

Between the lines

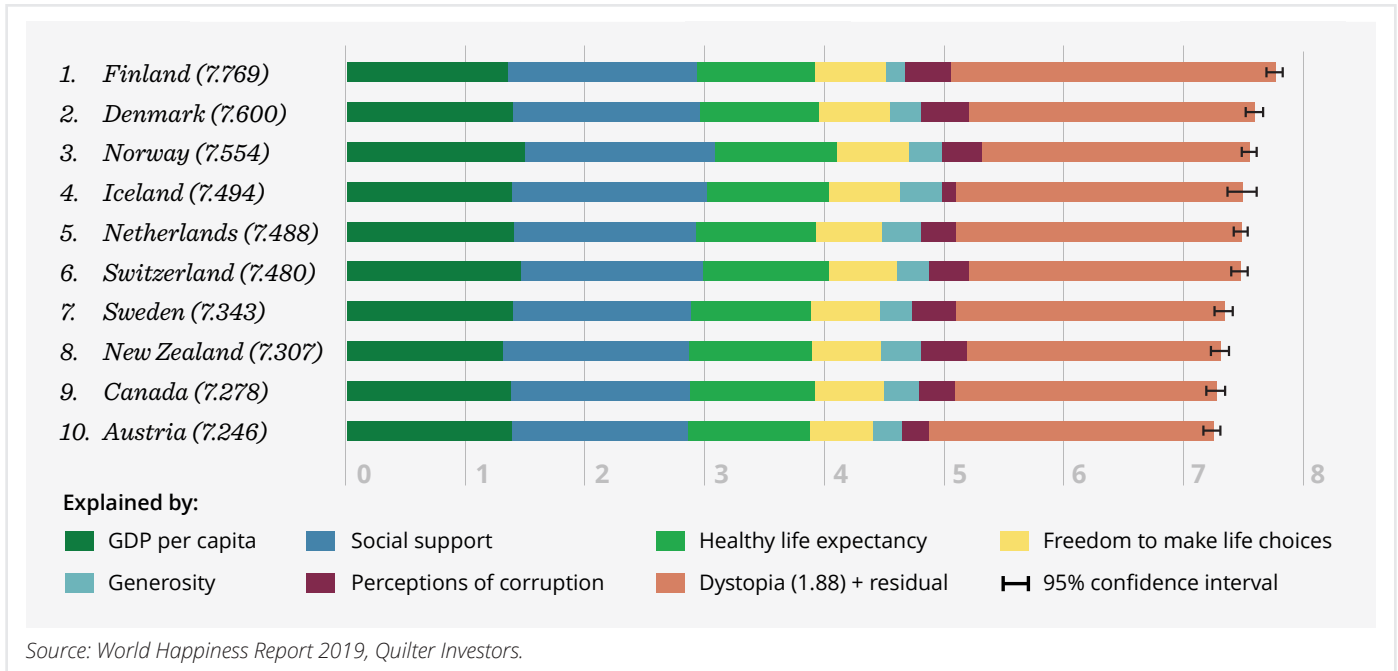
Week 15

Quilter Investors

Multi-asset investment thinking from the Quilter Investors team.

Money can't buy happiness

It's true what they say. The latest World Happiness Report shows that the Scandinavians still dominate the field and that, in a third of the countries where incomes are rising, happiness is actually falling.



Trump turns eye on Europe

US President Donald Trump has set his sights on European Union (EU) trade, tweeting the US would impose tariffs on \$11bn of European products, apparently in relation to an almost 15-year old dispute overseen by the World Trade Organisation over aircraft subsidies.

While trade talks between the US and China continue, US officials appear to have shifted focus to the EU and drawn up a list of targeted products in retaliation for Airbus subsidies, while the EU said it would retaliate with tariffs over US subsidies to Boeing.

Hinesh Patel, portfolio manager, Quilter Investors, says: "It was only a matter of time before the trade tensions resurfaced between the US and Europe. If the tariffs target fringe items, the impact could be minimal, but should Trump focus on autos or other key exports, then it could put extra pressure on an already fragile European economy."



Debenhams taken over by creditors

The UK high street giant Debenhams went into administration on Tuesday, before being immediately sold to its creditors.

In a similar arrangement to that of Interserve, the move allows Debenhams to continue trading while restructuring takes place, but wipes out existing shareholders. This includes the 30% share held by retailing mogul Mike Ashley, the boss of Sports Direct.

Ashley had been trying to seize control, but Debenhams rejected his last minute rescue plan, which included making himself chief executive.

