

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



Monday, April 14th

Eurostat – the European Union’s Statistics Agency – reports industrial production rose by 0.2% in the euro zone during February, following an upwardly revised level of unchanged in January, previously reported as

MONDAY, APRIL 14TH

a decline of 0.2%. Jessica Hinds, an economist at Capital Economics, commented: “The small increase in industrial production in February won’t be enough to dispel fears about the fragility of the euro zone’s economic recovery. GDP growth is still too weak to either tackle the region’s debt problems, or to prevent the risk of deflation.”

- Front Page Headline, Financial Times – “Matteo Renzi Forces Sweeping Change at State Companies. Italian Prime Minister Matteo Renzi has instituted a sweeping changing of the guard at Italy’s state controlled companies including the nomination of women to the chairwoman position of four of the largest Italian groups Eni, Enel, Finmeccanica and Poste Italiane. In the biggest executive change, the steel multinational CEO Emma Marcegaglia was nominated to be chairwoman of the energy group Eni, while Claudio Descalzi becomes chief executive officer.
- Front Page Headline, Financial Post – “Shaw Communications Announces 400 Employee Layoffs. Western cable giant Shaw Communications Inc. plans to trim 3% of its work force as it consolidates several of its operations into more streamlined divisions. Shaw announced that it is combining its cable, satellite, internet and land line phone units into one broader consumer services business. A separate business will manage its enterprise customers, while Shaw Media will remain a free standing-division operating its Global television network and 19 specialty cable channels. In a press release, Chief Executive Officer (CEO) Brad Shaw stated: ‘The roles and corporate structure we

established years ago to support us as a cable company can no longer support our growth. We are eliminating duplication of work and organizing our activities and operations in a way which best meets the needs of our customers and viewers.”



Shaw Communications CEO Brad Shaw.

