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Energy Storage breakthrough? / China's inexplicable economy / The Falkland Islands problems return / Oil prices - still plunging / Share markets wobble / The shale Ponzi scheme death-throes / The amazing hubris of technology boosters / Bankers still stalling

Energy Storage breakthrough?

There are many drawbacks to this, but what Apple has with IE is a breakthrough of sorts...

<http://seekingalpha.com/article/3464786-has-apple-found-the-holy-grail-of-electric-vehicles>

Me, I am happy to stick with hoping for the mythological EESU.

The processing of applicants shows how much worse Germany's problem will be than that of transit states like Greece or Italy, or the UK...

<http://www.telegraph.co.uk/news/worldnews/europe/11822343/Mapped-Where-do-migrants-apply-for-asylum-in-Europe.html>

China's inexplicable economy

China is leaking money, but what can they stand?

<http://www.telegraph.co.uk/finance/economics/11823176/China-cuts-rates-to-stem-crisis-but-doubts-grow-on-foreign-reserve-buffer.html>

The Shanghai stock market was only down 1.7% overnight...but in the face of massive PBOC easing, have they done enough? Nope, more to come...

<http://www.telegraph.co.uk/finance/markets/11824478/Black-Monday-fears-come-back-to-spook-panicked-investors.html>

But I tend to agree that this isn't a Lehman moment...yet anyway...

<http://www.telegraph.co.uk/finance/china-business/11825998/China-is-in-a-serious-bind-but-this-is-not-yet-a-Lehman-moment.html>

The Falkland Islands problems return

The cost of those bloody Malvinas (is this about oil?)

The logistics of defending the Falkland Islands from Argentine invasion have always been high for Britain. In 2002 I enjoyed discussing the topic with Clive Evans who planned the original Falklands campaign for Maggie Thatcher. Clive would never admit it was a mistake, but

wishes they had let the Argies have their way. Now with new equipment, the cost keeps escalating as the UK realises it is only a matter of time before the Argentine military has another go. The sniff of possible offshore oil sweetens the pot for each protagonist. And next time the Argies will use state of the art military equipment and command an advantage from the easier logistics.

<http://www.telegraph.co.uk/news/worldnews/southamerica/falklandislands/11824150/Britain-orders-46m-air-defence-radar-to-protect-Falklands-from-Argentina.html>

Clive is now a retired Air Vice Marshall of the RAF. Last I heard, he was Deputy Lord Lieutenant of Surrey. No doubt in my mind that Maggie Thatcher was populist but in this, she was just bloody stupid. The UK should not have denied Argentina the Islands. Next time, more British lives will be lost.

Oil prices - still plunging

We hear overnight that Schlumberger is buying Cameron (an equipment manufacturer) for USD14billion. But other deals are threatened by low share prices..from Seeking Alpha...

“[Despite Schlumberger's new announcement, the recent market selloff](#) and plunging oil prices are increasing fears that some of this year’s largest takeover deals are at risk of falling apart, including Shell's ([RDS.A](#), [RDS.B](#)) \$70B offer for BG Group ([OTCQX:BRGYY](#)) and Halliburton's (NYSE:[HAL](#)) \$35B bid for Baker Hughes (NYSE:[BHI](#)). Over the past week, the gap between the agreed price of several takeovers and the market price of the target companies' shares has widened, which usually is interpreted as a signal of declining confidence that the transaction will be completed as planned.

Oil companies in the shale areas of USA will take their hit when the US banks review debt levels in October. Typically it is the Autumn review that gives rise to the timing of crashes in October for each recession...

<http://www.bloomberg.com/news/articles/2015-08-25/oil-plunge-causes-junk-debt-bloodbath-as-credit-line-cuts-loom>

Plenty of pain among oil states...

<http://www.nytimes.com/2015/08/25/world/from-venezuela-to-iraq-to-russia-oil-price-drops-raise-fears-of-unrest.html? r=1>

Share markets wobble

The US markets have seen some stability with a big bounce...from BBC: FTSE -1.68%, Dow Jones +3.95%, Nasdaq +4.24%, Nikkei +3.2%.