The board, which is to remain in place, said the administration, while disappointing, would allow it to access funding, delever the group's balance sheet and execute its turnaround plans.



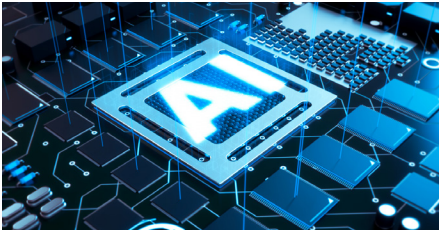
UK could lose 3.5% growth in 'no-deal' Brexit

The International Monetary Fund (IMF) warned the UK's economy could lose the equivalent of two or three years growth should it crash out of the European Union (EU) without a deal.

In its latest World Economic Outlook, the IMF said even in a relatively "orderly" no-deal scenario with minimal trade barriers, the UK economy would still grow 3.5% less by 2021 than it would under a smoother Brexit that involved some kind of deal.

The report warned a no-deal Brexit that "severely disrupts supply chains and raises trade costs could potentially have large and long-lasting negative impacts on the economies of the UK and the EU". It warned the EU would suffer around a 0.5% fall in GDP by 2021 in a no-deal scenario.

UK: Suitable for retail investors. Rest of Europe and Singapore: For sophisticated investors only.



Qualcomm takes on Nvidia and Intel on AI

Qualcomm is looking to diversify away from mobile phone chips and take on rivals Nvidia and Intel in the artificial intelligence space.

The firm unveiled its new Cloud AI 100 chip used for 'inference' – a process of using an AI algorithm that has been 'trained' to do a task such as translate audio into text. It plans to test it with partners such as Microsoft ready for production next year.

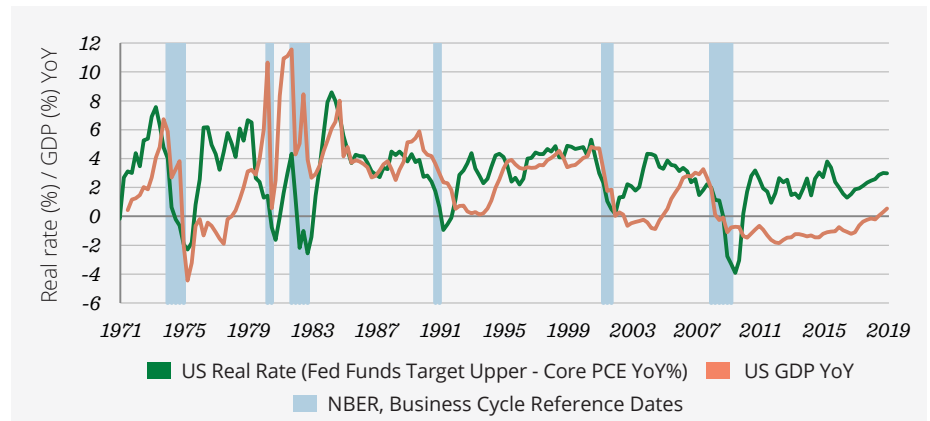
Analysts estimate 'inference' could be the largest part of the AI market in the future, and Nvidia has already released special chips, while Intel is working with Facebook to release one later this year.

However, Qualcomm said it would be targeting smaller, simpler data centres, while its rivals focus on more powerful chips for centralised data centres.



Chart of the week

The real deal: Market prognosticators had kittens when parts of the US yield curve inverted recently; such 'signals' are powerful portents of recessions to come. But if history is any guide, the US is further from recession than the yield curve might suggest. In the last 50 years, there's never been a US recession when 'real' US rates (ie rates after inflation) have been this low.



Source: Quilter Investors/Macrobond.

Saudi Aramco records \$100bn of demand for bonds

The state-owned Saudi Arabian oil giant, Saudi Aramco, sparked global interest in its first international bond issue, with reports it received more than \$100bn of orders.

Originally it expected to raise around \$10bn from the issue, which is split into six tranches of US-dollar denominated debt ranging in maturity from three to 30 years.

The company recently revealed it made core earnings of \$224bn last year, almost three times the amount made by Apple, as it released financial details to obtain public credit ratings. However, Fitch and Moody's only rated Saudi Aramco as A+ and A1 respectively, highlighting the influence Saudi Arabia exerts in relation to taxation and dividends, as well as production levels.

Meanwhile, the success of the bond is likely to support expectations that the company will eventually complete its long-awaited IPO, last estimated to take place in 2021.

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Hinesh Patel, portfolio manager, Quilter Investors.

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