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ISIS failing? Most economies sinking. So much depends on what oil prices do.

The days of ISIS in Iraq seem to be numbered as the USA prepares to send in 600 troops for the battle of Mosul. We can only hope that Mosul will not be a repeat of the civilian carnage of Aleppo...but war is war...

<http://freebeacon.com/national-security/uncertainty-roils-planning-mosul-liberation/>

The more complex civilisation is, the more fragile it is. Aleppo has few supplies of water and they have been severed. The best citizens can hope for is a speedy takeover by Assad forces.

Australia is also seeing the same thing with a power outage to all of South Australia...

<http://www.bbc.com/news/world-australia-37481256>

Islam despises Western society and its modernity and comforts. Yet many Muslims cannot wait to get to the West...

http://ggc-mauldin-images.s3.amazonaws.com/uploads/pdf/OTB_Sept_28_2016.pdf

We may be reaching a time when we won't realise what we have lost until it is gone.

The Economy

Is all now rotten in the global economy?

China remains a concern for us exporters...(first 10 minutes of the video)

<http://www.aljazeera.com/programmes/countingthecost/2016/09/china-debt-160924081946832.html>

China is ignoring its limitations and pressing on. By year end, will it be able to do so?

Will the dollar go the way of the denarius, when inflation goes berserk?

<http://www.internationalman.com/articles/going-the-way-of-the-denarius>

For those of us with share investments offshore, when do we get out of Dodge? This is one viewpoint...

<http://www.caseyresearch.com/articles/the-time-has-come-to-leave-the-dance-floor>

Charles Hugh Smith understands the dynamic...

<http://thecrux.com/why-the-coming-wave-of-defaults-will-be-devastating/>

The Italian banks are in trouble and the Germans have said a bail out is impossible and they must do bail-ins (stealing deposit-holders money to provide adequate capital. With Deutsche Bank also teetering on the point of collapse, they have only 18 billion dollars of Capital and a law suit from the US Government for USD14billion. This is obscene. They have a pile of derivatives that is about 20 times the GDP of Germany, so the central bankers obviously learned nothing from the GFC. DB is far larger than Lehman Bros and bereft of support from the German Government. What arrant nonsense? How do they expect the global financial system to survive the repeat of 2008? Watch for a bail-in (what John Key euphemistically calls Open Bank Resolution). We know never to believe rumours – such as this – until they have been officially denied. Just like this denial...

<http://www.bbc.com/news/business-37496268>

The largest listed US corporations are about to report the sixth quarterly drop in income in a row...from Daily Reckoning...just tot this lot up...

“Let me share with you what I’ve seen in recent days (emphasis mine):

‘[US companies] in the S&P 500 are now expected to report an earnings decline for the sixth consecutive quarter in the coming weeks, according to analysts polled by FactSet. That slump would be the longest since FactSet began tracking the data in 2008.

‘The prolonged contraction has raised questions about how far stocks can rise without corresponding strengthening in corporate earnings.’

— Wall Street Journal, 25 September 2016

‘Deutsche Bank shares hit their worst levels in more than two decades on Monday, after German press over the weekend said Chancellor Angela Merkel had ruled out state aid for the bank. That sent investors scrambling. Deutsche Bank is trying to work out the details of a proposed \$14 billion settlement with the Justice Department over its mortgage-securities business.’

— Wall Street Journal, 26 September 2016

‘The former chief economist of the International Monetary Fund [Ken Rogoff] has told the BBC a slowdown in China is the greatest threat to the global economy.

Ken Rogoff said a calamitous “hard landing” for one of the main engines of global growth could not be ruled out.

““And I think the economy is slowing down much more than the official figures show,” Mr Rogoff added: “If you want to look at a part of the world that has a debt problem look at China. They’ve seen credit fuelled growth and these things don’t go on forever.”

— BBC News, 26 September 2016

And finally, this comment about the persistent earnings decline in the US:

“Investors don’t care about fundamentals as long as central banks have their back,” said Jack Ablin, chief investment officer at BMO Private Bank, though he added that he finds the lack of earnings growth for such a long period is “certainly problematic.”

— *Wall Street Journal*, 25 September 2016

Got all of that?

US earnings are heading for their sixth straight quarterly decline, yet the US share market is a whisker off its record high.”

What this means is that central banks have propagated a monster because they simply swept all the problems of the GFC under the carpet when they bailed out the banks.

