

GLEANINGS II - 843
Thursday July 16th, 2020

Amateur investors (of the Robinhood variety?) are crying the blues - Many piled into the shares of companies that had declared bankruptcy whose prices were rock bottom, in the belief that, as the coronavirus situation & the economy improved, so would the companies' outlook. And sure enough, after J.C.Penney declared Chapter 11 in March (*with US\$2BN in secured debt out of a total US\$8BN*) & its share price cratered from US\$1.20 on January 8th to US\$0.11 on May 19th, it recovered to US\$0.63 by June 8th; so they thought they had it made ... until it slipped again to US\$0.27 by July 14th. Now they are whining, with some even having gone to court, that they should be made whole; for with the Company's most junior debt (that in bankruptcy ranks higher than their shares) now trading at 2 cents on the dollar, their chances of recovering anything from their investment are zilch - *And 40,000 of them are said to have jumped on the Tesla band wagon on Monday July 13th, after its shares had gone from US\$960 on June 26th to US\$1,545 the previous Friday July 10th, helping to drive their price from S\$1,659 at the opening to the day's high of US\$1,764, only to have it then close the day at \$1,497.*

Americans facing eviction? - An estimated 23MM (about 20% of all US renters) could face eviction in the coming months (which could compound the COVID-19 problem as many would move in with relatives or friends, into shelters or onto the street (because of their lack of money and/or since many landlords hesitate to rent to people with a record of eviction). In Milwaukee, after the Wisconsin eviction moratorium ended on May 26, eviction cases went up 15% while in North Carolina, after the eviction courts reopened, thousands of new cases were filed in "the last few days." And while the CARES Act officially ends July 31st, but effectively a week or so earlier, and the House in May already had passed the replacement HEROES Act that would extend payment of the weekly US\$600 payment until January 2021, it seems highly unlikely that the Senate will promptly deal with it when it reconvenes on July 26th.

Americans losing healthcare benefits - In recent weeks 5.4MM households lost their health insurance coverage. For 160MM Americans get it via the bread winners' employer insurance and, while coverage often remained while workers were 'furloughed', it typically ended when that ended. According to the San Francisco-based Kaiser Foundation people's healthcare needs are met by their employers' insurance for 61% of Utah's population, a percentage that declines via 57% in Montana, New Hampshire, New Jersey, North Dakota & Wisconsin to 37% in New Mexico.

Back to the future? - Hamilton, Bermuda-based Brookfield Property Partners has done a deal with the Los Angeles-based Kilburn Live entertainment group to turn some of its shopping malls' parking lots into drive-in theaters (where & people can get food from the malls' food courts). Says Michelle Snyder, Brookfield's Chief Marketing Officer, "People are desperate to leave home ... We have tons of ideas for our parking lots."

Bridgewater's Ray Dalio warns, in an 8,000 word post on LinkedIn, that rising US-China tensions could escalate into a 'shooting war', comparing the present with that a century ago when the world 'sleepwalked' into its first-ever World War - The most fascinating part of his presentation may well be the chart portraying a rocket-like trajectory of social change that on the way up, after a new World Order (post-WW II?) via a period of peace, prosperity and "productive debt growth" (the latter 1900s?) ends in a "Debt Bubble & Big Wealth Gap (the past two decades?), peaks, & then on the way down goes through Debt Bust-, Economic Downturn-, & Debt and Political Restructuring stages before arriving at a New World Order.

Consumer confidence wilting? - The preliminary July reading of the widely followed University of Michigan Index of Consumer Sentiment was expected to come in at 75.0 but did so at 73.2, down from 78.1 MoM (and a one-, & fifteen-, year low), as the Current Conditions sub-index went from 87.1 to 84.2 & the Expectations one from 72.3 to 66.2. According to Richard Curtin, the Chief Economist for the University's Surveys of Consumers, "Unfortunately, declines are more likely in the months ahead as the coronavirus spreads and causes continued harm, social disruptions and permanent scarring." - *Meanwhile Congress still hasn't agreed on another fiscal stimulus bill that Mitch McConnell wants to keep below US\$1TR while Nancy Pelosi says that US\$1.3TR (in the bill passed earlier by the House when the outlook was less dismal) now is "not enough".*

