MARKET REPORT

Wednesday 21st July 2021

Market Headlines

US housing starts jumped 6.3% in June month-on-month in the wake of a supply crunch, though new building permits fell 5.1%, squeezed by increased material prices and a labour shortage.

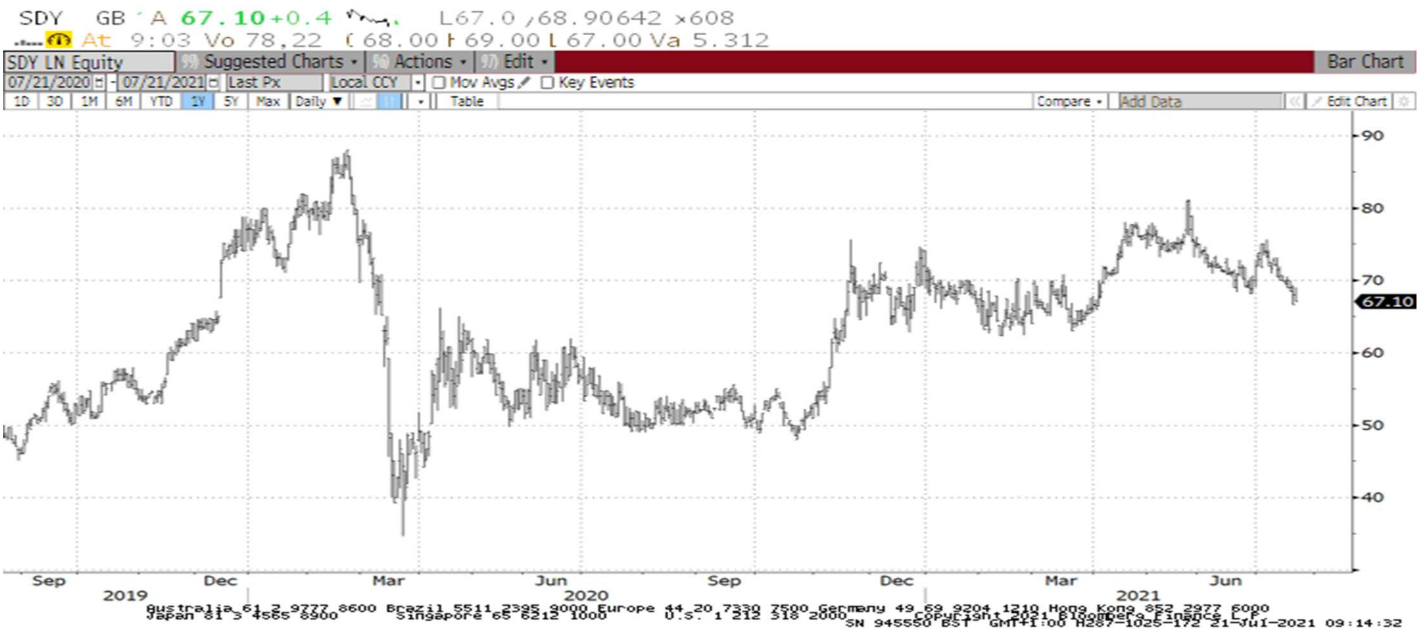
UK borrowing was £22.8bn in June, £5.5bn lower than June of last year, still the second highest figure for the month since records began.

Bitcoin climbed back over $30,000, albeit less than half its near $65,000 April high.

The S&P 500 rose 1.5%, the Nikkei 225 added 0.6%, the Hang Seng dipped 0.3%, whilst the Shanghai Composite closed up 0.7%. European markets were higher.

