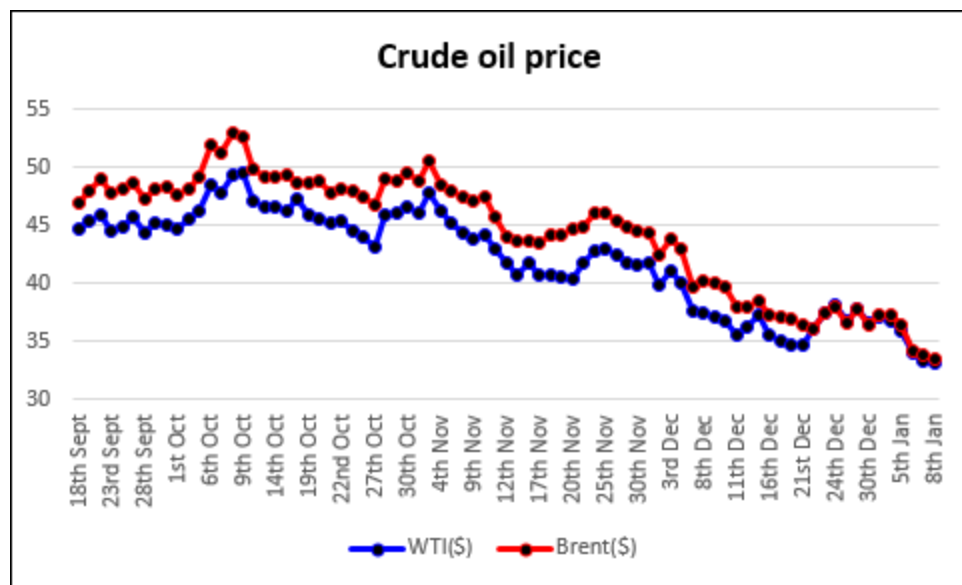


Post 9th January, 2016

Some of the news items for this week are as follows:



1. Even after Saudi government's decision to cut ties with Iran, crude oil prices this week fell below \$34, as the global glut continues. At the end of Dec 25, 2015, according to EIA the crude oil inventories at Cushing, Oklahoma was up to 63 mb. The US domestic production is on the rise for a third week to 9.2 mb/d. Any escalation of tension between Saudi and Iran could lead to disruptions which may lead to upward pressure on oil prices.
2. The slump in the oil prices this week is also due to a selloff in Chinese markets leading to concerns about the strength of its economy.
3. According to an EIA estimate, OPEC members have lost \$500 billion in revenue in 2015 due to the fall in the oil prices.
4. Some energy analysts are predicting that oil prices will fall in the first half of 2016, and start looking up thereafter. This could lead to market consolidation, where mergers and acquisitions take place, or we may see a pickup in bankruptcy filings or distressed asset sales. The more the oil prices fall, the greater will be the acceleration of these processes.
5. The low oil prices have impacted Saudi government's source of revenue for 2016, as its budget shows a deficit of \$98b. The budget deficit is for a second consecutive year and the government expects another deficit next year. The Saudi government has scaled back its spending and has also enhanced the petrol prices. Even at enhanced rates, the Saudis will pay 24 cents a litre for petrol.

For the lighter side this week:

While watching the TV show Big Bang Theory the other day, I came across the word 'placebo'. Pardon my ignorance, but this word was not in my vocabulary. So, I decided to google it and found the following information.

Placebo essentially refers to a fake treatment in medicine. The word in Latin means 'I will please'. The way it works is that a patient is given an inactive substance such as sugar, distilled water or saline solution in the form of a pill or an injection, without his/her knowledge. The outcome is that sometimes the patient's condition improves psychologically as he/she expects the medicine to work.

Any change in the patient's medical condition, mostly positive and sometimes negative, is known as placebo effect. A person suffering from asthma for example may feel better after using a placebo inhaler. The explanation put forth for this observation is that when the patient has a 'high expectation for a drug to work', the individual's body chemistry works such that effects similar to a medical drug for the purpose are seen. An example usually cited is that the body may produce endorphins, which is a natural pain reliever. Similarly, if the patient is convinced that the drug is going to have a side effect, a negative response may be noticed.

Placebos are given for various types of ailments including stimulants, asthma, bronchitis, etc.

Some doctors consider the Chinese acupuncture therapy as placebo, saying there is no way needles and herbs can have the same effect as a drug. Patients who have undergone the treatment and benefitted from it think otherwise.

Placebo effects are studied when a new medicine is produced so as to study how it compares in clinical trials as compared with placebos. If a drug produces results similar to a placebo, it is considered worthless.

I found this information interesting. I hope you do too.

Did you know that the Earth's orbit around the Sun represents a speed of 107,826 km/h?

So much for this week!

Till the next post, stay safe and happy!