

GLEANINGS II - 824
Thursday September 26th, 2019

Another black eye for the RCMP - On September 12th it arrested one of its highest-ranking intelligence officials, the 47 year-old *civilian & Mandarin-speaking* Director-General of its National Intelligence Coordination Centre. He now faces 7 charges under the Security of Information Act & the Criminal Code dating as far back as 2015 & relating to the illegal storage of classified information that, according to the Public Prosecution Service, he “intended to communicate ... to people he shouldn’t be communicating it to.” Apparently the force first became aware in March 2018 of a possible internal security leak & warned the FBI & the Australian Federal Police thereof. So far RCMP Commissioner Brenda Luckey has limited herself to telling the media that these “allegations, if proven true, are extremely unsettling” - *While once upon a time the RCMP was a national police force Canadians could rightly be proud of, in recent decades it has gone from stepping into one cow flap after another to the point where one wonders why any young man or woman with a whit of self-respect would even want to join its ranks. It appears that the RCMP has, like so many other entities in both the private-, & public-, sectors, long suffered from bad management & lousy ‘leadership’ (with the only consolations being Thomas Fuller’s observation* ¹ *“It is said that the darkest hour of the night comes just before dawn” & the wave of public protest Greta Thunberg is engendering among millions of, mostly young, people around the world (who have historically, other than at revolutionary times, typically had little interest in politics) .*

Bahamas’ ‘insurance gap’ - According to Royal Bank Capital Markets Inc. this island nation of 400,000 suffered US\$32BN in damage from Hurricane Dorian, while its total insurance coverage was just US\$5BN; so the local government, businesses & individuals will have to fund 84% of the cost of returning the country to a habitable & operational condition - *For the insurance industry has become increasingly picky as to what, & at what price, it will cover ‘natural disasters’.*

Canadian Household Debt - StatsCan reported on Friday September 20th that in the Second Quarter Canadian household debt as a % of household disposable income had been 177.1%, *marginally* down from 177.5% in the First. The Bank of Canada has long deemed consumer debt in Canada a key concern in its economic outlook and Royal Bank Senior Economist Robert Hogue noted “while policy-makers no doubt will find something to like in these numbers ... we’re still a long distance from writing off household debt from the list of top vulnerabilities for Canada’s economy.” - *In the Second Quarter total credit market debt in Canada was up 24.3% QoQ to \$23.5BN (& the residential mortgage portion thereof up 12.9% QoQ to \$14.8BN (as the share of household disposable income going into servicing mortgage debt it went from 14.87% to 14.93% QoQ. ² (which TDBank Senior Economist Brian DePratto says is a post 4Q/07 high). According to the OECD Canada has the 9th highest household debt to income such ratio among 34 countries it surveyed, after Denmark (with 281%), the Netherlands, Norway, Australia, Switzerland, Sweden, South Korea & Luxemburg; and at 177% Canada’s ratio is close to twice that of the US (due to the fact that in the past decade US households cut their debt load significantly as their*

¹ A 17th century theologian, historian & author who got a BA from Queen’s College, Cambridge at age 18 & an MA two years later

² While in almost all of Vancouver & much of Toronto the ratio is in excess of-, or close to-, the national average, in most of Calgary-, & almost all of Edmonton, it is, surprisingly, below it.

Canadian counterparts kept merrily adding to it^{3 4}). And according to Bill Johnson, Vice President of Data & Analytics of Equifax Canada, the Canadian arm of the large Atlanta, GA-based Equifax consumer credit reporting agency, “there is evidence that the delinquency trend in consumer credit (in Canada) is gaining upward momentum ... We continue to see signs of increasing strain for Canadian borrowers.”⁵

China update - Over the September 13th weekend Premier Li Keqiang told a Russian newspaper that “For China to maintain growth of 6% or more is very difficult” while the Monday September 16th economic news seemingly bearing out his contention since in August :

- **industrial production** had been up 4.4% YoY, down from 4.8% MoM, & a 17 year low;
- **retail sales** were up 7.5% YoY vs. 7.6% in July & 7.9% expected;
- **headline fixed asset investment** was up 4.2% YoY, down from 5.1% in July; and
- **manufacturing** “ ” was **down** 1.6% YoY after being **up** 4.7% in July.

And while **infrastructure investment** was up 6.7%YoY, almost triple July’s 2.3% rate, *this was due to fiscal stimulus that is unlikely to be sustainable without more debt accumulation that would risk destabilizing the country’s financial system with its already high level of total debt*⁶.

