

# View from the Front

28th November – 4th December 2016

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

- The Autumn Statement came and passed with little excitement for financial markets. As expected Phillip Hammond confirmed that economic growth would be lower and the budget balance would not return to surplus in 2019 as originally forecast. A few infrastructure projects were announced but none of any significant magnitude, reflecting the government's need to be fiscally prudent.
- Less headlines about Donald Trump this week, again. His cabinet is taking on more shape as he looks to appoint Wilbur Ross, the seasoned private equity investor as Commerce Secretary. He also appointed Nikki Haley as the US ambassador to the UN, her appointment is significant to the US relationship with Russia on the Security Council.
- Francois Fillon won the centre-right presidential nomination over the weekend. The former prime minister beat Alain Juppe in a landslide victory. Fillon is popular for his free market economic programme and will contest the French presidential election in the spring of 2017.
- Away from the politics, the economics continues to appear stable. In Europe, the composite PMIs jumped in November indicating that growth could be stronger in the last quarter of the year. Whilst the underlying country data was broadly strong, the big winners were the peripheral countries.
- In the US last week we saw favourable manufacturing and housing data. The durable goods order (measures new orders placed with US manufacturers) was particularly strong for October, albeit driven higher by the volatile aircraft element of the calculation. The release of the minutes from the Federal Reserve's November meeting also suggested that the Committee is preparing for a rate hike next month.
- Data released in Japan last week was slightly weaker than expected. Inflation (as measured by CPI) continues to be almost non-existent while the manufacturing PMI unexpectedly edged lower. However there are signs that the weaker Yen is helping domestic companies as export figures rose materially in October.

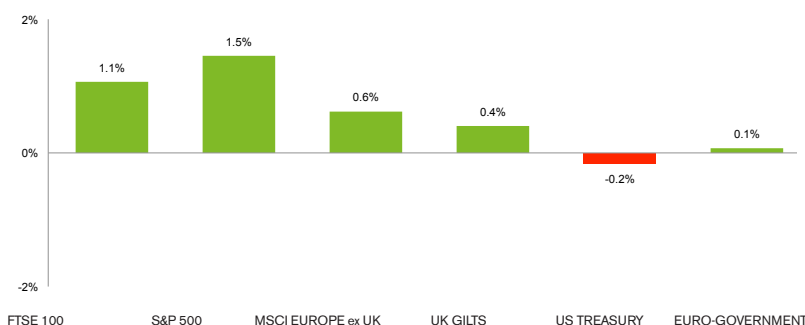
## Front and centre of our thoughts this week include

- We are never too far from the politics these days and at the end of this week (Sunday 10pm GMT) we will see the first exit polls of the Italian referendum. Current Prime Minister Matteo Renzi has stated that he will step down in the event of a "No" vote. This would trigger elections in the first half of 2017, potentially opening the door for the populist party – The Five Star Movement – to gain seats in Parliament.
- OPEC meet in Vienna on Wednesday as they attempt to negotiate an oil output freeze. It had been thought that OPEC were on the verge of concluding a deal, which included exemptions for Iran, Libya and Nigeria, however events last Friday (Saudi Arabia have pulled out of further meetings today) suggest otherwise. The oil price remains volatile as it fell 4% on Friday.
- Usually published on the first Friday of each month, the US release their unemployment report (commonly referred to as non-farm payrolls). That publication will be the last before the Federal Reserve meet on December 14th to discuss monetary policy and the decision to potentially raise interest rates. Expect a fair amount of noise around the topic as we approach the end of the week.

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

- Foxtons and Countrywide were the big losers from the Autumn Statement as their share prices fell in response to the Chancellor's new policy to ban letting agent fees.
- Italian bank Monte dei Paschi di Siena is the world's oldest bank but has come under significant stress over the past 18 months as fears over a problematic loan book have surfaced. With the Italian referendum on the horizon, the share price could have a volatile week.

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Source: Bloomberg. Figures are for the period 21st November to 27th November 2016. Where the index is in a foreign currency, we have provided the local currency return.

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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