Source: Canadian Press

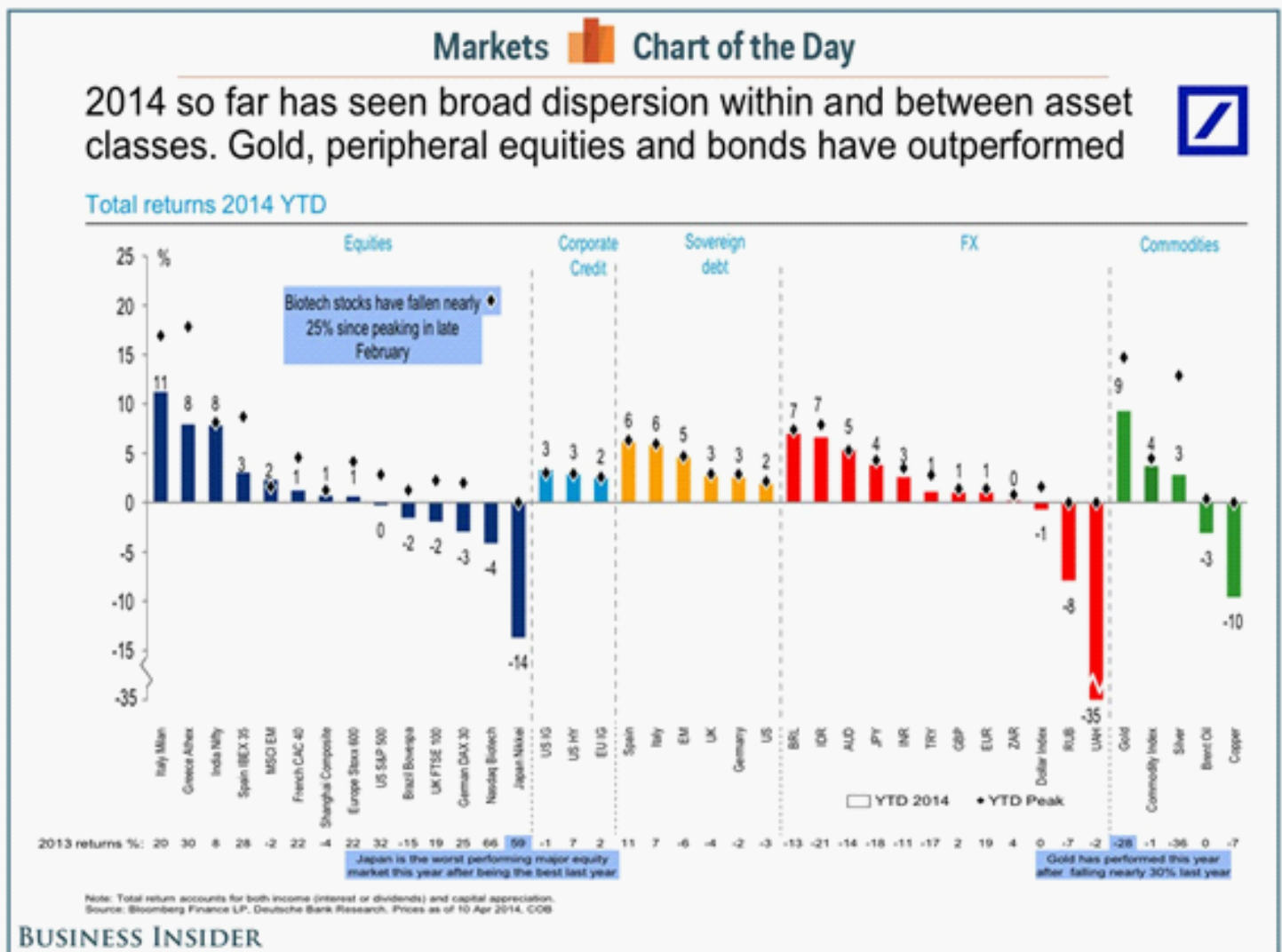
- The Commerce Department reports U.S. retail sales rose by 1.1% in March – the biggest monthly gain since September 2012 – following an upwardly revised gain of 0.7% in February; citing gains in 10 of 13 categories, from auto dealers to furniture and clothing stores.
- Front Page Headline, Midasletter – “Understanding and Ignoring the Media Bandwagon Against Gold. For those of us to whom the media often refers as ‘gold bugs’, the fragility of popular sentiment towards not only gold and silver, but also, towards all investments generally, is the biggest barrier to a sane, free and fair market. The willingness of the majority to embrace opinions

parroted by the mainstream media and dutifully repeated by talking heads and other erstwhile shills for U.S. dollar interests, simply because they are far more numerous than negative ones and are delivered by talking heads who manage billions, is frustrating. It is no coincidence that the default definition 'Gold Bug' for those who comment on and follow the performance of gold throughout history (and who are often investors in precious metals) connotes insectile and insane people. That suits the requirement for writers categorizing gold followers as such, in lieu of any cogent argument against having an interest in gold naturally. The mainstream financial media's persistent inclination to seize upon the sensationally negative statement 'Gold is a barbarous relic!' is highly indicative of the complete lack of perspective and research that goes into the majority of anti-gold diatribe.

The limited intellectual leadership of major media outlets is replicated throughout the industry by boards of directors, who are sympathetic, if not downright duplicitous, with the banks who are

sympathetic, if not downright duplicitous, with the banks who are both the source of negative sentiment broadcasts, as well as the broadcasters' bread and butter. The inability, or willful refusal, to understand gold and silver and their place in economic history and the implications of a severely, daily manipulation of gold and silver price data across physical, futures and derivative classes of gold and silver-denominated assets, permeates the social strata from teenagers to central bankers. Their thinking about gold is informed by the mainstream financial press. It doesn't take much to understand why banks and the media are unified in their opposition to gold and silver's status as a global financial bellwether, when not severely manipulated.

