

**GLEANINGS II - 808**  
**Thursday May 2<sup>nd</sup>, 2019**

**April Canadian vehicle sales** - They were down 3.5% YoY (*with the Big Three taking the biggest hit*), the 14<sup>th</sup> month in a row sales have been down MoM *and from an environmental point of view it was disconcerting that, while car sales were **down** 15.9%, those of the less environmentally-friendly trucks & SUVs were **up** 1.5%*. And the situation in the US was similar, for sales there were at an annualized 16.4MM rate, off 5% YoY & from the 16.8MM expected

**April new job creation** – On May 3<sup>rd</sup> the BLS (Bureau of Labor Statistics) reported that in April 263,000 new jobs had been created, *up from 56,000 in February & 189,000 in March but down from 312,000 in January, whereas ‘only 190,000-217,000 had been expected*), causing the unemployment rate to drop further from an already low 3.8% to 3.6%. This gave rise to breathless media headlines trumpeting this was a 49-year low that were deeply flawed for two reasons. One, in the 1990’s the methodology for calculating the unemployment rate was changed in a very fundamental way; whereas until then it had been defined in terms of the number of unemployed relative to the size of the total labour force, ever since it has been calculated in terms of the number of those in the labour force who have a job or are actively looking for one; so the 49-year low claim is an ‘apples & oranges’ comparison. And secondly, what these headlines ignored was the fact that the labour force “participation rate” (i.e. the share of people in the labour force currently employed or in search of one) is at nearly as long a low.

**Canada’s second-largest softwood lumber producer cuts production** - Canfor has 13 sawmills with a 3.8BN BF (board feet) annual capacity. On April 29<sup>th</sup> it cut production at its 12 BC mills by 100MM BF after having already curtailed it twice since last fall, most recently by 40MM BF in January - *The industry has been hit by a double whammy : last April by the imposition of 20% US tariffs on Canadian softwood lumber imports & by the fact US lumber prices are down 32% from last summer’s record levels (US housing starts in March were down 12% YoY). And Canfor just reported its 1Q/19 results; quite a turnaround, to a **loss** of \$89.5MM on sales of \$1.15BN, down YoY from a **profit** of \$112.2MM on sales of \$1.21BN.*

**China trade negotiations** - After their April 30<sup>th</sup> talks in Beijing US Treasury Secretary Steven Mnuchin tweeted “Ambassador Lighthizer and I just concluded productive meetings with China’s Vice Premier Liu He <sup>1</sup>. We will continue our talks in Washington next week.” - *Third party sources say President Trump has dropped a key demand (that China stop alleged commercial cyber theft) in the hope of getting a deal before summer (Beijing knows how to play the self-avowed “Greatest Negotiator” : delay, more delay & finally still more delay!).*

**FOMC holds rate steady** - It had its regularly scheduled meeting on Tuesday April 30<sup>th</sup> & Wednesday May 1<sup>st</sup> & in its usual post-meeting statement said it would keep its benchmark interest rate range at 2.25-2.50% & that low inflation, concern about global growth & tightening financial conditions warranted continuing to take a break from further interest rates hikes for the rest of this year - *Being publicly told “up yours” by a bunch of bureaucrats refusing to bow to his (in this case uninformed?) wishes ain’t going to sit well with Trump who on the first day of the meeting had tweeted the Fed should cut the rate by 1.00% & resume QE (Quantitative Easing).*

<sup>1</sup>

A one-time class mate of President Xi at Beijing’s 101 Middle School, with a degree in Industrial Economics from Beijing’s Renmin University (China’s 5<sup>th</sup> best) & an MPA from Harvard, he is a member of the CPP’s 25 member Politburo, the country’s second-most influential decision-making body, & a confidant of President Xi.