End of an era - Boeing earlier announced the 747 production line will close in two years when the last 747-800 on order rolls out of its Seattle factory. And now BA [with 31 747s (10%) in its fleet] has announced "It's unlikely our magnificent 'Queen of the Skies' will ever operate commercial services for British Airways again due to the downturn in travel caused by COVID-19 global pandemic." - *Anyone who ever traveled in their upper cabin will never forget the experience.*

High percentage of Florida children tests positive - Of the 4,000 or so tested recently 31.1% tested positive for COVID-19. This may make life more difficult for the "early school opening crowd". For, while children may be less vulnerable to the virus & seem to have milder cases when they do, and the jury is still out on the question as to whether they are as ready 'coronavirus spreaders' carriers' as adults, this may make parents nervous about letting their kids go to school, for their & their own sakes.

Hong Kong Autonomy Act - On June 30th China's new national security act came into force in Hongkong. It introduces property-, & visa-blocking sanctions on foreign persons who "materially contributed" to anti-China activities in Hong Kong. Two days later the US Congress passed this Act that the President signed into law another 12 days later. And at his post-signing news conference President Trump declared "No special privileges, no special economic treatment and no exports of sensitive technologies" & promised penalties for banks linked to Beijing's interference in Hong Kong. This prompted China's Foreign Ministry to bluster "China will make the necessary responses to protect its legitimate interests, and impose sanctions on relevant US personnel and entities" (*targeting the 1,300+ US companies in Hong Kong, incl. most major US financial firms?*) - *Comparatively speaking, China is doing OK economically, for after its GDP shrank at a 6.8% annual rate in the First Quarter, outside economists now expect its economy to grow at 1.8% for the year as a whole (with the comparable numbers for the US being -5.9% & -7.0% and the Atlanta Fed's GDPNow rate having gone from -34.5% on July 16th to -34.7% on July 17th). Still the 1.8% rate must give President Xi sleepless nights; for in the past two decades' it has been axiomatic in Beijing policy making circles that 6.0% economic growth is the tipping point into possible social unrest. This increases the risk that to boost patriotic nationalistic fervour Xi will act more aggressively internationally (and, more specifically in the South China Sea) than otherwise might have been the case.*

Total coronavirus count per million - At last report (July 16th or 17th) the world's 'top dogs' included Qatar (36,600 per MM), Oman (12,253), the US (10,804), Brazil (9,466), Sweden (7,612), Saudi Arabia (6,987) and the UAE (5,675), while among those at the low end were Taiwan (19), Japan (186), South Korea (267) & India (727). In terms of the case load having increased since March 25th, the booby prize goes to Brazil with 947x, followed by Mexico (837x), Oman

(766x), Saudi Arabia (317x) & UAE (227x), with the rear being brought up by Spain (1.2x), Italy (3.0x), and the US & Canada ¹ in the middle of the pack, with 63x & 56x respectively.

Trump replaces his fourth campaign manager, Brad Parscale ² - He did so on Wednesday July by having Jared Kushner doing the dirty work before he announced on Facebook that Parscale no longer was Campaign Manager but would remain with the campaign to continue doing his “tremendous digital and data strategic” work as a Senior Adviser. While others on the Trump team had for weeks been trying to get him to dump Parscale, he was doomed by the Tulsa rally flop when, after he had reported that 1+MM people had registered, according to the City Fire Department attendance in the 19,091 seat BOK area had just been 6,200. He will be succeeded by Bill Stepien, a former aide to ex-Gov. Chris Christie in his 2016 run for the GOP nomination (who in that capacity was involved in the so-called “Bridagate Scandal” that had put paid to Christie’s presidential aspirations) - *The now 44 year-old Parscale has been involved with the Trump Organization since 2011 & has done well by it (thus in 2018 Red State Data & Digital, a company Parscale owned, collected US\$837,000 from the America First Action Trump Super PAC) & last year he bought a US\$2.4MM beachfront mansion in Ft Lauderdale FL.* ³.

