10 November 2017

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INVESTMENT MANAGEMENT

WEEKLY INVESTMENT UPDATE

Turning back to Cash – Geopolitical risks spread across markets

KEY MESSAGES:

Stock markets remained upbeat earlier this week, given optimistic expectations on US tax reform, supportive earnings reports and gains among energy stocks. However, market sentiment quickly turned as developments on US tax reform failed to meet expectations and markets started to absorb the full impact of the Saudi Crown Price's crackdown on corruption and rising Middle East tensions.

USD gained, S&P 500 closed at 2,580. US 10-year Treasuries yielded 2.37%. Oil rose as political risks overtake supply concerns. WTI Crude closed at $57.12 a barrel. Brent closed at $63.92 a barrel. Gold closed at $1,285.2 an ounce.

Turning Back to Cash

On Monday 6 November 2017, I took the decision to move all our Safety-First portfolios to 100% cash. Since I launched our Safety-First range of portfolios I have taken them to 100% cash several times to dampen volatility and avoid geopolitical risks where those risks were foreseeable. It is a unique approach which has served our clients well. Even our most adventurous Safety-First portfolio has less than [5%] volatility throughout 2017, protecting and preserving our client's capital – our first priority.

We avoided the volatility and potential losses of Brexit, the US elections, the European elections and other geo-political events through 2017.

We are now perfectly positioned to redeploy our client's capital as asset classes find lower levels and global macro risks recede. If that does not happen in 2017, we have locked in strong risk adjusted returns across all our Safety-First portfolios for our clients.

Market developments during the week

Volatility spiked across all the asset classes as geopolitical risks spread to oil markets this week. My decision to move 100% to cash locks in attractive annual, risk adjusted returns at a time when we consider rising geopolitical concerns risk the stability of the investment environment. and risk is skewed to the downside. Safe havens are also not without risk at present with inflationary pressures and the prospect of rising interest rates making traditional risk off assets far less attractive.

The uncertainty in asset prices was much more evident this week as investors were hammered with bad news on the geopolitical front. Global equities retrenched from historic highs when the Senate's version of the US tax plan was revealed to have critical differences compared to the House's plan. The move fed growing pessimism about the prospects for meaningful U.S. fiscal reform, which had buoyed share prices in the U.S.

To detail the GOP tax plan status, the House Ways and Means Committee completed its tax-cut legislation and sent it on its way to the full House. The Senate's version was revealed and reflected important differences such as the Senate version specified that U.S. companies stockpiled offshore profits would be subject to a rate of 10% for income held as cash and 5 %for non-cash holdings. The rates are lower than those contained in the House's legislation, which proposes 14% and 7% for cash and non-cash holdings. The Senate tax plan would also delay a cut in the corporate rate to 20% from 35% until Jan. 1, 2019, a departure from the House's legislation. The legislation is expected to move to the house for a vote next week. We are not hopeful that the passage will be smooth, though we do believe some tax reform will be enacted. We expect volatility

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over the coming weeks in financial markets as these negotiations play out.

For tax legislation to be approved this month the differences in their respective positions will have to be reconciled and that seems unlikely until the very last possible day in such a partisan political environment.

The focus on passing tax overhaul this year has also overshadowed other key proposals which need to be given consideration before Dec, 31. For example there is a serious risk of a US Government shut down in December. The current Government funding expires Dec, 8 and the debt ceiling limit will need to be raised – with Republican and Democrat relations as bad as ever I have seen them in 20 years and President Trump demanding funds for a U.S.-Mexico border wall; Democrats insisting on Obamacare subsidies and protection for young undocumented immigrants, it could all descend into chaos.

It has been one year since America awoke to Donald Trump as President of the United States. While the surprise victory upended the American political landscape, no catastrophe followed in financial markets. Indeed, risk assets have rallied strongly as hope of pro-growth policies, from increased fiscal spending to lower taxes and fewer regulations, took hold.