President Xi, during a visit to Western Beijing’s Fragrant Hills suburb (where Chairman Mao once lived), called on the party cadre, & the nation as a whole, “to be brave, engage in the great struggle and fight against all difficulties and obstacles to push forward the progress of China”, urging “greater efforts to renew the spirit of the elder generation of revolutionaries that ... worked for and kept close relations with-, the people and regarded the people’s aspirations as their goal” - he is increasingly invoking the Party’s Long March history of “struggle” to motivate (& prepare?) officials & citizens for tough times ahead, & promoting himself as a kind of Mao 2.0.

Chinese trade officials left the US sooner than planned - Last week second-tier Chinese trade officials were in Washington for the first face-to-face trade talks in two months (*that the US side called “productive” & the Chinese side “constructive”*) in preparation for next month’s high level trade talks (*that now are scheduled for October 10th-11th in Washington*). *But they left the US sooner than expected since their planned tour of two farm states was cancelled by Secretary Mnuchin “to avoid confusion” (in a move that apparently surprised President Trump), after Beijing had announced in the run-up to the talks that it would start buying US farm products again. While it remains to be seen how Beijing will react to this, it will certainly have ‘poisoned the well’ among these officials who were ‘robbed’ of a ‘swan’ weekend visit to Montana & Nebraska (states that produce few of the farm products China imports from the US.*

³ While the US the household debt-to-income ratio went from roughly 90% in 2000 via 125% in 2009 to 95% in 2019, the corresponding numbers for Canada are 104%, 148% & 177% respectively.

⁴ While In June the Personal Savings Rate in Canada was 1.7% (above the record low 0.1% (in 1963 & again in 2004), in the US in August it was 8.1%, up from 7.8% MoM & well above its record low 2.1% in 2006 (albeit below the 8.9% earlier this year & its 12% all-time high in 2012).

⁵ While at the end of last year the rolling 12-month average delinquency rate, at 4.5 per 10,000 was below its 2009 5.6 peak, it was above its year-earlier 4.2 ratio & at a level not seen in 8 years.

⁶ According to Bloomberg China’s share of total global debt has tripled in the last decade

Duke University Global Business Outlook Survey - It has been conducted for 94 consecutive quarters by its Fuqua School of Business ⁷ & this year's Third Quarter version was done in cooperation with universities & professional societies in the Netherlands & France, Brazil, Columbia & Ecuador, Japan and Africa between August 27 & September 13th, and involved the CFOs of 532 large & not so large companies in a wide range of industries (247 in North America, 127 in Latin America, 67 in Europe, 54 in Asia & 37 in Africa). According to John Graham, a Fuqua Finance professor & Director of the Survey, "Business optimism has not been this low since September 2016 ... when the unemployment *in the US* was 5% ... Optimism is low in all regions of the world which exacerbates any slowdown occurring in the US" & to Campbell Harvey, another Fuqua Finance professor & the Survey's founding professor, "Executives don't want to be caught unprepared for the next recession as they were for the global financial crisis *a decade ago*. There are plenty of warning signs and now is the time to be prudent ... It is no surprise that capital expenditures have dried up." More specifically 81% of CFOs in Africa-, 72% in Asia, 69% in Europe, 68% in Canada, 65% in Latin America & 53% in the US believe their countries will be in recession by the Third Quarter of 2020 (& 67% of those in the US that it will be so by the end of 2020). Business spending growth expectations over the next 12 months are 5% in Europe, 3% in Latin America, <1% in the US (the lowest rate since 4Q/09), zero in Asia & a negative 4% in Africa - *for all it's worth, according to the university the survey "accurately predicts the economy ... one quarter ahead of the other major surveys" & to New York City-based ISI (International Strategy and Investment LLC) it is "one of the 15 most important leading economic indicators"*.

Germany on the brink of recession? - This month its Index of Manufacturing Activity hit 41.4 (a level not seen since the Great Recession), down from 43.5 MoM, 51.7 last December & 63.9 in December 2017. According to Phil Smith, Principal Economist at the London-based financial information provider IHS Markit, "The numbers are simply awful. All the uncertainties about trade wars, the outlook for the car industry and Brexit are paralyzing order books" - *And while in the First Quarter the German economy **grew** by 0.4% QoQ, in the Second, GDP **declined** by 0.1% & the CW is that it will again have declined in the Third Quarter, with negativity in the manufacturing sector overwhelming whatever positive contribution the services' sector may make (if so, it will push the German economy formally into recession, although the borrowing-averse government maintains there is 'no need' for further measures to goose the economy)*.

Greta Thunberg ⁸ - It is a remarkable how much this 16 year-old environmental activist & Asperger Syndrome sufferer has achieved in the past year ⁹ - *When I expressed this view recently to the wife of a first term aging MP who now has the best job he never had & will hang on to it for dear life at least until he becomes eligible for a pension (after as little as six years!)), she dismissed Greta by saying "She is just a pawn" to which my reaction was "We are all pawns including your husband who will do exactly & unquestioningly what his leader tells him" - end of conversation!*

⁷ Ranked 11th in the US-, & 19th in the world-, by the Financial Times.

