Tigress Financial Partners

Macro Snapshot – Chief Economist Jean Ergas

July 21, 2016

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.

July 21st 2016

Global economy still dependent on hand-outs – Shall not be forthcoming from Japan – Turkey, military rule without the military – UK told once again "get your stuff out of my apartment"! European banking – this is the start of the crisis

Markets yesterday on a mini-rip – will the top line start growing again?

Markets yesterday were once again on a mini-rip with investors cheered by some better than expected earnings. Some are seeing some positive US economic data as an indicator that earnings and top line growth may soon be an item again. We also continue to see the US as a relative safe haven and expect more flows into US assets overall.

IMF remains cautious on growth-we agree!

Notwithstanding this optimistic view the IMF has once again revised downwards its global growth forecast. We are not surprised and continue to see markedly slower emerging markets, further slowing in the EU and the US coming off best. The focus shall be on countries and to a lesser extent on sectors.

European markets slightly lower on no "helicopter money" from Japan and caution ahead of ECB

Today European markets are slightly lower as Japan rules out further central bank munificence in the short term and investors await the ECB decision and conference. The focus is still squarely on central banks shifting from being the economy's "goalkeeper" to being the center forward. The key point shall be whether stopping the other team from scoring shall result in goals being scored!

Almost 10 years before the mast and we have yet to set sail!

Almost 10 years on from the onset of the financial crisis the private sector in the world's single largest trade area has yet to be able to generate growth on its own steam. We have seen many false starts and are at best now in a holding position. With political tensions rising, we view the reform willingness of governments as ebbing.

Turkey – military government without the military

Turkey is now once again in a state of emergency and financial assets are taking – as expected – a punch. The country is now in a state of "dictatorship – lite" as the government attempts the delicate balancing act of imposing authoritarian rule without the armed forces. We expect this to be a precarious equilibrium.

Long term financial stability is imperiled!

We are also starting to see concerns as to the impact of the coup on long term financial sustainability. S+P has further downgraded both foreign currency and local currency debt, both firmly ensconced in non-investment grade territory. How long before we see the IMF coming to the rescue?

UK exit – UK shall be pressured to go

As concerns the UK, we are getting mixed signals from the other 27 as concerns the use of Article 50. While Merkel seems willing to extend to the UK time to reflect on its strategic options, there is a clear encouragement to "get on with it" from the others. Continued uncertainty is not conducive to getting the economy moving and restarting capital spending.

Timid progress on the Italian banking front?

Are we seeing progress on the Italian banking front? The Italian government is now attempting to bypass the EU banking regulations focusing on reducing bad loans at MPS. This is to be done via a further effort engineered through the rescue fund Atlas and another "coalition of the unwilling".

European banking – we shall see a "pincer squeeze" on capital

We see this effort as both too late and too little. The key shall not be the piecemeal absorption of bad debts but the full scale recapitalization of the banking system. The government is trying to hit a moving target as economic stagnation creates further insolvencies. This is compounded by the introduction of stricter capital rules – creating a "pincer squeeze" on capital.

EBA estimate is too conservative!

In this context the European Banking Authority has put out estimates of a further US Dollar 500 billion + for the European banking system. We see this as too conservative – based on a business as usual scenario and on the assumption that bad loans shall revert to the mean.

They shall not! The system is no longer coping with cyclicality but with a structural shift in pricing power and deflation driven re-leveraging.

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.

Research: (646) 780-8880   research@tigressfp.com

500 Fifth Avenue New York, NY 10110   (212) 430-8700   www.tigressfinancialpartners.com