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## **Better-Management Newsletter 19 August 2015**

**More doomsday stuff / The currency wars heat up / Chinese shares into the red today / Europe's migration crisis**

### **More doomsday stuff**

Why? Well, overnight, all world markets are showing “red ink”. This bears watching....the period from now to Christmas is when the major Northern markets usually appear to have been most vulnerable in past years.

Behind their pay wall, the Financial Times reports that the outflow of capital from emerging markets has just hit USD1.5 trillion and this stunts any growth prospects.

....and the Telegraph...

<http://www.telegraph.co.uk/finance/11805523/Doomsday-clock-for-global-market-crash-strikes-one-minute-to-midnight-as-central-banks-lose-control.html>

Will they or won't the ECB (aka the Germans) bail out Greece?

<http://www.telegraph.co.uk/finance/economics/11807076/Greek-government-on-its-last-legs-while-Angela-Merkel-faces-growing-rebellion-in-Berlin.html>

Meanwhile, despite the massive Eur1 trillion of QE per year, European growth is arguably in “sh\*t corner” to use the language of the following article...

[http://seekingalpha.com/article/3447236-euro-the-land-where-growth-goes-to-die?source=email\\_macro\\_view\\_eco\\_6\\_38&ifp=0](http://seekingalpha.com/article/3447236-euro-the-land-where-growth-goes-to-die?source=email_macro_view_eco_6_38&ifp=0)

### **The currency wars heat up**

As the currency wars heat up – given the Chinese devaluation – Japan starts to shrink, so how much must they now have to print to provide an illusion of growth?

<http://www.telegraph.co.uk/finance/economics/11806927/Japans-economy-shrinks-again-as-Abenomics-stimulus-called-into-question.html>

China is going through a dangerous period of transition...

[https://www.stratfor.com/weekly/chinas-crisis-price-change?utm\\_source=freelist-f&utm\\_medium=email&utm\\_term=Gweekly&utm\\_campaign=20150818&utm\\_content=read\\_moretext&mc\\_cid=d5d074175b&mc\\_eid=f6520e17b6](https://www.stratfor.com/weekly/chinas-crisis-price-change?utm_source=freelist-f&utm_medium=email&utm_term=Gweekly&utm_campaign=20150818&utm_content=read_moretext&mc_cid=d5d074175b&mc_eid=f6520e17b6)

Is the devaluation of the Yuan the same as pushing the “panic button” in China?

[http://seekingalpha.com/article/3447106-the-yuan-is-the-chinese-monetary-panic-button?source=email\\_macro\\_view\\_eco\\_10\\_42&ifp=0](http://seekingalpha.com/article/3447106-the-yuan-is-the-chinese-monetary-panic-button?source=email_macro_view_eco_10_42&ifp=0)

As their stock markets take a hit...from Seeking Alpha...

### **Chinese shares into the red today**

“**Shrugging off signals** of a housing market recovery, Chinese shares dove deep into the red today, after the PBOC took fresh steps to offset capital outflows prompted by its weakened currency. China's central bank placed 120B yuan (\$18.8B) worth of seven-day reverse repos into the money market during the session - the largest single day injection in almost 19 months. The latest rout raises concerns of whether recent government rescue efforts have succeeded in restoring market confidence. Shanghai **-6.1%**; Shenzhen **-6.6%**.”

Thailand and Greece back in the news...from Seeking Alpha...

“**Already whacked by a devalued yuan**, Thailand's baht has now fallen to its weakest level since 2009 after a powerful bomb blast killed at least 20 people in Bangkok's central shopping district. The currency **slid 0.6%** to 35.581 per dollar, while the county's SET All-Share index **dropped 2.5%**. Thailand's Prime Minister Prayuth Chan-ocha described the bombing, which took place near a notable Hindu shrine, as the "worst ever attack" on the country.

**The Greek government appears likely** to call a confidence vote in the next few days, casting a shadow over the country's third bailout program. Although the majority of the Greek parliament backed the bailout deal last Friday, Prime Minister Alexis Tsipras had to rely on opposition parties' support to get the reforms approved. As such, his position as leader would be in doubt if a confidence vote occurs.”

Add in Canada... we could add New Zealand and Australia as we have an even greater reliance on China...but everyone wants us to believe all is well...

[http://seekingalpha.com/article/3445916-geographical-dependence-in-canada-an-explanation-for-the-technical-recession-of-2015?source=email\\_macro\\_view\\_edu\\_pic\\_0\\_0&ifp=0](http://seekingalpha.com/article/3445916-geographical-dependence-in-canada-an-explanation-for-the-technical-recession-of-2015?source=email_macro_view_edu_pic_0_0&ifp=0)

Having said that, it is good to see milk powder auction prices firming up overnight...

In Japan, growth has stopped and to match the sinking yen, the local sharemarket has been rising – but for how long?.

In the USA, the employment situation is far more dire than the official numbers portray...

<http://www.mauldineconomics.com/connecting-the-dots/distressed-american-workers-expose-the-fallacy-of-improving-unemployment-nu>

The PE valuations for companies like GOOGLE and Facebook are ludicrous. This is worth watching...

<http://www.caseyresearch.com/articles/why-it-feels-like-something-isnt-quite-right-with-the-stock-market>

The only places where GDP is increasing is where QE and ZIRP are goosing the numbers...so global demand for most commodities is still falling.

### **Europe's migration crisis**

Too many people and too much conflict = the migration crisis for Europe is building...

<http://www.bbc.com/news/world-europe-24583286>

Russia obviously wants to be the dominant military power in the Arctic...

<http://thesaker.is/russia-moves-to-protect-her-arctic-interests/>

Shell is back in the Arctic game. The only problem is that the window before winter is short...

<http://www.foxnews.com/us/2015/08/17/feds-allow-shell-to-drill-for-oil-in-arctic-ocean-off-alaska/>

Shell has few other good prospects (despite buying BG group) and supply and demand issues still abound...so they have no choice but to take a high risk high reward gamble...they will need USD100/bbl to make this pay.

Elsewhere...with Iran returning to full production, supply versus demand suggests low oil prices for a while...

[http://seekingalpha.com/article/3446786-oil-supply-demand-suggests-pain-not-over-yet?source=email\\_macro\\_view\\_com\\_4\\_24&ifp=0](http://seekingalpha.com/article/3446786-oil-supply-demand-suggests-pain-not-over-yet?source=email_macro_view_com_4_24&ifp=0)