Gleanings II-881
Thursday May 13, 2021

Canada leads the world, but ... – According to the OECD it has the dubious distinction of being a country in which, in the two decades ended December 31, 2020, real house prices have risen the fastest, by 168.4% vs. 96.3% in the UK, 95.9% in France, in the US 55.0%, in Spain 54.3%, in Germany 28.5% & in Italy 6.8%. *And in the decade to December 31, 2010 the ranking had been France 84.6%, Canada 74.7%, Spain 71.5%, UK 61.7%, Italy 37.1%, US 4.7% & Germany -12.7%.*

China's fertility rate – In 2020 it was 1.3, below the 2.1 'replacement rate' & the 1.8 policy target set after the one child policy was ditched a decade ago. Factors in making young Chinese couples reluctant to have more than one child include the high cost of living (& *of raising "little emperor" children?*), the shortage & cost of housing that has many young couples living with their parents, insufficient maternity leave & child care facilities, and the impact on young mothers' careers - *And, while the US is better off fertility rate-wise, albeit at 1.75 range still well below the replacement rate, after the years of declining birth numbers that reversed in 2019 & 2020, it is still in a population growth mode although it too is aging, albeit at a slower rate than China (whose population is about to peak).*

In relative terms more Canadian & British than American, troops were killed in Afghanistan – While between 2001 & 2017 2,316 American troops were killed there vs. 455 British & 158 Canadian ones, relative to their peak deployment levels the Canadian losses were 5.4% & the British losses 4.7% vs. the Americans' 2.3% (and the French 2.1%, Italians' 1.2% & Germans' 1.0%) - *This is in part due to the Canadians & Brits having largely been deployed in Helmand Province, a hotbed of Taliban activity & strength since it is the largest & most fertile province, has the mildest winters (hence least need for winter gear) & historically has been the hub of the profitable narcotics trade.*

Various countries' median ages – The median age is the point at the very middle of a population's age structure, in other words the point at which half the population is older & the other half of it younger. This is a number that matters since in the case of two countries with the same fertility rate, the population of the one with the lower median age is likely to grow faster since its population will have a higher proportion of women of child-bearing age.

My curiosity got aroused as I was assembling the table at the very end of this edition, when I learnt that since the average Haredi woman has 6.9 children (*down from 7.5 in 2003 and expected to head for 5.5 before the end of this decade),* the median age of Israel's Haredi population is 16 years, on a par with that of Saharan countries like Niger (15.5) & Chad (16.2) and (*well?*)below in the Middle East Gaza - 18.0, Iraq - 21.0, West Bank - 22.0, Jordan - 23.8, & Egypt- 24.6, Syria - 25.6, Israel - 30.5, Turkey - 31.5, Saudi Arabia - 31.8 & Iran - 32.0. And elsewhere in the world median ages include Ghana – 21.5, India – 26.8, US - 38.1, China - 38.4, UK - 40.5, Canada - 41.1, France - 42.3, Netherlands - 43.3, South Korea - 43.7, Germany - 45.7, Italy - 47.3, and Japan – 48.4. - *These numbers are insightful since they suggest that Israel is 'losing the battle of the cradle in the Middle East and that there may be a time bomb ticking in Africa where there are at least two dozen countries with median ages of < 20 years & hence with above average population growth prospects that in the years to come may present the developed countries with a Hobson's choice between sharing more of our good fortune in their current whereabouts or having them come share it in ours.*

Worsening relations between Australia & China – Beijing is displeased with Canberra & has put barriers in place to imports from that country (but not for iron ore that it needs badly). The reasons given include Huawei's exclusion from it's 5G roll-out, its call for an investigation into the origin of the coronavirus, speaking out on the South China Sea-, & Xinjiang human rights-, issues, as well as the recent foreign relations law that gives Canberra a veto over junior governments' agreements with foreign governments. And this week Beijing accused Canberra of a "pathological obsession with war" (*after the Note to Staff of Australia's Home Secretary reported on last week?*), followed by an Op-Ed piece in the People's Daily that the "destruction of Australia-China relations was being driven by the United States which 'wanted to use Canberra to try and contain China in the Asia-Pacific region' ". *But despite the welfare of the Australian economy being far more dependent on China than Canada's, Prime Minister Scott Morrison is far less of a wuss where China is concerned than Canada's Justin Trudeau. And by 'weaponizing' trade President Xi is likely shooting himself in the foot by making China a less desirable trade counterpar*t.

