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Nuclear Power rebounding / Oil and the petrodollar demise / Saudi Arabia in deep trouble / US employment figure lies

Nuclear Power rebounding

The Japanese have realised that they have little alternative to restarting their nukes after the Fukushima disaster. So their uranium fuel has not appeared on the market for sale, even though they stopped buying for their 50-odd reactors. That was enough to trash the uranium price.

The depressed uranium price eventually made little difference to the cost of operating nukes because the cost of the yellowcake and its enrichment to 3-5% U235 and assembly into fuel rods, still makes up a negligible proportion of the cost of operating a nuclear power station.

Meantime, China, India, South Africa and Saudi Arabia all have new plants under construction or in the planning stages. China's amount to some 60 reactors with more in planning. When they are on stream in a few years, the adequacy of the supply of uranium will once again be a problem. However the uranium price could quadruple without affecting profitability. Remember that uranium is a finite resource too.

What really costs the money is the increased sophistication and the requirement for passive safety measures that are fail-safe.

A case in point is the British additions to Hinckley Point... and the Anglo-French politics that goes with it...

<http://oilprice.com/Alternative-Energy/Nuclear-Power/Lets-Stop-Pretending-Nuclear-Power-Is-Commercially-Viable.html>

The greens in Europe are totally opposed to nuclear power despite the reality that no-one can afford to close their nukes in Europe (except apparently Germany – but even that remains to be seen), because they are strapped for other energy sources.

New technology, such as mixing thorium with uranium to render waste useless for bombs is trickling through very slowly and the world governing body, the IAEA, has a very conservative set of protocols to be met before new technology can be rolled out.

Oil and the petrodollar demise

The fall from USD114/bbl to USD30/bbl was meant to stimulate consumer spending...but all it did was destroy oil exploration and development, make producers insolvent...and ever so slowly start production falling...

In a country like USA that is a net importer of oil to the tune of 6+ million bbls per day, spending should have shot up. But did it?

http://seekingalpha.com/article/3969829-happened-consumer-spending-spree-resulting-lower-oil-prices?source=email_macro_view_eco_1_14&ifp=0

Well it didn't but the impact on inflation was huge...inflation died and everyone is still concerned about deflation.

But now, the main concern of the US Government is the agonisingly slow death of the petrodollar.

Following Henry Kissinger's negotiation with the Saudis 40 years ago, the US dollar was not only the global reserve currency, but also the currency for all transactions in oil.

In 2003, the only possible reason (the excuse was non-existent WMDs J) for invasion was that Iraq had agreed to sell its oil in Euros. So Saddam Husain had to go! Iraq has been an economic basket case ever since. Today Moctada al Sadr's followers are stirring trouble against the "puppets of the great Satan".

This year, following the nukes deal with Iran (where it is still unclear whether the USA was just being conned by the Ayatollahs or not) Iran has decided to sell its oil in Euros, thumbing its nose at the USA.

But with the US shale industry having destabilised the oil markets with its production growth, the Saudi economy is in real trouble. The House of al Saud cannot risk dropping the high cost social services to citizens, yet it must. The Deputy Crown Prince has determined that austerity and diversification must go hand in hand. The only country with US dollars to spare is China. In fact, China knows they must get rid of US dollars before they reduce in value. In addition China is already the Saudi's biggest customer and their demand for oil will only grow. China now is able to buy oil using the Yuan but prefers to dispose of US dollars where possible.

Saudi Arabia in deep trouble

As Saudi Arabia continues to fall more and more under the influence of China, the petrodollar is under grave threat...

http://seekingalpha.com/article/3969832-taking-petro-dollar?source=email_macro_view_for_0_19&ifp=0

So, how long before the "exorbitant privilege" enjoyed by the US dollar is ended?

As shale production drops, the Iranian oil is now flooding the market – restraining and depressing prices.

In net political and economic terms, the USA shale producers caused the price drop and have therefore spelled the end of the petrodollar. This is clearly a disaster for "the American way of life". One where the USA prints money to pay for its oil. Sure the collapse of the petrodollar still has time to run, but it now seems inevitable.

Remember the golden rule...he who has the gold makes the rules!

US employment figure lies

The economists look at labour productivity and the number of workers as being a driving force behind the growth in GDP. In fact, technology and the availability of cheap energy to power labour productivity is what causes both productivity and growth.

Electricity is a major industrial energy source, but so in oil, coal and gas. Yet these don't figure in the calculations of those watching productivity.

Retirement is a looming threat to labour participation rates and yet the falling participation rates are not just due to retirement but due to long term unemployment. But Americans don't want to hear about that...unemployment is only 5%, right? Nope, that is wrong, but it is just what folk want to believe...even John Mauldin...

http://ggc-mauldin-images.s3.amazonaws.com/uploads/pdf/160501_TFTF.pdf

To fix a problem you first need to accept that a problem exists. From Mr Obama down, that just seems too hard to handle. But let's not just criticise the American political system. Every OECD country seems to suffer from the same ailments...

<http://peaksurfer.blogspot.co.nz/2016/04/hillarism.html>

But the USA ended the month of April down, while gold and silver were up...Peter Schiff believes there will be no American recovery...no real growth...

<https://www.youtube.com/watch?v=Rd7Wt2mMO7Y>

Well, he is a "perma bear", so he would say that...well right now, so am I, based on the numbers I have seen. But the falling dollar could be contributing to the rising cost of gold and silver.

I wonder if they will bounce from deflation to inflation?