VIEW FROM THE DOME

Journey's End
The Carenne Roque story

Market Outlook
A view to the future

Whitmill insight
Trust in The Rock

CORNHILL
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Quarterly Review

Having struggled in the first quarter of the year, global equity markets saw better performance for Q2 2018, closing higher overall despite persistent volatility. Geopolitical tensions and escalating trade friction between Beijing and Washington weighed on sentiment but positive corporate and economic data from major markets lent support to stocks. Importantly, data out of the US, including some strong retail sales growth and unemployment falling to its lowest level in almost 50 years, suggested weak consumption readings in the first quarter of the year were more than likely to have been just a blip.

In April, markets faced the prospect of an all-out trade war between the US and China while tensions between the West and Russia escalated over Syria. But positive earnings readings in the US, and to a lesser degree in Europe, combined with some solid data releases helped both developed and emerging market stocks finish in positive territory. The month's stand-out performance came from UK stocks with the FTSE 100 climbing almost 7% as the GBP fell heavily. Turning to emerging markets, equities were up in local currency terms – despite a strengthening USD and trade worries serving as headwinds – as rising commodity prices gave some support to local shares.

May saw more volatility and, although global stocks closed higher overall, performance was mixed across markets. Uncertainty over developments on the Korean peninsula, US relations with Iran and political problems in Europe all dominated headlines. Investors also fretted over US trade policy while oil price fluctuations affected markets. However, data suggested global growth remains strong. Political problems in Italy – Italian shares recorded some of the most marked underperformance of the quarter – and Spain affected European share performance, while emerging market equities underperformed versus their developed peers as risk-off sentiment and a subsequent strengthening USD created significant headwinds.

Global stocks were largely unchanged in June, although there was little end to the volatility that characterised the entire quarter. The month saw some key central bank moves with the Federal Reserve raising rates and signalling there would be two more hikes this year and three in 2019. Meanwhile, the European Central Bank said it would not be raising rates until at least the middle of next year, but that it would be ending its asset purchasing programme later this year. The Bank of England once again left rates unchanged, although general expectations are that they will go up at some point later in the year. Meanwhile, trade tensions persisted, but some geopolitical strains appeared to ease after US President Donald Trump's summit with North Korean leader Kim Jong-un in Singapore. The picture was more mixed in Europe where political risk seemed to ebb and flow and economic data showed a slowdown in the Eurozone economy, notably in Italy and Germany. UK stocks continued to be affected by Brexit uncertainty in June, especially after Airbus, Europe's major aerospace and defence firm, warned it could have to close its production in the UK in the event of a no-deal Brexit. As the month came to an end, trade worries came to the fore once again as the spat between Beijing and Washington appeared to intensify and Washington threatened to impose a 20% tariff on imports of European-made cars. Emerging markets struggled, finishing well into negative territory overall and markedly underperforming developed markets.

Hello and welcome to our latest newsletter.

It seems like only yesterday that we were putting together the finishing touches to our last edition, but time has flown by and here we are again.

Last time we brought you the first of our new series profiling some of the people that help make Cornhill the success that it is. In this edition we speak to Carenne Roque, our Office Manager based in Dubai. In a fascinating look at how life and work collide, Carenne talks openly about the amazing journey which has brought her to Cornhill, as well as providing a unique insight into life in one of the world's most dynamic financial centres.

As ever, you can also read our usual range of expert market reviews, including a new regular reporting slot from Whitmill Trust Company, our Trust partners in the unique Cornhill International Wealth Builder Account (CIWBA).

Although the summer weather is here already and thoughts are turning to well-earned holidays and rest for many of you, at Cornhill we're still busy and have been taking stock after some key developments earlier in the year.

We always knew that 2018 would be a significant year for us, and for the entire finance and investment sector in fact, with the introduction of MIFID II and the General Data Protection Regulation (GDPR).

With both now in full effect, the implications for our business are becoming clearer. One of the primary impacts we're having to face is a significant increase in regulatory compliance work and, therefore, a resulting increase in the cost of doing business. Naturally, as any good business would, we've had to react to this and we will, in the near future, be adjusting some of our fees as a direct result.

Alongside yourselves, clients are our most important asset – without them we would not be here – and while we don't like having to pass these costs onto them, we have, unfortunately, been left with no choice. I can assure you though, this is something we have thought through very carefully and the full details of how and when this will be happening will be communicated to you shortly, if not already.

