

**Description applicable to many public sector agencies?** - An informal, blue-ribbon group described the Nova Scotia Health Authority (23,000+ employees & a \$2.1BN budget, one-fifth of the province's) as 'a non-system, disconnected not communicating, non-agile, non-'people-centred' ... with managers unable to effect the changes they know they must have'.

**Electric buses** - The City of St. Albert, a bedroom community a few miles North of Edmonton, this week took possession of three California-made electric buses, has four more on order (that will be operating by year end) & plans to electrify its entire 60 unit bus fleet. At \$970,000 they are pricey (twice that of a diesel unit) & smaller (35 vs. 40 feet) but can haul almost as many people, & have a 250-280 km. range after a 4-5 hour charge. Edmonton meanwhile is still 'studying' them.

**Headscarf or no headscarf?** - As President Trump spoke in Riyadh his spouse & daughter were in the audience without head coverings<sup>1</sup> (although 'appropriately dressed' in loose-fitting, long-sleeved dresses). When Queen Elizabeth visited in 1979, she did wear a head covering, Margaret Thatcher in 1985 wore a hat & the Duchess of Cornwall had her head covered in 2013. American women, incl. Laura Bush, Hillary Clinton Condoleezza Rice & Michelle Obama haven't (to protest the Saudi government's womens' rights' policies?) & Angela Merkel & Theresa May once did, but haven't since - *it is common sense & typically creates good will to pay obeisance to local dress codes, especially so in Muslim countries. And Americans wouldn't appreciate it if a foreign head of state had a niqab-clad wife in tow during a visit to the White House.*

**Tit for tat?** - Turkey President Erdogan visited Washington last week (*with Trump having the bad taste of calling it "a great honor to welcome him at the White House"*<sup>2</sup>). Later that day there was a mix-up outside the Turkish Ambassador's Washington residence between pro-, & anti-, Erdogan demonstrators. Videos showed that Erdogan's security staff got itself involved, hitting & kicking protestors, with one video even showing Erdogan watching the goings-on *from a safe distance*. So the State Department summoned the Turkish Ambassador to inform him that in doing so, his president's men had violated US laws. Then last Monday May 22<sup>nd</sup> Turkey's Foreign Ministry summoned the US ambassador to protest against the "aggressive and unprofessional" actions of US security personnel against Erdogan's body guards - *The ambassador apparently just responded by saying they had violated US laws (without raising the real question as to why, if their job was to protect the president, they had gotten themselves involved in an event which in no way had been a threat to Erdogan's safety?)*

**GLEANINGS II - 711**  
**Thursday May 25<sup>th</sup>, 2017**

**GLOBAL EXPANSION PROSPERS AMID CHAOS (Bloomberg, Theophilos Argitis)**

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<sup>1</sup> Although they did so when they posed, two days later, for the official photo with the Pope (whose deadpan facial expression was in sharp contrast to Trump's triumphant smile).

<sup>2</sup> This was a few weeks after he had phoned him to congratulate him on having won a referendum (by the skin of his teeth) that will for all intents & purposes make him a dictator for life & legitimize his ongoing violation of some of his fellow citizens' basic human rights. But the White House has been very clear that human rights violation by foreign governments are none of Trump's concern.

- The synchronized global expansion is alive and well, as the world's major economies are increasingly running in lockstep (although "hard data" such as GDP growth are less convincing than the rosier consumer-, & business sentiment-, surveys). According to the IMF the variation in the G-20 countries' growth rates this year will be the lowest since 1980 & no G-20 country is expected, for the first time since 2010, to experience negative GDP growth (& their average growth rate is expected to hit 2.4%, up from 1.8% in 2016). And yet, there are doubts. The outlook for commodities after their price slump last month. Higher oil prices remain a necessary condition for a synchronized global recovery. The fading growth momentum in China is worrisome (with the latest BAML survey of fund managers showing that the prospect of tighter credit in China has replaced Europe as their key worry). The *corporate* earnings outlook for Asia is less than impressive. And there remain questions as to the sustainability of US earnings growth, with Stephane Ekolo, the Chief European strategist at London-based Market Securities noting "Company fundamentals are good and there is no question about that ... That being said, when one looks at the current levels of the U.S. stock market, it seems clear that prices have somehow risen more than their underlying earnings would ... indicate." And Caterpillar CEO Jim Umpleby told investors in an April 25<sup>th</sup> earnings call "There are encouraging signs and promising quotations in many of the markets we serve ... However, there is still a great deal of geopolitical and market uncertainty, along with economic volatility around the world, that continues to present risks."

