

In the 1960's the banks' dominant role in the North American financial system was eroded by "disintermediation" (investors 'cutting out the middleman' by investing directly in securities, rather than putting their money in the bank for onlending). Now it may be Wall Street's turn to be disintermediated, albeit still in a minor way, as the Chicago-based Citadel Group (with AUM of US\$26BN & Ben Bernanke on its payroll as an adviser), has announced plans to start trading directly with other investors via electronic trading platforms.

We have heard much about bonds with negative yields. But what most people don't appreciate is that, as far as outstanding bonds are concerned, this is a misnomer; for it refers to their yield-to-maturity. For these bonds still generate income on a current basis from regular coupon interest payments & their negative yield is strictly a function of them trading at a premium that must be amortized over the remaining life of the bond.

Amidst growing doubts about the effectiveness of the US-led campaign of air strikes against ISIL targets in Iraq & Syria, US Deputy Secretary of State Tony Blinken, at a Paris conference *attended among others by Iraq's Prime Minister Haider al-Abadi on how to stop ISIL & to assess the progress made to date*, said they had killed over 10,000 of its fighters in the past nine months (*out of a total strength, according to the CIA, of 32,000*) - *since the US Ambassador to Iraq reported last January that 6,000+ had been killed, Blinken's number seems to imply that since January the 'kill rate' has declined (because ISIL has been providing fewer & smaller targets?). Be that as it may, his claim gave rise to at least one newspaper headline in the US that read Islamic State death toll : 10K killed, 10K replaced (as it is said to have been doing from both conscription & volunteers joining its forces), & to a comment by Rear Adm. John Kirby, the Pentagon spokesman, that it wasn't keeping score since kill rates were too 'Vietnam War-like'.*

In 2009 the Southern Alberta city of Medicine Hat (pop. 61,000), located 180 miles Southeast of Calgary, launched a five-year plan to eliminate homelessness in the city (with the bench mark being to get someone a place to live within ten days of it being discovered that he/she doesn't). Ted Clugston, a self-confessed fiscal conservative who became an ardent champion of the program after he became mayor in 2013, expects to be able to declare later this year that the problem is now under control (while conceding it will never be totally eliminated). Be that as it may, while in 2009 on a pro rata basis Medicine Hat's homeless population was comparable to Calgary's, in the six years ended March 31st, 2015 a total of 885 homeless people (incl. 283 children) have benefitted from the program (*i.e. about one every 2½ days*) & today the city's homelessness problem is, in relative terms, far less problematic than Calgary's.

Drinking water quality is a growing issue for China's urban middle class, and became more so after, two years ago, thousands of rotting pig carcasses were found in the river that supplies 80% of Shanghai's tap water & last year when an oil pipeline leak in the 2.4MM inhabitant Gansu Province capital city of Lanzhou, in Northwestern China, polluted its water supply with carcinogenic benzene. So in the past five years the country's consumption of bottled water has almost doubled to 37BN liters (still only < 30 litres annually per capita) & China has overtaken the US as the world's largest consumer thereof. But alongside a few national brands there are an estimated 1,500 local ones who, with their product selling for as little as one yuan (US\$0.16) per single serving bottle, cannot always afford the sophisticated filtration equipment needed to rid water of all its nasty bugs & metals; thus last December the authorities in Shanghai found that one quarter of the bottled water sold locally was of sub-standard quality (often because their source of supply, ground water, is polluted). All this is creating a demand for premium, imported bottled water, despite its price typically being 16-18 yuan per single serving bottle.

Also in China, Beijing on June 1st started enforcing the country's toughest ban on smoking in public places. It is now prohibited in all indoor public places and outdoor stadiums, school grounds & parks, and fines for breaking the ban have been hiked from 10 to 200 yuan (US\$32) while business owners failing to enforce compliance can be fined 10,000 yuan (US\$1,600).

In 2011 the Paris-based IEA produced a special report heralding a "golden age of gas", a concept the industry had already bought into. So, many large LNG projects were launched world-wide. But the demand for LNG has been flat for the past three years, creating a buyers' market & prompting a plunge in LNG prices (in Southeast Asia by as much as two-thirds from US\$17). And with LNG export capacity scheduled to grow by one-third to 400MM tonnes per annum by 2020, it looks like more of a 'golden age of gas for consumers than producers.