In the meantime, I would like to personally wish each of you a wonderful summer and I hope you enjoy your holidays, wherever they may take you.

Jakub Sykora,
Chief Executive Officer

Put your Trust in The Rock

The Cornhill International Wealth Builder Account (CIWBA) is the latest in a long line of products that align with our mission of creating opportunities for more people to access world class investment services and products. By removing barriers to entry such as cost and complexity, Cornhill aims to make financial solutions normally reserved for the wealthy available to everyday investors.

But we can't do this alone and to deliver this product we have teamed up with award-winning Trust specialists Whitmill Trust Company who are the Trustee for the CIWBA.

Apart from its Trust expertise and track record of excellence, one of the main reasons we turned to Whitmill is the fact that they offer a Gibraltar trust, giving investors some very special benefits. Here, Whitmill explains why a Gibraltar trust is the best option for investors looking to set up a trust, the benefits of Gibraltar as a jurisdiction and why so many High Net Worth Individuals are relocating their personal and business interests to 'The Rock'.

Although Gibraltar sits at the southern tip of the Iberian Peninsula, it is a British Overseas Territory after becoming a British possession under the terms of The Treaty of Utrecht in 1713. Home to approximately 30,000 people, Gibraltar has a vibrant community feel to it and is known for its excellent education, welfare and health systems.

Because of this, many High Net Worth Individuals relocate not only their business interests to Gibraltar but also their personal interests. Given the increased tightening of legislation and moving of goalposts in the world's major financial centres, many corporate establishments and individuals are looking to move to friendlier jurisdictions, for both business and lifestyle purposes. A move to Gibraltar allows them to take advantage of the Territory's favourable tax regime while providing a positive and safe environment for the family.

Gibraltar has its own legal system based on the English model, with variations introduced by local acts passed in the jurisdiction. Gibraltar's package of financial services places it in a strong position with many advantages including political and economic stability, a 10% corporate tax rate on profits derived or accrued in Gibraltar, zero taxation for Non-Resident Trusts as well as no Capital Gains, wealth or inheritance taxes.

Gibraltar is also a sophisticated and well-developed finance centre, with established laws, a constitution and customs. Gibraltar has one of the most diversified small economies in Europe, built on Financial Services, Port and Shipping Services, Tourism and Online Gaming. Connected to the UK by way of regular flights to London, Manchester, East Midlands and Luton, and also to Spain where Malaga, Jerez, and Seville airports are all within 2 hours, Gibraltar has easy connections to most European jurisdictions.

There are special concessionary rates for individuals who wish to become residents, specific laws to protect assets settled into Trusts and a common law legal system. English is the first language in Gibraltar however most locals are bilingual, speaking Spanish as well.

As a financial centre, Gibraltar benefits from the establishment and administration of Funds and protected cell companies along with complete professional, legal, accounting and administration services. Tax on interest, dividends, and royalties was abolished under the Income Tax Act and there is no VAT in Gibraltar however import duties of between 0-12% are usually charged on goods brought into the Territory.

Because it is a British Overseas Territory, Gibraltar enjoys the benefits of its close ties to the United Kingdom and even after Brexit we have certainty as to the legislation that will be applied and case history of the financial service sector within Gibraltar. It has been said on many occasions that there will be no significant change to the relationship between Gibraltar and the United Kingdom after Brexit; in fact, this has even been mentioned during Prime Minister's Questions where Theresa May stated: "Gibraltar will not be used as a bargaining chip in our negotiation on Brexit".

Gibraltar's established relationship with the United Kingdom is fundamental to the financial sector's growth and stability and as such is staunchly protected by both governments and it would be a mistake to underestimate the good feeling of the Gibraltar people towards the UK. All the commentary and noise coming from both governments suggest that post Brexit the status quo will continue.

It may be more important to look not to Gibraltar but to the United Kingdom and its relationship with the European courts post-Brexit and at legislation and precedents that have been set, for instance in the case of HMRC vs Fisher (2014 UKFTT804-14 August 2014) where the First Tier Tribunal (FTT) partially allowed the tax payers' appeal against discovery assessments made on the basis of tax avoidance. Stanley James, a UK resident company owned by the Fisher family, moved its telly betting business to Gibraltar by selling it to a Gibraltar incorporated business, which was also owned by the Fisher family.

