

MARKET PREVIEW

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Brexit date arrives but March 29 to be a damp squib although parliamentary vote might not be

Well it is the week that holds the Article 50 Brexit date of March 29, but now European Union leaders have agreed an extension of that date, subject to the UK parliament approving the deal Theresa May agreed with them, it should all prove a damp squib.

Obviously, a third parliamentary vote on the deal - if it happens given the Speaker's ruling that only two votes can take place on the same bill - should be the biggest event of the week, with Tuesday or Wednesday the likely days.

If the prime minister's Brexit deal is passed, the EU will grant an extension that lasts until 22 May - the day before European Parliament elections - to give the UK parliament time to pass the relevant legislation.

If the deal doesn't pass next week, then the UK will have until 12 April to decide a way forward, which coincides with the legal deadline for the UK to give notice on holding EU elections,

In a note, economists at ING said: "Assuming May's deal is rejected for a third time, focus will switch back to this idea of 'indicative votes' - a process where parliament will get its say on alternative Brexit options. Backbench MPs have put down an amendment for Monday, which will try to force these indicative votes later in the week.

"If these votes do take place - which we suspect they will - the question is what, if any, option will get parliamentary backing?"

"In the end," they added, "we think the British Parliament will do all it can to avoid a 'no deal' Brexit - most likely by settling upon some kind of alternative plan, or even by taking the 'nuclear option' of revoking Article 50 altogether (less likely).

"We also suspect that most in the EU will continue to view a 'no deal' Brexit as highly undesirable.

"We therefore still think 'no deal' will be avoided, although the odds of this happening on 12 April have undoubtedly increased."

Investors await guidance from Bellway

As Brexit uncertainties have been taken their toll on the UK economy and consumer sentiment, the housing market has pretty much stagnated, although builders of new homes have continued to put in solid performance helped by a demand squeeze and government incentives for first-time buyers.

In a trading update last month, Bellway PLC (LON:BWY) said it had started the second half in a solid position but remained "cautious given the uncertainty regarding the UK's forthcoming exit from the EU and the extent to which this will affect wider customer confidence".

The mid-cap housebuilder, which posts its interim results on Wednesday, said then that it expects first-half revenue to rise to almost £1.5bn, up from £1.3bn last year after completing 5% more homes and achieving a 6.5% increase in the average selling price.

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MarketTopic Synopsis:

Market Preview is published daily before trading kicks off, giving investors a roundup of macroeconomic and corporate news that is likely to move the markets along with the expected opening level of the major indices.

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For the first half, UBS expects Bellway to report an operating profit of £320m at a margin of 21.6%, down 60 basis points, along with pre-tax profit of £316m and an interim dividend of 50p.

"We expect sales rates to have remained robust from the trading update in Feb-18 when weekly reservations were up by 3%," the Swiss bank said.

With some of the first-half numbers already known, investors will be looking out for Bellway's guidance for the full year.

Ferguson's UK restructuring in focus

Among the blue chips, plumbing and heating distributor, Ferguson Plc (LON:FERG) - which is very focused on the US - is on track to complete a restructuring of its UK business this year to address weak repair, maintenance and improvement markets.

The company has closed branches and exited low margin business in the UK as part of its plan to overhaul the division.

Investors will be hoping to see evidence the UK turnaround plan is paying off in the first half results on Tuesday.

In the first quarter, continued strength in its North American operations offset a fall in the UK to bring revenue up 8.5% to £3.3bn and organic sales up 6.7%.

The US unit was boosted by recent acquisitions in the period but analysts raised concerns about the outlook due to a slowdown in the US housing market.

UBS expects second-quarter organic sales growth of 5.3% in the first quarter, led by another strong performance in the US business.

For the first half, it predicts underlying earnings (EBITDA) of US\$747m, up from US\$698m the previous year, and sees the interim dividend being raised to US\$0.69 from US\$0.57.

