POLITICO

Should Dems worry about Q1 GDP? — Ballmer buying the Clippers — Piketty wars continue — DoJ seeks $10B BNP fine

By Ben White
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SHOULD DEMS WORRY ABOUT Q1 GDP? NOT REALLY — Dems hoping to run on an improving economy this year got an ugly headline Thursday with the revision in Q1 GDP to -1 percent, even worse than expectations. And some Republicans jumped on it, as excepted. But most economists view the number as a one-off attributed a brutal winter and much slower inventory building than expected, something that will probably reverse in the second quarter. And jobless claims retreated back to 300K, a bullish signal for faster job growth heads.

HFE's Jim O'Sullivan: "Of the 1.1-point revision, a full point came from inventories, so the details are more positive for future growth … [M]ore recent data signal a rebound in Q2. The Q1 weakness was clearly exaggerated, particularly by weather effects. There is certainly no sign of new weakening in the latest jobless claims data."

STILL, NO REASON TO CELEBRATE EITHER — The GDP figure overstates the weakness of the economy. But it also suggests that the robust year many Democrats hoped would overcome the party's many disadvantages may also not materialize. Pantheon's Ian Shepherdson: "It is not certain, though, that Q2 growth will make up all the lost ground, not least because the severe weather has already left its mark on the April data. … We assume second quarter growth will rebound to about 3 percent, but that will leave the average for the first half of the year at just 1 percent. As a result, the Fed's forecasts for growth this year will have to be revised down substantially.

CHEAT SHEET — All you need to know about GDP in one handy chart from Hamilton Place Strategies: http://bit.ly/1ozDKel

MARKETS UNCONCERNED — Reuters: "The S&P 500 index climbed to its third record closing high in four sessions … as traders shrugged off data that showed the economy shrank in the first quarter and bet on improvement in the second quarter. New claims for unemployment benefits fell more than expected last week, pointing to a strengthening labor market and giving investors a reason to buy U.S. stocks." http://reut.rs/1tsgIE3

GEITHNER THINKS BIG — Former Treasury Secretary Tim Geithner explains financial panics to Big Think: http://bit.ly/TXZbcH

BALLMER BUYING THE CLIPPERS — LATimes' James Rainey scoops: "Former Microsoft chief executive Steve Ballmer won a frenetic bidding war for ownership of the Los Angeles Clippers, with his $2-billion offer setting a record price for an NBA team, … Ballmer, who was chief executive of Microsoft for 14 years, was chosen over competitors that included Los Angeles-based investors Tony Ressler and Steve Karsh and a group that included David Geffen and executives from the Guggenheim Group, the Chicago-based owner of the Los Angeles Dodgers. A person with knowledge of the negotiations said the Geffen group bid $1.6 billion and Ressler at $1.2 billion.

"The sale price is almost four times the highest previous NBA franchise sale price — the $550 million paid earlier this month for the Milwaukee Bucks. It is second only to the Dodgers' 2012 sale for $2.1 billion as the highest price for any sports team in North America. The prospective sale by Clippers co-owner Shelly Sterling comes five days ahead of an NBA hearing to oust her family from ownership following a controversy in which Donald Sterling insulted African-Americans in a secret audio recording … The tentative deal still must receive the blessing of her husband, Donald Sterling." http://lat.ms/1oPaWwj

THE PIKETTY WARS CONTINUE — NYT's Neil Irwin: "Six days after the [FT] launched an attack on the data behind Thomas Piketty's much-debated tome … Mr. Piketty has offered his first detailed response to the newspaper's criticism. The short version: He doesn't give an inch. In response to a request from The New York Times to further address the criticisms … Mr. Piketty, a professor at the Paris School of Economics, wrote that his data were correct, and his conclusions stood: Wealth inequality in Europe and the United States was high in the years before World War I, fell for much of the 20th century, and has been rising sharply again in the past three decades.

"He argued that many of the things that The Financial Times identified as sloppy or arbitrary were in fact considered choices, which he explained in footnotes. Reasonable people might disagree with some of his choices of how to handle the data, he says. But even where there's room for debate, any reasonable changes to his methodology would be small and not alter the broad conclusions, he suggested." http://nyti.ms/1wv3nz2

THE HOUSE AS ATM MAKES A COMEBACK — WSJ's Joe Light and Annamaria Andriotis: "A rebound in house prices and near-record-low interest rates are prompting homeowners to borrow against their properties, marking the return of a practice that was all the rage before the financial crisis. Home-equity lines of credit, or Helocs, and home-equity loans jumped 8 percent in the first quarter from a year earlier … The $13 billion extended was the most for the start of a year since 2009. Inside Mortgage Finance noted the bulk of the home-equity originations were Helocs.

