

**GLEANINGS II - 788**  
**Thursday November 29<sup>th</sup>, 2018**

**ERRATUM** : One of you drew my attention to an error/misprint/fault in last week's Gleanings; for in the item entitled "China Plans to Sell ..." there were two key letters missing in the sentence "East African economies owe China and its institutions US\$29.42 in infrastructure loans", the missing letters being "BN" after "US\$29.42".

**French demonstrations** - On Saturday November 24<sup>th</sup>, for the second Saturday in a row, there were demonstrations all over France (with those in Paris getting lots of media coverage), protesting against the government raising the tax on gasoline & diesel, and, more generally speaking, against the rising cost of living . But their significance may have been exaggerated. One, because of their size (nationwide 280,000 on November 17<sup>th</sup> & 100,000 last Saturday, with the latter being 0.15%-, & the 8,000 in Paris on that day being 0.30%-, of their respective populations). Another rather unusual (& *in political terms less threatening?*) feature was that they were not organized by a political party but had been orchestrated more spontaneously via the social media. And they were attended not by older workers seeking to protect their 'rice bowl', but by younger folk who, like their counterparts in other Western countries, are frustrated by their lack of personal & professional prospects (incl. home ownership). And as to the price of fuel, the Macron government is taxing automobile fuel more heavily to discourage consumption & wants to bring the tax on diesel (that the tax man has long treated in a more consumer-friendly fashion than gasoline) more in line with that on gasoline. - *And one wonders if the young people may not have been barking up the wrong tree (& why the older workers didn't join them); for Macron's campaign promise to "pull the country into the 21<sup>st</sup> Century" is likely to benefit the former & threaten the latter's rice bowl.*

**Mueller does a 180** - In mid-September he cut a deal with Paul Manafort (who worked on the Trump campaign for eight months, incl. for a short while as his campaign manager) for his cooperation, and he & his people spent a lot of time talking with him since, only to announce on November 26<sup>th</sup> that the deal was off because Manafort had been lying to them in their cooperation talks. There is one school of thought that holds that this could cripple Mueller's investigation because Manafort was to have been his star witness, but that Manafort now feels he doesn't need to cooperate anymore because his lies to Muller's team sought to hide something so big that President Trump to pay him back down the road by pardoning him<sup>1 2</sup>. But another holds that Mueller has decided he doesn't need Manafort anymore since the information he got from third parties that led him to conclude Manafort had been lying is more than sufficient for him to make his case without Manafort's testimony - *Be all that as it may, Manafort is not someone most people would be inclined to hire. Now 69 years of age, he attended Georgetown University where he got a BBA & a JD, after which he worked in a large Washington law firm for a while before participating in the Gerald Ford-, Reagan-, Bush 41-, & Bob Dole presidential campaigns as he turned himself into a high-priced lobbyist for such scum bag clients as the Philippines' Ferdinand Marcos, Zaire's Mobutu Sese Seko & Angola guerilla leader Jonas Savimai, before finally, more than a decade ago, being retained by the pro-Russian Ukrainian*

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<sup>1</sup> It has seen become known that his "ccoperation" woth Mueller was 'fake' since all along his lawyer had reported to Trump's lawyers what his discussions with the Mueller team had been all about.

<sup>2</sup> But a Presidential pardon may only do him limited good; for he faces charges in several states as well, first & foremost in New York, to any conviction of which a Presidential would not apply.

*politician & later (until turfed out in 2014) Prime Minister Viktor Yanukovich (while never bothering to register, as the law requires, as a lobbyist for a foreign government until January 27, 2017, one week after Trump's inauguration). Over the years he allegedly collected-, & foolishly spent-, some US\$60MM from Ukrainian sources (half of which he hid from the tax man, which is what tripped him up). Along the way he apparently had ingratiated himself sufficiently with the Trump clan to have attended the (in)famous June 9<sup>th</sup>, 2016 meeting at the New York Trump Tower with the Kremlin-linked Russian lawyer Natalia Veselnitskaya (although when his Ukrainian connections became public knowledge about one month after being named campaign manager, Trump dumped him unceremoniously at the instigation of son-in-law Jared Kushner).*

**Outlook for US monetary policy** - Fed Chair Jerome Powell's November 28<sup>th</sup> speech to the Economic Club of New York was taken as saying that rates were close to neutral & modifying his more hardline stance of six weeks earlier in a more dovish direction, causing the DJIA to jump some 500 or so points. Ditto for the minutes of the November 7-8 FOMC meeting that were made public the next day; for they talked some about the "rising economic risks" (*i.e. of an economic slowdown*). This has been taken as evidence that, while the next FOMC meeting (on December 18-19) will still raise rates another notch, the probability of three rate hikes in 2019 has become a bit more iffy (something the market already had 'priced in').

