

GLEANINGS II - 861
Thursday November 19th, 2020

Quote of the week - "It's probably the single greatest time in history to open a restaurant" - New York-based, US\$11.5BN AUM Pershing Square Capital Management founder & CEO Bill Ackman (age 54), at the November 13th annual Sohn Hearts and Minds Conference ¹ - *He gave three reasons : pent-up demand fueled by lockdown measures, low rents & less competition due to pandemic-driven restaurant closures* ². *He may be engaged in 'straightlining' and, if so, may be proven wrong; for in the post-pandemic world money is going to be scarcer than it used to be and discretionary spending money disproportionately more so.*

Canada's Maritime Provinces seem to have largely escaped COVID-19 - As of November 19th the Province of Nova Scotia (population 975,000) had since March had 1,135 cases, of whom 65 had died (*a high fatality death rate*), 1,067 were "resolved" & 23 remained "active" (which one still hospitalized), with the corresponding numbers for New Brunswick (pop. 780,000) being 392, 6, 343 & 43, & for Newfoundland (pop. 525,000) 292 & 4 - *In other words, on a per capita basis, Nova Scotia had a 0.12% case load, vs 0.7% in Ontario & 1+% in Alberta, and 3.6% in the US.*

China filling a void of Trump's making? - Back in 2005 four of the world's economically peripheral countries (Brunei, Chile, New Zealand & Singapore) launched the TPSEP (Trans-Pacific Strategic Economic Partnership) free trade deal. In 2008 eight other countries (Australia, Canada, Japan, Malaysia, Mexico, Peru, US & Vietnam) got involved, culminating in their signing, in February 2016, the TPP (Trans-Pacific Partnership), for the Obama administration a tool to constrain the growth of China's economic/commercial penetration of Asia-Pacific basin countries

But in January 2017, three days after his inauguration, Trump signed an Executive Order withdrawing the US from the TPP. But this did not stop the other 11 countries from signing, in March 2018, the CPTPP (the Comprehensive and Progressive Agreement for Trans-Pacific Partnership). And it came into force on December 30th after six countries (Australia, Canada, Japan, Mexico, New Zealand & Singapore) had ratified it, with Vietnam doing so two weeks later.

During the November 13th weekend, a 'virtual' ASEAN (Association of Southeast Asian Nations) Summit was hosted by Vietnam (*that President Trump failed to attend for the third year running even though this year, since it was virtual, it would not have required any travel on his part*).

Beijing used this as an occasion for the signing of something it had aspired to since 2012 but had made only limited progress with due to the TPP distraction. To be known as the RECP (Regional Comprehensive Economic Partnership) it is a free trade agreement involving the ten ASEAN countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand & Vietnam), as well as Australia, China, Japan, New Zealand & South Korea. This will be the largest free trade agreement ever; for between them these 15 countries account for almost one-third of global GDP, nearly twice that of the 11 CPTPP member countries).

¹ Australia's "premier investor event" & it's largest fund raising event for medical research, when international & local fund managers present their investment ideas in a "fast-paced TED-style format".

² This is all but axiomatic in the business world, according to Forbes for 10 reasons : people want innovation & to save money, *high overhead* incumbents are vulnerable, good people are looking for work, everything is cheaper & interest rates are lower, there's less competition, smart investors want to invest, more negotiating power & you start leanly with good (*i.e. frugal*) habits.

But “there is many a slip between the cup and the lip”. It must be ratified by six ASEAN countries & three of the other five, and that will take time. There is one major player in the region missing; India walked away from it last year out of concern it would result in a tsunami of cheap Chinese imports overwhelming its domestic producers. Some of the countries may soon realize they had been sold a ‘pig in a poke’; for President Xi’s much-ballyhooed ‘dualism’ policy seeks, among others, to make China’s economy less import-dependent; in other words, the others may soon realize that there may not be much, if any, reciprocity in border openings! And finally, there is a significant CPTPP/RECP ‘overlap, since Australia, Brunei, Japan & New Zealand will be members of both (for more about this see below under “How a Vast Ocean of Goodwill ...”).

