Things That Make You Go Hmmm...

A walk around the fringes of finance

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"It is time Europe's leaders finally learnt to stop spending money they don't have and those who have lent money to highly-indebted governments must now face the consequences."

– MARK LITTLEWOOD

"It was the fiercely rendered wish by the people, Merkel, Sarkozy, Juncker, that if a voluntary agreement with the banks was not possible, we wouldn't resist one second to move toward a scenario of total insolvency of Greece, which would have cost states a lot of money and which would have ruined the banks."

– Jean-Claude Juncker

"It's weird protesting on Bay Street. You get there at 9 a.m. and the rich bankers who you want to hurl insults at and change their world view have been at work for two hours already. And then when it's time to go, they're still there! I guess that's why they call them the one per cent. I mean, who wants to work those kinds of hours? That's the power of greed.""

– 'Jeremy', 38, *Occupy Toronto Protestor*

This week, as I try to pick my way through yet another momentous seven days in Europe, I shall be seeking sanctuary in two of my favourite places, when it all gets too much for me - the history books and the dictionary. If we are going to try and put some context around the conjuring trick performed in Brussels this week by the magicians elected to represent the 500,000,000 people who together comprise the citizens of the European Union we, are going to need the odd distraction I am afraid.

After strapping themselves into a collective straightjacket by promising a solution on Sunday only to then decide it would take them until Wednesday to come up with the goods, the Eurocrats had once again managed to lose control of the situation through an abject failure to stick to a cohesive, consistent message. This ended in a fraught meeting into which the representatives of the European banking industry were marched and threatened in no uncertain terms that, should they refuse to 'volunteer' to accept a 50% haircut on their Greek debt, a 100% haircut would be applied. Certainly an interesting way to entice someone to volunteer for something.

At this point - and completely tangentially - we make our first visit to the history books:

This week marked what would have been the 70th birthday of John Joseph Gotti, Jr.. Gotti, one of 13 siblings, was born in the Bronx on October 27th, 1940, and maneuvered his way from running errands for mobsters in his teens to becoming the head of the Gambino crime family by organizing the murder of the Boss, Paul Castellano outside Sparks Steak House.

The chief witness in the trial of Gotti for Castellano's murder suffered a strange bout of amnesia when placed on the stand and Gotti was acquitted (prompting the wonderful NY Post headline "I Forgotti").

Five months later, Gotti was in the dock again, this time for racketeering. Strangely enough, despite the majority of the jurors initially favouring a guilty verdict, Gotti was once again acquitted on all counts – earning him the sobriquet 'The Teflon Don' from a gleeful media.

But I digress. Where were we? Oh yes, Europe's banks and their selfless decision to take that 50% voluntary haircut on their holdings of Greek debt.

Q. When is a 50% haircut NOT a 50% haircut?

A. When it is trumpeted as such by the leaders of Europe

The mathematics behind the much vaunted 50% reduction in Greece's debt is far more curious than the headlines would have us believe and, the ultimate writedown on the total amount actually turns out to be a far less conclusive 16%. How so, I hear you ask? Well, let's take a look at the numbers:

Greece's debt is roughly €350 billion. Of that, approximately €150 billion is held by the 'Troika' (including the €75 billion held by the European Central Bank) and this €150 billion is NOT subject to the haircut imposed on private holders of the debt. So that leaves us with roughly €200 billion. Greek banks and pension funds account for (give or take a billion or two) another €85 billion and, though many number-crunchers apply the haircut to this slice of the debt pie, my own feeling is that it is untouchable as, if they are NOT ring-fenced these holders will be bust should they be forced to take the proposed haircut. By my calculations, that leaves €115 billion needing to be 'forgiven'. Apply the haircut to that number and you are left with a reduction in Greek debt of €57.5 billion - or 16%.

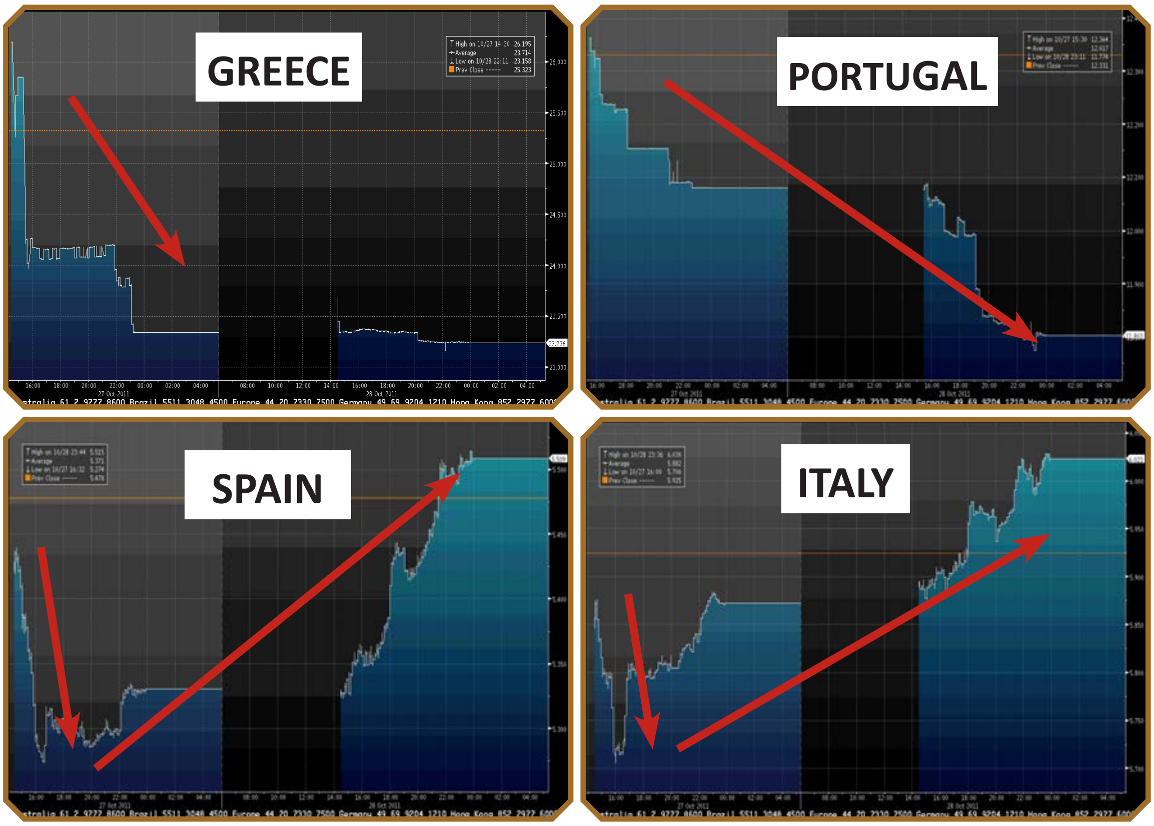
Suddenly, that 50% haircut and the subsequent reduced debt burden doesn't seem quite so drastic after all, does it?

The initial reaction to the 'solution' was one of euphoria in bond and equity markets and a leap to the giddy heights of 1.42 for the Euro - even though it was apparent from just a quick perusal of the 15-page communique issued that the proposal was light on hard numbers and heavy on determination (7 mentions), implementation (19 mentions), support (15 mentions) and commitment (11 mentions).

As the verdicts began to pour in, however, it became clearer that all was indeed not as it seemed with the plan.

In the wake of the announcement - and no doubt to the great delight of the Brussels Touts - stock markets across the world rallied hard and, more importantly for the architects of the latest masterstroke, Greek, Spanish, Portuguese and Italian 10-year bond yields all fell fairly precipitously. Mission accomplished?

Not so fast.



SOURCE: BLOOMBERG

While Greek and Portuguese bonds continued to play ball, those of Spain and Italy showed some troubling dissent as they very quickly made an abrupt U-turn and climbed all the way back to where they had been before the announcement - dangerously close to the troublesome 6% level (in fact,

Date	Purchases (€millions)	SMP Balance (€ Millions)
21 October 2011	€4,490	€169,500
14 October 2011	€2,243	€165,000
7 October 2011	€2,312	€163,000
30 September 2011	€3,795	€160,500
23 September 2011	€3,952	€156,500
16 September 2011	€9,793	€152,653
9 September 2011	€13,960	€143,000
2 September 2011	€13,305	€129,000
26 August 2011	€6,651	€115,500
19 August 2011	€14,291	€110,500
12 August 2011	€22,000	€96,000
5 August 2011	€74,000	€74,000

through it in the case of Italy).