The first issue turned on the interpretation of anti-avoidance legislation (ICTA 1988 section 739) on the transfer of assets abroad and in particular whether the motive defence can be applied.

This is just one example of many tax rules and judgements that could be cast aside if the close relationship between the United Kingdom and the European courts does not exist post-Brexit and which could stifle the free movement of capital. This is one of the reasons that has led us to the conclusion that Gibraltar's standing within the International Finance Centres of the world will not change after Brexit – in fact, one could even argue that it will be enhanced. ■

Kindness in the face of progress

One woman's incredible journey

In the shadow of the instantly recognisable Burj Khalifa – Dubai's towering monument to the pursuit of progress – we meet Carenne Roque, Office Manager at Cornhill Management Consultancy, Dubai. We sit down for a chat and take in the view across the man-made lake to the Burj ('tower').

"Isn't it surreal?" says Carenne. And she's right. At 828 metres the Burj Khalifa literally dwarves the surrounding structures to the point that it makes them look like toy models, but it also possesses a gem-like quality that makes it glow, like something out of a fairy tale. I imagine architects and engineers must come here and stare for hours, just soaking in the brilliance, the audacity, the beauty.

I imagine too, that this is the exact reaction the visionaries behind Dubai's strategic reinvention from fishing village to one of the world's pre-eminent tourist destinations were looking for back in 1985 when they launched Emirates airline and invited the West to travel East.

Since then, Dubai's 'if-we-build-it-they-will-come' philosophy has seen it undertake some of the world's most outlandish construction projects… towers, islands, bridges, 7-star hotels, ski fields, aquariums – all have helped Dubai transform itself into not only a tourist destination, but a global hub for trade and service industries such as IT and Finance.

It would be easy to assume that in a city growing at such a frenetic rate – where the focus is always on the next biggest and best construction project, where wealth generation is an integral part of life, where media headlines often allude to appalling working conditions – human qualities such as compassion, empathy, charity and goodwill would be quietly filed away, deemed surplus to requirements in the name of high-paced progress.

Carenne's story however offers a different perspective, one that undermines many of the misconceptions that exist about modern-day Dubai.

Originally from the Philippines, Carenne landed in Dubai in April 2004, armed with her documentation, a few words of English and very little else. She had paid a 'recruiter' to sort out flights, a work visa, a month's accommodation and food, plus airport transfers. As Carenne waited in the arrivals hall it became clear that the promised transfer was not going to happen so she approached a passer-by and asked to use their phone.

Carenne called the only person she knew on the Arabian Peninsula, an aunt that lived in Oman, a mere seven-hours away by car. Buoyed by speaking to her aunt by still very much aware of her plight, Carenne sat down to take stock. As she pondered her fate, the enormity of her situation overwhelmed her, and it wasn't long before the tears came.

A lady approached to ask if Carenne was ok. After hearing countless stories of organised gangs who preyed on new arrivals, Carenne was wary at first but eventually shared

her story. The lady urged Carenne to go to the Police after assuring her that they were very good and would help her.

The interaction did not go well.

