



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

May 4, 2009

THAT WAS THE WEEK THAT WAS

Monday, May 4th.

- The National Association of Realtors reports the U.S. pending home sales index rose by 3.2% in March to 84.6 versus an increase of 2.0% in February
- U.S. construction spending increased by 0.3% in March, compared to a revised decline of 1.0% in February
- The European Commission forecasts the Euro Zone economy will contract by 4% in 2009
- The Obama administration announces plans to eliminate the availability of offshore tax havens for businesses and taxpayers, in an attempt to increase government revenues by more than \$200 billion (U.S.) over a 10-year period, commencing in 2011. American businesses were quick to react that if such tax changes are passed into law, foreign companies will have a decided competitive advantage.
- Action Economics estimates that U.S. Treasury revenue declined by 33% in April, compared to April /08 and predicts that the U.S. federal budget deficit could approach \$2 trillion (U.S.) this fiscal year.

Tuesday, May 5th.

- Wall Street Journal reports that the U.S. Federal Reserve Board may require 10 of the nation's largest banks to raise more capital, as a result of recently conducted stress tests
- U.K. purchasing manager's index rose to 38.1 in April from 30.9 in March
- GMAC reports a loss of \$675 million (U.S.) in the 1st. quarter, as auto loan losses mount
- Teck Resources to raise \$4.22 billion (CAD) via bond issue
- In testimony before the Congressional Joint Economic Committee, U.S. Federal Reserve Board Chairman Ben Bernanke, stated that the American economy should resume a positive growth pattern later this year, but the pace of economic activity will remain constrained
- E-Bay closes Vancouver, B.C. operations affecting 700 jobs
- Walt Disney Co. fiscal second quarter profit fell by 46% to \$613 million (U.S.), compared to a profit of \$1.13 billion (U.S.) in the same period a year ago, citing restructuring charges and lower advertising sales

Wednesday, May 6th.

- Automatic Data Processing Inc. (ADP) index reports private sector employment in the United States fell by 491,000 jobs in April, representing the smallest decline in the last six months
- Canadian building permits increased by 23.5% in March
- Loblaws to raise \$350 million (CAD) in capital via 5-year bond issue
- Torstar Corp. posts 1st. quarter loss of \$21.4 million (CAD) compared to a loss of \$3 million (CAD) in the 1st. quarter of 2008, citing restructuring charges for staff reductions and lower advertising



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revenue in newspaper and digital operations

- Magna International posts a 1st. quarter loss of \$200 million (U.S.) compared to a net income of \$207 million (U.S.) in the period a year ago and suspends its dividend of 18 cents per share
- A current Zillow.com housing survey cites 21.8% of American homes are valued at a level less than the amount of their mortgage

Thursday, May 7th.

- The European Central Bank cut its key lending rate by 25 basis points to 1%, a new low for the Frankfurt-based central bank that sets monetary policy in the euro zone. Also, ECB President, Jean Claude Trichet, said the bank will purchase about 60 billion euros (\$80 billion U.S.) worth of fixed income securities in the secondary market
- General Motors posts a \$6 billion (U.S.) loss in the 1st. quarter, reflecting continued global economic pressures and low auto industry sales volumes worldwide. The Governments of Canada and Ontario have ordered the Canadian Auto Workers Union (CAW) and General Motors Canada to slash hourly labour costs by May 15th. CAW President Ken Lewenza says GM faces liquidation if a cost savings agreement is not reached.
- The Bank of England increases open market bond purchases to 125 billion pounds (\$189 billion U.S.) from a previously authorized 75 billion pounds, citing *"the world remains in deep recession with output continuing to contract and a precipitous drop in international trade."*
- The U.S. Federal Reserve Board announces that 10 large U.S. financial institutions will have 30 days to develop plans to raise \$74.6 billion (U.S.) in private capital by November /09, as a result of recent *"extraordinarily detailed stress tests"* conducted by the U.S. Treasury Department. At least 6 major U.S. banks will not be required to raise additional capital, namely, J.P. Morgan Chase, Goldman Sachs, MetLife, American Express, Bank of New York Mellon and Capital One Financial. However, the Fed did forecast that 19 of the nation's largest banks could suffer loan losses up to \$600 billion (U.S.) by the end of 2010 if the U.S. economy does not recover as it expects.
- Manulife Financial, Canada's largest insurance company, posts 1st. quarter loss of \$1.07 billion (CAD), citing an 11% drop in insurance sales and significant declines in the value of equity investments
- Sun Life Financial reports 1st. quarter loss of \$213 million (CAD) compared to a profit of \$533 million (CAD) for the same period a year ago.
- Europe's central banks (including France, Spain, Portugal and the Netherlands) are collectively, \$40 billion (U.S.) poorer, as a result of following Britain's lead 10 years ago by selling 3,800 tonnes of their gold reserves, in favour of fixed income investments, such as government bonds
- Province of Quebec lends Rio Tinto Alcan \$175 million (CAD) for a 3-year term, for construction of a new aluminum plant
- Cameco Corp., the world's biggest uranium miner, reports its 1st. quarter profit declined by 40% to



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to \$82 million

Friday, May 8th

- U.S. non-farm payrolls declined by 539,000 jobs in April, compared to a revised drop of 699,000 jobs in March, previously reported as 663,000 jobs. The U.S. unemployment rate rose to 8.9% in April, up from 8.5% in March.
- Statscan reports that Canada's work force expanded by 36,000 jobs, mainly through self-employment, while the Canadian unemployment rate remained unchanged at 8%
- Toyota Motor reports a \$7.7 billion (U.S.) loss in its 4th. fiscal quarter, resulting in its first annual loss in 6 decades. The company cut its dividend and forecast additional losses for the year ending in March, 2010
- Air Canada posts \$400 million (CAD) loss in the 1st. quarter
- Canadian housing starts fell by 20% in April to 117,000
- Wells Fargo issues 341 million common shares at \$22.00 (U.S.) to raise \$7.5 billion (U.S.) in new capital
- Morgan Stanley issues 146 million common shares at \$24.00 (U.S.) to raise \$3.5 billion (U.S.) in new capital, as well as raising \$4 billion via a new bond issue
- The Federal National Mortgage Association (Fannie Mae) seeks an additional \$19 billion (U.S.) in government bailout money, after recording a loss of \$23.17 billion (U.S.) in the 1st. quarter
- The Federal Deposit Insurance Corp. (FDIC) seizes the assets of Westsound Bank of Bremerton, Washington, recording the failure of the 33rd. federally insured financial institution of 2009

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