Quote of the week : "What is the duty of a doctor, of a nurse, of an orderly? ... It is ... to make our patients happy, to help them in their fight back to health and strength. You must consider each one as your own brother or father, for he is in truth more than either ..." - Dr. Norman Bethune (after two successful decades in private practice in the UK, the US & Canada, he became enamoured with Communism in the mid-1930's, plied his trade in Spain during the Civil War & went to China in 1938, long after its 'Long March', where to this day he has hero status for having treated the Red Army's wounded & ill, and where he died in 1939, at age 49, from blood poisoning.

There is no doubt Nelson Mandela deserves much of the adulation heaped upon him in death; for he displayed a capacity far greater than many of even of the best of Christians for forgiving his enemies & set an example for politicians everywhere in making the common good his No. 1 priority. But he was not a great administrator &, at the best, a moderately effective President. Moreover, as so often the case with great leaders, he failed in preparing for his succession. His immediate successor, Thabo Mbeki was intellectually challenged, tolerating a Minister of Health who advocated beetroot & garlic as treatment for HIV, and the incumbent, Jacob Zuma, is a buffoon. So, two decades after the end of Apartheid, his nation has lived up to its promise.

The most fascinating rumour making the rounds in Washington in many a moon is that the White House has asked Stanley Fisher to become the Fed's Deputy Chairman (*with Senate approval presumably a sinecure*). He has triple citizenship, Zambian, for he was born there, American, since he applied for it, & Israeli because, when asked in 2005 by then Israeli Finance Minister Binyamin Netanyahu, to become Governor of that country's central bank, he was told it was a requirement. During his tenure the Israeli economy did very well & he ranked consistently among the world's three top central bankers, until earlier this year he announced, without giving a reason, he would leave at mid-year[1]. At age 70, Fisher, like Yellen who is 67, is of pensionable age, they are respectively eleven & eight years his senior. One often insightful market letter believes the reason for his coming to the Fed would be because in 2008, when the Israeli economy was 'on wheels' but inflation threatened to get out of hand *(it was up 5 ½% YoY &at mid-year up 1.1% MoM)*, he raised interest rates when everyone else was cutting them & then devalued the shekel to give exporters a leg up & help the economy get back on track, and the writer to believe he would be expected to help Janet Yellen implement a like policy remedy for the US economy & to act like a hawkish inflation counterweight to her dovishness[2]. But the real reason may be much simpler. His CV, with stopovers at executive suite levels in the World Bank, the IMF, Citigroup & the Bank of Israel, makes Yellen's largely academic one look like a sick puppy. And the White House may feel, or have been told, that hence her credibility needs bolstering in the global financial community in case there were, *as there likely will be*, another major financial crisis in the foreseeable future) - *in which case his inflationary hawkishness would just be an incidental bonus.*

The McKinsey Global Institute just published a report on the global outlook for commodities. It forecasts that the oil & gas-, and mineral extraction-, sectors will need US$17TR in new investment by 2030 to meet demand growth **and** replace depleted sources of supply. If so, that will be more than 2x these industries' historic average annual rate of investment. And, as far as the oil & gas industry is concerned, the amount needed to replace existing (*cheap*) sources of

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1 Which makes one wonder if the "fix" was even in then.

2 She expressed her basic attitude towards inflation in 2005 as follows "To me, a wise and humane policy is occasionally to let inflation rise even when it is running above target."

supply with new (*higher-cost*) ones far outstrips that needed to accommodate demand growth, with major implications for future oil & gas prices.

Talk of an early start of 'tapering' strengthened on the news that the US economy had created 203,000 new jobs in November, marginally better than October's upwardly revised 200,000 & well ahead of the 180,000 expected, and that the unemployment rate had dropped MoM from 7.3% to a five-year low 7.0%. Unfortunately But Mark Twain once observed "Facts are stubborn, but statistics … more pliable"; so here are four potentially salient facts :

- According to the St. Louis Fed, US non-farm employment in November 2007 was 138.1MM and, after dipping 129.3MM & at last report had recovered to 136.8MM; i.e. it **declined** by 0.9% in a time period that the US population **grew** by 5%;
- the November labour force participation rate dipped below 63%, down three points from the level six years ago, & a 35-year low;
- the 203,000 new jobs constituted a 0.15% increase in employment. The only way this can reconciled with a 5% shrinkage of the unemployment rate would be by playing around with the number of those deemed to be looking for work; and
- last June the BLS reported there were four ways of looking at unemployment. First, the official-, then 7.6%-, rate. Including discouraged workers in its calculation bumped it to 8.2%. Adding "marginally attached" workers (those not working or actively looking for work but who wanting-, & being available for-, work) got it to 9.1%. Finally, adding those involuntarily working part-time, all but doubled the official rate to 14.3%.

