

GLEANINGS II - 743
Thursday January 11th, 2018

Erratum : Last week's note that California Governor Brown "leaves office January 19th" was not correct : this won't happen until next January when time limits force his retirement at age 80.

Quote of the week - "These things (*financial crises*) always start where we're not looking. In 2007 Iceland went broke. People said 'Iceland'? Is that a country? They have a market? ... then Ireland went broke ... then Bear Stearns went broke ... then Lehman Brothers went broke¹. They spiral like that. Always happens where we're not looking ... It could be an American pension plan that goes broke ... It could be some country we're not watching. It could be all sorts of things ... it is going to be something ... It's going to be the worst in your lifetime ... In 2008 we had a problem because of debt ... that debt is nothing compared to what is happening now." - *Jim Rogers in a June 9th interview with Business Insider's Henry Blodget on BBC's Bottom Line program (& when Blodget fired back with "I've seen some pretty big ones in my lifetime"*², *Rogers retorted "It's going to be the biggest in my lifetime, and I am older than you ...it's going to be serious stuff."*). *And when Blodget asked him for a timing, Rogers' answer was "This year or next." (i.e. by December 31st, 2018)*³

2017 asset value appreciation - Goldman Sachs charted the returns of 28 sectors, investment styles & strategies. Heading it were info tech stocks, the tech-heavy NASDAQ & the Morgan Stanley Emerging Market Index (up 39%, 31% & 31% YoY respectively). Then came, among others, Materials (29%), Financials & Healthcare (22% each), the S&P 500 (21%) & the Mutual Fund Index (20%), Gold (12%) & Real Estate (10%), and bringing up the rear were Hedge Funds (5%), Oil (3%), Bonds (2%), Energy (-1%) & Telecom Services (-2%).

Corporate share buybacks - One market observer calls them "a game of smoke and mirrors" that can make a company's EPS (Earnings per Share)⁴ grow even as its total profits decline.

Corporate use of windfall cash - The official line is that the lower corporate taxes will boost growth as recipients use the windfall cash to boost investment in their business & staff numbers. This had also been touted for Bush 43's 2004 repatriation tax holiday American Job Creation Act that on a one-time basis slashed the corporate tax rate on repatriated profit earned abroad

¹ Both 'second tier' but significant, Wall Street firms.

² Blodget is 51 vs. Rogers' 76 & has had first hand experience with financial crises. For he was Merrill Lynch's Head of Global Internet Research prior to the dot.com crash two decades ago & afterwards was fined US\$4MM by the SEC & banned for life from the financial services business.

³ Rogers is an interesting cat. I have been a fan for 30+ years, ever since I read his book Biker Investor, a travelogue of his motor bike trip with his (much younger) bed mate, who had never been on a bike before, from Ireland to Tokyo & back. In the early 1970s he was the co-founder, with George Soros, of the Quantum Fund, the first ever hedge fund, the original investors in which, incl. Soros & Rogers, saw their stake grow 42x in ten years, prompting him to retire to manage his own money before he was 40 (his Net Worth today is in the US\$300-350 range). **In 2007, he foresaw the stock market crash of 2008**, sold his house in the US and moved lock stock & barrel to Singapore, a few years later married his third wife & now has children, two teenage daughters, who at his insistence are bilingual in Mandarin.

⁴ That currently are, in historical terms, at 'nosebleed' levels.

from 35% to 5.25% [but that the Congressional Research Office (CRO) subsequently found to have been an “ineffective means of increasing economic growth”. For of the 9,700 companies eligible only 843 had repatriated a total of US\$312BN with five companies (Pfizer, Merck, Hewlett Packard, Johnson and Johnson & IBM) accounting for 28% thereof (& the top 15 for 52%). The following illustrates the employment effect on some of those who did :

	US\$ BN Repatriated		Employment by 2006
Pfizer	37	↓	10,000
Merck	16	↓	7,000
Hewlett Packard	15	↓	14,500
Pepsico	8	↓	200-250
Honeywell	3	↓	2,000
Ford	1	↓	30,000-40,000
National Semi Conductor	1.5	↓	5% of work force
Colgate Palmolive	1	↓	4,000

Also according to the Congressional Research Service up to 91 cents on the dollar repatriated funded share repurchase programs (while forbidden by the Act, companies got around that by commingled the windfall proceeds with other cash) & afterwards overseas profit retention actually increased.

