



Happy Holidays and I hope this email finds you in great health, good spirits, and plenty of holiday cheer.

Happy New Year! If I may suggest some tasks for 1 January 2018...

1. Please review your estate planning documents.

- a. Is your Will current? Did you have a new child? Are you responsible for anyone new? Did you get a divorce? Are you getting/were you married? Have you added/divested any large capital purchases/investments?
- b. Are your Living Wills current? Do you need to change/adjust anything?
- c. Is your personal inventory current? Does it need updating?
- d. Are your Trusts current/up-to-date? Do you need to add any assets?

2. Please take the time to replace important home products.

- a. Replace/recharge ALL fire extinguishers (Prof Note: I had two house fires in as many houses in 2017...this is no joke!)
- b. Replace/recharge all fire detectors/carbon monoxide detectors
- c. Replace HVAC filters, etc. Make a point of going out on the 1st to get this done!

3. Please review all your insurance products. Are you correctly insured?

- a. (Prof Note: I discovered a HUGE hole in coverage a few days ago which is not plugged. I am embarrassed to say I had not been focusing enough on my own coverage.)
- b. Include health insurance, Long-term care, Disability, etc.

4. Please complete your own Personal Financial Statements (PFSs).

- a. Balance Sheet (EoP 2017)
 - i. Compare with EoP 2016. How has it changed? Are you happy? Did it change as you predicted? What is the quality of your assets? What are the risks/quality of liabilities? How has net worth changed in 12 months?
- b. Income Statement 2017
 - i. How has revenue changed from 2016 to 2017. Most importantly, what is the mix of passive and active income? Is passive income increasing by retirement target? How "at risk" is your revenue stream? Time for a side hustle (or two)?
 - ii. Consider reviewing Statement of Cash Flow with Income Statement. (Prof Note: In truth I look at cash flow on a daily and monthly basis but for planning largely consider income statement)

5. Retirement

- a. Are you on track? Have you considered how much passive income you will require at retirement? How are adjusting assets/investments to achieve the required passive income level(s) required?
- b. (Prof Note: My current thinking is that retirement planning is done, as most planning is done, incorrectly. It needs to start with a lifestyle in today's dollars, layer in inflation-protected investments/passive income flows that will get you there, etc. Most articles focus on needing a capital amount, e.g. \$2.5m at retirement. This could not be more

wrong, in my opinion. What is needed in retirement is a passive income flow to the desire/amount that each individual requires.)

Prof Note: I do hope that everyone has a blessed New Year's Eve and is safe. Also, and this is meant for the younger students, please consider yourselves businesses as that is technically what you are. Apply the fundamentals taught in academic to your personal life and manage yourself with financial rigor. It is never too early to start thinking of retirement. Focus on developing passive income sources. It is not about how much money/assets one has, it is most about the passive income created to sustain and build. Two students taught me and/or helped me developed a new term that I hold dear, i.e. "net zero." The concept, which I have embraced, is that one's financial goal should be to reach "net zero". It is when passive income equals active expense. It is the financial equivalent of perpetual motion only it is achievable. After "net zero" one is wealthier every next moment! A physicist cannot achieve perpetual motion but a financier can achieve "net zero". The first and second law of thermodynamics do not apply to finance! ☺

30 December 2017

Question: According to "lifestyle" on MSN.com; people are judged on what two things?

Global growth powers stocks to strongest performance in 8 years – Pg. 1

- Global stocks have enjoyed their best annual performance since the post-crisis recovery, as accelerating economic growth across the world helped power several important markets to double-digit gains in 2017
- The global stock market gauge rose 1.8% in December and has notched up 14 straight months of gains – the longest run on record
- ...S&P 500 has gained nearly 20% in the past 12 months, its sixth-best annual performance over the past two decades
- The biggest driver of the roaring stock market rally has been the accelerating growth in the US, Europe and Asia

Retail in Therapy – Pg. 5

- Under pressure from Walmart, ToysRUs in 2005 sold itself to a consortium of buyers including private equity firms Bain Capital and KKR and real estate group Vornado. Analyst say the move left the company hamstrung by debt repayments as an even larger threat – Amazon – stole a march on rival retailers over the past decade
- ToysRUs was one of the largest retailers bought by private equity groups as investors poured cash into the sector. But after a string of successes in the early part of the century, retail turned turbulent. More than half of the largest leveraged retail buyouts completed since 2007 have either defaulted, gone bankrupt or are in distress...
- At least 50 US retailers – including ToysRUs, children's retailer Gymboree, show store Payless and jean maker True Religion – have filed for bankruptcy this year, the most in six years...
- The swift unravelling of the towy seller, at \$6.9bn the third-largest retail bankruptcy in history...

- For many, private equity and the use of excessive debt proved the decisive factor in why so many retailers failed to invest in their business as competition intensified
- ...over the next two years, \$68bn of US retail debt will fall due, including more than \$20bn from companies that the rating agencies view as being below investment grade, ...

Forecasting the world in 2018 – Pg. 7

- Will the Democrats take back the majority in the midterm election in the US House of Representatives?
 - o Yes – by an eyelash.
- Will impeachment proceedings begin against Donald Trump?
 - o Yes – just. Democrats will regain control of the House of Representatives in the November midterm elections.
- Will Trump spark a trade war with China?
 - o Yes. In 2018 President Trump will deliver on some of his protectionist campaign rhetoric by taking punitive actions against China
- Will the BoJ tighten monetary policy?
 - o No. The BoJ's life will get tougher in 2018 as the US Federal Reserve tightens policy and widens the interest rate gap with Japan
- Will emerging market GDP growth pass 5%?
 - o Yes. With the US Federal Reserve likely to raise interest rates a few times in 2018, trading is likely to be choppy in emerging markets
- Will Tesla produce more than 250,000 Model 3s?
 - o No. The much-hyped US electric carmakers once promised to make 400,000 of its new dream machines in 2018.
- Will the S&P 500 finish the year above 2,650?
 - o Yes. There are plenty of positives: earnings, economic growth, and US tax cuts. Stocks look ridiculously expensive by historical standards, but that tells us nothing about short-term moves. Ultimately, it comes down to liquidity, which has driven markets since they emerged from the crisis in 2009
 - o If all goes according to plan, central banks will be decreasing their balance sheets, and removing liquidity, by the end of 2018. If they go through with this, the odds are that the S&P will stall. But even a tiny tremor could make the bankers blink.
- Will the 10-year Treasury yield finish the year above 3%?
 - o No. Wall Street strategists' predicting that the US government's 10-year borrowing costs will climb above the 3% mark in the coming year is as much a staple of the Christmas period as award office parties
- Will oil finish 2018 above \$70/barrel?
 - o Yes
- Will a stable and liquid bitcoin futures market develop?
 - o No

Hunt for yield pushes car loan securitization to post-crisis high – Pg. 8

- Securitization of US car loans hit a post-financial crisis high in 2017, as investors demand for yield continued to provide favourable borrowing conditions across a range of credit markets

- Most US cars are bought on credit, creating more loans that can be bundled up into ABS deals (Prof Note: I purchased my car exactly one year ago. I purchased on credit as rates were so low the money was virtually free!)

Themes that gripped the globe in 2017 – Pg. 11

- Subdued volatility in US stocks
- Central bank QE near tipping point
 - o The era of central bank bond buying that has sent prices of government and corporate debt soaring since the 2008-09 financial crisis is set to reach a turning point in 2018, after policymakers sketched out plans this year to rein in stimulus measures
- Dollar going 'down, down, down'

Answer: (1) Can I trust this person? (2) Can I respect this person?

29 December 2017

Question: The top 500 billionaires increased their wealth by how much over the past 12 months?

US tax reform piles pressure on IRS – Pg. 2

- The agency has been dealing with real-terms funding cuts of 21% since 2010,Mr Trump's March budget proposed an additional reduction of \$239m. Staffing is down 21,000 since the start of the decade
- The overhaul is the biggest since 1986 reforms under Ronald Reagan and encompasses temporary cuts to individual taxes alongside a new system for non-incorporated businesses and a complete transformation of the international company tax code
- The new tax rules for unincorporated businesses – known as pass-throughs – present a wide range of loopholes for tax advisers to exploit
- While the 1986 law took two years to push through, the current package moved through Congress in a month on the back of limited debate

Equities hit heights as dollar extends slide – Pg. 20

- Global stocks climbed to all-time highs for a second day in succession while the dollar extended losses, but a surge in demand for US Treasuries stabilized
- The greenback remains on course for its worst year of returns since 2003 and, in currencies markets yesterday, the US dollar index dipped a further 0.4%, with the euro climbing 0.6% to \$1.1951 and sterling up 0.4% to \$1.3444
- In government bonds, 10-year US yields edged 1bps higher to 2.43%, becalming the volatility of Wednesday's biggest swing lower in three months

Answer: \$900bn

Nevis News: I feel like reporting “no news”. The island is calm and tranquil. Christmas Day was quiet with one local, a regular, coming to the course to play golf in the late afternoon. There have been a few tourists up and down Shaws Road but not many.

St. Kitts is hop’n. It appears that all the overflow from the hurricane damaged islands has arrived on St. Kitts. Christophe Harbour is booming with Super-Yachts just like on the tele. Seven cruise ships of different sizes are arriving daily on St. Kitts. Spoke to local cab driver and he stated that one is much better off walking off the cruise ship and arranging their own tours. An island tour of St. Kitts is \$80 but the cruise ships will charge \$120/\$125 for their cut. Also I learned there is a drinking age on Nevis/St. Kitts which is 18. The cabbie looked at me and said, “but the age of consent is 16!” (it troubled me he felt the need to tell me this!).

28 December 2017

Question: Which state has the least foreclosed homes in 2017?

Global IPOs hit highest level since crisis on back of US and China deals – Pg. 1

- Global exchanges this year attracted the largest number of listings since the financial crisis, with a US resurgence and a record number of Chinese deals belying concerns that companies are shunning public ownership
- The average gain of 23% for IPOs in 2017 in the US did not significantly outperform the 20% rise in the S&P 500 index...

Marijuana – Pg. 7

- California has long been a cannabis pioneer
- California was both the first state to criminalize pot in 1913 and then the first to legalize medical marijuana in 1996
- (Prof Note: I hear more and more about “weed” from students and in the halls of universities. I have never tried a drug or cigarette (I absolutely love my Scotch so recognize vices) and warn about seeking vices for pleasure. I am becoming an old man but I specifically carve time from my day to feel the sun on my face and to watch each sunset. Be careful with vices and always remember moderation!)

Stocks jump and bonds rally after festive lull – Pg. 18

- ...US equities also advanced yesterday with the blue-chip S&P 500 index up 0.1% by midday in New York
- ...global bond markets enjoyed stronger moves
- The 10-year US Treasury yield fell by 5bps to 2.43%, taking it further away from the nine-month high of nearly 2.5% it flirted with after the US passed a sweeping corporate tax cut

Answer: South Dakota (1 in 17,414)

27 December 2017

Question: Which state has the most foreclosed homes in 2017?

US bricks-and-mortar retailers build on buoyant holiday sales – Pg. 1

- ...fading expectations over sales on Apple's new iPhone weighed on the broader stock market
- US retail sales, excluding cars, climbed 4.9% from November 1 through Christmas Eve, the strongest pace of growth since 2011, ...
- ...online shopping continues to accelerate – ecommerce sales rose 18.1% over the period, ...
- ...Apple was down 2.5% as analysts trimmed forecasts for the flagship iPhone X. The technology group is the single biggest company in the S&P 500 index and its decline dragged the market down 0.1%
- These trends are helping underpin expectations that consumers will carry on spending at a rapid pace, sustaining GDP of close to 3%

Japanese unemployment hits 24-year low – Pg. 2

- Unemployment in Japan has fallen to its lowest level in 24 years as robust economic growth leads to a deepening shortage of labour
- The unemployment rate dropped 0.1% in November to 2.7%, the lowest figure since December 1994 when Japan was descending into what had become known as its "lost decade"
- The ratio of open jobs to applicants, regarded as a more sensitive indicator of the labour market than unemployment, rose from 1.55 to 1.56. This is the highest since January 1974, during Japan's era of rapid economic growth
- ...working age population is in decline
- ...labour shortages have been slow to generate inflation

'Sharing economy' gains ground across sectors – Pg. 14

- Companies are slowly reconfiguring their businesses for the sharing economy
- Companies such as Airbnb have made the practice of staying in a stranger's home seem normal and real estate companies and landlords are now grappling with how to deal with this change
- It is particular challenge for apartment buildings: if much of the space in a building is let through Airbnb, it can become a de facto hotel, even though management has not been set up with this in mind
- Energy companies are facing an uncomfortable truth – that one day not all households will require their services (Prof Note: I am already considering how to bring my properties off-grid.)

Moments when central banks set pulses racing – Pg. 18

- In October, Zhou Xiaochuan, the governor of the People's Bank of China, stunned many by voicing concern that corporate and household debt is rising too quickly
- The Fed's 2% inflation target has not been achieved for half a decade and the central bank's preferred measure of inflation is running at 1.6%. Wage growth has also lagged behind and is running at an annual rate of 2.5%

Answer: Maryland (1 in 1,107); New Jersey (1 in 785); Delaware (1 in 732)

Nevis News: This is written as perspective...I wake and swing my feet off the bed searching for my step stool. The bed(s) are extra high to allow for breeze beneath to cool one's body. Then, once the sleep is rubbed from my eyes, the process of opening the house for the day begins. The drapes are opened, the doors unlocked and latched open, and the bathroom window is un-shuttered. (the bathroom window is the only window without burglar bars so the escape route in case of fire) The flood lights are shut off and the kitchen door opened showing the world the house is open and welcoming to visitors. The process takes about 10 minutes and is absolutely Caribbean. Sort of like a movie when the actress in a movie swings open shutters, leans out to latch the shutters to the sides of the house while thinking, "Hello world, ready or not, I am here for the day."

It is mid-day today and it is official, I am less productive on Nevis! I cannot blame it on technology, the A/C, the room, etc. The part of the house I occupy is completely renovated, my computer and screens are identical to what I have in the states, and I have working A/C with backup. It is a geographical issue. I find myself staring out the window, feeling a breeze, getting up to look at the water, etc. Unlike back in the states I actually feel compelled to be outside. Much different.

This evening I sat outside beneath the 40W string lights enjoying the breeze. The temperature is absolutely perfect this time of year. Cool but not too cool. Hot mid-day but not too hot. There is a constant breeze which whisks away any flying critters.

23 December 2017

Question: A recent Schwab study indicated that people believed they needed how much to be considered "rich"?

Japan birth rate worsens demographic crunch – Pg. 4

- The number of Japanese children born this year was the lowest since records began in 1899, deepening a demographic crunch and ensuring the population will continue to decline for decades to come
- There will be 941,000 births in 2017....compared with a peak of almost 2.7m during the baby boom that followed the second world war
- ...Japan's fertility rate, which measures the number of children a woman is expected to have, is 1.44
- That is higher than South Korea's 1.17 but below the US's 1.82 or 1.96 in France
- On current trends, the population is set to fall from 126.5m to 88m by 2065 and to just 51m by 2115. That would have implications for everything from the economy to pension sustainability and national defence

Selling the tax deal – Pg. 5

- ...passed its \$1.5tn tax cut without a single Democratic vote, is aiding the wealthy – among them President Donald Trump and his family – and not the middle class

- With Mr Trump signing the tax bill into law on Friday, the opposition is now focusing on the threat to safety net programmes if public revenue is reduced by the tax reductions, which include a cut in the corporate rate from 35% to 21%
- In cash terms, those in the top 1% will see a cut of \$51,140, compared with a reduction of \$930 for the middle quintile
- By 2027, middle-income earners will end up with a small tax increase of \$20, while the best-off 1% will enjoy savings of just over \$20,000. The top 0.1% at that time will experience reductions of almost \$150,000

End of ownership – Pg. 12

- By bundling insurance, road tax and maintenance costs into a single monthly sum, carmakers hope to take the hassle out of running a car, as well as attract new customers to their brands
- The rise of rental over ownership has had subtler effects in retail than in other industries, but can be seen in evolving sales strategies and even how retailers and developers lay out shops and malls

Answer: \$2.4m

Nevis News: Nevis 5-0 is on the job! Four Seasons is apparently only about 80% occupied...way down from last year and the peak of 14'/15'. Town is bereft of tourists and quiet. Apparently renovations start March/April 2018 at Four Seasons. The estimated budget for renovation is \$700,000,000. The new pier is amazing and built to accommodate my 150' super-yacht. It was becoming a hassle to chopper back and forth. Each of the rooms are being upgraded to 65" teles from 55". All the old furniture is going and the locals are all eyeing and hopeful for a gigantic yard sale!

The weather is a bit cool now. Drove the island, circumference 26 miles, stopping at ValuMart and Rams for coke products. The island is devoid of coke and pepsi products. Finally found some Dr. Pepper at Best Buy in Gingerland, i.e. opposite side of the island. The island feels quiet. It actually "feels" like Nevis. No hustle and bustle, sleepy, and tranquil.

22 December 2017

Question: The Dow is on target for what percentage (%) rise year-to-date?

Take the very long view on asset prices – Pg. 9

- ...equities and housing have very different levels of correlation. From a (very) long-term perspective, both asset classes have produced similar returns since 1870, averaging out at about 7% per annum across the 16 countries
- Property markets, by contrast, are not correlated: country co-movements have stayed between zero and 0.2 in the past 50 years. Moreover, property is also only lightly correlated to business cycles and other asset classes. This suggests that if an investor wants truly to diversify their portfolio, they should look beyond securities; buying real estate everywhere from Manhattan to Mongolia was a better hedge in the 20th century

- A second fascinating implication is that today's ultra-low interest rate world only looks bizarre if you take an edited version of history. Yes, real rates are very low today compared with the peacetime years in the 20th century. But real returns on bonds and bills were much lower during the first and second world wars, tumbling to about minus 4% (compared with 4% for bonds in 2015, and zero for bills)
- ...third key point: the spread on returns between risky and safe assets has been surprisingly volatile in the past 145 years. However, this is not due to the behavior of risky assets – these returns tend to move in fairly well-worn cycles

Swiss central bank bails out materials maker to safeguard banknote issuance – Pg. 18

- The license to print money is one bestowed on central bankers, but yesterday the Swiss National Bank decided to go a step further and take over the means of producing the stuff
- Swiss consumers remain heavy users of cash, and the largest denomination note in circulation is SFr1,000. The SNB launched a 10 franc note in October, the third of six denominations in a banknote series which it said included complex security features
- Other central banks, including Sweden's Riksbank, are considering issuing digital versions of their currencies
- Sweden is heading towards becoming a cashless society

Answer: 25% year-to-date

Nevis News: What a blessed day! I forget the beauty of the weather. Low 80s, light breeze, and I even had to turn the A/C off in the house as my feet got cold. ☺ (it is tough down here!) Ironed out the relationship with my General Contractor so renovations are rejuvenated. Town did not appear to have many tourists and there were none at the local grocer. Still no private jets on Nevis. Oh, Olive yelled at me for leaving the house a mess after arrival. There is no power struggle here as noted by my immediate hopping up to organize the house. (For those that are new to the list-serve, Olive is my former Nanny and now my care provider! ☺ She is responsible for the house and me!)

The expats are all angry about the tax plan. I spent a few hours today explaining what I knew and assuring everyone Social Security was NOT going away! By the way, I suggest to everyone, and I will do my best to follow, we all make New Years Resolutions for health and fitness (among other personals). I spent an hour in the pool today frolicking and I am exhausted! We all work for a purpose and an eventual, hopefully, happy and healthy retirement...best we can enjoy upon arrival!

21 December 2017

Question: What is mean and median net worth in the U.S.?

Wall Street dreads return of zero bonuses – Pg. 16

- The dreaded doughnut – or zero bonus – could be back in a big way on Wall Street, particularly for bond traders who have struggled to make money in listless, lackluster markets

- Revenues from banks' fixed-income sales and trading units have been falling all year, crimped by post-crisis rules curbing risk-taking and a general lack of volatility
- Bond units on Wall Street have been grappling for the past few years with reforms such as the Volcker rule, which bans banks in the Federal Reserve system from putting on positions unrelated to client demand, and with a steady shift of trading to cheaper, electronic venues
- The weak performance from bond trading is likely to mean banks across the industry cut discretionary payouts for people deemed "dispensable", ...

US sovereign debt yields jump as investors bargain for growth boost – Pg. 21

- US benchmark sovereign bond yields climbed to their highest in nine months while the dollar also remained under pressure as Republican tax plans were seen by investors as providing a boost to economic growth
- A two basis point rise to 2.48% - after an earlier session jump to just below 2.50% - was accompanied by flatness in two-year yields at 1.86%, leaving the Treasury yield curve at its steepest in three weeks
- ..unexpectedly strong US home construction data on Tuesday....

Answer: Mean: \$700,000 (a record high); Median: \$100,000 (well below the 2007 peak of \$140,000)

Nevis News: Both planes were full, i.e. DC to Miami and Miami to St. Kitts. Upon arriving, Immigration would not allow entry (first time ever). Apparently, now you must have a purchased return ticket if not a citizen. What a cluster! Purchased a ticket at Immigration and gained entry...woohoo... On the way to Reggae Beach, passed Christophe Harbour on St. Kitts, holy cow, three Super-Yachts were moored...enormous and beautiful at the same time. The island is a little wet and we have rain showers throughout the days now. The temperature is absolutely heaven with a light breeze which whisks away any heat.

20 December 2017

Question: In 1960, what percentage of marriages had the male having more education than the female?

Debt record sparks unease as low-rate era unwinds – Pg. 1

- A borrowing binge by companies and governments pushed debt to a fresh high this year, providing bumper fees for Wall Street but raising questions ahead of a year of expected monetary tightening by the most important central banks
- The tally for this year, which includes sales by government-backed housing lenders such as Fannie Mae and Freddie Mac, and institutions such as the European Investment Bank, surpassed 2016's record late on Monday. The \$6.8tn figure includes sales of mortgage- and asset-backed securities and covered bonds, but does not cover sovereign debt sold at auction, such as US Treasuries and UK gilts, or municipal securities

Inequality is a threat to our democracies – Pg. 9

- Between 1980 and 2016, the top 1% captured 28% of the aggregate increase in real incomes in the US, Canada and western Europe, while the bottom 50% captured just 9% of it

- In North America, however, the top 1% captured as much as the bottom 88%
- ...in the 20th century, revolutions (in the Soviet Union and China, for example) and the two world wars reduced inequality dramatically

Value spotted in battered bricks-and-mortar stores – Pg. 20

- Amazon's value has continued to surge this year, rising by more than half to \$572bn, while bricks-and-mortar retailers in the US and Europe have languished

Answer: 14.1%

19 December 2017

Question: In 1980, what percentage of marriages had the male having more education than the female?

Czech central bank acts to cool buoyant property market – Pg. 4

- Since 2010, the stock of mortgages to Czech households has leapt 64% as buyers have piled into property. This year's acceleration has been particularly dramatic: new house loans were up almost 30% year-on-year in the first quarter
- Since the end of 2015 prices of flats have risen by 25%, ...
- Yesterday, the Czech National Bank made a fresh attempt to get banks to prepare for possible tougher times ahead, raising their counter-cyclical capital requirements for the third time since 2015
- Part of the reason for the surge in property borrowing is the fall in interest rates, which – as elsewhere in Europe – have declined sharply since the financial crisis. In 2010 the average rate for a mortgage loan was 5.37%; at the end of October, it was just 2.37%, ...

Iceland plans to build a bond breakthrough after strong demand for debt sale – Pg. 20

- Iceland expects to be a "regular visitor" to the bond market in the coming years after its first debt sale in three years drew high levels of demand from investor who are more confident about the country's recovery
- The sale is a milestone for Iceland, which has spent the past decade struggling to recover from the financial crisis and only this year lifted capital controls that had been in place in some form since 2008
- ...country of 340,000...
- The economy has cooled in recent months as a stronger krona has hit exports
- Wage growth, which was running at about 10% for most of last year, is more than 7% because of the almost full employment on the island
- Last week Fitch Ratings upgraded Iceland from a rating of A- to A

Answer: 23%

18 December 2017

Question: Currently, what percentage of males in marriage have more education than females and what has changed?

US companies set for big profit windfall from tax overhaul – Pg. 1

- US companies are expecting sharp increases in earnings next years as Republicans in Congress remove the final obstacles to their overhaul of the US tax system, with a bill likely to be passed into law this week
- ...corporate profits will be boosted by an average 10%, with some companies set to see significantly higher benefits of up to 30%, thanks to the proposed cut in the federal corporate tax rate from 35% to 21%
- Companies with relatively high tax rates and mainly US-based revenues, which are not hit by the new charge on overseas assets, will gain the most from the new code
- Oil refiners, railways, airlines and banks are expected to be among the biggest beneficiaries
- Countering claims that the tax bill hands the rich an unprecedented windfall, he said families making \$150,000 a year would benefit from a \$4,000 tax cut and families on \$75,000 a year would gain \$2,000

Rating agency recognizes Portugal revival – Pg. 4

- Portugal has reached a turning point in its economic rehabilitation after a second big rating agency decided that the country – given a 78bn (euro) international bailout in 2011 – again deserved a coveted investment grade for its borrowing
- The budget deficit has fallen to a 40-year low, freeing Portugal from the threat of EU sanctions. The unemployment rate has halved to 8.5% and on Friday the Bank of Portugal revised its economic growth forecasts upwards to 2.6% this year and 2.3% in 2018
- The upgrade will qualify Portugal for inclusion in big bond indices for the first time in six years, allowing its debt to be held by a wider range of investors and lowering government borrowing costs

Third of female asset managers suffer sexual harassment – Pg. 15

- The number of women reporting sexual harassment has leapt from 20% in 2014 to 32% today, up from 25% in 2016

Smart homes open the door to growth for insurers – Pg. 18

- Amazon recently launched a smart lock that homeowners can use to let a courier into the house when they are out
- But insurers also want to use smart technology to change the way they relate to customers: becoming service providers rather than people who collect premiums and make payouts

Answer: 24.5% of males have more education BUT, and this is a first, 25.3% of females have more education in the marriages (the remaining have the same education level)

16 December 2017

Question: The average household aged 56 to 61 has just how much set aside for the future?

Trump tax bill enters final straight – Pg. 1

- The centerpiece of the package is a big cut for corporations, which will see their income rate plunge from 35% to 21%, bringing the US broadly into line with the average rate in the developed world

US indices and dollar power ahead as worries over tax reform recede – Pg. 16

- US equity indices resumed their record-setting ways and the dollar rallied into the weekend as market participants appeared to shrug off the previous day's worries that tax reform legislation might not be pushed through before the end of the year
- ...both S&P 500 and DJIA recovered from a bout of selling on Thursday to hit intraday record highs

Answer: \$163,577

Nevis News: This morning was different. I wake to someone yelling, "Hey, hey,..." I think, "What the...?" I get up and walk to the window. It is a local from New Castle so I bid him a "Good day". He says to me, "My friends were going to show me how to golf and they are not here." I am thinking, "...and how is this my issue?!" I say, "Are you asking me to show you have to play golf?" He says, "That would be lovely." I think, "Why not?!"

Ok...I have had two, at most three, golf lessons and hated every minute of them. What I know about playing golf would fit in a thimble. However, I think to myself, I guess this makes me the golf pro, i.e. you don't have to be able to outrun a bear, only outrun your companion! 😊 We spend the next hour working on his game with me trying to remember best stance, swing, eye contact, elbow, and grip. His first shot went into the water trap but we got better after that. 😊 I really have to say we had a wonderful morning "learning" to play golf. (Bill Gates won't come out and help you with your golf game at Four Seasons, Nevis)

The carpenter came shortly thereafter. We discussed all repair work and he took a piece of furniture for repair. One of the expat neighbours came by with a banking issue. Apparently Scotia Bank told her it took six weeks to clear checks down here by wire. It has been past six weeks and she was besides herself. I really see how the elderly get into trouble. I had a wire take a week and I was threatening to write the individual board members and the central bank (now my wires clear next day!). Much of the conversations I have with the retired expats down here is about money, or rather, investing. Everyone is always worried about their money running out. Many ask if I will invest their \$\$\$ and my response is always, "that is not what I do." I just see so many so trusting. I get a perspective of how the fraudsters do it on 'American Greed'.

The house is in much better order. There is still much to do but coming along. The course is cleared but the walking trails through the ghaut looked scary. I actually did not go down as there was so much more to do here. Eventually the ghaut needs to be cleared for the walking trails but that will have to wait. Oh, and the fence on the far side was completely rebuilt. Jeffers showed me with pride in his chest. It looks great.

15 December 2017

Question: Wealth is typically determined by income, however, MSN Money defined it as “How well off you are depending on how long you could last without a source of income.” How did they define it?

US regulators scrap rules that protect open internet – Pg. 2

- The biggest US broadband companies have left the door open to sweeping changes in their high-speed internet services, as federal regulators rolled back so-called net neutrality regulations adopted by the Obama administration
- ...ending regulations that were meant to ensure all internet services are treated equally
- The biggest US telecoms company said it would not block any services, or “throttle or degrade internet traffic based on content”
- In particular, the companies have so far left the way open to create new internet “fast lanes”, which would allow them to give preferential treatment to content owners who pay more for higher level of services
- ...a lack of competition in many parts of the US, particularly in less densely populated areas, has left many consumers with little choice. Around 50m US households have access to only one broadband company offering a high-speed service

Rockier year expected after Yellen’s steady hand – Pg. 20

- Even as the central bank has started its balance sheet shrinkage, something many fund managers had argued could spark severe market disruption, the 10-year Treasury note yield has remained stable during Ms Yellen’s term
- Currently parked around 2.4%, the benchmark lurked near 2.6% when Ms Yellen took up her position in February 2014. Since then the S&P500 has climbed more than 50%, while the Fed’s favoured inflation rate has been steady at about 1.4%
- Next year is also likely to be an inflection point in global monetary policy. Central banks have swelled their collective balance sheets by \$15tn in the past decade, in addition to cutting interest rates down to multi-century lows

Answer: Broke (less than a month); Teetering (One to three months); Satisfactory (Three to six months); Well Off (Six months to two years); Wealthy (Two to five years); Ultra-wealthy (Five or more years)

14 December 2017

Question: What percentage of Americans are weighed down by outstanding debt?

Fed raises rates and signals three more moves for 2018 – Pg. 1

- The Federal Reserve raised short term interest rates for a third time this year and predicted more increases to follow in the new year as Janet Yellen prepares to hand over the chair amid robust hiring and surging financial markets

- Two policymakers – Charles Evans of Chicago and Neel Kashkari of Minneapolis – dissented from the decision to tighten policy, having both previously flagged up concerns about sluggish inflation
- With the US economy at or even beyond full employment, asset prices at lofty valuations and global growth strengthening, the majority of Fed policymakers are preparing for a string of further rate increases in the coming years in spite of surprisingly soft inflation readings
- Fed forecasts suggested the midpoint of the Fed’s target range for interest rates is expected to reach 2.1% next year and 2.7% in 2019, unchanged from previous projections
- Inflation is continuing to run below 2% but it should stabilize around the central bank’s target in the medium term, ...

US indices soar despite concerns over impact of Alabama election – Pg. 21

- There was no stopping Wall Street as the S&P 500 and the DJIA both hit intraday record highs for a second successive session
- ...longer-term US Treasuries rose as core US inflation data for November came in on the soft side. Headline consumer prices rose by a relatively robust 0.4% last month – although this was largely due to a 7.3% jump in gasoline prices
- The “core” CPI, which excludes volatile food and energy prices, rose by a far more modest 0.1% in November, which pulled the annual rate of increase down to 1.7% from 1.8% in October

Answer: 33%

13 December 2017

Question: Which state has the highest divorce rate?

UK inflation climbs to five-year high after pound’s Brexit fall – Pg. 2

- Inflation in the UK rose to 3.1% after prices increased at the fastest rate for more than five years in November
- Higher inflation has been the clearest economic effect of the Brexit vote
- Other factors have also contributed to rising inflation, including electricity prices, which were 11% higher in November than a year earlier
- The central bank judges that Britain’s poor productivity growth since the 2008 financial crisis means the overall economy can no longer grow as quickly as before without generating inflation

Eurozone growth drives renewed optimism – Pg. 3

- The years since the financial crisis have been miserable not only for growth in Europe but for dynamism and innovation – outstripped on all counts by Asia and the US. But the Eurozone growth recovers, the continent is gaining a second chance
- The continent still has weaknesses – its rate of private sector investment in research and development is too low and over-focused on traditional industries. It remains ambivalent about US-style disruption

- London is now the top city in Europe for the number of technology developers it hosts, despite Brexit uncertainty
- The tradition of craft skills in Germany and Italy, and the high level of vocational education in Germany and Switzerland, is another strength
- The second sign is finance. One of Europe's challenges has been over-dependence on bank finance for small and medium-size enterprises rather than venture capital and private equity, a formula that worked for the Mittelstand in postwar Germany but has stunted technology entrepreneurship
- The third sign is research and development. Private R&D investment has remained stubbornly low in Europe at about 1% of GDP, compared with more than 3% in South Korea

Yellen goes out on a high but European confidence falters after Macron boost – Pg. 18

- As far as I can determine, she will be the first person in many decades, if not in history, to leave the chair of the Fed after a career in which stock were higher than when she started for every single day of her time in office, and when stocks beat bonds for every single day of her time in office

Answer: Arkansas; 4.8 per thousand; 56% higher than national average

12 December 2017

Question: What percentage of parents state they financial help their adult children, i.e. children out of college?

Bitcoin futures surge as bumpy start marks first day of regulated trading – Pg. 1

- Bitcoin futures surged 15% on their debut yesterday, forcing a major US derivatives exchange to halt trading twice as Wall Street seeks to ride a wave of interest in the controversial digital currency
- The arrival of futures is a milestone for the cryptocurrency as more investors seek to trade, via a regulated market, an asset established as an alternative to existing financial structures
- The total market value of bitcoin is now almost \$300bn after a price surge this year. Yet many institutions have shied away from the market until its launch on regulated exchanges
- Most bitcoin are traded on unregulated cash bitcoin exchanges, some of which have suffered outages as trades overwhelm their systems

Treasury predicts \$1.8tn budget boost – Pg. 2

- The rapid growth that the Trump administration is banking on will deliver about \$1.8tn of extra tax revenue, the US Treasury said in a paper yesterday...

Singapore exchange to increase derivatives trading fees as much as tenfold – Pg. 14

- Derivatives trading is a key part of the exchange group's business, accounting for nearly 40% of income

Answer: 74% (Prof Note: While I absolutely would not nominate my father for a parenting award, his solution was simple: Three months after I graduated all money stopped...period....no negotiations! He was so proud to say this for years that I started hoarding capital expenditures starting sophomore year. At college graduation I had four sets of running shoes, still in boxes, hoarded, prepared for the end of cash.)

11 December 2017

Question: Where do these children place the cash given by parents after college graduation?

Bankers say Republican tax plans risk driving them from New York – Pg. 1

- The measures, which would curb the ability of taxpayers in high-tax states to cut their federal bill by deducting local levies from taxable income, were inserted into legislation by Republican deficit hawks in an effort to limit its hit to US government revenues
- Reduced deductibility of state and local taxes – so-called Salt – along with a move to cap deductions for property taxes at \$10,000, means some high earners in financial services could be facing an effective tax rate rising from about 50% now to well into the mid-50s
- Salt deductibility is among the most politically fraught of the proposals in a plan designed to slash corporation taxes and eliminating deductions elsewhere

Fed expected to lift rates and open door for more rises next year – Pg. 2

- A expected interest rate rise by the Federal Reserve this week will open the door to further increases in the new year as the prospect of tax cuts helps underpin an improving outlook for US growth, ...
- ...Janet Yellen is likely on Wednesday to preside over the third one quarter-point rate increase, taking the central bank's target range to 1.25-1.50%
- Analyst forecast indicate the Republican tax package will have a modest impact on growth,
- But with the US economy close to or even beyond full employment, global growth strengthening and inflation showing tentative signs of firming, the short-term stimulus from tax reductions is likely to support arguments for further rate increases
- At 4.1%, unemployment is at levels not seen since the early 2000s and as low as the Fed was expecting at the end of next year
- ...predicting growth of up to 2.5% this year and next. The median outlook in the Fed's last forecasting round in September was for growth of 2.4% this year and 2.1% in 2018

New Zealand homeless crisis sparks housing shake-up – Pg. 4

- This month Wellington will publish legislation to an foreigners from buying existing homes – the first plank in a suite of new policies designed to tackle a chronic shortage of affordable homes that has sparked a homeless crisis
- The problem is mirrored across many western nations – including Canada, the UK and Australia – where low interest rates have supercharged house prices, removing the prospect of home ownership for many on lower incomes. An influx of foreign home buyers, fast-

rising rents, stagnant wages and cutbacks to public housing schemes after the 2008 financial crisis are all taking a toll on housing supply and affordability

- ...country is suffering the highest rate of homelessness in the developed world with 40,000 people, nearly 1% of the population, living on the streets or in either emergency housing or substandard shelters
- Chinese investors have targeted New Zealand, where property prices rose 57% over the past decade. In Auckland prices surged 90%

US economy faces a painful comedown from its 'sugar-high' – Pg. 11

- The best available evidence suggests that signs of market and economic strength are largely unrelated to government policy/ that the drivers of this year's strong performance are probably transient; and that the structural foundation of the US economy is weakening
- The US stock market has risen by close to 25%, largely due to increases in corporate profits this year
- From the supply side it is hard to imagine that an economy starting with 4.1% unemployment can continue to create anything like 200,000 jobs a month when normal growth in the labour force is in the range of 60,000
- From the demand side, this year's growth was driven by a stock market rally that saw an increase of more than \$6tn in household wealth
- Given slow labour force growth, a substantial acceleration in productivity will be necessary to maintain the economy's rate of expansion in coming years

Answer: Cellphone bill (39%); transportation (36%); rent (24%); and utilities (21%)

9 December 2017

Question: What are 10 surprising reasons why more Americans have credit card debt?

US jobs growth adds to expectations of Fed raising interest rates – Pg. 2

- The US extended its multiyear run of jobs growth in November as employers took on more workers than predicted, cementing expectations for another rise in interest rates next week
- Non-farm payrolls rose 228,000comfortably above the median of 195,000 forecast by economists
- Unemployment held at 4.1%, equal to the lowest figure since the early 2000s, while average hourly earnings rose 2.5% on the year
- Employment growth has averaged 174,000 a month this year, not far short of the 187,000 pace seen in 2016, driving the US close to or even beyond full employment.
- The participation rate, which measures those in work or looking for a job, is at 62.7%, a shade above the level this time last year. Given participation is being held back by demographic factors – namely the retirement of baby boomers – a steady reading is a further encouraging sign for the jobs market
- Jay Powell, incoming Fed Chairman, suggested in recent testimony to Congress that growth could be 2.5% this year and next

Fear creeps into outlook for US credit – Pg. 17

- ...some credit investors do not like the picture they see for 2018, after years of strong performance that leave the asset class loitering at lofty valuations and therefore vulnerable to a market shock
- ...some investors fear a potential void in demand for US credit and rates
- This mainly focuses on two elements; the risk of tax cuts igniting a stronger economy, thereby pushing up expectations of inflation and sending yields higher. Not helping matters, the Federal Reserve will next year steadily trim its balance sheet, while some expect that the ECB and BoJ – the two central banks still buying bonds and helping suppress global yields – will dial back their extraordinary stimulus efforts
- As economists on Wall Street project more than 50 and 60bps increases in the respective yields on benchmark 10- and 30-year Treasuries over the next year, the record high level of duration in the \$8.6tn corporate debt market has sparked some consternation among portfolio managers
- Duration is a measure of a bond's sensitivity to interest rate moves and longer-dated bonds have higher durations. A simple calculation trades use is that for each percentage point increase in benchmark yields, a bond's price will decline by its duration. Duration on US corporate credit has never been higher, rising to a record 7.3 years this week
- That has been fueled by the sale of long-dated corporate bonds. For the third consecutive year, companies and banks have raised more than \$700bn in debt in the US that matures beyond 10 years...

Answer: (1) Splurging on a wedding, (2) Spending more to earn rewards (Prof Note: I cannot stand it when my mother purchases something and tells me, "But I saved 20%!" Uggg....you (which means "me") spent 80.0%), (3) Striving to promote an image (Prof Note: Not everyone can dress as dapper as me....the world simply needs to bow to my handsomeness), (4) Suddenly losing a job (Prof Note: Side hustle!!!...job loss...job smosh), (5) Insufficient Emergency Savings (Prof Note: Insufficient side hustles)), (6) Greater access to credit cards (Prof Note: My mother was just approved by Macys and is planning, at the age of 73, to earn a DBA with student loans which assist in paying living expenses...arrggggg...how will this be paid back?!), (7) An increase in autopilot subscriptions (Prof Note: Stop the bleed...do not allow auto renewals and auto pays), (8) Living in a cashless society (Prof Note: Feel the burn!), (9) Getting sucked into promotions (Prof Note: Fight the promotions...I always ask, "If I say "yes" will I EVER end up with a net outflow from my wallet? Is there ANY chance this will EVER cost me anything?" When they struggle I hang up!), (10) Lack of financial knowledge (Prof Note: When students ask me what is important my answer is simple: A....L....L)

8 December 2017

Question: What is the largest stumbling block, in my opinion, with finding a financial advisor?

Franken resigns after sexual assault claims – Pg. 2

- Al Franken, one of the US Senate's most prominent and popular Democrats, has ceded to pressure from party members and resigned following accusations of sexual misconduct – a stunning turn of events for a man once believed to be a dark-horse presidential candidate

(Prof Note: What about the others?! The people that remain(ed) silent for years?! My father use to say, "An omission is a lie!")

- Mr Franken's announcement comes after more than half-a-dozen sexual harassment accusations against him, that ranged from forcible kissing to groping
- (Prof Note: Nondisclosure agreements are a HUGE issue and why I refuse to sign them! I sing like a song-bird in this list-serve. NEVER allow your voice to be taken...in many ways, other than family, it is all you have!)

China banks warned to raise capital buffers – Pg. 4

- The IMF has called on China's banks to strengthen their capital buffers beyond what global rules require in order to fortify themselves against the risk of an economic shock
- In its first comprehensive assessment of China's financial system since 2011, the IMF described "unresolved tensions" between policies designed to promote employment and growth and those aimed at curbing financial risks
- The latest IMF assessment includes stress tests of 33 Chinese banks. It found that 27 were under-capitalized relative to what would be needed in a high-stress scenario, while noting that capital was adequate at the "Big Four" state-owned lenders

Norway oil fund completes first Asian property deal – Pg. 16

- Norway's \$1tn oil fund is eyeing further property deals in Tokyo after making its first real estate investment in Asia
- The world's largest sovereign fund has been scouring the region since 2015 for property but concluded its first deal only yesterday, buying a 70% stake in five buildings in some of Tokyo's biggest shopping districts
- The fund has become one of the world's biggest property investors in seven years, building a portfolio of \$25bn in major European and US cities, starting with large parts of Regent Street in London
- It has offices in Tokyo and Singapore and had hoped to do its first deal in 2015 or 2016
- The Norwegian fund has concentrated on central office and retail buildings in the world's largest cities, as well as some logistics property in Europe. It currently holds just 2.5% of its assets in property with the rest as shares and bonds. But it expects that to rise to 4% by the end of 2019
- The fund has started buying properties outright on its own but has tended to enter cities with local joint venture partners

Bank demand for dollars squeezes euro – Pg. 20

- Year-end demand by European banks for dollar funding has been flagged as one reason for the euro's weakness in recent days
- The euro has fallen from a high of \$1.1960 on November 27 to \$1.1785 yesterday – a fall of 1.5%. The dip has pushed the year-to-date advance to 12.2%, ...
- Higher demand for dollars is illustrated by the rising cost for European banks using a derivate contract, whereby they borrow euros in Europe and swap them for the US currency. The cross-currency swap rate is being quoted at minus 60.6bps and has shifted from minus 22.4bp three months ago, ...

Answer: Finding an adviser who is both skilled with retirement income planning and is not conflicted by how (s)he is paid...

7 December 2017

Question: How many packages does the US Postal System expect to delivery between Thanksgiving and New Years?

Banks voice transparency fears over plan to start trading in bitcoin futures – Pg. 1

- The world's largest banks are pushing bank on the introduction of bitcoin futures, raising concerns with US regulators that the financial system is ill-prepared for the launch of the contracts as the value of the volatile cryptocurrency has soared
- The price of bitcoin climbed to a fresh record of more than \$12,000 yesterday.
- ...planned launch in the next 10 days of futures contracts by the Chicago exchanges CME Group and Cboe Global Markets, given a green light by the Commodity Futures Trading Commission last week, has prompted a backlash among the major brokers who backstop trading across the industry
- Futures brokers are worried they will bear the brunt of risk associated with bitcoin futures, because the margin that backstops the contract is placed in a clearing house. Clearing houses stand between two parties in a trade, managing the risk to the rest of the market if one side defaults

Republicans seek to allay fears on global tax – Pg. 2

- Republican lawmakers have told multinational companies they are prepared to resolve their concerns about international tax issues as the party races to finalize the most sweeping package of reforms in 30 years
- Following the failure of Republican efforts to repeal Obamacare, party leaders see turning a tax package into law as vital to their changes of retaining control of Congress in midterm elections next year
- On corporate debt, businesses are worried by proposals designed to limit companies' ability to deduct interest payments from their taxable income, an existing benefit that some lawmakers say has been abused by tax avoiders
- The most contentious issue is what definition of earnings to use in setting a ceiling on debt interest benefits linked to company income. Manufacturers, technology groups and other prefer different alternatives based on the make-up of their own earnings

US yield curve flattens as fastest pace since 2008 as investors expect Fed rise – Pg. 20

- The difference between short-dated and longer-dated US Treasury yields has narrowed at its fastest pace since 2008, as investors anticipate a quicker rate of policy tightening from the Federal Reserve next year
- The difference between two- and 10-year yields has fallen 33bps to just 52bp over the past 30 days, while the difference between five- and 30-year yields has fallen 34bp, surpassing

declines prompted by the European sovereign debt crisis in 2011 and reaching a pace last seen during the financial crisis,

- Heightened expectations for the passage of tax reform into law could offer a short-term boost to the economy, but were unlikely to trigger a long-term boost to inflation that would drive longer-dated yields higher...
- The probability that the Fed will increase the target Fed funds rate when it meets this month has hit 98.3%% as implied by the markets, a rise from 87.5% the day after the Fed last met at the beginning of November

Answer: 850,000,000

6 December 2017

Question: What is % chance that a first marriage will make it 10-years?

ECB backs down on bad loans after outcry – Pg. 4

- The ECB is set to rethink its plans to force Eurozone lenders to face up to their bad loans after criticisms from EU lawmakers and political leaders who say the proposals overstep the central bank's authority and have sown confusion

US muni sales set to surge as curbs loom – Pg. 18

- US state and local governments are racing to borrow billions of dollars before policymakers in Washington upend the tax code and limit the ability of municipalities to raise certain types of debt
- ...\$3.8tn municipal bond market,
- State and local borrowers have focused on two potential changes to the tax code. The first would eliminate the tax-exempt status for advance refunding bonds, a type of debt that municipal governments issue to lock in low borrowing costs before they can retire previously sold bonds
- ...private activity bonds. These tax-exempt offerings, known as Pabs, are used by governments and non-profits to fund the development of airports, affordable housing and hospitals at lower costs. Investors are waiting for the Senate and House to reconcile their bills, with several saying they expect Pabs to remain in some form
- The potential elimination of advanced refunding and private activity bonds has some investors worried that municipal bond issuance could drop precipitously next year
- Investors are scrutinizing the effect of Congressional plans to eliminate or reduce state and local tax deductions – known as "Salt" deductions.

Answer: 69%

5 December 2017

Question: What is the % chance that a first marriage will make it 20-years?

US stocks hit highs and dollar rallies as investors cheer Senate tax cut vote – Pg. 1

- The US stock market set records yesterday and the dollar rallied against most of its leading rivals as investors gave their verdict on the package of tax cuts approved by the Senate
- The process of merging the bills is expected to take at least two weeks and is not guaranteed to be smooth
- The House and Senate versions diverge on sensitive issues, including a minimum tax for corporations, the treatment of unincorporated businesses and the arrangement of individual tax brackets

China's 'zombie' debt overstated, IMF says – Pg. 4

- The IMF warned in August of China's "dangerous" pace of overall debt growth, with corporate debt the biggest contributor
- But zombies accounted for only 5-9% of total Chinese corporate debt at the end of last year...while companies in overcapacity sectors – defined as steel, aluminum, coal, plated glass and cement – comprised just 16%
- China's ratio of corporate debt to GDP has risen rapidly during the past few years, increasing 21% between 2014 and the end of 2016, several years after economists began loudly warning about China's debt risk

Chicago derivatives exchanges do battle to dominate bitcoin futures trading – Pg. 18

- Chicago's two largest derivatives exchanges are going head to head in coming weeks to become the US market of choice for bitcoin trading
- CBOE Global Markets said yesterday it would begin trading its bitcoin futures contracts, known as XBT futures, on December 11, offering free trading for the rest of the month to help spur transactions
- ...CME Group, the world's largest futures exchange, which will launch its futures contracts the following Monday
- CBOE's contracts are based on a daily auction price from Gemini, the virtual currency exchange run by twins Cameron and Tyler Winklevoss
- The market's main regulator, the Commodity Futures Trading Commission has had concerns that futures correlated to the volatile bitcoin price could create instability in clearing houses, the market buffers that act as counterparties to trade and prevent any defaults from infecting the rest of the market
- CME will demand from investors an initial margin of 35% to back the trades in its clearing house, while trades using CBOE will need to pay 33% of the trade price upfront

Answer: 54%

4 December 2017

Question: A college degree leads to what % decrease in the rate of divorce?

Britain on brink of sealing EU divorce deal – Pg. 3

- Britain and the EU are on the brink of sealing a Brexit divorce deal today as Theresa May travels to Brussels with potential solutions in sight for the two biggest obstacles to opening trade talks
- Northern Ireland and the future role of European courts in Britain are the most sensitive issues still to be endorsed in a draft joint text that the UK prime minister aims to sign-off over lunch with Jean-Claude Juncker, the president of the EC
- Negotiations are delicately poised, with the biggest risk remaining the consent of the British cabinet and Northern Ireland's Democratic Unionist party, Mrs May's parliamentary ally, to the wording of a proposed compromise on the Northern Ireland border
- Ireland is by far the biggest risk for the talks

Central banking has never looked more daunting – Pg. 11

- The BoE's Monetary Policy Committee has just celebrated its 20th birthday. In its first decade, growth was steady and inflation close to target
- Rates have been rock bottom ever since the central banks' balance sheets have ballooned. Banking regulations are being tightened. And macro-prudential policy is still a work in progress. Central banking has never looked more daunting
- While central banks can set any policy rate they want in the short run, if they are to achieve their objectives over the long term it must converge to the sum of the natural rate and their target inflation rate
- Broadly speaking, the monetary arrangements introduced in 1997 have served us well. But two aspects are worthy of note. The distinction between monetary and fiscal policy has become increasingly blurred. And the distributional consequences of monetary policy have become increasingly contentious
- Monetary policy has fiscal consequences even in normal times, but issues are starker when large quantities of government bonds or private sector assets sit on the central bank's balance sheet

The 'unretired': coming back to work in an office near you – Pg. 12

- ...25% of retirees return to work, about half of these within five years of retirement
- In the UK, the proportion of 50 to 64-year-olds in work has climbed to about 71% from 60% since 2000, ...while the number of people working beyond 65 has doubled to about 10%
- In the US the BLS predicts that for the period up to 2024, both the 65-74 age group and those aged 75-plus will have faster rates of labour force growth annually than any other age groups

Answer: 10%

2 December 2017

Question: The divorce rate among same-sex couples in New Hampshire and Vermont is higher or lower than heterosexual couples?

Flynn pleads guilty to lying over Russia ties – Pg. 1

- Michael Flynn, Donald Trump's former national security adviser, has pleaded guilty to lying to the FBI about contact with Russia's ambassador to Washington and confirmed he is co-operating with the federal investigation into alleged collusion with Moscow
- ...Mr Flynn said he recognized his actions were "wrong" and he took "full responsibility" for what he had done
- Mr Flynn was ousted as national security adviser after 24 days for lying to Mike Pence, ...
- Mr Flynn is the fourth person to be charged in connection with the investigation and his plea came just weeks after Mr Mueller indicted Paul Manafort, ...

Frankfurt's financial lure pushes up demand for property – Pg. 2

- Despite being the financial capital of the EU's largest economy, Frankfurt is by some measures a provincial city. Fewer than 1m people live there, it takes an hour or less to walk from one end of the city to the other along the Main river, and those wanting to attend large-scale cultural events usually need to travel to Berlin or Cologne
- Yet Frankfurt has hosted some of the biggest names in finance, such as the Rothschilds. It is home to Germany's stock exchange, the ECB and the Bundesbank
- Despite the pace of development, the city's commercial property remains an attractive proposition. Office rents...are up more than 5% since 2010. But they are 40% below Paris prices and 70% cheaper than in London...
- Residential property for people on average incomes is in short supply
- Since the last quarter of 2009, rents for flats have risen from 10.50 (euro) to 15 (euro) per sm, and there is concern Brexit will send the market into overdrive

Fed tops investors' December checklist – Pg. 13

- The US central bank is expected to raise interest rates by another quarter point at its December 13 meeting but its 2018 forecast for how much it plans to tighten monetary policy could set the tone for global markets to the end of this year
- ...policymakers expect to lift the interest rate corridor another three times in 2017, but Fed funds future's indicate that investors think there is less than a 20% chance of that
- One indicator of investor views on the Fed's plans is the "yield curve", the slope formed by Treasury yields of various maturities. The curve has flattened sharply this year and reflects market expectations of a weaker outlook for the economy and moribund inflation. The 10-year note yield remains where it began the year, around 2.40%

Answer: lower

1 December 2017

Question: What is the personal savings rate?

US fights 'market economy' status for China – Pg. 2

- The Trump administration has opposed China's bid for recognition as a "market economy" in the WTO, citing decades of legal precedent and what it sees as signs the country is moving in the opposite direction...

- Market economy status would make it more difficult for the US to defend its anti-dumping rules against Chinese companies at the WTO.
- In the filing seen by the FT, the US rejected Beijing's argument that, under the 2001 conditions of China's accession to the WTO, it would automatically be considered a market economy 15 years after joining, when it faced anti-dumping cases from fellow members
- The US also argued that regardless of those conditions, China remains subject to the same WTO rules as other members and points to the treatment of eastern European countries such as Poland when they joined the precursor of the WTO while still under communist rule in the 1960s and 1970s
- Those rules, the US contends, allow countries to use prices in third countries when dealing with non-market economies to determine whether goods are being exported below cost to gain an unfair advantage

China's ambitions suffer setback as renminbi loses international appeal – Pg. 20

- China's hopes of achieving global acceptance for the renminbi have been set back by new data showing the share of international transactions in its currency at its lowest level in close to four years
- ...global bank payment messaging network showed the share falling from 1.85% in September to just 1.46% last April, its lowest since April 2014
- The start of the renminbi's loss of market share coincided with worries about China's slowdown in August 2015, which triggered the renminbi's devaluation, followed by another scare in January 2016, ...
- The renminbi is now only the seventh most traded currency internationally, behind the Canadian dollar and just above the Australian dollar

Answer: 3.1%

30 November 2017

Question: What are 10 ways to retire earlier than friends on the same salary?

Deficit fears spark fresh split on US tax bill – Pg. 2

- Republican leaders view their promised tax cuts, which are central to the biggest planned overhaul of the tax code since 1986, as vital to their chances of retaining control of Congress in mid-term elections next year
- The issue, which threatens a bill envisioning an overall tax cut of about \$1.5tn for companies and individuals, illustrates Republicans' recurring challenge of satisfying the moderates without alienating conservatives and vice versa

Yellen warns on public debt, productivity and inequality – Pg. 2

- The US surging public debt outlook should be keeping people awake at night, the Federal Reserve chair has warned as Congress debates tax cuts that could further boost the deficit
- ...rising public debt, weak productivity and a "disturbing" increase in income and wealth inequality

- ...”disturbing trend towards higher income inequality in the country, suggesting that if income was shifting towards wealthier groups, that could lower overall spending growth
- ...”Dismally slow” productivity growth would continue to present a barrier to the longer-term US outlook by suppressing the potential for higher, real wage growth
- Ms Yellen reiterated further gradual increases in short-term interest rates would be needed to sustain a healthy labour market and stabilize inflation at the Fed’s target. Recent shortfalls in inflation most likely reflected fleeting factors...

ECB sucks life out of market for top tier debt – Pg. 20

- Over the past three years, the ECB’s bond purchases have sucked more than 2tn (euro) of debt out of Europe’s publicly traded markets, and an estimated 760bn (euro), or nearly a third, of these bonds are triple-A rated – the highest quality debt available
- Alongside a reduction in the outstanding universe of highly rated assets, the sheer volume of purchases has placed huge downward pressure on bond yields. In turn, that leaves investors having to accept higher levels of credit rate risk in order to generate reasonable returns
- There is a growing level of demand for collateralized loan obligations – where loans are bundled together and then split into tranches that are sold to investors
- Rating agencies typically cap the ratings on structured bonds at several notches above the sovereign rating of the country in question, many of which have been downgraded in Europe over recent years
- The danger now, as the recovery in the Eurozone economy gathers pace – jobs growth and new manufacturing orders reached 17-year highs in November – is the prospect of rising long-term bond yields as the ECB maintains easy money conditions well into 2018. Higher yields will result in long-dated bond prices falling at a faster rate than those of short-term paper

Answer: (1) Marry or partner with the right person, (2) Don’t be in a rush to pair up, (3) When you do pair up, stay that way, (4) Don’t have kids too early, (5) Consider a smaller family, (6) Be aware of the true cost of at-home parenthood, (7) Live in a cheaper area, (8) Don’t keep up with the Joneses, (9) Take calculated investment risks, (10) Build an emergency fund

29 November 2017

Question: What is the difference between the two-year and 30-year rate on the US Yield curve?

US deficit hawks seek changes to tax bill – Pg. 2

- Mr Trump tweeted that there would be no spending deal that included amnesty for Dreamers – the 600,000 immigrants who came to the US as young children and had been granted amnesty by the previous administration

Bank rules are tough enough, argues Trump nominee for Fed chair – Pg. 2

- Jay Powell said he was supportive of the idea of re-writing the Volcker rule banning banks' proprietary trading and argued there had been significant progress towards ending the problem of banks that were too big to fail
- ...Mr Powell rejected the notion that the Fed was embarking on "deregulation".
- Mr Powell also signaled his firm backing for the Fed's plans to lift interest rates further and curb the size of its balance sheet as he predicted continued strength of the economy
- The Fed's balance sheet...could be pared back to between \$2.5tn and \$3tn from its current \$4.5tn level

Yield curve faces test of its predictive powers – Pg. 20

- In the pantheon of economic indicators the bond market's "yield curve" enjoys rock star status, thanks to its uncanny ability to predict recessions. Right now it is signaling danger ahead, but can we still rely on this normally trustworthy gauge?
- The yield curve is jargon for the slope formed by government bond yields over various timeframes
- ...the slope has flattened over the past year, with long-term US bond yields now only barely above shorter-term interest rates
- Last week the difference between two- and 30-year Treasury yields slipped to below 1% for the first time since November 2007, while the spread between two- and 10-year Treasuries – perhaps the most popular measure of the curve – has slid to nearly half a percentage point
- Given that this is already the second-longest spell of growth on record, the curve has exacerbated concerns that the US might be heading towards a setback – with everything that entails for global markets
- The curve typically (but not always) inverts when central banks raise short-term interest rates – which exerts upward pressure on policy-sensitive short-maturity bond yields – even as the economic outlook dims. That leads investors to bet that rate cuts are around the corner again, causing long-maturity bonds to rally
- The trillion of dollars worth of central bank stimulus sloshing around the financial system also helps to cap long-term bond yields, irrespective of the economic fundamentals
- How long it takes the recession to strike after a yield curve inversion can also vary...the average is five quarters, but the longest period between a negative yield curve and a recession was two years, and that was before the financial crisis

Answer: less than 100bps

28 November 2017

Question: What are the 10 biggest threats to your paycheck?

Power struggle begins at US consumer body – Pg. 2

- The mission of the agency, which was created by the post-crisis Dodd-Frank Act, is to stop financial institutions from ripping off customers

China's debt clampdown weighs on equities as more pain looms for investors – Pg. 18

- China's crackdown on debt is weighing on markets. The CSI 300 index, a composite of stocks from Shenzhen and Shanghai, resumed falling yesterday, after its biggest one-day slide in 17 months
- ...still leaves the benchmark up 22% for the year, equity bulls, however, should pay close attention to the bond market
- The biggest talking point among US fixed-income investors is the flattening yield curve
- Clearly the bond market expects a future of low interest rates, moribund inflation and lackluster economic growth, no matter the scale of any eventual US tax reform package
- An important measure of the yield curve tracking the difference between two- and 10-year notes dipped below 60bps. This part of the curve has flattened from 126bp at the start of the year, reflecting a more active Federal Reserve
- ...eurozone growth is even stronger now, as last week's business surveys data showed, and the market seems unfussed by political uncertainty, the latest being Germany's coalition problems

Answer: (1) Illness; (2) Permanent Disability; (3) Employer's financial problems; (4) Addiction; (5) Pregnancy; (6) Whistleblowing; (7) Forced salary reductions; (8) Wage garnishment; (9) Natural disaster; (10) Mechanization

Nevis News: All is well on the island and my departure was melancholy at best. Finally I have the rhythm for arrival/departure on St. Kitts but arrival on Nevis. It helps that the operator of the "high-speed" between the islands moonlights as a pool caretaker. 😊

It is very rainy and each night it rains quite a bit. It makes for humid mornings but at least everything is green and growing.

The big news on the islands is the Park Hyatt that opened about three weeks ago on St. Kitts. Nevis 5-0 has not reconed the hotel but its location is ideal for beach goers as well as sight-seers interested in both St. Kitts and Nevis. It is close to Reggae Beach where the pier is being rebuilt. The "high-speed" will zip one to Nevis in under 10 minutes. The cheapest room appears to be \$700/night in December which, most likely, does not include tax (w/ tax over \$1,000/night). Nevis 5-0 will recon the area in December. However, no private pool testing will occur as Tiger is not known on St. Kitts and cannot invoke his grandfather's name as a "stay out of jail" card.

27 November 2017

Question: Can my social security benefits be reduced after I file?

Business seeks to lure staff with better terms as Japan's labour shortage bites – Pg. 1

- ...worst labour shortages in 40 years
- The difficulties highlight Japan's declining population and the strength of its economy after five years of economic stimulus under premier Shinzo Abe
- One way companies are tackling shortages is by offering more generous permanent contracts, which provide job security and pension benefits

- The way companies are responding – using every means other than wage increases – suggests that shortages will not yet turn into higher inflation

Trump fights for control of financial watchdog – Pg. 3

- The Consumer Financial Protection Bureau, established by the Obama administration after the last financial crisis, is in turmoil as two officials with radically different views on its future have apparent legal authority to take charge until the Senate decides on a permanent head
- Mr Cordray, who extracted about \$12bn from the financial industry in penalties and consumer compensation during his six-year tenure, ...
- While the president has clear authority to nominate a permanent successor to Mr Cordray, lawyers said it was less clear if he could install a leader in the interim
- The post-crisis Dodd-Frank legislation that created the agency is open to interpretation,
-

Answer: If you work after you file and have not yet reached full retirement age, Social Security will dock your payments by \$1 for every \$2 you earn above the threshold level, which is \$16,920 as of 2017. If the Social Security fund becomes insolvent, your benefits will not go to zero. But because there will be less money to pay benefits, your benefit is likely to be reduced.

Nevis News: This morning was different. I wake to someone yelling, “Hey, hey,...” I think, “What the...?” I get up and walk to the window. It is a local from New Castle so I bid him a “Good day”. He says to me, “My friends were going to show me how to golf and they are not here.” I am thinking, “...and how is this my issue?!” I say, “Are you asking me to show you have to play golf?” He says, “That would be lovely.” I think, “Why not?!”

Ok...I have had two, at most three, golf lessons and hated every minute of them. What I know about playing golf would fit in a thimble. However, I think to myself, I guess this makes me the golf pro, i.e. you don't have to be able to outrun a bear, only outrun your companion! ☺ We spend the next hour working on his game with me trying to remember best stance, swing, eye contact, elbow, and grip. His first shot went into the water trap but we got better after that. ☺ I really have to say we had a wonderful morning “learning” to play golf. (Bill Gates won't come out and help you with your golf game at Four Seasons, Nevis)

The carpenter came shortly thereafter. We discussed all repair work and he took a piece of furniture for repair. One of the expat neighbours came by with a banking issue. Apparently Scotia Bank told her it took six weeks to clear checks down here by wire. It has been past six weeks and she was besides herself. I really see how the elderly get into trouble. I had a wire take a week and I was threatening to write the individual board members and the central bank (now my wires clear next day!). Much of the conversations I have with the retired expats down here is about money, or rather, investing. Everyone is always worried about their money running out. Many ask if I will invest their \$\$\$ and my response is always, “that is not what I do.” I just see so many so trusting. I get a perspective of how the fraudsters do it on ‘American Greed’.

The house is in much better order. There is still much to do but coming along. The course is cleared but the walking trails through the ghaut looked scary. I actually did not go down as there was so much more to do here. Eventually the ghaut needs to be cleared for the walking trails but that will have to wait. Oh, and the fence on the far side was completely rebuilt. Jeffers showed me with pride in his chest. It looks great.

Attached is a picture of the pier at Oualie Beach (or what is left of it after the hurricane).

25 November 2017

Question: Are my social security benefits taxable?

Europe banks shed UK-related assets – Pg. 2

- European banks have cut their exposure to Britain since it voted to leave the EU...
- The 17% reduction in UK-related assets shows that banks across the bloc are protecting themselves against the threat of potential losses if the UK crashed out of the EU with no deal in 16 months' time, triggering uncertainty over financial contracts
- Banks slashed their holdings of derivatives with exposure to the UK by 35% over the year since the Brexit vote, the biggest asset class to decrease...
- The BoE has repeatedly warned of the legal uncertainty hanging over vast amounts of derivative contracts and insurance policies in the event of a hard Brexit

Cash still king in Eurozone except in the Netherlands – Pg. 6

- The average German keeps more than 100 (euro) in their purse or wallet, shoppers in Malta and Greece prefer to pay for goods in cash while the French and Belgians still reach for the cheque books to settle the bill
- Overall across the EU, just short of 80% of payments are in cash, amounting to 54% of the value of all payments
- It is common in Germany for restaurants to only accept cash, in contrast to other countries such as France
- Cheques have been largely phased out in some countries, are still a common means of payment in Belgium, Ireland and France

Americans should be grateful for growth – Pg. 10

- ...price pressures remain weak. There has been some pick-up in consumer price inflation, but it remains well below the Federal Reserve's 2% target
- Wage growth remains feeble, which means that real earnings have so far this year underperformed their recovery during the second term of Mr Obama's administration

Answer: Yes, but only if you earn above a certain amount. The good news is that no matter how much you earn, you will not pay tax on more than 85% of your Social Security payments. The bad news is that if you earn more than \$34,000 as an individual, or more than \$44,000 as a couple filing jointly, you will pay tax on 85% of your Social Security benefits. To pay no tax at all, you will have to earn less than

\$25,000 or \$32,000 (Prof Note: Now this seems grossly unfair. You work hard all your life to pay into the system and then, at retirement, have another “rich” tax)

Nevis News: Olive arrived today singing her hymns which filled the house upon her arrival. As she said, “the heat is on” and it was a bit hot today. When driving her back to Fountain I realized the road did not go past her cousins so the 96’ Samurai went four wheeling.

Jason was at work today. He is always a joy as his face becomes a smile each time he speaks. Jason is just one of these people that is always happy. He is also interesting as he always carries two cutlasses. One is sharpened to a point. I sometimes wonder if this results from his walk home which brings him past a house with two pit bulls (one now as the other got out and took out Olive’s cousin’s cow). Typically Nevisians are not fond of dogs.

We had issues starting the Tractor today. (notice I say “we”...laughing, I like feeling as though I am one of the men, even as I sit in the house with Olive behind my two monitors working in the A/C) It was all-hands on deck but we eventually started the tractor and the front two holes were mowed.

I leave Thursday and already I am melancholy thinking of leaving. I enjoy saying “Hello” to everyone and stopping and talking to the tourists. This morning I was encouraging one pedaling up Shaws Road that he could make it! Back in the states I actually have to train myself to not wave at everyone when driving or walking by. Train myself to not just talk to people. Yesterday, in town, I bumped into a tourist looking for a particular store. They were shocked when I turned around and said, “I will take you there.” At that moment I had nothing more important to do than to help them. If I were staying longer I would have invited them back to the Ghaut for a meal.

Attached is an image of the new pool. The nursery is just beyond the edge on the far side. The sun rises right over the hill in the background.

22 November 2017

Question: What is current occupancy at Four Seasons, Nevis?

True investing is not the same as gambling – Pg. 9

- Britain, notoriously, does not tax capital gains on gambling proceeds. The rationale for this is quite straightforward. Gambling is a zero-sum activity – meaning that for every winner there is an equal and opposite loser, plus losses can be attributed to fees and commissions taken by the bookies in hand
- If the Treasury was to tax gambling windfalls it should also, so the logic goes, provide tax credits to the losers
- For the longest time licensed gambling zones confined to specific geographic areas seemed the optimal solution. People were always going to gamble, it was thought, so better to allow them to do so; just make it as difficult, costly and complex for them to do it as possible. Las Vegas is not in a desert by chance

US journalist Rose fired over sex claims – Pg. 12

- But his firing makes him the latest name on a growing list of powerful men alleged to have behaved badly towards women. Since the first revelations about Mr Weinstein last month, more than 90 women have come forward to complain of abuse and harassment by the Hollywood mogul (Prof Note: Personally I hope this goes towards ending external work activities. In my experience, this happens in alcohol-fueled events.)
- (Prof Note: I remember one female student coming to me after class one night to ask about a work situation. Her boss had accused her of not being a team player and recommended that she go out with the “crew” more often. His hands were on her shoulders and then rubbing. He stated that one way to get ahead was to better integrate. I looked at her and said, “Are you the apple of your father’s eye?” She was taken aback and I repeated my question. She said in a demure voice, “yes”. I said, “You need to call him tonight and tell him this story. Trust me, the situation will be over immediately.” The next week she came to class with a HUGE smile on her face (I had never seen her smiling prior). She was genuinely happy. She waited until after class and I ask, “What happened?” She says, “My father told me to send my boss an email quitting, effective immediately. I am going to attend graduate school full-time next semester and then look for a position.” If I mentioned the company name everyone in real estate on this list-serve would gasp! What makes me angrier about this story???. The student was coming to me to ask for advice on if she should start attending more functions with him!)
- (Prof Note: When I headed HR at a company the President would come to me when we hired a young girl and insist on seeing her HR file. I finally figured out why! He was looking to see if her emergency contact was a boyfriend! This stuff really happens!!!)

How workplace harassment has affected readers – Pg. 12

- Many of those who wrote in said their employers ignored serious allegations and that the perpetrators had gone on to greater careers while their victims were sidelined or sacked (Prof Note: I realize most of these cases are in the past BUT I pray people start using the recording features on iPhones and smart phones. Let us get real evidence and prosecute the guilty!)
- The accounts highlight unwanted sexual attention from clients, mentors and colleagues: an invite to a hotel room after midnight, persistent requests for dates, comments on outfits and a hand on a knee in a darkened taxi

Answer: 80%

Nevis News: Where do I even begin?! By God’s grace we survived hurricane season but for bumps and bruises. Oualie’s peer, where I arrived late Saturday night, lost 2/3rds. The boat was guided solely by an old woman’s iPhone light standing on a remaining pier. Reggae beach’s pier, St. Kitts, is gone so took boat from closer location to Oualie’s Beach.

The island continues to have power issues. Just tonight the power went off twice. Shaws Road, New Castle, is done, i.e. the road is truly paved for the first time in my lifetime. It is the longest stretch of road on the island and the teenagers figured this out long before I did!

The course was full this morning. It was great seeing all the expats down for the winter and hearing, "Welcome Home." I have spent two days catching up with people and hearing the hurricane "war" stories. Tonight's dinner was on the porch with neighbours....the way life should be enjoyed. It really is nice just having people come to the house for a spell and tak'n a load off while I fill my plate with island gossip. Friday there was a murder but 34 new policeman were sworn in.

Jeffers was happy to see me after being gone so long. He asked for an air compressor and I brought a bike pump. He told me he was too old to be pumping. FedEx here we come (when I get back). The pool is done and it exceeds expectations. At night one its bathed in the light of the stars. In the morning the sun rises over the nursery before hitting the water. It is an infinity pool made from Nevisian stone. After receiving a life-time ban from Four Seasons Nevis, the middle-aged man had to do something! ☺ He tracked down the contractor for the original pool and asked for a better one...and that is what was constructed!

Ahhhh...nothing has really changed here. Time never moves. Wrinkles form but happiness remains. Tomorrow will begin as today began, with a tall cup of Joe in a Hopkins blue mug that once had a label "do not remove" upon it. From inside the pool, holding the coffee, the sun shall rise between the palms that frame the nursery. Just another day on Nevis...

21 November 2017

Question: After Four Seasons Nevis upgrades its generators, how many megawatts will it provide?

Opioid crisis takes \$500bn toll on US after White House economists count cost of lost lives – Pg. 4

- ...crisis to have cost the US economy \$504bn in 2015, or 2.8% of GDP.
- ...overdoses claimed the lives of 64,000 people in the US last year
- ...US recognizes it faces not just a health emergency but a scourge with macroeconomic effects. Rising opioid prescriptions from 1999 to 2015 may account for about a fifth of the decline in men's labour force participation, a measure of those either in work or looking for a job, ...

UK Housing – Pg. 7

- ...younger people especially are being priced out of the market while their parents and grandparents benefit from decades of above-inflation rises in home values
- Yet building more homes is unlikely to meaningfully reduce prices, especially in the short term. One reason is that, whatever the other dysfunctions of the housing market, there is – nationally at least – no shortage of homes
- In recent years, net new supply has been below the 210,000 dwellings that the government estimates will be needed each year from 2014 to 2039 in England
- In 2008, the government estimated that 280,000 homes would be needed in the UK each year until 2016. In 2012, after the global financial crisis, that had dropped to 231,000 a year
- Households cannot form because 30-year-olds are still living in their parents' spare bedrooms

- Around a quarter of people aged 20-34 still live in the parental home. In 1996, when house prices were much lower relative to earnings, the proportion was a fifth
- ...two in five millennials (those born between 1981 and 2000) were living in private rented accommodation at the age of 30. For baby boomers (born 1946 to 1965), the equivalent figure was one in 10
- ...the fact that land with permission to build is so costly – up to half the final selling price in some areas – is a major reason why many British houses are small, poor quality and expensive

Answer: 6MW

20 November 2017

Question: How many megawatts does Four Seasons Nevis currently have?

China tightens party grip on academic freedom at foreign-funded universities – Pg. 1

- Beijing has ordered foreign-funded universities in the country to hand over decision-making powers to the Chinese Communist party...
- ...party secretaries will be installed at more than 2,000 joint ventures between Chinese and overseas Universities...

Central banker faces corruption probe – Pg. 4

- Greece's central bank governor is under investigation by an anti-corruption prosecutor over the alleged leaking of an auditor's report on Piraeus Bank, a Greek lender accused of violating capital controls imposed at the height of the country's financial crisis

An old-fashioned economy heads towards a downfall – Pg. 9

- Any UK parliamentarians who think they can stop Brexit have either not read, or not understood, the Article 50 exit clause in the Lisbon treaty
- After passing the EU (notification of withdrawal) Act this year, the UK parliament has no tools left to engineer a reversal
- The British government has two options. Either revoke the decision to leave the single market and the customs unions, ...or accept the only deal the EU will offer: a standard trade agreement, with a few add-ons here and there, similar to the one that the EU recently concluded with Canada
- After Brexit, the model will no longer be viable. Its downfall could happen in one of several ways. One option on the horizon is the hard-left socialism of Jeremy Corbyn's Labour party. The alternative would be a centrist revolution, similar in scale though different in intent to that being attempted in France...

Survey finds investor relation pay gap is 45% - Pg. 13

- Male investor relations executives are paid 45% more than women doing the same job, with the gender pay widening to 65% in emerging markets, ...
- The total mean pay – including salary and bonus – of the male investor relations officers questioned was \$275,355, well above the \$189,928 of their female counterparts

- One possible explanation is that almost two-thirds of the women surveyed worked in mid-cap, small-cap or micro-cap companies, while only half of the men worked for companies below the large-cap or mega-cap threshold

Dividends grow at fastest rate in 3 years – Pg. 14

- Global dividends grew at the fastest pace in three years in the third quarter of 2017, bolstered by a better than expected economic growth, a dramatic pick-up in UK payouts and a robust US market
- The growth rate of global dividends surged 14.5% to \$328.1bn in the three months to the end of September, ...
- US dividends grew 7.2% on an underlying basis to \$109.9bn, thanks in part to a revival in banking sector payouts following years of stress tests that eroded profitability

Answer: 2.5MW

18 November 2017

Question: Will one get the money back from social security that one invested?

Nissan chief docks his pay after scandal – Pg. 1

- Nissan motor became the latest Japanese company to apologize for corporate wrongdoing yesterday as it detailed a vehicle-inspection scandal that laid bare decades of rule breaking, coverups and management complacency
- The report came as other scandals have cast a cloud over the country's corporate culture
- Last month Kobe steel owned up to years of data falsification
- The improperly conducted inspections, which only affect cars sold in Japan and have been connected with any safety issues, last month triggered a recall of 1.2m vehicles

effect hits Washington – Pg. 4

- ...lawmakers from both parties vowed to adopt stricter standards when it comes to sexual harassment and misconduct
- Mr Franken, a former comedian who was once seen as a rising star in the Democratic party, has been accused by a female radio host of mockingly groping her while she was sleeping – an act that was captured on camera (Prof Note: If this is on camera why are we not demanding his resignation?! When is this EVER acceptable???)

Answer: It depends upon how long you live.

17 November 2017

Question: Does social security payment get adjusted annually?

Beijing aims to soothe investor fears over growth with \$47bn injection – Pg. 1

- China's central bank injected \$47bn into its financial system yesterday, its largest intervention in nearly a year, in an effort to calm investor fears that Beijing's crackdown on debt-fuelled growth would put a brake on the country's rapid expansion
- Loose money has helped keep bond yields artificially low as central bank liquidity, often in the form of stimulus intended to support the economy, flowed into financial markets

Art Mystery: Record price sparks hunt for Da Vinci painting buyer – Pg. 2

- Christie's, the auction house that sold "Salvator Mundi" in New York on Wednesday; has remained silent about who paid \$450m for the 500-year-old work – a price that set a world auction record. With the pool of possible buyers limited to billionaires and a few institutions, some in the art world are trying to narrow it down to a region or nationality
- One route to deducing the buyer is the "1-4% rule", ...which suggests that wealthy people should not spend more than that on any "investment of passion". By this logic, only those with a net worth of more than \$11bn would be likely buyers

Blackstone offers 'cov-light' business loans – Pg. 20

- Senior secured loans to smaller businesses usually include "maintenance covenants", restrictive terms that require borrowers to maintain key financial metrics – such as leverage ratios – within fixed limits
- Banks operating under tougher capital rules have created a void in the small-cap loan market at a time when pension funds and other institutional investors face a world of ultra-low yields on corporate bonds
- While so-called "cov-lite" loans have proliferated in the market for lending to larger companies, many direct-lending fund managers have been reluctant to adopt them, as small direct loans are harder to sell if borrowers hit trouble

Chinese developers win regulators' approval to revive offshore debt issuance – Pg. 20

- The offshore dollar-denominated debt market in Asia has experienced a rapid return of Chinese property developers in recent weeks as the country's top economic planner allows more offshore deals
- Offshore debt issuance by Chinese property developers hit a low mark for 2017 in October, with just \$502m in issuance, down 57% from last year...
- China's economic planners became concerned that China's property market was again overheating at the end of last year.
- The cost of new housing in China rose at its slowest pace in 17 months in September. Transaction value for residential real estate declined for the first time this year in October, down 1.7% year-on-year

US Treasury dealers accused of collusion – Pg. 21

- A group of 17 US public pension funds and insurers have filed a lawsuit in New York alleging that their access to some electronic trading venues in the biggest government bond market was blocked by banks

Answer: Yes....there is a cost of living adjustment

16 November 2017

Question: Can my spouse earn social security benefits if he or she never worked?

Sex scandal puts Republican levy reforms at risk – Pg. 2

- (Prof Note: I truly wish society would stop convicting and harming individuals in the courts of public opinion! Best to hold judgments until crimes have been proven in a court of law. Just my opinion.)

Growth puts Japan on track to lift inflation – Pg. 4

- The Japanese economy grew at an annualized pace of 1.4% in the third quarter of 2017 as it recorded its longest run of unbroken expansion since 2001
- It was the seventh consecutive quarter of growth and, while the pace of expansion was slower than in the second quarter, it was well above Japan's long trend of about 0.5%

Liquidity remains main driver of bull run as more investors take above-normal levels of risk – Pg. 18

- Bull markets thrive on liquidity and thanks to central banks buying up bonds, there's no shortage of money sloshing through the global financial system
- Investors in highly rated sovereign debt will be dependent on the US Treasuries market for a supply of new issuance over the next five years, as central banks' bond-buying continues to crowd out private demand in Japan and Europe, ...
- Bond buying by the BoJ and ECB is set to exceed new issuance over the next five years, pushing private investors out of those markets. That leaves only the US as a substantial source of highly rated sovereign debt, ...
- Of the \$1.5tn of debt issued by advanced economies since 2010, two-thirds has been bought up by official purchasers
- Emerging markets are showing signs of weakness after a barnstorming run for much of the year as the dollar has rebounded

Answer: A spousal benefit is meant for the spouse of a working taxpayer. A spouse's benefit is up to 50% of the primary taxpayer's benefits, so if you don't qualify for retirement benefits, your spouse does not qualify for spousal benefits (Prof Note: I was working with a woman a few years ago worried about her retirement after her husband passed. While I did not say it explicitly, the husband had retired at aged 55 receiving his full pension and did not find other employment. As he retired at aged 55, the pension did not continue after his death, i.e. his wife was to receive nothing. It broke my heart as I do not know how the man could not have realized what he had done at aged 55.)

15 November 2017

Question: When can I file for social security?

Central bankers warn of limits to guidance – Pg. 2

- Communication has become one of the most powerful tools in central bankers' armoury – but four of the world's top exponents warned yesterday that there were limits to the guidance they could give investors now that the global economy was returning to health
- The heads of the US Federal Reserve, ECB, BoJ, and BoE, which together built up a stockpile of almost \$15tn worth of assets to fight the financial crisis, said they would continue to try to signal their next moves to markets
- Having exhausted what they could do through providing cheap and easy credit as interest rates were cut to record lows, central bank officials used so-called "forward guidance" to steer investors' expectations about rate moves and asset purchases
- The ECB has used forward guidance to push back expectations of rate rises until mid-2019.
- The Fed is also using guidance about plans to shrink its balance sheet to avoid a repeat of the 2013 "taper tantrum", when bond yields spiked after the bank said it intended to reduce QE

Fed dove 'actively considering' further rate rise – Pg. 2

- ..increasingly concerned that historically low unemployment rates – which this month hit a 17-year record – required heightened vigilance
- Investors remain skeptical about the FOMC's inflation projections, thinking it will take longer than the Fed expects for the US economy to return to 2% inflation
- The lack of wage growth in the US, UK and Eurozone has been confounding economists, since a tightening job market would normally be accompanied by a rise in salaries as workers become more scarce
- ...commercial real estate prices, an equity market valuation which is now as large as a share of the economy as it was in 1999 or 2000, high levels of margin debt, and ultra-low volatility

BofA raises fears over 'irrational exuberance' – Pg. 20

- The average cash balance among the 178 fund managers with \$610bn in combined assets under management that BofA surveyed fell to 4.4% from 4.7%
- It marked the lowest level in more than four years and was below the 10-year average of 4.5%

Answer: Any age from 62 to 70

14 November 2017

Question: When is the best time to file for social security?

GE to slash dividend and sell off oldest divisions in revival push – Pg. 1

- Ge is cutting its dividend for only the second time since 1938 and will divest two of its longest-held divisions, including the lighting business originally created by Thomas Edison,...

Global upturn spurs riskiest countries to issue record \$75bn in debt this year – Pg. 13

- The world's riskiest countries are issuing debt at a record rate, buoyed by the global economic upturn and investors' search for yield in a world of historically low returns

- The increase has buoyed the total volume of debt-raising by developing economies: non-investment grade issuance has made up 40% of the new debt syndicated in EM so far in 2017
- ...EM's local currency-denominated sovereign debt has returned 10.4% since the start of this year, while dollar-denominated debt has returned 7.6%. Us Treasuries have returned 2.5%, while European nations' debt has returned 0.9%

Corporate debt sales approach record tally – Pg. 22

- Sales of corporate bonds are on course for a record year, as stimulus from ECB and extremely cheap borrowing costs propel companies into the capital markets
- In 2007, corporate issuance in euros was less than half its current level
- The ECB has been buying corporate bonds since 2016, and now holds more than 120bn (euro). This compares with the 1.8tn (euro) of government bonds. It is not buying unsecured bank bonds, but holds close to 250bn (euro) of covered bonds – a kind of instrument issued by European banks

Answer: It depends; one can file anytime between aged 62 – 70. If you do not plan on living long, you may be ahead by taking \$\$\$ sooner. If married, make a plan where one spouse claims early and the other claims later. The earliest, as stated, is aged 62. However, benefits increase by as much as 8.00%/year, when waiting until aged 70.

13 November 2017

Question: When will social security stop paying benefits?

US banks prepare 'stop gap' Brexit plans to avoid moving London jobs – Pg. 1

- Branch-back is, in effect, a reversal of the current set-up, where US banks use their London operations to "passport" their services across the rest of the EU
- But the plans risk antagonising EU regulators, which may resist moves to keep staff handling transactions with EU clients in the UK

Private equity fights back on tax reform – Pg. 2

- The sweeping Republican tax reforms, first floated two weeks ago, have panicked private equity executives who claim the changes will make buying and selling US companies harder and deter firms from investing in the country
- The reforms are part of a broader package that would lower the corporate tax rate to 20% from 35% and allow companies to immediately deduct the costs of new investments in equipment for a period of five years
- Among the provisions is a proposed cap on the tax deductibility of interest payments exceeding 30% of income, which will hurt buyout firms that primarily use debt to finance acquisitions, and those holding heavily indebted companies
- ...proposal would prevent private equity managers from enjoying a tax advantage known as "carried interest" if they hold a company for less than three years. At present, profits

generated by private equity and hedge fund managers are taxed at the lower capital gains rate of 23.8% on investments held for at least a year, rather than the income rate of 39.6%

Answer: Never...this is a crock....the benefit start point will simply continue shifting until we all die prior to receipt.

11 November 2017

Question: When is the best time to file for social security?

Beijing backs greater foreign ownership in financial services – Pg. 6

- China has announced plans to ease limits on foreign ownership of financial services group, following years of complaints that such restrictions block multinationals' development in the country
- The government will relax or eliminate ownership limits in commercial banking, securities, futures, asset management,
- China has used joint venture requirements and ownership caps in a range of industries to protect domestic groups from competition and induce sharing of foreign technology and management expertise with local partners
- China will also eliminate the 20% ceiling on ownership of a Chinese commercial bank or asset management companies by a single foreign investor and the 25% cap on total foreign ownership of such companies

We are in bubble territory again, but this time might be different – Pg. 11

- Asset prices are, some argue, in an "omnibubble": prices of every important asset in the high-income countries – stocks, housing and bonds- are at such exacted levels that a devastating crash is inevitable. Moreover, at these prices, prospective returns are too low, which is plainly unfair to wealth owners. It is also clear who is to blame: the central bankers. Off with their wretched heads, is the cry (Prof Note: There is much truth to this. I am personally struggling to produce yield on investments. As a result, I look to active businesses and shrink costs. Just this past week I scaled back a development, finally recognizing and accepting the loss in upfront soft costs, upon the realization yield could not be realized with current business plan)
- ...the US is at the cyclically-adjusted return is now down to 3.4%. The only times it has been still lower were in 1929 and between 1997 and 2001, the two biggest stock market bubbles since 1880.
- Yet the US is not the only market in the world, ...
- What about the other significant class of assets: housing? Here the story is somewhat different. Real prices in the UK are close to their pre-crisis peaks. US house prices are 29% above their post-crisis low, but also 16% below their pre-crisis peak.
- This leaves us with bonds, a class of assets that is not only important in itself, but, to some extent, is the anchor for the rest.
- ...real long-term interest rates have been in an extended period of decline

- Another perspective is to blame low long-term real and nominal rates on central bank manipulation. When monetary policy changes, it is suggested, the bubbles will burst and asset prices duly collapse (Prof note: Whoa Momma...can you say “Jerome Powell” and adjusts?)
- Central banks cannot on their own determine real rates over very long periods. These rates must largely reflect conditions in the real economy

Answer: It depends; one can file anytime between aged 62 – 70. If you do not plan on living long, you may be ahead by taking \$\$\$ sooner. If married, make a plan where one spouse claims early and the other claims later. The earliest, as stated, is aged 62. However, benefits increase by as much as 8.00%/year, when waiting until aged 70.

10 November 2017

Question:

Answer:

9 November 2017

Question:

Senators try to square tax cuts with deficit – Pg. 2

- ...potentially eliminating the ability of taxpayers to deduct state and local taxes against their federal bill – a harsher stance than in the House version of the tax bill (Prof Note: I am shifting my residence to Puerto Rico!)
- Alternative the Senate could require low and middle-income taxpayers to bear some of the burden

EM strains grow as political volatility and US rate expectations cast shadow – Pg. 18

- Emerging market currencies are weakening in the face of US rate expectations and political uncertainty, casting doubt on investors’ hopes that they can withstand a mix of pressures that has in the past thrown them into turmoil
- Across Ems, improving economies, smaller current account deficits and healthier amounts of foreign exchange reserves had given investors belief that the currencies’ sensitivities to the US dollar and interest rates was waning
- Confidence in EM currencies has also been buoyed by the reduction in risk factors that have been damaging, such as falling commodity prices and anxiety over China’s economic outlook
- Since then, the dollar index measuring the US currency against a basket of its peers has rallied 3.6%, driven by Federal Reserve hawkishness and hopes of US tax reform

Answer:

8 November 2017

Question: How do undergraduate students, i.e. individuals less than 21 years of age, obtain false identification to purchase alcohol? (Prof Note: Answered with permission of students providing answer)

Wall St warns Ross of mounting alarm at lack of post-Brexit clarity – Pg. 1

- A group of large financial institutions with big London operations, led by Wall Street's pre-eminent banks, have told the US commerce secretary that Britain's unstable government and slow progress in Brexit planning may force them to start moving thousands of jobs out of City in the near future
- US banks have been among the loudest critics of Britain's decision to leave the EU since last year's referendum, ...

Opec raises global oil demand forecasts – Pg. 18

- Opec sees greater than expected demand for oil in the coming decades despite a global push in energy policies that promotes cleaner fuels and a rise in technologies such as electric cars
- World consumption will rise from 95.4m barrels a day in 2016 to 102.3m b/d in 2022, an upward revision of almost 2.3m b/d, the cartel said yesterday. Longer-term oil demand has been revised upward by 1.8m b/d to 111.1m b/d by 2040
- In the shorter term, lower oil prices and stronger economic growth had propelled demand in industrialized nations. Demand in OECD countries is expected to grow for a further two years. This is a change from previous forecasts, which expected a peak in 2017
- Although total demand is expected to increase, the rate of oil consumption will decelerate from nearly 1.5m b/d in 2017 to 810,000 b/d in 2022 and 300,000 b/d by 2040

Answer: Money is Western Unioned (or Bitcoined) to China. A digital picture is provided and false identification papers, i.e. drivers licenses, are returned.

7 November 2017

Question: How much is a fake identification card, i.e. drivers license, from China?

Dudley opts to retire early at New York Fed – Pg. 2

- The outlook for US monetary policy in 2018 has been thrown into further uncertainty with the early retirement of Bill Dudley, the influential president of the Federal Reserve Bank of New York
- Mr Dudley was expected to leave at the start of 2019, but will now retire early in the middle of 2018, ...
- That move means that by the second half of next year the three most influential positions in US monetary policy are likely to be occupied by new officials

- The New York Fed president votes at every meeting of the FOMC, and by tradition is the vice-chair of that rate-setting body. The New York Fed is also a central player in financial regulation given it sits at the heart of the US and global markets.
- The hunt for the next chief of the New York Fed has already begun in earnest. Among the possible internal candidates is Simon Potter, the current executive vice-president and head of the New York Fed's markets group
- Brian Sack, chief economist at hedge fund DE Shaw and another former head of the markets group at the New York Fed, is seen by others on Wall Street as a possible candidate

Leaks revive debate over role of offshore centres in global economy – Pg. 4

- The Panama Papers led over 70 governments to launch probes...the leak also forced Panama – a holdout in an international transparency drive – to bow to global pressure
- Last year more than 300 economists, including the Nobel Prize-winner Angus Deaton, signed a letter to world leaders that argued: "The existence of tax havens does not add to overall global wealth or wellbeing; they serve no useful economic purpose"
- Trusts are often used to protect minors or high-profile individuals' rights to confidentiality

World economy – Pg. 9

- From Asia to Europe and Latin America other countries are striking trade deals and launching negotiations at an accelerating pace. Japan, Canada, Mexico and eight other countries that remained in the Trans-Pacific Partnership after Mr Trump pulled the US out of the trade pact are expected to announce at Apec that they will be moving ahead with the deal
- A few days later in the Philippines the leaders of 16 countries – including China, India, Japan and South Korea – are expected to declare progress towards a deal that, if successful, would see tariffs fall across a quarter of the global economy
- Japan continues to resist US approaches to begin bilateral talks
- It is not just an Asian phenomenon. The UK, once enthusiastic to close a post-Brexit deal with Mr Trump, is showing signs of scaling back its expectations
- ...EU is now focused on closing deals with other major economies such as Japan and trade blocs like South America's Mercosur and launching new negotiations with Australia and New Zealand
- The reluctance to engage the US lies at least partly in the bellicose approach adopted by Mr Trump and his aids and their "America First" brand of economic nationalism
- And in what looks like a deliberate act of sabotage, US officials are blocking the filling of vacancies of the World Trade Organization's seven-member appellate body in a move that some fear could cripple the dispute settlement system, which for the past two decades has been a major factor in preventing trade wars

Answer: \$50

6 November 2017

Question: What is one of the states that China provides false identification?