Regulation impact, next gen products key for Imperial Brands

These are interesting times for the tobacco sector with efforts by the industry to move towards next generation products such as e-cigarettes facing extra regulation and restrictions in the US from the FDA.

In a second-quarter trading update, due on Thursday, investors in Imperial Brands PLC (LON:IMB) investors will be looking for more details on the expected impact of the proposed changes, even though many do not come into force for two years.

The market will also be interested in any update on expected revenues from the FTSE 100-listed firm's next generation smoking products, previously given as £250m-£1.5bn by 2020.

A further 10% rise in the all-important dividend is also pencilled in for this year.

Updates to flow from Pannon, United Utilities

The regulatory environment has been overhanging on the share prices of listed water companies Pannon Group plc (LON:PNN) and United Utilities PLC (LON:UU.) for a while now.

Last summer's exceptionally hot weather also added costs to for the groups as they tried to safeguard supplies and resources, so investors will be keen to get more details when both update at the start of the coming week - Pannon on Monday and UU on Tuesday.

While water shares are attractive share for income investors, concerns over the sustainability of dividends have been raised beyond 2019 as the groups reduce bills and cut capital expenditures in line with regulatory requirements.

Fevertree needs to start sparkling in US

Fevertree Drinks PLC (LON:FEVR) was one of the big casualties of October's global equities sell-off, and the posh tonic maker is still some 25% off the all-time highs it hit in the month prior.

The company, which is one of the biggest on AIM, didn't help itself when it went silent during November, a month in which it has traditionally told investors that results will be way ahead of forecasts.

Normal service was resumed at the start of this year when it lifted its forecasts for the year just gone and investors will be hoping for a repeat in Tuesday's 2018 results.

Thanks to January's update, we already know that revenues will likely rise by 39%. There was no word on profits, but analysts think the UK sugar tax and investment into the US might have eaten into margins a little. Underlying earnings (EBIT) are seen coming in at around £74m.

The UK is still Fevertree's biggest and fastest growing market but that can't last forever, and investors will want to see other areas starting to pull their weight, particularly the US.

Margin squeeze at AG Barr

Sticking with fizzy drinks, Irn Bru maker AG Barr PLC (LON:BAG) is also set to report its full-year results on Tuesday.

The company, which also makes Rubicon and Strathmore drinks, reported steady revenue growth in January's trading update and investors will want to see if that is reflected in the profit column.

AG Barr hasn't been too badly hit by the sugar tax as its new Irn Bru recipe is below the threshold was below the threshold.

"That's helped it grab market share, but extra marketing investment means margins have been pinched," said Hargreaves Lansdown analyst Sophie Lund-Yates.

House broker Shore Capital expects operating profit to have edged 1% higher to £45.5m. That compares with consensus of £46.4m and guidance of delivering profit ahead of last year.

Looking ahead, AG Barr has said it plans to return to a more "value-led" strategy this year, which suggests that price rises could be on the way.

Moss Bros measures up losses

Menswear retailer Moss Bros Group plc (LON:MOSB) is bracing for a loss in its final results on Tuesday, although investors shouldn't be too nervous after the company confirmed it would be in line with market expectations in a January update.

The firm had previously forecast an adjusted loss of £0.6m for the year.

What is probably more likely to draw attention is any changes to the company's particularly gloomy outlook statement, with chief executive Brian Brick saying the firm expected the year ahead to be "extremely challenging" amid subdued consumer spending, Brexit uncertainty and the "significant cost headwinds" that it continues to face from a weaker pound and further increases in business rates and employee-related costs.

Any positivity will likely bring some measure of relief to Moss' long-suffering shareholders, who have seen the share price drop 47% over the last 12 months.

Churchill China fired up ahead of finals

Stoke-on-Trent pottery maker Churchill China PLC (LON:CHH) is likely to have some energy when it releases its finals on Wednesday after upgrading its performance forecasts on the back of a strong finish to 2018.

