

GLEANINGS II - 888
Thursday July 8, 2021

Global COVID – 19 update – According to WHO, as of noon CEST (Central European Summer Time) on July 5, 2021, there had been 183,368,584 confirmed cases worldwide & 3,975,503 confirmed deaths (*for a fatality rate of 4.6%*), and 2,985,766,169 vaccine doses administered (while 38% of the world population, that ratio overstates its effective distribution since many people, like myself, did get both doses). But according to The Atlantic “of the 3 billion vaccine doses administered worldwide, about 70% has gone to people in just six countries ¹ ...The coronavirus is now tearing through Southern Africa, South America and Central and Southeast Asia... *and*, with the year only half over, more people have already been infected, & killed, by the coronavirus in 2021 than in all of 2020. And new variants are still emerging, with Lambda (*the Greek letter L*), the latest to be recognized by the WHO, now dominant in Peru and spreading rapidly in South America”.

COVID - 19 in Israel – On July 3 the new case count for the day was 277 & the seven day average 261. While mere shadows of its all-time peak of 8,190/8,624 cases last January 7, this was significantly higher than the 185/142 count one week-, & the 61/24 two weeks-, earlier. And 30% of the new cases that were “serious” involved fully vaccinated people.

Europe has become increasingly skeptical of China – That likely was why President Xi on Wednesday July 7 called Czech President Milos Zeman & Greek Prime Minister Kyriakos Mitsotakis (who are among the more China-friendly of European leaders) to tell them “The two sides should continue to understand and support each other’s interests, and deepen cooperation between China and central and eastern Europe on the Belt and Road Initiative” *That same day Premier Li Keqiang told the weekly meeting of the State Council (the country’s top administrative body that he chairs) “The lawful rights and interests of workers engaged in new labor forms must be protected” – As China’s traditional, & often state-owned, industries are automating, the working conditions of the now 200+MM self-employed, part-time, & ‘gig’, workers (now 25+% of the total labour force) is becoming more of a priority for Beijing.*

Florida condo shut down - On Friday July 3 North Miami’s 11 story, 156 unit, 48 year-old Crestview Towers, 7 miles from the collapsed Champlain Towers Condo South, was ordered evacuated immediately. For the authorities had become aware of a seven months’-old engineer’s reported indicating a need for US\$10MM of structural & electrical repairs.

OPEC+ meeting fails – After having agreed on Friday July 3rd to increase production by 2MM bbl/d in five monthly 400,000 bbl/d instalments starting next month, on Monday it foundered on opposition by the UAE. And while there was talk of another meeting, no date was set.

Several issues were in play. Saudi Crown Prince Mohammed bin Salman (aka MBS) feels the UAE doesn’t give him enough respect, is upset with it about ‘normalizing’ relations with Israel before he had led the way & angry with it for pulling out of his Yemeni war coalition, and jealous of it having almost twice his country’s GDP per capita & having become the region’s business & tourism hub, while his Vision 30 scheme (to reduce his country’s overdependence on oil) appears on life support. And the UAE, while it agrees on the need for greater production

¹ Although according to other sources only four countries accounted for 70%, China with 1.3BN (with 18% getting two doses), India (347MM & 5%), the US (331MM & 48%) and Brazil (105MM & 13%).

so as not to have oil prices remain at levels higher than the world can afford (they have tripled to the mid-US\$70 range in the past 15 months) can afford to be magnanimous since its fiscal “break-even” oil price is below current prices (while Saudi Arabia’s isn’t). But it feels hard done by since it has spent billions to hike capacity by 20+% since the current OPEC+ production volume constraints came into play now almost three years ago and its pleas for a higher production ‘baseline’ (to base allowable oil production on) have been ignored while those of Azerbaijan, Kazakhstan, Kuwait & Nigeria were granted (because MBS feels that, given its much higher GDP per capita, and the fact that 30% of the UAE’s GDP & 13% of its exports are oil & gas-driven, vs. Saudi Arabia’s 50% & 70%, it should just shut up & be quiet, an attitude which last year already had the UAE threatening to pull out of OPEC).

