

Wednesday, 15th May 2019

Morning Round Up

Trade continues to dominate as President Trump looks to the Fed

President Trump sent 10 tweets yesterday voicing his view of the current standing of China trade negotiations. President Trump begins by proclaiming that tariffs saved the steel industry and moves onto criticise China and claiming a deal could be done tomorrow, before finishing with a call to see the Fed “match” Chinese stimulus. Meanwhile, the US is preparing tariffs on the remaining \$300bn of Chinese imports. Tensions are likely to remain frayed ahead of a meeting between President Trump and President Xi at the G20 meeting in Japan at the end of June. Markets have hit all-time highs on the back of expectations that the two largest economies would resolve issues and businesses could refocus on growth. However, this theory was questioned last week, when President Trump accused his Chinese counterparts of attempting to renegotiate and renege on commitments. Renewed uncertainty will continue to generate market volatility. Growth and cyclical names, such as Technology and Industrial sectors, will likely be most volatile. We continue to advise clients to reduce exposure to these sectors in favour of more defensive names in Healthcare and Consumer Staples.

William Hill's revenue rises in Q1

William released a Q1 trading update that was broadly as expected this morning. Group net revenue for the 17-week period to the 30th of April 2019 was up 2%. As anticipated Retail revenue fell due to the Fixed Odds Betting Terminals (FOBT's) £2 stake limit. Retail Gaming net revenue dropped by 15% as the regulation took effect on April 1st. Management stated that while it will be several months before any meaningful conclusions can be drawn this drop was consistent with its previous guidance. The broader Retail net revenue fell by 7% as Retail Gaming offset the 2% gain in the Retail Sportsbook. Online net revenue was up 8% as an 11% decline in the Online Sportsbook was offset by a 28% gain in Online Gaming. US net revenue increased by 48% during the period.

British Land - Retail portfolio weighs on Net asset value

British Land released FY 2018 financial results this morning reporting a £319m loss due to an £834m revaluation loss on its £12.3bn property portfolio. FY underlying profit declined by 10.5% to £340m. NAV per share declined by 6.4% to £9.05 implying that British Land currently trades on 0.62x book value. Portfolio loan to value closed the period at 28%. The main driver of weakness within the portfolio was retail property, declining by 11%. Office represents £6.3bn of the group portfolio and retail £5.6bn. Management commented that retail is struggling but demand for London office remains healthy. British Land completed a £500m buyback and extended by a further £125m. British Land trades with a dividend yield of 5.6% and will go ex-dividend of 7.75p on the 27th June. British Land shares are trading down by 17% over the last year and have reacted negatively to results this morning. £5.20-£5.40 looks like significant support level on the chart but their shares are unlikely to rally significantly until we get clarity on Brexit outcome.

Kingfisher - France continues to weigh but returns to modest growth

Kingfisher released its Q1 trading update this morning reporting that sales grew by 5% (+3.4% LfL) in UK & Ireland (46% of group sales), contracted by 3.4% (-3.7% LfL) in France (38% of group sales) and grew by 4.2% in other international markets. At the group level, sales grew by 0.3%. Screwfix continues to be the star performing brand closely followed by B&Q. Brico Depot & Castorama are weighing significant on group sales. In addition, management reported a 13% decline in profit before tax in 2018. With their shares trading down by 20% over the last year and trading on 11.2x earnings and 0.74x book value, investors would like to see an improvement in performance in France before rewarding with a higher valuation multiple.

Source: Bloomberg, CF Research May 2019

Key Upcoming Events

23/05/2019 EU Parliament Elections
01/06/2019 Chinese Tariff Deadline
28-29/06/2019 G20 Summit

Market View

Asian markets led by the China Mainland indices gained overnight. The reaction was spurred by hopes that the Chinese government will further stimulate the economy after industrial production, Fixed Asset Investment and Retail Sales numbers all came in below expectations. European markets have turned negative this morning as fears regarding global trade and further tariffs from the US keep sentiment fragile. Yields have come down as a result with the US 10 year back below 2.40%. Elsewhere oil has fallen by over 1% after data showed a jump in US stockpiles, easing supply concerns following the drone attack in Saudi Arabia.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	25532	207.06	0.82%	9.45%
S&P	2834	22.54	0.80%	13.07%
Nasdaq	7734	87.47	1.14%	16.57%

Nikkei	21189	121.33	0.58%	5.86%
Hang Seng	28320	198.42	0.71%	9.58%

Brent Oil	70.81	-0.43	-0.60%	31.62%
WTI Oil	61.07	-0.71	-1.15%	34.46%
Gold	1297	-0.09	-0.01%	1.12%

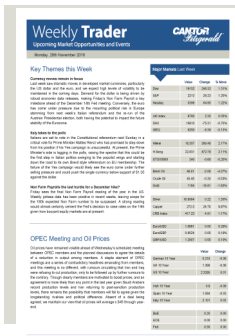
€/\$	1.1212	0.00	0.07%	-2.22%
€/£	0.8679	0.00	-0.03%	-3.45%
£/\$	1.2918	0.00	0.10%	1.29%

	Yield	Change
German 10 Year	-0.096	-0.03
UK 10 Year	1.074	-0.03
US 10 Year	2.3962	-0.01

Irish 10 Year	0.5	-0.01
Spain 10 Year	0.97	0.00
Italy 10 Year	2.77	0.0440

Source: Bloomberg, CF Research May 2019

Cantor Publications & Resources



Weekly Trader

On Mondays, we release our weekly note in which we provide a view on equity markets for the coming days, and highlight a number of equities which we believe provide exposure to the important themes unfolding in the markets. Our in-house Investment Committee meets on a weekly basis to craft this strategy, thereby allowing clients to dynamically position portfolios to take advantage of the most up to date market developments.

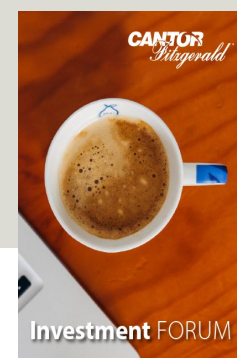
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Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

The British Land Company: British Land invests, both directly and through joint ventures, in income-producing and freehold commercial properties in order to maximize their growth and potential.

Kingfisher: Kingfisher operates as a home improvement company. The Company offers hardware, home decoration, building materials, and garden products.

Historical Recommendation:

The British Land Company: We do not have a recommendation on British Land

Kingfisher: We do not have a recommendation on Kingfisher

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