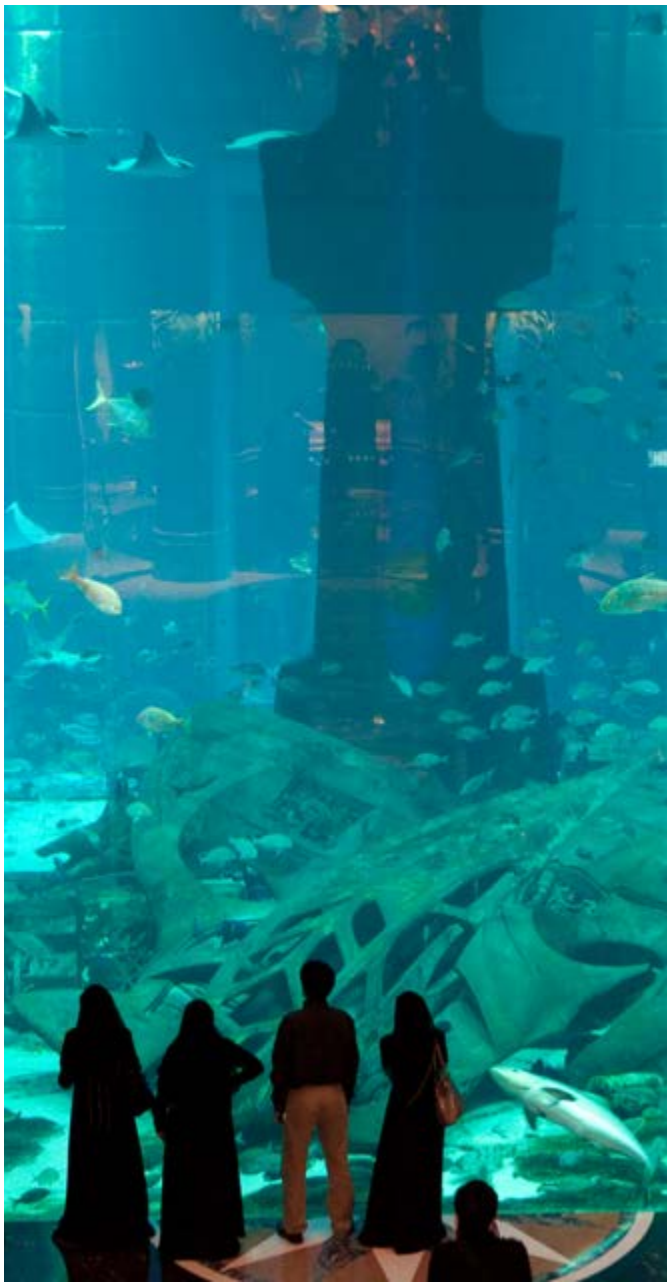
“We didn’t understand each other, and the police officer was very tall,” recalls Carenne. “I was intimidated, and scared and we were trying to communicate in English which was not natural for either of us, so I just walked away and was soon crying again.”

> *“What I’ve learned from living and working in Dubai is that people remember people, and at work, where we spend so much time, those people become family”*
>
> Carenne Roque,
> Office Manager, Cornhill Management Consultancy, Dubai

By chance the same lady re-appeared and offered to drive Carenne to her accommodation. And that is how, six hours after landing, Carenne finally arrived at her destination.

A first act of kindness in a place renowned for its coldness.

Day 2 of her Dubai adventure began by meeting her new roommates – five of them crammed into 3 bunk beds in a space no bigger than the average family bathroom. After



asking directions to the local market she set out to buy a newspaper with 50 Dirhams (about USD 10) someone lent her.

On Day 3 her aunty from Oman turned up and immediately moved Carenne to better accommodation, setting her up for two months in a room with ten occupants but far superior living conditions. She also provided a phone and money to buy food.

A second act of kindness.

On Day 4 the job hunting began in earnest… Carenne left her accommodation at 7:30AM and went door-to-door looking for work. This was to become her daily routine. She learnt very quickly to read the mood of the receptionists and in no time at all was averaging four interviews a day.

On Day 7 after a particularly traumatic interview at AMRO Bank, Carenne sat down in the customer waiting area to enjoy a moment of air-conditioned serenity before hitting the pavement again. Before she knew it, the flood gates burst.

“I was thinking things like: What happens if my visa runs out before I get a job? What if I run out of money before I get a job? How am I going to live?”

Through the terror she heard a voice. Time for a third act of kindness.

“Are you okay?” said the man.

Tired and still wary of strangers, Carenne instinctively pulled away.

He persisted. “I work here at the Bank and I understand you just had an interview. My sister works at Mercedes-Benz and they are looking for someone to work there. Please – will you call her?”

Carenne can trace all the good fortune she has enjoyed in Dubai back to this one act of kindness. She called the man’s sister, went for an interview, got the job eventually (Day 27), learned how to use a head set, learned English, got promoted and promoted again until she was made Executive Assistant to the General Manager of Certified Pre-owned Vehicles. When her first manager at Mercedes-Benz passed away, Carenne organised the funeral and managed the family’s affairs, such was her feeling of loyalty and gratitude to the people that had taken her in and helped her make that first step up.

“For me, personal relationships are the most important part of work. What I’ve learned from living and working in Dubai is that people remember people, and at work, where we spend so much time, those people become family,” she says.

After working for four years, Carenne had saved enough money to bring all her siblings and a sister-in-law to Dubai. It wasn’t long before Mercedes-Benz was employing more of the Roque clan.

