Tigress Financial Partners

Macro Snapshot – Chief Economist Jean Ergas

July 14, 2016

July 14th 2016

Is it all about the central banks – We are once again reading about New Zealand lamb – is this back to the future and Commonwealth forever? Bank of England does not move – scared of imported inflation? – No illusions about European banks

US stock futures up this morning – is it all about the central banks?

US stock futures are up this morning on continued hopes of central bank generosity, a more clearly defined script for the UK's parting of the ways with European integration and better than expected results from J.P. Morgan. Europe is also up, although the UK central bank has disappointed by not cutting rates.

Looks like Brexit is for real! – Better New Zealand lamb than access to the EU single market

The UK continues to hold center stage as investors attempt to divine the UK government's strategy as to divorce proceedings.
We see the by-some still jealously cherished dream that this shall never happen as shattered by the creation of a new ministry to negotiate the exit.

UK shall settle for "WTO bare bones – economy" trade agreements package!

Negotiating stances remain – possibly because this is still early days – mostly unchanged. We are continuing to hear of unfettered market access. However, labor mobility remains the deal-breaker. This shall preclude the Norway option and – push the UK towards the "bare bones- economy" package of WTO trade agreements.

Warnings as to likely decline in UK economy stiffening resolve of the hard line "leavers"

That this shall bother the conservative right – who are the victors in this battle – is doubtful. The UK vote was and remains rooted in ideology and not in economic rationality.
Warnings from all sides of a gloomy short term outlook for the UK economy are simply further stiffening the resolve of the "leavers".

Bank of England afraid to tell it as it is?

On the monetary front – the major event – or non-event – was the Bank of England's decision to not raise rates. They seem to have erred on the side of caution and preferred to wait for further indications of economic weakening. One wonders what they are waiting for – with all indicators pointing to falls in consumer confidence, slower activity in housing and capital investment at a stop.

Some are voicing fears of imported inflation following the precipitous drop in the pound. We see this as largely irrelevant and somewhat contradictory – would this not solve the deflation threat?

Inflation shall hit lower income wage earners disproportionately – do not have equity market buffer

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

Still – having been roasted for allegedly having spread "defeatist" views as to the impact of the vote "Carney and friends" shall tread warily. With a weak economy staring them in the face – a price increase shall impact the lower income brackets disproportionately. This group is less likely to benefit from the "equity buffer" provided by the falling FX rate.

Italian banks – not distracted by a short term bounce

We are continuing to follow the adventures of the Italian banking system – where we read of negotiations to solve the problem of recapitalizing moribund banks. This is to be achieved within the new EU framework. We see this as a long shot and are not letting ourselves be distracted by a short term bounce of some of the major Italian banking institutions.

The private sector has made it abundantly clear that they want no part of these rescue attempts – the only way shall be TARP.

European banking mess not the S+L crisis in the US – one massive hit and we move on!

The Italian banking crisis is nothing more than a reflection of a long standing malaise with regard to Euro Zone prospects. Growth rates remain miserable and companies, with companies not able to offset the hit to operating margins with lower interest rates. The European banking sector shall continue to accumulate bad loans – this is not the S+L crisis in the US – take it on the nose and move on.

US economy still chugging along – best of a miserable lot!

Turning to the US resilience in earnings from J.P.Morgan has helped to inspire confidence that the US economy is holding up.
We see the rise in US financial markets as reflecting the view that the US is becoming a "safe haven" market. The US economy has its own self-generating dynamic and is not beholden to "exit" type scenarios.

With outflows from European stocks continuing – despite the much heralded "miracle" around the corner – investors rationally or irrationally may persevere in this attitude.

Tigress Financial Partners LLC - Member of FINRA / MSRB / SIPC
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

Lily Li
Managing Director
Global Wealth Management
(646) 780-8903 Direct
lilyli@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.