

Gleanings II - 868
Thursday January 14th, 2021

Another surge of COVID-19 coming in China? - In mid-December the daily number of new cases supposedly was as low as 15, blamed by the authorities on “imported food” (*although the latest from WHO is that it is “highly unlikely” to get infected by touching “inanimate” surfaces*). But last week several hundred symptomatic new cases were discovered and almost the same number asymptomatic ones ¹, resulting in new lockdowns affecting over 20MM people. *This could prove problematic; for the Chinese New Year is coming, albeit not until on February 12th, heralding a 40 day period when the Chinese people make as many as 3BN trips to travel home and/or visit family, and railway stations are packed to the gills, creating potential ‘superspreader’ conditions.*

Crypto currencies - There seem to be about a dozen of them, one giant, the US\$600BN market cap Bitcoin (up from US\$170BN YoY), nine pygmies with an aggregate market cap of US\$45BN, and one, sponsored by Facebook that was announced in June 2019 but still appears ‘in gestation’.

There has been talk about central banks getting into cryptocurrency creation. But a blog by two IMF staff members, Catalina Margulis & Arthur Rossi, seems to throw cold water on that. For the Fund’s research found the legal basis of 61% of the 174 central banks it reviewed by law limits them to issuing “bank notes and currency”. And the term currency denotes something that can be used in the settlement of debts that creditors are obliged by law to accept (which does not apply to the crypto kind - *Moreover, the word crypto ought to wave a red flag for ‘investors’; for my trusty Seventh Edition 1982 Concise Oxford Dictionary defines the word as “concealed, secret”. And this certainly applies to these alternate moneys since, while central banks issuing currencies are public entities that regularly publish financial data & have powerful backing, few, if any, people in God’s creation seem to know who, or what, is behind these creations.*

Growing fears of inflation? - On January 5th, the yield on 10-year UST’s hit 1.042% (& on January 14th 1,128%), the first times it has been above 1% since March 17th. This is attributed to concerns about the possibility of higher inflation. And sure enough in December the CPI was up 0.4% MoM & 1.4%YoY (for 60% due to higher gasoline-, & much of the rest to higher food-, prices), up MoM from 0.2% & YoY from 1.2% - *and price-sensitive grocery shopper that I am, in recent months I have noticed what might be called ‘crypto-inflation’, when the size of a product container is reduced but the price kept the same. And I for one would not be surprised by an inflationary surge. For throughout history bouts of money creation at current rates have invariably led to inflationary pressures, even when the economy was growing (something that isn’t the case. And I learnt long ago that “This time it’s different” emanates at best from someone who is willfully blind & at worst is the last refuge of a scoundrel.*

Haven Healthcare - On January 30th, 2018 Jeff Bezos, Warren Buffett & JPM CEO Jamie Dimon created a Boston-based, not-for-profit JV, Haven Healthcare. They issued a press release that they were partnering to bring their scale & expertise to a long-term effort through this independent company that, free from profit-making incentives & constraints, would focus on technological solutions that would provide US employees & their families with simplified high-quality & transparent healthcare at a reasonable cost. And separately Warren Buffett noted “The ballooning costs of healthcare acts as a... tapeworm on the American economy. Our group does not come to this problem with answers. But we also do not accept it as inevitable. Rather we share the belief

¹ Amid suggestions that more contagious COVID variants have now spread to Asia

that putting our collective resources behind our country's best talent can in time check the rise in healthcare costs, while concurrently enhancing patient satisfaction and outcomes".

But on January 4th 2021 Haven Healthcare's website announced "In the past three years, Haven explored a wide range of healthcare solutions, as well as piloted new ways to make primary care easier to access, insurance benefits simpler to understand and easier to use, and prescription drugs more affordable. Moving forward, Amazon, Berkshire Hathaway and JPMorgan & Co. will leverage these insights and continue to collaborate informally to design programs tailored to address the specific needs of their own employee populations. Haven will end its independent operations at the end of February 2021".

The writing may have been on the wall from the getgo. For the January 30th, 2018 announcement knocked billions of dollars off the share value of healthcare industry companies (for whom the whole idea of lowering healthcare costs is anathemous since corporate elites are all but singularly focused on self-serving bottomline maximization at the expense of all else). Thus one of Haven's key hires was promptly sued by his former employer, a United Health subsidiary, for stealing trade secrets & breach of the 'non-competitive clause' in his contract (a case tossed by Boston federal judge Mark Wolf within weeks & abandoned by the accuser not long after).