**Gazprom is building two-, large (56") diameter-, trans-Siberian pipelines** - Until 2010 China was self-sufficient in natural gas. But it needed more imports to feed its growth & help phase out its coal-fired power plants and wanted to diversify its energy imports away from the Middle East, the US had indicated it would use its growing LNG exports as a political weapon & it had begun to worry about its dependence on gas imports from Kazakhstan & Uzbekistan. So a few years ago it undertook to fund two new Gazprom-owned pipelines that will enter into service late this year under 30-year contracts. - *One, the 'Power of Siberia' gas pipeline will have an annual throughput 3x the annual US natural gas output & carry gas 4,000 kms/2,500 miles from Yakutia in Eastern Siberia to Vladivostok, with most of it going from there South into Northeastern China. And the slightly smaller Altay/Power of Siberia 2 one will go 2,800 kms/1,700 miles from Western Siberia to China's Northwestern Xinjiang Province (home not only to 11MM Muslim ethnic Uighurs but also to one of China's largest three natural gas basins), whence it will be moved on existing pipelines to China's heartland.*

**Publication of Mueller's March 27<sup>th</sup> letter to Attorney-General William Barr 'put a cat among the pigeons'?** - Written on Special Counsel's Office letterhead, dated March 27<sup>th</sup> & *one page long*, its opening paragraph noted he had sent Barr a letter dated March 25 & had enclosed an executive summary redacted in a manner consistent with legal requirements & Department policies, and "I am requesting that you provide these materials to Congress and authorize their public release at this time". And then he continued in the second-, & final-, paragraph "the summary letter *you* sent to Congress and released to the public late in the afternoon of March 24<sup>th</sup> (*after he had first discussed it in the morning with the media before sending it to Congress at noon*) did not fully capture the context, nature and substance of this office's work and conclusions ... (*as a result of which*) There is now public confusion about critical aspects of the results of our investigation." - *he thus politely called Barr a malefactor & further eroded his already tarnished reputation (making him just the latest in a series of individuals who have been tainted by their association with Trump).*

**Reported number of active oil & gas drilling rigs in Western Canada “**

	23/1/12	17/2/14	2/1/17	4/2/19	12/4/19
Alberta	501	466	150	159	48
BC	62	62	24	18	15
Saskatchewan	98	90	27	57	1
Manitoba	20	14	3	9	-
Other	1	-	1	2	2

*Most of the 'missing' rigs have gone to the US where, all others things equal, the environment for the companies owning them is far more positive than in Canada.*

**Vancouver's housing market keeps softening** - In April the number of homes sold hit a 24-year low (*the best thing that can be said about that is that in March they had been at a 33-year low, despite the fact that Vancouver's population has grown by 75% & 110% respectively since then*). And the benchmark price was down for the 11<sup>th</sup> consecutive month (by 15% to \$1.1MM), as the inventory of unsold houses on the market had swelled by 30+%.

**Venezuela** - On May 1<sup>st</sup> US Secretary of State Mike Pompeo said publicly some form of US military intervention was "possible" & NSA John Bolton that Russia had no business in

Venezuela, threatened sanctions & told Moscow "This is our hemisphere. It's not where Russians should be interfering. This was a mistake on their part." - *Does anyone really pay any attention to what either of these dolts say? The Monroe Doctrine Bolton reached back to has been seriously, if not fatally, compromised since the 1953 Cuban Revolution. And one shouldn't make threats unless prepared to follow through on them & foreign leaders know that what Trump's minions say can be changed by him on a whim & that he is more word than action.*

**Vote buying on an unprecedented scale?** - On Friday April 26<sup>th</sup>, Finance Canada reported that Ottawa had a \$3.1BN surplus in the first 11 months of the fiscal year to March 31<sup>st</sup>, while last month's Budget (*also prepared by it*) had projected a \$14.9BN deficit for the same fiscal year. But the Finance report reconciled these apparent internal contradictions by saying the surplus would be "more than wiped out" by spending promised in the Budget that include "several significant measures" that would be booked in the last fiscal year once the legislation *authorizing them* is passed (incl. a \$2.2BN transfer to communities for infrastructure projects, \$1BN to improve energy efficiency in buildings & \$900MM to forgive-, or reimburse-, loans to indigenous governments for their comprehensive claim negotiations (*to pay the lawyers' fees typically paid out of settlement proceeds?*), *all of them creating photo ops for Liberal MPs being shown to their constituents as handing out cheques in what for them are immense amounts that will (indirectly) benefit them.* - *The Prime Minister must be seriously worried about his chances in this fall's elections to pull such a blatant stunt.*

**Two interesting factoids from the IMF World Economic Outlook, April 2019 document -**

**a) The 'Levelized Cost' of Electricity from Low-Carbon Energy Sources :**

	-----US\$ per MegaWatt-hour (MWh)-----	
Solar	310 (2009)	55 (2017)
Hydro	150 (2009)	130 (2017)
Wind (Onshore)	95 (2009)	30 (2017) <sup>2</sup>
“ (Offshore)	30 (2012)	45 (2017)

