

GLEANINGS II - 829
Thursday December 12th, 2019

CPO25 - Officially known as the UN Climate Change Conference, it is the annual clambake to come up with ways to implement the 2016 Paris Agreement (that targeted keeping the rise in average global temperatures down to 1.5° Celsius). Originally scheduled for Santiago, Chile, widespread social unrest there had forced a change of venue, on five weeks' notice, for December 2nd - 13th to Madrid. Despite the fact that experts now are starting to talk about possible global warming as high as 3+° Celsius, that most of the 193 UN member countries were represented and they were said to have put in hours of overtime, very little seems to have been achieved since due to strong 'last minute disagreements. decisions were 'rolled down the road' to next year in Glasgow.

Germany, canary in the coal mine? - Long the EU's powerhouse driving its economic growth, it seems to have lost its way. Angela Merkel's "Grand Coalition" is under strain as the Greens keep gaining ground (they now have 22% voter support, vs 18% one year-, & 11% two years-, ago). GDP growth has been anemic : after years in which 1.7% to 2.0% growth had been the norm, it has gone from an annualized 1.2% in 1Q/17 via 0.1% in 1Q/18 to 0.5% in 1Q/19 (with, along the way negative growth of -0.1% in 3Q/18 & -0.2% in the Second-, and + 0.1% in the Third-, Quarter of this year). Industrial output is said to be "in free fall" as at last report it was down 5.3% YoY. Its auto industry is cutting jobs (Volkswagen 7,000, Audi 9,500 & Daimler 10,000). Retail sales at last report were down 1.9% YoY. And its banks are struggling in the low interest rate environment, with the credit rating of the once mighty, AAA-rated Deutsche Bank now near-, or at-, the bottom end of the investment grade range - *This state of affairs in the world's fourth-largest economy, & the economic locomotive of the world's second largest economic 'bloc', cannot help but have an impact on the global economy far beyond its-, & the EU's-, borders.*

Greta Thunberg - After Time magazine named her Person of the Year ¹ & featured her picture on the front page of its December 13th issue with the sidebar "The Power of Youth", Donald J. Trump sought to denigrate her by tweeting "So ridiculous. Greta must work on her Anger Management problem, then go to a good old-fashioned movie with a friend! Chill, Greta, Chill!", while Donald J. Trump Jr. put in his two cents' worth with "Time leaves out the Hong Kong Protesters fighting for their lives and freedom to push a teen being used as a marketing gimmick." - *Greta one-upped Trump by updating her Twitter biography by adding "A teenager working on her anger management problem. Currently chilling and watching a good old-fashioned movie with a friend", just as she did when, after her speech at the UN last September (in which she denounced world leaders for failing to tackle climate change), he sought to dismiss her with "She seems like a very happy young girl looking forward to a bright and wonderful future. So nice to see!" she amended her Twitter biography to describe herself as "A very happy young girl looking forward to a bright and wonderful future" (the very reason she is the environmental activist she is ²).*

¹ An honour the magazine had bestowed on Trump as well after he beat Hillary (might this have rubbed Trump the wrong way especially since she was nominated for the Nobel Peace Prize, an honour he is said to have had an eye on with his North Korean initiative, although Kim seems unwilling to be his patsy with in this quest).

² The Times quotes her saying, when she arrived in Lisbon after her second-, this time East-bound-, crossing of the Atlantic by sail to attend the UN CPO25 in Madrid, "We can't just continue living like this as if there was no tomorrow because there is a tomorrow ... That's all we are saying."

New Zealand's White Island volcano - The island is located in the Bay of Plenty, East of Northern North Island, 227 kms/140 miles Southeast of Auckland (the country's largest city, 4x the size of the capital, Wellington at the Southern tip of North Island) &, home to one-third of New Zealand's population. It is small (1.25 square miles), uninhabited & privately-owned, and visited by 10,000 tourists a year on tours organized by operators. Its volcano's activity doesn't involving lava flows but periodic explosive eruptions of ash & hot gases as they force their way through underground blockages. On Monday December 9th one such event occurred when 47 people were in the island's boat launch area, half of them Australians & the rest from the US (9), New Zealand (5), Germany (4), China & the UK (2 each) & Malaysia (1). Some were killed & the rest very badly burned, while some are still missing & can safely assumed to be dead - *An eruption in 1914 had blown out part of the crater's Southeast wall where there was a sulphur mining operation. And today's boat launch is below that breach; so when the volcano 'belched', the hot gases didn't just go straight up but also had a "lateral" blast effect that caught the tourists in the boat launch area unawares. And there must be some very serious burn victims among the survivors; for the New Zealand government has ordered 1,290 square feet of human skin from the United States (whereas the typical human body is covered by only about 20 square feet of it).*

"Plan continuation bias" - This common human condition was defined by NASA's Benjamin A. Berman & Robert K. Dismukes as "A deep-rooted tendency of individuals to continue their original plan even when changing circumstances require a new plan." - *Thus at a personal level, someone may have planned to drive 100 miles to visit his parents for Thanksgiving & doesn't changed his plans even though the weather forecast calls for freezing rain and ends up crashing his car, getting hurt & writing off his car. At a national level, Bush 43 attacked Iraq because Saddam Hussein had WMDs (even after being told he didn't have any) at a cost, according to the CBO in 2007, of US\$2.7TR, twice the US deficit in the preceding five years. And, contemporaneously speaking, our political leaders seem determined to continue making demands on Mother Nature that she is warning us she won't put up any more & warns us we should go to a Plan B.*

Real Cost of Living - According to the US Commerce Department's Bureau of Labor Statistics in the period January 1st, 1998 to December 31st, 2018 average hourly earnings increased by 80% (for a CAGR of 2.83%) & the CPI by 60% (2.26%)³, *i.e. on a before tax basis people were better off in CPI terms.* But, as often the case, 'the devil is in the detail'; thus in this case the rates of change of various personal expenditure categories varied widely. The cost of hospital services had risen 225% (5.77%), college tuition fees 180% (5.03%), college text books 140% (4.26%), child care-, & medical-, services 115% (3.71%), housing 125% (3.94%), and food & beverages 120% (3.83%), but cars & household furnishings only 10% (0.45%), clothing 0% (0%), telephone services -50% (-3.24%), computer software -70% (- 5.57%), toys -75% (-6.39%) & TVs -95% (-13.29%) - *Thus, on balance the cost of human 'needs' rose much faster than that of its 'wants' (since Joe & Jill Average Consumer are less sensitive to the cost of their wants than needs? ⁴).*

³ The way the CPI is calculated is a bit 'other wordly' : thus if car prices are up 2% in a year and the pointy-headed economists that calculate it decide their quality has improved by 2%, for the purposes of calculating the CPI the car price has stayed the same even though Joe & Jill Average Consumer no longer have the option to buy last year's 2% lower quality vehicle.

