



WEEKEND READING

Shedding the light on what's happening - our world - our finances - our times

It's all been done before:

In the spirit of trimming down from Christmas, we're going Data Lite this week. Here we go.

The we've argued the recent inflation pulses were largely the result of Government fiscal policy (spending, taxation and entitlements) and monetary policy (interest rates and credit). Politicians panicked in the face of a potential world-wide existential threat to humanity from COVID-19. This understandable concern proved excessive. Heading the admonition to 'never let a good crises go to waste', certain progressive ones tried on variations of the Universal Basic Income. Monthly cheques, forgivable loans, program spending, pumping money, it all was tried. The resulting inflation saw these same leaders scrambling to deflect blame and enact further measures in a failed attempt to protect the middle-class exploding government debts and deficits. Unsurprisingly, lenders demanded higher interest rates and workers demanded higher wages. The cycle set in, and rates soared. Central Bankers hit the brakes, chasing the longer-term yields with short-term ones. Politicians have kept the spending taps on. The push-pull isn't done yet.

Examples:

- US Pres. Joe Biden releasing crude oil from the Strategic Petroleum Reserve (SPR) in an attempt to suppress gasoline prices. This ran contrary to Green Cred ides.
- The Province of Quebec mailing out additional COVID Relief Cheques after the pandemic had clearly passed with less drama than expected. These additional dollars chased less demand. Wasn't that the problem?
- <https://www.cbc.ca/news/canada/montreal/quebec-600-cheque-payout-1.6669016>
- **'New advocacy group joins push for green recovery from COVID-19's economic shock'** CBC – May 19, 2020
- <https://www.cbc.ca/news/politics/wherry-green-economy-recovery-1.5574533>

- The Province of BC's rolled out its **COVID Resilience Infrastructure Stream**

<https://www2.gov.bc.ca/gov/content/transportation/funding-engagement-permits/funding-grants/investing-in-canada-infrastructure-program/covid-19-resilience-infrastructure/covid-19-resilience-infrastructure-stream>

- Mr. Biden then enacted the **Inflation Reduction Act**. While investing in infrastructure is legit, economists note the criteria chosen for the projects were unlikely to reduce inflation. A mess in Congress has stalled the entire project with porkbarrel politics showing up.
 - https://en.wikipedia.org/wiki/Inflation_Reduction_Act

These are all new ideas...right?

The History of Rome - Mike Wood: Commanding The Economy— Diocletian takes on inflation.

https://thehistoryofrome.typepad.com/the_history_of_rome/2011/02/127-commanding-the-economy.html

Diocletian was in power 284-305 AD. How does that saying go again?

"Those who cannot remember the past are condemned to repeat it." George Santayana

2020-2021's extremely low borrowing costs convinced many that debt wasn't a problem. As they also believed the 'Rich Aren't Paying Their Fair Share' they'd just borrow their way out of the pandemic then get the money back from the fat cats. A driving narrative behind the government largess was that the middle class was in trouble (was it?) largely due to growing 'inequality' between high income and low-income earners. We've long challenged this idea. The Economist joined in the fray in early December.

'Blue-collar bonanza: Why conventional wisdom on inequality is wrong' The Economist Dec 2, 2023

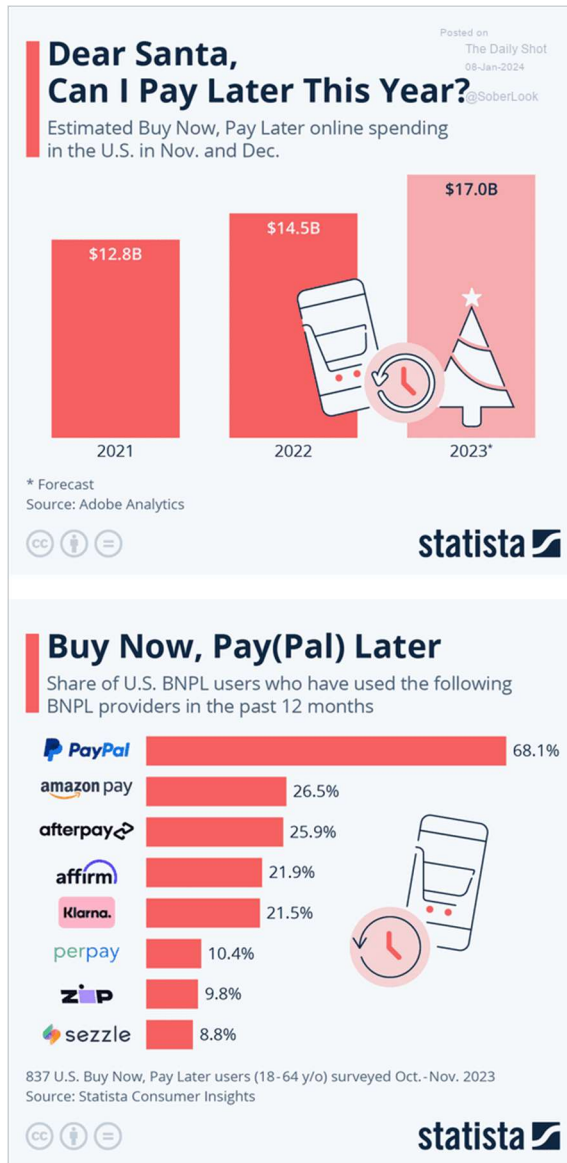
(requires subscription)

<https://www.economist.com/leaders/2023/11/30/a-new-age-of-the-worker-will-overturn-conventional-thinking>

What about 2024?

Asset Allocation Strategy January 2024 – NBF CIO Martin Lefebvre

<https://www.nbinvestments.ca/content/dam/bni/publication/cio-office/asset-allocation-strategy.pdf>



E-commerce pundits have predicted PayPal and friends, offering direct consumer financing bypassing intermediary banking handling payment processing, will eat said bank's lunch. This direct-to-consumer lending can add fat profits to processing purchases. The payment processor is paid twice. Once for conveying the goods and again for financing the buy. They continue to receive incremental income charged on the lending. If that lending is hidden back in the price of the goods purchases (IE a moderately higher price) What's not to like? Trouble is...it's really tempting to ramp the lending up. Sears, GE Finance and Canada's Bombardier all financed their customers purchases internally. It was really great...until it wasn't.

Banks must comply with regulatory oversight ensuring prudent consumer finance lending to protect the insured depositors. E-commerce companies in this game are lending their shareholders capital directly to consumers, enabling them to buy on-line, 'bypassing the middleman', with little oversight. E-commerce is not known for cautious finance. We'll see how it ends.



We've been predicting interest rates have peaked and will now decline. Scott Grannis adds his comments on the near term interest rate trend....down.

'Economic slowdown on top of lower inflation begs for major adjustments'
Scott Grannis Jan 8, 2024

<https://scottgrannis.blogspot.com/2024/01/economic-slowdown-on-top-of-lower.html>

We'll close with some advice from the Bare Naked Ladies.

<https://www.youtube.com/watch?v=Zs3xXIXSOKk>

"May you live in interesting times" Ancient Chinese curse.

Trump's Disqualification: How We Got Here || Peter Zeihan -YouTube Jan 8, 2024.

US Politics are about to get really interesting...again. Welcome to 2024!

<https://www.youtube.com/watch?v=-uFjRZ5R5pU>

Have a Great Weekend

Steve & Anna Hilberry



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FOR THE RECORD January 12, 2024

DOW INDUSTRIALS:	37,563
S&P 500:	4,780
S&P/TSX COMP:	20964
WTI:	\$72.65
LOONIE IN \$USD:	\$0.7456 \$US



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