

**Inflation in Canada** - In January, both 'headline' & 'core' CPI were up 2% YoY, vs. 1.8% expected. The price of fresh vegetables was up 18.2% YoY, vs. 13.3% in December & even gasoline was up 2.1%; more generally speaking, of the eight areas tracked by StatsCan in only one (clothing & footwear) did prices decline (slightly). Retail sales data show that, even as sales dropped in December, retailers still had raised their prices by an average 2% (*suggesting cost pressures?*) Since much of this was due to the weak Canadian dollar, economists take heart from the fact the C\$ has rebounded to US\$0.73 from its January 13-year low of US\$0.69. But according to David Tulk, Head of Global Macro Strategy at TD Securities, "The combination of slowing growth and rising inflation is a trend ... the Bank of Canada would not want to see continue." - *All this caused Paul Ashworth, the Toronto-based Chief North American Economist of London-based Capital Economics to note that the rising inflation of recent months had started eating into Canadians' real incomes, & the OECD to observe that core inflation in Canada is now the highest in its 34 member countries.*

**Iron ore prices "in a bull market"**<sup>1</sup> ? - In January 2006 iron ore was US\$31.78/tonne. It peaked at US\$187.18 in February 2011 & then crashed to US\$38.30 by last December 11<sup>th</sup>, due to less demand from China & a flood of new supply. But something has happened since; for in Australia its price is up 26.7% since, & 11.5% YTD, to US\$46.78. According to Daniel Hynes, a commodity strategist at ANZ Bank "There has been restocking going on in the Chinese steel market" & to the Hellenic Shipping News "We've seen a bit of tightening in that (*i.e. iron ore*) market" - *but one swallow does not summer make & all inventory rundowns must end.*

**ISIL frees Christians** - A year ago it captured 230 Assyrian Christians when it overran several communities in Syria's Northeastern Hassakeh Province. On February 22<sup>nd</sup> it released the last forty of them. Kidnapping has been a major source of income for ISIL; nevertheless, after it had initially demanded US\$18MM for their release, it supposedly ended settling for less than half that amount (*seemingly confirming earlier rumours it was becoming financially strapped since the lower price for its main income source, stolen Syrian oil, is now generating less revenue than before and the 'coalition' planes are interfering with its production facilities & the movement of oil by truck convoy to market.* Elsewhere it was reported on February 22<sup>nd</sup> that the Saudi authorities had arrested 32 people for spying for Iran & seeking to commit acts of sabotage, one Afghan & one Iranian, and the rest Saudis from the of Shi'ite-inhabited eastern region of Qatif, *located on the Persian Gulf, just North of Bahrain.*

**Teck shareholders clutching at straws, or onto something?** - While five years ago its stock traded in the mid-50s, by January 14<sup>th</sup>, 2015 it had cratered 75% to \$12.82, only to decline another 70% to \$3.80 by last January 13<sup>th</sup>. But since then it has rebounded to \$7.69 after Fourth Quarter earnings came in at minus 2¢ (vs. the minus 4¢ expected, but still well off the +11¢ in the year-earlier period) - *with most of its revenues derived from coal, copper & zinc, this price implies an expectation of a 10% hike in base metal prices in the next year that, if materialized, would be a boon for the looney that is now up 7% from its 4½ year low vs. the US dollar).*

**GLEANINGS II - 655**  
**Thursday February 25<sup>th</sup>, 2016**

**CHINA SEEKS TO REASSURE TRADING PARTNERS ON FX, MARKETS AHEAD OF G-20**  
**(Reuters, Kevin Yao & Engen Tham)**

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<sup>1</sup> By some definitions a market is in a 'bull' phase when it recovers by 20+% from a low.

