

October 7, 2022

Current and former US policymakers' failure to recognize that energy is functionally equivalent to foreign currency denominated debt is leading them to be complacent about what is occurring. - Luke Gromen

Imo too many people expect the next crisis to emanate from the banks again, but instead it will emanate at the sovereign level. - Lyn Alden

How Central Banks Broke The World

Markets

[\(Graphs updated\)](#)

No change in my analyses.

I remain in fear over what the charts are saying, as I discussed last week, but am hoping I am wrong.

The dollar wrecking ball will continue to devastate for a while.

Contemplating

Clearly, my early thoughts on how this crisis would progress would have to be updated over time, because

- Some would be wrong
- There were things I could not foresee
- Black swans exist

The elections in Italy and trends elsewhere are causing me to contemplate an addition to my theses.

My original thoughts included that the world would lurch leftward, politically, as uncertainty and instability increased and people looked for protection by asking the government for help.

So far, so good.

And, one of my bedrock principles is that processes proceed in cycles. In this case, from left to right and right to left.

And, one of my conjectures was that people in chaos often look to a (man) on a white horse. That man can either be from the right or the left. That has been my thought as having the highest probability of occurring at the end of this crisis cycle in the US.

The bit I did not consider, and which may be unfolding now, is a rightist reaction to the excesses of the left. Although no one is likely to get it right, whoever is in charge will get the blame for the current chaos. I think Biden is beyond incompetent to destructive, but he did not cause the inflation or the recession. However, he will be blamed for it, because he is the incumbent. So, Democrats bad; let's move right.

I had assumed that the move left would encompass the entirety of the crisis, at least until the very end. It may be that there are sub cycles in here that I did not think about.

It will be interesting to see how this unfolds.

Fascists

One of my rules of thumb is to ignore any article that has the word, fascist, or the word, Nazi, in it. Essentially all of the time, people using these words are the moral equivalent of chimpanzees slinging poo. However, the voters in Italy, the actual home of modern fascism, have swung right.

The mainstream press is full of the word, fascist, because the Italian connection is too good to pass up and we certainly want to be perceived as wise, don't we?

I have no idea if Meloni is a fascist. I doubt it. She says not. But time will tell.

The bit I think is worth contemplating is that the left has moved so far left that what used to be in the normal bounds of right looks extremist. I also want to reprise my thoughts in my book. The actual definition of fascism is the government's directing the private economy. As governments become more socialist and more highly regulated, eg, the US, they become more fascist.

Although I am sure that is not what most people mean by fascist.

