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FTSE 100 Market Report

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FTSE 100 closes higher Wednesday; Dow Jones up 1.3%

- FTSE 100 closes up 64 pts
- UK inflation eases
- Wall Street shares higher
- GSK gains on merger plans

Share Information

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

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FTSE 100 closed higher as Wall Street shares surged Wednesday.

The UK's premier share index finished over 64 points higher at 6,765, while the German DAX is up around 25 at 10,766.

The French CAC 40 is up over 23 points at 4,777.

FTSE 250 finished up over 109 points at 17,604.

On Wall Street, the Dow Jones Industrial Index is up over 289 points at 23,965, while the S&P 500 added nearly 29 at 2,575. The Nasdaq added 69 at 6,853.

The stock rally comes as news emerges that Rome and Brussels have stuck a deal in relation to the budget.

David Madden, market analyust at CMC Markets, said: "There were a lot of fears that the political spat could have triggered another round of the eurozone debt crisis, and those worries have since evaporated."

Top riser on Footsie was drugs giant **GlaxoSmithKline (LON;GSK), which added 3.78% to 1,503p** after it announced a deal with US group Pfizer, whereby both companies would merge their healthcare divisions.

Glaxo will have a 68% controlling stake in the new group which would have a total revenue of $12.7 billion.

Another big laggard was Royal Mail Group (LON:RMG), which delivered a 2.37% drop to 280p - an all-time low after the underwhelming update from delivery group Fedex last night.

3.55pm: Unilever set to cash in on the rise of non-meat eaters
Unilever plc (LON:ULVR) has agreed to buy Dutch meat-substitute firm The Vegetarian Butcher for an undisclosed sum.

The consumer goods giant is looking to get a slice of the growing market of non-meat eaters with more consumers becoming vegetarian or vegan.

The Vegetarian Butcher sells products like "nochicken" nuggets and "chickburgers".

The deal comes after Unilever agreed to bu GlaxoSmithKline's Horlicks nutrition business for US$3.8bn.

3.40pm: European Commission and Italy agree budget deal
The European Commission and Italy have reached an agreement over the country's 2019 budget following a months-long dispute.

The Commission has knocked back Italy twice on its budget proposals over concerns about its deficit.

The deal means Italy will avoid disciplinary action and potentially expensive fines from the Commission.

"The agreement reached today shows unambiguously that the European Commission is not the enemy of the Italian people," he said.

"We are not a machine made up of insensitive bureaucrats, imposing austerity and denying democracy. I hope that today we can move beyond such caricatures."

3.10pm: Melrose shares rise as directors buy shares
Melrose PLC (LON:MRO), the turnaround specialist that completed a hostile takeover of engineer GKN earlier this year, gained as its directors bought shares in the firm.

Executive vice chairman David Roper bought 643,602 shares while non-executive directors Justin Dowley and David Lis bought 300,000 and 25,000 respectively.

The shares were purchased at 155p each, well below the 250p level seen in May.

Shares are up 3.3% to 161p in afternoon deals.

However, Melrose shares look set to finish the year lower than the start of the year when they were trading hands at 211p.

2.40pm: US stocks edge up at open
US stocks have opened slightly higher ahead of the Federal Reserve's final interest rate decision for the year.

The Dow Jones Industrial Average added 60 points to 23,730, the S&P 500 increased 7 points to 2,553 and the Nasdaq was up 43 points to 6,797.

Investor sentiment was lifted by remarks by US Treasury Secretary Steven Mnuchin about the US and China meeting in January to attempt to end trade dispute.

Meanwhile, the Fed is expected to increase rate by a quarter of a percentage point but signal that it will temper the pace of hikes over the next two years.

2.00pm: Fed should hold off on rate hike, says analyst
The Federal Reserve should stand pat on interest rate rather than hike now and regret it later, according to Brian Jacobsen, senior investment strategist of Multi-Asset Solutions at Wells Fargo Asset Management.

"The Fed will likely reiterate that it is data dependent, but it's really model dependent," he said.

