'm voting for one of the two main parties.'"
- Front Page Headline, Wall Street Journal – "Bolivia Seizes Spanish Power Firm. Bolivian President Evo Morales seized the local assets of Spanish power grid operator Red Electrica Corp. and ordered the armed forces to take over its installations; in the latest move against Spanish corporate interests in Latin America. President Morales declared: 'Long live the First of May and long live the nationalization.' Red Electrica, which owned and operated about 85% of Bolivia's electric power lines, an-

nounced it would seek compensation from the Bolivian Government: 'We regret the Bolivian Government's decision which was based upon motives that are unknown to us. These actions go against the free market and the rule of law that should govern international investment.' A senior official of the Spanish Government, which owns 20% of Red Electrica, confirmed that the Bolivian Government had opened communication channels and indicated it is willing to compensate Red Electrica."



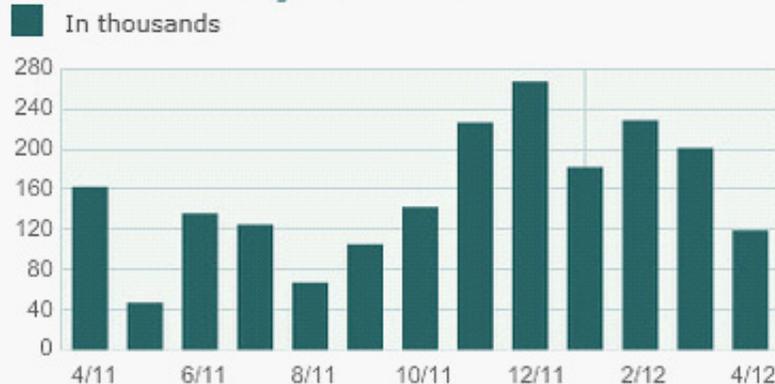
Bolivian President Evo Morales, center Source: Reuters

- Front Page Headline, Wall Street Journal – “Obama, Karzai Sign Strategic Afghan Pact. U.S. President Barack Obama takes a symbolic trip to Afghanistan – arriving on the anniversary of the death of al Qaeda leader Osama Bin Laden – to sign an agreement with Afghan President Hamid Karzai, which according to the White House, ‘provides for the possibility of U.S. forces in Afghanistan beyond 2014, for the purposes of training Afghan forces and targeting the remnants of al Qaeda.’ The U.S. Congress will be involved in determining future funding and troop levels.”

WEDNESDAY, MAY 2ND

- The Commerce Department reports U.S. factory orders declined by 1.5% in March – the biggest decline in three years – following a revised gain of 1.1% in January and citing a reduced demand for aircraft that overshadowed gains elsewhere
- Payrolls-processor Automatic Data Processing (ADP) reports U.S. private sector employment increased by 119,000 in April, led by the service sector and small and medium businesses – the weakest job growth since September 2011 – and following a revised gain of 201,000 in March. Joel Prakken, Chairman of Macroeconomic Advisors which produces the report for ADP, commented: “There is some evidence that unusually warm weather boosted employment during the winter months, with a ‘payback’ now coming due.”
- The European Union (EU) statistics office in Luxembourg reports the 17-nation Euro region unemployment rate rose slightly to 10.9% in March following a 10.8% in February. Martin van Vliet, an economist at ING Group in Amsterdam commented: “The grim EU unemployment figures for March will likely encourage talk about a long overdue (economic) growth pact for the euro zone. Surveys of hiring intentions point to further increases in unemployment over the coming months, so we would expect unemployment to breach the 11% threshold.”
- The Real Estate Board of Greater Vancouver reports 2,799 sales in the area in April, down 13.2% on a year-over-year basis and 2.6% lower than in March. Despite the weak sales, Vancouver house prices averaged \$683,800 (CAD), up 3.7% from a year ago.
- Front Page Headline, Globe and Mail – “It’s Time to Limit Europe’s Voting Influence at the IMF: Flaherty. In a Daily Telegraph U.K. op-ed, Canada’s Finance Minister Jim Flaherty expounds: ‘With 34% of the votes at the International Monetary Fund (IMF), that gives Europe a relatively low threshold for accessing IMF

