The 2020 Canadian Outlook

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researching the past to predict the future

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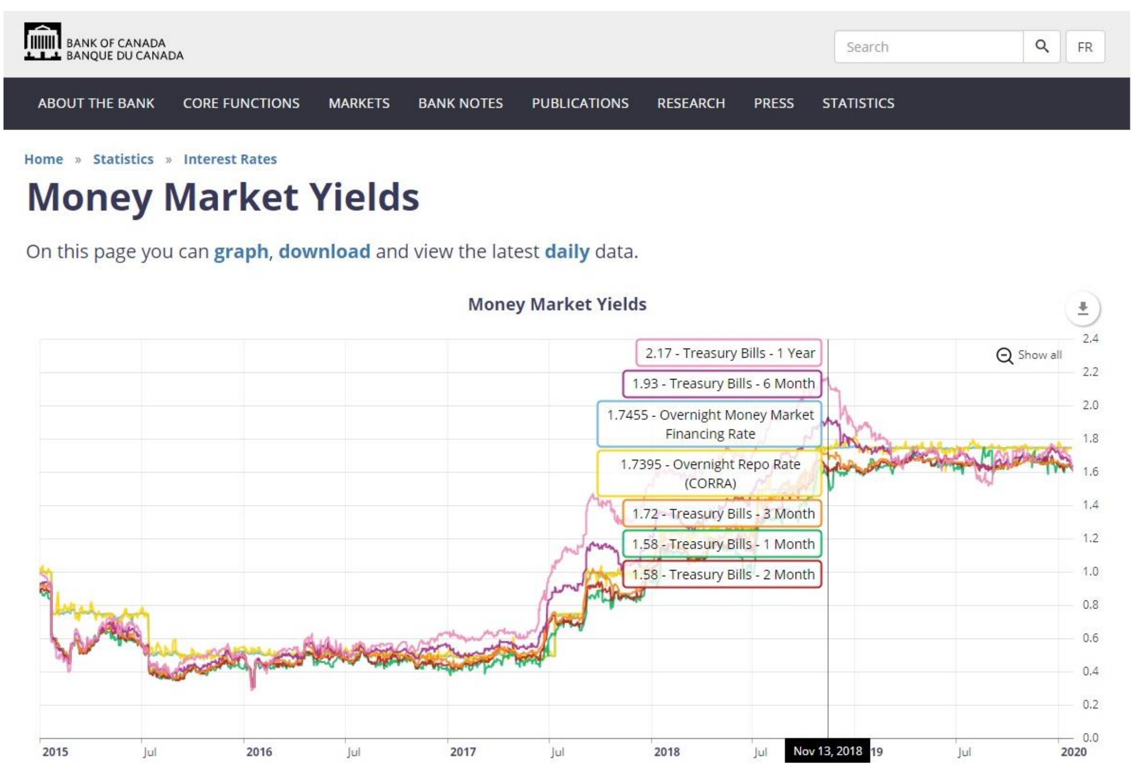
The 2020 Canadian Outlook

The real GDP outlook for Canada's economy is generally expected to grow, at best, about 2% during 2020. It has been unable to reach the 3% level of 2017. The biggest source of downward drag on growth was the mining/quarrying/oil/gas sector that saw a 1.4% m/m drop in output whereby this sector typically accounts for just over 7% of GDP. Transportation and warehousing also fell by 0.9% m/m, which accounts for about 4½% of GDP. As disposable income declines, the arts/entertainment and recreation sector will normally decline and this was the case with a 0.7% m/m drop in December which is just under 1% of GDP. Wholesale trade also fell by 0.4% m/m where this sector accounts for about 5% of GDP. The agriculture/forestry/fishing sector declined by 0.3% m/m which represents only 2% of GDP. Therefore, about 19.5% of GDP has been in a declining trend within GDP.

Utilities were up 2.1% m/m because of global cooling. Contribution continued to grow by about 0.5%. The trade sector has been weak. The negative interest rates in Europe, as well as Japan, continue to drastically disrupt global capital flows and have sent capital primarily flowing into the US dollar, but Canada has also been benefiting as well. Both the United States and Canada's economic growth has come on the back of capital flight from Europe and Japan as well as China. These external factors outside North America are critical to comprehend.

Canada's business investment profile has been also dismal, to say the least, in the face of strong socialistic politics and the move to save the planet. The prospects for energy investment are starting to look marginally better, but regulations still impede much of the economic growth outlook in energy, which has promoted the rising separatist movement in Canada emerging from Alberta. The outlook for the non-energy side remains moderate at best, again due to tax increases. Canada's economy, like the United States, is experiencing a strong underlying support for the labor markets in the face of modest growth in consumer spending.

While most provincial governments are expected to maintain a high degree of spending restraint as they work to balance their books, at the federal level the newly re-elected Liberal government is expected to increase spending and reduce taxes, but this is just a facade.



The Bank of Canada is also fighting the free market rise in interest rates. They are expected to lower interest rates at least once in 2020. The interest rates rose sharply and peaked the week of November 13, 2019, in the aftermath of the Repo Crisis in the USA which hit September 17, 2019.

All the central banks are in the fight of their lives. Their authority under Keynesianism has been to control the short-term rates. The whole Quantitative Easing theory was an attempt to reduce long-term rates. They were buying in long-term government bonds to reduce the competition in hopes that the banks would start to lend long-term and thus "stimulate" the economy. The short-term rates are where their power resided under Keynesianism, whereby they raise or lower rates to manipulate demand to manage the economy.

Therefore, this entire Repo Crisis is all about defending the Keynesian Economics lineage. This has nothing to do with "stimulating" the economy anymore. This is about defending the power of central banks. What is at stake here is the very existence of the theory of Keynesian Economics.

The New Classical school in economics emerged during the 1970s in response to the failure of Keynesian Economics to explain stagflation. Prices were rising, primarily because of the oil embargos which forced prices higher, but this did not result in economic growth. Under the Keynesian Model, there was no exception


Robert E. Lucas Jr.
(born 1937)

for that so if prices rose the economy also rose. This was entirely based upon Demand Economics presumptions.

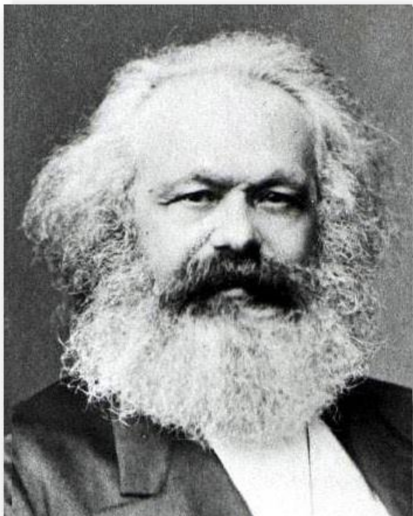
The New Classical Economic movement led by Robert Lucas Jr. (born 1937) and Monetarist Economic theory criticisms of Milton Friedman (1912–2006) respectively forced the rethinking of Keynesian Economics.

Milton Friedman
(1912 – November 16, 2006)

Lucas argued that it was impossible to forecast economic changes based on previous relationships such as Keynes' consumption function because such aspects were not structural and could vary with respect to changes in government policy variables. This simply became known as the Lucas Critique which he claimed explained the paradigm shift that occurred during the 1970s in macroeconomic theory moving toward establishing micro–foundations, which are simply the microeconomic behavior of individual agents including business firms and households which are the underlying foundation of economic theory. His arguments called into question the entire Keynesian model and led to the proposition that all macro models should be based on microeconomics. Yet, this complicated approach was still based upon presumptions of human behavior without understanding the overall trend set in motion by herd instincts.

In the case of Milton Friedman, he is best known for reviving interest in the money supply as a major determinant of the nominal value of output. In other words, the quantity theory of money. Monetarism has been what defines all this talk that we would see hyperinflation because of the Quantitative Easing by central banks.

Now we face yet another change to the economic theories used to manipulate our lives. The new Modern Monetary Theory of money has also failed completely, giving rise to the proposition that you can just expand the money supply without limitation and raise taxes on the upper class to create a new economic Utopia where recessions and market crashes are forever extinguished from our daily lives.

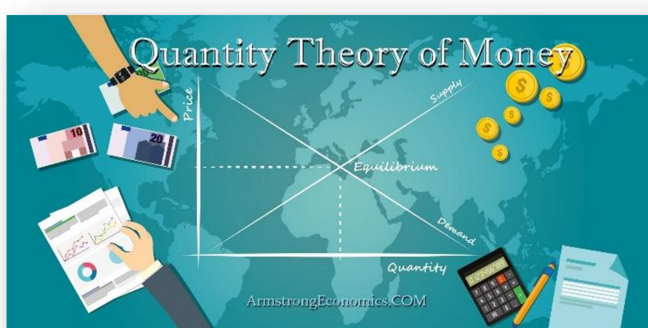


Karl Heinrich Marx
(1818-1883)

John Maynard Keynes
(1883-1946)

After the 1970s and the apparent failure of Keynesian Economics, the rise of these other theories began to try to explain the rise in inflation with the stagnation of economic growth. Nevertheless, they all continued to be constructed upon the underlying proposition of John Maynard Keynes (1883–1946) that the government possessed the power to manage the economy following Karl Marx (1818–1883).

Consequently, the variations of the New Keynesian Model, which includes the Monetarist view based on the Quantity Theory of Money, has resulted in a shift in the fundamental focus of economic models toward a monetary exchange economy, as opposed to a barter economy. Hence, it became more about capital flows rather than the exchange of goods and was also aided by the rise of the



service economy. Therefore, the rate of interest shifted from government bonds to the interest paid on central bank money as the key focus to manage the economy. In other words, the short-term rate for overnight funds – Repo.

This shift in focus is dealing directly with the Repo Crisis. Raising the interest rate paid on overnight money is supposed to dampen the demand for assets and turn the flow of capital toward a demand for cash. This is supposed to create what is typically called "Cash is King."

Therefore, we have already seen a shift from using government bonds as the main economic indicator to short-term rates on money. Consequently, the Fed was forced to intervene into the repo market for its control over short-term rates, and Fed funds were in jeopardy. The economy has shifted to very short-term central bank money which is precisely the crisis in the repo market.

Hence, the future outlook for interest rates is one that is poised to see higher rates despite this battle by central banks to contain the free market.

Bank of Canada & Repo Crisis

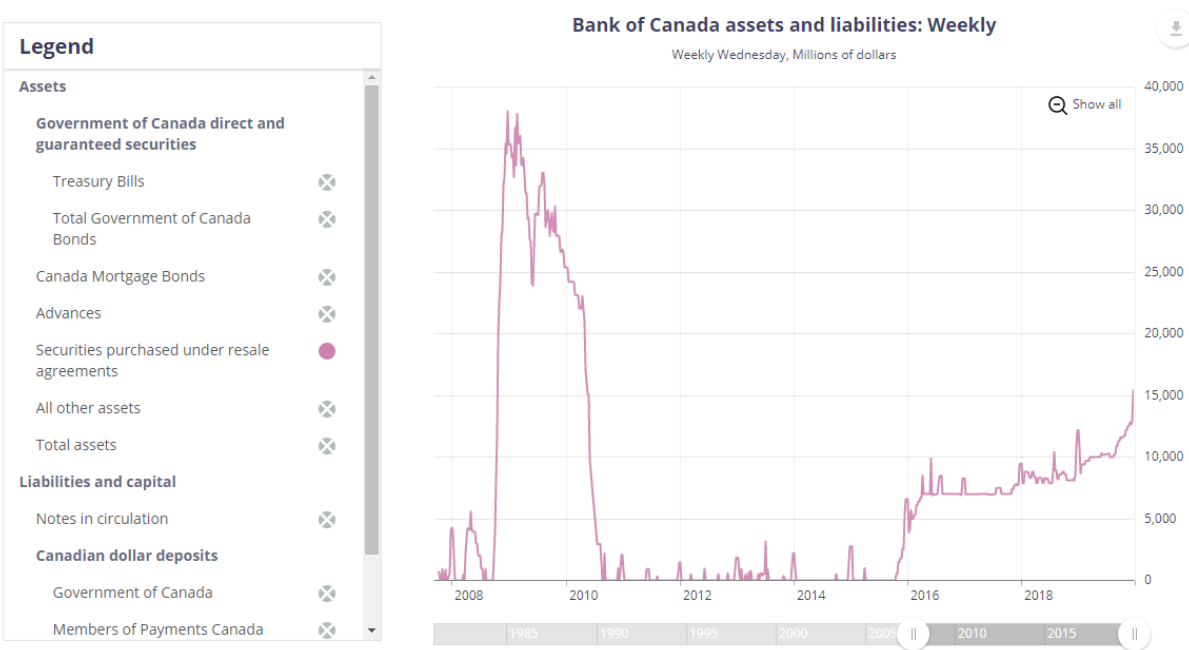
The Bank of Canada (BoC) states publicly that it is committed to providing liquidity in support of the efficient functioning of Canada's financial markets. It has continued to closely monitor financial market developments and has stated that it stands to provide liquidity as needed. During August 2019, the Bank of Canada responded to the growing liquidity crisis. At that time, the crisis was seen as merely an inverted yield curve in the United States with analysts calling for a recession.

The Bank of Canada on August 15, 2019, announced that it was temporarily expanding the list of collateral that was eligible for use by market participants in its Special Purchase and Resale Agreements that are commonly known as SPRAs. The BoC, which traditionally had only accepted Government of Canada securities as collateral for SPRAs, announced that the BoC would accept all securities that are already eligible as collateral for the bank's Standing Liquidity Facility (SLF) provided to participants in the Large Value Transfer System. Hence, they expanded the acceptable collateral as they saw the liquidity crisis coming down the road.

With respect to the margin requirements, the BoC announced that the same collateral used in SPRA transactions will be subject to the same margin requirements as those applicable in SLF transactions.

It further has acknowledged:

> "While money markets continue to experience difficulties, there has been significant progress in the functioning of the overnight market. Since 17 August, the overnight rate has been below the Bank of Canada's target rate and no Special Purchase and Resale Agreements (SPRAs) have been required. Against this background, effective 7 September, the Bank of Canada will restore the standard terms for SPRA, accepting only Government of Canada securities."



The Canadian Repo Crisis?

Many have been watching the Bank of Canada's balance sheet for signs that the Repo Crisis has spread to Canada. The concern has been over the BoC's balance sheet, which some interpreted as an indication that funding pressure was rising in Canada. A number of analysts viewed this as liquidity shortages spreading in the Canadian interbank market.

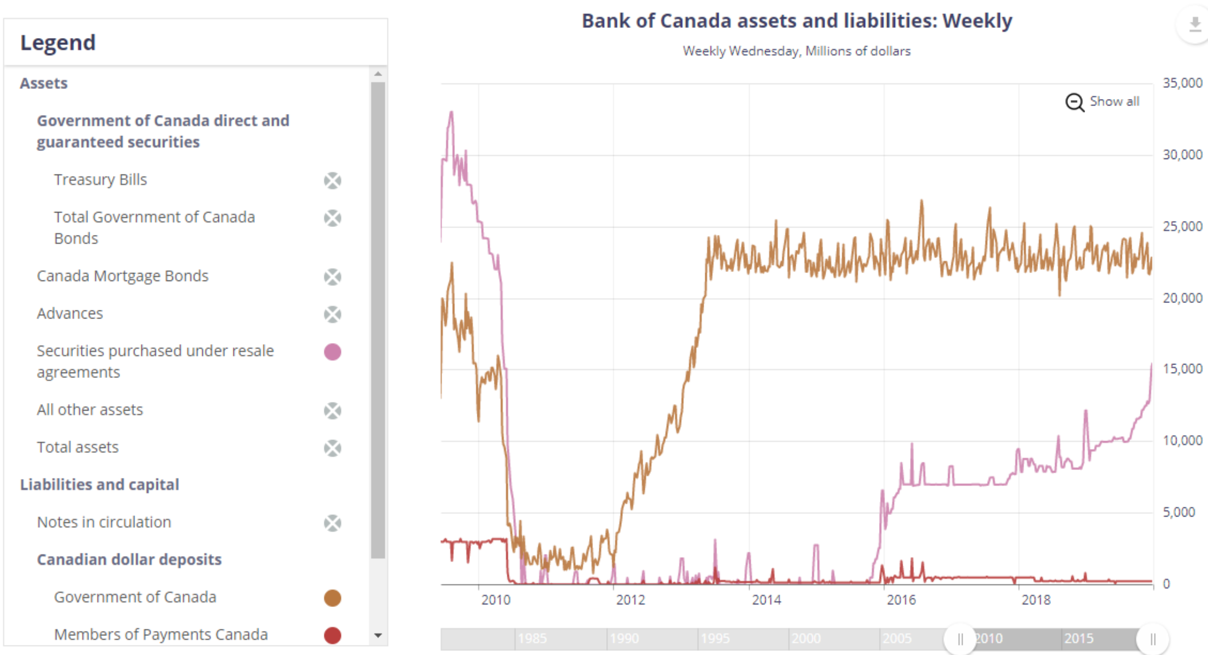
Turning to the BoC's chart illustrating the Securities Purchased Under Resale Agreements (SPRA), which are assets on their balance sheet, it notably began to rise during 2015 following the low made after the financial crisis high on December 31, 2008. Their holdings began to accelerate going into year-end

2015. They reached what seemed to be a plateau in 2016 through most of 2017. Then they began to make new highs in 2018 and spiked much higher during 2019. This certainly made it appear that the BoC was in fact also intervening in the financial markets in response to liquidity shortages.

In the case of the BoC, when it seeks to inject short-term liquidity into the market to prevent rates from rising, it purchases assets from a commercial bank in exchange for bank reserves. The assets it purchases from commercial banks are under a repurchase agreement (repo) whereby they purchase back the same assets from the BoC. These "repurchase agreements" are then known as SPRAs on the BoC's balance sheet. Despite the name, they are repos.

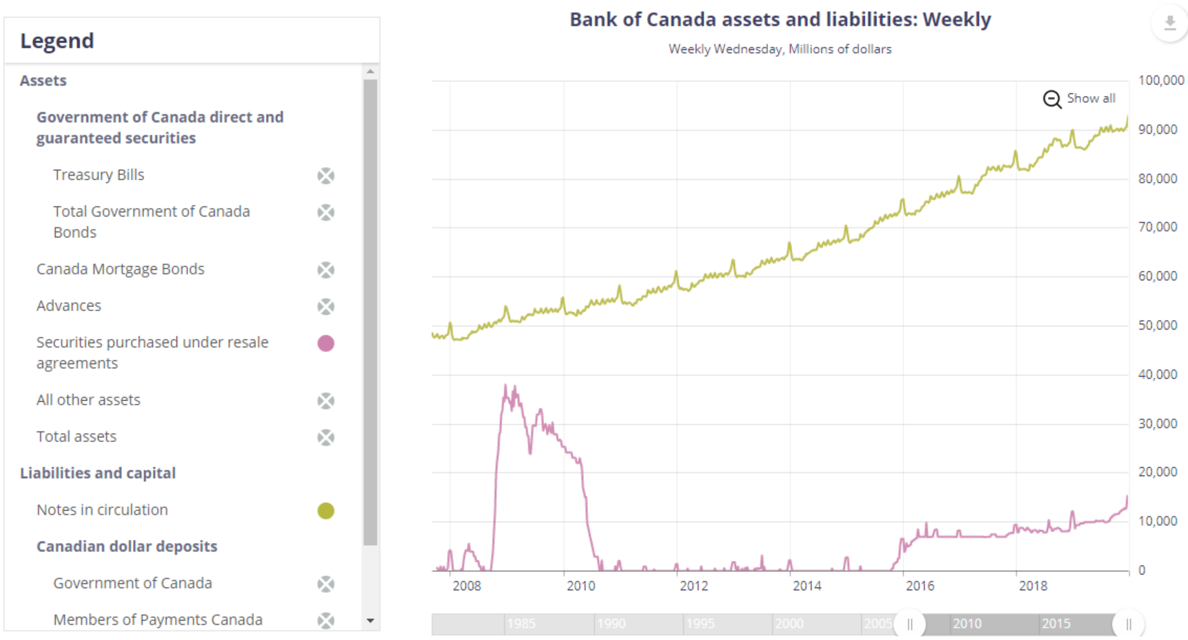
Like the Federal Reserve, the BoC uses these repo agreements to manage the overnight short-term interest rate. Therefore, if the overnight interest rate begins to rise above the BoC's set target for short-term rates, then the BoC will start to buy assets from commercial banks engaging in repos. This is how they seek to manage short-term interest rates.

We can easily ascertain that there has been a sharp rise in the BoC's SPRAs on their balance sheet, which implies that market interest rates have been under rising pressure. Thus, the BoC has been compelled to intervene in the short-term rate markets by purchasing a great share of assets. These purchases are made in order to maintain control over the short-term interest rates, which infers there is a rising shortage of liquidity in the interbank market even in Canada. This creates a continuous upwards bias on short-term interest rates, which is a direct assault on the BoC's power over the economy.



However, the data implies that the BoC has altered its management strategy away from government since it realized that government rates are now simply artificial. It is much more concerned about the free market.

Normally, if the BoC was simply intervening to keep short-term rates down, we would see more of an indication of this policy in its balance sheet. For example, intervening in repo would mean that they should have credited the accounts of commercial banks at the BoC. This should show up in the Canadian dollar deposits for "Members of Payments Canada," which does not reflect such an inflow. Commercial banks could be draining their reserves also by transferring the Government of Canada's deposits to the BoC. This should then result in "Members of Payments Canada" deposits remaining unchanged. However, then the Canadian dollar deposits for "Government of Canada" should reflect a corresponding amount of inflow. When we look at these components, both the government and commercial bank deposits have remained relatively flat while we see there has been a spike in the SPRAs. This suggests that the spike in repo purchases has nothing to do with traditional monetary policy.



The BoC has clearly shifted the strategy in how it is managing its balance sheet because it is diversifying away from holding its own government debt. The chart presented here from the BoC shows that they have been increasing the cash in circulation. As the BoC issues new bank notes, it has been, in effect, backing those notes with non-government debt.

Canadian bank notes become liabilities on the BoC's balance sheet, and therefore the BoC must offset these increasing "liabilities" by taking onto their balance sheet an offsetting asset. Historically, the BoC has bought government bonds, which in theory back the paper currency in circulation. Recently, the BoC, like some other central banks, has been striving to diversify its portfolio by reducing their support for the government bond markets in contrast to the European Central Bank.

The BoC has begun to diversify into non-government bond assets which they purchase via short-term repo transactions. This shortens the duration of its portfolio which allows it to unwind its portfolio in a crisis if cash needed to be injected into the system. The short-term assets would be strategically useful during a financial crisis. Therefore, the BoC appears to be deeply concerned, not about an immediate liquidity crisis, but a major one in the event of rates rising beyond their control.

Therefore, the numbers clearly show that the BoC on the surface appears to be engaging in repo transactions to provide liquidity within the banking system in a more traditional role of managing the overnight short-term rate. However, it appears that the BoC itself is preparing for a new trend of rising interest rates. This trend was most likely set in motion by the free markets due to the failed experiment of negative interest rates by the European Central Bank and the Bank of Japan.

Canadian Separatist Movements

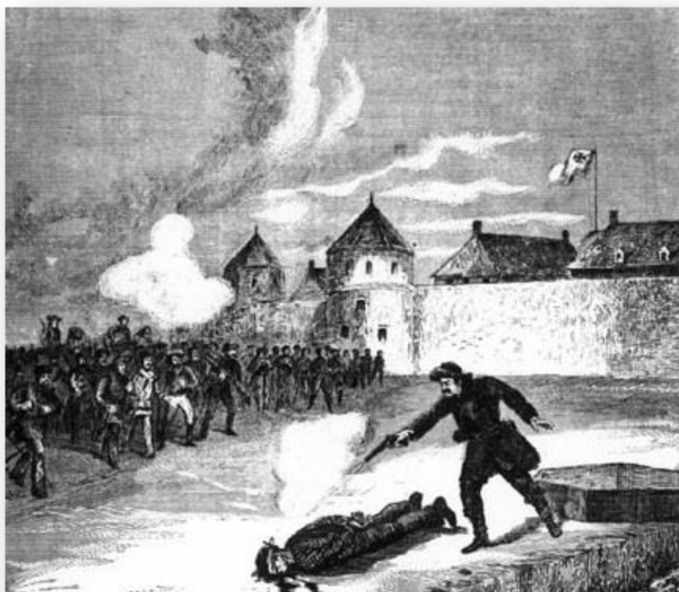
Louis David Riel
(1844 – November 16, 1885)
hanged for treason

Many people are aware of the various attempts of Quebec to separate from Canada and the more recent movement in Alberta. There have been many separatist movements in Canada largely because Canada was forged as a nation rather than a consensual union. During the late 1960s, the movement was motivated primarily by the belief, shared by many Quebec intellectuals and labor leaders, that the economic difficulties of Quebec were caused by English Canadian's domination of the confederation. They believed this could only end by terminating ties with other provinces and the central government. To a large extent, this was the old resentment of hundreds of years between England and France.