NAFTA - On January 8th President Trump addressed the American Farm Bureau Federation convention in Nashville, TN & told it he is still seeking a better trade deal with Canada & Mexico that would benefit the US farm-, & manufacturing-, sectors but didn't repeat his previous warnings to withdraw from it *if he couldn't get his way*. David I. McKay, the CEO of the Royal Bank, Canada's largest, told those attending a conference hosted by the bank in Toronto this week “The probabilities are increasing that you'll have some type of dynamic where there is an announcement of a scrapping of NAFTA” (but that no deal would be better than a bad deal). And according to Reuters Canada has become increasingly convinced Trump will soon make a declaration that he intends to pull the US out of this trade pact (his doing so would start a six months' 'exit clock' that will prompt legal challenges about him needing Congressional approval to do so); be that as it may, once the six months are up, the US will not be legally bound to follow through with it & he may just be making such noises in the belief it will gain him some political mileage.

Retail outflows from US equity mutual funds - According to the WSJ, they went in 2012 from zero to a US\$200BN annualized outflow rate by yearend. And while they stabilized in 2013, they have since gone to a US\$1TR annualized rate by December 31st, 2017 - *But much of this moey just went from high cost mutual funds into lower cost equity ETFs (Exchange Traded Funds).*

US car/truck market - According to the WSJ foreign car & truck makers are selling more units in America than the Big Three & soon will produce more units than they do in the US as well - Toyota & Mazda announced plans this week for a new, 4,000 worker, US\$1.6BN vehicle manufacturing plant in Huntsville, Alabama; while this may be music to the President's ears for its employment effect, there are those who worry that, with US vehicles sales weakening, this may lead to overcapacity & pressure on retail prices *that a facility in low wage, weak union Alabama environment would be better able to cope with than higher cost Big Three plants elsewhere.*

US ECONOMY CREATED ONLY 148,000 JOBS IN DECEMBER (CNBC, Jeff Cox)

- On Friday January 5th the BLS reported that in December the unemployment rate had remained 4.1%⁵ but that only 148,000 new jobs had been created, well off the 190,000 expected & down MoM from November's 252,000. Health care had accounted for 31,000 jobs, construction for 30,000 & manufacturing for 25,000, but 20,000 were lost in retail, prompting J.J. Kinahan, Chief Market Strategist at TDAmeritrade to say "A little bit of a disappointment ... when you get retail at the absolute busiest time ... losing 20,000 jobs."

The day before the monthly ADP⁶/Moody's Analytics new job survey had reported that December private sector new job creation had "surged" to 250,000⁷ (contributing to the Dow Jones breaking 25,000). But its breakdown was quite different from the BLS', incl. professional & business services - 72,000, education & health - 50,000, trade, transport & utilities - 45,000, Wall Street - 19,000, construction 16,000 & manufacturing - 9,000 But these two seldom agree : thus according to the ADP new job creation in 2017 had totaled 2.54MM and to the BLS only 2.05MM. But what was interesting was ADP's breakdown of new job creation by different-sized employers : small ones had accounted for 100,000 of the total &, medium-sized ones for 94,000, and large employers for only 56,000 (while at last report, in 2012, they accounted for 51.6% of total employment).

WARREN BUFFETT'S BERKSHIRE HATHAWAY COULD GET A US\$37BN WINDFALL FROM TAX CUTS (Business Insider, Akin Oyedele)

- According to Jay Gelb, a Barclay's analyst, it could be one of the biggest beneficiaries of tax reform. For he estimates that its Book Value will rise by that much (i.e. by US\$10BN more than his November estimate), since it will reduce its deferred tax liability (what it would owe the government if it liquidated its portfolio & took profits). This is so since 40% of its portfolio consists of financials, one of the highest taxed industries.

The market's wasn't impressed; for its A & B shares rose only 0.1% to US\$304,520 & US\$203.02 respectively.

