

View from the Front

14th November – 20th November 2016

In the rear view mirror of last week we saw

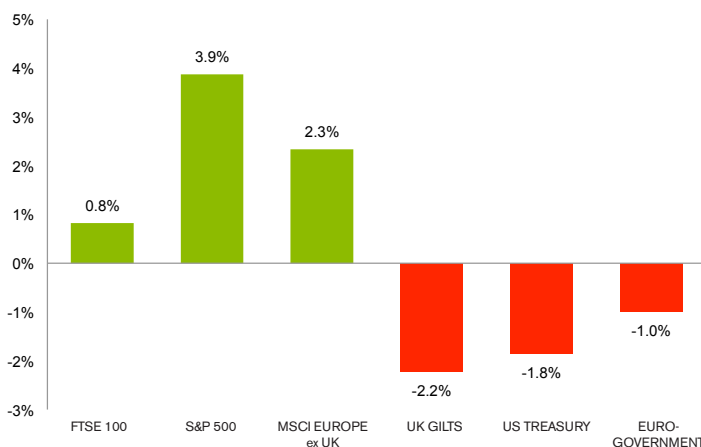
- The story that dominated was the election of Donald Trump as the 45th President of the United States. After a bruising campaign for both sides, the Republican Party maintained control of the House of Representatives whilst taking back control of the Senate.
- Given the shock outcome of the result and the isolationist stance that characterised Donald Trump's campaign, financial markets were expected to sell off quite heavily. Indeed overnight in Asia on Wednesday, equity markets in the region fell including the US equity futures market.
- Financial markets calmed as investors digested Trump's acceptance speech on Wednesday morning. Equity markets pushed on higher, particularly in the US, with those sectors, such as Financials, perceived to be most receptive to Trump's economic policies gaining significantly.
- With Trump set to embark on a policy of deregulation, investors took this as a positive with the US economy set to benefit. Markets felt this reflationary approach would push inflation higher but would be to the detriment of fixed income. The sell-off in the bond market late last week exemplified this newly envisaged, reflationary world.
- Economic data took something of a backseat last week as investors ignored the micro to focus instead on the macro details around a Trump administration – what it means for global trade and the global role that the US will now play.
- In the UK we saw industrial production for September was a touch weaker while manufacturing production was positive and better than expected in the post-Brexit economy. Retail sales figures in Europe for September were also softer than expected while employment data in the US remained robust. Weaker Chinese export and import data also caught our attention.

Front and centre of our thoughts this week include

- Many politicians and central bankers will be speaking this week. We hear from all 10 members of the FOMC with the highlight being Chair Janet Yellen's testimony before the Senate's Joint Economic Committee.
- Here in the UK, Theresa May gives her first major foreign policy speech at Mansion House. It will be the first time we hear, in greater detail, about Britain's future relationship with the EU. Later in the week Mark Carney testifies in front of Parliament's Treasury Committee, where he will deliver the Bank of England's most recent inflation report.
- After a quiet start to the week the release of global economic data picks up very quickly. Of most significance are the inflation numbers we see from the US, Europe and the UK. Government bond yields have been rising in the last two weeks and it will be important to understand whether this is a short-term trend or the start of something more long-term.
- In Europe we see the preliminary estimate of Q3 GDP, in the UK we see the October employment report while in Germany we will be watching the November ZEW survey, a leading indicator of economic sentiment in Germany.

In the side view mirrors of corporate activity we notice

- A total of 445 companies in the S&P 500 have now reported their Q3 earnings results with 71% reporting earnings above analyst expectations, this is above the long-term average of 64% and marginally above the average of the prior four quarters of 70%. This week another 20 companies are expected to report.
- EasyJet will publish full-year results this week, we will watch to see how the UK's budget carrier has performed in the face of weaker sterling and more uncertain economic times.
- A few private equity investors are encircling Telefonica, looking to make an investment in the UK mobile operator O2 before it lists in London next year. The investment would provide cash for Telefonica to invest in O2's network infrastructure.



Source: Bloomberg. Figures are for the period 4th November to 11th November 2016. 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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