

GLEANINGS II - 801
Thursday March 21st, 2019¹

Quote of the Week - "Building pipelines involves jobs. The oilsands involves jobs - tens of thousands of jobs. Northern Gateway ² involved jobs. The Energy East pipeline (*that the Quebec government opposed*) involved jobs ³ (*albeit not so much in Quebec*). The flight of corporate head offices from Calgary involved jobs (*as does the move of Encana's CEO from Calgary to Denver & the removal of the word "Canada" from Trans-Canada's new name?*). The still-stalled, *now government of Canada-owned*, TransMountain pipeline expansion involved jobs" ⁴ - Rex Murphy in the National Post of March 16th. *According to the Paris-based IEA Canada's level of oil output growth has "significantly decreased " & the forecast of a 300,000 bbl/d addition over the next five years to 5.5MM bbl/d can be "too rosy". Only five months after 'greenlighting' it, Imperial Oil announced it is stretching out by one year the building of its \$2.6BN Aspen project oilsands project that would use new technology to draw the oil from the oilsands &, in response to a question by Trudeau's Natural Resource Minister, Edmonton bus driver Amarjeet Sohi, if the existing pipelines' efficiency could be boosted, the NEB (National Energy Board)'s Chief Economist Jean-Denis Charlebois reported they are "at capacity" & "at full efficiency" ... "In a nutshell, pipelines are full" .*

Atlanta Fed GDPNow - Its March 22nd reading was 1.2%, up from 0.5% on March 15th & 0.3% on March 12th - *I didn't send Gleanings out last night, as I had intended, since I knew this number was coming out this morning. And when it was 3 hours late doing so, I suspected it would either outright awful or up a great deal from its last report (which may, going forward, affect the series' credibility somewhat); still, the eventual outcome was the better of the two options, even though it will still be a big disappointment for the Donald Trumps of this world. Its next reading will be on Tuesday March 26th, the most interesting part of which may well be the change in its 'Blue Chip Consensus, whose latest, 1.5%, reading is now 16 days out of date*

Bad omen? - This year spring will officially start at 1758 hrs EDT on Wednesday 20th & the moon will be full four hours later. The last time this happened on the same date was in 1981, the first year of the Reagan era, when the US population was 100MM smaller than today, the US National Debt-to-GDP ratio 44% (vs. 105 % today) & the GDP growth rate 2.5%, and the unemployment rate went from 6.3% to 7.5% after a recession started at midyear, causing the S&P 500 Index to decline 17.2% to 329.55 & the Dow Jones 15.2% to 2,335.42 ⁵.

¹ My apologies; I was a week behind with my date last week.

² A pipeline project to Kitimat, BC that the Harper government had approved, albeit with 209 conditions, in June 2014 in the face of strong opposition by indigenous groups & the BC government, but that Trudeau, upon taking office in October 2015, effectively killed by imposing a tanker traffic ban off the BC North coast & then officially did so 13 months later

³ Although in basic economic terms it does not seem to make much sense for Alberta oil to be hauled 3,000 miles East, part way through 50 year-old pipe with a 35 year-old useful life, into an already oversupplied Atlantic Basin to benefit New Brunswick's Irving family rather than 1,000 miles West to a Pacific Basin that is looking for new source of oil from politically reliable sources.

⁴Only by the tens of thousands, rather than SNC-Lavalin's 3,400 in Québec, 5,200 in the rest of Canada & 40,000+ elsewhere in the world.

⁵ These last two sets of numbers are approximations; for my hand was not quite steady enough to pick the exact dates off the charts.

Boeing - In 2017 it had revenues of US\$93.4BN, US\$23+BN of it from federal government contracts; so, if in 2017 it spent US\$15MM on lobbying in Washington, as it did in 2018, it got a great return on its money; small wonder Sen. Richard Blumenthal (D-CT) called it “one of the 800-pound gorillas around here”. Since 2016 Boeing employees and Boeing-affiliated PACs & other groups have made US\$8.4 MM in donations to Washington politicians (equally to Republicans & Democrats). And due to a 1970's loophole in the 1940's law barring individuals & firms negotiating for, or performing, federal contracts from making political contributions, Boeing could nevertheless contribute US\$1MM to the Trump Inaugural Committee - *Small wonder that on Tuesday March 12th, two days after the Ethiopian Airlines crash & one before Trump grounded the Boeing 737 Max 8s, Boeing CEO Dennis Muilenburg phoned Trump.*

Financial Legerdemain? - In his Budget Presentation Prime Minister ‘Batman’ Justin Trudeau’s faithful sidekick, ‘Robin’ Bill Morneau used a chart to show voters the country’s National Debt-to-GDP ratio is in the 27.6% range. But external sources put it much higher : the OECD at 115% & the IMF at 87%, Facts Maps at 99% & the CIA-, Trading Economics-, & Statistica at 90%. The answer is found in the IMF statistics; for it reports the number on both a gross-, & a net-, basis & its 28% for Canada on the Inet basis validates that used by Minister Morneau. But the net number is seldom used, if not utterly irrelevant; for it nets out a whole range of government assets that are not ‘liquid’ & essential to the conduct of its day-to-day operations, and ignores “off-balance sheet” liabilities & money owed ‘internally’ to entities like underfunded government pension plans. Another first in the Budget presentation came when the Finance Minister bragged out of one side of his mouth about major financial windfalls & out of the other promised so much new spending to buy votes in the next election that the outlook is for large budget deficits as far as-, if not far further than-, the eye can see.

