

Quote of the week - 'In the relatively near future probably some major central banks will begin gradually moving away from near-zero interest rates.' - Fed Vice-Chairman Stanley Fisher on November 19th at the 2015 Asia Economic Policy Conference sponsored by the San Francisco Fed, this year focused on Policy Changes in a Diverging Global Economy - *typical obtuse 'central bank speak' that is in this case disingenuous; for of the four "major central banks", three have no intention of doing anything of the kind, and in fact appear to be on the very opposite policy path. And while such a move by the Fed may be long overdue & justifiable on domestic grounds, it remains to be seen whether it will pose a systemic risk due its impact on the foreign borrowers with trillions of dollars in unhedged dollar liabilities on their balance sheets.*

Quote of the week No. 2 - "The emotional parallels between today and the end of the late 1990's bull market¹ are striking. It's a trying time for value-oriented investors as richly-valued stocks continue to rally in the face of weakening fundamentals, a painful commodity bust and shaky credit conditions." - David Hay (CIO of Evergreen Capital, a Bellevue, WA.-based money manager).

Quote of the week No. 3 - "Taxes are the price we pay for a civilized society." - Oliver Wendell Holmes Jr. (a distinguished member of the US Supreme Court for 30 year until he retired from it in 1932 at age 90 as its oldest-ever serving member) - *does this mean the current unwillingness to pay for the spending by the governments we elect is a function of society becoming less civilized, of greed on the part of high income bracket tax payers and/or of Joe & Jill Average Taxpayer being fed up with politicians' & bureaucrats' self-serving & callous disregard for their duty to 'husband' taxpayers' hard-earned (& increasingly hard to come by?) dollars?*

An Omen for Fourth Quarter US GDP Growth? - September & October have historically seen a surge of imports (*in preparation for the year's top selling season, starting on Black Friday*). But this year imports were down in these months in each of the nation's busiest three ports (Los Angeles, Long Beach & New York) that handle over half of all US imports. So freight rates are under pressure in the US transportation sector - *part of this may be due to the unsustainable surge in inventory build-up earlier this year (that 'borrowed' future GDP growth?)*

Fear of the enemy without, rather than within - All over the Western world, egged on by the media & the political class, the hoi polloi are fearful of importing Syrian terrorists, while they perhaps should be more concerned about 'lone wolf' attacks by misguided locals &, perhaps even more, about the terrorist potential posed by battle-hardened-, & well-indoctrinated-, locals returning home after a sojourn at the bosom of the ISIS monster.

Sauve qui peut? - According to the UK-based Syrian Observatory for Human Rights, the families of ISIS leaders are fleeing Raqqa for the *relative* safety of Mosul, while it fighters hide in civilian buildings (with three days of intensified bombing having killed just 33 of them).

Spanish election - It will be held on Sunday December 20th. The polls suggest that much support for both the centre-right party of Prime Minister Mariano Rajoy & the opposition centre-left party has been syphoned off by the right wing C's-, & the left-wing Podemos-, parties² respectively (neither of whom contested the 2011 election). For Rajoy's PP party has 26.4% (vs. 44.6% in 2011) -, & the left-of-centre PSOE 20.1% (28.8%)-, voter support, while the C's are

¹ After which many high-flying 'dot.com' stocks crashed & became "dot.bombs".

² Which had been inspired by-, and has an anti-austerity program like-, Greece's Syriza.

polling 20.4% & Podemos 14.2%. With 176 seats needed for a *bare* majority in Parliament, this would equate to the PP getting 127 seats (vs. 185 in 2011), PSOE 89 (vs. 110), the C's 56 (vs. 0) & Podemos 37 (vs.0). The past year has seen a huge surge in support for the C's (from 2.5% to 20.4%), & a halving of that for Podemos (from 31.1% to 14.2%) - *So, if the polls are right, Rajoy will likely remain Prime Minister (albeit in a coalition government), prompting sighs of relief in most EU capitals.*

GLEANINGS II - 642
Thursday November 19th, 2015

WAGE PRESSURE COMING? US COMPANIES START TO SOUND THE ALARM
(Reuters, Caroline Valetkevitch)

- Wage inflation was largely non-existent in the plodding recovery from the Great Recession, a key factor in the robust recovery in corporate profits over the past six years despite muted sales growth. But now a combination of rising payrolls, political pressure to raise minimum wages, industry-specific issues (like the costly wage labour contracts in the airline-, & automotive-, industries) & labour shortages in the construction industry may be about to change that. So it is not surprising that during the latest corporate earnings season almost 20 S&P companies flagged labour costs & wage pressures as headwinds in the period ahead (up from just a dozen three months ago).

So it's odd the participation rate continues to fall to decades-long lows.