*A universality of views on the outlook usually is a harbinger of the CW being dead-wrong. Or as John Templeton, the godfather on international portfolio investment, once put it, "Heed the words of the great pioneer of stock analysis Ben Graham 'Buy when most people ... including the experts ... are pessimistic, and sell when they are actively optimistic' ".*

### **TRUMP'S RYADH FARCE EXPOSED (Edmonton Sun, Tarek Fatah<sup>3</sup>)**

- Trump accomplished the impossible; after correctly diagnosing the ailment afflicting the Muslim world, he prescribed the wrong cure, thus ensuring the epidemic will *continue* to thrive. For he laid the blame for Islamism at the feet of Shia Muslim Iran, while just 24 hours later the British-born 22 year-old son of Libyan Sunni Muslim parents perpetrated the Manchester suicide bombing. While Trump orated that "no discussion of stamping out this threat (Islamic terror) would be complete without mentioning the government that gives terrorists ... safe harbour, financial backing, and the social standing needed for recruitment ... I am speaking of course of Iran", few Muslims, Shia or Sunni, Iranian or Saudi, Baloch or Kurd, Afghan or Somali, would swallow the absurdity of linking Shia Iran with Islamic terrorism when the real culprit is Sunny Saudi Arabia's government. Thus, quoting from Trump's speech, one of the most prominent Muslim Republicans in

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<sup>3</sup> *The 68 year-old Fatah is a Pakistani Muslim whose ancestors were Hindu; so he describes himself as one whose "Islam is rooted in Judaism" & whose Punjabi cultural background is tied to that of the Sikhs' (so that Islamists do not consider him "a true Muslim"). Trained as a biochemist, he became an investigate journalist in Pakistan until banned, in 1977, by the powers that be from journalism. He came to Canada in 1987 (after having lived for a decade in Saudi Arabia). He is a founder of the Muslim Canadian Congress & an advocate of a "liberal progressive form of Islam" (making him a target for criticism by other Muslim groups). A onetime NDP supporter who worked for Bob Rae when he was Premier of Ontario, in 2007 he made Maclean's list of the "50 most well-known and respected personalities". At last report was hosting on India's Zee News channel a Hindi language talk show *Fatah ka Fatwa* featuring Muslims discussing Islamic issues (prompting legal attempts by conservative Muslims to shut it down & a bounty being placed on his head).*

America, US Navy Lt Cdr (ret.) Zuhdi Jasser referred to the leaders of the Sunni-dominated Muslim-majority countries present in Riyadh as “The Islamic Mafia” & rebuked the president in a tweet saying “Trump : ‘Terrorists do not worship God, they worship death ... they are invoking *the* interpretations of *the* Koran of the Islamist mafia you are addressing”. The only winner of the Riyadh circus was America’s military-industrial complex, which can sell tools of war to dictatorships that will not stop (& *are not interested in stopping?*) another Manchester bombing, no matter how many billions of tanks and fighter jets they buy.

*To give credit where credit is due, the speech was well-written & well-delivered and Trump, by staying ‘on message’ & sticking to his Teleprompter text, made himself look & sound Presidential. But whoever wrote it made one fundamental error, confusing the fight against the global terrorism that Saudi Arabia at both the governmental & individual level has been funding it from Day One, in which the Shiites, for reasons of their own, have been on “the side of the angels”, i.e. on that of the US, with the Sunni-Shia ideological struggle between Saudi Arabia & Iran for regional hegemony in which Trump has now placed the US firmly in the Sunni camp. And this may well have been intentional since it was politically more expedient to tap into the Sunni hatred for the Shiites, than to confront the Sunni audience with the role played by arch-conservative Arab Sunni Muslims in the spread of jihadist terrorism across the world; for Iran’s role in the evolution of global terrorism has been minuscule<sup>4</sup>. And it was unfortunate that he delivered his virulently anti-Iran diatribe on the very day after Hassan Rouhani was re-elected President of Iran<sup>5</sup> (who, while vilified by some for being Iranian, is **not** associated with the country’s religious clique<sup>6</sup> and who, certainly by Iranian political standards, is a moderate).*

### **MEDIA REALLY DO HATE HIM (PostMedia Network)**

- This is the finding of a study by the Harvard University Shorenstein Center on Media, Politics and Public Policy. Authored by Thomas Patterson, Bradlee Professor of Government and the Press at its Kennedy School of Government, it concludes “Trump’s coverage during his first 100 days in office was negative, even by the standards of today’s hypercritical press” since during his first 100 days 80% of it had been negative (vs. Obama’s 41%, Bush 43’s 57% & Clinton’s 60% in their first three months). This led Prof. Patterson to conclude “the sheer level of negative coverage gives weight to Trump’s contention, one shared by his core constituency, that the media are hellbent on destroying his presidency.”