A quick look at the Bloomberg Dollar Spot Index tells the tale of the Trump trade. The greenback rallied after the election on speculation the president's America First agenda would bolster U.S. growth. It peaked on Jan. 3 and tumbled as much as 11% into September as Trump and the Republicans failed to win any major legislative battles.

Expectations Trump would help speed up inflation also proved off the mark. He has presided over a sharp flattening of the U.S. Treasury curve, spurring fears of a dimming outlook for domestic growth.

Volatility measured by the CBOE's VIX index spiked in the election's aftermath. Since then, it's been nothing short of historically low. The President has been quick to take credit for the rally in U.S. equities, and while causation is debatable in the face of persistently strong economic and earnings growth, the correlation is irrefutable, the S&P 500 Index rose significantly starting Nov. 9, 2016, and didn't slow until well into 2017, gaining 21% from Election day to date.

Meanwhile, the ranks of emerging market bulls have swelled as firming economic data and abundant liquidity boosted returns across Asia and Latin America. There have been exceptions, though. The Mexican peso entered the election as the asset most closely linked to Trump's chances to prevail. When he did, the verdict for the currency was harsh, a 12% plunge in three days. The peso eventually recouped all of that decline as Trump's promise to end Nafta went undelivered. It has since fallen back below the pre-election level.

China is another example. While candidate Trump vowed to label Beijing a currency manipulator, the President hasn't done that or rewritten the nation's trade agreements. The yuan is headed for its first yearly advance since 2013, as officials talk up reforms, global trade growth surges and the dollar struggles.

At his Asia trip this week, President Trump commented on China's trade surplus with the US, although interestingly he went as far as asking who could blame China for the situation, instead placing the responsibility on past US leaders for the situation.

Conventional economic theory holds that it is the United States' savings and investment levels, not Chinese or even US trade policy, that is primarily responsible for the trade balance. He also announced $250 billion in business deals, scratching the surface of that number shows many of the agreements lack substance, with roughly 15 being non-binding memorandums of understanding that could take years to materialize.

Alongside this, as was expected, North Korea tensions were a part of the agenda. President Donald Trump called on the world to abandon support for Kim Jong Un's regime.

In terms of US trade relations with Asia, President Trump clearly indicated that the U.S. would seek bilateral trade deals rather than agree to multilateral pacts like the Trans-Pacific Partnership, and only if

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countries abide by the principle of fair and reciprocal trade. Lots of noise; few signals. Trump abandoned the 12-nation TPP, a pact that would have covered 40% of the global economy, just days after taking office, saying it threatened U.S. jobs. Regional partners worried the pullout would embolden China.

On the economic front, US Consumer sentiment unexpectedly fell by the most in a year amid expectations that inflation and interest rates will rise, according to a University of Michigan report. The Sentiment index dropped to 97.8 from 100.7, which was the highest since January 2004. Even with the decline, sentiment was the second-highest since January, reinforcing other reports that Americans remain optimistic about employment and the economy.

As regards the job market, the filings for jobless benefits showed a steady US job market. The average number of applications filed over the past month was the lowest in 44 years. Jobless claims increased by 10k to 239k. Weekly claims below 300,000 are considered a healthy snapshot of the job market. Four-week average of initial claims, a less-volatile measure than the weekly figure, dropped by 1,250 to 231,250. Hiring also has been steady this year except for the recent fallout from the hurricanes, and the unemployment rate dropped in October to the lowest level since 2000, the monthly jobs report showed last week.

Currencies

The Bloomberg Dollar Spot Index rose.

The euro rose 0.86% to $1.17, the strongest in a week.

The pound closed at $1.32, taking its weekly gain to 1.1 percent. Sterling strengthened 0.4% to 88.23 pence per euro.

Yen fell 0.7% to 113.3.

South Africa’s rand declined 14.356 per dollar, the weakest in almost a year.

Equities

Stocks around the world extended declines after European equities suffered the biggest plunge in four months on Thursday.

S&P 500 fell 0.3% over the week to 2,580. The decline was led in part by health-care shares, which dropped by 1%. Energy stocks also struggled as WTI crude fell below $57 a barrel. Tech stocks were also poor performers, dropping as much as 1.3%, the most among 11 industry groups. The Nasdaq 100 Index sank 1%, ending a four-day streak of gains.

