



Investment Insight

Friday, 21 March 2014

Say what? In our regular meetings with fund managers we are always interested to hear what company CEOs and CFOs are telling them about trading conditions, order books, etc. This provides a lot of valuable "colour" that complements the information contained in formal results announcements. However, it is also interesting to listen to what CEOs are saying to investors on their post-results conference calls as you inevitably gain insights into how they are finding the current business environment. As we approach the end of the current reporting season, in this week's **Inside Track** we take a look at what some of the bellwethers have been saying. In summary, many remain bullish that, as the second quarter draws closer, so too will the long awaited recovery.

Handbagged. For much of the past decade it was a de-rigueur fashion accessory, its recognisable designs featuring in the wardrobes of Hollywood stars and the fashion-conscious mass affluent. Its share price matched the stratospheric rise in demand for its products. Now, after a handbagging from shareholders, its CEO of two years has departed with immediate effect. So what was the company and why did the CEO make such a swift exit? In **Pic of the Week** we take a look.

The Inside Track

The following are extracts from recent earnings calls with the CEOs of some of the US bellwethers. The market digests such sound-bites while it attempts to identify any early signals of economic conditions before hard data is released. Overall, the tone is reasonably positive.

U.S. Steel - Earnings Call 28/1/14 (David Burritt, CFO)

Economic trends give us cautious optimism about 2014. The Federal Reserve Board has begun tapering QE3 slightly. The President and Congress seem able to keep the government running. And the geopolitical environment appears no worse than 2013. After a recent pullback in the stock market recently, we see no reason why we can't get back on the economic recovery path. In brief, we see 2014 as better for U.S. Steel, much better than 2013."

Apple - Earnings Call 27/1/13 (Tim Cook, CEO)

We've been selling with China mobile now for about a week, and last week was the best week for activations we have ever had in China. So it's been an incredible start. And we're – at this moment, we're just selling in 16 cities with China Mobile. And this number is projected to be in over 300 cities by the end of the year. And so we've got quite the ramp in front of us, and we're incredibly excited. China Mobile has more subscribers than anyone in the world. They have three quarters of a billion. And so I do see it as a watershed moment for Apple and have a very, very strong belief in the abilities of the two companies to do great things together."

Citigroup - Earnings Call 16/1/14 (Mike Corbat, CEO)

Looking to 2014, we expect to be tested again as we believe the environment, while improving, will remain challenging. We believe short-term interest rates will remain low for the foreseeable future. And although we're working hard to put the remaining legacy issues behind us, legal headwinds will remain with us and the industry. And while we do see an improving economic environment, growth won't be robust really by any means. We believe the deceleration of growth in Asia has bottomed out and the Eurozone is continuing to recover, but albeit slowly.

Walmart - Earnings Call 20/2/14 (David Cheesewright, CEO of Walmart International)

We're operating in a challenging global environment, with low inflation, relatively high unemployment and fragile consumer confidence leading to modest consumer spending. Looking ahead for the International segment as a whole, we expect global macroeconomic conditions to remain challenging, but are seeing some green shoots of economic recovery in various markets. For example, the economic outlook in the U.K. is improving, the outlook for China appears to be stable, and inflation should help a few markets."

Pic of the Week

During the tenure of Mulberry's latest CEO from March 2012 until he stood down yesterday, the company's share price has fallen by 66%. Its decline cannot be attributed to changes in consumer spending habits as its peers, on average, continue to trade well. The problem is, rather, an unsuccessful strategy to take a further step up the luxury brand ladder and compete with brands like Hermes, the CEO's former employer. A decision to raise prices and pursue global expansion proved unwelcome to consumers who voted with their...handbags. While there was inevitable pressure on the CEO to prolong the company's success, changing a winning formula was not the way to do it.



Week ahead: Key events

- 24/03 China Manufacturing & EU PMIs
- 25/03 UK CPI
- 25/03 S&P/CaseShiller Home Price Index
- 25/03 US New Home Sales & Consumer Confidence Index
- 27/03 China Industrial Profits
- 27/03 UK Retail Sales & US Initial Jobless Claims
- 28/03 UK GDP & EU Consumer Confidence

Market View

	Last 7 days	YTD	5Y Ann.
Global equities	+0.5%	-0.9%	+14.3%
US equities	+1.4%	+1.3%	+19.5%
European equities	+1.7%	-0.6%	+13.1%
Emerging market equities	+0.3%	-6.2%	+11.2%
Irish equities	+0.4%	+7.8%	+17.9%
Commodities	-1.3%	+5.9%	+3.4%
Hedge funds	-0.0%	+1.0%	+3.8%

Economic indicators	Bond yields	Inflation	GDP YoY
Ireland	+3.1%	-0.1%	-0.7%
Germany	+1.6%	+1.2%	+1.4%
USA	+2.8%	+1.1%	+2.5%
China	+4.5%	+2.0%	+7.7%

Currencies	Current	YTD Δ
EUR:USD	1.38	+0.3%
EUR:GBP	0.84	+0.6%
EUR:CNY	8.58	+2.9%
GBP:USD	1.65	-0.4%

Commodities	Current	YTD Δ
Gold	1,331.98	+10.5%
Copper	6,441.00	-12.7%
Oil	106.38	-3.2%
Wheat	703.00	+14.9%

Central Bank rates	Current
Eurozone	0.25%
USA	0.25%
UK	0.50%

Suite 3, The Cubes 3
Beacon South Quarter
Sandyford
Dublin 18, Ireland

T: (+353 1) 685 4100
E: media@aria-capital.ie
W: www.aria-capital.ie

UNDIVIDED
ATTENTION

Important Disclosure: Aria Capital Limited is regulated by the Central Bank of Ireland. Financial data provided by Bloomberg. All values are indicative only. This Investment Insight has been prepared for information purposes only. It does not constitute investment advice or an offer to buy or sell securities. No investment decisions should be made without seeking appropriate professional advice. This document may not be reproduced in whole or in part without Aria Capital's permission. © Aria Capital Limited 2014. All rights reserved.