Fall in spending hits Trump's pledge on US infrastructure – Pg. 17

- Private investment in US infrastructure is falling sharply in President Donald Trump's first year in office, underlining the challenge facing his ambition of unleashing a \$1tn building boom
- He has yet to launch a detailed plan, however, and an infrastructure package is not expected until next year. Tax reform has been given a higher priority, with a set of proposals being launched by Republicans...
- This year, however, the value of new-build projects funded by private finance in the US is expected to drop by almost a half from \$10.4bn in 2016 to just \$5.26bn...
- Under PPP (public-private partnership) schemes, the private sector enters into long-term deals to design and build roads, hospitals and schools, with essential maintenance such as roofing included in the contracts
- They are financed by private debt, with equity paid for by government or user fees, such toll roads
- Historically, the US has funded large-scale PPP projects through cheap long-term credit under the Transportation Infrastructure Finance and Innovation Act, a federal loan programme for transport projects, and tax-exempt municipal and private activity bonds
- Because most infrastructure spending decisions are made at state level, the outcome of 36 state governor elections in a year's time will also play an important role in determining whether more PPP projects are given the go-ahead

Answer: New Hampshire (Prof Note: There are more but this is the one that I saw and it looked real)

4 November 2017

Question: What is the best way to answer a potential future employer's question: "What is your current salary?"

US tax plan targets multinationals – Pg. 1

- Foreign multinationals have emerged as the target of a tax-avoidance crackdown embedded in radical reforms revealed by Republicans this week as they seek to stop companies from spiriting profits out of the US
- Their concerns underscore the formidable challenges confronting Republicans as they try to overhaul the tax code for the first time since 1986 in the face of corporate lobbying, budget constraints and an impatient Donald Trump
- The anti-avoidance plan would hurt foreign-owned multinationals with American affiliates as well as US companies that used "inversion" deals to move head offices overseas, ...
- Crafted with an "America first" tinge, it would impose a 20% "excise tax" on cross-border payments between affiliates of the same company, which are tax deductible

US jobless rate at its lowest for 17 years – Pg. 2

- Joblessness dropped to 4.1%, the lowest since 2000, while non-farm employment rose by 261,000 in October following a revised 18,000 increase in September

- Wage growth was disappointing at 2.4% year-on-year, sharply lower than the 2.8% reading the previous month
- Job gains in the US have averaged 162,000 over the past three months

Trump administration – Pg. 5

- Mr Trump's trip [Asia] is vulnerable on two counts – domestic and global. The first is that he is engulfed by the crisis back home. The damage to his standing is already bad. On Monday, Mr Mueller indicted Paul Manafort, Mr Trump's former campaign manager, on 12 counts, including tax evasion, money laundering and "conspiracy against the United States"
- Like Mr Papadopoulos, Mr Flynn was caught lying to the FBI about his contacts with Russian officials. Like Mr Manafort, he failed to declare he was working as a "foreign agent" for another government
- Intelligence agencies estimate that Pyongyang will have the capacity to strike the US mainland within 18 months
- China has a strategic plan – to "take global centre stage by 2050" in Mr Xi's words to the 19th Communist party congress. Mr Trump has an "America First" mantra
- This week the president described the US legal system as a "joke" (Prof Note: For the large part I agree with this statement. Look at the Great Recession? Was there any accountability? In my experience with the U.S. judicial system, there is no "justice", there is only what can be purchased. This is sad, very sad.)
- Mr Mueller is already thought to be sifting through Mr Trump's tax records, which he has refused to disclose. He is also looking at the finances of Jared Kushner, Mr Trump's son-in-law, whose declared networth – together with his wife – is at least \$241m. His father, Charlie Kushner, was jailed in 2005 for witness tampering and tax evasion
- (Prof Note: I worry Mueller is wasting resources. My prediction is all of this will come to fruition, Trump will issue pardons and this will be a HUGE waste of time and resources. Is anyone ever held accountable?)

A safe pair of hands takes over the Fed – Pg. 7

- A lawyer by training, he is the first non-economist to become chairman since the brief and unsuccessful reign of G William Miller in the late 1970s. Unlike John Taylor, Mr Powell has no economic models named after him. Indeed, his central banking experience spans only five years
- Mr Powell went on to make his fortune in private equity, heading industrial company team of Carlyle, overhauling firms in fields including soda bottling and laminates
- Under Ms Yellen he has trod a cautious path, never publicly clashing with the chair and sticking to her broadly dovish stances on interest rates
- The other key policy question on the horizon is the denuded stimulus toolkit the Fed will hold when it hits the next downturn – and how it will manage the hostility conservative republicans feel towards QE

Answer: "I am under a nondisclosure agreement and not at liberty to discuss as I am concerned that information could be covered by the agreement." (Prof Note: I cannot stand this question by employers, they are trying to benchmark and determine how little they can pay you based on,

potentially, poor negotiating skills in the past. No one can argue if you are under an NDA. Take the power back from future/potential employers.)

3 November 2017

Question: How many children does Jerome Powell have?

Bank of England lifts rates for first time in 10 years and signals more tightening – Pg. 1

- ...raising its benchmark by a quarter of a percentage point to 0.5% and signaling the start of a gradual increase in borrowing costs
- The yield on benchmark 10-year UK government bonds fell by 8.1bps. The two-year gilt fell 7.5bp to 0.411%
- The BoE's move put it in the same boat as the US Federal Reserve, trying to increase rates at a pace not too fast to damage the economy but sufficient to prevent a sustained rise in inflation
- The ECB has taken its foot slightly off the accelerator pedal, but is not remotely near raising interest rates, while the BoJ is still committed to keeping long-term interest rates at zero

Powell choice amounts to defeat for radicals – Pg. 2

- The 64-year-old Mr Powell is a centrist on monetary policy who largely adhered to Fed chair Janet Yellen's dovish approach to interest rates, something that officials believe worked in his favour as Donald Trump considered candidates for the job
- ...appointment...welcomed by Wall Street, where the Fed's incremental approach to reducing its stimulus programmes has helped foster surging asset prices and little tightening in financial conditions
- Mr Powell is well known among bankers and investors, having worked as a partner at Carlyle from 1997 to 2005 as well as at the US Treasury
- The president has been rewarded with rocketing stock prices, as well as annualized economic growth of 3%, subdued inflation, low unemployment and rising wages
- Mr Powell's nomination by Mr Trump would make the former lawyer the first Fed chair without an extensive background in economics since G William Miller in the late 1970s

Perp investors fret over Libor phase-out – Pg. 18

- Investors in perpetual bonds are increasingly nervous about the phasing out of a floating rate benchmark that could leave some stuck with mispriced securities that will never be redeemed
- Hundreds of billions of dollars' worth of perpetual bonds have been sold since the financial crisis – primarily as a way for banks and companies to bolster balance sheets – often starting life as fixed-rate bonds before changing into floating rate notes. This meant to keep bondholders' coupon payments in line with changing interest rates if a bank decides not to repay the notes in full and return money to investors
- However, with the Financial Conduct Authority calling for reliable alternatives to Libor to be introduced by 2021, it could end up a useless protection

Answer: Three

2 November 2017

Question: What did Jerome Powell study for a graduate education?

Fed sticks to 'gradual' rate rise path as Trump prepares to nominate new chair – Pg. 1

- ...the central bank unanimously kept the key rate at 1% to 1.25% at the end of the FOMC's two-day meeting
- Investors have been expecting a further quarter-point rate rise at the Fed's final meeting of the year on December 12-13

Global gender gap will take a century to close, says WEF study – Pg. 2

- On average, the WEF found that men and women were participating in the economy at lower rates than in 2006, but the share of economically active women had dropped more acutely
- Iceland remains the world's most gender-equal country, while the US dropped four places to 49 in the rankings due, in particular, to a significant decline in the number of women holding ministerial positions. The US's political empowerment measure is at its lowest level since 2007

Millennials play in the credit card casino – Pg. 9

- This is how the transfer works: companies such as Visa, MasterCard and Discover levy a charge on sellers of 2% for each transaction (Amex's average merchant charge is 2.4%, which is why it tries to stop steering)
- Stores are barred by contract from charging card users more, so prices rise about 1% for everyone, whether they pay cash or card
- Since rewards cards such as Amex tend to be held by people with prime credit scores, they gain the most

Fed holds rates steady as investors await decision on Trump nominee – Pg. 19

- The yield on the policy-sensitive two-year Treasury, which moves inversely to its price, was up 1bp at 1.61%
- The euro was down 0.2% against the dollar at \$1.1624, while the US currency was up 0.3% against the yen at 113.95 (yen)

Answer: Law

1 November 2017

Question: Where did Jerome Powell attend undergraduate?

Yellen successor likely to stay on track – Pg. 2

- ...Jay Powell, her most likely successor, inherits an established strategy and strengthening recovery
- ...will reflect a desire to make his mark on the Fed while avoiding market-jarring disruption
- Mr. Powell, a Fed governor since 2012, has been an exponent of the monetary strategy adopted under Ms Yellen, of slow and steady rate rises and a transparent and highly predictable approach to reducing the \$4.5tn asset portfolio amassed during the crisis
- He has supported the view that sluggish long-term growth and low inflation mean rates may not need to rise a long way, perhaps to less than 3% according to the median prediction among Fed policymakers
- Ms Yellen will pass on the most benign economic outlook the US has seen for a decade, with 3% annualized growth in the third quarter, unemployment of 4.2%, rising real wages and strong business and consumer confidence

Stronger currency fails to hurt Eurozone growth – Pg. 4

- The Eurozone has recorded better growth figures than expected, indicating the recent strength of the euro has done little to impede a burgeoning economic recovery. In a further sign of the upturn, unemployment has fallen to a nine-year low
- The single currency rose from about \$1.14 against the dollar in early July to more than \$1.20 in early September
- Unemployment fell to its lowest level since January 2009, hitting 8.9% in September. Youth employment remains at 18.7% but has fallen substantially during the past year, from 20.4% in September 2016
- Price pressures, however, remain weak. Inflation continues to fall short of the ECB's target of just under 2%, falling from 1.5% last month to 1.4% in the year to October
- Core inflation, which strips out price changes for more volatile items such as food and energy, fell to 0.9%, its lowest level since May

Luxury – Pg. 7

- By mimicking the conditions at the core of the earth, machines are now able to produce diamonds that are identical to natural ones – in week, rather than billions of years
- For most of the 20th century the diamond market was dominated by De Beers, which still controls about 30% of the world's supply of mined stones, and other mining houses with operations stretching from South Africa to Canada's Arctic
- ..."synthetic", diamonds are currently only about 2% of supply, they are expected to reach 10% by 2030...
- The search for man-made diamonds began in the 19th century, but the first successfully grown in a lab only dates back to the early 1950s
- There are two common methods of production: creating the diamonds by high pressure as GE originally did, or by using chemical vapour deposition, known as CVD
- The reality is that diamonds have never been scarce. For much of the 20th century their supply was controlled by De Beers, which had more than 90% of the market

Answer: Princeton

31 October 2017

Question: What percentage of federal government spending is/are entitlement programmes?

Former Trump campaign aides charged in Russia links inquiry – Pg. 1

- ...indicting the president's former campaign manager and striking a plea deal with an ex-aide who attempted to broker meetings with senior officials in Moscow
- ...Mr Papadopoulos has provided a detailed account of his work to secure damaging information about Democratic rival Hillary Clinton from Russian sources
- According to a charge sheet filed with his guilty plea, Mr Papadopoulos worked with a London-based academic who claimed to have connections to President Vladimir Putin's family
- The charges against Mr P mark the second documented incident in which Trump campaign aides met Russia-linked operatives and discussed working with Moscow to secure information damaging to Mrs Clinton
- Mr Manafort turned himself in to the FBI's Washington field office early yesterday after he and Mr Gates were accused of funneling \$75m through unreported offshore accounts
- Mr Manafort, 68, is accused of laundering \$18m, while Mr Gates is accused of transferring \$3m from the accounts from 2006 to 2015

Economic sentiment surges in Eurozone – Pg. 2

- Economic confidence in the Eurozone has surged to its highest level since the early years of monetary union, as the bloc enjoys a surprisingly robust recovery in a year that has seen significant European elections

Concerns ease over EM debt burden – Pg. 18

- Emerging market debt is starting to fall as a proportion of economic output for the first time since 2011, helping to ease concerns over ballooning borrowing
- Total emerging market debt, including that of governments, non-financial companies and households, is on course to fall to 167.2% of GDP by December, down from a record 167.8% at the end of 2016, ...
- While non-financial companies are cutting debt, households are increasing borrowing, albeit from a relatively low base, and heading for a record 38% of GDP by year-end. That is up from 35.7% last year and double the level of 2003. China and Brazil are on track for the largest rises
- Government debt is set to rise this year as a share of GDP, from 50.2% to a record of 50.8%...
- ...87% of emerging market government debt and 93% of private sector credit in domestic, rather than external, form, "The risk of an EM external debt crisis is low"

Answer: 42%

30 October 2017

Question: How many Americans receive social security and how many receive Medicare?

Academics fear spread of China's soft power on west's campuses – Pg. 3

- ...raising fears that China is subverting values of academic freedom as part of its global soft power push
- The Confucius Institute's governing council is chaired by Liu Yandong, former head of the United Front Work Department, the party's main organ for exerting influence overseas
- Campuses made too many concessions to accept institute funding, ...resulting in entanglement between the centres and host universities' operations
- The institutes have been seen as a boon for smaller, cash-strapped universities that may have cut language programmes and research funding
- Hanban pays not only for the institutes' operational costs and selects textbooks, it also directly hires, trains and pays for Chinese language teachers
- With China footing the bill, critics say Confucius Institutes are ready-made platforms for the state-s agenda, promoting an overly rosy image of China while discouraging discussion of the "three Ts": Tibet, Taiwan and the 1989 Tiananmen Square massacre
- The push into US academia comes amid waning American student interest in China
- The number of Americans studying in China peaked at 14,887 in the 2011-12 academic year and had fallen 14% to 12,790 by 2014-15, ...

Powell ahead in Trump Fed spectacle – Pg. 3

- Donald Trump is preparing an announcement on the next Federal Reserve chair this week, with Governor Jay Powell said by administration officials to be the leading candidate in what remains an unpredictable process
- Mr Trump has been deliberating between Mr Powell, the continuity candidate for the job alongside current chair Janet Yellen, and John Taylor, a Stanford economist who could radically shake up monetary policy
- Mr Powell, who has served at the central bank since 2012, is a centrist who has strongly supported Ms Yellen's cautious approach to interest rate rises as well as the gradual reduction of its \$4.5tn asset holdings which began this month
- ...Mr Powell will probably be welcomed by financial markets...
- Mr Taylor, a prominent US economist who authored a key policy rule for setting rates, has been consistently hawkish on monetary policy and critical of the Fed's stimulus programmes, which would make investors more wary
- Mr Powell is a well-known figure among bankers and investors, having worked as a partner at the Carlyle Group from 1997 to 2005 following a stint at the US Treasury under George H.W. Bush. He is not an economist, in a break from several decades of precedent at the Fed. Both Ms Yellen and her predecessor Ben Bernanke had high-profile careers in academic economics

Answer: 50,000,000 and 57,000,000, respectively

28 October 2017

Question: When is the social security programme expected to run out of funds?

US economy rides out the hurricanes to rebuild case for ending stimulus – Pg. 1

- The US economy recorded its fastest six-month stretch of growth in three years despite a devastating series of hurricanes, ...
- The 3% annual growth in third quarter came despite predictions of a slowdown by private sector economists, who expected Texas and Florida hurricanes to weigh on the economy. It followed 3.1% growth in the second quarter, making it the first six-month stretch since 2014 in which US GDP grew more than 3% in consecutive quarters

Billionaire boom signals a need to end ultra-low rates – Pg. 11

- ...combined wealth of the world's 1,542 billionaires rose by almost a fifth last year to \$6tn: more than double the UK's GDP
- ...rising wealth inequality...
- ...the rise of billionaires is as much about financial globalization as it is easy money, but every time a report lands on their desks, central bankers must stop to think about the economic, social and political havoc their policies have caused over the past 10 years
- The desperate attempt to avoid deflation via quantitative easing and record-low interest rates has had a horrible side effects and this observation is hardly controversial. The rich have become much richer; corporate wealth has become more concentrated; soaring house prices have created intergenerational strike; low yields have made all but the super-rich paranoid that they will be entirely unable to finance their futures.
- ...inflation is back. In the US, where expectations of inflation are low, September numbers showed average hourly earnings jumping 2.9%, the biggest rise in a decade

Passive funds set to dominate equities, says Vanguard founder – Pg. 15

- Passive investing could eventually account for 90% of the equity market...
- Passive investment of stocks through mutual or exchange traded funds that simply track an index – and charge investors much smaller fees – accounts for 47% of the assets managed by the US fund industry, posing a severe challenge to active managers who take higher fees with the promise of beating the returns of major indices
- Passive equity management is expected to overtake funds managed by active advisers by the coming January,...
- Nearly 57% of large-cap US equity fund managers beat the S&P 500 over the past year...

Answer: 2030s...

27 October 2017

Question: How is Social Security financed?

China to drop long-term growth goals – Pg. 2

- Economists widely believe that overly aggressive annual growth targets have hamstrung policymakers' efforts to wean the economy off debt-financed investment, which have ensured high growth but led to distortions
- China is still likely to continue setting annual growth targets but the absence of a long-term goal would remove a significant constraint...
- Policymakers are likely to tolerate growth to [move] another leg down to 5-6% in the next five years, so that they could have bigger room to fix the structural problems and make growth more sustainable
- ...forecasts growth of 6% in 2018....

ECB convinces markets that taper is merely a downsize – Pg. 3

- The bank had just said its bond-buying spree in 2018 would probably be less than half the size of what it had spent on quantitative easing this year
- Three years into quantitative easing, the eurozone's economy has made big strides towards a full recovery. Output is up, with growth outpacing levels seen in the US and the UK this year, and unemployment is down, with about 6m jobs created since the nadir of the region's jobs crisis. But inflation, at 1.5%, continues to fall short of the central bank's target of just under 2%

Sexual harassment is rooted in power imbalances – Pg. 9

- Harassment continues not because men do not know sexual harassment is wrong, but because they do not believe they will be caught or punished
- ...women are afraid to report harassment due to a power imbalance between an individual victim and her harasser
- At best, she might end up with a settlement and a non-disclosure agreement, but at the cost of her job (Prof Note: This is exactly why I stress the "side-hustle"! Side-hustles can fix the power imbalance. Structure one's life to NOT fear loss of employment...the talented and credentialed can always find other employment.)
- The best way to ensure the steady decline of sexual harassment over time is to educate young men to treat young women as equals
- (Prof Note: Increase consequences to include prosecution and conviction! Forgive my ignorance here but as individuals carry mace, is it possible to carry a tape recorder, i.e. iPhone, and tape the abuse? I recognize that comments can be made prior to having the iPhone "on" but could the victim do a slight of hand, turn a device "on", and then say, "It really bothers me when you say "X"" Then the statement is on record and the aggressor's reaction is on tape. Just a thought.)
- (Prof Note: I remember being CFO of one organization where HR reported to me. The head of HR comes running into my office one Monday morning. There had been an all-hands corporate event the Thursday prior (I had strategically been absent from this event fearing what happens at corporate events with alcohol) where our Controller, hired by the owner and opposed by me, physically attacked one of the younger females. HR asked me how we should "end" the situation. I said, "Take her to lunch. You make her write what happened in her own handwriting and sign it. You make copies of the complaint for the files AND each of us will keep copies at our respective homes (I sent mine to my attorney as well)." There

were witnesses to the event that I personally interviewed, i.e. I am positive it occurred. I recommended IMMEDIATE termination of the Controller and reporting to the authorities. What happened? The young female was fired for some BS infraction, HR was fired for a BS infraction, and the Controller was ONLY banned from corporate events for six months (I am NOT joking!). The young woman sued, the HR head sued, and won small monetary victories. To this day HR and I are friends and she thanked me for making certain everything was documented and handwritten. Why was the Controller not fired? He was falsifying the financial statements which I refused to do! This stuff is REAL and silence creates the environment for it to continue!!!)

China's dollar bond sells at yields close to Treasuries despite ratings downgrade – Pg. 18

- China sold its first bond in dollars for more than decade in a move the government hopes will lower borrowing costs for the country's companies
- China issues the majority of its debt in renminbi to onshore investors, so the sale of the dollar debt in Hong Kong also carried a symbolic value
- China's sovereign credit ratings were downgraded this year by both Moody's and S&P's. China's economy has grown faster than expected this year, and the country's debt burden has stabilized – or even fallen by some estimates – due to slower credit growth and faster inflation

Answer: Payroll taxes. Employers and employees pay 6.2% of wages up to \$118,500 in 2016. The self-employed pay 12.4%.

26 October 2017

Question: When was social security established?

US expats hope for lower tax bills as shake-up seeks to end levies at home – Pg. 1

- ...Republicans eye the elimination of a requirement for American expatriates to pay taxes both overseas and in the US
- Some 8.7m Americans live outside the US, excluding military personnel, ...
- For those expatriates, the first portion of their foreign earnings – about \$100,000 in 2016 – is already shielded from US tax liabilities, but they have to pay tax on any income above that level to both the host authority and the US
- Republicans are striving to pass the first major overhaul of the US tax code since Ronald Reagan in 1986. They are looking at measures that would simplify the code, lower the corporate tax rate, make it less attractive for US companies to keep cash overseas and changes that they say will help the middle class

US banks welcome end of Obama-era regulation – Pg. 2

- Mr Pence's vote, which broke a 50:50 tie in the Senate, reversed a rule that would have banned banks and credit card companies from inserting mandatory arbitration clauses into contracts to stop consumers from taking them to court

- The rule targeted clauses that have been inserted into hundreds of thousands of contracts, covering products from credit cards to payday loans, that require customers to waive the ability to sue companies in class action lawsuits

Personal Finance – Pg. 7

- Millions of workers in the UK have built entitlements to traditional final salary pensions
- To take advantage of the reform, an individual must convert their defined benefit, or final salary, pension rights to a lump sum, then transfer this to personal, or defined contribution pension
- There are circumstances where this makes sense: when a person is in poor health or has no spouse or dependants. But the FCA believes that most people are better off in their “Rolls-Royce” final salary pensions because of the benefits of a secure, indexed income
- Transferring introduces important risks for individuals, who will either be responsible for managing large investment portfolios themselves, or paying someone to do it for them
- The role of the financial adviser is crucial. If defined benefits are valued at more than 30,000 (sterling), an individual is required to obtain independent financial advice to transfer their fund
- The FCA found that only 35% of the investment products recommended to individuals transferring their funds were judged to be suitable
- There is also anecdotal evidence that some consultants are seeking to win business by exploiting fears over the security of company pension funds
- (Prof Note: One thing I notice when speaking with financial consultants is that they speak with certainty and confidence. However, when I speak on the same subjects or express opinions I speak with ranges of possibilities, quantifying risk historically specifying that the future is unknown. What I have noticed is that people want to feel good about their decision(s) and shy from uncertain parlance. The solution is a better education for the investors. The silver tongue has always been successful throughout history.)

Japan lender faked documents – Pg. 14

- A state-backed Japanese lender falsified thousands of documents to boost its lending between 2007 and 2015, in the latest scandal to hit corporate Japan
- This latest case of document falsification follows scandals at Kobe Steel and Nissan,
- Mr Adachi and the former president will each have to repay six months of salary (Prof Note: Help me Rhonda!!! Jail time???!!!!)
- But management saw the scheme as a competitive weapon and sought to boost lending. Under-pressure staff were found to have faked loan documents (Prof Note: Can we say, “Wells Fargo”?)

Flows to exchange-traded debt funds pass 2016 record with months to spare – Pg. 18

- The passive investment trend has been particularly powerful in equities over the past decade, with money leaving traditional stockpicking mutual funds and flowing into ETFs, which charge lower fees

Answer: 14 August 1935

25 October 2017

Question: How many Americans do not have access to 401(k) and 403(b) plans?

Big US industrial group earnings boost hopes for global economy – Pg. 1

- Confidence in the outlook for the world economy has been boosted by strong earnings from some of the biggest US industrial companies, ...
- Caterpillar, United Technologies, General Motors and 3M were among companies that reported earnings above analysts' forecasts...
- A number of companies cited strong or improving conditions in China as a factor in their results, ...
- The Asia-Pacific region was Caterpillar's strongest

Central banks alone cannot stabilize finance – Pg. 11

- "near-term risks of financial stability continue to decline", but "medium-term vulnerabilities are rising"
- With market and credit risk premiums at decade-low levels, asset valuations are vulnerable to a "decompression" of risk premiums – in blunter words, a crash
- ...shocks to credit and financial markets well within the historical range could have large negative impacts of the world economy
- One element in these risks is yield compression. Yields on investment-grade fixed income instruments have collapsed since 2007, with almost none now yielding over 4%. This has also encouraged greater capital flows to – and so more borrowing by – emerging countries
- Possibly most important, leverage continues to rise across the world, notably in China
- ...assets are currently valued at high, quite possibly unsustainable, levels
- ...it has to be possible for the financial system to cope with changes in asset prices without blowing up the world economy...an essential part of achieving this is deleveraging and in other ways strengthening intermediaries, notably banks
- ...the generation of demand sufficient to absorb potential supply has become far too dependent on unsustainable growth in credit and debt and also on consumption (especially in high-income countries) or wasteful investment (as in China)

Answer: 40%

24 October 2017

Question: According to MSN Money, home refinance applications are down by what percentage over last year?

Irish recovery since financial crash creates employees' market – Pg. 2

- Rapid economic growth has taken Ireland to the cusp of full employment, creating an employees' market for highly skilled workers, 10 years after the financial crash that led to an international bailout.
- Dublin remains exposed to the threat of a hard Brexit, prompting anxiety about disruption to trade links with the UK,...
- Unemployment peaked at more than 15% at the height of the financial crisis in 2012. But the jobless rate is now 6.1%, and the central bank believes it will fall to close to 5% by the end of next year
- ...growth close to 5% this year
- As the country is returning to full employment, central bank forecasts point to modest wage inflation, meaning Ireland is not yet at the point of a damaging pay spiral
- But high vacancy levels for jobs in finance, IT and professional services have driven wages up 4% in such sectors,...
- Data show the employment rate for Irish men in 2016 was 69.9%, compared with 71.8% EU average and well below levels above 78% in the UK and Germany

Sexual Harassment – Pg. 7

- A sum of 250,000 (sterling) was agreed to be divided equally between the two women, and a legally binding contract – a non-disclosure agreement – drawn up after several punishing late-night sessions. The women signed it and for almost two decades have not spoken about their experience
- ...the “incredibly distressing” experience of negotiating her NDA – a process that pitted a young woman against the legal might and power of one of Hollywood’s most powerful figures
- She does not even have a copy of her NDA – the agreement that was struck in October 1998 prohibited her from having one – although she does have several pages from it outlining Miramax’s obligations to her, and hers to the film company
- There are plenty of clauses in it to direct and curtail her future behavior, including if she were ever asked to provide testimony
- ...NDAs and the lawyers who help[devise them have emerged as a critical element in explaining why so many of those cases remained secret for so long
- (Prof Note: When Dean Kelly Otter and Asst Provost Cindy Chance LIED at Georgetown to the students; when they withdrew promised programmes to the students I refused to “drink the kool-aid” and rallied the students! In response, Georgetown protected the liars, i.e. Kelly Otter and Cindy Chance, and provided me an NDA that paid me \$22,500 for an NDA where I would agree to remain silent on the LIES of Kelly Otter and Cindy Chance told to the students and the reversal of promises made to the students. I REFUSED!!! To think I would “sell” my freedom of Speech and sell out the students for \$22,500 and loose a lifetime of calling out Kelly Otter and Cindy Chance as liars (I have the documentation) for such a pittance was a joke! Now, add a zero and Roger can be silenced! ☺ In all seriousness, it was a defining moment in my understanding that Georgetown did not care for quality education and best interest and truths for students but rather cared most about bottom line. So much for Georgetown being truthful! The students even rallied and sent a petition to the President of Georgetown. The President’s reaction, he ignored the situation! Disgusting!!!

Think carefully when presented with an NDA as one's silence can harm others and harm society!)

Answer: 35%

23 October 2017

Question: According to Ladders.com, what percentage of American workers were either "actively looking for new job opportunities" or had the topic on their minds "always, often or sometimes" at work?

Trump supports top rate levy for wealthy – Pg. 4

- ...support for a higher tax bracket for the wealthy after criticism that the Republicans' long-planned tax overhaul would mostly benefit rich Americans
- The Republican tax plan released last month proposed slashing the seven current tax bracket to three, and reducing the top rate from 39.6% to 35%

US business battles to keep cherished tax breaks – Pg. 4

- In public....the president's headline ambition to lower the corporate tax rate to 20%
- ...a declaration that numerous "special exclusions and deductions will be repealed or restricted"
- The most treasured tax break enables oil and gas companies to deduct all their drilling costs from their taxable income immediately
- Tech companies have a huge stake in mooted changes to international taxation. Not only do they do a lot of real business outside the US, but they have used their intellectual property to shift profits to low-tax jurisdictions
- The White House and Congress are proposing to end US taxation on worldwide earnings and shift to a "territorial" system that taxes only US income. Two stings in the tail...
- The first is that tax writers want to impose a one-off "deemed repatriation" tax on earnings that US companies have already parked offshore to avoid paying the current 35% levy which falls due when they are brought home....
- The second sting for tech groups is that the move to US-only tax is not as clear cut as it sounds. A pure territorial system would give US companies even more incentive to shift profits overseas, so policymakers need a deterrent
- One is the right of businesses to deduct debt interest costs from their taxable income
- The other measure under threat is known as the carried interest loophole, which is cherished by individual private equity managers because it lets them pay lower tax on their earnings than salaried workers
- Housebuilders are worried those changes could increase the cost of buying and owning a home

Answer: 71%

21 October 2017

Question: According to MSN money, what are 39 ways to save for your emergency fund (only summarized 20 ways....others were obvious or I did not agree)?

Weinstein board members claim lawyers hindered sex inquiry – Pg. 1

- More than 40 women have complained about Mr Weinstein's conduct....
- Police in London, New York and Los Angeles are also investigating harassment and sexual allegations.... (Prof Note: What concerns me the most is "innocent until proven guilty". Mr Weinstein has been accused, tried, found guilty, and continues to be punished in the court of public opinion. In the U.S. judicial system the jury is the finder of fact, i.e. not public opinion and personal statements. I am NOT providing a personal belief either way, only that we have a judicial system that must be allowed to work prior to public execution of an individual. Further, "if" he is guilty, could he truly have done it without support as the article is claiming? Will other be investigated as well?! I hope so but I also recognize the answer is, most likely, "no".)

US budget vote offers prospect of unity for Republicans – Pg. 3

- Tax reform is seen as fundamental to GOP hopes of maintaining control of both the Senate and House of Representatives next year,....
- Equities rallied yesterday morning, as investors marked up the chances of a tax bill being passed following failures including the attempted healthcare overhaul
- The resolution is a key vehicle in the tax reform effort because it unlocks a procedure called reconciliation that will strip away Senate Democrats' ability to filibuster the ultimate tax legislation. That means the Republicans should be able to pass a law overhauling the tax framework without being blocked by the other party

Amazon showered with offers of tax breaks – Pg. 12

- The fact that Amazon is already one of the most successful companies in the US, and that it has disrupted many main-street businesses and hurt traditional retailers, only fueled concern
- In its bid for proposals, Amazon said the city that hosts its new headquarters should have a population of more than 1m, proximity to a major airport, and a strong university system that would provide a deep pool of talent. It added that the tax incentives offered by each city will also be a serious consideration
- The most frequently mentioned potential winners include Denver, Dallas, Austin, Toronto, Boston, Atlanta, Philadelphia and Pittsburgh, all of which have applied. Moody's Analytics puts Austin and Atlanta at the top of its list, which also includes Miami and Portland in the top 10
- A major concern is that tax breaks leave cities without the budget they need in the long-term for areas such as investment in education and building new infrastructure

AI brings clues on Fed rivals' stances – Pg. 13

- Doves are typically concerned about subdued inflation and the possibility of the US being stuck in "secular stagnation", and so are willing to keep interest rates low

- By contrast, hawks worry about frothy markets, the Fed's big, crisis-bloated balance sheet and the risk of inflation accelerating. That makes them more inclined to raise rates
- ..."Taylor rule" that sets out how sensitive the economy and inflation are to interest rates. But that rule implies that policy should be tightened

Answer: (1) use loyalty programs to your advantage (I have the RedCard from Target providing 5% discount on all Target purchases), (2) Cancel your cable subscription (I just cancelled mine last month for a savings of \$250+/mo...take that ComCast!!!), (3) Get an additional part-time job (love the side hustle), (4) Set aside any extra cash, (5) Sell unwanted items from around your home (GUILTY! I am actually purchasing a second sea container this week for storage), (6) swap credit cards for cash (NO....earn those points), (7) Stick to your list (do not go grocery shopping when hungry and ALWAYS turn left when entering a grocery store. Typically the higher-priced and preprocessed items are to the right), (8) Create a menu based on weekly sales (who has time for this? Work in a restaurant as a side-hustle and take home meals), (9) Negotiate your monthly bills (just this month of October I have saved \$1,630 negotiating invoice prices downwards from suppliers), (10) Cut costs on holidays (Hmmmmm...not sure about this as happiness can be gained by giving), (11) Skip the morning latte (yes.....Starbucks is a killer of wealth accumulation...students all know me and my Stanley thermos of coffee which I fill in the faculty lounge. It is all I can do to not pocket k-cups at \$0.30 a pop (but I do NOT)), (12) Become an Airbnb host (this goes to side hustle), (13) Check automatic withdrawals, (14) Grow your own produce (no joke, I just told the farmer Friday I was not renewing his lease for one of the fields Farmer Roger is born! (that and I want to construct a racing track for my quad)), (15) Cancel your gym members (Heck yes, look at me, I have no gym membership! ☺), (16) Give your social life a makeover (Yes...so the bar scene with expensive drinks. Stop making others wealthy!!!), (17) Stop paying overdraft fees (stop paying fees entirely. I told BB&T, literally, "you must FEAR giving me a fee!". Fees are theft!!!), (18) Buy generic (are you joking? Have you tried generic Mac & Cheese?!), (18) Stop going to the movies (not sure I agree with this. Though I admit to having a home theatre superior to the movies but there is also the experience.), (19) Don't pay full price for local events (sporting events, etc, can be viewed on the tele. Stop paying the hundreds of dollars to fight the traffic.), (20) Plan a staycation (travel opens one's mind to culture...not sure I agree....but stick to the budget).

20 October 2017

Question: According to MSN, what are 10 ways new regulations make buying a home harder?

Building demand – Pg. 7

- Yesterday Beijing reported that GDP grew 6.8% in the third quarter, ahead of its full-year target
- Urged by Beijing, 38% of all bank loans issued in the 12 months to August were home mortgages, ...and local governments purchased 18% of all residential floor space sold last year as part of a drive to provide affordable housing
- The result has been another heady boom in construction, Rome was not built in a day, but based on residential floor area completed last year, China built the equivalent of a new Rome about every six weeks

- Chinese residential property is arguably the world's most important asset market. The sector drives global commodity prices, making the difference between growth and stagnation for resource exporters like Australia and Brazil
- For China's domestic economy, the world's largest at purchasing-power-parity, property investment directly contributed 10% to GDP in 2016. When manufacturing sectors like steel, cement and glass and retail sectors like furniture and home appliances are included, the share is at least 20%
- The health of China's banking system, now the world's largest by assets, is also deeply tied to the fate of the property sector
- The leading claim of the housing bears is that after a 15-year construction boom, China has built most of the housing it needs to meet fundamental demand. On this view, investors speculating on price gains, not families seeking shelter, now drive the market
- An estimated 50m homes, or 22% of the total urban housing stock, were vacant in 2013
- The transformation of China's economy over the past 40 years was driven by the migration of farmers into cities. That urbanization process is now slowing as relatively few young people remain in rural china. The number of migrant workers living outside their home provide rose by 12m in the five years to June this year, compared with an increase of 26m in the five years ending June 2012, ...
- Despite major concerns about Chinese corporate debt, household borrowing remains low by international standards at 37% of GDP, compared with 79% in the US and 59% in the euro area
- And Chinese homebuyers use less debt and more equity than counterparts in the US. The average downpayment on Chinese home mortgages extended in 2016 was 40%

Money-market funds lift repo deals – Pg. 18

- The volume of US repo trades reported between money-market funds and the primary clearing house for such financing transactions has climbed significantly since the Fixed Income Clearing Corp expanded the scope of its services
- The uptick in volumes underscores money-market funds' importance in the transmission of interest rates throughout markets. Those funds are also counterparties for the Federal Reserve in its reverse repurchase agreement facility, which was introduced in the US as a mechanism to stabilize interest rates after the financial crisis

Answer: (1) Higher processing costs, (2) More paperwork, (3) Longer wait for mortgage approval, (4) Harder to find a property, (5) Less affordable homes, (6) Fewer loans, (7) Higher credit scores required, (8) Stricter lending rules, (9) Fewer loan products, (10) Tougher low down payment rules

19 October 2017

Question: According to MSN Money, what are three ways to make one's social security benefits bigger?

Mnuchin warns of fall in equities without tax revamp – Pg. 4

- US equities would "go up higher" if the reform plans, which include a reduction in the corporate tax rate, were passed

- US equity markets have enjoyed a strong run since Donald Trump was elected president in 2016. The benchmark S&P 500 index has rallied by more than a fifth including the reinvestment of dividends since his victory, and the broad market opened in record territory yesterday
- Already US government debt held by the public is forecast by CBO to rise \$15tn at the end of 2017 to \$26tn by 2017, or 91% of GDP, the highest since 1947

End of the crisis-era growth taboo at US banks – Pg. 13

- Last month the bank [Goldman] set out a plan to earn an extra \$5bn in annual revenue by 2020, including a roughly sevenfold increase in consumer loans supplied via Marcus, the new Lending-Club-like platform

Answer: (1) Delayed retirement credits, (2) Roth IRA, (3) Survivor and spousal benefits

18 October 2017

Question: According to MSN money, what are 13 dumbest things to do with your money in your 20s?

The risks of another crash course – pg. 7

- ...little compares to the events of October 19, 1987, when the US stocks fell more than 20% - their biggest-ever one-day crash – giving birth to an event known as “black Monday”
- ...US equities on an almost uninterrupted bull run for more than eight years, boosted by a flood of cheap money, the prospect of another nasty surprise lingers over the market
- Now, as then, the US is engaged in sabre-rattling with foreign foes, including Iran. Trading strategies designed to protect investors could end up exacerbating any correction, just as in 1987, while regulators could be as ill-placed to monitor risks as they were back then
- The biggest red flag is the most obvious: US stocks look historically expensive. The cyclically adjusted price-to-earnings ratio kept by Yale economics professor Robert Shiller is at levels topped only by the peaks before the dot-com bubble burst in 2000 and the Great Crash in 1929
- Black Monday was not just about valuations. It did not even start a bear market: unlike the 1929 or 2000 crashes, stocks had recovered in little over a year
- Instead, many observers saw it as an extreme technical accident. The most popular explanation hinges on “portfolio insurance”, which used sales of futures in an attempt to limit damage to investor portfolios in a sell-off
- The strategy used protean computer programmes that would automatically sell index futures when markets fell, in theory protecting a fund’s downside in return for a modest premium. When markets plummeted on October 19, the selling of more and more index futures turned a rout into carnage
- ...an increasingly popular risk management tool called “volatility control” could in theory mimic the feedback loop that portfolio insurance caused
- These funds target a specific level of volatility to maintain a constant level of risk – which is usually shorthand for how much they gyrate. If markets are rocky, they systemically sell down to slip below their target

- The other risk factor concerns the structure of the market. Today's market may be more sophisticated and automated, but like three decades ago key elements are largely untested. New categories of securities, particularly ETFs that now control more than \$4tn of assets, play an increasingly large role in trading but are yet to go through a crisis

Personal computer sales set for return to growth – Pg. 14

- The personal computer is set to stage a comeback in 2018, after the rise of smartphones sent sales of desktop and laptop computers into decline in recent years
- ...expected that global devices market would grow 2% in 2018 to 2.35bn units. That would represent the fastest rate of growth since 2015

Mexican peso's stellar rally hit by Nafta fears – Pg. 20

- After rallying for much of 2017, the peso has tumbled more than 7% against the dollar over the past month, making it the worst-performing emerging market currency over the period
- US proposals, including a "sunset" agreement that would require Nafta to be renegotiated every five years, have been greeted with alarm by Canadian and Mexican officials and viewed as unworkable by observers, raising the risk of the talks collapsing

Answer: (1) Living above your means (obvious....yet not followed by to many until it is to late), (2) Spending on the wrong things (stop the Starbucks purchases and \$3.00 cokes at restaurants...water is free), (3) Being unaware of your cash flow (I focus on cash flow daily and have a personal/corporate financial plan with significant contingencies), (4) Assuming you don't make enough money to start saving for retirement (a penny compounded is a dollar at retirement), (5) Not taking advantage of your company 401(k) match (that is free money....get with the programme!), (6) Not establishing a savings goals (better yet, target what is needed in passive income in retirement and focus on meeting this goal), (7) Feeling invincible, (8) Figuring you'll use credit cards in an emergency (I absolutely use lines of credit to absorb "shocks", e.g. July when property taxes are all due...this is the singular month when expenses exceed revenue...now you know why I am grouchy in July!), (9) Not getting a head start on investing, (10) Leaving your debt for tomorrow (run at problems...do NOT run from them), (11) Not establishing credit (be careful and use credit prudently with discipline), (12) Ignoring bills (trade credit is actually taught in business school....hmmmm...this should be revised "ignore bills but only a strategic basis." ☺), (13) Consistently buying cheap, low quality items to save short-term (hmmmm...be smart and purchase practical rather than luxury....this requires a careful balance)

17 October 2017

Question: What is the cost differential for undergraduates at George Washington University and University of Maryland (in state) per class?

Markets urged to prepare as IMF weighs exceptional Venezuela rescue – Pg. 3

- The IMF has begun preparations for a possible rescue of Venezuela that could require \$30bn or more in international help annually and come alongside one of the world's complex bond restructurings and a big test of fund rules

- Lack of foreign currency has slashed imports by 80% in five years, leaving the country teetering on the brink of default and suffering shortages of food and medicine
- Venezuela is all but shut out of international capital markets, and a controversial debt placement earlier this year with Goldman Sachs had an estimated yield of 48%. By contrast, the IMF typically lends at 2%
- IMF programmes depend on a request from a government for help
- The scale of Venezuela's needs probably also be an issue. Normally, IMF programmes across three to four years are limited to a maximum 435% of a country's quota, which in Venezuela's case would be \$23bn. Other multilateral lenders might contribute another \$2bn, and bilateral donors – from Europe and the US – might reach \$5bn. That gives a total possible multiyear package of around \$32bn
- ...Venezuela would probably need that annually. To return imports to 2015 levels of \$25bn, and so boost consumption and some rebuilding of the country's decayed capital stack, would require balance of payments support of \$22bn annually. On top of that the fiscal deficit, currently about 7% of GDP, would need to be financed. In total, Venezuela might need \$30bn a year in help
- That is far more than might be available – unless Venezuela can convince the IMF and shareholders such as the US to grant it “exceptional access”. That was the case with Greece, which got IMF credit lines worth 17 times its quota. With such treatment, Venezuela which has the world's largest energy reserves, could borrow more than \$88bn

Total return swaps ride boom in credit – Pg. 18

- Investment banks are offering new derivative products tied to the booming market for corporate credit, pushing the frontiers of a swaps market that now references some of the most complex bonds in Europe
- Total return swaps allow investors to pay a fee and in turn receive cash based on the performance of an underlying asset.
- Derivatives are an attractive way to gaining exposure to bond markets because they require less capital upfront than taking a comparable position in cash markets. A total return swap also allows traders to hedge against or bet on a potential collapse in a particular market

Answer: \$5,000/class at GWU vs \$1,500 at UMD. GWU students better be getting 3X the education, right?! (Prof Note: I am a two-time graduate of GWU so no criticism please 😊)

Travel Story: Just completed my quickest trip EVER to China, departed Monday and returned Friday. Of course when I tried to return from Changchun Air China had no record of my arrival and had my ticket listed as a “no show”. It is a very interesting conversation to have when an individual is in disbelief that you are in the country while standing before them. While it is not likely I will ever use CheapOAir.com again, I will say the customer service I received was tremendous and they were able to resolve everything. I will only be traveling international on a single-carrier (whenever possible) and booking the flights directly through the carrier.

16 October 2017

Question: What percentage of the population are covered with long-term care policies?

US lenders tighten checks after Equifax breach – Pg. 16

- US banks are stepping up anti-fraud controls after the data breach at credit checking group Equifax put about half the country's population at risk of identity theft
- ...identity fraud, a problem that already costs an estimated \$16bn a year in the US
- Hackers stole records on as many as 146m Americans, including personal details such as social security numbers that consumer finance companies typically use to verify customers
- Companies that provide alternative authentication technology said banks were taking more interest as a direct result of the Equifax breach
- Banks are starting to gather more sophisticated data on how consumers interact with their devices – typing speed, force or accuracy, for example – to learn user behavior and spot fraudsters
- Identify fraudsters stole \$16bn from 15.4m victims in the US last year, \$2m more than 2015, ...

Answer: 8.00%

14 October 2017

Question: Does Medicaid pay for long-term care costs like nursing-home admission?

Amazon's 'shock' over harassment claim defies belief – Pg. 11

- Late on Thursday, Amazon suspended Roy Price, the head of its entertainment studio, after an executive producer went public with claims that he made lewd comments to her during a taxi ride and at a company party (Prof Note: Stop attending company functions where alcohol is served! In a former life I was head of HR for a mid-sized company. Most issues occurred at after-hours events with alcohol...hence why I NEVER attended!)
- Smart human resources departments would do well to check their files. It is time to make sure that past investigations can stand up to re-examination in the much colder light of the 2017 day (Prof Note: Remember that the goal of HR is NOT to protect the individual employee but to protect the corporation. Everyone should just wear a permanent bodycam....that way the truth, unedited will be understood.)

Signs of euphoria haunt bull run – Pg. 13

- Euphoria is said to be the terminal stage of ageing bull market
- ...S&P 500's return of nearly 16% this year...storming past the previous record run in 1995
- But the 2017 really is a global phenomenon, with Europe, Japan and the developing world also notching up long and strong runs, buoyed by evidence of synchronized global economic growth
- ...budding confidence may counter-intuitively indicate that the long post-crisis stock market recovery is becoming primed for a reversal

- Low rates muddy the picture for those who argue shares are today egregiously expensive or, on the other hand, still reasonably valued
- The S&P 500 currently trades on a price-to-free cash flow multiple – excluding financial groups that skew this measurement – of 24X, or the highest on the basis since 2006
- Some investors, such as Warren Buffett, have pointed out that today's valuations compared to the past must be weighted against the interest rates at the time. In 2006 the 10-year Treasury yield sat at more than 5%, compared to just two today

Answer: Yes but only those under a certain level of personal wealth (Prof Note: You spend the first half of life building wealth, then the second half shifting assets (legally) to ensure one dies broke and qualifies for Medicaid.)

13 October 2017

Question: What does a private room in a nursing home average?

US demands China loan rethink as condition of World Bank cash – Pg. 1

- The Trump administration is holding out against a capital increase for the World Bank until it overhauls its lending to China and other middle income countries, creating a new source of tension between Washington and Beijing (Prof Note: I am just returned from Changchun where I spoke to ICBC. One of my comments was that the U.S. and China were in a marriage without the option of divorce. Think about what happens when one pokes their spouse?!)
 - ...White House...wanted the World Bank to examine its own balance sheet first and in particular its lending to China, currently the bank's biggest borrower (Prof Note: Is China not the largest foreign lender to the U.S.? Hmmmmm....)
- The US yesterday said it was pulling out of Unesco, the UN cultural body.
- The US has been tussling with China for the past few years over control of international institutions such as the World Bank, with Beijing opting to set up alternatives bodies, including the Asian Infrastructure Investment Bank (Prof Note: Who do you really think would win in combat between a Panda and an Eagle?!)

The 30-second ad has had its 15 minutes of fame – Pg. 14

- The 30-second television ad has been dethroned. As US TV networks face digital competition for marketing dollars and viewers' attention, they are selling shorter ads (Prof Note: I cancelled all my cable subscriptions two weeks ago. I am now 100.0% internet with NO cable)
- TV ads have shrunk over the decades: the 60-second format standard in the early days of TV advertising gave way to lower-cost 30-second slots in the 1970s. Fifteen-second ads emerged in the 1980s, as marketers again looked for cheaper options
- (Prof Note: I must say that I do enjoy the targeted marketing. I do one google search and then get all the ads for what I need. Of course, I would like an "off" button when I have purchased the product)

Answer: \$267/day or \$8,121/month

12 October 2017

Question: What are the reasons, as listed by MSN Money, that NFL players go broke?

IMF warns of \$135tn debt recovery to recovery – Pg. 2

- ...\$135tn debt pile in Group of 20 nations that companies and consumers are already struggling to service
- ...they could lead to a crisis that, were equity prices to tumble 15% and home prices to fall 9%, would cut 1.7% off global output
- The US, where the Federal Reserve has ended quantitative easing and is further along the path to normalizing monetary policy, would probably be hit less hard than Europe and emerging markets, which would now see \$100bn in capital outflows
- The IMF found cause to worry in the growing non-financial sector debt in G20 economies, which last year reached \$135tn, or about 235% of aggregate annual economic output
- The US and China each accounted for about a third of the \$80tn increase in debt since 2006, ...
- But in most G20 countries, companies and households had loaded up on so much debt that the debt service ratios – a measure of affordability – had increased, pointing to greater financial stress
- Also of concern were elevated asset prices in financial markets and what the IMF called a “widening divergence between financial and economic cycles” that would further complicate efforts to normalize monetary policy
- The world’s 30 biggest, systemically important, banks hold more than \$47tn in assets, or more than a third of total assets and loans held by banks worldwide
- But about half of the world’s big banks generate return on equity below 8%, the line which the IMF argues banks need to hit to have a sustainable business
- Moreover, big banks holding about \$17tn in assets were expected to generate unsustainable returns in 2019, ...
- Low interest rates, ...had forced insurance companies to bet on riskier and more illiquid assets to find returns, creating another area of potential vulnerability

IMF meetings – Pg. 7

- Central bankers usurped the titans of Wall Street as masters of the universe almost a decade ago. (Prof Note: Really? Not by the size of annual compensation?!)
- They rescued the global economy from the financial crisis, flooding the world with cheap money. They used their powers effectively to get banks lending again. Their actions raised asset prices, keeping business and consumer confidence up. Financial markets hang on their words. But never have they been so vulnerable (Prof Note: Not the titans of Wall Street, they seem to be immortal!)
- In short, the new masters of the universe might not understand what makes a modern economy tick and their well-intentioned actions could prove harmful (Prof Note: One thing I have learned, everything reverts to the mean...EVERYTHING!)

- The root of the current insecurity around monetary policy is that in advanced economies – from Japan to the US – inflation is not behaving in the way economic models predicted
- Deflation failed to materialize in the depths of the great recession of 2008-09 and now that the global economy is enjoying its broadest and strongest upswing since 2010, inflationary pressures are largely absent
- In the model, the most important factors that explain price movements are therefore the degree to which the economy has room to grow without inflation, termed “slack” or “the output gap”, and the public’s inflation expectations
- The role of central banks in the model is to set the short-term interest rate. If a central bank sets its official interest rates low, people and companies will be encouraged to borrow more to spend and invest and discouraged from saving, boosting the economy in the short term. Higher interest rates cool demand
- The BoJ, meanwhile, frets that companies are cutting employees’ hours and raising productivity rather than paying more, which is hampering its ability to push up inflation despite extremely low unemployment
- The Fed’s central estimates of the real neutral interest rate has declined nearly two-thirds in five years, from 2% to 0.75%
- Whether it is because ageing populations want to save more or because of global “savings glut”, as former Fed chair Ben Bernanke said, low rates no longer have the same impact, limiting the effectiveness of the medicine central banks want to administer

Answer: (1) They enable instead of help (Prof Note: my own mother managers money horribly. I work VERY hard at helping and not enabling. I still remember one month offering her town cars to take her to medical appointments refusing to provide cash. I was helping (and making a point) rather than enabling. (2) They spend too much (Prof Note: Just this evening I saved \$3.00 having ice water rather than ice tea. I am just back from China where I traveled in cattle class. I have mapped out the cheapest gas stations in DC, MD and VA.)

11 October 2017

Question: According to Sports Illustrated, what percentage of former NFL players end up broke or under financial stress after they retire?

Childhood obesity increases tenfold during past 40 years – Pg. 2

- The number of obese children and teenagers worldwide has risen tenfold over the past 40 years and is about to overtake the number who are underweight,
- ...from 75 – 2016...over this period the number of obese girls, aged five to 19, rose from 5m to 50m, while the total for boys increased from 6m to 74m. The definition of child obesity is relative and depends on age, with obese children exceeding the healthy standard by twice the amount that weight normally varies around the average
- Among wealthy countries the US has the highest obesity rates for girls and boys of about 20%. Levels in most of western Europe are in the 7 to 10% range
- More than 20 countries have introduced sugary drink taxes...

- Eventually, in high income countries, a strong inverse correlation emerges between wealth and obesity, ...
- (Prof Note: As someone that carries too much weight I feel comfortable commenting on this. Speaking ONLY for myself, my weight is 100.0% determined by what my father classified as “hand-to-mouth”. When I want to lose weight it is a conscious decision and it happens. It is also finding physical activities to enjoy that are physical. As I age I find I love being in the fields, driving the tractor, and “growing” things. (researching ability to grow marijuana in Maryland...not because I have ever taken a puff as I have not but because I think it would be “cool” to be a legal marijuana grower). My personal belief which continues to mature, find activities for children that are active and fun. Facebook and video games are the death of a trim waist. This is just my opinion and I state it from someone carrying extra pounds that has no medical or psychological issues which are causing the issues. Mine are 100.0% self-driven. (I write this as I get up to grab an apple with a jar of peanut butter...like bacon, peanut butter makes everything better! This article has made me hungry! ☺))

IMF upbeat as global economy surges – Pg. 4

- The world economy is enjoying its most widespread and fastest growth spurt since a temporary rebound from the global recession in 2010, ...
- ...the fund added that the unexpectedly good news had further to run in 2018, a higher investment was also beginning to improve the longer-term economic prognosis
- The last time the global economy grew so fast was in 2010 in a temporary recovery from the 2008-09 financial crisis, so this year’s performance was significantly stronger, ...
- The IMF estimates that the world economy will expand 3.6% in 2017, from 3.2% recorded last years, and is likely to grow 3.7% in 2018 (Prof Note: Let us break this down...one purchases \$1,000,000 home 1 January and 31 December 2018 it is \$1,036,000. Excluding carry costs, taxes, etc, and assuming an 80/20 loan structure that is an 18% return on a leveraged basis...WHOA MAMA!!!...the power of leverage!!!)
- China’s economy is also performing better than expected on the back of easy credit and copious public investment
- The most significant upgrades to the forecast were the Eurozone, which is accelerating strongly as confidence has improved and credit supply has returned to normal

The Fed treads a fine line on tightening – Pg. 9

- Is a surge in inflation a significant threat to sustained recovery? The likely answer is: no. But the proposition is no longer absurd...
- If inflation rose really rapidly, monetary policy would have to tighten significantly. That would trigger fears of a recession. Moreover, even if long-term real interest rates did not rise, risk premia on inflation, expected future short-term interest rates and the uncertainty surrounding those expected future rates would jump, raising yields on conventional bonds substantially
- One might even see a return to stagflation of the 1970s, with far lower inflation, but also far higher indebtedness

- The US is still the world's most important economy and the Fed the most important central bank. The US is also far more advanced in its return to normal economic conditions than other large, high-income economies
- The starting point is a puzzle: why is inflation so low when the rate of unemployment is already a little below the level the Fed (and most economists) consider to be "full employment" (the rate at which inflation should start to accelerate upwards). The Fed's analysis suggests that labour market slack is no longer an important downward factor, while a series of temporary downward shocks are also now in the past. So, the Fed believes, inflation will soon move back towards its target
- The ratio of employment to population for those aged 25 to 54 is still well below previous cyclical peaks. The rate of part-time employment is also somewhat elevated
- Another factor is inflation expectations. This cuts two ways. At the moment those expectations are well anchored, the only big worry being a decline in market expectations of inflation (or inflation risk) more than five years hence. Such expectations might feed into behavior, generating a self-fulfilling prophecy of low inflation

Trump warning sparks flight from muni bonds – Pg. 18

- High-yield municipal bonds, a designation from the rating agencies that reflects the higher-risk of owning securities, slipped 0.3% in the days since Mr Trump's comments
- What Mr Trump has underlined for many investors is the new reality in municipal bankruptcy since Detroit filed for protection from its creditors in 2013
- Puerto Rico has long been scrutinized by investors in other muni bond sectors. The indebted and now insolvent territory has been unable to tap investors for cash since its last bond sale in 2014
- ...Congress passed rescue legislation in 2016 to give Puerto Rico the ability to restructure its debts through a court process, it was not extended to US states
- There is little case law that would set precedent should a US state default
- Many experts look back to Arkansas, which defaulted after the Great Depression
- The constitutional questions for a law that allowed a state to restructure its debts come down, in part, to the sovereignty its debts come down, in part, to the sovereignty that states enjoy from the federal government

Answer: 78% (Prof Note: I had not briefly as a client. What a joke! Do not hire family and friends, hire professionals that are educated in finance and it is imperative that one understands their own portfolio. This "joker" at one point was swimming in cash but "moves" like selling their \$150k Porsche to the brother-in-law for \$35k does not build wealth.)

10 October 2017

Question: What are three tips, as provided by MSN Money, to help prepare someone for a recession?

Facebook – Pg. 8

- But Russia's weaponisation of Facebook to influence last year's US election has raised grave questions about whether Mark Zuckerberg's product is spinning out of control

- A 13-year-old company that began as a small online playground for college kids to snoop on crushes, today Facebook has more than 180m users in the US and Canada, a market value of more than \$500bn and is a source of news for almost half of US Adults (Prof Note: I have NO Facebook account and Cat Ghaut's page has five friends!)
- Its self-service platform lets anyone with a credit card buy ads without the need for direct contact with a Facebook employee
- The Russian-bought Facebook ads cost \$100,000 and reached 10m Americans, targeting swing states with propaganda on everything from race to guns to gay rights
- The clearest proposal of how Congress might regulate Facebook...propose that platforms with a million or more users be required to maintain a public file of all election ads purchased by anyone spending more than \$10,000
- Facebook generated revenue of \$26.9bn last year...estimates the social network received about \$400m in sales from political campaigns in the year of the US election
- (Prof Note: personally I think the solution is a better educated populous! Personal research and understanding are critical. What does it say about "us" as a society if we are swayed by advertisements?!)

Investors primed for blow to earnings – Pg. 20

- US earnings growth slowed dramatically in the third quarter from a breakneck pace in the first half, ...with some companies having felt pressure from hurricanes that battered Texas, Florida and Puerto Rico
- Wall street analysts are forecasting an increase of just 2.8% in earnings per share for the three months ended September 30 from the same period a year ago,...
- Growth has slowed in the quarter after results for energy companies were flattered in the first half by a weak showing in the year ago period when oil prices fell sharply
- The financial sector, where earnings season is expected to begin in earnest this week, is expected to report a 7.8% decline, dragged down by insurers
- Overall earnings for insurers in the S&P 500 are seen contracting by more than half versus a year ago
- Sluggish loan growth is likely to weigh on results, too, especially if banks are dependent on demand from corporates. At BB&T, based in Winston-Salem, NC, management expects total loans to fall, on a sequential basis, for the second time in the past three quarters (Prof Note: This is BS! BB&T turned me down for two loans....a quick call to XXX and Staiger Enterprises is back in acquisition mode! Hello BB&T, you have to write loans for them to prevent sluggish growth. Oh, and YOUR risk position is the same had you written the loan as XXX ONLY you now will NOT receive the fee. Hmmm...are you better off?!)

Answer: 1) Do a salary assessment. 2) Create a business plan for your job. 3) Invest some time on your career strategy.

9 October 2017

Aging: (Provided with permission from the author; in response to the previous comments) And ask your parents for copy of their medical directive! It is a must to understand their wishes when your parents are unable to speak for themselves in medical crisis. Thank you for starting this conversation as

I'm in the middle of this now with parents. Unfortunately, most times the process of death is long and drawn out and extremely hard on the caregiver or family member(s) who have to figure out what to do. Highly recommend the book "Being Mortal" by Antal Garawande

Question: According to MSN Money, what are twelve ways you are sabotaging your chances to become wealthy?

Schauble says debt and liquidity levels endanger global economy – Pg. 1

- Wolfgang Schauble has warned that spiraling levels of global debt and liquidity present a major risk to the world economy, ...
- ...danger of “new bubbles” forming due to the trillions of dollars that central banks had pumped into markets

Weak productivity hampers global recovery – Pg. 3

- The global economy is experiencing its broadest and strongest upturn for more than five years, but that improvement is being undermined by weak productivity growth
- But with global growth rates well below those before the financial crisis that began a decade ago, the results echo concerns that further economic reforms are needed to maintain growth rates and stave off another downturn

Puerto Rico – Pg. 7

- The departures have left fewer people to shoulder Puerto Rico’s debt and pension obligations for more than \$120bn. Ultimately, they could help push the island into insolvency
- ...the island, part of the US since 1898, could need between \$50bn and \$60bn to rebuild
- Tourism, which accounts for more than 5% of the economy, is at a standstill and affected workers will have little alternative but to seek employment off the island – at least in the short term (Prof Note: I still have heard nothing regarding my property in Fajardo! With certainty there is work as I will rebuild!)
- Puerto Rico borrowed heavily after 2006 in a bid to stimulate growth following the phasing out of federal tax cuts that had attracted multinationals like Merck and Pfizer to the island
- Alongside the borrowings from the electric and water utilities, creditors pumped money into two financial vehicles that Puerto Rico had relied on to close yawning budget gaps each year. The first – general obligation bonds – are backed by the Puerto Rican constitution. Within the \$3.8tn US municipal bond market, this type of debt is seen as among the safest a city or state can issue
- Territories like Puerto Rico do not have access to bankruptcy protection like US cities and public corporations. The legislation, known as Promesa, was crafted to allow the island to cut its obligations through federal courts, as one option

Answer:

1. You’re waiting to start saving (Agreed, start saving for your child at conception!)

2. You can't save much so you don't save at all (Agreed, \$100 saved today is roughly \$900 in purchasing power after 45 years)
3. You stop and start your saving (Pay yourself first! Baring medical emergencies, SAVE)
4. You use your 401(k) like a piggy bank (Agree for most part...can be useful in some cases, e.g. medical expenses)
5. You're looking for a way to get rich quick (Agreed, my friend and peer told me once, "Get rich slowly." I agree with Peter!)
6. You're trying to time the market (Actually I work at timing the market in real estate. I look for purchases fourth quarter and beginning of first. Just be certain you understand what you are doing and can afford a mistake.)
7. You let your emotions dictate money decisions (analysis, Analysis, ANALYSIS....)
8. You don't manage risk properly (If you cannot write the equations for risk, you clearly cannot manage it properly. Staiger Rule #1 (also an interview question))
9. You undervalue your worth (Believe in yourself, if you do not, others will not)
10. You focus on the wrong expenses (Cut the expenses...consumption is the enemy of wealth. I now drink water at restaurants as I am NOT paying \$3 for ice tea. Everything helps!)
11. You're already living like you're wealthy (Fight the urge to spend! Get smart! Why go to expensive restaurants and make others wealthy?!)
12. You expect to always be poor (this is defeatist...believe in yourself!)

7 October 2017

Question: According to an article on MSN Money, what are three types of employees at risk during a recession?

Business turns on Trump over revising Nafta – Pg. 1

- The most powerful US corporate lobby has launched a broadside against Donald Trump over his stance on renegotiating the North American Free Trade Agreement
- ...US proposals appeared designed to sabotage the Nafta negotiations and lay the groundwork for a withdrawal by the US that would be catastrophic for its economy
- The move came as the US prepared to propose a controversial rule change during next week's fourth round of negotiations in Washington that would require at least 50% of the parts in cars made in North America to come from the US to qualify for Nafta's tariff-free benefits
- That proposal sits alongside a growing list of US ideas that have drawn concern from a private sector increasingly allied with Canada and Mexico rather than the White House over Nafta, which covers more than a quarter of global economic output
- US proposals include a five-year sunset clause on the deal, ending or making optional Nafta dispute settlement provisions, and stricter "Buy American" provisions for government procurement

Hurricanes put US hiring streak on hold – Pg. 4

- Twin hurricanes strikes on Texas and Florida ended a multiyear period of uninterrupted employment growth last month, but details in the latest US jobs report suggested the setback is likely to be temporary
- Non-farm payroll employment slid by 33,000 on the month...the first negative monthly reading since the start of the decade
- Unemployment dropped to 4.2%, a 0.2% reduction, with statisticians reporting that the storms had “no discernible effect” on the national jobless rate
- ...wage growth accelerated sharply to 2.9%, the fastest pace since mid-2009, ...labour force participation rate, which measures those in and seeking work, rose to 63.1%, the highest since 2014
- The implied probability of a rise in December climbed as high as 98% after the report, before slipping to 93%, ...
- The hurricanes affected more than 10% of the population, and caused more than \$100bn in damage...

The business school tradition feels like an outdated Grand Tour – Pg. 9

- More than 11m people this year will apply for places at business schools
- King’s College London will open its business school next month without offering an MBA programme, for decades the gold standard of general management education
- Last year, I went to my 10-year Harvard Business School reunion....yet the luring question was what had Harvard [the success of peers] had to do with it? These were all highly motivated, well-educated people. If HBS did not exist, their lies would probably be no different. By the time they got to Harvard, they were 99% of the way there. HBS kicked them into the upper reaches of the 1%
- ...he says that entrepreneurs learn by doing, while MBAs fail by over-thinking
- He describes the “marshmallow challenge” set by Peter Skillman, a former head of design at the Smartphone company Palm. A team of four or five people is asked to build the tallest possible structure using 20 stands of dry spaghetti, a roll of tape, a ball of string and a marshmallow, in 18 minutes. Mr Skillman found the most successful were children just out of kindergarten. They immediately began building, and if their tower collapsed, they would build again. The worst were recent MBA graduates. They would start by arguing about who had the most expertise, then sketch blueprints and make calculations before constructing a tower. If it collapsed, they had not time left to start over (Prof Note: I am familiar with these challenges and liken them to investing. It is easy to start building when there is no consequence, i.e. one is not investing their own money. Hence why Fund Managers, PE Investors, Developers can make so much money, they are investing, largely, other peoples money. This test is fails to test efficiency but is all about return. There is no risk, other than not winning, for failure. Make the time frame 24 hours and have failure cost each of the participants \$5,000 and let us see who is the winner?!)
 - (Prof Note: As an earner of an MBA and lecturer, I will absolutely state I think MBA has lost its way. A greater focus on hard skills, e.g. finance, operations, statistics, is needed and less focus on ethics and communications as, in my opinion, these should be skills already possessed or will possess in business)

Fed chair nerves leave dollar in limbo – Pg. 13

- New Fed chairs come around infrequently. Ms Yellen is only the ninth since the end of second world war. The prospect of a change, along with three other vacancies on the Fed Board, leaves much of the market in a state of limbo
- Low expectations are now ingrained. There is an expectation that the Fed will hike rates in December, but little about further rises next year, as investors and the Fed fret about the slow pace of inflation
- While the choice of Fed chair is important, there are other influences on the dollar, namely prospect of other central banks tightening policy, therefore closing the interest rate advantage held by the US and holding back the dollar
- And do not rule out the dollar's protective power. In times of crisis, the dollar is the currency of choice

Answer: (1) You're a manager with several people reporting to you, making six figures. The company looks at the workload and realizes if they let you go and have your employees report to your boss, they can save money. **(2)** You're an entry-level worker responsible for some tasks that have no direct impact on sales or customer satisfaction. Your job could be viewed as non-essential to the business and worth eliminating to cut costs. **(3)** You have a job that is important, and there are several people in a similar role at the company. But you've been there a long time and have collected multiple raises that now put you at the top of the pay scale for your skill set. In a recession, your tenure means nothing. If the company can keep someone at half the price, or outsource the jobs to save money, then it makes financial sense to let you go. (Prof Note: Start building side businesses IMMEDIATELY! Always have a side hustle. What I find critically important about this third point, it basically says, if you have worked hard, performed for the company and the company has rewarded you, you are at risk as you have done to good a job and your salary is to high!)

6 October 2017

Aging: The below is an email to me which is being provided to everyone with permission from the author. I implore everyone to take end-of-life seriously.

Today's "Aging" email reminded me that I wanted to reach out to you and thank you for being part of the impetus for my having this discussion with my parents. After reading your email, I resolved to sit down with my parents and sibling and discuss what my parents would want, need, be able to afford, etc. should a health situation arise for either of them. My parents are in relatively good health, but are both 65+, and my father has had several brushes with cancer. So, my brother, my parents, and I are all sitting down for talk and strategy session in a few weeks. It was not an easy thing to bring up to my parents because there's really no fun way to start a conversation..."Hey, Dad, in case things go *real* south with your health, what do you and Mom want? What can you afford?" but I told my father that I'd rather have these discussions now, as a family, than have to make decisions in the midst of a crisis when someone may or may not be in a hospital bed. I've requested that they also let us (my brother and I) know where all of the important documents (will, POAs, LTC and other insurance, etc.) are kept so that

we can access them if/when necessary. I don't want to have this conversation but I've watched enough friends deal with sudden health issues of aging parents to know that being prepared for the eventuality is better than the alternative.

In short, to today's email writer, tell him to force his son to have this conversation. Frame it as a far-off eventuality if necessary (and serve refreshments because food makes everyone happy). But my guess is that his son has thought about it and may be struggling with how to bring up his parents' mortality and end-of-life planning. My parents are planners but it will all be for naught if they don't communicate those plans to us.

Question: What is the percentage of civilian-owned guns around the world that are in the US, which accounts for 4% of the global population?

Wall Street welcomes Quarles' confirmation as Fed supervisory chief – Pg. 4

- The biggest US banks have a new watchdog with a deregulatory bent after the Senate confirmed Randal Quarles as the Federal Reserve's supervisory chief, the first Trump appointee to be installed at the US central bank
- The senior White House official said the Trump administration had an "unprecedented" opportunity to reshape the Fed as five of the seven governors' posts had been open or were due to come open in the first 18 months of Mr Trump's presidency

US tax reforms risk crimping bond supply – Pg. 22

- The prospects of substantial US tax reform may be uncertain as Congress and the White House start the lengthy process of negotiations, but the increased chance of it happening matters if you are a multinational company with piles of cash parked offshore
- ...the possibility that Congress may pass legislation that allows the money to be brought back to the US with a much smaller tax levy gives them an incentive to sell shorter-dated bonds
- Although plans for tax reform have languished for much of the year, investors are now anticipating diminishing supply of new paper and a further narrowing in the premium investors' demand to own US corporate bonds instead of Treasuries
- A significant attraction for US companies to sell debt is the ability to deduct interest expenses from their taxable income, which is subject to a 35% levy. Taking away or at least scaling back this benefit – as proposed by the US administration – would undercut the appeal of selling debt,...
- But that also means companies will issue fewer bonds...even if net interest deductibility proposals fail to become a reality, simply lowering the corporate tax rate will also make issuing debt less attractive,
- A package of tax reform is not without potential stings for the corporate bond market. There will be further pressure on bond prices should any eventual tax deal lead to a shortfall in revenue and force the US Treasury to borrow more

Answer: 42%

5 October 2017

Aging: With permission, an email I received from a list-serve participant that is 70+ years of age. This is provided for perspective.

Our health can change in a moment, as we all know. We talk about this, and know where we want to go when we can no longer manage on our own, know where the long-term care would be, have long-term care insurance (expensive and getting more so), and have generally taken care of these issues (and are likely to have sufficient funds for all this, insha'allah). But we have not had these conversations with our son or daughter-in-law as they are in midst of their lives in their 40's. What they want from us is to be healthy and happy, both because they care for us and also, unspoken, so we are not something they have to manage or worry about. I think our son is reluctant to consider that we may age and die.

What is my advice here? Don't leave it to your kids to take care of you, do it yourself. Follow all the advice you have been providing. Plan, prepare, save when you are younger. And when and if you have the privilege of reaching your 70's and 80's, enjoy them whatever the circumstances you wind up in. We live in a culture where family is not what it used to be, and one of the downsides of our independence-oriented culture is that, to a great extent, we are on our own, God help us.

Question: What percentage of Americans say they have \$0.00 saved?

Trump remarks on Puerto Rico send \$74bn of bonds into tailspin – Pg. 1

- Donald Trump, US president, sent Puerto Rico's \$74bn of outstanding bonds plunging yesterday after he said "you can say goodbye" to the US territory's debt in the wake of the devastation caused there by Hurricane Maria
- Mr Trump said in an interview with Fox News on Tuesday that Puerto Rico owed "a lot of money" to Wall Street and "we're going to have to wipe that out"
- The price of general obligation bonds, which are supposed to be backed by the Puerto Rican constitution, plummeted as much as 31%, taking their losses since the day before Maria made landfall to nearly 50%, a...
- Puerto Rico filed for the equivalent of bankruptcy earlier this year, under the weight of more than \$120bn of bond and pension obligations and having been in near-constant recession since 2006. The control board had said that the island could pay bondholders only about a quarter of what they were owed over the next 10 years, before the hurricane hit

ECB presses lenders to tackle bad debt burden – Pg. 4

- The ECB has launched a fresh push to force banks to tackle losses from loans that have gone sour, in an effort to stamp out one of the biggest problems in the region's financial system
- A rule change put forward by the ECB will force banks to post collateral against all of any loan that becomes non-performing, making it more expensive for lenders to hold bad debt. Higher collateral requirements raise the cost of funding for lenders and remove a potential source of revenue
- The rules would apply to loans declared non-performing – where borrowers had missed several repayments – after January 2018, and not to the large stock of non-performing loans that are a legacy of the region's financial and economic troubles

- At the moment banks are required only to provision prudently against old loans that have gone sour, with no specific guidelines on timing or the degree of coverage. Some banks meet the proposed requirement of 100% coverage for their existing loans but many fall short
- Loans become sour once a payment becomes 90 days overdue, according to the European Banking Authority

India's central bank rebuffs pressure to cut interest rates – Pg. 6

- India's central bank has resisted calls to cut interest rates, holding its benchmark rate steady at 6% yesterday, despite a sharp slowdown in the country's economic growth
- The government says the recent sharp slowdown was a temporary wobble, caused by short-term difficulties in the transition to a long-awaited new value added tax system: the goods and services tax
- The central bank also cited rising inflation, which surged by 2% in the last two months to a five-month high of 3.35% in August

Yellen deserves a second term at the Fed's helm – Pg. 12

- Apart from reappointing her, other options include selecting Kevin Warsh, a member of the Fed's board from 2006 to 2011, Gary Cohn, the White House chief economic adviser, Jerome Powell, a current Fed governor, and Roger Staiger, Philanthropist and Author.
- True, her term has not been perfect: in particular, the Fed's open market committee has been too keen to raise interest rates in the absence of overt inflationary pressure
- Her tenure has marked a continuity of analysis and approach with that of her predecessor, Ben Bernanke
- During his time on the Fed's board, Mr Warsh was systemically wrong about inflation, which he kept mistakenly believing was a serious threat
- Mr Cohn and Mr Powell have both argued for rolling back some of the Dodd-Frank regulation put in place after the financial crisis, specifically rules that they say constrain bank lending
- Finally, the credibility of the institution itself needs to be defended. Any appointment apart from Ms Yellen or Mr Staiger, and particularly that of Mr Cohn, would raise questions about the independence of the central bank
- It may go against his personal instincts, but Mr Trump should follow suit and give Ms Yellen another term (Prof Note: I have yet to hear/confirm that Ms Yellen wants a second term. Honestly, if I here I would pass and enjoy my "golden years". In this case, only one is left remaining as a credible choice...Mr Staiger)

Cost of debt default protection plunges – Pg. 22

- The cost of protecting against default by the highest-rated US companies has dropped to a 10-year low, as expectations of tax cuts boosted investors' confidence in corporate America's ability to pay its debts
- Corporate bond spreads, another measure of investor perception of credit risk, have also declined

Answer: 40%! Up from 34% last year

4 October 2017

Question: What percentage of Americans say they have \$1,000 in savings?

Fidelity to link fees to performance as fund managers feel the pressure – Pg. 1

- It plans to reduce the annual management fee and introduce a variable management fee linked to fund performance, although it did not provide details
- Fidelity's move comes at a time when active fund managers are under intense pressure from the rise of low-cost index funds. Passive funds grew 4.5X faster than the active management industry last year,...
- Last year, research by S&P Dow Jones, the index provider, found that almost all actively managed US, global and emerging market funds had failed to beat the market since 2006
- Investors will pay the additional variable fee only if a fund beats its benchmark index. Management said, however, that the additional fee could be levied even if a fund lost money – so long as it outperformed the benchmark

US cash-machine fees soar to record levels – Pg. 16

- Fees for using an out-of-network ATM have leapt more than 50% in the US over the past decade, ...as banks go all out to offset the profit-sapping effects of low interest rates and patchy demand for loans
- Banks of all sizes have struggled to hit targets for returns to shareholders in the years since the financial crisis, squeezed by tighter regulation and higher capital levels
- Just five of the 14-retail-focused banks with more than \$100bn in assets have achieved an average return on equity in double digits, over the past five years
- The average total fee for making a cash withdrawal at an out-of-network machineis now a record \$4.69.... (Prof Note: ??? What??? If I receive \$1.00 in fee from my bank I erupt...literally. I still track every expense to the penny. Hold yourself accountable and force banks to (this is a novel ideal) be banks and not fee generating machines! Fees are theft!)
- Despite the extra scrutiny, banks have ploughed ahead with surcharges. In 1998, 68% of ATMs imposed penalty fees on non-customers,by 2014, the figure was 100%

Answer: 60%

3 October 2017

Question: What percentage of Americans now have at least \$1,000 or more set aside?

Scientists who unwound the workings of human body clock win Nobel Prize – Pg. 1

- ...discovering the molecular workings of the “body clock” in humans and animals that synchronizes with the Earth's cycle through night and day

- The body clock works in essentially the same way across the animal kingdom, from insects to mammals. Plants too have a similar timekeeping system
- The fundamental discovery of three laureates was that a pair of genes called “period” and “timeless” set up a feedback loop, in which their activity is inhibited as their protein products build up. The result is a biochemical oscillation over a 24-hour cycle – a body clock that is then regulated by external clues such as light and darkness

Gerrymander case poised to redraw US political map – Pg. 2

- The US Supreme Court will today consider whether redrawing electoral boundaries for partisan purposes is unconstitutional – a deliberation that could lead to dramatic changes to the country’s political map
- ...challenges the constitutionality of a 2011 redistricting of Wisconsin
- The district court found the state legislature’s Republican leadership had hired a private law firm during the redistricting process. It ran computer simulations to find out which version of the state’s electoral map would allow Republicans to capture the highest number of state legislature seats with the lowest number of votes. The district court deemed this unconstitutional
- After the 2012 elections, Democrats ended up with just 38 seats in the 99-seat state assembly despite receiving 51.4% of the state’s vote
- A victory for the Wisconsin plaintiffs would have long-term implications for the country’s electoral maps, with many states looking to redraw districts ahead of the 2020 elections...

Abu Dhabi and Jordan sell dollar debt – Pg. 20

- ...launched 30-year dollar debt sales yesterday, become the latest Middle Eastern issuers to tap strong investor demand for a region that has borrowed record amounts of international markets this year
- Debt issuance from Middle Eastern countries has reached a record high in 2017 with \$48bn of sales so far – not including this week’s business....
- Saudi Arabia has increased its borrowing as a period of weaker oil prices, which has sparked an Opec production ceiling, has pressured the kingdom’s finances

US indices at fresh highs as tax and Fed speculation spur bullish mood – Pg. 21

- The dollar’s rise – it remained close to a six-week high against a basket of peers – failed to unsettle Wall Street’s bullish mood, with all of the main US equity indices reaching fresh record highs
- The euro was down 0.7% against the dollar at \$1.1734, and 0.5% weaker versus the euro at 132.26 (yen)

Answer: 43.00%

2 October 2017

Question: In 2016, what percentage of Americans said they had \$10,000 in savings?

Saudi Arabia's decision on female drivers should signal wider reform – Pg. 11

- Last month Saudi Arabia witnessed another first: families celebrating National Day together. Young people danced in the streets and music was played loudly

AIG escapes 'too big to fail' supervision – Pg. 16

- AIG is poised to save as much as \$150m in annual compliance costs after US officials released it from "too big to fail" supervision, a decision that could help the insurance company expand again after years of post-crisis shrinkage
- ...Steven Mnuchin ruled that AIG's collapse would no longer pose a threat to the financial system
- The insurer will also no longer be required to complete large acquisitions, a change that could help its recently appointed chief executive Brian Dupereault to pursue deals
- The removal of AIG from the list of "systemically important" financial institutions may ultimately prove to be more symbolic than a change that has immediately and far-reaching consequences for the company
- The AIG decision leaves the life and investment group Prudential Financial as the only remaining Sifi

Answer: 15%

30 September 2017

Question: What % of Americans say they have \$10,000 or more in savings?

Trump meeting fuels talk on Fed chair – Pg. 2

- Mr Walsh has been widely rumoured to be a leading candidate for the post. Currently at Stanford University, he enjoys good White House connections – including through his father-in-law Ronald Lauder, a friend of Mr Trump's – and has been campaigning for the job
- Other people said to be under consideration include top White House economic official Gary Cohn...
- Bond traders view a Fed led by Mr Warsh as likely to pursue a tighter monetary policy than that envisaged by Ms Yellen

Living longer is not all good news – Pg. 11

- Overall, life expectancy is still ticking up but at a much slower rate than everyone thought it would – at a time when there is no war on; no nasty new disease on the rampage; and no particular life-shortening social problem evident
- In 2016 life expectancy in the US fell for the first time since 1993 – and the rate of growth has slowed in most other developed countries. The average American woman I now forecast to only just scrape into her eighties – and her husband probably won't
- Much of the rise in life expectancy of the past 50 years has been down to environmental effects: the near eradication of real poverty in the west; the rise of universal medical treatment; antibiotics; better air quality; improved working conditions

- Our health and welfare systems were designed for a different era, and the unfunded liabilities of public and private pension funds are the kind of thing that never get addressed.
- Very few people have planned properly for their own retirements – and even if they have, extended longevity will mean that the assumptions on which they have based their calculations are entirely wrong
- Golden Years? Working years? (Prof Note: Build businesses providing passive income! This is what I preach is every single class, in some form. It actually is not as difficult or frightening if addressed head-on. Consider what you need in today's dollars and build from there. For instance, \$100,000 today purchases a \$375,000 rental unit. This rental unit will produce \$2,400 in rent less property taxes, HOA, maintenance, etc. So, lets say it produces \$1,700 net in today's dollars once paid in 30 years. So, if you need \$25,000/mo in today's dollars you need 14.7X or roughly \$1,500,000 today to leverage into rentals. Of course, well diversified portfolio will include fixed income, equities and other forms of business. The point....there is a direct correlation with waiting to invest for retirement and the likelihood one's diet will be cat food in retirement!)

Bond funds in demand despite US rate rise fears – Pg. 15

- US Treasury yields have moved higher this week, with the 10-year benchmark topping 2.3% for the first time since July. But even as yields rose, the premium investors demand to own corporate debt narrowed

Answer: 25.00%

29 September 2017

Question: According to MSN Money, what are four signs you may never retire?

Private Equity dealmaking soars to 10-year high fueled by cheap debt – Pg. 1

- Private equity transactions have hit a post-financial crisis high this year as cheap debt and record sums of ready cash lifted the value of deals to \$212bn
- Buyout values rose nearly 25% in the first nine months of the year...
- Activity in the US and Europe is at its strongest since 2007, when it reached \$525bn in the same period

US cities braced for surge of hurricane-hit Puerto Ricans – Pg. 7

- Mainland US cities with large Puerto Rican populations are warning they will need federal help to cope with an expected influx of island residents fleeing the devastation visited on the US commonwealth by Hurricane Maria
- Puerto Rico is US territory – a status that gives its residents US citizenship but no right to vote in national elections – a and large numbers of Puerto Ricans were already migrating to seek economic opportunity on the mainland
- The bulk of the Puerto Rican population lives off the island, an estimated 5m people

White House affirms promise to end hedge fund tax break – Pg. 7

- The White House vowed to push ahead with President Trump's commitment to scrap the "carried interest" tax break enjoyed by hedge fund and private equity managers as it fended off charges that its tax plan was a gift to the wealthy
- ...Mr Trump had not wavered in his determination to close a "loophole" that is worth billions of dollars to Wall Street money managers
- Carried interest is a share of investment profits paid to an investment manager
- The tax break on carried interest allows recipients to pay a lower tax rate than salaried workers and has become an emblem of wealthy privilege. Scrapping it was not mentioned in the nine-page tax plan released by the White House on Wednesday
- While its elimination would be costly for those who benefit, Democrats and some tax experts say this would be more than offset by other gains for the US's wealthiest taxpayers
- Most hedge fund and private managers are classed for taxes in the same way as "mom-and-pop" stores and other small businesses: they are treated as "pass-through" entities, where profits flow through the business to be taxed only via the owners' personal returns
- The families of the wealthy would also benefit from a proposed end to the estate tax, which Republicans have branded as a "death tax"
- The carried interest breaks lets hedge fun, venture capital and private equity managers pay a 23.8% capital gains tax rate on earnings they receive as a cut of long-term investment gains

Answer: (1) You expect social security to cover your bills, (2) You're saddled with debt, (3) You're not willing to compromise on your lifestyle, and (4) You love your career and can do it on your own schedule

Aging: I have at least one discussion a week with former students about aging, retirement, Long-Term care, etc. This is no joke and it, at times, consumes my thoughts. My own mother is 72 and in poor health. She refuses to discuss end-of-life issues (other than the music at her funeral) such as care facilities and location(s) etc. As such I have contingency plans drawn up that will be enacted upon the time I have legal authority. Until that point, she will be at the mercy of the medical system.

Below is an email that I received from a former graduate student regarding the trials and tribulations of family aging and crises. With permission, it is provided to everyone for perspective.

I was in XX last weekend as I have an 82 year old family member who broke his hip and 3 months into recovery he is still confined to his bed and in need of medical attention (i.e. a nurse at home is not sufficient). Went looking at specialized nursing/rehab/assisted living facilities with his 80 year old wife (not in great health herself and doesn't drive) and my godmother. There was only one place that seemed to provide a good quality of life like a winner take all facility. Good god these places are expensive. To pay before you move in: ~\$170,000 entrance fee (none goes back to estate upon death, if you do want money to go back to your estate then your entrance fee is closer to \$400K) then \$3K/month for a 1 bedroom apartment. If you need specialized nursing estimate \$12-15K/month, medicare to cover only first 100 days as long as progress is being made. Then hopefully the place takes medicaid once you are out of money (not all of them do).

I suggest people with aging parents have a crisis plan conversation — if the parent suddenly becomes injured and doesn't recover what is the plan? Where would they like to go for long term care? It is a lot harder to evaluate/comparison shop from a hospital bed/rely on your family members. What will insurance cover and for how long? Do they know how much it will cost? How does it affect their assets and are they OK with that? I walked away with the impression that 1) If you haven't saved, you're f*d 2) the healthcare/senior living industry is set up to bleed you dry 3) it is not the easiest process to navigate (add on plenty of emotions while trying to figure out insurance and the financial piece) so do it while you have time and money 3) I know you are a hard yes on long term care plans, but I wonder if it makes more sense if you can save the amount that these plans max out at.

Look at all the fun that Peter Pan missed out on wanting to stay young forever!

28 September 2017

Question: What is the share of Americans, with student loans, at least 31 days late?

White House lays out plans for cuts to corporate tax rate – Pg. 3

- The tax “framework” the administration issued yesterday calls for a cut in the headline corporate tax rate from 35% to 20% - not as big a reduction as the 15% Mr Trump once promised
- US companies holding large amounts of offshore cash, notably in the tech and pharmaceuticals sectors, were told – as expected – that they would be subject to a one-off tax levy on that money, but the White House gave no indication of how high or low the rate would be

Dollar and Treasury yields leap as Yellen talks up rate rise prospects – Pg. 19

- ...the rate futures market moved to price in an 81% probability of the Fed acting in the final month of the year, ...up from 71% a week ago....
- The yield on the 10-year US Treasury – which moves in the opposite direction to its price – was up 6bps at an eight-week high of 2.29%

Puerto Rico creditors offer utility \$1bn deal – Pg. 20

- Generators are the only source of electricity for the 3.4m Americans in the US territory. Most of the island has no drinkable water and much of the communication network is out
- It has defaulted on many of its obligations and is seeking to cut its debt and pension liabilities of more than \$120bn through a process akin to bankruptcy
- The creditors would also exchange \$1bn of the utility's existing debts for \$850m debtor-in-possession loans, moving them to the front of the queue in a renegotiation of PRepa's \$9bn debt burden

Answer: 18.8%

27 September 2017

Question: What is the definition of a high net worth individual?

Equifax chief stands down amid heavy criticism over handling of cyber attack – Pg. 1

- Mr Smith's departure brings to an abrupt end 12 years at the helm in which he won praise on Wall Street for transforming Equifax into a consumer finance powerhouse, more than doubling its revenues during his tenure
- ...cyber attack had compromised the personal information, including addresses, dates of birth and social security numbers, of 143m Americans
- (Prof Note: "Stands down"??? Are any senior individuals EVER held responsible?)

Mortgage bonds the 'canary' of UK economy – Pg. 20

- The UK's 36bn (sterling) market for bonds backed by "non-conforming" mortgages, so named because they do not meet the standards of high street lenders, still contain a large portion of home loans made before the financial crisis
- Those bonds reliant on loans to borrowers who were self-certified, or vouched for their own income without further checks from banks, are among those liable to show strains
- The start of a tightening cycle from the central bank would shed light on whether monetary policy since the crisis had resolved issues around financially strained households, or simply deferred them. The average mortgage rate for borrowers in non-conforming mortgage deals has stayed below 4% since 2009,...
- In addition to record-low interest rates, the central bank's Term Funding Scheme, set to end early next year, has provided a cheaper source of funding for many mortgage lenders, curbing the need to securitize home loans
- When underlying loans in a securitization deal are self-certified, Moody's methodology accounts for the increased risk by adjusting the "credit enhancement" required. This means that the senior Triple A tranche of the securitization needs more higher-risk bonds beneath it to absorb potential losses if a borrower begins to lag on payments

Answer: An individual with investable assets of \$1.0m or more, excluding the primary residence, collectibles and consumables.

Nevis News: Ok, I finally spoke with a Nevisian at length. The island has survived very well with trees downed and some minor power outages but all is well. Cat Ghaut is largely cleared of debris and remained open to local golfers. Crime on the island has disappeared and it is worried that it exists but it being "hidden." The island just welcomed 34 new policepersons. Given the 12,000 population, the increase is HUGE!

While Nevis was blessed, my peers on St. Martin have not done quite as well. The devastation that island met was horrific. I have seen recent pictures and all I can do is pray for their recovery.

Puerto Rico remains unknown. I have no idea how the property performed here. I have been unable to reach anyone in Fajardo and my prayers remain with all the islanders.

26 September 2017

Question: What is the population of St. Maarten?

Recovery bypasses 'distressed' US communities – Pg. 4

- More than 50m Americans live in districts that are mired in a “deep ongoing recession”, with falling employment and a shrinking business base,
- Southern states, including Alabama, Arkansas and Louisiana, account for more than half the population in distressed communities, ...
- Mississippi, the poorest performer, 43% of the population lives in a distressed community, compared with less than 1% in Utah
- The research highlights profound economic divisions, even at a time when the country is in its third-longest recovery on record and when median incomes have just seen the strongest two-year surge in modern times

China real estate: life's still grande – Pg. 10

- Investors in the Chinese real estate sector know that they are making a risky bet.
- Sharp price increases in the past three years have been concentrated in a small number of top cities. Mortgage lending restrictions have been introduced in those areas

New York police and firefighters seek pension protection with quant fund – Pg. 18

- New York's police and firefighter pension funds have invested about \$127m in a quantitative hedge fund that specializes in providing protection at times of turmoil, underscoring the rising interest in “crisis risk offset” programmes as the stock market marches to new highs
- The long, strong run of both bond and equity markets since the financial crisis has stretched valuations to near historic highs. Coupled with an unusually extended stretch without any corrections, that of late has ramped up investor demand for protection
- ...crisis risk offset (CRO) programmes, or “risk mitigation strategies”, are more strategic and long-term than opportunistic hedges

Answer: About 90,000

25 September 2017

Question: What is the population of Puerto Rico?

Inflation helps Beijing tackle debt burden – Pg. 3

- China has reduced debt as a proportion of GDP for the first time in nearly six years, in an indication that Beijing is tackling a problem widely seen as its biggest economic threat
- ...debt stood at 268% of GDP at the end of the second quarter of this year, ending more than half a decade in which borrowing steadily stimulus the country activated to combat the 2008 financial crisis
- Concern about high debt levels led S&P's to downgrade China's sovereign rating last week – the first time in has done since 1999 – while the IMF warned in August that Beijing's reluctance to rein in borrowing as “dangerous”

- China's debt-to-GDP ratio was less than 150% in 2007 and analysts have long warned that such a rapid build-up in borrowing has historically ended in financial crisis

The return of the stock picker – Pg. 9

- Less than 15% of US stock fund managers succeeded in beating their benchmarks in the past 15 years, ...
- The woeful performance has accelerated a tectonic shift towards cheap, passive, index-tracking funds and triggered a bout of near-existential angst in the traditional, "active" investment industry
- ...connections between individual shares and broader stock markets have weakened sharply this year, a swing so powerful that analysts at Bernstein dubbed it "The Great Correlation Collapse"
- In August, the global ETF industry crossed the \$4.4tn mark...
- US equity funds have on average returned 18.7% in the 12 months to the end of June, narrowly surpassing the broad S&P 1500 index's total returns of 18.1%...
- The average expense ratios of US equity funds have fallen from about 99 cents for every \$100 invested in 2000 to 63 cents in 2016...
- Low correlations are also a classic sign of a bull run on its last legs. The US stock market's post-crisis rally became this month the second-strongest in history,

Answer: 3.47m

Nevis News: Once again Cat Ghaut spit into the face of Poseidon and won. Cat Ghaut – Fajardo did not do as well but we shall focus on Nevis. We did not lose a single Palm (which is great as we just planted a wall 'O' Palm along the fence line. The course is covered with leaves and debris and the men are feverishly working to clear the course. Cat Ghaut did not close but we remained opened to accommodate the dedicated golfers that were not deterred by hurricane force winds! Something the Four Seasons cannot say! We support island golfers!

