

**Bad news, good news German Syrian refugee story?** - On Saturday October 8<sup>th</sup> the police in the city of Chemnitz (near the Czech border) descended on the apartment of Jaber Albakr, a 22 year-old 2015 Syrian refugee, on suspicion of his planning a terrorist act at the Berlin airport & did indeed find explosive materials there. With Mr. Albakr having absconded minutes earlier; a massive nation-wide manhunt ensued. Two days later, he approached a fellow Syrian in the Leipzig railway station (*85 kms/50+ miles from Chemnitz*) asking him for a place to stay. The latter obliged him but, once he realized who his house guest was, got two friends to help overpower him, after which they tied him up with rope, took his picture & sent it to the police who quickly took him off their hands (*Albakr since committed suicide in jail by strangling himself with his Tshirt*) - *the good news part of this story is that it suggests that at least some Syrian refugees may be made 'of the right stuff', and the bad news that this may heighten the German hoi polloi's concerns the refugee flow has included some 'bad apples' & that it cannot be ruled out that other renegade Syrian refugees may seek retribution from 'good guys' (in a best case scenario because of their blood feud tradition & in a worst case scenario because ISIS wants to sound a warning to other would-be 'apostates'.*

**Solar power in the US** - According to the Washington D.C.-based Solar Energy Industries Association in the six years ended in 2015, the United States' solar power industry's installed capacity grew 15x while its cost of production declined 75% (to 2.1¢). And it expects employment in the industry to grow from 209,000 in 2015 to 420,000 by 2020.

**Texas Permian Basin** - Last month Apache Oil announced its 300,000 contiguous acre Alpine High discovery in an odd corner of the Basin holds 3BN bbls of oil & 75 TCF of natural gas & that with oil at US\$50 it will support up to 3,000 wells, and that it was hiking its capex budget 25% to US\$2BN (much of it earmarked for High Alpine that it expects to come on stream a year from now). Partly in consequence thereof the number of drilling rigs active in the Basin has in the past three months jumped by 45 ( i.e. by roughly one-third). And elsewhere it was reported that the Basin's unique geology makes for break-even prices as low as US\$30 - *Saudi Arabia's plan to drive out US shale oil has badly backfired; in fact it may have done the US a big favour by forcing its oil companies to aggressively adopt new technology & increase efficiency.*

**The second Presidential Debate** - Marketed-, & masquerading-, as a debate it was really the mud-slinging verbal equivalent of a food fight, involving on the one hand a system stalwart throwback to 1960s-style Latin-American millionaire socialists<sup>1</sup> & on the other a licentious,

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From 'humble beginnings & after 40+ years with both feet in the public sector 'trough', the double-dipping' Clinton political 'power couple' has, according to Fortune, a US\$110MM net worth (*Hillary US\$31MM & Bill US\$80MM*) & in 2014 a US\$28MM taxable income (with only US\$22,000 thereof from investment income & zero from capital gains). And in 2013 Hillary 'earned' US\$8.5MM from making 36 speeches & Bill US\$10.2 MM from making 34, while dividing their time between living in a US\$1.8MM home in Chappaqua, NY & a US\$6MM mansion in Washington, DC. And daughter Chelsea (age 36) who before the birth of her daughter in September 2014 had been a US\$600,000 "special correspondent" for NBCNews despite her lack of any journalistic experience, & who in February 2014 was paid US\$65,000 by the University of Missouri, Kansas City, for giving a 10-minute talk, participating in a 20-minute Q&A session & posing for 30 minutes 'offstage' in photos with VIPs, after the university had found Hillary's US\$275,000 fee a bit 'too rich for its blood', now is said to have a Net Worth herself of US\$15MM & calls a New York City US\$10MM, 5,000 sf, 6BR/6 bathroom unit ' in a 'boutique condo' at 21 East 26 Street (a step-up from their US\$4MM "starter pad" on Fifth Avenue) home, sharing it with her husband (whom she married in 2010 in a US\$3+MM wedding) & her two-year-old daughter.

narcissistic buffoonish outsider of little personal merit; while both are 'legends in their own minds', objectively speaking, there is little of substance to that back that up<sup>2</sup>.