Carmakers led the Stoxx Europe 600 Index to its biggest two-day drop since August, with most industry sectors declining. Miners bucked the trend as industrial-metal prices rose.

S&P/TSX Comp closed the week 0.3% higher to 16,080.

The FTSE 100 declined 1.7% to 7,437.

Nikkei gained 0.63% to 22,681. Stocks in Asia fell earlier after a rally that saw them touch a record high during the week.

We avoided these declines having turned the Safety First portfolios to cash on Monday.

Bonds

Yields on 10-year Treasuries rose four basis points to 2.37% and core European bond yields followed suit.

Germany 10-yr Bund rose three basis points to 0.39%. However, bund yields had dropped about 15 basis points since the ECB announced its tapering plan before the sell-off began on Thursday as traders judged that the recent rally, which came on the of the European Central Bank’s latest policy meeting last month, was overdone.

Britain’s 10-year yield gained seven basis points to 1.33%, the highest in more than a week.

Commodities

West Texas Intermediate crude closed at $57.12 a barrel, rising 2.8% over the week.

Brent for January settlement rose to $63.92 a barrel, up 5% since last week. The global

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benchmark crude was at a premium of $6.60 to January WTI.

For the first time in three years, the chief concern in the oil market isn't too much supply. Just as production cuts by OPEC and its allies finally deplete a surplus that has weighed on oil prices since 2014, political crises have hit the organization's three biggest members. An eruption in Iraq's long-running feud with its Kurdish population hurt exports, rising tensions between Iran and President Donald Trump put that nation's energy trade at risk and the greatest concern arose from twin shocks in the world's biggest crude exporter, Saudi Arabia: both internally, as the kingdom conducted a political purge that could stir opposition, and externally, as it stepped up warnings against its regional nemesis, Iran.

While analysts don't expect any imminent disruption, Saudi supplies are so critical that the elevated risk pushed crude prices to a two-year high.

The Saudi anti-graft sweep threatens to overshadow a Nov.30 Organization of Petroleum Exporting Countries' gathering at which an extension of production limits is expected to take center stage.

The rise in oil comes despite record high oil production from U.S. fields. U.S. crude production jumped to 9.62 million barrels a day last week, according to data from the Energy Information Administration. Crude stockpiles in the world's largest economy unexpectedly increased last week as well. However, U.S. oil rigs targeting crude dropped by eight to 729 last week, the biggest decline since May 2016, according to Baker Hughes data.

The Saudi crackdown on corruption and the increasingly embolden Crown Prince could pose serious threats to stability in the Middle East and cause Oil to rally further over the coming months.

Gold gained 1.2 %to $1,285.2 an ounce. Bullion appears to be vulnerable to the whims of traders. During the week, almost 40,000 contracts, each representing 100 ounces of the metal, traded in a span of 10 minutes, spurred a sell-off that sent prices down almost 1%.

Other major economies:

Euro area

The euro has had an eventful start against USD this week, data releases included Sentix Investor Confidence, which rose sharply to 34.0, as the surveyed investors reported levels of confidence consistent with an economic boom. Producer Prices, in the meantime, rose 0.6% in September. Strong recovery was seen in French Industrial Production, which rose 0.6% after a 0.2% fall previously. However, Italian industrial production plunged to 1.3% in September, the most since January, dragged down by lower output of intermediate goods such as basic metals.

The eurozone Retail Purchasing Managers Index, which showed a score of 51.1, slightly lower than expected. Eurozone Retail Sales jumped 0.7% in September, according to official Eurostat estimates, almost erasing the last two months of contractions.

Another major release was a significant upgrade in the European Commission's official economic forecasts for the eurozone. Growth is now expected to be 2.3% this year in the eurozone, and 1.9% by 2019. The Commission included a forecast that growth will fall to 1.5% in 2017 in the United Kingdom, and 1.1% by 2019 as Brexit uncertainty weighs on investment intentions.