The preliminary University of Michigan/Thomson Reuters Consumer Confidence Index for December jumped to 82.5, vs. 75.1 in November & the 75.5 economists had expected. This seems at odds with a Commerce Department report that in October Personal Income had edged down 0.1%[3], rather than increasing by 0.3% as expected (which would already have been a come-down from the 0.5% growth in August & September) - *it is also at variance with the way retailers are 'reading' their customers' confidence ahead of the Holiday Season level, as witnessed by their deep & early price discounting during the 'Black Friday' weekend.*

The Financial Times says JPMorgan has filed a US patent application for a knock-off Bitcoin to allow people to make anonymous electronic payments over the Internet without having to reveal their name & bank account number(s), or paying a fee (*drug dealers & other scofflaws will love it).* Elsewhere, it has now agreed to pay out yet another US$2BN to authorities, this time to avoid criminal charges arising from its alleged involvement in Bernie Madoff's US$65BN Ponzi scheme - *how are the mighty fallen (Samuel 2 1 : 25), once it was the industry's class act!*

The TD Bank this week scored a coup when it was the joint lead, but more importantly the sole book runner, for a $5BN long bond deal, the largest ever in Canada. Many years ago the Province of Newfoundland developed the hydro power potential of the Upper Churchill River in Labrador under a long-term, fixed price electricity supply contract with Hydro Québec that proved a cash cow for that province but that Newfoundlanders feel kept them in penury. So in planning the development of the hydro potential of the Lower Churchill the Newfoundland government turned to subsea transmission cable technology[4] to bring the power 30 kms under

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[3] Due to the government shut down?

[4] This is not new technology, there are underwater power transmission facilities almost everywhere in the world, the longest being the 580 km. (360 mile) link between the North coast of the Netherlands & the South coast of Norway.

the Strait of Belle Isle to Newfoundland itself. And, then, presumably with an eye to the future[5], it partnered with Nova Scotia's listed power company to get access to the Eastern North American power grid by having it take down 20% of the power produced via another set of subsea cables, only these ones 6x as long as those under the Belle Isle Strait. This bond deal, that will help finance this undertaking, had six tranches with maturities ranging from 29 to 40 years & looks like a good deal all around. The Province is getting 'clean, & hopefully attractively-priced power, low cost (3.80%) financing & short & long-term economic benefits, and investors a triple-A rated Government of Canada-guaranteed asset at a 50bp premium over Canadas[6].

The future of the Alberta oil sands depends on access to markets. Its projected growth would require **all of** the Keystone XL pipeline South into the US **and** the Northern Gateway & Kinder Morgan pipelines to the West Coast (& hence into Asian markets) **and** TransCanada's "Energy East" pipeline to Ontario & Québec (to replace imported oil), and Saint John, New Brunswick (to be refined for export). US approval for the Northern, cross-border portion of the Keystone XL is by no means a done deal. Enbridge has thoroughly poisoned the well for the Northern Gateway pipeline to Kitimat, B.C. (although Prime Minister Harper doesn't seem to agree). Kinder Morgan in theory doesn't have Enbridge's right-of-way problems hurdles since it already owns a right of way to a terminal at Burnaby, B.C. But what at the Burnaby end was farm land when its existing pipeline was built many years ago is now a built-up urban area in which there was a spill a few years ago (although that was the city's-. not the Company's-, fault). In addition, any tripling of its existing line's capacity would also require an increase in the size of its Burnaby terminal, **as well as** a tripling of VLCC tanker traffic within a stone's throw of Vancouver's iconic Stanley Park (all of which could be avoided if it were to "spur" the extension to Bellingham, Wash.). Last but not least,TransCanada's "Energy East" project, now being touted as a "nation-building" project (like the original TransCanada gas pipeline & the Trans-Canada Highway system in the 1950's) also has flies on it. First its cost, $12BN. Next its lack of logic : why ship oil 4,450 kms East when it can be shipped for a fraction of the cost one-fifths that distance to the West Coast, & from there go cheaply by tanker into the world's most oil-hungry markets. Thirdly, it involves conversion of an existing gas pipeline to carry oil & one aspect of which that nobody talks about is that some of its pipe is 60 years old, i.e. well past its 'Best Before' date. Fourthly, Central & Eastern Canada don't just want oil, they want 'cheap oil' (counter to the best interests of its owner, the Province of Alberta). And finally, the pipeline must cross the claimed lands of no fewer than 180 'First Nations', each expecting a windfall & capable of blocking the project, and many headed by chiefs with a chip on their shoulder who would like nothing better than exercising the veto power they think they have.

