

Dr. Evil's "The Empire Strikes Back" Edition.



[HK stock exchange appoints banking veteran with global vision as next chief:](#)

Financial Times (paywall): Hudson Lockett & Tabby Kinder: 9 FEB 2021



"The Hong Kong stock exchange has picked a senior JPMorgan banker to be its new chief executive as it seeks to build its fast-growing pipeline of new share offerings and trading link-ups with mainland Chinese bourses. Nicolas Aguzin, chief executive of JPMorgan's international private bank, will take the helm at Hong Kong Exchanges and Clearing, the company that runs the city's stock market, in May for three years. Aguzin will be the second consecutive banker from JPMorgan to serve as chief executive of HKEX, following his predecessor Charles Li, who was chairman of JPMorgan China from 2003-09." [**When you're selling schlock, get someone in a \$2,000 suit to do it. "Gentlemen, pinky rings out while sipping chardonnay."**]

JPMorgan to serve as chief executive of HKEX, following his predecessor Charles Li, who was chairman of JPMorgan China from 2003-09." [**When you're selling schlock, get someone in a \$2,000 suit to do it. "Gentlemen, pinky rings out while sipping chardonnay."**]

Jamie Dimon, chairman and chief executive of JPMorgan, said: "I'm proud to congratulate my colleague . . . on his important new role as the next CEO of the Hong Kong stock exchange."



JPMorgan needs to move as much Chinese paper into US and European markets before everybody figures out how worthless this stuff really is. Now that the MSCI lists fraudulent PRC corporate shells, they've got top cover to make billions.

Laura Cha, who chairs HKEX, said Aguzin's international background "will be of great help to us at this stage in our development".



We can't let little things like jailing the entire opposition party which supports democracy get in the way of fleecing western suckers...

"The fact he does not speak Chinese will not be a factor that affects any of our policies or any of our relationships with our counterparties," she said, adding that the appointment did not need regulatory approval from Beijing.



Translated: *“The Gaijin is a complicit sucker who’s only there to reassure the other suckers.”*

[BlackRock keeps faith in HK hub](#): Financial Times (paywall): Michael Mackenzie: 9 FEB 2021

The new head of BlackRock’s Asia-Pacific operations has projected that Hong Kong will continue to be a pre-eminent financial center. Rachel Lord said the Asian hub would play a central role in opening up China’s financial system to the rest of the world despite recent political upheaval. [Blackrock is the world’s largest money manager with \$8.67 trillion under management. They think that sort of money gives them a form of political insurance. However, the minute they become a political liability



for or economic hostage to the CCP all the client money they have in the PRC will disappear. Ask Jack Ma of Ant Financial. We still don’t know where he is being held.]



She replaces Geraldine Buckingham, who will continue at BlackRock as a senior adviser but will move to Beijing. Buckingham is married to Dominic Barton, Canada’s ambassador to Beijing.



Blackstone’s ambassador to China? All this while the PRC has fraudulently imprisoned two Canadians in retribution for holding Meng Wanzhou, Huawei’s CFO for extradition to the US.

‘It’s less about politics and more about the way the ecosystem is set up’ -Rachel Lord [Translation: *“It’s all about politics.”*]

[Meanwhile In China, A Bankrupt Solar Firm Just Sold \\$117 Million In Shares](#): ZeroHedge: 10 FEB 2021.

Oh yeah, Dr. Evil wants to invest in [bankrupt stocks](#) offered on the Hong Kong Exchange. What could go wrong? I’m sure JPMorgan and Blackstock would recommend it.



Xi and the Game of Thrones

[What Are the Cultural Revolution’s Lessons for Our Current Moment?:](#)

The New Yorker: Pankaj Mishra: 25 JAN 2021

Who were the Red Guards? “Red Guards—a pseudo-military designation adopted by secondary-school and university students who saw themselves as the Chairman’s sentinels.”

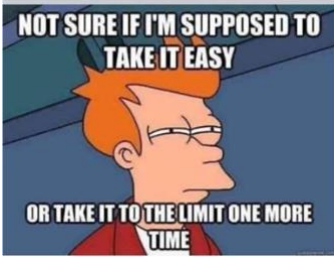
“Closer to the center of things, in Xi’an, the Red Guards paraded Xi Zhongxun, a stalwart of the

Chinese Communist Revolution who had fallen out with Mao, around on a truck and then beat him. His wife, in Beijing, was forced to publicly denounce their son—Xi Jinping, China’s current President. Xi Jinping’s half-sister was, according to official accounts, “persecuted to death”; most probably, like many people tortured by the Red



Guards, she committed suicide. Xi spent years living in a cave dwelling, one of sixteen million youths exiled to the countryside by Mao.”

