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US self-delusion on oil / TPP last thing the world shrinking economy needs / Clueless in Davos / China to tick off North Korea?

US self-delusion on oil

America may once have been “the land of the free, and the home of the brave” once upon a time. But self delusion and ignorance among the common herd mean they really don’t know their arses from their elbows. Particularly on the subject of their energy independence...rather, their lack of it...

<http://crudeoilpeak.info/the-myth-of-us-self-sufficiency-in-crude-oil>

Full cycle costs include everything from exploration, to funding to well closure and remediation of the mess left behind. No-one outside OPEC (and perhaps Norway) has the income to cover all those costs these days. OPEC has become so used to having their oil royalties and taxes pay for their cost of living that none are able to run their countries as normal without borrowing or drawing down on reserves. Those days are over and about 10% of supply cannot even stay cash positive on direct costs... That means prices must soon rebound...well perhaps. As they say, “the market can stay irrational for longer than investors can stay solvent.”

http://www.rigzone.com/news/oil_gas/a/142656/Oil_Price_Will_Increase_in_Next_Few_Months

There is still some downside risk for oil prices...but sooner or later the lid will come off...then who would want to be driving an SUV?

Even shale firms who claimed to be profitable at higher oil prices, are reluctantly admitting defeat...all shale producers are in difficulty...from Seeking Alpha...

“[Three major U.S. shale oil firms](#) heavily slashed their 2016 capital spending plans yesterday in a bid to survive \$30 a barrel oil prices, with one of them saying prices would need to rise more than 20% just to turn a profit. The cuts from Hess Corp. (NYSE:[HES](#)), Continental Resources (NYSE:[CLR](#)) and Noble Energy (NYSE:[NBL](#)) ranged from 40% to 66%, marking the second straight year of pullbacks by a trio of businesses normally seen as among the most resilient shale oil producers. “

Meanwhile, the lead article in the Financial Times in London is about IMF and World Bank needing to rush aid to countries that are about to default due to low oil prices and cause a Lehman style collapse of the global financial system...all defaulting debtors of scale must now

be supported. Any mistakes or omissions could be fatal for the current financial system. (Sorry, article behind a pay wall).

Meantime, non-OPEC production is sinking already...

<http://peakoilbarrel.com/is-non-opeec-beginning-serious-decline/>

The global oil industry has a preoccupation with reserves and resource...but mainly with reserves. These must be provable at current prices and with current technology. The drop in oil prices means that declared proven reserves are also shrinking... Hills Group has this to say about depletion and reserves...

“Depletion never occurs as a result of the shortage of a resource. There are shut down coal, iron, gold, magnesium, etc. mines all over the world that are depleted out, but still contain considerable quantities of raw material. A resource is depleted out when it is no longer economical to continue to produce it, and the depletion process begins when the first ton, yard or barrel is extracted, and continues until shut down.

Depletion also has nothing to do with production rate, and as we have been saying for some time, the depletion of the world’s petroleum reserve is much more advanced than generally assumed. The petroleum industry, although surely aware of the depletion process, has ignored it in favor of stressing resources, and reserves based on projections of dubious merit. \$30 oil has arrived as a reminder that depletion is an ongoing process, and relentless. 70% of the world’s petroleum reserves vanished over the last 19 months.”

TPP last thing the world shrinking economy needs

Perhaps the signing of the TPPA may come at a time that marks the end of globalisation...this year. After all with oil prices so low, why is trade falling?

<http://www.mauldineconomics.com/connecting-the-dots/choppy-seas-for-transportation-stocks>

In Europe, the war against savers has been comprehensively won by borrowers, thanks to Mario Draghi and negative interest rates...

<http://www.bloomberg.com/news/articles/2016-01-26/cash-is-king-as-europe-adapts-to-negative-interest-rates-chart>

When that comes here, where will anyone find safe yields?

Clueless in Davos

It is sad to realise that I know far more than the “big-noting idiots” who attended Davos ...Peter Schiff is right on the button...

http://seekingalpha.com/article/3835446-clueless-davos?source=email_macro_view_eco_1_22&ifp=0

What Walmart is doing in the USA is usually a good indicator of retail demand...but hey, Walmart are going to close 465 stores...and their stores are huge!

For China, there are some observers who believe the Chinese may continue with their currency wars stance in the face of their economic “issues”.

http://ggc-mauldin-images.s3.amazonaws.com/uploads/pdf/OTB_Jan_27_2016.pdf

IMHO, if they were not committed to having the RmB as a major international player, they would not be wasting so much on importing gold by the ton.

China to tick off North Korea?

The main issues seem to be the sheer numbers of refugees being rejected in EU countries and the relationship between USA and China regarding North Korea.

<http://www.telegraph.co.uk/news/worldnews/europe/sweden/12126599/Sweden-plans-to-expel-up-to-80000-failed-asylum-seekers.html>

From Sinocism...

China backs U.N. move to denounce North Korea over nuclear test - The Washington

Post After a five-hour meeting between Kerry and Foreign Minister Wang Yi, the two diplomats appeared before reporters with tension written across their faces. Wang drummed his fingers on the side of his podium as a grim-faced Kerry excoriated the actions of North Korea and its erratic leader, Kim Jong-un. Kerry used unusually forceful language about the dangers posed by Pyongyang. Wang repeatedly mentioned the need for stability on the Korean Peninsula. While both agreed more sanctions are warranted, they said that the details would have to be resolved in talks at the United Nations Security Council in coming days.”

But will North Korea get the message?

<http://www.telegraph.co.uk/news/worldnews/asia/northkorea/12126464/North-Korea-preparing-long-range-missile-launch-next-week.html>