The Canada Post, said to be caught in a financial vice between declining mail volumes and escalating union wages & pension costs, announced on December 11th it will end home delivery of mail over the next five years and then, as if to rub salt into the wound, after years of postage rate increases well in excess if inflation, also announced a 59% increase, to $1.00, in the cost of mailing a letter (but *only* 35% if stamps were bought in booklets or rolls). Small business is still heavily dependent on the mail for sending out bills & invoices & is up in arms - as Marcellus said in Hamlet 1 4, 87-91, "something is rotten in the state of Denmark. For last year Canada Post jubilantly announced, despite a "modest decline in volume" (11.6% over five years), record earnings of $455MM & a record 21.8% ROE. And subsequent to that, that it would purchase

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[5] For this $7.7BN, 824MW Muskrat Falls project accounts for only 27% of the Lower Churchill's hydro power potential.

[6] So now one cared a whit that the projects' cost in the past 14 months has gone up 54%.

small trucks for its carriers to eliminate the need for special trucks for parcel delivery & mail box emptying. But this year it reported only a $127MM profit for 2012 (that used a $156MM non-recurrent item to obscure a big loss) - a *few years ago, after years of higher stamp prices, Canada Post introduced "P" stamps of permanent value for franking purposes (presumably expecting enough will get lost to turn a profit on the rest). In the short-to-medium term, unless Canada Post withdraws them from circulation, they may well be the best investment around*

In less than thirty years Barrick Gold went from being a nobody in gold mining to the world's biggest gold producer. But size is meaningless if unprofitable. And in this century's bull market for gold, for 'buy & hold' investors Barrick has been, well ... a pig. For as the price of gold went up nearly 7x between 2000 & 2011, its share price didn't even come close to tripling & today is actually 25% below its January 2000 level. To add insult to injury, it paid niggardly dividends; anyone who owned the stock on January 1st, 2001 & still holds it today would have received $4.83 in dividends in 13 years, 1.3%/year, less than inflation & not enough to offset his/her loss of capital. Investors have *rightly* blamed Barrick's Founder & Chairman, the now 86 year-old Peter Munk, whose imperial style led to a virtual turnstile in the Company's CEO office. But he now has bowed to the inevitable & is leaving, but not before anointing, with help of a $11.9MM 'signing bonus' (*to shareholders irritation*[7]), a former Goldman Sachs Co-CEO as his successor.

Thornton is not a miner. He came up in Goldman via the international M&A route & in the 90's built its Chinese franchise. Since leaving Goldman in his late middle 40's in 2003[8], he has, among others, taught at Beijing's prestigious Tsinghua University, been Chairman of the Brookings Institution & personally funded its John L. Thornton China Center, and served on the advisory board of China's souvereign wealth fund, the China Investment Corporation. He is said to count Zhou Xiaochuan, the Governor of the People's Bank of China, & Wang Qishan, a member of China's all-powerful, seven member Standing Committee of the Politburo of the Communist Party & Secretary of the Central Commission for Discipline Inspection (i.e. China's anti-corruption czar) among his closest friends. Since he joined Barrick, rumours have started to circulate it would make sense for it to sell its newly-mined gold directly to China; in fact, Thornton himself opined "This is just a matter of logic. If the biggest central bank in the world (*!!!!*) ... intends to diversify ... into various asset classes, and if one of those ... is gold and if you're the biggest gold company in the world, ipso facto the likelihood there will be some kind of relationship there." - *Whereas the long-term for Western political leaders is the next election & its corporate leaders suffer from 'short-termist' myopia, China's leaders think in terms of long-term strategy & of economic 'heights of land'; thus they control, among others the global container shipping business & worked hard to get control of the world's market for the technologically critical 'rare earth metals'*[9] *& the associated magnet business*[10]*. Shortcircuiting the world gold market by adding Barrick's 200+ tonnes of annual gold production to China's 400+ tonne gold output, would give Beijing control over 25 % of all newly-mined gold production*

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7 In line with Munk's philosophy of treating shareholders as loathsome appendages while buying the loyalty of his underlings with bags of (*shareholders'*) cash.

