thesharecentre:

press release

27 October 2010

The forward look from The Share Centre

Nick Raynor, investment adviser at retail stockbroker, The Share Centre, gives his thoughts on what to expect from companies announcing results w/c 1 November 2010.

Monday

Weir Group (Interim management statement)
Since its entry into the FTSE 100 Weir group has gone from strength to strength and the share price has been hitting new all-time highs. Acquisitions made during the year have helped boost turnover and profits. However, their figures need to be extremely good to help maintain the current momentum. Recently, it has not been unusual to see share price falls in companies announcing good but not exceptional results.

We currently list Weir as a Hold

Tuesday

BG Group (Q3 results)
Reserve estimates at its shared exploration field off the Brazilian coast have recently been increased but only conservatively. A wise move as over-estimates have recently hurt other exploration companies. Taking this conservative route is more likely to avoid share price volatility. No doubt in this update there will be further clarification of the find.

We currently list BG as a Buy

Aviva (Interim management statement)
Talk so far this year over Aviva has centred on RSA's offer for Aviva's UK operations several months ago. The approach was robustly turned down but it highlighted the possibility of consolidation within the sector. Amongst the current rumours is that RSA and Resolution Group may well team up together to make an offer. However, Aviva has seen a welcome increase of business figures this year and their overseas exposure should also add strength to the company and help fight off unwelcome offers. We don't doubt these figures will be an improvement on previous ones and consequently Aviva remains one of our favoured investments.

We currently list Aviva as a Buy

Lloyds Banking Group (Interim management statement)
The first of the big UK banks to report and will set the tone for the rest of the sector. The share price has seen some weakness in the run-up to the interim statement with investors becoming nervous or just taking profits. We would certainly not be buyers prior to these figures being published. We remain on the sidelines as Lloyds and RBS are only of interest to those trading in small margins at the moment.

We currently list Lloyds as a Hold.

Companies also reporting Tuesday include:
Reckitt Benckiser (Q3)
Imperial Tobacco (Prelims)

Wednesday

Standard Life (Q3 Interim management statement)
Standard Life already operates in India but has recently asked the Indian Government to lift the foreign investment limit in India's insurance companies to 49% from 26%. This would give UK insurers a great opportunity to help meet or exceed their expectations of the region and also provide further geographical diversity. Standard has been off our radar for sometime and we hope that these figures may help boost Standard's rating in the sector.

We currently list Standard as a Hold.

Next (Q3 Interim management statement)
Early indications of how the winter season range has been selling should be issued in this release. Once again we feel that the results will have to be extremely good to help maintain the share's momentum. Other retailer's within the sector are uncertain about sales in the New Year, especially after the increase in VAT, hence their cautious announcements. If the figures do not match expectations investors might want to cash in.

We currently list Next as a Hold.

Admiral (Q3 interim management statement)
Admiral has suffered from recent broker downgrades and notifications of short selling by fund houses have heaped pressure on the share price. Admiral has plenty of overseas exposure but could suffer as insurance premiums start to rise due to insurance fraud and increasing claims from younger drivers. As a result consumers may look to shop around even more.

We currently list Admiral as a Hold.

Thursday

Unilever (Q3 Results)
Unilever had previously been known as a seller as it looked to trim down its assets. This perception has changed with the recent purchase of the owner of the hair products brand TRESemmé for £2.3 billion. This has not stopped the negative broker notes being issued but a solid set of figures in this release may just turn opinion round.

We currently list Unilever as a Hold.

MAN Group (Interim results)
Having completed the purchase of GLG recently, Man Group has now itself become the subject of takeover rumours within the market. However the enlarged group would be able to command a hefty premium on the current share price. Also in the company's favour would be the improved performance of its flagship AHL fund. With the markets impressive performance during the last quarter we would expect these figures to reflect that, if not the share price could be in for some sharp movements.

We currently list Man as a Hold.

Morrisons (Q3 Interim management statement)
Morrisons can fire the first shots of the Supermarket battle on Thursday, Christmas promotions and how the company has been trading during the summer will hopefully be on view. Morrisons are targeting Christmas as the period when they will snatch more market share from Tesco and Sainsbury. They have also, however, aired a note of caution over its outlook since more attractive promotions hurt margins. We'll wait and see how the battle develops.

We currently list Morrisons as a Hold

Companies also reporting today include RSA Insurance (Q3) and Invensys (Interims)

- ## Friday

Smith & Nephew (Q3 results)
Smith & Nephew were recently given a timely boost after winning a patent dispute. This followed weakness within the medical industry after poor results from US companies in the same sector. These results will hopefully add some stability to the share price and enable investors to ascertain where the share price is heading next.

We currently list S&N as a Hold

Royal Bank of Scotland (Q3 results)
Royal Bank of Scotland is the only bank in the sector which we rate as a sell. The Government's holding in the company is a brake on its growth and the huge amount of shares in circulation restrict the upward potential of the share price. Like our earlier comment on Lloyds, we see banks only being of interest to margin traders and those looking to make a quick buck. These figures may well dispel this theory but we would rather not take that chance.

We currently list RBS as a Sell.

Economic diary

Economic announcements for the w/c 1 November 2010:

1 November CIPS/Markit UK Manufacturing PMI

While markets expressed surprise at the strength of Q3 GDP data published by the ONS recently, maybe they would have been less surprised if they had paid more attention to the monthly PMI reports from CIPS/Markit. Although the PMI tracking manufacturing has fallen since April and May when it touched 58, the index readings between July and September of 56.9, 53.7 and 53.5 respectively were still significantly above the average over the last six years. Of more concern, however, is the trend. And while the latest reading was still consistent with reasonable growth, if the downward trend continues and October's reading shows another sharp fall, then this may suggest a significant downturn for Q4. Data from CIPS/Markit on construction and services later in the week will also add to the evidence provided by the manufacturing PMI reading.

4 November Monetary Policy Committee Announcement

With the UK economy growing faster than expected in Q3, speculation that the Bank of England may up the rate of interest sooner rather than later has increased. The minutes from the previous meeting indicated a three-way split within the MPC, with Andrew Sentance voting for a rate rise, Adam Posen for more quantitative easing (QE), and the rest of the committee voting for no change. However, the minutes also revealed that a growing number of members held the view that more monetary easing will be required soon. It seems unlikely that the majority of the committee members will have had a total change of view since then and vote for a rate hike, but, equally, the prospects for more QE in November have diminished as a result of the GDP data.

Other economic announcements include:

1 November
US Manufacturing ISM Report On Business

2 November
CIPS/MARKIT UK Construction PMI

3 November
CIPS/Markit UK Services PMI
US Non-Manufacturing ISM Report On Business

4 November
US Productivity and Costs (P) – Q3 2010 BLS

5 November
Insolvency statistics – Q3 2010 ONS
Producer Price Index – October 2010 ONS
US Employment situation – October 2010 BLS

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Note to editors:

Please note that the dates stated in this article are indicative and could be subject to change which is beyond our control.

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About The Share Centre:

The Share Centre was established in 1990 to provide value-for-money share services for private investors. Its range of services includes buying and selling shares (by Internet, telephone and post) and a comprehensive share administration and safe custody service. Tax-efficient investment 'wrappers' including ISAs, CTFs and SIPPs are also available.

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