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<u>INFLATION SPEEDS UP IN APRIL AS CONSUMERS PRICES LEAP 4.2%, FASTEST SINCE 2008</u> (CNBC, Jeff Cox)

- A year ago, as the US was hard hit by the coronavirus, inflation was unusually low, while this year the US economy is in a higher gear (*so in the eyes of some economists the YoY numbers are irrelevant*) - *This may explain why Fed policy makers continue to dismiss the inflationary CPI numbers as "transitory" & maintain that inflation will 'settle down' later this year in their 2% target range*.
- While economists had expected a 0.2% jump in April to 2.6% YoY from the 2.4% CPI reading in March, the April outturn reported on April 12 by the BLS (the Department of Labor's Bureau of Labor survey) was 0.8% higher at 4.2%. Ditto for the 'core CPI (ex food & energy) [1] that was 3.0%, up 0.9% instead of the expected 0.3%. This means that the reported annualized CPI rate is the highest since September 2008 & core CPI the highest since 1981 (*the end of an era of double digit inflation that peaked at 13.5% in 1980 that was ended by Paul Volcker with some draconian anti-inflationary Fed action*). And used car & truck prices, that some economists regard as leading indicators of inflation, are up 21% YoY, incl. 10% in April alone.

Since 2012 the Fed has lowballed the rate of inflation by using the PCE (Personal Consumption Expenditures) Index as its 'primary' measure of inflation; for, while measured by PCE aggregate inflation over the past two decades was 31%, its CPI-based counterpart is 39%. But in March, the last month for which PCE data are available, it too was well up on a YoY basis (2.3% with 1.8% for core PCE), while on a MoM basis it was up 0.5% in March (vs. 0% last October & November, and -0.3% in March 2020). Among third party comments were :

- ***Michael Pearce**, Senior US Economist at London-based Capital Economics : "We doubt this ... will change the view of officials that inflationary pressures are "largely" transitory ... it's just that there is a lot more 'transition' than they were expecting".*
- ***J.J. Kinahan** : Chief Market Strategist of TD Ameritrade : I just think that in general there's this thought that inflation may rear its ugly head ... we see a little bit higher*

1 A concept that could only have been dreamt up by a bunch of pointy-headed Ph.D.s with job security, since the cost of food & fuel is among the most important components of the hoi polloi's household budgets.

(interest) rates, not significantly, but a bit higher. And I think this struggle between value and growth also continues.";

- ***Bank of America** : "the executive use in first quarter earnings calls increased 800% ... and last week's big job report miss is being viewed as a sign employers will have to raise wages to lure more unemployed people into the work force";*
- ***Jonathan Golub**, Credit Suisse Chief US Equity Strategist : "The debate right now is : "Is this temporary or is this something stickier? And we won't know for a long time, but that's where the conversation is going"; and*
- ***Sarah Turner**, in a <u>Financial Review</u> [2] headline "US inflation shatters rate complacency ... as investors rapidly brought forward the expected timing of the first post-pandemic US Federal Reserve interest rate hike."*

The problem is that it is a many-faceted situation with pressure on prices from, among others, higher commodity prices, product shortages from electronic components (which some sources say will last for a year) to cars, logistical logjams (that were aggravated by the Suez Canal blockage?), pent-up demand from the pandemic, the Biden administration wanting to spend trillions more money (that is doesn't have) & the above-noted possibility that employers may have to start paying higher wages. Also, the US dollar (not entirely surprisingly so?) seems to have lost much of its one-time 'safe haven' mojo; thus as of March 1 it was down 6.4% YoY (& has slid another 2.3% since) [3], which will affect the cost of every imported consumer good - Most people, incl. decision makers, are too young to remember how after the 1973 oil price shock, the US inflation rate almost doubled from 3.3% in 1972 to 6.2% in 1973 & then more than tripled to 11.1% in 1974, before peaking at 13.5% in 1980. And if the Fed's "transitory" 'bromide' is proven wrong, it may be handicapped in any subsequent anti-inflation action by its credibility being lower than a snake's belly.