Quebec separatism was deeply rooted in Canadian history whereby some Québécois maintained the desire to establish their own independent nation-state from 1791 into the major sovereign defaults which emerged during the 1840s. Many French Canadians believed they were suppressed because of the Napoleonic Wars which reduced them to a minority surrounded by the English. Louis Riel was a Canadian politician and founder of the province of Manitoba.

Riel, who was later executed, was asked by the political leaders of the Métis people in Saskatchewan of the Canadian Prairies to lead a rebellion.

The majority of the population of the Red River had historically been Métis. The political situation became uncertain, because the transfer of land from the Hudson's Bay Company to Canada had not addressed the political terms. The Canadian government knew there was a risk of civil rebellion, but they pushed forward and ordered a survey of the area. The arrival of a survey party on August 20, 1869, only increased anxiety among the Métis who under English law did not possess titles to their land. In their case, their land had been laid out according to the seigneurial system rather than in English-style square lots.



Execution of Thomas Scott (1842–March 4th, 1870)

In late August, Riel had denounced the survey in a speech that put him on the side of the rebels. The Canadian government plotted against the provisional government and eventually executed its leaders including Thomas Scott (1842–March 4, 1870) who had been an Irish Protestant who emigrated to Canada in 1863.

What is very clear is that Riel had led two rebellions against the government of Canada and its first post-Confederation prime minister. The forging of Canada was not by a willful union, but by assassination and the force of arms. This is far from the passive image of Canada today.

John A. Macdonald
(1815 – 1891)
first prime minister of Canada
(1867–1873, 1878–1891)

John A. Macdonald (1815–1891) was the first Prime Minister of Canada. The view of Canada as a national state was one of oppression rather than a willing union. This only fueled the resentment of Canadian nationalism. This sentiment had been also written about by the journalists such as Jules-Paul Tardivel (1851–1905) who was a Québécois writer and a significant promoter of Quebec nationalism.

Newfoundland & Labrador

In 1867, the Province of Canada was joined with two other British colonies of New Brunswick and Nova Scotia through Confederation, forming a self-governing entity named Canada. The new country expanded by incorporating other parts of British North America, finishing with Newfoundland and Labrador only in 1949. Newfoundland had its own currency prior to joining Canada.

There is a secessionist movement in Newfoundland based on its unique history as a result of its grievances and broken promises with both the federal government and the government of Quebec. Prior to 1949, the area was a self-governing Dominion (Dominion of Newfoundland). The fundamental root of the separatist movement has been centered on the relationship between Newfoundland and Canada as a nation.

Ever since 2003, secessionism in Newfoundland has been on the rise. In 2004, a flag crisis occurred when the premier of Newfoundland and Labrador removed all Canadian flags from government buildings and raised provincial flags instead. Tensions have since eased, however, there remains a non-organized movement among citizens for a Newfoundland nationalism due to the political differences. This often occurs when one party seeks to impose their demands upon the rest of the nation.

Nova Scotia

Nova Scotia was an independent sovereign state that issued its own coinage. The French arrived in Nova Scotia during 1604, and the following year French colonists established the first permanent European settlement at Port Royal in what was to become Canada.

During the first 80 years, the French and French Acadians lived in Nova Scotia. Nine significant military clashes took place as the English, Dutch, and French fought for possession of the area. The French Acadian Civil War took place from 1640 to 1645. Nova Scotia was a consistent theater for wars between the French and English. French forces withdrew from Port Royal after being defeated by the British in 1710. The Treaty of Utrecht in 1713 formally recognized the change in territory. Nevertheless, Nova Scotia remained primarily occupied by Catholic Acadians and Mi'kmaq. New Brunswick still formed a part of the French colony of Acadia.

A subsequent war, known as Father Rale's War (1722–1725), saw the Mi'kmaq sign a series of treaties with Great Britain in 1725. The British signed a treaty defining the rights of the Mi'kmaq to hunt and fish on their lands. However, conflicts persisted in the following decades with King George's War (1744–1748).

Eventually, the French Acadians were expelled from the region between 1755 and 1764, which became known as the Great Expulsion. Most French Arcadians saw their lands and property confiscated and were deported to separate locations throughout the British eastern seaboard colonies from New England to Georgia. After 1758, thousands were transported back to France. However, many Acadians later migrated to Louisiana sailing on five Spanish ships.

In 1763, most of Acadia (Cape Breton Island, St. John's Island now known as Prince Edward Island, and New Brunswick) became part of Nova Scotia. Eventually, New Brunswick would become its own sovereign state issuing its own coins prior to 1867. Nova Scotia played a strategic role during the American Revolution (1775–1783). Many regarded Nova Scotia as the 14th American Colony. However, as Nova Scotia failed to join the rebellion against Britain, American privateers devastated the maritime economy by capturing ships and looting almost every community outside of Halifax. These American raids alienated many sympathetic or neutral Nova Scotians into supporting the British.

Nova Scotia had outfitted many privateers to attack American ships during the American Revolution. British military forces based in Halifax ensured that America could not support for rebels in Nova Scotia. Nonetheless, the British navy failed to establish any true naval supremacy in Nova Scotia. The Royal Navy struggled to maintain British supply lines to Nova Scotia after facing both American and French attacks upon its ships.

After the thirteen colonies and their French allies forced the British forces to surrender in 1781, approximately 33,000 Loyalists were resettled in Nova Scotia and about 14,000 went to what became New Brunswick. The king granted them land as compensation for their losses in supporting Britain. The American Loyalist exodus created new communities across Nova Scotia. Interestingly, this American migration to Nova Scotia by Loyalists also caused political tensions between their leaders and the existing leaders in Nova Scotia. Many Nova Scotian communities were actually settled by British regiments that fought in the American Revolution.

Finally, following the Confederation of Nova Scotia, New Brunswick and the Province of Canada established the Dominion of Canada in 1867. Opponents of the Confederation in Nova Scotia began promoting the separatist movement to withdraw from the new confederation. The Anti–Confederation Party won 18 of the 19 Nova Scotia seats in the new House of Commons of Canada in the 1867 general election, and 36 of the 38 seats in the Nova Scotia legislature. Nevertheless, they failed to achieve independence for Nova Scotia.

In 1990, just before the failure of the Meech Lake Accord, then–premier John Buchanan predicted Nova Scotia and the rest of Atlantic Canada would have to join the United States if the accord failed. Failure to pass the Accord greatly increased tensions between Quebec and the remainder of the country. The Quebec sovereignty movement gained renewed support for a time. The general aim of the Accord would be addressed in the Charlottetown Accord, which failed to gain a majority vote in a referendum.

Quebec Separatist Movement

Battle of Quebec September 13th, 1759 - the Seven Years War

In the early 1750s, French expansion into the Ohio River valley repeatedly brought France into armed conflict with the British colonies. In 1756, the first official year of fighting in the Seven Years' War, the British suffered a series of defeats against the French and their broad network of Native American alliances. However, in 1757, British Prime Minister William Pitt (1708–1778), often called William Pitt the Elder, recognized the potential of imperial expansion that would come out of a victory against the French and borrowed heavily to fund an expanded war effort. Pitt financed Prussia's struggle against France and its allies in Europe and reimbursed the colonies for the raising of armies in North America.

The Battle of Quebec took place on September 13, 1759, when the British under General James Wolfe (1727–59) achieved a dramatic victory over the French. The British scaled the cliffs over the city of Quebec to defeat French forces under Louis-Joseph de Montcalm on the Plains of Abraham (an area named for the farmer who owned the land). During the battle, which lasted less than an hour, Wolfe was fatally wounded. Montcalm also was wounded and died the next day.

By 1760, the French had been expelled from Canada, and by 1763 all of France's allies in Europe had either made a separate peace with Prussia or had been defeated. In addition, Spanish attempts to aid France in the Americas had failed, and France also suffered defeats against British forces in India.

The Seven Years' War ended with the signing of the Treaty of Hubertusburg and the Treaty of Paris in February 1763. In the Treaty of Paris, France lost all claims to Canada and gave Louisiana to Spain, while Britain received Spanish Florida, Upper Canada, and various French holdings overseas. The treaty ensured the colonial and maritime supremacy of Britain and strengthened the 13 American colonies by removing their European rivals to the north and the south.

General Marquis de Lafayette
(1757 – 1834)

Fifteen years later, French bitterness over the loss of most of their colonial empire contributed to their intervention in the American Revolutionary War (1775–1783) on the side of the Americans. General Marquis de Lafayette (1757–1834), was a French aristocrat and military officer who fought in the American Revolutionary War with the Americans against the British. Lafayette commanded American troops in several battles, including the Siege of Yorktown. After the war, Lafayette returned to France where he then became a key figure in the French Revolution of 1789 and later the July Revolution of 1830, which was the Second French Revolution led to overthrow King Charles X who had replaced Napoleon.

French Canadian nationalism has therefore resided within the background as an old contest between the British v French which has evolved over the centuries to a battle of linguistics — French v English. However, the provincial government of Quebec has promulgated laws that protect French and its usage.

In 1867, the British Parliament passed the British North America Act, also known as the Constitution Act, which became the supreme law of the Dominion of

Canada. This act contained only one section (section 133) dealing with language. It read:

> "Either the English or the French Language may be used by any Person in the Debates of the Houses of the Parliament of Canada and of the Houses of the Legislature of Quebec; and both those Languages shall be used in the respective Records and Journals of those Houses; and either of those Languages may be used by any Person or in any Pleading or Process in or issuing from any Court of Canada established under this Act, and in or from all or any of the Courts of Quebec."

Therefore, language has always been a touchy point in Canada. The Acts of the Parliament of Canada and of the Legislature of Quebec were to be printed and published in both languages.

The language dispute has never gone away. In a major legal case, Ford v. Quebec in 1988, the Supreme Court ruled that the sections of the Charter of the French Language enforcing the exclusive use of French on outdoor commercial signs was unconstitutional. They held that the Quebec government could legitimately require French to have "greater visibility" on exterior commercial signs, however, it could not enforce the exclusive use of French.

The Court of Quebec then had to deal with the internet, and as such delivered several decisions regarding the applicability of the Charter to advertising over the internet. The court held that commercial websites of businesses that operate from Quebec and sell to Quebec need to conform to the provisions of the Charter regarding the rights of Quebecers to receive services in French. Given the fact that the content of the internet was beyond the jurisdiction of Quebec, the court confirmed the applicability of the Charter on advertising over the internet despite the fact it could never be enforced globally. Yet, this illustrates the issue that language runs deep in Canada.

The primary reason why the EU has really failed is the fact that each member state retains its own language. America became a major nation because everyone who migrated to America was discriminated against in a very fair manner. If they could not speak English, they could not find work other than as a laborer. This compelled everyone to speak English and the second generation became literate in English. Once that took place, then America became the melting pot. Ask an American what they are, and they will respond something like half-German and half-Irish. That sort of marriage remains rare in Europe to this very day. Quebec retaining its separate language has been the reason why English v French confrontations over the centuries will always remain in the back of everyone's mind.

Additionally, the outcome of profound economic and social changes that had taken place in Quebec since about 1890 has also had a significant impact. Until that time, French Canadians had lived by agriculture and seasonal work in the timber trade. The middle class French of Quebec and Montreal acted as intermediaries between the working class French and the English industrial and commercial leaders. The growth of hydroelectric power and the wood pulp industry helped to create manufacturing plants in Quebec and Ontario, and brought French Canadian workers into the cities, particularly Montreal.

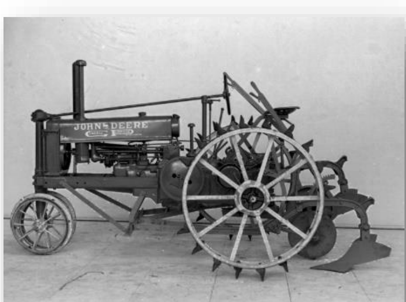
The growth of the French-Canadian population and the lack of good workable land outside the narrow St. Lawrence and Richelieu valleys contributed to a rush to low-paying jobs in urban industries. It also contributed to the growth of urban slums, especially in Montreal. By 1921, Quebec was the most urbanized and industrialized of all Canadian provinces, including Ontario which remained the most populous and the wealthiest. With very few exceptions, the new enterprises of the Industrial Revolution unfolding in Quebec were owned and directed by English Canadians or US businesses.

The French had been believers in an agricultural basis of a virtuous life. The clash of that culture with the Industrial Revolution also played a part in the rising tensions feeding Quebec nationalism.

The commodity market had peaked with World War I in 1919. Quebec suffered greatly from that period into the final economic low in 1932. Their economy in Quebec did not truly recover and then price controls prevented a huge commodity boom, once again thanks to World War II.

It was really post-World War II when the economic conditions began to improve compared to the Great Depression era. It was during this postwar period where cultural and linguistic differences became the primary motivation for the resurgence of Quebec's separatist sentiment.

Quebec society was changing dramatically in the late 1940s and '50s. Montreal and other urban centers grew rapidly after World War II, and an expanding French-speaking urban middle class was entering business and other white-collar professions. Increasing numbers of students completed high school and entered Canadian colleges and universities.



Quebec society was indeed moving from the predominantly agricultural economy, also in part thanks to the invention of the combustion engine which replaced farm workers with new machines and harvesters.

A prolonged and bitter strike by asbestos workers began a period of labor conflict and gave young idealists — one of them Pierre Trudeau (1919–2000), future prime minister of Canada — a chance to combine with labor in a struggle for a free society of balanced interests. A new Quebec was emerging, despite Duplessis's best efforts to keep it Catholic, agrarian, and conservative. At the time of his death in 1959, the province was ready for major political changes.

Pierre Trudeau
(1919–2000)

In June 1960, the Quebec Liberal Party, under Jean Lesage, gained power in Quebec. Lesage launched several new legislative initiatives aimed at reforming the corruption that had become widespread. This did improve the social and educational infrastructure, which involved the provincial government directly in economic development following more of the Marxist model. The Quebec government nationalized the province's private power companies and consolidated them into one government–owned company. It also established a new provincial pension plan, creating a large pool of investment capital. This Marxist social agenda became known as the "Quiet Revolution."

A political clash began. Following the defeat of the Marxist Liberals by the Union Nationale in 1966, the range of extremes widened much further in Quebec. The Liberal Party was federalist, holding that the reforms needed in Quebec could be obtained within the federal system. The Union Nationale also remained fundamentally federalist, but it stressed the importance of remaining Québécois and obtaining greater provincial power.

It was during this period that we saw once again a rising feeling toward a demand for a special status for Quebec to support separation and independence. An active minority of leftist Montrealers broke with the Liberals and began advocating independence as a first step to social change. Their efforts resulted in the establishment of the Parti Québécois, which advocated

René Lévesque
(1922–1987)

secession from the confederation. Under René Lévesque (1922–1987), a former Liberal, the Parti Québécois won 24 percent of the popular vote in the election of 1970, but the Liberals still secured 72 of the assembly's 95 seats.

Other social revolutionaries began to emerge who engaged in violence with bombings which they began in 1963. Most French and English Canadians considered these actions "un–Canadian," but they illustrated that the French intellectuals had ties with the outside world of France.

In October 1970, a terrorist group called the Front de Libération du Québec (Quebec Liberation Front) kidnapped the British trade commissioner, James Cross, and Quebec's labor minister, Pierre Laporte, who was subsequently murdered. Quebec's government asked for federal intervention, prompting enactment of the War Measures Act, which suspended the usual civil liberties. Subsequently, some 500 people were arrested, and troops were moved into Quebec. This became known as the October Crisis of 1970 in the province of Quebec in Canada, mainly in the Montreal metropolitan area. Prime Minister Pierre Trudeau invoked the only peacetime use of the War Measures Act.

Quebec has made various attempts to separate from Canada. The Quebec sovereignty movement has always been a political movement as well as an ideology of values that are driven to a large extent by language and the historical clash between England and France.

In July 1967, Charles de Gaulle (1890–1970) visited Canada, which was celebrating its centenary with a world fair in Montreal, Expo 67. On July 24th, speaking to a large crowd from a balcony at Montreal's city hall, de Gaulle shouted *"Vive le Québec libre! Vive le Canada français! Et vive la France!"* (Long live free Quebec! Long live French Canada, and long live France!). In doing so, he naturally deeply offended the Canadian federal government and just about every English Canadian. Many English Canadians were profoundly offended after English-speaking Canadian soldiers died on the battlefields of France in two world wars to save that country.

The Prime Minister of Canada, Lester B. Pearson, stated, "Canadians do not need to be liberated." De Gaulle left Canada abruptly two days later, without proceeding to Ottawa as scheduled. He never returned to Canada. Charles de Gaulle personally had resentments about Britain and the United States, most likely due to the fact that France would not exist had they not been saved by the English/Anglo Saxons. Charles de Gaulle spoke better German than English for he always harbored the century-old resentment against the English. Indeed, many saw his speech as an attack upon the relations with the United States.

Relations With U.S. 'Point Of Attack'

WASHINGTON (CP) — President de Gaulle's playing to the French-Canadian gallery is seen here as another sinister Gaullist plot to attack the U.S.—in this case to weaken Canadian ties with its neighbor.

That's a main implication in the heavy press coverage being given the French president despite such distractions as the Detroit riot, worst in U.S. history.

"With the unerring accuracy of a sadistic dentist, Charles de Gaulle has drilled straight to the most sensitive nerve in Canada's domestic anatomy, and has proceeded to probe it gleefully at every possible occasion during his current official visit," says The Evening Star editorially.

Calgary Herald, Calgary, Alberta, Canada
July 26, 1967, Wed • Page 22

The Montreal speech offended many English-speaking Canadians and was heavily criticized in France as well and led to a significant diplomatic rift between the two countries. The event was also viewed as a watershed moment by the Quebec sovereignty movement for he breathed life into their cause. This event became a truly significant milestone in Quebec's history.

In the following year, de Gaulle visited Brittany, where he declaimed a poem written by his uncle (also called Charles de Gaulle) in the Breton language. The speech followed a series of crackdowns on Breton nationalism. De Gaulle was accused of hypocrisy, on the one hand supporting a "free" Quebec because of linguistic and ethnic differences from other Canadians, while on the other hand suppressing a regional and ethnic nationalist movement in Brittany dominated by France.

Charles de Gaulle did much to create the opinion among Americans that the French just hated Americans, British, and English Canadians and were resentful for having to beg for help in two world wars rather than appreciative.

After his election in 1958, Charles de Gaulle took the view that the NATO organization was too dominated by the US and UK. His resentment of Britain and the United States resulted in his decision to take France out of NATO in February 1966.

WITH ARMS UPRAISED and fists tightened, President de Gaulle addresses a cheering crowd in Montreal Monday night from the city hall balcony. *(AP Photo)*

'Vive le Quebec Libre'

DeGaulle Looses Hornet's Nest

By STEPHEN BROENING

MONTREAL (AP) — President Charles de Gaulle's cry for a "frte Quebec" set off protests across Canada today and Prime Minister Lester B. Pearson called his Cabinet to consider the political implications.

One of the questions was how Pearson and other government officials could give the French president a hearty welcome to Ottawa Wednesday, as scheduled, in view of his expressions of support for the movement that seeks to separate Quebec Province from Canada.

A federal spokesman at Ottawa called it "a pretty serious situation." An emergency sesaino of the Cabinet was arranged through a revision of Pearson's schedule for the day.

Send Him Home?

A member of Pearson's party, a Liberal in Parliament from Montreal, Warren Allmand, said he was asking that the government cancel the remainder of De Gaulle's visit "and have him and his party leave Canada immediately."

Angry telegramms and telephone calls flooded in on officials, newspapers and radio stations after De Gaulle's exclamation before a crowd of wildly cheering separatists and others in Montreal Monday.

The climax came when De Gaulle shouted the separatist slogan "Vive le Quebec libre!" —"Long live free Quebec!"— from the balcony of Montreal's City Hall to thousands in the square below. The slogan is a rallying cry to French Canadians who claim Quebec should secede from the English-speaking rest of Canada.

Pearson watched the 76-year-old Frtnch president on television in Ottawa and asked for a transcript of his speech.

(The Canadian Broadcasting Corp. said there was speculation in Ottawa that the Canadian government might ask De Gaulle to terminate his visit, which was scheduled to continue into Thursday.)

A government spokesman said he knew of no changes in plans for De Gaulle's visit to the Canadian capital Wednesday.

'Inexcusable Intrusion'

De Gaulle's Quebec comments were termed "an inexcusable intrusion in Canada's domestic affairs" by opposition leader John Diefenbaker.

De Gaulle's schedule today included a visit to Expo 67 where France Day was being observed.

Monday, the second day of his five-day Canadian visit, De Gaulle made seven stops in rural towns and hamlets during a motor tour from Quebec City to Montreal.

House Takes Up Maine Dam

WASHINGTON (AP) — Maine congressmen expressed cautious optimism on prospects of beating back the expected attack in the House today on the Dickey-Lincoln School hydroelectric power project in northern Maine.

The House Appropriations Committee narrowly approved last week $1.7 million in final planning money for the dam and reservoir complex.

Rep. Robert N. Giaimo, D-Conn., who led the opposition in committee, said he will offer a motion during floor debate to

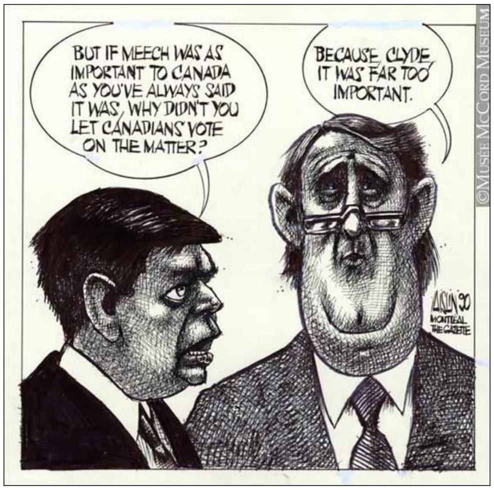
The Berkshire Eagle
Pittsfield, Massachusetts Jul 25, 1967

V.

The historical hostility between the English and the French has been systemic for numerous centuries and prevails to this very day. Even within the Brexit negotiations, it was the French who opposed any extensions and always demanded the harshest penalties. This is not something that will fade away into distant memories.

Meech Lake Accord

The Meech Lake Accord was yet another example of this confrontation which ended in fueling the Quebec Separatist Movement further with its failure. The Meech Lake Accord was a series of proposed amendments to the Constitution of Canada which had been negotiated in 1987 by Prime Minister Brian Mulroney with the ten Canadian provincial premiers. It was intended to persuade the government of Quebec to symbolically endorse the 1982 constitutional amendments by providing for some decentralization of the Canadian federation.



Prime Minister Pierre Trudeau had originally led the effort for drafting an approval of the 1982 Constitution. He sent an open letter published in the press on May 26, 1987, attacking the Accord as a capitulation to provincialism and the end of any dream of "One Canada." Trudeau expressed that the new agreement made further devolution of powers inevitable, thereby weakening the provincial powers. Trudeau, therefore, promoted the opposition to the Accord by creating turmoil in the federal and provincial Liberal parties, with the federal party split largely on linguistic lines — French v English.

Referendum totals

The Gazette

NO: 58%, YES: 42%

Now let Quebecers finish the job: Ryan

INSIDE: SPECIAL SECTION ON REFERENDUM Pages 21 to 32

It's not easy to swallow: Levesque

The Accord was to create a stronger federalized Canada. Trudeau intervened and prevented the signing ceremony. Manitoba suddenly demanded more limited language regarding limitation on the federal spending power. Ontario lacked consensus support and proposed a variety of amendments to the federal spending power. Trudeau's intervention had also created a separate backlash.

Failure to pass the Accord greatly increased tensions between Quebec and the remainder of the country. The Quebec sovereignty movement gained renewed support for a time. The general aims of the Accord would be addressed in the Charlottetown Accord, which failed to gain a majority vote in a referendum.

Quebec Separatist Parti Québécois & 1980 Referendum

In the beginning days of the political party Parti Québécois in 1969, they began to gather prominent political support. In the 1970 provincial election, the Parti Québécois won its first seven seats in the National Assembly.

In the 1976 election, the Parti Québécois won 71 seats capturing the majority in the National Assembly. They said they would not seek separatism if they won power and then changed their position. Once in power, they outlawed political donations from unions and corporations to try to stack the deck in their favor for a separatist movement.