23 September 2017

Question: What is the median net worth for all American?

Maria leaves six dead in Puerto Rico and adds to financial woes – Pg. 2

- ...US territory's 3.4m residents...
- ...more than two-fifths of residents living in poverty and a mass exodus to the US mainland draining its population
- Roughly 65% of the island was without water and the central government had so far been unable to reach southern towns, which were among the hardest hit by Maria...
- More than 95% of cell phone sites in Puerto Rico were knocked out by the storm
- Bonds backing the power authority that mature in 2037 slid to their lowest level of the year, while general obligation debt due in 2041 – backed by the Puerto Rico constitution – traded at 47 cents on the dollar on Thursday, an all-time low

Air Travel – Pg. 7

- Europe's largest budget carrier, Ryanair, alongside its low-cost rivals such as the UK's EasyJet and Southwest in the US, has upended the airline industry over the past 30 years with an aggressive focus on cheap fares
- ...Ryanair remains at the top of the pack with increasing passenger numbers and profit
- Gone are the days when the cost of a plane ticket included most things. You checked your bags, you were allocated a seat, and you were given food and drink
- These days, the majority of airlines charge for services, ranging from early boarding, advanced seat assignment to lounge access and extra weight allowance, as they move to unbundle fees from their base fares

Central banks have a duty to come clean about inflation – Pg. 9

-Fed simultaneously revising down its forecast for inflation and reiterating its intention to raise interest rates later in the years
- The world did not just suffer an extraordinary temporary shock in the form of the crisis that began in 2008. Economies around the globe also appear to have shifted to a new and unwelcome state of lower trend growth and lower equilibrium long-term interest rates – a development that probably pre-dated the crisis
- Both are working on the idea that traditional relationships between inflation and measures such as growth and employment are still sufficiently predictable to base monetary policy on them
- In the Fed's case, it has already raised interest rates four times since December 2015, a cumulative increase of a percentage point, with two rises already this year. It is clearly signaling another increase in December
- ...one decent argument for higher rates, and that is to restrain credit growth. But that runs at a tangent to the central bank's inflation-targeting mandate

Answer: \$81,200

22 September 2017

Question: What is the average net worth for all American?

Inflation fog fails to block policy path – Pg. 3

- Ms Yellen has been preparing the exit from QE since early this year, and it would have taken a wreck in financial markets to derail her well-telegraphed intention to start the process this autumn. The process of reducing the \$4.5tn balance sheet would start in October, ...leaving it to run steadily into the next decade
- The outlook for interest rates has been less settled
- ...core inflation to just 1.4% after it crested at 1.9%, just shy of the Fed's 2% target
- ...yellen argued that there had been understandable reasons for the inflation undershoots in previous years, among them spare capacity in the jobs market after the recession, falling energy prices and an appreciation of the dollar
- The bigger uncertainty surrounds the Fed's future leadership.

- Given that he [Trump] will be in a position to appoint up to five governors to the Fed board by next year, including a new chair if he wishes, the policy path set by Ms Yellen could easily be overturned

Why banking remains far too undercapitalized for comfort – Pg. 9

- Banks create money as a byproduct of their lending activities. The latter are inherently risky. That is the purpose of lending. But banks' liabilities are mostly money. The most important purpose of money is to serve as a safe source of purchasing power in an uncertain world
- ...governments have provided ever-increasing quantities of insurance and offsetting regulation. The insurance encourages banks to take ever-larger risks. Regulators find it very hard to keep up, since bankers outweigh them in motivation, resources and influence
- Senior officials argue that capital requirements have increased 10-fold. Yet this is true only if one relies on the alchemy of risk-weighting. In the UK, actual leverage has merely halved, to around 25 to one. In brief, it has gone from the insane to the merely ridiculous

ECB eyes new lending benchmark rate – Pg. 18

- The ECB looks set to change the benchmark rate for trillions of euros of financial contracts, creating short-term measure of borrowing among financial institutions that will determine the cost of loans for millions of households and businesses
- The ECB said yesterday that it would create an unsecured overnight interest rate before 2020 to "complement existing benchmark rates produced by the private sector and serve as a backstop to private sector benchmark rates"
- The central bank at present helps construct Eonia, a reference rate based on transactions that take place involving 28 banks, which has existed since the euro was created
- Interbank lending rates – in particular LIBOR, compiled by the BBA trade body – were at the centre of a scandal that has seen some of the world's biggest lenders pay billions in fines and see some of their former employees jailed (Prof Note: I am still waiting to see more senior individuals jailed!)

Answer: \$534,000

21 September 2017

Question: What is the average net worth for all American?

Fed calls historic end to crisis-era QE and signals further rate rise – Pg. 1

- The Federal Reserve will throw its crisis-era stimulus programme into reverse from next month in a mark of confidence that stagnant inflation is starting to bounce back
- The US Central bank...held rates yesterday but said it would consider a further interest rate rise this year. It starts paring back its multitrillion-dollar balance sheet in October
- In a unanimous decision, the Fed said it would start normalizing its balance sheet next month

- The ECB has recently indicated that it will wind down its asset purchase scheme as it responds to firmer growth in the euro area, while the BoE has suggested it could lift short-term rates this year in response to higher inflation risks
- In a signal of their caution over the economy's longer-term potential, officials brought down their median expectations for official rates in the long term, cutting it from 3% to 2.8%
- The Fed's plan involves setting a steadily increasing set of caps: payments will be reinvested only to the extent they exceed the caps. The caps will initially be set at \$6bn per month for Treasuries and \$4bn for agency MBS

OECD urges more private investment to sustain upswing in leading economies – Pg. 4

- Economic performance is improving in most of the world's leading economies but is still short of a self-sustaining upswing...
- ...all leading economies are now recording positive growth....
- ...upgrades to the 2017 growth forecasts in China, Russia, and Europe excluding the UK, with the world outlook also appearing stronger for 2018
- World growth should rise from a low of 3.1% in 2016 to 3.5% this year and 3.7% in 2018, with the US, the Eurozone, Brazil and Russia contributing most of the improved global outlook
- China's predicted growth rate of 6.8% in 2017 and 6.6% in 2018 has been revised higher by 0.2% in both years and although India's growth rate has been revised down, reflecting adjusting to its new goods and services tax, it is likely to remain the fastest growing large economy in the world

Answer: \$534,000

20 September 2017

Question: What percentage of Americans say they're either living comfortably or doing ok, according to the latest Federal Reserve report?

Caribbean braced for further storm havoc – Pg. 4

- Hurricane Maria left "mind boggling" damage on the island of Dominica and whirled towards Puerto Rico and the Virgin Islands, as an intense storm season threatened further destruction in the Caribbean
- The intensity of the storm sparked a state of emergency in Puerto Rico and in the US Virgin islands
- Hurricane warnings were also in place in Guadeloupe, Saint Kitts and Nevis and Montserrat
- Puerto Rico, which is struggling under more than \$120bn of pension obligations, suffered widespread power outages when Hurricane Irma passed north of the island
- Tides were expected to reach as much as 9ft above ground in Puerto Rico and the US Virgin Islands

The robot threat to jobs in vulnerable communities – Pg. 9

- When China joined the WTO in 2001, there were fewer than 400,000 people working in American textile mills. As a proportion of the 150m-strong workforce, they were a tiny

sliver. But in 57 countries in the south east of the country, they accounted for more than 15% of all jobs. The impact of the Chinese competition in these places...was “like a minim economic bomb going off over downtown”

- ...research found the people who lost their jobs went on to suffer more job churn and lower lifetime incomes. Poverty rose. More men started to die from drugs and alcohol
- Truck drivers in the US...have some of the highest-paying jobs that do not require a college degree

Hurricanes highlight need for funds to boost Puerto Rico’s ailing infrastructure – Pg. 18

- Hurricanes have highlighted Puerto Rico’s vulnerable infrastructure and the need to transform its electricity sector, ...
- More than half of Puerto Rico’s electric customers lost power after Irma passed north of the island, prompting warning from the rating agency Moody’s that outages could further complicate the utility’s restructuring and “reduce ultimate recovery for bondholders”
- Earlier this year, Puerto Rico triggered the largest debt restructuring by a US state or local government in history to cut the more than \$120bn it owes to retirees and bondholders
- The fight, between holders of general obligation bonds – which are backed by the Puerto Rico constitution – and sales tax-backed debt known as Cofina, should be decided in court by December
- While Cofina bonds that mature in 2036 have slid 5% since the years began, they are up nearly 14% from a May low and are now trading at 62 cents on the dollar
- General obligations debt due in 2035, a security owned by many hedge funds that invested in the island’s bonds, had declined more than 10% this year and at 59.5 cents is just marginally above an all-time low hit this month

Answer: 70%

Nevis News: As of 6:12pm EST Nevis was still receiving strong winds and rain. Everyone that I know is fine but no one has been to the property to check out Cat Ghaut.

The outpouring of concern truly has warmed my heart. I never realized how many people “Nevis News” touched. As such, I should share a bit of background. Cat Ghaut is my family property and where I grew up as a child (I have to be careful to not say that I own it, my grandfather always said, “you just care for it for the next generation.”). Short version of story: in the 1950s a gaggle of Pennsylvanian college professors traveled to Nevis and all bought land. Over the years each sold their properties while we expanded. For years we grew coffee, bananas, failed at pineapples, mangos, and had goats and sheep. In the later years my grandfather built a golf course (which remains today).

Cat Ghaut and Nevis are special places on this earth. Time on the island has stopped. In fact, Olive was my nanny and still serves the main at 1:00pm each day (when I am there) and it is clear who runs the house and it is NOT me. Jeffers and Toby manage the grounds and spent their teenage years teaching me how to fly kites (translation: keeping me from annoying my grandfather). In fact, Toby’s son works at Cat Ghaut as well.

I cannot describe each return to Nevis any better than a return to childhood. The faces are the same, but for some wrinkles, the voices are the same, the song in the house (Olive singing with the radio), is the same. It is a special place on earth and one that I am happy to share with everyone (thank you for your concern(s)).

As soon as I know more I will share...

19 September 2017

Question: What percentage of prime-age workers who have left the labour force are now receiving disability benefits?

President blamed as foreign MBA students shun US schools – Pg. 4

- Only 32% of US business schools reported an increase in international candidates for their masters programmes this year, down from 49% in 2016, ...
- Fewer than half of US schools achieved an overall rise in applications
- In contrast, most of the MBA programmes surveyed in Europe, east and Southeast Asia and India reported growth both in total applications and those from overseas students
- Challenges in the US market were in stark contrast to growth elsewhere,...
- The decline in demand in the US was focused on smaller schools, which account for 56% of its MBA programmes but only 11% of enrollments
- The pressure for students to complete courses quickly to minimize the cost and time out of employment is also driving MBA applicants to pick shorter courses, as well as those with the strongest brands
- Most courses in the US take two years, whereas in Europe, where 67% of schools reported an increase in overseas applications last year, most last for one

The inflation enigma – Pg. 7

- Despite a recovery that is now the third-longest on record, America is trapped not in a 1970s-style, double-digit inflationary upsurge, but a slow-inflationary quandary. Price growth jumped in August, drive by energy and accommodation prices, yet investors still doubt inflation will be strong enough to merit more than a couple of interest-rate rises before the end of 2018
- Yet the Fed's 2% inflation target still appears out of reach – stripping out food and energy costs, it has not attained that rate for half a decade. It has been a quarter of a century since the Fed's favoured measure of inflation – personal consumption expenditures excluding food and energy – last punched up above the still relatively sedate level of 3%. It was just 1.4% in the year to July. Wage growth, meanwhile, remains well below its pre-crisis pace at just 2.5%
- Part of the problem is that the link between low unemployment and higher price growth embodied in the so-called Phillips curve has looked fragile for decades
- On one level, sluggish inflation combined with respectable growth is far from a bad thing – central bankers in the 1970s would have looked on the current paradigm with envy. But if inflation hovers too low it leaves the economy uncomfortable close to deflation and could

- damage the credibility of an institution that is meant to target 2% inflation. Low rates and low inflation leave little rate-cutting firepower when the next downturn strikes
- Some policymakers cite the increased ease with which shoppers can compare prices on the internet and the impact these changes have on brand loyalty and pricing power
 - In the US, whose monetary policy has global reach, questions about inflation are compounded by the uncertainty over who will call the shots from February
 - If inflation fails to reassert itself, the Fed and other central banks will find it harder to balance the need for low rates against the hazardous side-effects loose policy engenders in markets

Investors in dark over shape of Trump's Fed – Pg. 18

- There are few modern-day precedents for a radical reshaping, the risks of politicization and its impact. While former Fed chair Alan Greenspan was heavily involved in politics – he was an Ayn Randian libertarian who frequently weighed in on regulatory and fiscal issues – he was also an able economist who kept the central bank independent from the White House
- The best historical analogy is arguably Arthur Burns, who led the Fed between 1970 and 1978. President Richard Nixon blamed his 1960 election defeat on then-chair William McChestney Martin Jr's tight monetary policy, and later leaned heavily – and successfully – on Mr Burns to keep interest rates low
- That nurtured the seeds of an inflationary spiral that took more than a decade and aggressive, recession-inducing rate increases by Paul Volcker in the 1980s to subside
- ...the biggest danger might be that the Fed's recent history of apolitical technocracy is shattered – with unknowable long-term consequences.

Chinese summertime activity sees record dollar debt issuance in Asia – Pg. 18

- US dollar debt issuance in Asia excluding Japan and Australia hit a record high of \$49.3bn for the months of July and August,...
- The size of the Asia dollar debt market, excluding Japan and Australia, has more than quadrupled since 2005 but issuance during July and August has outpaced this rate of growth: it doubled between 2013 and 2014, and between 2015 and 2017 it grew by about 95%

Answer: 33.3%

18 September 2017

Question: What percentage of Americans over the age of 16 are working?

Rate rise threatens global growth, warns BIS – Pg. 2

- The world has become so used to cheap credit that higher interest rates could derail the global economic recovery...
- The BIS – known as the bank for central banks, as it is where they hold accounts, said policymakers face a delicate balancing act as they try to wean markets and businesses off extraordinary cheap money

- Expectations are growing that the US Federal Reserve will raise interest rates again in December. The BoE is deemed likely to make its first interest rate hike since July 2007 in November, and the ECB has said it will announce plans next month to wind down its 2tn (euro) quantitative easing programme, probably from January 2018
- The risk is that companies now face a debt trap: having built up so much credit when borrowing was cheap, they could struggle to repay it when rates rise
- One possible threat stemmed from high land prices in China and other parts of Asia, which some developers cover through issuing debt denominated in US dollars,...
- The BIS places more weight on credit conditions than most central banks, which focus on inflation targets. Inflationary pressures remain relatively low despite the pick-up in growth and is the most important explanation for policymakers' reluctance to raise rates

Fed set to play safe in face of inflation jitters – Pg. 2

- The Fed is on Wednesday expected to leave short-term interest rates unchanged at 1-1.25% while signaling the beginning of a multiyear process of paring back its \$4.5tn balance sheet
- The resolution of the latest stand-off over the US debt ceiling removed a final hurdle to the start of the process
- A jump in consumer price inflation pushed the headline index to 1.9% in August from 1.7%, ...
- ...labour market has continued to strength, driving joblessness to just 4.4%, and growth has edged above its trend rate, inflation has persistently fallen short of expectations
- Janet Yellen...seems unlikely to relinquish her basic framework, which suggests that falling joblessness should be driving up inflation, and the central bank has shown no sign of backing away from its broader plan for graduate rate rises
- The unemployment rate has averaged 5% over the past three years, a comparable reading to the three years before the crisis. But price growth has been markedly lower: 1.5% over the most recent three-year spell compared with 2.2% from 2004 to 2007

Spanish builders warm to sunnier prospects – Pg. 14

- Construction companies in Spain once built more residential homes every year than the rest of western Europe combined, fueled by cheap debt. But a 35% slump in prices after the 2007 financial crisis left much of the sector bankrupt
- Spain still has half a million new unsold homes, many in surreal empty cities that have become monuments to a speculative property bubble that brought down the country's banking sector and wider economy
- ...wider Spanish property market seems to have turned a corner. Housing prices fell 35.2% from 2007 to 2015,but are up 3% this year and 2% last year....

Answer: 60.0%

16 September 2017

Question: What is the average debt per capita owed on student loans based on the population with a credit report?

Ireland's bad bank set for revamp as a state property developer – Pg. 4

- The bad bank created to clean up Ireland's banks after the country's property boom turned into a financial crash a decade ago is set for a new lease of life: as a state property developer
- Nama was created in 2009 to take toxic property loans from Ireland's crippled banks, after the crash that later forced Dublin into an international bailout
- Ireland's economy is again growing strongly, with GDP surging 5.8% in the year to June. Builders are struggling to meet 10 years of pent-up demand for new homes, while rents are rising and Dublin faces a growing homelessness crisis
- ...annual property inflation on a national basis is advancing at 12.3%. Nama is already active in the housing market, providing development finance to its debtors to build some 5,000 housing units since 2015, with another 9,200 units under construction or in planning

Debt collectors – Pg. 8

- A new buyer has emerged in the \$8.6tn US market for corporate debt in the years since the financial crisis....companies such as Apple, Microsoft, Amazon, General Electric and Ford
- Together, 30 US companies have amassed a portfolio of cash, securities and investments worth more than \$1.2tn....
- As cash piles have grown, these companies have ventured into riskier corners of financial markets, investing in corporate and securitized debt
- "To put it into perspective, if US corporate cash was a country it would rank in the top 10 by GDP...
- The sensitivity of these bonds to changes in interest rates – the value of bonds fall as rates rise – is the "single biggest risk" for companies investing excess cash, ...
- Another reason for the change in company investment strategies lies in the depths of the financial crisis, which challenged the long held belief that money market funds – conservative funds that invest in short-term debt – were foolproof
- Highly-rated companies can borrow in the US bond market at roughly 3.1%, ...
- While financial advisers applaud such diversification, companies have made themselves more vulnerable to any uptick in rates. If interest rates rise, corporate borrowing costs will climb in tandem. At the same time, they could see losses on the bonds they own
- The volume of corporate bonds held in lower tax jurisdictions such as Ireland and Bermuda
- The US has taxed residents on global income since 1913. And companies have been engaging in some form of profit-shifting overseas to reduce tax ever since they started expanding abroad after the second world war (Prof Note: YES, we are taxed on global income BUT we also are able to recognize global business expenses/losses!)
- Until recently, many other developed countries did the same. But the number of OECD members with a global corporate tax regime dropped from 20 to six between 2000 and 2015, ...providing more destinations for companies seeking to relocate or shift profits and investment

Answer: \$4,920

15 September 2017

Question: Economists estimate what percentage of the workforce are "Contractors"?

UK shift puts big central banks on same course to end low-rates era – Pg. 1

- The world's most important central banks are on the verge of a simultaneous tightening of crisis-era easy money policies after the BoE hinted at an imminent rate increase and rising US inflation made it more likely the Federal Reserve would do the same
- With the ECB signaling that it would decide in October how to phase out its 60bn(euro)-per-month stimulus,
- ...US labour department released inflation data that were unexpectedly strong in August, after five straight months of under-shooting economists' expectations
- ...odds of an interest rate tightening at the Fed's December meeting to just under 50% from under 40% on Wednesday and a low of 22% last week

Rising consumer costs push up US inflation – Pg. 4

- A jump in the cost of housing and higher petrol prices helped drive up headline inflation last month, assuaging some of the fears about the steady stream of soggy readings that has clouded the US economy this year
- Overall inflation measured by the consumer price index rose 0.4% from the prior month and 1.9% compared with a year earlier – up from 1.7% previously...
- While the US economy has by many measures returned to full employment, and growth reasserted itself in the second quarter following a dreary start to 2017, inflation has been resolutely weak
- The yield on the benchmark 10-year Treasury rose 2bps to 2.2076%. US equities opened slightly lower....
- Rises in petrol and shelter indices accounted for nearly all of the advance in the all-items CPI index in August,...
- The US central bank is due to meet next Tuesday and Wednesday...

Munich Re warning on hurricane impact set to be first of many – Pg. 18

- "Florida is a heavily reinsured market....50% to 75% of the losses will be borne by reinsurers. Every reinsurer will have significant losses"
- Past hurricanes and storms have made primary insurers wary of the Florida market, and those that do operate there tend to buy a lot of reinsurance
- Alternative reinsurance capital, such as catastrophe bonds, will also be affected, but at this stage it is not clear which ones will have to pay out

Answer: 10.0% (approximate)

14 September 2017

Question: What is the U.S. national debt?

Cryptocurrencies – Pg. 7

- The brainchild of a Silicon Valley start-up called Protocol Labs, IPFS aims to give anyone the chance to buy and sell unused computer storage space. There is even a made-up unit of exchange for this proposed market: a digital currency called Filecoin

- The boom in cryptocurrency prices has been fed by uncontrolled speculation, leading regulators to act
- It has created a new way for startups developing platforms based on blockchain and other technologies to raise money, using online crowdfunding techniques
- Networks such as IPFS are based on a vision of decentralized online services where ordinary users interact directly with each other, rather than through internet companies that set themselves up as gatekeepers to the online world
- ...ICOs represent an even bigger risk, as uncertainty about how they should be regulated means most lack even basic protection of securities laws that governed the dotcom IPOs (Prof Note: I have been asked at least four times about investing and four times I have said "NO" for this reason....)
- The value of the best-known digital currency, bitcoin, has risen eightfold in the past year
- ...notional value of all cryptocurrencies to more than \$130bn

Managers cut risk amid volatility fears – Pg. 18

- Fund managers are hoarding cash and buying protection against turbulence despite the S&P 500 rally this week becoming the second-strongest bull run in US history, ...
- Global equity and fixed-income markets have been on a tear in 2017, returning more than 13% and 8% respectively despite worries about geopolitical tensions, economic growth and the withdrawal of central bank stimulus
- ...valuations across bonds and equities are at a near historical highs, and the lack of serious volatility this year has spurred fears that a reversal is overdue
- The S&P 500 on Monday surpassed August's record high and overtook the 1949-56 rally to become the second-strongest cyclical bull market in history, ...up almost 268% from its March 9, 2009 low
- Concerns about an imminent reversal have abounded this year, with the S&P 500 suffering only a handful of 1% declines in 2017, while the market normally suffers 5% drops about four to five times a year. The record US equity bull run was in 1987 – 2000, which ended with the dot-com bubble bursting

Value investors wait for US economy to pick up – Pg. 18

- Global equities have rarely been pricier in history
- So-called "value" stocks – generally understood to be stolid, safer companies trading at reasonable prices – are earning their moniker, after the analysts say is the longer period of under-performing the broader stock market since the 1930s
- The S&P 500, the benchmark for US large-caps, is trading at nearly 18 times expected earnings over the next 12 months and almost three times the "book value" of its assets. But the S&P 500 Value index currency stands at 15.3 times – well below the average since 1990 – and at 1.9 times book value
- The scale of the current slump in value stocks, which fare well in periods of robust growth as investors seek cheaper ways to enjoy the upswing, has stirred up chatter about the "death of value"
- Value is one of the foundational investment "factors" that academic studies have found tend to beat the stock market's gains in the long run

- Between 1940 and 2007 the factor – as defined by Eugene Fama and Ken French, ...returned 5% on average each year, and never spent more than three years below its previous high-water mark
- ...value stocks tend to perform best at times of faster economic growth and inflation, which still looks like a distant prospect. In the 1930s the value investing required the aggressive spending forced by the second world war to break out of its doldrums

Answer: \$20,000,000,000,000.00 (\$20.0tn)

13 September 2017

Question: According to MSN Money, what are four reasons Americans are purchasing fewer homes?

Fed policy expected to stay on course despite storms – Pg. 3

- The US central bank lifted short-term interest rates in 2005, just a month after Hurricane Katrina battered the Gulf of Mexico – with policymakers at the time describing the economic ramifications as significant but “essentially temporary”
- ...headline inflation could briefly spike in the aftermath of the storms, driven by factors such as higher petrol prices following refinery shutdowns, as well as an uplift in used care prices after the storms left a trail of ruined vehicles
- The impact on core inflation – which strips out food and fuel prices and is closely watched by the Fed – may be more muted

US incomes hit high while poverty declines – Pg. 4

- Household incomes in the US surged for a second year running in 2016 and poverty declined, ...
- Median income rose by an inflation-adjusted 3.2% from 2015 to 2016 to \$59,039, surpassing the previous peak in 1999
- ...numbers suggest many households have been able to claw back the losses sustained during the recession thanks to a jobs recovery that pushed unemployment below 5% last year. Since 2014, median household income has increased 8.5% in real terms, or \$4,600. That means the typical household’s income rose more from 2014 to 2016 than in any other two-year period going back to the 1960s, ...
- ...the figures revealed the poverty rate fell to 12.7%, only a little above the level of 12.5% just before the financial crisis struck. And the percentage of people without health insurance coverage fell to 8.8% from 9.1% in 2015. That still means there were 28.1m people without health insurance over the period

Answer: (1) Americans find the buying process overwhelming (Prof Note: Oh Pulllezzzz...it took me 6 hours to purchase my car at the end of December and less than 30 minutes to settle on two properties last year), (2) It’s tough to come up with a down payment (Prof Note: Help me Rhonda! Part-time jobs, less consumption, save, Save, and more SAVE), (3) Millennials value experiences over ownership (Prof Note: Millennials better enjoy eating cat food in retirement while cherishing the memory of their tough mudder!), (4) Americans change jobs more often than in previous generations (Prof Note: This creates

an opportunity to build a retirement portfolio of rental properties in retirement. Buy smart and buy homes that will rent.)

12 September 2017

Question: According to MSN Money, what are four reasons to take Social Security early?

Damage bill forecasts fall after storm subsides – Pg. 3

- Forecast for the cost of hurricane Irma to insurers have been slashed to as low as \$20bn as the storm weakened and changed direction
- One of the big problems facing insurers and their customers will be determining whether damage has been caused by wind or floods. Most residential policies cover the impact of wind, but not flooding, much of the flood loss will fall under the US National Flood Insurance Program

Gold retreats from 12-month high – Pg. 18

- Gold shed \$12 to trade at \$1,334, having touched \$1,349.29 on Friday, its highest level since August 2016
- The pullback in the price of gold which remains up nearly 10% since July, represents a test of sentiment toward the metal ahead of US inflation data for September due on Thursday
- Investors bets on higher gold prices via contracts listed on the Comex futures exchange are currently at record levels for this year
- The bond market has reduced expectations of another rate tightening before the end of the year as inflation and wage data have recently suggested moribund pricing pressure
- Gold prices fell more than 10% in the two months after Donald Trump was elected president last year on expectations eh would push through a wide-ranging infrastructure bill
- Investors have favoured gold in recent weeks, reflecting tension over North Korea's missile programme

Beijing set to shut bitcoin exchanges – Pg. 20

- Chinese authorities are working on a plan to shut down the country's bitcoin exchanges, as the digital currency's wild price fluctuations clash with the government's focus on controlling financial risk ahead of a key political transition next month
- The bank, if enacted, would follow China's move last week to ban cryptocurrency-based fundraising schemes (Initial coin offerings)

Answer: (1) You need the \$\$\$ (Prof Note: Necessity is the mother of all invention...do not agree with this unless extreme case, i.e. unable to work), (2) You're no longer working (Prof Note: Do not agree....if capable of working and expecting longer life "Get a job!"...if possible), (3) You're in poor health (Agree), (4) Your spouse is older and the main breadwinner.

11 September 2017

Question: What is the cost to your 10 year old child in lost purchasing power at retirement (age 65) by taking them to a football game and having two beers, two soft drinks, two hot dogs and \$20.00 for parking. Instead of the consumption, a free trip to a park with no parking expense, and investing the proceeds NOT spent at the football game?

Answer: Ravens (Beer: \$8.50; Hot Dog: \$3.00); Redskins (Beer: \$9.00; Hot Dog: \$6.00). \$65.00 spent (assumes tickets are FREE) on Beer, Dogs, and parking and an 8.00% return on the S&P 500 over the 55 years with inflation at 2.00% (6.00% real return). $\$65.00 * (1 + 0.06)^{55} = \$1,602$ in purchasing power in today's \$\$\$ at retirement. NOW, let us assume the tickets were \$100/each. $\$265.00 * 1.06^{55} = \$6,532$ask yourself, is the afternoon of consumption worth the loss of consumption of \$6,532 to one's 10 year old at retirement?!

9 September 2017

Hurricane Evacuation: If anyone has a direct family member(s) evacuating without a destination to go please reach out to me. I will open my personal homes to assist. The outpouring of concern by so many about Nevis was beyond touching.

Question: When one is 62 years old, what is the approximate range that social security benefits increase each year that retirement is delayed up to age 70?

Venezuela sets up talks on foreign debt – Pg. 2

- Venezuela has invited international bondholders to negotiations over its foreign debt as Caracas seeks to mitigate the impact of US sanctions and survive a deepening economic crisis
- Almost three-quarters of the bondholders were from the US and Canada, ...
- Russia, a critical lender to the South American country, confirmed that it had been asked to help with a restructuring
- The US recently hit Venezuela with financial sanctions that in effect blocked it from raising more money from international bond markets and also rendered a bond restructuring a practical impossibility
- ...concerns that a default on its international bonds would trigger creditor lawsuits in both New York and London – potentially allowing creditors to seize Venezuela's vital oil export revenues – has spurred Caracas to insist it will keep paying bondholders
- The cost of servicing about \$100bn of bonds and loans at a time of subdued oil prices has forced the Venezuelan authorities to conserve dollars by dramatically crimping imports on basic goods, worsening an already acute humanitarian crisis

Islands reel as Caribbean's tourism-reliant economies take hit – Pg. 3

- On Puerto Rico, which Irma clipped on Wednesday, three-quarters of the US territory's 3.4m population was plunged into darkness by power cuts, forcing more than half its hospitals to close and compounding the near-bankrupt island's financial difficulties
- The storm left cars and boats strewn about Saint Barthelemy, known as St. Barts and a popular destination for wealthy Americans and Europeans (Prof Note: I can see St. Barts from my porch on Nevis on a very clear day)

- The IMF has estimated that current trends, climate change could raise by as much as 77% the storm cost to the Caribbean by 2100, and even “the mildest of scenarios involved” a rise of 11%

Prices for catastrophe bonds suffer declines in light trade – Pg. 11

- Investors in one corner of the financial markets are heeding evacuation orders as Hurricane Irma barrels towards Florida – prices of some catastrophe bonds, assets that pay insurers if they suffer cataclysmic losses, have tumbled
- Catastrophe bonds allow insurers and groups seeking insurance to pass on the risk of natural disasters to hedge funds and other investors. Buyers of the notes are paid interest but risk losing their principal if a natural disaster strikes and an insurer’s losses pile up

Dollar hits 33-month low as rate-rise hopes recede – Pg. 11

- The dollar has plumbed its lowest level in 33 months, succumbing to pressure from concerns including hurricane damage, North Korea, and the composition of the Federal Reserve and its policy direction
- While the cloud over the US government’s \$19.8tn debt ceiling had been lifted by Donald Trump’s deal with the Democrat leader, sentiment towards the dollar “remains depressed” ...

Answer: 6 – 8%

8 September 2017

Nevis News: the outpouring of concern has been enormous and touching...thank you! I am sorry I was unable to provide more information sooner but I simply had no information. I felt sheepish asking about any property damage in my first communications so my questions were all met with, “We are fine, how are you?” ☺ I finally asked about property damage. The internet was out for a bit (but that happens regularly anyway) and the power down for a bit (happens regularly too) and much rain. Nevis fared well considering the other islands. When I asked my property manager about Cat Ghaut I received the following response, “All fine, we need a new air pump!” Ahhh.....I love Nevis!!! P.S. I did not even know we had an air pump!!! ☺

Question: On average, in the U.S., how many years after 65 is an individual expected to live?

US warns Hurricane Irma threatens 37m people – Pg. 2

- The strongest Atlantic storm on record ploughed west through the Caribbean yesterday, leaving at least 11 dead and thousands homeless, blacking out Puerto Rico and cutting fuel supplies
- ...further warming will make storms stronger and wetter
- With its 185mps winds, Irma made landfall on Tuesday on the island of Barbuda, leaving “total carnage”, ...it then clipped the northern tip of Puerto Rico early yesterday, leaving nearly 70% of the island’s 3.4m population without electricity, and closing over half of the hospitals on the cash-strapped US territory (Prof Note: I have a home in Fajardo, move-in ready in about six months. All new appliances! Demo is complete, willing to negotiate if interested in purchasing an Irma-prepared shell!)
- On financial markets, a drop in the share prices of US-listed insurance companies pulled down the S&P 500 slightly early yesterday

Trump handed early opportunity to reshape Fed – Pg. 4

- By early next year there may be only two governors left who can count their service at the Fed in years rather than weeks or months
- Gary Cohn, who emerged as a front-runner to be next Fed chair during the summer, has recently soured his prospects by publicly attacking Mr Trump... (Prof Note: I am having "Trump" embroidered on the seat of all my sweat pants...whatever it takes to be Fed Chairperson!)
- Ms Yellen has made clear her opposition to anything other than incremental adjustments to financial regulation; ...
- Among other key candidates for chair is Kevin Warsh, a former Fed governor who enjoys good White House connections and has campaigned for the job
- Other candidates include Larry Linsey, a former governor, current Fed governor Jay Powell, and Roger Staiger, outspoken Nevisian Author
- Marvin Goodfriend, a former Richmond Fed economist, is another likely Trump appointee to the board and is respected by monetary economists
- The bigger problem, ...is there are "so many holes" on the board of an institution with broad powers over markets and the US and world economies – creating uncertain conditions in global markets

Firms vie for work advising on gender pay – Pg. 12

- UK law firms, consultants and human resources companies are turning new annual reporting rules on the gap between female and male pay into billable work
- By next April companies, charities and government departments with more than 250 employees must publish their first annual snapshot of the pay gap for hourly wages and for bonuses on a publicly available website
- They are required to publish the gap for mean and median wages and bonuses, as well as the percentages of men and women receiving bonuses and at different pay scales
- Legal privilege means companies are not "running the risk of work in progress being disclosable" to employees under data protection rules and information being published before companies are ready ...

Worries mount over US growth prospects – Pg. 18

- First, note what is happening to the yield curve. As long-term rates move down closer to short-term rates, it is a sign that investors do not believe there is much in the way of inflation, growth, or higher rates in the future (Prof Note: HELLO!!! 2006/07...flat yield curve....you heard it here first...months ago...)
- It is dangerous to ignore a flattening yield curve, even if it does not as yet signal a reason for outright alarm...
- THE FLATTER THE YIELD CURVE, THE GREATER THE RISK OF RECESSION (Prof Note: I have been saying this for 10 years....)
- ...households are chipper....(Prof Note: Hello...2006...households were "exuberant")

Answer: 20! So, for the first 25 years of life parents provide passive income (one could say that, in financial parlance, a parent is a passive income source). For the next 40 years everyone works hard to support themselves and recreate their parents in the form of a portfolio providing passive income to finance the remaining 20 years of life. It is the life-cycle. You fight to leave your Passive Income source, i.e. move out, only to realize your mistake. You spend the next 40 years recreating what you lost when you moved out. Hmmmmm...maybe your parents are not so bad, especially when considered Passive Income! 😊

7 September 2017

Question: According to MSN Money, what are four (4) financial moves to make if you're single?

Fischer resignation hands Trump fresh chance to recast Fed policy – Pg. 1

- Stanley Fischer has submitted his resignation as vice-chairman of the Federal Reserve, adding to the turbulence at the US central bank as it faces a host of vacancies at senior levels
- Mr Fischer's departure comes amid a highly uncertain period for the Fed's board of governors, leaving up to four of its seven seats vacant
- Mr Fischer has been a visceral opponent of Mr Trump's efforts to deregulate finance
- The Fed chair's term is up in February and Mr Trump has made it clear he may not reappoint her; the leading alternatives are Gary Cohn, Mr Trump's top economic adviser and Roger Staiger an outspoken author and philanthropist
- Mr Fischer was not expected to be reappointed as vice-chair, although he would have had the option of staying as governor until 2020. He was known to have differed with Ms Yellen on occasions – in particular in 2015, when he struck a hawkish note on rates as the Fed Chair was planning to hold policy

The lure of luxury – Pg. 7

- The transformation of some of Britain's housing associations into developers of luxury flats is one response to the under-funding of social housing that was starkly revealed by the fire in June at the council-owned Grenfell Tower in west London, which killed at least 80 people
- Under Margaret Thatcher in the 1980s, associations became the main recipients of housing grants as well as homes transferred from local authority ownership. At their peak, they were building almost 40,000 homes a year for low-cost rent
- Of the UK's 1,300 non-profit housing groups most are small players, but the top 100 hold larger portfolios and almost all of the sector's development capacity
- Almost 30% of current debt, is at floating rates or inflation-linked, raising concerns for when interest rates rise

T-bills shunned as debt ceiling angst rises – Pg. 18

- One of the largest managers of money market funds is refusing to buy US government debt that matures around the time the country hits its debt ceiling, underlining investors' concerns about the risk of a political impasse over raising the borrowing limit

- The new paper arrived with an interest rate of 1.3%, the highest the Treasury has had to pay at an auction of four-week bills since 2008 and also surpassed the yield on the two-year note
- Moody's, the rating agency, on Monday warned it would "most likely downgrade the rating for all Treasury bonds" if the US missed a debt payment, and that it would be unlikely to restore the country's long-held triple A rating while the "political environment which had given rise to the missed payment remained in place"

Answer: (1) Have more emergency savings (Prof Note: only in the form of free credit lines. Holding cash costs \$\$\$ and yield...get smart...credit lines are BETTER than cash!), (2) Ramp up your retirement plan contributions (Prof Note: Not at the expense of carrying expensive student debt. Absolutely contribute to employer match but consider alternatives for amounts above that do not limit liquidity.), (3) Buy long-term-care insurance (Prof Note: Absolutely!!!), (4) Fight for a raise (Prof Note: Do NOT agree. If your employer is not focused on ensuring you are correctly compensated for your efforts, spend your time building secondary businesses, getting another graduate degree with the employer's education reimbursement. If the employer does not approach you, give yourself a raise at the next employer. When enough employees have left due to lack of focus on compensation, employers will learn! Remember to build a business(es) so you are not dependent upon your employer....make them dependent upon you!)

6 September 2017

Nevis News: I am not on island currently. I did speak with a neighbor last night and Irma is expected to pass close but not hit Nevis full force. The most that has ever happened to Cat Ghaut in 60 years is the loss of Palm Trees and we did have the banana grove taken out once. This is also why you rarely see tall buildings, i.e. if the wind gets underneath the roof it is gone. Will update when I learn something...

Question: According to MSN Money, what is the \$1.4m mistake millennials are doing when investing?

Lego announced record job cuts after its worst results in over a decade – Pg. 1

- Lego suffered its worst financial performance in more than a decade,
- ...Lego is facing the biggest test since it came close to financial collapse in 2003-04
- The company blamed weak US and European sales on poor product development and marketing and said its organization had become over-complex with too many management layers
- Lego has long defied gravity as other toymakers succumbed to the trend of children spending more time playing digitally
- Lego said it would cut about 8% of its 18,200 employees – its workforce has tripled since 2004 – in an effort to cut costs, the biggest cut in jobs has been announced
- (Prof Note: I love legos! The adult version of legos? Sea Containers! I am about to purchase my second and then a third to line the property line. Nothing says, "Stay out", more than a "sea" of sea containers! ☺ A sea container, delivered, for a high-boy is about \$2,200 in Maryland)

Sluggish inflation at centre of Fed talks on rate rise – Pg. 3

- The Fed's preferred measure of core inflation was only 1.4% in the year to July, well short of its 2% target. The unemployment rate has averaged 5% over the past three years, comparable to the three years before the crisis, yet price growth has been markedly lower: 1.5% over the most recent three-year spell compared with 2.2% from 2004 to 2007

Pay transparency will push workers to demand more – Pg. 9

- ...powerful nugget of information: the average salary in their company
- The US has chosen the median as its average of choice
- The popularity of sites such as Glassdoor, where employees share salary information, has given employers a taste of what happens next
- The policy will create "a new metric – median employee compensation – that invites employees and others to compare individual compensation figures within and across companies without sufficient context or relevant market-based factors"
- (Prof Note: I have always been a proponent of posting EVERYONE's salary on their respective door for public companies. This will make everyone accountable)

Answer: Not investing enough in equities. (Prof Note: I do not agree. While millennials may have a reduced allocation to equities, this simply means they must invest more. Equities are risky and NOT the solution to "free" money. Diversification and consistent investing over long periods is what matters most.)

5 September 2017

Question: What did Thomas Jefferson state about agriculture?

Spy agency warns of N Korea missile launch – Pg. 3

- The reclusive nation on Sunday tested its sixth nuclear device, further exacerbating international fears about its increasingly sophisticated weapons programmes
- The detonation, which triggered a 6.3 magnitude earthquake near the test site in north-east North Korea, prompted threat to the US would be met with "massive military retaliation"
- In July, Pyongyang tested two intercontinental ballistic missiles that could theoretically reach the US mainland. The tests were followed by Intelligence reports suggesting the regime of Kim Jong Un was capable of mounting nuclear weapons on to the missiles
- The regime's nuclear test on Sunday was estimated to be 10 times stronger than its previous test last year

Regulators join move into 'initial coin offerings' – Pg. 12

- ..."initial coin offering" market – a new way companies are raising money by selling investors digital tokens in exchange for virtual currency such as bitcoin
- ...China announced yesterday that it was banning them, and called a halt to fundraising involving virtual coins
- In July, the US SEC reminded market participants that securities laws apply to the sale of digital assets, and in late August it warned investors about ICOs

- ...companies can at present launch an ICO with just a simple document that explains what is on offer. The privileges granted to buyers of tokens vary widely, from access to software under development, to owning “land” in a virtual world
- Authorities in Canada and Singapore confirmed last month that some ICOs could be classified and regulated as securities

Norway oil fund plans to alter bond holdings – Pg. 20

- ...radical proposals to transform its bond investment by excluding corporate debt and fixed income in currencies other than dollars, euros and pounds
- Norway’s \$990bn oil fund proposed a number of big changes to its benchmark index for bonds ...
- The oil fund recommends that only government bonds in dollars, euros or pounds should comprise its benchmark – an index against which its performance is measured – while the debt should not have a maturity of more than “about 10 years”
- That would omit vast swaths of fixed-income assets including all corporate debt, bonds denominated in yen or emerging market currencies, as well as long-dated issues such as 100-year instruments
- The fund is only allowed to deviate from its benchmark – the so-called tracking error – by a relatively small margin compared with other investors
- The oil fund has gradually reduced its exposure to bonds. When it started in 1996, it was wholly invested in government bonds, before reducing its proportion to 60% in 1998 and 40% a decade later. Bonds currently account for about a third of the portfolio and oil fund officials have repeatedly expressed doubts about whether they can continue to deliver decent returns due to historically low yields

Answer: Agriculture...is our wisest pursuit, because it will in the end contribute most to real wealth, good morals & happiness (Prof Note: Jefferson died an indebted man who has his entire estate sold upon his death in an attempt to repay his debts.)

2 September 2017

Question: What is the maximum homeowner interest deduction allowable in a single year?

Jobs data put Fed focus on inflation – Pg. 2

- Hiring by American employers cooled in August and unemployment ticked higher, ...
- Payrolls grew by 156,000 in August, ...revisions to figures in June and July cut those months’ figures by 41,000. The unemployment rate ticked higher to 4.4% from 4.3%
- The data will leave the Fed focused in its September 19-20 meeting on the contrast between resilient hiring and soggy inflation readings
- Employment growth has averaged 176,000 a month so far this year, not far from the average monthly gain of 187,000 in 2016
- In another positive sign, the labour force participation rate, which includes people actively looking for work, has held broadly unchanged at 6.9%, even as the ageing population puts downward pressure on the metric

- ...wage growth remained tepid at 2.5% in August
- The Fed is likely to announce the process of reducing its \$4.5tn balance sheet at its policy meeting. But whether to lift short-term rates in December remains in the balance given the string of weak wage and inflation numbers

Answer: \$1.0m

1 September 2017

Question: According to MSN Money, how much should a 50 year old have saved in the bank to retire at age 67?

Saudi Arabia edges more women into work – Pg. 4

- ...female graduates outnumber males – 105,494 women graduated from Saudi universities last year compared with 98,210 male students
- The problems female jobseekers face are largely the result of the kingdom’s conservative culture. Many women marry at a young age and stay at home to raise families. But those who want to pursue a career face restrictions in their daily lives that affect their ability to find work. Women are banned from driving, many social and work places are segregated and companies often have a cultural resistance to hiring females
- One of its targets is to increase women’s participation in the workforce from 22 to 30% over the next 15 years, while reducing total unemployment from 12.7 to 7% by 2030
- ...landmark government decision in 2011 to restrict work in lingerie shops to Saudi women
- The government also no longer requires segregation in the workplace. Companies are able to hire women to work beside men as long as they provide separate toilets, a security system and a lunch room where they can pray
- But most commercial buildings in Saudi Arabia were constructed without women in mind, which means hiring females would require office revamps, a cost not welcomed by businesses

Scandal-hit Wells Fargo reveals further fake accounts – Pg. 11

- Wells Fargo said it had uncovered nearly 70% more potentially unauthorized accounts than originally thought, dealing a fresh blow to a bank still struggling to shake off the effects of a scandal that erupted a year ago
- The third-largest US bank by assets said last September that staff straining to meet sales targets may have opened about 2.1m accounts that customers did not authorize, over a roughly five-year period until mid-2015
- ...said that the total number of “potentially unauthorized” accounts was much higher, at 3.5m
- It also disclosed a new problem: unauthorized enrolments in the bank’s online bill-payment service. Wells said that it had found an additional 528,000 cases in which customers may have been signed up without their knowledge or consent, incurring almost \$1m of fees or charges

Rating agencies warn on US debt limit – Pg. 18

- Credit rating agencies have ratcheted up their warnings over the consequences should a divided Washington fail to raise the US debt ceiling, with anxiety beginning to surface in the \$14tn Treasury market
- S&P Global, the largest of the three dominant rating agencies, cautioned that a failure by Congress to lift the debt ceiling would likely be “more catastrophic” than the collapse of Lehman Brothers in 2008 that brought the global financial crisis to a head
- Analysts with rival Fitch warned last week that a failure to raise the debt ceiling in a timely manner would result in a review of its triple A rating on the US with “potentially negative implications”, signaling a cut to either its outlook or rating

Answer: 6X Salary

31 August 2017

Question: According to MSN Money, how much should a 40 year old have saved in the bank to retire at age 67?

Taxpayers face biggest share of a bill expected to top \$50bn – Pg. 3

- But this time the insurance industry is expected to avoid footing much of the bill because many householders lack cover for flooding. Taxpayers are likely to cover a big chunk of the loss, but how much support the state will provide is far from clear
- ...the storm will cost between \$50bn and \$75bn
- Flood damage is notoriously difficult to assess, not least because it makes it harder for loss adjusters to access stricken properties
- Many homeowners will not be covered because US home insurance policies exclude flood damage
- Householders can get cover from a government-backed scheme, the National Flood Insurance Program (NFIP), but only about one in six properties in the country in which Houston is located has the protection, ...
- (Prof Note: I paid my flood insurance premium for the year in July!)

Debt ceiling concerns lift T-bill yields – Pg. 18

- Investors are demanding greater compensation to own US Treasury bills maturing in early October, as Wall Street faces the prospect of a contentious debate in Washington over raising the country’s debt ceiling
- Although Steven Mnuchin, US Treasury secretary has said Congress needs to raise the ceiling by September 29, investors and traders expect the government’s limit to pay its debts to be reached in the first two weeks of October
- As the deadline looms, the US Treasury has had to cut its debt issuance, with the net supply of T-bills down \$30bn in the second quarter

Answer: 3X Salary

30 August 2017

Question: Who is the #1 land baron in the U.S. and how much land does this single individual own?

Japan labour shortages at 43-year high – Pg. 5

- ...disappointing figures on household spending suggest labour shortages are still not turning into a consumer boom
- There were 1.52 open jobs for every applicant, ...the highest since February 1974, when Japan was in the grip of an economic boom
- ...a rise in inflation towards the BoJ's 2% objective remains as elusive as ever
- The BoJ expects a tighter labour market to lead to higher wages and for that wage pressure eventually to turn into higher prices. Japan's unemployment rate held steady at 2.8% in July
- Household spending figures suggested the disappointment would continue with an unexpected 0.2% year-on-year fall in consumption by households with two or more members, implying that more people in work is not leading to higher spending in shops
- Labour shortages are forcing corporate Japan to adapt, but so far they have avoided price rises in most cases. Many restaurants have ended 24-hour opening while large building contractors are paying invoices faster in order to secure labour from sub-contractors

Rising nerves send dollar to fresh low – Pg. 18

- The dollar is heading for its longest monthly losing streak in 14 years, as concerns about tropical storm Harvey's impact on the US economy combined with fresh tensions over North Korea to push bond yields lower
- The euro yesterday powered past the \$1.20 mark for the first time since January 2015, ...
- North Korea's firing of a missile over Japan also stirred investors' nerves, knocking US and European stocks and pushing investors into safer assets such as Treasuries, with the yield on the 10-year Treasury hitting a fresh 2017 low

Answer: John Malone 2.2 million acres "Productive land is one of the very few permanent values throughout history."

29 August 2017

Question: What should be the goal when targeting retirement (from a financial perspective)?

Insurance bill for Harvey runs towards \$20bn – Pg. 2

- The nature of the storm – with analysts expecting flooding to cause more damage than winds – means that an unusually high proportion of the losses are unlikely to be covered by insurers (Prof Note: Hence why it is critical to read and understand policies. Many of the drones flying over the damaged areas were insurance companies assessing the cause of the losses)
- Private sector insurers exclude flood damage from residential policies. Bills for flooding are covered by the taxpayer-backed National Flood Insurance Programme, which needs to be

- reauthorized by Congress by the end of next month or it will expire (Prof Note: Hence why I always say, “Buy houses on hills; NEVER buy a house at the bottom of a hill!”)
- The storm also roiled energy markets. US gasoline futures jumped 3.5% higher to \$1.7251 per gallon by midday, paring some gains after surging as much as 6.8% in an overnight session
 - The US Gulf coast is home to more than 45% of US oil refining capacity....

Male-dominated economics fails half the population – Pg. 9

- A research paper by an American undergraduate student...looked at the words most often used to describe men and women by contributors to an online forum popular with graduate students, Economics Job Market Rumors. The language applied describe women was frequently sexual and derogatory. The words use to describe men were mainly appropriately work-related (with the exception of “homosexual” and “homo”)
- ...online culture in general has a problem with misogynistic trolls: witness the onslaught on Cambridge classicist Mary Beard recently for daring to know quite a lot about Roman Britain while female
- About 28% of economics students in the UK are female, and this proportion has trended down. The proportion of academics in the field who are women declines at every increasing level of seniority; is static, at best, over time; and compared unfavourably with most other disciplines, including other social sciences and natural sciences
- ...it is patronizing to suggest women just prefer literature and psychology to financial crises and digital business models. Young women are as interested as men in the state of the world
- To an extent unimaginable in many other fields, economics seminars are hostile occasions for point-scoring and aggressive challenge
- Papers written by women are routinely held to higher standards and take longer to get published, in an academic world where publication is everything for career prospects
- This is not a women problem, it is an economics problem. It is deeply embedded in the discipline’s culture and norms, and the profession’s senior men need to take it seriously (Prof Note: In my (gosh I am getting old!) 22 years of University lecturing, woman are the better students (note: I lecture quantitative classes). Just yesterday during my first day of classes I stated that the woman tend to outperform the men. Why? My examinations are not designed to be finished. I will design a 75 minute examination to take 120 minutes to finish. Why do woman do better? The answer is simple...they study and practice. In 22 years I have never seen an intellect difference between any demographic or category. Sorry men, but what I have seen is that women work harder, study more, and are more prone when missing answers on an examination to approach me asking “Why?” (comments are general NOT specific to any singular individual(s))

US banks use secured lending to steer clear of retail losses – Pg. 14

- US banks have moved to limit their exposure to the country’s troubled bricks-and-mortar retailers, allowing them to sidestep losses in spite of a spate of recent failures in the sector

- Lenders are increasingly insisting on financing retail companies via so-called asset-based loans, a type of financing once regarded by some executives as a last resort for distressed borrowers
- Asset-based loans, in which the company pledges its inventory and cash as collateral, have become commonplace for retail companies
- The shift has put banks at the front of the line, ahead of other creditors, to recover proceeds from merchandise, typically from closing-down sales
- Mary Ann Scully, chief executive of Maryland-based Howard Bank, said “I don’t think people are so worried that they’re cutting back on trying to get rid of what they have, but when new opportunities are coming up, at least some banks are being more cautious” (Prof Note: I am proud to call Mary Ann a friend and peer. She takes my calls and emails!)

Answer: Ensuring there is substantial passive income to meet expected and hoped active expenses

28 August 2017

Question: According to MSN Money, what 7 things should you do immediately if you want to be a millionaire?

Wall Street’s top bankers sell their own groups’ shares as Trump rally reverses – Pg. 1

- Executives and board members at the top six US banks have been consistent sellers of their own banks’ shares this year....
- Insiders at the big six banks by assets – JPMorgan Chase, BoA, Wells Fargo, Citibroup, Goldman Sachs and Morgan Stanley – have in total sold a net 9.32m shares on the open market in 2017
- This is an unusual long streak of net sales, across each of the big six
- Buying and selling of shares by bank insiders can have a powerful signaling effect

Cleaveland Fed chief urges rate rise despite weak inflation – Pg. 3

- Weal inflation is not a sign of economic weakness and should not interrupt the Federal Reserve’s rate-rise strategy,...
- The central bank should continue its graduate rate increases even though price growth remained below the 2% target...
- The Fed is divided over the persistent failure of inflation to hit its target....
- ...they are also acutely aware that the central bank’s favoured measure of core price growth has failed to hit the 2% target for five years

Central bankers’ optimism tempered by uncertainty over limits of their powers – Pg. 3

- Conversations at recent Jackson Hole symposia has focused on traditional central banking concerns – among them, financial system plumbing, inflation targets and negative interest rates
- The populist upsurge in countries such as the US and UK has focused attention on the dangerously uneven nature of the recovery

Gold traders on alert for US political shifts – Pg. 13

- Donald Trump's promise to turbocharge the US economy sent gold tumbling in the weeks after his election.
- Now, after touching \$1,300 a troy ounces this month for the first time since Mr Trump was elected, investor and analysts say Washington will be central to whether gold can extend the 12% rally it had chalked up this year
- Gold was approaching a record the last time Congress left investors on edge by almost failing to raise the debt ceiling in 2011
- The prolonged machinations prompted S&P Global Ratings to strip the US of its AAA for the first time

Slowing housing market strains Canada's lenders – Pg. 16

- Canada's biggest banks are stressing the resilience of their mortgage portfolios, saying they can cope with the effects of regulatory curbs that have checked rampant house price growth in the world's tenth largest economy
- Property prices have been going up in Canada for the past 17 years, buoyed by waves of immigration, low interest rates and lax controls on foreign money.
- The benchmark price index in the greater Toronto area slipped for a third successive month in July, down 4.6%, while sales transactions dropped 40% from the same period a year earlier
- But bears say prices have become too far detached from fundamentals, noting that Canada's household debt to income ratio is about 167%, among the highest levels in the developed world
- ...expects a drop in prices of 20 to 40% over the next five years, perhaps more, depending on the pace of income growth over that period

Answer: (1) Attain the abundance mindset, (2) Set the right goals, (3) Start investing even if it's a small amount, (4) Surround yourself with successful people, (5) Read a lot, (6) Learn to say no to avoid FOMO (Fear of missing out), (7) Network. (Prof Note: Most articles on retirement focus on a dollar amount. This concept is extremely pedestrian! What one needs is risk-free passive income (think about how you survive during your working years only that is active income). Focus NOT on a dollar amount but rather monthly requirement/dream and the passive income source(s) that will provide this dream to be a reality.)

26 August 2017

Question: According to MSN Money, what are five ways to build wealth outside the stock market?

Yellen warns opponents of together financial rules to remember lessons of crisis – Pg. 3

- ...reforms had made the system "substantially safer" and were not weighing on growth or lending
- Among the likely considerations are the president's appetite to loosen the regulatory strictures on the banks

- The US Treasury in June put out a 147-page report that recommended, among other things, changing the frequency and the severity of the Fed's process of stress-testing the strength of the big banks, scrapping the "gold plating" of global capital and liquidity standards for the largest US lenders, and implementing a looser interpretation of the Volcker ban on banks making speculative bets with their own capital
- Ms Yellen did not suggest that she has immediate worries about the stability of the financial sector today, despite warning signals sent up by Fed officials about surging asset values

Hanging on central bankers' every word makes little sense – Pg. 7

- The original idea behind QE, as described by the BoE in 2011, was to print money, buy things with it and so "push up asset prices and stimulate expenditures by lowering borrowing costs and increasing wealth"
- That is exactly what happened, just not in a good way
- Almost all global stock markets are now expensive
- Cheap money makes big companies look more profitable: it cuts the cost of their debt and encourages the mergers and acquisitions that boost their market power and hence their margins
- House prices in financial centres have soared. Hello "wealth"
- The (big) problem here is that not everyone gets this wealth, only people who already hold assets gain from price rises. The most obvious effect of very loose monetary policy has been to make the well-off even better off
- If you have spent tomorrow's money already you must either stop spending when tomorrow comes or, if you want to keep spending, borrow even more. The first brings recession. The second brings a credit bubble
- Reverse QE and you know you will reverse everything else, too. Goodbye "wealth". And at a time in which public and private debt approaching 300% of global GDP, hello private sector debt default and new rounds of public sector fiscal constraints

Answer: (1) Rental Properties and Vacation Homes, (2) Commercial Properties, (3) Franchise Play, (4) Peer-to-Peer lending, social lending, and crowdfunding, and (5) Alternative Lending (Prof Note: I do NOT agree. Pursue what you know and understand. Do NOT venture into unknown areas, especially for retirement investing. I have direct investments in #1 and #2 and have expanded into tax liens, FX trading, and foreign business ownership. Invest where you understand or expect to spend money to learn (as I have done with tax liens). "If it was easy to have money, everyone would have it!" – Roger Staiger)

25 August 2017

Question: What is the minimum number of annual meetings for the FOMC?

Investors in US retail keep faith despite shrinking sales – Pg. 11

- Several leading US retailers yesterday reported further declines in sales, but such is the scale of investors' disillusionment with the sector that some of their shares spiked higher on relief that the news was not any worse

Investors scramble to protect portfolios – Pg. 18

- Investors are stepping up efforts to insure their portfolios against a sharp drop in US stocks, as fears intensify that Donald Trump will struggle to deliver an economic stimulus package that has helped propel the market to record levels this year
- Worries among money managers over the fading prospects for the administration and Congress delivering tax cuts and fiscal stimulus have been fanned by the collapse of Mr Trump's business councils that were stacked with chief executives
- This year it combines with wrangling over the US debt ceiling and a meeting of the Federal Reserve at which the central bank is expected to announce the unwinding of its roughly \$4.5tn balance sheet
- The S&P 500 has climbed just over 9% this year and while the broad market remains on track for the third week of losses in a row – a first this year – it sits less than 2% below all-time high of 2,490.87 in early August. The broad market has not endured a major sell-off in the region of 10% since early 2016

Investors braced for Yellen and Draghi signals – Pg. 20

- While central bankers are expected to shy away from clear hints on monetary policy, mounting tension between ensuring financial stability by damping market euphoria and stubbornly quiescent inflation is set to be a bit theme
- The “inflation doves” on the other side have strong arguments. The US consumer price index has undershot economists' forecast for the past five straight months and wage growth is muted despite a low unemployment rate. Moreover, the bond market signals that inflation is at best a distant danger

Answer: Eight per year

24 August 2017

Question: What is the size of the Federal Reserve's Balance Sheet?

Credit default swap bundles make a comeback 10 years after financial crisis – Pg. 1

- Hedge funds are embracing an esoteric credit product widely blamed for exacerbating the financial crisis, as low volatility and near-record price for corporate debt tempt them into riskier areas to seek higher returns
- The surge in activity reflects the effort by investors to generate a higher rate of return during a period of historically low volatility in credit markets, compounded by low fixed-rate yields
- Bespoke tranches are created by allowing investors to pick a bundle of around 100 different “single-name” credit default swaps – derivatives that reflect market perceptions of the named company's creditworthiness. The bundle is then sliced into “tranches”, offering different levels of risk and return
- Investors are paid a quarterly premium with total returns adjusted for the amount of default risk from the list of the selected companies that they are willing to tolerate

Yellen to tackle financial stability at Jackson Hole – Pg. 3

- ...the Fed chair's campaign to tighten policy has been an extraordinarily benign one. Financial conditions are looser today than they were when the Fed first lifted rates at the end of 2015 as equities have surged and bond yields have sunk. Unemployment has fallen to a little over 4% from crisis-era highs of 10%, growth is tepid but steady, and wages are rising faster than inflation
- Among the question marks hanging over her record: even as the Fed repeatedly fails to achieve its inflation mandate, it is also presiding over a resurgence in asset prices and investor risk-taking that is making some investors and policymakers anxious
- The question underlying that discussion is whether bigger risks are lurking outside the formal banking sector – and whether Republican efforts to loosen bank regulation will go too far
- At the same time, the Fed remains reluctant to use the blunt tool of interest rate rises to stem rocketing asset valuations.
- For Ms Yellen, the most imminent policy step is likely to be the announcement at the Fed's September meeting of a start date to the process of unwinding the Fed's \$4.5tn asset portfolio

Seventh Fleet commander sacked after fatal destroyer collision – Pg. 4

- The commander of the US Seventh Fleet has been relieved of his duties three days after a fatal collision between a guided missile destroyer and an oil tanker near Singapore (Prof Note: Why can banks not do this with Chairmen and CEOs? Do they not answer to the shareholders? Oh, wait, the shareholders are represented by the hedge and mutual funds whose heads are on the Boards of the Banks. Ahhhh....)
- The collision was the second between a US naval destroyer and a civilian vessel in less than three months (Prof Note: I would like to understand just how (un)common are these accidents. My old man was a Lt on a destroyer, back in the day, and his ship was rammed by a civilian vessel. He was also Commander of the USS Clark and we all know what happened to the USS Stark! I am not certain there is a statistical increase, only that information is provided more readily.)
- ...said flawed leadership had been partly to blame for the avoidable accident (Prof Note: What about banks? "Flawed leadership?")
- The Seventh Fleet is the largest part of the US navy based overseas, with 70 ships and submarines
- It contains the only forward-deployed aircraft carrier and six guided-missile destroyers...

Berlin repatriates 674 tonnes of gold – Pg. 18

- Germany has successfully repatriated 674 tonnes of gold that was squirreled away in New York and Paris at the height of the cold war in one of the biggest operations of its kind
- Germany built up its gold reserves at the New York Fed, the BoE and the Banque de France as the D-Mark appreciated on the back of strong exports following the revival of the economy after the second world war. It was left abroad for safekeeping during the cold war for fear of a Russian invasion through East Germany

- The German central bank had previously repatriated 940 tonnes of the precious metal to Frankfurt from London to save on storage fees
- The Bundesbank will continue to hold more than a third of its bullion reserves in New York because the US dollar is the world's gold currency
- About 13% will remain in London, which is still the biggest market for selling gold. But that bank now has none of its reserves in France
- After the second world war, western powers tied their currencies to gold under the Bretton Woods agreement. That changed when the US ended the convertibility of dollar to the precious metal in 1971

Answer: \$4.5tn

23 August 2017

Question: What are three sources of passive income in retirement?

India bans Islamic instant divorce in boost to women's rights – Pg. 4

- India's Supreme Court has banned the Muslim practice of instant divorce in a ruling that furthers women's rights but which some fear will inflame tensions between Muslims and the country's Hindu majority
- Judges rules yesterday that "instant triple talaq" – which allows Muslim men to divorce their wives by saying "talaq, talaq, talaq" – was illegal under the Indian constitution. Hindu men do not have the same rights and must prove in court that their wives have wronged them to be granted a divorce
- It has also got to the heart of India's identity as an independent country, whose secularist foundations are limited by extensive protections for minorities to practice "personal law"

Beijing offers local school places to migrant tenants in bid to cool house prices – Pg. 4

- Parents renting homes in Beijing will have an opportunity to send their children to local schools under a government proposal that will transform the lives of migrant families whose offspring are educated in hometowns
- The plan, designed to cool property prices in China's top cities and avert further pressure on the country's debt-laden financial system, will remove what is now one of the biggest incentives for migrants to buy rather than rent
- Currently, migrants working and renting in Beijing lack a local hukou – the household registration stamp that enables them to use public services such as education
- One way migrants can secure a Beijing school place is by purchasing a home in the capital and meeting other criteria
- Prices of Beijing's commercially sold residential fell 0.1% compared with the previous month, but were still up 9.6% year on year
- Of the capital's 22m residents, two-thirds lack the coveted hukou status that gives them full rights as citizens – most importantly, access to state pensions, public hospitals and local schools

- Although attempts have been made to reform the hukou system, big cities have previously been exempted. Instead, Beijing has been tough on migrants, seeing them as overcrowding the city, recently launching a population-capping policy that was designed to chase out migrant workers
- Across China, 250m migrant workers are locked out of local public services by the hukou system

Dollar rebounds as investors monitor Yellen for Fed hints on policy tightening – Pg. 18

- The US dollar rebounded yesterday ahead of this week's Jackson Hole symposium, with some investors examining the possibility of Federal Reserve chair Janet Yellen hinting at a steeper rate of monetary policy tightening despite skepticism from many analysts
- After tightening policy three times in quarter-percentage point increments since December, bond traders are pricing in less than 50% chance of another shift higher in overnight borrowing costs this year

Answer: Equity (Dividends), Bonds (Coupons), and Real Estate (Free Cash Flow after debt service)

22 August 2017

Question: What is the basic cost for a nursing home WITH a roommate per year?

Biggest hedge fund manager turns defensive on US political concerns – Pg. 1

- The US stock market rallied for much of 2017, partly on hopes that Mr Trump would be able to enact sweeping tax cuts and ramp up spending on infrastructure, with the S&P 500 touching a fresh record high on August 8. But since then, the North Korea stand-off and Charlottesville violence have been followed by a disbandment of the administration's business councils and simmering concerns over stretched valuations
- The fading faith in Mr Trump has been pronounced in the currency and bond markets, where there have been sharp downturns in Trump trades popular immediately after his victory
- US Treasury yields, which shot up after the November election in expectation of inflationary infrastructure spending, have sagged for much of 2017

Deglobalization – Pg. 7

- In 2007, almost three times as much money crossed borders than it did in 2016, even as investors chase yields and pump up markets in a world of low interest rates
- ...more of the money that does cross borders is in the form of long-term direct investment, ostensibly to build factories or buy stakes in companies in promising markets
- Much of the fall in money washing through the system is a reminder of where the global economy has come from. In 2007 the world was flush with liquidity, the result of financial deregulation, a surge in savings from China and other emerging economies and the then-seemingly boundless wealth of oil exporters. All of that money had to find a home and returns. Much of it landed in US property, inflating a bubble that burst with spectacular consequences (Prof Note: Can we say "Japanese Property bubble" of the eighties?)

- The main reason for the fall in flows has been a collapse in cross-border bank lending, primarily by European banks
- More of the capital flowing around the world today is in the form of foreign direct investment, the sort of long-term financial commitment by companies in factories and other facilities that is normally seen as productive. But a view spreading among economists is that the growth in FDI reflects an unhealthy trend – the corporate search for lower tax rates and the race by countries to service that demand
- The IMF still sees risks in the financial system. The chase for returns by investors facing persistent low rates has driven down the cost of debt for borrowers across the developing world. They have responded by loading up on it

Answer: \$82,000

21 August 2017

Question: What metric should be used for home maintenance?

FBI warns over Wall Street traders' use of encrypted apps for illicit messages – Pg. 11

- Encryption is “a growing problem”, ...
- “New technology comes out and you know its going to be applied in fraud, money laundering and insider trading”
- The first indication that applications such as WhatsApp, Signal or Telegram – that allow for secure end-to-end communication – were being used inside big banks came to light in an insider trading case last week
- A former IT employee with Bank of America pleaded guilty to a wide-ranging insider trading scheme that netted more than \$5m, ...
- ...used a messaging app to pass encrypted, self-destructing messages to three friends about corporate takeovers, ...
- (Prof Note: Personally I think accountability is the issue. Make the penalties so high, e.g. lifetime incarceration, and the fear will make people honest. There needs to be higher penalties. We send individuals away for life for selling illegal drugs, why not for the theft of millions?!)

Student fee lender secures \$240m for US push – Pg. 15

- A peer-to-peer lending company that helps overseas postgraduate students pay tuition fees by borrowing from an alumni network has secured \$240m of extra debt and equity funding for expansion in the US
- International students struggle to get loans to pay their fees because generally they do not have a credit rating in the place where they are studying
- Traditional bank lending to students is often not structured to assess foreign risk or enforce international loan repayment
- Prodigy Finance also enables the alumni of top schools to help fund students from their alma mater or home country, while earning a financial return

- More than 80% of Prodigy Finance borrowers had no alternative source of financing, ...and the repayment rate was 99%
- For many universities, there are limits to the fees they can charge domestic postgraduate students, which makes them reliant on the higher fees they can charge international applicants

Answer: 4.00%

19 August 2017

Question: Which bank recently installed “tracking devices” beneath the desks of employees to monitor how often they were at their desks?

Rewards leave credit card issuers in debit – Pg. 10

- ...card issuers will produce a return on assets (ROA) from US credit cards of 3.5% next year, down from almost 5% in 2014
- Issuers have several ways to make money. About a quarter of cards carry annual charges,
- Providers charge other fees, including a typical cash advance levy of \$10 or 5%, whichever is greater. More than half of cards carry foreign transaction fees, typically about 3%
- ...customers who fall behind on monthly payments and borrow on their cards – known in the industry as “revolvers” – are whacked with interest charges. These often run to more than 15%, considerably higher than other types of loan
- Regulation places tight restrictions on those merchant fees on payments made by US debt cards, but not credit cards
- Visa and Mastercards carry average merchant fees of more than 2%, ...the haul came to \$47bn last year, split between card networks and issuers
- Other factors could hasten the end of the rewards war. Regulators in other markets, including Europe, have curbed merchant fees and points programmes there are stingier
- US authorities have already cut such fees on debt cards as part of post-crisis financial reforms

Answer: Barclays!

18 August 2017

Question: What will the average 65-year old couple spend on medical costs in retirement?

China debt analyst warns of \$6.8tn in hidden losses – Pg. 2

- ...latest report...estimates that bad debt in China’s financial system will reach as much as \$7.6tn by the end of this year, more than five times the value of bank loans officially classified as either non-performing or one notch above
- That estimate implies a bad-debt ratio of 34%, well above the official 5.3% ratio for those two categories at the end of June

- Beijing can order state-owned banks to keep lending to a lossmaking zombie company or to a smaller lender that relies on short-term interbank funding to stay liquid

Euro falls after minutes reveal ECB concern for recovery – Pg. 4

- The single currency, which had it a two-and-a-half year high against the dollar, fell to a low of \$1.1661 in afternoon trading...
- The euro has surged dramatically in recent months on the back of the region's economic recovery, rising almost 5% against a basket of currencies since the middle of May
- A strong euro complicates ECB efforts to hit its inflation goal of just under 2%, making imports cheaper and exports less attractive outside the region
- The minutes put the currency's rise down to two factors: the removal – following the election of Emmanuel Macron as France's president – of the political uncertainty that erupted in the wake of the Brexit vote, and market expectations over US interest rates

Data show the rising toll of online shopping on US jobs, equities and real estate investors – Pg. 18

- More shopping is being done by internet – online recently crossed the 10% mark – and department stores have suffered a steep decline in their overall US share
- As a result many big retailers are closing stores across the US. Sears, a venerable chain that dates back to 1886, has announced plans to shutter more than 300 locations this year. That will leave it with 1,150 stores, just over half the number it had five years ago
- Pressure on the sector is beginning to bite real estate investment trusts, which buy shopping malls and lease out space to large anchor retailers such as Sears, and to the smaller ones that subsequently set up around them
- At the heart of the problem is the fact that ecommerce is a lot less people-intensive than traditional retail. Jobs are being created in warehouses and logistics – core areas for the online groups – but probably not enough to counteract the decline in cashiers, stockists and salespeople

Answer: \$400,000

17 August 2017

Question: What are five retirement expenses that people typically underestimate?

Fed policymaker blasts 'dangerous' bid to loosen restraints on banks – Pg. 1

- ...10 years after the crisis there are troubling signs of a drive to return to the status quo that preceded it
- The US Treasury in June issued a 147-page report that recommended, among other things, changing the frequency and severity of the Fed's process of stress-testing the big banks, scrapping the "gold-plating" of global capital and liquidity standards for the biggest US lenders, and implementing a looser interpretation of the Volcker ban on banks making speculative bets with their own capital

Canada and Mexico rebuke US as Nafta renegotiations starts – Pg. 2

- ...US declared the pact had “failed” for “countless Americans”
- ...signaled the Trump administration’s intent to include controversial provisions on currency manipulation and to take on the US auto industry by calling for stricter regional content requirements

Central Europe records strong growth – Pg. 4

- Central Europe’s economies have continued their rapid expansion, outpacing their western peers as rock bottom interest rates and record low unemployment fuel consumer spending
- ...Romania’s economy grew at the fastest annual rate in the EU in the second quarter. The Czech Republic, Poland, Slovakia and Hungary also reported strong growth, ...
- Underscoring the recovery, the Netherlands matched its highest quarter on quarter growth rate since it joined the Eurozone 18 years ago
- Italy, which has been one of the trouble spots for the Eurozone as it has struggled to shake off its debt crisis, also posted its best annual growth in GDP since 2011
- Central Europe is growing even more strongly. Romania grew by 5.7% year on year in the second quarter. The Czech Republic grew by 4.5%, Poland by 4.4%, Hungary by 3.6% and Slovakia by 3.1%

The perils of calling the peak – Pg. 7

- The problem is that what worked in the 1980s does not appear to work any more. Bonds are also expensive – their price inflated, like many other assets, by years of extraordinary stimulus measures as central banks have tried to reduce borrowing costs for businesses, governments and consumers
- Judged by a popular long-term valuation measure that compares the worth of a stock market with the average size of corporate profits over the previous decade, the S&P 500 is deep into bubble territory
- Five companies – Amazon, Facebook, Apple, Alphabet and Microsoft – are collectively worth \$3tn, more than the value of the entire equity market of many countries
- It is hard to pop a bubble of financial exuberance, however, when the predominant investors sentiment appears to be grudging rationalization of high prices, absent much enthusiasm
- The principal explanation for this is the behavior of the world’s central banks, which, in a decade-long effort to fight deflation, have suppressed borrowing costs through very low interest rates and programmes of bond buying, known as quantitative easing
- For bonds, lower yields mean higher prices. For stocks, an environment of slow economic growth and moderate inflation means corporate profits become highly prized: investors buy them less in expectation of rapid growth, but because income of any sort is hard to find
- The Federal Reserve will soon stoop reinvesting the money it receives when Treasury bonds it holds matures, and the ECB could announce plans to reduce, or “taper” the 60bn (euro) of securities it buys each month as soon as September
- In 1982 a stock market slump coincided with attempts to fight inflation by the Fed, under Paul Volcker. In 1994 Alan Greenspan prompted chaos in the bond market when he raised rates further and faster than had been expected. US stocks lost about a tenth of their value, before the long tech rally began to take hold

Hedge funds face up to gender imbalance – Pg. 12

- Women control less than 1% of the \$3tn in assets managed in the hedge fund industry. Male portfolio managers outnumber women by 20 to one
- The disparity between the number of men and women working in the industry is one of the highest in finance, ...

Answer: (1) Healthcare, (2) Housing, (3) Entertainment, (4) Taxes, and (5) Long-term care

16 August 2017

Question: What is the greatest, single-cause, of bankruptcy claims, i.e. 60.0%, and responsible for more than half of home foreclosures in the U.S.?

Decade of QE leaves big central banks owning fifth of public debt – Pg. 1

- ...a sign of the scale of the challenge they face in unwinding unprecedented stimulus measures deployed in the past decade
- In total, the six central banks which have used quantitative easing - the US Federal Reserve, The ECB, the BoJ and the BoE, along with the Swiss and Swedish central banks – now hold more than \$14tn of assets...the scale is more than four times the pre-crisis level
- Of this, more than \$9tn is government bonds – one dollar in every five of the \$46tn total outstanding debt owed by their governments
- The ECB's total balance sheet recently topped that of the Fed in dollar terms. It now holds \$4.9tn of assets, including nearly \$2tn in Eurozone government bonds. The BoJ's balance sheet has also topped the Fed's \$4.47tn, with \$4.53tn of holdings, of which 85% are Japanese government securities
- ...current ear is the first time in history that such a large group of central banks has undertaken such a substantial volume of co-ordinated buying over the space of nearly a decade

IMF says China's debt levels 'dangerous' as leaders pursue 2020 growth targets – Pg. 1

- China's economy will grow faster than expected over the next three years because of the government's reluctance to rein in "dangerous" levels of debt,...
- ...IMF staff said that its annual growth would average 6.4% in 2018-20, compared with a previous estimate of 6%. The fund is also predicting expansion of 6.7% this year, up from its earlier forecast of 6.2%
- ...the IMF now expects China's non-financial sector debt to exceed 290% of GDP by 2022, compared with 235% last year
- The fund also noted that much of the economy remained off-limits to private sector companies that account for more than 80% of employment

Moody's plays down US retail fallout – Pg. 18

- The number of US retailers that have gone bankrupt in 2017 has surpassed last year's total, but the sector's woes will have a "limited" impact on the structured finance market where bonds are backed by a pool of underlying loans, ...
- Onerous debt and vast over-expansion – coupled with the rise of online shopping – have rattled the sector. This year 24 US retailers have gone bankrupt, against 11 by this time last year out of a 2016 total 18, ...
- Moody's estimated that only 2.1% of the CMBS it graded were exposed to struggling malls; just two out of 22 Reits had a significant exposure to them; and commercial real estate-backed collateralized debt obligations linked to retail was about 6%

Investors view of earnings sour as White House fails to deliver stimulus – Pg. 18

- Global investors are increasingly pessimistic about the outlook for equities as expectations for corporate profit growth falls to its lowest level in almost two years
- Allocation to US equities fell to a net 22% underweight in August from net 20% underweight in July
- The failure of the White House and Congress to pass any economic stimulus has left investors more reliant on the upswing in the global economy to justify buying equities
- Investors are maintaining overweight positions in favour of banks, Eurozone equities, cash and emerging markets,

Answer: Medical debt and illness

15 August 2017

Question: What is the rise in IRS penalties for those paying quarterly between 2007 and 2016?

Tighter credit set to cool China's economic growth – Pg. 2

- A cooling property market and tighter credit conditions have pointed to a slowdown in China's economic growth and reinforced predictions that expansion has peaked for the current cycle
- Housing sales rose 2% annually in July from 21% in the first six months, as local governments cooled an overheated market and cut demand. Home starts fell 3% year-on-year, the first contraction since September
- ...expanding 6.9%, putting China on track for its first annual growth acceleration since 2010
- Fixed-asset investment, which includes spending on buildings, equipment and infrastructure, was 8.3% higher in January to July than in the period on a year earlier, the lowest since December...
- Local governments have imposed purchase restrictions and tightened mortgage lending to try to rein in runaway house prices, especially in big cities. Housing construction fueled demand for factor output such as steel, cement and base metals

America is now a dangerous nation – Pg. 9

- Over the past week, Mr Trump has indulged in nuclear brinkmanship in North Korea, issued vague threats of military action in Venezuela and flirted with white supremacists at home

He is offering the very opposite of the steady, predictable and calm leadership that American allies seek from Washington (Prof note: I have been liquefying my portfolios and diversifying capital by currency AND physical location.)

- All previous presidents have rejected the idea of pre-emptive attacks on nuclear-armed states – for obvious reasons
- And now there is political violence on the streets,...
- The danger is that these multiple crises will merge, tempting an embattled president to try to exploit an international conflict to break out of his domestic difficulties
- Governments facing a domestic crisis are often more inclined to adventurism abroad
- For example, the Germany government that led Europe into the first world war felt under acute threat from domestic political enemies
- Leaders under severe domestic political pressure are also more likely to behave irrationally
- During the Watergate crisis, members of Richard Nixon's cabinet told the military to double check with them before obeying a presidential order to stage a nuclear strike. Unfortunately, it is not clear that any US official – now or then – has the right to countermand the president if he decides to go nuclear
- Declining living standards for many ordinary Americans...

Bearish bets on dollar rise to 3-year high – Pg. 20

- The Fed has raised its benchmark rate twice this year, but federal funds futures point to an only one-in-three chance of a third 2017 rate increase
- The dollar has declined by 8.7% against six major developed-market currencies since the end of 2016, confounding many foreign exchange strategists and investors who had forecast a dollar rally on the back of a strengthening economy and expectations for higher interest rates
- The economic performance in the US has underwhelmed expectations, ...
- Core consumer prices, a figure that excludes food and energy, increased 1.7% in July from the same month in 2016, with the rate steady for the third month and well below the 2% pace registered in March

Answer: 33.0%

14 August 2017

Question: What is the biggest living generation in the U.S.?

Surging flows into exchange traded funds drive US stocks bubble anxiety – Pg. 1

- Recorded-breaking inflows into exchange traded funds this year are fueling fears that the tide of money surging into passive investments is helping to inflate a bubble in the US stock market
- The ETF industry has attracted almost \$2.8tn in new business since the start of 2008, coinciding with one of the longest bull runs in US stock market history. The US benchmark S&P 500 index hit an all-time high on August 8, up 267% from its post financial-crisis low in March 2009

Why the Fed's job will get harder – Pg. 9

- With the term of Janet Yellen as Federal Reserve chair ending next February, the president will have to nominate and the Senate will have to confirm a new head of the central bank in coming months
- If history is any guide, it is more likely than not that the economy will go into recession during the next Fed chair's four-year term
- Recovery is not in its ninth year with relatively slow underlying growth for demographic and technological reasons, very low unemployment and high asset prices.
- ...likelihood that the next Fed chair will have to address a recession is probably about two-thirds
- Historically, the Fed has responded to recession by cutting rates substantially, with the benchmark funds rate falling by 400bps or more in the context of downturns over the past two generations. However, it is very unlikely that there will be room for this kind of rate cutting when the next recession comes given market forecasts
- There has not been a major bout of financial instability or a foreign financial crisis in the past four years. Such good fortune is unlikely to continue. There are real risks – from China to signs of overvaluation in parts of US equity markets, from build-ups in leverage after a long period of low rates and tranquil markets to a highly disordered geopolitical situation in which US credibility has fallen off sharply
- Perhaps the most profound challenges ahead will be political. There must be more risk now of presidential interference with the Fed than at any time since Richard Nixon. IN deal with international matters, the Fed is partnered with an understaffed and amateurish Treasury and a president who is dissipating US credibility. Most fundamentally, the temper of the times has turned against technical expertise in favour of populist passion and the Fed is the quintessential enduring apolitical institution

Answer: Millennials, those born in the early 1980s through the late 1990s

12 August 2017

Final Financial Crisis Conclusion: After receiving several emails from individuals that also have/had a “Blaine” in their lives I wanted to further share my personal actions resulting from Financial Crises’ lessons. I no longer associate with any entity, corporate or private, that I do not own and control. As the world likes labels and boxes, I am a “Philanthropist and Author”...period. I take pride in both though I will always lecture and consult, on a limited basis, as I simply enjoy it. However, neither lecture nor consulting nor professional designation will define who I am as a person.

I worry that societal pressure causes individuals to tie their identity to career and corporation. Yes, these are important but, in my opinion, important in how they support family and friends. There is honour in being a great wife, mother, husband, father, son, daughter, friend, etc. There is honour in being a “Smith”, “Jones”, and “[add your surname]”. These honours cannot be taken, they are owned, and they are prideful.

I always referred to Blaine as a great developer. I wish I had worked harder to acknowledge the great person that was Blaine. Blaine was a great person. Blaine, and others, may be lost to us but his/their memories live on and they continue to positively influence our actions. I miss Blaine.

Question: What is total Household net worth in the U.S.?

Suppressing debate will not help women at work – Pg. 7

- ...are presumed to be good at maths and science, including computer science. They are shunted in that direction, encouraged by parents and teachers....
- These men are subject to positive cultural stereotypes. Those who really are good at maths and computer science flourish; those who do not in fact have natural aptitude will still do better than they might otherwise...
- National security discussions are still largely dominated by men who often still do not treat women as their intellectual equals
- As sociologist Claude Steele has meticulously documents, Asian girls who are reminded of their Asian identity before taking a maths tests do better than other girls
- Those same girls studied did worse when they were reminded of their female identify – a negative stereotype when it comes to maths aptitude – before taking the same test
- ...social norms that police what people say do not change what they think
- It is better to have genuinely honest conversations: people must be able to say what they think in an environment in which they are actually open to changing their minds
- He argued that men are judged primarily by “status”, which pushes men to seek those jobs even when they may not want them. I have argued extensively that women at the top will need men supporting them just as men at the top need women supporting them: hence one important way to increase the number of women in leadership positions is to change the way society values men just as we have changed how society values women
- The company should be committed to diversity and equality as a first principle, to get the best from all its staff: this is a business priority as well as a moral imperative. Yet one of the major values of diversity and equality is to encourage people to challenge orthodoxies of many different kinds, even if others are offended. And both of these things can be true at the same time

Ageing population bolsters flight from US stocks to bonds – Pg. 11

- Central bank stimulus and Japan have driven investors into US bond markets, which has so far escaped sub-zero interest rates. Ageing populations have also sharpened the need for income-bearing assets
- Central banks have added more than \$10tn to their balance sheets since the financial crisis, and investors are unsure how an unwind would ripple across the markets
- Low inflation measures across much of the developed world have assuaged investors fearful that interest rates could rise quickly and shock fixed-income portfolios

Answer: \$94.8tn

Financial Crisis – The Human Factor: (This will be the last reflection in this series on the 10-year anniversary of the Financial Crisis.) It took the loss of my friend Blaine for me to truly understand the responsibility of finance (article to Blaine attached). Finance is defined as “the management of large amounts of money....” but is this truly accurate? Should the definition be expanded to include people? Perhaps, “the management of large amounts of money and the corresponding effect on humans”?

In conclusion: This week has been wonderful as I have been able to reconnect with so many of my peers on the list-serve and share stories. Many respected individuals lost positions in the Financial Crisis through no fault of their own. I think two great personal lessons are derived from the Financial Crisis: (1) Less leverage is a good thing and (2) Excellence and dedication to an employer are no certainty to future employment. What is certain, your family and friends! Do not miss family milestones for work...work will always be there until it is not. However, family memories are created, treasured and perpetual. These cannot be taken from you! The Financial Crisis took my friend Blaine and many others. Family, Friends, and quality people first!

11 August 2017

Question: What is total Household debt outstanding in the U.S.?

The next crash risk is hiding in plain sight – Pg. 9

- Sometimes market shocks occur because investors have taken obviously risky bets – just look at the tech bubble in 2001. But other crises do not involve risk-seeking hedge funds, or products that are evidently dangerous. Instead there is a ticking time bomb that is hidden in plain sight,
- In the 1987 stock market crash...the time bomb was the proliferation of so-called portfolio insurance strategies – a product that was supposed to be boring because it appeared to protect investors against losses.
- In 1994 bond market shock, the shocks were caused by interest rate swaps, which had previously been ignored because they were (then) considered geeky
- And in 2007 it was not just those SIVs and conduits that were a trigger. Products such as collateralized debt obligations or credit default swaps, which had also been ignored, were another problem
- The good news today is that it does not seem as if the financial system faces an imminent threat of another “boring” time bomb causing havoc
- ...the bad news is that precisely because the system has become so flush with cash – and seemingly calm – there is complacency; and not just about the dangers of clearly risky bets...but about the perils of “safe” assets too
- ...passive and quantitative investors now account for about 60% of the US equity asset management industry, up from under 30% a decade ago

Rental Rise – Pg. 11

- Two companies that purchased thousands of US homes during the wave of foreclosures that followed the financial crisis are planning to merge, creating the country’s largest individual landlord

- Blackstone's Invitation Homes and Starwood Waypoint will together have a portfolio of 82,000 single-family homes in 17 markets across the US

Falling sales trigger big US store chains' sell-off – Pg. 13

- The sales declines reported by big US department store chains yesterday were not as dire as had been forecast, but news of falling profit margins was enough to trigger another sharp sell-off in their shares
- Faced with an onslaught from Amazon and the rise in online shopping, alongside falling shopping mall traffic, department stores have been struggling to lure customers and reignite growth

Answer: \$12.7tn

Financial Crisis Insight: Several people have asked me how I “knew” a crisis was upon us. To be blunt, I did not “know” but I was confident nothing made any logical sense. Non-intelligent people were making far too much money, this was the first sign. I cannot describe it better than things did not feel right.

In 2006 CMEGroup began publishing derivative products based on the Case-Shiller index. What may not be known about me is that my previous career to real estate was as Managing Director for Commodities at Constellation Energy. I actually understood, at that point, more about Derivatives and commodity pricing than I did about physical real estate. While there was little to no liquidity in the residential derivatives market, there was enough and it was NOT good. As such, I stopped sweeping mines in my office and started data mining (this was when it was largely a manual process). Late in 2006/early 2007 I was graphing the Case-Shiller composite data and decided to look for inflections, i.e. second derivative changes, i.e. rate of change of change. Mid-2006 there was an inflection in the data. This gave me pause and made enough of an impression that I remembered it and saved the analysis. Eventually I compared the Case-Shiller residential with RCA Analytics Commercial Index and SHAZAAM...a pie hit me in the face. They were identical curves, well, at least statistically significant. Residential appeared to lead Commercial. Painstakingly, I shifted the data one month at a time (the mines could wait) discovering that residential lead commercial by 16 months and the relationship was statistically significant.

Could residential be a leading indicator of commercial? Given the size, i.e. 4X commercial, and the structure of the U.S. economy, yes it could! Game on! But were the curves structurally equivalent but shifted 16 months? I had to relearn the Chow Test from grad school but “yes they were.” Damn it, I had something that no one else had. At this point the world began to make more sense to me. The yield curve had been flat for over a year, sales were stalling or stalled, credit was tightening, and the US consumer was over leveraged.

While I knew it was going to be bad it was not until TARP that I realized how bad, i.e. “hell was breaking loose.” TARP was originally approved to purchase Toxic Assets. The programme was similar to the eighties RTC. However, after approval the Federal Reserve, Ben Bernanke whom I respected highly (and still do), used the funds to recapitalize the banks instead. This was similar to the RFC measures after the Great Depression back in the thirties. At that moment (it was really a few days) I realized the Federal

Reserve had NO idea what to do and was therefore going to do EVERYTHING. With reckless abandon I piled on Shorts and far out-of-the-money options. I found my public voice and have not stopped talking since.

I cannot stress enough the need to learn EVERYTHING in school and in life...PERIOD. I also want to stress that my “knowledge” was based on hundreds and hundreds of hours of data mining, research and analysis (not many mines were swept late 06’ and 07’). You have to put the time in! Also, you never know in life what information will be important when (never did I ever anticipate needing the Chow test after the Financial Theory class). Challenge your professors, most on this list-serve are either in business school or attended business school. Therefore, every professor MUST connect the dots between the information presented and its use to create (or protect) capital. Most of all, Believe in yourself! Question authority and do not assume “Excellence” ...Excellence is earned and re-earned!

10 August 2017

Question: According to MSN, what is the third most dangerous destination in America?

Fifth of German groups face negative rates – Pg. 4

- Almost one in five German companies has had their bank try to charge negative interest rates – meaning they would have to pay the lender for the privilege of keeping their money on deposit
- It also highlights the problems faced by banks, which have been highly critical of a central bank policy they say erodes their profit margins, in trying to pass on negative rates to their customers
- Banks across the Eurozone are forced by the ECB to pay a charge of 0.4% on a large chunk of their deposits held at national central banks within the Eurozone – in Germany’s case at the Bundesbank
- The ECB cut the rate below zero three years ago, aiming to boost lending and growth by making it relatively more attractive for households and companies to spend more

Supranationals debt issuance on a high – Pg. 18

- Nations have historically been the world’s best credits – but since the global financial crisis they have been joined by supranational organizations
- Syndicated debt issuance by suprnationals has more than doubled in the past decade, ...
- These borrowers, such as the European Investment Bank, the EU and the International Bank for Reconstruction and Development are backed by multiple countries and so enjoy the highest possible credit ratings
- Their ranks are set to increase further with the forthcoming entry into capital markets of the Asian Infrastructure Investment Bank – dubbed by some as China’s answer to the World Bank – and the World Bank’s own planned expansion in fundraising through its subsidiary the International Development Association
- Supranationals can also fill a financing gap left by banks as they retrench their activities. The tighter capital requirements that financial institutions now face they are obliged to hold more highly rated debt instruments – but the number of sovereign borrowers enjoying the

- highest possible ratings has fallen, reducing the amount of government paper that is eligible for banks to buy
- The number of sovereign borrowers rated AAA by credit rating agency S&P's has dropped from 20 to 12 in the past decade – just 9% of all rated nations
 - By contrast 40% of the supranationals rated by S&P are AAA, with another 43% rated AA

US budget back on radar of bond investors – Pg. 18

- The US budget deficit has been gradually crimped since the financial crisis, thanks to the economic recovery and the government reining in spending since a 2011 budget stand-off
- ...forecasts it will top \$1tn by 2020....
- ...the big surprise could be that the rising US funding needs might not in fact increase borrowing costs. Japan's government debt burden has swelled to over 230% of GDP, even as its benchmark bond yields have plumbed record lows

Answer: Baltimore....aye caramba!!!

