

**Quote of the week** - “After an ordinary financial crisis political leaders typically would turn to the people on Wall Street whom they trusted for advice. After this financial crisis (*i.e that of 2008*) there was no one on Wall Street whom they could trust. The sort of people who had once formed the American financial elite had so discredited themselves that U.S. Senators no longer believed these people were capable of giving honest advice to their country in its time of need. And so the Senators began to read up on the subject for themselves ...” - Michael Lewis in the ‘Afterword’ to his 2010 book The Big Short - Inside The Doomsday Machine. - *I recently took the time to re-read this book on the ‘financial engineering’ tricks perpetrated by ‘cowboys’ on Wall Street on their ‘Masters of the Universe’ bosses who gave them free rein on a ‘nod-nod’ ‘wink-wink’ basis (so they would have “plausible deniability”) since they seem to be ‘coining money’, without having the foggiest clue as to what risks they were exposing their firms to. But what really struck me about the above quote is how it seems to apply about so many once stalwart pillars of society, incl. politicians & public servants, universities, scientists, doctors, bankers, and the police (&, worse still, the entire justice system) who have been fouling their own nests so long so badly by their self-centeredness that the general public has lost their traditional awe of their status (which has given birth among the hoi polloi to the wave of public cynicism that is now known as “populism”).*

**According to FiveThirtyEight, as of June 24<sup>th</sup> Biden led Trump 50.9-41.3 nationally** - Moreover, he led him in 15 of the 17 “swing states” by margins ranging from 54.6-36.9 in Colorado via 50.0-42.6 in Florida to 47.2-45.9 in Georgia while Trump *barely* led in just two, in Iowa with 46.0-45.9 & in Texas 47.1-46.6. And this anti-Trump sentiment seems to be seeping into Senatorial races; thus according to a recent NYT/Siena College poll in Arizona Sen. McSally is trailing her challenger by 7 points, & in North Carolina Sen. Tillis his by 9 points, while in Michigan Sen. Peters is leading his GOP challenger by 11 points - *But what I found fascinating, & should be of concern to the Democratic leadership, Biden’s widening lead over Trump since March 1<sup>st</sup> seems more due to Trump losing support rather than Biden gaining it; for since then his support has gone from 50.1% to 50.9% while Trump’s has shrunk from about 46.0% to 41.3%.*

**China’s crude oil imports** - In May they were up 15% MoM to an all-time high 11.34 bbl/d & this month are expected to jump further by up to 20% to possibly 14MM bbl/d, with as many as 200 oil tankers arriving at Chinese ports. But may not continue since China’s crude inventories have risen by as much as 440MM bbls & its storage facilities are believed to be filling up.

**Latest from China** - On Monday June 22<sup>nd</sup> :

- The NHC (National Health Commission) reported the second lowest number of new cases in Beijing in 10 days, 13 new domestically transmitted & 9 imported. But, several of the former could not be traced back to the Xinfadi wholesale market, suggesting the existence of another source of infection, and 4 of the former & 5 of the latter were ‘asymptomatic’;
- According to the South China Morning Post, Fang Xinghai, Vice Chairman of the CSRC (China Securities Regulatory Commission) warned against the risk of the US cutting China off from the dollar payment system, saying “Such things have already happened to many Russian businesses and financial institutions ... we must make preparations early ...” (by seeking to ‘internationalize’ the Yuan which Beijing has been trying to do for some time, albeit not very successfully so?) - *the US has been “weaponizing” the dollar by denying various countries, banks & individual firms access thereto; and*
- Premier Li Keqiang summited with Charles Michel & Ursula von der Leyen, the Presidents of the European Council-, & Commission respectively. But there was a

problem, while he wanted to talk about greater cooperation, telling them according to Xinhua “China and the EU are each other’s comprehensive strategic partners ... *and* our bilateral cooperation far outweighs competition” (even though last year the EU called China a “systemic rival”), according to the Straits Times the others were more interested in talking about the proposed national security law for Hong Kong - *this must have struck a sensitive chord; for shortly after their meeting, President Xi phoned both Michel & von der Leyen to tell them he wants “a more stable and mature relationship with the EU” , “China wants peace instead of hegemony”, “China presents opportunities rather than threats”, “China is a partner, not an opponent” & there is “no conflict of fundamental interests’ between us” (all claims likely received with more than passing skepticism).*