HEAD OF LARGEST HEDGE FUND SAYS ECONOMIC DOWNTURN COULD LEAVE US 'AT EACH OTHER'S THROATS' (Market Watch, Mark Decambre)

- In a recent WSJ interview Ray Dalio (age 68), founder of Bridgewater Associates (with AUM of US\$150+BN the largest hedge fund on the planet) noted that an economic recession could foment unrest in a polarized America & result in segments of the population feeling marginalized by stagnant wages & tax cuts for the wealthy, that Fed policies had fostered undue risk-taking & lofty stock market valuations (resulting in serial index record-settings in the past year⁸), that despite less regulation, the corporate tax

⁵ Although the 'black' unemployment rate hit an all-time low 6.8% (down from 16.8% in March 2010 & an all-time high 21.2% in January 1983).

⁶ A Roseland, New Jersey-based provider of human resources' software & services.

⁷ From 185,000 in November (that had been revised down from an initial 190,000).

⁸ That brings to mind Alan Greenspan's 1996 "irrational exuberance" description of the stock market ahead of the year 2000 dot.com stock market crash.

cuts will leave out 60% of US households (*with the highest 'propensity to consume'?*), fostering resentment *among the hoi polloi*, that the fiscal stimulus espoused by President Donald Trump won't result in *faster* economic growth & that in the period ahead real returns will be hard to come by.

Forbes rates Dalio, with a Net Worth of US\$16.8BN, as the world's 54th richest person. In recent years his reputation has suffered some as Bridgewater struggled with performance (it has long been known that the bigger the AUM, the more difficult it is to get consistently good results.

S&P 500 BUYBACKS AND DIVIDENDS (Yardeni Research Inc.)

- This 11-page January 5th, 2018 report contains a series of charts documenting the flow of corporate cash into investors' hands. The two most telling ones may well be the one that documents the net issuance of stocks (i.e. gross issuance less corporate buybacks); for it shows that, after net issuance had been near zero from 1999 to 2004, it nosedived to an annualized negative US\$600BN by late 2007, recovered to a positive US\$400BN annualized rate by mid-2009 & since early 2010 has been consistently negative, most recently (in 3Q/17) at a US\$400BN negative annualized rate. And the second shows a similar pattern in S&P 500 companies' flow of cash to their shareholders : flat between 1999 & 2004, a peak US\$810BN in 4Q/07, a collapse to US\$370BN by late 2009, and back to an all time record US\$1TR by mid-2016 (& slightly down to US\$950BN as of 3Q/17).

Small wonder the stock market has been 'on wheels'. But might the recent slowdown in the latter be a 'canary in the coal mine'? - Edward J. Yardeni has a Ph.D. from Yale who, after teaching at Columbia University's Graduate School of Business, working at the Fed, the New York Fed & the US Treasury, as Chief Investment Strategist at Oak Associates, Prudential Equity Group & Deutsche Bank, and as Chief Economist at C.J. Lawrence, Prudential Securities & E.F. Hutton, hung out his own shingle in 2007 to provide "independent global investment strategy research" (that I have long since learnt to respect). His firm prides itself on its ability to "think outside the box", & it is telling in this context that it operates, as did the iconic John Templeton once from Bermuda, 'far from the maddening (Wall Street) crowd' (in his case from Glen Head, a 5,000 resident hamlet on northern Long Island). He generates Dr. Ed's Blog in which, in a December 14th entry entitled Fueling the Bull Market, he noted "As the stock market continues to soar, it's attracting more money into stocks⁹. That's what usually happens during meltups. I think the market may be in the early stages of a meltup. I will call it a "meltup" if my 2018 yearend target of 3,100 for the S&P 500 is reached within the next 3-6 months, rather than 12-18 months." - It appears well on its way to do so; for the S&P 500 closed out 2015 at 2,043.94 (down 0.7%), 2016 at 2,238.83 (up 9.5% YoY), 2017 at 2,673.61 (up 19.4% YoY) & on Friday January 5th at 2,743.15 (up 2.6% WoW, i.e. a 100+% annualized rate).

TRUMP MOVES TO VASTLY EXPAND OFFSHORE DRILLING OFF US COASTS **(AP, Matthew Daly)**

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Mostly unsophisticated retail-, & performance-driven institutional-, money that thinks it will get out before the biomass hits the fan, despite overwhelming evidence that historically market liquidity can dry up overnight & share prices go over a cliff). And this time it won't be different! .

