

Between the lines

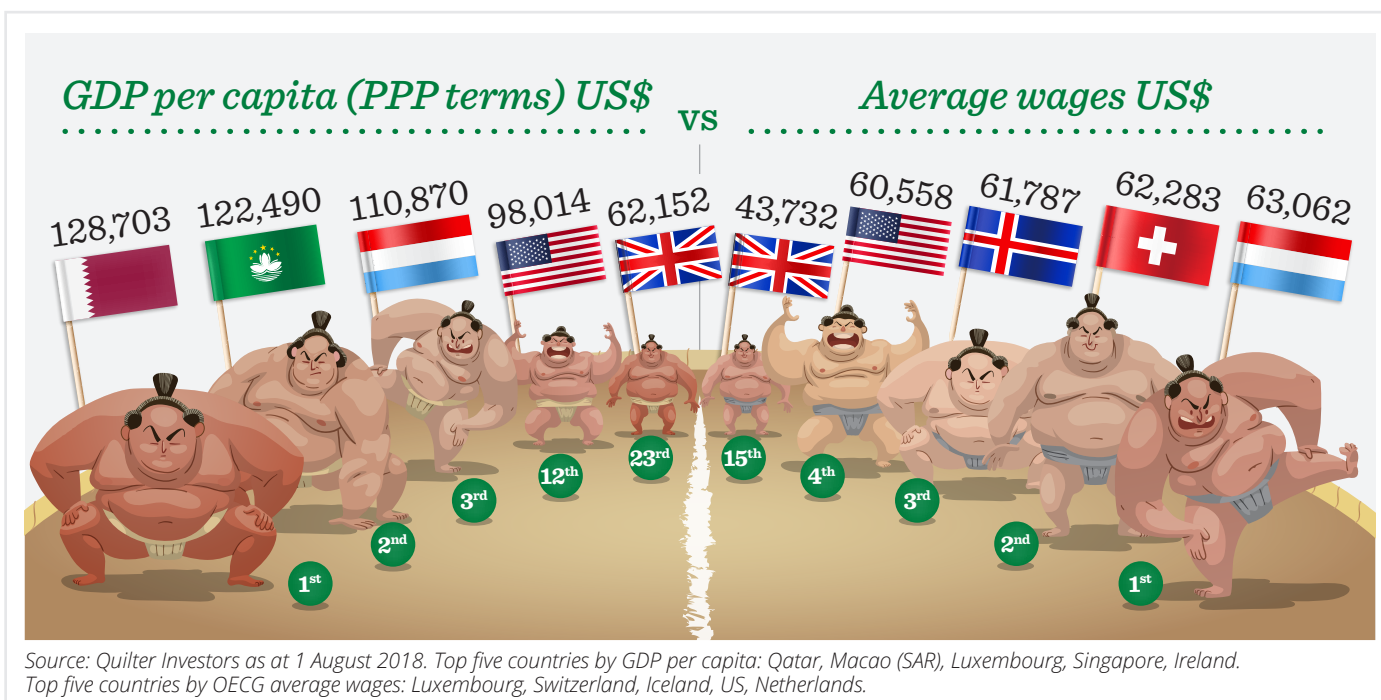
Week
31

Quilter Investors

Multi-asset investment thinking from the Quilter Investors team.

Who are the real heavyweights?

The world's richest nations by GDP per capita and (OECD) average wages.

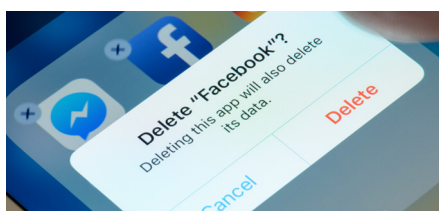


BP profits barrel along

After last week's \$10.5bn acquisition of prime Texas oilfields from BHP Billiton, BP reported a 150% jump in half-year profits on Tuesday.

Thanks to oil prices cresting \$80 a barrel, the company generated profits of \$5.4bn in the first half and hiked its quarterly dividend (by 2.5%) for the first time in four years.

The market's response to the numbers was muted thanks to BP's eye-watering debt, but the stock is already up by around 25% over the last year. Meanwhile, its new Texas assets add almost 60 million barrels of oil equivalent a year to its balance sheet and signal that the company has finally managed to draw a line under the 2010 Deepwater Horizon catastrophe.



Editorial credit: amesyl/Stock.com

Tech giants tumble

Disappointing earnings wiped \$119.4bn off the value of Facebook, with the resulting wobble in tech causing problems for Chinese internet giant Tencent, which has lost \$143bn since its January peak.

Facebook's shares slumped 19%, to post the largest one-day loss in market value in US stock market history, after it missed projections on revenue and global daily active users.

However, shareholders in China's Tencent have lost still more this year. Most recently it's been concerns as to slowing growth in its mobile gaming unit, but with its shares down 25% since January, its price is now \$143bn adrift of its peak. Its quarterly results on 15 August will need to surprise significantly if it's to recoup recent falls.