UP TO 30,000 FOREIGN FIGHTERS HAVE GONE TO SYRIA AND IRAQ SINCE 2011
(The Guardian, Richard Norton-Taylor)

- They came from 100 countries, half of them from neighbouring & North African, and one-quarter from Europe & Turkey (7,000 of them in the first six months of 2015 alone).

The source of this was the Sydney, Australia-based Institute for Economics and Peace (with branch offices in New York & Mexico City) whose Global Terrorism Index recently reported that in 2014 deaths attributed to Boko Haram (that last March pledged allegiance to ISIL & now refers to itself as ISIL's 'West Africa Province') had been up 317% YoY, causing it to leapfrog, 6,644 to 6,073, over ISIL as the world's most deadly terrorist group (the Institute was founded in 2013 & since then has become highly regarded as one of the most important think tanks of its kind in the world; it is the brainchild of Steve Killelea, the founder of the systems management company for international corporations, Integrated Research).

THE WEST'S FATAL MISUNDERSTANDING OF ISLAMIC STATE (Reuters, Rasha Ellass)

- Until last Friday tWestern intelligence agencies & Washington policy makers perceived ISIS as not posing any "immediate problem" to the US or the West, with President Obama going as far as stating with 'confidence' the Islamic State was being "contained".
- When it came on the world stage a little over a year ago, it took a third of Iraq & Syria in a few weeks. An anti-Islamic State rebel was bitter about this shockingly swift victory, telling me "We never thought the West would allow a group like ISIS to expand but now I know we have been played. We have been extremely stupid ... The only thing that makes sense to us (*talking about the many foreign jihadists*) is that the world wants to dump all its trash here ... and then the West will come and bomb them (*or should it be us?*) all. This must be the strategy because nothing else makes sense" This was sort of

confirmed by a Western diplomat who told me “It’s better than having them stay in our country ... Statistically a newly arrived jihadist ... is killed within weeks³; so good riddance”, adding all the West had to worry about were ISIS-inspired “lone wolf” attacks).

- Some of the US’ ‘allies’ have been, & remain, responsible for *much of the* money, materiel & fighters arriving in ISIS territory, in the hopes of toppling President Assad, & have given air time to Muslim clerics promoting ISIS’ cause. It has been *far* too convenient for the West to deem Syria’s civil war as Syria’s, or someone else’s, problem.

The author is an Arabic-fluent Syrian-American with Master’s degrees in Journalism from Columbia & Finance from the American University in Washington, D.C. After working as a market analyst in New York she shifted to journalism. She recently returned to the US after spending most of the past decade in the Middle East as a free lancer for major media outlets.

WHY FRANCE IS TOP TARGET (NP, Graeme Hamilton)

- After the Charlie Hebdo cum Jewish supermarket episode last January Prime Minister Manuel Valls mandated National Assembly member Malek Boutih⁴ to investigate French youth’s radicalization. His report last June, *Génération Radical (better received by the opposition than by his own party)*, warned a breakdown in French society risked creating a wave of Islamic radicals against their own country & “The extent of the phenomenon and its entry in all areas, with the radicalization of young students and young girls in particular, indicates that it could turn into a mass phenomenon.” Furthermore, that once limited to the Paris suburbs where the descendants of the North African immigrants of *yesteryear* live in ghettos, the attraction to Islamic extremism had spread, with 30% of the new generation of jihadis converts to Islam & young people rebelling against a society in which they see no opportunity. Finally, that “It is not a matter simply of preventing the slide of a few marginalized individuals; we have to ask ourselves why a large (?) part of the country’s youth is turning away from our social model.” And he told French TV *Canal Plus* on November 16th the time for committees & studies is over & “There is a tap of hatred that produced them ... the more the investigation progresses, we discover the people acting are French, not Syrian, not Iraqis.”
- Malika Sorel-Sutter a *Chevalier⁵ of the Légion d’Honneur & a hawkish* ethnic Algerian, who thinks France should have limited immigration from countries with “distant cultures” & *who in 2009 was appointed by President Sarkozy to the High Council for Integration (abolished by President Hollande despite it having been, in 1989, the brainchild of fellow Socialist François Mitterrand)*, believes that, since France didn’t make immigrants & their children feel a need to embrace its values, “Today ... the engagement of the armed forces in Muslim countries has an effect on people who do not feel European (*but Muslim*) and want to fight European values ... (ISIL) gives them that opportunity.”

On a per capita basis France ranks fourth (with 17 per million) in the number of its citizens fighting for ISIS, after Belgium (40), Sweden (31), Denmark (26), while its total is second only to

³ How do they know that? And if they do, they know a great deal more than they have let on.

⁴ Age 51 & a lawyer by profession, he was born to parents who had come to France from Algeria. He has long been a life-long social activist & since 2003 the Socialist Party’s National Secretary in for Social Issues. In 2007 he was its candidate in a constituency in the Bordeaux region but failed to make it into the second round but had better luck in 2012 in one Southwest of Paris.