⁸ She is now the bookmakers' favorite to get the 2019 US\$930,000 Nobel Peace Prize (which would make her the youngest recipient ever since Malala Yousafzai shared it in 2014).

⁹ Her brief talk at the September 21st - 23rd UN Climate Action Summit in New York City is short & well worth googling, to the point, well written & even better presented, and 'bookended' between "We will be watching you" & "Change is coming whether you like it or not." - *I worry about the world my grandchildren (who, like Greta, have a 60+ year life expectancy) are going to have to live in, the condition of which to date has been determined by a bunch of men & women with 10 -20 year life expectancies, too many of whom have an "it will last out my lifetime' mindset.*

Irony of ironies - Saudi Arabia has long been the global system's spare oil production capacity 'warehouse', But now, in the wake of last week's cruise missile cum drone attack on its processing facilities, that temporarily shut down close to half its production, the only spare capacity in the system is in Iran & Venezuela, both of them Trump sanction targets - *while it still hasn't been fully explained how the-, according to the Saudi Defense Ministry 25-, cruise missiles & drones avoided elimination by the Saudi triple-tiered missile defense system*¹⁰, they are believed to have done so by coming in low level flight 'under the radar' to take advantage of the fact the Saudi system is geared to detecting & destroying higher-flying missiles.

Israel's post-September 17th election situation – It's truly a schmozzle¹¹. While the final election results gave Likud another seat [so that it now will have 32 seats in the new Knesset vs. Blue & White's 33 (both down from 35 in the April 9th election)], that didn't change things since that gain came out of the hide of one of the far-right religious parties in his camp so that Blue & White will continue to have most seats in the Knesset¹². Ever since the election there has been chatter of a Likud/Blue & White 'Government of National Unity' [that Netanyahu has sort of agreed to provided he remains Prime Minister, with Benny Gantz (maybe) succeeding him at some point down the road]. One MK on the Arab 'Joint List' (that, after a record Arab turnout, now has 13 seats in the Knesset¹³, three more than before, making it third in the Knesset seat count) went on record as saying "Benny Gantz is not our cup of tea ... But we promised our constituents that we would do everything to topple Netanyahu, and the default here is recommending Benny Gantz."¹⁴. Avigdor Lieberman, the leader of the Yisrael Beiteinu/ Jewish Home party who was responsible for Netanyahu's failure to form a coalition government after the April election & still appears the 'kingmaker') advocates the Government of National Unity idea & says he is disinclined to join a Gantz-led coalition (to leave more scope for him to be 'bought'?). And yet others believe Netanyahu doesn't want any coalition building effort to succeed so as to force President Rivlin to call the third election in eight months (& delay his appearance in court to face fraud-, corruption-, & breach of trust charges?) - *On Wednesday September 25th, after the Netanyahu/Gantz Government of National Unity power-sharing talks had failed despite him having formally proposed a (last ditch effort but silly?) co-Prime Minister solution that Gantz had rejected, President Rivlin, tasked (the now politically much weakened) Netanyahu with trying to*

¹⁰ The first tier being the US-made Patriot missile system that, according to Jack Watling (a land warfare expert at the London-based Royal United Services Institute active in the Middle East), is "kind of irrelevant ... The track record of Patriot engaging missiles of any kind is pretty awful, they rarely hit the target". This was compounded in this case by the fact that it was designed to engage high-altitude ballistic missiles, not low-flying cruise missiles or drones), and the second & third the German-made Skyguard" air defense cannons & the French Shahine mobile anti-aircraft system.

¹¹ A world of Yiddish/Hebrew origin that in my youth was part of the Dutch lexicon.

¹² Netanyahu's loss of his plurality in the Knesset should be a warning to both Trump & the GOP, and to the Democrats, that negativity & appealing to their bases doesn't win elections.

¹³ Even so it remains, despite the country's proportional representation system, under-represented since the Arabs account for roughly 20% of Israel's population.

¹⁴ Translation : 'We will not formally join any coalition but if Benny Gantz were to form one he will *sort-of* be able to count on our support as the lesser of two evils'.

form a coalition government [after which the latter said on TV that his chances of doing so were only “marginally better” than Gantz’s - which is hogwash since the latter will have a much better chance of buying Lieberman’s support & can sort-of count on the support of the Joint List MKs - This has been interpreted as Rivlin giving Netanyahu another go at the Government of National Unity idea & having another 28-day ‘window’ to succeed ¹⁵ ¹⁶(with a possible 14 day extension that President Rivlin ¹⁷, however, has already indicated he is not obliged to grant). And if he fails again (which is quite likely) the President has four options : ask Benny Gantz or another MK to have a go, ask the Knesset to appoint a Prime Minister, or call another election (that, as he pointed out in his Wednesday night speech after the Netanyahu appointment, “nobody wants”).