8 Purportedly because his Co-CEO, Hank Paulson, showed no signs of leaving; he might have been too impatient; Paulson left three years later to become Treasury Secretary.

9 Which weren't "rare" at all, just impossible to produce at a price competitive with China's.

10 Which is low-profile but essential to much modern technology; thus cars today may contain as many as one hundred magnets, or more.

without suffering the political backlash that would have ensued if it had sought to buy Barrick outright (and "Why buy the cow, if you can get the milk through the fence.") It makes one wonder if Thornton, one of today's financial 'Kings of the Universe', might turn out to be a reincarnation of the steelmaker kings of the universe of yesteryear who in the Thirties caused freighter after freighter to steam Westward under San Francisco's Golden Gate Bridge, headed for Japan loaded to their Plimsol lines with scrap metal that was converted into the war ships, planes, ammunition & other war material used in WW II against the metal's country of origin.

The 65% Statoil/35% ExxonMobil partnership exploring for oil & gas offshore Tanzania recently announced its fifth gas discovery there. This 2-3TCF (360-450MM BOE) find brings their total reserves there to 17-20 TCF of gas (3.06-3.60BN BOE) - *another potential competitor for Canada in the increasingly crowded Asian LNG market.*

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Thursday December 12th, 2013

GLOBAL FINANCIAL SYSTEM HEADED FOR COLLAPSE (MoneyNews, Dan Weil)

- Jim Rogers told CBC News the December 6th weekend that the global financial system & global economy aren't in good shape, saying "the West has staggering debts. The US is the largest debtor nation in the world." And that, while the central banks are propping up their economies, "This is not going to last." He said the US has a financial crisis every four to six years with its severity depending on the size of its debt burden : "The one in 2008 was worse than in 2002 because the debt burden was so much greater ... Wait until 2015 or 2016 : debt has gone through the roof. The next one is going to be very bad." But he still likes commodities especially the agriculture-related ones & natural gas.

Rogers was Soros' original partner in the Quantum Fund, the first ever real hedge fund, & retired a multi-millionaire in his late 30's. Collapse is too strong a term; but a reset of the system, as after President Nixon in 1971 'decoupled' the US$ from gold, seems inevitable. A couple days earlier (the highly regarded) Mohamed El-Erian, the CEO & Co-CIO of PIMCO, told CNBC "fasten your seatbelt. There is volatility ahead as the Fed tries to change its policy mix", & equity investors to "look at sectors. This going to be a very sector-specific market."[11]

NOBEL PRIZE WINNER FAMA SEES RISK OF GLOBAL RECESSION IN 2014 (Reuters)

- The University of Chicago's Eugene Fama & Lars Peter Hansen, and Yale's Robert Shiller shared the 2013 US$1.2MM Nobel Prize for Economics. While in Sweden to receive it, Fama told Reuters bloated public deficits on both sides of the Atlantic mean recession remains a real risk for 2014; and more specifically "There may come a point where financial markets say none of their debt is credible any more and they can't finance themselves." Sometimes called the father of modern finance & awarded the prize for his research in market prices & asset bubbles, he played down this week's

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[11] For serious long-term retail investors, rather than punters, there are really only four sectors worth investing in. Three are "needs' sectors. **Water** is essential to human life & its supply is limited while demand is soaring. **Food** in all its forms (except retail) is almost as essential & demand too is growing. **Oil & gas** (people need heating & air conditioning, and electricity, and many thirst for cars). The fourth is a "want to hold for a rainy day" sector (the **precious metals**). All else is background noise.

strong US labour market data, saying "I am not reassured at all ... The jobs recovery has been awful. The only reason ...the unemployment rate is 7 percent ... high by historical standards in the US, is that people gave up looking for work."

Forecasting coming economic/financial events turning points is one thing, forecasting when they will occur is a 'mug's game'. Like weather forecasting it's one thing to forecast a thunderstorm but a horse of an entirely different colour to predict when & where lightning will strike. So the tendency is for the band to keep playing as the Titanic starts sliding beneath the waves.

S&P DOWNGRADES US GROWTH FORECAST (CNBC, Holly Ellyatt)

- In its December 9th quarterly update on credit conditions in North America, the Asia-Pacific region & Europe it cut 2014 US GDP growth from 3.1% to 2.6%, warning of "significant downside risks from the federal spending cuts ... as well as the potential for another political stand-off in Washington" (*this was written ahead of the bipartisan budget deal).* And while it could spot some "encouraging highlights" for the US economy, incl. modest gains in employment & a continued recovery in the housing market, both of them bolstering consumer sentiment & spending, and a private sector "resilience" that was "outweighing the drag *on the economy* from sequestration-related cuts in government spending, it said these hadn't been enough for it not to cut its outlook.

