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## Better-Management Newsletter 19 September 2015

**Economics 101 / Fibre to the node / Gas and oil prices still dropping / The refugee crisis, or the Islamic invasion of the EU? / China hoarding oil / Chinese bluster**

### Economics 101

The Fed is still blaming it on China?

<http://www.bbc.com/news/business-34287410>

Just as Frau Yellen decides it is too risky to increase interest rates, the Bank of England starts having second thoughts with hawks and doves quarrelling. Those who think rates **must rise** are totally correct. The problem is that with a world swamped in debt the interest rates **cannot rise** without causing massive debt repudiation problems and a fall in asset values...

<http://www.bbc.com/news/business-34291815>

Meantime, the over-hyped markets realise that they need to stand on their own two feet...but find they cannot do so...from BBC: FTSE -1.34%, Dow Jones -1.74, Nasdaq -1.36% Nikkei -1.96%.

### Fibre to the node

In the strangest places, when you drive around NZ cities you come across Chorus workers thrusting fibre cable. The technocrats in our Government seek a degree of international competitiveness by linking folk and businesses up to ultra-fast broadband. Things are not going so well in Australia as this article says...

[http://www.businessspectator.com.au/article/2015/9/18/technology/how-much-do-ftp-nbn-connections-really-cost?utm\\_source=exact&utm\\_medium=email&utm\\_content=1589048&utm\\_campaign=kgb&modapt=](http://www.businessspectator.com.au/article/2015/9/18/technology/how-much-do-ftp-nbn-connections-really-cost?utm_source=exact&utm_medium=email&utm_content=1589048&utm_campaign=kgb&modapt=)

### Gas and oil prices still dropping

The drop in oil prices led to a rapid drop in drilling rigs and low natural gas prices meant that few producers are recovering the full cycle costs of their exploration and development...so is shale gas dying?

<http://peakoil.com/production/is-this-the-end-of-the-u-s-shale-gas-revolution>

The expensive LNG projects are mostly now in trouble .... including those in Australia...

<http://oilprice.com/Energy/Natural-Gas/Is-This-The-End-Of-The-LNG-Story9515.html>

The downwards impetus of development of new oil projects and the fall off of production in many places suggests that the production of oil at the price of \$US50/bbl has certainly peaked and is falling. We may even find during the months ahead that it has peaked at as high as USD80/bbl...but that remains to be seen...

<http://www.energytrendsinsider.com/2015/09/17/peak-oil-is-a-function-of-oil-price/>

If we see a crash soon, the price of oil could drop even further than the price of today. However as this is well below replacement and current production costs, that is something that cannot last for long. The list of current projects that you can blow up – some halted now – shows that we are moving into dangerous territory...

[http://www.energytrendsinsider.com/wp-content/uploads/2015/09/GS\\_OILBREAK EVEN.jpg?00cfb7](http://www.energytrendsinsider.com/wp-content/uploads/2015/09/GS_OILBREAK EVEN.jpg?00cfb7)

### **The refugee crisis.... or is it the Islamic invasion of the EU?**

The Turks appear to have a pivotal role...and I am afraid Erdogan's motivation is under question in many countries now...

<http://www.telegraph.co.uk/news/worldnews/europe/turkey/11874964/EU-border-force-blames-Turkish-Airlines-for-surge-in-illegal-African-migration.html>

The EU needs to differentiate between those who are real refugees and those who are economic migrants – or worse – Islamists promoting the Umma...

<http://www.telegraph.co.uk/news/uknews/immigration/11875036/Europes-migration-crisis-how-many-people-are-on-the-move.html>

The only thing that seems certain is that with the target destination countries in turmoil and failing to agree on anything, it will take some time for things to change. Meantime Europe moves towards winter with many vulnerable families on the road....

This looks like a good way to persuade the British to leave the EU...

<http://www.telegraph.co.uk/news/worldnews/europe/germany/11873936/Eastern-European-countries-may-be-forced-accept-quotas-for-migrants.html>

This really is shaping up as an existential crisis for the EU.

### **China hoarding oil**

This is a useful article on petroleum reserves in China...

<http://www.bloomberg.com/news/articles/2015-09-17/even-a-slowing-china-is-oil-s-best-defense-against-deeper-slump>

Penn West seems likely to do a share consolidation...as oil prices stay to low to maintain a dividend...

[http://seekingalpha.com/article/3511106-can-penn-west-petroleum-make-a-comeback?source=email\\_alternative\\_energy\\_investing\\_oil\\_gas\\_dri\\_exp\\_2\\_14&ifp=0](http://seekingalpha.com/article/3511106-can-penn-west-petroleum-make-a-comeback?source=email_alternative_energy_investing_oil_gas_dri_exp_2_14&ifp=0)

### **Chinese bluster**

Chinese bluster is looking rather ridiculous from every point of view...except their own...

<http://www.reuters.com/article/2015/09/18/us-southchinasea-china-usa-idUSKCNORIOLY20150918>

The military build up by China is a worrying trend for the rest of the world...

<http://www.reuters.com/video/2015/09/17/island-runways-point-to-chinas-nuclear-s?videoId=365626683>

Meanwhile Russia is wondering whether to put their infantry to work in Syria...I wonder what could possibly go wrong?