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<sup>4</sup> Those interested in the subject might wish to take the time to peruse the lengthy, detailed review of the Saudi role in spreading Wahhabism in North America & elsewhere contained in the May/June 2015 issue of *World Affairs* article by Carol E.-, & Jamsheed, Choksy (both from Indiana University, Bloomington) entitled *Wahhabism and the Global Jihad* that notes, among others, that “By 2013 75 percent of North American Islamic Centers relied on Wahhabi preachers who promote anti-Western ideas in person and online through their sermons and through Saudi-produced *hate* literature” and that references “the still classified portion of the US Congress’ 9/11 report ...that Saudi Arabia’s ruling elite distributed millions of dollars to Sunni extremists, including those in the US, in the run-up to the September 11<sup>th</sup> attacks, under the guise of support for Islamic charities.”

<sup>5</sup> With an increased 57.3% voter support amid a 70+% voter turnout, despite the fact that the pro-clerical factions had sort-of united behind the runner-up (who got only 38.7% support).

<sup>6</sup> In his first press conference after his re-election President Rouhani dismissed the anti-Iranian tone of the Riyadh conference as “just a show.”

*Objectively speaking, this is sloppy analysis unworthy of a venerated educational institution like Harvard; for all of Obama, Bush 43 & Clinton were smart enough not to give the media reason after reason to justify negativity by name calling & 'acting like a bull in a china shop'. In many respects And rather than hating him, the media actually loves him for providing them with an endless stream of news bites to prognosticate about. But Trump is acting like a spoiled teenager who, after murdering both his parents, expects mercy 'because 'he is an orphan'.*

### **RUSSIA MEETING REVELATION COULD TRIGGER OBSTRUCTION INVESTIGATION** **(Politico, Josh Meyer)**

- On May 10<sup>th</sup>, the day after he fired FBI Director James Comey, President Trump met, in the Oval Office, with Russian Foreign Minister Sergei Lavrov (*purportedly at the request of Putin since he was in Washington anyway to meet with his US counterpart, Rex Tillerson*) & Russian Ambassador Sergey Kislyak (*Russia's n No. 1 'spook' & spy recruiter in the US*) and told them "I just fired the head of the FBI. He was crazy, a real nut case ... I faced such great pressure because of Russia. That's taken off ... I'm no longer investigated". According to current & former Justice officials this will almost certainly trigger a potentially more perilous legal development, an obstruction of justice investigation into whether he intentionally engaged in a cover-up warranting the filing of criminal charges."

*Meanwhile in Saudi Arabia the President (& Secretary of State Tillerson) sought to curry favour with his core support base by taking credit for a US\$100+BN arms sale to the Saudis that was the outcome of months, if not years, of hard work by dozens, if not hundreds, of other Americans.*

### **TRUMP JUMPS THE GUARD RAILS (WP, Charles Krauthammer)**

- The pleasant surprise of the First 100 days as policy, such as healthcare, was hashed out, a Supreme Court nominee confirmed & foreign policy such as North Korea addressed, is over. Despite Trump's volatile, impulsive & self-destructive nature it had seemed as if our democracy's guardrails - Congress, the courts, the states, media & the cabinet - had kept him within bounds. Then came the past ten days when the country got caught in the internal maelstrom of Donald Trump's mind. Normal activity disappeared while North Korea's launch of an alarming new missile & a problematic visit from Turkey's president barely evoked notice. For nothing could escape the black hole of a triple presidential meltdown :
  - First the firing of James Comey. Trump, consumed by the perceived threat of the Russia probe to his legitimacy, first executed an impulsive dismissal of the FBI director & then surrounded it with a web of lies that his staff parroted, only to be humiliated when he contradicted them within 48 hours, thus creating the impression of a coverup that Trump denies exists while acting as if it is everywhere;
  - Next, his divulging classified information to Russians, a stupid, needless mistake but, despite the media hysteria, hardly an irreparable national security calamity. Once again, the coverup exceeded the crime as Trump had three top officials declare the story false but then tweeting the next morning he had been wholly within his rights to reveal what he had, thus verifying the truth of the story (& hanging his National Security Adviser, H.R. McMaster & others 'out to dry'); and
  - When the third crisis hit, the news of the Comey memo claiming Trump tried to get him to call off the FBI investigation of Michael Flynn, the Republicans sought