Trump sinks to new Presidential low - On July 10th Robert Unanue, CEO of family-owned Goya Foods (“*the largest Hispanic-owned food product company*”?), at an event in the White House’s Rose Garden told the world Americans were lucky to have an “incredible builder” like Trump as its Commander-in-Chief. A few days later, first Ivanka Trump, & then The Donald himself (in the Oval Office or a very good mock-up thereof), touted Goya products on Twitter.

Trump’s Approval/Disapproval Rating - According to FiveThirtyEight on July 15th it was 40.1-55.6, the lowest since 39.3-56.0 on January 25th, 2019 & down from 45.4- 50.2 on March 31st.

World’s top COVID-19 denier - Brazil is second only to the US for getting the booby prize in the coronavirus numbers’ race; for with just two-thirds of its population, as of July 14th it had 41,857 new cases vs. the US’ 61,834, 1.93 MM total cases vs. the US’ 3.5MM & 74,133 fatalities vs. the US’139,714 [*but its numbers are likely understated since its reporting system is less effective than that of the US (although that may change now that US hospitals have been ordered to report their numbers to the HHS, rather than the (too uppity?) CDC?*). But there’s no doubt that, despite having now twice been tested positive, President Bolsonaro takes the cake in coronavirus-denial terms, for he’s still going around with no mask, shaking hands with-, & hugging-, people, taking hydroxychloroquine, and firing his Health Minister for promoting social distancing. Small wonder that Brazil’s 32 year-old comedy actor Felipe Neto (who with 39MM followers on You Tube has twice the followers Trump has on Twitter & Facebook combined), says Bolsonaro “makes President Trump look like Patch Adams” (the character in a 1998 movie with the late Robin Williams who, after being in the looney bin, becomes a doctor using humour to treat his patients.

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¹ On July 15th Canada reported 331 new cases (i.e. 9.2/MM), vs Texas’ 361/MM & Florida’s 437/MM

² His three predecessors were Kellyanne Conway, Paul Manafort & Cory Lewandowski.

³ Where this morning (Thursday July 16th) police spent half an hour chasing, & finally capturing, a (small) kangaroo that somebody had (illegally) been keeping as a pet, but that had escaped.

WEEKLY JOBLESS NUMBERS RISE BY MORE THAN 1MILLION FOR 17TH STRAIGHT WEEK (CNBC, Fred Imbert)

- Initial jobless claims came in at 1.3MM for the week ended July 11th, slightly more than the 1.25MM expected, *bringing the total filed in the past nearly four months to 51MM, although the number of continuing claims is declining as people's eligibility runs out*. This came as the nation continues struggling with the coronavirus outbreak, especially in Arizona (where in the week ended July 11th there were 30,000 new jobless claims), California (200,000+) and Florida & Texas (100,000+ each).

The best part of this news is that it is only a fraction of the 6.8MM weekly high set in late March. Meanwhile, companies, incl. American Airlines (that has a weekly US\$27MM 'cash burn') are warning their employees of (possibly massive) staff cuts.

5 WALL STREET EXECS HAVE SOUNDED THE ALARM ON A TOUGH ECONOMIC RECOVERY AHEAD (Market Insider, Ben Winck)

- This week Citigroup, JPMorgan, Goldman & Wells Fargo reported their Second Quarter results. While the first three beat analysts' expectations (crediting their trading desks for this), Wells Fargo stumbled as larger-than-expected provisions for loan losses made it report its first quarterly loss since the Great Recession. But executives for all four were unanimous in striking a bearish tone in their remarks, referring to the near-term outlook as "uncertain" & warning the Second Half may turn out worse than expected not long ago.
- JPM CEO Jamie Dimon told analysts on July 14th "You're going to have a much murkier economic environment going forward than you had in May and June" & Jennifer Piepszak, his CFO, that the short period of a smooth uptrend is about to be replaced with a far less stable kind of turnaround, "May and June will prove the easy bumps in terms of this recovery ... we're really hitting the moment of truth ... in the months ahead." And Wells Fargo's CEO Charles Scharf observed "Our view of the length and severity of the economic downturn has deteriorated considerably from ...last quarter ... the risk of the expiration of the PPP (Paycheck Protection Program) and of the expanded unemployment insurance raises the possibility of more economic hardship ahead", Goldman CEO David Solomon warned "With the increase in viruses ... I think you'll see a flattening in the economic pick-up ... that will slow the progress we make economically from here" and Citi's CEO Michael Corbat noted "The pandemic has a grip on the economy and it doesn't seem likely to loosen until vaccines are widely available ... I don't think anybody should leave any bank earnings call this quarter ... feeling like the worst is ... behind us and it's a rosy path ahead."

