



*Update December 30th 2015*

***Oil – will you still love me tomorrow? – Are we nearing a “Golden Bough” moment in commodities? – Commodity traders looking like banks in financial crisis, carrying underwater inventories – Are we on the verge of a recession? – Question irrelevant for most of US population***

***Will you still love me tomorrow? Crush on oil is fading***

*The market’s infatuation with oil is fading like a teen-age crush and pulling stock markets down with it. Whether we can deduce anything from this peculiar trading week is open to question but we are seeing increased caution on the global oil and commodity complex.*

***Massive cuts to capital investment shall continue – gauging Chinese economy is like playing pin the tail on the donkey***

*We are continuing to see massive cuts to capital investment and believe that:*

*We shall see more of them*

*The large mass of the investing public does not grasp what this reflects in terms of longer term growth expectations.*

*It is disconcerting that those who were supposed to be closest to the pulse of the global economy were so spectacularly wrong with their forecasts and capital investment.*

***Was this bad judgement or reliance on China – the world’s second largest economy, with the financial transparency of a “pink sheet” stock?***

***Market trades on oil without understanding it***

*We see the market trading on oil but not understanding the oil business, which is multi-strata. Reports of US bankruptcies shall do little to lift the pall stemming from the obstinate determination of Saudi Arabia to crush Iran.*

***Are we starting to see the beginning of the ritual sacrifice in commodities?***

*We see as significant that Moody’s has downgraded the large Asian commodity trader Noble to below investment grade. The key reason cited being concerns as to inability to refinance existing liabilities.*

***Substantial third party sourcing common in commodities***

*We might also surmise that the downgrade may well have other traders on edge. This is an industry where there is substantial third party sourcing resulting in substantial exposures between traders.*

***Commodity companies owned by the banks – carrying “underwater” inventory***

*As we have often said with indices hitting new lows and lack of transparency as to inventory values, the banks are the “keepers of the keys” for the commodity traders. Lenders and debtors have been thrown into a “brutal friendship”.*

*We see slowing global growth and increased regulatory constraints as reducing credit flow overall – the commodity sector shall not remain immune.*

**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.

***Emerging market “break-out” where art thou?***

*Commodity currencies are down, with the “break-out” in the emerging markets still on hold. Reflecting the sea change in sentiment towards the emerging markets, buy arguments are increasingly centered on hopes that worst case scenarios shall not materialize.*

*Will this contrarian argument carry the day, with lower than warranted valuations seen as the catalyst for investor enthusiasm?*

***What should have been a blessing has turned into a curse***

*What should have been a blessing has now turned into a curse – with the saving grace that some of the oil savings have seeped into US consumer spending providing a minimal offset to stagnant wages and extensive underemployment. Without the lower oil price US consumers would be scared to venture outside at all!*

***Treasury bond curve tells an interesting story – is the US economy headed for “Hard Times” or bound for glory?***

*We are seeing an interesting development in the US fixed income market, with all maturities rising but the shorter 2-5 years posting impressive gains in yield as opposed to the longer dated. Investors are revising their expectations of Federal Reserve tightening while harboring modest expectations as to long term growth.*

***Rumors that the US yield curve may be signaling recession***

*We are hearing concerns that the yield curve may be on the point of inverting, with short term rates higher than long term rates. Some are seeing this as a harbinger of recession. We see this comment as:*

*Recession discussion pertinent only for “happy few” – the rest have been in a “long cycle” recession since 1980!*

***Restricted to the “happy few” – whose consumption is fueled by shifts in wealth as opposed to changes in income***

*The vast majority of the hapless US population has been in a “long cycle” recession for the last 30 years and has yet to come up for air following the most recent beating!*

***US economy slow growth and no development- we shall see growing inequality and social strain***

*We see the US economy best case scenario as 2016 GDP growth of 2 – 2 ½ per cent, with the labor market clearing at a low wage level. Gains in employment shall be focused on sectors which used to be seen as “gap” positions where people worked while conducting a job search.*

***The temporary has become permanent and is having a depressing impact on consumption.***

**Contacts**

**Jean Ergas**  
Chief Economist  
(917) 551-6533 Direct  
[jergas@tigressfp.com](mailto:jergas@tigressfp.com)

**Ivan Feinseth**  
Chief Investment Officer  
(646) 780-8901 Direct  
[ifeinseth@tigressfp.com](mailto:ifeinseth@tigressfp.com)

**Philip Van Deusen**  
Director of Research  
(646) 862-2909 Direct  
[pvandeusen@tigressfp.com](mailto:pvandeusen@tigressfp.com)

**Brian O'Sullivan**  
Managing Director, Trading  
(646) 798-8453 Direct  
[bosullivan@tigressfp.com](mailto:bosullivan@tigressfp.com)

**Ernest Williams**  
Institutional Sales & Trading  
(646) 862-2912 Direct  
[ewilliams@tigressfp.com](mailto:ewilliams@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 Investimentos, 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](http://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](http://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](http://www.tigressfinancialpartners.com).

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning or otherwise without prior expressed permission in writing from Tigress Financial Partners LLC.

All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service of their respective owners.

© 2015 Tigress Financial Partners LLC. All Rights reserved.

**Tigress Financial Partners LLC - Member of FINRA / MSRB / SIPC**

**Research: (646) 780-8880 [research@tigressfp.com](mailto:research@tigressfp.com)**

500 Fifth Avenue New York, NY 10110 (212) 430-8700 [www.tigressfinancialpartners.com](http://www.tigressfinancialpartners.com)