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The American global hegemony, Brexit, GDP as a measure, oil, superannuation, derivatives and that inevitable global collapse

Reality suggests that the USA is losing control of many areas that in 1989 it dominated with the fall of the USSR. Whether in the Middle East or even Europe or the Pacific, America faces challenges.

Even some of the architects of the programme for US dominance seem to agree...

http://www.counterpunch.org/2016/08/25/the-broken-chessboard-brzezinski-gives-up-on-empire/

The act of Turkey attacking the US led Kurds in Syria this week suggests that Erdogan thinks himself to be the master of the region with Russian support...a risky play, but high stakes for US special forces advisers embedded in with the Kurds.

From the Jackson Hole meeting of the world's central bankers, nothing sensible or constructive emerged. The US Fed as the chosen leader simply said things could play out in any direction. Rather spine chilling because we are therefore unable to look to central bankers for a fix in the upcoming crash – which is nothing more than GFC2...except with the complications from what they did to "kick the can" down the road...

http://seekingalpha.com/article/4002607-11-bone-chilling-things-gleaned-yellens-chart?source=email_macro_view_eco_0_19&ifp=0

Then there is the charade of the present POTUS elections...this will get worse before it gets better as the protagonists slug it out...

How does the deep state buy influence with a POTUS? Take the "Clinton gambit" as a case in point...

http://www.bloomberg.com/politics/graphics/2016-dnc-contributions/

This does nothing for the credibility of the world's largest and arguably most corrupt economy. The nonsense promotes the agendas of folk with conspiracy theories...but whether those theories have any validity remains to be seen J....

http://www.mauldineconomics.com/this-week-in-geopolitics

Brexit

Now that negotiations for Britain to exit the EU are to begin without a Commons vote on the matter, the difficulties are starting to emerge. It isn't just the complexity but also the fact that European interests will likely do all in their power to keep the UK locked in...

http://www.bbc.com/news/world-europe-37210138

Naturally so...

https://www.theguardian.com/commentisfree/2016/aug/29/voted-out-eu-brexit-hurt-german-vice-chancellor-britain

Trade talks between the EU and USA have also now effectively failed. Britain may well find she is locked in. But if so, then sovereignty will be lost...

http://www.telegraph.co.uk/business/2016/08/28/the-brexit-doomsayers-were-wrong-but-now-we-need-economic-certai/

We will soon see how this plays out as Theresa May girds up her loins for the battle ahead...

http://www.telegraph.co.uk/news/2016/08/28/britain-will-retain-access-to-single-market-and-curb-migration-u/

To GDP or not GDP, that is the question

I suppose government accounts must always be based on "accounting for success" or else governments would never get re-elected.

However measuring the performance of an economy by using GDP stats is always fraught with danger because so many of the numbers fed in have already been tampered with. The use of a monetary measure even ensures that the central banks can also goose the numbers as they are all doing throughout the OECD.

But some sort of measure is needed. For those who may be interested this is the Mauldin perspective....

http://www.investorsinsight.com/blogs/thoughts_from_the_frontline/archive/2016/08/26/08_2F00_26_2F00_2016.aspx

When the world economy eventually tips upside down, we will be able to see for sure that things are getting worse. For example, people in Venezuela cannot get food or medicine and so while they starve, their GDP is shrinking somewhat.

But until then, a stagnant (and probably shrinking) global economy will always be presented in the best possible light through GDP stats.

Meanwhile, the message from Janet Yellen at Jackson Hole is garbled. Will she increase rates or won't she. It may all depend on the next couple of jobs reports...

https://www.theguardian.com/business/2016/aug/26/janet-yellen-speech-jackson-hole-federal-reserve-interest-rate

Personally I think she wants us to think she will, all the while knowing the obvious...she certainly cannot! Well, she can increase rates - but then the mayhem would be immediate and she would get the blame...not something nice to leave as a legacy. Then again, the historians will need a "fall guy" or "gal" and folk will soon forget that collapse was baked into the cake before she took over from Dr Bernanke.

