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FTSE 100 Market Report

17:26 11 Feb 2019

FTSE 100 closes higher as investors buoyed by trade talk optimism

Share Information

MarketTopic Synopsis:

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

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- FTSE 100 index closes 58 pts up
- Delegations from Beijing and Washington meet again this week for the next round of negotiations
- Miners and pharma stocks among the few blue-chips to lose ground

FTSE 100 finished higher as the sentiment was bolstered by the latest round of US/ China trade talks.

The UK's premier share index added almost 58 points at 7,129, while the FTSE 250 also gained ground - up almost 179 points.

The blue-chip index was also boosted by a weaker pound, which lagged after disappointig economic data.

"Representatives from both sides are set to meet in Beijing this week, and investors are a little on the optimistic side. The talks that have taken place so far haven't managed to bridge the divide, but traders are still hopeful nonetheless," said David Madden, analyst at CMC Markets.

Top riser on Footsie was travel group TUI AG (LON:TUI), which gained almost 5% to stand at 958.20p, while at the other end, artificial hips and knee group Smith & Nephew (NYSE:SN.) shed 3% to stand at $1,469.50 as it handed back gains made last week.

Talk is still swirling that the firm is looking into acquiring NuVasive for $3 billion.

3.15pm: US markets little changed
US markets opened mixed, providing little incentive for an idling Footsie to regain the vigour of the morning.

The Dow was down by 4 points at 25,102 while the S&P 500 was up 3.8 points at 2,712.

The Footsie, which has been trading sideways since about 12.30pm carried on treading water, up 59 points at 7,130.

Just 10 of the blue-chip index's constituents are in the red, with that group including three miners - Antofagasta PLC (LON:ANTO), Anglo American PLC (LON:AAL) and Glencore PLC (LON:GLEN) - and two pharmaceutical giants - GlaxoSmithKline PLC (LON:GSK) and AstraZeneca PLC (LON:AZN).

Focus remains on the trade talks between the US and China.

"With little solid evidence of progress, markets are pinning their hopes on the trade truce deadline of March 1st being extended. At these levels the market is not pricing in the hike in tariffs and the damaging consequences on the Chinese and global economy," said Fiona Cincotta at City Index.

2.00pm: FTSE cements the morning's gains
UK blue chips were consolidating the morning's gains, buoyed by hopes of progress in the US-Sino trade talks.

The FTSE 100 was up 50 points (0.7%) at 7,121 while the mid-cap FTSE 250 was up 146 points (0.8%) at 18,799.

"Not yet quite as excited as its European peers, the Dow Jones is nevertheless set to open in the green, the futures

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pointing to a 0.2% increase after the bell," observed Connor Campbell at Spreadex.

"The Dow's overall performance this week is likely going to be dependent on what comes out of the US-China trade talks in Beijing, given Donald Trump's less than promising comments last week, and the impending ceasefire deadline at the start of March," he added.

The new round of China-US trade talks is underway in Beijing. Chinese Vice-Premier Liu He appears at the negotiation site, seen from this photo. pic.twitter.com/ABPbf2hOBj

— Hu Xijin □□□ (@HuXijin_GT) February 11, 2019
There has been little in the way of corporate news flow among FTSE 350 companies to get excited about, with Acacia Mining PLC's (LON:ACA) results for 2018 the main event.

"The experiences of investors in Acacia Mining highlight both the potential pleasures and perils of investing in gold miners," said Russ Mould, AJ Bell's investment director.

"On the upside, a 10% increase in the gold price has helped Acacia's shares to more than double since the autumn but Acacia's share price is trading 67% below its 575p flotation price from nearly nine years ago, even though the gold price is up by 17% in dollar terms since March 2010," he added.

"Today's full-year results featured no nasty surprises although investors' experiences of the last nine years could easily colour their judgement here. The company is still stuck in a dispute with the Tanzanian government, which leaves the miner unable to export unprocessed ore from the country, with the result that its gold production is forecast to be a quarter less in 2019 than it was when Acacia joined the London market back in 2010," Mould said.

The shares slightly outperformed the market, rising 1.0% to 194.15p.

12.30pm: US futures point to strong start on hopes of progress in US-Sino trade talks
The Footsie's gains were in danger of ebbing away until futures contracts pointed to a strong start on Wall Street.

