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Better-Management Newsletter 26 May

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More EU smoke and mirrors

The ECB is starting another form of QE...Mario Draghi will do whatever it takes. Perhaps negative interest rates aren’t low enough?

<http://www.reuters.com/article/us-ecb-policy-credit-exclusive-idUSKCN0YG14H>

The IMF is still demanding that the EU writes off some of Greece’s debt, yet they still hold out. Meantime, as Greece kowtows further with new austerity legislation, they are to get some debt relief for now...from Seeking Alpha...

“[In an agreement announced early Wednesday](#), Greece won additional pledges of debt relief, but nothing substantial until 2018 at the earliest, and only then if it continues to carry out the painful reforms it agreed to over the weekend. Eurozone finance ministers and the IMF also gave a green light for the next round of aid for Athens, including €10.3B in fresh loans, starting with a €7.5B installment in the second half of June. Greek bond yields slid to six-month lows following the announcement.”

But will it change anything?

<http://www.bbc.com/news/business-36376836>

So the IMF reserves their position...

<http://www.bbc.com/news/world-europe-36382973>

China - ditto

Meanwhile the currency wars drift onwards...from Seeking Alpha...

“[The People’s Bank of China](#) lowered the yuan’s reference rate by 0.3% to 6.5693 per dollar overnight, marking the currency’s weakest level against the greenback since March 2011. The move could increase tensions between China and its trading partners, as recent strength in the dollar and yen make exports from those countries less competitive globally.”

And just a couple of items from the “Daily Reckoning”...

” A couple of recent articles have again highlighted just how fragile our economic and financial system is:

‘I predict that the current level of household net worth is not sustainable. I believe that some unforeseeable event will prick the bubble, perhaps this year. The result will be recession which will, unfortunately, be accompanied by more misguided monetary and fiscal policies. I call this monetary and fiscal policy insanity: Keep doing the same thing and expect a different result! I would love to be wrong, but I doubt I will be.’

— Dr Daniel Thornton, 12 May 2016

‘It is neither possible nor necessary to force economic growing by leveraging up...

‘Trees cannot grow to the sky. High leverage will inevitably bring about high risks, which could lead to a systemic financial crisis, negative economic growth and even wipe out ordinary people’s savings...

‘China’s economic performance will not be U-shaped and definitely not V-shaped. It will be L-shaped...’

— China’s official newspaper, *The People’s Daily*, 12 May 2016

More and more people seem to agree with my estimation of a 55% probability that bad stuff will happen this year.

Also...

“As the UK *Daily Telegraph* recently stated:

‘China’s debt is approaching \$30 trillion. The fresh credit alone created since 2007 is greater than the outstanding liabilities of the US, Japanese, German, and Indian commercial banking systems combined.’ “

I am getting bored with sending out bad economic news...today I feel bad about the lives of the people in Venezuela as they sell down all their gold so some of the privileged can get access to food...and so on, and so on.

All that I am concerned about is what will happen later this year and try to take precautions so I lose as little as possible.

Meantime...for the old folks...you cannot get paid a pension if the pension funds don’t get interest or dividends on their investments...

http://seekingalpha.com/article/3977038-coming-fed-induced-pension-bust?source=email_macro_view_eco_3_19&ifp=0

The need to keep pension funds from collapsing is the best reason for a Fed interest rates hike in June.

Tayyip Erdogan thinks Germany is stupid

Tayyip Erdogan is right, but does he think the EU is stupid? From Seeking Alpha...

“[Turkish President Tayyip Erdogan](#) is threatening to scrap a refugee deal with the European Union just 24 hours after he met Germany's Angela Merkel on the sidelines of a U.N. conference in Istanbul. What went wrong? Erdogan feels the EU isn't keeping its word on financial aid and shouldn't constantly impose criteria in return for pledged visa-free travel for Turkish citizens.”

Donald Trump has done many of the things presidents get kicked out for, so we need to wonder how come he is still in the race? You have to wonder when looking at this, whether any aspiring candidate would be clean enough to deal with the level of scrutiny that candidates for POTUS get (*Editor's note: Obama certainly was not scrutinized*)...