Over the years Brazil has had its up & downs. In the early 1990's inflation rose above 2,000% & in 2002 the IMF had to come its rescue. Then for six years the commodity boom gave its economy 'legs', enabling it to expand at a 4% annual rate. But most recently growth has averaged just 1.3% (& in the in past four quarters has actually been negative). The inflation rate is now North of 7% (which will negate the gains in real wages labour realized in the past decade). Its currency has been weakening & a water shortage is driving up electricity prices (since 75% of its power is hydro-generated). And while household debt is still a modest 46% of GDP, the typical 27% interest rate thereon makes servicing it painful (accounting for one-fifth, or more, of average household income). So last fall after her re-election (by the skin of her teeth in a second round run-off), President Dilma Rousseff appointed Joaquim Levy, a fiscally conservative with an economics Ph.D. from the University of Chicago, as her new Minister of Finance, despite the fact that, when she was working for former President Lula da Silva & he in the Finance Ministry a decade ago, they had often not seen eye-to-eye. But that may now not be working out as well as she might have hoped; for Levy last month was unhappy with her spending cuts being smaller than he believed necessary to keep Brazilian government bonds from being downgraded to the 'junk status' they had 'enjoyed' before he set the stage, while in the Ministry of Finance, for being upgraded to investment grade.

There are at least three aspects of the long-overdue global focus on FIFA's questionable financial practices cum Sepp Blatter's fall from grace that haven't gotten the attention they deserve in their media coverage. The total lack of democracy & accountability in self-perpetuating organizations like FIFA (& *the IOC*) in which insiders decide who among their friends will be admitted to their 'club'. If a hitherto seemingly untouchable global mogul like Blatter can be knocked off his perch, a lot of moguls elsewhere, first & foremost bankers, might want to sit up & take notice. And thirdly, his succession will be another nail in the coffin of the West's historical global dominance, as control of FIFA will almost inevitably shift into the hands other than that of a denizen of a Western country.

Few people fully appreciate the magnitude of the cash flows generated by some of these self-perpetuating international sport bodies; thus in the past decade FIFA's **annual** revenues ballooned from US\$870MM to US\$2.1BN. And as they stuck host countries with ever larger budgets for hosting their events, they have pre-empted ever more of the media revenues for their own treasuries; thus according to the Economist, while the IOC's broadcast revenues went from US\$600MM in 1984 (only one quarter of which went to the IOC & the rest to the local organizing committee), by 2012 this had risen to US\$2.5+BN, with the split now being roughly 75%-25% in favour of the IOC.

Elon Musk is best known as the creator, promoter & controlling shareholder of the Tesla electric car company. But few people know that he is a 'serial entrepreneur'. For he created a software

company that, at age 24, he sold for US\$34MM, then rolled the proceeds into PayPal that he subsequently sold for US\$165MM, & finally used that money to start Tesla. And now he is promoting "Tesla Powerwall", a means of storing power produced by roof top solar panels from what he calls the "giant nuclear reactor in the sky", in people's homes in flat, wall-mounted batteries, that will make them energy self-sufficient - *This is a brief summary of an interesting article Tesla Powerwall Übermensch by Jared Dillian that first saw daylight on mauldingeconomics.com & can be googled (Dillian's career as a trader at Lehman Brothers for half a dozen years was more or less 'book ended' by 9/11 & the firm's bankruptcy, and he now makes his living as a hedge fund manager & financial market commentator).*

Downtown Edmonton has highrise condos going up like toadstools on a damp, mossy forest floor. The latest planned addition will have room for 1,300 residents in three 40+ storey towers on a six storey residential-, retail- & office use 'pedestal'. But in what is a sign of changing consumer attitudes, it will have just 530 underground parking stalls but an indoor lockup for 450 bicycles; for, as a spokesman for the developer explains, "located downtown ... a high proportion of our unit owners or renters will walk."- *one thing this helps achieve is to keep condo prices down; for a parking space can add as much as \$50,000 to the cost of a residential unit. And this seems part of a broader-based trend; thus a 40+ storey condo under construction in downtown Toronto has zero parking spaces for residents, just nine reserved for a car-sharing service, & in Vancouver the city encourages developers to cut parking in new residential high rises (to reduce traffic congestion & encourage the use of other means of transportation), as a result of which some new residential high rises now have just one parking space for every two units, down from the once traditional rule of thumb of two per unit.*