The FTSE 100 was up 46 points (0.7%) having fallen below 7,100 around midday.

"US index futures are surging higher early in the European session, buoyed by some renewed optimism over China trade talks," explained James Hughes, at Axi Trader.

"Delegations from Beijing and Washington meet again this week for the next round of negotiations and although there's some concern that an agreement won't be achieved before the March 1st deadline for tariff increases, expectations are building that an extension will be seen. The fact that US markets have managed to gain ground during a rather lacklustre earnings season is also being taken as a buy signal for stocks, again helping bolster gains at least for now," he added.

Meanwhile, in the UK, Howard Archer, the chief economic advisor to the EY ITEM Club, has weighed in on this morning's lacklustre gross domestic product reading for the UK economy.

"Overall GDP growth came in at 1.4% in 2018, which was down from 1.8% in 2017 and was the equal weakest performance (with 2012) since 2009," Archer noted.

"Monthly GDP data showed the economy ended 2018 flat on its back as it contracted 0.4% month-on-month in December, with all sectors struggling. Output in the dominant services sector fell 0.2% month-on-month as it was impacted by a marked drop in retail activity. In addition, construction output fell back 2.8% month-on-month after recent decent gains. Industrial output fell 0.5% month-on-month as manufacturing fell 0.7% month-on-month," he continued

"Brexit uncertainty makes it very difficult to produce forecasts for the UK economy at the moment. We believe that there are the conditions in place for a pick-up in domestic demand if the UK ultimately leaves the EU in late March with some form of withdrawal deal; however, it does now look challenging for the UK to achieve the growth of 1.5% in 2019 that we had been expecting with a Brexit 'deal'.

"We expect GDP growth to be limited to 0.2% quarter-on-quarter in the first quarter and 0.3% quarter-on-quarter in the second quarter as a consequence of heightened uncertainty in the run-up to the UK leaving the EU in late March and in the immediate aftermath of the UK's departure. Thereafter growth is expected to pick up modestly to 0.4% quarter-on-quarter rate in Q3 and 0.4-0.5% in Q4 2019," Archer predicted.

Looking at company news and rumour, Smith & Nephew PLC (LON:SN.) was not participating in the rise of the blue -chips after the Financial Times reported late last week that the British artificial hips and knees maker is mulling a bid for US medical equipment giant NuVasive.

A purchase price of more than US$3bn is being talked about, which was enough to send S&N's shares down into the Footsie basement, down 4% at 1,454.5p.

Coincidentally, following last week's trading update from S&N, JPMorgan has nudged up its price target for the medical devices maker to 1,516p from 1,477p while Goldman Sachs's new target price is 1,440p, up from 1,400p previously.

Piper, JPMorgan and Cantor all think that Smith & Nephew is unlikely to acquire NuVasive $NUVA. Stock up 15%

— Behind The Bid (@behindthebid) February 11, 2019
Also in the cellar was taxpayer-owned Royal Bank of Scotland Group PLC (LON:RBS), which was 1.5% lower at 235.5p after Morgan Stanley downgraded the stock to 'equal weight' from 'overweight'.

11.10am: Construction sector's third-quarter surge "seems a lifetime away"
UK GDP figures may have been bad enough but the news from the UK construction sector was barely any better.

Construction output in the fourth quarter of 2018 fell by 0.3% after rising by 2.1% in the preceding quarter.

The Office for National Statistics said the decline was driven by repair and maintenance output, which was down by 2.8%.

"The UK construction market is hardly in tip-top condition but neither is it out for the count," suggested Mark Dyason, the managing director of finance broker, Thistle Finance.

"Brexit uncertainty is casting a long shadow over many developers' confidence and plans but others remain active due to the entrenched supply deficit.

"For some developers, the lack of politico-economic confidence is being trumped by the lack of supply, high employment levels and continued low borrowing rates," he added.

"Like many other sectors of the economy, construction will be on red alert as we approach March 29th. The hope is that the structural supply deficit will continue to serve as a hedge for developers and keep them ticking over," Dyason said.

Blane Perrotton, the managing director of the national property consultancy and surveyors Naismiths, claimed that few sectors have seen the "economic brakes" slammed on as hard as construction.

