THOMAS
MILLER
INVESTMENT

View from the Front

10th July to 16th July 2017

In the rear view mirror of last week we saw

- The G-20 meeting in Hamburg came and went with little achieved. Before the G-20 gathering, Donald Trump had criticized Russia for its destabilising impact in Ukraine and Syria, and also China for its lack of progress on dealing with North Korea. At the meeting, little progress was made with regard to North Korea but Trump and Putin did agree on a new ceasefire in parts of Syria. Another headline from the event (other than the protests) was the clear division between Trump and the remaining leaders on trade and climate change. The remaining G-20 leaders re-stated their commitment to the Paris Climate accord.
- Last week marked ten years since the Bank of England (BoE) last raised interest rates and judging by recent BoE communication we will not be waiting another ten years for the next rate hike, as speeches from monetary policy committee voting members Ian McCafferty and Michael Saunders suggested UK households should be prepared for higher interest rates. Economic data, however, from the UK largely disappointed last week, with June's service and manufacturing sector business confidence surveys coming in below expectations as did industrial and construction data for May.
- In Europe, central bankers were again in focus as the release of the minutes from June's European Central Bank meeting showed committee members had increased confidence in the outlook for European growth and inflation. The most interesting part of the minutes was the discussion committee members had had on removing their commitment to maintain an "easing bias" towards their bond purchasing programme. While they refrained from doing so due to concerns it may be misinterpreted by investors, the discussion is a potential early indication that an announcement of a reduction of their stimulus programme is likely in the coming months. European economic data continue to surprise on the upside, with both the service and manufacturing business confidence surveys coming in above expectations. Manufacturing confidence in Europe is now at its highest level since April 2011.
- In the USA, June's Federal Open Market Committee minutes indicated that the committee is debating the date at which it will begin reducing the number of bonds it holds on its balance sheet (purchased as part of it quantitative easing programme). Some members want to begin the process as early as September. In terms of economic data, it was a positive week with the ISM manufacturing confidence survey coming in well ahead of expectations, jumping 2.9 points to 57.8, its highest reading since August 2014. It was a similarly positive story from the monthly employment report, known as nonfarm payrolls, with the US economy creating more jobs than expected in June and the number of jobs created in the prior two months was also revised higher. Despite the solid job creation and low unemployment rate, wage growth continues to disappoint, with the year-on-year growth in average hourly earnings slowing in June to 2.5%, down from the 2.8% growth seen earlier this year.

Front and centre of our thoughts this week include

- A busy week is in prospect for financial markets, with investors' attention occupied by the start of the second-quarter US earnings season, Fed Chair Janet Yellen's testimony to Congress and UK employment data. The UK government will also introduce the Great Repeal Bill this week which starts the complex process of legislating on Brexit.
- The second quarter earnings season begins this week with seven companies listed on the S&P 500 set to report results, including three banks on Friday. The US earnings season will likely dominate news flow for the rest of the month, with investors expecting the solid earnings momentum witnessed in the first quarter of this year to be extended into the second quarter. Current estimates are for quarterly earnings per share to increase by 7% when compared to the same quarter last year.
- Central banks and the potential for them to reduce their monetary stimulus programmes have been a key influence on financial markets over the last couple of weeks. As a result, investors will pay close attention to Fed chair Janet Yellen's semi-annual testimony on monetary policy to Congress this week, with remarks to the House of Representatives on Wednesday and the Senate on Thursday. Alongside Yellen's outlook on the economy, investors will be hoping she provides further clues on the potential start date for the Fed to reduce its balance sheet.
- Since the EU Referendum result, job creation in the UK has surpassed expectations, and investors will be looking to see if this positive momentum has continued when May employment figures are released this week. A strong employment report may give the BoE further confidence in the ability of the UK economy to withstand a rise in interest rates and bring forward markets expectations of the timing of the next interest rate hike.

In the side view mirrors of corporate activity we notice

- A big week for electric cars, with Tesla announcing its first mass-market electric car, the Model 3 is set to enter production after passing "all regulatory requirements". Production levels of the car are expected to be 100 vehicles a month in August with the aim of hitting 20,000 a month by December.
- Samsung Electronics, the South Korean tech giant, said they expect the second quarter of 2017 to be a record quarter for profit and revenue, as strong sales of memory chips and smartphones have boosted profits.

Dan Smith
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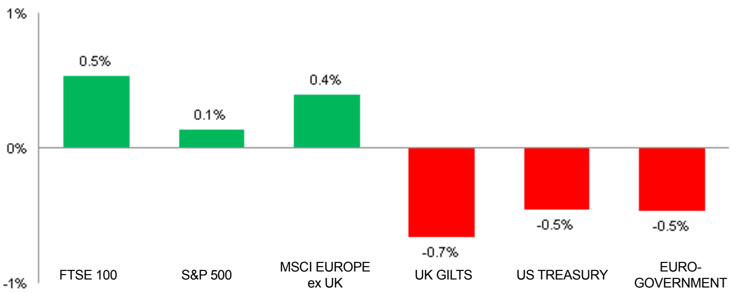

Source: Bloomberg. Figures are for the period 3rd July to 9th July 2017.
Where the index is in a foreign currency, we have provided the local currency return.

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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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