

View from the Front

19th December to 23rd December 2016

In the rear view mirror of last week we saw

- As widely anticipated the US Federal Reserve raised interest rates by a quarter of a percent. Of more significance was the change in the dot plot, which the Fed update as part of their forward guidance. December's update revealed that the FOMC expect, on average, to raise rates on three occasions in 2017.
- The PMI surveys for the Euro area remained strong for December, in particular for the manufacturing sector where the number released was 54.9 reaching its highest level for two and a half years. The surveys are utilised as an early indicator of economic performance and suggests that the weaker euro is starting to benefit exporters in the area.
- We witnessed a busy week for UK data with the release of an inflation print, as measured by the consumer price index at 1.2%, that was at its highest for two years. Despite the unemployment rate remaining at its lowest rate since 2005 there are signs that

the labour market's strong performance is coming under some threat.

- In Japan the release of the Tankan survey is closely followed as a leading indicator of business confidence. Last week the survey showed renewed optimism amongst large manufacturers which are, too, benefitting from a weaker currency. Many in Japan will be waiting to see if this new found confidence will lead to a return to the early days of Abenomics in 2013 which triggered a wave of optimism among businesses and investors.
- Geopolitical tensions rose on Friday following news of China's seizure of a US naval drone. Despite the Pentagon since confirming that China has agreed the return of said device, it did not take President-elect Donald Trump long to weigh in with his views via Twitter. Underlying tensions over the South China Sea have grown following Trump's election victory.

Front and centre of our thoughts this week include

- The final G7 central bank meeting of the year concludes tomorrow when the Bank of Japan take centre stage. Little is expected by way of changes or surprises but we will listen out for any comments from Governor Kuroda in the press conference.
- On Tuesday Theresa May will be questioned by the House of Commons Liaison Committee on the government's Brexit plans. With industry in the UK trying to better understand the

outlook for business and commerce, her comments will be well documented.

- Financial market activity usually dulls as we approach the holiday season as lower volumes are traded on the various exchanges. The London Stock Exchange will close for a half day on Friday ahead of the Christmas weekend. There are some important economic data releases in the week though, including final revisions to Q3 GDP for the UK, US and France.

In the side view mirrors of corporate activity we notice

- Britain's biggest building supplies company Travis Perkins has been demoted from the FTSE100 in the final reshuffle of the index this year. The company are the second victim of Brexit after house builder Berkeley Group was relegated in the September reshuffle.
- BP have agreed a \$2.4bn stake in Abu Dhabi's largest oilfields, as the UK oil giant look to increase their capital expenditure after years of retrenchment following the Deepwater Horizon drilling accident of 2010.
- Finally we would like to take this opportunity to wish our clients and readers a Merry Christmas and a Happy New Year. We hope you have enjoyed reading the articles this year and we will return in 2017 to continue delivering our view from the front.



Source: Bloomberg. Figures are for the period 12th December to 18th December 2016. 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.

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