

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



Monday, November 23rd

Gold bullion trades to a record price of \$1,170 (U.S.) per ounce

MONDAY, NOVEMBER 23RD

- The Washington-based National Association of Realtors reports that existing U.S. home sales rose by 10.1% in October to a 6.1 million unit annual rate, following a 5.54 million unit pace in September; citing extension of the first-time buyer 8% tax credit, cheaper property values and lower mortgage rates. The median sales price has declined by 7.1% to \$173,100 (U.S.) since October, 2008.
- Statistics Canada reports that retail sales rose by 1% in September to \$34.9 billion (CAD), representing the seventh gain in nine months, but still down 3.3% from the same period a year ago
- Israel raises its key lending rate by 25 basis points to 1%
- American corporate debt issues total \$1.2 trillion (U.S.) for the first three quarters of 2009 compared with \$803.35 billion (U.S.) during the same period in 2008.
- Fitch Ratings downgrades Mexico's credit rating to 'BBB' (2 levels above junk status) citing the country's declining oil production and tax revenues

TUESDAY, NOVEMBER 24TH

- The Commerce Department reports the U.S. gross domestic product (GDP) expanded by a revised 2.8% annualized rate in the 3rd. quarter, previously reported as 3.5%, reflecting a smaller gain in consumer spending and a larger trade deficit
- The S&P/Case-Shiller 20-city home price index rose by 0.27% on a seasonally adjusted basis in September, following a 1.13% increase in August
- Statistics Canada reports the number of Canadians receiving jobless benefits increased by 7.1% in September, led by claims in Ontario, Alberta and British Columbia. About 818,000 people received unemployment insurance in the month, marking a 63.5% increase since October, 2008.
- The Bank of Montreal (BMO) reports a net profit of \$647 million (CAD) in the 4th. quarter ended October 31st. representing an increase of 16% from the same period a year ago. The bank cites higher consumer and business banking earnings, as well as wealth management revenues, but lower loan loss provisions.
- The Conference Board reports its U.S. consumer confidence improved slightly to a reading of 49.5 in November from a revised level of 48.7 in October

- According to an automotive industry report by Fitch Ratings, U.S. vehicle sales are expected to be as low as 11.1 million in 2010, indicating that neither General Motors, nor Chrysler, will be able to access the equity markets in order to raise additional capital
- The New York-based Rockefeller Institute reports that data from individual States reveals collections from major tax sources were \$119.7 billion (U.S.) in the 3rd. quarter of 2009, compared to \$134 billion (U.S.) for the same States during the comparable quarter of 2008. Corporate income tax experienced the sharpest rate of decline at 19.4%, followed by personal income tax and sales tax at 11.4% and 8.2%, respectively. In total, tax revenue declined by 10.7% in nominal terms.

WEDNESDAY, NOVEMBER 25TH

- The Commerce Department reports that U.S. durable goods orders declined by 0.6% in October. In a separate report, personal income rose by 0.2% and personal spending increased by 0.7% in October.
- The Labor Department reports that initial claims for state unemployment benefits declined by 35,000 to 466,000 in the week ended November 21st. while continuing claims dropped to 5.423 million from 5.613 million in the week ended November 14th.
- The State of Connecticut plans to follow the State of Ohio by suing credit rating agencies Standard & Poors, Moody's Investors Service and Fitch Ratings for "negligent, reckless and incompetent" work in grading asset backed fixed income securities purchased by the State's pension funds. Connecticut Attorney General Richard Blumenthal warned that the State wanted its "money back for our taxpayers as a consequence of these missed ratings. They (the rating agencies) gave 'AAA' ratings to financial instruments that deserved much, much less. We're co-operating and sharing information with both California and Ohio". Mr. Blumenthal also stated that he seeks to reform the credit ratings industry by eliminating the (business) model where issuers pay the rating agencies to grade their debt.
- Dubai World, an emirate-owned investment company which has \$59 billion (U.S.) of debts, has asked its creditors for a moratorium on debt repayments until May, 2010, raising doubts about the emirate's reputation as a magnet for international investment

- In an incredible admission of incompetence, the California Public Employees' Retirement System (Calpers) disclosed that it paid hedge fund managers Union Bank of Switzerland (UBS) and Pacific Alternative Asset Management (Paamco) a combined amount of \$36 million (U.S.) over a two year period, after their respective advisory contracts had lapsed. This administrative oversight comes to light as the \$200 billion (U.S.) pension fund hired a law firm to conduct a "special review" of payments by money managers to middlemen who helped secure Calpers investments. According to informed sources, Kurt Silberstein, who oversees Calpers' hedge fund program, was placed on temporary leave, as well as fined, over the contract lapses. Is there no end to such absurdities?
- Sri Lanka announces the purchase of 10 tonnes of gold bullion from the International Monetary Fund for \$375 million (U.S.)

THURSDAY, NOVEMBER 26TH

- Bombardier announces 715 job layoffs in its aerospace division located in the Montreal area, citing a lack of orders for its CRJ aircraft
- Borders U.K. set to file for bankruptcy protection
- The Conference Board of Canada reports consumer confidence waned in its November survey, as Canadians cited worries about job security and personal finances
- Russia's central bank signals its intention to add the Canadian dollar, as well as one or two other currencies, to its foreign exchange reserves, as the country seeks to diversify some of its holdings away from the U.S. dollar
- Rogers Communications announces 900 job layoffs, mostly in executive and management positions in their Brampton, Ontario offices, as part of its previously stated plan to integrate its wireless and cable operations
- The Office for National Statistics (ONS) reports that the U.K.'s gross domestic product (GDP) declined by 0.3% in the 3rd. quarter versus its initial estimate of a 0.4% drop, citing an upward revision of growth in the services sector

FRIDAY, NOVEMBER 27TH

- In a new report, Bank of America strategists Daniel Tanengauzer and Benoit Anne warn that Dubai's debt woes could "escalate into a major sovereign debt problem which would then resonate across global emerging markets, in the same way that Argentina did in the early 2000s or, Russia in the late 1990s." U.K. banks Standard Chartered, HSBS Holdings, Barclay's, Royal Bank of Scotland and Lloyd's Banking Group have an estimated \$40 billion (U.S.) loan exposure to Dubai World.
- Canada records a government deficit of \$5 billion (CAD) in September, meaning the deficit for the first half of the current fiscal year ending March 31, 2010 totals \$28.6 billion (CAD)
- CanWest Communications posts an operating loss of \$111 million (CAD) in its fiscal 4th. quarter