Outlook for the forthcoming US-China trade negotiations - It did not improve when word spread on Friday 27th that the White House was considering having 156 Chinese companies, 12 of them SOEs (State-Owned Enterprises) delisted from the NYSE & NASDAQ & interfering with the flow of US investor money onto Chinese stock exchanges, and other China-unfriendly moves. Coming, as this did, on the heels of Beijing announcing a resumption of US farm product imports ¹⁸, the cancellation by Treasury Secretary Mnuchin of last weekend’s visit by Chinese trade officials to Montana & Nebraska and China Foreign Minister Wang Yi’s call last week at the UN for more goodwill-, & less pessimistic talk-, by both sides prior to the resumption of high level trade talks ¹⁹, this is likely to be seen in Beijing as a “loss of face” for their side, especially so given Minister Wang’s observation after the US move that his government is “not covered by threats ... tariffs and provocations undermine the global economic order ... and may even plunge the world into recession” & that by Kevin Muir, former Head of Equity Derivatives at RBC Dominion Securities & now Head of Global and Domestic Investments at Toronto-based East West Investment Corporation, that “the market is under appreciating this new Trump/China development ... the trade war has now become a financial war” (*increasing the risk that Beijing may start dumping UST securities at the very time the US Treasury is leaning hard on the UST bond market to fund the US government’s blossoming budget deficit* ²⁰?)

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FED RUNS REPO TUESDAY AMID WORRIES ABOUT KEEPING ITS BENCHMARK RATE IN CHECK (CNBC.com, Jeff Cox)

¹⁵ Although he told associates (in a way that would ensure it would be leaked) that if he didn’t succeed within a week, he would hand his mandate back to the President.

¹⁶ While last April/May he had failed in 51 days.

¹⁷ Who apparently is not a Netanyahu fan.

¹⁸ That it has marketed as a move of goodwill but likely will be interpreted by President Trump c.s. as a sign of weakness that will strengthen the US bargaining position at the upcoming high level trade talks.

¹⁹ For more detail see below under “Mayor players missing”

²⁰ In FY/17 the deficit was up 13% YoY, in FY/18 17% & in FY/19 (that will end next week) 23%, with borrowed money funding 16% of government spending in FY/17, 19% in FY/18 & 22% in FY/19.

- On Monday September 16th overnight repo rates soared to 8.5% (*nearly 4x the Fed's 2.25% short-term Fed Funds' lending rate for banks short of liquidity*). This prompted it to do US\$53BN in repo deals ^{21 22} on Tuesday *in just 15 minutes (from 09:55 a.m to 10:10 a.m.)* to control short term rates & Wall Street chatter about a possible resumption of its controversial QE (Quantitative Easing) program and/or extending its balance sheet reduction program currently scheduled to end this month (that since October 2017 has cut its size by US\$450BN from US\$4.2TR, which is still over 4x at). According to Guy LeBas, Chief Fixed Income Strategist of the US\$70+BN AUM, award-winning, Philadelphia PA-based & Penn Mutual-owned-, full service financial services firm Janney Montgomery Scott "It's pretty serious - not an existential financial system crisis, but ... pretty serious ... The issue that worries me more is that when interest rates spike like this, unpredictable events start coming up ... random things that tend to precipitate financial crises."

One cannot help but wonder what's going on, but whatever it is, it's unlikely to be good news. During the week the Fed kept rolling over maturing repos ²³ & doing new ones to the point that by Friday night it had over US\$150BN in repos outstanding, suggesting that one or more entities in the system had a serious illiquidity problem [in fact, rumour has it that two (unnamed) banks were its primary repo counterparties]. And this came a few days after ECB President Mario Draghi on September 12th cut its base rate by 0.10% to a negative 0.50% & announced that, starting in November ²⁴ the Bank would resume buying bonds & other financial assets at a 20BN Euro/US\$22BN monthly clip (after having quit doing so last December) & would continue to do so for "as long as necessary ... until the inflation outlook improves" (i.e. until the inflation rate goes higher - something that once would have been a mortal sin for a central banker to even contemplate), telling reporters that the current (Germany-driven?) economic slowdown in Europe "mainly reflects the prevailing weakness of international trade in an environment of prolonged global uncertainties"

RECESSION FEARS EASE AS US ECONOMY SHOWS SIGNS OF LIFE **(G&M, David Parkinson)**

- Some better-than-expected economic data suggest the prevailing view of a sinking US economy may be unduly pessimistic (or premature). For in August home sales were up 1.3% MoM (*but flat YoY*) & industrial production up 0.6% (& *also basically flat YoY*), while the Citi Economic Surprise Index (that compares how well recent economic data have

²¹ Involving US\$40.8BN of US Treasuries, US\$11.7BN of MBS (Mortgage-Backed Securities of which the Fed has far more than it likes) and US\$600MM of US Agency debt.

