THOMAS
MILLER
INVESTMENT

View from the Front

3rd April to 8th April 2018

Front and centre of our thoughts this week include

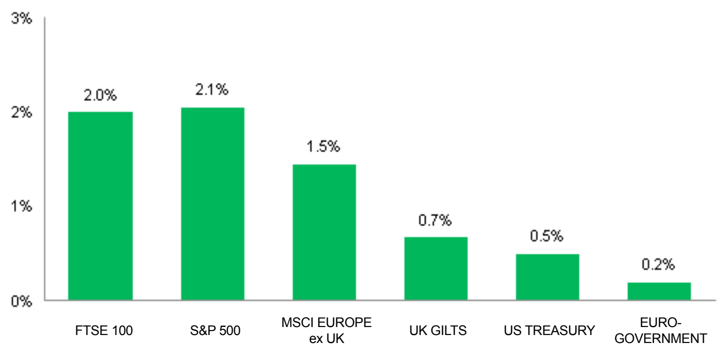
- It's relatively quiet in terms of economic data over this holiday-shortened week. Starting off in the UK, the only releases to keep an eye out on are the manufacturing and services purchasing managers indices (PMIs), which provide forward-looking indicators of the health of the economy. The March Manufacturing PMI this morning was strong, unexpectedly rising, albeit marginally – we will be hoping for a similar story when we receive the March Services PMI on Thursday.
- Similarly, in the Euro area we receive the finalised March readings for Manufacturing and Services PMIs. Due to these being the finalised readings, we don't expect any significant differences to previous estimates. This theory played out this morning as the Manufacturing PMI remained unchanged. Data releases, with PMIs in particular, have been disappointing markets in the Euro area since the start of the year. The market went into this year very positive on the bloc's economic recovery; but it's starting to look as if it was indeed overly optimistic. An index that indicates this notion is the Citi Economic Surprise Index, which looks at whether recent data has come out ahead or below expectations – since the start of the year it has plummeted and is at its lowest in two years.
- Staying with the Euro area, tomorrow morning we receive the unemployment rate as well as the first estimate of inflation for March. With the European Central Bank (ECB) continuing to battle subdued inflation, Core CPI is expected to tick up to a still-lacklustre 1.1% - well behind the central bank's target of around 2%, a level they have not hit since 2008.
- Arguably the main event of the week is on Friday, with the release of the March employment report in the US, shortly followed by Fed chair Jerome Powell's speech on the Economic Outlook. Within the employment report, the two areas of focus for us will be the change in nonfarm payrolls and wage growth. Also received will be the unemployment rate, which is expected to drop to 4.0% - if this plays out, it will be the lowest rate in over 18 years.
- With Powell speaking a couple of weeks ago, there has been little in terms of economic data to alter his upbeat outlook on the economy – as a result, barring any significant negative surprises in the employment report, we expect him to reiterate this positive view. Having said that, it will be interesting to see if Mr Powell comments on the fears of US President Donald Trump's attempt at starting a trade war.

In the rear view mirror of last week we saw

- It was revealed that the UK economy (as measured by GDP) grew 1.4% in the fourth-quarter of 2017 versus the same period in 2016. Despite growth holding up better than expected following the EU referendum, it is still worth bearing in mind that the UK was the slowest growing economy out of the G7 countries, indicating that the referendum has negatively impacted economic growth.
- US GDP grew at an annualised rate of 2.9% in the fourth-quarter of 2017, ahead of expectations. Meanwhile, Core PCE for February was in line with the reading rising 0.2% in the month – importantly, this results in the previous six months' annualised rate reaching 2.1%, ahead of the Federal Reserve's target of 2% and reaffirming the market's view that they will indeed increase interest rates four times in 2018.
- Yesterday, overseas markets that were open endured a heavy sell-off, with the US equity market (S&P 500 index) down -2.23%. It's often tough to pin down an individual cause, but it's likely that the announcement that China are retaliating and implementing tariffs of up to 25% on 128 kinds of US imports was the catalyst for this. With The White House coming out and criticising China's move, we wonder how long it will take before Mr Trump goes back on his recent statement that "trade wars are good".

In the side view mirrors of corporate activity we notice

- It was revealed that Shire, the UK-based pharmaceutical giant that specialises in rare diseases, is a takeover target of Japan's Takeda. The announcement saw Shire, which has been seen as a potential takeover target for months, rally as the share price finished the day up 14%. This is another sign of the supercharged M&A activity, with the level up more than 67% from a year earlier, according to the FT.
- Yesterday it was announced that Apple is looking to use its own chips starting in 2020, as opposed to continuing to utilise Intel. Despite this move in-house having long been thought of as inevitable, that didn't stop Intel's share price falling as much as 9% - this looks arguably overdone considering Intel only generated around 5% of its revenue from Apple.



Source: Bloomberg. Figures are for the period 26th March to 1st April 2018.
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.**