One day while walking through the Showroom, Carenne spotted a customer who was looking at a vehicle but was not being attended to. She approached him, answered all his questions, sharing her product knowledge and impressing him with her level of service. As fate would have it, Carenne’s customer was the CEO of a large insurance provider. He was so impressed with Carenne that he asked her to come and work for him. Her loyalty to Mercedes-Benz meant that she turned him down although the incident got her to thinking that there might be opportunities for her outside of Mercedes-Benz.

Six months later Carenne did leave Mercedes-Benz but not before ensuring she left the company on excellent terms. Her sister-in-law who has now been there nine years, often invites Carenne to visit old colleagues who constantly implore her to come back.

Carenne did move into the insurance industry, but on the back of another offer. It is a fact not lost on the bubbly and engaging Filipino. “I laugh about it now… after spending my first month in Dubai begging for work, I have not had to ask for a job since.” Two more moves over the intervening years saw her land at Cornhill in October 2016.

Her first assignment at Cornhill was to work with local sponsor, Dr Abdullah al Ali, to set up the Dubai office, ensuring bank accounts, legal documentation and administrative requirements were all in order.

She then turned her attention to understanding Cornhill's products and introducing herself to the operations teams at Cornhill's partners: Whitmill, Heritage and MCT to name a few. As part of providing support to Cornhill's sales managers in the Middle East, Africa and India she then set about auditing the marketing materials – "very much an ongoing process" – and ensuring that all brokerages have what they need to service Cornhill sales activity.

Now that the leg work is done, Carenne is keen to focus on what she does best – building personal relationships as she liaises between IFAs and Cornhill operations groups. In this part of her role she focuses on educating broker staff on the best way to complete application forms, supply supporting documents and generally how to interact with Cornhill in the most efficient and seamless manner.

"Thursdays are visitation days. Personal contact is very important to me. I like to visit with my broker counter-parts face to face so that they know me. Then they know they can call me 24 hours a day; they know that there are no stupid questions; they know they can come to me with anything and I will do my utmost to assist them."

I ask her about culture clashes.

"I notice the biggest difference when dealing with South African companies. Their level of documentation and processes are perhaps the most demanding, but I think the key when dealing with people from other cultures is to recognise that a certain level of frustration will always be there, and that 'lost in translation' incidents are going to happen," she says. "For me, picking up the phone and talking to the person is always the best way to find a solution. If, after that there is still a problem, then you need to start looking in the mirror!"

Our conversation moves onto the various insurance companies that Carenne has worked for and the inevitable comparisons between working environments.

"In many ways Cornhill is a similar working environment but what I have noticed and what made me think I made the right move in coming to Cornhill is this – the people at Cornhill were so warm and welcoming right from the moment I started. I recently travelled to our office in Bratislava and it was no different there. They were, and continue to be, just so helpful and accommodating. For me, it immediately felt like family. And I hadn't experienced that since Mercedes-Benz."

"The other major difference I've noticed is the documentation. Cornhill's documents are by far easier to understand, there are less questions and the content seems to be better organised with numbered sections which makes referencing easier."

As she speaks, the reality of her amazing journey begins to sink in. How does she feel about Dubai now, 14 years after first arriving?