Robotic food delivery – Grubhub plans to start delivering food this fall on 250 US college campuses using suitcase-sized, six-wheeled food delivery robots. To do so it will use equipment manufactured by Yandex, a NASDAQ-listed 10,000 employee company founded in 1997 with 18 offices across the world (although its main markets are in the former Soviet bloc) that is headquartered in Moscow & incorporated in the Netherlands).

Sen. Robert Portland (65) – A lawyer by training & a lifelong Republican, he first got involved in politics working in the Bush 41 White House. In 1992 he was elected to the House & served six terms, defeating four different Democratic candidates in five elections,. This earned him an 89 rating from the American Conservative Union but also a reputation that “compared to the other Republicans he has ... a willingness to work with Democrats to enact important legislation”. After winning the 2004 election 71.7- 28.3, he resigned in 2005 to become Bush 43’s Trade Representative, & later as his Director of the White House OMB (Office on Management and Budget), causing Sen. Kent Conrad (D-ND) to note upon his departure “He is a person of credibility and decency that commanded respect on both sides of the aisle”. In 2010 he ran for the Senate, was unopposed in the Republican primary & won the seat handily (56.9-39.4) and in 2016, after thinking about running for the Presidency, thumped former Governor Ted Strickland 58-37 in his run for a second term

Last January 25 he announced he would not stand for re-election in 2022 and was looking forward to “focus(ing) all my energy on legislation and the challenges our country faces, rather than on fundraising and campaigning ... 82 of my bills were signed into law by President Trump ... and 68 ... by President Obama ... but, honestly, it has gotten harder and harder to break through the partisan gridlock and make progress on substantive policy ...”.

Ohio is deemed a “red” state since 11 of its 16 members in the House are Republicans, its Governor, Ted DeWine, is a Republican & both the State Senate & House are GOP-controlled and because, while it voted for Obama in 2012, in both 2016 & 2020 53% of Ohioans voted for Trump. On the other hand, Sen. Sherrod Brown (68), the other Democratic Senator (since 2006), was re-elected in 2018 with almost exactly the same degree of popular support that Trump had in 2016 & 2020. This likely will be a ‘bell wether’ Senate race in 2022!

The Ohio GOP primary season is already in full swing, with the once seemingly ‘shoo-in’ prospect, Rep. Anthony Gonzalez (age 49), a one time Ohio State football star & Indianapolis Colts’ first round draft pick, having ‘queered his pitch’ with the State GOP by voting, along with a number of other House Republicans, for the January 13 motion to impeach Trump for the January 6 Capitol catastrophe). And, while the seven declared Republican hopefuls are tripping over each other vying for Trump’s endorsement, the sole declared Democratic candi-

date, 47 year-old Tim Ryan, a nine-term member in the House, is neck on neck in the polls with the GOP front runners among the seven, most of them political novices.

The 2022 mid-term election may well be a matter of which party will be more adept at losing, rather than winning, the election. For the Trumpians may encourage Independents to vote Democrat & 'old line GOP members' to stay home, just as the "progressive" Democrats may hand the GOP a big hammer by enabling it to denote them as "socialists" (which may scare off Independents & cause moderate Democrats to 'sit this one out' (and the Democratic party would be the loser in this since, while the more aggressive social ideas appeal to the younger generation, the number of < 26 year-old voters is half that of those 45 years & over, while their voter turnout ratio has been in the 50% range & that of their elders much higher).