Former Treasury Board President Dr. Jane Phillipott just weakened the thread keeping the political ‘Sword of Damocles’ from dropping on Prime Minister Justin Trudeau’s head - A 58 year-old medical doctor cum rookie MP, she was one of the real shining lights in Prime Minister Trudeau’s otherwise talent-lite & lacklustre, but gender-equal, Cabinet (one of the few others being the now departed Justice Minister Jody Wilson-Raybould). After doing yeoman service for him in three challenging portfolio’s (Health - a natural, Indigenous Services - a politically a “third rail” one, & Treasury Board - for only 49 days (not long enough to get her feet wet), she resigned from Cabinet on March 4th because “I could not maintain solidarity with Cabinet on the specifics of the management of the SNC-Lavalin issue”. And she had a long interview with Maclean’s Magazine’s Paul Wells in which she told him, without really ‘talking out of school’, “There’s so much more to the *SNC-Lavalin* story that needs to be told ... and that we really owe it to Canadians as politicians to be sure that they have the truth.”⁶ And in passing she also mentioned she had been told by colleagues that “there are people who are *now* afraid they’re not going to be (re-)elected because of what I did.”

She represents Markham-Stouffville in the Area Code 905 region encircling Toronto where hanging on to the seats his party currently holds there is important to Trudeau’s re-election prospects this fall, but where his party’s support has been softening & where a year it strongly supported the now Conservative Ontario Premier Doug Ford. But she did what every voter everywhere should have the right to expect from ‘his/her’ politician, but these days evermore seldom gets, i.e. ‘a willingness to do the right thing for their constituents regardless of the political consequences for themselves’. And in Canada that goes back a long way. For I remember Prime Minister Jean Chrétien (with whom I once was on speaking terms) telling the

⁶ A quaint, old-fashioned notion that politicians have responsibilities to their constituents, rather than just to themselves, & their leader.

CBC in a radio interview when he was sort of in the political wilderness in the 1980s, “When I first came to Ottawa [in April 1963 (5 months before I joined the Department of Finance) ⁷] ‘I was told that I as an MP had two responsibilities, to represent my constituents in Ottawa & Ottawa in my constituency ... and I think the balance has now shifted too much in the latter direction’ (although then, when he became Prime Minister a decade or so later ... he pushed that boundary resolutely still further in the centralizing direction! - Sad, but not unexpectedly so given Lord Acton’s dictum 100+ years ago that “All power tends to corrupt and absolute power to corrupt absolutely”; how power changed what had once been a pretty down-to-earth person!).

Global economic update - Italy & Turkey are formally in recession. Europe’s manufacturing flash PMIs were dreadful (overall 47.6, vs 49.5 expected), Germany 44.7, vs. 48.0 expected & France 49.8, vs. 51.4 expected. The ECB has dropped its Eurozone’s 2019 GDP growth forecast from 1.7% to 1.1%. In Germany, its 2018 1.5% GDP growth rate was not just down from 2.2% YoY but also a five-year low. In the UK the Fourth Quarter GDP growth rate was 0.2%, & a month ago, with manufacturing & construction activity decelerating, the BoE cut its expected 2019 growth rate from 1.7% to 1.2% (& with the Brexit debacle still unfolding that may well be too high). In China the annualized Fourth Quarter growth rate was 6.4%, down from 6.8% in the First Quarter, last year its companies were defaulting at a record rate, & in February its exports were down 21% YoY. In India the Fourth Quarter rate was 6.6%, down from 7.7% YoY and from 9.3% in the First Quarter of 2016. And, while Russia was the exception to the rule, since its economy is said to have grown by 2.3%, a six-year high & 0.7% over the 1.8% expected, in the overall scheme of things this is all but irrelevant, for its economy is even smaller than Canada’s (that is the tenth largest in the world).

Israeli Elections - According to a March 20 Channel 12 poll Benny Gatz & Yair Lapid’s Blue & White centre/leaning left combo would get 32 seats in the Knesset vs. Likud’s 27 (while another Channel 13 one shaded that to 31 & 29) although, when asked “who do you prefer as prime minister?”, Netanyahu beat the Gatz/Lapid combo 38 to 36. Meanwhile the Israeli Supreme Court stirred the pot on Sunday March 17th by ruling that his extreme anti-Arab talk meant that Michael ben-Ari, the leader of the *tiny*, far, far-right Jewish Power party, could not run in the election (although members of his party still can), thereby overturning an earlier election committee ruling, and by declaring the radical leftist Hadash party can participate in the election as can the Israeli-Arab Raam Balad party (despite its alleged links with Palestinian militants). Meanwhile, Haaretz reported growing numbers of Jews living abroad are planning to come home for the specific purpose of voting against Netanyahu on April 9th (made easier for them since they can combine this with their annual visit to Israel for Passover on April 19th to 27th), there are growing rumours the Arab-Israeli turnout will be well in excess of the last election’s 61% & that in the Druze community (2% of Israel’s population), their traditional support for rightist parties is dwindling.

Trump made it clear where he stands by picking this moment in time to announce he thinks it’s time the world recognizes Israel’s sovereignty (*against international law & contrary to many UN resolutions*) over (*the Western half of the 1,800 sq.km.*) Golan Heights (*that Israel took from Syria in the 1967 Six Day War*)⁸ and by inviting Netanyahu to stay at Blair House, & visit him at

⁷ We are also almost exactly the same age (he is 7 months & 19 days older than I, & I hope he’s in as good a health as I . .

