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The Ides of Autumn / Recession bites / Gold and silver prices rising

The Ides of Autumn

The global economy usually faces its sternest test between now and the end of November and Autumn becomes summer in the Northern Hemisphere. So the next three weeks will be a critical time for those folks who have an interest in the global economy. USA poking the Russia bear in Syria and USA sending ships to snoop in the South China Sea could also generate some news stories.

The markets are unsettled by the effect China is having on other (supplier) countries

Oil is down due to demand worries with WTI at USD46/bbl and Brent under USD50/bbl. Most stock markets are down...from BBC: FTSE -1.15%, Dow Jones -0.92%, Nasdaq -0.29%, Nikkei -1.89%.

Recession bites

Russia is taking its own steps...

<http://www.telegraph.co.uk/finance/economics/11929969/Rouble-strengthens-as-Russia-forces-exporters-to-dump-foreign-cash-reserves.html>

Oil prices are causing troubles for oil companies and their staff in non-OPEC countries...

<http://www.caseyresearch.com/articles/dont-believe-the-propaganda-this-golden-goose-is-dead>

The equation is that the typical wells have a direct/variable cost (once they have been fracked and are operating) of USD20-25/bbl to produce and they have interest payments of around USD30-45/bbl. So if the oil price was USD100/bbl some of them may scrape by and cover fixed costs and pay towards developing new wells. At USD45/bbl (at most because it is not the full product) they will soon need to default and cannot afford to do much more drilling. So natural depletion of the reservoirs is causing a fall in US oil production. Few wells if any will be shut in, because there is still money to be made from most, so for those companies going bankrupt this Northern winter, their wells will be taken over and operated until lifting costs exceed revenues.

The OPEC countries have direct/variable costs of between USD5-15/bbl but their biggest cost is between USD70-100/bbl that they pay to keep their countries social programmes working. For this reason they need to pump all they can at USD45/bbl and then on top of that sell assets and retire overseas investments. Hence OPEC countries are drilling for all it is worth but everywhere else, the investment in exploration and development is in trouble.

Sooner...but probably later, the cure for low oil prices will be low oil prices that restrict exploration and development and stimulate demand. Just this time demand will be affected by the recession that is slowly taking hold...

Gold and silver prices rising

Prices are heading higher...

There are plenty of folks jumping on the bandwagon as gold has surged from USD1100/oz through to USD 1,183/oz overnight...On Comex gold is USD1,183/oz today and silver is USD16.14/oz...

<http://thecrux.com/billionaire-paul-singer-gold-should-be-part-of-every-investment-portfolio-today/>

But according to my sources, the time we will know that the gold bull has returned will be when it breaks through USD1,300/oz.