Quote of the week : “Investors are the new walking dead. They *just* don’t know it yet.” - Bill Gross, founder, & until last September Co-CEO of Newport Beach, Cal.-based PIMCO (now owned by Germany’s Allianz) where he managed its US$270BN Total Return Fund, the world’s largest bond fund. He now manages a bond that is only a fraction of that size for Denver Colo.-based Janus Capital & knows whereof he speaks; for in the week ended May 5th his fund there took a 2.7% ‘hit’.

The Atlanta Fed has developed a GDPNow indicator that tracks GDP growth on a real time basis. Early in the First Quarter it started diverting from the more bullish consensus forecast & at its end was in the 0.1%-0.3% range (in line with the 0.2% official preliminary number). On Friday May 1st it was 0.8%, down from 0.9% the day before, once again quite at odds with the consensus that still talks about 3% annualized growth in the Second Quarter- *if there were to be two slow quarters back to back, it would be all but impossible for the GDP growth rate for the year as a whole to hit the 2.5+% the talking heads are still talking about.*

The ADP April job creation number on Wednesday, at 169,000, was down slightly from March’s downwardly revised 175,000, but well below the 200,000 expected, down from 242,000 YoY & the second month in a row in over a year it was < 200,000 - *while ADP number is never identical to that of the BLS that comes out two days later (& usually is more optimistic), it is seldom excessively different (in the past year it averaged 236 vs. the BLS’s 260) & hence deemed a pretty good indication of what to expect from the BLS; for usually as the ADP number goes up or down MOM, the BLS number echoes that two days later - in the event, the BLS number for April came in at 223,000 up from 85,000 MoM but down from 330,000 YoY, while its number of new jobs created YTD was 775,000 vs 909,000 in the first four months of 2014.*

In a speech in Washington on May 6th Fed Chair Janet Yellen said “long-term interest rates are at very low levels and that would appear to embody low term premiums which can move, and can move very rapidly ... We need to be attentive, and are, to the possibility that when the Fed decides it’s time to begin raising rates, these term premiums could move up, and we could see a sharp jump in long-term rates.” - *what she seemed to be alluding to was that investors are not allowing enough of a risk premium in the yield they will accept on their investments & hence leave themselves open to a ‘double whammy’ hit, one from higher interest rates, as & when they materialize, & a second from increased risk premiums. However intended, markets took this as her seeing ‘irrational exuberance, so both bond-, & stock-, markets tumbled.*

Tuesday’s Alberta provincial election had a tsunami-like outcome, bringing the almost 44 years Conservative Party hegemony to an ignominious end. For the modestly centre-right party got only 28% voter support & 10 seats, down from 44% & 61 seats in 2012, while the victorious, notionally left-of-centre NDP (New Democratic Party) grew its voter support almost five-fold (from 8.5% voter support & 2 seats in 2012 to 41% & 53 seats in the 87 seat Legislature), & the supposedly all but defunct rightwing Wild Rose Party, whose new leader (*only one month in the job)* has a mien not unlike that of a cigar store wooden Indian, did OK, going from 17 to 21 seats despite the fact that its share of the popular vote went from 27% to 24% & most of its MLAs in the previous legislature had either crossed the floor to the Conservative ranks last December, had chosen not to run again, or had failed to be nominated under the Conservative banner. A lot of errant nonsense is being blathered by NDP detractors, incl. the fact that the new government will have few MLAs with hands-on government experience (which conveniently overlooks the fact that, when in 1971 the late Peter Lougheed ended the then 36-year Social Credit hegemony, he had been in a not altogether dissimilar boat, going from 10 to 49 seats overnight with no MLAs with hands-on government experience) & that a proposed a 2% increase in the 10% corporate income tax will drive business out of the province (while the 12% rate would only exceed BC's 11% & the Northwest Territories 11.5%, and tie Manitoba's & Saskatchewan's 12%). And with a 2% increase equating to $20,000 on a $1MM tax bill, any CEO deeming that sufficient reason to leave likely is dumb enough to have been of little-, if any-, real added value to the Provincial economy - this may perhaps be best be looked upon as Hoi Polloi Disenchantment with the Existing System & its Disconnected Rulers' 4.0, with 1.0 having been Obama's win in 2008 over the Establishment Candidate, 2.0 the Arab Spring (that seems have derailed everywhere but in the "index case" country, Tunisia), & 3.0 last year's Indian election, which Prime Minister Modi of the **Hindu Nationalist** party won with help from tens of millions of **Muslim** voters (*those with an interest in more on this subject can find that on the last page*s).