Last year 16.9% of US GDP went into healthcare spending (v.s. 11.9% in Cuba, 11.4% in Germany, 11.3% in France, 11.0% in Japan, 10.8 in Canada, 9.9% in the EU & 7.5% in Israel). And yet it has sub-standard results. Thus US child mortality rate is 7 per 1,000 newborns vs 2 in Finland, 3 in Belgium, Ireland & Sweden, 4 in Denmark, Germany, Israel, the Netherlands & UK, 5 in Canada, Cuba & France, and 6 in Russia. Ditto for life expectancy at birth : 79 in the US, vs 82 in Australia, Belgium & Canada, and 81 in Germany & the UK, and for that at age 65 (US 18.1 years for men & 20.7 for women vs 19.6 & 24.4 in Japan, 19.4 & 22.1 in Canada & 19.2 & 21.6 in Sweden). Another product of America's healthcare crisis is that medical bills are its No. 1 cause of personal bankruptcies (500,000+ in 2019 alone) - as I once told a slightly younger friend who in moving abroad had ceased to be a Canadian tax payer many years ago, "at some point, you will come back to Canada because of Medicare" (as he has done).

"Irrational exuberance" - This concept was introduced on December 5, 1996 by then Fed Chair Alan Greenspan in an address to the AEI (American Enterprise Institute). Five years later it was defined by Yale professor Robert Schilling in his book Irrational Exuberance as "the psychological basis of a speculative bubble when news of price increases spurs investor enthusiasm which spreads by psychological contagion from person to person, in the process amplifying stories that might justify the price increases, and bringing a larger and larger class of investors who ... are driven to it partly by envy of others' successes and partly through a gambler's excitement".

Thus on January 7th, Elon Musk (he of Tesla fame & an avid Twitter user), told his followers to switch to the non-profit Signal encrypted messaging service. And then something truly scary but very educational happened : 'investors' jumped on a stock traded in the OTC (Over-The-Counter) market, Signal Advance, a Rosharon TX-based small component manufacturer that hadn't filed an Annual Report with the SEC since 2019. And by Monday January 11th its share price had skyrocketed 545%, from US60¢ to US\$38.70, thereby seemingly validating Schiller's definition.

Jack Ma is not missing? - Since 1995 the now 56 year-old, one-time English teacher had grown Alibaba into an online vending behemoth whose shopping app was used by as many as 500MM people a month & that had IPOd on NASDAQ. Then, half a dozen years ago, he created Alipay that has since grown into the world's largest digital payment operator (with 1BN users & 80MM merchants) & was renamed the ANT Group before entering online consumer lending.

Over the years much of his success has been due to his links with top Beijing decision makers, annoying bureaucrats to no end. But in the consumer lending business ANT is an “aggregator” that just finds the borrowers & then lays their debt off on lenders needing ‘product’ but lacking the network to source it directly. That gave the bureaucrats an opportunity to ‘bring him to heel’ & the regulators started requiring aggregators to take part of those loans on their own books.

Last fall Ma decided to take the ANT Group public in a mammoth, seriously-hyped US\$37BN IPO on the Hongkong & Shanghai stock exchanges [that valued it at US\$300+BN (5x what it had been three years earlier) & would add US\$27BN to Ma’s US\$58BN Net Worth]. Annoyed by this move & aware of Xi’s priority of shoring up the country’s financial sector (*and confident of his “in”?*), on October 26th he took it upon himself to scold, very publicly at a conference, the financial regulators for making the banks have a “pawnshop” mentality. But the bureaucrats managed to persuade President Xi to order the ANT IPO “suspended”, two days before it was to have come.

Ever since Ma has not been seen in public, prompting rumours, most recently by the WSJ on January 6th, that he had gone “missing” (as had, in 2017 *Tomorrow Group’s Xiao Jianhua & Anbang Insurance’s Wu Xiaohui, both of whom are now ‘cooling their heels in jail’*),. But then CNBC’s David Farber reported that, according to an unnamed ‘inside’ source, Ma was just “lying low” until this blows over & *he has a chance to ‘regroup’*.

Other than Xiao having Canadian citizenship & having actually been kidnaped from Hong Kong’s Four Seasons Hotel, the three had three things in common : age-wise they are in the early-to-mid 50’s, even though from a modest family background & not ‘princelings’ they had solidly ingratiated themselves with the Beijing elite, & they had gotten “too big for their britches” (but Xiao & Wu, with Net Worths of US\$6.0-, & US\$1.6- BN respectively, were financially ‘pikers’ compared to Ma.

Parler - Founded in August 2018 as a “free speech and unbiased alternative to mainstream social networks” like Facebook & Twitter, it soon attracted more than its share of Donald Trump supporters & conspiracy theorists. Thus ‘it went dark’ after the January 6th events at Washington’s Capitol, when it was cut off by major service providers like Amazon & Apple. In a January 13th interview with Reuters CEO John Matze said he didn’t know if it would return or not, and more specifically “It could be never ... We don’t know yet”, although he added “I’m an optimist. It may take days, it may take weeks, but Parler will return and when we do, we will be stronger.”