- On February 25<sup>th</sup> the China Daily quoted Finance Minister Lou Jiwei as saying a proposal to devalue the yuan was not on the agenda for the February 26<sup>th</sup> meeting in Shanghai of the G-20 Finance Ministers & Central Banks Governors. And Vice Finance Minister Zhu Guangyao at a concomitant Washington-based Institute of International Finance)-sponsored meeting said China would seek to keep the yuan stable by its “managed float” regime (that same day the Chinese stock market took a 6% hit, the biggest one in a month).
- Last August the PBOC let the yuan devalue *by 3% over four days*, ‘to allow the market to reset it at its natural value’ & *since then has let it slide another 2%*, while being criticized for being too secretive about its strategy *to the point where last week PBOC chief Zhou Xiaochuan himself sought allay the market’s concerns by making a public statement for the first time in months (a feat he repeated on the eve of the G20 meeting)*. And at the IIF gathering PBOC Vice Governor Yi Gang said investors can expect more yuan fluctuations against the dollar as it puts more emphasis on measuring the yuan’s value against a basket of currencies than against the dollar. While this may make the yuan more stable against those other currencies, it will make for more volatility (*on a downward path?*) for the yuan against the dollar, although Yi, speaking in English, told attendees at the IIF conference “A stable situation is good for everyone, I think ...” (*except the US?*).
- With the IMF on February 24<sup>th</sup> having called for a coordinated stimulus program to support a slowing global economy, the Shanghai meeting is being compared by some to the April 2009 G-20 meeting when agreement had been reached on coordinated stimulus to prevent a worldwide depression during the global financial crisis. Still, few expect this meeting to have a similar outcome, with Andrew Kenningham, a Senior Global Economist at London-based Capital Economics being of the view that “Calls for co-ordinated policy easing ahead of this weekend’s G20 meeting will almost certainly come to nothing.”

*In 2009 things were different. The central banks still had arrows in their quiver, politicians were in a panic mode and all concerned, central bankers & politicians alike, saw cooperation as a way out of a box, whereas today all are more into navel-gazing & the prevailing mood is more one of self-preservation & ‘everyone for himself and the devil take the hindmost’, all of it overlaid by a weakening of the once dominant role of the US in the global economy & Beijing’s continued ambition-, & confidence in its ability-, to dethrone the US dollar as its sole reserve currency.*

### **CARNEY WARNS G-20 AGAINST ‘ZERO SUM GAME’ OF NEGATIVE RATES** (BB, Scott Hamilton)

- In a speech at the start of the two-day gathering of the Group of 20 finance ministers and central bankers in Shanghai, the Governor of the Bank of England warned against seeking to solve one’s problems by competitive devaluations & said “It is critical that stimulus measures are structured to boost domestic demand ... There are limits to the extent to which negative interest rates can achieve this”, especially now that one quarter of global output is now produced in economies where rates are, as he put it, “literally through the floor”. And while he contested the commonly-held view (*how could he do anything else?*) that the central banks are out of monetary policy ammunition (which he called a “myth”), he did warn that “The global economy risks becoming trapped in a low growth, low inflation, low-interest equilibrium” &, that to avoid this, “monetary policy ... must be reinforced by other policies” (*i.e. politicians must get off their duff*).

*Common sense from a central banker who, while he may have a Ph.D. (from Oxford), is not of the 'pointy-headed' variety but who grew up professionally, not in the rarified air of the quasi-academic, tenured central banking community, but in the harshly result-focused Goldman Sachs trenches, and whose views carry the extra weight of being the Chairman of the Financial Stability Board established in the wake of the 2008 financial crisis.*

### **U.S., RUSSIA AGREE ON PLANS FOR SYRIAN TRUCE (AP, Maeva Bambuck)**

- On Monday April 22<sup>nd</sup>, after weeks of intense diplomacy and a phone call between Obama & Putin (according to the White House at the latter's request) the State Department released a five page plan for a new ceasefire to take effect on Saturday February 27<sup>th</sup>, that sought to 'finalize' the details of a "cessation of hostilities" between President Assad's government & the armed opposition groups (although neither the Assad government nor the rebels had yet to accept the deal). But it does not apply to ISIL, the al-Qaeda-linked Nusra Front or any other militias designated as terrorist organizations by the UN Security Council, and does not address some key questions, such as how to identify & punish breaches of the ceasefire (*Assad has shown a tendency to designate everyone who doesn't agree with him a "terrorist" & Russia too classifies them differently than do the others*).