⁴ This isn't a new phenomenon. I remember being in the bar of my Ottawa militia unit in the mid-1960s, before Medicare, listening to its MO (Medical Officer) telling me that patients complained about charging them \$25 for making a house call (yes, in those days doctors made house calls!) when he had personally seen them happily fork out \$180 to a vet for treating their dog!

State of the US economy - In the week ended December 7th the number of Initial Unemployment Claims was 252,000, a two-year high, up from 203,000 WoW & 206,000 YoY, and well above the 218,000 average of the prior four weeks. As of December 2nd the ISM New Order Index was 47.2, down from 49.1 MoM & from 62.1YoY. According to Moody's Analytics the Purchasing Managers' Index reading for November was 48.1, down from 48.3 MoM & 58.8 YoY, the Business Confidence Index 98.89, up from 98.83 MoM but down from 100.93 YoY and the Capacity Utilization rate in October 76.74, down from 77.52 MoM & 79.29 YoY And, most unsettling of all, in November the Service Sector Index compiled by the Tempe AZ-based ISM (Institute for Supply Management) was 53.3, still in positive territory but down from 54.7 MoM & from 60.8 a little over a year earlier. *And most people don't realize that the much-ballyhooed November 266,000 new job creation number included the 46,000 GM workers who had returned to work after their six week strike.*

Time for Prime Minister Trudeau to show some spine in dealing with China? - A year ago Meng Wanzhou was in the Vancouver Airport in transit to Mexico when she was arrested pursuant a US warrant, under a US-Canada extradition treaty, for her arrest on fraud-, & breaking US sanctions on Iran-, charges. After having been held in custody for a few days she was released on \$10MM bail & has since been living in a relatively normal fashion, first in her \$5MM-, & now in her \$13MM-, Vancouver home ⁵, able to go shopping & not unduly restrained (other than by her ever-present 'monitors') in her everyday life-, & around town-, activities, *allegedly calling her situation "an opportunity to read and paint"*. In retaliation, on December 10th last year, President Xi's regime arrested two Canadian citizens, Michael Kovrig, a former Canadian diplomat *now working for the a Brussels-based International Crisis Group NGO* ⁶ & on a periodic visit to China for work-related purposes, & Michael Spavor, an entrepreneur resident in China near the North Korean border where he arranged visits by Canadians to that country & reopened the trial of a Canadian citizen accused of trying to smuggle drugs from China to Australia, to hike his sentence from 15 years to death).

Ms. Meng is the Chief Financial Officer & Vice Chairman of Huawei, & the daughter of its founder, the 75 year-old Ren Zhengfei (*who started his career as a PLA civilian military technologist*). And while her current living conditions are as close to normal as can be expected under the circumstances (she is subject to an 11:00 p.m to 6:00 a.m curfew and must wear an electronic bracelet & pay for the team of 'monitors that observe her comings & goings), recently was visited in her home by the new Chinese ambassador to Canada & is in regular contact with her legal team, the same is not the case for Messrs Kovrig & Spavor, who apparently spend their time in much less pleasant surroundings and, while the Chinese government has announced they will go on trial, have been unable to talk to legal counsel - *So the time may have come for the Prime Minister to contact his Chinese counterpart & very respectfully inform him that since the conditions under which his government is allowing Ms. Meng to live on a day-to-day basis appear vastly superior to those the Chinese government is providing Messrs. Kovrig & Spavor, that, unless this is changed his government will have no choice, for the sake of reciprocity, but to alter Ms. Meng's living-, & legal contact-, arrangements to ones similar to those of Messrs Kovrig & Spavor - rather coincidentally a few days ago the House of Commons passed, by a vote of 171 - 148⁷ in the first*

⁵ She had permanent Canadian resident status from 2001 to 2009.

⁶ Founded in 1995, it seeks "to prevent wars and *help* shape policies that will help build a more peaceful world".

⁷ I.e about half the non-voters were members of the Liberal caucus.

defeat of this government in the House, a motion by Erin O'Toole, the Conservative MP since 2012 for the Durham constituency (North & East of Oshawa), the Conservative Party's foreign affairs critic & one of its now leadership hopefuls, to appoint a 12 member Special Committee of the House⁸, with a mandate to conduct hearings to examine and review all aspects of the Canada-China relationship including, but not necessarily limited to, consular, economic, legal, security and diplomatic relations" because, according to O'Toole "we have serious concerns with the prime minister's ability to govern in Canada's national interest on the world stage.", which prompted the Chinese Embassy (in a case of 'the pot calling the kettle black?') to issue a statement, in Mandarin, that "China urges Canada to respect the rule of law, respect China's judicial sovereignty, and stop making irresponsible remarks".

U.S.-China trade negotiations - Beijing's reaction to President Trump on November 27th signing the two Congress-approved Hong Kong-related bills was to repeat earlier threats of serious consequences for the US. Then late December 2nd Washington time/early morning December 3rd Beijing time, the Chinese Communist Party-controlled Global Times said that the process of publishing a list of "unreliable entities", that could lead to sanctions against US companies (*first & foremost FedEx?*), was being speeded up because the House was expected to vote that day (*as it did*) on a (*stronger worded*) version of Senate Bill S.178, the Uighur Human Rights Policy Act of 2019 [co-sponsored by Sen. Marco Rubio (R-FL) & Sen. Bob Menendez (D-NJ)] that had been unanimously approved by the Senate in September, so as to have it on President Trump's desk for signature before Christmas. And while Foreign Ministry spokeswoman Hua Chunying at a regular press briefing that day ducked a question on this issue, the paper's Editor-in-Chief Hu Xijin tweeted "based on what I know, since the US plans to pass a Xinjiang-related bill, China is considering to impose visa restrictions on US officials and law makers who've had odious performance on Xinjiang issue; it might also ban all US diplomatic passport holders from entering Xinjiang." And the outlook for agreement on even a 'first phase' trade agreement hadn't improved the day before when first the President told reporters in London that "In some ways it's better to wait until after the election for the China deal" & then Commerce Secretary Wilbur Ross said in an interview that, if there was no deal by then, the US will go ahead *next Sunday* with the previously announced December 15th tariff increases on more Chinese goods⁹. And later that day he tweeted "US markets are up as much as 21% since the announcement of tariffs from 3/1/2018 ... And the US is taking in massive amounts of money (*from US consumers rather than Chinese manufacturers?*) and giving some to farmers, who have been targeted by China!"¹⁰. On Thursday December 12th, the *WSJ* reported that, according to Administration insiders, the Trump administration had made an offer to Beijing to cut the tariffs on half the US\$360BN in Chinese imports already in place & to suspend the plans to impose tariffs on all remaining Chinese imports that were scheduled to go in effect next Sunday December 15th (that would, among others, increase the retail price of iPhones by US\$150), news that neither the White House or the Office of the US Trade Representative would confirm, although Trump himself tweeted "Getting VERY

⁸ Six Liberals, four Conservatives and one each from the NDP & the Bloc.

