

Market Preview

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Insurance will be the corporate key in coming week, though US jobs data should be biggest draw

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Aviva faces slew of questions at annual results

Aviva PLC (LON:AV.) chief executive Mark Wilson will deliver his last set of full-year earnings on Thursday before hanging up his hat. Wilson plans to step down in April after six years in charge.

The insurer is yet to announce a replacement for Wilson but could use its annual results to reveal who will be the next leader.

Sophie Lund-Yates, equity analyst at Hargreaves Lansdown, said who will be appointed chief executive is just one of the many questions that need answering at the results.

Another question is "what does the group plan to do with a capital base that's already at the top end of target?", she said.

"A share buyback was completed in September - that could be extended, or the group might undertake some M&A.

"However, Aviva could move to shore up its balance sheet ahead of Brexit, so a decision to decrease leverage might be more plausible."

Lund-Yates said the big question, however, is how exactly does Aviva intend to deliver revenue and profit growth in the years ahead.

"Its core markets, UK life insurance and personal insurance in the UK and Canada, are both mature and unlikely to deliver rapid growth under the current set up. Aviva Investors saw £2.5bn of inflows from UK investors at the half year but is likely to be experiencing similar margin pressures to those across the wider asset management space. "

New investment chief at Legal & General hogs the spotlight

Shares in UK insurer and investment firm Legal & General Group PLC (LON:LGEM) have recovered at the start of the year and investors will be keen to see full-year profits do the same after a challenging first half.

L&G, which reports its annual results on Wednesday, saw pre-tax profit fall 9% to £942m in the first half as volatility in global financial markets weighed on its investment portfolio.

Share Information

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.

action@proactiveinvestors.com

But the company has said it is on course to deliver 10% increase in earnings per share per year out to 2020 as it focuses on "attractive high-growth markets" within investment management, investing and annuities, and insurance.

"Investors will be keen to see if assets under management breach the £1trn mark and whether their three-tier strategy to offset the fall in individual annuity sales is coming through," according to The Share Centre.

"However, the media focus is likely to turn to the recent announcement of Michelle Scrimgeor who has been selected L&G Investment Management's new chief executive."

Scrimgeor, the European chief of Columbia Threadneedle Investments, will succeed Mark Zinkula, who will step down as head of the investment management division in August after eight years in the role.

Deutsche Bank expects L&G to report continuing operating profits of £2.2bn, up 8% on the prior year, a 7% hike to the dividend to 16.4p and a solvency ratio of 189%.

Direct Line on track to meet 2018 targets

Fellow insurer Direct Line Insurance Group PLC (LON:DLG) has also seen changes at the top.

Chief financial officer, Penny James, was in February was selected to succeed Paul Geddes as chief executive. James will start the new role in May after the annual general meeting. The company reports its full-year results on Tuesday.

In a third-quarter trading update last November, the group said its gross written premiums fell 5.8% to £854.5m in the three months to September 30 as weather-related claims and intense competition took their toll.

However, Direct Line said it was on track to meet its 2018 and medium-term financial targets.

Deutsche Bank expects the firm to post pre-tax profit of £535m for the year, down from £539m in 2017, and a dividend per share of 26.9p after a 35.4p payout a year ago.

"In summary, the combination of higher inflation and greater-than-expected reduction in risk mix results in our EPS estimates declining by 6% for FY18, 5% for FY19 and 4% for FY20," the bank said in a note to clients in November.

"On top of that, we suspect that motor insurers' margins will temporarily come under further pressure in 2H19 as the industry starts to pass the benefit of the whiplash reforms ahead of the associated benefit being realised only from April 2020."

Premium increases the focus for Admiral

Interim results last August for Admiral PLC (LON:ADM) were well-received thanks to decent growth in the car insurance business.

The whole sector got a boost earlier this year when industry data showed a rise in car insurance premiums, so investors will be looking for any comments from the company on that in Thursday's fourth-quarter update

The uncertainty around Brexit also remains a concern for a company with a European business which is performing well.

The market is expecting to see a 9% rise in dividends this year so that will also be a focus in Admiral's numbers.

US details eyed from GVC in latest earnings

GVC Holdings PLC (LON:GVC) is already bringing investors some winnings in its full-year results on Tuesday after forecasting in January that its EBITDA would come in above consensus.

Aside from this, investors will be on the look-out for any new details around the firm's US strategy, especially its joint venture with MGM resorts as it could be a main source of future growth.

Any changes to the £160mln hit from changes to the maximum stake for fixed-odds betting machines in the UK will also be watched, especially if it goes up.

Paddy Power Betfair looks to avoid horse flu contagion

As one of the largest bookmakers, investors will be keeping an eye open for any impact on Paddy Power Betfair plc (LON:PPB) from the recent bout of equine flu which ground most of the horse racing industry briefly to a halt.

There may also be interest around the company's outlook statement given the Cheltenham Festival is just around the corner.

Besides this, the newly opened US market will continue to drive interest as well as the state of online sports and gaming.