²² The first time in a decade it has done such a massive amount.

²³ Repo transactions involve one party selling securities subject to a commitment by the seller to the buyer to buy them back at a set date at a pre-determined price that gives the buyer an agreed-on rate of return. When the Fed does them as a buyer, it results in a temporary liquidity 'shot in the arm' for the sellers (& hence for the system as a whole).

²⁴ By which time he will have been succeeded by the former French Finance Minister & IMF Managing Director Christine Lagarde [whose successor has yet to be named, a matter that may end up breaking a 75 year tradition that the IMF Managing Director shall always be a European (that the non-European governments have been contesting) a claim that may be met partway if her successor turns out to be Bulgaria's Kristalina Georgieva, the current No. 2 at the World Bank).

done relative to market expectations) turned positive in the first week of September to its highest reading in over 16 months after nearly seven months in negative territory. Nevertheless, growth may remain tepid over the next year (*last week the OECD lowered its growth projection for the US economy to 2.4% this year & 2.0% for 2020 while the TDBank forecast 1.7% for next year*), given the impact of the trade war, increasingly sluggish demand & a level of (trade) uncertainty that is constraining business investment. On the other hand, in August the US Manufacturing PMI (Purchasing Managers' Index) slipped below its midpoint 50 into territory that is a leading indicator of a potential recession & the Conference Board's Leading Index, a composite of ten economic indicators that correlate highly with future economic activity, showed no growth in August, while its 1.1% July YoY growth rate had been the slowest in almost three years.

The above headline seeks to 'put lipstick on a pig'; for It is hard to envisage the US economy escaping a backwash from a weakening global economy. The Copenhagen-based global shipping giant AP Moller Maersk has warned that the trade wars are slowing global shipments. On Wednesday September 25th FedEx shares took a 13% pounding after its latest quarterly earnings came in at US\$2.84, down 9.3% YoY & 1.5% off the US\$3.15 consensus forecast, the Company reported plans to ground some of its 650+ plane fleet & cut costs and its CEO observed "Our performance continues to be negatively impacted by a weakening global macro environment driven by increased trade tensions and political uncertainty" (which has hit FedEx harder than UPS since it depends more on corporate global supply chain-, than final consumer demand-, driven freight traffic (& hence is more of a leading indicator?). Meanwhile, closer to home the number of US railcar loadings & miles traveled by tractor trailers on its highways & byways were down marginally YoY, while the Conference Board's September Index of Consumer Attitudes plunged to 125.1 from 134.1 MoM, the largest drop in nearly a decade (whereas a drop to just 133.5 had been expected) & its Future Expectations Sub-Index went from 106.4 to 95.8 (more in both absolute-, & relative-, terms than the Index itself), according to Lynn Franco, the Board's Senior Director of Economic Indicators, since "The escalation in trade and tariffs in late August appears to have rattled consumers" (thereby posing a risk to the consumer spending). Last but not least it was reported on Friday September 27th that, while in July consumer spending (that has been propping up GDP growth) had been up 0.5% (in part due to Amazon's Prime Day Sale), in August it had grown by just 0.1% (whereas 0.3% had been expected) even though personal income had risen 0.4%, as the personal savings rate had gone up 0.3% to 8.1% (a signal Americans are starting to worry about their economic future as Trump keeps making tariff increase noises?). And it is also worth noting that the prevailing uncertainty seems to be making employers slow down their hiring; for in the first eight months of this year the number of new jobs created was up YoY in only two-, vs. down YoY in six-, months.

U.S. HOUSE PANEL REQUESTS BIG TECH COMPANIES HAND OVER INTERNAL EMAILS IN ANTI-TRUST PROBE (Reuters)

- On Friday September 20th the House Judiciary Committee sent letters to Apple CEO Tim Cook, Amazon CEO Jeff Bezos, Facebook CEO Mark Zuckerberg & Alphabet CEO Larry Page demanding, by October 14th, copies of their last decade's internal emails about acquisitions, as well as information on their market share, competitors & largest customers for specific products, and documents from other investigations. This came a few days after the Texas Attorney-General had led a group of 50 of his counterparts from US states & territories in a probe into Google abusing its market power in advertising, and two months after, last July, the Justice Department had announced it was investigating "whether and how" large tech companies in "search, social media, and some retail services online" were engaging in anti-competitive behaviour. Amazon did not immediately offer comment,

Apple & Facebook did not respond to requests for comment & Google referred to a blog post issued this week that had said its services “create choice for consumers.”