After seeing a rally in bonds for the past two weeks upon the ECB tapering decision, fading political risks in Spain and Italy, European government bonds are now falling as some investors judged recent gains excessive.

There was an update on the Catalan crisis. It was notified that the ex-Catalan leader Carles Puigdemont turned himself in with the police in Brussels earlier in the week, only to be released later, as Spain's constitutional crisis continued.

Saudi Arabia

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Political risks heightened in Saudi Arabia amid weekend arrests of princes, billionaires, ministers and former top officials. The arrests were under the auspices of an anti-corruption commission that King Salman set up on Saturday, headed by his son and heir, Crown Prince Mohammed bin Salman. Based on investigations over the past three years, authorities estimate that at least $100 billion has been misused through systematic corruption and embezzlement over several decades, Attorney General Sheikh Saud Al Mojeb said in a statement. The continuing crackdown is leading to billionaires and millionaires moving assets from the kingdom and the wider Gulf Cooperation Council region as fast as they can. The moves come, particularly after the Saudi Attorney General said in a statement earlier this week that the weekend arrests were only phase one raising investor concerns.

The benchmark Tadawul All Share Index fell as much as 3.1% on Monday before trimming losses to 0.7% in Riyadh. Concerns of a renewed confrontation between Saudi Arabia and Iran is also prompting investors to dump stocks in the region. Lebanese Prime Minister Saad Hariri resigned on Saturday, announcing his decision from Saudi Arabia and blaming Iran and the Hezbollah militants it backs for the decision. Pro-Iranian Yemeni rebels fired a ballistic missile on Saturday that targeted Riyadh's international airport for the first time, move Saudi officials said could amount to an act of war by the Islamic Republic. Iranian officials denied any involvement, but consensus intelligence suggests a very clear involvement.

By end of the week, tensions strengthened as Saudi Arabia issued urgent travel advice ordering its citizens to leave Lebanon immediately, after apparently seizing the country's Prime Minister and apparently forcing his resignation on Saturday. The episode further highlights rising political tension in the area, and the more aggressive stance of foreign policy in one of the world's most important oil producing states. The events have reinforced speculation that King Salman was clearing any remaining obstacles to his son's accession to the throne. But they were also lauded by many Saudis bearing the brunt of low oil prices who have long complained that the kingdom's elite was above the law.

The crackdown also comes at a time when the economy is struggling to cope with the slump in oil prices: Unemployment among Saudis is rising and non-oil gross domestic product is barely expanding. The government has raised tens of billions of dollars from international bond markets and has drawn down on central bank reserves to finance a budget deficit that reached about 15% of gross domestic product in 2015.

Crown Prince Mohammed bin Salman has a point to prove and this renewed flexing of power may be very dangerous. In my view there is now a serious prospect of war in the Middle East which could be the trigger for a sell off in global financial markets, which are at all time valuation highs.

Serious Prospect of a Middle East War

Critically, we may be about to move beyond the proxy wars seen over the past decade to a more serious war between the two lynchpin nations of the Middle East – Saudi Arabia and Iran. This is a big statement, which if correct, will have significant ramifications for global financial markets. The question would follow, would the U.S., Russia and other superpowers be drawn in? It seems likely they would given recent activity in the Middle East and this could trigger a rapid descent into crisis.

If we look back over the past decade, it is worth recounting how we got here.

In the spring of 2011, disaffected masses gathered in the streets of cities in Saudi Arabia's eastern province in continuation of the swelling tide of protests which swept across the Arab world in what now has come to be called the Arab Spring.

The eastern province, an area populated by mostly followers of Shia Islam in an Islamist country whose brand is emphatically Sunni, saw a severe crackdown on protesters calling for basic civil and human rights such as religious equality, the right for women to operate a vehicle, and democratization of society. The ruling Saud family -- a network of patriarchs and princes who hail from Ibn Saud, the founding king whose alliance with the British against the Ottomans paid off in

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the 1932 establishment of the Saudi Arabian nation -- could not countenance such resistance to their power. They came down hard on the protesters, unleashing a fusillade-spray of bullets into crowds killing dozens and maiming many more. The protests quickly faded and control was re-established.

