THOMAS MILLER INVESTMENT

View from the Front

10th April to 16th April 2017

In the rear view mirror of last week we saw

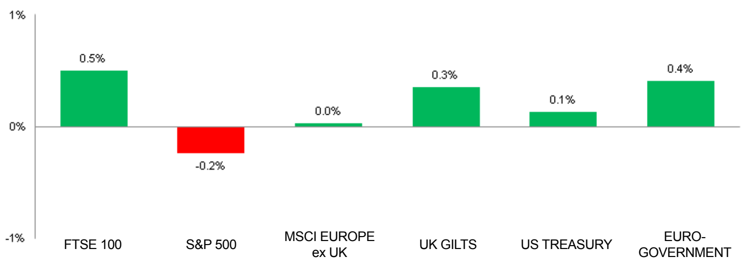
- Data in China was quite thin on the ground last week, conveniently perhaps, as most investor attention was focused on the politics and the first meeting between US President, Donald Trump and Chinese President, Xi Jinping. Reports over the weekend suggested that the pair found common ground over many aspects, with Trump suggesting that he “would not be surprised” if a significant deal was done between the two countries. Despite US officials suggesting the two-day meeting was productive, it was made clear that there had not been a major breakthrough in talks.
- That meeting was somewhat overshadowed by the US decision to launch missile attacks on Syria in the first military action of the new administration, early on Friday morning. The economic data released last week in the US also made headlines, the first of which revealed a slower pace in the growth for the service sector, as measured by the Institute for Supply Management. Later in the week, minutes released from the Federal Reserve’s recent monetary policy meeting revealed members had discussed options around reversing the course of quantitative easing. By the end of the week, the monthly release of payrolls data was particularly disappointing although the unemployment rate did fall to 4.5%. All things considered, it was not the most positive of weeks for economic data on the US economy.
- As noted in recent publications, it is clear that the European economy is growing in strength. Industrial production in Germany rose 2.2% for the month of February, defying expectations for a fall. Separate figures also confirmed that the trade balance has grown again in surplus as exports swell. However, despite the positive short term news, long-term structural problems remain. Nowhere is this more evident than in Greece where unemployment data released last week showed it has risen since the start of the year to 23.5% - in contrast to the rest of the Eurozone where unemployment has been trending downwards.
- The UK economy continues to grow moderately as it balances between a strengthening European economy and a future outside of it. A number of data sets released this week suggested that the UK economy, which had been performing well in recent months, might be stalling a little. Industrial production unexpectedly contracted while infrastructure and construction output also fell, trade balance data were stable but have been erratic. However, the powering force behind the UK economy remains the dominant service sector which accounts for 80% of the Gross Domestic Product (GDP) calculation. On this measure the economy is indeed performing well as data released last week on growth in the service sector (as measured by PMIs) hit a three month high.

Front and centre of our thoughts this week include

- The week after the US unemployment number is typically a quiet one for economic data. In the UK we see inflation data, which remain important as we seek to understand if the effect of higher oil prices is continuing to add upwards pressure and we also see unemployment and wage data. The US is busier with the release of the NFIB small business optimism reading, consumer sentiment, retail sales and inflation amongst the more important data sets.
- Corporate earnings season kicks off in the US this week with banks providing the first industry read-through for first quarter activity in 2017. Equity valuations for banks have risen materially in anticipation of strong results, which analysts believe are due to low default rates and a more profitable interest rate environment. We have described the market as priced to perfection, which means companies that fail to deliver strong quarterly numbers will be punished by investors.
- In a shortened trading week as Easter is on the horizon, trading volumes are likely to be lower in the City. The US do release a batch of important data on Good Friday but the equity market over the pond will be closed that day while the US Treasury market is closed from midday onwards. In the UK both the equity and the Gilt market will be closed.

In the side view mirrors of corporate activity we notice

- One of Japan’s largest companies, Toshiba, continues to struggle after an accounting scandal in 2015. The share price has fallen over 60% in the past few months as the company has missed corporate reporting deadlines. In the background the conglomerate is trying to find buyers for non-core divisions and this week attention has been focused on their TV business with potential bidders from Turkey and China mooted.
- Last week the European Commission unconditionally approved the takeover of Sky by 21st Century Fox. Whilst this was broadly anticipated by investors, this is a lower hurdle that the investigation that is currently being carried out by UK media regulator, Ofcom, where there are more issues around media plurality and broadcasting standards.



Source: Bloomberg. Figures are for the period 3rd April to 9th 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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