

Thursday, 17th August 2017

Morning Round Up

Trump Says Amazon Does 'Great Damage' to Retailers

Yesterday, President Trump took to Twitter once again. He said "Amazon is doing great damage to tax paying retailers, Towns, cities and states throughout the US are being hurt with many jobs lost". This post hit Amazon's share price and could have been in retaliation a negative review from the Washington Post which is owned by Amazon's CEO, Jeff Bezos. During his presidential campaign. Trump claimed Amazon was a monopoly and raises concerns of antitrust violations.

Trump disbands business advisory councils

Many of America's top CEO's were clearly unimpressed with President Trump's response to the white supremacists attack where he said there was "blame on both side". This led to many resignations from the two high-profile business advisory councils Trump had set up after he took over as President. Many of these CEOs and prominent business men and women felt they faced consumer pressure and reputational risk had they not condemned Trump's comments. Eight chief executives, and other industry leaders on the president's manufacturing and jobs initiatives group had stepped down from the advisory board. In response, Trump disbanded both advisory councils. For instance, JPMorgan Chase CEO, Jamie Dimon said he "strongly disagrees with President Trump's reaction to the events that took place in Charlottesville over the past several days. Racism, intolerance and violence are always wrong."

Fed minutes reveal split council

Last night, the Fed minutes from its last council meeting revealed that the number of members who wanted to reduce the size of the Fed's \$4.5BN balance sheet were outnumbered by the number who want to keep policy unchanged. The Fed continues to look for further evidence that US inflation is recovering before this balance sheet unwind begins. The market is pricing in just a 40% chance of another 25bps rate hike before the end of 2017. The market's expectations of where the Fed Funds rate will be by the end of 2019 is now significantly below the Fed's famous dot plot. The market interpreted these minutes as dovish overall, and with continued controversy over President Trump's handling of the white supremacy attacks, US Treasury yields drifted lower.

US 10 Year Treasuries - price chart



Source: Bloomberg, CF Research August 2017

Key Upcoming Events

24/08/17 Jackson Hole Symposium

Market View

Overnight, Asian Tech stocks post strong gains primarily due to excellent results from the Chinese internet giant, Tencent Holding. However, this sentiment hasn't followed into Europe this morning, with equities marginally lower. The US Dollar sold off after a dovish update from the Federal Reserve's last policy meeting, which saw 10 year US Treasury yield reverse back to 2.22%. The probability of another 25bps rate by the end of 2017 is just 40%, while Trump disbanding two high-profile business advisory councils with many of America's top CEOs also hit sentiment. Key market focus today is Eurozone CPI, French unemployment, and UK retail sales data. The market will also pay close attention to minutes from the latest ECB council.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	21994	25.88	0.12%	11.29%
S&P	2466	3.50	0.14%	10.14%
Nasdaq	6340	12.10	0.19%	17.78%

Nikkei	19,753	-26.65	-0.14%	3.34%
Hang Seng	27,337	-71.73	-0.26%	24.26%

Brent Oil	50.73	0.13	0.26%	-10.72%
WTI Oil	47.52	0.03	0.06%	-11.54%
Gold	1274	4.39	0.34%	11.02%

€/\$	1.1755	-0.0012	-0.10%	11.77%
€/£	0.9067	-0.0006	-0.06%	6.23%
£/\$	1.2947	-0.0005	-0.04%	4.92%

	Yield	Change
German 10 Year	0.43%	-0.012%
UK 10 Year	1.09%	-0.020%
US 10 Year	2.23%	0.009%

Irish 10 Year	0.77%	-0.016%
Spain 10 Year	1.46%	-0.009%
Italy 10 Year	2.04%	-0.009%

Source: Bloomberg, CF Research August 2017

Apple - Apple ramps up investment in video content

Closing Price - \$160.95

News

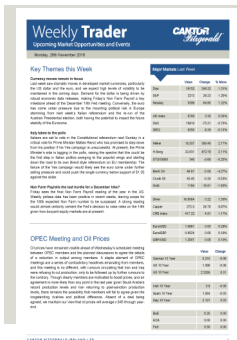
Apple yesterday released details regarding its plans to ramp up its focus on the online TV market. It plans to spend approx. \$1bn on original programming, intensifying efforts to compete with Amazon's Prime service and Netflix. A new Los Angeles based team, led by former Sony execs Jamie Erlich and Zack Van Amburg, will produce and buy television shows for Apple Music and other future video stream products. Apple has accelerated its push into video in order to increase its Services revenue and reduce overreliance on revenue derived from new iterations of the iPhone. Management has guided for the release of up to 10 original shows by year end.

Comment

We welcome yesterday's news by management as a further sign of efforts to diversify revenue streams. This is Apple's first major step into this realm and it faces stiff competition from Amazon Prime and Netflix. Amazon has said it will spend \$4.5bn on content this year while the comparative figure for Netflix is \$6bn. However this is good news for future Services revenue growth. This comes on the back of very strong first half of the year results from Apple that also implied there would be no delay with the new iPhone launch in the Autumn. Analysts had been fearing a delay in launching the 10th anniversary iPhone. Apple is likely to introduce three new handsets; a revamped iPhone 8 and upgrades to the existing iPhone 7 and iPhone 7 Plus. The new model should have an OLED screen, slimmer side bezels like those on the Samsung Galaxy S8, a 3D face-scanning sensor for unlocking the phone, and improved cameras. Apple has also increased investment in other areas which we believe will be growth areas in the future including improved health and fitness offerings, autonomous driving, augmented reality and its own semiconductor technology. We believe this investment in new areas along with continued growth in services revenue bodes well for the long term growth prospects of Apple.

[Will Heffernan | Investment Analyst](#)

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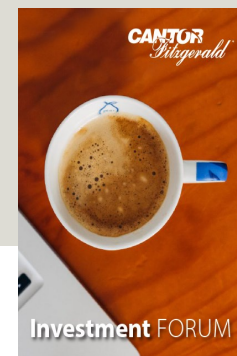
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Issuer Descriptions: (Source: Bloomberg)

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Historical Recommendation

Apple: We changed our rating on Apple to Outperform from Market Perform, as of 02/08/2017

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