

Between the lines

Week
27

Quilter Investors

Multi-asset investment thinking from the Quilter Investors team.

Tipping the scale

Since the start of 2018, the ubiquitous 'FAANGs' have been worth more than the whole of the FTSE 100 Index combined.



Amazon causes heartburn in the healthcare sector

The recent news that Amazon had gazumped Walmart by paying US\$1bn to acquire a little-known prescription manager called PillPack sent shivers through the US healthcare and consumer staples sectors.

Walgreens Boots and other big US players like Rite Aid, Express Scripts and CVS all sold off on the news. The deal gives Amazon a seat at the table in America's burgeoning US\$450bn prescription drug market with licenses in 49 US states.

If Amazon is as disruptive here as elsewhere, the deal is also likely to trigger an avalanche of M&A activity as incumbents decide whether to align with Amazon or risk trying to oppose it.



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Investors pull the plug on Tesla's recent surge

Meeting weekly production targets for its Model 3 electric cars for the first time was not sufficient to stop Tesla's share price from swerving off the road.

CEO Elon Musk had staked the company's reputation on reaching its production goal of 5,000 Model 3's a week by the end of June. Musk confirmed the goal had been met after the company set up a giant tent outside its factory housing an additional assembly line built from warehouse "scrap".

However, concerns about the sustainability of production, combined with reports that the company had allegedly skipped part of the safety testing process for the braking system, caused the stock to tumble more than 7% on 3 July.

MSCI World Index: half-time scores

The top 10 performers at the end of June were led by Netflix, which has more than doubled in value, and Twitter, which joined the S&P 500 last month.

Four of the top 10 stocks at the half way mark were tech names with the remainder made up of a Japanese cosmetics business, a Canadian aircraft manufacturer, a reinsurer, two sports apparel providers and a dental device company.

As Stuart Clark, fund manager of the Wealth Select portfolios, observes, "Technology and turnaround stories dominate, which suggests that in today's less synchronised quantitative easing environment there are plenty of opportunities for active managers to add value. However, p/e ratios for some of this group have already passed 100x which means stock pickers will need to tread carefully."

MSCI World top scorers at 'half time': Netflix (109%); Twitter (86%); Square Inc (82%); Shiseido (69%); Bombardier (68%); Tripadvisor (66%); XL Group (64%); Lululemon Athletica (63%); Under Armour (*62%/60%) & Align Technology (58%) (All in sterling terms. *Dual share structure).



Editorial credit: Neale Cousland/Shutterstock.com

Nike powers ahead despite Federer loss

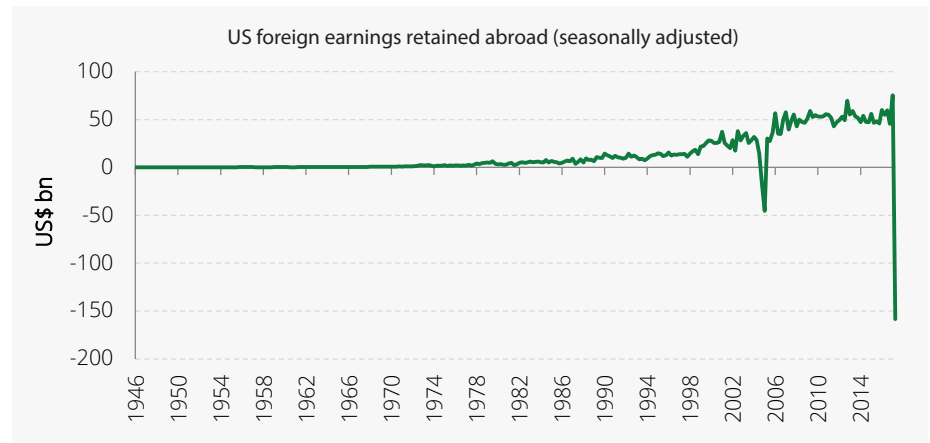
Strong annual results which included 6% annual revenue growth (to 31 May) and claims that new innovation is driving significant momentum both in international markets and in North America, helped drive Nike's share price up more than 30% in the first half of 2018.

However, fans were shocked to learn that tennis legend Roger Federer had left the fold after more than 20 years as a brand ambassador. Confirmation that Federer had switched brands only came when he appeared at Wimbledon this week attired in Uniqlo clothing.

The Japanese clothing firm is rumoured to have parted with US\$300m to bring Federer aboard as a global brand ambassador.

Chart of the week

US flood update: Trump's tax reforms release a US\$233bn tidal wave of corporate cash in Q1.



Source: US Federal Reserve/Financial Accounts of the United States for Nonfinancial Corporate Business, 31 March 2018

Market data – % change in week ending 05/07/2018

Equities	% Change GBP	% Change USD
FTSE All-Share (UK)	-0.19	0.66
MSCI AC World	-0.22	0.78
S&P 500 (US)	-0.10	0.75
NASDAQ (US)	0.14	0.99
MSCI Europe ex UK	1.75	2.61
TOPIX (Japan)	-3.92	-3.11
MSCI Asia ex Japan	-1.51	-0.68
MSCI Emerging Markets	-0.37	0.48

Fixed Income¹

BB Global-Aggregate TR Index	0.18	0.22
BB Global-Agg Treasuries TR Index	0.22	0.25
BB Global-Agg Corporate TR Index	0.23	0.26
BB Global High Yield TR Index	0.23	0.25

Commodities

S&P Energy Index	-1.24	-0.40
S&P Precious Metals Index	-0.25	0.60
S&P Industrial Metals Index	-5.06	-4.26
S&P Agriculture Index	-1.30	-0.47

Currencies²

JPM UK FX Exchange Rate Index	0.40	0.40
JPM US FX Exchange Rate Index	-0.67	-0.67
JPM Euro Area FX Exchange Rate Index	0.61	0.61



Editorial credit: Streager

Brexit: Jaguar could say Tata to UK production

A hard Brexit deal could cost Britain's largest vehicle manufacturer £1.2bn profit a year and lead to the firm reversing investment in the UK.

Ralf Speth, CEO of Jaguar Land Rover, owned by Tata Motors, warned the UK government that certainty for business including tariff-free access and frictionless trade with the EU was needed if it is to continue in the UK.

He said the company has spent around £50bn in the UK in the last five years and has plans for a further £80bn of spending in the next five years. But warned: "This would be in jeopardy should we be faced with the wrong outcome."

...in today's less synchronised QE environment there are plenty of opportunities for active managers to add value..

Stuart Clark, fund manager of the Wealth Select portfolios

Index data as at COB Thursday 5 July 2018. All sources Quilter Investors unless otherwise stated.

¹ Bloomberg Barclays index data. ² JP Morgan Real Broad Effective Exchange Rate CPI Indices.

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QIL/003/18.

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