

09:15 12 Jun 2019

## Reckitt picks Pepsi Lax

### Markets Overview:

**FTSE 100 called to open -30pts at 7365**, pulling back from yesterday's 7420 highs, ending a 4.8% bounce, to retest twin support at 7375. Bulls need a break back above 7380, if not 7395, to revive the uptrend. Bears require a breach of 7360 10 June lows to engineer further downside. Watch levels: Bullish 7380, Bearish 7355

**Calls for a negative start in London** stem from a waning in optimism about a quieting of trade tensions. Making matters worse is oil resuming its late-May downward trajectory, supply/demand dynamics coming back into the spotlight.

China inflation delivered mixed messages, stronger consumer inflation suggesting less need for stimulus, weaker producer price growth suggesting the contrary. Miners nonetheless higher in Australia, despite Copper off its highs, buoyed by supply concerns and recent China stimulus news.

BP bounce hurting the FTSE, driven by USD weakness (Fed rate cut?) and despite Brexit uncertainty. Gold (and Silver) rallying thanks to risk-off mood, helped by USD weakness.

### In corporate news this morning;

British American Tobacco; guidance unchanged; Combustibles continue to perform strongly in H1; New category revenue growth approaching FY guidance, to accelerate in H2; On track for Free Cash Flow after dividends of £1.5B, and reduction in debt ratio. 1% FX boost.

Boohoo guidance unchanged after Q1; continued strong growth across all brands in all regions. Group total revenues +39% (UK +27%, Rest of Europe +72%, USA +61%, RoW +26%). Gross margin -20bp (boohoo +210bp, other brands -280bp); Net cash +28%.

Note Miners (RIO, BHP) positive in Australia overnight (up 2-3%) after Chinese inflation data showed a drop in producer prices which may result in more stimulus from Beijing to boost growth.

Sirius Minerals signs 11yr POLY4 supply agreement with in Indian cooperative IFCO. Volumes to ramp up to 1m tonnes/year in year eight, with an option for an additional 250Kt.

Shell to sell California Refinery to PBF Energy for \$1B, as part of refining portfolio reduction.

BP and JV partner Reliance Industries to invest \$5B to develop gas block (KG D6) off India's east coast, aiming to bring 1bn cubic ft/day (a fifth of India's consumption) on-stream, phased 2020-22.

Reckitt Benckiser new CEO Laxman Narasimhan comes from PepsiCo.

De La Rue to sell its International Identity Solutions business for £42m cash, allowing it to bolster balance sheet and focus on Product Authentication & Traceability and Security Features.

### In focus today:

Digestion of last night's Chinese Inflation data which, albeit in-line, showed Consumer prices continuing to strengthen (close to 2018 highs; tariff impact?) while Producer Price Inflation pulled back markedly (0.6% YoY vs 0.9%). Mixed messages in terms of the need for more/less stimulus from Beijing. Note Miners positive in Australia overnight.

With hopes of a Fed rate cut on the rise, US Inflation (1.30pm) will be today's main event. Expectations are for a slightly lower headline figure (1.9% YoY vs 2% prev.), easing after a 2-month bounce. The Core metric, however, is forecast to hold firm at 2.1%.

After fresh ECB dovishness, listen out for any monetary policy nuggets from Draghi, de Guindos and Cœuré, all at an ECB conference on Central, Eastern and South-Eastern European countries: "Resilience to global headwinds? Responses to a changing trade and financial landscape".

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