to hide rather than to defend him. And they are starting to panic; hence the notion now circulating *within the Beltway* of dumping Trump by using the 25<sup>th</sup> Amendment (the post-Kennedy assassination measure providing for the removal of an incapacitated president by a decision of the Vice-President & a majority of the cabinet). That would be the worst idea ever; for it perverts the intent of an amendment meant for a stroke, not stupidity, & for Alzheimer's, not narcissism, & using it this way would amount to a coup that would be seen by millions as the establishment ridding itself of a disruptive outsider. And it would be the most destabilizing event ever in American political history & the gratuitous overthrow of one key constant in American politics, the fixed presidential four-year term except for high crimes & misdemeanours.

- Trump's behaviour is deeply disturbing but not surprising; for his mercurial nature has been there all along. And the American electorate chose him nonetheless. So what to do? Strengthen the guard rails. Redouble the oversight of this errant president. Follow the facts, especially the Comey memos, & let the chips fall where they may, But, *please*, no tricks, constitutional or otherwise.

*Krauthammer is an interesting cat. Born in NYC, he was raised in Montreal where he graduated from McGill with First Class Honours in Economics & Political Science. After a year as a Commonwealth Scholar at Balliol College, Oxford, he enrolled in the Harvard Medical School where in his freshman year he had a diving accident that left him paralysed & wheel chair-bound (which did not stop him from graduating at age 25, after which he specialized in psychiatry). Somewhere along the way he became a Pulitzer Prize-winning columnist who has been called "America's most important conservative columnist" by the NYT's David Brooks & "without a doubt the most powerful force in American conservatism" by Joe Scarborough (age 54), who from 1995 -2001 was a GOP member of the House for Florida's First District, in 2011 was named one of Time magazine's '100 most influential people in the world' & now is a cable news & talk show host. So he cannot be accused of being one of Trump's left-of-centre detractors. And it is interesting how in a roundabout way he seems to be setting the stage for impeachment in due course.*

### **AVERAGE MORTGAGE DEBT UP 11% (G&M, Garry Marr)**

- Manulife Bank's annual homeowner debt survey found the average *household* mortgage debt in Canada had risen 11% in the past year & that 52% of Canadians say they could not quickly adjust to higher interest rates. According to CEO Rick Lunny, "The survey shows ... a large percentage of Canadians are not prepared for unexpected expenses ... *and that it affects both ... the millennial segment as well as the baby boomer segment ... The millennial segment owes more than any previous generation and is not prepared to meet unexpected expenses. They're home owners (a disproportionate share of whose wealth is tied up in their homes) but their furnace could go or they could need a new transmission on their car.*" The average millennial owes \$223,000, 29% of them > \$250,000 & 14% is debt-free and the baby boomers' average is \$180,000 while 61% is debt-free (*i.e. those with debt, presumably those closer to the 52-year lower-, than the 71 year upper-, end of their age range, owe an average \$450,000 or so .*

*The outlook is worrisome. Historically, during an era of rising house prices, the quality of lenders' mortgage portfolios deteriorated as lending criteria were relaxed. This has been aggravated in this instance by the growing market share of "alternative lenders" of the kind that triggered the 2008 US recession, the largest of which, Home Capital, recently ran into some*

*'heavy weather (the significance of which the Royal Bank CEO recently sought to pooh-pooh). Meanwhile, the Big Five banks' Second Quarter<sup>7</sup> results show a slowdown in their mortgage lending activities (& in the case of the TD even a 0.4% decline YoY, down from 1.2% YoY in 1Q/16) and new listings are growing. All this suggests a growing probability of the onset of self-reinforcing downward pressures on home prices. Meanwhile, the once red hot Toronto market seems to be cooling : listings are up (47%YoY) & the sales-to-listings ratio, at 52%, is little more than half the 94% it was earlier this year, there is anecdotal evidence of buyers walking away from their deposits rather than completing their purchases, & of one well-informed home owner, a professor at Hamilton's McMaster's De Groot Business School, selling his Toronto home & planning to rent while he & his wife contemplate their next move (the last time I heard of other financially sophisticated people doing so was in 1989, just before Toronto home prices cratered by almost 50% over seven years).*