*The next day both Assad & the main opposition/rebel umbrella group announced they would accept the proposal, albeit only conditionally This has become a proxy war pitting Russia & Shi'ite Iran against the US & Saudi Arabia/other minor Sunni players & will only end when all four have had enough. It would be a positive sign if the phone call had indeed been initiated by Moscow; for that would suggest it had concluded it had bitten off more than it could chew (and/or created a monster it couldn't control?). America just wants this whole mess to go away in this election year. The Saudis would likely also welcome a ceasefire, but only if Iran would quit supporting Assad in Syria & the Houthi rebels in Yemen. But Iran is feeling its oats, having been given a new lease on life financially with the end of the sanctions, & so does Assad since the Russian air support of recent months have tipped the scales of war in his favour & he now may think he now can 'win' on his own (i.e. with continued support from Iran). So, while hoping it won't, the risk is not insignificant that this plan too will prove to have been worth the paper it's written on.*

### **OIL SANDS GROWTH COULD COME TO A STANDSTILL (FP, Yadullah Hussain)**

- On February 22<sup>nd</sup> the Paris-based IEA (International Energy Agency) in its Medium -Term Oil Market report presented at the IHS CERAWeek conference in Houston warned that Canadian oilsands growth will come to a standstill after the projects *now* under construction have come on stream due to heightened environmental concerns, lack of pipeline access & policy changes. But said its Executive Director, Faith Birol, while "It is easy for consumers to be lulled into complacency by ample stocks and low prices today ... they should heed the writing on the wall : the historic investment cuts we are seeing raise the odds of unpleasant oil-security surprises in the not-to-distant future." Thus the report noted that global supply must rise by 3MM bbl/d annually to offset the decline in output *from existing wells* & by 1.2MM bbl/d more to meet demand growth, whereas it forecasts that *just* 4.1MM bbl/d will be added to the global supply by 2021 (down from 11MM bbl/d during 2009-2015), all of which will help push prices up to US\$80 by 2020. But while it expects global demand to hit 100MM bbl/d by 2020 (from 94.5MM bbl/d in 2015), Ms. Birol noted new climate change policies & greater focus on energy efficiency could revise that demand outlook downward.

She seems to rule out the possibility that the industry will come up with new technology that will enable it to wring more oil out of aging fields (as it has historically been pretty good at doing). The IEA numbers also don't jive with those in the Washington-based EIA's Short-Term Energy Outlook report dated February 9<sup>th</sup> that envisaged the following medium term scenario :

	Supply	Consumption	Surplus
	-----millions of bbl/d -----		
2015	93.3	92.4	0.9
2016	95.6	93.8	1.8
2017	96.1	95.0	1.1
2018	96.8	96.5	0.3*

\* which means that, if correct, by December 31<sup>st</sup>, 2017 there would be an overhang of 1.5BN more bbls of oil, i.e 15+ days of consumption, in storage.

At the conference, OPEC producers (i.e. Saudi Arabia?) expressed concerns that output cuts on their part would be offset by more US shale oil output, leaving them worse off than before.

### **SCALIA AUTOPSY DECISION DIVIDES PATHOLOGISTS (NYT)**

- When a Texas Justice of the Peace certified, without even an examination of the body, that Supreme Court Justice Antonin Scalia had died on February 13<sup>th</sup>, at a West Texas hunting ranch, "from natural causes", conspiracy aficionados had a field day & political commentators demanded an autopsy. But the Texas authorities insisted they had complied with the family's wishes, that his doctor had told them Justice Scalia had suffered from chronic heart disease & that witnesses had called the scene typical of death from heart disease (*whatever that might be*). While it's not uncommon for autopsies not to be performed *in sudden, unexplained deaths*, because of the family's wishes, a lack of pathologists & cost, three forensic pathologists were divided on the issue. On the one hand, Dr. Michael M. Bade, former chief pathologist for the New York State Police, & Dr. Vincent J.M. Di Maio, a former Chief Medical Examiner in San Antonio, Texas, opined not doing an autopsy is not all that unusual if the individual had suffered from potentially fatal ailments while on other Dr. George D. Lundberg, a former Editor of the JAMA (Journal of the American Medical Association), said the handling of his death had been "almost unbelievable" & that an autopsy ought to be mandated "when a politically prominent person dies unexpectedly, and especially when unobserved".