**b) Sources of Annual Additions to Global Electricity Capacity (in Gwh) :**

	2001	2017
Solar <sup>3</sup>	-	94
Hydro	12	22
Wind (Onshore)	8	44
“ (Offshore)	-	5

*Between 2009 & 2017 the rate of growth of global electricity generating capacity connected to the grid from renewable sources was over twice that from non-renewable sources.*

**Ukrainian Presidential follow-up** - The new President, who studied to be a lawyer but ended up being a successful actor/comedian, will be inaugurated on June 3<sup>rd</sup>. Meanwhile he has gathered around him a largely technocratic team & has, *for all they're worth*, received pledges of support from the US, Germany, France, the EU & others that could be critical to his success (but a negative reaction from Putin, for whom a successful Ukraine would be anathemous). He has also articulated an *ambitious & popular* initial agenda : stay with the IMF stabilization program, remove politicians' & judges' immunity, create an anti-corruption court & reform the judicial & prosecutorial systems, introduce anti-trust legislation to bust up the oligarchy & a 5% corporate tax rate to attract FDI, promote land reform (*to boost GDP growth*), make military procurement more transparent (*during the Poroshenko years there had been a number of*

<sup>2</sup> According to the New York-based Lazard investment bank, the levelized cost of coal-fired power in the US is now US\$36, slightly greater than solar & a whack greater than onshore wind's US\$29.

<sup>3</sup> This number series (& that for wind) may be distorted by the fact that China built significant solar-, & wind -, capacity that encountered "delays in grid connection" & sat idle long after construction was completed

military procurement scandals) & maintain strong relations with the West - *But before he can tackle these issues, he must first gain control of Parliament in the parliamentary elections (that he hopes to bring forward from the currently scheduled fall date) to wrest control from the oligarchs who have long “owned” it.*

**US gasoline prices** - According to the AAA the average price of regular gasoline was US\$2.88 per gallon/US\$0.77 per liter, up from US\$2.64/US\$0.70 a month ago, i.e. up 10% MoM.

**US natural gas supply & demand situation -**

	Output	YoY Incr.	CAGR*	Consumption	YoY Incr.	CAGR*
2018	32.7 TCF	12.0%	-	30.0 TCF	10.7%	-
2017	29.2	2.8%	3.75%	27.1	-1.1%	1.6%
2016	28.4	-	-	27.4	-	-
2007	20.2	-	-	23.1	-	-

\* Compound Annual Growth Rate during the decade ended in 2017

*This is bad news for Canada’s three Western-most provinces (& for Canada); for this not only means the US doesn’t need Canadian oil anymore but neither does it Canadian gas (& in a worst case scenario either or both could start flowing North). And while the headlines fuss over the fewer active drilling rigs in the US, the industry’s inventory of DUC (Drilled but Uncompleted) wells did in the past two years soar five-fold from 1,754 to 8,500 (as the number of wells drilled annually doubled from 9,800 to 19,700). So the industry now has a big inventory overhang of DUC wells that as long they’re not completed are negative cash flow generators & has every incentive to shift some capital spending from drilling to well completion, thus, despite fewer active rigs, keeping the shale oil output growth momentum alive & well for the foreseeable future (Bringing a shale oil or gas well into production has two roughly equally costly phases : drill the well, first vertically & then horizontally, and then ‘fracking’ it (injecting a mixture of liquids & a special kind of sand under high pressure into the fissures in the rock formation surrounding-, so as to allow the oil or gas to flow more freely into-, the borehole] .*

**“We will put coal miners back to work”** - That was candidate Trump’s promise in 2016 &, according to the St. Louis Fed, their number has indeed grown by 1,800 to 52,500 since. But that doesn’t alter the fact that a) this is still down 31,700 from 26 months into Obama’s first term & b) mines keep closing (& miners losing their health insurance coverage, as was the case late last year when a mine closed, & threw 420 miners out of work, in one of the several Kentucky counties that in 2016 had voted 80+% for Trump) - *And coal mines will keep closing faster than ever; for between 2009 & last year production of coal-fired power **declined** by 34.7% while that of gas-fired power **increased** by 59.6% (the latter now exceeds the former by 28.1%, and last January gas-fired power generation was **up** 8.1% -, & the coal-fired kind **down** 15.0% YoY* <sup>4 5</sup>

