

Market Preview

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Day Ahead: Bookies and financial stocks under starter's orders

Bookies and financial stocks will be in the spotlight on Thursday.

Bookmaker Ladbrokes PLC (LON:LAD) may have more to say on progress in its takeover of rival Coral when it reports half-year results.

Broker Peel Hunt said the bookie appears to be close to announcing the completion of the deal, which has received approval from the Competition & Markets Authority subject to the sale of up to 400 betting shops.

Peel Hunt said in a note: "The integration of the two companies is a key investment issue but the upcoming interim results are significant. This will be the only opportunity the chief executive has to demonstrate that his strategic plan for standalone Ladbrokes has been a success.

"If he can show the Ladbrokes online business is turning round under his stewardship, investors will be more confident of the prospects for the combined businesses."

The broker is forecasting first half pre-tax earnings before interest of £40m.

Peel Hunt added: "We expect a positive spin on current trading, resulting from a strong finish to Euro 2016 from a bookmaking perspective."

RSA Insurance (LON:RSA), once a takeover target for Swiss insurer Zurich until the latter withdrew its interest, is tipped to turn in an improved first-half operating result of £307m against £259m last year.

Nick Johnson at Numis Securities said: "Given that the recent strategic priority has been to improve underwriting performance we do not expect significant growth in premium income and this may be a metric where RSA outperforms expectations.

"The current cost reduction program aims to achieve savings of £350m by 2018 and we would be surprised if there was any change to this target."

London Stock Exchange Group PLC (LON:LSE) is expected to report an 8% rise in total income to £765m for the first half, with an 11% rise in adjusted pre-tax profit to £307m.

Analysts will be interested in any further comments from the exchange about its planned merger with Germany's Deutsche Boerse.

Jonathan Goslin at Numis said: "Whilst we see the obvious benefits from a merger with DB (namely cost and revenue synergies), we remain mindful of the challenges that would need to be overcome for it to complete (competition authorities, different business structures, national pride).

"We therefore maintain our 'hold' recommendation as we believe the shares are up with events and we are fully aware of the long list of failed M&A deals within this sector."

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MarketTopic Synopsis:

Market Preview is published daily before trading kicks off, giving investors a roundup of macroeconomic and corporate news that is likely to move the markets along with the expected opening level of the major indices.

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