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$26 Trillion 'game of chicken'. Ukraine ceasefire?? There are signs of growth about. A slowdown in demand. Baltic Dry shipping index plummets. "Money for nothing and their chicks for free". Our master resource...oil. EIA have never got any forecast right. Debt works very badly if the economy is contracting.

$26 Trillion 'game of chicken'

There is a tentative agreement on Greece debt and they have had Euro 5 billion to tide them over. Some sticking points still exist (obviously the Greeks will never pay anything back) but the parties are to meet on Monday to iron them out. Once again, (after Lehman) this is what brinkmanship looks like and everyone is aware of how high the stakes really are...

> http://seekingalpha.com/article/2897626-a-day-of-reckoning-for-the-euro-has-arrived-26-trillion-in-currency-derivatives-at-risk?source=email_macro_view_eco_6_20&ifp=0

Ukraine ceasefire??

There is to be a ceasefire starting today in Ukraine – let us hope it lasts. And IMF plans to come to the party with USD40bn in loans spread over four years.

There is more money now being printed in QE than the world's governments actually need to borrow. If you want money, you just ask your central bank to print some more – apparently. Not only are the Aussies reducing their interest rates but also Sweden is the latest to offer negative interest rates as they head again into the realms of socialism (I thought they had learned their lesson in 1990s).

There are signs of growth about

There should be with all that money being created. The only thing stopping rampant inflation is that the velocity of money is still fairly slow. In the USA it seems as if all the money provided to shore up bank balance sheets is at last dripping its way into the hands of bank customers.

We still see the effects...lots of "interest free deals". So who pays?

The answer must ultimately be, "Everybody in the productive sectors of society".

Yet there is still an aura of wealth extant, and this allows us to focus more on how our pie is to be split than upon the question of how to keep growing the pie. Right now we are goosing the size of the pie and yet in real terms it isn't growing, even though those with financial assets are rapidly growing their own stake.

I have seen arguments that in 1960, there was fewer than one third of the current population who are living below the poverty line. Sure we have many more wealthy and middle class but the sub classes have expanded even faster and this is what has led to Thomas Piketty's (discredited) treatise of income inequality. A discussion of this is contained in the latest Stratfor article...

https://www.stratfor.com/weekly/lunch-question?mc_cid=833f04473a&mc_eid=f6520e17b6

A slowdown in demand

But then, what happens when resource constraints start to severely impact true poverty levels. We are seeing samples in places where ISIS is causing mass pain as people are dispossessed. We are seeing problems with more failed states. But these have typically had sparse populations. Within the OECD there are competitive devaluations going on and these nominally create both winners and losers and yet obscure the net total position of decline.

As this report from Hoisington points out, the decline in prices for all commodities can be indicative of only one thing... a slowdown in demand.

"The Reuters/Jefferies/CRB Future Price Index has dropped 39%. The GSCI Nearby Commodity Index is down 48% (Chart 1), with energy (-56%), metals (-36%), copper (-40%), cotton (-73%), WTI crude (-57%), rubber (-72%), and the list goes on. In some cases this broad-based retreat reflects increased supply, but more clearly it indicates weakening global demand."

Baltic Dry shipping index plummets

A year ago the Baltic Dry shipping index was about 1500 whereas today it is about 550. This is indicative that more ships were built to take advantage of cargoes that are now no longer available – the negative "pipeline effect" that in times of downturn, all businesses fear.

http://seekingalpha.com/article/2886226-baltic-dry-index-crushed-avoid-dry-shipping?source=email_macro_view_mar_out_3_4&ifp=0

This is reflected in the powerhouse Chinese economy of today...from Seeking Alpha...

"**Highlighting further weakness** in the Chinese economy, data published on Sunday showed the country's exports slipping 3.3% from year-ago levels while imports plunged by 19.9%. The slide in imports is the sharpest since May 2009, while exports have not produced a negative annual reading since March 2014. Many are expecting China to lower its GDP target to around 7% this year, after posting 7.4% in 2014, its lowest annual growth rate in 24 years.