Financial Crisis 10-year Anniversary: Today is literally the 10-year anniversary of the Financial Crisis. While the best stories are of plight and fraud, there were unsung Heros.

It was 2006 and the housing market was RED hot. Study periods for land had shrunk from 120 days to 30 days and land purchases were at fever pitch. Residential builders were behaving as if the U.S. was running out of land with owners providing non-refundable deposits on land tracts, with 30-day study periods. Capital market valuations of Residential companies' were being based entirely on lots under control, developed or to be developed. Residential builders, with no experience in development, were overnight becoming developers. There was a mad rush to own and control land. The term "landoholic" was born!

Land was going under contract with minimal study, if any at all, and the race was on. Immediately upon gain of control of land for a builder/developer, there would be a HUGE push to finance the land as closing, i.e. sale/purchase of the land, was unreasonably close. One of the most aggressive lenders in the Mid-Atlantic area was Wachovia (imagine that!). By 2006 banks had gotten wise and were at least thinking of portfolio over allocation and asset values. As such appraisals, overnight, went from being a nuisance to becoming critical. Banks were no longer accepting developer/builder ordered appraisals but were only accepting self-ordered appraisals or appraisals ordered by another lending institution. The ability for the builder/developer to influence appraised values had ended! (Or had it?!) How were projects going to be financed at inflated values (note: I did not write "cost") if the banks were controlling the appraisal process?

Out of necessity comes Innovation!

One game, which I referenced as the moving shells, had Bank A ordering appraisals for Bank B and vice versa. The unethical and greedy relationship managers (RM) knew the unethical and greedy appraisers. RM for Bank A would order the appraisal from an appraiser that would knowingly provide inflated pricing and then assign the appraisal to Bank B. The RM for Bank B would repeat the process assigning

their appraisal to Bank A. Thus both appraisals were ordered by lending institutions and both RM's were paid (Note: Relationship Managers were paid prior to project being proven, i.e. bonuses were provided quarterly based on projects rather than over time as the projects financed proved viable. Enron in the Builder/Developer market?!) and both projects financed. The developer/builder financed a project based on value, putting little to no money in the deal. Victimless "crime"?!

The unsung Heros are the ethical Appraisers and Relationship Managers that lost their positions as they could not close deals ethically (I consider many of these individuals my friends and peers today!). These individuals were side-stepped by the developers/builders and vilified for their integrity. It was not just the ethical Appraisers and Relationship Managers but many that had ethics and integrity to question the status quo. To all of these individuals...I applaud your efforts. You will receive and received NO awards, NO monetary compensation, and NO public accolades for your efforts. What you received, in many instances, were pink slips, i.e. "Thank you for your integrity but no thank you!". However, you do receive my personal acknowledgement that the world needs more of you! While my acknowledgment will not feed your families, your tireless and costly efforts are respected! (In case anyone believes this type of unethical behavior ended with the Financial Crisis please utter two words: "Wells Fargo")

Ethics are not free!

9 August 2017

Question: What is the level of U.S. Credit Card debt?

US blue-chip profits surge despite stagnation of Trump reform push – Pg. 1

- The US blue-chip companies are poised to report the first back-to-back quarters of double-digit earnings growth since 2011, underpinning fresh highs on Wall Street despite a lack of progress on the Trump reform agenda in Washington
- ...forecasts indicated that earnings rose 10.1% per share year-on-year,...
- Led by the healthcare, financial and IT sectors, more companies beat expectations in the second quarter and by a wider margin than the five-year averages
- The return of US profit growth comes after a five-quarter run of shrinking earnings and has helped to underpin valuations above long-term averages

Five things the US earnings season taught us – Pg. 13

- Earnings growth is being driven by tech, energy and financials
- US consumers are cautious, and big brands are still a tough sell
- The weaker the dollar will boost profits, but companies do not like to talk about it
- Expectations of corporate tax reform are already influencing corporate decisions
- Donald Trump is not as popular as he used to be

Answer: \$1.02tn

Prof Note: Comment from one of the bankers on the list-serve regarding yesterday's Bank of America story: "I remember that Economic forecast!!! I don't recall the dramatic boos, but there were people

talking under their breath like you were the crazy red head in the room hahahahaaaa!! I will never forget that moment and actually tell that story to people I meet now that are in the industry!! Fascinating and happy to call you my friend!!!”

Another financial crisis story: I am lecturing at Hopkins and completely went off the rails in class (I know this surprises everyone). I think I was lecturing Real Estate Finance and lost it when asked about how fraud occurs at banks. I went into specifics about two fraudulent thieves, executives, with whom I had dealings at one of the local lenders. Without mentioning the institution, I went into explicit detail regarding their schemes, fraud, dishonesty and my disgust of theft and their high salaries/bonuses which, in my opinion, were stolen. Well, as soon as class was over and the classroom had cleared, a student approached me. He looked around to ensure we were alone and said, “Professor, by any chance were you referring to XYZ and PDQ?” I must have gone WHITE and had no response. He then said, “They are under investigation and I have personally been asked to investigate them and their dealings. Would you consider meeting with the investigative committee?”

Example of the Fraud: Both Banking Executives had purchased homes in the communities of developers they financed. While the homes were purchased at “market” the \$100,000+ in options were ‘donated’ by the developers. Can you say “Fraud”?!

8 August 2017

Question: What is the size of the Canadian mortgage market?

Beijing crackdown hits US care homes deal – Pg. 14

- A Chinese property group’s acquisition of a US senior living business has stalled as regulators in China tighten their grip on outbound investments and banks recalibrate their assessment of lending risks
- For part of its financing, the company tapped a Chinese bank for offshore and onshore loans. While regulators approved the offshore loan, the onshore loan has been held up, ...
- Since June, Chinese regulars have increased the level of scrutiny on outbound acquisitions, leading to a slowdown in dealmaking
- Global banks have responded by reducing exposure...

Canada’s banks flock to UK covered debt – Pg. 18

- Canadian banks have accelerated their borrowing in the UK bond market, with sales of covered bonds during 2017 already surpassing last year’s total
- The data highlights the importance of international covered bond markets for Canadian banks, which have borrowed about 55bn (euro) through the European market over the past few years, taking advantage of yields falling to record lows
- The debt instruments, which date back to 18th-century Europe, are backed by mortgages, increasing the level of security for investors and helping to fund loans for homeowners
- Covered bonds now account for nearly 10% of the entire C\$1.4tn Canadian mortgage market, with banks mostly selling debt in dollars and euros, alongside this year’s increased activity in sterling

Answer: C\$1.4tn

Prof Note: It was 10 years ago this day that the financial crisis began. Just a few months earlier I had attended a CFO Roundtable conference sponsored by Bank of America. Their economists called the slowdown temporary and I called it a crisis. BofA's chief economist stood by his position and I stood by mine. I was eventually heckled and left the conference at the next break. BofA would call me late in 2007 to apologize and admit I was right!

7 August 2017

Question:

Banks rack up \$150bn in US fines since start of the financial crisis – Pg. 1

- Financial institutions have paid more than \$150bn in fines in the US relating to the credit crisis, passing a significant milestone a decade after it became clear that the country's subprime woes had become a global problem
- Ten years ago this week, France's BNP Paribas barred investors from accessing money in funds with subprime mortgage exposure, citing a "complete evaporation of liquidity". The date – August 9, 2007 – is pegged by many as the moment the financial crisis began (Prof Note: An answer on my examinations in finance)
- ...most crisis-related actions were civil rather than criminal and few bankers went to prison
- Bank of America, has paid more than one-third of all recoveries to US authorities, ...
- JPMorgan Chase, which acquired Bear Stearns and Washington Mutual, has paid the second largest, with \$27bn in settlements
- The bulk of the \$150.1bn total - \$89.1bn – settles allegations that institutions misled buyers of securities backed by mortgages

A two-tier economy creates inequality – Pg. 10

- Yet many economists believe that one of the reasons that wage growth – a typical driver of inflation – remains relatively flat despite unemployment being at nearly pre-crisis lows is because of job-disrupting technology itself
- There are a few sectors, like finance and information technology, which have seen strong wage growth. Yet they create relatively few jobs. Finance takes 25% of all corporate profits while creating only 4% of jobs, since it sits at the centre of the dealmaking hourglass, charging whatever rent it likes
- The most profitable 10% of US businesses are eight times more profitable than the average company. In the 1990s, that multiple was just three

Warning signs existed decade before credit crunch – Pg. 16

- By the summer of 2007 it should already have been obvious that the globe was gripped by a series of speculative bubbles, which could trigger a crisis if they burst
- Economists had amassed ample evidence to explain what bubbles are and how they occur. They are rooted deep in human nature, and recur throughout history. Their common

- elements are a new “disruptive” technology whose long-term value is uncertain (like canals, railroads, motor cars or the internet); easy liquidity of markets so that securities can change hands quickly; and cheap credit to pay for it
- These classic elements were visible in the canal and railroad bubbles of the 19th century, while the 20th century saw the Great Crash of 1929 (which ushered in the Great Depression), and the crash for Japanese equities after New Year’s Eve, 1989, which led to Japan’s two lost decades
 - What was new about the crisis of a decade ago is that it was truly global
 - The crash for tech stocks prompted interest rate cuts, which helped to ignite a further speculative bubble in US homebuilders. As US house prices peaked and then began to decline in 2006, a long running bull market in emerging market stocks became a bubble – particularly Chinese stocks
 - House prices were already falling. Several subprime lenders went bankrupt in early 2007, with no great effect on credit prices. Banks felt obliged to stay in the market
 - Financiers should have known long before August 2007 that the world was a dangerous place

Answer:

5 August 2017

Question: According to MSN Money article, what are the three ways one can elevate one’s happiness quotient by tackling a few factors that are under one’s direct control?

US restaurants and bars drive job creation to beat forecasts – Pg. 2

- America’s jobs recovery continued unabated in July, fueled by a surge in hiring at restaurants and bars, ...
- The economy added 209,000 jobs,
- ...unemployment rate slid further to 4.3% from 4.4% in June – matching a 16-year low stuck in May
- America’s jobs machine has rarely flagged in recent years, and average monthly gains of 185,000 this year have nearly matched the pace set in 2016
- The strengthening economy helped push up the labour force participation rate to 62.9%, from 62.8% previously – a sign that individuals are finding the jobs to get them into work

Bosses are getting older but not more diverse – Pg. 7

- ...greatest social trends of our time, along with the rise of working women, the decline of the traditional family, growing global migration and automation
- Back in 2006, the average age of a CEO running an S&P 500 company in the US was 55. By last year it had risen to 57
- The share of boards with an average age of 64 or older last year was nearly double what it was a decade earlier
- The shock of Donald Trump’s election overshadowed the fact that he was 70 at his inauguration, the oldest US president ever to enter office

- The number of female CEOs at the top 500 companies in the US has doubled since 2006 – which sounds impressive until you consider they made up just 6% of the total last year
- This figure looks increasingly bizarre considering women make up nearly 47% of the American workforce and just under 20% of the US Congress. The story is similar in the UK, where women make up a record 32% of the House of Commons, but fewer than 8% of FTSE 100 company chief executives

Leaders of the duty-free world fight for sales – Pg. 10

- ...only 16% of passengers going through an airport buy anything
- ...forecasts that Asia-Pacific will be the fastest-growing market in airport retail sales over the next five years, with 2020 sales nearly double that of 2014
- China travelers offer the best growth potential
- The average time spent at an airport – from arrival until an aircraft’s doors are closed – was 133 minutes last year, down from 150 minutes in 2013

Answer: (1) Adjust one’s expectations, (2) Get a handle on debt, and (3) Distract yourself

4 August 2017

Question: According to a study referenced on MSN Money, once you make around how much money, having more money won’t make you any happier?

Wall Street watchdogs sound alarm over risky bank lending – Pg. 1

- US regulators have joined investors voicing concern over risky bank lending, warning of weak investor protections and “aggressive” financial projections
- ...red flags about lending to already highly leveraged companies, particularly when projections make a company appear more creditworthy
- The regulators warned of “ineffective covenants, liberal repayment terms and incremental debt provisions that allow for increased debt, which may inhibit deleveraging capacity...”
- Fund managers are particularly anxious about so-called add backs or adjustments, which are designed to make companies appear to be more creditworthy. Adjustments include adding expected cost savings to earnings, even though they have not yet been realized, making a company’s debt burden look more manageable

Czech central bank blazes trail with rate rise – Pg. 2

- The Czech central bank has raised interest rates for the first time since the financial crisis, becoming the first in the EU to start what analysts expect will be a gradual exit from a period of record-low borrowing costs
- Central banks across Europe have driven rates to record lows in a bid to ward off the threat of deflation and spark recovery, after economic growth slumped because of a financial crisis emanating from the Eurozone
- In the US, where economic recovery started earlier, The Federal Reserve started to raise interest rates late in 2015

Debt investors turn against retail sector – Pg. 18

- The inclusion of loans to bricks-and-mortar retailers in commercial mortgage-backed securities have halved since 2010, as investors cool over providing financing for an industry under siege from ecommerce
- The retail sector has accounted for an average of just over 24% of the loans underlying newly issued CMBS assessed this year by the credit rating agency Fitch. That is down from 31.4% last year and 51.5% in 2010
- This has shifted the focus on to the credit-worthiness of ailing US regional malls, which suffer a loss of rental income when big-name depart
- The struggles of bricks-and-mortar retail is raising the stakes for borrowers as a wave of retail loans come due for refinancing, with banks less likely to advance a new mortgage if demand from investors in the CMBS market has declined
- Offices comprise 43.4% of the CMBS transactions rated by Fitch so far in 2017, up from 28.7% in 2016

Answer: \$200,000

3 August 2017

Question: What are some common Estate Errors?

Indian central bank cuts rates after slowdown – Pg. 4

- India's central bank lowered its benchmark interest rate to a six-and-a-half year low of 6%, down from 6.25%, after a drop in consumer prices and an overall slowdown in economic growth
- GDP grew just 6.1% in the January to March quarter – its slowest pace since late 2014 – as the country reeled from Prime Ministers Narendra Modi's decision to prohibit the use of 86% of the country's cash in November

Chinese tourists' spending habits shift away from shops – Pg. 4

- Chinese tourists flocking to European and Asian capitals in record numbers this summer will be spending less on shopping and more on dining and sightseeing as overseas travel becomes more mainstream and the lure of low overseas prices diminishes
- Retailers across the world have come to rely on Chinese tourists but the proportion citing shopping as their main travel motivation plunged to one-third this year from more than two-thirds in 2016, ...
- ...Beijing says last year its citizens took 122m overseas trips, including to Hong Kong and Macau, an annual increase of 4%

Global economy – Pg. 7

- Just 1.8% of Japan's population is foreign-born compared with 13 to 14% in the US and UK. Japan accepted just 28 refugees in 2016. Only about 10,000 people a year become naturalized citizens

- ...the role of immigration in Japan's future is vigorously debated. Some favour a distinctly Japanese model, blocking guest workers in order to encourage labour shortages, and thus drive up wages and capital investment
- ...Japan's population will be falling by nearly 1m people a year...
- The emergence of labour shortages over the past few years points to a newer and more fragile part of Japan's economic model: its willingness...to engage in fiscal and monetary stimulus
- The BoJ has so far bought more than 43% of the government bond market ...
- Japanese companies have been reluctant to sell out to foreign competitors or indeed to consolidate among themselves, so there is a large pool of locally headquartered groups, with fierce competition in some domestic markets. Many in Japan have doubts about this model, blaming it for low returns on capital, a lack of dynamism and poor productivity growth
- But population decline hangs over everything, from the competitiveness of Japan's companies to its bare-bones welfare system and even the ability to pay for national defence

US bond experts give funding gap hint – Pg. 18

- The market for corporate debt has ballooned to nearly \$9tn from about \$5tn before the financial crisis, and is three-fifths the size of the outstanding Treasury market,...

Demise of Libor is far from a done deal – Pg. 18

- The UK markets regulator, the Financial Conduct Authority, has set a rough timeline for banks to prepare for a transition away from the floating interest rate benchmark that is crucial to world markets. By the end of 2021, it will no longer require banks to contribute to its calculation for rates in sterling....
- Libor's administrator, the US's Intercontinental Exchange, will still be able to publish the dollar rate after that point,five years is not long enough for banks to overhaul the \$350tn of outstanding derivatives, loans and mortgages tied to the key referene rate....
- Libor , for a term of one-month and more often three-months maturity, are the cornerstones of the floating rate interest rate market for the broader economy and users of derivatives
- In the second quarter of 2017, less than half of all currencies' Libor submissions for terms of a week or longer were based on actual transactions,that introduces some legal risk, since flawed submissions could be subject to regulatory scrutiny
- Substitutes for libor are planned....US replacement called the Broad Treasury Financing Rate (BTFR)

Reits' horizons broadened by ecommerce – Pg. 20

- Industrial Reits have performed well despite headwinds on the wider sector after the Federal Reserve raised interest rates, which prompted a rotation out of stocks with bond-line properties
- The mall in a market "with lower income, lower housing values and less density of population will face far more competition – not just from the internet but from the average

Walmart”The benefit of owning ‘A Spaces’ and ‘A locations’ is becoming even more important....

Answer: 1. Not having a Will, 2. Not updating a Will, 3. Making oral promises, 4. Not creating, funding, and making stipulations to a Trust, 5. Not keeping a Will where it can be found, e.g. on file with registrar of Wills or with attorney.

2 August 2017

Question: According to a Gallup poll, what % of Americans intend to work past retirement?

Fledgling quants seek to disrupt Wall Street – Pg. 18

- Quantitative hedge funds use complex algorithms to sniff out and take advantage of millions of small but lucrative trading opportunities. They are now proving increasingly popular, reflecting in part a long run of underwhelming performance and expensive fees across the broader industry
- The widening access to faster and cheaper computing power, coupled with an explosion of digital data such as satellite images, internet chatter and online commerce, has encouraged scientists and programmers to turn their expertise towards financial markets
- ...some investors are more willing to take a punt on “emerging” managers – especially if they have a solid grounding in science and the algorithmic investment world
- There were 179 hedge funds launched in the first quarter of 2017,....
- Emerging hedge fund managers often do better than their bigger peers
- Many of these start-ups will clearly fail, but even some of the hedge fund industry’s biggest stars think this is where the wind is blowing

S&P to ban entrants with multiple share classes – Pg. 18

- Companies with multiple share classes will not be able to join the S&P 500 in a decision being hailed as a victory by investors that opposed Snap’s decision to sell shares with no voting rights
- ...S&P Composite 1500 – which is comprised of the S&P 500, S&P MidCap 400 and S&P SmallCap 600 – would not include companies with multi-class share structures, but that existing constituents, such as Google, Berkshire Hathaway and Facebook, would be able to remain

Answer: 74%

1 August 2017

Question: What percentage of retirees carry a mortgage into retirement?

Eurozone joblessness and inflation figures add to optimism – Pg. 2

- Eurozone unemployment fell to its lowest level in eight years in June, while a key inflation figure picked up to its fastest pace since 2013 in July, underscoring the gathering momentum of the bloc’s economic expansion

- Annual unemployment in the Eurozone fell to 9.1% in June...
- ...Germany boasted the lowest rate of joblessness at just 3.8% - a record in the post-reunification era
- France was the only EU country to record a rise in unemployment in June, ...
- Core inflation in the Eurozone, which strips out volatile food and energy prices, accelerated unexpectedly, picking up to a four-year high of 1.3% from 1.2% in June

Jittery markets braced for US debt ceiling deadlock – Pg. 3

- The Federal Reserve's plan to start unwinding quantitative easing as early as September could be derailed if Congress fails to tackle the looming deadlock over the US debt ceiling...
- Congress sets a limit on the federal government's debt in law, which currently stands at \$19.8tn. Once the limit bites, the Treasury can no longer borrow and, if it were to exhaust other ways of making payments, it would have to miss, delay or reduce payments
- The Treasury bumped up against the debt limit in March, so the Treasury has since then been using so-called "extraordinary measures" to buy Congress more time to act on the debt limit

The sequel to the global financial crisis is here – Pg. 9

- The central culprit this time is the collateralized loan obligation. Like its earlier esoteric cousins, a CLO bundles risky low-grade loans into attractive packages and high credit ratings
- Last Christmas Eve, the so-called risk-retention rule of Dodd-Frank took effect, requiring that arrangers of these complex deals keep a slice of the downside. But clever financiers arranged for third parties to take on this risk

Outlook darkens for UK debt collateral – Pg. 18

- Moody's has raised the alarm over a wide range of UK consumer loans that are bundled together and sold to institutional investors, underlining how anxiety over a deteriorating economic outlook is spilling into markets
- Auto loans, credit cards, buy-to-let mortgages and so-called "non-conforming" mortgages that do not meet high street lending standards were among those that make up asset-backed securities and were singled out by the rating agency for a negative outlook
- The decision by Moody's to cut the outlook on consumer-related debt collateral is a sign that worries over the economy are seeping into structured bond markets, which are closely linked to the performance of consumer credit
- The rating agency suggested that auto loan delinquencies will rise slightly, though from a low base, due to weakness in the economy

Answer: 25.00%

31 July 2017

Question: What should be considered when deciding between funding a child's college tuition or saving for retirement?

Egypt businesses battle inflation after currency devaluation – Pg. 4

- ...soaring inflation and rising borrowing costs. The issues are causing some companies to put their expansion plans on hold, ...
- Companies that have foreign currency debt have been left exposed after the pound lost half its value following its floatation. Manufacturers who rely on imports have seen their working capital fall by as much as half. Inflation running at about 30% has also hit the buying power of companies' customers
- The central bank raised its overnight lending rate this month to 19.75% - its second increase this year

US union revival is long overdue – Pg. 9

- ...in the US, employers typically see unions as sclerotic enforcers of rigid and antiquated rules, entities to be squashed rather than worked with
- The labour share of the overall economic pie is at a post-second world war low, which is an enormous problem in an economy that is 70% dependent on consumer spending
- The demise of the traditional union movement (which represents only 10.7% of the American workforce today, half of what it was in the early 1980s) , is one of the biggest contributors to that problem
- ...48% of the population believes that unions are a good thing – but Millennials have the most positive view
- (Prof Note: At a public speaking event Thursday to residential appraisers I made the point that realtors earn 3.00% of a transaction or \$22,500 on a Reston, VA \$750,000 home while an appraiser earns \$450. I told them, in front of several Senior Federal Reserve officials to strike for better pay!)

Answer: Your child can borrow for college BUT one cannot borrow for retirement.

29 July 2017

Question: According to GOBankingRates Survey, what percentage of millennials have less than \$10,000 saved for retirement?

Advanced economies behind rise in global imbalances, says IMF – Pg. 2

- Data from the fund yesterday also showed the US has maintained its long-term hold on the largest current account deficit. While the mismatch between global savings and spending posed less of a threat to the world than it did before the 2008 financial crisis, ...it also warned that it risked feeding new demands for protectionism
- ...publishing an exercise showing that tariffs and other trade barriers, as Mr Trump has threatened, would do little to address the current account deficit and hurt the US global economy
- The IMF data show Germany ran a current account surplus of \$289bn, or 8.3% of GDP, in 2016 while China's fell to \$194.6bn, or 1.7% of GDP. The US, meanwhile, had a current account deficit of \$451.7bn in 2016, or 2.4% of GDP, almost four times the UK's deficit, which at \$114.5bn was the world's second biggest in 2016

- Rather than impose trade barriers the IMF said, the US should focus on reducing government debt and improving competitiveness and productivity

Japan suffers shortfall of applicants for full-time jobs – Pg. 4

- Labour shortages in Japan have reached a new level of severity, with more permanent jobs open than there were applicants for the first time on record
- The data suggest labour shortages are spreading beyond the ranks of casual, part-time staff to the regular, salaried employees who are the backbone of the country's workforce
- There was also encouraging news on household spending, up 2.3% on a year ago in June, the first increase for 16 months

Amazon forecasts quarterly loss as spending spree shows no sign of abating – Pg. 8

- The figures suggest Amazon is moving towards a more capital-intensive business model with a permanently higher headcount and much bigger physical footprint. It has been opening a growing number of bricks-and-mortar stores, including a convenience store and two grocery pick-up points, and its purchase of Whole Foods will add hundreds of US stores virtually overnight
- These changes mean that Amazon is on track to remain one of the least profitable and most expensive tech stocks. Its shares are trading at more than 200 times earnings on a trailing 12-month basis, ...

Years of scandal see Libor consigned to scrapheap – Pg. 9

- After years of scandal and \$9bn of fines, Libor is heading for the scrap heap.
- At its height, Libor was the reference point for \$350tn in financial products, including mortgages, student loans and derivatives. But its calculation method, which averaged daily estimates supplied by a panel of banks, left it open to manipulation
- A working group set up by the BoE to look at Libor alternatives recently selected a version of the sterling overnight index average, or Sonia, which was introduced in 1997

Answer: \$10,000

28 July 2017

Question: To avoid potential penalties, how many years in must gifts be provided to family members to qualify for Medicaid?

Fed pick urges greater clarity in bank stress tests – Pg. 3

- Donald Trump's nominee to head the Federal Reserve's regulatory wing has said he wants to inject greater "transparency" into the system of stress tests the central bank uses to gauge banks' health
- The appointment will mark the first time the Fed has had a vice-chairman for supervision – a position created under Dodd-Frank Act but which has never been filled
- Bankers are hoping Mr Quarles will reverse the hardline approach to bank oversight – in particular capital standards – that was developed after the crisis....

Banks – Pg. 7

- Trouble began for the Barclays boss last year when he sought to unmask the author of anonymous letters sent to fellow board members. The missives accused him of covering up the personal problems of a friend when they worked together at JPMorgan Chase and again when his former colleague was hired by the British Bank
- ...even after being told not to, Mr Staley flouted a critical part of the regulatory system designed to avoid a repeat of the financial crisis
- The Financial Conduct Authority's rules, which took effect in September, say it would be "a serious matter" if any company or employee "acted to the detriment of a whistleblower"
- The case is seen as crucial by those demanding a stronger UK framework to encourage and protect whistleblowers and even compensate them as in the US
- The Barclays boss was told to back down by his compliance team, but returned a few weeks later to ask if he could continue. At this point, he made an "honest mistake" in thinking he was given a green light because of the "ambiguous" answer he receivedordered a second time by Mr Staley to identify the source....asked the US Postal Inspection Service, the law enforcement arm of America's post office, to find CCTV footage of the post box used at the time they were sent. (Prof Note: Why is Staley not on unpaid leave while this investigation is underway? If it proves false, pay the back-pay, if it proves positive, to the greatest extent prosecute and fine!)
- Wells Fargo has been ordered to rehire an employee who blew the whistle on the scandal and was later fired (Prof Note: I can see this person in the main lobby of Wells smoking a cigar with MC Hammer's "Can't Touch This" 80s tune playing in the background. Talk about job security for this person! ☺)
- The UK has explained its reluctance to reward whistleblowers by saying the US has a "bounty culture" that risks creating "moral hazard" Qui tam lawsuits – when whistleblowers are rewarded if their cases recover funds for the US government – date from the US Civil War
- Yet the SEC only began paying whistleblowers after the financial crisis and the scandal ignited by the Ponzi scheme orchestrated by Bernard Madoff
- The law allows for whistleblowers who provide original, high-quality tips to get between 10 and 30% of penalties above \$1m. The SEC awarded \$111m to 34 whistleblowers in the five years to 2016, of which the largest payment was more than \$30m
- Job losses, bankruptcy, divorce, mental health issues are all common among whistleblowers

Answer: In general, five years

27 July 2017

Question: What is the income restriction to qualify for Medicaid?

US Fed signals readiness to unwind crisis-era stimulus from next meeting – Pg. 1

- The Federal Reserve signaled it is ready to start unwinding its crisis-era stimulus programme as soon as its next meeting in September, suggesting that the central bank remains confident in the US outlook even as it acknowledges weak inflation readings
- The Fed kept rates unchanged at 1% to 1.25% at the meeting...
- With financial markets hitting new highs and unemployment hovering at just 4.4%, the central bank is set upon gradually withdrawing that stimulus in a predictable manner that it hopes will avoid rolling the markets
- Complicating the policy picture has been a spate of poor inflation readings that have left the outlook for the Fed's interest rate policy less clear

Trump, Sessions and America's looming constitutional crisis – Pg. 9

- No reasonable observer could conclude that Mr Trump is willing to open his books. Having refused to release his tax returns, he risks a constitutional crisis to stop US law enforcement officers from looking into his business dealings
- Mr Mueller is nothing if not thorough. Mr Trump is nothing if not ruthless
- America's founding fathers created a system based on laws, not men. But it is down to people to uphold the system. In theory, there is nothing stopping Mr Trump from doing whatever he likes. Most constitutional lawyers say you cannot indict a sitting president – even if he has repeatedly obstructed justice. If Mr Mueller were sacked, in other words, no court would reinstate him. The same applies to Mr Sessions and as far down the chain as Mr Trump cared to go
- The other safety net is impeachment. Unless public opinion turns sharply against Mr Trump, A Republican controlled Congress is unlikely to act

Hungary sells renminbi debt in China – Pg. 18

- Hungary has become the latest eastern European country to sell debt on the Chinese mainland, ...
- ...country is also looking to develop economic links to China
- Hungary's issue is the first sovereign renminbi deal since China earlier this month launched its Bond Connect scheme, which allows foreign fund managers to trade in Chinese debt markets directly without having to set up onshore accounts
- Hungary's deal follows on from Poland, which last summer became the first non-Asian sovereign to issue a panda bond, ...
- Panda bonds are renminbi-denominated debt sold onshore in China, as opposed to dim sum bonds which are offshore renminbi-denominated debt
- The first national to issue a panda bond was South Korea in late 2015

Canada's housing rally owes a debt to Europe – Pg. 20

- Last summer, authorities in Vancouver became so concerned about Chinese money in their housing market that they introduced a tax on foreign buyers
- The 15% charge was designed to cool a property sector where prices have spiraled, ...
- Covered bonds never took off in the United States, but Canada's different. In June 2012, the government brought in "dedicated covered bond" legislation, providing a legal framework for its biggest banks to tap the market

- The ECB does not buy Canadian covered bonds directly, but it owns more than a third of the entire European market, encouraging investors towards those of a Canadian flavor
- Covered bonds are highly rated, and there are almost no clear instances of investors taking losses. For them to do so, the bank would need to collapse, mortgage borrowers would need to default, and the value of houses reclaimed as collateral would also need to fall steeply
- Covered bonds in all currencies now finance nearly 10% of the entire Canadian mortgage market, which is close to C\$1.4tn in size....

Answer: \$2,205/mo/person (including Social Security)

26 July 2017

Question: According to MSN Money what four things should you have done prior to retirement?

Men give 'urgent wake-up call' on health after sperm counts plummet – Pg. 1

- The sperm count of men in the western world has fallen by more than half over a period of 40 years, ...
- Although the study did not examine likely reasons for the decline, previous studies have associated low sperm count with prenatal chemical exposure, adult pesticide exposure, smoking, stress and obesity

IMF warns against premature end to eurozone bond buying – Pg. 3

- The advice from the fund adds to the debate over when the bank should start to row back its 60bn(euro)-a-month programme of bond buying, an emergency measure introduced two years ago to try to stimulate the economy
- The ECB is likely to decide to "taper" the programme, known as quantitative easing, in October, taking effect at the start of next year. But the central bank faces a dilemma on acting when Eurozone inflation is well below its target
- The eurozone's economy has been one of the best performing in the world this year, with falling unemployment and rising confidence
- The IMF upgraded its Eurozone growth forecast for this year to 1.9% from 1.4%. Growth in a region once viewed as an economic laggard now outpaces the US and the UK
- However, inflation remains weak, registering 1.3% in the year to June

Accor pushes home rentals to take on Airbnb – Pg. 12

- Accor, Europe's largest hotelier by room numbers, acquired Onefinestay, the UK-based luxury home rentals site,
- Traditional hotel chains are investing hundreds of millions of dollars acquiring start-ups and developing internet initiatives, t a time when online groups are disrupting their business models
- (Prof Note: I am pouring cash into my personal residences to capture this market recognizing that each night I sleep three "hotel" rooms expire. Two development projects

currently underway and a third scheduled for 2018. Bill Gates and the Four Seasons have yet to see true competition! Expect Cat Ghaut villas by 2020.)

Answer: (1) Save enough to cover three months of living expenses, (2) Pay off your mortgage, (3) Get rid of costly credit card debt, (4) Save enough to replace 80% of your yearly income.

25 July 2017

Question: GoBankingRates had six responses when asking 1,000 people how they were going to retire. What were the six responses AND what was the percentage of 45 – 54 year olds that responded, “I don’t know”?

The world economy flies on multiple engines – Pg. 8

- The IMF ... global growth unchanged from its previous projections at a healthy 3.5% this year and 3.6% next, with upward revisions this year in the Eurozone, China and Japan. The only large advanced economies to see their forecasts revised down for this year were the US and the UK
- In the case of the US, the downgrade involved reducing the forecast by 0.2% this year and a hefty 0.4% in 2018, a large drop from a growth rate projected now to equal only 2.1%
- ...the IMF was too optimistic in the first place about the ability of Donald Trump’s administration to push through a big fiscal stimulus
- As for the UK, the fund revised down the forecast for this year on the back of weak growth in the first quarter
- Perhaps one of the most cheering parts of the forecast is the continued optimism about world trade
- As the IMF warns, however, policy uncertainty is one of the biggest threats to the global economy in the medium term, and nowhere does this apply more obviously than in trade

Robust US lenders ride strong debt appetite – Pg. 20

- The premium US banks must pay to borrow has fallen to its lowest level since the financial crisis, underlining the appetite for debt as trillions of dollars of global bonds trade with a yield below zero
- ...has been a collective willingness to resist scooping up debt even as central banks beyond the Federal Reserve signal a willingness to tighten monetary policy. At the same time, the cost to insure against the default of senior US bank bonds is at a three-year low, in a sign money managers judge the lenders to be in much better financial shape
- US banks were lifted last month after the Fed gave the sector a clean bill of health,...

Answer: (1) 401(k)/IRA, (2) Social Security, (3) Investments (Stocks/Bonds), (4) Personal Savings, (5) Family/Spouse, (6) I don’t have a clue! (Prof Note: Not knowing is not an acceptable answer. Tomorrow while you are “working”, figure this out. There is NO time to spare!)

24 July 2017

Question: How much does the average social security recipient receive a month?

Housing costs fuel Londoners' exodus to other parts to UK – Pg. 2

- The number of Londoners leaving to live elsewhere in the UK has reached its highest level in at least five years as high housing costs push more people in every age group away from the city
- ...led by people in their 30s, whose exits reached a new post-crisis high, ...
- The city's population growth has continued – with the total figure reaching 8.8m in mid 2016 – but this was driven by arrivals from overseas and by births
- Among homeowners leaving London, the average house price in the capital was 580,000 (sterling), against an average of 333,000 (sterling) for the areas they move to, meaning they could save on average almost 250,000 (sterling)
- Renters have also faced intense pressure, as rents rose 34% in 10 years
- (Prof Note: Houses just 2-hours outside of DC which are on the water and water view are priced at \$400,000 or less. As I age I appreciate blue skies, green grasses and farms much, much more.)

China's shoppers embrace borrowing as consumer finance market is opened up – Pg. 3

- Since regulators opened up the consumer finance market three years ago, lenders have deployed hundreds of thousands of salespeople across China to hand out on-the-spot loans for phones, electronic gadgets and cars
- This burgeoning market is expected to be worth \$500bn by 2019, with the rise in consumption expected to help China weak itself off investment-led growth
- ...China's household debt has doubled over the past eight years and is expected to reach 50% of GDP by the end of the year
- This proliferation of high-interest lending to young consumers, coupled with soaring household indebtedness, could spell trouble for financial regulators in the future,...

Fed likely to hold tight despite weak inflation – Pg. 4

- The Federal Reserve is likely this week to signal it is staying on course for tighter monetary policy as supportive financial markets and robust corporate hiring trump concerns about surprisingly weak inflation
- The next move following June's rate rise may come in September with the start of the process reducing the Fed's \$4.5tn balance sheet
- Core inflation has been decelerating since January, leaving the latest reading of the consumer price index excluding food and energy at 1.7%
- With employment growth averaging 180,000 a month this year, some Fed policymakers think unemployment will be at or even below 4% by 2018, pushing joblessness to lows last touched in 2000

Answer: \$1,360/mo

22 July 2017

Question: What is the average medical spending expected for those aged 65 to end-of-life?

Marketing – Pg. 5

- As well as the moral imperative there is also a commercial reason why advertising should treat women more fairly
- Bringing more women into senior advertising roles is seen as essential in the fight against stereotyping in marketing campaigns
- Although women occupy nearly half the jobs in advertising, they account for only 11% of the creative directors at agencies, ...
- In the UK, the regulators, which will issue a new set of rules in 2018, say they are responding to ads that invite “assumptions about adults and children that might negatively restrict how they see themselves and how others see them”

Stocks rotate from US to boost Europe – Pg. 11

- Flows into European stocks surged to their highest level since Emmanuel Macron clinched victory in French elections in May, providing further ammunition to continental equities as interest in US stocks fades
- As Washington grapples with policy gridlock and many of the pro-growth plans of Donald Trump, the US president, remained stalled investors were looking for higher returns, ...

Chinks emerge in the armour of prized malls – Pg. 11

- Central to their premise is the idea that too much faith is being placed in a classification system used for shopping malls that is little known outside of the real estate sector
- Malls are given ratings by a small group of property consultants generally ranging from A++ to C based on factors that include their sales per square foot and location. While there is no universally accepted system for ranking the malls, with each consultant having slightly different methodologies, banks and investors tend to rely on these ratings to make decisions over how secure each mall is as a creditor or investment
- The stock market has until recently appeared to believe that prime “A” malls were largely insulated from the pain being felt across a US retail sector being shaken by ecommerce
- ...there is growing evidence to suggest these prime malls, which have been treated by investors and lenders alike as rock-solid bets in the face of the internet headwinds, are not as protected as once thought
- (Prof Note: I just purchased my first “large” purchase in a mall in several years. A \$140 pair of sunglasses. Prior to purchase I checked with Amazon to see if they were cheaper. Had they been cheaper I would have purchased from Amazon. Personally I believe retail will be showrooms with Amazon as delivery (look at Sears))

Answer: \$400,000

21 July 2017

Question: What percentage of Baby Boomers nearing retirement have no savings?

BoJ lowers inflation forecast as ultra-loose policy continues – Pg. 4

- The BoJ has cut its forecast for prices and kept monetary policy on hold as it struggles to achieve its target of 2% inflation
- The central bank yesterday cut its inflation forecast for the year to March 2018 from 1.4% to 1.1%, while trimming its forecast for the year to March 2019 from 1.7% to 1.5%
- By delaying the target date, the BoJ signaled it was unlikely to reduce its stimulus, with monetary policy staying extremely loose
- The BoJ kept overnight interest rates at minus 0.1%, pledged to cap 10-year bond yields at “around zero” and said it would continue to purchase assets at a pace of about ¥80tn a year

Weaker US dollar boosts carry trade – Pg. 18

- The Australian dollar has climbed to a 25-month high against the US counter-part, underscoring investors appetite for currencies that are supported by higher interest rates
- The trend reflects growing activity in the so-called carry trade, where investors borrow in low-yielding currencies to buy high-yielding rivals, pocketing the difference
- The greenback’s moves lower have been triggered by Federal Reserve caution and poor US inflation data, which are pushing back market expectations of interest rate rises

Answer: 40.0%

20 July 2017

Question: How much cash does an American household, i.e. two people, need in retirement savings at the time of retirement?

Fed chair hopefuls back president’s growth target – Pg. 3

- ...three potential candidates to replace her [Yellen] as Federal Reserve chair have enthusiastically endorsed the president’s goals
- Glen Hubbard, John Taylor and Kevin Warsh said in an article co-authored with John Cogan of Stanford University that the policy changes being put forward by the administration and Congress would “significantly improve the economy’s growth prospects” – lifting growth to 3%, the rate that the Trump administration wants to achieve as part of its fiscal plans
- The Fed chair told the Senate last week that attaining 3% growth would be “quite challenging” – even if it would be “wonderful” if it could be accomplished
- Ms Yellen’s term as Fed chair is due to expire in February....
- Among the likely external candidates are Mr Warsh, a visiting fellow at Stanford’s Hoover Institution, Mr Taylor, a professor at Hoover, Mr Hubbard, the dean of Columbia Business School, and Mr. Staiger, a philanthropist and author.
- In Ms Yellen’s testimony, she said changes to the corporate tax code plus educational reforms could improve the economy’s performance, but that moving productivity growth back above 2% would be a monumental task
- ...the CBO is projecting real GDP growth of just 1.8% a year, held back by poor productivity and low labour force growth....

How the developed world lost its edge – Pg. 7

- The most important transformation of recent decades has been the declining weight of the high-income countries in the global economic activity
- The change is all about the rise of Asia and, most importantly, China
- Nothing better illustrates China's advance than its huge savings
- ...Chinese households and businesses save so much
- The declining weight of the high-income countries is dramatic. By 2050, the share of sub-Saharan Africa in the global population is forecast by the UN to be almost as large as that of the all the high-income countries in 1950. The challenges created by this shift in the world's population towards its poorest countries are evident
- In terms of trade, the last significant act of trade liberalization was China's accession to the WTO, which happened as long ago as 2001
-real income stagnation in many high-income countries
- Among the most significant developments is flat or falling real incomes since the financial crisis
- Up to two-thirds of the population of many high-income countries seem to have suffered flat or falling real incomes between 2005 and 2014

Central bank mis-steps raise concerns – Pg. 18

- Investors are increasingly concerned over mis-steps in global monetary policy, propelling central banks to the top of market risks this month,
- Eurzone inflation remains below the ECB's target of just under 2% at 1.3% in June

Answer: According to MSN Money approximately \$1,000,000

19 July 2017

All – A peer and list-serve recipient was released last week from their job due to a restructuring, i.e. no fault of their own. As such I requested their thoughts/advice to others. Also, in my Wealth Management class this week I caught myself saying that a work career was about 40 years, i.e. 25 – 65. I want to stress that I believe there is a “death zone” which starts at 52, i.e. the zone after which it is extremely difficult to replace 100.0% of income if separated from one's employment. Consider this as a risk factor in retirement planning. The individuals “lessons learned” is below:

Lessons learned: 1.) I thought I was dealing with the decision-maker the whole time, though the old man was calling shots and trumping decisions from the principal that recruited me; 2.) I should have spent WAY more time using my position to network in our small market. The only true job security is one's connection to and relationships with industry players. 3.) One thing I loved about this job was the absence of politics...politics are ALWAYS present. Even in (especially in) small companies, even more so in family companies.

Question: How long will an American Male and Female need to fund retirement?

Goldman trading dives 40% after worst ever commodities quarter – Pg. 1

- ...on course to underperform its Wall Street rivals for the second quarter in a row
- ...profits were driven by huge gains relative to a year earlier in its private equity business, a division where investors value earnings less because they are more volatile
- In the rest of the fixed income business, Goldman blamed the results on a “challenging” environment that was “characterized by low levels of volatility, low client activity and generally difficult market-making conditions”

UK inflation fall eases rate rise pressure – Pg. 4

- Britain’s inflation rate fell back in June as cheaper oil slowed the pace of price rises and alleviated mounting pressure on the BoE to tighten monetary policy
- While the rate of inflation has fallen, it is still outpacing wage growth.
- ...indicating the UK’s consumer spending, which propelled the economy after the Brexit vote, is likely to remain soft for some time to come in 2017

World Bank eyes debt for poorest states – Pg. 18

- The World Bank plans to expand its bond issuance, raising up to \$8bn in the next three years on behalf of the world’s poorest countries for the first time, in what could become a significant increase in its financing role
- Now the International Development Association (IDA), another World Bank Group subsidiary, is to follow the IBRD into the capital markets. It was set up in 1960 to issue long-dated loans and grants to countries that could not afford market rates of interest on borrowings

Answer: 21.3 and 23.6 years, respectively

18 July 2017

Question: What percentage of seniors spend more in retirement than they did prior to retirement?

Rising house prices lift China growth – Pg. 3

- China’s economy expanded at an annual rate of 6.9% in the second quarter, beating the government’s target in a year of political transition as unexpected strength in the property market kept growth humming
- With 6.9% growth in the first and second quarters, the Chinese economy is on track for its first year-on-year acceleration since 2010. Growth in GDP was 6.7% last year...
- ...house prices are still rising strongly, reducing inventories of finished homes and prompted increased investment. Property investment grew 8.5% in the first half compared with the same period a year earlier – faster than last year’s 6.9% pace

Students spur niche insurance rival – Pg. 20

- The boom in borrowing for UK university accommodation is helping to spearhead the return of a niche form of credit insurance that fell out of favour after many of the companies providing it collapsed during the financial crisis
- Such insurance, known as wrapper, is used to improve the credit rating of bonds, making the debt more attractive to investors and potentially allowing university real estate projects to borrow more than they could otherwise afford
- So-called “monoline insurers” guarantee to pay investors back in full in the event of default

Answer: Greater than 50.0%

17 July 2017

Question: Which two U.S. states have an incarceration rate in excess of 1 in 100?

American Retail – Pg. 7

- The reshaping of how Americans shop by the internet is accelerating. The US retail faces a growing headache, with 10 companies pushed into bankruptcy already in 2017, ...
- The core problem is a dramatic overbuilding of stores, coupled with the rise of ecommerce, ...
- The downturn is hitting the largely healthy US labour market – the retail industry has lost an average of 9,000 jobs a month this year, ...compared with an average monthly job gains of 17,000 last year
- So far the S&P 500’s retailing index has held its head above water, climbing more than 10% this year. But the only reason it is not doing much worse is because Amazon makes up a third of the gauge, and its shares have climbed more than 33% already this year
- Shopping malls and department stores are the biggest losers from this shift, and the pain is worsened by a flurry of construction in the decades leading up to the financial crisis
- PwC estimates that there is about 24 sf of retailing floorspace per person in the US, compared with 11 sf in Australia – the only other developed country that comes close to the US – and between 2 and 5 sf in Europe
- So far this year, the shuttering of 76m sf of retail space has been announced, ...
- The concern is that this could cause collateral damage to the broader commercial and even residential real estate market, as shuttered shops, malls and stores are redeveloped for other uses
- Online-only purchases account for just over 10% of all US retail sales, ...
- ...in the unlikely event that the Federal Reserve embarks on aggressive rate rises and pushes the economy into a recession, retailers could be hit both by higher borrowing costs and consumers tightening their belts
- (Prof Note: Last week I moved some shelves purchased from Target. I lost the shelf pins. I typed “Shelf Pins” into Amazon and pages appeared. The next day they arrived....HOLY COW!!!)

Blackstone warns on US malls outlook – Pg. 14

- The retail woes are intensifying pressures on shopping malls, especially lower-end “enclosed” ones in smaller cities and towns, which are seeing tenants move out or demand lower rents
- The enclosed shopping mall is the classic indoor commercial hub that emerged in the 1950s, rather than the malls built around an anchor grocery chain or department store
- The market for second-tier enclosed shopping malls has virtually frozen given how concerned investors are....

Answer: Louisiana and Oklahoma

15 July 2017

Question: According to Wang and Wilcox’s findings that support the idea of a “success sequence” requires what order of successes for an individual?

Strain shows on Wall Street’s big money makers – Pg. 1

- The drop was particularly acute at JPMorgan, which saw bond trading revenues down 19% from a year earlier

US healthcare battle puts drug addicts on front line – Pg. 3

- The US government-funded healthcare programme for low-income Americans was expanded under President Barack Obama’s Affordable Care Act
- ...560,000 West Virginians, or 30% of the population, are covered by Medicaid.
- (Prof Note: I feel the need to qualify an earlier comments and WHOA is healthcare a big topic. When I stated that Medicaid should just be expanded to include everyone it was with the base assumption that Medicaid existed and would not go away. I was not commenting on Medicaid in general. My comment was about fairness and not targeted at Medicaid’s existence in totality.)

Trump Presidency – Pg. 7

- (Prof Note: Can we please focus as much on the contents of the damaging emails to Hillary Clinton as to Trump’s son?! I feel like Hillary is getting a complete pass. There is enough blame to go around. We can include Hillary as well.)

When property becomes a roof and a floor again – Pg. 8

- For the first time in years or even decades it seems possible that interest rates might rise and keep right on rising
- US banks’ stock of CRE loans has been growing at near double-digit rates for several years
- ...BoE’s most recent financial stability report noted that the rental yields on commercial property were alarmingly low. It all but declared prices unsustainable
- A CRE correction, even a violent one of 30% or more, seems perfectly possible
- [London] Property prices there are up a stunning 60% from their pre-crisis highs, ...

Fed ticks boring box with \$4.5tn unwind – Pg. 13

- The Fed this summer announced plans to trim its balance sheet by reducing the reinvestment of maturing securities in its portfolio through a series of gradually rising caps. For Treasuries, the cap will start at \$6bn a month, and increase in steps of \$6bn at three-month intervals over the next year until it reached \$30bn a month
- For mortgage backed securities, the cap will start at \$4bn a month and increase in steps of \$4bn a month and increase in steps of \$4bn at three-month intervals over the same period until they reach \$20bn a month
- Under the medial scenario, the Fed's balance sheet will end up at about \$3.2tn, under a more aggressive shrinking it will drop by almost \$2tn to \$2.5tn, but under a cautious approach it will dip to just \$4.2tn
- Under these three scenarios, the balance sheet would be "normalized" between 2020 and 2023, depending on what officials think the correct longer-run size should be

Answer: (1) Earn at least a high school diploma, (2) Get a full-time job, (3) Marry before having children

14 July 2017

Question: What percentage of millennials have children prior to marriage?

Cohn tipped as contender to lead Fed – Pg. 3

- Mr Trump has by no means ruled out reappointing Ms Yellen when her term expires at the start of February. ON being sworn in as president he abruptly ceased his attacks on Ms Yellen, in part under the influence of Mr Cohn
- Mr Cohn would carry formidable markets experience, and not all Fed watchers are convinced a formal academic qualification in economics is essential
- Cary Cohn – Director of National Economic Council
- Kevin Warsh – Former Federal Reserve board governor
- Glenn Hubbard – Dean of Columbia Business School
- John Taylor – Stanford University professor
- Gregory Mankiw – Harvard University professor
- Jerome Powell – Governor on the Federal Reserve board
- Roger Staiger – Philanthropist and Author, Foundations of Real Estate Financial Modelling

The Fed could do with a dash of market savvy – Pg. 11

- ...Mr Cohn, 56, has built his career by navigating the markets with skill, and wielding power with ruthless efficiency. But he has never presented himself as a soaring intellect or economic expert
- If Mr Warsh becomes chair, we could have some sense of what he might do, since he has recently given speeches calling for reforms to the Fed's communications strategy, corporate governance and policy approach. He wants to focus less on inflation forecasts and more on underlying issues such as productivity
- ...Mr Cohn would run Fed policy with the same pragmatism that has dominated his career, relying more on his market expertise than macroeconomic models. Whether that makes him a dove or hawk is anybody's guess

- ...this drama is a slap in the face for the high priests of economics
- ...neither Mr Cohn, nor Mr Warsh, has this pedigree [Ph.D.]
- (Prof Note: I struggle with the value of a Ph.D. Look at the number of professors that lecture using other individual's textbooks? If they are "experts" why have they not authored their own textbook and teach using their own words?! If they are "experts" why have they not accumulated significant wealth?! Why???)

Restrained Yellen sharpens focus on inflation – Pg. 20

- ...inflation, which has been unexpectedly soft, raising questions over whether the US central bank will follow through on plans to raise interest rates by another quarter-point this year,...
- The Fed's plan to tighten further comes as other central banks, including the ECB, begin to signal that they are minded to scale back monetary stimulus

Sukuk sales stall after \$700m bond dispute – Pg. 22

- The market for Islamic finance has stalled after a Middle Eastern energy company attempted to declare its bond issue unlawful, provoking a court battle
- ...could not make payments on its \$700m sukuk bond because its structure had been deemed unlawful under Emirati law
- The UAE company wants to restructure the bonds but investors say the move runs counter to English law under which the bonds are governed
- Sukuk sales have boomed in recent years as a growing number of investors has demanded bonds that do not infringe Islamic law, which forbids the payment of interest

Answer: 55.0%

13 July 2017

Question: How long has age discrimination been illegal?

Yellen inflation concerns cast doubt on Fed's rate-rise path – Pg. 1

- Janet Yellen acknowledged yesterday that the US's persistently subdued inflation could raise questions about the Federal Reserve's current path of gradually lifting rates and vowed to watch prices "very closely" for signs they were stagnating
- "We are watching inflation very carefully," Ms Yellen told Congress. "I do believe part of the weakness in inflation reflects transitory factors but we recognize that inflation has been running under our 2% objective, that there could be more going on there."
- Emerging markets, which depend on money flows from low-yielding rich countries, were particularly heartened

RBS agrees deal to resolve US mortgage claims – Pg. 12

- The bank, which is 72% owned by UK taxpayers,
- The FHFA had alleged that the bank mis-sold residential mortgage-backed securities to US government-backed agencies by over-stating borrowers' ability to repay their home loans

- One major obstacle is the continuing costs of the mortgage-backed securities mis-selling scandal. Yesterday's deal did not cover a related investigation by the US Department of Justice

Canada's move brings rate rise party nearer – Pg. 20

- Canada's first rate rise in nearly seven years puts it in the vanguard of central banks outside the US Federal Reserve shifting monetary policy in response to better global economic growth
- The currencies of Australia, New Zealand and Sweden have all gained against the US dollar thanks to economic growth, even if their central banks are cautious about changing policy yet
- As core assumptions go, none is more important than the relationship between inflation, growth and rates

Answer: 50+ years. (Prof Note: My opinion is that the death zone for males begins 52/53 years old. If you lose your position after this point, it is extremely difficult to find new employment close to your departing salary. Just my opinion based on what my father told me as a boy and anecdotally what I see with my peers. One exercise I mention in Wealth Management is how does one fill the gap if unemployed prior to social security and Medicare kicking in?!)

12 July 2017

Question: What percentage of Americans between 65 and 69 years of age were employed in the second quarter of 2017?

Fed pick signals looser oversight of banks – Pg. 2

- The administration yesterday named one of the main figures in its quest to ease the load of regulation, nominating Randal Quarles to be vice-chair for financial supervision at the Federal Reserve
-describe...as a pragmatist rather than an ideological crusader for deregulation
- Overhaul will hinge on relations between the Fed and fellow regulators with which it must co-operate
- Mr Quarles has in the past warned that dramatic increases in bank capital meant higher interest rates, and he has criticized policymakers who focus on the dangers of excessively large banks
- He Fed has already pledged to reduce unnecessary regulatory burdens and simplify rules, injecting greater transparency in the stress-testing process as well as examining changes to the Volcker rule ban on banks gambling with their own capital
- ...Mr Trump's Treasury has put forward policy proposals that go well beyond what the Fed has mooted. It suggests changes to rules within the bounds of the Dodd-Frank Act, ranging from loosening the Volcker rule to reducing the severity of the stress testing process to lowering capital and liquidity standards for the biggest US banks

'Big is bad' fails to translate into policy – Pg. 2

- Republicans generally take a more relaxed view of mergers than Democrats do, seeing them as offering consumers benefits rather than harm
- Federal courts play a central role in administering antitrust enforcement and thus limit any administration's freedom of action. That said, the Trump administration looks unlikely to embrace fully either the "big is bad" school the president flirted with during the campaign, or the laissez-faire approach feared by Democrats
- The Dept of Justice challenged 76 mergers in former president Barack Obama's last four years, compared with 48 cases in the corresponding period under then president George W Bush,

The Middle class is not shrinking as much as it thinks – Pg. 9

- Across the OECD club of mostly rich nations, the middle-skilled share of employment fell 9.5% between 1995 and 2015, while the employment shares of high and low-skilled jobs rose 7.6% and 1.9%, respectively
- ...high-skilled job growth has outstripped low-skilled job growth in every OECD region except Japan
- ...there is no settled definition of what "middle-class" really means
- The proportion of people who believe they are middle-class in OECD countries has fallen far more in recent years than the income trends would imply
- ...the average pay has not been rising much, if at all, in many rich countries. The same has not been true for earnings at the top. House prices have grown more than a third faster than median incomes on average across the OECD in the past three decades
- ...people today are beginning to fear their children will not be any better off than they are
- (Prof Note: A graduating graduate student recently shared with me their offering letter for a position. It was less than my salary at an equivalent position with equivalent education with an equivalent age. That was over 20 years ago. In fact, my salary was 1/6 higher in absolute terms, i.e. NOT inflation adjusted. I am worried that as a society we are losing our ability to dream.)

Monetary policy back in focus as attention turns to Yellen testimony – Pg. 19

- The yield on the 10-year Treasury was down 1bps at 2.36%, while that on the 10-year German Bund rose 1bp to 0.55%

Answer: 32%

11 July 2017

Question: As of second quarter 2017, what percentage of U.S. persons aged 65+ were still working at least part-time?

Canada set to join retreat from stimulus – Pg. 2

- The BoC is preparing to join the swelling ranks of advanced economy central banks that are pulling back on their emergency stimulus as investors bet that it could push through the first increase in its key rate for seven years as soon as this week

- ...first quarter point increase in rates since 2010....
- The Federal Reserve has led the way with four rate rises starting in December 2015, while the ECB has recently signaled that it is getting more confident that deflation has been defeated in the Eurozone
- Among the big exceptions are the BoJ, where the leadership appears committed to its bond buying
- Canada previously lifted rates in 2010 only to trim them in 2015 as the oil price dive hit its energy sector. Since then the BoC has held rates at 0.5% despite a runaway housing sector
- The central bank has been flagging stability concerns around the inflated property market and high household indebtedness, which stands at 170% of disposable income
- In Canada, core inflation is just 1.4%, below the central bank's 2% target

US healthcare – Pg. 7

- If the Senate bill passes, up to 22m Americans could lose their insurance. Many more will experience a sharp reduction in healthcare support
- Obamacare is based on the same principle that individuals buy healthcare policies from private insurance companies on market-based exchanges. It would be hard to come up with something more free market than that
- The result is a mishmash of a bill that satisfies nobody
- It would scrap the so-called individual mandate that obliges every American – on pain of penalty – to have health insurance. Without that, insurance premiums would rise, since the market would be subjected to “adverse selection”, whereby the young and healthy would forgo insurance
- In addition, the bill would weaken some of the most popular elements of Obamacare, notably the stricture that insurance companies offer policies to people with “pre-existing conditions” – those with permanent ailments such as diabetes. It would also allow insurance companies to reinstate annual and life-time spending caps that could bankrupt people who need treatment the most
- ...most devastating element for poorer Americans is the \$772bn cut in spending on Medicaid, which provides health coverage to those who cannot afford insurance. Medicaid covers most of the 20m or so Americans who were brought in from the cold by Obamacare
- Yet the spending cuts are essential to pay for the tax cut embedded in the bill, which would scrap a 3.8% charge on investment income
- (Prof Note: I was speaking with an OB nurse (term may not be correct, nurse dealing with pregnant woman) and what she stated horrified me. She stated the patients on Medicaid, many of whom are drug users, come into the office often as they have no co-pay. The working-class woman that pay a \$30 co-pay ONLY come in on scheduled visits and do not come in with minor issues due to the co-pay. Broke my heart. My unlearned response is why cannot we expand Medicaid to everyone and be done with it? I am unlearned on this subject, I admit, but I think the only fair solution is a truly fair and even solution.)

Answer: 19.0%

10 July 2017

Question: According to MSN, what is ideal to spend on housing on an after-tax basis?

Asian Dynasties – Pg. 7

- The growing doubts in Singapore about both its leadership and direction were captured in an article by Kishore Mahbubani, an academic and former diplomat for the city-state, who argued that the country needed to behave more humbly because it is a small state that lacks leaders of Lee Kuan Yew's stature
- The central bank predicts growth in GDP of 3% this year. The unemployment rate for residents remains at 3.2% in the first quarter
- The rise of China is a common theme behind many of Singapore's pressure points.
- Singapore is grappling with a confluence of negative trends. The city-state has one of the lowest birth rates in the world, at 1.2 births per woman...while the flow of migrant labour has been tightened in the face of popular discontent
- The resulting labour crunch has meant that nominal wage growth, at more than 3% annually since 2010, has raced ahead of productivity growth, which has languished at about 0.4% for the past five years, ...
- High costs have made investment in Singapore less attractive
- Singapore saw a 13% drop in foreign direct investment inflows last year, falling to \$62bn, the lowest level since 2012, ...
- Singapore has adapted to change in the past. In the 1990s, it shifted focus from manufacturing to chemicals and electronics, and developed biomedical science, and industry that now accounts for about 5% of GDP...
- Tax incentives, including temporary rates as low as 5% for companies setting up regional headquarters, its efficient infrastructure and the high quality of life on offer to expatriates also appeal

US lenders' profit forecasts lowered as trading desks fall idle – Pg. 14

- Profit forecasts for several of the biggest US banks including Citigroup, Goldman Sachs and Morgan Stanley have taken a tumble as concerns mount that a dearth of dealing in markets is leaving trading desks idle
- Among the six largest US banks, Goldman has had the steepest decline since the start of the year in second quarter forecasts as collated by Bloomberg
- Earnings expectations are higher for US banks with retail divisions. They in particular are set to benefit from a tighter monetary policy, because higher interest rates allow lenders to profit by increasing charges for borrowers

Answer: 30.0% or less but ideally 25.0% or less

8 July 2017

Question: According to MSN, most people blow 70% of their money on three things?

Jobs rebound boosts rate-rise calls – Pg. 1

- US hiring rebounded last month to the strongest pace since February, easing concerns that the recovery has faltered and bolstering arguments for further tightening within the Federal Reserve
- Employers added 222,000 jobs in June,
- Yesterday's jobs data continued the trend, showing US average hourly earnings up just 2.5% since last year, missing economists' forecasts for a 2.6% increase
- The Fed has refused to be swayed by the softer wage and inflation numbers

Fed defends its monetary policy powers as Yellen faces possible exit – Pg. 4

- The Federal Reserve has set out a vigorous argument to retain broad discretion over monetary policy in the teeth of a campaign by Republican lawmakers to push it to more rules-based system ahead of the possible departure of Janet Yellen next year
- ...the central bank yesterday argued that relying too heavily on rate-setting rules could lead to perverse outcomes for the US economy
- ...Republicans are hoping to see a future chair who is willing to place a higher priority on rules, such as those recommended by Stanford professor John Taylor, to set rates (Prof Note: HAAAA...I am lecturing Financial Institutions in the Fall! We will spend considerable time on Republican potential successors to Yellen, what this could/will mean for the economy, and how to profit from all of this! No one will out analyze my FI class and they will be my analysis arm! Roger needs a new pair of SHOES!!!)
- The report comes as the Fed prepares to pare back its \$4.5tn balance sheet later this year, removing another source of political criticism from Republicans worried that quantitative easing has led to fresh financial risks in markets

Answer: (1) Housing, (2) Transportation, and (3) Food

7 July 2017

Question: In 2015, the last year for reliable data, pornography had revenues equal to what for the U.S. and globally?

Low inflation weighs on divided Fed – Pg. 3

- Barring a nasty economic setback, the US Federal Reserve appears set on announcing a start to the unwinding of quantitative easing within months – that much was clear from the minutes of its latest meeting
- Minutes to the June policy meeting reaffirmed the impression of a central bank that wants to get the process of shrinking the \$4.5tn balance sheet underway, even if there was a range of views as to the best moment to start
- The central bank's broader strategy for steering the economy appears more internally contentious
- At the heart of the debate are persistently poor inflation readings. The Fed's favourite measure of core inflation was just 1.4% in May, and it has failed to surpass its 2% target since 2012

ECB stokes debate over halt to stimulus – Pg. 6

- The ECB has renewed debate over its 60bn (euro) of monthly asset purchases, sending government bond prices lower as markets anticipated a possible end to the eurozone's ultra-loose monetary policy
- German bond yields, which move inversely to prices, rose yesterday to their highest level since January 2016. Yields on other Eurozone countries' debt also climbed, extending price losses that began after comments last week ...
- Central banks' plans to exit the ultra-loose policies they implemented during the financial crisis, including asset purchases known as quantitative easing, have become one of the most important preoccupations for global markets

Swiss Re in shift to ethical benchmarks – Pg. 20

- Swiss Re, one of Europe's biggest insurers, is to move its \$130bn investment portfolio to new, ethically-based benchmark indices
- Swiss Re says it is the first insurer to base its whole portfolio on ethical principles

Answer: \$3.3bn and \$10.0bn, respectively. The U.S. is 4.5% of global population but 33% for porn consumption!

6 July 2017

Question: the average car loan last month had a tenor of how many months?

Fed defies inflation fears with plans to begin unwinding QE – Pg. 1

- US Federal Reserve policymakers are ready to press ahead with the unwinding of its crisis-era economic stimulus programme within months, a landmark step it will pursue in spite of a spate of weak inflation readings
- ...number of policymakers warning that allowing unemployment to fall too low could lead the US economy to overheat or cause risks to financial stability
- The Fed has already lifted rates four times from the post-crisis lows, including a further quarter-point at the latest meeting

IMF chief warns of risks to recovery – Pg. 3

- Ms Lagarde is concerned that the upturn is built on weak foundations, making it difficult to guarantee improvements in living standards
- Although the fund has raised its forecasts for the global economy for the first time in almost a decade, it says "both old and new risks threaten our goal of creating higher growth"
- The fund has scaled back the outlook for the US, reflecting disappointment at drive on administration plans for corporate tax rate reform and infrastructure spending and poor US growth figures in the first quarter
- Germany comes in for just as much criticism for its persistent trade surpluses, which the IMF thinks undermine the global economy

Temporary fortunes – Pg. 7

- The Eurozone jobless rate has fallen below 10% this year for the first time since the economic crisis gripped the continent, hitting an eight-year low of 9.3% in May, and around 6m jobs have been created since early 2013
- Wage growth remains poor, even in stronger economies such as Germany

Trump leaves Merkel to stand up for western values – Pg. 9

- Germany has taken in roughly 800,000 Syrian refugees in the past two years. The US has taken in fewer than 20,000. On a per capita basis, therefore, Germany has absorbed 160 times more refugees than the country that was built on immigrants
- Mr Trump's ban is explicitly billed as an anti-terrorist measure. Never mind that refugees carried out none of the attacks on US soil since 2001. Never mind, also, that none of the 9/11 attackers came from those six countries. Mr Merkel, on the other hand, knows the best way to stop terrorism is to build trust in the communities they come from. The more Mr Trump demonises Muslims, the deeper America's internal threat
- It is worth asking why Germany is relatively immune to the populist forces wracking other democracies....one key to that is how it treats its non-college-educated workforce. It avoids the Anglospheric mistake of treating those without a university degree as "unskilled"
- Germany's middle classes are thus well trained and reasonably well paid. Moreover, they derive some dignity from their status
- Mr Trump loves the "poorly educated". In Germany they value their highly skilled
- During the cold war, the US and the UK blunted the Soviet Union's ideological appeal by proving that working class did far better in the capitalist west than in the worker's paradise...then promptly forgot it. Because of its disastrous history, Germany did not forget

US set to be net exporter of natural gas – Pg. 18

- The UK is poised to receive its first big US liquefied natural gas shipment this week, as growing US supplies of the super-cooled fuel find new buyers in Europe
- After decades of being a big importer of natural gas, the US is expected to be a net exporter because of bumper production caused by development of previously uncommercial shale reserves
- Global supplies of LNG are set to expand by almost 50% between 2015 and 2020, keeping pressure on prices and making it more competitive against coal and other power sources
- In Europe the fuel can be used in a variety of purposes from power generation to manufacturing to household heating

Answer: 69.3 months or close to 6 years, aye caramba!

5 July 2017

Question: According to MSN, How do the rich stay rich? (six methods)

Our digital addiction is making us miserable – Pg. 9

- Despite all the technology that connects us, much of it there supposedly to make our lives easier and better, people have never been more depressed

- ...record number of antidepressants were prescribed in England last year
- WHO statistics show more than 322m people were afflicted with depression worldwide in 2015, some 4.4% of the global population
- In the past decade they have gone up 18.4%, affecting both developed and developing countries
- ...in the modern age we have come to conflate pleasure with happiness. Pleasure, ...is all about the phenomenon of reward. This can be achieved by way of everything from impulsive shopping sprees to outright substance abuse. Happiness, on the other hand, is a state of general contentment that requires little in the way of a trigger
- The difference is important because chronic excessive reward eventually leads to both addiction and depression, the exact opposite of happiness
- ...many of us have become short-term reward addicts these corporations have unleashed upon us – think of compulsive phone, email and social media checking, even clickbait, gaming and digital “nudging”
- Why we may not have seen this coming is that many of these compulsive behaviours have little to do with traditional substance abuse, even if they may eventually lead to it. For the most part, the dopamine hits delivered are more akin to those associated with extreme sports or gambling
- Ask yourself how you felt the last time you had to be parted from your mobile phone. If the answer was anxious, restless and distraught, you may have more of a habit than you thought
- (Prof Note: Think hard about what provides contentment and happiness in life. I often think of the examples of cars. In DC I drive a Porsche...whatever...I bought a nice car. On Nevis I drive a hideous 96' Suzuki Samurai and could not be happier. To all those Four Seasons guests that point at me while I drive my hideous car, to quote my grandfather, “I am going ‘home’”. Just think hard about how you define happiness as the definition is individual. Then pursue it. I have learned that quality people in my life make me happier than all the riches in the world...though quality people are the riches of the world! Happy Fourth of July!)

Europe debt sales slowdown expected – Pg. 18

- Bond investors are anticipating a slower pace of debt sales from European governments over the rest of the year, potentially providing some support for prices if the ECB does begin to unwind its stimulus programme
- Supranational bodies and agencies, which have a more flexible issuance calendar, loaded up on debt early this year
- A drop-off in debt issuance is seen as partially offsetting any reduced demand from central banks if they scale back their QE programmes

Answer: (1) They avoid get-rich-quick schemes (Prof Note: An individual I am proud to call my friend once said, “Get rich slowly.” He was absolutely correct.) (2) They make retirement savings a priority (Prof Note: Pay yourself first). (3) They keep taxes in mind (Prof Note: We live in an after-tax world...remember this). (4) They build multiple sources of income (Prof Note: Ever wonder why I can speak my mind? Ever wonder why I am able to call Dean Kelly Otter of Georgetown University a liar for

lying to students and removing needed and promised programmes? It is because I never allow any single revenue source to exceed 15.0%, i.e. I am able to stand by morals and ethics.) (5) They leverage debt to their advantage. (Prof Note: Many times I think the less intelligent achieved riches as they were simply too dumb to realize and understand the risks of leverage. Leverage is critical to achieving large sources of wealth but disciplined and responsible leverage. Also, remember the adage: If you owe the bank \$1.0m and you default you have a problem. If you owe the bank \$10.0m and you default THEY have a problem. Sad but true!) (6) They create a robust financial plan (Prof Note: No one plans to fail but many fail to plan. Wealth Management plans are critical!!!)

3 July 2017

Question: What percentage of U.S. households qualify as bona fide millionaires?

Weak inflation fails to derail Fed's resolve – Pg. 2

- A sustained run of weak US inflation readings has yet to derail the Federal Reserve's plans to start unwinding quantitative easing as soon as September
- ...core inflation retreated further on Friday, reinforcing calls from Fed critics for the central bank to shelve its tightening campaign
- Janet Yellen, the Fed chair, on Wednesday reiterated plans for gradual rate rises and said the Fed's balance sheet plans were "well understood" by markets
- ...it remains an article of faith among Fed rate-setters including Ms Yellen that once unemployment gets low enough it will trigger higher wages and inflation, arguing for a very gentle tightening in monetary policy

Banking – Pg. 7

- For any investment bank with global ambitions, the bread-and-butter activity of cash equities – facilitating the buying and selling of shares for clients – has been considered essential
- ...Nomura At the peak of Japan's 1980s bubble, it overtook Toyota as the nation's most profitable company, was worth 21 times more than Merrill Lynch and recruited more Oxford and Cambridge graduates than any institution outside of the British government

New MBA generation demands start-up expertise – Pg. 11

- Business schools are eager to tap into entrepreneurial aspirations
- We have identified 12 criteria to judge the best general MBA programmes for bidding entrepreneurs, using data collected for the Global MBA ranking
- These include the percentage of graduates who created their own companies; the percentage of start-ups still operating at the end of 2016; whether those businesses were their graduates main source of income and how the school and the alumni network helped set things up
- ...MBA classes have been useful...from core subjects of finance and marketing to so-called soft skills, such as "how to tell your story" (Prof Note: This is so critical! Ever since leaving "Corporate America" I felt the need to define as that is what society requires, i.e. everyone

to fit into a neat box. Finally I decided on “Philanthropist” and my foundation was born. Everything else I do is simply in support of the foundations philanthropy.)

Answer: 5.5% (Definition: Investable assets of \$1 million or more, excluding the value of real estate, employer-sponsored retirement plans and business partnerships)

1 July 2017

Question: What is the total owed by average U.S. household carrying credit card debt? What is the average mortgage balance for houses with a mortgage?

Weak Eurozone inflation underlines ECB dilemma – Pg. 4

- Inflation in the Eurozone had edged further below the ECB’s target, capping a difficult week for its officials as they edge towards removing some of the ultra-loose monetary policies in place during the financial crisis
- Annual inflation in the Eurozone sank to 1.3% in June, highlighting the delicate balancing act facing monetary policymakers in dealing with increasingly strong growth but weak price pressures
- Interest rates in the region are at record lows and the central bank is buying 60bn (euro) bonds a month as part of its economic stimulus
- The euro fell yesterday against the dollar to \$1.1406

Japan labour shortage hits 43-year high but no sign of rising prices – Pg. 4

- The ratio of jobs to applicants hit a 43-year high in May, as labour shortages in the world’s third-largest economy become ever more extreme
- ...the unemployment rate unexpectedly rose 0.3% month-on-month, from 2.8% to 3.1%. The rise reflected an increase of 220,000 in the measured size of the labour force, combined with a 30,000 fall in employment

Answer: \$16,425 and \$180,018, respectively.

30 June 2017

Question: What is the difference between price and value?

Global bond rout spills into stocks amid fears over end to easy money – Pg. 1

- A global sell-off in the bond market spread to equities yesterday amid fears that the post-crisis era of easy money from the world’s largest central banks was coming to an end
- While bond yields remain exceptionally low, recent remarks by the heads of the ECB, Federal Reserve, BoE and Bank of Canada have convinced many investors that the period of historically low interest rates and unprecedented central bank bond-buying will soon recede
- ...biggest fall for the US S&P 500 in more than a month

- A sell-off in US Treasuries eased as investors sought out their safety, trimming yesterday's rise in the 10-year US government bond yield to 4bps. The yield traded at 2.27% by afternoon in New York

Anatomy of a housing disaster – Pg. 7

- The focus has fallen on the network of contractors and subcontractors that undertook the work and whether they breached regulations
- There are also concerns that both Conservative and Labour governments since 1979 have relaxed fire and safety standards and made them fatally ambiguous
- The initial drive to build houses came after the first world war when the Addison Act was passed to create "Homes Fit for Hereos". Home ownership was the province of the wealthy then: in 1914, only 10% of homes were owner occupied, and 89% were rented privately.
- Housebuilding boomed in the 1950s as governments tried to replace the 458,000 homes destroyed by bombs in the second world war, and house a growing population
- Thatcher's "right to buy" policy, introduced in 1980, allowed council tenants to buy their own homes at a discount
- Homebuilding has steadily fallen, with 171,000 built in 2015, of which local authorities built 2,700. Property prices and rents have risen as demand has outstripped supply
- The disaster will impel action, as the Great Fire of London led to the Rebuilding of London Act of 1666, and the cholera outbreak of 1849 brought fresh water to North Kensington

World Bank launches pandemic bond – Pg. 18

- Investors are now being offered the chance to save the world and earn a juicy return at the same time, with the launch of a new type of bond to tackle pandemics
- This is the first instance of the World Bank using its financial capacity to combat infectious diseases
- The bonds will pay investors a regular coupon, in exchange for which they lose some income or capital if a catastrophic infectious disease takes hold
- The initiative was inspired by the 2014 Ebola outbreak in west Africa, which killed 11,000 people, mostly in Guinea, Liberia, and Sierra Leone
- One of the new bonds, priced at 6.5% over six-month US Libor, will cover pandemic influenza and coronaviruses such as SARS, while the other, priced at 11.1% over US Libor, will cover filoviruses such as Ebola, and several types of fever
- Insurance triggers will include the size of the outbreak, measured using WHO statistics on the number of cases and deaths, and whether the disease is growing at an exponential rate, as well as its geographic spread, with the payout value depending on the number of countries affected

Answer: Price is determined by the market and value is determined individually.

29 June 2017

Question: What percentage of Americans state that expenses equal or exceed their revenue?

Confusion as Carney and Draghi struggle to clarify stimulus exit – Pg. 1

- The pound jumped 1.2% to \$1.2972 after Mark Carney, BoE governor, said he was prepared to raise interest rates if UK business activity increased – just a week after saying “now is not yet the time” for a rise
- The BoE’s rate-setting committee is divided over rates, having voted 5-3 this month to keep them near historic lows

End of cheap money leaves central bankers lost for words – Pg. 3

- European central bankers learnt this week that any move towards normality in monetary policy will require exquisite communication amid jittery financial markets that have long gorged on the abundance of extremely cheap money
- Just as the US “taper tantrum” in 2013 sent the dollar skywards and bond yields upwards, the perception of a tightening European monetary outlook pushed both the euro and sterling sharply higher and forced central bank officials into introspective discussions on their communications strategies

Fed raises alarm over China’s fake tourists – Pg. 4

- Capital flight disguised as overseas tourism spending has artificially cut China’s reported trade surplus while masking the extent of investment outflows, ...
- Chinese households have in recent years looked at ways to skirt government-imposed limitations on foreign investment as its economy slowed and the renminbi depreciated. Foreign-exchange purchases by individuals are capped at \$50,000 a year, with money meant to be used for consumption purposes such as travel, foreign medical care and tuition
- Those wanting to buy real estate or make other large investments could pool quotas from friends and family in a process known as “antlike house moving”, named after the way ants can transport an entire colony by carrying one small piece at a time
- Another loophole was the use of debt and credit cards to withdraw cash at foreign cash machines or point-of-sale terminals at overseas merchants

Answer: 48.09% Aye Caramba!

28 June 2017

Question: What are individuals motivations for giving to charities?

Brussels takes aim at US tech’s new generation – Pg. 3

- Around 7% of Google’s total sales comes from shopping adverts that lie at the heart of the EU competition case
- When Microsoft and Intel ruled the computing world, a series of antitrust fines in Europe marked the high-water mark of regulatory efforts to constrain their power
- The Google case takes aim at an obscure part of the ecommerce world: comparison shopping services, where internet users can compare prices and other product features, then go elsewhere to buy

- ...the case prides open Google's core search engine, and sets a precedent that others could use to win a better showing in one of the internet's most widely used services

IMF questions Trump policies as it cuts forecast – Pg. 4

- President Donald Trump's struggle to deliver a fiscal stimulus this year has prompted the IMF to cut its growth forecasts for the US economy – just months after it boosted its outlook on hopes of a policy overhaul
- ...lowered its prediction for GDP growth this year to 2.1% from 2.3%. the fund reduced its growth outlook for 2018 to 2.1% from 2.5%
- Trump administration officials have vowed to boost growth by getting tax legislation to the floor of Congress in September, as well as pushing through an infrastructure spending blitz
- More than half of the US population have lower inflation-adjusted incomes today than in 2000, prospects for upward mobility are "waning" and at 13.5% the poverty rate is among the highest in advanced nations...

A growth warning from the US bond market – Pg. 8

- The government bond market can be distorted by foreign purchases triggered by policy decisions elsewhere. China, for example, resumed stockpiling US Treasuries this spring as capital flight from the country reduced.
- Ten-year inflation expectations implied by the bond markets have fallen from 2.1% in January to about 1.7%
- One by one, sound arguments for the Fed continuing its expected series of interest rate rises are falling away. Real growth in the economy and the labour market has been weaker than expected of late. Core inflation, and inflation expectations, remain stubbornly below the Fed's target. And now a relatively reliable indicator of future recession is sounding an increasingly strident warning siren

Investors call for 20-year Treasury sales – Pg. 18

- Large institutional investors want the US government to sell a 20-year bond, at a time when Treasury Secretary Steven Mnuchin faces skepticism over ultra-long dated debt issuance
- Investors are advising the Treasury that bringing back 20-year bonds, which have not been sold since 1986, would help deepen the current market
- The "gap" refers to the current issuance void between 10-year notes and the next maturity of 30-year bonds, which has been exacerbated after Treasury halted the sale of 30-year bonds between 2001 and 2006. That suspension has left fewer securities currently maturing between a period of 10 and 30 years

Answer: This was written by an individual working at Hopkins in the area of giving. It was in response to a student's question directly to me. The answer from Hopkins was so complete I wanted to share it.

Based on the e-mail, it sounds like we are discussing people's motivations for giving to charity. To begin, it is probably helpful to clearly define some terms. A more robust word for "giving" is philanthropy and according to the Merriam-Webster dictionary, philanthropy is defined as "goodwill to fellow members of the human race; or an active effort to promote human welfare." The definition does NOT include the

words “selfless” or “altruism”. Thus, one can conclude that a person can engage in philanthropy (i.e. give money to a not-for-profit) and still expect something in return. In other words, philanthropy—by definition—does not require wholly altruistic motivations.

While the act of philanthropy, in theory, does not require selfless motivations, the United States government has essentially redefined the term. The rules and regulations around nonprofits and charitable donations is quite complex. Feel free to take a peak here: <https://www.irs.gov/charities-non-profits/charitable-organizations/charitable-contribution-deductions>. To summarize, in order to encourage people to make donations to nonprofits, the US government offers tax incentives. So then, the US government has said that in order to receive a tax break for one’s donation to a charity, the donor must not have received anything in return—the donor must be selfless in his/her intent to financially support the charity. Now, the donor does receive a tax break so the act is not fully selfless but the tax break does not come from the charity, but rather from the US government.

With all of this in mind, I will say that people donate to charity for a multitude of reasons. Some do it for the tax break, some do it because as Roger highlighted they believe in the organization. Others donate because they seek the notoriety associated with having their name on a building or some other tangible project. And others might do it in order to remember a loved one who had passed, perhaps out of love or honor, or even as a coping mechanism. In my experience, several of the factors mentioned above drive people to give money to charities. But in all cases, when people donate they do not expect a financial return. They might need a tax break, and they may even expect privilege and status at the organization they supported, but they do NOT expect any sort of financial return. And this is what separates philanthropy (i.e. giving) from an investment seen in the financial world.

To put it simply, philanthropy is the act of giving money away without the expectation of a financial return (except for a tax break, which can be argued is not a return. And mathematically, is always much less than the donation itself).

Here are some facts: In 2016, \$390.05B was donated from US citizens to charities. Viewed another way, giving as a percentage of US GDP is 2.1%. Another interesting fact is that 72% of the \$390.05B came from individuals. The remaining 28% of giving came from bequests, foundations, and corporations. Many people think corporations donate a lot of money, but as a slice of the philanthropic pie, it just is not true. Here is a helpful link: <https://givingusa.org/tag/giving-usa-2017/>

27 June 2017

Question: In 2016 what was the total annual giving to charities by U.S. taxpayers and what % of GDP did it represent?

Scandal hits Japan’s special economic zones – Pg. 3

- The SEZ system gives localities an exemption from some aspects of national regulation. In the city of Imabari, on the island of Shikoku, a specially created zone suspends regulations that limit the number of veterinary schools in Japan

Indian economy – Pg. 7

- The new tax regime, which comes into effect on Saturday, is meant to scrap a tangle of statewide levies and turn the country into a single market for the first time. If the ambitious rollout goes smoothly, India's reams of red tape will be slashed, doing business will become dramatically easier and growth could be increased by as much as 2% a year...
- Rather than a single national rate, there will be six, and state-level tax authorities will have jurisdiction alongside national ones. Companies will have to file three tax returns a month and in all states in which they do business
- Less than a year ago Mr Modi carried out a similarly bold economy move, unexpectedly scrapping 86% of the country's cash. That plan, which now appears to have slowed growth considerably, was announced overnight with little consultation,...
- When the company buys a piece of raw metal, it pays 12.5% VAT and a central tax of 2%...a customer in Mumbai orders the vase, so the company packs it up and loads it on to a truck to leave its factory. First it has to stop at the Madhya Pradesh border and pay a border tax, which can vary. Then when it gets to Mumbai it pays another entry tax, this time of 5.5%. If The Lohasmith were to charge for delivery it would also pay a 15% service tax....the customer buying the vase pays 14.5% tax...
- The GST aims to do away with all that, introducing a single rate for goods that will be the same no matter where they are made and where they are sold
- Four items – tobacco, chewing tobacco, luxury cars and fizzy soft drinks – will incur “sin” taxes, which on tobacco products could be as high as 290%

Shift in distress gauge puts US investors on edge – Pg. 20

- The leading market indicator of economic distress is flashing orange again, challenging the US Federal Reserve's insistence on raising interest rates and the stock market's blithe march to record highs
- The so-called “yield curve” has predicted almost every US downturn since the second world war and is not blinking an ominous colour. It is the slope shaped by the yields of the government bonds of various maturities (Prof Note: I have been raising the alarm now for over a year!)
- Typically it costs more to issue long-term bonds than shorter-term ones, so the curve slopes upwards most of the time. But when the yield curve flattens and eventually inverts, it tends to presage a recession – and the US yield curve has dramatically flattened this year
- The widely watched spread between two- and 30-year Treasury yields – one of the best measures of the yield curve – fell to a 10-year low of just 137bps this week, down from more than 200bp towards the end of last year
- ...longer-term government bond yields have fallen, reflecting ebbing expectations for growth and inflation, with the latter reinforced of late by weakening oil prices
- Longer-term bond yields are also pressured by global flows of money that have little to do with the US outlook
- China has resumed buying Treasuries and the ECB and BoJ still have their feet to the monetary pedal
- This keeps Japanese and Eurozone bond yields near record lows and spurs many investors, desperate for some yield in still-safe bonds, into the US government market...

Answer: \$390.05bn and 2.1% GDP

26 June 2017

Question: Of total annual giving by U.S. taxpayers, what is the percentage given by individuals v foundations/companies?

Rome agrees to pump 5bn (euro) of taxpayer cash into failed banks – Pg. 1

- Italy has moved to shore up confidence in its fragile system agreeing to pump 5bn (euro) of taxpayers' money into two failed mid-sized banks while handing their good assets to Intesa Sanpaolo, the country's strongest lender
- The move by Italy's government, which spent the weekend frantically drawing up the complicated decree, will in effect mean that Veneto banks' branches and employees will be part of Intesa this morning, ...
-

Answer: 72% individuals v 28% Foundations/companies

24 June 2017

Question: What is a certified divorce financial analyst (CDFA), and why should divorcing couples work with one?

Barclays – Pg. 5

- The SFO's criminal charges are the first in the world against a global bank and its leadership team emanating from the financial crisis (Prof Note: That was 10 years ago!!! It has taken 10 years?!)
- ...a government bailout would come with restrictions on bonuses to senior executives, and pressure to wind down its investment banking business
- Nine years on, the measures banks took to save themselves in 2008 are being re-examined. There may be questions whether the end really justified the means

Answer: Traditional financial planning normally centers around retirement planning. This is very different than divorce financial analysis. A CDFA gathers the pertinent financial data and evaluates ways to structure a settlement for the parties. A CDFA understands state family laws in the jurisdiction in which he or she is practicing, and also is keenly in tune with the tax laws affecting marital property and the division of that property. In addition to helping to structure settlement options for the parties, a CDFA can perform the following functions: trace what property is marital versus non-marital and the growth of that property, provide a present value calculation for a pension, evaluate methods to equalize assets, social security, the impact of taxes on various proposed settlement offers, and how to structure settlements to maximize tax law. On account of the experience a CDFA has in the dissolution of marriage, and knowing the mine fields, he or she can be an integral resource in terms of pre-marital financial planning as well.

23 June 2017

Question: What is the average 401(k) balance in the U.S.?

'Systemic risk' alert rocks Chinese companies that gorged overseas – Pg. 1

- China's banking regulator has ordered domestic lenders to check the "systemic risk" presented by "some large enterprises" involved in overseas buying sprees, sending stock prices of some of the country's most acquisitive private-sector companies sharply lower
- Regulators have been concerned by the use of risky financing methods, including raising cash by issuing high-interest financial products to retail investors. Those products present companies with potential short-term liabilities, since investors can sell them in the near future, that could be mismatched against longer-term revenue streams gained from acquisition targets

Qatar Airways makes unsolicited bid for 10% stake in American Airlines – Pg. 1

- Donald Trump, ...has backed Saudi accusations that Qatar, which hosts the biggest US military base in the region, sponsors terrorism
- The unsolicited approach also puts a new twist on the long-running battle between American and other big US airlines and Middle Eastern rivals, including Emirates and Etihad of the UAE, as well as Qatar (Prof Note: I miss flying Emirates...night/day difference between Emirates and U.S. based carrier)
- American has accused the three – all subject to a US ban on laptops carried in the cabin of flights to the US – of receiving state subsidies that give them an unfair advantage in competing with US carriers
- A 10% stake would make Qatar Airways one of American's largest shareholders, ...
- American said anyone seeking to acquire at least 4.75% of its stock was required to receive approval from its board after giving written notice

On the Brexit menu: Six scenarios for Britain – Pg. 5

- No deal
- Divorce-only deal
- Limited tariff free deal
- Far-ranging trade deal
- Customers union
- Single Market

Buffett throws a lifeline to Home Capital – Pg. 16

- ...a Canadian subprime mortgage lender, with a C\$2.4bn financing package that has eased immediate fears over its future
- The group, Canada's largest provider of home loans to recent immigrants and the self-employed, has battled to stem an outflow of customer deposits related to a long-simmering fraud scandal, which culminated last week in a settlement with the Ontario Securities Commission

- The Berkshire credit line carries an annual interest rate of 9.5% on outstanding balances, compared with 10% on the current facility dropping to 9% over time
- Home prices in cities such as Vancouver and Toronto have been racing higher for years, prompting suspicions that some mortgage underwriters have been as lax as those in the US a decade ago

Answer: \$96,288

22 June 2017

Question: What was the average charity giving in the U.S. in 2015?

Fed banker makes case for balance sheet cuts – Pg. 2

- ...arguing that the central bank should forge ahead with plans to reduce its balance sheet
- Market-implied inflation expectations have drooped since the Fed meeting, and some traders are betting the central bank will have to soft-pedal its tightening process
- One scenario would see the Fed starting to phase out reinvestments before it went ahead with another rate rise...
- While estimates were varied, phasing out the Fed's reinvestments might only remove 25bps of accommodation "over an extended period of time"

Buyback outlook darkens for US stocks – Pg. 20

- One of the biggest props of the US stock market is quietly eroding, with corporate share buybacks falling 17.5% year-on-year to \$133.1bn....
- ...estimate that US companies bought back nearly \$3tn of their own shares between 2010 and 2016, and coupled with almost \$2tn of dividend payments that has been a major pillar of support for the US stock market's dramatic post-crisis recovery
- ...US companies have been the single biggest buyers of shares in recent years, dwarfing even passive investment inflows and counteracting net sales by domestic pension funds and foreign investors
- ...S&P 500 companies, excluding financials, utilities and transportation companies, holding a record \$1.5tn in cash and cash equivalents on their balance sheets

Answer: \$5,491

21 June 2017

Wealth Management/Emergency Readiness News (Credit Cards): A former student emailed asking if I would comment about how to reduce credit card debt. He then said, "I know you are going to say, increase revenue, decrease expense and pay it off. Can you offer more advice?" I took a few days to consider and my response is: Stop the bleed! Credit cards charge 18.0%+ interest. Transfer the balance, if possible, to cards with introductory rates of 0.0% for 6- to 12-months initial. Also, close your card and reopen with another number. Chances are you have recurring expenses. Eliminate these and get in the habit of writing monthly checks. Review all charges and fight, Fight, and FIGHT some more when you do not agree. Minimize, to the greatest possible extent, recurring charges. These have a way of getting

away from you. Then, of course, increase revenue and decrease expense and pay it off more quickly. Drink water (I do) at restaurants and save \$3.00. Bring your coffee rather than purchase (I do...every student knows my Stanley thermos).

Right now I am personally engaged in WW III with BB&T bank over fees. Banks and credit card companies will fee one to death if allowed. At BB&T, despite having credit lines on all accounts (I have 20+) I have discovered when the account goes below a minimum, a fee is charged. The credit lines do not kick in until after BB&T has earned its "fee". If someone offers to do something for you in the bank do NOT trust them. The gracious offer to transfer funds from one account to another will cost you a fee (I am NOT joking!). If you wire funds out of the incorrect account (some accounts have free wire given bank level/status) the bank will NOT tell you and will simply charge you a fee. If your child takes a lollipop from the branch, the bank will charge a fee to your account (ok, a little melodrama but you get my point). Fight fees like the financial entity has just taken your first born! John Lennon said it best, "Power to the people!"

Question: What is the average Federal Tax rate for Americans?

Barclays and ex-managers accused of crisis-era fraud – Pg. 1

- Barclays, its former chief executive and three other ex-senior executives have been charged by UK authorities with fraud related to the emergency cash injections that saved the bank from government bailout at the height of the 2008 financial crisis
- ...marks the first time the head of a global bank has faced criminal charges for activities during the crisis, when big lenders across Europe and the US were being rescued by taxpayers
- ...three counts, including conspiracy to commit fraud by false representation and unlawful financial assistance over its arrangements with Qatari investors who ploughed a total of 6.1bn (sterling) into the bank in June and October 2008
- The case strikes at the heart of Barclays' status as one of the few big British banks to survive the period without government help

Urban dwellers hinder China property tax plan – Pg. 4

- As Chinese authorities struggle to contain runaway house prices, a long-awaited plan for a property tax has stalled, the latest sign of entrenched interests impeding efforts to transform the country's growth model
- The average price of a Shenzhen home last year was 41 times the average income, against 29 in London, 23 in Tokyo and 15 in New York....
- Since late last year, 45 Chinese cities have introduced purchase limits and other measures in an attempt to cool rising property prices
- By imposing an annual levy on home ownership, a property tax would reduce the appeal of housing as a speculative investment
- China's home ownership rate is 87%, ...creating a large and powerful constituency opposing a property tax. In the US, the rate is only 64%,...
- Contrary to popular perception, overall Chinese house prices are not particularly high relative to incomes when compared with other east Asian countries

London's housing crisis comes back to the fore – Pg. 8

- The cause of the Grenfell tower fire that took the lives of at latest 79 people has yet to be uncovered
- ...quantity of social housing available

- **Rapidly rising land and property prices have exacerbated inequality, pricing out the people who keep the city running: the nurses, policemen, waiters, cleaners and indeed the firefighters**
- **Perversely, because available land is so costly due to tight planning rules, developers are incentivized to build the smallest number of houses for the highest possible price. Forcing them to build more low-cost units, especially on the edge of higher-priced developments, simply reduces their appetite for building**
- **...government should worry less about home ownership and more about resolving the shortage of affordable and secure rental housing**

Answer: 13.5%

20 June 2017

Wealth Management/Emergency Readiness News (Comment(s) from List-serve fire recipient):

I endorse everything you are saying.

