

Between the lines

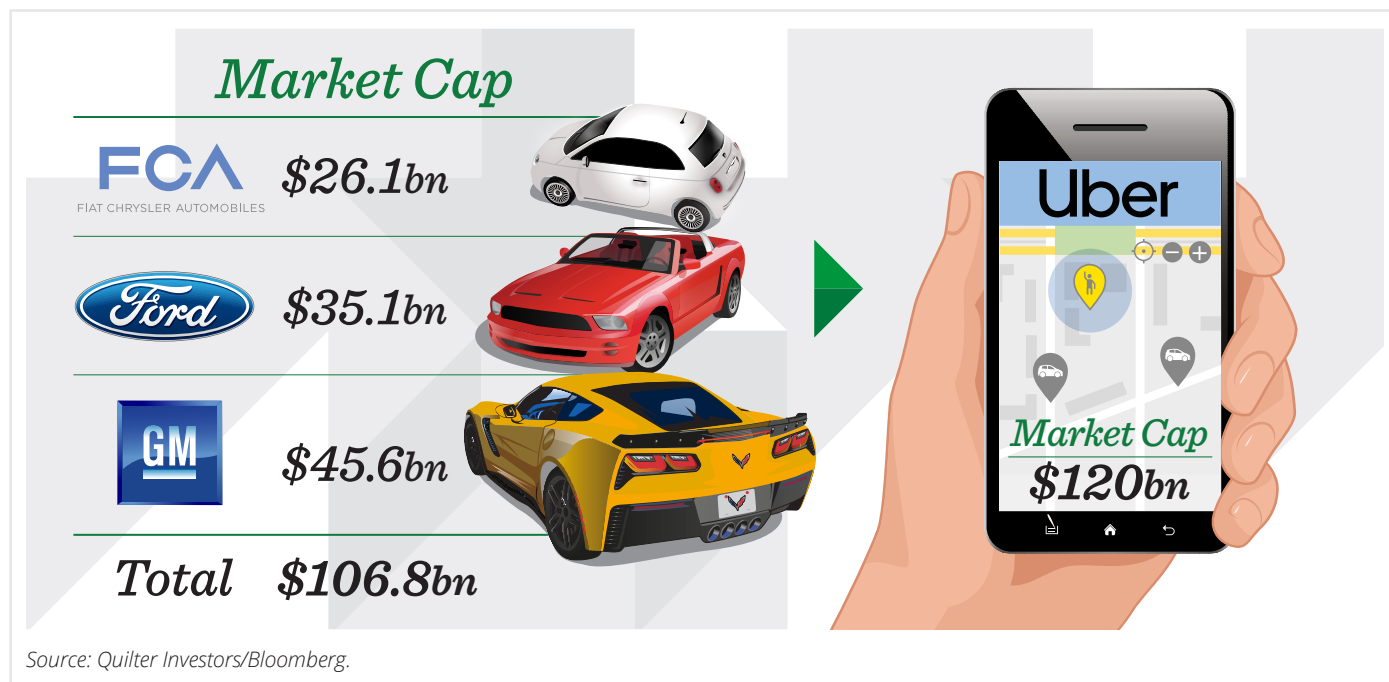
Week
42

Quilter Investors

Multi-asset investment thinking from the Quilter Investors team.

All hail!

Uber's projected IPO makes it worth far in excess of the three best known US car producers combined.



Credit: RomanBabakin/istock

Danske Bank blues continue

Further humiliation was heaped upon the hapless Danish lender this week when its regulator was forced to block the bank's elected replacement for the former CEO Thomas Borgen, who was grudgingly ousted last month.

Apparently, the bank's board needed the regulator to explain that a 40-year old internal candidate with less than two years banking experience wasn't the ideal candidate to rebuild the bank's reputation.

After revealing that it faces criminal charges in six countries, including the US, shares in Denmark's biggest bank, hit a four-year low this month. The news follows revelations that the sleepy Scandinavian bank helped perpetrate one of the greatest financial crimes in history by laundering upwards of €200bn through its Estonian operation.



Credit: YvanDube/istock

Amazon battles Walmart in Indian proxy war

A war is raging in India between two of the biggest retailers in the US – Amazon and Walmart. The two industry giants were in pitched battle for India's consumers with competing online sales extravaganzas last week. The prize is leadership of an online market that's projected to cover more than 470 million consumers by 2020.

In August, Walmart's completed its \$16bn purchase of a 77% stake in Bengaluru-based online retailer Flipkart, putting it in its first head-to-head clash with Amazon outside of the US. Their annual sales events saw wild, multi-day promotions from both players aimed at India's huge cohort of young workers. Meanwhile, ambulance staff stood by to scoop up exhausted staff members.



