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FTSE 100 Market Report

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FTSE 100 closes lower as China and Europe worries sends global equities down

- FTSE 100 closes in red
- US stocks plunge
- Minerts and house builders hit
- US industrial production rose 0.6% in November

FTSE 100 closed in negative territory again - falling around 32 points at 6,845 on the day.

Big cap miners were hit due to disappointing industrial growth in China, while house builders suffered as the Brexit chaos continues to take its toll.

Barratt Developments (LON:BDEV) lost 2.69 points at 440.50p , while Persimmon (LON:PSN) also dropped 2.69% at 1,897p.

FTSE 250 was also lower, shedding over 151 points at 17,666.

On the week as a whole though, FTSE 100 was higher by 0.98%.

On Wall Street stocks were also seeing red, with the Dow Jones Industrial Index down over 384 points.

"Global equities took another step lower on Friday following weak economic data from China and Europe which fuelled fears over a global economic slowdown," said Fiona Cincotta, analyst at City Index.

She added: "Oil majors and miners were the biggest drag on the FTSE as commodity prices slid lower following the Chinese data disappointment; the weaker pound offered some support to the international components of the FTSE."

3.15pm: Almost back to square one despite soft start by US markets
The Footsie's losses have now almost disappeared despite US markets opening sharply lower.

The FTSE 100 was down 20 at 6,858.

In the US, retail sales increased by a modest 0.2% month-on-month in November.

"Overall retail sales were weighed down by lower gasoline prices that suppressed gas station sales (-2.3%); excluding gas, retail sales rose by a stronger 0.5% m/m," noted Berenberg Capital Markets.

The industrial production index rose 0.6% in November, which was better than the expected increase of 0.3%.

"However, the utility component provided most of the upside surprise with a jump of 3.3%, and this gain was likely driven by a swing toward cold temperatures rather than by economic fundamentals," claimed Daiwa Capital Markets.

"The manufacturing sector posted disappointing results, showing no change in November from downward revised results in the prior few months (the level of activity in October was 0.4% lighter than previously believed). The softness in November was broadly based, as 12 of 20 major industries posted declines. The drop was especially surprising because payroll employment in the manufacturing industry was firm in November. Although results for November were

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MarketTopic Synopsis:

A report on the major benchmarks and notable risers and fallers in London. .

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disappointing, the trend in manufacturing output remained upward," Daiwa added.

2.15pm: The Footsie trims its losses
The Footsie continued to trim its losses despite expectations of a soft start on Wall Street.

The FTSE 100 was down 31 at 6,846.

In the US, the Dow Jones, which rose yesterday 70 points to close at 24,597, was expected to open at around 24,362.

The S&P 500, which shed half a point yesterday, was tipped to open 26 points or so lower at 2,624.

"Gold has moved lower after the US retail sales data; clearly, there is only one trade - go long on the dollar index," stated Naeem Aslam at ThinkMarkets. "However, it is important to keep in mind that we are close enough to put a high for the year for the dollar index so we would expect retracement. Another important element is that if the data stays this strong, it is difficult for the Fed to remain dovish and they would be pushed to adopt a more hawkish tone," the analyst added.

1.00pm: The Footsie still getting macro aggro
Economic data emanating from China and Europe has not been conducive to equity markets ending the week on a high note.

The FTSE 100 was down 42 at 6,835 but was at least comfortably off its lows.

"The European indices couldn't shake their Friday losses, some nasty data from China overnight and a set of dreadful Eurozone PMIs keeping the region in the red," reported Connor Campbell at Spreadex.

"Looking to the US open and the Dow Jones seems just as upset about the China data as its European peers. The futures have the index dropping 230 points after the bell, a move that would return the index to 24350 and leave it back near where it started the week," he added.

READ Dow Jones Industrial Index poised to plunge at open as China data disappoints markets
David Cheetham at XTB noted that the worse than expected data was having a "clear adverse impact" on mining stocks, such as Glencore and Anglo American.

"Overnight we got the latest economic data from the far east with further signs suggesting that China's economy is slowing faster than economists expect and being clearly hampered by its trade conflict with the US. Industrial production for November came in below forecasts while the pace of consumer spending, as shown by retail sales, dropped to its lowest level in more than 15 years," Cheetham said.