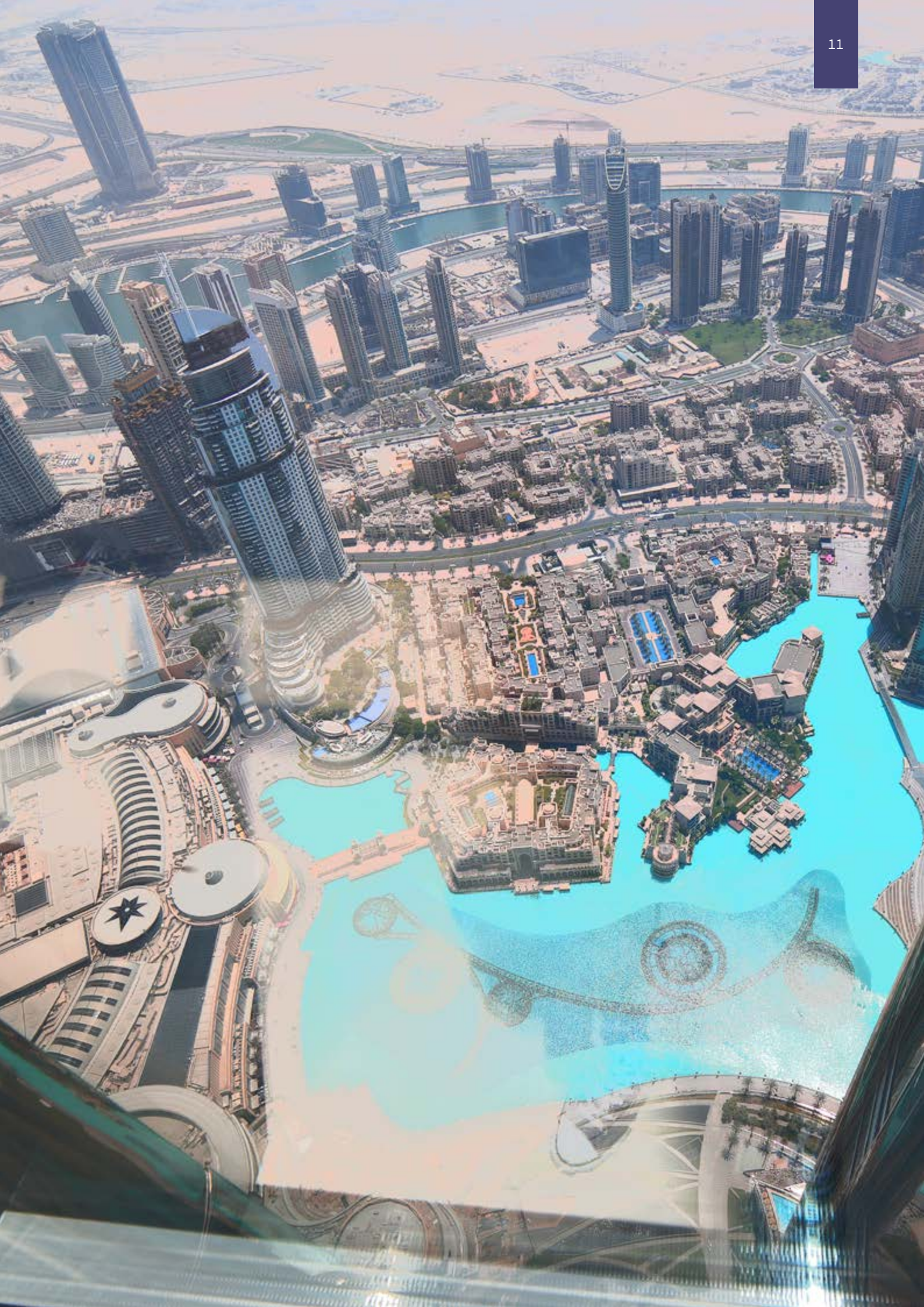
"The UAE has been very good to me. I have more than I want for. And because of the things that people have done for me here, I now try to pay it forward whenever I can." When I press her about what she means by this the answer is astounding.

"Every month I contribute 500 Dirhams (about USD 130) towards helping distressed Filipinos. I've also persuaded 14 of my friends to join me in contributing 500 Dirhams a month. And every two months we take that money and buy food, clothing, bedding and sanitary products which we distribute to those who need it. We alternate every two months between here (Dubai) and Abu Dhabi. I often take my siblings along to reinforce to them how lucky we are here.'

Sitting beneath this structure, at this crossroads where diverse cultures and nationalities meet in a striking blend of ancient customs and modern technology, of cosmopolitanism and insularity, and of wealth and want, it's refreshing and comforting to know that Carenne's faith in human nature and relationships has paid off so handsomely.

It's also nice to think that she brings this same faith and passion to her work at Cornhill every day. ■

For more information on Cornhill or any of the products mentioned here, go to ***www.1cornhill.com*** *or get in touch with us via* ***sales@1cornhill.com***



Cornhill Market Outlook

The last quarter was a relatively dramatic one for global equity markets. Geopolitics and global trade, or, more specifically, US trade policy, dominated headlines around the world. As we move into the second half of the year, politics and trade are likely to continue to make headlines, with trade likely to carry more weight in determining how markets develop in the coming months.

DEVELOPED MARKETS

While developed equities performed better than their emerging market counterparts over the last quarter, things were far from rosy in the world's biggest markets. Geopolitical tensions and escalating trade friction between Beijing and Washington weighed on sentiment while in key individual markets, such as the UK, Italy and Germany, local political issues also dogged performance. Going forward, these are once again all likely to make headlines and, along with central bank policy, drive markets.

