

**Gleanings II - 876**  
**Thursday March 4<sup>th</sup>, 2021**

**Quote of the week** - "The overall flow impulse by US retail investors *in the US stock market* is important to monitor as retail flows appear to have been the driving force of the risk market since November." - *In 2019 retail accounted for 10% of all stock market activity but in 2020 for > twice that - historically retail has been a 'counter-indicator' since it tends to "buy high & sell low".*

**Quote of the week No. 2** - "We've had bubbles before, we're going to have them again, and they always end badly. ... Bonds have never been this expensive in the history of the world ... Both gold and silver are going (*to go?*) through the roof. History shows that whenever people lose confidence in governments and money, all of us peasants buy gold and silver ... I'm interested in buying Chinese shares ... (it) seems to have handled the virus much better than most countries ... I see what's happening in the streets ... restaurants ... dance halls and gym classes and everywhere else" <sup>11</sup> - Jim Rogers, warning of "bubble stocks" (*see below*) – *Singapore has a population of 6MM & the US of 330MM. To date it has had a total of 60,007 coronavirus cases & 29 deaths, i.e. with a population 6x Singapore's, the US has had 472x as many cases and 18,000x as many deaths, a pattern that has gotten worse since at last report the US had 64,415 new cases, 7,157x Singapore's 9 (all of which attributed to inbound travelers) and infinitely more deaths since Singapore had none (the difference is likely due to Singaporeans are used to following government directions in a more disciplined manner).*

**"Back to our normal lives"** - When I hear talking heads on TV say this I feel like puking - *For it reinforces two falsehoods. One that we're through the worst of the COVID-19 crisis. And the other that it will have no lasting socio-economic after effects while according to the IMF by yearend 2022 per capita GDP in the Advanced Economy countries will be 13% below what it otherwise would have been; if so, Americans' reaction thereto may well be not unlike spoiled three year-old brats not getting their way.*

**Biden's performance as President** - So far, in the context of his nearly 50 years in the Senate & 8 years as Vice President, there are two ways of looking at his performance to date, either he has learnt very little or he has become so enmeshed in the 'game of inside the Beltway politics' that he has lost touch with grass roots' political realities. He lost opportunities internationally by not attending the Munich Security Conference in person & domestically by having Vice President Harris in their public appearances staying demurely in the background [as becomes, for some people, a female (of colour?)], rather than where she ought to be as someone who is only one heartbeat away from being President.

Ditto for his legislative program. Seeking to deal with the economic effect of COVID- 19 in a single 691 page 'omnibus bill' has to be about the dumbest way possible to go about it. The issues would have been more effectively dealt with in bite-sized pieces. The time sensitive priority is to tide small people & businesses hardest hit by COVID-19 over, especially since on March 14<sup>th</sup> unemployment benefits expire for 17MM Americans, and this might have been more effectively dealt with in a single, brief bill involving a much lesser amount of money, especially if recipients' income caps for the US\$1,400 payments were cut a bit [as he now apparently has conceded), if only to keep Sen Joe Manchin D-WV) in line <sup>22</sup>. While it would still not have been a

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<sup>1</sup> For believer that China was seeking to 'weaponize' coronaviruses & that the Wuhan breakout was just a case of bad management, they must nevertheless have succeeded beyond their wildest dreams.

quick 'done deal', it would have given the Republicans fewer real reasons to justify their opposition thereto.

Ditto for the minimum wage. While important because give tens of millions of people a raise & two-thirds of Americans, 'definitely or probably', in a 44%-21% ratio (58% of Democrats & 28% of Republicans), support it. And the medicine might have gone down easier for Republicans if the rate had been set at US\$12.88, i.e. twice the poverty level, & geared to the CPI. And once again, a short, one or two page bill might have facilitated passage.