With the EFSF having managed to turn back the tide in early August when Spanish and Italian yields first neared the danger zone (albeit by the use of some pretty hefty firepower via the SMP: table, left), the sight of both failing to respond to the ministrations of the ministers would undoubtedly have made the signatories to the Summit statement choke on their vol-au-vents.

The following day, as the chart on the previous page demonstrates, Italian yields broke straight through 6% once more as some horrendous unemployment data out of Spain (where the official number of those out of work breached the 21% level) and the renewed focus on Italy's fiscal situation (hardly helped by some outbursts that, even by Silvio Berlusconi's standards, were truly bizarre) combined to push the yields on both countries' debts into the danger zone again as Italy's 10-year bond closed above 6% for the first time since early August when the SMP program started its massive buying of Spanish and Italian debt.

Why the fixation on Spain and Italy? I'll let Peter Tchir explain:

> *Here is the basic problem and why Italian and Spanish bonds are getting crushed again today (ignoring horrific unemployment data out of Spain).*
>
> *If Italy defaults with a 40% recovery, there is 1.613 trillion euro of debt affected (that is up about 10 billion in about a month). That means creditors would lose 970 billion. Spain with 663 billion would cost almost 400 billion (its debt has shot up about 15 billion in a month).*
>
> *The problem is that EFSF doesn't take default off the table. It may delay the time to default (by helping roll debts as they mature), but all it mainly does is shift who would take the loss. The guarantors can't handle losses that big.*
>
> *There is no "ideal" solution because the problem is just an order of magnitude too large to provide any real help. Either the economies are going to get to balanced budgets (some combination of growth and cuts) or they will fail...*

Time for a break. Let's see what other entries for this week we can find in the history books:

> *(History.com): On October 28th, 1940, the Italians, already occupying Albania, invaded Greece in what would prove to be a disastrous military campaign.*
>
> *Italy surprised everyone with this move against Greece; even their ally, Germany, was caught off-guard, especially since the Italians had led Germany to believe they had no such intention. Germany denounced the move as a major strategic blunder... [but] despite being warned off an invasion of Greece by his own generals, despite the lack of preparedness on the part of his military, despite that it would mean getting bogged down in a mountainous country during the rainy season against an army willing to fight tooth and nail to defend its autonomy, Mussolini moved ahead out of sheer hubris, convinced he could defeat the Greeks in a matter of days. He also knew a secret, that millions of lire had been put aside to bribe Greek politicians and generals not to resist the Italian invasion.*

Sorry. There I go again - off on a complete tangent. We were talking about.......? Oh, yes, Europe.

Of course, the biggest obstacle to any agreement in Brussels was the continued intransigence of the Germans and their steadfast refusal to countenance any form of money-printing due to their experiences in the late 1920s and early 1930s. Getting the approval for a leveraged EFSF through the Bundestag proved to be a major hurdle for Chancellor Angela Merkel - particularly in light of her appearance before the legislature a mere three weeks prior when she pledged that such an idea was off the table. Needless to say, her opponents wasted no time in making their displeasure known:

> *(UK Daily Telegraph): As she glowered darkly, speaker after speaker from the Social Democrats (SPD), the Greens, and Die Linke, asked how she could possibly reconcile her plan to leverage the EFSF to €1 trillion or €1.5 trillion (we still don't know how much) with solemn pledges to the Bundestag just three weeks ago that there would be no such leverage.*
>
> *"Shameless abuse of the truth," was the verdict of SPD leader Frank-Walter Steinmeier. The government had acted "tactically" at every turn, "misled the people", "held back information", "crossed every red line", brought Europe "to its knees" with botched policies, and lied blatantly about EFSF leverage.*
>
> *"You came here to say there would be no leverage, not three years ago, not three months ago, but three weeks ago. You denied everything."*
>
> *"This is a matter of democracy in our country. Trust is the resource with which we all work." (For those German speakers who watched the debate, excuse my instant and loose translation, but I think it is not far off.)*
>
> *Die Linke (Left) leader Gregor Gysi was electrifying. "It is the arrogance of power," he began, and never let go.*
>
> *"Every week you come up with a different story about this crisis."*
>
> *"We were told there would be no leverage and you have reversed everything in a matter of weeks. Now we learn that the 20pc loss will fall entirely on taxpayers. They alone will pay. That is the decision you are taking."*
>
> *"Why don't you tell German taxpayers the truth? They are being asked to pay the losses for French banks."*
>
> *Green leader Jürgen Trittin rebuked Dr Merkel for hiding the true implications of EFSF leverage, particularly the plan to insure the first 20pc of losses on Club Med bonds.*
>
> *"Why are you shying away from telling the people the truth? You must tell people what this leverage means. You must explain to them what the risk is, and why it is necessary. But you wriggled out of it."*
>
> *"You came here three weeks ago and said there would be no leverage. This is the sort of thing that unnerves people."*
>
> *And so it went on, raw red-blooded democracy.*

Tough crowd.

Ultimately though, Merkel managed to get the vote she need to enable her to go to Brussels with leverage very much ON the table as the Free Democrats and Bavaria's Social Christians, full of sound and fury during the debate, lowered their level of indignity and raised their hands when it came time to vote.

Time for some more history from this week - this time almost four centuries ago:

> *(History.com/Wikipedia): This week in 1618 (October 29th to be precise), saw the famed English aristocrat, writer, poet, soldier, courtier, spy, and explorer (now THAT must have been one hell of a business card), Sir Walter Raleigh beheaded in the Old Palace Yard at the Palace of Westminster. Raleigh had organized three major expeditions to America, including the first English settlement in America, in 1587—the ill-fated Roanoke settlement located in present-day North Carolina (the State whose capital bears his name).*
>
> *A one-time favourite of Queen Elizabeth I, Raleigh later fell out of favor and was imprisoned in the Tower of London. He subsequently bought his freedom and went into self-imposed exile.*
>
> *After Elizabeth died in 1603, Raleigh was implicated as a foe of King James I and imprisoned again, this time with a death sentence. The sentence was later commuted, and in 1616 Raleigh was freed to lead another expedition to the New World. Sadly, for Raleigh, the expedition was a failure, and when he returned to England the death sentence of 1603 was invoked against him - ending in that nasty beheading.*
>
> *Oftentimes, favour is a fickle friend and today's favourite is tomorrow's fodder.*

But again, I digress. Back to Europe.

So leverage was agreed upon for the Greek rescue plan and the EU statement contained a precise account of exactly how this leverage would work so as to ensure compliance with measure 10 of the same document, which read:

> *Clear rules and mechanisms will be set up to improve communication and ensure more consistent messages. The President of the Euro Summit and the President of the Eurogroup shall have a special responsibility in this respect.*

The EFSF leverage, the statement explained, would use the EFSF's AAA credit rating to enhance new debt issued by Member States and set up Special Purpose Investment Vehicles (SPIVs) which would, between them, enable the EFSF to obtain leverage:

> *20. The EFSF will have the flexibility to use these two options simultaneously, deploying them depending on the specific objective pursued and on market circumstances. The leverage effect of each option will vary, depending on their specific features and market conditions, but could be up to four or five.*

So, the leverage <u>could</u> be <u>up to</u> four <u>or</u> five times. <u>Possibly</u>. You can't be any clearer than THAT.

This is all getting a little tangled again, so let's take a break from the EFSF and head to the dictionary for some respite and a definition of an English word that entered popular culture way back in the 1930s and became commonplace in the 1950s and beyond:

> *SPIV: noun, British, informal: In the United Kingdom, a spiv is a particular type of petty criminal, who deals in stolen or black market goods of questionable authenticity, especially a slickly-dressed man offering goods at bargain prices. The goods are generally not what they seem or have been obtained illegally.*
>
> *Newspapers of the late 1940s and 1950s often use the term about the person when dealing with*

ticket touts, fraudsters and black market traders. It has become more generally used to describe a dishonest trader or a petty criminal who works by guile rather than force.

Ready for some more?

Naturally, the first person offered the chance of lifetime to buy into the new, leveraged EFSF was everybody's favourite uncle; China. Nicolas Sarkozy played it cool and seemed to imply that IF China WANTED to contribute then Europe probably would be open to allowing them to:

"China has a major role to play. China must deploy more resources to stimulate the world economy: If they decide to invest in the euro rather than the dollar, why reject that?"