⁹ And the President's stand on trade wars generally was made clear later that day when he announced plans for new tariffs on steel & aluminum imports from Argentina & Brazil) & for hiking the tariffs to up to 100% on dozens of French imports popular with American consumers, such as cheese & yogurt, wine & make-up (because he was displeased with its 3% tax on American hi-tech companies introduced last year, that has given other European countries & Canada ideas)

¹⁰ The NASDAQ may have been up 21% but the Dow Jones only 9.8% & the S&P 500 13.3%.

close to a **BIG DEAL** with China ... They want it and so do we!". And this is said to have become a fait accompli, even though critics, incl. some GOP stalwarts, have their doubts; thus Sen. Marco Rubio (R-FL) warned against settling for a deal too precipitously, for fear it will "give away" the tariff leverage needed for getting a broader agreement later on issues that "matter more", such as China's "subsidies to domestic firms-, forced technological transfers & the blocking of US firms from key sectors", while Derek Scissors, a China hawk at the now 80 year-old, Washington-based AEI (American Enterprise Institute for Public Policy Research) accused the president of rushing to make a deal, saying "This is really weird ... Technically there's been a deal on the table for the president to sign for some time. What's changed is (that) they think the president will say "yes". - According to US Trade Representative Robert Lighthizer, the deal is now "totally done" ... except for 'some scrubs' " (???) & will be signed in the first week of January (but why wait three weeks if it is really "totally done"?) & it will "double US exports to China". And to provide a perspective on the latter, following are the last few years US-China trade numbers :

US-CHINA BILATERAL TRADE (in billions of US dollars)

	US EXPORTS	US IMPORTS
2015	116	483
2016	115	462
2017	130	505
2018	120	540
2019 (1H annualized)	104	438

The question may not be so much be what will happen to US exports but the effect on its imports from China from the lower tariffs; for given their disparate sizes the impact on the bilateral trade balance of a doubling of US exports to China would be offset in toto by a 26% increase in its imports from China. And let's not forget that Walmart sources 26% of its merchandise from China (& Target 34%), and that, in the present Amazon-challenged conventional retail environment, they will be motivated to pass much of their savings from lower tariffs on to their customers.

US corporate debt situation - The debt of America's largest 1,000 companies is approaching US\$10TR, up roughly 50% from where it was prior to the Great Recession *with a goodly portion of the incremental borrowing having been used by companies to buy back of their own shares* ¹¹ (that has been a major contributing factor in the stock market's buoyancy but also has significantly increased the leverage in corporate balance sheets, which is great when times are good but can be deadly if they are less so). And adding on the other US\$5+TR of debt of smaller listed companies & unlisted ones, family-, & unincorporated-, businesses) brings total corporate debt, broadly defined, to the US\$15TR/74% of GDP range - in the past half century this ratio has always peaked to ever higher levels prior to each recession, at 45% before the 1970 recession & to 52%,

¹¹ Which is a story in & by itself : in the short run it energizes the stock market by boosting per share earnings & reducing the supply of shares, while longer term by increasing the leverage in corporate balance sheets, it creates financial survival risks when the biomass hits the fan.

51%, 62%, 65%, & 73% prior to those in 1973, 1980/81, 1990, 2000 & 2008. As shown below there has been a vast deterioration in the average quality of the large companies debt ¹² :

Bond ratings	1988	2018
AAA	16%	2%
AA	32%	10%
A	30%	39%
BBB	22%	49%

In the past decade investors' search for yield in a low interest rate environment has led to explosive growth in the volume outstanding of "High Yield" (*i.e. non-investment grade*) corporate debt & of 'leveraged loans' (*made to companies already badly indebted or with poor credit histories*). That of the former has tripled to US\$1,200+BN since 2008 & that of the latter more than doubled to US\$1,400BN, *i.e. from about 6% to about 14% of all corporate debt*. And both these classes of debt have by their very nature a higher default risk &, on average, shorter maturities than rated bonds) ¹³ - *In an interview with Market Watch* ¹⁴ *last June Sheila Bair warned potential economic pain could come from the leveraged loan segment of the corporate debt market & affect the economy much faster than in the sub-prime crisis that ravished Wall Street in 2008. For, if debt-laden companies can't repay their loans, the impact on jobs & economic growth will be much more instantaneous than in the slow-rolling sub-prime mortgage crisis a decade ago (when took 18 months from early 2007 when Countrywide Financial first started feeling the pain of falling home prices & rising mortgage defaults until Lehman Brothers filed for Sect. 11 bankruptcy protection in September 2008). And she should know whereof she speaks since, a lawyer by training & a Republican since her 1980s days in the office of Senate Majority Leader Bob Dole, and time as a senior official at the NYSE & US Treasury, in 2006 Bush 43 named her Chair of the FDIC (Federal Deposit Insurance Corporation) and as such she had a ringside seat as the US government struggled with the fallout from the sub-prime crisis & the Great Recession.*

Warren Buffett has been 'bulking up' on cash - Berkshire Hathaway is currently holding US\$128BN, 18% of its total assets in cash & cash equivalents, up from US\$122BN QoQ & US\$112BN one-, US\$72BN two-, & US\$ 20BN six-, years ago - *Now almost 90 years of age, he has seen more "irrational exuberance" in the stock market more often than most & long has had a longer term perspective that makes him impervious to FOMO (Fear of Missing Out) & made him willing to live with underperforming the S&P for the last decade so as to position himself to pick up the pieces when the inevitable markets arrives, whenever it does.*

¹² Numbers may not add due to rounding & BBB is the final way station before entering "High yield"/"Junk" territory.