**Makes one wonder?** - In the final two decades of the 1900s the 10 year UST yield declined in a zig-zag pattern from 15.82% to 6.00% & then, in the last twenty years, declined further to 1.56% (up from 0.94%YoY). But, despite the low interest rates since the late Greenspan years, in the past decade US GDP grew at a CAGR (Compound Annual Growth Rate) of only 2.25% while in the high interest rate 1980s it did so at 2.97% (seemingly the more remarkable since then there were two years of negative growth while in the last decade there were none - *it makes one wonder if low interest rates are not counter-productive by having money flow into low Rate of Return activities.*

**“Opening the US”** - As of Saturday February 27<sup>th</sup> 33 States were “Open” & 17 “Partially Open”. With reported new cases, hospitalizations & deaths now well off their recent highs & the vaccination programme gaining momentum, state governments are facing popular pressure to 'loosen up' & get life 'back to normal' (& Texas & Mississippi having gone 'whole hog'), *raising 'deja vu' concerns among scientists who in the past year have seen three instances of new cases, hospitalizations & deaths declining, only to come roaring back with a vengeance when restrictions were eased.*

**SPAC boom** - SPAC stands for 'Special Acquisition Company', one that does an IPO without any operational-, revenue-, or profit history & is created solely to buy an existing company. They are also known as “blank check companies” since buying its shares involves buying a 'pig in a poke'. In 2019 59 SPACs did IPOs, in 2020 250 & YTD 170, raising US\$52.8BN. They also were a market phenomenon prior to the dot.com bubble, albeit in much smaller numbers, 7 in 1999 & 14 in 2000.

Former Citigroup's Michael Klein <sup>33</sup> has backed 7 SPACs. One, Churchill Capital Corp IV (CCIV-NYSE) on Monday February 22<sup>nd</sup> merged with Newark CA-based Lucid Motors, netting Lucid US\$4.4BN, *US\$ 2.1BN from CCIV & US\$2.5BN from a PIPE (Private Investment In Public Equity)* <sup>44</sup>. Lucid Motors was founded in 2007 to make batteries & power trains for EVs. But in 2013 it hired now CEO Peter Rawlinson, who as Tesla's VP Engineering had been instrumental in developing its Model S sedan. In 2016 it decided to switch to making EVs and started planning, with help of a US\$1BN cash injection from the Saudi Sovereign Wealth Fund & building, on December 2<sup>nd</sup>, 2019, a plant in Arizona that in four phases over 10 years would ramp

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<sup>2</sup> Any single person making US\$75,000 or couple making US\$100,000, and does not have saved some money for a rainy day simply lacks financial discipline & doesn't deserve financial support.

<sup>3</sup> Born in 1963, he had a 23 year career at Citi Group &, when he left in 2008, was Chairman & Co-CEO of its Markets & Banking operation. Since then he has been on his own & had close ties with Credit Suisse.

<sup>4</sup> A Private Investment in a Public Equity (in this case CCIV) *at a below market price.*

up capacity from 34,000 to 380,000 EVs by 2028, & its footprint from 999,000 to 5.1MM sf.(i.e. from 23-, to 117-, acres). Its initial product, the Lucid "Air", will have an 1,080 HP engine <sup>55</sup> & a 500+ mile range, and cost US\$69,900 (after a US\$7,500 tax credit <sup>66</sup>). On December 2<sup>nd</sup>, 2020 it announced completion of Phase I of its Arizona plant &, pending the installation of some equipment, the start of building the Lucid Air in the spring of 2021. Alas, on February 26<sup>th</sup>, four days after the merger, Peter Rawlinson announced COVID-19 had delayed the start of production & the Company now expected to start production "as early as we can in the second half of 2021." *Meanwhile, as insiders were coining money the sure way, CCIV shareholders were on a roller coaster ride as its share price went from US\$5.90 on September 17<sup>th</sup>, 2020 to US\$9.89 the next day &, on rumours of the Lucid Motors deal, from US\$10.03 on January 8<sup>th</sup> to US\$58.05 on February 18<sup>th</sup>, & US\$30.75 by February 26<sup>th</sup>.*

**US progress in vaccination** - As of Sunday night February 28<sup>th</sup>, 49.8MM Americans (i.e. 15%) had gotten their first jab & almost half that many their second one. And approval of the J&J vaccine will boost the vaccine supply & simplify transportation & storage since it tolerates temperatures of up to 46°F/8°C - *In Canada, as of March 1<sup>st</sup>, the comparable numbers were 3.67% & 1.38% respectively, due Ottawa's failure to order enough vaccine soon enough : as of that date 78.5% of all vaccine available in Canada had already been used.*