- President Obama banned oil & gas drilling off the US Atlantic & Pacific coasts under a five-year plan finalized in 2016. Last April President Trump signed an Executive Order calling for more drilling in federal waters to help the US achieve “energy dominance” in the global market. And on January 4th Secretary of the Interior Ryan Zinke¹⁰ outlined a Five-Year Plan to vastly expand offshore drilling from the Atlantic to the Arctic, incl. in waters on both coasts where drilling has been a no-no for decades. This would open up 90% of the nation’s offshore reserves for development by private companies, with 47 leases to be issued between 2019 & 2014 (19 off Alaska, 12 in the Gulf of Mexico, 9 in the Atlantic & 7 off the Pacific coast. And he told reporters this would “create jobs & economic security while creating billions of dollars to fund conservation along the US coast lines” but that “This is a draft program. Nothing is final yet and the Department is continuing to engage the American people to get to the final product.” Be all that as it may, governors of coastal states decried the idea with New York State’s Democratic Gov. Andrew Cuomo calling it “another federal assault on our environment” & his California Democrat counterpart Jerry Brown vowing to block “this reckless, short-sighted action”, while in Florida Republican Gov. Rick Scott demanded an immediate meeting with Sec. Zinke to express his concerns, saying “my top priority is to ensure that Florida’s natural resources are protected”, & his Maryland GOP counterpart, Larry Hogan, that he would oppose the plan “to the fullest extent that is legally possible”. And a coalition of over 60 environmental groups denounced the plan on the grounds it would impose “severe and unacceptable harm to America’s oceans, coastal economies, public health and marine life” & that “These ocean waters are not President Trump’s personal playground. They belong to all Americans and the public wants them preserved and protected, not sold off to multinational oil companies.”

In many coastal states this could become an election issue next fall that may energize the Democrat-, & independent-, voters more than the GOP ones. And Florida Gov. Rick Scott, whom Trump wants to run for the Senate in the mid-terms , has since succeeded in having his state (home to Mar-A-Lago, President Trump’s favorite playground) excluded from the program & his success in doing so will encourage other coastal state governors to follow suit.

WHY TRUMP AND REPUBLICANS ARE SUDDENLY TALKING UP BIPARTISANSHIP (WP, James Hohmann)

- On January 6th Trump told the GOP’s Congressional leaders at Camp David “We hope that 2018 will be a year of more bipartisan cooperation”, predicting that a “significant number of Democrats” will support his agenda, adding “We hope that we’re going to be able to work out an arrangement with the Democrats. It’s something ... I’d like to see happen”¹¹

¹⁰ Age 56, and born & raised in Montana, he has a degree in Geology & an MBA, and was a Navy SEAL from 1986 to 2008, retiring with the rank of Commander. He was first elected to the Montana Senate in 2008 & served there until 2013 (initially as a moderate Republican but ‘drifting to the right’ as time went on). In 2014 he was elected Montana’s Representative-at Large in the House & successfully ran again in 2016 (in both cases with solid majorities). He has called Hillary Clinton the “real enemy” & the “anti-Christ”) and long opposed transferring federal lands to states.

¹¹ This may be a need, not a wish; for with Doug Jones now seated as Alabama’s junior Senator the GOP has a paper-thin 51 seat Senate majority that is made only more dubious by the health problems of the senior Senators from Arizona, John McCain, & Massachusetts, Thad Cochran, and the retirement plans of Arizona’s Jeff Flake, Tennessee’s Bob Corker & Utah Orin Hatch .