Roof caving in on Trump - On Monday January 11th Deutsche Bank announced it would refrain from doing any further business with him (*except presumably to recover the US\$340MM he still owes it*). The New York-based, 1,500 employee US\$80BN asset **Signature Bank**, that since its founding in 2001 carved out a niche catering to the needs of privately-owned businesses & their principals, announced it had started closing down Trump’s personal accounts at the bank. The flow of major corporations announcing the suspension, if not termination, of their funding of GOP lawmakers & entities turned into a flood. And Vegas’ billionaire casino mogul Sheldon Adelson, a major supporter of both President Trump & Prime Minister Netanyahu drew his last breath.

And on Tuesday things got, if anything, worse. The NYT reported that GOP Majority Leader in the Senate Mitch McConnell had “told associates he believes President Trump *had* committed impeachable offenses and that he is pleased that Democrats are moving to impeach him, believing that will make it easier to purge him from the *Republican* party”. Rep. Kevin McCarthy, the *Republican* Minority Leader in the House & one of Trump’s most steadfast allies in Congress, was said to have asked other Republicans whether he ought to call on Trump to resign in the aftermath of last week’s riot at the Capitol. And Rep. Liz Cheney (R-WY), the daughter of former

Speaker of the House & Vice President Dick Cheney, and herself the third-ranking Republican in the House, **really** put the cat among the pigeons when she announced she would vote for impeachment (*as she subsequently did, along with 9 other Republicans* ²); and to support her decision she released a litany of Trump transgressions of his sworn Presidential duties that one observer commented could have been written by the 'most liberal of liberals'. And there are signs of growing unease among those doing business with Trump's businesses that, according to Noah Bookbinder, Executive Director of Washington-based CREW (Citizens for Responsibility and Ethics in Washington), will be able to cut those ties since "it is standard for a lot of contracts to have outs if there is illegal or immoral conduct." And New York City beat the others to the draw in announcing it was ceasing to do business with the Trump family.

State of the US economy going into 2021 - The Commerce Department reported on January 15th that December retail sales had been down 0.7% MoM, making it the third month in a row to have done so (they had been down 0.1% in October & 1.4% in November). Since US GDP growth is 65-70% consumption-driven, that is not encouraging news & will push the Biden administration to introduce a truly monster 'stimulus' package (funded with more newly created money).

Meanwhile, the current unemployment rate is 6.7% up from 3.5% in February, the number of unemployed 10.7MM, up from 5.8MM & the number of new jobs created a negative 140,000 vs a positive 273,000, and the participation rate at a 40+ year low 61.5%!

Super rich have done well by the pandemic - The December 19th Economist reported that in 2020 "The combined wealth of the world's ten richest people ³ had grown by 57% to \$1.14trn (1.4% of global GDP). *Even after his divorce Jeff Bezos is still the richest person in the world with a Net Worth of US\$185BN (up 61% YoY), No. 2 is Elon Musk with US\$153BN (up 512%, with Tesla stock up > 600%), followed by Bernard Arnault ⁴ (US\$148BN/114%), Bill Gates (US\$120BN/20%), Mark Zuckerberg (US\$100BN/79%), Larry Ellison (US\$88BN/49%), Warren Buffett (US\$85BN/27%), Larry Page (US\$76BN/49%) & Sergey Brin (US\$74BN/51%)* ⁵

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TRUMP IS BLOWING APART THE G.O.P. GOD BLESS HIM (NYT, Thomas L. Friedman)

- I want Trump out & don't mind him silenced at such a tense time, but am not sure I want this to be permanent since he is needed to do some important work in his post-Presidency years & needs megaphones to do so. For I want him to blow apart **this** Republican party & split the principled Republicans from the unprincipled Trump cultists.
- That would be a blessing for America for two reasons. One, it would end the gridlock in Congress & enable it to get on with some *much needed* big things in infrastructure,

² These numbers don't quite compute. For officially the 'score' was 222 Democrats & 10 Republicans voting YES and 197 NO. That makes for a total of 429 votes being cast. But the house has 435 members and there are currently 2 vacancies. So since every single Democrat voted, four gutless Republicans cannot have voted.

³ A common grammatical error; for there is only one "richest"; the grammatically correct form is "the richest ten".

⁴ Chairman of France's LVMH Moët Hennesy - Louis Vuitton.