Recently, on 'road trip' to Whitehorse, Yukon Territory, it was remarkable how much the quality of the highway roadbed improved after we left Canada's "richest province". In the Yukon that's not altogether surprising, since Ottawa at least report was plowing $16,000+ per capita each year (i.e. one-quarter of its per capita GDP) into the Territorial coffers. But it is harder to explain in the case of BC where in 2013 per capita GDP was $50,121 (slightly less than the national average) vs. $84,390 (i.e. 68% higher) in Alberta, at least until one compares the extent to which BC citizens pay for their government's services compared to their Alberta counterparts. For according to Statscan the Alberta government's revenues in 2012 accounted for 13.0% of the province's GDP whereas the corresponding number for B.C. was 18.2%, with the difference made up **in its entirety** by the difference in the two governments' tax collections (ex royalties).

On May 7th Denmark-based Maersk, one of the world's largest container ship operators, announced that, after a court ruling in the Iranian city of Bandar Abbas, Iran had released the vessel Maersk Tigris that on April 28th had been diverted by Iranian gun boats in the Strait of Hormuz, pursuant a years-old debt dispute, while enroute to the UAE port of Jebel Ali, prompting the US Navy to start escorting US-flagged ships through the Strait - *the debt case was said to be only an excuse, the real reason being an attempt to put pressure on Saudi Arabia, that is supporting a different group in the war in Yemen than Iran.*

HSBC's final Chinese PMI (a leading indicator of economic activity) was 48.9, below the consensus forecast 49.4 & its own preliminary 49.2. And with 50.0 being the tipping point into negative territory, it was not surprising that Bejing's 'official' number was 50.1. Nonetheless, there are unprecedented money flows into ETF's that track Hongkong-listed Chinese companies, with one of them in April alone taking in US$2.6BN, more than twice what it had gathered in the previous three months, thereby more than doubling its AUM - *the Chinese stock market has been 'on wheels' (up 56% in the past two months) in the belief that, with growth slowing down to levels that make Beijing nervous, it will start 'pump priming' on a massive scale*.

The picture front page headline of the May 2nd Economist screamed "Britain's choice - Risk the economy or risk Europe" & the accompanying lead article inside concluded "On May 7th voters must weigh the certainty of economic damage under Labour against the possibility of a costly EU exit under the Tories ..." - *we now all know their choice & it may not bode well for the EU. But what may prove more meaningful over the longer term is that, despite all pundits' talk, Britain now may be closer to a two-party system than in a long time, with both Conservatives & Labour having equally feasted on the carcass of what once was the Liberal-Democratic Party*.

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Thursday May 7th, 2015

U.S. OIL DRILLERS PULL RIGS FROM FIELDS YET AGAIN (Bloomberg, Lynn Doan)

- Houston-based oilfield services company Baker Hughes reported on May 1st that, for the 21st week in a row, the number of rigs drilling for oil in the US had declined by 24 (to 679, a 4½ year low & down 58% in six months) *the smallest decline in three weeks*, although North Dakota's Bakken shale actually gained one. US crude oil output has fallen in three of the last five weeks, helping to reverse the WTI price rout (which at last report was up 43% from its US$42 March low, & 25% in April alone, a post-May 2009 record). While this prompted TD Securities' Scott Treadwell to opine "If you continue to see these rig counts decline ... you could be losing something like 70,000 to 100,000 barrels a day every month by the end of the year" & Standard Chartered's Nicholas Snowdon in a research note on April 27th that "In our view, there is no doubt that US output is falling, and the pace of decline is likely to accelerate in the common months". Meanwhile, according to Goldman Sachs on April 26th while US output may decline between the Second & Third Quarters, Fourth Quarter output will still be up 200,000 bbld. YoY & "A rapid drawdown of the ... backlog of uncompleted wells could lead to higher production later this year and in 2016".

