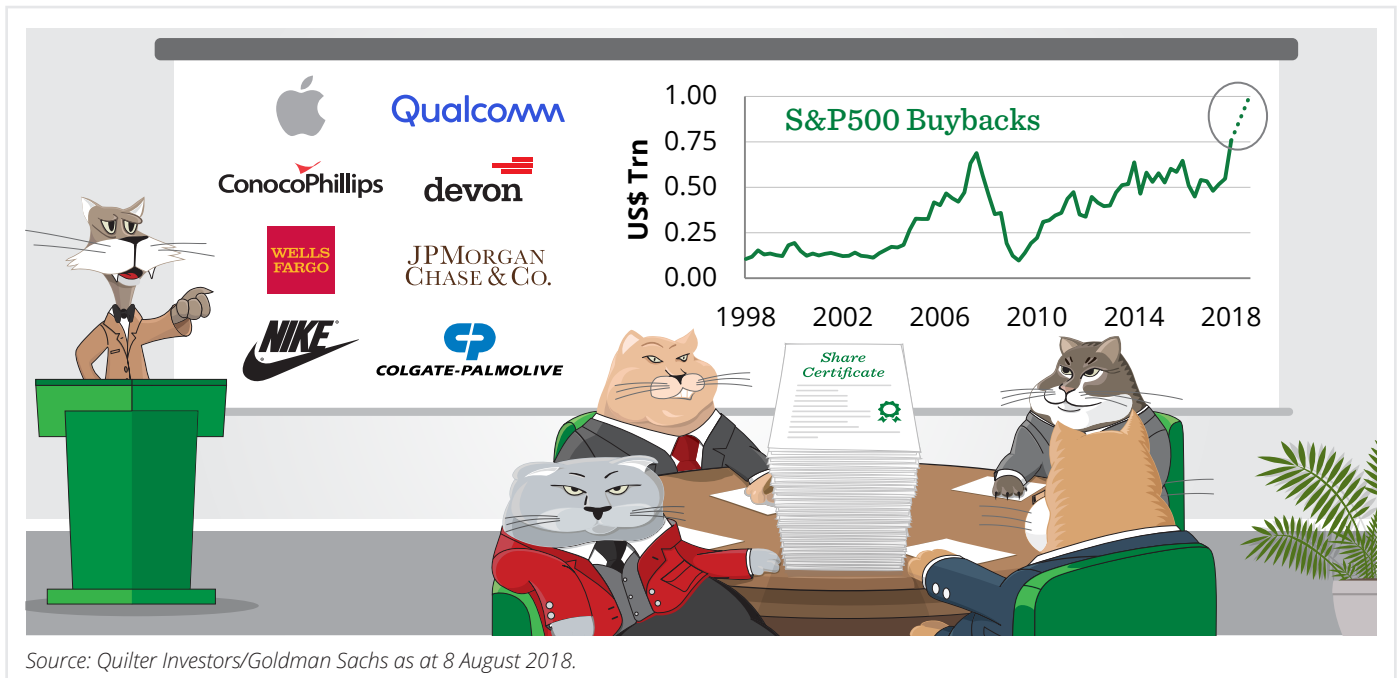


Multi-asset investment thinking from the Quilter Investors team.

The \$1trn US boardroom spending spree

By the end of the first quarter, US companies had spent a record \$756bn buying their own shares on the way to what could be the first ever \$1trn year for buybacks.



Editorial credit: AdrianHancu/Stock.com

Musk arouses strong reactions

Tesla, the US electric car maker, is a true 'marmite' stock – investors either love it or hate it. The 'haters' have made Tesla the biggest 'short' in the US at close to 30% of its free float value (c\$15bn).

But when a contrite Elon Musk announced continued losses but success in producing 5,000 Model 3s a week, the share price jumped by 17%, sending the short sellers scurrying.

Within days the real-life Tony Stark unveiled Tesla's multi-billion dollar China ambitions before basking in the news that the Saudi sovereign wealth fund had invested \$2bn in Tesla. When he tweeted on Tuesday of his plans to take Tesla private again, the shares jumped another 11% on the day.