B4 Referendum Wednesday, May 21, 1980 Saskatoon, Saskatchewan Star-Phoenix

Result said victory for common sense

MONTREAL (CP) – Former Liberal premier Robert Bourassa says Quebecers' rejection of sovereignty-association in Tuesday's referendum is a victory for common sense.

Pierre Bourgault, a veteran supporter of Quebec independence with no frills, again criticized the Parti Quebecois government's soft-sell approach of asking for a limited mandate to negotiate sovereignty in combination with an economic common market with the rest of Canada.

But Bourgault also admitted that if, after 20 years, Quebecers rejected sovereignty that the PQ would have difficulty trying to come back from a referendum defeat to sell the idea in the future.

Both men were commenting in television interviews after early returns indicated that the federalist side was winning by a margin of 59 per cent.

"The credibility of the Parti Quebecois is seriously in doubt because of this result," Bourassa said. "The raison d'etre of this party has always been the destruction of Canada but the people seem decided that a bird in the hand in worth two in the bush."

Federal Justice Minister Jean Cretien, co-ordinator of federal Liberal efforts in the campaign, said he is "quite pleased" at the result. "It's what I was hoping for."

He said it is "an indication of a big will for change," but declined to say if the federal government now will table detailed proposals for constitutional change.

"Oh, I don't know," he said in a telephone interview. "I don't want to speak about specific proposals tonight."

Another federalist stalwart, Senator Jean Marchand, also expressed doubts about the PQ's political future, stressing in a television interview that its central plank had been ripped out by the electorate.

... federal system in the event of a referendum defeat.

Bourgault, once the leader of a militant separatist party in the 1960s, wondered aloud about the PQ campaign strategy of speaking about a new deal between equals while shying away from a description of sovereignty-association.

"Independence is easy to sell but how can you expect to win when you don't talk about it?" he said.

Bourgault said the loss was a great personal defeat for Levesque and Claude Morin, architect of the referendum. "I don't know if anyone will have to go, but Claude Morin and Rene Levesque will be blamed."

He suggested some who have supported independence will go into a great depression but others may say: "Let's get rid of these two people and go after independence as such."

Louise Harel, a PQ vice-president, tried to defend the party platform, noting that Quebecers had really voted against Quebec separation, not the proposed mandate to negotiate sovereignty-association.

Meanwhile a range of politicians and public opinion leaders, including a prominent union leader who supported a yes vote, immediately interpreted the vote as a call for rapid constitutional change from the Quebec people.

Federal Secretary of State Francis Fox, who campaigned hard at various local federalist rallies, said Ottawa must respond to this "overwhelming victory" by making good on promises for constitutional change.

"Constitutional renewal has come of age," he added in an interview from the no campaign headquarters. He hope that Quebec had made a historic decision to stop flirting with independence and develop a new commitment to Canada.

Louis Laberge, president of the QFL came out officialy for a yes vote in the campaign.

"Canada has to move real fast and real deep," he added in a television panel discussion. "We still want profound changes in the constitution."

Chretien said he was surprised by the size of the federalist majority, adding this would give a boost to constitional reform.

"The referendum has awakened the rest of Canada," he said.

Newfoundland Premier Brian Peckford, known for his strong provincial rights stance, said the federalist victory has presented all the provinces with a golden opportunity to negotiate a new constitution. The time would "never be riper."

David Lewis, former leader of the New Democratic Party, said a majority of both French- and English-speaking Quebecers had accepted the idea of renewed federalism.

"It is now important for the other provinces to show they believe in change and accept the (linguistic) duality of Canada."

Solange Chaput-Rolland, recently-elected Liberal national assembly member and former member of the Pepin-Robarts Task Force on National Unity, said "a no vote to secession is a yes vote to a complete renewal of federalism.

"I do hope that this time after working so hard for the past 20 years across this country, that English Canada will realize that it's no longer only their country but it's more so our country and we aim to change it our way."

Peter Blaikie, a prominent federalist leader and former Conservative candidate in Montreal, said the result "is a very strong statement that they (English Canada) had better live up to the commitment that they've been making" about renewing federalism.

Singer Pauline Julien, a strong yes supporter, said after performing at the yes rally that she remains ...

Ontario Premier Bill Davis watches results of referendum on television —CP

Ontario premier renews call for constitutional reform

TORONTO (CP) – Canadians must carry constitutional reform through to a successful conclusion now that the momentum for change has been affirmed in Quebec, says Ontario Premier William Davis.

In a news conference on Tuesday following the Quebec referendum, Davis said the vote was based on the conviction that the rest of Canada does not support the constitutional status quo.

Davis, Opposition leader Stuart Smith and New Democratic Party Leader Michael Cassidy all called for constitutional reform to begin immediately.

"I am prepared to go anywhere, anytime, to rebuild, renew and strengthen our Canadian confederation," Davis said after repeating a ... Quebecers reaffirming their faith in confederation, he said.

"The victory of the no forces tonight does not mark the end of a problem, but rather the beginning of a solution.

"It is our turn to demonstrate equal faith in Canada with commitment and good will. We must forthwith enter into meaningful discussion to change our political system to better meet our common national and provincial interests."

Smith, born and raised in Montreal, said that the survival of Canada rests upon a federal government that is strong and united in economic matters.

He said the results of the referendum vote must not lull "us in the rest of Canada into a complacent satisfaction with the status quo."

Ontario francophones fear loss of expanded rights

OTTAWA (CP) – A spokesman for the association representing 425,000 Ontario francophones expressed ...

... sovereignty-association, he is worried the federalists' strong triumph will hurt his group's cause.

At their seventh national convention in June 1979, they adopted the strategy for the coming referendum. The Parti Québécois then began to aggressively push for separatism outlining how the economic relations with the rest of Canada would include free trade between Canada and Quebec. They even proposed to retain the Canadian dollar, which economically made no sense. Their push for a Separatist Referendum in 1980 failed. It was defeated by a 60% vote to remain.

The Parti Québécois was returned to power in the 1981 election with a stronger majority than they had in 1976, obtaining 49.2%. They shied away from attempting another referendum during their second term.

Quebec Separatist 1995 Referendum

The Parti Québécois returned to power in 1994 with only 44.75% of the popular vote. The failures of the Meech Lake Accord and Charlottetown Accord had boosted support for sovereignty. Now at the federal level, there was the formation of the Bloc Québécois, which became a separatist federal political party. The party was led by former Progressive Conservative Federal Cabinet Minister Lucien Bouchard.

Lucien Bouchard
Leader of the Parti Québécois (1996–2001)

In the 1993 federal election, the Bloc Québécois had won enough seats in Parliament to become Her Majesty's Loyal Opposition in the House of Commons.

At the Royal Commission on the Future of Quebec held in 1995, the Marxist–Leninist Party of Canada made a presentation in which the party leader recommended to the committee that Quebec declare itself an independent republic. This resulted in the call for yet another referendum of separation from Canada. The 1995 referendum question differed from the 1980 question in that the negotiation of an association with Canada was now optional and ensured it was vague.

The "No" campaign won, but only by a very small margin — 50.6% to 49.4%. As in the previous referendum, the English-speaking (anglophone) minority in Quebec overwhelmingly (about 90%) rejected sovereignty and were joined by the various indigenous tribes. Close analysis of the vote showed that 60% of the French-speaking population voted "Yes," which was of concern to many. There was naturally an investigation with such a close vote with abuses on both sides.

Quebec General Election, 1998

There was a wide expectation that Bouchard would announce another referendum if his party won in 1998. This sparked the leaders of all other provinces and territories to assemble in Calgary where they made the Calgary Declaration in September 1997 to oppose the separatist movement. Saskatchewan's leader warned, "It's two or three minutes to midnight." Bouchard did not accept his invitation; organizers did not invite Chrétien. Experts debated whether Quebec was a "distinct society" or "unique culture."

Good, but no cigar

Clarity Act should go farther in defining clear majority and negotiations on borders

DON DONDERI

The Supreme Court says if a clear secession question were supported by a clear majority, the federal government would have a duty to negotiate. Last week, Intergovernmental Affairs Minister Stéphane Dion introduced the remarkably simple Clarity Act.

The Clarity Act is good, but it is not good enough.

The Parti Québécois, Quebec Liberals and Action Démocratique, which hold every seat in the National Assembly, all agree that Quebec can ask any question it likes and that 50 per cent plus one of the referendum vote on any question is a big enough majority to negotiate secession. If the House of Commons asks the National Assembly whether there has been a clear majority responding to a clear question – as required by the Clarity Act – the answer, regardless of the majority and the question, will be a unanimous Yes.

The Clarity Act practically begs Quebecers to elect the Equality Party to the National Assembly. Equality is the only Quebec political party that supports the Clarity Act. It is the only Quebec political party that rejects Quebec's right to secede through a unilateral declaration of independence and it is the only Quebec political party that does not blackmail its English-speaking supporters into silence about their country and their rights for fear of "encouraging the separatists."

Although the Clarity Act defines a clear question very well, more clarity is needed to define a clear majority. Where legal consensus is required to make almost irreversible changes, from simple things like dissolving a private association to complex things like amending the constitution, a two-thirds majority is required. The Clarity Act should be amended so that a clear majority is defined as not less than two-thirds of the vote.

Everyone in the country has an interest in both the secession question and the referendum outcome. The Clarity Act should require that a secession question be referred to the highest provincial court. If the court decides that a Yes answer would require amending the Canadian constitution or any federal law, then the federal government should help draft the referendum question and supervise the referendum itself. Unless the federal government participates, it should be prohibited from negotiating secession following the referendum.

If, at the end of a long political process, Canada does say yes to Quebec secession, then Canada's negotiators must stick to these fundamental principles before submitting a secession amendment to the Canadian people in a national referendum:

- Where a practical local majority of Canadians living in Quebec wants to remain in Canada, their local territory will remain in Canada.
- Of the present territory of Quebec, Canada will retain, at a minimum, all of the aboriginal lands in Quebec, that part of Rupert's Land now administered by Quebec, a land corridor linking Ontario to the Maritime provinces through Montreal and a maritime corridor, including the St. Lawrence Seaway.
- The boundaries and status of the part of Quebec that remains Canadian will be negotiated by representatives of the federal, provincial and territorial governments and by representatives of Canadian citizens, including aboriginals, who live in Quebec and who intend to remain Canadian.

Bearing in mind that Bernard Landry and Lucien Bouchard have threatened a unilateral declaration of independence despite the Clarity Act, the federal government owes all Canadians an explanation of how it will enforce the constitution and laws of Canada in the event Quebec tries to secede unilaterally.

◆ *Don Donderi is president of the CIT-CAN Foundation, a non-profit corporation that supports fundamental rights and Canadian unity. He is also a member of the Equality Party.*

The Gazette, Montreal, Quebec, Quebec, Canada Dec 16, 1999, Thurs • Page 19

Clarity Act, 1999

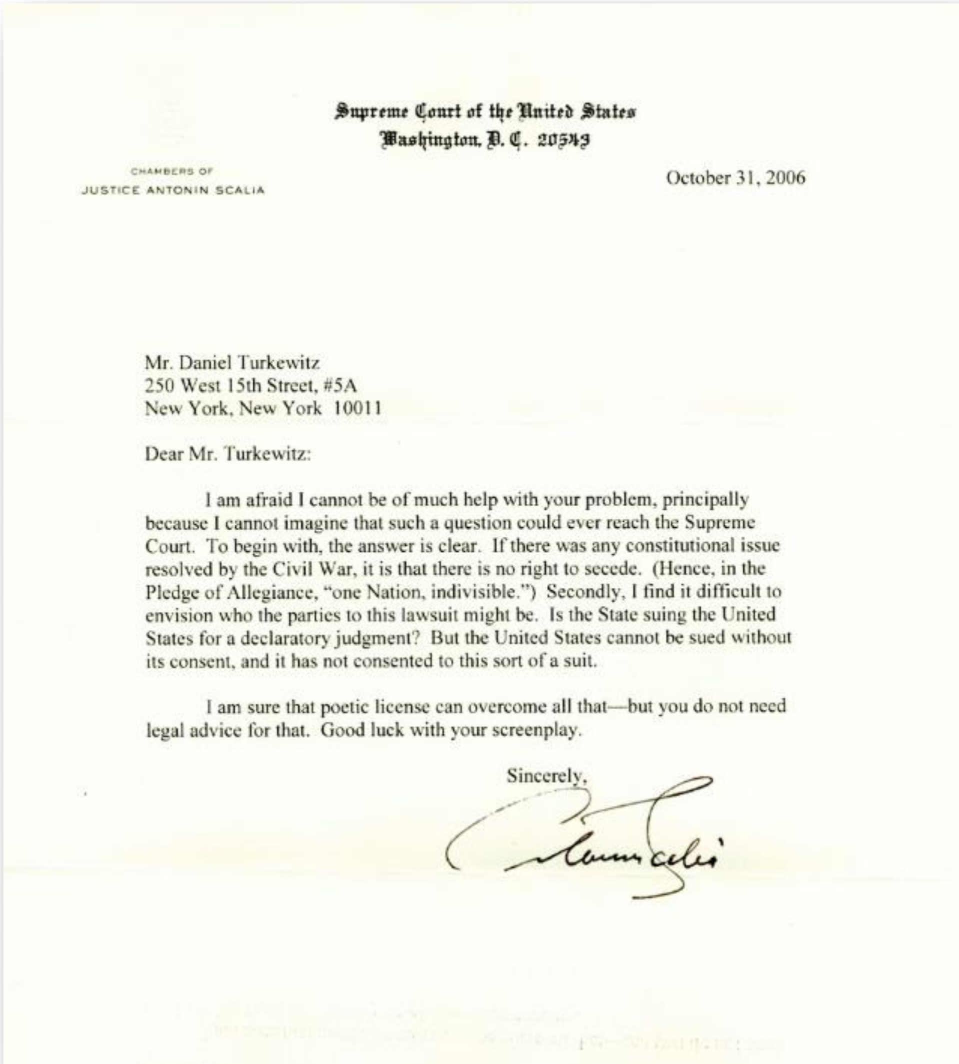
In 1999, the Parliament of Canada, at the urging of Prime Minister Jean Chrétien, passed the Clarity Act to govern the wording of any future referendum questions and the conditions under which a vote for sovereignty would be recognized as legitimate. Federal Liberal politicians stated that the ambiguous wording of the 1995 referendum question was the primary impetus in the bill's drafting.

The Act set out the conditions under which they would recognize a vote by any province to leave Canada. It required a majority of eligible voters for a vote to trigger secession talks, not merely a plurality of votes. In addition, the act required a clear question of secession to initiate secession talks. Controversially, the act gave the House of Commons the power to decide whether a proposed referendum question was considered to be clear enough to even allow it to decide whether a clear majority has expressed itself in any referendum.

The matter was taken to the Supreme Court on the argument that Quebec had the sole right to decide if it would leave Canada or not. The Supreme Court of Canada disagreed, ruling that the Act is constitutional and, just as Canada is divisible, so is Quebec. Effectively, the ruling has significant implications for linguistic and ethnic minorities within Quebec. The Supreme Court in its conclusion explained:

> "Although there is no right, under the Constitution or at international law, to unilateral secession, that is secession without negotiation on the basis just discussed, this does not rule out the possibility of an unconstitutional declaration of secession leading to a de facto secession. The ultimate success of such a secession would be dependent on recognition by the international community, which is likely to consider the legality and legitimacy of secession having regard to, amongst other facts, the conduct of Quebec and Canada, in determining whether to grant or withhold recognition. Such recognition, even if granted, would not, however, provide any retroactive justification for the act of secession, either under the Constitution of Canada or at international law."

The decision, on the one hand, claims it is unconstitutional to leave, which is what the European Court has held that Catalonia has no right to separate from Spain. Justice Scalia once commented that the question of separation in the United States was decided by the Civil War. He wrote:



Supreme Court of the United States
Washington, D. C. 20543

CHAMBERS OF
JUSTICE ANTONIN SCALIA

October 31, 2006

Mr. Daniel Turkewitz
250 West 15th Street, #5A
New York, New York 10011

Dear Mr. Turkewitz:

I am afraid I cannot be of much help with your problem, principally because I cannot imagine that such a question could ever reach the Supreme Court. To begin with, the answer is clear. If there was any constitutional issue resolved by the Civil War, it is that there is no right to secede. (Hence, in the Pledge of Allegiance, "one Nation, indivisible.") Secondly, I find it difficult to envision who the parties to this lawsuit might be. Is the State suing the United States for a declaratory judgment? But the United States cannot be sued without its consent, and it has not consented to this sort of a suit.

I am sure that poetic license can overcome all that—but you do not need legal advice for that. Good luck with your screenplay.

Sincerely,

"I am afraid I cannot be of much help with your problem, principally because I cannot imagine that such a question could ever reach the Supreme Court. To begin with, the answer is clear. If there was any constitutional issue resolved by the Civil War, it is that there is no right to secede. (Hence, in the Pledge of Allegiance, "one Nation, indivisible.") Secondly, I find it difficult to envision who the parties to this lawsuit might be. Is the State suing the United States for a declaratory judgment? But the United States cannot be sued without its consent, and it has not consented to this sort of suit.

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The question that rises to the surface is rather straight forward. Clearly, the courts are claiming there can be no right to separate from any federal government which means this is true tyranny. What if a federal government ordered that the first born, male or female, must serve in the government in some military capacity? Historically, courts would have to uphold the draft. What if they simply refused to ever release such people from military service. Does a state or province ever have the right to object?

Effectively, what the courts are saying is the only right to succession lies in the sheer power of force by revolution. The American colonies succeeded from Britain. So, was that illegal and thus Britain still has a claim that the United States is its colony and subservient to Britain?

It is inconsistent with the very principle of freedom for any court to hold that a state or province has absolutely no right to ever succeed from a federal government. A Federal government under progressive Marxist philosophy revises its tax system proportionally according to total state income rather than just individual. It could hold that California is richer than Alabama, and thus the state should be subject to a 10% surcharge on all individuals and entities residing in that state to pay their "fair share" of the total tax burden of the federal government.

The rule of law was intended to end violence and make society civilized. Adopting the position that it is without any right for states and provinces to succeed from the federal government invites violent and armed revolution. This is contrary to the very purpose of courts.

Alberta Separatist Movement

Alberta, Canada, is often called the "Texas of Canada" for it has plenty of cattle, oil, and conservatives. Alberta even has rodeos that are normally associated with Texas. There has been a historical deep cultural divide between the prairie province and its neighbors in the east, which is not much different from that between Texas and New York City.

There has been what is commonly known as "western alienation," which has been applied to defiantly describe the feeling among western Canadians primarily in the provinces of Alberta, Saskatchewan, Manitoba, and British Columbia. They feel that the east looks down on them, sometimes referred to as the stereotype of hicks or hillbillies, and that their economic complaints are ignored.

CALGARY HERALD

NEWS OPINION SPORTS BUSINESS ARTS LIFE CAREERS OBITS CLASSIFIEDS

Greta Thunberg calls for climate action in Alberta but doesn't talk oilsands

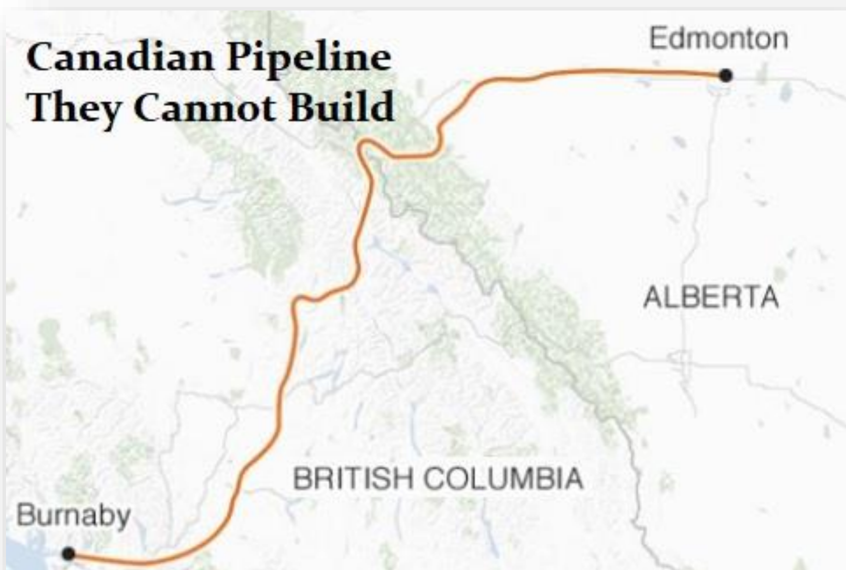
CP: THE CANADIAN PRESS

Probably the core common ground of this "alienation" is centered around the simple fact that they have no voice in Ottawa. There is no question that Alberta is discounted in Canadian politics. The climate change activists organized a private yacht to take Greta Thunberg, the Swedish climate activist, to North America. She traveled to Alberta just before the Canadian elections in a desperate attempt to convince people to give up their livelihood. Jenifer Morgan of Greenpeace has been promoting Greta and writing scripts for her to read. She used Greta to get into Davos.

Not only has Alberta been ignored and regarded as a bunch of hicks in Ottawa and the east, but the climate change extremists had hoped that Greta could shame them into shutting down their economy. This effort to get the people to vote to put themselves out of a job was causing serious political tension. The separatist movement in Alberta will succeed and this climate change agenda, which is really a Socialist agenda with a new label, will be yet another component to support leaving.

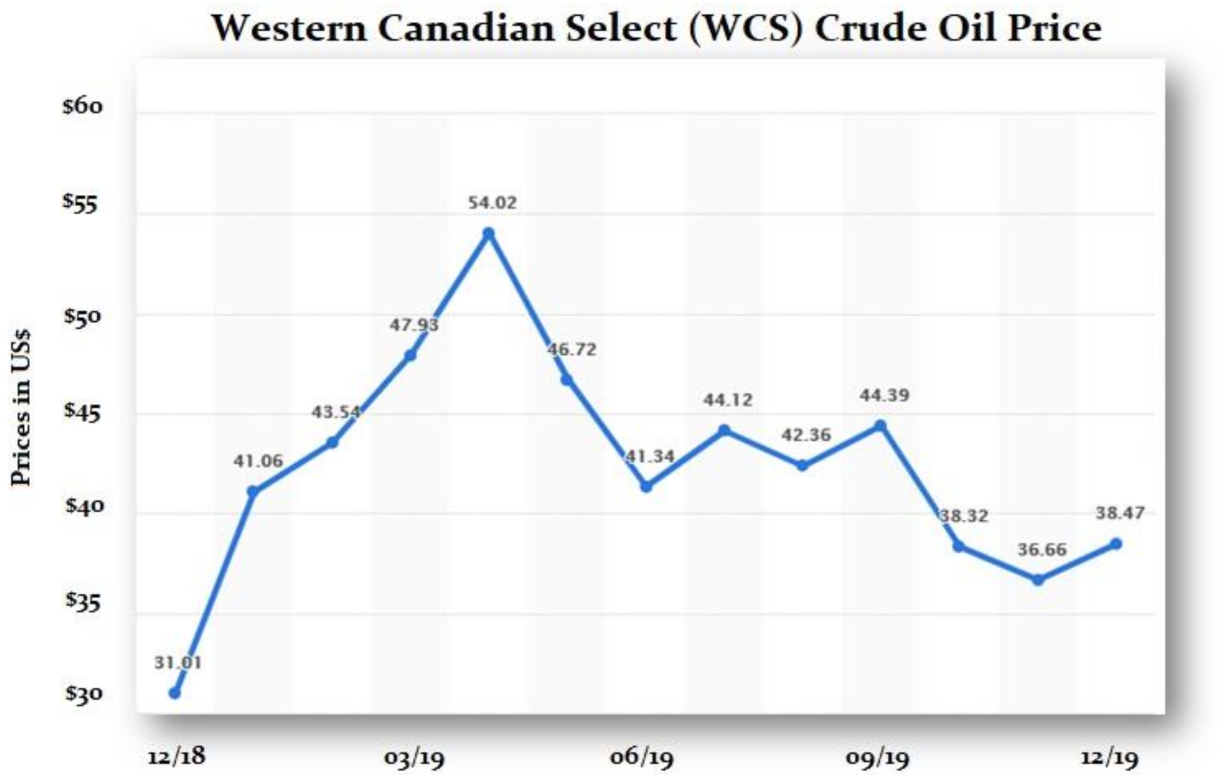
Of course, Greta Thunberg was not alone. Many celebrity activists appeared before she had arrived to demand climate action including Leonardo DiCaprio, Neil Young, and Jane Fonda among others which calls into question their own gullibility.