⁵ The most junior of the five levels of France’s highest decoration.

Saudi Arabia's 2,000+ (100 p.c.) & on a par with Tunisia 1,500+ (280 p.c.)⁶ - the latter is rather surprising, or perhaps not, given its recent history of modernistic Islam & the willingness of the local Muslim Brotherhood to surrender power after it lost the last election.

HOW ISLAM VIEWS ITSELF (NP, Abdullah Gul)

- The general perception in the West of Islam is as a religion of the East, of primitive & uneducated people who don't understand democracy & secular values, who both kill & die easily, and in barbaric ways, and who hate the West. They also have a rather homogeneous perception of it (while not attributing such homogeneity to Christianity), even though Muslims live in a variety of countries with different cultures from Morocco East to Indonesia & from Central Asia South to Sub-Sahara Africa; so thinking of them as one unified, *happy* family, as many Muslims too like to think of themselves, is fanciful, especially so given the reality of life in the Middle East in the past decade. And Westerners don't appreciate that ISIL is based on the teachings of Salafi Islam⁷ that differs vastly from the milder versions of the mainstream Sunni & Shia branches;.

This is part of a paper for the Annual Halifax International Security Forum this weekend. The title is a misnomer; for it's more about his perception as to how the West views Islam than about how Islam views itself (The writer in 2001 co-founded, with now Turkey President Erdogan, the Justice & Development Party that has ruled it since 2002, & as the country's 11th President, from August 2007 to August 2014, was Erdogan's handmaiden as he undid some of the secular features Kemal Ataturk had endowed their country with ninety years ago. Be that as it may, his comments of the West's perception of Islam have at least a modicum of validity.

THE VIEW FROM ACROSS THE CHANNEL (NP, Michael Coren)

- In London right now, an old colleague now high-up in British intelligence told me "The French have always regarded their North African immigrants as part as 'the other' while Britain's approach ... has a radically different foundation. It's why so few of the Irish diaspora in England ... supported the IRA. While there are genuine problems in some working-class Muslim areas and support for ... terrorism exists, there is ... growing support for what is seen as a tolerant and protective state." Shortly before Paris it was "The general idea of how much danger we are in is well-placed and ... our fears are usually underestimated More than 90% of our ... resources are now devoted to Islamist threats", & after it "The enemy in this case is indifferent to capture and ... welcomes it. Prevention is the issue ... It's difficult to believe this was not picked up by agents or electronically ..." But this goes much deeper than mere intelligence & police agencies. It's all about the relationship between a nation & its Islamic community. Gadgets &

⁶ By comparison, Canada & the US each are estimated to have contributed only 100 or so each.

⁷ Salafi Islam is a small, ultra-conservative subset of Islam often confused with Saudi Arabia's Wahhabi brand of Islam. Although its followers maintain "all Wahhabis are Salafi but not all Salafis are Wahhabi)", both seem to share a 'small tent' definition of apostasy that extends to all Muslims who don't share their views. For decades Saudi Arabia, that great US ally, been the primary global promoter & distributor of the Salafi world view, with for many years billions of dollars of public-, & private-, Saudi money having gone abroad each year to fund the building of mosques, madrassas & Muslim centres that promote Salafism & students seeking to learn more about it (thus according to some the radicalization of Muslims in the Brussels suburb of Molenbeek got its start with the establishment in the last century of Saudi-funded mosques there.

agents will go only so far - hearts and minds must be won over if the war is to be won⁸. But this must not be confused with secularism : leading opponents of radicalism are deeply religious Muslims, & the Muslim community in Britain is working closely with its security agencies (which isn't the case on the Continent). In France, while most Muslims no longer self-identify as Islamic (or Islamist), neither do they identify with the French state. And my friend was aghast at my question as to whether the terrorist war had been won in Britain & no attack would occur, saying that "premise is totally contrary to the reality of what we do ... No one can guarantee safety ... (*but*) we are better than ever at what we do (*counter-intelligence-wise?*) and British Muslims are more aware of that *than* ever before. But to rule out a disaster would not be, well, intelligent. Everything we ...know indicates that the French disaster is highly unlikely in Britain ... But ... the 'highly unlikely' has a bloody awful tendency to occur."

