

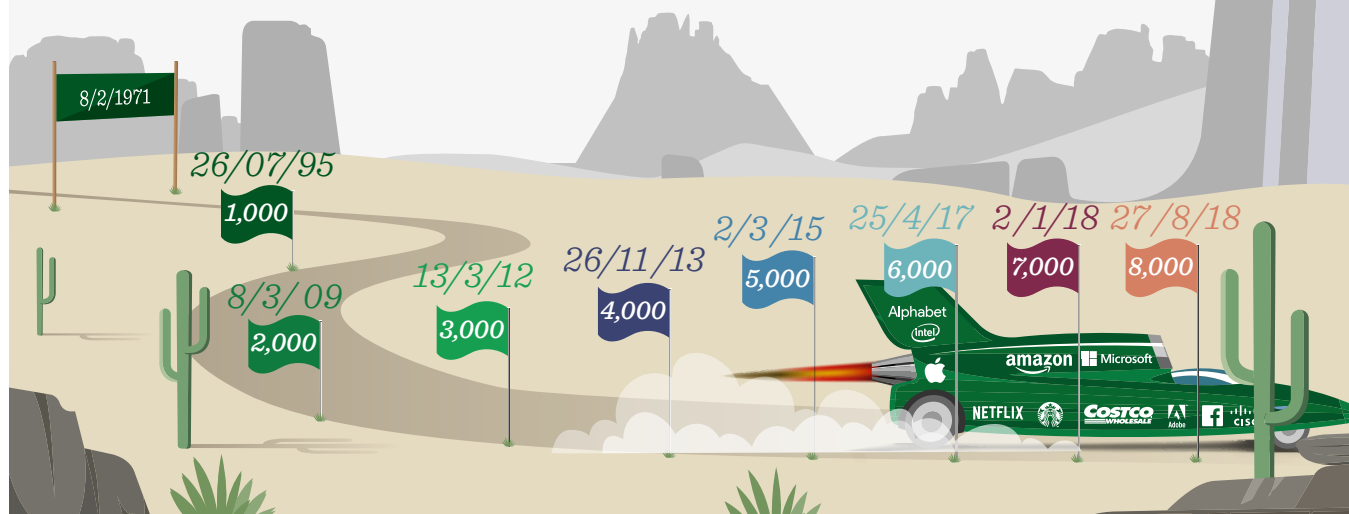
Between the lines

Week
39

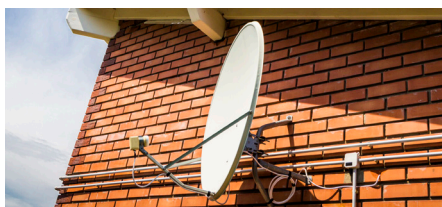
Quilter Investors

Multi-asset investment thinking from the Quilter Investors team.

Nasdaq accelerates: tech index adds 1,000 points in record 237 days



Source: Quilter Investors/Macrobond



Skyfall

The tense drama that surrounded the acquisition of British satellite broadcaster Sky this summer came to an abrupt end last weekend when US cable giant Comcast outbid Fox in a blind auction arranged by the UK Takeover panel on Saturday.

The Comcast bid of £17.28 per share was significantly in advance of the £15.67 eventually offered by Fox and values the Premier League franchise holder at \$39bn (£30bn).

The deal enriches Sky founder Rupert Murdoch who, having lost this battle, will now sell Fox's remaining 39% stake to Comcast for around \$15bn.

Meanwhile, the deal is a win, albeit an expensive one, for Comcast which lost out to Disney in a separate bidding war for Fox.



S&P sector change helps drive market volumes

The reorganisation of the S&P Dow Jones and MSCI Global Industry Classification Standard Indices has taken place, creating a Communication Services sector.

Names such as Facebook, Alphabet and Netflix were moved into a new version of the former telecommunications sector. Previously it accounted for 2% of the entire S&P 500, but this has increased to 11%. This combined with the quarterly index reweighting means many investors will have to rebalance portfolios.

Hinesh Patel, portfolio manager, Quilter Investors, says: "This shows how investment follows broad trends in society. The old telco sector was 8% in the mid-90s showing the importance of connecting the world. The sector has been rebooted, but these new companies are standing on the shoulders of the giants before them."



Editorial credit: Björn Forenius/iStock.com

Thomas Cook profit warning over heatwave

Holiday firm Thomas Cook saw share prices slip as much as 25% on 24 September after it downgraded its outlook following the unusual European heatwave.

The company said more customers spent June and July enjoying the sunshine and putting off booking a foreign holiday, leading to tougher competition and higher than usual levels of discounting.

