

HIGHLIGHTS OF THIS ISSUE

In this issue, we briefly update our existing themes. We then present in the spotlight piece our **Hot Shots** theme, which focuses on the prospects for the defence industry.

- While we are well into the summer, the market temperature forecast is simply lukewarm; not too hot and not too cold is less benign than it may initially sound and caution is still warranted. We stick with our relative value approach of last month, favouring emerging versus developed market assets.
- In our **Reservoir Dogs** theme, the US energy market points to interesting developments which could eventually even impact currency considerations.
- In our **Passing the Buck** theme, the slow but inexorable path of increased financial sector regulation is leading to boring but not necessarily better banking.
- In our spotlight piece, our **Earth, Wind & Fire** treasure hunt expands into the global defence sector. In **Hot Shots**, we argue that the investment community is probably overcautious with the prospects of the defence industry. While fiscal adjustments from past sins will likely constrain traditional consumers, visions of future sins will propel many new recruits of the defence sector to new heights of consumption.

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