

# The Washington Post

## Fed Widens Effort to Back Commercial Real Estate Loans

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Byline: Neil Irwin

The Federal Reserve yesterday broadened a key lending program to support more commercial real estate loans, expanding its rescue of the financial system to deal directly with some of the assets weighing down banks.

The move is the Fed's first attempt to use its unlimited lending capacity to try to support markets for "legacy securities," or those that were created months or years ago. Previously, the Fed program supported only new commercial real estate lending.

Many legacy loans are clogging balance sheets of banks and other lenders. There are few buyers or sellers for these assets, even those that are generally regarded as safe investments. Government officials have been seeking ways to buy up these and other assets, thus removing them from bank balance sheets. But the programs, announced in March, have been slow to get rolling.

Starting in July, the Fed will allow investors participating in its Term Asset-Backed Securities Loan Facility to purchase existing securities backed by loans for apartment complexes, office buildings, retail shopping centers and other commercial property. In effect, the Fed will provide investors with large loans to buy highly rated securities.

The TALF program, which originally supported mainly consumer lending, uses Fed and Treasury money, and could reach \$1 trillion.

If the Fed's efforts to start up commercial real estate lending works, it could begin to help an industry that many analysts believe is on the verge of massive losses. Between this year and 2011, \$814 billion in commercial real estate loans are expected to mature, research firm Foresight Analytics estimates.

With banks reluctant to lend, the market for so-called commercial mortgage-backed securities is virtually moribund. And with operating earnings from many commercial properties plummeting, there could be a wave of foreclosures on office, retail and other commercial properties absent new sources of lending.

Fed officials are also hoping that their new steps will create a more active market for commercial mortgage securities, giving banks and others more leeway to sell them or hold them on their books at a price that reflects their long-term value, instead of what they would currently sell at in a distressed market.

Moreover, they argue that by helping restart the market for existing CMBS, lending will be more widely available for new commercial real estate loans, allowing owners to refinance as their loans

come due.

"I think the Fed's actions will have an impact, but in and of itself they're not enough to move the market enough to fix the problems," said Matthew Anderson, a partner at Foresight Analytics. One reason the Fed programs are no panacea for the industry: They provide backing only for securities rated AAA by major rating agencies, which excludes many hardest-to-value assets.

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# The Ottawa Citizen

## Brokerage warns of 'darker days' for economy

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Page: D2  
Section: Business & Technology  
Byline: John Morrissy  
Source: Financial Post

Hopes for a straight-ahead Canadian economic recovery may be ill-founded, as a rebound later in 2009 could lead to "darker days" by the second half of 2010, Scotia Capital warns in a recent study.

The report said this double-dip decline could be caused by any number of powerful forces, foremost among them the premature winding down of stimulus measures by governments around the world.

"It is conceivable that a currently ebbing rate of global decline may transition to large, temporary pops in quarterly GDP late this year before giving way to potentially darker days by the second half of 2010 and beyond," the report cautioned.

This would occur "as core industries go from nearly total shutdown to startup and feed volatile changes in inventory investment and production levels."

The greatest danger, Scotia Capital economist Derek Holt said in an interview, is that this will occur just as stimulus spending peaks, giving policy-makers the false impression the economy is fully on the mend and that the time has arrived to rein in spending.

Consumers will then suddenly be faced with higher credit costs and prices for commodities than they can afford in a still-frail economic environment.

"We're not terribly optimistic that markets, central banks, and governments will fully understand what's happening to the economic indicators by that point in a manner that enables them to see through to the sharp risks on the other side," the report said.

Those risks will not be quickly rectified, Holt added.

# The Globe and Mail

## 'Plunging' investment sets stage for oil spikes; IEA says recession has forced producers to slash spending - cuts that will reduce future supply by two million barrels a day

Wed 20 May 2009  
Page: B8  
Section: Report On Business: The Wall Street Journal  
Byline: Spencer Swartz  
Dateline: LONDON

LONDON -- Energy investment is "plunging" because of the recession, paving the way for oil-price surges within three years, the International Energy Agency warned in a new report.

The Paris-based watchdog for the world's major energy-consuming nations said in recent months oil companies and investors have cancelled or postponed about \$170-billion (U.S.) of investment equivalent to roughly two million barrels a day in future oil supply.

An additional 4.2 million barrels a day in future oil-supply capacity has been delayed by at least 18 months as companies that are unable to secure financing or less willing to risk their capital slash spending.

The IEA report assesses how the downturn is negatively affecting oil drillers, power producers and the broader energy industry - as well as its effect on efforts to cut carbon emissions.

The study will be presented to energy ministers from the Group of Eight industrialized nations this weekend in Rome and to G8 leaders at a July summit.

The report highlights the growing risk that the crude supply - though currently abundant because of weak global consumption - could tighten quickly once the world economy gets back on its feet.

"What we're saying is that come around 2012 the impact of this big recession on oil investment and capacity, if current trends continue, could be severe with much higher oil prices," said IEA chief economist Fatih Birol. The IEA is funded by the world's 28 biggest energy-consumers, notably the U.S. and Japan. It has long argued for more aggressive investment in building oil capacity.

The report, which was reviewed by The Wall Street Journal, also notes that most delayed or cancelled projects are located in politically stable non-OPEC nations like Canada. Those resources take more years to develop than crude oil found in the members of the Organization of Petroleum Exporting Countries, which is typically easier and cheaper to get out of the ground.

The rate at which world oil demand recovers remains a critical - and unknowable - variable. Several governments in the developed world are advancing energy-efficiency measures, which could temper the rise in oil prices as demand recovers. The IEA estimates oil demand this year will fall by 3 per cent,

the sharpest drop in about 30 years, to about 83 million barrels a day.

