

# Grafton Group

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## Midcap British Stocks Soar On Move Toward Brexit Talks

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Comments of the Day

12 October 2019

### Big Picture Long Term October 11th 2019

Eoin Treacy's view

A link to this week's Big Picture Long-Term video is posted in the Subscriber's Area.

### Midcap British Stocks Soar On Move Toward Brexit Talks

This article by Steve Goldstein for MarketWatch may be of interest to subscribers. Here it is in full:

The midcap FTSE 250 rose 3.5%, its best single-day percentage gain in more than three years, as European leaders indicated there was progress toward reaching an agreed deal with the U.K. on leaving the European Union. The European Union says it has agreed with the United Kingdom to "intensify" Brexit negotiations in a belated attempt to reach a divorce deal ahead of Oct. 31. A number of FTSE 250 components sported double-digit gains, including bank CYBG, building materials distributor Grafton Group and home improvement retailer Travis Perkins. The FTSE 100 however saw much smaller gains, of just 0.7%, because many of those components record revenue in dollars.

Eoin Treacy's view

The Pound has staged one its largest two-day rallies in years and that is pressuring the shares of companies that rely on overseas earnings. The divergence in performance between the FTSE-100 and the FTSE-250 highlights the benefit to domestically oriented companies from a resolution of the Brexit conundrum.

**Price:** 817

**Market Cap:** £1.97 billion

#### 1 Year Share Price Graph



#### Share Information

**Code:** GFTU

**Listing:** ISE

52 week	High	Low
	938.5	626.5

**Sector:** Builders and building materials

**Website:** www.graftonplc.com

#### Company Synopsis:

*Grafton Group plc is predominantly a UK and Ireland-based building materials group with 591 branches and a turnover of over &euro;2 billion.*

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## U.S., China Said to Reach Partial Deal, Could Set Up Trade Truce

This article by Jenny Leonard for Bloomberg may be of interest to subscribers. Here is a section:

The U.S. and China reached a partial agreement Friday that would broker a truce in the trade war and lay the groundwork for a broader deal that Presidents Donald Trump and Xi Jinping could sign later this year, according to people familiar with the matter.

As part of the deal, China would agree to some agricultural concessions and the U.S. would provide some tariff relief. The pact is tentative and subject to change as Trump prepares to sit down with China's Vice Premier Liu He later Friday.

Stocks jumped Friday after the news. Equities had advanced globally earlier in the day amid growing conviction that the U.S. and China would negotiate a trade truce. Trump tweeted earlier Friday that "good things" were happening in the meetings -- and that if the countries did reach an agreement, he would be able to sign it without a lengthy congressional approval process.

On Thursday and earlier Friday, Liu and U.S. Trade Representative Robert Lighthizer held the first senior-level discussions between Washington and Beijing since a previous agreement fell apart in May and tariffs were raised in the months after. The world's two biggest economies have been trying for the past year and a half to settle their trade dispute.

### Eoin Treacy's view

The words from Bill Clinton's early '90s election campaign must be ringing in President Trump's ears, "It's the economy, stupid". There is a clear rationale for pressuring China on trade but is it worth losing the election for? The hardest hit parts of the US economy just about all voted for President Trump in the last election and have been specifically targeted by Chinese tariffs. Little wonder then that agricultural imports are front and centre in whatever deal is to be announced. With the election less than 13 months away it's time to at least put the trade war on hold and let animal spirits loose.

## Japanese Stocks Post First Weekly Gain in Three on Trade Hopes

This article by Shoko Oda and Toshiro Hasegawa for Bloomberg may be of interest to subscribers. Here is a section:

Seeing how the two countries split off back in July, markets may not have had high expectations for this round of talks," said Masahiro Ichikawa, a senior strategist at Sumitomo Mitsui DS Asset Management. "But a partial agreement now seems probable, with topics like subsidies being shelved for next year."

Investors are breathing a sigh of relief as they anticipate a partial deal to come after 18 months of negotiations. An earlier report said the White House was looking to implement a currency pact as part of a preliminary deal that could see the scheduled tariff increase next week suspended. China has also said the country was open to a partial deal with the U.S., with plans to offer non-core concessions like purchases of commodities.

"There was a risk that negotiations would be cut short," said Nobuhiko Kuramochi, the head of investment information

at Mizuho Securities Co. in Tokyo. "But with both sides continuing the talks, there's an expectation that some sort of a mini-deal will come out in the end."

Eoin Treacy's view

In many respects Japan is a high beta play on the trade war. As a major exporter it obviously has an interest in a benign international trading environment which allows the free passage of goods. On the other hand, the Yen tends to rally during periods of uncertainty because of its safe have status. That acts as a headwind to the export sector and the nominal price of the stock market.

### **Melting Ice Redraws the World Map and Starts a Power Struggle**

This article by Marc Champion for Bloomberg may be of interest to subscribers. Here is a section:

Shawn Bennett, deputy assistant secretary for oil and natural gas at the Department of Energy, said the U.S. was not concerned about competition. Growth projections for natural gas demand in India and other Asian countries are so high, and the need for supply diversification in Europe so acute that there's little risk of a glut, he told Bloomberg. "Global demand for LNG is just going to grow," he said.

The U.S. may be pushing back in more concrete ways. On September 30, the Department of the Treasury imposed sanctions on units of China's Cosco Shipping Corp., over alleged breaches of U.S. sanctions against Iran. The move immediately hit the Yamal project's LNG tanker routes because of Cosco's share in one of the main shipping companies involved.

Still, for those who have been working in the Arctic for a long time, much of the geopolitical discussion sounds a little breathless. Last year, Russia's Northern Sea Route carried 29 million tons of cargo, with projections rising to 90 million. The Suez Canal carries about 1 billion tons.

Eoin Treacy's view

David and I predicted more than a decade ago that the USA would become energy independent that that represented a gamechanger for the energy sector that was completely underappreciated by markets. This chart suggests that reality, long promised, is now upon us.

### **Weekend Reading and listening**

Eoin Treacy's view

Scientist Behind The Navy's "UFO Patents" Has Now Filed One For A Compact Fusion Reactor

## Eoin's personal portfolio: precious metals long initiated

### Eoin Treacy's view

One of the most commonly asked questions by subscribers is how to find details of my open traders. In an effort to make it easier I will simply repost the latest summary daily until there is a change. I'll change the title to the date of publication of new details so you will know when the information was provided.

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