**President Trump's (dis)approval rating** - The weekly Gallup Presidential approval poll made public on November 26<sup>th</sup> reported that 38% of those polled approved-, & 60% disapproved-, of his performance (the first time in 11 months that his disapproval rating has been this high). His approval rating was down five points on the week due to declines in virtually every demographic group (& nowhere more so than in the 18-29 age cohort, where it went from 35% to 28%).

**Trump cancels meeting with Putin at the G-20 Summit** - Citing Putin's latest aggressive anti-Ukraine move, in the Sea of Azov, he tweeted this from Air Force One enroute to Argentina, two hours after his one-time lawyer, Michael Cohen, had pleaded guilty to lying to Congress "out of a sense of obligation to Trump" about when the Moscow Trump Tower deal had collapsed (*while he had told Congress this had happened in January 2016, he now says it had occurred in June, after Trump is said to have ordered a softening of US support for the Ukraine in the GOP policy platform*), and about one hour after Trump had told reporters, before boarding Air Force One in Washington, that he was looking forward to meeting with Putin at the G-20 - *Being thus publicly humiliated may have more of an impact on Putin than sanctions or words.*

**Uncommon aspects of the November 27<sup>th</sup> Mississippi Senate 'run-off' election** - GOP Sen. Thad Cochran was one of Mississippi's two Senators from 1978 until last April when, at age 80, he resigned for health reasons, upon which Gov. Phil Bryant named Cindy Hyde-Smith to replace him. In the November 6<sup>th</sup> election as to whom would serve the remaining two years of Cochran's seventh term, there were four candidates, two Republicans & two Democrats, with the former two getting 58%-, & the latter two 42%-, popular support respectively. This necessitated a run-off between the top two, Cindy Hyde-Smith & Democrat Mike Espy (who had *briefly* been Clinton's Secretary of Agriculture, the first Afro-American to have held that post), who had gotten 41.4% & 40.4% popular support respectively on November 6<sup>th</sup>. Then on November 12<sup>th</sup> a video went viral on the social media circuit in which Hyde-Smith was shown, as she stood beside a local supporter, telling those present "If he invited me to a public hanging, I'd be on the front row" (*this in a state that is 37.3% Afro-American, second only to the District of Columbia, & that in the 'good old days' had the dubious record of having lynched more black people than any other state*), causing a whole bunch of corporate donors, incl. Amazon (*whose controlling shareholder Jack Bezos owns the Washington Post*), AmGen, AT&T, Boston Scientific, Facebook, Google, Leidos (*a Reston, VA-based defense contractor*), MLB (Major

League Baseball), Pfizer, Union-Pacific & Wal-Mart to demand their contributions back (since, as one of them put it, “her words don’t reflect our values”). - *But the odds are against Espey; for Mississippi is deep, deep red, hasn’t voted for a Democrat Presidential candidate since 1976, last voted in a Democratic Senator in 1982 & a Democratic Governor in 1999, while in the last thirty years only two Democratic Senatorial hopefuls have come within 8 points of the winning Republican, & Trump beat Hillary there in 2016 by 18 points. His only hopes are that Afro-American voters will turn out in unprecedented numbers (only 33% did so on November 6<sup>th</sup>) for the November 6<sup>th</sup> exit polls suggested that 94% of them had voted for him while only 16% of the white voters had done so, & that there will enough white anti-Trump types who will hold their noses & vote for him. And, if he were to do so, it would be a huge public slap in the face for Trump; for he presided over two pro-Hyde-Smith rallies on the day before the run-off. - In the event, Hyde-Smith won hands-down, 53.9-46.1, although, for all it’s worth, the Democrats can take solace from the fact that her 7.8% edge was less than half Trump’s in 2016 & that her share of voter support had been less than the GOP’s total share on November 6<sup>th</sup>, while Espey’s had been greater. So, with the seat up for grabs again in 2020, the next Senatorial seat campaign is likely to have already started in Mississippi.*