Integration news expected from Intertek

Quality assurance specialist Intertek Group PLC's (LON:ITRK) results on Tuesday will be raked over for any signs of progress in its integration of staff management firm Alchemy, which it acquired for US\$480mln in August.

Investors may also be keeping a close watch on the company's Resources division and that was hit by the recent decline in oil prices, with analysts at Hargreaves Lansdown hoping "heightened activity offshore" in the industry could bring a more upbeat outlook.

US outlook eyed at Ashtead

Equipment hire giant Ashtead Group PLC (LON:AHT) lifted its guidance in December on the back of a strong second quarter and some upbeat comments around prospects for the rest of its year.

The stock was buoyed by that and has remained steady since despite some weak US housing data at the end of January hinting at reduced demand for Ashtead's forklift trucks and diggers.

That is a worry given that the US business accounts for the bulk of revenues, so investors will be looking comments around the outlook across the Pond.

Nearer to home, the outcome of Brexit will still have an impact as a softer exit from the EU would probably strengthen Sterling and weaken Ashtead's figures on translation.

Vegan sausage roll bringing home the bacon for Greggs

High street pasty maker Greggs plc (LON:GRG) has been on a roll of late, raising its outlook three times over the past two-and-a-bit months.

The bakery confirmed in January that full-year underlying profit for 2018 will be at least £88mln, with the upgrade driven by surging demand for its festive bake and mince pies over Christmas.

Its vegan sausage roll has also proved a hit, too, and Greggs recently said profits for 2019 will be better than expected after the "extensive publicity" generated by its new product sent sales soaring in the opening few weeks of the year.

Given that the latest update was only a couple of weeks ago, not much is likely to have changed and the tone from management is likely to remain bullish.

But the company is trading at a fairly hefty 32 times earnings, so any sign of a slowdown will likely be punished by the market.

Up-and-down year for Just Eat

It has been a rollercoaster six months for online takeaway marketplace Just Eat PLC (LON:JE.), which is due to report its full-year results on Wednesday.

The company, which is to re-join the FTSE 100 later this month, has come under increasing attack from the likes of Deliveroo and Uber Eats, to which it responded by investing heavily into the delivery side of the business.

While it has moved to copy the competition, the competition has sought to recreate what it does, too: Uber Eats said at the end of February that it will allow restaurants to make their own deliveries.

In a trading update earlier this year, Just Eat lifted its guidance for 2018, so the market already knows that revenues will almost certainly come in at £780mIn, while underlying earnings will be somewhere between £172-174mIn.

That same announcement contained another twist though, with chief executive Peter Plumb confirming he is stepping down after less than two years at the helm. Chief customer officer Peter Duffy is filling his boots until a permanent successor is found.

Investors will want to find out more about the investment plans for this year, how the search for a new boss is progressing, and possible divestments, which analysts think could be in the works.

GKN progress news key for Melrose Industries

The focus for investors looking through full-year results from Melrose Industries PLC (MRO) on Thursday will be on comments regarding aerospace and automotive parts group GKN, which the conglomerate acquired in 2018.

Analysts believe GKN will be a longer-term turnaround story but management updates on plans to improve margins and profits along with any hints as to selling parts of the business will be worth noting.

Other areas to note will be regarding the performance of Nortek, Melrose's US-based manufacturer of cooling and heating systems, and struggling unit Brush, which makes turbo-generators.

Growth plans and priorities eyed from Premier Oil

Investors following Premier Oil PLC (LON:PMO) in recent months will already know about its year of production growth, its ahead of schedule debt reduction, and its success with the impressive Zama oil discovery in Mexico.

Output increased by 7% to average 80,500 boepd in 2018, with notably higher rates seen in November and December. Positive cashflow naturally followed and Premier was able to beat its debt reduction target by some US\$100mIn.

Thursday's results statement will dot the i's and cross the t's, and, aside from outlook and targets for 2019, attention may well be on whatever commentary around Premier's growth plans and priorities going forward.

The Falklands perhaps represents an increasingly uncertain position, particularly in light of the scale and potential of Zama and rumoured appetite for North Sea acquisitions - with recent press reports suggesting Premier had 'teamed up' with Apollo private equity funds to bid for Chevron owned North Sea assets.

Last month, Premier issued a statement acknowledging (somewhat) that it may, or may not, acquire more North Sea assets - following similar reports that it was vying for the Chevron assets - as a report in The Times suggested a "giant cash call" was being considered to fund a deal, which was said to have a gross cost of around US\$1.5bn.

So, between the demand of new ambitions, debt repayment obligations and rival projects within Premier's own portfolio, one might wonder whether the Falklands project could remain on the back-burner for a while longer yet.

Development of the Sea Lion field has for some time been at the point of trading water, with a partner sought to join Premier and Rockhopper to finance the project.

A January investor presentation indicated 'infill or development drilling' at Sea Lion across late 2020 and into 2021, albeit those will remain loose plans until new partner-sourced financing is in place and a final investment decision is made.