"The prime suspect in construction's reversal of fortune is its previously gravity-defying housebuilding sector. A 6.8% drop in new work consigned residential construction to also-ran status, with what little growth there was coming from commercial and infrastructure work," Perrotton noted.

Housebuilders Berkeley Group Holdings PLC (LON:BKG) and Taylor Wimpey PLC (LON:TW.) did not seem unduly fussed; the former was up 32p at 3,829p and the latter was 2.25p firmer at 166.7p after some positive broker action.

Liberum Capital Markets raised the price target of the former to 3,750p from 3,400p and the latter to 150p from 130p.

The sector's giant, Persimmon PLC (LON:PSN) was up 28p at 2,427p after Liberum nudged up the price target to 2,800p from 2,700p.

Barratt Developments PLC (LON:BDEV) was up 6.8p at 569.8p despite Liberum cutting its rating to 'hold'.

The FTSE 100 was coming off the top in the run-up to midday but was still up 59 points at 7,130.

10.15am: FTSE 100 up by more than 1% despite iffy GDP numbers
Underwhelming GDP data has not slowed the advance of London's blue-chips.

The FTSE 100 was up 75 points (1.1%) at 7,146, led by travel firm TUI AG (LON:TUI), which has clawed back 42.4p of last week's heavy losses and is now trading at around 956p.

"The UK economy was always going to be the talk of the town today, with a host of economic data releases providing focus on a day largely devoid of any Asia, US, or eurozone data; however, unfortunately, the bad news for the UK economy is coming thick and fast in recent weeks, with the recent downward revisions in BoE growth forecasts providing warranted after UK GDP took a tumble," said Joshua Mahony, the senior market analyst at IG Group.

"UK GDP was always predicted to take a nosedive in January, given the sharp deterioration in UK PMI surveys last week; however, businesses appeared to have been taking their foot off the gas a month earlier than predicted, with the sharpest fall in UK GDP in almost three years seeing December GDP tumble into -0.4%. The worrying thing is that with December GDP of -0.4%, there is likely to be an even bleaker picture next month given the nosedive in January PMI figures," he added.

Brexit uncertainty cl;early hitting UK GDP and investment. GDP growth in 2018 1.4pc, weakest since the financial crisis. Business investment has contracted in past 4 quarters and now nearly 4pc down on a year ago. UK already counting the cost and we have not left the EU yet!

— Andrew Sentance (@asentance) February 11, 2019
According to Helal Miah, an investment research analyst at The Share Centre, the Brexit impasses is now really showing through onto UK economic activity levels.

"The GDP figures were dragged lower by the lower manufacturing of cars, steel products and slowing construction sector activity, some of which economists say have felt the direct impact of lower investment spending and businesses taking a 'wait and see' approach before making any major investment commitments. This is much more telling in the GDP figures for December where activity fell by 0.4%.," Miah said.

"The release of December's Industrial Production and Manufacturing Production numbers, which were released at the same time reflect this; they were both down - 0.5% and 0.7% respectively; However, the UK's most important services sector bucked the trend as the health, IT and management consultancy sectors continued to do well," he added.

9.35am: Blue-chip shares buoyed by sterling's weakness
Helped by the weakness of sterling, the Footsie has got off to a flyer this week.

The blue-chip index was up 63 points (0.9%) at 7,134, with miners and big dollar earners such as British American Tobacco plc (LON:BATS) and cruise ships operator Carnival PLC (LON:CCL) to the fore.

"In a week that sees the continuation of trade talks in Beijing, a Brexit Valentine's Day date for MPs (though one not as exciting as initially promised) and a stacked pair of UK corporate and economic calendars, the European markets were looking a bit cocky after the bell," commented Connor Campbell at Spreadex.

"The pound, in contrast, was subdued at the start of the session, slipping 0.1% against the dollar while remaining unchanged against the euro. More movement will likely be in store, however, given the barrage of data that is about to hit the currency. Nothing necessarily in the pound's favour, mind," he added.

The UK's preliminary Q4 GDP reading showed the UK economy grew 0.2% quarter-on-quarter, versus expectations of a 0.3% rise and down from the third quarter's 0.6% growth.