⁸ According to Politico, in an article entitled Trump’s Golan Fiasco, “Recognizing the disputed territory won’t help Israel ... but *merely* make it reverberate all over the world (because it would set a precedent for one of the many dictators in the world today to add to the territory under their control by military force, something outlawed, & for good reason so, since WW II under international law.

the White House, when he is in Washington this weekend for the Annual AIPAC Policy Conference, and by having Secretary of State Mike Pompeo ⁹ visit Netanyahu this week during the run-up to the elections (*during which Netanyahu accompanied him to the Western Wall, something that non-Jewish American political leaders, incl. their Presidents & even Trump himself in January 2017, have never allowed him to do, out of respect of it being the most sacred praying site in Judaism.*

Oil Prices – In the last year’s Fourth Quarter Brent went from US\$85 to US\$54 & WTI from US\$75 to US\$43, while YTD they have recovered to US\$66 & US\$59 respectively (with the US gasoline price going from 75 cents a liter on October 1st to 59 cents at yearend & now are back up to 61 cents – *but what caught my attention was the fact that companies in the ‘Alberta Oil Patch’ are locking in the current price in the futures’ market (i.e. they don’t think the higher prices will ‘stick’). And they may well be right, for Big Oil in the Texas shale can still make gobs of money at the lower prices & Trump wants low prices (even though in geopolitical terms that would hurt Putin’s economy).*

US National Debt - Last month, after two years of Trump c.s. cutting taxes & hiking government spending, it went through US\$22TR (twice that a decade ago). While in FY18 (to September 30th, 2018) the deficit was US\$799BN, the non-partisan Congressional Budget Office (CBO) now calls for a US\$900BN deficit (up 12.6% YoY) in the current year & for deficits to start topping US\$1TR, & to stay at, or above, that level for the foreseeable future, as it averages 4.4% annual growth, up from 2.9% in the past 50 years (*and for the debt to be US\$33TR a decade hence?*). As a result, it expects debt payments will start exceeding the cost of Medicaid next year, while the recent White House Budget Forecast envisages that by 2024 the government will be spending more money on paying interest than on the military - *This cannot help but be a huge train wreck in the making¹⁰, especially so since all of the recent growth in the national debt was run up during nine years that the US economy was recovering from the Great Recession & presumably ‘doing OK’ & since in the past decade the US ‘replacement’ fertility rate has gone from marginally above the 2.1% breakeven point to 1.8%, so that the ‘aged dependency ratio is now expected by 2026 to cross the 30% level at which it becomes a drag on potential GDP growth.*

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DAY BEFORE FATAL LION AIR CRASH, OFF-DUTY PILOT SAVED FLIGHT (Bloomberg, Alan Levin & Harry Suhartono)

- On October 28th, 2018 on a flight from Bali (*the small holiday resort island that is the first in a string of islands East from the Eastern tip of Indonesia’s main island, Java*) to Jakarta, *the nation’s capital on Java’s Northwest coast, a distance of about 1,200 miles as the crow flies*, the pilots got a stall warning when their Boeing 737 Max 8 was about 400 feet in the air that the pilots fought to correct until a fellow, off-duty, dead-heading passenger pilot riding the jump seat in the cockpit bailed them out by telling them to cut the power to the trim system that was driving the nose down, something that supposedly is part of a checklist that all pilots are required to memorize, but that the pilots of the

⁹ Who, while in Jerusalem during an interview on CBN (Christian Broadcasting Network) confessed that “as Christian” he believed that God has sent Trump “to help save the Jewish people from the Iranian menace”.

¹⁰ The more so since, according to the Washington Post, the White House recently acknowledged that the US won’t attain 3% sustainable growth unless several pieces of controversial legislation are passed, incl. a large infrastructure bill & more tax cuts (*i.e. billions more borrowing*) and more regulatory *downsizing* initiatives are taken

plane that crashed the next day apparently hadn't known, or forgot about in their cockpit's momentary pressure cooker environment. But the pilots of the October 28th flight apparently didn't mention this after they had landed, nor did their request for maintenance mention that they had gotten a false stall warning shortly after take-off (*with fatal results on the same plane the next day*).

It has since become known that two important safety gadgets on/features of the Boeing 737 Max 8 were marketed by Boeing as costly, 'add-on' options' that add to the base cost of the plane, which prompted some lower tier airlines, like Lion Air, to pass on them.

STORM CLOUDS FORMING OVER U.S. ECONOMY (Bloomberg, Gary Shilling)

- I first suggested over a year ago that the US economy was heading toward a recession and now, when others have started forecasting the same, I still give a business downturn starting this year a two-thirds possibility. The recessionary indicators are numerous. A tighter monetary policy that the Fed now worries it might have overdone. The near inversion of the yield curve. The swoon in stocks at the end of last year. Weaker *new* housing activity. The tiny 20,000 increase in February payrolls, compared to the 223,000 average *monthly* gain in the past year. And the deteriorating European economies & decelerating growth in China (plus President Trump's trade war with it). There is, of course, a chance of a soft landing (as was the case in the mid 1990's) but by my reckoning in the other 12 times the Fed restricted credit in the post-WW II era, a recession always resulted. Moreover, in the case of a soft landing, a revival would *soon* bring more Fed restraint; for its policy makers would *still* want higher rates so as to have more room to cut rates in the next recession.

Shilling is almost as old as I am & has been around the track more times than a race horse. Born in 1937, he got a degree in Physics from Amherst. MA-based Amherst College & a Ph.D. in Economics from Stanford. He worked at Standard Oil New Jersey, the San Francisco Fed, Merrill Lynch Pierce Fenner & Smith (where at age 29 he founded its Economics Department) & White Weld until in 1978, at age 41, he founded his own New Jersey-based firm A. Gary Schilling & Co. that he still runs (albeit at a much reduced scale). He established a great forecasting record in the 1970s, 80s & 90's but hasn't done quite as well since & in the last year must have left a lot 'on the table' since he said he had never had as much money in cash in his life (a function of his training in a long ago common school of thought that held it was better to get out before the market peaked when there was lots of liquidity in it than to wait until after it had peaked & having to sell in a market in which serious buyers were scarcer than hen's teeth. But be all what it may, he still has a considerable following as a contrarian.

