



MARKET REPORT

Tuesday 4th May 2021

Market Headlines

US Federal Reserve Chair Jerome Powell said the economy was doing better but was 'not out of the woods yet', as New York Fed President John Williams predicted the economy would expand by 7.0% this year, its fastest rate since the early 1980s.

The UK agreed a £1bn trade deal with India, which is expected to double the value of trade between the two countries by 2030.

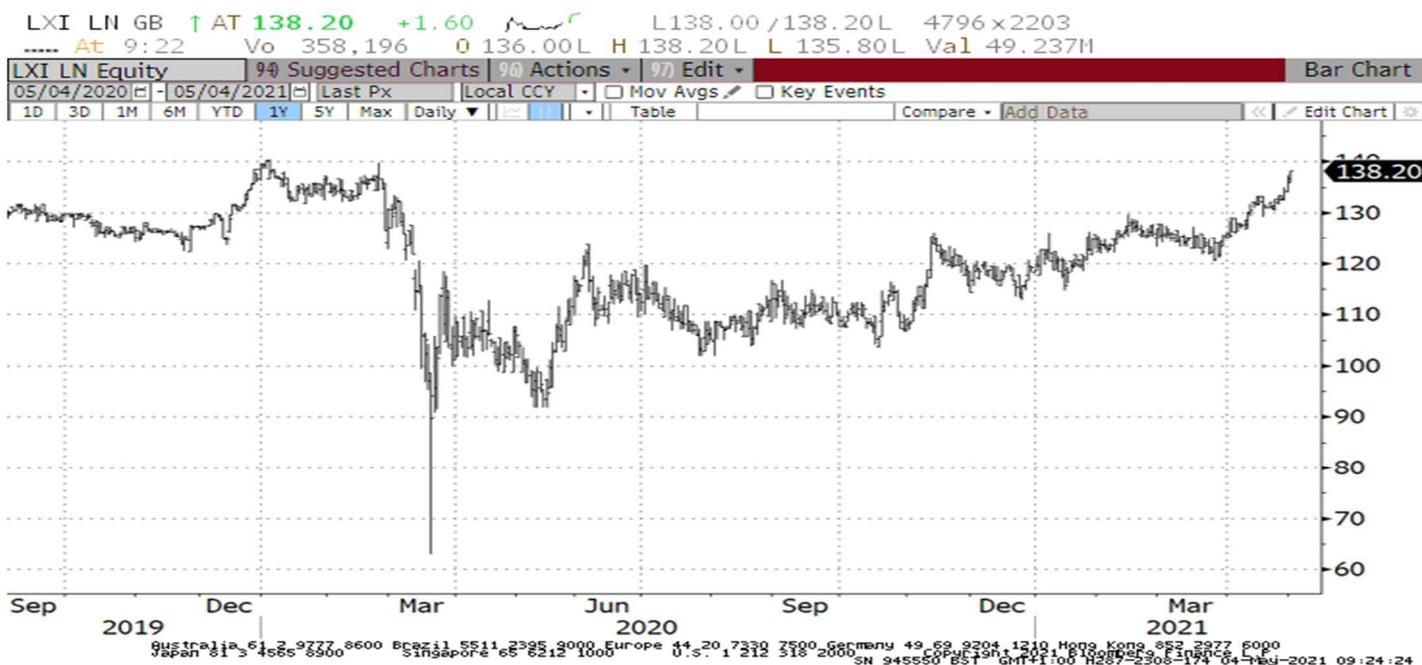
The Reserve Bank of Australia kept rates unchanged at 0.1% as expected, as it upgraded its growth forecast to 4.75% for 2021 from 3.5%.

The S&P 500 gained 0.3%, markets in Japan and China were closed for public holidays whilst the Hang Seng was up 0.7%. European markets were higher.

