

Kingfisher PLC

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Central bank decision week: Bank of England to stand pat, Federal Reserve to cut interest rates

Interest rate decisions from the Bank of England (BoE) and US Federal Reserve are set to hog the limelight in the coming week.

The BoE will make its monetary policy announcement on Thursday when it meets for the last time before the UK is due to leave the European Union on 31 October.

The central bank is widely expected to leave rates at 0.75% and the asset purchase programme at £435bn against a backdrop of Brexit uncertainty, weaker global growth and an ongoing trade dispute between the US and China.

Last month the Bank cut its growth forecast for this year and next and warned that Britain has a one in three chance of plunging into a recession after Brexit.

On its outlook for interest rates, the BoE said if the UK leaves the EU with a deal in place it "would be appropriate" to raise interest rates to prevent the economy from overheating.

But ahead of the August meeting, Governor Mark Carney warned of a "sea change" as a concern among investors about the global economy, mainly due to US trade policies.

"The MPC retained a much more hawkish tone at its last meeting than we had anticipated," said RBC Capital Markets.

"Certainly, the 'sea change' that Governor Carney had spoken about just a few weeks prior to the meeting was nowhere to be seen in either the minutes of the Committee's deliberations or the post-meeting press conference.

"This month's meeting is likely to see more of the same; despite the worse-than-expected second-quarter gross domestic product outturn of -0.2% quarter-on-quarter, the strength of the labour market, and wage growth in particular, which is now touching 4% in the three months to July, will allow the Monetary Policy Committee to remain on hold for the time being."

Across the Atlantic, most bets are on an interest rate cut by the Federal Reserve when it meets on Wednesday. The Fed lowered interest rates in July for the first time since the financial crisis, taking its benchmark interest 25 basis points (bps) to a range of 2.25% to 2.50%.

President Donald Trump has been badgering the Fed to slash rates further, arguing that it would bolster economic growth, lift stubbornly low inflation and enable the US to refinance its debt. In a recent tweet, he said the "boneheads" at the central bank should reduce rates to zero.

The consensus forecast is, however, for a lesser cut of 25 bps to a range of 2.0% and 1.75%.

Price: 320.1

Market Cap: £6.75 billion

1 Year Share Price Graph



Share Information

Code: KGF

Listing: LSE

52 week	High	Low
	320.1	101

Sector: Retail

Website: www.kingfisher.com

Company Synopsis:

Kingfisher is Europe's leading home improvement retail group and the third largest in the world, with leading market positions in the UK, France, Poland, Turkey and China.

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"The main (dubious) justification for rate cuts remains the risk of spillover to the US economy from the weakening global backdrop," RBC said.

"Our base case is that yields remain low/under pressure, as global growth is unlikely to perk up over the next few quarters and negative global yields continue to drive incremental flow into the United States."

RBC sees the Fed axing rates at the September meeting and once more before the end of the year amid fears about global weakness and the inverted yield curve panic.

"That said, our base case is that a China trade deal gets done before next year's US election, which then leads to a decent backup in rates as we get deeper into 2020," it said.

The Fed and BoE's meetings will come days after the European Central Bank unveiled fresh stimulus measures, including chopping the key deposit facility rate and re-starting quantitative easing.

Kingfisher's troubles in France unlikely to abate

On the company front, Kingfisher plc (LON:KGF) chief executive Veronique Laury will on Wednesday announce her last set of results before exiting the door.

Laury will be replaced by Thierry Garnier a week after the first-half results are published following a torrid period for the DIY retailer. Investors are keeping a keen eye on the new chief executive's plans to turn around the business.

The company, which owns B&Q and Screwfix, revealed lacklustre sales growth in the first quarter due to continued troubles at its French business Castorama. But the group said it remained on track to meet its full-year targets.

"For some time the DIY retail group has seen a marked contrast in the performance of its different businesses, with Screwfix in the UK doing well while the French operations have struggled," The Share Centre said.

The stockbroker thinks it is unlikely things will have changed in the interim results, adding: "The company is in need of some good news for investors, as can be seen in the struggling share price."

Next looks to hold firm amid retail slump

Despite the ongoing downturn in the retail sector, Next PLC (LON:NXT) seems to be weathering the storm having recently upgraded its full-year forecasts in a trading update that revealed a 3.8% rise in sales for the first half

The FTSE 100 clothing firm's online business is serving as an important driver for growth and for offsetting a decline across the company's retail stores. Investors will, therefore, be hoping that when the firm reports its interims on Thursday the online division has achieved its growth target of 11% that was set at the start of the year.

There will also be some interest in whether nextpay, the company's pay later solution, has seen a rise in customers struggling with repayments as fears of an economic slowdown continue to loom in the background.

Warehouse fire to dent Ocado results again

On Tuesday, online grocery giant Ocado Group PLC (LON:OCDO) will post a third-quarter trading update with the focus on the impact of fires at two of its warehouses this year.

At its interim results in July, the company lowered its full-year earnings guidance by £25mn after making a pre-tax loss of £43m in the first half following a fire at Ocado's Andover warehouse in February.

In August, the group suffered its second fire for the year, this time at its warehouse in Erith, which could have dented sales in the third quarter.

