

June 8th, 2013

What is the most essential ingredient to economic growth or recovery? Jobs! Since the initiation of stimulus planning in America, job creation has been at the forefront. According to the Labour Department 175,000 jobs were added in May after a downward revision in April to 149,000 jobs. A consistent growth in labour markets indicates a cementing foundation in economic performance.

The current pace of employment growth does have economists on the same page about the future action of the Federal Reserve. Most agree the Fed will taper future asset purchases but does not see the Fed discontinue stimulus nor increase interest rates permanently. The good news and united opinion saw the DOW post triple digit gains.

In Europe, news grows bleaker each day. Friday, the Bundesbank lowered its growth forecast of the German economy, pushing markets into the red. The silver-lining is a weakened Euro dollar help quicker growth momentum in exports for Germany indicating that as the wider Euro area enter a recession during the second quarter, Germany will likely maintain its momentum.

In Asia, Japan's new found economic success in jump-starting a three decade long stalled economy has China tasking unprecedented action. Japan's economic turnaround has hurt China economically, already weakened by global recession.

China must act now and introduce radical methods to depress its currency allowing corporate China to regain their competitive edge against Japanese firms. This comes at an unfortunate time for China as politburo leaders push full steam ahead to launch an internationalized currency by 2016. A successful currency launch sees the People's Bank of China and major banks having pristine balance sheets, purged of bad loans, lower debt to asset ratios and a central bank flush with reserves. China over the last three decades has had uncontrolled and poorly regulated lending policies which makes the task of a quick reform by 2016 near impossible. Japan's successful reforms are just gathering momentum inducing greater economic pressure and pain on China's economy. Chinese markets share of global manufacturing is declining rapidly. An economic miracle or shock is needed to preserve their evaporating fortunes and competitive edge.

Australia is seeing the same reversal of fortunes on the All Ordinaries Index as Canada has seen on the TSX lately.

Gold prices declined due to strong employment numbers and growing confidence in the American economy. Gold prices for August delivery declined \$32.80 to \$1383.00 an ounce.

Oil on the other hand saw prices rise directly affecting our Loonie. The price of oil rose by \$1.27 as the Energy Information Administration (EIA) reported oil stocks piles dropped more than expected last week.

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Corporate Canada fortunes continue to improve regardless of the blunders and ineptness of politicians at all government levels. In May 95,000 jobs were added. This is the second highest level recorded in 35 years. Corporate Canada has taken a page out of corporate America's book of profit on how to grow and prosper during blundering political administrations. I believe Canadian corporations have transformed into true first class global competitors.

Politically, it seems that either the RCMP, OPP or regional police have been called to investigate inappropriate behaviour of politicians at all levels of government in the last few weeks. What happened to the belief that Canadian politics are free of American style scandals?

Lastly, something ugly is brewing in Waterloo. City council approved the chopping of the iron horse trail. Another example of destruction of common assets to benefit a few.