<u>U.S. CONSUMER SENTIMENT FALLS IN EARLY MAY; INFLATION EXPECTATIONS SURGE – UNIVERSITY OF MICHIGAN</u> (Dow Jones, Xavier Fontdegloria)

- Its preliminary estimate released on Friday May 12 (the result of a two week survey ended that day) was 82.8, down from 88.3 in April, with the current conditions sub-index going from 97.2 to 90.8 & the six months' hence one from 82.7 to 77.6. According to Richard Curtin, the Survey's Chief Economist this was due to consumers' now highest year-ahead-, & longer term-, inflation expectations in a decade, with the former having gone to 4.6% from 3.4% in April & the latter to 3.1% from 2.7%. Furthermore, that their expectations of the buying conditions for homes, vehicles & household durables were the most negative since the end of the last *serious* inflationary period in 1980.

The consensus of economists polled earlier by the WSJ had been for an increase to 90.1.

<u>COLONIAL HACK : HOW DID CYBER ATTACKERS SHUT OFF PIPELINE</u>
(BBCNews, Joe Tidy)

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2 A now 70 year-old 'business-focused' Australian daily newspaper

3 On Friday May 7the US dollar recorded its biggest one day slide in five months, while last month Citigroup warned it might go down another 20% & more recently the UniCredit Group (Italy's second-largest bank with a strong presence in much of Europe,) that "We expect the dollar to weaken further, given its diminishing appeal as a safe have currency..."

- The Colonial pipeline from Houston TX to New York City is the largest refined product pipeline in the US *& supplies half the US East Coast motor fuel needs*. So its hacking is significant since it constituted an attack on critical national infrastructure.
- The operation of modern pipeline systems is heavily digitalized. It involves huge numbers of pressure sensors, thermostats, valves & pumps to manage & control the flow of product over long distances (to the point where inspection robots are continually on the move through its pipes, checking for anomalies). And all of these are connected in central systems controlled by computers, not people [4].
- Direct attacks on operationally technology are rare because operational systems are typically well protected; so the hackers likely got in via the administrative side. For according to Jon Niccolls, a cyber security expert with *Tel Aviv-based* Check Point *Software Technologies Ltd.,* "some of the biggest attacks we've seen started with an email when an employee was tricked into downloading some malware; for hackers will use any chance they get to gain a foothold in a network". It may well have been inside Colonial's IT network for months before the ransom raid was launched. And this is not the first time criminals have sought to cause mayhem after finding their way into an operational technology software program, *and it is unlikely to be the last.*

The hack occurred on Friday May 7 & the company had the line back in operation by Wednesday May 12, somehow having recovered much of what it needed to recover to do so, saying it had no intention to meet any ransom demand (not surprisingly so since the company's controlling shareholders are the Koch brothers [5]) [6]. This 5,500 mile 'twin pipeline [7] is 57 years old, has a 3MM bbld capacity and the gasoline, diesel (& jet fuel) it carries supplies 12,000 outlets. So the news of it shutting down led to a buyers' panic that had people fill every vehicle gas tank to the brim, as well as any other container they could find to the point where many outlets ran dry and a warning had to be issued that it was dangerous to put, & store, gasoline in plastic bags.

