



*Update January 27th 2016*

***Markets are not in a sentimental mood! Should we heed Apple on global growth? Need to rewrite the emerging market myths. Oil price does not take off - once again disappointing oil bulls. We await the verdict from the Federal Reserve.***

***Softer tone this morning to the markets***

*We are seeing a softer tone to markets this morning, with the US S+P 500 futures down 2 digits. This is driven by a lower oil price, disappointing industrial profits out of China and caution up ahead of the Federal Reserve meeting.*

***The world according to Apple***

*The tone is not being helped by Apple's comments on global growth and the recognition that the Chinese market shall not be sufficient to single-handedly boost growth. We may in retrospect view the Apple CEO's statements as a watershed moment.*

***Apple CEO comments - a watershed moment in the emerging markets myth?***

*The admission by the ultimate emerging markets driven company that the first wave of the rise of the Asian middle class is over. If music – as Shakespeare immortally put it – be the food of love, the I-phone is the totem of the newly affluent. With sales growth on the brink, we are hearing a powerful message.*

***Market shall look to Apple – where are the billion billionaires?***

*We see Apple in China as trumping the news on industrial profits. While industry data is being cast aside as a relic of the “old economic model” cell phones were seen as the consecration of the transition. Smartphone purchases were viewed as the triumph of cash over low factor wages.*

***We may need to revisit some of the emerging markets founding myths and recognize that there is a considerable gap between the aspirational and cash demand.***

***Chinese growth at stall speed***

*With regard to the emerging markets, we are focusing on the hard data, as opposed to macro government statistics. We are seeing slowing demand growth out of China for commodities, with freight rail traffic down sharply.*

***We back into a dead man's shuffle economy***

*We find the World Bank estimate that a 1 per cent decline in Chinese GDP results in a six per cent fall in commodities as conservative. Still, if we use this formula to back into the “real GDP”, the Chinese economy is moving at a dead man's shuffle.*

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***Once again rumors of war on the oil price***

*As regards the oil price, the market attempted to rally on rumors of an agreement between OPEC and non – OPEC countries to cut production. This relief was fleeting and – also abetted by rising US supplies, the oil price is once again beating retreat.*

*We are continuing to see downgrades to the price forecasts and an increasing emphasis on the demand side of the equation.*

***Federal Reserve shall not be comfortable reacting in lockstep to the financial markets***

*Markets are starting to focus on the Federal Reserve meeting and the extent to which the US central bank shall pay heed to the current turmoil in the financial markets. We remain of the view that the Federal Reserve's hand shall be stayed primarily by systemic considerations. In this case, the risk that a further increase in rates shall trigger an even faster exit from the emerging markets.*

***The Federal Reserve will be remiss to change mandate and become the provider of the ultimate “put” option for the financial markets. We are in any case seeing decreasing returns from central bank intervention as highlighted by the market's muted response to the ECB's possible action in March.***

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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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## Research Highlights

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