Tokyo Olympic Games - They still are supposed to go ahead from July 23 to August 8, albeit with no one, domestic or foreign, in the stands (resulting in US\$800+MM revenue loss for the IOC). But don't count on it. For in a country where only 25% of the population has had one shot & only 15% is fully vaccinated, the fact that as of July 8 the new case load had increased 70% in two weeks to 2,230, caused Prime Minister Yoshihide Suga to declare a state of emergency (even though that number was just one-third of its May 13 6,367 peak new cases). Moreover, at last report 83% of those polled wanted the Games cancelled or postponed (up from 69% MoM & Rakuten CEO Hiroshi Mikitani had termed holding the Games at this time a "suicide mission" (a term that in Japan may have a more honourable meaning than in the Western world?).

US bond yields puzzling insiders – Since March the yield on the benchmark 10-year UST bond has gone from 1.75% to 1.30% & its 30-year counterpart from 2.50% to 1.75% (although both have risen a bit in recent days). This prompted the following observations :

- **Subadra Rajappa, Head of US Rates Strategy at Societe Generale** : "Are those optimistic forecasts [for economic growth and inflation] actually achievable?";
- **Kathy Jones, Schwab's Chief Fixed Income Strategist** : "All that seems to be implying is that perhaps not only is the inflation transitory, but maybe some of the growth has been transitory"; and
- **JPMorgan (in a Research Note)** : "A big portion of what we are seeing is a capitulation of the higher rates' thesis."

So the US economic outlook may not be as rosy as has been taken for granted (as confirmed by the fact that at last report the number of US unemployed, at 9.5MM, was still well in excess of the 5.7MM in February 2020)?

US fully vaccinated rates by state – As of 6:00 a.m. on July 7 almost half the Americans were 'fully vaccinated'. But the rate varied widely in the 50 states : among "blue" states it ranged from 66.13% in Vermont to 46.75% in Illinois & in "red" states from 48.01% in Nebraska to 33.03% in Alabama. And even more noteworthy was that there was only one red state among the top 25 (Nebraska was No. 23) and not a single blue state among the bottom 25, not surprisingly so since the full vaccinated rate is much higher among Democrats than Republicans, and the 'gap' is growing : as of July 6 its was 46.7% vs. 35.0%, up from 22.8% vs. 20.6% in April.

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URGENT ACTION IS NEEDED TO ADDRESS A WORSENING TWO-TRACK RECOVERY **(IMF, Kristaline Georgieva)**

- When the G-20 Finance Ministers & Central Bank Governors gather in Venice this week, the good news will be that the global recovery is progressing broadly in line with our April projection of 6% growth and that, after a crisis like no other, we are seeing, in some countries, a recovery like no other, propelled by a combination of strong fiscal & monetary policy & some rapid vaccinations. Thus for the US we project 7% growth this year, a post-1984 high, while the recovery is similarly gaining momentum in China, the euro area and a few other advanced & emerging economies.
- But the data also conform a deepening divergence in economic fortunes, with a large number of countries falling behind. In fact, we face a worsening two-track recovery, driven by dramatic differences in vaccine availability, infection rates & ability to provide policy support that call for **urgent action by the G-20** (*in this item all bolding appears in this article*) and policy makers across the globe.
- Speed is of the essence : we estimate that faster access to vaccinations for high risk populations could potentially **save more than half a million lives in the next six months alone**; while the Delta variant is raising concern everywhere, it is now driving a brutal surge in infections in **sub-Sahara Africa** where less than one in a hundred is fully vaccinated, vs an average of over 30% in the more advanced countries. This will undermine *economic* progress & inflict harm on the global economy. And shrinking fiscal reserves will make it even harder for the poorer nations to boost vaccinations & support their economies, leaving millions of people (*only millions, not tens or hundreds of millions?*) unprotected and exposed to rising poverty, homelessness & hunger (and spikes in food price inflation).
- And the world is *now* keeping a close eye on the recent pickup in inflation, particularly in the US & other countries where there is a risk of a more sustained rise in inflation, or inflation expectations, that could trigger an earlier-than-expected tightening of US monetary policy, and lead to a sharp tightening of global financial conditions & **significant capital outflows from emerging & developing economies**.
- This is a critical moment for the world. To keep this two-track recovery from worsening **we must take urgent policy action now**, by stepping up international cooperation to end the pandemic, and to secure the recovery & our support for the vulnerable economies. The IMF has done so in an unprecedented manner by providing US\$114BN in new financing to 85 countries & debt relief for our poorer members. Our membership has backed a new allocation of 650BN SDRs, the largest issuance in our history (and we are working hard to magnify the impact thereof by encouraging the voluntary (*re?*)allocation of 100BN thereof to the poorest & most vulnerable countries.
- On taxation we strongly welcome the **historic agreement reached by 130 countries** for a minimum corporate tax that will help ensure that highly profitable companies pay their fair share – *everywhere (the italics are the writer's)*. For decades of tax competition fueled a race to the bottom, thereby depriving many countries of the wherewithal to make vital investments in infrastructure & social policies . So let's seize this crucial moment to build a fairer and more effective 21st century international tax system.