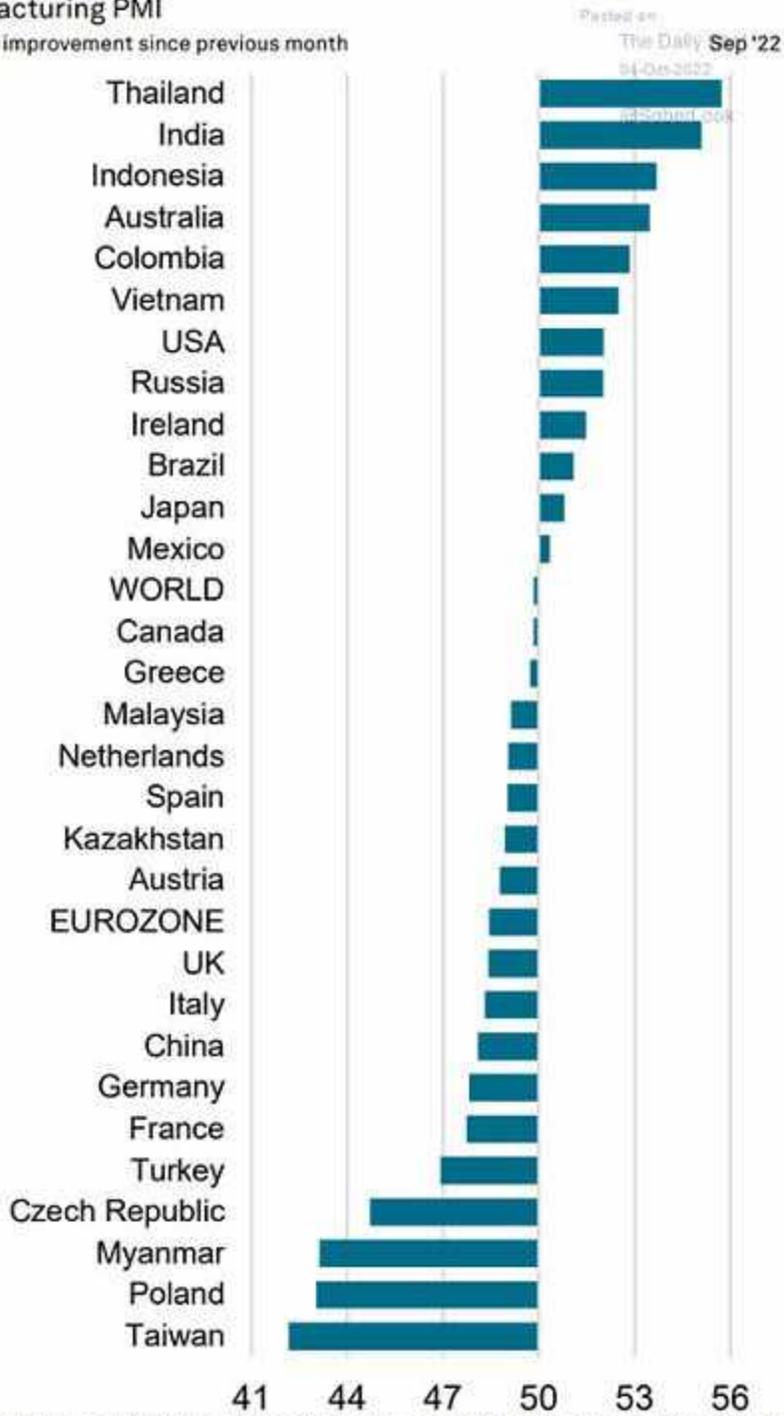
I'm not actually sure, beyond using the word as the politically-correct, all-purpose epithet, that most people actually have a working definition of what it means.

Chimpanzees slinging poo.

How It's Going

Manufacturing PMI

sa, >50 = improvement since previous month



Sources: J.P.Morgan, S&P Global, Unicredit Bank Austria, Caixin, Davivienda, BME, HPI, AIB, Jibun Bank, NEVI, AERCE, Istanbul Chamber of Industry, CIPS.

The Unconstitutional Executive Order And Its Consequences

The 5th Circuit Court of Appeals on Wednesday affirmed a lower court ruling declaring the Obama administration's Deferred Action for Childhood Arrivals (DACA) program unconstitutional and barring the Biden administration from enrolling new applicants. The ruling, however, will allow current beneficiaries of the program—approximately 800,000 undocumented immigrants brought to the United States as children—to continue being shielded from deportation as the lower court reviews the Department of Homeland Security's final rule attempting to codify DACA into federal regulation.

(Kit - you recall that Obama said he did not have the authority to decree DACA, but did it anyway. Now we have hundreds of thousands of people affected by a blatantly illegal act. More people more upset with the courts.

And Biden just decreed the forgiveness of some student loan debt. The things we do to ourselves.

No one will blame Biden; everyone will blame the court. But the court will be correct. And we will be at least one step closer to civil unrest. This also applies to the EPA case before the Supreme Court. The EPA likely took a step too far, the Court may tell them to stop and the Court gets the bad rap for being anti-environment.

We have prided ourselves on being a nation of laws, not (men). That was never entirely true, but generally truer than essentially all other countries. Now we are a country of pushing boundaries for our team, the devil be damned.

This way lies madness.)

Michigan High School Seniors' SAT Scores

Asian results are insane.

SAT Participation and Performance: Score Distributions by Subgroup

Data reflect SAT test activity for students who graduated high school in 2022. If a student took the SAT more than once, the most recent score is summarized.

