

Between the lines

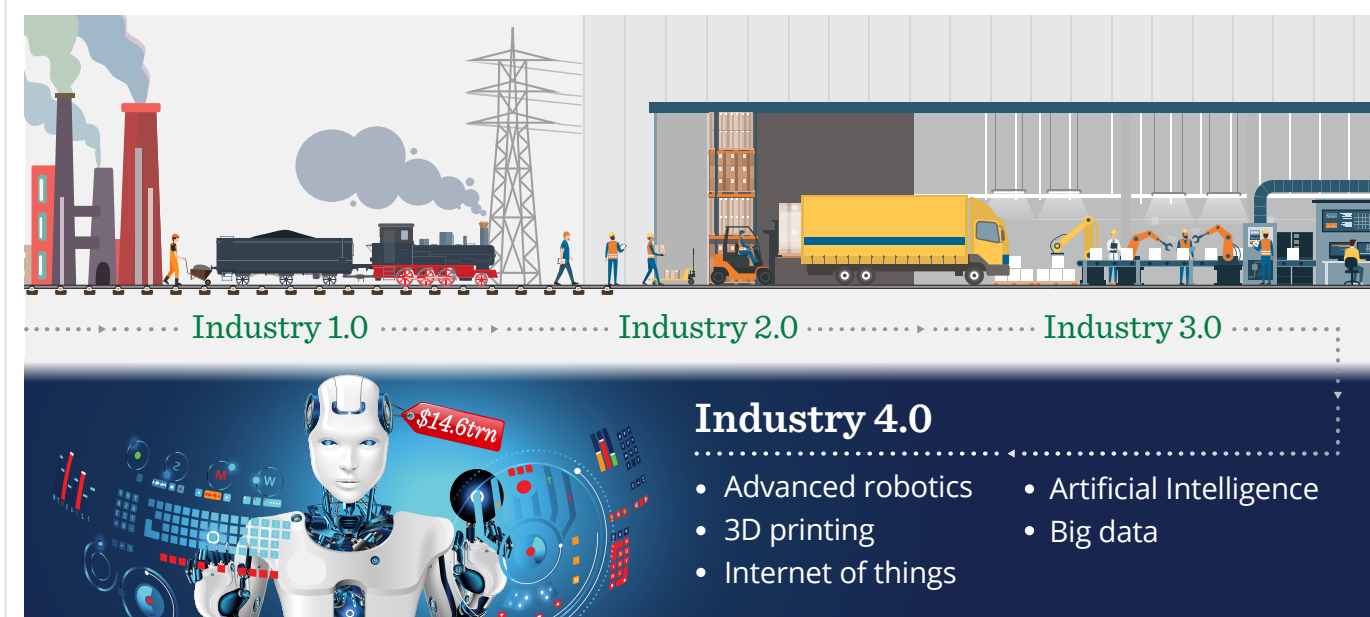
Week
29

Quilter Investors

Multi-asset investment thinking from the Quilter Investors team.

Meet your new co-bot...

Industry 4.0 and the US\$14.6 trillion market opportunity that is the next stage of machine evolution.



Source: Quilter Investors/Worldwide Semi-annual Commercial Robotics Spending Guide Jan 2017, International Data Corporation as at 19 Jul 2018



Editorial credit: NoDerog/iStock.com

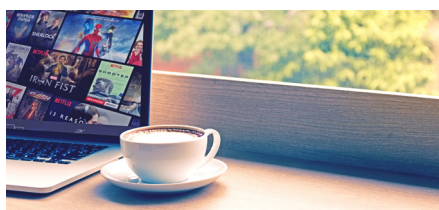
Prime mover

With 100m Amazon Prime holders poised for Monday's Prime Day sale, a series of technical glitches looked set to upend the event worth over US\$3.4bn in global sales.

As well as failures on Amazon's site, thousands also reported losing connections with their Alexa digital assistants or being unable to stream Prime Video.

Normal service was restored a few hours later with spending in the first 12 hours thought to be up almost 90% on last year.

The estimated US\$100m in lost sales was a drop in the ocean for founder Jeff Bezos: Amazon was up 56% this year to Monday, making him the richest man in modern history with a personal fortune of US\$150bn.



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Netflix streams lower

Streaming giant Netflix disappointed the market when it missed its subscriber growth forecast, helping Disney to briefly reclaim the title of the world's most valuable media company.

Netflix admitted it had "a strong but not stellar" quarter as membership growth of 5.2m fell short of its forecast 6.2m. In after-hours trading following the statement the share price fell 14%, before retracing almost two-thirds of its losses.

Sacha Chorley, portfolio manager at Quilter Investors, says: "The post-earnings share price behaviour of Netflix suggests investors are not too concerned. While the trade clearly still has legs, the only potential downside is that Netflix is so well-owned by investors."



