ALPHA BITES… bite sized bits of information

MOBILE LOVERS

Many good things have come out of Bristol over the years and not just the M32!

BANKSY Renowned Bristol artist **Banksy** has been in the headlines, with his latest disputed artwork **Mobile Lovers**. This first appeared in a doorway in Clement Street in the city and was taken away by the leader of nearby Broad Plain Boys' Club to raise money. Bristol City Council argued the work was on their land and it was taken to a museum for safe keeping. Banksy however has sent a note to the club saying that they can do what they feel is right with the piece. Club leader Dennis Stinchcombe thinks **it could be worth as much as £4m** which got us thinking. What if Bansky went around the country painting on school and hospital doorways? Surely this would be a great way to reduce the nation's burden on public spending and in the process help both the young and the infirmed?

What are we watching this week?

After a supportive run of takeover stories and mainly supportive company results the end of last week saw less helpful news from some European companies including Fiat and SocGen. The **Ukraine crisis** played its part on a number of those companies with sizeable Russian interests with SocGen taking a €525m write down on Russian assets while Carlsberg cut forecast guidance as the Russian beer market is a sizeable part of its profits. In the FTSE 100 **BP** is linked to Russia via its 20% stake in Rosneft and it is still not clear just what impact US sanctions on its chief executive Igor Sechlin will have on its day-to-day relationship with BP.

In the **UK** the April RICS survey suggested house price inflation moderated with sales volumes being hampered by supply shortages. However concern has grown about the London market in particular and there are **suggestions that the Help-to- Buy scheme could be scaled back**. The **house builders** have already been drifting off in recent months with the increasingly likelihood of a UK interest rate rise in Q1 2015 and potentially before the next Election.

In **Europe** there was no policy change from the ECB however in the Q&A session Draghi provided a **clear steer that there will be a policy action from the ECB in June**. Uncertainty still remains as to whether that will involve a further trimming of the interest rate or the use of the much discussed **unconventional measures**. The **Eurozone** composite **PMI reading for April confirmed that the region's recovery looks broader and more solid** with the highest reading since May 2011.

After nudging $1.40 the **euro** fell back in anticipation of policy action from the ECB. **Sterling remained strong across the board** but touched a nine week high against the euro. Sterling's strength against the US$ does not appear purely a reflection of UK rate hike speculation but also the Fed dovish accommodative stance. Currency headwinds are not going away any time soon for UK exporters.

In the **US** Fed Chair Yellen **reiterated the FOMC's commitment to extended monetary accommodation** which was seen to be dovish. She also expressed **optimism that the US economy could grow faster this year** than in 2013 despite the weak Q1 reading.

In Asia, **Chinese trade volumes surprised to the upside** with exports up 0.9% in April YoY and imports up 0.8% YoY. **Chinese CPI inflation of 1.8% in April was an 18 month low** with weak food prices. **This leaves the way clear for the introduction of further monetary stimulus if necessary**.

The **UK equity market is likely to remain volatile in the short term** while tensions in the Ukraine continue. Major profit warnings are still coming with Petrofac in the FTSE 100 with more minor largely currency downgrades in other sectors. In utilities both Centrica and Drax have lowered guidance. **Bid activity remains supportive** however with all eyes on Pfizer/Astra Zeneca. **New issue activity is still high although there is a bit of investor fatigue beginning to creep in**. The **Saga flotation** has attracted a lot of interest from private investors. Institutional investors seem to be reluctant to pay the higher end of the proposed £2.5bn-£3bn range with new guidance of £2bn-£2.5bn. This would seem more logical as almost 90% of profits come from financial services (principally home and motor insurance) and similar businesses trade on 8-10x cash flow rather than the 11-13x that had been originally expected although Saga might expect a slight premium for its brand strength and favourable long term demographics.

Now just where did I leave that can of spray paint?

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