- Trump's steadfast unwillingness to work in good faith with the Democrats has begun to affect the midterms' re-election chances of Republican incumbents in both Houses. But bipartisan cooperation will be needed in the next three months to a) avoid a government shutdown (on January 19th), b) maintain the NSA surveillance of global terrorists¹² post January 19th, c) provide more disaster aid to Texas, Florida & Puerto Rico, d) fund the Children's Health Insurance Program, e) subsidize cost sharing for low income individuals, f) avoid deporting Dreamers (their DACA protection expires March 5th, g) avoid debt default (in March) & h) avoid an FAA shutdown (on March 31st).
- The tax cuts have been unpopular due to a widespread perception that the Republicans rammed it through as a giveaway to their rich donors without trying to work with the Democrats to ensure it would benefit the middle class. And a late December CNN/SSRS poll found that only 27% of US adults said that the Republicans had made a "good faith effort" to cooperate with the Democrats on the tax bill while 37% thought the Democrats had done so, and while 76% of Republicans supported it in its final format, barely one-third of independents-, & just 3% of Democrats -, did so.
- Trump's unpopularity has become a hindrance for GOP candidates¹³ in what Josh Barro, the Editor of Business Insider calls an "inverse Midas touch"(with the most striking example thereof being the Keystone XL pipeline that a majority supported when Obama was President but fewer do now as Trump publicly supports it. And 36% of adult Americans now are "not proud" of the way democracy works in our country, vs. 18% in 2014 & 16% in 1996. And a January 3rd Monmouth University poll found that :
 - Only 50% of respondents feel our system is basically sound
 - 81% think the Founders would not approve of the way Congress & the President have been operating in the past decade;
 - 20% say Trump has made progress in "draining the swamp" (vs. 25% in August), 33% that he had made it worse & 38% saw no change;
 - 60% of Americans are dissatisfied with, & 20% angry at, Washington; and
 - 63% feel the country has become more divided in the past year (vs. 52% in March).

According to Patrick Murray, the Director of the non-partisan Monmouth University pooling entity "Hyper-partisanship goes hand in hand with government dysfunction ... Americans see a government that does not govern because elected officials are either self-serving or ... driven by the ideological extremes that characterize our current political climate.

- But the Democrats have good reason to doubt the GOP call for more bipartisanship. For their leaders were excluded from last weekend's Camp David clambake where Trump & McConnell proclaimed their desire for "work with" them even as Trump 'demanded' they agree to provide US\$18BN in funding for his 'border wall' & on January 4th delivered a talk about his yearning for bipartisanship at a meeting to which only Republicans were invited. And the Administration has yet to consult them in any significant way as they formulate their infrastructure plan (*despite the fact that this is one issue that Democrats would instinctively would want to support*).

¹² It was since passed by the House 256-164 (only two hours after Trump, upon seeing Fox News coverage of the subject had tweeted it shouldn't do so) & now will go to the Senate whose leaders are confident it will go to the President's desk for signature before the January 19th deadline.

¹³ In 2017 he actively supported two Alabama senatorial-, & two gubernatorial-, hopefuls (in New Jersey & Virginia) & all four lost; and, unless the public's reaction to him changes radically in the next nine months, in November his support could become a millstone for GOP candidates, rather than just a "hindrance".

If the much-ballyhooed January 10th 'photo-op' bipartisan meeting is anything to go by, the bipartisan concept may well be still-born; for the two sides came out of it with quite different perceptions of they had agreed to, with the President seemingly still bound & determined to make his support for a solution to the Dreamers' issue contingent on the Democrats voting for funding his "wall". But the Democrats will have to play their cards very, very carefully not to be seen as obstructionist with regards to initiatives like the infrastructure plan & the Dreamers' issue that are popular with their base & with many in the 'swing voter' universe. According to the WSJ, the Republicans are now dialing back their entitlement reform-, & ACA reform/repeal-, ambitions to concentrate on "basics" such as funding the government (agreement on a long-term solution appears as distant as ever & a short-term 'fix' may well be the best that can be hoped for by the 19th), raising the debt ceiling & striking a deal on DACA.

RELEASE OF TRUMP INFRASTRUCTURE PLAN MAY SLIP PAST JANUARY **(Politico, Brianna Gurciullo)**

- Just one month after saying it would be out by the end of January, the White House said on January 10th that there have been "no decisions yet on the timing" for its release and Sen. Ben Cardin (D-MD) told Politico, after meeting with Transportation Secretary Elaine Chao (*Mitch McConnell's wife*) & other officials that they are still deciding whether to publish the legislative principles for the plan before, or after, the President's State of the Union address on January 30th (despite the fact that Trump's advisers have told him that an infrastructure bill would give the GOP the best chance in the mid terms of keeping control of the House because the prospect of new bridges & roads will appeal to voters).

At last week's Camp David's GOP leadership clambake Trump reiterated his concerns about the package's expected incentives to attract P3 proposals that would minimize the government's financial involvement in response to fiscal conservatives' concerns. On the other hand, if there is one issue is made for serious bipartisanship, it would be infrastructure.

