

## Gleanings II - 874

Thursday February 18<sup>th</sup>, 2021

**Canadian households' financial health** - Last November the FPCanada biannual Cross Country Checkup found that the percentage of Canadians who cannot afford a financial emergency had gone up since 2018. Those in the 45-54 age bracket (*those in their peak earning years?*) are most pessimistic, with 53% saying they could not handle a financial emergency & 37% that they seldom put money aside in an emergency account. Furthermore, that 35% of Canadians (and on the Prairies 45%, *a number likely warped out of shape by Albertans*) are not confident they will ever achieve their financial life goals.

**Florida Water Plant Hack** - On Friday February 5<sup>th</sup> the water treatment plant at Oldsmar FL was hacked when an attacker sought to change the lye content of the water (to raise the pH of the water & minimize corrosion) from 100 to 11,100 parts per million. This what is known as a SCADA (Supervisory Control and Data Acquisition) attack that had accessed the system through a Team View program no longer in use but still in the system (but no longer supported with security updates) - *Oldsmar is a city of 15,000 on Florida's West Coast, North of Tampa*. *This discovery was due to an alert employee at the control centre noticing that the cursor on his computer screen had suddenly acquired a life of its own. There now have been enough such events to make the authorities increasingly aware of the need for greater infrastructure security.*

**Sic transit gloria** - On February 17<sup>th</sup> the 34 story Trump Plaza & Casino in Atlantic City was demolished with aid of 3000 dynamite charges. Built in 1984, it was closed in 2014 & had become an eyesore to the point where the city ordered its removal.

**Texas power outages** - By Tuesday morning February 16, only a dozen of the State's 60 odd retail power suppliers had no outaged customers and several had over half their customers 'in the dark' (incl. the 2.5MM customer Centerpoint Energy in the Houston area). There were at least four aggravating factors : being highly decentralized & not being paid for excess capacity, there's very little of it in the system, with over 150 wind farms & 30,000+ MW installed windpower capacity, Texas is most windpower-dependent State, it was so cold that some windmills simply froze and, finally, the whole system is designed to deal with hot summer-, not cold winter-, crises. As a result, while the going wholesale price of electricity is typically in the US\$25/MWH range, there was anecdotal evidence of prices as high as US\$9,000. And with the Texas oil & natural gas industry much affected, oil & natural gas prices jumped.

**The world according to Elon Musk** - On Thursday February 18<sup>th</sup> he said that, while owning Bitcoin was only little better than holding cash, that slight difference made it a better asset to hold and that, "when a fiat currency has a negative real interest rate, only a fool wouldn't look elsewhere" - *Due to lower fertility rates & higher life expectancies populations are aging and, as they do, 'preservation of capital' becomes more*

*important, especially since so many public-, & private-, sector pension systems are way “under water”. On the other hand the extremely low interest rates make the ‘opportunity cost’ of sitting on cash all but negligible.*

**Unemployment claims** - Last week 861,000 Americans filed initial claims for unemployment benefits, about 100,000 more than expected, well above the previous week’s (upwardly adjusted) number & the highest number in a month (*in addition there were about half a million applications for benefits under the Pandemic Unemployment Assistance program*).

*The weekly number remains stuck in a range over 4x what of before the pandemic and the best that can be said about 861,000 is that it is a mere fraction of the 3.3MM & 6.9MM in the weeks ended in March 21<sup>st</sup> & 28<sup>th</sup> of last year.*

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**NASA’S PERSEVERANCE ROVER HAS LANDED ON MARS (BBCNews, Jonathan Amos)**

- This six-wheeled robot did so at 2055 hrs GMT on February 18<sup>th</sup> 2021, after what NASA engineers called “seven minutes of terror” (i.e. the time it took to decelerate it from 20,000 kmh in space to a near walking pace when it landed on Mars <sup>1</sup>). Of the 14 Mars landing attempts so far, eight, all American, have been successful (although NASA also had one failure, in 1999). But never before has a mission to Mars gone with such a sophisticated suite of instruments, incl. 20 colour cameras, some of which are zoomable & can make movies, a mini-helicopter that is scheduled to make at least five brief flights, and the necessary equipment to drill into the sedimentary layers to look for microbiological activity & take samples to be packaged & taken to earth by other Mars missions.
- It landed, as planned, on the brim of the 500 meter deep crater Jezero (the word for “lake” in one of the Slavic languages) that is believed to have once been filled with water, and its landing site was on the ‘bath tub ring’ of sediment on its one-time shoreline.

