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FTSE 100 Market Report

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FTSE 100 closes in red but nudges higher on the week; housebuilders gain on day

Share Information

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

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- FTSE 100 closes lower
- Housebuiding giants big gainers
- US stocks down
- FTSE 250 up

FTSE 100 closed in the red Friday but was up over 1% on the week as a whole, as US stocks moved lower as global uncertainty continues to dent sentiment.

The UK blue-chip benchmark closed down around 24 points at 6,918.

Its mid-cap cousin, the FTSE 250 fared better though, and added nearly 107 points at 18,542.

The Brexit debate continues and the crunch parliamentary vote on the PMs withdrawal bill is due on Tuesday.

House builders were the big gainers on Footsie, with Taylor Wimpey (LON:TW.) topping the bill - up 4.8% to 156.05p.

Persimmon (LON:PSN) received the silver medal, up 4.36% to 2,203p.

Bank of America Merrill Lynch came out with sector-wide research on the property builders, naming Taylor Wimpey and Persimmon as its top picks.

On Wall Street, the Dow Jones Industrial Average is down almost 57 points at 23,944 at the time of writing, while the S&P 500 shed nearly six points at 2,590.

US stocks open lower
As expected, US stocks opened lower while on this side of the pond the Footsie continued to drift lower.

The FTSE 100 was down 25 at 6,918. In the US, the Dow Jones industrial average was down 182 points early doors at 23,820 while the S&P 500 was off 17 points at 2,580.

If both markets remain in the red it could bring to an end a little winning streak stretching back five days in the US.

"Although financial markets are breathing a sigh of relief that the US Federal Reserve now seems less aggressive on interest rates, after nine increases since late 2015, they may be less pleased with chair Jay Powell's comments in Washington yesterday that it is still the plan to make the central bank's balance sheet 'substantially smaller' over time," said Russ Mould, AJ Bell's investment director.

"The lower availability of cheap cash could have an impact on stock markets. The experiences of all three phases of Quantitative Easing in the USA, launched in December 2008, November 2010 and September 2012, suggest that increases in Fed assets helped asset prices while lulls in Fed activity did not," he added.

While the FTSE 100 was in the red, its baby brother, the FTSE 250, was up 86 at 18,521.

FTSE 250 constituent Hastings Group PLC (LON:HSTG) was going against the trend, however, shedding 3.5% at 193.9p, after its veteran chief financial officer (CFO), Richard Hoskins, announced his decision to retire from his position.

John Worth, currently the CFO of MS Amlin, will replace Hoskins and is expected to join the board within the next few months.

2.15pm: Sterling off the canvas but Footsie takes a knee
The Footsie's losses are slowly lengthening as sterling continues to take on all-comers in the forex markets.

The FTSE 100 was down 22 at 6,921.

US markets were expected to open lower following an in-line US inflation report.

"This afternoon's US Inflation report came out in line at 1.9%, a soft report reinforcing the conviction from the Fed doves that there is no rush to hike rates," suggested Nick Kilbey at Foenix Partners.

"The FOMC [Federal Open Market Committee] have recently expressed concerns of a multitude of world headwinds from ongoing trade wars, cooling global growth and shaky European politics, only now backed up by this low-inflationary backdrop," he added.

#forex traders may have inadvertently shown their hand when they sent the pound soaring on #Brexit delay headlines earlier today: https://t.co/CmVtKLeRqO via @markets pic.twitter.com/Vdu6RkM3kd

— Paul Dobson (@paul_dobson) January 11, 2019
On the foreign exchange markets, sterling has been invigorated by a report in London's Evening Standard that a delay to Britain leaving the EU is on the cards.

"Sterling's aggressive appreciation following the [newspaper] report continues to highlight how the currency remains extremely sensitive and highly reactive to Brexit headlines. It is fair to say that the outlook of the Pound hangs on the outcome of the meaningful vote on January 15. While it remains quite uncertain over what to expect next week in Parliament, the outcome will certainly have a lasting impact on the British Pound," suggested Lukman Otunuga at FXTM.

If spread betting punters are on the money, however, prime minister Theresa May's deal will be soundly rejected.

"We think that a total of 430 MPs will say no to May's deal, which would be a heavy blow to the government and leave the Conservatives with just three parliamentary days to set out an alternative Brexit plan," said Ed Fulton, who is Sporting Index's political trading spokesman.