Adding further to the frustration of clued in gold and silver commentators, is the fact that the instances and evidence pointing unquestionably, to widespread price manipulation by banks around the world and of all asset classes does nothing to change the average citizen's impression of the integrity of banks and the



media. Especially now, with the sterilization of the U.S. Commodities Futures Trading Commission (CFTC), we can expect the scrutiny of the markets poorly regulated by that Commission to disappear and their ability to influence negative sentiment towards precious metals to increase. CFTC Commissioner Bart Chilton was the only one with the courage to speak up and publicly declare that something was definitely amiss in silver futures trading, but which went nowhere after four years.”



CFTC Commissioner Bart Chilton. Source: Midasletter



Skyscrapers are highlighted in the Frankfurt financial district. Source: Bloomberg News

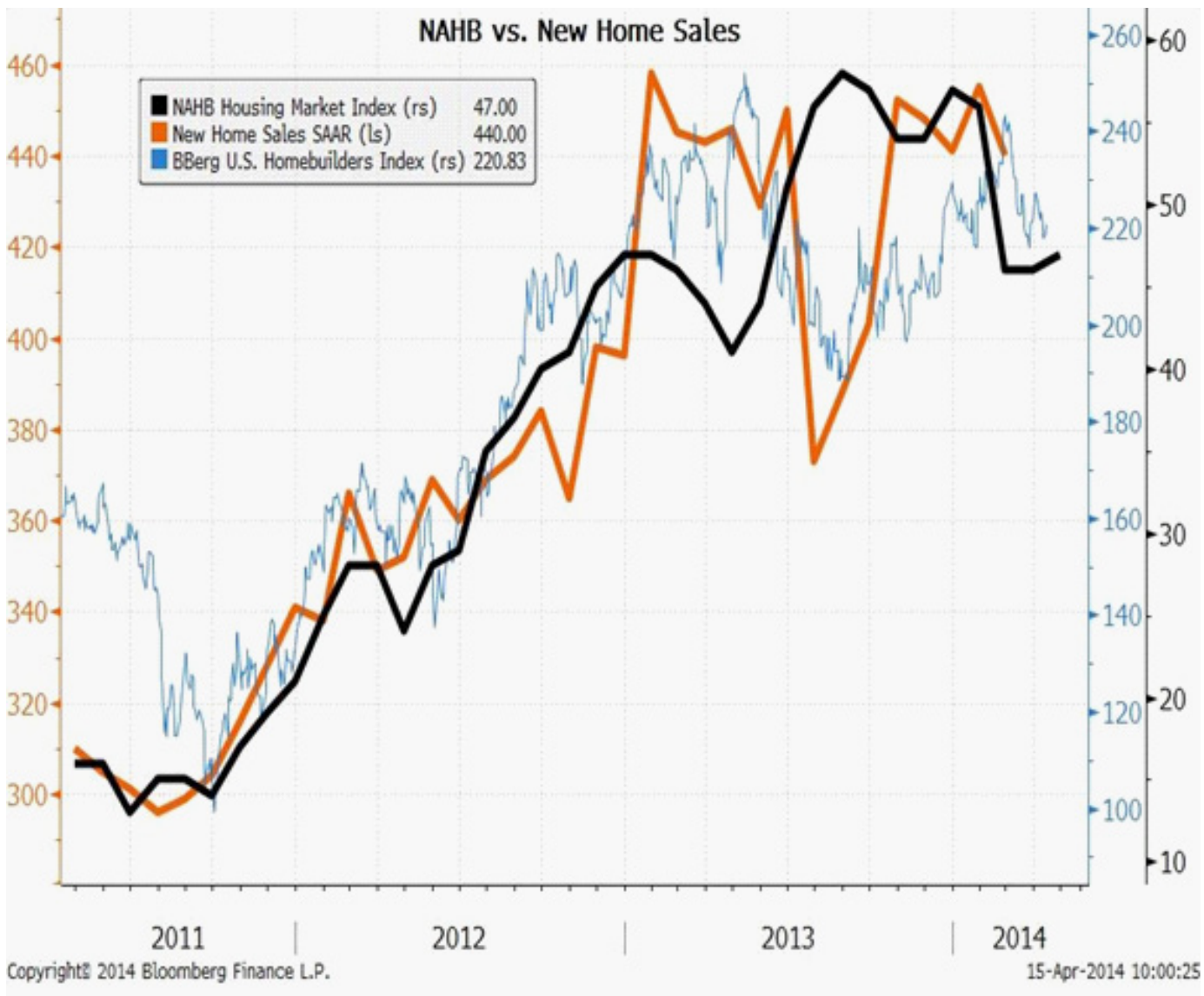
TUESDAY, APRIL 15TH

- The Labor Department reports the U.S. consumer price index (CPI) rose by 0.2% in March following a gain of 0.1% in February, citing higher food and rental costs. On a year-over-year basis, the CPI rose by 1.5% in March.
- The National Association of Home Builders /Wells Fargo group reports their U.S. builder sentiment index rose slightly to a reading of 47 in April, following a downwardly revised level of 46 in March. The index has now held below 50 for three consecutive months, as tight credit for some home buyers and the limited availability of lots are restraining builder sentiment. In a statement, NAHB Chairman Kevin Kelly – a homebuilder and developer in Wilmington, Delaware – noted: “Builder confidence has been in a holding pattern during the past three months. As the spring home-buying season launches into full swing and demand increases, builders are expecting sales prospects to improve.” See the chart on the next page.
