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## Better-Management Newsletter 21 August 2015

Oil prices will dramatically surge / Weird geopolitics / Economics – indicators of a detectable slide? /

### Oil prices will dramatically surge

By 2016 oil prices will dramatically surge due to lack of investment, meanwhile the countries reliant on oil to meet their social programmes are rapidly heading towards failed state status....

<http://oilprice.com/Energy/Energy-General/Low-Oil-Prices-Could-Break-The-Fragile-Five-Producing-Nations.html>

This post from the CEO of the Hills Group (an oil industry consulting firm) nails it...

#### 1. “shortonoil on Thu, 20th Aug 2015 12:34 pm

We posted this 4 days ago:

08/16/15

PO

News

#### ***Approaching A Global Deflationary Crisis?***

*Anyone with any sense for global economic trends ought to be worried. The signs are everywhere of a serious deflationary crisis.*

A deflationary crisis is now baked into the cake. One look at the petroleum industry confirms it. Determining how the industry, or any oil producer is fairing is quit simple. You take their profit that was generated during the last high priced year (such as 2013) and divide by the number of barrels produced. That gives profit per barrel for that year. Then subtract the difference in per barrel price between now, and then. That gives present profit, or loss per barrel. The present spread in prices is now about \$55. If you find a producer that was making \$55/ barrel in 2013, they were making a 43% profit on their gross sales. The industry has historically turned a 5 to 10% profit on gross sales.

The Etp Model, which is a best case scenario, projects a downward trend in petroleum prices from 2012 forward:

[http://www.thehillsgroup.org/depletion2\\_022.htm](http://www.thehillsgroup.org/depletion2_022.htm)

The WSJ is probably being optimistic, losses over the next four year will probably be greater than \$6 trillion. Even if prices revert to our curve above, the industry will never be able to recoup the losses it is now taking. The oil age will end when producers can no longer make a profit producing petroleum.

<http://www.thehillsgroup.org/>”

The global economy will crash and burn when oil next hits USD\$100/bbl. And things are already pretty sticky...with my rating of 38% chance of GFC2 this year already L.

### Weird geopolitics

Some thoughts from Stratfor...

[https://www.stratfor.com/weekly/moving-toward-geopolitical-marketplace?utm\\_source=freelist-f&utm\\_medium=email&utm\\_term=article&utm\\_campaign=20150820&mc\\_cid=66b20c34da&mc\\_eid=f6520e17b6](https://www.stratfor.com/weekly/moving-toward-geopolitical-marketplace?utm_source=freelist-f&utm_medium=email&utm_term=article&utm_campaign=20150820&mc_cid=66b20c34da&mc_eid=f6520e17b6)

Then there are the looney tunes...

<http://www.telegraph.co.uk/news/worldnews/asia/northkorea/11813728/North-Korea-attacks-South-Korea-military-border-unit-and-fires-shots-at-loudspeaker.html>

There are growing indications that the 2004 British participation in the Iraq war is now causing a deep rift in the Labour party and within Governments itself...

<http://www.telegraph.co.uk/news/worldnews/middleeast/iraq/11814023/Members-of-the-Iraq-War-inquiry-threatened-to-resign-en-masse-over-political-pressure.html>

That Britain ever got involved (with Australia) is a travesty for their democracy...it was all based on lies and BS. No wonder the findings are controversial. But what are they?

### **Economics – indicators of a detectable slide?**

Something is up. Gold and silver are heading even higher and faster today...yet other commodities are in the doldrums? Does this mean something? Well yes, Alexis Tsipras has resigned throwing Greece into limbo...just after Greece makes its first loan repayment following bail-out...

Shale is collapsing and shortly, so too will be the junk bonds that funded the shale Ponzi scheme...by Christmas when the oil cos can no longer service debt...

[http://seekingalpha.com/article/3453406-texas-rrc-june-production-data?source=email\\_macro\\_view\\_com\\_3\\_28&ifp=0](http://seekingalpha.com/article/3453406-texas-rrc-june-production-data?source=email_macro_view_com_3_28&ifp=0)

DOW and NASDAQ took a bigger hit overnight.

China? From Seeking Alpha...

“**Chinese shares also sunk** back into the red today as traders weighed the level of state support for equities amid concern a slowing economy and weaker yuan will spur capital outflows. The pressures in the mainland are spilling across the region, with Hang Seng officially entering a bear market during the session. The index has now **dropped more than 20%** from a high reached in April. In yuan news: The IMF signaled the renminbi won't be added to its basket of reserve

currencies for at least another year, despite many analysts seeing confidence in China's new pricing regime. Shanghai **-3.4%**; Hang Seng **-1.8%**.”

Red ink as far as the eye can see! And the currency wars continue...from Seeking Alpha...

“**Kazakhstan's tenge plunged a record 23%** at the start of trading today, following a surprise announcement the government would allow the currency to float freely. The move continues a currency war being fought in the emerging markets. Vietnam devalued its currency on Wednesday for the third time this year after a similar move in China, while Russia is allowing the ruble to track the drop in crude, which has **tumbled 58%** over the past year.

We need to realise that the emerging markets surrounding China have been hit worst by the Chinese trading downturn.

In USA there is a debt mountain to climb...or deal with...

[http://ggc-mauldin-images.s3.amazonaws.com/uploads/pdf/OTB\\_Aug\\_19\\_2015.pdf](http://ggc-mauldin-images.s3.amazonaws.com/uploads/pdf/OTB_Aug_19_2015.pdf)

This poses an issue for economic fragility in the world's largest economy.

If the slide back into depression is to begin this year, accompanied by GFC2, the trends of the last two weeks will just have to carry on for another two weeks without central banks taking strong action.