

THINGS THAT MAKE YOU GO Hmmm....

A walk around the fringes of finance



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“We all need patience and do things according to the rules”

– BO XILAI

“As Chairman Mao said as he was building the nation, the goal of our building a socialist society is to make sure that everyone has a job to do and food to eat, that everybody is wealthy together ... If only a few people are rich, then we’ll slide into capitalism. We’ve failed. If a new capitalist class is created, then we’ll really have turned onto a wrong road.”

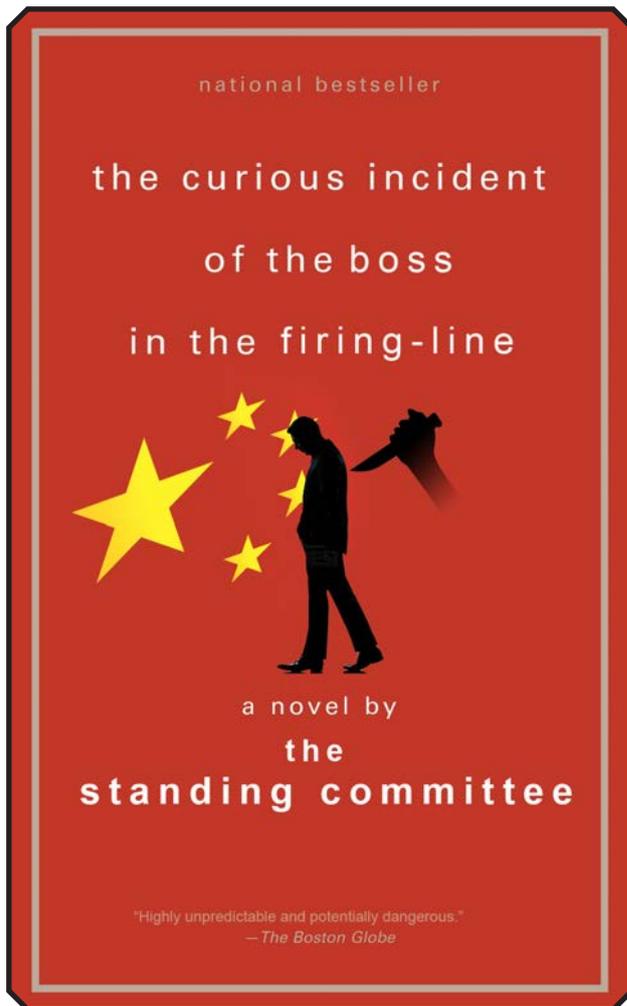
– Bo Xilai

“There are many people who have poured filth on Chongqing, including pouring filth on me and my family, even talking about my son studying abroad and driving a red Ferrari -- utter nonsense -- and I feel outraged. Utter nonsense.”

– Bo Xilai, *father of Bo Guagua, Ferrari-driving, Harvard University student*

“This sh*t is chess; it ain’t checkers”

– Det. Alonso Harris, *Training Day*



This week's edition of Things That Make You Go Hmmm..... is a little different to those that have come before it in that it is more of a murder mystery/whodunnit and focuses on the machinations behind a very significant power struggle currently raging in the shadowy world of China's ruling party.

For those amongst you who like tales of drunken British businessmen, unexplained deaths, cyanide poisoning, swift autopsies, mysterious political figures, Lady Macbeth-type wives and police chiefs fleeing for their lives - read on. For those of you who prefer less sensationalist tales..... well read on anyway - this one's a doozy!

As bizarre and salacious as this story is, the implications for the immediate future of China are extremely important and, with China-watchers

split between those who believe a hard landing is not only assured but imminent, and those of a more sanguine disposition, the search for clues as to the outcome will be meticulous.

Our story begins on November 14, 2011 in a nondescript hotel room in the hills above the Chinese city of Chongqing - roughly 850 miles north-west of Hong Kong - where a British businessman, 41 year-old Neil Heywood, was found dead.

After an extremely basic autopsy, the initial cause of death was listed as 'excessive alcohol consumption' and a rather hasty cremation took place in China with Heywood's family being informed of his demise by telephone.

The story barely made the news either in China or back home in the UK.

Heywood wouldn't have been the first British businessman abroad to overindulge in the bars and nightclubs of a foreign land and, if one were predisposed to finding a suitable 'accident' to befall an enemy who fit that mold, then drinking himself to death would have ordinarily been a fairly plausible cover story - but in this case, there was something that didn't quite fit the official story - Heywood was teetotal.

According to the NY Times, Heywood's funeral in Battersea, a few days before Christmas was a strange affair:

(NY Times): ...mourners who gathered for Neil Heywood's memorial service a few days before Christmas were perplexed by the instructions laid down beforehand by one of Mr. Heywood's classmates from Britain's elite Harrow boarding school. He asked them not to approach Lulu Heywood, Mr. Heywood's Chinese wife, and to remain in the pews until she and their two children had left the church.

The classmate's eulogy made no mention of why a 41-year-old man in apparently good health had suddenly died. Nor could anyone ask the family.

"It was all very odd," said one of those at the service, who, like many people connected with Mr. Heywood, asked to remain anonymous because of the sensitivities surrounding the case. "There were a lot of questions, and a lot of tears. We'd all been to plenty of funerals, and none of us had ever been through anything quite like it."

Heywood was an Old Harrovian who was well-connected in the UK and, amongst his many entrepreneurial ventures in China, he helped arrange for wealthy Chinese citizens to purchase and import luxury Aston Martins. His various business interests in the Chongqing area brought him into contact with some very well-connected men and women and, in particular, a husband and wife who wielded more power than anybody in the densely-populated region - local Party Chief, Bo Xilai and his wife, a formidable lawyer named Gu Kailai.

"... "The incident is extremely serious and we probably only see the tip of the iceberg." ...

Perhaps unsurprisingly, the death of an unknown British businessman in an unknown hotel in a large-

ly unknown (at least, outside of China) city was soon forgotten - but in early February, 2012, the story was reignited when Bo's police chief, Wang Lijun, a hardman who had cracked down ruthlessly on organized crime in Chongqing under Bo's orders, was suddenly demoted to general duties. China's microblogosphere went crazy:

(UK Guardian): The abrupt transfer of a gang-busting police chief – due to be immortalized in film – has sent China's internet rumour mill into overdrive.

Wang Lijun became famous nationwide after leading a crackdown against organized crime in Chongqing launched by the region's high-profile party secretary, Bo Xilai.

His move from police to more general duties has sparked particular interest because he is seen as such a close ally of Bo, who is expected to rise still further when the next generation of leaders takes power this autumn.

Their controversial anti-gang campaign led to more than 1,500 arrests and culminated in the execution of the city's former deputy police chief and top justice official, Wen Qiang, for corruption, rape and shielding organized crime.

But on Thursday, Chongqing's information office said on its blog the party committee had given Wang a new portfolio in charge of economic affairs in place of his public security post, the South China Morning Post reported.

A few hours later, the office revised its message to say the 52-year-old would be in charge of issues including education, the environment and industrial and commercial management.

Despite the abrupt move, little attention was paid to Wang's demotion in the Western press until a few days later when Wang walked into the US Consulate in the city of Chengdu with a stack of documents and, apparently, an extraordinary story to tell.

Although nobody knew what Wang was telling US officials, the presence of armed Chongqing police outside the Consulate made it apparent that Wang had opened a large can of worms.

Several days later, Wang emerged, accompanied by Party officials, and headed not for Chongqing, but directly to Beijing:

(Bloomberg): ...A seat was purchased for Wang Lijun on a Feb. 8 flight from Chengdu to Beijing, according to a website authorized by China's aviation regulator to show all commercial air ticket information. Another first-class ticket was bought for Qiu Jin, a vice minister at the agency responsible for anti-espionage and covert operations to ensure state security.

"This means that the top leadership is directly involved in this investigation," Li, who analyzes Chinese elite politics, said in an e-mail. "The incident is extremely serious and we probably only see the tip of the iceberg."

It was clear that something with potentially major political implications was unfolding, but not even the wildest of speculators could have foreseen the direction in which this story was about to go.

Bo Xilai is a ‘Princeling’, a term reserved for China’s elite, and few in China are more elite than Bo, the son of Bo Yibo, one of the Eight Elders of the Communist Party who joined the Long March and became one of Deng Xiaoping’s most trusted advisors. Bo Yibo was one of the revolutionary veterans unseated by the Gang of Four under Mao Zedong. In short, Chinese royalty.

“... “The Chongqing model is also over, and the chance of [China] turning leftward is finished.” ...

Bo Xilai developed a reputation for being a flamboyant politician, a hardliner who cracked down on corruption and became wildly popular with the vast majority

of his constituents through his populist politics and welfare spending along with the success of the ‘Chongqing Model’ - Bo’s egalitarian society which united Maoists and social democrats in a new left-leaning alliance.

