Tigress Financial Partners

Macro Snapshot – Chief Economist Jean Ergas

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Update September 21st 2015

Markets still digesting Federal Reserve – this is not "conventional" macro risk – Emerging markets remain potential "flash point" – We are looking for stability where it is rare - US economic data, interesting but not decisive

Federal Reserve continues to dominate sentiment

The Federal Reserve decision has continued to dominate sentiment, with its dual intimations of slowing growth and the still lurking likelihood of an interest rate rise still to come. European markets are up slightly as investors opt to scour for value – seeing stocks as inexpensive – momentarily focusing on a "steady state" analysis.
This raises the basic questions of whether;
The market has already stripped out growth expectations from the valuations
or
Is again seeing companies with strong free cash flow, as capex stubbornly refuses to stand up and fight and the ECB prepares its final assault, as a proxy for fixed income?

Emerging markets still under dual Damocles sword

Emerging markets continue to crater as concerns rise over the China situation depressing demand – "real economy" and the continued Damocles sword of a US interest rate increase, draining cash from the financial economy.

New constellation of events in the emerging market space

We see this as a new constellation of events impacting on both the foreign direct investors betting on long term growth and reallocation of global GDP and the retail investors seeking to make a quick buck off them. We remain very cautious on the emerging markets space and do not exclude a "punch up" in the course of the next year. ***Capital is leaving these markets like the last helicopter out of Saigon!***

We see capital flight as accelerating regardless of the Federal Reserve decision. The capital error is to ascribe mono-causal powers to the US central bank, when the fundamental issues are entrenched in the history of many of these countries.

The fact that the world speaks English in no way implies that they have become Anglo- Saxon democracies with checks and balances and a sense of the state.

Greek elections – is this a Pyrrhic victory?
With regard to the Greek elections, we see this as both removing some of the uncertainty regarding the efforts needed to form a coalition, while raising false hopes as to the sustainability of the restructuring agreement. Internally, disaster mitigation shall hinge on whether Tsipras can engineer a political U turn and re-invent himself as a European Social Democrat.

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This and some gestures of good will shall allow for a succession of renegotiations of the massive debt load. The end objective is to institutionalize the rescheduling process.

US data arriving – losing in relevance

With regard to the US, we shall be seeing key economic data in the US. This shall include housing, durable goods, manufacturing and the revised estimate of US second quarter GDP. This data fits well into the conventional Federal Reserve "Monroe Doctrine" - centered on the US economy.

However, given the US central bank's current focus on market volatility abroad – we shall continue to see a decoupling between economic data and central bank strategy / declarations.

Federal Reserve decision has made few friends in the Euro Zone

While the Federal Reserve decision may have afforded some emerging markets a brief respite, it has made few friends in the Euro Zone. The last thing the Euro Zone now needs is a strengthening of the single currency – making exports less competitive and increasing the risk of imported deflation. We see the ECB as soon confirming its resolve to pursue QE and to weaken the Euro by any means necessary.

Despite Italy declaring victory and Spain improving, we still see the Euro Zone as massively exposed to an emerging markets slow down. See in this regard, the pressure on German car manufacturers.

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Jean Ergas is the Chief Economist for Tigress Financial Partners LLC (Member FINRA, MSRB,SIPC) based in New York City.

He is an Adjunct Assistant Professor at New York University's School of Professional Studies and an Adjunct Faculty member at Manhattanville College. In 2014 he received the award for teaching excellence from NYU School of Professional Studies.

He is fluent in English, French, German, Italian, Spanish and Portuguese. He also has a certificate in Arabic – from NYU School of Professional Studies.

His career has spanned the complete range of macro risk analysis - energy / commodities with ENI - Global Fortune 500 17 - leading global natural resources group, capital markets with Swiss Bank Corporation (now UBS) and insurance / reinsurance with the A.M.Best Company. Jean contributes regularly to international media commenting on key macro-economic issues.

Jean is a member of the American Institute of Certified Public Accountants and has an MBA and an Advanced Professional Certificate in Accounting from New York University's Stern School. He has also passed the FINRA Series 7 examination.

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