THOMAS MILLER INVESTMENT

View from the Front

14th August to 20th August 2017

In the rear view mirror of last week we saw

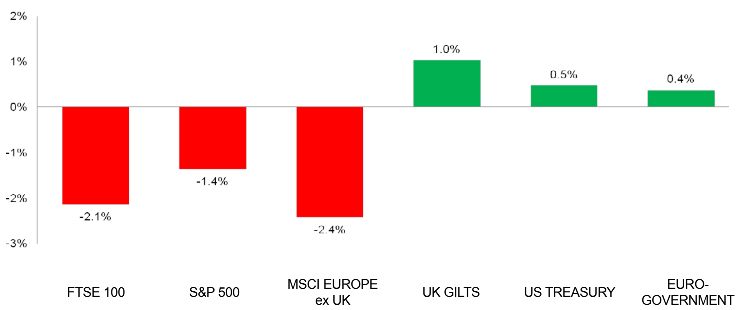
- It was a relatively light week for economic data with much of the focus on the rising tensions between the US and North Korea. Concerns over North Korea's nuclear capabilities resulted in Donald Trump threatening the country with "fire and fury" and Kim Jong-un retaliated with threats of an attack on the US territory of Guam. Politics aside, inflationary pressures in the US remain subdued as the Consumer Price Index rose just 0.1% in July, the fifth straight month of below-forecast inflation figures. The US Federal Reserve believes the recent slowdown in inflation has been caused by temporary factors, but the weaker-than-expected readings will make them cautious about rising interest rates again this year.
- On the whole, a disappointing week for UK economic data - the housing market is showing signs of slowing down, as the annual growth in prices, as measured by the Halifax, was 2.1% - the lowest since 2013. Meanwhile, a closely watched housing sentiment survey from the Royal Institution of Chartered Surveyors (RICS) showed buyer demand continues to fall. Additionally, there were further signs that higher rates of inflation are causing households to rein in their spending, after the British Retail Consortium measure of retail sales showed a slowing in consumer spending in July. Construction and car production data for June was also weak. However, it's not all doom and gloom, business sentiment surveys in the UK remain strong and one could expect the current weak trend in data reverses in the coming months to closer align with the positive business survey.
- Chinese economic data this year has been remarkably stable. However, trade data for July was much weaker-than-anticipated as the rate of both export and import growth was lower-than-expected. While the weak trade numbers may cause some concerns over the health of the Chinese economy, further downside risks to trade appear limited, as the stronger global backdrop and improved outlook for a number of China's main trading partners should continue to support growth.
- The European economic recovery has been the success story of the year so far. However, data released last week bucked the trend and largely disappointed. Trade and industrial production numbers for both France and Germany in June were weaker-than-anticipated. To put into context, the weaker June data followed a number of months of solid growth and this provides some reassurance that the weakness in June was merely a blip and not the start of a weakening trend.

Front and centre of our thoughts this week include

- The situation in North Korea is likely to be a larger driver of risk appetite for investors than macroeconomic data this week. Nevertheless, there is plenty of data this week which will help set economic growth expectations and influence central banks' monetary policy.
- In the UK, we receive employment data, retail sales and inflation numbers for July. A further drop in the unemployment rate and a rebound in both consumption and inflation could bring forward market expectations over the timing of the next rate hike by the Bank of England.
- Similarly in the US, we receive retail sales and the Federal Open Market Committee (FOMC) minutes from July's meeting. The retail numbers should help gauge consumer resilience in the US, which has been weaker-than-expected over the last two months, despite the unemployment rate being at 16-year lows. While the FOMC minutes should provide further guidance as to when the Federal Reserve intends to tighten monetary policy again.
- Business sentiment surveys in Europe have painted a positive picture for economic growth in the region and investors will be hoping the optimism amongst business leaders is reflected in stronger growth numbers - with both Germany and Italy set to report second-quarter GDP figures this week. Expectations are for Germany and Italy to report quarterly growth of 0.6% and 0.4% respectively.

In the side view mirrors of corporate activity we notice

- Netflix made its first ever acquisition when it bought comic book publishing company Millarworld. The deal is likely to see Netflix and Millarworld jointly produce films, series and children's shows based on comic-book characters for streaming and mimic the strategy of Walt Disney Co which bought Marvel Studies in 2009. Competition for on-line streaming is heating up, as the timing of the takeover coincided with Disney's announcement that it intends to remove its movies from Netflix and launch its own direct-to-consumer streaming service by 2019.
- Tesla announced plans to raise $1.8bn (£1.4bn) in debt markets to help support the production of its new Model 3. Prospective lenders would be buying into the company's vision to build the first mass produced electric car, but at the same time lending to a company that has never made a profit and repeatedly had to raise capital in order to repair its balance sheet.



Source: Bloomberg. Figures are for the period 7th August to 13th August.
Where the index is in a foreign currency, we have provided the local currency return.

Dan Smith
Investment Analyst

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.