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China, playing with fire – tensions rise, and rise, and..

China has used its copious supplies of US dollars wisely for the most part. Often buying allegiance from tiny nations. Even the unauthorised buying of foreign properties by Chinese citizens who are either looking to offshore their funds or to emigrate, has the effect of destabilising foreign property markets – particularly if they stop investing.

The strategy is now to explore what happens when they sell US Government debt. Their experiment with that is not large, but when allied to the need for OPEC countries to exit US investments does pose a looming risk...

Logically, the Chinese are mainly selling US stocks to avoid a coming depression. Logically the Saudis are doing something similar. But the combined effect could start to affect both the petrodollar and the status of the US dollar as the world's global reserve currency if this process rolls over the trillion dollar mark.

http://seekingalpha.com/article/3982858-opech-china-dump-200-billion-u-s-stocks?source=email_macro_view_top_articles_0_0&ifp=0

Meanwhile Europe is heading towards crisis for a number of reasons...

http://seekingalpha.com/article/3982820-binary-crisis-trigger-brexite-german-court-decision?source=email_macro_view_mar_out_3_6&ifp=0

When evidence won't cut the mustard, the PRC uses good old fashioned BS...

<http://www.bbc.com/news/world-asia-china-36545565>

The quiet but deliberate escalation of events in the South China Sea bears watching for the following reasons...

1. China has said they will ignore the "law of the sea" conventions and assert their rights to their new islands and the water around them
2. They have persuaded a large number of countries (who either borrow from them or sell to them) to support their case. Yet ASEAN countries are united against the incursions.
3. The USA is bolstering its naval presence and seemingly intends to make China back down. China's navy, having had one incursion into Japan's territory and continuing to build, shows a "mistake" leading to conflict is now possible. Chinese fishing fleets are already militarised.
4. With reorganisation of the PLA under direct control of Xi and with the CCP taking control of all media, news will be controlled and the military build up accelerated. Herewith the day's posts from Sinocism...

“Supervising Supervision — China Media Project — Medium Essentially the idea that the media represent the public (or the “masses”) in monitoring the government with critical reporting, “supervision by public opinion” has generally been poles apart from the notion of “positive news,” the sort of brown-nosing coverage we expect to find in China’s bland Party newspapers. In his speech, however, Xi Jinping subverted the distinction entirely: “Supervision by public opinion and positive propaganda are unified,” he said. Thirteen unlucky characters: 舆论监督和正面宣传是统一的. But with these Xi Jinping nullified the idea that the media might play a monitoring role with any semblance of initiative or independence. Just as all media, from traditional newspapers to WeChat, are subordinated to the Party’s will according to Xi Jinping’s all-dimensional vision of media control, so is the practice of “supervision by public opinion.” “

4. Two Carrier Strike Groups Double Down in Western Pacific > Commander, U.S. 7th Fleet >Commander, Task Force 70 Public Affairs

U.S. Navy aircraft carriers have conducted dual carrier strike group operations in the Western Pacific including the South China Sea, East China Sea and Philippine Sea for several years. These operations typically occur when strike groups deployed to the 7th Fleet area of operations from the West Coast of the United States are joined with the forward deployed carrier strike group from Japan. In Sept. 2014, USS George Washington (CVN 73) and USS Carl Vinson (CVN 70) strike groups conducted combined operations in the Western Pacific and in Sept. 2012 they operated in the South China Sea and East China Sea. In 2009, George Washington and USS Nimitz (CVN 68) operated together in the Western Pacific, and in 2001, USS Constellation (CV 64) and Carl Vinson operated together in the South China Sea. “Working with Rear Adm. Hitchcock and Carrier Strike Group Three, during their deployment to the Indo-Asia-Pacific region, has been a great opportunity for us to train on how we would operate multiple carrier strike groups in a contested environment,” said Alexander. “The U.S. Navy has flown, sailed and operated throughout the Western Pacific in accordance with international law for decades, and will continue to do so.”

Related: At Scarborough Shoal, China Is Playing With Fire: Retired Admiral | Foreign Policy

China would risk a potential military confrontation with the United States if it started dredging on a disputed shoal off the coast of the Philippines, retired U.S. Navy Adm. Dennis Blair said Thursday. And in a clash with the United States and its allies in the Philippines, Beijing almost certainly would lose, he said. “If the Chinese push there, I think there’s going to be trouble,” said Blair, who once oversaw U.S. forces in the region as the former four-star

head of Pacific Command. “And it’s trouble that the United States and the Philippines are going to win because the military situation is set up that way.”

Related: Indonesia, Vietnam stress ASEAN's common stance on South China Sea - Channel NewsAsia Indonesia and Vietnam have separately said that the recent strongly worded ASEAN statement on the South China Sea did in fact have the consensus of all ASEAN foreign ministers. The document, released by Malaysia and described as a joint statement from the bloc, warned developments in the hotly contested South China Sea could "undermine peace, security and stability". The statement specified "land reclamation" as a source of tension, a clear reference to China's massive island building activities where it is trying to cement a claim to almost the whole sea.

Related: Is there a way for Beijing to save face after the South China Sea arbitration ruling? | South China Morning Post Jerome A. Cohen says China should look to restart negotiations with the Philippines after the upcoming ruling on the UN Law of the Sea dispute, given its impact on regional peace and its own foreign policy

5. China ups ante in East China Sea- Nikkei Asian Review interesting details in here //Japan administers the Senkaku Islands and considers them part of Okinawa Prefecture. China also claims the islands, known as Diaoyu in Chinese. The small group of uninhabited islets has been a source of tension between the two neighbors in recent years. Now those tensions are escalating. On Wednesday, a Chinese naval intelligence-gathering ship entered Japan's territorial waters off Kagoshima Prefecture, northeast of Okinawa, for about an hour and a half. It was the first time in 12 years for a Chinese naval vessel to enter Japanese territorial waters.