*The optics are not great. And the conspiracy aficionados' belief in skullduggery was further fueled by the fact that, while Federal Marshalls often provide protection for justices on their out-of-town trips, Justice Scalia had declined it on this occasion (although three Marshalls guarded his body while at the funeral parlour & during its conveyance to Washington).*

### **FRANCE CONDEMNS IDF DEMOLITION OF ILLEGAL BEDOUIN SCHOOL IT HAD FUNDED (Jerusalem Post)**

- On Friday February 19<sup>th</sup> four caravans paid for by the French Foreign Ministry were put up in a Bedouin encampment near the Israeli settlement of Ma'ale Adumim *to spare its primary school kids the three kilometre walk to the nearest city's school*. Twenty-four hours later they were gone (*according to some bulldozed into oblivion, but to other, more reliable, sources hauled away on trucks*). On Sunday February 21<sup>st</sup>, the French Foreign Ministry protested this (under international law erecting modular buildings constitutes 'humanitarian assistance' & hence is permissible). The Office of the Coordinator of Government Activities in the Territories justified this action by saying they had been put in

place without the necessary permit & hence were 'illegal', and according to one Israeli official humanitarian projects in Area C of the West Bank<sup>2</sup> are OK "provided they are coordinated with Israel and ... not be done unilaterally."

- On February 19<sup>th</sup> Nikolay Mladenov, the UN Special Coordinator for the Middle East peace process, told the UN Security Council that "During the past few weeks ... Israeli authorities in Area C and East Jerusalem have demolished 201 Palestinian structures, 79 of which were donor-funded ... Since the beginning of 2016 Israel has demolished, on average, 29 Palestinian-owned structures per week, three times the weekly average for 2015."

*EU-Israeli relations have soured since the former last fall introduced a rule prohibiting goods produced in the West Bank from being labeled "Product of Israel". The French waved a red flag at a bull when they put these structures up where they did, just 7 kms/4.8 miles East of Jerusalem; for the government wants to move the Bedouins living there into an urban setting (which they have long resisted) since they now occupy land between two settler communities it wants to amalgamate. On the other hand, the government has made it all but impossible for Palestinians to get building permits in Area C (to accommodate their growing numbers) to the point where, according to US Secretary of State John Kerry "in 2014 his office had noted only one building permit had been granted to (the 300,000+) Palestinians residents in the area."*

#### **CHINESE BANK HIT BY \$4.9BN LOAN FRAUD (CNBC. Com, Don Weinland)**

- As the economy slows, fraudulent loans are on the rise (*or rather the detection thereof?*), further undermining the credibility of a US\$29TR banking system already under pressure from an over-indebted corporate sector. The latest victim is the Bank of Liouzhou, based in the capital city of the Guanxi Zhuang Autonomous region bordering Vietnam. Late last year, its new Chairman discovered that a single borrower & his relatives had borrowed 32.8TR yuan/US\$4.9BN (*to invest in the stock market?*) with false collateral, one quarter of which (8x its 2014 profits) is now deemed unrecoverable. This dwells into insignificance the news last month that the Agricultural Bank, China's No. 3, was caught up in a US\$578MM embezzlement case & its No. 9, the China Citic Bank, was investigating a US\$147MM fraud.

*While according to Prof. Wang Chunyang of Peking University's HSBC Business School corruption at China's banks adds to the risk in its banking system, the truly troublesome aspect of this is that it was never picked up by the CBRC (China Banking Regulatory Commission, set up in 2003 in the wake of a potential banking crisis that had required a government bailout) that 25% of this bank's loan book was accounted for by a single borrower, & the proceeds used nefariously.*

#### **PBOC OFFICIALS SAY CHINA CAN HANDLE RAISING BUDGET DEFICIT TO 4% (BB)**

- Last year China's deficit-to-GDP ratio was 2.3% & Vice Finance Minister Zhu Guangyao said its "red line" 3% -, & the 60% Debt-to-GDP-, ratios might have to be revisited. Now in an article on the Economic Daily's website, a group of PBOC officials, incl. Sheng

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<sup>2</sup> Under the mid-1990s Oslo Agreement the West Bank was split into three zones with different degrees of Israeli & Palestinian control. Area C (that was to be under "full Israeli civil & security control") was the largest, covering 70+% of the land area of the West Bank but holding only about 10% of the Palestinian population (that is now in a minority in it).

