

GLEANINGS II – 880
Thursday April 29th, 2021

Biden’s Approval Rating - A Reuters-Ipsos pool of 4,423 people taken April 12-16 found that, nearly 100 days into his Presidency, 55% approved of his performance to date (90% of Democrats vs. 61% of independents & 39% of Republicans) And by issue it ranged from from COVID – 65%, unifying the country – 56%, the environment – 54%, jobs – 53%, the economy – 52%, racial matters – 51% but gun violence – 46%, taxation – 45%, international trade – 43% and corruption & immigration, both 42%. This rating is lower than in other recent polls (CBSNews/YouGov - 58%, Fox News - 54%, NBCNews – 53%, ABCNews/Washington Post – 52%) but nevertheless is the third lowest at this stage of their Presidency for all post-WW II Presidents, except for Gerald Ford (after he pardoned Richard Nixon) & Donald Trump (who never got 50% during his entire four years in office).

Canadian budget – While last year Prime Minister Trudeau & Bill Morneau, his then Finance Minister didn’t get around to table a budget ¹, using the COVID-19 as an excuse, on April 23rd, Morneau’s successor, Chrystia Freeland broke that spell with an election budget with goodies for all except the very rich & those foreigners [most of them Chinese incl. *(the nefarious?)* Huawei CFO Meng Wanzhou?] with *(second?)* residences in Canada. And *while Trudeau pere 50 years ago initiated bribing voters with their own money, Trudeau fils now does so with money created out of thin air, downloading its cost onto their grandchildren - the deficit last year was up 10x YoY (3x the rate in the US), while the National Post alerted readers to the fact that in Trudeau’s 5 years as Prime Minister consulting expenditures had increased 73%, wage & salary costs 29% & federal staff numbers 15%, as the population grew by 7%.*

Covid-19 “breakthrough cases” – Fully vaccinated people can still catch the disease. According to the CDC as of April 14th, when 77MM Americans had been vaccinated, there had been 5,800 such cases (65% of them female, 40% over age 60 & 29% asymptomatic), of whom 396 had been sick enough to need hospitalization & 74 had died - *This is not surprising; for even the most effective (Pfizer) vaccine now used, is only 95% effective.*

Crypto market coming to a climax? - On May 4 DOGE was up 25% in 24 hrs (& 10,000+% YTD) while the price of some other less well-known of the now 4,000+ cryptocurrencies recorded similar, if not better, price growth that day - *This seems to be driven by small retail FOMO (Fear Of Missing Out)-driven investors for whom the US\$55,000+ price tag of Bitcoin is too rich while DOGE’s now 60 plus cent price is “just right”. While many cryptocurrency detractors regard it as a pyramid scheme gone rampant, according to the now 56 year-old multi-billionaire Mike Novogratz, a former Goldman partner & Fortress Investment Group hedge fund manager, and now CEO of Galaxy Investment Partners that ‘invests’ in classier cryptocurrencies like Bitcoin & Ethereum, “While there is no free lunch in the world ... Right now it feels like there is a free lunch because the government is losing everything...”, calling it*

1 Who resigned last August, after nearly five years as Finance Minister (during which Canada’s Debt-to-GDP ratio went from 91% to 129%) that featured a series of allegations of ethical lapses that culminated in his being caught up in the backwash of the WE Charity Scandal [that the PM has been able to ‘sweep under the carpet’, despite the fact both his mother & his wife were (directly but marginally) involved], saying that it ‘was the right time for a new Finance Minister in light of the coronavirus pandemic (while the real reason was Morneau was ‘tired of the job’ & the public spotlight that went with it, and had become a liability for Trudeau).

“a middle finger to the system” & warning it is “dangerous being a speculator in”. And at an April 29 press conference, Andrew Bailey, the Governor of the Bank of England, told those present “They (i.e. cryptocurrencies) have no intrinsic value ... I’m going to say this bluntly again ... Buy them only if you’re prepared to lose all your money.”

Mass shootings in the US – As of April 12 there had YTD been a total of 143 (concentrated in 34 states from Texas East to North Carolina, along the East Coast & in the Great Lakes region. And Sunday April 18 was a ‘banner day’ for shootings generally (although none qualified as a mass shooting since those require four or more fatalities), with a record 3 multiple shootings within 24 hours, in an apartment complex in Austin Texas in which three people were killed, supposedly by a former deputy sheriff, two people were wounded in a shooting in a bar in Kenosha County, WI & another five were injured in one in Shreveport, LA.