The formers' optimism is driven by US domestic oil production in the week to April 24th declining 50,000 bbld (from a record 9.42-, to 9.37-, MM bbld), i.e. by 0.53%. And Goldman's reference to "uncompleted wells" relates to the 3,000 or so DUC (Drilled but Uncompleted) wells that await fracking & can be brought into production at a cost that, according to Douglas County, Colo.-based IHS Energy Services, a prominent business advisory firm, would be "highly economic on a forward looking basis", noting that if just 150 were brought on stream a month, US oil output would grow by 200,000 bbld (& that the money is there to fund this as, for instance, the assets of oil-focused ETFs have tripled to US$5BN since last September). Hence IHS' "most likely scenario" is for a "W-shaped recovery", with US oil output declining to 9.1MM bbld by the end of 2015 but increasing to 9.6MM bbld. a year later, as higher oil prices trigger more investment in those DUCs, thereby hiking output & triggering another price drop. Meanwhile, it says growth in global oil demand is dampened in Europe by its tax policies & in the developing world by governments using the lower oil prices to cut fuel subsidies. Its prediction seems substantiated by oil producers having piled into the futures market with abandon to lock in the current price for as far out as two years.

OIL'S BULL RUN HIDES A DEEP DISCONNECT (Reuters, Dmitry Zhdannikov)

- While the price of oil has rebounded with vigour on what analysts say is strong demand, traders of West African-, Azeri-, & North Sea crude blame poor demand for tens of million barrels of oil struggling to find buyers in Europe. This disconnect between (*paper*) oil futures & physical markets looks very similar to what happened in June 2014 when weakness in the latter was a portend of a price crash in the former. According to Dario Scaffardi, EVP of independent Italian refiner Saras, as "large physical buyers of crude we have a direct pulse of the market and feel immediately when it is well supplied, as is happening now ... In the short term, futures prices do not necessarily reflect ... the physical market."

Once upon a time, futures markets were places where producers & users hedged their prices & input costs while long since they have become a case of "the tail wagging the dog" as it has become a casino in which 'investors' (& computers) running in herds chase short-term gains.

PUERTO RICO OFFICIALS WARN GOVERNMENT SHUT DOWN IMMINENT (Reuters, Edward Krudy)

- In a letter to lawmakers dated April 21st, incl. Gov. Alejandro Padilla, the Commonwealth's top finance officials, incl. the Head of its Development Bank & the Treasury Secretary warned a financing deal that could potentially salvage the government's finances looked unlikely to succeed, leading to a need to lay off government employees & cut services" and more specifically "a government shutdown is very probable in the next three months due to an absence of liquidity to operate ... The likelihood of a market transaction to finance the government's operations and keep the government open is currently remote."

The government has been relying on hedge fund funding to make ends meet (at what cost?) & they have been pressuring it to 'overhaul its tax system' (i.e. increase taxes). But attempts to do so & produce a balanced budget have proven impossible in the island's gridlocked legislature to the point where last November the Governor had to resort to threats to shut down San Juan's public transport system to push through a hike in the oil tax. And the 34-member Ad Hoc group of hedge funds that holds US$4.5BN of Puerto Rico debt appears to be getting nervoust; for it announced on May 6th plans to retain a New York 'high stakes litigation boutique' law firm to advise it on its Puerto Rican exposure.

NETANYAHU AGREES TO COALITION DEAL (BBCNews)

- *Literally* at the 11th hour, *at 11:15 p.m. on Wednesday May 6th, 45 minutes before his (extended) government formation would have run out*), he gave in. After a surprise announcement two days earlier by Avigdor Lieberman that he intended to resign as Foreign Minister & lead his six seat Yisrael Beiteinu faction in the opposition, he conceded to Naftali Bennett, leader of the right wing Bayit Yehudi (Jewish Home) Party (*that is strongly pro-settlement*) that his 8-seat faction was entitled to a second ministerial post. While creating a coalition government with a *paper-thin*, 61 seat majority in the Knesset, this enabled him to tell the President "I've managed to form a government" *before the midnight deadline*.