Songcheng, the Head of its Statistics Department, says that, given the low level of government debt, “relatively fast” economic growth & abundant state-owned assets, China’s debt-to-GDP ratio could stay below 70% by 2025, even if the deficit-to-GDP ratio were raised to 4%.

*Whether or not this will be so will largely depend on the GDP growth in the interval to 2025.*

### **SOUTH AFRICA’S ECONOMY ‘IN CRISIS’ (BBC News)**

- On February 25<sup>th</sup>, ahead of his Budget Speech, Finance Minister Pravin Gordhan said that “there is no doubt ... that we are in crisis” & “we cannot spend money we do not have. We cannot borrow beyond our ability to repay. Unless we ignite growth and generate more revenue we have to be tough on ourselves.” & conceded the economy was struggling with shrinking growth, 25% unemployment & widespread poverty, and a currency that has lost half its value in five years (& that dropped another 2.25% after his remarks). To try & appease the rating agencies that have threatened to downgrade the country’s debt to junk status, the budget featured spending cuts, a civil service freeze & some moderate tax increases (on property sales, fuel, sugary drinks, alcohol, tobacco & capital gains, as well as some environment levies), that are expected to boost government revenues by 18BN rand/US\$1.18BN (i.e. < 2%). While he had been expected to announce some privatization plans [that are unpopular within the ruling ANC (African National Congress) Party that faces municipal elections later this year], the Budget only mentioned that the government was looking at possibly merging South African Airways, the loss-making national carrier, with state-owned SA Express, & find a ‘minority equity partner’.

*Last December President Zuma did his credibility no good when he suddenly sacked the well-regarded Finance Minister Nhlanhla Nene & replaced him with David Van Rooyen, a little known backbencher but long-time ally, only to run in such a buzzsaw of protests as to sack him in turn, after just four days, & replace him with Gordhan (who had been Finance Minister for five years prior to 2014). And the day after the Budget S&P, the most negative of the three rating agencies on South Africa, said it had lacked policy announcements that would spur growth & business confidence but that “no rating actions are currently warranted”. Long gone are the days when South Africa was expected to become the shining star of Sub-Saharan Africa; this idea foundered on unrealistic popular expectations, inadequate leadership (Nelson Mandela was a great role model but not a great administrator, and both Mbeki & Zuma have been outright bad role models, poor administrators & uninspiring leaders under whom massive corruption has become endemic.*

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**Democratic caucuses/primaries** - Calling the 52.5-47.4 outcome of the Nevada caucuses a Hillary Clinton “victory” may be a matter of ‘putting lipstick on a pig’. While on this occasion the polls were remarkable close (the Gravis poll on February 14<sup>th</sup> & 15<sup>th</sup> had called it 53-47 & the February 10<sup>th</sup>-15<sup>th</sup> CNN/ORC<sup>3</sup> 4 48-47), these same two pollsters, last December & October respectively, had Hillary beating Sanders 50-27 & 50-34. So in the months since Sanders gained a lot of ground of voter support, & Hillary little, if any. Secondly, while Nevada was the first state

<sup>3</sup> Princeton, NJ-based Opinion Research Corporation.