[Anyone who thinks Xi is going to actually be conciliatory or cooperative, read the above paragraph. It ain't happening. Xi has seen what that brings. Like The Game of Thrones, you win or you die.]



[If you want to read more about the Cultural Revolution: Jung Chang's "Wild Swans," Ma Bo's "Blood Red Sunset", searing accounts by victims: Ji Xianlin's "The Cowshed", family sagas: Aiping Mu's "The Vermilion Gate". The period animates the work of many of China's prominent novelists, such as Wang Anyi, Mo Yan, Su Tong, and, most conspicuously, Yu Hua, whose two-volume novel "Brothers"]

Poverty in China since 1950: A Counterfactual

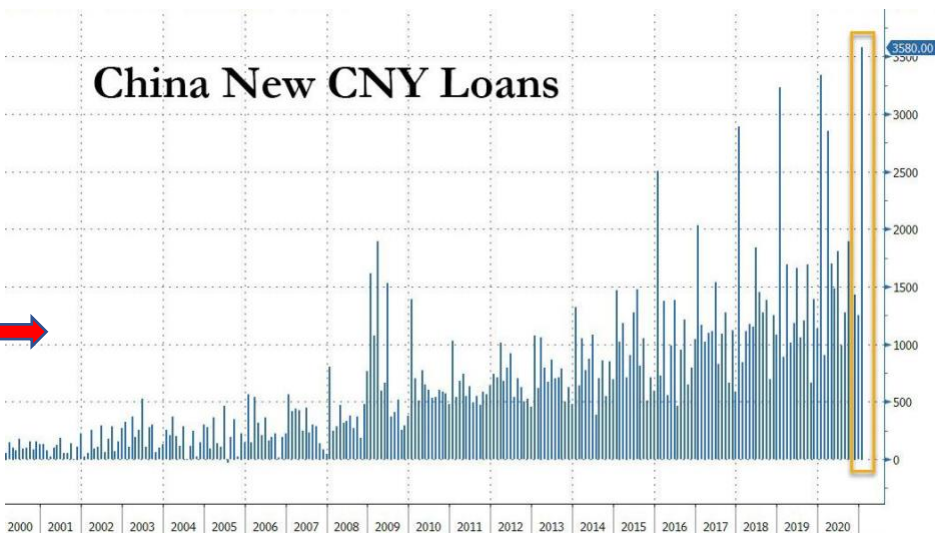
Perspective: Martin Ravallion: NBER Working Paper 28370: JAN 2021
 "...about two thirds of China's poverty in 1980 is attributed to the impact of the Maoist path since 1950. Further checks and tests suggest that (if anything) this is likely to be an underestimate. It took 10-20 years for China's post-reform economy to make up the lost ground." [As I remember, China's per capita income didn't match its' pre-1949 levels until the nineties. Oh and let's not forget about the 'per-capita reduction programs': Great Leap Forward ~45M starved to death, Cultural Revolution ~ millions dead, industrial production stopped]



