THOMAS MILLER INVESTMENT

View from the Front

12th December to 18th December 2016

In the rear view mirror of last week we saw

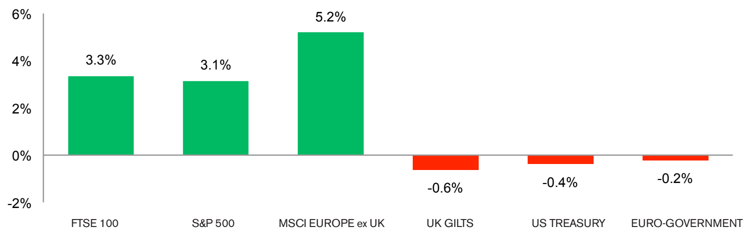
- Economic data out of the US continues to remain upbeat as the non-manufacturing PMI headline number for November suggested. The index rose to 57.2 for last month, up from 54.8 the previous month and is the highest number since October of last year.
- The most important central bank news to emerge from last week was the ECB's decision to extend QE by nine more months to December 2017. However they also noted that they would be scaling back the bond purchase programme by reducing the amount they purchase each month from €80bn down to €60bn in April 2017.
- In the UK, industrial production for October weakened unexpectedly by contracting 1.3%. Industrial production accounts for 15% of the UK economy and October's figure was the largest monthly fall since September 2012. Economic data post-referendum has been relatively resilient but this data release suggests Q4 growth in the UK has started on a weaker note.
- The Japanese economy grew less than initially estimated in Q3 falling from 2.2% to 1.3%, primarily driven by a large fall in business spending. For the first two quarters of the year Japan had enjoyed upward revisions to their annualised GDP growth rate, bringing that particular run to an end.
- China reported that foreign exchange reserves at the People's Bank of China (PBoC) fell nearly $70bn, a decline of 2.2% from the previous month. This data from November marks the fifth consecutive month of falls and was the largest drop since January of this year when the reserves fell 3%. When the US Dollar rises significantly, as it did last month, the PBoC typically sell foreign currency reserves to defend the Renminbi from devaluing.
- Following the Italian referendum last weekend and the subsequent resignation of Prime Minister Matteo Renzi, Foreign Minister Paolo Gentiloni has been chosen as his replacement. This decision would allow the current Finance Minister, Carlos Padoan (widely tipped to take over), to stay in his current role to manage the banking sector issues.

Front and centre of our thoughts this week include

- The Federal Reserve will potentially raise interest rates for only the second time in a decade this week. With markets pricing in a 100% chance of a rate rise decision, we would expect some tension in markets if the Fed failed to oblige.
- A busy week for the UK as we see the release of unemployment and wage data for October. The unemployment rate fell to 4.8% last month as the labour market continues to grind tighter, however average earnings has plateaued over the last few months. The Bank of England meet on Thursday for a 'low-key' monetary policy meeting where little is expected from the outcome.
- Russia is not far from the news at the moment and this week is no less busy for Vladimir Putin who travels to Japan for a highly anticipated summit with Prime Minister Shinzo Abe. This comes after a weekend story where the CIA concluded that Russia intervened in the US election process through the hacking of information held by the Democratic National Committee.

In the side view mirrors of corporate activity we notice

- Late on Friday afternoon Rupert Murdoch's 21st Century Fox moved to purchase the remaining 61% of Sky that the media group does not already own. The proposed offer is for £10.75/share in an all-cash deal and comes five years after Fox's first attempt which was derailed by the phone hacking scandal.
- Russian state-owned oil company Rosneft, who formally engaged in a joint venture with BP over the summer, have structured a deal that allows Glencore and the Qatar Investment Authority to buy a 19.5% stake in the company. The deal will be the largest foreign direct investment into Russia since the US and Europe imposed sanctions on the country following its actions in Ukraine in 2014.



Source: Bloomberg. Figures are for the period 5th December to 11th December 2016. Where the index is in a foreign currency, we have provided the local currency return.

Jordan Sriharan
Senior Investment Analyst

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.