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Better-Management Newsletter 23 July 2015

Economics and the trend towards GD1 / Our dollar will sink yet again / Middle East doesn't love US / Greece is teetering (again) / Oil – downhill from now on

Economics and the trend towards GD1

US corporate profits aren't going anywhere good...from Seeking Alpha...

“**Disappointment over U.S. corporate earnings** pushed stocks lower on Wednesday, after a whole host of companies' results fell short of Wall Street's expectations. Dim outlooks and guidance were seen at Apple (NASDAQ:[AAPL](#)), IBM (NYSE:[IBM](#)), Microsoft (NASDAQ:[MSFT](#)), Yahoo (NASDAQ:[YHOO](#)) and United Technologies (NYSE:[UTX](#)), while commodity producers deepened declines. U.S. shares closed Tuesday's session in the red, as the Dow fell 181 points, and the stock market recorded its first broad decline in four days. Futures: Dow **-0.4%**. S&P **-0.4%**. Nasdaq **-1.1%**.”

But at least an element of common sense returned to bank prudential regulations in USA...from Seeking Alpha...

“**As of today, Wall Street will have to comply** with the "Volcker rule," which bans taxpayer-insured banks from making bets with their own money. Although major financial institutions have fought for years to change the rule, they have for the most part fallen in line - shedding their proprietary-trading desks, pulling money from certain investment funds and ceasing other speculative activities. The new rule has also changed much of the industry. The five largest U.S. investment banks cut staff on bond sales and trading desks by 18% from 2011 to 2014, while 1,428 new hedge funds were launched during the same period.”

Yet nonsense is still nonsense and we will soon have a huge correction in tech stocks...from Seeking Alpha...

“**Boosted by a recent stock surge**, Facebook's (NASDAQ:[FB](#)) market capitalization has overtaken that of General Electric (NYSE:[GE](#)). The social network's 26% climb this year has brought its market value to \$275B, compared to GE's \$273B. Some are expressing concerns: GE racked up \$149B in sales last year and employed more than 300,000 people. Facebook reported \$12.5B in sales and employed roughly 9,200.”

The definition of a problem which has no solution is normally called “a predicament”. But this article calls it “Japan”

http://seekingalpha.com/article/3342465-japan-still-a-problem-with-no-solution?source=email_macro_view_eco_15_47&ifp=0

I found this rather insightful...

http://seekingalpha.com/article/3344585-does-a-commodities-crash-mean-global-depression-mass-devaluation-or-both?source=email_macro_view_com_1_23&ifp=0

As the Chinese swan glides across the lake of world affairs...below the surface there is both feverish paddling and public panic...

<http://www.telegraph.co.uk/finance/economics/11756858/Capital-exodus-from-China-reaches-800bn-as-crisis-deepens.html>

Miners are hurting as much as our farmers soon will...

<http://my.chicagotribune.com/#section/-1/article/p2p-84050772/>

All three of the Western countries that defied the 2009 recession are now impacted by the Chinese “slowdown” (“recession” by any other name). Australia, Canada and NZ are all similarly affected. Sure enough, come the day, come the interest rate drop...glad I fixed my TDs yesterday...

<http://www.interest.co.nz/news/76686/rbnz-cuts-ocr-25-bps-and-says-some-further-easing-seems-likely-says-further-fall-nz-still>

Therefore our dollar will sink yet again

http://seekingalpha.com/article/3341275-aussie-kiwi-and-loonie-under-commodity-currency-attack?source=email_macro_view_for_0_70&ifp=0

We now need to accept that the current commodities pricing bloodbath is really evidence that emerging economies can no longer mask the OECD recession/depression...

<http://www.caseyresearch.com/articles/a-bloodbath-worse-than-the-2008-financial-crisis>

As the Russians would say, “We know a rumour is true when it is officially denied”. So much for John Key’s denials of any issues with our NZ economy. Yet even the farmers know, there is still more downside to dairy prices – as news floods in of US farmers dumping milk due to lack of a market...but the sun will shine one day – we hope...

<http://www.interest.co.nz/rural-news/76650/keith-woodford-says-overwhelming-evidence-our-dairy-industry-will-flourish-chinas>

And Canada’s prospects are slip, sliding away...

http://seekingalpha.com/article/3338735-canada-slides-into-recession?source=email_macro_view_eco_11_61&ifp=0

As usual, Gail nails the trend...

<http://ourfiniteworld.com/2015/07/22/nine-reasons-why-low-oil-prices-may-morph-into-something-much-worse/>

And, oh dear another “bear” ...Do we really need one?

http://seekingalpha.com/article/3342075-4-things-that-are-happening-today-that-indicate-that-a-deflationary-financial-collapse-is-imminent?source=email_macro_view_eco_17_49&ifp=0

Middle East doesn't love US

The whole issue of Iran is being given a test as first Israel and then the Saudis show that Obama's posturing over international consensus is unsupportable...

