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Better-Management Newsletter 11 June

The coming recession (or depression?) / Brexit pending - with what results? / The race to POTUS heats up further

As time runs on and the number of negatives don't continue to mount – in either number or severity – I am starting to wonder whether 2017 will more likely be the year of depression. But I am sticking with a probability of 55% for 2016 and 75% for 2017 for now. By end of July, unless I can see some pins to pop the bubbles, I will need to change my tune and join those who see logical reasons why next year will be the year. Likely oil will drive it, though there is still time this year...

http://seekingalpha.com/article/3980820-oil-price-spike-will-cause-next-recession-will-painful?source=email_macro_view_eco_0_18&ifp=0

Even so the fundamentals of productivity, retail demand and jobs continue to deteriorate. The share markets look like they may be topping...too...

Negative interest rates on bonds and term deposits will play a part in collapse...and the US Fed is just "screwing with us"...from Seeking Alpha...

"**A Fed rate hike looking even less likely?** The dollar has hit a five-week low against the yen, hurt by falling Treasury yields amid waning expectations the FOMC will lift interest rates anytime soon. The outlook also sent German 10-year Bund yields to a new record low of 0.034%, not far from the negative territory at which trillions of dollars worth of global bonds already trade, and is pushing world equities into the red."

Also...

"From the *Financial Times*:

'*The $10tn pile of negative-yielding government bonds is a "supernova that will explode one day", according to Janus Capital's Bill Gross, underscoring the rising nervousness over the previously unthinkable financial phenomenon.*' "

And

"'*Mr Gross joins a mounting chorus of big investors who fret that this phenomenon will end in tears. Capital Group — which manages about $1.4tn — has warned that negative interest rates were distorting financial markets and economies, and might lead to "potentially dangerous consequences".*

‘*Jeffrey Gundlach, the head of Los Angeles-based bond house DoubleLine, recently told a German newspaper that negative interest rates "are the stupidest idea I have ever experienced", and warned that "the next major event [for markets] will be the moment when central banks in Japan and in Europe give up and cancel the experiment".*

‘*Larry Fink, the head of BlackRock, warned in his latest letter to investors that while low borrowing costs were a boon to many companies and countries, they come at a heavy cost to savers.*’"

http://www.bbc.com/news/business-36498658

And from Seeking Alpha...

"**We might be at the very end** of this economic cycle, and the remarks by legendary investors Carl Icahn and George Soros signal it, said BlackRock's (NYSE:BLK) Jeff Rosenberg. "You're seeing [this sign] in the fixed income markets, you're seeing it in the credit markets, you see it in profits, in the equity markets." Adding to the predictions, Bill Gross warned yesterday that the world's negative yield bond pile is a "supernova that will explode one day," as 10-year government bonds in the U.K., Germany and Japan hit record lows."

Even the head of the ECB realises monetary fixes won't cure the patient...from Seeking Alpha...

Europe is at risk of suffering lasting economic damage from weak productivity and low growth, ECB President Mario Draghi told the Brussels Economic Forum, underscoring his argument that monetary policy alone cannot end the bloc's problems. In a plea for help, Draghi outlined three policy priorities to achieve higher productivity levels: 1) Consolidating the EU's single market 2) instituting reforms that allow firms to scale up quickly, and 3) improving human capital through education and training schemes."

The revolution against negative rates is starting...from Seeking Alpha...

"**Lenders are rebelling** against their central banks' negative interest rate policies, with reports suggesting Commerzbank (OTCPK:CRZBY) going so far as to weigh storing billions of euros in vaults rather than keeping them with the ECB. Some savings banks in Bavaria are also exploring storing physical notes and Munich Re said this year it would experiment with holding at least €10M of reserves in cash to see whether or not it was practical."

There are about ten leading investment gurus that I follow. With George Soros, I note all are now signalling we are closing in on crash time...

http://thecrux.com/sources-a-bearish-soros-is-trading-again/

When someone like Soros comes out of retirement to trade bearishly, that is not a good sign.

China is likely to have a bigger hand in the coming recession/depression (whenever it starts) than the USA or Europe. China will also have a greater impact on Australasia's economies. Gold prices are tending to reflect the market's view of China, just as China jousts with India to be the largest importer and holder of gold and silver...

http://seekingalpha.com/article/3981069-rise-gold-china-economic-barbarians-gate?source=email_macro_view_edi_pic_1_3&ifp=0

Within two weeks we will hear the outcome of the BREXIT referendum in the UK

Rhetoric will ramp up in the meantime. This weeks the polled opinions give BREXIT quite a lead over remain....shock, horror.

The "leave" group is accusing the "remain" group of scare-mongering, but in truth, both could easily be accused of that. Meantime all foreign heads of state are having their say and reflecting their concerns of how BREXIT would affect them. If they go, Britain will take a long while to recapture those areas of governance already ceded to Brussels and it will be a step into the economic unknown. If they choose to stay it will make an absolute nonsense of the Magna Carta and all notions of Westminster Parliamentary democracy, as the UK will gradually fall under the control of the unelected Brussels elite. Even bankers like Wolfgang want to have their say...from Seeking Alpha...

"**A lot of talk out of Germany**. Finance Minister Wolfgang Schaeuble said the global economy doesn't need further stimulus from fiscal policy, but countries should focus on reducing debt levels instead. He added that if Brits vote for Brexit, that could lead to referendums in other European Union countries. Chancellor Angela Merkel separately announced that in the long term, the EU should aim for a common economic zone with Moscow that would extend from Russia's Pacific port of Vladivostok to Lisbon."

I am sure Vladimir would love that.

BREXIT will have risks, but are the risks worth taking? One man's view of BREXIT risk...

http://seekingalpha.com/article/3980991-assessing-brexit-consequences?source=email_macro_view_mar_out_2_9&ifp=0

The Race to be POTUS

Bill Bonner sums up my perception of the Donald and Hillary...

"While her opponent rambles incoherently and mindlessly, every phrase from Hillary's mouth is a carefully polished imbecility."

I sincerely hope someone else with gravitas enters this race...ah well...I know that is unlikely to happen. What sane person would want that job?

Self-driving vehicles are so passé...from Seeking Alpha...

“**Forget about self-driving vehicles**, Google (GOOG, GOOGL) co-founder Larry Page is privately funding two flying car companies called Zee.Aero and Kitty Hawk. The small, automated aircraft are being designed to take off and land vertically and may someday carry people short distances as part of an on-demand transportation service. Page already poured more than $100M in Zee.Aero, which employs 150 people and recently expanded operations to an airport hangar in Hollister, CA. “

My preference would be for one powered by electrical energy, stored in an “EESU”...but only if Dick Weir can solve its time constant deficiencies.