- The ZEW Center for Economic Research in Mannheim reports its index of investor and analyst expectations – which aims to predict economic developments six months in advance – declined to a reading of 43.2 in April from a level of 46.6 in March. Christian Schulz, an economist at Berenberg Bank in London, commented: “The crisis in Ukraine continues to sow uncertainty. Fortunately, a strong Germany is in the best position to deal with any fallout from the Ukraine crisis. Indeed, that may act as a shield for the euro zone economic recovery.”

- Statistics Canada reports the nation’s factory sales rose by 1.4% to \$51.2 billion (CAD) in February – the highest level since July 2008 – citing a 16.5% increase to \$91.6 billion (CAD) in unfilled orders and an 18.8% surge in new orders to \$64.2 billion (CAD).
- The Canadian Real Estate Association (CREA) reports the country’s existing home sales via the multiple listings service (MLS) rose by 4.9% in March on a year-over-year basis. In a research note, Avery Shenfeld, chief economist at the Canadian Imperial Bank of Commerce, cautioned: “Listings have been light over the winter, even relative to the seasonal norm in many cities, so the real test of housing market health will be seen during the next few months, as both the weather and listings get warmer. However, house price resilience won’t truly be put to the test until mortgage rates begin to climb higher, perhaps as soon as during 2015.”

WEDNESDAY, APRIL 16TH

- The Commerce Department reports U.S. housing starts increased by 2.8% to a seasonally adjusted annual pace of 946,000 units in March, following February’s upwardly revised gain of 1.9%, previously reported as a decline of 0.2%. However, building permits declined by 2.4% in March to a seasonally adjusted annual pace of 990,000 units.
- Speaking at the Economic Club of New York, Federal Reserve Chairwoman Janet Yellen reiterated: “While the nation’s economic recovery has come a long way, particularly in the housing sector and auto industry, a robust and healthy job market still appears to be two years away ... Even as the headline unemployment rate, now at 6.7%, has been falling, other measures of the job market’s health – like the number of people forced to take part-time positions because they can’t find full time work, the still