Ottawa and the east are bureaucratic wonderlands, and most of the east is really a service economy. This has ensured a complete failure in trying to understand Alberta. The majority of the people will go to dinner for a good steak and turn the heat on when it gets so cold you have to walk underground in Toronto. They far too often expect such things to appear out of thin air and take them for granted.



The billion-dollar oil pipeline Canadians own, yet can't build thanks to the climate change activists, has ensured it manages to keep the price of Canadian oil substantially lower than market value because of the cost to truck it out of Edmonton.

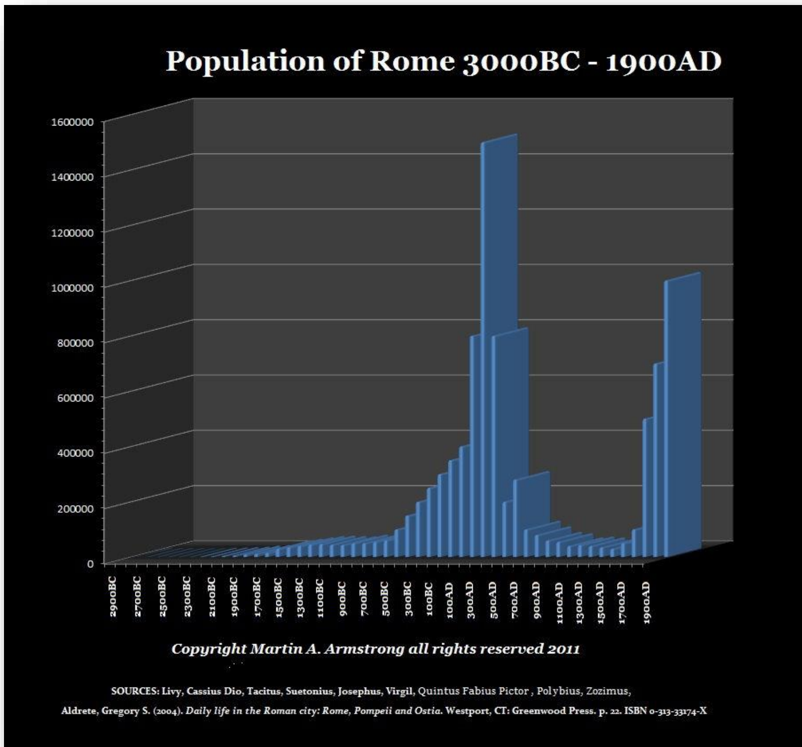
The C$7.4bn project would mirror the existing 1,150 km (715 miles) pipeline and increase capacity from 300,000 barrels per day to 890,000 per day from Alberta, which is clearly the heart of Canada's oil industry. The route would move the oil from Edmonton to Burnaby in British Columbia.



Indeed, the climate change activists have succeeded in making sure that Canadian crude will sell well below market levels thanks to their desperate efforts to shut down production entirely. This forms the third primary complaint with respect to Alberta in addition to the lack of a voice in Ottawa since they represent only 10% of the seats in Parliament. The lack of representation based solely on population is disproportionate to the fact that Alberta's oil production at low prices still contributes 17% to the country's GDP.

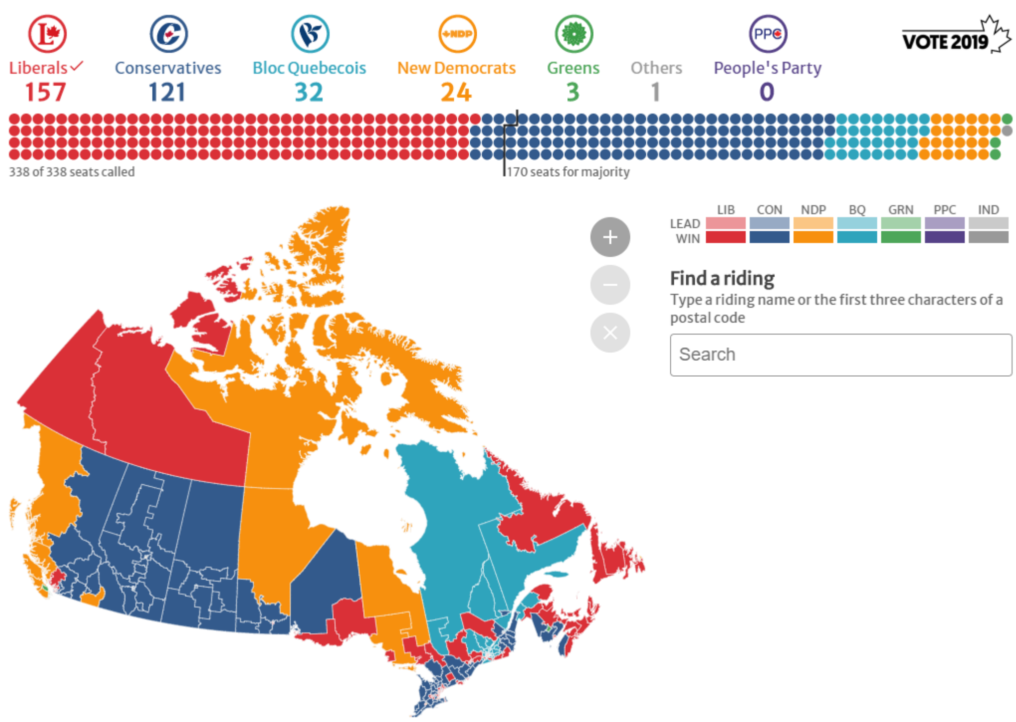
The resentment has also risen from the fact that they see their taxes going to the liberal states and creating what they see as an unequal economic balance of payments. Alberta contributes billions a year to the federal tax pool because of its strong economy but has not received a payment since 1965. That remained true even during the 2007–2009 financial crisis. When the price of oil dropped after the worldwide price of oil plummeted, Alberta lost more than 100,000 jobs in the province. Then they were told they must sacrifice their economy to save the world.

The economic recovery in Alberta has been fragile, at best, due to the climate change activists. The halt to several pipeline projects has only created growing resentment that has left many Albertans feeling frustrated and abused.



Wexit

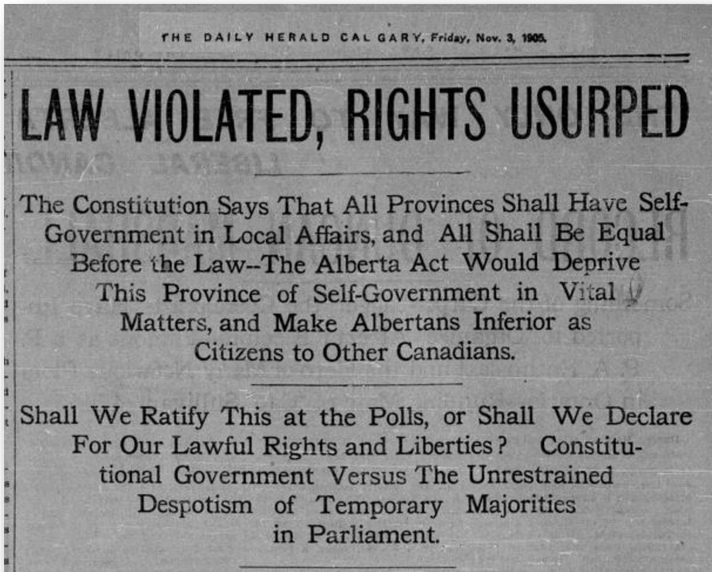
With the frustration growing and the reelection of Justin Trudeau, Albertans have been feeling the economic betrayal that has manifested into a major viable political movement to separate from Canada. The rise in this separatist movement is entirely part of the cycle of civilization. Independent groups come together to form tribes and then tribes come together to form societies. Societies form central governments and then the governments become drunk with power and abuse the people who they suddenly see as economic slaves. This is the life cycle of civilization. They rise because the bureaucrats become corrupt, people separate and leave, and the civilization collapses into a common grave where all great empires, nations, and city-states are buried. So, what we see in the separatist movement of Alberta is historically the norm.



The "wexit" movement calling for the western provinces to separate from Canada is completely normal, for civilization works when everyone benefits. When it turns and becomes a bureaucratic tool for one group to oppress another, resentment rises, and the corruption will eventually cause the division.

Various separatist candidates have run in Albertan elections since the 1930s, but have never won power, unlike separatist politicians in Quebec. In the 2019 provincial election, the Alberta Independence Party received about 13,400 votes or less than 1% of the popular vote. In an Alberta poll, 56% of respondents agreed with the statement, "Western Canada gets so few benefits from being part of Canada that they might as well go it on their own," which was up 28% from the same question back in 2010.

The Conservative Party won in Alberta, virtually unchallenged, amid frustrations over pipeline construction and federal oil and gas policies. The Liberal Party lost all of the gains it made in Alberta in 2015. The Liberals still won and were expected to form a minority government. Justin Trudeau called out for unity and acknowledged, "To Canadians in Alberta...I've heard your frustration. Let's all work hard to bring our country together." The approval rating of Justin Trudeau in Alberta is just 12%.



THE DAILY HERALD CALGARY, Friday, Nov. 3, 1905.

LAW VIOLATED, RIGHTS USURPED

The Constitution Says That All Provinces Shall Have Self-Government in Local Affairs, and All Shall Be Equal Before the Law--The Alberta Act Would Deprive This Province of Self-Government in Vital Matters, and Make Albertans Inferior as Citizens to Other Canadians.

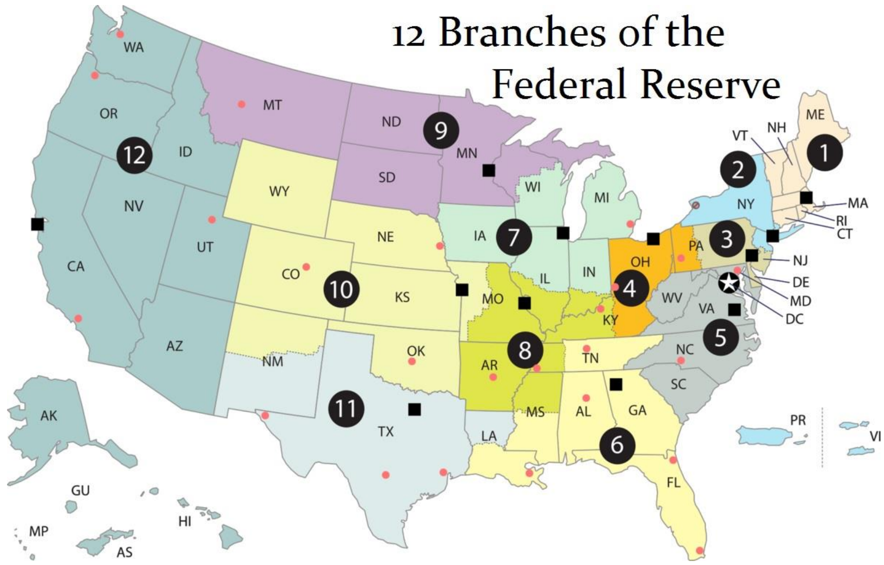
Shall We Ratify This at the Polls, or Shall We Declare For Our Lawful Rights and Liberties? Constitutional Government Versus The Unrestrained Despotism of Temporary Majorities in Parliament.

Why the Rise in Separatism?

From the very beginning when Alberta joined Canada in 1905, there were questions of whether it would be treated equally and fairly. Consequently, the claims that Alberta has been ignored and viewed as a bunch of dumb hicks by the east is actually justified. The economic and monetary policies in Canada have been eastern focused on the service industry. Alberta has been abused by Ottawa because its centralized governmental policies have allowed socialism to be imposed on different cultural regions. This is simply against the basic principles of civilization and democracy. Creating social laws on the demands of one group to be forced upon others defeats the very foundation of civilization.

Elagabalus (*Stone of Emesa*)
(218-222AD)

Even Rome never forced gods to be worshiped and allowed each region they conquered to retain their own culture. When Rome peaked in 180 AD, we begin to see policy changes. Emperor Elagabalus was from Syria where they worshiped a black meteorite as the stone from god. He brought it with him to Rome and built a temple there. After he was assassinated, they respectfully shipped the stone back to Syria.



Alberta joined Canada in 1905. This separatist movement began precisely on the half-cycle of 112 years — 2017. What we are dealing with here are regional capital flows and economic differences that are the very reason why centralized governments historically fail. Alberta is getting the short end of the stick because the central bank and government pay more attention to real estate speculation and the eastern economy than the economic conditions in Alberta.

This was why the Federal Reserve was formed in 1913 and established with 12 branches. When the Fed was created, it was the solution to the Panic of 1907, which was set in motion by the disruption of the internal domestic capital flows caused by the San Francisco earthquake of 1906. The insurance companies were in New York. Consequently, the cash flowed to the west and a shortage developed in the east.

The original structural design of the Fed was to establish 12 branches to manage the capital flows domestically. Interest rates would decline where there was an excess of cash and rise where there was a shortage. This, they believed, would cause capital to move between the branches to balance the national capital flows and economy. Each branch acted independently to manage capital flows. When crops would come to market, then Kansas would have an excess of cash and

Federal Reserve August 1927
Discount Rate

Atlanta.............	4.0%
Boston..............	4.0%
Chicago.............	4.0%
Cleveland..........	4.0%
Dallas................	4.0%
Kansas City........	3.5%
Minneapolis......	4.0%
New York..........	4.0%
Philadelphia......	4.0%
Richmond..........	4.0%
St. Louis............	4.0%
San Francisco.....	4.0%

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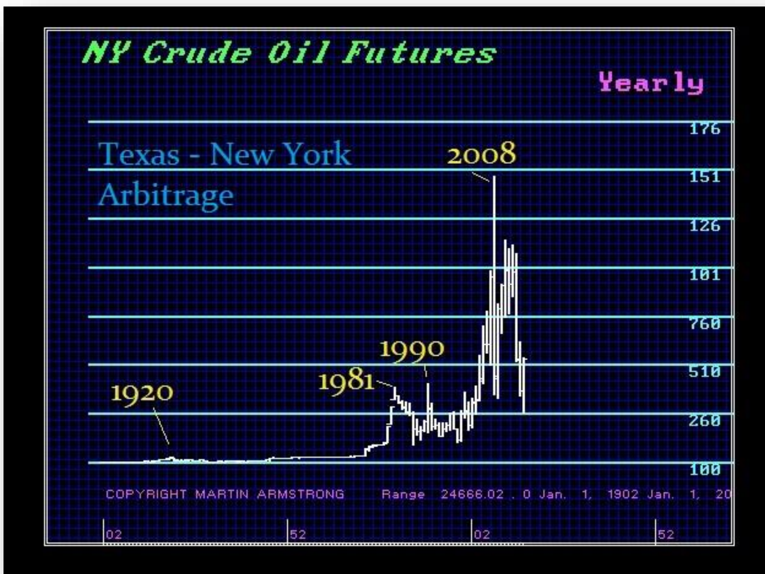
rates would decline as we can see from the table showing the rates set by each branch in August 1927.

When Roosevelt came to power in 1933, he wanted to control the economy for his socialist agenda. He usurped the power of interest rates from the various branches of the Fed and consolidated them into Washington DC making it one-size-fits-all. He, therefore, abandoned the structural design of the Fed and ever since the focus of capital flows has been international instead of domestic.



This is the problem in Alberta. Governments have all followed Roosevelt post-World War II. In doing so, they have completely abandoned the proper management of their domestic economies and everyone is always focused on international capital flows and currency values with respect to trade. They have completely ignored the fact that their domestic economies are not the same from one state or province to the next. When the commodity-producing states are booming, the financial states are at their lows.

What is resurfacing is the regional differences within Canada as well as the United States. The one-size-fits-all policy of central banks with regard to interest rates pits east v west in both Canada and the United States. Farmers, oil producers, and miners are forced to pay higher interest rates when their economies are declining because of speculative booms in Toronto or New York.

This is the root cause of the regional separatist movements we are witnessing in Canada. The structure of the central banks was originally intended to manage the domestic capital flows. That has been part of the whole socialist agenda to abandon that policy and create the one-size-fits-all policy of Marxism. This is why Alberta should move to separate because it will be oppressed by Ottawa. Even if Trudeau moves for zero CO2, which is impossible, and electric cars by 2040, he has waged war against Alberta.

Two provinces, British Columbia and Quebec, have already gone to court to stop the energy industry from building pipelines through their territories. Alberta's only viable route may end up directly into the United States. Only recently, BC Premier John Horgan has conceded the Trans Mountain Pipeline expansion will go ahead after all. The BC government has been fighting the controversial expansion through court challenges, only to see its reference case defeated in the Supreme Court of Canada.

The very economic survival of the west is critical. The central banks must open their eyes and stop this Keynesian manipulation of interest rates. They must also stop attempting to manage demand which they fail to even understand. It is this Socialist philosophy that is destroying governments and reducing our standard of living to support a theory of Marx, which resulted in the collapse of China and Russia. You cannot be a little bit pregnant.

Recommendation for Separation

Given the commodity-based economy in Alberta, it would make sense to initially "peg" the Alberta dollar to the US dollar in a floating band that is not fixed. In this manner, your industries would not have to hedge the currency as they do now with the C$.

I believe making bills straight forward like a referendum, which took place in Switzerland, provides a closer link to real democracy. As far as eliminating income taxes, there are seven US states that operate purely on property and consumption taxes. These are the seven states that people are migrating to in the USA, whereas the highest taxed states have a net loss in population.

There should be no state-funded pension for employees. Any pension fund should be as we see in the private sector where people must contribute. This is what is destroying states such as New Jersey, New York, Connecticut, Illinois, and California just to mention a few. The fact that they have simply funded pensions and required no contributions is not sustainable.

Revisions to the Constitution should be required to exceed 2/3 of a majority vote. Otherwise, there is a risk of constant changes with just a 51% majority. Direct taxation should be prohibited without a 100% vote. Executive orders must expire with the term of the president.

There should be a sunshine clause whereby all laws passed expire every 25 years. Let each generation determine the laws under which they wish to live. The way laws become tyranny is simply due to the fact that they never expire. There are still laws that require you to dissemble your car if it frightens a horse.

Representatives from Alberta's People's Party attended our 2019 World Economic Conference (WEC) in Orlando, Florida. There are political representatives interested in learning the proper course of action to take moving forward. If Alberta adopted these policies, you would find a net migration within Canada to Alberta as we are witnessing in the USA with citizens moving to Texas and Florida.

While Alberta has been supporting Canada for decades, the rising tide of environmentalists has devastated its economy to the point that people no longer seek engineering degrees in energy or exploration. The separatist movement is rising and the coming commodity boom may push Alberta to separate when they are unable to participate in an economic boom due to regulation.

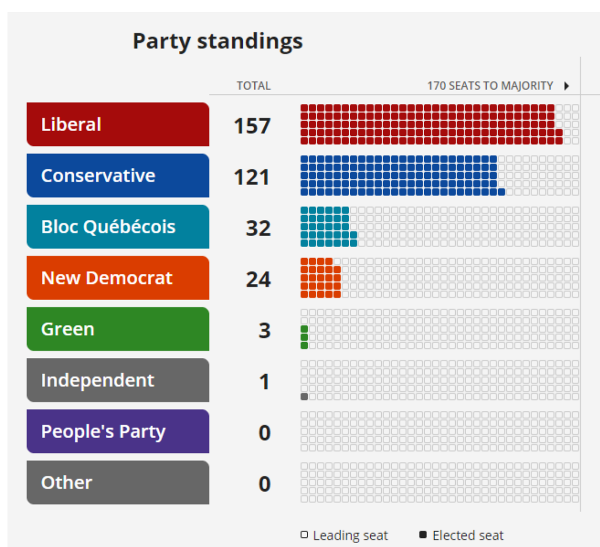
While the majority of Canadians do not yet support a separatist movement in Alberta, all it takes is economics to cause that change in attitude. When there is an economic boom in Toronto and the central bank raises rates to stop a speculative boom, they put farmers and miners into bankruptcy. One-size-does-not-fit-all.

We are witnessing the rise of tensions around the globe and the US elections will lead to the same result regardless of who wins the White House in 2020. Neither side will accept a loss this time around.

Canadian Politics

The Canadian federal election took place on October 21, 2019. Justin Trudeau had promised decisive action on climate change, welcomed Syrian refugees, and legalized marijuana. The first two promises have caused a lot of problems, while marijuana legalization increased tax revenues. However, Trudeau has gone to great lengths to appear as the environmental leader to the world, which certainly upset the balance of power in Alberta. Interestingly, that strategy was tested, and he lost Alberta ending with a minority government.

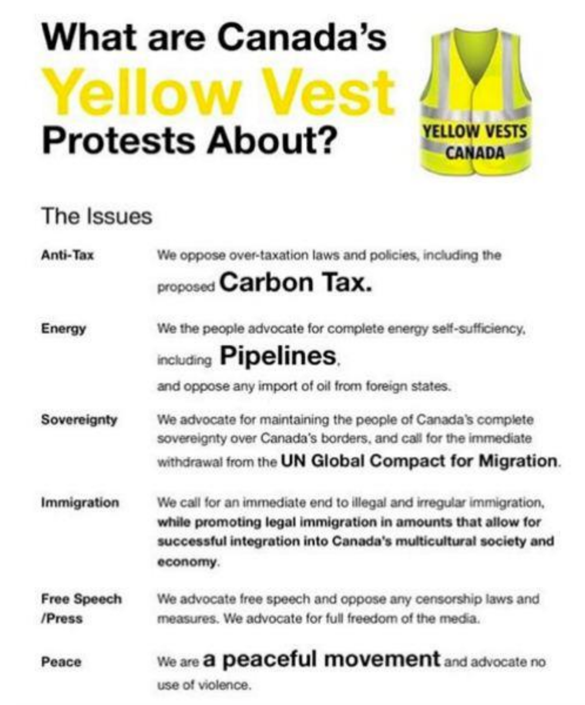
The frustration has been building over Trudeau's climate strategy that has really sacrificed Canada on a grand scale economically. Politics in Canada, like the USA, have degenerated into such a confrontation that they assume they have the power to subjugate the other parties. That is very destructive to the basic idea of civilization. If everyone does not benefit, there is no point.



Trudeau's climate strategy has turned the Canadian economy upside down and ignored the fact that much of Western Canada is highly dependent on resource extraction. His climate policy wiped out jobs in Alberta with a pair of politically toxic policies that included imposing a carbon tax on every home and curtaining pipelines. This action caused Canadian crude oil to fall under $20 a barrel, which was sold at a steep discount to US oil because of the tremendous increased costs.

The climate change environmental extremists insanely believe that they will save the planet by preventing pipelines. All they are doing is reducing the economic growth of Canada and increasing the risk of separatist movements. Civil unrest has emerged with the Yellow Vest movement in France that began also with a global warming tax on fuel.

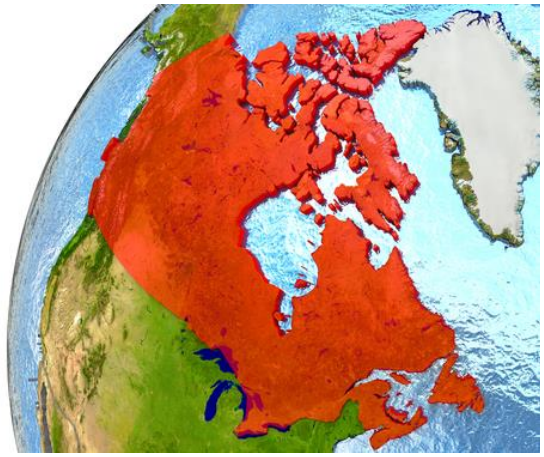
The environment was certainly one of the top issues for Canadian voters in the last election. However, as commodity prices have fallen and unemployment rises in the energy sector, we witnessed the rise of the Yellow Vest Movement in Canada as well, which began in France and spread to Canada.



Trudeau's climate policies are acceptable when everything is going well economically. During a recession when the economy turns stagnant, such policies become a whole new political game. His pledge for "Real Change Now" will set targets to reduce carbon emissions and raise taxes on the rich. These political attempts to change the environment are typical socialistic promises that never come true. Trudeau's commitment to the UN climate summit shows he became just a "me too" political leader and never questioned the research behind anything.

Trudeau is now pushing for 100% electric car sales by 2040 and zero emissions by 2050. Obviously, with much of Canada living in a Siberian Continental Climate, this will mean completely unaffordable living. Edmonton Alberta hit –51C with the windchill during the last cold snap. Electric cars have horrible efficiency when it's that cold. The Canadian government is effectively banning most resource development and all northern resource development with recent legislation. With Russia actively developing arctic oil and gas resources, and now inviting India to the party, what are the chances of a Russian takeover of the vast undefended Canadian north? The war cycle points to 2032, and the Chinese military has been planning for a shooting war with the US by 2030 for decades (almost the target date). It seems a no brainer for Russia to step into the ensuing chaos and grab tremendous resources with very little risk.