The reception accorded the Murray-Ryan deal is unduly euphoric. Sure, it bumped up the cap on discretionary spending from US$967BN under full sequestration to US$2,012 for next year & to US$2,014 for 2015 (to be offset by future spending cuts that everyone assumes won't happen). But it kept much of the sequestration in place, didn't fill tax loopholes, increased taxes without calling them so since that would make Republicans vote against the deal, & didn't even make a start in reforming the entitlement programs; so it won't significantly reduce the growth of the national debt & is little more than another exercise in rolling the problems down the road. And while not joyously greeted by many lawmakers, all but its most diehard opponents will vote for it, if only to be able to go home for the holidays, secure in the knowledge that, before long in the New Year, another deal will have to be struck on the debt limit

ACCUSATIONS DOG RUSSIAN HELICOPTER DEAL (AP, Richard Laidner)

- Two years ago the Pentagon announced the purchase of Russian Mi-17 helicopters for the Afghan Air Force, a few weeks after completion of a secret study, with Army Secretary John McHugh saying in a memo "the Mi-17 stands apart" & an unnamed senior Pentagon official that it had focused on its long-term, rather than immediate-, needs, which were best met by the Mi-17, and US commanders *in the field* supposedly also favouring the Mi-17 as durable & easy to operate, and the Afghanis being used to flying it. And last September Deputy Defense Secretary Ashton Carter (since departed) cited the study in a letter defending the acquisition to House members. But Congress recently got a copy of the study, & AP excerpts from it, that show it had actually recommended the US-made Chinook as the "most cost-effective single platform type fleet for the Afghan Air Force over a 20-year period". This triggered allegations the Pentagon had misled Congress & inappropriately cut US companies out of competing for a contract worth more than US$1BN, which it (*naturally*) denies.

The argument of Afghan experience with the Mi-17 was likely valid. But the real reason for the choice likely was to give Afghan officials more scope to "dip their beak in the stream".

<u>COUNTRIES WITH DUBIOUS HUMAN-RIGHTS RECORDS BUOY CANADIAN ARMS EXPORTERS</u> (CP, Mike Blanchfield)

- Canada's exports of small arms, guns & ammo, averaged $257MM in the decade ended in 2012, with $190MM thereof going to the US (although in 2012 that was down to $178MM). But their composition has changed. While exports in 2012 were up only 4% YoY, those to Bahrain, Algeria & Iraq were up 100%[12], and those to Pakistan 98% (to fight al-Qaeda), to Mexico 93% (for its war on the drug cartels) & to Egypt 83% (amidst its seismic political upheaval). On the other hand, exports to traditional markets were down : 10% to the UK, 37% to Italy, 40% to Holland & 87% to Belgium & 132% to Spain

While in line with the new policy to put 'economic interests at the centre of Canada's foreign policy, it is at odds with Harper's & Baird's penchant to lecture foreign leaders on human rights.

<u>ISRAEL, JORDAN, PALESTINIANS SIGN WATER SHARING DEAL</u>
Agence France-Presse)

- After 11 years of negotiations/*haggling* they *finally* signed a "historic" water-sharing deal at the World Bank headquarters in Washington on Monday December 9th. It provides for a new Jordanian desalination plant to provide 50MM cubic meters (50BN litres) of water to Eilat, an Israeli Red Sea resort, and for Israel to provide Northern Jordan with a like amount of water from the Sea of Galilee **&** bump up its annual sales of water to the Palestinian Water Authority by between 38% & 58% from its current 52MM cubic metres.