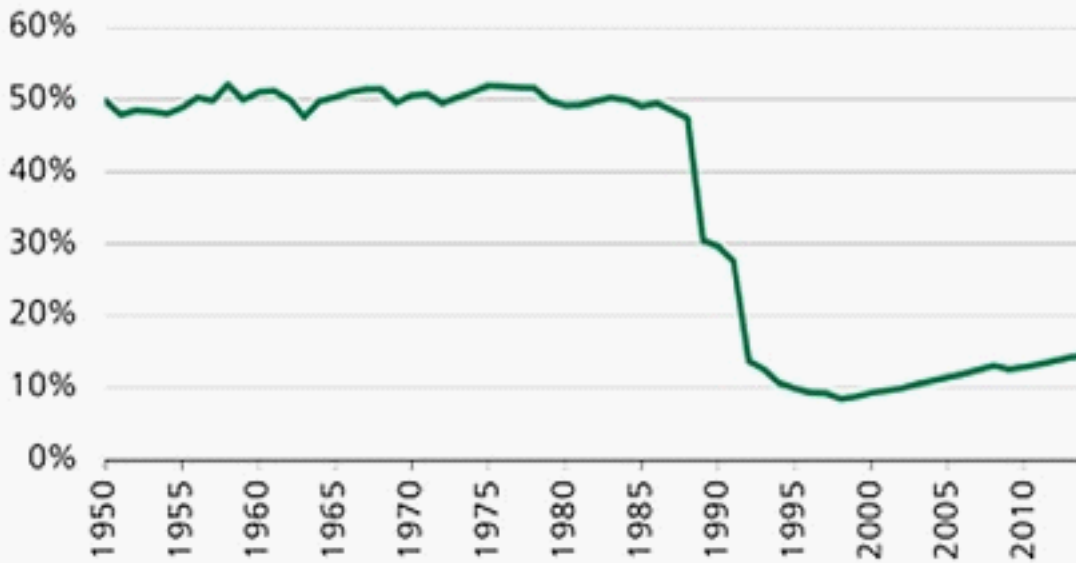
sizeable ranks of the long term unemployed and the proportion of the population which has dropped out of the work force entirely – all point to weakness.”

- Front Page Headline, Daily Telegraph U.K. – “U.S. Financial Showdown with Russia Is More Dangerous than It Appears. In an op-ed, International Business Editor Ambrose Evans Pritchard cautions: ‘The United States has constructed a financial neutron bomb. For the past 12 years, an elite cell at the U.S. Treasury has been sharpening the tools of economic warfare, designing ways to bring almost any country to its knees without firing a shot. The strategy relies on hegemonic control over the global banking system, buttressed by a network of allies and the reluctant acquiescence of neutral states. Let’s call this the Manhattan Project of the early 21st. century. Juan Zarate – the

Treasury and White House official who helped spearhead foreign policy after 9/11 – purports: “This is a new kind of war, like a creeping financial insurgency, intended to constrict our enemies’ financial lifeblood, unprecedented in its reach and effectiveness. The new geo-economic game may be more efficient and subtle than past geopolitical competitions, but it is no less ruthless and destructive.”

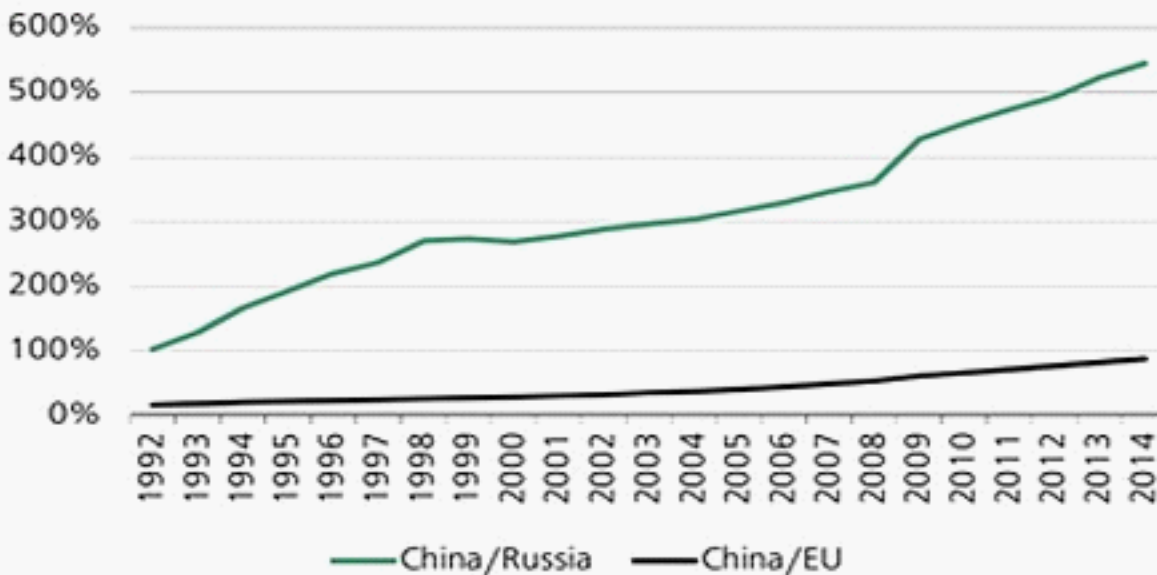
Bear this in mind as Washington tightens the noose on Vladimir Putin’s Russia, slowly shutting market access for Russian banks, companies and state bodies with \$714 billion (U.S.) of dollar debt (Sberbank data). The stealth weapon is a ‘scarlet letter’, devised under section 311 of the U.S. Patriot Act.