"Their models suggest some slowing of the economy is natural. But given all the uncertainty around the data and their models, from a risk management perspective they may as well take a pause on hiking now rather than hike now and regret it later."

1.00pm: GSK top FTSE riser
GlaxoSmithKline is the top riser on the FTSE 100 today after saying it has agreed with Pfizer to merge their consumer health businesses.

Ketan Patel, manager of the Amity UK fund at EdenTree Investment Management, reckons investors will welcome the all-equity nature of the merger, ensuring there is no added pressure on the dividend, which has been under a cloud for a significant period.

"The tie-up will create the largest player in over-the-counter products and should allow both companies to realise significant cost savings," Petal said.

"The plan to demerge and list the consumer healthcare division on the UK market will transform GSK into a pure pharmaceutical company focused on a select few therapeutic areas, something prominent investors have long been calling for.

"The CEO has set out a clear pathway for GSK over the next five to ten years and, to date, has earned the confidence of investors."

Shares were up 5.8% to 1,532p at the time of writing.

12.25pm: CBI slams post-Brexit immigration plan
The CBI has slammed Theresa May's post-Brexit immigration plan, which will include the end of freedom of movement after the UK leaves the EU.

Low-skilled workers from EU countries will no longer have the automatic right to work in the UK after Brexit under the proposed new rules.

Home secretary Sajid Javid has said there would be a consultation on plans to impose a £30,000 salary threshold following opposition to such a cap from businesses and some cabinet members.

Josh Hardie, CBI Deputy Director-General, said: "Brexit is cutting off the ability to recruit and retain staff for 9 out of 10 firms. Despite firms spending over £45bn in training each year, staff shortages are already biting. Hospitals, housebuilders and retailers are all struggling to find the people they need at salaries well below £30,000."

Today's immigration white paper doesn't meet the the country's needs. Govt cannot claim to listen to business evidence about no deal planning, but deliberately ignore the impact of immigration. We will work with @ukhomeoffice to fix it. pic.twitter.com/rRFSbYUNFg

— CBI (@CBItweets) 19 December 2018
At today's PMQs, Labour leader Jeremy Corbyn called on the prime minister to step aside.

He said May was "supposed to be doing the negotiation" but the reality was that she was winding down the clock to force MPs to support the deal to avoid a hard Brexit.

May said the government have been "very clear" about its plans for Brexit. "Every member of this House has a responsibility to deliver on Brexit," she said.

11.45am: Factory orders rise for second consecutive month in December, CBI reveals
British factory orders rose for a second month in a row in December following a slump in October, according to the Confederation of British Industry (CBI).

CBI's monthly order book balance was +8, slightly lower than November's +10 but above average levels, boosted by a rebound in export orders.

Sentiment among manufacturers improved with CBI's measure of expectations for the next three months rising to +14, its highest level since September.

However, the CBI said manufacturers are worried about the prospect of a no-deal Brexit when the UK leaves the EU next March.

Theresa May's Brexit deal has drawn criticism from MPs, meaning she may not secure the backing she needs when a vote is held in mid-January.

For the first time in decades we'll have full control over who comes here.

A new, skills-based immigration system where workers' talent and expertise matter, not where they're from.

It'll attract the brightest and best to a UK open for business and be fair to workers at home. pic.twitter.com/I5ZNo6asUx

— Theresa May (@theresa_may) 19 December 2018

"The UK's manufacturing sector enters the Christmas period with a small upswing, with output growth gathering further pace. The firming in exports orders is also particularly welcome," CBI economist Anna Leach said.

"But uncertainty over Brexit still casts a long shadow over this sector and the rest of the economy."

11.20am: US stock futures climb ahead of Fed rate decision

US stock futures are pointing to a higher open ahead of the Federal Reserve's rate decision.

Dow Jones Industrial Average futures rose 184 points to 23,791, S&P 500 futures increased 19.95 to 2,557 and Nasdaq 100 futures added 54 points to 6,538.

The Fed is widely expected to raise interest rates later and analysts predict chair Jeremy Power will deliver a dovish statement on future policy.