<http://www.csmonitor.com/World/Middle-East/2015/0721/Is-Iran-ready-to-improve-US-ties-Leader-s-tough-talk-masks-debate>

The only thing that is certain, is that the Saudi/US love affair is over! There are reports originating from Prince Salman that they will not be bound by the P5+1 agreement and also that they think Obama is a lightweight and the USA Middle East policy both ineffectual and meddling. Clearly the Saudis are now moving closer to China and Russia. Unthinkable up until Obama's term of office. That is fine for the USA, but the rest of us need oil too!!!

Perhaps USA will exercise more influence via Turkey...

https://www.stratfor.com/weekly/turkish-enigma?utm_source=freelist-f&utm_medium=email&utm_term=Gweekly&utm_campaign=20150721&utm_content=readmoretext&mc_cid=9245188851&mc_eid=f6520e17b6

Greece is teetering (again)

Greece is teetering towards leaving the EU and if they do, we should have a care for all of Syriza's policies...

"The Syriza party platform had the following planks, which were quite revolutionary in spirit.

- Put an end to austerity and put the Greek economy on a path toward recovery
- Raise the income tax to 75% for all incomes over 500,000 euros, adopt a tax on financial transactions and a special tax on luxury goods.
- Drastically cut military expenditures, close all foreign military bases on Greek soil and withdraw from NATO. End military cooperation with Israel and support the creation of a Palestinian State within the 1967 borders.
- Nationalize the banks.
- Enact constitutional reforms to guarantee the right to education, health care and the environment.
- Hold referendums on treaties and other accords with the European Union."

This above item comes from an Orlov rant about revolutions – which I will attach as many find his perspective fascinating...for such an Americafile to lose his admiration for his chosen homeland is fascinating...

<http://cluborlov.blogspot.co.nz/2015/07/so-you-say-you-dont-want-revolution.html>

The boys running Syriza are not bunnies and I still have a lot of respect for Arnis Varoufakis. They know that from a structural point of view they must change their energy deficit...seems the Greek parliament passed the austerity programme overnight...

http://www.blacklistednews.com/Greece_to_confirm_construction_of_natural_gas_pipeline_jointly_with_Russia_%E2%80%94_minister/45129/0/38/38/Y/M.html

In Europe, Greece is not the only one that has gone backwards...

http://www.businessspectator.com.au/article/2015/7/23/european-crisis-now-next-euro-crisis?utm_source=exact&utm_medium=email&utm_content=1478324&utm_campaign=kgb&modapt=

The Baltic states within the EU have a nervous domestic population and significant Russian minorities...

<http://www.csmonitor.com/World/Europe/2015/0720/Will-tensions-with-West-shutter-Russia-s-window-on-Europe>

China is taken to the Hague over expansionism in the China Seas...

<http://www.csmonitor.com/World/Asia-Pacific/2015/0721/Beijing-s-push-on-South-China-Sea-rattles-Pacific-nations>

It can easily be argued that Obama's policies of appeasement have led to arms races in Europe, Asia and the Middle East. This will possibly help reactionary Republican candidates for US presidency in their bid for the 2016 elections.

Oil – downhill from now on

As I have said before, both Shell and Exxon are aware that oil supplies may be large but they are finite. Both argue publicly that there is plenty of oil as long as they can be given access to drill for it. That is natural because the major state-owned oil companies keep them locked out unless either their arctic or offshore drilling expertise is needed (as well as their capital). Where they differ is that Shell is selling downstream assets (like their NZ service station and refinery operations), while Exxon is going for massive share buy backs – both realise that one day, their business will be worth far lessand that will soon mark the end of the industrial age of oil. Not with a whimper but with a bang. These articles give a nice picture of how each is travelling...

http://seekingalpha.com/article/3341845-exxon-mobil-the-oil-giant-is-ready-to-fall?source=email_alternative_energy_investing_maj_int_oil_gas_0_5&ifp=0

Um, this next article fails to point out that the upstream acquisition of BG with huge long term reserves, will keep Shell going for longer as both Exxon and Shell scour the market for further reserves and resources to bolster their balance sheets...

http://seekingalpha.com/article/3338135-shells-higher-dividend-pays-investors?source=email_alternative_energy_investing_maj_int_oil_gas_1_6&ifp=0

In life timing is everything and I think Jim Chanos may be a bit early in shorting RDS...but perhaps Jim knows how the greenies are stopping Shell in the Arctic...

http://www.rigzone.com/news/oil_gas/a/139755/US_Says_Shell_Is_Not_Yet_Allowed_To_Drill_In_Arctic_Oil_Zone

Finally some interesting trivia from Russia..they all forget about Russian foreign reserves and gold holdings...oh well ...

http://seekingalpha.com/article/3341365-of-break-even-oil-prices-and-russia?source=email_macro_view_com_9_31&ifp=0