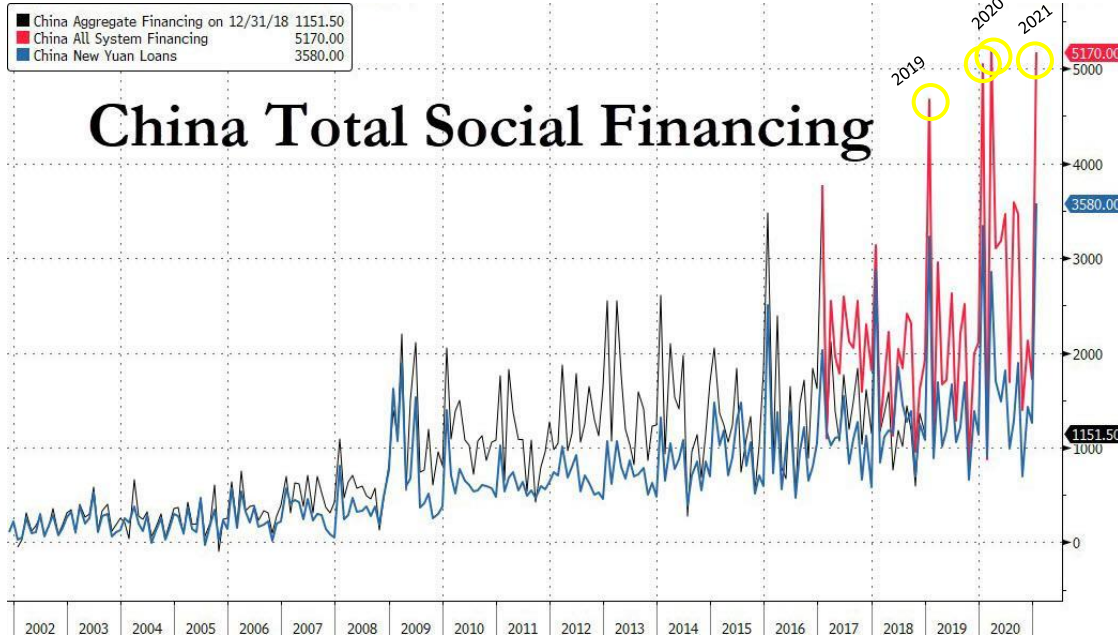
How's the PRC banking system doing?

For a country that supposedly deleveraging the world's largest and most indebted financial system, you wouldn't be able to tell by this: China created a record **3.58 trillion** in new yuan loans. That's the big spike in JAN 2021 encased in yellow.

But first, more money hot off the printing press: "Total Social Financing" (below) the broadest Chinese credit aggregate, Total Social Financing includes **new loans** as well as shadow debt creation and bond issuance. TSF exploded to a monstrous 5.170 trillion yuan, which at today's exchange rate is roughly