Meanwhile, in Beijing, Premier Wen Jibao's words seemed to suggest he was in no particular hurry to take Europe up on their generous offer:

(Bloomberg): "Countries must first put their own houses in order," Wen said today at the World Economic Forum in the Chinese city of Dalian. "Developed countries must take responsible fiscal and monetary policies. What is most important now is to prevent the further spread of the sovereign debt crisis in Europe."

The following day, as the CEO of the EFSF, Klaus Regling, made his way to Beijing (presumably with only a large cap for hand luggage), the Chinese turned up the heat still further as Li Daokui, an academic member of the monetary policy committee of China's central bank had his say:

(Reuters): "It is in China's long-term and intrinsic interest to help Europe because they are our biggest trading partner, but the chief concern of the Chinese government is how to explain this decision to our own people," Li told the Financial Times.

"The last thing China wants is to throw away the country's wealth and be seen as just a source of dumb money."

Don't get me wrong, China is extremely likely to invest in the EFSF, but only on terms that are very favourable to China - there WON'T be any 'dumb money' forthcoming. With Europe overtaking the US as the country's largest trading partner this year, and with a not-so-healthy €600 billion of European sovereign debt already on their balance sheet, the Chinese have more than a vested interest in doing what they can to enable the can to be kicked a little farther down the road.

So what exactly are we looking at now the EFSF has been expanded and levered in order to head off the storm clouds that have been approaching Europe for months?

Actually, before we DO peek through the clouds at what the EFSF actually resembles now the summit is over, let's take one more quick trip back in time to this very week in 1991:

(History.com): On [October 30] 1991, the so-called "perfect storm" hits the North Atlantic producing remarkably large waves along the New England and Canadian coasts. Over the next several days, the storm spread its fury over the ocean off the coast of Canada.

On October 27, Hurricane Grace formed near Bermuda and moved north toward the coast of the southeastern United States. Two days later, Grace continued to move north, where it encountered a massive low pressure system moving south from Canada. The clash of systems over the Atlantic

Ocean caused 40-to-80-foot waves on October 30—unconfirmed reports put the waves at more than 100 feet in some locations. This massive surf caused extensive coastal flooding, particularly in Massachusetts; damage was also sustained as far south as Jamaica and as far north as Newfoundland.

The storm continued to churn in the Atlantic on October 31; it was nicknamed the "Halloween storm." It came ashore on November 2 along the Nova Scotia coast, then, as it moved northeast over the Gulf Stream waters, it made a highly unusual transition into a hurricane. The National Hurricane Center made the decision not to name the storm for fear it would alarm and confuse local residents. It was only the eighth hurricane not given a name since the naming of hurricanes began in 1950.

But back to the present we come - and the EFSF.

The EFSF is basically an empty box filled with promises of money - many of them from the very people who are most likely to need to borrow that same money. Should they need to borrow the money, they won't be able to make good on their promises so there will be less money for them to borrow.

Now the brain trust running Europe have decided, in their collective wisdom, to apply leverage to the non-existent money in the empty box that they have yet to actually borrow, so it can backstop even more of the hundreds of billions of Euros of sovereign debt issued by countries whose finances are in such dire straits that they either require the kind of robust growth that is hardly likely to materialize any time soon or the forgiveness by the holders of that debt of a large part of it.

Of course, none of this makes any allowance for banks' balance sheets which are littered with this same sovereign debt - requiring them to raise a collective €106 billion by June according to the EBA:

(Businessweek): Seventy banks were tested, the European Banking Authority said late yesterday, with Spanish banks needing 26.2 billion euros and Italian banks 14.8 billion euros in core tier 1 capital. The lenders have until Dec. 25 to submit their plans for raising the money to national supervisors. The extra reserves are needed to meet a temporary requirement for lenders to hold 9 percent in core reserves, after sovereign debt writedowns.

"The building of these buffers will allow banks to withstand a range of shocks while still being able to maintain an adequate capital level," the EBA said in a statement on its website.

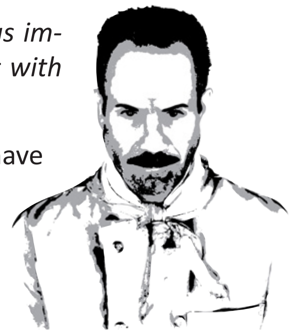
There they are again folks, right at the top of the list; Spain and Italy.

No doubt the solution presented this week for Greece would have had governments in Dublin, Madrid, Lisbon and Rome rubbing their hands together - right up until the moment Chancellor Merkel stepped to the lectern in Deggendorf:

(Reuters): Chancellor Angela Merkel said on Friday it was important to prevent others from seeking debt reductions after European Union leaders struck a deal with private banks to accept a nominal 50 percent cut on their Greek government debt holdings.

"In Europe it must be prevented that others come seeking a haircut," she said.

Speaking in the Bavarian town of Deggendorf, Merkel also said that it was important to put restraints of speculative financial elements and show banks with better regulations.



Of course, granting Greece the package they did this past week, the Eurocrats have rather incredibly found yet another corner into which to back themselves. You can hardly champion the 'One Europe' manifesto on the one hand but then, as the next country lines up at the counter, declare "No soup for you!" - but that seems to be the 'plan' at this stage.

Make no mistake, the 'solution' presented this week is nothing of the sort. It is a short-term fix to a long-term problem and, the harder people look at the substance behind the statement issued early on Thursday morning, the more they will realise that levering imaginary money is not a viable solution. As for the validity of the EBA stress tests? Well, the last round they conducted - a few short months ago - showed Europe's strongest bank to be none other than Dexia. Read into that what you will.

SOURCE: STRATFOR

This week, Stratfor published an extremely detailed assessment of the European Banking Crisis (an excerpt from and a link to which you will find on page 14 of today's Things That Make You Go Hmmm.....) that began with the graph (left) which puts the likely outcomes into stark perspective.

All this leaves us with just one last piece of the puzzle to ponder - sovereign CDS.

With the carefully-orchestrated way in which the word 'voluntary' was unceremoniously shoehorned in front of the word 'haircut' this week and the unsurprising complicity of ISDA in declaring (seemingly with a straight face) that a failure to receive 50% of your investment back somehow does NOT constitute a credit event, yet another problem was 'avoided'. However, avoiding that problem today (namely more huge losses for the banks who, along with holding long positions in sovereign debt themselves, wrote CDS protection for other holders of that same debt) could mean that tomorrow brings a whole new set of woes for two obvious reasons:

Firstly, there is no doubt in my mind that in very short order, the lawsuits will begin to cascade down from the holders of those CDS contracts. These holders have VERY deep pockets and stand to make or lose enormous amounts of money should this be allowed to stand. they will NOT go quietly - that you can be sure of.

Secondly - and this is where the whole thing comes full circle - by ensuring CDS protection on sovereign debt doesn't pay out upon default of the bonds, the Eurocrats have shot themselves in both feet simultaneously because they have taken away the most effective hedge for people buying government bonds.

For a region looking to rollover hundreds of trillions of Euros in the debt markets in the next couple of years, this step has more or less ensured they will have fewer buyers. Fewer buyers means higher yields. Higher yields means.... well, trouble - and that's without allowing for anyone having to sell their existing holdings because it has been demonstrated that their hedges are ineffective.

Somebody has to buy those bonds if Europe isn't to implode completely. Who will it be? Where will they find a pile of money tall enough to cover their needs? Well, somewhere, in a room in the basement of the ECB headquarters, there is a room and in that room is a printing press.....

Hey, everybody else is doing it, right?

Before I go, let's just take one last look at yet another historical event that happened this week in 1929:

> *(History.com): October 29, 1929: Black Tuesday hits Wall Street as investors trade 16,410,030 shares on the New York Stock Exchange in a single day. Billions of dollars were lost, wiping out thousands of investors, and stock tickers ran hours behind because the machinery could not handle the tremendous volume of trading. In the aftermath of Black Tuesday, America and the rest of the industrialized world spiraled downward into the Great Depression.*
>
> *During the 1920s, the U.S. stock market underwent rapid expansion, reaching its peak in August 1929, a period of wild speculation. By then, production had already declined and unemployment had risen, leaving stocks in great excess of their real value. Among the other causes of the eventual market collapse were low wages, the proliferation of debt, a weak agriculture, and an excess of large bank loans that could not be liquidated.*
>
> *After October 29, 1929, stock prices had nowhere to go but up, so there was considerable recovery during succeeding weeks. Overall, however, prices continued to drop as the United States slumped into the Great Depression, and by 1932 stocks were worth only about 20 percent of their value in the summer of 1929. The stock market crash of 1929 was not the sole cause of the Great Depression, but it did act to accelerate the global economic collapse of which it was also a symptom. By 1933, nearly half of America's banks had failed, and unemployment was approaching 15 million people, or 30 percent of the workforce. It would take World War II, and the massive level of armaments production taken on by the United States, to finally bring the country out of the Depression after a decade of suffering.*

What a week this was. Always.

