THOMAS MILLER INVESTMENT

View from the Front

7th August to 13th August 2017

In the rear view mirror of last week we saw

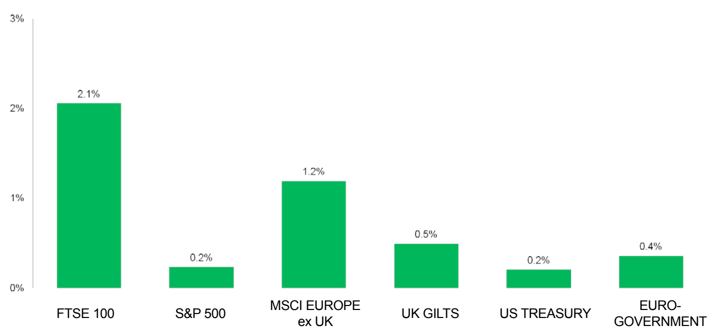
- Interest rates in the UK remained unchanged following the Bank of England's (BoE) Monetary Policy Committee (MPC) meeting last week as, widely expected, they voted against raising rates. Two members voted for a rate rise, which is down from three in what was the tightest interest rate decision in six years back in June. Rather than indicating a shift in the committee's stance on monetary policy, the reduced number of BoE dissenters is due to ex-member, Kristin Forbes, departing since June's meeting. The BoE also released their latest Inflation Report, where they revised down their growth forecast for both 2017 and 2018 to 1.7% and 1.6% respectively. It's likely now the MPC will be watching to see how the British consumer deals with the real income (i.e. taking account for inflation) squeeze, particularly as we have seen the UK household saving rate dropping to just 1.7% of disposable income, the lowest on record.
- In a week that saw the US President, Donald Trump, signing into law new sanctions against Russia, employment data for the US came out particularly strong. The unemployment rate fell to 4.3%, which is a 16-year low by adding 209,000 jobs – well above the average of 180,000. Average hourly earnings also ticked up, rising 0.3% in July. The positive data will certainly not hinder the chances of the US Federal Reserve (Fed) hiking rates by the end of the year and beginning to shrink their balance sheet – their next meeting will take place over two days, concluding on September 20th. Our earliest signs of third-quarter GDP input data were, however, not as encouraging with auto sales for July coming out well below expectations.
- A reducing unemployment level is proving a common theme at the moment, as the Euro Area rate fell to 9.1% in June. To put this into context, this is an entire 1% lower than 12 months earlier. The area's positive recent data continues as GDP came out at an annualised rate of 2.3% in second-quarter 2017. This will no doubt be well received by Mario Draghi, European Central Bank (ECB) President, as it is expected the ECB will announce plans to start reducing its quantitative easing programme. However, a stumbling block could be core inflation for the Euro Area. Despite the gradually improving trend from recent readings, it is still at a subdued 1.2%, and well below the ECB's target of 2%.
- We don't receive Japan's second-quarter 2017 GDP first estimate until next week (14th), however the recent incoming data suggest that growth was solid. Industrial production rose significantly in June, and manufacturers project further output gains in July and August.

Front and centre of our thoughts this week include

- With the US Federal Open Market Committee (FOMC) linking upcoming rate hikes to inflation, the release of July's inflation data on Friday will be closely monitored. Providing there isn't a shock to the downside, it is expected the Fed will continue their rate hiking cycle this year. Staying with the US, earlier on in the week (Wednesday) we also receive the first report on second-quarter productivity and costs.
- In the Euro Area there is a steady amount of trade and inflation data to be released from some of the key member states: Germany, France and Italy. The trade data will be a mixture of trade balances, current accounts, exports and imports. Friday we receive inflation figures, as we will see the finalised July consumer price index (CPI) reading for all three.
- With no current signs of a major China slowdown at the moment, investors will hope this trend can continue with the release of their July exports and imports data on Tuesday. The June figures last month came out particularly strong, as both were ahead of expectations. Inflation numbers for the world's second biggest economy will also be released on Friday – June's reading was an annualised 1.5%, and the consensus is for no change.

In the side view mirrors of corporate activity we notice

- Tesla's strong run continues as they reported stronger than expected quarterly results last week, revealing that Model X and S demand is continuing to grow, despite the Model 3 release. It was expected demand would falter following the Model 3 release. Amazingly, Tesla sports a larger market capitalisation than Ford, even though they sold 76,000 cars last year compared to Ford's 6.6 million – over the last 12 months, Tesla's stock has appreciated just shy of 60%. Not bad for a company that isn't making any money!
- UK retailer, Next, reported their second-quarter figures that beat analysts' pessimistic expectations. As a result, its share price rose almost 10%. Sales in June were better than expected, which has been attributed to both the warmer weather, as well as improvements in product ranges and online functionality.



Source: Bloomberg. Figures are for the period 31st July to 6th August 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.