

# Between the lines

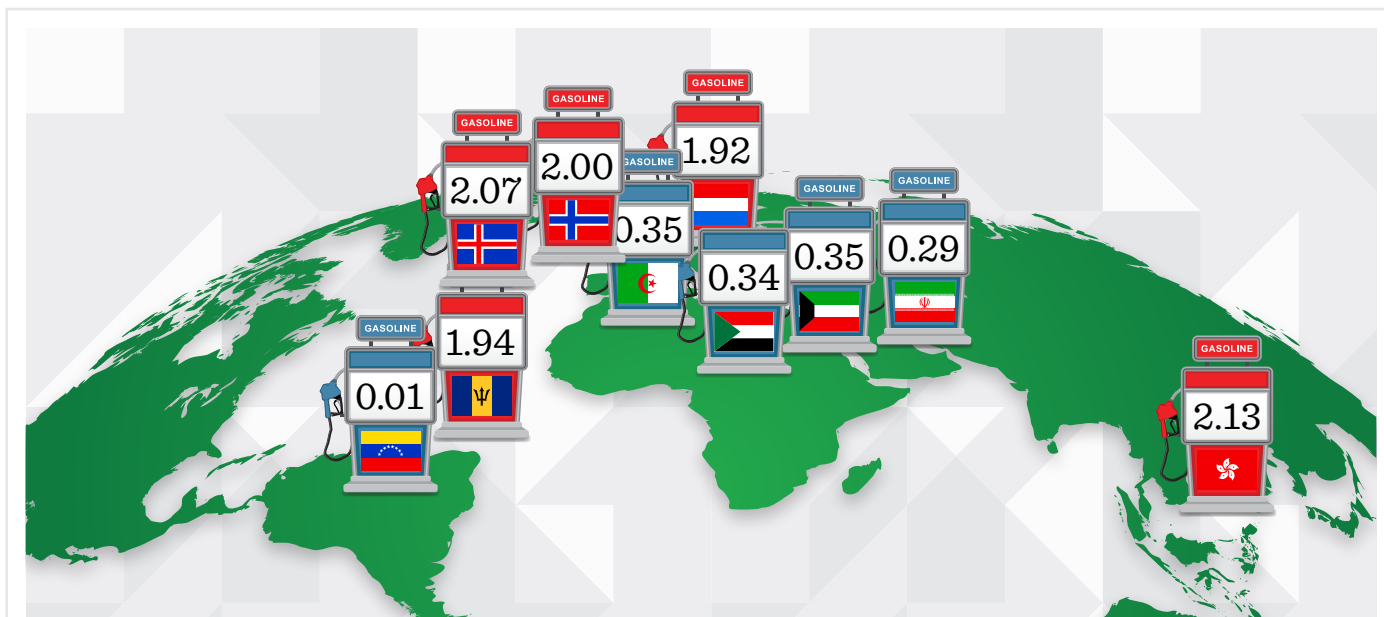
Week  
33

Quilter  
Investors

Multi-asset investment thinking  
from the Quilter Investors team.

## Whose petrol price is most pumped?

Crude oil prices have fallen back in recent weeks as supply and demand issues have evened out, and China dropped plans to impose trade tariffs on US crude oil imports. But a large gap still exists between the most expensive and cheapest prices for petrol.



Source: [www.globalpetrolprices.com](http://www.globalpetrolprices.com) data to 13 August 2018. Five most expensive countries: Hong Kong, Iceland, Norway, Barbados, Netherlands. Five cheapest countries: Venezuela, Iran, Sudan, Kuwait, Algeria. The UK is ranked #144 at \$1.65 per litre and US is #37 at \$0.83 per litre.



