



MONTHLY COMMENTARY – 31st MARCH 2016

THEMES FROM THE MONTH

*The Federal Reserve will remain “patient” given the slowdown in global growth and weak commodities. The next Federal Reserve meeting on the 26-27th April is expected to see interest rates remain unchanged.

*Tata Steel whose Port Talbot operations have lost £2bn since 2010, is intending to close its UK business. The UK government is willing to offer incentives to buyers of Tata Steel assets but will draw the line at outright nationalisation.

*NEXT reported 2015 sales up 3% to £4.1bn and profit after tax up 5% to £666.8m. But a downbeat statement from Lord Wolfson “the year ahead may be the toughest faced since 2008” dented the shares. NEXT declined from £66.70 to £54.60 as a number of institutions lowered forecasts.

*CEO Friedrich Jousen commented in a trading update that TUI was “well positioned to deliver underlying EBITDA growth of at least 10%” in the 2016 financial year.

*C&W Communications is to be acquired by Liberty Global at an indicative value of 78.53p per share.

*Standard Chartered finance director Andy Halford bought 140k shares at 440.5p despite lingering concerns over Standard’s profitability in 2016.

*Just Retirement and Partnership Assurance agreed an all share merger Partnership holders will receive 0.834 Just Retirement shares per share.

*McCormick has requested the board of Premier Foods engage with a revised 65p per share offer, the latter claimed the new offer still undervalues Premier.

FORTHCOMING UK EVENTS

1st April BoE Mark Carney speech

4th April GB Construction PMI

5th April Halifax House Price Index/ Markit / CIPS UK Services

8th April UK Balance of Trade/ Industrial Production/ NIESR GDP estimate

11th April UK Consumer Inflation Expectations

12th April UK Core Inflation/ Retail Price Index

14th April BoE Interest Rate Decision

15th April RCS House Prices/ Construction Output

COMPANIES RECOMMENDED

*Barclays (HOLD) 2/3/2016

PERFORMANCE OF WORLD MARKETS 31 MARCH 2016				
NORTH AMERICAN INDICES				
	VALUE	CHANGE	+/- (1M)%	+/- (1YR) %
DOW JONES (close)	17,685.09	1168.59	7.08	-0.16
S&P 500 (close)	2,059.74	127.51	6.60	-0.06
NASDAQ (close)	4,869.85	311.90	6.84	-0.44
EUROPE/ UK INDEX				
	VALUE	CHANGE	+/- (1M)%	+/- (1YR)%
UK 100 INDEX (close)	6,174.90	-28.27	0.44	-9.93
DAX 30 INDEX (close)	9,965.51	480.01	5.10	-17.00
EUROSTOXX 50 (close)	3,006.89	-15.25	-0.55	-18.68
ASIA/ FAR EAST				
	VALUE	CHANGE	+/- (1M)%	+/- (1YR) %
Shanghai Composite (close)	3,003.92	154.26	5.41	-18.62
Nikkei- 225 (close)	16,758.67	14.10	0.08	-13.09
ASX 200 (close)	5,082.80	53.20	1.06	-14.28
HANG SENG (close)	20,776.70	778.15	3.89	-15.13
SOURCE: FIDESSA/ SAXO BANK				

MARCH 2016 NEWSLETTER



COLLINS SARRI STATHAM
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UNITED KINGDOM

Ten years after Tata Steel bought Corus (formed from a 1999 merger between British Steel & Hoogovens) paying £6.2bn the business has been brought down by weak steel prices. Tata confirmed it wants to close Port Talbot after accumulating £2bn of losses since 2010. Should the business disappear it could entail 15k-25k related UK job losses.

Part of the problem is Chinese steel dumping into the EU. Chinese steel imports cost €583 / ton against an EU average cost of €897/ ton. Currently around one third of annual global steel production is added to unsold inventory.

Ahead of the June 23rd referendum UK equities have seen sharp gyrations with high correlation to global oil prices. Large cap banking stocks have been weak post a cut in the Barclays dividend (from 6.5p to 3p). New regulations covering buy to let lending and changing taxes are likely to dent mortgage demand.

EUROPE

Munich Re expects profit of €2.3bn-€2.8bn in 2016 and will repurchase another €1bn of shares (c 3.2% of o/s share capital) before the 2017 AGM. Munich will raise the dividend to €8.25 per share for 2015. The 2016 result will be lower than the €3.1bn reported in 2015 due to intense competition in the reinsurance markets due to low interest rates and excess capital.

CHINA/ JAPAN

Ratings agency Standard & Poor has cut China's outlook to "negative" but maintained its AA- rating. It commented that the reform agenda is likely to proceed more slowly. S&P kept Hong Kong's rating at AAA but likewise moved its outlook to "negative". The move follows a similar recent downwards adjustment by Moody's Investor Services.

China is attempting to soothe investor concerns that the government is not cutting bad debts in the Chinese banking system. The GDP growth rate, according to official data at 6.9%, is widely believed to be overstated. The concern is local investors continue to move money out of China. This has hampered efforts to move China onto a consumer/ service economy.

UNITED STATES

Debate raged over the Apple/ FBI face-off with the US tech industry lined up behind Apple. Apple had "objected" to a US court order requesting it to unlock the San Bernadino shooters phone. The FBI then broke the encryption. The issue of legal obstruction was unresolved but highlighted Apple "we are above the law" attitude.

The Dow has rallied from February 11th lows at 15,660 partly due to the Federal Reserve backpedalling on 2016 rate rise expectations (0.25% / QTR) to now 0.25% in Q3 2016 and maybe 0.25% in Q4. The Fed has noted other central bank moving to negative rates and the international slowdown/ equity gyrations.

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