While US trade policy was arguably the biggest market mover in the recent quarter, two of the biggest threats to the global economy have been largely overlooked – US interest rate normalisation and a burgeoning US fiscal deficit are likely to have a big impact on markets across the world. As such, investors' attention will be firmly focused on the major central banks in the latter half of the year.

While global growth and corporate earnings are in a decent state, the strength of the US economy is pushing the Federal Reserve to move forward with plans to withdraw the cheap money which has helped fuel economies and markets in the post-financial crash years. While US fiscal stimulus is likely to help buoy growth for some time to come, the Fed's tighter monetary policy will eventually bite with the US and global economies likely to feel the effects. Furthermore, the Bank of England is expected to hike its rates in the near future, while the European Central Bank has already announced it will begin turning the money taps off later this year, although it has stated that it is not planning to hike its rates until the middle of next year at the earliest. Despite global economic expansion, the structural issues of debt-fuelled growth remain, and economies that are sensitive to interest rate changes and equities in certain sectors, notably cyclicals, could see a correction.

Political risk is also going to play a role in stock performance in some developed markets. Perhaps the most significant political risk – outside the unpredictability of US President Donald Trump's policies – is Brexit. As we move into the second half of the year and inexorably towards the UK's apparent exit from the EU, the British government is as

divided as ever on the issue and a clear plan for the country's future trade arrangements with the EU is no closer. The prospect of a no-deal Brexit appears to be rising and businesses are growing ever more anxious (and frustrated).

No one is entirely clear on what the full effect of a no-deal Brexit would be on the UK economy and companies, or the EU and its businesses, but it is unlikely markets would see it as positive in any light. While it may appear reassuring for some kind of deal to be struck, without knowing what that deal is – and there may be no clarity on any deal for some

time to come – businesses will continue to be in the dark about what may or may not happen at the end of next March when the UK is due to leave the EU. If there is no clarity in the next few months, we can expect volatility on UK stock markets, although a potentially weaker GBP would arguably help the performance of blue chips listed on the FTSE 100 which have significant revenues abroad.

The Eurozone economy has been in reasonable shape lately but there has been some politically-driven market turbulence. The new Italian government was formed amid reported threats to pull the country out of the EU, the Euro or both. Of course, neither happened, nor is there any real chance of either happening. While the new government's policies may be worth following to an extent as we go forward, the likelihood of any political developments in Italy causing serious market turmoil is, for the near future at least, very low.

Germany is a slightly different case. Chancellor Angela Merkel remains somewhat embattled and internal disagreements among the ruling coalition have left the government in Europe's most important state, at least economically, weakened. It is likely German politics will play some part in moving Eurozone markets in the coming months, although to what extent remains to be seen.

The main theme for developed markets in the coming months, and possibly for the rest of this year, is almost certainly going to be US trade policy.

A recent UN study has predicted that an escalation of global trade barriers could reduce world GDP growth by 1.4% in 2019 and the risks from the current situation – which could spiral into bitter retaliation – for developed markets and the wider global economy, are severe. Reports out of the US suggest that major firms have already started discussions on postponing investments and taking on new employees because of concerns over trade policy. It is possible that as this year goes on, equity markets will begin to negatively discount 2019 while, if there is a full-blown trade war between the US and its major trading partners, a US recession could soon begin to cast a shadow on the horizon and growth elsewhere would begin to fall away.

Of course, this depends entirely on what Washington does next, and, as recent months have proved, that could be almost anything.

EMERGING MARKETS

The last quarter was a difficult one for emerging markets which had to cope with the headwinds of growing risk-off sentiment, US Dollar strength and the escalating trade war between Washington and Beijing. How these potential risks to emerging market equity performance are going to develop is, unfortunately, hard to predict with any clarity at the moment.

The direction of the US currency is expected to be an important factor in emerging market equity prices in the coming months. However, it is being pulled in different directions by a number of factors. Strong US growth and interest rates are likely to provide support for the US Dollar in the short-term, which will impact emerging markets. However, in the longer-term it is likely that the weight of government debt and a large current account deficit will pull it back somewhat.

As the first half of the year ended, there were some signs that the recent US Dollar rally was running out of steam and that the strengthening seen since mid-April has been more technical in nature than anything else.

The path of US rate rises will also be a major factor influencing emerging market stocks. As we go forward and the Federal Reserve looks to reduce its balance sheet, rising rates will create negative dynamics for emerging markets as funding costs will rise, affecting both the private and public sectors which, a decade after the financial crisis, have gotten used to cheap US Dollar funding.