Oanda's Craig Erlam said: "Sentiment remains extremely fragile as we approach the end of the year and investors will be hoping that the Fed will bring an end to the sell-off that its Chairman started almost three months ago.

"While it is harsh to place the blame for the market turbulence solely on Jerome Powell, it was clearly the straw that broke the camel's back and there is a hope that a dovish announcement today could go some way to undoing the damage of the last few months."

Meanwhile, US Treasury Secretary Steven Mnuchin has told Bloomberg that the US and China will meet in January to try to settle a long-running dispute on trade.

10.30am: Benign UK inflation set to persist in 2019, says analyst

ING Economics said UK inflation looks set to be "fairly benign" in 2019.

"Admittedly, if oil prices regain some poise as we move into the new year, as our commodities team expects, then headline CPI could inch temporarily nearer to the 2.5% level again during the first quarter before drifting back to target over the summer," it said.

"For the Bank of England though, the key question is whether the recent upward trend in wage growth translates into greater core price pressure next year. For the time being, the stronger pay backdrop looks set to persist, with firms in various sectors reporting difficulties in attracting/retaining staff."

ING said if wage growth continues to outperform then the Bank of England might be keen to continue raising interest rates in 2019, potentially much earlier than markets currently expect.

"However, this relies on a workable Brexit solution being found, and of course, this remains a 'big if'. With economic growth stalling, we suspect the Bank will be forced to sit on its hands through much of the first half of next year, and potentially even longer should the article 50 period need to be extended to allow more time to reach a Brexit solution," ING added.

10.10am: UK house price growth slows

UK house price inflation has reached the lowest level in more than five years, according to the latest ONS/Land Registry figures

The price of an average UK property rose 2.7% in the year to October, down from 3.0% in September.

Commenting on today's house prices figures, Head of Inflation Mike Hardie said: https://t.co/sddb55YVzJ
pic.twitter.com/xxONimLhKH

— ONS (@ONS) 19 December 2018 9.50am: UK inflation eases in November
UK inflation fell to an annual rate of 2.3% in November from 2.4% a month ago, as expected, the Office for National Statistics said.

It marked the lowest level since March 2017, led by cheaper fuel, computer games, and concert tickets. However, it is still higher than the Bank of England's 2.0% target.

"While this decline was expected it provides further evidence that the spike in inflation caused by the depreciation in the pound following the Brexit referendum has passed through by and large after this metric peaked at 3.1% this time last year," David Cheetham, chief market analyst at XTB online trading said.

On a month-on-month basis, inflation rose to 0.2% last month from 0.1% in October.

Core inflation, which strips out volatile items like food and energy, eased to 1.8% year-on-year from 1.9%.

Tom Stevenson, investment director for Personal Investing at Fidelity International, said: "Brexit uncertainty and flagging consumer confidence are showing up in increasingly soggy data, with inflation hitting lowered expectations this morning. Retailers are being forced into heavy discounting to persuade shoppers to open their wallets, offsetting the inflationary impact of the weaker pound. Clothing was a notable drag."

9.30am: All eyes on the Fed
The Federal Reserve's interest rate decision is the main focus for investors today. The market is pricing in a 72.3% probability that the central bank will raise rates for the fourth time this year.

Another rate hike is likely to anger President Donald Trump, who has previously called the Fed "loco" for increasing borrowing costs.

In a tweet yesterday, Trump weighed in on the Fed's policy again.

I hope the people over at the Fed will read today's Wall Street Journal Editorial before they make yet another mistake. Also, don't let the market become any more illiquid than it already is. Stop with the 50 B's. Feel the market, don't just go by meaningless numbers. Good luck!

— Donald J. Trump (@realDonaldTrump) 18 December 2018
Naeem Aslam, chief market analyst at Think Markets UK said: "The Federal Open Market Committee is broadly expected to raise the interest by a quarter point, a range of 2.25% to 2.5%, the highest in a decade. This is all baked in the markets and traders are not going to be surprised by this decision even though Donald Trump may be."

The market will also be keenly watching Fed chair Jerome Powell when he explains his policy decision in a statement.