Water has been an issue for the Palestinians for some time (because the Israeli failure to live up their undertakings to provide it). And their per capita water use is one-fifth that of Israel, one tenth that of Europe & one twenty-fifth that of North America. The Jordanian plant will be built in Aqaba with a 'world class' output capacity of 200MM cubic metres of water; so most of its output will to meet Jordan's needs (although Jordanians[13] may not be able to afford water 3x as costly as it is today). The plant's brine waste will be piped 180 kms to the Dead Sea to keep its water level from falling further faster (but will make it saltier still while the World Bank, which is going help finance the the project, has warned the mixing of the two types of water risks causing algae 'blooms'). The level of the Dead Sea is where it is because Israel has been taking so much water out of the Jordan River that flows into it from that river since 1948 have declined 90% from its then 1.3BN cubic metres (against the background of which Israel's recent undertaking to start pumping 30MM cubic metres of water a year into the river is akin to peeing on a hot plate).And Israel will start delivering 50MM cubic metres to Northern Jordan from a Sea of Galilee that at the best of times is a fraction of the size & depth of even a shrunk Dead Sea, and that from time to time in recent years reached dangerously low levels? Meanwhile, Israel is getting 300MM cubic metres of water from its three existing desalination plants on the Mediterranean, & is building two more with a capacity of 250MM cubic metres (& scope for expansion to 600MM cubic metres). And Jordan which recently contracted with Russia for the construction of two nuclear power plants with a 2,000MW capacity that will be operated <u>Rosatom</u>, Russia's nuclear power monopoly, with ownership split 51-49 between the government & Rosatom while, being poorer than a church mouse, expecting much of the funding for all three plants to come from grants from "friendly governments").

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12 Albeit from low bases : Bahrain from zero to $250 & Algeria from $29 to $242,000.

13 In 2012 per capita GDP was US$4,945, half that of Jordan & one-sixth Israel's.

<u>CHINA SNATCHING UP GOLD AT LOWER PRICES</u> (Mining.com)

- China imported 148 tons of gold in October, second only to the 224 tons last March, *the month before its price fell out of bed*. This was the 26th month in a row that it has been a net gold importer, starting with 27 tons in September 2011. In addition it is now the world's most important gold producer, accounting for 12%-15% of newly-mined output (albeit from a resource base with a relatively short life span) that, however, never flows into commercial channels, with its cost of production, like Russia's during the Soviet era, being well above the current market price, which is accepted for strategic reasons.

At this rate gold 'disappearance into China removed about three-quarters of global non-Chinese newly mined physical gold production all but permanently from circulation.

<u>JAPAN'S GPIF NEEDS TO START SELLING BONDS, ITO SAYS</u> (BW, Anna Kitanaka)

- Takatoshi Ito is Prime Minister Abe's hand-picked Chairman of the Advisory Board for the country's US$1.24TR Government Pension Investment Board (GPIF) *whose AUM constitute the world's largest single pool of pension fund assets*. In an interview on December 6th he said "the GPIF needs to start reducing bonds as soon as possible ... Now is the right time to sell, while the BoJ is buying." This contradicted comments earlier in the week by GPIF President Takahiro Mitani that "the risk of owning so much domestic debt was overstated by the Ito panel (*in a November 20th report*[14]) ... Inflation is less of a risk than people like Ito assume because the fund is a long-term investor and can hold bonds to maturity ... I expect inflation to remain between 0.1% and 1% and miss the 2% target". *Ito's reaction to these comments was that "Mitani doesn't understand that "it's about mark-to-market valuation*[15] [16] *... (and) if inflation reached 2% and yields rise to 3%, and they start trying to sell domestic bonds, we'll see disaster in the markets ... the changes the panel proposed will lift stock prices ... (and) support a weakening yen."*

One non-Japanese analyst working for a Japanese bank opined that this "illustrates the difficulty Prime Minister Abe is encountering shaking up the bureaucracy and changing the mindset of the power elite in a nation where deflation has been entrenched for a generation." It seems odd to have a government official promoting a major reduction in the government bond portfolio of a country's largest (& government-owned) pension fund . The Board's JGB holdings are already down to 58% from an earlier 67% (which Ito wants cut to 52% in the short run, & longer term to

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14 That said in part that the Fund needed to get higher returns as payouts to an aging population are rising and hence should invest more abroad & in non-traditional assets such as private equity, commodities, infrastructure and REITs.

15 An accountant-driven concept that is wholly appropriate for trading accounts that live & die by their day-to-day trading results but entirely inappropriate for pension funds with a long-term liability profile (similarly, fifteen years ago in Nova Scotia the province's quarterly fiscal surplus/deficit would bob up & down with the equally idiotic accountant-driven C$ mark-to-market valuation of its Yen-denominated debt).

16 The returns reported by the Board for the Third Quarter were pretty dismal after several quarters of very good ones, due to massive higher interest-, & mark-to-market-, driven write-downs of its holdings of JGBs.

35%). And it has been building up its portfolio of local & foreign equities, and foreign bonds (& doing very well on the latter two due to the weaker yen).