Tigress Financial Partners

# Macro Snapshot – Chief Economist Jean Ergas

August 26, 2016

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***Waiting for Janet Yellen - key US data before speech - Looking beyond momentary mispricing in UK - Muted enthusiasm as to oil price - Immigration data shall hasten UK exit from EU***

***European markets playing from backfield - waiting for Janet Yellen - will she deliver?***

*European markets this morning are playing from backfield with attention centered on the upcoming speech by the head of the US central bank. Whether there shall be concrete clues or not as to future monetary action remains to be seen. Notwithstanding, the "call to arms" for an increase in rates is becoming increasingly shrill as some see the central bank targets within sight.*

***Speech to be preceded by key US data***

*The speech today has been preceded by second quarter revised GDP and international trade. The second GDP reading has confirmed the miserable result of the first- slightly lower at 1.1 per cent. An acceleration of US economic growth is not dependent on statistical revisions but on allegedly strong employment feeding through to consumption.*

***With regard to the international trade data the deficit has narrowed boosted by food exports. However exports of capital goods reflect still hesitant global demand.***

***Markets weighing reports on oil***

*Markets are also weighing the declarations buffeting the oil price. Enthusiasm as to an agreement or "understanding" has been running high. However declarations from Saudi Arabia's Minister of Energy downplaying the need for intervention have tempered spirits. The key producer sees the process of "natural re-balancing" continuing apace with scarce need for a freeze.*

***We remain skeptical as to the outlook for the conference and see investor focus as looking to oil within a systemic - non systemic paradigm. A price above US Dollars 40 is seen as the minimum necessary to limit the risk of sovereign defaults.***

***Attending meeting does not mean cutting production***

*Iran's positioning needs also to be taken into account. Attending does not mean cutting production. The "come-back kid" of the industry insists on preserving its rights - striving to pump as much as possible to generate cash.*

*With all the talk of liberalization and lifting of sanctions banking and commercial transactions with Iran are still severely limited.*

***Not surprised to see UK consumers buying - massive discounting and tourists!***

*We are continuing to follow the UK situation and are not surprised to see that consumer confidence is holding. This reflects massive discounting and sale of imported goods at pre referendum prices. The influx of tourists seeking to snap-up "grey market" bargains has also lent a push.*

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***We are looking beyond momentary mispricing***

*The key shall not be the consumer buying imported goods but capital investment and the re-negotiation of trade agreements. We see as moot that this is a process which might take years and lean increasingly towards a scenario of exit by end 2019 and unfinished business.*

***UK immigrants know no rest!***

*We are in this context not surprised to see that the immigrants in the UK are allowed no rest! Immigration - now subsumed as "freedom of movement" - was the beginning and end of the leave campaign. The UK press has reported today that immigration has hit an all-time high - at 327000. This is more than triple Cameron's target.*

***We expect this data to act as catalyst for the "break-now" contingent. Article 50 may be invoked sooner than expected as the intent to exit has triggered a last minute rush before the doors close.***

***Germany remains export driven - value added and pricing power***

*As regards the Euro Zone, the markets are still digesting the fall in German business confidence - a key barometer for investment. The UK situation - given the strong export flows - plays an important role. However we view the broader issue of slowing global growth as predominant. The manufacturing - high value added segment of the single currency area's largest economy remains export driven.*

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**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.

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