



MARKET REPORT

Thursday 15th April 2021

Market Headlines

US Federal Reserve Chair Jerome Powell said US borrowing was 'very sustainable' and the government would have no problem servicing the \$22.96tn debt pile.

German inflation was 1.7% in March year-on-year, in line with forecasts.

Brexit Minister David Frost will meet European Commission vice-president Maros Sefcovic to try to resolve post-Brexit trading arrangements for Northern Ireland.

The S&P 500 dipped 0.4%, the Nikkei 225 added 0.1%, whilst the Hang Seng and Shanghai Composite fell 0.5%. European markets were higher.

Investments on our buy list

Odyssean Investment Trust (OIT) – the trust invests in a concentrated portfolio of mainly smaller U.K. companies. The manager actively engages with the managements of companies invested in, building a close, and sometimes influential, relationship.

The shares performed well over the pandemic sell-off last year, but so far in 2021 have been consolidating around the 130p level. With mid and small cap stock indices breaking to new highs, the trust's share price looks set to follow with another upswing.

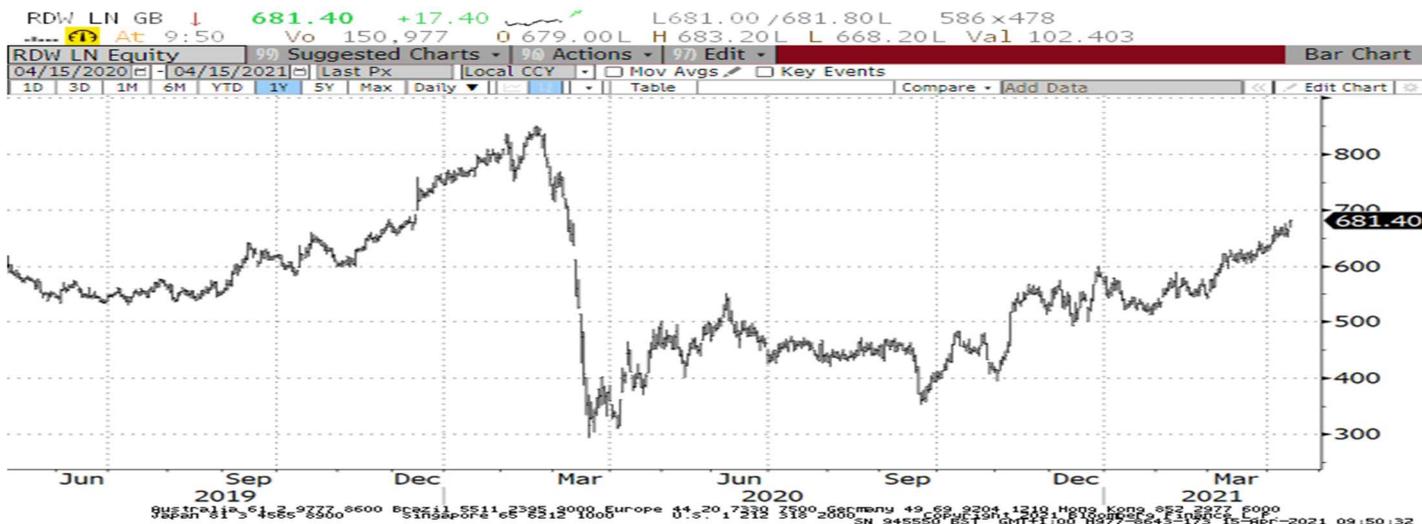


Source: Bloomberg

Redrow PLC (RDW) – news today that sales of new homes in London hit the lowest level since 2012 has underlined the judiciousness of Redrow’s decision last year to reduce its exposure to London and increase activity in the regions.

U.K. housebuilders were already seen as a strong play in the post-pandemic recovery, and Redrow has seen several broker upgrades to reflect this.

The share price has had a good run but fundamentally there is still value to be had.



Source: Bloomberg

Chart of the day

Talk of the fastest economic growth in 40 years is fuelling inflation expectations that are playing out in the stock market. There have been false starts, but inflation should come eventually and cyclical industries are then likely to outperform.

After optimism over the vaccine-fuelled re-openings drove a surge in more economically sensitive sectors, the rally has recently paused on vaccine setbacks. As inflation expectations continue to build, however, it seems likely that this is just a pause, and not an end to the trade. Outright value stocks have lagged behind cyclicals, so have even more ground to make up.



Source: Bloomberg

Recap yesterday

Airtel Africa sunk 12.1% as a shareholder sold 50m shares at 75p through a placing.

easyJet rose 5.8% as it announced interims to 31 March would be slightly ahead of expectations, it expected pre-tax profit of £690-730m with second quarter cash burn better than forecast thanks to strong cost controls. In the third quarter it expected to fly 20% of traffic compared to Q3 2019, ramping up from May.

Tesco dipped 2.0% as it reported full year results (to 27/2), despite exceptional sales up 7%, pre-tax profits dropped 20% to £825m due to Covid costs, missing forecasts and the dividend was held. It expected a strong improvement in profitability in fiscal 2022 along with Tesco Bank returning to profit.

QinetiQ gained 8.9% as it said it expected to post full year results above guidance and consensus expectations, with operating profits of at least £147m, up from the previous £130m guidance.

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