8.45am: Strong start
The FTSE 100 made a confident start to the new week with traders seemingly more upbeat on Sino-American trade relations. The index of blue-chip shares advanced 52 points to 7,123.09

In focus early was the banking sector with Lloyds (LON:LLOY) upgraded to 'overweight' by Morgan Stanley, which pushed Royal Bank of Scotland (LON:RBS) the other direction to "equal weight". At the same time, Metro Bank (LON:MTRO) was moved to 'hold' from 'sell' by Berenberg.

Oddly, the call by Berenberg, a mid-tier German outfit, seemed to resonate most with the investors with Metro Bank advancing 2%.

Top of the Footsie risers was TUI (LON:TUI), with stock bouncing 2.5% after the recent profit warning-inspired sell-off.

On the FTSE 250, TalkTalk (LON:TALK) fell 3.2% after HSBC cut its rating to "reduce".

Proactive news headlines:
Live Company Group Plc (LON:LVCG) has inked an agreement with AWC AG, a leading German exhibition promoter, to provide three BRICKLIVE shows in the country.

Avation PLC (LON:AVAP) expects pre-tax profits to have more than doubled when it reports its first-half results later this month. The company, which buys planes and then leases them out to airlines such as Thomas Cook and Air France, said it "continues to perform well".

Rosslyn Data Technologies PLC (LON:RDT) has won three contracts for its supply chain analytics solutions carrying a combined value of over £500,000.

BlueRock Diamonds PLC (LON:BRD) has recovered a 16.28 carat diamond of gem quality from its Kareevlei mine in South Africa. The stone is 4.58 carats larger than the largest stone hitherto extracted from Kareevlei by BlueRock. Separately, BlueRock has raised £575,000 in a placing of shares at 0.3p each. The money raised will be invested in mining operations and in associated plant.

SIMEC Atlantis Energy Limited (LON:SAE), has announced further progress on the MeyGen tidal energy extension activities known as Project Stroma with the award of a contract for the manufacture and delivery of the world's most advanced sub-sea tidal turbine connection system.

Sativa Investments PLC (NEX:SATI), the UK's first medicinal cannabis investment vehicle, has appointed veterinary expert Dr Nick Horniman as its new director of regulatory affairs.

ANGLE PLC (LON:AGL), the med-tech firm at the forefront of cancer research, said its liquid biopsy system has been used in research featured in the prestigious science journal Nature. Parstortix was central to the analysis carried out by a team at the University of Basel, in Switzerland, which highlighted the role of immune cells assigned to protect the body from disease in actually promoting the spread of cancer - a process called metastasis.

Following hard on the heels of a commercial deal covering the Baltic area, OptiBiotix Health plc (LON:OPTI) has signed an agreement that will see its breakthrough cholesterol-lowering bacteria strain distributed in Japan. For the UK group has negotiated an exclusive tie-up with the EIWA Trading Co for its LPLDL product.

Primary Health Properties PLC (LON:PHP) has acquired the owner of the Oakwood Lane Medical Centre in Leeds, for £5.43mln. The Oakwood Lane medical centre was completed in 2014 and is fully let to a general practitioner (GP) practice that serves more than 13,500 patients, making it one of the largest practices in the local area; it also has a pharmacy unit that benefits from rent reviews linked to the retail price index.

Solo Oil PLC (LON:SOLO) announced a new round of management changes and gave further details of its business plan - which continues to focus on tight cost management, divestment possibilities and sourcing new opportunities. Chairman Alastair Ferguson changes his role from non-executive to executive management, and, at the same time managing director Dan Maling leaves his position with immediate effect.

Follow-up drilling work undertaken by Savannah Resources PLC (LON:SAV) has confirmed continuity of lithium mineralisation at the Grandao, Reservatorio and Pinherio deposits on the Mina do Barroso lithium project in Portugal.

A review by South Korean state-owned mining company KORES has confirmed Bluebird Merchant Ventures Ltd's (LON:BMV) estimates of the potential of the Kochang mine. Samples taken by KORES from a small section at Kochang indicated an indicated and inferred resource of 113,000oz compared to Bluebird's 117,000oz.

Galantas Gold Corporation (LON:GAL)(CVE:GAL) is continuing with development on the Kearney vein at its Omagh gold mine in Northern Ireland. "Current production is sourced from the mining of on-vein drives, which have to be developed before stoping panels are mined," said chief executive Roland Phelps.

