



LONGWAVE GROUP



IAN GORDON ECONOMIC FORECASTER & INTERPRETER OF THE KONDRATIEFF CYCLE

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

July 27, 2009

THAT WAS THE WEEK THAT WAS

Monday, July 27th.

- Verizon Communications reports net profit declined by 21% in the 2nd. quarter to \$1.48 billion (U.S.) compared to a profit of \$1.88 billion (U.S.) in the same period a year ago. The company also announced 8,000 job layoffs for the second half of 2009.
- Honeywell reports net profit declined by 38% to \$450 million (U.S.) in the 2nd. quarter
- Toyota Motor Manufacturing Canada emerges as the top vehicle producer in Canada during the first half of the year
- U.S. new home sales increased by 11% to 384,000 units in June versus an increase of 2.4% in May
- Police arrest suspected securities fraudster Earl Jones in Quebec
- Riocan REIT reports net profit declined by 39% to \$27.2 million (CAD) in 2nd. Quarter
- U.S. Securities & Exchange Commission expands rules regarding short selling to discourage the practice of “*naked short selling*” wherein traders / investors sell stocks short without borrowing the securities for delivery.
- This week the U.S. Treasury will sell a record \$235 billion (U.S.) of government debt involving \$6 billion (U.S.) of inflation-indexed bonds, \$42 billion (U.S.) in 2-year notes, \$39 billion (U.S.) in 5-year notes, \$28 billion in 7-year notes and \$57 billion (U.S.) in short-term Treasury bills

Tuesday, July 28th.

- S&P / Case Shiller U.S. home price index declined by 17.1% in May from a year ago, the smallest drop in 9 months; while the index rose modestly from April for the first time in almost 3 years.
- Canada's unemployment rate rose to 9.2% in May from 8.6% in April, as 778,700 people received regular benefits under the employment insurance program
- Lithuania's gross domestic product (GDP) contracts by 22% in the 2nd. quarter, raising concerns about future loan losses by western European banks to eastern European countries
- Deutsche Bank, Germany's largest bank by market capitalization, reports net income increased to \$1.09 billion euros in the 2nd. quarter from 649 million euros a year earlier. The Bank also raised its provision for loan losses by 1 billion euros.
- U.S. consumer confidence index declines to 46.6 in July following a reading of 49.3 in June, reflecting a surge in unemployment which threatens to further undermine consumer spending plans
- British Petroleum (BP) reports a 53% decline in profit in the 2nd. quarter to \$4.39 billion (U.S.) compared to \$9.36 billion (U.S.) a year ago, citing lower oil prices and weak refining margins
- Avtovaz, the largest Russian auto manufacturer, considers laying off about 27,000 employees to improve performance at a factory where Lada cars are built



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Wednesday, July 29th.

- U.S. durable goods orders declined by 2.5% in June compared with an increase of 1.3% in May
- In its most recent Beige Book survey, the U.S. Federal Reserve Board reports that most of its 12 regional banks detected a slower pace of economic decline during June and July
- PIMCO bond portfolio manager, Bill Gross, forecasts second half *“profit growth will be low, since a U.S. economic recovery starting this year will generate slower growth than the long-term average.”*
- Earl Jones Consulting Ltd. declared bankrupt as accused securities fraudster Earl Jones is released on \$30,000 (CAD) bail
- Canadian Finance Minister Flaherty warns of the danger in declaring an early economic recovery stating *“there are good signs that the economy has stabilized and that there are the beginnings of a recovery.” Perhaps, Mr. Flaherty should invite his friend Bank of Canada Governor, Mark Carney, to lunch and give him the good word of caution ... he could use it.*

Thursday, July 30th.