After that somewhat lengthy introduction, we get to the meat of today's edition of Things That Make You Go Hmmm..... and, naturally, there is plenty of commentary on the events in Europe that have transpired over the last seven days. We hear how the pesky German Constitutional Court has thrown yet another spanner in the works, the good folks at Stratfor roll their sleeves up and take us deep into the European banking sector and we hear from the Economist and the Daily Telegraph as to why the 'solution' is doomed to failure. In other European news, we see what has to be the world's biggest accounting error as Germany finds €55 billion it didn't know it had and Italian austerity really begins to bite with the government's purchase of 19 Maseratis

But it's not all about Europe. In China the crackdown on reality TV has begun in earnest while falling property prices have taken speculators completely by surprise, in Australia the housing market is looking very gloomy indeed, while, in America, Matt Taibbi (in my opinion) hits the nail square on the head in his search for the true cause of the Occupy Wall Street angst.

Sprott Asset Management takes a fascinating look at oil, we have charts on gold, the overloaded dollar boat, the Weekly Leading Indicators and corporation taxes in America while in our interviews section this week, Charlie Rose sits down with Ray Dalio for a tremendous interview, Jim Chanos talks to us about Europe and China - from Hong Kong, and I get to talk about a lot of what you've just read with Al Korelin.

Hopefully, we can talk about something other than Europe next time...

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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30 October 2011

The Gonnie, Gonnie Banks

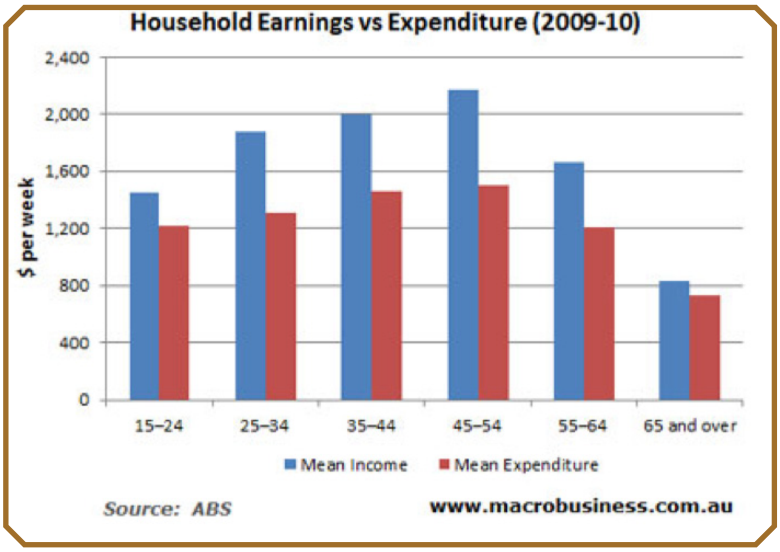
#	Bank	Assets ($m)	Deposits ($m)	Cost ($m)
85	All American Bank, Des Plaines, IL	37.8	33.4	6.5
	Total Cost to FDIC Deposit Insurance Fund			**6.5**

The future of Australia's property outlook may not be black, white or rosy - but grey.

The retirement of the baby boomer generation over coming decades will be a major influence on prices. About a quarter of the population falls into this age group - defined by the Australian Bureau of Statistics to be those born between 1946 and 1965 - and many have already retired or planning to do so.

The impact of this demographic bulge on the economy is already being felt. According to the ABS, household income typically peaks between the ages of 45 and 54, before dropping sharply.

Likewise, household spending increases until the same top age and then begins to decline, while retirement saving tends to accelerate until the end of one's working life (see chart below).



SOURCE: MACROBUSINESS/SMH

Combining these observations produces a hypothesis of the baby boomers' financial habits. That is, the oldest members of the baby boomers reached their peak earnings years (45 to 54) from about 1990.

Over the subsequent 20 years, as the younger members of this group aged, the baby boomers collectively moved into the wealth accumulation phase of their working lives, as they began investing heavily in houses (both owner-occupied and investment) and financial assets (e.g. shares and superannuation), in the process helping to stoke asset values.

Now those first members of this cohort are entering the retirement phase, those assets will be sold or drawn down to fund their lifestyles.

This "draw-down" phase will build over the coming decade as the younger members of the baby boomer set join older members in retirement. In turn, this selling pressure will act to weigh on asset values.

Well, that's the theory. What does the data say?

First, consider Australian households' total assets, split out by housing and financial assets (e.g. shares, superannuation, cash and bonds).

For the purpose of this report, your columnist has ignored "consumer durables" (e.g. cars, furniture and electronics) from this analysis since they are not true assets (i.e. they typically do not appreciate in value and/or produce an income or imputed income).

The overwhelming majority of Australian household assets - 61 per cent as at March 2011 - are held in property versus only 39 per cent in financial assets.

However, not everyone owns their properties outright. In fact, there is about $1.2 trillion of mortgage debt supporting about $4.1 trillion of housing assets.

SYDNEY MORNING HERALD / **LINK**

Sick of tacky reality shows with egotistic wannabes? Tired of formulaic talent contests for shameless show-offs? If you feel the prime time schedules are packed with lowest common denominator viewing, you are not alone.

Chinese officials share your pain and have ordered a curb on popular entertainment shows. Out go sexy dating shows and lurid programmes on crime. In come art appreciation, astronomy and weekly "morality building shows".

The new edict from the state broadcasting watchdog is expected to come into force on 1 January. Provincial channels will be allowed to show no more than two entertainment shows in the "golden time" between 7.30pm and 10pm, according to a report on the Chinese NetEase website. Particular types of programmes, such as dating shows, will be strictly limited; no more than 10 talent contests will be permitted nationwide per year, and each must be of a different kind.

"The State Administration of Radio Film and Television also encourages [broadcasters] to produce harmonious, healthy and mainstream programmes, such as culture and art appreciation, history, geography and astronomy, and [those addressing] public welfare," the report added.

"... Out go sexy dating shows and lurid programmes on crime. In come art appreciation, astronomy and weekly "morality building shows"

Each channel will be obliged to broadcast a "morality building" programme each week. The number of Taiwanese performers will also be limited because of Taiwanese controls on mainland performers, the report said.

No one at SARFT was available for comment, but an industry source confirmed the order and said the import of foreign formats was also likely to be limited. Chinese versions of Strictly Come Dancing, Top Gear and America's Got Talent have all proved popular in recent years.

TV bosses have already axed the hugely popular Super Girl singing contest, promising to replace it with programmes focused on housework and public safety. Some believe that officials are seeking to protect state broadcaster CCTV as it loses viewers to slicker, livelier provincial upstarts such as Hunan and Jiangsu Television. According to the NetEase report, the rules do not apply to CCTV1, although that may be because its output is already more staid than that of its rivals.

Mark Natkin, managing director of Beijing-based Marbridge Consulting, said he had heard of similar edicts being sent to film companies."People were told by SARFT that they needed to do less entertainment content and improve the balance, with more wholesome content or content conveying messages endorsed by government organs," said Natkin, who focuses on media and telecoms.

★ ★ ★ *UK GUARDIAN* / **LINK**

When you take into consideration all the theft and fraud and market manipulation and other evil shit Wall Street bankers have been guilty of in the last ten-fifteen years, you have to have balls like church bells to trot out a propaganda line that says the protesters are just jealous of their hard-earned money.

Think about it: there have always been rich and poor people in America, so if this is about jealousy, why the protests now? The idea that masses of people suddenly discovered a deep-seated animus/envy toward the rich – after keeping it strategically hidden for decades – is crazy.

Where was all that class hatred in the Reagan years, when openly dumping on the poor became fashionable? Where was it in the last two decades, when unions disappeared and CEO pay relative to median incomes started to triple and quadruple?

The answer is, it was never there. If anything, just the opposite has been true. Americans for the most part love the rich, even the obnoxious rich. And in recent years, the harder things got, the more we've obsessed over the wealth dream. As unemployment skyrocketed, people tuned in in droves to gawk at Evrémonde-heiresses like Paris Hilton, or watch bullies like Donald Trump fire people on TV.

