# Tigress Financial Partners

## Macro Snapshot – Chief Economist Jean Ergas

June 7, 2016

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***Stock markets breathing a sigh of relief – Euro Zone slow but not out! Federal Reserve standard issue decaf lite – US central bank focusing on "disruptors" – not there to manage global economic cycle – Do the elites have a solution for European social tensions?***

***Stock markets breathing a sigh of relief – rates shall not rise tomorrow!***

*Stock markets are breathing a sigh of relief following the head of the Federal Reserve's speech allaying fears as to a short term increase in US interest rates. With regard to event risk further UK-EU referendum polls show the "remain" camp once again in the lead – will this be the last word?*

***Euro Zone slow but not out!***

*Euro Zone first quarter growth has been revised upwards and Germany confirms its role as the EU "center forward". The key factor appears to be a strengthening of domestic demand in some of the major Euro Zone economies. While reducing the risks of a sharp cyclical slowdown, the slowing of global growth shall cap the scope for further expansion.*

***Euro Zone countries at different stages in process – some steaming ahead, others still putting reform infrastructure in place***

*The Euro Zone recovery continues to be uneven with economies at different stages in the recovery process. While Germany reaps the benefits of structural reforms others are still grappling with deficits, elevated debt to GDP ratios and fossilized economic frameworks.*

***Will the ECB corporate bond buying be the "tipping point" for Euro Zone inflation and growth?***

*There is much enthusiasm regarding the start of the ECB's corporate bond buying program, with doubts as to the volume of bonds which shall be snapped up. We see this as barking up the wrong tree! The focal point is the extent to which buying corporate bonds shall be the "tipping point" in increasing growth and lifting prices.*

***We continue to see the principal short term impact as triggering a shift by bond investors into non Euro securities. The corporate bond buying shall further extend the mispricing of Euro debt securities from sovereign to corporate debt.***

***Federal Reserve speech standard issue decaf lite version***

*The Oracle of Delphi spoke and the Bletchley code breakers immediately got to work! Janet Yellen's speech shed little new light and was largely a decaf lite version of US central bank standard issue. Rate increases shall at some point be appropriate but this is not for the morrow seems to have been the consensus reading.*

***Will domestic demand hold up? "Monroe Doctrine" remains the rule***

*US caveats remain the inflation rate, which is still well below target and the resilience of domestic demand. Does the collapse in hiring herald hard times? Casting the net farther afield, the situation in China remains fluid and the UK-EU referendum vote remains a potential source of market turmoil.*



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***UK-EU vote is a binary event – not a subjective assessment***

*We see a fundamental distinction between the UK-EU vote and the other possible impediments. Voting is a binary event set in stone – one shall win – there is a finite objective outcome. The other factors – like beauty – are in the eye of the beholder. While expecting a rate increase prior to your end, we would not be too sanguine as to the timing.*

***Federal Reserve focusing on "disruptors" – not there to manage global cyclical fluctuations***

*We view as key that the focus abroad was on "disruptors" and not on growth or the threat of recession. Slow growth seems to have been baked into the Federal Reserve's considerations – the aim shall be to not add to market turmoil and – if possible – help put out fires. Once the UK referendum is out of the way the last binary road block, until the US election, is gone.*

***With the US central bank sticking to its "Monroe Doctrine" approach a focus on US data shall be critical.***

***Sterling up today on yet another poll! Now politically acceptable to critique a liberal immigration policy!***

*Turning to the UK-EU referendum, we are seeing a stronger pound. Potential for a "silent majority" surprise remains high with the immigration issue having a powerful appeal. Criticism of an open immigration policy, once seen as politically incorrect, is now increasingly acceptable.*

***Do the elites have a solution?***

*Whether the elites have any concrete solutions as to how to solve this problem remains uncertain. As we have often said – when real wages are falling – appeals to the "long run" ring hollow.*

***Are we seeing emerging country labor markets in selected areas of advanced economies?***

*There is recognition of the fact that initial estimates of arrivals were completely off the mark – leading to what some saw as creating an emerging market labor market in an advanced economy.*

***In an economy where many in the middle class are increasingly threatened with being declassed by technology and the shift towards the "knowledge economy" there is a keen desire to cushion the fall!***

***Shall India replace China in the oil market?***

*We are seeing a continued recovery in oil prices – with hopes that over supply has been whittled away and / or India shall take over from China as a demand driver. Our view remains cautious, taking our cue from yet further attempts from the oil companies to focus on efficiency and reduce investment.*

***We see little enthusiasm for buying "cheap" reserves. The "smart money" is planning on the basis of lower prices for some time to come!***

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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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