### Private-sector jobs creation



Source : ADP

monies aimed at stabilizing the world economy. Emerging markets play an increasingly important role in global economic issues. In this context, Canada believes that measures should be taken to ensure that major decisions about resources dedicated to Europe require more than a simple majority ... Europe failed to approve a big enough fiscal stimulus plan in the wake of the 2008 (financial) crisis and continues to struggle as a result of its muddle-through approach. Ultimately, the adequacy of the actions taken will be judged by the markets. Repeated expressions of confidence by politicians are futile if the markets continue to cast their vote of non-confidence. The markets' confidence in political leadership will only be restored when it is clear that politicians are willing to see the full scope of the problem, to focus on the key issues instead of pursuing sideshows such as the financial transfer tax, and set out and implement a plan for tackling these issues." Mr. Flaherty praises Europe for its fiscal reforms and stronger firewall, yet says more needs to be done to tackle the internal imbalances which continue to threaten Europe's monetary union.

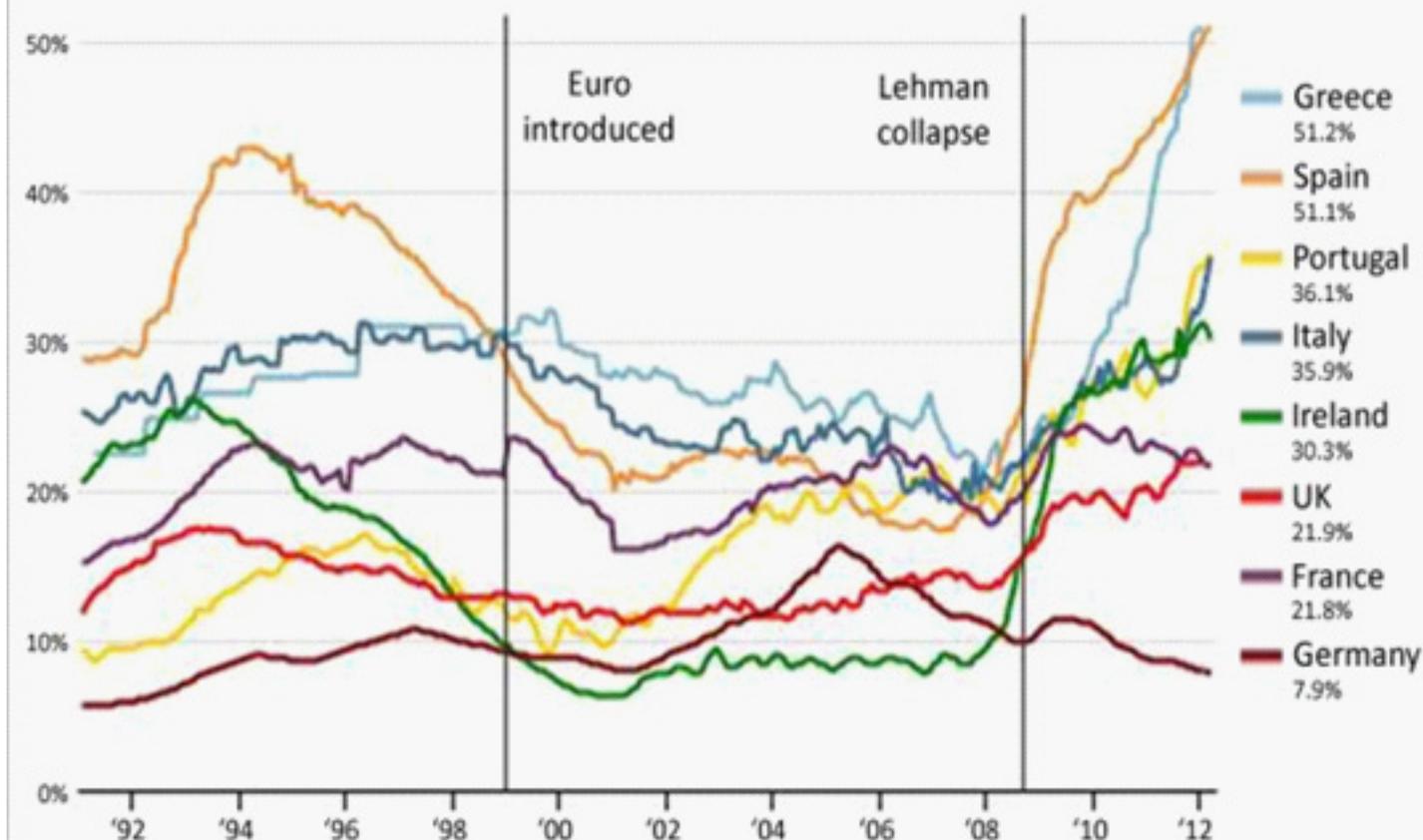
- Front Page Headline, Daily Telegraph U.K. – "Sir Mervyn King Admonishes Banks for Bringing U.K. to Brink of Ruin. The Governor of the Bank of England blames British banks for the economic recession and stresses that an overhaul of the financial system, including the separation of retail banking from 'risky investment banking is essential to make our economy safer. We neither build nuclear power stations in densely populated areas, nor, should we allow essential banking services and risky investment banking activities to be carried out in the same too-important-to-fail bank. Almost all of Britain's banks would have failed had not taxpayer support been extended to the entire system at the end of 2008. I am also pledging to crack down on banking vested interests who rise up to defend their bonuses and profits. It is vital that Parliament legislates to enact these proposals sooner rather than later.' Governor King's comments will likely increase pressure on George Osborne, Chancellor of the Exchequer, not to acquiesce to the banking lobby, but to press ahead with planned legislation to reform retail banking by 2015."



