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John’s Newsletter 22 January 2015

Davos will fix the world's problems - 'yeah right'. Gold is for keeps. Don't believe central bankers. Grexit next weekend? United Europe?? What is happening in China? Jews - the eternal scapegoats. Oil price bounce?

Davos

As the global leaders assembled at Davos the oil prices continued to drop and gold to surge...but for anyone who wants to know about Davos this series of snaps may help...

http://www.bbc.com/news/business-30838154

I think I will go this year...I will of course use my own private jet...yeah right!

http://money.cnn.com/2015/01/19/luxury/davos-private-jet-flight/

Gold is for keeps

If you don’t have gold in hand, you should consider it. But remember that gold is something you hope you will be able to leave to your kids. It is not something to try to make a profit on, but having gold in your own safe hands is an insurance policy against what were last year my worst fears (now my likely expectations for the years ahead)...from Seeking Alpha...

“**Gold climbed above $1,300 an ounce** today for the first time since August as worries over the global economy and hopes of stimulus measures from the ECB fueled safe-haven bids. After shunning gold for two years, investors are returning to the precious metal, boosting prices 4.7% just last week. The IMF and World Bank's weak global growth outlooks and SNB's abrupt removal of franc's euro cap last week are also prompting reasons to move into the commodity.”

But silver is possibly going to be better. Remember that if you buy the stuff, do so in small denominations. Even a one ounce silver coin could buy you a month’s groceries in the years ahead. Gold closed today at USD1293/oz and silver at USD18.20/oz on COMEX.

There is fear now in Europe and that is a stimulus for buying physical gold... after all Russia is now expanding its mischief in Ukraine...

http://www.bbc.com/news/world-europe-30913027

QE and the word of central bankers

Currency traders took a really short haircut due to the dropping of the Swiss Franc peg to the Euro. But equally the US stock market is now totally dependent on the continuity of favourable arrangements by the US Federal Reserve. 100% of the market is bullish which means that when there is a change, all hell will break loose on the NYSE...(and the word is “when” not “if”)

http://seekingalpha.com/article/2835696-risk-reward-shows-market-in-the-toilet-for-2015?source=email_macro_view_edi_pic_0_0&ifp=0

QE has arrived in Europe, but how will it be rolled out and in what quantity? Also, what will it do to the value of the Euro and to the price of gold?

http://www.telegraph.co.uk/finance/economics/11360431/ECB-considering-1.1-trillion-stimulus.html

Grexit next weekend?

There will be blood. Greece is to go to the polls this weekend and if there is QE of EUR50 billion or so per months what can it achieve? IMHO it can only drop the value of the Euro against other currencies without impacting on current deflation...

http://www.businessspectator.com.au/article/2015/1/22/european-crisis/euros-path-junk-status?utm_source=exact&utm_medium=email&utm_content=1102736&utm_campaign=kgb&modapt=

Now just remember that borrowing costs are at an all-time low (negative in some German bonds and heavily negative if you want to put your money there for “safekeeping”). So why would further borrowing from the ECB be attractive? What can it possibly hope to achieve? It is a case of watch this space, but a holiday in Paris or Rome could be that much cheaper tomorrow. But why have a united Europe if none of the players want to share the same destiny?

United Europe??

http://www.businessspectator.com.au/article/2015/1/22/european-crisis/qe-wont-solve-europes-biggest-problem?utm_source=exact&utm_medium=email&utm_content=1102736&utm_campaign=kgb&modapt=

While shadow banking is a threat in China, the emergence of “off balance sheet” assets and liabilities and “dark pools” trading in the USA have yet to be quantified and all the risks are based on the assumption that the Fed will either maintain a steady course or bail out the biggest participants if things go pear shaped...

http://www.telegraph.co.uk/finance/economics/11360353/Shadow-banking-now-poses-top-risk-to-US-stability-warns-IMF.html

What is happening in China?

Can someone give us a short and succinct analysis of what is happening in China? In recent years it has been the growth engine of the world but how good a condition is their economy in? This short video by Nouriel Roubini seems pretty much on point to me...

https://www.youtube.com/watch?v=wY0DMKNDCwc&x-yt-cl=84411374&x-yt-ts=1421828030

New Zealand and Australia are seeing our reliance on China come back to bite us with lower prices for oil, iron ore, coal and dairy products, but Canada is also starting to feel the squeeze...Thanks this time to the Canadian Central Bank....

http://globaleconomicanalysis.blogspot.co.nz/

Jews - the eternal scapegoats

Family and community groups of Jewish folk – as well as individuals – have always succeeded in channelling adversity and thrift into wealth. But over the centuries, that wealth has attracted envy and even hatred. Remember Shylock – William Shakespeare's immortal money lender. So it was when in the period 1920-24 the horror of the hyper-inflation during the Weimar Republic places the Jewish community of Germany in peril. It was their success and wealth - while others starved or froze to death – that led to nationwide sentiments of anti-Semitism and after the Great Depression, that led on to the Hitler-inspired holocaust of WWII. Many German Jews fell for the "boiling frog" syndrome, staying in Germany until it was too late to escape. So it is no surprise that the upsurge in European anti-Semitism has many Jews wanting to safeguard their situation. However the European economy will be severely impacted by the flight of people and their money...Europe will once again be the losers...

http://www.bbc.com/news/world-europe-30924276

Frankly, I would be happy to see more of these talented folk emigrate to our part of the world.

Oil price bounce?

From Davos comes warnings of USD150 to USD 200/bbl oil if the bounce back from low prices is extreme. But as pointed out by experts like Smiths Group and analysts like Gail Tverberg, whose economy can afford to pay that? The world economy is just too fragile...

http://www.telegraph.co.uk/finance/financetopics/davos/11361507/Davos-oil-barons-eye-150-crude-as-investment-slump-incubates-future-crunch.html

Building offshore oil drilling rig/ships in 2020 may prove to be like building whaling ships in the year 1900...why on earth would you?

http://seekingalpha.com/article/2835616-an-evaluation-of-struggling-offshore-drillers-and-service-operators-part-i?source=email_macro_view_edi_pic_1_1&ifp=0

You just have to wonder what the future holds in store...or else get on with your already busy lifestyle.