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## **Better-Management Newsletter 21 October 2015**

**Still no alternative to fossil fuels / Global economy (artificial) bounce / Canada shifts to populist green-left / China charm offensive / Oil glut and price war continues**

### **Still no alternative to fossil fuels**

I believe it is unreasonable for greenies to attack fossil fuels (which have been for the last century – and still are humanity’s main source of wealth and prosperity) until there is an alternative. While we wait for the mythological EESU (now long overdue), there is still no electrical energy storage system that can match oil for transport. Of course those who favour population reduction do have an understandable reason.

James Dyson likes the solid state battery being developed by Sakti3 and which Barrack Obama is seemingly very impressed with...

<http://insideevs.com/dyson-acquire-sakti3-90-million/>

The only problem is that if the Sakti3 battery could be scaled up for EVs, the business would have sold for 100 times that price. But anyway, Sir James Dyson is no fool. So we continue to watch with interest.

### **Stocks: real or dead-cat bounce?**

Is the global economy benefitting from a bounce after stock exchanges became over-sold – or is it just a dead cat bounce? Well we will see inside a month when the corporate earnings reports come through and banks check their exposure to bad debts on stuff like student loans and junk bonds.

The propensity to print money hasn’t diminished...in fact it is likely that no-one will stop any time soon...not that it is working...

<http://www.bloomberg.com/news/articles/2015-10-18/ecb-heads-to-island-gathering-as-more-qe-seen-a-matter-of-time>

The emerging economies are not looking too flash, led by Brazil where Joaquim Levy – the Finance Minister has just resigned...they are likely to get a “junk” debt rating as a result...

[http://seekingalpha.com/article/3580556-superman-may-resign-brazil-heads-closer-to-total-collapse?source=email\\_macro\\_view\\_eco\\_0\\_17&ifp=0](http://seekingalpha.com/article/3580556-superman-may-resign-brazil-heads-closer-to-total-collapse?source=email_macro_view_eco_0_17&ifp=0)

OECD earnings reports are not too flash so far. So ratings agencies are watching the action closely...

[http://seekingalpha.com/article/3580016-moodys-warns-of-jarring-slowdown-in-jobs-jumps-on-recession-bandwagon?source=email\\_macro\\_view\\_eco\\_1\\_18&ifp=0](http://seekingalpha.com/article/3580016-moodys-warns-of-jarring-slowdown-in-jobs-jumps-on-recession-bandwagon?source=email_macro_view_eco_1_18&ifp=0)

### **Global economy (artificial) bounce**

The IMF is not impressed by reports of a resurgence in Spain...

<http://www.telegraph.co.uk/finance/economics/11940977/Why-theres-no-easy-way-out-of-Spains-insurmountable-economic-mess.html>

Daniel Yergin is right about one thing, the oil price reduction should have led to huge global economic stimulus, yet it has not done so. Does this mean the world has changed, or that we sit on the edge of the precipice...

<http://peakoil.com/consumption/daniel-yergin-wheres-all-the-stimulus-from-the-50-drop-in-oil-prices>

So if commodities and commodity businesses are losing money hand over fist, what is happening in the global economy if there is no lift for other sectors from the lower prices?

It will be reflected in corporate earnings reports – soon. It will also likely be reflected in the bond market that was already sputtering along...

<http://www.caseyresearch.com/articles/the-ugly-end-to-a-seven-year-borrowing-binge>

### **Canada shifts to populist green-left**

The country has moved to the left as the son of Pierre Trudeau takes up the top position...from Seeking Alpha...

“[Winning over 40% of the popular vote](#), Justin Trudeau's Liberal party sealed a victory in Canada's general election on Monday, ousting Conservative PM Stephen Harper after almost a decade in power. Trudeau has pledged to run a C\$10B annual budget deficit for three years to invest in infrastructure and help stimulate Canada's anemic economic growth. He has also promised to repair the country's cool relations with the Obama administration, refocus Canada's military role against Islamic State, legalize marijuana, and tackle climate change.”

The takeovers of distressed oil companies in Canada has started with Suncor placing a bid for Canadian Oil Sands shares... I wonder how a liberal government will react to all the “Climate Change” proposals in Paris?

### **China charm offensive**

Xi's charm offensive continues with an offer to fund the new stages of a nuclear power station in Britain...it is what is called, “buying friends”...from Seeking Alpha...

“[Continuing his recent world tour](#), China's President Xi Jinping touched down in London last night, marking the leader's first ever state visit to the U.K. Ministers expect more than £30B of trade and investment deals to be struck during Xi's four-day stay, including a new nuclear

pact between the two nations. The trip has been hailed by officials from both countries as the start of a "golden era" of relations.”

Beware of Chinese bearing gifts...from Sinocism...

“[Cameron Says China's Xi Brings \\$46 Billion in Deals to U.K. - Bloomberg](#) The deals will create 3,900 jobs in the U.K., in sectors including the creative industries, retail, energy, health and technology, financial services, aerospace and education, Cameron’s office said in an e-mailed statement, without giving further details.”

British industry is likely to run short of electricity...due to poor planning and green activism...that and Chinese dumping of steel poses a threat to British industry...

<http://www.telegraph.co.uk/finance/newsbysector/industry/11944254/Steel-crisis-strikes-to-heart-of-UK-manufacturing.html>

If you can believe the stats?...from Seeking Alpha...

