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Better-Management Newsletter 25 November

Geopolitics, US in limbo, EU problems mount, Energy conundrums

The warning is clear...Don't go to Europe this holiday season...

<http://www.reuters.com/video/2016/11/22/europe-on-alert-after-us-travel-warning?videoId=370533145>

After Brexit and “the Donald”, what next? Right wing France? Well we know from friends in France that they are very worried and not just about the Muslim hordes... but can this be correct?

<http://thecrux.com/hell-just-froze-over-france-just-rejected-socialism/>

As options look less palatable, it is only logical that the reactions will be more extreme. This article from Stratfor sets the scene...

https://www.stratfor.com/weekly/simple-tool-understanding-trump-presidency?utm_campaign=LL_Content_Digest&utm_source=hs_email&utm_medium=email&utm_content=38070157&hsenc=p2ANqtz-9fLPAXL1CRuuDA6CmkFpRAp3PAXtOaNdbXvcVJd-Q_rRRQPjYit7iwanNJ1r5WU2ui7Q3oMyFAF9bQk0Z6Npf0wDMLvg&hsmi=38186614

We have seen Duterte in the Philippines lurch to the right and start killing the drug dealers. We have seen the Turkish abandon secularism and the new Islamic state of Turkey is now arresting all those who disagree. Perhaps the Turks may join the SCO instead of NATO now...

<http://www.zerohedge.com/news/2016-11-22/major-foreign-policy-shift-turkey-abandoning-eu-sco>

and

<http://www.zerohedge.com/news/2016-11-24/europe-suspends-talks-turkey-joining-eu-sending-lira-crashing-record-low-despite-une>

The problems being encountered by “globalisation” make one wonder whether enhanced versions of “nationalism” will replace that. These are Doug Casey’s views on that...

<http://www.internationalman.com/articles/doug-casey-on-globalism-and-the-worldwide-populist-revolt>

Iran tries to influence Trump’s position on the Iranian nuclear/sanctions issues...

<http://www.reuters.com/article/us-iran-nuclear-idUSKBN13I0VH>

Next of course is Italy's referendum to be held on 4 December...

http://seekingalpha.com/article/4026009-unpredictable-will-crack-heads-italy?source=email_macro_view_eco_3_22&ifp=0

The Economy

The US dollar is at 14 year highs and we are seemingly back in the "roaring 20's"...from Seeking Alpha...

"The four major U.S. stock market benchmarks closed at all-time highs again on Tuesday, with the Dow ending above 19,000 and the S&P 500 finishing above 2,200 for the first time, and the Nasdaq and Russell 2000 posing new record closes. Futures markets suggest U.S. equities will stabilize today, as oil steadies after an impressive run. Investors are also looking toward U.S. reports on jobless claims, durable goods and consumer confidence. "

And from the Financial Times...

https://next-video.ft.com/v2/34/47628783001/201611/1234/47628783001_5222640562001_5222599474001.mp4

But how will Mr Trump deal with his inherited mountain of debt? Add to it perhaps?

<http://thecrux.com/bill-bonner-the-biggest-threat-facing-donald-trump/>

This year USD1.8 trillion of extra government debt was added to the US ledger and that means plenty of window dressing that stops in 2017.

http://seekingalpha.com/article/4026008-another-election-year-another-bunch-fake-growth-numbers?source=email_macro_view_eco_4_23&ifp=0

Folk were too polite to talk about the Ford Motor Co downturn...because that would have spoiled Hillary's story. But the auto sales problems are just beginning...

<http://wolfstreet.com/2016/10/17/it-starts-shutdowns-production-cuts-layoffs-at-auto-plants/>

The USA could move into recession in 2017 despite the Trump promise of jobs for all. One signal is the new car sales. Part of the spike in debt from auto loans, credit card debt, student loans and general business debt that all adds up to a "sword of Damocles" hanging over the US economy.

http://seekingalpha.com/article/4025863-strongest-pillar-shaky-u-s-economy-cracked?source=email_macro_view_eco_0_19&ifp=0

Globally?

Europe isn't travelling too well either...

http://seekingalpha.com/article/4025915-mess-europe?source=email_macro_view_eco_1_20&ifp=0

Spooky coincidences and two banks that look like they were managed by Charles Ponzi...

