Tigress Financial Partners

# Macro Snapshot – Chief Economist Jean Ergas

October 20, 2015

***Update October 20th 2015***

***Investors reviewing "New Math", struggling to understand Chinese data – Naval battles off Malta - Euro Zone, where is the point of tangency between monetary policy and the real economy? Commodities, a return to common sense – A desperate attempt at humor from the San Francisco Federal Reserve***

***European investors reflect on China – For those who learned the "New Math" – what base are we counting in?***

*European markets are slightly weaker as investors reflect on the Chinese data and struggle to understand how there can be two different stories:*
*The "top down" official story, painting a picture of continued, almost on target growth*
*The "bottom up" picture indicating a greater deceleration -*
*with industrial production substantially off forecasts*

***With a large part of EU hopes riding on China and the Asian emerging markets, we shall be seeing a disproportionate impact on earnings***

***Knights of Malta to the rescue? Is Draghi the new "Maltese Falcon"?***

*Turning to the Euro Zone, the upcoming meeting in Malta continues to dominate the headlines. Will the ECB announce further measures to stop the slide into a state of permanent deflation? Hopes for a prompt move to action appear to have been dampened this morning by reports of easing terms for bank credit, seen as a positive direct consequence of ECB policy.*

***Euro Zone – easier access to credit does not mean credit easy! Alleviating working capital pressures not an increase in demand***

*We need to distinguish between easier access and easy access to credit. If previously getting a loan was akin to wresting water from a stone –"easing of terms" shall not do much to boost the economy, stoke demand and increase prices. A corollary is whether the Euro Zone conundrum can be reduced to a "credit crunch" as seen in economies in the midst of or emerging from a cyclical downturn.*

***We continue to see a gap between monetary policy and the "real economy" which continues to be beset by volatile macro data. Increased lending may ease some of the strain on suppliers, however shall do little to boost demand.***

***Commodities once again coming off the boil***

*Commodities have once again tumbled, with common sense prevailing over wishful thinking. As we have often said – the China risk is not diversifiable for a commodity producer. Commodity booms on the scale experienced from 2000 to 2011 are possible only in an "Industrial Revolution" context, where the industry and infrastructure are built from the ground up. This is totally different from a capital asset replacement cycle a la "Kondratieff".*

***China has lived its founding moment, the pace shall now slow significantly. As they say in Naples – those who gave, gave and those who had, had!***

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***Iranians refuse to throw in towel and shall challenge Saudi diktat!***

*With regard to the oil price, we are not surprised to see some whittling away of recent gains. The "bulls" forecasts of a strong pick – up in prices, is being once again dashed by Saudi Arabian reluctance to cut production and Iranian triumphalism regarding future production. We are looking at an oversupplied market, with the prospect of more to come later!*

***A desperate attempt at humor by Mr. Williams of the San Francisco Federal Reserve! US middle class still on the rack!***

*As concerns US monetary policy, the head of the San Francisco Federal Reserve informs us – with a straight face – that the US economy is on trajectory. We may wonder to where, given the dismal tidings from the last beige book!*

***The US economy is a study in regression as the middle class continues to be subjected to an economic version of the rack.***

***Strongly suggest learning Portuguese and singing Fado – Salazar economics is next! Massive gold reserves and crushing poverty!***

*In the above vein, the dominant thought mode in central banking circles seems to have divorced development – a post 1945 concept – from growth - read "brute" increases in employment as distinct from improvement in living standards. The next step shall be to embrace Salazar economics as practiced in Portugal for over 40 years, sound money and misery!*



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**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.



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