

The Week in Perspective

28 June 2019

Market Roundup

UK equities have had a relatively flat week, as investors have waited on news from the G-20 leaders' summit, taking place in Japan today and tomorrow. President Trump is set to meet Chinese President Xi Jinping, raising hopes of an end to the trade war. Performance of UK stocks has been muted, while US stocks have fallen steadily amid the growing dispute between the US and Iran.

On Monday, the UK's FTSE100 closed up by just 0.1%. Tuesday was another quiet day with the FTSE100 up by 0.1% to 7,422.43. Even Boris Johnson's pledge to take the UK out of the EU ("do or die") hardly ruffled the market – the more domestically-focused FTSE250 index, traditionally sensitive to Brexit news, closed down by only 0.07%.

Meanwhile the price of gold hit a six-year high. It is seen as a safe haven in times of crisis and demand has been boosted by falling yields on government bonds, a weaker dollar, a soft macroeconomic outlook and risks of a conflict in the Middle East. Wednesday saw UK stocks fractionally down, as the FTSE100 fell by 0.08% and the FTSE250 by 0.14%. Stagecoach shares rose by 2.9% after it reported a 30% increase in full-year pre-tax profits. Blue-chip shares fell again on Thursday, with the FTSE100 down by 0.2%. In early trading on Friday, shares were heading up.

Company Focus: Greene King

On Thursday British pub operator Greene King reported modest growth in 2018 profits and revenues but said that poor weather and consumer uncertainty could hit sales in the coming year. The FTSE250 group, which also owns the Hungry Horse and Chef & Brewer brands, said that adjusted profit before tax rose 1.6% to £246.9m in the year to the end of April. Revenues increased 1.8% to £2.2bn as favourable weather last summer and the football World Cup boosted sales at its pub division.

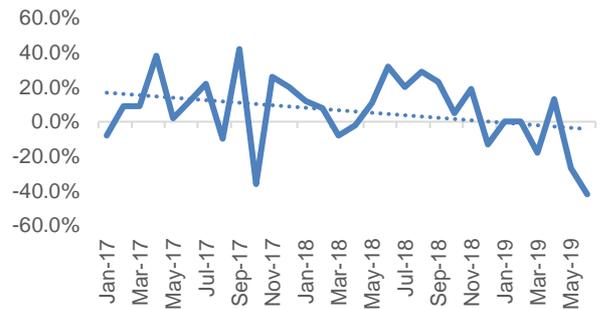
However, statutory profit before tax was down 12.5% to £172.8m as the company was forced to make a series of one-off payments and the value of its property portfolio fell. The company also reported increased costs and lower production volumes in two of its breweries that produce Greene King IPA, Old Speckled Hen and Abbot Ale beers.

The board has recommended a final dividend of 24.4p per share, taking the total dividend for the year to 33.2p, in line with the previous year.

¹Source: Sharecast

²Source: Company report

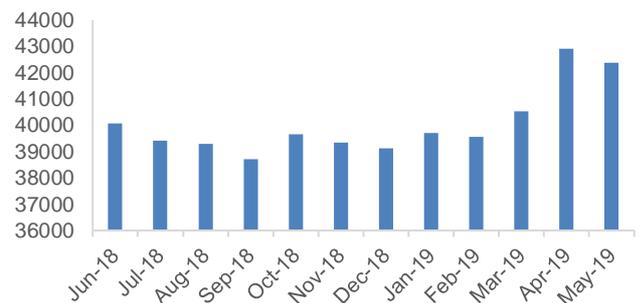
Chart 1: % of retailers with better/worse retail sales



