

July 8th 2016

Markets on pause ahead of US jobs data – UK consumer sentiment craters – Expect more jolts from UK property – watch out for falling houses! – European banking crisis still in very early stages, expect a new generation of TARPS!

Markets on pause ahead of US jobs data – why is this relevant?

Markets are on pause ahead of the US jobs data with many hoping for an ideal number. This shall be an increase in employment indicating that the US economy is still alive but not strong enough for a short term rise in interest rates to be a realistic possibility. We view this from a dual perspective:

*The link between increases in employment and growth is no longer extant
The Federal Reserve shall subordinate any concrete move to boost rates to not increasing turmoil in the financial markets*

We are seeing the triumph of VIX over macro-economics.

UK consumer sentiment craters – shall get worse!

As concerns the UK – which continues to be the focal point, UK consumer sentiment has collapsed in the wake of “The Vote”. This is significant in the context of an economy which is being driven by consumer spending buoyed by unrealized home equity. Buyers are now being simultaneously squeezed by:

Full squeeze on buyers!

Tremors in the property market as both price and liquidity start – to use an understatement - “wobble”

*Recession and possible increases in unemployment
Collapsing sterling pushing up import prices*

Property story far from over – we shall be seeing “A return to consciousness”

*We continue to see the property convulsions as far from over. These have historically been characterized by sharp falls as
“The sticky get unstuck” and resulted in massive bank balance sheet damage. A massive speculative build –up based on “store of wealth” is now being re-assessed in humbler terms of cash coverage.*

We read that property collapses are usually followed with a one year lag by a reduction in bank lending. In the present context we see this as “real time”.

European banks – a bad story getting worse!

Moving to the European banking front, we continue to view it as a source of risk predating the UK events. The exit vote has –with concerns as to political, economic and financial dislocation simply added fuel to an already raging fire. Italian banks, we read, are working intensely to resolve their problems – see in this regard MPS. Minor banks state that their stress tests show resilience.

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.

We are not talking about Basel 3 but about systemic risk

We see the above as resolving – possibly – the problem short term. However, with economic growth slowing from an already quasi recessionary pace, bad loans and capital deficiencies shall rise. The focus has shifted from longer term issues of regulation and the impact of low rates to one of finding “unreported payables” in drawers!

Banking crisis is not immediate – it is now!

We disagree with the view expressed by the head of the Euro group that the Italian banking crisis is not immediate. Stress tests from banks that have balance sheets likely smaller than the commercial banking books of four Citibank branches in Manhattan can move the banking indices. The situation is very serious!

Sterling – we are not focusing on WTO versus Norway!

On the FX front, we are seeing a momentary stabilization of sterling. We do not see this as signaling a change of trend. UK economic prospects are shifting from a discussion of long term trade agreements to coping with systemic asset price shocks – commercial property is the tip of the iceberg.

The “big money” has not yet likely started to re-position and central banks shall likely reduce their holdings of sterling reserves. We do not see many buyers and see the change as structural and not cyclical.

See cable at 1.20 as first likely entry point for foreigners

We are sticking by our forecast of 1.20 before year end and view this level as the first likely entry point for offshore money. Some are speaking of parity to the US Dollar – which makes more sense for the pound given the massive UK current account deficit than for the Euro.

So far – stock market simply balancing out currency fluctuations

Given the drop in the currency we would have expected stock market investors to reap “real” returns – net of the currency effect. We have basically seen the adjustment common following a “step function” depreciation in an emerging market – a lot of dizziness for very little.

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**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**500 Fifth Avenue New York, NY 10110 (212) 430-8700 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.

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.

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.

© 2016 Tigress Financial Partners LLC. All Rights reserved.

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