Unusual for these blogs, this one is under the name of the IMF Managing Director herself. The absolute rate of recovery is really nothing to write home about since by the end of this calendar year the global-, & US-, economies will be only marginally greater than two years earlier, while their populations are about 2% & 1% greater respectively. The potential capital

outflows from emerging & developing countries could have a highly leveraged negative effect on their economies while being of only marginal benefits to the recipient, more advanced ones. The IMF contribution to solving the problem should not be overrated since a) much of its support will go, as it is meant to, to 'walking dead' countries and b) the US\$114BN is a mere fraction of 1% of global GDP. And greater international cooperation may well be a pipe dream; for voters, & hence politicians, are in more of a 'put the wagons in a circle' than a 'do-gooder' mood. The international tax agreement will likely benefit the advanced countries far more than the most needy ones. And what may well be the two most worrisome aspects of the above are her less optimistic (& more realistic?) views on inflation than the Fed's & her failure to mention the international migration implications of a "two-track" global recovery.

HIRING INTENTIONS HIT ALL-TIME HIGH IN BANK OF CANADA'S BUSINESS OUT-LOOK SURVEY (Canadian Press staff)

- Its latest Business Outlook Survey shows that hiring intentions among most *Canadian* businesses are at an all-time high & that workers' confidence in landing a job has rebounded to nearly pre-pandemic levels as most businesses & sectors plan to hire over the next 12 months as they foresee faster sales growth as restrictions loosen, although some in 'high contact' service sectors, like restaurants, don't expect a return to pre-pandemic staffing levels for at least 12 months. On the other hand, its survey of consumer expectations showed that nearly half of the respondents who lost income due to the pandemic reported having a hard time finding work in their field & that two-thirds don't expect a quick return to a normal work schedule.
- And lurking in the background are lingering concerns about inflation running higher than the Bank's 2% target with over one-third of businesses expecting it to be in the 3% range over the next year and consumers telling the Bank that they expect it to 'run hot' in the short term.

Allianz-owned & Newport Beach CA-based money management firm PIMCO (AUM of US\$2.21TR) expects a sharp rise in bond yields and in one of its charts implies that, while 'headline' inflation will decline from 2.5% today to 1.5% a year from now only then to inch back up to 2%, "core" inflation (i.e. ex food & energy) will go from being lower than the headline variety today to being higher than it by yearend 2022..

\$20,000 HIKE LIKELY FOR RCMP CONSTABLES (NP, Christopher Nardi)

- If the first tentative agreement between Canada's national police service & its new union, *the National Police Federation*, is approved ("sometime I ... this summer"?), RCMP constables (11,913 of its total 20,000 uniformed personnel²), will see their maximum salary (*after three years service?*) jump next April from \$86,110 to \$106,576.
- *In all fairness*, they last received a pay increase in 2016 and since then none were considered until the union negotiations were concluded. So the tentative agreement provides retroactively for a 1.5% annual increase effective April 1, 2017 in "market adjustments" of 1.5% to 2.5% each year until 2022.

