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FINANCIAL SOLUTIONS

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America's political disfunctionality is starting to have implications beyond their own geographical borders. Disfunctionality seems to be cropping up everywhere and has gotten so extreme that politicians are not just criticizing the President's executive order but outright refusing to implement his executive decisions. Internationally, America's foes are just lapping all this up with China and Russia openly taking advantage of the discord and lack of bipartisanship in American politics. Even America's traditional and long time allies are showing signs of walking out of step with the world's super power. Unfortunately such vulnerabilities and weakness could have greater ramifications. The disfunctionality and indecisive actions have allowed Putin to carry on slowly but surely taking more territory away from the Ukraine. The same can be said about China. China has been enacting a "creeping" strategy in the South China Sea by again slowly but surely taking over territory from Japan there by testing the willingness of America to act in the region. America's current dysfunctional bipartisanship have allowed China to push the edge of this envelope even further. A recent example, which could have deep implication, is China's desire to gain more influence and share in the International Monetary Fund. An out of step action of America's allies in favor of supporting China when America is clearly against increasing Chinese influence and share of the IMF would indicate that America is not as influential with its allies would allow China to use a divide and conquer strategy. America must get its political house in order, otherwise this type of disfunctionality could continue beyond President Obama's term and poison a fresh start for the new leadership.

Any belief that the Federal Reserve bank of America will raise interests rates quickly over the next few weeks to come were squashed from data released by the Federal Reserve itself. According to figures released Friday, the American Federal Reserve reported net income of $101.3 billion, an increase of nearly 30% from 2013. However, the Fed sends nearly all of its profits to the Treasury. Last year, that amounted to $96.9 billion. The Fed said this was a record. Fed ended 2014 with nearly $4.5 trillion in assets up from about $4 trillion in 2013. America's Fed Reserve Bank has been criticized by some economists and politicians for the size of its balance sheet, which ballooned during the financial crisis as they bought billions of dollars of bonds and other securities each month to try and boost the economy. The main concern is that the Fed may be helping blow up bubbles in the stock and bond markets because it has injected so much money into the markets through its purchases. Stocks are near all-time highs and investors continue to also invest money. Quantitative easing or QE, is now over. Still, the Fed's balance sheet may not shrink too dramatically just yet because the Fed has stated it will continue to reinvest the principal payments from all of its holdings for awhile. During a press conference, Fed chair Janet Yellen said that the central bank will eventually end its investments in bonds once it starts raising rates "as a way of gradually reducing the size of our portfolio over time."

However, she added that the Fed has not decided how long it will wait to finally slow the pace of those investments. She reiterated that the Fed won't do so until "economic conditions were appropriate after we begin raising rates." About $800 billion worth of Treasuries on the Fed's books are due to mature over the next two years. The Fed has a long way to go before the size of its balance sheet is back to where it was at the start of the Great Recession. It had about $850 billion in assets in 2008.

The EU is in very difficult times. Russia is a grave concern. Quantitative easing (QE) has just been commenced by the ECB and slowly the Greek saga deepens. German Chancellor Angela Merkel opened the door to some negotiations of debt payments of Greece's remaining bailout funds, a concession that shows how much the Eurozone wants to fend off an accidental default. However the German Chancellor did state this could only happen once a list of reforms has been approved by Eurozone finance minister and some of them have been passed through Greece's parliament. Greece will submit a list of reforms as soon as possible, the country's prime minister said, trying to move fast to unlock the much-needed financial aid.

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Little progress has been made so far in negotiations over the reforms Greece needs to make for the next tranche of a €240 billion bailout fund. The talks have been increasingly shrouded in acrimony. Ms. Merkel and other key leaders met with Greek Prime Minister Alexis Tsipras on the sidelines of a European Union summit on Thursday. Mr. Tsipras said the meeting was key to put Greece's agreement with its partners "back on track," adding that the atmosphere was "warm and friendly." "In terms of procedure, we will present a full package of reform proposals to the Euro group [the group of Eurozone finance ministers]," Mr. Tsipras said, adding that this process could enable a gradual release of installments from the next €7.2 billion tranche.

The Greek prime minister also stressed that the country doesn't have a liquidity problem in the short run and that deposits in its banks were secure. Other European officials have said that Greece is likely to run out of money by mid-April. Ms. Merkel said Friday that once a complete list of overhauls has been signed off by Eurozone finance ministers, the country's creditors could set out some "prior actions," or sets of measures that need to be implemented to get fresh funding. However, Ms. Merkel stressed that a good part of the proposed reforms have to be "implemented legally through a parliamentary decision.

Crude-oil futures rallied Friday as a drop in the American dollar and declines in the total number of oil rigs operating in the nation helped set prices up for their first weekly gain in five weeks. Traders also positioned themselves ahead of the expiration of the April Nymex futures contracts. On the New York Mercantile Exchange, April contracts which expire at the close Friday, traded at $46.20 a barrel, up $2.24, or 5.1%. Crude futures for May delivery, which will become the front month, tacked on $1.53, or 3.4%, to $47.06 a barrel. Based on the most-active contracts, crude futures were set for a nearly 5% gain on the week. Brent crude on London's ICE Futures exchange traded at $55.02 a barrel, up 59 cents, or 1.1%. According to FactSet, prices were set for a weekly gain of roughly 0.7%, based on the most-active contracts. Since the Fed announcement, crude has been tied to the American dollar, mimicking the moves and wild swings.