Bo’s rise through the Party ranks was nothing short of meteoric and his ultimate ascension to the nine-member Politburo Standing Committee - China’s most powerful body - in October 2012 was seen by many to be set in stone (although Bo’s Maoist tendencies had begun to set off alarm bells amongst China’s top brass).

All of this made his dramatic ouster on March 15th an absolute bolt from the blue.

The first clue was a reference by Wen Jibao to the ‘Cultural Revolution’ in a conversation with reporters a day earlier:

(Bloomberg): On March 14, before Bo’s firing, Wen told reporters one floor down from where Bo spoke at Beijing’s Great Hall of the People that China in the late 1970s had taken a decisive turn away from the politics of the Cultural Revolution. He then spoke of Chongqing

and the political events that culminated in former Chongqing police chief Wang Lijun spending a night last month at the U.S. consulate in Chengdu, Sichuan, prompting speculation he was seeking asylum.

“The current party committee and government in Chongqing must seriously reflect on the Wang Lijun incident and learn lessons from that incident,” Wen said. “What has happened shows that any practice that we take must be based on the experience and lessons we have gained from history.”

The following day it was time for Bo to go:

(Washington Post): The unceremonious firing Thursday of Bo Xilai, the populist Communist Party chief of the southwestern mega-city of Chongqing, was seen by some observers here as a victory for China’s reformers and a stinging defeat for those known as the “new leftists,” for whom Bo had emerged as a champion.

But with the party’s internal wrangling shrouded in secrecy, the latest twist in China’s most tumultuous political drama in years has left many — from ordinary Chinese to foreign China-watchers — perplexed about what is really going on behind the vermilion walls of the Zhongnanhai leadership compound in Beijing... “Basically, his political career is at an end,” said Zhang Ming, a political science professor at Beijing’s Renmin University. “The Chongqing model is also over, and the chance of [China] turning leftward is finished.”

The removal of Bo from his powerful Party post was the most significant such move since the aftermath of Tiananmen Square in 1989 and, in a handover year, when stability is of paramount importance to China from a political, social and economic standpoint, it was an enormous surprise to China-watchers everywhere.

But it is in the aftermath of Bo’s demise that the real twists and turns begin so let’s get back to the story.

After his unceremonious

ejection from office, the sheer volume of timely information that became readily available to Western media outlets made it obvious that its release was being sanctioned at the very highest level of the Chinese government, but more than the volume of information, it was the nature of it that took the breath away.

The trigger seemed to be the request on March 20 by the British Foreign Office to have the investigation into Heywood's death reopened. As soon as that was made known, the dominoes started to fall.

On April 10, the Chinese government announced that it had arrested Gu Kailai and Zhang Xiaojun, a member of her household staff, on suspicion of the murder of Heywood. It was quickly leaked that the cause of death was supposed to have

“...[Wen] framed the struggle over Bo's legacy as a choice between urgent political reforms and “such historical tragedies as the Cultural Revolution,” ...

been cyanide drops which had been placed in Heywood's drink by Zhang. From there, rumours abounded of other murders, multiple mistresses and life-

threatening diseases as well as a supposed affair between Kailai and Heywood.

Whatever WAS true, was well and truly buried in the kind of informational avalanche that was carefully designed to ensure Bo could never again return to the political scene in China.

Job done.

But what are the implications of this seismic upheaval atop China's ruling class? Well, they are HUGE and could easily result in an all-out behind-the-scenes battle over the future of China.

Let's return to that question-and-answer session held by Wen Jibao back in March:

(Foreign Policy): Responding to a gently phrased question about Chongqing, Wen foreshadowed Bo's political execution, a seismic leadership rupture announced the

following day that continues to convulse China's political landscape to an extent not seen since 1989. But the addendum that followed might be even more significant. Indirectly, but unmistakably, Wen defined Bo as man who wanted to repudiate China's decades-long effort to reform its economy, open to the world, and allow its citizens to experience modernity. He framed the struggle over Bo's legacy as a choice between urgent political reforms and “such historical tragedies as the Cultural Revolution,” culminating a 30-year battle for two radically different versions of China, of which Bo Xilai and Wen Jiabao are the ideological heirs. In Wen's world, bringing down Bo is the first step in a battle between China's Maoist past and a more democratic future as personified by his beloved mentor, 1980s Communist Party chief Hu Yaobang. His words blew open the facade of party unity that had held since the massacres of Tiananmen Square.

Wen and Bo

stand at opposite ends of the political spectrum and are perhaps the two most powerful political voices in modern-day China (though in Bo's case, I shall need a change of tense). They polarize opinion like no others and have both been staunch in their adherence to their own particular political views; in short, Wen is very much the progressive, status quo candidate whilst Bo is looking to make the state far more powerful once again, and turn back much of the liberalization and democratization progress that has been made over the past 20 years.

By removing the head of the Leftist snake through Bo's ouster and the continuing press campaign to thoroughly discredit him, the Wen faction has moved decisively and effectively. But, in the form of Wu Bangguo (the Chairman of the NPC and a staunch opponent of Wen) and Zhou Yongkang (Head of State Security) Bo has two extremely powerful allies on the Standing Committee who are opposed to Wen's reformist leanings and who could potentially prove to be major thorns in Wen's side in the months leading up

to October's handover. Unless those who back Bo are swiftly marginalized or brought back into line, we could see this complicated issue return to cause havoc at the National Party Congress in a mere six months' time.

That a 9-man Standing Committee can sit at the head of a country of around 1.3 billion people is enough of a clue that they cannot afford to make any missteps - particularly in an increasingly transparent world where the events of the Arab Spring have demonstrated that the status quo is a fragile thing indeed, so, despite some recent signs that China's growth has been slowing, every conceivable stop will be pulled out to ensure that, after the upheaval of the first four months of the year, the period between now and October will be kept as stable and as peaceful as is possible.

“... 18,000 Communist Party and government officials, public-security members, judicial cadres, agents of state institutions and senior-management individuals of state-owned enterprises have fled China since 1990. Also missing is about \$120 billion...”

That is likely to mean looser policy, 'market-friendly' data and a concerted effort to report lower inflation and ensure that Chinese stock markets break out of their near five-year slump.

The chance of a major Chinese property collapse in the next six months has become even more remote now than it was prior to the extraordinary events in Chongqing. That's not to say everything is fine, but whatever lurks beneath the surface will stay there until power has been cemented once again. In the meantime, the Party has a perception problem that needs dealing with - and dealing with fast.

As Mayor of Chongqing, Bo Xilai's monthly salary was roughly \$700 and so his gilded lifestyle would have to be considered something of an eyebrow-raiser. In the days after Bo's demise, tales of his son, Bo Guagua's penchant for Ferraris and fast women whilst studying at

Oxford and, later, Harvard and rumours that Heywood had helped Gu Kailai move up to \$1bln out of China into offshore accounts appeared in the Western press with startling speed and it is important to realise that everything coming out of China is now carefully orchestrated to ensure the 'official' story is disseminated as far and as widely as possible. Interestingly enough, the NY Times - not always known as being ahead of the game in China - seems to have had the jump on pretty much every twist in the story from start to..... well, middle, so somebody has decided to use that august publication as a mouthpiece to the West.

Bo's fabulous wealth is a big problem for China because it shines an unwelcome light on just how power is used amongst the elite to feather their own nests whilst working tirelessly for 'the people'.

The statistics surrounding fraud and corruption at the very highest levels are truly staggering:

(Time): ...the People's Bank of China published a report that looked at corruption monitoring and how corrupt officials transfer assets overseas. The report quotes statistics based on research by the Chinese Academy of Social Sciences: 18,000 Communist Party and government officials, public-security members, judicial cadres, agents of state institutions and senior-management individuals of state-owned enterprises have fled China since 1990. Also missing is about \$120 billion.

The People's Bank of China report stresses that until now, nobody has been able to provide an authoritative figure of the exact sum pilfered, and the figure of \$120 billion is still only an estimate. It is nonetheless an astronomical sum. It is equivalent to China's total financial allocation for education from 1978 to '98. Each escaped official stole, on average, \$7 million. But the real numbers might be even higher. Some media have reported that the wife of the deputy chief engineer of the Ministry of Railways, Zhang Shuguang, who was recently caught for corruption,

owns three luxury mansions in Los Angeles and has bank savings of as much as \$2.8 billion in the U.S. and Switzerland. This example gives a glimpse into the broader picture.