It warned it expects full-year underlying profit of around £280m, citing weak trading for the majority of the downgrade. The company added that the summer is continuing to be felt in winter trading but claimed it's making good strategic progress in returning to profitable growth.



Editorial credit: SEASTOCK/Stock.com

Go Amazon Go

The news that Amazon might roll out 3,000 of its new Amazon Go shops sent shivers through the US retailing sector last week with CVS, Walgreens, Walmart, Target and Kroger all moving sharply lower.

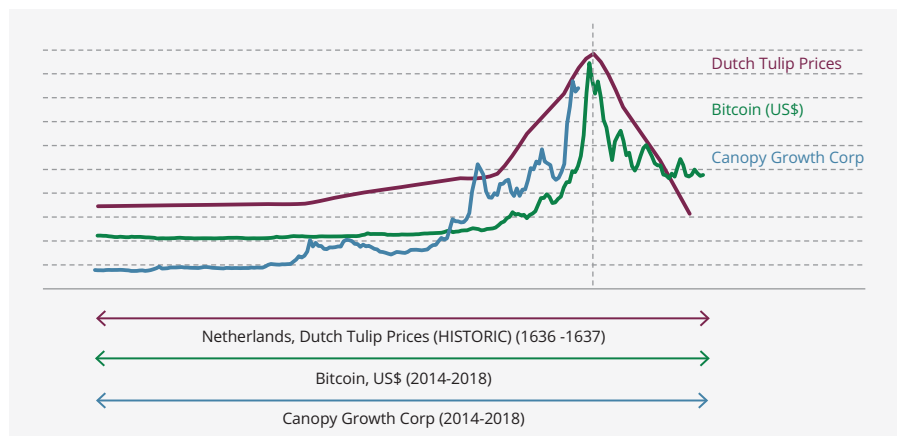
The online retailer plans to have this huge new estate in place as early as 2021, it announced after the launch of its fourth store in Chicago.

After downloading the Amazon Go app, shoppers scan their phone on entering and \$1m of modern scanners take care of the rest. Shoppers are automatically charged as they leave the stores that have no checkouts.

So far, Amazon has helped to create all the empty store space it might ever need, but whether it invests the billions needed to deliver on its Go format remains to be seen.

Chart of the week

Following a familiar path: Weed stocks may be blooming, but they could soon wilt



Source: Quilter Investors/Macrobond

Market data – % change in week ending 26/09/2018

Equities	% Change GBP	% Change USD
FTSE All-Share (UK)	1.49	0.98
MSCI AC World	0.29	-0.24
S&P 500 (US)	-0.35	-0.85
NASDAQ (US)	0.42	-0.08
MSCI Europe ex UK	0.75	0.24
TOPIX (Japan)	1.88	1.37
MSCI Asia ex Japan	1.20	0.69
MSCI Emerging Markets	1.33	0.82

Fixed Income¹

BB Global-Aggregate TR Index	0.00	0.03
BB Global-Agg Treasuries TR Index	-0.04	-0.01
BB Global-Agg Corporate TR Index	0.05	0.08
BB Global High Yield TR Index	0.24	0.27

Commodities

S&P Energy Index	2.96	2.44
S&P Precious Metals Index	-0.35	-0.85
S&P Industrial Metals Index	2.81	2.29
S&P Agriculture Index	0.29	-0.21

Currencies²

JPM UK FX Exchange Rate Index	-0.49	-0.49
JPM US FX Exchange Rate Index	0.14	0.14
JPM Euro Area FX Exchange Rate Index	0.18	0.18



Editorial credit: monkeybusinessimages/Stock.com

Tesco takes on discounter rivals

Supermarket giant Tesco has launched its own discount grocery store in an effort to take on its rivals Aldi and Lidl.

The new brand, named Jack's after Tesco founder Jack Cohen, will operate a low-cost business model with a simplified range of products at low prices, and a range of general merchandise on a "When it's Gone, It's Gone" basis.

Tesco is investing £25m into the venture, with two branches already open and 10-15 more expected in the next year. While Tesco is currently the UK's supermarket leader its market share has been sapped by the discounters. The big question is whether this will win back market share or just cannibalise Tesco's existing customer base.

The sector has been rebooted, but these new companies are standing on the shoulders of the giants before them.

Hinesh Patel, portfolio manager, Quilter Investors

Index data as at COB Wednesday 26 September 2018

¹ Bloomberg Barclays index data. ² Index data as at COB Wednesday 26 September 2018. ³ 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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