Tigress Financial Partners

Macro Snapshot – Chief Economist Jean Ergas

October 9, 2015

October 9th 2015

Stock markets " in the mood" – Federal Reserve becomes primary market bond pricing desk – emerging markets saved by the bell -
EM currencies, less selling or strong buying? – Oil story sounding like "peak oil"!

Stock markets buoyant – US central bank "hands off" policy

Stock markets are exuding bonhomie and optimism this morning with the release of the minutes of the last FOMC meeting further reducing anxieties as to an increase in US rates. What can we evince from the central bank's musings? We see our view of the Federal Reserve metamorphosis from an entity entrusted with long term economic stability to a bond pricing desk as confirmed.

Is it all about EM corporate debt?

While much talk is expended on inflation, the clincher remains the fear of a global "shock" stemming from the emerging market economies – i.e. default risk as improvident corporates get hammered by a rising dollar. Why might we ask should this be a worry if sovereigns have not guaranteed the debt?

We reiterate our view that the separation of sovereign from large group corporate debt in many emerging markets remains a fiction. Presentations on the debt to FX reserves ratios of EM countries are increasingly summing corporate to sovereign debt. This is not the case with the developed economies.

Not wild about the Euro Zone

Turning to the vexing issue of global growth, we are seeing a further deceleration in the Euro Zone, with disappointing data from Italy. This follows on from the cold shower of falling German industrial production. We continue to be somewhat skeptical of the strength of the Euro Zone export led recovery. Domestic and intra- Euro Zone demand has not picked up sufficiently to offset a weakening emerging markets picture.
We are not impressed by rumors of a renewed bout of ECB QE – interest rates shall be of little avail in a context of falling external demand.

EM currencies coming off of a very low base

As concerns currencies, we are seeing an upsurge in emerging markets, driven by hopes of a delayed lift off of US rates. The question is whether this is due to less selling or renewed buying, as foreign investors call a "bottom" on currencies and financial asset valuations.

Several of these currencies are coming off an extremely low base and are illiquid, with relatively low inflows sufficient to propel them upwards. We continue to see growth as constrained by the Chinese slowdown and brittle Euro Zone recovery.

Jean Ergas
(646) 780-8880
jergas@tigressfp.com
Twitter: @jean_ergas

Tigress Financial Partners
Member of FINRA / MSRB / SIPC
500 Fifth Avenue
New York, NY 10110
(212) 430-8700
www.tigressfinancialpartners.com

To subscribe to Jean's Global Macro Overview, order customized reports, or gain direct access to Jean, contact research@tigressfp.com.

Is it all about Syria or is this the "peak oil" story?

Oil has perked up sharply, buoyed by renewed talk of a spike as capital investment reductions shall leave the market unprepared for a spike in demand when economic recovery sets in. We find this oddly reminiscent of the oil industry's peak-oil story pre – financial crisis. There was no oil left – hurry up and buy my shares!

Notwithstanding, the oil market remains oversupplied, with Saudi Arabia still producing full blast, Gulf of Mexico production compensating for a reduction in shale and the non-OPEC producers joining in as well.

Contacts

Jean Ergas
Chief Economist
(917) 551-6533 Direct
jergas@tigressfp.com

Ivan Feinseth
Chief Investment Officer
(212) 430-8730 Direct
ifeinseth@tigressfp.com

Philip Van Deusen
Director of Research
(646) 862-2909 Direct
pvandeusen@tigressfp.com

Brian O'Sullivan
Managing Director, Trading
(646) 798-8453 Direct
bosullivan@tigressfp.com

Ernest Williams
Institutional Sales & Trading
(646) 862-2912 Direct
ewilliams@tigressfp.com

Chris DeCarolis
Research Associate
(646) 402-6695 Direct
cdecarolis@tigressfp.com

About Jean:

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.

Research Report Disclaimer

This report is produced for informational purposes only and is not a solicitation to buy or sell any securities or services from any companies or issuers mentioned herein or to participate in any particular trading strategy or in any jurisdiction in which such an offer or solicitation would violate applicable laws or regulations.

Tigress research is distributed in the United States by Tigress Financial Partners LLC a registered broker dealer with the Securities and Exchange Commission (SEC) and a member of the Financial Industry Regulatory Authority (FINRA) and in Brazil by Gradual Investmentos, Gradual CCTVM S/A, a financial institution authorized by the Central Bank of Brazil.

The information contained herein has been obtained or derived from sources believed to be reliable but its accuracy and completeness is not guaranteed and should not be the sole basis of any investment decision but only to be used as a factor in the investment decision process.

This report does not provide individually tailored investment advice and has been prepared without regard to the individual financial circumstances and investment objectives of any person(s) receiving it. The analysis and conclusions herein are not a complete analysis of every material fact respecting any company, industry, or security. The opinions expressed in this report reflect the judgment of the author(s) at this date and are subject to change without further notice. Tigress Financial Partners is under no obligation to provide updates to recipients of any previously issued reports or recommendations.

The market value and expected income from any investment may vary because of changes in interest rates or foreign exchange rates, securities prices or market indexes, operational or financial conditions of the underlying companies or other factors. Past performance is not indicative of future performance. Estimates of future performance, research ratings and target prices are based on assumptions that may not be realized. Unless otherwise stated, the cover page provides the most recently available closing price on the primary exchange for the subject company's securities/instruments.

Securities are offered through Tigress Financial Partners LLC a SEC Registered Broker Dealer and a member of FINRA / MSRB / SIPC which clears its securities transactions and provides custody of client accounts on a fully disclosed basis through Pershing LLC, a subsidiary of The Bank of New York Mellon.

Securities in your account are protected up to $500,000 of which $250,000 can be for claims for cash awaiting reinvestment. Please note that SIPC does not protect against loss due to market fluctuation. For additional information please go to www.sipc.org.

In addition to SIPC protection, Pershing provides Tigress Financial Partners LLC client accounts coverage in excess of SIPC limits from Lloyd’s of London, in conjunction with other insurance companies. The excess of SIPC coverage provides an aggregate loss limit of $1 billion for eligible securities over all client accounts and a per-client loss limit of $1.9 million for cash awaiting reinvestment within the aggregate loss limit of $1 billion. The excess of SIPC coverage does not protect against loss due to market fluctuation. For additional information please go to www.lloyds.com.

Pershing’s excess of SIPC coverage is provided by Lloyd’s of London in conjunction with XL Specialty Insurance Co., Axis Specialty Europe Ltd., Great Lakes Reinsurance (UK) PLC and Ironshore Specialty Insurance Co.

About Tigress Financial Partners LLC

Tigress Financial Partners is a specialized financial services firm providing expertise and services in investment banking, investment research, asset management, corporate advisory and trade execution services.

Tigress Financial Partners provides its services to corporate entities, institutional investors, high-net worth individual investors, public and private pensions, federal, state and municipal governments.

Tigress Financial Partners LLC is a registered broker dealer with the Securities and Exchange Commission (SEC) and a member of the Financial Industry Regulatory Authority (FINRA), the Municipal Securities Rulemaking Board (MSRB) and the Securities Investor Protection Corporation (SIPC).

Tigress Financial Partners LLC is a Woman-Owned Business Enterprise (WBE) and is nationally certified by WBENC, the Women’s Business Enterprise National Council.

Tigress Financial Partners LLC is a wholly-owned subsidiary of Tigress Holdings LLC and Gradual Holding Financeira S.A.

For further information please go to www.tigressfinancialpartners.com.