

Another nail in the coffin of the Schengen Treaty¹ (& that of European integration)? -

Since 2000 the 15 km. Oresund toll bridge complex² linking Denmark & Sweden has been a symbol of European integration & hassle-free travel across borders. But on January 4th the Swedish government reversed its open door immigration policy to regain a measure of control over the refugee wave that has hit it (over 160,000 last year³, mostly from Syria, Iraq & Afghanistan), thereby following in the footsteps of, among others, Austria, Belgium, France & Germany.

Apple iPhone6 & iPhone6 Plus sales slowing down? - Taiwanese sources in Apple's iPhone supply chain are expecting a 10-30% slower order flow in the First Quarter as Apple adjusts its inventory levels to an expected 12-20% YoY slowdown in their sales momentum..

Canadian Consumer Confidence - There are signs Canadians are starting to have their doubts about the outlook for real estate valuations - *if so, this could give rise to a 'reverse wealth effect' that would negatively affect their willingness to spend, that would be reinforced by 'sticker shock' from the expected continued rise in food prices that is in part due to the weaker Canadian dollar.*

Chinese stock markets start the New Year with a bang (of the wrong kind) - When on the first day of trading in the New Year the market slid was 5.0% an automatic "circuit breaker" introduced after last summer's crash kicked in & suspended trading for 15 minutes. Then when, in seven minutes after trading resumed, a second one kicked in after it slid another 2%, the market was closed for the rest of the day, by which time the Shanghai Index stood at 3,298, down 36% from its June 11th high of 5,133 & slightly from its year earlier level of 3356. Two reasons were given. The Caixin/Market PMI, deemed a more credible benchmark than the official one, came in at 48.2, marking the 10th month in a row factory activity had been sub-par, &, *likely more importantly in the short run*, the fact that January 8th marks the end of the six months' 'lock-up' on shares held by large investors introduced after last June's crash (*i.e. their equity holdings were frozen*).

Goldman's 2016 expectations - a small uptick in global GDP growth (from 3.2% to 3.5%), a small decline in that of the US (2.4% to 2.2%) - as the effect of the stronger dollar more than offsets the impact of improved labour-, & housing-, markets, little change in Europe's 2015 1.5% - due to low oil prices, weaker currencies, improved financial conditions & fiscal expansion -, slightly faster growth in the UK (2.5% to 2.7%) - driven by higher incomes & consumer spending, somewhat better growth in Japan (0.6% to 1.0%), a mixed bag in the Emerging Economies - with faster growth in India (7.4% to 7.8%), Indonesia (4.9% to 5.1%), South Korea (2.8% to 2.9%), Mexico (2.4% to 3.0%), Russia (-3.5% to + 1.5%) & Brazil (-3.0% to -1.5%) & slower growth in China (6.9% to 6.4%) & Turkey (3.4% to 3.1%). But it is less optimistic about equity markets ("Flat is the new up for 2016") due to a continued shrinking of profit margins -

¹ Initially signed in 1985 by five of the ten members of the EEC (European Economic Community), it ended the need for having a passport for travel within them. But it did not really become fully effective until 1995 and, at last report 26 countries had signed it, incl. some non-EU members although Great Britain & Ireland chose to "opt out".

² The 5 mile-long bridge that towers 200 metres in the air is only part of this rail-, & road-, link; about halfway across it ends on an artificial island & turns into a tunnel.

³ Sweden has a population of < 10MM.

this, of course, assumes no hatching of any of a number of 'black swan' eggs lurking in the reeds.

Saudi Arabia's January 2nd mass executions - According to the G&M's Patrick Martin, who is usually well-informed on Middle East matters, the US had been aware of the Saudi plans for a week & had urged Riyadh not to execute the Shiite cleric Sheikh Nimr al-Nimr. But this was wilfully, & intentionally, ignored (*to show the US its waning influence there?*), supposedly in part at the behest of the King Salman's favorite son, 30-some year-old Mohammed bin Salman, who in the past year has miraculously risen from the obscurity of the middle level bureaucracy to prominence as Deputy Crown Prince, Minister of Defense (& thus in charge of the Yemeni war), Chair of the Council on Economic & Development Affairs, and Chair of the Supreme Council of Aramco.