For an *official* estimate to contain such staggering numbers only points to just how truly astronomical the *real* numbers must be and, in a country where, after 2008, the M1 money supply growth increased from 7% to 40% in a matter of months, there was a LOT of cash sloshing

“...” In the West, free money buys votes. In China it buys stability (or at least a semblance of it) and that, right now is an absolutely invaluable commodity...”

around to go ‘missing’. That growth is now back down below 10% once again but the damage has

been done and, even though the CPI that was running at 2% the last time the Chinese opened the cash spigots, do not be surprised if, even with the current rate of inflation double that, those spigots get opened wide once more before October.

In the West, free money buys votes. In China it buys stability (or at least a semblance of it) and that, right now is an absolutely invaluable commodity.

The Bo Xilai story is not over. It will continue to grace the pages of the more sensationalist Western media outlets for months to come and you can guarantee that with every new wrinkle, every new twist and each new turn that the story takes, some extremely powerful people are behind the dissemination of the information that we in the West are allowed to digest.

In a first, this particular Chinese power struggle looks as though will be fought largely in the pages of the Western press, with just enough freedom for the Chinese microblogging universe to ensure the required information reaches those for whom it is intended.

However it pans out, one thing is for certain, the stakes are incredibly high.

The removal of Bo Xilai is widely seen as market-

positive by many experts as it heralds the demise of the ‘Chongqing Model’ with its echoes of the Cultural Revolution, and with a senior official in the shape of Vice Premier Zhang being quickly installed as Bo’s successor in Chongqing, the return to the more private sector-oriented ‘Guangdong Model’ looks set to be cemented in the coming months, but should the Wen faction not completely extinguish the challenge of Bo and his allies, we could be in for some major upheaval.

After a lightning trip to London and Dubai this past week - which began in rather unsavoury circumstances when one of the engines on my Malaysian Airlines 747 exploded on take-off (note to the skipper: Please try to use the phrase “the *noise* you heard...” next time, as opposed to “the *explosion* you heard...”. I’m just saying...) leading to a rather fraught hour limping around the skies - I am back in Singapore though I seem to have contracted some kind of vicious ~~man~~-flu. Consequently, most of what you have read to this point may well make zero sense at all - if that’s the case, please put it down to an excess of medication. This week has been a struggle!

In the pages that follow, however, you will find yourselves in the hands of people far more lucid than me and so I am confident in handing you over to them.

Liam Halligan explains why the IMF just enables Europe’s fantasy to continue, we look at France ahead of today’s watershed elections, Holland is in imminent danger of losing its cherished AAA status and Spain, surprisingly, is about to enter a full-scale collapse (at least, according to the folks at Phoenix Capital).

More brilliance from Messrs. Brodsky & Quaintance as they dissect Cristina Fernandez de Kirchner’s startling decision to expropriate and renationalize YPF, protectionism and border controls rear their ugly heads in Europe and we look at China’s Achilles Heel (no, not Bo this time).

Demonocracy puts the derivative mountain into the kind of perspective only they can, we look at the Buffet Tax and see for ourselves what it will mean, see how leading indicators are struggling to get ahead without help and Nick Laird takes an interesting look inside JPMorgan's depository.

Interviews with Steinhardt, Soros and Rickards round things out for another week and, with that I shall take my leave of you.

I have a rather hectic travel schedule coming up over the next month or so and will write as and when the time presents itself. As a consequence, I have no idea when I will next be cluttering up your inboxes. All I DO know, is that when I am, I'll be talking about Australia.

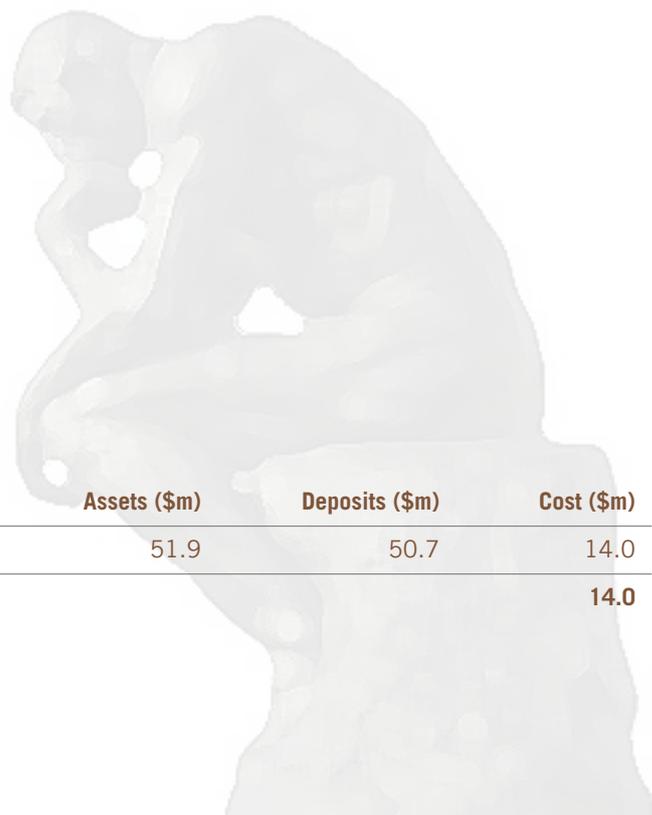
Or Europe..... or China..... or gold, maybe..... or Spain..... France..... Holland..... Ah who am I kidding? I have absolutely no idea what I'll be talking about, but that's what makes it so much fun, right?

Right?

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22 April 2012

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The Ginnie, Ginnie Banks

#	Bank	Assets (\$m)	Deposits (\$m)	Cost (\$m)
17	Fort Lee Federal Savings Bank, FSB, Fort Lee, NJ	51.9	50.7	14.0
Total Cost to FDIC Deposit Insurance Fund				14.0

On April 16, Argentine president Cristina Fernández de Kirchner announced that her Argentine government would expropriate and re-nationalize YPF, an energy company operating mostly in Argentina founded by its government in the 1920s and de-nationalized in the 1990s. Repsol, a Spanish company that owns (owned) 57% of YPF called the act “illegal and unjustified” and vowed to sue. Repsol’s president implied he had higher bids for its share of YPF, notably from China (Sinopac), and further asserted that prior to the announcement the Argentine government had deliberately depressed the stock price ahead of expropriation. Spain and its allies in the EU immediately renounced YPF’s re-nationalization and threatened retaliation. Too late: the deal is done and Argentina’s political calculus seems to pass economic scrutiny in a commercial age dictated by political economics. By the time

this matter is likely resolved in an international tribunal YPF’s existing energy reserves should be mostly depleted.

“...Fernandez de Kirchner’s timing was brilliant, reminiscent of Robert Rubin currency interventions when he was running the US Treasury who would strike when FX positions were vulnerable. ...

Fernandez de Kirchner’s timing was brilliant, reminiscent of Robert Rubin currency interventions when he was running the US Treasury who would strike when FX positions were vulnerable. To re-nationalize the Spanish-controlled energy company when Spain’s economy and funding are teetering means the Spanish government and businesses domiciled there lack the clout to make demands of Euro confederates. FdeK’s declaration that the action is a “recovery of sovereignty and control” should further remind observers and investors that those in power ultimately rely on maintaining and obtaining access to natural resources.

In times past such expropriation would surely be an act of war. Recall Argentine scrap metal merchants raising an Argentine flag over the Falkland Islands in 1982 was enough to prompt Margaret

Thatcher to launch the Royal Navy. (Five British firms are currently looking for oil around the Falklands.) The Spanish armada is unlikely to set sail this time. This particular act of state piracy performed by an independent sovereign nation is notable in that its victims are not members of another society but shareholders neither sovereign serves directly. The Spanish government is busy trying to appease foreign creditors and Repsol’s energy production served shareholders first, not necessarily Spanish energy demands.

The political calculus among leaders of sovereign governments reduces to short-term domestic political benefits vs. threats of economic or military retaliation. When it comes to natural resources the points of tension are not sovereign governments vs. private domestic interests but sovereign government vs. sovereign government. It would seem China joined global trade in 1978 because its mandarins realized domestic production could not satisfy the Chinese people’s insatiable appetite for basic resources. Perhaps Russian Glasnost and Perestroika sprung in the latter half of the eighties so that Russia could profit by feeding emerging markets like China its bountiful natural resources? And it would seem reasonable that the formation US free trade agreements and the EU, (in spite of political partisans who would otherwise killed such measures because they threatened domestic employment), were forced by Western mandarins looking to aggregate global natural resources and control its channel of distribution? And the really difficult question: could the unprovoked invasions of Iraq and Libya (and Iran?) have something to do with increasing control over global energy?

*** QBAMCO / MAIL

Spain is about to enter a full-scale Crisis.

A few facts about Spain:

- *Total Spanish banking loans are equal to 170% of Spanish GDP.*
- *Troubled loans at Spanish Banks just hit*

an 18-year high.

- Spanish Banks are drawing a record €316.3 billion from the ECB (up from €169.2 billion in February).