FED SIGNALS NO MORE RATE INCREASES LIKELY THIS YEAR (Morningstar ¹¹, Nick Timiraos)

- On Wednesday March 20th the FOMC kept its benchmark rate steady, with 11 of its 17 ¹² members thinking the Fed would not need to raise interest rates all year. And it also announced that in May it would slow the pace of its sales of UST securities to just US\$15BN monthly & after September end it altogether. And a majority of officials now see the Fed raising rates just one more time in the next three years.

¹¹ A Chicago-based global financial services company.

¹² Up from two, two meetings ago in December.

The latter seems to suggest that they expect the economy to face an extended period of sub-optimal growth (which, ahead of the 2020 elections, will create growing pressure from President Trump to get a 'lead foot' on the money supply accelerator).

TRUMP BLAMES POWELL'S FED FOR ECONOMY'S FAILURE TO HIT 4% GROWTH (Politico, Victoria Guida)

- On March 21st he fired a broadside at it, blaming it for the economy's failure to exceed 4% economic growth last year, thereby signaling he has no intention *whatsoever* to let up on pressuring the Fed despite its announcement the day before that, given muted inflation & slowing global growth, it does *no longer* expect to raise interest rates this year & will stop shrinking its multi-trillion bond holdings in what is called QT (Quantitative Tightening) that makes it harder for borrowers to obtain credit.
- He told Fox Business News in an interview scheduled to be aired Friday morning March 22nd, that "The world is slowing but we're not slowing and frankly, if we didn't have somebody that would raise interest rates and do quantitative tightening, we would've been at over 4 [percent] instead of 3.1 [percent *last year*]." While Powell has repeatedly insisted Trump's criticisms played no role in the Fed's policy decisions, Trump maintains he didn't know if it had, adding "I hope I didn't influence, frankly, but that doesn't matter ... One thing, I was right."

There currently two vacancies on the Fed Board & Trump is said to be thinking of nominating two new Governors whom he thinks share his economic thinking. But there are two problems for him with this. One of them has some (sexual harassment) blots on his escutcheon that could make, especially in the current environment, his confirmation by the Senate a dodgy proposition. And two, even if both got confirmed, they would still only constitute a small minority of the eleven voting members of the 17 member FOMC.

DEUTSCHE BANK AND TRUMP : \$2 BILLION IN LOANS AND A WARY BOARD (NYT, Nathan Weber)

- For two decades Trump relied on Deutsche Bank to lend him money when other banks wouldn't touch him *with a ten-foot barge pole*; for eager to expand in the US it repeatedly made decisions to take a risk on him and, *in the process*, lent him a total of US\$2+BN over the years. In 2003 it placed hundreds of millions of dollars in bonds with clients for his casino company only to have it default a year later, leaving the buyers with *grievously* deep losses & causing its investment division, the marketer of the bonds, to vow to never to do business with him again. And yet, only a year later (*i.e. in 2005*), he approached/*had the gall to approach* another part of the same division for a US\$640MM loan to build a skyscraper in Chicago; it made the loan & 3 years later (*i.e. in 2008*) he defaulted on it as well ... & sued the bank, after which the investment division cut all ties with him. Nevertheless, another three years after that (*i.e. in 2011*), the bank started lending to him again, this time through its private banking division (that caters to the super rich), with Trump using some of the proceeds of that loan to repay the bank what he still owed it from the Chicago caper - *A 2016 a report to for the bank's Board on its relationship with Trump attributed the irrationality of all this to the bank's siloed*

management structure & its culture of getting deals at all cost (and of the widespread practice of “credible deniability?”¹³).

In another, even more detailed & revealing, NYT article, headed A Mar-a-Lago Weekend and an Act of God : Trump’s History with Deutsche Bank, Mike Moffitt, a Goldman alum then working at Deutsche Bank, who arranged some of its early loans to Trump but was fired in 1999, opined ‘one way to stand out in a crowded market is to make loans that my rivals considered too risky’.¹⁴ Looking back thirty years in my own career, there were then already signs of a bank that was triple A-rated (vs. today’s Baa2 rating by Moody’s, i.e. only two levels above junk) with a huge domestic customer base (over one in every three Germans being a customer) & anxious-, if not feeling entitled -, to be a big player on the global scene that somehow was never able to get its act together in that respect (while some other countries’ banks that were smaller & had lesser dominant presences in their home markets were making out like bandits in the global one). And I remember well the Moffitt types, who were solely focused on the commissions, & status in the firm, big deal flows would generate for them in the short run, than on the quality of the paper they brought to market & who counted on the stupidity of the investors that could be talked into buying it, that in due course led to the 2008 US financial crisis & the Great Recession.

MICHIGAN CONSUMER SENTIMENT : MARCH PRELIMINARY ROSE (Advisor Perspectives, Jill Mislinsky)

- It came in at 97.8, up 3.4 points from February & 2.5 points from the expected 95.3, although according to Richard Curtin, the Research Associate Professor in charge of the University of Michigan’s Survey Research Center, “This was entirely due to households with incomes in the bottom two-thirds of the distribution whose sentiment rose to 97.4 from 90.0 in February” (whereas among those with incomes in the top third, *who account for half of all consumer expenditures*, it slipped to 98.5 from 101.7, the difference being that the former expect monthly 1% jumps in their incomes & the latter’s only 0.1%. And all income groups expressed optimism about the outlook for economic growth in 2019.

This could really backfire on Trump c.s. if their economic growth expectations are proven to have been unfounded - Advisor Perspectives is a Swedesboro NJ-based entity whose purpose in life is to help “advisors to enable their clients to achieve their financial objectives”; while it correctly forecast the last three recessions, it called for one in 2011 that didn’t materialize.