Since then there has been a slow deterioration of influence of Arab Sunnis across the region. The deteriorating relations between Russia and the West has been resurrected by President Vladimir Putin, who regrets the break-up of the Soviet Union, Russia's loss of superpower status and his passive compliance with George W. Bush's invasion of Iraq that cost Moscow from both economic and geostrategic standpoints.

The Iraq war hit Russia's economy to the tune of $8 billion in unfulfilled deals and resulted in the mushrooming of US military bases throughout the Middle East, the Caucasus and Central Asia. Driven also by the encroachment of the EU uncomfortably close to its territory, Russia has started to fight back.

Putin has forged alliances with anti-Western countries, seemingly on any basis. Moscow has little fear of a nuclear-armed Iran. Indeed, many observers believe it is one of Tehran's major weapons suppliers and over the years has provided Iran with nuclear and missile technology as well as hardware. Russia benefits from trade deals with Iran amounting to more than $4 billion annually.

Russia constantly warns the West that striking Iranian nuclear sites would be disastrous. And, in August, the Russia Foreign Ministry warned the US not to impose unilateral sanctions against Iran with this message on its website, "Washington should understand that our bilateral relations will suffer considerably if the American restrictions affect Russian economic entities cooperating with partners in the Islamic Republic of Iran in strict compliance with our legislation and UN Security Council resolutions."

Moscow has set itself up as a buffer against any attempt by the international community to use UN sanctions or military intervention to halt the carnage in Syria and actively props-up Iran's closest ally President Bashar Al-Assad, by most people's reckoning a genocidal barbarous leader, responsible for the deaths of over 30,000 of his own people and the destruction of Syrian towns and cities, all leveled by Russian-made tanks and attack helicopters. Keeping Al-Assad in power has also been key to Iran's ambitions for regional dominance when pro-Shiite Syria acts as a supply route for Iranian proxies.

In this game of between Russia and the U.S., Putin has added another ally - Iraq. This free and democratic nation has been gifted by Western allies to Iran - and, by extension, to Moscow. The Shiite-dominated Iraqi government make few decisions without a green light from Tehran or Qom, which is why Iraq is one of just three Arab League member nations that objected to the League's appeal for the Assad regime to step-down.

The U.S. would have been naïve to expect gratitude from Iraqis but were perhaps surprised to see the Al-Maliki government joining forces with Russia with such alacrity. Iraqi Prime Minister Nouri Al-Maliki's recent visit to his Russian counterpart Dmitry Medvedev was sealed with the restoration of bilateral cooperation, including diplomatic, military, aviation energy and trade.

On October 9, Russia announced the signing of a $4.2 billion arms contract to include MI-28 attack helicopters and Pantsir-21 surface-to-air missile systems for Iraq. So today, Iraq, Iran and Syria - backed by Putin present a very serious and growing threat to Saudi Arabia.

Iran is becoming ever more belligerent. It has allegedly breached the Obama Iran nuclear deal, asserted a territorial claim to Bahrain, forced airlines to use the term "Persian Gulf" rather than "Arabian Gulf" and made threats to Gulf oilfields and the Straits of Hormuz. Recently an Iranian Foreign Ministry spokesman, indicated Iran was considering cutting diplomatic ties with the UAE over the UAE's demands for the return of three islands — Abu Musa and the Greater and Lesser Tunb — forcibly occupied by the Shah in 1971.

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The U.N. Security Council seems powerless as the chess board tilts in favor of Iran and Russia and so it should not surprise anyone that Saudi Arabia is taking matters into its own hands.

The central proposition that Saudi Arabia may now go further to reestablish its power in the region is far from hypothetical and worryingly Russia and the U.S. may be drawn into this conflict.

Japan

Japanese stock markets are in the news for reaching highs along with their counterparts in the developed nations. The Nikkei 225 Stock Average zoomed past 22,666.80 on Tuesday to close at the highest since 1992. The stock gauge rose for 16 days in record-beating rally. The index has jumped 19% since Sept. 9, benefiting from everything from a strong earnings season and a weakening yen to a global advance in equities and Prime Minister Shinzo Abe's landslide re-election.