READ Wall Street shares seen sliding at the open as US/China trade, Brexit still playing on the markets 12.15pm: Prospect of a Brexit delay perks up sterling
The blue-chip index's morning's gains have entirely dissipated as Footsie's big dollar earners have taken fright at sterling's resurgence.

The FTSE 100 was down 7 at 6,936 after the pound got up off the canvas to rise 0.3% against the euro and 0.7% against the dollar.

"A better than expected monthly GDP reading - it was still only 0.2% - took the edge off of another manufacturing production disappointment and helped send the currency higher," reported Connor Campbell at Spreadex.

"More important was a news item in the Evening Standard suggesting that the 29th March Brexit date may have to be delayed because, at the moment, Britain wouldn't be in any way ready, and though a spokeswoman for Theresa May claimed Article 50 won't be extended, the pound was keen to make the most of [the] report," Campbell added.

For what it is worth, the betting exchange Betfair is offering 1 / 4 - i.e. there is a four-in-five chance - of Britain leaving the EU by March 29. Optimists who believe the UK will get a deal done by March 29 can get odds of slightly more than 3 / 1 against.

Sterling knocked off session highs after PM rules out Brexit delay https://t.co/LhlqLlyf8b pic.twitter.com/OocrNKtPcW

— Reuters Top News (@Reuters) January 11, 2019
The betting exchange's odds also suggest prime minister Theresa May will be out of 10 Downing Street before the UK leaves the EU.

While sterling has dusted off its Lazarus impersonation on the foreign exchange markets, oil prices are also on the recovery trail.

"Brent crude oil has returned to $60/barrel while WTI has moved back above $50/b as hopes of a deal between the US and China on trade continues to build," said Ole Hansen, the head of commodity strategy at Saxo Bank.

Sticking with the oil sector, bid target Ophir Energy Plc (LON:OPHR) rose 1.95p to 44.95p after Medco Energi said that any offer would likely be made at 48.5p a share, in cash.

11.00am: The Footsie gets a nosebleed
Having taken a cautious look at the 7,000 level, the Footsie turned back to more familiar territory.

The FTSE 100 was up 25 at 6,968 ahead of what is expected to be a soft start on Wall Street.

Spread betting quotes point to the S&P 500 opening around 5 points lower after it rose 11.7 to close at 2,596.6 yesterday.

"Yet more dovish tones from the Fed yesterday helped drive further buying of US stocks, with investors willing to overlook not only the fact we've had no meaningful update from those Chinese trade talks, but also the deteriorating situation regarding the US government shut down," said James Hughes at Axi Trader.

"With neither side showing any desire to yield ground, Federal workers are set to go unpaid and this has the potential to start trickling down into the economy as consumer spending decisions are put on hold," he added.

Among the blue-chips, three banks were slowed by some research published by Deutsche Bank (DB).

Barclays PLC (LON:BARC) was down 1.4% at 157.05p after DB cut its price target for the stock to 207p from 243p.

Lloyds Banking Group PLC (LON:LLOY) saw its price target cut to 68p from 77p while Royal Bank of Scotland Group PLC (LON:RBS) had its price target cut to 276p from 300p.

Shares in Lloyds and RBS were down 0.5% and 0.2% respectively.

READ Deutsche Bank cuts target price on Lloyds, Barclays and RBS after 'annus horribilis' year 9.50: US GDP not as anaemic as feared
UK gross domestic product in the three months to November was up 0.3% on the preceding three month period.

It was the weakest growth rate in six months.

"Growth in the UK economy continued to slow in the three months to November 2018 after performing more strongly through the middle of the year. Accountancy and housebuilding again grew but a number of other areas were sluggish," revealed Rob Kent-Smith, the head of national accounts at the Office for National Statistics.

"Manufacturing saw a steep decline, with car production and the often-erratic pharmaceutical industry both performing poorly," he added.

James Smith, an economist covering developed markets at ING, said, "The service-sector kept the UK economy crawling along in November, but recent surveys point to a further slowdown in growth both in December and the early stages of 2019, as Brexit uncertainty weighs more heavily on activity".

Smith reckons the picture looks "fairly grim".

"Firstly, the manufacturing sector contracted for the fifth month in a row and on a year-on-year basis, is now shrinking at the fastest rate since before the 2016 referendum. We don't expect conditions to get any easier given the recent slowdown in Europe (and elsewhere), while we also don't expect pre-Brexit stockpiling to significantly drive up production given the lack of storage capacity for inventories. The slowdown in global demand also appears to be taking its toll on the trade balance, which widened further in November.