GDP of the Soviet Union/Russia as % of Europe



Source: Maddison Project, IMF

Chinese GDP as % of Russia and the EU



Note: The data are in PPP terms.

Source: IMF

Once a bank is tainted in this way – accused of money laundering or underwriting terrorist activities – it becomes radioactive, caught in ‘the boa constrictor’s lethal embrace’, as Mr. Zarate writes in his book ‘Treasury’s War: The Unleashing of a New Era of Financial Warfare.’ This can be a death sentence even if the

lender has no operations in the United States. European banks do not dare to defy U.S. regulators. They sever all dealings with the victim because the U.S. can ‘go it alone’ with sanctions if necessary.

As can be discerned from the above charts showing its relative economic size against China and Europe, Russia is not the power it once was. However, Russia remains the world's biggest producer of energy with a \$2 trillion (U.S.) economy, superb scientists and a first-strike nuclear arsenal. It is also tightly linked to the German and eastern European economies.

- The Federal Reserve reports U.S. industrial production rose by 0.7% in March, following an upwardly revised gain of 1.2% in February, previously reported as an increase of 0.7%. Capacity utilization rose to 79.2% in March from an upwardly revised 78.8% in February. Steven Bell, a London-based fund manager at F&C Asset Management Plc, commented: "We all knew the U.S. economy was hit by winter weather, but that has also lowered the bar for corporate earnings. It looks as though the equity markets are going to grind higher and register a 2nd. quarter bounce."
- Following the central bank's monthly monetary policy meeting, Bank of Canada Governor Stephen Poloz announced the Bank Rate would remain unchanged at 1%, citing: "The core inflation rate is expected to remain well below 2% this year, due to the effects of economic slack and heightened retail competition. These effects will likely persist until early 2016. In addition, competitive challenges continue to weigh on Canadian exporters' ability to benefit from stronger economic growth abroad ... The Monetary Policy Committee is also concerned not only that Europe's nascent economic recovery could be derailed by the crisis in Ukraine, but also, regarding financial vulnerabilities in China and other emerging market economies."



Bank of Canada Governor Stephen Poloz.
Source: Globe and Mail

THURSDAY, APRIL 17TH

- The Labor Department reports U.S. initial claims for state unemployment benefits increased by 2,000 to 204,000 from an upwardly revised 202,000 in the week ended April 12th. while continuing claims declined by 11,000 to 2.74 million in the week ended April 5th.
- The Federal Reserve reports U.S. factory output rose by 0.5% in March, following an upwardly revised gain of 1.4% in February, citing greater production of furniture, clothing, chemicals and aerospace products.
- Statistics Canada reports the nation's consumer price index (CPI) rose at a 1.5% rate in March on a year-over-year basis, citing higher prices for food, energy and shelter. The core rate of inflation, excluding food and energy, rose by 1.3% on an annual basis in March, up from 1.2% in February.