**World's most expensive COVID-19 vaccine jab?** - British-born Mark Machin had a BA in Physiological Sciences from Oxford & another in Medicine & Surgery from Cambridge. But in 1991, in his first year medical internship, he made a dramatic career change & joined Goldman Sachs in London & then spent the next two 20+ years in their Hongkong office until, in 2012, he left to become head of the CPP Investment Board Asia Pacific & four years later CEO of the then \$278BN-, & at least report \$410BN-, AUM Board itself (that in the next 4 years racked up rates of return of 11.8% 8.0%, 11.1% & 9.9%). On Thursday February 25<sup>th</sup>, the WSJ reported, as did the next morning the G& M on its front page, he had gone to Dubai to get an COVID -19 vaccination & by 9:22 that morning Canadian Press reported that the CPP Board had accepted his resignation from his \$5.9MM/year job, despite the fact that the Board supposedly is an independent entity.

Prime Minister Trudeau was upset since he had counseled Canadians not to travel & made it difficult for well-to do Canadians to engage in 'medical tourism' to get jabbed <sup>77</sup>. Moreover, his government's vaccination program had not been a raving success & he is expected to call an election shortly, only 18 months after the last one, despite the fact that a February 28<sup>th</sup> Leger poll had reported the three major parties had 35%, 28% & 23% voter support (vs. 39%, 32% & 20% in the October 2019 election), presumably since the Conservatives may not forever remain as inept as they have been ever since the Stephen Harper days. It has since become common knowledge that Machin, whose marriage had broken up, had been planning to leave anyway & had been in Dubai for several weeks.

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<sup>5</sup> I.e. about twice that of the largest motor in Ford's F150 truck series.

<sup>6</sup> Introduced in 2010, it is a direct deduction from income tax owing, was introduced to encourage new entries into the industry and after the 200,000<sup>th</sup> EV made it is phased out over a year; thus GM & Tesla EVs are no longer eligible (& there are also local government counterparts that vary by state, county & city).

<sup>7</sup> To the point where, after it had been reported on January 21<sup>st</sup> that of the 1.1MM people vaccinated in Florida no fewer than 39,000 had been non-residents, the government made proof of residence a mandatory pre-condition of being vaccinated in the state.

**ATLANTIC OCEAN CIRCULATION WEAKEST IN A MILLENNIUM**  
**(The Guardian, Fiona Harvey)**

- Europe's climate has long been affected by the Gulfstream, that brings it milder weather than otherwise might have been. But, according to a study published on February 25<sup>th</sup> in the London-based magazine Nature Geoscience, climate change has weakened it by 15% to a level not seen for a millennium & could weaken it by as much as 45% by 2100 and become more unstable, prompting more storms & summer droughts, and colder winters, and higher sea levels on the US East Coast, with potentially disastrous consequences.

*The authors included researchers at Germany's Potsdam Institute for Climate Impact Research, Ireland's Maynooth University <sup>88</sup> and Britain's London University College who based their research on, among others, sediments & Greenland ice cores.*

**ALBERTA BUDGET PROJECTS DEFICIT OF \$18.2B AND RECORD DEBT**  
**(Edmonton Journal, Ashley Joannou)**

- On Thursday February 25<sup>th</sup> Finance Minister Travis Toews said it will see Alberta past the economic crisis by focusing on three themes, "ensuring that health care is resourced to deal with the pandemic, positioning the economy for recovery and ensuring that we're delivering government services most efficiently". And he predicted a rebound of the oil & gas sector & ... changes to the public sector salary structure are key factors to an eventual fiscal recovery & postulated "Simply put, we, no longer have the revenue to justify higher comparative wages, especially at a time when many Albertans throughout the province have either experienced wage reduction - or lost their job entirely." [prompting a reaction by AUPE (Alberta Union of Public Employees) <sup>99</sup> President Guy Smith that "we have been preparing our 95,000 members for the possibility of a strike."

*The budget calls for expenditures of \$61.5BN & revenues of just \$43.7BN. The sad truth is that Alberta has financially been criminally badly mismanaged for over a decade with deficits in all but one year (with that surplus being just an itty-bitty one), even in years the price of oil was in the US\$100+ range. So its Net Financial Position has since 2008 gone from a positive \$43.0BN to a negative 63.5BN <sup>1100</sup> and its external Debt is now expected to hit \$115.8 BN by March 31<sup>st</sup>, 2022 <sup>1111</sup>. While the \$18.2BN deficit is marginally better than the \$20.2BN for the year just past,*

<sup>8</sup> The country's top university & 50<sup>th</sup> among the world's 1100 ranked universities, after Yale (#17), UofT (#25), McGill (#31), Duke (#42) & LSE (#49).