<u>ISRAEL INTENSIFIES ATTACKS ON GAZA AS CONFLICT ENTERS FIFTH DAY</u> (BBCNews)

- On Friday May 14, the fifth day of hostilities Palestinian militants continued firing rockets from Gaza into Israel, after having fired another 220 overnight Thursday (*bringing the total to over 2000*). So Israel intensified its attacks on Gaza with air & ground forces (although the IDF denied having entered Gaza). And a video from Gaza City showed its night sky lit up by explosions from Israeli artillery-, gun boat-, & air strikes. So far 119 people have been killed in Gaza (*incl. 27 children*), & 8 in Israel.
- Meanwhile, Jewish & Israeli Arab mobs clashed *in various cities and towns,* prompting Israeli President Reuven Rivlin to warn of civil war & Defense Minister Benny Gantz to order "a massive reinforcement of security forces to suppress the internal unrest" (that so far had resulted in the arrest of some 400 people). And while the police says Israeli

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4 This has all been done for the sake of "efficiency", i.e. the elimination of human operators; but there may well be a lesson in the failed attempt last February to hack into the water treatment system of the city of Oldsmar FL to raise the sodium hydroxide (lye) level in the city's drinking water that only failed because an alert operator realized what was happening.

5 The other five include South Korea's National Pension Fund (23.44%) & Quebec's Caisse des Depots (16.55%)

6 Which, according various sources was incorrect since in very short order it had paid DarkSide the US$5.2MM it had demanded (which would explain its relatively quick recovery)..

7 One a 40 inch one carrying gasoline and the other of 36 inches diameter 'distillates' (diesel fuel & home heating oil, and jet fuel), some of former of which it offloads at one of the 15 associated tank farms (with a storage capacity of 3.8BN litres/1.2bn US gallons)-, & of the later at various airports-, along the way.

Arabs are responsible for 'most of the trouble', the latter claim the police just stands by & watches when gangs of Jewish youths target Arab homes.

- On Friday May 14 Prime Minister Netanyahu said the country's military operation would continue "as long as necessary" & that Hamas would pay a heavy price, to which it responded by warning him it was ready to teach Israel's military some "harsh lessons" should it decide to go ahead with a ground incursion. Also on Thursday May 14 the IDF called up 7,000 reservists & Mark Regev, a senior Netanyahu adviser, told the BBC that international calls for restraint were misplaced, saying "we did not want this conflict, *but* now that it's started, it has to end with a sustained period of quiet ... This can only be achieved by Israel taking out Hamas [8] – their military structure, their command and control."

It is just too coincidental that five days after the Israeli High Court had postponed a ruling on a high profile case related to the eviction of several Palestinian families from homes in the East Jerusalem Sheikh Jarrah neighbourhood they had lived in since before the 1967 War (in a process that the Palestinians refer to as the attempted Judaization of Jerusalem) & two days after President Reuven Rivlin had delegated Yair Lapid to try & form a government, since Netanyahu had failed to meet a midnight deadline to do so, the police stormed the Al-Aqsa mosque, the third holiest site in the world for Muslims, during the Friday night prayers, prompting Hamas to tell the Israeli government to stop doing so or face the consequences &, when this was ignored, launched its 'missile storm'. In other words, both Netanyahu & Regev appeared 'economical with the truth'.

Bombing Gaza is akin to 'shooting fish in a barrel'; for with 2.05MM people packed in 365 square kilometers it has a population density of 5,611, compared to Tel Aviv's 7,606, London's 5,701, Amsterdam's 4,439, Toronto's 4,334 & Israel's 399. And there is little reason to believe that the IDF could ever be prevailed upon to send foot solders into Gaza; for its 'body count' in street fighting with a martyr-obsessed enemy would be far greater than it could tolerate. And the fact that its much-vaunted Iron Dome anti-missile defense system has only been 90% effective means that over 200 Hamas missiles actually got through it to create havoc in Israel, incl. Jerusalem & Tel Aviv, which will further taint the IDF's one-time aura of invincibility that had already been dinted in Lebanon a few years back when a few irregulars 'with towels wrapped around their heads' beat the IDF at their own game. And Hamas now having rockets with a 120 km range that put all of Israel, except its very North within reachmust be dis- concerting for every Israeli, while the nightmare scenario for the IDF being the possibility that Hezbollah may take advantage of the situation by entering the fray from the North.