The tax rates have been rising significantly and the government has huge deficits it seeks to reduce with yet more tax money. What Trudeau simply fails to understand is the fact that the value of the Canadian dollar depends upon world confidence in the management of the nation. The value of any currency carries with it what can only be described as political risk (i.e. Venezuela, Iran, or Russia for example."



Canada's Debt Crisis

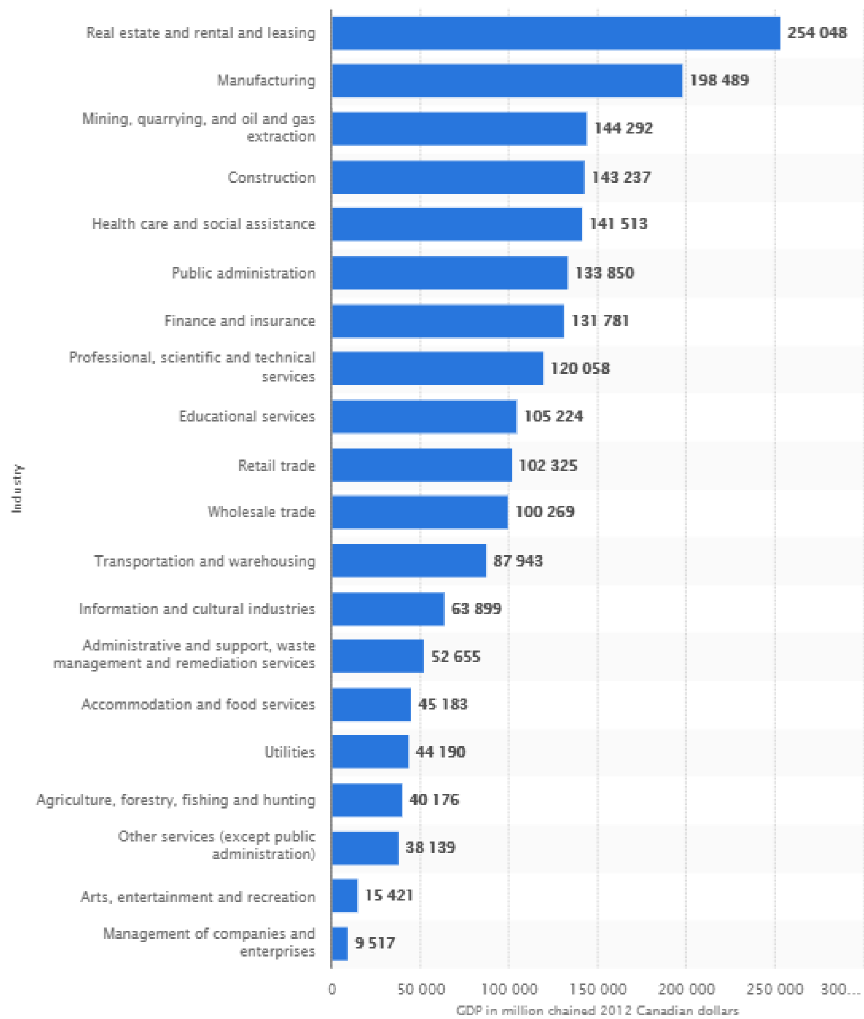
Canada has been a world leader in debt for some time. The Bank of Canada has identified household debt in the past as one of the biggest risks to the Canadian economy. At the Bank of Canada, there will be a new Governor in June, Carolyn Wilkins, who is perceived as dovish and is expected to cut rates perhaps twice in 2020. Canada's debt is totally understated as many people do not look at the Provincial debt as well — the Province of Ontario is broke.

What has been perplexing is the sharp rise in the number of people who can't pay their debts — insolvencies. Last September 2019, 11,935 consumers filed for insolvency, according to the Office of the Superintendent of Bankruptcy, which was a 19% increase from a year earlier and the biggest annual gain since 2009.

At the start of 2019, business insolvencies were up 8.9% over 2017. Up to September 2019, there have been 102,023 consumer insolvencies, which was the second-most for the first nine months of a year in records dating back to 1987.

The increase in the number of insolvencies among consumers is coming from the lower end of income. This trend is a worrying development, warning that Canada's household debt profile is beginning to show stress. This is often deeply concerning as a precursor to rising pressure on the country's financial system.

Some have found this confusing against a backdrop of at least some economic growth, which has been positive, including an unemployment rate that has dropped to historically low levels. However, this fails to take into account the rising burden of taxation that reduces the net disposable income, which is the critical factor behind the rising number of insolvencies.



With interest rates at virtually zero, consumers have little incentive to save. Canada ranked 23rd out of 36 OECD countries in terms of the tax-to-GDP ratio in 2018. In 2018, Canada had a tax-to-GDP ratio of 33.0% compared with the OECD average of 34.3%. As shown here in our 2015 table, the ratio stood at just 31.7%. In 2017, Canada was ranked 22nd out of the 36 OECD countries in terms of the tax-to-GDP ratio. The cost of Canada's government is rising about 0.43% annually. Compared to the US tax-to-GDP ratio, it is slightly more than 10% higher.

Tax to GDP Ratio

Algeria	64.07
Timor-Leste	61.5
Afghanistan	60.4
Norway	54.8
Finland	54.2
Denmark	50.8
Sweden	49.8
France	47.9
Belgium	47.9
Cuba	44.8
Germany	44.5
Italy	43.5
Lesotho	42.9
Austria	42.7
Bosnia-Herzegovina	41.2
Iceland	40.4
Swaziland	39.8
Netherlands	39.8
Slovenia	39.3
Cyprus	39.2
Hungary	39.1
Greece	39
Spain	37.3
Portugal	37
Israel	36.8
Croatia	36.7
Luxembourg	36.5
Czech Rep	36.3
Japan	35.9
European Union	35.7
Malta	35.2
Botswana	35.2
OECD	34.8
New Zealand	34.5
United Kingdom	34.4
Brazil	34.4
Serbia	34.1
Poland	33.8
Mongolia	33.8
Moldova	33.8
Korea, South	33.6
Barbados	32.6
Estonia	32.3
Seychelles	32
Guyana	31.9
Canada	**31.7**
Ireland	30.8
Latvia	30.4
Dominica	30.3
Albania	30.26
Slovakia	29.5
North Macedonia	29.3
Namibia	28.8
Ukraine	28.1
Trinidad & Tobago	28
Montenegro	28
Switzerland	27.8
Bulgaria	27.8
Australia	27.8
Romania	27.7
Zimbabwe	27.2
Jamaica	27.2
United States	27.1
Tonga	27
Bolivia	27
South Africa	26.9
Kazakhstan	26.8
Saint Vincent	26.5
Chile	26.3
Samoa	25.5
Venezuela	25
Argentina	24.95
Turkey	24.9
Solomon Islands	24.7
Papua New Guinea	24.5
Belarus	24.2
Armenia	24.1
Mexico	23.7
Uruguay	23.1
Saint Lucia	23.1
Nepal	23.1
Cape Verde	23
Morocco	22.3
Suriname	22.1
Fiji	21.8
Georgia	21.7
Belize	21.6
Kyrgyzstan	21.4
Jordan	21.1
Uzbekistan	21
Costa Rica	21
Lithuania	20.9
Ghana	20.8
Malawi	20.7
Kiribati	20.7
Maldives	20.5
Turkmenistan	20.2
Macau, China	20.1
China	20.1
Djibouti	20
Russia	19.5
Senegal	19.2
Mauritius	19
Gambia	18.9
Bahamas	18.7
Kenya	18.4
Cameroon	18.2
Peru	18
Vanuatu	17.8
Nicaragua	17.8
Azerbaijan	17.8
São Tomé	17.4
Burundi	17.4
Thailand	17
India	16.8
Tajikistan	16.5
Zambia	16.1
Colombia	16.1
Egypt	15.8
Honduras	15.6
Togo	15.5
Malaysia	15.5
Mauritania	15.4
Benin	15.4
Mali	15.3

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FINANCIAL POST

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June 27, 2018

We're finally told what the carbon tax will cost us. Are you sitting down?

Households in Alberta, Saskatchewan and Nova Scotia will be hit with more than $1,000 of carbon tax per year, while those in British Columbia, Quebec and Manitoba will pay around $650

Shrinking disposable income pushes more Canadians into debt. Despite the expanding economy in the 2% range, low inflation, and low unemployment, the driving force behind the declining standard of leveling is none other than the perpetual rising costs of government.

This is a serious problem when more than a third of Canadians have no retirement savings, and half are now living paycheck to paycheck, polls finds. They simply cannot afford ongoing tax increases and then the up to $1,000 per household carbon tax on average.

Insolvencies are accelerating at a pace that has been associated with periods of distress: the start of the 2008–09 financial crisis, immediately before the 1990–92 recession, and during the period of pronounced economic weakness in 1995–96 that was tied to the Mexican peso crisis.

The significance of the latest data will never be attributed to the persistent rise in the cost of government. Officials must blame anything and anyone other than government.

The government's own 2016 assessment stated that government expenditures to fund all the social promises "would be sufficient to put at risk the fiscal sustainability of the federal government."

The higher the government raises taxes to reduce the deficits driven by spending to fund these promises, the lower the economic growth, and the lower the standard of living for the average person. The more you reduce disposable income, the less people have to spend to fuel the economy.

Canadians should certainly be deeply concerned about the future. It was Pierre Elliott Trudeau (1968–1979) who first took Canada into deficits, albeit they were tiny compared to today. This move was strategic for it opened the door to deficits which enabled politicians to avoid responsibility and begin to promise everything and anything to get elected.

Politicians do not know how to run for office without promising some new program that is always presented as free. They have simply adopted the philosophy to bribe the public. They always promise change and they always point to the rich and businesses who they will force to pay for whatever they are promising.

Canada also faces the crisis of an aging population looking to retire. In a few years, Canada will undergo a demographic revolution that is being called the "crossover." This is defined as the day when there are more seniors than children within the economy. This will have a tremendous impact upon the country's economic growth, productivity, innovation, pensions, and of course health care costs.

This demographic transformation has been underway for several decades. Historically, as societies become more affluent, birthrates decline as large families are no longer required for support in old age. When societies become more affluent, women typically become more educated and then choose to delay or avoid childbearing altogether.

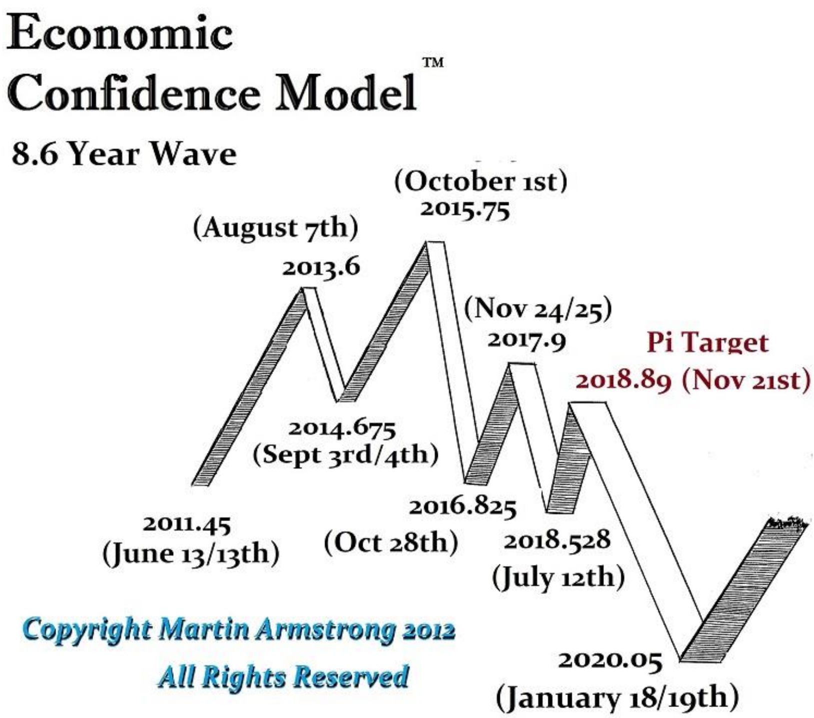
The trend of declining birthrates is by no means restricted to North America. We are seeing the worst of it hit in Japan. Even Russia has offered to pay women to have children. This decline in the birthrate then replicates itself and becomes impossible to reverse once it is set in motion. Fewer children today means there will be fewer women of childbearing age in 20 years from now. This becomes a cycle that historically is unstoppable. The entire fiscal Socialist scheme has been based upon the false assumption that the population always grows.

Canada's fertility rate[1] fell to 1.6 births per woman compared to 3.81 in 1960. The social system structures are doomed to collapse long-term. The younger generation will not be able to support the older generation at the current tax rates. This implies that government will continue to reduce benefits as well.

Looking at history as our guide, effective policies can counter falling birth rates, but they involve allowing in immigrants, changing the culture, and even the language of a country. This has been the policy behind closed doors in the European Union. The huge influx of Muslims in Europe warns that Christianity will become the minority religion 20 years from now as the birthrate declines among natives and increases among immigrants. An official list of the most popular baby names in England and Wales has sparked fresh debate as Mohamed (with all its spelling variations) has now made the list.

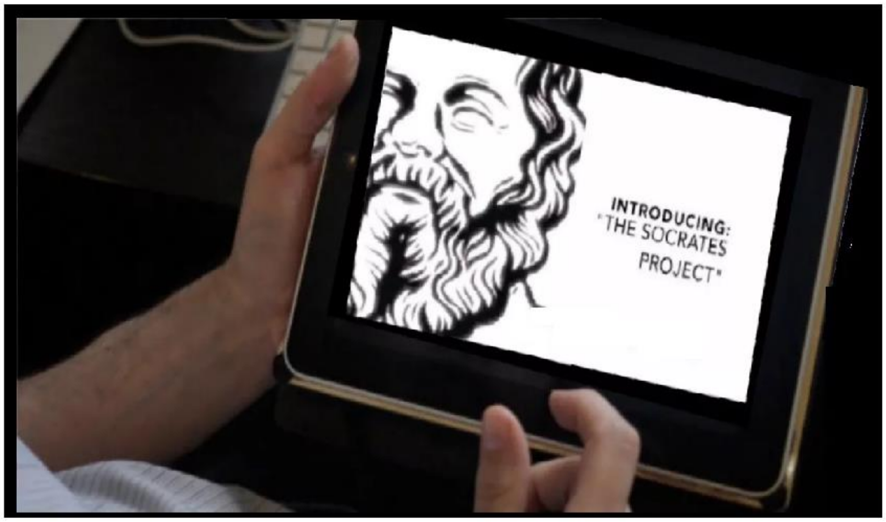
[1] The fertility rate is the average number of children a woman will have in her lifetime

The Turning Point in the Economic Confidence Model 2020.05



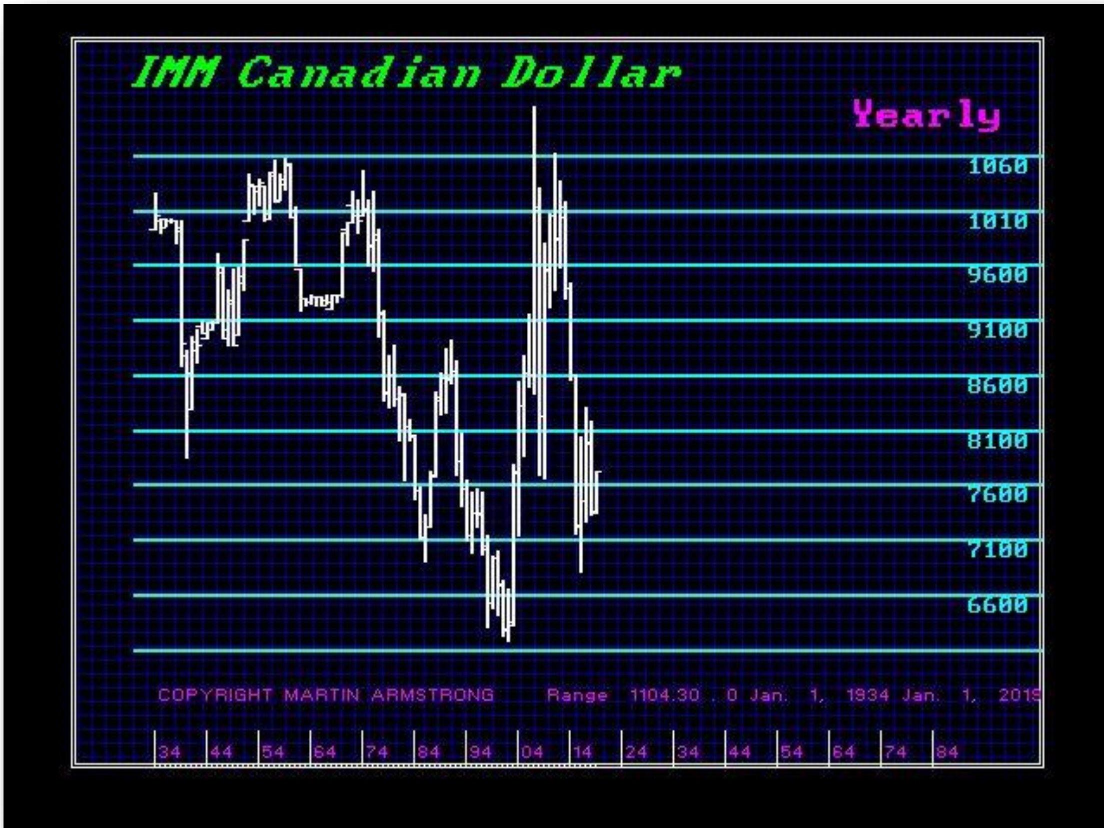
To assess the future and the possibilities that we face, we must understand that we are approaching a very profound change in the course of the direction of the economy. We have an important election during 2020 in the United States, which is likely to be the most violent in American history since the 1960s. It does not appear that either side will accept the election so the political unrest will only rise. Even in France, the Yellow Vest Movement has continued as has the unrest in Hong Kong.

The political unrest that we see rising globally and the separatist movements in Canada resurfacing are all driven by fiscal mismanagement of governments on a global scale. The policies that had led to perpetual deficits and rising national debts where there is no intention of repaying the debt are creating a systemic rise in political unrest and uncertainty. This is all reflected in how the financial markets are responding to the shift in the business cycle turning point on our Economic Confidence Model – January 18, 2020.



The following technical analysis sections are written by Socrates which is a fully Artificial Intelligence Generated Computer System which is capable of writing reports and providing commentary on an overall view of the various markets around the world. This commentary is not forecasting intended for trading, but to be incorporated into your own personal perspective of the world.

CANADIAN DOLLAR FUTURES



Looking at the historical perspective of the of this market, a decline from the major high established back in 2007 moving into a major low in 2016, the market has bounced back for the last 4 years. The last Yearly Reversal to be elected was a Bearish at the close of 2017. However, where there were 3 reversals elected, there was also a Super Position which took place with one Bullish Reversal elected warning that this immediate signal has been suppressed by the opposite force warning we may not see immediate follow through.

This market remains in an overall negative position on the weekly to yearly levels of our indicating models. Obviously, the last minor yearly high of 2017 reflects this posture.

From a Historical Perspective, this market was in a bullish trend since the major low took place back in 2002 with the high forming during 2007 amounting to a 5 year bull market. Since that high, the market has consolidated for 12 years still holding above the 2002 historical low. Even so, we have elected one short-term Yearly Bearish Reversal to date from 2007, which put us on notice that an important high was created.

On the yearly level in Canadian Dollar Futures, the last important low was established during 2016 at 68090, which was down 9 years from the high made back during 2007 at 110430. A break of that low will point to a retest of 2002 low.

Currently, the market is trading neutral within last year's trading range of 77230 to 73320. At present, the market has reacted to the upside from the low made in 2016, but has been consolidating trading sideways since 2017.

YEARLY TECHNICAL ANALYSIS

2020/01/01...	56823	68873	99834
2021/01/01...	56552	68177	101952
2022/01/01...	56281	67481	104071
2023/01/01...	56010	66785	106190
2024/01/01...	55739	66089	108308
2025/01/01...	55468	65393	110427
2026/01/01...	55197	64697	112545

YEARLY TIMING ANALYSIS

Probing into the longer-term yearly level, we see turning points where highs or lows on an intraday or closing basis should form will be, 2022, 2025, 2028 and 2030. Centering on the patterns unfolding, we do see a prospect of a further decline moving into 2022 with the opposite trend thereafter into 2025. This pattern becomes a possibility if last year's low of 73320 is penetrated even intraday.

YEARLY DIRECTIONAL CHANGES

Nevertheless, the most critical model, the Directional Change Model targets are during 2020 and during 2028. This model often picks the high or low but can also elect a breakout to a new higher trading zone or a breakdown to a new lower trading level.

YEARLY VOLATILITY

Exploring the volatility models suggest we should see a rise in price movement during January 2024. We look to the turning points to ascertain the direction. Volatility targets reflect only greater price movement.

YEARLY PANIC CYCLES

Nonetheless, our Panic Cycle target, for the next period to watch is during 2021. Keep in mind that a Panic Cycle differs from just volatility. This can be either an outside reversal or a sharp move in only one direction. Panic Cycles can be either up or down. Watch the oscillators and the reversals to determine the best indication of the potential direction.

YEARLY FORECASTING ARRAY ANALYSIS

Focusing in now on timing factors, there is a rational potential of 2019 becoming a turning point at least on a closing basis. We do see that next year will be a Directional Change so we can see a change in direction unfold.

The strongest target in the Yearly array is 2025 for a turning point ahead, at least on a closing basis. It does appear we have a choppy period starting 2021 until 2022 with each target producing the opposite direction for that 2-year period. Thereafter, we see the next target coming into play as 2024 until 2025 with again each target producing the opposite direction for that 2-year period. However, the important target during that period will be 2025.

Keep in mind that given the sharp decline of 11% from the last high established during 2017, that if we continue to move in the same direction after one target, then the move will not subside until the next target in time is reached. We have elected 3 Bearish Reversals from the last high thus far to date. There are 2 Yearly Directional Change targets starting from 2019 to 2020 warning of a potential choppy swing period for these few Years. Don't forget, a Directional Change can also be a breakout in the same direction, not just a change in direction.

THE BROADER LONGER-TERM VIEWo

Manifestly, the longstanding enquiry in Canadian Dollar Futures remains bearish as the major high of 2007 has not been exceeded. To date, we have seen a protracted decline for the last overall 13 years. We have held last year's low of 73320. The main correction low after the 2007 high took place in 2016. The decline from the 2007 high was 9 years. This collapse to new recent lows has been quite pronounced thus far dropping 38% from the high of 2007 established at 110430 down to immediate low at 68090 of 2016.

There has remained a risk of pushing the decline in real terms adjusted for inflation. Undoubtedly, there remains a risk that we could see a complete monetary reform beginning as early as 2021/2022. This is likely to follow a broader expanding Sovereign Debt Crisis as central banks are fighting to prevent short-term interest rates from rising. While the peripheral economies begin to move into economic chaos, the main central banks are experiencing pressure on short-term rates to rise as concerns rise with respect to credit risk.

Keep in mind that as short-term interest rates rise, the costs of sustaining the sovereign debts of nations will explode and this will result in contributing to the monetary crisis overall by 2022. We are looking at a split in private v public rates which will become more drastic post-2022.

We have entered a consolidation phase on the yearly level by closing below 79910 on an annual basis. Support on a closing basis now lies at 71340.

However, overhead key resistance on a closing for a bull market stands at 88290. So far, this market has remained in a bearish tone since the 110430 major high established back in 2007.

IMMEDITAE TREND PERSPECTIVE

Investigating the immediate trend remains bearish since January made new lows and we have penetrated that low thus far this month. This is further illustrated given the fact that last month also closed lower. Currently, the market is technically neutral since it is still trading inside last year's trading range. On the weekly level, the last week of 1/27 was an outside reversal to the downside which is warning of a bearish immediate trend. Broadly speaking, a month-end closing BELOW 72535 is where the critical support lies. Only a monthly closing BELOW 72535 will confirm a long-term bear market is in motion.

Otherwise, here lies important dynamic support within this market and holding this level is a clear line of demarcation in long-term trend. Make no mistake about this key level. If it is breached, then a continued decline is the most likely broader outcome. An annual closing back below 68090 will warn that we may be off to new lows. Nevertheless, penetrating the 2016 low on an annual closing basis will warn of a further decline ahead.

