

**GLEANINGS II - 823**  
**Thursday September 12<sup>th</sup>, 2019**

**Quote of the week** - “When haters go after your looks and differences ... it means that they have nowhere left to go ... And then you know you’re winning.” - Greta Thunberg - *This came after someone criticized the 16 year-old Swedish environmental activist for having been diagnosed four years ago with Asperger’s syndrome (a mild form of autism). And she seems to be doing quite well for someone with an affliction the many symptoms of which include “selective mutism” (i.e. the ability to speak freely only with people with whom they are comfortable), difficulty communicating effectively & an inability to empathize.*

**Quote of the week No. 2** - “Every election is a sort of advance sale of stolen goods.” H.L Mencken (1880-1956) - *An American journalist (for the Baltimore Sun), cynic & satirist, and student of English as spoken in the United States, who was critical of many of modern society’s institutions & a coiner of a plethora of quotable observations.*

-0-0-0-0-0-0-0-0-0-0-

**Alberta is fiscally one sick, sick puppy** - While a decade ago the Province had a \$30BN net asset position, this has since shrunk \$58BN to a net negative \$28BN after seven budget deficits as high as 3.4% of GDP in the past decade <sup>1</sup>. And, while some see a sales tax as the solution, that likely would prove be a matter of throwing good money after bad. For, while the Province has long had a highly fluctuating revenue problem and more recently suffered the consequences of lower oil prices & an inability to get oil to market, its basic problem is a spending one <sup>2</sup>, among others because its oversized contingent of provincial employees are the highest-paid in Canada. And matters were aggravated by the previous (NDP) government’s hiring spree even as well-paying-, tax generating oil patch jobs went up in smoke - *The recent report of a task force, commissioned by the now five months-old Conservative government of Premier Jason Kenny, headed by 72 year-old Janice Mackinnon <sup>3</sup> noted “Without decisive action, the province faces year after year of deficits and ever increasing debt”, prompting one fiscal conservative to warn “Health care needs a major transformation. The public service has to start living in the real world. Local councils can’t expect the province to pick up every bill. Universities have to study up on new math and raise their own cash. Everyone needs to quit assuming spending can just go up year after year, regardless of the revenue available” (a warning that should be taken to heart by governments large & small everywhere). And to give credit where it is due, Premier Kenny has started to address the public payroll problem, prompting immediate pushback from union hacks & all those who oxen will be gored and, although there is significant support from Joe & Jill Average Alberta Taxpayer to “do it” to fat-cat civil servants, that may not last long when their turn comes, as it almost inevitably must.*

---

<sup>1</sup> It has overspent at a nearly \$6BN average annual rate during a period when its annual budgets were in the &35-45BN range & during the first half of which oil prices were at record high levels.

<sup>2</sup> Thus, as the Mckinnon report points out, while in BC the K-12 education sector spends 17% of its budget on “administration and governance”, the comparable number for Alberta is 25%.

<sup>3</sup> Who served as Roy Romanow’s NDP government’s Finance Minister two decades ago & now is a professor of history at the University of Saskatchewan.

**Another nail in Trump's coffin?** - On Monday September 9<sup>th</sup> CNN came out with a blockbuster scoop that in *mid-2017* the US had successfully extracted a mole of decades' standing (who in that time had risen into the Kremlin hierarchy to the point that he *had allegedly been able to photograph documents on Putin's desk* and had been helpful in the investigation into Russia's interference with the 2016 US Presidential election) out of concern that President Trump & his officials had repeatedly mishandled classified intelligence that could cost this priceless HUMINT (human intelligence) asset his life, and more specifically because at a May 2017 meeting in the Oval Office the President had shared highly classified intelligence (*from Israeli sources*) with Russia's Foreign Minister Sergei Lavrov & then Ambassador to the US Sergey Kislyak) - *And while CNN avoided naming the individual out of concern for his safety, the next day the Moscow Times reported on an article in the Kommersant 'liberal' business daily that had revealed that :*

- the individual in question was Oleg Smolenkov, the long-time trusted aide of Yuri Ushakov, a senior foreign policy aide to Putin & former ambassador to Washington (*where Smolenkov had worked for him*);
- he, his wife & *their three children* had 'disappeared' in June 2017 while on holiday in Montenegro, which the FSB (Russian Federal Security Service) had attributed to murder until it found out he was alive & well, and living in the US under US government protection;
- it had found real estate data available to the public showing a 2018 purchase of a *six bedroom* Northern Virginia property by Oleg & Antonina Smolenkov.

In the aftermath of this, Putin mouthpiece Dmitry Peskov told reporters that Smolenko never had a senior role in the Putin administration <sup>5</sup> & had been fired years earlier, and that reports of him being a US spy were "pulp fiction", while Lavrov told them that he had never heard of Smolenkov - *one consequence of this has been to 'set the hares arunning' as to what other classified information Trump may have shared with third parties (& with Putin himself, especially since, after their one-on-one in Helsinki, he had confiscated the translator's notes) .*

**Canadian & US new job growth** - The US population is 9x-, & its GDP 12x-, Canada's. Yet, in August in Canada 81,100 new jobs were reported to have been created (a multiple of the 15,000 expected) vs. 130,000 in the US (significantly less than the 158,000 expected & barely enough to accommodate the estimated 125,000 needed to keep up with its organic labour force growth). But in Canada over two-thirds of the new jobs were part-time. Elsewhere the evidence was mixed : the unemployment rate in the US was flat at 3.7% & in Canada at 5.7% while wages were up 3.8% YoY in Canada & 3.2% in the US -*The 81,000 number seems surreal to David Rosenberg* <sup>6</sup> *since in the Second Quarter real final demand in Canada declined by 0.7% (the third decline in the four quarters)-, business spending on machinery & equipment at a 32% annual rate (the third decline in that last four quarters)-, non-residential construction at a 1.8% annual rate (the sixth quarterly decline in a row)-, & consumer spending on durable goods at a 1.3% annual rate (the fifth time in six quarters it has been in negative territory)*

**CEO departure rate** - Chicago IL-based Challenger, Gray & Christmas Inc. is America's oldest executive outplacement firm. It reports that in the first eight months of this year departures of US-based companies' CEOs were the highest in the 17 years it has been tracking them. And its

---

<sup>5</sup> Which is irrelevant since spies tend to be better off being obsequious than having profile.