**IMF’s World Economic Outlook** - It has dropped its global GDP growth expectation from +3.3% in January & - 3.0% in April to - 4.9% (*and that for the US to - 8%, for the Eurozone to - 10%, for Japan to - 6% & for China for a mere +1%*). It now envisages the “Cumulative output loss to the global economy across 2020 and 2021 will be over US\$12TR” (*i.e. about 14%*) - *in other words, it expects that by December 31<sup>st</sup>, 2021 the global economy will be that much smaller than it would have been if 2020 & 2021 had experienced ‘normal’ GDP growth.* And it warns : “a high degree of uncertainty surrounds this forecast with both upside and down side risks ... On the upside, better news on vaccines and treatments, and additional policy support [*over & above the US\$11TR (12+% of global GDP) in tax cuts & additional spending already implemented*] can lead to a quicker resumption of economic activity, and on the downside future waves of infections can reverse increased mobility and spending, and rapidly tighten financial conditions. Furthermore, it opines that geopolitical tensions could damage fragile global relationships at a time when trade is projected to collapse by about 12 percent ... over 95 percent of countries are projected to have negative per capita income growth”, *incl. many developing countries in which it has historically grown annually, albeit often very slowly.*

**“Lies, damned lies and statistics”** - Thus spake Mark Twain. But this was too harsh a judgement. For the problem is not so much with the statistics themselves, but with the way they are sometimes used. Thus, when President Trump touted the fact that in May US retail sales had been up almost 18% MoM, he conveniently overlooked the fact that, after MoM declines of 8.7% in March & 14.7% in April, this had just, in absolute terms, raised US retail sales to a level of 91.7% of what they had been three months earlier [and this really was ‘nothing worth writing home about’ given the amount of money his Administration (& the Fed) had dumped on the economy].

**Renewables (*incl. hydro*) beat coal** - According to Washington’s EIA (Energy Information Agency) 2019 was the first year ever for this to be the case after electricity consumption from coal about halved over the past decade to 11.3-, as renewables more than doubled to 11.5-, quadrillion BTUs - *Between 2008 & 2018 total US coal production declined by 35.5% to 756 MM tons.*

**“The bottom line is the country is not going to recover unless the oil and gas sector recovers ... This is the biggest industry in the country ... It’s our biggest export, so there is a lot on the line for everybody”** - This is what, according to Calgary Herald columnist Chris Varcoe, Canada’s Natural Resources Minister Seamus O’Regan, Newfoundlander, told a June 22<sup>nd</sup> online seminar by the Calgary-based ARC Research Institute. But he did concede the federal government still had work to do to get funding programs for the country’s oil & gas producers (*whose executives are struggling to figure out how to qualify for the already existing programs, an activity they’re not well equipped for, being used, as they are, to be handed things on a platter?*)

**Trump administration has been criticized for its failure to get money to those who need it most in the COVID-19-driven economic upheaval of recent months** - But according to the IMF, the government of the West African country of Togo, which has a population of 8MM, was able to get money quickly & efficiently to the nation's most needy half a million within two weeks via their cell phones [*while the GAO (Government Accountability Office) recently reported that the Treasury had sent US\$1.4BN in coronavirus relief payments to 1.1MM dead people*].

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### **EX-ROGER STONE PROSECUTOR DETAILS “UNPRECEDENTED” DEPARTMENT OF JUSTICE INTERFERENCE IN CASE (CBSNews, Melissa Quinn)**

- Aaron Zelinsky has been a Deputy of former Special Counsel Robert Mueller and as an assistant US Attorney in Maryland, was a front line prosecutor in the Roger Stone case. And after the Justice Department moved to recommend a much lighter sentence than he & three of his colleagues had recommended, last February all had withdrawn from the case.
- In an explosive June 24<sup>th</sup> testimony to the House Judiciary Committee by live video because of the coronavirus <sup>1</sup>, Zelinsky told lawmakers “Roger Stone was treated differently because of politics.” And when asked, he told the Committee they had been informed that “we could be fired if we didn’t go along”. Furthermore, he reported that “I heard repeatedly that this leniency was because of Stone’s relationship to the President ... that the acting U.S. Attorney for the District of Columbia was receiving heavy pressure from the highest levels of the Department of Justice ... that his instructions to us were based on political considerations ... (*an that*) he was giving Stone such unprecedentedly favorable treatment because he was ‘afraid of the President’.”