"Money for nothing and their chicks for free" (recall The Eagles)

Yet things look rosier than ever....or do they. Consumers who are prepared to buy "stuff" can still get their money for nothing and their chicks for free. But that will only last until when?

Our pensions are invested by folk who see personal gain in short term performance maximisation and in ensuring their firm gets a good fee income. But how realistic are the assumptions about maintaining future retirement benefits if we cannot maintain growth?

http://d21uq3hx4esec9.cloudfront.net/uploads/pdf/150215_TFTF.pdf

Our master resource...oil

How does this affect our master resource...oil?

We keep being told that the world will require greater and greater amounts of oil...yet oil is a finite resource that we are depleting by taking first, the low hanging fruit...

http://seekingalpha.com/article/2886996-oil-prices-at-250-per-barrel-versus-natos-geopolitical-issues?source=email_macro_view_edi_pic_0_0&ifp=0

The oil production from US shale companies is still rising and the increase in oil price to USD51/bbl for WTI and USD60/bbl for Brent provides some encouragement. However there cannot be a fall-off in US tight oil production based on falling rig counts, until well completions fall significantly. So, while oil rigs may be being idled at a great rate, there are still a lot of oil wells that are waiting to be fracked and completed. That will take a few more months to work through. But how far will the cut-back cut?

http://seekingalpha.com/article/2896226-oil-rig-count-plunges-29-percent-from-peak-halfway-to-bottom?source=email_macro_view_com_0_7&ifp=0

EIA have never got any forecast right

The US Energy Information Administration (EIA) is notable for one thing. They have never gotten any single one of their forecasts right in the past. Their forecasts in every case are grossly overstated. Not just wrong but a drunk monkey, throwing darts at a dartboard would be far more accurate. Now the EIA is going for broke. But what cannot happen, usually won't ...

http://seekingalpha.com/article/2886646-the-eias-great-expectations?source=email_macro_view_com_2_23&ifp=0

IEA expect the production growth to continue...seemingly even if some firms go broke. Prof Kjell Aleklett comments as follows:

http://www.peakoil.net/headline-news/the-crash-in-the-price-of-oil-may-change-the-oil-market-a-look-at-the-iea-s-oil-medium

He could have just said, "money for nothing and chicks for free", but that would insult the seriousness of our predicament.

The IEA and IEA both accepted that US production would start to fall after 2020 despite the so-called shale miracle. But low prices could easily bring that date forward to late 2015 or 2016. Failed states such as Yemen and Libya are still failed states. ... Come to think of it, why did the USA help topple Ghadafi's regime in Libya...it is now an Islamic State outpost. Now numerous Muslim countries are adopting the Islamic State "franchise". Obscene as it may be.

http://www.bloomberg.com/news/articles/2015-02-14/libya-warns-of-complete-oil-shutdown-amid-escalation-of-violence

The plus's and minus's obscure the real facts that finite resources are finite...

http://www.energydigital.com/renewables/3784/INFOGRAPHIC-Oil-Rare-Earths-and-More:-How-Long-Will-They-Last

So time for me to go back to the drawing boards and look at Donella Meadows update of the 1972 classic "The Limits to Growth". I will try to find whether there are yet any of her review findings (30 years on) that can be disproved to help my state of mind.

Debt works very badly if the economy is contracting

Essentially, for debts to be repaid assets must either grow in value to represent the principle and interest accrued, or earn an income to cover debt outgoings.

Either way, this requires either real or financial growth. We have elbowed most competitors out of the way, so we are now (with our livestock) over 97% of the world's land mammals. We have picked many of the low hanging fruit of natural resources. So what comes next? Gail has some interesting thoughts on the subject...

http://ourfiniteworld.com/2015/02/11/the-problem-of-debt-as-we-reach-oil-limits/