"On the trade front, there does seem to be the chance of better things ahead with more reports suggesting this morning that China will lift their retaliatory tariffs on US cars from 1st January. This is a positive development no doubt, but while the US-China trade tensions are thawing slightly, they still remain frosty and are in danger of freezing back over all together at a moments notice," he added.

"Closer to home business surveys across Europe have come in worse than expected with the French number particularly bad. The PMI index for France contracted for the first time in 2 ½ years and it is not hard to see that the ongoing "gilet jaune" protests are having a clear negative impact on economic activity. This is not the sole factor weighing on business though with the same metric for Germany also coming in below forecasts and as we draw into year end the economic performance of Europe in 2018 remains one of real disappointment against an optimistic backdrop following a stellar 2017," Cheetham said.

WATCH LIVE: PM @Theresa_May holds a press conference following EU Council https://t.co/4irtqN7cSv

— UK Prime Minister (@10DowningStreet) December 14, 2018

Real estate investment trust British Land PLC (LON:BLND) was sporting an above average loss of 1% at 553.4p after UBS cut its price target to 740p from 800p.

Sector peer Land Securities PLC (LON:LAND) was holding up reasonably well, however, down just 0.4% at 828.8p after UBS trimmed its price target to 1075p from 1150p.

11.15am: Sterling's weakness lends a hand to many Footsie stocks
Having briefly fallen below 6,800 the top-share index was back above that level again, helped by the weakness of sterling.

The FTSE 100 was down 57 at 6,821 with the latest rally led by gambling sites and betting shops operator, GVC Holdings PLC.

GVC's shares were up 82% at 716p extending recent gains ahead of next week's parliamentary vote on legislation regarding fixed-odds betting terminals (FOBT).

Analysts at Citigroup reportedly think the vote will be a "significant positive catalyst" for the stock as it could eliminate the possibility the company would have to pay out around £676mln to shareholders.

GVC agreed to pay that amount as part of its acquisition of Ladbrokes Coral, which completed in March this year, as a contingent value right linked to the FOBT legislation, which is worth 35p per Ladbrokes Coral share if the legislation is not enacted by 28 March 2019.

Elsewhere on the London equities scene, the prevailing mood is one of resigned pessimism.

"The pound is in sharp decline as any optimism surrounding Theresa May's victory in her no-confidence vote evaporated to reveal the same problems that underpinned the need to question support in her leadership to begin with," said Joshua Mahony, a market analyst at IG Group.

"The EU is unwilling to budge in any meaningful way, which largely means that the current plan on the table is doomed for failure. The Prime Minister appears to be willing to drag this on until the last minute, proposing the bill as the best available option in the face of a no-deal Brexit; however, a failure to pass this bill will likely lead us into limbo where there is insufficient support in parliament to pass any one form of Brexit. With parliament in gridlock, there is a chance that it could come back into public hands, with another referendum increasingly likely if the politicians cannot find a breakthrough," Mahony opined.

9.30am: The Footsie is dragged lower by miners and housebuilders
Miners and housebuilders were primarily responsible for dragging the Footsie deep into the red this morning.

The FTSE 100 was down 82 at 6,796.

Housebuilders Taylor Wimpey PLC (LON:TW.) and Persimmon PLC (LON:PSN) were down 4% and 3.5% respectively, while even Berkeley Group Holdings PLC (LON:BKG) was down 2.2% at 3,420p, despite Berenberg lifting its price target to 3,450p from 3,360p.

Miners were sold off after some unimpressive economic data overnight from China. Glencore PLC (LON:GLEN) was the worst performer, down 3.4%, closely followed by Antofagasta PLC (LON:ANTO), down 3.3%.

"There have been some troublesome figures coming out of China in 2018 and another batch has now served to drag down markets in Asia and Europe. They suggest that China is finding it hard to sustain high levels of economic growth," said Russ Mould, the investment director at AJ Bell.

"China's industrial production in November grew by 5.4%, below expectations of 5.9%, and retail sales grew at 8.1% which is the weakest pace in 15 years. The consensus forecast for the retail numbers had been 8.8% growth.

"There is some concern that the impact of the US/China trade war has yet to be properly felt, suggesting that China's economic data could be in for more shocks in early 2019 unless the countries secure a permanent truce," he added.

