

**GLEANINGS II - 776**  
**Thursday September 6<sup>th</sup>, 2018**

**African swine fever** - It has been around for a long time (since 1700) but more commonly so since 1907. While often fatal to domestic pigs, their wild cousins, incl. Africa's wart hogs, are impervious to it, & it doesn't pose a risk to humans. In the past decade there have been outbreaks in the Northern Caucasus & West Central Asia (2007), Ukraine & Belarus (2012), Poland, Lithuania & Latvia (2014) and Estonia (2015), and it is said to be endemic in Russia. A month ago the first case was found in China & since then over a dozen infestations have been diagnosed, in pig populations as small as 30 & as big as 800, in provinces as far North as Heilongjiang near the Russian border & as far South as Zhejiang near Shanghai. The Rome-based UN Food and Agriculture Administration (FAO) is taking this seriously enough to have organized a meeting of China & eight neighbouring countries in Bangkok on September 5<sup>th</sup> to "develop a regional response". This could have a major impact on global pork (& general meat?) prices; for, as shown below, China is not only the world's largest pork producer (with 20% of the world's people it accounts for half its pork production), but also the largest pork importer :

Pork producers		Pork Importers	
------(thousands of tons)-----			
China	52,990	China	1,620
EU	23,866	Japan	1,475
US	11,320	Mexico	1,087
Brazil	3,700	S Korea	645
Russia	2,870	US	506
(Canada is No. 7 with 1,914 tons)			

**Atlanta Fed GDPNow reading** - On September 4<sup>th</sup> it came in at 4.4%, up from 4.1% on August 30<sup>th</sup> but still well down from its 5% in early July (and the next report is scheduled for September 11<sup>th</sup>); meanwhile, the Atlanta Fed's range of "the top 10 & bottom 10" *private sector* forecasts remains stubbornly mired in the 2.7%-3.5% range.

**Bob Woodward's new book, entitled Fear, on the Trump White House (*that suggests the state of affairs there is much more chaotic, if not outright dangerous from a national security perspective*) than even Trump's most severe critics had surmised** - After the Washington Post published a report on the book, the President tweeted "The Woodward book has already been refuted and discredited by General (Secretary of Defense) James Mattis and General (Chief of Staff) Kelly ... Their quotes were made up frauds, a con on the public. Likewise other stories and quotes. Woodward is a Dem operative? Notice timing!" & in his September 4<sup>th</sup> interview with the conservative publication Daily Caller in which he said among others "He's had a lot of credibility problems<sup>1</sup> ... It's just nasty stuff." - *But on September 4<sup>th</sup> the Washington Post reprinted verbatim the text of the tape that Woodward had told Trump he was making at the start of the 11 minute August phone call Trump had initiated to talk with him about his forthcoming book (to which the Trump response was "Oh, that okay. That's okay. I don't mind that at all"). During it Woodward tells him, among others, that he has hundreds of hours of tapes of his conversations with his various sources & that he had tried, via several people, incl. Kelly Conway (who confirmed him speaking with her when she came in the room midway*

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<sup>1</sup> 'Those who live in glass houses shouldn't throw stones' - contrary to Trump himself, in the past four plus decades there has never been as much as a fly on Woodward's credibility.

through the conversation) to contact him, to which the President's response was "Well, a lot of them are afraid to come & talk ... I would've loved to talk to you ... I think you've always been fair." [and then both first denied & then confirmed that Sen. Lindsey Graham (R-SC) had mentioned to him that Woodward wanted to speak to him] - Trump & his acolytes, who are besides themselves about the revelations in Woodward's book, forget three things : a) Woodward is a reporter, not an analyst<sup>2</sup>; so he makes no judgments, but merely repeats what others tell him, b) if he really has "hundreds of hours of tapes" of what people told him, those who are denying to have said what he reports they said risk being 'hung out to dry' and c) the oath all officials swear upon taking whatever job they now have in the Trump Administration committed them to uphold the Constitution, not to blind loyalty to the Presidential incumbent. And Trump's paranoid reaction to the book appears counter-productive since it confirms what the book alleges. Be all that what it may, it is still too early to tell how all this will affect the midterms : while the CW is that it will hurt the GOP, there are those who believe it will prompt Trump admirers & GOP stalwarts to come out in greater numbers on November 6<sup>th</sup> than might otherwise have been the case. Time will tell!