<sup>4</sup> Which polled fewer people & hence had a larger margin of error.

in the primary season with a big minority population (28% Hispanic<sup>5</sup>, 10% Afro-American & 8% Asian), supposedly part of Hilary's core support base, the exit polls suggested that many of them had **not** supported her<sup>6</sup>. Last but not least, while her supporters brag that she has 501 'committed' delegates, vs Bernie's 69, this overlooks the fact that 449 of hers are so-called 'super delegates'<sup>7</sup> (*whose role in the primary process is becoming controversial since they represent no one but themselves & hence are said to be a democratic anomaly*) & Bernie only a handful; so in essence they remain for all intents & purposes tied in the elected delegate count<sup>8</sup>. And while the latest, February 14<sup>th</sup>, South Carolina polls put Hilary still well ahead in the polls (CBS/YouGov by 59-40 & the America Research Group 65-27)<sup>9</sup>, this could work to Sanders' advantage; for if he were to do better than predicted, this could (would?) be taken as evidence she wasn't capturing her share of undecided voters & possibly wasn't even able to hold her own with her core support base, i.e. that he has 'momentum' & she doesn't (in which case it could become a replay of 2008 all over again)<sup>10</sup>. Moreover, the super delegates are free to vote for whoever they want & can change their minds right up to the convention floor. And for them it is all about 'electability'. And in that context polls indicate that for many voters candidates' experience *in the existing, dysfunctional system that's seems driven more by self-, rather than the voters'-, interest* is a handicap rather than an asset (as witnessed by the fact that of the seven candidates still in the game on both sides only two (Hilary & Kasich) have had hands-on public sector management experience, while three of the four dropouts to date, Messrs. Bush, Christie & O'Malley, all had such experience (albeit at the state level).

## **RACIAL GERRYMANDERING IN NORTH CAROLINA (NYT, Editorial)**

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<sup>5</sup> Whereas the Hilary camp had counted on a heavy turnout of Latino voters to hold off any Sanders momentum, (& there was indeed a heavy turnout), according to the Reno Gazette-Journal "young Latinos gravitated toward Sanders' progressive message."

<sup>6</sup> According to Andres Ramirez, a veteran Democratic operative in the state "If Bernie logs a win (*or a near-tie?*) in Nevada, it becomes a different conversation about his credibility as a nominee and Hilary's as a campaigner."

<sup>7</sup> Of whom there will this year be 712 (about 100 less than in 2008) who are free to vote for whoever they want (out of a total delegate count of 4,764 at the Convention), made up of 20 'party leaders, incl. former Presidents & Vice Presidents, 20 Democratic state governors, 47 Senators, 193 members of the House & 432 members of the DNC (Democratic National Committee).

<sup>8</sup> It's also is worth remembering that after Super Tuesday in 2008 Hilary had 201 super delegates in her camp, v.s Obama's 89 (& John Edwards' 40) but in the end still lost out to him

<sup>9</sup> And while ten polls conducted between February 10<sup>th</sup> & 17<sup>th</sup> had given Hilary an average 24 point lead, it had averaged 49% in ten others taken between February 3<sup>rd</sup> & October 23<sup>rd</sup> of last year.

<sup>10</sup> And Sanders seems to be counting that he will do so, i.e. outperform the polls; for he has been spending very little time in South Carolina and instead has been crisscrossing the more delegate-rich 15 states in which primaries will take place on Super Tuesday, March 1<sup>st</sup>.

- *After the 2010 census, two of its congressional districts, the 1<sup>st</sup> & the 12<sup>th</sup>, were gerrymandered so severely along racial lines, to pack African-American voters together & dilute their political power, that a Federal District Court recently ordered them redrawn in time for the March 15<sup>th</sup> primary. For it had found the “serpentine” 12 District so “contorted and contrived” as to possibly make it the “least geographically compact of the nation’s many gerrymandered districts”. The state has asked for a stay but with the now 4-4 tie in the Supreme Court due to Justice Antonin Scalia’s death it’s an open question if it will grant it.*