The latter is refreshingly different from the media & politicians' pandering to the hoi polloi's irrational need for a 'guarantee' this won't happen in their neighbourhood, despite the fact that major terrorist/Islamist events have become a regular feature of the global landscape since 9/11, in Bali (2002), Istanbul (2003), Madrid (2004), London (2005), Algiers (2007), Bombay (2008), Fort Hood (2009), Moscow (2010), Marrakesh (2011), Benghazi (2012), Nairobi (2013), Brussels, Ottawa & Sydney (2014), and YTD Paris (twice), Garissa (Kenya), Ankara & Istanbul (both in Turkey)⁹ - Coren was born in England into a Jewish cab driver's family & graduated in politic from Nottingham Universit, During his lifetime he has flirted with all mainstream Christian religion & in 1987, at age 28, emigrated to Canada, becoming a columnist & media personality often immersed in controversy (such as last year when he suggested the Jews who had attended a pro-Palestinian rally in Toronto were "mentally handicapped")

SUICIDE BOMBER'S MOTHER MAINTAINS HE DIDN'T INTEND TO KILL OTHERS (DT)

- Belgian-born Ibrahim Abdeslam (age 31) detonated his suicide vest outside a café last Friday night but killed no one but himself. His family said they were "surprised" he did so, even though he had spent time in Syria, his mother that she was sure he had not planned to kill anyone & he had done so out of "stress", and another family member that he would not have wanted to become a suicide bomber (*but did anyway*).

A common phenomenon : family members, especially mothers, who can't relate to relatives doing nasty things. Ibrahim's younger brother, 26 year-old Salah, who was stopped three times as he was being driven back to Belgium from the Friday night Paris massacre but never apprehended, is now the subject of an international manhunt while another brother, Mohamed, was apprehended but released, & later, in talking to the media, sort of defended Salah but called on him to turn himself in.

IRAN ADDS 500,000 BARRELS (AP)

⁸ This is willfully overlooked by the right wing militarists who believe that, to quote Mao Tse tung, "Power grow out of the barrel of a gun" & who have failed to understand that real power is of the "soft", rather the "hard" variety.

⁹ And this is only a very partial list; for as of November 13th there had been a total of 289 terrorist events worldwide, most of which did not get much coverage in the Western media since the occurred in countries outside the Atlantic Basin

- Iran currently produces 3.1MM bbl/d (vs. 4.1MM bbl/d in 2011) & exports 1.1MM bbl/d. On November 17th Oil Minister Bijan Zanganeh told reporters that, to recapture market share despite the low oil prices, it must double its exports after *the* sanctions are lifted (in early 2016?), with an initial 500,000 bbl/d target within six months thereafter.

Combined with news that in their semi-annual 'redetermination' of oil companies' lines of credit the US banks were more lenient than expected (of the 37 tracked by Reuters 15 had them cut, those of 12 others were unchanged, & seven had them actually increased). Since this means these companies will thus have more scope for drilling & development, the current price-depressing oil glut may not end any time soon [unless there is a major political event in the Middle East (for there is little, if any, 'political risk premium' built into current oil prices) and/or the fiscally-despondent OPEC members succeed in pressuring the Saudis to take their foot off the gas pedal (the former of which is unpredictable & the latter unlikely, since it would shift more of the fiscal pain on a Saudi regime that is already experiencing more of than it cares to have)].

CHINESE YUAN SHOULD BE AN IMF RESERVE CURRENCY, CHRISTINE LAGARDE SAYS (WSJ, Ian Talley)

- At the sidelines of the G-20 Summit in Antalya, Turkey she said it should be included in the basket of currencies used to determine the value of the SDR, thereby paving the way for the IMF Executive Board to approve doing so at its November 30th meeting.

Rumours are now circulating that Beijing plans to announce another minor (3%-4%) devaluation of the yuan shortly afterwards. In saying this she is endorsing her staff's conclusion that Beijing had addressed the remaining hurdles thereto, and that the yuan was now "widely used" in international transactions & "widely traded" in the principal FX markets, a judgment call that many question. The inclusion of the yuan in the basket (at a weighting second only to the US dollars?) would constitute a major milestone in Beijing's efforts to establish China as a global economic power & boost foreign demand for its currency by both central banks & investors (& helps to erode the once pre-eminent role of the US dollar in the international monetary system).

JAPAN FALLS INTO RECESSION FOR SECOND TIME UNDER 'ABENOMICS' (BB, Keiko Ujikane)

- In the Third Quarter its GDP declined at a 0.8% annual rate (while 0.2% had been expected); so, since it had declined at a 0.7% rate in the Second Quarter, the country is now once again officially in recession, as business spending & inventories shrank in the face of slower growth in China & the weak global economic outlook. With the BoJ having a policy meeting this week, pressure will be on Gov. Haruhiko Kuroda for more monetary-, & on Prime Minister Shinzo Abe for more fiscal-, stimulus (& *in the case of the latter to further delay the introduction of a much-needed & long-overdue sales tax hike originally planned for last month but already postponed until April 2017*).

Prime Minister Abe's plan to have the economy somehow escape from two decades of sub-optimally low GDP growth so far seem to have had only limited success in the face of all but unsurmountable demographic-, & fiscal-, headwinds, a national debt-to-GDP ratio fifty percent higher than Greece's (& still rising), a budget that at last report was 40% funded with borrowed money & a debt management program that has all the earmarks of a gigantic Ponzi scheme.