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Oil the energy / The past global treaty, a fraudulent relic / Breton Woods RIP, 1944-2016?

Oil the energy

The IEA sees supply reduction impacting on the oil price...

<http://www.bloomberg.com/news/articles/2016-04-14/qatar-s-oil-freeze-letter-to-norway-reveals-logic-of-doha-deal>

I wonder how long it will take for US oil production to drop by 1 million bbls per day? From Seeking Alpha...

“**Evidence of falling U.S. production** and a drop in supplies outside of OPEC will help the oil market "move close to balance" in the latter half of 2016, the International Energy Agency declared, stating world surplus would diminish to 200K barrels a day. Will the upcoming producer meeting in Doha help? According to the energy watchdog, the impact of an output freeze deal "will be limited" since a rebalancing is already taking place in the market. Russia's energy minister also suggested today that only a framework, not concrete commitments, will be the focus of gathering on April 17. Crude pared losses on the IEA report, and is now flat at \$41.75/bbl.”

It is no surprise that production is dropping as the shale producers cannot pay their bills...

<http://www.zerohedge.com/news/2016-04-14/more-energy-defaults-energy-xxi-files-chapter-11-gulf-keystone-delays-bond-payment>

In every second newsletter for the last five years I've noted that shale was a Ponzi scheme and the shale companies would crash and burn? Well, they are now crashing and burning the Wall St. financiers.

There was the argument (from the economists and the part of the oil industry that uses barrel counting rather than Btu counting to measure production volume) that low oil prices would lead to a boost to the economies of oil consuming nations. But this has definitely not happened...and yet when you read the crap that Paul Krugman writes about the so-called conundrum, you have to wonder how he ever got his Nobel prize for economics...

http://krugman.blogs.nytimes.com/2016/04/13/is-cheap-oil-contractionary/?_r=1

The volume of oil produced in barrel terms has risen but the quality of the oil (in BTUs) has dropped and the quantity of energy required to produce that oil has risen sharply over the last eight years. What does that last sentence mean? It means the net value of oil to society has fallen. Even if you produce a lot more, folk may not be able to buy it.

But global oil prices tend to be set mainly on the basis of the balance of supply and demand in barrels. So as the barrels produced will continue falling (possibly steeply) the price of oil will likely rise. To be met with another crash in the OECD. You can put a ring around that prediction!

Very shortly the environmentalists who are “plotting against the oil industry” are going to see higher oil prices...and it doesn't need to be much higher and the global economy will be “toast”...

<http://www.foxnews.com/politics/2016/04/13/report-reveals-secret-meeting-by-environmentalists-to-target-exxon-oil-industry.html>

The major contributor to atmospheric pollution has probably been coal rather than oil; but with coal companies struggling to survive, the international coalition of green interest groups figure the oil industry should pay them something...now the governments are starting to run short of money... What is the case for the prosecution? Well, apparently it is all about climate change. Let's face it, those 30,000 climate scientists who promote that AGW notion need to justify their money – irrespective of the fact that human progress has ONLY happened due to the energy bonanza provided by fossil fuels...

http://www.huffingtonpost.com/entry/oil-cover-up-climate_us_570e98bbe4b0ffa5937df6ce

The down side of the wealth is the pollution of land, sea and air by that wasteful species....mankind. But equally, there would be fewer of us homo sapiens if we hadn't had fossil fuels.

So, how will humanity fare, if the greenies stop the oil drilling with their rules and by persuading the investors that investing in oil is a crime against Gaia?

<http://www.bloomberg.com/news/articles/2016-04-13/exxon-says-25-billion-rule-will-sink-deepwater-oil-drilling>

As a geological reality, if we want continued supplies of oil we must drill in riskier places...or we will be gazumped. But if low oil prices didn't help the global economy, it isn't hard to imagine what will happen when prices rise in September, October or November? Bust time, as I predicted.