<sup>6</sup> A Canadian & UoT alum, he was Merrill Lynch's Chief American Economist in New York, where he had an outstanding forecasting track record, until a decade ago, when he moved to the market's BUY side by joining Toronto-based money manager Gluskin Sheff & became a perennial 'bear'.

previous record number of US CEO departures over the first eight months of a year preceded the Great Recession, the deepest one in 70 years.

*Another 'straw in the wind' that will prompt at least some people to 'flee to safety'?*

**“Democracy in Canada - The Disintegration of Our Institutions”** - This is the title of the 46<sup>th</sup> book by the now 72 year-old, multiple award-winning Prof. Donald J. Savoie, the Canada Research Chair in Governance (*aka the 'éminence grise' of Canadian Public Administration*) at his alma mater, New Brunswick's l'Université de Moncton. Its bottom line is that the House of Commons has lost its way as the body that, as the 19<sup>th</sup> Century writer Walter Bagehot <sup>7</sup> put it, gives voice to “to the sentiments, the interests, the opinions, the prejudices, the wants of all classes of society.” - *But this is not just so in Canada; for ever since WW II politics in the democratic world has become more polarized-, & more top down than bottom up-, driven (a process to which I had a ringside seat in Canada as it started to evolve under Trudeau père), which has now led to a wave of populism, & grassroots rebellion among hoi polloi wholly disenchanted with a system that no longer serves their needs & interests but those of a self-serving politicians' cum bureaucrats' clique that sees itself as masters rather than servants.*

**Elections in Canada** - In 2015 Trudeau (*rightly?*) promised three years of \$10BN deficits to jumpstart an economy that was down in the dumps [and a balanced budget & a \$1BN surplus in the current fiscal year (to March 31, 2020)]. Instead we have had four years of annual deficits in the \$15-20BN range & a forecast of more of the same to come (deficits of \$19.7BN in the next fiscal year & of \$14.8BN in 2021-22). And now his Liberals are spreading money the government doesn't have like a drunken sailor; for in the past two months the PM & his acolyte MP's have made 3,604 'pork barrel' announcements that would involve \$16.5BN of incremental spending (*i.e. \$4,400 per capita* <sup>8</sup>) – *But the past four years' \$60-80BN 'pump priming' spending spree seems to have had limited longer term effect; for while it did help raise GDP growth from -0.5% to closer to 4% in the first two years, it has since slipped to 1.8%. Nevertheless, the polls, for all they're worth, now suggest the opposition Conservatives may just succeed in “snatching defeat from the jaws of victory”* <sup>9</sup> *since they have an uninspiring leader, are focused on personal attacks than policy proposals & are allowing the Prime Minister to control the agenda.*

**Goldman Sachs (*finally?*) getting its comeuppance?** - Last month Malaysia's Attorney-General filed criminal charges against 5 current-, & 12 former-, Goldman Sachs executives for their role in the 1MBD Affair [a state investment fund set up over a decade ago by former Prime Minister Najib Razak <sup>10</sup> from which US\$6.5BN “disappeared” between 2009 & 2015, with Goldman having underwritten three bond issues for it for a total of US\$6.5BN (& collecting an *unconscionable* US\$600MM in fees for doing so), of which US\$2.7BN was part of the US\$6.5BN

---

<sup>7</sup> An English businessman & writer/journalist who lived from 1826-1877-, & was Editor-in-Chief of The Economist from 1861 until his death in 1877.

<sup>8</sup> With there being a wide disparity in per capita amounts, ranging from &9,533, \$5,010 & \$2,269 for the three territories (Nunavut, Yukon & Northwest Territories that have one MP each) to \$56, \$117 & \$120 for Manitoba, Alberta & Saskatchewan with 14, 21 & 14 MPs respectively.

<sup>9</sup> As I fear the Democrats in the US risk doing as well 14 months from now

<sup>10</sup> Who now is in court facing 4 charges of abuse of power & 21 of money laundering.

that went astray - *Meanwhile, a dozen Goldman partners are negotiating their exit from the firm, purportedly since its new CEO, David M. Solomon, feels having 500 partners is overdoing it.*

**Israel's September 17<sup>th</sup> elections** - Netanyahu gives the impression of running scared; for while in the Knesset elected last April Likud had 38 seats vs the Blue & White's 35, in the polls over the last two months the two have consistently been neck and neck in the low 30s' range and, far worse, while Likud & its coalition partners in the last Knesset had tied the seat count of the "Others" at 60 seats each, the latter have since the election was called consistently & significantly exceeded the seat count of Netanyahu's support group, in a September 10<sup>th</sup> poll at a rate of 67-53. Thus he recently went on Facebook to exhort his followers to convince wavering voters that "a dangerous government with Lapid, Odeh, Gantz and Lieberman must not be established in another week. A weak, secular, left-wing government that relies on Arabs, who want to annihilate all of us, women, children and men, and allow a nuclear Iran that will exterminate us" <sup>1</sup> & has made increasingly desperately-sounding promises, recently that "immediately after the election if I receive a clear mandate to do so from the citizens of Israel" he would annex all Jewish settlements in the West Bank as well the Jordan Valley (*that demarcates the border between Jordan & the West Bank* <sup>11</sup> & where 65,000 Palestinians & 11,000 illegal Jewish settlers live) - *But his followers' reaction was flatter than a pancake; thus that of his former Education-, & Diaspora Affairs-, Minister (& a decade ago Chief of Staff) Naftali Bennett* <sup>12</sup> was "Welcome to Netanyahu's series of promises ... but they are just words", noting that time & again he had made promises before an election he had failed to follow through on afterwards <sup>13</sup>, while Anshel Pfeffer, the author of the 2018 Netanyahu biography "Bibi" (in which at some point he describes him as "a politician with a near-flawless timing") commented "He's expecting right wing voters to believe that, suddenly after all these years he's been in power and he's done nothing in this direction - suddenly, a week before the election, this is the historical opportunity ... Obviously there will be some people who will swallow it, but it really smacks of desperation." - *Netanyahu has reason to be nervous, for at age 69 & after 13 years as Prime Minister (1996-1999 & again for the past decade), if he doesn't get re-elected, he is unlikely to be able to avoid appearing in court next month to face three separate charges of fraud & breach of trust (one of which includes a charge of bribery) which could have him end up in jail (as well as his wife Sara who last June was found*