**GLEANINGS II - 680**  
**Thursday October 13<sup>th</sup>, 2016**

**IMF WILL NOT JOIN GREEK BAIL-OUT PROGRAM AMID DEBT RELIEF CONCERNS**  
**(Reuters)**

- But it is angling for special advisory status with limited powers to keep itself at the table (*commonly known as 'having your cake & eat to too*). It has been holding out on this for over a year on the grounds that the financial targets the EU has in mind are unrealistic without major debt relief (i.e. write-offs). This has been in the making ever since German Finance Minister Wolfgang Schaeuble insisted the IMF should take part but resisted IMF Managing Director Christine Lagarde's calls for major debt 'restructuring'.

*Her position makes a lot of sense; for Greece's debt-to-GDP ratio is stuck at 175-180% & the most surefire, if not the only real, way to get it down is by shrinking the numerator of the fraction by debt write-offs (something it doesn't tolerate from its own debtors) not by juggling maturities & interest rates that doesn't alter the principal amount. The same is true for Schaeuble; for some German banks would be among those who would 'take a haircut' (that is they can ill afford right now) while an election is in the offing & few, if any, things would infuriate hard-working German voters, who can only retire at 65, more (with the Bundesbank now advocating age 69) than being told to subsidize 'idle' Greeks who can retire at a younger age.*

**ECB OFFICIALS EXPRESS CONCERNS OVER EFFECT OF NEGATIVE INTEREST RATES**  
**ON BANK LENDING** (WSJ, Tom Fairless)

- The ECB has been one of the world's strongest proponents of negative interest rates. But evidence now seems building that they cause banks to cut back on lending, the very opposite of what had been expected. So on October 3<sup>rd</sup> in Madrid Peter Praet, its Chief Economist, said that the weakness in European bank stock prices (many are down 20% or more YTD) is worrisome since there is a "rather strong correlation" between equity prices & bank lending; for "When equity prices are low, one year later you may see impacts on the supply of credit of banks in general". This came the day after his fellow

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Which, in Trump's case ought to be clear to anybody with even only half a brain, but less so in Hillary's case. But according to a 2014 article in Politico she shared the blame with Bill for the failure of his health care agenda in the 1990's since neither had understood how Congress worked nor how lawmakers had to be 'managed'. During her eight years as the junior Senator for New York State (at a stipend ranging from US\$145,100 in 2001 to US\$169,300 in 2008) she achieved nothing particularly noteworthy. And her main claim to fame as Secretary of State is that, according to The Atlantic, she traveled almost one million miles in four years, more than any other Secretary of State (*according to her detractors while promoting the Clinton Foundation on the side*), in doing so breaking Madeleine Allbright's record for the most countries visited (112 vs. 98). And while during the Second Presidential debate she interrupted Trump, when he accused her of having been responsible for Obama's "red line" fiasco, to tell him that "I was gone when there was a red line", the Pulitzer Prize-winning, Tampa Bay Times-affiliated PolitiFact.com fact-checking website (that has a reputation for being more critical of Trump than of her) rated this claim of hers "Mostly False" on the grounds that the red line idea had become Obama policy at least six months before the end of her term as Secretary of State in January 2013 & that she had promoted the idea until the very end of her term in office, & even thereafter, and that her contention was only true to the sense that she had been out of office when he failed to act on it in August 2013).

ECB Board member Yves Mersch made a similar point in Luxembourg, telling his audience that lower share prices cause banks to become more conservative in their lending. And last March the Basle-based BIS, the so-called 'central banks' central bank', warned of 'great uncertainty' about the behaviour of individuals & firms if rates were to go deeper into negative territory or stayed negative for long. And a while ago Atlanta Fed President Dennis Lockhart told this paper in an interview that others' fascination with negative interest rates is "an experiment we have the luxury to watch from a distance."

