

UNDERSTANDING THE LONGWAVE ECONOMIC AND FINANCIAL CYCLE

# THAT WAS THE WEEK THAT WAS



## Monday, September 14TH

Pharmaceutical giant Eli Lilly & Co. announces 5,500 job layoffs by 2011, citing a \$1 billion (U.S.) cost savings

### MONDAY, SEPTEMBER 14TH

- At the behest of the United Steelworkers Union, the Obama administration has imposed special 35% punitive tariff on \$1.8 billion (U.S.) imports of Chinese-made tires for a period of three years, citing it found surging imports of such products had disrupted U.S. markets. This marks the first time that the U.S. Government has used special “safeguard” provisions to protect an American industry from Chinese competition. Besides complaining to the World Trade Organization about the tariff imposition, China calls for talks with the U.S. to try to resolve the situation.
- Canadian capacity utilization rate falls to 67.4% in the second quarter
- Following a 3 ½ year investigation, the RCMP have arrested and laid fraud charges against Milowe Allen Brost and Gary Allen Sorenson, citing the two Alberta men took more than \$400 million (CAD) from 3,000 investors worldwide by operating an investment ponzi scheme
- The co-chief executive officer of Magna International, Siegfried Wolf, announces over 10,000 job layoffs at Opel’s European operations, including 4,500 in Germany
- Eurostat, the European Union’s statistical office reports that Euro zone industrial production declined by 0.3% in July, following a drop of 0.2% in June

- Professor Tom Congdon at International Monetary Research warns that U.S. bank loans have declined at an annual pace of almost 14% (from \$7.147 billion to \$6.886 billion) in the three months ended August 31st. In addition, David Rosenberg, chief strategist at Gluskin Sheff, reports that in the four weeks ended August 24th. U.S. bank credit contracted by an “epic” 9% annual pace; M2 money supply contracted by 12.2%; and M1 contracted at 6.5%. “For the first time in the post World War II era, we have deflation in credit, wages and rents: and from our perspective, this a toxic brew.”

### TUESDAY, SEPTEMBER 15TH

- U.S. retail sales rose by 2.7% in August, but are down by 5.3% from August /08
- Best Buy Co., the largest U.S. electronics chain, reports its 2nd. quarter net profit fell to \$158 million (U.S.) from \$202 million (U.S.) in the same period a year ago
- The Labor Department reports that the U.S. producer price index (PPI) rose by 1.7% in August, powered by the biggest gain in energy prices since November /07
- The Federal Reserve Bank of New York’s Empire State index increased to a reading of 18.9 from 12.2 in August

- The Canadian Real Estate Association reports that Canadian existing home sales declined marginally in August from July's level, but have increased by 18.5% on a year-over-year basis
- Japan Air Lines announces plans to reduce its work force by 14%, representing 6,800 job layoffs
- U.K. consumer price index rose by 1.6% in August on a year-over-year basis, down from 1.8% in July

#### WEDNESDAY, SEPTEMBER 16TH

- The Labor Department reports that the U.S. consumer price index rose by 0.4% in August, driven by higher energy prices
- The Commerce Department reports that the U.S. current account deficit narrowed to \$98.8 billion (U.S.) in the second quarter. This is a broad measure of American international transactions which includes trade of goods and services, transfer payments and investment income.
- The Treasury Department reports that international demand for long-term American financial assets weakened in July, as investors reduced purchases of U.S. Treasuries by more than 1/3 compared to June
- U.S. industrial production rose by 0.8% in August, while capacity utilization increased to 69.6% from 69.0% in July
- Statistics Canada reports that Canada's manufacturing sales increased by 5.5% in July, citing production resuming for automakers and higher demand for primary metals
- The U.K. unemployment rate increased to 7.9% in the 3 months ended July 31st. marking the highest level since 1995

#### THURSDAY, SEPTEMBER 17TH

- The Office for National Statistics reports U.K. retail sales were flat in August, but up 2.1% compared to August /08
- AMR Corp. the Texas-based parent company of American Airlines (the world's second largest carrier) raises \$2.9 billion (U.S.) in cash and financing, citing plans to consolidate its hub systems in Dallas/Fort Worth, Chicago, Miami and New York
- FedEx Corp. (the world's second largest courier company) reports net earnings of \$181 million (U.S.) in its 1st. fiscal quarter ended August 31st. down 53% from the same period a year ago
- Statistics Canada reports that the Canadian consumer price index declined by 0.8% in August, while the core rate (ex-food and energy) rose marginally by 0.1% to an annual rate of 1.6%
- Canada's index of leading economic indicators rose by 1.1% in August
- The Federal Reserve Bank of Philadelphia reports its manufacturing index rose to a reading of 14.1 in September from a level of 4.2 in August
- Ireland's Finance Minister, Brian Linehan, announces the Irish state will pay 54 billion euros for bank debt of 77 billion euros face value, in order to acquire the banking sector's toxic assets and encourage renewed lending to businesses
- The U.S. Securities and Exchange Commission (SEC) passes rules to tighten supervision of credit rating agencies following a tsunami of criticism over their role in the financial / credit crisis. Unlike in the United States, credit rating agencies are unregulated in Canada.

- The Commerce Department reports U.S. housing starts rose by 1.5% in August to a seasonally adjusted annual rate of 598,000 led by an increase in multi-family units
- The U.S. Labor Department reports that initial claims for state unemployment benefits declined by 12,000 to 545,000 in the week ending September 12th. while continuing claims rose by 129,000 to a seasonally adjusted 6.23 million in the week ended September 5th.

#### FRIDAY, SEPTEMBER 18TH

- Japan's new ruling democratic party government decides to suspend portions of a \$164 billion (U.S.) stimulus package
- Renewed investor concern over the state of the British banking system saw the euro post further gains against the pound to close just over 90 pence, versus 79 pence a year ago
- The Bureau of Labor Statistics reports a 10% unemployment rate for August in 14 states and the District of Columbia