<http://www.caseyresearch.com/articles/what-these-mysterious-deaths-tell-us-about-our-global-banking-system>

I know that exponential growth in a finite world must soon come to an end. I am not sure when, nor what to do about the consequences. Yet in this conundrum, the only solutions involve unthinkable options. The crash approaches

http://www.moneyandmarkets.com/sl-biggest-loss-26-years-83207?em=jcrofe%40xtra.co.nz&utm_campaign=MAM3645A&campid=71501&utm_medium=email

Which banks present the most globally systemic risk?

<http://www.zerohedge.com/news/2016-11-22/forget-deutsche-bank-these-2-american-banks-are-now-most-systemically-dangerous-worl>

Let's just reprise...if one fails, all fall down. Like the plague of the 15th century.

Hedges and other derivatives act to benefit one party at the expense of another...there are always winners and losers. However I doubt we will soon find out how much has been won and lost in the oil price collapse after mid 2014. Mexico seems a recent winner...

<http://oilprice.com/Latest-Energy-News/World-News/Mexico-To-Reap-29-Billion-In-Profits-From-Oil-Price-Hedges-In-2016.html>

The derivative losses are in the low trillions from the oil price crash according to some folks. I wonder how these will affect the global economy?

The war on cash seems to be a global initiative...probably supported by the IMF and G20 countries...another form of globalised initiatives to control the vastly greater numbers of people than there were pre WW2 (i.e. formerly 2.5 billion, now 7.4 billion). India and Mexico is where the process seems silliest...

<http://thecrux.com/governments-around-the-world-have-quietly-escalated-the-war-on-cash/>

The British public see the same wage pressures that have given rise to Trump...

<http://www.bbc.com/news/business-38089190>

The ECB is warning of a risky time to come...aren't things bad enough in the EU already?

<http://www.zerohedge.com/news/2016-11-24/ecb-warns-there-significant-risk-abrupt-market-reversal>

The US dollar is rising against other currencies and is arguably in very short supply. How will this affect emerging markets?

http://seekingalpha.com/article/4025873-emerging-markets-risk-usd-shortage-rises-fast?source=email_macro_view_for_0_24&ifp=0

Including the Chinese Renminbi...

http://seekingalpha.com/article/4025997-chinese-renminbi-amid-u-s-dollars-global-risk?source=email_macro_view_for_1_25&ifp=0

Things are getting just plain weird!

Energy

Sooner or later the massive Ghawar oil field has to max out its water cut. Already the Saudis are separating far more water from the Ghawar oil than the oil itself. So they must start to ramp up offshore exploration for when Ghawar dies...(then the world loses 5 million bbls per day of sweet light Saudi crude)...

http://seekingalpha.com/article/4025116-rowan-saudi-aramco-deliver-big-blow-peers?source=email_alternative_energy_investing_oil_gas_dri_exp_0_10&ifp=0

As well as selling off part of Saudi Aramco of course...

Meanwhile in the USA, President Elect Trump is getting set to change everything about fossil fuels...

<http://www.platts.com/latest-news/oil/washington/trump-eyes-oil-natural-gas-regulations-for-repeal-26603989>

The coal workers and oil drillers elected him and he intends to deliver...

On 30th November OPEC meets to try to deal with the surplus oil production and increase oil prices.

<http://www.zerohedge.com/news/2016-11-24/last-minute-twist-opec-demands-big-production-cuts-non-opec-members-russia-balks>

Of the oil surplus some is from the North Sea and has been held in tankers...

<https://www.bloomberg.com/news/articles/2016-11-23/north-sea-oil-glut-to-get-short-term-relief-as-barrels-flow-east>

Meantime a sensible move by Tesla and excellent marketing...

“Now that Tesla has officially acquired SolarCity (NASDAQ:**SCTY**), it's not wasting any time showing what the combined entity can do. The company is running the island of Ta'u (in American Samoa) on a solar energy microgrid that, at 1.4 megawatts, can cover "nearly 100%"

of its 600 residents' electrical needs. It's not just the 5,328 solar panels that are key - it's the 60 Tesla (NASDAQ:[TSLA](https://www.nasdaq.com/symbol/tsla)) Powerpacks that offer 6 megawatt-hours of energy storage.”

I have been trying to validate progress with these battery claims, but it appears they are not yet “out of the laboratory”. In other words unlikely to be commercialised for some time...

<http://www.smh.com.au/technology/innovation/new-highpowered-battery-could-offer-longer-phone-life-after-seconds-charging-20161123-gswbtn.html>

There is still plenty of time for the mythological EESU to “cut them off at the pass” ...or not, as the case may be.