



*Update December 21st 2015*

### **Markets shrugging off fall in oil price – Spain election earthquake**

*Markets are shrugging off a further fall in the oil price and seeing the immediate impact of the lack of a majority for the leading party in Spain as having a limited impact on other European markets. The damage from the Spanish election, with a distant second best coalition government as the most likely outcome, has been restricted mostly to the local market with a sharp increase in the 10 year yield and a falling stock market.*

### **Do not underestimate Podemos result**

*The lack of a clear majority – which has allowed Spain to pursue a reform policy unencumbered by needing to make compromises – is important. However, the key shift is the seismic advance of the anti-austerity party Podemos. We view the key problem in the European periphery as rising expectations – with consumers frustrated by the pass-through of improved macro fundamentals to consumer living standards. There may be more storms ahead.*

### **No short term relief in sight for oil prices**

*Turning to the oil price – we are now nearing the lows set by WTI at the wretched depths of the financial crisis. At the cost of sounding monotonous, we see no short term turnaround in the market. Saudi Arabia is pumping like there was no tomorrow and the Russians are at their post – Soviet era peak. The prospect of US oil exports is not helping, but is not the major trigger.*

### **Getting real about the oil dividend**

*We are also seeing a greater realism as to the hallowed “oil dividend” in the US. We need to bear in mind that an extra payment of approximately US Dollars 550 to every US consumer is not the game changer for the US economy. With US consumers, despite the good augurs of the head of the Federal Reserve not yet receiving the munificence of higher wages and still mired in de-leveraging, the impact shall be limited. You can borrow against a pay rise – try borrowing against a lower oil price.*

### **Mining companies – from eternal growth to scrounging for value in restructuring stories**

*With regard to commodities, we are seeing some relief for the sector from a plateauing of US Dollar strength. Investor interest appears to now be focusing no longer on eternal Chinese growth but scrounging for value in turnaround stories. This sentiment is abetted by rumors of Chinese copper price support – a form of commodities QE.*

*We remain unimpressed and see these markets as offering a possible playing space for short term trading but unsuited for investors not having the stomach of an ox.*

### **The coming week**

*We shall be seeing key US data, which inaugurates the first week of the PRR – Post rate rise era. Will the data confirm the rate increase skeptics or lend ammunition to the FOMC? We continue to see pressure on commodities, oil and higher market volatility as investors square positions while there is still a modicum of liquidity.*

**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](http://www.tigressfinancialpartners.com)

To subscribe to Jean's Global  
Macro Overview, order  
customized reports, or gain  
direct access to Jean, contact  
[research@tigressfp.com](mailto:research@tigressfp.com).

***In a nutshell!***

***Honeymoon investors Federal Reserve over – continued US economic weakness – oil and commodities shall rock the boat – high yield will remain an issue – China shall continue to let currency slip – devaluation via benign neglect***

*We expect volatility to not abate, as investors contend with the need to focus on a plethora of risk factors – not all of which are moving in synch with monetary policy. See in this regard the fall in the oil price – an undertow which began last year – and the fall in commodities, reflecting the end of the Chinese “development block” super-cycle.*

***Are we at the beginning of the turmoil?***

***Last week we saw an initially relatively smooth reaction to the Federal Reserve’s “epochal” move. The honeymoon seems to now be over clouded by:***

***We re-read the Federal Reserve statement – the meaning of “gradual”***

- (1) A re-reading of the Federal Reserve’s statement in a more dispassionate key – the US central bank is not focused on a Dieppe 1942 style commando raid but is resolved to plow ahead – albeit possibly at a “gradual” pace – with the tightening cycle.*

***Weakness on the export front may not be offset by a domestic recovery***

- (2) US economic data indicating continued weakness in the manufacturing and industrial sector. This was compounded by slowing growth in the services sector – which is domestically focused. The key point is that weakness on the foreign front may not be offset by domestic strength.*

***Theorists of oil market bottom confounded***

- (3) Renewed turmoil in oil as the price action continues to confound the theorists of the market bottom. Despite falling prices the US rig count has increased and global production shows scant sign of subsiding.*

***Realization that high yield debt is debt and not equity***

- (4) Fears about the US high yield market have not been completely dissipated, with concerns as to both credit and liquidity now also being directed towards the investment grade sector. Investors are realizing that debt, however - low the interest rate – needs to be repaid!*

***Chinese currency shall continue sliding – we are on the verge of new round of competitive devaluations***

- (5) Last but not least, we are seeing a further slide in the Chinese currency, reflecting a policy of benign neglect by the Bank of China. This may set off a further round of competitive devaluations in the emerging markets. While geared to lower export costs, this shall increase the cost of repaying US Dollar denominated debt.*

***We see multiple factors contributing to higher volatility***

*We expect volatility to not abate, as investors contend with the need to focus on a plethora of risk factors – not all of which are moving in synch with monetary policy. See in this regard the fall in the oil price – an undertow which began last year – and the fall in commodities, reflecting the end of the Chinese “development block” super-cycle.*

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

**Research: (646) 780-8880 [research@tigressfp.com](mailto:research@tigressfp.com)**

500 Fifth Avenue New York, NY 10110 (212) 430-8700 [www.tigressfinancialpartners.com](http://www.tigressfinancialpartners.com)

**Contacts**

**Jean Ergas**  
Chief Economist  
(917) 551-6533 Direct  
[jergas@tigressfp.com](mailto:jergas@tigressfp.com)

**Ivan Feinseth**  
Chief Investment Officer  
(646) 780-8901 Direct  
[ifeinseth@tigressfp.com](mailto:ifeinseth@tigressfp.com)

**Philip Van Deusen**  
Director of Research  
(646) 862-2909 Direct  
[pvandeusen@tigressfp.com](mailto:pvandeusen@tigressfp.com)

**Brian O'Sullivan**  
Managing Director, Trading  
(646) 798-8453 Direct  
[bosullivan@tigressfp.com](mailto:bosullivan@tigressfp.com)

**Ernest Williams**  
Institutional Sales & Trading  
(646) 862-2912 Direct  
[ewilliams@tigressfp.com](mailto:ewilliams@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.

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

**Research: (646) 780-8880 [research@tigressfp.com](mailto:research@tigressfp.com)**

500 Fifth Avenue New York, NY 10110 (212) 430-8700 [www.tigressfinancialpartners.com](http://www.tigressfinancialpartners.com)

**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 Investimentos, 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](http://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](http://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](http://www.tigressfinancialpartners.com).

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning or otherwise without prior expressed permission in writing from Tigress Financial Partners LLC.

All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service of their respective owners.

© 2015 Tigress Financial Partners LLC. All Rights reserved.

**Tigress Financial Partners LLC - Member of FINRA / MSRB / SIPC****Research: (646) 780-8880 [research@tigressfp.com](mailto:research@tigressfp.com)**500 Fifth Avenue New York, NY 10110 (212) 430-8700 [www.tigressfinancialpartners.com](http://www.tigressfinancialpartners.com)