The Alberta housing market defies logic. Thus in May in Edmonton, while YoY the number of homes for sale was up 30% & sales were down 10%, and houses took four more days to find a buyer, the average selling price of single family homes was still up 3.0% to \$451,312 YoY & that of condos up 1.8% to \$256,143. And more generally speaking, in the First Quarter Alberta, with < 12% of Canada's population, accounted for 23.8% of all new mortgages insured by CMHC (Canada Mortgage & Housing Corp.), *many of them for 'monster homes (of over 3,500 s.f. , with some running into five digits, that the new owners may have difficulty paying for if oil prices were to remain below US\$100, & it was reported a while ago that Alberta accounted for a disproportionate share of the low equity, high leverage mortgage loans guaranteed by CMHC.*

Edmonton's Chief Economist was quoted earlier this spring as saying that the number of construction cranes on its downtown skyline were evidence that its economy was OK. But since then it was reported that, *with new high rise condos springing up all over the downtown*, in the First Quarter condo sales, despite new 'buyer-incentive' programs, were down 60% YoY, & 41% below their five-year average (with the corresponding figures for Calgary being 61% & 53%). And the Canadian arm of New York-based commercial real estate services firm Cushman & Wakefield Inc. reported that sliding commodity prices & record levels of office construction could by late 2017 drive Calgary's downtown office vacancy rate up to 13.6%, & Edmonton's to a national high of 18.0%. - *Apparently the City Economist's optimism at the time had been partly based on a report that during the previous month 15,000 new jobs had been created in Alberta. Unfortunately he had failed to look behind the headlines; for those 15,000 new jobs netted out a gain of 21,000 new part-time Mcjobs & the loss of 6,000 high-paying full-time ones. But this is symptomatic of the quality of the city's management. A few years ago, the cost of a 'flyover' clover leaf highway overpass built to accommodate, at no cost to the developer, a major new shopping centre that had turned 320 acres of 'moose pasture' into valuable real estate for its promoters, tripled from original \$85MM to a quarter of a billion dollars, with half the increase attributable to the city's project manager's incompetence. And right now three major city*

infrastructure projects are in deep doo-doo : a \$32MM bridge replacement project will be delayed & experience significant cost over-runs because, due to “sudden wind gusts” during their installation, four of the seven 40 ton I-beams what were to carry the road deck twisted like pretzels “before they could be properly braced”, another &155MM bridge replacement will be delayed by one year because the steel wasn’t delivered in time, & the opening of a \$655MM LRT expansion that had been scheduled for April 2014 has been postponed so often that the city has given up predicting when it might do so [the problem being that the city switched to a new (French) signaling system that the contractor hasn’t been able to ‘marry up’ with the GE system on its existing line (which it will partially shared. And while city officials claim say the existing system is 35 years old & ‘antiquated’, it was updated when the previous LRT extension came on stream in 2007].

An Edmonton school bus driver had trouble with unruly student behaviour & bullying on his vehicle; so he took it upon himself to install a video camera on his bus. Last week this paid off; for it recorded one 13 year-old (Grade 8) student hitting him with a hockey bag in the side of the head, knocking his glasses askew, before leaving the bus at his scheduled stop, & him throwing another 13-year (Grade 7) student’s school bag off the bus & telling him to get off his bus ten blocks from his home because of his behaviour. Initially, the School Board demanded he be fired for making the poor dear walk the ten blocks home (which the bus company, to its credit, refused to do, although it wouldn’t make the driver’s video public for ‘privacy reasons’) but after a public outcry & after it was presented with the evidence in the driver’s video, the Board retracted its claim, and apologized to the bus company & to the driver - *its initial reaction had been a great way to teach children they don’t have to take responsibility for their actions & to invite bad behaviour on school buses (especially on the way home after school when they’re all ‘hyped up’, as anyone who has ever traveled with them on a bus in the afternoon can attest to).*

