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## Morning Market Pulse - Marks & Spender

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

**FTSE 100 called to open -25pts at 6785**, after a breach of the floor of the recent shallow rising channel. Horizontal support at overnight lows, or meaningful breakdown? Bulls need a break above 6800 overnight highs, Bears a breach of the 6767 lows. **Watch levels: Bullish 6800, Bearish 6767**

**Calls for a negative open** come after a mixed start to the week in Asia, most markets struggling after China Industrial Profits growth slowed in December and Australia's ASX closed (how will FTSE Miners react in London?).

Much FTSE negativity stems from stronger GBP, trading back around mid-October highs, though the Pound is off overnight highs. This follows a Sun report that PM May could be privately considering ruling out a no-deal Brexit, but would not announce it in public.

Gold trades >\$1300, its highest since mid-June, on the back of defensive sentiment. Iron ore prices higher after another dam collapse in Brazil, but other basic metals underperform after the US Treasury lifted sanctions on Rusal, the world's largest aluminium producer outside of China.

In corporate news this morning the Mail on Sunday reports Marks & Spencer in talks with Ocado about a tie-up that could see M&S buying distribution centres and delivery vans from the online retailer & logistics tech developer. Rolls-Royce is seeking £200m government funds for small nuclear power projects after the collapse of plans to build bigger reactors.

Flybe confirms receipt of letter from shareholder Hosking Partners (19 stake) seeking EGM to oust Chairman in response to 1p/share distressed sale of the airline to Stobart/Virgin-led consortium. John Wood Group sells interests in a number of JVs for \$28m, part of \$200m non-core disposals.

Glencore to transfer 8.75% stake in Rusal to controlling shareholder EN+ for 10.55% of enlarged share capital of EN+. This comes after the Rusal Chairman resigned and owner Deripaska promised to divest his majority stake as a condition of US sanctions being lifted.

Vodafone to commence new share buy-back (799m shares at 180p) to reduce share capital to offset increase from Feb maturing of second tranche of convertible bond. One of Shaftesbury's major shareholders, Samuel Tak Lee (26% stake), intends to vote against a number of resolution authorizing the issue shares at its AGM on 8 Feb.

Paragon Banking Q1 New business lending +40.6% o/w But to Let +23.9%, Asset Finance +55.7%, Development Finance +450%, Motor +24.6%, Total Commercial +105%; Deposits 5.7%; Retail growth offers funding efficiencies. Backs guidance; staying disciplined on capital, liquidity, risk.

Petra Diamonds H1 production +10%, FY guidance maintained; H1 revenues +8% on sales +10%, rough prices -4% due to seasonal weakness and product mix, Capex in-line; net debt higher due to negative operating cash flow.

SThree FY revenues +13%, contract gross profit +14%, operating profit +20%, pre-tax +20%, final dividend +5%; results ahead of expectations; on track with delivery of 5yr plan set out Nov 2017.

In focus today will be digestion of yet more data from China (Industrial Profits growth) suggesting a slowing economy and there is potential for more on Thursday with official China Manufacturing PMIs likely continuing to slip deeper into contraction.

This week also provides sees the UK Parliament's latest Brexit debate & vote (Tue, evening) which for potential GBP impact, and the latest Fed Monetary Policy Update (Weds, 7pm). Economists expect no change to US rates, and there is no press conference scheduled, but the Fed's Powell did promise every meeting now "in-play", as well as "flexibility" on policy outlook.

Data today is limited to a pair of US indicators, including Chicago Fed Nat. Activity Index (1:30pm; could see a boost from another uptick in manufacturing) and Dallas Fed index (3:30pm; likely better, but still negative, struggling under lower oil prices).

Later in the week we get US House Prices, US GDP, US Inflation, Eurozone GDP, China Caixin PMI Manufacturing, Eurozone PMI Manufacturing and the US Jobs report.

Speakers today are ECB President Draghi (2pm and 4pm) at the ECON Hearing of the European Parliament in Brussels. Vienna also hosts a 2-day fintech conference, attended by the ECB's Nowotny and other central bankers.

Equipment manufacturer Caterpillar, considered an important global growth barometer, reports quarterly results today followed by Apple on Tuesday, McDonalds, Tesla, Facebook and Microsoft on Wednesday, GE and Amazon on Thursday and Exxon Mobil on Friday.

Closer to home, big FTSE names reporting this week include Hargreaves Lansdown, Royal Mail (Tuesday), BT, Diageo, Shell, Unilever (Thursday) and Glencore (Friday).

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