**Consumer Sentiment** - The August University of Michigan Index thereof was 96.2, down from 97.9 MoM & from 101.4 in March.

**Rasmussen Reports Daily Presidential Tracking Poll** - At last report it showed that 48% of 'likely voters' approve of his job performance & 52% don't; but since 32% Strongly Approve & 43% Strongly Disapprove, it gives him a -11% Presidential Approval Index. But other, more generic, polls among the general population produce approval ratings as low as 36% (& they could prove more prophetic depending on the turnout) So it should be no surprise that in his September 7<sup>th</sup> speech at the University of Illinois at Urbana-Champaign former President Obama pointed out to his listeners that in the 2014 mid terms only one in every five 'young people' had voted & made an impassionate appeal to those in the audience not just to make sure they voted on November 6<sup>th</sup> but also encouraged their generation mates to do so - Meanwhile, the Washington Post quotes Trump as telling people (*from delusion or in a desperate attempt to inspire his base?*) "We're doing a great job ... The poll numbers are through the roof. Our pool numbers are great."

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### **US ADDS 201,000 JOBS AS WORKERS' WAGES ACCELERATE TO A NINE-YEAR HIGH** **(Market Watch, Jeffry Bartash)**

- And the unemployment rate remained at its 3.9% 18-year low. As to the new jobs created the biggest gains were in the professional & business-, & educational & health-, services sectors (with 53,000 each), and the lowest in information (-6,000), retail (-5,900) and government & manufacturing (-3,000 each), with the latter due to the Trump tariffs<sup>2</sup>?
- But the best news was the rise in pay, with the average hourly wage up by ten cents to US\$27.16, a post-June 2009 high & that new jobless claims fell to 203,000, a post-December 6<sup>th</sup>, 1969 low, and the worst that the employment gain numbers for June & July were revised downwards by a total 50,000, *that the participation rate was down to 62.7% from 62.9% MoM & from 63.0% last February & that auto sales were down for the*

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<sup>2</sup> Export orders were down in most industry sectors.

*second month in a row, by 0.6% MoM to a 16.6MM annualized rate (with the sales of passenger vehicles down 4.8% MoM & that of light trucks up by 1.0%).*

*The downside of the accelerating wage growth is that, if it creates more upward inflationary pressures, it will create greater justification for more & faster Fed rate increases.*

### **US FUND MANAGERS TRIM BANK STOCKS ON PROFIT WORRIES (Reuters, D. Randall)**

- According to Goldman Sachs in the Second Quarter the average US mutual fund cut its stake in financial companies by 1.1% to 14%, the biggest such quarterly decline since 2013, causing the financial sector to underperform the S&P 500 by over 5% since April 1<sup>st</sup>. One red flag is that the US yield curve has been flattening as short rates rise in expectation of further Fed rate increases while long bond yields are under pressure from worries about economic growth & trade tensions (& *fears of inflation?*). According to Ian McDonald, co-leader of the financials research team at the US\$370BN AUM London-based Janus Henderson Investors, “funds are looking around and saying that if we’re going to see weaker growth then we need to get out of financials ... *and* The U.S retail banking industry is moving from the post-crisis phase of risk-management to the fintech phase of managing customer experience” with fewer branches & more online platforms & mobile apps that appeal to the millennials, & to Ben Kirby, portfolio manager at the US\$15.4BN AUM, Santa Fe, NM-based, Thornburg Investors Investment Income Builder Fund, “The U.S has been the market darling for the last 10 years, and that has led to valuations that are a bit more stretched and an economic cycle that is a bit more mature ... Whereas in Europe, it’s earlier in the cycle and growth is accelerating more.”