Moreover, the worse the economy got, the more being a millionaire or a billionaire somehow became a qualification for high office, as people flocked to voting booths to support politicians with names like Bloomberg and Rockefeller and Corzine, names that to voters symbolized success and expertise at a time when few people seemed to have answers. At last count, there were 245 millionaires in congress, including 66 in the Senate.

And we hate the rich? Come on. Success is the national religion, and almost everyone is a believer. Americans love winners. But that's just the problem. These guys on Wall Street are not winning – they're cheating. And as much as we love the self-made success story, we hate the cheater that much more.

In this country, we cheer for people who hit their own home runs – not shortcut-chasing juicers like Bonds and McGwire, Blankfein and Dimon.

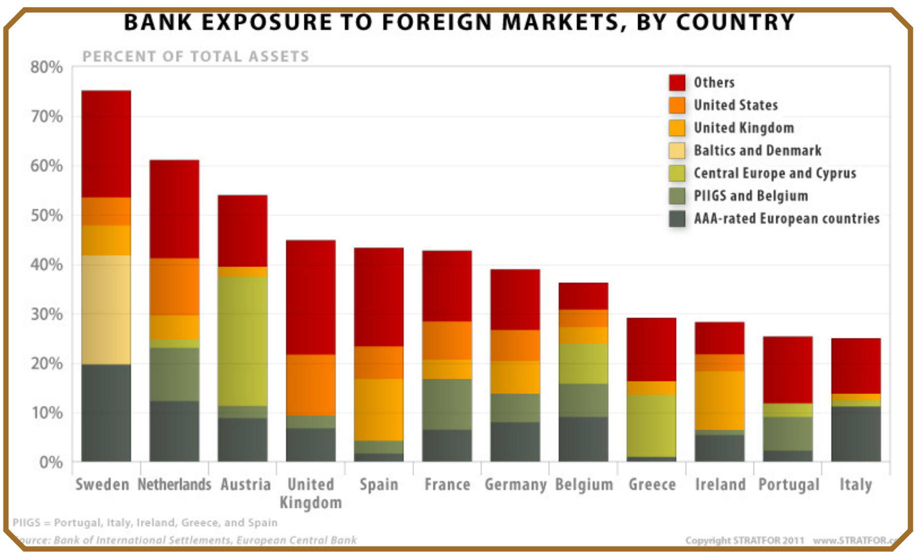
That's why it's so obnoxious when people say the protesters are just sore losers who are jealous of these smart guys in suits who beat them at the game of life. This isn't disappointment at having lost. It's anger because those other guys didn't really win. And people now want the score overturned.

All weekend I was thinking about this "jealousy" question, and I just kept coming back to all the different ways the game is rigged. People aren't jealous and they don't want privileges. They just want a level playing field, and they want Wall Street to give up its cheat codes...

★★★ *MATT TAIBBI* / **LINK**

Europe faces a banking crisis it has not wanted to admit even exists.

The formal authority on financial stability, International Monetary Fund (IMF) chief Christine Lagarde, made her institution's opinion on European banking known back in August when she prompted the European Union to engage in an immediate 200 billion- euro bank recapitalization effort. The response was broad-based derision from Europeans at the local, national and EU bureaucratic levels. The vehemence directed at Lagarde was particularly notable as Lagarde is certainly in a position to know what she was talking about: Until July 5, her title was not IMF chief, but French finance minister. She has seen the books, and the books are bad. Due to European inaction, the IMF on Oct. 18 raised its estimate for recapitalization



CLICK TO ENLARGE

SOURCE: STRATFOR

needs from 200 billion euros to 300 billion euros ($274 billion to $410 billion).

The collapse in early October of Franco-Belgian bank Dexia, a large Northern European institution whose demise necessitated a state rescue, shattered European confidence. Now, Europeans are discussing their banking sector. A meeting of eurozone ministers Oct. 21 is largely dedicated to the topic, as is the Oct. 23 summit of EU heads of government. Yet European governments continue to consider the banking sector largely only within the context of the ongoing sovereign debt crisis.

This is exemplified in Europeans' handling of the Greek situation. The primary reason Greece has not defaulted on its nearly 400-billion euro sovereign debt is that the rest of the eurozone is not forcing Greece to fully implement its agreed-upon austerity measures. Withholding bailout funds as punishment would trigger an immediate default and a cascade of disastrous effects across Europe. Loudly condemning Greek inaction while still slipping Athens bailout checks keeps that aspect of Europe's crisis in a holding pattern. In the European mind — especially the Northern European mind — a handful of small countries that made poor decisions are responsible for the European debt crisis, and while the ensuing crisis may spread to the banks as a consequence, the banks themselves would be fine if only the sovereigns could get their acts together.

This is an incorrect assumption. If anything, Europe's banks are as damaged as the governments that regulate them.

★ ★ ★ *STRATFOR (VIA JOHN MAULDIN)* / **LINK**

Germany's powerful constitutional court has thrown a spanner into the works of the eurozone's rescue fund, issuing an injunction that would require the full German Bundestag to approve any urgent bond-buying operations by the European financial stability facility.

The surprise move is not a final decision by the court, but it means that the parliament cannot use a special nine-member subcommittee to take emergency decisions in secret, until the court gives its full ruling – possibly in December.

> "... Otto Fricke, budget spokesman for the liberal Free Democrats in the Bundestag, said bond market purchases by the EFSF would be "de facto impossible" until the court reaches a verdict

"We can only hope [the decision will be] soon," said Martin Kotthaus, finance ministry spokesman.

Otto Fricke, budget spokesman for the liberal Free Democrats in the Bundestag, said bond market purchases by the EFSF would be "de facto impossible" until the court reaches a verdict.

Eurozone finance ministers have yet to negotiate the final details of ways to "leverage" the €440bn in the EFSF, to give the fund greater financial capacity to enable it to buy bonds in the secondary market.

The eurozone summit on Wednesday set a deadline of the end of November to reach agreement, making it unlikely that the fund will be ready to take such action in the near future.

The European Central Bank has intervened in the secondary markets by buying Spanish and Italian sovereign debt in recent weeks, in order to prevent bond yields soaring. But the ECB is keen to hand over that role to the EFSF as soon as possible.

The Karlsruhe-based court issued its injunction after two Social Democrat parliamentarians protested that their democratic rights and responsibility had been infringed by setting up the special subcommittee.

"The second senate of the constitutional court has decided ... that until a full decision is taken, the

Bundestag's right of participation may not be replaced by the new committee," the court said in a statement.

The temporary ruling said that if bond-buying by the EFSF were given a green light before the court reached its final decision, the action would be irreversible.

On the other hand, the government's capacity to act would not be interfered with, because it could always turn to the full parliament to get approval, according to the judges.

★ ★ ★ *FT* / **LINK**

A weekend scuffle in Shanghai over a drop in apartment prices adds to increasing evidence that China's efforts to tame a surging property market are having an impact – even as it offers a hint of what could happen if the measures go too far.

A group of around 400 homeowners in Shanghai demonstrated publicly and damaged a showroom operated by their property developer after the company said it cut prices. Home buyers had wanted to speak with the developer to refund or cancel their contracts but were unsuccessful, according to local media. One report said the price cuts exceeded 25% per square meter.

"... One report said the price cuts exceeded 25% per square meter.

The local media reports said an unspecified number of people were injured. The property developer, a unit of China Overseas Holdings Ltd., didn't respond to requests for comment. Photos of the event showed broken glass in the sales office, homeowners marching with banners and a phalanx of police watching over.

Chinese media separately reported that another group of Shanghai homeowners gathered on Saturday to speak with Longfor Properties Co., after it dropped asking prices to 14,000 yuan per square meter from 18,000 yuan per square meter at a residential development in the city's Jiading district. Longfor didn't return calls for comment. In an Oct. 20 release, it said it posted stellar sales following an aggressive sales strategy for three of its projects in Shanghai and in the city of Hangzhou.

Beijing has been tightening control of the property market this year to tame surging property prices, amid fears that unaffordable housing could lead to greater social unrest. Measures include a massive 1.3 trillion yuan program to build about 10 million public housing units for low-income earners this year, as well as limits of purchases of second homes and other restrictions.

Data in recent weeks have suggested that the curbing efforts are having an impact. China's housing prices were largely unchanged in September from a month earlier and grew at a slower pace than in September 2010, indicating Beijing's efforts to cool the real estate sector are having an impact.