In Japan the economy sinks further as the rates become even more negative....and the Japanese government pension fund loses billions in the process. But don't worry, so far the loss is only USD52 billion – pocket money for the fund but worrying that the situation is deteriorating.

https://www.theguardian.com/world/2016/aug/26/japans-deflationary-spiral-worsens-as-abenomics-falters

Oil

Things are changing in the Middle East as US power gets trumped by Russia's negotiating strategies...and Turkey tries to establish its own regional caliphate...

http://oilprice.com/Energy/Energy-General/Russia-Iran-Turkey-Alliance-Could-Change-Energy-Dynamics-For-Good.html

Even China's state owned oil companies, Sinopec, PetroChina and CNOOC are suffering from the lower oil prices.

http://peakoil.com/production/chinas-oil-majors-are-burning-through-oil-reserves

China has been wisely buying oil capacity from others for about 15 years. They were fortunate in the giant Daqing field (under the city of the same name) that provided much of China's oil since the days of Chairman Mao. I have only been watching China closely since 2004 when the used only 4 million bbls per day. Now they are up to 11 million bbls per day and have a wide array of suppliers around the world, from who they only take a portion of their entitlement. Even the Chinese state owned oil companies cannot keep production increasing though and the rate of imports is increasing as Daqing field is well past its peak production...

http://peakoil.com/production/chinas-oil-production-peaks-increased-foreign-oil-dependency-on-the-horizon

So now it looks like OPEC wants to change the price deck by limiting supply – if they can get their folks into line. That would mean a return to higher prices in 2017 and the oil price then crashing the world economy...assuming it doesn't crash before then J...

http://oilprice.com/Energy/Oil-Prices/Forget-The-Pullbacks-Oil-To-See-Strong-Rebound-In-2017.html

The only folks who buy and use oil are refineries, yet the banks trade heavily in paper oil and effectively influence if not directly setting the prices that rule between buyer and seller on the Chicago Metals Exchange aka CME.

http://oilprice.com/Energy/Oil-Prices/Ignoring-Fundamentals-Speculation-Has-Been-Driving-Oil-Prices.html

The ability of banks to trade paper commodities is one of the factors that destabilises the global economy. Will anyone do anything about that? It is hard to say. There are some murmurings but the financial sector has bought and paid for most folk in Congress and the Senate, so I wouldn't hold my breath L...

http://www.bloomberg.com/news/articles/2016-08-26/thought-volcker-rule-went-too-far-there-s-more-coming-for-banks

The Saudis are much more direct in their manipulation of world events and global politicians as the article below points out. Once Ghawar ceases producing more than a few hundred thousand barrels of oil per day, the influence of the Saudi Royal family will take a hit....

https://www.linkedin.com/pulse/kingdom-turmoil-interview-dr-ali-alyami-erico-matias-tavares

And from Seeking Alpha, the House of al Saud looks to be in trouble...

"**Net foreign assets at Saudi Arabia's** central bank fell to $555B in July, down $6B from the previous month, as the government drew on reserves to cover a budget deficit caused by low oil prices. Assets shrank by 16% from a year earlier to their lowest level since February 2012. They reached a record high of $737B in August 2014 before starting to fall."

The collapse of our civilisation is unlikely to come about because we run out of oil, but because of the combination of two factors...

1. The falling EROEI of oil that will gradually and inexorably reduce the net value of a barrel of oil in energy terms, while at the same time the cost of extraction and processing will increase per barrel. This means a higher proportion of global net income must be devoted to extraction and processing of oil.
2. The increasing complexity of civilisation has gone into overdrive, while at the same time the energy cost of extracting all mineral resources is increasing exponentially each year.

We humans took all the easy, cheap and high quality (for our purposes) oil first and at the same time extracted all other resources on the same basis...in other words the easiest, cheapest and best quality, iron, bauxite, copper, gold, silver etc., etc have all been extracted. Despite improved technology we are running the race of the "Red Queen" (from Alice in Wonderland). Running faster to just stand still in volumetric terms....except soon we will be going backwards.

The story of growth in reserves and resources of everything containing some form of hydrocarbons – so far as we know - is told in this report that strips the BS from published official stories...when oil prices were USD100-115/bbl the reserves and resources that could be extracted were far higher than they are at USD45/bbl...

http://crudeoilpeak.info/oil-reserves-and-resources-as-function-of-oil-price

Even when the industrial age of oil ends in say 15 years, there will still be huge nominal reserves and resources that are yet to be tapped at a higher and higher real cost that will cause us to leave many in place. But we humans will still be using oil for at least another century or so.