The only possible ray of hope is that such unanimity often has been proven misplaced.

TRUMP DISAPPROVAL RATING AT RECORD LOW AMONG BATTLE GROUND VOTERS (The Hill, Zack Budrick)

- A CNBC/Change Research poll conducted July 10th-12th & released on Wednesday July 15th surveyed 4,322 in six "battleground states" (AZ, FL, MI, NC, PN & WI), as well as 1,258 likely general election voters. The former found that 59% thought the coronavirus pandemic was getting worse & 55% didn't approve of the job Trump is doing to ensure coronavirus relief went to those who need it rather than the wealthy & well-connected and believed Joe Biden & the Democratic Party would do a better job of making healthcare more affordable (*by all accounts the top two issues in voters' minds*), that 54% thought

they would do a better job on the coronavirus & 53% in “putting the middle class first”, and 45% that businesses & other institutions had been reopening too quickly (going as high to 62% in FL & 60% in AZ).

And more generally speaking, two other polls published this week showed Biden widening his lead over Trump in the Presidential race into the double digit range, i.e. to a level high enough to have him thump Trump soundly & demeaningly in the Electoral College.

TRUMP DROPS OUT, BIDEN GETS SICK, PENCE IS FIRED; WHAT IF 2020 REALLY GETS CRAZY? (Politico, John F. Harris & Daniel Lippman)

- Interviews with Washington strategists and government veterans in both parties, many high up in the Trump White House, found most expecting some dramatic plot to unfold in this election year, based on the following three assertions :
 - Trump’s psyche is predisposed to dramatic and unexpected moves;
 - Both candidates’ ages during a coronavirus pandemic that is (*again?*) disproportionately affecting elderly people; and
 - The tumultuous 2020 environment due to the pandemic and the vast decline in the domestic and world economic activity from the shutdowns.
- One veteran GOP operative says he was struck by people around Trump speculating he’s “looking for an excuse to get out”, saying he has often been “willing to cut his losses” & “doesn’t want to be a loser”, and may drop out of the race claiming “the election is unfair”, “he has achieved his important objectives” and/or “he wants to spend time with his family”.
- On the other hand, he may (*in a ‘Hail Mary-like move*), seek to shake things up, starting with dumping Mike Pence. While this would lose him religious conservatives’ support (for they dote on Pence, he wouldn’t hesitate if he thought it might work. He also could fire Brad Parscale, his campaign manager & start second guessing son-in-law Jared Kushner, and try & give Karl Rove a bigger role in his campaign (which he may refuse). Something to watch for is whether leading Republicans, many of whom have long resented him, will start, as the election approaches, distancing themselves from him. First & foremost among them would be Senate Majority Leader Mitch McConnell; for he wants to remain Majority Leader &, if that means ditching Trump, he will do so in a heartbeat ⁴ (especially now that the ABT spirit may have started risking his reelection; for in the past month polls have changed dramatically in his challenger Amy McGrath’s favour from 53-33 to 45-41).
- And many wouldn’t rule out the possibility of a September surprise, since many states allow early voting to start six weeks before November 3rd, i.e. late that month. Included among the possibilities mooted are Trump getting so extreme on Twitter *to energize his base* that it kicks him off its platform, Fauci resigning & endorsing Biden, illness befalling either candidate, or a major change in the coronavirus situation.