*In his opening remarks Committee Chair Jerry Nadler (D-NY) said, among others “The sickness that we must address is Mr. Barr’s use of the Department of Justice as a weapon to serve the president’s petty, private interests ... The cancer that we must root out is his decision to place the president’s interests above those of the American people” - Stone was to have started his 40-months’ sentence (i.e. less than half the initially recommended 7-9 years) on June 30<sup>th</sup>, but on Monday June 22<sup>nd</sup> his defense team asked for a delay, citing concerns about the spread of the coronavirus in general, & in a number of detention facilities in particular, reporting that the U.S. Attorney’s office did not oppose a 60-day delay (This could work against Stone; for, while Trump has strongly hinted he will pardon him, he may conveniently forget about that as the election approaches).*

### **HONEYWELL HAS BUILT THE MOST POWERFUL COMPUTER IN THE WORLD (Inverse, David Grossman)**

- Charlotte NC-based Honeywell has stunned the world with its announcement of the world’s most powerful quantum computer with President Tony Uttley telling the world “This is a room-size apparatus that takes into account ultra high vacuum chambers and cryogenic systems and magnetic field generating systems and vibrating field ultra

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<sup>1</sup> Which had prompted the Committee’s Republican members the day before to try & bloc his testimony on the grounds he should not be allowed to appear remotely.

precision control”

*Inverse* is a five year-old NYC-based digital media company and the content of Grossman’s article so far beyond my understanding of the hitech world that I won’t even try to summarize it. Moreover, I am a bit “from Missouri” as to the real value in-, & relevancy for, such a human tool for the world of tomorrow, given that the ‘business model’ of the world of yesteryear seems to be broken.

### **ISRAEL’S HIGH COURT OF JUSTICE STRIKES DOWN WEST BANK LAND GRAB LAW AS ‘UNCONSTITUTIONAL’ (Haaretz)**

- The February 2017 Law for the Regularization of Settlement in Judea and Samaria sought to allow the use of private-owned Palestinian land to build Israeli settlements & to legalize the outposts & structures *already* built on such land. On Tuesday June 9<sup>th</sup> Israel’s High Court of Justice ruled it ‘unconstitutional’ with Court President Esther Hayut ruling that it “seeks to retroactively legalize illegal acts perpetrated by a specific population in the region whilst harming the rights of another ... it does not meet the constitutional standards of Israeli law ... the desire to find a simple and comprehensive solution to the problem of construction in Israeli localities in the region, after years of various authorities contributing to the creation of this reality is understandable, and preventing eviction and demolition of bona fide homes ... is a proper and important purpose, but does not justify violating the right to property ... and equality and dignity of Palestinians ... and creates discrimination between Israelis and Palestinians residents ...”.
- Reactions ranged from :
  - Noam Sohlberg, the dissenting justice on the Court, expressing concern that the decision would not be beneficial to anyone and that the authorities’ encouragement of, and support for, illegal construction in the region “is not for the glory of the State of Israel” although it “has created a reality .... that cannot be ignored”;
  - the Prime Minister’s office lamenting that “interference in striking down an important law for the settlements and the future” and promising to pass the law again;
  - a source close to Netanyahu saying “ applying sovereignty will solve most of the regulatorization problem” (i.e. it will be solved by the annexation of the West Bank”;
  - Deputy Prime Minister Benny Gantz noting that overturning the law had been “expected” and that he and his party (*that has lost much support for his pandering to Netanyahu*) will take care the High Court ruling will be respected and that “no harm will be done to the rule of law”, while his party issued a statement that it respects the court ruling and will make sure it is fulfilled”;
  - Justice Minister Avi Nissenkorn that the ruling would be respected but that it was possible to legalize many homes “with wide agreement”;
  - Knesset Speaker Yariv Levin that the High Court “once again today trampled Israel’s democracy and the basic human rights of many Israeli citizens ... (*and*) have another rift in Israeli society and will do ever more harm to the public trust in the Court and its justices ... The High Court is marching with great bounds towards a legal crisis never before seen in Israel. The Knesset will be silent no more in the face of ongoing harm to its legitimacy and standing”.