The statement is expected to be somewhat dovish. Aslam said the markets believe in 2019 that the Fed "isn't going to be this aggressive because of the tighter financial conditions".

"Mr Powell is likely to indicate two or maximum three rates hikes in 2019. For investors, one to two rate hikes would be considered more dovish to neutral but two to three rate hikes would be aggressive because the economic indicators have started to flash warning light with respect to any aggressive monetary policy."

8.30am: FTSE 100 edges higher at the open
The FTSE 100 got off to a slow but positive start, breaking its recent losing streak to track 19 points higher to 6,720.70.

However, nerves were jangling ahead of the US Federal Reserve interest rate decision. The received wisdom ahead of the meeting is that a quarter point will be added to the cost of borrowing.

Keenly watched will be the direction of travel. The Fed is being urged to throttle back on future hikes to avoid throwing the American economy off course.

There was no doubting the big corporate news of the day with GlaxoSmithKline (LON:GSK) unveiling plans to merge its consumer healthcare business with its Pfizer-owned rival.

The combined operation will have sales approaching US$13bn while amalgamating the two units would generate US$650mln in costs savings.

Contained in the GSK announcement was a pledge on the dividend. The result was to push the share price up 5.7%, adding around £4bn the UK drug giant's value.

Elsewhere, Royal Mail (LON:RMG), a serial under-achiever, was the victim of selling pressure which forced the share price down 4%.

Let's hope the group doesn't have some sort of pre-Christmas horror story to serve up, which would cap a year to forget for the UK's largest delivery group.

Proactive news headlines:
Corero Network Security PLC (LON:CNS) has secured orders from three customers for its security services and technology totalling over US$1mln.

FairFX Group PLC (LON:FFX) shares surged in early trading Wednesday as it was poised to enter the US market after entering an agreement with New York-based Metropolitan Commercial Bank to provide payments services to its customers.

StatPro Group PLC (LON:SOG) has inked a three-year contract with a large European insurance group for its Revolution Delta service.

Amryt Pharma PLC (LON:AMYT) said it has opened the first US site for its global AP101 EASE Phase III clinical trial being conducted in patients with rare skin condition Epidermolysis Bullosa. The AIM-listed company also said it has received notification that the Independent Data Monitoring Committee is scheduled to meet on 21 December to review the EASE data.

Gold miner Scotgold Resources Ltd (LON:SGZ) is to break ground on the Cononish mine in the Trossachs National Park following completion of all permitting conditions. First gold production is planned for the end of 2019.

Faron Pharmaceuticals Ltd (LON:FARN) has gone some way to understanding why its phase III clinical trial on patients with a condition called acute respiratory distress syndrome didn't yield the anticipated results. It said its pharmacokinetic/dynamic study showed that way it formulated its interferon-beta drug Traumakine was not an issue.

Silence Therapeutics PLC (LON:SLN) has added a new siRNA (short interfering RNA) asset to its pre-clinical pipeline for the potential treatment of cardiovascular disease.

SIMEC Atlantis Energy Ltd (LON:SAE) has completed the redeployment of two turbines at the MeyGen tidal energy project in Scotland along with the sale of its 50% stake in a Canadian joint venture.

KR1 Plc (LON:KR1) has raised a total of £785,000, before expenses, through a share placing to allow it to boost its investments in the blockchain token community. The blockchain and cryptocurrency investor said the placing of 15,700,000 ordinary shares was undertaken at a price of 5p per share by Peterhouse Capital.

FFI Holdings PLC (LON:FFI) lowered its full year profit expectations after a below-par performance in its core film insurance business. While the number of completion contracts signed rose in the half year to September, they were lower budget productions and fees fell.

Brady Plc (LON:BRY) has appointed a new chief executive (CEO) while its executive chairman will switch into a non-executive role.

Alba Mineral Resources PLC (LON:ALBA) told investors on Wednesday that a commercial flow test programme has started as its part-owned production licence 235 at the Brockham oil field.

