



**April 25<sup>th</sup> 2016**

***Markets hesitant – car sector in reverse – We will see more provisioning!  
Central banks return to the fore – Federal Reserve shall be the final arbiter –  
not surprised at Austrian elections, tolerance is not the sign of the times.***

***Market in a hesitant mood – eyes on the central banks***

*Markets are in a hesitant mood as investors re-appraise the oil situation, with the market still in oversupply. We are also seeing caution ahead of both economic data and central bank meetings, with the spotlight shifting from the European Central Bank to the Federal Reserve and the Bank of Japan.*

***Car sector weighing on markets***

*We are seeing the European markets slightly weaker, with the car companies – buffeted by the emissions scandal – ceding ground. This is in addition to cyclical concerns regarding global and in particular, emerging markets growth. The auto sector has often the spark for a wide range of industries and the lynchpin of the second stage of the development process.*

***Emissions scandal contemporary version of environmental and asbestos crisis***

*VW has drastically increased the cost estimate from US Dollars 7 billion to US Dollars 16 -17 billion. We are not surprised and see the issue as remaining a Damocles sword over the sector. This shall be the auto industries version of environmental and asbestos – a source of massive uncertainty as to both final settlement, which shall remain elusive, and cash pay-outs.*

***We are still at the appetizer of what promises to be a long and heavy meal. The auto sector is seen as still oversupplied. Will this panoply of scandals be the trigger for further consolidation and or divestitures?***

***Federal Reserve – still the “keeper of the keys”***

*As concerns the central banks, the major focus shall be the US Federal Reserve – seen as the global pace setter and “keeper of the keys” of the global financial sector. We expect more Pollyanna cheerleading about the US economy and a reiteration of caution in the face of external risks.*

***With the Chinese economy, seen as the last hope, posting timid signs of recovery, the US central bank may strike a more optimistic note.***

***Euro Zone – shall prices finally start rising?***

*Turning to the Euro Zone, we shall be seeing inflation and GDP data this week. We are not holding our breath and expect a muted performance on both fronts. The fall in German business confidence is indicative of the duality in the Euro Zone’s largest economy. Strength in the domestic economy is seen as not sufficient to offset pressure on exports - the lifeblood of the economy and segment with the greatest pricing power.*

**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.



### ***Shall the relationship to the EU enable the Trans-Atlantic Free Trade agreement?***

*We are not surprised to see Obama and Merkel championing the Trans-Atlantic free trade initiative between the EU and the US. The US president is of the view that “time is not on our side” – this is an excellent use of understatement. With the walking wounded of globalization not interested in the “long run” – when we shall all be dead, this deal shall be a hard sell.*

***The trend towards disaggregation is alive and well in the developed economies and free trade is now widely seen as the root of all evil.***

### ***Austria – shall not be the last of the surprises?***

*We are not surprised to see the first round victory of the far right in Austria, which campaigned on a security and anti-everybody platform. This is not the last “surprise” we shall see. A toxic combination of globalization without buffers and the refugee – migrant crisis shall be profoundly de-stabilizing.*

### ***Global overview***

***Stock markets advance despite mixed US earnings and collapse of oil negotiations – ECB continues to sound cautionary note on Euro Zone but remains confident of progress – oil rebounds on hopes of re-balancing - UK referendum looms nearer and Panama tax scandal risks forcing a re-casting of the rules.***

### ***Markets driven by macro-monetary factors and US earnings – Shall we see the oil market re-balancing?***

*We are leaving behind us a week with investors focused on the dual planes of macro - monetary news and US earnings – seen as the principal bellwether for the global economy. Oil prices have rebounded, boosted by hopes of a re-balancing and closer cooperation among the OPEC countries.*

***We remain cautious and see a rough ride ahead with markets still closely correlated to energy.***

### ***US stocks stumble to the finish line!***

*Last week, US stocks finished flat following early declines driven by weaker than expected earnings and continued concerns out of Europe. Weakness in the technology sector seems to have had scant impact on the prevailing belief that the “kindness of strangers” in the form of central bank generosity is likely to continue and that the worst is over in the oil market.*

### ***Next week Federal Reserve meeting and US GDP – Is the economy stuck in “park”?***

*Next week attention shall be centered on the Federal Reserve meeting and on the US GDP data. While a rate increase is not expected, the focus shall be on the central bank’s assessment of the US economy and its evaluation of global risks.*

### ***Low expectations of the US economy – paralleling earnings***

*We are not expecting much from the march of the US economy – where modest expectations parallel the minimal targets set for earnings. However, should the US economy have contracted we foresee market weakness.*



### ***Equity markets continue to hold – buoyed by hopes of central bank intervention and stabilization of commodities and oil***

*Global equity markets have continued to inch forward on hopes of continued central bank munificence in both the US and abroad. This is abetted by the special circumstances of the Bank of England, reluctant to move ahead of the EU referendum.*

### ***Central banks choose pre-China deflation measures over banking margins***

*Central banks seem to have jettisoned concerns as to collateral damage to net interest margins. Bank profitability has been subordinated to once again seeking to engineer demand via liquidity transfers to the banks, hitherto with scant results.*

### ***Central banks shall – except for US – be moderate – TINA – There is no alternative!***

*With regard to the central banks, we tend to agree that – barring a sudden upsurge of inflation in the US – the moderation shall continue. Japan is mooted as considering yet further forays into negative rates, apparently unconcerned as to the impact on its banking system. The ECB is still in an easing mode, seen as the key lever as compared to extending bond buying.*