Foreign investors have been rushing back to Japan, buying 2.2 trillion yen ($19.6 billion) in cash equities last month, the largest sum since November 2013, at the height of optimism about Abe's policy program to revive the country's economy. The rally has been backed by a better-than-expected second-quarter earnings season, with 62% of Topix-listed companies posting profit that beat analyst estimates.

However, just as stock gauges were seen hitting new highs. The Topix fell as much as 1.5% late in Thursday's session after rising as much as 1.5 %earlier, the largest one-day swing since the immediate market reaction to last year's U.S. presidential election. The Topix's advance followed gains in U.S. equities and was accompanied amid strong corporate earnings. Of the more than 1,400 companies included in the Japanese benchmark that have reported earnings in the current season, 63% have posted year-on-year growth, with earnings per share increasing by 16% on aggregate. The afternoon drop occurred as the yen turned an earlier loss against the dollar into a gain.

The declines followed an eventful first half of the week, the Topix closed at its highest since 1991 on Wednesday, a day after the Nikkei 225 reached the highest since 1992. Some traders laid the blame on technical factors. The move coincided with President Trump's first visit to the region. Whether this rhetoric contributed to the market ruckus is unclear, but the erstwhile calm markets were rattled, the Nikkei Volatility Index surged 23%, the most since August.

China

At President Trump's Asia trip, President Xi Jinping took the opportunity to announce he supports economic openness with action, as Beijing announced a major step towards opening its financial system by allowing foreign control of Chinese banks and take majority stakes in local securities ventures. This removes another barrier to the country's commercial engagement with the rest of the world, and bolsters competition in the domestic financial system. Chinese markets took the news in their stride, with the nation's benchmark Shanghai Composite Index fluctuating in a narrow range after the announcement.

Canada

The loonie gained as political reshuffling in Saudi Arabia sent the price of crude oil to a two-year high. Political risks marched oil prices higher shrugging off data showing an inventory build in North America. Besides getting a boost from high oil prices, the Ivey Purchasing Managers Index was stronger than last month and beat expectations with a score of 63.8, the highest level since February 2016. An update on real estate market revealed Canadian Building Permits jumped 3.8% in September, after two months of sharp declines, while Housing Starts rose to 223,000 in October. Also, the New House Price Index rose 0.2% in September, as expected.

Another probable market moving event, the speech that Bank of Canada Governor Stephen Poloz gave proved uneventful overall, with Poloz discussing inflation uncertainty in depth but adding little new material information.

UK

Asset performance in the UK, particularly the pound was focused on domestic

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political turmoil and ongoing Brexit negotiations. The currency has fallen for three weeks on concerns about Brexit and as the Bank of England failed to signal the start of a tightening cycle after raising rates on Thursday.

Money markets currently price in another 25-basis-point rate increase in December 2018, compared with August before Thursday's decision. That may coincide with any Brexit deal, with the EU's chief negotiator Michel Barnier wanting it finalized by October next year. Any which way, lot of uncertainty lies for sterling.

Little headline data was released this week. Only Industrial production figures that came out larger-than-forecast at 0.7 %in September, with output increasing across most manufacturing sectors, the Office for National Statistics said. But construction fell the most in 18 months and a narrowing of the trade deficit was not enough to prevent the shortfall widening in the third quarter.

The Halifax House Price Index rose 0.3% in October, bringing annual growth to its fastest since the start of the year. The reports round off a quarter which saw economic growth pick up slightly to 0.4%, a level which remains below its pre-Brexit referendum average as political uncertainty and inflation crimp consumer spending.

In the meantime, the pressures are mounting to deliver tangible results after months of Brexit negotiations with Brussels. Talks are deadlocked, and in just six weeks, Theresa May will need to come up with what promises be a politically fraught proposal to settle exit payments to the European Union.

