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## Better-Management Newsletter 22 April 2016

**Lithium boom?? / Chinese enigma / Oil uncertainties / The banks' GFC carnage; now the US shale oil Ponzi / A post-collapse action plan**

### Lithium boom??

I suppose that by the time someone like Goldman Sachs starts eulogising something like lithium, that investment boom must be over. Well certainly for lithium the opportunities for buying into the boom are probably over for the small investor. The Chinese are however reaching out to try to dominate the lithium supply...in Chile and Bolivia...

<http://peakoil.com/geology/lithium-an-increasingly-precious-metal>

Goldman have lost their aura of invincibility...

<http://www.bloomberg.com/news/articles/2016-04-20/blankfein-s-decade-ending-with-a-thud-on-a-humbled-wall-street>

If the mythological EESU super-battery is able to work after new polymers are successfully trialled (a big "if"), then there will follow a lithium bust...as what happens with an oversupply of all commodities. Then the investments in favour will be titanium, zirconium and some heavy rare earths.

### Chinese enigma

Whichever way you cut the data, China's appetite for controlling access to oil and strategic minerals like uranium, rare earths, lithium etc., must be ringing alarm bells at the Pentagon.

With thanks to Peter, the Chinese are becoming more assertive as they seemingly move from war games with Russia and other SCO allies, to blooding elite troops in foreign conflicts...

<http://beforeitsnews..com/opinion/2016/04/pentagon-stunned-as-thousands-of-chinese-troops-enter-isis-war-2456244.html>

Militarism in China now flows from the top of the party apparatus ... from Sinocism...

**["Xi stresses joint battle command for military reform - Xinhua](#)** Chinese President Xi Jinping inspected the Central Military Commission (CMC) joint battle command center on Wednesday, calling for building a joint battle command system with Chinese characteristics. Xi visited the center Wednesday morning, where he serves as the Commander in Chief, calling on the center to implement the military strategies under the new situation and focus on its core key functions of studying and commanding wars. Xi, general secretary of the Communist Party of China (CPC) Central Committee and CMC chairman, also asked officers to change their ideas, innovate and tackle difficulties, in a bid to build a joint battle command system that was

"absolutely loyal, resourceful in fighting, efficient in commanding and courageous and capable of winning wars." The strategic and operational command system should be efficient and active in both peace and war, Xi said. According to Xi, improving the center is a significant part of deepening the reform on national defense and military as well as a key measure to strengthen the CMC's function of strategic command. "

Mr Xi is seemingly emulating Mr Putin...from Sinocism...

**[“China’s President Xi steps out with a new military title – and the uniform to match | South China Morning Post](#)** Observers said the post and uniform were aimed at sending a message to the world that he was not only the top administrative leader of the world’s biggest army, but also the chief commander of the fighting force. “Xi’s camouflage military suit showed that he is top commander of the PLA’s supreme joint battle command body, which was set up to meet today’s modern warfare demands, and is capable of commanding land, navy and air forces, as well as other special troops like the Rocket Force and Strategic Support Force,” Xu Guangyu, a retired PLA major general said.”

But China could soon be on the economic skids according to George Soros...but George is betting on that, so he is “talking his own book”. Unfortunately the sheer size of China’s debt mountain and its growth may make him right with horrific consequences for those countries supplying China...

**<http://www.zerohedge.com/news/2016-04-20/george-soros-warns-china-resembles-us-2008-hard-landing-practically-unavoidable>**

With tougher times, xenophobia is becoming a tool of the state...from Sinocism...

“CCTV reports on another case of foreign espionage, this time a man who went overseas to study, was recruited by an unnamed foreign intelligence service...the message that is coming through party propaganda could easily be understood by the masses as all foreigners are suspect...not good”

One thing to be concerned about is how long the Chinese will hang on to US dollar denominated Treasury debt. If they and the Saudis were to redeem it then the US dollar would crash. The Saudis have their own problems with ultra low oil prices...from Seeking Alpha...

**[“Looking to counter dwindling](#)** oil revenues and reserves, Saudi Arabia is raising \$10B from a consortium of international banks as it embarks on its first global debt issuance in 25 years. The landmark five-year loan, a signal of Riyadh's newfound dependence on foreign capital, comes as the sustained oil slump encourages other Gulf governments, such as Abu Dhabi, Qatar and Oman, to tap world bond markets.”

Meantime in China, the one trillion US dollars of extra central bank easing over the last couple of months is causing bubbles – in some places where they can do most harm – like the Iron and steel industry. But will it take a crash to rein them in? From Sinocism...