- From a fire point of view – It’s also a good idea to have everything you need – records, passport, etc in one grab and go. We were scrambling to get essential things out of the house until the firemen kicked us out! (Prof Note: I have a one ton safe bolted to slab with two hour fire protection. All original papers are within a waterproof sealed jacket as the water from hoses will immerse the contents but the papers are protected.)
- Be patient – our construction just finished about two months ago. And we haven’t even begun discussing the final financial settlement yet. I am hoping this will all be complete within a year of the lightning strike.
- Electronic Restoration Services (ERS) – that is a scam! They claimed stuff was working without really testing it and I had to get the manufacture’s repair center to declare it non-repairable. All they do is clean your electronic equipment (for smoke damage – and we had no smoke in the house) and only does a cursory test. Dehumidifies, stereo surround processor, and robot vacuums were all declared working, but were actually damaged due to lightning and we had to demonstrate.
- Make sure to get permits! Our contractor said we did not need them, but the county inspector said we did.
- Be on the lookout for people driving by! We had a lot of drive-bys for a day or two of people looking to see what was going on. And when our stuff was sitting in a container on the driveway, the neighbors noticed some people checking it and the house out.
- I was able to sign a paper for the insurance to pay the contractor directly. I did not want to be a middle man – trying to get money from insurance and having to pay contractor.
- Photo document everything!!! Insurance (liberty Mutual) will not argue about anything you have a photo of.
- Lastly – Don’t make stuff up – they get it tested at a lab. This is not their first time, they know more about it than you do. We were able to get an entire new roof because they could not buy matching shingles from the manufacturer anymore. But it was probably older than we thought it was because there was a code change, and our roof did not meet the new code. It does now. Also – because we had a higher quality roof installed previously, we had to document that we had better shingles than “contractor grade”. We had the brochure, but not the date of

installation, and they sent a sample out to be analyzed which came back verifying they were the shingles we claimed. Same thing with carpet, etc. They will get it tested.

Question: What is the average American's social security income?

Yellen stirs debate on lifting inflation goals – Pg. 3

- Janet Yellen has given new impetus to a simmering debate in central banking as she declared the question of whether inflation targets should be raised to be one of the most critical facing monetary policymakers anywhere in the world
- Her concern is that in a world which requires low interest rates even when economies are healthily running at full employment, there is not much scope to cut rates in times of difficulty and the likelihood is that rates get stuck at the lower bound of zero for long periods
- This threatens to trap economies into a low-growth, low-inflation paradigm for long periods, damaging the prosperity and stability of leading economies
- Japan's change in its inflation target, where the BoJ now seeks to exceed the 2% objective, is undermined by the central bank's inability to get core inflation up to the target itself
- The ECB feels hamstrung by different attitudes to inflation, particularly a cultural dislike of any price rises in Germany
- There is also a concern that if wages do not follow the inflation target higher, the result would simply be lower living standards and a further shift in resources from labour income to capital
- Japan has suffered from the stubborn difficulty in achieving real wage growth to maintain a consistently positive level of inflation

Europe looks to repackage bank debt – Pg. 18

- European banks are exploring ways to turn their lending to investment funds – which in turn make loans to small businesses – into rated securities that can be sold to insurance companies and pension funds
- The process aims to shift such loans off bank balance sheets, and is the latest sign that esoteric securitization is creeping back into a financial system as a way of generate profits from the use of complex structures and layers of debt

Answer: \$1,363/mo

19 June 2017

Question: What is the average American's FICO score?

Blackstone – Pg. 7

- ...the past 10 years have been good to both Mr Schwarzman and Blackstone. Its asset base quadrupled to nearly \$400bn.
- Blackstone's share price remains little changed from the day it began trading – a reality that he laments loudly and frequently

- His 20% stake in Blackstone is worth \$8bn and generated \$425m of dividends and profit-sharing for him in 2016 alone
- Alternative assets are the venues where sovereign wealth funds, pension plans, endowments and ultra-wealthy have found outsized gains even as interest rates have hovered near zero. And in this new world of investing, Blackstone is the undisputed winner
- Blackstone, with more than \$100bn in assets devoted to property, is now the world's largest property investor
- In 10 years, Blackstone has paid more than \$15bn in dividends. If its dividend had been reinvested in company shares, its annualized return since 2007 of roughly 7% is in line with the S&P 500
- Mr Schwarzman has never sold any of his shares since the IPO (Prof Note: With \$425m in dividend distributions, there is absolutely no need!)

Shoppers buy or boycott brands based on values – Pg. 16

- 57% of global consumers buy or boycott products because of brand's stance on political or social issues,
- Their views amplified by a megaphone of the internet, consumers have successfully pushed companies including JPMorgan, Coca-Cola, Mercedes-Benz and Delta Air Lines to pull their marketing dollars from controversial television programmes
- Social media has accelerated the pace of consumer-led campaigns, ...

Students seek global training to compete in uncertain world – Pg. FT1

- The challenge for business schools offering masters in finance degrees is to give students knowledge of the latest trends and the most valuable skills they will need to operate in this fast-changing industry
-more people from China are seeking to study abroad
- Chinese citizens account for more than 90% of students on masters in finance courses at Leeds University Business School in the UK, the University of Maryland's Robert H Smith School of Business....
- Even as demand increases, schools are having to adapt what they offer to students to help them prosper in a world where employers want graduates with increasingly sophisticated skills (Prof Note: The greatest skill I still consider to be writing and presentation! Just this week students frustrated me by turning in homework without it being stapled. One minute after class was scheduled to start I walked out, as if going to the bathroom, walked to the lobby, verified there was a stapler at the desk and that it worked, and walked back to the classroom. If the homework is unstapled or unbound, 20% off from the beginning. Presentation and writing skills matter!!!)

Answer: 700

17 June 2017

Question: What is the average American Household Debt?

Rate rises from London tower embers – Pg. 5

- Above all, rage at whoever would house people in a 24-storey building with a single entrance and exit and no sprinklers, then wrap it in cladding banned in the US and Germany for its flammable properties
- Built in 1974, Grenfell is an extreme example of the way that great wealth and poverty often exist side by side in London. The concrete tower stands on the housing estate in the Kensington and Chelsea borough that is the country's wealthiest. It is part of a ward that once housed pig farmers and brick makers and now exists as an impoverished counterpoint to the fashionable Notting Hill made famous by Hugh Grant and Julia Roberts

Fed takes sides with the reflationists as bond battle resumes – Pg. 18

- ...bond market is again battling central banks. And deflationists – who believe that the western world is stuck in low growth and low or negative inflation – have resumed with a vigour a battle they appeared to have lost to the reflationists, who say it is at last emerging from the morass
- As the year started, the Fed predicted three rate rises this year, and the market – as measured by federal funds futures – broadly agreed. Bond yields steadily rose to take account of the likely inflation and rate rises to come
- The fed funds future market suggests another 2017 rate rise is less than a 50:50 shot, whilst falling bond yields imply radically dissent
- At face value, two-year yields, which are above the Fed's target rate, imply that we are unlikely to see as much as one rate rise during the next two years
- The biggest fall in US bond yields this week came hours before the Fed's announcement, with the release of US inflation data. Inflation, notably core inflation excluding food and fuel prices, fell. So did retail sales
- The wisdom of the Fed still disagrees. We are back yet again to a battle between inflationists and deflationists. Just when you thought it was safe to go back into inflation-linked bonds, the question returns.

Answer: \$132,529

16 June 2017

Wealth Management/Emergency Readiness News (Update): Holy cow, the restoration company has been in the house cleaning, i.e. restoring. I am done with Maids!!! This crew is beyond professional. They scrub the ceilings, pull everything off shelves, clean the shelf, and clean every single object. I never knew my windows folded in to allow the outside to be cleaned. I have owned this house for 12 years. This crew is the same as from the tele that clean up crime scenes...AMAZING!

First, a number of my peers have reached out expressing they do not have fire extinguishers. Waste no time, you need one on every floor. This house would have been a 100.0% loss had I not had a fire extinguisher. Second, complete a full review of your insurance policy(ies). I am dealing with three for this fire, i.e. HOA/Structure, Chattel, and contractors insurance. The definition of structure has become critical, i.e. are carpets structure? It matters as HOA pays for structure and my insurance pays for

chattel clean up. Both will subrogate to contractors insurance. Third, ALWAYS have great counsel. Every question I answer honestly but how something is said matters, e.g. "At this time, I believe...." Do NOT let anyone pin you down. Everyone wants me to say that ALL damage has been identified which I cannot say with 100.0% confidence. Fourth, how one treats others matters. While I have absolutely been less than pleased, I have been careful to be nice to everyone. It has mattered, I believe, in how I am and have been treated; which has been very well.

The contractor has accepted full responsibility and, provided things continue and end as I expect, I will use them for future jobs as a result. There has only been one contentious issue thus far and my signature line, "please include my attorney on all future correspondence", ended the issue immediately. Love K&LGates!

Finally, contemporaneous notes! Everything is documented the day of occurrence, including all telephone calls, i.e. send an email to the calling/called party confirming the conversation. Do not be too "manly" to say and document, "I feared for my life" or "the lack of heat has been making me physically ill" provided it is true.

Question: What is the size of the Federal Reserve's balance sheet?

Fed sticks to guns despite softer inflation data – Pg. 2

- Inflation numbers can be "noisy", the Fed chair said at a press conference as she defended her committee's decision to lift rates by a quarter point, even after core inflation data fell short of expectations for a third straight month (Prof Note: I do not agree with this rate rise! The yield curve is flat and I am preparing to short...)
- The bigger picture was a flourishing US labour market that should drive inflation back to target
- The median interest rate projection for 2017 and 2018 remained unchanged at three rises
- Not only is the jobless rate at its lowest since 2001, Ms Yellen observed, but indicators such as household perceptions of the availability of work, the rate at which workers are quitting, and the rate of job openings are all pointing to further improvement
- Bond markets are convinced the Fed is overdoing the tightening, with 10-year yields hanging close to a seven-month low after the meeting

Paying young Americans to learn – Pg. 7

- ..thanks to challenges such as an inability to pay for or complete a four-year college degree, secondary education that did not yield any marketable skills or personal problems such as single parenthood or a run-in with the law, they belonged to the growing group of unemployed or underemployed US workers. Nearly one in six American workers fit that description
- For years, a gap has been widening between the skills that companies need and those that workers have and educators teach (Prof Note: Educators need to be practitioners FIRST! How can someone teach real estate and/or finance that has no real estate and/or real wealth?! How can someone be an expert in finance and have no money?! I taught international finance for years. It was not until this past year earning, expending, and

- trading FX for my businesses that I truly am beginning to understand. Textbooks provide structure...yes. Practice provides profit!)
- Harvard academics have attributed as many as one-third of the US jobs lost during the great recession not to declining demand but to the skills gap
 - The US is suffering a youth unemployment crisis, with rates in double figures nearly 10 years on from the financial crisis – not to mention record levels of long-term unemployment, particularly among displaced older men in the rust belt
 - There will be 55m job openings in the economy in the decade ending 2020, with 65% of all jobs requiring some post-secondary education, ...
 - In the US, this bias has a long history: since the 1960s, vocational education has been seen as a dumping ground for less fortunate students. Some worked that it could result in class- or race-based tracking (Prof Note: We need HVAC, Plumbers, Electricians, etc. There is honour in these professions. I mentioned in an earlier rant, I would be a mortician if life provided a do-over.)
 - Yet given the dismal state of secondary and tertiary education in the US today – nearly one in three high school students take a degree, a tenth graduate from a two-year associates programme and a \$1.4tn student debt bubble restrains consumption and economic growth – a fresh approach to vocational training is clearly needed
 - It is noteworthy that, while unions pushed the previous wave of interest in vocational training decades ago, this time it is employers
 - (Prof Note: Everyone should be thinking, “What skills do I possess for which society will pay?” We all cannot have the classic good looks that I possess and rely on for my successes! ☺)

Yellen banks on an aggressively passive strategy – Pg. 9

- The issue at stake revolves around the treasuries and mortgage-backed bonds that the Fed gobbled up after the financial crisis, to inject liquidity into the markets. These purchases have caused the Fed’s balance sheet to explode from about \$700bn in 2008 to \$4.5tn and left the Fed holding about 15% of US government debt and a third of long-term bonds
- ...the Fed holds about a quarter of all mortgage bonds not already owned by institutions such as Fannie Mae. This has kept home loan rates very low. But when this changes, home loan rates may spiral higher, hurting the house market just as the next US election looms
- The Fed owns a much higher proportion of outstanding long-term government bonds than short-term instruments because the long-term bond sector is small in size
- So if it lets its treasuries expire “naturally” this may flatten the yield curve by lowering long-term rates relative to short-term ones, because long-term bonds roll off later

Answer: \$4.5tn

15 June 2017

Question: What is the cost to rent a 40’ container/mo in Maryland?

Fed raises interest rates despite pattern of weak inflation figures – Pg. 1

- The Federal Reserve lifted short-term rates by a quarter point yesterday and set out detailed plans for paring back the size of its balance sheet later this year, as it defied weak inflation figures
- ...boosted the target range for the federal funds rate to 1.00-1.25%, reiterating that they expect inflation to return to target but stressing they were watching low inflation numbers “closely” after a raft of disappointing readings
- ...sharply reduced its predictions for unemployment, trimming the median outlook to 4.3% at the end of the year, down from 4.5%, and to 4.2% in 2018 and 2019

China needs reforms while growth steady, says IMF – Pg. 3

- China must speed up economic reforms while it still has a buffer of stable growth, the IMF warned in its annual review of the world’s second-largest economy
- The IMF forecast China’s GDP to grow 6.7% this year, edging up from a previous estimate of 6.6%, falling to 6.4% between 2018 and 2020, in line with government forecasts

Bloc jobs surpass 2008 peak as recovery gathers strength – Pg. 4

- ...the European Commission’s statistics bureau, said yesterday that almost 155m people were employed in the euro area in the first quarter of 2017. It is the first time the number has surpassed the peak in 2008, highlighting the persistence and severity of the single currency area’s economic troubles
- The eurozone’s recovery has strengthened this year, fueled by cheap credit, subdued oil prices, a weaker euro and a loosening of government austerity
- Since the depths of the region’s economic crisis about 5m jobs have been created in the Eurozone.
- Unemployment has fallen to an eight-year low of 9.3% while figures for industrial production yesterday showed the manufacturing sector grew 0.5% between April and March

Canadian dollar’s rally picks up pace – Pg. 20

- Investors injected further momentum into the Canadian dollar rally, egged on by the hawkish comments of policymakers and pushing it to its best level against its US counterpart for three-and-a-half months
- The US dollar yesterday fell to below C\$1.32 for the first time since February 27 and has declined 4.5% against its neighbor in the past month
- The “loonie”, nickname for Canada’s currency, is the best performing G10 currency in the past week (Prof Note: Just last week I was lobbying BoN to allow me to hold physical Loonie. Arrgggg...)

Tumble in US consumer prices sends Treasury bond yields lower – Pg. 21

- Sharp losses for financial and energy stocks – as oil prices tumbled after the latest US inventories report - ...
- Gold was a notable beneficiary of the slide for the dollar and bond yields
- The yield on the benchmark 10-year Treasury, which moves inversely to its price, was down 10bps at 2.10% at midday in New York

Answer: \$80/mo

14 June 2017

Question: What is the ratio for household debt to GDP in the U.S.?

ECB gives renminbi its forex seal of approval – Pg. 2

- The ECB has started to hold foreign exchange reserves in renminbi in what amounts to a seal of approval for Beijing's ambitions to internationalize its currency
- The ECB is the most powerful central bank to date to invest in renminbi
- The purchases follow a decision taken behind closed doors by the ECB's governing council in January but not announced until the purchases were completed
- The ECB also invests in dollars and yen as well as gold. It sold dollars to fund the renminbi purchases but still holds the majority of its foreign-exchange reserves in the US currency
- Other central banks including the Swiss National Bank have also bought assets denominated in the Chinese currency

Mnuchin moves to ease banks' regulatory chains – Pg. 2

- Among the report's recommendations: changing the frequency and the severity of the stress-testing process, scrapping the "gold-plating" of global capital and liquidity standards for the biggest US banks, and a looser interpretation of the Volcker ban on banks making speculative bets with their own capital. All three are possible via supervision and enforcement, rather than legislation
- The Treasury department also raises the possibility that banks should be able to opt out of all capital and liquidity requirements and "nearly all" Dodd-Frank requirements, including the Volcker rule, in return for maintaining substantially higher capital levels

Rich nations' jobs rate passes pre-crisis peak – Pg. 3

- The number of people in work in the developed world has surpassed pre-crisis levels, but the newly created jobs are more polarizing and insecure than those that were destroyed
- ...the employment rate for people aged 15-74 in the OECD area reached 61% last year. This took it above the peak of 60.8% at the end of 2007, ...

Beijing feels it no longer needs to fear or follow Fed – Pg. 5

- In early 2016, turmoil on China's equity and currency markets dented confidence in the country's economic policymakers. Foreign currency reserves were falling at an unprecedented rate and Beijing worried that any increase in US rates would further accelerate capital flight from China
- The PBoC's one-year deposit rate was cut six times in 2014 and 2015, from 3% to 1.5%, and has not been adjusted since. The US Fed Funds rate, meanwhile, has been raised from 0.25% to 1% since December 2015, with a quarter-point increase expected this week

Answer: 80.0%

13 June 2017

Question: Which sex has more teenage employment, i.e. Male or Female?

General Electric replaces Immelt amid growing shareholder unrest – Pg. 1

- General Electric has appointed a new chief executive to replace Jeff Immelt, bringing to an end his 16-year tenure in which the group was fundamentally restricted but its shares underperformed the wider US market
- Mr Immelt has been criticized recently for GE's disappointing performance but the company said the move was the result of a succession process under way since 2011
- The appointment suggests that GE's board is not looking for radical
- Mr Immelt, 61, choreographed GE's move away from financial services to focus more deeply on its core industrial units. But the gains have been slow to materialize, in part due to the fall in oil prices that hit demand for energy industry equipment. GE shares are now about 30% lower than when Mr Immelt took over in September 2001

Subordinated debt heat at Spanish banks – Pg. 18

- Subordinated debt at small Spanish lenders such as Liberbank and Cajamar has come under pressure after similar securities were wiped out in Banco Popular's shock resolution last week
- While the collapse of Banco Popular has done little to rattle the overall market for Additional Tier 1 bonds – the riskiest type of bank debt – both the debt and equity of Liberbank have been in the crosshairs after its peer was wound down last Wednesday

Answer: Female

12 June 2017

Question: What percentage of teenagers worked over the summer in 1978 v 2015?

Fed expected to raise rates despite poor inflation figures – Pg. 3

- The US Federal Reserve is likely to forge ahead with plans to tighten monetary policy this week despite a succession of poor inflation readings as it banks on continued strength in hiring
-lifting funds rate by a quarter point to 1% to 1.25%
- The new elements would cover its strategy for reducing the size of its \$4.5tn balance sheet by phasing out the reinvestment of proceeds of maturing securities on its portfolio
- Soft inflation numbers are unlikely to prompt a mass retreat b Fed policymakers from their March forecast that there will be three rate rises this year. But analysts will be watching the so-called dot plot of rate of forecasts for any downward drift in 2018 and 2019
- During the crisis the Fed not only cut rates to near zero, but also boosted its balance sheet by about \$3.5tn by buying Treasuries and mortgage-backed securities. Holdings now stand at roughly \$4.5tn, including \$2.5tn of Treasuries and \$1.8tn of mortgage-backed securities
- The Fed expects to begin the ultra-gradual process of reducing that balance sheet this year

- Among the elements could be an affirmation that the Fed wishes to use short-term interest rates as its primary tool for steering the economy

Trump's budget data cuts are false economy – Pg. 9

- ...something monumental happened: The House of Representatives voted to roll back much of the Dodd-Frank regulation implemented after the 2008 financial crisis
-

When it is lonely at the bottom: isolation stalks powerless employees – Pg. 10

- ...management should not treat loneliness as a private problem but rather one that affects the business
- Loneliness is a “lack or loss of companionship [which] happens when we have a mismatch between the quantity and quality of social relationships that we have, and those that we want”, ...
- Virtual working is a more obvious cause of loneliness

Answer: 80% v 35%, respectively.

11 June 2017

Question: What is the current US Personal Saving Rate and what is the long-term average?

Law experts point to hurdles in toppling Trump – Pg. 3

- ...the controversy over Mr Trump's alleged interference in an FBI investigation is unlikely to be resolved in court...
- Watergate shows why. In June 1974, as the House of Representatives debated articles of impeachment against Richard Nixon, a federal grand jury named the president an unindicted co-conspirator in the Watergate cover-up. Secret White House recordings ultimately proved that Mr Nixon was hip-deep in illegal activity
- ...special prosecutor Leon Jaworski had concluded that a sitting president could not be indicted. Instead, Mr Nixon, with his public and congressional support crumbling, resigned from office two months later
- There is nothing in the US constitution that prohibits an indictment of the president
- In Paula Jones' 1997 claim that President Bill Clinton sexually harassed her, the Supreme Court ruled unanimously that presidents can face civil lawsuits
- But the US chief executive is immune to criminal charges, under a 2000 legal opinion from the DoJ
- Prof Dershowitz said Mr Trump would have had to do something illegal – such as ordering his aides to lie to the FBI, as Richard Nixon did – to be guilty of obstruction
- The constitution provides for impeachment and removal from office as a remedy for a rogue president

May offers lesson in snatching defeat from the jaws of victory – Pg. 7

- Her undoing was her strategy, her style and her lackluster manifesto. A highly personal campaign was built on the assumption that she was more popular than her party. But the mantra of “strong and stable leadership” left her with little hiding place when things went wrong

- Some saw echoes of Hillary Clinton's campaign, which seemed more concerned with the candidate's ambition than voters' needs and aspirations
- Faced with bad headlines, Mrs May changed course before an election. She announced that the amount people would have to pay for social care at home would be capped, yet insisted that "nothing has changed"

Middle East – Pg. 9

- Emboldened by the Trump administration, Saudi Arabia and three other Arab states launched an air and sea blockade to isolate Qatar, expelled its citizens from their countries and banned their own nationals from a country it accuses of backing terrorism and cozying up to Iran
- Qatar has asked US president Donald Trump to help calm the crisis...
- Iran has offered to open its ports to keep food supplies flowing. Turkey is also deploying troops to a base in Qatar
- Qatar is dependent on strategic food reserves and needs to explore new shipping routes for the vessels that carry cargo into the country and the super-tankers exporting its gas
- For the US, Opec member Qatar not only represents a third of global Liquefied natural gas supplies, it also hosts US Central Command's regional military headquarters at the al-Udeid air base

Answer: 5.30% and 8.32%, respectively.

9 June 2017

Question: When did the U.S. leave the gold standard for good?

Comey accuses White House of lying over his dismissal from FBI – Pg. 1

- For the first time, Mr Comey confirmed that Michael Flynn, ..., was under criminal investigation
- Mr Comey confirmed that he had told Mr Trump on several occasions that the president was not a target of the FBI investigation

ECB lays path to QE tapering as rate cut is ruled out – Pg. 3

- The ECB took a first small step towards scaling back its ultra-loose policy when it said it would not cut its record-low interest rates any further,
- ...the change of language on interest rates was widely interpreted as a sign that bank would take a decision in September on winding down QE in 2018
- The ECB kept interest rates unchanged at 0% for the base rate and minus 0.4% for the bank deposit rate
- Headline inflation is 1.4%, with the core rate – which strips out price changes for oil and food – 0.9%
- The bank added that inflation this year would hit 1.5%, falling short of its previous forecast of 1.7% and drop to just 1.3% next year compared with its earlier expectations of 1.6%
- In 2019, inflation was expected to hit 1.6%, against earlier expectations of 1.7%

Japan growth downgrade fails to harm outlook – Pg. 4

- First-quarter GDP grew by an annualized 1%, down from an initial estimate of 2.2%

- ...most of the downgrade was due to a lower estimate of inventory accumulation by private companies
- Growth of 1% is above Japan's long-run potential of roughly 0.7%. That implies the economy is using up spare capacity and the unemployment rate will carry on falling, even though it is already down to 2.8%

Residential Property – Pg. 7

- The five-year global boom in ultra high-end property that has transformed cities from Vancouver to Shanghai appears to be ending in a global glut
- In New York and London alone, agents are trying to sell tens of thousands of luxury apartments amid sharply falling prices
- Cities around the world are imposing new taxes on overseas property buyers, and there is increased scrutiny of money laundering through high-end property
- The number of people with \$30m or more in assets grew 68% in the decade to 2015, to 212,600....the population of more modest "high net worth individuals" – those with \$1m or more of investable assets – reached a record 15.4m in 2015, up from 10.9m in 2010
- ...Manhattan has more than 12,300 unsold condominiums either built, under construction or planned, against sales of about 1,400 a year....the figures in London are similar...since 2014 construction starts in London have exceeded sales by 13,500 units
- Developers also have another problem: the use of their creations as visual symbols of inequality and corruption

End of QE challenges Fed and Treasury – Pg. 19

- Next week the US central bank will probably lift short-term rates by another quarter point, but much of the attention will be on its longer-term forecasts and its strategy for paring back multitrillion-dollar debt holdings that were swollen during the era of quantitative easing
- To date the Fed has gone out of its way to ensure that unwinding QE will not jolt financial markets as it telegraphs its intentions well in advance
- Fed analysis suggests that crisis-era unconventional monetary policies will be holding down term premiums by about 85bps around the end of the year, about the time when the reduction in the Fed balance sheet may kick off. Withdrawing the stimulus over a number of years may therefore not amount to a major tightening
- ...when the central bank stops reinvesting proceeds of maturing debt securities, it will be down to the Treasury to find other parties to buy the debt

Answer: 1971 when Nixon took the U.S. off the gold standard as the country's foreign-exchange debt exceeded the country's gold reserves

8 June 2017

Wealth Management/Emergency Readiness News: Today my house caught on fire due to a contractor welding a new HVAC unit in my attic, i.e. the insulation all caught on fire. Little did I know that the

contractor is apparently required to have a helper with him and that helper is suppose to have a fire extinguisher. (**note:** I am 100.0% fine)

I am sitting at my desk on the fourth floor of my home and the contractor is behind a vented door working in the storage area. All of a sudden I hear, "Roger". I remember thinking, "what are you calling me for? I know nothing about HVAC." Then I hear, "ROGERRRRRRRR". I look up as my attention has been captured. Instantaneously the contractor burst through the door with a wall, a literal wall, of black smoke billowing behind. The smoke immediately fills my office two feet thick from the ceiling. We look at each other, terror in his eyes, probably a blank stare in mine. He yells, "Do you have a fire extinguisher?" I leap up honestly not knowing if I did, however, if I had one I knew where I would place it. I race down two flights of stairs open the pantry and there it is, the red cylinder of safety. I grab it, run back upstairs and hand it to the contractor. As I hand it to him I say, "Should I call 9-1-1?" He screams, "F*&\$ YES!!!" The office is filled with black smoke.

I dash to the iPhone and dial 9-1-1. I am yelling my current address at the operator knowing my iPhone is technically registered to my legal tax address. We end up yelling at each other as I keep repeating my address refusing to answer questions regarding human safety until I know the fire department is on the way. She assures me they are on the way and then yells to vacate the home.

Kudos to Howard County Fire Department, they are at the house in three minutes. Trucks arrive, hoses are assembled and at least a dozen large men and one woman storm the house. They have axes, picks, spears, etc. Gentle they are not (that by no means is a slight...their job is not to be gentle). Of course the hoses start at the bottom floor and go to the fourth and they all leak. I finally convince them that the fire is out but they insist on being certain. The next thing I hear is, "Get the water cannon." After the water cannon they rip out all the insulation and the roof trusses are all charred. They stay for about 30 minutes to ensure no lingering ashes and/or sparks.

At this point I will admit to being proud. I have my Emergency Readiness binder/files. Having taught Wealth Management for so many years I actually knew exactly what to do at this point. I had all the insurance information, phone contacts, etc. Of course this will take days to sort out given subrogation with insurance carriers, etc. However, it truly makes a difference when one is prepared.

Lessons/Insights: (1) I am mounting fire extinguishers in the main hallways of all my personal residences immediately. That email went out to all staff this afternoon. Without a fire extinguisher today I would be minus one home. Please note that I did, in fact, have fire extinguishers on every floor. However, they were under sinks, behind a toilet and in a pantry, i.e. they need to be readily available and in an obvious place as one is less able to think in times of crisis. (2) Anything important to me or that I would not want the police to see was already secured in one of my safes, i.e. I had no worry with over a dozen random people trapesing through the house. Note that the authorities storm the house. If there is anything you would not want public best to not keep out even in your own home as there is NO time to put it away. (3) Have everything backed up offsite. While I do have a home server which was located onsite, it is backed up offsite and the backup has been tested and is reliable. Have a home inventory so that you can easily identify what could be gone. This should include pictures. (4) Have a place to go. The fire department was very concerned about my safety and where I would go if the residence was

unlivable. I am blessed that I have/had options. (5) The fire department checked for smoke detectors. Had I not had them and had them correctly installed I am certain that would have been written in a report and potentially negated insurance. (6) If you own a company and your company caused this damage SHOW UP! The owner of the HVAC company never showed up which makes a statement to me. (7) The best way to start a conversation when something like this occurs to a person, "How are you? Are you ok?"

I know we talk about wealth management binders and emergency preparedness documents. These are real. In fact, this is the second house fire I have had this year. Please take a moment to think if you know where your fire extinguisher is in your home. Has it been charged within the last year? Without a working fire extinguisher, I would be minus one home this evening.

Question: What should be in the main hallways of any residential home?

Africa study shows mankind 100,000 years older than thought – Pg. 2

- Palaeontologists have found 300,000-year-old Homo sapiens fossils in Morocco, a discovery that not only pushes the evolution of modern humans further back but also focuses research into human origins on a new part of Africa
- Stone tools excavated at the site are typical of what palaeontologists call the Middle Stone Age. They were made of high quality flint that does not occur locally but would have been brought from 20 miles away
- Previously, the oldest reliably dated Homo sapiens fossils were 195,000-a-year old bones from Omo Kibish in Ethiopia
- Prof Hublin said that, if Hoomo sapiens was widely distributed across Africa 300,000 years ago, more research was needed to estimate how long ago the species emerged from earlier hominids such as Homo heidelbergensis
- The world 300,000 years ago would have been populated with several human species, including a diversity of early Homo sapiens forms across Africa, the recently discovered Homo naledi in South Africa, Homo heidelbergensis survivors in central Africa, and Neanderthans and Denisovans in Eurasia, as well as human hobbits in Flores, Indonesia

US economy – Pg. 7

- Across the US, companies in sectors ranging from manufacturing and construction to healthcare and agriculture warn of a lack of qualified employees
- This healthy demand for workers, coupled with the lowest unemployment rate since the beginning of the century, should mean that Americans are heading into a period of accelerating wage and price growth
- Core inflation has remained resolutely below the Fed's target, and wage growth has failed to take off
- GDP growth is subdued and the prospect of a Republican-led stimulus has receded
- ...inflation in core personal consumption expenditures, which strips out food and energy, has not hit the Fed's 2% target since 2012

- The notion that low unemployment will lead to an upsurge in inflation is not borne out by statistical analysis,....citing studies questioning the so-called Phillips curve that links unemployment to price growth
- ...82% of men and women aged 25 to 54 had a full- or part-time job in 2000. Now the figure is just 78%, suggesting 4.5m additional people are without work
- Despite local joblessness it is not easy to find suitable candidates: criminal records, failed drug tests or poor work habits have thwarted some applicants for even unskilled, entry-level posts
- One area that has experienced a marked turnaround is construction

Asian perpetual bonds enjoy sustained revival – Pg. 18

- Perpetual bonds have characteristics of both debt and equity, often getting equity weighting from auditors and rating agencies. For borrowers, the attraction of selling such securities lies in extending the maturity of their debt over a very long horizon
- The surge in Asian perpetual bonds has come alongside a boom for US-dollar debt issuance from Chinese property developers, banks and insurers all trying to lock in borrowing costs before the Federal Reserve tightens policy further

Answer: Fire extinguisher

7 June 2017

Question: When did the second bank of the United States receive its charter?

Trump backs isolation of Qatar despite role as base for war on Isis – Pg. 1

- Donald Trump has swung behind Saudi Arabia and other Arab nations in their move to isolate Qatar for allegedly supporting terrorism, saying funding for “radical ideology” needed to be cut off
- The US president’s public backing for the unprecedented Arab action came despite Qatar’s role as a Washington ally that hosts the main US military base for operations in the Middle East

Global tax avoidance pact to be signed – Pg. 4

- Some 70 countries will sign a pact today to crack down on international tax avoidance, with changes that backers say will increase the worldwide corporate tax take by up to 10%
- Countries including the EU’s 28 members, India, China and Australia, but not the US, will sign a pioneering agreement in Paris that will make changes to thousands of treaties to halt abuse by companies and improve dispute resolution
- The accord is intended to put a stop to “treaty shopping” – the practice of routing income to countries with attractive tax treaties via “brass Plate” companies with little presence on the ground
- The US decision not to sign the deal is in line with Washington’s reservations about multilateral accords and the difficulties of ratification in the Senate. But the OECD argues that US tax treaties are robust, so the fallout may be limited

The Future of Cities – Pg. S1

- During the 1960s and 1970s, the wealthy fled the west's big cities to escape crime and urban blight...cities such as New York and London were in headlong fiscal decline
- Then came the revival...yet success has bred a new kind of problem: economic segregation
- Soaring property values are turning the west's largest metropolises into walled-off playgrounds of cosmopolitan elites
- The biggest cause is the changing nature of work. As jobs have shifted from manufacturing to services, so the returns on education have risen. WE live in an age of scarce human capital. Most graduates and post-graduates prefer to live in larger cities, where they can rub shoulders with their peers
- The gap between a metropolis and the rest is as much about education as it is about incomes
- For the first time a majority of America's poor now live in the suburbs, which are largely invisible to the elites
- Research shows that lower income children who live in higher income neighbourhoods tend to do far better than lower income children who live in areas of concentrated poverty
- This suggests that mixed income development should be a priority
- Another solution would be to remove taxpayer subsidies for homeowners, which would encourage more high-rise rental development. Shifting from a property to a land value-based tax could also stimulate investment in higher density housing.
- Rural folk have always resented city ways, just as urban denizens have always looked down on provincials
- (Prof Note: I am spending more and more time in rural areas, e.g. Nevis and Southern Maryland. I found myself yesterday reminding myself to NOT say "hello" to people. I was beginning to get in the habit of just saying, "Good day", "Hello", and even the occasional "Cheerio" on Nevis. Just noting a difference I am finding as I age. I enjoy the friendliness in rural areas and miss it when I stay in the city.)

Answer: 1816, the year after the war of 1812 ended leaving the country's finances in shambles. (Prof Note: Several individuals emailed about the question of who paid for the American Revolution. My source is/was New York Times Guide to Essential Knowledge)

6 June 2017

Question: Who paid for the American Revolution?

Arab states cut ties to Qatar over fears it fuels terror and extremism – Pg. 1

- Saudi Arabia and three other Arab nations have severed diplomatic ties and cut off transport links with Qatar in an unprecedented attempt to isolate the Gulf state as they claim that its regional policies fuel extremism and terrorism
- The move against Doha by the kingdom – together with Egypt, the UAE and Bahrain....
- One trigger for the action appeared to be the payment by Qatar of up to \$1bn to free members of its royal family kidnapped on a falconry hunting trip to Iraq

- The four states severing ties said they would close air links with Qatar, the world's top exporter of liquefied natural gas and the host of an important US military base
- The closure of Qatar's only land border with Saudi Arabia threatens food supplies to the import-dependent state, ...
- Its stock market dropped 5.5%...

Pensions gap far wider than gender earnings disparity in EU – Pg. 2

- The gap between women and men's pensions in the EU is more than twice the gap between their earnings,...
- ...40%, compared to a gender pay gap of 16%
- "Most retirement products are designed for the 40-year career man and do not reflect women's divergent needs"...
- Women's participation rate in the EU labour force was 10% lower than men....
- Since women earned less on average than men, this led to lower pensions for women, an effect compounded by the greater likelihood of women working part-time or taking career breaks to assist with raising a family or caring for older or disabled relatives
- Tax rules in many countries that impose annual limits on contributions might also prevent employees who have had a career break from "catching up" on missed contributions afterwards

Chinese graduate salaries fall as universities expand rapidly – Pg. 3

- A record 8m Chinese graduates are due to join the labour force this year, just under half of all workforce entrants and up from about 4m a decade ago. China has opened hundreds of new universities over the period, while growing number of parents expect their children to study at university
- Concerns over the low quality of graduate jobs have been highlighted in recent years by the expanding ranks of students enrolled in "internship" schemes in the manufacturing and service sectors, often involving low-paid and menial work

Fed weighs benign impact of rate rise on markets – Pg. 4

- ...economic data have been disappointing, with jobs growth under-shooting analysts expectations and core inflation hanging at 1.5% - well below the 2% target

Trump slow to fill Treasury as debt showdown looms – Pg. 4

- By this stage, the past four administrations had at least five Senate-confirmed nominees in place at the Treasury,this time, Mr Mnuchin is the only one,
- The Treasury is also preparing for a battle over the debt ceiling which must be raised or suspended by Congress to prevent a default that would send shockwaves across global markets
- The Treasury is already using emergency cash-conservation measures to avoid breaching the limit....

Answer: British Banks! They purchased most of the bonds from the French and Dutch under the first Bank of the United States. (Prof Note: Not only did the Brits lose BUT they paid to lose! OUCH!!!)

5 June 2017

Question: The first Bank of the United States received its 20-year charter when?

Strong growth in Eurozone puts ECB tapering in frame – Pg. 2

- Growth in the single currency area was more than twice as fast in the first quarter of 2017 than in the US, raising the question whether its recovery is just a blip or more deeply rooted and self sustaining
- Having emerged from the financial crisis with rapid economic growth, the ECB raised interest rates in early 2011 only for the Eurozone to descent into a deeper crisis before the end of the year
- Largely unnoticed, the Eurozone economy's outperformance of the US stretch much further back than the most recent quarter of GDP figures. Despite the 2015 Greek crisis, total growth in the single currency area has exceeded that in the US for the past two-and-a-half years, with the Eurozone expanding 5.1% compared with 4.6% for the US
- The consensus forecasts for Eurozone growth in 2017 have risen from less than 1.4% last summer to more than 1.7% now, ...

World Bank warns on weak investment – Pg. 4

- The long-term growth prospects of developing economies are being undermined by weak investment even as the global economy continues a fragile recovery,...
- ...bank predicted the global economy would grow by 2.7% in 2017 thanks to a recovery in the US, Europe and other advanced economies that is helping fuel the best growth in global trade seen in years

Fresh doubt raised over Fed rate rise – Pg. 15

- More investors and analysts are questioning whether an expected rise in the US interest rate – to be decided at the Federal Reserve meeting on June 14 – is warranted in the face of subdued inflation and signs of weaker growth
- Financial markets are pricing in a 90% probability of a quarter-point increase,...
- Inflation remains weak....

Answer: 1791

3 June 2017

Question: What was US GDP in 2015?

US climate accord exit stirs legal storm – Pg. 2

- At issue is Mr Trump's choice of an exit route from the Paris deal that means the US could still be part of the accord right up to the next presidential election on November 3, 2020
- He could have pulled out in just one year if he had taken the more extreme step of abandoning the agreement's 1992 US parent treaty. Instead, White House officials

confirmed on Thursday that the exit process would be “consistent with” the Paris agreement

- The accord says any departing country has to first wait three years from the moment it was legally covered by the pact – November 4, 2016 in the case of the US – before it can give written notice of its intention to leave. Then it has to wait another year until that notification takes effect
- Meanwhile, it remains bound by the terms of the agreement, which required countries to submit a plan every five years spelling out how they intend to tackle climate change

Disappointing US jobs growth jolts markets – Pg. 4

- Markets were jolted by disappointing jobs numbers yesterday as sluggish hiring and tame wage growth in the US overshadowed a fall in the nation’s unemployment rate to a 16-year low
- Non-farm payrolls grew by 138,000 in May,
- Over the past three months, jobs growth has averaged 121,000 a month, down from the average of 187,000 in 2017
- The US employment rate dropped to 4.3% from 4.4% previously...
- Wages have yet to jump in response to the tighter jobs market. The 2.5% growth in average hourly earnings is no higher than the pace this time last year and remains well shy of growth of about 3.5% attained before the crisis

Answer: \$18.04tn

2 June 2017

Nevis News: The last installment until August. Hot, Hot, and more HOT has been the weather. The power has been going out once a day in the morning around 10 and out until early afternoon. Two days ago it went out twice in a single day. I have finally figured out the best way to Nevis from St. Kitts. It is not the ferry but the high speed from Raggae Beach, St. Kitts, to Oualie Beach, Nevis. Raggae Beach is named for a bar at the location and is the favourite destination for cruise ship guests, i.e. it gets very crowded. For \$50 more the guests could take the high speed to Nevis, a five minute cab ride to the airport and have a beach entirely to themselves.

Question: When hiring contractors on Nevis what type of drink must be readily available for drinking on the job? Where does this drink originate?

Executives quietly turn away from globalization – Pg. 9

- But there is a further crucial factor behind this linguistic shift: when Mr Trump started talking about restoring US manufacturing last year, he was not swimming against the tide. On the contrary, he tapped into a subtle trend that was already emerging
- One reason for this shift is a rise in relative wage costs in China. Another is that production costs in the US have fallen because of automation and cheap energy. However, a third point is that chief executives have realized that long supply chains create political and logistical risks

US pushes for greater audit disclosure – Pg. 14

- The US auditing watchdog is pushing through new rules requiring auditors to reveal details of their investigations into public companies' accounts, after a drawn-out fight with business lobbies over the additional disclosure
- At present, US auditors simply state whether or not a company's financial statements give a fair view of its accounting
- The new standard crafted by PCAOB would require auditors to provide further information to investors and the public whenever they felt the need to communicate with a company's audit committee – the board members who oversee the accounts – about difficult accounting questions
- These "critical audit matters" would relate to accounts or disclosures that would make a material difference to financial statements, and involved the auditor making particularly subjective or complicated judgments
- ...as part of the new standard, the PCAOB is seeking to add new language highlighting the importance of auditor independence and forcing auditors to disclose how long they have been inspecting a company's accounts
- The new report would also state that auditors should be able to identify accounting misstatements made due to error or fraud
- There are no mandatory limits on audit tenure in the US, unlike Europe where new rules mean companies must tender their audit every decade and rotate firms every 20 years
- (Prof Note: If I had to do my career over starting at 18 I would get a double major in accounting and mortuary science. I would take a fifth year earning a graduate degree in accounting and completing my CPA. I would do an apprenticeship with a mortician for five years earning a graduate degree in real estate by 30. By 40 I would be well on my way to owning funeral homes until I became known as Dr. Death! Talk about a business segment that has zero cyclicalities, higher margins, and you only have to deal with clients for several weeks at a time!)

China central bank props up renminbi – Pg. 18

- China's currency headed for its biggest two-day gain against the dollar since January yesterday, as the central bank apparently intervened to support it amid tepid market demand for the renminbi
- After a record 6.5% decline against the dollar in 2016, the renminbi has gained 2.3% this year, including 0.9% over the past two days

Answer: Ginger Wine from Jamaica.

1 June 2017

Question: The Four Seasons Nevis resides on the nicest beach on the island. What is the name of the beach?

Sluggish US inflation raises concerns for Fed rate-setters – Pg. 2

- The dominant view at the central bank is that with the US nearly full employment, the slack in the jobs market is more or less gone and it is a matter of time before core inflation hits target.
- ...trouble is....inflation measured by the core personal consumption expenditures (PCE) gauge has undershot the Fed's target for 58 straight months, even as the unemployment rate has halved. Tuesday's numbers showed core inflation of just 1.5% - below the Fed's 2% target
- The jobless rate is 4.4%, below the Fed's 4.7% estimate of the long-term unemployment rate, so conventional models suggest wages and inflation should be heating up
- Most Fed policymakers think that if the US is not yet at full employment, it is getting very close...

June set to recalibrate the global outlook – Pg. 18

- When ECB meets to discuss monetary policy in Tallinn in Estonia on June 7, a tweak to the institution's language is expected
- Interest rates will remain below zero for an extended period, but policymakers could remove the possibility of moving lower from guidance given to the public, a reflection of economic improvement
- Many investors are near certain that the US Federal Reserve will tighten policy in June. The market implied probability is 86% that the Fed will raise its target policy rate 25bps to a corridor between 1% and 1.25%
- Policymakers have contemplated ending the reinvestment in its more than \$4tn portfolio of mortgage-backed securities and Treasuries. Such a move would, in turn, be likely to put upward pressure on interest rates, serving in tandem with higher policy rates to tighten financial conditions
- On June 20 comes the return of MSCI's yearly will-they-won't-they ritual, when the index provider decides whether to include mainland-listed Chinese shares in its popular emerging markets gauge
- The addition of mainland stocks to an index tracked by \$1.5tn of assets would be a watershed for Chinese markets. Mainland regulators have been courting foreign investment for years, but suffered a big setback following the dramatic stock market bubble and bust of 2015

Answer: Pinneys Beach

FILL IN THE GAP

31 May 2017

Nevis News: Oh Mama!!! Apparently the threatened lifetime ban of me from Four Seasons was never meant to be. 5-0 stormed the gate, ok the 95' Samurai loped past the entrance, to check out the new villas. There is significant wealth coming to Nevis. One "villa" turned out to be a 'village'. I was able to walk through a few that were under construction, with permission, of course. Ultra high-end finishes

and furnishing. Apparently sales have slowed a bit and there are two older villas up for auction, i.e. owners defaulted. Bill Gates is taking it to another level!

Question: When was the first European settlement on Nevis?

US shoppers put economy back on course to lead global recovery – Pg. 1

- The US showed signs it was leaving behind a soft start to 2017 as data revealed consumer spending grew at its quickest pace of the year in April, ...suggesting the world's biggest economy was shrugging off political turmoil and was again poised to lead global recovery
- Consumer spending is the key driver of the US economy and a slowdown earlier in the year held GDP growth to an annual pace of just 1.2% in the first quarter
- ...second-quarter growth of a robust 3.8%
- The rebound comes as the two other big developed economies – the Eurozone and Japan – published data that also showed renewed signs of breaking out of post-crisis doldrums
- While US inflation has remained subdued, the brightening picture at home and abroad is likely to provide reassurance to Federal Reserve policymakers planning for their fourth increase in short-term interest rates since the end of the financial crisis
- Japan's jobless rate held at 2.8%, its lowest in more than two decades, ...
- The US is coming closer to full employment after adding jobs at an average monthly pace of 174,000 over the past three months, but core inflation – measured by the personal consumption expenditures gauge – has stayed stubbornly below the Fed's 2% target

Japan's labour market tighter than during the 1990 bubble – Pg. 3

- ...the ratio of open jobs to applicants hit 1.48 in April, exceeding the peak in July 1990
- It is the highest figure since February 1974, when the economy was booming before the first oil shock
- ...still little upward pressure on wages
- That is frustrating the BoJ, which is relying on a tight labour market to drive up wages and in turn push inflation towards its goal of 2%. Price in April were just 0.4% higher than a year ago
- One important difference from the 1990 bubble is that a declining supply of workers is to blame, rather than any rapid growth in jobs. As the baby boom generation retires, Japan's working age population is declining by about 700,000 a year

The rise and fall of American leadership – Pg. 9

- Mr Trump has revolutionized our ideas of what the US stands for. We live in the world the US made
- The CBO's analysis of the American Health Care Act, recently passed by the House of Representatives and the replacement of Barack Obama's Affordable Care Act, is startling. Over the 2017-26 period, the act would reduce tax revenues by \$992bn, paid for by a \$1.1tn reduction in expenditures on Medicaid and other subsidies. According to the CBO, the number of uninsured might have increased by 23m by 2026
- Proposals for tax reform and spending to in the same direction. Discretionary spending proposals for next year include a \$52bn increase in defence spending, paid for by big cuts in

- other areas. These include a \$13bn (16%) cut to health and human services; \$12bn (29%) to the budgets of the state department and the international development agency; and \$9bn (13%) to education
- The diplomatic capacity of the US would be devastated
 - The rise of China has reduced its economic and political weight. A recent history of failed wars and financial crises has savaged its leaders' credibility (Prof Note: Nevis has never had a failed war! Though, in fairness, I suspect Seal Team 6 alone could do some damage! We are lovers, NOT fighters!)
 - Across the world, people question the future role of the US

Answer: 1628

30 May 2017

Nevis News: As mentioned in 27 May 2017 question, Nevis is separated into five parishes. Within each of these parishes there are further divisions of villages. However, there is discrepancy between Wikipedia and Nevis elders. Hence why the tourists, armed with their research, often are perplexed and get it wrong. There is significant pride in one's village, e.g. "I am New Castle!" This morning I asked my property manager how I would drive to his house. He said, you drive to Butlers Village and you ask someone for my house. Then he said, note he has lived there for 65+ years, I do not even know the name of the roads. Just asking someone and they will know where I live. I then had to assure him that I was not coming over for dinner. 😊

Nevis 5-0 has the scoop on recent gang activity. Apparently there is significant rivalry between some of the villages. In fact, Gingerland and Rawlings are the fiercest foes! Recently there was a cricket match between them in Gingerland. Well, two "Gingers" walked up and shot a Rawling at the match in broad daylight. In retaliation, Rawlings gunned down a Gingerland car. However, the Gingerland car was the wrong car and was actually two woman coming home from Bingo, i.e. two less Gingerland woman. Gingerland, requiring justice, tracks down the head of Rawlings who is caught with his two lieutenants. The head of Rawlings makes a quick getaway and the two lieutenants take bullets, i.e. two less Rawlings. Now, there is apparently a hit out for either the head of Rawlings OR his mother! Please note, Nevis 5-0 is keeping this on the DL and maintaining a very low profile.

Question: What is the largest village on Nevis and yet the least populated?

US consumer debt pile deters big banks from \$1.2tn car-loan market – Pg. 1

- Big banks are throttling back from the \$1.2tn US car-loan market, fearing consumers have taken on more debt than they can handle
- ...expect the car loan market to keep growing, fanned by specialist non-bank lender which focus on borrowers with lower credit scores. But the caution of the big banks – which claim more than 30% of the market – shows many now worry about the consequences of looser underwriting, which has seen them stretch terms for borrowers while pushing up loan-to-value ratios and debt-to-income ratios in an echo of the subprime crisis

World Bank woos Trumps – Pg. 3

- The World Bank has begun advising the Trump administration on its infrastructure plans, ...
- ...budding relationship between Ivanka Trump and president Jim Yong Kim ...
- ...\$1bn women's entrepreneurship fund championed by Donald Trump's eldest daughter and official adviser that the bank is trying to rush to set up ahead of a Group of 20 summit in Germany in July
- They say Mr Kim's strategy raises issues of governance for the institution. Past US administrators and the bank's board would view a similar project skeptically, they point out, if it involved the daughter of a central Asian autocrat rather than the bank's biggest shareholder
- ...it would be set up with \$200m in seed capital, half of which was pledged by Saudi Arabia and the UAE during a recent visit to Riyadh by Mr Trump
- The Saudi pledge and Mr Kim's appearance surprised bank veterans because of the Kingdom's discrimination against women and its past role in blocking gender-related work by the bank as too "political"
- Under its rules it is unlikely the bank would lend to any US infrastructure projects. It can, however, provide expertise to any of its members and bank officials point to advice it has given Canada on its infrastructure plans

Answer: New Castle

27 May 2017

Nevis News: While the heat remains, the haze has lifted. Redonda was visible in the distance from Gingerland. Town remains quiet and the tourists remain at Four Seasons. A taxi of about 10 was spotted in Fountain but else the island remains quiet.

Lovers Beach is completely gone. The end of the runway is suffering erosion and heavy equipment is shoring up the area. Despite the erosion, it remains a wonderful beach to walk and wade.

Question: Nevis is broken into Parishes. How many Parishes is Nevis separated? (Note: Island is 35 square miles)

The financial crisis lives on in UK courtrooms – Pg. 8

- The law tries cases and metes out punishment for a number of different reasons. Securing restitution for damage done and deterring future misdeeds are the most respectable and most often cited
- Justice often consist in simply setting the record straight, in saying what happened in a clear, public and final way.
- "It's about seeing the ex-directors in court and...learning once and for all what happened"
- And nearly a decade after the crisis, no senior UK bank executive has yet been a defendant in a civil or criminal trial as a result of the sectors' decimation of bad loans, risky funding and ill-structured products

- What the UK, and other countries, have received is a great deal of money. Last year, The Bank of England estimated that global banks had paid \$150bn in fines over the prior five years, in connection with not just the financial crisis but also mis-selling and price-fixing scandals
- The BoE also points out, however, that the fines are roughly equivalent to the amount of cash the banks have had to raise to meet higher post-crisis capital requirements
- There is always the risk that shareholder lawsuits will create moral hazard. The stock market is a irreducibly risky place. The idea that when a business falls apart its owners can seek compensation in the courts could make shareholders less cautious – and lack of caution is precisely what financial crises are made of.

Answer: Five (St. James, St. George, St. John, St. Paul, St. Thomas)

26 May 2017

Nevis News: Nevis 5-0 has the scoop on Four Seasons. Ok, the group that has created the high occupancy was to have an event on the beach. The dredging machines were such an eye sore they event had to be moved closer to Mangos. Apparently the “Bill Gates” crew comes next month to survey all the renovations. FS is completely remodeling their rooms as complaints have come in that they are “aged”.

Much talk on the island about Trump. The word used is “hate”. On Nevis there is concern that there is more “hate” in the world.

The current weather continues to be Hot and Hazy. Two power losses today, generally there is only one and that is mid-morning for two hours. Banking stories continue but now on an international scale. FX is definitely the wild west, short on regulation, high on risk!

Question: How many official national currencies circulate globally?

World Bank in turmoil as frequency of ‘and’ surges past 2.6% of official text – Pg. 1

- The World Bank’s chief economist has been stripped of management control of the organization’s research arm just months after assuming the post after his staff revolted against his attack on the bank’s turgid writing
- In a staff email this week, he vowed to block publication of the World Development Report if the word “and” made up more than 2.6% of the text
- That followed demands for shorter emails and reports
- The 2.6% bar, Mr Romer told the FT, marked the current frequency of “and” in scholarly writing and early World Bank reports. But use of “and” had reached almost 7% in recent bank reports...

How the Fed plans to unwind its vast stimulus – Pg. 2

- The US central bank has approximately \$4.5tn of assets on its balance sheet – largely made up of government debt and mortgage-backed securities (MBSs) accumulated since the crisis. It has begun to outline how it will pare back these asset holdings
- The Fed scooped up trillions of dollars of Treasuries and MBSs during the crisis and has been reinvesting the proceeds of securities as they mature, maintaining its balance sheet at about \$4.5tn
- ...policymakers will instead phase out reinvestments. This would involve the FOMC announcing a set of steadily increasing caps on the amounts of securities that would be allowed to run off
- As the caps increased, the reinvestments would decline, the minutes explained. The limits would be set at low levels initially and then raised every three months over a set period. The final values of the caps would then be held until the balance sheet size was “normalized”, although no detail on what the Fed views as normal has been provided
- ...caps could start as low as \$5bn or \$10bn for Treasuries and MBSs
- Another question is how the Fed wants to set short-term interest rates in the longer term. The central bank appears to be edging towards keeping its current system, under which it pays interest on banks’ excess reserves, as well as setting the rate on a reverse repurchase programme with non-bank players such as money market funds
- Reducing the balance sheet is a way of further taking the foot off the monetary accelerator after the Fed pushed through three rate rises since the recovery started,
- The central bank’s holdings of MBSs, totaling about \$1.8tn of instruments, are seen as particularly unwelcome given they have made the Fed the dominant player in the market

Basel III bank reforms closer to being finalized, says overseer Coen – Pg. 14

- The planned reforms to the post-crisis Basel III rules have upset the banking sector, which sees them as more capital-raising by stealth, dubbing the package Basel IV; something policymakers have resisted
- The technical dispute has centred on the so-called output floor, which limits the extent to which banks can use their own models to calculate the riskiness of their lending. The floor prevents them from using risk estimates that are too far below the outputs of a standardized model devised by regulators

Sterling struggles to pass \$1.30 threshold – Pg. 20

- Signs of a slowing UK economy pulled the pound back from the \$1.30 threshold yesterday, ...

Answer: 164

25 May 2017

Nevis News: Hot and hazy are the days. Town is bereft of tourists but for one handsome family with the elder male donning blue and white plaid shorts which were quite sporty! The Bank of Nevis had a fire drill during my meeting with the General Manager which, given the conversation about FX exchange rates with the central bank, I continue to wonder “coincidence”? Surpriser is out of lobster but will be going fishing tomorrow. ValuMart had four one-gallon containers of milk and that was it. There were

absolutely no vegetables. It feels like Nevis without the tourists...when they arrive the island changes a bit. Now, this is experiencing Nevis.

Nevis 5-0 has the scoop on Four Seasons. They are currently focusing on rebuilding the beach and have dredging equipment parked strategically out of view. The rooms are being upgraded and the standard tele is 60" (I need to up my game...the cheapest room at the Four Seasons now dominates The Ghaut which pales at 55". However, a cheap room at the Four Seasons is \$1,800/night!)

Question: What is the current occupancy at Four Seasons?

Minutes show Fed gearing up to raise interest rates and shrink balance sheet – Pg. 1

- The Federal Reserve signaled it is close to another increase in short-term interest rates and is preparing to start paring back its multi-trillion dollar asset holdings this year as the US economy recovers
- While inflation has been soggy in recent months, policymakers said some of the slowdown was down to "idiosyncratic factors" including a drop in mobile phone charges
- Markets see the chances of an upward move in rates at the June 14 meeting of the FOMC at just under 80%, ...
- Markets are set to focus increasingly on the Fed's plans to pare back the \$4.5tn balance sheet it amassed during the crisis

Fall in US dynamism underlines Trump challenges – Pg. 2

- The US has seen a pervasive drop in economic dynamism in every one of its states since the early 1990s as new business formation sinks and workers move jobs less frequently, ...
- Among the least economically vibrant parts of the US are ageing, industrial states clustered around the Great Lakes and north-east, many of which swung in favour of Donald Trump in the last presidential election
- The US has seen a long-term decline in business births, less migration between states, and a growth in the economic power of incumbent companies, sounding alarm bells in Congress
- The report exposes an east-west divide, with all but one of the 10 most dynamic states sitting west of the Mississippi. The exception was Florida, which is third after Nevada and Utah
- The presence of a large immigration population was another "powerful ingredient" in increasing economic dynamism, ...

Beijing raps Moody's for credit downgrade – Pg. 6

- ...US rating agency downgraded Beijing's sovereign credit rating, highlighting investor concerns over rising debt and the slow pace of economic reform intended to transform the country's growth model
- Moody's downgraded China one notch from Aa3 to A1, its fifth-highest rating. On the credit scale used by rival agencies Fitch Ratings and S&P's, the move is equivalent to a downgrade from double A minus to A plus. S&P still rates China at double A minus although with a negative outlook, while Fitch already has China at A plus

Muni investors pile in to Hudson Yards – Pg. 22

- A multibillion-dollar office and residential complex on a 28-acre site described as New York City's last frontier had municipal bond investors jostling for a slice of a \$2.15bn debt sale linked to the project
- The offering from the Hudson Yards Infrastructure Corporation, the largest revenue-backed municipal bond sold so far this year, comes after bond offerings have dried up in the \$3.8tn market where US states and cities fund public works and infrastructure projects
- New municipal bond sales are down 11% from a year ago, ...
- New 10-year bonds with a 4% coupon from the Hudson yards Infrastructure Corporation sold with a yield of 2.17% on Tuesday, 19bps above triple A rated municipal debt

Answer: 94.0%...it hit 98% early this year.

24 May 2017

Nevis News: Nevis 5-0 is back up and running. The muffler on the 94' Samurai was falling off and needed to be repaired. Another day of heat and haze. There are not many tourists on the island and it is relatively quiet. The Marriott on St. Kitts is said to be 50% occupancy. The tourists from the ships stay on St. Kitts.

Question: What is current global population?

China's population overestimated, says study – Pg. 4

- India may have overtaken china as the world's most populous country, ...
- ...Chinese officials had overestimated births between 1990 and 2016 by almost 90m
- China's fertility rate was estimated at 1.6 children per woman in 2015, whilebelieves it could be as low as 1.05
- ...China's population at the end of last year was 1.29bn, compared with the government's official figure of 1.38bn. India's population is officially estimated at 1.33bn
- China's working age population fell for the first time in 2012 and has been declining since, raising the prospect that the country may "get old before it gets rich"

US budget comes under attack for questionable growth assumptions – Pg. 6

- The budget sets out spending reductions to sectors such as healthcare support and education while boosting defence spending and sheltering social security and Medicare from the axe
- The blueprint assumes growth would reach 3% by 2021, delivering \$2tn of extra revenue over 10 years, even though slow population growth and weak productivity have ensured most forecasters anticipate a far weaker performance
- The budget also fails to detail the costs of a White House tax plan that outside estimates have suggested would reduce revenue by \$5tn over a decade
- ...under Mr Trump's plans, discretionary spending excluding defence would be slashed by 41% over 10 years after adjustments for inflation

Succession crisis stalks Japan's family businesses – Pg. 15

- ...average age of their presidents has climbed relentlessly to 59 and most SMEs have felt almost no effect from the much-touted economic revival programme of prime minister Shinzo Abe
- A decade ago...about 70% of closures involved an owner over the age of 60; by 2016 the ratio had risen above 82%
- Since 2007, the number of companies declaring bankruptcy in Japan has fallen by 40%. The number of companies voluntarily closing down – almost 30,000 in 2016 – has risen by the same margin
- Japan's demographics are a particular problem. Analysts say decades of low birth rates are playing a clear role: fewer offspring limit the pool of successors within each family. Those heirs who are available are often unwilling or unable to take over: they have pursued other careers, moved to another part of Japan, face potentially burdensome tax implications of ownership transfer or, especially in rural areas, can see no prospect at all of coaxing long-term growth out of a small family company

US banks cut Treasury yield forecasts – Pg. 20

- Banks led by Goldman Sachs and JPMorgan have grown less pessimistic on the US bond market this year, as hopes for a step change in US economic growth faded
- US Treasury yields have stayed subdued, despite the US stock market trading near record highs, underscoring that bond investors remain far more skeptical of the outlook for growth and inflation than equity investors
- The benchmark 10-year Treasury yield, which moves inversely to price, was at 2.27% yesterday, having fallen 7bps from its starting point last week
- The Fed has indicated that it plans to tighten monetary policy twice more in 2017, but interest rate futures indicate that investors see a greater than even chance that the central bank is forced to hold fire after a June increase

Answer: 7.5bn

Nevis News: In today's weather, hot, Hot, and HOT with significant haze. St Barts remains elusive due to haze. There is a gentle breeze from the east but lacks consistency. Reggae Beach, on St. Kitts, is deserted waiting for the cruise ships to arrive tomorrow, Wednesday. Harmony of the Seas, world's largest cruise ship, is scheduled to arrive at Basseterre. **Note:** HofS carries roughly half the population of Nevis...whoa mama! Shaws road construction continues. The curb and gutters have been paved and are 8 – 12" higher than the existing road. Anyone with a gate opening outwards has literally been paved in! Cat Ghaut renovations continue....

23 May 2017

Question: For the class of 2016 Harvard MBA, what was the median salary, signing bonus, and percentage that received signing bonuses?

Trump-Russia probe spurs unlikely alliance in Senate – Pg. 5

- As Washington is buffeted by a divisive White House, bombshell leaks and explosive tweets, two men on Capitol Hill are responding to the drama with a long-forgotten tactic: a veneer of bipartisanship
- While Robert Mueller, the recently appointed special counsel, and the FBI are conducting their own investigations into last year's election, Mr Burr and Mr Warner's probe comes with the added complexity of public accountability – a challenge for each given their respective political bases
- Mr Burr was a steadfast ally of Mr Trump during the campaign even after the emergence of a tap that captured the now-president making lewd comments about women
- Mr Warner, a moderate Democrat who has taken pains to embrace the motorsport and bluegrass of his adopted state, meanwhile risks angering his party's left flank if he is not seen to be aggressively pursuing the investigation
- Mr Warner, meanwhile, has been in the Senate since 2009 following a term as governor of Virginia. A graduate of Harvard Law School who entered politics after becoming a millionaire in the telecoms sector, Mr Warner was seen as a potential presidential contender in 2007 (**Prof Note:** I am beginning to feel there are two classes of people in America: Those that went to Harvard and those (like me) that did not. Though I could be like one of the Senior Executives I use to work for years ago that talked of his time at Harvard. Later I learned he had attended a two week seminar!)

China bonds face test from US agencies – Pg. 18

- Beijing's promise to allow US rating agencies to operate in China will draw foreign funds to the onshore bond market, where ratings from local agencies are viewed with suspicion (Prof Note: ...and S&P, Moodys, and Fitch are not suspicious? How quickly we forget the Financial Crisis!)
- In a bilateral trade agreement announced this month, the pledge was framed as a concession to Donald Trump, US president, who has criticized China for unfair trade practices and investment barriers to US companies
- Foreigners widely distrust local rating agencies, which they see as handing out high ratings too generously.
- With \$9.7tn in debt outstanding, China's bond market is the third largest, behind those of the US and Japan
- In February the People's Bank of China granted JPMorgan a licence to underwrite commercial paper, while Citibank received a bond brokerage licence
- Local rating agencies place more weight than foreign agencies on implicit government support for state-owned enterprises, which are the biggest corporate issuers in China. Local investors assume that the government will bail out SOEs to prevent bond defaults
- Before US rating agencies can operate in China, they must wait for rules from the central bank on how to apply for a ratings licence. They also need to decide how to handle existing local partnerships. Moody's, Fitch, and Standard and Poor's each own 49% of Chinese joint ventures, though they have minimal influence over operations
- All three groups already rate offshore foreign-currency bonds issued by Chinese groups

Answer: Median Salary: \$135,000; Median Signing Bonus: \$25,000; 68% received a signing bonus. (Prof Note: Is it too late for me to apply to Harvard's MBA class of 2019?)

22 May 2017

Question: What is a 401(k)?

Church of England fund's heavenly 17% return puts it among top performers – Pg. 1

- ...strong performances from global equities, private equity and timber
- Over 10 and 20 years, the fund returned 8.3% and 9.5% per annum respectively, compared with its target return of 5% above inflation. Returns from the Yale University endowment, top of the eight-member Ivy league, rose 3.4% in the year to June, with 10- and 20-year returns at 8.1% and 12.6% per annum, respectively
- The bulk of the CoE's global equities portfolio, which generated returns of 32.9% last year, was actively managed
- The investment fund supports the work of the church, including cathedral costs, clergy pay and pensions

President faces struggle to win budget backing – Pg. 2

- Adding to the tensions in talks ahead of the September 30 fiscal year-end, Congress must lift the federal debt ceiling.
- A preliminary version of Mr Trump's budget has outlined a \$54bn boost to defence spending next year, offset by swinging cuts in domestic areas such as environmental protection, the state department and development
- The administration's longer-term outlook encompasses steep spending cuts that are likely to leave unscathed two principal drivers of federal spending – social security and Medicare. Tax cuts, which have yet to be set out in detail, will be paid for via 3% growth...

Too scared to spend – Pg. 7

- Many Hispanic consumers are too scared to spend as they once did...
- They are saving money in case they or their loved ones are swept up – rightly or wrongly – in the president's crackdown on undocumented immigrants
- They are avoiding businesses they think will be targeted by immigration agents – either because they are undocumented themselves, or because they fear being perceived as such and subjected to the attendant humiliation
- An estimated 57m Hispanics live in the US and the Census Bureau expects that number will grow to 119m by 2060. About 60% of Hispanics are members of the millennial generation or younger, ...making them the youngest major racial or ethnic group in the US
- By 2020, Hispanic buying power will reWhatach \$1.7tn,
- ...Customers Enforcement Officers made 41,318 arrests during the first three months of the Trump presidency, up 38% from the same period of 2016
-25m – 30m Hispanics in the US, about half of the total population, have their papers in order but are related to someone who is undocumented, ...

US companies run up \$400m bill for abuse of employee retirement plans – Pg. 13

- Companies are alleged to have breached their fiduciary duty to employees in a variety of ways connected to the investment options available via a 401(k) plan.

Answer: A feature of a qualified profit-sharing plan that allows employees to contribute a portion of their wages to individual accounts

20 May 2017

Question: What does New York Civil Rights Law Section 80-b cover?

Trump turmoil erases dollar gains – Pg. 1

- The dollar suffered its worst week in more than a year, wiping out all of its gains since Donald Trump was elected US president,
- The main beneficiary of market anxiety was the euro, which gained 2.4% on the dollar and was on the cusp of hitting \$1.12 for the first time since November, ...

Parents face testing times in cut-throat world of china schools – Pg. 2

- A storm has erupted in China over its hyper-competitive education system after oversubscribed private schools in Shanghai sought to filter intake by conducting tests and checks not only on prospective pupils but also parents and grandparents
- Education institutions have rushed in to seek profits from the growing demand for private schooling
- (Prof Note: When I use to attend graduations I always played a mental game with myself. I called it “Apple and Tree”. I would place parents in audience with students based on facial expressions (smiling/not smiling) and appearances (clothing styles). (remember at this point I had had no contact with the parents so could not assess intellect, grammar, etc.) Most of the time I was right!)

Impeaching Trump is a political not a legal question – Pg. 7

- As during Watergate, there is broad agreement that the first article would be the obstruction of justice
- A second article of impeachment might revolve around accusations of conflict of interest and corruption
- Impeachment becomes a more likely prospect if control of the House shifts in the 2018 congressional election. But even if Democratic efforts to focus the midterm on impeachment succeed, it takes a two-thirds vote in the Senate to remove a president from office. The ultimate decision about whether Mr Trump serves out his term will remain in Republican hands

Answer: “Any gifts given during the engagement period are ‘given solely in contemplation of marriage’ and should be returned if that marriage doesn’t happen.” “Most cases like this in New York – and nationwide, for that matter – require the parties be restored “to their pre-engagement status by

returning the engagement ring to its donor" (MSN.Com) (Prof Note: A Call Option with the consideration being a promissory note would be so much more efficient!)

19 May 2017

Question: How many currencies does Libor quote?

Brazil markets tumble on claims Temer endorsed bribe payments – Pg. 1

-Ibovespa benchmark dropped 10.47% in morning trading
- The real fell 7% against the dollar on fears that the claims would torpedo the government's reform plan to overhaul Brazil's sinking public finances

Japan enjoys run of sustained growth – Pg. 2

- Japan has recorded its longest run of sustained growth in more than a decade as stimulative policy and a healthier global economy lead to a period of robust progress
- Growth for the first quarter of 2017 came in at an annualized 2.2%, ...
- The figure beat the consensus analyst forecast of 1.7% and is far above Japan's long-run growth potential of roughly 0.7%. That suggests the economy is using up spare capacity and unemployment will keep falling
- Sustained expansion signals the Japanese economy has regained its momentum following the consumption tax rise of 2014 and emerging market weakness in 2015 that led to a prolonged slowdown

The Big Green Bang – Pg. 8

- Global renewable power generation capacity rose by 9% last year – a fourfold increase from the start of this century – buoyed by the growth of newer sources such as solar power that shot up by more than 30%
- Oil, gas and coal still account for about 86% of the energy keeping the world's lights on, cars running and homes warm – a share that has barely changed in 25 years
- Coal and gas-fired power plants are still being built, especially in the developing world where 1.2bn people lack electricity
- Wind and solar power accounted for a puny 4.4% of global electricity in 2015,
- The US solar industry employs more than twice as many workers as the coal sector....
- China has more than a third of the world's wind power capacity, a quarter of its solar power; six of the top 10 solar-panel makers; four of the top 10 wind turbine makers and more battery-only electric car sales last year than the rest of the world combined
- As coal gradually displaced wood, for example, it reached 5% of all fuel energy in 1840 but was still only about 50% by 1900
- Nuclear power in France went from 4% of the country's electricity supply in 1970 to nearly 40% in 1982

American debt levels provoke sleepless nights – Pg. 11

- Over the past century, the average length of an American recovery has been six years. However, the current expansion has lasted eight, so the charts imply that a recession is overdue
- The ratio of household debt to GDP is still well below the peak
- ...only 3.5% of home loans went into arrears in the first quarter, compared with 10% a decade ago
- But what is alarming is student debt....
- (Prof Note: Soooo....my overleveraged mother who has a maxed out Amazon Credit Card and only makes the minimum payment and lives on social security wanted more money and a credit card company just approved another card for her. These card providers WILL NOT be repaid from her estate. I did not fix her credit to create leverage! There is absolutely no path for her to pay off the principal.)

Answer: Five (and seven maturities....for a total of 35 Libors)

18 May 2017

Question: What is the outstanding balance for U.S. student debt currently?

Car park sells for \$3bn as Hong Kong real estate bonanza goes up a level – Pg. 1

- A Hong Kong developer has paid \$3bn for an old five-storey car park, the latest indicator of the frenzied state of the territory's property market
- The sale was the first in the premier central district since Hong Kong was handed over to China by the UK in 1997. It sets the world's most expensive city even further apart from international rivals such as New York and London
- ...paying \$6,400/sf based on its potential gross footage, once redeveloped
- The company would need to charge as much as \$419/sf/yr in rent for office space – about 50% more than most sought-after units on the top floors of the city's premier building....
- Office rents have soared in Hong Kong and vacancy rates have remained low as an influx of Chinese tenants has raised priced at Two IFC to as much as \$279/sf/yr. Those rents are 75% higher than the equivalent in New York, which hosts the world's second-most expensive offices

US household debt tops pre-crisis peak – Pg. 2

- Household debt in the US surpassed its pre-crisis peak in the first quarter, exposing some categories of borrowers to financial strain as they try to keep up with their obligations
- Consumer debt balances totaled \$12.73tn at the end of the first quarter of 2017, ...exceeding the 2008 peak of \$12.68tn
- The share of debts falling into arrears is now markedly lower than in the lead-up to the recession across a range of types of lending, with mortgage borrowers' finances proving particularly solid. An exception is student debt, where the percentage of loan balances going into "serious delinquency" has been hovering at around a 10% annual rate over the past five years

- The US subprime mortgage crash has left a lasting legacy on the credit markets, with mortgage lenders in particular proving far more cautious about extending home loans to individuals with weaker credit records
- Only 3.5% of home loans went into arrears in the first quarter, compared with annualized figures of at least 10% from the third quarter of 2008 to the second quarter of 2010
- The absence of widespread loan defaults was attributed in part to a shift in lending towards older as well as more creditworthy borrowers, ...
- Student debt has become a problem area for the US economy in recent years. Many Americans have borrowed heavily in the belief that continuing their education after high school is the best way to secure higher wages, but now find that the burdens outweigh the benefits
- Student loans surpassed credit cards in 2012 as having the worst delinquency rates in consumer credit. Outstanding student loan balances increased further in the first quarter, reaching \$1.34tn
- Some 7.35% of loans moved into arrears of at least 30 days in the first quarter, compared with just over 10% in the worst days of the downturn. A year earlier the level was 7.27% (Prof Note: The quality of education is going down, students “power” (I define as ability to demand what they want rather than need) increases, and academics write for academics, i.e. not for students to increase salaries. How many Ph.D.s author their own textbooks but rather teach using another’s words? If teaching from another’s textbook, why not save the \$3,000 and read the text?!))

British real wages fall despite lowest jobless rate since 1975 – Pg. 2

- Wages in Britain have dropped in real terms for the first time in almost three years as employers remain reluctant to offer bigger pay rises in spite of the acceleration of inflation
- The jobs market was otherwise robust with record employment rates and the lowest unemployment since 1975,
- But the renewed squeeze on Britons’ living standards marks a turning point for the economy: real wages fell sharply after the financial crisis but had been recovering slowly in recent years
- The latest official forecasts suggest the average UK worker will still earn less in 2021 than they did in 2008
- Inequality is also expected to increase in the next few years because the benefits that top up the incomes of low-paid workers have been frozen in cash terms
- Inflation subsequently accelerated to 2.7% in April, which suggests the squeeze on pay is likely to intensify in the coming months
- The BoE recently cut its forecast for average wage growth this year from 3 to 2%, but expects real pay growth to resume next year
- Still, employers refusal to raise pay has puzzled economists. Workers usually demand higher pay rises when inflation goes up and their bargaining position should be strengthened by the tightness of the labour market. The same puzzle is playing out in Japan, the US and Germany, where unemployment is similarly low but wages remain weak

Answer: \$1.34tn

17 May 2017

Question: What is the simplest measure of risk?

Fears mount over US intelligence sharing – Pg. 2

- ...divulged classified information to Russian diplomats about an Isis bomb plot, America's closest allies were worried about sharing sensitive intelligence with the new administration
- Mr Trump tweeted yesterday that as president he had "the absolute right" to share "facts" about terrorism with Russia
- Indeed in Britain, the closest US intelligence ally, the behavior of the White House has been of mounting concern for weeks
- ...the US's huge intelligence output – and the benefits allies derive from it – will probably limit criticism of the president or forestall any move to downgrade intelligence ties with the US, no matter the frustration allies may feel
- What was alarming was the cascade of damaging leaks clearly coming from high levels within the US government, which is increasingly seen in Europe as a sign of deep disorder in the Trump administration

Sluggish output hits US growth ambition – Pg. 4

- US productivity is set to grow this year at about a third of the pace before the crash, underscoring how difficult it will be for President Trump to meet his ambitious output target
- If the sluggish performance continues, it will make it harder for the US to meet the GDP growth targets set by the Trump administration, which is counting on lower taxes and lighter regulation to spur GDP growth of at least 3%
- Since the financial crisis of 2008-2009 most economies have suffered from a slowing rate of productivity growth, leading to a disappointing gains in prosperity despite unemployment falling to pre-crisis levels across a range of nations
- In the US, dreary productivity growth is coming at the same time as a deceleration in growth in the labour force, compressing the speed limit at which the US can grow
- Steven Mnuchin, US Treasury secretary, has said an overhaul of the tax system, coupled with easier regulation and new trade agreements, will propel growth to 3% within two years
- The EU will see 1% growth in GDP per hour, an improvement on last year's 0.8% but short of the 1.9% seen from 1999-2006
- Japan is on course for 1.1% productivity growth, ...

Ageing nations need to value caring workers – Pg. 9

- The undramatic truth is that many of the jobs of the future are also those of the present. Prime among them are jobs that involve humans looking after humans
- ...the top 30 fastest growing occupations for the next 10 years; more than half are some variety of nurse, therapist, healthcare worker or carer. ...not just in the US
- By 2030, there will be 34 "superaged" countries, where on person in five is over 65

- The jobs we humans are uniquely good at are often the jobs we do not value at all. Social care jobs...are defined by economists, everywhere as low-skilled or unskilled
- Care work does not always require formal qualifications but it is difficult, responsible and demanding. Not everyone has the innate qualities to do it well
- In social care, the pay is often low. Personal care and home health aides in the US make roughly \$23,000 a year on average
- In England last year, 43% of care workers earned less than 7.50 (GBP) an hour
- Social care is also the sector where the worst employment practices tend to be found
- (Prof Note: It is never too early to consider elder care. In my developments I always consider elder care issues, e.g. wider showers, ability to add elevator later, ability to frame off 1st floor bedroom, in-law suite for live-in care giver, etc.)

Home depot shines amid US shopping gloom – Pg. 15

- Americans may have reined in spending at department stores but they are still investing in their homes, ...
- Home Depot's growth comes as Americans continue to spruce up their homes as house prices in the US have continued to march higher

Answer: Range (maximum less minimum)

16 May 2017

Question: What are the three measures of efficiency?

Beijing weighs options as growth set to slow – Pg. 5

- China's growth accelerated for two consecutive quarters to the end of March – the first six-month acceleration since 2009
- The central bank has tightened liquidity in recent months, while the bank regulator is targeting risks from shadow banking
- Government bond yields touched their highest levels since 2014 last week, due to tight liquidity and a regulatory crackdown on financial leverage

India urged to tackle burden of bad debt – Pg. 14

- ...government's move to give the central bank powers to force action by lenders on distressed loans
- This would be key to fixing the huge bad-debt burden weighing on India's state-owned banks, which stemmed largely from just a few dozen big corporate accounts,
- But while the central bank's new powers to force defaults would be considered radical in many markets, they are seen by some in India as only delaying more comprehensive fixes, such as a large-scale recapitalization
- The bad loan situation has deep implications for the Indian economy, which suffered falling investment for three out of four quarters in 2016
- Indian banks grew their loan books by just 5.1% in the financial year ending in March – the slowest pace for 63 years

- The rash of bad loans stems from a surge in spending during much of the past decade by Indian steel, power and infrastructure companies
- After many projects ran into trouble, non-performing loan ratios surged, reaching 11.4% at the end of December at the state-owned banks
- The central bank has launched a string of initiatives over the past two years that have pushed banks to recognize distressed loans publicly –

Answer: (1) Coefficient of Variation, (2) Sharpe Ratio, and (3) Treynor Ratio.

15 May 2017

Question: What are the two basic types of marriages in India?

Businesses around the world told to prepare for fresh cyber attacks – Pg. 1

- Businesses must brace for further cyber attacks this week on a potentially “significant scale”,less than 48 hours after the debilitating WannaCry software virus swept across the world

Legal fight over Muslim divorce challenges consensus – Pg. 4

- While the constitution and the British penal code provided a strong foundation, independence leaders decided that when it came to personal matters such as marriage, divorce, inheritance and adoption, Indians could follow traditional religious practices
- ...husband divorced her in 2015, has asked that the Islamic practices of instant divorce, polygamy, and certain restrictions on remarriage, be banned in India as they violate her rights to gender equality, enshrined in the constitution
- The case has raised anxiety among Muslim religious leaders, who fear their power will be diluted by a court that could undo the promise of autonomy in personal affairs
- For many religious minorities in India, the system of personal law is seen as a way of protecting their interests from India’s 1bn Hindu majority
- Until now, India’s Supreme Court has repeatedly refused to rule on the constitutionality of Muslim laws in cases brought by women’s groups and rightwing politicians, indicating that affected women would have to petition for the ban

Answer: (1) Love and (2) Arranged (according to two of my Indian students)

13 May 2017

Question: What is the current U.S. personal savings rate?

German growth drives Eurozone rebound – Pg. 4

- The German economy gathered speed in the first quarter of the year, underpinning predictions from the ECB and the EC that the eurozone’s hesitant recovery is growing stronger

- The numbers showing a 0.6% rise in GDP were released yesterday, the day after the commission published a bullish 2017 forecast....
- ...the commission raised its 2017 growth forecast for the 19-nation Eurozone from 1.6% to 1.7% and maintained its 2018 projections at 1.8%

US politics – Pg. 7

- Mr Trump is unlikely to face a special prosecutor unless Republican voters desert him and embolden the party's politicians to defect...
- ...the president retains the affection of 82% of his own party,....
- The Republicans, who control the presidency and both houses of Congress for the first time since 2006, were already facing an uphill battle in advancing their legislative agenda
- Spooked by Mr Trump's impulsive dismissal of the FBI director, some Republicans are beginning to tiptoe away from the president
- Just 36% of registered voters approve of his performance....
- Some parts of the 18th-century political system that Americans claim is the best in the world are performing better than others. The judiciary, the executive's coequal, has acted as an implacable opponent of Mr Trump's occasionally lawless urges

Yield curve inverted as Beijing targets leverage risk – Pg. 13

- The yield on Chinese five-year government bonds hit its highest level since 2014 yesterday, as tight liquidity and a crackdown on leveraged investment caused a rarely seen inversion of the yield curve
- Lending ties among financial institutions have grown increasingly complex in China, with lenders issuing certificates of deposit to some banks to buy high-yielding wealth management products from others
- Rather than cutting off corporate and household debt, regulators are focused on curtailing leverage in the system
- The five-year yield on government bonds hit 3.74% yesterday, the highest level since December 2014 and above the 3.66% level for 10-year bonds
- The rising cost of short-term funding and regulators' emphasis on deleveraging has pushed banks to unload shorter-dated assets

Answer: Personal Savings Rate (Personal savings to Disposable Personal Income (DPI) is 5.9%

12 May 2017

Question: What did I learn today while going to a free clinic in Maryland?

BoE rate rises depend on smooth Brexit deal, says Carney – Pg. 4

- UK interest rates are likely to rise towards more normal levels over the next three years, ...delivered a sting in the tail by basing its optimistic forecasts on the assumption that Theresa May secures a "smooth" Brexit
- Despite bad blood between the UK and the 27 other EU countries before the negotiations start in earnest, the BoE has assumed the prime minister will succeed.

- On this basis, it thinks the growth slowdown will be temporary and inflation will fall back towards the 2% target after peaking at the end of this year
- The BoE has marked down its 2017 growth forecast only 0.1% to 1.9%, reflecting weaker consumption in the first quarter, which it assumes will continue until the summer
- But the bank's central forecast becomes more optimistic in the second half of this year and thereafter, predicting growth of 1.7% in 2018 and 1.8% in 2019, both 0.1% higher than in the February forecasts

US department store woes persist – Pg. 11

- Investors who had been hoping that US department stores would have a better start to the year following the annus horribilis of 2016 were left sorely disappointed yesterday
- Three chains – Macy's, Kohl's and Dillard's – reported another quarter of steep declines in comparable sales, missing expectations and sending their shares sliding
- Retailers are facing unprecedented upheaval amid falling mall traffic, shifting consumer-shopping patterns that give priority to spending on recreation and fierce competition from online stores and cut-price retailers that offer branded goods at steep discounts

Sinking level of US listings spurs debate – Pg. 18

- Regulation has played a role in shrinking the pool of US-listed companies, but issues such as a white-hot market for private funding and mergers and acquisitions might be bigger factors, ...lawyers and other market participants...
- A drop in the number of listed companies in the US coupled with a slow period for new listings has fueled debate over what has caused the decrease and calls for easing the regulatory burdens for companies seeking to list
- The latest crop of hot tech companies, such as Airbnb, have been able to raise billions of dollars at attractive levels, swelling the herd of "unicorns", or companies that have achieved valuations of \$1bn or ore without going public
- The number of listed companies in the US has fallen to 3,603 as of the end of February from more than 7,000 in the dotcom bubble of the late 1990s, ...
- ...2016 was the slowest year for US listings since the crisis in 2009

Answer: (1) tests are 100.0% free, (2) Individuals testing positive for social diseases have NO legal responsibility to tell current and/or potential and/or past partners, (3) I am REALLY old, i.e.. half the questions about sexual promiscuity had to be explained to me as I did not understand/know the terms, (4) The free clinic was clean, virtually no line, professional, etc., and (5) Check ALL documentation! The nurse showed me all of the tests and they were/are negative. Then she filled out the paperwork and put positive on one. I flipped out, almost had a heart attack, and when I asked her about it, the response, "oh, sorry (laugh), I checked the wrong box!" Who says you do not want to fail a test?! ☺ I am proud to say, "I FAILED ALL TESTS!!!" ☺ (Prof Note: The testing was required for Nevisian Citizenship)

11 May 2017

Internship(s): I am now lecturing undergraduates again. I love their energy but notice the umbilical cord to the smart phone. ☺ Many approach me asking if I am aware of internships. If your company and/or

you are on the fence, might I softly encourage to offer. Getting one's first start is daunting and difficult. I have come in contact with so many young professionals hungry for "that chance". Just a consideration for a rainy morning in Maryland....

Question: How many candidates sit for the CFA annually?

ECB jobs research paints worse picture of labour market than official data suggest – Pg. 4

- The eurozone's labour market is in much worse shape than official jobs figures suggest, with workers unlikely to see real increases in pay because of the level of underemployment across the bloc,....
- ...new measure of "slack" indicates that between 15 and 18% of the Eurozone workforce is without a job or would like to work longer hours, almost double the official unemployment rate
- The official unemployment rate is now 9.5%, its lowest in seven years, with 5m jobs created since the depths of the crisis
- Underemployment also matters for central bankers who see a pick-up in wage growth as an important bellwether of longer-term inflation pressures, which they are mandated to control
- Labour markets in the US, UK and Japan appear far tighter than in the Eurozone yet face the same puzzle
- One theory is that globalization and technology have eroded workers' bargaining power (Prof Note: This is interesting as when I need services, I am finding that I am starting to look "out" rather than "in".)

Trump's Tuesday night massacre – Pg. 9

- The implications are dramatic. Like any US federal scandal, the details mount but the basics remain simple. Having fired the head of the only Russia investigation taking place within the executive branch, Mr Trump will now conduct a search for Mr Comey's replacement
- The key point is that Mr Trump has fired the man investigating him. Nixon's "Saturday night massacre", in which he fired Archibald Cox, the special prosecutor, is the only precedent
- There are three consequences
 - o The first is that calls will mount to appoint a special prosecutor to take over the Russia investigation
 - o The second consequence is that Mr Trump will now find it impossible to banish the Russia narrative
 - o The third consequence is how this will go down in Moscow (Prof Note: Personally, I believe the Russians are laughing at us!)
- (Prof Note: Having worked in the private sector my entire career, I have always been well aware I was always three words away from termination, i.e. "you are fired." I have always resented the safety that government, union, etc, employees enjoy. What I like most about Comey's termination (and I am NOT saying this was the right decision, I am commenting the termination in isolation) is that it demonstrates government employees must wear the same fear and risk of those of us in the private sector who work to pay their salaries.)

CFA revamps examinations to cover big data and robo-advice – Pg. 15

- Candidates for the finance industry's toughest exams will now have an extra challenge: becoming fintech experts
- ...revamp its tests to include questions on artificial intelligence, big data and robo-advice
- The new curriculum will appear in exam papers from 2019,
- Nearly 200,000 entrants sat the CFA exams worldwide last years, more than double the number in 2006. Less than half of those who attempt each level of the qualification – often in the hope of pay boost – will pass. Of those who do complete all three levels, many will secure jobs in the big international banks
- The CFA curriculum was expanded two years ago to take in algorithmic and high-frequency trading, and also covers economics, financial reporting and investing
- Exam entrants will need to know how to back-test investment algorithms, work out the limits of big data analysis, and appreciate the impact of wider trends on the industry, such as how blockchain technology affects trading and how robo-advisers may shape the way financial advice is given (Prof Note: Oh Mama! Thank gosh I am long in the tooth and not competing with these young'ns. Though I will state the quant side of all of this was taught in my engineering and finance programmes decades ago!)
- (Prof Note: For the first time in over a decade I am lecturing undergraduates again. These examinations could well displace a graduate education! Also, an accounting major or finance major needs a professional credential, i.e. CFA and/or CPA. Just like an engineer needs to complete the EIT/FE, at a minimum, PE at a maximum. Personal note, PE is the one credential I regret not pursuing but understand my reasons why I did not pursue, i.e. professional liability risk.)

Answer: 200,000

10 May 2017

Question: Who was fired on 9 May 2017?

Trump tax changes take aim at the three-martini lunch – Pg. 3

- According to the Center on Budget and Policy Priorities, the government in 2015 spent \$1.2tn on deductions and exclusions that meant it passed up potential revenue – more than it spent on the Medicare and Medicaid health programmes combined
- ...Steven Mnuchin, Treasury secretary, revealed the White House tax plan he said it wanted to eliminate most personal tax deductions. But he signaled it had no desire to tamper with two sacred cows: the ability of individuals to deduct mortgage interest and charity donations from their taxable income
- The White House plans would mean the end of deductions for interest paid on student loans and contributions to some retirement accounts – two hugely popular tax breaks
- The most expensive individual tax break, which differs from a deduction, ensures people do not get taxed on payments from their employers for health insurance. It cost the government an estimated \$144bn in 2016, but is not on the chopping block

- Change can be made in increments. The ability to deduct business entertaining expenses was not eliminated in 1986. Instead the write-offs was cut from 100% of expenses to 80% - and would later be slashed in 1993 to 50%

Earnings growth validates Wall Street's record run – Pg. 22

- Led by the technology sector, the S&P 500 sits in record territory and has risen a fifth from mid-2016's nadir of about 2,000 points. With various measures of US equity valuation rising at lofty levels, while short-dated equity volatility slumbers at a 23-year low, some investors believe a big correction looms for the market
- Blue-chip earnings rose 13.3% a share in the first quarter, ...
- Wall Street analysts are forecasting a slower pace of earnings growth, with a projected 7.1% rise in the second quarter of 2017, 7.7% in the third and 12.5% in the final quarter
- ...the S&P 500's forward 12-month price-to-earnings ratio is 17.5 times, above both the five-year average of 15.2 and 10-year average of 14

Answer: James Comey....Oh Mama!!! (Prof Note: Given he is located on the left coast, does he lose use of the FBI jet? Must he fly coach like the American public?)

9 May 2017

Question: What is needed to apply for Nevisian citizenship (naturalized citizenship)?

Wells Fargo targets up to \$3bn in cuts – Pg. 12

- ...Wells, the world's third-biggest bank by market capitalization, of as much as \$3bn – on top of an existing \$2bn expense-reduction plan
- Investor expectations are growing that Wells will scale back more aggressively its branch network as part of a tightening grip on expenses. The bank, which operates more US branches than any of its rivals with more than 6,000 outlets, set out plans in January to close 400 over the next two years
- It was not clear ahead of the investor day how many, if any, of Wells' 272,800 full-time employees could lose their jobs as a result of additional overhead reductions

Pensions providers start to look on the bright side of death – Pg. 15

- When more people died than expected in the UK in 2015, it was dismissed as a one-off....
- Two years on, that blip has become a trend. The vast improvements in life expectancy witnessed in the first decade of this century have stalled
- The latest figures, released in March, show that life expectancy for men at age 65 dropped by six months from 22.8 years in 2014 to 22.2 years in 2016. For women, the reduction was eight months from 24.9 years to 24.1
- The slowdown in life expectancy also has its advantages for employers sponsoring defined benefit pension schemes, which have seen funding shortfalls blow out to record levels in recent years

Answer: Birth Certificate, clear lineage from naturalized parents/grandparents (birth records, marriage certificates), police record from county of residency, HIV test results, and two passport sized photos. (Prof Note: I was surprised vaccinations were not requested/required.) (Prof Add'l Note: Economic Citizenship requires a \$500,000 investment (approximately) into the island nation. However, economic citizenship does not follow hereditary, i.e. dies with original owner.)