Things have gotten so bad that Spanish citizens are pulling their money out of Spain en masse: €65 billion left the Spanish banking system in March 2011 alone.

As bad as they are, even these data points don't do justice to the toxic sewer that is the Spanish banking system.

Case in point, over HALF of all Spanish mortgages are owned by Spanish cajas.

If you're unfamiliar with the caja banking system, let me give you a little background...

Until recently, the caja banking system was virtually unregulated. Yes, you read that correctly, until about 2010-2011 there were next no regulations for these banks (which account for 50% of all Spanish deposits). They didn't have to reveal their loan to value ratios, the quality of collateral they took for making loans... or anything for that matter.

So, with Spain today, we have a totally unregulated banking system sitting atop HALF of ALL Spanish mortgages after a housing bubble that makes the one that happened in the US look like a small bump.

Spain's housing bubble is the dark blue line below. The US is the gray one.

Oh, I forgot to mention, the cajas primary lending market during Spain's housing boom were subprime and sub-sub prime borrowers.

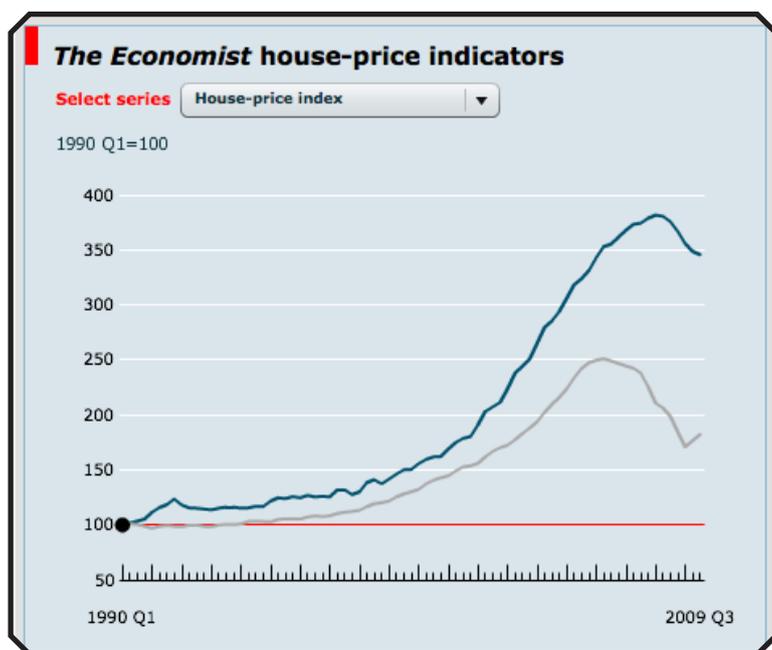
Put another way, today the entire Spanish banking system is saturated with toxic mortgage debt on a level that makes the US in 2008 LOOK GREAT.

*** PHOENIX CAP (VIA ZEROHEDGE) / LINK

Far from the giant rallies and big-screen showmanship of the final days of a presidential campaign, the sleepy town of Donzy in Burgundy feels untouched by politics. The talk in the bars is of the local fête and fishing. Only one campaign poster, for a fringe anti-capitalist, has been pasted to the municipal noticeboard. Yet this bellwether town is a pointer to how the French will vote in the election on April 22nd and May 6th: at every poll since 1981, it has gone for the winner.

In 1981 Donzy backed François Mitterrand, a Socialist. In 2007 it swung behind Nicolas Sarkozy, on the Gaullist right. This time the little town, encircled by wheat fields and home to factories making plastic straws and umbrellas, looks likely to back François Hollande, the Socialist. "My bet is that Donzy will vote Hollande," says Jean-Paul Jacob, the (independent) centre-right mayor. This is not out of enthusiasm for the man, as "people find him cold, there's no fervour about him." Rather, the mayor thinks, it reflects disappointment with Mr Sarkozy. "His personality", he says wryly, "doesn't leave people indifferent."

Other locals concur. Cécile Rebeillard, a retired statistician, reckons the mood is "more a rejection of Sarkozy" than zeal for Mr Hollande. "I think Sarkozy will be beaten," agrees Thierry Flandin, a farmer and (independent) councillor



SOURCE: ECONOMIST

for Donzy and nearby communes. “Not because of his policies, but his attitude. People here were shocked by his behaviour, his vulgarity, all the mistakes early on in his term. It’s a rejection of the man.”

This year’s presidential election is set to be historic in more ways than one. If Mr Hollande wins, as the polls suggest, he will become only the second Socialist president in the Fifth Republic—and the party will have its first presidential victory in 24 years. If, against the odds, Mr Sarkozy pulls off a last-minute victory, it would be a miraculous feat for a candidate who has throughout campaigned from behind. But if the polls are right, and he loses, Mr Sarkozy will go down as only the second president—after Valéry Giscard d’Estaing—of the Fifth Republic to fail to win re-election.

“... This year’s presidential election is set to be historic in more ways than one. If Mr Hollande wins, as the polls suggest, he will become only the second Socialist president in the Fifth Republic—and the party will have its first presidential victory in 24 years

It is perhaps natural that the French should want change. The Gaullists, under Mr Sarkozy and his predecessor, Jacques Chirac, have held the presidency since 1995. Right across Europe

in the euro-zone crisis, incumbents have been unseated by disgruntled voters. The French are fearful and restless and want something different. But the prospect of Mr Sarkozy’s defeat is still a remarkable one, in many ways. Unlike Mr Giscard d’Estaing, who had to run against Mr Chirac as well as facing Mitterrand, he has no centre-right rival. And he can reasonably claim to be the sort of authoritative leader to whom voters might turn in a crisis. Indeed, polls suggest the French rate Mr Sarkozy more highly than Mr Hollande for most traits to do with leadership. He scores better for having “the authority of a head of state” (54%, next to 23% for Mr Hollande), for being “capable of taking difficult decisions” (49 to 23%) and for being “capable of taking the right decisions faced with the current economic and

financial crisis” (41 to 27%).

The French also recognise Mr Sarkozy’s energetic efforts during the euro crisis. He has pushed through unpopular reforms to universities and a rise in the retirement age. And he has a decent foreign-policy record, from taking France back into NATO’s military structure to his intervention in the 2008 Russian-Georgian war and his joint leadership of the campaign against Libya. Next to all this, Mr Hollande, a Socialist hack who led a fractious party for 11 years and has never had a ministerial job, is a debutant: his biggest crisis was a 2005 party split over the draft European Union constitution. With his friends from the Mitterrand era, there is little fresh about him.

*** ECONOMIST / LINK

For some time, International Monetary Fund supremo Christine Lagarde has argued that a stronger “global firewall” is needed, to contain “any future financial crises”. Well, at this weekend’s IMF-World Bank meetings in Washington, she announced there are now “firm commitments” from member states to boost the IMF’s lending power.

The extra resources, Lagarde’s officials dutifully claimed, will be “available for the whole IMF membership, not earmarked for any particular region”. Everyone knows this is nonsense. This higher IMF firewall has been created because governments around the world are petrified the eurozone could implode, sparking another “Lehman moment”.

Since 2007, the IMF has extended over \$300bn in loans. With another \$430bn of finance now available, in theory at least, these latest “pledges” have almost doubled its existing lending capacity.

“We made a call to action, and our members delivered,” proclaimed Lagarde. Behind the rhetoric, though, donor countries are seething — not least those who aren’t even in the euro. Switzerland, the UK, South Korea and Sweden have respectively stumped up \$26bn, \$15bn, \$15bn and \$10bn. Norway has weighed in with \$9bn,

Australia and Singapore pledging \$7bn and \$4bn each.

The US is refusing to contribute to the IMF's new lending facility, for the unspoken reason that Barack Obama would be eviscerated if he even thought about asking Congress this close to the election for money for the olde world. Based on its jealously guarded voting quotas, America's "fair share" would be \$70bn.

The large emerging markets said that, between them, they'll chip in over \$100bn. Before making specific commitments, though China, Russia and Brazil want more evidence of "eurozone governance".

So a communist country, a formerly communist country and a country not so long ago rightly described as "an economic basket-case" now need proof that Western Europe is capable of facing up to its problems. Can you blame them?

Right across the emerging markets, in fact, where incomes per head remain way below Western levels, there is deep concern about ponying up for a region rich enough to look after itself – if only that region's elite could agree on sustainable monetary and regulatory arrangements. This ongoing eurozone debacle shows they can't.

“... So a communist country, a formerly communist country and a country not so long ago rightly described as “an economic basket-case” now need proof that Western Europe is capable of facing up to its problems. Can you blame them?” ...

And now the eurozone is going cap-in-hand to the rest of the world, albeit under the face-saving auspices of the IMF.

In March, the eurozone enlarged its own firewall

by 40pc. Double-counting, definitional changes and other book-keeping wheezes mean combined pledges and cash in the eurozone's arsenal now total \$930bn — an amount which may never be delivered or even be deliverable.

