

Between the lines

Week
48

Multi-asset investment thinking from the Quilter Investors team.

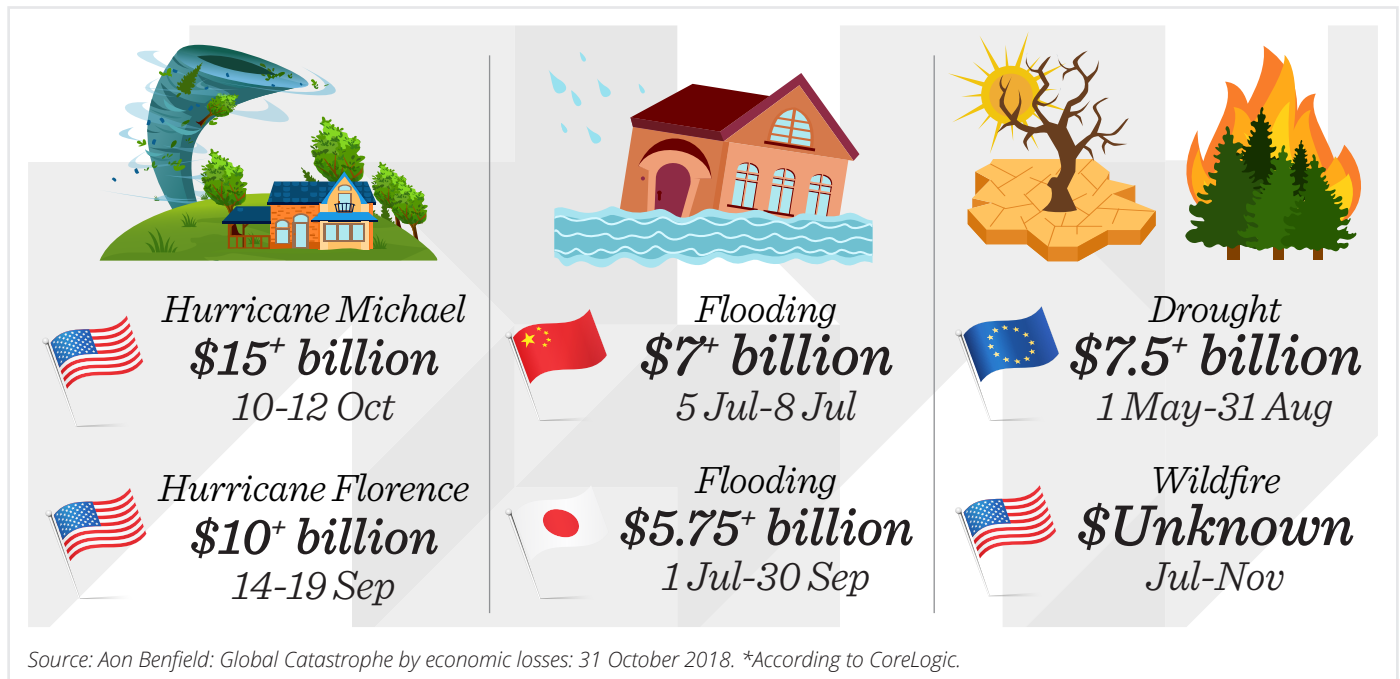
Quilter Investors



PULESTON
WEALTH MANAGEMENT

The cost of climate change

California's devastating wildfires are said to be the most destructive and deadly on record as well as being among the most expensive, with the economic loss estimated up to \$19bn*. These extreme weather events are becoming ever more common as climate change takes hold.



Credit: Evan El-Amin/Shutterstock

Trump shows his poker face

It's been a busy week for President Trump: he escalated his campaign against the Fed, threatened increased tariffs that could hit iPhones and other US tech, weighed in on Brexit (again) before threatening General Motors via Twitter.

However, the highlight of his week will be this Saturday's trade meeting with China's Xi Jinping.

As Quilter Investors assistant portfolio manager CJ Cowan opines, "This week saw some predictable chest beating from Mr Trump as he gears up for this weekend's crucial encounter. Such bluster is part of the show. With market chatter suggesting that the Chinese are willing to compromise on certain areas, we're hoping that Mr Trump finally makes some progress towards his 'big win'."



Credit: winhorse/stock

Turning sour: Dolce's China crisis

The privately-held Italian luxury brand Dolce & Gabbana has been shunned by Chinese consumers after a 'racist' marketing campaign backfired causing widespread outrage.

The incident revolves around culturally insensitive videos (showing Chinese people eating western food with chop sticks) promoting a Shanghai runway show and subsequent insulting comments in a private Instagram chat. Chinese consumer and government groups were up in arms and no less than three Chinese rap groups released protest singles.

