

Between the lines

Week
49

Quilter Investors

Multi-asset investment thinking from the Quilter Investors team.



PULESTON
WEALTH MANAGEMENT

Women and wealth

News that Denise Coates, CEO of gambling firm Bet365, was paid an annual wage of £265m caused controversy but highlighted how women are slowly taking a larger share of global wealth. Whether through work, inheritance or divorce, women are now wealthier; they also tend to be more risk averse.

Global wealth owned by women in 2018

42%



Up from 27% in 2009

Assets held in non-financial form by women

75%



73% held by men

16% of women own financial assets in a "risky form"



22% owned by men

Source: Credit Suisse, Boston Consulting Group, EC: Household Finance and Consumption Survey.



Carney denies BoE 'scaremongering'

Mark Carney has defended the BoE from accusations of Brexit scaremongering to the Treasury Committee.

He told MPs the assessments, which said 'no-deal' could have a worse economic effect than the global financial crisis, came from years of work by senior economists alongside 150 different BoE professionals, and wasn't the result of an "exam crisis". However, he said the financial sector is "in a position that it needs to be for a tough scenario".

Hinesh Patel, portfolio manager, Quilter Investors, says: "This is just the latest blow to May's Brexit deal, but it's good to see Carney defending the bank's analysis. These are scenarios that are truly in the bounds of possibility – we must stay alert to such extreme tail risk."



Royal Dutch Shell links pay to carbon targets

Royal Dutch Shell is to link carbon emissions targets to executive pay in response to shareholder pressure over climate change.

The company issued a joint statement with a leadership group of institutional investors, including Robeco and the Church of England Pensions Board, on steps to demonstrate alignment with the goals of the Paris Agreement on climate change.

It outlined plans to reduce its net carbon footprint by around 20% by 2035 and around half by 2050 alongside targets linked to remuneration.

The latter would link energy transition and long-term remuneration, although the final plan is still being discussed, which will be subject to a shareholder vote at the 2020 AGM.



Tech names bounce back

Last week, US markets had their best week in seven years as investor sentiment rebounded in the run up to President Trump's G20 meeting with China's Xi Jinping and Americans opened their wallets for a record Black Friday.

The Nasdaq index jumped almost 6.5% with the S&P gaining close to 5%. Tech stocks generally led the charge. Salesforce leapt 17% on strong earnings while the recently mauled graphics chip maker NVIDIA, bounced back 12%.

Amazon jumped almost 13% and made further gains on Monday thanks to a Black Friday where online sales jumped 26% on last year.

Monday's move saw Amazon briefly become the world's most valuable company – days after Microsoft lifted the title from Apple.



GSK suffers on Tesaro deal

Pharmaceutical giant GlaxoSmithKline saw its share price fall 7.7% on Monday (3 Dec) after it announced plans to buy US biotech firm Tesaro for \$5.1bn.

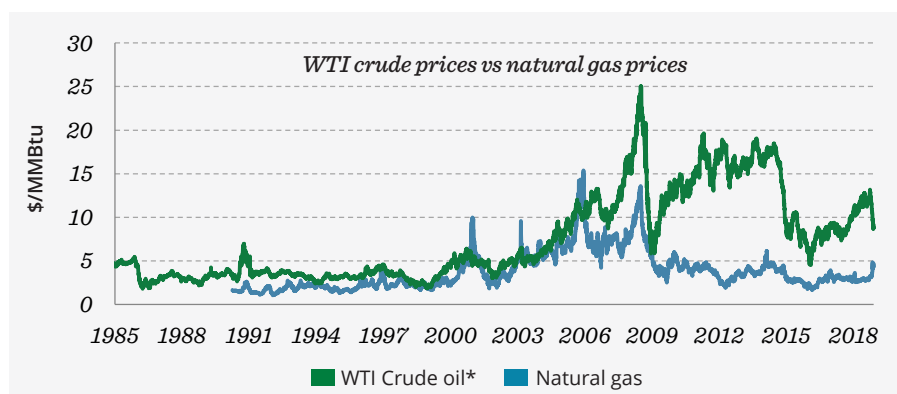
It is the first major acquisition for the company, which also confirmed it had sold its Indian Horlicks business to Unilever for \$3.8bn, since completing its recent strategic review.

Tesaro specialises in cancer treatments and has an ovarian cancer drug available in the US and Europe. But the company lost \$466m in the nine months to 30 September 2018 and the acquisition price represents a 110% premium on the average share price.

GSK said the deal would accelerate the build of its oncology pipeline and commercial footprint.

Chart of the week

Crude numbers: After being closely correlated for decades, oil and gas prices are diverging fast. Since the start of October WTI prices have fallen c35% while natural gas prices are up almost 40%.



Source: Quilter Investors/Macrobond. *WTI scaled by 5.8 for comparison purposes as per SPE: <https://www.spe.org/industry/unit-conversion-factors.php>

Market data – % change in week ending 5/12/2018

Equities	% Change GBP	% Change USD
FTSE All-Share (UK)	-1.65	-1.95
MSCI AC World	-0.86	-1.18
S&P 500 (US)	-1.39	-1.59
NASDAQ (US)	-1.51	-1.71
MSCI Europe ex UK	-1.04	-1.35
TOPIX (Japan)	-0.69	-0.99
MSCI Asia ex Japan	1.23	0.92
MSCI Emerging Markets	0.72	0.41

Fixed Income¹

BB Global-Aggregate TR Index	0.40	0.43
BB Global-Agg Treasuries TR Index	0.45	0.49
BB Global-Agg Corporate TR Index	0.34	0.38
BB Global High Yield TR Index	0.30	0.33

Commodities

S&P Energy Index	2.50	2.19
S&P Precious Metals Index	1.33	1.02
S&P Industrial Metals Index	1.43	1.12
S&P Agriculture Index	2.06	1.75

Currencies²

JPM UK FX Exchange Rate Index	-0.29	-0.29
JPM US FX Exchange Rate Index	0.01	0.01
JPM Euro Area FX Exchange Rate Index	-0.33	-0.33



Roof falls in on UK housebuilders

The UK's housebuilders and estate agents suffered last week as they were whip-sawed between weaker housing data and Brexit fears.

Although the latest Nationwide housing data showed UK house prices edging higher in November – average prices gained 1.9% y-o-y – it was the first time that the measure had dipped below 2% for five years thanks to the uncertain economic outlook and broader Brexit fears.

Over the course of last week, the UK's biggest housebuilders such as Taylor Wimpey, Bellway and Persimmon all fell more than 12% as a consequence. Other housebuilders such as Crest Nicholson and Redrow also suffered losses as did estate agents Countrywide and Savills.

These are scenarios that are truly in the bounds of possibility – we must stay alert to such extreme tail risk.

Hinesh Patel, portfolio manager, Quilter Investors

Index data as at COB Wednesday 5 December 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 sophisticated investors only.

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