

www.better-management.org provides invaluable insights that will help you understand and deliver better organizational performance.

Better-Management Newsletter 24 September 2015

US share market in rarefied territory / The fall is always faster than the rise / Volkswagen fiddles emissions, cops gigantic fine / A sea of red ink / National sovereignty dies / Avian flu hits the USA / Oil field depletion accelerating

US share market in rarefied territory

From Daily Reckoning...“The US share market has been in a bull market for over six years. This is rarefied territory.

‘According to our work, the US stock market is currently in the longest running cyclical bull market that has ever taken place in a structural bear market. We are currently in the 6th year of the cyclical bull market. No other cyclical bull in a structural bear has ever made it past five years (the prior longest was from October 2002 – October 2007).’

- Global debt levels (the driver of past economic growth) are at the highest levels in history. And we know from history that every period of excessive debt ends in a crisis.
- The Shiller PE 10 ratio is currently recording one of its highest multiples in the 140-year history of the US share market.
- US earnings per share have been enhanced by record levels of share buyback activity.
- Global interest rates are historically low to make debt servicing costs cheaper and to force investors out of cash.
- China (the global growth engine) is slowing.
- The Fed openly pursued a stimulus strategy (multiple QEs) to create the ‘wealth effect’ — deliberately pushing up asset prices.”

The fall is always faster than the rise

Whether it is property prices or shares, the fall is always faster than the rise...”The bull climbs the stairs, the bear jumps out of the window.” So be prepared.

From Seeking Alpha...

“[Activity in China's factory sector fell](#) to the lowest level in over six years. The preliminary Caixin China manufacturing purchasing managers' index dropped to 47.0 in September, compared to the 47.5 reading expected by economists. The index came in at 47.3 in August. The decline was led by a weak read for new orders and new export orders. Several investment firms lowered their estimates on China growth after factoring in the new manufacturing data.”

So things ain't going up in China, they are falling with overnight...from Seeking Alpha...

“The Shanghai Composite Index **fell 2.1%** and the Hang Seng Index was **off 3.4%** after manufacturing data from China rekindled concerns on growth in the region.”

Volkswagen fiddles emissions, cops gigantic fine

In Europe, the world's largest auto maker is probably no longer the world's largest auto maker...

“[The executive committee of Volkswagen's](#) supervisory board meets today in Germany with the automaker facing an unprecedented scandal. The company has now admitted that over 11 million diesel vehicles globally have software with programming aimed at defeating emissions control testing. The developments this week are expected to create a power struggle at Volkswagen and could cost CEO Martin Winterkorn his job. Shares of Volkswagen are **down over 4%** in Frankfurt trading and are off over 37% for the week.”

And yup, Martin has lost his job. Overnight VW shares bounced back by 5% but this is a horror story that has a long time to run. This isn't just a crisis for VW, it is a crisis for Germany.

A sea of red ink

Oil, gold and silver prices are down and the global economy looks to be sliding towards the brink. Stock prices everywhere are a sea of red ink! It isn't pretty. Despite the low price for gold and silver, demand for the bullion is rising and it seems weird that despite high demand for the metal, prices are manipulated lower... now consider this...

<http://thecrux.com/cia-insider-heres-a-look-into-what-the-elite-global-bankers-have-planned/>

I think by year end we will see SDRs coming to the fore..but will that be deflationary or inflationary?

Meanwhile global economic health is denoted by the production of capital equipment and the freight business...well we know the freight business is down – but what about capital equipment?

<http://www.dailyimpact.net/2015/09/23/when-this-caterpillar-dies-we-dont-get-a-butterfly/>

Oh I know, we will fix things by waging war on nuclear power, fossil fuels and CO2. How stupid are we really?

National sovereignty dies

In Europe, the sovereignty of nations may have just died as the refugee drama continues...

<http://www.bbc.com/news/world-europe-34332759>

For Germany, this may be their greatest social engineering experiment ever... if they continue to import 800k per year...

http://ggc-mauldin-images.s3.amazonaws.com/uploads/pdf/OTB_Sept_23_2015.pdf

But let's face it, globally there are now 60+ million people who have been displaced, of whom only about 1.5 million will make it to Europe and 800,000 to Germany within the next year or

so (as any more would overwhelm their resources to cope). On top of this, we should also accept that the causes for displacement are growing, as humanity continues to exceed the world's carrying capacity. But by how much?

Can we even deal with this crisis, or should we ignore it?

<http://www.wired.com/2015/09/able-predict-refugee-crisis/>

Is this part of a species die-back? The problem will certainly get worse unless we attack causation. But while we attack "climate change" and the effects of the global population problem we will ignore causation and practical limits to growth. Are we stupid or what?

Perhaps this will help fix it?

http://seekingalpha.com/article/3526426-the-story-of-china-is-the-story-of-japan-just-10x-bigger?source=email_macro_view_dem_0_29&ifp=0

Avian flu hits the USA

This is interesting – on top of problems with bees and the widespread drought and aquifer depletion in the USA...

<http://thecrux.com/the-serious-threat-facing-u-s-food-industry/>

Also we should remember that the US pig giant was last year bought by the Chinese to supply millions of tons of pork to China.

Gotta wonder whether the USA may find food production for its own people more of an issue in years to come?

Oil field depletion accelerating

These may be the best estimates of oil to come from the following 55 super giant oil fields....

<http://peakoilbarrel.com/wp-content/uploads/2015/09/Giants1.gif>

This suggests that our future oil supplies may rely on how quickly these oil fields deplete. Our global problem is that we cannot replace these fields because the oil fields we are finding are much smaller. N.B. this article omits four large fields for which little information is available, but the substance of this study remains intact.

Want to feel a little scared? Just think about this for a minute or two. After all, we are using oil at the rate of 30 billion bbls of every year. The remaining time for the industrial age of oil seems to be running out. Leave the price where it is and that will be a self-fulfilling prophesy.

Meanwhile, the use of modelling by IEA and EIA means no-one is quite sure of what production is like in the shale areas, sensitive to oil prices and the need to keep replacing production that is declining...

http://seekingalpha.com/article/3525856-the-unreliability-of-eia-crude-production-numbers?source=email_macro_view_com_4_17&ifp=0