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John's Newsletter Friday 16 January 2015

**Collapse is in the air..... The Eurozone is at (currency) war - others following....
Gazprom gas cuts.**

At this point it seems a gradual process. Nothing dramatic, nothing urgent – that is unless you are a dairy farmer with a lot of debt, an oil producer or an Australian miner.

If you are working in either the coal, oil and gas, or minerals mining sectors, you will be justifiably worried about your job. If not, you should be IMHO.

Bond markets are jittery.

The signs are all about. The fears of currency wars are being proven, the fears of central banks doing whatever it takes to avoid admission of defeat will soon re-emerge. The spat between USA/EU and Russia is just making things worse for everyone. The deflationary forces impacting on interest rates and real growth, are being proven and reflecting the realities of our current negative REAL growth situation (monetarised GDB manipulation is no longer credible). Oil dropped by a couple of bucks a barrel overnight and gold went up by USD28 per ounce. The Baltic dry index is at 757 and falling – reflecting the fall-off in freights and added to this a lot of oil tankers (shipping) are on per “diem rates” and sitting at anchor in port with a belly full of oil that lacks any customers. Metals such as copper, aluminium and iron ore are all down.

Iron ore is now at only USD68.63 per tonne. This places even second tier companies like Atlas Iron and Fortescue in grave peril if demand doesn't change for the better. Australasia is now squarely in the cross-hairs...

<http://www.interest.co.nz/opinion/73600/john-bolton-takes-look-big-long-term-economic-picture-and-finds-pre-gfc-fundamental-pr>

or from the Australian Business Review...

“‘Copper sinks to five-year low’
‘Iron ore in retreat as Citi slashes forecast’
‘Coal price under pressure as China demand weakens’
‘Analysts point to \$US40 oil’
‘WA leads confidence fall’ “

The US share-market is reflecting the uncertainties elsewhere. So the start of the year has been rather a let-down for those wanting a year of business as usual. I suppose two weeks of negativity does not make this a sustained trend but the really disturbing part is that oil and gold are going in different directions and that is straight out of my “collapse playbook”. Even so, we should expect the central bankers to counter-attack with more QE and even lower interest

rates to push back collapse into 2016 – if they can. My guess is that they will seem to succeed up to August but in September/October 2015, we could see a repeat of the 2008/9 collapse – except worse. But if the central bankers can put it off, then the time to crash may be very short thereafter.

There are now very few oil companies who are not cutting back exploration and development by double digits for 2015 and that will be enough to re-introduce higher prices for 2016 (or sooner).

We live in interesting times...perhaps anyone who disagrees would like to read Jim Rickards two books “Currency Wars”, and “The Death of Money”. I think you will find some pretty disturbing parallels.

As he says, “those who do not learn the lessons of history are doomed to repeat them”. Mainstream economists and central bankers believe that this time things will be different. But believe me (no reason why you should do so, perhaps except you may recall I was right about 2008) but this time not only will things be the same – but so will the hubris of central bankers and economists who will argue that no-one could have seen this crash coming... They will continue to deny the surge of negative data points to collapse, while they fight on. The truth has no place in this battle – the stakes are too high for that.

History will refer to what is happening as “GD1”. The world’s first global depression.

So, sit up now and take notice of what is to come, because it will affect all our lives. Many little hiccups will now conspire against the central bankers who run the world economy. The warnings from these small tell-tale signs will all be disregarded until too late. So don’t believe me. Form your own conclusions.

The Eurozone is at war with historical fears...and blatantly idiotic policies...

The emergence of nationalism is an EU wide trend...reinforced by high unemployment and deflation...

<http://www.stratfor.com/analysis/europe-rediscovered-nationalism#axzz3OphIb9IE>

And

http://d21uq3hx4esec9.cloudfront.net/uploads/pdf/OTB_Jan_15_2015_2.pdf

No wonder with fairly regular reminders – like that below - that Islamists are active...(I flew into Verviers once in 1986 and today’s videos of the town could be of any street scene I saw there – the place is unchanged except this time the place is home to many Muslims)

<http://www.bbc.com/news/world-europe-30840160>

The EU is one place where the truth is now regularly manipulated by the bureaucrats – for the citizens’ own good of course.... In Europe 'accepted fact' is often a fiction. This is no less so than with the need to help debtor nations and debtor banks...so over time (in some cases a very long period of time) their debts may even become manageable ...

http://www.businessspectator.com.au/article/2015/1/15/european-crisis/whos-afraid-eurozone-deflation?utm_source=exact&utm_medium=email&utm_content=1092261&utm_campaign=kgb&modapt=

Did this gas supply cut below just happen? If so I find it hard to believe...the EU plan to accuse Gazprom of monopolistic practise, so I suppose it could have happened – or about to do so.

<http://www.zerohedge.com/news/2015-01-14/russia-cuts-ukraine-gas-supply-6-european-countries>

This seems “bloody minded” like the bear feeling it is in a corner...

<http://www.bloomberg.com/news/2015-01-14/russia-to-shift-ukraine-gas-transit-to-turkey-as-eu-cries-foul.html>

The EU seem to love brinkmanship with Russia and perhaps now the bear has shown its claws. But if it has happened, how could the EU bureaucrats have allowed it to come to this?

Nikita Kruschev said once “a promise is like a pie crust, it can be broken”. Of course central bankers break their promises all the time. But the **Swiss central bank** has never done it – until now...The move by the Swiss has shocked today’s markets.

<http://thecrux.com/controversial-post-what-todays-shocking-currency-move-could-really-mean/>

But frankly the current currency wars and race to the bottom just forced a change of direction by the Swiss Central Bank...so not surprising...

http://www.telegraph.co.uk/finance/comment/ambroseevans_pritchard/11348809/World-deflationary-forces-have-swept-away-Switzerlands-defences.html

The trashing of one’s own currency by Japan, China and many others, shows that the currency wars are for a purpose, to help exporters and for that reason, they too are a form of economic nationalism.