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Brexit or bust? / Global wobbles? / Grexit too? / Abe getting desperate / Governmental stupidity / Syria, US still losing

Brexit or bust?

On 23 June 2016, the British voters will decide whether to stay within the EU or leave.

I stand squarely in the Brexit camp. The reason is that the EU governance apparatus is too top heavy and is stifling internal competition. It can only get worse.

Oliver Marc Hartwich seems to echo my views...

http://nzinitiative.org.nz/Media/Opinion_and_commentary/Opinion_and_commentary.html?id=1246

But the markets don't like uncertainty...from Seeking Alpha...

“[Labour candidate Sadiq Khan](#) looks set to become the first Muslim elected mayor of London, loosening the ruling Conservatives' hold on Britain's financial center. While the mayor doesn't specifically run the business district, the post has outsized influence over the government in lobbying for the capital. Meanwhile, sterling is suffering its biggest decline in six weeks amid Brexit concerns, making the pound the worst-performing G10 currency of 2016.”

As a net contributor to the EU budget, the main worry is about what happens in the London financial district...

<http://www.telegraph.co.uk/business/2016/05/06/the-city-of-london-cares-more-about-its-global-rivals-than-the-t/>

Global wobbles?

It isn't just China, global debt is a worry, across all economies and this cannot go on without some sort of fix...

<http://www.telegraph.co.uk/business/2016/05/06/warnings-mount-on-worlds-corporate-debt-china-crisis/>

and

<http://www.bloomberg.com/news/articles/2016-05-06/clsa-sees-china-bad-loan-epidemic-with-losses-over-1-trillion>

But China is starting to realise that their looming recession will upset the punters as their investments sour...from Sinocism...

China Evicts Investment Firms Amid Fears of Unrest - Bloomberg China's authorities, seeking to forestall potential social unrest due to growing failures of investment firms and online lenders, are ordering many to break leases and close their storefronts on busy streets -- lest they become magnets for protesters. And that's not all. Registration of all new companies with finance-related names was suspended nationwide in April, according to people familiar with the matter who asked not to be identified because they're not authorized to speak publicly. In Shenzhen, office building management now must submit contact information for employees of all finance industry-related tenants to the local security bureau. Local governments from Shanghai to central Henan province have put up new signs outside residential compounds to warn the public against illicit fundraising activities.

In the USA, lack of adequate jobs growth points to recession. They need twice as many jobs as they are getting to keep up with the population growth, yet all TPTB can do is to try to bamboozle the public with "lies, damned lies and statistics"....

<http://www.telegraph.co.uk/business/2016/05/06/disappointing-us-jobs-growth-derails-hopes-of-june-interest-rate/>

Read my lips...there ain't no way the US Fed can increase interest rates, if they get another result like this next month. And, even so, recession is likely to affect the November Presidential election. Perhaps this will favour "the Donald", whom is hated by the media, elite establishment, Wall St., in fact almost everyone except voters - he must be doing something right!

Canada's troubles are increasing...from Seeking Alpha...

"The massive wildfire raging in Canada has grown to more than 300 square miles, increasing by ten-fold from Thursday. The impacts of the blaze remain unknown, but initial estimates from economists suggest that production cuts in Alberta's oil sands could wipe out Canada's growth in the second quarter. It is also seen as potentially adding up to \$9B in insurance costs."

And

<http://www.cbc.ca/news/business/fort-mcmurray-economists-1.3570061>

and

<http://www.bbc.com/news/world-us-canada-36232856>

Sure, the oil price is up a buck over night, but a recession could easily cause it to fall.

Grexit too?

Greece's troubles will soon be pointing them towards Grexit and if the UK goes? Well....the strike for two days will paralyse the economy and argue against the imposition of further austerity measures in their shrinking economy. This will further underline the IMF concern

for restructuring that could take the German dominated ECB's boot off their throats. The problem is that however one cuts the cake, Greece is getting into a worse and worse situation.

To understand how the sword of Damocles hangs over the Greek government and the rest of the EU, I suggest watching Al Jazeera to see how things are unfolding with the Turks and their "quest for a new Ottoman Empire". The migration mess hasn't gone away, it will be back – one way or another...

<http://www.bbc.com/news/world-europe-36229468>

All week we have been watching the Tokyo stock exchange losing ground ...every day!...so Abenomics having failed dismally, Shinzo Abe has decided to become a global statesman...from Seeking Alpha...

Abe getting desperate

"Japan's Prime Minister Shinzo Abe will hold talks with Vladimir Putin today, in a rare meeting by a G7 leader that attempts to end Russia's isolation since it intervened in Ukraine more than two years ago. According to the Kyodo news service, the Japanese leader rejected an appeal by President Obama not to go ahead with the visit. Abe has argued for more engagement with Putin to end territorial disputes, as well as tackling issues such as those in Syria."

Governmental stupidity

Arguably wildfires in Brazil and Indonesia (both to clear forest)and fires in Australia, Russia and North America have released far more CO2 into the atmosphere than fossil fuel use has over the last 10 years. Yet those accidents – some preventable – are being ignored and policy directed towards stopping the use of fossil fuels...

http://www.huffingtonpost.com/entry/oil-companies-low-prices_us_572aa3f8e4b016f37894bd03

The problem is that today, there may only be one or two oil companies replacing the reserves that go into production. Oil production is falling, but at a slow rate, because companies need to pay their debts and sovereign producers need to shore up national budgets.

When we can look back we will understand that the low oil prices were one of the major causes of this year's descent into depression. (well perhaps it may get delayed to next year, but my money is still on 2016).

Although today's oil price is 60% less than it was in mid 2014, the cost and risk of finding and developing new fields to replace those that are depleting is increasing every year. As global debt rises and as oil companies renege on their repayments, the availability of funds for future exploration is disappearing...

Few bankers will like the risk and few will like being castigated for causing climate change...

The cartoon at the top of this article is spot on... “Look out, she’s going to blow!”

<http://peakoil.com/consumption/debt-the-key-factor-connecting-energy-and-the-economy>

Yet I don’t know of any politicians who understand this. Problems for oil are still some way off as the price is likely to remain low and the reduction in production still fails to make a large dent in stocks...

http://seekingalpha.com/article/3971656-oil-production-vital-statistics-april-2016?source=email_macro_view_com_0_12&ifp=0

But remember that the excess stock level is only a few days of global consumption. When the balance changes, the thud will rock our world.

Meantime politicians simply wallow in dogma of their own spin doctors’ making.

Syria, US still losing

Russia is winning. The USA is losing. The USA simply cannot defeat both Assad and Islamic State. Those are now becoming mutually exclusive options. Yet the USA persists, so the destruction of Syria will continue...

<http://www.wsj.com/articles/for-syria-rebels-an-agonizing-choice-1462479800>

As Australia moves towards recession and cuts interest rates – the whole while saying their economy is converting from resources to “other sources of wealth” (whatever they may be) it is clear the share market will gain.

Elsewhere, where interest rates have hit rock bottom...or gone past the zero bound...it looks like gold is the investment of the billionaires with Stanley Druckenmiller joining their group...

<http://thecrux.com/druckenmiller-loads-up-on-gold-saying-bull-market-exhausted/>

OK, gold hasn’t yet reached up to USD1,300/oz yet, but both gold and silver are getting close to their recent peaks.