

Wells Fargo closes outlets in Canada

Financial Crisis Round 2?

- **TSX -66.54** another rocky finish as investor sentiment soured after the Federal Reserve's Beige Book said economic growth was subdued in many regions of the United States.
- **DOW -40.73**
- **Dollar +.39c to 95.76cUS**
- **Oil +\$2.39 to \$74.38US per barrel.**
- **Gold -\$15.60 to \$1,228.80 USD per ounce** “With confidence in paper currency systems badly shaken in the financial crisis, gold, it seems, is reasserting its old role as the ultimate debt-free money,” according to a new report from UBS Wealth Management as the yellow metal ran to yet another record high above \$1,250 per ounce earlier this week . “We think that the price of gold has yet further to rise.” In its note to clients, the UBS analysts said gold has re-established its role as “safe haven” and should hit US\$1,500 an ounce in 12 months’ time
- **Canadian 5 yr bond yields +.06bps to 2.67. The spread, (based on the MERIX 5 yr rate published rate of 4.49%) has ample room above the comfort zone at 1.82.**
- http://www.financialpost.com/markets/market-data/money-yields-can_us.html?tmp=yields-can_us

The *rate of return on your bond*, can be read through a yield curve, If the **increase in bond yield** continues to go up, the spread will continue to shrink and this could be **a trigger for interest rates to rise**. **Currently lenders are looking for a spread between 1.35 and 1.60**

Wells Fargo closes outlets in Canada

Barbara Shecter, Financial Post · Wednesday, Jun. 9, 2010

Wells Fargo Financial Corp. Canada is closing its outlets across the country and will no longer make customer loans, but will maintain existing real estate, auto and consumer loan accounts.

“In response to recent analysis of our operations, we have made the decision to stop originating consumer loan products in Canada,” the company said in a statement to customers on its website, which states that Wells Fargo has 130 stores across Canada.

The company is also suspending originations in its private-label credit card business.

Wells Fargo & Co., one of the largest banks in the United States, began to withdraw consumer lending from Canada in 2008 at the height of the financial and economic crisis. In November 2008, it decided to exit the indirect auto-lending business. Then, last July, Wells Fargo stopped offering residential mortgages and home-equity loans in Canada.

Wells Fargo Financial was the largest of the company's five business lines in Canada, with total consumer receivables of \$1.9-billion at the end of April.

Wells Fargo and other U.S. lenders such as General Electric Co. thrived in Canada before the financial crisis. The companies loaned money to consumers and home buyers, including those who may not have qualified for loans from Canadian banks.

Canada's financial services sector is dominated by the domestic chartered banks and while foreign players have managed to get a toehold in the country, history has been marked by dramatic entrances followed by often quiet retreats.

According to the Wells Fargo website, the company has been providing financial products and services to Canadians for more than 60 years.

Some operations will remain in Canada, including a building in suburban Toronto to administer existing loans and mortgages.

"There will be no change to our customers' existing account terms and conditions," said Rick Valade, president of Wells Fargo Financial Corp. Canada. "We still have more than 450 team members based in Canada available to support and service existing customers."

Business loan operations will continue through division under the umbrella of parent company Wells Fargo & Co., such as Wells Fargo Equipment Finance Inc., and Wells Fargo Global Broker Network, an insurance brokering and risk management services company.

In April, Wells Fargo & Co., which has combined assets of US\$57-billion, merged its asset lending businesses in Canada with similar operations acquired through its purchase of Wachovia Corp. in 2008. The combined operations operate under the name Wells Fargo Capital Finance.

Read more:

<http://www.financialpost.com/news/Wells+Fargo+closes+outlets+Canada/3133005/story.html#ixzz0qRuvrReZ>

Europe's debt crisis could undermine economic recovery, says World

Bank THE CANADIAN PRESS OTTAWA — The World Bank is warning that the European debt crisis could derail the global economic recovery.

In its latest global economic prospects report, released Wednesday, the bank says Europe's debt problems have created new hurdles on the road to sustainable medium-term growth.

Greece, Spain, Britain and other European countries face huge government debts and are moving to cut spending in a bid to balance their books and get their costs under control.

Many fear the cuts will slow growth in Europe and undermine the fragile recovery from recession now going on in many countries.

The World Bank predicts the global economy will grow between 2.9 and 3.3 per cent this year and next, and between 3.2 and 3.5 per cent in 2012. That would reverse a 2.1 per cent decline in 2009.

The bank says developing economies are expected to grow between 5.7 and 6.2 per cent each year from 2010-2012.

Meanwhile, high-income countries are projected to grow by between 2.1 and 2.3 per cent in 2010 — not enough to undo the 3.3 per cent contraction in 2009. In 2010, those countries could grow by between 1.9 per cent and 2.4 per cent.

“The better performance of developing countries in today’s world of multi-polar growth is reassuring,” Justin Yifu Lin, the World Bank’s chief economist, said in the report.

“But, for the rebound to endure, high-income countries need to seize opportunities offered by stronger growth in developing countries.”

The World Bank says the global recovery faces several important headwinds over the medium term, including reduced international capital flows, high unemployment, and spare economic capacity exceeding 10 per cent in many countries.

While the impact of the European debt crisis has so far been contained, prolonged rising government debt could make credit more expensive and curtail investment and growth in developing countries, the financial agency warns.

On the upside, world merchandise trade has rebounded sharply and is expected to increase by about 21 per cent this year, before growth rates taper down to around eight per cent in 2011-2012.

The World Bank’s projections assume that efforts by the IMF and European institutions will stave off a default or major European government debt restructuring.

But even so, developing countries and regions with close trade and financial connections to highly indebted countries may feel serious ripple effects.

“Demand stimulus in high-income countries is increasingly part of the problem instead of the solution,” said Hans Timmer, director of the Prospects Group at the World Bank.

“A more rapid reining in of spending could reduce borrowing costs and boost growth in both high-income and developing countries in the longer run.”

Regardless of how the debt situation in high-income Europe evolves, a second round financial crisis cannot be ruled out in certain countries of developing Europe and Central Asia, where high debts and slow recovery could threaten the banking sector.

"Developing countries are not immune to the effects of a high-income sovereign debt crisis," said Andrew Burns, manager of global macro-economics at the World Bank.

"But we expect many economies to continue to do well if they focus on growth strategies, make it easier to do business, or make spending more efficient." <http://news.therecord.com/Business/article/725712>



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