The ICE U.S. Dollar Index dropped 1.8% and was ready to post a weekly decline of about 2.7%. Commodities priced in dollars, including oil, often trade inversely with the dollar, as moves in the American dollar can influence the attractiveness of those commodities to holders of other currencies. Data from Baker Hughes showed the number of oil rigs actively drilling for oil and natural gas as of March 20 fell 56 rigs from last week to 1,069. The count is down 734 rigs from the same time last year. The total number of rigs fell 41 to 825.

In oil-related news Friday, Barclays analysts warned that China's demand for commodities including oil will remain turbulent for the next five years, due to its transition to a more consumer-driven economy. "The slower growth means that China's share of global oil demand is now close to peaking and will rise by only another 1% to 12% by 2020," the bank said.

Gasoline for April delivery gasoline rose 1.1 cents, or 0.6%, to $1.785a gallon, up 1.3% for the week. April heating oil traded at $1.733 a gallon, up 1 cent, or 0.6%, with prices up 1.1% for the week. April natural gas fell 2.1 cents, or 0.8%, to $2.792 per million British thermal units after earlier tapping a high of $2.919 on the back of gains in oil. Prices traded 2.4% higher for the week.

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Our loonie was up 0.84 of a U.S. cent to 79.42 cents near midday; after February inflation showed lower gas prices offset higher prices for nearly everything else. A report from Statistics Canada said the consumer price index rose 1.0 per cent in February compared with a year earlier, with cheaper gasoline prices keeping the inflation low. Gas prices were 21.8 per cent lower in February compared with the previous year, while fuel oil tumbled 23.4 per cent, the report said. "Canadian inflation figures look weak, largely because of depressed oil prices, but the Bank Of Canada is keen to stress the economy won't see deflation," "However, the pressure is now firmly on the board to consider re-adjusting its neutral policy with sluggish retail sales also of concern." Statistics Canada also reported that retail sales fell for the second consecutive month in January, dropping 1.7 per cent to $41.4 billion. Excluding sales at gasoline stations, retail sales were down 0.8 per cent.

According to preliminary estimates, Canada's population was estimated at 35,702,700 on January 1, 2015, up 26,900 from October 1, 2014. The population growth rate in Canada was 0.1% in the fourth quarter, similar to the growth rate in the fourth quarter of 2013. Yearly population growth stood at 1.0% in 2014, also similar to the growth rate observed in 2013 (+1.1%). In the fourth quarter, population growth was above the national average (+0.1%) in Alberta (+0.3%), Manitoba (+0.3%) and Saskatchewan (+0.2%). In terms of yearly population growth, Alberta (+2.4%) continued to lead all provinces and territories in 2014, followed by Nunavut (+2.1%) and Saskatchewan (+1.5%). Conversely, the population decreased in the Northwest Territories (-0.8%), Newfoundland and Labrador (-0.4%) and New Brunswick (-0.1%) in 2014.

In January, wholesale sales recorded the largest monthly decline since January 2009, decreasing 3.1% to $53.7 billion, which more than offset the gain in December. Sales were down in four of seven subsectors, led by motor vehicle and parts. Excluding this subsector, wholesale sales declined 1.3%. In volume terms, wholesale sales fell 3.3%. The motor vehicle and parts subsector recorded the largest decline in January, falling 11.3% to $9.0 billion. Lower sales in the motor vehicle industry (-15.0%) accounted for most of the decline, bringing this industry and its subsector to their lowest levels since April 2014. Imports and manufacturing sales of motor vehicles also decreased in January. Retail sales at motor vehicle and parts dealers were down in October, November and December 2014.

Inventories rose for a 13th consecutive month, up 1.3% to $70.2 billion in January. Six of seven subsectors, representing 91% of total wholesale inventories, posted not only monthly gains but also record high levels in January. In dollar terms, the largest gain was in the machinery, equipment and supplies subsector (+2.0%), a second consecutive increase. Inventories grew for a fifth consecutive month in the motor vehicle and parts subsector (+2.8%) and a second consecutive month in the personal and household goods subsector (+1.3%). Inventories in the building material and supplies subsector (+0.6%) and the miscellaneous subsector (+0.5%) both rose for the 11th time in 12 months. Inventories declined 0.5% in the food, beverage and tobacco subsector, following 10 consecutive monthly gains. The inventory-to-sales ratio rose from 1.25 in December to 1.31 in January; the highest ratio since June 2009, when it was 1.34. The inventory-to-sales ratio is a measure of the time in months required to exhaust inventories if sales were to remain at their current level.

Looking forward, a move away from our high flying Loonie should see Canada's manufacturing sector come back to full life. From the data above, corporations in Canada have exhausted steam and ready to loose serious ground. The first indicator of the positive effects of a lower Loonie should be seen in the inventory to sales ratio decline. An indication of an exuberant economy is when demand outstrips supply which currently is in the exact opposite position. Both Federal government and the Bank of Canada need to do more in ensuring a flourishing manufacturing climate in Ontario.