COVID-19 fatality rate among US healthcare workers - According to the 185,000 member Silver Springs MD-based National Nurses United, the US’ largest nurses’ union, over 2000 healthcare workers, incl. 220+ nurses, were among the then reported 240,000 COVID-19 fatalities. It blames governments for failing to provide healthcare workers with adequate PPE (Personal Protection Equipment) & to promptly report COVID-19 infections among them.

Dominion Voting Systems - This Denver CO-based company sells electronic voting machines & software across the world (& is in use in Canada by junior governments, although the Federal government continues to use low-tech paper ballots that voters mark with an X and that, after the polls close, are counted by hand, *a process I have been involved on numerous occasions & found to be a fast, almost fool-proof & KISS-type methodology (KISS being an Army term for Keep It Simple Stupid!)*. The firm has been the subject of QAnon-launched, & OANN (One America News Network)-propagated, conspiracy allegations, picked up by Trump & his acolytes but debunked by private sector experts & government agencies alike [incl. the federal CISA (Cyber Security and Infrastructure Security Agency) whose Bush 43 Administration alum cum Trump-appointed head was fired on Twitter by the Man for saying so] that its voting machines & software had caused millions of Trump votes to be deleted or switched to Biden - *Few people realize it was founded a decade ago-, & still has its international headquarters-, in Toronto although since 2018 it has been controlled by New York-based, US\$320MM AUM Staple Street Capital.*

Trump supporters like to stress that in 2020 he got 11MM more votes than in 2016 - This is factually correct but ignores the fact that Biden got 14MM more in 2020 than Hillary did in 2016. And, in round numbers, in 2016 129MM Americans voted, for a turnout of 55.8%, & this year 154MM (almost 20% more) for a turnout of 64.4% (a post-1908 high). And while in 2016 Trump’s share of the votes cast was 48.8% vs. Hillary’s 51.2%, this year it was 48.1% vs. Biden’s 51.9%.

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4 JARRING SIGNS THAT SHOW THE US ECONOMIC RECOVERY IS WEAKENING **(Business Insider, Ben Winck)**

- Cities, incl. Chicago, San Francisco & New York ³, have intensified partial lockdowns to curb a COVID-19 spread that is threatening to slow the nation’s economic bounce back. For the number of cases is spiking and that of deaths & hospitalizations continuing to trend higher, while Congress remains gridlocked on a new stimulus package, leaving more & more small businesses & unemployed Americans ‘hanging out to dry’ (*with growing numbers of the latter becoming dependent on food banks to feed their families.*

³ With Mayor deBlasio under severe criticism for closing schools but leaving bars & gyms, both of which are proven potential “super spreaders”, open for at least part of the time.

- Following are four indicators signaling a possible slowdown in the economic rebound :
 - **Wavering jobless claims** - New jobless claims for the week ended Saturday November 14th totaled 742,000, whereas 700,000 had been expected; this was up from the previous week's revised 711,000 & broke a 4 week stretch of back-to-back declines;
 - **Slower hiring** - In September job openings increased by 84,000 to 6.4MM, while a rise to 6.5MM had been expected (although during the month only 2 workers competed for every job opening, down from 2.1 in August);
 - **Meager retail sales growth** - In October US retail sales grew by a six months' low 0.3%, down from the 0.5% expected, & the 1.6% realized, in September
 - **Faltering consumer optimism** - While economists had expected the preliminary November University of Michigan Consumer Sentiment Index to climb to 82 from 81.8, it fell instead to 77, its first decline in four months & a post-August low. Much of this was due to Republicans turning more pessimistic about Trump's election defeat, but Democrats more optimistic (which doesn't augur well for Holiday Season sales, especially with Amazon & many other retailers right now pushing "Black Monday" sales?).

A not dissimilar flashing orange warning signal seems to be emanating from the Atlanta Fed's GDPNow series that on November 18th came in at an annualized 5.6%; while up from the recent 2.2% low on October 30th, this is way, way down from 37.0% on October 28th - Business Insider is a financial news website founded in 2007 & owned by Germany's Alex Springer SE, Europe's largest digital publishing house, that it publishes in 14 national-, & one international-, editions (some of them in the vernacular), The Editor of the US edition is 54 year-old Henry Blodget, Merrill Lynch's Head of Global Internet Research during the dot.com era.