*All other things equal, this could hit the S&P 500 more than the Dow Jones since the financial sector’s weighting on the former is greater than on the latter.*

### **TRUMP FACES GROWING OPPOSITION TO BILATERAL PACT WITH MEXICO (G&M, Adrian Morrow)**

- On September 2<sup>nd</sup> the US labour movement, one of NAFTA’s oldest critics because ‘it moved jobs to Mexico’, joined the many industries that depend on cross border supply chains in opposing President Trump’s assertion that the tentative bilateral Mexico deal could supplant NAFTA, with AFL-CIO President Richard Trumka telling Fox News “Our economies are integrated ... It’s hard to see how that would work without Canada on the deal.” And even before that members of Congress , incl. Republicans, & the US Chamber of Commerce, had done the same.

*As if that would make any difference; for Trump is symptomatic of today’s polarized political scene in which it’s all about ‘my way or the highway’ & there is no room for compromise.*

### **TRUMP CALLS FOR TIGHTER LIBEL LAWS (AP, Rob Crilley)**

- On September 6<sup>th</sup> he launched another attack on press freedom when he tweeted “Isn’t it a shame that someone can write an article or book, totally make up stories and form a picture of a person that is literally the exact opposite of the fact, and get away with it without retribution or cost?”, even though Woodward’s account of a White House careening towards what he calls a “nervous breakdown” is very much in line with previous accounts of an administration in crisis. And while senior officials in the White House & the administration, from Chief of Staff Kelly & Defense Secretary Mattis down,

are falling all over themselves to deny they made the disparaging remarks about Trump that Woodward attributes to them in his book (with Woodward claiming to have the tapes to back him up), current & former White House officials say nearly all their colleagues cooperated with the veteran journalist (whose reporting helped end the Nixon Presidency).

*White House officials tried, apparently without success, to get their hands on copies of the book (that is not due for publication until next Tuesday). And the cat was **really** put among the pigeons by the publication of an anonymous op-ed piece in the NYT by a senior Trump administration official entitled "I am Part of the Resistance in the Trump Administration" that says Trump's staff is aware of his faults and "trying to do what's right (for national security's sake) even when Donald Trump won't", leading to Trump to demand that the NYT make public the name of the op-ed's author & some Trump supporters demanding that all senior officials submit to lie detector tests<sup>3</sup>.*

### **PRUITT'S 24-HOUR PROTECTION COST \$3.5 MILLION (AP, Ellen Knickmeyer)**

- The Inspector-General of the Environmental Protection Agency (EPA) reported on September 4<sup>th</sup> that it had failed to properly justify spending \$3.5+MM (*in Pruitt's first year as EPA Administrator*) on round-the-clock security for him (more than twice what it had been for his predecessor, Gina McCarthy), incl. nearly \$1MM in travel costs for his body guards. He concluded that the agency had allowed Pruitt to hike the size of his security detail from 6 under his predecessor to 19 without proving the need for doing so, "an undocumented decision (that) represents an inefficient use of the agency's resources."
- Pruitt left the agency last July after less than 18 months in the job amid endless revelations of scandals over his spending & abuse of office and his successor & former deputy, Andrew Wheeler, ended the unprecedented full-time security arrangement almost immediately.

*Pruitt (age 50), a lawyer by training who only briefly practiced law, was for over a decade a hard right, climate change cynic Oklahoma politician who as its Attorney-General initiated no fewer than 14 legal actions against the EPA for its activities (which presumably qualified him for Trump as the right person to help neuter it). But almost from the get go he became a vortex of ethic misbehaviour allegations (by the time he left there were 14 separate federal investigations, by among others the GAO (Government Accountability Office) & the White House OMB (Office of Management and Budget), on the go into his behaviour to the point where finally, last July, he got President Trump's dander up enough for him to force Pruitt to quit. And his former deputy, Andrew Wheeler, an ex coal industry lobbyist who now heads the agency, is likely to continue Pruitt's EPA-busting work.*

### **CANADIAN NEWSPRINT PRODUCERS WELCOME U.S. DECISION OVERTURNING IMPORT DUTIES (CP, Ian Dickis)**

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<sup>3</sup> According to Politico, based on interviews with a dozen plus Republican lawmakers, incl. nine Senators, some of them for attribution, many Republicans on Capitol Hill & in the White House, while they agree with the senior Trump Administration who went rogue in the NYT, say it will prove an enormous setback in curbing the President's worst impulses and "amp up" his paranoia by handing him proof that members of his own team are working against him.