South Africa has three Finance Ministers in four days - On Wednesday December 9th President Jacob Zuma removed, without giving any reason, Finance Minister Nhlanelahle Nene (rumoured to have run afoul of Dudu Myeni, the Chair of South African Airways⁴, a close friend of the President), replacing him with David van Rooyen (who despite his name is African), a relative policy novice. The Rand promptly declined 1.39% to 14.89 to the US dollar. On Thursday December 10th van Rooyen was sworn in amidst rising opposition within the ANC & from the opposition. The Rand slid further to 15.70 to the dollar. On Friday December 10th, in the face of social media calls for his removal, Zuma declared Nene was to become head of the Jo'burg-based African Regional Centre of the new BRIC Development Bank, and both he & Myeni⁵ issued statements denying their relationship was anything but purely professional (rumours were there was child in the picture). Finally, on Sunday December 13th it was announced Van Rooyen had been named Minister of Cooperative Governance, replacing, & being replaced by, Pravin Gordhan⁶, a South African of Indian origin who had held the post previously (from 2009-2014), and in many eyes "with distinction". The Rand rebounded to 15.70 to the dollar - all this came in the wake of Fitch on December 4th downgrading South Africa to "junk" status, the same day S&P attached a "negative outlook" to its BBB- rating for South African bonds (i.e. a down grade into junk status may be imminent), quoting the intermittent supply of electricity & growing labour unrest - *Zuma clearly has more on his plate than he can handle, part of it, like any commodity exporter, due to factors beyond his control but likely more so to two decades of economic & financial incompetence cum mismanagement long obscured by commodity price windfalls (that he has attributed to).*

⁴ That last February was rumoured to "technically insolvent" & last September reported to 'still be losing money in its new fiscal year'.

⁵ Who last year was accused of having foreign bank accounts in the low double digit Euro range.

⁶ With Zuma *piously* declaring "I have received many representations to reconsider my decision. As a democratic government, we emphasize the influence of listening to the people and to respond to their views."

GLEANINGS II - 648
Thursday January 7th, 2016

TRUMP WINS 'LIE OF THE YEAR' TITLE FROM FACT-CHECKING SERVICE
(WP, Justin Wm. Moyer)

- The Pulitzer Prize-winning fact-checking service Politifact didn't even bother selecting one of his untrue statements, explaining "In considering our annual Lie of the Year award, we found that the only real contenders were Trump's ... out of 77 checked, 76 percent were Mostly False, False or Pants on Fire; no politician has as many statements rated so far down the dial" (incl. Mexico sends its "bad citizens" over the US border & "Whites killed by blacks - 82 percent", when in fact most people are killed by someone of the same race).
- Comedian Dean Obeidallah noted last fall "Republicans who support Trump either don't see his comments as lies or are so angry at the mainstream media they don't trust its fact checking or simply don't care." And according to Michelle Amazeen, an Assistant Professor Communications at the Mercer County, NJ-based *private* Rider University "since the U.S. news media is based on the commercial model - and more eyeballs on the page or the screen is good for business - the networks love it when someone like Donald Trump says outrageous things ... fact-checking rains on the parade of that revenue model."

On December 19th it rated Hillary's claim ISIS was using videos of Donald Trump as a recruiting tool FALSE - "no evidence has emerged"⁸ & the next day awarded Trump his first TRUE for saying Putin had an 80% approval rating (at home). Elsewhere it noted that of the over 500 promises Obama had made in his 2008 & 2012 campaigns, he had kept 45%, compromised on 25%, broken 22% & stalled on 1%, while 7% were still "in the works" & 2 were not yet rated, while of the nearly 570 of his statements it had checked 21% had been TRUE, 27% NEARLY TRUE & another 27% HALF TRUE, while 24% had been MOSTLY FALSE or FALSE, & 2% PANTS-ON-FIRE.

DRIVERLESS CARS TO TAKE CENTRE STAGE AT CES SHOW IN LAS VEGAS
(G&M, Tom Maloney)

- Ahead of next week's North American International Auto Show in Detroit, at this week's *annual* CES (Consumer Electronics Show) in Las Vegas nine of the top ten automakers

⁷ In Hitler's Mein Kampf, in Chapter X of Volume 1 published in two volumes in 1925, he introduced the concept of "The Big Lie", saying "in the big lie there is always a certain force of credibility, because the broad masses of a nation are always more easily corrupted in the deeper strata of their emotional nature ... and thus in the primitive simplicity of their minds they more readily fall victim to the big lie than to the small lie, since they themselves often tell small lies in little matters but would be ashamed to resort to large-scale falsehoods. It would never come into their mind to fabricate colossal untruths, and they would not believe that others could have the impudence to distort the truth so infamously."