US fiscal situation – President Biden on May 5th made everything sound just tickety boo, despite the fact that at last report 16.5MM Americans were still getting jobless benefits & employment was still 8+MM below pre-pandemic levels ². And Americans are now being vaccinated at a 2.3MM daily rate, down 32% from its peak a month ago, *despite the fact that state governments, & even some businesses, are showering freebies ranging from debit cards to free beer & donuts on those those with vaccination cards*

But by one measure, *what the St. Louis Fed calls the “Federal Net Outlays as a percentage of GDP”,* it certainly is not OK (and Biden’s legislative ambitions can only make that worse). Following WW II that ratio hit an all-time peak of 40.66% in 1945, only to be cut to 10.84% by 1948, & fluctuated for 72 years between that rate & 20.74% in 2019, before going to 31.29% last year, & at last report to an all-time high 45.93% (in Sweden it is 49.3%).

And the interest cost on the net federal debt that grew from US\$402BN in FY15 to US\$575BN in four years before declining, helped by lower interest rates, to US\$523BN in the fiscal year ended September 30, 2020, cannot help but skyrocket this year, hit by a double whammy of multi-trillion dollar deficits & interest rates that, in the case of the benchmark 10 year UST bond have gone to 1.61%, up from 0.66% YoY. And this year’s US deficit is expected to triple to US\$3.2TR from US\$984BN in 2019, implying a hike in the National Debt to GDP ratio from 106% in 2019 via 128% in 2020 to 138% this year – *and in the years to come, as the Boomers increasingly start to draw from it, the ‘elephant lurking in the shadows’ will increasingly take the form of the Social Security System with its US\$147TR of unfunded liabilities & \$3.9TR in annual interest expense. Yet, shortly after Biden’s soothing remarks, one lawmaker told a CNN audience not to worry about any of this since “the growing economy will generate incremental tax revenues that ‘will help’ pay for it, which is untrue since much of the new spending will fund current consumption, not future wealth creation.*

In the event, Biden and the White House must have gotten the cold shower treatment, & economists egg all over their faces, at 0830 hrs on Friday May 7. For while in March 379,000 new jobs had been created & expectations for April had been as high as 1MM, in the real world,

² In other words, 40% of those who lost their jobs a year ago still haven’t rejoined the active work force; and while the labor force participation rate has clawed its way back up to 61.7% from its nearly half century low of 60.2% a year ago, it is still well below the recent high of 63.4 two years ago, never mind the all-time high of 67.3% at the turn of the century.

where employers are complaining about having difficulty finding new employees, the number was only 266,000 & the unemployment rate went up marginally to 6.1%. The main blame for this is laid at the President's feet because many low paid workers can do as well, if not better, from government handouts than from working (in this context the much lower than expected increase in employment in the food service industry was particularly noteworthy). All this will give Mitch McConnell c.s. just that much more reason to feel justified in their intransigent opposition to Biden's legislative program.

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BANK OF CANADA BECOMES FIRST TO SIGNAL EXIT FROM STIMULUS **(BBN, Shelly Hagan)**

- It announced on Wednesday April 21st it will scale back its purchases of government debt by 25% (i.e. by \$3BN/US\$2.4BN) & accelerate its schedule for a possible interest rate increase, moves hitherto resisted by other central banks. But in doing so it reiterated it would not raise its current 0.25% benchmark rate until 'the recovery is complete and inflation 'sustainable at 2 percent' (and in its latest quarterly economic projections upped its GDP growth rate for 2021 as a whole by two full percentage points to 6.5% ³ and brought forward its forecast of when the slack in the economy would be absorbed to 'some time in 2022'). And in the subsequent press conference Governor Tiff Maclem reconfirmed his commitment not to raise rates until the economy is fully recovered & that any future interest rate hikes would fully reflect economic conditions at the time.

The Federal Reserve maintains that it won't start scaling back its US\$120BN monthly bond purchases until it sees "substantial further progress ... in employment & inflation", (i.e. more of both?), the difference being that, in Canada the job market has recouped 90% of the job losses during the pandemic & in the US only 60%. But its assurances that the now more commonly expected inflation surge will only be "transitory" could prove little than a bromide & be thrown into a cocked hat' ⁴ by events. Among the doubters is Patrick Leahy, Chief Market Strategist at Chicago-based Incapital LLC (a 12 year-old, 150 employee, Chicago-based firm) who says "All arrows are pointing to another increase in inflationary pressures. Keep in mind, the Fed knows this; they are prepared for it ... While I can't say whether or not the inflation we're seeing right now will ... be transitory or more sustained, I am willing to bet it will go higher and persist longer than the market will tolerate."

MINING EXECS WARN OTTAWA TO PROTECT MINERALS (NP, Jesse Snyder)

³ This means that this year GDP will still be 1.1% smaller than it was in 2019.