Many analysts, however, say they believe crude prices in the next few years could again soar over the \$100-a-barrel mark seen last year because of two factors: relatively rapid energy consumption growth in emerging markets like China and the fact that much of the world's easy-to-tap oil is already discovered.

Benchmark crude prices yesterday closed up 62 cents at \$59.65 a barrel on the New York Mercantile Exchange.

Through criticized at times for missing some industry developments, such as the surge in Chinese crude demand back in 2003, the IEA is still seen as one of the most reliable energy statisticians in the industry, in part due to data from its member countries.

The agency said Canada, with the world's second-biggest proven oil reserves after Saudi Arabia, has been worst hit by falling investment.

Around 15 Canadian oil-sands projects involving 1.7 million barrels a day in production capacity and \$150-billion of investment have been suspended or cancelled.

Oil sands yield a viscous and expensive-to-produce crude that energy-importing nations like the U.S. have been counting on to reduce their reliance on OPEC oil.

But oil sands usually need at least \$55 to \$60-a-barrel crude prices to be produced profitably. Oil has traded below that level since late last year.

Another looming problem: lower investment, if protracted, will affect declining output from aging fields. Such fields in Russia and Mexico require considerable maintenance and investment just to prevent production from falling.

Mr. Birol, who previously worked as an OPEC analyst, said the outlook for longer-term oil-output capacity could still worsen because of falling investment by OPEC, which controls about 80 per cent of the world's proven oil reserves.

While the global slowdown will reduce the growth in carbon-dioxide emissions this year, much higher levels of emissions could result over the long term as financing problems curb investment in cleaner

technologies such as solar power.

Investment in bio-refineries that produce fuels such as ethanol - a cleaner- burning alternative to gasoline but just a small part of the overall market - fell to just \$1-billion in the first quarter globally from \$5.7-billion in the fourth quarter of 2007, the IEA said.

Many of the small companies in the biofuels sector have lost access to financing as lenders demand higher returns.

The IEA said investment in renewable-generation sources such as wind power may crumble by almost 40 per cent this year globally to \$51-billion if current trends continue. Those figures don't include the relatively small sums of money governments have set aside in big fiscal-stimulus packages for cleaner energy sources.

The stimulus packages globally provide about \$132-billion of new funding for renewable-energy and energy-efficiency programs but governments need to increase spending by about four times that amount -and sustain it for many years - to hit ambitious carbon-reduction targets, the IEA said.

"The clean energy components of the stimulus packages so far announced fall far short of what is needed to achieve sustainable energy use in the longer term," the report said.

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# The Calgary Herald

## Alberta has Canada's No. 2 capital market

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Section: Calgary Business  
Column: Margin Calls  
Source: From Herald News Services

Economy - Alberta is still the second-largest capital market in Canada at 28 per cent, up two percentage points on last year despite the economic downturn, the Alberta Securities Commission reports.

And even though commodity prices have plummeted, 40 per cent of Alberta based public companies are engaged in oil and gas and represent 71 per cent of the total market capital in the province, says the ASC's annual capital market review.

Alberta-based companies also continue to have the highest average market capital at \$519 million.

The aggregate market capital of Alberta-based companies listed on the two Canadian exchanges has declined 36 per cent from \$566 billion to \$360 billion in the past year, the ASC says.

Ontario is the largest market at 43 per cent.

# The New York Times

## Despite Energy Reserves, Norway Slips Into Recession

Wed 20 May 2009  
Page: 2  
Section: Business/Financial  
Byline: MATTHEW SALTMARSH

The slowdown in global economic activity has tipped Norway into recession, despite the country's deep oil reserves and strong budget position.

Gross domestic product for Norway, excluding petroleum-related activity, contracted by 1 percent during the first quarter of 2009 from the previous quarter, when it declined 0.8 percent, Statistics Norway, the country's data agency, said on Tuesday.

That met the generally accepted definition of a recession -- two consecutive quarters of contractions -- for the first time since 1993. The economy of Norway expanded last year by 2.6 percent and by 6.1 percent in 2007.

Including oil-related activity, the contraction during the first quarter of 2009 was a more moderate 0.4 percent.

Continued investments in the energy industry have cushioned the effect of the global recession in Norway, which is not a member of the European Union. The state profits from oil and natural gas both through taxes imposed on production from its offshore fields and from direct investment in petroleum projects.

But aspects of the financial crisis are starting to be felt in the country, which has 4.6 million people. Tighter access to loans and higher costs of credit are stalling business investments.

Interest rate increases in 2007 and 2008, amid a significant buildup of personal debt, led to a damping of household consumption and residential investments, said Kyrre Aamdal, an analyst at DnB NOR, a financial services firm in Oslo.

Norway's central bank has cut its benchmark interest rate to 1.5 percent, from 5.75 percent in October, and signaled the rate might fall as low as 1 percent later this year.

The relatively high levels of personal indebtedness make the economy particularly responsive to rate moves, Mr. Aamdal said.

Last week, the government said it would spend more of its oil wealth this year to help stimulate the economy and create jobs. The coalition government said in a revised 2009 budget presentation that it would increase central government spending of oil revenue by 9.5 billion kroner (\$1.48 billion), to about 130 billion kroner, roughly 15 percent of total government expenditures for 2009.

Over all, the real underlying growth in government

expenditures is now expected to be 6.75 percent in 2009, up from the 3.25 percent projection in the original budget for 2009.

The government still enjoys a healthy budget surplus, and its ledger is virtually free of debt.

The decline in Norwegian growth is still moderate compared with the contractions among other European economies. By comparison, the American economy, in recession since December 2007, contracted at an annual rate of 6.1 percent in the first quarter.

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