

# View from the Front

17th April to 23rd April 2017

## In the rear view mirror of last week we saw

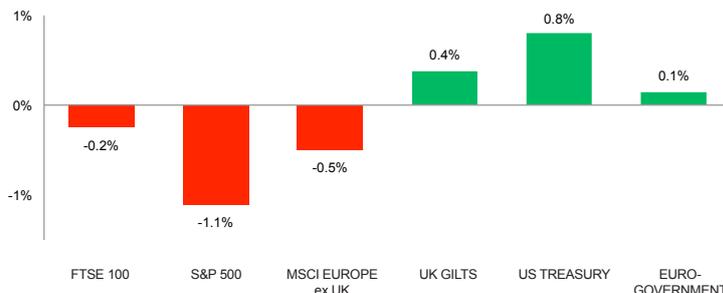
- A holiday lighter week also brought with it a data light week, particularly in the US. However right at the end of the week, with most major markets closed, inflation data released for March suggested a marked slowdown. Indeed even core inflation, which excludes the volatile food and energy components, fell against expectations for a rise. Later on Good Friday we also saw a weaker retail sales figure, suggesting that consumer spending is not as robust as expected – another example of the ‘hard’ data not being quite as strong as the ‘soft’, survey-driven, data had previously indicated.
- Having been on a hot streak for some time, the Eurozone economy showed signs of cooling last week as industrial production figures contracted by 0.3% in February when economic forecasts expected an expansion. Of the countries within the bloc it was Ireland who suffered the biggest drop with production falling 15.5% in the month. Inflation data in Germany showed a similar trend to that seen in the US last week when it was announced that annualised inflation had fallen from a four year high of 2.2% down to 1.5%. Much of the fall was attributed to lower energy and food prices.
- Unlike in the Eurozone or the US, the UK saw annual inflation remain steady last week at 2.3% for March, a figure unchanged from February. However, data released for real wage growth, i.e. after stripping out the effects of inflation, were weaker and showed real growth was at its lowest rate since 2014. Low energy prices had given a temporary boost to UK living standards but with creeping inflation and subdued wage growth, consumers are likely to feel the strain again. With consumer spending an important driver of economic growth, it is important to watch for secondary effects.
- Data last week in Japan were mixed with the small business survey disappointing but machinery orders rising. Over the sea in China there has been good news on the economic data front over the weekend where the economic growth rate for the first quarter of the year was its strongest in 18 months at 6.9%. Higher industrial activity in China was the main driver as well as increase in property investment. This stronger than expected growth was contrary to investor expectations where many believe the authorities are managing down expectations for future economic growth in the country.

## Front and centre of our thoughts this week include

- Another quarter, another European election for investors to fret over. This weekend sees the first round of French Presidential elections where the polls suggest there is close to a four-way tie. Whilst we are reluctant to rely heavily on polls for the direction of the outcome, the recent rise in popularity for far-left candidate, Jean-Luc Melenchon suggests a significant portion of the electorate remain undecided. We will unpick the results of the first round in next week’s blog.
- Another quarter, another set of company earnings results to digest. Last week saw some of the larger US banks report, including JP Morgan and Citigroup, with stronger than consensus estimates for both revenue and earnings. This week sees the pace of earnings releases pick up with some of the large consumer focused companies reporting, including Associated British Foods and Unilever while drug maker, Johnson & Johnson report today.
- At the end of another holiday-shortened week, we see thousands of government officials, journalists, civil society organisations and participants from the academia and private sectors, gather in Washington DC for the Spring Meetings of the World Bank Group and the International Monetary Fund. This is the first biennial meeting since the election of Donald Trump and where much of the talk is expected to focus around trade and protectionist policies. This meeting comes ahead of Mr Trump’s first international summit in May, when he will attend the G7 leaders meeting in Italy.

## In the side view mirrors of corporate activity we notice

- Better corporate results for Tesco last week as they reported their first full-year rise in like-for-like sales in the UK market in seven years. However, it wasn’t all good news as profits were dragged lower by fines relating to an accounting fraud from 2014.
- Finally we warned last week of Toshiba’s woes where it appears that the situation has gone from bad to worse. One of the most famous names in Japanese corporate history looks set to lose its status as a listed company after the company took the unprecedented step, last week, of releasing their accounts without auditor signoff.



Source: Bloomberg. Figures are for the period 10th April to 16th April 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.**

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