8 May 2017

Question: What is the percentage of American home ownership now and what was it at the peak?

Macron sweeps to victory in French presidential election – Pg. 1

- ...taking 65.1% of the vote, ...
- Mr Macron's victory is a phenomenal achievement for the 39-year-old former Rothschild banker, who has never before held elected office and whose political movement En Marche! Was set up barely a year ago
- Mr Macron, a Europhile social liberal with a programme of pro-business reforms coupled with Nordic-style welfarism, fought off a far-right candidate wanting to pull France out of the euro, impose protectionist barriers and drastically curb immigration
- Absention in yesterday's election was expected to hit 26%, the highest rate since 1969,....

Fed warned over balance sheet threat – Pg. 2

- ...politicians might, as an example, push the Fed to buy infrastructure bonds to help fund public works and argue they were not interfering with monetary policy. ...
- The Fed's policy of purchasing government- and mortgage-backed securities during the crisis has raised worries about whether its independence could be impaired if the boundary between monetary and fiscal policy gets blurred
- Ben Bernanke, the former Fed chair, has suggested it may be necessary to have at least \$1tn of reserves

Foreign students shun US over Trump – Pg. 4

-64% of US business schools have reported a drop in applications from overseas students,
- This is the first time in more than a decade that a majority of elite institutions offering the qualification – which was originally created in America – have reported a fall in foreign demand
- Only 31% of the 324 MBA courses surveyed reported gains in international student applications in the six months to March 2017 compared with the same period a year earlier, ...
- Across the 51 US schools in the top 100 MBA courses ranked by the Financial Times this year, 39% of students were from overseas

Fresh Volcker delay benefits Goldman – Pg. 14

- Goldman Sachs has emerged as a beneficiary of the decision by US regulators to give banks more time to comply with parts of the Volcker rule, which was aimed at forcing them to wind down risky activities (Prof Note: Of course it has!)
- The rule, part of the Dodd-Frank overhaul instituted after the financial crisis, is best known for clamping down on banks' ability to trade with their own money – but it also restricted their ownership of hedge funds and private equity assets
- Regulators will only give banks more time to dispose of such investments if they were made before 2014

Small businesses shut out of global financial system – Pg. 14

- Households and small businesses all over the world are being shut out of the global financial system, ...as banks cut times that could expose them to sanctions from regulators (Prof Note: FX has become a nightmare! I am too small to even be considered a “global player” (most accurate ‘global annoyance’) and had a 12% transaction fee charged to my last cross currency exchange. Tantrum does not describe my reaction and the transaction was reversed. Conducting business in multiple currencies is a nightmare simply due to the inefficiencies offered to the small player, i.e. ME! Currencies buildups and deficits are huge issues and business margins cannot cover 12% transaction fees long-term.)
- (Prof Note: the regulators have made FX a nightmare! The textbooks are all wrong and the academics ignoring transaction fees so the equations work can sit in their ivory towers without an understanding of reality! Something must be done!)

The Monday Interview – The biggest risk-taker in New York real estate – Pg. 20

- Only two New Yorkers have homes and offices in the same building, says Stephen Ross: “Donald Trump and me”. They have known each other since the 1980s, are in their 70s and are steeped in New York's property business
- ...Hudson Yards will be the largest private-sector commercial and residential development in US history. More than 20m sf, it will include five office towers, 4,000 homes, a school, a hotel, cultural venue and 100 shops
- Mr Ross studied accounting at the University of Michigan in 1962, followed by a law degree from Wayne State University in Detroit
- ...he was fired from Bear Stearns, the investment bank, in 1970 in an incident he says involved “a boss who had an inferiority complex”
- “Being successful in real estate is just putting together all the details” (Prof Note: I absolutely agree with this statement! I am slowly sticking my foot in development and while this is a natural progression, I definitely appreciate the paper-pushing fund days so much more!)

Answer: 62% now and 69% at the peak.

6 May 2017

Question: As of 2015, what percentage of the U.S. population is at or below the poverty line?

US unemployment rate falls to 10-year low as economy adds 211,000 more jobs – Pg. 1

- ...the unemployment rate fell from 4.5% to 4.4%, significantly lower than the 4.6% that Wall Street was expecting and its lowest level since 2007.
- ...the labour force participation rate, a measure of the working-age population that is either employed or seeking work, dipped from 63% to 62.9%
- ...growth in average hourly earnings cooled from a year-on-year rate of 2.6% in the previous month to 2.5%, the weakest since August 2016

Egyptians depend on loaves that do not rise – Pg. 4

- ...many poor Egyptians have had to increase their reliance on government-subsidized bread as they grapple with crippling food price inflation that topped 41% in March
- ...loaves costing five piasters, about a quarter of one US cent -
- Some 84m people, about 90% of the population, are entitled to five loaves a day under the programme. About 28% of Egyptians live below the poverty line, but millions of others hover just above it
- One of the main causes of soaring food prices was the government's decision in November to float the pound – a condition of the IMF loan – after which the currency halved in value against the dollar
- In 1977, "bread riots" spread across Egypt after the authorities scrapped food subsidies in an effort to secure loans from the IMF and World Bank
- The price of bread on the open market is at least 15 times that produced by bakeries contracted by the government to make the subsidized loaves

Answer: 13.5%

5 May 2017

Question: What is Puerto Rico GDP per capita?

Title III filing Puerto Rico investors fear billions of dollars of losses under debt restructuring – Pg. 4

- ...creditors and the 3.4 residents who have lost control of the island
- At stake is more than \$120bn of debt and pension obligations, with investors braced for billions of dollars of losses
- How did this mess come about?
 - o Many politicians and historians attribute the crisis to changes to the tax code in 1996, when business incentives were phased out
 - o The government kept on borrowing to fund operations, running large budget deficits and now has bond debts of about \$74bn
- How will the filing hit Puerto Ricans?
 - o The near-\$50bn pension system is underfunded and could be depleted by the year-end. That would shift as much as \$1.5bn on to the annual budget, hitting the funding of other public services
 - o (Prof Note: Puerto Rican defined: a native or inhabitant of the Caribbean island... (Prof further note: Inhabitant defined: A person or animal that lives in or occupies a

place...(Prof Final Note: This means I am Puerto Rican! I never received my \$500 stimulus check in 2007...perhaps there is still hope for something for me! ☺)

- What is Title III?
 - Puerto Rico, like other US territories, was in no man's land before Congress passed the Promesa rescue law last year. The island is not a US local government or public corporation, so has no access to typical bankruptcy protections. The law, borrowed from the Chapter 9 bankruptcy code, allows territories to restructure debts via a control board in a process known as Title III. The island must first prove it attempted good faith negotiations with creditors before the board can sign off on the filing
 - Title III includes cramdown provisions, which can bind dissenting creditors to a plan that is signed off by the oversight board and the courts
- Who are the losers?
 - Mutual funds...which are large holders of constitutional backed general obligations bonds and junior sales tax-backed debt,
- How soon will this be resolved?
 - No one knows....

Focus falls on Fed rate rise expectations, Apple's dividend leadership and jitters over China and oil – Pg. 20

- US tightening cycle on track for June
- In the wake of this week's meeting, the probability of the Fed lifting rates by 25bps at its June meeting to a band of 1 to 1.25% has soared to 90%, based on Fed Funds futures. That is up from 60% a week ago

Answer: Approximately \$26,000

4 May 2017

Question: What percentage of households in the U.S. own their homes with no mortgage?

Fed shrugs off growth blip to stay on course for further rate rises – Pg. 1

- The Federal Reserve said the recent slowdown in US growth was likely to prove temporary as it stayed on course for a further increase in short-term interest rates as soon as next month
- The US central bank kept its target range for the federal funds rate at 0.75% to 1% following its latest two-day meeting
- ...household spending growth had grown "only modestly" lately but emphasized that "fundamentals" behind consumption growth remained solid
- US economic growth slowed to an annual rate of just 0.7% in the opening quarter of the year -
- The Fed lifted rates by a quarter point at its March 15 meeting and signaled that it expected a total of two more increases in 2017
- The Fed did not offer an explicit signal that a second 2017 rate increase is imminent

Puerto Rico files for record \$70bn US debt restructuring – Pg. 4

- The failure of the island's talks with creditors prompted a federal oversight board to file yesterday for a so-called Title III proceeding in the US district court in San Juan, a process akin to bankruptcy created last year as part of congressional-approval rescue legislation
- The process will allow the territory to slice its debt load and impose deep losses on mutual funds and hedge funds, ...
- Puerto Rico does not have access to traditional bankruptcy protections afforded to US cities and public corporation, such as Detroit, which filed for Chapter 9 bankruptcy protection to reorganize its \$18bn of debt
- More than 45% of the island's 3.4m US residents live below the poverty line, with the unemployment rate more than double the national average (Prof Note: I shuddered, literally, our PR office due to crime issues. We maintain an address but if the mail is not forwarded, I am certainly not going to get it! Maybe send an intern?! ☺)
- Title III was crafted to incorporate typical protections afforded to US cities under the Chapter 9 and 11 bankruptcy codes, although it has not been tested in court

Answer: 30.0%

3 May 2017

Question: What is the average life expectancy in the U.S.?

Trump urges shutdown to fix congressional 'mess' – Pg. 2

- Either the rules of the Senate should be changed to prevent Democrats filibustering on appropriations legislation or ore Republican senators should be elected....
- Rules in the 100-seat Senate require 60 votes to break a filibuster, a took that Democrats may seek to use again in September when the next fiscal year's spending discussions are under way
- Mr Trump suggested the rules should be changed to allow passage of legislation with just 51% of the Senate vote

US car sales drop faster than expected – Pg. 12

- US car sales from some of the industry's largest players declined faster than expected in April, underscoring fears over the speed of cooling in the market and the broader outlook for the US
- US consumer spending has been falling, putting the brakes on economic growth, which slowed to 0.7% in the first three months of the year, the weakest opening quarter in three years

Weak economy keeps US quiet as euro holds steady before election – Pg. 19

- US stocks struggled to make fresh headway as participants awaited quarterly results from Apple, due after the close of trade, as well as the outcome of a Federal Reserve policy meeting and the release of the April non-farm payrolls report later in the week

- The 10-year US Treasury yield was down 3bp at 2.30%
- The modestly firmer tone of the dollar had little impact on gold as the metal traded just \$1 lower at \$1,255 an ounce

Answer: 78.8 years (Prof Note: This means, assuming a retirement age of 65, individuals must plan for 13.3 years of passive income to support lifestyle)

2 May 2017

Question: When did the US Treasury issued its first floating-rate bond, i.e. what year?

Fed edges towards paring back its balance sheet – Pg. 2

- The Fed will need to operate with a much larger balance sheet than before the crisis – at least three times as big,in part because of regulatory and other changes governing institutions' appetite for safe assets, as well as an overhaul of the Fed's rate-setting framework
- The crisis prompted the Fed not only to cut rates to near zero, but also to swell its balance sheet by \$3.5tn during quantitative easing. Its holdings stand at an unprecedented \$4.5tn, including \$2.5tn of Treasuries and \$1.8tn of mortgage-backed securities
- Ms Yellen appears ready to set the parameters of the balance sheet shrinking process before she potentially leaves office in January next year
- A number of economists expect the balance sheet to settle at \$3tn or bigger once a very gradual process of shrinkage has taken place
- There are several reasons for this. The flipside of the assets on the Fed's balance sheet are liabilities. These include currency in circulation, the Fed's reverse repurchase agreements, the US Treasury's Fed bank account, and commercial banks' excess reserves, the later having risen when the Fed took in piles of Treasuries and MBS during the crisis
- New regulations requiring banks to maintain ample liquidity mean their appetite for central bank reserves and other ultra-safe assets has grown dramatically since before the crisis. Further, the Fed appears to be deciding against shifting back to its old system of setting rates by varying a scarce supply of reserves. Instead, under its so-called floor system it pays interest at an administered rate on banks' excess reserves, as well as setting the rate on a reverse repurchase programme with non-bank players such as money market funds

US weighs up playing the ultra-long bonds game – Pg. 18

-deliberate issuing "ultra-long" dated US government debt. The Treasury last month asked its "primary dealers" – banks that underwrite the government's debt sales – to gauge the appetite for bonds that mature in 40, 50 or even 100 years
- Initially, a 50-year Treasury is considered the most likely new maturity, given anything shorter would risk cannibalizing too much of the demand for the 30-year, Treasury debt, and a "century bond" is a bigger and more complicated step
- On the face of it, issuing ultra-long dated bonds makes sense. Long-term government borrowing costs are exceptionally subdued, and a batch of European countries have already issued such debt in recent years to lock in low rates
- The 30-year Treasury yield – the longest US maturity – yields less than 3%, compared with its long-run average of 6.8%. Ultra-long bonds would probably only cost slightly more, with analysts predicting that a 50-year Treasury would yield roughly about 3% to 3.25%

- It would also increase the average maturity of the US government's debt stock. The weighted-average maturity of the Treasury market is just 5.7 years, while Japan's government bond market, the only one nearly as big as US Treasuries, is 6.8 years. The average gilt market maturity is nearly 15 years
- The US only issued its first floating rate note in 2014, but it took several years of deliberations

Answer: 2014

1 May 2017

Question: How much student debt and credit card debt is outstanding in the U.S.?

Mexico urges Trump to create Nafta powerhouse to rival China – Pg. 1

- Mexico is urging Donald Trump to reuse agreements reached under the aborted Trans-Pacific Partnership to create a manufacturing powerhouse between the US, Mexico, and Canada to compete with low-cost producers in China

Drugmakers keep US cancer pill prices high despite cuts for other treatments – Pg. 1

- ...industry is still not offering meaningful rebates on most cancer pills, leading to inflated insurance premiums and saddling patients with out-of-pocket costs that regularly exceed \$10,000
- The actual price paid for medicines is a secret known only to drugmakers and so-called pharmacy benefit managers, companies that negotiate discounts on behalf of insurers and taxpayers. However, two people with access to final pricing data said most cancer tablets were not discounted
- One study put the median monthly price for patented cancer medicines at \$8,694 in the US compared with \$2,587 in the UK

Pharmaceuticals – Pg. 7

- ...whether she can afford the medicine, which costs \$14,000 a month (Prof Note: Wealth Management class...this is EXACTLY what I am talking about!)
- Drugmakers say the real problem is that insurers and PBMs are keeping these rebates for themselves, rather than passing them on to patients

Edinburgh tips the balance with low tuition fees – Pg. 11

- Edinburgh is at the vanguard of change. 41% of its faculty is female and student intake is split almost 50:50 between men and women
- Female representation among students on top courses has inched up from 31% in 2008 to 35%, while the female proportion of faculties is 27%, up from 23% over the same period,...
- ...in the past two years, the number of top 100 courses where 40% or more of the students are women has doubled from 13 to 26
- Edinburgh students cite the relatively low cost of the MBA – 27,400 (sterling) this year compared with 75,100 (sterling) at number six-ranked London Business School
- (Prof Note: I have very publicly stated that over my 21 years of lecturing woman have been the better students. In fact, the best bosses I have had in my career have been woman, e.g. Clark Construction (CFO and CAO). The worst bosses I have had have been ambitious, low-credentialed males. However, I do hope that meritocracy does not suffer due to gender equality.)

Debt racked up on US cards sparks fears – Pg. 13

- Executives said rising losses were to be expected given that businesses had been expanding and default rates had been historically low

- Issuers have been wooing customers with generous reward schemes but typically charge 13 to 20% in interest to those who fail to pay off balances. Some have been signing up riskier customers with lower credit ratings, for whom interest rates are even higher (Prof Note: I am furious with Amazon for giving my mother a credit card! She lives on social security and just as soon as I get her debts paid, what happens? Her credit score rises, Amazon sends her an offer, the card is maxed in less than two weeks. Yeah, Amazon, wait until I clear her estate! Fat chance there will be anything left for YOU!!!)
- US credit card users had racked up \$1tn in debts by the end of last year...

Answer: Student (\$1.3tn) and Credit Card (\$1.0tn)

29 April 2019

Question: What percentage of the U.S. adult population is illiterate? (Prof Note: Begrudgingly emoji is considered reading! ☺)

US slows amid Trump growth push – Pg. 1

- The US economy expanded at its weakest pace in three years during the opening months of the year, underlining the daunting task facing Donald Trump's administration as it seeks to attain ambitious growth targets
- GDP grew at a 0.7% annual rate in the first three months of 2017, a sharp drop from 2.1% at the end of last year
- The numbers were dragged lower by a marked slowdown in spending on cars and other goods,...
- ...sluggish retail sales

UK growth weakens as inflation rises – Pg. 4

- UK economic growth slowed at the start of 2017 to its weakest pace in a year, as the country gears up for its June 8 general election
- The rate of growth dipped to 0.3% for the first three months of the year, down from a quarterly rate of 0.7% during the final three months of 2016, ...
- The strength of the UK economy – which has outperformed many economists' predictions since last year's referendum – has been a central campaign theme of Theresa May, ...
- Strong consumer spending last year helped the UK economy to defy predictions of a recession after the referendum and grow at the second fastest rate in the G7 group of large economies

Eurozone bad loans and a tale of two peripheries – Pg. 11

- While investors who had been hoping to buy debt backed by Italy's non-performing loans have been left disappointed, in Ireland deals are gathering momentum
- The securitizations are a further sign of Ireland's recovery from a property and banking crisis that led to an EU bailout in 2010
- Securitization is the process where loans are lumped together and sold on as bonds to investors, with different tranches of debt providing different returns depending on risk

Answer: 14%

28 April 2017

Question: As of year-end 2015, how many individuals in the U.S. were “supervised” by U.S. adult correctional systems? (% of population?)

Bank of Japan holds steady on stimulus despite better outlook – Pg. 2

- The BoJ is keeping monetary policy on hold as it seeks to avoid speculation about an early exit from stimulus and keep inflation moving towards its 2% goal
- Japan’s central bank said yesterday it would leave overnight interest rates at minus 0.1%, cap 10-year bond yields at about 0.0%, and continue to purchase government bonds at a pace of \$720bn a year
- The policy board slightly raised its growth forecast for the year to March 2018, from 1.5% to 1.6%, but trimmed its inflation forecast from 1.5% to 1.4%
- Japan’s economy has gained speed because of a fall in the yen after the election of Donald Trump as US president. The unemployment rate has fallen to a 22-year low of 2.8%

EU eyes membership for ‘united Ireland’ – Pg. 3

- European leaders are preparing to recognize the potential for a “United Ireland” within the EU, confirming that Northern Ireland would seamlessly rejoin the bloc after Brexit in the event of a vote for Irish reunification
- It would allow the province to follow the example of German reunification in 1990 and reflect the terms of the 1998 Good Friday Agreement, which ended decades of sectarian violence in Northern Ireland. The agreement allows a referendum on reuniting Ireland where there is reason to believe a majority in the province is in favour

Distressed-debt players rule the roost – Pg. 9

- While Mr Trump’s team of advisers has C-suite experience, they do not have the usual instincts of seasoned S&P 500 chief executives. Instead, their careers and cultural patterns have been shaped by the world of dealmaking and arbitrage
- When previous administrations recruited business wisdom, they typically turned to seasoned, mainstream corporate titans
- ...Steven Mnuchin....his biggest business success was implementing an aggressive buyout of IndyMac, the distressed American bank
- Gary Cohn, chief economic adviser, ...rose in the ultra-aggressive, arbitrage-driven world of commodities trading
- Wilbur Ross, commerce secretary, created a private equity and distressed debt firm
- ...the only top Trump official (or adviser) with classic experience of running a mainstream, gigantic corporate bureaucracy is Rex Tillerson: he led the mighty Exxon group before becoming Secretary of State
- This distinction matters. Financiers who build their careers by handling distressed assets are trained to make high-risk, high-reward trades, particularly if they can control downside risk. They scorn bureaucratic process and focus on results
- ...distressed-debt players are opportunistic, not ideological: they are constantly hunting for value in assets and trades that are mispriced or widely scorned
- ...for distressed-debt players opportunism, not ideology, rules. If all goes wrong, they will simply cut their losses and return to Wall Street. Until then, expect more policy pivots,

brinkmanship – and fireworks (Prof Note: This summarizes my greatest fear. This is a high-risk gamble by the administration and if it fails, they return to Mar-a-largo, smoke the stogies, drink the scotch (perhaps American whisky but that may prove to pedestrian), shrug, and focus on profiting from the mess that they created. Wait....isn't that what happened in 1998 with LTCM and 2007/8 with the same players?!)

Up to \$10,000 to forfeit your seat on an overbooked United flight – Pg. 14

- Dr Dao was left with concussion, a broken nose and two lost teeth (Prof Note: “Dr” Dao who sold prescription drugs for sexual favours and refused to leave a seat which he was contractually obligated to leave. I cannot express how upset I am that United settled with this man! This never would have happened on Nevis! What lesson have we learned?! “If you behave badly enough and eventually push others beyond their limits, you will be compensated!”)

Swedes spring stimulus boost surprise – Pg. 20

- Sweden’s Riksbank once again swam against the central banking current by extending its bond-buying programme, despite continued signs of strength in the Scandinavian country’s economy
- The krona fell 0.70% against the euro, while Swedish 10-year bond yields dropped 8bps to 0.57%
- Sweden’s economy grew 4.1% in 2015 and 3.3% last year....

Answer: 6,741,400 (2.7% of population)

27 April 2017

Question: What percentage of the U.S. population has a high school diploma or higher?

White House pledges biggest ever tax cut despite Republican split – Pg. 1

- The Treasury secretary was also unable to guarantee that the tax reform package would be revenue-neutral, and therefore permanent – something Mr Ryan has prioritized. Without Democratic support, the tax cuts would have to expire after a few years if they would add to the deficit beyond 10 years
- The plan also included a one-off cut-rate tax on companies to return trillions of dollars of overseas earnings to the US,

Republican puts forward alternative to ‘nightmare’ Dodd-Frank – Pg. 4

- Among the proposed reforms: drastic changes to the Consumer Financial Protection Bureau, most notably the elimination of its rulemaking, supervisory and enforcement authority; a repeal of the Volcker Rule, which effectively bans banks from making bets that are independent of customer orders or hedging requirements; and a stripping of the power of the regulators to impose tougher capital and liquidity standards on institutions deemed “too big to fail”

China boosts superpower aim with aircraft carrier launch – Pg. 4

- China has launched its second aircraft carrier, the first it has built itself from scratch, marking the latest milestone in Beijing's superpower ambitions
- Conventionally powered, the Type 001A has a slower speed and far more limited range than a typical US nuclear-powered aircraft carrier
-

Answer: 88.4%

26 April 2017

Question: What percentage of the U.S. population has a bachelors degree or higher?

Nasdaq breaches 6,000 after investors lose confidence in 'Trumpflation' bet – Pg. 1

- ...concerns that Donald Trump will be unable to spark inflation through tax cuts and big public spending plans
- But recent data showing unexpected weakening in consumer prices and signs Mr Trump is stumbling in his domestic agenda has reset forecasts....
- Renewed appetite for tech and a rally in the so-called Fangs – Facebook, Amazon, Netflix and Google-parent Alphabet – has spurred a near 12% gain for the Nasdaq this year, ...

Corporate tax cut demand unsettles US conservatives – Pg. 2

- The tax reform process is already bogged down following the legislative chaos surrounding attempts to repeal and replace Obamacare last month
- A cut in the US corporate tax rate from 35% to 15% would cost \$2.2tn in lost revenue over 10 years....
- An aggressive corporate tax cut would also trigger formidable procedural problems in the Senate. To get its tax changes through without relying on Democratic party support the republicans will have to use a procedure called reconciliation. One element of this is the requirement that the tax reform does not add to the deficit beyond a 10-year window, which would imply that the corporate tax rate cut is only temporary – assuming it is not offset by other revenue-raising measures

UK Public Finance – Pg. 7

- Across the UK, local councils have been plunging into the commercial property market or embarking on residential property development, either for sale or for the private rental market
- The driving force behind this hedge fund-style activity is the same one that pushed local governments in Japan to buy property in the 1980s bubble and that now prompts China to encourage manic property development from its municipalities: they need to plug gaps in their budgets after years of funding cuts from central government
- UK local councils are engaging in what is known in the financial jargon familiar to hedge fund managers as a carry trade – a form of arbitrage whereby they borrow at rates much lower than private sector borrowers can obtain in order to invest in property that shows a much

- higher yield. Money borrowed at 2.5% or so is typically going into property yielding 6-8% or more (Prof Note: ...and if policy makers truly understood carry...why would they not be trying to arbitrage in their own corporate or personal portfolios?! This has disaster written all over it!)
- Another motivating factor is a change in local government funding rules. From 2020 local authorities will be allowed to keep 100% of their tax revenues from businesses, rather than 50% they can at the moment.
 - At the full 100% a property can immediately make a positive contribution to the local authority budget as it pockets the margin between the borrowing cost and the higher initial yield on the property. The question then is whether it will stay positive
 - In the worst-case scenario the local authority buys properties that are very large in relation to its revenue-raising potential and which turn out to be a dud and illiquid investments. With the council's finances dented by property losses, the rise in revenue or cuts in services required to meet its statutory commitment to balance the budget might be so outlandish that a central government bailout would be unavoidable
 - This incentive to borrow to excess indicates that the Treasury is helping to create an incipient public sector credit bubble while entrenching a culture of incautious risk-taking in local governments

Answer: 32.5%

25 April 2017

Question: What is the current population of the U.S.?

Trump's demand for border wall funds huts bid to keep US government open – Pg. 1

- Congressional leaders are scrambling to strike a deal to keep the US government funded beyond the end of the week as Donald Trump's demands for money towards a Mexican border wall complicate bipartisan budget talks
- ...risk of a federal government shutdown from Friday – day 99 of Mr Trump's presidency – that would force hundreds of thousands of government employees to stay at home and halt a host of services (Prof Note: What a joke! A paid holiday for government employees is what a shut down really is....)

Shorting of US legacy retailers picks up steam – Pg. 18

- ...a small but growing number of hedge funds are wagering that the next leg of the woes afflicting brick and mortar retailers in the US will unfold for those shopping mall owners that have so far largely been considered immune
- Simon Property Group, the biggest US real estate investment trust with a market capitalization of \$52bn,has the largest amount of shares lent out to short sellers since 2011, ...
- Shares in the very largest shopping mall owners, which run prime malls known in the industry as "A" malls, have remained resilient even as some of their largest tenants suffer slowing sales

Answer: 325,000,000

24 April 2017

Question: This year is my 25th reunion for my undergraduate university, i.e. Bucknell University. What is the average annual growth in cost for tuition since I graduated?

UK watchdog warns Trump over scrapping rules on failing banks – Pg. 1

- Global regulatory co-operation would be threatened if the US dismantled its regime for failing banks, ...
- ...foreign regulators would lose confidence in the way the US dealt with a banking crisis if it scrapped its system for orderly handling of collapsing banks
- The US president on Friday signed an order that opens the door to overhauling the fund set up in the Dodd-Frank reforms to help regulators shut failing banks, ...
- Tim Adams, head of the institute for International Finance lobby group, wrote last week to Steven Mnuchin, the US Treasury secretary, saying a repeal of Title II – the orderly liquidation element of Dodd-Frank – would destroy the ability of foreign authorities to successfully co-ordinate resolution planning with the US

Trophy assets lose lustre as Qatar favours prudence – Pg. 13

- Qatar, owner of London landmarks the Shard and Harrods, is moving cash into exchange traded funds and index funds as part of a more “prudent” investment strategy, ...
- ...latest high-profile convert to a low-cost, passive style of investment

US groups put brakes on cash spending – Pg. 14

- More American companies plan to increase their holdings of cash than plan to spend, in a reversal of sentiment that could signal fading hopes the Trump administration will implement policies friendly to business
- ...deregulation and infrastructure spending have not led US executives to increase investment

Answer: 5.05%. Tuition is now \$53,692 and was \$15,652 in 1992. My parents were middle class and they paid my tuition. I truly do not believe my family could have afforded to provide me the education today with the increased costs. To place it in perspective, in 1992, tuition was 30.86% of median household income. Today, tuition is 95.00% of median household income. Am I the only one alarmed?!

22 April 2017

Question: In 2015, which country spent the most in military spending and what percentage of GDP did it represent?

Heavy weather for China’s private jets as graft drive fuels shift to chartering – Pg. 1

- Wealthy Chinese businesspeople are resorting to chartering private jets rather than buying them because of economic uncertainty, stricter capital controls and Beijing's crackdown on corruption
- Greater China, including Hong Kong, Macau and Taiwan, had 477 private jets at the end of last year, more than 40% of the total in Asia-Pacific region...

Retail sales in sharp fall as weaker pound fuels higher prices – Pg. 2

- UK retail sales have contracted quarter on quarter for the first time in more than three years, as prices rise at their fastest pace since 2012 in response to the weakness of the pound
- The fall is set to drag down UK economic growth, which until now has been supported by resilient consumer spending in the wake of last year's vote to leave the EU
- ..."seems to be a consequence of price increases across a whole range of sectors"

Economic outlook – Pg. 7

- The IMF's confidence is fueled by improving performance in most of the major world economies. The fund has raised its forecast for global growth for the first time in six years based on a stronger China, which this week said its economy grew at an annual rate of 6.9% in the first quarter, and improving economies in Japan and Europe. The US is approaching – if not at – full employment
- China's growing debt pile and the authorities' inability to rein in credit growth still cause shivers among fund economists. So too does the procession of corruption scandals in Brazil, where Latin America's largest economy continues to struggle. In Africa, where hopes for a new growth-fuelled reality were so prevalent just a few years ago, the two major economies of Nigeria and South Africa are languishing

Answer: United States (\$1,676.0bn or 2.3% of GDP)

21 April 2017

Question: In 2015, which country spent the second most in military spending and what percentage of GDP did it represent?

Small businesses count cost as Beijing reins in urban growth – Pg. 2

- The Chinese capital will cap its population at 23m "long-term residents" by 2020 "and keep it at that level for the long term"...
- The capital's official population is now close to 22m
- University campuses and secondary government bureaucracies are destined to move to industrial cities in Hebei, the province that rings Beijing
- Within the capital, the campaign has translated into the destruction of small shops and businesses that make up 35% of the city's economy but only 7.5% of its tax revenues,...
- In the past two years Beijing has torn down wholesale markets and made it harder for children to attend school in order to force out migrant families. Its latest move restricts car sharing services to local drivers, cutting the pool of drivers for Uber partner...

- In 2016 the capital tore down 30m sm of small shops, restaurants and fruit stands deemed “illegal construction”
- It is targeting the destruction of 40m sm this year....

Fox news scandal casts cloud over Murdoch’s Sky ambitions – Pg. 15

- Mr O’Reilly was doomed by a New York Times story this month detailing how he and Fox News had made payouts totaling \$13m to address complaints against him from women about sexual harassment and other inappropriate behavior

Answer: China (\$215.0bn or 1.9% GDP)

20 April 2017

Question: In 2015, which country spent the third most in military spending and what percentage of GDP did it represent?

Trump’s growth plans pose risk for debt-laden groups, warns IMF – Pg. 1

- A debt binge has left a quarter of US corporate assets vulnerable to a sudden increase in interest rates,
- The ability of companies to cover interest payments is at its weakest since the 2008 financial crisis, ...
- ...main risks facing Donald Trump and his plans to boost US growth through a combination of tax cuts and infrastructure spending
- Should White House policy lead to bigger budget deficits and higher inflation it would force the Federal Reserve to raise rates faster than expected. That could lead to a rapid appreciation in the dollar and consequences for emerging economies with as much as \$230bn in vulnerable debt
- It would also have an impact on the borrowing costs of US companies, which the IMF says have added \$7.8tn in debt and other liabilities since 2010
- The IMF calculates, that companies with almost \$4tn in assets – 22% of US corporate assets – would be “weak” or “vulnerable” to a fiscal expansion that led to a sharp rise in borrowing costs
- While the absolute level of debt servicing costs as a proportion of income was low compared with that during the financial crisis, other measures were less encouraging. Average interest coverage has fallen sharply....with earnings less than six times the cost of interest, a figure “close to the weakest multiple” since the start of the crisis
- ...companies accounting for 10% of corporate assets appear unable to cover interest payments out of their earnings

Emirates cuts flights to US as security clampdown drags on Gulf carriers – Pg. 1

- Emirates airline is cutting the number of flights to the US in a strong sign that new security measures introduced by Donald Trump are hitting the operations of the big Gulf carriers
- ...weakened demand for travel to the US following tougher measures imposed on US-bound travelers from the Middle East

JPMorgan accused of fraud over advice – Pg. 12

- JPMorgan steered a technology company client to sell itself to BlackBerry at a knockdown price because it wanted to win lucrative future investment banking business from the smartphone pioneer,...

Record sums flow into BlackRock's ETF business – Pg. 14

- The world's largest asset manager, with \$5.42tn under management at the end of March, cut fees on many of its iShares ETFs last October...
- BlackRock also suffered a decline in revenue at its advisory business and missed expectations for performance fee income

Answer: Saudi Arabia (\$87.2bn or 13.2% of GDP)

19 April 2017

Question: What is an Annuity?

Goldman's poor bond performance pierces optimism over Wall St banks – Pg. 1

- Goldman Sachs punctured some of the optimism surrounding US bank stocks in the wake of the election of Donald Trump, revealing a poor quarter for bond trading that fell well short of analysts' expectations

IMF says growth faster despite 'headwinds' – Pg. 4

- The world economy will grow faster than previously expected this year thanks to increased trade, investment and manufacturing...
- But it warned the threat of protectionist policies and structure problems, such as low productivity and high income inequality, meant "the balance of risks remains tilted to the downside"
- ...the IMF increased its growth forecast for this year from 3.4% to 3.5%, marking the first time in six years it has revised up previous expectations for short-term global growth
- Among the biggest questions looming over the global economy, ...was the direction of policies in the US, where the IMF expects the economy to grow by 2.3% this year

US Treasury chief seeks to allay fears over Trump – Pg. 5

- ...he laid out an agenda that gives credence to the growing view in Washington that, when it comes to economic policy at least, the Trump administration may be turning out to be variant of mainstream Republicanism rather than the fire-breathing "America First" populism Mr Trump employed to get elected

Volatility – Pg. 11

- ...evaporation of volatility also reflects profound structural changes that have taken place since the financial crisis, such as the primacy of central banks and the big shift into exchange traded funds

- Vix is calculated using the prices of S&P 500 puts and calls that mature in roughly the next 30 days. It is structured so that if investors expect S&P 500 fluctuations to average 1% a day for the next month, the Vix level is about 20 – roughly its long-run average – while 40 implies 2% moves. This year it has averaged a depressed 11.7
- No one can actually trade the “spot” or current level of Vix, as it merely reflects a bundle of underlying derivatives. But CBOE has nurtured a derivatives market based on the index itself. From 2004 investors could trade Vix “futures” – another popular derivative instrument – and from 2006 they could trade Vix options
- In practice, a futures contract is one of the oldest contracts in civilization. It is merely an agreement between two parties to sell an asset at a pre-agreed price and time, whether it is a cow, a bale of hay or a financial instrument
- Vix futures allow investors to bet on volatility with contracts that should rocket in value when the stock market tumbles

US inflation outlook eases to year’s low – Pg. 22

- Measures of market expectations for US inflation have eased to their lowest levels of the year, reflecting declining oil prices and doubts over the administration’s timeline for stimulative economic policies
- Inflation expectations have been edging lower since February, and have set new lows for 2017 this week in the wake of US inflation data being released when markets were closed on Friday for Easter

Answer: An annuity is a financial product sold by insurance companies that provides a stream of payments over time to the purchaser (annuitant). There are a lot of different flavors of annuity contracts and they can be complex, however they can provide a number of benefits to the user including lifetime income and annual adjustments to your cost of living expense.

18 April 2017

Question: What is a lifetime annuity?

China boosted by factory output and credit – Pg. 2

- China’s economy has started the year with its strongest quarterly performance in 18 months, on the back of a surge in industrial activity, property investment and credit growth
- GDP grew at an annual rate of 6.9% in the first quarter of 2017, ...
- The seeming stability of China’s official growth figures can mask swings in the economy

Doubts grow over strength of Trump bounce – Pg. 2

- The Atlanta Fed’s GDP Now indicator on Friday signaled annualized growth of a measly 0.5% in the first three months of the year
- Corporate bond issuance has had its strongest start to the year since 2007, ...

Farm belt fears a Trump trade war – Pg. 7

- Kansas is dependent on agricultural exports and stood to benefit greatly from the TPP, which Mr Trump pulled the US out of on his third day in office
- His threats to rip up Nafta appear to have morphed into a more benign renegotiation of the 24-year-old agreement, thanks in part to the efforts of Republicans in Congress to rein him in

Mariott chief warns on US tourism – Pg. 12

- Arne Sorenson, chief executive of Marriott International, said tourists were the most likely group to avoid trips to the US this summer, although there were signs that companies and conferences were also choosing to host events elsewhere due to the uncertainty over restrictions on entry to the US
- Purchases of travel and tourism related goods and services by International visitors to the US fell 1% in January 2017 compared with January 2016,
- ...the sector – which made a total contribution of \$1.5tn to the US economy, or 8.1% of its GDP in 2016 – will grow at 2.3% in 2017, 0.5% less than less year

Answer: A lifetime annuity is a financial product you can purchase with a lump sum of money for which you will receive income for the rest of your lifetime. A lifetime annuity guarantees payment of a predetermined amount of money for the rest of your life. This is different from a term annuity which only pays you for a fixed amount of time.

17 April 2017

Question: What is a Haiku?

Ross lashes out at Lagarde over claims of protectionism – Pg. 1

- Warnings against US protectionism by IMF head Christine Lagarde and others are “rubbish”, Donald Trump’s top trade official has said, in a new attack on the surpluses of China, Europe and Japan (Prof Note: This is not a statement of support for Trump and/or the administration, but less we not forget Christine Lagarde was convicted of Negligence! The fact that the IMF has not removed her, to me, says a lot about the IMF and how I value its influence!)
- ...signs that Mr Trump is beginning to adopt a more moderate tone on trade, choosing last week not to label China a currency manipulator despite campaign threats to do so

Global economic recovery is ‘broad-based and stable’ – Pg. 3

- Almost a decade after the world economy was hit by financial crisis, the global recovery has finally become “broad-based and stable” ...
- Fears remain, however, that political uncertainty could yet throw countries off course
- The Brookings-FT Tiger Index – which tracks gauges of the global economy – suggests growth has picked up sharply in the main advanced and emerging economies in recent months
- It compares many indicators of real activity, financial markets and investor confidence, - for the global economy and individual countries. – with their historical averages

- The Tiger index suggests that EM growth has picked up sharply since the oil price fall hit output in 2015. Having languished well below historic average levels this time last year, EM growth has climbed to its highest since early 2013
- The Chinese economy grew 6.7% last year, its lowest rate since 1990, while attempts to demonetize the Indian economy last year weighed on performance

Valley of the buyouts – Pg. 7

- When the private equity industry was in its infancy in the 1980s, the tech sector was barely on its radar. Gradually, this changed. First hardware assets became tolerable for debt providers. Then came the realization that software, although lacking hard assets to lend against, could offer reliable recurring revenues
- Tech is now attracting all types of private equity firms, with the sector representing almost 40.1% of US buyouts last year....this is the highest proportion on record and up from 10% in 2010

The shadow hanging over central bank control – Pg. 9

- Every few decades or so, the world of central banking turns upside down. Over the last 100 years we had systems in which central banks targeted a fixed conversion rate to gold, the supply of money in circulation or, more recently, a rate of expected future inflation. A combination of deep changes in the money markets and financial crises is now conspiring towards another big change
- Traditionally, there used to be a clear line between money and debt. Debt is a tradable security. Its price changes. The issuer can default. Money is not tradable. Its value can be eroded through inflation, but money does not formally default
- In the world of modern finance, money and debt become increasingly commingled, in a risky way
- On financial instrument where this is the case is repurchase agreements, or repos. Think of a repo as a loan from one financial institution to another, against tradable collateral, mostly government bonds. These repos have all the characteristics of money, but with a twist. The debt, which serves as collateral, becomes an integral part of the package. Debt and money are no longer separate

Answer: a very short form of Japanese poetry.

15 April 2017

Question: What is the average retirement savings for Americans between the ages of 55 and 64? Also, if this amount were invested in a lifetime annuity, what would this produce per month?

Trump economy hopes dented as fall in car sales hints at lower retail spending – Pg. 1

- US consumer prices weakened last month as a sharp drop in car sales suggested Americans were reining back spending, ...
- Yields on benchmark US Treasuries, which drop when inflation and growth prospects decline, have fallen for five straight weeks, hitting levels not seen since the November vote

- The month-on-month fall in prices was the first since 2010, an event that had not occurred previously since the 1980s. The year-on-year core consumer inflation rate dipped to 2%, also missing forecasts of an increase, to sit at its lowest level since 2015

Hopes rise for further S&P gains – Pg. 13

- Headline earnings per share for the S&P 500 as a whole are expected to expand 9% year-on-year this quarter – the fastest growth since the third quarter of 2011
- Moreover, EPS ratios have in the post-crisis era been flattered by multibillion-dollar stock buyback programmes and corporate austerity. Many analysts and investors are therefore hopeful of more solid “top-line” revenue growth, which could entrench optimism that the US economy is on a solid footing
- The longer-term outlook for the S&P 500 is a little dimmer

Answer: \$104,000 or \$310/mo

13 April 2017

Question: How large is the global repo market?

‘Sword of protectionism’ hangs over trade, says IMF – Pg. 4

- The global economy is gaining momentum, with both rich and emerging economies enjoying better growth prospects than last year, even as the “sword of protectionism” hangs over it, ...
- The IMF said in January it expected the world economy to grow 3.4% in 2017 after expanding by 3.1% in 2016, predicting that an acceleration that began in the second half of 2016 in the US in particular would continue into this year
- In a sign of the growing consensus that things are improving, the WTO said yesterday it expected global trade volumes to grow 2.4% in 2017, up from what it called “very weak” 1.3% in 2016
- IMF research found the decline in productivity growth since 2008 had cut GDP in advanced economies by 5%, which meant losing the equivalent of an economy larger than Germany’s from global output

Prospect of unfriendly US welcome fuels fears for tourism industry – Pg. 4

- A viral video that emerged this week of a United Airlines passenger being violently removed from a flight has added to fears that the US skies have become an unfriendly place (Prof emotional rant: The man was asked to leave! He does not own the plane! As a pilot I am angry that a passenger thinks they have any authority once they board! Be a mature person in society, file a grievance, file a lawsuit, but this two-year-old hold-your-breath until you get attention behavior has to stop. I truly hope United refuses to settle. This entitlement society is truly bothersome! Please note this was not a United Airlines airplane but rather Republic Airlines, i.e. a subcontractor. Also note the “doctor” passenger had his license revoked because he was selling prescription drugs for sexual favours and was on a

- probationary license to practice medicine one day per week. Yeah, this guy isn't looking for a large United payout?!)
- The incident comes amid reports that international travelers may be forced to hand over phone contacts, financial records and social media passwords before being allowed entry to the US, where customs and border patrol agents also question them about their ideological beliefs
 - ...could hurt a \$1.5tn tourism industry that contributed 8.4% of US GDP in 2016,...

Boom puts US real estate in a risky location – Pg. 14

- More than a million new apartments have sprung up across the US in a post-crisis construction surge. Now bankers who funded the boom are worried. Have developers built too much?
- Officials at the Federal Reserve ordered banks to set out how they would fare if commercial real estate (CRE) prices dropped 35% and rental apartments values fell by more
- “We’re being very wary of it right now”, says Mary Ann Scully, chief executive of Howard Bank. Referring to the crisis, she says: “The wound has healed, the scab is gone, and we are thinking this isn’t such a bad asset class after all. But we often have shorter memories than we should”. (Prof Note: Great quote Mary Ann Scully!!!)
- By the end of last year, US banks and other depository institutions had extended \$2tn worth of CRE loans,
- Bank funding has helped developers build roughly 1.5m flats since 2011
- The value of multifamily loans on lenders’ balance sheets now equates to about a quarter of commercial and savings bank capital of \$1.6tn, ...
- Developers’ rental income has failed to keep up. This has pushed the capitalization rate – a measure of returns – to the lowest level in 16 years
- Although there remains a shortage of affordable housing in big cities, landlords who own more upscale properties in markets including Manhattan have begun offering concessions. Vacancy rates, especially for larger luxury flats, are on the rise

Central banks warned on repo volatility – Pg. 18

- Yesterday, the BIS, known as the central bankers’ bank, said it had become concerned about the functioning of repurchase agreement, or repo, markets because policy and post-crisis regulation
- The comments from the Basel-based institution echo market fears that regulation and expansive policy are having serious repercussions in the \$12tn global repo market, an important source of short-term funding for banks
- The repo market allows asset managers, pension funds, hedge funds and insurance companies to lend their securities and other collateral in return for cash. It is an important conduit for collateral to move around the financial system, and helps settle trades and meet derivatives margin requirements
- Globally the repo market is dominated by four jurisdictions, Europe, the US, Japan and the UK

Answer: \$12.0tn

12 April 2017

Question: What fertility rate is required for woman to replace a population?

US earnings seasons starts with stocks at valuations that many see as stretched – Pg. 18

- US earnings season kicks off in earnest today as three big banks disclose their quarterly figures, in what could be a critical juncture for US stocks that are trading at valuations many investors consider to be stretched
- The forecast pick-up in growth is important since US equities have rallied sharply since November, making them substantially more expensive when compared with profits
- The S&P 500 was priced yesterday at 17.52 times estimated earnings over the next 12 months, up from 16.53 times a year ago, and near the highest level since 2004
- Other measures, like the cyclically adjusted price-to-earnings ratio developed by Yale economist Robert Shiller, have also begun to flash what some asset managers see as yellow warning lights
- ...the financials sector is projected to record 14.3% earnings growth
- ...lenders are likely to have benefited from a higher spread between the rates they charge on loans and their own funding costs, thanks to Fed rate increases, ...

Answer: 2.1

11 April 2017

Question: What is the current percentage of the U.S. population with a bachelor's degree?

Wells Fargo claws back fresh \$75m as staff fraud was ignored for years – Pg. 1

- A damning report published yesterday placed much of the blame at the door of Wells' former managers, including former chief executive John Stumpf, finding they set branches "untenable" targets and ignored signs of misconduct as long as 15 years ago
- Mr Stumpf, for example, was aware of a 2002 Colorado "incident" when internal investigators found "almost an entire branch" had engaged in a form of "gaming", with some employees issuing debit cards to customers without their consent, ...
- Such problems became widespread at Wells, the second-biggest US banks in terms of market value, as thousands of employees in branches across the country went on fraudulently to sign up customers for cards and accounts
- Executives there failed to pay heed to warnings, ...nothing senior regional managers urged the scrapping of "unrealistic" sales goals (Prof Note: Of course...and everyone was so fearful of loss of employment to stand up to the managers! How are the employees that could not make goal and left Wells Fargo being compensated for being ethical? It seems these individuals are all but forgotten!)

World bodies defend global trade as protectionism advances – Pg. 2

- A rare joint defense of the benefits of global trade has been mounted by the IMF, World Bank and WTO as concerns grow about Donald Trump's plans for the world economy
- ...attempt to fight back against what the institutions fear is a slide towards greater protectionism since Mr Trump became US president
- The US is the biggest shareholder of both institutions and the meetings are set to be dominated by questions about Mr Trump's plans for them
- The Geneva-based WTO, in which the US has traditionally been a leading player, is due to hold its own biennial meeting of ministers in Argentina later this year...
- In the report by the IMF, WTO and World Bank for a recent G20 meeting, the institutions call for governments to deploy everything from education and housing programmes to better unemployment insurance to help people displaced by economic change
- They also tout the benefits of trade, which from 1960 to the financial crisis grew at an average real rate of about 6% a year before slowing markedly, and the WTO and a multilateral system that has helped stop trade wars

Japan faces severe decline in population, forecasters warn – Pg. 3

- Japan's population will fall to 88m by 2065 and plummet to only 51m by 2115, ...
- This projected figures signal a decline of 31% and 60% respectively from today's population of 127m, ...
- The figures show the decline is set to transform Japan unless Tokyo opts for large-scale immigration, after decades of low birth rates since the 1960s
- ...assuming a long-run total fertility rate of 1.44 births per woman compared with the 1.35 births per woman it assumed five years ago. Total fertility is the average number of children that would be born to a woman over her lifetime. A rate of about 2.1 is needed for a population to replace itself
- Based on its central forecast, however, the percentage of the population aged over 65 would rise from 27.3% today to 38.4% in 50 years' time, making it more difficult to provide adequate pensions and healthcare

Barclays chief faces sanctions over pursuit of whistleblower – Pg. 13

- Jes Staley, Barclays chief executive, who has publicly pushed for the highest ethical standards at this bank, is facing sanctions from UK regulators and a big pay cut for trying to uncover the identity of a whistleblower (Prof Note: Trust no one! I remember being head of HR years ago, with the medical files in my locked office. The President of the company came and asked me why a certain person was not at work. I told him it was a medical issue and due to HIPAA I could not discuss the issue. He sat for a moment, looked at me and asked where the extra keys were kept to my office and the file drawers. I told him there were none. He told me to make certain that his secretary had the extra keys.)

Weather outlook stokes shorting on agriculture – Pg. 22

- ...favourable weather forecasts and increased planting lift expectations of bumper harvests

Answer: 33.4%

10 April 2017

Question: What percentage of persons in the U.S. greater than 25 have a graduate degree?

Trump sends carrier to waters off Korea in show of US naval power – Pg. 1

- The move to put American military might on display in some of the world's most sensitive seas came just a week after Mr Trump told the Financial Times that he was prepared to take unilateral action against North Korea if China did not rein in its ally
- ...including possible military action, to deal with North Korea
- He had pledged a more isolationist "American First" foreign policy. But in recent weeks both he and his security team have signaled they were ready to use US military might when needed
- The US's main hope still appears to be that it can persuade China to do more to rein in North Korea, which Beijing has propped up for decades
- (Prof Note: Equities are now where it's at when conflict starts. I wonder where Tillerson put his \$172m from Exxon-Mobile?!)

Real Estate – Pg. 7

- The object of the president's affection is the 77-year-old patriarch of a family business empire based in Baltimore, Maryland, who boasts of running three miles a day and working nearly 100 hours a week, and how does not demur when asked if he is a billionaire
- A lawyer, Mr Cordish has made a living out of playing by his own rules. Working first in government and then alongside it, Mr Cordish pioneered the use in the US of public-private partnerships to revive urban areas – a model the Trump White House would like to use in infrastructure projects. Parlaying his knowledge of legal loopholes, he outflanked the likes of Mr Trump to become a significant force in gambling – with his own casino in the Maryland suburbs of Washington DC,
- Mr Cordish came of age in the Baltimore immortalized in the 1982 Barry Levinson film Diner
- After graduating from high school at 16, he entered Johns Hopkins University and – weighing all of 140lb – played for its 1959 national champion lacrosse team
- The Cordish family's relations with government have grown more complicated now that Reed Cordish, 42, has left the family business – at least for a while – to serve as Mr Trump's assistant for intergovernmental and technology initiatives and a member of the White House Office of American Innovation

Push for gender diversity needs to start at the top – Pg. 16

- The Financial Times looked closely at diversity programmes and found one thing unites those companies that are making progress towards gender equality at the top of their workforces: personal commitment from the most senior managers – and in particular the chief executive

Answer: 10.9%

8 April 2017

Question: What is the replacement cost of a single Tomahawk missile, i.e. the types of missiles used in the Syrian attack?

Trump decision marks dramatic change of tack – Pg. 3

- Until now he has refused to show his hand about plans for tackling adversaries such as North Korea, in an effort to keep them off balance. While some saw this reluctance as a sign that he was more bluster than substance, the 59 missiles fired at Syria in the early hours of yesterday morning signaled to the world that he is ready to act when his red lines are crossed
- The decision to stroke Syria marks a dramatic change of tack for Mr Trump. When the Assad regime killed 1,400 civilians with sarin gas in 2013 – crossing a “red line” drawn by Mr Obama – Mr Trump said it made the US president look weak but he argued against intervention. When Mr Obama sought congressional approval for air strikes on Syria, he tweeted: “Do NOT attack Syria, fix U.S.A.”
- (Prof Note: While I do fully understand international politics and positioning, I do wonder in the case of chemical attacks and human atrocities, if not the U.S., who will/can strike back? Is not ridding the world of chemical warfare not fixing the U.S.A.?)

The Fed and ECB keep a cautious eye on the exit – Pg. 6

- QE and negative interest rates were responses to highly unusual circumstances following the global financial crisis.
- Many estimates of long-term real interest rates are very low, and there is little sign of inflationary pressure from wages even in relatively healthy economies like the US
- Super-loose monetary policy and negative interest rates have created some distortions and may have contributed to rapid increases in asset prices. But that is surely preferable to re-running the experience of the 1930s, in which monetary policy was kept too tight for too long. The lesson of the past decade is that central banks should err heavily on the side of keeping monetary conditions loose

Investors urged to fire Wells board over accounts scandal – Pg. 8

- Wells shot back with an attack on what it called an “extreme and unprecedented” recommendation, and urged shareholders to reserve judgment on board directors until the publication of the bank’s investigation of the scandal, which it has promised will be ready before the shareholder meeting (Prof Note: “Bank’s investigation of the scandal”...yeah, we know what that will prove!)

Social media goes into battle over First Amendment – Pg. 9

- In a lawsuit filed in California, Twitter asked a federal court to quash efforts by the Department of Homeland Security, which includes CIS, to force it to “unmask” the account holder using an administrative summons

Luxury retail exodus hits New York property – Pg. 10

- They have been deterred partly by runaway rental growth – as much as 50% in five years....
- The Amazon factor is hurting retailers’ margins,...
- On New York’s fifth Avenue, the world’s most expensive shopping street, vacancy rates have jumped from 10% a year ago to 16%, ...
- Vacancy rates across the SoHo district have climbed to 18%, from 12% a year ago,...
- Malls are also hurting, as chains such as Sears and Macy’s shut hundreds of stores (Prof Note: I still cannot get over the customer service I received a few months ago in a Sears.)
- There are pockets of excessive lending in the market. ...says Reits that own malls of the less desirable “B” and “C” grades are “carrying too much debt and are ill-equipped for a sizeable decline in asset values”
- ...20% of sales for “mall-like products” such as clothing have shifted online – and forecasts that the proportion will rise above 30% in the next five years
- For spaces in SoHo that were renting for \$1,000 a sf at the market peak, returns have dropped as much as 20%

Switch to Europe takes US outflows to 18-month high – Pg. 11

- US stock funds have recorded their largest withdrawals in more than 18 months as investors extend their rotation into cheaper European equities (Prof Note: Once again...you heard it here first...precisely what I was doing in January!!!)
- Since the US administration failed to push healthcare reform through Congress the shift out of US equities has accelerated

Flight to safety faces despite US air strikes and weak jobs report – Pg. 12

- ...US jobless rate had edged down to 4.5% from 4.7% - its lowest level in almost 10 years – “signaling that the US economy is moving closer to full employment”...

Answer: \$1.25m, i.e. the cost of the Syrian attack on each tax-paying U.S. person (approximately 150,000,000) was \$0.50.

7 April 2017

Question: An MBA student requested to place-out of my real estate finance class. What questions did I ask to assess the student’s financial skills? Note the student had Corporate Risk Management, Capital Markets, Fixed Income, and another finance class that I cannot remember at the moment.

World’s biggest wealth fund presses for CEO incentive schemes to be ditched – Pg. 1

- Norway’s \$910bn oil fund, which owns the equivalent of 1.2% of each listed company in the world, will start pressing companies to end such incentives and instead force chief executives to own substantial stakes in their groups for periods of at least five, and preferably 10, years. It will also urge boards to name a ceiling for possible pay
- The oil fund believed that pay should be “long term, simple and transparent”

Asia tipped to drive global growth despite China’s decline – Pg. 3

- Asian economies will drive global growth this year as rising external demand and commodity prices held counter a gradual slowdown in China...
- ...Asia excluding Japan would deliver 60% of worldwide economic expansion as the region’s less industrialized economies halted several years of slowdown
- ...growth picking up in two-thirds of Asian countries, countering a slide in mainland China’s expansion from 6.7% in 2016 to 6.2% next year. It predicts that growth across the region will far outstrip the collective annual figure of 1.9% for the US, Japan and the euro area in 2017 and 2018
- China’s downward trend will pull growth for the region excluding Japan down to 5.7% this year, compared with 5.8% last year and 6.5% in 2013
- External risks for Asia flagged by the ADB include capital being sucked from the region by US interest rate rises, although the bank expects the process to be gradual rather than a sudden shock. Inflation is forecast to tick up from 2.5% in 2016 to 3% this year and 3.2% in 2018 – still below the 10-year regional average of 3.9%
- A main domestic hazard is rising household debt in some countries, which the ADB says may require countries to enforce tighter rules on how much people are allowed to borrow

ECB dashes hopes of end to negative rates – Pg. 4

- Mr Draghi, ECB president, tried to dispel rumours that the eurozone's monetary policymakers would start to raise their deposit rate, which stands at minus 0.4%, in the autumn, saying the negative side-effects of the policy "have so far been limited"
- Speculation mounted in recent weeks that the ECB could renege on a commitment to keep interest rates at current, or lower, levels unveil the end of its programme of mass bond buying, known as quantitative easing. QE purchases are planned until the end of 2017, with the ECB buying 60bn (euro) a month of financial assets until December. The programme is expected to continue into the first half of 2018, though the pace may slow
- The ECB entered the world of negative interest rates in the summer of 2014 and in effect imposes a levy of 0.4% on reserves that private lenders park at central banks in the euro area
- Unable to pass on the cost of the levy to most of their retail customers, banks have had to bear much of the burden of the policy, which was introduced to increase the impact of the QE programme and help to weaken the single currency

Answer: (1) I drew a two-period cash flow and asked him to calculate the IRR by hand. (2) I asked him for the equation for risk (technically there are two, i.e. scenario and portfolio). (2) I asked him about the yield curve, draw, and explain in detail how trading strategies are derived from the shape.

6 April 2017

Question: What is the size of the Federal Reserve's Balance Sheet?

Federal Reserve sees chance to start cutting \$4.5tn balance sheet this year – Pg. 1

- The Fed built up its portfolio of bonds and mortgage-backed securities during the financial crisis but has been discussing how to reduce it without disrupting markets. Starting that process would be a landmark for the Fed as it unwinds its ultra-loose monetary policy
- The minutes noted that the economy was operating at or near maximum employment. With inflation closing in on the Fed's 2% target, several participants in the meeting flagged the possibility that the Fed might want to accelerate the pace at which it tightens policy
- Fed officials were not in agreement on the mechanics of reducing the portfolio's size. Some argued that the central bank should end reinvestments of the proceeds of maturing securities all at once while others thought it would be better to phase out reinvestments, believing that it would reduce the risk of market volatility

China's emergence as top US oil buyer highlights trade ties – Pg. 3

- China was the leading foreign buyer of US crude in February....
- Global oil trends, combined with robust bilateral agricultural trade, signal the growing importance of raw materials in a relationship previously dominated by US investment in Chinese manufacturing and consumption of goods made there
- China has become the biggest foreign buyer after Canada of US crude since Washington lifted a 40-year ban on US crude exports in late 2015, ...
- In the next three to five years China – which has been going head to head with the US as the leading oil importer – is expected to become the largest refining nation, surpassing the US

- But China's oil imports from the US still come in well below those from Saudi Arabia, Russia and Angola. US shipments accounted for less than 1% of total imports of more than 8m barrels a day in January and February
- The rise of crude exports strengthens the US position as a commodities exporter
- It already supplies about \$20bn a year in agricultural crops to China, almost matching the level of machinery exports. However, the top spot in bilateral trade is taken by US service exports, at more than \$45bn

Beware of the Clinton dynasty – Pg. 9

- It did not take long for the Clintons to return to the public arena. Five months since her defeat to Donald Trump, Hillary Clinton is tiptoeing back into the light (Prof Note: And a glorious 5 months it was. I really was enjoying no news that included Clinton, Bush or Obama. This is not a pro/con statement on Trump, only that I am tired of Clinton, Bush, and Obama!)
- A Clinton revival would be self-defeating on many fronts. First it would blunt the Democratic attacks on Mr Trump's presidency
-the Trump administration's most shocking feature is how rapidly it has turned into a family business (Prof Note: This REALLY bothers me!)
- About the only family with whom the Trumps can be compared is the Clintons.
- Second, it would remind voters of why the Democrats lost in November. A Clinton revival would make it harder to rebuild their party in the age of Trump
- Clinton loyalists blame Vladimir Putin, Bernie Sanders, The New York Times, deplorable voters, the US electoral college and the actress Susan Sarandon for Mr Trump's victory – everybody, in other words, except Mrs. Clinton
-the loss to Mr Trump was hers. She failed to spell out what she would do with the presidency
- The third factor is that it would serve Mr Trump's interests for the Clintons to return to the public eye. Barely a week goes by without Mr Trump attacking his former opponent
- It is easy to forget that last year's election was expected to be a contest between Jeb Bush and Mrs Clinton, the two leading political dynasties in the land. Now the Trump dynasty has taken over
- The hit to the western democratic brand is hard to overstate. I have lost count of the number of diplomats from what used to be called the Third World telling me how familiar they find Mr Trump's Washington. Access to the president's bloodline is the priority
- There is no pretence of meritocracy
- To many Americans, the Clintons are the epitome of elite preachiness
- Their best line of attack on Mr Trump would be to retire altogether from public life. The Clintons have had their turn. They should not blot out the sunlight for future leaders

Answer: \$4.5tn

5 April 2017

Question: What is the pay gap between women and men globally in finance and insurance?

Women still missing out on most senior jobs in finance industry – Pg. 1

- The majority of junior staff working in financial services are women but only one in four senior executives is female,
- Women made up 25.5% of senior roles in 2016, compared with 23.7% in 2014. The number of women in mid-level jobs stayed flat at just over 39% for the same period

- Yet just over half the companies' total staff are female – including 58% at junior level – and companies have tried to hire and promote more women, with some insisting that women participate in interviews and that shortlists include at least one female candidate

US banks and insurers face showdown with campaigning shareholders over gender pay gap – Pg. 13

- US financial companies are coming under shareholder pressure to reveal whether they pay their female employees less than their male counterparts... (Prof Note: two of the top three paid employees at my companies and foundation are women, i.e. 67% (all three are equally paid) In fairness, they do not have similar titles or responsibilities.)
- ...study last year by Glassdoor, the website where employees anonymously post information about their companies, which found women earn 78 cents for every dollar earned by men in the US. It found that a pay gap exists even between employees with the same titles; that gap averages 6.4% across the global finance industry and 7.2% in insurance

Answer: 6.4% and 7.2%, respectively

4 April 2017

Question: How many global currencies are recognized by the United Nations member states?

Eurozone jobless rate at 8-year low as economic recovery gathers pace – Pg. 1

- More than 1m people were lifted out of unemployment in the Eurozone during the past year, pushing the jobless rate to the lowest in almost eight years and underscoring how the economic recovery is gathering pace across the bloc
- Factories in the Eurozone also enjoyed another bumper month in March, reporting their highest levels of activity since 2011
- Unemployment fell 140,000 in February, pushing the jobless rate down from 9.6% to 9.5% - the lowest since May 2009. Unemployment has tumbled by 360,000 in the three months to February to 15.4m, the biggest quarterly fall since 2015
- Manufacturing accounts for 15% of the Italian economy, the eurozone's third largest
- Stubbornly high unemployment has been a scourge of the Eurozone economy since the continent was engulfed by its sovereign debt crisis in 2010, peaking at 12.1% in 2013

IMF raises fear of slowing productivity – Pg. 2

- The world's economy is caught in a productivity trap thanks to an abrupt slowdown caused by the 2008 global financial crisis, which will yield more social turmoil if it is not addressed, ...
- Some economists argue that long-term progress has simply peaked, particularly in rich economies, with the gains caused by 20th-century industrialization and electrification not likely to be repeated.
- Slowing business investment and trade, and a misallocation of capital to low-risk projects are the main cause of the productivity slowdown, ...
- Both were caused by the 2008 crisis and other economic shocks that followed in Europe and elsewhere

Tesla overtakes Ford in the market cap stakes as March sales data disappoint – Pg. 15

- Tesla, the upstart electric carmaker, yesterday surpassed Ford in market value as investors look to a future beyond internal combustion engines
- Shares of Tesla, founded in 2003, rose almost 5% to a market capitalization of \$47.5bn, gliding past 100-year old Ford, whose shares fell 2.4% after disappointing March sales results to give it a market value of \$45bn
- While Tesla's stock market value surpassed Ford's for the first time, the electric carmaker has already surpassed its rival in terms of its underlying value
- Based on enterprise value – a better measure of the respective companies' values, since it is adjusted to take account of their net debt or net cash positions – Tesla is worth just under \$60bn, while Ford is worth \$39.1bn

Italian debt hit by Eurozone concerns – Pg. 22

- Italian government bond prices were lower yesterday as investors focused on signs of political sclerosis rather than data pointing to strength in manufacturing and a drop in the ranks of the unemployed

Downgrade for South Africa hammers rand – Pg. 24

- ...rating agency cut the country's coveted investment grade status,
- Late yesterday, S&P cut its rating on South Africa to BB+ from BBB-, adding that its outlook on the country's credit was "negative". Rival agency Moody's is scheduled to deliver its assessment on Friday

Answer: 180

3 April 2017

Question: What is the net worth for Jared Kushner and Ivanka Trump?

Exclusive President Trump Interview – Pg. 1

- Donald Trump has warned that the US will take unilateral action to eliminate the nuclear threat from North Korea unless China increases pressure on the regime in Pyongyang
- Barring a pre-emptive strike on North Korea, which the administration will not rule out since all options are on the table, many experts believe the US needs Chinese help as Beijing has the most sway over Pyongyang

Central banks ditch euro for sterling amid bloc jitters – Pg. 3

- Central banks are dumping euros amid concerns about political instability weak growth and ECB's negative interest-rate policy. They are favouring sterling as a long-term, stable alternative
- More than two-thirds of the 80 central banks had changed their portfolio allocation, while roughly the same proportion had changed the duration of their investments

- Developing and emerging market central banks, some of which are among the world's biggest reserves holders, were more likely than those from advanced economies to have shifted out of the euro

The imperious presidency – Pg. 9

- “I don’t regret anything, because there is nothing you can do about it...” (Prof Note: This actually does not surprise me from a developer/deal-maker, i.e. On to the next deal, do not dwell on the past. However, that should not mean one does not learn from the past!)
- He is the first commander-in-chief never to have held government office; a property tycoon and reality TV host who has changed party allegiance five times. Nominally a populist, he has hired the wealthiest cabinet in history (Prof Note: Their wealth is staggering! I am confident that I can say to my wealth management class I understand how to accumulate \$20 - \$50m in a lifetime, i.e. die with a net worth of up to \$50m. However, I struggle with how one achieves the wealth of Trump’s picks without a Goldman pay package (seems excessive), inheritance (Trump did not start at zero), etc. Further, I question how they can relate to the common person with that much wealth.)
- To allies such as the UK, Germany and Japan, Mr Trump’s transactional approach is deeply unsettling because it ignores the role the US has played in keeping the peace, from western Europe to the Korean Peninsula and the western Pacific. Their fear is that the US, defender of the liberal rules-based order for the past seven decades, is making a historic shift from selfless to selfish superpower (Prof Note: Going back to the ultra-wealth Trump picks, the worst case for these individuals, should the U.S. fail, is they get on a Gulfstream and land on a privately owned paradise. That is the WORST that can happen to them now in life! How can they relate to families just struggling to feed and educate their children?)
- While Mr Trump never apologises, he is capable of Protean shifts
- ...he is keep to make clear he has no grudge against Chancellor Angela Merkel of Germany, having apparently declined to shake hands with her in front of the cameras in the Oval Office (Prof Note: Whoa!)
- Unless Mr Trump can salvage healthcare reform, he will hit his first 100 days in office without any big-ticket successes

Answer: \$740m. What I cannot understand is with this net worth, why was Ivanka flying ‘public’ when the issue developed with a passenger? This level of wealth is staggering. How can you possibly understand the issues of the common person with that much wealth?! It is just staggering!

1 April 2017

Question: What is Jared Kushner’s education?

Expedia chief fears rough ride for US as Trump rhetoric deters tourists – Pg. 10

- Hotels and airlines in the US are cutting prices as tourists avoid the country in response to Donald Trump’s immigration policies, ...

- ...warned that the US travel industry was preparing for a turbulent year amid falling interest in visiting the country
- ...another factor was the Trump administration's effort to impose a travel ban on visitors from some countries
- Flight search data....showed that airline bookings to the US were down 6.5% in the week after Mr Trump in January issued his first executive order against the entry of citizens of seven Muslim-majority countries, which was later blocked by the courts
- ...forecast that travel and tourism sector, which contributed \$1.5tn to the US economy, or 8.1% of its GDP, will grow at 2.3% in 2017 – a contraction of 0.5% compared with last year
- In February this year, the three largest US airlines, United, Delta, and American Airlines, saw an average drop in revenue passenger miles of 2.5%, compared with the same period last year

Investors gear up for executive pay rebellion – Pg. 12

- This month global companies, including BP and some of the biggest UK banks, will divulge how much they awarded top executives last years, setting the scene for potentially fractious shutdowns with investors
- A new mood on executive awards has swept through Europe. Last year, investors support for pay proposed by German companies dropped from 90% to 76% for large companies
- The outliers is the US, where more than three-quarters of proposals won 90-plus % support last year (Prof Note: I remain in favour of salary ratios, i.e. the CEO earns (total package) 8X (or whatever ratio) of the mailroom clerk. I always believed that a rising tide raises ALL boats?!)
 - It is also considering whether to force companies to disclose the ratio between staff wages and the rewards for top executives

Inflows rise for European stock funds as risk shifts to US – Pg. 13

- Investors are flocking back to European equities as money managers play down fears around the forthcoming French elections and fallout from Brexit
- In contrast US stock funds recorded a second consecutive week of outflows as investors expressed concern over high valuations and whether Congress would approve the Trump administration's tax reform and fiscal spending plans
- European share prices have outperformed the broad US market this year, with the Eurofirst 300 up 6.4% in US dollar terms against the S&P500's 5.8% gain

Answer: Harvard (BA) (graduated cum laude with major in Government) According to Wiki: "Kushner and his brother Joshua were admitted to Harvard after their father had made a \$2.5m donation to the University", New York University (JD/MBA) (Prof Note: Sooo...why no donation to Harvard/Yale law schools? Hmmmmm...)

31 March 2017

Question:

Record debt sales signal surge in optimism for emerging nations – Pg. 1

- Emerging market countries sold record levels of government debt in the debt quarter of this year, taking advantage of a surge in optimism toward the developing world as trade grows at its fastest rate for seven years and inflationary pressures ease
- Corporate bond sales by companies in developing countries also surged, rising 135% year-on-year in the first quarter to \$105bn,...
- Together, the figures reveal a sea change in perception of emerging countries' economic prospects, helping shift flows of investment capital
- Aggregate emerging market GDP rose 4.4% in January, up from 4.1% in December,...
- ...two Fed interest rate rises in the past three months have failed to dent the optimism, largely because of a resurgence in trade and ebbing inflation
- Global trade volumes grew at their fastest pace since 2010 in the three months to January, with emerging markets leading rise in export volumes and a 4% increase in imports
- Ebbing inflation in emerging markets in recent months has narrowed the gap between developed and developing country inflation to its lowest level since 1997. Low inflation implies less erosion of a bond's value over time, making it more attractive to investors

Shutdown feared if US spending plans hit wall – Pg. 6

- Republicans in Congress are pushing back against a proposal from President Donald Trump to tack funds to pay for a new wall on the US-Mexico border on to a stopgap spending plans as they seek to avert a government shutdown after April 28
- The current White House spending proposals are widely disliked by Democrats who oppose a bill that would prompt significant cuts to social spending and allocate funds for Mr Trump's proposed wall
- The last time the US government was shut down was in 2013, an episode that lasted 16 days, making it the second longest since 1980 and leading to federal employees being put on unpaid leave for the equivalent of 6.6m days between them
- The outcome may be that Republicans are forced to adopt a so-called continuing resolution, which extends the levels of spending from the previous budget before a new budget is appropriated – barring new spending initiatives but allowing the government to continue functioning in the meantime
-

Answer:

Promposal Comment (List-Serve w/ permission): Roger - Though we did not have the cute term by which to call it, this was a thing when I was a senior too (2005). My date wrote on my car windshield ("Prom? -L")...he must have been quite anxious when he didn't see or hear from me until the afternoon as I had overslept so the car just sat in my parents' driveway, "promposal" unseen. I was visiting a property in Texas for work and the taco spot my boss and I went to had a giant (we're talking 8'+) teddy bear seated at a table. Upon further inspection (obviously), the bear was holding a sign which read, "I just couldn't bear to go to homecoming without you." I sure hope that girl said yes...can you imagine a teenage boy trying to carry a teddy bear larger than himself back to his truck while trying to hold back tears?

Lastly (I hope you're enjoying these because I didn't mean to write this much but I keep thinking of more), a few years ago my father and I were watching tv and a program was on where a man made a large romantic proposal (too long of a story). I realized I never heard how my parents became engaged, so I very excitedly asked my father how he proposed...he sounded like it was nothing memorable and, thinking he was downplaying a large romantic gesture, I asked my mother. Mom rolled her eyes and says dad said "so.....you wanna get married?" And mom said yes and asked when, to which dad said "oh.....I don't know...I guess I just thought I'd see if you said yes first..."

30 March 2017

Question: How much are families with teens expected to spend, on average on prom?

'Thank you and goodbye' – Pg. 1

- Theresa May triggered a two-year countdown to Britain's breach with Europe yesterday by serving notice to Brussels that she intends to end their 44-year relationship in pursuit of a new place for the UK in the global order
- Mrs. May invoked the EU's Article 50 exit clause just before 1.30pm Brussels time ...

Trump plan to slash foreign aid will fuel famine and extremism, experts warn – Pg. 4

- In his budget this month, Mr Trump proposed slashing spending for the state department and the US Agency for International Development (USAid) by 28%, while increasing funding for the Pentagon by 9%
- His planned cuts come at a time when the US is warning that the world faces its biggest humanitarian crisis since the end of the second world war, with 20m people facing starvation and famine in Yemen, Somalia, South Sudan and Nigeria
- Though overseas aid accounts for less than 1% of the US budget, it is vital for groups such as the International Committee of the Red Cross

US Energy – Pg. 9

- ...gas-fired generation is often more competitive than coal-fired plants. In 2010 the US generated almost half its electricity using coal. Last year, that was down to 30%
- Since 2010, US power generators have shut down 251 coal-fired power stations, often smaller and older ones where it was uneconomic to fit equipment to cut emissions of mercury, arsenic and other pollutants,
-the average all-in cost of electricity from a new conventional coal-fired power plant would be \$95.10 per megawatt hour, 31% higher than the cost from an advanced combined-cycle gas fired plant of \$72.60 per MWh

ECB rate rise expectations cool after report of misinterpretation – Pg. 21

- The single currency was last down 0.5% against the dollar to \$1.0756 – having traded above \$1.09 just two days ago...
- Eurozone government bond prices also rose. The 10-year German Bund yield fell 3bp to 0.35% while that on equivalent maturity Italian debt slipped 2bp to 2.30%

- The 10-year US Treasury yield was down 2bp at 2.39% and the US yield was 2bp lower at 1.28% as the market awaited further clues on the outlook for the Federal Reserve policy

Answer: \$1,078, up from \$807 last year (Note: “This year is actually from a 2012 article)

29 March 2017

Question: What is a promposal?

May signs letter that triggers Brexit – Pg. 1

- Theresa May, UK prime minister, signs the letter that launches Britain’s historic exit from the EU at Downing Street last night
- ...officially triggering two years of exit talks under the EU’s Article 50 divorce process

Why shares in Hong Kong swing so wildly – Pg. 20

- Lack of daily limits
- Hong Kong does in fact have circuit breakers, introduced last year. But they only cover the 50 blue-chips of the Hang Seng index and members of the 81-strong China Enterprises Index
- Concentrated shareholdings
- This is arguably a bigger issue that the absence of a circuit breaker given the preponderance of companies in Hong Kong either subject to owner-founder control or state-backed
- The higher the stake held by controlling shareholder, the less appealing the company is to many fund managers – and the fewer shares that are available
- Share suspensions
- These can last days, weeks or even years....
- Heavy use of share-backed loans
- This is a second-order effect, but it can make a company’s stock vulnerable to wild price swings.
- China, China, China
- In fact, three-quarters of Hong Kong-listed blue-chips call the mainland home

Answer: I had dinner with two peers, both with teenage children. The discussion was how prom has changed. So, apparently now the boy texts (yes “texts”) the girl and ask, “If I were to ask you to prom what would you say?” Then the boy is responsible to do a “Promposal” which, best my google research says, is a huge offering, e.g. “Prom?” spelled out on a pizza or something more extravagant. Really???! I did google and it seems legit.

28 March 2017

Question: What is the #1 issue with DCF analysis for determining value/price? (in my opinion)

World Bank and IMF feel edgy over Lerrick – Pg. 2

- While Mr Trump’s naming this month of Adam Lerrick as the next assistant secretary for international finance at the Treasury....

- The “Meltzer commission” report that Mr Lerrick went on to help draft called for a more limited IMF that focuses exclusively on plugging the short-term liquidity needs of countries facing crises rather than protracted bailouts
- It also recommended that the World Bank scale back its activities only to the world’s poorest countries and abandon what is now its growing role as a lender and adviser to middle-income economies such as China

Judge’s maths blunder shines spotlight on US appraisals actions – Pg. 12

- The spreadsheet utilizing the DCF model was wrong.
- ...Delaware statute that protects dissenting shareholders from being run over by a majority ratifying a buyout, allows holdouts to file an “appraisal” petition asking judges to award them “fair value” price
- “the appraisal statute presents a tilted playing field. Investors may buy shares of a seller after the merger announcement and then use an appraisal to ‘arb” the deal price. The company has two options: settle or go to trial. Even if the company proves at trial ‘fair value’ is about the deal price, it incurs substantial costs to do so”

BoE set to raise the bar on resilience – Pg. 12

- The BoE will put the seven largest lenders – including Lloyds Banking Group, HSBC, Barclays and Royal Bank of Scotland – under further examination alongside its annual stress test, which measures how banks would fare in certain conditions, at the end of this year
- The new “exploratory” test, which will be carried out every other year, will assess banks’ resilience to a wider range of risks beyond those emanating from the financial cycle – such as persistently low interest rates and high costs
- Consumer credit is one of the largest risks on a bank’s balance sheet
- The bank is testing against a hypothetical 40% decline in commercial real estate, compared with 42% the previous year

China overtakes Singapore on Malaysia real estate investment – Pg. 15

- China has eclipsed Singapore as the biggest source of investment in Malaysian real estate, as soaring domestic property prices push mainland investors to hunt for bargains abroad
- Malaysia has emerged as a favoured destination for mainland Chinese investors seeking a cheaper alternative to Australia and Hong Kong
- Malaysia has attracted a wave of Chinese expatriates drawn by the promise of unpolluted skies, a low cost of living and proximity to Singapore’s shopping and nightlife

Eurozone sovereigns rush to lock in rates – Pg. 20

- European governments and related organizations have ramped up sales of new debt this year as bond markets brace themselves for rises in interest rates and political risks
- The total amount borrowed so far is 11% more than at this time last year
- Inflation in the Eurozone hit 2% in February, its highest level in four years,

Answer: Constant risk rate

27 March 2017

Question: How many pounds sterling to the dollar?

International inflation gap falls to lowest level in decades – Pg. 2

- The gap between inflation rates in developed and emerging markets has fallen to its lowest level for at least 20 years, as rising inflation in richer countries has almost converged with falling rates in the developing world
- Emerging market inflation stood at 2.58% for the year to February, less than 0.5% above industrialized countries' rate of 2.14% - the smallest gap since at least 1997, ...
- ...changes in emerging markets, such as more orthodox central bank policy, more flexible exchange rates and lower budget and current account deficits, had also helped bring inflation down
- Since July, inflation has fallen from 8.7% to 4.8% in Brazil, from 6.1% to 3.7% in India, and from 7.2% to 4.6% in Russia. Chinese inflation has also fallen, but economist attribute much of the dip to an unexpected drop in food prices in February

Answer: 1.25

25 March 2017

Question: When was Sears founded?

Japan plans population push to secure remote islands – Pg. 5

- Japan is launching an urgent drive to shore up the population of 148 remote islands as it tries to head off new territorial disputes with China and South Korea
- ...the government will legally designate the islands as inhabited border territories next month, with 71 singled out for special help due to their isolation and the severity of their population decline
- The population of Japan's remote islands fell steadily from 1.3m in 1955 to 636,000 in 2010. With the country's overall population expected to drop from 127m to 92m during the next 40 years, that trend is expected to accelerate
- The new plan – which stems from a law passed last year – calls for the government to build civic facilities, buy land on the islands, improve ports and prevent illegal visits by foreign vessels
- A second motive for the new law...was to recompense islanders for the way their homes boost Japan's exclusive economic zone

Sears' pain and the challenge facing US malls – Pg. 12

- Fears that the rise of online shopping will lead to dislocation in the retail sector were stoked on Tuesday when Sears, which also owns department store chain Kmart, warned that "substantial doubt" existed over its ability to operate in the next year (Prof Note: I will always love Kmart! My family always shopped there and when the manager announced a Blue Light Special my father and I would take off running (literally) to the Blue Light. I

cannot remember a single item that was featured but I can absolutely remember that we were not the only father/son “team” racing to the Blue Light. I think it was more about being first than the actual item.)

- The US has more than five times more retail square footage per person than the UK, France or Japan, ...
- And online shopping is growing in the US at an annual 15% clip compared with an overall rate of 2.9%
- Department store earnings growth has underperformed all retail in every quarter since the start of 2012, ...
- Malls in wealthy areas will continue to prosper, as will fast fashion outlets such as Forever 21 and H&M that sell low-cost, on-trend clothes to younger customers. The likely losers will be second-tier malls in more rural and less-well-off places – the kind that voted for Mr Trump
- (Prof Note: Earlier this year I needed a mattress cover and wanted “cheap”. I decided to walk into the Columbia Sears store (had not been in a Sears store in years). Found bedding and found a man working there. He was poorly dressed (as compared with my experiences (which are minimal) at other retail) but immediately impressed the heck out of me. He turned around and asked how he could help me. He immediately put down what he was doing, donned a huge smile and said, “lets go find what you need.” I really appreciated the help. He stayed with me, walked the mattress cover up to his counter, rang me up, I paid and was gone. If that man is an example of the customer service at Sears, I am sad Sears is going.)

Answer: 1893

24 March 2017

Question: What is the name of the two dominant hardware stores on Nevis?

White ‘deaths of despair’ surge in US – Pg. 2

- An epidemic of overdoses, suicides and alcohol-related illness is causing an increase in deaths among white Americans with a high school education or less that makes them more likely to die earlier than those who are black or Hispanic...
- ...one explanation for the popularity of then candidate Donald Trump with white working-class voters
- ...widening educational divide that is expected to cast a shadow over the US economy for years to come
- The “deep causes” of the increase in white deaths...are the globalization and automation that since the 1970s have hit working-class white Americans particularly hard
- By blaming trade agreements and immigrants for many of those woes, Mr Trump tapped into white working-class anger in last November’s presidential election
- The turnaround in mortality patters for the less educated white population has accelerated in the past decade and a half after a century of improvements

- In 1999 white men and women aged 50 to 54 with a high school education had a mortality rate 30% lower than black Americans. In 2015 it was 30% higher
- ...US had been left with the equivalent of a lost generation of white men and women that would for years to come challenge policymakers
- One recent accelerant, the economists said, had been a surge in addition to prescription painkillers and illegal drugs such as heroin that had hit white working-class and rural communities hard
- (Prof Note: I continue to believe the U.S. educational system is failing all of us. If fails to provide skills or a map for success. Does it teach mortgages? It has stopped teaching writing which is necessary for writing checks. I have not even begun to discuss the cost(s) of higher education!)

Eton Park is latest hedge fund to close – Pg. 16

- The value of the investment group's flagship hedge fund dropped 9% last year, and has not been able to clawback any of the losses in the first months of 2017,...
- More than 1,000 hedge funds shut down last year, the highest number since 2008, ...while the amount of new funds starting up was the lowest since then
- Others, such as Visium Asset Management, collapsed because of regulatory probes
- The hedge fund industry has come under fire for charging the highest fees among money managers, while returns in recent years have been outperformed by index trackers and cheaper, passive products

Asia rushes to sell debt before Fed raises rates – Pg. 24

- A rush by emerging market governments to sell debt before the US Federal Reserve further raises interest rates later this year has propelled issuance in Asia to record levels insce the start of January,...
- The company also said the Asian issuance was a record high for the year to date, making it likely that the first quarter would also register a record

Answer: Horsfords and TDC

23 March 2017

Question: What is the cost of a \$100 piece of apparel on Nevis?

Mexico – Pg. 9

- ...\$580bn annual bilateral trade relationship...
- Walmart, Mexico's largest retailer, is boosting spending by a fifth this year to some \$860bn, betting on tough times sending shoppers to its price-conscious stores
- It is hard to overstate the impact on Mexico if Mr Trump were to make good on his threat to walk away from NAFTA...
- ...since Nafta's inception in 1994, Mexico's annual foreign direct investment inflows have averaged 2.6% of GDP; during the 22 years pre-Nafta, the average was 1%. Bilateral trade in goods and services has risen sixfold

- Domestic demand has driven growth in the past two years, but consumer confidence took a huge knock after the cash-strapped government increased petrol prices by up to 20% on New Year's Day as it moved to end subsidies. That also fueled inflation and interest rate rises – the central bank has lifted its key lending rate by 325bps since December 2015, and is expected to increase again on March 30
- ...the central bank has cut its forecast five times in a row and the market consensus is just expansion of just 1.5%, less than half the 3.9% seen in 2012
- Nafta is not the only cloud on the horizon. Mr Trump has yet to spell out his tax reform plans, expected to lower corporate taxes and include a border adjustment that would exclude export revenues while effectively taxing imports
- Mexico has its own homegrown risks, not least the prospect of a swing to populism, and problems that predate Mr Trump, including rising debt
- Mexico has been stuck in a low-growth, low-productivity rut for decades – hobbled by the fact that around half the economy is informal, meaning businesses pay no tax and workers receive no protection
- It is also hamstrung by endemic corruption and weak rule of law

Debt pressures build for China's developers – Pg. 16

- Balanced between their reliance on ballooning debt markets, which Beijing wants to bring under control, and a housing boom that authorities want to cool, developers have defied predictions of collapse for years
- Real estate developers are facing a funding squeeze just as they are entering their first downturn in three years. House prices rose 40% in big cities last year but have stalled. Single-digit price declines are expected this year and sales revenues for the bigger developers could fall by as much as 10%, ...
- Authorities have also clamped down on the inclusion of property loans in wealth management products, which had in effect allowed banks to keep a portion of their lending off the books
- Another tactic is to classify empty buildings as investment properties rather than inventory, which is marked at market prices

Sears shares dive on fears for its survival – Pg. 17

- Sears shares tumbled more than 13% yesterday after the struggling retailer warned that there was "substantial doubt" over its ability to continue operating over the next year
- Sears is not alone in struggling to adapt to the ecommerce era
- Moody's has estimated that 14% of its US retail and apparel portfolio is made up of distressed issuers, the largest proportion it has seen since the financial crisis

Answer: With taxes and duty about \$180.00

22 March 2017

Nevis News: Apparently the sheep found their way out last night. Either that or they retreated knowing Shock and Awe was coming! The holes in the fence, that we could find, have been repaired.

The island is massively different from last week. Spring Break is upon us and a Gulfstream has been sitting at the airport for several days. I picked up two people at Oualies and took them to Four Seasons on my way to town. If I were back in college I know I would be lobbying to stay at Four Seasons for Spring Break...I'm just say'n...WOW!

Question: What is occupancy at Four Seasons currently?

UK inflation hits highest level for 3 years – Pg. 4

- Increases in the cost of food and fuel helped push UK inflation to its highest level since September 2013, raising concerns over a squeeze in living standards...
- The consumer price index for last month shows prices have risen 2.3% compared with a year ago, ...
- In January, the annual figure was 1.8% and analysts had expected 2.1% in February. The BoE's target is 2%. "Core" CPI, excluding food and fuel, rose 2% from 1.6% the previous month
- The news boosted the pound by 1% at one point to a three-week high of \$1.2478, in the hope that higher inflation would increase pressure on the BoE for an interest rate rise
- The inflation data suggest the sharp fall in the value of the pound following the EU referendum is feeding through into domestic price pressures. But higher global growth and commodity costs have increased prices in many large economies – German inflation hit 2.2% last month
- Transport costs were the biggest factor in high UK inflation: they have risen 6.6% in the past 12 months, partly because the value of the pound has fallen, making oil more expensive

Chinese cities revive crackdown on home loans as property bubble concern grow – Pg. 6

- Big Chinese cities have launched another round of lending curbs and purchase restrictions in an effort to cool overheated property markets, ...
- Sky-high prices in cities including Beijing, Shanghai and Shenzhen are stoking anger, even among relatively well-off professionals
- ...controlling financial risk has emerged as the dominant economic policy theme for 2017
- Nationally, house prices were 11.8% higher in February than a year earlier, following 12.2% growth in January, ...
- Property investment grew at its fastest pace in two years in January and February at an annual rate of 8.9%, while sales accelerated to 25.1% growth in floor space terms

Ethical stance crimps Norway oil fund – Pg. 14

- The world's largest sovereign wealth fund missed out on earning billions of dollars in the past decade because it was prohibited by its government from investing in tobacco companies and the manufacturers of certain weapons
- Norway's \$920bn oil fund estimates that the return on its benchmark was 1.9% lower than it would have been from 2006 until last year thanks to the exclusion of tobacco, nuclear weapons and cluster bomb producers from its assets

- While the product-based exclusions have crimped the fund's performance, conduct-based bans on companies have helped it,...
- ...the fund's equity benchmark returned 1.1% less than it would have done without the exclusions, equivalent to about \$1.4bn

Historic shift in Japan T-bill ownership – Pg. 20

- Foreign ownership of Japanese treasury discount bills has risen beyond the 50% mark for the first time as the country enters its second year under a negative interest rate policy
- Foreign investors – represented chiefly by central banks, mutual funds and global money market funds, currently hold Y60tn of T-bills between them
- The rest of the market is held by the Bank of Japan, with Y50tn, while domestic banks and insurers have Y7tn of T-bills between them
- Foreign investors' share of outstanding Japanese T-bill issuance has been rising steadily since early 2010, when it accounted for just 15% of the market

Shares seen as more overvalued than at any point since 2001, survey shows – Pg. 20

- More investors say stocks are overvalued than undervalued than at any point since at least 2001, pointing to an anxiety that was amplified yesterday as US stocks had their largest intraday drop of the year
- The so-called Trump Trade has helped power a rise in US stock indices thanks to fund managers' hopes that tax cuts, deregulation and extra government spending will lift corporate America's profitability
- The S&P 500 has risen just over 10% since Mr Trump's election which, alongside Republicans retaining control of Congress, held out the prospect of corporate tax cuts

Answer: Full

21 March 2017

Nevis News: The Candyland Resort, i.e. Chinese project, down near Nisbets has been placed on hold. It is completed and ready to occupy. However, this project is the one next to Ann Bass's property and China v Ann Bass has Ann Bass winning at the moment. The island is also angry as the developer had it rezoned for three unrelated occupants for a single unit, i.e. it is student housing.

Today's crisis was two sheep and four rams. They "rammed" (no joke, literally) the far fence and entered the course. Unfortunately not all of them could make it so six were within the fence, and the remaining 10 or so on the other side. They were running up and down the fence trying to regroup.

Attempts to chase on foot failed (they are faster than me...sorry to disappoint). Attempts to herd with the golf cart failed (they did not fear the golf cart). Finally I chased them about the course in the jeep (they feared the horn). Finally they took shelter in the ghaat knowing I could not chase them down the walking trails. Sheep 1, Roger 0. However, tomorrow the men come back to work, i.e. reinforcements! I will mount a proper attack strategy in the AM! We will prevail!

Question: A used iPhone 6 retails in the U.S. for \$500. How much does it retail on Nevis (in U.S. Dollars)?

US warned Work visa curbs will backfire – Pg. 2

- An American crackdown on skilled immigration will push jobs out of the US,
- Legislation being considered by the US Congress would dramatically increase the wages paid to holders of H-1B visas for skilled workers.
- President Donald Trump has promised to crack down on H-1B visas, which are used by up to 85,000 workers each year, as part of a drive to create more jobs for US citizens
- But shoring up the cost of skilled immigrant labour would actually serve to accelerate the offshoring of his work...
- The proposed bill would require companies to pay H-1B visa holders at least \$130,000 a year unless they can prove it was impossible to find a US worker to do the job. This threshold, currently at \$60,000, in effect sets a wage floor for the industry
- Separately, Mr Trump's administration has said it will suspend fast-track processing of H-1B visas for up to six months, from April 3
- ...US still produces more computer science graduates than it can put to work. Only two-thirds of relevant graduates each year get tech jobs...

Asset Management – Pg. 9

- In 1993, Capital's American Funds was the fourth-largest US mutual fund brand, behind Fidelity, Vanguard and Franklin Templeton; now it is second, behind Vanguard, the all-conquering passive specialist
- ...central banks have boosted markets to new highs, lifting the size of the US mutual fund industry to more than \$16tn, up from \$12tn on the eve of the crisis in 2007,...
- Yet mutual funds have proven progressively poorer at navigating markets. Over the past 10 years, 87.5% of US equity funds underperformed their benchmarks, ...and more than half of all international and emerging markets equities funds also lagged behind....