Sir Mervyn King, Governor of the Bank of England  
 Source: Bloomberg News

#### THURSDAY, MAY 3RD

- The Labor Department reports U.S. initial claims for state unemployment benefits declined by 27,000 to a seasonally adjusted 365,000 in the week ended April 28th. while continuing claims fell by 53,000 to a seasonally adjusted 3.28 million in the week ended April 21st. About 6.6 million people received some form of state or federal government benefit in the week ended April 14th. down 85,523 from the prior week.
- The Tempe, Arizona-based Institute for Supply Management reports its non-manufacturing index declined to a four-month low reading of 53.5 in April, following a level of 56 in March. James Shugg, an economist at Westpac Banking Corp. in London commented: "The U.S. economy has recently lost some momentum ... American consumers may find it difficult to maintain their (1st. quarter) pace of spending without faster job and wage gains."
- Front Page Headline, Wall Street Journal – "Early Easter Hurt U.S. Retailers in April. Thomson Reuters reports U.S. same-store sales rose by only 2.2% in April for the 18 retailers that issue figures, citing an early Easter, colder weather and higher gas prices as factors which restrained consumers. Barbara Kahn, professor of marketing at the University of Pennsylvania's Wharton School, commented: 'We knew Easter would produce a strong March and that was built into analysts' expectations for April. The fact that April's sales have been weak means this continues to be a rocky economic recovery and people are still a bit cautious.'
- Front Page Headline, Wall Street Journal – "European Airline Crisis Deepens. Deutsche Lufthansa AG announces plans to lay off 3,500 administrative employees globally, as it accelerates efforts to bring spiraling costs in line with declining profit. Late yesterday, Lufthansa reported a loss of 397 million euros (\$522.4 million U.S.) for the 1st. quarter, attributing the loss to a renewed increase in fuel costs, airport strikes in Frankfurt (its main hub) and air-traffic taxes in Germany and Austria. Lufthansa also warned that restructuring costs would weigh on its financial performance later this year, particularly, at its struggling Austrian Airlines unit. Lufthansa Chief Executive Christophe Franz elaborated: 'We cannot wait until politicians also recognize the damage that one-sided taxes and charges do to aviation and to Europe's reputation as a place to do business.' Separately, Scandinavian Airlines (SAS) reports a 1st. quarter loss of 729 million Swedish krona (\$108.2 million U.S.). SAS Chief Executive Rickard Gustafson warned: 'We must adapt to prevailing circumstances, and I can therefore not exclude that we will make adjustments to the cost-saving measures on which we are currently working.'