8.50am: Dull start
The FTSE 100 looks set to end a yo-yo week in the red with the index of blue-chip shares off 63 points at 6,814.07.

Disappointing Chinese retail sales and industrial production figures put a dampener on sentiment, though this was also laced with the usual Brexit-related anxiety.

Market commentator Richard Hunter isn't convinced the market's mood will lift moving into 2019, which he has dubbed the year of the BISCUIT.

The alternative B-word is an acronym that the Interactive Investor analyst believes sums up the market forces likely to be in play in the coming 12 months: **B**rexit, **I**nterest rates, **S**terling, **C**hina, the **U**S, **I**nflation and **T**rump. (See what he did there?)

"In the words of one institutional international investor, the UK equity market is currently close to being 'uninvestable', as Brexit concerns - let alone the possibility of a Labour win if a general election was called - weigh heavily on investors," said Hunter.

"In a survey earlier in the year, the FTSE100 ranked last amongst investors (and even below cash as an asset class) as a preferred investment destination. As such, not having partaken in the global market rally earlier in the year, the FTSE100 stands down over 10% in the year to date."

Well, our Mr Hunter seems full of the Christmas spirit.

On the market, individual stock moves were muted with only seven risers on the Footsie.

Dropping down to the second-tier, Balfour Beatty PLC (LON:BBY) led the pack with a 5% rise after the civil engineer's trading update passed muster.

Proactive news headlines:
Block Energy PLC (LON:BLOE) has revealed that the West Rustavi 16a legacy well has flowed 200 barrels of oil over a ten-hour test. The company added that a further 300 barrels of oil were recovered in further tests over subsequent days. Big Pic in July.

The cell therapy specialist ReNeuron Group PLC (LON:RENE) is gearing up for a busy 18 months with read-outs from two clinical trials expected in that time-frame. Patient screening and enrolment have commenced for its most advanced programme, a CTX therapy for stroke, which is entering phase IIb clinical trials, with top-line data from the US study expected in early 2020. Big Pic in July.

OptiBiotix Health PLC's (LON:OPTI) subsidiary, ProBiotix Health Limited, has raised around £1mln to fund a potential initial public offering (IPO). Big Pic in September.

PhotonStar LED Group PLC (LON:PSL) has raised gross proceeds of £100,000 from a placing of 500,000,000 new ordinary shares with new and existing investors at a price of 0.02p each. The group said the net proceeds will provide the company with additional working capital and will also enable its board to initiate a further cost reduction programme and to evaluate new business opportunities. Big Pic in August.

Wheelsure Holdings PLC (LON:WHLP) is to work with Haydale Graphene Industries PLC (LON:HAYD) on a "smart" graphene pressure sensor for the fastener market. Big Pic in September.

Ormonde Mining PLC (LON:ORM) continues to look forward to a February start-up at its 30% owned Barruecopardo tungsten mine. The company, in a stock market statement, told investors that development schedule at the Spanish project has progressed in line with previous guidance. Big Pic in August.

Chaarat Gold Holdings Ltd (LON:CGH) is preparing to have its suspension on AIM lifted today after securing "further improved terms" for its acquisition of the Kapan Mining and Processing Company. Big Pic in November.

Lithium mine developer Kodal Minerals PLC (LON:KOD) said it had made "excellent progress" towards the delivery of its first mining operation at the Bougouni project. As a pre-revenue company, the emphasis in the company's interim results for the six months to the end of September was naturally on the progress made operationally rather than on the numbers. Big Pic in September.

EQTEC PLC (LON:EQT) said it has drawn down a third tranche amounting to US$864,000 under the US$10mln financing facility provided by Cuart Investments Fund and associates further details of which were announced by the company on 27 September 2018 and 5 July 2018. It said the total amount drawdown to date under the financing facility amounts to US$3,328,000 (approximately £2.6mln). The proceeds of the drawdown will be used to further develop the company's existing project portfolio, to avail of possible investment opportunities and for general working capital.

Further to the announcement on 26 November 2018, Maistro PLC (LON:MAIS) announced that it has raised gross proceeds of £250,000 through the issue of 25,000,000 open offer shares, with applications for 46,928,175 open offer shares made under the excess application facility.

