Tigress Financial Partners

Macro Snapshot – Chief Economist Jean Ergas

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Update October 27th 2015

Markets coming to their senses – Is the US immune to the rest of the world?

Markets are continuing to come back to their senses following the "animal spirits" unleashed by last week's round of prospective monetary easing. Falling oil prices and weaker non-oil commodities are pressuring the resource stocks – while a drop in US durable goods highlights the fickleness of the US economy and leads us to question its supposed immunity to foreign affairs. ***We wanted globalization and we got it! This is not Mustang America!***

UK economy cooling

For good measure, the UK – long seen as a poster child – has also registered lower than expected GDP growth – thou shalt not live by overinflated property prices alone! This may lead the Bank of England to desist from raising interest rates, leaving the Federal Reserve as the only developed central bank countenancing a move away from the 1930's.

Oil bulls have broken their horns!

Last but not least, the oil "bulls" seem to have broken their horns. WTI keeps falling as oversupply continues to build and the final demise of the US oil shale producers – similar to the "final collapse of capitalism" - keeps getting postponed. An interesting side show has been the ignominy of the collapse of natural gas – once touted as "clean" it shall now also enjoy the status of cheap!

Capital investment reductions not sufficient to stem oil price falls

When will the reductions in capital investment lead to a turn-around in oil prices? Big oil companies are continuing to further reduce capital investment, while reassuring as to their dividend! Considering that these are not small cap wildcatters, this makes you wonder how grim immediate prospects might be!

We remain cautious on oil and see estimates as to demand growth out of line with a continued downward reduction of global economic expansion.

Hope for good news from the US consumer

Turning to more mundane and immediate concerns, today we shall be seeing data on durable goods and consumer confidence in the US. In the light of tougher times for manufacturing, we are looking forward to some good news as regards consumer confidence.

US consumers and investors not one and the same – investors focused on capital accumulation, consumers living hand to mouth!

The point has been made, and we deem it valid, that the US investor and the US consumer are not one and the same.
Investors are richer and are more concerned with wealth as compared to income. Consumers, who make up the vast majority of the US population - which has less than US Dollars 1000 in its checking account- are focused on income.

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Even a slight increase in incomes allied to faith in a better tomorrow, may serve as a powerful catalyst.

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Federal Reserve meeting – are we at a turning point?

Investors are positioning ahead of the Federal Reserve meeting. One hopes that this shall shed some light on whether "The Gilded Age of zero interest rates" and the frightful inequalities it has spawned shall finally give way to an epoch of respect for savers as opposed to investors.

Some shifted to risk assets, the majority tightened their belts!

A great deal has been written about the central bankers success in engineering a shift to "risk assets". However, the result – due to the different capacity of income earners versus the holders of capital – to stomach 90 per cent of their assets in common stocks, has been to create a class of "stay behind" in the common citizenry.

The zero interest rate strategy has been the official seal of approval on a return to an economy which is no longer driven by wage increases but by a capital accumulation not seen since the Industrial Revolution.

Are we seeing incipient Fascism in Europe? Eerie parallels with "Tales of the Vienna Woods" – rise of Nazism in Depression Austria

We see it as irrelevant that "in the long run" wages shall rise. In the short run, we are seeing the rapid impoverishment of a large part of the European middle class. This is the stuff of which Fascist movements are made. We are already seeing the extreme right in Europe campaigning against the migrants in tones not heard since the Third Reich. This is simply a disgrace.

Luxury goods producers do not want a return to the 19th century

Those most scared of this trend are the producers of luxury goods. They rightly fear that this "economic Restoration" – read move towards reaction, shall remove its biggest buyers – a prosperous middle class able to buy its more affordable products. As I once heard a very wise strategic analyst say, be frightened of social downward mobility in Europe.

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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.

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.

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