Netanyahu was so desperate to hang on to power that as late as Wednesday morning he was still trying to inveigle Yitzhak Hertzog to join his government as Foreign Minister (who after the announcement commented this is "a government without responsibility, stability and goverrnance" & later noted on Facebook that this was "the most weak, narrow and squeezable government in Israel's history". Be that as it may, Bennett got the education portfolio rather than either the Defense-, or Foreign-, Minister's portfolio's he had been angling for at various times (the latter of which, at least for the time being, Netanyahu is keeping for himself, supposedly still hoping to bring Hertzog into fold, or get Liebeman back in it). And Bennet's choice for his party's other ministerial post, Justice, the 39 year-old Ayelet Shaked, was what Nachman Shai, a Zionist Union lawmaker said "like appointing a pyromaniac to head the fire department"; for she is an extreme hardliner on Palestinian issues & has pressed for a "Nationality Bill" to disenfranchise all Arab Israeli citizens (i.e. one-fifths of the population). And while there were at least two optimists among the experts quoted in the media, one of whom said he expected it to survive because with this small a majority everyone knows that making too many demands puts a gun one's own head & the other because he deems it 'more ideologically uniform' i.e. pro-settlement), negative reaction seemed more common among the experts, with one calling it "the most extremist government in history", another saying the various parties won't "sing off the same song sheet", a third that "what you see ... is a big political mess that ... shows Netanyahu has been too confident ... no one in his right mind believes this will hold for even a short time", a fourth that this government is the "thinnest in two decades .. and a recipe for stagnation and dissatisfation" , &, finally, a political science professor at Hebrew University that "It's more like a *soap opera than serious politics ... this is ridiculous ... we have a problem with our government system and this fragmentation." And the latter may well be proven right because having been the one to blink first will undermine Netanyahu's bargaining strength in the coalition; for he who has blinked first once, will be expected to do so again.*

<u>SAUDI ARABIA REPLACES CROWN PRINCE IN SWEEPING SHAKE UP</u> (FT, Simeon Kerr)

- In March 2014 the ailing King Abdullah, who died January 23rd, named Prince Muqrin as Deputy Crown prince to then Crown Prince Salman bin Abdulaziz al-Saud. But on April 28th the now King Salman dumped his half-brother & named Muqrin's deputy, their nephew Mohammed bin Nayef al-Saud (*whose father, Prince Nayef al-Saud had himself briefly been Crown Prince, from October 27th, 2011 until his death on June 16th, 2012*) Crown Prince & his *favourite* son, *the youthful* Mohammed bin Salman, who as Minister of Defense (*for the past three months*) has played a leading role in the war against the Houthi rebels in Yemen, Deputy Crown Prince. He also replaced, *at his request*, *Prince* Saud al-Faisal[1], after four decades as Foreign Minister (*in what the King called "one of the most difficult and hard matters*), replacing him with a non-Royal, Adel al-Jubair, the Saudi ambassador in Washington since 2007 & sacked the Deputy Minister of Education, the sole female in the Cabinet, who had upset conservatives by her pro-active promotion of girls' education.

While the King kept the 79 year-old Ali al-Naimi in the post of Minister or Petroleum and Mineral Resources he has held for the past 18 years, he shifted Khalid A. Al-Falih from Aramco CEO to Minister of Health & Chairman of the Aramco Board, replacing him on an acting basis by Amin H. Nasser, Aramco's the Senior Vice President of Upstream Operations) & promoted Adel al-Jubeir (age 53), a career diplomat who has spent much of his career at the Saudi Embassy in Washington) to Ambassador to the US (both his promotion & that of al-Jubair, are seen as moves to improve relations with Washington). As to Prince Mohammed a-Nayef[2] & of Prince Mohammed bin Salman the former is well-regarded and deemed able, hard-working & quiet, with a style more like that of university don than a Bedouin chief (like the King) & his survival from the 2009 assassination attempt has given him in the public eye an aura of invincibility, while Prince Mohammed bin-Salman is said to have a good work ethic "for a Prince",although questions have been raised about his lack of experience (he is in his early 30's & until recently was just a middle level civil servant) & about his abrasiveness sometimes offending people (so it was no surprise that the vote in the 34-member Allegiance Council King Abdullah created in 2006 to deal with succession questions was not unanimous, him receiving the support of only 28 members, with four voting against his appointment & two abstentions (although all the heavyweight members voted Yes). The passing over of Prince Muqrin was not unexpected; for his mother was a Yemeni & he had therefore always been a bit of an outsider. And after the King's decision had been announced & Prince Muqrin had gone to the King's palace to pledge allegiance to the new Crown Prince & Deputy Crown Prince, the King softened the blow of being sidelined for Muqrin by visiting him that evening at his palace, accompanied by the new Crown Prince.