Arguably what will be most difficult to predict is how US trade policy will develop. Since taking office, US President Donald Trump has proved himself to be, among many other things, one of the more unpredictable US and global leaders. How far he is prepared to escalate his trade conflict with China and other parts of the world, most notably Europe, is hard to forecast.

As discussed above, trade worries have been, and will almost certainly continue to be, a significant drag on equity markets around the world, especially so in China and other emerging markets. Markets across the wider Asian region, especially in South-East Asia, have moved to the tune of ebbing and flowing fears about US-China trade in recent months and are likely to do so again as we go forward.

At the moment, Washington appears ready to move full-steam ahead with its most drastic plans for tariffs and trade restrictions on China (as well as other countries). But Beijing, having initially appeared to try and defuse the conflict, has not entirely moved to escalate things. It has, instead, only retaliated in kind and appears to be opting more for appeasement than anything else. How long this will last is the question and the unpredictable nature of Trump's trade policies – and his approach to most policy matters in general – means that the whole conflict could defuse (or blow up) at any time.

With some weaker economic data alongside those elevated trade tensions, China recently eased its monetary policy again to release massive liquidity to support companies and its economy and has the tools to do so again, if needed, to offset the effects of US tariffs. It looks as if China is at least looking to avoid a full-blown trade war and subsequent volatility – something that will help all emerging markets.

Even if the current conflict does escalate, however, it would not necessarily be doom and gloom for all emerging markets. One small open economy linked very closely to China has proved to be resilient to the threats of a trade war so far. The Australian equity market was the second best performing market in the Asia-Pacific Region in the second quarter. Bank stocks – whose performance is largely down to domestic lending, regulation, and competition – have fared best while resource exporters have been buoyed by a weaker local currency, which is likely to continue if trade tensions remain high.

LATIN AMERICA

As much as trade worries will be among the key movers on emerging markets, local politics is likely to be just, if not more, important to major Latin American markets in the coming months. In Mexico, left of centre candidate Andres Manuel Lopez Obrador won the country's presidential election at the start of July. Investors have been concerned over the incoming administration, largely because of Obrador's populist rhetoric. However, it is more than likely that ultimately Obrador's administration will be fiscally responsible and economically pragmatic, especially taking into account the fact that as his campaign went on, his message became more moderate. Presidential elections are also due in October in Brazil and the recent strike and blockade by truck drivers has underlined the fragility of the current government. At the moment, the frontrunner in the polls is far-right firebrand Jair Bolsonaro, closely followed by environmentalist Marina Silva, who investors view as a continuation of the orthodox economic policies implemented under Michel Temer. However, the race is still wide open and the influence of currently-jailed former presdient Luiz Inacio Lula da Silva cannot be discounted and, as the election draws closer, the polls are likely to be an important driver for local equities and the currency.

AFRICA

The outlook for Africa's biggest markets is an improving one. The IMF has recently upgraded its economic forecast for Nigeria, predicting growth of 3.8% in 2019 – up from an earlier forecast of 3.7%. The group has said that this is a reflection of "improved prospects for Nigeria's economy" and an increase in commodity prices. Since 2016 Africa's most populous country has been enjoying a recovery from its worst economic contraction in 25 years, and the coming months should see that recovery continue. However, with oil key to the economy, crude price developments will need to be watched closely. In South Africa, the continent's most

developed economy, weak economic performance in the early part of the year is not expected to be repeated as we go through the rest of this year and into 2019. The country's change in leadership – former President Jacob Zuma was replaced by Cyril Ramaphosa after almost nine years in power during which time South Africa lost its investment-grade credit rating and economic growth suffered – should improve confidence among investors and there are already signs that this is the case as we are now seeing a growth in private investment.

A SPECIAL MENTION

One of the best performing sectors recently has been technology. Tech stocks have continued to deliver good returns despite the troubles most equity markets have seen and have become a more attractive proposition for investors in recent months.

This is down to a number of factors, including generally low debt leverage among tech companies, which makes the sector relatively less sensitive to changes in monetary policy. The sector also has the highest return on invested capital compared to other sectors. And among emerging markets, most notably China, it is a distinct bright spot. Indeed, regulatory protection for the tech sector in China is very robust and its large and rapidly expanding domestic market is unlikely to be affected even if global trade were to slow. ■

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