



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

**Market sentiment remains subdued - more voices in favor of raising rates - oil price, remain skeptical of a lasting agreement - Are we seeing a softer tone from Germany?**

**Italian government under further pressure after earthquake - Commodity restructuring not yet over**

**Overall market atmosphere remains subdued - oil prices and Yellen speech tomorrow in focus**

*The overall atmosphere in the market remains subdued with investors reacting to pressure on oil prices and cautious ahead of the speech by Janet Yellen tomorrow. Whether the references to US monetary policy shall be direct or oblique is not relevant. Analysts shall deduce indications even if they are scarce on the ground.*

**There may therefore be volatility during and after the speech as investors grapple with "The message". We remain of the view that barring an economic collapse, the Federal Reserve is likely to raise rates this year.**

**And yet another Federal Reserve voice in favor of raising rates!**

*A further representative of the Federal Reserve has come out in favor of gradual rate hikes and is foreseeing two per cent growth in 2016. The focus is not on blocking rampant inflation but on adjusting rates to an economy that is not in a depression. We see as significant that current growth rates are seen as within the norm - consistent with the cyclical fluctuation band.*

**Markets still under sway of oil price - decline not yet at systemic level**

*Markets are still under the sway of oil prices as supplies are shown to be plentiful and the determination of the major sovereign producers to freeze production appears doubtful. While oil prices have fallen the impact is - at this point - on corporate earnings and not yet at the systemic level.*

**We remain skeptical of an agreement or "understanding" in the oil market**

*US supplies are robust and there are no signs of any of the major producers starting to throttle back production. We continue to be skeptical of any agreement or "agreement - light - understanding".*

**While some are pointing at seasonal fluctuations we see our view of "The Return of the Jedi" of US production confirmed. This - like oil parked off-shore - is a major Damocles sword for the market.**

**Are we seeing a softer tone from Germany on Brexit?**

*With regard to the UK - Brexit some might wonder whether we are seeing a softer tone from Germany. Merkel having said that she is willing to give the UK time to define its negotiating position. However, we now see the pressure coming not from the soon to have been EU fellow travelers but internally.*

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*The leave campaign ideologues point to the non "Day after" collapse of the UK economy as a vindication of their views. They shall not be remiss to beat the iron while it is hot!*

***Italian earthquake re-awakes broader concerns***

*The extent of the fragility of the "soft underbelly" of the Euro Zone - Italy- has been highlighted by the pressure on the Euro following the tragic earthquake in Italy. Any perceived inadequacy by the government in coping with the catastrophe might lead to a defeat for the government's referendum. With polls already showing a government defeat this does not bode well.*

***Renzi fighting on multiple fronts***

*The threat to Euro Zone stability is seen as sufficiently serious to lead to a weaker Euro. Instability in the major problem economy in the single currency area as it seeks to:*

*Simultaneously cope with a banking crisis  
Push through institutional reforms*

*is a justified concern.*

***Still substantial unfinished business in the commodity sector***

*On the commodity front we are interested to see that Glencore shall step up efforts to sell assets and reduce debt. One year on from the transition of the commodity crisis from profit margins to solvency there is still substantial unfinished business.*

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Jean Ergas is the Chief Economist for Tigress Financial Partners LLC (Member FINRA, MSRB, SIPC) based in New York City.

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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.

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## Research Highlights

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