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Low oil price may lead the world into GD2 / USA drives global finance - what next? / BREXIT still work in progress

Low oil price may lead the world into GD2

Oil producing countries may fail. Individual fields decline rates may escalate – not just US shale plays but also the more expensive offshore fields may end their lives the sooner. British North Sea is a case in point.

The world economy has had a massive redistribution of wealth. So the lower oil price may be the final nail in the coffin of a global financial system that is heavy on debt.

<http://www.bloomberg.com/news/articles/2016-02-02/for-once-low-oil-prices-may-be-a-problem-for-world-s-economy>

and

<http://peakoil.com/consumption/gail-tverberg-why-low-oil-prices-will-not-stimulate-the-economy>

Meanwhile ALL oil companies have their own individual crisis to manage...from Seeking Alpha...

“**Grappling with a collapse in crude prices**, **BP** has reported its worst annual loss in 20 years (even weaker than its 2010 results that included the costs of the Gulf of Mexico oil spill). For 2015 as a whole, the company announced a loss of \$6.5B. On an underlying basis, Q4 replacement cost profit came in at \$196M, down from \$2.2B a year earlier, and well below analyst estimates. BP is also aiming to reduce its global oil production, or upstream, headcount by 4K-20K as it undergoes a \$3.5B restructuring program. BP **-8.5%** premarket.

Standard & Poor's has lowered its credit rating on Royal Dutch Shell (**RDS.A**, **RDS.B**) and placed the oil major, **BP**, Eni (NYSE:**E**), Repsol (**OTCQX:REPY**), Statoil (NYSE:**STO**) and Total (NYSE:**TOT**) on ratings watch with potential negative implications. S&P's moves, which include downgrading Shell's ratings to A+/A-1 from AA-/A-1+, come three weeks after the agency lowered its 2016 price assumption for Brent crude to \$40/bbl.”

None are doing well, but indicatively BP is in crisis...

<http://www.bloomberg.com/news/articles/2016-02-02/bp-profit-falls-91-missing-estimates-as-oil-slump-deepens>

and

<http://www.bloomberg.com/news/articles/2016-02-02/writedowns-seen-dominating-earnings-across-asian-oil-industry>

For those who are interested, Goldman Sachs (The “Vampire Squid”) have a prediction about electric cars...

<http://reneweconomy.com.au/2016/four-reasons-electric-vehicle-sales-will-surge-goldman-sachs-86958>

They can predict all they like but market penetration has been poor due to the absence of a suitable battery technology. No amount of hopium can change that...yet (all fingers crossed that EESstor succeeds).

USA drives global finance - what next?

The US government tends to drive the global financial system through its organs like IMF, World Bank and via OECD and the influence of its military. More powerful is the influence of the US dollar/ AKA the Petrodollar. So if we are to see how the year will play out, we need to see what is happening in USA. Not what they say, but what happens there.

The next stage of the game by the Fed may already be scripted...

<http://www.zerohedge.com/news/2016-02-02/negative-interest-rates-already-fed's-official-scenario>

But also we are hearing that the retail sector is having a hard time. Numerous stores to be closed – some after just opening and killing off the competition. So some small towns will be left with minimal retail. Would this be happening if the economy was booming?

<http://endoftheamericandream.com/archives/retail-apocalypse-2016-brings-empty-shelves-and-store-closings-all-across-america>

South of the border – down Mexico way, a rolling disaster is under way. This flows over into the USA and is stimulated by buyer behaviour in USA. After the Iowa caucus, perhaps The Donald may not get to build the wall that he said he would build when he became President. But who knows, it may have been a good idea. Mexico is an oil exporting country...perhaps soon it will also be a failed state. Form your own conclusions from this...with thanks to Graham...

https://d2pj2twjx3fya.cloudfront.net/staticpages/static/video/rodrigo_canales.mp4

Perhaps the names Rubio and Cruz may mean that the USA gets a Hispanic President next?

But how do you get prosperity if a large (but ignored) portion of the population are out of work?

BREXIT still work in progress

But some progress towards knowing what Brussels will and won't accept, has been made. Even so this is subject to approval...later in February. Then the UK can set out its referendum as to whether to leave the EU or not...later in 2016...

<http://www.telegraph.co.uk/news/newsttopics/eureferendum/12136337/EU-deal-What-David-Cameron-asked-for-Brussels-Brexit.html>