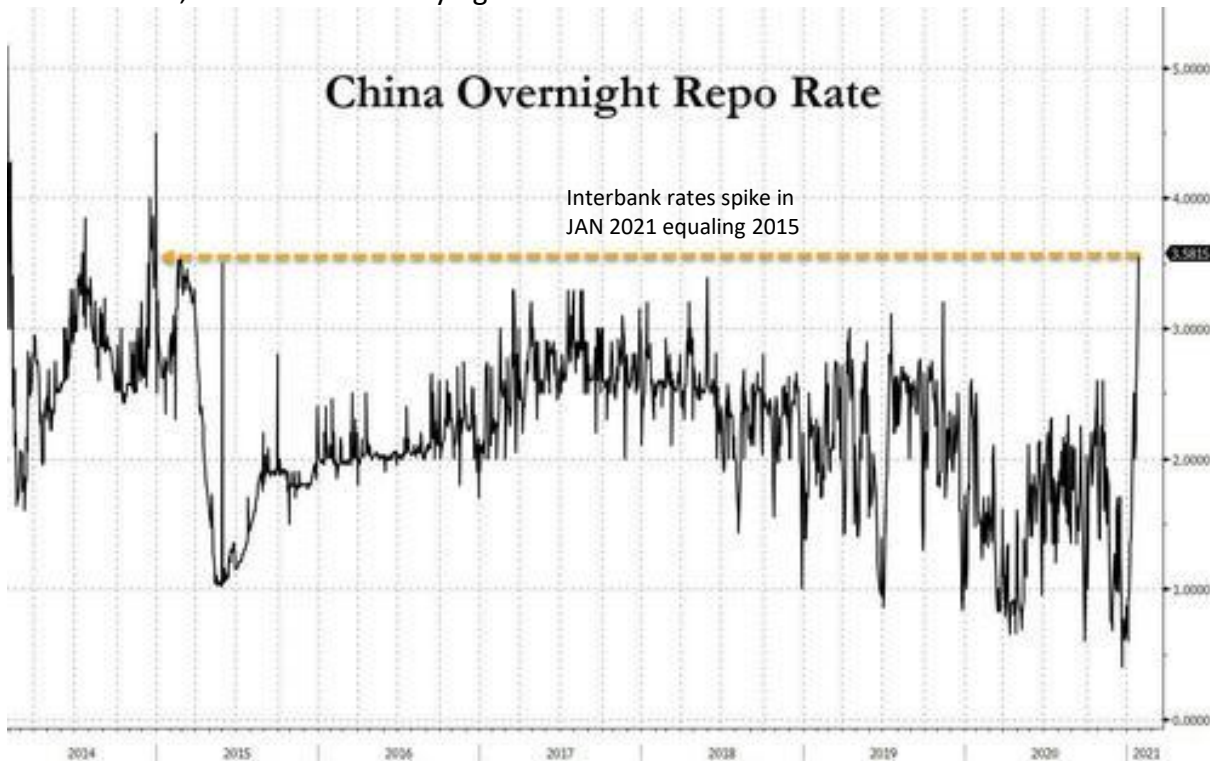


\$800 billion. (Look for the red spike in 2021.) Printing money like it was going out of style isn't anything new. There were two liquidity injection spikes in 2020 and one in 2019.



The PRC banking sector would have collapsed w/o the liquidity injections because the interbank interest rate i.e. the repo rate spiked (see below). This would have frozen interbank lending and created a fiscal situation ripe for contagion. When banks can't lend to each other, the plumbing clogs and instead of a banking system you wind up with

disconnected, individual banks trying to save their balance sheets.



More Wonderful Investments in the Happy Republic

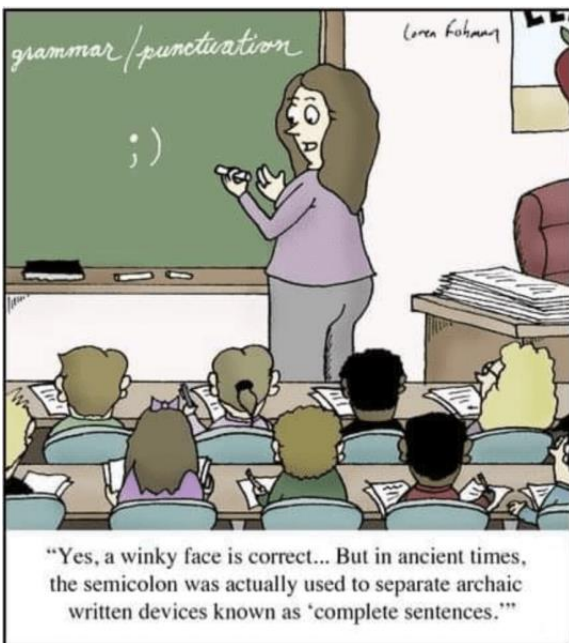
[China Fortune Land's US\\$813 million of missed debt payments sparks fears of further defaults under Beijing's 'three red lines' for property developers](#): SCMP: Pearl Liu: 3 FEB 2021

China Fortune Land Development, ranked 43rd by sales nationally last year, said it had overdue loans of 5.26 billion yuan (US\$813.37 million) because of a liquidity shortage. [Technically, that's called bankruptcy] Fitch Ratings downgraded the developer on Wednesday to reflect the "extremely high risk" of buying its debt. China Fortune Land's financial problems have added to mounting worries about a possible rise in defaults by highly leveraged Chinese property firms.

"This could be the first casualty [under the central government's tightened credit rules] with more defaults to come this year," said Warut Promboon, a credit analyst with research company Bondcritic in Hong Kong. "It is more of a symptom of what is to come. The market already understands that the smaller developers will be hard hit."



The Three Red Lines: The red lines were outlined in Beijing last August during a financial symposium, represent different limits on borrowing: **1)** liability-to-asset ratio excluding advanced receipts at 70 per cent, **2)** net debt-to-equity ratio at 100 per cent, and **3)** cash to short-term debt ratio at one time. Expect real estate companies to fire sale properties to get within the Three Red Lines. This will reverberate throughout the financial-economy.



[R&F Properties sells majority stake in bay area logistics park for US\\$1.1 billion as China's indebted developers look to offload assets](#): SCMP: Sandy Li: 20 JAN 2021

R&F Properties has raised US\$1.1 billion by selling a majority stake in its huge urban logistics park in the Greater Bay Area in a sign that heavily indebted mainland Chinese developers are gearing up to offload assets.