**[“As global steel crisis grips, China says March output was a record | Reuters](#)** Under pressure to curb steel output and relieve a global glut, China said on Tuesday its production

actually hit a record high last month as rising prices, and profits, encouraged mills that had been shut or suspended to resume production. The China Iron & Steel Association (CISA) said March steel production hit 70.65 million tonnes, amounting to 834 million tonnes on an annualized basis. Traders and analysts predicted more increases in April and May

### [Iron ore just ripped higher again, and is now up almost 50% this year | Business Insider](#)

Following the lead of Chinese futures which closed limit-up 6%, the spot iron ore price rocketed higher on Wednesday, rising to the highest level seen since June 12 last year. According to Metal Bulletin, the spot price for benchmark 62% fines surged by a further 3.05%, or \$1.92, to \$64.77 a tonne. In the past three sessions alone the price has jumped by 11.1%, extending this years gains to an amazing 48.7%.”

### **Oil uncertainties**

I have not had much to say about oil for a couple of weeks as I have watched to see how the major market swings would play out and whether producers would restrain production, whether the US shale production would drop significantly, what the impact of the stored Iranian crude would be and what the impact of the Kuwaiti’s oil workers strike would be. These events have come and gone and in net terms, the Iranians are increasing their output – but being matched by the fall off of shale production in the USA. The current stuff from Seeking Alpha...

” [Crude prices are steady](#) following a major jump on Wednesday as government data showed that U.S. crude stocks rose slightly less than expected last week, while the U.S. dollar advanced against the euro ahead of today's ECB meeting. The lack of movement comes despite the IEA predicting 2016 would see the biggest fall in non-OPEC production in the last 25 years (almost 700K bpd), helping rebalance a market that has been dogged by oversupply. "At the same time, global demand growth is in a hectic pace, led by India, China and other emerging countries," IEA chief Fatih Birol told reporters in Tokyo. Crude futures flat at \$44.18/bbl.”

Tom Petrie sums things up reasonably well...

<http://www.cnbc.com/2016/04/20/why-80-dollars-could-be-new-normal-for-oil-advisor.html>

One issue he doesn’t get into is that if you double the oil price in 2018 (or before) then the global economy will be toast. Ah well, I suspect by then it will be toast anyways J.

According to OPEC, World oil production peaked, so far, in November of 2015.

I look for this downward trend to continue for at least the next two years. Increases in conventional crude production have been abysmal for the last decade, and that was during an era when oil averaged \$78/ barrel. Between 2005 and 2014 conventional production increased at an average annual rate of 0.43% per year, compared to the 1960 to 2005 rate of 5.43%.

CAPEx in this low priced environment has fallen by up to 35%; there is now no chance of any substantial increase in production.

Here is Ron Patterson's latest OPEC update FYI...

<http://peakoilbarrel.com/opec-update-4/>

You may recall (if you received my emails then) that by about 2007 I was likening what was happening to oil prices with what happened to prices during the final years of the whale oil boom when whale oil production had peaked. What occurred then was spikes upwards and downwards in oil prices as the market went from feast (when prices were high) to famine (when a glut formed and prices were low). This repeated several times over the period during which, first, Parafin liquids from coal came in as a substitute and then finally "rock oil". Thereafter the whaling industry was in a long terminal decline – ending in the 1950s...about 100 years after its year of peak production. IMHO we can expect the same with our current oil supplies, with one exception. The EROEI and oil quality will continue to worsen.

But competition for market share will likely intensify.

Meantime, demand for oil will remain stable until the global depression bites. The use of alternative energy is commendable but will be inadequate for many years, making the rant by environmentalists about CO2 level reductions at COP21 somewhat of a waste of time. The rants now emerging about the Saudis involvement in terror, also fail to assist the global energy downturn, with coal and oil supplies more likely being turned off by both conservationist activities and price signals discouraging investment.

<http://peakoil.com/publicpolicy/saudi-arabia-is-a-cancer-on-the-world>

That guy doesn't like the Saudis does he? But make sure you read the comments. The US activities on the global stage are just as bad. If you cast your mind back to the 1980's, you will recall that it was the Saudi's undercutting the Soviet oil business that crashed the Soviet Union and ended the cold war. So the USA will continue to tread warily with them.

### **Earthquakes and other disasters**

It seems that the Pacific Rim drama of earthquakes and volcanism is continuing...many more volcanic eruptions and we won't need to worry about global warming for a change....

<http://beforeitsnews.com/gold-and-precious-metals/2016/04/shtfplan-the-shaking-continues-there-is-great-reason-for-concern-over-recent-earthquakes-and-volcanic-eruptions-2797904.html>

Then there were the man-made disasters – still ongoing at Fukushima and Chernobyl...

<http://www.euronews.com/2016/04/20/chernobyl-and-fukushima-lessons-not-learned/>

George Orwell's 1984 being realised? ...another reminder that self-reliance may be the best way forward...

Let's start with an ode to bankers...