*Gerrymandering seeks to manipulate “the boundaries of constituencies/electoral districts ,, (so as to favour one party, thereby all but pre-ordaining election outcomes’. In the US this has been perfected to such a fine art the re-election rate for members of the US House of Representatives in the 25 elections since 1964 has ranged from a low of 85% in 1970 to highs of 98% in 1986, 1988, 1998, 2000 & 2006. Small wonder voter turnout in the 2014 election was only 36.4% (& just 25.2% in California) and that the Stockholm-based International Institute for Democracy and Electoral Assistance (IDEA)<sup>11</sup> ranks the US 120<sup>th</sup> in the world for its national voter turnout. The 12<sup>th</sup> Congressional District as now constituted winds for 150+ kms/90 miles halfway across the state along Interstate 85 from South of Charlotte to North of Greensboro, & in some places is only 6kms/ 4 miles wide. Late Friday February 19<sup>th</sup> the Supreme Court did indeed decline the State’s request for a stay to keep the current boundaries pending an appeal of the court’s ruling (so as to drag out things until after the November elections) - shortly after the 2014 election, Sen. Bernie Sanders mooted tabling a bill to make Election Day a National Holiday, “Democracy Day”, “not as a cure-all ... (but as) one important step to increase participation and create a kind of a political system that the world can look upon as an example , not a failure’ (unfortunately the present system suits the incumbents only too well<sup>12</sup>).*

**Saudi & Alberta credit ratings** - Last October 30<sup>th</sup> S&P downgraded Saudi Arabia from AA- to A+ & on February 17<sup>th</sup> it did so once again, only this time by two notches, from A+ to A-. And last December 18<sup>th</sup> it stripped Alberta of its AAA rating (while Moody’s one month later affirmed its triple-A rating albeit with a “negative outlook”, typically a shot across the bow that, unless things were to change drastically, a downgrade would be a fait accompli) - *The negative for Saudi Arabia is the size of its proposed US\$ 98BN budget deficit (i.e. roughly 15% of GDP) for the current fiscal year (ending December 31<sup>st</sup>, 2016). On the other hand, it started the year with a Debt-to-GDP ratio of 5.8% (while up from 1.4% YoY, still only a fraction of its 25.8% ratio a decade ago) and, according to the IMF, has net financial assets sufficient to cover its budget shortfalls at this rate for five years & in its 2016 budget had shown a “commitment to reform” by proposing a 14% cut in spending, and levying new taxes & cutting subsidies on water, power &*

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<sup>11</sup> Founded in 1995 by Australia, Barbados, Belgium, Chili, Costa Rica, Denmark, Finland, India, Netherlands, Norway, Portugal, South Africa, Spain & Sweden, it’s membership has since expanded to include Botswana, Canada, Cape Verde, Dominican Republic, Germany, Ghana, Indonesia Mauritius, Mexico, Mongolia, Namibia, Peru, Philippines, Switzerland & Uruguay. Headquartered in Stockholm, it has about one hundred staff, half of them in Stockholm & the rest in twelve field offices around the world, five of them in non-member countries.

<sup>12</sup> Thus the current ‘dean’ (i.e. the longest-serving member) of the House is 86 year-old John Conyers Jr. (D.-MI) who was first elected in 1985, i.e. during the Lyndon B. Johnson era (& who in 1990 married, & subsequently fathered two children with, the then 26 year-old Monica Esters who in 2005 won a seat on the Detroit City Council, and five years later, in March 2010, pleaded guilty to conspiring to commit bribery, and was sentenced to 37 months in prison & two years of supervised probation upon completion of which she filed, in September 2015, for divorce.



*gasoline (the latter by 50% in a country where cars are the sole means of transportation). On the other hand, while Alberta at last report it had a near-zero Debt-to-GDP ratio & a much lower Deficit-to-GDP ratio (only 1.8% by the numbers the government used last fall), the only commitment that it seems to have is to more spending, while under its predecessor government the Province's net financial asset position in eight years was run down from C\$40+BN to next to nothing. So, in light of the above, the question is not if Alberta's credit rating will be lowered, but when, how fast & by how much. And Alberta Finance Minister Joe Cecci' confession, as he presented his Third Quarter Update to reporters, that the deficit in the fiscal year starting April 1<sup>st</sup>, could be as much as \$5BN higher than forecast last fall (i.e. could go as high as \$10.4BN, i.e. 20% of its budget) & that balancing the Budget was going to take longer than previous indicated ain't going to do much to keep the Province from being downgraded.*