	Total Students	Female	Male	American Indian	Asian	African American	Hispanic	Native Hawaiian	White	Two or More Races
Test Takers	90,642	45,504	44,938	1,212	4,217	9,980	7,564	66	62,358	2,390
Total Score										
1400–1600	4%	3%	5%	1%	25%	0%	1%	3%	4%	7%
1200–1390	13%	13%	14%	5%	22%	3%	7%	9%	15%	19%
1000–1190	30%	31%	29%	23%	25%	13%	22%	33%	34%	35%
800–990	37%	39%	35%	46%	21%	44%	45%	39%	36%	31%
600–790	18%	14%	18%	25%	7%	38%	24%	15%	11%	7%
400–590	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%

Ben Hunt Explains It All To You

Worthwhile article on leverage, the almost-crash of the British financial system and why the British issues are coming to a country near you, [here](#).

How Central Banks Broke The World

 **Ben Hunt**  @EpsilonTheory · 23m

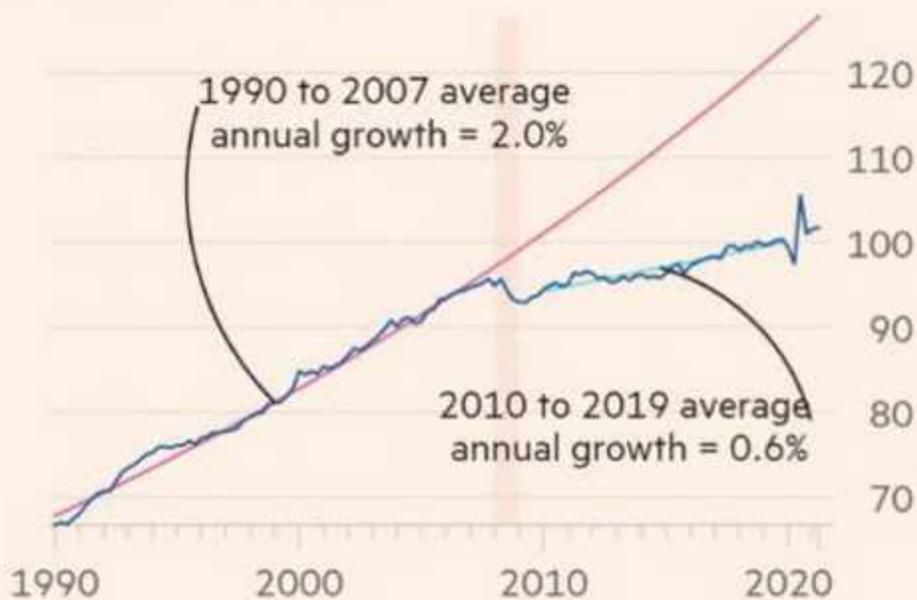
This is UK data from @FT and shows a truth in US and Europe, too: ZIRP broke the real economy by destroying labor productivity.

How? Corporate mgmt used ultra cheap money for risk-free market financialization, not for investment in people, technology and new facilities.

[Show this thread](#)

Index, 2019=100

- Output per hour worked
- Trend 1990-2007
- Trend 2010-2019



We spent the last decade flipping houses as a 'business', making digital pictures of penguins to trade over a Blockchain, traded old junk as

collectibles, and made digital coins with shitty names we pretended was money. That's what zero interest rates do. – MacroKurd

War, Energy and Food

By swearing off nuclear power and refusing to take advantage of the most prolific natural gas region in the world, New England is an energy crisis waiting to happen. For them, Germany is not a cautious warning but an objective to be replicated. How bizarre.

A drought is drying up parts of the Mississippi River, a major export channel for corn and soybeans. Barges cannot haul farm goods at full capacity because of shrinking water levels, sparking a vessel shortage that has sent transport prices to record highs. It's another headache for the American farmer this harvest season.

Things are moving very quickly in the Donbas. Apparently Russian forces in Lyman were all but wiped out in the past 72 hrs. Unlike the Kharkiv counteroffensive which saw Ukraine battling a lot of Luhansk draftees, this was regular Russia army.