⁸ And after, on December 31st, al-Shabaab, the Somali al-Qaeda affiliate (*that seems to have lost a lot of ground there*), produced a video urging American Muslims to join it in East Africa that featured Trump, shortly after the December 2nd San Bernardino shootings, proposing a temporary but "total and complete shutdown of Muslims entering the US", it refused to change in rating on the grounds that its ratings were based on the evidence available at the time statements were made, while others, *rightly so*, pointed out that al-Shabaab was not in any way affiliated with ISIS.

showed off this rapidly evolving technology, with Ford expected to announce an association with Google (that has been testing an autonomous car without a steering wheel).

Korea's Seoul National University has for six months been testing, without accidents, a driverless vehicle called Snuber to move disabled students around its campus & in the Northern Greece town of Trikala driverless buses called CityMobil2 have been tested in real traffic, after similar tests in La Rochelle (France), Lausanne (Switzerland) & near Helsinki (Finland) - while CES is not open to the public, last year it had 3,600 exhibitors & 170,000 'professional attendees'.

CLINTON, OBAMA 'CREATED ISIS' - (CNN, Tom LoBianco)

- Trump told a "massive" rally at the Mississippi Coast Coliseum in Biloxi, MI on January 2nd, that the policies of President Obama & former Secretary of State Hilary Clinton 'had created' ISIS (without offering any evidence for this claim) and attributed the escalating tensions between Iran & Saudi Arabia to the Islamic Republic wanting to take over the long-term US ally in the Middle East because "they want their oil, OK?". While Carly Fiorina & Rick Santorum made similar claims as far back as last November, Trump hitherto had always blamed Bush 43's 2003 invasion of Iraq for the unrest in the Middle East.

Oil is a mere byplay to a quest for regional hegemony & the age-old Sunni-Shia rivalry.

ENERGY AN INVESTMENT OPPORTUNITY AS GLUT ENDS (BB, Simone Foxman)

- Kyle Bass founded Dallas-based Hayman Capital & made half a billion dollars in 2007 shorting subprime mortgages. He told Wall Street Week recently "We're going to go from a glut (of oil) to all of a sudden a deficit, and the world is not ready for a deficit ... If you're going to allocate capital for the next three to five years (to oil), you should do so now".

PBS' Wall Street Week became a household name during the 34 years from 1970 that Louis Rukeyser hosted it but was shut down in 2005, a year after he left it for health reasons⁹. Last April the name was resurrected by Skybridge Media¹⁰ (that is known to sometimes have business relationships with those on the show & to pay Fox News to broadcast it in key markets). Kyle Bass (age 46) is a 'larger-than-life' Texan who drives a Humvee dolled up like a James Bond vehicle & hosts semi-automatic weapons-firing parties at his ranch. But after reporting a 212% gain in 2007, his 'flagship fund's' performance has only been 1.56% annually since by his own reckoning (even with 2012 having been a 15% 'banner year'), and, after it reported a 14% loss for 2014¹¹ & another 11.7% loss for the first seven months of 2015, investors have voted with their feet & reduced its AUM by 25% to US\$1.5BN¹². While the lower

⁹ He died in 2006 at age 73.

¹⁰ Owned by the New York-based hedge fund Skybridge Capital

¹¹ And on January 2015 had only recovered to the level it had been at four years earlier

¹² Although, in all fairness his Japan Fund is up 200+% in three years

oil prices will, in due course, have an effect on the supply situation as less investment in new capacity fails to fully compensate for the loss of old capacity, this may be slower to materialize than some expect; for there still is significant excess capacity in the system & producers will seek to squeeze their existing capacity to the max. For many of today's investors a three-to-five year time horizon is 'beyond the pale'. Above all, prices are a function of **both demand and supply**. And demand growth forecasts have perennially been unduly optimistic; thus in 2000, the EIA (US Energy Information Agency) forecast global oil consumption would grow from its then 77MM bbl/d. level to 103MM bbl/d by 2015 whereas last year's actual demand was < 93MM bbl/d. Energy efficiency has been improving; thus in 2000 in China one barrel of oil generated US\$456,000 of real GDP & in 2014 US\$755,000. In the past 18 months demand growth hasn't responded to the collapse in oil prices to the degree expected; thus in the US since mid-2014 gasoline sales have grown just 4.5% (in line with total vehicle miles driven¹³) as the gasoline price cratered 36% (& the oil price by almost two-thirds). Global demand growth has been dampened by governments cutting subsidies and/or increasing taxes on motor fuel. And future demand growth is likely to be affected by the growing competitiveness of alternate energy sources & the fallout from last month's Paris Environmental Summit.