Two interesting observations recently. One from a lady of Jamaican descent. She is gluten-intolerant & especially sensitive to corn and, yet, when she goes back home to visit her peasant farmer parents in the Jamaican countryside, she can eat corn there to her heart’s content; this seems to suggest that her problem may be less one of gluten than of the chemicals that find their way into our “factory-farmed” food supply chain (such as, for instance, from Western Canadian farmers spraying their crops at harvest time with Roundup so as to “ripen” it on schedule & enable them to ‘plan’ their harvesting more efficiently). And the other came from a recent visitor to London who in the past had always used the famous “black cabs” to get from the airport to the City, but on this occasion, traveling with a younger, more tech-savvy person, did so by Uber at half the price in a meticulously clean vehicle driven by someone who, with the help of modern navigation aids, could find his way around London equally well as a licensed black cab driver (who typically must spend at least three years full-time riding through the city on a bicycle to acquire the familiarity with the London streetscape needed to pass the cab driver license exam). It made him wonder how long the black cab monopoly can survive, unless, as has been done in some cities, the vested interest taxi license owners can convince, *in a consumer-unfriendly, Luddite-like move*, the authorities to outlaw Uber.

GLEANINGS II - 617SP
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IS AMERICA REALLY INDISPENSABLE? (Al Arabiya, Hisham Melhem)

- On April 27th) the Atlantic Council organized a two-day forum that included an Oxford format debate on ”the United States is an indispensable nation : Global stability and growth depends on an assertive US foreign policy and a strong, active U.S. military

presence around the world.” Defending the resolution was Xenia Wickett, a former State Department official (*from 2001-2005*) now at Chatham House¹. She listed all the global challenges that cannot conceivably be resolved without the US, incl. terrorism, pandemics, climate change, cyber attacks, as well as ‘traditional’ threats from Russia. She defended the need for a strong & active US military presence around the world to maintain sea lanes, provide humanitarian relief & global security, and ended up asking ‘if not the US, then who? The EU, China, India, Brazil, Russia and Japan are all powerful actors. But none have the scope to take on the mantle of the stability America provides globally.’ Arguing the negative was Christopher Preble, Vice President for Defense and Foreign Policy Studies at the Cato Institute². He contended ‘the claim a single country with 5% of the world’s population and less than 22% of the world’s economic output is indispensable to that world’s well-being - - both its physical security and its economic prosperity - - is simply hard to believe, and he rejected the view the proper US role in the world is one of a ‘benevolent global hegemony’, & the “conceit” America’s military is a precondition for good things to follow, noting that the overthrow of Saddam Hussein & the US military presence in Iraq had unleashed chaos.

- While it is true that US military intervention in Iraq, Afghanistan & Libya, & before that Korea & Vietnam had caused undue pain & was born out of ‘conceit’, if the US had not intervened in Kuwait in 1991 & in Bosnia after that, and had not played a tremendous role in defeating fascism & Nazism, who *else* might have done so?

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U.S. CITY LEADERS KEEN ON SHARING ECONOMY (AP)

- A National League of Cities’ survey of 245 leaders of large & small municipalities found that nearly 75% want to see the “sharing sector”, *epitomized by Uber & Airbnb*, grow in the belief this will improve services (rated No. 1 by 22%) & help the economy grow (20%), although 61% said they had concerns about the safety of peer-to-peer services.

An issue no one appears to have focused on yet is its impact on governments’ tax revenues.

LIFE IN THE FAST LANE (G&M, Ivan Semeniuk)

- RAF Wing Cmdr. Andy Green is hoping, next year in South Africa, to break his own 1997 763 mph world automobile speed record by hitting 1,000 mph (Mach 1.3) in his Bloodhound SSC vehicle that weighs 7 ½ tonnes & has about 130,000 horse power³.

This project seems ‘cheap at the price’ (US\$12MM) & is billed as ‘a showcase for technology, engineering and mathematics’.

