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China panics / Commodities still in freefall / TPP and NZ / Revolution in Greece is probably not far off / GE wants the mythological EESU? / Any crash could mean...??

China panics

For those who think my recent categorisation of China's economic performance is too bearish, just remember that there are only three bastions of wealth for the Chinese citizen....gold, real estate and the share markets. The first two are performing poorly and the third? Well read on...from Seeking Alpha...

“**Chinese stocks fell sharply today**, leading the Shanghai Composite to record its largest one-day drop since June 2007, while bringing down European shares and U.S. futures. Weak manufacturing data revealed that profit at the country's industrial firms dropped 0.3% in June from a year earlier, the National Bureau of Statistics said. Chinese investors seem to have also gotten back on the bear train after classifying the government's unprecedented intervention as unsustainable. Shanghai **-8.5%**.”

As you may know an 8.5% drop is quite a biggie. In fact it is the second largest one day fall in the history of the Chinese stock market (admittedly, not a very long history).

<http://www.bbc.com/news/world-asia-33680269>

Most global sharemarkets fell overnight, including the NYSE and European bourses...

<http://www.telegraph.co.uk/finance/markets/11766593/UK-investors-see-2015-gains-wiped-out-as-markets-fall.html>

Commodities still in freefall

Oil is at WTI USD46.96 per bbl and Brent USD53.10. Gold is holding at USD1094.10 per oz and Silver at USD14.53/oz. I suspect we will see a bottom before Christmas.

Given the extent of upside-down bonds in the energy space and the number of hedges on all commodities, we must soon reach a derivatives crash point where no financial institution will be able to rely on counterparties. That thought leaves me very fearful. For those of us who watched the GFC approach and focused on the US sub-prime property loans in 2007/8, we can now watch the next real crisis approach by looking at performance in the US shale space.

IMHO, the shale producers who are completing new wells only in the sweet spots of Bakken, Permian and Eagle Ford, will soon run out of roadway...

http://seekingalpha.com/article/3358895-u-s-shale-oil-drilling-productivity-and-decline-rates?source=email_macro_view_com_2_18&ifp=0

Then how will the majority meet their interest payments on junk bonds?

TPP and NZ

Unfortunately, John Key is cunning but not wise. Having a monetarist as PM may turn into a problem for NZ as the focus on expansion continues. IMHO the TPP holds more downside risks than upside. But our problem as a minnow is that if we don't go along, we will be marginalised in existing markets...from Seeking Alpha...

“Following five long years of negotiations, the Trans-Pacific Partnership will go down to the wire this week, as Pacific Rim officials meet in Hawaii for talks that could make or break the deal. The toughest issues have been left until last, including monopoly periods, preferential treatment for state-owned companies and opening protected markets to competition. TPP would cover 40% of the world's economy, including the U.S., Japan and ten other Pacific nations.”

If I were PM, I think I would be taking the accelerator pedal off the floor. I would also come clean that our education miracle in attracting so many students is because they are guaranteed NZ citizenship and their parents, who decide where they will study are easily able to retire in NZ on NZ Superannuation. It is also the reason why so many middle aged Chinese get driven around in tour buses – working out where they will retire. Selling NZ property is his way of maximising tourism of prospective buyers. Crazy stuff. Of course, Mr Key never reads the foreign press either ...

<http://www.bbc.com/news/uk-politics-33684098>

The only real question is whether Chinese recession will lead to more or less of these immigrants?

Revolution in Greece is probably not far off

Syriza seems to be fragmenting.... and I suspect Tsipras and Varoufakis may end up in opposing factions...from Seeking Alpha...

“The Athens Stock Exchange will remain closed today, but might reopen on Tuesday after a one-month shutdown. Officials say more time is needed to finalize the details which would allow the market to reopen based on the ECB's opinion. Meanwhile, Greek PM Alexis Tsipras seems to be under pressure due to chaos in the Syriza party. New reports suggest that some members had planned to raid central bank reserves and hack taxpayer accounts during crisis talks to prepare a return to the drachma.”

GE wants the mythological EESU?

General Electric is quietly divesting of fringe activities and heading back to their core business. Jeff Immelt may perhaps surprise us at some point as he heads towards amassing a USD50 billion war chest...from Seeking Alpha...

“General Electric wants to be a "sizable" player in the market for energy storage systems, a sector the company expects to quadruple to \$6B by 2020. "We believe in the space and its

ability to grow," Jeff Wyatt, GE's (NYSE:[GE](#)) general manager for energy storage, told Reuters. Demand for industrial battery systems has attracted a wide range of companies, including Tesla Motors (NASDAQ:[TSLA](#)), which said in April it plans to package batteries for utilities as well as homes and businesses."

As a close friend of John Doerr at KPCB (both are on Obama's business council), Jeff is certainly aware of the efforts to build the mythological EESU.

Any crash could mean...??

It could mean years of depression and hard times for all occupants of planet Earth. If so, would it be resource constraints that causes this?

Resisting the impulse to suggest that Stavros Niarchos must have bought and paid for Heinberg's latest publication... Heinberg is very negative...

<http://richardheinberg.com/wp-content/uploads/2015/07/museletter-278.pdf>

You could of course have recourse to wishful thinking and/or a very positive viewpoint...

<http://peakoil.com/enviroment/why-the-future-looks-pretty-damn-great>

Pick your own future... Just remember how people, companies and countries go broke...slowly at first and then suddenly.