



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

June 1, 2009

THAT WAS THE WEEK THAT WAS

Monday, June 1st.

- General Motors files for chapter 11 bankruptcy protection, following the company's failure to meet President Barack Obama's demand that it produce a plan by June 1st. that would return it to profit ability. The company will announce the closure of 14 plants and the idling of 3 plants by the end of 2011, as the U.S. Government commits an additional \$30.1 billion (U.S.) toward its restructuring. GM will also announce 7,900 job layoffs this year and reduce benefits for salaried retirees and non-UAW hourly retirees.
- General Motors and CitiGroup to be replaced as components of the Dow Jones Industrial Average by Cisco Systems and The Travelers, effective June 8th.
- Prudential Financial to raise \$1.25 billion via equity issue
- U.S. dollar index future - spot price trades down to the 79.00 level, representing its lowest level since September /08, as the U.K. pound and Canadian dollar continue to rise in value against the American greenback
- The U.S. Institute for Supply Management (ISM) factory production index rose to 42.8 in May from 40.1 in April.
- Canadian Gross Domestic Product (GDP) contracts by 5.4% in the 1st. quarter
- Goldcorp to raise \$750 million in capital (CAD) via a convertible bond issue
- U.S. consumer spending falls by 0.1% in April
- J.P. Morgan to raise \$5 billion (U.S.) in capital via new common share issue
- U.S. consumer savings rate rises to 5.7% in April
- American Express to raise \$500 million (U.S.) in capital via new equity issue

Tuesday, June 2nd.

- Riocan REIT to raise \$100 million (CAD) in capital via common share issue
- Eurostat, the European Union's statistical office, reports the Eurozone unemployment rate rose from 8.9% in March to 9.2% in April
- The National Association of Realtors reports that U.S. pending home sales rose by 6.7% in April following a 3.2% increase in March, boosted by record low mortgage rates and special incentives for first-time buyers
- Toronto Dominion Bank predicts that Canada's fiscal deficit will increase to \$172 billion (CAD) over the next 5 years
- Standard & Poors (S&P) downgrades the credit rating for the Province of Ontario from 'AA' (Stable) to 'AA' (Negative)
- Ford Motor U.S. vehicle sales declined by 24% in May



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- General Motors U.S. vehicle sales declined by 29% in May
- Chrysler U.S. vehicle sales declined by 47% in May
- On his current visit to China, U.S. Treasury Secretary Geithner said there was “a very sophisticated understanding” in China about why America needs to engender large budget deficits in the short term, although he repeated the pledge to sharply reduce deficits when the (economic) crisis is over.

We note that Secretary Geithner suffers from the populist American assumption of WHEN the U.S. economy recovers, not IF the U.S. economy recovers.

Perhaps, Mr. Geithner should reflect upon and heed the comments of German Chancellor Angela Merkel evoked on this very same day (see below).

- At a Berlin conference, in a strongly worded chastisement of the U.S. Federal Reserve Board, the Bank of England and the European Central Bank, German Chancellor Angela Merkel said “What other central banks have been doing must be reversed. I am very skeptical about the extent of the Fed’s actions and the way the Bank of England has carved (out) its own little line in Europe. Even the European Central Bank has somewhat bowed to international pressure with its purchase of “covered bonds”. We must return to independent and sensible monetary policies, otherwise we will be back to where we are now in ten years’ time.”

Berlin is anxious about the vague exit strategy of the Federal Reserve’s “quantitative easing” policy and fears the long-term inflationary potential of the Fed’s easy monetary policy.

Wednesday, June 3rd.

- The ADP employment index recorded a loss of 532,000 net jobs in the U.S. private sector during May, as the index for April was revised to a decline of 545,000 from a decline of 541,000 previously reported.
- Bombardier 1st. quarter profit falls by 31% to \$158 million (CAD), citing order cancellations of executive business jets in its aerospace division
- In testimony before the House Budget Committee, Federal Reserve Board Chairman Ben Bernanke said large U.S. fiscal deficits threaten financial stability and the Federal Government cannot, indefinitely borrow at current interest rates in order to finance the shortfall. Chairman Bernanke stated that “*unless we demonstrate a strong commitment to fiscal sustainability in the longer term, we will have neither financial stability, nor healthy economic growth. Maintaining the confidence of the financial markets requires that we, as a nation, begin planning now for the restoration of fiscal balance. The Federal Reserve will not monetize the debt.*”

As the light bulb goes on in Mr. Bernanke’s head, so the national debt marches on to higher levels – today exceeding the \$11.4 trillion (U.S.) mark and advancing at the rate of \$6 million (U.S.) a minute. As we have stated in previous commentary, it may already be too late for America to successfully wrestle its debt problem to the ground.

- The Commerce Department reports that U.S. factory orders rose by 0.7% in April

Thursday, June 4th.

- Bank of England leaves its benchmark lending rate unchanged at 0.5%



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- European Central Bank leaves its key lending rate unchanged at 1 %
- U.S. claims for state unemployment benefits declined by 4,000 to 621,000 from a revised 625,000 in the week ending May 30th. while continuing claims declined modestly to 6.735 million in the week ending May 23rd.
- Target same store sales in the U.S. declined by 6.1% in May compared to a decline of 4.3% in April
- Bank of Canada maintains its bank rate at 0.25%
- In a civil suit, the Securities and Exchange Commission (SEC) charges former CEO of Countrywide Financial, Anthony Mozilo, together with two other company executives, with securities fraud and insider trading, citing the misleading of investors about growing risks in the company's lending practices from 2005 through 2007. During this time, the SEC said Mr. Mozilo generated \$140 million (U.S.) in personal profits by selling his stock in the company.

Friday, June 5th.

- U.S. non-farm payrolls declined by 345,000 in May from an upwardly revised 504,000 in April; while the unemployment rate rose to 9.4% in May from 8.9% in April.
- Canada loses 42,000 jobs in May reversing a gain of 36,000 in April, while the unemployment rate rose to 8.4%, representing an 11-year high
- China announces it will purchase \$50 billion (U.S.) of bonds issued by the International Monetary Fund (IMF)
- WalMart announces plans for a share buy back program of \$15 billion (U.S.)

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