Trump blow to tourist industry feared – Pg. 15

- Donald Trump's immigration policies have fueled anti-US sentiment that is expected to lead to falls in traveler numbers to the country,...
- The World Travel and Tourism Council said moves by the US administration, such as attempts to ban travel from certain countries, would have the "unintended consequences" of fewer tourists entering the US this year
- The strength of the dollar was another factor discouraging inbound travel
- Airline bookings to the US were down 6.5% in the week after Mr Trump issued the first order against the entry of citizens of seven Muslim-majority countries, later blocked by the courts
- The global travel and tourism sector grew 3.3% in 2016, generating \$7.6tn, the sixth straight year of growth. Southeast Asia is the fastest growing region

Dollar index sinks towards 100 level – Pg. 20

- The US dollar is being hit by investor reaction to the Federal Reserve's measured policy tone and concerns over the Trump administration's protectionist trajectory and the legislative obstacles it is likely to face
- It gained 8% in the fourth quarter last year

Answer: \$1,100

20 March 2017

Nevis News: As Spicoli said, "I did battle some humongous waves!" It is Saturday, and the waves are large and I spent some time in the surf. It is easy to understand how some get harmed at the ocean. The undertow and rip currents are particularly strong at the moment. I did not venture beyond my waist, as a result.

Through the Nevis grapevine I have learned the parts of the famed Nevisian "Killer Bee" drink. The parts are Passion Fruit (sweet) by Oasis, Hammond (local hooch named after Beres Hammond, Jamaican singer), Fresh Lime, Pineapple/Orange Juice, and bitters (angostura). Apparently it is made entirely to taste; proportions could not be found.

Kelly Ripa apparently spends some holiday time on Nevis. Unable to confirm if she owns or rents a Four Seasons Villa. However, I have it on great authority that I remain in the running to co-host her show!

Question: What is the price, in U.S. dollars, for a gallon of milk on Nevis?

Brazil central bank chief bullish on end of deepest recession – Pg. 2

- Brazil's economy will emerge from its deepest recession on record this quarter and reach a growth rate of up to 3% by the final three months of the year,
- The recovery will be driven by a combination of easier monetary policy as inflation falls to levels not seen since January 2010, economic reforms that are boosting investor confidence and lowering risk perception, and micro-reforms to improve business conditions...
- Brazil's economy shrank 3.6% last year after a 3.8% contraction in 2015
- Market forecasts are for cumulative full-year growth in 2017 of about 0.5%
- ...Moody's Investor Service has raised its outlook on Brazil's Ba2 sovereign credit rating to stable from negative

Prized students from India turn away from the US – Pg. 11

- Top business schools worldwide say they prize Indian applicants because they tend to be good quality. Governments value Indian students from an economic point of view because they are a valuable source of skilled labour. University data show that Indians, more than any other nationalities, remain to work after graduation in the countries where they study
- Now, however, schools in the US and the UK, formerly two of the biggest beneficiaries of the Indian diaspora, are finding themselves overlooked because hundreds of Indian students are choosing to study in Canada instead

- Canada's visa system allows MBA students to remain and work for up to three years after graduation whether or not they have a job at the time
- The H1-B work visa in the US lasts for three years, but must be sponsored by an employer
- President Trump has proposed raising the minimum wage companies must pay people with H-1B visas to encourage them to hire US citizens instead
- Canadian institutions still struggle with a lack of brand recognition. There are no Canadian business schools in the FT's top 50 MBA ranking

Sovereign funds turn away from trophy assets – Pg. 14

- Sovereign wealth funds are shifting from luxury businesses, buying more hotels and increasing their allocations to private deals as they look to offset falling state revenue from lower oil prices....

Answer: \$8.05

18 March 2017

Nevis News: Apparently the largest villa at Four Seasons is owned by Roman Abramovich, owner of Chelsea. Hmmmm...I wonder if it is fair to say we are neighbours? Apparently the front door of his "villa" is so massive a crane was needed to place it. The "villa" is so big it is described as a "villa"ge. His "villa"ge is so massive that Four Seasons is bringing an additional generator to serve the power needs. Somehow I do not believe my new neighbor will be inviting me to his housewarming and I dare not show up unannounced!

Last week representatives of Bill Gates were on island reviewing the renovations to Four Seasons. Bill Gates was not here, at least not known to be here. The truly famous are not announced and keep a low profile.

Today I walked down by the water only to discover that Lovers Beach is gone. It has completely eroded into the sea. At the end of the mangroves there is a 3' – 4' drop off then the high-tide mark. I did find some wading pools as I explored an area I generally do not walk. They were literally child's wading pools at the edge of the ocean.

Ok....tomorrow I figure out how I get invited to dinner with Roman and Dasha!

As I had just finished writing the above, I just had the most religious moment of my life. I am in the back bedroom which I just had renovated. Haile, my handyman extraordinaire, is back moving receptacles and switches to their ideal location. All of a sudden, as we were talking about the Four Seasons, I hear flickers. Through the night blinds, i.e. double thick drapes custom made as black-out curtains, I sense light flickers (this in addition to the noise). I ask Haile, "What is that?" He says he does not know. I ignore it. It gets louder and I "sense" more light flickers and ask him again, he does not know.

I walk out through the drapes and the kitchen is flickering and the outside lights are flashing. I walk into the kitchen thinking someone is breaking in but knowing the door is wide open. I say, "Hello, is

someone here? HELLO????!!!" I hear the flicker and the receptacle beneath the kitchen cabinet has flames. The flames are no less than 1" and probably 2". I stand there stunned. Black smoke is pouring up around the kitchen cabinets. Note: the house was built in 1962. It is made of wood and basically it is a tinderbox.

I would like to tell you I jumped into action, leapt for the breaker, and the Electrical Engineer in me fixed the problem. That is not what happened. I stood there assessing in the situation. Then I yell, "Haile, Haile, I need you in here." Haile says, "Roger, what?, what?" I say, "Haile, I need you in here with urgency." I hear him slowly coming and I say, "Haile, I need you in here with GREAT urgency." Haile comes jogging in and sees the flames. I am looking for fire extinguisher and Haile races back to the back bedroom. I know enough not to throw water on the flames and when he comes back he is armed with wire cutters and cuts the power! (I am staring at the 50-year-old fire extinguisher wondering if it will actually work) The bottom of the cabinets is ablaze. With our hands (NO JOKE) we pat out the flames.

The cause was a 50 year plus receptacle placed underneath the kitchen cabinets which are original to the house. The receptacle, which I have kept, is a melted piece of nothing.

My only explanation is true divine intervention. I am on Nevis less than 3 total months a year, i.e. 90 days. Of those 90 days Haile is in the house maybe 5 of these days and only from 5pm – midnight, at the latest, as he comes after his day position. What are the odds that this randomly would happen at a time we are both at Cat Ghaut?!

To put it in perspective, I estimate the probability of Haile and I being in the house together at a random point in time is 0.14%. Ok....still 14,000 times greater than winning the lottery but it certainly feels like divine intervention.

Note: Does everyone in your family know the location of the breaker box? Does everyone know the location of the water shut-off valve? Does everyone know the location of the main gas line in and the cut-off? Does everyone know the location of all the fire extinguishers?

Question: Excluding generators on Four Seasons, what is Nevis's maximum power output?

Washington warned against higher barriers to trade – Pg. 3

- China and Europe warned Washington against greater protectionism as friction over global trade dominated initial talks between US Treasury secretary Steven Mnuchin and counterparts in the world's most important economies
- ...Germany said the EU could sue the US at the WTO if it imposed a controversial border adjustment tax
- Until now the G20 has committed members to "resist all forms of protectionism"

Goldman shakes up its executive pay – Pg. 8

- In a filing yesterday, Goldman said that it had shaken up its pay plan after consulting shareholders. From 2016 onwards, it said, its chief executive's annual pay would be 20% cash and 80% "performance stock units", tied to ongoing profits

- The bank said that Lloyd Blankfein, its 62-year-old chairman and chief executive, was paid \$21m last year on that basis, down from \$22m the year before
- Over the past five years, Goldman's average annual ROE came to 9.9%, well clear of its peers in the US (6.3%) and Europe (1.1%)

Answer: 13MW

17 March 2017

Nevis News: Nevis 5-0 went sleuthing and crime is down this year. Only 2 murders on St. Kitts and 1 on Nevis so far this year. A single drive about the island and there were two new police cars on Nevis, i.e. apparently a larger police presence.

The island is so peaceful. It is warm but not hot and town is not crowded. Everything is calm and it actually feels like "Nevis." Real Estate continues to sell very slowly. Island sales are concerning the expats as everything gentrifies. Apparently \$250,000 is a threshold, underneath houses still sell, above and things barely move.

Question: How tall is the highest peak on Nevis?

Moody's plays down capital impact of IFRS 9 – Pg. 17

- Fewer than one in eight banks expect a change in the way they account for bad loans to wipe more than 0.5% off their core capital ratios when they are introduced next year, ...
- ...indicate that the new international accounting standard, dubbed IFRS 9, could have more modest impact on banks' capital than first feared
- ...48% of banks expect the change, which comes into force on January 1 2018, will reduce their capital buffers by between 0.1 and 0.5%
- US banks are not affected: they use GAAP, which requires them to record more of the expected losses from a loan up front

Fed chooses to walk rather than run – Pg. 20

- When Romeo impatiently hankered after Juliet, the sage Friar Lawrence dispensed some valuable advice: "Wisely and slow; they stumble that run fast." It is a dictum the Federal Reserve clearly intends to live by, despite the improving economic outlook
- The delivery of a "dovish rise" – it was tempered by unchanged projections for two further quarter-point increases this year – helped the US equity market, with gains for utilities and energy stocks counteracting a glummer performance by the finance industry, which thrives on higher rates
- The implied odds on a further two rate increases this year, as planned by the Fed, dipped from 60% to 51%, and the chances of three more had slipped from 24% to 20% yesterday
- The biggest exchange traded fund that tracks the MBS market rallied the most in nearly four years after the Fed decision

Answer: 3,232 feet (Nevis Peak)

16 March 2017

Nevis News: My apologies to all my peers in DC, I completely bailed on all of you! I could not take the weather! It is sunny, the palms are swaying, and I had to turn down the A/C last night as I got a bit chilled. ☺ (ok...I'll be nice now...) The flight on American from Miami to St. Kitts was half full. After negotiating pricing with the high-speed took it over to Oualie's Beach where the Samurai was waiting. It was actually less expensive to take the high-speed now that the cab drivers know me at the airport, i.e. I will have a public tantrum if they try and separate me from the tourist maximizing the trips and maximizing their take and my cost.

Met a medical doctor that provides services on the island and is looking for a home. I cannot stress enough that one has to be incredibly careful when purchasing real estate in new and unfamiliar, especially foreign, markets. He was telling me about a "great buy" at \$250,000 that he had just missed out on and it had three offers. While I did not know the house, I knew the area. It was not a "great buy" and the location was marginal at best. Also, there are so many nuances to be understood. One of many is economic citizenship. Yes, Nevis/St. Kitts has Citizen by Investment (CIB) BUT the citizenship does not pass generations and once a person attains citizenship by investment it cannot be undone, i.e. if retire on Nevis one cannot change citizenship to naturalized and thereby pass to children. Why is this so important? Foreign land owner tax will be incurred when property is transferred through the estate to children and/or heirs...OUCH!

Much progress on Shaws Road (my road). For my entire life it was always a two path concrete slab with ruts and holes, i.e. horrible. It is being paved and widened. The parking lot for the course is gone (I will admit that I believe my grandfather adversely possessed it decades ago so I will not be filing a complaint). We planted a wall of palms and plants along the widened and improved road to protect privacy. I must admit a little sadness at seeing the progress. I understand the value-add it offers but also see memories literally and figuratively being paved over. I find that as progress marches on so do the walls on the perimeter, i.e. I am fighting progress and protecting Cat Ghaut. I will embrace progress but also protect childhood memories.

Question: What does a 25bps mean to an average 30-year mortgage?

Fed increase interest rates as inflation pressure looms – Pg. 1

- The US central bank has increased short-term rates for the third time since the financial crisis, stepping up the pace of tightening as policy-makers grow ever more confident that the recovery will lift inflation
- The Federal Reserve raised the target range for the federal funds rate to 0.75% to 1.00%, in a move that has come earlier than markets had been expecting as recently as last month
- Treasury prices rallied, the dollar sank and US stocks extended early gains after the move as the Fed defied expectations in some quarters that it would signal a more aggressive rate rise path

- Among the factors underpinning the new confidence are employment and inflation approaching the Fed's targets, a reduction in perceived risks overseas, and an ebullient mood in the stock market
- The median interest-rate projection for the end of 2017 was centred at 1.375%, unchanged from December's outlook. The forecast was centred at 2.125% in 2018, also the same as December's prediction, and at 3% in 2019, a shake higher than before
- ...growth tipped to be 2.1% this year and next year, slipping to 1.9% in 2019. Core inflation is set to be 1.9% in 2017 and 2% in the two following years

White House presents 'America First' budget- Pg. 2

- The White House says the budget is based on Mr Trump's campaign promises, including building up the US military while trimming the state department and foreign aid programmes
- Military spending is to rise by \$54bn while the state department is expected to see its budget reduced by more than 25%, with big cuts to programmes such as the USAID and the US budget for the UN
- On the education side, the president has said he wants to expand access to charter schools
- ...overall spending is projected to rise by \$2.6tn from 2017 to 2027, with no less than 70% of the growth fueled by Social Security, Medicare and interest

European Union – Pg. 7

- On March 25 1957 ministers of six European nations gathered in the capital of Italy to sign the European Economic Community's founding Treaty of Rome
- The EU of 2017 faces an entirely different environment. It is not so easy to make the case for supranational co-operation and shared sovereignty when the political currents are running in favour of a renationalizing world
- The US, for long the cheerleader for European integration, in the person of President Donald Trump has turned against it

Answer: About \$25,000 in additional cost over the 30 year period.

15 March 2017

Question: What is the size of the MBS market in the U.S.?

Fresh woes for western lenders in Asia – Pg. 15

- The biggest Wall Street and European banks are still losing market share to local rivals in Asia, after failing to win back business after a difficult 2015
- ...foreign banks attracted just 19% of the Asia investment banking wallet last year, down from 27% in 2014
- Most of the collapse happened in 2015, when the western banks' share dropped to 20%. After two years of booming equity capital markets in Asia, driven by large Chinese initial

public offerings, revenues collapsed in 2015 as deals thinned out and competition with regional banks intensified

- Asian equity capital markets revenue fell 24% in 2016, Coalition data showed. International banks have traditionally been stronger in Asian equity capital markets than in debt markets or advisory. Asia's debt markets revenue, riding a boom in China, was up 10%. M&A revenue declined 4% despite a surge in Chinese activity

Fears raised over Fed's MBS exit plans – Pg. 18

- Janet Yellen is facing questions over how the Federal Reserve will reverse an important part of its crisis recovery effort as housing experts caution that the central bank risks rattling the \$8.9tn market for US mortgage-backed bonds
- Fed officials have put markets on notice that they are thinking about reducing the central bank's \$1.76tn portfolio of mortgage-backed securities – amassed through its crisis-fighting quantitative easing programme – but have provided few details
- Some are concerned that any mis-steps might lead to a re-run of the “taper tantrum” that hammered the market in 2013 when the Fed first discussed trimming its quantitative easing programme – an upset that undermined the US housing recovery
- The Fed unveiled its mortgage-backed assets scheme at the height of the crisis in November 2008 and began the purchases soon after. Its MBS holdings have swelled to account for almost a fifth of the market. Every month the central bank buys billions of dollars worth of MBS as it reinvests the proceeds of maturing securities
- Just the removal of the ongoing purchases would push up mortgage rates relative to Treasury yields by at least 10bps...

Answer: \$8.9tn

14 March 2017

Question: What is the percentage of home ownership in the District of Columbia?

Developing world shrugs off Red Rate threat – Pg. 3

- Over the past month, market expectation that Fed chair Janet Yellen would announce a further rise in US interest rates tomorrow have gone from a one in four chance to an outright certainty – yet emerging market currencies have barely budged
- It is not that US rates and the dollar no longer matter to emerging economies. Rather the yields on offer have convinced some investors to embrace an appetite for risk.
- The Institute of International Finance (IIF) says leading indicators suggest that emerging economies grew at an annualized 6.8% in February. This followed a January rise of 6.4%. By contrast, the IMF expects growth in developed markets to be below 2% per year for the foreseeable future

Female brokers face sex bias, US study finds – Pg. 16

- Female financial advisers face harsher punishment and have a harder time finding work again after bad behavior than men....

- Women are 20% more likely than men to lose their jobs for misconduct at brokerages, even though men are more than twice as likely to engage in problematic behavior, ...
- On average, about one in every male financial adviser has a history of misconduct, compared with one in 33 of females...
- Investment advice has long been a male-dominated industry. Only a quarter of US financial advisers are women, a number that has been flat for a decade
- The researchers wrote that women were 50% more likely to be fired for misconduct than men and subsequently were unemployed longer, with a 30% smaller chance of finding a new job in the industry within a year

Real estate veterans are 'now running the USA' – Pg. ST1

- For the first time, a property developer is the president of the United States – the most powerful position a member of the real estate industry has ever occupied
- Mr Trump is bringing his fellow real estate men into high-profile roles: Stephen Schwarzman, co-founder of the world's largest property investors Blackstone, heads his business forum; Steven Roth and Richard LeFrak, of Vornado and the LeFrak Organization respectively, will run a new infrastructure council; Thomas Barrack, founder of Colony NorthStar, planned his inauguration. Between them, these men control about \$200bn of real estate assets
- "The real estate industry is now running the USA"

Germany's housing costs set to become election issue – Pg. ST4

- ...rents have ticked inexorably upwards in the decade since
- The subject has particular resonance because Germany has a higher share of people living in rented accommodation than any other country in the EU
- ...48.1% of Germans lived in some form of rented property in 2015 – far above the bloc's average of 30.6%
- Overall, new rents in Germany have risen by 16.8% over the past decade
- "Increasingly people are having to spend more than 40% of their net income on housing, which is too much"
- In June 2015, in an attempt to slow the pace of rent rises, the government introduced a new rule allowing states to apply the brakes: in areas where the market is judged to be overstretched, landlords cannot ask new tenants to pay more than 10% more than a local benchmark rent. Such "rental price brakes" have already been introduced in a number of big cities, including Berlin, Hamburg and Frankfurt

Answer: Historically less than 50%

13 March 2017

Question: Why did Quantitative Easing decrease long-term rates?

Soaring revenues for Chinese investors in UK deflect fears of end to 'golden era' – Pg. 1

- Chinese holdings in the UK have seen revenues soar in the past two years, deflecting concerns that the “golden era” of China investing in Britain may be drawing to a close
- The 153 Chinese-owned companies reported revenue increases on average of 20% against the previous year, ...

Yellen set to lift pace of rate rises this year – Pg. 2

- An increase in short-term rates by a quarter point is probable at the meeting following signals by policymakers in recent weeks
- The outlook for tax reform remains deeply ambiguous, and Ms Yellen did not dwell on the possibility of a fiscal stimulus in her pre-meeting speech this month, focusing the justification for higher rates on developments in the real economy
- One key question is whether the Fed will act as soon as June or wait until the northern hemisphere autumn before lifting rates again.
- There are also signs of a stronger inflation outlook, with the headline measure tracked by the Fed hovering just beneath its 2% target
- The balance sheet was swollen to \$4.5tn during its crisis-era interventions, and policymakers have started to talk publicly about allowing it to reduce in size
- If the US were to hit an unexpected buffer, the Fed could press pause on the balance sheet run-off, but barring that outcome it would allow its holdings of securities to gradually decline towards a lower, yet-to-be-defined level

Reykjavik lifts capital controls imposed in 2008 bank crisis – Pg. 3

- Iceland announced its return to financial normality almost nine years after its devastating banking crash by declaring it would lift capital controls tomorrow
- Iceland was forced to impose capital controls in 2008 after its three largest banks – with assets 10 times the size of its economy – imploded, in an attempt to stabilize its volatile currency
- But Iceland is facing new economic challenges as it struggles to contain a boom in tourism that has led to fears of overheating
- A big problem for Iceland is that its main interest rate is at 5%, well above the levels of most western economies, making it attractive to some investors

US Treasuries – Pg. 7

- One of the longest and most important trends in world finance may be on the cusp of a reversal. US 10-year Treasury bond yields, used as a benchmark in transactions the world over, have been in decline since inflation came under control in the early 1980s
- But in the past week, yields have risen to their highest in almost three years, while the US jobs market has grown its fastest in more than a decade
- Higher bond yields would bring relief to pension funds by making it easier for them to finance their payment obligations. But higher yields would make it harder for indebted companies to roll over their debt and inflict losses on bond and credit investors
- Wage inflation, at 2.7%, is recovering, although it remains painfully weak compared with the pre-crisis period

- A tension in markets persists. While equity markets are positioned for growth and interest rate increases, bond investors largely remain convinced that interest rates will not go up much, and that any rises will be steady
- The percentage of the US population aged 65 and over rose to 15% in 2015 from 9% in 1960. This will increase further, crimping growth and potentially raising the demand for bonds
- ...those of working age are producing less. Growth can be described as the sum of a rising workforce and higher productivity. While jobs have increased to the point where the Fed can claim the US is at full employment, productivity has stagnated
- A further problem comes from the overhang of US debt.
- Outstanding corporate bond levels have risen from \$5.4tn to \$8.5tn since 2008, ...
- This poses a risk for the future. If interest rates rose markedly, companies would lose access to financing, while an increase in the risk of default would damage the returns for their investors
- Quantitative easing – the large asset purchases pursued by central banks since the crisis – is also an issue. Although the Fed is no longer buying bonds, which pushes prices up and yields down, it still has a sizeable portfolio under management and is reinvesting the coupon payments it receives
- The ECB and BoJ are still deep into their asset purchase schemes...

Answer: Central Bank purchased long-dated securities. This shifted the demand curve to the right increase the price. As price increased, yield decreased.

11 March 2017

Question: Who wrote, “Books are the treasured wealth of the world and the fit inheritance of generations and nations”?

US jobs report clears way for rate rise – Pg. 2

- The US created 235,000 jobs in February, trouncing Wall Street forecasts and cementing expectations of an increase in short-term interest rates next week
- Job gains in construction, education, manufacturing, healthcare and mining helped push the US jobless rate down to 4.7% from 4.8%, while rising demand for workers and minimum wage increases helped sustain year-on-year wage growth of 2.8%
- Some measures of inflation have been edging up as well – although as things stand, the Fed’s preferred measure of year-on-year price growth remains below the central bank’s 2% target
- The gains come before any lift to the economy from tax reductions being planned by the Republican-controlled Congress, ...
- While Janet Yellen, the Fed Chair, has insisted the central bank has not been too slow in tightening policy, the figures revived arguments that the Fed could end up pushing through four quarter point increases in rates this year, more than its December median forecast for three rises

- The employment-to-population ratio rose to 60% for the first time since 2009, while the share of people unemployed or working part-time because they cannot find a full-time job dropped to 9.2% from 9.8% a year earlier

Internet of Things – Pg. 5

- Confidential documents published by Wikileaks this week purport to show that the CIA created its own 21st century telescreen by hacking into smart TVs
- Developers used vulnerabilities in Samsung TVs to ensure the products would capture conversations even when they appeared to be switched off
- Samsung even warned customers in 2015 that “if your spoken words include personal or other sensitive information, that information will be among the data captured and transmitted to a third party through your use of voice recognition” (Prof Note: The ONLY solution is to only associate with lawyers or be a lawyer. That way everything you say is privileged.)
- Law enforcement has become interested in using audio collected by devices such as Alexa, Amazon’s voice-controlled personal assistant. A prosecutor in an Arkansas murder case has requested the data from Alexa. Amazon resisted the request until the suspect said the recordings could be handed over
- Last Christmas, one family in the US had their smart TV taken over by ransomware, disabling it for four days (Prof Note: OMG the tragedy...the children were actually “forced” to read for entertainment! READ...what is that?! ☺)
- (Prof Note: Everyone talks of open kitchens (mine are closed) and open floor plans for new houses. I am actually have libraries built into mine. While the houses will be fully internet compliant, they will also be able to operate in full independence of technology. I am looking at Tesla batteries with solar panels to go off-grid. Thoreau’s Walden Pond will be replaced with Staiger’s Cat Ghaut!)
- The most vulnerable products are produced by companies that specialize in making toasters or bloodsugar monitors, not in software or security
- Even if consumers wanted to, they could not buy additional protections because the devices are powered by tiny computers that security software makers cannot access, like those in fitness wristbands or vacuum cleaners (Prof Note: Ok...that’s it...no more working out for me or cleaning my house! I am done!!! ☺)

Risky US corporate debt loses shine – Pg. 11

- Risky US corporate bond funds suffered the largest weekly redemptions since the US election in November, as oil prices settled at their lowest level since December and benchmark stock indices slipped from record highs
- The withdrawals from junk bond funds contrasted with inflows to US stock funds despite the softer market backdrop, ...

Answer: Henry David Thoreau, Walden

10 March 2017

Question: Who wrote, “All men want, not something to do with, but something to do, or rather something to be.”?

Euro rises as Draghi claims victory over deflation and softens QE tone – Pg. 1

- Mario Draghi has declared victory over deflation and moved a step towards winding down the ECB’s ultra-loose monetary policy, sending the euro and German bond yields higher as investors bet on the end of crisis-era stimulus
- Though the ECB agreed to keep interest rates at record lows, Mr Draghi said the bank no longer had a “sense of urgency” to take further action on monetary stimulus and that policymakers “do not anticipate that it will be necessary to lower rates further”
- The euro rose 0.7% to hit a weekly high of \$1.0615 ...
- The shift came as Eurozone inflation rose above the ECB’s target of just under 2% for the first time in four years, ...
- Markets are now pricing in a 68% chance that the ECB will raise interest rates by August 2018 – up from 31% last week

Loss-hit AIG ditches chief executive – Pg. 13

- AIG is on the hunt for its seventh chief executive since 2005 after shareholder pressure in the wake of a \$3bn quarterly loss ...
- ...second-biggest US insurer by market value
- The former JPMorgan banker has struggled to return AIG to former glories after its \$185bn financial crisis bailout
- As part of a plan to revive AIG, Mr Hancock accelerated cost-cutting and disposed of assets including its \$3.4bn mortgage insurance division

Oil benchmark drops below \$49 a barrel – Pg. 22

- The declines came after oil prices fell the most in more than a year over the previous session when US crude inventories climbed for a ninth week to a record high
- The global Brent benchmark was down 2.1% to \$52.03 a barrel, its lowest level since early December, when Opec countries and producers outside the cartel including Russia agreed a pact to cut production
- Fund managers dumped energy stocks in response to the price decline, with the S&P 500 energy sector falling 2.5%, its steepest one-day drop since mid-September, taking its year-to-date losses to 8.5%

Answer: Henry David Thoreau, Walden

9 March 2017

Question: The two fundamental risk equation: Scenario and Portfolio...what is the fundamental difference?

China in direct challenge to Trump over North Korea – Pg. 1

- China's foreign minister has warned the Trump administration it is on a collision course with North Korea that risks a dangerous escalation and called on Washington to halt military exercises with Seoul to avoid conflict
- The US, South Korea and Japan have expressed concern about North Korea and had been shoring up regional defences, including accelerating the deployment of a US anti-missile system in South Korea
- China has condemned the US missile defence system, partly because of worries that its radar will be able to detect Beijing's own ballistic missiles, but also because it brings Seoul even further into the security orbit of the US and Japan

Trump's China trademarks stir concern – Pg. 2

- Donald Trump faces new questions over his international business empire after China reportedly approved more than three dozen new trademarks for everything from Trump-branded hotels to bodyguard and concierge services
- But among the trademark applications were some that appeared to be linked to more unusual ventures for the Trump family, such as insurance, bodyguards and a category known as "social escort and concierge services"

Investment – Pg. 9

- But on August 6, 2007, everything unraveled. As soon as US markets started trading, the previously wildly successful automated investment algorithms coded by the QIS brainiacs went horribly awry, and losses mounted at a frightening pace
- Computer-drive hedge funds have just notched up their eight straight year of client inflows, doubling their assets from 2009 to \$918bn, ...
- QIS has been radically restructured since its near-death experience in 2007, and focuses on three main areas. Its biggest part is the \$35bn "tax-efficient strategies" unit which structures investment products for wealthy Goldman clients. But QIS executives say the main priorities are its \$31bn "smart beat" ETF business, which invests in specific market factors or characteristics, the \$16bn Equity Alpha arm and a small promising \$3.2bn "alternative risk premia" business, where financial engineers try to deconstruct and cheaply replicate hedge fund returns

Answer: Portfolio risk accounts for linear association between assets whereas scenario is single-asset.

8 March 2017

Question: What is the rule of 72?

Brazil contraction fuels longest recession – Pg. 2

- Brazil's economy shrank 3.6% last year as the country endured its worst recession on record...
- The 0.0% contraction in the final three months of 2016 was the eighth consecutive negative quarter – the longest on record
- Under Ms Rousseff, Brazil's economy collapsed following the end of the commodity supercycle in 2011 into a toxic mix of recession, soaring inflation, high interest rates and big budget deficits

- Since taking power, Mr Temer has stabilized financial markets by passing a reform limiting real increases in budget spending to zero and pushing to change the pension system, which many regard as financially unsustainable
- The central bank, meanwhile, has brought inflation back into the official target range of 4.5%, plus or minus 1.5%
- The bank has also begun to slash interest rates. Brazil's interest rates, allowing for inflation, are considered among the highest for any large economy in the world at about 7%/yr

China's forex reserves bounce back – Pg. 3

- China's currency weakened by a record 6.5% against the dollar in 2016 amid unprecedented capital outflows. In response, the central bank sold dollars from its reserves to relieve pressure on the currency. Foreign exchange reserves fell below \$4tn for the first time in five years
- But they rose by \$6.9bn to reach \$3.01tn at the end of February...
- The dollar strengthened against a range of global currencies in February, reducing the dollar-denominated value of Chinese reserves held in euro, yen and other non-dollar currencies

India's slowing property market stirs investor angst – Pg. 16

- House price growth in India has slowed and prices have even fallen in some cities over the past two years, after more than a decade of robust expansion. Prices in New Delhi that rose 24% between 2008 and 2014 have since fallen 3.5%, ...
- Sales are still rising, but an increase in new projects has meant a steep drop as a proportion of total supply

Norway sovereign wealth fund flexes shareholder muscles – Pg. 18

- The latest sovereign wealth fund revealed yesterday that it had opposed about 6,700 resolutions last year at annual meetings
- It voted against a number of US groups for combining the roles of Chief Executive and Chairman, including ExxonMobil, Johnson & Johnson, JPMorgan, GE and Procter & Gamble
- More than half of the fund's votes against companies' recommendations were related to board issues, such as lack of independence or overcommitted directors

Irish pension funds target home loans – Pg. 22

- Irish pension funds will push into mortgage lending this year for the first time, as the combination of low yields and pressure on banks continues to reshape markets

Answer: If you want to know how long it takes to double your money in a particular period, divide 72 by the return and you have the period. For example, at 2.00% it takes 36 years (approximately).

7 March 2017

Question: What are the four basic types of loans in real estate (very basic)?

Republican tax plan raises fear of global shock – Pg. 2

- A proposal for a new levy on imports included in a republican tax reform plan has set off a lobbying war in the US business community and raised fears of looming trade skirmishes

- The inclusion of a “border-adjustable” tax system in the proposal being pushed....would amount to the biggest change in global taxation in almost a century
- If economic orthodoxy holds true – and whether it would is the subject of significant debate – it could also lead to the biggest surge in the dollar since the 1980s, with potentially damaging consequences, particularly in emerging economies
- Advocates of the tax reform argue that in the short term it would lead to more demand for US exports and dollars and slowing demand for imports and other currencies. It also would encourage more long-term foreign direct investment in the US and thus demand for dollars
- Paired with rising US rates and a Federal Reserve determined not to let the US economy overheat, that could present a shock to the global economy ...
- ...it would also probably affect larger economies such as China and, more broadly, lead to a reconfiguring of global supply chains that would have consequences for export-dependent economies and trade around the world
- The economic assumption that a US border tax would lead to a big appreciation in the dollar also remains largely untested
- Skeptics also point out that US Trade flows play a relatively small role in currency markets. The US’s total trade in goods and services was worth \$5tn for all of 2016, ...equivalent to an average day’s turnover in global foreign exchange markets

Answer: Acquisition, Development, Construction, Permanent

6 March 2017

Question: What are the three basic types of amortization?

China targets 6.5% growth amid shift to curbing risks – Pg. 4

- China has lowered its annual economic growth target to “around” 6.5%, as Beijing plans to focus on risk control in the final year of President Xi Jinping’s first term
- The figure, down from the government’s target growth range of 6.5% to 7% for 2016, was revealed yesterday morning

Women balk at opportunity cost of MBA study – Pg. 13

- Meron Myers, a 24-year-old Bank of America mortgage officer, was hard at work in Washington DC one afternoon last year when she received an unexpected phone call (Prof Note: Does Meron really exist? If she works for BofA and is in DC, someone must know her! Can anyone confirm if she is real or not? We are ‘fact checking’ the FT!)
- ...schools are increasingly determined to improve gender diversity in the classroom
- For the past five years, the proportion of female MBA applicants worldwide has been stuck at an average of 38% between 2012 and 2016, ...
- The GMAC data found that although women took more than 45% of entrance exams worldwide last year, they were less likely than men to use their score to apply for an MBA. Just 37% of applications for full-time, two-year MBA programmes were made by women in 2016
- Women were more likely to use their score to apply for specialist masters programmes in marketing, accountancy and management, which are often taken by applicants at a younger age and with less business experience
- ...in the US, 30% of female business school applicants said funding was their biggest obstacle, compared with 9% of male applicants

Answer: Constant Payment Mortgage, Interest Only, Custom Amortization

4 March 2017

I'VE GOT TO GIVE SOME PUSH-BACK ON THE COFFEE. GOING TO STARBUCKS IS ONE OF THE CHEAPEST "LUXURY" PURCHASES FOR A CONSUMER (WE ARE ONE OF SBUX'S LARGEST SHAREHOLDERS AND ITS BY FAR MY LARGEST INVESTMENT AS AN ANALYST).

AS A COUNTER ARGUMENT: COFFEE IS ACTUALLY GOOD FOR YOU, AND \$2.25 IS NOT MUCH TO PAY FOR ALL THE HEALTH BENEFITS: EARLY IN 2016 THE FEDERAL ADVISORY COMMITTEE CONCLUDED THAT DRINKING UP TO FIVE CUPS A DAY CAN BE PART OF A "HEALTHY LIFESTYLE"

- O CAFFEINE CAN IMPROVE MOOD, REACTION TIME, MEMORY, VIGILANCE, AND GENERAL COGNITIVE FUNCTION
- O STIMULANT EFFECT BOTH RAISES METABOLISM AND INCREASES THE OXIDATION OF FATTY ACIDS
- O MAY LOWER RISK OF ALZHEIMER'S AND PARKINSON'S
- O ONE STUDY SHOWED THAT DRINKING COFFEE WAS ASSOCIATED WITH A LOWER RISK OF DEATH BY ALL CAUSES, ESPECIALLY IN TYPE II DIABETICS
- O COFFEE CONTAINS SEVERAL HEALTHY VITAMINS AND MINERALS AND MASSIVE AMOUNTS OF ANTIOXIDANTS

Question: Why is a P/E ratio not the best metric for a real estate company?

Yellen boosts Fed rate expectations – Pg. 1

- Janet Yellen has given the Federal Reserve's strongest signal yet that it is on the cusp of lifting rates again, predicting that the pace of tightening is likely to accelerate from the sluggish speed set in 2015 and 2016 as it seeks to prevent the US from overheating
- ...a further increase in short-term interest rates was likely to be "appropriate" at the Fed's policy meeting on March 14 and 15 if employment and inflation stayed in line with officials' expectations
- The mounting signals that the Fed's third rate increase since the 2007 financial crisis is imminent has helped spark a global rally in stocks, with investors viewing a hike as a sign that policymakers believe US growth is becoming stronger and more sustainable
- The 10-year US Treasury yield climbed 19bps, the most since mid-November, to end the week above 2.5% again
- Ms Yellen is viewed as a dove who waits for the last minute before lifting rates. The once-a-year tightening in 2015 and 2016 solidified that image

US change of tack on Mexico lifts peso – Pg. 2

- Mexico's peso surged to its highest level since the day after Donald Trump's election victory after Wilbur Ross, his commerce secretary, adopted a more conciliatory approach to relations between the two nations, including offering to work with its neighbor to stabilize its currency
- Having been pummeled by Mr Trump's protectionist rhetoric, attacks on Nafta and promise to build a wall on the US-Mexico border, the peso has mounted a recovery since the president's January 20 inauguration

Abe buoyed by return of Japanese inflation – Pg. 4

- Core inflation has returned to Japan for the first time since 2015, with consumer prices excluding fresh food rising 0.1% in January over the same month a year earlier
- Japan has struggled to escape two decades of on-off deflation since Mr Abe's rise to power in 2012
- Unemployment fell from 3.1% to 3% in January, as labour shortages started to bite. The ratio of job openings to applicants held steady at 1.43, only a little short of its bubble-era high
- Meanwhile the world's largest pension fund – Japan's Government Pension Investment Fund – delivered a return of 7.98% in the final quarter of 2016 as the Trump rally sent global asset prices soaring in yen terms

Bets against US shopping centres climb – Pg. 13

- Investors are aggressively betting against US shopping centres, using a derivatives index of commercial mortgage-backed securities that has slumped 10% from its January peak
- The health of the US retail industry has been declining for years. However, lackluster Christmas holiday sales, rising interest rates and a stronger dollar, have intensified pressure across the \$150bn industry for commercial mortgages that are tied to store locations and bundled up in bonds
- Women's apparel retailer The Limited closed all of its 250 stores in January...
- The scale of concern for the industry's outlook is seen in the loans underpinning US centres through indices that provide investors such as hedge funds with exposure to commercial mortgage bonds

Answer: Depreciation can cause negative income which effects earnings.

3 March 2017

Question: How were the multiples derived in yesterday's question?

Eurozone inflation rise sparks fresh German calls to cut ECB bond buying – Pg. 1

- Eurozone inflation has reached its highest level in four years, climbing above the rate targeted by the ECB and triggering renewed call from Germany for ratesetters in Frankfurt to rein in their loose monetary stance
- The single currency area's annual rate of inflation reached 2% in February, driven by rising energy costs
- German inflation, at 2.2%, is higher than the region's average because of the economy's relative strength. In weaker parts of the region, inflation is still substantially below 2%

Wells Fargo works to avert rebellion – Pg. 14

- Wells faced public criticism and lost its status as the most valuable bank after it emerged that thousands of employees, under pressure to meet sales targets, had set up as many as 2m bogus customer accounts

Strong flows to assets of emerging markets – Pg. 22

- The latest advance, which pushed the yen down to below Y114 to the dollar and restored the index that measures the greenback against its peers to levels last seen in mid-January, is attributed by many to the markedly hawkish tone of a number of Federal Reserve officials
- ...some investors are feeling less sure about Turmpflation and the president's capacity to deliver stimulus,
- The last time, for example, the gap in yield between two US government notes and their German equivalent reached 215bps was in the summer of 2000, when the euro was worth 90 cents

Answer: It was assumed (assumptions must be made) that equities return a nominal 8.00% (20% risk) over the historic average, i.e. 15-years. It was further assumed that inflation runs at the Fed target of 2.00%. Therefore, real returns, purchasing power adjusted, for equities are 8.00% - 2.00% or 6.00% (simple math). Therefore, a student at age 20, with 45 years to traditional employment age, can earn a real return on invested funds of 6.00%. Therefore, the \$5 cup of Joe is, in reality, $5 * (1.06)^{45} = \$5 * 13.75 = \68 . Forgoing the \$5 cup of Joe today for a 20 year old will allow for the consumption of a bottle of discounted Silver Oak at retirement. My point is not to tell you how to spend or what to value, it is simply to express what choices actually "cost".

As I am 46, my multiple is much lower. Therefore, my Cup of Joe is cheaper than that of a 20-year old as I simply have less runway. For the record, my personal view of Starbucks is that I will not purchase if I must wait in life (exceptions are made for business and social meetings but I work hard to avoid Starbucks and go to a more locally owned coffee house.).

2 March 2017

Question: A \$5 cup of Joe costs a 22 year how much in purchasing power at age 65?

Wall Street hits record high as markets bet on Fed rate rise – Pg. 1

- Mounting evidence that the Federal Reserve will raise interest rates this month has given investors new confidence in the strength of the US economy,
- Investor appetite was also piqued by better-than-expected European and US manufacturing surveys. Global data are eclipsing forecasts by the most since 2010,....
- Traders now put the odds of a quarter-point rate rise in two weeks at more than 80%, up from 34% last week

Fed officials add fuel to prospect of rate increase – Pg. 3

- ...after seven years of expansion, the US is at full employment, with joblessness at 4.8%. Confidence among policymakers that inflation will finally hit the Fed's target is rising after the core reading for the consumer price index rose 2.3% year-on-year in January

Executives risk penalties for office flings – Pg. 16

- Australia's corporate world has been warned that executives must disclose workplace romances or risk censure and financial penalties, following a decision by QBE Insurance to slash the pay of its chief executive over an affair
- Censuring executives for the potential conflict of interest that can arise from a workplace romance with lower ranking employees is not uncommon. But the use of financial penalties to target such relationships is a relatively new phenomenon, ...

- There is a trend for remuneration policies to focus more on compliance with a range of ethical and governance standards, as well as delivery of financial results
- Workplace relationships are relatively common,56% of business professionals had experienced one during their career
- Legal experts say companies generally cannot outlaw relationships as it would infringe on the right of employees to a private life. But they have a duty to ensure that no conflict of interest is created and that workplaces remain free of discrimination and do not become stressful, hostile environments

Answer: \$65

1 March 2017

Question: A \$5 cup of Joe costs me how much in purchasing power at age 65?

Bidding for Obama's memoirs tops \$60m in record-breaking auction – Pg. 1

- A blockbuster auction for the global rights to separate memoirs by Barack and Michelle Obama has reached more than \$60m, ...a record sum for US presidential memoirs
- The sum offered would eclipse other book deals secured by departing presidents.
- ...\$15m for the rights to Bill Clinton's 2004 My Life....
- ...George W Bush made an estimated \$10m from Decision Points....
- ...Tony Blair's 4.5m (sterling) contract....

Millennials at higher risk of colon cancer than their parents – Pg. 2

- Someone in their twenties who was born in the 1990s is four times more likely to develop rectal cancer and twice as likely to suffer from colon cancer than a twenty-something in the 1970s,...

Fed urged to keep finger on rates trigger – Pg. 3

- The prospects of a third US interest-rate increase as soon as this month are rising as policymakers at the Federal Reserve insist they do not need to see Republican reforms to tax and other policies before they act
- ...March 14-15 meeting
- The chances of a move in March are 50-50....
- The possibility of deficit-expanding tax cuts emerging from Congress has led traders to bank on an acceleration in Fed rate rises following the languorous one-a-year rate-lifting pace set in 2015 and 2016

Emerging Markets – Pg. 7

- ...growth in GDP across emerging markets surged to an average of 6.4% in January, its fastest monthly rate since June 2011. If confirmed, this will show emerging economies reversing a downward trend in growth that has been in place since the global financial crisis

Norway oil fund wary on lifting equity holding – Pg. 12

- Norway's \$905bn oil fund is set to be given permission this spring to increase its equities allocation to 70% from the current 62.5% as it seeks to take more risk
- The oil fund last saw its equity allocation increased in 2007 when Norway's parliament voted for it to be allowed to have 60% of its assets in shares, up from 40% previously

- The oil fund is already one of the biggest equity investors, on average owning 1.3% of every listed company and 2.3% of every European stock

Answer: \$25 (if you do not understand this math...that is a HUGE problem! It is necessary to understand for retirement savings!)

28 February 2017

Comment from Ph.D. candidate (former student) in Organizational Behaviour:

Re: Millennial woman and the glass ceiling

One of my favorite classes to teach is Negotiations and Conflict Resolution, particularly for female students. The last time I taught, it was a pretty even split of men and women, but the women improved by leaps and bounds and were so much more confident in their negotiating ability at the end of the course. One of the girls won Best Negotiator (peer-voted) and she was so proud of herself. I have found that women just aren't taught how to negotiate the way men are, and it is detrimental to them in so many more ways than just income and compensation.

PLEASE suggest to all of your students (especially the women) that they take some sort of negotiations course if they can. One of my proudest moments as an instructor was a student telling me that she had taken a job offer, considered it, and countered back to the firm to negotiate a better salary and start date for herself. In her words, they treated her "like a real adult" when she countered with a better offer that was supported by her own research.

Hope you're well!

Question: What is the approximate cost of probating a Will?

Zombie cull fuels China bankruptcy rise – Pg. 2

- Bankruptcy cases surged in China last year, indicating growing economic stress as well as progress in the ruling Communist party's efforts to use the country's courts to deal with indebted "zombie" companies and reduce industrial overcapacity
- Chinese courts accepted 5,655 bankruptcy cases in 2016, an increase of 54% from the year before, ...
- About 3,600 of those cases were resolved, with 85% of the resolved cases resulting in liquidation
- China is home to thousands of economically unviable zombie enterprises that survive with the support of local governments and state-owned zombie enterprises, ...
- China's legislature approved a modern bankruptcy law in 2007 but for years it was seldom used
- China's 6.7% growth last year was the lowest since 1990

Chinese property buyers expand horizons – Pg. 2

- This month, the Reserve Bank of Australia warned that residential building activity had been 50% higher than long-term averages for two years and there was a risk that "newly completed apartments fail to settle"

- A sharp correction in the property market could tip Australia into its first recession in a quarter of a century...GDP contracted in the third quarter by 0.6%, but most economists expect growth should resume in the fourth quarter
- “Chinese buyers are increasingly nervous about Australia because of recent instability in regulation, tax, and bank lending rules”

Lending declines since Trump election – Pg. 14

- US banks have hit the brakes on lending since Donald Trump’s election in November, casting doubt on claims that the president’s victory has unleashed “animal spirits” in the economy
- For the first time in more than five years, total outstanding bank loans have dipped for two consecutive months with declines in December and January
- In Europe, bank lending is recovering from a sharp contraction during the financial crisis. Lending to households and companies rose at an annual rate of more than 2% in December, up slightly from the prior month, ...
- Consumer loans were strong in December, up 5.3%, but the expansion fell to 0.8% in January. Residential mortgage loan growth was close to zero in November and December and fell 0.7% last month

Answer: Approximate cost can be 10.0% of estate value

27 February 2017

Question: What percentage of people 65 or older rely on Social Security for half or more of their income?

US banks’ 120,000 low-cost staff in Asia at odds with Trump’s pledges – Pg. 1

- Bank of America, Citigroup, JPMorganChase, Morgan Stanley, Wells Fargo and Goldman Sachs employed 12% of their global workforce in Asian support centres in 2015...
- US banks have increasingly sought to cut costs and jobs to combat tougher regulation and sluggish revenue growth

Chinese wages play catch-up with the west after salaries triple in a decade – Pg. 1

- Average wages in China’s manufacturing sector have soared above those in countries such as Brazil and Mexico and are fast catching up with Greece and Portugal after a decade of breakneck growth during which Chinese paypackets have tripled
- Across China’s labour force as a whole, hourly incomes now exceed those in every major Latin American state bar Chile, and are at about 70% of the level in weaker Eurozone countries, ...
- ...problems facing Latin America, where wages have stagnated and sometimes fallen in real terms, and Greece, where average hourly wages have more than halved since 2009, ...

Millennial women see no glass ceiling – Pg. 12

- ...generation of women who are better educated than their male peers (Prof Note: I have been saying this for years! Women are taking over and men are not just losing but have lost!)
- In terms of equal pay, women in their twenties have never done better in some countries

- It also found women who tried to negotiate promotions or higher pay were 30% more likely than men to be told they were “aggressive” or “bossy”
- The Resolution Foundation found the pay gap for millennials rose steeply, from 5% in their twenties to 9% when they hit 30. That is only marginally lower than the gender pay disparity experienced by the previous generation at the same age
- Millennial couples who assumed their careers would be equal are slipping into traditional gender roles once children arrive....the reason....”the constraints of current workplaces”
- (Prof Note: Meritocracy! Pay for performance! I have been lecturing for close to 22 years...for the first 15 there were one or two women in my quantitative classes. Now, there are more woman than men. Am I the only one seeing the demographic shift? Men are becoming obsolete! ☺)

Prospect of more fluid Berkshire portfolio – Pg. 16

- Mr Buffett also appended a line to the business principles that have appeared with each letter since 1983, saying that his aversion to selling businesses did not apply to public market securities. “It is true that we won some stocks that I have no intention of selling for as far as the eye can see...but we have made no commitment that Berkshire will hold any of its marketable securities forever.”
- Berkshire long ago left behind its roots as a vehicle for Mr Buffett’s stockpicking and is now one of the largest conglomerates on the planet, with businesses spanning insurance, utilities, railroads, manufacturing and more

Answer: 55.0%

25 February 2017

Question: If you are retiring past 2022, what is the age upon which you receive full government benefits?

China aims to spark a baby boom – Pg. 1

- Chinese authorities are looking at ways to encourage people to have more children, less than 18 months after dropping the country’s contentious one-child policy in a bid to boost birth rates and stave off a demographic decline
- The Communist party introduced the one-child policy in 1979 to tackle population growth. It was scrapped in late 2015 following years of warnings from demographers over low birth rates and an ageing population
- “Women are pursuing their own education and career development. The opportunity costs of having a second child are large”
- The number of people aged 15 to 64 peaked in 2013, and the ratio of children and elderly to working age Chinese began rising in 2011

Technology and Society – Pg. 9

- A century ago, the US tax system was changed permanently by the social upheaval caused by a wave of new technology sweeping through agriculture and transport
- Along with anger of the great fortunes amassed by the industrialists of the gilded age, these pressures led to the introduction of a permanent personal income tax

- If the latest wave of automation causes large numbers of job losses, the Microsoft co-founder said, then taxing the robots and using the money to retrain the humans may be one way to deal with the upheaval ahead
- ...Mr Gates pointed out the loss to government revenues – in terms of income tax, social security and other payments – when a human is put out of work
- Mr Gates claimed a further potential benefit from a robot tax: by slowing the pace of automation and putting fewer people out of work, it might reduce the risk of a more serious backlash that could lead to some new technologies being banned altogether
- “Robots” are not always easy to identify. The term conjures up images of humanoid machines that simply step into the shoes of the humans they replace. But most forms of automation usually involve technologies that cannot be directly linked to specific job losses
- Many software programs and computer services, ..., will soon be infused with machine learning, feeding a higher level of intelligence into most technologies. It would be impossible to create rules for tax purposes that define which of these systems are job-killers
- The idea of paying a flat stipend to all citizens, called a universal basic income, is one response that has been gaining ground with some economists. Stopping short of that, Mr Gates proposed using robot tax receipts to train workers for the jobs the robots cannot do – particularly in the caring professions, which may offer the best hope for avoiding mass human unemployment

Start-ups aim to blast off in real estate space race – Pg. 14

- What has changed is the planned retirement in 2024 of the International Space Station
- ...getting the first section of its space station into orbit will cost \$600m, ...
- ...estimates that his company will charge \$30m for a ride to a space station, while ...believes his group’s fare would be a third less than the \$50m that a recent space tourist is reported to have paid to visit the ISS
- Elon Musk’s SpaceX last year showed for the first time it could recover the booster stage of a rocket for reuse.
- For now, the best hope for hotels in space still looks like something dreamt up in the 1960s – provided the money can be found

US Treasury warned that century bonds would present a ‘tricky balancing act’ – Pg. 15

- ...began to look into issuing US government debt with maturities of as long as 50 or 100 years
- Such a move would be a historic shift in policy for the \$14tn Treasury market, which has resisted issuing debt of longer than 30 years, even as other countries – including Belgium, France, the UK, Australia and Mexico – have sold at longer maturities
- It took nearly three years for the Treasury to introduce floating-rate notes, first sold in 2014
- Bond market expectations are for the Federal Reserve to raise interest rates this summer and later this year
- The Treasury’s borrowing costs have risen since Donald Trump was elected president on November 8, with the 30-year yield rising from 2.6% to 3% on Thursday

24 February 2017

Question: What is the average retirement income per month and what is estimated the boomers will need?

Electric-car makers on battery alert after hedge funds stockpile cobalt – Pg. 1

- The stockpile is equivalent to 17% of last year's production of the metal. Increasing use of batteries with chemical forms of the metal by Chinese electric-car makers, alongside ambitious plans by the likes of Elon Musk's Tesla, have created a fertile backdrop for speculators hoping to profit from swelling appetite for cobalt, which boosts lithium-ion batteries' power
- The price of cobalt, mined almost exclusively in the Democratic Republic of Congo, is already up by more than 50% since November...

More women on boards of big banks than other US industries – Pg. 14

- Big US banks have more female directors than most other big industries but the proportion of women in their boardrooms is growing more slowly than the rest of corporate American...
- Women made up 26% of directors at 21 of the largest banking and capital markets companies by market capitalization in 2016,
- The US continues to lag the UK and Europe in overall boardroom gender diversity....
- ...in western Europe 26% of board seats are held by women on average, compared with 20% in the US

Small lenders plead to be cut loose from tangle of rules – Pg. 14

- Many executives say a reprieve cannot come soon enough in mortgages, the \$9tn market that was the epicenter of the 2008-09 crisis
- Under the "ability to repay" rule, for example, banks must determine that the borrower can handle repayments over the longer term, based on an analysis of employment, credit history, obligations and debt-to-income ratio, among other factors. If the banks do not, the loan may be deemed unenforceable in foreclosure proceedings

Answer: \$1,500/mo is the average...it is estimated boomers will need \$5,000/mo.

23 February 2017

Question: Which state in the U.S. has the highest life expectancy?

German bond yields hit record low as investors pile in amid French poll fears – Pg. 1

- Yields on short-term German bonds hit record lows yesterday as investors moved to protect themselves against the possibility of victory for the far-right in France's presidential election
- Bond buying by the ECB had already pushed short-term German yields deeper into negative territory, but investors pointed to growing market sensitivity to French political developments
- The German two-year yield fell to lows of minus 0.92%, its lowest intraday level on record, before rising later....

Brussels warns Rome to cut record debt – Pg. 2

- Brussels noted that Germany's current account surplus, estimated to have hit a record 8.7% of GDP in 2016, was "not healthy" for the Eurozone, creating "very significant distortions economically and politically", but the commission held back from applying additional pressure on Berlin to boost spending
- The warning to Rome is the latest chapter in a long-running saga that has seen Italy repeatedly fail to honour its commitments to rein in its debt, which is set to rise to 133.3% of GDP this year...

Women's life expectancy heads for 90 as South Korea eclipses Japan – Pg. 4

- South Koreans are set to have the longest life expectancy in the world, eclipsing longstanding leader Japan, ...
- Women in South Korea will by 2013 be the first to claim an average lifespan of more than 90 years, forecast the study's authorers, who put the developments primarily down to investment in universal healthcare
- ...UK and the US, which the study projects will have the lowest life expectancy of rich countries – 83 for women and 80 for men – by 2030
- "South Korea has also maintained lower body-mass index and blood pressure than most western countries"
- South Korea has the highest elderly poverty rate among members of the OECD: ... (Prof Note: You must think of retirement IMMEDIATELY! Simple Math: Start work at age 21. Graduate degree by 30 and your career starts. BAM...the race has started! You have two children by 35 and take vacations, pay for children's education and they are out the door at 55. If you start saving at this point, even assuming NO debt, you have 10 years to fund a 20+ year retirement. If you fail to plan, plan to eat cat food!)
- By 2030 the US will have life expectancy on par with Mexico, ...attributing the poor performance to insufficient healthcare, high material and child death rates, and the high incidence of homicide

Swedes rush to overpay tax as returns exceed bank accounts – Pg. 4

- Sweden's government has an unusual complaint – it is collecting too much tax
- Negative interest rates have made some of the world's highest taxes a lot less painful as businesses and individuals race to hand cash to the state because of the relatively generous returns on offer
- The payments are an unintended consequence of the Swedish central bank's efforts to kick-start inflation in the local economy by lowering interest rates to below zero per cent two years ago
- While bank interest rates have plummeted, Swedish tax rules meant that excess deposits in taxpayers' payment accounts continued to earn a minimum of 0.56% annual interest, leading many people to use them like makeshift bank accounts

Answer: Hawaii...Aloha!

22 February 2017

Question: When evaluating a potential turnkey real estate investment, i.e. 1 – 4 units, what is the first metric that I personally calculate?

Policy uncertainty threatens trade growth, says World Bank – Pg. 2

- Economists at international institutions such as the IMF, the OECD and the World Bank have recently upgraded their forecasts of global growth largely due to expectations that tax cuts, greater infrastructure spending and deregulation will boost the US economy under the new president
- International trade has been growing below historic trends for the past five years. The 1.9% growth recorded in 2016, ...was the slowest since the 2009 collapse that followed the global financial crisis

Yahoo knocks \$350m from Verizon sale price – Pg. 12

- Yahoo agreed to take a \$350m cut on the original \$4.8bn sale of its core business to Verizon, becoming one of the first major US companies to revise deal terms because of a cyber attack
- In September 2016, Yahoo announced it had lost details related to 500m accounts in a breach thought to have occurred in late 2014. In December 2016, it said it had discovered that it had suffered another breach, this time affecting up to 1bn user accounts

Sarkozy checks into new role at Accor hotels – Pg. 12

- The former French president Nicolas Sarkozy, who suffered a humiliating defeat in his party primaries last year, has started a new career in the travel business as a director of hotel group Accor (Prof Note: I am always curious what politicians with few real skills (my opinion) do after losing cushy public jobs. I am really wondering what Chris Christie will do!)
- Europe's largest hotelier said that the former leader would help the company promote its business worldwide
- Mr Sarkozy, 62, suffered a setback in November when centre

World equities climb on upbeat outlook for advanced economies – Pg. 19

- US stocks climbed to record highs and the dollar resumed its upward momentum as a wave of optimism about the prospects for global growth swept through the markets
- The 10-year US Treasury yield reversed an early rise to stand 1bp lower at 2.42% - with some in markets suggesting the turnaround was sparked by news that Ms Le Pen had extended her lead in a poll of first round voting intentions
- Gold shrugged off the firm dollar as it pulled off an early low of \$1,226 a troy ounce to trade flat at \$1,237

Answer: Gross Rents/Purchase Price (the analysis goes far beyond this but this is my first calculation)

21 February 2017

Question: What are the three main measures of linear association?

Bourses and euro hover as bonds register growing investor anxiety – Pg. 19

- Friday's record close for the S&P 500 offered support to European equity markets and offset the impact of a sharp fall for Unilever after Kraft Heinz withdrew its takeover offer for the Anglo-Dutch consumer goods group
- Action in the currency markets was similarly subdued, with the dollar inching up 0.2% against the yen to Y113.07 but sterling climbing 0.4% to \$1.2459
- The euro also edged up 0.1% against the dollar to \$1.0618 – despite renewed concerns about the outcome of the French presidential election

Answer: Coefficient of Determination, Correlation Coefficient, Covariance

20 February 2017

Question: What are the three measures of efficiency?

Mongolia reaches IMF bailout accord – Pg. 4

- Mongolia has reached a \$5.5bn bailout agreement with the IMF just weeks before the country's development bank raced repayments on a \$580m bond
- The IMF will provide Mongolia with funds totaling \$440m, with the World Bank, Asian Development Bank, Japan and South Korea offering \$3bn in preferential loans
- The mining-dependent country has been buffeted by the steep fall in coal, copper and other commodity prices over the past five years
- Mongolia has sought support from the US, Japan and Europe as part of its "third neighbor" policy to avoid domination by China and Russia
- The fund projected that economic growth would recover to 8% by 2019 as foreign exchange reserves reached \$3.5bn – a level not seen since 2012
- The Bank of Mongolia shocked international markets in August by raising interest rates 450bps to 15%. Mongolia's currency, the tugrik, has fallen almost 30% against the dollar since June

Banking – Pg. 7

- RBS's aggregate losses since the 2008 crisis, which triggered the bank's collapse and taxpayer bailout, have ballooned to more than 50bn (sterling).
- RBS still faces a crushing mortgage mis-selling penalty, forecast to be as high as \$13bn, from US authorities. Record-low interest rates are squeezing its profit margins.
- The top 10 shareholders said: "All the litigation issues have eaten away at the excess capital. So there is no capital for dividends or to invest in the business"

Central bank independence is losing its lustre – Pg. 9

- The conditions for central bank independence are no longer in place in all countries, and where they are still in place, one should ensure that independence is strictly confined to the bank's core mandate
- The Federal Reserve Act defines the Fed's role as one of maximizing employment, securing price stability and moderating long-term interest rates.
- The primary mandate of the ECB is to achieve price stability, while the BoE targets a headline rate of inflation
- Most central banks used to be government agencies until not too long ago, and were subject to political instructions, usually from the finance minister. They became independent after a period of price instability in the 1970s and 1980s produced a consensus in many countries about what a central bank should do
- Central bank independence requires more than just a broad agreement on the goal itself. What is also required is a degree of agreement as to what price stability, for example, actually means.
- An inflation target of around 2% is nowadays widely accepted among central bankers

Strong dollar, lackluster US profits and Brexit vote hold back dividends again – Pg. 13

- Investors were hit with a second year of disappointing global dividend growth in 2016 as subdued earnings in the US, the UK's vote to leave the EU and a strong dollar hurt payouts
- Dividends inched ahead by just 0.1%, far behind the 10.7% posted in 2014,...
- The dividend rate in the UK, Australia and emerging markets also posted falls in US dollar terms

US banks step up fight on debit card fees – Pg. 14

- US banks are stepping up efforts to win one of Washington's fiercest lobbying battles with a push to end limits on debit card fees they claim have failed to help consumers and handed retailers a \$42bn windfall

Answer: Treynor, Sharpe Ratio, and Coefficient of Variation

18 February 2017

Question: What are the three basic measures of risk?

Mexican families torn apart by US deportations – Pg. 3

- Record jobs growth in Mexico has also helped keep millennials from migrating

Pound below \$1.24 amid doubts on outlook – Pg. 13

- A 0.3% drop in UK retail sales in January fell far short of economists' expectations of a 0.9% increase, and came on top of a decline in December

Answer: Standard Deviation, Variance, Range

17 February 2017

Question: What are the three measures of central location?

Markets braced for Norway oil fund to lift equities investment limit by \$90bn – Pg. 1

- Norway plans the biggest changes in decades to the world's largest sovereign wealth fund, cutting the amount of oil money the country can spend each year and raising the amount the fund can invest in equities by about \$90bn
- The \$900bn oil fund should be able to invest 70% of its assets in equities, up from 60%, the centre-right government said as it backed proposals made by the fund itself and an expert group
- ...the fund on average already owns 1.3% of every listed company. The increased investment in equities would come at the expense of buying bonds as the oil fund, which has an investment horizon of a century or more, tries to increase its returns
- At the same time, the Norwegian government wants to reduce the share of the fund that Oslo is allowed to use in budgets. Under a rule introduced in 2001, the government is allowed to take up to 4% of the fund each year – meant to equal the real return from investments. This would be reduced to 3% under the new proposal as the outlook for returns has fallen

Quantitative easing yields 1bn (euro) profit – Pg. 3

- Germany, where the political and economic establishment has voiced fierce objections to the QE programme, will receive the biggest share of the profits because the Bundesbank is the largest shareholder in the ECB
- The bond-buying programme means that the ECB's balance sheet grew by more than one-third in 2016, from 257bn (euro) to 349bn (euro)

More US car owners behind on loan payments than at any time since 2009 – Pg. 11

- More than a million US consumers have fallen at least two months behind on car loan repayments as the delinquency rate reaches its highest level since 2009, in the latest sign of stress in the \$1.1tn market
- The proportion of soured car loans showed a 13% increase to 1.44% in 2016,
- Delinquency on credit cards also rose by about the same amount over the period to 1.79% - the highest since 2011
- About 4.3m Americans took out a car lease or loan last year
- The average borrower has about \$18,400 in debt on their car loan – up about a tenth from three years ago

US appetite fades for euro-issued bonds – Pg. 18

- The number of US companies tapping Europe's bond markets has fallen this year, with rising relative borrowing costs on the continent weakening the case for cross-border debt
- An extended rally in European credit has enticed US companies to borrow more than 100bn (euro) of "reverse Yankee" bonds in the past two years with corporate bond purchases from the European Central Bank driving down yields
- The shift highlights the extent to which corporate bond issuers have become sensitive to monetary conditions in different regions. Europe's corporate bonds have underperformed their US counterparts since November, raising relative borrowing costs
- Yields on corporate bonds are typically measured as a spread over low-risk government bonds of the equivalent maturity. The credit spreads on a major index for US bonds dipped below their European equivalents at the end of December, for the first time since the summer of 2014. They are now at their lowest level in more than two years

Answer: Mean, Median, Mode

16 February 2017

Question: In the All-world weighting of equities, what is the weight of U.S. stocks?

Yellen makes strong defence of Volcker rule – Pg. 5

- The so-called Volcker rule has been a lightning rod for Republican opposition to Dodd-Frank, the sweeping package of reforms put in place after the 2008 financial crisis.
- The rule, which took effect in 2015, was aimed at preventing banks from using shareholders' money to make risky trades for their own account

Trump Business – Pg. 7

- The Vancouver development – the first Trump hotel property to open since his inauguration of January 20 – highlights the potential for conflict for a sitting president who has refused to sever ties with his still-expanding business empire

- ...the Vancouver development raises the risk of violating the emoluments clause in the US constitution prohibiting elected officials from receiving benefits from foreign governments

Amazon is not to blame for UK property tax woe – Pg. 8

- Business rates are calculated as a percentage and those revenue levels (or “ratable values”) have not been adjusted in almost a decade.
- The hikes have become an occasion for high street retailers to point out that the property tax system puts them at a disadvantage to online merchants such as Amazon. Rents in the semi-rural areas where online retailers have their distribution centres have fallen, so online merchants’ tax burden, already vastly lower than that of merchants with shopfronts, will fall further
- Still more fundamentally, while businesses pay the tax, they do not ultimately bear the burden. If rates declined, landlords would still set rents at the level the market would bear, and keep more of the proceeds for themselves
- ...Amazon pays less property tax simply because it uses less property (in value terms).
- Many tech companies – such as Apple and Google – minimize their European tax liabilities using methods unavailable to bricks-and-mortar competitors. They locate intellectual property in low-tax domains and push costs to high-tax domains wherever possible
- This is not Amazon’s approach. It has a more powerful advantage: its shareholders care little about profit. So it keeps prices low, invests in infrastructure and new businesses, leave next to nothing on the bottom line, pays little tax – and its stock goes up anyway
- Property taxes may be too high but trying to hammer them into the shape of the modern retail economy is a fool’s errand
- A more valid complaint about the UK property tax system concerns the big gap between (high) business rates and (low) residential ones. This encourages landlords to convert commercial to residential units, which can only increase shop rents. Closing that gap is a reform worth talking about

Shares surge to record as Fed rate rise expectations gain momentum – Pg. 19

- Mounting speculation that the Federal Reserve could raise interest rates again next month helped drive an index of global equities to a record high, as a recent rally for financial stocks showed no sign of abating just yet
- US Treasuries continued to retreat – briefly driving the yield on the 10-year note back above 2.5% - although the dollar struggled to extend its run of gains to an 11th successive session
- Core consumer price inflation defied forecasts for a slight pullback as it rose at an annual rate of 2.3% last month, while headline retail sales rose 0.4% in January – more than the markets had expected
- US stocks have a more than 50% weighting in the All-World, and financials have the greatest sectoral influence

Answer: Exceeds 50.0%

15 February 2017

Question: How many banks reported to the FDIC at the end of 2007 vs. currently (approximately)?

Yellen warns of economic uncertainty – Pg. 2

- ...Janet Yellen warned yesterday as she declared “monetary policy is not on a present course”, but that it would be “unwise” to raise rates too slowly
- ...painted a picture of an economy with accelerating growth, higher inflation and a robust labour market that has generated about 16m jobs since its post-crisis trough in 2010
- ...inflation, which at 1.6% remains below the Fed’s 2% target
- The US, she pointed out, added an average 190,000 jobs per month in the second half of 2016 as growth accelerated, leading to an unemployment rate that was 4.8% in January was in line with Fed policymakers’ estimates for “a longer-run normal level”

‘Trump bump’ sparks interest in creation of new US banks – Pg. 14

- Applications for new charters almost ground to a halt in the wake of the financial crisis, as low interest margins, sluggish regional economies and a tighter regulation combined to discourage investors from taking the plunge
- The FDIC is weighing six applications for bank charters from five investor groups, across California, Tennessee, Georgia, Florida and Texas
- There were 8,534 banks reporting to the FDIC at the end of 2007; by the third quarter last year the total was 5,980
- Last April, The FDIC tried to spur new bank formation by shortening the period in which new charters are subject to enhanced supervision and capital monitoring, from seven years to three years. It also waived a requirement that banks of less than three years’ operating experience submit any significant change in business plans for the FDIC’s review
- The Dow Jones small banks index was trading at less than 1.3 times book value at the end of October; it is now at almost 1.7 times

Dollar rallies and Treasuries dive as Yellen sends out hawkish signals – Pg. 19

- The Federal Reserve chair kept alive the possibility of a rate rise as early as next month, ...
- Futures markets moved to price in a 36% chance of a 25bp rate rise in March, up from 30% earlier, but were still factoring in a less than 50% possibility of three rate increases this year
- The 10-year yield was 6bp higher at 2.49%, after briefly inching above 2.5%

Student loan sell-off comes with black marks – Pg. 20

- The decision by rating agency Moody’s last week to downgrade a series of student loans that the UK government packaged up as bonds almost 20 years ago would normally only catch the eye of specialist investors
- Loans securitized by the UK during the 1990s ran into trouble. Private servicers – payment-collecting companies – failed to comply with consumer credit rules when sending notices to borrowers
- ...borrowers automatically begin repayments when their salaries rise above a threshold – currently just under 17,500 (sterling). The repayments are collected by tax authorities out of borrowers’ incomes
- ...US market where more than \$200bn of student loan-backed securities already trade
- In the US, where loans are made privately and through the government, the securitization industry has been steeped in controversy for both borrowers and investors

Answer: 8,534 (2007) vs. 5,980 (currently)

14 February 2017

Question: Why are we all now better liars due to Michael Flynn, former National Security Adviser?

Argentine rise in lending signals green shoots of recovery – Pg. 2

- Peso loans grew 2.7% in October, 3.2% in November and 5% in December. The strongest growth has been in consumer lending on credit cards
- Private sector lending remains tiny by international standards. It represents just 12% of GDP, compared with an average of 51.6% in Latin American and 89.6% in emerging markets
- ...as monthly inflation subsides from 4.5% a year ago to about 1.5% now, interest rates have also fallen, making lending to the private sector a viable alternative

Weak yen helps to fuel Japanese growth – Pg. 4

- Japan's economy grew at an annualized pace of 1% in the final quarter of 2016 as yen weakness spurred a pick-up in exports and business investment
- ...expectations for a 1.1% rise, confirms Japan's economy is back on track after a wobble last summer
- Strength in the yen caused a slowdown in Japan's economy last year that led the BoJ to launch new monetary stimulus in September, when it capped the yield on 10-year bonds at zero
- Given consumption is the largest part of total demand, it will be hard for Japan to sustain the expansion it needs to create a virtuous circle of rising wages, rising consumption and rising prices

Taking sides in the US tax war – Pg. 7

- US importers have serious grounds to fear being hurt. Yet there are potential winners also, because the flip side of the import levy is a tax exemption for exports leaving the US. That stark difference has triggered a corporate civil war between big importers and exporters,...
- The broad tax blueprint does have "America first" credentials: it aims to stop US businesses fleeing overseas and seeks to eliminate advantages the current system gives to foreign companies selling into the US or competing with American rivals abroad. It would also cut the business tax rate from 35% to 20%
- ...most potent weapon is the import duty. Coupled with a tax exemption for exports leaving the US, it was conceived to boost the global competitiveness of American-made products and services
- ...it would end America's unpopular practice of taxing global profits, replacing it with a system of taxing only companies' US earnings. That provides the basis for the measures, known as "border adjustments", that exclude export revenues from tax base while taxing imports

Investors vow action on high pay – Pg. 11

- Several of the world's most powerful shareholders are planning to take even tougher action on excessive bonuses for company bosses in 2017 after investor protests over executive pay reached a five-year high last year

Answer: Rather than admit that one has lied we have learned to admit to only "inadvertently briefing..." and addressing the lies as "incomplete information". (Prof Note: What I have seen over the past year(s) is that there are no consequences to lying and perjury. Of course, with regard to Flynn, all of this

assumes that Pence is telling the truth. Keeping an open mind, all we really know for certain is that someone has lied...sad but true...I have lost faith in political truths and integrity.)

13 February 2017

Question: Who is the richest man on the planet?

Nato braced for US spending call – Pg. 4

- Nato allies want Gen Mattis to flesh out Mr Trump's demands for a steep rise in defense spending and a bigger role for the organization in counter-terrorism operations
- Nato's current long-term objective is to bring defence annual spending in all 28 member states to 2% of economic output. At present, only the US, UK, Estonia, Poland and Greece meet this target

Wall St reforms are good start, Fed governor says – Pg. 4

- Expectations of rising interest rates and lower taxes have also pushed banks' stock prices higher
- When Mr Trump fired the gun on efforts to revise the Dodd-Frank act this month by signing an executive order to review all financial regulation, ...the White House press secretary offered a harsh account of the changes made in the Obama years. "Perhaps worst of all, despite all of its overreaching, Dodd-Frank did not address the causes of the financial crisis, something we all know must be done""it did not solve 'too big to fail' and we must determine conclusively that the failure of a large bank will never again leave taxpayers on the hook"

Anger at Asian currency manipulators misses target – Pg. 4

- ...Japan has not intervened since 2011 and China is currently more concerned with propping up its currency than weakening it for competitive advantage. Even more frustrating for Tokyo and Beijing is that some countries in Asia do manage their currencies
- ...the obvious culprits are South Korea, Taiwan and, in some respects, Singapore
- Taiwan, meanwhile, has a colossal surplus of 15% of GDP while Singapore is even higher at 19%. That means they rely on foreign demand – and thus corresponding deficits elsewhere – for a fifth of a sixth of total output
- ...the real exchange rates for the Taiwanese and Singaporean dollars would need to rise by 26 and 28% respectively to reach fair value
- The US Treasury criteria for designation as a manipulator are a \$20bn surplus in bilateral goods trade, a 3% of GDP current account surplus and purchases of foreign currency greater than 2% of GDP over 12 months

Executive Pay – Pg. 9

- By 2015, Britain's average blue-chip chief executive was paid 4.3m (sterling), 430% more than 1998, ...or three times as much after inflation
- Over the same period average wages...rose only about 12%. In the US, the pay gap has widened even more dramatically
- The pay ratio of the average blue-chip chief executive to the average worker, about 140 times in the UK, has escalated from about 33 times in 1984
- Pay growth in the US has been even more extreme.

Answer: Bill Gates, \$85.9bn

11 February 2017

India News: As I round out my trip, I sit in awe of this world. In India I couldn't help but feel in my bones the experience of hurtling around space at breakneck speed with a rising tide of people. And now, while I look out my window over the uninhabited expanse of Greenland, I feel an immense amount of peace. The reality is that while we artificially draw borders around cities, countries, and continents, we are all on the same tiny little ball -- an island in the universe. And while I still have some faith in the American Dream I see our exported dream starting to look like a nightmare. It leaves me sad. I think back to my speedboat trip to Mumbai, passing offshore oil rigs brought close to the city for maintenance and being hypnotized by the drive for money, for a luxurious lifestyle, for an industrial revolution. Or was it an adrenaline rush to figure out how to survive comfortably in such density? I also reflect on the traffic, on driving through the thick haze of pollution in Haryana and seeing the mountains of smoking garbage. As leaders of the free world, what kind of example have we set? Where are we taking human kind in our drunkenness on fossil fuels? It seems we have sold a valuable dividend paying investment (our natural resources) and spent it on a foolish depreciating asset! What will happen when it all runs out?

Some final thoughts and snippets:

1. The income gap is staggering. Incomprehensible. I can't even read WBJ articles on multimillion dollar homes when I see a poor aging village woman doing detailed needlework by instinct, her eyes clouded with cataracts in front of me. Or when I hear a story that when my aunt went to get a 40 rupee bottle of water for me from the chemist (pharmacy), an injured laborer from the road came up and asked for ointment for his crushed foot (he was working on the road like most laborers). He stood there in shock, debating whether to spend the 20 rupees on the medicine, which was a lot of money to him (about 35cents). Imagine working when you can't eat because you bought medicine. But you can't work if you don't get medicine, which means lost wages and again no food.

3. Some believe President Modi has created a political environment that is at least, if not more, repressed than when Indira Gandhi declared a state of emergency (considered near dictatorship like). He crushes anyone who opposes him, thus paving the way for his future re-election. In the papers it looks like the same is happening at home.

4. I read in the Ahmedabad paper that the head of Cushman and Wakefield India sees the country as one of the most promising in the world. I can see that while the economic engine churns it is clearly at the expense of essentials of life: clean water, clean air, safety for all (religions, castes, genders), food. If the scale hasn't tipped to the point of no return we are certainly headed full speed to such a point.

5. My curiosity is piqued about the UAE/Dubai. Wealthy Indians go there to shop and only have good things to say about it. As I transferred flights in Abu Dhabi, I could feel remnants of an ancient culture in the airline staff that boarded us -- grace, precision, and order. A wonderful last sweet taste of the east.

Question: What is the median wealth of all the 4.8bn global adults?

Brent crude tops \$56 a barrel as Opec sticks to global pact on production cuts – Pg. 1

- Opec countries drastically curbed output in the first month of a new production agreement, in the clearest sign to date that the world's biggest oil producers are committed to living up to their November pact to cut global supplies
- The limits adopted by the oil cartel in January have been "one of the deepest in the history of Opec output cut initiatives"
- Opec has a poor record of meeting targets and does not apply penalties to members which break limits, ...
- Saudi Arabia, the world's largest producer and Opec's de facto leader, shouldered the bulk of the cuts...
- Opec's cuts drove a big drop in world oil supplies of 1.5m barrels a day in January

US president's 'aggressive tone' poses global risks – Pg. 3

- The Trump administration represents a risk to the international economy and global government creditworthiness,
- Donald Trump has sparked consternation at home and abroad with his tough rhetoric and a blitz of executive orders to make good on campaign promises
- The former property developer has already pulled the US out of the Trans-Pacific trade agreement, tried to curtail immigration, criticized judges, clashed with the Australian prime minister and publicly feuded with Mexico's president – moves that have sparked concern in foreign policy circles while also galvanizing his base
- Fitch argued the predictability of the US had eroded, highlighting the "aggressive tone" of the administration and raising the possibility of "sudden, unanticipated changes in US policies" that could have negative global implications

Answer: \$2,222

10 February 2017

Question: In North America how much wealth must an individual have to be considered top 1.00%?

Small-cap guru raises fears over US rally – Pg. 20

- Shares in small and mid-sized companies, which are not included in indices such as the S&P 500, have outshone large-caps since Donald Trump's win
- The rally has been driven by expectations of inflationary fiscal spending and large-scale corporate tax cuts, which benefit smaller companies that cannot lower their effective tax rates through overseas legal subsidiaries. Moreover small-caps are largely domestic and insulated from the stronger dollar
- Although the Russell 2000, home to these stocks, has fallen short of a new high since December, it has advanced almost 14% since the election, close to double the S&P 500's rise. That has pushed the forward-looking share price to earnings ratio to 25 times compared to 17 times for the S&P 500

Answer: \$4.47 million

9 February 2017

Question: In Europe how much wealth must an individual have to be considered top 1.00%?

Investors rush to junk bonds in big bet on Trump pledges – Pg. 1

- Investors are piling into some of the riskiest bonds sold by companies as they bet on Donald Trump delivering on his promise of a stronger economy, lower taxes and less regulation
- The current market rally has allowed the extension of credit to riskier borrowers at appealing terms, with high-yield universe, have risen nearly two-thirds from a year earlier when the average yield for this part of the junk market peaked at 21.7%. Yields fall as bond prices rise
- But lower corporate taxes promised by the new president would free up cash for interest payments by junk-rated companies, while a reduced regulatory burden could bolster margins, ...
- Risk premiums on high-yield and investment grade corporate debt – a measure of the spread investors demand to hold those bonds over haven US Treasuries – have fallen to within 259bps of each other, ...
- That is down from a peak of more than 650bps a year ago,

Central bankers go head to head over Brexit stability risk – Pg. 3

- What are potential risks?
- ...without a post-Brexit market access deal, European banks and businesses would find it harder to tap the city's dominant derivatives market and find essential products to manage their balance sheet risks
- A hard Brexit could also drain market liquidity, raise doubts over the validity of cross-border contracts, and generate alarm by obscuring financial exposures
- Eurozone central bankers are sanguine for three main reasons: they view the risks as moderate, believe the worst effects can be mitigated and are confident the EU has the regulatory levers to respond if the dangers are greater than expected.

Selling off student loans makes next to no sense – Pg. 8

- The student loans in question were transacted between 2002 and 2006
- The important feature of these loans is that repayments are on an income-contingent basis
- The government is in an ideal situation to deal with this, because it has a unique ability to monitor earnings of graduates, enforce payment and bear the risks

'Buy' rating miss raises research doubts – Pg. 18

- Shares of UK-listed companies favoured by analysts at the start of 2016 lagged behind the wider market last year,...
- The 10 FTSE 350 stocks that were the most popular with analysts in January 2016 – all with "buy" ratings – returned an average of 2.1% over the year while the 10 least popular returned an average of 56.2%, ...the index itself rose by 12.5%
- Only three of the 10 least popular fell in value, two more than doubled and four rose more than 50%
- Faced with increasing regulation and falling profitability, the 12 leading global investment banks have cut the number of research analysts they employ by a tenth since 2012

Answer: \$1.41 million

8 February 2017

Question: In Asia-Pacific and China how much wealth does it take to be in the top 1.00%?

Chinese forex reserves fall below \$3tn – Pg. 2

- China's foreign exchange reserves dipped below \$3tn in January for the first time in five years, but the decline was the lowest in seven months as tighter capital controls and a stronger renminbi discouraged outflows
- China's reserves peaked at \$3.99tn in June 2014, but since then the central bank has sold dollars aggressively to curb renminbi depreciation
- The renminbi weakened by 6.5% against the dollar in 2016, its biggest annual decline on record
- Rising Chinese interest rates have also increased the appeal of keeping money in the country
- China's central bank and foreign exchange regulator have imposed new restrictions in recent months as they seek to staunch the flow of cash moving offshore. The measures include tighter approvals for foreign acquisitions, stricter rules on forex purchases by individuals and limits on cross-border renminbi remittance, which enables investors to buy foreign currency in the unregulated offshore market

Investment – Pg. 7

- Banks are under pressure to cut costs, and while analysts cost less than a star trader or M&A rainmaker, their contributions to profits are more ephemeral
- New EU rules, due to come into effect in 2018, will force asset managers to pay directly for research, rather than do so surreptitiously by pushing business to the banks whose analysts they like.
- ...estimates that the global investment research spend is roughly \$16bn annually, but that is expected to shrink drastically in the coming years
-plan to slash their research budgets by 30%. Although the cuts will be heaviest in Europe, no region will be spared
- Yet the amount of research actually consumed is depressingly low, with some industry insiders estimating that only between 2 and 5% of all reports produced are actually read

China's budget hotel brands start to go global – Pg. 12

- The number of budget hotels in China leapt from fewer than 500 to more than 16,000 in the decade to 2014. But the sector has become less profitable since 2011....
- Chinese hotels have been leaders in online bookings

Answer: \$660,000 and \$230,000, respectively.

7 February 2017

Question: How many jobs were created in the U.S. in January 2017?

China scrutinizes corporate tax after US pledges – Pg. 5

- US president Donald Trump's pledge to cut corporate taxes has triggered a debate across the Pacific about taxes and fees China levies on businesses and whether those could leave the manufacturing colossus uncompetitive in future
- The attention comes amid a revamp of the country's tax structures that for now would increase the budget deficit, yet long-term aims to channel more tax revenues to local

- governments, reducing their unstable reliance on land sales and ad hoc fees to meet budget needs
- China and the US are not the only countries worrying about their tax competitiveness. The UK has floated the idea of becoming an offshore tax haven to maintain its investment appeal after it leaves the EU. In May, Australia outlined plans to cut company tax rates from 30% to 25% over the next decade to try to become a more competitive location for foreign investment
 - Piling on corporate taxes and fees has become a safety net for cash-strapped local governments, which also leaned heavily on land sales for revenues at the peak of China's economic boom. The practice began in the 1990s after a tax revamp funneled more revenue to the national government in Beijing, leaving local governments to fall back on creative substitutes to balance budgets

Student loan bonds: subprime scholars – Pg. 10

- Rote learning is based on memorizing facts and figures. When it comes to lessons from the last financial crisis, some regulators pledged to never revive the asset-backed securitizations that proved such terrible value for money
- Yesterday, the UK government had a memory lapse: it announced plans to sell 4bn (sterling) of student loans on the ABS market
- Such assets were dubbed “toxic” after the crisis, a description aimed at instruments whose underlying securities were subprime mortgages
- The similarities with student loans are striking. Borrowers are not subject to credit checks. Almost any university student can take out a loan. Levels of arrears and losses are comparable to subprime ABS, ...

US yields fall as inflation prospects fade – Pg. 18

- Benchmark US Treasury yields fell yesterday morning, with a focus on five-year debt indicating a shift in investor sentiment and a belief that subdued inflation will prevent the Federal Reserve raising interest rates in coming months
- The five-year yield was 1.87%, below its 1.92% 50-day moving average – a closely watched gauge of market momentum
- ...bond market has halved the probability of a March rate rise to about 12%

Dollar index creeps above 100 as Trumpflation enthusiasm runs out of steam – Pg. 18

- The dollar found renewed support among currency traders yesterday despite lingering doubts about its ability to mount a sustained push higher in a climate of US economic and political uncertainty
- Gains over the euro and sterling helped push the index that measures the dollar against its main peers back above the psychological 100 benchmark

Answer: 227,000

6 February 2017

India News: People talk about how great the new Mumbai airport is but all I wonder about is how much the custom glasswork cost. What I am impressed by is the Delhi domestic airport. Back in cattle class I stand in long lines, the smell in the bathroom makes me want to hurl and the only place to sit is on the stairs since it's so busy. However this place is a retailer's dream -- it is like a busy shopping mall that

happens to have buses that take you to a plane. I notice, Dulles included, a shopping mall feel evolving in airports. Delhi is the only one on this trip that has nailed it. Three levels full of captured audience foot traffic! Full, not claustrophobic, just full.

Delhi metro was also packed today. They have separate compartments for women but poor signage for it so I stood huddled with a group of 3-5 women near a door during the trip. Watched the passing of ancient tombs, garbage filled slums, and sick looking rivers. The airport is the only place I am in my comfort zone in this city. Everywhere else in Delhi I have been hyper aware (scared), not because I am a tourist but because I am a woman. The streets are full of men. Finding my entrance to Noida (factory district) metro stop is terrifying. I only ask women for help. A cop is super nice in telling a shopkeeper to give me change for my high currency note so I can buy a token. Ironically the token has a PayTM (mobile pay app) ad on it.

Visited a sustainable textile factory today, it is a last string of hope in an automated, low price commodity driven environment. The craftsmen were incredible. The amount of labor and skill required to weave, dye, print, and embroider fabrics we take for granted is UUUUGE (really uuuuge, not alternative fact uuuuge).

Arriving in Ahmedabad. Another metro under construction and another new airport -- I have to ask why every single new airport interior I see in India has so much white tile/flooring/walls/ceilings. India is way too dusty of a country for this! Can't recognize the city, the new large roads hide the reality of life behind them. I still see some people and families curling up for the night with their children on the footpath outside the famous India Institute of Management, Ahmedabad.

Environment: The river Sabarmati, once a healthy vibrant perennial body of water where Gandhi set up his Ashram, was dead. The water source of it was urbanized and so it dried up. Another river now has a dam that diverts water to fill up the Sabarmati. Every so often they let the water run a bit to get some movement in it. Artificial rivers...this is what it has come to! The banks of the river were originally inhabited by slums that became a hotbed for criminal activity. The slum dwellers and the villagers by the dam were removed and now a modern waterfront is steadily opening up to the public. Checking it out tomorrow.

Urbanization: As I read the landscape I am disheartened. Development in all the cities looks car oriented. Although I see cranes around the Noida stop, Metro, BRT, and walkability were clearly not the foundational elements for planning. In fact I hear the common complaint about the complete lack of urban planning. It is a great time for car companies -- I hear in Pune that 3,000 new vehicles are registered everyday. Where is the space for this? In Bombay people have drivers since there is no space to park. The drivers go around until you are done with your errand. A driver in Delhi shared his view: there is a race for more money, more things, more stuff while the time for family and friends is eroding for the common man.

I wish India had learned from our mistakes in the US. Why are we losing what's important in life in the empty name of "progress"? Greenspaces, farmland, and natural resources are evaporating under condos, shopping malls, boring office buildings and giant roads. Traffic congestion is terrible. Chemical farming has killed soil biology and reduced productivity. Poor cotton field management has led to the evolution of BT resistant pests, which is a major threat to the industry.

Education: Global feedback about Indian tech workers was that they weren't well rounded. The market

is responding with universities now offering a liberal arts curriculum. Students have a range of courses to study from rather than the former technical engineering/medical paths. Entrepreneurship is trending with money being poured into startups, most of which fizzle out. Kids are looking to try it for a couple years and if they fail they get real job. There are similar investments in e-commerce sites. Most of those fizzle out too and let's be real, who can really compete with Amazon?

Opportunities in the market: Good maternity clothes, maternity bras, good bras in general. Affordable cold-chain logistics for small scale wholesalers. Biodegradable packaging for foodstuffs. High quality cured meats. Effective marketing/distribution/value add of many small scale traditional crops.

Question: What is the Average expected retirement age currently v the average actual age among retirees currently?

Nafta crisis is going to affect all global trade, warns Mexico - Pg. 3

- The potential collapse of the Nafta economic bloc could have huge global impact, ...
- Having taken up the US presidency with an America First policy, Donald Trump has withdrawn from a 12-country Pacific Rim deal negotiated by Barack Obama and vented his frustration with large bilateral trade deficits with countries such as Germany, Mexico and China
- That the US might be contemplating using relations with its third-largest trade partner to blow up the international trade order demonstrates how bilateral relations have soured since Mr Trump became president last month
- Efforts to rethink the US –Mexico trade relationship, which is worth \$580bn a year and has anchored security co-operation between the two nations, have got off to a rollercoaster start in the past two weeks
- The real possibility that the pact will fall apart has brought into focus a 23-year-old relationship long taken for granted by both sides
- The Nafta crisis is also forcing Mexico to look in the mirror – and the image staring back includes stagnant growth, wages and productivity, amid corruption and crimes going unpunished

Eurozone springs surprises and quietly outshines US – Pg. 4

- The Eurozone economy has now posted 14 consecutive quarters of growth, the unemployment rate has returned to single digits and economic sentiment has reached its highest level in six years.
- Job creation for the Eurozone accelerated to a near nine-year record in January, while output continued to grow at the fastest rate in five-and-a-half years
- ...over the past decade, GDP per head in the Eurozone grew at an average of 1.9% a year, not much below the 2.4% rate recorded in the US. And ordinary families will have benefited more in Europe, because inequality is not rising as fast as in the US

A death in Alabama – Pg. 7

- With automation on the rise and unionisation on the decline, manufacturing jobs no longer guarantee a secure middle-class life as they often did in the past. Much of the new work is low paid and temporary

US climbs above Britain in public-private projects – Pg. 16

- The US has outstripped Britain for the first time to become the global leader in privately financed public sector infrastructure projects such as roads, airports, railways and bridges
- Although the UK created the model for public-private sector partnerships in the 1990s, 30 new-build projects with a value of just \$4.85bn were launched in the year to December 2016
- Under PPP schemes the private sector enters into long-term deals to design and build roads, hospitals and schools, with maintenance included in the contracts. They will continue to be financed by private debt, with equity paid for by a revenue stream from government

Answer: 66 and 62, respectively.

4 February 2017

India News (graciously provided by a reader): On the way to visit a new university we pass through bungalows, sprawling gardens and massive old forts. These are the last signs of order in Delhi before we venture to Haryana on enormous new highways with flyovers that circle around you like temples to the god of asphalt and concrete, if there was such a thing. The air becomes thick and the horizon is no longer the end of the earth but where the smog meets the ground. The pollution is literally a smoke screen hiding the complete and utter jumble of unplanned development -- tangled dangerous looking neighborhoods that many people won't visit. It is the other extreme of Lutyens's Delhi, which is in the southern part of the city. There I see old lush trees and servants walking safely from their designated housing to work. It reminds me of Mass Ave. in Washington. We then pass a mountain, which is in fact a massive pile of garbage. A toxic pile smoldering that smoldered as if sticks of incense have been placed on the slopes. It is impressive.

We arrive. Ashoka University is aiming to be the first Ivy League of India. My first impression is that it is an oasis in the cloud of dark gray air that we have been driving through for about an hour. The morning lecture was "Shifting Balance in South East Asia and the Rise of China: A View from the Front Row" taught by a former journalist for the Far Eastern Economic Review who covered the fall of Saigon, even after the Americans left. The students are brilliant and his front line stories give context to history (consequently giving context to the modern world). At lunch he shares a laugh -- a Russian or Chinese visitor would be offended by the running dogs statue in the front lawn and no one gets the significance anymore. There is clearly a groundswell of highly motivated, intelligent, and modern young Indians. I can feel the buzz of excitement and growth.

There is so much knowledge to be passed down and I am concerned that we (America) will lose it in our addictive culture of entertainment. I also wonder what will happen to India, a country of 1.2Billion people, where 70% are in an 'unorganized' economy (i.e. day to day work: 50% in farming and 20% laborers doing odd jobs like scraping and sweeping dirt off the concrete road where a construction truck has just left mud) once AI takes automation to an unprecedented level.

Anyway, the teaching, architecture, and construction site here is on par with, if not just a cut above, any top American institution and comes at a fraction of the price ~\$12,000/year including room and board.

On the way home we pass these enormous glowing neon wedding venues and water parks, one after another, set up like the Indian version of a bustling Route 1 or Rockville Pike. Traffic is ridiculous. Also there are lines of cargo trucks going down the highway carrying loud speakers and overflowing with men

dancing to blaring Bollywood music for a religious festival tomorrow (blurry picture attached)...illustrative of GDP growth fueled by the economy of the masses (truck rental, dj, booze, food etc.)

I am hearing polar opinions on Trump recently. Mostly Indians are dealing with their own version of Trump and the debate is who is worse Trump or Modi?

