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***European stocks are firm, recovering from terrorist attacks. Are we seeing a return to economic rationality in Germany – a break with “the long run”? We are seeing a stronger US Dollar - Federal Reserve noises about an increase in interest rates form of new “Marshall Plan” to Euro Zone economy. Oil is coming off the boil – is this a return to fundamentals?***

### ***Today’s action***

*Amid a flurry of reports regarding the Brussels terrorist attacks, European stocks are firm. Investors are focusing on the weaker Euro, seen as lending a boost to exports. In the US, the futures are flat, reflecting caution along of the long Easter weekend, data on oil inventories.*

***We also see a growing awareness that while central banks can provide a floor they cannot substantially change the economic status quo.***

*European stocks are also being given a lift by the German budget increasing public spending on infrastructure. Whether this represents a “turning point” in Euro Zone policy, away from purely monetary measures, or shall be limited to those who have the necessary means remains to be seen.*

***We see as significant that Germany – hitherto a stalwart of pre- Keynesian economic orthodoxy – may finally be starting to relent.***

### ***US Dollar stronger - Federal Reserve not wavering***

*The US currency continues its onward march boosted both by: A flight to safety following the terror attacks; confirmation by the head of the Chicago Federal Reserve that there were no substantial obstacles to raising rates two times this year.*

### ***Federal Reserve sticking to its dot-plots***

*The Federal Reserve appears to be sticking to its dot plot trajectory. This is despite weaker than expected PMI manufacturing data and falling consumer sentiment. Ultimate focus remains the job picture – seen as improving- and confidence that inflation shall inch upwards to the two per cent target.*

***Two per cent inflation fends off deflation but shall not prevent separation of chaff from wheat with regard to pricing power***

*While we see the attainment of this target as providing a modest moat against a technical deflation, it remains insufficient to boost pricing power across the US economy. We are in a new economic paradigm – with companies selling commodity products forced to focus on cost reductions to boost profits.*

***We expect further rate increases and see a US central bank focused on the progress of the US economy. External events – short of systemic risk – are a cause to pause but not to reverse course.***

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***This is not about housing!***

*Today we shall be seeing further US housing data. While some see housing as supporting the recovery or at least not hindering it, we see the axis as having shifted. Housing is no longer viewed as systemic and is likely to recede in importance as the US economy becomes more sensitive to foreign revenues.*

**Concerns are now focused on “mass of money” movements and risks of sovereign defaults spurred by commodity collapses.**

*With regard to the oil price, we are seeing some of the enthusiasm engendered by the upcoming “Congress of Vienna” in Qatar coming off the boil. Libya has politely declined and US oil inventories keep increasing. This despite the shale sector’s oft trumpeted demise. We are waiting for the EIA report on inventories, expected to post an increase.*

***Focus on the Brussels attacks******Markets regain their footing in the immediate aftermath of terrorist attacks***

*Markets are regaining their footing following the frightful terrorist attacks in Brussels. The attacks have highlighted that the struggle against ISIS – a de-facto state engaged in war with states – is markedly different from the terrorism in Europe in the 1970’s and 1980’s.*

***Will we see a major shift towards Brexit?***

*As we mentioned, these dramatic events have lent impetus to populist anti-EU sentiment in the UK. This has increased the chances of a UK exit from the EU, with all of the attendant uncertainty.*

***We cannot but be struck that the UK government has advised against traveling to Belgium unless absolutely necessary. Are we seeing a European country being considered a country at war?***

***We see a difficult alignment of anti-terrorist strategies in the EU***

*The repercussions of the Brussels attacks have been the catalyst for a call to a united EU counter terrorism strategy. In the light of both the political differences and attitudes towards multiculturalism – which many see as having spawned terrorist oases – we view a unified stance as difficult to implement.*

***Turkey’s position strengthened considerably***

*The principal impact shall be to increase Turkey’s negotiating position versus the EU. A reinforcing of the Turkish government may also tip the balance with regard to the Syrian crisis. We see the discussion mutating rapidly from long-term discussions on the “future of the European idea” to a here and now struggle to contain the terrorist onslaught.*

***Attacks spurring political reactions in the US***

*These attacks are also triggering a response in the US, with the presidential candidates taking to social media to call for a strong response. This shall help to shift the US electoral debate from the economic to the security sphere. Security has a short term powerful emotional impact and can lead to unexpected outcomes.*

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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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## Research Highlights

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