*Once central bankers rode high, secure in the knowledge they were "the masters of the financial universe" while today they seem overwhelmed by a feeling of having painted themselves into a corner & not having a clue how to get out of the hole they dug themselves into. All this is because the pointy-headed Ph.Ds now in the central bankers' decision-making saddle ignored, forgot, or simply were not aware of, the fact that monetary policy-making is asymmetrical, as epitomized by the old market adage "you can't push on a string" (i.e. it can bring an economy to its knees by making money scarce & costly, but it is less amenable to resuscitating it, no matter how easy money-, & how low interest rates-, may be, if people simply don't want to borrow.*

### **CONTINENTAL SHIFTS : THE CHALLENGES AHEAD (G&M, Nathan Vander Klippe, et. al.)**

- **China is eager to build on status as rising superpower** - Trump trumpets isolationism & if he were to create a void in the international system and/or erode US credibility in economic-, and/or human rights'-, policy, Beijing would be only too happy to fill it. Already Thailand & the Philippines seeking to ease into China's orbit while his criticism of US defense expenditures in Japan & South Korea are endangering those long-standing relationships. But Clinton, the architect of the Obama 'pivot to Asia' policy, shares his desire to retain more power & influence in a region Beijing deems its backyard. So she is not well-liked there, with alarmists clamouring a Clinton presidency will prompt a more adversary relationship, if not a military conflict, between the world's two most powerful nations - *they may overstate the case; for China's aging population & future substandard employment potential of its 61MM generation of 'left-behind' children, may prove a huge 'boat anchor' on its economic growth potential, thereby endowing Potemkin village-type limitations to President Xi's ambitions. And Clinton should perhaps make, as Obama should have done long ago, a more constructive, collaborative relationship with India a cornerstone of her Asian foreign policy;*
- **The weakness of the European banking system could have a global impact** - it provides 80% of all funding to Europe's real economy, twice the US rate; so when its banks encounter heavy weather & stop lending, the corporate sector is starved for funding & new job creation suffers. And Europe doesn't lack sick banks, ranging from the Deutsche Bank, Germany's largest<sup>3</sup>, to just about all Italian ones. And if the 2008 financial crisis, *brought on by the Lehman collapse*, taught us anything, it is that the (big) banks are tightly interconnected & that a shock anywhere quickly reverberates through the system. Moreover, any taxpayer-funded bank bailout is likely to fuel the growth of Europe's anti-establishment parties (*of the right & left*), enabling them to tell voters that this shows that the system favours bank creditors (i.e. the few) over the struggling many;
- **In France the right-wing parties are gaining strength.** With President Hollande's approval rating at an all-time low, the odds are growing that in the April 23<sup>rd</sup> first round 2017 presidential election his Socialist Party will come third & that the May 7<sup>th</sup> run-off will

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<sup>3</sup> And the IMF recently noted that any serious problem at the Deutsche Bank, the world's 13<sup>th</sup>-largest bank, would have an impact on twice as many major banks in the world.

be between Nicolas Sarkozy's centre-right Republicans & Marine LePen's far-right National Front Party & become a race of tough language on immigration, terrorism (& a possible *Frexit?*);

