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## **Better-Management Newsletter 19 November**

*Geopolitics: like horse racing, the only certainty is the uncertainty.*

Donald Trump has a recipe for everything, albeit several are evolving as January 19<sup>th</sup> 2017 approaches and his new team are selected.

The problem is that instead of heading the USA into a deflationary crisis, he could lead the world into a high inflationary crisis. Or not? How he won the POTUS is intriguing to many. He secured the Republican nomination against all odds and reason because he appealed to core values of people's jobs and incomes as spelled out in the Daily Reckoning article below. But how he landed the White House was as much due to the way Hillary alienated her core constituency. Also the fact that, as President Abraham Lincoln said 'you can't fool all of the people all of the time'.

IMHO, the Clinton Foundation's activities since Bill's days in the White House have bordered on the illegal (as per Jerome Corsi's book on the subject) and Hillary has crossed the line by using her Secretary of State role to advance the Clinton family's personal endeavours. Along with the Benghazi fiasco that led in part to the strengthening of Al Qaeda and ISIS, Hillary's aid, Ms Huma Abedin also caused her to lose parts of her core constituency...with thanks to Tim...

[https://www.youtube.com/watch?annotation\\_id=annotation\\_3483962299&feature=iv&src\\_vid=KnL2K8jVS7A&v=PXjrmR66Txg](https://www.youtube.com/watch?annotation_id=annotation_3483962299&feature=iv&src_vid=KnL2K8jVS7A&v=PXjrmR66Txg)

Donald Trump cannot deliver for his coal mates in part because there is too much cheap natural gas in the USA and that is a cheaper energy source than coal as well as being less polluting. But he will usher in an era of protectionism and create huge government deficits as he creates "shovel-ready" jobs. I will elaborate further in the Economy section.

The world's problems are not just too much debt and flourishing currency wars. Society within the "globalised" OECD has been given an injection of socialism that persuades everyone that the state owes them a living.

Many, many emails ago, possibly 8 years ago, I alerted you to the writings of Ayn Rand, the author of "Atlas Shrugged," a book about the way she thought this creeping socialism will end. Perhaps we have already seen some of the results of using globalisation to transfer low wage roles from our own school leavers to the poor of other countries – and the dissatisfaction of the dispossessed. Unfortunately we have also transferred knowledge of all manufacturing processes, together with the intellectual property and capital equipment to the low wage economies – as well as the access to raw materials. So now the OECD has been largely hollowed out and our poor live on handouts. So the USA now has Trump – the antithesis.

“Who is John Galt?” the catch cry of “Atlas Shrugged” is now reflected by hosts of folk (from the wealthy to the poor) who see a more resource constrained future and look to opt out as either “preppers” or people with alternative lifestyles.

Soon we will have artificial intelligence and automated robots within the mainstream. This means fewer human jobs and more comfort and leisure for those with money to spend. Nationalism and Protectionism are looking almost inevitable and our leaders have not sought alternative strategies to globalisation and free trade.

Australia and New Zealand were established as part of the first 18/19<sup>th</sup> century globalisation drive and our economic models are based on the export of food and resources. If the anti-globalisation forces erect trade hurdles for us, what then is our strategy?

## **Geopolitics**

The next round of political upheavals is the Italian referendum in early December. But meanwhile President Hollande and Chancellor Merkel must be worried about their tenure from 2017. Frankly, I believe they deserve the Trump treatment after inundating their respective countries with a tide of Muslim immigrants, who arguably never intended to merge with the existing, mainly secular society. I tend to agree with Doug Casey, below....

<http://www.internationalman.com/articles/doug-caseys-two-days-with-the-real-and-wannabee-elite>

With thanks to Peter, this video of the streets of Paris shows some of the “refugee’s” impact...how much damage is that doing to the “City of Love” and who wants to go there to see the sights?

<https://www.youtube.com/embed/pN0QddK8VFk?rel=0>

Populism ...people power .... is spreading....

<http://www.bloomberg.com/news/articles/2016-11-15/populism-takes-over-the-world-ivjjsbhu>

I think the inability of people like Obama to understand why globalisation has failed many people and why it will just get worse, means that few of America’s allies will try to change course. The fundamental issue, that we cannot have continued exponential growth in a finite world, is simply not accepted and probably not understood.

In the present, many younger economists are concerned about the impact of baby boomers’ welfare on OECD economies. But they have failed to realise that boomers are now far less numerous as a discrete class than “millennials” ...those folk who reached adulthood after the year 2000. Boomers are now as economically irrelevant as their/our own post-WW2 parents were in the 1990’s. Each successive generation is exponentially larger than that which went before. In terms of wealth generation for humans that seems OK until we factor in limits to growth in a finite world.

Much of the present media attention is about Trump and is now about who he will choose for his cabinet...not the collective impact of the new policies he brings with him...

<http://www.bbc.com/news/world-us-canada-38027519>

Regardless of whatever The Donald does, his family will seemingly be an endless source of delight for the media...

<https://www.theguardian.com/commentisfree/2016/nov/18/ivanka-trump-iron-throne-america-politics>

## **The Economy**

Trump is already having an economic impact on America's neighbours...from Seeking Alpha...

“**Mexico's central bank hiked** interest rates to their highest in over seven years on Thursday and warned that the election of Donald Trump had cast doubt on the direction of Latin America's second-largest economy. The decision to raise its key rate by 50 bps to 5.25% "seeks to counteract inflationary pressures," Banxico said in a statement, adding that it stood ready to take further action if needed.

