Investment Insight

Friday, 5 May 2017

ARIA | CAPITAL

Reaching the summit. *At an Investment Summit held by Fidelity in London last week we took the opportunity to review many different markets with some of the leading fund managers and investment strategists in the investment community. Fidelity doesn't have a "house view" which means every manager has the freedom to express their own thoughts, concerns and predictions - always an insightful process! However, there were some common themes that emerged, and these are summarised in this week's* ***Inside Track****.*

Cheap date. *On Wednesday, Deutsche Bank published its 6th annual survey of global prices of goods and services. European cities are generally the most expensive place for goods and services but the US has been catching up in many areas since this report started in 2012 helped by a strong dollar. But the data includes some particularly interesting information for those romantics among you. In this week's* ***Pic of the Week*** *we explain all!*

Quoted...

"Consider the postage stamp, my son. It secures success through its ability to stick to one thing until it gets there." - Josh Billings

The Inside Track

The Fidelity Investment Summit is a gathering of the investment community with many of Fidelity's leading fund managers, analysts and strategists. This annual event took place in London last week and the following are some of the key take-aways.

Lessons from the events of 2016

- Prevailing positioning matters more than the outcome of events.
- Despite significant residual issues, the financial system has recapitalised to the extent that broad contagion risks are low.
- Politics impacts the real economy but only at the margin.
- There is a fundamental difference between the metabolic rate of business and the timescale of complex political processes such as Brexit.
- A form of Laffer Curve (*the theory that says lower tax rates boost economic growth*) exists also with monetary policy.

Policy shifts may be lying ahead of us

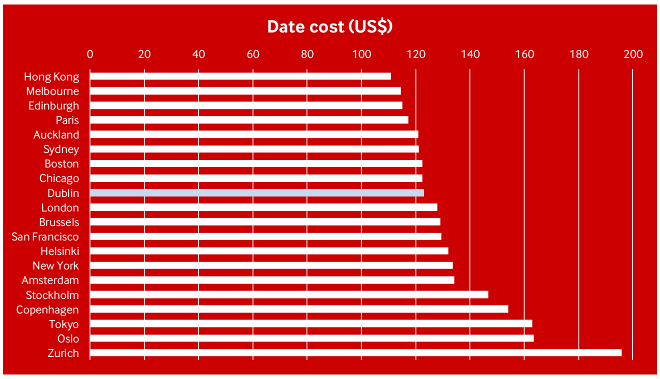
- Across most developed economies, a focus on monetary policy has produce questionable results in terms of impact on the real economy.
- A combination of this scepticism and strong evidence of societal cost has seen political support for quantitative easing fade.
- Potential for a focus on fiscal expansion to be a more widely adopted strategy.
- Concerns over foreign balance sheets could be counteracted by dovish central banks and an increase in the velocity of money.
- Global trade may grow in a lower (or zero) multiplier of economic activity but similarly wrong to negate impact of the last 25 years!

What market environment can we look forward to?

- Valuation for European equities in line with long-term average and attractive relative to other asset classes.
- Company balance sheets remain strong and there is scope for a continued high level of corporate activity – this will support aggregate market levels.
- A more robust economic environment and the resumption of earnings growth (in aggregate) may be supportive.
- The financial system is more resilient and less vulnerable to exogenous shocks.

Pic of the Week

For those considering a romantic getaway, Deutsche Bank recently updated its 'cheap date' index. Zurich remains the most expensive place to do and buy a lot of things, followed by several US cities and then Sydney. Dublin comes in acceptably mid-table. Now who said you can't put a price on love?!



Week ahead: Key events

08/05 Japan Consumer Confidence
08/05 Germany Factory Orders & UK House Prices
09/05 US Job Openings & Small Business Optimism
10/05 China CPI & US Mortgage Applications
11/05 UK Production Data
12/05 Germany CPI & GDP
12/05 Eurozone Industrial Production
12/05 US CPI & Retail Sales

Market View

	Last 7 days	Last 12 mths	YTD	5Y Ann.
Global equities	+0.2%	+17.4%	+6.7%	+9.6%
US equities	-0.2%	+16.2%	+6.5%	+11.7%
European equities	+0.4%	+17.5%	+7.2%	+8.5%
EM equities	+0.6%	+21.2%	+14.3%	-0.5%
Irish equities	+2.1%	+17.4%	+8.4%	+17.4%
Commodities	-1.5%	-3.9%	-5.9%	-9.7%
Hedge funds	+0.1%	+6.4%	+2.2%	+1.4%

Economic indicators	*Bond yields*	*Inflation*	*GDP YoY*
Ireland	+0.8%	+0.7%	+7.2%
Germany	+0.4%	+2.0%	+1.7%
USA	+2.4%	+2.4%	+1.9%
China	+3.5%	+0.9%	+6.9%

Currencies	*Current*	*YTD Δ*
EUR:USD	1.10	+4.3%
EUR:GBP	0.85	-0.5%
EUR:CNY	7.55	+2.8%
GBP:USD	1.29	+4.7%
Bitcoin	1,595.95	+67.6%

Commodities	*Current*	*YTD Δ*
Gold	1,229.85	+6.7%
Copper	5,566.75	+0.8%
Oil	48.79	-16.9%
Wheat	440.25	+1.4%

Central Bank rates	*Current*
Eurozone	0.00%
USA	1.00%
UK	0.25%

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