<sup>4</sup> According to the EIA since 2006 the % of US electricity generation by energy source has evolved as follows\*:

	2006	2018
Coal	49%	29%
Natural gas	20	35
Nuclear	20	20
Non-hydro Renewable	2	10
Hydro	8	8
Other	0	2

**Business as usual in the Trump Administration** - Recently President Trump endorsed Libya's 76 year-old 'field marshal' Khalifa Haftar <sup>6</sup> as, with the tacit support of Egypt & Russia, his self-styled Libyan National Army (LNA) attacked Tripoli, the nation's capital, to unseat the UN-recognized Government of National Accord (under the guise of it being an enabler of terrorism). This coincided with UN Secretary-General Antonio Guterres' visit to the city to prepare for a peace conference, (& according to Bloomberg, Trump had even phoned Haftar to tell him he supported him attacking Tripoli). And yet, Secretary of State Mike Pompeo subsequently warned Haftar to "immediately" halt his offensive against Tripoli (*which apparently has proven a 'harder nut to crack' than Haftar had anticipated*). And while Haftar's critics concede he did defeat the ISIS forces in Eastern Libya, they also say he is now allied with the Madkhalist <sup>7</sup> ultraconservative Islamist Salafi forces that he had once promised to eradicate as well - According to the Fulbright Prof. Jacob Mundy who teaches in neighbouring Tunisia & has written a book on Libya, "He does see himself as the Libyan leader ... he launched the attack to interrupt the peace process and take over", & to Frederic Whery, a Senior Fellow at the Carnegie Endowment for International Peace <sup>8</sup> & the author of *The Burning Shores : Inside the Battle for the New Libya*, who interviewed Haftar in 2014, "He's supremely self-confident and convinced of his mandate ... He's an old-school, dyed-in-the-wool military man, an authoritarian by temperament. He has a deep lust for power and has been masterful at exploiting the disenchantment with the [2011] revolution." (that has been the curse of post-colonial Africa, a surfeit of men with a "deep lust for power" & a talent for taking advantage of inter-tribal rivalries).

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### **TRUMP'S STOUT ECONOMY SHOWING CRACKS (Bloomberg, Katia Dmitrieva et. al.)**

- While President Trump was quick to boast about the First Quarter's surprisingly strong *preliminary* GDP growth number that its performance was "far higher than the high expectations", the economy still seems poised for a slowdown this year. For over half that strength came from the volatile trade-, & inventory accumulation-, components that can quickly reverse, while the far more important consumer spending component cooled for the third quarter in a row & non-residential business investment grew at its second-slowest pace since he took office *twenty-seven months ago*. Moreover, residential real estate was a drag on growth for the fifth straight quarter, as it contracted at a 2.8% annualized rate & subtracted 0.11% from GDP growth, and housing starts & home sales remained sluggish.

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- Totals may not add due to rounding.

5 While the industry has benefitted in the short run from a tripling of US coal exports to 60MM tons, which has helped boosting its total coal production from 728,364MM tons in 2016 to 755,523MM tons in 2018, the outlook for much further growth therein is minuscule, if not zero, and neither does it alter the fact that in 2012 total US coal production had been one-third greater than today.

6 With the White House issuing a statement that the President "recognized Field Marshal Haftar's significant role in fighting terrorism and securing Libya's oil resources"

7 Followers of an 85 year-old extremist Saudi imam living in Medina.

8 A think tank founded in 1910-, & still headquartered-, in Washington DC, today it has an annual budget of US\$50MM and branches in Moscow, Beirut, Beijing, Brussels & New Delhi.

- According to Mark Zandi, Chief Economist at Moody's Analytics Inc. "The thought that the economy's rate of growth will be much slower than last year is still right ... I don't think we're going to see an economy that's nearly as strong as last year because the benefits of those tax cuts are gone." Not dissimilar thoughts came from Michael Gapen, Chief US Economist at Barclays PLC who commented that consumer spending "has to get stronger for the economy to remain in an expansion ... We think it will, but it's not a silver lining. Underneath the hood, household spending was soft and further expansion is going to require households to get back to a normal pace of spending", while Jay Bryson, Global Economist at Wells Fargo, opined "Is the underlying growth trend of the economy 3.2%? Probably not ... The economy isn't stalling by any means, but the underlying momentum just isn't there ...there just hasn't been a sustained pickup."
- While some reports have pointed to signs of strength, such as March retail sales rebounding, a proxy for business investment rising sharply & stocks rallying the most since 2009 (*albeit after a dismal Fourth Quarter to a level still below last October's*), net exports had added 1.03%-, & inventory accumulation 0.65%-, to growth, with their 1.68% combined impact being the biggest in six years, while non-residential investment had risen *just* 2.7% & equipment spending was up 0.2%, a post-2016 low.

