

Between the lines

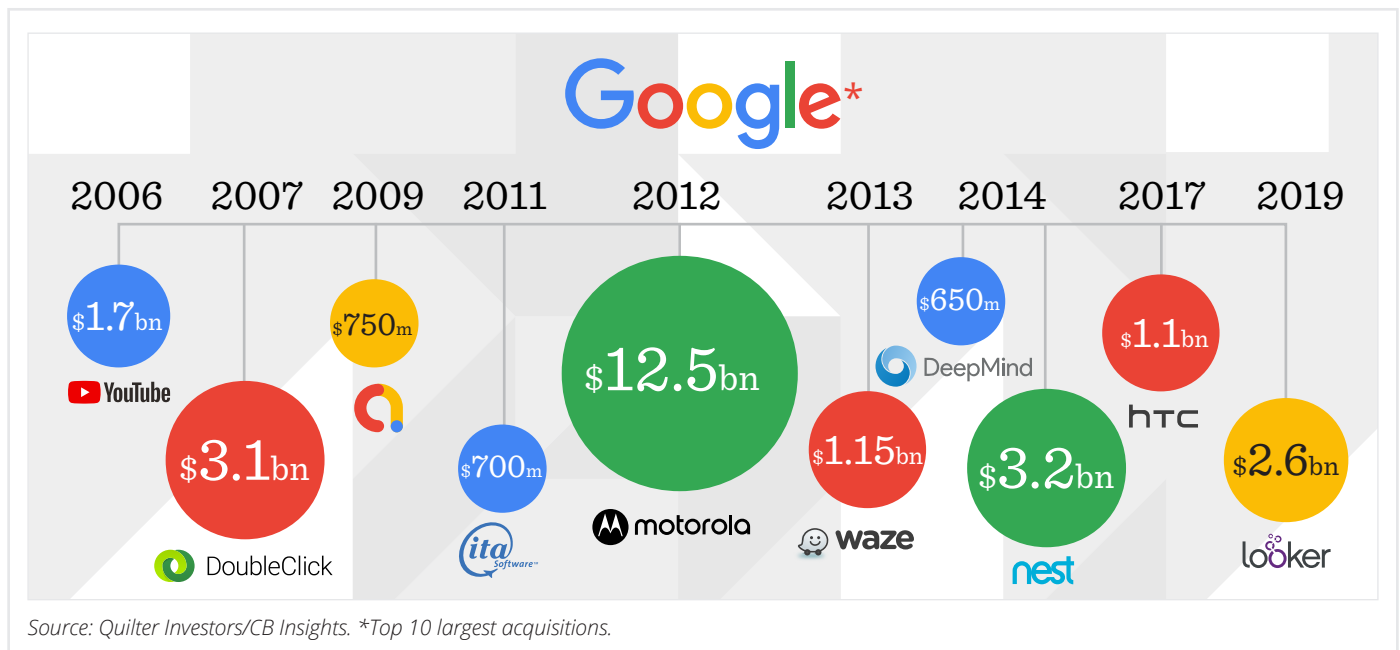
Week
24

Quilter Investors

Multi-asset investment thinking from the Quilter Investors team.

Living on a cloud?

Last week Alphabet's Google agreed to pay \$2.6bn for the US cloud business Looker. Google's gobbled up nearly 250 companies since it bought YouTube, but its 7.6% share of the cloud market is a long way behind Amazon's 32% and Microsoft's 13.7%.



Global emissions see biggest jump in seven years

According to BP's closely followed Statistical Review of World Energy, primary demand for energy rose at the fastest clip so far this decade (2.9%) in 2018, despite the tapering in global economic growth.

As portfolio manager Hinesh Patel observes, "This is a worrying trend that shows we're falling further and further behind the lofty ambitions espoused by the Paris Agreement on climate change in 2015.

"Weather patterns are becoming more volatile meaning that we're pumping more and more energy into both heating and cooling. Consequently, global CO₂ emissions have risen for three years straight with last year's jump in emissions the biggest in seven years.

"While renewable energy consumption remains on a tear," he says, "it can't overcome the steep climb in coal consumption that we're seeing in Asia and other emerging economies."



Mexican standoff averted

Following hastily convened negotiations, last Friday saw the Trump administration agree to cancel the heavy trade tariffs it threatened to impose on Mexico.

The compromise resulted from Mexico's agreement to increase its immigration controls through the expansion of the 'Migration Protection Protocols', which re-route US asylum seekers back to Mexico to await processing.