Source: CBI

Data at 25/06/2019

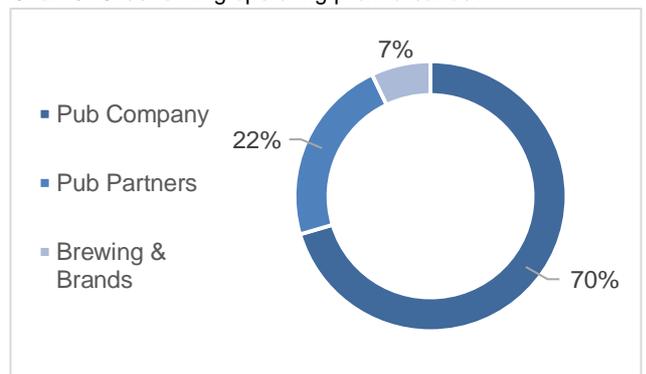
Chart 2: Number of mortgage approvals



Source: UK Finance

Data at 26/06/2019

Chart 3: Greene King operating profit breakdown



Source: Brewin Dolphin client note

Data at 28/04/2019

Economic Roundup

World leaders have urged President Trump and Chinese President Xi Jinping to resolve their trade dispute, at a meeting on the sidelines of the G-20 Leaders' Summit in Japan on Saturday morning, or risk sending global growth on an accelerating downwards path. Early reports have indicated that President Trump has agreed to a "truce", holding back on the implementation of tariffs on a further \$300bn of Chinese goods.

Earlier in the week there was more talk about cutting interest rates to help sustain the current economic cycle, both in the US and in the UK. The US Federal Reserve chairman Jay Powell gave a speech on Tuesday warning how risks to global growth have increased and that "an ounce of prevention is worth more than a pound of cure", in a hint that he is prepared to cut rates as a preliminary strike to offset an economic downturn. Markets are now pricing in a 0.25% cut in July.

In the UK, Mark Carney told the government's Treasury Select Committee that market expectations for a no-deal Brexit had increased in recent weeks and that the uncertainties were weighing on the UK economy, specifically on business investment in the UK. He added that several policymakers – himself included – believed that the UK may need a stimulus package in the event of a no-deal Brexit but added that rates could go up or down depending on a variety of factors. Meanwhile, data emerging from the UK economy has been mixed. On Friday morning the Office for National Statistics (ONS) confirmed that the UK economy expanded by 0.5% in the first quarter, up from 0.2% growth in the last three months of 2018. This translates as 1.8% annualised growth during the 12 months to March 2019, up from 1.4% in the previous 12-month period. Increased manufacturing activity ahead of the original March 29 Brexit deadline and growth in the services sector were behind the solid performance. With temporary stockpiling activity boosting performance, economists believe such growth cannot be sustained, with forecasts of GDP growth of around 1.5% for the whole of 2019.

Retail sales data released earlier in the week hinted at a second-quarter slowdown. Sales fell at their fastest rate since March 2009 in the 12 months to June, according to the Confederation of British Industry's (CBI's) distributive trades survey. The balance of retailers reporting year-on-year growth in sales volumes came in at -42% , from -27% in May. This means that 16% of retailers said sales growth was up compared to 58% reporting that it was down. The number of residential mortgages approved by banks dipped last month, easing back from a 26-month high in April but staying above the monthly average. Banks approved 42,384 mortgages for house purchase mortgages in May, falling from roughly 42,900 in April but beating the consensus of 41,000. The number of mortgages for home purchases was also 9.1% higher than in the same month in 2018, marking the highest annual level since June 2016. However, a respected survey of consumer sentiment released on Friday showed a darkening mood among households. UK consumer confidence fell in June as consumers became pessimistic about their personal finances in the face of Brexit uncertainty. GfK's headline confidence measure dropped to -13. All five components of the index, which cover personal finances, general economic optimism and major purchase intentions, fell compared to the previous month.

