

# Morning Market Pulse

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## Morning Market Pulse - Smiths to put Medical under the knife

Mike van Dulken and Artjom Hatsaturjants at Accendo Markets, commented to clients this morning:

**FTSE 100 called to open -15pts at 7340**, back from yesterday's 7370 highs (best since early October), but holding rising lows support since 12 March. Bulls need a break above 7370 to extend the uptrend towards 7500. Bears require a breach of 7325 overnight lows if they are to test September's intersecting support at 7280. **Watch levels: Bullish 7370, Bearish 7325**

**Calls for a negative open** come in spite of strong finish on Wall St, where Tech rallied on the back of Apple (+3.7%; broker upgrade) and Semiconductors (Micron results). Sentiment soured, however, in Asian trading, where markets are mixed, China underperforming amid fresh US-China trade talk uncertainty. President Trump is said to be demanding China "double or triple" its purchases of US goods, potentially stalling next week's negotiations.

The case for FTSE negativity is further supported by an overnight 1% bounce by GBP. Overnight, EU leaders threw the UK Prime Minister a lifeline, offering an unconditional delay to Brexit until 12 April, extendable to 22 May if the House of Commons finally approves her deal in next week's Meaningful Vote 3 (MV3).

In corporate news this morning;

Smiths Group announces demerger of Smiths Medical by H1'20, with plans for a UK listing. Reports Group H1 underlying revenues +2% (+3% excl. Medical), operating profit -2%, pre-tax profit -1%, free cash flow -37%. Interim dividend +2.2%. Reiterates full year guidance for "at least" 2% underlying revenue growth.

easyJet to keep EU ownership position under review following Brexit; currently 49.92% (excl. UK), which is below the EU's 50%+1 share requirement; ready to activate "no deal" contingency plan, suspending non-EU voting rights on a last in first out basis.

Royal Mail says Deputy Chairman Keith Williams will succeed Les Owen as Chairman. Ratings agency Fitch affirms Imperial Brands' credit rating at 'BBB' with a Stable outlook.

G4S provides 2017-18 breakdown of underlying quarterly organic growth: Secure Solutions (average 3.1% per quarter), Cash Solutions (0.1%), Cash Solutions ex-RCS & NA (0.8%) and Group (2.3%).

Berry Group says 793p/share takeover offer for RPC is final and will not be increased unless RPC receives a better third-party bid. Takeover expected to conclude Q3.

Senior wins contract from Saab to supply components for Boeing's T-X pilot training aircraft.

Sanne FY revenues +26.4% (+12.3% organic), underlying pre-tax profit +11.8%. Final dividend +9.5%. Expects good 2019 performance and confident in medium-to-long-term prospects.

KCOM delays group strategy review from 27 March to 26 April. Confirms trading and net debt in-line with market expectations. Expects final div of not less than 2p (vs. 4p last year).

In focus today:

Digestion of a Brexit delay, from 29 March to 22 May, if the PM can muster approval of her deal next week, allowing the UK to leave and avoid participating in European elections. Otherwise, should the deal suffer yet another Commons rejection, the new date for your diary is 12 April, a mere fortnight extra for the UK to get its house in order for no-deal hard Brexit.

Flash Eurozone PMI Manufacturing & Services (8-9am) are expected little changed, reminding traders of the region's mixed health and struggles. Germany's key manufacturing sector is expected to edge lower, to a fresh near 6yr low, while Services extends January's rebound from a 2yr trough.

Across the Pond, US flash PMIs (1.45pm) are forecast unchanged in March while February Existing Home Sales (2pm) rebound from January's lowest number since last 2015.

Speakers today include the ECB's Mersch (10.15am) on a policy panel at a high-level scientific conference organised by the National Bank of Poland and the Fed's Bostic (1.30pm, dovish, non-voter) delivering a speech on economic outlook and monetary policy.

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Contact us +44 (0)1202 770386 [action@proactiveinvestors.com](mailto:action@proactiveinvestors.com)

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