Red Rock Resources PLC (LON:RRR) has noted the latest update from Jupiter Mines, which owns 49.9% of the Tshipi manganese mine in South Africa. As long as the manganese price stays robust, Tshipi intends to pay R1bn (£55mln) in a final dividend of which Jupiter intends to distribute close to all of its share.

MaxCyte PLC (LON: MXCT), the global cell-based medicines and life sciences company said it has appointed CohnReznick LLP - which ranks among the largest accounting, tax and business advisory firms in the United States - as the company's independent auditor for the financial year ended 31 December 2018.

APQ Global Limited (LON:APQ), the emerging markets growth company said that, as at the close of business on 30 November 2018, its unaudited book value per ordinary share was 99.43 US cents, equivalent to 77.93p. The company also announced that it has issued a total of 79,735 ordinary shares to employees of the company as part of a management share-based compensation scheme, including its chief executive officer, Bart Turtelboom, who has received 70,097 ordinary shares. It added that, following that share issue, Turtelboom is interested in 22,075,097 ordinary shares, representing 28.25% of the company's issued share capital.

6.45am: FTSE 100 to open modestly higher
The FTSE 100 is set to open slightly lower as markets await the outcome of the final meeting of the Federal Reserve for 2018.

Spread-betting firm IG expects the FTSE 100 to open 10 points lower after closing down 71 points at 6,701 yesterday.

David Madden, market analyst at CMC Markets UK, said that the markets are pricing in a "high probability" of a 0.25% interest rate hike.

"In October, traders were bracing themselves for two or three hikes in 2019, and now they aren't pricing in any for hikes next year. In a way the US central bank have boxed themselves in, and they almost have to deliver a rate hike today, otherwise it would send out a very negative message."

Wall Street saw better luck yesterday, with the Dow Jones Industrial Average closing up 82 points at 23,675 while the S&P 500 was up 0.22 points at 2,546 and the Nasdaq was up 30 points at 6,783.

In Asia today, markets were mixed ahead of the Fed rate decision as well as some weaker-than-expected Japanese trade data, with the Nikkei 225 down 127 points at 20,987 while Hong Kong's Hang Seng was up 16 points at 25,829.

On the currency markets, the pound was up 0.09% at US$1.265 against the dollar and down 0.1% at €1.111 against the euro.

Fed and UK 'PI' data to dominate
Prior to the Fed meeting, there will be plenty of economic data for traders to chew on with the latest UK consumer price index (CPI), retail price index (RPI), producer price index (PPI), and the house price index (HPI).

A recent retreat by oil prices and the Brexit worries weakness of sterling will likely act as opposing forces to last month's CPI, although most economists take expect the annual rate of inflation could rise to near 2.5% from the current level of 2.4%, with the month-on-month increase to 0.3%, up from 0.1%.

The Bank of England will also be taking notice of the numbers ahead of its Monetary Policy Committee meeting on Thursday.

Rounding off the list of acronyms ending in 'I' will be the Confederation of British Industry's (CBI) distributive trades survey.

It continues to be sparse for company news, with only corporate recovery and professional services group Begbies Traynor set to report their interims.

Significant announcements expected: Wednesday December 19:
US Federal Reserve rate decision

Interims: Begbies Traynor Group PLC (LON:BEG), Manolete Partners PLC (LON:MANO)

Economic data: UK CPI, RPI, PPI, HPI; UK CBI distributive trades survey

Around the markets:
Sterling: US$1.265, up 0.09%

Gold: US$1,249.79 an ounce, up 0.04%

Brent Crude: US$56.7 a barrel, up 0.78%

Bitcoin: US$3,719, up 6.6%

City headlines:
Financial Times: Huawei has slammed the US and its allies for spreading fear about its telecoms equipment because of "ideological or geopolitical concerns."

The Times: Theresa May is to start ditching key pledges from Tory manifesto after her cabinet decided yesterday to free resources for a no-deal Brexit.

The Daily Telegraph: Ofgem is poised to wipe £6.5 billion out of the earnings of the companies operating Britain's electricity networks as they prepare to plug into a boom in renewable power and electric vehicle charging.