Tigress Financial Partners

# Macro Snapshot – Chief Economist Jean Ergas

November 16, 2015

*Update November 16th 2015*

***Markets showing resilience – US Dollar firm – oil price posts slight rise – major impact of attacks shall be political, we shall be seeing new alignments and alliances***

***EU shall need to find a new consensus on the migrants issue – security shall trump growth – Paris attacks may spark new international alignments***

***Global growth shall remain weak – US remains lone outpost of short term interest rate normalization – Commodity risks remain – Awaiting US data on economy, will it make any difference?***

***Macro picture remains weak – corporate results confirm slowing***

*With regard to the macro picture, a slowing of global growth reflected in both macro and company data, continues to be the major focus. Expansion appears to be faltering in the Euro Zone, US retail sales point to caution by US consumers and Chinese industrial production – the principal support of the world's second largest economy disappoints.*

***We expect further downward revisions to growth forecasts – equities shall be increasingly selected on a value basis.***

***Emerging markets further pressure up-ahead***

*As for the emerging markets, we expect further pressure on their currencies and financial markets – which are more closely correlated than in the developed economies. We continue to see major risks in the currency mismatching of corporate borrowing.* ***This shall increase the cost of debt servicing at the same time that revenues and profitability come under pressure.***

***Commodities – have not yet bottomed and harbor systemic risk***

*Our view on commodities remains unchanged. We expect further weakness across a broad front, with capital investment reductions having scant impact on the short term "cash and carry" commodity markets. Contextually, we expect to see further pressure on commodity stocks and would not be surprised to see another round of panic centered on Glencore.*

***Commodities due to the sudden drop in prices and multiple linkages – banks and sovereign risk – remain systemic.***

***European markets showing resilience – will this deflect the Federal Reserve from its trajectory?***

*Markets in Europe are showing resilience following the horrific attacks in Paris, as oil posts a slight rise as concerns as to the possibility of major oil flow interruptions increase. We are seeing some strength in the US futures with investors:*
*Speculating as to whether these attacks shall spur market instability and stay the Federal Reserve's hand with regard to rate increases*
*Assessing the extent to which these attacks might impact longer term on the economy*

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*Historically, major terrorist attacks have unsettled confidence but longer term have done little to unhook the economy from it trajectory.*

***We need to however reassess this view in the light of the fact that previous attacks were not carried out by groups which had established a de-facto state and did not take place in the midst of a major global economic recasting.***

***It is a sobering thought that Article 5 of the NATO treaty is being discussed and by some invoked, with the terrorist attacks being defined as an act of war. ISIS have succeeded in having themselves recognized as a de-facto sovereign state.***

***Aftermath of the Paris attacks***

***Week shall be dominated by the horror of the Paris terrorist attacks***

*The week shall be dominated by the shock of the terrorist attacks in Paris, with strong repercussions on the political front globally. The key impact shall be in Europe, where the terrorist attacks shall be merged with the broader issue of the migrants. We are already seeing the anti-EU forces coalescing under this banner and expect the UK anti-EU effort to benefit.*

***Terrorist attacks shall likely provide some support to the Republicans in the US***

*Outside of Europe, the Paris attacks shall become the focus for further criticism of the Obama administration's foreign policy. This is seen as having abetted the collapse of nation states and the spread of power vacuums – resulting in the rise of de-facto entities asserting their legitimacy via control of territory.*

***We see the critical weakness as being the lack of clearly defined counterparties.***

***Caution likely in the financial markets – short term volatility***

*We see caution as the most probable reaction with a firming of the US Dollar. With regard to the oil price, we see any short term reaction as being driven by fear rather than to concerns as to an imminent collapse in supply.*

***The lynch pin of the US Middle East strategy continues to be the alliance with Saudi Arabia – which we believe shall now find further justification for both parties.***

***Will the increasingly turbulent political context dissuade the Federal Reserve from raising rates?***

*Whether the increasingly turbulent global political and economic outlook shall be sufficient to dissuade the Federal Reserve from raising interest rates at its December meeting is the key question. The US central bank has prioritized financial markets stability over cyclical concerns.*

***The reaction to the Paris attacks may provide some clues – a sharp increase in volatility may lead to a re-assessment.***

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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.

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