And macropolitically Israel may be seriously & adversely affected by these events. For it adds to the risk of it becoming even more of 'an international pariah in-the-making' than it has already become in the 12 years that Netanyahu has been Prime Minister. It has prompted a halt in the recent 'warming' of Israel's relations with Arab Gulf States. And has given rise to a loss of grass roots support for Israel in the US (that may in due course lead to a diminution of Washington's annual multi-billion dollar financial largesse for the Israeli government).

And, while I am not a Bernie Sanders fan (who is Brooklyn-born Jewish himself), there was common sense reasoning in his observations in an Op-Ed piece in the NYT that opined that

8 Regev's long suit obviously is not Greek mythologu; for Hamas has been like Heracles' Lernaean Monster that, for every head an enemy chopped off, grew two new ones.

while Israel has every right to defend itself, "the US must stop being an apologist for the Netanyahu government" and that the questions has never been asked "What are the rights of the Palestinian people?" & "Why do we seem to take notice of the violence in Israel and Palestine only when the rockets are falling on Israel?" (which prompted the now 82 year-old high profile retired Harvard law professor Alan Dershowitz [9], also of Brooklyn-born Jewish descent, to typecast him as "a self-hating Jew".

All this to further the ambitions of a corrupt, lame duck Prime Minister who is wilfully ignoring the fact that Gazans are increasingly in the same position as the Zimbabwe teenager who in 1989, the first time I went to Kenya, was quoted in a newspaper there as saying "death cannot be any worse than living like this", as well as the basic physics phenomenon that a closed vessel full of water will eventually explode when heated long enough.

AS RIVAL GANGS OF JEWS AND ARABS CLASH ON STREETS, FEARS MOUNT OF IRREPAIRABLE DAMAGE TO ISRAELI SOCIETY (WP, Miriam Berger)

- In some cases Arab Israelis protesting in support of Palestinians in Gaza & East Jerusalem have squared off against right wing Jewish Israelis & the police, while in others Arabs have attacked Jews passing through Arab neighbourhoods. Thus a video filmed in the central Israel city of Bat Yam, & shown on TV, portrayed Jewish nationalists dragging a man they believed to be an Arab from his car & beating him so severely that the Israeli media called it "an attempted lynching in prime time" & he had to be admitted to hospital with 'serious injuries', while in the coastal city of Acre, Arabs critically injured a Jewish man with rocks & iron bars.
- When Public Security Minister Amir Ohana defended those "law-abiding citizens" who carry weapons to "assist the police", Arab Israelis called this "incitement of violence against them". And on Wednesday May 12, in a demonstration coordinated via WhatsApp, bus-, & car-, loads of nationalist Jews, many of them settlers from the West Bank, descended on *the mixed population, working class city of Lod, 15 kms. Southeast of Tel Aviv,* to demonstrate in its streets, waving Israeli flags & guns, in defiance of the State of Emergency declared by the government.

It would be tragic , if not ironic, if the antagonism Netanyahu has increasingly fostered at home & abroad during his 12 years in office were to augur the beginning of the end for the Zionists' dream of a 'Jewish Homeland'. For, as shown below, the Jews are now well on their way to becoming a minority in the lands between the Jordan & Mediterranean, since, as shown below, the 'secular' Jewish part of the population there, that accounts for the lion's share of Israel's population-, & is the backbone-, of the Israeli economy, has a much lower growth rate than the Muslims.

	2009 numbers	2020 numbers	Increase
Haredi/Orthodox	750,000	1,175,000	56.6%
Other Jews	5.267,000	5,695,000	8.1%
Arab Israelis	1,536,000	1,956,000	27.8%
Gaza	1,500,000	2,048,000	36.5%
West Bank	2,480,000	2,750,000	10.9%

9 While during his 47 year tenure he had many dodgy high profile clients incl. Patty Hearst, Michael Milliken, OJ Simpson, Jeffrey Epstein & Harvey Weinstein, he has been outdoing himself in that respect since January 2020 by joining the Trump legal team.