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1 A son of King Faisal who, after 11 years as King, was assassinated at point blank range by a 28 year-old nephew with a 'black sheep' reputation at home & abroad.

2 Who in August 2009 was slightly wounded im a suicide bombing attack by an al-Qaeda supporter who had convinced him he was ready tom enter the terrorist rehabilitation program .

<u>SAUDI ARABIA RESTRUCTURES OIL GIANT ARAMCO</u> (Rigzone, Rania El Gamal)

- Saudi-owned Al Arabiya TV reported on May 1st that the Company will be split off from the Oil Ministry. Analysts expect this to give it a freer hand in its operations & to be the first step in restructuring the country's energy sector, and possibly to pave the way for a prince, rather than an expert, taking over the running of the company (historically the thinking was that giving a prince that post might upset the Royal Family's delicate balance of power & risk oil policy to become hostage to princely politicking).

Both of the above moves appear to herald the return to power of the "Sudairy Seven", the seven sons of King Abdulaziz (the founding monarch of today's Saudi Arabia) & Hassa bint Ahmed that constitute the largest set of full brothers among his 37 sons from 22 wives, after the decade-long interregnum by King Abdullah (who wasn't one of them). And the King may be in a hurry; for he is 80 years of age, is known to have had a stroke that limits the use of one of his arms, is said to tire towards the end of the day & his eldest two sons died from heart disease in their forties, although rumours that he suffers from dementia, or even Alzheimer's, may be exaggerated

<u>POULTRY IMPORT FROM CANADIAN PROVINCE BANNED</u> (Arab News, Rashid Hassan)

- H5N2 bird flu in Ontario has prompted Saudi Arabia to temporarily ban the import of poultry products from the Province while allowing them to continue from provinces certified as H5N2-free. The Kingdom is the world's second-largest importer of chicken meat & imposed a similar ban on poultry imports from Taiwan (in February) & from Thailand in March.

This came after the April 27th report of the third case of the disease in Ontario's Oxford County in three weeks. So far this year it has also been reported in 12 US states, as well as in the province of British Columbia (where its spread seems to have been contained, but where, in January, two people were sickened by the disease, but recovered, after a trip to China).

<u>GREECE OVERTURNS CIVIL SERVICE REFORMS</u> (FT, Kerin Hope)

- On May 6th Greece made a scheduled 224MM Euro interest payment, but faces another 750MM Euro one next Tuesday. Be that as it may, that same day the Greek Parliament passed a law reversing one brought in by its predecessor that authorized the sacking of thousands of workers from the country's *notoriously* inefficient public sector, thereby clearing the way for them to be re-hired. And later that day it passed another law that reversed the decision of its predecessor to reform the Finance Ministry's procurement-, & payment-, systems, so as to make them more transparent. This came after it had passed already passed another law last week to bring back from the dead the state broadcaster <u>ERT</u> that the previous government had closed down as a cost cutting measure.

Since all of the above were brought in by the previous government to get its Eurozone partners & the IMF to provide it with bailout funding, this was akin to poking them in the eye with a sharp stick, and seemed to wilfully ignore the fact that two days earlier Poul Thomsen, Head of the IMF's European Department, had warned the Eurozone Finance Ministers that the IMF may not be willing to kick in its promised half of the next 7.2BN Euro bailout instalment payment that Greece desperately needs to keep its head above water. So the odds of Greece remaining in the Eurozone may have just lengthened considerably. Over the next nine weeks, the Greek *government has 11.5BN Euros in debt servicing payments, one quarter to the IMF (that seems to be losing its patience) & the rest to holders of Treasury Bills that may not be willing to 'roll them over' , & whom it would have been easier to accommodate if Greece still had its own central bank & currency.*