Mexico also agreed to send its National Guard to police its southern border, where many Central Americans enter Mexico. The deal caused jubilation in Mexico and helped global stock markets to rally.

However, Mr Trump insists that other details of the agreement that require ratification by Mexico's Congress are still to be revealed.

Meanwhile, on Monday (10 June) President Trump threatened another round of Chinese tariffs if President Xi Jinping doesn't meet with him at the upcoming G20 summit in Japan.



Salesforce books a Tableau

Salesforce, the leading Customer Relationship Management (CRM) platform provider, has agreed to pay \$15.3bn in an all share deal to acquire data visualisation specialist Tableau Software. Tableau's share price jumped by around a third on Monday (10 June), following the news.

The deal could soon make the data collected by Salesforce's Customer 360 package far more visually engaging and easier to digest. Salesforce has acquired more than 60 companies in the last two decades but Tableau is its biggest deal to date.

Tableau's user-friendly software is employed by almost 90,000 organisations worldwide including the likes of Verizon and Netflix.

The deal returns Tableau's Oscar-winning co-founder, Patrick Hanrahan, to billionaire status, despite Hanrahan, an early Pixar employee, reportedly only spending 20% of his time at Tableau.



New 'top gun' in the defence sector

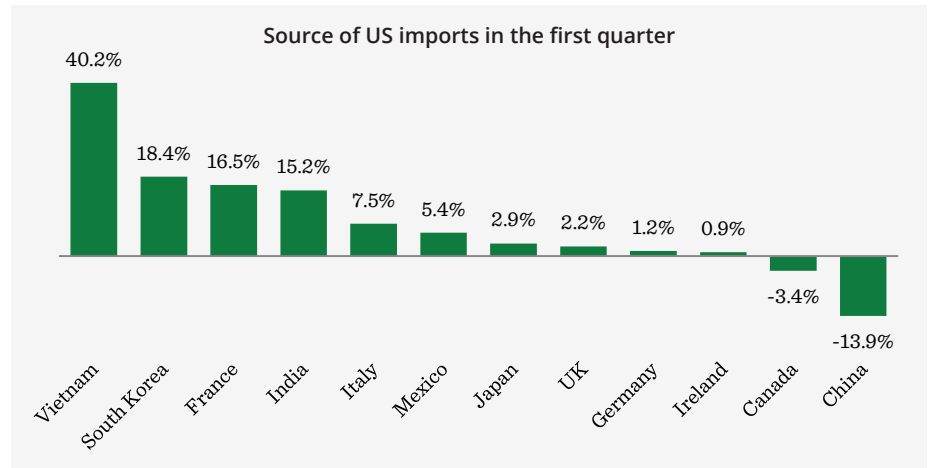
In the biggest deal of the year so far, the US defence giant United Technologies is to merge with Raytheon to create the world's second largest aerospace and defence business after Boeing.

The all-stock deal will create a company currently worth around \$166bn with annual revenues of c\$74bn. The new company, Raytheon Technologies, will be 57% owned by United Technologies shareholders with Raytheon shareholders owning the rest.

United makes everything from jet engines to elevators although it's already announced the spin-off of its Otis (elevators) and Carrier (air conditioning) businesses. Meanwhile, Raytheon produces missile defence systems and cybersecurity solutions. The combined entity will produce everything from Tomahawk missiles to space suits.

Chart of the week

Re-booted or re-routed? Much of Vietnam's sudden jump in exports to the US may just be Chinese goods that have been re-routed. Fearful of reprisals, Vietnam's leadership has promised to crack down on the practice...



Source: Quilter Investors/US Census Bureau. First quarter YoY growth.



Fake it until you make it

Last Friday (7 June) Beyond Meat, the maker of faux meat that went public on 1 May, released an inaugural earnings report that left many Wall Street analysts stunned.

Thanks to the company's much better than expected annual outlook, the shares jumped almost 40% on Friday and climbed as much as 34% on Monday. By Tuesday media outlets were reporting that the stock, which started life at \$25, had gained some 572% since its IPO.

The company maintained that its guidance was "very conservative" suggesting that there may still be further to go for the share price. However, not everyone was delighted; some 51% of Beyond Meat's shares are held by short investors who, according to reports, have so far lost around \$400m betting against the maker of veggie burgers.

...global CO² emissions have risen for three years straight with last year's jump in emissions the biggest in seven years.

Hinesh Patel, portfolio manager, Quilter Investors.

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