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Arms race encore

It seems that Edward Snowden is wasting his breath. As the Scots say, "He should save his breath to cool his porridge." There is no question he has caused a number of countries including our own a lot of embarrassment. But the actions of ISIL and Russia are leading us back to and arms race that risks exposing us to global warfare.

Both Russia and China have modernised their armed forces. Their spend is far less than USA's but \$ for \$ far more effective. Their spend is increasing year on year. Russia is now being aggressively unrepentant...

<http://www.ft.com/intl/cms/s/0/81fb4056-c32e-11e4-ac3d-00144feab7de.html?siteedition=intl#axzz3TYJwzebl>

The various NATO allies are reviewing their sanctions...and Putin looks a man under stress...

<http://www.telegraph.co.uk/news/politics/david-cameron/11453232/David-Cameron-Britain-could-take-Russia-sanctions-to-whole-different-level.html>

...bankrolled by QE

Now we have been hearing about Germany and Poland beefing up their defence forces. Ukraine is getting Western help with a variety of "non lethal" equipment – supplied from NATO countries including UK. Where will the money come from for arms spending? You guessed it...from QE of course...

<http://www.telegraph.co.uk/finance/economics/11453341/ECB-launches-1.1-trillion-blitz-as-bond-market-dries-up.html>

Germany and Japan were losers in WWII and thereby required to not re-arm. While Germany obeyed. Japan has established a pretty effective "Defence force" but without nukes is still reliant (as with Germany) on the US missile shield. Japan's military spending hike also comes from QE. If you don't have...print it.

Japan is now getting serious and reviewing the full spectrum of exposures. Most significantly in its intelligence network....

https://www.stratfor.com/analysis/japans-intelligence-reform-inches-forward?mc_cid=97793ea9cb&mc_eid=f6520e17b6

Where every action can be expected to elicit an equal and opposite reaction, it seems that Putin's forays into Crimea and Donbass regions of Ukraine will backfire as each potentially affected country lifts their game.

Japan builds fortresses

For the Japanese, the aggression they fear is depicted by the construction of new fortresses on coral reefs in seas outside the Chinese limits...thereby encroaching on Japan, The Philippines, South Korea and Vietnam. China may see this as shoring up access to sub-sea hydrocarbons but for Japan it is also a reminder of how Japan was painted into a corner by the embargoes that led to Pearl Harbour. Japan knows that loss of control of sea routes will make them hyper-vulnerable.

Sometimes history doesn't repeat, but it often rhymes...

Has Wall Street made a top?

I really don't know but the signals are starting to appear...from Seeking Alpha...

“**Stocks fell** for the second straight day, continuing their modest pullback from recent all-time highs and sending the Dow and S&P to their lowest levels in two weeks. Declines were broad-based, with nearly all S&P 500 sectors in negative territory.”

And

“**U.S. investors have pulled \$16.8B** from equity-based ETFs in 2015 and sent \$16.9B to bonds. That's the biggest divergence in quarterly data going back to 2000. With nine straight quarters of stock-market gains, equity valuations at a five-year high, and the Fed bracing to raise interest rates, investors may be rethinking the \$240B they've pumped into U.S. stocks over the past two years.”

Seems like some money is leaving the share market and heading for bonds...hoping for a rise in interest rates.

Apple cars and Google phones?

Everything about building an electric car is easy, except for one thing...the battery. What Apple wants is one thing but what Apple needs is a better battery than Samsung and others.

Google on the other hand is focused on systems integration to the point where users can move seamlessly between networks...

<http://www.caseyresearch.com/cdd/google-wants-your-cellphone-too>

Peak oil end game soon?

First, to refresh our memories, the paper by the Hills Group provides their justification for why society cannot pay any more for oil than it already is...

http://www.thehillsgroup.org/depletion2_022.htm

But that means at today's price, about a third of the oil we currently use is uneconomic to produce. In fact our industrial society and agrarian mechanisation has been established on an EROEI of 100:1, but that is now below 30:1 for conventional oil from the aging giant fields and down to 2:1 for ethanol (to be kind), and 5-7:1 for oil sands. Probably less than 20:1 for all shales but who knows?

The only thing certain is that we will reach a point (who knows when) when energy return on energy invested is too low. We haven't prepared for that and when we reach that point, there may be no way back.

Industrial age of oil on the skids

Certainly the industrial age of oil is on the skids and yet no-one in positions of power or influence can talk about anything other than "climate change".

In this context you may find this paper interesting....

<http://simplicityinstitute.org/wp-content/uploads/2011/04/The-Paradox-of-Oil-Samuel-Alexander.pdf>

So, more volatility ahead. But don't make decisions on the basis that oil will be cheap in future. My pick is that it will peak up and down as we get closer to our nemesis.

Sooo, a carbon copy of what happened when we also fished the whales to extinction. But this time it is serious because society is totally reliant on 32 billion barrels being available each year...in one smooth and uninterrupted flow.