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Morning Market Pulse - Compass points profits guidance north

FTSE 100 called to open -20pts at 7155, still flirting with a 50% retrace of 16.1% Aug-Dec declines, consolidating late Jan's 6.7%/450pt rally. Bulls need a break above Tues/Weds 7185 highs to overcome early Nov highs and extend the recent rally. Bears require a breach of yesterday's 7145 lows to end the consolidation and trigger a pullback. **Watch levels: Bullish 7190, Bearish 7140**

Calls for a negative open come after Wall St ended its recent winning streak. While the majority of US companies beat market consensus on earnings so far, investors were getting increasingly cautious about forward guidance and outlook from both Tech and Industrials.

Australia's ASX has seen a strong overnight rally as iron ore prices hit 2-year highs following Vale's latest industrial accident and the shutdown at its large Brucutu mine. This has helped dual-listed Rio Tinto (+1.5%), though its more energy-exposed peer BHP was offside on weaker oil prices.

Company news this morning: Watch British Gas owner Centrica and peer SSE after OFGEM allows a 10% increase to the max/cap they can charge for gas and electricity, to those who have not switched suppliers and are on default tariffs, to allow suppliers recover higher wholesale energy costs

Compass Group sees FY organic revenues growth slightly above middle of target 4-6% range with modest margin progression. Current FX rates would boost FY revenues by £508m, profits by £43M. 3M organic revenues +6.9% (N. America +8%, Europe +6.4%, RoW +2.8%); strong new business wins, good retention, bolstered by new UK Defence contracts and favourable sporting calendar.

Tate & Lyle backs FY guidance, but EPS at lower end of mid-single digit range due to US energy and transport cost inflation and strong 2018 commodity performance. In Q3, group adj. pre-tax profit grew in constant FX. Food & Beverage Solutions vol in-line with H1, profits up YoY. Sugar volumes higher, profits up slightly. Weaker demand for sweeteners in N America saw profits fall.

Smith & Nephew FY in-line, underlying revenue +2% (Q4: +3%), op. profit +7.1%, cash flow +1.1%. 1% FX boost to revenues. Over half of 90bp margin expansion from on-off legal settlement. FY dividend +3%. FY'19 underlying revenue expected +2.5-3.5%, with op margin +40-80bps.

Beazley FY gross written premium +12% (in-line, top of range), pre-tax profit -55% (beat), combined ratio -10bps to 98% (beat), RoE 5% (from 9%), dividend +5%. Property insurance losses hit earnings, but higher interest rates and firmer pricing leading to "moderate tailwinds" into 2019.

Diageo may react to Pernod Ricard upping FY profits guidance after first half organic profits +12.8% beat expectations, driven by cost savings, although organic sales +7.8% missed consensus. Polymetal reports significant increase (778Koz) in ore reserves at Russia's Mayskoye gold deposit.

Bellway H1 revenue +12% YoY, completions +5.6%, average selling price +6.5%. Weekly reservations +2.8%. Op. margin expected -70bps to 21.5%. Net debt -80%. Cancellation rate rose to 13% (from 11%) on weaker sentiment. FY guidance unchanged, but cautious on Brexit uncertainty.

Cranswick backs FY guidance, but following year's operating margin likely to decline, reflecting potentially challenging commercial landscape, together with start-up and commissioning costs associated with new Eye Facility, only partly offset by management actions.

Superdry Q3 global brand revenues +5.4% YoY, group revs -1.5% (wholesale +12.7%, Web -0.7%, Stores -8.5%). Avg retail space +2.6%. Q3 remained subdued, impacted by product mix and relevance issues and lack of prolonged cold weather. Pleased with early progress on transformation.

Thomas Cook reiterates FY guidance, early trading in-line. Q1 revenue +1% YoY, underlying op. loss increased to £60m (from -£46m). Began strategic review of airline, considering all options. Will reduce airline capacity after weaker summer 2019 bookings reflected consumer uncertainty.

In focus today will be the Bank of England (BoE) "Super Thursday" monetary policy update, which includes the Quarterly Inflation Report and minutes (12pm) and press conference (12.30pm). Market expects the MPC to vote unanimously to leave rates unchanged, but inflation projections could give a crucial outlook on the state of the UK economy and finances before Brexit.

The European Commission presents its Economic Forecasts (12pm), with the economists expecting Brussels to slash Italy's 2019 growth estimate to 0.1% from 1.2% previously. In the UK, Halifax House Prices (8:30am) are projected to accelerate to 1.5% YoY (from 1.3% prev.) after a strong bounce in January (+2.2% MoM reversing the 0.5% fall in Dec)

In terms of speakers, today we hear from the ECB's Mersch (12:15pm), delivering a speech to the American European Community Association in Brussels. We also have a few Fed speakers scheduled, including Kaplan (2:15pm, non-voter, centrist), in Texas with a moderated Q&A, and Clarida (2:30pm, voter, centrist), presenting a research paper entitled "The Global Factor in Neutral Policy Rates" at the Czech National Bank.

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