

UNDERSTANDING THE LONGWAVE ECONOMIC AND FINANCIAL CYCLE
THAT WAS THE WEEK THAT WAS



Monday, November 9th

The Canada Mortgage and Housing Corp. reports that Canadian housing starts rose by 5.4% in October to 157,200 units, citing the highest level this year

MONDAY, NOVEMBER 9TH

- At a G-20 weekend meeting in St. Andrews, Scotland, finance ministers acknowledged that withdrawing stimulus packages required a balancing act to avoid stifling any economic recovery. U.S. Treasury Secretary Timothy Geithner stated "If we put the brakes on too quickly, we will weaken the economy and the financial system, unemployment will rise, more businesses will fail, budget deficits will rise and the ultimate cost of the (credit) crisis will be greater."
- The European Commission warns European Union Finance Ministers that the EU's public debt could collectively rise to 100% of its gross domestic product, a year's economic output, by 2014
- German industrial production rose by 2.7% in September
- Sprint Nextel Corp. announces 2,500 job layoffs, approximately 5% of its work force, in an attempt to reduce annual costs by at least \$350 million (U.S.)
- In the wake of its \$68 billion (U.S.) takeover of Wyeth in October, Pfizer Inc. announces the closure of six research sites and a plan to eliminate about 19,500 jobs within the combined company

TUESDAY, NOVEMBER 10TH

- The National Federation of Independent Business Index of Small Business Optimism increased 0.3% in October to a reading of 89.1, but the index has been below 90 for six consecutive quarters. Small business owners remain skeptical of a U.S. economic recovery with many expected to cut jobs instead of adding them, over the next three months
- Fitch Ratings warns Japan's government to adhere to its borrowing target, or risk a credit rating downgrade. The government plans to borrow 44 trillion yen (\$490 billion (U.S.)) in its fiscal year 2011, commencing in April, 2010, following an expected record issuance this fiscal year in excess of 50 trillion yen. David Riley, manager of global sovereign ratings at Fitch states that were Japan to borrow more than 44 trillion yen in fiscal 2011, "then I think that would prompt us to review Japan's current 'AA' (Low) credit rating."
- In an address to a joint session of the New York State legislature, Governor David Paterson warns lawmakers that New York is rapidly running out of cash to meet its obligations: "We stand on the brink of a financial challenge of unprecedented magnitude in the history of this state."

- Canada Mortgage and Housing Corp. reports Canadian housing starts rose by 5.4% in October to a seasonally adjusted annual rate of 157,300 units, while multi-unit starts increased by 13.8%
- The U.S. Census Bureau reports State tax collections declined by 16.6% in the April-June quarter of this year compared to the same period a year ago
- The European Commission reprimands Greece for doing little to cut its budget deficit. The European Commission distinguishes Greece from other euro zone deficit offenders, notably France and Spain, by citing that Athens has failed to comply with EU recommendations to restore fiscal order.

WEDNESDAY, NOVEMBER 11TH

(Remembrance Day & Veteran's Day Holidays)

- China's industrial production grows by 16.1% in October
- Applied Materials announces 1,500 job layoffs
- Hewlett Packard to acquire 3com for \$2.7 billion (U.S.)
- Lloyd's Banking Group announces 5,000 job layoffs, as it integrates its wide-ranging businesses
- Fitch Ratings cites the U.K. as the big economy most at risk of losing its 'AAA' credit rating because Britain needed "the largest budget adjustment" in that group
- Barrick Gold buys back its hedge book of gold contracts, wherein the company was obligated to sell 3 million ounces of its production at about \$400 (U.S.) per ounce. At a gold conference in London, Barrick's chief executive officer, Aaron Regent, stated that global gold output has fallen by one million ounces per annum since the year 2000: "Production has been in decline ever since and we are forecasting that decline to continue, since it is increasingly difficult to find ore."
- The People's Bank of China signals that the renminbi may be allowed to appreciate against the U.S. dollar in the coming months

THURSDAY, NOVEMBER 12TH

- The Federal Housing Administration (FHA), the government agency whose loan insurance programs have become a crucial source of support for the housing market, reports that its cash reserves have dwindled significantly in the last year, as more borrowers defaulted on their mortgages. The FHA released an audit which revealed the rapid deterioration of its finances, while pledging to tighten its loan standards, in the hope it will not become another drain on the U.S. Treasury.
- Wal-Mart posts a profit of \$3.24 billion (U.S.) in the three months ended October 31st. compared to a profit of \$3.14 billion (U.S.) in the same period a year ago. Sales at Wal-Mart stores open for at least a year in the United States, a measure of retail financial health known as same-store sales, declined by 0.4%.
- General Electric (GE) plans to sell its fire alarm and security systems unit to United Technologies for \$1.82 billion (U.S.), continuing the sale of what GE considers to be non-core businesses
- British Airways and Spain's Iberia announce their agreement to a 4.4 billion pound merger, creating Europe's third largest airline by revenue, one of the biggest deals in aviation industry history. However, the two airlines have agreed that Iberia will be able to terminate the accord if it is unhappy with BA's handling of its bloated pension plan.

FRIDAY, NOVEMBER 13TH

- Eurostat reports that eurozone gross domestic product (GDP) expanded by 0.4% in the 3rd. quarter, following economic contractions for the five previous quarters
- The Australian Securities and Investments Commission, Australia's corporate regulator, has strengthened oversight of credit rating agencies by making them more accountable for their ratings and removing an exemption that protected them from legal action from retail investors
- The Commerce Department reports that the U.S. trade deficit widened to \$36.5 billion (U.S.) in September, mostly due to an increase in oil prices

- The Federal Deposit Insurance Corp. closed the Orion Bank in Naples, Florida; the Century Bank in Sarasota, Florida; and the Pacific Coast National Bank in San Clemente, California; bringing to 123 the number of U.S. bank failures this year
- A recent report by the Pew Center, *Beyond California: States in Fiscal Peril*, warns that in addition to California's well-documented fiscal deficit problems, the budgets of several other States are in serious jeopardy, namely: Arizona, Florida, Illinois, Michigan, Nevada, New Jersey, Oregon, Rhode Island and Wisconsin. States are coping "with higher Medicaid and higher safety net expenses, at the same time revenues lag because of stubborn unemployment." According to the U.S. Center on Budget and Policy Priorities, once (government) stimulus funds have been accounted for, States still face a combined deficit of \$142 billion (U.S.) for fiscal 2011, up from \$113 billion (U.S.) for the current fiscal year.
- The Caisse de Depot et Placement du Quebec announces plans to issue \$8 billion (CAD) of new long-term debt in order to replace some of its short-term debt and strengthen the stability of its financing sources. Canada's largest public pension fund said its subsidiary, CDP Financial Inc., could issue bonds in Canada, the United States and Europe by the end of 2010, depending on market conditions. The Fund's president and chief executive officer Michael Sabia, stated: "By limiting our exposure to the uncertainties inherent in short-term funding and by better matching the duration of our sources and uses of financing, the refinancing program is another important element of our plan to reduce financial risks and to strengthen the foundations of the Caisse. In addition, this initiative will contribute to our effort to improve returns over the medium term by locking in financing at today's historically low interest rates." The credit rating agency, Dominion Bond Rating Service (DBRS) says it expects to rate the new bonds 'AAA' barring any intervening events. See also *Winter Warning, January 19, 2009: If You Aren't Skeptical, Then You Are Liable To Be Gullible – The Institutional Investors.*