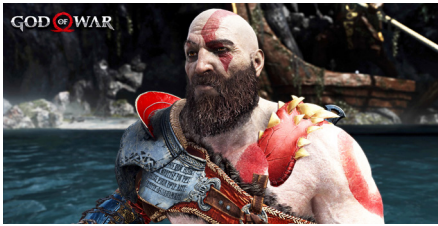
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China: Chartered territory

Standard Chartered, which derives more than 80% of its profits and income from emerging markets, has suggested that while a trade war would harm the global economy, its business would likely benefit from China increasing trade within Asia.

In its half year results the bank, which reported a 34% increase in profit before tax, an improved return on equity (up to 6.7%) and an interim dividend of 6 cents per share, noted it has limited exposure to US-China trade tensions.

Instead, it makes more money financing commerce between China and markets in Asia, Africa and the Middle East, meaning the group would benefit should this trade start to increase.



Editorial credit: [commarancy/Flickr](#)

The games we play...

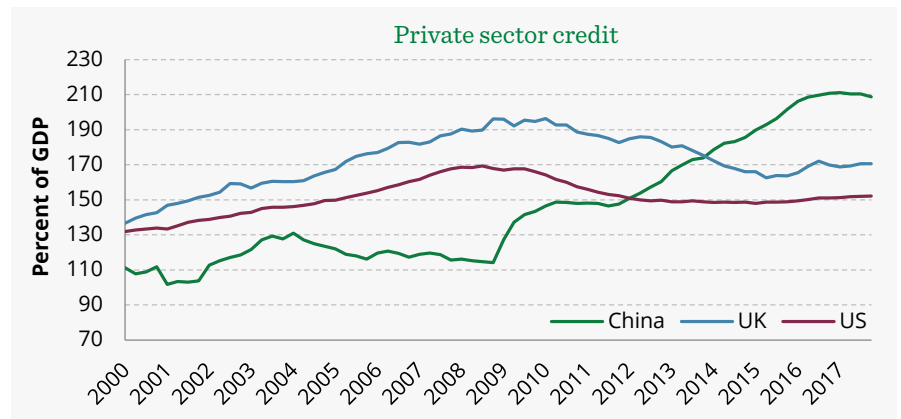
Monster sales of its PlayStation 4 platform drove shares in Japan's Sony to hit a decade high this week. The console builder gained 5.4% in early trading on 31 July, after it raised its outlook for the current fiscal year.

Sony reported a 24% year-on-year increase in operating income for the first fiscal quarter, while sales in the company's Game & Network Services segment rose 36% – partly driven by titles such as 'God of War' "significantly exceeding expectations".

Elsewhere, Nintendo, gained more than 6% after its results beat analyst estimates. Despite a drop in the sales of its 'Switch' games console, its digital sales of Switch software and add-ons leapt 68% year-on-year.

Chart of the week

Bringing the house down: As Mr Carney observed, household debt levels have receded since the crash, but they're on the rise once more in the UK and elsewhere.



Source: Quilter Investors/Macrobond as at 2 August 2018.

Market data – % change in week ending 01/08/2018

Equities	% Change GBP	% Change USD
FTSE All-Share (UK)	-0.08	-0.29
MSCI AC World	-0.36	-0.57
S&P 500 (US)	-0.64	-0.85
NASDAQ (US)	-1.52	-1.73
MSCI Europe ex UK	0.25	0.04
TOPIX (Japan)	-0.38	-0.59
MSCI Asia ex Japan	-0.29	-0.50
MSCI Emerging Markets	0.09	-0.12

Fixed Income¹

BB Global-Aggregate TR Index	-0.24	-0.21
BB Global-Agg Treasuries TR Index	-0.32	-0.30
BB Global-Agg Corporate TR Index	-0.06	-0.04
BB Global High Yield TR Index	0.07	0.09

Commodities

S&P Energy Index	-2.92	-3.12
S&P Precious Metals Index	-0.38	-0.59
S&P Industrial Metals Index	-1.22	-1.43
S&P Agriculture Index	1.58	1.36

Currencies²

JPM UK FX Exchange Rate Index	-0.04	-0.04
JPM US FX Exchange Rate Index	0.01	0.01
JPM Euro Area FX Exchange Rate Index	0.19	0.19



Editorial credit: [urbanbuzz/Stock.com](#)

Heineken on the rocks?

Shares in the Dutch brewer Heineken suffered their biggest one-day decline in three years (6%) earlier this week when the company missed profit targets, warned on euro translation costs and issued lower guidance on the all-important emerging markets.

Although sales for the world's second-largest brewer were up to just shy of £10bn in the first half, profits were down 3% on a year ago. A key concern was its operations in the world's third largest beer market, Brazil, where it's still absorbing last year's \$1.2bn acquisition of Kirin's local operation while waging a costly battle for market share with Belgian heavyweight AB InBev.

Household debt levels may look low, but consumer sensitivity to rate rises is now much higher than before the crash...

Hinesh Patel, portfolio manager, Quilter Investors

Index data as at COB Wednesday 1 August 2018. All sources Quilter Investors unless otherwise stated.

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

UK: Suitable for retail investors. Rest of Europe and Singapore: For professional investors only.

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