



ATLANTIC CAPITAL MARKETS



Has Christmas Come Early?

01872 229 000

www.atlanticmarkets.co.uk

Or is the Santa rally yet to come!

With December fast approaching and the markets already starting to run up the question must be asked, will the mythical creature that is the Christmas rally serve to further propel share prices? This year is a bit trickier than previous years especially as the markets have already started to run, fuelled with recent vaccine optimism. That all being said there is still a lot of meat on the bone for FTSE stocks and in this report, we highlight those with the potential for strong gains to return to pre-Covid levels.

But What is the Santa rally?

As the name suggests, the Santa Claus / Christmas rally is the name given to the period for when stock markets post positive results in the run up to Christmas and New Year. As cheesy as it may sound this phenomenon is backed up by strong stats showing the markets have rallied 26 out of the last 30 years.

There is still a lot of debate as to why it happens, some will suggest each rally is fuelled by its own events, and in the current climate this can certainly be attributed to the relief we are seeing from the vaccines. That being said there are some key theories on why markets rally in December, anything from bargain hunting before stock prices rise in January (known as the January effect), Fund managers rebalancing their portfolios before the end of the year, Markets rising on lower volumes over the holiday period or it could be as simple as human psychology creating a self-fulfilling prophecy.

In this report we highlight a spread of FTSE shares that have already started to climb but have plenty of room to grow before we are at pre Covid levels.

Associated British Foods

- **TICKER:- ABF**
- **Pre-Covid Level 2700p**

Fundamental Background

ABF Is a British multinational food processing and retailing company whose headquarters are in London. Its ingredients division is the world's second-largest producer of both sugar and baker's yeast and a major producer of other ingredients including emulsifiers, enzymes and lactose. Its grocery division is a major manufacturer of both branded and private label grocery products and includes the brands Mazola, Ovaltine, Ryvita, Jordans and Twinings. It also has a retail division, Primark, has over 370 stores spread across several countries, predominantly Germany, Ireland, Spain, and the UK.

The shares have come under fire on two fronts during the pandemic. Not only the retail side of Primark which still doesn't have a full online presence and has seen the lockdowns have a serious impact on revenue, but also the sugars side of the business which saw a sharp drop in orders for syrups and sugars due the drop in hospitality business. The business has a wide range of subsidiaries including, AB Sugar, AB Agri Ltd, AB Enzymes - an ABFI Company, AB Mauri, Allied Bakeries, Allied Mills, British Sugar, George Weston Foods, G Costa: sauces and specialty foods, Illovo Sugar, Primark (known as Penney's in the



Republic of Ireland) And Westmill Foods giving a globally diverse business offering. If a return to full operation is achieved and the vaccines are indeed rolled out globally then it will give ABF a boost on both fronts, especially as the retail division has been hit hard due to a lack of online presence.

Technical Chart





Aviva

- TICKER:- AV.
- Pre-Covid Level 413p

Fundamental Background

Aviva can trace its history back to the establishment of the Hand in Hand Fire & Life Insurance Society in London in 1696 and today is a British multinational insurance company headquartered in London, England. It has over 30m customers across 16 countries. In the United Kingdom, Aviva is the largest general insurer and a leading life and pensions provider. Aviva also has a focus on the markets in Europe and in the growth markets of China and South East Asia. Aviva is also the second largest general insurer in Canada.

Technical Chart



EasyJet

- TICKER:- EZJ
- Pre-Covid Level 1550p

Fundamental Background

In 1995, EasyJet was established by Sir Stelios Haji-loannou, being the first company in the easyGroup conglomerate. When launched the company was based at Luton Airport which was traditionally used mainly for charter flights. In April 1996, their first fully owned aircraft was delivered, enabling the company's first international route to Amsterdam, which was operated in direct competition with rival airlines British Airways and Dutch flag carrier KLM. On 5 November 2000, EasyJet was floated on the London Stock Exchange. In March 2013, EasyJet was promoted to the FTSE 100; during the same month, the company launched its 100th route from Gatwick Airport, offering flights directly from London to Moscow. By 2015, the company was flying routes to more than 130 destinations in 31 countries, operated 26 bases centred around Europe, and had a total of 10,000 employees.