OIL EXPLORERS TRIM DRILLING AMID ‘SHALE PATCH WEAKNESS’ (Bloomberg, David Wethe)

¹³ The practice of ‘nod-nod, wink-wink’ consent giving that enables decision makers, if the project fails, to deny having approved it & even of having had prior knowledge thereof.

¹⁴ Tommy-rot; he was of those slime ball ‘investment bankers who made deals that made him big commissions, full well knowing, but not caring, that the product was flawed that any investor that did due diligence would avoid like the plague.

- On March 15th Baker Hughes reported that in the latest week the number of working oil rigs in the Texas shale had declined by one to 833, resulting in their longest four week decline since May 2016. And although the EIA (US Energy Information Agency) still expects US crude output to reach record levels this year, it has trimmed its 2019 forecast by 110,000 bbl/d to 12.3MM bbl/d which Phil Flynn, senior market analyst at Chicago-based Price Futures Group calls “just the beginning.”

This quite differs from the report last week about Imperial’s & Chevron’s plans for the shale.

PENTAGON OBSESSED WITH CHINA (AP)

- The 2020 Pentagon budget is shaped by national security threats that Acting Defense Secretary Patrick Shanahan^{15 16} summarized for the Senate Armed Services Committee as “China, China, China”. For while the US is still fighting small wars against Islamic extremists & Russia remains a serious concern, he seeks to shift the military’s focus to what he considers the more pressing security problem of a rapidly growing Chinese military, a theme, that he outlined on March 14th in presenting the administration’s proposed 2020 defense budget to the Committee (& that competes with narrower, more immediate problems such as President Trump’s effort to use the military to help build his border wall. He told its members in prepared testimony “We’ve been ignoring the problem for too long ... China is aggressively modernizing its military, systematically stealing science and technology, and seeking military advantage through a strategy of military-civil fusion”¹⁷.

There is no question that the Chinese military leaders have been more forward-looking than their US counterparts whose focus has been stuck on hard-, rather than soft/cyber -,ware, although the proposed early retirement of the USS Truman may be ‘canary in the coal mine’ evidence the Pentagon’s strategic thinking is becoming more 21st Century-focused (driven by the realization that the possession by China of anti-carrier missiles coming in from space at Mach 5 speeds makes carriers ‘sitting ducks’?)

CANADA (HOME) SALES DOWN IN FEBRUARY, AVERAGE PRICE DOWN (CP, Aleksandra Sagan)

¹⁵ Age 56 and having a BSc & MSc in Mechanical Engineering and an MBA from MIT’s Sloan School of Management, he had a 21 year career with Boeing, lastly in the key role as SVP, Supply Chain & Operations, he was named Deputy Secretary of Defense on July 19, 2017 & Acting Secretary in January 2018 upon the unforeseen hasty departure of Secretary Mattis (which means he now has been Acting Secretary longer than anyone else) in the wake of the President’s announcement that all 2,000+ American troops would be leaving Syria because ISIS was ‘defeated’ (a process that has only recently gotten underway while the original announcement has been amended by another one that a 400-strong contingent will remain there indefinitely (*presumably in the hope that this will be enough to keep Turkey from taking a round out of the Kurdish irregulars there who borne the brunt of fighting in terminating the ISIS presence there (with the White House recently denying rumours their number might be as high as 1,000).*

¹⁶ Who is now under investigation by the Penagon’s Inspector-General for allegations that, while in office he pushed for the purchase of Boeing equipment & for having made disparaging remarks about that of its competitors.

¹⁷ The necessity to develop the industrial sector in tandem with the military; i.e. strengthening of an institutional synergy between the military and civilian sphere the way Xi Jinping set it out at the 18th National Congress in November 2012 (i.e. shortly after he became President) - those interested in this subject can have it explained in greater detail in the August 2018 article, that can be googled, entitled Beijing’s Ultimate Goal : Military Fusion by Sergio Miracola of the Milan-based ISPI .

- The CREA (Canadian Real Estate Association) reported on March 15th that February home sales were down 4.4% YoY to their lowest level for the month since 2009¹⁸ & 12% off the 10-year average for the month. And prices were off 5.2% YoY to \$468,350 (or \$371,000 ex Vancouver & Toronto) & on an YoY basis were down 9.1%, the most since November 2012.

The 4.4% overall rate was made up of a drop in Alberta & BC, and an average 2.8% volume rise in the other 8 provinces.

CANADA'S FINANCE MINISTER MORNEAU REJECTS NOTION CANADA IS CLOSE TO A RECESSION (FP. Victor Verreira)

- On Wednesday March 20th, the day after having presented his 2019 Budget to the House, Finance Minister Bill Morneau told a Toronto audience (*of members of the Empire-, & Canadian clubs*) that while some economists have begun to believe that Canada is currently in recession “They would be incorrect ... That would be technically wrong and certainly not in line with our expectations ... We’re expecting ... that we will have a return to growth at the expected levels in the second quarter (of 2019) and our long-term forecasts are positive”. [the government’s Budget is based of the assumption of two weak quarters (4Q/18 & 1Q/19) after which the economy would pick up enough steam to produce 1.8% GDP growth in 2019 as a whole & a \$20BN deficit (*up marginally YoY*) & that by 2024 the deficit will have been halved].
- Among the economists he refers to are Fidelity Investments’ portfolio manager David Wolf, a former adviser at the Bank of Canada, who believes that Canada may already be in recession, even if there haven’t been two quarters of negative economic growth yet¹⁹ [while the Fourth Quarter eked out 0.4% growth that was despite 0.1% shrinkage rates in both of the last two months of the quarter (which means that October must have been a real barn burner) which unfortunately for Mr. Moreau, strengthens the economists’ case, as well as Glushkin Sheff’s David Rosenberg (*once Merrill Lynch’s New York-based Chief North American Economist who got fed up with living in the States*) who believes a recession this year is “unavoidable” & that if Canada isn’t already in one, it’s ‘one rung away on the ladder’.

