



**Update December 3rd 2015**

***Investors disappointed by ECB - Germany has flexed its muscles – Desperately seeking inflation in the Euro Zone – US wages and inflation expected to rise before the next Ice Age***

***Investors disappointed by ECB – expect Euro to firm to 1.09***

*The big news is the ECB. While the ECB has acted it is not seen as good enough by stock investors. The main course has disappointed, with an extension of the QE program “for the duration” and an expansion of eligible fixed income instruments for purchase.*

***Major disappointment no increase in monthly purchases***

*However, this is not satisfying those also hoping for an increase in the monthly amounts to be bought, with this lack not being compensated by a decision to reinvest proceeds from bonds bought.*

***All equal but some are more equal than others***

*Markets in Europe have come off the boil due to the ECB coming in at the lower end of expectations with regard to measures taken. This confirms our view that a weakening Euro is the underpinning to the Euro Zone markets and economies.*

***German contingent has flexed its muscles - As George Orwell aptly stated – we are all equal but some are more equal than others.***

*In this case the German contingent tenaciously opposed to further significant easing may have flexed its muscles. The statistical underpinning being an improvement in the Euro Zone economy, with both industry – highly sensitive to long term rates for capital asset investment – and consumer demand, boosted by falling unemployment levels – posting a timid improvement.*

***Inflation continues to be on strike***

*However - prices obstinately refuse to rise, boosting the real value of debt for both sovereigns, who are desperately attempting to improve their debt to GDP ratios. Corporate borrowers for their part are facing falling prices versus demanding cash outflows.*

***Skeptical as to ECB forecast on inflation***

*We are somewhat skeptical as to Draghi’s forecast on inflation, which should be resuscitated by stronger domestic demand and a lesser impact from falling commodity and oil prices. Downside risks are recognized stemming from weaker demand from the emerging markets and geo-political pressures.*

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***Oil still trading at low end of range***

*We are continuing to see oil trading at low levels notwithstanding reports of a rethink by Saudi Arabia. This shall however be predicated on production cuts being agreed to by Iran, Iraq and - outside of OPEC – Russia.*

***Iranian potential production not yet ascertained***

*As to the Iranians, the full amount of potential production has yet to be ascertained. With regard to Russia, we see scant proclivity to agree with a production cut and to stick with it.*

*Unlike the other major oil producers, Russia exports a broad range of commodities, most of which are getting hammered.*

***Russian strategy still to maximize cash***

*While some of the impact is being mitigated by a currency mismatching – US Dollar revenues and local currency costs – the brute truth remains that the dominant strategy amid sanctions and other pressures remains cash maximization.*

***Act 2 Federal Reserve – wages and inflation to rise before next Ice Age***

*Turning to the US, we shall today see part 2 of the testimony by the head of the US central bank. Yesterday, we heard an overall optimistic assessment of the US economy. The missing pieces of the puzzle – wages and inflation – are expected to increase prior to the next ice age.*

***Where are millions of American workers?***

*While concerns were expressed as to the “Great Absent” - the millions of Americans who have simply given up on finding employment, this was not seen as an impediment to raising rates.*

*We continue to be perplexed by the dominant current in labor market analysis – focused on an increasingly small sample of the population. A junior insurance underwriter would be sacked for pricing risk on such a biased actuarial sample. It boggles the mind that this is the metric for managing global monetary policy.*

***Federal Reserve policy increasingly resembling Soviet Politburo speeches***

*We shall also be hearing from the vice – Chairman of the Federal Reserve. All that can be said is that Federal Reserve strategy is ever more resembling deciphering the oracular comments by Soviet politburo members during the Cold War.*



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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.

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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