At last report, the salary scales for First Class Constables (in the RCMP typically three years after graduating from training, but elsewhere sometimes after five years) ranged from

2 Which seems like quite a 'top heavy ratio, with roughly 40% being corporals or higher.

\$100,000+ in Delta BC, Edmonton, Winnipeg, Regina, Toronto, Calgary, London & Brockville ON, Camrose AB, Orangeville, Kawartha Lakes & Timmins ON, and Fredericton NB to \$89,998 in Montreal, \$87,847 in Quebec City & \$82,808 in the Surete de Quebec; so there was an element of truth in the observation of Brian Sauve , the head of the new union, that his members had been “falling behind ... provincial and municipal police services for far too long.” Nevertheless, in 2016, Commissioner Bob Paulson had signed off on \$1.7MM in bonuses for 90 senior RCMP officers (incl. \$295,514 for his six Deputy Commissioners alone), not surprising so since, in an October 9, 2019 interview, two years after he had retired, he told Chuck Rosenberg on CNBC that his first career as an RCAF jet pilot instructor had pretty well ended after a performance appraisal had noted “Lieutenant Paulson doesn’t display significant downward-flowing loyalty” (& told him in the same interview he had almost missed getting into the RCMP by giving an RCMP recruiter a “version” of the reason of quitting the RCAF.

And it is puzzling how the tentative agreement arrived at the new \$106,576 salary number; for if one multiplies the \$86,110 2016 base salary by 1.015% for 2017 & by 1.025% for the next four years, the resultant amount is \$96,443, not \$106,576.

2ND TIME AROUND ON RADAR PROJECT (Postmedia, David Pugliese)

- Canada has long had two ‘tactical radar’ systems (located at 3 & 4 Wings in Bagotville PQ & Cold Lake AB respectively) to ‘detect & identify, and direct’ its now ‘long in the tooth’ CF-18 jet fighter interceptors to potential threats in North American aerospace. Originally DND had estimated they could be replaced at \$39MM for delivery in 2007, but the needed competition was delayed. Then in 2011 Nepean ON-based Thales Canada won a \$55MM contract to do so for delivery in 2013; but its cost skyrocketed to \$78MM and in 2015 the government & Thales agreed to end the contract (*at an unknown cost to the government*). And now Ottawa has given Thales a new \$184MM contract (that includes \$32MM to provide system support for five years) for three such systems (one being a ‘spare’).

Thales is the company that provided the signalling system for the Edmonton LRT extension to NAIT (Northern Alberta Institute of Technology) but never could make it work, so that the city ended up replacing it with another firm that could, & did, make it work. While DND procurement has long been a national embarrassment, this particular contract award has a odour of pre-election largesse!

BENNETT PLANS TO SLEEP 4 NIGHTS A WEEK AT THE PM’S OFFICIAL RESIDENCE (Times of Israel staff)

- His family will continue to reside in Ra’anana, (*an ‘upscale’ city of 75,000, designated a “Green City” by WHO in 2005, in the ‘neck’ of Israel, 15 kms/9miles North of Tel Aviv & 57kms/36miles Northwest of Jerusalem, so their children (a teenage son & daughter, a preteen daughter & a primary school age son), won’t have to change schools & (hopefully)? can stay out of the political spotlight, and because his wife’s*

work is there ³. This has given rise to some controversy because of the US\$3.6-4.6MM cost of the security arrangements stipulated by Shin Beth.

This makes some sense since he is only supposed to be Prime Minister for two years & the official residence, on a corner lot on Jerusalem's Balfour Street, looks like a not child-friendly fortress with a 12 foot wall surrounding it. Meanwhile, former Prime Minister Netanyahu is still living there, although he has promised to be out of it by July 10.

3 She studied ballet in school, served as an education officer in the IDF's Parachute Brigade, trained as a pastry chef (& worked as such in several restaurants in New York during the five years they lived there early in their marriage) and now works as a 'parent counsellor & sleep consultant