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## Better-Management Newsletter 15 July 2015

**Greek coup by Germany / When Germany dominated Europe there was war / Iran and their nuclear ambitions / Chinese stock market roller-coaster / The monetary Casino / Large Hadron Collider**

### Greek coup by Germany

The deal made so far may take weeks to implement ...so Greek banks may stay closed for some time...

<http://www.telegraph.co.uk/finance/economics/11738150/Greece-news-live-Germans-back-Osbornes-fight-against-Juncker-plan-to-bail-out-Greece-as-IMF-calls-for-more-debt-relief.html>

Effectively, Germany already has approval from the Bundestag and is getting ready to occupy and govern Greece in exchange for “30 pieces of silver” and the new legislation that strengthens their hold over Greece. I doubt any greater disaster could have happened for the EU or countries within it. Meantime the IMF may not give its approval to the deal because it is too onerous on Greece?

<http://www.telegraph.co.uk/finance/economics/11739985/IMF-stuns-Europe-with-call-for-massive-Greek-debt-relief.html>

This article explores the motivations of the current deal...

<https://www.stratfor.com/weekly/empire-strikes-back-germany-and-greek-crisis>

This is not just kicking the can down the road, it signals the end for the autonomy of the nation state within Europe, so I doubt it will stand for long...from Seeking Alpha...

“**Prime Minister Alexis Tsipras appears** to be facing open rebellion in his coalition as he attempts to push creditor reforms through Greece's parliament ahead of Wednesday's deadline. With dozens of MPs in Syriza threatening to defect, Tsipras will need the support of the opposition to pass the €86B package, putting the future of his government in doubt. European stocks are little changed awaiting the outcome of the vote. Meanwhile, Athens missed another payment due to the IMF late Monday, slipping further into the debt morass (about €2B in arrears) that's devastated the economy.”

The UK will likely adopt a much more combative position now in their negotiations.

### When Germany dominated Europe there was war

Remember that whenever Germany dominated Europe there has been war (of one sort or another). They should have learned from the Treaty of Versailles, but now, by being seen as

both over-bearing and unfair (as France was against Germany in 1919), they have condemned their role in Europe to the reaction of organised resistance from not just Greece.

If I were wearing Mr Tsipras's shoes, I would simply ask Russia to (in strictest confidence) print my old Drachma and deliver it ASAP. Right now, that looks like a no loss situation....

<http://www.telegraph.co.uk/finance/economics/11737388/Greek-deal-poisons-Europe-as-backlash-mounts-against-neo-colonial-servitude.html>

Sadly Grexit is getting ever closer...but first they need to make the preparations.

### **Iran and their nuclear ambitions**

Was Iran trying to produce nukes anyway? I think it is odds on that they have been.

I believe the overnight agreement between P5+1 and Iran is more about OECD countries gaining access to oil than about curtailing Iranian nuclear weapons development. Why? Because there is so much notice to be given for the IAEA inspections, they are practically useless. That means Israel and Saudi Arabia will try to destroy this agreement...even if it gets through the US Congress....from Seeking Alpha...

“[Sending oil prices lower](#), Iran and major world powers have sealed a historic nuclear accord after more than two weeks of negotiating in Vienna. The deal will curb Tehran's nuclear program in return for an easing of sanctions, enabling the oil-rich nation to ramp up its energy exports, access international finance and open the doors to global investors. Full implementation of the agreement will likely take months and is contingent on the pace at which Iran meets its obligations. Crude futures **-2.1%** to \$51.13/bbl.”

And

<http://blogs.platts.com/2015/07/14/iran-nuclear-deal-impact-on-oil-markets/>

If 50% of the oil in tankers is condensate it will be hard to sell as the US has saturated that market.

Today the market prices are very stable with WTI oil at USD53.29/bbl and Brent at USD58.70/bbl. Gold and silver are stable with gold USD1155.30/oz and silver at USD15.32/oz. So there is little sign that the Iranian deal has roiled the markets (or Greece for that matter).

The Saudis have been silent but the Israelis have been strident in their criticism. So discarding the interests of two former main allies could be unacceptable to many in the USA...

<http://www.bbc.com/news/world-middle-east-33527844>

The Saudis and Russians have already moved to protect their customer base for oil as a defensive measure ...they are maxing their production and exports in readiness.

The main casualties will be the over-leveraged shale oil producers in USA. By year end there will be numerous US oil companies in default of their loan covenants....that will be an “ouch” month or two when it happens. As it is now certain to do!

### **Chinese stock market roller-coaster**

Many small investors are now locked into the Chinese share market and unable to protect their positions even if they wanted to...from Seeking Alpha...

“[After a month-long rollercoaster ride](#), China's stock market is showing some signs of stabilizing, suggesting Beijing's bundle of support efforts are having the intended impact. Last week, Chinese officials allowed more than half of all listed companies to suspend their shares from trading and prohibited major stakeholders from selling at all, pushing the Shanghai market **up 13%** between Thursday and Monday. The measures have still raised eyebrows, and it remains to be seen what direction the market will now take. Is more support on the way?”

Chinese investors rely on two avenues of wealth enhancement. The first is the real estate market, but with oversupply, prices still languish. The second is the share market but with government exercising control over it, there are those who will be suspicious and those who will try to take advantage of the government controls (hence the increased prices since). Where else can they invest? Ex pat property markets perhaps?

In New Zealand the Government consists of three wise monkeys who see no massive Chinese influence on Auckland house prices, nor will they hear it or allow it to be spoken of. The fact is regarded by them as racism while they hold their eyes, ears and mouth tightly shut. Sydney and Melbourne raised their defences long ago but the NZ Government is happy to see Chinese money flooding in. After all, rising house prices have people who own their own home believing they are becoming better off...the wealth effect.

I did try to tell our PM but got the “plausible deniability” run around. Blatant and obviously deliberate. So we can look forward to more ex pat money coming Auckland’s way.

### **The monetary Casino**

From David Stockman...who has done the sums...

[http://seekingalpha.com/article/3321335-another-tumultuous-week-to-nowhere-in-the-casino?source=email\\_macro\\_view\\_mar\\_out\\_13\\_14&ifp=0](http://seekingalpha.com/article/3321335-another-tumultuous-week-to-nowhere-in-the-casino?source=email_macro_view_mar_out_13_14&ifp=0)

Do you remember this video below? It introduced us to the concept of rewarding risk and the bail-ins that will happen if we ever run into trouble.

<https://www.youtube.com/watch?v=xu5sTyAXyAo#t=75>

C’mon Wolfgang, give them Greeks a break...

But if you realise how close this 2008 GFC brought the world financial system to its knees, you will realise why the IMF is so concerned that next time, the global financial system will be beyond saving. What the ECB did was **in addition** to what the US Fed did...all USD22 trillion of rescue funds.

## **Large Hadron Collider**

Not content with indentifying the Higgs Boson by deductive reasoning, now the folk using the Large Hadron Collider have discovered a penta quark by the same means...

<http://www.bbc.com/news/science-environment-33517492>

This brings to mind (with thanks to Fibb) this Feynman lecture...

<https://www.youtube.com/watch?v=EYPapE-3FRw#t=413>