BANK SHARES WIPED OUT OVER APRA REAL ESTATE CRACKDOWN FEARS
(Australian Financial Review, Jonathan Shapiro)

- The Australian Prudential Regulation Authority (APRA) last December imposed a 10 % cap on the rate of growth of real estate loans by banks (in an attempt to stop the emergence of a property bubble in Sydney & elsewhere). But in the year ended March 31st they did so at a 10.4% average rate , the highest since 2008 : National Australia Bank by 13.8%, Westpac by 10.3% & ANZ Bank by 10.2%, while the Commonwealth Bank of Australia was the only 'Big Four' bank to toe the line, with 9.4%. Fearful that in the short run the APRA will give the three culprits a "wrist slap" & longer term that it will make them to hold more capital against mortgages, thereby adversely affecting their profits & dividends, the selling of bank shares last week led to A$20BN being wiped off the value of their shares.

These days, 'investors' are easily 'spooked.

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Now former Alberta Premier Jim Prentice is a lawyer by profession & an active Progressive Conservative/Conservative Party member since he was old enough to vote, albeit by his own admission a 'Red Tory'. In his first election, in 1986 at age 30 in a Calgary constituency for the Provincial legislature, he was beaten, rather ironically, by the NDP candidate. And while remaining active in the party, he didn't run again until 2004, winning the Calgary Centre seat. In two successive Harper minority governments between 2006 & 2010 he was, in succession Minister of Indian & Northern Affairs, of Industry & of the Environment, before resigning in late 2010 to become Vice-Chairman of the CIBC, a position he abandoned a year or so ago to seek the leadership of the Alberta Conservative Party, & by derivation the Province's Premiership, the fourth in eight years. And after what was all but a coronation (*he got 3x as many votes as the other two contestants combined, albeit with a far smaller number of party faithful bothering to participate than in previous leadership contests*) of a knight in shining armour who would restore the party to its former glory after several Premiers who all but drained its wellspring of political goodwill. But his timing was unfortunate; becoming Premier last September 20th he inherited a mess of political potage & was blindsided by the oil price cratering by US$40 (nearly 50%) in his first six months in office [depriving the Provincial Treasury from about $6BN in revenue (15% of its budget)].

This prompted him, to his credit, to start spreading a message that, while wholly common sensical, was one his many Albertans didn't really want to hear, namely that after decades of financial profligacy that had been aided & abetted by his predecessors, the time had come for government to start living within its means. With the benefit of hindsight, the breakpoint in his brief tenure as Premier likely came when he told the hoi polloi that, if they were looking for the root cause of the Province's fiscal problems, all they needed to do was 'to look in the mirror'. True as this might be, this was not what they wanted to hear, egged on by the media proclaiming he 'owed Albertans an apology' for telling the truth (albeit only part of it since their political leaders had been their hand maidens in this). But in January he queered his pitch somewhat when he & his son traveled to buy, for US71,000 (*plus fees*) a 1956 T-Bird that he said had long been his heart's desire to own; while few, if any Albertans, would deny that he had every right to spend his money in whatever way he saw fit, this undermined the populist pitch he had been propagating that he could feel their pain because he had paid for his education by working as a coal miner during the summer holidays.

Then, after months of preaching the need for decisive, albeit unpleasant, action, his Budget, when it came, was a "damp squib"; rather than the promised "austerity budget" it was a 'nickel & dime' one. After 'overpromising', he 'underdelivered; for rather than containing a few decisive, & readily understood, even if unpalatable, initiatives[3], it featured a endless series of niggling, small changes to the tax system that gored the ox of every Albertan old enough to walk. It re-introduced the health premium concept (that had been dropped in 2009), it increased the hitherto flat income tax rate & re-introduced a *minor* degree of progressivity that rubbed many people the wrong way, and it brought in a series of irritating, two-bitting tweaks of the tax/revenue system under the guise of 'user pay' (a prime example thereof being the introduction of a $50 charge for hitherto free death certificates). But it kept the corporate tax rate at 10%. Then after the Budget he called an election, a la Harper ignoring the self-inflicted wound of a fixed date schedule, so as to "get a mandate for the tough choices that need to be made" (which the Budget had given little evidence of).

