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Oil price, and shale fiasco / IMF warnings / Germany getting sicker / Panamagate exploding / Geopolitics - even more messy

Oil price, and shale fiasco

The oil price drives the cost of everything to at least some degree. So we must wonder what could happen if the oil price went back to USD120/bbl.

Well there is one experienced industry analyst who reckons that could come by the end of 2017...

<http://oilprice.com/Energy/Oil-Prices/120-Oil-As-Soon-As-2018.html>

The problem for the oil and gas industry was that shale was never economically viable. It only happened because Wall Street needed new suckers and this extract from the following (brilliant) link describes the scenario beautifully...

“The function of Wall Street is to connect the greedy and stupid with people and institutions without scruples who will spend their money for them. For this to happen optimism must be generated at all times whether this optimism has any foundation or not. The study of bubbles is all about people who are able to swim in an ethical sewer oblivious to their environment.”

Exploitation of US shale caused the oil surplus and it will probably end up crashing the global economy as a result...

<http://www.credoeconomics.com/shale-euphoria-the-boom-and-bust-of-sub-prime-oil-and-natural-gas/>

Just remember, even the NZ Super Fund was sucked into a NZD400+ million investment in shale oil by KKR...despite my warnings.

But Dan doesn't factor in the fact that real economic growth is dying. We could see oil prices rise to the point where demand destruction begins at a lower oil price of say USD70/bbl. That could mean that demand could fall to further cap the range of future oil prices.

IMF warnings

The IMF is spreading fear whenever Christine Lagarde speaks...from Seeking Alpha...

[“In a speech at Frankfurt's Goethe University](#), IMF Managing Director Christine Lagarde turned up the volume for stronger action by the world's economies to boost growth, warning

that downside risks were increasing without decisive action. "Let me be clear: we are on alert, not alarm. There has been a loss of growth momentum." She also prescribed specific moves, including for the U.S. to raise its minimum wage, for Europe to improve job training and for emerging economies to cut fuel subsidies and boost social spending."

China is tightening the screws on its populace and Japan is struggling with deflation despite the most aggressive ever money printing. Things aren't so hot in that other exporter...Germany...from Seeking Alpha

Germany getting sicker

"Factory orders in Germany" unexpectedly fell to a six-month low in February because of lower foreign demand and a below-average number of bulk purchases. Orders, adjusted for seasonal swings and inflation, dropped 1.2% from the prior month, when they rose a revised 0.5%, according to data from the Economy Ministry in Berlin. Bundesbank warned last month that the nation's growth momentum could slow in Q2 as weakening exports prompt companies to curb output and hiring. Other news from the eurozone: The region's composite PMI for March was 53.1 vs. a flash figure of 53.7."

We can expect the Panama papers to have a bigger impact than Wikileaks when the media is let loose on what the major corporate have been doing. Typically, the major multinationals do the bulk of their complex production in tax havens and then use absurdly high transfer prices for goods sent to other taxable jurisdictions to transfer profits to where they cannot be taxed. That still leaves them a problem to get there cash back to home base in USA. So big Pharma and the likes of Apple have tens if not hundreds of billions of dollars stacked up in tax havens. That leaves them a problem of how to invest it to get a return and how to move cash into the USA to avoid it attracting the top tax rate. Apple now borrows to pay dividends rather than bring in their cash. So we may see some startling revelations. ...from Seeking Alpha...

Panamagate exploding

"The 'Panama Papers' have been causing" a stir across the globe for the last 36 hours, with many demanding resignations ranging from Iceland's Prime Minister Sigmundur Gunnlaugsson to Ukrainian President Petro Poroshenko. For more than a year, Frederik Obermaier, investigative journalist at *Suddeutsche Zeitung* has been piling through the 11.5M documents leaked from Panama-based law firm Mossack Fonseca. Speaking on the phone from Munich, he said in the coming days, names of corporations rather than individuals will start to appear."

And

<http://www.cbc.ca/news/world/panama-papers-documents-release-consequences-1.3519792>

Iceland's PM has quit and it is emerging that banks are major users of the services of taxhaven lawyers. The too Big to Fail banks are probably going to get roasted J...

Janet Yellen has rocked Wall Street by effectively admitting that any significant increase in interest rates will likely tip the US economy into recession (which we all know will soon be apparent any ways). So share markets around the world were down overnight.

Greece is in really big trouble and the IMF would like to pull its loan money out because they realise that the German dominated ECB will not compromise on their debt, making total economic failure a reality...sometime soon. Then what? GREXIT? No, the EU cannot allow that. So Greeks are prisoners in their own land...

<http://www.bloombergtview.com/articles/2016-04-04/time-is-running-out-again-for-greece>

Central banks can never solve economic problems, they can only kick the can down the road – until they can't kick it any further. So when will that be?

Brazil is now moved inexorably towards the impeachment of Dilma Rousseff and the financial scandals deepen. I am inclined to wonder whether the Olympic Games are going to be deliverable if this crisis worsens?

<http://www.bloomberg.com/news/articles/2016-04-05/another-brazil-state-run-giant-readies-its-own-graft-writedowns>

Even the “giant vampire squid” is suffering these days...as its alumni run the world's central banks and governments...Goldman Sachs of course.

<http://www.bloomberg.com/news/articles/2016-04-05/goldman-profit-estimates-cut-again-as-analysts-project-45-drop>

The USA has shut the door on “Inversions” where a small company in a low tax country notionally “takes over” a large American company so it can move its domicile offshore. The biggest known transaction that this has brought to a halt is the takeover of Pfizer who has a lot of money held in tax havens following the success of drugs like that “little blue pill for old men”, Viagra.

Geopolitics - even more messy

Hilary may be backing the wrong horse...

<http://usuncut.com/politics/panama-papers-bernie-sanders-white-house/>

There are now numerous major droughts in the Northern hemisphere. In the Philippines, their's had led to increased use of the military to put down food riots. Across the world military spending is up...

<http://www.bloomberg.com/news/articles/2016-04-04/global-military-spending-rose-in-2015-stockholm-peace-institute>

Some droughts will be multi-decadal – like California's. But in many areas (including California) the persistent over-use of aquifers exacerbates the problem.

The drama between Iran and Saudi Arabia with their proxy wars may escalate...

<http://peakoil.com/production/saudi-arabia-and-irans-oil-production-proxy-war>

and...

<http://www.reuters.com/article/us-russia-iran-missiles-idUSKCN0X20Q2>

The wars across the Middle East are going “grass roots”..

<http://www.wsj.com/articles/afghan-spy-agency-arms-villagers-to-hold-off-islamic-state-1459848602>