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China – huge swings / Global crash, 2015? / Greek debt crisis / Trans Pacific Partnership / Peak oil contradictions / Earth's sixth mass extinction?

China – huge swings

Ouch, this below is a major correction. As the brokers say...the bull climbs the stairs the bear jumps out of the window...

"**China's benchmark share indexes plunged** on Friday, taking losses since their early-June peak to more than 10% and putting the market into correction territory. The Shanghai Composite finished the session down 6.4%, its biggest weekly decline since October 2008, after more than doubling over the past 12 months. Shenzhen -6%. ChiNext -5.4%."

China has plenty of cards to play and stimulating credit is the only one they seem likely using. But will it work?

But there are more negative market indicators elsewhere for October this year.

Global crash, 2015?

I am still sticking with my estimate of 35% possibility of a big global crash in 2015.

Janet Yellen is proposing to increase the US Fed funds interest rate starting in September and that will go down like a lead balloon in the US markets. It will also lead (with greater certainty) to flight from emerging markets bond finance and thereby transmit stress elsewhere. So I agree with those who think she will defer it as the date approaches.

Also you will have read that many global share markets are at stratospheric nose-bleed heights (on P/Es anyway) while borrowing to fund those investments is at historic highs. The excess of debt on the NYSE at about USD450 billion is an avenue of risk, if interests rates climb and share prices fall.

Now we see the off- market indicators signalling for the next bear to jump...

http://seekingalpha.com/article/3267605-billion-dollar-unicorns-expensive-art-and-unprofitable-ipos-the-fall-15-stock-correction-approaches?source=email_macro_view_edi_pic_1_1&ifp=0

Greek debt crisis

Now in **CRISIS,** Greek banks afford to open on Monday? From Seeking Alpha...

"**There will be a solution** to the Greek debt crisis that will allow the country to return to growth while staying in the eurozone, Prime Minister Alexis Tsipras said on Friday. The statement was strikingly upbeat given the tone at yesterday's Eurogroup meeting. Greek Finance Minister Yanis Varoufakis proclaimed that the eurozone was dangerously close to accepting an "accident," and an emergency summit was scheduled for Monday. Some also expect Greek banks not to open next week, after savers withdrew €2B over the past three days.

Meanwhile, Russia is considering the option of giving Greece financial aid. "The most important things for us are investment projects and trade with Greece. If financial support is required, we will consider this question," Russian Deputy Prime Minister Arkady Dvorkovich said in a television interview quoted by TASS news agency."

And I believe Ms Merkel is very worried that things will come unstuck...behind the bravado...

http://www.bbc.com/news/business-33209199

Despite the fact that the ECB is keeping the Greek banks alive, some think it is the lenders who are to blame for Greek insolvency...

http://www.telegraph.co.uk/finance/economics/11687229/Greek-debt-crisis-is-the-Iraq-War-of-finance.html

So let's see how this plays out?

Trans Pacific Partnership

Our dairy farmers won't gain and our agricultural sector and health sector will both become dominated by American multi-nationals, so I want the NZ Government to pull the plug even if the US Congress allows the TPP to proceed...

"Although it must go back to the Senate for another vote, the U.S. House of Representatives has approved a bill granting President Obama "fast-track" trade authority. The move will likely see the swift completion of the Trans-Pacific Partnership, which is central to Obama's focus on strengthening ties with Asia."

Peak oil contradictions

There is a lot of confusion on this. Which isn't surprising because both governments and oil companies like it that way.

Our friendly oil companies produce figures that are designed not to rock the boat. By conflating high API gas liquids and condensates as oil along with other grades of oil makes it look like oil production is increasing, when it isn't. What is happening is that natural gas and condensates are increasing. This is better described in this article...

http://oilprice.com/Energy/Crude-Oil/Global-Oil-Production-Substantially-Lower-Than-Believed.html

I don't think anyone (who received my emails on the subject) ever went back and examined **why** the demise of whale oil in 19th century was marked by extremely high and extremely low prices. But it is the same phenomenon.

It wasn't the peaks in price that forced whalers to sell their boats. It was the uncertainty caused by oscillating peaks and troughs. The peaks and troughs in price were the aftermath of the peak in boats chasing the resource. High prices would induce them to head out hunting. Then there would be a glut and no-one could afford to go hunting. The whole issue was exacerbated by a shortage of whales. So risk was astronomical and unable to be mitigated. Because you had scarcity playing against price risk.

Oil companies are now an ultra high risk business trying to find oil that gets rarer and more costly. This is why Exxon is buying back its own shares and Shell is selling downstream assets so they can focus on drilling and exploration. Of the two, Exxon's plan is smartest. By Christmas we will see what happens to shale oil drillers. If there is a continuation of debt defaults, then when the price does rise, it won't be easy for explorers to get the next tranches of financing that would be needed to restore production to recent levels.

1. "Rock oil" is different to whale oil in that it comes from far wider variations of product. Heavy oil must be blended with condensates to enable it to flow through pipes, so some of the light tight oil/condensates from Bakken are used to convey Canadian oil sands product to distant refineries. So together two notionally unsatisfactory products have utility. But these sell at a lower price than Brent or WTI.

2. Demand within the OECD for oil is falling. This is particularly the case in Japan, the EU and the USA. Substitution from lower cost natural gas (with lower CO_2 emissions) is having an impact and in some areas, coal has had an upsurge. China is filling its strategic oil reserves but is also stalling its former demand increases despite that.

3. Much of the US increase in notional "oil" inventories is light tight oil for which market demand is weaker.

Perhaps there will be less confusion by Christmas...but prices could still either crash or soar in the meantime. This is one perspective...

http://seekingalpha.com/article/3267445-crude-oil-demand-destruction-keeps-oil-on-the-selling-block?source=email_macro_view_edi_pic_2_2&ifp=0

And the entire shale industry is at risk of collapse by Christmas...even the mainstream media are waking up to this...

http://www.bloomberg.com/news/articles/2015-06-18/next-threat-to-u-s-shale-rising-interest-payments

Earth's sixth mass extinction?

This is being caused by humanity...remember my assertion that in the last 2,000 years, humans and our livestock have gone from 5% of the world's land mammals to over 97%. That means there have already been plenty of "loser species".

http://www.telegraph.co.uk/news/uknews/11687091/Earth-has-entered-sixth-mass-extinction-warn-scientists.html

There may be plenty of disputes over causation, but too many humans and their cities, roads, pollution and farmed animals certainly play a major role.

We are trying so hard to change our world to suit ourselves, that we are prejudicing our own survival as a species – California with no snow pack in the mountains to fall back on is a case in point....America does not have any answer – short of prayer...

http://endoftheamericandream.com/archives/california-has-never-experienced-a-water-crisis-of-this-magnitude-and-the-worst-is-yet-to-come

Remember the cowboy movies that showed California as an arid desert? Seems headed back that way.

And this is about as optimistic as it all gets.