

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



Monday, December 14TH

Exxon Mobil Corp., the world's largest public energy company, announces a \$31 billion (U.S.) takeover of XTO Energy Inc. a Texas-based energy firm with major production of unconventional natural gas which is difficult to extract

MONDAY, DECEMBER 14TH

- U.S. Treasury bond yields are on the rise again. The benchmark 10-year maturity is trading on a 3.60% yield basis, the highest yield since last March, reflecting the inexorable climb of the U.S. deficit, the continual decline of the U.S. dollar and the imminent prospect of a dramatic hike in the U.S. statutory debt limit. The perceived investor 'flight to safety' is rapidly becoming a myth. See Winter Warning, September 22, 2008 – The Flight to Folly and Put Not Your Trust In Princes.
- The U.S. Senate clears a \$447 billion omnibus spending bill (for President Obama's signature) which contains thousands of earmarks and double-digit increases for several Cabinet agencies. Meanwhile, the U.S. House of Representative is expected to vote this week to raise the federal statutory debt ceiling by at least \$1.8 trillion, since the current limit of \$12.104 trillion will likely be exceeded before December 31st.
- According to an application filed in Federal Court, the Canada Revenue Agency (CRA) believes that at least three investment advisors employed by RBC Dominion Securities, Canada's largest brokerage firm, "assisted Canadian taxpayers in establishing Liechtenstein entities for the purpose of hiding investments and other income." A CRA audit has discovered at least twelve Canadians who allegedly used a division of a Liechtenstein bank, LGT Treuhand, to conceal their wealth abroad.

- The Abu Dhabi government provides \$10 billion (U.S.) to the Dubai Financial Support Fund, of which \$4.1 billion (U.S.) is designated to repay Nakheel's Islamic bond and the balance will finance Dubai World's obligations through April 30, 2010

TUESDAY, DECEMBER 15TH

- The Australian Bureau of Statistics reports the country's gross domestic product (GDP) expanded at a seasonally adjusted annual rate of 0.2% in the July – September quarter, compared with a growth rate of 0.6% in the April – June quarter
- The U.S. House Democratic leadership shelves the idea of passing a \$1.8 trillion increase in the statutory debt limit, in favour of a short term alternative increase of \$300 billion, creating a new ceiling of \$12.4 trillion
- The Province of Ontario hires two investment dealers, CIBC World Markets and Goldman Sachs Group Inc. to draft a blueprint for the possible privatization of provincial government agencies such as, Hydro One Inc., the Ontario Lottery and Gaming Corp., the Liquor Control Board of Ontario and Ontario Power Generation. While the planned time frame for the initial study is just a few months, one concept being discussed is the creation of a holding corporation which would have a number of provincially-controlled companies as subsidiaries.

- The Office of the Superintendent of Bankruptcy Canada reports consumer bankruptcies declined by 28.4% in October from September. However, part of the shift in October stemmed from changes in federal bankruptcy laws which increased the cost of bankruptcy filings. The former notwithstanding, total business and consumer bankruptcies in October declined by a record 27.7%.
- The Office for National Statistics reports that the U.K. inflation rate increased to 1.9% in November on a year-over-year basis from 1.5% in October

WEDNESDAY, DECEMBER 16TH

- Canadian factory sales rose by 2% in October from September
- Standard & Poors cuts Greece's sovereign debt credit rating to BBB(High)
- The Labor Department reports the U.S. consumer price index (CPI) rose by 0.4% in November, citing a 4.1% increase in energy prices
- U.S. Federal Open Market Committee (FOMC) announces it will keep its fed funds rate unchanged in a 0 – 0.25% range for “an extended period, as household spending appears to be expanding at a moderate rate, although it remains constrained by a weak labor market, modest income growth, lower housing wealth and tight credit.”
- The U.S. Internal Revenue Service issues an exception to tax rules for Citigroup, which will allow the bank to retain \$38 billion (U.S.) in tax breaks that otherwise would decline in value, when the government sells its stake to private investors
- Moody's Investors Service warns Britain and other countries with fast rising government debt levels must prepare themselves for 2010, which could be a “tumultuous year for sovereign debt issuers, wherein social and political cohesiveness would be tested.”
- The Commerce Department reports that U.S. housing starts rose by 8.9% in November to a seasonally adjusted annual rate of 574,000 units
- Norway's central bank raises its key lending rate by 25 basis points to 1.75%

THURSDAY, DECEMBER 17TH

- The Bank of Japan keeps its benchmark overnight lending rate at 0.1%
- By an affirmative vote of 16 –7 the U.S. Senate Banking Committee approves the nomination of Federal Reserve Chairman Ben Bernanke to the full Senate for consideration
- Standard & Poors warns it may downgrade the vast majority of the covered bond issues that it rates in Europe, the United States and Canada. Covered bonds are backed by pools of mortgages or public debt, however, in the event of a default, investors also have recourse to the balance sheet of the bank which issued them.
- According to the U.K. Telegraph, the Arab states of the Gulf region have agreed to launch a single currency modeled on the euro, hoping to set a precedent towards a pan-Arab monetary union

FRIDAY, DECEMBER 18TH

- The Investment Industry Regulatory Organization of Canada and the Ontario Securities Commission reach a \$130 million (CAD) penalty settlement with the Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Credential Securities and Canaccord Financial, regarding Non-Bank Asset Backed Commercial Paper that was flawed and did not receive the proper due diligence prior to being sold to clients
- Statistics Canada reports the country recorded a trade surplus of \$428 million (CAD) in October, following September's deficit revision to \$850 million (CAD), as shipments of gold, canola, petroleum and passenger cars to the U.S. lifted exports while imports eased
- Las Vegas-based Citadel Broadcasting Corp., the third largest radio broadcasting company in the U.S., files for chapter 11 bankruptcy protection, citing an effort to restructure its hefty debt load
- Canada's federal government reports a \$3.3 billion (CAD) deficit in October, citing significantly lower corporate tax receipts, but still roughly in line with its projected \$56.2 billion (CAD) deficit for the fiscal year ending March 31, 2010

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