### ***Will the Japanese central bank lower rates further?***

*We are seeing increased pressure on the yen as disappointing Japanese economic data is seen as bringing further monetary easing forward. These shall be implemented via the dual axis of both increased bond buying and lower central bank negative rates.*

### ***Readiness to lower rates further into negative territory shall whittle away at any residual qualms among other central banks.***

### ***Commodities higher but fundamentals remain weak***

*Hopes for a stabilization of commodity markets – on the basis of slightly stronger data out of China – are also contributing to the more positive sentiment. The increases are being pushed by a combination of short term re-stocking and hopes of the impact of capacity reductions working their way through to prices.*

### ***Both oil and non-oil commodities remain well below their peaks, with marginal producers struggling to stay in the game.***

### ***Oil remains the wild card – get ready for a rocky ride***

*In our view, the oil market remains the wild card, linked to politics and not to easily discernible economic metrics. Since the collapse of the Doha meeting, prices have been boosted by hopes of a “natural re-balancing”. We see two possible impediments in this scenario:*

### ***Shall shale production rebound?***

*The principal boost is still expected to come from a reduction in US shale oil production. However – due to the industry’s ability to rapidly ramp up production – can dampen any increase.*

**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)



### ***Saudi Arabia, Russia and Iran – a powerful mix!***

*The Damocles sword of Saudi Arabia and Russia willing and capable of ramping up production combined with the Iranian risk is not to be underestimated. Iran has been able to steadily increase production despite alleged limitations of existing infrastructure.*

### ***Current oil prices shall not banish risk of defaults***

*We are seeing increased investment in high yield energy bonds as investors becoming optimistic that the worst is over with regard to the downside in oil prices. This, while limiting defaults, shall not reduce the pressure on the higher cost both state and non-state producers.*

### ***We remain cautious on US growth – manufacturing sector slowing and consumers still cautious***

*We continue to be cautious with regard to US growth prospects. Manufacturing and exports continue to be impacted by global slowing. In this respect the fall in the Euro Zone composite indices is significant, as US goods are used as components for goods to be shipped by European companies to the emerging markets. There is a greater pass-through than is commonly assumed.*

### ***Parting of the ways between US labor force and wages***

*While jobless claims are at very low levels, we are continuing to see “the parting of the ways” between the labor market and the real economy. Job retention and falling unemployment are doing little to boost consumer enthusiasm. While much is being made of de-leveraging, it remains at historically high levels.*

### ***US labor market two tiered – similar to an emerging market***

*Analysts continuing to postpone the hallowed day when falling unemployment shall translate into higher wages. We stand by our view that we are in a two tier US labor market. The top tier is capable of demanding higher wages while the bottom tier, the vast majority of the labor force, remains bereft of negotiating power.*

### ***China improvement is fueled by stimulus–can monetary policy replace migration up the value chain?***

*With regard to China, we confirm our view that the recent improvement is being fueled by credit expansion detached from any consideration of solvency. This shall further fuel risks in the banking system. The Chinese model remains predicated on low value added exports at a time when wage increases should be forcing a migration up the value chain.*

### ***What if they open the capital account?***

*We are hearing a lot about the “saving grace” of the Chinese economy being the closed capital account, restricting outward investment flows by retail investors. This pushes savings into the stock market and property, causing bubbles in both.*

***Should the capital account be opened, the outflows are seen as decimating Chinese FX reserves and smashing domestic asset values.***

### ***Euro Zone economic policy now synonymous with the ECB***

**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)



*With regard to the Euro Zone, economic policy has been relegated to monetary tinkering and therefore entrusted to the ECB. The single currency area central bank has reiterated the willingness to take all measures necessary to see off deflationary pressures. It has however, toned down expectations with regard to the purchase of corporate bonds.*

***We see this as a “dummy variable” with regard to the real economy and inflation. A further reduction of fixed income borrowing costs for top rated borrowers – already replete with cash – shall do little to boost capital investment.***

### ***US administration not remiss to intervene in Brexit debate***

*On the political front, the major focus of attention remains the upcoming UK referendum on membership in the European Union. In what might be setting a precedent for future administrations as regards the internal affairs of another country, the US president expressed strong and unequivocal views on the critical vote.*

### ***Discussion now shifting to trade – are we moving towards isolationism?***

*The focus was placed on the economic consequences of a “leave” decision centered on international trade. In the immediate, the UK shall have to renegotiate all existing agreement, risking a massive interruption in foreign trade. Longer term, the incipient disaggregation of the world’s largest trading bloc shall reduce trade further hampering any recovery.*

***The US is focused on ratifying the Transpacific Partnership in an increasingly anti free trade environment while attempting to inch along the Trans-Atlantic agreement with the EU. The UK leaving the EU shall cast a pall on multilateral agreements.***

### ***Panama tax scandal now being tackled at supra-national level***

*The Panama tax scandal has triggered agreement among the IMF, World Bank, UN and OECD for cooperation against abuse of tax havens. This is paralleled by the EU countries reaching an understanding to exchange information and draw up lists of dubious localities.*

***We see these measures as forcing companies to review discrepancies between flows of goods and financial flows, as well as the risk of recapture of hitherto sheltered cash. This may impact capital investment plans and profitability estimates.***

## Research Highlights

April 25, 2016  
Page 6 of 7

### 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)

**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.

**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)



## Research Highlights

April 25, 2016  
Page 7 of 7

### 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.

© 2016 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)