¹³ Small investors tend to be the ultimate beneficial owners of junk bonds (typically through the many high yield bond mutual funds or ETFs now on the market) while leveraged loans are more often than not on the books of banks

¹⁴ A San Francisco financial information website owned by Dow Jones & Company (which in turn is owned by News Corp. That in turn owns the WSJ & Barron's)

HALLIBURTON TO CUT MORE JOBS IN ANOTHER STATE (Houston Business Journal, Olivia Pulsinelli)

- It is cutting more jobs, this time in Bakersfield CA where it cut 70 employees “due to local market conditions ... as we ...align our operations to reduced customer activity.” Two days earlier the Company had announced it was closing its office in El Reno OK, affecting over 800 jobs, although most of those affected had been offered jobs (*at lower pay?*) in Duncan OK, *75 miles from El Reno*. Overall, it has now shed 8% of its North American work force. And last month Lance Loeffler, the Company’s CFO, told a Houston Business Journal energy conference “We don’t want to stack crews today that aren’t earning their cost of capital. That’s not what we are in business to do ... We’re doing that today because that’s the stark reality of what pricing has done. That’s what it has forced us to do.” And Halliburton is far from the only company in the oil & gas business that has faced this, for a Dallas Fed survey found 23% of Texas oil & gas companies reported Third Quarter layoffs, with two-thirds of oil field services’ companies reporting reduced headcounts.

In October already it was reported by the same paper that the world’s largest two oil service companies in the world (Schlumberger & Halliburton) were expecting their North American business to decline in the Fourth Quarter. Part of the problem is that while the current US\$55.96 WTI price may be close to US\$10 higher than a year ago, it is still well off the US\$73.17 on October 10th last year. And another is the huge buildup in the inventory of DUC (Drilled but UnCompleted) wells in the shale (that in the Permian basin alone increased over 6x, to 4,000+ in the past six years [prompting a 25% decline (to 799) in the past year in the number of working rigs in the US]. And in Alberta, Halliburton announced recently that effective December 31st, after 93 years, it will be closing down its oil well cementing business in the Province, adding to an already bleak employment situation here (According to StatsCan in November Canada’s national unemployment rate was 5.9%, up 0.3% YoY, and Alberta’s 7.2%, up 1.0% YoY) .

U.S. DISTRESS RATIO CLIMBS TO 8.5%, LED BY SURGING OIL AND GAS SEGMENT (S&P Global Market Intelligence)

- On October 15th S&P’s US distress ratio ¹⁵ rose to 8.5%, up from 7.6% MoM. For eight of its nineteen industry sectors it widened during the month as the total number of distressed issues rose to 148, totaling US\$72.9BN. The oil and gas sector led with 54 distressed credits & a 34.8% distressed ratio, followed by telecommunications (23/16.3%), retail & restaurants (15/18.5%) and healthcare (8/8.6%). Earlier S&P had reported that the number of its “weakest link” debt issuers ¹⁶ had jumped in September to 263 (up 20 MoM), a post- November 2009 high, while its ‘global speculative grade default ratio’ had hit a record high 10.5%. According to Sudeep Kesh, S&P Global Ratings’ Head of Credit Markets Research, “The default rate of the weakest links is nearly eight times greater than that of the broader speculative-grade segment, and the rise in the weakest link tally may signify higher default rates ahead.”

¹⁵ The number of distressed bond issues as a percentage of the total number of speculative grade/high yield/junk bond issues.

¹⁶ “Issuers rated B- or lower with negative outlooks or a CreditWatch with negative implications”.

One company that cannot help but be high on, if not at the top of, the S&P's distress list is Chesapeake Energy. An early pioneer in the US shale, it was a US\$62 stock a dozen years ago & is a 62¢ one today. Saddled with US\$10BN in debt, S&P downgraded it last September to SD (Selective Default) & in its Third Quarter SEC filing the Company reported "substantial doubt" about its survival as a going concern. Its downfall is due to its 'gassy' product mix (at last report it was 73% gas, 17% oil & 10% gas liquids) and the fact that when it first got involved in the shale, the price of gas was in the US\$15 range whereas today it is one-fifth thereof.

WHY YOU WON'T FLY ON A 737 MAX AGAIN FOR SOME TIME (CNN, Chris Isidore)

- Boeing says it hopes to get it 'fixed' for the plane to be approved by the FAA before year-end (*i.e. in the final three weeks in a year that they will be more disruptive to the functioning of government than ever since both Christmas-, & New Year's-, Day fall on a Wednesday?*) and this has been a *rolling target* for months while the FAA has yet to give a timeline for its approval. But more clarity may come when FAA Administrator Stephen Dickson ¹⁷ testifies before the House *Transportation* Committee on Wednesday December 11th [on the heels of NBC reporting that a Company whistle blower had reported problems with the plane months before the first crash (*that of Indonesia's Lion Air 737 Max in late October last year, 4 ½ months before the second one in Ethiopia*)]. And even once the FAA gives the green light, it will take months of pilot training before the US airlines with the plane (Southwestern, American & United) can start fitting them into their schedules (& *then the question remains if their customers will be willing to fly on them*). And elsewhere in the world, *where most Boeing 737 Max planes are in airline fleets* ¹⁸, it will take longer still, since foreign aviation regulators are likely to take their own sweet time approving them, *especially now that confidence in the FAA is now so badly tarnished*.

Meanwhile, Boeing will become increasingly financially stressed ¹⁹. *One, because it has continued building 737 Max planes, albeit at a reduced 42 unit monthly rate, to the point where it now has over 400 of them in inventory* ²⁰ (*that by the Company's own estimate will take it until 2021 to*

¹⁷ He looks like an excellent choice. A 1979 "Distinguished Graduate" of the USAF Academy, an F-15 pilot & a 27 year Delta Airlines employee, first as a pilot & later as its Senior Vice President, Flight Operations, he got a law degree along the way. Earlier he had told the NYT that at the Boeing plant he had "witnessed, first hand, the chaos and the instability ... really unsettling for me as someone who's been around aircraft all his life".

¹⁸ Only about one-fifth of the 300+ Boeing 737 Max planes that were in service last March were operated by Southwestern-, American-, & United Airlines (and of the 4,000+ 747 Maxes on Boeing's order book the vast majority are for non-US airlines.

¹⁹ On October 5th last year, three weeks before the Lion Air crash Boeing's share price hit an all-time high US\$386.47. After the Lion Air crash it declined to US\$304.55 and then went on to set a new all-time high of US\$440.62 on March 1st of this year, only to decline again, after the second crash to US\$362.17 on March 22nd. And at last report (December 11th) it closed at US\$350.00. Be all that as it may (& I cannot for the life of me understand why) 8 of the 15 analysts following Boeing nevertheless have BUY-, & 7 HOLD-, ratings on the stock.