- *Late last year* Longview WA-based & hedge fund One Rock Capital Partners LLC-owned NORPAC (North Pacific Paper Co.) complained Canada was dumping newsprint into the US and the Commerce Department promptly placed anti-dumping & countervailing duties on the Canadian product. But on August 29<sup>th</sup> the US International Trade Commission ruled by a 5-0 vote that imports of newspaper from Canada does not injure the US industry & overturned these duties . And while NORPAC CEO disagreed & said the Company will assess its options once the detailed written determination for the decision is released, David Chavern, CEO of the US newspaper industry group News Media Alliance applauded it since “The tariffs would have been unsustainable for the newspapers, other printers and publishers and printers. Fortunately, our voice was heard at the ITC hearing last month, and they made the right call today in reversing these harmful tariffs.”

*The US newspaper industry is in a fight for survival. It is saddled with large ‘legacy costs’ and circulation has been declining precipitously for years (last year alone the number of **both** printed **and** digital copies sold was down 10% YoY) & higher paper costs could have been its death knell. And there is little, if any, need to protect the domestic paper industry : for while the US consumes 50+% of the world’s newsprint, it produces just 20% of the newsprint it consumes - This decision must be doubly grating for Trump since that the ITC Chair David S. Johanson, a long-time Congressional insider & an Obama appointee but the leading Republican on the Commission, only became its Chair last June after the previous incumbent’s term had expired because the White House had failed to nominate a successor for the Senate’s consideration.*

### **PUTIN FAILS TO HALT PROTESTS OVER RAISING RETIREMENT AGE** (Reuters, Polina Ivanova)

- On September 2<sup>nd</sup> thousands of people across Russia joined protests against his government’s plans, announced on June 14<sup>th</sup>, three months after his re-election, to raise the pensionable age<sup>4</sup>. For it remains a politically sensitive issue despite the concessions offered by President Putin in a August 29<sup>th</sup> televised address, during which he *also* took personal responsibility, for the first time, for the move, called it a financial necessity and asked the Russian people for their understanding. In Moscow, a crowd estimated in size at 6,000 or 9,000 (the former the police’s) carried the red flags and banners of the principal organizer of the protests, the KPRF Communist party, as well as a large banner “We do not trust United Russia (*the President’s party*) & a picture of a red fist punching the white bear logo of that party, with Gennady Zyuganov, a veteran Communist party leader, suggesting, among others that the state’s fiscal situation could be improved by taxing the oligarchs.

*Opinion polls have shown first that the June 14<sup>th</sup> pension proposals were opposed by 90% of Russians & more recently that since then Putin’s personal approval rating has declined ten percentage points, albeit only to the 70% range; while this is still a very comfortable level of support, it does suggest that there may be kinks in Putin’s teflon-like domestic political armour & that he may be facing a populist wave among his compatriots not unlike that faced by his counterparts in the West.*

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<sup>4</sup> To enable the government, he said, to raise the asverage monthly pension for US\$258 now to US\$279 by year end (despite the fact that the government had last year calculated the average cost of living for pensioners at US\$164.)

## **HOW THE FAR RIGHT CONQUERED SWEDEN (NYT, Jochen Bittner)**

- To understand why Sweden, that bastion of social democracy, may end up with a far-right government on September 9<sup>th</sup>, one only needs to take a walk with Ahmed Abdirahman, a US-educated Somali policy analyst who grew up, & now lives, in the Stockholm suburb of Rinkeby-Tensta, where 90% of the residents have a foreign background, 80% live on welfare or have low incomes & 42% is under the age of 25. It's a violent place where in 2016 sixteen people were killed, most of them in drug-related conflicts, where on its mainstreets at 7:00 p.m. shopkeepers pull down their metal shutters & masked young men on motor scooters start tearing around, and a police helicopter hovers overhead.
- He told me "When I came here in 1998, to me this place was paradise. Today I would not want my children to grow up here". And he was lucky; for his mother encouraged him to get an education, something not all immigrant children get at home; in fact, some parents actively discourage their children from going to the city centre to mix (which makes him afraid that Sweden may have entered a vicious circle of immigration, segregation & growing mutual hostility, with the Swedes only seeing the horrific headlines and not the immigrant bus drivers & cleaning ladies who are busting their gut to get their children into university).
- And by doing too little too late the traditional left-of-centre Social Democrats & the right-of-centre Moderate Party left a void for the racist, fringe Sweden Democrats to morph into, & reposition itself as, an anti-immigrant-, anti-establishment-, party that accuses the media of "destroying" Sweden & promotes a "Swexit", and that now, by getting 20% voter support in the polls, may, after Sunday, be in a position to become part of a coalition government with one of the traditional parties (both of which appear in danger of spitting in two).
- This is the same story that has played out across Western Europe and , according to to Andreas Johansson Heinö, an analyst at the think tank TIMBRO, many Swedes may vote for the Sweden Democrats, even if they can see through their crude *simplicistic* thinking, for the sake of change (*just as many Americans voted for Trump*).

