

Market Preview

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Sales slowdown expected at Greene King's pubs; UK data could please

After a fairly busy first full week's trading in September, things as always slow down on a Friday, with little scheduled on the corporate news front.

The main interest could be on a trading update from brewer and pubs operator Greene King PLC (LON:GNK) which earlier this week saw its rating downgraded to 'reduce' by the broking arm of high street banking giant HSBC.

READ: HSBC cautious on UK pubs, calls time on Greene King and JD Wetherspoon ratings

Cutting its rating for both Greene King and pubs peer JD Wetherspoon PLC (LON:JDW), HSBC's analysts said they are worried that the UK pubs sector faces "twin risks from consumer weakness and rising input costs".

Meanwhile, in a preview note on Greene King published Wednesday, analysts at Liberum Capital said: "Short positions have been building over the last few weeks with attention firmly on Friday's AGM trading update covering 18 weeks trading to beginning of September."

The Liberum analysts expect overall like-for-like sales growth for Greene King's pubs business to have slowed to around +0.5% to +1.0%, down from 1.5% for full-year 2017, given challenging comparatives - weather and currency - and a tightening macro backdrop, albeit remaining positive and ahead of the market .

They also expect the Pub company's like-for-like net income growth to have slowed to around 3.5%, down from 5.0%, and Brewery own brewed volumes to have turned positive.

The analysts said: "Key will be the commentary on costs and whether the guidance of £60m of headwind and £45m of mitigation in FY18E still holds."

They added: "While most of this has been well flagged, recent industry commentary continues to be cautious and hence earnings risk still lies marginally to the downside."

Data could be positive

On the data front, reports on UK industrial and manufacturing production, construction output, and the latest balance of trade numbers will give a snapshot of the health of the UK economy.

In July, the UK goods and services trade deficit rose to £4.6bn, while construction output fell 0.1% on the month before and by 1.3% quarter-on-quarter.

Meanwhile UK industrial production increased by 0.5% month-on-month, but fell by 0.4% quarter-on-quarter, and manufacturing output saw zero growth month-on-month and a 0.6% contraction quarter-on-quarter.

However, recent purchasing managers indexes have pointed to a pick-up in manufacturing output and a big jump in exports, although they continue to point to harder times for the construction sector.

So, investors will be keen to see if the official data reflects the more optimistic findings of the August PMI reports

Significant announcements expected on Friday September 8:

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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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AGMs: Greene King PLC (LON:GNK), Adams PLC (LON:ADA), Masawara PLC (LON:MASA), Ortac Resources Ltd. (LON:OTC), Simigon Ltd (LON:SIM)

Economics: UK industrial, manufacturing production; UK construction output; UK balance of trade

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