PAY REFUGEE TRAVEL COSTS, OTTAWA URGED (NP, Lee Berthiaume)

- A report by Immigration, Refugee and Citizenship Canada noted that, when they arrive in Canada, 90% of refugees owe up to \$10,000 to the Canadian government in loans arranged by visa officers overseas to cover the cost of their travel to Canada, the mandatory medical exams for admission to-, & the cost of getting settled in-, Canada (such as their initial rent-, & utility-, deposits). And refugees often don't understand this to be the case since visa officers typically spend only minutes on this & the documentation is in English & French legalese, nor that they are expected to start repayment in 30 days & will be charged interest after 12 months. And it concludes that "In sum, the immigration loan is having negative impacts related to settlement for some (refugees), and represents an additional burden to an already challenging integration process ... Having a loan to repay ... causes stress for a number of refugees and impacts on their ability to ... adapt to life in Canada and overcome obstacles inherent to the newcomer experience."

This is too bizarre for words. Many refugees will, upon arrival here, have no pot to piss in or window to throw it out of. To the extent that being in debt to the government hinders their successful integration into Canadian society, this is counter-productive & self-injurious. If, as the report says, the per capita amount is in the \$3,000 range, the \$75MM involved is, relatively speaking, petty cash compared to the \$1+BN over six years the government has earmarked for bringing in, & providing support to, the first 25,000. Whether or not a holdover from the 'mean politics' Harper era, Trudeau would be well-advised to drop this wonky idea toute de suite, if not sooner.

SLOW BURN OR DANGEROUS ESCALATION? HOW SAUDI-IRANIAN SPAT COULD ROIL OIL (G&M, Steve Yetiv)

- There are several possible scenarios in which the tension between them could escalate in ways that would affect global oil markets. As it has done before, Iran could seek to foment trouble in Saudi Arabia's oil-rich Eastern Province (*where most of its Shiite*

minority lives). Military brinkmanship involving air or naval engagements - the two countries almost came to blows in 1984 & 1987 during the Iran-Iraq War (*and Iran is likely militarily stronger than it was then, while the Saudi Royals are-, & the country as a whole is-. now less cohesive than then?*). Both countries could ratchet up tensions elsewhere in the Middle East, such as Yemen (& Syria?). And Riyadh continues to produce oil flat-out to punish Tehran financially & economically. Of the four while the last-named is the most likely, & least-risk, form of their rivalry, both Saudi Arabia & Iran have an incentive to ratchet up the tension to play to their domestic audiences (& Iran to try & drive oil prices higher by causing trouble?).

The whole situation has the trappings of to kids playing with matches in a powder magazine - one false step at any level & the whole situation could go BOOM!

ISIS CUTTING BACK AS US-LED COALITION STRIKES DEGRADE GROUP'S OIL TRADE **(Newsweek, Jack Moore)**

- In early December NYSE-listed, Englewood, CO-based IHS Senior Analyst Colum Strack reported "According to information from Arab-language social media and our in-country source network, efforts to target the Islamist State's *oil* source of revenue are paying off". Of its estimated U\$80MM monthly revenue stream, half comes from taxes levied in the territory under its control & 43% from oil (and the rest from kidnapping & robbery, ISIS-run businesses, antique-, & drug-, smuggling, and land & property confiscation). And, while Strack says it would be hard for bombing to target local taxation sources without a lot of civilian collateral damage that would "likely be counter-productive", the degradation of ISIS's oil operation has forced it to cut its fighters' salaries, introduce new taxes on agriculture & boost the price of basic services (*such as electricity*)¹⁴ and, having lost "easy access" to Turkey, to rely increasingly on "internal markets" in Syria & Iraq for its oil sales

Another IHS report since noted that YTD ISIS lost territory each month & that as of December 15th the area under its control had shrunk by 14% to 78,000 square kilometres¹⁵, incl. large parts of Northern Syria (which deprived it of the Tell Abyad border crossing that had been the main access point to Turkey for its de facto capital of Raqqa), the city of Tikrit, the Baiji refinery complex & part of the highway linking the two biggest cities it controls, Raqqa in Syria & Mosul in Iraq (thereby complicating the movement of goods & fighters between them). And while in last May's offensive it gained control of Palmyra In Syria & Ramadi in Iraq¹⁶, this had come at the cost of losing control of Northern Syria to the Kurds. As of December 15th, the territory held by the various parties to the conflict, & their gains & losses since January 1st, were as follows :

- **in Iraq** : government - 128,000 sq kms (+6%), ISIS - 78,000 (-14%), & Kurds -61,300 (+2%); and
- **in Syria** : government - 30,000 sq. kms (-16%), ISIS/Sunni rebels - 13,000 (+1%), & Kurds - 13,000 (+186%).