Investments on our buy list

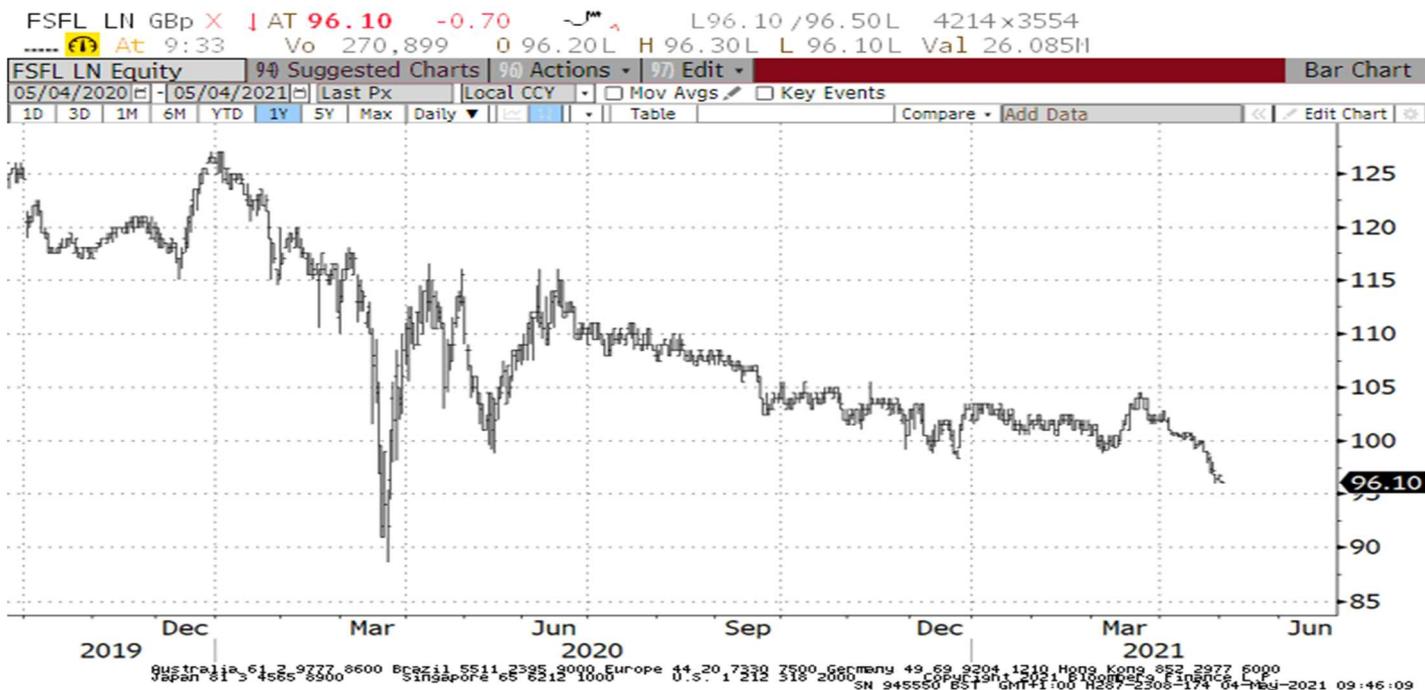
LXI REIT PLC (LXI) – announced the acquisition of an Aldi foodstore and a Dobbies garden centre for a total cost of £24m. The acquisitions, which were acquired off-market, benefit from an accretive average net initial yield of 5.45% (net of acquisition costs), a long average unexpired lease term to first break of 29 years, are let to strong tenant covenants on sustainable, low rents, and 100% of the income is index-linked to RPI inflation through contractual rental uplifts.

Such has been the restoration of confidence in the group, that its share price has just got back to the level it was at before the pandemic-inspired market sell-off. We remain positive.



Foresight Solar Fund PLC (FSFL) – reported that it has acquired a 50% stake in Sandridge Battery Storage Limited for up to £12.7m. Sandridge holds the development rights to construct the Sandridge Battery Storage project, a 50MW lithium-ion battery energy storage system based in Melksham, U.K., adjacent to the Sandridge solar park that is already owned by the company.

FSFL’s share price has been hit by the recent rise in bond yields and by weak forward electricity prices. Forward electricity prices are elevated currently (higher than pre-pandemic) but the market seems focused on 2024 onwards, when prices are expected to be weak as new wind and solar production surpasses reducing coal and nuclear output. Bond yields have rallied enough for now, we feel, so the current share price provides a good buying opportunity.



Source: Bloomberg

Chart of the day

What next for European equities as we move into the summer months and the stock market lacks clear direction following a strong rally? With an impressive earnings season and a sharp rebound in manufacturing, nobody seems to expect any downside beyond the usual pull-back. In fact, bulls see the groundwork in progress for the next move higher.



Source: Bloomberg

Recap of Friday

Cybersecurity firm Darktrace surged 40%% to 349p from its 250p IPO price, after the offer price was scaled back following the disappointing IPO performance of Deliveroo and its connection to former Autonomy CEO Mike Lynch, who is accused of fraud relating to the HP takeover of Autonomy.

Indivior rose 6.8% as it swung to a first quarter profit of \$80m from a \$163m loss a year earlier, as revenues rose 18%, benefiting from market growth and US market share stability of Suboxone.

Smurfit increased 4.2% as first quarter revenues rose 6% with strong corrugated volume growth across all areas, noting supply shortages led to sharply higher paper prices. These input cost increases were recovered.

The UK blue chip index gained 0.1% to end the week 0.5% higher.

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