One born every minute?

From the rice fields to the mega cities, China is producing middle-class consumers like there’s no tomorrow. By 2025 it’s expected to boast in the region of 780m consumers – more than the total population of the US, Canada, Russia and most of Northern Europe combined.

Stars of the small screen

China’s BOE Technology Group has risen around 47% since the start of February on a wave of investor interest in the soon to launch ‘foldable’ screen phones from the likes of Huawei, Samsung and Xiaomi.

As Jonathan Callow, senior dealer at Quilter Investors explains, “With the big names in the phone world poised to unveil their latest models, investors have zeroed-in on the supply chains for bendable screen technology. “Other Chinese players have also rebounded strongly after a tough year; Tianma is up almost 80% this month, Shenzhen Liande has gained 90% and Shenzhen TXD is up 50%. Foldable phones could hit the market in a matter of weeks but early adopters are likely to face prices close to $2,000 each,” he says. “However, this advance could well double global demand for organic LED screens in the coming years and investors are reacting accordingly.”

Wings clipped: A380 grounded for good

Europe’s biggest aircraft manufacturer, Airbus, has been forced to announce the scrapping of its A380 superjumbo following lacklustre orders for the world’s largest jetliner.

The company has lost a hugely expensive gamble on the 544 seater airliner that boasts an 80-meter wingspan as potential clients opted instead for smaller, more nimble aircraft.

According to the Netherlands registered manufacturer, the last new A380 will land in 2021 after its largest existing customer, Dubai-based Emirates with 100 A380s, was forced to opt for smaller A350 and A330neos instead.

Airbus will now enter talks with unions over the 3,500 jobs potentially affected but investors were relieved to see the company stem losses. The shares gained almost 6% following the announcement last Wednesday.

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Va-va-Vivendi

Vivendi, the French media giant saw its shares jump almost 7% last Friday on surprisingly strong results, the centerpiece of which was the steeply rising valuation for its Universal Music Group (UMG).

Core operating profit jumped around 25% to €1.29bn, much of it due to the strong performance of UMG which generated revenues of €6bn in the last quarter with €2.6bn coming from streaming alone. Consequently, UMG has seen its valuation jump to €50bn after being pegged at €29bn at the start of the year.

Vivendi is now looking to sell a 50% stake in UMG to what could be a half-dozen or so strategic partners. So far, names such as Apple, Liberty Media, Tencent, Alibaba, Verizon and Google have been touted as potential suitors for the California-based music business which includes the likes of Coldplay, Elton John, Taylor Swift and Kanye West in its stable.
Heavy Mattel

Days after reporting better than expected profits, toymaker Mattel saw its share price fall more than 18% in one day, on the back of weaker than expected guidance.

On Friday (15 February) Mattel said it expected gross sales to be flat in Q1 2019 in constant currency terms, while adjusted EBITDA for the year would be $350-400m, below analyst expectations.

Mattel’s turnaround plan continues, however, helped by winning Toy of the Year 2019 awards in the action figure, infant/pre-school toy and pre-school toy categories. It’s also focused on its ‘Power Brands’ particularly Barbie, which announced two additions to its Fashionista range – one in a wheelchair and one with a prosthetic limb – as well as a partnership with National Geographic on a new range of dolls, including Astrophysicist Barbie.

Honda puts brakes on UK production

Japanese carmaker Honda stunned the UK when it announced plans to close its manufacturing plant in Swindon by 2021 with the direct loss of 3,500 jobs.

The carmaker cited “unprecedented change” in the auto industry and the need to move to electric vehicles as the reason for the plant’s closure after three decades. Honda denied the move was Brexit-related, instead stating the company had to look closely at where it was investing and the relevant size of the marketplace.

In recent years, its market share in Europe has steadily declined, with the Swindon plant running at half capacity. And following the EU-Japan trade deal that removed tariffs for car exports, there appears even less reason for the firm to have a manufacturing base within the EU.

With the big names in the phone world poised to unveil their latest models, investors have zeroed-in on the supply chains for bendable screen technology...but early adopters are likely to face prices close to $2,000...

Jonathan Callow, senior dealer, Quilter Investors.

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