"Secondly, the most recent survey readings from the service sector suggest there was a pronounced slowdown in December, which looks set to persist into the new year. The service-sector PMI indicated that new orders growth has stalled amid Brexit uncertainty, while the recent decline in consumer confidence appears to have hit the high street hard over Christmas. The latest British Retail Consortium figures suggest it was one of the worst Christmas trading periods since the financial crisis.

"The upshot is that growth looks set to be noticeably slower in the fourth quarter than the third, when activity was boosted by warm weather. We expect GDP growth in the 0.2/0.3% region in the final quarter of 2018, and something similar for the first three months of 2019," Smith said.

Services (+0.24 percentage points) were the largest contributor to #GDP growth in the 3 months to November https://t.co/XDhmrMuk2D pic.twitter.com/mYUlyxOaJD

— ONS (@ONS) January 11, 2019
Anthony Kurukgy, a senior sales trader at Foenix Partners, said sterling was little changed following the release.

"With eyes firmly on next week's historic Brexit vote, investors are bracing themselves for what has the potential to be the most volatile week for the local currency since the 2016 referendum. With growth forecasts hinging on a Brexit deal, no one will be taking their eyes off Tuesday evening result," he said.

The FTSE 100 appears to have hit a mid-morning plateau, hovering around the 6,700 mark. It is currently at 6,999, up 56 points.

9.30am: The top-shares index sidles up to 7,000 for a quick shufti
The Footsie briefly popped its head back above 7,000, encouraged by positive vibes from the US-Sino trade talks.

"After the mid-level discussions in China, we seem to be set for some high-level talks in Washington. Signs of progress, but we need to see more detail. Meanwhile Fed chair Jay Powell again stressed that the Fed will remain patient on raising rates. The more dovish rhetoric has stuck. Concerns about the US government shutdown are yet to really bear down on equities," said Neil Wilson of markets.com.

The FTSE 100 was up 54 at 6,997 with housebuilders leading the way. Taylor Wimpey PLC (LON:TW.), up 3.6%, and Persimmon PLC (LON:PSN), up 3.3%, were the top two performers among Footsie constituents with sector peers Barratt Developments PLC (LON:BDEV) and Berkeley Group PLC (LON:BKG) not far behind after some positive broker comment (see below) backed up by encouraging numbers from the construction sector.

Construction output recorded an all-time level high in November 2018 in the chained volume measure seasonally adjusted series, the Office for National Statistics reported. The month-on-month series grew by 0.6%, resulting in the total value of construction output exceeding £14 billion for the first time since monthly records began in 2010.

The UK construction sector grew by 2.1% in the September to November period compared with the previous three months.

"Despite its current momentum, the industry's ability to defy Brexit headwinds is far from guaranteed. New orders are slowing and builders are painfully exposed to economic gravity," commented Blane Perrotton, managing director of the national property consultancy and surveyors Naismiths.

"Labour shortages and rising material costs are slicing through margins, and cut-throat competition for tenders is forcing contractors to bid low, and sometimes painfully low, for work.

"Two words best describe the current halting growth; hope and hypoxia. Progress is being made, but the industry is being starved of the oxygen of confidence.

"Barring an unlikely, miraculous resolution to Britain's Brexit impasse next week, this tortuous progress is likely to continue," he added.

8.40am: So far, so good in January
The FTSE 100 joined the party as world markets continued their bounce-back from one of the worst December s on record - though the advance of 23 points early on to 6,965.74 suggested a note of caution creeping in.

Brexit and a deterioration in trade relations between the US and China could easily tip the scales, analysts said.

Meanwhile, traders will be keeping their powder dry ahead of a double dose of data with UK GDP and manufacturing numbers out later.

Economists are expecting the UK economy to have expanded by just 0.1% in the fourth-quarter, while the manufacturing sector is forecast to have declined by as much as 0.9%.

Bank of America Merrill Lynch came out with sector-wide research on the housebuilders, naming Taylor Wimpey (LON:TW.) and Persimmon (LON:PSN) as its top picks.

The shares rose 3.3% and 2.5% respectively. Barratt Developments (LON:BDEV) - rated 'neutral' by the American house - was up 2.3%.

Stobart Group (LON:STOB) was flying high with a 9% gain after paying peanuts to take control of hobbled regional airline Flybe.

