# Tigress Financial Partners

## Macro Snapshot – Chief Economist Jean Ergas

October 26, 2015

***Update October 26th 2015***

***Global economy coping simultaneously with slowing growth and falling prices, a toxic combination - Markets cheer at the prospect of more monetary stimulus covering all time zones – China situation serious - government takes extreme measures – Lift to emerging markets - is this cyclical or structural?***

***Macro scenario***

***Base case scenario remains slowing growth + falling prices – ECB ready to re-double efforts to lift prices and sink Euro – equity markets soar***

*We continue to see global growth as sub-par, with overcapacity here to stay and a limited impact of monetary easing on capital asset investment. We are seeing quasi coordinated action between central banks as Federal Reserve desists from raising rates, Euro Zone announces ready to move and China slashes interest rates and reserve requirements.*

***Are these central bank measures "signaling" that we are facing a "silent" crisis?***

*Are we seeing a decaffeinated light re-run of the concerted measures we saw in 2008 – 2009? In 2008- 2009 the risk was an "existential" threat to the global economy – death by one blow. We are now slowly coming to terms with the unappealing prospect of slowly sinking in the quicksand of deflation.*

***Systemic Risk***

***Still an important part of the equation – are commodities near the "bottom"?***

*We continue to view systemic risk as an important part of the equation – with the focus on further major shocks to commodity prices and a further flare up in the Middle East. Commodities, notwithstanding views that they are near the "bottom", are still wobbly. Liquidity at the trader intermediary level may soon come once again under pressure.*

***The week ahead***

***Cautious start to the week – Not panicking over Germany – What impact market more stable on Federal Reserve policy? Where is the commodity pass- through? – Commodity risk has not vanished***

***Markets treading more cautiously – are we past the worst of it?***

*Markets are more cautious this morning as investors sensing that the recent peak of systemic risk to markets – in the form of a commodity trader implosion with its multiple ramifications – and a growth collapse in China, might have been averted.*

***Lower commodity prices not boosting global economy***

*However, commodity price falls are still not working their way through the economies in terms of demand boosts and overcapacity – in particular in China – is still pressuring pricing power globally.*

**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.**

***How long is the commodity "pass through" lag?***

*The sell side insists that there is a lag time with regard to the "pass through" of lower raw materials prices. While this may well be true, this begs the question – how long shall this lag be?*

***Shall the Chinese government risk increasing unemployment?***

*We are hearing that the Chinese government may act to remove unprofitable overcapacity from the economy, this shall not be a question of "tweaking" at the edges. It shall involve mass closures and rising unemployment.*

***Not too concerned about German domestic economy***

*Turning to the Euro Zone, we have seen slightly lower measures for German business confidence. This is attributed to the slowdown in exports, which posted a mini-collapse in August. To what extent the VW scandal is dampening capital investment is not yet clear. The most diverse estimates are being hurled about with regard to potential fines, with the most conservative close to the US Dollar 20 billion mark.*

***We see the German economy as the exception, with strong domestic demand and do not see a recession as likely. The outlook for the rest of the Euro Zone remains muted.***

***US Federal Reserve meeting dominates – will lower markets volatility at some point inspire boldness?***

*We are gearing up for the Federal Reserve meeting on October 27th and 28th, with an overwhelming consensus that the US central bank shall continue to sit on its hands and not raise rates. The key shall not be whether the Federal Reserve rates but its views on the US and, currently more important, the risks stemming from a global macro slowdown and the risk of triggering a collective "bank run" from the emerging markets.*

***Will the recovery in equity markets encourage the Federal Reserve to take a harder line?***

*China's recently announced stimulus measures have unleashed a wave of optimism in the financial markets, with the hope that looser monetary policy shall underpin the approximate seven per cent growth target. This has been accompanied by the ECB's prospective further monetary measures.*

***We see the major impact as a stabilizing – albeit possibly temporary - of financial markets and see this apparent lessening of immediate systemic risk as outweighing growth prospects in the Federal Reserve's deliberations.***

***US Dollar now steered in tandem by both Federal Reserve and other major central banks***

*With regard to the currency markets, we see continued US Dollar strength as the market – having past the "Cape Horn" of the ECB , now sails forth towards the Federal Reserve meeting. The US Dollar is now increasingly driven by the monetary easing in other major economies as opposed to the Federal Reserve,*

***Barring a return to QE or a "walk on the wild side" and negative rates, we see the US Dollar as firm.***

**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.