I have always been critical of shale oil developments because few made enough money to stay solvent at high oil prices. Yet they grew production (despite many going bust and taking investors money with them. But what about the oil majors? They are going backwards too...

https://www.bloomberg.com/gadfly/articles/2016-08-29/big-oil-loses-love-for-big-projects

Of the three key shale plays in the USA (the Eagle Ford field, The Bakken field and the Permian Basin) the oil companies operating in the Permian are the ones with the best prospects for survival in a world where being a low cost quartile producer will be the secret to long life and happiness. Blackstone is now unleashing client money to pick over the bones of the Permian casualties...and it seems to me they are sensible in trying to buy quality assets at the bottom of the market...

http://www.bloomberg.com/news/articles/2016-08-25/blackstone-unleashes-cash-hoard-in-texas-shale-oil-land-grab

and

http://seekingalpha.com/article/4002620-permian-basin-acquisition-fever-evergreen-stock-rally-conundrum?source=email_macro_view_edi_pic_1_3&ifp=0

Superannuation

The Ozzies have done great with their compulsory super. So great in fact that there is now AUD2 trillion locked up in super funds that the Government cannot tax. That is too big a target for the beleaguered Ozzie Government so they are trying to work out how to get their grubby fingers on some of the funds....

http://www.morningstar.com.au/smsf/article/troubled-times-for-super/7876

Don’t worry kiwis. It will be another 10-20 years before the NZ Government raids your super funds....remember what I said in my 2007 book, “Flag Kiwisaver, There is a Better Way”.

Our KiwiSaver will not do the job it should because the inevitable change in retirement age will mean an increasing proportion of our children may not live long enough to collect as governments change the rules. So the prudent thing is to have “a bob each way” and put half our retirement savings into KiwiSaver and half into personal investments in long term assets.

And I don’t know why people ask questions like this...

http://www.telegraph.co.uk/investing/funds/are-fund-managers-risking-your-money-in-pursuit-of-their-bonuses/

Of course they are. Their decisions are short term to maximise their bonuses J. They are not stupid.

Something on derivatives

The volume of futures trades of everything from gold and silver to copper and oil is many time the production of those resources and the way the traders work is to use derivatives to hedge their bets.

Some do it in a predatory way, by trading the risk for arbitrage....Goldman Sachs etc.

Some do it because they must offset risk for either the clients or the bank.

This article gives some idea of how these differ. But frankly, the derivatives casino seems to me to be rigged in favour of those who are insolvent should the wolf come knocking on the door.

http://seekingalpha.com/article/4002434-goldman-sachs-wells-fargos-derivatives-books?source=email_macro_view_mar_out_3_6&ifp=0

That inevitable global collapse

Today there is a steady flow of news about struggling Chinese firms. Today COSCO...rather unexpected...

http://seekingalpha.com/article/4002600-china-cosco-suffers-record-loss-even-dry-bulk-shipping-stabilizes?source=email_macro_view_eco_3_22&ifp=0

As we know, Dmitri Orlov has written extensively about the collapse of the USSR that led him to emigrate to USA. Now he believes the USA and the entire OECD, BRICS and other emerging markets are at risk. His comments and those of client of his are always sensible and probably worth listening to...if you want to become a little depressed...

http://kunstler.com/podcast/kunstlercast-280-150-strong-dmitry-orlov/

Unfortunately, I cannot disagree with either Dmitri or his interviewer, Jim Kunstler. But there are individual banks, organisations and countries that will go belly up before the rest...the concept of survival of the fittest comes to mind...

http://www.internationalman.com/articles/the-darwin-awards-for-nations

Far more investors including almost all billionaires are actively preparing for the coming collapse every time I get an update, although no-one agrees over when it will occur.

Getting out of banks and financial assets is one strategy the pundits promote and the other is to invest in farmland and precious metals...so how is demand for gold going – as the price is flat around USD1,325/oz?

http://thecrux.com/3-surprising-facts-you-dont-know-about-gold-demand/

Financial assets are in strange mode as earnings are down yet business values are up...

http://www.caseyresearch.com/articles/how-to-know-if-your-dividend-is-safe

Finally...

Remember those Icelandic volcanoes? The biggest of them all is stirring....

http://www.bloomberg.com/news/articles/2016-08-29/iceland-raises-alarm-after-largest-volcano-starts-to-rumble