The very size of the “bazooka” is supposed to reassure global markets any contagion will be contained. That's the theory behind financial

firewalls – that they'll never actually be needed. Such reasoning is defensible but only if the breathing space provided is used to press ahead with genuine structural solutions to the issues that necessitated the firewall in the first place.

Publicly funded firewalls are justified if they are used to facilitate genuine action. It's almost inevitable this eurozone firewall will be used instead to facilitate further denial. Is it possible, with the best will in the world, to draw any other conclusion?

*** LIAM HALLIGAN / LINK

The ruling Dutch minority government was on the brink of collapse Saturday after anti-EU lawmaker Geert Wilders torpedoed seven weeks of austerity talks, saying he would not cave in to budget demands from “dictators in Brussels.”

New national elections that will be a referendum on the Netherlands' relationship with Europe and its ailing single currency are now all-but-certain.

But before Prime Minister can tender his resignation — possibly as early as Monday — he must consult with allies and opposition parties on how to run a caretaker government that will have to make important economic decisions in the coming weeks and months.

“Elections are the logical next step,” Rutte said.

Opposition leader Diederik Samsom of the Labor Party joined others across the political spectrum in calling for new elections as soon as possible.

“In the meanwhile, we in parliament will take responsibility for a careful budget in 2013,” he said.

Austerity talks began in early March after the Dutch economy sank into recession and forecasts showed the 2012 budget deficit will reach 4.6 percent — well above the 3 percent limit mandated by European rules. Dutch politicians have strongly demanded that Greece and other countries meet that target.

Rutte leads the free-market Liberal Party in a minority coalition with the center-right Christian Democrats with outside support from Wilders' Freedom Party. The outspoken Wilders is widely known for his anti-Islam and anti-EU opinions, including calls for Greece to return to the drachma and the Netherlands to leave the euro.

Rutte said negotiations had been rounded off Friday to deliver a "balanced package" of cuts, but Wilders walked out after discussing the package with his Freedom Party.

Christian Democrat leader Maxime Verhagen accused Wilders of "political cowardice" for refusing to sign off on the cuts — details of which have not yet been released.

...**"We don't want to bow to Brussels," he said. "We don't want our pensioners to suffer for the sake of the dictators in Brussels."**

Wilders was happy to take the blame, saying he "would not accept that the elderly in the Netherlands have to pay for nonsensical demands from Brussels." He

underlined that an accord would have been possible had the coalition been less concerned with following European rules to the letter.

"We don't want to bow to Brussels," he said. "We don't want our pensioners to suffer for the sake of the dictators in Brussels."

Wilders has long been a staunch critic of the European Union, opposing an EU constitution and last month suggesting the Netherlands should return to its pre-euro currency, the guilder. Most mainstream Dutch parties are generally pro-EU.

The collapse of talks could endanger the Netherlands' coveted AAA credit rating and drive up its borrowing costs.

The Netherlands is one of only four nations using the euro that has the top rating, though it already is under review by rating agencies. Central Bank President Klaas Knot said last week borrowing rates would rise by 1 percent if the Netherlands' ratings are cut.

Once considered one of Europe's strongest

economies, the Netherlands is suffering from high levels of personal debt, mostly mortgage related.

*** WASHINGTON POST / [LINK](#)

An old French idea is blossoming again in the Paris springtime.

The Socialist Party has embraced a form of European trade protectionism in its manifesto, a shift from its previous endorsement of globalization as a win-win proposition for French workers.

The shift matters both because the Socialists and their Green allies have a good chance of unseating the center-right president, Nicolas Sarkozy, in the election next year, and because France has a way of setting the political agenda in Europe.

"Europe is the only continent that imposes free trade on itself in a world that is constantly making exceptions," according to the Socialists' program, adopted April 9.

Declaring that Europe should be neither a fortress nor a sieve, the Socialists want international labor, environmental and health and safety standards built into world trade rules.

Failing that, "we will propose putting in place tariff locks at Europe's borders" until exporting countries adopt norms applied in Europe to issues like trade union rights, child labor and carbon emissions.

Furthermore, the Socialists want the European Union to insert tougher "fair trade" safeguard clauses in agreements with third countries, enabling the Union to reimpose tariffs to halt any import surge threatening European industry.

And they demand that the European Commission publish a study assessing the effects of each new trade agreement on European industry and employment before it is signed.

The Socialists' U-turn on trade is largely driven by domestic politics, and while it resembles positions taken by the Democratic Party in the United States, it has little support so far in other European countries, except perhaps Italy.

It is an attempt to win back the “losers of globalization” — the unemployed, remnants of the industrial working-class and middle-class voters who fear their living standards are falling.

Some of these voters are defecting to the far-right National Front under its new leader, Marine Le Pen, who has made inroads by attacking immigration and Islam and by advocating dumping the euro and re-erecting customs barriers at France’s borders.

On the hard left, polls suggest that Communists, Trotskyists and the Left Party could siphon off 15 percent of the vote with anti-globalization rhetoric.

The Greens also see themselves as part of the “altermondialiste” movement, a French term that implies they favor some model of globalization, but not the existing one.

Free trade has little political constituency in France. While the seafaring British and Dutch have long been free traders, the French have a protectionist tradition reaching back at least to the 17th-century mercantilist Jean-Baptiste Colbert, Louis XIV’s finance minister.

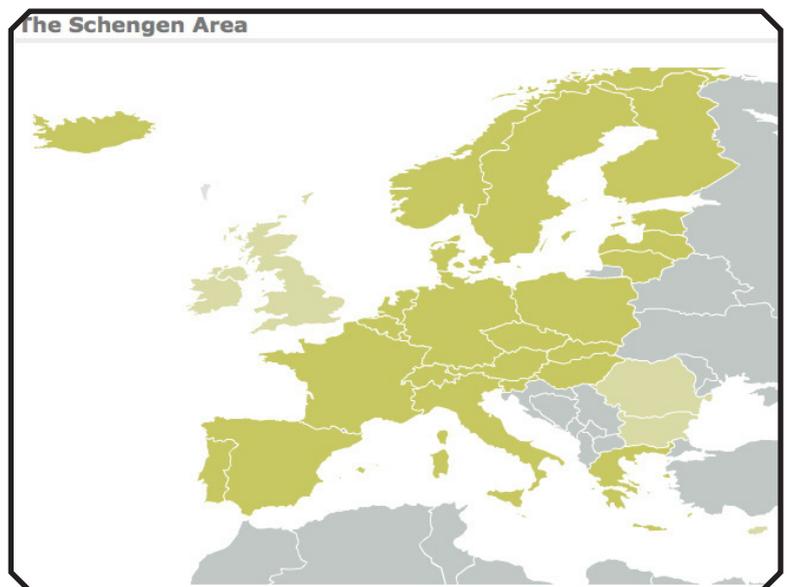
More recently, Maurice Allais, the Nobel economics laureate, published diatribes against free trade with emerging economies until his death last year, warning that it would cause mass unemployment and depression in Europe.

Another contrarian intellectual, the demographer Emmanuel Todd, is campaigning for European protectionism and an exit from the euro, saying the loss of jobs would otherwise tear French society apart.

*** NY TIMES / LINK

Germany and France are serious this time. During next week’s meeting of European Union interior ministers, the two

countries plan to start a discussion about reintroducing national border controls within the Schengen zone. According to the German daily *Süddeutsche Zeitung*, German Interior Minister Hans-Peter Friedrich and his French counterpart, Claude Guéant, have formulated a letter to their colleagues in which they call for governments to once again be allowed to control their borders as “an ultima ratio” -- that is, measure of last resort -- “and for a limited period of time.” They report-



SOURCE: DER SPIEGEL

edly go on to recommend 30-days for the period.

Of course, using catchphrases like “ultima ratio” and “limited period of time” is supposed to make such policies sound reasonable and proportionate. After all, the reasoning goes, it’s just a few occasional border controls for up to 30 days. What’s the big deal, right?

But the proposal is far from harmless and would throw Europe back decades. Since 1995, the citizens of Schengen-zone countries have gotten used to freely traveling within Continental Europe. Next to the euro common currency, free movement is probably the strongest symbol of European unity. Indeed, for many people, it’s what makes this abstract idea tangible in the first place.

To throw this achievement into doubt now is a vote of no confidence in Europe. The fact that this proposal is coming in the middle of the French election campaign makes it even more suspicious. With his back to the wall, French President Nicolas Sarkozy is pretending to take a tough-guy stance toward immigrants. And the fact that Germany's interior minister is allowing himself to get caught up in this charade is regrettable. Still, if you take a look at his party affiliations -- as a member of the center-right Christian Social Union (CSU), the Bavarian sister party to Chancellor Angela Merkel's Christian Democratic Union (CDU) -- it's hardly surprising.