Speculation has turned to whether authorities will now relax restrictions. On Monday, China's eastern city of Nanjing said it would let residents borrow more money from the city's housing provident fund to buy "ordinary homes," in a move designed to give the struggling property sector a boost. While it didn't elaborate, such homes are often defined as no larger than 140 square meters.

n the southern city of Foshan earlier this month, local officials announced they would lift some property-market restrictions, then postponed that move the next day "to seek further public opinion and to make an assessment on the effects of such measures", without giving further details.

Chinese Premier Wen Jiabao on Saturday stressed that all levels of government need to reinforce China's controls of the property market, and that tightening efforts in the property market and the construction of public homes in China are at a pivotal moment.

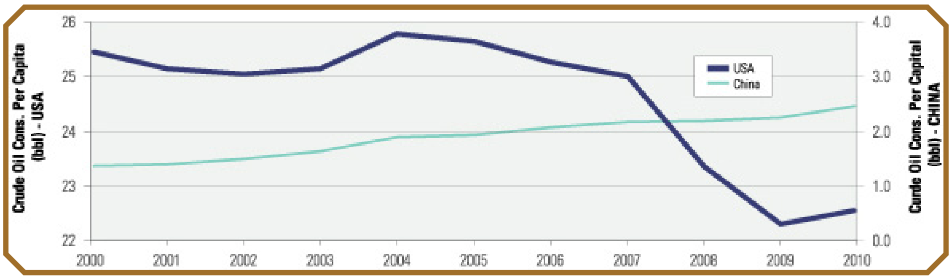
★ ★ ★ *WSJ* / **LINK**

There have also been significant political developments of late which have permanently altered the dynamics of the oil markets. The so-called "Arab Spring" uprisings in countries such as Egypt and Libya are forcing these and other major oil producing nations to spend more of their oil revenue on social assistance programs. For example, as a result of newly announced social spending in Saudi Arabia, it is forecasted by The Institute of International Finance, Inc. that the budget balancing price of Saudi oil will jump from $68 per barrel in 2010 to $85 per barrel in 2011 and then continue to rise, but at a slower pace, to $110 per barrel by 2015.4

In general, it can also be said that political instability and social unrest are very detrimental for oil investment and production. Recently, as Libya collapsed into civil war, production went to near zero causing extreme volatility in the Brent Crude price. As the Middle East region continues to experience riots and protests, we can only assume that there will continue to be heightened risk of disorderly political change which could dramatically increase prices in the future.

Regardless, it now appears that even if, politically speaking, the status quo is maintained, the majority of the Middle East exporting nations are now producing at or near capacity while domestic consumption is increasing. Their economies and populations are continuing to grow and mature and, as a result, their exporting capacity will in turn be limited and possibly begin to terminally decline.

The struggle to grow oil production, especially non-OPEC production, was highlighted in a recent report by Deutsche Bank's Paul Sankey that measured the dramatic oil declines for major oil companies in Q2 2011.5 Despite $120 per barrel Brent pricing during Q2 2011, the results of more than 20 major oil companies showed a 1 million barrels per day year-over-year decline. The sample group in the report accounted for over 1/3 of global production, so it would be difficult to expect smaller companies to make up their shortfall.



SOURCE: EIA/DOE

In summary, even though the oil price has been averaging 4-5 times higher than the most knowledgeable industry watchers would have expected just eight years ago, global production has remained relatively stagnant. Government agency production estimates have been overly optimistic and a review of the oil market environment suggests production will continue to disappoint. High prices are now required just to maintain current global production. Even with robust pricing, it is beginning to appear that a tremendous amount of our existing production is at risk due to rising rates of decline and political instability. These factors may soon push global production into an irreversible decline.

★ ★ ★ *SPROTT AM* / **LINK**

You can understand the self-congratulation. In the early hours of October 27th, after marathon talks, the leaders of the euro zone agreed on a "comprehensive package" to dispel the crisis that has been plaguing the euro zone for almost two years. They boosted a fund designed to shore up the euro zone's troubled sovereign borrowers, drafted a plan to restore Europe's banks, radically cut Greece's burden of debt, and set out some ways to put the governance of the euro on a proper footing. After a summer overshadowed by the threat of financial collapse, they had shown the markets who was boss.

Yet in the light of day, the holes in the rescue plan are plain to see. The scheme is confused and unconvincing. Confused, because its financial engineering is too clever by half and vulnerable to unintended consequences. Unconvincing, because too many details are missing and the scheme at its core is not up to the job of safeguarding the euro.

This is the euro zone's third comprehensive package this year. It is unlikely to be its last.

The summit's most notable achievement was to forge an agreement to write down the Greek debt held by the private sector by 50%. This newspaper has long argued for such a move. Yet an essential counterpart to the Greek writedown is a credible firewall around heavily indebted yet solvent borrowers such as Italy. That is the only way of restoring confidence and protecting European banks' balance-sheets, thus ensuring that they can get on with the business of lending.

"... too many details are missing and the scheme at its core is not up to the job of safeguarding the euro.

Unfortunately the euro zone's firewall is the weakest part of the deal (see article). Europe's main rescue fund, the European Financial Stability Facility (EFSF), does not have enough money to withstand a run on Italy and Spain. Germany and the European Central Bank (ECB) have ruled out the only source of unlimited support: the central bank itself. The euro zone's northern creditor governments have refused to put more of their own money into the pot.

Instead they have come up with two schemes to stretch the EFSF. One is to use it to insure the first losses if any new bonds are written down. In theory, this means that the rescue fund's power could be magnified several times. But in practice, such "credit enhancement" may not yield much. Bond markets may be suspicious of guarantees made by countries that would themselves be vulnerable if their over-indebted neighbours suffered turmoil.

Under the second scheme, the EFSF would create a set of special-purpose vehicles financed by other investors, including sovereign-wealth funds. Again, there are reasons to doubt whether this will work. Each vehicle seems to be dedicated to a single country, so risk is not spread. And why should China or Brazil invest a lot in them when Germany is holding back from putting in more money?

ECONOMIST / **LINK**

The deal itself, unveiled dramatically in the early hours of Thursday, was met with the now obligatory "relief rally". The FTSE All-World equity index soared 4.1pc, helped by signs of renewed US economic growth. European bank shares spiked no less than 12pc on Thursday, as traders recognised, for all the official obfuscation, the latest dollop of government largesse.

By late Thursday, though, and certainly on Friday, the warning signs were there. Global bond markets, by character more sober and smarter than the excitable equity guys, were voting against the deal. This is alarming. For it is only by selling more bonds that the eurozone's deeply indebted governments can roll-over their enormous liabilities and keep the show on the road.

Some say Western governments shouldn't "accept" what the market says. "Who do these trading people think they are," I hear from the lips of the educated but financially-illiterate political elite. Let's be clear – if global bond markets stop lending to a number of large Western economies, we are in the realms of unpaid state wages and pensions, transport chaos and closures of schools and hospitals – sparking the prospect of serious civil unrest. Forgive my intemperate tone, but these are the dangers we face. And I'm afraid the only rational response to Thursday's announcement is that the probability of such undesirable outcomes has just been increased.

European leaders have reached an "agreement", we were told, with the private holders of Greek debt, who now accept a 50pc write-down on their stakes. This is predicated on an additional €120bn (£105bn) cash-injection by EU member states and the IMF. By paying bond-holders less, and making other savings, the hope is that Greece can cut its sovereign debt from 150pc of GDP to 120pc in the next few years.

"... A key reason why investors have been able to make money by pursuing practically worthless companies can be found in China's complicated stock issuance system.

This deal was presented as a "victory" by the eurocrats. After all, back in July those nasty private creditors agreed only to a 21pc "haircut" on their Greek debt. The deal is "voluntary", though, nothing having been decided except the "50pc haircut" headline. In reality, by bargaining hard over coupons and maturities – how much the bonds will pay annually, and for how long – those who so unwisely lent money to Greece (eager to reap high yields, while always expecting a bail-out) will get a much sweeter deal. This is the discussion that will take place, behind closed doors, during the coming months. But that sweeter deal will need to be paid for with yet more sovereign borrowing, by some eurozone government or other, plus further sack-loads of taxpayers' cash.

It is telling that Greek bond-holders themselves were on Friday reassuring their investors that the reduction in the net present value of their stakes, compared with the "21pc haircut" deal, "will not be overly onerous". In addition, the July agreement, while also "voluntary", included a 90pc creditors' participation. Thursday's variant cited no such number.

★ ★ ★ *UK DAILY TELEGRAPH* / **LINK**

Germany is €55bn richer than it previously thought because of an accounting error at state-owned bank Hypo Real Estate Holding.

