

Between the lines

Week
45

Quilter Investors

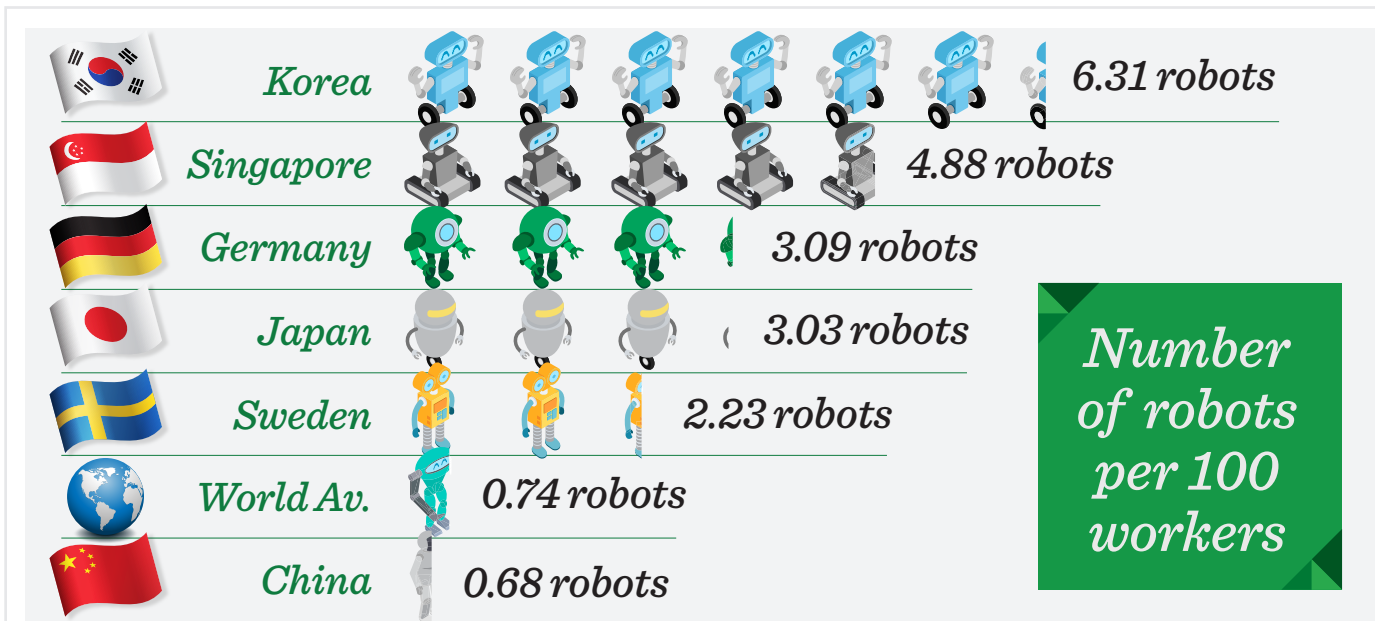
Multi-asset investment thinking from the Quilter Investors team.



PULESTON
WEALTH MANAGEMENT

The robots are coming

While Japan has historically led the way in terms of robot density – the number of robots relative to humans in manufacturing and industry – it has since been overtaken by Korea and Singapore as Japan's industrial production increasingly moved abroad.



Source: International Federation of Robotics, World Robotics 2017 - Industrial Robots.



Japan's mobile players commit hari-kari

Japanese government demands for a 40% reduction in mobile phone charges prompted NTT Docomo, the country's largest carrier, to announce major cuts from April in a move that will slice up to \$3.5bn a year from its top line.

Estimates that it will take five years for NTT to fill the hole saw its shares tank 15% last Thursday. Despite denying plans to follow suit, shares in KDDI, one of Japan's other big three mobile players, fell more than 16% while SoftBank shares lost around 8%.

Competition in the saturated sector will only grow from here with SoftBank's planned mobile IPO slated for next month and the arrival of e-commerce giant Rakuten in a year's time.



US mid-terms: from a 'blue wave' to a purple rinse

The US mid-term elections culminated this week in the Democrats winning at least 26 seats and their first majority in the House of Representatives for eight years.

However, President Trump's tireless campaigning subdued the promised 'blue wave' with slightly more Republican red added to its Senate majority.

Quilter Investors, head of investments Anthony Gillham said, "With the prospect of a further fiscal boost receding as Democrats are likely to fight further tax cuts, we can expect to see less pressure on US interest rates. This should help restrain the dollar. Both of these outcomes – looser global liquidity and a cheaper dollar – would be a boost for emerging markets and for exporters in general."