Nevertheless, Friedrich must still answer the question of what prompted this change of heart. After all, when Denmark announced that it would reintroduce border controls last year, he was the one warning against casting doubt on travel freedoms. But now he's playing along with this populist game himself.

Granted, the Schengen system is not perfect. With the EU's eastward expansion, its external borders have become more porous. The problem areas are well-known: Greece doesn't sufficiently guard its border with Turkey, and Italy simply allows refugees through to continue their journey into neighboring countries. Doing so violates the Schengen Agreement, which stipulates that immigrants have to be taken care of by the country in which they arrive.

Still, both of these problems appear to be solvable without simultaneously watering down the principle of free movement. One can strengthen border protection and find a better way to distribute refugees within the EU. The only thing needed for such measures is political will. Indeed, putting restraints on Schengen freedoms is the last thing Europe needs right now given the fact that the euro crisis has already put serious strain on European unity. Populist maneuvers on other issues cannot be allowed to further hasten the trend toward renationalization.

*** DER SPIEGEL / LINK

Like the hero of "The Iliad", China can seem invincible. In 2010 it overtook America in terms of manufactured output, energy use and car sales. Its military spending has been growing in nominal terms by an average of 16% each year for the past 20 years. According to the IMF, China will overtake America as the world's largest economy (at purchasing-power parity) in 2017. But when Thetis, Achilles's mother, dipped her baby in the river Styx to give him the gift of invulnerability, she had to hold him somewhere. Alongside the other many problems it faces, China too has its deadly point of unseen weakness: demography.

Over the past 30 years, China's total fertility rate—the number of children a woman can expect to have during her lifetime—has fallen from 2.6, well above the rate needed to hold a population steady, to 1.56, well below that rate (see table). Because very low fertility can become self-reinforcing, with children of one-child families wanting only one child themselves, China now probably faces a long period of ultra-low fertility, regardless of what happens to its one-child policy.

Vincible		
Demography in China and America		
	China	United States
Total fertility rate, 2010	1.56	2.08
Population growth, 2010-50, %*	-3.4	+30.0
Peak population year	2026	na [†]
Median age 2010	34.5	36.9
Median age 2050*	48.7	40.0
Population aged 20-24, 2010, m	120	22
Population aged 20-24, 2050, m*	63	25
Change in share of population, % points, 2010-2050*		
Under 15	-5.5	-1.3
15-64	-11.4	-6.9
Over 65	+17.4	+8.1

Source: United Nations ^{*}UN projection (medium variant) [†]Population still rising

SOURCE: ECONOMIST

The government has made small adjustments to the policy (notably by allowing an only child who is married to another only child to have more than one child) and may adapt it further. But for now it is firmly in place, and very low fertility rates still prevail, especially in the richest parts of the country. Shanghai reported fertility of just 0.6 in 2010—probably the lowest level anywhere in the world. According to the UN’s population division, the nationwide fertility rate will continue to decline, reaching 1.51 in 2015–20. In contrast, America’s fertility rate is 2.08 and rising.

“...The difference between 1.56 and 2.08 does not sound large. But over the long term it has a huge impact on society. Between now and 2050 China’s population will fall slightly, from 1.34 billion in 2010 to just under 1.3 billion in 2050.

The difference between 1.56 and 2.08 does not sound large. But over the long term it has a huge impact on society. Between now and 2050 China’s population will fall slightly, from 1.34

billion in 2010 to just under 1.3 billion in 2050. This assumes that fertility starts to recover. If it stays low, the population will dip below 1 billion by 2060. In contrast, America’s population is set to rise by 30% in the next 40 years. China will hit its peak population in 2026. No one knows when America will hit its population peak.

The differences between the two countries are even more striking if you look at their average ages. In 1980 China’s median (the age at which half the population is younger, half older) was 22. That is characteristic of a young developing country. It is now 34.5, more like a rich country and not very different from America’s, which is 37. But China is ageing at an unprecedented pace. Because fewer children are being born as larger generations of adults are getting older, its median age will rise to 49 by 2050, nearly nine years more than America at that point. Some cities will be older still. The Shanghai Population and Family Planning Committee says that more than a third of the city’s population will be over 60 by 2020.

☆☆☆ *ECONOMIST* / [LINK](#)

In September 2005, a senior Wal-Mart lawyer received an alarming e-mail from a former executive at the company’s largest foreign subsidiary, Wal-Mart de Mexico. In the e-mail and follow-up conversations, the former executive described how Wal-Mart de Mexico had orchestrated a campaign of bribery to win market dominance. In its rush to build stores, he said, the company had paid bribes to obtain permits in virtually every corner of the country.

The former executive gave names, dates and bribe amounts. He knew so much, he explained, because for years he had been the lawyer in charge of obtaining construction permits for Wal-Mart de Mexico.

Wal-Mart dispatched investigators to Mexico City, and within days they unearthed evidence of widespread bribery. They found a paper trail of hundreds of suspect payments totaling more than \$24 million. They also found documents showing that Wal-Mart de Mexico’s top executives not only knew about the payments, but had taken steps to conceal them from Wal-Mart’s headquarters in Bentonville, Ark. In a confidential report to his superiors, Wal-Mart’s lead investigator, a former F.B.I. special agent, summed up their initial findings this way: “There is reasonable suspicion to believe that Mexican and USA laws have been violated.”

The lead investigator recommended that Wal-Mart expand the investigation.

Instead, an examination by The New York Times found, Wal-Mart’s leaders shut it down.

Neither American nor Mexican law enforcement officials were notified. None of Wal-Mart de Mexico’s leaders were disciplined. Indeed, its chief executive, Eduardo Castro-Wright, identified by the former executive as the driving force behind years of bribery, was promoted to vice chairman of Wal-Mart in 2008. Until this article, the allegations and Wal-Mart’s investigation had never been publicly disclosed.

But The Times’s examination uncovered a prolonged struggle at the highest levels of Wal-Mart, a struggle that pitted the company’s much publicized commitment to the highest moral and

ethical standards against its relentless pursuit of growth.

Under fire from labor critics, worried about press leaks and facing a sagging stock price, Wal-Mart's leaders recognized that the allegations could have devastating consequences, documents and interviews show. Wal-Mart de Mexico was the company's brightest success story, pitched to investors as a model for future growth. (Today, one in five Wal-Mart stores is in Mexico.) Confronted with evidence of corruption in Mexico, top Wal-Mart executives focused more on damage control than on rooting out wrongdoing.

"... Confronted with evidence of corruption in Mexico, top Wal-Mart executives focused more on damage control than on rooting out wrongdoing..."

In one meeting where the bribery case was discussed, H. Lee Scott Jr., then Wal-Mart's chief executive, rebuked internal investigators

for being overly aggressive. Days later, records show, Wal-Mart's top lawyer arranged to ship the internal investigators' files on the case to Mexico City. Primary responsibility for the investigation was then given to the general counsel of Wal-Mart de Mexico — a remarkable choice since the same general counsel was alleged to have authorized bribes.

The general counsel promptly exonerated his fellow Wal-Mart de Mexico executives.

When Wal-Mart's director of corporate investigations — a former top F.B.I. official — read the general counsel's report, his appraisal was scathing. "Truly lacking," he wrote in an e-mail to his boss.

The report was nonetheless accepted by Wal-Mart's leaders as the last word on the matter.

★ ★ ★ *NY TIMES* / [LINK](#)

The long term decline in deliverable supply at this price level could become quite interesting.

The only ways to obtain more deliverable inven-

tory to meet a bulge in demand is to game the rules on the ability to take physical delivery or let the price rise by buying on the open market.

The push by the CFTC for position limits may tighten the ability to take delivery from 1,500 to 1,000 contracts, but hedgers will be exempt from position limits on the short side. And the big silver short JPM claims to be a hedger.

I keep hearing stories of negotiated prices above the public quotes to buy off large delivery claims. I would be interested to know if anyone has proof of this. We know there are large agreements being conducted around the publicly quoted prices all the time. The FX pit traders walked out in protest over a recent occurrence. It does not take an economist to understand what this does to price discovery and market efficiency.

