Tigress Financial Partners

Macro Snapshot – Chief Economist Jean Ergas

May 10, 2016

May 10th 2016

European markets inching higher – Chinese overcapacity alive and well – Saudi Arabian is willing! Are we seeing the "hard core" EU opponents in the UK? Brazil – impeachment would be a start but not the solution! Credit Suisse not replica of European commercial banks

European markets inching higher – will this continue?

European markets are slightly higher, with investors buoyed by a relatively stable oil price and less frightful than expected results from Credit Suisse. A drop in German industrial production for March and a contraction in France seem to have been offset by continued hopes of rescue in the shape of central bank largesse.

Not convinced by slowing of Chinese producer price deflation

Sentiment is also being boosted by a slowing of Chinese producer price deflation. While some see this as easing pricing pressures for global corporates, we see this as a momentary blip in a continued situation of state subsidized overcapacity. We continue to see corporate top lines across a broad range of industries under pressure.

Saudi Arabia still ready to increase output

Oil prices are showing a relative stabilization with continued speculation as to future policy in Saudi Arabia. The Canadian wildfire effect having run its course, we are back to analyzing fundamentals – which are still pointing to excess supply. Saudi Arabia is still waging war via oil barrel confirming its readiness and capacity to ramp up output.

Is Credit Suisse representative of the European banks?

With regard to banking – we need to make a distinction between Credit Suisse which draws its punch from asset management and the commercial banks, which have a greater sensitivity to lending margins. One might even argue that the lower interest rates, the greater the need for expert asset management to wring out acceptable returns.

Is there a hard core of 40 per cent "exiteers" in the UK

On the political risk front, the suspense over the UK – EU referendum continues with grim warnings as to a collapse in the currency and the UK economy should the "leave camp" win. Warnings of hell-fire seem to be having scant effect. 40 per cent still want out and seem more moved by issues of sovereignty than economics.

All quiet on the Greek front?

The Greek front seems to be going through a more quiescent moment. The Euro group has accepted to restart concrete negotiations with Greece. It remains in doubt whether the IMF will play along remains in doubt, a grim reminder of the multiple crises in Europe.

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.

Can mining companies de-couple profits from prices?

We continue to be dubious as to the strength of the mining stocks in the light of market prospects. BHP's management is trying to make the profits not a direct function of prices argument. However, it sounds ominously like the shipping companies seeking to divorce cash flow from charter rates. It does not work!

US economy seen as sailing along – will it hit the rocks?

With regard to the Federal Reserve – officials continue to express a fundamentally positive view of the US economy. The issue is not whether the US central bank shall raise rates but how many times. The impact shall be first and foremost on the currency and the export sector. Rates for the domestic US economy have already shifted in line with a widening of spreads in the fixed income market.

There shall now be a hiatus in the data flow and we see market participants primarily focused on oil and commodities. We may see oil make another leg down with continuity the key sign post in Saudi policy.

Brazil – impeachment shall be the end of the beginning

With regard to emerging markets there is no end to the suspense! The impeachment process shall continue, with a vote mid-week likely sealing Dilma's fate. We see this as the beginning of a long process on both the political and economic fronts. This is not about a change of government but about the need to re-cast basic structures.

Research: (646) 780-8880 research@tigressfp.com
500 Fifth Avenue New York, NY 10110 (212) 430-8700 www.tigressfinancialpartners.com

Contacts

Jean Ergas
Chief Economist
(917) 551-6533 Direct
jergas@tigressfp.com

Ivan Feinseth
Chief Investment Officer
(646) 780-8901 Direct
ifeinseth@tigressfp.com

Philip Van Deusen
Director of Research
(646) 862-2909 Direct
pvandeusen@tigressfp.com

Ernest Williams
Institutional Sales & Trading
(646) 862-2912 Direct
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 Investmentos, 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.

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.

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.