## Turkey tailspin continues

*President Recep Tayyip Erdogan remains defiant in his dealings with the US, calling for a boycott of US electronics, particularly iPhones, despite the Turkish lira having fallen roughly 30% in two weeks.*

The souring relationship between Turkey and the US, which saw President Trump double trade tariffs on Turkish steel and aluminium to 50% and 20% respectively, on 10 August, has raised contagion concerns, with reports the ECB is looking at European banks' exposure to Turkey.

But Anthony Gillham, head of investments at Quilter Investors, says: "The consensus is this should be contained. [The drivers] feel a bit more idiosyncratic as Turkey has become something of a lightning rod for the trade tariff tensions with the US."

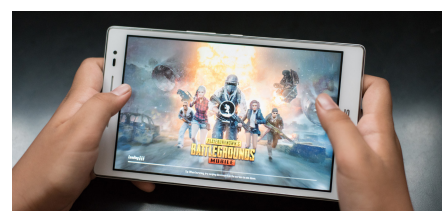


## Transport costs push UK inflation higher

*The UK Consumer Prices Index (CPI) reached 2.5% in July, the first move higher since November 2017.*

Figures from the Office of National Statistics (ONS) showed transport costs, particularly the price of fuel, and the increased prices of computer games were among the main drivers pushing inflation higher. The move upwards, suggests the Bank of England's rate hike earlier this month was justified.

Elsewhere, UK unemployment figures fell to 4% in the second quarter. And while wage growth in the form of real average weekly earnings (AWE), excluding bonuses, slipped in Q2 - down 0.1 percentage points from the three months to May - overall wage growth of 2.7% remains above inflation for now.



Editorial credit: Shutterstock

## Tencent hit by mobile gaming decline

*Chinese technology giant Tencent Holdings surprised markets by reporting second quarter net profits that were 2% lower year-on-year, its first decline in more than a decade.*

The social media and gaming company attributed the decrease to lower investment gains, with the Chinese authorities recently removing the hit game Monster Hunter: World. As a result Tencent, which had already seen \$143bn wiped off its value since January, saw its share price slip more than 8% on 15 August during early trading in the US.

Tencent said it planned to "reinvigorate" its mobile game revenue growth, but added the measures could take several months to take effect.



## Higher tariffs may backfire on Trump

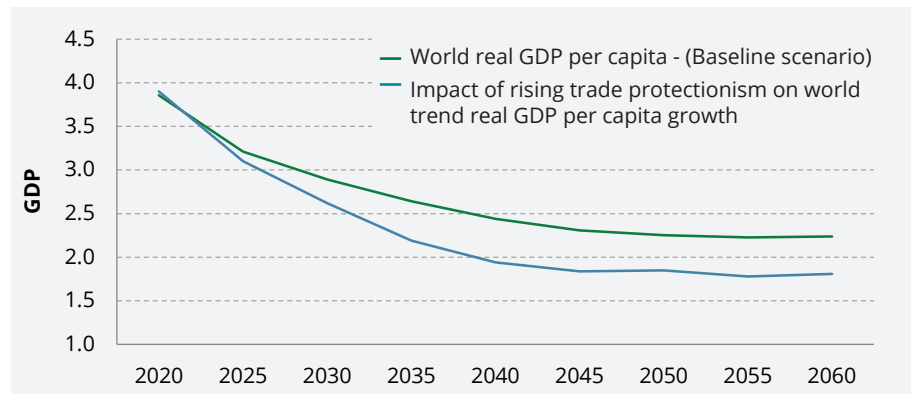
Research from the Federal Reserve Bank of New York has warned higher import tariffs imposed by the US could hit exports and have no effect on the country's large trade deficit.

In a post on the *Liberty Street Economics Blog*, Mary Amiti, Mi Dai, Robert C Feenstra and John Romalis, argued higher tariffs would reduce both imports and exports, with US exporters affected by retaliatory tariffs and higher domestic costs.

This echoes research from the OECD, suggesting if average import tariffs reach levels last seen in 1990, it could lower global growth. The loss in real GDP per capita by 2060 could be 18% for the Briics (Brazil, Russia, India, Indonesia, China, South Africa), and 4.5% for the euro area.