TRUMP TWEETS THAT 'COLD' EAST COAST COULD USE A LITTLE BIT OF GLOBAL WARMING **(CNN, Dan Merica)**

- On December 28th President Trump, while on vacation in *still* balmy Florida, tweeted that "In the East, it could be the COLDEST NEW YEAR'S EVE on record. Perhaps we can use a little bit of that good old GLOBAL WARMING that our country, but not other countries, was going to pay TRILLIONS of dollars to protect against. Bundle up!" Meanwhile, according to the Geneva-based WMO (World Meteorological Organization) 2016 had been the hottest year on record & 2017 was on pace to overtake it, thereby making it the fourth consecutive year that was hotter than all previous years.

Climate scientists have long maintained that linking the temperature in one place to global warming is incorrect. And while under Scott Pruitt (age 49), who in the past 11 months has staffed its upper echelons with climate change skeptics, the EPA is being seriously downsized budget-, staff-, & regulatory scope-, wise, the GAO (Government Accountability Office) has been openly critical of climate change skepticism & warned the US is unprepared to face its cost.

Fiscal stimulus worked in the 1930s? - During the Great Depression FDR's Treasury Secretary Henry Morgenthau wrote in his diary "We have tried spending money. We are spending more than we have spent ever before and it does not work ... I want to see this country prosperous. I want to see people get a job. I want to see people get enough to eat. We have never made good on our promises ... I say after eight years of this administration we have just as much unemployment as when we started and an enormous debt to boot" - *The following suggests he was only partly right:*

	UE Rate	GDP Growth Rate	National Debt	Real GDP
1932	23.6% ¹⁴	-12.9%	US\$19BN	US\$0.788TR
1933	24.9%	-1.3%	23BN	US\$0.778TR
1934	21.7%	10.8%	27BN	0.862TR
1935	20.1%	8.9%	29BN	0.939TR
1936	16.9%	12.9%	34BN	1.061TR
1937	14.3%	5.1%	36BN	1,115TR
1938	19.0%	-3.3%	37BN	1.078TR
1939	17.2%	8.0%	40BN	1.164TR
1940	14.6%	8.8%	51BN	1.266TR
1941	9.9%	17.7%	56BN	1.490TR

For while the 58+% decline in the unemployment rate was nothing to sneeze at, the 89% increase in real GDP had come at the cost of a 195% increase in the national debt [& that was only a start; for in the next five (war) years real GDP grew by 31.6% & the national debt by 167%]. But GDP growth rates that, if they occurred today, might drive President Trump into a tweeting frenzy, & the far greater debt levels today, seem to support the judgment of those who believe that in today's economic environment fiscal policy stimuli are no longer as effective as they once were.

STOCK MARKET CRASH OF 2008 (The Balance, Kimberly Amadeo)

- The stock market crash occurred on September 29th, 2008 when the DJIA fell an all-time high 777.68 points (7%) in intra-day trading because Congress had rejected the bank bailout bill; but it had been building for a long time. While having hit a pre-Great Recession high of 14,163.43 on October 9th 2007, over the next nearly 18 months it dropped over 50% to 6,594.44 on March 5th, 2009.
- In 2007 the DJIA opened the year at 12,459.54, despite growing concerns over a housing market slowdown that led to the Commerce Department *in November* to warn that October's new home permits were down 28% YoY. And while government officials maintained the housing slowdown would not affect the rest of the economy, as house prices fell, they started triggering subprime mortgage defaults and by August the Fed recognized the banks didn't have enough liquidity & started adding to it by buying their subprime mortgages, by October the Treasury launched a bank-funded Superfund to purchase toxic debt, and as the year drew to a close, the BEA (Bureau of Economic Analysis) revised its Third Quarter GDP growth rate from -0.5% to +0.5% *thereby implying* that the economy could shrug off the housing downturn & the banks' liquidity problems; so the DJIA ended the year at 13,264.82, only slightly off its October high.

¹⁴

In this year the Reconstruction Finance Corp Act was passed, the first of the 10 act New Deal legislative 'package' that Congress passed in the next seven years.