Netflix subscriptions boosts share price

Streaming service Netflix added almost 7m new customers in the third quarter pushing its share price 9.7% higher in trading on 17 October, the most since April.

It also offered an upbeat outlook, targeting almost 29m customers by year end, as it comfortably beat analyst expectations. Its recovery comes after its stumble last quarter triggered concerns of a tech slowdown.

Paul Craig, portfolio manager, Quilter Investors, says: "Netflix has great subscriber numbers, just don't look at the cashflow. Despite recent falls in technology names, they're still expensive, but these could perhaps be the first signs of a changing of the guard as quality and value pick-up the baton from growth."



Uber could IPO for \$120bn

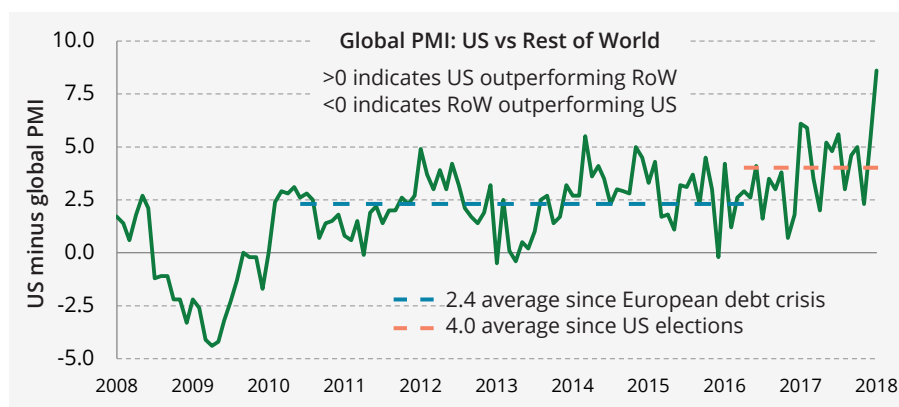
Ride-hailing service Uber has reportedly received IPO proposals from banks that could value the company at \$120bn should it list as planned in early 2019.

The figure would value it at more than the US 'Big Three' car manufacturers General Motors, Ford and Fiat Chrysler combined. The unlisted company is clearly in demand after it sold \$2bn of bonds in a private placement earlier in the week, while reports also emerged it is considering multiple offers for minority shareholdings in its self-driving unit ahead of any listing next year.

Meanwhile, Lyft, Uber's US rival is also seeking an IPO next year, although its valuation is a more conservative \$15bn.

Chart of the week

Uncharted territory: The US economy is currently outperforming the rest of the world more than at any time since records began.



Source: Quilter Investors/Macrobond

Market data – % change in week ending 18/10/2018

Equities	% Change GBP	% Change USD
FTSE All-Share (UK)	0.77	0.19
MSCI AC World	2.88	2.28
S&P 500 (US)	3.56	2.96
NASDAQ (US)	5.13	4.52
MSCI Europe ex UK	1.76	1.17
TOPIX (Japan)	1.48	0.90
MSCI Asia ex Japan	2.97	2.38
MSCI Emerging Markets	3.62	3.02

Fixed Income¹

BB Global-Aggregate TR Index	0.04	0.07
BB Global-Agg Treasuries TR Index	0.12	0.15
BB Global-Agg Corporate TR Index	-0.10	-0.07
BB Global High Yield TR Index	0.44	0.48

Commodities

S&P Energy Index	-0.27	-0.84
S&P Precious Metals Index	0.60	0.02
S&P Industrial Metals Index	0.86	0.28
S&P Agriculture Index	3.31	2.71

Currencies²

JPM UK FX Exchange Rate Index	-0.44	-0.44
JPM US FX Exchange Rate Index	-0.15	-0.15
JPM Euro Area FX Exchange Rate Index	-0.64	-0.64



Banks offer solid start to earnings season

The US earnings season has kicked off once again, continuing the positive trend of the last two quarters, with financials leading the way.

While only a small proportion have so far reported figures, the big five US investment banks – Bank of America, Citigroup, JPMorgan, Goldman Sachs and Morgan Stanley – delivered relatively upbeat results. JPMorgan reported stronger loan growth, while Bank of America had stronger figures from the retail rather than corporate side of the business. While this is not necessarily a negative, given US corporates have benefited from tax breaks, it's something to monitor, especially among regional banks which should be the ones that see smaller business corporate loans increase.

...these could perhaps be the first signs of a changing of the guard as quality and value pick-up the baton from growth.

Paul Craig, portfolio manager, Quilter Investors

Index data as at COB Wednesday 17 October 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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