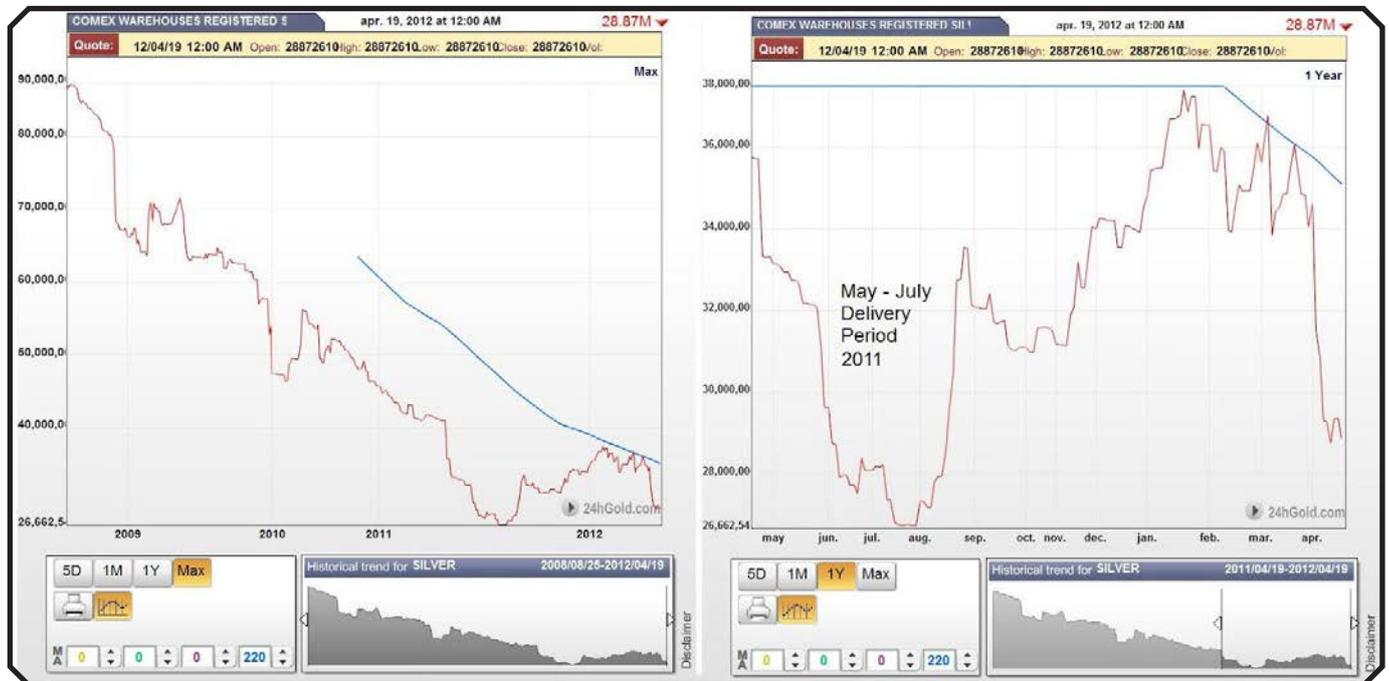
The estimates I have seen of how much silver is real and how much is conflicting paper claims (leverage of unallocated claims) is up to 100:1. Some of those claims are reported to be covered by 'inventory in the ground' which is not readily available for delivery.

One can only wonder how well confidence in the Comex would receive another 'stolen assets' scandal like the confiscation of gold and silver that happened to customers of MF Global.

The central banks have long ago dispersed their caches of silver to the market, so they are not available to supply ready inventory at leased rates. One might look to SLV and wonder who audits its custodial integrity of unencumbered physical bars and how often.

As I recall the sponsor of the ETF is Blackrock, but the custodian and keeper of the vault holding the physical silver backing the ETF is JP Morgan. As you may recall, JPM is holding a massive short position on the silver futures, as best we can determine.

JPM claims they are a hedge on behalf of other parties. If they are using the SLV inventory as collateral in any way, then someone needs to be paid a visit by the SEC and CFTC because the owners of the shares have a superior claim



CLICK TO ENLARGE

SOURCE: CFR.ORG

to the metal. That smells like ‘hypothecation’ in the manner of MF Global. But I suspect that rather than blaming Edith O’Brien one might blame Bear Stearns.

I am not saying this is ‘illegal’ but it certainly warrants disclosure if it is occurring. And if the CFTC knows this and is sitting on the information in their four year old and still unreleased silver manipulation report, then Gary Gensler needs to appear before the Congress and answer some very tough questions about conflicts of interest and withholding of key market information.

Of course the prudential time to ask those questions and obtain the answers is now, and not after the carnage of a commercial failure devastates investors, global industry, and market confidence.

Will anyone listen to this? Did anyone listen to Harry Markopolos before Madoff’s fund blew up?

These days it seems like the US financial markets are a train wreck happening in slow motion. Or

almost like watching a B horror movie. You hear the music and you know what’s coming, but there is no way to warn the campers.

★ ★ ★ JESSE’S CAFE AMERICAIN / [LINK](#)



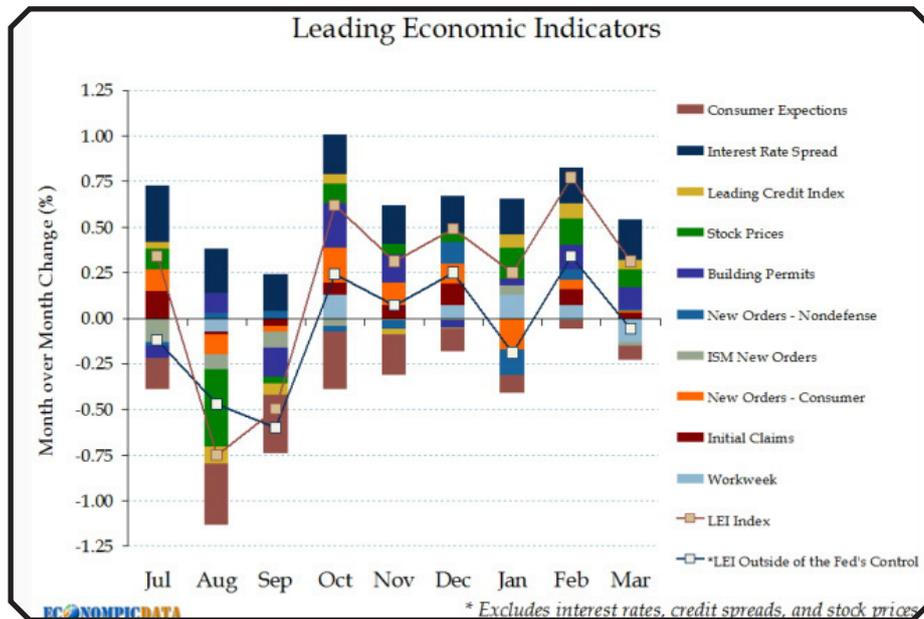
[CLICK TO VIEW INFOGRAPHIC](#)

SOURCE: DEMONOCRACY

\$1.390 Trillion

According to this superb graphic from Demonocracy, this is what State Street's derivative exposure looks like. Click on the image to see the full horror of the derivatives swamping the world.

Definitely NOT for the faint of heart...



SOURCE: ECONOMPIC/IACONO

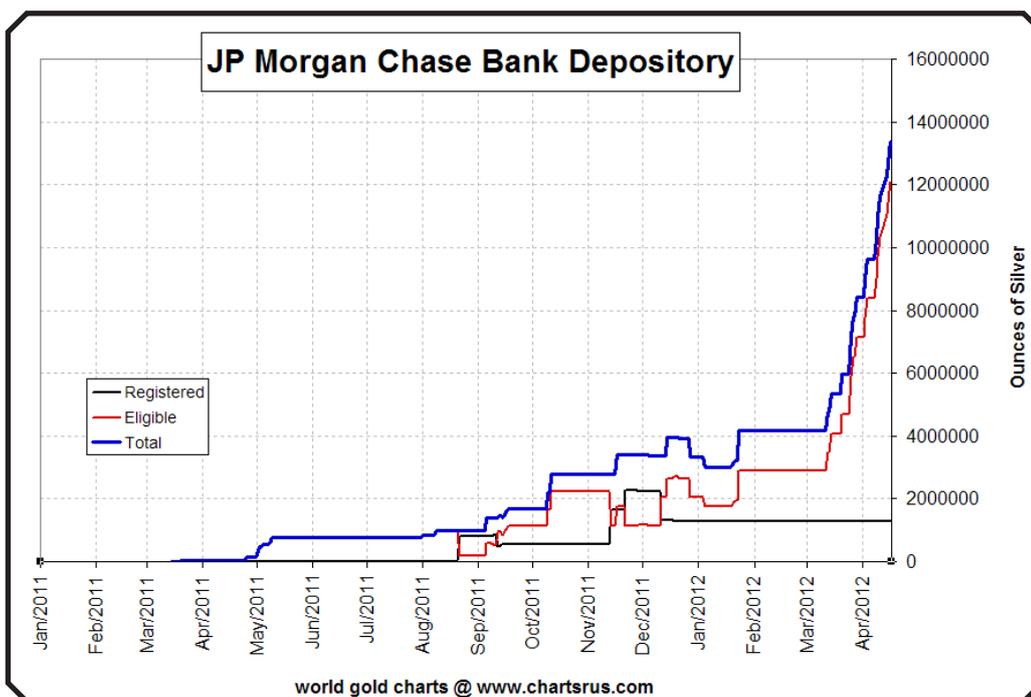
(along with stable prices and low unemployment) and anyone looking for evidence of such need only consult the graphic in this CNBC story from last month.