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Very Successful

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Efficient Take-Off

- He will address Europeans directly for the first time since taking office in a virtual keynote address to the Munich Security Conference (*the Western security wonks' equivalence of the Davos Economic Forum*). It will be a homecoming of sorts since for decades he has been a regular at this annual affair, the last time two years ago, when after Vice President Pence had spoken, he told the attendees "I promise you ... We'll be back. We'll be back"; while he did get a standing ovation, many of those doing so didn't believe him. And the fear remains that Trump will be back; thus, as one German official put it, "Who's to say we won't end up right where we were, four years from now."
- Pressured by Germany, the EU in December forged ahead with an investment deal with China despite pressure from the then still incoming Biden administration to wait until he was in the White House. And it is now also on its own course with Russia while Biden had wanted it to wait until there was a



Western front against Putin. And the spat between Washington & Berlin over the Nord Stream 2 gas pipeline from Russia to Germany & the Biden “Made in America” initiative are also putting a damper on US-EU relations.

- The world has changed since Biden was Obama’s Vice President. The EU has deepened its dependence on China (that last year replaced the US as the EU’s largest trading partner although the US remains the EU’s largest export market). His biggest challenges will be to convince EU that, despite the economic opportunities China represents, opening its door too wide to it may undermine the EU’s very existence as Beijing will use its economic leverage to drive wedges between the EU member nations and since returning to yesteryear’s bilateral relationship is in both the EU’s & the US’ best interests.
- So far the best thing that can be said is that, while the EU has been edging closer to China, it has yet to start pulling away from the US.

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- As people in Colorado City TX <sup>2</sup> had no power, nor running water, Mayor Tom Boyd told them the local government had no responsibility to help them out & said on Facebook, in a message since deleted, “No one owes you [or] your family anything; nor is it the local government’s responsibility to support you during trying times like this! Sink or swim, it’s your choice. The City and County, along with the power providers or any other service, owes you NOTHING! I’m sick and tired of people looking for a damn handout! ... If you are sitting at home in the cold because you have no power and are sitting there waiting for someone to come rescue you because your lazy is direct result of your raising ...Only the strong will survive and the weak will parish” (*spelling & other flaws are Boyd’s*). Finally, those looking for assistance during a crisis are “sadly a product of a socialist government.” (*He says he has resigned but no one seems to know where, how & when*).

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- On Tuesday February 1<sup>st</sup>, 2011 an intense arctic air mass moved into Southern New Mexico & Far West Texas. It brought locally heavy snowfall & several days of sub-freezing temperatures that in El Paso on February 2<sup>nd</sup> & 3<sup>rd</sup> never exceeded the upper tens (-8 C). This prolonged cold weather caused widespread infrastructure failures. Gas utilities suffered broken pipes. Water leaks flooded homes. And at El Paso Electric all eight primary power generators failed due to freezing conditions.
- By February 2<sup>nd</sup> the colder air had pushed into Central Texas with single digit (Fahrenheit scale) temperatures reported across the Texas Panhandle. Heavy

snow affected parts of Northern Otero County, reducing visibility to less than a quarter mile, although cloud cover over El Paso helped hold temperatures to the mid-teens. But then clearing skies prompted the arrival of the coldest air, allowing temperatures to plunge to the single digits in El Paso (& -17.9 C in Santa Teresa NM) & despite sunshine the daytime high was -18 F. Temperatures then made a quick recovery on Friday February 4<sup>th</sup>, hitting a high of 37 F.