U.S. BIRTH DATA SHOW HIGH RISKS FOR CAESARIAN SECTIONS (Reuters, David Beasley)

¹ Home of the London-based Royal Institute of International Affairs.

² The Washington-based think tank with libertarian leanings.

³ I.e. more than the engines that power the largest (400 metre-long) container ships in the world.

- In the US C-sections now account for one-third of all births. But a May 20th report by the Centers for Disease Prevention and Control, concluded, after reviewing data from 3.5MM births in 41 states & in Washington, D.C., that after a C-section new mothers were three times as likely to need blood transfusions, five times so to require unplanned hysterectomies, six times so to be admitted to intensive care units & eight times so to suffer ruptured uteruses.

The rate of C-sections in the US has declined since 2009 (although it remains well above 1991's 23.5%). In Canada the rate today is 27.2%, up from 18.7% in 1997. And according to WHO, while the rate of maternal-, & new borns'-, deaths declines as the C-section rate rises to 10%, "When the rate goes above 10 percent there is no evidence that mortality rates improve."

VIOLENT DEMENTIA PATIENTS A GROWING CONCERN (CP, Stev Lambert)

- Manitoba judge Michael Carter led an inquest into the 2011 death of Frank Alexander, 87, who in a care home was killed by another resident with Alzheimer's who had earlier attacked his wife in their home because he thought she was a stranger & who had been acting violently towards staff & other residents at the home. In his report he said, among others that "there are more than 500,000 people living in Canada with Alzheimer's ...*and* by 2030 there will be more than 1.1 million", that the shortage of beds for high-risk personal care home residents will only grow as the population ages & that "the queue for these behavioural units can be as much as a year. This is not acceptable."

Acceptable or not, this situation is unlikely to change very much very fast.

FENTANYL WREAKING DEADLY HAVOC (NP, Robert Osborne)

- It is a powerful drug created in the 1960's as a pain reliever. Today it is smuggled in from Asia in powdered form that anyone can turn into tablets using an XD9 pill press with an 18,000 hourly pill-producing capacity that can be ordered on the Internet for \$6,300. And the profit potential is impressive : a kilo of fentanyl that costs \$12,000 can be turned into a million tablets with a street value of \$40MM. It is an immensely powerful : according to RCMP Cpl. Eric Boechler of the BC clandestine lab unit, while a paperclip weighs 1000 milligrams, two milligrams of fentanyl is a fatal dose (& "we have found fentanyl ... 10,000 more powerful than morphine"). And while in 2013 in Alberta police seized fewer than 300 fentanyl pills, YTD the number has been closer to 20,000 & the number of fatal overdoses has been 50, up from 100 in all of 2014 & just six in 2011 (and in BC there have been 150 such deaths in the past two years).

It may be politically incorrect, but purveyors of such misery should be put against a wall & shot!

GRAFT FUGITIVE FINALLY ADMITS HE IS A WANTED MAN IN CHINA (SCMP, Ian Young)

- Cheng Muyang a son of Cheng Weigao, once a senior CPP 'boss' in Hebei Province who in 2003, after a corruption investigation, was expelled from the party & died in 2010, was recently included among the 100 Chinese corruption fugitives on an Interpol Red Notice, accused of graft & illegal asset transfers. Last week he was identified as Vancouver property developer Michael Ching Mo Yeung (age 45), a permanent resident of Canada since 1996 who has long been denied Canadian citizenship, most recently in 2013, & who now is seeking refugee status & has hired human rights lawyer David Matas to argue his case at a hearing this month (Matas also acted for Lai Changxing, an

alleged smuggler who was nevertheless extradited to China in 2011 upon assurances he wouldn't be executed & who now serves a life sentence there without parole). After his 'coming out' his lawyer issued a statement saying his client "had no involvement whatsoever in any graft or corruption ... (and) has never been in hiding" (so then why the name change?) & that the charges against him were "without foundation". Ching refers to himself as "an exemplary ...member of the Canadian community ... (who) has ... devoted much of his time and efforts to the welfare of the community ... (and) provided support to ... both the Conservative Party and the Liberal Party."