Proactive news headlines:
Stobart Group Ltd (LON:STOB) has teamed up with Virgin Atlantic and a New York-based hedge fund to take out cash-strapped Flybe Group PLC (LON:FLYB) in a cut-price £2.2mln deal.

Berkeley Energia Limited (LON:BKY) shares rose on Friday although it said it has received no official notice regarding official approvals for its Salamanca uranium project after reports emerged in the Spanish media.

ANGLE PLC (LON:AGL) has revealed its cancer detection device played an important role in research that may one day help prevent the spread of cancer around the body. Scientists at the University of Basel, Switzerland, used ANGLE's Parsortix liquid biopsy to isolate metastatic circulating tumour cell clusters - a group of cancer and other cells tethered together as a single mass.

Drug developer ValiRx Plc (LON:VAL) has confirmed its peer-reviewed article analysing the used of lead drug, VAL401, has now been published online in the European Journal of Drug Metabolism and Pharmacokinetics. The academic work focuses on data from a phase II study, completed last year in Tbilisi, Georgia.

Obtala Limited (LON:OBT), the African focused forestry and timber trading company, has announced the appointment of Arden Partners as its nominated adviser and broker with immediate effect. The group also said Jessica Camus has stepped down as a non-executive director of the Company. with effect from today, adding that it started a process to appoint a further independent non-executive director.

Next Fifteen Communications Group Plc (LON:NFC) has acquired predictive analytics and data marketing business Planning-Inc Limited.

Rose Petroleum PLC (LON:ROSE) has expanded its footprint In the Paradox basin, in Utah, with a deal to acquire around 1,920 acres. The new acreage was secured through the December 2018 Bureau of Land Management Utah lease sale. Rose will own 75% alongside partner Rockies Standard Oil Company (RSOC).

Active Energy PLC's (LON:AEG) has been encouraged by the "substantive nature" of discussions with potential offtake partners in Europe and Asia in recent weeks.

Tharisa plc (LON:THS) told investors it is "fully committed" to its Vision 2020 strategy though a quarterly production report today has shown a larger than expected dent in output as it works to optimise operations. The platinum metals firm produced 33,600 ounces of PGMs and 305,400 tonnes of chrome concentrate, representing a 5.9% and 10% reduction, as recovery rates declined due to the processing of tailings.

EQTEC Plc (LON:EQT), the technology solution company for waste gasification to energy projects, said it has executed final legal documentation to amend the existing secured loan facility with Cuart Investments Fund and associates initially entered into by the company on 5 July 2018. The group said it has a number of significant near term contract opportunities and has therefore agreed to amend the loan facility in order to allow the company to focus its financial resources on delivering projects within the pipeline in the near future.

US Oil & Gas PLC (USOP) has raised additional new capital through a placing of new shares. The Nevada focused explorer announced that it has sold 40,029 shares to private investors at a placing price of 30p per share, to raise US$ 15,651.

Range Resources Limited (LON:RRL), an international company with oil and gas assets and oilfield services operations in Trinidad and Indonesia, announced the appointment of Dr Mu (Robin) Luo as a non-executive director of the company with immediate effect. The group said Luo, a senior oil and gas professional with 36 years' experience, is currently a principal development geophysicist to Inpex Corporation, leading a multi-billion Ichthys LNG project in Australia.

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OptiBiotix Health plc (LON:OPTI), the life sciences business developing compounds to tackle obesity, high cholesterol and diabetes, said that, further to its announcement of 17 December 2018, the regulatory due diligence process required for a board position has been completed for the appointment of Frédéric Narbel as managing director of OptiBiotix's prebiotic division.

Touchstone Exploration Inc. (LON:TXP) (TSX:TXP), the oil and gas exploration and production company active in the Republic of Trinidad and Tobago, said it will be holding a live online investor presentation and Q&A session for investors at 7pm on Tuesday 15 January. It added that a webcast will be recorded and made available on **ValueTheMarkets.com** after the event.

6.45am: FTSE 100 set for positive start
UK stocks were expected to continue to turn a blind eye to the Brexit clusterwotsit and open slightly higher on Friday, following Wall Street's lead.

Spread betting quotes indicated that the FTSE 100 would open its account at around 6,956 after advancing 36 points on Thursday to close at 6,943.

"Concerns about a slowdown in the UK economy will focus on a different sector today with the release of the latest manufacturing and industrial production numbers for November," said Michael Hewson of CMC Markets.