---

<sup>1</sup> So much rubbish. Blue & White is by all accounts centrist, if not slightly right-of-centre. One of its leaders is Benny Gantz. Netanyahu's IDF Chief of Staff from 2011-2015 & hence just as beholden to the State of Israel, but more pragmatic than he is & not beholden to the far right, & the other Yair Lapid, an author & former TV news anchor with impeccable centrist credentials who was Netanyahu's Finance Minister in 2013-2014. And other prominent Blue & White supporters include Gabi Ashkenazi, Gantz's predecessor as IDF Chief of Staff, Avigdor Lieberman, Netanyahu's Defense Minister from 2016 to 2018 and the 45 year old Israeli-Arab lawyer & MK Amyan Odeh, who heads the Israeli-Arabs' "Joint List" that, contrary to Netanyahu's insinuation, is less into "annihilating all of us" than into not being treated as third class citizens

<sup>11</sup> I.e, in total close to half the West Bank)

<sup>12</sup> A now 47 year-old software multi-millionaire who is a strong settler advocate & Chairman of the New Right-, & before that the Jewish Home-, parties and who, according to the [Jerusalem Post](#), is "very worried" about John Bolton's firing & President Trump's latest moves on Iran, saying that "US and Israel's interests regarding Iran differ."

<sup>13</sup> Most recently before last April's election when he had made the same promise to annex the West Bank only to forget about it in the weeks following as he unsuccessfully sought to build a coalition.

*guilty of one charge of the misuse of public funds but whose sentencing has presumably been held in abeyance until after the election). And if he were to be found guilty of one or more criminal offenses, he will be just one of a long line of senior public officials that have been found guilty of criminal offenses & were punished by sentences that ranged from a slap on the wrist to 11 years in jail, incl. one President, one Prime Minister, 11 Ministers, 16 MKs, two Chief Rabbis & six city Mayors. While a poll, published on September 12<sup>th</sup>, commissioned by the Knesset Channel & done by the Panels Politics polling organization gave Likud 36 seats vs. Blue & White's 32 (quite a change from its September 4<sup>th</sup> poll 31-31 tie result) it was countered that very same day by a poll conducted by the Kan broadcaster that gave Blue & White 33 seats & Likud 31, up from a 32-31 split just two days earlier. Four days from now, on Tuesday September 17<sup>th</sup>, the only poll that really matters will be conducted!*

**No Republican primaries?** - Last week the RNC (Republican National Committee) announced that four state committees had cancelled their primaries (Arizona, Kansas, Nevada & South Carolina - all but Nevada "red" states), according to President Trump since "They didn't want to waste their money". And it would not be surprising if others were to follow in their footsteps in sucking up to Trump - *There are three wannabe challengers, all of the sort of credible-, but not heavyweight-, variety, although they may be joined by other, more substantive, ones if, in the next five months, there appears 'more blood in the Trump waters'. They are :*

- **Bill Weld (age 74)** - *In announcing his candidacy last April he said "Our president is simply too unstable to carry out the duties of the highest executive office in the land ... I am here because I think our country is in grave peril and I cannot sit any longer quietly on the sideline". He was governor of Massachusetts from 1991-1997 & the vice presidential running mate of the Libertarian Party's Gary Johnson in the 2016 presidential election (which upset some Republicans but on the other hand proved he has drawing power since their 4.5MM vote tally was the most ever for a third party);*
- **Mark Sanford (age 59)** - *A two-term Governor of South Carolina from 2003-2011, he besmirched his escutcheon in 2009 when he was found to have an extra-marital affair with a woman in Argentina. Still, he ran for the House in 2012 & served three terms until, never a Trump fan, he succumbed in the 2018 Republican primary to Trump's anti-endorsement;*
- **Joe Walsh (age 61)** - *Long a guitarist in several successful rock bands & an inner-city Chicago social worker, he ran for the House in the state of Illinois & served one term (2011-2013) but lost in 2012 in his revamped 8<sup>th</sup> District to now Sen. Tammy Duckworth, after which he became a conservative talk show host.*

*The first two are more traditional-, & Walsh 'moderate-turned-Tea Party'-, Republicans.*

**PMIs (Purchasing Managers' Indices) supposedly provide valuable insights into economic trends & are reliable indicators of corporate earnings growth prospects** - If so, is disconcerting that in the US they are at a decade-low 50.3 & in Canada have just gone into negative territory (from 50.2 in July to 49.1 in August), that in Japan, South Korea & Taiwan they remain-, & in China have dropped into-, in negative territory, that India's gauge of factory activity has slid to its lowest level in over a year & in Indonesia to a two year low, that sinking demand in the UK & from overseas caused its PMI to tumble to a seven-year low 47.4 in August, while in Germany for similar reasons the August PMI was a seven year-low 43.5, down from 49.8 in January, 54.0 a year ago & 63.9 in late 2017.