The past global treaty, a fraudulent relic

<http://www.telegraph.co.uk/news/2016/04/14/its-no-wonder-voters-lose-faith-in-the-system-if-our-financial-e/>

The Chinese – having been hit by the BoJ policies to weaken the Yen, are counter-attacking by “informally” weakening the Yuan...from Seeking Alpha...

“**The People's Bank of China weakened** the daily yuan reference rate today by the most in three months after the dollar strengthened and a surprising easing by Singapore weighed on Asian currencies. The weaker fixing "is a reflection of the overnight dollar recovery," one economist said. "Still, it's slightly weaker than expected, making me feel like there is still a

weakening bias." The yuan fell 0.12% in Shanghai to 6.4847, marking a third straight day of declines.”

This is really just a continuation of the currency wars that have been running since 2009. It seems that small changes like this will be tolerated by the international community – until someone else feels threatened. Then the currency wars will flare up again.

Central banks are losing their ability to goose GDP with money printing and ZIRP/NIRP and the difficulties encountered by individual countries means they are more likely to act in their own interests...

<http://www.reuters.com/article/us-imf-g20-cenbank-analysis-idUSKCN0XB0AN>

China prepares for its hosting of the G20 summit and they mean to have influence over attendees thoughts and future strategies...this worries America.

The big US banks are reporting their quarterly results and these have dropped due to shale losses. Those guys HAVE been manipulating gold and silver markets for years – yet no-one seemed to care. But the TBTF banks won't yet be able to factor in the next settlement with the SEC, now that Deutsche Bank has turned “stool pigeon”.

<http://www.zerohedge.com/news/2016-04-14/first-silver-now-gold-deutsche-bank-admits-it-also-rigged-gold-prices-legal-settleme>

My guess is that JP Morgan will be next on the block....but from this fraudulent TBTF bank behaviour, bankers' heads should roll!

The latest bank to register lower earnings is Bank of America ...

<http://www.bloomberg.com/news/articles/2016-04-14/bofa-profit-drops-13-on-trading-slump-higher-energy-reserves>

But wait. Isn't there something more serious going on? Yes there is.

Breton Woods RIP, 1944-2016?

In 1971 the USA repudiated the terms of the Breton Woods Agreement of 1944 that made the US dollar the global reserve currency. They severed the link between US dollars and gold. It was a one sided action that resulted in Treasury Secretary John Connolly reacting to the breach by saying, “It is our dollar, but that is your problem”. That is a universally remembered arrogance. Gradually, the US Government found it harder and harder to keep their hands out of the “cookie jar” and the US dollar became an “exorbitant privilege” for the USA. If the USA wanted something, the US Fed just printed more money. Now the USA has imported trillions of dollars in goods, paid for by trillions of dollars of paper.

Once, if you tried to use a different currency for international transactions, the US propensity for “regime change” came to the fore. Now that can't be done to the heads of all major allies...

There is now a move to an international currency, with Special Drawing Rights under consideration at the IMF. The move away from the US dollar has already started; loosely

following the Asian Infrastructure Investment Bank establishment in December 2015 and the multi-party sale of US Treasury debt has started.

I suspect the global crash will be far bigger than James Dale Davidson (in the following link) thinks – he only focuses on the US part of it, while I see the rest of the world in pretty bad shape. Where I see common sense in making a change from the US dollar, he sees betrayal for the “American Dream”.

<http://pro.strategicinvestment.com/NDPCUR1/ENDPS438/?email=jcrofe%40xtra.co.nz&a=10&o=7526&s=10385&u=1369569&l=174461&r=MC2&vid=m7wpMv&g=0&h=true>

I have no idea how sensible his recommended course of personal action for American investors is. But I didn't listen to that part...probably it isn't all for me. I don't have the money to prepare.

But IMHO we are headed for the first truly global depression – soon - and the stupidity instigated by politicians, central bankers, economists and green activists will make the depression and associated crash that much worse. What I cannot get a handle on is whether our human species will be worse or better off, for a bit of “pruning”.