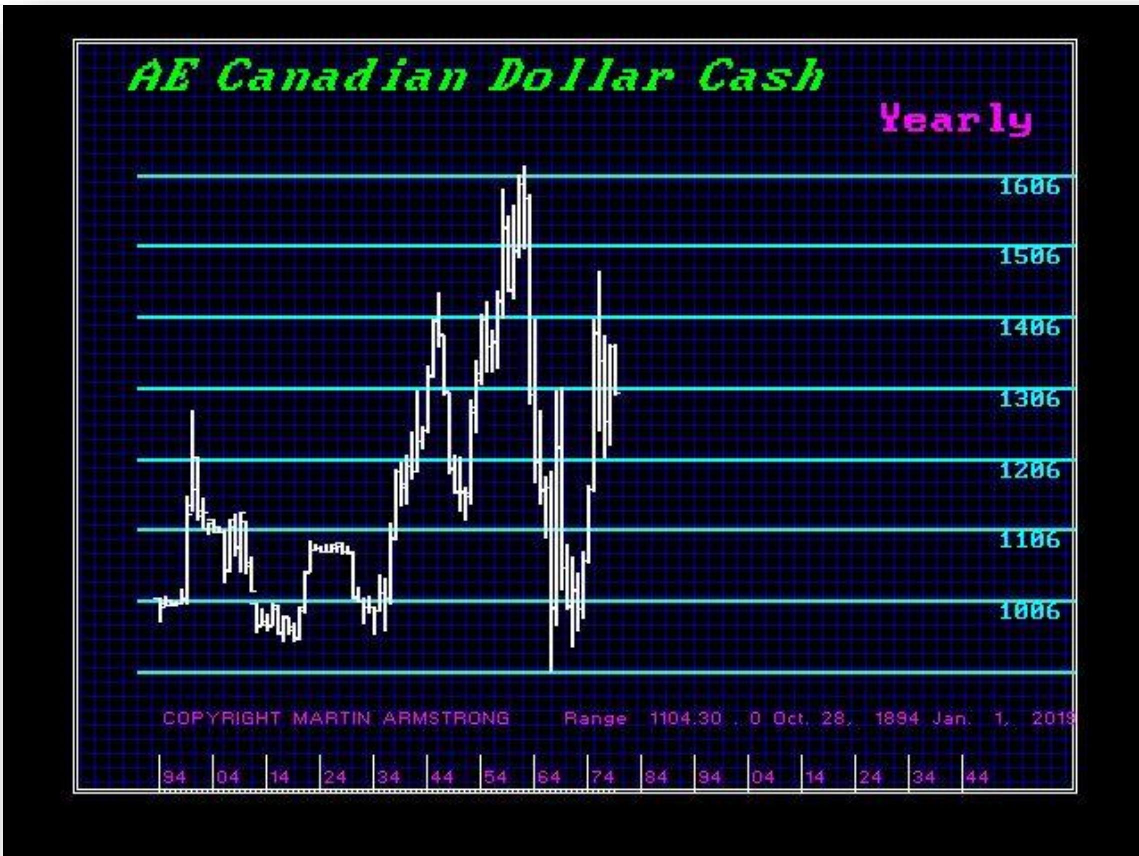
SYSTEM PRICE OUTLOOK

Meanwhile, only a month-end closing ABOVE the dynamic resistance of 86030 would imply the end of this bearish correction.

MONTHLY LEVEL

The key Monthly Bearish Reversal below the market remains at 73050. If this is breached on a monthly closing basis, then a further decline becomes entirely possible. If we penetrate that Reversal on a closing basis, then the next key support level to watch will be the next Monthly Bearish Reversal lies at 71400.

US DOLLAR V CANADIAN DOLLAR SPOT



Focusing in on the historical perspective in the US Dollar v Canadian Dollar Spot, a rally from 2011 moving into a major high for 2016, the market has been in a knee-jerk bearish trend since the high moving into the low in 2017 for a declining trend during that year. The last Yearly Reversal to be elected was a Rare Yearly Superposition Event on the closing of 2017 meaning it elected 3 Bullish Reversals one Bearish Reversal. Here we elected long-term Bullish Reversals and closed lower against long-term Bearish Reversal.

This market remains in a positive position on the weekly to yearly levels of our indicating models.

This market was in a protracted bearish trend since the major high took place back in 2002 with the low forming during 2007. Since that low, the market has consolidated for 12 years. During this period, we did see a rally into 2009 making a 2 year rally. We did elect 4 Bearish Reversals from that event implying that a retest of support was likely. Distinctly, we have elected one short-term Yearly Bullish Reversal to date from 2007.

YEARLY TECHNICAL ANALYSIS

2020/01/01...	141996	155936	168253
2021/01/01...	143030	156293	174226
2022/01/01...	144063	156650	180200
2023/01/01...	145096	157007	186173
2024/01/01...	146129	157364	192146
2025/01/01...	147163	157721	198120
2026/01/01...	148196	158078	204093

YEARLY TIMING ANALYSIS

Dissecting the longer-term yearly level, we see turning points where highs or lows on an intraday or closing basis should form will be, 2021, 2023, 2026 and 2030. We show a potential for a rally moving into 2021 with the opposite trend thereafter into 2023.

YEARLY DIRECTIONAL CHANGES

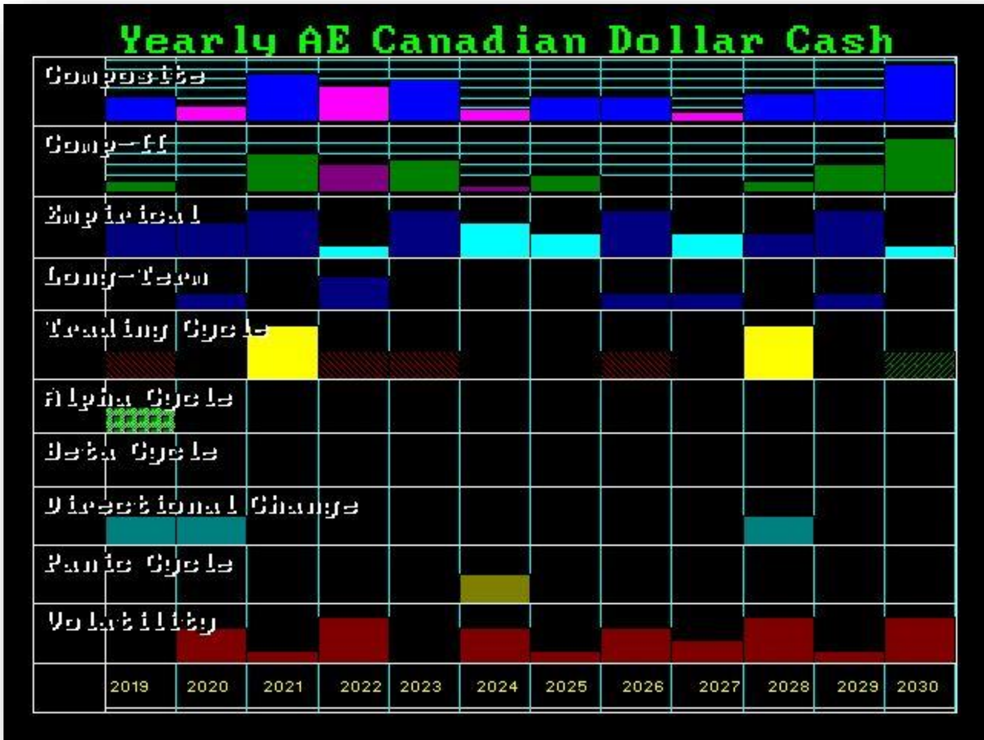
The most important timing model, the Directional Change Model targets are during 2020 and during 2028. This model often picks the high or low but can also elect a breakout to a new higher trading zone or a breakdown to a new lower trading level.

YEARLY VOLATILITY

Studying the volatility models suggest we should see a rise in price movement during January 2026. We look to the turning points to ascertain the direction. Volatility targets reflect only greater price movement.

YEARLY PANIC CYCLES

Nevertheless, our Panic Cycle target, for the next period to watch is during 2024. Keep in mind that a Panic Cycle differs from just volatility. This can be either an outside reversal or a sharp move in only one direction. Panic Cycles can be either up or down. Watch the oscillators and the reversals to determine the best indication of the potential direction.



YEARLY FORECASTING ARRAY ANALYSIS

Looking at the array, there is a prospect for 2019 becoming a potential turning point. We do see that next year will be a Directional Change so we can see a change in direction unfold.

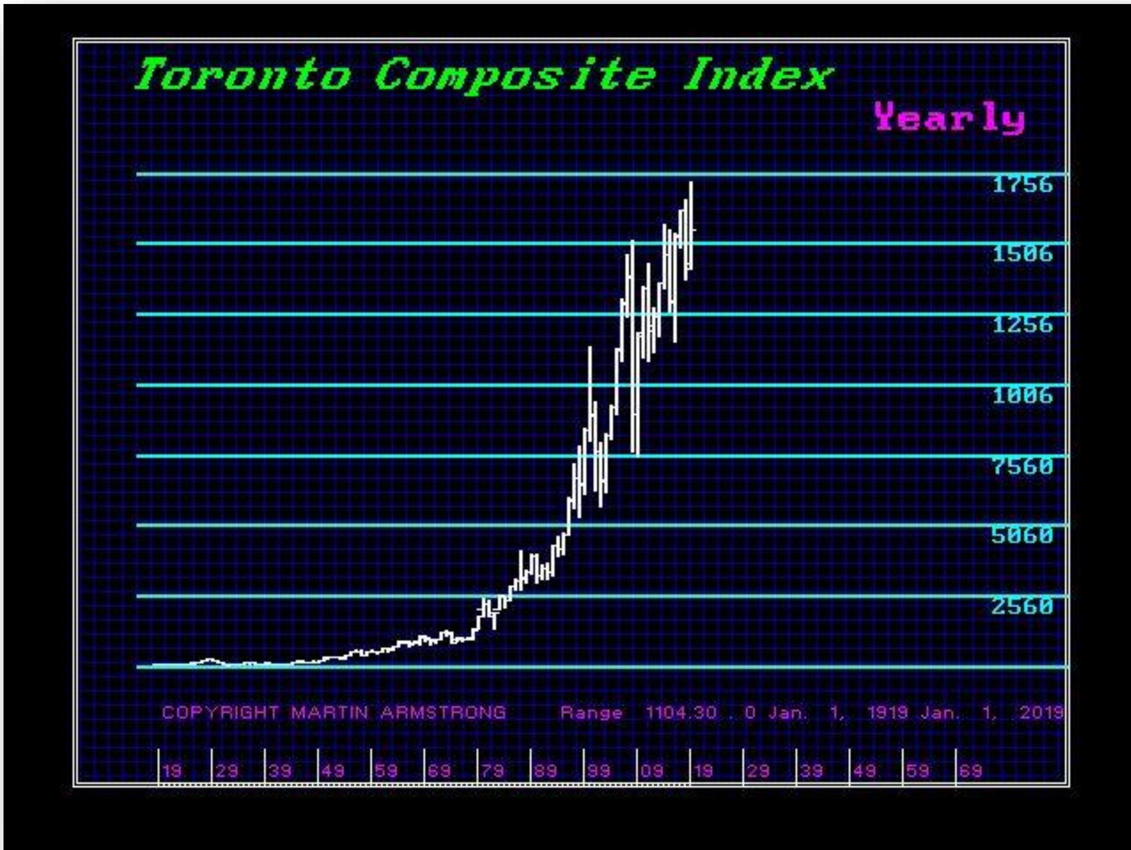
The strongest target in the Yearly array is 2030 for a turning point ahead, at least on a closing basis. It does appear we have a choppy period starting 2019 into 2020 with a key turing point in 2021 followed by 2023 which is followed by a Panic Cycle in 2024.

Keep in mind that given the sharp decline of 11% from the last high established during 2016, that if we continue to move in the same direction after one target, then the move will not subside until the next target in time is reached. We have elected one Bearish Reversal from the last high thus far to date. There are 3 Yearly Directional Change targets starting from 2019 to 2020 warning of a potential choppy swing period for these few Years. Don't forget, a Directional Change can also be a breakout in the same direction, not just a change in direction.

MONTHLY LEVEL

The key Monthly Bearish Reversal below the market remains at 126650. If this is breached on a monthly closing basis, then a further decline becomes entirely possible. If we penetrate that Reversal on a closing basis, then the next key support level to watch will be the next Monthly Bearish Reversal lies at 113150.

TORONTO COMPOSITE INDEX CASH



The historical perspective in the Toronto Composite Index Cash included a rally from 1932 moving into an important high 2019/2020. The last Yearly Reversal to be elected was a Bullish at the close of 2016 which signaled the rally would continue into 2019/2020 at least.

This market is still what we classify as a Bull Market given its strong posture above our Weekly to Yearly indicating models. This still reflects a shift in investment sentiment away from public debt instruments into equity.

From a Historical Perspective, this market was in a bullish trend since the major low took place back in 1932 but certainly from the 2009 low with the high forming during 2019 amounting to a 87 year bull market thus far.

Strategically, in Toronto Composite Index Cash, the last important low was established in 2009 from which we have rallied into new highs during 2019/2020

Recently on the yearly level, the market has rallied exceeding last year's high reaching 176740 intraday and we are still trading above 172306 at this time with a positive undertone. At this moment, the market is trading still holding above support in a bullish posture.

Right now, as stated, the market is trading above last year's high of 172306. Overall, the market has been in a long-term bullish trend. We have not elected any Yearly Bearish Reversals from that major high. Right now, the market is trading bullish above our yearly momentum indicators warning that support begins down at 154326.

YEARLY TECHNICAL ANALYSIS

2020/01/01...	26865	63739	105085	226229
2021/01/01...	22507	64891	107768	231839
2022/01/01...	18149	66043	110451	237450
2023/01/01...	13792	67195	113135	243060
2024/01/01...	9434	68347	115818	248671
2025/01/01...	5076	69500	118502	254281
2026/01/01...	718	70652	121185	259892

YEARLY TIMING ANALYSIS

Glancing at the longer-term yearly level, we see turning points where highs or lows on an intraday or closing basis should form will be, 2021, 2025 and 2029. Considering all factors, there is a possibility of a decline moving into 2021 with the opposite trend thereafter into 2025. This pattern becomes a possibility if last year's low of 141128 is penetrated even intraday.

YEARLY DIRECTIONAL CHANGES

Focusing an important timing model, the Directional Change Model targets are during 2020 and during 2021. This model often picks the high or low but can also elect a breakout to a new higher trading zone or a breakdown to a new lower trading level.

YEARLY VOLATILITY

Searching the volatility models suggest we should see a rise in price movement during January 2023. We look to the turning points to ascertain the direction. Volatility targets reflect only greater price movement.

YEARLY PANIC CYCLES

Focusing on the potential for sharp movement, our Panic Cycle target, for the next period to watch is during 2029. This is beyond the peak in the next Economic Confidence Model due in 2024. Keep in mind that a Panic Cycle differs from just volatility. This can be either an outside reversal or a sharp move in only one direction. Panic Cycles can be either up or down. Watch the oscillators and the reversals to determine the best indication of the potential direction.

YEARLY FORECASTING ARRAY ANALYSIS

Looking at the array, there is a prospect for a temporary high since the market has reached our first Yearly target being 2019. A closing below our Momentum Projection standing at 178299 will signal that we have a pullback possibly into the next turning point due in 2020 which could leave 2019 as a temporary high on a closing basis. Yet, this market is still holding our Momentum support level resting at 149733, indicating the broader trend has not been negated at this moment.

The strongest target in the Yearly array is 2025 for a turning point ahead, at least on a closing basis. It does appear we have a choppy period starting 2019 until 2022, but we do have a key target arriving also on 2021 with each target producing the opposite direction for that 4-year period.

Keep in mind that given the sharp decline of 1% from the last high established during 2019, that if we continue to move in the same direction after one target, then the move will not subside until the next target in time is reached. We have NOT elected any Bearish Reversals thus far to date. The first Yearly Bearish Reversal comes into play at 126176. We have a Yearly Directional Change target due the day of 2020. This lines up with a turning point so in this case we can see at least an intraday event, or a turning point based on the close. Our volatility models also target this date as well. Don't forget, a Directional Change can also be a breakout in the same direction, not just a change in direction.

THE BROADER LONGER-TERM VIEW

Detectably, the broader investigation outlook in Toronto Composite Index Cash maintains that a temporary high may be in place at this time.

MONTHLY LEVEL

The key Monthly Bearish Reversal below the market remains at 163280. If this is breached on a monthly closing basis, then a further decline becomes entirely possible. If we penetrate that Reversal on a closing basis, then the next key support level to watch will be the next Monthly Bearish Reversal lies at 159600.

TSE CASH EXPRESSED IN US DOLLARS

Clearly, the recent perspective of the of this market in terms of US dollars included a decline from the major high established back in 2007 moving into a major low in 2009, the market has bounced back for the last year.

This market remains in an overall neutral position on the weekly to yearly levels of our indicating models. Obviously, the last minor yearly high of 2018 reflects this posture.

From a Historical Perspective, ever since the low of 1974, there have been 2 major lows with each being higher than the previous which is indicative of a protracted long-term bull market. The last major low was established back in 2009 with the high forming during 2007. The last rally has thus been for 12 years.

We are currently trading neutral within the yearly range of 1559982 to 1057197 but more so on the weaker side. Even so, we have elected all four intermediate Yearly Bearish Reversals to date from 2007.

Currently, the market is trading neutral within last year's trading range of 1312807 to 130479. Overall, the market has been in a long-term bearish trend. At this time, the market is trading in a bearish position below our yearly momentum indicators warning resistance starts at 796630.

YEARLY TIMING ANALYSIS

Studying the longer-term yearly level, we see turning points where highs or lows on an intraday or closing basis should form will be, 2022, 2024, 2026 and 2030. There is a likelihood of a decline moving into 2022 with the opposite trend thereafter into 2024. This pattern becomes a possibility if last year's low of 130479 is penetrated even intraday.

YEARLY DIRECTIONAL CHANGES

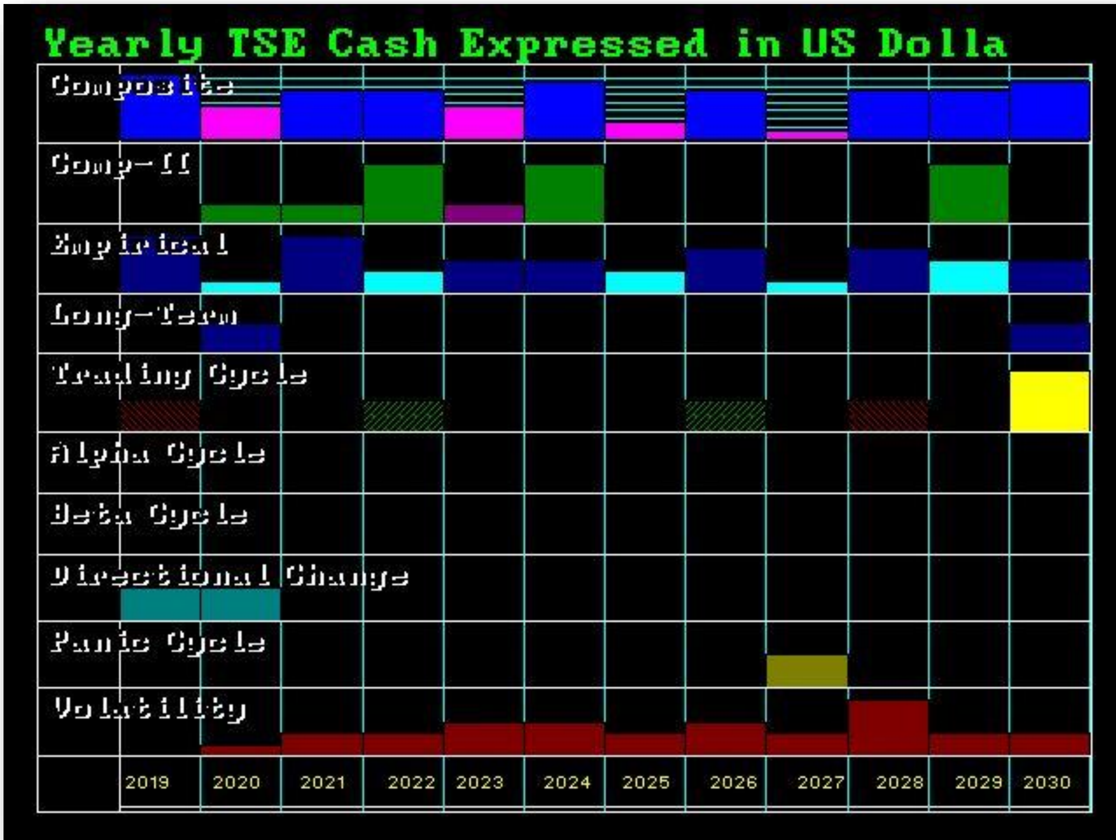
The most critical model, the Directional Change Model target is during 2019/2020. This model often picks the high or low but can also elect a breakout to a new higher trading zone or a breakdown to a new lower trading level.

YEARLY VOLATILITY

Diving into the volatility models suggest we should see a rise in price movement during January 2026. We look to the turning points to ascertain the direction. Volatility targets reflect only greater price movement.

YEARLY PANIC CYCLES

However, our Panic Cycle target, for the next period to watch is during 2027. This is beyond the peak in the next Economic Confidence Model due in 2024. Keep in mind that a Panic Cycle differs from just volatility. This can be either an outside reversal or a sharp move in only one direction. Panic Cycles can be either up or down. Watch the oscillators and the reversals to determine the best indication of the potential direction.



YEARLY FORECASTING ARRAY ANALYSIS

The strongest target in the Yearly array is 2024 for a turning point ahead, at least on a closing basis. It does appear we have a choppy period starting 2019 until 2021 with each target producing the opposite direction for that 3-year period.

THE BROADER LONGER-TERM VIEW

In the event of new intraday lows developing beyond this year, then the final low could extend into 2022. Broadly speaking, a month-end closing BELOW 1032060 is where the critical support lies. Only a monthly closing BELOW 1032060 will confirm a long-term bear market is in motion.

Otherwise, here lies important dynamic support within this market and holding this level is a clear line of demarcation in long-term trend. Make no mistake about this key level. If it is breached, then a continued decline is the most likely broader outcome. An annual closing back above 1153807 is necessary to potentially reverse the immediate declining trend. Nevertheless, penetrating the 2018 low on an annual closing basis will warn of a further decline ahead. We need a yearly closing above 148610 to imply a breakout to the upside would unfold with possible new record highs.

MONTHLY LEVEL

The key Monthly Bearish Reversal below the market remains at 129000. If this is breached on a monthly closing basis, then a further decline becomes entirely possible. If we penetrate that Reversal on a closing basis, then the next key support level to watch will be the next Monthly Bearish Reversal lies at 12150.

US S&P500 CASH IN CANADIAN DOLLAR

From the historical perspective, the S&P500 Cash in Canadian Dollar included a rally from 2009 moving into a major new high for 2019. The last Yearly Reversal to be elected was a Bullish at the close of 2014 which signaled the rally would continue into 2019.

This market is still what we classify as a Bull Market given its strong posture above our Weekly to Yearly indicating models.

From a Historical Perspective, this market was in a bullish trend since the major low took place back in 2009 with the high forming during 2019 amounting to a 10 year bull market with a new intraday high into 2020. Even so, we have not elected any Yearly Bearish Reversal to date and do not expect to from here.

The last Reversal elected in this market was a Yearly Bullish during 2014. From the Yearly Hedging Model employing only the Reversal System, we are currently long since 2009 on that close when we reversed our hedge position in this market.

Recently on the yearly level, the market has rallied exceeding last year's high reaching 437500 intraday and we are still trading above 425670 right now with a positive undertone. At this moment, the market is trading still holding above support in a bullish posture.

Right now, as stated, the market is trading above last year's high of 425670. Overall, the market has been in a long-term bullish trend. We have not elected any Yearly Bearish Reversals from that major high. Right now, the market is trading bullish above our yearly momentum indicators warning that support begins down at 307869.

