



# LONGWAVE GROUP



IAN GORDON ECONOMIC FORECASTER & INTERPRETER OF THE KONDRATIEFF CYCLE

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

July 13, 2009

## THAT WAS THE WEEK THAT WAS

### Monday, July 13th.

- The Conference Board of Canada forecasts some economic growth in Canada during the 2nd. half of this year
- Critics charge that the Canadian Federal Government's \$12 billion (CAD) financing program, labeled the Canadian Secured Credit Facility (CSCF), is flawed, cumbersome and too expensive to enable access by small business firms
- Quebec authorities investigate a possible \$50 million (CAD) investment Ponzi scheme at Montreal-based Earl Jones Consultant and Administration Corp.
- New York-based CIT Group, one of America's largest lenders to small business, is in talks with regulators regarding additional government assistance, since recent company losses may jeopardize its compliance with capital requirements
- U.S. Federal Government deficit grows by a monthly record of \$94 billion (U.S.) in June, while the national debt level soars past \$11.56 trillion (U.S.) today.

### Tuesday, July 14th.

- U.K. annual inflation rate as measured by the Consumer Price Index (CPI) declined to 1.8% in June compared to June /08 and down from 2.2% in May
- The Commerce Department reports that U.S. retail sales rose by 0.6% in June compared to an increase of 0.5% in May
- The Labor Department reports that the producer price index rose by 1.8% in June versus a gain of 0.2% in May, led by higher gasoline prices
- Goldman Sachs reports 2nd. quarter profits of \$3.44 billion (U.S.) citing record revenues of \$6.8 billion (U.S.) generated by its fixed income, currency and commodities unit
- U.S. Airways announces 600 job layoffs

### Wednesday, July 15th.

- U.K. consumer price index declined by 0.1% in June on a year-over-year basis
- Canadian factory sales declined by 0.6% from April to May, to the lowest level in more than a decade
- U.S. industrial production declined by 0.4% in June as capacity utilization fell to 68%
- U.S. consumer price index increases by 0.7% in June
- Canadian national housing sales increased by 1.4% in the 2nd. quarter from the same period a year ago, with the average home price reaching \$318,700 (CAD)
- Nortel Networks former employees in France, demanding better job layoff terms, threaten to blow up their factory in the Yvelines area near Paris
- Microchip giant Intel Corp. reports 2nd. quarter sales of \$8 billion (U.S.). Net income of \$1 billion



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(U.S.) was erased by a \$1.45 billion fine levied by the European Commission for anti-competitive practices in the PC market

- U.S. Federal Reserve Board forecasts the American unemployment rate will exceed 10% and gross domestic product (GDP) will contract by 1-1.5%, this year
- U.K. unemployment rate climbs to 7.6% in May from 7.2% in April
- As a cost cutting measure, American Express suspends company contributions to UK stakeholder pensions from July 1st. for a period of 18 months
- World Bank chief economist, Justin Lin, warns that low global levels of capacity utilization “could cause a deflationary spiral and the (financial) crisis will become protracted” entailing massive job lay offs

## Thursday, July 16th.

- China’s gross domestic product (GDP) accelerates by 7.9% in the 2nd. quarter
- Federal Reserve Bank of Philadelphia reports its diffusion manufacturing index declined to a negative 7.5 reading in July from a negative 2.2 level in June
- JP Morgan Chase reports 2nd. quarter earnings increased to \$2.7 billion (U.S.) compared to \$2 billion (U.S.) in the same period a year ago, citing record investment banking fees. Chief Executive Officer Jamie Dimon predicted further losses on consumer loans in the coming months.
- CIT Group announces the failure of government bailout talks fueling speculation that the 101-year old commercial lender may be forced to file for bankruptcy protection
- China’s foreign exchange reserves increased by \$177.9 billion (U.S.) in the 2nd. quarter to a total of \$2.132 billion (U.S.)
- New Zealand dollar declines after Fitch Ratings downgraded the country’s sovereign debt rating from AA (High) with a stable outlook to a negative outlook, citing concern over New Zealand’s persistently large current account deficit and rising foreign indebtedness
- Russia’s gross domestic product (GDP) contracts by 10.1% in the first half of 2009, representing the worst economic decline since the early 1990s
- The California Public Employees’ Retirement System (Calpers) sues the three leading U.S. credit rating agencies over potential losses in excess of \$1 billion (U.S.), citing structured securities that received “wildly inaccurate” AAA ratings, but which contained risky mortgage debt
- The Executive Committee of the International Monetary Fund (IMF) warns Britain about its “rapid deterioration of public finances”. Noting that the U.K. national debt could reach 100% of GDP within the next five years. The IMF also warns of a run on the pound if the government doesn’t take credible steps to ensure that public finances are restored to a more sustainable footing.
- Marriott International’s net profit declines by 75% to \$37 million (U.S.) in the 2nd. quarter due to reduced business and leisure travel, as well as sizeable restructuring charges
- The U.S. Labor Department reports initial claims for state unemployment benefits fell by 47,000 in the



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week ending July 11th. while continuing claims fell to 6.273 million in the week ending July 4th.

## Friday, July 17th.

- Lufthansa is being forced to cut jobs in its main airline division and to defer deliveries of new aircraft in order to limit rising losses. Company chief executive officer, Christoph Franz warned that the airline industry was suffering *"the worst crisis in its history. Lufthansa is not earning enough to cover costs and losses will increase significantly in the coming year"* due to rising fuel costs and reduced passenger traffic.
- Mobile phone maker Sony Ericsson reports a net loss of \$300 million (U.S.) in the 2nd. quarter, citing a 43% drop in handset sales
- Nokia, the world's largest manufacturer of mobile phones, reports a net income of 287 million pounds in the 2nd. quarter, down 73% from the same period one year ago
- U.S. housing starts rose by 3.6% to 582,000 in June versus an increase of 17.3% in May; while building permits rose by 8.7% to 563,000 in June compared to a 4% increase in the previous month
- Canada's consumer price index declined by 0.3% in June mostly due to a drop in the price of gasoline
- Citigroup reports a \$4.3 billion (U.S.) profit in the 2nd. quarter, citing a \$6.7 billion (U.S.) revenue gain from merging Smith Barney into a brokerage venture with Morgan Stanley. However, its primary banking businesses continue to suffer from rising credit card losses.
- Bank of America reports a \$2.42 billion (U.S.) profit in the 2nd. quarter, despite continuing loan losses
- General Electric posts a \$2.62 billion (U.S.) profit in the 2nd. quarter, representing a 49% drop from the same period a year ago
- The U.S. Nortel Retirement Income Plan has been impounded by The Pension Benefit Guaranty Corporation, a regulatory agency of the U.S. Government. PBGC took the action *"to protect pensions at Nortel Networks as the company prepares to liquidate in a series of impending asset sales. None of the proposed transactions will include the pension plan. If the PBGC delayed action until after the sales, no entity would remain to finance or administer the plan and the possibility of recovering on the agency's claims for unfunded pension liabilities would be severely diminished"*.

## Written By: Christopher Funston

Ian A. Gordon, The Long Wave Analyst, [www.longwavegroup.com](http://www.longwavegroup.com)

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