"While that is still far below the peak of $113 billion during the third quarter of 2006, this year's gains are the latest evidence that the tight credit conditions that have defined mortgage lending in recent years are starting to loosen. Some lenders are even reviving old loan products that haven't been seen in years in an attempt to gain market share. In 2013, lenders extended $59 billion of Helocs and home-equity loans. The last pre-boom year near that level was 2000, when lenders extended $53 billion, according to Inside Mortgage Finance." http://on.wsj.com/1o3fKfZ

THIS MORNING ON POLITICO PRO FINANCIAL SERVICES – Jon Prior and Zachary Warmbrodt on what is holding up the risk retention rule [http://politico.pro/1jyxYBZ] … Pro's subscriber-only coverage — and to get Morning Money every day before 6 a.m. — please contact Pro Services at (703) 341-4600 or info@politicopro.com.

GOOD FRIDAY MORNING — Congrats to Ansun Sujoe and Sriram Hathwar who tied as winners of the Scripps National Spelling Bee, the first joint championship in over half a century. http://usat.ly/1k6cPFl

DRIVING THE DAY — Lots of economic data today including personal income and spending at 8:30 a.m. which is expected to show gains of 0.3 percent and 0.2 percent, respectively … Chicago PMI at 9:45 a.m. expected to dip to 61.0 from 63.0 … University of Michigan Consumer Sentiment at 9:55 a.m. expected to tick up to 82.5 from initial reading of 81.8 but down from April's 84.1 …

COMING NEXT WEEK: PANIC OVER BANK RUNS JUSTIFIED? — One of the big themes of Tim Geithner's book is that doing things differently (and more punitively toward banks) would have caused disastrous bank runs. But is that true? A group of scholars will discuss over lunch at the Cato Institute next Wednesday at noon. http://bit.ly/1lVlp5c

GOOGLE BOWS TO E.U. RULING — FT's Richard Waters: "A landmark 'right to be forgotten' ruling against Google in Europe risks damaging the next generation of internet start-ups and strengthening the hand of repressive governments looking to restrict online communications, Larry Page, the search company's chief executive officer, has warned. Mr Page's comments, in an interview with the [FT] … came as Google bowed to this month's European Court of Justice decision, introducing a mechanism that could lead to large amounts of private information being stripped from the widely used search service.

"An online form, available from Friday, will give anyone in Europe an easy way to ask the US company to censor links to other internet sites that they think contain outdated and damaging information about them. The company hopes to strike a balance between blocking damaging private information about ordinary Europeans while preserving links to things in the public interest, such as articles about corrupt public officials." http://on.ft.com/1kseZy7

BOEHNER PLANS TEA PARTY CRACKDOWN — POLITICO's Jake Sherman: "They've given John Boehner constant headaches during his three years as speaker. Now, Boehner's friends are trying to make sure that a small pocket of tea-party-aligned Republicans won't have a chance to derail his speakership next year. And if they try, they could be punished. … . A group of his closest allies — including fellow Ohio Republicans like Pat Tiberi — are discussing tactics such as trying to change GOP Conference rules to punish members who do not support the party's nominee during a floor vote.

"A lawmaker who bucks the Republicans' choice for speaker could lose committee assignments — or worse. … In a sign of force, some of Boehner's friends are considering releasing a letter with the names of several dozen GOP lawmakers pledging to vote for no one else besides the speaker — making the election of a more conservative rival logistically impossible … The effort is playing out amid ongoing speculation that Boehner may retire soon after the midterms, though the Ohio Republican insists he will stick around." http://bit.ly/1mMRcbV

JUSTICE SEEKS $10 BILLION BNP FINE — WSJ's Devlin Barrett, David Enrich and Christopher M. Matthews: "The U.S. Justice Department is pushing BNP Paribas … to pay more than $10 billion to resolve a criminal probe into allegations it evaded U.S. sanctions against Iran and other countries for years, which would represent one of the largest penalties ever imposed on a bank … A final resolution of the yearslong investigation of the French bank is likely weeks away, and it is possible the ultimate settlement amount could total far less than $10 billion. BNP is looking to pay less than $8 billion …

"A settlement for $10 billion or more would approach the largest penalty the U.S. ever levied on a single bank: the $13 billion deal J.P. Morgan Chase & Co. struck last year to resolve a civil probe into its handling of mortgage securities. BNP and the U.S. authorities also are negotiating whether the bank will temporarily lose the ability to transfer money into and out of the U.S. … Prosecutors are continuing to try to extract a guilty plea from the bank. In recent negotiations, they have pointed to the muted market reaction in the wake of Credit Suisse's admission to conspiring to aid tax evasion as evidence a guilty plea by BNP wouldn't be disastrous." http://on.wsj.com/1oPao9C

