



MARKET REPORT

Thursday 25th November 2021

Market Headlines

US personal consumption rose 5.0% in October year-on-year, ahead of the 4.4% September rate and above the 4.6% predicted, with core inflation (excluding energy and food) running at 4.1% annually, in line with expectations.

US Federal Open Market Committee minutes showed a hawkish tone with members prepared to raise rates sooner than expected if inflation continued to run ahead of target.

Germany's economy grew 1.7% in the three months to the end of September quarter-on-quarter, a tad behind the 1.8% forecast, due to weaker household spending, after the 2.0% expansion in the second quarter.

The S&P 500 added 0.2%, the Nikkei 225 rose 0.7%, the Hang Seng gained 0.2%, whilst the Shanghai Composite closed down 0.2%. European markets were higher.

Investments on our buy list

Odyssean Investment Trust (OIT) – yesterday released interim results for the six months to 30th September 2021.

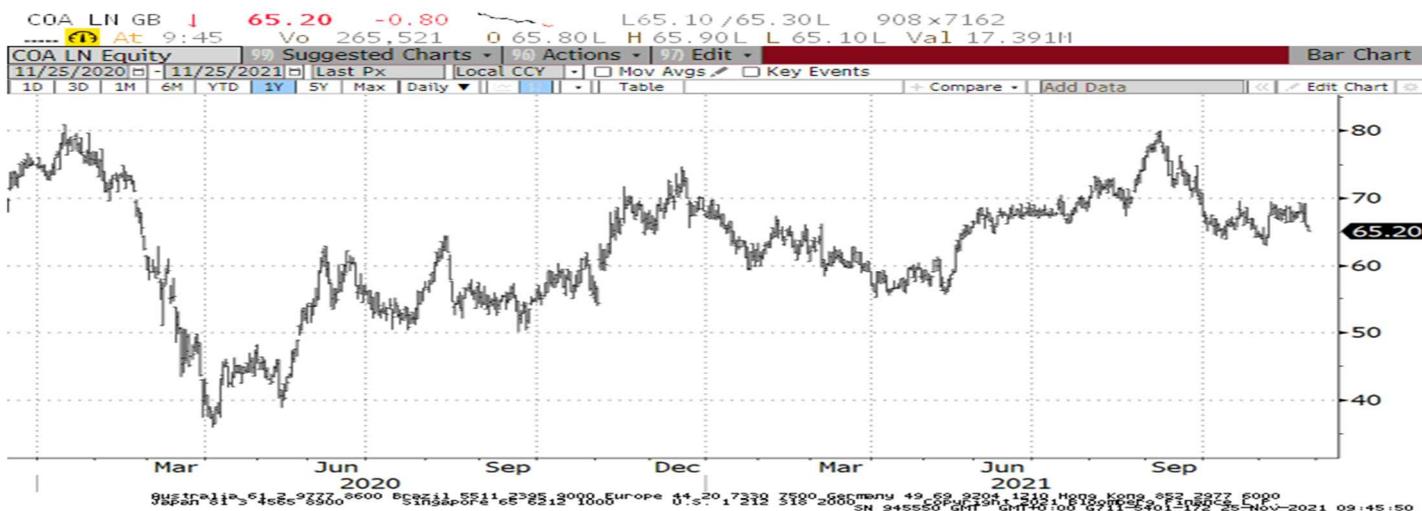
The Net Asset Value (NAV) per share increased by 13.5% to 158.1p, whilst its “comparator index” (NSCI ex IT plus AIM Total Return Index) rose by 9.1%. Jane Tufnell, Chairman of OIT said “More impressively this performance has been delivered with an average net cash position in the portfolio of 22%, demonstrating the underlying strength of the performance of the portfolio companies.”

The trust invests in U.K. smaller companies but is keen to emphasise that it is not focused on the U.K. economy. It seeks out niche global players as they provide a “geographic balance to revenues and profits, and if mis-priced by U.K. investors, tend to become more attractive to overseas investors and potential acquirers.”

U.K. small cap stocks have strongly outperformed large caps over the last 18 months, and OIT has done better still. Recent weeks have seen some consolidation and profit-taking following a doubling in the share price since the low point in March 2020.