The mistake at "bad bank" FMS Wertmanagement, happened because collateral for derivatives wasn't netted between the asset and liability side, an FMS spokesman said. As a result, FMS will only contribute about €161bn to Germany's debt this year, down from €216.5bn in 2010.

Of the €55.5bn lower debt, €31 billion is for 2011, the remaining €24.5 billion is for 2010, the FMS spokesman said, adding that FMS Wertmanagement corrected the figures in its six-month earnings report.

As a result, Germany's 2010 debt-to-GDP ratio also drops, to 83.2% from the previous 84.2%, a finance ministry spokesman said.

The ministry spokesman didn't directly comment on the accounting error, but said "the German government welcomes the substantial progress FMS Wertmanagement has made in reducing the portfolio it took over from Hypo Real Estate a year ago".

"In addition, it is positive that total assets, which include derivatives and hedging transactions, could be reduced by more than €30bn, or almost 10pc, compared with the 2010 results," the ministry spokesman added.

★ ★ ★ *UK DAILY TELEGRAPH* / **LINK**

Italy may be in the midst of a savage austerity drive but that has not stopped defence ministry officials ordering a fleet of armoured Maseratis to ferry themselves around Rome.

The delivery of the 19 top-of-the-range executive cars has raised eyebrows at a time when the country is meant to be shaving billions off its public spending.

Opposition MPs said it was it was an outrageous indulgence at a time when the defence ministry is supposed to be reducing its budget by €2.5bn (£2.2bn) over the next three years.

The matter was raised in parliament by Emanuele Fiano, an MP from the opposition Democratic Party. "At a time when millions of Italians are being affected by a very serious economic crisis, is there good reason for the defence minister to feel it necessary to add 19 armoured Maseratis to the ministry's car park?" he said.

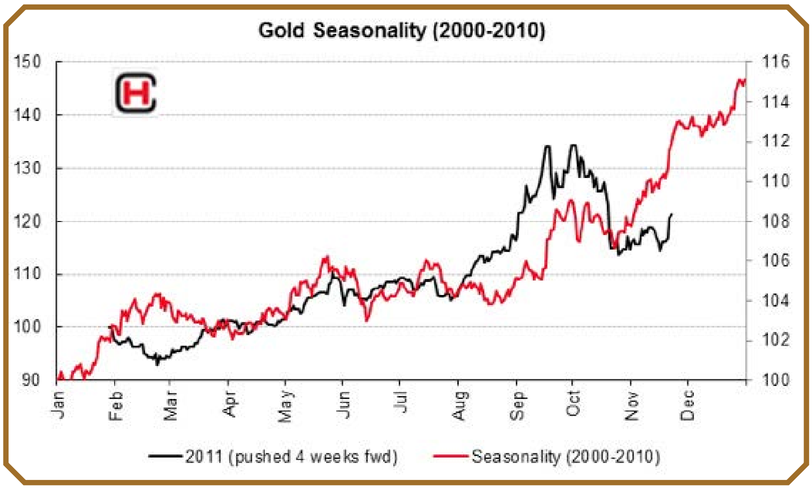
Italian officials are notorious for their attachment to what are known colloquially as "auto blu" - vast fleets of dark blue and black limousines which carve through traffic with flashing lights and police outriders.

Ignazio La Russa, the defence minister, dismissed the row as a "witch hunt" by the opposition and said the cars had been paid for with money out of the 2008-2009 budget, before swingeing cuts were announced in the summer by Silvio Berlusconi's government.

"What's the problem? Maseratis are Italian and they cost less than their German equivalents," he said.

He did not divulge the cost of the cars, but the starting rate for a brand new Maserati Quattroporte is around £80,000.

UK DAILY TELEGRAPH / **LINK**



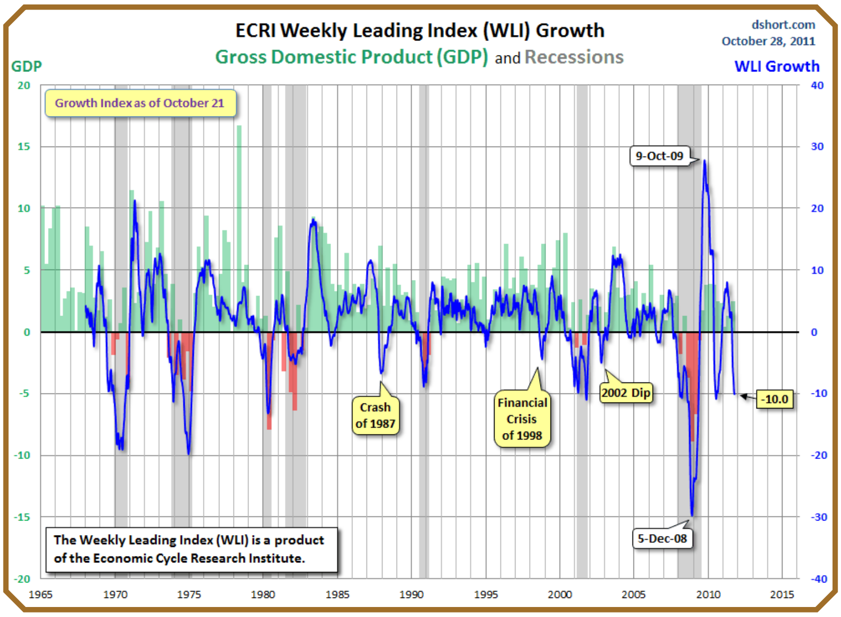
SOURCE: HINDE CAPITAL

"You really don't need to say much when you look at the chart, it's extremely bullish. We took the current year and pushed it forward four weeks to adjust the seasonality. We realized that the market was working on a four week basis ahead of time and if we adjusted the seasonality by bringing it forward four weeks, readers can see that come October we were going to actually have a rally into the year end. Historically you would tend to see a dip in October, but we already had that dip in September."

★★★ *BEN DAVIES* / **LINK**

A significant decline in the ECRI Weekly Leading Indicator (WLI) has been a leading indicator for six of the seven recessions since the 1960s. It lagged one recession (1981-1982) by nine weeks. The WLI did turned negative 17 times when no recession followed, but 14 of those declines were only slightly negative (-0.1 to -2.4) and most of them reversed after relatively brief periods.

Three other three negatives were deeper declines. The Crash of 1987 took the Index negative for 34 weeks with a trough of -6.8. The Financial Crisis of 1998, which included the collapse of Long Term Capital Management, took the Index negative for 23 weeks with a trough of -4.5.



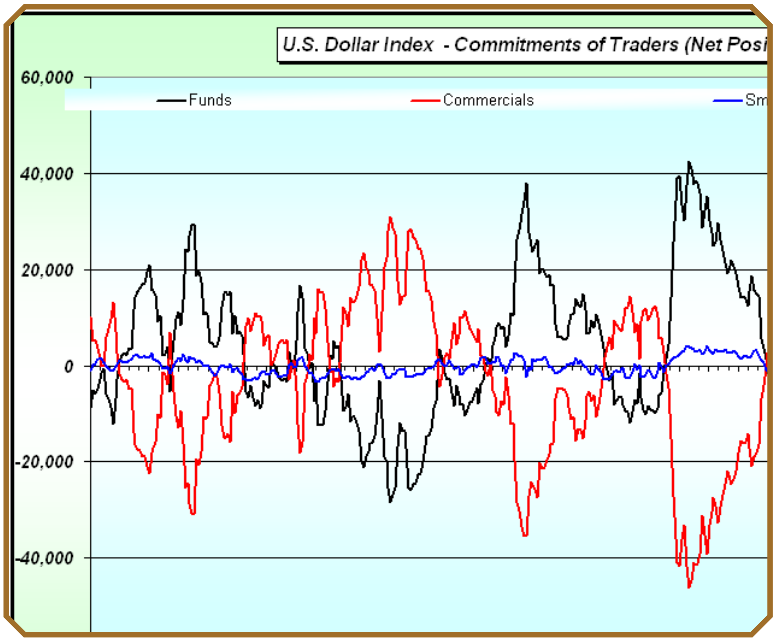
CLICK TO ENLARGE

SOURCE: DSHORT

The third significant negative came near the bottom of the bear market of 2000-2002, about nine months after the brief recession of 2001. At the time, the WLI seemed to be signaling a double-dip recession, but the economy and market accelerated in tandem in the spring of 2003, and a recession was avoided.