⁴ According to Truckstop.com average truck load spot rates went up 20 % in February. Lumber prices, after hitting a 25 year high of \$512 in January 2018 & declining to \$319 a year ago, now are in the \$1,262 range. Copper prices have doubled in the past year. The Agricultural Raw Materials Price Index on April 21st was up 18% YoY. On April 23rd Brent oil was US\$66.11 up from US\$23.07 a year ago, natural gas US\$2.76, up from US\$1.75 YoY and the retail gasoline price up 59% YoY. According to George Griffiths, an editor on the global container, pricing team at London, UK-based S&P Global Platts, contract rates for shipping 40-foot containers are up 25 to 50 percent YoY, to Arnold Kamler, CEO of Fairfield NJ-based bicycle maker he has "had to" raise his prices 4x in the past year, due to higher freight-, & raw materials costs & tariffs, and to Jim Estill, CEO of Guelph ON-based Danby Appliances Canada that shipping issues have increased the cost of household appliances by as much as 20%.

- In testimony before the House of Commons Natural Resources Committee experts described China's decades-long efforts to control the market for the 17 "rare earth" elements, incl. magnesium, lithium & scandium that are critical to the production of a host of hitech products ranging from cell phones, solar panels & windmills and electric car batteries to guided missiles. And Canada sits on top of many such materials incl., in Northern Saskatchewan a large neodymium deposit (used in the manufacturing of magnets) & sizable pockets of lithium in Quebec. And they said that, given Beijing's proven willingness to use its monopolistic position to punish those who displease it, Ottawa should move to strengthen its domestic supply chain of these materials so as to protect itself against China's coercive foreign policy tactics.

The experts likely are right but were "Talking Their Own Book"; for they're looking for a 5 year, \$250MM government handout for rare earth projects in this country. And these elements are nowhere nearly as rare as the name suggests; and the table accompanying the article shows that China (that accounts for close to 90% of global production thereof) has just 30% of the world's mineable reserves (while Canada is in 10th place with about 0.7%). But the world has cottoned onto the strategic importance of these elements & on the need for a more reliable source of supply than China. So at last report there were nearly a dozen major rare earth projects planned in nearly as many countries to develop indigenous sources of supply of these elements. This was even the major election issue in Greenland's recent snap election in which the governing party, that favoured developing a large rare earth mining project by an Australian Chinese-owned company, went down to defeat ⁵. And two recent developments have given this issue a higher priority in many governments' thinking : one, the COVID-19 pandemic & its demonstration of the risks inherent in globalized supply lines and, two, the coming into force last December 1st of changes in China's Export Control Law that will give Beijing even more control over rare of rare earth exports (that it has proven willing to use to achieve its geopolitical ends) in advance of which their prices jumped, by 27% MoM (& 50%YoY) for neodymium, 27% for terbium, 17% for dysprosium & 7% for gadolinium.

EUROPE SLIPS INTO DOUBLE DIP RECESSION (WP, Loveday Morris)

- Figures released on Friday April 30 revealed that, with swaths of Europe still under lockdown & stuttering vaccination rollouts, the European economy had shrunk by 0.6% in the First Quarter (& in export-dependent Germany's by 1.7%, while France's actually grew at a 0.4% rate), while that of the US had grown by 1.6% amid massive federal stimulus spending and a speedy vaccination rollout. But analysts say the picture may not be as bleak as it seems, with Alexander Boersch, Chief Economist of Deloitte Germany saying in an April 30 Research Note that "Despite the serious health situation, the economic fundamentals remain promising ... Labour markets are still robust and the unemployment rate in the Eurozone has not increased, thanks to ongoing policy interventions, such as furlough schemes." But even he concedes that there is a risk of failure in bringing the pandemic under control and companies going

⁵ This cannot have been well received in Copenhagen. For it supports Greenland's 57,000 residents to the tune of US\$740MM a year, and thus accounts for 25% of their GDP), the need for which would be reduced by the tax revenue cash flow & increase in domestic economic activity that the mine would have generated.

out of business although the vaccination rate in Germany has picked up to a daily rate of 900,000. And tourism-dependent countries (incl. Greece, Italy & Spain) may suffer more lasting pain from the lockouts than others.

Be all that as it may, “normalcy” may well still be some way off.

SAUDI CROWN PRINCE SEEKS GOOD RELATIONS WITH IRAN (BBCNews)

- In an April 27 interview with Al Arabaya (a Saudi-owned, Dubai-based TV news channel) he told it that Saudi Arabia does not want “the situation with Iran to be difficult ... At the end of the day, Iran is a neighbouring country and all we can hope for is to have good relations ... Our problem is with Iran’s negative behaviour, from its nuclear program to its support for outlaw militias in the region or its firing of ballistic missiles ... we are working with our regional and global partners to find solutions to these problems and we hope to overcome them for good relations that benefit everyone”.