²⁰ With a sunk cost in the US\$40BN range that, going forward, will grow at about US\$4BN a month until it can start selling them again.

liquidate while according to some analysts it will take at least one year longer). Secondly, when it recently reported its YTD sales & delivery figures, they were down 66% YoY &, while much of that was accounted for by the 737 Max, sales of its other models also were also down, by 14% YoY. And finally, the longer it takes for the plane to get FAA approval, the greater the buildup of the airlines' lost business-, & business interruption-, claims on the Company (& in this respect it was truly bad news for Boeing that, once the plane has been approved for flight, the FAA intends to inspect each & every one of them itself before it is allowed to take to the air, rather than, as it did in the past, let the Company do so. As to his testimony before the House Transportation Committee, Stephen Dickson (who has been in the post for just four months, prior to which it had been run by someone in an acting capacity for a year & a half), in his opening statement noted that "over a 45 year period, we'd have an unacceptable level of risk ... so we'd have to take action to reduce that risk", that an internal FAA review after the first crash had found there was a likelihood for 15 more crashes because of the plane's faulty design but that it (nevertheless) had allowed it remain in service (which must be music to the ears of the lawyers retained by family members of those who had died in the two crashes) and that once (on a visit to the Boeing plant) when he raised concerns about the seemingly chaotic nature of the activities there & had opined that, based on his experience, a military program with so many alarming things would not have been allowed to continue, he had been dismissed with "The military is not a profit-making organization." And while he maintained "The system is not broken", he did admit under questioning that the FAA had made mistakes in its certification of the plane & left open the possibility of fining Boeing in the future for not disclosing safety concerns about the 737 Max - Boeing, that long has had the FAA in its pocket, is not going to like Dickson much, if not outright loathe him. For he seems bound & determined to end the status quo & restore the FAA's credibility by no longer having it at Boeing's beck & call, even if that means 'cutting it off at the knees' where new plane certification is concerned; thus on September 18th he announced that the FAA would only re-certify the 737 Max until he had piloted one himself to test the new software ²¹, and one month later had it revoke Boeing's authority to issue airworthiness certificates for any 737 Max aircraft **and** reiterated that the plane was not ready for re-certification (in light of which it seems odd that the Company has been touting the idea it will be re-certified before the year-end). Meanwhile Singapore Airlines' Silk Air unit has 'voted with its feet' & gotten permission from the Australian authorities to park its six 737 Max planes somewhere in the Australian desert for US\$2,000 a month each, after they have been flown there by "experienced Boeing pilots using a flight profile that ensures there can be no activation of the MCAS system" (that caused the Indonesian & Ethiopian crashes) although, just in case, they will have received training in recovery actions if an MCAS event were to occur.

HOW FEDEX CUT ITS TAX BILL TO ZERO (Fox Business, Ken Martin)

- In FY17 its tax bill was US\$1.5BN but after President Trump's tax overhaul bill [that reduced the (nominal) corporate tax rate from 35% to 21% (*although the actual average rate paid had been as low as 16.9% for tech companies*)], according to the NYT the actual rate paid by FedEx went from 34% in 2017 to 0% in FY/18, enabling it to spend US\$2BN on share buybacks & dividend hikes ²² [*although it also increased its work force & the pay*]

²¹ In his two decades as a Delta pilot, he piloted 737s, and A-320s and Boeing 727s, 757s & 767s.

²² In the five years ended on December 6, 2019, FedEx's dividend rate went from 72¢ to US\$2.60 (i.e. at a CAGR of 29.2%) and its dividend yield from 0.42% to 1.66% as the price of its stock rose by just 9.7%)

of its hourly workers by a total US\$135MM, i.e. by < \$1,000 each?]). After the NYT disclosure the Company issued a statement saying in part “FedEx invested billions in capital items eligible for accelerated depreciation and made large contributions to our employee pension plans ... These factors have temporarily lowered our federal income taxes, which was the law’s intention to help grow GDP, create jobs and increase wages.”

The corporate sector is estimated to have saved upward of US\$100BN in taxes²³, far more than forecast. And the bill’s longer-term impact on the GDP seems to have been limited, For, while in the Fourth Quarter of 2017, during which the President signed the tax bill on December 22, 2017, the annualized quarterly GDP growth rate had been 3.5%, since then it has been 1Q/18 2.5%, 2Q/18 3.5%, 3Q/18 2.9%, 4Q/18 1.1%, 1Q/19 3.1%, 2Q/19 2.0% & 3Q/19 1.9%, while currently the Atlanta Fed’s GDPNow call is for 2.0% (somewhat higher than the private sector economists’ consensus). And as to the President’s claim that this was “the biggest tax cut in history”, others have calculated that it was the 8th largest historically in GDP-, & 4th largest in real-, terms.

THE INDISPENSABLE MAN : HOW GIULIANI LED TRUMP TO THE BRINK OF IMPEACHMENT (NYT, Jim Dwyer, Jo Becker, Kenneth P. Vogel, Maggie Haberman & Sarah Maslin Nir)

This is an extremely detailed article, far too lengthy to do justice to in a summary, that tells the reader far more about Rudy Giuliani than he or she may ever have wanted to know but still may be interested in reading about. The things in it that stood out for me included :

- *he stuck around despite Trump having seriously disappointed him in 2016 by not making him Secretary of State;*
- *his third divorce settlement revealed he had monthly expenses of US\$230,000 for, among others, six homes & 11 country club memberships;*
- *two years ago he had a fall in which he was hurt so badly that his wife put her divorce plans on hold to look after him for a while; and*
- *his estranged wife Judith says “He doesn’t just like the spotlight ... He craves it for validation”; in other words, he is an sycophant extraordinaire.*

TRUMP PAYS \$2 MILLION IN DAMAGES ORDERED BY JUDGE OVER MISUSE OF CHARITY FUNDS (WP, David A. Fahrenthold)

- Last year President Trump was sued by *Democrat* Letitia James, New York State’s Attorney-General, for illegally using funds from his Donald J Trump Foundation to buy portraits of himself, pay off his businesses’ legal obligations & help fund his 2016 campaign. Last month a New York State judge found him guilty & ordered him to pay US\$2MM in damages & on Tuesday December 10th Ms. James reported he had done so & that the money had been distributed among 8 charities &, furthermore, that he had agreed to distribute the US\$1.8MM remaining in the foundation among the same eight charities, each of whom thus got US\$476,140.41. And while the Attorney-General’s office issued a statement that “Funds have finally gone where they deserve - to eight credible charities ... My office will continue to fight for accountability because no one is above the law - not a businessman, not a candidate for office, and not even the president of the

²³ Not surprisingly therefore in 3Q/18, corporate profits after taxes were up 11.3% YoY vs. 2.6% YoY in 3Q/17 & 0.4% YoY in 3Q/19.