- **Frau Merkel's political future** - After her second re-election in 2013 she was one of the strongest political leaders in the world. But now, at age 62 & after 11 years in office, she looks more vulnerable than ever & is expected to announce in December if she will run next year for a fourth term as her right-of-centre Christian Democratic Party had its head handed to it in several regional elections, her refugee policy is in tatters & unpopular, Germany's biggest banks are shaky & the Brexit talk is creating major headaches for her. But her personal approval rating is still 54% & there is no clear candidate to take over from her – so *her announcement on October 15<sup>th</sup> at a joint press conference with Nigerian President Muhammad Buhari, after visiting Mali, Nigeria & Ethiopia, that she will send back to Nigeria (despite the fact that they might have been easier to integrate into Germany society than Iraqis or Syrians) the 10,000 Nigerians who have come to Germany "because ... most of them came for economic reasons"; and*
- **In Africa, autocratic regimes are targeting opposition movements** - Street protests are on the rise in, among others, Ethiopia, South Sudan, Burundi, the Democratic Republic of Congo, Gabon & Zimbabwe. So far the dictators have ruthlessly used the police & military against the dissenters & arrested or exiled 'trouble makers'. But the protests are continuing, the security forces are *becoming over-extended* & struggling to keep the lid on things, & at some point they may lose control. In Ethiopia 500+ protesters were killed in the past year (& *over 50 more in just one day, October 2<sup>nd</sup>*) & in Congo, where President Kabila is trying to extend his rule, dozens of demonstrators were killed on September 19<sup>th</sup> while the opposition leaders have vowed to persist with their protests;
- **Continuing chaos in Venezuela amidst a collapsing economy** - With triple digit inflation & a scarcity of essential foodstuffs & medicines<sup>4</sup>, the opposition is pushing hard to have President Maduro recalled before the end of the year, while regime's electoral officials are doing their utmost to stave off the evil day until the next scheduled election in 2018 with delay tactics that will enable him to stay in power. And while he is dug in deep & the opposition is fractured between those favouring the recall route & those who think mass street protests are the way to go, the hoi polloi's living conditions are now so dire that it is difficult to see how he can possibly hang on to power much longer.

*This may be the worst of times to have a US President & nation with a diminished stature.*

### **CAN OPEC ACTUALLY DELIVER PRODUCTION CUTS? (FP, Jesse Snyder)**

- Last week at its meeting in Algiers<sup>5</sup> OPEC tentatively agreed to cut production to between 32.5 & 33.0MM bbl/d (which could constitute as much as a 700,000 bbl/d cut) at a time that OPEC production is still inching upwards. But determining where those cuts might come from is all but impossible; for actual OPEC production data often differ from reality : according to Omar Al-Ubaidli, a Bahrain-based economics researcher, OPEC

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<sup>4</sup> Much of which must be imported. And that takes foreign exchange that the government doesn't have, in part due to the low oil prices but even more so because of lower production (last August's 2.18MM bbl/d, was a 13-year low & down almost 200,000 bbl/d since January 1<sup>st</sup>) & because Hugo Chavez before his death had borrowed a shitload of money from China with the servicing & repayment thereof to be made from future oil deliveries.

<sup>5</sup> The meeting mentioned about was not an OPEC one but the September 26<sup>th</sup>-28<sup>th</sup> 15<sup>th</sup> IEF (International Energy Forum) of both oil producing-, & consuming-, countries.

exceed its production quotas 96% of the time & according to Venice, Fla.-based Ned Davis Research, that specializes in commodity research, the last time the monthly OPEC production number aligned with its stated targets was in 1996. Following this announcement the price of oil rose 6% although after a few days, *after people had time to think about its practicality*, some of these gains were lost. Moreover, production curbs by OPEC, if there are any, may come, according to Seth Kleinman, Citigroup's Head of European Energy Research, from things "that would've happened anyway ...*only packaged in a nice, bullish 'OPEC is back' (make-believe) wrapper.*"

- The key players in any production cutback arrangement will be Saudi Arabia, Iran, Nigeria & Libya. Saudi Arabia has in recent months been pumping at record rates & maintained it would keep doing so, regardless of the impact on prices, (*because it needs money in the worst way, with its economy having recorded several quarters of negative growth & its FX reserves having declined by 20+%*<sup>6</sup> *as a result of its increasingly futile attempt to drive US shale producers out of business?*). So reversing that policy would represent a painful climb-down (& be evidence that it is no longer the powerful dominant swing producer of yore). But its domestic market situation may make a cutback in the short run easier to swallow; for it is entering its season of cooler weather & less electricity consumption (for air conditioning) that will cut domestic oil demand by 300,000-500,000 bbl/d.) Iran has been a holdout in the negotiations for production cuts to the point where it was blamed for the failure of cutback talks last April). And it has made it clear that it wants to increase its current 3.65MM bbl/d. output to at least its pre-sanctions 4MM bbl/d. level; moreover, Tehran also looks on this issue in the context of its struggle with Saudi Arabia for regional hegemony, making it reluctant to agree to any Saudi initiative. And Libya & Nigeria may well pose the biggest challenge to an OPEC production cuts; for their economies are in the dumps & they need money, and their current output is about 1MM bbl/d less its level not long ago.

