THOMAS MILLER INVESTMENT

View from the Front

18th September to 24th September 2017

In the rear view mirror of last week we saw

- The Bank of England (BoE) stirred up financial markets at last week's monetary policy meeting when they delivered a strong warning on potential rate rises. The minutes released from the meeting sent both gilt yields and sterling soaring higher, which in turn pushed the currency-sensitive FTSE 100 lower. The probability of a rate rise in November has since risen from below 5% last Wednesday to 64% today. Indeed a speech made by recently inducted monetary policy committee member, Gertjan Vlieghe, on Friday confirmed the hawkish messaging. It should be noted that we have been here before with BoE governor Mark Carney. On more than one occasion he has signalled a false start for UK interest rates, earning him the nickname "the unreliable boyfriend". However inflation is moving materially higher, last week saw the release of the consumer price index (CPI) which hit 2.9%, a level we have not been above since 2012. Given that the BoE's sole monetary policy objective is to deliver price stability, namely low inflation, one would have to take this latest twist in rhetoric quite seriously. The fly in that ointment, naturally, remains Brexit and this week Theresa May is set to speak in Florence where she will outline her latest vision for Brexit. Expect this event is to be covered heavily by the media when she steps out on Friday.
- A busy week for the US saw a raft of data released, much of which influenced financial market expectations for interest rate policy. Of most significance was the release of inflation data, as measured by CPI – this series of data had shown falls for the last five months, reaching a trough of 1.6% and pushing bond yields lower over this period. However August data showed a rebound for inflation, good news for the Federal Reserve who had shown signs of being uncomfortable at such low levels of inflation. As is so often the case with the Fed, good news was later tempered by bad news. At the end of the last week we saw the release of retail sales and industrial production, which were both weaker than expected. Much of the fall was driven by the impact of Hurricane Harvey on the southern states of the US, whilst this should be temporary in nature the risk is that the physical damage is more permanent and takes longer to recover.

Front and centre of our thoughts this week include

- It should be an interesting week for high-profile, female political leaders as Angela Merkel faces a German election that takes place at the end of the week. European pollsters have been fairly accurate this year, having correctly called the result of the Dutch, then French elections. So whilst we are a little more comfortable that Merkel will be re-elected as Chancellor, political risk in Europe will tick up a notch or two as the week progresses. Of most interest to us at this point is who the choice of coalition partner will be as this will influence Germany's approach to European issues. With Brexit negotiations due to re-start the week after, the shape of the German coalition will be important to British interests.
- The Fed convene this week for their monetary policy meeting at which many financial commentators expect them to formally announce an end to the much debated Quantitative Easing programme, launched in the aftermath of the financial crisis. This decision would mark an important point in the path towards normalisation for financial markets. Whilst the Fed are not expected to raise interest rates at the meeting, investors will get to see the infamous 'Dot Plot' where members of the Federal Open Market Committee note their expectations for interest rates over the next three years. From this we'll be able to make a more informed assessment as to whether there will be one more rate hike in the US this year.

In the side view mirrors of corporate activity we notice

- The takeover of Sky by Rupert Murdoch's Fox News Channel suffered a hiccup last week when culture secretary Karen Bradley referred the deal to the regulators over scrutiny of corporate governance controls at Fox News. These are new concerns raised over the deal after Ofcom, the media watchdog, had previously ruled in favour of a recommendation.
- Hiscox Ltd, an underwriter at Lloyd's of London and constituent in the FTSE250, has revealed that it has received claims of c.$150m resulting from Hurricane Harvey that tore apart Houston last month. It has yet to confirm this for Hurricane Irma which hit Florida. These numbers will go some way to calming investor fears, with the equity prices in the insurance sector falling over the past few weeks.

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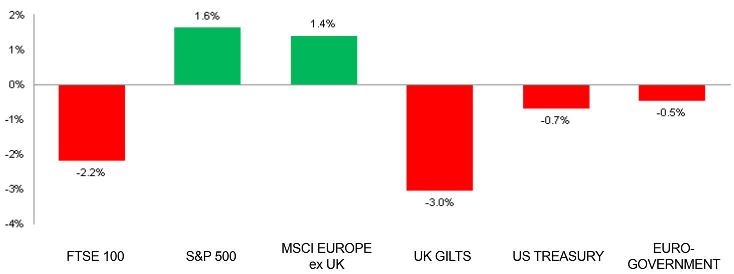

Source: Bloomberg. Figures are for the period 11th September to 17th September 2017.
Where the index is in a foreign currency, we have provided the local currency return.

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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.