This seems to confirm protracted & persistent rumours that the (long-overheated) Vancouver real estate market floats on a sea of illicit Chinese money. And Ching's arrest is likely a result of Operation Foxhunt, a secretive cooperative effort by the Vancouver Police (& the RCMP?) and Chinese government sleuths to ferret out fugitives from Chinese justice abroad (along with similar searches in the US & Australia, two other popular destinations for "hot money" from China). While Ching may, or may not, not have been directly involved in corruption in Hebei Province, given his father's track record, he may have transgressed Canada's Proceeds of Crime (Money Laundering) and Terrorist Financing Act. And according to the South China Morning Post, that broke the story on April 30th, Canada's Immigration Ministry had provided it with an "extraordinary statement" describing Ching as "a criminal & a fraudster".

OTTAWA PLANS TO OUTLAW SUPPORT FOR BOYCOTTING ISRAEL (PressTV)

- The global BDS (Boycott, Divest and Sanction) movement is an international effort to pressure the Israeli government to, among others, stop the construction of settlements in the occupied Palestinian territories. In Canada it has the support of the country's largest Protestant denomination (the United Church), the *Canadian branch of Independent Jewish Voices*⁴, and a number of university groups & labour unions.
- On May 11th CBC, Canada's government-owned national broadcaster, CBC, reported the Harper government planned to start applying hate crime laws against, & have "zero tolerance" for, supporters of BDS, a move quickly criticized by civil liberty groups who said it would be challenged under Canada's Charter of Rights & Freedoms.

A government spokesman quickly called the report "inaccurate and ridiculous". But an election is looming in the fall & Prime Minister Harper has a known proclivity for seeking to curry favour with specific voter 'slices', in this case the Jewish lobby, & is an unquestioning supporter of the Netanyahu government despite the fact that its West Bank policies are by all generally accepted international law criteria illegal. And while he c.s. denigrate critics of Netanyahu's policies as "anti semites", many are Jewish themselves, or 'goyim, who support the existence of the State of Israel as a 'Jewish homeland' but are concerned that Netanyahu's policies threaten its continued existence as such. Be that as it may, while for decades Canada 'punched above its weight' in global politics, in the past decade such amateurish & myopic foreign policy moves have resulted, among others, in Canada not having a useful relationship with Beijing & failing to get the necessary voting support in 2010 in its run for a two-year term on the UN Security Council (losing out badly to Portugal), causing one of you to email me recently in exasperation "More and more, the Canada we are presenting to the rest of the world today is not the Canada I thought I was living in. We have become mean and nasty with little regard for the principles of

⁴ An entity avowing a "strong commitment" to social justice & universal human rights (especially where the Palestinians are concerned) that was founded eight years ago by 150 British Jews, incl. one Nobel Prize winner, "out of frustration with the widespread misconception that the Jews in this country speak with one voice and that this voice supports the Israeli government's policies".

honesty, justice, fairness and compassion that once were our hallmark. I suspect that Lester Pearson⁵ might have a hard time recognizing his country today.”

ISRAELI SOLDIERS CAST DOUBT ON LEGALITY OF GAZA MILITARY TACTICS **(The Guardian, Peter Beaumont)**

- The *Israeli* human rights group Breaking the Silence⁶ has collected testimonies from over 60 Israeli soldiers, a quarter of them officers up to the rank of major, who fought in last summer’s Gaza war or served in command centres that raise serious questions as to whether Israel breached its obligations under international law to distinguish & protect civilians. They include allegations ground troops were briefed to regard everything in Gaza as a “threat”, that tanks fired on buildings without knowing if they were legitimate targets, & that the rules of engagement were unduly permissive, lax or non-existent.
- They paint a picture that doesn’t jive with the insistence of Israeli leaders that they took all necessary precautions to protect civilians & suggest that their priority was to minimize Israeli casualties regardless of the harm to Palestinian civilians. One sergeant quoted his commander saying at his July 17th pre-combat briefings “We don’t take risks. We do not spare ammo ... we use as much as possible“, another sergeant that he was told “Anything inside [the Gaza Strip] is a threat ... if we don’t see someone waving a white flag ... then he is a threat and there’s authorization to open fire”, & yet a third that “If it looks like a man, shoot. It was simple : you’re in a motherfucking warzone” with innocence being defined as “less than 1.40 metres tall or a lady ... If it’s a man you shoot.” (although in at least one instance two women were said to have been killed because one was holding a mobile phone).
- According to Michael Sfar⁷, an Israeli human rights lawyer & the group’s legal adviser, “one of the main threads in the testimonies ... is the presumption ... that no civilians would be in the area they entered⁸ ... We are not talking about a [deliberate] decision to kill civilians. But to say the rules of engagement were lax gives them too much credit. They allowed engagement in almost any circumstance ... of a risk to an IDF soldier.”