<sup>9</sup> That recently moved into a brand new, seemingly pricey, \$72MM 125,000 sf head office

<sup>10</sup> The Vancouver-based Fraser Institute a month ago published a report saying that, while Alberta's net debt since FY 2008 had increased by 207%, this was twice as much as the other Prairie Provinces & Ontario, and 9x the rate of Quebec (which really 'rots Albertans socks', since in calculating federal equalization payments Alberta's non-renewable resource revenues are counted as income while Quebec's renewable resource revenues are not).

<sup>11</sup> While on Monday July 12, 2004 Premier Klein has proudly announced "Alberta is now debt-free". Now, even at these historically low interest rates, Alberta's debt servicing costs exceed its natural resource revenues!

*the fact remains that 29.4% of the cost of running the government this year will be offloaded onto the shoulders of future taxpayers. And Toews expects financial magic; for the Budget calls for spending \$26.7BN on “public sector compensation”, down from \$27.5BN in the year just past while having the payroll increasing by 1,873 (2%) full-time equivalent positions.*

*In a not dissimilar situation almost two decades ago, Premier Klein eliminated the budget deficit by slashing expenditures by 21.6% in three years, but the chances of this government having the cojones of doing anything even remotely close to that are zilch.*

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**Jim Rogers** - Now age 78, he is one of the most interesting stars in the 20<sup>th</sup> century US financial firmament. After getting a History degree from Yale at age 22 & a PPE one from Oxford's Balliol College at 24, he went to work on Wall Street. There, in 1970 at age 30, he joined the brokerage firm of Arnhold & S. Bleichroder <sup>1122</sup>, where he met George Soros, a ten year employee. In 1973 the two quit to start the Quantum Fund that by 1980 had gained 4,200%, vs. the S&P's 500 47%. But by then a multi millionaire while still in his 30's, he had 'retired' to play with his own money.

A few years later, I became aware of him, & have been a fan ever since, through Biker Investor, the Guinness Book of World Records story of his & his then 15 year junior second wife (who had never been on one before), 100,000 mile motor bike trip across six continents, from Iceland to Tokyo & back <sup>1133</sup> (a feat they repeated a decade later, only 50% longer & 100% more comfortable in a Mercedes Benz automobile).

In 2006 he shorted US financials, home builders & Fannie Mae. And a year later, in 2007, before the onset of the Great Recession, he liquidated all his US\$ assets & relocated, lock, stock & barrel, to Singapore due to the “ground-breaking potential in Asian markets”; for “If you were smart in 1807 you moved to London, ... in 1907 to New York City and ... in 2007 ... to Asia.” In November 2010 he told students at Balliol College, his alma mater at Oxford, to “scrap their thoughts of Wall Street or the City (*of London*) and study agriculture & mining instead”, a message he repeated in a May 2012 Forbes interview. And in February 2018 he predicted that the next bear market will be “the worst in our lifetime” <sup>1144</sup>, *a view shared a month or so ago by the now 82 year-old Robert Jeremy Goltho Grantham of Boston-based US\$65BN AUM Grantham, Mayo, & van Otterloo fame when he warned that the forthcoming stock market crash will “rival” those in 1929 & 2000.*

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<sup>12</sup> A then 100+ year old firm that had started out life in Germany raising money for the then Prussian-, & later German-, Empire but had relocated to New York City in 1937 after the Nazi persecution began to intensify

<sup>13</sup> The most interesting part for me was that when in the Chinese backwoods his wife's bike 'blew a piston', they were able find someone who could fix it enough to take them to Tokyo to buy a new bike - evidence of the problem-solving capabilities present in developing countries; for welding white metal is apparently all but impossible, and 1,000x more so when, as in pistons, it has been heated & cooled hundreds of times.

<sup>14</sup> It might be ill-advised to ignore the market guidance of someone who during his career had not just predicted, but arranged his personal affairs to avoid the negative effect of, the 1987, 1999 & 2007 market crashes.