This is part of an intensifying political backlash in the US (& EU) against an industry that long has been able to write its own rules; thus a few days later the Senate Judiciary Committee also met to discuss mergers & acquisitions by the tech giants. But, given the example President is setting in meeting legal requests from the House, these CEOs may not feel unduly hard-pressed to respond by the deadline to requests for what they too may deem ‘privileged information’.

ISRAEL AND THE DECLINE OF THE LIBERAL ORDER (WP, Robert Kagan)

- A decade ago (*i.e. before Netanyahu became Prime Minister for the second time*) the Israelis still were members in good standing in the liberal world. But since then Israel’s foreign policy has moved in a decidedly anti-liberal direction; thus since mid-2015 it has embraced Hungary’s avowedly “illiberal” Prime Minister Viktor Orban, forged closer ties with Poland’s ruling Law & Justice party, despite its legislation outlawing public discussion of the Holocaust, embraced Brazil’s right wing President Jair Bolsonaro, received Philippine President Rodrigo Duterte (despite him having likened himself to Adolf Hitler), wooed Putin, offered a 25-year contract to a Chinese SOE to manage the port of Haifa (that often hosts the US 6th fleet) and strongly supported Egypt’s military dictatorship as well as the authoritarian leaders of Saudi Arabia & the UAE (to the point of taking the side of Saudi Crown Prince Mohammed in last October’s Jamal Khashoggi murder).

There is broad agreement among right-of-centre Israelis, incl. Netanyahu, that the post-WW II international framework, incl. the UN, EU & NATO, is hostile to Israel & needs to be changed. Thus Michael Oren, the US-born Israeli Ambassador to the US in 2009-2013, & now once again an MK (for the centre right Kulanu party) has opined “The less united Europe ... the better”, while others maintain that a breakdown of the liberal world order, while damaging in some ways (in the short run?), will offer “new opportunities“ (over the longer term?).

EGYPT ON EDGE AFTER FIRST ANTI-SISI PROTESTS IN YEARS (Reuters)

- Scattered protests in recent days (*the first in years*) that were quickly dealt with by the police with copious amounts of tear gas highlight the risk President Abdel Fattah al-Sisi could face broader dissent, driven by grievances over economic austerity & official corruption. Such, once rare, outbursts of *popular* anger are damaging Egypt’s image of stability under Sisi (who took power after the 2013 mass demonstrations-driven ouster of *the Muslim Brotherhood’s* President Mohamed Mursi) & unnerving investors as Egypt’s dollar bonds fell in price & Egypt’s stock market in 3 days gave up all its YTD gains.

*While in New York to attend the UN General Assembly opening, Sisi blamed “political Islam” (*i.e. the Muslim Brotherhood*) for fomenting the protests, the real reason is that in late 2016 Egypt got a US\$12BN loan from the IMF (the final US\$2BN tranche of which was disbursed a few weeks ago) that, while it had helped to double the GDP growth rate to 5+%, was conditional upon the introduction of a VAT (Value-Added Tax) & a devaluation of the currency, and higher electricity & fuel prices, all of which hit the *hoi polloi* in their pocket books. And, while shortly after el-Sisi came to power all public protests were banned, following the latest protests Egypt’s media regulator warned the country’s journalists, incl. the foreign media representatives, that it would be “carefully monitoring” their coverage of any future protests to ensure they would “strictly abide by professional codes of conduct.” (*i.e. not give any future protests ‘undue’ coverage or make the government ‘look ‘bad’ in dealing with them*).*

FROM UNDERWEAR TO CARS, INDIA'S ECONOMY IS FRAYING (NYT, Vindu Goel)

- As a consultant, *before serving as Fed Chair for 19 years starting in 1987*, Alan Greenspan used men's underwear sales to gauge a country's economic health (on the grounds that men will quit buying things nobody will see before cutting back on more visible consumer goods). If so, the Indian economy may be in trouble; for such sales are down 50%, consumers are skimping on the 7 cent packages of the Parle biscuits that have long been a staple of their morning tea & milk routine & car sales are down 32% as shoppers balk at the higher prices caused by a triple whammy of new safety- & emission-, standards, higher state taxes on cars & buyers having difficulty getting loans from lenders with a surfeit of bad loans (causing car manufacturers to talk about letting 1MM workers go).