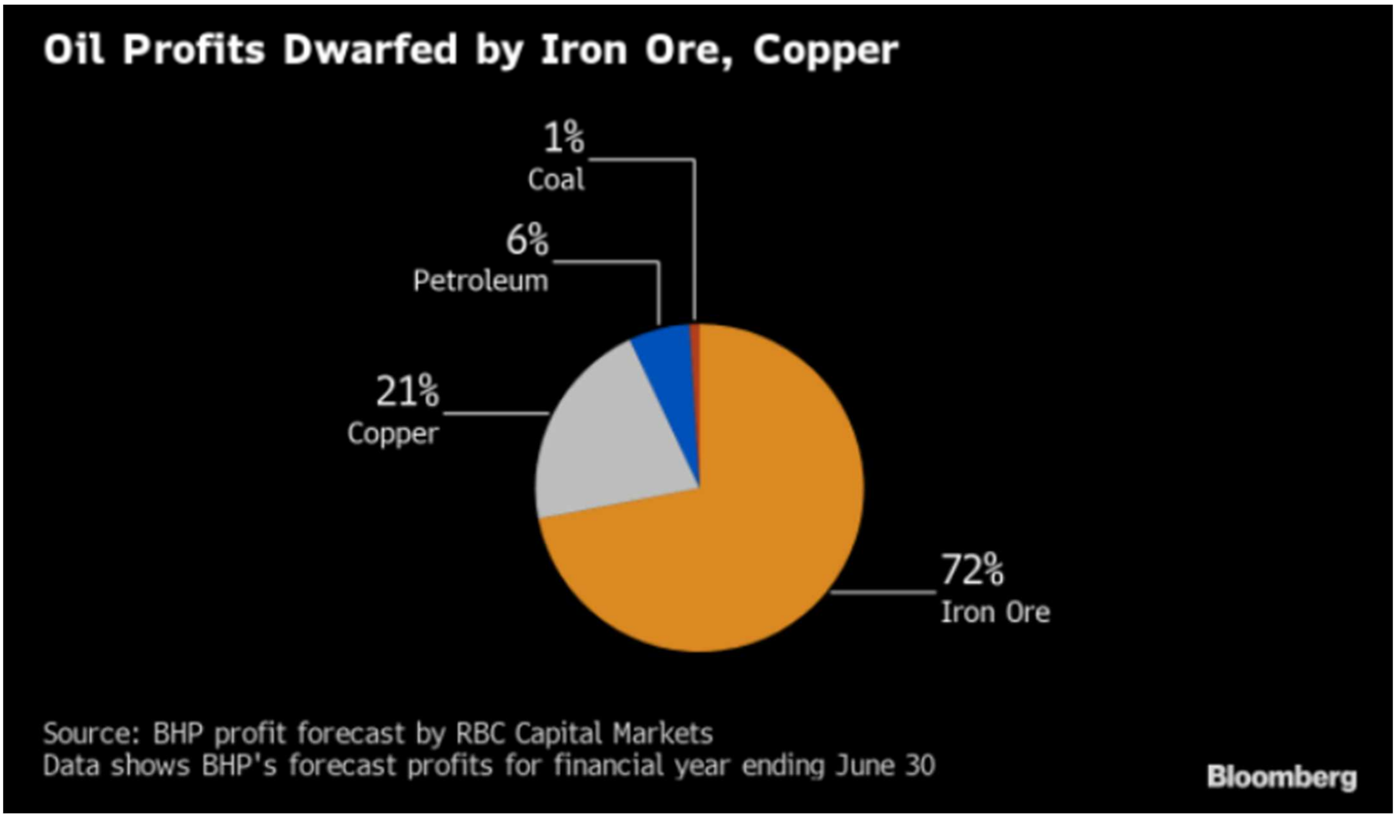
Investments on our buy list

Speedy Hire plc (SDY) – in today's trading update said that "market conditions have remained favourable in the period since the year-end and the Group is trading in line with our expectations. Speedy has continued to win new customers and take market share."
Revenues and asset utilisation rates are ahead of where they were at the same time two years ago (pre-pandemic) and overheads have remained tightly controlled the company said.
The group has positive trading momentum backed by a strong balance sheet. The share price has drifted lower over the last couple of months providing another buying opportunity.



Source: Bloomberg

BHP Group plc (BHP) – BHP is considering getting out of oil and gas in a multi-billion dollar exit that would accelerate its retreat from fossil fuels, according to reports.
The group is considering options for its petroleum business including a trade sale, with its value estimated at up to $15 billion. Other mining groups have exited their energy assets in response to investor pressure over emissions and the climate. The group doesn't depend on profits from the energy business, which are dwarfed by the company's giant iron ore and copper units.



Prospects for shareholder returns are already very positive given the group's prodigious cash generation. This may be boosted by sale returns if the energy business is sold. The group's shares have been consolidating between 2000p-2400p so far this year. This could be the precursor to another leg of the bull market.

Source: Bloomberg

Chart of the day

After a powerful rally in continental European stocks, strategists are now turning to a longtime laggard in the search for returns. According to a Bloomberg poll, the FTSE 100 Index is expected to rise 6.5% from Monday's close by year-end, more than the 2.7% upside seen for the Stoxx Europe 600. That follows five years in which the U.K. benchmark has barely risen compared with the Stoxx 600's 30% gain.

Source: Bloomberg

Recap of yesterday

Barr (AG) rose 3.2% as it said trading since 30 March had been better than anticipated with a strong performance as the hospitality industry reopened, and upped fiscal 2022 profit guidance to be slightly ahead of the pre-covid fiscal 2020 year.

easyJet added 0.9% as it said it planned to ramp up to 60% pre-pandemic capacity with its pre-tax loss of £318m for the quarter in line with expectations. It noted bookings were last minute as it topped up routes based on Government restrictions and lists.

Fevertree fell 7.2% as it reported interim sales rose 36% and increased full year revenue guidance, whilst it warned margins were being squeezed by global logistics cost pressures.

Young & Co gained 0.6% as it announced trading ahead of expectations and it looked forward to a busy staycation summer. Sales for the thirteen weeks to 12 April amounted to 95% of sales for the same period in 2019.

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