Related: China’s legal argument on use of Tokara Strait infuriates Japan : The Asahi Shimbun Under customary international law practice, freedom of navigation for all ships is applied to parts of straits considered important internationally. Beijing is apparently trying to define the Tokara Strait as one of these important international straits to legitimize the June 15 passage of its naval vessel through it. Defense Minister Gen Nakatani on June 17 flatly rejected the Chinese legal explanation. “We cannot accept the argument made by China because those waters are not used for international navigation,” Nakatani said at his news conference. “I absolutely cannot understand the argument.”

Related: How to avoid a China-Japan conflict at sea - Opinion - China Daily neither China nor Japan wants such an incident to snowball into a full-blown conflict. So what should be done? To begin with, China and Japan should follow the Code for Unplanned Encounters at Sea, which both have pledged to honor. CUES has a set of communication and operational procedures, for example, to prevent a ship from getting too close to vessels in formation, and avoid aiming guns, missiles or fire control radars at other vessels or aircraft it encounters. The Chinese navy has held quite a few exercises with foreign navies, including the US Navy, on how to fully observe CUES. The Chinese and Japanese navies could do the same to build confidence and familiarize themselves with the procedures.

We often think of China as being a tranquil, market based economy. But it is not that as the following articles from Sinocism show...

'China Is the Biggest Mad House in the World and CCP the Worst Lunatic' « China Change China is probably the only country in the world where the Ministry of Public Security operates a chain of at least 27 mental hospitals across the country known as the “Tranquil and Healthy Hospitals” (安康医院). Petitioners, Falun Gong practitioners, and sometimes political prisoners, have been thrown in mental hospitals. Recently, a news item from 2010 went viral on social media with the headline “The Ministry of Public Security: Mental Hospitals May Not Treat Non-mentally Ill Patients Without Permission from Police.” Netizens quickly parsed its understatement: With permission from the police, mental hospitals may admit normal people; Mental hospitals have done so before without police permission; Mental hospitals have done so before with police permission; Police, not medical professionals, decide whether one should be sent to a mental hospital.

and

They're not police, military or even official ... inside the mysterious 'central investigation team' that answers only to the Communist Party | South China Morning Post The mysterious “central investigation team” that Hong Kong bookseller Lam Wing-kee believes took him away at the Chinese border reports directly to the central committee of the Communist Party. The team – which does not belong to any official law enforcement body – holds the same level of importance as investigators looking into important cases, including that of the disgraced former security tsar Zhou Yongkang.

And

Villagers in China vow to press ahead with land seizures protest after hundreds of police involved in operation to detain their leader | South China Morning Post Plainclothes officers and police in riot gear stepped up patrols on the streets of Wukan in southern China on Sunday after hundreds of police were deployed in the early hours of the morning in an operation to arrest a village chief. Villagers are hoping to go ahead with a village assembly later on Sunday to discuss a protest next week over their land seizure disputes with the local authorities. The atmosphere was tense on Sunday after villagers were involved in a stand-off with about 400 police after the arrest of Lin Zuluang, the villages' Communist Party secretary.

And

Donald Trump suggests a banker could handle the US relations with China. From Sinocism...

Trump Proposes Putting Major Super PAC Donor 'In Charge of China' - NBC News "You take somebody like Andy Beal, you put him in charge of China: 'Okay, Andy, do me a favor, renegotiate our trade deal.' You know what, we can all go home, relax, have dinner." Beal, the founder of Dallas-based Beal Bank, endorsed Trump in February and is reportedly backing one of the pro-Trump spending groups, Great America PAC. According to the Dallas Morning News, Beal may have attended a briefing for potential donors in Dallas last weekend.

Official lies (see article forwarded below)

The Russians had a saying during the time of Joseph Stalin, "You only believe rumours to be the truth when they are officially denied." The information below shows that in the world's major economies, lies have become the order of the day.

How can we have a normal world in which people need to pay the banks to hold their money and companies can borrow for free?

http://seekingalpha.com/article/3982674-brexite-subprime-corporate-welfare-overvalued-s-and-p-indices?source=email_macro_view_mar_out_3_8&ifp=0

Oil

Frigging in the rig count? This article describes how rig movements are playing out in the major shale plays affecting US tight light oil production. I have no doubt that the Permian Basin with its multi-zone oil deposits will continue to be a gift that keeps on giving. But for all but the sweet spots of the other fields, production will continue to drop at pace...and oil companies go bust...

http://seekingalpha.com/article/3982651-scared-rising-rig-count-yet?source=email_macro_view_com_2_13&ifp=0

Just to reinforce a point...the decline rates are per month!

So drilling to stand still is not up to that task. So Jones expects that a decline in daily production output of approx. 650,000 bbls per day will likely happen in the shale zones of USA based on price forecasts. That needs to be added to depletion of the remaining US oil production.

Then there is the fact that everywhere else the drop in prices has led to far lower capex to replace ongoing oilfield depletion.

Silver

The admissions of market rigging by Deutsche Bank will of course play out in court as the regulators take the even bigger riggers (JP Morgan and HSBC) to task. But the market has become dyslexic. Who now really knows what the proper price level should be. The ratio of silver to gold in the ground is about 17:1. Yet the price is around 74:1...

http://seekingalpha.com/article/3982747-silver-price-fixing-market-manipulation-upside-investors?source=email_macro_view_top_articles_1_1&ifp=0