*The author followed this up with another article entitled Pressure mounting on OPEC to reach agreement because analysts say that a failure to do so would undermine its credibility & may send oil prices into a tail spin; this line of reasoning ignores the fact that the failure of Saudi Arabia to bring US shale producers to heel is ample evidence that it is no longer the dominant player in the global oil market, & ignores the growing feeling in the industry that the time of global "peak" oil demand may come as soon as 2030. And the problem for many oil producing countries that depend on oil revenues to balance their budgets, is that they are 'non-oil revenue-challenged' & that oil price elasticity is such that higher prices & lower volumes may not be 'revenue-accretive'.*

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## **IT DOESN'T MATTER WHO WON THE DEBATE : AMERICA HAS LOST** **(G&M, Sarah Kendzior)**

- Eight years ago, after the Sarah Palin-Joe Biden debate, we laughed at how her ignorance & outbursts had made her a national laughing stock. But little did we know how far we all would fall; for instead of an anomaly she was a harbinger of things to come in this vilest of elections in US history. It doesn't matter who won the debate. What

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<sup>6</sup> It is significant in this context that when Riyadh recently announced it expects to raise US\$100BN from the sale of part of Aramco, it indicated this would involve divesting an interest in the entire 'family jewel' company rather than of just the downstream, refinery part thereof, as earlier indicated - *this is not a sign of strength!* .

does matter is how far the nation has sunk; for after a year dominated by bigotry, threats & revelations of sexual assault, is it *really* possible to contemplate anything but a diminution of our nation's stature? Loss of trust, respect, dignity & purpose? Loss of faith in our leaders, in each other, in the media's willingness to challenge candidates rather than to exploit it for profit & in our leaders' willingness to defend the vulnerable instead of exacerbating their pain?

*The greatest loss may well be America's 'loss of face' worldwide; for can anyone seriously believe that, after this blatant evidence of the bankruptcy of the American political system, its leaders' status in the global arena will not be affected? - The author is in her mid-30s & has two small children. After getting an MA in Eurasian Studies from Indiana University & a Ph.D. in anthropology from Washington University in St. Louis<sup>7</sup> in October 2011 & being the recipient of a slew of honors & rewards, the lack of employment opportunities in her chosen field drove her to return to her first post-undergraduate field of endeavour, journalism. She now writes for, among others, al-Jazeera English, Politico, Chicago Tribune & NYT, The Guardian, The Atlantic, Foreign Policy & Radio Free Europe<sup>8</sup> and has published many scholarly pieces, one of which, her 2012 The Closing of American Academia, went viral (it bemoaned social injustice in America, especially as related to higher education & the exploitation of American youth, and to the job market for new Ph.Ds, two out of three of whom end up teaching under term-by-term contracts for as little as US\$30,000/year.*

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<sup>7</sup> The venue of the October 9<sup>th</sup> Second Presidential Debate, it was founded in 1853 & has since become is a 'research university' of renown (11<sup>th</sup> in the US & 23<sup>rd</sup> in the world) with a 4:1 student to academic staff ratio & 7,299 of its 14,842 student body consists of post-graduate, & that has been associated with 25 Nobel Laureates, nine of whom did all their research there.

<sup>8</sup> Founded in 1949 during the onset of the Cold War, I hadn't realized it still existed. But it still is, fundrd by the US Congress & operating from Prague in 28 languages, incl. Albanian, Crimean Tatar, Pashto, Romanian & Uzbek with a staff of nearly 500 & a budget of close to US\$100MM.