# Tigress Financial Partners

## Macro Snapshot – Chief Economist Jean Ergas

December 16, 2015

***Update December 16h 2015***

***Federal Reserve meeting, memories of great eclipse of 1961 – US central bank may lift rates with falling manufacturing, depression era wage growth and millions absent from labor force! - We continue to see focus not on growth but avoiding further distortions in investment markets – Euro Zone trundles forward – oil falls – commodities, waiting for "The Golden Bough"***

***Have bought my special glasses to see the sun!***

*In a scene reminiscent of my by-gone youth in Rome when we all used special glasses to watch the great eclipse of February 1961, so today the financial world will try to determine whether the sun –in the form of a supportive Federal Reserve – has died or shall go on to shine another day!*

*Markets first best outcome is rate hike + soothing tone. The "date from hell" is seen as rate hike + and tough love – with no increase rate increase a close second.*

***Hope that the Federal Reserve has got it right***

*As we wait to enter normalization within a sub-par recovery and millions of Americans having given up seeking work, stock markets are betting on a rosy outcome. Europe is up with a PMI composite index confirming that the economy is still expanding, albeit with Germany still in pole position.*

***European output up but no pricing power***

*While output is up, companies are continuing to cut prices – to scarce avail. Pricing power is basically non-existent and deflationary pressures remain strong. A comparison with the US is revealing as to the impact of QE on prices – much the less growth. After trillions pumped into the economy, inflation is still below a pithy 2 per cent – notwithstanding a stronger recovery than in the single currency area.*

***Stock markets putting their best foot forward***

*In the run-up to the judgement hour, stock markets are putting their best foot forward, with all and sundry joining in. We see prospective interest rate increases as lifting the US Dollar making Euro Zone exports more competitive and helping to compensate domestic demand.*

***We are therefore back to square one – competitive devaluation.***

***Emerging markets and high yield bulls using the same arguments***

*Turning to the emerging markets, we are continuing to see further currency slides - refuting the view that there are no more sellers. Stock markets are however putting in a bounce, as investors bet on a moderate tone from the US central bank dimming chances of a rapid increase in US rates.*

*This shall induce investors to continue to seek out higher absolute returns – a line of reasoning identical to that being put forth by the high yield optimists in the US.*

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***See oil heading lower, supply keeps increasing***

*Turning to the oil market, we are once again seeing a fall – with the prospective oversupply in the global market seen increasing as the US moves towards lifting export restrictions. We are seeing more oil hitting the energy markets further postponing the "turn" which so many are predicting. This shall be a long and windy road with many "turns"!*

***Remain cautious on commodities – Need to see "Golden Bough" ritual sacrifice***

*As regards commodities, we remain cautious. This is a sector with one client - who is reducing purchases as economic growth slows and shifts focus. We are lending credence to warnings from US companies with a major presence in metals and emerging markets.*

*With regard to the defining moment- a major bankruptcy which "clears the air" in a ritual sacrifice straight out of "The Golden Bough" – we may have several.*

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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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