<http://www.telegraph.co.uk/news/2016/05/25/exclusive-donald-trump-signed-off-deal-designed-to-deprive-us-of/>

But will the Donald be any different to the likes of the folk working for Mr Obama? (*Another Editor's note: it depends whether he does most of what he says now - or gets assassinated for similar reasons to JFK.*)

<http://thecrux.com/the-scandal-in-washington-no-one-is-talking-about/>

Norfolk Island is revolting...but don't worry, it is only against the Aussies...

<http://www.bbc.com/news/world-australia-36376219>

Renewable Energy, some progress

This is just for your information and should not be construed as investment advice...if you want that, talk to your own investment adviser.

There are two possibly market disruptive technologies that I am following and occasionally report on. The first is the mythological EESU, being developed by EESor Corporation and its 71.3% owned subsidiary (TMX:ESU.V), which could revolutionise electrical energy storage and provide for a logical transition away from fossil fuels **if it works**.

Before their work and news flow recommences, we are waiting to hear how EESor got on with its latest capital raising.

The second is the hydrogen technologies being used and developed by Eden Energy Ltd (ASX:EDE). They have just completed a capital raising for the production facility increases for “Edencrete”. The details are attached herewith....

<http://www.asx.com.au/asxpdf/20160523/pdf/437dv2bbqq0xrm.pdf>

FYI, we own shares in both. I am not buying or selling shares in either company and regard both as speculative and high risk with high risk of loss.

For anyone who is interested in Eden's potential to disrupt the structural concrete market, this is the current position on trialling their addition of carbon nano-tubes and fibres to concrete....replacing the use of rebar and steel reinforcing...

<http://www.asx.com.au/asxpdf/20160516/pdf/4378c1jtvyr40.pdf>

The Eden process for splitting natural gas into carbon nano-tubes and hydrogen is patented and likely the nano-tubes, when trialled with various polymers as well as concrete, to be a game changer for structural materials. Certainly the process could be market disruptive for hydrogen (use in fuel cells) because hydrogen effectively becomes a fully funded by-product of splitting the methane.

Earth's surface not so stable

https://www.youtube.com/embed/iEPW_P7GVBS

This explains why I am rather fixated with such things as sun spots, CMEs, the proximity of the earth to the sun and the incidents of volcanism...

<http://theeconomiccollapseblog.com/archives/40-volcanoes-are-erupting-right-now-as-the-crust-of-the-earth-becomes-increasingly-unstable>

Michael Snyder is about as fundamental a Christian as one can find...but that does not mean the information in this link is wrong.

Unfortunately, this is a subject where everyone has a theory and all theories are dogmatically held, but there are three points I am concerned about.

1. Humans will never be able to cool the climate. Too many uncontrollable fires, conflicts and "accidents". 85% of our energy comes from the three fossil fuels and currently we have no alternatives to their use.
2. Any action to try to control CO2 emissions is certain assist crashing the global economy.
3. While the IPCC mob are far better funded, there appears to be just as many eminent scientists who are sceptics. The supposed '97% scientists consensus' was a fraudulent report.

The crooked US banks and DOJ

Several years ago I was surprised to hear that Arthur Andersen won their court battle against the US Department Of Justice. It was a Pyrrhic victory because they had already been destroyed by the DOJ and their various offices and resources sold off to third parties. The US Government wins cases by demanding money with menaces and mostly they win, because a couple of billion dollars settlement is often a better result than being destroyed like Arthur Andersen.

Although Bank of America hadn't done anything wrong, they were forced to take over the bankrupt Countrywide Bank without due diligence during the GFC and the failing company

probably had. But they argued the toss and eventually got a win on appeal. Perhaps the DOJ could take them to the Supreme Court...

<http://www.insurancejournal.com/news/national/2016/05/24/409717.htm>

Who is the worst villain? The DOJ which uses theft as a cynical means of depriving defendants of the ability to defend themselves, or the banksters. In this case I had hoped the DOJ would win.

Both Brent and WTI prices are hovering around USD50/bbl on COMEX. But Shell don't expect good times, any time soon...

