

Market Preview

06:00 15 Apr 2019

Hot cross buns will be wanted but there is still plenty to digest in the week before Easter

Hot cross buns on Good Friday will possibly be the hottest item on the City agenda in the coming - foreshortened - Easter holiday trading week (if you like them toasted, of course!), although trading news from Unilever plc (LON:PLC), as well as a key batch of UK data will also need chewing over.

Marmite spread, Dove soap and Ben & Jerry's ice cream owner Unilever is expected to report underlying sales growth below its mid-term guidance range for the first quarter.

Deutsche Bank forecasts a 2.6% increase in like-for-like sales, compared to Unilever's 3-5% range, due to more challenging comparatives.

The FTSE 100-listed firm warned in January that it expected challenging market conditions to persist in 2019.

Last year the consumer goods giant was hit by currency devaluations, rising commodity costs, the economic crisis in Argentina and a truckers' strike in Brazil in the second quarter.

UBS thinks Brazil growth should normalise in the first quarter from the 10% like-for-like sales rise in the second half of last year as Unilever is largely done with the pipeline refill following the trucker strike.

However, issues in Argentina are likely to continue to provide a drag on volumes.

Deutsche Bank expects growth in the first quarter of this year to driven by price rather than volumes.

The home care division is forecast to be the strongest with 5% underlying sales growth followed by personal care up 3% and foods and refreshments up 1%.

BHP, Rio Tinto production news to clarify guidance

Production updates from mining blue chips BHP Group PLC (LON:BHP) and Rio Tinto PLC (LON:RIO) will also be eyed this week.

Although iron ore prices have been strong of late on the back of a number of supply constraints, both BHP and Rio Tinto recently put their production guidance under review due to a tropical cyclone that crashed into Western Australia's coast and impacted their joint operations at Pilbara.

On 2 April, BHP - which will issue third quarter production news on Wednesday - said it was reviewing its 2019 guidance of 273mtn-283mtn tonnes and cost forecasts, but an initial estimate was for a 6mtn-8mtn tonne reduction in output.

A day earlier, Rio Tinto - which posts a first-quarter update on Tuesday - had said annual Pilbara shipments are now expected to be at the lower end of its previous guidance of between 338mtn to 350mtn tonnes. Rio's 2018 iron ore shipments from the region totalled 338.2mtn tonnes.

More news on 2019 guidance from both miners will be key.

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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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CMA concerns to be addressed in Rentokil's update

Blue-chip rat catcher Rentokil Initial PLC (LON:RTO) will issue a first-quarter trading update on Thursday.

The pest control services provider reported a bumper set of full-year numbers back in February and predicted a better-than-expected result in 2019 as well. Investors will want to hear that this is still the case.

Thursday's update will also give bosses the chance to outline what compromises they are prepared to make in relation to the competition concerns over its £40m acquisition of MITIE's pest control unit, completed last year.

The Competition and Markets Authority has said that Rentokil must offer proposals to address its concerns over the purchase or face an in-depth investigation.

M&A activity will again be in focus as well. The company made 47 acquisitions in 2018, and its chief executive said with February's results that Rentokil had a "very active pipeline of high-quality prospects" in place for 2019, too.

Margins in focus for Bunzl

Despite beating expectations with its full-year results in February, shares in FTSE 100-listed packaging and distribution firm Bunzl PLC (LON:BNZL) dropped back as a result of shrinking profit margins.

As its UK operation is still under pressure, investors will be keeping a close eye on it when a first-quarter trading update is delivered on Wednesday, despite the UK comprising less than 15% of overall revenues.

Prospects for the rest of 2019 will also be a focus, although few surprises are expected, as well as any hints on possible acquisitions by the firm.

Easter bunny delivers to Hays

Hays PLC's (LON:HAY) third-quarter results will benefit from an extra trading day due to a later Easter this year.

With its interims in February, the recruitment firm said Easter will fall in its fiscal fourth quarter, which will give net fees a 1% boost in the third quarter.

However, conversely, it will have a negative 1% impact in the final three months of the year.

The group also warned that movements in sterling, impacted by Brexit uncertainty, have carved £2bn off operating profit since it reported its second-quarter update in January.

While most of Hays' job markets have remained positive in 2019, the company said it continued to "overlap tough international growth comparators from the prior year". That will particularly be the case in the fourth quarter due to a record performance in the period a year earlier.

International markets, especially Germany, will continue to drive growth in the third quarter as concerns about Brexit continue to weigh on UK business confidence.

Plenty to talk about in JD's results

Trainers and trackies retailer JD Sports Fashion PLC (LON:JD.) is due to report its final results on Tuesday.

The FTSE 250 group is one of the few bricks-and-mortar retailers managing to shrug off slow trading on UK high streets.

It recently bought struggling rival Footasylum PLC (LON:FOOT) on the cheap and the market will be interested to hear what management's plans are for that business.

Momentum has been strong in the UK, despite the uncertainty around the UK economy, and JD said in January that profits will be upwards of £345m.

"JD's hopeful the trainers boom has further to run, and is spending heavily on its stores," noted Hargreaves Lansdown.

"That should ensure they stay looking fresh, but could mean free cash flow growth lags profits. Still, we'd expect the dividend to rise by about 8%."