- U.S. initial claims for state unemployment benefits rose by 25,000 to 584,000 in the week ended July 25th. while continuing claims rose to a record 6,197,000
- Financial Post reports regulators are seeking \$400 million (CAD) from National Bank Financial, CIBC World Markets (owned by the Canadian Imperial Bank of Commerce) and Scotia Capital (owned by the Bank of Nova Scotia) in ABCP negotiations on behalf of a large group of sophisticated investors with sizeable holdings of at least \$1 million (CAD) each in ABCP. Since the California Public Employees' Retirement System (Calpers) is currently suing 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; can a potential lawsuit against the leading Canadian credit rating agency over ABCP ratings be looming on the horizon?
- Air Canada raises \$1.1 billion (CAD) in capital via loans from federal crown corporations and \$600 million (CAD) from a syndicate of private lenders at an interest rate of 12.75%. *Just how in the world Air Canada hopes to service these loans by making \$140.25 million (CAD) in annual interest payments in the current economic environment, remains a mystery.*
- PetroCanada reports net earnings fell by 95% to \$77 million (CAD) in the 2nd. quarter compared to earnings of \$1.5 billion (CAD) a year ago
- Exxon Mobil reports net profit fell by 66% to \$3.95 billion (U.S.) in the 2nd. quarter compared to net profit of \$11.68 billion (U.S.) a year ago
- Conference Board of Canada forecasts the Canadian economy will grow by 2.7% in 2010
- Bernie Madoff's wife, Ruth Madoff, is sued by the liquidating trustee for \$44.8 million (U.S.) citing half of this amount came to her from Mr. Madoff's business dealings within the last two years
- German Airline Lufthansa reports a net loss of 216 million euros in the first half of 2009 versus a net profit of 381 million euros in the same period a year ago



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- Postmaster General John E. Potter expects the U.S. Postal Service to experience a record \$7 billion (U.S.) deficit in 2009

Friday, July 31st.

- U.S. gross domestic product (GDP) declined by 1% in the second quarter (January-to-March) of fiscal 2009
- European Union unemployment rate declined to 9.4% in June from 9.5% in April
- Toronto based baked goods producer George Weston Ltd. reports net profit decline of 97% to \$4 million (CAD) in the 2nd. quarter, compared with net earnings of \$118 million in the corresponding quarter in 2008.
- Pension funds in Quebec and Ontario launch two class-action lawsuits against Manulife Financial and four of its current and former executives, involving representations made by the company about its risk management strategies surrounding its guaranteed financial products.
- Canada's gross domestic product (GDP) declined by 0.5% in May (for the 10th. consecutive month) putting the country on track for a 3.3% pace of economic contraction in the first quarter (April-to-June) of fiscal 2010
- Royal Dutch Shell reports a 70% decline in net profit to \$3.24 billion (U.S.) in the 2nd. quarter. Chief executive officer, Peter Voser, warned that the company would need to make "substantial" job cuts to restore earnings. *"Conditions are likely to remain challenging for some time and we are not banking on a quick recovery"*.
- Siemens, Europe's largest engineering group, reports profits at its healthcare, energy and industrial units fell by 21% to 1.7 billion euros in the fiscal 3rd. quarter on a year-over-year basis
- France Telecom, Europe's third largest telephone operator by revenue, warned of "slightly lower" business in the second half of the year, as it reported a 4.3% decline in net profits to 2.56 billion euros for the first half.
- Renault, France's second largest carmaker, reports a loss of \$3.8 billion (U.S.) for the first half of the year, citing lower revenues from its stakes in Nissan, Avtovaz and truck maker AB Volvo
- Japan's unemployment rate climbed to a 6-year high of 5.4% in June from 5.2% in May; as the country set a new record for core consumer price deflation (excluding fresh food) of minus 1.7% in June, on a year-over-year basis
- According to Eurostat, Eurozone consumer prices were 0.6% lower in July, 2009 compared with July, 2008
- British Airways posts a pre-tax loss of 148 million pounds for the three months ended June 30th. representing its worst fiscal 1st. quarter loss in 22 years. Chief executive Willie Walsh warned that there were *"no visible signs of improvement"* in trading and that BA faced its biggest challenge since privatization in 1987.
- Jefferson County, Alabama, the State's most populous and which includes the City of Birmingham,



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prepares for the possibility of up to 1,400 County employee job layoffs tomorrow, in order to prevent financial ruin. The County's sales and property tax revenues have declined by \$40 million (U.S.) in the current fiscal year and its occupational tax (a 0.5% tax on income which collected \$75 million (U.S.) last year) was ruled illegal by a court last January because the State Legislature had repealed it in 1999.

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