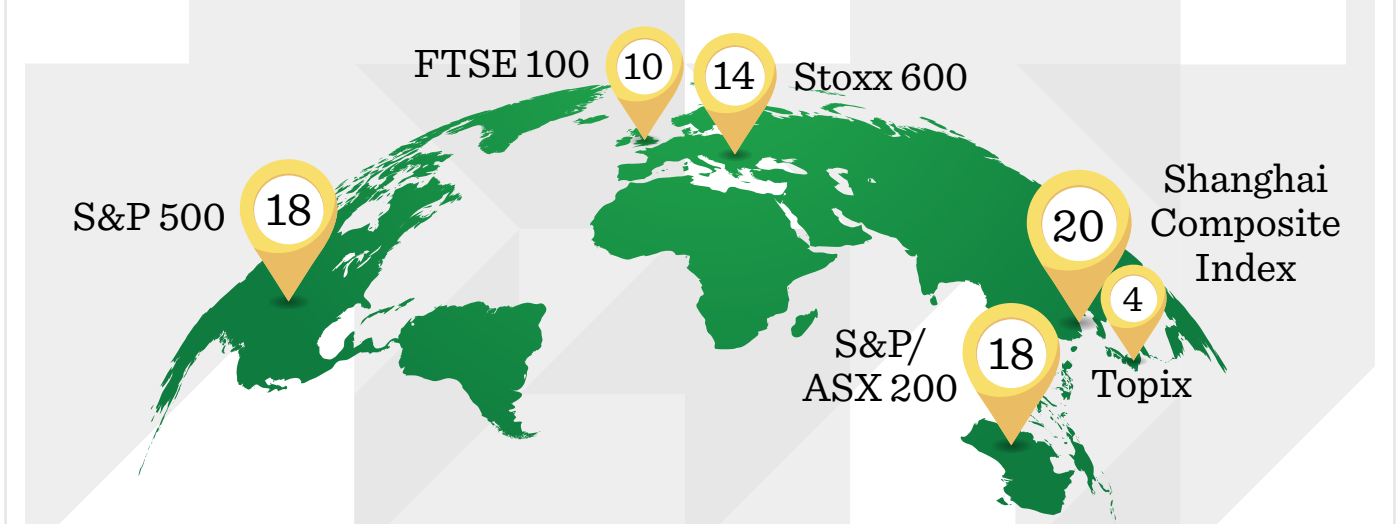


Multi-asset investment thinking from the Quilter Investors team.

China still leads the field

Despite the punishment it's incurred in an escalating trade war with the US, China remains the world's top performing stock market in local currency terms as the halfway point in the year approaches.

Global share performance year-to-date (%)



Source: Bloomberg/Quilter Investors. Year to date performance as at 24 June 2019 in local currency terms.



Credit: Bristol-Myers Squibb

Squibb on a skid

The proposed \$74bn marriage between the drug giants Bristol-Myers Squibb and Celgene ran into problems this week when the pair announced that the deal is unlikely to close until sometime next year.

The news sent shares in Bristol-Myers Squibb down almost 7.5% on Monday (24 June) to be some 12% adrift this year while Celgene shares lost more than 5%. The pair announced plans to divest themselves of Celgene's leading psoriasis drug Otezla, a cash cow that delivered around \$1.6bn in revenues last year. Although the move will help pay down debts incurred by the deal, investors were far from happy about the news.

Bristol-Myers announced the Celgene acquisition in January and it was approved by shareholders in April. It's hoping that selling Otezla will help ease antitrust concerns raised by the Federal Trade Commission.



Credit: iStock/moisseyev

Music stops for Carnival

The world's biggest cruise ship operator, Carnival, ran into rough seas last week that saw its shares sink some 8%.

The squall arose on Thursday when Carnival moved up its second quarter results to warn of an uncertain second half and earnings per share (EPS) that could be as much as 30% short of previous guidance.

The business is taking on water in Europe. This year, Amsterdam introduced a new tax on cruise ship passengers which forced Carnival out. Barcelona and Venice are also curtailing cruise traffic for environmental reasons with the latter becoming especially indignant after the mammoth MSC Opera liner ploughed through a busy pier this month.

