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EU failures - refugees and much more / Goldman and financial engineering / China importing gold in bulk / Pavarotti's successor?

EU failures - refugees and much more

I agree with Oliver in his article below, the EU has gone well beyond its mandate and is now subject to the dictates of Germany...

<http://www.interest.co.nz/opinion/77475/oliver-hartwich-concludes-his-assessment-what-whent-wrong-europe-lessons-new-zealand>

There is still a lot to argue over.... and a lot to cause grief...for Greece at least...

<http://www.telegraph.co.uk/finance/economics/11857887/Germany-blocks-Brussels-eurozone-reforms-by-insisting-on-no-more-bail-outs.html>

Norway has been the most successful in harvesting oil from the North Sea and their Johan Sverdrup field that is due to come into production in 2019 is likely to halt the decline in Norwegian oil production for several years. Even so, the Norwegians are tapering off their exploration and development work and the country is showing some signs that it is catching the "Dutch Disease"...

<http://my.chicagotribune.com/#section/-1/article/p2p-84414381/>

This week the "Battle of Schengen" is about to commence as Germany decides it needs to control the refugee inflow – but where does that leave other EU countries?

<http://www.bbc.com/news/world-europe-34239674>

Goldman and financial engineering

I once (1989) had an assignment to rescue an insurance company that had engaged a consultant who cooked their books to show that they were solvent when they weren't. It was a very successful project and they were rescued. This led to a consultancy to the Justice Department on other issues, but basically that consultant had done what Goldman Sachs do all the time...under the euphemism "financial engineering". The Greek debt rigging by Goldman Sachs was just one example of many. How they get away with it and go on to place their top executives in major global government roles is beyond me.

<http://www.rollingstone.com/politics/news/the-great-american-bubble-machine-20100405?page=7>

Frankly, they are clever; but it seems to me that not only is (what I would regard as) fraud part of their stock in trade, but they have the inside running to legal agencies too. Occasionally

they get slapped on the back of the hand with a wet bus ticket, pay a few billion and move on to the next “game”.

The suggestion by Goldman that oil could drop to \$20/bbl is based on the supposition that shale oil can continue to increase in production despite the fact the industry is going broke as this short video suggests...the video is six months old but the trends are in place and being reinforced by daily events.

<https://www.youtube.com/watch?v=PGQ04xsGZqk>

The problem with shale wells is that they are designed to extract oil from source rock which is too tight to permit flow for normal production. The fracking and proppants that are used, tend to extract any available light oil very quickly and decline rates in these wells are 60-80% per year. That makes the dropping of the number of drilling rigs being used in USA from 1,600 to 800 a big deal. The industry cannot grow and it must shrink. For an industry that has been cash negative from the outset, the fact it is cash negative while production volumes are falling, means that many of the companies are going broke. The tail-off of output will accelerate as the year comes to a close and the trends will worsen.

Whether this will cause the US economy to catch the Dutch disease is yet to be determined. But the size of a potential junk bond bust could potentially trigger a run on derivatives like 2008.

The US Fed could compound the risks in the run-up to Christmas by increasing interest rates. The FOMC meets this week to decide ...meantime the BIS are worried...

<http://www.telegraph.co.uk/finance/economics/11858952/BIS-fears-emerging-market-maelstrom-as-Fed-tightens.html>

China importing gold in bulk

I wonder what is going on there? They are importing gold like there is no tomorrow...

http://seekingalpha.com/article/3506686-july-august-chinese-gold-demand-exceeded-total-global-supply?source=email_macro_view_gol_pre_met_1_7&ifp=0

Russia demonstrated in 1989 what happens when a command economy lies to itself about its economy. Is China headed the same way? If so it may take some time to hit the wall...

<http://www.bbc.com/news/business-34237939>

Rudd on China...collision or cooperation with the USA...

<http://www.csmonitor.com/World/Asia-Pacific/2015/0913/The-US-and-China-Will-it-be-collision-or-cooperation>

Pavarotti's successor?

We love Jonas Kaufmann, the German operatic tenor, who we believe is the best successor to Luciano Pavarotti,

<http://www.telegraph.co.uk/news/celebritynews/11861875/Last-Night-of-the-Proms-turns-racy-as-fans-throw-knickers-at-Jonas-Kaufmann.html>

Make up your own mind when you view the video of “You are my heart’s delight” attached above...