## Chart of the week

**Trade tariff tit-for-tat could hit real GDP growth:** If average import tariffs return to 1990 levels, global trend real GDP growth could fall by half a percentage point at its peak.



Source: OECD (Organisation for Economic Co-operation and Development) – *The Long View: Scenarios for the World Economy to 2060*.

## Market data – % change in week ending 15/08/2018

Equities	% Change GBP	% Change USD
FTSE All-Share (UK)	-2.97	-4.49
MSCI AC World	-0.98	-2.52
S&P 500 (US)	0.33	-1.23
NASDAQ (US)	0.06	-1.50
MSCI Europe ex UK	-3.43	-4.93
TOPIX (Japan)	-0.46	-2.01
MSCI Asia ex Japan	-2.75	-4.27
MSCI Emerging Markets	-3.53	-5.03



## Argentina takes evasive action as rates hit 45%

In an attempt to stabilise the peso, Argentina's central bank hiked interest rates for the fourth time this year to hit 45%.

The Latin American country has suffered a number of economic woes and scandals, and took prompt action to try and limit contagion from the Turkey spillover into emerging markets. Policymakers plan to keep rates at the current level until at least October, and will auction \$500m of short-term notes on 21 August to help relieve pressure on the peso. It's the second worst performing emerging market currency, behind the Turkish lira, after falling almost 40% year to date.

*[The drivers] feel a bit more idiosyncratic, in that Turkey has become something of a lightning rod for the US trade tensions.*

Anthony Gillham, portfolio manager, Quilter Investors

Fixed Income <sup>1</sup>	% Change GBP	% Change USD
BB Global-Aggregate TR Index	0.21	0.24
BB Global-Agg Treasuries TR Index	0.18	0.21
BB Global-Agg Corporate TR Index	0.25	0.27
BB Global High Yield TR Index	-0.88	-0.82

Commodities	% Change GBP	% Change USD
S&P Energy Index	-0.58	-2.13
S&P Precious Metals Index	-1.67	-3.21
S&P Industrial Metals Index	-4.72	-6.20
S&P Agriculture Index	-1.99	-3.52

Currencies <sup>2</sup>	% Change GBP	% Change USD
JPM UK FX Exchange Rate Index	0.37	0.37
JPM US FX Exchange Rate Index	1.71	1.71
JPM Euro Area FX Exchange Rate Index	-0.39	-0.39

Index data as at COB Wednesday 15 August 2018. All sources Quilter Investors unless otherwise stated.

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

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

## *Important information*

*Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back any of the amount originally invested. Because of this, an investor is not certain to make a profit on an investment and may lose money. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares. Exchange rate changes may cause the value of overseas investments to rise or fall.*

*This communication is issued by Quilter Investors Limited ("Quilter Investors"), Millennium Bridge House, 2 Lambeth Hill, London, United Kingdom, EC4V 4AJ. Quilter Investors is authorised and regulated by the Financial Conduct Authority.*

*This communication is for information purposes only. Nothing in this communication constitutes financial, professional or investment advice or a personal recommendation. This communication should not be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be*

*a complete statement or summary of the securities, markets or developments referred to in the document.*

*Any opinions expressed in this document are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or companies within the same group as Quilter Investors as a result of using different assumptions and criteria.*

*Quilter Investors is not licensed or regulated by the Monetary Authority of Singapore ("MAS") in Singapore. This document has not been reviewed by MAS.*

*QIL-066-18/218-1422/SK18218*

### *Further information for financial advisers:*

*Visit [www.quilterinvestors.com](http://www.quilterinvestors.com) to read our latest thinking, download portfolio data and watch investment updates from our portfolio managers.*

*To speak to one of our Investment Directors call 0207 167 3700 or email [enquiries@quilterinvestors.com](mailto:enquiries@quilterinvestors.com)*