

Atlanta Fed's GDPNow real time growth indicator flashing orange? – In the First Quarter it was much closer to the truth than the consensus, less so in the Second & the jury is still out on the Third. In late September it touched the bottom of the 1.8%-2.8% median forecast (down from 2.6%-4.0% two months earlier), only to crash to 0.7% in days (& at last report was 0.9%).

Bashar al-Assad's first foreign visit in four years, to Moscow to meet face-to-face with Putin - One must wonder if he took advantage of the opportunity to do some house shopping.

First Russian casualties in Syrian conflict - According to pro-Syrian government sources three Russians out of a group of about 20 'irregulars' (i.e. not officially members of the Russian armed forces) were killed near Latakia when their position came under artillery fire.

Implications of the change of government in Ottawa - An analyst at a prominent US bank opined "We still hold the view that the greater drivers of *the level of the CAD (the Canadian dollar)* will be global ones including China risks, commodity prices and Fed policy. While the elections, however politically significant, ... will still likely have been secondary for the currency."

Lengthy omnibus bills can hide a multitude of sins - The Harper government's 2014 Omnibus Bill (Bill C-31) was 359 pages in length. Louise Arbour (age 68), former international war crimes prosecutor (1996-1999), Supreme Court Justice (1999-2004) & UN Human Rights Commissioner (2001-2008) recently highlighted, & went on the warpath against, a provision therein that classifies thousands of public servants, from the Governor-General, Prime Minister, Governor of the Bank of Canada & Chief Justice of the Supreme Court of Canada down through deputy ministers & generals to lesser lights at all levels of the public service as "politically exposed domestic persons" under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. This means their financial affairs, as well as those of their parents & offspring, and anyone associated in business with any, or all, of them, will be subjected to heightened scrutiny by financial institutions for twenty years after they leave office - *this seems not only an unnecessary & unwarranted invasion of privacy, but also a clear case of what Germans call "mit Kannonen auf Spatzes schiessen" (shoot sparrows with cannons) or in English 'using a sledge hammer to kill a fly'. For it implies that in Canada corruption is so pervasive as to warrant blunderbus legislation, rather than a periodic event that can be dealt with on a case-by-case basis under existing legislation (like the Duffy affair that came to haunt Prime Minister Harper?) And while needlessly adding to the institutions' overhead, from a bureaucratic perspective its beauty is that this will create more (needless & non-productive?) public sector jobs.*

Outcome of the Canadian election - With the benefit of hindsight, many Canadians concluded the 'it's my way or no way' approach of 'Emperor Stephen' & his gang of manipulative, zealous acolytes, wasn't their cup of tea. And the "young & inexperienced" Trudeau (who in fact is only three years younger & no less inexperienced than Harper was when he became Prime Minister a decade ago) made it easier for them to act on that belief by not stepping in an undue number of cow flaps during the unusually lengthy 78 day election campaign & by reading the public mood better than the supposed 'master political strategist' incumbent. Hopefully, Now the new Prime Minister will now abandon his undertaking to replace the current 'first-pas-the-post' electoral system; for a move to PR (Proportional Representation) likely will result, in due course, to a breakup of Canada as known for the past 150 years, 'a nation from sea to sea to sea'

Russian Insider - This Moscow-based media outlet was founded a year ago, purportedly by a expats in Russia who felt media coverage of Russia was biased & inaccurate. It recently reported that Russia is planning to increase its daily bombing runs against 'terrorist' targets selected by the Assad regime from 50 to as many as 300 & that ISIS fighters, "tired of Russian

airstrikes, are shaving off their beards & fleeing into Turkey”, that Russia has warned Israel to keep its planes out of “Russian-controlled” air space over Syria & Southern Lebanon (or risk having them shot down), that, while Russia is fighting Islam in the Middle East, the US is promoting it & that the Russian Orthodox Church has declared Russia’s “fight against ISIS in Syria” a “holy war”, and that “prejudice blinds Western ‘experts’ to Russia’s military prowess”.