September might be too late & counting on an uncontrollable event too risky. For maximum effect the GOP must make a move before the Democratic Convention starts in Milwaukee WI on August 17th (this year it precedes the GOP one in Charlotte NC by one week). For, if it were then to trot out a Trump resignation & a credible alternative standard bearer, or a list thereof, much younger than Biden, it could throw the latter’s now seemingly inevitable nomination ‘into a cocked hat’

⁴ His ‘distancing’ may already have started. For after Trump on July 8th disagreed with the CDC guidelines for ‘bringing kids safely back into the school room’, calling them “very tough and expensive”, McConnell told the [Louisville Courier-Journal](#), that, while not sure what the President had said, “we ought to follow the CDC guidelines. There’s no question about that.”

since it would weaken his support from the ABT (Anybody But Trump) crowd, possibly fatally so, and make his age & the emerging leftist bent of his agenda the only issues in the race (and lessen the ABT effect in a number of Senate races that have been favouring the Democrats?). And if the polls in the next three weeks were to continue worsening for Trump (and two polls made public Wednesday July 15th widened Biden's lead into the double digit range, i.e. more than double the edge he needs to overcome the small state bias favouring the GOP), the probability increases that he will decide that, compared to being beaten ignominiously, "getting out of the church before the singing started (as a university class mate of mine would put it) out of his own volition would be the lesser of two evils (especially if that he could humiliate Biden in the process).

BIDEN'S BIG OPPORTUNITY (NYT, David Leonhardt)

- He is not a great public speaker & doesn't have a strong ideology & thus; so he doesn't seem like a great transformational President candidate. But neither did FDR or Reagan; the former was dismissed as an aristocrat with no coherent idea as to how to end the Depression and the latter as a 'lightweight from Hollywood (*even though he had a decent record as California's Governor, which had 'stood him in good stead' as President*).
- And yet both became transformational presidents who ushered in *long* eras of dominance of their preferred policies (*from the left-, & right-, respectively*). And this was less because of their political skills but because both took office in a time of national crisis ⁵ when transformational national policies suddenly seemed OK to many Americans. And Biden could benefit from that phenomenon at the time of a deadly pandemic, *that could prompt a deep recession & a racial crisis*.

As noted earlier, there are scenarios that could see Biden's seemingly inevitable journey to the White House spectacularly derailed. His greatest strength may well also be his greatest weakness; for as The Economist puts it "Looking as a plausible president and not being Mr. Trump seem to be all that is required of Mr. Biden"; in other words, if that 'straw man' were to go off stage, so might much of Biden's appeal. And, as the mask-wearing controversy illustrates, yesteryear's sense of common purpose & trust in leaders seems to have gone the way of the dodo bird, which could open the door to a 'knight on a white charger', the role Trump sort of played in 2016 [although he is now more perceived as a giant with feet of clay (Daniel 2 : 31-32)].

TRUMP GETS SOME GOOD ELECTION NEWS : GOP VOTER REGISTRATIONS OUTPACE DEMOCRATS' (Politico, David Siders)

- In late June the Democratic data firm TargetSmart found that during the pandemic voter registration had plummeted and those still registering were whiter, older & less Democratic than before. This confirmed what election officials & voter registration groups in the field had been seeing for weeks : while neither Democrats or Republicans had been registering many during the pandemic, the former had suffered more from the slowdown. Thus in Iowa, where the race between Trump & Biden is surprisingly close, the GOP had nosed ahead of the Democrats after earlier having ceded the lead for the first time in years.

⁵ I first wondered what that was all about but then started remembering : 1980 was the year after the Shah's overthrow & the seizure of the US Embassy in Tehran, the subsequent start of the Iraq-Iran War, and at home a year of double digit inflation &, in July, the start of the early 1980's recession

The Democrats had for some time been registering more voters than the GOP in many competitive states, incl. Arizona, Florida, Maine, Nevada & New Hampshire), due to the (growing) animosity towards Trump. So it may be just narrowing the gap, not necessarily taking the lead.

