

## Between the lines | Week 26

Multi-asset investment thinking from the Quilter Investors team.

### Trump's war

The casualties of 'friendly fire' are mounting.



The cost of a Harley Davidson will rise by \$2,200 and some production will move overseas

Daimler issues profit warning

Jack Daniel's announces 10% rise in cost of whisky in Europe

Soya bean prices fall out of bed

Source: Quilter Investors as at 29 June 2018



### Retailers pushed to the cliff's edge in US and UK

*Recent results from US retailers suggest that some are now developing 'coping strategies' to co-exist alongside Amazon.*

Kroger, the biggest US supermarket is a case in point: it rose over 15% in the week to 26 June after outperforming earnings expectations and its online offering finally gained traction on that of Walmart and Amazon.

Other US retailers are also picking themselves up including the storied jeweler Tiffany and Macy's, the famous department store. The position is quite different in the UK. Recent weeks have seen high street denizens such as Debenhams and House of Fraser issue stark warnings while John Lewis last week forecast profits of 'close to zero'.



### ROR: 'Multi-asset offers 37% uplift for cash pot retirees'

*More than a third of non-advised Britons entering drawdown are invested wholly in cash, while more than 60% of non-advised retirees already in drawdown are unsure of where their money is invested.*

In the recent Retirement Outcome Review, the FCA estimated that more than half of the 33% of all non-advised retirees who hold only cash are likely to be losing out on retirement income.

It suggests that over a 20-year period of drawdown, such Britons could increase their expected annual income by 37% by investing in a mix of assets, rather than just cash.



### Could NASDAQ become a 'safe haven'?

*Boosted by the huge growth in the 'FAANGS', the US NASDAQ Index has quietly grown to become the world's second largest stock exchange.*

However, Mr Trump's trade war has created added impetus for the market as it's now seen as being insulated from the worst fallout in such a conflict (barring foreign investment restrictions).

"The market may have cooled in the last week or so, but it's now approaching key support levels again while any escalation in 'traditional' trade war rhetoric could well see investors taking cover in the consumer-facing US tech sector," says Hinesh Patel, a Quilter Investors Portfolio Manager.



## Netflix 1 Starbucks 0

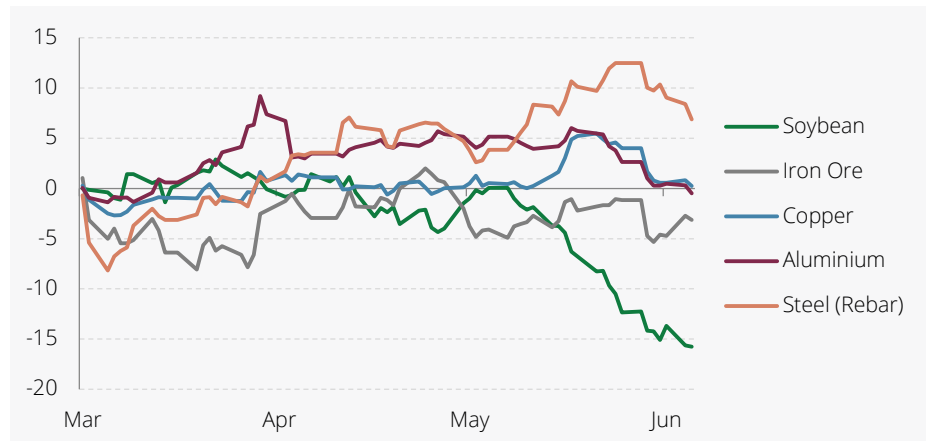
*In the battle of household names this week, entertainment giant Netflix is leading the way, with former favourite Starbucks struggling under the weight of “densely penetrated markets”.*

Netflix, which by market value has become the top media company in the US ahead of Disney, has continued to reach record highs as it remains a key beneficiary of the trend for on-demand viewing, while its original content helps justify its pricing power.

Meanwhile Starbucks, once a firm favourite, has seen its share price plummet after a forecast of just 1% growth in same store sales in the third quarter. It plans to close 150 underperforming stores, to slow its rate of store growth and to shift its focus to the suburbs where it hopes to diversify into greater food sales.

## Chart of the week – A kick in the beans

Trump's trade war brings the price of soy beans (a major US export) to ground with a bump.



Source: Quilter Investors as at 29 June 2018

## Market data – % change in week ending 28/06/2018

Equities	% Change GBP	% Change USD
FTSE All-Share (UK)	0.57	-0.64
MSCI AC World	-0.31	-1.55
S&P 500 (US)	-0.01	-1.22
NASDAQ (US)	-1.39	-2.58
MSCI Europe ex UK	-0.36	-1.56
TOPIX (Japan)	-0.26	-1.46
MSCI Asia ex Japan	-2.51	-3.69
MSCI Emerging Markets	-1.93	-3.12
Fixed Income <sup>1</sup>		
BB Global-Aggregate TR Index	0.11	0.15
BB Global-Agg Treasuries TR Index	0.14	0.18
BB Global-Agg Corporate TR Index	0.01	0.05
BB Global High Yield TR Index	-0.58	-0.53
Commodities <sup>2</sup>		
S&P Energy Index	-1.69	-2.88
S&P Precious Metals Index	9.54	8.22
S&P Industrial Metals Index	-0.26	-1.46
S&P Agriculture Index	-0.40	-1.60
Currencies <sup>3</sup>		
JPM UK FX Exchange Rate Index	-0.67	-0.67
JPM US FX Exchange Rate Index	0.43	0.43
JPM Euro Area FX Exchange Rate Index	0.38	0.38

Index data as at COB Thursday 28 June 2018

<sup>1</sup> Bloomberg Barclays index data. <sup>2</sup> Index data as at COB Thursday 28 June 2018. <sup>3</sup> JP Morgan Real Broad Effective Exchange Rate CPI Indices.



## Mercari: Japan's 'eBay' IPO gets off to a flyer

*Mercari's mobile app has already been downloaded 71 million times in Japan and elsewhere (including the UK), so the success of its recent IPO came as no surprise.*

When the business put a third of its shares up for grabs on 19 June they raised US\$1.2bn after the rising 77% on the day, valuing Mercari at US\$7.4bn.

The company already boasts over a million products for sale and US\$100m a month in transactions but it faces serious challenges from Asian heavyweights Alibaba and Baidu and still needs to make a profit from its US operation.

*“A year ago, the thought that the NASDAQ would be a safe haven from a US-driven trade war was unimaginable, but the world has turned.”*

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