IN GEORGIA A REPUBLICAN FEUD WITH TRUMP AT THE CENTER (NYT, Richard Fanset & Jonathan Martin)

- The Georgia GOP has a messy *family* feud unfolding after Trump narrowly lost a state that long was a reliably conservative 'safe space'. And this is taking place as two runoff elections are scheduled in the State for January 5th that will not just decide near term control of the Senate but, more importantly, the medium term direction of the country *since Republican losses would make it 'open season for Democrat liberal excesses'*. .
- The party is now with replete with internecine accusations of lying & incompetence, and split into factions on how much fealty to show a losing leader & the extent to which it should amplify his false claims the election in this fast-growing Southern State ⁴ was 'stolen'. So the party faces a *Hobson's* choice between sticking with Trump & risking the loss of support of moderate voters who have had their fill of Trumpism & breaking with him, incur his wrath & antagonize his base ahead of the January runoffs.
- Last week the two incumbent Republican Senators joined forces to attack the Republican Georgia Secretary of State, saying his running of the election had been an embarrassment & he should resign. In defending himself, the latter lashed out at Rep. Doug Collins, a Trump acolyte, *who had been third in the race for Sen. Kelly Loeffler's seat*, calling him a liar, which prompted Collins to call him "incompetent & Trump calling him a "RINO" (a Republican In Name Only). And the Senators, by promoting Trump's conspiracy-

⁴ According to the Georgia Department of Economic Development, the state's 14.4% 10-year population growth rate has been more than half as fast again as that of the country as a whole, a trend that is expected, if anything, to accelerate, over the next ten years, while elsewhere it was reported that, while between 2010 & 2030, the population of the US as a whole will grow by 16.2% to 359.4MM, that of the state of Georgia will grown 3x as fast, by 51.5% to 14.7MM.

mongering, are depriving themselves of the best message to attract swing voters, namely that voting for them they would prevent Biden from introducing 'liberal excesses'.

- All this is alarming many Republicans since it could be a preview of what faces their party nationally in the post-Trump era, especially since he has signaled he will try & keep control of the party, and seek the nomination in 2024. And in 2022 dozens of governorships are up for grabs (*today 26 of the 50 are Republicans*), as well as control of the House & Senate

Meanwhile, Georgia Secretary of State Brad Raffensperger's audit of the votes cast on November 3rd discovered 2600 still not counted votes in Floyd county that cut Biden's winning margin of victory in the State by 449 votes to 12,929 (although it apparently discovered little else of any significance). And on Monday November 16th he told the Washington Post he was getting growing pressure from fellow Republicans to have his vote audit result in a more favourable outcome for to Trump & had been contacted by Sen. Lindsey Graham (R-SC) to reject some absentee ballots.

WITH SENATE CONTROL HANGING IN THE BALANCE, 'CRAZYTOWN' CASH FLOODS GEORGIA (NYT, Shane Goldmacher)

- In only two weeks US\$125MM has flowed into the State & US\$135MM in TV ads been booked. One Democrat challenger, Rev. Rafael Warnock, already received US\$40MM in campaign funding support, with the other, Jon Ossof⁵, not far behind. Just six days after the election, the Republican incumbents, Sens. Kelly Loeffler & David Perdue, announced they had collected US\$32M, with the former (who had spent US\$23MM of her own money in her unsuccessful 'Run for the Roses'), already having booked US\$40MM in TV time. And Super PACs for both sides have been falling all over themselves to lock up whatever TV time is left, despite the already high rates having skyrocketed more.
- Political pundits cannot recall any other occasion when there was so much at stake in a runoff election to the point where the founder of one conservative group called it "the Superbowl of American politics" & predicted that by January 5th at least US\$500MM will have been spent in the two runoff elections.
- Republicans are hoping to duplicate, even without Trump on the ticket, the turnout in rural & conservative-leaning rural districts, while the Democrats worry that black voters won't turn up to vote in the same numbers as on November 3rd (*when turnout was a 112 year high*) since historically the turnout at runoffs has typically been lower than at regular elections, & the white suburban voters around Atlanta, who rejected Trump resoundingly on November 3rd, may not be as eager to deliver a Democrat Senate to Biden.

