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Better-Management Newsletter 18 May

The Brexit referendum draws near / Oil markets, re-balancing of sorts / China strong-arming / Islamism, a way forward / Shorting US shares

The Brexit referendum draws near

I am in favour of Brexit. The EU is dominated by unaccountable bureaucrats and if Britain doesn't leave now, she will never be allowed to do so. Already Britain and the rest of Europe have effectively lost control of their borders and even the Turks know that this is their chance to promote an Islamic Europe.

http://www.telegraph.co.uk/news/2016/05/16/turkey-visa-deal-will-increase-risk-of-terrorist-attacks-eu-repo/

People may not realise it but the Ottoman Empire was carved up 100 years ago by the Sykes Picot agreement that covered the areas that are today embroiled in sectarian violence. As far as Mr Erdogan is concerned it is time for payback.

It is possible that the EU will fracture over immigration with unrest emerging everywhere, including Germany...

http://www.reuters.com/article/us-europe-migrants-germany-idUSKCN0Y60JI

On the economic front, the emergence of negative interest rates means that in Spain and elsewhere in Europe, consumer rights groups are starting legal action to force lenders to pay mortgage borrowers. This is a form of lunacy that will not end well.

So Britain should commence negotiations to leave the EU and recapture its borders and fishing rights etc. They need to accept that recession in the short term will be preferable to living in what is rapidly becoming the new "Thousand year Reich" with totalitarian control by the unelected bureaucrats. That may in fact make it easier for Britain to endure the first global depression.

Greece's predicament should be a warning to Britain...from Seeking Alpha...

"**The IMF is pressing the eurozone** to let Greece skip paying interest or principal on bailout loans until 2040, *WSJ* reports, stating they should be fixed at an interest rate of 1.5%, and fall due gradually in the following decades, even as late as 2080. Eurozone governments, led by Germany, are reluctant to make such major concessions on their loans to Athens, which currently total over €200B, but they also want the IMF to rejoin the bailout as a lender to boost the program's credibility."

Now the ECB calls the shots...from Seeking Alpha...

"**The ECB limited its sovereign debt buys** of Portuguese and Irish bonds last month due to concerns about hitting purchase caps - a move that could mean those countries stand to benefit less from the scheme. With almost a year left of its QE program, the central bank is already nearing a self-imposed limit of holding a third of the countries' debt. Purchases for most nations have increased by 50%, but only by 16% in Portugal and 33% in Ireland."

Britain has nothing serious to fear from Brexit, because Germany is reliant on maintaining exports at current levels or above...

http://www.mauldineconomics.com/landing/invisible-crisis-gripping-the-globe?utm_medium=subscribers&utm_source=twig&utm_campaign=GRM&utm_content=footer

Those in favour of Britain remaining, have the opposite view and spell doom and gloom as starkly as they can.

Oil markets, re-balancing of sorts

With 95 million bbls per day of stuff posing as oil (of which only about 75-77 million bbls is actually oil) being used, the amount of oil in storage can easily be gobbled up by a revision of 1 million bbls per day of either increased demand per day or reduced supply. The quantity of oil in storage is skewed away from sweet light crude to a mix of heavy oil and ultra-light crude. So the change in refinery usable stocks could change in a relatively short time.

Today, both Brent and WTI prices are closing in on USD50/bbl with Brent at USD49.48/bbl overnight.

So hope is in the air...although not for consumers.

http://oilprice.com/Energy/Oil-Prices/Oil-Markets-Balancing-Much-Faster-Than-Thought.html

There is a problem with Nigerian and Libyan oil production due to rebel attacks. Also the Fort Mc Murray fires in Canada are still burning and still halting some production. These interruptions have driven supply down and prices up.

http://www.bloomberg.com/news/articles/2016-05-16/alberta-blaze-nears-enbridge-oil-sands-terminal-as-flames-spread

Is the USA on collision course with Saudi Arabia? That could stir things up.

http://www.bbc.com/news/world-us-canada-36316117

Are the Saudis bluffing...

http://peakoil.com/publicpolicy/is-saudi-arabia-calling-the-markets-bluff-over-oil

In India more than 300 million people are suffering from a serious drought...

http://www.bbc.com/news/world-asia-india-36311845

The area of Southern Africa centred on Zimbabwe is in a similar situation with about 50 million people suffering from both famine and water shortage. The Middle East and Mediterranean countries are being baked right now...in Spring time.