**MoneyGame**  **Chart of the Day**
**European Youth Unemployment**  
 Unemployment Rate Under 25 Year Olds %


Source: Thomson Reuters Datastream, Eurostat Reuters graphic/Scott Barber 5/2/2012

- Front Page Headline, - "Higher Spanish Bond Yields Attract Investors at a Triple Tranche Auction. Spain's Treasury issues 979 million euros of 3-year bonds maturing July 30, 2015 at an average yield of 4.037% and a bid-to-cover ratio of 2.9 times. In addition, the Treasury issued 764 million euros of a 4-year, 9-month bond maturing January 31, 2017 at an average yield of 4.752% and over-subscribed at 3.7 times; as well as 773 million euros of a 5-year bond maturing July 30, 2017 at an average yield of 4.96% and a bid-to-cover ratio of 3.1 times. Nicholas Spiro, at Spiro Sovereign Strategy, commented: "With foreign investors even becoming more risk adverse, it's the domestic investors who are holding the fort. As is invariably the case with Spanish auctions, there were mitigating factors at work particularly, today's fairly modest volume (\$3.3 billion U.S.) ... The rapid deterioration in sentiment towards Spain is manifest mostly in higher bond yields. (Investor) demand is still there for the time being."
- Front Page Headline, Wall Street Journal - "Greek Election Threatens to Bring Instability. This Sunday's election in Greece is expected to usher in such political instability that officials from the country's major parties are planning for another possible election within months. In turn, that could threaten the viability of Greece's latest bailout package from the European Union (EU) and the International Monetary Fund (IMF), plus aggravate the euro zone's financial woes. An electorate eager to punish its political establishment for Greece's financial and economic meltdown, is set to give the country's two major established parties a drubbing this weekend. Even before the first vote is cast, senior officials from both parties agree privately, that any new coalition government between the conservative New Democracy and the center-left Socialists, known as Pasok, could be short-lived, so more elections would soon be necessary. Many of these party officials expect more elections by the fall, however, some be-

lieve that a new election could happen as soon as June. With 10 parties polling above the 3% threshold for winning seats, Greeks are likely to elect the most fragmented Parliament since the restoration of democracy and the fall of Greece's military junta in 1974. A New Democracy official commented: 'If our leader Antonis Samaras, doesn't get a clear win this time around, he is convinced he can do it in another election.'



Supporters of the New Democracy wave flags at an Athens rally.  
Source: Agence France-Presse

- Data provider Markit Economics and the Chartered Institute of Purchasing and Supply report the U.K. purchasing managers' index for services declined to a reading of 53.3 in April, following a level of 55.3 in March, the slowest growth rate in five months
- Front Page Headline, New York Times – "European Central Bank Opposes Higher Taxes. Ahead of crucial elections in France and Greece, Mario Draghi, the President of the European Central Bank warns governments against the 'easier road' of raising taxes to fill public coffers, remarking: 'It would not solve Europe's economic problems.' Mr. Draghi spoke from the current ground zero of the European debt crisis, Spain, where the central bank's governing council happened to be holding one of two meetings each year it schedules outside the bank's headquarters in Frankfurt. The central bank officials met under heavy police protection intended to shield them from any possible street protests over European austerity measures or, Spain's own high unemployment rate. No significant demonstrations materialized. At a news conference, Mr. Draghi stated: 'The euro zone economy continues to be subject to downside risks, but the ECB still expects it to recover gradually in the course of the year.'" In this situation, there's no point in issuing a wakeup call for him because Dreamer Draghi is mired in dreamland."
- Front Page Headline, New York Times – "Pension Plan Sues Wal-Mart Officials over Failures. The California State Teachers Retirement System files a lawsuit accusing the Wal-Mart's lead-

ership of breaching its fiduciary duty in connection with a bribery scandal at the retailer's Mexican subsidiary.