**Stupidity or gall?** - On September 10<sup>th</sup> there was a Special Election in North Carolina's 9<sup>th</sup> District. The night before President Trump had one of the campaign rallies he loves so much in Fayetteville during which he repeated his oft-voiced claims of massive voter fraud in "California's many sanctuary cities" (of which there has never been the slightest hard evidence). This seemed

a bit thick since the very need for this special election arose because of voter fraud on the part of a worker for GOP candidate Mark Harris in the last fall's election - *This time around the Democrat standard bearer is again 36 year-old Dan McCready who last fall lost by 905 votes (out of 277,587 cast) while the GOP candidate is State Sen. Dan Bishop (best known for comparing LBGT activists to the Taliban & for his "bathroom bill" <sup>14</sup>). McCready is a former Marine Corps captain who did two tours in Iraq & a solar power entrepreneur responsible for the installation of enough solar power capacity in North Carolina for 30,000 homes & has been campaigning for two years in a district that has an above average number of college graduates, and an August 30<sup>th</sup> poll by Inside Elections suggested he had a 46-42 lead over Bishop (and if he were successful this time around, it would be the first time since 1963 that the district would be represented in the House by a Democrat). But when all votes had been counted, Bishop had beaten McCready 96,004 to 92,066 (50.7-48.7). While the CW is that this was due to the Republicans having spent US\$6MM (most of it of the out-of-state variety), about twice the Democrats did, the real reason seems to be that the Democrats failed to get the vote out; for total number of votes cast was **down** about one-third from last November, while Bishop's margin of victory over McCready, at 4,160, was **up** over 4x Harris' 905 last November. And yet this was not all good news for the Republicans, for Bishop's 4% margin of victory was just one-third of Trump's 12% edge over Hillary in 2016.*

**"The current external environment is increasingly complex ... Downward pressure on the domestic economy has increased ... More measures should be taken to stabilize employment."**- This is what Premier Li Keqiang told the September 4<sup>th</sup> weekly executive meeting of China's State Council <sup>15</sup>, the top agenda item for which was said to have been how to stabilize the Chinese economy - *This will involve more infrastructure spending by local governments already chock-a-block with borrowed money & a further loosening of the monetary policy purse strings that may further strain the country's financial system (the PBOC just announced US\$126BN of monetary easing which, however, according to Larry Hu, the Macquarrie Group's Hongkong-based, China-born & US-educated Chief China Economist, is "too mild and too little to stop the slowdown). Last week China's top trade negotiator (& Vice-Premier) Liu He & his US counterparts on the phone agreed to restart their talks in October [i.e. after the October 1<sup>st</sup> celebrations of the 70<sup>th</sup> anniversary of the PRC's founding (that has been overshadowed by Hong Kong events)] thus seemingly putting the lie to Trump telling reporters over the weekend that "The meeting is still on, as you know, in September" (there will only be deputy-level meetings later this month in preparation for those October talks). While the US stock market reacted positively to this news, it may be disappointed; for Beijing & Washington remain like "two ships passing in the night", each on its own course (& beset by local problems), with their leaders' unwilling, or unable, to 'lose face' & thinking the other's weaknesses are more serious than their own (although with Trump facing an election he likely holds a weaker hand than the authoritarian Xi?)*

**Trump fires National Security Adviser John Bolton (his third in as many years)** - He was not particular popular among Trump administration insiders, first & foremost Secretary of State Mike Pompeo (who oversaw the conduct of the 'peace negotiations' with the Taliban that Bolton strongly opposed) & likely went his "Bridge Too Far" when he opposed Trump's 'madcap' idea to invite the Taliban leaders to Camp David for talks. While, all in all, his disappearance may well be a good thing, since he has long been an extreme hardliner to the point of being an out & out

---

<sup>14</sup> That would have limited transgendered people to using public restrooms for the sex denoted on their birth certificate (that eventually was tossed by the US Supreme Court.

<sup>15</sup> The country's chief administrative body.

warmonger (without any serious military background), the following observations by people with hands-on, high level policy experience may be enough to make one lose sleep :

- **Marin S. Indyk**, a senior diplomat & National Security Council official during the Clinton administration & now a Fellow at the Council on Foreign Relations : “the departure of Bolton suggests that Trump will become his own National Security Adviser”;
- **Eliot A. Cohen**, who worked for former Secretary of State Condoleezza Rice in the Bush 43 administration & now is Dean of the School of Advanced International Studies at Johns Hopkins University : no matter who replaces Bolton, “it’s not going to be an important position anymore - there really isn’t going to be much of a process under Trump ... It’s going to be what’s most conducive to his re-election”; and
- **Jake Sullivan**, a top Democrat policy adviser to former Secretary of State Hillary Clinton & Vice President Joe Biden, that while Bolton opposed the President’s moves on North Korea & his seemingly softening stance on Iran, Secretary of State Mike Pompeo “will be eager to deliver it” (i.e. agree with whatever Trump’s notion of the moment may be) - *it will be interesting who will have a low enough self-esteem and/or be foolish enough to take the National Security Adviser’s job, for Trump wants an ‘echo’/boot licker, not an adviser.*

*Foreign policy-, & national security-, decision making requires a long-term perspective, not the type of ‘flying by the seat of your pants-, parroting the views of the person one last talked to-, & know-it-all’ modus operandi of Trump.*

**UAW strike in the making?** - Shortly before midnight Saturday September 14<sup>th</sup> its contracts with Detroit’s Big Three automakers will expire. While they could presumably continue to operate under their old contracts until new ones are negotiated, UAW members have, with a 96% vote, authorized their leaders to call a strike - *The union has picked GM as its target<sup>16</sup> to negotiate a new contract with (which then typically serves as a template for new contracts with the other two of the Big Three), seemingly for two reasons. One, GM has a bigger market share in the US than Ford or Fiat-Chrysler &, according to Business Insider has gone “from a government bailout and bankruptcy to being one of the world’s best run car companies” (during the decade ending in 2016 it grew its operating profit at an average annual rate of 5.7%, vs. Fiat-Chrysler’s 4.4% & Ford’s 2.7%). And two, it has a bone to pick with GM’ for last year announcing it would close five of its 80-odd plants [two in the Detroit area, one near Lordstown OH (that has already been shuttered, displeasing President Trump who sees Ohio as key to his re-election next year<sup>17</sup>) & another near Baltimore MD, and one in Canada), & remove 14,000 UAW members from its payroll. It’s no coincidence that GM CEO Mary Barra<sup>18</sup> on Thursday September 5<sup>th</sup> was at the White House for meetings (that she afterwards called “productive and valuable”) with officials & Trump himself during which they discussed, among others, the contract talks & GM’s presence in China [still the world’s largest car market (& a major profit centre for GM)], even though monthly vehicle sales*

---

<sup>16</sup> If the UAW were to strike GM, it will be the first time in 12 years & only the second time in 49 years.