Editorial credit: SolStock/iStock.com

High street name hits the pavement

Shares in the high street retailer Debenhams had a rocky start to the week following reports that credit insurers had reduced the cover they were willing to provide to the department store's suppliers.

A report in the *Sunday Times* claimed that insurer Euler Hermes had reduced supplier cover, while Atradius and Coface had refused to cover new shipments. Debenhams, which announced a turnaround strategy in April 2017 but has so far issued three profit warnings this year, saw its shares fall 10.6% in the week to 17 July.

Meanwhile, the company maintained it had a healthy balance sheet and constructive relationships with its insurers and suppliers.

Suitable for retail investors.



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Pepsi adds fizz to start of earnings season

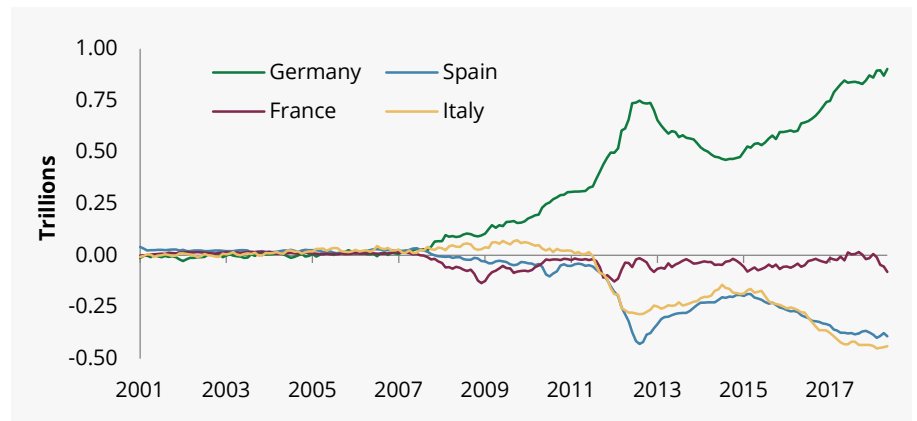
PepsiCo posted a strong set of results for the last quarter beating earnings estimates by 6%. Its shares rallied 3.7% on the news on Tuesday, which proved to be the company's best day of market performance for seven years, helping the S&P to hit a four-month high on the day.

The results highlighted that it wasn't its rather flat drinks business that provided the fizz; rather it was the company's salty snack division – think Cheetos, Doritos and Tostitos – that grew by a reported 4%.

Two months ago the company announced the acquisition of Bare Foods to keep pace with changing snack tastes and provide a possible springboard for its plant-based snack business.

Chart of the week

In Germany's pocket: A rough accounting of what it would cost for the largest remaining EU members to 'settle up' and leave the European Union.



Source: Quilter Investors/Macrobond as at 19 July 2018.

Market data – % change in week ending 18/07/2018

Equities	% Change GBP	% Change USD
FTSE All-Share (UK)	0.44	-0.87
MSCI AC World	1.78	0.43
S&P 500 (US)	1.95	0.62
NASDAQ (US)	1.65	0.32
MSCI Europe ex UK	2.17	0.84
TOPIX (Japan)	3.45	2.10
MSCI Asia ex Japan	1.02	-0.30
MSCI Emerging Markets	1.15	-0.17
Fixed Income ¹		
BB Global-Aggregate TR Index	0.05	0.08
BB Global-Agg Treasuries TR Index	0.06	0.09
BB Global-Agg Corporate TR Index	0.01	0.04
BB Global High Yield TR Index	0.22	0.24
Commodities		
S&P Energy Index	-0.90	-2.20
S&P Precious Metals Index	0.28	-1.03
S&P Industrial Metals Index	-0.16	-1.47
S&P Agriculture Index	-2.92	-2.61
Currencies ²		
JPM UK FX Exchange Rate Index	-1.00	-1.00
JPM US FX Exchange Rate Index	0.45	0.45
JPM Euro Area FX Exchange Rate Index	0.11	0.11



Editorial credit: MoreISO/iStock.com

Deutsche Bank beats estimates by 150%

In a rare piece of good news, Deutsche Bank announced preliminary results suggesting net income in the second quarter of approximately €400m (£357m) compared with consensus estimates of just €159m.

The bank also expects income before income taxes (IBIT) of €700m versus analyst estimates of €321m, stating that "these results demonstrate the resilience of the franchise".

Deutsche had a troubled start to 2018 after it announced cost-cutting measures and plans to reshape its corporate and investment bank. It was also one of the few banks to fail the US banking stress tests at the end of June on internal controls.

While the trade clearly still has legs, the only potential downside is that Netflix is so well-owned by investors.

Sacha Chorley, portfolio manager, Quilter Investors

Index data as at COB Wednesday 18 July 2018. All sources Quilter Investors unless otherwise stated.

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

Suitable for retail investors.

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