



IN FOCUS

FDI

Manufacturing

Trade Gap

Inflation

IMI

TECH

MAC

US Interest Rates

ECONOMY

A series of recent economic data have been weaker than expected:

1. Foreign direct investments for the month of July declined 38% to \$307m. YTD FDI was down 16%.
2. August manufacturing data slowed dramatically from last year (+12% to +2%) although appearing to stabilize from the previous month.
3. The country's August trade gap widened as the growth in imports came in higher than that of exports.
4. Inflation accelerated to 3.4%, matching the year's high.

These have not tempered the market's rally but we believe that the data foreshadow weaker growth ahead. Investors, again, may be putting too much faith in tax reform and the infra hype. Is the market setting itself up for a major disappointment? We believe so but we also realize that it may take time for things to unravel. In the meantime, bulls are likely to continue leading the parade.

RANDOM THOUGHTS

1. During the meeting with IMI, the discussion inevitably drifted toward other listed electronics manufacturers. We were surprised that the company also manufactures antennas for wireless communications networks and learned that revenues from this segment declined 19% YTD. This was due to stiff competition and delays in the roll out of 5G in China. IMI didn't comment directly on the TECH-Quintel deal. Nevertheless, it reinforces our doubts. Moreover, investors may be in for a rude awakening when TECH, after consolidating Quintel for 2 months, reports a loss for Q3. We don't officially cover TECH but taking profits at this point doesn't seem to be a bad idea.
2. It took only 5 weeks for MAC to surpass our price target. Were we too conservative in computing for fair value? Maybe. Still, before deciding whether to upgrade or not, we will probably wait for our plant visit next week at Lufthansa Technik and for Q3 numbers to come out in a few weeks' time.
3. While confirming a third rate hike for the year in December, the Fed minutes released this morning revealed that more members were considering the possibility that the slowdown in inflation is not transitory. Keeping in mind that the median projection is for 3 rate hikes next year, the news is still slightly bullish for equities. Again, the bulls are in control and this is likely to strengthen their resolve.



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