With an election slated for fall. Morneau has not choice but to 'keep a tight arse & look fierce'; for a recession now would blow whatever chances Trudeau & the Liberals may have to form the next government right out the water. And the odds are he will be proven wrong. First, because I learnt long ago that 'the more vehemently a rumour is denied at the higher a decision-making level', the more likely it will shortly be proven true correct. Secondly, both Wolf & Rosenberg have credibility since they are 'Buy Side' types must 'eat' their mistakes in contrast to 'Sell Side' -, & especially public sector-, economists who have more job security & more scope for 'sweeping their mistakes under the rug'. And finally, straws in the wind like December car sales being down 6.5% YoY, the declining labour force participation rate & the fact that in January food prices were up 0.8% MoM.

ISRAEL STRIKES GAZA STRIP TARGETS (WP, Loveday Morris & Ruth Eglash)

¹⁸ When Canada’s population was 9% smaller.

¹⁹ The two quarter negative rule is only useful after the fact for determining that there officially was a recession, but not helpful when an economy is going into recession.

- On Thursday March 14th, after a day of unrest in Gaza, when Hamas had to forcibly put down protests by residents against deteriorating living conditions, two rockets were fired from Gaza towards Tel Aviv, one of which was said to have 'probably' ended up in the sea; this was the first time in four years the city had been so targeted, with residents reporting explosions but no injuries or damage, even though the military said that neither rocket had been intercepted by Israel's Iron Dome military defense system. Early the next morning the Israeli military said it was targeting 100 "terror sites" in Gaza (incl. the main site where rockets were being made) following which seven more rockets were fired from Gaza, six of them intercepted by the Iron Dome. While the Israeli military said Hamas was responsible, & the Israeli media initially reported they had been launched by mistake, others pointed the finger at Islamic Jihad, the second-largest militant organization in Gaza, saying it had wanted to break up an Egyptian attempt to broker a truce between Israel & Hamas (an Egyptian delegation had arrived in Gaza Thursday evening), while some analysts speculated it was Hamas that had been trying to create the distraction.

With both Hamas & Islamic Jihad denying to have been behind the attacks & Netanyahu having had his 'election fodder' bombing moment, by Friday night everything had 'returned to normal'.

SAUDI CROWN PRINCE ALLEGEDLY STRIPPED OF SOME AUTHORITY (The Guardian, Stephanie Kirchgaessner)

- Recently he didn't attend a series of high profile ministerial & diplomatic meetings ²⁰ & really upset the King by not attending the March 12th Cabinet meeting at which the King in a two hour-long address discussed the challenges facing the Kingdom & the investments *by foreigners* that the Kingdom had lost (incl. one by a Hollywood investor who, after the Khashoggi murder decided to quit doing business with the government's investment fund & ended his plans to invest US\$400MM in it).
- The King is supposedly told a group of ministers at a meeting the Crown Prince had been asked-, but failed-, to attend, that he had restricted his responsibilities, at least for a while. One of the King's most trusted advisers & NSA (National Security Adviser, Harvard-educated Musaed al-Aiban has been named to oversee investment decisions for the Kingdom. And it hasn't gone unnoticed there have been no photos of-, and press statements by-, the Prince in recent weeks.

There are some, incl. LSE professor Madawi al-Rasheed who say all this means nothing since the Crown Prince is already King "in everything but name". But if he can read his way through the text of a two hour address, the King may not be quite the doddering octogenarian he has been made out to be. And he must have had his ears bent by the (conservative) religious leaders & others in-, & out-, side the Royal Family who are upset by Prince Mohammed's reformist ways, his hauteur & his glaring lack of success in any of his endeavours today to date. And the King, & those with a vested interest in remaining loyal to him, may just may have

²⁰ Including meetings with senior economic & finance officials, Sergei Lavrov, Russia's Foreign Minister, the Grand Mufti of Jerusalem (the Sunni cleric in charge of Jerusalem's holy places, incl. the Al-Aqsa Mosque, the Head of WHO, Lebanon's Prime Minister and the ambassadors from India & China (both big buyers of Iranian oil). And there is a story behind the visit of Lebanon's Prime Minister Saad al-Hariri. For back on November 4th, 2017, while on a visit to Saudi Arabia, he suddenly resigned, according to the Lebanese forced to do so 'under duress' by the Crown Prince on the 6th Saudi Arabia announced Lebanon had 'declared war' on it (which the Lebanese declined) and on the 9th Saudi Arabia, Bahrain, Kuwait & the UAE told their citizens in Lebanon to leave. And then, after al-Hariri somehow managed to get back home, on December 5th, 2017, he rescinded his resignation and resumed his job (that he still holds today).

something up their sleeves that will result in the relatively inexperienced ‘young upstart’ prince ending up with ‘the short end of the stick’.

ALUMINUM MAKER NORSK HYDRO²¹ BATTLING RANSOMWARE ATTACK **(Reuters, Gwladys Fouché)**

- On Tuesday March 19th it battled a cyber attack that was the latest example of the damage hackers can cause business, causing it to have to shut down several metal extrusion-, & rolled products’-, plants (although its giant smelters in Norway continued operating on a manual basis), with CFO Eivind Kallevik noting “This is a classic ransomware attack”. NNSA (Norwegian National Security Agency) said the attacker used a relatively new strain of ransomware called LockerGoga that encrypts computer files & demands payment to unlock them and, unable to turn on his own laptop or access files, Kallevik couldn’t even tell the sum demanded and, when asked if the company would pay to have its systems unlocked, told the questioner “We have good backup systems and ... plans on how to restore it”. He then went on to say that so far the financial impact had been limited, telling Reuters that it “mostly involved direct labour; some of the activities that we use computers to do, today we use manual labour. We have had to add some more people.”
- The last publicly acknowledged cyber attack in Norway was *on February 6th* when the *cloud computing* software firm Visma was hacked, allegedly by Chinese intelligence, to steal secrets from its clients, while the last-known cyber attack using the not widely used LockerGoga malware was in January on the French consultancy firm Altran Technologies.