- In 2008 the BEA announced that Fourth Quarter GDP growth had been 0.6% but that, for the first time since 2004 there had been a job loss (of 17,000), news the DJIA shrugged off, hovering between 12,000 & 13,000 until March, when on the 17th the Fed intervened to save the failing investment bank Bear Stearns, causing an intra-day DJIA drop to 11,650.44. In July the DJIA had recovered to 13,000+ & people started thinking *again* that the worst was over until later that month the subprime crisis spread to Fanny May & Freddie Mac and the government had to intervene, causing the DJIA to hit 10,962.54 on the 15th. September started with the Fed bailing out AIG, that had run out of cash, Libor rates soared because the banks were afraid of lending to each other, and the government created the Asset-Backed Commercial Paper Money Market Fund Liquidity Corp. to buy US\$122.8BN in short term paper from money market funds that on one day, September 17th, had US\$144BN of their own short-term paper called. And on September 20th Treasury Secretary Hank Paulson sent a bank bailout bill to Congress that, nine days later, the Senate refused to pass, causing the DJIA to experience that all-time record 777.68 (7%) drop. In early October the Senate passed the bank bailout bill but the Labor Department reported a 159,000 job loss & Commerce Department that the economy had shrunk by 0.3% in the Third Quarter, while the US Treasury purchased US\$600BN of bank paper due within 90 days, the Fed cut the Fed Fund Rate to 1% & the Libor rate rose to 3.46%, all of which contributed to the DJIA being down 13% on the month. In November a 240,000 job loss was reported, the AIG bail-out had to be raised from US\$85 to US\$150BN, the Treasury bought US\$700BN of bank preferred stock, the Big Three automakers asked a bail-out and in November 20th the DJIA was down to 7,555.29 & , last but not least, the Fed dropped the Federal Fund Rate to zero, a historic low. So by yearend the DJIA was down 34% YoY.

The Balance was launched in September 2016 by the New York-based, US\$3.4BN annual revenue IAC media & Internet company as a personal finance website to help Millennials make 'big decisions', "like buying an engagement ring or a house".

THE REALITY IS WE'RE UP AGAINST A GLOBAL JIHADIST INSURGENCY (Edmonton Sun, Candice Malcolm)

- The war against ISIS has morphed from one focused on territory into an ideological one. So jihadists in the West have 'gone to the mattresses', quietly living among us but forming local cells & networks while planning, & *preparing for*, their next attack, in what British scholar & liberal activist Maajid Nawaz calls a 'global jihadist insurgency'. Many in the West downplay its importance, with left-leaning politicians, security officials & journalists clinging to the idea of "lone wolf" attackers (a term that gets thrown around anytime a terrorist attack appears carried out by just one person, enabling politicians to whitewash the incident as the action of a single deranged, mentally ill and/or self-radicalized person, rather than as part of a larger, deliberate strategy deployed by devout followers of Islamist extremists.
- Jihadists have shifted their strategy towards smaller, less predictable attacks easier to execute & harder to defend against. Security analysts have discovered writings & extremist websites laying out this strategy, incl. those of Abu Musah al-Suri, an influential Syrian militant, that tell jihadists how to form leaderless resistance cells bound together by the Islamist ideology rather than by a single commander (this has become ISIS' core strategy in the West, acting alone). Thus in a widely circulated September 2014 speech an ISIS leader urged others to "find a disbeliever, smash his head with a rock, slaughter him with a knife, run him over with your car, throw him from a high place, choke him, poison him or burn his home, car or business." And a December 2014 ISIS

propaganda video repeated this, stating “there are weapons and cars available and targets ready to be hit; kill them and spit in their faces and run over them with your cars”. Jihadists who follow these instructions are not “lone wolf” attackers but elements of a specific strategy & the sooner we understand, & *act on*, that, & accept what we’re up against, the better.

There seem to be two possible outcomes. One is that this strategy will continue to have a ‘Chinese water torture’ effect on America’s public psyche and the other that it will, at some point, result in a mass killing (the 1995 Timothy McVeigh Oklahoma City bombing that killed 168 & and injured over 680 more was, after all, also a ‘lone wolf’ affair). And in the latter case the reaction of the current Oval Office occupant could prove ‘worse than the disease’ - The writer is the Ontario Director of the Canadian Taxpayers Foundation, a graduate of the University of Alberta & of Australia’s MacQuarrie University. She has an impressive CV and, while I often have a problem with her (unduly) rightist leanings, in this case she may be onto something.