Winning a lottery ‘booby prize’ - Due to a deadlock between its Republican Governor & Democrat-controlled General Assembly, Illinois has been without a budget for five months. So in last July the state announced a ‘temporary suspension of all payments > US\$25,000 and then, on October 15th, followed that up by ‘capping’ cash payouts to all winners in the state’s lottery to US\$600 (with those affected given IOUs for the balance) until the financial situation is brought under control. Last month already, two lottery winners (obviously of amounts of > US\$25,000) sued the *state* lottery for their money, with interest. *This may encourage more Illinois residents to shop in Indiana, not just for cheaper cigarettes & gasoline, but also for lottery tickets that actually pay cash when you win. And in a worst case scenario, it may cause foreigners to start wondering how strong the underpinnings of the US economy really are when such a significant state government, the home state of the current US President, has to resort to such a drastic emergency cash management measure (also see below about Puerto Rico & the debt ceiling).*

GLEANINGS II - 638
Thursday October 22nd, 2015

PRODUCERS IN A ‘FULL-ON’ FIGHT FOR MARKET SHARE (BB, Serene Cheong)

- OPEC members long moved in lockstep on the price front. But now Kuwait & Iraq are undercutting Saudi Arabia price-wise & Qatar is discounting competing Abu Dhabi crude, as producers seek to build relationships with long-term customers by cutting prices . So this month Kuwait’s Export Blend crude is a record 65¢US/bbl (& next month 60¢US) below Saudi Arabia’s similar quality Arab Medium crude, Iraq is selling its Basrah Heavy for US\$3.70 less than Saudi Arabia’s Arab Heavy, & the Qatar Land crude is US\$1.20 cheaper than Abu Dhabi’s Murban equivalent.
- While OPEC is predicting increased demand for its oil next year, the IEA noted on October 13th that Iran may hike its output to 3.6MM bbl/d from September’s 2.8MM bbl/d within six months after the international sanctions are eased, with the result that, as Ehsan Ul-Haq, an analyst at UK-based KBC Advanced Technologies, puts it, “there will likely much more competition within OPEC...”

Cutting prices to build long-term relationships is an oxymoron.

BIG OIL COMPANIES BACK AGREEMENT AIMED AT PREVENTING CLIMATE CHANGE (Bloomberg, Angelina Rasquet)

- Last June six *major* oil companies, BG Group PLC (Britain)¹, BP (Britain), Eni Spa (Italy), Royal Dutch Shell (Holland/Britain), Statoil ASA (Norway), Total SA (France) urged governments to agree to carbon pricing at the UN’s November 30th - December 11th COP21 Climate Change Summit in Paris. On October 16th ten major oil companies [their number now augmented by Pemex (Brazil), Repsol (Spain), Aramco (Saudi Arabian Oil

¹ That is in the process of being taken over by Shell.

Company) & Petroleos Mexicanos^{2]} issued a statement at a joint conference in Paris saying they will back policies consistent with the goal of limiting the increase in average global temperatures to 2 degrees Celsius³, & more specifically “Our shared ambition is for a 2 degree Celsius future ... Over the coming years we will collectively strengthen our actions and investments to contribute to reducing the greenhouse gas intensity of the global energy mix”. It stopped short, however of backing carbon pricing (since according to Helge Lund, GEO of the BG Group, there was “not a common” position within group on it). While no North American-based oil companies are now in the group, Total CEO Patrick Poyanne said “It’s an open club, whoever wants to come is welcome” & one big company from China, the world’s largest CO₂ emitter, is expected to do so (i.e. join) *later* this year. Meanwhile, ExxonMobil said last May it wasn’t going to “fake” it when it came to its views on climate change & continues to believe that technology can provide solutions to any impacts that result from increasing global temperatures (*in other words, ‘We don’t give a rat’s ass about what anyone says about global warming & remain committed to ‘Let her rip!’*) and Aramco’s CEO, Amin Nasser said his country will maintain its 12.5MM bbl/d capacity but *the world* needs to “decouple the production of oil from carbon emissions” by using technology to capture the gas & convert it into useful chemicals.