Unfortunately similar allegations can be, & have been, levied against the US armed forces’ activities in Iraq, Afghanistan, and now in Iraq & Syria, and for the very same reason, i.e. to keep US casualties down. But whereas American veterans as a result are said to suffer in

⁵ As Minister of External (now Foreign) Affairs he was instrumental in 1957 in settling the 1956 Suez Canal crisis, which earned him the 1957 Nobel Peace Prize. And as Prime Minister for five years to April 1968 laid the foundation for much of Canada as it is today, introducing, inter alia, universal healthcare, the Canada Pension Plan, student loans, a new flag & the Order of Canada, and kept Canada out of the Vietnam War & for all intents & purposes abolished the death penalty.

⁶ This Western Jerusalem-based NGO was set up after the Second Intifada by serving IDF members & veterans to provide a platform for them to describe the “gap between the reality which they encountered in the [occupied] territories and the silence they encounter at home”, & has been denigrated by its critics as a “left-wing soldiers’ protest organization.”

⁷ Born, raised & educated in Israel, he served in the IDF as a reservist paramedic until a tour of duty in Gaza turned him into a conscientious objector (which caused him to be turfed out at age 22).

⁸ Since civilians had been warned in leaflets dropped from aircraft to leave their homes & neighbourhoods (*as if they had anywhere to go in what is the fifth most densely populated ‘countries’ in the world, after Macau, Monaco, Singapore & Hongkong*)

droves from PTSD, there is little evidence of it among IDF veterans (possibly because the idea has been engrained in them the Palestinians are a species who deserve what they get?)

SAUDI ARABIA'S NEW DESERT MEGACITY (BBCNews)

- The King Abdullah Economic City (KAEC) is one of four new cities the late King pinned his hopes on for the future of his country once the oil runs out. It is being built 1½ hours' drive North of Jeddah on the Eastern shores of the Red Sea, between the sea & the desert, by Emaar Economic City, a publicly traded Saudi company (*with Dubai antecedents*). Its planned population (by 2035) is 2MM, its land area is 86 sq. mi/220 sq. kms/55,040 acres (similar to that of Washington, D.D.) & it will cost US\$66BN - US\$100BN to build, all of it private money, *although the last year's lower oil prices are said to have forced the company to seek government loan support.*

Detractors wonder what the King thought his country might have to offer to the world once its oil runs out (or is replaced, in whole or part, by other sources of energy); on the other hand, Voltaire was proven wrong when, in the mid-1700's, after France lost Québec to the British, he disparagingly referred to what is Canada as "quelques arpents de neige" ('a few acres of snow').

CHINA ESTABLISHES WORLD'S LARGEST PHYSICAL GOLD FUND (Zero Hedge, Tyler Durden)

- In early May *China's state news service Xinhua* reported that the China National Gold Group Corporation had signed an agreement with Polyus Gold, *Russia's largest gold producer*, to cooperate in mineral resource exploration. And on 23rd it reported the creation of a new gold fund, to be based in Xi'an City, *the capital of Shaanxi Province & historically the Eastern terminus of the historic Silk Road to the Eastern Mediterranean, with a branch to India*). Sponsored by the Shanghai Gold Exchange, it expects to raise US\$16BN from 60 countries along the Silk Road & will be 100% backed by physical gold (unlike many Western 'gold' ETFs). According to Tang Xisheng of the Industrial Fund Management Co. "China does not have a big say in gold pricing because it accounts for only a small share of international gold trade⁹ ... Therefore the Chinese government seeks to increase the influence of RMB in gold pricing by opening the domestic market to international investors." [the very reason Beijing has also been aggressively expanding the Shanghai Gold Exchange, i.e. to shift the global gold trading centre away from London (& away from paper gold) & to become the world's new gold trading hub].