YEARLY TIMING ANALYSIS

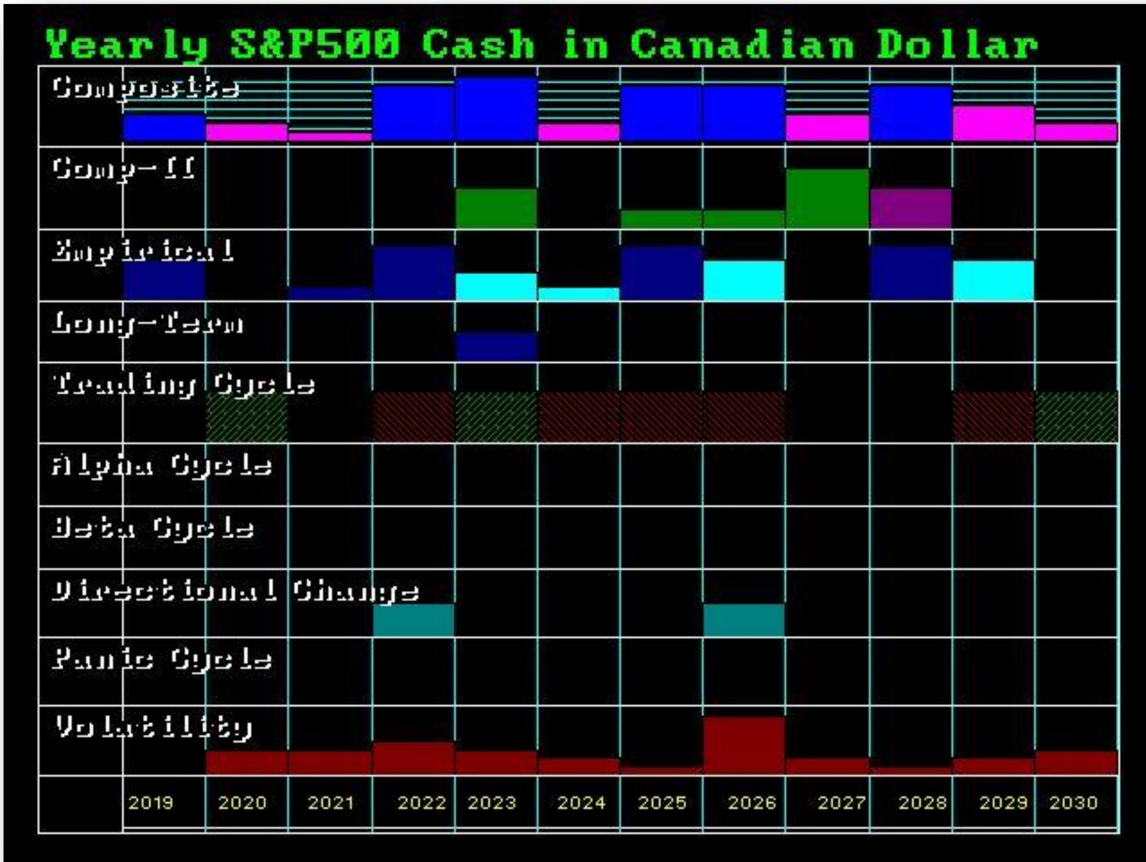
Searching the longer-term yearly level, we see turning points where highs or lows on an intraday or closing basis should form will be, 2023, 2026, 2028 and 2030. Considering all factors, there is a possibility of a decline moving into 2023 with the opposite trend thereafter into 2026. This pattern becomes a possibility if last year's low of 329371 is penetrated even intraday.

YEARLY DIRECTIONAL CHANGES

Focusing an important timing model, the Directional Change Model targets are during 2022 and during 2026. This model often picks the high or low but can also elect a breakout to a new higher trading zone or a breakdown to a new lower trading level.

YEARLY VOLATILITY

Dissecting the volatility models suggest we should see a rise in price movement during January 2026. We look to the turning points to ascertain the direction. Volatility targets reflect only greater price movement.



YEARLY FORECASTING ARRAY ANALYSIS

Focusing in now on timing factors, there is a rational potential of a temporary high since the market has reached our first Yearly target being 2019. A closing below our Momentum Projection standing at 464937 will signal that we have a pullback possibly into the next turning point due in 2021 leaving 2019 as a temporary high on a closing basis. Yet, this market is still holding our Momentum support level resting at 354585, indicating the broader trend has not been negated at this moment.

The strongest target in the Yearly array is 2023 for a turning point ahead, at least on a closing basis. It does appear we have a choppy period starting 2023 until 2025 with each target producing the opposite direction for that 3-year period. Thereafter, we see the next target coming into play as 2027 until 2028 with again each target producing the opposite direction for that 2-year period. However, the important target during that period will be 2028. We have Yearly Directional

Change targets due during 2022 and 2026. Don't forget, a Directional Change can also be a breakout in the same direction, not just a change in direction.

THE BROADER LONGER-TERM VIEW

Noticeably, the long-term outlook view recognizes that the current bearish progression in S&P500 Cash in Canadian Dollar reflects only a temporary reaction within a broader bull market trend since we have not elected any Yearly sell signals on our model. Furthermore, the S&P500 Cash in Canadian Dollar remains positive since we are trading above last year's high. To date, this market has not breached any long-term support which begins at 236266 on an annual closing basis. Support now lies at 236266.

Broadly speaking, a month-end closing BELOW 318958 is where the critical support lies. Only a monthly closing BELOW 318958 will confirm a long-term bear market is in motion. Otherwise, here lies important dynamic support underlying this market and holding this level is a clear line of demarcation in long-term trend. Make no mistake about this key level. If it is breached, then a continued decline is the most likely broader outcome. An annual closing back above 390207 will warn that we may be off to new highs. Nevertheless, we have held last year's low of 329371. Only a year end closing below 329371 will warn of a further decline ahead. We need a monthly closing back below 380983 to imply a potential reversal in trend is at hand.

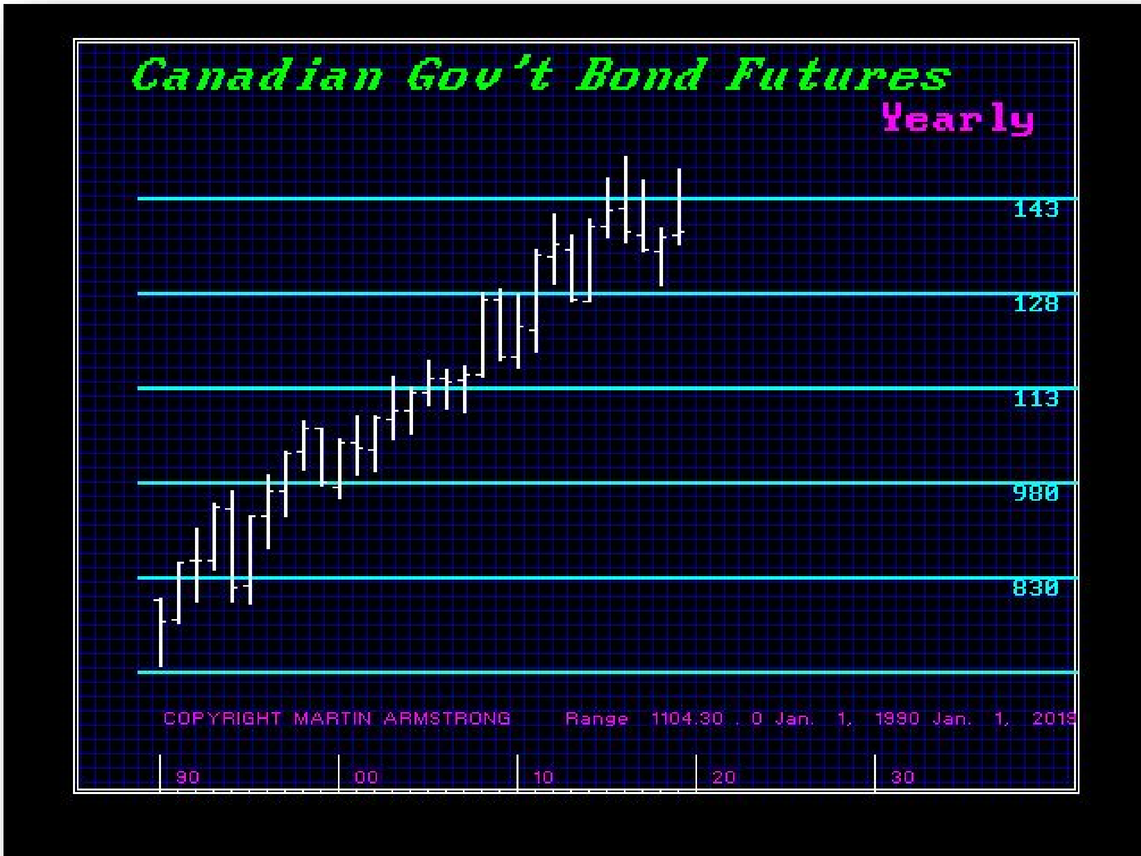
TECHNICAL PRICE OUTLOOK

Our extreme projected resistance for this month stands at 426790. This is our normal resistance projection. Exceeding this level on a monthly closing basis would indicate we are probably entering a Phase Transition. Our Phase Transition Target resistance stands at 438695.

MONTHLY LEVEL

The key Monthly Bearish Reversal below the market remains at 373567. If this is breached on a monthly closing basis, then a further decline becomes entirely possible. If we penetrate that Reversal on a closing basis, then the next key support level to watch will be the next Monthly Bearish Reversal lies at 363850.

CANADIAN GOVERNMENT BONDS



The recent perspective in the Canadian Government Bonds included a rally from 1995 moving into a major high for 2016, from which the market has been in a bearish trend since then moving into the low in 2018 forming a reactionary trend of 2 years bottoming at 12918. Even so, we have not elected any Yearly Bearish Reversal to date from 2016, which tends to warn that the 2016 high could still be challenged until we elect a Yearly Bearish Reversal. Notwithstanding, we have a reactionary rally in play since the 2018 low, which tends to imply the market would at least hold temporarily only above that low. Presently, we have elected 2 Bullish Reversals suggesting that this reaction low will hold at least provisionally for now.

The price action subsequent to the 2018 low produced a Knee-Jerk Reaction rally into 2019. The last Yearly Reversal to be elected was a Bullish at the close of 2018. However, the market has been unable to exceed that level intraday since then. This overall rally has been 1 years in the making.

From a Historical Perspective, this market was in a protracted bullish trend since the major low took place back in 1995 with the high forming during 2016. Even so, we have not elected any Yearly Bearish Reversal to date from 2016.

On the yearly level in Canadian Government Bonds, the last important high was established during 2016 at 14939, which was up 21 years from the low made back during 1995 at 7881. To date, we have a 2-year reaction low in place as of 2018, so we have consolidated for the past 1 year since that event. The highest the market has reached took place last year at 14746. However, the highest closing was during 2015 at 14099 whereas the intraday high formed in 2016.

Currently, the market is trading neutral within last year's trading range of 14746 to 13551. Overall, the market has been in a long-term bullish trend. We have not elected any Yearly Bearish Reversals from that major high. However, we have seen a correction from that high for 2 years forming the low during 2018.

YEARLY TIMING ANALYSIS

Probing into the longer-term yearly level, we see turning points where highs or lows on an intraday or closing basis should form will be, 2021, 2023, 2026 and 2029. Centering on the patterns unfolding, we do see a prospect of a decline moving into 2021 with the opposite trend thereafter into 2023. This pattern becomes a possibility if last year's low of 13551 is penetrated even intraday.

YEARLY DIRECTIONAL CHANGES

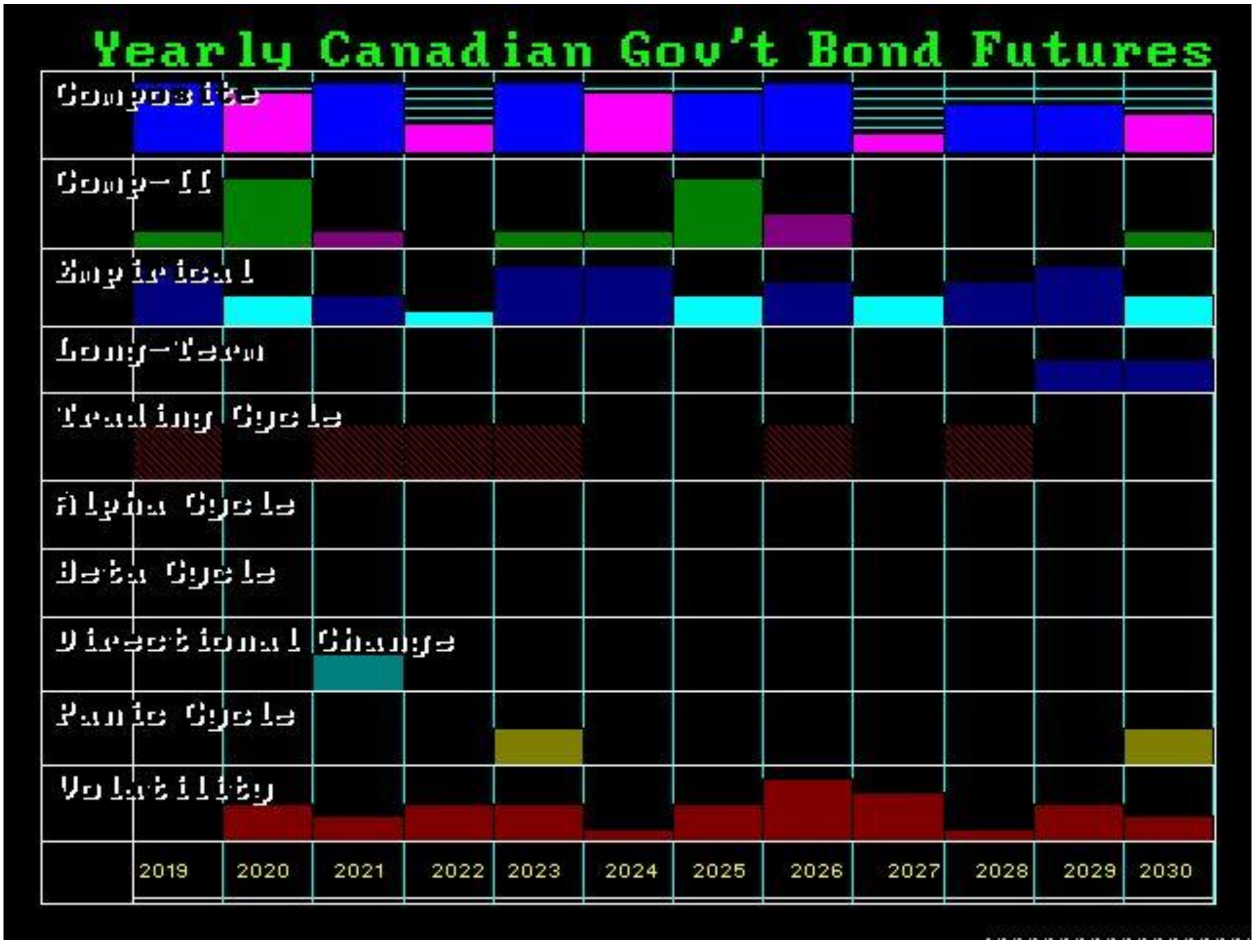
Nevertheless, the most critical model, the Directional Change Model target is during 2021. This model often picks the high or low but can also elect a breakout to a new higher trading zone or a breakdown to a new lower trading level.

YEARLY VOLATILITY

Exploring the volatility models suggest we should see a rise in price movement during January 2026. We look to the turning points to ascertain the direction. Volatility targets reflect only greater price movement.

YEARLY PANIC CYCLES

Nonetheless, our Panic Cycle targets for the period ahead to watch are during 2023 and during 2030. Keep in mind that a Panic Cycle differs from just volatility. This can be either an outside reversal or a sharp move in only one direction. Panic Cycles can be either up or down. Watch the oscillators and the reversals to determine the best indication of the potential direction.



YEARLY FORECASTING ARRAY ANALYSIS

The strongest target in the Yearly array is 2019 for a turning point ahead, at least on a closing basis. It does appear we have a choppy period starting 2019 until 2023, but while we have a target arriving also on 2021, the key target remains 2019 with each target producing the opposite direction for that 5-year period. Thereafter, we see the next target coming into play as 2026 until 2028 with again each target producing the opposite direction for that 3-year period. We have NOT elected any Bearish Reversals thus far to date. The first Yearly Bearish

Reversal comes into play at 13590. We have a Yearly Directional Change target due the day of 2021. This lines up with a turning point so in this case we can see at least an intraday event, or a turning point based on the close. Our volatility models also target this date as well. Don't forget, a Directional Change can also be a breakout in the same direction, not just a change in direction.

THE BROADER LONGER-TERM VIEW

Distinguishably, the expanded prospective in Canadian Government Bonds remains somewhat neutral at best as the major high of 2016 has not been exceeded. To date, we have seen a protracted decline for the last overall 4 years. We have held last year's low of 13551. The main correction low after the 2016 high took place in 2018. The decline from the 2016 high was 2 years. This collapse to new recent lows has been moderately pronounced thus far dropping 13% from the high of 2016 established at 14939 down to immediate low at 12918 of 2018.

There has remained a risk of pushing the decline into in real terms adjusted for inflation. Within the entire global financial system, there remains a risk that we could see a complete monetary reform beginning as early as 2021/2022 more ideally remains in play. This is likely to follow a broader expanding Sovereign Debt Crisis as central banks are fighting to prevent short-term interest rates from rising. While the peripheral economies begin to move into economic chaos, the main central banks are experiencing pressure on short-term rates to rise as concerns rise with respect to credit risk. Keep in mind that as short-term interest rates rise, the costs of sustaining the sovereign debts of nations will explode and this will result in contributing to the monetary crisis overall by 2022. We are looking at a split in private v public rates which will become more dratic post-2022.

This market remains in a broader corrective consolidation phase on the yearly level by closing above 9056 on an annual basis. Overhead key resistance within this trend stands on a closing basis at 14245, while support immediately lies down at 12640 on an intraday basis. So far, this market has remained in a bearish tone since the 14939 major high established back in 2016.

MONTHLY LEVEL

The key Monthly Bearish Reversal below the market remains at 13736. If this is breached on a monthly closing basis, then a further decline becomes entirely possible. If we penetrate that Reversal on a closing basis, then the next key support level to watch will be the next Monthly Bearish Reversal lies at 13550.

CANADIAN BILL ACCEPTANCES 90 DAY

While the recent perspective of the of this market included a decline from the major high established back in 2009 moving into a major low in 2018, the market has bounced back for the last 2 years. The last Yearly Reversal to be elected was a Bearish at the close of 2018. However, where there was 1 reversal elected, there was also a Super Position which took place with 2 Bullish Reversals elected warning that this immediate signal has been negated by the opposite force.

From a Historical Perspective, ever since the low of 1990, there have been 3 major lows with each being higher than the previous which is indicative of a protracted long-term bull market. The last major low was established back in 2018 with the high forming during 2009. The last rally has thus been-9 year. We are currently trading neutral within the yearly range of 99650 to 99080 but more so on the weaker side. Even so, we have not elected any Yearly Bearish Reversal to date from 2009.

The last Reversal elected in this market was a Yearly Bearish during 2018. On our Yearly Hedging Model Reversal System viewpoint, we are currently short since 2017 on that close when we reversed our hedge position in this market.

On the yearly level in Bill Acceptances 90 Day, the last important low was established during 2018 at 97435, which was down 9 years from the high made back during 2009 at 99650. However, the highest closing was during 2008 at 99290 whereas the intraday high formed in 2009.

Currently, the market is trading neutral within last year's trading range of 98255 to 97695. At this time, the market is trading in a bearish position below our yearly momentum indicators warning resistance starts at 98200.

Examining the yearly time level, we can now see that there is a 0.65% risk on the upside, where we show a clear downside risk factor at 2.01%. From a risk perspective, resistance on a closing basis stands at 98800 whereas the risk on the downside begins at 96180.

YEARLY TIMING ANALYSIS

Dissecting the longer-term yearly level, we see turning points where highs or lows on an intraday or closing basis should form will be, 2021, 2025, 2028 and 2030. We show a potential for a decline moving into 2021 with the opposite trend thereafter into 2025. This pattern becomes a possibility if last year's low of 97695 is penetrated even intraday.

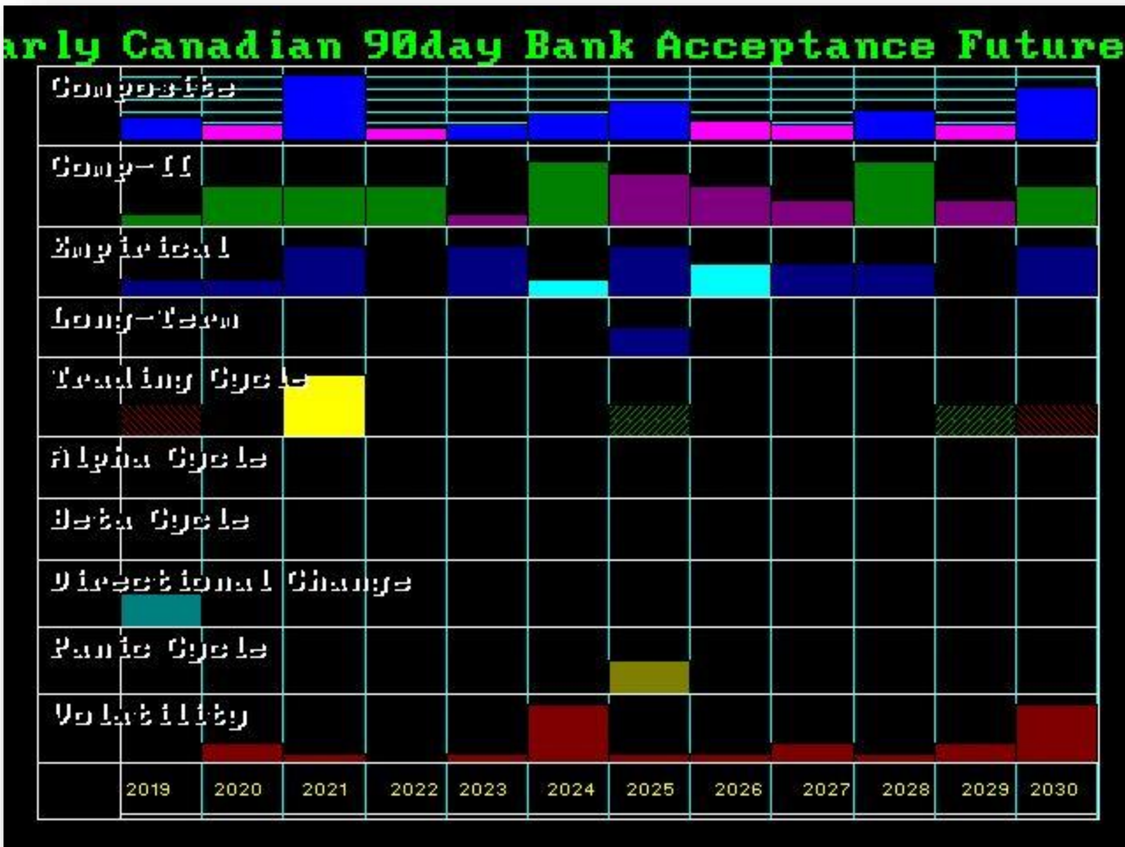
YEARLY VOLATILITY

Studying the volatility models suggest we should see a rise in price movement during January 2024. We look to the turning points to ascertain the direction. Volatility targets reflect only greater price movement.

YEARLY PANIC CYCLES

Nevertheless, our Panic Cycle target, for the next period to watch is during 2025. This is beyond the peak in the next Economic Confidence Model due in 2024.

Keep in mind that a Panic Cycle differs from just volatility. This can be either an outside reversal or a sharp move in only one direction. Panic Cycles can be either up or down. Watch the oscillators and the reversals to determine the best indication of the potential direction.



YEARLY FORECASTING ARRAY ANALYSIS

The strongest target in the Yearly array is 2021 for a turning point ahead, at least on a closing basis. It does appear we have a choppy period starting 2019 until 2022, but we do have a key target arriving also on 2021 with each target producing the opposite direction for that 4-year period. However, given that 2021 is a very strong target, this can produce an important event.

We have a Yearly Directional Change target due the year of 2019. This lines up with a turning point so in this case we can see at least an intraday event, or a turning point based on the close. Don't forget, a Directional Change can also be a breakout in the same direction, not just a change in direction.

THE BROADER LONGER-TERM VIEW

Noticeably, the long-term outlook in Bill Acceptances 90 Day remains bearish as the major high of 2009 has not been exceeded. To date, we have seen a protracted decline for the last overall 11 years. We have held last year's low of 97695. The main correction low after the 2009 high took place in 2018. The decline from the 2009 high was 9 years. This collapse to new recent lows has been temperately moderate thus far dropping 2.22% from the high of 2009 established at 99650 down to immediate low at 97435 of 2018. There has remained a risk of pushing the decline into in real terms adjusted for inflation. Undoubtedly, there remains a risk that we could see a complete monetary reform beginning as early as 2018 going into 2021/2022 more ideally remains in play.