China strong-arming

China is strong-arming everyone who will listen to its justification for militarising its new built islands in the East and South China Seas...

http://www.reuters.com/article/us-china-usa-idUSKCN0Y602Y

New Zealand and Australia are copping a lot of attention as China attempts to use trade to split Australasia off from US policy. We can expect China to try to use trade to force our hand over many issues. They are big and they are showing a predilection for bullying.

There are a couple of things about the drive of China to control the export of money that we should think about...

1. It comes along with China's military assertiveness. Xi now gets to wear the Commander In Chief's uniform for the military, bringing all services under his personal command.
2. The Chinese media no longer operates under government direction but as an organ of the Chinese Communist Party. Journalists are disappearing in greater numbers.
3. In Hong Kong the number of Chinese shoppers crossing the border to buy stuff has fallen away.
4. In China there is a major dispute between President and Prime Minister over how to cope with the gigantic domestic debt overhang (tens of trillions). http://seekingalpha.com/article/3975363-chinese-debt-bomb-keeps-ticking?source=email_macro_view_eco_0_21&ifp=0
5. In London and New York the purchase of expensive apartments by Chinese millionaires has tapered right off.
6. In Sydney, apartment sales have halved.

If Chinese stop buying our property, then property values will settle to reflect true supply and demand. So then the wealth effect of all that Chinese money will be gone. In NZ, the ballyhoo about the RBNZ imposing debt to income ratios misses the point. Many of those buying houses these days could only afford the interest payments. So a large slice of Australasian mortgage debt is for "interest only" repayments. This means that if the Chinese disappear then the crash will be very loud.

The NZ property council is shocked that the RBNZ would tighten mortgage rules. So far, the public has not been told that a huge proportion of mortgage borrowing is high debt to house price and what proportion of first home buyers are affected...it is big.

In Australia the big four banks reduced the loan to value ratio...directly impacting Chinese buyers. That won't have helped attract them to buy in Sydney. But at least it will take the heat out of price increases. The problem with property, it's either in boom or bust.

No wonder Harry Triguboff has decided he can't wait for the Chinese to come back and he has gone out and paid down Meriton's debt...in expectation that buyers for his Sydney apartments may be far fewer than either planned or will be necessary to avoid receivership as revenues fail to materialise.

China sneezes, and we catch a cold. This shows that we cannot ignore Chinese Government directives in future.

Remember the golden rule, "he who has the gold makes the rules"...this is a shocker...

http://www.bbc.com/news/magazine-36311989

Now Chinese have physical possession of other people's gold in the London vaults.

Islamism, a way forward

An exceptional article about Islam…

http://better-management.org/wp-content/uploads/2016/05/Why-Islam-needs-a-reformation.pdf

Unfortunately, it is unlikely to be reformed from within because too many clerics will fear the loss of control over their flock from any form of modernisation.

The key is for OECD countries to stamp out religious Muslim schools and to stamp out suggestions of setting up Sharia Courts. Both of these legitimise regressive and anachronistic theories...including violence and mal treatment of women and non-believers.

Shorting US shares

The billionaires are queuing up to short the US stock markets...

http://www.moneyandmarkets.com/another-billionaire-bets-stock-market-bedlam-78295?sc=a446%3Futm_source%3DMAM&em=jcrofe%40xtra.co.nz&utm_campaign=MAM3510&campid=35498&utm_medium=email

and

http://thecrux.com/soros-sells-more-than-a-third-of-his-stocks-buys-gold-miner/

As price to earnings ratios are at secular highs, there is risk of a major crash unfolding. In China, their richest man is also pulling out of shares. Hmmm.

The Wall Street banks are using shadow banks to do their dirty work. Last time we had the GFC, but it seems no-one ever learns...

http://www.bloomberg.com/news/articles/2016-05-16/shadow-banks-make-diciest-loans-while-wall-street-retains-risk

In USA the unemployment numbers are being officially falsified...that tells you something...most people don’t believe their government when they cannot feed themselves or find affordable housing....

http://www.mauldineconomics.com/connecting-the-dots/welcome-to-walmart-and-the-bs-5-unemployment-rate

If the Saudis and China pull the plug on USTreasuries, we can imagine what will happen – with total US debt at 100 year highs...

http://seekingalpha.com/article/3975199-chart-day-room-borrow-u-s-leverage-ratio-100-year-high?source=email_macro_view_eco_2_23&ifp=0