The Republicans may well end up spending more time fighting each other than the Democrats. For in 2018 the now Governor Brian Kemp had twice come from behind in the Republican primaries, once by coming second in the first round & then again by beating front runner Casey Cagle in the runoff. And then he upset some party stalwarts by naming the Illinois-born, well-heeled 'gold digger' Kelly Loeffler to the Senate instead of the 'local boy' Rep. Doug Collins, a US Air Force Reserve chaplain who had 'earned his spurs' by serving for 13 years in the State-, & Federal-, Houses of Representatives. And the Democrats may well have a secret weapon in Stacey Adams, the black women who in 2018 vastly outperformed expectations in the race for the governorship by trailing Brian Kemp by just 1.5% of the nearly 4MM votes cast, after having motivated, & signed up, to vote hundreds of thousand Georgians who had never before been inside of a voting booth. .

⁵ On November 3rd got 100,000 votes less than Biden & David Perdue 700 more than Trump.

2022 SENATE RACE ALREADY UNDERWAY (Open Secrets.org, Lucia Geng)

•As was the case this year (but not in 2018), the 2022 Senate race will again favour the Democrats since they will have only 13 Senators up for reelection vs. the Republicans' 21. Fundraising for the 2022 elections has already started. In Florida the Democrats already have a "Retire Rubio" Super PAC, whose first ad, entitled "Little Marco" (*a Trump-coined moniker from the 2016 primary campaign*), featured several GOP prominenti, incl. Trump himself, Jeb Bush & Chris Christie, criticizing him & accusing him of being beholden to the NRA that spent US\$1MM in 2016 supporting him. And there still is a "DITCH MITCH" Super PAC that debuted in early 2019 & raised US\$21MM for Amy McGrath (who, however, failed to unseat him). Meanwhile, Army Brig. Gen. (ret.) Don Bolduc who in 2016 failed to unseat Sen. Maggie Hassan (D-NH) & this year ran for the seat held by Jean Shaheen (D-NH) until beaten 43-51 in the primary to Bryant "Corky" Messner (who outfunded him with \$4MM of his own money, only to then to trail Shaheen by 16 points), still has plans to run again. And in Wisconsin, where Sen. Ron Johnson (age 65) has not yet indicated if he will run for a third term, Democrats are already lining up to run, incl. Tom Nelson who filed his nomination papers a couple of weeks before the November 3rd election & is running on the slogan "It's never too early to do the right thing". And, finally Arizona Senator-elect Mark Kelly will have to run again in 2022 for a full term, as would Georgia's Rev. Rafael Warnock if he were to be successful in unseating *nominated* Sen. Kelly Loeffler (*as I expect he will*).

Open Secrets.org is the website of the Washington-based CRP (Center for Responsive Politics), a small non profit, non partisan, Washington-based research group founded in 1983 by retired Sens. Frank Church (D-ID) & Hugh Scott (R-PN) ⁶ to track the effect of money & lobbying on elections & public policy.

HOW A 'VAST OCEAN OF GOODWILL BETWEEN CHINA AND AUSTRALIA TURNED SOUR (CNN, James Griffiths)

- *For almost three decades Australia's economy was 'recession-proof' because of China's seemingly endless demand for its resources (so today one-third of its exports are China-bound, half as much again as those to Japan, South Korea, UK & US combined).*
- *But after earlier this year when, amid waxing global anger about China's early handling of the coronavirus pandemic (when President Xi hid from the public eye for six weeks), Australia had the gall to join a group of countries calling for an official investigation of the origin thereof. Beijing's response to this was angry & quick, calling it "highly irresponsible" & capable of "disrupting international cooperation in fighting the pandemic", soon followed by Beijing hitting Australian imports with tariffs, harassing Australian journalists & despatching angry missives about Canberra's dealings with other regional powers.*
- *Earlier this week China's Foreign Ministry spokesman Zhao Lijian went on record saying Canberra had to take full responsibility for a "series of wrong moves related to China ... the root cause of China-Australia relations taking a sharp downturn". And he followed that up on Thursday November 19th, after the Five Eyes Alliance, of which Australia is a member, criticized Beijing's decision to expel several Hongkong lawmakers, with "No matter how many eyes they have, five or 10 or whatever, should anyone dare to undermine*