<sup>17</sup> During a 2016 campaign rally in Columbus OH he promised making Ohio “a manufacturing behemoth” (*while manufacturing employment in the state has grown by just 3.4% since his inauguration, its labor force has done so by 2.4% just YTD*) &, according to Nanette Senters, a 20-year GM Lordstown plant veteran employee, at a 2016 campaign rally in Trumbull County OH “had told everybody ‘Don’t sell your houses. Manufacturing is going to come back to your area’ “.

<sup>18</sup> Who periodically has been castigated in Trump tweets for, among others, GM’s manufacturing activities in China & for “bad management”

there are down 40+% since October 2017 & the Big Three's market share has gone from 10.9% to, at last report, 9.6% of that shrinking market (while those of German & Japanese auto makers have grown), and where last year GM sold 205,605 Cadillacs, vs 154,700 in the US].

**US motor vehicles & parts manufacturers' employment** - On Friday September 6<sup>th</sup> the BLS (Department of Commerce's Bureau of Labor Statistics) reported that, while in the past year it had declined by 900 to 995,000, it still was up 40,000 since January 2017, the month of Trump's inauguration - *while he has made boosting auto jobs a key priority, according to the St. Louis Fed 'domestic auto production' is down 20+% from January 2017 (& 60+% from its March 1999); if so, more workers means less productivity.*

-O-O-O-O-O-O-O-O-O-

### **OPEC TRIMS 2020 OIL DEMAND FORECAST, URGES EFFORT TO AVERT NEW OIL GLUT** **(Reuters, Alex Lawler)**

- In a monthly report dated Wednesday September 11<sup>th</sup> it cut, due to the slowing global economy (*it lowered its forecast of next year's global GDP growth from 3.2% to 3.1%*), its 2020 YoY demand growth by 60,000 bbl/d from 1.068,000 bbl/d a month ago, prophesied a looming market surplus & announced that the next day OPEC+ would discuss if deeper cuts were needed to support prices <sup>19</sup>.

*Next month, one month ahead of schedule, the first phase of Norway's new 440,000 bbl/d Johan Sverdrup oil field, that has a <US\$25 all-in cost of production, is expected to go into production.*

### **TRUCK MAKERS LOG SHARPLY LOWER ORDERS** (Seeking Alpha, Yoel Minkoff)

- In 2018 the US trucking industry had one of its strongest years ever but trade tensions & slower global economic growth are now depressing freight volumes. So trucking companies are ordering fewer heavy-duty trucks from North America's four major truck makers, Daimler (Freightliner), Navistar (International), Paccar (Peterbilt & Kenworth) & Volvo; so, according to Columbus IN-based market forecaster ACT Research, in June new orders were down 69%-, & in July 80% (to a three year-low level)-, YoY.

*While in 2018 annualized monthly YoY freight volume growth rates were as **high** as 12+%, this year they have been as **low** as -3.2%.*

### **U.S. RAIL FREIGHT LOADS IN DECLINE, INDUSTRY GROUP SAYS** (G&M, Eric Atkins)

- According to the AAR (American Association of Railroads) the number of freight carloads hauled by US rail companies has declined every month for the last seven months with AAR SVP John Gray noting "While the strength of the overall economy remains unclear, in the last quarter it has become much more evident that the portion of the economy which generates freight - manufacturing and goods trading- has weakened significantly."

*Last month's freight car loadings were almost exactly the same as two years ago, in August 2017.*

---

<sup>19</sup> That are currently over US\$20 below the level needed for Saudi Arabia to balance its budget.



## **TOP US REGULATOR WARNS OVER CORPORATE DEBT, MARKET RISKS** **(Reuters, Katanga Johnson)**

- SEC Chairman Jay Clayton told a New York audience on September 10<sup>th</sup> that he continued to be concerned about corporate debt growth that “had been fostered by a decade of accommodative monetary policies”. Outstanding corporate debt now stands at nearly US\$10 trillion, almost 50% of GDP, “numbers (*he said*) that should attract our attention” but it has offered robust returns, particularly for foreign investors “although there are signs those returns may be slowing ... *and* we should recognize what prices and price movements in the corporate debt market are telling us ... For example, on a total return basis, the upside has become more limited, while the downside has not improved.”

*And there are two really worrisome factors he didn't mention. One, the disproportionately faster growth of the market share of corporate bonds rated BBB<sup>20 21</sup>, the ratings of which in a recessionary environment could easily slide into 'junk' territory, prompting investors to want--, or to have-, to dump them, & two, the vastly declined bond-inventorying capacity of traditional 'market makers', the combination of which could spawn a bond selling panic.*

## **NEW U.S. DEFENSE SECRETARY WARNS ALLIES OF GROWING THREATS FROM CHINA AND RUSSIA** **(Reuters)**

- On Friday September 6<sup>th</sup> Mark Esper<sup>22</sup>, in his first major speech, called for more European focus on tackling “the growing security & economic threats from Russia & China”, telling London’s Royal United Services Institute think tank “It is increasingly clear that Russia and China want to disrupt the international order by gaining a veto over other nations’ economic, diplomatic and security decisions”, And after voicing a litany of concerns about China using its economic power for technology theft, he added “I would caution my friends in Europe - this is not a problem in some distant land that does not affect you.” In so doing he reiterated the Pentagon line ever since the US military, a year or so ago that, after nearly two decades of focusing on the fight against Islamism, put China & Russia at the centre of a new national defense strategy.

