THOMAS
MILLER
INVESTMENT

View from the Front

6th February to 12th February 2017

In the rear view mirror of last week we saw

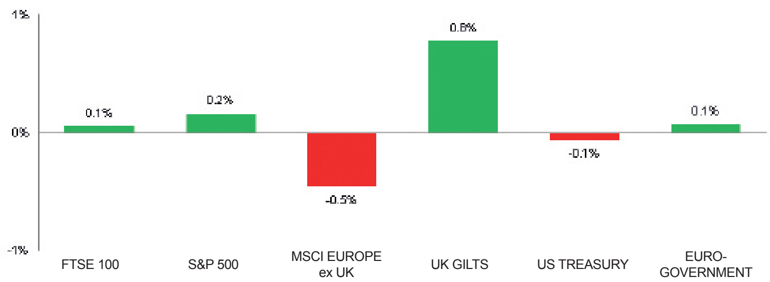
- January's Purchasing Manager Index data from the Eurozone last week suggests that the economy continues to grow at a healthy rate. Ireland stood out, reporting the strongest expansion, while the larger economies' growth was also robust. Inflation is also ticking up materially with CPI rising to its highest level (at 1.8%) in four years. It should be noted that when stripping out the volatile food and energy components, also called core inflation, the rate remained steady at 0.9%. The final snippet of good news last week came in the form of Q4 economic growth which beat expectations to expand 0.5% in the quarter.
- China was closed for much of the week because of the Lunar New Year and when they did open on Friday, the news was not especially positive. We saw the government-compiled January manufacturing PMI was weaker than expected while there was further evidence of tightening monetary policy. The People's Bank of China raised the interest rate that it charges when providing funds in China's repo market, which many see as China's de-facto policy rate. The rise was small and is not expected to make an immediate impact but we continue to monitor the situation.
- In a busy week for central bank meetings the Bank of Japan kicked off the week with no change to monetary policy, as widely expected. Of more significance was their targeted Quantitative Easing programme which suffered some hiccups during the week when the 10 year government bond yield rose above its target level. Later this week President Abe will meet with Donald Trump, we will listen out for any sound bites of importance and what effect it has on their respective currencies.
- The Bank of England are fighting their own fires and last week's inflation report was significant for the improvement in their growth forecast for the UK economy in 2017. The bank now forecast growth of 2.0%, up from 1.4% forecast in November of last year and up from the 0.8% forecast in August. The bank attributed their forecasting error to their failure to understand how resilient consumer spending would remain in a post-Brexit economy. However we would argue that the bank's prudence is warranted - despite increases in spending, wage growth has been tepid and consumer credit has accelerated.
- From a headline perspective the release of unemployment data in the US appeared strong again for January, exceeding consensus expectations. Whilst US employers added 227,000 jobs last month, average hourly wage growth fell to 2.5% (from 2.8% last month). Weakness in the wage growth figure has tempered market expectations of a rate rise in March and sent the US dollar weaker. The Federal Reserve were the other major central bank to meet last week, unsurprisingly they also kept monetary policy in line.

Front and centre of our thoughts this week include

- The release of global economic data always slows down in the week following the publishing of the US unemployment rate on the first Friday of every month. This week German manufacturing data will be an important release as we get an insight into a key sector for the European economy.
- Two of Europe's largest energy groups issue fourth-quarter earnings results this week, BP and Total. There are signs of a gradual recovery in the oil industry, as prices have risen over the past 12-month period. Other large-cap European companies to report results this week include, GlaxoSmithKline and L'Oreal.
- The Article 50 bill reaches the final stages in the Commons this week. Last Wednesday both Conservative and Labour MPs voted in favour of triggering the EU's formal exit clause. It is still to be voted in the House of Lords with the government hoping to gain final approval in early March.

In the side view mirrors of corporate activity we notice

- Donald Trump has targeted the loosening of regulations around the US financial sector, in a shake-up of the Dodd-Frank reform that was brought in after the financial crisis. Bank stocks in the US have performed well recently, in expectation of a lower regulatory burden.
- This week bosses at Booker will launch a charm offensive in an attempt to convince Britain's shopkeepers of the merits to its shock £3.7bn merger with Tesco. Concerns remain over the deal strangling competition in the convenience store market.



Source: Bloomberg. Figures are for the period 30th January to 5th February 2017.
Where the index is in a foreign currency, we have provided the local currency return.

Jordan Sriharan
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If you would like to recieve this weekly Monday morning update directly to your inbox, please email **TMInvestment@thomasmiller.com.**

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.