U.S. Oil & Gas PLC has placed 1,367,566 new ordinary shares with private investors at a placing price of 30p per share to raise gross proceeds of circa US$527,539. The group said the proceeds will be used to provide US Oil with additional working capital, including the funding of drilling operations.

6.45am: Chinese data was expected to cast a shadow over equities at the outset
Spread betting quotes pointed to the FTSE 100 opening at around 6,814, after it closed little changed yesterday at 6,877.

"Overnight, China announced a number of economic indicators. The fixed asset investment reading was 5.9%, and economists were expecting 5.8%. The industrial output came in at 5.4%, while dealers were expecting 5.9%. Economists were predicting an increase of 8.8% for retail sales, and it came in at 8.1%. Investors were spooked by the largely disappointing numbers, and there was a sell-off in Asian markets overnight," reported David Madden at CMC Markets.

In Tokyo, the Nikkei 225 was down 441 points (2.0%) at 21,375 while in Hong Kong the Hang Seng got off a bit more lightly, down 454 (1.7%) at 26,071, heading towards the close.

Yesterday, US markets had a mixed day with the Dow Jones up 70 at 24,597, the NASDAQ Composite 28 points lower at 7.070 and the S&P 500 off half a point at 2,650.5.

On the UK corporate front, we're not quite into the drifting tumbleweed part of the festive season but we are getting pretty close, with just one company that could be classified as a household name reporting today: Balfour Beatty.

The company, which reports third-quarter numbers, has won two big contracts worth £2.5bn over the past month as its turnaround plan continues.

The market will be hoping that's a sign of things to come.

Investors in recruitment firm SThree PLC (LON:STHR) will be expecting international job markets to have once again offset weak UK demand in the firm's fourth quarter.

In September, the group said third-quarter gross profit rose to £82.7mln from £73.7mln the same period a year ago.

Continental Europe was the key driver of growth with gross profit up 24% to £47mln while the US delivered an 8% increase in gross profit to £18.2mln and the Asia Pacific and the Middle East achieved a 16% gain to £4.5mln.

The UK and Ireland division, on the other hand, saw gross profit fall 10% to £13mln as employers continued to exercise caution amid Brexit uncertainty.

With the fourth quarter being the "most significant trading quarter" according to chief executive Gary Elden, any potential slowdown or less positive figures will be eyed closely.

Significant news expected on Friday:
Trading updates: Balfour Beatty PLC (Q3) (LON:BBY), SThree PLC (LON:STHR), Reach PLC (LON:RCH)

Interims: ReNeuron Group PLC (LON:RENE)

Finals: Jersey Electricity PLC (LON:JEL)

Economic data: US retail sales; US industrial production

Around the markets:

- Sterling: US$1.2617, down 0.38 cents
- 10-year gilt: yielding 1.141%
- Gold: US$1,244.30 an ounce, down US$3
- Brent crude: US$60.95 a barrel, down 50 cents
- Bitcoin: US$3,414.41, down US$61.55

City headlines:

- Financial Times
- Sports Direct boss Mike Ashley issues dire warning to retailers hoping for salvation over Christmas.
- Chip-maker Qualcomm is asking China's courts to ban sales of the Apple iPhone XS and XR, having won a preliminary injunction against the US tech giant's older models
- The Times
- Theresa May was humiliated by European leaders late last night after they turned down pleas for any further concessions to get her Brexit deal through parliament.
- Investors yesterday sold more shares of Canadian companies exposed to China as diplomatic tension increased over the arrest of the finance director of Huawei.
- The Guardian
- The French cars maker Renault has retained Carlos Ghosn as its chairman and chief executive after finding no irregularities in his pay packages, despite his arrest and continued detention in Japan.
- Italian bonds rallied after the Italian government bowed to the pressure from EU to cut deficit target of 2019.
- Daily Mail
- Pernod Ricard boss Alexandre Ricard said that the drinks titan will stick by its plans to invest in its international operations as the family-backed company came under attack from notorious vulture fund, Elliott Management.
- The Daily Telegraph
- A National Audit Office report has slammed Capita's handling of the troubled Army recruitment contract that had resulted in a massive shortfall in new recruits.

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