Ocado uses robots to move around groceries stored at its warehouses for its own online delivery service and other supermarkets it counts as clients including Morrison Supermarkets PLC (LON:MRW).

The group has been increasingly shifting its attention away from its retail operations towards deals with other supermarkets through its solutions business amid tough competition in the grocery sector.

While the solutions business will be the main area of focus in its upcoming trading update, the performance of the retail arm will also be assessed given that it makes up the bulk of revenues.

Smiths Group investors await demerger update

Smiths Group PLC (LON:SMIN) is in the process of spinning off its struggling medical division into a separate London-listed company.

The demerger is likely to be a key area of focus when the company reports its full-year results on Friday.

The medical business is the largest part of Smiths, representing about a third of revenues last year. But the group has now decided to demerge the business, given its troubles in recent years.

That deal, coupled with improved trading in trading in the oil services and detection businesses, has helped the shares recover since the start of the year.

A pick-up in oil prices has supported the oil services unit while an increase in government spending has boosted the detection arm.

For the full year, investors have priced in a 5% increase in sales and a 7% increase in earnings (EBIT).

Bloody nose expected for Warpaint London in interims

Having issued a profit warning early August due to slower UK sales, investors will have little to look forward to when the cosmetics firm Warpaint London plc (LON:W7L) reports its interims on Wednesday.

The company has blamed its woes on adverse exchange rate movements, so investors will be hoping the situation has not worsened amid the pound's Brexit-induced slump.

However, there could be one silver lining in the form of the group's investments in its US market, with investors likely to be looking for any signs or forecasts of returns from across the Atlantic.

UK inflation set to ease

In economic data, UK inflation figures will be closely eyed.

Consumer price inflation surprised to the upside in July, rising to an annual rate of 2.1% from 2.0% previously, on the back of price rises in hotel rooms, video games and consoles, as well as less discounting of clothes in summer sales.

RBC analysts expect CPI to fall back to 1.9% in August, below the Bank of England's 2% target, due to a "small negative contribution" from transport and an easing of price rises in creation and culture sectors.

That forecast comes despite a further drop in the value of the pound due to heightened concerns about a no-deal Brexit.

Significant announcements expected for week ending September 20:

Monday September 16:

Finals: City London Investment Group PLC (LON:CLIG), MJGleeson PLC (LON:GLE), Petra Diamonds PLC (LON:PDL), Spire Healthcare Group PLC (LON:SPI)

Interims: Horizon Discovery Group PLC (LON:HZD), Learning Technologies Group PLC (LON:LTG), M.P Evans PLC (LON:MPE), Ocean Outdoor Ltd (LON:OOUT), Science Sport PLC (LON:SIS), Spire Healthcare PLC (LON:SPI)

Economic data: China retail sales and industrial production, US Empire Manufacturing

Tuesday September 17:

Finals: K3 Capital Group PLC (LON:K3C), Springfield Properties PLC (LON:SPR)

Trading updates: Ocado Group PLC (LON:OCDO)

Interims: Aquis Exchange PLC (LON:AQX), Bango PLC (LON:BGO), Central Asia Metals Ltd (LON:CAML), JTC PLC (LON:JTC), Kape Technology PLC (LON:KAPE), KRM22 PLC (LON:KRM), Nahl Group PLC (LON:NAH), Personal Group PLC (LON:PGH), Smart Metering PLC (LONSMS), Uniphar PLC (LON:UPR)

Economic data: US industrial and manufacturing production, US NAHB Housing Market Index, Eurozone ZEW Survey of economic sentiment

Wednesday September 18:

Federal Reserve rate decision

Finals: Avingtrans PLC (LON:AVG), Pan African Resources plc (LON:PAF)

Trading updates: Kingfisher plc (LON:KGF)

Interims: Accesso Technology Group PLC (LON:ASCO), Attraqt Group PLC (LON:ATQT), Bonhill Group plc (LON:BONH), Cello Health PLC (LON:CLL), Clearstar Inc (LON:CLSU), Jarvis Securities Plc (LON:JIM), Keywords Studio PLC (LON:KWS), Maxcyte Inc (LON:MXCT), Pendragon PLC (LON:PDG), Strix Group PLC (LON:KETL), Surgical Innovations PLC (LON:SUN), Walcom PLC (LON:WALG), Warpaint London plc (LON:W7L), Yu Group PLC (LON:YU)

Economic data: UK CPI and RPI inflation, UK house price index, US housing starts, Eurozone CPI

Thursday September 19:

Bank of England rate decision

Finals: Bluefield Solar Income Fund PLC (LON:BSIF), Clinigen Group PLC (LON:CLIN), Wilmington PLc (LON:WIL)

Interims: Allied Minds PLC (LON:ALM), Cambridge Cognition Holdings PLC (LON:COG), Distribution Finance Capital Holdings PLC (LON:DFCH), Hvivo PLC (LON:HVO), Next PLC (LON:NXT), City Pub Group PLC (LON:CPC), Xeros Technology Group PLC (LON:XSG)

FTSE 100 ex-dividends: Rio Tinto plc (LON:RIO)

Economic data: UK retail sales, US weekly jobless claims, US existing home sales

Friday September 20:

Finals: Smiths Group PLC (LON:SMIN)

Interims: Applegreen PLC (LON:APGN)

Economic data: Eurozone consumer confidence

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