**Amid fears a Trump administration** will tear up NAFTA, the Canadian Manufacturers and Exporters group is lobbying the government to protect the U.S.-Canada trade relationship, even if that means losing the trilateral partnership with Mexico. As a result, Mexican and Canadian leaders will hold talks this weekend on the potential impacts Trump could have on the free trade agreement.

**Meanwhile, leaders of Pacific Rim nations** are gathering in Peru to salvage hopes for regional trade as prospects dwindle for the U.S.-led Trans-Pacific Partnership. Discussions at the Asia-Pacific Economic Cooperation summit will be dominated by fears of rising anti-globalization sentiment in the West and China's burgeoning role in global trade. “

This interview below with Jim Rickards provides an excellent summary of how the issues facing President-elect Trump are so strikingly different from those that faced Ronald Reagan.

<http://thecrux.com/rickards-financial-crisis-coming-soon-will-be-different/>

If the system freezes in the way Jim predicts, you will likely lose all access to your bank accounts while a bank holiday occurs.

Remember my personal reaction? Hold enough bank notes under your mattress (or wherever) to last out a two month bank holiday. Prepare to lose some of your bank deposits over a certain minimum sum (that will only be known when the “balloon goes up” – but probably less than \$200,000) that will become part of the bank's share capital. Hold some low denomination precious metal coins in case inflation become hyper-inflation. And hold non-financial assets to avoid share and property market crashes.

Warren Buffett doesn't seem to be fazed by the Trump election...

<http://thecrux.com/buffett-after-trump-win-100-optimistic-about-america/>

Of course Buffett banks on the status quo. There will also be numerous investment options that open up as things change. Many of Buffett's investments lie in globalised businesses...those multi-nationals that pay little or no tax anywhere and hold their huge multi-trillion cash deposits in offshore jurisdictions. He is a beneficiary of everything global.

But already since the POTUS election, the global bond markets are swooning...

<http://www.caseyresearch.com/articles/why-the-bond-king-has-never-been-more-bearish>

and

<http://www.bloomberg.com/news/articles/2016-11-18/trump-is-making-bond-markets-nervous>

and

[http://www.moneyandmarkets.com/great-rotation-83114?em=jcrofe%40xtra.co.nz&utm\\_campaign=MAM3642A&campid=70312&utm\\_medium=email](http://www.moneyandmarkets.com/great-rotation-83114?em=jcrofe%40xtra.co.nz&utm_campaign=MAM3642A&campid=70312&utm_medium=email)

Janet Yellen looks like she will start the increases to interest rates in December – regardless of impact, but safe in the knowledge that Trump's spending will counteract any small increases...and this won't help the bond markets...

<http://thecrux.com/yellen-sees-hike-relatively-soon/>

And some think we may depend on Trump to either spend or break all his election promises...

<http://blogs.platts.com/2016/11/18/infrastructure-nixon-china-triumph/>

This of course affects the countries whose currencies compete in the zero sum exchange rate wars...

<http://www.zerohedge.com/news/2016-11-18/euro-historic-slide-dollar-surge-bond-rout-continues>

Meanwhile... The ECB seemingly keeps propping its economy up...from Seeking Alpha...

**"Mario Draghi has sent a strong signal** that the ECB will extend its €1.7T bond purchase program next month, warning that the eurozone's weak economy remains clouded by risks and heavily reliant on the central bank's stimulus. "We cannot yet drop our guard," he said at the European Banking Congress in Frankfurt. "The ECB will continue to act, as warranted, by using all the instruments available" until inflation picks up sustainably. “

And no-one has done anything to help Greece...from Seeking Alpha...

**“Greece is warning Germany** and other creditors to agree on a debt restructuring in the coming weeks, or miss the best chance to bring its seven-year crisis to an end. "If we kick the can down the road and say we will decide in two years about how to make Greece's debt sustainable, then investors will also postpone decisions about investing in Greece," Finance Minister Euclid Tsakalotos declared. “

Nothing has changed in China...except that the Chinese have seemingly stopped increasing coal production/ consumption, and are assuring the rest of the world they are committed to a renewable energy future....

<http://www.bloomberg.com/news/articles/2016-11-15/another-china-red-flag-rises-with-loans-on-track-to-top-deposits>

Emerging markets are being roiled by a shortage of US dollars to match market demand. So it isn't just in India where they have removed favoured bank notes from circulation that there is a looming cash shortage....how an injudicious move can wreck an economy:...

<http://www.zerohedge.com/news/2016-11-17/indian-economy-grinds-halt-after-cash-ban-demonetisation-has-shaken-our-faith-moneta>

## **Energy**

The accord within OPEC continues to be complicated as it isn't just Iran that is holding out on limiting oil production...from Seeking Alpha...

**“Iraq would have to compensate** international oil companies for limits placed on their production, according to industry sources, further reducing the prospect it will join any OPEC deal to curb the group's output. A strengthening U.S. dollar is also weighing on prices. A stronger greenback makes oil, which is priced in dollars, more expensive to buyers in other currencies. Crude futures **-1.5%** to \$44.72/bbl at time of writing. “

But OPEC is seemingly getting closer to a deal and today's oil price reflects that optimism...

<http://www.reuters.com/article/us-opek-talks-iran-idUSKBN13D140>

The Tesla-Solar City link up is a step into the future by Elon Musk. The takeover has been approved and now people look to Tesla to usher in the age of solar power for home and transport...with solar roofs thrown in for good measure...

<http://www.bloomberg.com/news/articles/2016-11-17/musk-says-tesla-s-solar-shingles-will-cost-less-than-a-dumb-roof>

But is Elon over-reaching? I think he is, but that remains to be seen.