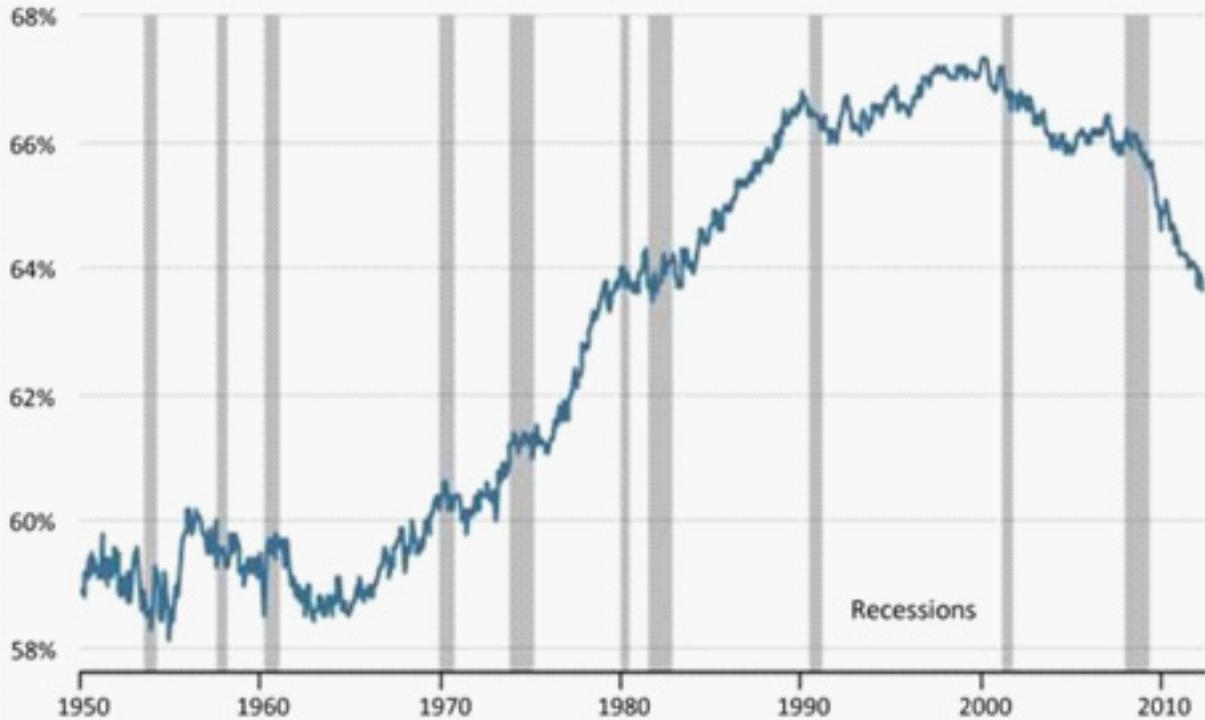
#### FRIDAY, MAY 4TH

- The Labor Department reports U.S. non-farm payrolls increased by 115,000 in April, as 342,000 people stopped looking for work, causing the 'official' unemployment rate to decline slightly to 8.1% from 8.2%. Ryan Sweet, an economist at Moody's Analytics commented: "The unemployment rate is falling for all the wrong reasons. The end of extended (and/or emergency) jobless benefits may have contributed to the decline." There is absolutely no doubt about it.
- Front Page Headline, Globe and Mail – "TransCanada Reapplies for Keystone XL Pipeline Permit. In conjunction with the State of Nebraska, Trans Canada Corp. announces it recently filed a new application with the U.S. State Department for the construction of a 2,700 kilometre oil pipeline – stretching from Alberta's oil sands to Houston's refinery complex – and which includes a 32-kilometre detour from the original route to avoid the environmentally fragile Sandhills region which the State of Nebraska wants to protect. In a statement today, TransCanada's Chief Executive Officer Russ Girling emphasized: 'The multi-billion dollar Keystone XL pipeline project will reduce the United States' dependence on foreign oil and support job growth by putting thousands of Americans to work.'
- Front Page Headline, Globe and Mail – "Alberta Sues Oil Sands Firms over Royalties. The Province of Alberta files a \$100 million (CAD) lawsuit against Syncrude Canada Ltd. and its six joint venture partners regarding the government's decision to change the royalty framework, effective in January 2009. While the new rules are not in dispute, the two sides disagree about how much Syncrude must pay for the oil processed as it transitions to the new payment structure. Bart Johnson, a spokesman for Alberta Energy, commented: 'Had the Government not filed the lawsuit, its legal window for doing so would have closed. By filing, it keeps its options open if negotiations break down.'
- Markit Economics reports the euro zone composite purchasing managers' index (PMI) declined to a reading of 46.7 in April, following a level of 49 in March, reflecting a contraction in private sector business activity across the 17-nation European Union