And

<http://www.bbc.com/news/business-34061590>

Debt, glorious debt, nothing like quite like it for goosing GDP figures.

http://seekingalpha.com/article/3464666-are-the-distortions-in-the-stock-market-and-the-economy-catching-up-with-us?source=email_macro_view_eco_1_19&ifp=0

More QE please? ...

<http://www.washingtontimes.com/news/2015/aug/25/budget-deficit-smallest-obamas-tenure-cbo/#!>

Just remember what “could” happen in October when banks review their credit lines (which they do every Northern spring and fall).

So let us just recap. What is happening?

Oil costs far more to find and produce than ever before

This article from Gail may help...

<http://ourfiniteworld.com/2015/08/26/deflationary-collapse-ahead/>

The helter-skelter build-out by China leading to the biggest resource grab and mal-investment in any economy, ever, is reaching its denouement.

This means that peripheral Asian economies, emerging economies and resource rich countries like Brazil, Australia and Canada are immediately finding the cold wind of recession blowing through commodity export incomes. China has been about as economical with the truth about growth as has the USA and in real terms their goosing of GDP figures with new money and credit has probably reached the end of the road...

<http://www.zerohedge.com/news/2015-08-26/china-stunner-real-gdp-now-negative-11-evercore-isi-calculates>

China must now take steps to stop the funds outflow or suffer the consequences. The problem for the global economy is that many countries have their asset prices supported and increasing as a direct result of that outflow....oops! IMHO this for China may be a bit like a balloon deflating.

The shale Ponzi scheme death-throes

I have already laboured this point in the body of this email. December 2015 will not show us the size of the shale collapse, but it will definitely show us the trend...wait and see. To provide you with the proper perspective...the fall in oil prices is only one part of the profitability equation for shale oil companies. By the end of the year, it is likely that 5 months of rapid drop in output will exacerbate the problem. So if we take a logical look at shale, we will have had 8 months of falling output. From peak in the peak price of oil in March 2015. True LTO (light tight oil) amounts to about 4 million bbls per day. At the then average price of say \$60/bbl = USD240 million in revenue per day. As at Christmas 2015 the volume will have dropped to 3 million bbls per day at about US40/bbl, so revenue per day will have halved to USD120 million per day.

The shale companies were in stress already at \$60/bbl and they were only staying alive by continuing to borrow and to use existing price hedges.

The equations the bankers to the industry will use will be far more sophisticated than this back of the cigarette package calculation. But they will factor in the return of the Iranian exports, the resolution of OPEC to not cut output and the fact that Chinese demand is dying.

I think they will pull the plug by forcing sales, mergers and closures.

Meantime a lot of debt will be written off and it will hit the banking sector in one Tsunami.

The amazing hubris of technology boosters

I enjoy reading about new technologies that will save humanity. Yes we will win some battles with some of these. But even the mythological EESU, solar, wind, LENR, nuclear power and atomic fusion will rely totally on the availability of enough fossil fuels to build out the new technology platform and maintain it. We don't have the 20-30 years left for an orderly transition to any combination or permutation of magic solutions.

If you listen to the CEO of Air NZ crowing about his profit based on smarter operating (rather, lower oil prices) leading to bigger and brighter things, or our governments crowing about marginal growth aspirations, you will realise that humanity will never accept the "end of growth is nigh" and instead we will hit the cliff running...just like Wiley-E-Coyote...before he goes into free-fall.

Bankers still stalling

The Fed, BoE, BoJ and ECB have been keeping things quiet in the OECD for a week or so but there are a variety of ways they can intervene still...for example...

<http://www.caseyresearch.com/articles/why-stocks-could-fall-50-if-the-fed-makes-the-wrong-move>

But their role has been to overload us with debt and drop interest rates so the margin for doing anything constructive is slowly disappearing.

Your guess is as good as mine as to when/if the mooted 'crash' will happen. But if you read the points above, and try to think them through to their logical conclusion, it just doesn't seem like we will be waiting more than a year or two at the most.

Can the powers that be see this? Not while they keep digging the hole....