

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

Better-Management Newsletter 13 January 2016

China clamps down / Commodity prices crashing, junk bonds rubbished / Major global institutions are in turmoil / Oil: everyone is losing money now

China clamps down

China is now enforcing the USD50,000 limit on citizens taking money offshore. This will impact property prices in the capital cities. Why have they done this? Because they are exhausting their foreign reserves. That means they will soon be ready to challenge the supremacy of the US dollar. When they have enough gold, of course.

China isn't just likely to affect property values. Its change in procurement of resources has hit everything – starting with oilfrom Seeking Alpha...

“[Oil prices are sharply lower](#) to start off the week as concerns over demand from China impact trading again, along with some fresh worries. Morgan Stanley is the latest major investment firm to forecast oil prices could fall into the \$20s with the U.S. dollar continuing to strengthen against major currencies. There is also news that Saudi Arabia is considering an IPO for its state oil company, a development that adds a new layer of anxiety with traders. Brent crude is **down 1.42%** to \$32.69, while WTI crude futures are **1.6% lower** at \$32.62.”

And from Bloomberg...

<http://www.bloomberg.com/news/articles/2016-01-10/asian-stock-futures-signal-more-pain-as-rand-sinks-to-record-low>

With oil prices so low, who wants an EV when a SUV will do?... from Seeking Alpha...

“[The North International Auto Show fires up](#) in Detroit this week with more than 50 model reveals anticipated. Concept cars expected to be unveiled include the Acura Precision Concept luxury model from Honda (NYSE:[HMC](#)), a large SUV model from Kia Motors (OTC:[HYMLF](#)), and Nissan's high-end Infiniti Q60. General Motors (NYSE:[GM](#)) will offer up a deeper look at the Chevrolet Bolt pure EV, while aiming to gain ground on Tesla Motors which is skipping the event. On the hydrogen side, the Toyota Mirai and its evolving vision will be highlighted, while a FCV introduction from Audi ([OTCPK:VLKAY](#)) is rumoured.”

US auto production in 2015 is up to 17.4 million cars and China's to 24.6 million. From Seeking Alpha...

“[Automobile sales in China](#) rose 4.7% to 24.6M units last year to mark the slowest pace of sales growth since 2012, according to data from the China Association of Automobile Manufacturers. A sizable tax cut from Beijing during the last quarter wasn't enough to help lift sales past the growth rate seen in the bustling U.S. auto market. General Motors (NYSE:[GM](#)) and Ford (NYSE:[F](#)) outpaced major domestic automakers in China through their local joint ventures.”

So the world increases the number of cars by something North of 60 million again this year. How is the use of fossil fuels going to reduce? And could this have something to do with more credit available?

We must accept that if the rout goes on in China after today's pause, commodities will dive further and other Asian countries will take a huge hit...even India...

<http://www.bloomberg.com/news/articles/2016-01-11/china-rout-threatens-to-spawn-crisis-in-india-top-banker-says>

Commodity prices crashing, junk bonds rubbished

Everything from coal to copper is getting trashed and where something like natural gas is also heavily down...then coal companies go bankrupt...

<http://www.caseyresearch.com/articles/the-latest-major-bankruptcy-in-mining>

The junk bond business model looks like rubbish...

<http://thecrux.com/bond-expert-fridson-junk-bonds-signal-44-recession-risk-in-2016/>

It isn't just the Faber's, Casey's and Soros's, but RBS reckons things look bad...

<http://www.telegraph.co.uk/finance/economics/12093807/RBS-cries-sell-everything-as-deflationary-crisis-nears.html>

But who knows?

On the plus side, airlines should be doing OK but many aren't...like American Air who are hit by the downturn and layoffs in energy employees in Texas, and fear over terrorism in the EU.

2016 could be the year of artificial intelligence as Adidas is to start its robot staffed sneaker factory in Ansbach, Germany within the next few months. The complexity of assembling footwear was once too complex for robots but now that has changed and for every capital intensive winner there will be many unskilled and semi-skilled losers in the work force.

Major global institutions are in turmoil

We know from current and past history that China and Russia do not “play nice”. Any empire never stands up to scrutiny and while a lot can be found to criticise the USA’s hegemony, how much worse would their opponents be...particularly going into a resource constrained world of unpleasant realities...

<http://www.infowars.com/the-proof-is-in-the-us-government-is-the-most-complete-criminal-organization-in-human-history/>

Will Britain stay or go? That story may unravel this year...from Seeking Alpha...

“**A British referendum** on staying in the European Union is expected by many to occur this year. A British exit from the EU could create significant ripple effects, including adding tension between U.K. members Scotland, Northern Ireland, Wales, and England. Prime Minister David Cameron is working on EU fixes to attempt to placate the anti-EU movement.”

The death of 9 Germans in Istanbul will spell the end of Angela Merkel’s reign over Germany and there is no stopping the migrants...

<http://www.ekathimerini.com/204956/article/ekathimerini/news/migrant-flows-still-way-too-high-eu-tells-turkey>

and

<http://www.reuters.com/article/us-germany-assaults-idUSKCN0UQ0WS20160112>

Oil: everyone is losing money now

Art Berman on oil prices...”everyone is losing money now”...

http://seekingalpha.com/article/3801546-arthur-berman-why-the-price-of-oil-must-rise-podcast?source=email_macro_view_com_2_13&ifp=0

So when will prices go up? IMHO, not soon because we are drifting further into depression...slowly. Less demand means that more companies must go bust and cease production in order to change the supply/demand equation, sufficient to affect price levels.

The history of oil has been marked by periods when there were shortages and times when there was a glut. It is not a place for the faint hearted...

<http://www.cnbc.com/2016/01/11/half-of-us-shale-drillers-may-go-bankrupt-oppenheimers-gheit.html>