Meanwhile, Italy continues to flirt with recession, and the proliferation of budget resorts in North Africa and Turkey is driving down prices throughout the travel sector.



EU faces ban on trading Swiss shares

Tensions between the EU and Switzerland have escalated after the EU refused to extend stock market equivalence and the Swiss threatened to ban EU exchanges from trading their shares.

The row focuses on a partnership treaty that has been under negotiation since 2014. After five years the EU wants Switzerland to make a decision; it's pushing the issue by refusing to extend the equivalence regime when it expires at the end of June.

Jonathan Callow, senior dealer at Quilter Investors, says: "It may not seem like a big issue, but three of Europe's biggest businesses – Nestle, Novartis and Roche – are all listed in Switzerland. If these stocks are banned from EU exchanges, it will be interesting to see how this plays out."



California dreaming?

Latest figures show that California, the world's fourth largest economy, is having a hard time coping with the trade tariffs.

The ongoing trade war between the US and China is thought to be most strongly felt in California, as it conducts more trade than any other US state (c\$175bn).

The higher trade tariffs with China could significantly affect the state's economy which is worth \$2.7trn. In 2018, it's exports to China were worth over \$16bn while it imported more than \$161bn of goods.

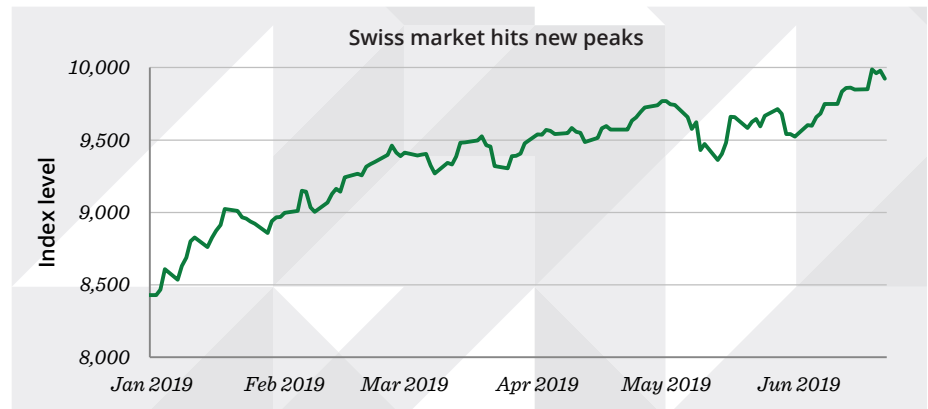
Meanwhile, recent research suggests that the latest US trade tariffs could push up the price of the average mobile phone by around 14% (about \$70). Likewise, laptop and video game console prices could rise by 19% or about \$120 for the former and \$56 for the latter.



Credit: AbbVie

Chart of the week

Swiss roll: The combination of demand for assets denominated in safe-haven currencies (such as the Swiss franc) and for quality defensive stocks has pushed Swiss equities to new highs so far this year.



Source: Quilter Investors/Macrobond. Swiss Market Index (SMI) price return year-to-date as at 21 June in local currency terms.

AbbVie's \$63bn face lift

US pharmaceutical giant AbbVie has announced plans to buy Allergan in a deal worth \$63bn as it looks to create a more diversified product portfolio.

The deal will be one of the largest in the global pharmaceutical industry and will help AbbVie expand its range away from its best-selling arthritis treatment Humira, which loses patent protection in 2023.

The acquisition of Dublin-based Allergan will give it access to a specialist range of aesthetic treatments including double chin removal and the well-known Botox procedure.

AbbVie shareholders will own 83% of the new company with the remainder held by Allergan shareholders. It will be headquartered in Chicago once the deal is completed early next year.

It may not seem like a big issue, but three of Europe's biggest businesses – Nestle, Novartis and Roche – are all listed in Switzerland. If these stocks are banned from EU exchanges, it will be interesting to see how this plays out.

Jonathan Callow, senior dealer, Quilter Investors.

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