All cyber security defense work faces three potentially fatal problems. One, they face the same problem as I was taught in my Canadian Armoured Corps training days, namely that one can never design a tank totally invulnerable to incoming anti-tank fire; for no matter how “attack-proof” object, a weapon can always be developed to make it less so. Two, the defender always has endless numbers of potential targets to defend while the attacker only needs to find a single weakness in a single system. And three, there are thousands, if not millions, of teenagers willing to spend endless time & energy to find a weakness in a system to prove to themselves how clever they are. So anyone who seriously believes he/she can come up with a foolproof cyber defense system is only deluding him-, or her-,self.

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Ethiopian Airlines Flight 302 Update (as of 0200 hrs March 18th, 2017) –

- Saturday March 16th :
 - A small part of the plane found at the crash site, a so-called “jackscrew” that helps set the trim that raises or lowers the plane’s nose, indicated that the plane was configured to dive;
 - Airline officials start distributing 1 kg. bags of earth from the crash site crater to families of the 157 victims, instead of the remains of their loved ones since their identification is expected to take a long time (*if ever, since according to one source, there may be as many as 10,000 body fragments? In the crash site crater*)’;

²¹ In 2017 the world’s 10th largest aluminum producers, its 1.96MM tonne output (3.1% of the world’s 63.4MM tonne output) it was pretty well a pigmy compared to No. 1, China Hongqiao Group (Ltd.) that produced 6.34MM tonnes.

- Officials of the Paris-based French air accident investigation agency BEA reported the Flight 302's flight recorders that, after they had been recovered, had been sent to it for analysis had been "in a good condition that enabled us to extract almost all the data inside" & that it had successfully downloaded the voice cockpit recorder data & sent them to the Ethiopian authorities, and expected to resume work on the flight data recorder the next day.

Sunday March 17th :

- Ethiopia's Transport Minister, Dagmawit Moges, told reporters the information so far collected from the flight data recorder had indicated "clear similarities" with the earlier Lion Air crash in Indonesia [*both had flown with erratic altitude changes (picked up by satellites) that suggested the pilots had struggled to control the aircraft*];
- During the day 1,000s of people mourned the plane crash victims by accompanying 17 empty caskets draped in the national flag through the streets of Addis Ababa, Ethiopia's capital (whose airport the plane had taken off from);
- One Brampton, ON family, headed by Manant Vaidya that had lost six family members in the crash (his parents, sister & brother in law and their two daughters) that had come to transport their remains to India for a burial ritual was told by the authorities it could take up to six months before their remains would be identified.

George Thomas Conway (age 55) - After attending Harvard & Yale Law, he clerked for a judge on the US Court of Appeal for the Second Circuit ²², after which he became a partner in the New York-based, now 260 attorney & US\$763MM annual revenue, law firm of Wachtell, Lipton, Rosen & Katz (where according to the American Lawyer journal a partner's profit in 2018 was US\$5.8MM, well in excess of the average US\$1.7MM for the nation's Top 100 law firms, & that according to an industry source is the "Second-Most Prestigious Law Firm" in the US). He has deep roots in the Republican party & is the husband of Kellyanne Conway, one of President Trump's closest aides (who spends much of her time 'correcting' Trump criticism) according to whom her husband "just hates" Trump (which has created a huge following on Twitter for him). After Conway last week in a series of Tweets raised the question if the time had come for a "serious inquiry into the president's 'mental state' ", on Monday March 18th his latest Tweet on the subject included an image of the cover page of the Diagnostic and Statistical Manual of Mental Disorders as well as the pages therein on narcissistic-, & anti-social-, personality disorders. This prompted an exchange of Tweets : on Monday evening one by Brad Pascale, Trump's 2020 campaign manager that "we all know that Trump turned down Mr. Kellyanne Conway for a job he desperately wanted ... *and now he* hurts his wife because he is jealous of her success", followed on Tuesday morning by an unusually brief three word one by Trump himself "A total loser" & two responses by Conway, one of which read "Congratulations! You just guaranteed that millions more people are going to learn about narcissistic personality disorder and malignant narcissism. Great job!" & then another "Tell us,@real Donald Trump. - which of these diagnostic criteria do you not satisfy?" which then listed them : "grandiose sense of self-importance", "preoccupation with fantasies of unlimited success ...", "believe he or she is special" ..., "requiring excessive admiration" ..., a"sense of entitlement" & "unreasonable expectations ...", on Wednesday a Trump one that, among others, also referred to him as Mr. Kellyanne Conway & repeated the Pascale claim he was jealous of his wife's success, and called him a "husband from hell" (forgetting that in so doing, he impugned the quality of Kellyanne's judgment) followed by another Conway Tweet calling Trump a liar & "the worst kind of dumb" and revealing that one of Trump's lawyers had once told him that Trump couldn't be allowed to talk to Mueller because he'd lie his ass off".

²²

Physically located in New York City it deals with cases coming up from Connecticut, New York & Vermont.