<http://www.bloomberg.com/news/articles/2016-05-25/shell-cuts-2-200-more-jobs-to-withstand-lower-for-longer-oil>

This means to me that there are a number of conventional oil companies moving back into profit.

It won't affect the fate of many others in tar sands and shale plays, who need much higher prices.

Meanwhile, is Elon Musk trying to "put lipstick on a pig" with his superb EVs? The fatal flaw of a Tesla car is the battery. Lithium-ion is not a mass market energy storage dielectric for cars. His business will fail because he has linked the success of Tesla to the construction of the battery giga-factory...which relies on lithium-ion. Aside from that he is trying to run too far and too fast...

<http://www.zerohedge.com/news/2016-05-24/tesla-compared-enron-ponzi-scheme-scathing-new-research-report>

If oil was an infinite resource, then Enron may have survived. If the battery was good enough, then Tesla may survive. But I reckon it isn't and Tesla won't. Even so, its a case where I hope I will be proven wrong. Elon is one of the few true business heroes.

Meanwhile, geopolitical issues play on the oil markets...particularly in the USA...

http://seekingalpha.com/article/3977118-cushing-draws-800k-barrels-oil-markets-daily?source=email_macro_view_com_4_15&ifp=0

Iran will have an increasing role with natural gas production...

<http://seekingalpha.com/article/3977759-iranian-sanctions-repealed-focus-natural-gas>

Water, water not everywhere

The penny is sinking in for Californian farmers. There was once a time when it was all regarded as desert. But then aquifers were tapped and irrigation from rivers was diverted....now these are playing out.

<http://www.wired.com/2016/05/thanks-el-nino-californias-drought-probably-forever>

China's Southern neighbours must be getting really scared...from Sinocism...

[Dropping Tibet, Fighting Gravity-Diverting Tibetan Waters Into The Canal To The Deep North | Rukor](#) The three Tibet water diversion routes can be built as three separate projects, over a long period if need be, but the official website of the project insists they must be done in a certain order. First, and at a high altitude, is the Yalong River Water Diversion Line, requiring a tunnel 131 kms long. The project promoters state: "Bayankala Mountain lies between Huanghe River and Changjiang River. The elevation of the bed of the Huanghe [Yellow] River is higher than that of the correspondent section of Changjiang [Yangtze] by 80-450 m. It is necessary for the water transfer project that a high dam will be constructed for damming water or some pumping stations be set up for lifting water, and some long tunnels will be driven through Bayankala Mountain. Two methods of water diversion, flowing by gravity and by pumping were considered. But for each of them, a high dam in height of 200 m or so will have to be constructed and some long tunnels over 100 km in length to be driven." This remains the primary obstacle, greatly increasing cost. It is the reason China is now emphasizing "big reservoirs." // this is post #1 in a series of 8 blog posts on Tibetan rivers"

Chinese puzzles

China is running to catch up with innovation...

<http://www.bbc.co.uk/news/resources/idt-0192822d-14f1-432b-bd25-92eab6466362>

After establishing precious metals exchanges in the last few years, China wants to dominate all commodity price setting...

<http://www.bloomberg.com/news/articles/2016-05-25/new-york-london-on-notice-as-china-targets-commodities-pricing>

Bad debts are rising for the banks...who stay in denial...from Sinocism...

["Commercial Debt Dodgers Pressure China's Banks-Caixin](#) Bankers nationwide are rushing to call loans issued to state-owned and private companies to avoid a rising tide of debt dodging that's not only legal but often supported by the government. Some companies in the past year have frustrated creditors by declaring bankruptcy, while companies in the steel manufacturing and coal mining industries have used asset restructuring projects to avoid debt obligations. "Many companies are using bankruptcy and asset restructuring as measures to skip out on bank loan repayments," said a source at a bank who asked not to be named."

The solution is easy, just spend like there is no tomorrow...

http://seekingalpha.com/article/3977292-chart-day-chinas-office-building-frenzy-goes-ballistic-4x-2-years?source=email_macro_view_rea_est_0_26&ifp=0