Tigress Financial Partners

Macro Snapshot – Chief Economist Jean Ergas

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Do we need economic growth? Chinese data greeted with caution – do we take our lead from commodities? – Euro Zone, is this the "Second front"? - Piketty to the rescue in Euro Land!

Growth or bust? Base case scenario remains slow growth – Federal Reserve lives in terror of EM sourced systemic risk

Our base case scenario continues to be slow growth- with an increasing disconnect between the financial economy and the "real economy". Financial assets are rallying on a momentary "all clear' by a Federal Reserve which lives in terror of unleashing an EM sourced systemic episode. We continue to expect further downward revisions to growth stemming from the emerging markets and the US.

Off to the races on the Chinese data? – Overcapacity remains high and deflationary pressures strong

We are starting the week with the Chinese GDP data – which have surprised to the upside but which are being treated with some caution by investors. The key point is not whether growth was 6.7 or 6.9 per cent but that the rate of growth of the Chinese economy is slowing.

Overcapacity remains high, looks like Europe 1913 – Are we heading towards an economic Sarajevo?

Overcapacity – and deflationary pressures "for export" remain high. We are pleased to see an official increase in services but do not yet see the non-manufacturing sector strong enough to seal the transition to a new economic model.

The expectation is that the Chinese government shall react by pumping more stimulus into the economy. To us this shows that the depreciation has not been sufficient to lift all boats even when combined with price cutting at the factory gate.

"Usual suspects" getting trounced – do we take our lead from commodities?

We are seeing a mixed reaction to the Chinese data in the markets. The "usual suspects" – mining and commodity traders - are getting trounced, as the mirage of a lasting commodity bounce fades as the "hegemon" buyer faded away. Europe is inching forward, possibly revising upwards its forecasts for Chinese export sales from a catastrophe level.

We remain guarded on the commodity traders and see a long slog ahead for the miners – whose success shall be predicated on implementing cost cutting faster than declines in demand. There is a pure consolidation play at work which must still run its course.

Supreme Command of the Euro to meet in Malta – will they open a "Second front"?

As concerns the Euro Zone, the island of Malta will soon host the meeting of the Supreme Command of the single currency. Expectations are rife as to plans to announce further monetary measures, with the focus on whether these shall prolong QE in time, increase it and / or extend it to a wider range of bonds.

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After ½ trillion purchased in bonds and Euro 400 billion of loans to banks, we see the issue as largely moot in terms of the "real economy". The non-core price measure signals deflation and German industry – pack leader – is disappointing. We continue to foresee moderate but unbalanced growth still contingent on a strong showing by exports.

Euro Zone – Piketty land – damage contained by massive and diffuse capital accumulation – it's about wealth not income!

Paying due homage to Piketty, whose book has caused such a furor, we see the Euro Zone's saving grace as not being income but accumulated capital in the form of high non-leveraged home ownership rates and historically high savings ratios.

These factors have prevented an outright social collapse and supported – albeit at a reduced level – consumption. Having weathered two world wars in 30 years, the historical memory has emphasized prudence.

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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.

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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.

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