U.S. ECONOMY TAKES A PAUSE — FT's Robin Harding: "The US economy shrunk at a worse than expected annualised pace of 1 percent in the first quarter of 2014 but the fall says little about its ongoing health. In its second estimate, the [BEA] … revised its estimate down from growth of 0.1 percent to a contraction of 1 percent. But while the initial weakness was due to bad weather, the revision was almost entirely falling inventories. … The bad weather has not continued into the second quarter, and inventories can only fall so far, so most economists expect growth to rally towards a pace closer to 3 percent for the rest of the year. … Paul Ashworth at Capital Economics in Toronto said the decline was 'nothing to worry about.'

"The figures reflect a gloomy first quarter. It was marked by freezing weather across the Midwestern US, which closed shops, factories and construction sites. In gross domestic product, that showed up as falling exports and investment, which left growth close to zero. … Apart from the inventory adjustment, most other categories were little changed, and a few of the revisions were encouraging. Growth in consumption — a much better indicator of the underlying health of the economy — was revised up slightly from growth of 3.1 percent to 3.2 percent." http://on.ft.com/1iwYso2

ALSO FOR YOUR RADAR —

MANUFACTURING REBOUND HAS WINNERS AND LOSERS — WSJ's Cameron McWhirter, James R. Hagerty and Tom McGinty: "The U.S. has added about 650,000 factory jobs since their numbers rebounded after the recession, putting manufacturing workers at 12.1 million and reversing a long decline in such jobs. But uneven growth has created regional disparities … Mobile County is among the winners. Shipbuilder Austal … . facility here is busy seven days a week … But private-sector manufacturing jobs declined in 38 percent of the counties in the Journal analysis of data from September 2009 and September 2013.

"Among the worst slides has been in Onondaga County, N.Y., where factory jobs fell 17 percent. A smokeless brick chimney juts from rusting ruins in the county, where a dinnerware plant near Syracuse closed in 2009 after 138 years. A Lockheed Martin Corp. electronics plant has cut jobs to about 1,600 from roughly 2,300 in 2009. Unlike Mobile, Syracuse hasn't attracted major new industrial employers." http://on.wsj.com/1jyMM3D

MACK TO STEP DOWN AT ROSNEFT — FT's Jack Farchy and Tracy Alloway: "John Mack, the former chief executive of Morgan Stanley, is to step down from the board of Russia's state-controlled oil group Rosneft. His move comes after the US Treasury department last month sanctioned Igor Sechin, Rosneft's president, in connection with Russia's actions in Ukraine …

Mr Mack dismissed the notion that his departure had anything to do with sanctions and said he had struck an agreement with Mr Sechin to sit on Rosneft's board for just one year. Rosneft said Mr Mack was stepping down from the board 'for personal reasons'. Mr Mack joined Rosneft's board last June after the Russian oil group bought TNK-BP for $55bn from BP and the AAR consortium. Six months later Rosneft announced it would buy Morgan Stanley's global oil trading business." http://on.ft.com/1wv5LWx

KOCH SCRUTINTY BENEFITS MORE SECRETIVE GROUPS — WP's Matea Gold: "Senate Majority Leader Harry M. Reid's relentless attacks on the billionaire Koch brothers are having an unforeseen impact: spurring other wealthy Republican donors to give more money to groups that keep their supporters' names secret. Several prominent pro-Republican advocacy groups say they are benefiting from a burst of cash as some donors … turn away from political committees that are required by federal law to reveal their contributors. The trend can be seen at the prominent GOP super PAC co-founded by strategist Karl Rove, American Crossroads, which discloses its donors to the Federal Election Commission.

"The group, which hauled in $117 million during the 2012 election, has raised $9 million so far this cycle, including just $266,000 in April. At the same time, group officials said, donors are more interested than ever in supporting Crossroads GPS, a sister organization with a tax-exempt status that allows it to keep its donor list private. The two groups recently kicked off a $10 million television advertising campaign against vulnerable Senate Democrats — $8 million of which was paid for by Crossroads GPS. Paul Lindsay, a Crossroads spokesman, said the spotlight that Reid (D-Nev.) and others have put on major political funders on the right has driven more contributors to the nonprofit arm. Democrats are 'dragging private citizens through the mud, and that's led to a shift of sorts for donors,' Lindsay said." http://wapo.st/1kPeZIf

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