A headline writer ‘faux pas; for it isn’t a matter of ‘preventing’ but of ‘moderating’ global warming. Getting Aramco on board increased the group’s credibility, for its production exceeds that of BP, Shell & Pemex combined. But larger groups tend to have lower common denominators & in this case silence on carbon pricing may have been the price for getting Aramco ‘under the tent’ (although its CEO’s comments suggests that, unlike Exxon, he isn’t an ‘environmental Luddite’)

CONNECTING THE DOTS (Mauldin Economics, Tony Sagami)

- The Labor Department’s latest Producer Price Index (PPI) said wholesale prices in September dropped 0.5% &, after eight monthly declines, were down 1.1% YoY. But the Marketbasket semi-annual Index of the Wisconsin Farm Bureau Federation (WFBF) that tracks the cost of 16 widely used food items *more relevant on a day-to-day basis to Americans households* tells a different story. For in September it was up 2.7% YoY⁴.

And the WFBF has less of an axe to grind than the government; for the lower the official inflation rate, the lower the government’s COLA payouts to SS-, & federal pension-, recipients, and the more useful the inflation rate is to the Fed in justifying not doing what it doesn’t really want to do, i.e. raise interest rates, & in rationalizing remaining “highly accommodative for some time.”

HOUSE REPUBLICANS SCRAMBLE FOR DEBT CEILING PLAN (Politico, John Breshnahan)

² The latter two SOEs, owned by governments of countries that are prominent members of OPEC.

³ Which is increasingly starting to look like a pipe dream.

⁴ Of its 16 items the price of nine were up & six down, and one (apples) unchanged since spring, with the big ‘winners’ being eggs (up 71.9%YoY), white bread (up 24.5%, rather ironically so since the price of wheat is down 29% from April 2014 & 42% from October, 2012) & ground chuck (up 14.7%), and the big ‘losers’ whole milk (down 13%), shredded mild cheddar cheese (down 11.3%) & vegetable oil (down 7.3%).

- House GOP leaders had planned to have a vote on Friday on a proposal to increase it while imposing new limits on executive branch powers which, while it had no hope of passage in the Senate, would at least have shown effort. But when the Majority Whip started counting noses he couldn't even find the 30 Republican votes needed, combined with the 188 Democratic ones, for passage. So with the about-to-be-ex Speaker John Boehner & other GOP leaders unwilling to bend to President Obama's demand for a "clean" bill (*i.e. one without add-ons, incl. constraints on his executive powers*), the US is within twelve days of reaching its debt limit without a clear plan as to what to do about it.

What a way to 'run a railroad'!

GARCIA PADILLA : MAY HAVE TO CHOOSE BETWEEN CREDITORS AND SERVICES (CNBC)

- Puerto Rico Gov. Alejandro Garcia Padilla told Senators during a hearing on October 22nd that without support from the federal government "Puerto Rico may have to choose between paying creditors and providing essential services to the island's 3.5 million American citizens." And his accompanying written statement informed them that "the Commonwealth will have a negative cash balance of \$29.8 million in November 2015 ... (*and*) illiquidity will only grow worse when a \$335 million debt service payment on bonds of the Government Development Bank (GDB) comes due on December 1." While Antonio Weiss, the Counselor to the Treasury Secretary leading the Administration's efforts to help the Commonwealth, unveiled a plan late Wednesday that would allow it to restructure both its own-, & its municipalities'-, debt under US bankruptcy laws, it's chances of Congressional approval are deemed "less than 5 percent" since it fails to conform with the 'contemporary Republican fiscal posture'.

Another example of how its irrationally obstructionist extreme right 'tail' is wagging the Republican Party 'dog'. And with things likely to get only worse over the next year, it's small wonder that Boehner wanted out & that nobody really wants his job.