*In late May, we'll all be the wiser; for that's when the BEA's first revision of its preliminary First Quarter estimate is forthcoming; if a betting man, I would bet on it being downward. And with the Fed expecting 2.2% growth for the year as a whole, the private sector economists' consensus being 2.4% & the Atlanta Fed's GDPNow reading just having been more than halved on May 1<sup>st</sup>, to 1.2%, the preliminary First Quarter outturn is beginning to look like a, possibly major, outlier.*

### **TRUMP ORGANIZATION AND FAMILY SUE DEUTSCHE BANK AND CAPITAL ONE TO BLOCK CONGRESSIONAL SUBPOENAS (WP, Davis A. Fahrenthold)**

- They did so on April 29<sup>th</sup> in the District Court of the District of Southern New York to try & prevent them giving *some of* their records to the House Intelligence-, & Financial Services-, Committees. Once again, the argument is that the subpoenas were issued to "harass" the president & enable them (*i.e. the House Committees*) to "rummage through every aspect of his personal finances, his business and the private information of the President and his family, and to ferret for any material that might be used to cause him personal damage ... no grounds exist to establish any purpose other than a political one." But legal experts predict the courts to be unwilling to stand in the way of Congressional oversight, with Yale Law's Prof. David Alan Sklansky opining that "This isn't (*even?*) a close question."

*The Washington Post's comment was "This garbage suit has (only) one goal, "Delay, delay, delay". But suing comes natural to Trump : last week it was Mazar's, his accountant's, turn & this week his banks', with the only question now being whose turn it will be next. According to USA Today, prior to his 2016 nomination, he had over the years been involved in 3,500+ law suits, the majority of them initiated by him for vexatious reasons against those who had displeased him [incl. Drinks America that, after signing a deal to pay him royalties on its 'Trump Vodka' (marketed as "Success Distilled"), quit making it since sales hadn't vindicated Trump's claim it would outsell Goose Vodka & that 'Trump & tonic' would become the most popular drink in the country]. Trump seems unable/unwilling to appreciate that being a politician involves some surrender of privacy to the public's 'right to know' and that as a voter-elected President he has far less power over those who gave him his job than he had, as the self-appointed president of his own company, over the people to whom he had given jobs. Nor does he seem to be familiar with the Shakespearean adage in Hamlet "The lady doth protest too much, me thinks"*

*(in other words, the more he fights these subpoenas, the more-, & the more widespread-, suspicions could become he has something to hide). And the writer has another article in the May 1<sup>st</sup> edition of the same paper about the undocumented workers on Trump's golf courses who, until fired after their existence became public knowledge, had routinely been expected to do "side work" (i.e. overtime without pay) and denied the promotions, vacation days & health insurance coverage of documented workers, and who in the last three months have been cooperating with the New York State Attorney-General to help him build a case against the President that could be hugely embarrassing to him & his family.*

### **BAD DEBT INDICATOR AT SEVEN-YEAR HIGH (Bloomberg, Jenny Surane)**

- In the First Quarter the credit card industry's 'charge-off rate' (the percentage of its outstanding loans it expects never to be able to collect) rose to a post 2Q/12 high 3.82%, while the 30 day past due rate increased at all largest seven US credit card issuers<sup>9</sup>. And according to Richard Fairbank, CEO of Capital One, some customers' negative credit events during the financial crisis have been purged from their credit bureau reports, so that "we may be looking at data that might not paint the full picture of a customer's credit history ... and part of ... our caution has been not only how deep we are in the *economic* cycle, but, also, *that* this is the time when there is less information than there once was". And Capital One also reported that its First Quarter charge-off rate had been 5.04%, up from 4.64% at the end of 2018, while at Discovery it had gone to 3.50% from 3.23% QoQ.