The border between the Republic of Ireland and Northern Ireland came up as the latest roadblock in Brexit talks. A memo emerged late Thursday that showed the EU is pushing for the rules of the customs union and single market to endure in Northern Ireland after Brexit and for the U.K. to pledge there will be no border on the island after the divorce. Ireland backed the document, and called for strong and tangible commitments from the U.K. The demand is all but impossible for Prime Minister Theresa May to meet, unless the whole of the U.K. stays in the customs union and single market, which she has said it won't. If Northern Ireland stays in the customs union, then a border has to go up between Northern Ireland and mainland Britain. That's unthinkable, and even more so at a time when the Conservative government is propped up by the pro-U.K. Democratic Unionist Party of Northern Ireland.

In my view it will be difficult for Theresa May to survive well into 2018.

Divorce payments also remain the main point of contention, with the EU reportedly insisting on financial agreement by the end of the month in order to progress talks to a transitional agreement. Reports have emerged by weekend that Theresa May is seeking to increase the current £20bn offer, a development that could potentially prove strongly sterling positive if it leads to a breakthrough in talks.

Brexit secretary David Davis and his European Union counterpart Michel Barnier said they would work with the goal of moving talks on to trade next month. With the negotiations between Britain and the EU previously described as deadlocked, traders were relieved that Friday's comments from Davis and Barnier appeared less negative than feared. The currency was also supported on Friday by better-than-forecast industrial data, and an estimate from the National Institute of Economic and Social Research that suggested economic growth had accelerated in October.

A summit in December is the target both sides are aiming for to get a deal on the divorce, so that talks can move on to the future trade relationship. With the EU asking for about €60 billion ($70 billion) and the U.K. so far offering about a third of that, the U.K. side needs to move if it wants to start trade talks.

Domestic politics in the UK is also becoming a growing concern, with Prime Minister Theresa May's ministers facing various allegations. May's government has been lurching from one emergency to another since her disastrous decision to call an election deprived the Conservatives of

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their majority in the House of Commons in June.

That result left the Prime Minister struggling to assert her authority and allowed cabinet ministers such as Boris Johnson to set out rival visions for Brexit, challenging her own policies. An election is probably initially good for sterling as it increases the probability of a softer Brexit. However, a left leaning government led by Jeremy Corbyn could send sterling falling fast.

All in all no time to be at risk for our clients until this confluence of global crisis passes.

Jason Granite
Chief Investment Officer
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Frenkel Topping Investment Management's ("FTIM's") Safety First performance

	2016 Performance	2016 Volatility	2017 Performance	2017 Volatility	Volatility since inception *04.01.16
FTIM Safety First 2	1.53%	1.42%	2.26%	3.43%	2.37%
FTIM Safety First 3	3.26%	1.91%	2.87%	3.55%	2.62%
FTIM Safety First 4	4.38%	2.93%	3.62%	4.02%	3.31%
FTIM Safety First 5	5.63%	3.23%	4.53%	4.45%	3.64%
FTIM Safety First 6	10.10%	5.04%	6.14%	5.09%	4.91%

Date: 13 November 2017
Source: FTIM / FE Analytics

Safety First Portfolio strategies were launched on 29/04/16. All figures are on a bid - bid, total return basis and are quoted net of underlying fund charges, our DFM fee of 0.6% including VAT and a platform fee of 0.2%. Advice charges would depend on the charges made by your independent financial adviser. The deduction of these charges would reduce the performance shown. Actual Past Performance Data is from 29/4/16 only as the models only launched on this date and therefore 5-year performance data is not available and 12-month performance figures are not able to be shown. Pre - launch performance from 4/1/16 – 29/4/16 is Simulated Past Performance. The figures represent performance of a model portfolio; individual account performance may differ if your account does not follow the model. Past performance is not a reliable indicator of future performance. Investment values can go down as well as up and may be affected by exchange rate variations.

*Volatility is a measure of the movement in the price of an asset around its average return. The higher the volatility the more risk involved in the investment.

Frenkel Topping Investment Management Limited - Frenkel House, 15 Carolina Way, Salford, Manchester, M50 2ZY

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