View from the Front

THOMAS MILLER INVESTMENT

24th April to 30th April 2017

In the rear view mirror of last week we saw

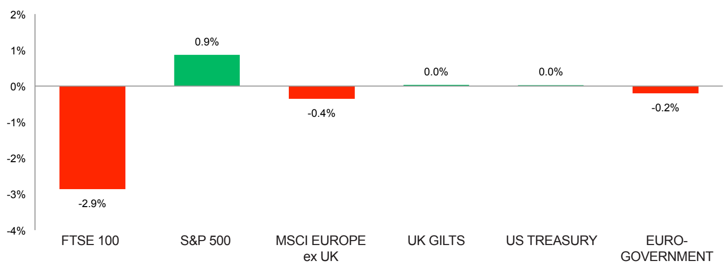
- Yesterday in France saw the country go to the polls with no one candidate winning more than 50% of the votes. Forecasting prior to Sunday had been mixed with most commentators anxious over how close the race had become in the final few days. In the end it was the anticipated outcome of Centrist, Macron and Far Right, Le Pen, as winners of the first round now going head to head in round two in early May. Markets have taken the news well this morning with equity markets up significantly.
- The data out of the US in recent weeks suggests a choppy quarter ahead with some weaker than expected data releases. On Friday we witnessed poor survey data for the manufacturing sector (as measured by the purchasing manager indices, or PMIs) produce a preliminary reading of 52.8, below the March number of 53.3. The service sector showed a similar level of contraction with both figures representing a seven month low for business sentiment in the US economy.
- Interestingly the same data release from Japan at the end of last week suggested an opposing direction of travel, with the manufacturing PMI number rising to 52.8 from 52.4 last month, which itself was the highest level for three years. Digging into the underlying data a little more reveals that new export orders grew materially in the month, all the more impressive given the strength of the Japanese Yen over this year.
- As we continue to highlight, the strong growth trend in Europe remains in place with positive preliminary PMI numbers released last week. The region-wide measure of business sentiment hit a post-Eurozone crisis high of 56.7, beating market expectations. Despite election fears weighing on France, they led the pack in April while Germany was a little softer, albeit still at multi-year highs.
- It seems strange that Prime Minister Theresa May calling a snap election early last week should only make the final lines of the rear view section however, “a week is a long time in politics”. In a piece we put out last week we noted what impact there might be on financial markets; our conclusion - not a huge amount. Yet the opportunity for a ‘clean’ Brexit has allowed Sterling to rally over the course of last week and we continue to monitor this for repercussions in the multi-national UK equity market, the FTSE 100.

Front and centre of our thoughts this week include

- A busy week ahead for investors. One of the more important meetings taking place is the European Central Bank’s (ECB) monetary policy meeting on Thursday. Assuming France can avoid a political shock in round two, we would expect the ECB to start tweaking their language, leading to a slowdown in the QE programme later this year.
- A busy period over the pond next week, especially from a political standpoint. Another tax-focused tweet from Trump over the weekend has refocused attention on his next policy initiative. The US President will make an announcement this Wednesday on the matter. Staying in Washington, Friday will mark the deadline for Congress to agree a new spending plan and thereby avoid a government shutdown .
- With 45 days until the General Election the three main party leaders hit the campaign trail. A few policies have been leaked but none are yet to release a full manifesto. In the background European leaders from all 27 members of the union meet on Saturday to discuss the next stages of Brexit and how they will progress with negotiations.
- Finally, the earnings season reaches peak week with 194 companies in the S&P500 reporting with the large tech companies in focus. It has been a strong period for the sector in recent years, however with investors cautious over elevated valuations any signs of a slowing down could result in a large sell-off for any one of the companies reporting.

In the side view mirrors of corporate activity we notice

- US consumer group Post Holdings announced it was buying Weetabix for £1.4bn from its Chinese owner, Bright Foods in a sign of more consolidation in the industry. Negotiations had been taking place between multiple parties prior to the deal being announced, notably the UK’s Associated British Foods.
- Another embarrassing moment for the Rupert Murdoch news empire as Bill O’Reilly, a presenter on Fox News, was dismissed after allegations of sexual harassment. This comes after former Chairman, Roger Ailes, was dismissed last summer for similar allegations. Whilst unlikely to derail the Sky acquisition, with more lawsuits pending the deal becomes more complicated.



Source: Bloomberg. Figures are for the period 17th April to 23rd April 2017.
Where the index is in a foreign currency, we have provided the local currency return.

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The above charts provide the performance for the three developed market geographies where the TMWM MPS portfolios maintain their largest exposure.
All investments and indexes can go down as well as up. Past performance is not a reliable indicator of future performance.