**Share buybacks** - US corporations are continuing to buy back their shares with abandon & US\$950BN in buyback programs have been approved for the current year year (up from the previous record US\$813BN in 2015). Led by the tech stocks, the S&P 500 companies, flush with cash even before last year’s “tax reform”, did US\$194.07BN-worth of buybacks in just 3Q/18. And in the first nine months of this year Apple alone spent over US\$80BN buying back its own shares and, with the benefit of hindsight, one wonders how smart a move that may have been; for while at last report its share price was in the US\$172 range, almost exactly what it had been on the first trading day of this year, YTD it has been as high as US\$230.

**UBS Global Real Estate Index** - It identifies the cities most at risk of having their housing bubble pricked. Its 2018 version was dated September 27<sup>th</sup>, 2018 & reported that :

- The eight currently most vulnerable cities are Hong Kong, London, Paris, Singapore, Tokyo, New York, Amsterdam & Vancouver;
  - Overall there has been a 35% increase in house prices in the past five years;
  - In the past year house prices have declined in half of last year’s “bubble risk cities”;
- In Hong Kong it now takes 22 years of working to pay for a 60 square meter/646 square foot apartment (up from 12 years a decade ago). Among other high cost cities are London -15(11), Singapore -12 (16), Tokyo - 11 (8), Vancouver - 9 (6), Sydney - 8 (5), Munich - 8 (4), San Francisco - 7 (5), Zurich - 7 (5), Toronto 6 (4), Milan - 6 (7) & Chicago - 3 (4).

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**GM TO LAY OFF 14K WORKERS, CLOSE AS MANY AS FIVE PLANTS**  
**(ABC News, Tom Krishner)**

- On November 26<sup>th</sup> it announced it will cut up to 14,000 workers in North America<sup>3</sup> & close five plants (in Detroit, Lordstown OH, Warren MI, Baltimore MD & Oshawa, Canada), as it quits making many of its car models to concentrate on self-driving-, &

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<sup>3</sup> 8,000 white collar workers (15% of its total) & 3,300 blue collar ones in the US, as well as another 2,500 blue collar workers in Oshawa, Canada (60 miles East of Toronto where it has made cars for a century) where its staff numbers have been declining for years, despite the federal & provincial government having provided a nearly \$10BN bailout after GM Canada filed for bankruptcy protection on 2009 (one-third they never were able to recover).

electric vehicles (*and trucks & SUVs?*). This prompted President Trump to tweet that his administration & many lawmakers were exerting “a lot of pressure” on GM & that he had told GM CEO Mary Barra that the government had done a lot for GM and that, if her cars weren’t selling, she should start making ones that did. And he is on the spot big time; for last summer he told the workers at the Lordstown plant not to sell their homes since “the jobs are all coming back”.

*In addition to the five in North America, GM is also closing two plants elsewhere (& had already closed one in Gunsan, South Korea). But the markets in changing : the market share of light trucks & SUVs is now over 60% & still growing, Chrysler-Fiat quit making small-, & mid-sized-, cars two years ago, and Ford recently announced it will quit making cars other than the Mustang & the Focus, and concentrate on making SUVs & light trucks. And the other shoe may well drop when it too announces plant closings (both Ford & GM blame the Trump “Make America Great Again” new tariffs for costing them a billion dollars per year each.*

### **GRAHAM THREATENS TO WITHHOLD SPENDING BILL VOTE SUPPORT UNTIL SENATE GETS CIA BRIEFING ON KHASHOGGI MURDER (Fox News, Samuel Chamberlain)**