The company's famous design partnership fell, ashen-faced, on their swords but it was insufficient to stop major Chinese retailers and websites stripping their goods in a nationwide show of nationalist sentiment.



Mexico's finance minister reassures markets

Carlos Urzua, Mexico's next finance minister sought to calm markets ahead of the inauguration of President Andres Manuel Lopez Obrador, after the stock market fell to its lowest level since 2014 on 26 November.

Obrador will take office on Saturday (1 Dec), but investors have been spooked by concerns over incoming government policies after he announced plans to cancel a partially built Mexico City airport in October.

His leftist party recently added to the misery when it recently proposed curbing bank fees, causing the market and currency to weaken further.

Not surprisingly, Urzua stated the Mexican economy was in good health and that he would push for a larger primary budget surplus in 2019.

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GM's female CEO wields knife; Trump opens fire

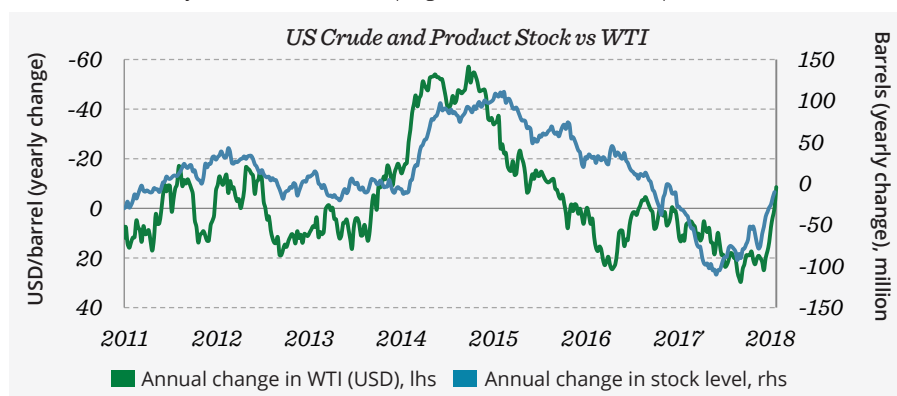
On Monday, the CEO of beleaguered General Motors, Mary Barra, announced that the storied US marque would be closing five major factories including those in Donald Trump's electoral heartlands of Ohio, Michigan and Maryland, with the loss of some 14,000 jobs.

The move helps align GM with the move away from sedans and to prepare it for a future of electric and driverless cars.

The news initially saw GM shares rally on Monday but on Tuesday President Trump tweeted that he planned to cut its government subsidies including those for electric cars. The shares retraced almost 3% despite no one knowing to what subsidies he might be referring.

Chart of the week

US stockpiles have been rising since 2014: The end of 2017 marked the start of a downward trend in US oil inventories. However latest data shows that nearly 100 million barrels of inventory has been added, helping drive the WTI crude oil price lower.



Source: Quilter Investors/Macrobond.

Market data – % change in week ending 29/11/2018

Equities	% Change GBP	% Change USD
FTSE All-Share (UK)	0.61	-0.32
MSCI AC World	3.15	2.15
S&P 500 (US)	3.77	3.54
NASDAQ (US)	5.36	5.14
MSCI Europe ex UK	1.43	0.49
TOPIX (Japan)	1.55	0.60
MSCI Asia ex Japan	3.11	2.15
MSCI Emerging Markets	2.51	1.55

Fixed Income¹

BB Global-Aggregate TR Index	0.09	0.12
BB Global-Agg Treasuries TR Index	0.11	0.13
BB Global-Agg Corporate TR Index	-0.07	-0.04
BB Global High Yield TR Index	-0.09	-0.05

Commodities

S&P Energy Index	-6.32	-6.52
S&P Precious Metals Index	-0.19	-0.40
S&P Industrial Metals Index	-1.29	-1.50
S&P Agriculture Index	0.69	0.48

Currencies²

JPM UK FX Exchange Rate Index	0.50	0.50
JPM US FX Exchange Rate Index	0.34	0.34
JPM Euro Area FX Exchange Rate Index	-0.27	-0.27



China to ban copycat fund names

Newly-launched Chinese funds will not be allowed to exploit existing brands, such as HSBC, under new rules to come into effect next year.

The Asset Management Association of China (AMAC) has published industry guidelines that from 1 January 2019 will prevent Chinese asset managers from linking their funds to well-known brands or fund managers by the "illegal use of celebrities' names, the name or trade name of well-known institutions."

However, the rules will not apply to existing funds, which according to reports include roughly 60 that use the HSBC name but have nothing to do with the banking giant. In 2016 research highlighted 114 instances of such misappropriation.

...we're hoping that Mr Trump finally makes some progress towards his 'big win'.

CJ Cowan, assistant portfolio manager, Quilter Investors

Index data as at COB Wednesday 28 November 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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