⁶ Both were prominent 'multi termers' (Church from 1957-1981 & Scott from 1958- 1977) in the days before 'the rot set in', when politics was still a relatively honourable-, & less purely self-serving-, way to pass the time for adult men.

China's sovereignty and development interests, they should be careful not to get their eyes poked out."

Not the best way to maintain a good working relationship with a prospective RECP member country. And an interesting choice of words by Zhao when he talks about "undermine", not "try to undermine". One must wonder whether Xi is becoming fearful the walls are closing in on his 'President for Life' dream, when first he picks a needless fight with Jack Ma over the ANT IPO & now lets an underling do the same with a major signatory to his long dreamt-about RECP.

PUTIN PLAYING CHESS WITH THE WORLD (FP, Diane Francis)

- He has been busy doing so as America plays checkers, stepping up Russia's worldwide military & propaganda campaigns. In August his domestic rival, Alexei Navalny, was poisoned *although, once again, the assassination attempt was bungled & the target survived*. In October US-Russia talks on a new arms control treaty stalemated. He is one of few world leaders not to have called Joe Biden to congratulate him. And as the US election campaign dominated the *US* headlines, millions more people were placed under Moscow's boot in Belarus & Nagorno-Karabakh, and Russia's military presence in Syria, Libya & the Arctic increased (& *in Afghanistan when Trump pulls US troops out?*).
- In August a rigged election in Belarus brought its citizens out in its streets in protest until Moscow propped up its embattled dictator, while America & the EU objected but did nothing; so now he controls that country's economy, media & police forces. And before that Russia had become a "peacekeeper" in a dispute between Armenia & Azerbaijan, two former Soviet republics, enabling him to send troops into the contested region around Nagorno-Karabakh, making everyone nervous since this was a defacto takeover.
- This fall Ukraine's reform-minded president & Parliament's anti-corruption efforts came to a halt amid attacks by Russian-backed media, politicians & oligarchs, and Russian-influenced judges. This caused Ukraine, that was aspiring to join the EU, to plunge into a constitutional crisis as its *small, landlocked* Western neighbour, Moldova, was in the midst of a struggle between a pro-Western presidential candidate & a pro-Russian incumbent who is backed by Russia's disinformation network.
- Putin is like a chess grandmaster, slowly removing his opponent's pieces one by one off the board; and with the lame duck US President shaking up the Pentagon, the stage is set for more chess moves by him as America's allies in NATO, the EU & Canada await Biden's accession before moving to condemn Putin & impose more sanctions (*that could be really effective since, as of September 30th, Russia's economy had shrunk 10% YTD*).
- According to Anders Aslund, a Swedish economist & Eurasia expert, and a Senior Fellow at the Washington-based Atlantic Council ⁷, whose recent book is entitled Russia's Crony Capitalism : The Path from Market Economy to Kleptocracy, Putin "has succeeded in expanding Russia's military presence in this strategically important region ... without encountering any Western pushback".

The author (now 74 years of age) was born in the US but has been a resident of Canada for 54 of those years & a Canadian citizen for almost as long. For the last two decades an 'editor at large' of the National Post, she has written a number of books on Canada, holds a Distinguished

⁷ A one-time adviser to Russian President Boris Yeltsin, he is one of the world's experts of the collapse of the Soviet 'planned economy', and an alum of both the Washington-based Peterson Institute for International Economics & Carnegie Endowment for International Peace.

Professorship at Toronto's Ryerson University & is a "Non-Resident" Senior Fellow at the Washington-based Atlantic Council's Eurasia Center.