FOR CANADA, JUSTIN TRUDEAU ELECTION OFFERS CHANGE OF TONE (NYT, Ian Austen)

- He may give Canada a different global 'face' than Stephen Harper, whom he routed last Monday. For ever since he became the Liberal Party's Leader in 2013 he has said that as Prime Minister he would end the belligerent Harper style of politics & diplomacy, and replace it, *at home & abroad*, with "sunny ways" (a term coined by Sir Wilfrid Laurier⁵ a century ago). He has spoken of scrapping his predecessor's global (*Bush 43's cloned?*) emphasis on military solutions & returning to a more pro-active participation in the UN, his combative, lecturing attitude vis a vis the Obama Administration on the Keystone pipeline issue & his habit of pushing policies at home that were popular with his right wing-, *core support*-, base but divisive for the electorate as a whole.
- During the campaign, Mr. Harper & his Conservative Party relentlessly portrayed Trudeau as a near-dimwit with "nice hair" who was "just not ready" to replace him (*which*

⁵ Who was an MP or 45 years, served as *Liberal* Prime Minister from 1996-2011 &, according a Maclean's review four years ago had been the best of Canada's 22 Prime Ministers (with Trudeau père coming in 5th & Harper as No. 11 in the middle of the pack).

not only didn't work, but actually may have backfired by demonstrating to many voters how nasty, poisonous & un-Canadian domestic politics had become on Harper's watch).

It would be grossly unfair to suggest that Harper has been a total disaster. But, as often the case with political leaders, the longer in office, the more he started believing his own press releases. And while he had promised greater accountability, and transparency & openness in government, the longer he was in office, the less transparent & open-, and the more paranoid & imperial-, his governance style became. Personally, I would have been happier if Trudeau had gotten a solid plurality; for historically in Canada minority governments have performed more with a view to benefiting the hoi polloi, & less the party 'hangers-on', than majority ones.

ISRAELIS REACH FOR FIREARMS (Bloomberg, Calev Ben-David)

- Business is booming at stores selling guns as Israelis worried by Palestinian violence rush to arm themselves & the government moved on October 14th to ease gun ownership rules, incl. letting, for the first time ever, municipalities issue *gun* licenses.
- While Public Security Minister Gilad Erdan said "In recent weeks many citizens helped the Israeli police neutralize terrorists ...Citizens trained in the use of firearms can be a force multiplier in the struggle against terroris", others are concerned more guns will fuel vigilante justice or, as Sarit Michaeli of the Israeli *human rights* group B'Tselem sees it "We are already seeing a trend of excessive lethal force by security officers, and putting more guns in the hands of untrained civilians .. adds another layer to this phenomenon."
- Israel isn't awash with guns : less than one in 25 Israelis was licensed to carry a personal firearm, vs. one in three Americans, with gun ownership restricted to security personnel, those in occupations exposing them to robbery, upper-echelon military veterans & residents of dangerous areas, such as West Bank settlements, and required both regular medical exams & marksman testing. But this will now be extended to lower-ranking military veterans (*which in a country with compulsory military service for both sexes means most adults*) & government employees with security training, although it the shooting range requirement was changed to annually from once every three years.

*Things seem to be spiraling out of control : last Monday an Eritrean migrant was shot & then beaten to death by a mob that mistakenly believed he was a Palestinian terrorist & on Thursday an Israeli Jew was shot & killed by security forces during an altercation about him showing his identity papers. And, while Prime Minister Netanyahu said on October 15th he would be "perfectly open" to meeting with Mahmoud Abbas in order to end weeks of Israeli-Palestinian unrest, this 'train has left the station'; for, in no small part due to Netanyahu's intransigence, Abbas is a spent force among the Palestinians; besides, even if he wasn't, there would be little he could do since much of the recent Palestinian violence against Jews has taken place within Israel proper **and** been of a spontaneous nature by individuals that is all but impossible for the traditionally very effective Israeli internal security forces to anticipate, never mind control. The nightmare scenario for Israel now is that Abbas may dissolve the Palestinian Authority thereby devolving responsibility for security in the West Bank onto the Israeli security apparatus (which would create a potential for daily, direct friction between it & the West Bank Palestinians) & longer term that the growing sense of insecurity among Israelis will prompt growing numbers of dual citizenship Israelis to start thinking about 'getting out while the getting is still good'.*