### **CHINA, INDIA PLANS FOR ELECTRIC CARS THREATEN TO CUT GASOLINE DEMAND** **(Hindustan Times)**

- Demand for gasoline in Asia may peak much sooner than expected. In its “road map” released last month, Beijing announced it wants alternate fuel vehicles to account for 20+% of its 35MM new vehicle sales (up 50% from today's rate) by 2025. And India<sup>8</sup> is considering even more radical change, with an influential government think tank drafting plans to have all vehicles in the country electrified by 2032. Daimler now expect 15-20% of its sales to be electric by 2025 & Shell announced earlier this month that it “is looking into ... the potential to introduce vehicle charging points at our retail sites in several countries”.

*Neither China or India have much choice because in both countries the air quality in their big cities is 'off the scale'. While the Paris-based IEA still expects oil demand for vehicle use to continue rising until 2040, Moody's recently warned that the direct financial effects from falling oil demand “could be material by the 2020s” - and Moody's is likely the more credible source.*

### **MOODY'S DOWNGRADES CHINA, WARNS OF FADING FINANCIAL STRENGTH** **(Reuters, John Ruwitch)**

- In March of last year Moody's changed China's outlook from “Stable” to “Negative”. And on May 24<sup>th</sup>, for the first time in almost 30 years, it downgraded it from Aa3 to A1 on the grounds that it expects the financial strength of its economy to erode in the coming years as growth slows & debt continues to rise. This comes as Beijing is grappling with the challenge of rising financial risks stemming from years of credit-fueled stimulus (*that has left its hopelessly inefficient SOE sector with an impossible bank debt loads*). China's Finance Ministry's reaction was that Moody's findings were based on “inappropriate methodology” & that its “view that China's non-financial debt<sup>9</sup> will rise rapidly and that the government will maintain growth via stimulus measures” are exaggerating the difficulties facing the Chinese economy and underestimating its government's ability to deepen supply-side structural reform and appropriately expand aggregate demand.”

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<sup>7</sup> Their fiscal year ends by statute on October 31<sup>st</sup>; so their Second Quarter ends on April 30<sup>th</sup>.

<sup>8</sup> That in 2013 replaced Japan as the world's No. 3 crude oil importer.

<sup>9</sup> Debt owed by households, government agencies, non profits & any corporation that is not part of the financial *intermediary* sector.

- But according to Julian Pritchard-Evans, Capital Economics' Singapore-based China Economist, the situation in that country has "reached the point where the bad debt problem is ... so large that the government will have to step in to resolve it at some point, and that obviously means at some point a sizeable increase in government debt", while last September the Basle-based BIS warned that excessive credit growth in China signaled an increasing risk of a banking crisis within three years."

*In a culture in which "face" is a be-all & end-all, it must really grate the Beijing apparatchiki that Moody's rates Singapore Aaa, South Korea & Hongkong Aa2 and Taiwan Aa3, all of them with "stable" outlooks (although having the same rating as Japan ain't too shabby). And with both Moody's & Fitch now rating China A1, the betting is that S&P will soon trim its AA- rating as well.*

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### **DUTCH KING REVEALS A SECRET LIFE - AS A KLM AIRLINE CO-PILOT (WP, Susan Hogan)**

- King Willem Alexander (age 50) four years ago took over from his mother, Queen Beatrix, after she abdicated (*at age 75*) after a 33 year reign. While serving in the Royal Dutch Air Force he got his pilot's licence & after his military service, & while still only the Crown Prince, he joined the Dutch cargo airline Martinair as a pilot until, 21 years ago, he joined KLM in the same capacity to fly Fokker 70 "City Hopper" 80 passenger jets about twice a month & now, as these will be phased by October, he is being retrained to fly Boeing 737s. He says that passengers seldom recognize him in Schiphol Airport in his pilot's uniform & that he does not identify himself when making inflight announcements to the passengers. And in an interview with the daily
- Telegraaf he observed that "You have an aircraft, passengers and crew. You have responsibility for them ... You can't take your problems from the ground into the skies. You can completely disengage and concentrate on something else. That, for me, is the most relaxing part of flying."

*His still being, after 21 years, a "three striper" likely is not a reflection on his flying capabilities (in fact, captains with whom he has flown with hold them in high regard) but rather due to a common sense decision that becoming a four striper, i.e. a pilot-in-command, might create needless complications.*