- On November 26<sup>th</sup> Senators were briefed by Secretary of State Mike Pompeo & Secretary of Defense Jim Mattis on Khashoggi’s death; both maintained there was no direct evidence to connect Crown Prince Mohammed bin Salman to it & urged Senators to vote against a resolution to end US backing for the Saudi-led forces in Yemen (which, even as Pompeo & Mattis were confabbing with Senators, the White House was threatening to veto if it came to the President’s desk). And earlier Pompeo had said such a bill would be “poorly timed” since diplomatic efforts were underway to end the conflict and the war in Yemen would be a “hell of a lot worse” if the US were not involved.
- But afterwards Sen. Lindsey Graham (R-SC), *often a stalwart Trump supporter*, said he was willing to hold up the Congressional agenda, incl. a spending bill to avert a partial government shutdown, until the Senate hears from the CIA about Khashoggi’s murder, saying “I’m not going to be denied the ability to be briefed by the CIA (*because it has found the Crown Prince must at least have known of the plot although its report’s findings have not been made public & President Trump has equivocated over who is to blame*) ... The question for me is whether or not the CIA supports the conclusion with a ‘high degree of confidence’..
- And, *sure enough*, while Graham had been against the bill, a few hours later the Senate passed it 64-36, with bipartisan support (incl. Sen. Graham’s, who told Fox News outside the Senate Chamber that “I changed my mind ... because I am pi-ed off ...The way the administration has backed Saudi Arabia is unacceptable ... Yemen is just one part of the puzzle, I think we have a right to be briefed by the CIA. How can I make an informed decision if I don’t have access to the intelligence”)? And Mike Pompeo had shown his hand the day before he briefed the Senate in an op-ed piece in the WSJ that said Khashoggi’s murder had “heightened Capitol Hill caterwauling and media pile-on. But degrading US-Saudi ties would be a grave mistake for the national security of the U.S. and its allies”, even though Senate Majority Leader Mitch McConnell (R-KY) had opined “some kind of response” was needed from the U.S. for the Saudis’ role in Khashoggi’s gruesome death.

*What seems to matter to Sen. Graham & his colleagues is that CIA Director Gina Haspel has heard the tape of the last minutes of Khashoggi’s life (that John Bolton, Trump’s National Security Adviser, had denigrated the day because “I don’t understand Arabic”). And Secretary Mattis doesn’t come too well out of this; for just a week ago he announced that the US Air Force*

would quit refueling Saudi jets on their Yemeni bombing runs. And Sen. Graham's position may just be another straw in the wind that, in the wake of the mid-term elections & the latest developments in the Mueller Special Investigation, the GOP establishment has started panicking about the 2020 Presidential Elections, especially since in that year twice as many GOP-, as Democrat-, Senate seats will be up for grabs.

### **NEW HOME SALES TUMBLED 8.9% IN OCTOBER TO A 2½ YEAR LOW (Reuters)**

- There were sharp declines in all regions (*West* -.3.2%, *South* -7.7%, *Northeast* -18.5% & *Midwest* -22.1%). The total number of sales was a seasonally adjusted annualized 544,000, down from the September's 597,000 (that had been raised from an initial 553,000), while the consensus forecast had been for a 3.4% increase to 575,000. And on a YoY basis October's sales were down 12%.

*Some blame mortgage rates being up about 1% YoY, with the 30-year fixed rate now at 4.81% (marginally above the 4.78% nine years ago but well below the 8.25% at the turn of the century), while others say that in the past year house prices have increased 5.1% & wages just 3.1%. And in the pre-owned house market pending home sales were down the 2.6% MoM & 6.7% YoY, with October being the 10<sup>th</sup> month in succession that they have declined.*

### **BRITISH PEOPLE BACK MAY'S BREXIT DEAL (Daily Mail, Simon Walters)**

- According to a Survation poll done for the Daily Mail<sup>4</sup>, 52% of those polled said her plan is the best on the table (vs. 19% who disagreed) and 41% that the Commons should back it vs. 38% who want it rejected. When asked to choose between her plan & the prospect of a Labour government, the PM was favoured 46-31. And 47% believe that reversing Brexit would damage the UK's (*inter?*)national standing. Meanwhile, as many as 90 Tory MPs (out of her 315, *eleven short of a simple majority*) are still threatening to defy her in any 'meaningful' vote. And on November 27<sup>th</sup> the Treasury was to publish a 150 page economic analysis saying that a no-deal Brexit was infinitely worse than her blueprint & the Bank of England an analysis on no-deal Brexit impact on house prices.
- And according to No. 10 the Prime Minister will snub President Trump at the G-20 meeting because he declared, hours after Nigel Farage<sup>5</sup> had attacked her plan on the President's favourite TV show, her proposals would wreck any hopes of a trade deal.