This market remains in a broader corrective consolidation phase on the yearly level by closing above 95490 on an annual basis. Overhead key resistance within this trend stands on a closing basis at 98800, while support immediately lies down at 96180 on an intraday basis. So far, this market has remained in a bearish tone since the 99650 major high established back in 2009.

MONTHLY LEVEL

The key Monthly Bearish Reversal below the market remains at 97930. If this is breached on a monthly closing basis, then a further decline becomes entirely possible. If we penetrate that Reversal on a closing basis, then the next key support level to watch will be the next Monthly Bearish Reversal lies at 97400.

GOLD EXPRESSED IN C$

Interestingly, the recent perspective in the Gold Expressed in C$ reveals a rally from 2015 moving into a new recent high for 2019.

This market is still what we classify as a Bull Market given it remains above all indicators on the Yearly indicating models. However, from the Weekly to quarterly timing levels, the market remains positive but showing signs of overhead resistance.

From a Historical Perspective, ever since the low of 1976, there have been 3 major lows with each being higher than the previous which is indicative of a protracted long-term bull market. The last major low was established back in 2015 with the high forming during 2011. The last rally has thus been for 4 years. We are currently trading neutral within the yearly range of 192370 to 130910 but more so on the weaker side. Distinctly, we have not elected any Yearly Bearish Reversal to date from 2011.

Factually, in Gold Expressed in C$, the last important low formed back in 2015, there was a rally into the important high established during 2019 which has exceeded the pure reactionary phase with a bull market run for four years.

Recently on the yearly level, the market has rallied exceeding last year's high reaching 161330 intraday and we are still trading above 156620 right now with a positive undertone. At this moment, the market is trading still holding above support in a bullish posture.

Right now, as stated, the market is trading above last year's high of 156620. Overall, the market has been in a long-term bullish trend. We have not elected any Yearly Bearish Reversals from that major high. Right now, the market is trading bullish above our yearly momentum indicators warning that support begins down at 136240.

YEARLY TIMING ANALYSIS

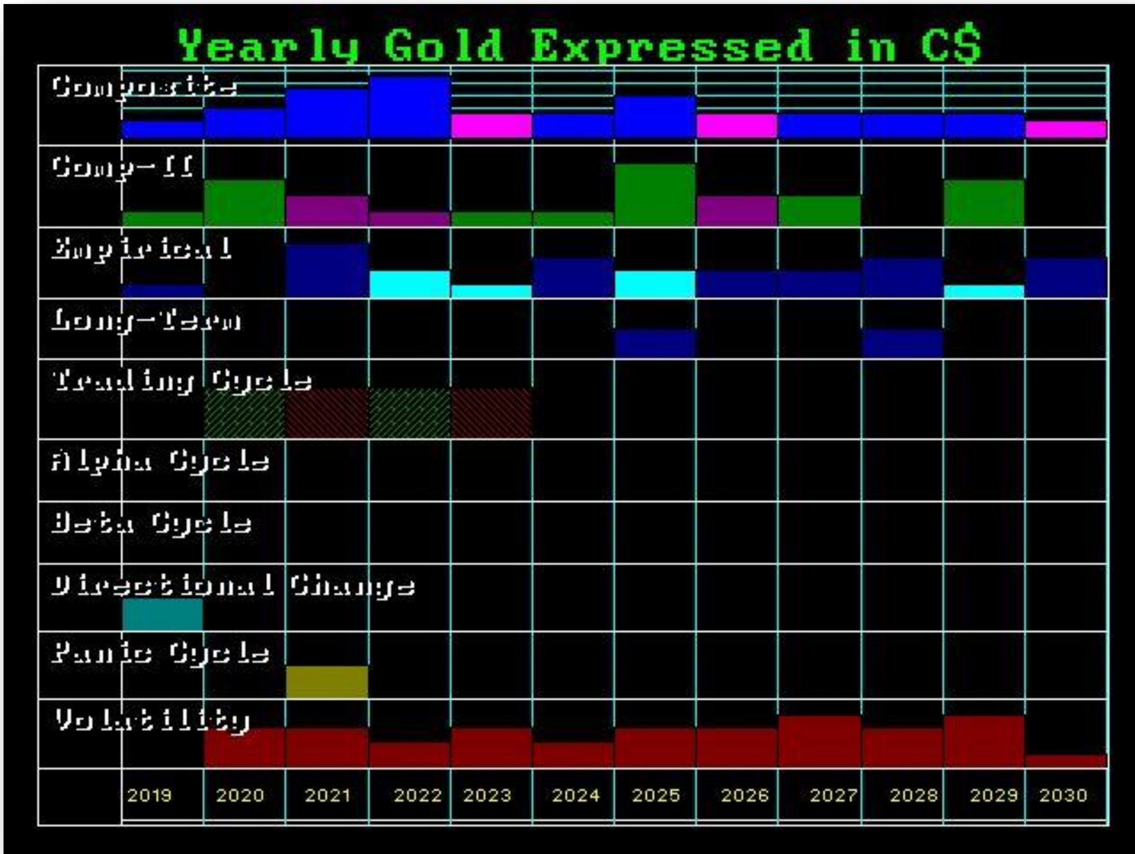
Glancing at the longer-term yearly level, we see turning points where highs or lows on an intraday or closing basis should form will be, 2022, 2025 and 2029. Considering all factors, there is a possibility of a rally moving into 2022 with the opposite trend thereafter into 2025.

YEARLY VOLATILITY

Dissecting the volatility models suggest we should see a rise in price movement during January 2021. We look to the turning points to ascertain the direction. Volatility targets reflect only greater price movement.

YEARLY PANIC CYCLES

Focusing on the potential for sharp movement, our Panic Cycle target, for the next period to watch is during 2021. Keep in mind that a Panic Cycle differs from just volatility. This can be either an outside reversal or a sharp move in only one direction. Panic Cycles can be either up or down. Watch the oscillators and the reversals to determine the best indication of the potential direction.



YEARLY FORECASTING ARRAY ANALYSIS

There is a likelihood of a temporary high since the market has reached our first Yearly target being 2019. A closing below our Momentum Projection standing at 162910 will signal that we have a pullback possibly into the next turning point due in 2022 leaving 2019 as a temporary high. Yet, this market is still holding our Momentum support level resting at 133606, indicating the broader trend has not been negated at this moment.

The strongest target in the Yearly array is 2022 for a turning point ahead, at least on a closing basis.

THE BROADER LONGER-TERM VIEW

Detectably, the broader investigation study view recognizes that the current bearish progression in Gold Expressed in C$ reflects only a temporary reaction within a broader bull market trend since we have not elected any Yearly sell signals on our model. Furthermore, the Gold Expressed in C$ remains positive since we are trading above last year's high. Presently, we have made a reaction low in 2015 which was a 4-year decline. Since that reaction low of 2015, this market has bounced for 5 years with this year exceeding last year's high. There remains a long-term risk of an extended rally into 2020 in real terms adjusted for inflation. Only if new highs unfold beyond that target in time is it possible to extend the rally as far out as 2021.

So far, we have elected a Yearly buy signal from the low of 2015. Nevertheless, we must focus upon overhead resistance standing at the 179820 level at this time.

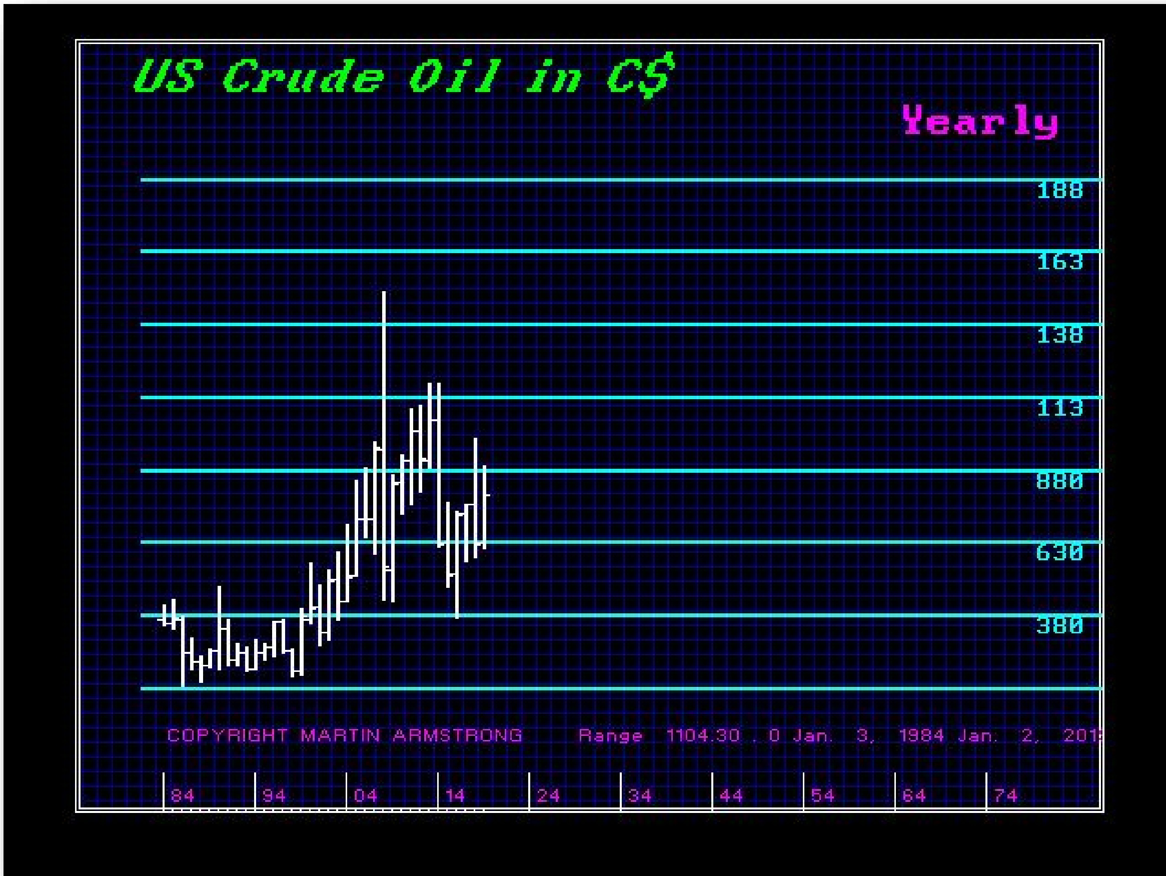
IMMEDITAE TREND PERSPECTIVE

Scrutinizing the immediate trend remains bullish since December 2019 made new highs and we have exceeded that high thus far this month. This is further illustrated given the fact that last month also closed higher. To date, the market has exceeded last year's high of 156620. In order to maintain an upward advance, we need to close above last year's high at year end.

MONTHLY LEVEL

The key Monthly Bearish Reversal below the market remains at 126720. If this is breached on a monthly closing basis, then a further decline becomes entirely possible. If we penetrate that Reversal on a closing basis, then the next key support level to watch will be the next Monthly Bearish Reversal lies at 116250.

US CRUDE OIL IN C$



When we look at the more recent perspective of the of this market, we can see a decline from the major high established back in 2008 moving into a major low in 2016, the market has bounced back for the last 4 years. The last Yearly Reversal to be elected was a Bearish at the close of 2014.

From a Historical Perspective, ever since the low of 1986, there have been 3 major lows with each being higher than the previous which is indicative of a protracted long-term bull market. The last major low was established back in 2016 with the high forming during 2008. The last rally has thus been-8 year. We are currently trading neutral within the yearly range of 14851 to 4275 but more so on the weaker side. Distinctly, we have not elected any Yearly Bearish Reversal to date from 2008.

On the yearly level in US Crude Oil in C$, the last important low was established during 2016 at 3651, which was down 8 years from the high made back during 2008 at 14851. This market came to test the Yearly Bearish Reversal at 6107 bottoming at 6048 but failed to close below it. However, the highest closing was during 2007 at 9503 whereas the intraday high formed in 2008.

Currently, the market is trading neutral within last year's trading range of 8924 to 6048. At present, the market has reacted to the upside from the low made in 2016.

YEARLY TIMING ANALYSIS

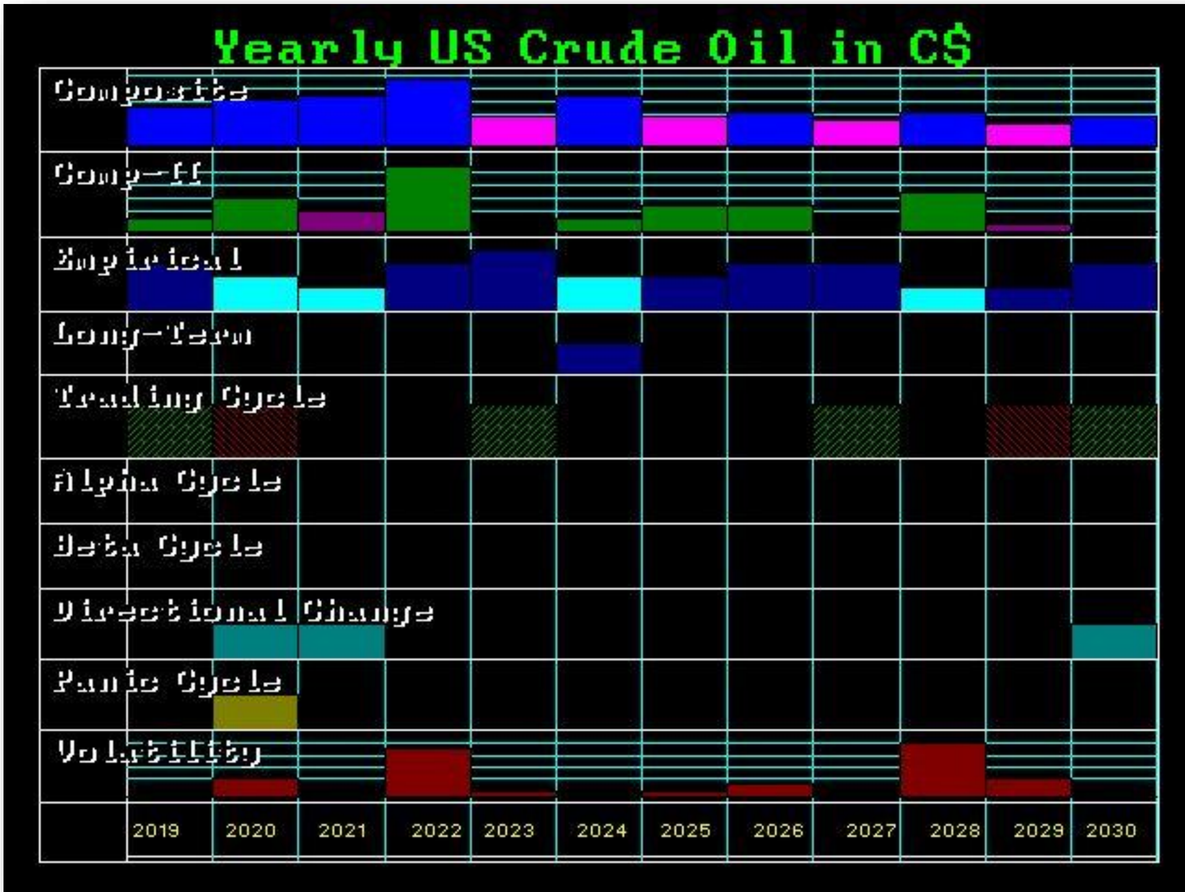
Searching the longer-term yearly level, we see turning points where highs or lows on an intraday or closing basis should form will be, 2022, 2024, 2026, 2028 and 2030. Considering all factors, there is a possibility of a further decline moving into 2022 with the opposite trend thereafter into 2024. This pattern becomes a possibility if last year's low of 6048 is penetrated even intraday.

YEARLY DIRECTIONAL CHANGES

Focusing an important timing model, the Directional Change Model targets are during 2020, during 2021 and during 2030. This model often picks the high or low but can also elect a breakout to a new higher trading zone or a breakdown to a new lower trading level.

YEARLY VOLATILITY

Dissecting the volatility models suggest we should see a rise in price movement during January 2028. We look to the turning points to ascertain the direction. Volatility targets reflect only greater price movement.



YEARLY FORECASTING ARRAY ANALYSIS

Considering all timing factors, there is a possibility of 2019 becoming a potential turning point. We do see that next year will be a Panic Cycle so we can see an outside reversal exceeding both the high and lost of the previous year, or a sharp move in one direction. We also see next year will be a Directional Change so this implies that we have an important turning point forming perhaps at least on a closing basis at that point in the future. (NOTE: this can be intraday or on a closing basis).

The strongest target in the Yearly array is 2022 for a turning point ahead, at least on a closing basis.

THE BROADER LONGER-TERM VIEW

Detectably, the broader investigation forecast in US Crude Oil in C$ remains somewhat neutral at best as the major high of 2008 has not been exceeded. To date, we have seen a protracted decline for the last overall 12 years. We have held last year's low of 6048. The main correction low after the 2008 high took place in 2016. The decline from the 2008 high was 8 years. This collapse to new recent lows has been a Waterfall Event thus far dropping 75% from the high of 2008 established at 14851 down to immediate low at 3651 of 2016. There has remained a risk of pushing the decline into in real terms adjusted for inflation.

Historically, this market experienced a Phase Transition from the low of 1986 to the high of 2008 which amounted to about a 900% advance. This market remains in a broader corrective consolidation phase on the yearly level by closing above 4765 on an annual basis. Overhead key resistance within this trend stands on a closing basis at 10858, while support immediately lies down at 4213 on an intraday basis. So far, this market has remained in a bearish tone since the 14851 major high established back in 2008.

IMMEDITAE TREND PERSPECTIVE

Studying the immediate trend remains bearish since December 2019 made new lows and we have penetrated that low thus far this month. This is warning to pay very close attention since last month had closed higher but the upward momentum has been lost. With this pattern in motion, we should be on point here for there is the risk of a change in near-term trend if the reversals give way. Currently, the market in technically neutral since it is still trading inside last year's trading range.

Canadian Real Estate

The government of British Columbia claimed there was an **affordability crisis** in the Greater Vancouver real estate market. However, the surge in real estate prices was capital seeking to get off the grid in addition to the mad rush into property that could be rented in hopes of obtaining some yield in the area of 5% to compensate for the virtual zero interest rate policies of central banks. Real estate markets around the world were all following the same trend such as Sydney and Melbourne in Australia, New York, Miami, and Los Angeles in the United States, as well as Hong Kong and London. All these markets saw prices rise as housing came to be seen more as an investment than a place to live. This was also reflected in the rise of the Canadian dollar.

The response of governments has been typically socialist. They have seen this as their mission to lower prices because it has become unaffordable for some. Would they do that for the stocl market? Would it be right for they to say they will imposes taxes and regulations to force the stock market to drop by 50% so it too becomes affordable for those who missed the bull market?

In Greater Vancouver area, house price appreciation will begin to stabilize, the decline will moderate, after its decline during 2019 as we have entered a new business cycle as of January 18th, 2020 following the decline into 2019. However, the tax burden prevents a real broader recovery.

In nominal terms, 2019 may prove to be a low with highsight. The aggregate price of a home in the region had fallen sharply in 2019. Back on July 29th, 2016, more than $850 million in residential property transactions involving foreign nationals in Vancouver took place according to the registrations at the Land Title Office. That was equal to more than 50% of all transactions registered in Vancouver on that day and almost 40% of the total foreign investment in Vancouver residential real estate for the entire period after data collection began.

Subsequently, sales to foreigners have plunged in a nose-dive. The politicians succeeded in creating a bear market in real estate. What the politicians failed to realize is that the foreigners also spent money in town and now retail sales are also declining. When the foreigners were entering Canada, they brought money with them. This is not the same thing as pretend Syrian refugees. These people contributed to the local economy.

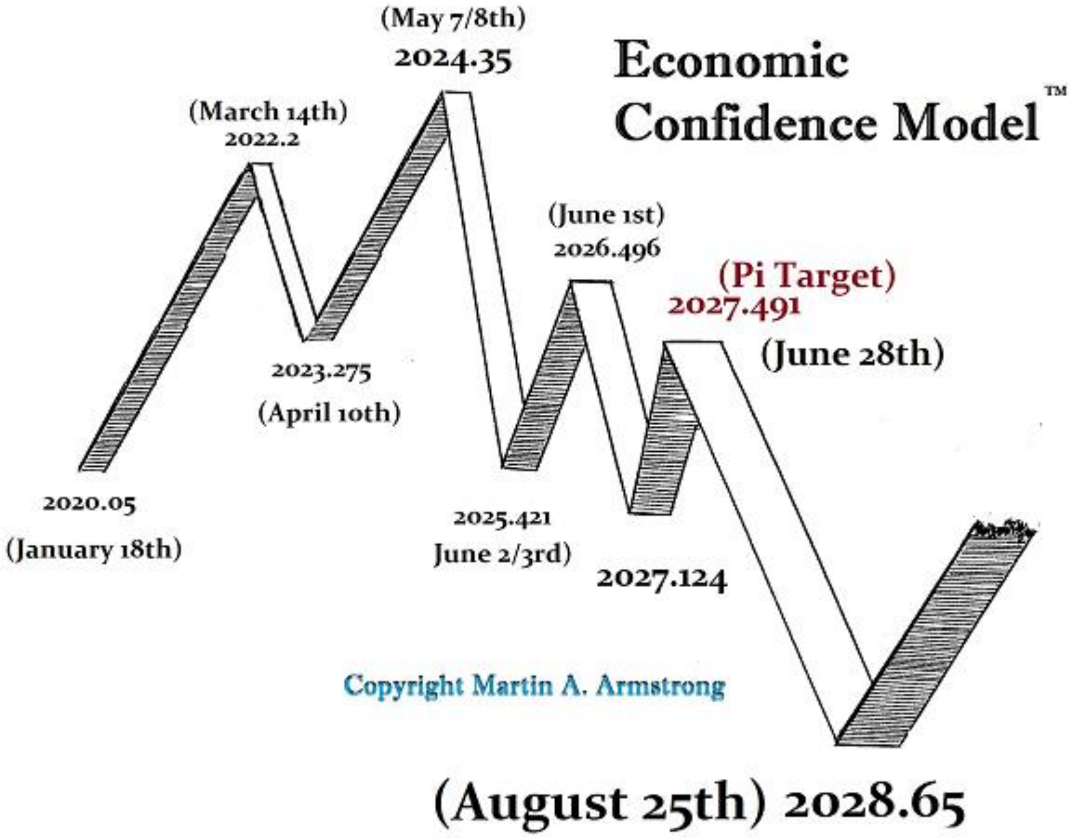
A month after the introduction of the tax, the Greater Vancouver Real Estate Board revealed the number of homes being sold had dropped significantly and prices had stalled since it came into effect. Real Estate is **NOT** a movable asset. Yet it is no different than selling manufactured goods for export. It brings in foreign capital as in trade yet it ties the buyer to the nation even more as a repeat customer. The idea that politicians have tried to lower housing prices to help millennials is stupid. It is indistinguishable from saying the stock market is too high so let's lower the value so others can afford to buy shares.

In truth, the data is clear. Foreigners had only accounted for about 10% of home sales. Granted, the foreigners were also buying the high-end properties not the average home. The same was true in Miami, New York, and Los Angeles. The Vancouver property market has declined sharply and there is now no reversing the trend by even eliminating the tax. The real value high is in place although the decline will moderate from here. They took the fluff out of the market. However, there has also been a shift from homes to more condo sales. It appears that the politicians never get anything right. They blamed the foreigners without justification.

Vancouver's housing market buckled under an onslaught of taxes and regulations introduced since 2016 to force a real estate recession under the pretense of helping the poor buy million dollar houses?

The high end felt the impact first and has been the hardest hit. Prices in West Vancouver, Canada's richest neighbourhood, dropped at least 17% from their 2016 peak. The slowdown is now broadening for what politicians fail to comprehend is that recessions unfold when real estate declines because people will spend less if they think they have lost money on their homes.

Conclusion



We have begun a new business cycle wave as of January 18th, 2020. This new 8.6-year wave of the Economic Confidence Model will be very profound. The fact that the Trump Impeachment began onthat precise day warns that what we face as we move into the final conclusion of this long-term economic wave come 2032.95. It will be then when the errors of our ways will come to pass and only then will the system reset.

We are in the last throes of how civilization corrects for all governments which have gone before us, are buried in a common grave no matter their form be it monarchy, republic, authoritarian, democratic, or dictatorship. We as a species may learn from our mistakes on a personal level. Life is a journey to aquire knowledge. However, as a collective society, we are incapable of acquiring knowledge and hence we inevitably make the same mistakes repeatedly. Thus, history repeats and we are compelled to watch this process incapable of changing the channel.