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Global economy is shrinking / China's trade shrinking too / How many human workers will the world need? / Oil Companies in survival mode / Gas and coal in trouble too / General Electric, back to core business

Global economy is shrinking

The current OECD growth projections are really about the ebb and flow of money – less QE = less GDP...from Seeking Alpha...

"**The OECD, which has a history** of cutting its growth outlooks, has done it again, reducing its world forecast as slower growth in emerging markets spilled over into countries such as Germany and Japan. "Global growth prospects have clouded this year," the Paris-based organization said. "The outlook for emerging-market economies is a key source of global uncertainty at present." The OECD now expects the world economy to expand 2.9% in 2015 and 3.3% in 2016, down from the 3% and 3.6% it predicted in September."

Obviously the world needs more money printing - yeah right.

There will be trigger points in 2016 that will be worth watching...

http://seekingalpha.com/article/3665096-why-the-fed-may-be-caught-2016-is-the-year-policy-chickens-and-debt-come-home-to-roost?source=email_macro_view_mar_out_6_8&ifp=0

But it will be interesting to see how depositors will be stiffed to achieve the target reserve ratios that the US FSB wants....from Seeking Alpha...

"**The Financial Stability Board** has published new rules that aim to stop banks from becoming "too big to fail," confirming its final proposals for Total Loss Absorbing Capacity, or TLAC. Under the plan, by January 2019 large lenders will have to hold a financial cushion of at least 16% of their risk-weighted assets in equity and debt that can be written off. That requirement will gradually increase, reaching 18% of assets weighted by risk by January 2022. The FSB will put the rules, which will apply to the world's top 30 banks, to the G20 later this month."

And

http://www.bloomberg.com/news/articles/2015-11-09/banking-giants-learn-cost-of-preventing-another-lehman-moment

China's trade shrinking too

The reduction in China trade is hurting...from Seeking Alpha...

"**Lifted by a weaker yen and stimulus hopes**, shares in Japan and Shanghai started the week with a roar, while worries about China's slowdown drove most other Asian markets lower. The yen weakened considerably against the dollar - trading at ¥123.35 - after Friday's strong U.S. jobs report, while data over the weekend showed China's October exports and imports falling 6.9% and 18.8%, respectively. The figures left China with a record high trade surplus of $61.64B, the highest such figure on record since at least 1995, bolstering views that the government will have to do more to stimulate domestic demand. Nikkei +2%; Shanghai +1.6%.

Only flirting with recession? It started in 2007!

http://www.telegraph.co.uk/finance/economics/11983690/global-recession-trade-growth-warns-oecd.html

How does all this translate for NZ? Well this is the IMF view...

http://www.interest.co.nz/news/78560/imf-says-nzs-resilient-economy-faces-significant-risks-tilted-downside

How many human workers will the world need?

It looks like robots will change our future. So how many immigrant workers will Germany need?

http://www.theguardian.com/technology/2015/nov/05/robot-revolution-rise-machines-could-displace-third-of-uk-jobs

China has non-persons and the EU has "host workers". How will robots and changes to family planning laws be affected?...

http://www.csmonitor.com/World/Asia-Pacific/2015/1108/As-China-ends-one-child-policy-illegally-born-kids-ask-What-about-us

Oil Companies in survival mode

Typically, oil companies from North America to Saudi Arabia have gone into survival mode. Most cutting or discontinuing dividends, most cutting the number of drilling rigs and being selective about well completions, most cutting staff numbers, most deferring or cancelling major projects and most selling non-core assets to remain with lending covenants.

In North America, the earnings call transcripts for oil companies describe this in detail. Typical is the earnings call transcript from Penn West... Their cost per boe of output is in the USD20's per bbl so their focus is on paying down debt to reduce the interest bill...

http://seekingalpha.com/article/3659016-penn-west-petroleums-pwe-ceo-dave-roberts-on-q3-2015-results-earnings-call-transcript?page=5&p=qanda&l=last&source=email_alternative_energy_investing_oil_gas_dri_exp_0_15

In the Persian Gulf, the dynamics are pretty similar...

http://peakoil.com/production/persian-gulf-producers-delay-oil-projects

The non-completion of wells means that when prices eventually do rise, more capacity can be brought back slowly and thereby slowing down the rate of oil price increases.

Many companies in the shale and oil sands area will fall by the wayside or be too weak to resist a takeover offer. The unused borrowing facility that Penn West has will provide them with the option to take out one or two small producers – but in net terms, they too are a potential takeover target.

In general the oil companies will endure until falling EROEI and massive extra cost of oil projects ramps up the selling price. There is little danger that new technology will allow alternative energy to have its place in the sun during the next ten years...well, that is what I think and I spend every day trying to monitor what is happening J...

http://peaksurfer.blogspot.co.nz/2015/11/exxonomics-101.html

Even so, the oil producers are rather more optimistic than I am about their future...

http://www.bloomberg.com/news/articles/2015-11-08/saudi-minister-says-current-oil-price-to-soon-spur-demand-growth

And the Saudis must keep pumping to maintain market share and ensure they can meet their social costs as closely as possible with reduced revenue...

http://peakoil.com/production/saudi-arabia-will-not-stop-pumping

We will see what OPEC decides of 4 December.

Gas and coal in trouble too

While some mega-projects are being deferred, some LNG projects in the USD20-60bn cost range are still proceeding. But these look increasingly problematic for investors as selling prices are also less than 50% of what is needed for any to break even.

Coal miners throughout the world are in serious trouble and it is probable that only the best 40-60% will survive the current downturn and the attack from the green lobby....

China's downturn in demand for coal and iron ore, added to overcapacity of steel making is putting the world's steel manufacturers out of business...with names like Acelor Mittel and Tata...

http://www.telegraph.co.uk/finance/newsbysector/industry/11980865/Troubled-Tata-demands-30pc-price-reduction-from-suppliers.html

And causing difficulties for shipping...with the equivalent drop in shipping rates...

http://seekingalpha.com/article/3661586-baltic-dry-index-could-test-lows-dry-bulk-shippers-continue-to-suffer?source=email_macro_view_com_1_12&ifp=0

The fact is that China's production and exports are slowing. That dominates global trade.

General Electric, back to core business

The conglomerate continues divestment of its finance arms...from Seeking Alpha...

"**General Electric is selling** its finance unit's commercial lending/leasing portfolios in Australia and New Zealand to Sankaty Advisors, the global credit affiliate of Bain Capital. The transaction includes about $1.7B in ending net investment. The deal completes GE Capital's (NYSE:GE) exit from Australia and New Zealand as part of a previously announced strategy to "reduce the size of its financial businesses" and "focus on investment and growth in industrial businesses."

The British are very worried about its fitness for purpose....and the British media carry articles about the forthcoming vote on possible Brexit on a daily basis...regardless of how far off it may be. Certainly David Cameron is trying to negotiate a better and more workable set of rules...

http://www.bbc.com/news/uk-politics-34764730