*In a global context Putin is for all intents & purposes a 'has been' with grandiose dreams but with considerable mischief-making potential, especially so in Europe. In recent years he has become pretty 'tight' with President Xi who funded the construction of two major pipelines to carry Russian natural gas to China to help it with its air quality problem. But longer term it is all but inevitable that their two countries will at some point clash over China's growing interest in-, if not outright creeping colonization of-, Eastern Siberia. And it's further evidence of the Trump Administration's*

---

<sup>20</sup> Today just 1% of corporate bonds are triple A-rated, and 40% rated BBB (& 27% rated 'junk').

<sup>21</sup> According to S&P now about 75% of the bonds outstanding of metals'-, mines'-, & steel companies are 'speculative' (i.e. rated less than BBB), as are 63% of those issued by forest products & building material companies & 51% of those of media & entertainment companies.

<sup>22</sup> Age 55, he is a West Point grad who served for a decade as a US Army infantry officer after which he joined US defense contractor Raytheon where as Vice President for Government Relations he became a major lobbyist in Washington. And after serving as Secretary for the Army for two years, his nomination for Secretary of Defense was confirmed by the Senate on July 23<sup>rd</sup>.

*disfunctionality that the Pentagon has this view of Russia while the President is in the business of shilling for its president.*

### **PURDUE PHARMA REACHES TENTATIVE DEAL TO SETTLE THOUSANDS OF OPIOID LAW SUITS (NPR, Brian Mann)**

- Sackler family-owned, Stamford CT-based Purdue Pharma, the maker of the opioid drug Oxycotin, has reached a tentative deal to resolve law suits brought by 2,300 municipal-, & 23 state-, governments for allegedly helping to bring on the opioid crisis. Under it the family will pay US\$3BN in cash over several years & relinquish control of the company (*by having it go through bankruptcy*). According to Ohio Attorney-General Dave Yost, who is part of the pending deal, “Which means the people who were front and center in causing this epidemic, in my view, won’t be able to go out and repeat their playbook in Asia, South America and Africa.” (*As if he cares; for this seems to be a ‘money grab’, pure & simple*).
- More than a dozen other drug makers-, distributors-, & pharmacy chains still face a federal opioid trial later this month in Ohio that is deemed a test case for establishing the drug industry’s liability *for the opioid crisis*. And on September 11<sup>th</sup> US District Judge Dan Polster of the US District Court of the Northern District of Ohio, who presides over this case, ruled that all other cities, counties & other municipal governments will henceforth be included in opioid-related settlements with the pharmaceutical industry, unless they opt out (& *why should they; it’s free money?*), although it won’t apply to the Purdue settlement.

*A growing number of State Attorney-Generals oppose this deal, saying the Sackler family should shell out more of its US\$13BN fortune, & New York Attorney-General Letitia James that this settlement shows “the Sacklers’ attempt to evade responsibility and lowball millions of victims of the opioid crisis.”*<sup>23</sup> *While according to the Bethesda MD-based NIH (National Institutes on Health) in 2017 over 70,000 people died from opioid abuse, what was really shocking was its report that in 2018 18.1% of Americans aged 12 & over regularly used “pain relievers” (like Oxycotin) vs. & 1.3% heroin, even more so that the prevalence of drug use among Grade 12 students was : heroin 0.4%, narcotics other than 3,4%, Oxycotin 2.3% & Vidocin (that contains an opioid) 1.7%, & most so that there was a measurable incidence of Oxycotin users among First Graders (given it by their parents?).*

### **WITH EUROPE’S ECONOMY SLOWING<sup>24</sup>, CAN EUROCRATS AFFORD TO PLAY HARD BALL ON BREXIT? (Mises Institute, Alisdair Macleod)**

- A study last year by Germany’s Halle Institute<sup>25</sup> estimated a no-deal Brexit would cost the UK 12,000-, & the remaining 27 EU members 422,000-, jobs, incl. 100,000 in Germany & 50,000 in France. And recently the Irish central bank forecast a job loss of 100,000 there

---

<sup>23</sup> This seems like hogwash. The lawyers will do well, and so, it looks, will the suing governments but the primary victims are dead & has been no evidence so far that the secondary victims, the deceased families, will get a nickel of the money that the Sacklers are being relieved of.

<sup>24</sup> Between 3Q/17 & 2Q/19 in the EU from an annualized rate of 2.9% to 1.4% & in the Eurozone from 3.2% to 0.8% (largely due to the German rate slumping from 3.6% to -0.4%)

<sup>25</sup> A leading German economic research institute located in the German city of Halle in the former East Germany that was founded shortly after German reunification.

'over the medium term'. What drives the eurocrats' *hardball* stance is fear that giving in on Brexit will encourage anti-EU rebellious thinking in other member states. And Brussels will find events spinning out of control as a Eurozone financial crisis is becoming more & more likely (in which the UK too will suffer considerable collateral damage, given the cross-liabilities of the UK-, & Continental-, banking systems).

- The EU is badly unbalanced, with Germany dominating production & exports & other populous member states, notably France & the Club Med countries (*first & foremost Italy which has the EU's fourth largest-, but endemically slowest-growing-, economy*) being in a financial mess & long having relied on Germany to enable them to sustain their unproductive, profligate ways. But Germany's production is now contracting, hit simultaneously by a triple whammy, i.e. Trump's tariff war against China which has undermined its largest export markets in the Far East (& his threat Germany will be next), EU environmental legislation that is making its motor production obsolete & forcing manufacturers to put a time limit on existing production and invest heavily in electric technology, & the crisis in Europe's major banks (hitherto most publicly seen in Deutsche Bank due to the 'long-tail liabilities' of its investment banking division) that all over the EU face a lethal combo of the margin compression from negative interest rates & the legacy costs of their extensive branch networks as their customers are migrating to online banking (with the slump in German manufacturing now another threat to their loan books).
- And in the background, there is the turn in the global credit cycle from an expansionary-, into a contraction-, phase that in the past has typically resulted in a credit crisis; for the *effectiveness of credit* expansion in stimulating an economy requires gullibility on the part of economic actors believing prospects are improving so that, once they realize they've been had, stimulation fails & credit *expansion* comes to a screeching halt<sup>26</sup>. And despite the ECB's maintenance of negative interest rates (an offer to pay borrowers to borrow?) economic actors now are becoming aware this is all deception & *that the whole credit house of cards may be coming undone*. This is why Germany now appears to have all the trappings making for a deepening economic slump that monetary policy will be unable to prevent, with the Halle Institute report implying that Brexit will just add to these problems for manufacturers & bankers. So it is increasingly difficult to see how, with escalating budget deficits in the EU member countries the Brussels eurocrats can afford to continue their heads-in-the-sand approach to negotiations with Britain in the expectation that, when their system *does get* threatened, Germany, France, the Netherlands, Sweden & Denmark will bail them out at a time their tax revenues are slumping.