*The 'soup may, however, not be eaten as hot as it is served'; for in Germany & Holland, the far-right parties with similar levels of voter support have so far been carefully kept out of their governments (although not so further East, in Austria, Hungary & Poland).*

## **RUSSIAN WARPLANES POUND IDLIB (Daily Telegraph, Josie Ensor)**

- On September 4<sup>th</sup>, hours after the night before President Trump had warned the Assad regime & its Russian & Iranian allies against "recklessly" attacking Idlib & that such a move would be a "grave mistake", Russian jets pounded the city of Idlib; dozens of air strikes were reported in what appeared to be the opening salvo of an expected offensive. And that night Israeli missile strikes targeted Iranian military positions in the Syrian provinces of Hama & Tartus<sup>5</sup>, with the UK-based Syrian Observatory for Human Rights monitoring group reporting that at least nine civilians were killed, the Syrian state news agency SANA that its air defense systems had downed several missiles launched from Israeli planes & a Syrian official telling this newspaper "The government plan was to give the maximum possible chance for reconciliation, but unfortunately there was no

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<sup>5</sup> One hundred and fifty plus miles North of Israel's Northern border and North & Northeast of Lebanon's, with Tartus on the Mediterranean South of Latakia & Hama South of Idlib Province

progress in this regards. The radicals are in control in Idlib ... This looks like preliminary bombardment before a landing operation.”

- Despite its bluster the Trump administration is not expected to intervene unless chemical weapons are used (in which case Washington has prepared a list of chemical weapons’ facility targets to be hit), with Nicholas Heras, a Fellow at the Washington-based Center for New American Security saying that “Russia is sending a clear message to President Trump that he can’t tell Assad to back off.”
- Idlib is the only region still controlled by the rebels; so those who do not wish to surrender to the government have nowhere else left to go. An estimated 3MM people are now in the province, half of them refugees, & an offensive there could be the deadliest yet in Syria’s seven years’ civil war, with the UN saying it could displace 800,000 people & dramatically hike the number of people already in need of human aid.

*In 2012, early on in the civil war, Assad re-established control over the province but lost it again in 2015 because of an influx of rebels from elsewhere in the country.*

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### **STUDY EXPOSES FISH FRAUD (CP, Aleksandra Sagan)**

- The advocacy group Oceana Canada<sup>6</sup> conducted a study of fish labeling in Canadian grocery stores & restaurants which, according to Julia Levin, its chief seafood fraud campaigner, discovered widespread mislabeling. After collecting 382 samples of snapper, sea bass, sole & other fish from 177 retailers & restaurants in five cities, scientists at the Guelph-based TRU-ID used DNA bar coding to determine the species of the fish and found 44% were mislabeled (& more specifically, 100% of the red snapper, yellowtail & butterfish, half the sea bass and 30% of the cod, halibut, tuna & sole, with the fish most often being tilapia, Japanese amberjack or escolar (a fish often called the “laxative of the sea” since it can cause diarrhea, vomiting & other stomach problems). Mislabeling occurred most often in restaurants (52%) & less so at retailers (22%).

*This is not a new problem &, while occasionally accidental, in most cases appears deliberate.*

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<sup>6</sup> The Canadian branch of the world’s largest, non-profit Washington-based ocean conservation & advocacy group that seeks to protect & restore the world’s oceans.