“[China's economy grew 6.9%](#) in the third quarter from a year ago, beating forecasts for 6.8% growth, but decelerating to its slowest pace since the global financial crisis. The results add to doubts the country can meet its year-end GDP target of about 7%, and raises pressure on Beijing to roll out more stimulus measures following a summer stock market plunge and devaluation of the yuan. More weakness in China: Other data released today showed that factory output rose 5.7% in September, missing forecasts of a 6% rise, while fixed-asset investment climbed 10.3%, below estimates of 10.8%.”

From Sinocism, it looks like the rebalanced to consumption is starting to work...well perhaps?...

“[China growth shows progress on economic rebalancing - FT.com](#) \$\$\$\$ “The consumption share of GDP is bigger and bigger because ordinary people’s share of national income is higher and higher,” Huang Yiping, professor at Peking University’s China Center for Economic Research, told local media on Monday. Mr Huang sees telecommunications, education, travel, elderly care and financial services as sectors likely to benefit most from increasing consumption. Yet for analysts sceptical of China’s official GDP data, the latest figures compound that suspicion Tweet this quote Yet for analysts sceptical of China’s official GDP data, the latest figures compound that suspicion.”

Yet China is building stuff at a faster rate than anyone else...from Sinocism...

[“Survey Shows China Passes U.S. in Stuff Built - China Real Time Report - WSJ](#) China has overtaken the U.S. as the world’s wealthiest nation in terms of built assets in 2014, and is likely to double that of the U.S. by 2025, according to the Arcadis Global Built Asset Wealth Index. The study compares 32 countries in terms of their buildings and infrastructure – homes, schools, roads, airports, power plants, malls, rail tracks and other structures. In fact, China’s stock of built assets will exceed the next four economies combined in the next 10 years, according to the index.

All this effort to support “growth” is costing big money! From Sinocism...

[“US Treasury: capital outflows from China top \\$500bn - fastFT: Market-moving news and views, 24 hours a day - FT.com](#) Capital outflows from China topped \$500bn in the first eight months of this year, according to new calculations by the US Treasury that highlight the shifting fortunes in the global economy. The outflows, which peaked at some \$200bn during the turbulent month of August according to the new estimates released on Monday, have also contributed to a shift by Washington in its assessment of the valuation of China's currency, the renminbi, Shawn Donnan, trade editor, reports in Washington.”

The cyber attacks out of China will continue ...from Sinocism...

[“Chinese Nationalist ‘Hawks’ Form Online Volunteer Army Against ‘Enemy Forces’ · Global Voices](#) a new force, the “Chinese online volunteer army” staffed by members of a nationalist right-wing network group, is now springing up. The volunteer army, organized in the manner of a military division, was initiated by the followers of Dai Xu, a Chinese army senior colonel who has advocated for a self-organized liberation army to beat down foreign enemy forces online. Each division of the group has its own social media account marked with scarlet national flags and propaganda slogans on its profile pages. It even has its own anthem.”

### **Oil glut and price war continues**

OPEC countries are doing oil exploration and development but few others are doing so...given current oil and gas prices...

<http://fuelfix.com/blog/2015/10/12/tph-many-oil-companies-virtually-abandoning-exploration/#34823101=0>

Iran would like higher prices, but I don’t think this will work...from Seeking Alpha...

[“Separately, Iranian Oil Minister Bijan Namdar Zanganeh](#) is urging OPEC member states to cut crude output to boost prices to a range of \$70-\$80 a barrel. "No one is happy" with prices at current levels, Zanganeh told reporters in Tehran. Iran will be able to boost oil exports by

500K barrels a day within one week following the removal of sanctions, and could raise exports by 1M bpd within six months after the curbs are lifted. Crude futures -1.1% to \$47.18/bbl.”

OPEC is in fact, already indulging in a price war between the major exporters – in a declining market, it is all about market share...

<http://www.bloomberg.com/news/articles/2015-10-19/opec-brings-oil-price-war-home-in-pursuit-of-asia-s-cash>

I am still worried about takeover action in the Canadian oil patch...Penn West could be one target...

[http://seekingalpha.com/article/3578036-why-penn-west-petroleum-can-deliver-more-upside?source=email\\_alternative\\_energy\\_investing\\_oil\\_gas\\_dri\\_exp\\_2\\_8&ifp=0](http://seekingalpha.com/article/3578036-why-penn-west-petroleum-can-deliver-more-upside?source=email_alternative_energy_investing_oil_gas_dri_exp_2_8&ifp=0)

In general, most of the new hydrocarbons (oil and gas) that are being discovered need to use more extreme and costly methods of extraction and deplete reservoirs faster and require more processing to be suitable for refinement – often unsuited to transport fuels. This article by Richard Heinberg articulates why the extreme hydrocarbons are an issue...

<http://richardheinberg.com/museletter-281-unconventional-energy>

Assad seems to be gaining ground with Russian support, while US backed rebels are getting set for the battle of Aleppo.

<http://www.reuters.com/article/2015/10/19/us-mideast-crisis-syria-aleppo-idUSKCN0SD16O20151019>

And Turkey gets ever more upset with Russia...as the Middle East and North Africa produces only one sustainable export...refugees.