*Alisdair Macleod is Head of Research at Toronto-based, TSE-listed GoldMoney, "a global leader in precious metals custody" while the Mises Institute, an Auburn AL-based entity, calls itself "The Worldwide Epicentre of the (now over a century-old) libertarian Austrian Economics Movement" [that was long pooh-poohed by modern day mainstream economists because it rejected mathematical modeling & econometrics until Friedrich Hayek (at age 75) shared the 1974 Nobel Prize for Economics & the 'Chicago School' started proselytizing it]. So while it may be tempting, it might not be smart, to dismiss the above as the ravings of 'gold nut'; for, agree with Austrian economics or not, Macleod seems to 'connect some dots' in a significant corner of the global economy in a way that the CW hasn't.*

---

<sup>26</sup>

One of the first things I learnt about monetary policy, now fifty years ago in the Department of Finance, was the then already old central bankers' shibboleth that "you cannot push on a string" (i.e. that when the market psychology is negative, the effect of an expansionary monetary policy is neutered by the fact that people won't stick their neck out by borrowing money, regardless of how appealing the interest rate might otherwise have been.

## **VLADIMIR PUTIN'S UNITED RUSSIA PARTY SUFFERS RECORD LOSSES IN MOSCOW ELECTIONS (The Times, Tom Parfitt)**

- Before the September 8<sup>th</sup> election the 45 seat Moscow Duma was dominated by 28 United Russia deputies & 10 others allied with it but in this election the number of 'others' nearly tripled to 20<sup>27</sup>, due to the fact that several activists who had been barred from running themselves had urged their supporters to "vote intelligently", i.e. for the candidate most likely to beat the United Russia candidate in their district.

*While Dmitry Peskov, Putin's mouthpiece, bravely told reporters that the election had been "highly, highly successful for United Russia" (presumably since in much of the country the local election results had been less disastrous than in Moscow), it still seems that in the lead-up to the 2021 national parliamentary elections the appeal of the party, & of Putin himself, is waning; for United Russia saw a decline in support in nearly every one of the country's nine major regions, in four of which it actually dropped below 50%, with the city of Sevastopol in annexed Crimea (home to 15% of its 2.4MM inhabitants) 'taking the cake' as United Russia's support there dwindled to 38% from 77% in the 2014 elections (about six months after Russia's annexation). While Andrei Turchak, secretary of United Russia's General Council, blamed an "intra-elite" power struggle, there seem to be lots of other reasons. The unprecedented incidence of public demonstrations over the summer and the police brutality in controlling what were peaceful demonstrations. A much higher-, albeit still abysmal-, voter turnout (22% 15% in 2014). In 2014 Putin's & the party's popularity had been boosted by the Crimea annexation. After the recession prompted by the mid-2014 oil price crash life has been slow to get measurably better. The fact that last year Putin raised the retirement age from 55 to 60 for women & from 60 to 65 for men [which cut men not much slack since their average life expectancy is only 67 (in part due to alcohol-, & tobacco-, abuse)]. After 20 years a growing sense of ennui with Putin among older people who have 'not shared in the wealth' & among younger ones for being too old, distant & tolerant of corruption. And according to the Levada Centre, a Moscow-based independent polling agency, many people are annoyed with his government for not doing enough about poverty, price rises, corruption (one thing voters hold Putin personally responsible for), income inequality & the economic situation.*

-0-0-0-0-0-0-0-0-0-0-

**President Trump's periodic claim "the US is the fastest-growing economy in the world" -** According to the IMF in 2018, with 2.8%, it was not No. 1, but No. 107 (out of 193), behind such "shithole" countries like Nepal (No. 21 with 6.2%), Kenya (27/5.9%), Kazakhstan (58/4.1%) & Guatemala (92/3.1%), although ahead of Taiwan (112/2.6%), South Korea (115/2.6%), Russia (126/2.3%) & Canada (144/1.8%)] - *and its ranking may not have changed for the better this year.*

**School teaching becoming a hazardous occupation in Canada?** - Jen Hare was a teacher in a Special Education school in Barrie, Ontario who routinely wore a Kevlar<sup>28</sup> coat, gloves & a baseball cap with a hard plastic inner lining to class. But at one point when she tried to stop a 280 pound, 15 year-old autistic student from picking on a much smaller class mate, he turned on her

---

<sup>27</sup> In other words, it lost almost one-third of its seats, incl. that of Andrey Metelsky, the leader of the United Russia party in the Moscow Duma

<sup>28</sup> The material bullet-proof vests are made of.

