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## Better-Management Newsletter 9 February 2016

### **Economic Armageddon: when? / The unfolding sorry saga / Gold and silver moving**

#### **Economic Armageddon: when?**

What is unfolding is the fulfilment of my predictions for 2016. That isn't to say the prospect of crash and GD1 is now greater than 55% this year. But that is only because the stupid economists and central bankers still have more of our money to play with. But we are well on the way to economic Armageddon.

We still rely on the same idiots to extract us from our predicament. If that doesn't happen then we must make our own preparations or else we deserve what comes our way.

To prepare?

If you buy my fear and worry...

1. Hold enough cash under the mattress to last your family for two months (to provide for the possibility of bank holidays – when banks shut to figure out how to stop savers pulling out their money from the banks, and to decide how much of savers' money they should confiscate...to fix their own problems)
2. Hold enough gold and silver in appropriate denominations to last for 2-3 years – just in case the fiat currency breaks down in a hyper-inflationary collapse. (Fortunately we are not headed that way at present...deflation is getting worse – so cash may soon be not just “king” but “Emperor”).
3. Hold non financial assets including buildings with good rental streams and productive land.
4. Or you could do what the preppers advise.... and get a lifestyle block so you can grow your own fruit/veges, chickens, goats, pigs and dairy herd.

The alternative is to hope for the best.....

#### **The unfolding sorry saga**

What does progress look like today? The economies that were not trashed in 2008

Those economies were the oil exporters and the countries that supply the Chinese infrastructure build that has now slowed down. The oil price changed events for the oil exporters and the other commodity price drops took care of the rest. Canada to Saudi Arabia, recession has been delivered on a plate...

<http://www.zerohedge.com/news/2016-02-08/forget-europe-why-time-has-come-panic-about-canadian-banks-one-chart>

One of the biggest frackers in the US shale is going to join those who have already gone to the wall...

<http://www.zerohedge.com/news/2016-02-08/forget-europe-why-time-has-come-panic-about-canadian-banks-one-chart>

Of course, this stuff is merely indicative of what is going down.

The fact is that all share markets are probably going to be in trouble this year and all asset prices hit. But why is the oil price drop such a concern?

<http://www.thetyee.ca/Opinion/2016/02/08/Wild-Descent-Oil/>

**In the big markets** things look bad...

From BBC, the world sharemarkets are coloured red...not particularly significant of itself, but with the “Baltic Dry” index at an all time low and world trade dropping, things don’t look good. FTSE -2.71%, Dow Jones -1.1%, Nasdaq -1.82%, Nikkei -5.22%.

And from Seeking Alpha...

“**Most global equity markets** are posting big losses as traders fret about a recession following Friday's disappointing U.S. jobs report, indicating Wall Street may carry on with the heavy casualties seen at the end of last week. Investors are also looking ahead to testimony from Fed Chair Janet Yellen on Wednesday and Thursday, triggering continued uncertainty around the potential for the central bank to still raise interest rates in 2016.”

And Europe...

<http://www.bloomberg.com/news/articles/2016-02-07/japan-stocks-to-drop-on-yen-china-reserves-fall-99-5-billion>

And Russia?

“**Russia is exploring** an international bond issuance for the first time since the war in Ukraine sparked sanctions from the West, in a sign that the Kremlin is keen to find additional sources of revenue as the economy heads for a second year of recession. The country, which last raised cash on international markets with a \$7B bond in 2013, has already approached 25 Western investment banks and big Russian lenders Sberbank ([OTCPK:SBRCY](#)), VTB, and Gazprombank about a possible eurobond.”

And China?

“[Although major Asian markets](#) are closed this week for the Lunar New Year holiday, China kicked off the celebration by reporting a \$99.5B foreign currency reserve drop in January to \$3.23T, marking the lowest level since 2012. Beijing has been fiercely struggling to underpin the yuan amid slower economic growth, plunging stocks and increasing capital outflows that have been burning through the reserves.”

And Australia is hoping like crazy that someone will take their LNG when it comes on stream...but the market is already over-supplied. Australia is hoping that the Chinese steel companies that are already producing twice that the market wants/needs, will continue to buy their iron ore at the same quantity and price....fat chance.

Global banks are heavily exposed to energy and emerging markets troubles and investors in banks are starting to panic. In particular Deutsche Bank is starting to look VERY exposed to a CDS run L... Central banks are asking that major banks actually avoid marking assets to market...that would just trigger collapse. So what does happen when the next “To Big To Fail” bank fails?

[http://seekingalpha.com/article/3873036-next-big-fail-bank-fails?source=email\\_macro\\_view\\_top\\_articles\\_0\\_0&fp=0](http://seekingalpha.com/article/3873036-next-big-fail-bank-fails?source=email_macro_view_top_articles_0_0&fp=0)

Yet collapse will come anyway, if you think about it.

### **Gold and silver moving**

With spot gold hitting USD 1266/oz over the weekend, today the gold price on Comex is USD1193/oz and silver USD15.41/oz. That is a move off the bottom – but is it just a dead cat bounce. Perhaps we should buy more – just in case? But very risky at this stage.

A sign of market panic? Or just supply shortages for the bullion? It may soon become clearer. But Venezuela must sell all its gold reserves this year if it is to meet debt repayments. Major hedge funds are in a similar boat (as are many other emerging economies)... so what is next?

I think Gail Tverberg sums it up pretty well...

<https://ourfiniteworld.com/2016/02/08/the-physics-of-energy-and-the-economy/>

When you look at what Gail is saying, you realise that the inevitable calamity just gets more inevitable by the day. Yet how many of us have the surplus resources to prepare for what is to come?