At some point during all this, on March 20th, Kellyanne told Politico “You think he (i.e. Trump) shouldn’t respond when somebody, a non-medical official, accuses him of having a mental disorder? Yoy think he should just take that sitting down?” ²³

WHERE HAVE ALL THE MONARCHS GONE (WP, Dan Zak)

- Recently people began to notice that the western monarch butterflies seemed to be disappearing & wondering what it meant. So last month there was a meeting in the Putah Creek Lodge at the University of California (Davis) on the topic of the western population of monarch butterflies, those that winter on the California coast; for their number has dropped 86% in the last 12 months to a level just 0.6% of their historical average. Among those in attendance was 73 year-old Arthur Shapiro, who has a Ph.D. in entomology and is a professor of evolution & ecology who has devoted his life, since he was in fifth grade, to butterflies and who in the last year didn’t see a single monarch butterfly in the wild. There is compelling evidence that pesticides, deforestation & habitat loss are to blame for the monarchs’ decline, with climate change sharpening every such threat by altering weather patterns, extending droughts & strengthening storms.
- Insects are the lynchpins of ecosystems and, according to a study in next month’s Biological Conservation Journal, 40 percent of insect species in the world are in dramatic decline, with butterflies among the most threatened; while the eastern monarch butterfly population, the one that winters in Mexico & spends the summers all over the US rebounded *some* this year, they are still only at one-third of their 1996 count & their overall trend is downward; according to molecular biologist Jeffrey Glassberg ²⁴, the founder, *in 1992*, of the North American Butterfly Association (NABA), each day there are fewer butterflies in the United States than the day before (something his detractors dismiss as a hyperbole).
- This month the eastern monarchs will start migrating north from Mexico through the Rio Grande Valley, once one of the country’s most biologically diverse US regions whose native habitat has been 95% reduced by human interference, with many of them finding shelter at the 100-acre National Butterfly Center sanctuary operated by the NABA at the Southern tip of Texas, across the Rio Grande from Mexico (which is where President Trump wants to build a stretch of his ‘Wall’ that would slice right through it). While supporters are trying to stop this, the staff has been getting threatening messages from Americans, mad the center wasn’t yielding to the heavy machinery that had already plowed neighbouring lands, with one man named Allan writing the center’s executive director “You are insane if you think a wall will stop butterflies ... The wall is to stop illegals from coming into the United States and wrecking our economy, raping our women, bringing in drugs, etc.”
- Two years ago the NABA sued the US government for violating environmental laws & taking its property without compensation, a case that last February was tossed out by a judge (although the NABA has appealed that decision). On the other hand, that very same day Congress passed a budget deal, in the fine print of which was buried a prohibition of funding barrier construction on the butterfly center property, although Marianna T. Wright, the NABA’s Executive Director, told a staff meeting that this was

²³ I have always had a very simple response to what I consider unfair criticism from a source I don’t respect much : “consider the source!”, while by reacting the way he does, Trump seems to validate the very point Conway is making.

²⁴ Now age 71, after getting a Ph.D. from Houston TX-based Rice University, he spent the first three years of his distinguished career in the biochemistry department of Stanford University’s medical school & the rest at the rockefeller University New York & now is an adjunct faculty member at Rice University.

only a temporary fix & that “In six months, when the government starts working on their money for 2020, we’ll be right back on the chopping block ... We’re are living in a state of emergency now.”

- But the nearby Carrizo/Comecrudo tribe has built an encampment named after the butterfly to resist the wall & bear witness to the desecration of its ancestral lands²⁵, with band member & anthropologist Christopher Basladu, saying “ Butterflies are not migratory in that they’re crossing borders or boundaries. They are perceiving this entire continent as their home “.

The problem with (environmental) decision making in Washington (and many other places) is that in the last Congress the average age of members of the House was 51.8-, & that of Senators 61.8-, years (while that of the population as a whole was in the high 30's) & that of its predominantly “old white men” leaders a great deal higher [69.3 for the House & 64.8 years for the Senate, with five of the nine well into their seventies, one each in their fifties & sixties, and two in their (mid) forties), ages at which many people have an attitude of ‘Well, it’ll last my lifetime’] although in the new Congress, sworn in last January 3rd, the average age in the House will drop by an 10 years (& that in the Senate marginally so) while the House will have 35 net new female members & the Senate three.

ACTIVISTS ALMOST BEAT A BUSY NEW YORK CITY CROSSTOWN BUS IN A FOOT RACE (TheStar.com, Fredrick Kunkle)

- A couple of weeks ago, Transportation Alternatives, that’s dedicated to shifting New Yorkers away from cars & making the city more bike-, & pedestrian-, friendly raced the M14 crosstown bus on foot *across town* & lost by just five seconds.

While this made the headlines, it was not of much practical use. One because the group “power walked” (i.e. at a 3.5-, rather than the normal 2.5-3.0-, mph pace). And two since, according to Tom DeVito, the group’s president, “The M14 is one of the slowest buses in New York City. It moves at an average speed of 4 mph (6.4 kms) ...”

BIKER CHARGED AFTER FLEEING POLICE PURSUIT ... AT SPEEDS OF OVER 260 KM/H (CP)

- On March 12th a highway patrol officer near the Saskatchewan city of Saskatoon called in to report that a sport bike had just blown by him at about 160km/h & had ignored him when he chased him with his lights flashing, & another officer, of the 339 resident village of Vanscoy police service, was equally unsuccessful in dealing with him. In the subsequent aerial tracking of the offender the Saskatoon Police Service saw him pulling off the road onto a rural property where he hid his bike & himself, and subsequently arrested the culprit & charged him with dangerous driving & flight from a peace officer.

I once owned, & loved riding, an 1,100 cc bike & a few times had it pretty well ‘cranked up’, albeit never at nowhere near his speed, & can only hope he was at least humming “Nearer, my God, to thee”, for at that speed on a bike the rider is never far from meeting Him.

²⁵

But likely would get far lesser support than a similar group would enjoy in more ‘politically correct’ Canada.