UK: +44 (0)207 989 0813
NA: +1 646 896 3065
AU +61 2 9280 0700
action@proactiveinvestors.com

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Morning Market Pulse - Ashley can't have his CAKE

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

FTSE 100 called to open +45pts at 7115, having bounced from 7065 late Friday to hold the upper half of the post-Christmas 6800-7200 rising channel, and a February trend of rising lows support from 6925. Bulls need a break above 7121 overnight highs (same as Friday) to revive and extend Feb's uptrend. Bears require a breach of Feb rising support at 7080. Watch levels: Bullish 7125, Bearish 7075.

Calls for a higher open come after a positive start to the week in Asia, China back from its Lunar New Year holiday, although Japan closed for holiday. Optimism on US-China trade talks is high ahead of negotiations this week. Much still to do according to the WSJ, and Bloomberg reports the 1 Mar truce deadline could be extended, Trump exploring a mid-March meeting with counterpart Xi.

GBP is sideways ahead of today's likely unremarkable UK GDP figures, while USD is just off 6-week highs on US-China trade uncertainty. Basic metals are strong (iron ore & aluminium 4-year highs, copper 7-month highs), helping dual-listed Miners gain put on ~2% on Australia's ASX.

Company news this morning includes the FT reporting late Friday that Smith & Nephew is in discussions to acquire US med-equipment name NuVasive in a deal mooted as S&N's biggest to date, worth north of $3bn. NuVasive shares were up 24% in after-hours trading while Smith & Nephew's American Depositary Receipts were -3%.

Polymetal approved start of POX-2 oxidation plant project, expected to "meaningfully" increase reserve base (+30-35 Koz of gold/year) and lower costs by $100-150/oz for 500 Koz of annual gold production. Plant will allow processing of all gold concentrate in-house and start prod. in Q3 2023.

Acacia Mining FY 18 revenues -11.6%, EBITDA -12.1%, gold production -32% (beat guidance), costs +3% (beat guidance), cash +61.7%. Sees FY'19 gold prod. c. 500-550K, in-line with 2018, and CapEx 8-19% lower. Expects $18-22m legal costs from Tanzania disputes (vs £28m in '18).

The FT reports Lloyds aiming to hire 700 advisers as it looks to scale dup its Wealth Management tie-up with Schroders increasing competition with St James's Place and Rathbone Brothers. The Times reports Imperial Brands Chairman Mark Williamson expected to confirm soon that he will resign in the coming months.

The FT reports UK frozen food retailer Iceland interested in acquiring stores that Sainsbury and Asda are forced to divest as part of their proposed merger (yet to be approved by CMA). Morrisons has also been viewed as likely to bid for stores, to boost market share.

Since Friday evening, Sports Direct owner Mike Ashley has declared interest in rescuing Patisserie Valerie and then walked away after not being given the information necessary to make a bid. Just Eat's 2% shareholder Cat Rock urges the delivery platform to merge with a "well-run" industry peer and criticises executive appointments with no industry experience in a letter to the board.

Bookies (William Hill, Paddy Power, GVC) may be sensitive to Sky news reporting Saturday that the American strain of equine flu which has halted UK horse-racing until at least this Wednesday is the same one which affected 10K horses in 2007 and halted Australian horse-racing for 3 months.

Genel Energy notes reserves update on Tawke PSC; 1P flat at 348M barrels but lower for 2P (502M vs 513M) and 3P (697M vs 880M); Tawke field lower, Peshkabir field 1P and 2P higher, 3P lower. Drax Group starts UK's first carbon-capture project at North Yorkshire biomass plant. Telford Homes to acquire 1.14 acre site in Stratford for £20m for 380 homes (50% affordable).

In focus today we have a raft of UK data points which could sway GBP and the FTSE100, although Brexit and US-China trade talks also have potential to make an appearance.

UK GDP (9.30am; Q4 prelim) growth is forecast a shade weaker at 1.4% YoY (from 1.5%). Quarterly and monthly growth likely also slowed to 0.2% QoQ (from 0.6%), just above 2018 lows, and flat in December (from 0.2%), respectively. Bulls may prefer to focus on 3-month average growth holding firm at 0.3%, even if this is the slowest since June, less than half the pace of July/Aug's peak.

At the same time, UK Dec Industrial Production (9.30am) is expected to rebound to 0.2% MoM (from -0.4%, and from three months in the red), improving to -0.4% YoY (from -1.5%). Manufacturing Production likely also rebounded, to 0.2% MoM (from -0.3%) but probably remained at -1.1% YoY. Watch housebuilders, construction and outsourcers as UK Construction Output probably slowed again in December, to 1.5% YoY (from 3%) well off October's 4.1% high.

Elsewhere, the UK NIESR monthly GDP tracker (2pm) for January may echo the official 3-month average data for December with a read of 0.3%. US Jan Consumer Inflation Expectations (4pm) are expected unchanged, and stable for a tenth straight month at 3%.

Speakers are limited to the Fed's Bowman (4:15pm, centrist, voter), although investors may be more interested in what

Chair Powell has to say says tomorrow after last month's "patience" u-turn.