*According to Damian Lyons Lowe, the head of Survation, these results show that, while the deal pleases no one, the public knows it is the end of negotiations and think they & the MPs should be realistic since "her deal is the least bad option and better than a Labour government."*

### **KERCH STRAIT CONFRONTATION : WHAT HAPPENED AND WHY DOES IT MATTER?** **(The Guardian, Andrew Roth)**

- *On Sunday November 25<sup>th</sup> Russian Coast Guard vessels attacked, fired on & boarded (& in one case rammed), and arrested the crews of, three Ukrainian Navy vessels in the narrow (4-9 km-wide) Kerch Strait between the Crimean peninsula (that Russia illegally annexed in 2014) & the Russian mainland to its East. The Ukrainian view is that the*

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<sup>4</sup> The only polling company to have read the outcome of the 2017 election correctly.

<sup>5</sup> Former head of UKIP (the United Kingdom Independence Party) & long-time Euro -skeptic).

ships were traveling from Odessa (on the Black Sea) to the its port of Marioupol on the Sea of Azov<sup>6</sup> in international waters when they were fired upon & intercepted, with several of its sailors wounded in the process (six according to Kiev & three to Moscow) and that Russia had scrambled jet fighters & helicopters in support and had blocked the Strait with a barge, thereby closing all access to the Sea of Azov. And, while Russia doesn't deny any of this, it claims the ships had violated Russian territorial waters.

*Moscow has since announced that it will prosecute the crew members of these vessels. But use of the Kerch Strait has since 2003, three years into Putin's first Presidency, been governed by the bilateral Russia-Ukraine Treaty on the Sea of Azov and the Kerch Strait that established that the two countries share the territorial waters of both waters [which didn't, however, stop Russia in recent years from impeding Ukrainian access to the Sea of Azov, facilitated by the fact that since its annexation of the Crimea it now controls the headlands on both sides of the Strait. There appear to have been three reasons for Putin's move. One, his public approval has plunged by about one-quarter from 82% level last April (& in 2013, while it had it had skyrocketed from 53% to 83% in 2014 after he annexed the Crimea). Secondly, earlier this month the Ukrainian Parliament gave first reading to constitutional amendments that will provide for the Ukraine's full membership in the EU & NATO. And he expects to get away with it, emergency Security Council meeting or not..*

### **EUROZONE BUSINESS SLOWS AS TRADE WAR DRAGS DOWN EXPORTS** **(Reuters, Jonathan Cable)**

- On Friday November 23<sup>rd</sup> it was reported that so far this month Eurozone business growth had been much weaker than expected due to the slowing global economy as the US-led trade war has led to a sharp fall in exports. Earlier surveys had shown that in Germany, Europe's largest economy, business growth had slowed to a near four year low & that France's private sector was struggling to maintain momentum as its manufacturing activity was softening due to a shortage of new orders. And IHS Markit's PMI (Flash Composite Purchasing Managers' Index) for November came in at a post-2014 low of 52.4, down from the final October reading of 53.1 (& an expected 53.0), prompting it to shade its growth forecast from 0.4% to possibly 0.2%, depending on how December turns out.

*And while Capital Economics' Jack Allen doesn't think this will be enough to alter the ECB's plans to end its bond buying program at year end, other economists aren't quite so sure.*

### **TURKEY BLASTS TRUMP OVER HIS STAND ON KHASHOGGI'S KILLING** (Reuters)

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<sup>6</sup> The Sea of Azov is a 360 km/220 mi.-long & 180 km/110mi.-wide Northern extension of the Black Sea with the Ukraine on its Northern-, Crimea on its Western-, & Russia on its Eastern-, periphery. It is relatively shallow, with a 7 meter average depth but extremely fish-rich (with the fish catch there per square meter being as much as 30x that in the Black Sea). On its Northern shore is the Ukrainian port city of Marioupol, that is an important harbour for the movement of Ukrainian exports to foreign markets (and that for the past few years has been a target for the pro-Russian rebel forces in the Eastern Ukraine).. Following his annexation of the Crimean peninsula Putin moved to fulfill a long time Russian dream for a connection between it & mainland Russia to its East by having a 19 km. US\$4BN bridge built over the Strait by a buddy of his (who is under international sanctions) who owned a pipeline-building company but never had built a bridge) which now creates problems for some shipping traffic in the Strait because of the limited clearance under it.