[Special Deals from Special Investors: The Rise of State-Connected Private Owners in China](#)

Chong-En Bai Tsinghua University, Chang-Tai Hsieh University of Chicago and NBER

Zheng Song Chinese University of Hong Kong, Xin Wang Chinese University of Hong Kong

26 NOV, 2020

The network of connected private owners has expanded over the last two decades. The share of registered capital of connected private owners increased by almost 20 percentage points between 2000 and 2019, driven by two trends. First, state owned firms have increased their investments in joint ventures with private owners. Second, private owners with equity ties to state owners also increasingly invest in joint ventures with other (smaller) private owners.



There is no such thing as a private company in the PRC. The difference is merely in degree of State control. Dr. Evil sees State ownership as an evil avenue of approach into the PRC's political economy because it creates what is known as 'State capture'. This is where the bureaucracy at State Owned Enterprises (SOE) influences policy to promote their business interests, not the State's or Party's interest.

[Southeast Asia's Naval Build Up In The Post-Covid Era](#): A

“Near-Term Assessment: 9DASHLINE: Collin Koh: 20 JAN 2021

Riding on a trajectory of economic recovery, however, Beijing has already reinvigorated its naval modernization programs with a series of sea trials for newbuilds (and more in the pipeline). Japan is on the cusp of enacting yet another record defense budget and has also launched a new submarine and light frigate last year. South Korea is forging ahead with its naval programs, including plans for a light aircraft carrier. India, amongst various items on its naval wish-list, is pressing for a third aircraft carrier.” [This will end well....said nobody ever. The Indo-Pacific is rearming and in the close confines of the Yellow, East and South China seas accidents are bound to happen.]

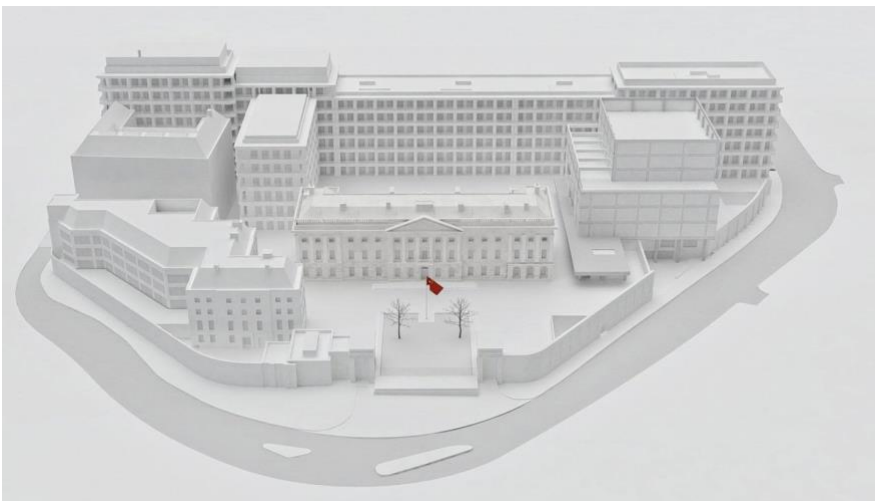
The Obligatory ‘China Bad’ Section

[Here and Now: Chinese Interference in the Transatlantic Space](#): Alliance for Securing Democracy: Bryce Barros & Etienne Soula: 9 FEB 2021 [Database of 160 PRC incidents](#) across Information Manipulation/Cyber Operations/Malign Finance/Civil Society Subversion/Economic Coercion [Lions and tigers and bears...Oh my!]

[China poses serious strategic threat to Canada, says Canadian spy agency head](#): Reuters: David Ljunggren: 9 FEB 2021 “China poses a serious strategic threat to Canada, both through attempts to steal secrets and a campaign to intimidate the Chinese community, the head of Canada’s spy agency said on Tuesday in a rare public appearance.” [Captain Obvious]

[Chinese firm 'linked to country’s intelligence agency' worked with BBC on flagship shows](#): Telegraph: Izzy Lyons, Lucy Fisher & Matthew Field: 10 February 2021

“Tencent, a £375 billion tech giant which owns the controversial Chinese messaging app WeChat, has signed a string of deals with the BBC.” [Why bother with propaganda when you produce the shows for the BBC?]



Meet Your New Neighbor: Proposed design for the new PRC Embassy in London. At 700,000 sq. ft. it would be the largest embassy in Europe.

As always, if you’re on the distro and want off, please let me know. If you’re not on the distro and want on, please let me know. Dr Evil Editions are solely the fevered imagination of Dr. Evil and in no way represent official policy.



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