

[www.better-management.org](http://www.better-management.org) provides invaluable insights that will help you understand and deliver better organizational performance.

## Better-Management Newsletter 13 May 2016

What global recovery? / Resource depletion accelerates / Gold and silver flowing East / Lies about UK immigrant numbers

What global recovery?

Italy is sinking...

<http://www.telegraph.co.uk/business/2016/05/11/italy-must-choose-between-the-euro-and-its-own-economic-survival/>

What global recovery? It was just smoke and mirrors.

The danger ahead is that world central banks will break ranks and the currency wars will escalate...

<http://charleshughsmith.blogspot.co.nz/2016/05/the-coming-war-of-central-banks.html>

Pressure is growing on the central banks due to low (really negative) growth...

[http://seekingalpha.com/article/3974046-low-global-growth-cornered-central-bankers-yet?source=email\\_macro\\_view\\_eco\\_3\\_22&ifp=0](http://seekingalpha.com/article/3974046-low-global-growth-cornered-central-bankers-yet?source=email_macro_view_eco_3_22&ifp=0)

Not everything is bad news...

One issue I should canvas here is that the major TBTF global banks are aware of looming threats. So for all the QE created, much of it has stuck in banks and not been loaned out. Will that save us when the inevitable crash arrives? Given the lack of transparency I simply don't know. On a Macro basis, we would probably have inflation already, if all money that had been created "ex nihilo" had been put in the market. Yet even the velocity of money is down as a result and deflation is almost everywhere.

Banks like any business can become insolvent through one of two tests. The first is the liquidity test for cash/funds available to meet claims as and when they fall due for payment. The second is the balance sheet test where assets must be greater than liabilities (in other words with a residue of positive shareholders' funds).

Holding cash will help buy time and even forestall bank runs, but given the size of derivative liabilities it may not necessarily save the day when random counterparties start falling over.

Looking back to 2008 it was the TBTF banks with weak liquidity that were forcibly sold on to the stronger banks in the US. So during the GFC the senior bankers got the message, liquidity may be the key to personal job security.

Now, the problem is this. QE was such a spectacular fail (the money went to the banks at epochal low interest rates – and did great things for bank bonuses) that helicopter money is back on the table. That is, money created out of nothing and given to the voters so they can buy stuff, any stuff.

Do you think that will end well? The economists do. And pigs will fly.

### **Resource depletion accelerates**

While gold and silver prices have been flat, WTI oil is up to USD46.33/bbl and Brent to USD 47.84/bbl. The pundits say it is because stock levels are down a bit. In a month's time we will see the impact of increased demand due to the Northern summer driving season. With demand going up, anything will be possible.

Aside from my belief that peak oil is really a predicament rather than a dilemma, this article linked below tends to sum up where we stand. In New Zealand, the best place to go to understand resource depletion, is to go to the end of the main street in Waihi, park your car, and walk up the rise to the lookout over Martha Hill gold mine. It has pretty much come to the end of its life. But when you look down you realise how much more it costs in energy and money to get the ore up from the lower and lower levels. Not only has humanity now extracted the easiest and best ores and resources, but everything gets worse and costlier from now on...

<https://www.allearthrenewables.com/blog/the-peak-oil-dilemma>

The purveyor of Texas Tea, Boone Pickens spells it out...

<http://peakoil.com/consumption/pickens-oil-prices-between-50-and-60>

This article looks pretty right to me...things happening in a logical order...

[http://seekingalpha.com/article/3974131-weekly-oil-inventory-report-very-bullish?source=email\\_macro\\_view\\_com\\_1\\_14&ifp=0](http://seekingalpha.com/article/3974131-weekly-oil-inventory-report-very-bullish?source=email_macro_view_com_1_14&ifp=0)

The Saudis are planning to increase oil production in the next few months as are the Kuwaitis. But let's just have a look at Kuwait. They claim to have new discoveries in the West of the country, in land already picked over. You will recall Saddam Hussain's reason for invading Kuwait in the 1990s was because they were exploiting border oil between Iraq and Kuwait. Kuwait jointly exploits border fields between Saudi Arabia and Kuwait, using agreed protocols. Kuwaitis have one of the few global "elephants" (fields producing more than 1 million bbls per day) called Burghan. This has been producing for about 60 years and may be in water flood now to maintain reservoir pressures ...and thereby output. Of course what happens in their oil business is a state secret. They are facing severe budgetary pressures due to the low oil price...so they are going to do all they can to ramp up output...

<http://oilprice.com/Energy/General/Kuwait-Plans-To-Ramp-Up-Oil-Production-By-44-Before-2020.html>

What we are seeing as the USA production falls, is the Saudis, Iran and Kuwait deciding that it is time to recapture market share. So to me, I doubt the price will surge much higher, anytime soon.

Once they have dealt to those who screwed their market share they will ease back to lever prices up and sort out their national budget deficits. Then prices will be allowed to rise in a controlled manner to about USD80/bbl and no higher – to ensure there is no flood of shale and oil sands back into the market. That is simple logic. But who knows whether that is how things will play out.

### **Gold and silver flowing East**

There will be blood. It may be this year, or it may be next year or even later. But the crash will come and be far worse than 2008. The US Fed can no longer backstop the global financial system, even if it wanted to. If we could, we should all prepare for when bank runs hit, and hope they don't. It is prudent to have money under your mattress for that and when inflation really bites, to have gold and silver to use as currency.

Russia and China are preparing. Both are gold producers (in China's case the largest producing country at over 400 tons per year). Both hanging on to their own metal and buying everything on the global markets that is not nailed down. As a result, the physical gold underpinning the LBMA's and COMEX's paper trading is at an all time low. Gold and silver is flowing from West to East in a steady stream.

The smart money is exiting shares and bonds and going to physical gold and silver.

[http://seekingalpha.com/article/3974366-physical-gold-flows-east-manipulated-paper-markets-lose-credibility?source=email\\_macro\\_view\\_gol\\_pre\\_met\\_1\\_11&ifp=0](http://seekingalpha.com/article/3974366-physical-gold-flows-east-manipulated-paper-markets-lose-credibility?source=email_macro_view_gol_pre_met_1_11&ifp=0)

### **Lies about UK immigrant numbers**

The British are finding out what we know in Auckland. Our borders are porous. Our governments have no idea of the stats. For Britain, the EU has come to stay, BREXIT or no. Their NHS is at breaking point as are their schools...why?

<http://www.telegraph.co.uk/news/2016/05/12/the-gap-between-official-migrant-figures-and-the-truth-is-as-wid/>

Question time in Parliament is now like a skit out of "Yes, Prime Minister".