*But in absolute terms the charge-off rates are still not far from their historic lows.*

### **PUTIN BACKS XI'S VISION FOR INTERNATIONAL TRADE (G&M, Nathan Vanderklippe)**

- Xi is casting himself *internationally* as the antidote to President Trump & his tariffs, and as the guardian of globalization & the guarantor of free trade. And when Putin arrived in Beijing on April 27<sup>th</sup> to attend a Belt and Road Summit, he clearly put himself in Xi's camp; for he told those present (including 36 national leaders other than Xi, but among whom high level US representation was conspicuously absent), "It's important to create an effective answer to the risk of fragmentation of the global economic, political and technological space ... and to *formulate our own* answer to the rise of protectionism, the most dangerous form of which is the illegitimate one-sided measures taken without any account from the United Nations or, even worse, trade wars."

*Like Xi, Putin capitalizes on the void in international affairs created by Trump's ill-advised efforts to undermine the post-WW II global institutional frame work (that dates back to a time that US GDP was about 45% of the global total, whereas today it's, at best, half that).*

### **PASSAGE OF US WARSHIPS SPARKS CHINESE OBJECTION (AP)**

- Over the April 26 weekend (while President Xi & his wife were at the White House) two US Navy vessels, *the USS William P. Lawrence & USS Stethem, both Arleigh Burke class guided missile destroyers*, traversed the Taiwan Strait (*that Beijing deems an 'inland water' because of its claim on Taiwan as a 'renegade province'*), the seventh time

<sup>9</sup>

To wit : Visa (323MM card holders), MasterCard (191MM), Chase (93MM), Amex (58MM), Discover (57MM), Citibank (48MM), and Capital One (45MM).

in ten months a pair of US naval vessels has done so. And while the Taiwan Defense Ministry said on Monday April 29<sup>th</sup> they were free to do so as part of their “strategic Indo-Pacific tasks”, China Foreign Ministry spokesman Geng Shuang said that same day that Beijing had expressed concern to Washington about this, & that it should handle Taiwan-related issues “prudently” so as to avoid negatively impacting on China-US relations *since* the Taiwan issue is the most important & sensitive one in the Sino-US relationship (*more so than trade & tariffs?*).

*It will take only one hothead and/or misunderstanding on either side to create a major international incident. And while in the mid-1990s, when Beijing started firing missiles in the sea around Taiwan as it was preparing for its first fully democratic election, Washington sent a couple of aircraft carrier groups through the Strait to have Beijing ‘cease & desist’, no US carrier has been in the Strait since 2007. Meanwhile, Beijing has for years been in a ‘blue water navy-building mode’<sup>10</sup> that President Xi has speeded up, with each new vessel launching now highly publicized & promoted to the locals as hard evidence of the reality of his “Chinese Dream” (of ‘Middle Kingdom’ glory restoration). So after having launched about 400,000 tonnes (i.e. almost the same tonnage as four US aircraft carriers) of new PLA Navy vessels in the years 2015-2017, twice as much as the US Navy, it now has a fleet of 400 warships & submarines vs. the US Navy’s 288 & Russian Navy’s 287 (although, while adding to the PLA Navy fleet far faster than Washington is to that of the US Navy, in total tonnage & striking power it is still far behind & will remain so for years to come<sup>11</sup>. And, while Xi in his domestic policy thinking is said to be driven by what happened to the Soviet Union’s Communist Party after Gorbachev introduced ‘perestroika’, he may be forgetting that Gorbachev had been ‘painted in a corner’ by the cost of Breshnev’s arms race with Reagan.*

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That in the near term would help enforce Chinese control over its “Three Seas” [the South China Sea, where it has been building “islands” but that is a major maritime thoroughfare, the East China Sea between Mainland China & Japan and the Yellow Sea between Korea’s West coast & the Chinese Mainland], all of them bodies of water that, under UN Convention of the Law of the Sea, are largely beyond the control by any riparian nation, incl. China that longer term targets challenging the US post WW II dominance of the world’s oceans.

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Although far too much of that US Navy’s tonnage & firing power is tied up in its 11 currently active carriers that could be made to meet a similar fate as the WW II “battle wagons” by China’s new missiles that would target them from space at Mach 5 speeds that the US Navy has yet to figure out how to defend against. This must have contributed to the finding last November by the bipartisan National Defense Strategy Commission of experts that in a war with China over Taiwan “Americans could face a decisive military defeat.”