& hit her so many times on her hat as to cause a traumatic brain injury & left ear drum rupture and bring on a stroke (which caused her to miss work for 18 months). And earlier this week the Ontario Human Rights Tribunal dismissed the claim of the mother of an autistic 8 year-old boy that in her view hadn't gotten enough support in the class room, on the grounds that the School Board had taken 'reasonable steps' to accommodate him (he had been expelled from a Guelph school last November after striking an educational assistant & giving her a concussion, the latest in a series of incidents that had included injuring another student by throwing a chair at him and another in which his class room had to be evacuated for safety reasons & other class rooms 'locked down' to keep him from entering - *apparently student-teacher violence is on the increase in Canadian class rooms as parents insist on their problem offspring attend 'normal' schools (& are catered to by school boards for political correctness reasons) at the expense of the time teachers have to meet the educational & other needs of their class mates - In the real world the special needs of one student must always be secondary to those-, & the safety & needs of other students, their teachers & other school staff. On the other hand, taxpayers are justified in believing governments are squandering some of their hard-earned dollars; thus I was blown away to learn that 24.6% of the Edmonton School Board's budget is accounted for by 'administrative expenses'.*

### **TRUMP'S CORRUPTION IS NOW MORE BRAZEN THAN EVER (The Nation, Joan Walsh)**

- On August 26<sup>th</sup> he told the world that next year's G-7 Summit will be held at his money-losing Doral resort in Florida (*that in 2017 made the headlines when it settled a law suit for being infested with bed bugs*), on Tuesday we learnt Attorney-General Bill Barr will spend US\$30,000 (*of his own money*) on his annual Christmas bash ... at the Trump International Washington Hotel & on Wednesday the Washington Post reported that Trump is pressuring officials to reverse a previous decision & award a contract potentially worth billions of dollars *to help build his wall* to GOP donor Tommy Fisher, a move the Post reported "alarmed military commanders and DHS officials" (*whose budgets will fund this*). This prompted Harvard constitutional law professor & impeachment advocate Lawrence Tribe, to tweet "Trump keeps proving ... he is deliberately violating the Constitution's safeguard against financial corruption and compromise of presidential decisions by foreign powers ...He's making the case for us."

*On September 9<sup>th</sup> Trump claimed he "knew nothing" about a September 6<sup>th</sup> Politico report that in March the crew of an USAF C-17 military transport plane had overnighted in his world-renowned (but long time money-losing) Turnberry golf resort in Scotland as their plane was being refueled at a nearby airport <sup>29</sup>. And Vice President Pence during his recent visit to Ireland stayed at the (apparently perennially unprofitable} Doonburg Trump International Golf Hotel 180 mi/300 km from Dublin, thereby apparently upsetting his hosts (he did so, according to his Chief of Staff, at Trump's suggestion, a claim subsequently denied by the White House) <sup>30</sup> As to Fisher, according to the Fargo ND-based High Plains Reader his privately-held Dickenson ND-based Fisher Industries has "a long history of criminal tax evasion, pollution citation, environmental fines and*

---

<sup>29</sup> With the NYT reporting an Air Force official defending this by saying it had offered the closest rooms available at a price that had been discounted to a level below its international spending limit, on Sunday September 8<sup>th</sup> the Air Force acknowledging it was reviewing how it selects international overnight accommodation locations, and since then that, after having signed, in the waning years of the Obama Administration, a refueling contract with the nearby Prestwick Airport, up to 40 USAF flight crews had stayed at the Turnberry resort.

<sup>30</sup> Are all these people politically tone-deaf?

one previous CEO with child pornography” & to *Violation Tracker*, a policy resource centre for grass roots’ groups & public officials owned by the Washington DC-based *Good Jobs First* corporate-, & government-, accountability group, the company has since 2009 paid over US\$1,160,000 for tax-, US\$336,854 for environmental-, US\$150,000 for employment-, & US\$49,868 for work place safety-, & health-, violations <sup>31</sup> . And other, earlier Trump conflict of interest allegations are chronicled in a June 19, 2017 article in *Time* magazine, just five months into Trump’s presidency, entitled *The Suite of Power*, that details, chapter & verse, the then goings-on in the Donald Trump Jr-managed Trump hotel in Washington (where a gin & tonic costs US\$23) - Founded in 1865 & New York City-based, *The Nation* is America’s oldest continuously published weekly magazine.

### **IT’S TIME THIS SQUABBLING SHOWBOATING GROTESQUE CIRCUS GOT OUT OF TOWN FOR GOOD (Daily Mail, Richard Littlejohn)**

- This is insane. There is no other way to describe the deranged behaviour of the political class over Brexit. Parliament resembles a Mad Hatter’s Tea Party, with MPs having decided, like Humpty Dumpty, that words mean whatever they want them to mean & while they have taken back control of the country’s from the government, they’ve also done so from the 17.4MM people who voted to leave <sup>32</sup> . Far from being a dictator who has “trashed democracy”, Boris Johnson offered an election that Labour has consistently demanded but now says it no longer wants (because it thinks Jeremy Corbyn would lead them to an inevitable defeat). And if anyone is trashing democracy, it’s the majority of MPs that is hell-bent on overturning the result of the 2016 referendum & who bleat about upholding parliamentary democracy but only so they can surrender it to the EU, & who have voted to give Brussels the power not just over whether we can leave but also on what terms. They want a deal but have stripped the Prime Minister of the ability to secure one. Boris Johnson became Prime Minister with the support of a clear majority of Conservative MPs and two-thirds of the party membership, and yet 21 of its MPs, incl. senior Cabinet Ministers, chose to pull out the rug from under him while Labour whines that Johnson is “unelected” & yet declines the chance to challenge him in a general election.

*The whole Brexit phenomenon may mark the onset of an era in which the EU will suffer the consequences of the internal contradictions created by the fact that, while once a grouping of like-minded countries, its pell-mell membership expansion driven top-down by eurocrats has resulted in a dog’s breakfast of members with more differences than commonalities between them, as a result of which Brussels’ authority is now being challenged by among others Italy, Hungary & Poland and by differences in national rules (thus while in both fiscally obsessive Germany-, & deadbeat-, Greece the official retirement age is 67, in the latter those who worked in “unhealthy professions”, incl. hair dressing, can do so at age 50 in the case of women & 55 for men).*

---

<sup>31</sup> Small wonder Trump likes him.

<sup>32</sup> This overlooks two inter-linked considerations : the margin of victory (52-48) for the Leavers was rather modest & there had been a vast difference by age in the turnout rate (that ranged from 64% for the 18-24 year-olds who were mostly Remainers to 90% for those aged 65 & over who were predominantly Leavers); in other words, the margin of victory likely came from those with the least interest in the longer term future of Britain.