Wall Streeters are noting the collapse of container shipping rates, and concluding this means the end of inflation. They are misreading (again) what is happening with the supply chain. The volume of trade is collapsing, meaning that growth is collapsing, not inflation. - Jim Bianco

On Saturday, natural gas from Norway began flowing to Poland through a pipeline that can pump 10 billion cubic meters per year through a new Baltic Sea route via Denmark. The new gas link, the first in decades, is a major milestone in Europe's efforts to diversify away from Russian gas.

Russian state-controlled gas giant Gazprom halted natural gas deliveries to Italy via Austria on Saturday, seemingly the latest example of Russia throttling down energy sales to Europe.

With three of the four pipelines delivering Russian natural gas to Europe out of commission, Hungary is now the only EU member state still receiving Russian gas.

Thousands of Brits marched in London and other metro areas this weekend in protest of being thrown into energy poverty while inflation is at forty-year highs.

There were countless videos on social media showing Brits holding signs about their dire financial situation. "Can't afford to live," "Freeze profit, not people," and "Eat the Tories," read some of the signs people held.

The protest was organized by Don't Pay UK, an anonymous group spearheading the effort to have more than one million Brits boycott paying their power bills this winter (the movement is nearly 200,000 strong).

Amid rising nuclear fears, the likelier scenario is Russian-backed attacks on Western soil. A Wagner-linked mercenary group is already posting calls on Telegram urging pro- partisans in the West to sabotage NATO shipments

From the *Wall Street Journal*

Mr. Putin sees global politics today as a struggle between a rapacious and domineering West and the rest of the world bent on resisting our arrogance and exploitation. The West is cynical and hypocritical, and its professed devotion to "liberal values" is a sham. The West is not a coalition of equals; it represents the domination of the "evil Anglo-Saxons" over the Europeans and Japan. Mr. Putin sees this American-led world system as the successor to the British Empire, and he blames the Anglo-Saxon or English-speaking powers for a host of evils, from the Atlantic slave trade to European imperialism to the use of nuclear weapons in World War II. ... Making threats about the use of nuclear weapons in Ukraine advances both Mr. Putin's goals in Ukraine and his larger campaign against the American-led order. Nuclear weapons, he hopes, could shift the military balance on the ground, and the fear of nuclear war could force Washington to dial back military support for

Ukraine. The threat or use of nuclear weapons could split Europe between “peace at any price” governments and governments of countries closer to Russia whose determination to resist nuclear blackmail would only grow ... Mr. Putin’s armies are in a headlong retreat across much of Ukraine. His support at home looks threatened. But the threat he poses to vital American interests must not be underestimated, and the threat that he will use nuclear weapons in Ukraine is real.

Russia has moved a military train designed to carry nuclear weapons to the Ukraine border. There is discussion that he might carry out a nuclear test there.

Germany’s energy minister said two coal-fired plants will stay on grid until 2024, having been set to close this winter.

Kuppy's view

Hence, after watching Biden liquidate the Strategic Petroleum Reserve in order to improve his polling numbers, while watching the Fed directly target their standard of living and that of their customers, OPEC has had enough. They’re going to do something about the Fed and its war on oil. OPEC has finally launched a counterattack. Last month, they agreed to cut output by 100,000 bbl/d. It was meant as a warning that went unheeded. Tomorrow, they’re going to Blitzkrieg the Fed.

No one knows how big the cuts will be and frankly, it doesn’t matter how large they are. Instead, the message is clear—the Fed can crash global GDP in their fight against oil, but OPEC wields a much larger stick and will cut production even faster. In fact, OPEC will DO WHATEVER IT TAKES if the Fed continues on this path. OPEC has drawn a line under the price of oil and told the Fed that it’s wasting its time. OPEC controls the price of oil and oil is the world’s Central Banker, not the Fed.

News item - OPEC agrees to CUT OIL PRODUCTION BY 2 MILLION barrels per day, DOUBLE the amount of barrels THE BIDEN ADMINISTRATION is releasing to keep gas prices down...

Erik Townsend points out an error in the news reporting - don't miss his point about OPEC's not being able to make even the old quota - that's very important - "Every headline claiming OPEC+ cut production by 2mm is dead wrong, misleading, and journalistically incompetent. OPEC+ cut production QUOTAS, *not* production by 2mm bbl. Most countries were already unable to produce to quota. The resulting cut to PRODUCTION is ~800k, not 2mm."