In early January, the firm said its operating performance for the year would be ahead of market estimates thanks to

strong revenue growth in its export markets and an improved second-half performance for its UK segment.

Significant announcements expected for week ending March 29: Monday March 25:

Trading updates: Pennon Group plc (LON:PNN)

Finals: ADES International PLC (LON:ADES), Be Heard Group PLC (LON:BHRD), Brady Plc (LON:BHED), Ebquity PLC (LON:EBQ), Bigblu Broadband PLC (LON:BBB), Hansteen Holdings plc (LON:HSTN), Microgen plc (LON:MCGN), Medica Group PLC (LON:MGP), Quixant PLC (LON:QXT), SpaceandPeople Plc (LON:SAL), Spectra Systems Corporation PLC (LON:SPSY)

AGMs: WPP PLC (LON:WPP)

Economic data: CBI quarterly financial services survey; BBA UK mortgage lending; German IFO business climate survey; US new home sales; US Chicago Fed national activity index

Tuesday March 26:

Trading updates: United Utilities PLC (LON:UU.), Carnival PLC (Q1) (LON:CCL)

Interims: Ferguson Plc (LON:FERG), Mysale Group PLC (LON:MYSL)

Finals: Fevertree Drinks PLC (LON:FEVR), AG Barr PLC (LON:BAG), Moss Bros Group plc (LON:MOSB), Vectura PLC (LON:VEC), S&U PLC (LON:SUS), Personal Group Holdings PLC (LON:PGH), Alliance Pharma PLC (LON:APH), Access Intelligence PLC (LON:ACC), Boku Inc (LON:BOKU), T Clarke PLC (LON:CTO), Gulf Marine Services PLC (LON:GMS), LiDCO Group PLC (LON:LID), Michelmersh Brick Holdings Plc (LON:MBN), Pelatro PLC (LON:PTRO), STM Group Plc (LON:STM), XL Media PLC (LON:XML)

Economic data: UK quarterly GDP; UK balance of payments; US durable goods orders; US Case-Shiller home price index

Wednesday March 27:

Trading updates: Imperial Brands PLC (LON:IMB)

Interims: Bellway PLC (LON:BWY)

Finals: Churchill China PLC (LON:CHH), Touchstone Exploration Inc (LON:TXP), Hilton Food Group PLC (LON:HFG), Inspired Energy plc (LON:INSE), M&C Saatchi Plc (LON:SAA), RHI Magnesita NV (LON:RHIM), Summitt Therapeutics PLC (LON:SUMM)

Economic data: CBI monthly distributive trades survey; US balance of trade

Thursday March 28:

Finals: Arix Bioscience PLC (LON:ARIX), Arbuthnot Banking Group PLC (LON:ARBB), Biome Technologies PLC (LON:BIOM), Eddie Stobart Logistics PLC (LON:ESL), Gulf Keystone Petroleum Ltd (LON:GKP), IGas Energy Plc (LON:IGAS), International Public Partnerships Ltd. (LON:INPP), Intelligent Ultrasound Group PLC (LON:NED), Scisys Group PLC (LON:SSY), Secure Trust Bank PLC (LON:STB), BBGI SICAV SA (LON:BBGI)

Interims: Ceres Power PLC (LON:CWR), Diurnal Group PLC (LON:DNL), Genedrive PLC (LON:GDR), Tritax Eurobox PLC (LON:EBOX)

Ex-dividends to knock 4.5 points off FTSE 100 index: British Land Company PLC (LON:BLND), InterContinental Hotels Group PLC (LON:IHG), Prudential PLC (LON:PRU), Schroders PLC (LON:SDR)

Economic data: US weekly jobless claims

Friday March 29:

Interims: CVS Group PLC (LON:CVSG)

Finals: GAN PLC (LON:GAN), Chesnara Plc (LON:CSN), Cathay International Holdings Ltd (LON:CTI)

Economic data: Nationwide house price index; University of Michigan US final consumer confidence index; US Chicago PMI; US personal income, spending

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