☆☆☆ TIM IACONO / LINK

More evidence of slowing growth in the U.S. economy comes via this graphic at EconPicData in which it becomes clear that, with the latest round of monetary accommodation from the Fed now winding down, more help will likely be required as the non-Fed components of the Conference Board's Leading Economic Indicators reported yesterday have been negative for two of the last three months.

Of course, some still naively think that stock prices are the purview of markets rather than central bankers, but, they have effectively become the Fed's third mandate

Nick Laird of Sharelynx does his usual fabulous job of taking the interesting and turning it into the fascinating.



SOURCE: NICK LAIRD

Today he looks at the amount of physical gold and silver pouring into JPMorgan's depository facility in the last several months.

Astounding.
(thanks Nick)

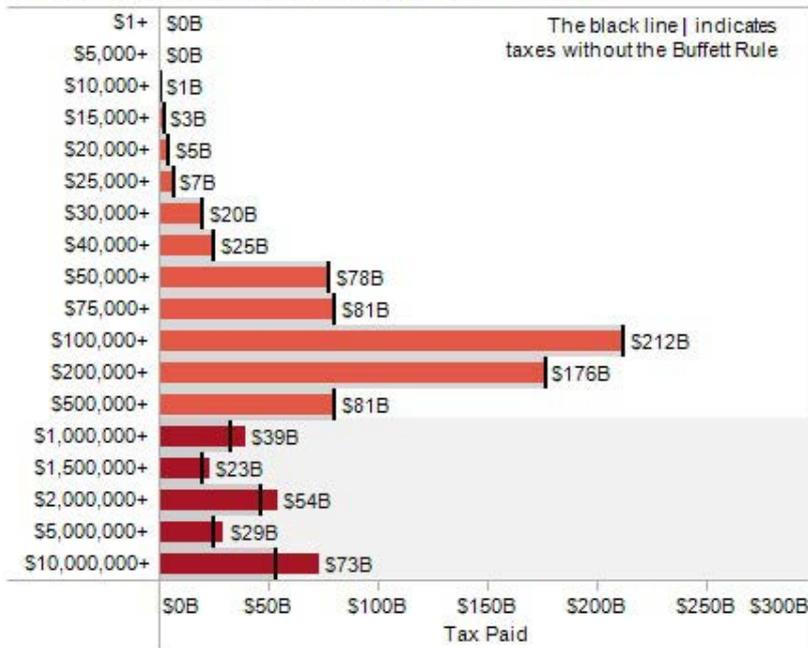
The Buffett Effect

Select Buffett Rule Rate:

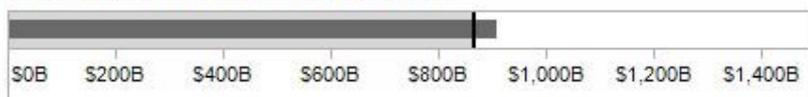
Income Group

- Less than \$1,000,000
- Over \$1,000,000

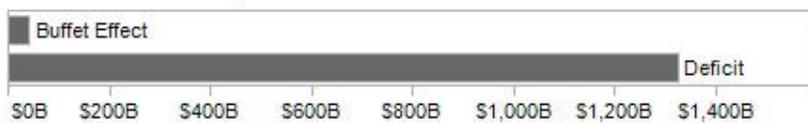
Taxes Paid Under Buffett Rule by Income Group



Total Taxes Paid Under Buffett Rule



Buffett Effect Compared to 2012 Deficit



Data from <http://www.taxfoundation.org/blog/show/27899.html>

[CLICK TO ENLARGE](#)

SOURCE: TAX FOUNDATION

Given all the hype from President Obama and Warren Buffet on “fair tax rates” (see Obama evokes Reagan in Touting Buffett Rule), inquiring minds are asking the critical question: Does the US have a spending problem or a tax problem?

Rather than offer my own opinion, I will let you make the call. You can set whatever tax rate you want for the “Buffett Rule” all the way up to a tax rate of 100% on the following interactive Tableau display.

*** [MISH / LINK](#)



[CLICK TO WATCH](#)

Michael Steinhardt is one of the true greats of the hedge fund industry and here he talks to Bloomberg TV about his concerns for equity markets, the end of Wall Street as we know it and why bonds are 'no place to be'.

My advice? Listen to Michael.....

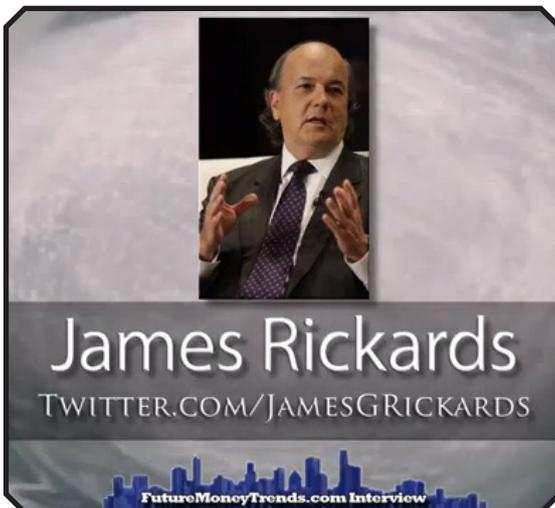
(via zero hedge)

George Soros spoke on a panel entitled "The Future Of Europe" this past week.

His outlook seems to imply that he doesn't see much of one...



[CLICK TO WATCH](#)



[CLICK TO LISTEN](#)

A fascinating two-part interview with Jim Rickards that touches on a wealth of subjects including the difference between 'management' and 'manipulation' of the gold price, the likelihood of QE3 and the outlook for the global economy in 2012...

[PART TWO](#)

and finally...

ESA astronaut Andre Kuipers, from his vantage point high above the Earth on board the International Space Station, has been capturing jaw-dropping views since he arrived on the space station in December, and tweeting them to his followers from his Twitter profile.

Here is a selection of his amazing images...



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Grant Williams

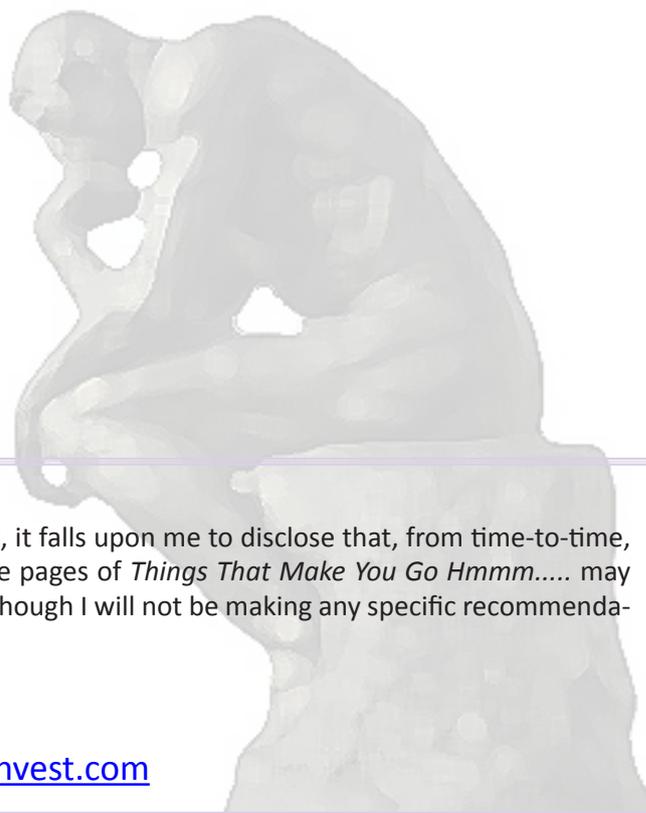
Grant Williams is a portfolio and strategy advisor to Vulpes Investment Management in Singapore - a hedge fund running \$200million of largely partners' capital across multiple strategies.

In 2012, all Vulpes funds will be opened to outside investors.

Grant has 26 years of experience in finance on the Asian, Australian, European and US markets and has held senior positions at several international investment houses.

Grant has been writing 'Things That Make You Go Hmmm.....' for the last three years.

For more information on Vulpes please visit www.vulpesinvest.com



As a result of my role at Vulpes Investment Management, it falls upon me to disclose that, from time-to-time, the views I express and/or the commentary I write in the pages of *Things That Make You Go Hmmm.....* may reflect the positioning of one or all of the Vulpes funds - though I will not be making any specific recommendations in this publication.

Grant

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