Slower growth in US jobs

The US economy is still performing strongly according to recent data, however, Friday's jobs data will be eyed closely for any impact from events such as the US government shutdown, US trade tensions with China and the expectations of moderating global growth rates.

The December data showed the US unemployment rate ticking up slightly to 4% while slowing hourly earnings growth raised some eyebrows even though over 300,000 jobs were created.

For January expectations are that the unemployment rate may have once again dropped below 4%, with the wage rate recovering a little, but only 170,000 jobs being created.

Complacency the worry from ECB

The latest European Central Bank council meeting outcome on Thursday is unlikely to bring any change to monetary policy, although signs of a weakening in the eurozone economy should bring red flags.

In a preview of the meeting, economists at ING said: "Confidence indicators are still falling but there is some bottoming out in sight.

"With that in mind, the ECB next week will have to balance between pre-emptive action, which could be perceived as panic, and a relaxed wait-and-see attitude, which could be perceived as complacency."

Significant announcements expected for week ending March 8: Monday March 4:

Finals: Rotork PLC (LON:ROR), Senior PLC (LON:SNR), Synthomer PLC (LON:SYNT), Johnson Service Group plc (LON:JSG), Keller Group PLC (LON:KLR), Greencoat Renewables PLC (LON:GRP)

Interims: Sareum Holdings Plc (LON:SAR), Abcam PLC (LON:ABC), Gfinity Plc (LON:GFIN), Litigation Capital Limited (LON:LIT)

Economic data: UK construction PMI; US New York ISM manufacturing data; US construction spending

Tuesday March 5:

Trading update: Ashtead PLC (Q3) (LON:AHT)

Finals: Direct Line Insurance Group PLC (LON:DLG), GVC Holdings PLC (LON:GVC), Intertek Group PLC (LON:ITRK), Phoenix Group Holdings PLC (LON:PHNX), BBA Aviation PLC (LON:BBA), Istock Plc (LON:IBST), e-therapeutics PLC (LON:ETX), Elementis PLC (LON:ELM), Huntsworth PLC (LON:HNT), LSL Property Services PLC (LON:LSL), 4Imprint Group PLC (LON:FOUR), MPAC Group PLC (LON:MPAC), Getbusy PLC (LON:GETB), Harworth Group PLC (LON:HWG), Apax Global Alpha Limited (LON:APAX), Science Group PLC (LON:SAG)

Interims: Craneware PLC (LON:CRW), Netcall plc (LON:NET)

Economic data: UK services PMI; US new home sales; US non-manufacturing PMI; US services PMI

Wednesday March 6:

Finals: Paddy Power Betfair plc (LON:PPB), Legal & General Group PLC (LON:LGEN), Just Eat PLC (LON:JE.), Aggreko PLC (LON:AGK), PageGroup PLC (LON:PAGE), Costain Group PLC (LON:COST), BATM Advanced Communications Ltd. (LON:BVC), Headlam Group PLC (LON:HEAD), Anpario Plc (LON:ANP), Tritax Big Box REIT (LON:BBOX), FDM Group Holdings PLC (LON:FDM), Foresight Solar Fund Limited (LON:FSFL), Glenveagh Properties PLC (LON:GLV), VR Education Holdings Plc (LON:VRE), Vivo Energy PLC (LON:VVO), Secure Income REIT PLC (LON:SIR)

Interims: Allergy Therapeutics PLC (LON:AGY)

Economic data: US ADP employment change; US factory orders; US balance of trade; Fed Beige Book

Thursday March 7:

European Central Bank council meeting

Finals: Aviva PLC (LON:AV.), Admiral Group PLC (LON:ADM), Greggs plc (LON:GRG), Melrose Industries PLC (LON:MRO), Premier Oil PLC (LON:PMO), Cobham PLC (LON:COB), Informa PLC (LON:INF), Ophir Energy Plc (LON:OPHR), Spirax-Sarco PLC (LON:SPX), Inmarsat Plc (LON:ISAT), Spirent Communications PLC (LON:SPT), NMC Health plc (LON:NMC), AIREA PLC (LON:AIEA), IndigoVision Group plc (LON:IND), Alfa Financial Software Holdings PLC (LON:ALFA), AIREA PLC (LON:AIEA), Cairn Homes PLC (LON:CRN)

Interims: Inland Homes Plc (LON:INL)

Ex-dividends to chop 21.7 points off FTSE 100 index: BHP Group PLC (LON:BHP), Persimmon PLC (LON:PSN), Rio Tinto PLC (LON:RIO), RSA Insurance PLC (LON:RSA), Standard Chartered PLC (LON:STAN), Evraz plc (LON:EVR)

Economic data: Halifax UK house price index; US weekly jobless claims; US Challenger job cuts

Friday March 8:

Finals: Bodycote PLC (LON:BOY), SIG PLC (LON:SHI)

Economic data: US jobs data; US wholesale inventories

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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