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Morning Market Pulse - TUI cruising into murky Q4 waters?

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

FTSE 100 Index called to open -20pts at 7490, trading sideways overnight in a 7475-7522 range after breaching 8-day rising support and failing to make a fresh September high. Bulls need a break above 7522 overnight highs to extend the recent recovery rally. Bears require a breach of overnight 7475 overnight lows for more downside. **Watch levels: Bullish 7520, Bearish 7475.**

Calls for a negative open come after Wall St and Asia dropped in the wake of a hawkish Fed policy update, with US Banks and Financials falling on comments about the Fed not forecasting higher inflation. The trade war story continues to apply downward pressure, President Trump defending his protectionist policies against Canada and China in a wide-ranging press conference.

The Times reports PM May could be losing Cabinet support for her no-deal Brexit proposals in case the EU turns down her Chequers plan, sending GBP lower to cushion the FTSE. That said, USD has regained some strength after the Fed's rate hike, sending base metals lower, which could dent FTSE Miners although Energy names should like oil price back up around recent highs.

In corporate news this morning BP gets approval to develop Vorlich Field in North Sea, expecting to produce 20K barrels of oil equivalent (BOE)/day at peak, aiming for it to be onstream 2020; targeting North Sea development of 30m BOE/day.

Halma trading in-line with expectations, all sectors delivering like-for-like organic revenue and profit growth (at constant FX). Order intake ahead of revenues and previous year. 888 H1 revenue +5% YoY (B2C +2%, B2B -4%), adj. pre-tax profit +13%, 4.2c interim dividend. Regulatory changes providing growth headwinds in UK, Italy, Denmark. FY guidance unchanged.

TUI trading in-line, guidance reiterated; Hotels & Resorts guidance unchanged, but Cruises could see "subdued" Q4. Sees €70m FX hit to profits with higher impact from weaker Turkish Lira. OFGEM requires domestic energy suppliers to prove improvement plans as it takes compliance action over complaints.

Comcast now owns 37.7% of Sky; doesn't intend to make further market purchases, welcomes lapse of Fox offer for Sky and intention to either tender shares or sell stake. IG Group CEO Peter Hetherington to step down with immediate effect; CFO taking interim role; well advanced in search for replacement with "wide global experience of broader

financial sector".

Halfords new LT strategy to become "truly differentiated, service-led super specialist", thriving within rapidly changing retail environment. Medium term CAPEX £40-60m/year (store, garages, online) funded by cost cuts; expects flat FY20 pre-tax profits, mid-single-digit percentage growth thereafter; debt priorities unchanged, commits to preserve dividend, and targets free cash flow growth.

Saga H1 revenue -1.7% YoY, underlying pre-tax profit -3.7% due to planned investments and increased in new business acquisition costs, dividend unchanged. Trading in-line, but H2 Retail Broking business expected to be hit by lower average premiums. CVS FY revenue +20.4% YoY (like-for-like +4.9%), adj. EBITDA +13.3%, dividend +11.1%. Notes limited Brexit exposure, with EU-source labour having the greatest impact. FY outlook promising.

Mitchells & Butlers like-for-like sales +2.2% in last 8 weeks. Total sales +0.5%, impacted by prior year disposals. Cost headwinds largely unchanged, expected to lower FY margins (in-line with expectations). FY guidance unchanged.

Petropavlovsk reports lower H1 gold sales due to lower quantities, EBITDA almost halves, operating loss; ups FY production guidance and lowers costs after internal review; FY19 production guidance = 15% above 2018 mid guidance with FY 19 costs 13% below. Sirius Minerals says project remains on track to deliver first polyhalite and commercial production on time.

In focus today will be US GDP and Inflation (1:30pm). Final Q2 GDP should confirm acceleration in quarterly growth to 4.2%, from 2.2% in Q1. Core PCE Prices (Personal Consumption Expenditure), the US Fed's preferred inflation metric, however, likely fell to 2% QoQ (from 2.2% in Q1). Both would vindicate last night's Fed rate hike as it looks to continue distancing itself from crisis-era "accommodative" monetary policy, the economy and inflation now on a solid footing.

Elsewhere US Durable Goods Orders should rebound from July's contraction fall while Wholesale Inventories are forecast growing in August, albeit more slowly (0.2% MoM est. vs 0.6% prev.).

In terms of speakers, keeping Central Bank chiefs in the spotlight after Fed Chair Powell last night, will be European Central Bank (ECB) President Draghi (2:30pm), addressing the 3rd Annual European Systemic Risk Board conference. He'll be joined later by Bank of England (BoE) Governor Carney (3pm), chairing a financial stability panel at the same conference. Fed Chairman Powell (9:30pm) also gives brief remarks on the economy at an event in the US Senate (with audience Q&A), likely seeing further discussion about last night's policy update.

Elsewhere, listen out for potential monetary policy soundbites from the BoE's Haldane (12:45pm, hawkish), the ECB Chief Economist Praet (5pm, dovish) and the Fed's Kaplan (5:30pm, dovish, non-voter).

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