*He must feel increasingly under threat. With each passing day the odds increase that his octogenarian King, whose favourite son he is but whose health is anything but robust, will draw his last breath. And since he usurped the Crown Prince’s role four years ago, he has made many enemies in the 6,000+ member Royal Family, lower oil prices have eroded the country’s fiscal health & reduced his ability to buy favour with the country’s younger generation, and every one of his endeavours in Lebanon, Qatar & Yemen, and domestically his Vision 2030 project, has turned to sh**. And to top it all off, with Biden’s election he lost his automatic support base in the White House & the US no longer supports his war in Yemen and now officially holds him responsible for the Jamal Khashoggi assassination 3 years ago.*

THE ‘DRUMS OF WAR’ ARE BEATING, AUSTRALIAN SECURITY CHIEF WARNS (Epoch Times, Daniel Y. Teng)

- In his annual national Anzac Day on April 25th ⁶ message to the staff Mike Perzullo, Australia’s Home Affairs Secretary in a message warned the country should be “strong and prepared” since the “drums of war” are beating in the region. And he reminded them that as President, General Eisenhower had instilled in the free nations the conviction that “as long as there persisted tyranny’s threat to freedom, they must remain armed, strong and ready for war, even as they lamented the curse of war.” For “Today, free nations continue to face this sorrowful challenge ... In a world of perpetual tension and dread, the drums of war beat sometimes faintly and distantly, and at other times loudly and ever closely”.
- And two days later his boss, Karen Andrews, the Minister for Home Affairs, added to that when she told Nine News that the government’s overarching message was to be “alert but not alarmed ... We’re obviously very conscious as a government of what is happening in the Pacific region ...” And Foreign Minister Marise Payne told reporters that the government’s focus was “the avoidance of conflict”. All this came at the same time as-, or just after-, Defense Minister Peter Dutton told ABC 5 that “There is

⁶ That to this day commemorates the tens of thousands of New Zealand & Australian soldiers who fell in the ill-fated & Winston Churchill-orchestrated World War I 2015 Gallipoli campaign

militarization of bases across the region. Obviously, there is a significant amount of activity, and there is animosity between Taiwan and China ... People should be realistic about the activity.” And U.S. Admiral Philip Davidson, Commander of the U.S. Indo-Pacific Command, said Beijing’s increasing military buildup could see the Chinese Communist regime attempt to invade Taiwan “in the next six years”, while some analysts believe the time frame could be much shorter.

The latter may well be proven right. PLA aircraft are now regularly making incursions into Taiwan airspace & PLA naval vessels crossing the “Davis Line”(drawn down the middle of the Taiwan Strait in 1950 by USAF General Benjamin Davis after Chiang Kai Chek had escaped from the Mainland to what was then called Formosa) that the PLA vessels never crossed until 1999). And US Navy vessels are regularly, against Beijing’s wishes, in the Taiwan Strait & South China Sea in what are international sea lanes under the existing Laws of the Sea but territorial waters in Beijing’s eyes. Sooner or later this cannot help but give rise, by accident or design, to an incident with an effect possibly similar to that of the assassination of Archduke Franz Ferdinand on June 28, 1914. Another possible cause could be associated with President Xi’s plans to be formally named President for life 18 months for he, like the world’s growing number of despotic leaders, would expect to benefit from a ‘(manufactured) foreign threat’ in case his plan seemed like it might go awry.

PYONGYANG WARNS U.S. AFTER BIDEN SPEECH (Reuters)

- On Wednesday April 28 President Biden addressed a Joint Session of Congress, outlining the challenges he faces, as he seeks to distinguish his approach from those of his predecessors. Thus, he declared that North Korea’s nuclear program poses a threat and it would be “grave” if it were allowed to continue to pursue its “hostile” nuclear program policy & that his administration’s goal was to denuclearize the Korean Peninsula, something the previous four administrations had been unable to achieve because Pyongyang was not amenable to “strategic patience”.
- By Sunday Pyongyang had responded. First, a Foreign Ministry spokesman accused Washington of insulting the Supreme Leader by criticizing the country’s human rights situation. And this was followed by a statement by Kwong Jong Gun, the Director-General of the Foreign Ministry’s Department of U.S. Affairs saying Biden’s statement “clearly reflects his intent to keep enforcing the hostile policy toward the DPRK”. And he added that North Korea “will be compelled to press for corresponding measures, and with time the U.S. will find itself in a very grave situation”.

And on Friday White House Secretary Jen Psaki expanded on that by telling the White House press corps that the President expected to deal with North Korea through “diplomacy and stern deterrence.”