Question: What is the size of the U.S. retirement savings industry?

Trump starts drive to gut Wall St rules – Pg. 1

- Mr Trump's push to overhaul the Dodd-Frank Act, which includes prohibitions on financial institutions' trading for their own benefit, heralds the biggest regulatory shake up in six years and sent bank shares sharply higher
- Mr Trump also ordered a review of a controversial Obama-era rule that would force investment advisors to act in the best interests of their clients
- The president's ability to pull apart Dodd-Frank on his own is limited. Only Congress can make big changes to the law, and although regulators have some discretion over how to implement provisions, they must go through a cumbersome process to alter their rules

Republican attack on Fed casts doubt on global banking rules – Pg. 2

- The future of cross-border co-operation on bank regulation in the Trump era has been thrown into doubt, with domestic pressure mounting on the US Federal Reserve and a senior member of the House of Representatives calling on the central bank not to negotiate new rules at "secretive" international bodies
- Ms yellen has said she plans to serve out the rest of her term, which expires in 2018

Trump puts brake on 'client first' fiduciary rule – Pg. 8

- The \$16tn US retirement savings industry faces renewed uncertainty after the Trump administration said it would review a "fiduciary rule" that forces retail brokers to put their clients' interests first
- Insurance companies, whose annuity products were going to become harder to sell in the US under the new regime, also rose

The Stanford dropout aiming for a \$25bn Snap judgement – Pg. 9

- A Stanford dropout, the 26-year-old stands to become a multibillionaire when his tech group goes public in the coming weeks
- ...turned down a \$3bn acquisition offer from Facebook less than four years ago
- (Prof Note: I summarize here as I continue to become disillusioned with higher education. On Nevis I ask those playing the course what they do (have done) and a majority are business owners or have sold their businesses. In my 21 years education has changed. In some ways, I fear it has lost its ways. It makes followers rather than leaders. When I ask students what they want they usually say, "a job." The answer I hope to hear, "Build a business, built wealth, build a company." Also, for the record, had this gentlemen been my child I would have thumped him for turning down a \$3bn offer....shows you what I know!!!)

Stocks brighter but dollar falters as US jobs report lacks lustre – Pg. 12

- The big focus for the foreign exchange and fixed income markets was news that 227,000 jobs were created in the US last month, far more than forecast, although the unemployment rate rose to 4.8% against expectations for it to remain at 4.7%
- Furthermore, the annual pace of average earnings growth slowed to 2.5% from a downwardly-revised 2.8% in December

Answer: \$16tn

3 February 2017

Question: How many jobs were added in the U.S. in January 2017?

Deutsche Bank cutbacks under fire as rivals ride Wall St bounce – Pg. 1

- Deutsche Bank was unable to match the spike in trading revenues enjoyed by US rivals at the end of last year and instead posted an unexpectedly large operating loss, leading investors to question whether the bank's efforts to cut its way to profitability is faltering
- The five biggest US banks reported a 44% surge in revenues from fixed income, currencies and commodities trading arms in the last three months of 2016

Interest rate held after BoE growth upgrade – Pg. 4

- The Bank of England has significantly upgraded growth forecasts for the next three years but left the main interest rate its record low of 0.25%
- The bank predicts 2% growth this year, up from its 1.4% forecast in November, 1.6% in 2018 and 1.7% in 2019
- The latest forecast imply the economy will be 1.5% smaller in three years' time than it would have been without Brexit. This is significantly better than the 2.5% reduction that was forecast in November
- ...the bank still expects it to overshoot the 2% annual target for a prolonged period, peaking at 2.8% in the first half of 2018
- In November, the bank forecast unemployment would rise from 4.8 to 5.6% by the start of 2019. They now expect unemployment to rise no higher than 5%

Fed's do-nothing approach to rates lets dollar resume downward path – Pg. 19

- The dollar resumed its downward path and Wall Street had another cautious session as the markets awaited today's US employment report for further clues as to the likely path of Federal Reserve policy
- Sterling bucked the trend as it sank 1% against the dollar to \$1.2529, and 1.3% versus the euro to 1.1603 (euro), following the BoE's meeting
- US Treasuries pared early gains, with the 10-year yield down just 1bp at 2.46% after earlier touching 2.433%. The 10-year German Bund yield fell 4bp to 0.43%

Answer: 227,000 jobs...unemployment at 4.8%

India News (graciously provided by list-serve participant): Thankfully two things remain constant in Goa. Shack culture (seasonal shacks put up on the beach where you can wake up and get a decent cheap meal, beers and and move at a very slow pace) and the Anjuna Saturday Night Market. The beaches are the best! A sense of freedom with warm water,

no lifeguards and you can hop straight out of the water and sit in a good restaurant. At the market I was surprised at how much it has grown and how many foreigners had stalls. Their products were displayed much better compared to the standard Indian village style. Given the fashion wares it looks like electronic music/raves are still part of the Goa scene though we didn't pursue it this year.

Changes: INDIAN HIPSTERS and a heavy infiltration of western culture in dress, brands, and behavior. Girls standing in the latest restaurants and taking selfies in their aviators and Kardashian like lips with the ocean behind. People in general are on their devices a lot more than 5 years ago. I am being a bit hypocritical as I am also addicted to taking pictures on my phone but it irritates me nonetheless. For me Goa was always a clean getaway and a time to get away from materialism, sit in a shack, eat and drink on the cheap, and listen to a unique style of electronic music. The crowd used to be from all over the world. Now there are a LOT more Indian people, of all economic ranges. I see more litter, air pollution, and we are more wary of which beach to visit in order to avoid creepy pervs and crowds. Because of this we are staying in North Goa. We have been moving our trips more north over the last 15 years. Known to be run by the Russian Mafia you will see the Russian language all over the place. My guess is they are also headed more north and I wonder what will happen when we run out of coast. I hear many foreign tourists now choose other islands to vacation in place of Goa.

Though internet is still spotty and Uber isn't here, I can see GPS killing the experience of exploration and human connection. We used to get around by the wooden post at intersections, each with the hotels/big shacks posting their small faded signs as to which way to go. Definitely a take the road less traveled journey. "Follow the signs to XYZ hotel, take a left at the farm then a right at the concrete stump etc. and you will find the party". I hear the infamous outdoor parties have become more private as the old venues have become too commercialized. There are also gas stations, which sounds minor but we used to have to pick up petrol in old water bottles from a roadside "shop" (think bamboo and blue tarp) for the scooters and bikes.

Goa was a Portuguese colony that India took back in the early 60s. I got to see a couple stunning old restored houses (~1920s) as one family in our group is working on a home a bit inland. The type of roof tile and way the house is shaped keeps the temperature cool inside and they have been designed for social interaction or enjoying a thoughtful beer in the shade. Thin shells have been used on the shutters to keep the light muted.

All in all some very cool new things to see and I am also a bit sad to see the old days disappear.

(Next day) I am very sad to hear the trump travel ban news and I am struggling to snap out of it. Life is going on here as if the US is a world away. A very famous Bollywood star was staying at our hotel. I am as ignorant about him as the Federer/Nadal match and it reminds me how easy it has been for me as an American to distance myself from the rest of the world and consequently loose touch with it.

2 February 2017

Question: What is the notional value of derivatives contracts currently outstanding?

Tax reformer aims for US to 'leapfrog' rest of world – Pg. 2

- The blueprint would tax imports and exempt exports as part of a move to encourage domestic production and help fund a big cut in the 35% corporate tax rate. The reforms have the potential to disrupt corporate supply chains, global trading patterns and the currency markets
- They pose a far-reaching threat to European countries such as Ireland that have been seeking to lure US companies with aggressive corporate tax cuts
- They would work by not letting US companies deduct the cost of imported goods from their taxable profits, while giving exporters a rebate by excluding foreign sales from taxation

Devaluation claims raise currency war fears – Pg. 4

- US presidents have long declined to comment on the value of the dollar or other currencies, instead emphasizing confidence in the greenback's strength. Traditionally, the job of addressing currency questions has been left to the Treasury secretary
- But Mr Trump has so far declined to move ahead with his high-profile campaign promise of officially declaring China a currency manipulator – a potentially explosive step
- Japan intervened heavily in the currency markets in the early 2000s to weaken the yen. It did so again after 2008 financial crisis and most recently after the 2011 earthquake and tsunami

Get-tough signals from US on laundering cash – Pg. 12

- Big banks are warning that money-laundering is one area where they expect Donald Trump to maintain tough regulatory standards, despite the president's pledge to ease burdens where possible
- On Monday, Mr Trump ordered a cap on all new regulators affecting business, signing an executive order that establishes a "one in, two out" rule for any new regulations
- (Prof Note: In the past few years I have noticed a significant increase in the difficulty of moving capital from the U.S. Foreign banks are concerned about the U.S.'s draconian reporting requirements.)

Derivatives 'Big Bank' catches traders off guard – Pg. 18

- Almost a decade on from the financial crisis, a global deadline for the reform of the \$544tn derivatives market has triggered a scramble by hundreds of small banks, insurers and pension funds
- Global regulators have succeeded in pushing three-quarters of the interest rate derivatives market, or what are known as standardized trades, into clearing houses that sit between a buyer and seller and are there to manage the fallout should one side default. The remainder, with a notional value of \$110tn, is made up of bespoke deals that are harder to value and price
- The first hurdle for those not yet compliant is to rewrite contracts, known as credit support annex (CSA) that underpin derivatives contract

Answer: \$544tn

India News: In Bombay (Mumbai, if you want to be technical) it seems that regardless of who or where you are, you get 1 hour of water every morning. You store it in your house in tanks for use during the day. In previous droughts the government has scaled back to water access every two days and everyone had to use it sparingly.

Also, I heard today the government is not issuing two types of permits for new development projects in Bombay due to a massive fire in the garbage dump area in 2016, which has grown to epic proportions and suffers from neglected management and bias towards the slum dwellers surrounding it (many Muslim residents). So while much of the city sees cleaner streets and modernization, many are left without access to clean water (e.g. A CNN article reports people bathing once every 5 days and then drinking water from the same drum that is full of worms), heavy pollution, and complete abandonment by the government.

Today I saw a massive walking bridge when visiting a friend's mom in a neighborhood called Tardeo. My perspective as an outsider is that the infrastructure here looks like people are throwing whatever they can at this city to make it work. I am continuing to find the chaos delightful to witness.

(Day later) Traveling to Goa this time has been eye opening. There is a new airport in Bombay AND Goa, MORE flyovers MORE road construction. Let's talk about construction a bit and what I see as a passenger in a car driving by. For the first time I am seeing hard hats/uniforms/safety vests, even fall protection on big buildings. On the roads I see lots of women in construction. Day laborers -- thin women dressed in saris moving heavy stones from where the trucks dump materials to where the men are assembling. Men do backbreaking digging and other skilled labor. Children too young to work run around their campsites, which seem very close by. Their tents are simple triangles made from sticks and covered with a blue tarp. As I drive by some sites I see the same as in the US, 5 men standing around and 1 doing the work! This bizarre phenomenon always makes me laugh.

A Goan woman told me today that the reason the beach towns are not overbuilt yet is because the Portuguese left behind a legacy that all family members have a right to a property as heirs...so it makes it hard to purchase and develop.

PS. I was having trouble breathing and was getting super fatigued in Bombay. I am convinced it was the pollution given that the Goa air has cleared things up. Others think it was the heat and humidity that I wasn't accustomed to but live online air quality data being red and purple (~200-300+ppm) throughout the day and the Weather Channel app showing me a current status of "smoke" makes me think the symptoms were from more than just the weather.

1 February 2017

Question: The average University endowment has shrunk by what percentage in the past recorded year?

Trump trade chief accuses Berlin of using weak euro to exploit US – Pg. 1

- Germany is using a “grossly under-valued” euro to “exploit” the US and its EU partners, Donald Trump’s top trade adviser has said....
- The euro jumped to an eight-week high of \$1.08....

- Angela Merkel, German chancellor, responded by saying Germany could not influence the euro
- The Trump administration has denounced alleged currency manipulation by its trading partners
- The new president has said he prefers bilateral trade deals to the broad multi-lateral accords pursued by Barack Obama
- Germany's trade surplus with the US and much of the Eurozone has caused friction in Brussels and Washington for years, with both urging Berlin to boost domestic demand to rebalance its economy

Congress moves to repeal Obama business regulations – Pg. 2

- The Republicans want to use the Congressional review Act, a 1996 law that has until now been used only once to strike down a regulation, to quickly roll back a swath of regulations introduced in the final year of the Obama administration
- Rules covering the wastage of gas from oil production, payments to governments around the world by natural resources companies, and pollution of streams by the coal mining industry are among the first targets
- Mr Trump has placed a vow to slash government “red tape” at the heart of a pledge to create jobs and spur economic growth by energizing US business

Bank of Japan holds interest rates on hopes of US stimulus – Pg. 4

- Japan's central bank predicted the economy would grow significantly faster than its long-run trend to March 2019 based on easy monetary policy, government stimulus and a pick-up in growth overseas
- The forecasts highlight how yen weakness, based on an expected US stimulus, has transformed the outlook for Japan, giving BoJ governor Haruhiko Kuroda renewed hope of an escape from two decades of on-and-off deflation
- Policy board members increased their economic growth forecasts from 1% to 1.4% for the year to March 2017 and from 1.3% to 1.5% for the year after that. Given Japan's falling population, such a pace is more than a percentage point above the long-run trend – equivalent to growth of more than 3% a year in the US
- The BoJ hopes labour shortages will feed through into rising wages, providing fuel for higher consumption and pushing up prices towards its 2% objective. Inflation is stuck close to zero

Eurozone growth defies uncertainties – Pg. 5

- The Eurozone economy ended 2016 in good shape, boosting hopes that the region's recovery is strong enough to shake off the political uncertainty sparked by Britain's Brexit vote and the election of Donald Trump in the US
- GDP....beat analysts' expectations and showed the euro area expanded by 0.5% in the fourth quarter, taking growth to 1.8% since the final quarter of 2015
- Inflation across the currency zone rose to 1.8% in the year to January, up from 1.1% in December on the back of a sharp rise in energy prices

Rates decision Fed expected to keep options open – Pg. 5

- The Federal Reserve is likely to hold interest rates unchanged today but keep the markets primed for further monetary tightening as it surveys steady growth and a tightening labour market
- The fact that rate-setters have started talking about how to reduce the size of the Fed's balance sheet also sends a hawkish signal about 2017.
- The next two US rate decisions will come on March 15 and May 3

US college endowments face funding crunch – Pg. 13

- More than three-quarters of US universities saw their endowments shrink in the most recent financial year, as their investment portfolios lost money and spending outpaced new donations
- The average endowment shrank 2.9%,
- The average 10-year investment return has fallen to 5%, below the 7.4% target that universities say allows them to cover their spending obligations plus inflation and other costs
- The shaky return environment means endowments will have to lean more heavily on alumni and other donors if they wish to maintain annual spending rates that averaged 4.3% of their funds
- Harvard remains the largest endowment with \$34.5bn, despite shrinking 5.2%, more than the national average, followed by Yale and the University of Texas
- Last week, Harvard said it was laying off half the staff in the investment office and would outsource much more of the work to outside asset managers

Answer: 2.9%

31 January 2017

Question: How much cash does Microsoft hold?

NAFTA – Pg. 9

- ...Donald Trump is threatening to pull the trigger on a trade war with Mexico that could blow apart a relationship worth \$1m a minute
- Mr Trump's gambits include floating a unilateral 20% tax on Mexican imports, humiliating Mexico by signing an executive order to start construction of a border wall while its ministers were in Washington and telling Mr Pena Nieto it was pointless to hold the summit unless he agreed to pay for the barrier
- The tax move has an echo from the early 1970s when the Nixon administration imposed a 10% import duty on Mexico
- ...the motor industry has been one of NAFTA's big beneficiaries – the pact's greatest gift to Mexico has been security for companies to do business
- US inflows to its neighbor, Mexico's biggest source of foreign direct investment, have risen by more than six times to \$100bn since Nafta entered into force in 1994

- Salaries in the car industry are as much as six times lower south of the Rio Grande, something that has enabled a division of labour among the Nafta partners within the integrated supply chains that the trade pack has spawned
- Mexico exports 80% of its goods to the US, but those exports contain 40% US content
- Despite the 5m US jobs that depend on commerce with Mexico in industries ranging from car parts to dairy products, the bilateral relationship goes well beyond trade
- ...It is the \$60bn US trade deficit with Mexico that Mr Trump appears to see as an unbearable injustice and the reason for his vow to either negotiate a Nafta that is better for American workers, or walk away
- Mr Pena Nieto....needs a credible threat....that could take the form of halting anti-narcotic, security and immigration co-operation or even revoking the visas of federal US employees in Mexico (Prof Note: If I had property in Mexico I would be worried!)

Microsoft to issue biggest bond of year – Pg. 20

- Microsoft was finalizing plans to borrow at least \$14bn yesterday, in what will be the largest corporate bond sale of the year so far, as the US technology company joins a rush to tap debt markets ahead of expected interest rate rises later this year
- Companies, governments and their agencies have borrowed more than \$600bn in 2017, the strongest start to a year since 2013
- Microsoft, which will issue debt across seven maturities ranging from three to 40 years, earmarked the borrowings for general corporate purposes, including share buybacks and capital expenses
- ...investors are also braced for corporate borrowing to drop off later this year, as they await policy changes in Washington that could allow companies to repatriate billions of dollars held overseas in anticipation of lower US tax rates
- Roughly 95% of Microsoft's \$123bn of cash was held overseas at the end of 2016, ...
- Microsoft's new issue, rated triple-A by Moody's and S&P Global, is the latest in a string of mega bond deals as bankers have explored the limits of investor appetite

Answer: \$123bn

30 January 2017

India News (Graciously provided by former student): Been in Bombay less than a day and it has left me speechless as I have never experienced the city like this before. My memories of this city were shaped when I was a kid, flying in through the old airport at 2am and seeing Asia's largest slum spread out beneath me. Then driving home looking at lines of men wrapped up in blankets sleeping on the footpath (the British really left a much larger space to walk here, a "sidewalk" isn't the right word) and the occasional little cooking fire that illuminated tents with a young mothers keeping restless toddlers occupied.

This time, however, I came to Bombay on a private speedboat from Alibag, which is a nearby village (literally a village) where the rich to build big bungalows (super fancy) to get away from the crowded city. I've never been in houses like Alibag before. I could have pulled them out of an Architectural Digest

magazine -- staffed with people in uniform and all. Anyway, it was a spectacular site pulling up to Bombay from water at the Gateway of India right next to the Taj. For 30 years I've been shocked by the poverty of India, now I am shocked by the wealth and I am actually having a hard time articulating what I saw in Alibag and now in Bombay. (Your Trump news is on point, the money and development here has so much momentum, a world apart from the US during recession days although I would argue that there is plenty of money and an active construction boom in the US 2012-2016.)

India is a country of extremes, it's ultra modern/old agrarian and there are extremely rich/pitifully poor people. I am staying with one of my cousins, who lives in the same building as her husband's family. Ratan Tata's bungalow (I'm sure you've heard of the Tata Company, if not then definitely look it up) is literally next door. Money makes this country SO much easier to be in, actually really RELAXING to be in. Leftover traditions of British hospitality, design, and luxury are unmatched in the US.

Note on Alibag: People have a car they leave at the dock so when they arrive from Bombay on their private speedboat they can head easily to their getaway house. Speedboat > the ferry. One of the relatives came back to Bombay on the ferry last night and said it was hell. She waited in the hot sun for an hour and was crammed onto an overbooked ferry that took much longer than the quick easy 15min trip we had. There are rumors a bridge is going to be built to Alibag from south Bombay, which will change the real estate game there. Property values are some of the highest in the world in Bombay so open farmland like Alibag will be a premium if access is easy. I am reminded of industrial days in the US early 1900s- 1930s where the places like Mt. Washington were used as getaways from Baltimore and Kensington from D.C. I'm also reminded of The Wharf in SW DC that will soon use our rivers for transportation (See what I mean? Old and new, everything happening at the same time.) The chaos is beautiful.

There is visible investment in infrastructure to keep up with people and traffic. I am seeing a Metro being built in Pune and Bombay in addition to flyovers and new types of bus lanes. Flyovers remind me of our dumb car oriented development in the 20th century and make me want to poke my eyes out. I hope it doesn't backfire in the long run. With driverless cars who knows, maybe it will work but green building/planning is only part of CSR and I don't see it being consumer driven like back home in the US. Also got a chance to sit in on a lunch conversation between a developer and land owner -- reminded me of Julian's global perspectives in real estate class and was grateful to have had a chance to take it.

It is quite possible all this money and ballerness has been around in the states and in India and I just haven't seen it before. Either way, seeing how the business class lives (I made that term up to describe business owners) has taken the stress off India and turned it into a whole lot of fun.

I won't comment on currency since it the day after I sent you that email Trump made a comment and the rupee dipped! Everyone loves talking about Trump here. I'm curious if his protectionist rhetoric will slow growth in India or if he will bond with President Modi on their hatred of Muslims.

Goa on Wednesday. Will send news as the trip continues.

Question: What is the total value of one- to four- family residence mortgages outstanding in the U.S. as of 2016Q3?

MBA graduate salaries rise at fastest rate for decade in 'golden age' for jobs – Pg. 1

- ...paid an average of \$142,000 in 2016, three years after they completed their studies. The previous year's cohort of graduates earned an average of \$135,000 after the same period
- The last increase of such a size occurred in 2006; salaries flattened after the financial crisis, sticking at about \$127,000 between 2008 and 2013
- The highest-paying sector for MBA graduates in the FT's ranking list was financial services, whose employees on average earned \$159,000, followed by ecommerce businesses, where it was \$154,000
- Alumni from Stanford Graduate School of Business boast the highest average salary at \$195,000
- An MBA at a top 100 business school is a significant investment: fees are now equivalent to 8.7 months of gross annual salary three years after graduation, up from 6.2 months in 2006. When adding living expenses and, more importantly, the opportunity cost – the cost of leaving a job to study full-time – the total for a top two-year MBA in the US exceeds \$300,000

Chinese pump \$33bn into overseas property – Pg. 16

- Chinese real estate investment abroad rose by more than half last year to a high, highlighting the potentially disruptive impact of tighter capital controls imposed late in the year to discourage outbound moneyflows
- The US was the most popular destination for the second consecutive year...followed by Hong Kong, Malaysia and Australia. The UK ranked fifth, down one spot from 2015, ...
- While hotel, office and residential land account for the large majority of overseas deals, Chinese investors are increasingly interested in industrial parks and logistics centres
- Chinese buyers accounted for 27% of all purchases by foreigners of US homes from April 2015 to March 2016,

Answer: 10.2tn

28 January 2017

Nevis News: Ok, Cat Ghaut and Nevis High-speed have formed a relationship. Provided the relationship continues, I will not be using the ferry but rather the high-speed. The ferry from St. Kitts to Nevis takes 50 minutes, the high-speed takes 9 minutes and docks at a barely walkable location (not that I would walk it) to Cat Ghaut.

Cat Ghaut also has installed the nicest shower compared to those at Four Seasons. According to the workers that work at both the Four Seasons and Cat Ghaut, the shower (not the bathroom in total) dominates! ☺ We love Amazon.com! Who said Cat Ghaut cannot compete with Bill Gates! (Bill Gates recently purchased the Four Seasons)

More Nevis news will follow next time upon the island....(see picture attached)

Question: Current regulation in China allows Chinese nationals a foreign exchange quota of what amount per year?

Barcelona outlaws new hotels in city centre to stem rising tide of tourists – Pg. 1

- Barcelona is outlawing new city-centre hotels and tourist apartments to try and control hordes of visitors that authorities say threaten to suffocate one of Europe's most popular destinations
- Renowned for its exuberant architecture and Mediterranean flair, the Catalan Capital receives more than 17m overnight visitors a year
- The city council approved a law yesterday that bans new hotels or visitor apartments anywhere in the city centre
- If any hotel or apartment closes, its capacity cannot be replaced
- Barcelona ranks fifth in Europe for overnight visitors behind London, Paris, Berlin, and Rome (Prof Note: I have only been to three of the five, i.e. not Barcelona or Berlin. ...and my name is "Staiger"!)

Weak growth boosts president's trade stance – Pg. 2

- The US recorded its slowest economic growth in five years in 2016 as poor trade data dragged on the economy, prompting Republicans and advisers to Donald Trump to redouble calls for lower taxes and a hard line on trade
- GDP rose 1.6% in 2016, down from 2.6% in 2015,...
- Yesterday, the president again pointed to the \$60bn annual US trade deficit with Mexico as justification for the tough line he has taken, which forced his Mexican counterparts to cancel a summit next week
- In the final quarter of 2016, growth slowed to an annual pace of 1.9% from the 3.5% seen in the third quarter
- Consumer spending, the main driver of the US economy, continued at a solid 2.5% annual clip, shy of the third-quarter pace but in line with the average rate set over the past two years

China lays out rules to help keep its currency onshore – Pg. 3

- China suffered a record capital exodus last year, as falling margins at home tempted both companies and individuals to invest elsewhere
- Deposit denominated in China's currency fell to 12.9% month-on-month ...
- The drop, coinciding with increased capital controls on the mainland, has depleted liquidity in the renminbi's top offshore trading centre in a blow to the redback's internationalization
- The new rules state that companies trying to move money into investments offshore will have to clarify the source of the funds and provide further details about their plans (Prof Note: It is getting more and MORE difficult to move capital across borders. It is a MAJOR reason I have diversified my income flows among currencies and physical locations. It is not enough to have capital, but one must have the capital needed in the correct physical location!)

Answer: \$50,000

27 January 2017

Question: When was NAFTA (North American Free Trade Agreement) signed?

Mexico president cancels Trump trip as border wall spat escalates – Pg. 1

- Mr Trump escalated the dispute yesterday by linking his plans for the border wall to a broader renegotiation of NAFTA. Mr Trump said NAFTA was a “one-sided deal” benefiting Mexico....
- He is today due to meet Theresa May, the UK prime minister, who has come under pressure to make clear that Britain does not condone torture. Mr Trump this week said he might be willing to reintroduce the use of waterboarding as an interrogation technique
- Both Canada and Mexico have said they are willing to sit down and renegotiate Nafta, which went into force in 1994 and has not been revisited since

Import tax plan splits US big business – Pg. 3

- Dozens of US exporters including GE and Boeing are squaring off against Walmart and other retailers as a radical Republican plan to tax imports divides the giants of corporate America
- The “border adjustment” tax regime, which would penalize imports and exempt exports, is central to the plans of House Republicans initiating tax legislation.
- Under the proposal, profitable net exporters “may pay little to no federal taxes – and may even accrue tax benefits in the form of net operating losses
- Border adjustments would work by not letting US companies deduct the cost of foreign inputs from their revenues for tax purposes, while giving a rebate to exporters by allowing them to exclude revenue from foreign sales from their taxable income
- With 98% of clothes sold in the US made overseas....import tax could inflate the tax bills of some fashion chains to three to five times their pre-tax profits, jeopardizing their solvency

Renminbi in retreat as international payments currency – Pg. 6

- International use of the renminbi dropped sharply last year as capital controls and dollar strengths reduced the attractiveness of China’s currency, ...
- ...value of international renminbi payments fell 29.5% compared with 2015
- The renminbi was only the sixth most used currency in 2016 despite its formal recognition in October by the IMF as a global reserve currency, alongside the dollar, euro, yen and sterling
- The renminbi, which had ranked fifth in 2015, was overtaken by the Canadian dollar, which is not included in the IMF’s special drawing rights basket

Borrowing costs fall for risky bond issuers – Pg. 24

- The combination of rebounding commodity prices and hopes for faster US economic growth under the new president...helping some of the riskiest corporate borrowers to secure cheaper financing and shows investors’ growing ability to stomach risk

-

Answer: 1994

26 January 2017

Question: What percentage of operating costs do banks spend on compliance?

Free traders fear return of protectionist war – Pg. 4

- That Smoot-Hawley is on people's lips shows the depth of concern among many republicans about the threat to the global economy from Mr Trump's vow to pursue an "America first" trade policy
- If the majority of Republicans in Congress are largely falling into line on healthcare reform, tax and infrastructure spending, on trade they are showing signs of behaving like an opposition party
- ...Monday when Mr Trump ordered the US withdrawal from the Trans-Pacific partnership, a vast trade deal that the Obama administration had negotiated with Japan and 10 other countries with Republican support
- While Republicans are racing through Mr Trump's Art of the Deal book like a "decoder manual" the president also needs to be mindful of the power of Congress...

Job losses in compliance loom as banks harness power of automation – Pg. 17

- Thousands of jobs will be put at risk as the biggest banks harness artificial intelligence systems to the wave of roles created in recent years to meet ever-growing regulatory demands, ...
- New technology mean that banks could make vast savings in compliance....
- Citigroup estimates that the biggest banks have doubled the number of people they employ to handle compliance and regulation. This now costs the banking industry \$270bn a year and accounts for 10% of operating costs

Universities' pension plan in loans deal – Pg. 20

- Several years of very low interest rates have forced pension funds to search for unusual sources of income, at the same time as regulatory changes have caused many banks to conserve capital.

Bloomberg debt index takes in onshore China – Pg. 22

- Bloomberg has gone where MSCI feared to tread, becoming only the second major index provider to include China's onshore markets in widely followed benchmark indices in a move that could prompt rivals to follow suit
- China is home to the world's second largest stock market and the third largest bond markets, but its tight control of onshore activity has made its inclusion in flagship indices contentious, with many investors arguing that it must relax its grip before they can invest comfortably

- Bloomberg is the first index provider to include bonds in its global offerings but its move mirrors a similar decision by FTSE almost two years ago to include onshore equities in its flagship emerging markets index
- China's vast interbank bond market has attracted international attention in the past year after a surprise decision by Beijing to allow foreign investors greater access. Foreigners hold about 2% of the onshore \$9.4tn interbank bond market – and about the same amount of mainland stock markets

Answer: 10.0%

25 January 2017

Question: What is the percentage of female directors in board rooms?

US and Mexico draw Nafta battle lines – Pg. 4

- Battle lines have been drawn as Mexico and the US kick off what promise to be tough negotiations on the future of the two-decades old NAFTA, which both sides have threatened to kill off if they do not get their way
- The two presidents are scheduled to meet at the White House on January 31
- NAFTA, in force between the US, Mexico and Canada since 1994 when Mexico was emerging as a market economy, has intertwined ties via cross-border supply chains and increased trade, investment and jobs that one former official said were difficult to unscramble
- Mexico sends 80% of its exports north of the border but those goods contain as much as 40% US content, helping support nearly 5m jobs in the US
- Complicating things for Mexico is the uncertainty surrounding Mr Trump's plans, beyond his vow to enact big border taxes if US companies persist in shifting manufacturing to lower-cost Mexico

US Boards less 'male, stale and frail' but concerns remain over older directors – Pg. 16

- Shareholders have had some success in making US boardrooms less "male, stale and frail" but progress could go into reverse because companies are raising age limits and filling key committees with long-tie directors...
- ...ISS found that "75 is the new 72" when companies are setting age limits, suggesting that recently hired directors could stay in post for years to come unless companies establish formal board refreshment practices
- US investors have been piling pressure on companies to bring in fresh and more diverse directors, arguing that boards can become entrenched and out of touch with shareholders and suffer from groupthink
- The average director has now been in post for 8.7 years, down from a peak of 9 years in 2013, thanks to an influx of new blood. The percentage of female directors has continued to climb, albeit slowly, to 17.8% last year

Answer: 17.8%

India News: Thankfully two things remain constant in Goa. Shack culture (seasonal shacks put up on the beach where you can wake up and get a decent cheap meal and drinks and move at a very slow pace) and the Anjuna Saturday Night Market. No lifeguards and you can straight out of the water and sit in a good restaurant. I was surprised at how many foreigners had stalls at this large market and how much better their product was displayed compared to the standard Indian village style. Given some of the fashion wares electronic music/raves still seem to be part of the Goa scene though I haven't experienced it this year given the group I'm traveling with (one is pregnant and another doesn't like it).

Changes: INDIAN HIPSTERS. Indians trying to look fashionable and rich and eating and fancy restaurants I.e. Selfies and brand names. Sad to me as Goa was always clean and a time to get away from such materialism, sit in a shack, eat, drink, and listen to a unique style of edm music. Now there are a LOT more Indian people of all economic ranges versus the beaches being dominated by foreigners 15 years ago. This means more litter, air pollution, having to be more wary of which beach to hit in order to avoid creepy pervs, and more crowd. People are on their phones a lot more compared to 5 years ago and there are convenient gas stations (we used to have to drive about 40 minutes to pick up petrol in water bottles to fill the bikes, that fun is gone). Though internet is still spotty and Uber isn't here, I can see GPS killing the experience of exploration. We used to get around by the wooden post at intersections, each with the hotels/big shacks posting their faded sign as to which way to go. "Follow the signs to XYZ hotel, take a left at the farm then a right at the concrete stump etc. and you will find the party". There never used to be entrances, just general locations and you would park and follow the music. Now there are parking lots and one entrance to our old haunts. I hear the infamous parties have become more private as the clubs became too popular with internet communication.

Goa was the last(?) colony that India took back so in my opinion it was maintained much better for an extra couple decades after the Brits left. Got to see some old restored houses and one family in our group is working on a home close by. Stunning old Portuguese houses built in the 20's. The type of roof tile and way the house is shaped keeps the temperatures cool and they've been designed for social interaction or enjoying a beer in the shade. Shells have been used on the shutters to keep the light muted.

All in all some very cool new things to see and also a bit sad to see the old change.

India News: In Bombay, regardless of who or where you are, you get 1 hour of water every morning. You store it in your house in tanks for use during the day. In previous droughts the gov't scaled back to water access every two days and everyone had to use it sparingly.

Also, apparently the gov't is not issuing permits for new development projects in Bombay due to a massive fire in the garbage dump area in 2016, which has grown to epic proportions and suffers from neglected management and bias towards the slum dwellers surrounding it (many Muslim residents). So while much of the city sees cleaner streets and modernization, many are left without access to clean water (bathing once every 5 days and drinking from the same drum that is full of worms according to one CNN article), heavy pollution, and complete abandonment by the government. Ps. trouble breathing and getting super fatigued. Convinced it was the pollution now that I'm in some cleaner air now in Goa.

Today I saw a massive walking bridge when visiting a friend's mom. From the outside infrastructure looks like people are just throwing whatever they can at this city to make it work. I am finding the chaos delightful to witness.

(Day later) Now in Goa, back in the day it was famous for its multi-day parties and hippies. Coming in this time I'm shocked... new airport in Bombay AND Goa, MORE flyovers/roads. Talking to a local she said the reason the beach towns are not overbuilt yet is bc the Portuguese left behind a legacy that all family members have a right to a property as heirs...so it makes it hard to purchase and develop.

Some photos attached.

Entering Bombay via gate of India

India News: Been in Bombay less than a day and it has left me speechless as I have never experienced the city like this before. My memories of this city were shaped when I was a kid, flying in through the old airport at 2am and seeing Asia's largest slum spread out beneath me. Then driving home looking at lines of men wrapped up in blankets sleeping on the footpath (the British really left a much larger space to walk here, a "sidewalk" isn't the right word) and the occasional little cooking fire that illuminated tents with a young mothers keeping restless toddlers occupied.

This time, however, I came to Bombay on a private speedboat from Alibag, which is a nearby village (literally a village) where the rich to build big bungalows (super fancy) to get away from the crowded city. I've never been in houses like Alibag before. I could have pulled them out of an Architectural Digest magazine -- staffed with people in uniform and all. Anyway, it was a spectacular site pulling up to Bombay from water at the Gateway of India right next to the Taj. For 30 years I've been shocked by the poverty of India, now I am shocked by the wealth and I am actually having a hard time articulating what I saw in Alibag and now in Bombay. (Your Trump news is on point, the money and development here has so much momentum, a world apart from the US during recession days although I would argue that there is plenty of money and an active construction boom in the US 2012-2016.)

India is a country of extremes, it's ultra modern/old agrarian and there are extremely rich/pitifully poor people. I am staying with one of my cousins, who lives in the same building as her husband's family. Ratan Tata's bungalow (I'm sure you've heard of the Tata Company, if not then definitely look it up) is literally next door. Money makes this country SO much easier to be in, actually really RELAXING to be in. Leftover traditions of British hospitality, design, and luxury are unmatched in the US.

Note on Alibag: People have a car they leave at the dock so when they arrive from Bombay on their private speedboat they can head easily to their getaway house. Speedboat > the ferry. One of the relatives came back to Bombay on the ferry last night and said it was hell. She waited in the hot sun for an hour and was crammed onto an overbooked ferry that took much longer than the quick easy 15min trip we had. There are rumors a bridge is going to be built to Alibag from south Bombay, which will change the real estate game there. Property values are some of the highest in the world in Bombay so open farmland like Alibag will be a premium if access is easy. I am reminded of industrial days in the US early 1900s- 1930s where the places like Mt. Washington were used as getaways from Baltimore and Kensington from D.C. I'm also reminded of The Wharf in SW DC that will soon use our rivers for transportation (See what I mean? Old and new, everything happening at the same time.) The chaos is beautiful.

There is visible investment in infrastructure to keep up with people and traffic. I am seeing a Metro being built in Pune and Bombay in addition to flyovers and new types of bus lanes. Flyovers remind me

of our dumb car oriented development in the 20th century and make me want to poke my eyes out. I hope it doesn't backfire in the long run. With driverless cars who knows, maybe it will work but green building/planning is only part of CSR and I don't see it being consumer driven like back home in the US. Also got a chance to sit in on a lunch conversation between a developer and land owner -- reminded me of Julian Joseph's global perspectives in real estate class and was grateful to have had a chance to take it at Hopkins.

It is quite possible all this money and ballerness has been around in the states and in India and I just haven't seen it before. Either way, seeing how the business class lives (I made that term up to describe business owners) has taken the stress off India and turned it into a whole lot of fun.

I won't comment on currency since it the day after I sent you that email Trump made a comment and the rupee dipped! Everyone loves talking about Trump here. I'm curious if his protectionist rhetoric will slow growth in India or if he will bond with President Modi on their hatred of Muslims.

Goa on Wednesday. Will send news as the trip continues.

24 January 2017

Nevis News: Today was Trumps first day in office and I was meeting with my attorney about Nevisian citizenship. Coincidence?!

The past few days on the island have been the clearest I can ever remember. St. Barts can be seen from the porch and Antigua easily seen from Long Haul Bay, i.e. other side of the island. The temperature remains perfect and the hotels remain at capacity (which they will through March).

Last evening I was invited to a dinner up above Four Seasons at a private villa with a wonderful family. They were enjoying two weeks together. The house was four (possibly five, cannot remember...to much Ginger wine) bedrooms, very spacious, infinity pool and provided a car. The price (and no I am not bashful and I ask) was \$4,000/week. Given 10 people, including three children, were staying and the rate included a car seems like a bargain. It really made an impression on me that Nevis is extremely under rated in travel circles. The sunset that the hosts treated me to from the mountain was blood red and literally breathtaking. We could see Statia behind St. Kitts...truly amazing.

Question: By percentage, how much less does one spend on child #2 from child #1?

Trump puts protectionism at the heart of US economic policy – Pg. 1

- ...withdrawing the US from a historic Pacific trade pact and threatening to punish companies for moving production overseas on his first working day in office
- Mr Trump is also expected to formally tell Canada and Mexico that he wants to renegotiate the North American Free Trade Agreement, which was signed by then-president Bill Clinton in 1993 (Prof Note: ...and was basically the focus of my MA International Transactions degree. At that time my thesis postulated AFTA)
- Japan and several other TPP signatories – which include some of the closest US allies along the Pacific Rim – have vowed to press ahead with the pact

Trump sued over his business's foreign links – Pg. 2

- A group of prominent legal experts is suing US president Donald Trump, alleging he is in violation of the US constitution because he continues to own hotels and companies that do business with foreign governments
- As part of the suit, Crew is focusing on three aspects of the Trump Organization's business: The Trump International Hotel in Washington; the foreign tenants renting space at Trump Tower in New York; and the organization's international business, including deals under discussion in China, India, the United Arab Emirates and others
- To win its suit, Crew must convince the court it has suffered damages from Mr Trump's decision not to sell his business, a claim some lawyers say may be hard to prove

Hotel at centre of debate on conflicts reports loss – Pg. 2

- ...Old Post Office building has lost \$1.16m in its first two months of operation, falling short of internal projections that it would turn a small profit...
- The Trump Organization signed a 60-year lease with the GSA, an independent agency of the government that owns and manages federal property, in 2013. Under the terms of the lease, no "elected official" of the government "shall be admitted to any share or part of this lease, or to any benefit that may arise therefrom"
- The president is not required under the law to divest business conflicts, unlike the vice-president or cabinet members. But the "emoluments clause" of the constitution prevents the president from receiving any benefit from a foreign government while in office

Sterling on a high ahead of Brexit ruling – Pg. 20

- ...currency climbed 1% higher to just below \$1.25, its strongest level since December, as investors await a ruling from the Supreme Court on whether the government is required to hold a parliamentary vote to trigger the start of official negotiations to exit the EU

Answer: 24%

23 January 2017

Question: How many babies were born in the U.S. in 2015?

Assault on Obamacare raises tensions between insurers and citizens – Pg. 3

- An executive order signed by Mr Trump within hours of becoming president seeks to weaken the enforcement of the health act's rules. It calls on government agencies to waive or delay parts of the Affordable Care Act that would impose a "cost, penalty or burden" on individuals or insurers, as well as other businesses and states
- The main battle over Obamacare is the Republican effort in Congress to overturn the law, with healthcare experts warning that terminating it without providing a replacement could deprive millions of people of their health insurance

Accreditation inflation as schools fear for future – Pg. 13

- The problem for prospective business school students, however, is that the industry is assessed by multiple accreditation bodies
- Some of the world's greatest institutions, including Harvard Business School, the Wharton School and Stanford Graduate School of Business, have built global brands with just one endorsement, from the AACSB
- Many schools are concerned about their future survival, with more than half of those teaching traditional two-year courses reporting application numbers either flat or falling last years, ...
- The aim for many schools is the so-called triple crown of AACSB, AMBA and Equis accreditation, held by 76 schools worldwide

Answer: 3.9m (down 1.0%)

21 January 2017

Nevis News: All Olive could say yesterday was, "I'm going to make America GREAT again!" The inauguration was clearly at the forefront of all thought on the island. In fact it was what Olive was playing on the radio all day. I wish everyone could hear how Olive says it in her Nevisian cadence. Then Olive was saying, "I am going to make Nevis GREAT!"

Yet another Bank of Nevis meeting. What did I discover? Nevis had NO Tinder! I asked the young banker how she dates and if she uses Tinder. She looked shocked! She said, "No, we go out and meet people here!"

There is a different forms to transfer capital electronically between international banks. U.S. banks tend to use a SWIFT code while European tend to use the IBAN (International Bank Account Number) code which is longer and may include the SWIFT code. The IBAN seemed to combine a two-step process into a singular process.

Nevis 5-0 did some major recon of hotels today. January – March is busiest time for Nevis and consensus was 80 – 85% occupancy. The remaining period about 35% and some close mid-August – October. Some hotels have no air conditioning, some have no televisions in the room, etc. You really need to understand what you are renting. Some of the pictures are amazing and then you get there and it is a Motel 6 room.

Question: What is the largest cost of raising a child through age 17 and what percentage is it of the total cost?

President signals demise of US-created global order – Pg. 2

- His brief inaugural address was perhaps the most Xenophobic in US history
- The 45th president's one specific foreign policy promise was to "eradicate Islamic terrorism from the face of this earth"

- His only other message to the rest of the world was to put it on notice that America would take precedence again after an age in which the US had “defended other nations’ borders” and subsidized their armies
- “We will follow two simple rules: buy American and hire Americans”
- Unlike Mr Obama, he will inherit an economy in reasonable shape and no large-scale US military wars. But the biggest contrast was in their tones. Mr Obama radiated hope. Mr Trump channeled rage
- His other target was the American establishment
- Mr Trump’s will be remembered for its harsh, metallic warning to the rest of the world and to American’s political elites

‘Total allegiance to US’ marks new era for west – Pg. 3

- ...Mr Trump said the US had succeeded only in making foreign countries rich at the expense of its citizens, while its own wealth and confidence had “dissipated over the horizon”. Now it was time to put America first, ...
- Mr Trump’s “America first” mantra marks a violent break from its postwar role as the standard-bearer of liberal democracy across the world and the centerpiece of the western alliance. It sends a chilling message to America’s traditional European and Asian allies at a time when populism is on the march, ...
- ...the longest US private sector hiring streak in modern times, a record jump in real household income in 2015, and a property market that has recovered much of the losses of the crash
- His inauguration hands the Republicans the keys to control of the White House and Congress together for the first time since 2006, bringing them the opportunity not only to scrap swaths of Mr Obama’s legacy but recast the country in a more conservative image
- While Mr Trump has promised to revive US industry, his inner circle is in reality divided over the merits of a more protectionist trade policy
- ...Democrats are braced for a battle against his tax reform proposals, arguing they would fail to address inequality because they are skewed in favour of wealthier Americans
- (Prof Note: It is by no coincidence that I am going to view a multifamily unit for sale (private sale, off-market) on Nevis. One of my 2017 goals was to diversify consistent evenue sourcing to four currencies, currently I only have three.)

China growth on target as US trade risk looms – Pg. 4

- China’s GDP, the world’s second largest in nominal terms but already the largest at purchasing power parity, grew 6.7% for the full year at an annual rate of 6.8% in the fourth quarter in real terms, down from 6.9% in 2015
- ...the main threat to China’s economy is continued reliance on debt-fuelled investments to drive growth, ...
- In a sign of how traditional growth drivers are faltering, fixed-asset investment, which includes spending on new factories, housing and infrastructure, grew at 8.1%, the slowest pace since 1999. Manufacturing was the biggest drag, as private factory owners held off expanding amid weak demand and excess capacity
- But property sales grew 22.5% in floor-area terms,...

US funds fizzle the most since election – Pg. 11

- Investor optimism faded in the week preceding the inauguration of Donald Trump as US president, with equity funds suffering their largest outflows since November's election
- Close to \$2.5bn was withdrawn from US equity funds in the week to Wednesday, ...
- Demand for US stocks was spurred by expectations of renewed growth under the new administration, cementing signs of stronger economic data before the election. But a lack of clarity on important growth policies, such as tax cuts and fiscal expansion, has taken the wind out of the rally's sails
- In bonds, the yield on the benchmark 100-year Treasury, which moves inversely to its price, was 2.47%, up from 1.85% on election day, but down from a high of 2.64% reached in the middle of December

Answer: Housing at 29% followed by food at 18%

20 January 2017

Nevis News: The 1994 Samurai raced a Gulfstream jet yesterday. It was an Epic "battle" to see who could beat the other off the line. As I was headed to town a Gulfstream was taxiing to take off. I turned the Samurai around and waited at the end of the runway on the road less than 30 yards away. As the plane turned the copilot turned to look at me. I gave the two finger vertical to horizontal and he smiled and replied. The race was one!

I waited for the turbines to howl, and howl they did. I watched the copilot who held his fingers vertical until bringing horizontal. I released the clutch, cleaned forward, and lurched. The Samurai was off. I blinked and the Gulfstream was up to the left. I slammed it into second in a futile attempt to do something. It was over before it started. At least I can say that I did race a gulfstream!

Question: What are the total number of undergraduates and graduates studying in the U.S.?

Mnuchin backs 'long-term' strong dollar after mixed – Pg. 1

- On Monday, Mr Trump appeared to break decades of strong-dollar policy in the US by saying the level of the currency was too high and was preventing American companies from competing with Chinese counterparts. The comments caused a sell-off in the greenback, reversing a strong rally that had run since election day
- Mr Mnuchin said he would not be commenting about short-term currency movements as Treasury secretary

US bankers hatch two-stage exit plan – Pg. 4

- Senior US bankers are privately drawing up contingency plans for Brexit that would give them more time to decide how many jobs to move out of London, in contrast with the industry's public rhetoric about mass relocation

- Executives from some of the biggest US banks told the Financial Times that a two-stage process could initially avoid moving thousands of jobs out of the UK once the country leaves the EU
- The first step the US banks have taken is to ensure they have all the necessary legal structures, capital, licenses, systems and regulatory approval to continue operating in the EU after a hard Brexit, while maintaining as much flexibility as possible
- The second step, which the US banks plan to make once the new trading arrangements between the UK and EU have been established, involves deeper changes, possibly including larger-scale job losses or moves
- Single market rules allow banks to sell products across the EU through “passporting” rules that allow them to bypass local licenses. The prospect of losing passporting rights meant several banks had signaled plans to shift jobs out of Britain even before Mrs May’s speech

BIS pressed employees into backing ‘house view’ on historically low interest rates, says report – Pg. 4

- ...accused of pressuring research staff to back its controversial warnings about the dangers of historically low interest rates
- Research by the BIS has been used to buttress the arguments of those, such as Germany’s Bundesbank, that are pressing for a faster return to “normal” monetary policy

China’s Treasury sales threaten US rates – Pg. 20

- China’s holdings of US government debt recorded the biggest monthly drop in November in almost five years, raising concern that selling by Beijing could help send US rates sharply higher
- China has been burning through its foreign exchange reserves to help support the renminbi, which has been weakening against the dollar amid broader concerns over the health of the Chinese economy
- China’s offloading of Treasuries is likely to have amplified the volatility in the market after Donald Trump’s election victory, when yields on the benchmark 10-year bonds shot to as high as 2.64% - a level not seen since 2014
- Following the selling in November, China’s holdings stood at \$1.05tn, ...

Answer: 16.3m and 2.7m, respectively.

19 January 2017

Nevis News: The island is very concerned about the Trump presidency. This is the major topic in all banking conversations that I am having. No one really knows what will happen and this is the major topic on the lips of everyone playing golf.

Much news from Bank of Nevis. Apparently the Chairman of the Board has been suspended but by the central bank, i.e. not Nevis. Interesting developments as I increase my banking relationships on Nevis.

Question: Is registration for undergraduates in the U.S. going up or down currently?

Citi and Goldman join rivals in riding the Trump trading surge – Pg. 1

- Goldman, a number of whose veterans have been lined up for top jobs in the new administration, pushed up pay for bankers and traders on the back of the latest upbeat set of earnings from the industry
- The upsurge followed a long squeeze on bond trading, which has weighted on profitability and prompted widespread job cuts at global investment banks

US business urges cooling of rhetoric over China trade – Pg. 3

- US companies investing in China are to lobby the incoming Trump administration to cool its rhetoric as they brace themselves for painful repercussions if the president-elect follows through on this trade threats
- But now the Chinese businesses are assessing the possible fallout should Donald Trump impose high tariffs on Chinese-made goods. Many Chinese-made products exported to the US are made by or on behalf of American companies, which have become increasingly dependent on sales to China. They now fear a double blow if US levies are followed by retaliation from Beijing

Fed balance sheet moves up agenda – Pg. 6

- Having taken two tentative steps towards more normal levels of interest rates, Federal Reserve policymakers are preparing to debate an even more fraught undertaking: paring back the vast holdings of securities they amassed when battling the financial crisis
- A series of Fed speakers sent up trial balloons in recent days talking of the possibility of reducing the size of the central bank's \$4.5tn balance sheet
- "Normalizing the balance sheet would send the signal that the Fed is more reluctant to be involved directly in markets, and that removes a safety net for investors. When the history of this is written in 20 years' time, it will be all about how all boats were for 10 years lifted by extraordinary monetary policy, and the next 10 years were about undoing this"
- When securities in its portfolio mature, the Fed currently reinvests the proceeds to keep it stable
- ..investors worry about the impact on the housing market when the Fed steps back from its purchase of mortgage bonds given it holds a portfolio of \$1.74tn, which is nearly a fifth of the entire US MBS market

Answer: It is going down and have been declining since it peaked in 2011

18 January 2017

Nevis News: Word on the island is Simon Cowell and Tiger Woods were on Nevis earlier this month. At the same time there was a HUGE Gulfstream G650 at the airport dwarfing my G150 which appeared to have "fisher price" printed on the fuselage! Nevis 5-0 has heard rumours that robberies on St. Kitts are occurring by individuals placing something in the A/C units causing the occupants to sleep. When they wake the houses are cleaned out.

I believe there to be an investment opportunity on the island. Most of the peers on the islands are 70+. They own older homes on premium lots. Many of them have children that do not want the homes but would prefer cash. On a selected basis, these can be purchased, renovated and rented. The key is knowing the premium locations on the island, knowing the owners, and having an existing relationship. Cat Ghaut Holdings, LLC??? I mention this as I cannot believe this is only on Nevis. If I am anecdotally correct, there is a large transition about to occur in the Caribbean.

Question: What is the retail price for a Gulfstream G650?

Strong dollar under threat in US shake-up – Pg. 4

- Donald Trump has threatened to overturn two decades of US economic policy by questioning the strong value of the dollar, raising fears that his presidency could set off a new round of currency wars between the big economies
- On Monday the president-elect appeared to break from the longstanding “strong dollar” policy of former administrations, declaring that the currency was too high and that this was preventing US companies from competing with their Chinese counterparts
- With the dollar trading at near-14-year-highs against a basket of peers, ...
- The danger is that the US starts suppressing the value of its currency it could spark a currency war greater than the skirmishes seen after the 2008 global financial crisis
- It also would mark an unwinding of the G7 consensus that markets out to set the value of currencies

Morgan Stanley enjoys best Q4 since 2006 with a 90% leap in net income – Pg. 13

- ...“Trump trade” spurred bond trading and investment banking activities
- Last year saw an 8% rise in fixed-income revenues to \$5.1bn, with three consecutive quarters of revenues well above the bank’s target of \$1bn. Equities sales and trading revenues came to just over \$8bn in 2016, falling from \$8.3bn a year ago

Amazon’s loud and clear voice takes control – Pg. 16

- Although few expected it at the time, Alexa has given Amazon precisely the entrée it had been seeking with the Fire phone – just in a different format. Instead of asking users to interact with a screen, Alexa is entirely voice based.
- In the two years since release, Alexa has spread like wildfire, and the voice service is not integrated into dozens of home gadgets, including refrigerators and, soon, cars
- Amazon also gives Alexa Voice Services away for free, meaning a developer can integrate Alexa into any device with a speaker and microphone.
- So far, Amazon has taken an open approach towards third-part apps, or “skills”, that integrate with Alexa
- (Prof Note: Breaking from my normal focus of real estate and financial I summarized this article. Why? My database programmer is currently researching how to incorporate Alexa into home inventory management. One of the issues I have learned from managing and working from multiple locations and from modelling is standardization is critical. I work from a home server so desk top is standard. My hardware is identical at all locations so when I sit down I am literally at the same desk. What I found was not standardized was the

contents of my refrigerators. Now, I know you are rolling your eyes, but imagine getting up at 11:00pm and heading to the fridge for something to eat that you know you just purchased. When you get there you realize, you in fact did just purchase it but the item is two hours away in a different refrigerator. How do you remember what you have, where you have it, when you need it again, if you have it and it is expired, etc.? Alexa!!! If you have an Alexa at all locations, and verbalize changes in inventory, you can have a list prior to arrival at a location to stop and purchase which can include expired items in the fridge. "Alexa, need more milk!" "Alexa, milk half way gone." "Alexa, I am arriving at X location, what groceries do I need?" Alexa then calculates that there is not enough milk for the stay minimizing additional trips. Extrapolate this to corporate inventory, "Alexa, I just added a ream of paper to the copier.", and efficiency is gained! If anyone knows a programmer that can tackle my refrigerator need and wants to build an inventory management around this ability, please contact me. I will gladly pay for this to be built.)

Investors confident over global growth – Pg. 20

- Investors' expectations of global economic growth have hit their highest levels in two years, ...despite signs of fatigue in the rally triggered by Donald Trump's election
- After reaching almost 2.6% last month, the yield on the 10-year Treasury bond has dropped back towards 2.3%

Capital contemplates a changed landscape – Pg. 22

- Global markets are on the cusp of a new era of faster economic growth, rising interest rates and higher inflation, ...

Answer: \$65.0m give or take a few million...

17 January 2017

Nevis News: Holy Cow...as a few people sent me information about Wyndham developing on the island I had to do a little recon. First, Wyndham is developing at Long Haul Bay. I had never even heard of Long Haul Bay so went to Olive, as the expert. She knew "about" where it was. I asked my contractor and he said, "It is a fishing area. Not a good beach, to rough."

Undaunted, Nevis 5-0 set out with Olive this afternoon to find Long Haul Bay. As noted in the press release, it is in St. James Parish (I was baptized at St. James Church).

We finally found it near the windfarm and drag strip! The "beach" is all rocks and it is the roughest surf on the island. There is a reason there is a windfarm next door on that side of the island. The beach will probably be unusable for any sort of recreation. That area of the island is not used for anything recreational and there is a reason.

The only view is the rough waters and Redonda Island which has no inhabitants, i.e. literally a giant rock sticking from the ocean. On a very clear day you can see Montserrat from that area.

From List-serve, re: India

India is great this time of year. I'm in Pune, which is one of the fastest growing cities in India. The land grab from villagers/farmland and transfer to "modern" development is fascinating to watch. I wonder if this is what it was like when land was taken from the Native Americans in early US days and suburbanization in the 50's - it looks like it's happening at the same time out here. Will be in Bombay/Dehli next month to see how those cities are evolving.

On currency (my opinion): Demonetization is a joke here. It has affected the people who can least afford it. Mobile pay apps have grown overnight with Alibaba taking a 49% stake in one of them. There has been a quick restructuring of corruption. Bribe prices have just gone up since it's harder to do and it is back again at full tilt. Also, there are now 2000 rupee notes on the market and no one has 500 rupee notes (out of circulation & they haven't printed enough replacements) or 1000 rupee notes (removed from currency) to make change! Affected all businesses. Good news for me is the dollar is strong with an almost 70R- $\$1$ exchange rate. Strongest in my living memory...

Question: Where is Redonda Island and how large is it?

Trump predicted to bring growth 'sugar rush' but longer-term pain – Pg. 2

- Financial markets across the world have risen sharply since the US election result, on hopes that the president-elect's planned fiscal stimulus – made up of tax cuts and infrastructure spending – will deliver higher growth
- Although fatigue has set in after the markets rally sparked by Mr Trump's election, as investors wait for more specifics on his policy, the strong performance of some stocks, such as US banking shares, has also highlighted expectations that the president-elect will move to deregulate the economy
- Overall, the IMF expects the global economy to grow by 3.4% this year and 3.6% in 2018 – partly because of the fiscal stimulus. IMF economists expect US growth of 2.3% in 2017 and 2.5% in 2018, a cumulative 0.5% increase over their forecast shortly before last November's election

Kuwait joins in Gulf rush with plans for debut dollar debt sale – Pg. 15

- Kuwait is finalizing plans for its first ever sale of dollar-denominated debt, extending the rush of mega-bond deals from Gulf states grappling with lower oil prices
- Falling energy prices pushed Kuwait into an unusual budget deficit last year and, like other oil-rich Gulf Co-operation Council (GCC) states, it hopes to take advantage of relatively low global interest rates to plug this gap with debt
- The sales were led by mammoth dollar-denominated bond deals from Saudi Arabia and Qatar that established the Gulf as a new centre for emerging capital markets
- Kuwait is under less pressure to borrow than many of its neighbours because of its large sovereign wealth fund
- The delay means Kuwait is borrowing at a time when global interest rates are rising, following a US Federal Reserve rate increase at the end of 2016. However, the pipeline of new bond issuance from emerging market economies is not predicted to slow as the result of higher borrowing costs

Corporate loan repricing picks up pace – Pg. 20

- US companies have rushed to renegotiate their loans at the start of the year, taking advantage of strong investor demand for debt that is more insulated against an expected rise in interest rates
- In contrast with many bonds and other debt securities, loans provide some protection for portfolios in an environment of rising interest rates because they pay a set amount on top of a floating rate benchmark

- The average saving for companies repricing loans in January stood at almost 80bps, ...up from 70bps a month before

Answer: Redonda is located between Nevis and Montserrat. It is 1 mile long and 0.3 miles wide.

Nevis News: It is definitely rainy but Nevis Rain, i.e. it rains hard for no more than five minutes and then stops. The seas are rough and the white caps on the eastern side of the island are the most seen. The winds are constant all day. Definitely a wonderful month to be here.

The island is quiet and crime much decreased. The grass has returned and is long. There have been two private jets at the airport all weekend.

16 January 2017

Question: How large is Nevis in terms of square miles?

Chinese real estate group takes stand against state – Pg. 13

- Minority shareholders in a Chinese developer have rejected a plan to establish a Communist party committee in a rare revolt against efforts to strengthen the party's grip on state-owned groups
- Raising efficiency and profitability at state-owned enterprises, which account for about a fifth of China's economic output, is a crucial element in the party's efforts to counter a long-term economic slowdown

The best and worst funds of 2016 – Pg. S1

- Funds run by BlackRock, Odey and Lyxor have topped a table of 2016's worst-performing investments, in a year when active stockpickers struggled to cope with the impact of political turmoil and market volatility
- A BlackRock fund that aims to reduce currency risk for clients investing with sterling was named as the worst-performing fund globally last year. It lost 43.9% in 2016 and was hit by the UK's vote to leave the EU, which caused the value of the pound to plummet
- Each of the 10 worst-performing funds lost at least 23% last year....

Pension funds threaten revolt over executive pay – S8

- Mounting anger among pension funds over the long-running failure of British companies to curb excessive pay for top executives is threatening to spark a fresh round of shareholder revolts in 2017

Answer: 35

14 January 2017

Question: How much LESS is millennials net worth than it was for the boomers at equivalent ages?

Banks cash in on Trump transition – Pg. 1

- Wall Street is emerging as one of the biggest winners of the Trump transition with two of its biggest banks reporting stellar earnings off the back of the post-election market rally and Goldman Sachs veterans looking set to secure at least five top jobs in his administrations

BlackRock and Vanguard reap largest inflows in their history – Pg. 10

- ...record sum moved into low-cost passive investments at the expense of traditional actively-managed funds
- BlackRock, the largest asset manager,total assets under management rose 11% year-on-year to stand at \$5.15tn
- Vanguard, which unlike BlackRock is not publicly listed and instead is owned by its clients, rather than shareholders, ...an increase of 23.2% on 2015. Vanguard's total assets under management reached \$3.9tn, a year-on-year rise of 14.7%
- Their growing dominance of the ETF industry, with BlackRock and Vanguard together taking 60.4% of last year's ETF inflows, is heaping pressure on their smaller competitors

Investigators regain appetite for bond funds – Pg. 13

- Investors have returned to the world of debt in a cooling of the Trumplation trade that pummeled bond markets and propelled equities to record highs after the US election
- The shift, which has included fresh inflows to municipal, Treasury and emerging market bond funds over the past week, dovetails with a near month-long rally in haven Treasuries and fatigue in benchmark stock indices
- Stock indices, after rocketing higher after the election, have hovered in a range of roughly 1% over the past month
- Investors betting on lower taxes and a looser regulatory regime in the US have been confronted by an acrimonious political environment that has cast a shadow over Donald Trump's incoming administration

Answer: 56%...millennials net worth is estimated at \$10,090.

13 January 2017

Nevis News: Not much fishing happening on Nevis. The seas are really rough and the winds cold from the South East. January/February are definitely the coolest months on Nevis

Several have asked the best way to get to Nevis. Generally, I have found it is to fly to St. Kitts from Miami. In the past flights to Nevis directly through San Juan have been \$400 or so more expensive. If considering coming to Nevis I would budget \$800 - \$1,000 per person round trip. Remember that day of week matters and flights mid-week can be substantially less expensive.

Excerpt from email received from list-serve:

There is one entry for Cottle Church (excerpt attached), Charlestown, Nevis that would be worth checking out if you haven't already. If you have, I'd love to know if its worth the trek.

https://www.amazon.com/Atlas-Obscura-Explorers-Worlds-Wonders/dp/0761169083/ref=as_li_ss_tl?ie=UTF8&qid=1466095555&sr=8-1&keywords=atlas+obscura&linkCode=s11&tag=atlaobsc0c9-20&linkId=d75027b31a9eb53b1c70100623f03144

Happy Exploring!

Roger: The Cottle Church is actually a 10 minute walk from the house. Without foliage and a good eye it could probably been seen from my porch. It is well maintained and I actually use to explore the ruins 40 years ago as a boy (prior to knowing its significance). The directions on the attachment are a bit difficult. To get there head toward the Mt. Nevis hotel and Cottle Church is right before the gate to the hotel on the right. Stay on that road following the twists and turns, ram through the boulders placed as a barrier to the fence at the end of the road, then ram through the fence, and you will slam into my home! Shall I have a plate set for you? ☺ All are welcome!

Question: When was the Cottle Church on Nevis built?

German growth boosts Merkel poll hopes – Pg. 4

- Germany's economy has expanded at its fastest pace in five years, ...
- Germany GDP rose 1.9% in 2016, while the country also recorded a third successive year of not needing new government borrowing, ...
- Germany's growth has been powered by increased employment, rising wages and higher spending linked to the country's task of absorbing about 1.2m migrants since last year
- Unemployment is at a record low and the number of people in work is at its highest since German reunification 1990
- Private consumption rose 2.4%, while public consumption, boosted by refugee expenditures, climbed 4.2%, ...
- The 2016 budget surplus came despite the costs of Germany's biggest refugee influx in two decades. The finance ministry put the overall government surplus at 0.6% of GDP, close to the 0.7% recorded in 2015

How China rules the waves – Pg. 9

- Its shipping companies carry more cargo than those of any other nation – five of the top 10 container ports in the world are in mainland China with another in Hong Kong
- Its coastguard has the largest maritime law enforcement fleet, its navy is the fastest growing among major powers and its fishing armada numbers some 200,000 seagoing vessels
- The emergence of China as a maritime superpower is set to challenge a US command of the seas that has underwritten a crucial element of Pax Americana, the relative period of peace enjoyed in the west since the second world war
- In terms of container ports, China already rules the waves. Nearly two-thirds of the world's top 50 had some degree of Chinese investment by 2015, up from about one-fifth in 2010, ...
- And those ports handled 67% of global container volumes, up from 41% in 2010
- For thousands of years, Chinese emperors focused on defending the middle kingdom against land-based invasions. But in 2015 an official white paper on military strategy decreed a big shift that offers a glimpse of China's changing objectives
- Another focus is a string of artificial islands that Beijing has created out of coral reefs and rocks to help reinforce its claim to most of the South China Sea, putting it on a collision course with its neighbours as well as the US

Morgan Stanley chiefs offload shares – Pg. 16

- Seven Morgan Stanley executives have netted about \$17m from selling their shares in the bank since Donald Trump's election, capitalizing on a jump in financial stocks driven by his victory
- The S&P 500 Banks index is up more than 24% since November 9
- Top executives at Morgan Stanley are required to hold on to 75% of shares they have been granted

Issuers halt weaker covenants trend – Pg. 20

- US fixed income investors drew a line in the sand this week, forcing several companies to back away from weakening the terms of their debt sales
- Bondholders are typically paid a premium if a company pays off its debts before they are due, to offset missed earnings
- These "make-whole" provisions extend to breaches of covenants, which can occur if a group pays a dividend in excess of the bond document terms or if its debt eclipses agreed levels, triggering a technical default

Answer: 1824

12 January 2017

Nevis News: Nevis 5-0 has learned that there may have been some sensationalism with the report of a malatov cocktail. It now appears that it was an open plastic container of gasoline. The perp or perps threw a rock through a window and then threw the open container of gas through the broken window cutting him/herself/ves and leaving blood evidence, i.e. DNA. This explains the person at the crime scene that night wearing the "CSI" shirt. We are unclear if the "CSI" shirt was government issued or Amazon.com purchased! The blood is to be sent to the U.S. for analysis. More to come as this story unravels.

One individual from the list-serve asked for recommendations to visit Nevis. They were on a budget and stated they did not believe they could afford the Four Seasons. Please note that hotels on Nevis absolutely negotiate. The cheapest room at the Four Seasons in August is \$150 USD (add 75% for taxes, etc). My understanding is that you can avoid this tax by renting a private home. Also, ask for local rates. This will give you an idea of how low they can go. If you are serious, when you get to that point email me and I will call on your behalf for the local rates. Also, just because you are not staying at Four Seasons does not mean you cannot enjoy the Four Seasons. They often have \$50 "Liming in Luxury" packages for locals. I am happy to call, when you are at that point, on your behalf stating you are my guests and wish to Lime at the Four Seasons. Hotels on Nevis absolutely negotiate!

P.S. "Nevis News" is meant for this select group. I don't want Trump calling this "Fake News".

Question: According to the local Nevisians, where is the cheapest place on Nevis to purchase groceries?

Mexican anger grows at prospect of rising food prices – Pg. 2

- Inflation, fanned by the peso's apparently unstoppable slide against the dollar, had already accelerated from historic lows to a two-year high even before the government ushered in the new year with a 20% increase in fuel prices
- The peso breached 22 to the dollar yesterday...

Banking Regulation – Pg. 7

- During his campaign Mr Trump pledged to “dismantle” the sweeping Dodd-Frank reforms that Mr Obama and Congress introduced in 2010 to rein in risk-taking and prevent a repeat of the 2007-09 crisis. Since his victory, shares in the big US banks have rocketed, none more than Goldman Sachs
- At the top of their wish list for a Trump administration is ending the ban on proprietary trading known as the Volcker rule and taming the Consumer Financial Protection Bureau – two hallmarks of the legislations
- Unpicking Dodd-Frank would be easier in some ways than undoing Mr Obama's Affordable Care Act, the first target of congressional Republicans. Obamacare is made up of multiple interdependent parts, making it hard to tamper with unpopular bits without jeopardizing the components Americans like. Dodd-Frank's 2,300 pages, by contrast, contain 16 discrete sections that could be plucked out one by one
- Rolling back most pieces of Dodd-Frank would require 60 votes in the Senate, which means that Republicans would have to win over at least eight Democrats
- If Mr Trump chooses to push ahead with financial deregulation, there is already a template: the Financial Choice Act, a 512-page piece of draft legislation introduced last summer by Jeb Hensarling, the pro-free market Republican chairman of the house financial services committee

Wells challenged over surge in overdraft fees – Pg. 15

- Top US lawmakers are challenging Wells Fargo to explain a recent rise in overdraft charges, signaling a new regulatory battle for the bank still reeling from a fake-accounts scandal
- Last week the bank said that overdraft charges were up because more customers were using their accounts for debt card purchases and online bill payments
- Fees tend to apply each time an account lacks the funds to cover a debit card transaction, a cash machine withdrawal, an electronic bill payment, or a payment by cheque. Wells charges \$35 a time (Prof Note: BB&T charges \$36)

Answer: BestBuy in Gingerland

11 January 2017

Nevis News: I fear that Jumby is no longer with us. He has not returned to the ghaut and there have been no sightings. I just wish that I had taken more pictures of him. He literally use to follow Jeffers, head grounds keeper, like a dog about the course. Reminds me to appreciate what we all have.

I learned today that locals on Nevis and St. Kitts actually go to Statia (island just north of St. Kitts and considered part of the Caribbean Netherlands) for food shopping as it is less expensive. The island is only 8.1 sq miles, i.e. 20% size of Nevis with similar percentage of population.

Yesterday morning I had a meeting with Bank of Nevis (this is becoming a daily occurrence...they love me! ☺). At the end of Shaws road, without thinking, I stop the car and told the young woman (perhaps 30) waiting for a ride, get in, I am headed to town. She jumped in and off we rode. I immediately thought, 'I would not have done that in the states and she definitely would not have gotten in the car in the states.' She works at Buddy's café in town. I invited her husband, her and children to come up and golf. (I came back here to edit...I am NOT suggesting that individuals should just jump in cars. The Caribbean has its issues. I think we can all agree that red headed, handsome, middle-aged men driving 1994 Suzuki Samurais are safe!)

Construction continues at the ghaut. I have termite issues so a new bathroom has turned into a major project. Don't fear, I hose myself off in the yard each day. I will also take a shower before seeing anyone when I return. Now, the person sitting next to me on the return flights...BEWARE!

Question: As stated there are eight countries that use Eastern Caribbean currency. What are these eight countries?

Commodities rebound set to boost global growth – Pg. 3

- The pace of global growth will increase this year, fueled by a rebound in commodity-exporting emerging economies and further recovery in advanced economies such as the US,...
- ...warning that the arrival of the Trump administration in the US and elections this year in Europe raised questions about the direction of economic policy and a potential new round of protectionism
- Global growth is expected to accelerate to 2.7% this year after growing by 2.3% in 2016, its worst performance since the 2008 crisis. Advanced economies as a group are expected to grow at the slightly faster rate of 1.8% this year
- The US economy was expected to expand by 2.2% in 2017, up from an estimated 1.6% last year, ...
- That forecast increase comes before tax cuts, infrastructure spending and deregulation that US president-elect Donald Trump has promised will boost growth. Both the Eurozone (1.5%) and Japan (0.9%) are expected to grow at a weaker pace this year
- Fast growth in the US is likely to be accompanied by a surge in commodity-exporting emerging and developing economies, which are expected to expand by 2.3% this year, after two years of stagnation
- Recessions in countries such as Brazil and Russia because of the collapse in commodity prices were likely to end this year thanks to a modest recovery in prices...
- The World Bank said it remained concerned about a slowdown in global investment growth, which had fallen from 10% in 2010 to below 3.5% in 2016

Treasuries risk shift to bearish zone – Pg. 20

- The bond market has stabilized in recent weeks with the benchmark yield easing to about 2.40%, as fixed income investors assess the likelihood of anticipated fiscal stimulus passing through the US Congress, which could prompt stronger growth in the US, raising inflation and potentially compelling the Federal Reserve to raise interest rates more quickly

Answer: Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, Saint Lucia, and St. Vincent and the Grenadines. Technically six countries and two territories: Anguilla and Montserrat.

Nevis News: So I met with the Premier to discuss tax incentives and employment creation on the island with regard to Cat Ghaut Development. Productive meeting which resulted in my soft commitment to create two scholarships for nursing. Hmmmm....interesting how that worked...

I promise this is not a dig to all of you in the mid-atlantic, it is downright cold at night on Nevis. Your winter cold has arrived here at night. Now for my dig, I am having to wear socks and button my shirt!

Yesterday an elderly couple I met in the airport came to lunch. Both in their seventies and from Rochester New York. They spend their time traveling and enjoying retirement. I asked them to provide advice to young people starting their career with regard to retirement. The largest piece of advice, which I agree with 100.0%, was to, at a minimum, invest in company retirement programmes to receive the match. They said, everything helps and better to start as early as possible.

Construction at the ghaut. I have had to hire a construction manager to manage the general contractor. Why? Culture! I think the issue is that I like contracts and certainty and this is a rehabilitation project, i.e. less certainty. Oddly, this is not a money issue. Actually, I think I may have figured out the issue (hence why I enjoy communicating with everyone here)...I insist on everything in writing and the contractor is struggling with this requirement.

10 January 2017

Question: Where is the central bank located for the 8 countries using Eastern Caribbean currency?

Eurozone recovery remains on course – Pg. 4

- The Eurozone economy showed further signs of resilience yesterday, with a fall in regional unemployment and rising German industrial production suggesting political headwinds have yet to knock the area's recovery off course
- Unemployment across the 19-country region was 9.8% in November, its lowest level since July 2009
- Historically low interest rates plus quantitative easing mean financing is cheap.
- ...unemployment has fallen sharply over the past year in some of the most economically troubled parts of the region, such as Portugal, where the rate fell from 12.3% in November 2015 to 10.5% a year later. However, joblessness rose in Italy, and youth unemployment across the Eurozone remains worryingly high at 21.2% of people aged 16 to 25

Pound falls as May denies 'hard Brexit' is inevitable – Pg. 7

- The pound dropped to its lowest level since October amid market fears Theresa May is leading Britain to an uncertain future outside the single market, forcing the UK prime minister to deny the country was heading for a “hard Brexit”
- ...fall against the dollar to \$1.2122 in early trading yesterday,

The Trump Presidency – Pg. 9

- The present open global economic system was designed by the US, but Mr Trump intends to make his own rules, starting with the repudiation of the TransPacific Partnership, renegotiation of the North American Free Trade Agreement with Mexico and Canada, and the imposition of hefty duties on Chinese imports
- The Pew Research Centre recorded in June that nearly six out of 10 Americans want the US “to deal with its own problems and let other countries deal with their own problems the best way they can”
- The history that haunts them is that of the 1930s, when a self-absorbed America stood by as Europe fell to fascism and war
- ..American’s allies have already concluded that Mr Trump is neither predictable nor reliable
- Great power rivalries have sharpened. Globalization, invented in the US in the pursuit of American interests, now bestows its benefits on China and other geopolitical challengers
- On the evidence thus far Mr Trump has neither the mindset nor temperament to recognize such constraints. The immediate dangers – of a miscalculation that leads to confrontation with China in the western Pacific, a “deal” that encourages Mr Putin’s revanchism in eastern Europe, or a clash with Iran – are clear enough. The long-term threat is that Mr Trump’s presidency sees a Pax Americana that has sustained relative peace and stability for the past 70 years dissolve into a return to the Obbesian world of great power conflict

Answer: St. Kitts

9 January 2017

Nevis News: Well, apparently a senior person at Bank of Nevis is under investigation for extortion. Further, another senior person had a malatov cocktail thrown at their home. My details are Spartan as I have learned to say on Nevis, “Those in wooden houses do not throw malatov cocktails”, and my house is wooden. Island justice!

Interesting culture here on the island. In the States if you want something more quickly you pay more. Here, the culture is less motivated by money. I have a contractor working for me now and I was able to hire him immediately not by offering more \$\$\$ (though I tried that first) but by learning his touch point, i.e. pay him upfront so he could pay his workers from his current job as that was a late pay. This is not the first time I have used this strategy. Just a different culture.

There are herds of cows loose on the island. I had to take evasive action on my bike to avoid a wipe out. Real estate sales are slow and the Mt. Nevis has yet to sell out their existing units. Fresh fish is difficult to come by due to rough waters. Despite it being Saturday night I did not get lobster at Surprisers. Next Saturday...

Question: Which financial metric quantifies the probability of returning one's \$\$\$?

Fed official says full employment rules out need for fiscal boost – Pg. 3

- The US does not need a short-term fiscal boost from Congress because it is at full employment and inflation is closing in on the Federal Reserve's target, ...giving a bullish assessment of the economy's health
- Central banks have during the past decade frequently demanded extra help from governments amid concern that politicians are relying too heavily on monetary policy. But given the US rebound, some at the Fed question whether budgetary loosening is needed

Online economy – Pg. 7

- ...existing antitrust laws, premised on human intent and action, may be inadequate to prevent companies from abusing their market power in the digital era...
- First deployed in sectors such as quantitative finance, the use of algorithms is now entrenched in the airline and hotel industries and on online retailers such as Amazon
- Algorithms render obsolete the need for such face-to-face plotting. Pricing tools scour the internet for competitors' prices, prowl proprietary databases for relevant historical demand data, analyze digitized information and arrive at pricing solutions within milliseconds – far faster than any flesh-and-blood merchant could
- That should, in theory, result in lower prices and wider consumer choice. Algorithms raise antitrust concerns only in certain circumstances, such as when they are designed explicitly to facilitate collusion or parallel pricing moves by competitors

Berkeley looks outside London as luxury home market wanes – Pg. 13

- Berkeley Group, the luxury London housebuilder, is looking to the English provinces as a source of future growth as the market for high-end properties in the capital undergoes a downturn
- In a market that has been driven higher by global investors, prices for prime properties have dropped an average 12.5% since the 2014 peak

Answer: P(Gain)

7 January 2017

Nevis News: I recognize that people have to schedule around holiday travel but the weather is absolutely heaven. The days are warm and the nights are best described as a 'gentle chill'. While I sleep with the A/C on at night it is only due to a preference to sleep beneath heavy comforters. I often have to button my shirt at night and find the overhead fan on low is quite sufficient.

Not too many tourists and 'word about Nevis' is that the Four Seasons had the slowest season in years. A young couple from New York played the course in the afternoon. Oh, and there is a crisis, Jumby, the "Cat" in Cat Ghaut is missing. He has been gone a little over a week and Nevis 5-0 has been notified. He

has another few days before he is backfilled with kittens. On Nevis you must choose: Cat or Mouse(s). I choose "Cat".

My International Finance students will be proud, I was funding my Euro and GBP accounts yesterday and discovered, using cross exchange rates, a less expensive way to fund the accounts. Further, International settlements allow for some negotiation of rates on a customized basis. Next week I go back to meet and discuss forward rates. Energy, then real estate, and now currency...I may be finding my niche!

Question: What is the 2015 percentage of those 18 to 34 in the U.S. that live with their parents?

US wages grow fastest since financial crisis – Pg. 1

- Average hourly earnings climbed 2.9% from December 2015, marking the swiftest year-on-year growth since the financial crisis, ...
- US employment levels have recovered significantly since the depths of the crisis, with American companies adding 15m jobs since a 2010 low. ...modest 156,000 jobs in December, with the unemployment rate rising slightly to a still-healthy 4.7%
- December's jump in hourly earnings was the first real sign that job growth was beginning to push wages higher
- Mr Trump has suggested the headline unemployment rate masks a structural shift in the economy that has produced only low-quality jobs, something that helped him garner blue-collar support
- Supporting Mr Trump's argument, the labour force participation rate, a gauge of the share of the working age population that has a job or is actively looking for one, came in at 62.7% in December
- While it has recovered since hitting a post-recession low of 62.4% in 2015, it is well below its 66% level ahead of the downturn
- (Prof Note: Stage Capital and Cat Ghaut employees received base increases, merit is not counted and would only add, of 4.00% for 2017. This is down from 5.00% in 2016. Green fees doubled, i.e. 100.0% increase, but still well below the only competitor, i.e. Four Seasons. 0.00% increase in client billing costs for second year in a row, i.e. clients benefit from 2016 and anticipated 2017 efficiencies.)

Opec fireworks fizzle out as reality bites – Pg. 11

- Brent crude briefly touched an 18-month high above \$58 a barrel on the first day of trading but there was little fresh buying by funds that had already propelled prices higher by more than 30% in the last six weeks of 2016, as Opec moved to agree the first supply curbs since 2008
- After hitting a 13-year low below \$30 a barrel in early 2016, Brent eventually recovered by about 50% over 12 months of volatile trading
- US oil production could grow by 200,000 barrels a day in 2017, ...but that should not be enough to offset the targeted Opec and non-Opec cuts of more than 1.5m b/d, even without full compliance

- Hedge funds are still positioned for further price gains in oil, holding a record net position equal to almost 800m barrels of crude via futures and options contracts across Brent and US benchmark West Texas Intermediate

Answer: 39.5% (**Prof Note:** The battle I fight at 46 is not allowing my mother to live with me!)

Nevis News: Some things simply cannot be made up! American Airlines arrives two hours late into St. Kitts causing me to miss the 6:00pm ferry, i.e. the last ferry to Nevis. Undeterred I have my cabbie race to Sea Bridge to make the 7:00pm crossing. (tourists would not know about Sea Bridge, most likely. Sea Bridge is an industrial ferry for trucks and cars.) I arrive at the departure port which has NO lights and I am left in the dark with all my bags (which are more than I can handle by myself as I have my new bathroom fixtures). Talk about sketchy. I figure I better make a friend and talk to the woman standing next to me. She tells me she is from Gingerland. So I ask if she knows Julie. She says, "I know Julie. My husband's brother married Julie's husband's sister." So I say, "Julie is my Nanny's daughter." She replies, "Oh my god, your 'Tiger'". I say, "That's ME!" Nevis has 12,000 people and often feels like the Caribbean version of Mayberry.

6 January 2017

Question: Does Nevis have day light savings time?

'King of tuna' retains crown after auction at Tokyo fish market – Pg. 4

- A 212kg Bluefin tuna sold for \$637,000 in the new year auction at Tokyo's Tsukiji fish market yesterday,...
- The price was the highest since 1999, highlighting growing optimism about Japan's economic outlook for the year, as well as the increasing scarcity of heavily overfished Bluefin tuna

Politics and the Economy – Pg. 7

- It is not true that humanity cannot learn from history. It can and, in the case of the lessons of the dark period between 1914 and 1945, the west did
- We are living, once again, in an era of strident nationalism and xenophobia (Prof Note: I was on Nevis less than 24 hours before a retired ExPat specifically sought me out to ask if their social security was being reduced by 50%. They then asked if I was still interested in purchasing some of their land.)
- What lies ahead for the US, creator and guarantor of the postwar liberal order, soon to be governed by a president who repudiates permanent alliances, embraces protectionism and admires despots? What lies ahead for a battered EU, contemplating the rise of "illiberal democracy" in the east, Brexit and the possibility of Marine Le Pen's election to the French presidency?
- The contemporary global economic and political system originated as a reaction against the disasters of the first half of the 20th century. The latter, in turn, were caused by the unprecedented, but highly uneven, economic progress of the 19th century

- Between 1914 and 1918, industrialized warfare and the Bolshevik revolution ensued. The attempted restoration of the pre-first world war liberal order in the 1920s ended with the Great Depression, the triumph of Adolf Hitler and the Japanese militarism of the 1930s. This then created the conditions for the catastrophic slaughter of the second world war, to be followed by the communist revolution in china
- Internationally a new set of institutions – the IMF, the World Bank, the General Agreements on Tariffs and Trade (ancestor of today's World Trade organization) and the Organization for European Economic Co-operation (the instrument of the Marshall Plan, later renamed the Organization for Economic Co-operation and Development) – oversaw the reconstruction of Europe and promoted global economic development. Nato, the core of the western security system, was founded in 1949. The Treaty of Rome, which established the European Economic Community, forerunner of the EU, was signed in 1957
- Economically, the postwar era can be divided in two: the Keynesian period of European and Japanese economic catch-up and the subsequent period of market-oriented globalization
- The first economic period ended in the great inflation of the 1970s. the second period ended with the western financial crisis of 2007-09
- The main economic threat in the first period of transition was inflation. This time, it has been disinflation

Holiday sales gloom grips US retail – Pg. 11

- US department store operators are being squeezed by falling shopping centre traffic, the rise of online shopping and a shift by consumers towards spending more on recreation and travel

Answer: No

5 January 2017

Question: How many tourists deaths so far this year on Nevis/St. Kitts?

Fed minutes suggest Trump tax cuts would lead to higher rates – Pg. 1

- The potential for economy-boosting tax cuts under Donald Trump took centre stage in the Federal Reserve's final policy meeting of 2016, with many rate-setters saying they could be forced to lift rates higher than expected if Congress takes action
- The Fed on December 14 raised short-term rates for the second time in a decade and predicted a quicker speed of tightening this year compared with the one-a-year pace in 2015 and 2016

Tillerson in line for \$180m if confirmed – Pg. 2

- Rex Tillerson, Donald Trump's choice to be the next US secretary of state, will be given a payout worth about \$180m to sever all financial ties to ExxonMobil if his new role is confirmed

- Before selection by Mr Trump, the Exxon chairman and chief executive, was in line to receive about 2m shares in the oil group, worth about \$182m at today's prices, over the next 10 years under the company's executive pay programme
- Exxon announced on Tuesday evening he had agreed that, if he becomes secretary of state, those share awards would be cancelled and about \$179m in cash would be paid into a trust to be released to Mr Tillerson in installments over the next decade
- Mr Tillerson reaches Exxon's standard executive retirement age of 65 in March and had been expected to step down in the first half of this year after a 42-year career at the company
- The money would be put into an independently managed trust that could buy assets but would be prohibited from investing in Exxon, and would make periodic payments to Mr Tillerson based on the timetable for his share awards. The plan has been agreed with regulators at the Office of Government Ethics and the Department of State
- His confirmation hearing at the Senate foreign relations committee is scheduled to start on January 11

China's lavish wedding gifts tie rural officials up in knots – Pg. 3

- A Chinese county plans to restrict extravagant spending on wedding gifts, highlighting the transactional nature of marriage in a country where a scarcity of brides is intensifying traditional dowry practices
- Draft rules aim to cap a single wedding present at \$8,600 and forbid the gifting of houses and cars.
- Men in poor rural counties are most affected by unbalanced sex ratios resulting from China's one-child policy, scrapped in 2015 after 35 years in effect. A traditional preference for male children – who were seen as better able to support parents in old age – led many women to terminate pregnancies
- Officials say the draft rules aim to protect poor, elderly residents from depleting their savings and taking on debt to pay for betrothal gifts for their children. They specifically forbid "using weddings to demand property"

Soaring inflation sparks dilemma for ECB – Pg. 4

- Annual inflation in the single currency area has soared to its highest level since 2013, climbing to 1.1% in December, ...

France to reopen ultra-long bond – Pg. 11

- France is to reopen a bond that matures in 2066 in a bid to take advantage of demand from yield-hungry investors in Asia, even as the country braces for market volatility ahead of a bruising presidential election later this year
- Japan's decision nearly a year ago to adopt negative interest rates and cap bond yields has turned the country's pension funds and insurance companies into important buyers of overseas debt with higher yields

Real estate sector shows signs of recovery – Pg. 14

- ...fears of an immediate crash – reflected in the precipitous drop in share prices for housebuilders and real estate investment trusts immediately after the June referendum on EU membership – have abated
- Housebuilders' share prices, which slumped 37% in the days after the Brexit vote, are now 15.6% below pre-vote levels; real estate investment trusts, which shed 22%, are now only 10.6% lower
- ..capital values for commercial real estate were expected to fall 4.1% on average by the end of 2016, then 3.6% in 2017
- Rents, however, will remain high enough to keep total returns in positive territory for all sectors apart from offices, ...
- ...factors stacked against real estate for the coming year include rising inflation and bond yields, which may lure investors out of property; a tighter labour market; and the expected triggering of the Brexit process in March

Answer: Nothing is published and tourist “accidents” are hush-hushed. However, it is believed one had a heart attack on a catamaran sailing between St. Kitts and Nevis.

4 January 2017

Question: How many people watch New Year's Eve on the tele?

Trump set for culture clash with US debt managers – Pg. 3

- Steven Mnuchin, Mr Trump's nominee to be Treasury Secretary, suggested in November that he wanted US debt to have a longer maturity, and would look into 50 or 100-year securities. The 30-year Treasury yield rose by 12bps to 3.06 on November 30,...
- The US has an unusually short debt maturity compared with its peers. That is even after the Treasury extended the debt portfolio's weighted average maturity from a low of 48 months in 2008 to 69 months now
- New initiatives, such as the floating rate note, which first went on sale in 2014, or Treasury inflation-protected securities, which were introduced in 1997, have been done only after heavy consultation and intensive information-gathering

Economic endgame – Pg. 7

- China's economy is expected to have met the government's target of at least 6.5% growth of GDP for 2016. The stock market has stabilized and is up 19% since its low point in late January 2016. Rising commodity prices have pulled factory-gate prices back into positive territory after more than four years of deflation. The currency has continued its decline, but in an orderly manner
- China's total debt load had reached 255% of GDP by the end of June, up from 141% in 2008 and well above the average of 188% for emerging markets,
- It is not just a domestic concern. China contributed a third of global GDP growth in 2015. If its economy slows sharply, the effects would be felt worldwide. Commodity exporters in Brazil, Australia and Southeast Asia would be hardest hit
- Scenario 1: New economy Battle to boost consumption

- Scenario 2: Stagnation Debt levels slow growth
- Scenario 3: Acute crisis Rise of the shadow banks

Banks win Basel reforms reprieve – Pg. 11

- European banks have won a reprieve from new post-crisis reforms they fear will disproportionately hit their balance sheets
- The long-awaited meeting was expected to sign off a series of reforms intended to make it harder for banks to avoid the higher Basel III capital requirements put in force after the financial crisis
- The main sticking point between supervisors in the US and their European counterparts is the so-called output floor that limits the extent to which banks can use their own models to calculate the riskiness of their lending. The floor in effect prevents them from using risk estimates that are too far below the outputs of a standardized model devised by regulators
- The delay is a blow to the Basel committee, when pledged to have the reform package signed off by the end of 2016

Rates increase set to dent US lender's earnings – Pg. 12

- Investors in US banks have welcomed the prospect of an end to the era of rock bottom interest rates,
- Most banks can benefit from higher rates because they push up interest charges for borrowers while keeping deposit rates lower for longer. The widening gap between what they earn on assets and the cost of their funds should lift profits

US dollar touches 14-year peak as Eurozone debt endures sell-off – Pg. 19

- The dollar index – a measure of the US currency against a basket of peers – was up 1.1% at 103.33, having earlier hit 103.82, the highest level since December 2002
- The euro was down 0.5% at \$1.0407, off a 14-year low of \$1.0342 struck earlier, while the dollar was up 0.2% against the yen at ¥117.75. In spite of the strong dollar, gold rallied \$9 to \$1,160 an ounce

Answer: 1.0bn

3 January 2017

Question: How many people are in New York City's Times Square to watch the famous ball drop?

China groups pump record amount into US – Pg. 4

- Chinese companies invested a record \$45.6bn in the US in 2016 despite a presidential campaign heavy on Beijing bashing
- It also took the stock of China's long-term investment in physical assets over \$100bn for the first time, with Chinese companies now employing more than 100,000 people in the US
- The increase in Chinese investment highlights the changing nature of the economic relationship between the US and China. For decades, US-based multinationals have been building factories and making other substantial investments in China. But little direct

- investment has flowed the other way, although Beijing has parked trillions of dollars of its foreign exchange reserves in US Treasuries
- Growing concerns about rising capital outflows have led authorities in Beijing to crack down on overseas investments by Chinese companies in recent months

Renminbi faces test of confidence as Chinese forex purchases quota resets – Pg. 11

- With individuals in China allowed to purchase up to \$50,000 worth of foreign exchange each calendar year, observers will be watching for any signs of a rush to use up their limit as banks reopen after the New Year holiday
- The incentive to buy dollars is strong after the US Federal Reserve's December rate rise – and the fiscal and economic policies of US president-elect Donald Trump are expected only to accelerate the renminbi's two-year decline against the greenback

Year of shocks forces hand of forecasters – Pg. 18

- ...the yield on the 10-year US Treasury has jumped from a low of 1.32% in July to 2.5%, as bond investors contemplate faster economic growth and higher rates ahead
- France, Holland, Italy and Germany have elections in 2017. If anti-euro movements gain the upper hand elsewhere, Germany might reassess its commitment to save the single currency....
- Supply from the biggest oil producers particularly Saudi Arabia, is in focus following a deal to cut output for the first time since the financial crisis
- Banking equity indices in Japan, Europe and the US posted double-digit gains in the second half of 2016
- If the Fed moves too fast the repercussions could be severe. Six of the 12 tightening cycles since 1945 have resulted in a US recession within two years

Answer: 1.0m