Company announcements that caught our attention this week:

Date	Company	Comment
27/06/2019	Hennes & Mauritz	H&M reported a strong rise in revenues in the second quarter and said sales of its summer collections had got off to a "very good start". Net sales at the Swedish fashion retailer rose by 11% to SKr57.5bn (£4.8bn) in the three months to the end of May, compared with the same period a year earlier. Pre-tax profit dipped slightly to SKr5.9bn, compared with SKr6.0bn last year. Chief executive Karl-Johan Persson said: "Sales developed well in most markets. We had strongest growth in countries such as the US where we grew sales by 17%, in Mexico by 25%, in India by 39%, in Russia by 19% and in Poland by 11% in local currencies. We also grew in the UK and Sweden where we took market share despite challenging market conditions." The company also announced that, as it adapts to the shift to online sales, it is reducing the net number of new stores it plans to open in 2019 to around 130, down from 175 in its previous plans.
26/06/2019	Wood	The engineering and oilfield services group, formerly known as Wood Group, reported "significant growth" in profits this year thanks, in part, to a pick up in oil activity in the Middle East, Australia and Papua New Guinea. In a trading update, the FTSE250 listed company said its revenue in the six months to 30 June was in line with a year before but it had seen earnings growth and margin improvement. "This has been led by our activities in energy markets in the eastern hemisphere and our environment and infrastructure operations in North America, together with the delivery of further cost synergies," said chief executive Robin Watson. As a result, the company remains on track to meet analysts' forecasts for the full year. Wood's full-year revenues are expected to be about 5% higher than a year before.

Key Company Diary Dates

Tue 02 July	Persimmon	Final dividend payment date
Wed 03 July	Superdry	Full-year results
Fri 05 July	Balfour Beatty	Final dividend payment date
Fri 05 July	Whitbread	Final dividend payment date

Economic highlights over the next week

Mon 01 July – Markit/CIPS UK Manufacturing PMI – The closely-watched monitor of output in the manufacturing sector is followed on Tuesday by the UK construction PMI and on Wednesday with the PMI for the UK services sector.

Wed 03 July – US Balance of Trade – The US trade deficit narrowed in April to \$50.8bn (£39.4bn) in April, from a revised \$51.9bn the previous month, as both exports and imports tumbled.

Fri 05 July – US Nonfarm Payrolls – Job creation slowed in May, with nonfarm payrolls up by just 75,000. Economists surveyed by Dow Jones has been looking for a gain of 180,000.

Index Movements*

Index	Value	%Change
FTSE 100	7,402	-0.30%
FTSE 250	19,314	-0.36%
AIM	924	-1.05%
Dow Jones	26,527	-0.85%
S&P 500	2,925	-0.99%
Hang Seng	28,621	0.25%
Nikkei 225	21,338	-0.58%

Currency Movements*

Currency Pair	Value	%Change
£:\$	1.27	-0.19%
£:€	1.12	-0.87%
£:¥	136.62	0.03%

Best & worst performing sectors (rel. to FTSE 350)*

Sector	%Change
Basic Resources	1.55%
Technology	1.35%
Insurance	0.81%
Oil & Gas	0.70%
Financial Services	0.15%
Chemicals	-0.32%

Best & worst FTSE 100 performing stocks*

Company	%Change
Ocado Group	5.71%
Ashtead Group	5.70%
3i Group	4.92%
Rolls-Royce Holdings	-7.54%
Rightmove	-6.17%
Flutter Entertainment	-5.57%

*Weekly movements until close of business 28 06 2019. Sources: Bloomberg, Refinitiv

Important Notes:

The value of investments and any income from them can fall and you may get back less than you invested. Past performance is not a guide to future performance and performance is shown before charges, which would reduce the illustrated performance. No investment is suitable in all cases and if you have any doubts as to an investment's suitability then you should contact us. We or a connected person may have positions in or options on the securities mentioned herein or may buy, sell or offer to make a purchase or sale of such securities from time to time. In addition, we reserve the right to act as principal or agent with regard to the sale or purchase of any security mentioned in this document. For further information, please refer to our [conflicts policy](#). If you invest in currencies other than your own, fluctuations in currency value will mean that the value of your investment will move independently of the underlying asset. The opinions expressed in this document are not necessarily the views held throughout Brewin Dolphin Ltd. The information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness.

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