"We've already seen some ugly numbers out from Germany and France this week raising concerns that Germany could fall into recession in Q4. If the weak economic environment in Europe is any guide the UK could well cop some of the fallout from that, with the sharp decline in oil prices also weighing on the UK oil and gas sector.

"UK industrial production is expected to rise 0.3% while manufacturing production is expected to rise 0.4% after some sharp declines in October. It should be remembered that similar positive projections were expected for this week's German and French numbers so a sharp miss to the downside can't be ruled out. Monthly GDP is expected to come in unchanged at 0.1% for November, with the rolling three-month average expected to slip back to 0.3% from 0.4%," he added.

US stocks recovered from a weak start yesterday to finish in the blue. The Dow Jones industrial average advanced 123 points to finish at 24,002 and the S&P 500 closed 12 points higher at 2,597.

Asian markets kept the party rolling this morning with the Nikkei 225 in Tokyo up 196 at 20,360 and the Hang Seng in Hong Kong up 123 at 26,444.

On the corporate front in the UK, it will be time to put on the best bib & tucker for the trading update from clothes hire outfit Moss Bross Group PLC (LON:MOSB), which will cap off a busy week of Christmas trading updates from High Street retailers.

Like many retailers, Moss Bros sales have been dented by subdued consumer spending and lower footfall in stores.

Despite sluggish sales, the company has decided against short-term cost-cutting to prop up profits and has instead continued to invest in its products and digital offering. That means operating profits for the year will be materially lower than market forecasts of £2.3mln.

Investors will be hoping its investments paid off over the Christmas period but given the current climate that may prove difficult.

Elsewhere in the retail sector, persons of a certain age will be singing "Blitzkrieg Bop" by The Ramones - the song used in the ads of AO World PLC (LON:AO.) - when the electrical and white goods seller issues its Christmas trading update.

Significant announcements expected
Trading updates: Moss Bros Group plc (LON:MOSB), AO World PLC (LON:AO.), Grafton Group PLC (LON:GFTU)

Economic data: UK monthly GDP, US CPI; US retail sales

Around the markets

- Sterling: US$1.2755, up 0.06 cents
- 10-year gilt: 1.165%
- Gold: US$1,293.70 an ounce, up US$6.20
- Brent crude: US$61.55 a barrel, down 13 cents
- Bitcoin: US$3,655.48, down US$9.87

Business headlines Financial Times
Car giant Ford is to make thousands of workers redundant and cut back on its vehicle line-up across Europe as it seeks to cut costs.

The Times

Mike Ashley's Sports Direct joined forces with Milestone Resources to vote against Debenhams' chairman and chief executive in a boardroom coup, seeing them off amid growing concerns about the department store group's future.

Mitchells & Butlers' inns and restaurants notched up a bumper increase in festive sales, boast like-for-like sales growth of a healthy 9.8% for the three weeks.

German businesses have appealed to the European Union to toughen stance against China as concerns mount over state subsidies from Beijing, dumping of excess produce and technology transfer.

Fiat Chrysler has agreed to pay as much as $800 million to settle charges that it cheated diesel emissions tests.

The Daily Telegraph
Britain's car industry has been sent reeling with Jaguar Land Rover cutting 4,500 jobs to "protect the future" of the business.

Premier Oil has used its second consecutive year of record oil production to make bigger than expected cuts into its huge debt pile.

The Guardian
John Lewis may suspend its staff bonus for the first time in 66 years in the wake of the worst Christmas for retailers since the depths of the financial crisis.

Eurotunnel has accused the government of "anti-competitive" and "distortionary" behaviour for awarding a series of no-deal Brexit contracts to shipping companies.

Renault has said it has so far found no evidence of illegal or fraudulent payments to Carlos Ghosn, despite the chief executive of the French carmaker remaining under arrest in Japan.

Tesco and Marks & Spencer have revealed that they are stockpiling packet and tinned foods as retailers' no-deal Brexit preparations move up a gear.

Google shareholders have filed lawsuits against the company board and senior management for covering up executives' sexual harassment and rewarding them with large payouts for leaving quietly.

Daily Mail
Embattled entrepreneur Luke Johnson has suffered another blow after his Brighton Pier Group, which owns the seaside town's historic 119-year-old pier, posted a profit warning.

Bulb Energy, the renewable power provider, has registered a loss of nearly £24 million amid a squeeze on small suppliers which has seen nine go bust in a year.