### **MOODY MOMENT (The Economist)**

- On March 25<sup>th</sup> India was 'locked down' & in April the number of people "in work" declined 30% to 282MM from the 400+MM 2019 average &, according to London-based IHS Markit, the service sector PMI declined to 5.4, a global all-time low. On June 1<sup>st</sup> Moody's cut India's credit rating, for the first time in 22 years, to its last investment grade level (as S&P & Fitch had already done). It said this was due to the coronavirus crisis having "amplified" vulnerabilities stemming from the government's inability to clean up a troubled banking system, improve poor infrastructure or revise rules that constrict the markets for labour, land and products.
- To the agencies & every other analyst of the country India has long been a paradox. Its economy is large but its people are poor. Its institutions are strong enough to warrant an investment-grade rating, but its policy-making is not. Its public debt is high but its foreign debt modest. So while up close it is a mess, from afar it still has the power to beguile.

*The fact that its GDP growth rate had gone from 8.3% in the year to March 2017 to little more than half that (4.2%) in the last fiscal year cannot help but also have been a factor in Moody's decision (as it must have been in that of the other two rating agencies).*

### **BRAZIL POLICE ARREST FORMER AIDE TO PRESIDENT'S SON (Reuters)**

- On Thursday June 18<sup>th</sup>, outside a home owned by a personal lawyer for President Bolsonaro's family, it arrested Fabricio Queiroz, who had worked with *the now 39 year-old* Senator Flavio Bolsonaro, *the President's eldest son*, when the latter had been a Rio de Janeiro state legislator (*as he had been since age 22, before elected to the Senate last year*). For investigators wanted to question Queiroz about the 1.2+MM reals/US\$312,000 in bank transactions in a suspected scheme to embezzle the salaries of phantom employees in the Rio State Assembly.
- Afterwards Sen. Bolsonaro denied any wrong doing & called it all a political attack on his family, and tweeted "I face today's events with tranquillity. The truth will prevail." And later that day Paulo Emilio Catta Preta, Queiroz's lawyer said his client's arrest was "totally unnecessary" and ruled out making a plea deal.

*Bolsonaro père & Trump are "two birds of a feather" is an even worse COVID-19 denier than Trumpon of those foreign 'absolutist' rulers that Trump admires & invites for a visit. But in his case that almost came at a price. For during his visit to Mar-a-Lago during the March 6<sup>th</sup> weekend, Bolsonaro had been accompanied, among others, by Fabio Wajngarten, his Communications Director, who a few days later came down with COVID-19. And, while then White House Press Secretary Stephanie Grisham on March 12 told the media that there had been "almost no interaction" by the President & Vice President with Wajngarten several photos showed him in close contact, well within 6 feet, with Trump and Sens. Rick Scott (R-FL) and Lindsey Graham (R-NC), who had also been in contact with him, voluntarily went into isolation.*

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**Honourable mention** - Our No. 2 son lives in the Yukon. The last few years he has been working at several of the 159 placer mines in the territory mostly scattered around-, & often at great distance from-, the Great Gold Rush era town of Dawson City. With a permanent population of just 1,406 it is not surprising there's only one bank branch that's open from 1000-1300 hrs, taking full advantage of its monopolistic position. A couple of years ago he had trouble cashing one of his then employer's cheques (even though drawn on that very branch). So this year, in the hope of facilitating things, he opened an account there. Still, a few nights

ago he phoned me, quite warped out of shape (*all RvTs have short fuses*), for he had the same problem again & had been pawned off with claims there was “no supervisor” to deal with his problem. So I sent an email to the bank’s Ombudsman’s Office, attaching his description of the situation and, lo & behold, the very next morning when I opened my emails (we are two hours behind Toronto but I tend to get up early) there was a response from that office acknowledging receipt **and** providing the name & phone number of a ‘case manager’ in its ‘Client Care Centre’ to call. So I phoned & left a message, and, again lo & behold, 15 minutes later my phone rang & it was him! So I left them to sort it out (which, at last report had not been done to his satisfaction - *still, it was enough for me to suggest maybe banks are trying to shore up their business model.*