THOMAS MILLER INVESTMENT

View from the Front

4th September to 10th September 2017

In the rear view mirror of last week we saw

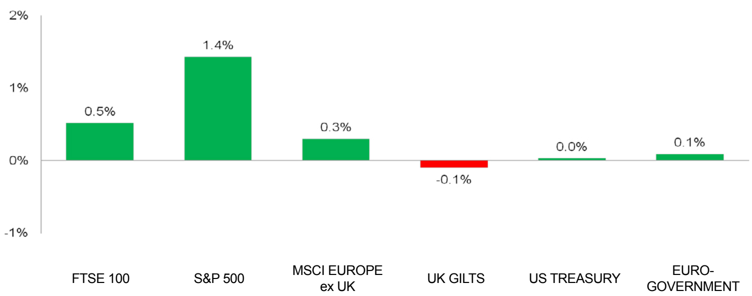
- Brexit continues to dominate the UK media's coverage as we turn the corner into Autumn. Over the weekend The Sunday Times led with an article suggesting Theresa May would approve a £50bn divorce bill, it has since been derided by Brexit Secretary David Davis as 'nonsense'. However with the party conference season beginning in the next few weeks, expect the rhetoric to be turned up a notch. This hasn't stopped the EU's chief negotiator, Michel Barnier, from sending out a strong message where he states that the British people need to be "educated" on the price to be paid for leaving the EU. Fighting talk indeed. Meanwhile Thomas Miller Investment remain focused on the economic fundamentals and last week's key data release for the UK was the manufacturing PMI for August, where the reading was materially higher than expected. This implies that the manufacturing sector is experiencing an uptick in business sentiment, a good leading indicator.
- In Europe the mood is improving with every week that passes this year. Like in the UK, optimism in the manufacturing sector is noticeably higher. Economic growth momentum in the Euro area has picked up to such an extent that Moody's, who analyse the financial security of both corporates and countries, upgraded their growth forecasts for 2017 and 2018. Germany, France and even Italy saw expectations for economic growth revised higher, while the US actually saw their forecast lowered. The strength in the European economy has led to a significant appreciation of the currency, especially against the dollar, over 2017.
- Donald Trump had to contend with his first domestic emergency last week as Hurricane Harvey swept through Houston and surrounding areas in Texas. Initial estimates suggest that the storm has caused c.$180 billion of damage with many US insurers seeing their share prices retreat last week in response. Meanwhile his international diplomacy continues to be tested as North Korea launched another missile test over the weekend, an emergency UN meeting has been called today. At the end of the last week we saw the employment numbers for August in the US which were disappointing, not just because the number of jobs created were below expectations but also because wage growth during the month was weak. Data in the US has been a little wobbly in the last few weeks and whilst we don't think this is the start of a more meaningful trend it is something to keep an eye on.

Front and centre of our thoughts this week include

- It's not just back to school for the kids today. The politicians are back, the central bankers are back and, judging by the tube this morning, the City is back to work too. Today is also the Labour Day holiday in the US, traditionally seen as marking the first day of Autumn.
- Labour Day in the US means a quieter start for financial markets than usual. However any gaps left unfilled by investor activity will be suitably picked up by central bankers and politicians. Tomorrow sees US congress return from summer recess where high on the agenda will be the renegotiation of the debt ceiling, which imposes a limit on how much debt the US government can carry. In some ways, it is like the credit card limit imposed on a consumer. A reminder that the deadline is September 29th.
- A return to Prime Minister's Questions on Wednesday will see Theresa May up against Jeremy Corbyn after their respective summer breaks. While on Thursday we will see David Davis enter the fold again, this time facing questions in the Houses of Commons over the current state of Brexit negotiations.
- However most of the investor attention this week will be on central banker activity where the European Central Bank convene on Thursday for their monetary policy meeting. Whilst we don't expect any change in policy, markets are increasingly anxious over when the ECB might begin the process of reigning in their QE programme. Chairman Mario Draghi's tone at the press conference will be crucial for understanding their direction of travel.

In the side view mirrors of corporate activity we notice

- Wealth manager Rathbones' possible merger with Smith & Williamson is officially off. The deal took a final twist last week when the all-consuming Tilney threw their name into the ring. However despite all the interest, S&W have rejected any bid and are now expected to IPO instead.
- Uber have put in place a new CEO, Dara Khosrowshahi, following controversy around the culture created by previous CEO and founder Travis Kalanick. Mr Khosrowshahi comes from the on-line travel agency Expedia and is also expected to push the company towards an IPO in the coming months.



Source: Bloomberg. Figures are for the period 29th August - 3rd September 2017.
Where the index is in a foreign currency, we have provided the local currency return.

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