The question had been whether the WLI decline that began in Q4 of 2009 was a leading indicator of a recession. The published index has never dropped to the -11.0 level in July 2010 without the onset of a recession. The deepest decline without a recession onset was in the Crash of 1987, when the index slipped to -6.8. The ECRI managing director correctly predicted that we would avoid a double dip. The nine quarters of positive GDP since the end of the last recession supports the ECRI stance.

★★★ *DOUG SHORT* / **LINK**



CLICK TO ENLARGE

SOURCE: DOUG SHORT

Take a look at the following Commitment of Traders chart [left] detailing the huge number of speculators that are positioned on the Long side of the US Dollar. There was a large amount of talk about the Dollar embarking on a Bull market not all that long ago and that combined with the Flight out of the Euro sent huge numbers of these specs rushing into the Dollar.

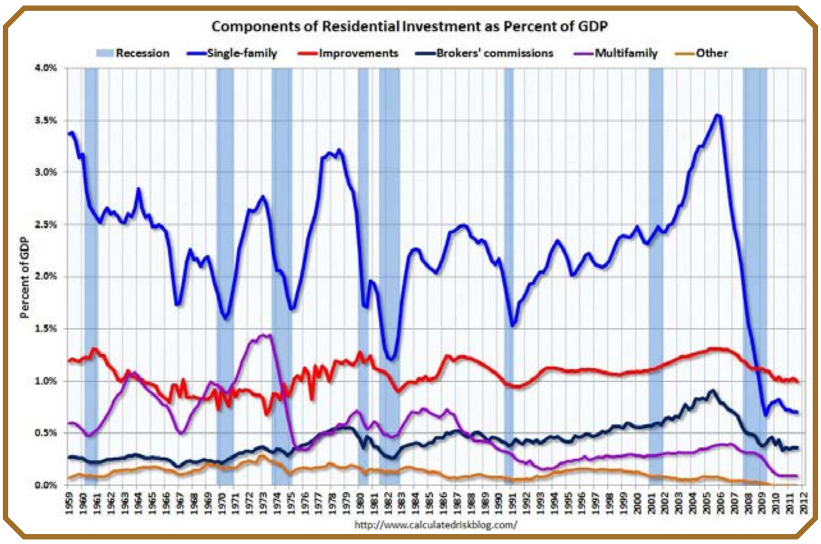
When the Europeans rained on their parade this week, the bottom dropped out of the Greenback as there was no one on the other side of the market to buy the Dollar from these specs who were all frantically selling it at the same time.

If the risk trades continue, the Dollar is going to come under additional selling pressure which will likely drop it down into a major support zone on the chart. If that gives way, there exists an enormous amount of speculators who are going to get hurt very badly and will be selling frantically which just might be the firepower to crack this major support zone which has been holding for the last two years.

★ ★ ★ *DAN NORCINI* / **LINK**

This graph is for Residential investment (RI) components as a percent of GDP. According to the BEA, RI includes new single family structures, multifamily structures, home improvement, broker's commissions, and a few minor categories (dormitories, manufactured homes).

Usually the most important components are investment in single family structures followed by home improvement.



CLICK TO ENLARGE

SOURCE: CALCULATED RISK

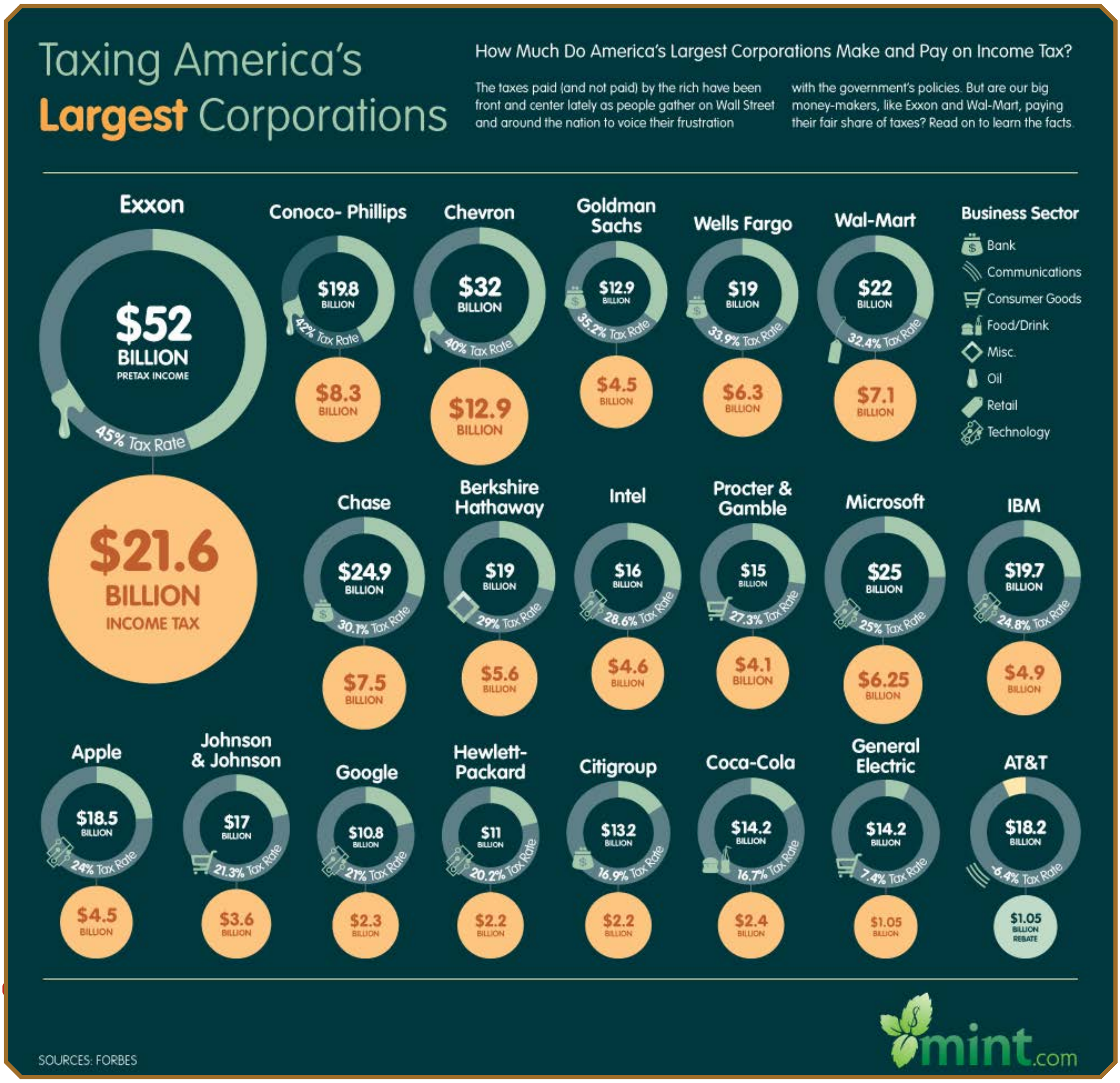
Investment in single family structures was just above the record low set in Q2 2009.

Investment in home improvement was at a $151 billion Seasonally Adjusted Annual Rate (SAAR) in Q3 (about 1.0% of GDP), significantly above the level of investment in single family structures of $106 billion (SAAR) (or 0.7% of GDP).

Brokers' commissions increased slightly in Q3, and are moving sideways as a percent of GDP.

And investment in multifamily structures is still moving sideways as a percent of GDP (increasing slowly in dollars).

★ ★ ★ *CALCULATED RISK* / **LINK**



SOURCE: MINT VIA BARRY RITHOLTZ

CLICK TO WATCH

"Ray Dalio is here. He is the founder of Bridgewater Associates. He created the investment firm in 1975 out of a two-bedroom apartment in New York City. Today the company manages roughly $125 billion in global investments. Its clients include foreign governments, sovereign banks, central banks and institutional pension funds.

Over the last two years, Bridgewater ranked as the largest and best- performing hedge fund in the world. In 2010, his returns were greater than the profits of Google, Amazon and eBay combined."

- Charlie Rose

Largest AND best-performing hedge fund on the world over the past two years? That is a staggering accomplishment. Why WOULDN'T you want to watch this interview?

Jim Chanos, talking from Hong Kong, discusses the European 'fix', the likelihood of more governments lining up for handouts and, of course, China...

Earlier this week Al Korelin and I chatted again and we discussed many of the issues in this week's edition of Things That Make You Go Hmmm..... Al also spoke to James Turk who was at the eye of the storm in Spain.

SOURCE: CHARLES SCHULTZ (VIA NYT)

Hmmm…

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