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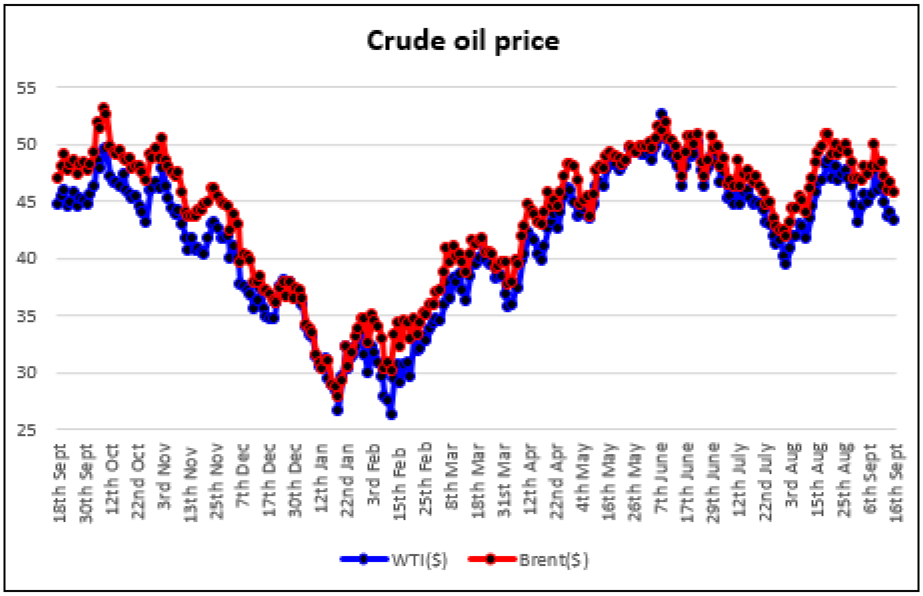
Some of the news items for this week are as follows:



1. The oil prices this week fluctuated between $43 and $46. This was in response to an IEA latest report that revised its forecast for the 2016 global demand growth to 1.3 mb/d, which is 100,000 barrels below its previous forecast. In view of the market conditions, the IEA also expects this growth figure to come down to 1.2 mb/d next year. The prices looked up a bit on receiving the news about Saudi Arabia and Russia agreeing to come together for stabilizing the global oil market.

2. Besides the production freeze option, the OPEC officials are considering a number of alternative solutions that could lead to a possible deal at their forthcoming meeting at Algiers. One such solution could be volunteer output caps by individual countries. That is, the individual countries would agree to not raise their production above a certain ceiling. These alternative solutions are being considered in an effort to bring Iran to agree to join an agreement. Iran has been insisting that it would continue to increase its crude oil production to its pre-sanction level of 4 mb/d before it will consider agreeing to any such proposal. This had led to the collapse of the OPEC talks at their April meeting. The current alternative option being considered would allow the countries to increase production within the 'framework of a freeze'. Besides Iran, Libya and Nigeria wish to increase their production, as their current levels are low due to unrest and militant attacks respectively. The market is looking forward to any such agreement that will bring stability. If Iran brings its production to 4 mb/d, Nigeria, which produced 1.44 mb/d last month brings its production to 2 mb/d that it produced in January, and Libya, which is working to increase output to 900,000 b/d by the end of the year, the overall OPEC production will increase to 36.2 mb/d, that is 2.7 mb/d more than IEA's estimate for 2017. Many analysts wonder how any such agreement will reduce the glut in the market.

3. In view of the current market conditions, which include the OPEC options as well as the IEA forecast that the present glut will continue for longer and well into 2017, Goldman Sachs has reduced its 2017 oil price forecast from $58 to $53. The demand for oil in India and China may not grow at the rate at which it has in the past.

4. Libya's state oil company has lifted crude sales ban from the ports of Ras Lanuf, Es Sider and Zueitina, which will allow 300,000 b/d to come into the market. Similarly, ExxonMobil in Nigeria is ready to resume shipment of the quality Nigerian crude called Qua. As well, Royal Dutch Shell Plc is also scheduled to restart flowing 200,000 b/d very soon. All this is likely to bring in 800,000 b/d into the market.

5. The continuing slump in the crude oil prices is likely to make the oil industry to cut spending for the third straight year in 2017. The capital expenditure in the industry fell by over $300 billion in the last two years. As per the IEA, many operators are revising their 2016 capital spending downwards till the end of 2016 and continue with it in 2017. The spending on exploration fell to less than $90 billion last year, and this is expected to drop to $65 billion this year.

So much for the industry news this week.

For the lighter side this week

You may have heard about the *law of diminishing returns.*

I had heard about this before many times, but I had not thought about it carefully. But recently, I tried to do just that.

The law of diminishing returns is an economic principle which suggests that in a system, if one input is increased, but the other inputs are kept the same, the productivity and hence profitability may not increase in the same proportion. Rather the productivity may reduce.

In a production environment, the inputs are the raw materials, equipment and labour. As per the law of diminishing returns, increasing investment in any one component, after a point may not result in the same production as in prior production from that component. What this means is that if the investment budget for an endeavor is doubled, the profits may not be seen as doubled.

The economists will probably have more convincing ways of explaining this principle. But I will try and cite some simple everyday examples to explain it.

1. When we are attending a lecture, in the first 10 or 15 minutes, our levels of consciousness or shall I say attentiveness are high and we are also mentally prepared to receive the contents of the lecture. Gradually, this consciousness/attentiveness wanes off and we may not receive the information that the lecturer is 'sending' at us. That is why it becomes difficult to follow at the same rate in a long lecture.
2. The same is true when you write an article. If you sit and continuously write for an hour, it will become somewhat hard to write over the next hour, and similarly still harder in the 3rd hour. While the investment in time is increasing, the other factors in the system, e.g. our concentration and focus in this case, do not perform at the same increment and we need a break.

3. The same is also true for eating or sleeping. The first few spoons of a desert may taste divine, but the next few taste nice, and from there the 'niceness' in the desert wanes off. Similarly, you may feel nice in the first 6 or 8 hours of sleep, but you may not say the same after 10 or 12 hours of sleep.

While the economists can come up with expert advice on adopting novel ways of increasing productivity in view of the law of diminishing returns, I believe for everyday experiments, we can decide individually about the ways that can help us enhance our productivity. How can we be most productive, given the investment of time that we have. Each individual needs to decide on this independently, but the awareness of the law of diminishing returns is important, be it our daily lives, careers or our relationships.

Did you know?

Who is a jaywalker or J-walker?

Since I have come to Canada, I have heard of this term several times. It refers to someone who crosses the street impatiently, and which is in violation of the traffic rules. There is a penalty for anyone caught by the traffic cops and a ticket is handed over.

So, why is it called jay walking?

Jay are different species of birds belonging to the crow family. They are medium sized and are found in western US and Mexico. Their heads and sides are usually deep blue in colour, and live in open evergreen forests. Sometimes, as they flew out of the forests into urban or developed areas, often the birds could be found confused in the traffic and noise. They could be seen in erratic ways and appearing restless.

People started using this jay bird analogy to describe people crossing the street in an irresponsible way, and called jay walkers or simply J-walkers. Of course, now there are traffic rules in place and tickets are handed over for violations.

I hope you find these interesting.

So much for this week! Till the next post, stay safe and happy!