Amidst the global economic slowdown, the recent spike in oil prices & the Trump trade battles, India's First Quarter annualized GDP growth rate was just 5.0%, down from 8% YoY, and the unemployment rate up to 8.4%, & still rising, vs. 6.8% a year ago & 3.5% in 2010, prompting, on September 20th, a surprise corporate income tax cut-, cum manufacturers' incentives-, move.

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Canadian election - A Canadian citizen since the day after the March 31st, 1958 federal election, I have missed only two elections since : one provincial one because I was abroad & one municipal one since I just plain forgot about it. But in the 6+ decades since I have never ever seen as obscene a way of politicians seeking to bribe voters with money the government doesn't have & "taxpayers, with much justification, are unwilling to give them to piss away.

Kurt Volker, the now former US Special Envoy to the Ukraine - 55 years of age, he has a BA from Temple University & an MA from George Washington (both in International Relations) & is quadri-lingual (i.e. fluent in French, Hungarian & Swedish, as well as English). At 22 he started his career at the CIA but two years later joined the State Department. After serving in a number of places, incl. Budapest in the mid-1990s (where he also served as Special Assistant to the late Richard Holbrooke when the latter was Special Envoy for the Bosnia negotiations as well as US Ambassador to Germany) & later was the US Permanent Representative to NATO until 2009. He then spent three years on Wall Street until in 2012 he became the founding Executive Director of the Arizona State University's McCain Institute for International Leadership. On July 17th, 2017 the then Secretary of State Rex Tillerson appointed him Special Envoy for the Ukraine (*on a volunteer basis*) & last June he married the Voice of America journalist of Georgian descent la Meurmishvili in ceremony attended by, among others, the Ukrainian Ambassador to the US.

Major players missing from the UNGA opening session in New York - They include Putin (*pre-occupied with the decline in his popularity at home; for, while older Russians, who still wistfully recall the Soviet era 'glory days', see him as a source of stability, younger ones see him as a symbol of their country's decline?*), President Xi (*focused on Hongkong & the October 1st celebration of the PRC's 70th anniversary?*), Saudi Crown Prince Mohammed bin Salman (*beset by problems at home & in Yemen, and by Trump having left him 'hanging out to dry'?*) & Netanyahu (*fighting for his political life & to avoid going to jail?*). And while President Trump was there, he renewed his attack on China, decrying its economic model of "market barriers, state subsidies, currency manipulation, product dumping, forced technology transfers and the theft of intellectual property & trade secrets on a grand scale", and opining "They want to make a deal ...

should want to make a deal ... The question is : Do we want to make a deal?" ²⁵ This gave rise to Wang Yi, China's Foreign Minister, telling the Climate Change Action Group a few days later that his government had "no intention to play the Game of Thrones on the world stage" & that the *forthcoming trade* talks would yield results if both sides "take more enthusiastic measures to show goodwill" (like Beijing's recent announcement to start buying more US farm products? ²⁶) & reduced "pessimistic language" in the trade dispute, and to Lee Hsien Loong, Singapore's Prime Minister, in an interview with the Washington Post's *Today's World View*, saying he hoped cooler heads would prevail, but feared they wouldn't since both sides "have hardened their positions" & that the view theirs is "a conflict between two systems, almost two civilizations" seems prevalent & "very worrying" for the world since "This is not a struggle which can end up with one loser and one winner" ²⁷. And Kelly Craft, Trump's new Ambassador to the UN ²⁸, told the Washington Post's Carol Morello "it's fair to say that this administration is applying new levels of scrutiny to the UN and its agencies to assess their effectiveness against the billions of dollars provided by the US taxpayer." - *while the US does account for 20+% of the UN family's budgets (i.e. US\$10+BN), this is slightly less than its share of global GDP, while the UN's presence in New York is likely a net benefit to the US economy (& to President Trump personally?)*

Thomas Cook Group - London-based, last year it had gross revenues of £9.5BN & operating income of £250MM but a £163MM net loss. Founded in 1841, it was the world's oldest-, & possibly most prominent-, firms of its kind with 21,000 employees worldwide, but failed to keep up with the times (*by not developing a serious online capacity*). Overnight Sunday September 22nd, after last minute rescue talks had come to nought, it closed its doors & on Monday went into voluntary liquidation, leaving 160,000 Britons stranded abroad & the holiday plans of half a million other people in ruins - *But this shouldn't have come as a surprise to anyone; for, listed on the London & Frankfurt Stock Exchanges, in the past 16 months its share price had nosedived 96% to £3.45.*

Truman Committee – Recently, in reading an inconsequential book, I came across a reference to the "Truman Committee" that triggered my curiosity. He was the only US President in the last 118 years without a college degree [*his sole post-secondary education had been one year at a business college learning bookkeeping, typing & shorthand (the latter a now long lost skill to take dictation manually & quickly) & a few law courses by correspondence when he thought he wanted to be a lawyer*]. When he became a Senator for Missouri in 1934 his CV included stints as a farmer, an artillery battery commander in WW I ²⁹, the owner of a clothing store that went broke, & an *elected* county judge. In 1941, when the US was building up its military strength long before Pearl Harbour, he was Chairman of the Senate Committee on Military Affairs' as such he became

²⁵ A product of flawed, self-centered thinking since China's autocratic political model gives Xi more staying power than that the US democratic model does Trump, especially in the run-in to an election.