Instead of real growth we got debt growth in spades...so high, that interest rates have to be negative to keep the party going. This is absolute madness. If the system does survive it can now only do so by implementing strategies making the eventual crash far worse.

The TBTF banks have been so un-successful, their alumni now run our countries – think Turnbull, Key, Carney, Draghi. They have conned us into thinking they are masters of the universe, all the while just a bunch of sickos and slick crooks. The drama just goes on...

<http://www.caseyresearch.com/articles/you-better-get-used-to-negative-interest-rates>

None of these bozos know the causation for the current slide of the global economy into irreversible insolvency. So all are part of the problem.

So while I hope to be ready for the crash in 2017, it can still arrive in 2016 and I see no recovery from it. Remember my words as follows,

“the quickest way for the global economy to crash will be if central banks increase interest rates or if OPEC and Russia get the monkey off their backs and engineer a major increase in oil prices.

Energy

OPEC and Russia have spoken...their losses on the sales of oil at very low relative costs will be progressively reduced if they can maintain discipline and reduce output as planned. This at a cost to Saudi Arabia who will bear the brunt of the measures. But this means us oil importers - the OECD - will hit the edge of the cliff at a run but unlike Wiley-Coyote we won’t be suspended in the air for very long...

<http://www.bbc.com/news/business-37502538>

To compound the situation, US parties will almost certainly sue Saudi Arabian interests over the 9/11 attacks that Saudi citizens clearly orchestrated. (*Editor’s note: no doubt SA had some involvement, but much proven evidence shows many other parties did too.*) Some 40 years ago Henry Kissinger negotiated with King Saud that in exchange for the US dollar being the agreed

currency for oil and gas sales, the USA would protect the Saudis from all comers. Has the time of that agreement just ended and have we just arrived at the end of the “petrodollar”. On 1st October 2016, China’s Renminbi becomes an accepted international reserve currency and part of the basket that the IMF accept for their SDR funding programmes. Given China’s parlous indebtedness, can China not capitalise and therefore will the USA and its dollar still be the prettiest ugly girl in the room? We are now at an historic point in the affairs of both the USA and the Western world.

<http://www.bbc.com/news/world-us-canada-37498033>

Ever since I have been writing on the subject of oil, I have been pointing out that as the death of the industrial age of oil approaches, prices will spike both up and down as they did during the decades when we killed off the whales. Then, humanity found substitutes but there was only 1.2 billion humans with most labouring on the land and the only major use of whale oil was lighting – and a bit for heating. Now oil drives 92% of transport and society is infinitely more complex and as a result of oil’s bounty, only 6% of us need to work on the land nowadays – the rest of us are supported by a now disappearing energy surplus...

<http://peakoilmatters.com/2016/09/27/peak-oil-ready-to-act-pt-2/>

Now, we have no substitutes other than hydrocarbons with far lower EROEI..... and solar and wind that are in the same boat. With intermittency and lack of storage solar and wind cannot replace oil. We lack an electrical energy storage system that could raise the EROEI of renewable energy and make non-fossil fuel powered transport viable.

The only questions that remain are how big will the bust be, and when?

I keep writing about the mythological EESU, because if it works, it has the potential to unload more than 50% of transport from dependency on fossil fuels over a few decades. If it fails, then we may need to sack most of the world’s scientists and send them into the fields to work, because that is where their futures will certainly lie. What use a “better toothpaste” if we cannot feed ourselves? Without fossil fuels we cannot support as many drones in society (of the people kind).

Add it up...and see what it comes to...

Our falling EROEI for oil (versus the ignorance of economists about the role that energy and geology play in our economy)

The increasing cost of maintaining and replacing aging infrastructure

The exponential increase in the cost of winning and processing all minerals and finite resources

The progressive exhaustion of finite resources, take away or make oil materially more expensive, and factory farming becomes marginalised

Take away oil based fertilisers and the land cannot be as productive - as top soils have already been thoroughly depleted

There is a diversion of capital away from exploration and development of fossil fuels - based on doctrinaire PC hypotheses of climate change etc

There has been a dramatically increasing complexity and cost of both society, society's laws, society's expectations and government overhang

This could well lead to our very civilisation starting to unravel from c. 2025 and in turn lead to a related human die-back at some point

Richard Heinberg has a slightly more measured view...

<http://richardheinberg.com/wp-content/uploads/2016/09/museletter-292.pdf>

But this offering from Richard's team two years ago reminds me that I have been beating the same drum for far too long...

<https://www.youtube.com/watch?v=FCEOfZV1OaU&feature=youtu.be>