<http://www.mauldineconomics.com/the-10th-man/persona-non-grata>

and

<https://www.propublica.org/article/why-havent-bankers-been-punished-just-read-these-insider-sec-emails>

### **The banks' GFC carnage; now the US shale oil Ponzi**

The banks responsible for the GFC carnage still exist in one form or another with their management doing the same rorts – like the shale Ponzi in the USA.

Now Central banks have few weapons left in their arsenal and that makes the crash inevitable as their stupid actions to bail out their peers have only put off the evil day.

Globally, interest rates are low, cash is trash and asset values are in frothy bubble territory. All governments contribute something to make it even worse.

Ron Paul. The retired Congressman from Texas, has it right when he signals that the establishment has failed to learn from what has emerged during the whacky 2016 presidential election. The system is failing. What would happen to the USA if China and the Saudis did sell off US Treasury debt? What would happen if the world stopped using the US dollar as the reserve currency. The way governments react when threatened, is to increase controls. No need to wonder if that will continue to happen, because it always does – until revolution...

<http://www.zerohedge.com/news/2016-04-20/2016-rage-fear-anger-election-ron-pauls-deep-dive-real-issues>

The more tangible evidence of trouble ahead comes from the impact of the unsustainable liabilities the USA must soon deal with. 50 million on food assistance is one thing but folk dropping off health benefits and pension entitlements are the sorts of things that take the middle class and make them destitute...

<http://www.zerohedge.com/news/2016-04-20/going-be-national-crisis-one-largest-us-pension-funds-set-cut-retiree-benefits>

So the Government interference and largesse will only increase in the world's largest economy. What will hit us is not a repeat performance here but the extension of global influences to our shores.

The imposition of FATCA and GATCA is an overlay on the spying done by central government by electronic eves-dropping...George Orwell has been vindicated...

<http://www.internationalman.com/articles/the-shocking-real-reason-for-fatca-and-what-comes-next>

In Australasia as well as USA, the only way around this is to take advantage of the legal right to own precious metals and deal with crypto-currencies using the “blockchain”....like Bitcoin. But how long before Bitcoin or its successors has to answer to the politicians?

The problem for folk who have assets, is that when the (effectively) socialist governments are faced with a crash, they will come after the folk with bank accounts and assets, that they can tax or expropriate “for the good of the people”.

### **A post-collapse action plan**

Just remember my action plan for the coming bust (whenever it occurs) – kindly confirmed for me by the residents of Cypress and Greece....

1. Hold enough cash for 3 months of bills for your family...for when the “bank holidays” happen (to sort out how to restore liquidity/solvency to a failing bank).
2. Not hold more than \$100,000 per person on deposit in each bank to avoid a possible “Open Bank Resolution” expropriation.
3. Hold precious metals in small denominations (1oz silver coins and quarter oz gold coins are my preference, followed by a few 1kg silver bars and 1 oz gold coins for large denomination purchases. Although bought in cash, I prefer retaining the cash sale dockets for these to validate source and timing of purchase and also to confirm pedigree of the 99.9% assay.
4. At some point I will try to exit financial assets to replace them with real assets that would not disappear in any melt-down. That will be hard to do.

While I admire those who own productive land as an ongoing investment, I have realised that we are all limited as to what we can afford, so it is well beyond my reach. I treat this subject like a hobby and simply hope for the best.

Gold and silver are not investment products. They are simply an emergency source of real money for a time when even fiat money is worthless – so we hope we never have to use it. As Jim Rickards says...watch what they elites are doing with the stuff – not what they say....

<http://thecrux.com/jim-rickards-a-scramble-for-gold-has-begun/>

I have watched gold and silver price movements since 1981, and given the cost of casting a coin that adds to the price, and the stuff is sold at a margin to give the mint a return when they sell and when they buy it back, so there isn't much chance of making a profit on gold/silver purchases as investment assets unless the prices go through the roof, so I figured I could only lose money. Even today, the big players are manipulating the market with silver having traded in two days more paper ounces (1.5 billion oz) than the quantity of metal that is produced in a year!

Just remember the old saying, “hope for the best, but prepare for the worst.” You can only prepare before the event.

### **Fiddling car emission data**

Now Mitsubishi is in the gun...from Seeking Alpha

“**Mitsubishi Motors fell more than 17%** in Tokyo overnight, its biggest intraday loss in more than a decade, after the company said it will hold a briefing about its improper handling of fuel tests. At a press conference later in the day, Mitsubishi ([OTC:MMTOY](#)) admitted to manipulating data to improve fuel economy, and said the issue involved 625K vehicles as well as models supplied to Nissan ([OTCPK:NSANY](#)). The company has stopped making the cars in question and an independent panel has been set up to investigate the matter.”

Impractical laws are seemingly met by devious and illegal actions to flout them...

<http://www.bbc.com/news/business-36103903>