MoneyGame  Chart of the Day

### U.S. Labor Force Participation Rate

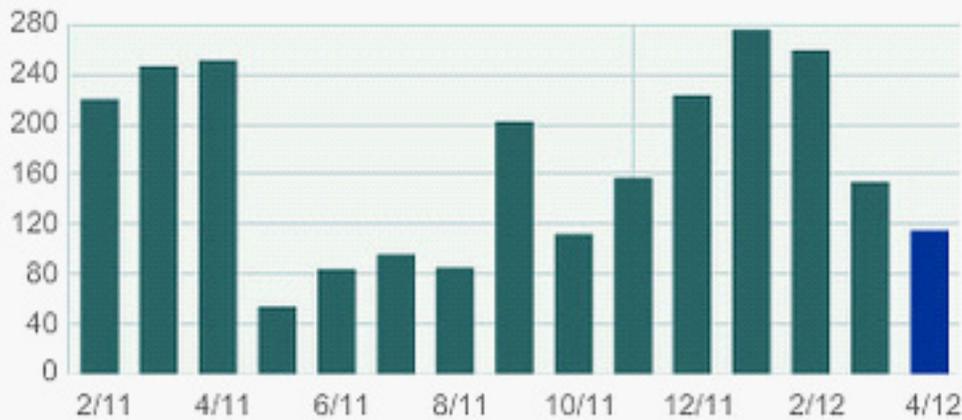
Civilian Labor Force Participation Rate – Latest: 63.6%



Source: Thomson Reuters Datastream; Scott Barber 05/04/2012

### U.S. jobs growth

■ Nonfarm payrolls change, in thousands



Source : Labor Department

- In a National Post op-ed entitled Hail to the PM, Professor F.H. Buckley of the George Mason School of Law in Arlington, Virginia, explains why the Canadian system of government is looking attractive to Americans. "Its generous social welfare safety net, notwithstanding, Canada is ranked as economically more free than the United States by the conservatives at the Heritage Foundation in Washington, which puts Canada in sixth, and the U.S. in tenth place, in the group's most recent international survey. On per capita government spending, the two countries are tied, and on corporate taxes, Canada is way ahead. On public debt levels, it's no contest ... Getting legislation passed or repealed in America is like waiting for three cherries to line up in a Las Vegas slot machine. Absent a super majority in Congress, to override a presidential veto, one requires the simultaneous concurrence of the President, Senate and House. In a parliamentary system, however, one needs only one cherry. In Canada, neither the Governor General, nor the Senate has a veto

power. All that matters is the House of Commons, dominated by the Prime Minister's party ... The genius of the Anglo-Canadian parliamentary system is the manner in which a prime minister is given the incentive to advance the national interest. A party leader who seeks support across the country must have the interest of the country as a whole in mind. If he concentrated government spending in one region only, he will lose support in other regions. That's why a strong Prime Minister and a Parliament of elected representatives better serves the country than the separation of powers and earmark-seeking Congressmen.' See also: Economic Winter – Federal Governments: The U.S. Republic and the Canadian Constitutional Monarchy, February 22, 2012.

**CLOSING LEVELS FOR FRIDAY, MAY 4TH.**
**WEEKLY CHANGE**

Dow Jones Industrial Average	13,038.27	– 190.04 points
Spot Gold Bullion (June)	\$1,645.20 (U.S.)	– \$19.60 per oz.
S&P / TSX Composite	11,871.23	– 366.52 points
10-Year U.S. Treasury Yield	1.88	– 5 basis points
Canadian Dollar	100.55 cents (U.S.)	– 1.39 cent
U.S. Dollar Index Future (Spot Price)	79.508 cents	+ 0.802 cent
WTI Crude Oil (June)	\$98.49 (U.S.)	– \$6.44 per barrel

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