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North Korea "on the brink of war" / Share markets keep falling /

North Korea "on the brink of war"

This may mean that the exchange of artillery fire this week and the subsequent threats by Kin Jong Un could be serious......from Seeking Alpha...

"**Meanwhile, North Korean leader Kim Jong Un** has ordered his troops to go on a "semi-war state" after issuing an ultimatum to Seoul to halt anti-North loudspeaker broadcasts by Saturday afternoon or face military action. The Kim regime has frequently issued bellicose statements, claiming that the divided Korean Peninsula was "on the brink of war," but the latest threat followed a highly unusual exchange of artillery shells across the two nations' border. South Korea's Kospi index closed the session down 2%."

Share markets keep falling

With the Chinese markets down by 12% this week and the red ink everywhere else...another week like this and we will have global share market meltdown – whatever that term means L

The stock market has tanked this week and these are the closing figures from BBC - FTSE down 2.83%, Dow Jones down 3.12%, Nasdaq down 3.52%, Nikkei down 2.97%

Oil closed overnight at Brent USD45.33 and WTI 40.29 /bbl on COMEX.

Gold closed at USD1159.90/oz and silver at USD15.32 on COMEX.

A pattern typically seen in recession is forming **but not yet formed.**

Some are comparing what is happening in Asia today as similar to the crash of 1997/8, but that is rather simplistic because a much wider raft of OECD countries have also been affected...

http://www.bbc.com/news/business-34013514

I disagree with the above article because I was flown to Thailand in late 1997 to be receiver for one of the banks they closed down – fortunately my services weren't needed. The situation is more worrying now.

Meanwhile capital flight from China has taken off – affecting asset prices in all target countries...How much they spend overseas is of less relevance to us than where they spend it, particularly now that net migration has hit 60k in New Zealand...

http://www.telegraph.co.uk/finance/economics/11817185/Record-capital-flight-from-China-as-industrial-slump-drags-on.html

Bill Bonner has it just about right below...the US Fed may never raise interest rates within the foreseeable future. What puzzles me though is what happens when junk bonds also go into melt-down as they now must...?

http://thecrux.com/the-fed-is-bluffing-heres-why-rates-wont-rise-in-2015/

Studies have been done of the impairment to balance sheets from falling oil prices – as listed below. But these impairments trail the falling price and could easily be double the figures shown in this study below...

http://seekingalpha.com/article/3457336-e-and-p-q2-impairment-tsunami-damage-assessment-part-ii-successful-efforts-companies?source=email_macro_view_edi_pic_0_0&ifp=0

Reserves are only relevant to the ability to extract oil at current prices. As prices fall, the reductions in oil reserves and resources should also fall – yet the drop the oil companies declare is never enough to reflect reality. In part this is due to price hedges that are carried forward – but within the next month all reasonably high hedges of over say USD70/bbl will be gone – used up. Then there will not just be profit problems but also cash flow problems in spades. So then those who have been too highly leveraged will be revealed and will go bust. Remember the shale industry has never been able to cover costs from its revenues. It has always been reliant on borrowing. I sent out this link yesterday but enclose it again, so those reading this stuff can see how badly the absence of adequate prices is affecting the revenue statements of oil companies. Lower volumes at lower prices equals disaster for many...

http://seekingalpha.com/article/3453406-texas-rrc-june-production-data?source=email_macro_view_com_3_28&ifp=0

The drop in rig count by 50% has meant that as soon as existing wells start to deplete, the failure to drill many more wells means that output drops. Despite the BS from industry players, the average decline rates for shale wells are approximately 60%. That means certainty of lower volumes at the lower prices.

For next week, it could be that the FANG stocks lead the way down...yet again...with a re-run of the “dot.com” crash... FANG" stocks - Facebook (NASDAQ:FB), Apple (NASDAQ:AAPL), Netflix (NASDAQ:NFLX), and Google (NASDAQ:GOOG) (NASDAQ:GOOGL) are so overvalued by comparison to PE values it is almost obscene.

So the week ahead will be interesting...not just for what Kim Jong Un does...but what happens in the world share markets and what countries do to gain some marginal advantage in the global currency wars.