

View from the Front

2nd May to 7th May 2017

In the rear view mirror of last week we saw

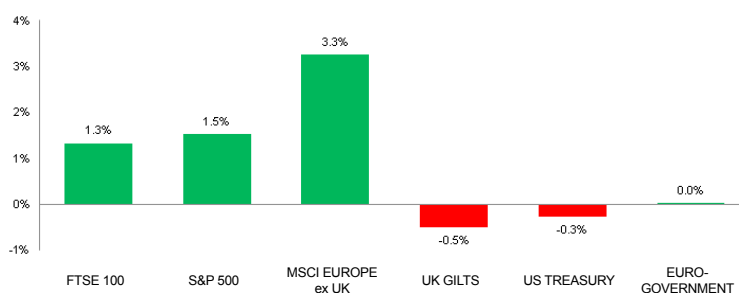
- Last week saw the European Central Bank (ECB) hold their third monetary policy meeting of the year. As expected there was no change in policy and very little change to the accompanying statement. It noted that downside risks to growth had dissipated somewhat but persistently low inflation was tempering their optimism. However concerns over weak inflation were short lived when the April inflation report was released the following day which showed the annual rate (as measured by CPI) was up, materially, at 1.9%. More encouragingly, core inflation, which strips out volatile food and energy prices rose from 0.7% to 1.2% - the highest reading since 2013.
- A disappointing week on the data front for the UK saw the first quarter of economic growth for 2017 (as measured by GDP) slow by more than expected to 0.3% (for the period) having been 0.7% in the final quarter of 2016. On the same day we saw the release of consumer confidence data which is also on a declining trend. Finally consumer credit and mortgage borrowing is showing signs of a material slowdown, all of which will be worrying for a government that has just under six weeks until the General Election.
- In the Far East, the Bank of Japan (BoJ) met for a monetary policy meeting and much like the ECB, not much activity was expected. True to form no policy changes were announced but questions were still asked of how long QE could feasibly continue in Japan. Data out of China over the weekend revealed that business sentiment had softened in April with the manufacturing PMI falling to its lowest level of the year at 51.2. The non-manufacturing data was similarly poor as it fell 1.1pts to 54.0, its lowest level since October of last year.
- The US was not immune to weak GDP data last week too as first quarter growth came in at 0.7%, weaker than analyst forecasts of 1.0% and the weakest first quarter of growth for three years. Whilst first quarter data in the US is typically impacted by seasonal factors, it is clear that the improvement in business and consumer confidence following the election of Trump has not translated into higher spending. The data came the day before Trump was set to mark his 100th day in office.

Front and centre of our thoughts this week include

- It is another heavy week of earnings reports in the US this week with 128 companies in the S&P500 reporting, however over in Europe we start to see more companies report. This week in Europe sees many of the major integrated oil companies in focus, with Shell and BP set to announce significantly higher earnings this quarter as the oil price recovers from a year ago.
- It is the turn of the Federal Reserve in the US to congregate for their monetary policy meeting this week. Again, like with the ECB and BoJ last week, we forecast there to be no changes to policy but do expect there to be some indication of an interest rate rise to occur in June. Following the meeting the market will await a speech from Vice-Chair Stanley Fischer who could provide further clues on the immediate direction of interest rates.
- The first Friday of every month sees the monthly release of US unemployment data. The March data underwhelmed markets as employment edged up only 98,000, having been in excess of 200,000 for the previous two months of the year. On the same day we expect to hear whether the US government can avoid another shutdown, having negotiated a short-term spending bill last week that expires.
- By the end of this weekend we will finally see who the new French President will be as the electorate return to the polling booths to vote in the second round of French elections. Readers will know that we don't try to predict political outcomes nor overly trust the ability of polls to accurately predict results. At this point it appears as though centrist candidate Macron has the edge on far right leader Le Pen but a lot can change with a week to go.

In the side view mirrors of corporate activity we notice

- Veteran of the UK high street M&S have been discussing a potential tie-up with Ocado that would finally bring an online grocery delivery service to the offering. M&S have spent years trying to resist the industry trend, however talks remain at an early stage.
- Luxury shoe maker, Jimmy Choo, has been put up for sale only three years after the company went public on the London Stock Exchange. US fashion house Coach have been mooted as potential bidders after the company failed last year in its £20bn attempt to buy UK fashion house, Burberry.



Source: Bloomberg. Figures are for the period 24th April to 30th 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.**

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