



## MARKET REPORT

**Tuesday 14th September 2021**

### Market Headlines

OPEC predicted oil demand will top pre-pandemic levels next year.

UK unemployment fell to 4.6% for the three months to July, down from 4.9% in the quarter to June with job vacancies over one million, the highest since records began in 2001.

Japanese industrial production rose 12% in July year-on-year, down from the 23% increase in June.

The S&P 500 rose 0.2%, the Nikkei 225 added 0.7%, whilst the Hang Seng and Shanghai Composite fell 1.4%. European markets were lower.

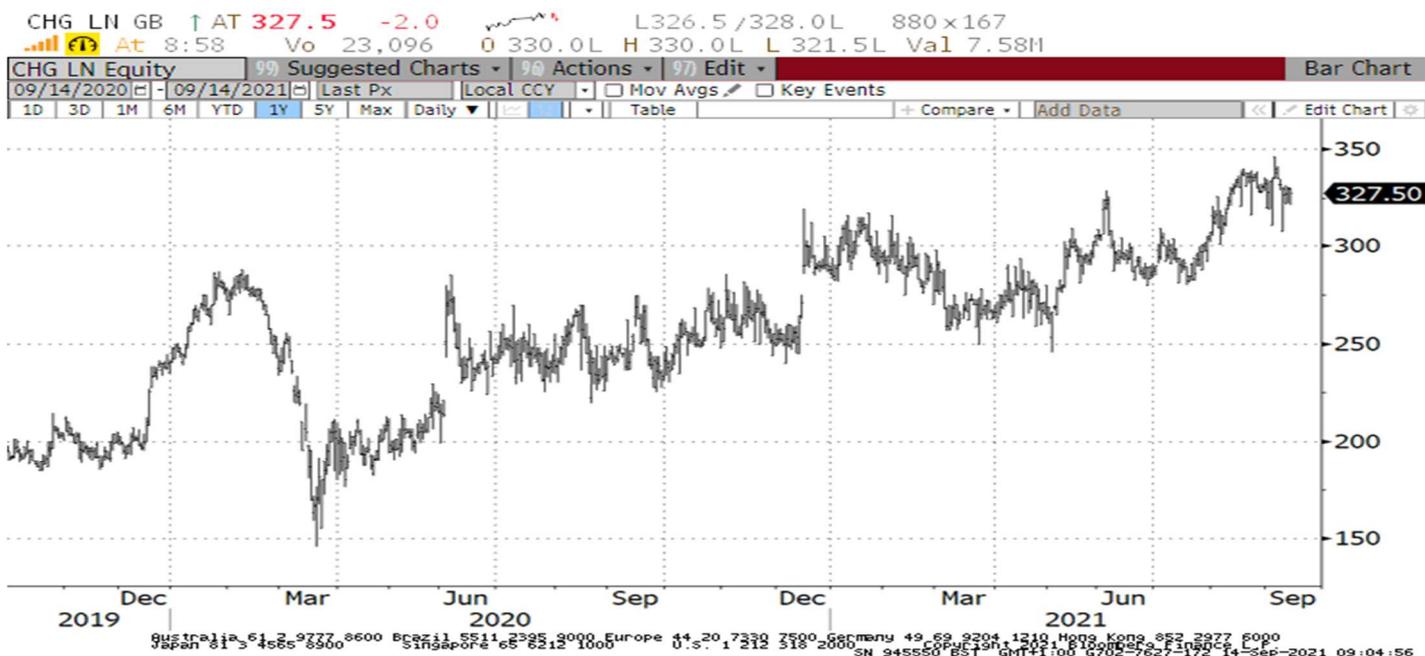
### Investments on our buy list

**Chemring Group plc (CHG)** – today said its performance for the year ending 31<sup>st</sup> October is in line with market expectations. Current forecasts for operating profit are between £56m and £59.6m, with a consensus of £57.5m.

Chemring added that its order book as at 31<sup>st</sup> August was £464m, up from £450m at 30th April, which provides full visibility for the remainder of the fiscal year. The group expects to maintain a strong level of operating cash conversion through the year-end and further reduce the net debt level.

Chief Executive Michael Ord commented “we have good momentum as we move into FY22. I am confident the emphasis we have placed on building a high quality, technology-based business will enable us to take further advantage of our increasing opportunities for growth in the coming years and our long-term prospects remain strong.”

We added the stock to our buy list in August and remain very positive.



**Smart Metering Systems plc (SMS)** – SMS fell heavily this morning after the company placed 19.5m shares at 900p each, representing a 12% discount to Monday’s close, raising £175m. Interim results released after the market close last night showed an increase in underlying profit before tax to £9.6m from £9.1m in H1 2020. The group reported a strong recovery in meter installations post Covid-19 and a net increase in contracted smart meter order pipeline to c.2.75m (31<sup>st</sup> December 2020: c.2.0m).

The capital raise provides funding for the company’s growth strategy which will boost earnings in the medium and longer-term, but the share issue will obviously weigh on the share price in the short-term. We had moved the stock to hold following a very strong run and maintain that stance.



Source: Bloomberg

### Chart of the Day

Today’s U.S. inflation data could influence expectations about the U.S. Federal Reserve’s likely timing for paring stimulus.

Their focus is firmly on price pressures, with a gauge of commodities at a decade-high and a report later today expected to show a fourth month of U.S. inflation at 5% or more. The global stock market rally stalled recently on concerns about the delta virus strain and risks from elevated inflation, which is being stoked by Covid-19 related supply disruptions.

Consensus forecasts are for annualised inflation to come in at 5.3% for August, so anything above that could bring forward taper expectations from December.



Source: Bloomberg

## Recap of yesterday

Associated British Foods dipped 2.4% as it said it expected operating profit to exceed expectations for both its food and Primark units for the fourth quarter.

Babcock added 4.4% as it sold its 15.4% stake in Air Tanker for £126m and Rolls Royce rose 2.5% as it sold its 23% stake for £189m.

First Group gained 3.3% as it said it would return £500m to shareholders, raised from its recent asset sales via a tender offer.

S4 fell 3.6% as interim revenues rose 98% and its pre-tax loss widened to £19.4m from £1m. It won significant business with 'whopper clients' Facebook and Google.

Telephone: **0151 236 8200** | Fax: **0151 243 3535**

Email: [enquiries@blankstonesington.co.uk](mailto:enquiries@blankstonesington.co.uk) | [www.blankstonesington.co.uk](http://www.blankstonesington.co.uk)

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