Perhaps JD's biggest potential is abroad though, having completed a £400m deal for US peer Finish Line last summer.

Trading there has been good so far, with sales and margins both rising. Investors will be looking for more updates here, including the strategy of converting existing Finish Line stores into the JD brand.

Strong EM debt markets to help Ashmore's inflows

Emerging markets (EM) focused asset manager Ashmore PLC (LON:ASHM) will publish a third-quarter trading update on Tuesday.

Analysts at UBS forecast the FTSE 250-listed firm reporting asset under management (AUMs) of US\$81.9bn, increases of 6.8% quarter-on-quarter and 7.1% year-on-year.

They also estimate Ashmore seeing US\$2.2bn of funds inflows during the quarter, up from the US\$0.5bn recorded in the second quarter as the company benefits from the strong EM debt markets seen since the start of the year.

The analysts said they expect Ashmore's inflows to stabilise at US\$2bn per quarter in 2019-20.

Leasing levels a focus in Segro's update

Commercial property group Segro PLC (LON:SGRO) will release a first-quarter trading update on Wednesday, although no NAV/EPS figures will be released.

UBS's analysts said, therefore, they will be looking closely at the level of leasing, both for SEGRO and the market, to see if the Brexit process has stemmed the strong demand led by e-commerce structural tailwinds.

They also look for comments on disposals as SEGRO guided towards £150m-£250m of property sales for full-year 2019, and also for comments on the progress of developments as the company has also guided towards £600m in capex spending.

The analysts concluded: "An important question is whether the company can replenish its land bank given accelerating pace of developments so we look for any update on land acquisitions and expected yield on cost."

Little celebration for Card Factory

There will probably be little for investors in Card Factory PLC (LON:CARD) to celebrate in its full-year results on Tuesday after the company reported flat sales for the 11 months ended 31 December and predicted 2020 would be "another difficult year" in a trading update in January.

However, the company did reiterate that it expected underlying earnings (EBITDA) for the year to be between £89m and £91m, so any deviation from this will be eyed closely.

UBS is forecasting EBITDA for the company of £89m, saying investor attention was likely to focus on returns from the company's new store openings as well as the results of a trial selling its cards in Aldi supermarkets.

Plethora of UK data to roll in

In spite of it being a holiday shortened-week there will be a number of key UK economic data releases to digest as the Brexit situation keeps everyone on tenterhooks.

Starting off with the latest jobs numbers on Tuesday, which could see the unemployment rate dip to new historical lows below 3.9%, although more focus is likely to be on the rate of wage growth which the previous month stood at 3.4%.

Meanwhile, UK inflation figures recently dropped below the Bank of England's 2% target rate following lower commodity prices at the end of 2018, but given the fact that wage growth has been picking up, some economists expect this to feed into the CPI numbers and possibly lift inflation above that target rate again.

Finally, the latest UK retail sales figures will be released on Thursday.

The sector is under immense pressure, especially non-food retailing, given the Brexit induced caution, but because of the fear over a hard 'No-deal' and panicky consumers stocking up, there may be a temporary boost to retail sales as was seen in recent manufacturing numbers.

Significant announcements expected for week ending April 19: Monday April 15:

Trading updates: Petra Diamonds Ltd (LON:PDL)

Interims: Carr's Group PLC (LON:CARR)

Finals: Filta Group Holdings PLC (LON:FLTA), Crossword Cybersecurity Plc (LON:CCS), Mobile Tornado Group Plc (LON:MBT)

Economic data: US NY Empire State manufacturing index

Tuesday April 16:

Trading updates: Rio Tinto PLC (LON:RIO), Hays PLC (LON:HAS), Ashmore PLC (LON:ASHM)

Finals: JD Sports Fashion PLC (LON:JD.), Card Factory PLC (LON:CARD), Telit Communications PLC (LON:TCM), Parity PLC (LON:PTY), Flowtech Fluidpower PLC (LON:FLO)

Economic data: UK jobs, average earnings; US retail sales; US industrial, manufacturing production; US NAHB housing market

Wednesday April 17:

Trading update: BHP Group PLC (LON:BHP), Segro PLC (LON:SGRO), Bunzl PLC (LON:BNZL)

Interims: Countrywide PLC (LON:CWD)

Finals: Amryt Pharma PLC (LON:AMYT), Mediclinic International Plc (LON:MDC), Serica Energy PLC (LON:SQZ), AFI Development PLC (LON:AFRB)

AGMs: Diversified Gas & Oil PLC (LON:DGOC)

Economic data: UK CPI, RPI, PPI, HPI inflation; US balance of trade; US Fed Beige Book

Thursday April 18:

Trading update: Unilever plc (Q1) (LON:ULVR), Rentokil Initial PLC (LON:RTO), Moneysupermarket PLC (LON:MONY), PZ Cussons PLC (LON:PZC), South32 Ltd. (LON:S32), Polymetal International PLC (LON:POLY)

Finals: G3 Exploration Ltd. (LON:G3E)

Ex-dividends to clip 4.2 points off FTSE 100 index: BAE Systems PLC (LON:BA.), Reckitt Benckiser PLC (LON:RB.)

Economic data: UK retail sales; US weekly jobless claims; US retail sales; US Philly Fed manufacturing report

Friday April 19:

GOOD FRIDAY

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