

View from the Front

20th March to 26th March 2017

In the rear view mirror of last week we saw

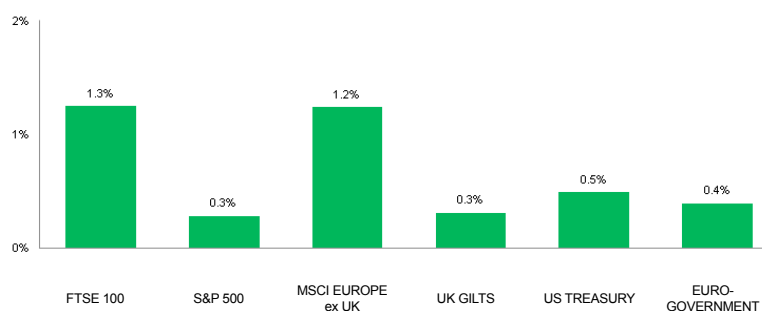
- It has been a busy week for the UK, on both the economic and political front. The positive news for Theresa May was that the bill for Article 50 passed through the House of Lords, however negative news for her came from over the border in Scotland where Nicola Sturgeon has called for a second Scottish referendum. The economic news was mildly better, although another drop in the unemployment rate to 4.7% was countered with a softer growth in wages. One group of workers who won't be feeling the squeeze in wages as hard this week are the self-employed, as the government announced a U-turn on raising their national insurance contributions, proposed in last week's Budget.
- Politics took the front seat in Europe last week as investors cautiously watched the results of the Dutch election last Wednesday. Significantly the far-right party, led by Geert Wilders, fell far short of expectations leaving little scope for participating in any eventual coalition. European employment data released last week was, like the UK, a little mixed. The total number of people in work rose to the highest level since the financial crisis yet wage growth is still some way below where it was pre-crisis.
- Investors across the world have been digesting only the third hike in interest rates by the US Federal Reserve in over a decade. The change in monetary policy was widely anticipated, however, of greater significance was the signal sent to markets that they are in no hurry to continue raising interest rates. This had a profound effect on bond markets which actually rose in value after the meeting, so cautionary was the language used. This comes at a time when consumers in the US also appear to be reigning in their spending, as retail sales figures for February showed the slowest growth in six months.
- Investors typically view machinery orders in Japan as a proxy for corporate risk sentiment, albeit one that can be volatile. Whilst markets expected a year-on-year fall of 3.3% for machine orders in January, the actual fall of 8.2% was far higher and suggests business investment in the country has started off the year in a weak vein. Meanwhile producer price inflation, the cost of goods to domestic companies in Japan, has risen by 1% last month as the weaker currency feeds through to the economy.

Front and centre of our thoughts this week include

- The race for the French Presidency steps back into view after the brief distraction of the Dutch elections last week. There will be a live televised debate this evening with the five leading candidates, the first time this has happened before the first round of voting. All eyes will be on Francois Fillon during the debate given the candidate was preliminarily charged last week with handing 'fake' jobs to his wife and children.
- The release of inflation data in the UK on Tuesday will garner attention as investors expect consumer price inflation to reach 2% - a target set internally by the Bank of England. Both food and petrol prices have been trending higher, much of which has been driven by the weakness in Sterling following the referendum result in June of last year. With supermarkets less inclined to engage in price wars, we could see higher inflation expectations become embedded among consumers.
- Staying in the UK, Theresa May is preparing to trigger Article 50 shortly with only 11 days until the end of the month. The PM is set to tour the UK this week in an attempt to unite the country before the hard work of negotiations begins. In a strong sign of European unity, Britain is close to signing a new defence co-operation deal with Germany that should signal some goodwill as the country officially notifies its intention to leave Europe.

In the side view mirrors of corporate activity we notice

- Vodafone have finally merged its Indian operations with local player Idea Cellular, which will create the country's largest mobile phone operator. The deal comes many years after Vodafone's first foray into India, which has not gone very smoothly thus far. Vodafone and Idea will each control three seats on the board of the new company with the transaction is expected to be completed in 2018.
- Unilever continues to make the news, as CEO Paul Polman called for the takeover code to be strengthened last week. Over the weekend further news has emerged that the company may spin-off some food divisions as part of a cost-cutting programme, to be detailed in a strategic review of the company set to be released this week.



Source: Bloomberg. Figures are for the period 13th March to 19th March 2017. Where the index is in a foreign currency, we have provided the local currency return.

Jordan Sriharan
Senior Portfolio Manager

[Click here](#) to be added to our mailing list and receive this update weekly.

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.**

Opinions, interpretations and conclusions expressed in this document represent our judgement as of this date and are subject to change. Furthermore, the content is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or a solicitation to buy or sell any securities or to adopt any investment strategy. This note has been issued by Thomas Miller Wealth Management Limited which is authorised and regulated by the Financial Conduct Authority (Financial Services Register Number 594155). It is a company registered in England, number 08284862.