Zeihan further explains: "Chronic underinvestment and a host of technical and...other production issues have been causing significant production declines throughout OPEC member nations, particularly among African producers. Throughout much of 2022, that figure has hovered between 1 and 2 million barrels per day below OPEC production targets. Add in the rest of OPEC+ (the 13 OPEC member states and other significant oil exporters, like Russia) and that figure tips over 3 million. A reduction in target quotas might not have the long-term impact on oil prices they expect, though the market is historically notoriously speculative."



Then ... President Biden on Wednesday said he would release 10 million more barrels of oil from the U.S. Strategic Petroleum Reserve (SPR) in November in a move to counter raising gas prices again.

All this missile - anti-missile stuff to get Democrats elected.

Finally, I have a flashback for you:

Trump was seeking to stabilize the US oil industry after the pandemic reduced demand. Republicans proposed spending \$3B to fill the SPR at just \$24/BBL. Democratic Leader @SenSchumer defeated the proposal, and later bragged that his party had blocked a “bailout for big oil.”



Kit - the stupidity, destructiveness, shortsightedness and sheer political cynicism of Biden's energy policy are epic. And they keep doubling down on 16.

Occidental CEO Vicki Hollub warned that a massive gap between supply and demand for oil had been masked by historical releases of the strategic petroleum reserve under the Biden administration.

"The lack of supply will continue to manifest itself as China starts to open up from Covid," Hollub explained in an interview on the sidelines of the Energy Intelligence Forum in London, Bloomberg quoted. She warned the world is at risk of 'living with a shortage for a while' that will send prices higher, adding the lack of supply will become more evident in the first quarter of 2023.

IEA EXECUTIVE DIRECTOR BIROL: THIS WINTER WILL BE DIFFICULT, BUT THE NEXT WINTER WILL BE VERY DIFFICULT.

Poland temporarily suspended air quality controls so people can burn coal for heating homes through next April to ease the worst energy crisis in a generation. While Polish households have increased demand for coal and wood to offset the soaring energy costs of natural gas and electricity, some people are burning trash to stay warm.





64 °F | °C

Precipitation: 0%
Humidity: 44%
Wind: 9 mph

Berlin, Germany
Friday 4:00 PM
Partly cloudy

Temperature | Precipitation | Wind



weather.com • Feedback

Ukraine - Email From HW

HW is a longtime internet friend, who does some serious, out-of-the-box thinking. Since he lives in Denmark, he provides a European perspective that I do not have.

Since I am a history freak and am fascinated with Russia / the rise of communism / the USSR, I want to reiterate his point that Russians view the world fundamentally differently than Westerners. Their underlying assumptions about the way the world works and should work are very different.

I do not necessarily agree with some of his other points, but they are definitely worthy of consideration. I think that his, they will nuke the US before they will cave, point is particularly interesting.

We have to find Putin as graceful an exit as possible.

Interesting, Kit.

The major point you are missing is the total difference between the Russian mindset and the Western mindset.

The Nazis got within 20 km of Moscow. Napoleon occupied Moscow and hung out there for a while waiting for their formal surrender.

The Swedes even marched all the way to Poltava in the Ukraine. The Russians wacked all of them - and they absolutely expect it to unfold in the same manner this time around - they see history as cyclical (as do most Europeans) whereas the American narrative involves a continual and linear increase in power and influence. To highlight that point again - the Russian population sees it very differently, so the West can't zap that deeply held belief, especially without controlling the Russian press. It would take 1000 years or so to achieve that result. They will nuke the US before they will cave. Simple fact.

Russians do not think like Westerners, they are shaped by a different geography and history. The Mongol conquest is where the divergence started, but the loss of Constantinople to the Turks was a serious a blow to their culture - similar to what the West felt about Muslims controlling Jerusalem.

It is not about territory to the Russians, it is about annihilating the aggressors against them.

America blowing up the pipeline was the stupidest move ever. I think you're looking at about a 95% consensus here in continental Europe that the US did it.