United States, Trump's lawyer issued one that "The legacy of the Trump Foundation - which gave away many millions to those in need at virtually no cost - is secure."

Trump launched the foundation in 1987 with the proceeds of his book The Art of the Deal. While it was nearly dormant during his 1990s 'lean years', according to the Attorney-General it had since 2000 been used in ways benefiting him or his businesses (e.g. by paying US\$258,000 in legal settlements for his for-profit clubs). The 8 charities benefitting from his 'generosity' were the Army Emergency Relief, the Children's Aid Society, City Meal-on-Wheels, Give an Hour, Martha's Table, the Unified Negro College Fund, the United Way of the National Capital Area & the US Holocaust National Museum - In most states misappropriation of funds can result in jail sentences if ruled a felony & the seriousness of Trump's 'faux pas' can be gauged by the fact that fines for the misappropriation of funds can be as low as US\$10,000.

AMERICA BRACES FOR POSSIBLE FRENCH FRY SHORTAGE (Yahoo Finance, Ashley Robinson)

- In October potato crops in key producing areas in the US & Canada were hit by frost. While in Alberta & Idaho farmers managed to harvest some frost-damaged crops, in Manitoba, North Dakota & Minnesota they had to leave some in the ground. According to Stephen Nicholson, a Rabobank Senior Grains & Oilseeds Analyst this came at a time that higher French fry processing capacity in Canada boosted demand ²⁴, tightening supplies to the point that potato prices may climb this year across North America (& abroad as the US won't be able to export as much).

The United Potato Growers of Canada estimates that about 12,000 acres of potatoes (18% of the planted acreage) were left unharvested in Manitoba, Canada's No. 2 potato producing province (after PEI) & that 6½% of Alberta's potatoes were frost damaged, while USDA expects this year's US potato crop to be down 6.1% YoY to a post-2010 low. And to complicate things further, this year's potatoes are smaller than ideal for French fry production.

NETANYAHU LIMPS INTO THIRD ELECTION (AP, Josef Federman)

•After months of failed haggling, the Knesset was dissolved at the midnight Wednesday December 11th deadline & another election called for March 2nd, the third in 11 months, buying the Prime Minister much needed time to try & fend off a slew of criminal corruption charges *by his own Attorney-General*. But he heads into the campaign as a shell of his former *political* self, weakened by intra-party strife & questions about his political future, and facing an increasingly popular opponent. He is widely expected to ask the Knesset to grant him immunity from prosecution (*although in a caretaker government environment it cannot do so*). And while his party has so far stood firmly behind him, that may be starting to fray at the edges, with one popular lawmaker, Gideon Saar, already having announced *a while ago* that he will challenge him in the December 26th party primary, saying on Kan radio on December 12th that the country's political system has sunk to a new low & that "We need a new hope. The country is going the wrong way. We need to mend the divide, to rehabilitate the public's trust ... None of this will happen if we don't make a change."

²⁴

Almost \$1BN has been spent on expanding capacity at French fry processing plants in Portage la Prairie, Manitoba & Lethbridge, Alberta (with the latter, that is now in operation, once at full capacity, will process 370,000 tons of potatoes annually (i.e. 16,000 acres-worth, nearly one-third of the current acreage) for markets in Canada & the US, China, Japan, Thailand & Singapore).

And Netanyahu is expected to again base his campaign on attacking Israel's Arab minority²⁵ (drawing further accusations of incitement) & on again claiming to be the victim of a grand conspiracy by the nation's "elites" *that failed him last April & again last September* .

So far his support in the polls has declined only marginally, although much can change in three months. And the fact that "we are about to hold a third election because of the legal problem faced by citizen Netanyahu", as Sima Kadmon put it in the Yediot Ahronot daily^{26 27}, may well increasingly start to work against him since, if there was one thing most, if not all, Israelis could agree on, it was that they didn't want another election.

CHINA SEES 'SHRINKING CITIES' AS ECONOMIC CHANGES SWEEP COUNTRY **(G&M, Nathan Vanderklippe)**

- For four decades the old has been torn down in rural areas in China to make way for new concrete & steel urban centres in what has been called the largest human migration in history. But seems to be ending; thus a report by Chinese researchers who used the brightness of nighttime satellite imagery to estimate population changes, between 2013 & 2016 in 935 of China's 3,330 urban areas the population had declined. And in April the National Development and Reform Commission made this official by naming "shrinking cities" one of its key priorities, as an estimated 50MM housing units, one-fifths of the country's total housing stock now are empty.
- For decades it seemed China's cities could only grow (& multiply?). So local authorities, intoxicated by the revenue from new construction, drafted grand plans for the thoroughfares, bullet train stations & glass-walled towers that are the hall marks of modern cities. But according to Jonathan Woetzel, a *Senior Partner* at McKinsey & Co. & the Co-Chair of its Urban China Initiative think tank, "We are now in the second half of the urbanization journey, and the winners and losers are much more sharply defined than in the first wave."
- Population dislocations are part of a country's development & between 2000 & 2010 the population of over half of China's counties, mostly in its central & western parts, shrank as people moved to the coastal areas for work. But more recently the waning numbers in many cities suggest deeper problems as economic growth slows & the population rapidly ages. Thus Kaiji Chen, an Emory University economist who has studied housing in China thinks this shrinkage "is mainly caused by a lack of employment in an economic downturn rather than *by* a change in economic structure from heavy industrialization to services ... In the past, when Chinese economic growth slowed down, migrant workers tended to return to rural areas due to a lack of employment opportunities in the cities ... This might

²⁵ Whose Joint List representation is now, with 13 seats, the third largest bloc in the 120 seat Knesset & with a continuation of the growing Arab turnout could bring its seat count there closer to its 21% share of Israel's population.

²⁶ A paper typically critical of Netanyahu, whose publisher Arnon Mozes contributed to Netanyahu's problems when tapes were leaked of a talk they had in early 2017 about Mozes' paper giving him less critical coverage if Netanyahu would constrain its prime competitor, the pro-Netanyahu Israel Hayom, that had replaced as the largest circulation daily in the country & that is owned by "a relative of", Las Vegas casino mogul Sheldon Adelson who has long been a Netanyahu supporter.