⁵ Ellison was a co-founder of Oracle, as Page & Brin were of Google.

education & healthcare that would benefit all Americans. And secondly, if the principled Republicans split from the Trump cult, the rump pro-Trump GOP would be unlikely to ever win a national election. So I want the party to split & think a still noisy Trump would be helpful in achieving this.

Friedman often makes sense but on this occasion is wholly out to lunch. For he underestimates the depth & breadth of the anti-elite feelings in America's white lower social stratum for whom Trump's lies were like the Second Coming. Regaining the trust of non-hard core people in that crowd is critical to the potential success of the Biden/Harris duo over the next four years. And Trump still being able to rant & blather at will would make that just more difficult to achieve.

WEST VIRGINIA IS WINNING THE RACE TO GET COVID-19 VACCINE INTO ARMS

(NPR, Yuki Noguchi)

- On December 15th, nearly two weeks before other states started doing so, pharmacist Gretchen Garofoli ⁶ went to a long-term care facility in Morgantown WV to administer one of the first COVID-19 vaccinations in the state.
- As of January 7th the state was outpacing all others in the number of vaccines delivered to healthcare workers & had completed the first round of shots to its long-term care facility residents (& started their second round ones). And it had already started vaccinating lower priority groups, like the over-80s & teachers over 50, while other states were still struggling to distribute vaccines to their Phase 1a priority individuals.
- For the other 49 states had signed on to the federal program for vaccine distribution that relied on Walgreen & CVS Pharmacy to do so. But since they weren't well represented in West Virginia, it had chosen to chart its own path. And to do so, it had piggybacked onto an existing network of 250, mostly small & independently-owned, pharmacies being used by many long-term care facilities to supply medicines & other vaccines, and for their twice weekly testing of their staff & residents. And these already had data on, & approvals for, those residents, the lack of which had slowed progress in other states.
- West Virginia had thus direct control of its flow of its vaccines while the other states had to navigate their way through the big bureaucracies of the two national chains. And while they say they're 'on track' to have their first round doses administered to all long-term care facility residents, that will not be until January 25th), one month after West Virginia.

A key flaw of the federal program is that the states' vaccine allocations are based on their number of adults (according to Health & Human Services Secretary Alex Azar "fair" since it is "simple"). But, due to the states' differing age distributions, this doesn't correlate with their high risk populations; so the highest priority people in one state may well end up still waiting as lower priority people in other states are vaccinated. This makes Nevada a winner & Massachusetts a loser, and DC the biggest loser of all; thus by December 22nd Nevada had vaccinated 20+% of its long-term care facility residents & 14 other states (incl. MD, MS, NJ, NY & OH) less than 14%.

CHINA ENDS 2020 SHIVERING IN A COLD SNAP (Sixth Tone, Li You)

- There has been a change from an El Nino to a La Nina (a large scale cooling of Pacific Ocean surface water temperatures). Last summer this contributed to unusually heavy rainfall, historic floods, irregular typhoon patterns & record breaking high temperatures.

⁶ And an Associate Professor at West Virginia University's School of Pharmacy.

But in the last days of 2020, La Nina & the effect of near record low sea ice in the Arctic caused a strong cold wave to sweep over central & eastern China, prompting the issuance of the most severe cold wave warning in four years.

- Late on Monday December 28th a meteorological station in Beijing ⁷ reported minus 26.4, & another in Shanghai minus 6.2, degrees Celsius, both lower for that date than in recent years. And the next day temperatures in some parts of China plummeted by up to 18 degrees to levels not seen in recent years but comparable to the historic 2016 cold wave.
- With in 80% of the country temperatures well below average & as low as minus 40, water pipes were freezing all over the place & demand for electricity was up as 11% above normal, giving rise to power crunches at peak times & necessitating the restart of coal-fired power stations for the first time since the 2017 transitioning to natural gas.

Strange that in Edmonton we so far have had such a mild winter', with only two short, not seriously bad, cold spells & three minor snowfalls, and day time highs in the freezing point range ⁸ (while La Nina usually would affect us in a not dissimilar manner, in our case by making it easier for cold Arctic air to flow South). But in the past couple of weeks there has apparently been a buildup of atmospheric pressure over the North Pole that is supposed to start pushing colder air South & bring us some seriously cold weather (but with January now almost half over, I don't give a hoot; it is so nice, when I am outside, to feel the sun shining in my face gaining strength by the day) - Sixth Tone is an online magazine of the Shanghai CPC-owned Shanghai United Media Group.

⁷ Where on Thursday January 7th the temperature was reported to be the lowest in over 50 years.

⁸ And this in a city in which about a half century ago the then far colder winters produced one stretch during which the daytime high **never** exceeded "10 below", i.e.