Make Europe energy independent. Great idea. But entirely dysfunctional and everyone here except the politicians already knows it. So where is it going to come from? The confidence that the Europeans will turn to the US for a serious dependency relationship, that the dollar will replace the Euro as it now collapses and that German industry will move to the US is far beyond the scope of what Goebbels called a "big lie". It is also incredibly short-sighted. And when the Europeans discover that the American teat will not be there for them - then you ain't seen nuttin' yet.

The most obvious conventional consequences will be the collapse of the EU and NATO, and the relocation of much of Germany's industry to Russia. Pretty much the Trump agenda for Europe - incredible how his critics will achieve this anyway.

BTW, they tacked an extra USD 1,500 onto my electricity bill here this month. Not everybody can just suck it up, people will end up in the streets and governments/alliances will fall. As sure as the sun comes up in the morning.

They're Going To Have To Address The Problem, Sooner Or Later

From *The Economist*

On the campaign trail, Joe Biden pledged he would build “not another foot” of border wall as president. But in the face of record numbers of migrants arriving at America’s southern border with Mexico, he has quietly reversed course, agreeing to fill in some glaring gaps that were left when he abruptly halted construction of the wall on his first day in office. Staying mum about the wall-work, Mr Biden has not wanted to telegraph the decision and risk alienating backers who associate the border wall with Donald Trump.

Probably Nothing

Mortgage applications took a huge hit last week, falling to their lowest level in 25 years as interest rates rose to their highest level since 2006, the Mortgage Bankers Association reported Wednesday in its Weekly Mortgage Applications Survey for the week ending September 30.

When All You Have Is A Hammer ...

Gov. Gavin Newsom (D) signed a law Friday that will decriminalize jaywalking across California, ending the familiar practice of police handing out tickets to pedestrians on the argument that the law is enforced more often against minorities than other people.

Once You Get The Framing Correct ...



Doomberg @DoombergT · 39m

...

Correction: The Supreme Court is trying to determine whether the EPA usurped Congress by unilaterally declaring it has powers never granted to them.



Rebecca Leber ✓ @rebleber · 2h

The Supreme Court is hearing oral arguments for an extremely important case today. SCOTUS is likely to restrict the EPA's powers to regulate water pollution.

Read @imillhiser on the case: [vox.com/policy-and-pol...](https://www.vox.com/policy-and-politics)

Perspective

Mean Center of Population for the United States: 1790 to 2020



Me To Myself - Self-Censor, Damn It, Don't Go There

On August 28th, Justin Trudeau’s government announced “Canada’s first federal 2SLGBTQI+ action plan: Building Our Future With Pride,” which was described as “a whole-of-government approach to achieve a future where everyone in Canada is truly free to be who they are and love who they love.” One aim of the \$100-million plan, the government explained, is to convince Canadians to adopt the term “2SLGBTQI+” in place of “LGBT”—on the basis that 2SLGBTQI+ “is more inclusive and places the experiences of Indigenous 2SLGBTQI+ communities at the foreground as the first 2SLGBTQI+ peoples in North America.”

First as tragedy, then as farce.

Truth Hurts

The Evolution of Education

1970



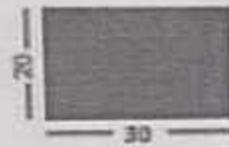
Calculate the surface area of the object.

1985



Calculate the surface area of the rectangle.

2000



Calculate the surface area of the rectangle, multiplying the length by the width.

2010



Choose the correct answer.
What is the surface area of the rectangle?
 4000
 600
 800000

2015



Choose the correct answer.
What is the surface area of the rectangle?
 Michael Jackson
 Canada
 600
 Breakfast

2018



Color the rectangle with the color you prefer.

The End Of The World As We Know It ... Or At Least A Black Hole Will Be Created

Jim Cramer - love him or hate him.

There are actually now two Jim Cramer ETFs based on his recommendations - an ETF that follows his recommendations and another (inverse) ETF that does the opposite of what he recommends. This has set up an existential, logical dilemma.



This Is As Australian As It Gets

