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He who has the gold / Shale oil production peaked? / ...But no-one will cut voluntarily / US/China brinkmanship / China v India? / Britain opt out of the EU? / Tectonic plates on the move

He who has the gold

Some interesting observations from the Casey team...I like the last note about Obama and bin Laden ...conspiracy theories are always fun...

<http://www.caseyresearch.com/articles/countries-are-stockpiling-gold-to-prepare-for-the-death-of-fiat-money>

But mainstream media are now carrying articles pointing to the folly of money printing and ZIRP. There will be consequences, but when?...

http://www.wsj.com/article_email/the-federal-reserve-asset-bubble-machine-1431386994-1MyQjAxMTA1OTE5MzQxMjMwWj

When hedge fund guys like David Einhorn come out and criticise the performance of shale oil companies, the markets sit up and take notice.

Shale oil production peaked?

The low oil price has turned off new production faster than I had expected and the peak of shale production may already have happened...from Seeking Alpha...

“[According to the latest report](#) from the Energy Information Administration, oil production from seven major U.S. shale plays is expected to fall by 86K bbl/day in June. Oil output at the Eagle Ford shale play in South Texas is forecast to see the biggest decline, down 47K bbl/day, while production at the Bakken shale play, centered in North Dakota, is expected to drop by 31K bbl/day. Crude futures **+1.9%** to \$60.39/bbl.”

WTI may provide USD60/bbl today, but for small drillers producing light tight oil, they are still getting less than USD50/bbl at the well head. Without a doubt the Saudi attack on the marginal shale producers has worked and the way the game proceeds from here will be seen in the Bakken, Eagle Ford and Permian plays of the USA...

<http://seekingalpha.com/article/3180516-is-the-shale-oil-production-peak-the-key-inflection-point-for-the-stabilization-and-continual-rise-of-oil>

and...

<http://peakoil.com/production/bakken-data-short-term-energy-outlook>

If the production drops at 86,000bbls per day, it will take quite a while for inventories to fall...except for the fact that demand is also rising for reasons of both seasonality and trend to more SUVs based on lower fuel prices. The Saudis are ramping up their production as part of a market share war...

http://www.wsj.com/article_email/the-federal-reserve-asset-bubble-machine-1431386994-1MyQjAxMTA1OTE5MzQxMjMwWj

...But no-one will cut voluntarily

But no-one with mouths to feed or bills to pay will voluntarily cut their oil production. So it may take until year end for the situation to achieve a balance and for oil prices to move higher.

We are having some tech companies faltering, but does that mean we could see another dot.com type crash?

http://seekingalpha.com/article/3172696-canaries-in-the-coal-mine-part-1-tech-high-flyers-fall-to-earth?source=email_macro_view_mar_out_2_4&ifp=0

There are plenty of observers obsessing about the high PE of shares on world share markets and also about bond yields. It will be interesting to watch and see how this plays out.

US/China brinkmanship

The USA is planning to confront Chinese expansionism...from Sinocism...

“[U.S. Military Proposes Challenge to China Sea Claims - WSJ](#) Defense Secretary Ash Carter has asked his staff to look at options that include flying Navy surveillance aircraft over the islands and sending U.S. naval ships to within 12 nautical miles of reefs that have been built up and claimed by the Chinese in an area known as the Spratly Islands. Such moves, if approved by the White House, would be designed to send a message to Beijing that the U.S. won't accede to Chinese territorial claims to the man-made islands in what the U.S. considers to be international waters and airspace...Officials said the issue is a complicated one because at least some of the areas where the Chinese have been doing construction are, in eyes of the U.S. government, legitimate islands, which would be entitled to a 12-nautical-mile zone. The proposal under consideration would be to send Navy ships and aircraft to within 12 nautical miles of only those built-up sites that the U.S. doesn't legally consider to be islands, officials say.”

Also, the US is confronting a number of other Chinese cyber initiatives. Meantime the Chinese are reducing holdings of US treasuries and currency reserves.

I suppose we can expect a war of words to break out between the two powers? Then there is the Southern border of China...from Sinocism...

China v India?

“India’s Modi Heads to China Amid Two Countries’ Growing Geopolitical Rivalry - WSJ Indian Prime Minister Narendra Modi’s first official visit to China this week comes as the two countries have substantially ratcheted up their geopolitical competition—a reflection, in part, of Mr. Modi’s more assertive policy toward Beijing. Both sides say they will try to bolster economic cooperation during the three-day visit that begins Thursday. Mr. Modi will meet top Chinese officials and business leaders in Beijing, Shanghai and Xian as he attempts to attract more investment for Indian manufacturing and infrastructure and forge a closer bond with President Xi Jinping

Related: **High-altitude road and more guards planned for tense India-China border - The Washington Post** Analysts say Modi has tried to strike a balance by reaching out to China on economic issues like trade while taking a strong stance against their expansionism throughout Asia. The two sides have clashed in recent days, with India protesting China’s investment in Pakistan’s Kashmir region and a widely-read opinion piece in a Chinese state newspaper accusing Modi of playing “little tricks over border disputes and security” and warning him from staying away from border areas.

Related: **Ahead of Modi’s visit to Beijing, a Chinese state newspaper accuses Indians of ‘inferiority’ - The Washington Post** The article, written by Hu Zhiyong, a research fellow with the Institute of International Relations at the Shanghai Academy of Social Sciences, was published in the Global Times on Tuesday. In the article, Hu argues that Modi has been “playing little tricks” to boost his prestige and apply pressure to Beijing. The article then went on to lament the poor state of Sino-Indian relations before laying the blame at the feet of Indian citizens and their media.”

China and India have aspirations to dominate global resource supplies to further growth over the next ten years, so it will be interesting to see where their interests clash. Remembering that India is also part of the BRICS cabal.

The Chinese want to have the Yuan as part of the world reserve currency system and appear to see gold holdings as an important lever to achieve that...

http://seekingalpha.com/article/3177726-china-imf-accounts-adjustment-could-lead-to-new-gold-reserve-announcement?source=email_macro_view_gol_pre_met_0_21&ifp=0

Demand for physical gold has surged in the last week and overnight the price of gold on Comex rose by USD22/oz. It could be the Russians or the Chinese converting their US dollars...perhaps?

Britain opt out of the EU?

There is a form of brinkmanship between Britain and the EU. Immigration policies set in Brussels could lead to Britain opting out of the EU...

<http://www.telegraph.co.uk/news/worldnews/europe/eu/11603132/Britain-could-lose-power-to-deport-thousands-of-asylum-seekers-as-EU-lashes-out-at-Theresa-May.html>

More and more we are seeing young female EU bureaucrats taking over from heads of state in deciding the rules under which the EU is governed. Whether it is talking on the subject of immigration or on the results of negotiations with Iran, elected leaders are being cut out of the news and/or over-ruled. There is now a very good argument to be made that the EU bureaucracy has usurped the democratic rights of countries to set their own laws. This can have only one inevitable outcome and that is for states to leave the EU or else buckle under. For anyone wanting to enquire into the detail behind the EU's Flashpoints, there is an excellent book, just published by George Friedman called "Flashpoints:...".

Tectonic plates on the move

Following on from numerous large earthquakes since 2010, the world's volcanoes seem to be stirring into life...

<https://uk.news.yahoo.com/nicaragua-telica-volcano-roars-life-spewing-ash-gas-081205024.html#mPHKCEq>

The volume of gases thrown out have the potential to introduce a global cooling effect. But whether they do or not, remains to be seen.