SYRIA : NOT PEACE BUT MAYBE A CEASEFIRE (VueWeekly, Gwynne Dyer)

¹⁴ Which will lessen whatever appeal it may have among the locals

¹⁵ About the size of Nebraska or South Dakota, and nearly twice that of the Netherlands.

¹⁶ Which the Iraqi army recently re-took.

- Abu Muhammed al-Golani is an Islamist fanatic rated a terrorist by Washington who spent almost a decade killing US troops in Iraq before being sent to Syria to establish a branch of ISIS there (although he broke away from it in 2013 to form the now al Qaeda-affiliated Nusra Front). So, while he could be expected not to favour a peace deal that would leave President al-Assad in power in Damascus, he may nevertheless do so; for the deal being discussed is in essence a cease fire that would leave all involved in charge of all the territory they now control now, so as to be able to give their undivided attention to fighting ISIS *rather than each other* (while Putin has accused the US of “dividing terrorists into good and bad ones”, this is as much part of his thinking as anyone else’s).

This is may well be the first step towards a formal break-up of Syria into its component parts (although it’s no doubt ‘politically incorrect’ to say so).

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CHICAGO POLICE KILL TWO ... ONE ... ACCIDENTALLY (AFP)

- Early Boxing Day morning a 911 domestic disturbance call resulted in two deaths. Later that morning a police statement reported that “officers were confronted by a combative subject resulting in the discharge of the officer’s weapon, fatally wounding two individuals”, later updated to read “the 55-year-old female victim was accidentally struck and tragically killed. The department extend it deepest condolences to the victim’s family & friends.”

*Last year there were 1,000 fatal police shootings in the US (with one-third of the victims unarmed?) vs. three in the UK (which has one-fifth of the population of the US & 24 murders involving firearms for the year as a whole v.s 27 in the US on Christmas Day alone). Domestic disturbance calls are not, as the CW holds, to blame for most police officers’ deaths; robberies & shoot-outs are; still, they are the bane of their existence since they involve emotionally-charged environments in which things can go sideways in a flash, requiring split-second judgment calls that later will be questioned by ‘arm chair quarterbacks’. But this does not apply to after-the-fact police statements that in this instance were in the case of the initial one an misrepresentation of facts & in that of the second an attempt at a white wash. The facts in this case appear to have been as follows. The 911 call originated with the father of a 19 year-old university student with a history of mental problem who had threatened him with a baseball bat, with the call made in the hope the police would take his son somewhere where he could get help. After making the call he asked a neighbour to keep an eye out for the police’s arrival & open the door for them; but as she did so, she somehow got shot, away from the conflict scene, & left to bleed to death. As to the doer, he died on the way to hospital with, according to his mother, seven bullet holes in him - Given the ‘hollow point ammo’ the police typically uses because of its “stopping power”, there should typically be little need for a police officer to fire more than one bullet; for, as Dr. Andre Campbell, a surgeon at the San Francisco General Hospital and Trauma Center puts it, this type of ammo “creates absolute devastation in the victims. When they strike, it’ like a bomb going off”¹⁷. Discharging a fire arm should always be a measure of last-, not first-, resort & there have been far too many instances, in the US **and***

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They have very much the same maiming effect on the victim as the ‘dum-dum’ bullets that, for that very reason, were outlawed for use in warfare by international treaty over a century ago.

Canada, of people getting shot within seconds of the police arrival on the scene. Finally, except in a gun fight, there is little justification for an officer discharging a firearm at a target over six feet away; for rounds fired from many police side arms have a muzzle velocity of over 1,000 feet per second whereas the 100 metre record of the IAAF(International Asociation of Athletics Federation) is 9.58 seconds, i.e. 35 feet per second.

Trudeau's approval rating - As of December 26th the ongoing Angus Reid Forum had received the following responses to its question "Will Justin Trudeau do a good job a Prime Minister : NO - 59%, YES - 25% and LET's WAIT & SEE - 14% - *quite a comedown from his 39.5% voter support in the October 19th election, likely due, in part at least, to his unabashedly seeking to curry favour with the 'Indian industry lobby', which most recently led to him announcing he intended to make good his election promise to revoke the Harper government's First Nation Financial Transparency Act, which had imposed new financial reporting requirements on them, had revealed dodgy spending by some chiefs & councils, and had upset many others (a promise that was denounced by some during the election campaign as just another one of his "Il-considered remarks") & to also do away also with its Bill C-525 (which had imposed new financial reporting requirements on labour unions) - so much for greater transparency.*