Airlines have also seen increased pressure during the sell-offs but EasyJet being a short-haul, low-cost operator look set to bounce back quicker than the long haul low margin operators like IAG.

Technical Chart



Johnson Matthey

- **TICKER:- JMAT**
- **Pre-Covid Level 2770p**

Fundamental Background

Jmat is a British multinational speciality chemicals and sustainable technologies company headquartered in the UK. Johnson Matthey traces its origins to 1817, when Percival Norton Johnson set up business as a gold assayer in London. In 1851 George Matthey joined the business and its name was changed to Johnson & Matthey. The following year the firm was appointed official assayer and refiner to the Bank of England. In 1874, the company was commissioned to manufacture the kilogram reference standard, made from 90% platinum and 10% iridium, and held in the Bureau International des Poids et Mesures (International Bureau of Weights and Measures).

Johnson Matthey is organised into four business sectors:- Clean Air, Efficient Natural Resources, Health, and New Markets.

The catalysts sector has been the most prominent in recent years with one in every three new cars carrying an emission control catalyst from JMAT, But it's not just in the emissions sector that JMAT has made strong progress in, they have recently moved into the market for manufacturing components for electric batteries. JMAT has been developing and testing better battery materials. Recently, its researchers came up with an improved combination of cathode materials that should significantly improve the range and acceleration of electric cars, while also making them quicker to recharge. The breakthrough could help bring electric cars into the mainstream.

Technical Chart



Rolls Royce

- TICKER:- RR
- Pre-Covid Level 234p

Fundamental Background

Rolls Royce is a British brand synonymous with quality and British engineering, it has come a long way since its beginnings when the firm was established by Henry Royce back in 1884 which began by manufacture dynamos and electric cranes. Charles Rolls established a separate business with Henry Royce in 1904 largely due to the fact Royce had developed a range of cars which Rolls wanted to sell. A corporate owner was incorporated in 1906 with the name Rolls-Royce Limited. In 2003 ownership of Rolls-Royce plc was passed to Rolls-Royce Group plc, which was incorporated in March 2003, which issued its own new shares for payment to the previous shareholders.

Possibly one of the most under fire stocks in the FTSE and certainly the most speculative buy on the list Rolls Royce have needed to take extreme action to sure up the books with an overall rescue package of £5 billion. The company itself remains hopeful that this combined with some of the actions already taken, including plans for a major restructuring programme costing 9,000 jobs, can return it to a positive cash flow position during the second half of next year before achieving strong cash generation in 2022.

Technical Chart



Vodafone

- TICKER:- VOD.I
- Pre-Covid Level 155p

Fundamental Background

Vodafone have had a torrid couple of years leaving the share price incredibly depressed, but despite the dividend cuts, poor figures and the lack of any direction over the last 2 years they are now starting to look like an appealing proposition for the year ahead. The yield is still attractive for the income buyer and with all the bad news seemingly behind them the road ahead is certainly more appealing.

Over the coming year we believe Vodafone may be about to enter a sweet spot in terms of growth, product cycle and cash flow. These could well be the catalysts needed to bring investors back to this fallen giant. The yield is still appealing, and the consensus broker targets points to plenty of upside from here.

Technical Chart





About Atlantic Capital Markets

We are a multi-Asset brokers offering clients the ability to buy the shares either in a traditional fashion with standard shares or taking advantage of leverage and purchase via a CFD.

[Call us on 01872 229 000.](tel:01872229000)

Disclaimer

We have provided this information for your general guidance only and it should not be considered as investment advice. Atlantic Capital Markets will not be liable for any loss or damage caused by a reader's reliance on information provided by us. We make no claims or representations as to the accuracy or completeness of any material contained in our guides. Atlantic Capital Markets is Authorised and Regulated by the Financial Conduct Authority (No 764562).