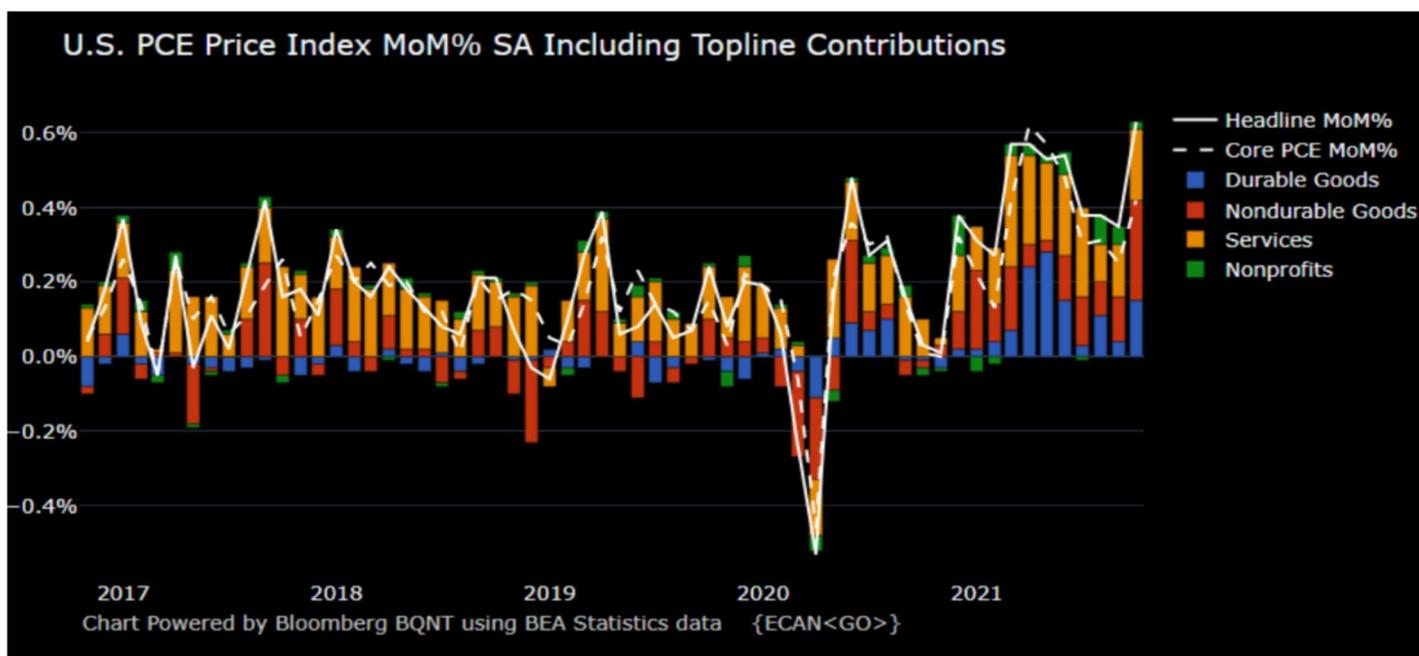
Coats Group plc (COA) – in its trading update on Tuesday Coats said it expects its financial performance for the year to be in line with expectations. The group said that organic revenue was ahead of 2019 levels in the first four months of the second half. For the group it was 22% higher in the July-October period compared to 2020, and 6% higher than the same period in 2019 (pre-pandemic). Coats said "Strong operational performance, demand recovery, market share gains and customer wins have continued, despite recent lockdown impacts in Vietnam which have now subsided." We expect double-digit profit growth over the next 2-3 years as the business consolidates its recovery following the pandemic. We maintain our buy rating.



Source: Bloomberg

Chart of the day

Yesterday saw the release of the minutes from the last U.S. Federal Reserve Open Market Committee (FOMC) meeting (Nov.2-3). The minutes show that Fed officials were open to removing policy support at a faster pace to keep inflation in check. Completing the taper at an earlier date would give officials the option to raise interest rates sooner if that was thought to be necessary to keep inflation under control. Since the meeting the inflation data have worsened. Yesterday's release of the PCE Deflator, the Fed's own preferred measure of inflation, showed prices rose by 0.6% month-on-month in October. The annualised rate of 5.0% was the fastest pace since 1990.



Source: Bloomberg

Recap of yesterday

Britvic rose 2.5% as full year pre-tax profit rose 28% to £142.9m on flat revenues, whilst the dividend was hiked 12%, as trading recovered strongly in the second half. Trading in the first six weeks of fiscal 2022 was encouraging, ahead of pre-pandemic levels.

Genus fell 10.0% as it said fiscal 2022 pre-tax profit would be moderately lower than expectations, as volumes from its pig business in China were lower in the four months to 31 October year-on-year.

Intertek Group added 6.1% as it said it had made strong progress so far in the second half of the year, with sales growth picking up to 8.5% in September and October. It was on track for robust like-for-like revenue growth and margin progression in 2021.

Johnson Matthey dropped 2.2% as it swung to a £9m interim pre-tax loss (to 30/9) from a £26m profit a year earlier, hampered by a £315m impairment charge largely connected with the sale of the battery unit. It approved a £200m share buyback and sold Advanced Glass Technologies for £178m.

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