²⁷ Who, two days after the September 17th election wrote (*prophetically?*) "The prime minister has lost his allies and his touch and the future identity of the state now rests on kingmaker Avigdor Liberman, Benny Gantz's determination and the Likud's willingness to boot its long-term leader from its midst."

slow down the pace of urbanization in the short run". But others are less concerned, with Ding Chang-fa, a professor at the School of Economics at Xiamen University (*in the city of the same name in Fujian Province 500 miles South of Shanghai*) opining "The shrinking city is a neutral concept. This happens in the development and transformation process, especially with big countries. There is no need to be horrified by it ... in China overall urbanization is slowing down ²⁸, but in the areas where the economy and business are active, and highly developed, the pace remains quite fast."

- But the slowdown in economic growth has incentivised planners to continue thinking expansion, even in the smaller cities where *future* population growth is less certain. For according to Kam Wing Chan, a specialist in Chinese migrant issues at Seattle's University of Washington "New buildings and construction generate a lot of GDP on paper and local governments are incentivized to pursue that goal despite the oversupply of apartments in many places." In Sanhe, a city of 550,000 in Hebei Province 60 kms/38 miles East of Beijing ²⁹, that tension between growth & contraction is evident. In 2015, only a few days after the introduction of a new high-speed rail service, the People's Daily reported that "the occupancy fell to below 30 percent. Some of the cars were even vacant". And last year, when the authorities moved a large wholesale clothing market from Beijing to Sanhe, vendors reported sales at the new location less than half of what they had been in the capital. And according to an October report in the Beijing News prices at some local property developments had dropped by more than half. Meanwhile the retirement business in Sanhe is booming, albeit not overly profitably so. Its Ya Da Golden Age Health Nursing Center with its 12,000 beds is the largest elderly residential & care facility in *all of* China with fully 98% of the people who live there, incl. many retired professors & diplomats, having come from Beijing, attracted by its many features incl. a sprawling hospital, calligraphy room, research centre and even a mosque. And Bi Liwei, a manager in its business development department notes "Many old people consider our centre 'the last station of life' ... So it's quite meaningful for us to make their last stop full of joy."
- But elsewhere the view of Sanhe is less sunny. Local environmental regulations, designed to keep the sky over Beijing blue (*or should that be less grey?*) have restricted working hours & closed businesses. One man complains "Doing business is very hard now", another "All of the non-locals are gone", & yet a third, a grocery store owner, has been trying for two years to rent two houses he owns, saying "The current situation is that you cannot even find a job... Why? ... Because there's no work to do ... Sometimes it feels like there are no people in Sanhe."

This is more fuel for my belief that China is a Potemkin village, all front & little of substance behind. For borrowed money spent on infrastructure that serves no useful purpose cannot generate the means to service the debt that paid for building it & not only becomes a drag on economic growth but can set the stage for a financial crisis, especially so when the borrowers are junior governments with limited revenue sources. And Xi's policy of increasing the role of the Communist Party in the economy (on the long discredited Soviet economic model?) will only aggravate a macro-economic situation already weakened by China's rapidly aging population : by 2050 not only is the population expected to shrink by 10% from its present 1.4BN, but the 65+ year

²⁸ In 1998 33% of China's population lived in urban areas, in 2011 over half did so & today 59% do, while the UN estimates that by 2030 the ratio will be 70%.

²⁹ That in 1990 had a population of 34,000, then via a nearly 20% annual population growth spurt grew to 183,000 in 2000 & since then has grown at a 5+% annual rate.

component is expected to have more than doubled to 25%-, & the 15-64 year 'working population' share to have declined from 70% to 57%-, thereof.

BRITAIN'S NEWEST WARSHIPS AT RISK FROM CHINESE (The Times Lucy Fisher)

- On December 10th the HMS Prince of Wales was commissioned in Portsmouth in a ceremony attended by the Duke & Duchess of Cornwall (*aka Prince Charles & Camilla*). So now the Royal Navy has two aircraft carriers, the other being HMS Queen Elizabeth (both of them built at an aggregate cost of £6.2BN/US\$8.2BN, while that of the latest addition to the US Navy's now 11-carrier fleet, the USS Gerald R. Ford, cost US\$ 12.8BN. But China has been developing Intermediate-, & long-, range "carrier killer" missiles (*that would zero in on their target from space at speeds of Mach 5, or more*) & is believed to have successfully tested its Dong Feng 21 D intermediate range (1,500 km/932 mile) version on a moving target & to be working on its longer range (3,500 km/2,175 mile) Dong Feng 26 version. According to Dr. Sidharth Kaushal, a Research Fellow in sea power at the London-based Royal United Services think tank, the DF 21-D "really would be a game changing technology", since they cost just £25MM/US\$33MM & a "firing crew can afford a few misses but a *multi-billion pound* carrier can afford only one hit".

These Chinese missiles in a best case scenario would just severely limit the operation of the US & British carriers to the West of the International Date Line (incl. all of the South China Sea, a main maritime thoroughfare) but in the worst case one make carriers the battleships of yesteryear - The cost differential between the US & UK carriers is in part due to their different sizes : the Gerald R. Ford is about 20% longer-, &, with a 100,000 deadweight tonnage, 50% bigger-, than the British carriers. But the latter may provide better value for money; for both have similar 30+ knot top speeds & not dissimilar jet fighter carrying capacities (although in every day use the British carriers will carry only half as many jetfighters (plus 14 helicopters & accommodation for 250 Royal Marines. And one interesting feature of the British carriers is that they have neither catapults nor arresting cables; for they will be equipped with the F-35B Lightning II stealth multi role jet fighter's STVOL ³⁰ variant, rather than the now nearly 50 year-old Harrier jets..

WORST DROUGHT FOR 100 YEARS SLOWS VICTORIA FALLS TO A TRICKLE (Reuters)

- For decades Victoria Falls *on the Zambian-Zimbabwean border*, where the Zambezi River drops 100 meters/330 feet into a gash in the Earth's surface, has drawn millions of tourists a year. But now the worst drought in a century has cut the flow of water to a trickle, fueling fears it will kill one of the region's prime tourist attractions. Says Dominic Nyambe, a 30 year-old vendor of local handicraft, "In previous year when it gets dry, it's not to this extent. This *is* our first experience of seeing it like this ... It affects us because ... clients ... can see on the Internet the falls are so low. We don't have so many tourists."
- As world leaders gathered in Madrid for COP25 (*the December 2-13 25th United Nations' Climate Change Conference*) to discuss ways to halt global warming caused by human-driven greenhouse gas emissions, Southern Africa is suffering from the drought's worst effects, with taps running dry & some 45MM people in need of food aid due to crop failure, while Zambia & Zimbabwe experience power cuts as the plants at Karika Dam upstream on the Zambezi River are underperforming since the water flow in the river is at a 24-year low & well below the long-term average. But scientists are cautious about blaming this on

³⁰ Standard Take-Off & Vertical Landing.

climate change; thus Harald Kling, a hydrologist at the *Vantaa, Finland-based* engineering consulting firm Pöyry Oyj, & a Zambezi River expert, says “It’s sometimes difficult to say this is because of climate change because droughts have always occurred” and that while climate models had predicted more frequent dry years in the Zambezi basin, “what was surprising was that it (*i.e. drought*) has been so frequent” (the last one was just three years ago), while Richard Beilfuss, Head of the International Crane Foundation ³¹, who has studied the Zambezi River for three decades, thinks climate change is delaying the monsoon & “concentrating rain in bigger events which are then much harder to store, and a much longer excruciating dry season.”

