



KMI EXCLUSIVE NEWSLETTER

27th year of uninterrupted financial advice for the Expatriate Market

July 2019

In the latest of our newsletters, we present a selection of updated world market assessments from various brokers and fund groups.

Before that though, we must just dip into the European financial landscape which is dominated by talk of Brexit (was there ever a time when it wasn't?) and the repositioning of stance of the British government under its new leader Boris Johnson, a man whose determined rise to the top has been explained by some commentators as being due to a unique ability to 'fail upwards'.



With a reshaped cabinet full of ‘Brexiters’, we now appear to be heading to an unlimited stakes poker game between the Brits (aka Cool Hand Luke) and their European counterparts (aka the Cincinnati Kid) with the winner takes all standoff being decided by whoever blinks first.



‘Deal or no Deal’ as someone once said.

It’s a game you are all invited to watch, although if you’re part of the EU, viewing is compulsory with front row centre seats for all. Enjoy!!

Market Reports

US Fed chairman Jerome Powell made a declaration to Congress that underlines concerns over the future of the US economy, and suggested that we might see a rate cut very soon.. This was positive news for investors, who have been concerned about a possible rise in rates. As a result, markets greatly benefited , helping the Dow Jones and S&P 500 to hit record levels.

The end of July saw a flurry of earnings reports, Chief amongst the financial sector JP Morgan, Goldwyn Sachs and Bank of America. In the technology sector, Microsoft and Netflix will be the headline grabbers.

Amazon's two day 'Prime Day' extravaganza was a focal point of the month with big sales to the ecommerce giant's Prime members. Other companies in the sector are also discounting to their clients in an attempt to ride on the coat-tails of the online retail wave that Amazon has created.

Finally, Facebook will present its cryptocurrency to Congress in Washington, where they have been summoned to explain their aspirations. This follows on from Chairman Powell's comments about possible requirements on the cryptocurrency. As the Facebook market is their user base of a quarter of the world's population, the next steps need to be analysed in depth.

A Managers Market Update

A summary of key market developments. The job of the Manager is to look beyond short-term movements and to structure portfolios that will work hard for investors over the long term. As such, the Manager will attempt to separate the market nuances from the noise, describe what has happened, which bits matter most and how it all affects his investment decisions.

The Noise

Deutsche Bank's swathe of restructures and job cuts heads the corporate news this week. The 8 billion dollar restructuring programme involves exiting 'non-strategic' (business speak for non-profitable) business lines including equity sale and trading, leaving around 18,000 people looking for new work.

There is some good news for some of those above if they are US based as they will be entering a surprisingly robust job market with June's figures showing more new jobs than any other month this year and fewer people claiming unemployment.

The most notable shift in markets was in the sharp rally in oil prices as a result of the ongoing tensions in the Strait of Hormuz. This rally flies in the face of OPEC's cuts in the crude surplus, so it will be interesting to see how it plays out in the coming months.

The Nuance

As we enter August and the end of the major season for corporate reporting, most companies having let markets know how they are performing. For the manager however, this just means business as usual, companies are chosen on parameters that are not expected to change on a weekly or monthly basis, although diligence must be maintained to spot opportunities to shift tactical asset allocation to make the most of market distortions or shorter term moves that offer up attractive entry points.

Currently the manager is making good use of its alternatives toolkit, with exposure to strategies that offer equity-like risk without being too closely correlated.

The view from Asian Markets

US futures and most Asian stocks edged higher as investors awaited news from the resumption of US-China trade talks. The Pound dropped to a two year low, and the Yen gained as the Bank Of Japan left interest rates unchanged.

Shares saw modest gains in Japan, South Korea and China. Australia's benchmark closed at a record high. Hong Kong stocks also rose despite continuing protests in the city, with China warning had gone 'far beyond' peaceful protest.

The Bank of Japan left its asset purchases unchanged as well as its forward guidance for policy rates, which some advisors had speculated the board could tweak. The central bank also pared its inflation and growth forecasts as it waits to assess current Fed policy in the states.

Meanwhile, as corporate reporting season rolls on in Japan and Australia, traders will be looking for any impact from the protracted trade disputes with the US. Japan's factory output fell more than expected in June as the trade tensions and a slowdown in the global economy dragged exports lower for a seventh straight month.

Key events upcoming

Earnings from Nintendo, Sony Siemens, Nomura Toyota, Honda and Rio Tinto.

US trade representative Robert Lighthizer and his team meet their Chinese counterparts in Shanghai

Bank of Japan rate decision and policy briefing due.

And finally...



Sneak preview from new episode of Midsummer Murders, a long running British TV whodunit where inhabitants of middle England get bumped off weekly in huge numbers by the most unlikely of suspects.

Happy Investing!

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