

08:43 11 Jan 2019

## Debenhamstrung

FTSE 100 called to open +12pts at 6955, holding yesterday's breakout above 6940. Bulls need a break above 6970 overnight highs to maintain the rising channel towards 3-month falling highs at 7078. Bears require a breach of rising support at 6945, if not the channel floor at 6915. Watch levels: Bullish 6965, Bearish 6945

Calls for a higher open come after a mildly positive close on Wall St, the S&P posting its first 5-day winning streak since September, in spite of US retail weakness (Macy's profit warning). Mixed comments from Fed Chair Powell contributed to bumpy trading, confirming "flexibility" and "patience" on rate hikes (bulls liked this), all the while signalling more stimulus withdrawal (quantitative tightening) via "substantially" reducing the Fed balance sheet (delighting bears).

Oil prices continue their 9-day rally as OPEC+ supply cuts start to take effect on the ground and the USD continues its weak run, helping the commodity space. This includes gold and copper which remain close to recent highs, although Miners were slightly offside in Australia overnight.

In corporate news this morning Debenhams Chairman steps down after CEO and Chairman not re-elected to board by two major investors, including 29%-owner Sports Direct; CEO stays on. AO World Q3 revenues +8.2% YoY; UK +4.4%, Europe +31.3%; record Nov thanks to extended Black Friday deals; solid Q3, guidance unchanged despite challenging backdrop.

Moss Bros 23 week sales +0.6% YoY, -1% like-for-like; Total Retail +1.9% (+0.1% like-for-like); Online +27.8%; Hire -11.2% like-for-like; uncertain consumer, margins -2.6pts by discounting, cost headwinds to persist through 2019; improving trend in first 10 weeks of Q4 (late Oct to early Jan) with total sales +3.8% YoY (Hire -8.5%). Expects full year net loss in-line with consensus.

Grafton FY like-for-like total revenue +8.4% YoY, average daily rev +4.3% from organic growth and Leyland SDM acquisition. Sees FY EBITA "slightly ahead" of top end of consensus. IWG leases >20K sq ft of space at Capitol Singapore Building; to launch premium co-working space concept; no deal value disclosed.

Flybe recommends 1p/share cash offer (93.9% discount to yesterday's 16.38p close) from Connect Airways (JV: 30% Stobart, 30% Virgin Atlantic) valuing it at just 2.2m (£35.5m market cap yesterday). The JV will provide up to £80m further funding and contribute Stobart Air. DNO declares stake/acceptances of 76.49% for 160p/share takeover of Faroe Petroleum.

BAE Systems to open new innovation hub at Georgia Cyber Center. Hastings Group announces change of CFO due to retirement.

In focus today will be UK GDP (9.30am), forecast slower in November (+1.3% YoY vs. Oct +1.5%). Manufacturing and Industrial Production may rebound from contraction in October, but annual growth is likely still under pressure (-0.7% for both). Construction Output likely remain strong (2.5% YoY), but probably cooled from October's best since Dec '17 (3.8%). The UK NIESR GDP tracker is at 2pm also.

In the US, December Inflation (1.30pm) is expected at just 1.9%, down from 2.2% in November after oil prices fell another 10%. This takes US inflation further from 2018 highs of 2.9%, back to August 2017 levels. That said, the Core metric (ex-Energy) is seen stable at 2.2%, above the Fed's 2% target, supporting further Fed rate hikes, while Oil has bounced 13% in Jan.

Speakers and events are limited today to ECB's Mersch (8:20am, exec board, hawkish), who speaks at the 10th anniversary of the Euro currency's introduction in Slovakia.

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