*One must wonder about the article’s use of the phraseology “discuss ways to halt global warming caused by human-driven greenhouse gas emissions” since that seems to display both naivete & bias. For “halting global warming” is a pipe dream and the only realistic priority, certainly so in the short run, is to focus on slowing down the marginal rate of growth of global warming &, while there is lots of evidence to suggest human activity has contributed to climate change/global warming, there is little, if any, that it is, or has been, **the** cause.*

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Guyana Going from ‘Rags to Riches’? - The only English speaking country on the South American continent, it is sandwiched on its North Coast between Venezuela to its West & Surinam, a one-time Dutch colony, to its East, has a landmass of 83,000 sq. mi/215,000 sq. km (like Austria or Idaho), a population of 800,000 (half that of Idaho & 1/11th of Austria’s) & a per capita GDP of US\$4,700 (vs. Idaho’s US\$35,500 & Austria’s US\$51,000) that places it 102nd, between Iraq & Guatemala, among the UN’s 193 member countries. Last year it was 93rd out of 175 on Transparency International’s Corruption Perceptions Index, up from 91 the year before but well down from 113 in 2013 (under the previous government). It has long had more than its share of racial tensions; for 40% of its population is of *East Indian-*, & 30% of *African-*, origin with the remainder mostly of mixed race-, and/or *South American Indian-*, descent. It has two main parties, the leftist, Indo-dominated People’s Progressive Party that was in government from 1992 to 2015 & the democratic-socialist, Afro-dominated People’s National Congress that currently holds the reins of power. Elections are due next March 2nd because the government of President David A. Granger (who won the 2015 election 50.3-49.2) a year ago was defeated when, with its 33-32 majority in the National Assembly, one of his party’s representatives voted with the opposition. The last polls are now several months out of date but showed President Granger doing better than he had done in 2015 due to the fact his People’s National Congress opponent is none other than Irfaan Ali, the former PPP Housing Minister who allegedly made a bundle in the 2010 Pradoville land scale scandal when a government land sale had mysteriously resulted in the land ending up being owned by politicians incl. the then President. Guyana made the headlines globally in 1978 with the “Jonestown” mass murder of/suicide by 909 members of a US religious cult then resident in the country.

So, while until recently it met President Trump’s “shithole country” criterion, the IMF forecasts that, while its economy is expected to grow by 4.4% this year, it will do so next year by 86%. For

³¹ A Baraboo, WI-based non-profit conservation entity devoted to cranes & the preservation of the ecosystem they depend on for survival. Founded in 1973 by two Cornell University ornithologists, it is headquartered on a 250 acre property that hosts 15 different species of cranes. And it partners in the pursuit of its goals with other entities in Texas, China, Cambodia, India, South Africa, Vietnam & Zambia & has a network of contacts in dozens of other countries on five continents.

four years ago Exxon-Mobil, in partnership with Hess, Canada's Nexen & the latter's Beijing-owned CNOOC parent, struck oil in 3,000 meter/10,000 foot-deep water in the Liza field on its 26,800 sq. km./10,040 sq.mi. Stabroek bloc (that's the size of Massachusetts & just a tad smaller than Holland) prompting the identification of 6BN bbls of recoverable oil (while last September its Triple Tail 1 well on the same block, delineated another 5½ BN bbls ³²) . Liza-1 starts producing oil this month (ahead of schedule) at a 120,000 bbl/d rate, generating cash flow for the Guyanese government in Georgetown at a US\$300MM annual rate ³³, with Liza-2 scheduled to follow suit in 2022 at twice that daily rate. And Exxon is planning to drill 25 more exploratory wells in its Stabroek bloc, and 3 each on its 13,500 sq. km./5,210 sq.mi.. Kaieteur bloc (with Hess & Israel's Ratio Energy) & its 6,021 sq. km./2,325 sq.mi. Canje bloc (with Total, Toronto-based JHI Associates & locally-owned Mid-Atlantic Oil & Gas).

Guyana's *now decades-old* arrangement with Exxon calls for it getting a 2% royalty & half the profits from the oil proceeds ³⁴, terms that Luiz Hayum, a Rio de Janeiro-based Senior Upstream Research Analyst, Latin America at the global energy research & consultancy firm Wood McKenzie, calls "fair". But in the run-up to next March's elections opposition leaders are calling for a revision of this revenue-sharing arrangement to secure more favourable terms (something Hayum says could dissuade the oil companies from further E&D although he says that "They (*the current set of politicians*) ... seem to understand the huge benefit of collecting the oil revenues ... to invest for the development of the country rather than turning it into a pure oil economy.") And it can be no coincidence that recently Raphael Trotman, the country's Natural Resources Minister, told an interviewer on radio that, while hitherto estimates of the government's future "take" of oil revenues had ranged between US\$45BN & US\$70BN, Oslo-based Rystad Energy, a purveyor of sustainable energy research analytics, had updated its projection of Guyana's future oil revenues to US\$120BN (*i.e. about 30x today's GDP*) - *And while the country's development has long suffered from the mass emigration of its youngest & brightest people to the point that 500,000 of the 1.3MM people in the world of Guayanese descent now live in the US, Canada & the UK, this would prove a blessing, if they were to start 'returning home' in growing numbers, Western education, values & all, to participate in the boom.*

³² This means that on a per capita basis, & just on the basis of the oil delineated to date, Guyana has more oil per capita than either Saudi Arabia or Venezuela, never mind the US or Canada.

³³ Equivalent to 10% of the country's GDP & fully 100% of the government's current year's budget.

³⁴ Getting a share of the net is always a dumb idea; for it is remarkable how creative operators can get in finding ways to reduce it; thus in Hollywood decades ago for a script writer had been promised a (very small) percentage of the net, only to be told, after the movie had grossed US\$750MM, that it still 'hadn't made any money'.