This, & the fact that, while China is the world's largest gold producer, nevertheless massive amounts of physical gold have moved to China in recent years, and that Beijing hasn't reported on its official gold holdings for six years, is grist on the mill of those who believe that Beijing, in cahoots with Moscow, is hatching a nefarious plot to launch a physical gold-based scheme that would undermine the US dollar's reserve currency role, one step of which may see the light of day later this year if Beijing, to support its case for the yuan becoming one of the currencies backing the IMF's SDRs, were to publish its official gold holdings. (Zero Hedge is a financial blog site that is a 'burr under the saddle' for the mainstream financial community to the point where in 2012 BankAmerica blocked its employees' access to it &, after it used NYSE weekly trading date in 2009 to allege that Goldman's high-frequency trading desk was manipulating the

⁹ As opposed to 'holdings'; i.e. the difference between a 'flow' & a 'stock'

NYSE, led to the latter changing the rules regarding their release. Its writers all use the same pseudonym, that of Tyler Durden (a character in the 1999 film Fight Club starring Brad Pitt).

INDIA YET TO OVERTAKE CHINA GDP, BUT WE'LL BEAT THEM SOON (Times of India)

- While in the First Quarter the Indian economy recorded a 7.5% annual GDP growth rate, & China just 7.0%, Finance Minister Arun Jaitley said on June 6th that it was “not right to say that the Indian economy now had overtaken China; for while “China recorded 9% growth for 33 years ... the Indian growth story has just started.” And he said that even as the manufacturing sector had achieved a growth rate of more than 7% the agricultural sector had not done that well due to the erratic monsoon rains.

The difference between the two is that while, after decades of very rapid export-led growth, the Chinese GDP growth rate now seems to be decelerating to a lower economic trend growth rate as it converts to a more domestic consumption growth driver, India's is recovering from an 'economic hiccup'; for, while in 2010 both grew at a 10+%, China's has declined through 9.3%, 7.7% & 7.7% in the intervening years to 7.4% last year & likely is headed lower still, while growth in the Indian economy slumped from 10.3% in 2010 to half that in 2012 but has since recovered to 5.8% in 2013 & 7.3% last year. And looking forward India's trend economic growth rate will get more wind in its sails from its declining youth dependency ratio (that will boost its labour pool) while China's is static (as the unintended consequence of its one-child policy) while its boat anchor 'aged dependency ratio, is just 8% vs. China's 12%.

AS GREECE LEADS THE NEWS, ITALY'S PROBLEMS MOUNT (CNBC, Julia Chatterley)

- Prime Minister Matteo Renzi is having a hard time. The economy remains sluggish. Education reform has led to protests. A court ruled his pension cuts unconstitutional, requiring repayments of 13BN Euros. There have been charges of organized crime links to his left-of-centre Democratic Party (PD). While he has declared war on corruption, this hasn't stopped criticism about the way contracts were awarded for the May 1st to October 31st Milan Expo, nor a backlash over cost overruns & construction delays. And his plan to deal with the EU migrant crisis failed to be supported by several governments. On the other hand, there has been some progress on labour-, & bank-, reform, and GDP grew 0.3% in the First Quarter [the first positive number since the Third Quarter of 2013 (& *only the second in three years*)], although unemployment is still rising (hitting 13% in March), prompting one worker in Milan to grumble “If recovery is happening, it isn't happening fast enough.”

And while Greece's economy is but a pimple on the Eurozone's butt, Italy's is its third-largest economy, with a GDP 8x the size of Greece's. But on May 31st Renzi all but got his head handed to him in local elections in seven of Italy's regions when he attracted just 22.6% voter support, well below the 37% the polls had predicted & the almost 41% in last year's European elections, as the left wing of his party abandoned him (as witnessed by the xenophobic Northern League getting 20% voter support in Tuscany where, as the former mayor of the region's capital city, Florence, he was deemed to have 'favourite son' status).