During the election he came across not as a one-time soi-disant coal miner, but more as a Harper-like imperial figure who on short notice anointed, & parachuted in, candidates in ridings where perfectly democratic candidate selection processes had been in full swing, & who in the sole leadership 'debate' spoke what many people felt was condescendingly to the (female) leader of the NDP when, in (rightly) questioning some of her party's financial plans, he told her "I know that math is difficult". And then four days before the election, when panic had set in & the party resorted to 'red-baiting' (because it had always worked in the past), the CEOs of five local companies, who between them personally had contributed close to $100,000 to the party coffers in recent years (& the company of one of whom in recent years had received $250+MM in government contracts) went on TV to tell their fellow Albertans to "think wisely before voting", displaying a party-typical political tone-deafness, when they did so from a corporate board room, rather than from a venue that the hoi polloi could have more readily related to.

I got the first inkling of trouble for the Conservatives when, early in the campaign, a friend of mine, a strong Conservative supporter & one-time Conservative Constituency Association President, told me that his wife was going to vote NDP & that, while he was at a loss how to vote, he knew it wouldn't be Conservative (in the event he too voted NDP). And while it had been a foregone conclusion all along that (R)edmonton would go overwhelmingly NDP (as it did : all of the city's 19 ridings did so, depriving the Tories of all 14 seats they had previously held there) but the big surprise was that the NDP also captured 14 of Calgary's 25 seats. The Tories underestimated the change in the profile of the province's electorate : in just the three years ended last December 31st net migration into the province exceeded 225,000, many of them people who were young and/or ethnic, & unburdened by Alberta's historical political baggage. I was the DRO in a downtown poll (where the NDP candidate beat the incumbent of long standing with about 60% voter support) and was amazed by the number of people in the < 30

[3] I said from the getgo that the Budget should have been simple & focused with just three"legs", an increase in the personal income (with no progressivity), a similar increase in the corporate tax rate, and a ten cent fuel tax (that would be phased out if & when oil prices recovered. People would not necessarily liked that, but, in light of all the austerity could have related, & resigned themselves, to it; and what's more it would have been a simple enought message to make it saleable. I

age cohort, many of whom were not on the voters list & hence had to go through the hassle of completing a declaration that they were who they said they were & were eligible to vote before they could actually do so..

Looking forward I am modestly optimistic. The Premier-elect is smart, a pragmatist who knows which side her bread is buttered on, rather than a flaming, wild-eyed socialost ideologue, likely better-grounded than many, if not all, of her predecessors going back decades (who may not, at least not for a while, fall victim to the ‘entitlement psychosis’ that permeates the thinking of so many politicians & bureaucrats) & unlikely to do foolish things that would queer an opportunity that she has been waiting for all her life & that would have made her father, who led the party decades ago until his life was prematurely snuffed out in a plane crash, proud. Often in politics, when there is a need to do unpleasant things an adroit left-of-centre political leader can sell the need for doing so more readily to the hoi polloi than a right-of-centre one. That is not to say that I have reservations. One of them is that historically an NDP victory at the provincial level has triggered a flood of party carpet baggers streaming into the Province to get a piece of the action, which is what neither she or the Province needs at this moment in time. Another one is that after nearly 44 years of Conservative Party rule, and especially in the past decade, the provincial public service has been politicized to an undesirable degree & its traditional professionalism thoroughly undermined. Her long association with unions could hinder her ability to bring in much-needed reforms in the union-dominated health & education sectors that are ‘black holes’ that tax payer money gets sucked into, although, if I am right about her being smart, she may be able to turn that to her advantage by making it less of an ‘they & us’ confrontation. Her biggest challenge will be to liberate the Alberta tax payers from their lotus-eating, vegetative-, and change it to more of a user pay-, state along the lines of Norway (where she will have the advantage of having less of an ideological, ‘oh their taxes are so high’, hang-up than her Conservative predecessors; and the end of the day it is always less about the cost of a good or service, & whether the price charged represents good value. In this context I came across an interesting, supposedly Native American, proverb yesterday that “We do not inherit the earth from our ancestors, we borrow it from our children”, an idea that much of the Western democracies, & Albertans in spades, have been violating for decades.