FRIDAY, APRIL 18TH

Good Friday Holiday in Canada, U.K., U.S. and EMU

- Front Page Headline, Bloomberg News – "Vlad the Prevaricator. In a 'Bloomberg View' op-ed, the editorial staff cites: Talks in Geneva regarding the unrest in eastern Ukraine have concluded with an agreement by the foreign ministers of the European Union (EU), Russia, Ukraine and the U.S. for all sides to 'de-escalate tensions and restore security.' Measured by the lengthy time expended, the talks were a success, however, measured by results, not so good. While the EU and U.S. wait and see if the terms of the agreement are put into effect, the chances of any further sanctions being imposed on Russia are slim. The joint statement focuses on all the right things: 'no' to violence, racism and religious intolerance, unofficial armed groups and illegal occupation of public buildings and squares; 'yes' to amnesty for protestors who peacefully surrender, monitors from the Organization for Security and Cooperation in Europe, broad national dialogue and constitutional revision.

All well and good, however consider the reaction of some of the pro-Russian separatists in Donetsk: they said they would vacate the buildings they had occupied only after the Ukrainians gathered in Kiev's Maidan evacuated their camps. Good luck with that. When asked whether Russia had agreed to withdraw its troops massed on Ukraine's eastern border, U.S. Secretary of State John Kerry avoided the question. Moreover, the agreement relies upon Russia to control separatists whom Russian President Vladimir Putin has insisted are independent operators. This agreement must also be seen within the context of Putin's

words and deeds up until almost the moment it was signed. In a televised interview this morning, President Putin stated: 'Let me remind you that the Federation Council of Russia gave me the right to use the armed forces in Ukraine. I very much hope that I will not have to exercise this right. However, Russia will demand that Ukraine pay in advance for natural gas, at prices well above those charged to customers in the EU.'

There's another problem and no other way to put it, but Putin lies. He lied about the role of Russian troops and infiltrators in Crimea (which he now acknowledges) and he's lying about their role in eastern Ukraine. Putin's shamelessness in this regard makes Ronald Reagan's borrowed Russian injunction of 'trust but verify' seem downright quaint. Putin is likely to betray these latest commitments unless he's convinced that doing so will have consequences. That's why stiffer economic sanctions prior to today's negotiations would have helped. Today's agreement works the other way: by raising false hopes it will encourage Europeans opposed to new sanctions to resist all the more. It's exactly what Putin wanted. U.S. President Obama says he doubts Putin's sincerity and so he should. By all means, watch and pray for the Geneva accord's successful implementation. However, as you hope for the best, prepare for the worst and score another round for Vlad the Prevaricator."

- Front Page Headline, Washington Post – “Long-Term Unemployed Americans Struggle to Find –and Keep – Jobs. For the long-term unemployed, finding a job is difficult, but keeping one may be even more difficult. New research tracking people who have been out of work for six months or longer found that 23% of them landed a job within a few months of the study. However, only a year later more than a third of that group was either unemployed again, or out of the labor force altogether. In a study for the Brookings Institution, former White House chief economist Alan Krueger researched data on the long-term unemployed from 2008 to 2013 and documented the incidence of repeat joblessness. While in a given month, about 36% of those workers were in a job 15 months later, a closer look at the data revealed something more disheartening: only 11% were in steady full-time jobs. Several factors are blamed for perpetuating this vicious cycle. Some economists argue that workers' skills deteriorate during long spells of joblessness, making them less employable. Others counter that desperate workers are accepting jobs that are either unstable, or a poor match for their abilities, often for less money than they were making before.”



Vlad the Prevaricator, President of Russia

Source: Getty Images

CLOSING LEVELS FOR FRIDAY APRIL 18TH.		WEEKLY CHANGE
Dow Jones Industrial Average	16,408.54	+ 381.79 points
Spot Gold Bullion	\$1,293.90 (U.S.)	– \$25.10 per oz.
S&P / TSX Composite	14,500.39	+ 242.70 points
10-Year U.S. Treasury Yield	2.72%	+ 10 basis points
Canadian Dollar	90.73 cents (U.S.)	– 0.35 cent
U.S. Dollar Index Future	79.866	+ 0.376 cent
WTI Crude Oil Futures	\$104.30 (U.S.)	+ \$0.56 per barrel

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