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- Economists had expected 1.1% MoM growth, up from -1% in December, but got 5.3%. All major categories showed sharp advances, suggesting the stimulus checks had prompted the desired rebound in household demand after a flaccid Fourth Quarter. And while the Democrats will use this to argue the Biden US\$1.9TR stimulus plan is critical to the economy & to job creation, this will also serve to embolden GOP opposition to it.
- According to Michael Gapen, Chief US Economist at Barclay's Plc, when fiscal aid "arrives to household balance sheets, it does get turned around ... quickly and materializes into economic activity and, with another package due next month, ... we should see a pretty rapid acceleration in demand and household spending ... in the second quarter".
- Furniture stores and electronic & appliance merchants saw double digit gains, non-store retailers' sales (i.e. online ones) were up 11% MoM, the most in two years, food services, & drinking places 6.9% MoM and the so-called "control group" (ex food services, car sales, & building materials) 6% MoM, the most since June.
- Meanwhile the Fed reported on Wednesday February 17<sup>th</sup> that manufacturing output, although higher than expected, was had still been 1.9% below its pre-

pandemic level and the Labor Department that producer prices were up 1.3% MoM, the most since 2009

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**TEXAS SENATOR TED CRUZ FLEW TO MEXICO AMID STATE ENERGY CRISIS**  
(BBCNews)

- *On Monday February 15<sup>th</sup> he urged his constituents to “stay home”, warning them that the winter weather beating down on Texas could be deadly and on Tuesday February 16<sup>th</sup> he pronounced the situation “not good”.*
- *Then on Wednesday February 17<sup>th</sup> photo’s of him at an airport emerged on Twitter, as hundreds of thousands of his fellow Texans woke up to the fourth day with no power, after 24 people had died as a result of the weather that is expected to continue for several days, and as widespread power outages persisted.*
- *And on Thursday February 18<sup>th</sup>, he released a statement saying he would return home that day, that it had been “an infuriating week for Texans”, that “his family too had lost heat and power”, and that he had planned the trip for his daughters because they had wanted to take a trip with friends & he had wanted to be a “good dad”.*
- *Nevertheless, author/activist Brigitte Gabriel defended him by writing “Senator Ted Cruz is one of the hardest working men in the country, he deserves a vacation.”*

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- Canadians have accumulated \$150 billion in extra savings during the pandemic &, according to a Nanos Research Group survey, almost 70% expect to maintain or increase their current savings levels. This adds to a of indicators casting doubt on whether households will ever spend their government cheques from the height of the pandemic.
- Other countries have seen similar pick-ups in savings, albeit less so than Canada. It worries some economists that Canada's elevated household debt levels may be one reason <sup>3</sup>. For the larger handouts may have caused Canadians, as David Tulk, a Toronto-based Fidelity Investments' portfolio puts it, to tell themselves "Maybe I should use that extra money to pay down the debt burden rather than spend more" (which *at the macro level* could reduce the vigour of the cyclical recovery *but at the micro one makes sense*).
- Another poll last month by Nanos found that three in four Canadians see paying down debt and/or saving as their top priority, one reason the Bank of Canada has adopted a weaker-than-consensus outlook on consumer spending & *economic recovery*. On the other hand, Ed Devlin, founder of Devlin Capital Inc. <sup>4</sup>, thinks "We could be in for a very sharp uptick" as a drawdown of savings & more fiscal stimulus "could mean a really much more aggressive growth profile". And so does Pierre Ouimet, Chief Strategist at UBS Canada, who believes consumers will choose to spend, rather than hold their savings, & that "When confidence comes back , people will tend to spend money and borrow more."



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- On February 11<sup>th</sup> its monthly report said that global oil markets remain “fragile” amidst weaker demand & a recovery in supply, forecasting that global oil consumption this year will be down 200,000 bbl/d as the pandemic continues to limit travel & economic activity and supply from outside OPEC goes up by

400,000 bbl/d as oil prices at a one year high US\$60+ in London spur new investment. But an OPEC report released just hours later told a different story; it boosted its estimate of the amount of crude oil it would have to produce this year by 340,000 bbl/d, given higher demand & signs its rivals are 'faltering'.

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