- Mevlut Cavusoglu, its Foreign Minister, said on November 23<sup>rd</sup> that President Trump's comments about Jamal Khashoggi's killing, vowing to remain a "steadfast partner" of Saudi Arabia even though acknowledging that Crown Prince Mohammed bin Salman may have known about the plan to murder Mr. Khashoggi, is putting commercial deals ahead of justice & in so doing is willfully ignoring the crucial importance of human life & in effect is saying that "No matter what happens, I will turn a blind eye." While the White House didn't respond to a request for comment, Rep. Adam Schiff (D-CA), who will chair the House Intelligence Committee in the 116<sup>th</sup> Congress starting next January 3<sup>rd</sup>, told the Washington Post the Committee will investigate the US intelligence assessment of Mr. Khashoggi's death as well as the war in Yemen, and the stability of the Saudi Royal Family and its treatment of critics & the media, saying "We will be ...delving into the murder of Mr. Khashoggi ... *and* certainly want to examine what the intelligence community knows about the murder."
- Meanwhile, MBS is on his first tour abroad since the killing : on November 22<sup>nd</sup> he was in Abu Dhabi, & on the 23<sup>rd</sup> in the UAE, in both of which he was warmly received, before going on to other countries in the region *where he expected similar receptions*, before going on to Argentina for the two-day G-20 Summit on November 30<sup>th</sup> & December 1<sup>st</sup>, that will also be attended by, among others, President Trump & Turkey's President Recep Tayyip Erdogan (*an indication he continues to have the strong backing from his father, the 82 year-old King Salman & hence faces no immediate threat to his grip on power back home?*)

*The issue is less whether he will continue to have daddy's support (for that's all but a sine qua non) but how long he can, & will, last when King Salman goes to Paradise (which, given his age & health status, and his family's longevity record, could be sooner rather than later). And Numan Kurtulmus, Deputy Chairman of President Erdogan's Justice and Development Party told the Turkey State broadcaster TRT/HABER "Yesterday's statement (by President Trump) is a 'comic' statement ... It is not possible for an intelligence agency such as the CIA which even knows the color of the fur on the cat walking around the Saudi Consulate's garden ... to not know who gave this order ... This is not credible either for US public opinion or world public opinion." - It's a pretty sorry state of affairs when the supposed head of the Free World & defender of human rights worldwide can be criticized with any degree of justification by a country with Erdogan's human rights' record.*

### **SWINE FEVER OUTBREAK WREAKS HAVOC ON CHINESE ECONOMY** (AP, Joe McDonald)

- Chinese pig farmers are reeling from the rising feed costs after Beijing retaliated to President Trump's slapping tariffs on imports from China by imposing a 25% tariff on the 32MM tonnes (one-third of its total soybean imports & almost that of total US soybean exports, and twice China's domestic production) it had been importing from the US, with the result that local soybean prices have been rising by as much as 5% a month. And now their problems are compounded by an outbreak of the, for pigs highly infectious, African swine fever. First detected three months ago in the 8+MM inhabitant city of Shenyang, 700kms/440 miles Northeast of Beijing & the capital of Liaoning Province (that abuts North Korea), it has since spread from the very Northeast of the country 2,750 kms as the bird flies to Yunnan on China's Southern border with Myanmar & Vietnam, and has killed 1MM of China's 700MM pigs in 73 outbreaks in 20 provinces. The authorities have responded by severely restricting the movement of pigs throughout the country, thereby interfering in the cities with the supply of China's staple meat & in the country with the price of live pigs for slaughter, thereby adding to pig farmers'

hardship from the higher feed prices (according to Feng Yonghui, Chief Analyst at soozhu.com, a pork industry consultant, “Farmers have been losing money in pig-breeding provinces for the past couple of months and their confidence has been shattered ... The impact of the government policies is greater than the epidemic itself.”)

*The real risk for Beijing is that the epidemic will impact on China's already cooling economic growth rate (in the Third Quarter the annualized GDP growth rate was 6.5%, down from 6.7% in the Second Quarter & the 6.6% expected, and from 6.9% for 2017 as a whole). The reason this is making Beijing nervous is that it has for a long time operated on the premise that the 6.5% GDP growth rate represents the 'tipping point' into widespread social unrest.*