WHAT'S CHINA'S PLAN FOR ITS 'GREAT WALL OF SAND'? (BBCNews)

- US Secretary of State Mike Pompeo has *finally* called China's South China Sea's territorial claims "unlawful" (as they are under the 1982 Law of the Sea, while Beijing's claims, that reach as far as 1,000 miles from the nearest Chinese landfall, are 500 or more years old).
- The South China Sea is vital international ocean shipping and Beijing's claim it is a Chinese "inland sea" is no more valid than the US claiming that status for the Pacific, the Russians or Turks for the Black Sea, or the Swedes for the Baltic. About a decade ago it started reinforcing its territorial claims by building *increasingly sizeable & complex* military facilities on its various island-, & reef-, chains (that now even include a small farm, complete with pigs & chickens and a fruit & vegetable plot) claimed by half a dozen other countries, that now form what Admiral Harry Harris, when Commander of the US Pacific Command, once called "The Great Wall of Sand" (after the soil it had to dredge to do so).
- Beijing has been enraged by Trump's criticism of its early handling of the coronavirus outbreak and has exploited the pandemic to double down on its coercive behaviour in the South China Sea. Thus in early April a Chinese Coast Guard vessel rammed and sank a Vietnamese fishing vessel close to the Paracel Islands (that Vietnam also claims, and has a better case for claiming) and later its Haiyang Dizhi 8 marine survey vessel hampered the operation of a Malaysian oil exploration vessel off the coast of Borneo (that is about as far away from Chinese soil as it is possible to get in the South China Sea).

The South China Sea is a major fishery resource for its half a dozen riparian countries & thought to overlay big hydrocarbon deposits. Beijing first laid claim to all its island archipelagos in 1953 but never did much about enforcing its claim except to periodically harass those whom it didn't like being there. But this started to change in the 1990s, when it made them administratively part of Hainan Province as 'Sansha City' (that last April was upgraded from county-, to prefecture-, level status). Its administrative centre is on Woody/Yongxing Island in the Paracels that now has an area of about 13 square kms/5 sq. mi., most of it reclaimed land, a large military presence that includes a 9,000 foot runway that can handle any aircraft the PLA operates, a population of a few thousand, many of them military and, since fairly recently, the above noted small farm.

Beijing's waxing aggressiveness (it recently imposed sanctions on Sens. Cruz & Rubio for criticizing Beijing's treatment of the Uighur Muslims & other minorities) has prompted a US response. Since the Haiyang Dizhi 8 incident the USS America ⁶ & an Australian frigate have been deployed in the region and more recently they have been joined by two US guided missile destroyers, all of whom have since engaged in FONOPS (Freedom of Navigations Operations) exercises challenging "China's unlawful claims on international waters". When Beijing responded by closing off a large swath of sea space to all naval exercises, this angered Washington that claimed this violated earlier Chinese undertakings to avoid activities acerbating the dispute; so it recently deployed two complete (USS Nimitz & USS Ronald Reagan) air carrier strike groups nearby and has US Navy fighters & Maritime Patrol Aircraft criss-crossing the region on a regular

⁶ Officially classified an "amphibious assault vessel", it is more than the name suggests. 257 meters long & 45,000 tonnes in weight, it has a flight deck, a crew of 1,000 & permanent Marine complement of nearly 2000 (which tonnage-, & personnel-, wise makes it about half the size of a full-fledged air craft carrier) & is capable of launching a sizeable landing force & supporting it from the air.

basis (with the Air Force having added a B-52 strategic bomber to the mix), all of which drove the China state media berserk.

And the State Department's July 13th press statement issued over Pompeo's signature must have really have added fuel to the fire. For its opening sentence was "The United States champions a free and open Indo-Pacific ... Today we are strengthening U.S. policy in a vital, contentious part of that region - the South China Sea. We are making clear : Beijing's claims to offshore resources around most of the South China Sea are completely unlawful, as is its campaign of bullying to control them". And it then 'twisted the knife' in the opening sentences of the fourth paragraph that read : "The PRC has no legal ground to unilaterally impose its will on the region. Beijing has offered no coherent legal basis for its 'Nine Dash Line' claim in the South China Sea since formally announcing it in 2009. In a unanimous decision of July 12, 2016 an Arbitral Tribunal constituted under the 1982 Law of the Sea Convention - to which the PRC is a state party - rejected the PRC's maritime claims as having no basis in international law".

*All this seems like deliberate moves for domestic political reasons by **both** President Xi and President to appeal to their peoples' deep-rooted xenophobia that could lead to an unforeseen incident such as begot WW I a century ago. But Trump's bluff could backfire, for as a result of Bush 43's Iraq adventure & the longest ever US military conflict ever in Afghanistan, Americans have little appetite for more of the same.*