²⁶ That Trump, however, will see as a sign of weakness, rather than of goodwill?

²⁷ A view President Trump wouldn't agree with since he must always be **the** winner.

²⁸ Age 57 & married for the third time (this time to a coal mining executive), she was US Ambassador to Canada for 15 months from October 2017 but spent less than half her time in Ottawa.

²⁹ He apparently had lousy eyesight (20/50 vision in his right-, & 20/400 vision in his left-eye (i.e. was legally blind in the latter) but had managed to pass the Army's eye test by memorizing the chart (I once saw a colleague of mine in the Canadian Army perform the same trick).

aware of the wasteful spending in his home state in the building of new military infrastructure, which prompted him to drive 10,000 miles all over the Eastern United States to visit military construction sites, only to find evidence of wasteful military construction spending everywhere. This led to the creation of the Senate Special Committee to Investigate the National Defense Program (aka the Truman Committee), a bipartisan committee he chaired that had a mandate to 'find and correct problems in US war production with waste, inefficiency and war profiteering' that, with an initial budget of US\$15,000 (that ultimately was expanded to US\$360,000), is said to have saved the government US\$10-15BN in needless military spending (*i.e. over 5x the cost of the Manhattan Project, the seminal R&D undertaking that led to the production of Hiroshima/Nagasaki atomic bombs*) - *it is hard to imagine any politician anywhere today willing to make such a huge personal time investment in 'by the bootstraps' fact seeking and/or giving a hoot about any wasteful spending of taxpayers' hard-earned money (but who now are plagued by-, & often giving in to-, highly-paid lobbyists' pressure to look the other way-, & even to promoting-, wasteful spending – how times have changed!*

GAS PLANTS' DAYS ARE NUMBERED (Bloomberg, David R. Baker)

- Twenty years ago gas-fired power plants generated < 20% of US electricity while today it is > 35% as hydraulic fracturing has made natural gas cheap & plentiful. But a study made public on Monday September 9th by the Basalt CO-based Rocky Mountain Institute (*that is 'dedicated to the general field of sustainability with a focus on profitable innovation for energy & resource efficiency'*) portends such plants, which crushed the economic viability of coal-fired ones, are now themselves about to be undercut by renewable power (& possibly so quickly that new gas-fired plants now on the drawing board may become 'stranded assets' before their owners can finish paying for them.

The study's findings are based on an analysis of the cost of construction, fuel & operations of 68 Gigawatt of gas plants proposed across the US compared to that of a combination of solar farms, wind plants & battery systems that would supply the same amount of electricity. And as gas plants lose their competitive edge, the economics of (gas?) pipelines will also suffer since they will start operating at below capacity throughput levels.

VUNTUT GWITCHIN FIRST NATION PLUGS IN OLD CROW SOLAR POWER PROJECT (Yukon News, Kallan Lyons)

- *Old Crow is a community with a population of about 225 in the Northern Yukon North of the Arctic Circle. Like many small communities in Northern Canada it depends on diesel-fueled power generators for its electricity & since it is the only community in the Territory not accessible by car or truck, its fuel must be flown in. Last June 20th the local First Nation & Calgary-based ATCO Electric announced the construction of a \$6.5MM, 940 kW solar power installation that will meet much of the community's needs for electricity during the summer months & in so doing will reduce the annual need for diesel fuel to be flown in by 24%/190,000 liters - The same source in an article earlier this month drew attention to the remote villages in Southwestern Alaska operating the Chaninik Wind Group³⁰ that in some ways operates even more creatively; for while there is wind there all year, it does not blow steadily on a 24/7/365 basis; so there is need to store power, especially in winter for home*

³⁰ Initiated in 2005 in response to the fact that in communities in which a significant number of people lived below the poverty line, electricity cost US\$0.65 per kWh and fuel oil US\$9 per gallon.

heating purposes; hence each home has an ETS (Electric Thermal Storage) unit, a big box filled with bricks that will store heat 20x more efficiently than water - This is the kind of KISS³¹-driven creative thinking Mankind has to start doing more of asap.