

# Between the lines

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# Quilter Investors

Multi-asset investment thinking from the Quilter Investors team.

## Cyber crime enters the big time

In 2017 alone, over two billion data records were stolen worldwide. This is pushing the issue of Cybersecurity up the agenda and has prompted a flurry of patent applications from industry whales such as Facebook, Amazon, Microsoft, Google and Apple.



## Is the roof falling in on US housing starts?

The number of new US single-family houses declined almost 2% this month suggesting that, after strong growth between 2010 and 2017, housing starts have plateaued and are now starting to decline as affordability issues loom and confidence among US housebuilders ebbs.

As Hinesh Patel, portfolio manager at Quilter Investors, explains, "This is a more troubling downturn than it might first appear as housing starts are a leading indicator of wider US economic activity. For an economy that's booming, the US isn't building nearly as many new homes as you might expect.

"Housebuilders have suffered this year, as has the wider sector, and while housing starts have risen in the West and South, they've fallen in both the Midwest and the Northeast – key constituencies in the next US election."



## Ghosn in the machine: Nissan CEO arrested

Monday saw the arrest and incarceration of Carlos Ghosn, chairman of Nissan, Mitsubishi and Renault, by Japanese authorities on multiple counts of financial fraud.

Shares in Renault were almost 10% down by the close on Tuesday while Nissan shares plunged 5.5% in Tokyo.

The highlights include understating Mr Ghosn's annual remuneration of £69m by 50% (over five years) and splashing out a reported \$15m of Nissan's money on luxury properties for him in Rio de Janeiro, Beirut, Paris and Amsterdam.

Nissan has dismissed Ghosn but the French government-backed Renault intends to somehow keep the legendary figure at the helm. A battle royale is to be expected.



## Nvidia: crypto mining stock buried in cave in

Chipmaker Nvidia's share price has continued to plummet after third quarter earnings missed estimates as a fall in cryptocurrency mining hit sales.

The disappointing figures dovetailed with a wider technology slump, causing the share price to fall 18.8% on Friday 16 November followed by a further 12% on Monday this week as it highlighted a drop in demand for gaming cards.

Thy cards are used in cryptocurrency mining, but as the price of cryptocurrencies have fallen, mining has become less profitable.

Recent research suggests that it now costs twice the energy to mine \$1 worth of Bitcoin as it does to mine the same value of copper, gold or platinum.



## Apple cuts production on new iPhones

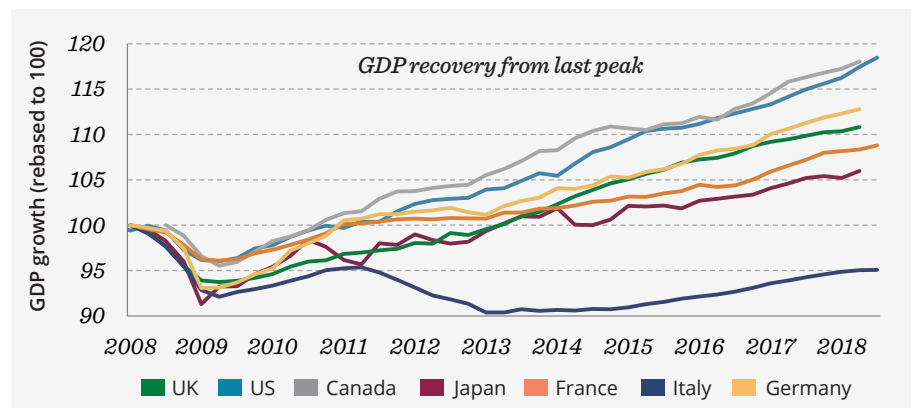
Technology giant Apple is reportedly cutting production orders for its three newest iPhones on the back of weaker demand.

The group's share price struggled in response, falling around 4% on 19 November, on media reports it had told suppliers to cut production of the iPhone XR by a third, with plans to potentially further trim production.

The reports come as no surprise after Apple announced a below expectations sales forecast for the Christmas quarter. The semi-conductor industry has since struggled, including Lumentum the supplier of Apple's FaceID technology, which fell 33% earlier this month after it warned one of its "largest industrial and consumer customers" reduced shipments.

## Chart of the week

**Still waiting for a recovery:** Italy's controversial budget plans come at a time when its economy is still languishing after failing to recover from the financial crisis of a decade ago.



Source: Quilter Investors/Macrobond.

## Market data – % change in week ending 22/11/2018

| Equities              | % Change GBP | % Change USD |
|-----------------------|--------------|--------------|
| FTSE All-Share (UK)   | 0.02         | -0.02        |
| MSCI AC World         | -1.80        | -1.86        |
| S&P 500 (US)          | -2.90        | -2.94        |
| NASDAQ (US)           | -4.53        | -4.57        |
| MSCI Europe ex UK     | -0.47        | -0.51        |
| TOPIX (Japan)         | -1.17        | -1.20        |
| MSCI Asia ex Japan    | -0.75        | -0.79        |
| MSCI Emerging Markets | -0.41        | -0.45        |

### Fixed Income<sup>1</sup>

|                                   |       |       |
|-----------------------------------|-------|-------|
| BB Global-Aggregate TR Index      | 0.09  | 0.12  |
| BB Global-Agg Treasuries TR Index | 0.15  | 0.18  |
| BB Global-Agg Corporate TR Index  | -0.09 | -0.06 |
| BB Global High Yield TR Index     | -0.60 | -0.57 |

### Commodities

|                             |       |       |
|-----------------------------|-------|-------|
| S&P Energy Index            | -3.06 | -3.10 |
| S&P Precious Metals Index   | 1.14  | 1.10  |
| S&P Industrial Metals Index | 1.02  | 0.99  |
| S&P Agriculture Index       | -0.93 | -0.96 |

### Currencies<sup>2</sup>

|                                      |       |       |
|--------------------------------------|-------|-------|
| JPM UK FX Exchange Rate Index        | -0.27 | -0.27 |
| JPM US FX Exchange Rate Index        | -0.23 | -0.23 |
| JPM Euro Area FX Exchange Rate Index | 0.17  | 0.17  |



## Takeda ploughs on with Shire deal

The news that Japanese pharmaceutical firm Takeda is on track to receive approval for its \$62bn purchase of Shire next month, saw shares in the latter jump on Monday, despite attempts from shareholder activists to derail the deal.

The group of shareholders, 'Thinking about Takeda's future' has sent open letters to the company listing objections to the deal and invited shareholders to emergency meetings ahead of an extraordinary general meeting to approve the deal on 5 December.

However, the European Commission approved the deal on 20 November. In his shareholder letter, Christophe Weber, CEO of Takeda, stated he and the board remained confident the Shire acquisition "will enable Takeda to significantly accelerate its transformational journey."

...the US isn't building nearly as many new homes as you might expect.

Hinesh Patel, portfolio manager, Quilter Investors

Index data as at COB Wednesday 21 November 2018. All sources Quilter Investors unless otherwise stated.

<sup>1</sup> Bloomberg Barclays index data. <sup>2</sup> JP Morgan Real Broad Effective Exchange Rate CPI Indices.

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