It's unanimous: BoE hikes UK interest rates

As predicted, the Bank of England (BoE) raised rates by 25bps to 0.75% last Thursday in a unanimous decision from the Monetary Policy Committee (MPC), as UK growth rebounded and construction output and retail sales rose.

Although the BoE was generally positive on the outlook, sterling continued to decline in the face of the rate hike due to Brexit worries. Bank governor Mark Carney warned that inflation would not just be affected by the terms of Brexit, but how households, businesses and financial markets reacted.

"It's not as simple as saying, 'Brexit equals a reduction in interest rates'," he said.



US companies power ahead

By 8 August, 84% of US companies had reported Q2 earnings with 75% of companies in Europe and Japan doing the same.

In all, 83% of S&P companies beat earnings per share (EPS) estimates. Earnings growth was up 25% on last year and is expected to remain in double-digits for the remainder of the year. Some 70% of S&P companies beat sales estimates taking annual revenue growth to 9%.

In Europe, 56% of the Stoxx600 beat EPS estimates lifting annual EPS growth to 11% (although this was skewed by the energy sector) while revenue growth hit 6%. In Japan, which is reporting Q1 results, 60% of the Topix beat EPS estimates but EPS growth declined slightly on last quarter to 9%.



Editorial credit: Nikada/iStock.com

The big Apple

After releasing better than expected top and bottom line results, Apple became the first US company to breach the \$1trn market cap barrier on 2 August.

The technology heavyweight saw its share price climb 9% on the week, driven by strong sales in its iPhone X handset, which helped year-on-year growth rise 31%.

The surge in value means Apple is worth more than 1% of the World's GDP according to data from the World Bank, making it larger than the GDP of the Netherlands or the whole of the Spanish stock market. The news helped push US indices higher, as other US tech players benefited from a boost in sentiment.

Chart of the week

US manufacturing Trumps retail: Since the new US president took office, the manufacturing sector has added far more new jobs than the retailing sector.



Source: Quilter Investors/Macrobond as at 8 August 2018.

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

Equities	% Change GBP	% Change USD
FTSE All-Share (UK)	2.34	1.15
MSCI AC World	1.99	0.82
S&P 500 (US)	2.26	1.08
NASDAQ (US)	2.51	1.32
MSCI Europe ex UK	1.66	0.48
TOPIX (Japan)	1.22	0.04
MSCI Asia ex Japan	2.57	1.38
MSCI Emerging Markets	2.28	1.09

Fixed Income¹

BB Global-Aggregate TR Index	0.16	0.19
BB Global-Agg Treasuries TR Index	0.15	0.18
BB Global-Agg Corporate TR Index	0.19	0.22
BB Global High Yield TR Index	0.08	0.11

Commodities

S&P Energy Index	-0.86	-2.01
S&P Precious Metals Index	1.30	0.12
S&P Industrial Metals Index	3.43	2.23
S&P Agriculture Index	3.37	2.17

Currencies²

JPM UK FX Exchange Rate Index	-1.13	-1.13
JPM US FX Exchange Rate Index	-0.09	-0.09
JPM Euro Area FX Exchange Rate Index	0.17	0.17



Editorial credit: madsci/iStock.com

A bad penny? Bitcoin falls to earth

Cryptocurrencies including Bitcoin saw their prices tumble on 8 August, after the US Securities and Exchange Commission (SEC) postponed a decision on a Bitcoin ETF, seen as a ticket to the mainstream.

Bitcoin has had a gruelling year, despite news that a company backed by Microsoft and Starbucks plans to create a new platform for digital assets (Bakkt). Confusion as to whether Starbucks will accept cryptocurrencies – it won't – and comments from Jamie Dimon, JP Morgan CEO, that they're just a "scam", helped Bitcoin crash from \$20,000 in December to below \$7,000 before this latest blow.

In the US, first half job losses in the retail sector have already outstripped the whole of 2017 and are much in line with recession years...

Tim Li, portfolio manager, Quilter Investors

Index data as at COB Wednesday 8 August 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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