From Telstra to Tesla

Tesla has settled more than a month of intrigue by naming a new chairman to replace Elon Musk after he was forced to forego the post as part of his 'Elon-gate' settlement with the SEC.

The company has elected to promote from within by appointing Robyn Denholm, a serving independent director at Tesla since 2014. Denholm is currently CFO and head of strategy at Australian telecoms operator Telstra where she is now completing her six-month notice period.

Her appointment ends a period of intense speculation which included suggestions that fellow independent director, media scion James Murdoch, might take the post after losing his seat as CEO of Twenty-First Century Fox following its acquisition by Disney.



Credit: shutterstock/zairiazma

Investors take big bites out of food producers

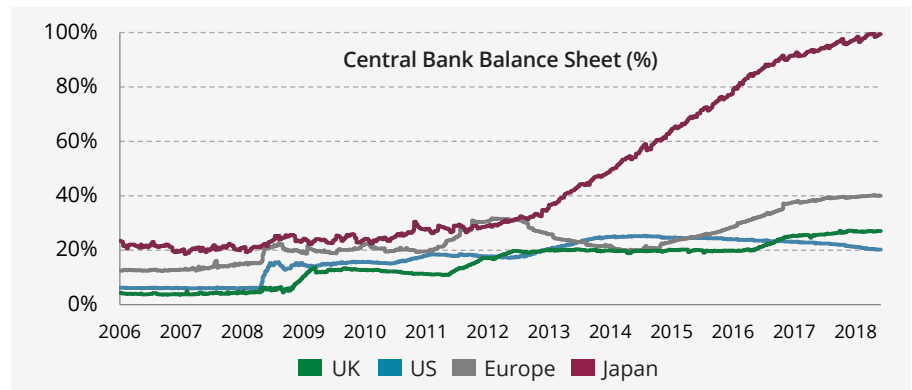
Well-known conglomerates Kellogg's and Kraft Heinz were among consumer staples that struggled as weaker earnings results pushed share prices lower.

Kellogg's, best known for its breakfast cereals, reported lower than expected earnings per share (EPS) for the third quarter, highlighting additional packaging costs on single-serve snacks and the impact of higher shipping costs. Despite profits increasing to \$3.47bn, its share price dropped almost 9% following the results.

Meanwhile, Kraft, known for its Philadelphia and sauce brands, saw its share price fall 9.7% after it reported a 30.4% fall in operating income and slower sales growth, citing higher input costs and investments in strategic capabilities.

Chart of the week

Battle of the banks: Japan has the furthest to go to reduce the impact of quantitative easing as the size of its central bank balance sheet is equivalent to almost 100% of the country's GDP, while the US is at 20% and declining.



Source: Quilter Investors/Macrobond.

Market data – % change in week ending 08/11/2018

Equities	% Change GBP	% Change USD
FTSE All-Share (UK)	0.05	1.29
MSCI AC World	0.91	2.17
S&P 500 (US)	1.43	2.68
NASDAQ (US)	0.65	1.89
MSCI Europe ex UK	0.38	1.62
TOPIX (Japan)	-0.49	0.73
MSCI Asia ex Japan	1.36	2.61
MSCI Emerging Markets	1.45	2.70

Fixed Income¹

BB Global-Aggregate TR Index	-0.14	-0.12
BB Global-Agg Treasuries TR Index	-0.19	-0.17
BB Global-Agg Corporate TR Index	0.04	0.06
BB Global High Yield TR Index	0.56	0.60

Commodities

S&P Energy Index	-2.46	-1.26
S&P Precious Metals Index	-1.96	-0.75
S&P Industrial Metals Index	-0.97	0.25
S&P Agriculture Index	-0.48	0.75

Currencies²

JPM UK FX Exchange Rate Index	0.87	0.87
JPM US FX Exchange Rate Index	-0.55	-0.55
JPM Euro Area FX Exchange Rate Index	0.01	0.01



Credit: Clavivs/Shutterstock

Spanish banks rally on tax decision

Shares in Spanish banks including BBVA rallied after the Supreme Court reversed a decision requiring banks to pay stamp duty on mortgages.

Names including BBVA and Banco Santander gained between 1.4% and 4.1% on 7 November after the court overturned a ruling from mid-October that declared banks and not customers were responsible for the tax, creating a potential bill estimated at around €15bn.

However, the Spanish government quickly declared plans to pass a law counteracting the ruling to force banks to pay the tax. The news saw banks dip before largely holding their gains after it became clear the new law would not be applied retrospectively.

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Anthony Gillham, head of investments, Quilter Investors

Index data as at COB Wednesday 7 November 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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