RAGE, FEAR OF VIOLENCE PALPABLE IN EAST & WEST JERUSALEM **(G&M, Patrick Martin)**

- While stabbing attacks on Jewish Israelis have tapered off, buses in West Jerusalem remain half empty & sidewalks nearly deserted, with the only crowds outside stores selling pepper spray. Fear among Israelis is palpable, for in the first half of this month knife attacks by local Palestinians have killed seven Jewish Israelis (& *injured many others?*). But in East Jerusalem's Arab communities fear is no less real given the number of Palestinians killed violently during the same period for real-, or perceived-, terrorist activity. The young Palestinians' rage is egged on by preachers like Mohammed Salah in the Gaza city of Rafah who on October 9th, in a video-recorded sermon, brandished a knife while exhorting young Palestinians to attack Jews to disabuse them of the notion that the 1,400 year-old al-Aqsa mosque & the Dome of the Rock (*the third-holiest site for Sunny Islam that as the Temple Mount doubles as the most holy for the Jewish religion*) should be torn down to build a third Jewish temple⁶. Meanwhile, as the rightwing activist Rabbi Shmuel Eliyahu declared "It is feasible and necessary to erect an altar on the Temple Mount today", Prime Minister Netanyahu ordered all MKs to stay away from the Mount & Rabbi Shimon Ba'adani, a religious leader of the ultra-orthodox Sephardic Jews' Shas Party (that is part of Netanyahu's coalition), advocates that visits by Jews to the site, that had "sparked all the current tumult", needed to stop altogether⁷.

As far back as 1929 a dispute over control of the site led to riots in what then was Palestine that killed 133 Jews, most by Arab rioters, and 116 Arabs, most by British security forces. And it was the visit to the site in 2000 by the then Leader of the Opposition Ariel Sharon that led to the 2000-2005 Second Intifada in which 3,000+ Palestinians & 1,000+ Jews perished.

PUTIN'S PARTITION PLAN FOR SYRIA (NYT, Hussein Ibish)

- He is seeking to take advantage of the paralysis of America's policy in Syria to restore Russia to the role in the Middle East it lost fifty years ago. His objective is to secure for Assad the Syrian West, running from the port of Latakia *near the Turkish border* along Syria's border with Lebanon to Damascus *in the South*. This would leave the rest of the country, with the exception of a Kurdish area *in the North*, under the control of various nationalist and/or Islamist rebel groups, incl. the ISIS 'caliphate' (making it the main beneficiary of the Russian intervention). Obama's desire to see the conflict end without him doing much has made some of his senior officials disposed to go along with Moscow's plan, despite the fact that Putin's approach will mean ending the fight against ISIS in Syria while it simply cannot be fought in Iraq alone. Small wonder that Gen. John Allen, the US Envoy to the coalition fighting ISIS recently resigned; for it is one thing to be in charge of a farce but an entirely different kettle of fish to be the front for a fraud.
- Putin seeks is to create a '*Russia-friendly*' Middle Eastern alliance made up of Iran, Iraq, Hezbollah (in Lebanon), the "little Syria", & possibly others. And since the US is manifestly more powerful militarily, economically & diplomatically than Russia, there is no good reason why it should go along with his dreams. But this is not a matter of capabilities but of wills &, while Russia is in no position to throw its weight around in the Middle East, Putin correctly deduced from the Crimean-, Ukrainian-, & Syrian chemical weapons'-, debacles that nobody would stop him if he were to move into the Middle

⁶ The first was built in 957 BC, supposedly by King Salomon., & destroyed by the Babylonians in 586 B.C, while the second was built in 516 BC & leveled by the Romans in 70 AD.

⁷ A view shared by increasing numbers of Israeli commentators as possibly the only way to keep things going from bad to worse

East. But he knows he is getting dangerously overstretched at home & abroad (& that Iran is as much a long-term potential adversary as a temporary ally). So at some point he will seek to pocket his gains by cutting a deal with the US, albeit from now a then much stronger position *than he would have otherwise been in*.

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