Alba Mineral Resources PLC (LON:ALBA) has updated on progress on its portfolio of mining projects. Among the highlights are ongoing activities towards the re-opening of the Clogau-St Davids gold mine, the UK's largest historical gold producer, as well as an extensive regional exploration programme which will shortly be commencing across the Dolgellau gold belt.

6.30am: FTSE 100 set to push higher
The FTSE 100 index is expected to push higher on Monday, recovering following a retreat on Friday after a mixed performance on Wall Street and in Asia with the focus on stalled US/China trade talks which look set to resume.

Spread betting firm IG expects the blue-chip index to open around 32 points higher at 7,103, having shed 22.40 points on Friday.

Pre-weekend on Wall Street, the Dow Jones Industrials Average ended 63,20 points lower at 25,106 weighed by worries that a US/China trade deal could miss deadlines.

But the broader S&P 500 index and tech-laden Nasdaq Composite both managed gains as some upbeat corporate earnings offset the trade talks worries.

A statement from the White House later on Friday, however, provided a time-frame for further trade negotiations and said lower-level officials would kick off with meetings in Beijing on Monday.

The revived optimism that a deal could still be signed underpinned Asian stocks on Monday, but with Chinese markets returning after the week-long Lunar New Year celebrations, the mood still remained cautious. The Shanghai composite index was down 0.4%, but Hong Kong's Hang Send index added 0.3%.

On currency markets, the pound remained lower against the US dollar and the euro as investors continue to await the latest twist in the Brexit saga as well as the latest batch of UK economic pointers, including inflation figures on Tuesday.

UK data to have Brexit tinge
Monday's data will almost certainly have a Brexit flavour to them, with fourth-quarter UK GDP growth and December manufacturing and industrial production numbers all due.

Expectations are that all the Brexit uncertainty and withholding of investment spending will see the UK growth rate in the final quarter of 2018 at half of that seen during the third quarter, with the year-on-year figure seen moderating to 1.4%.

Meanwhile, the year-on-year figures for industrial and manufacturing figures are also expected to reflect lower activity, but, as with have seen with some other economic indicators, manufacturing in December is actually expected to rise as companies stock up on inventories to insure against the most undesired No Deal Brexit outcome.

The blue-chip corporate update mill will continue to grind over the coming week, with Royal Bank of Scotland Group PLC (LON: RBS) kicking off the lenders reporting season and AstraZeneca PLC (LON:AZN) continuing the drug firm's results.

However, there will be little to excite on Monday, with just full-year numbers from Acacia Mining PLC (LON:ACA) and a trading update from UP Global Sourcing Holdings PLC (LON:UPGS) on the diary.

Significant announcements expected on Monday:
Finals: Acacia Mining PLC (LON:ACA)

Trading updates: UP Global Sourcing Holdings PLC (LON:UPGS)

Economic data: UK GDP monthly/quarterly estimate; UK trade data; UK industrial, manufacturing production; UK construction output; US consumer inflation expectations

Around the markets:

- Sterling: US$1.2931, down 0.1%
- Gold: US$1,310.70 an ounce, up 0.2%
- Brent crude: US$61.62 a barrel, down 0.5%

City Headlines:

- Theresa May has offered fresh concessions on workers' rights and called for further cross-party talks, indicating her willingness to work with Labour to break the Brexit impasse - Financial Times
- Official figures published on Monday are expected to show UK growth slowed sharply in the final three months of 2018 as Brexit anxiety weighed on consumers and firms - The Guardian
- Italy is exploring ways - including a bilateral deal between Rome and London - to safeguard financial stability and keep trade with the UK flowing even if there is a no-deal Brexit - Daily Telegraph
- The UK government has unveiled lengthy jail sentences for executives who recklessly mismanage pension funds, in an effort to avoid a repeat of recent scandals like BHS or Carillion - The Guardian
- Bailed-out Royal Bank of Scotland, which is still majority-owned by the taxpayer, is set to cut its senior staff's bonus pot for the tenth year in a row; the lender is set to reveal its second consecutive annual profit since the rescue deal - Daily Mail
- Lloyds Banking Group plans to hire more than 700 financial advisers in wealth management push - Financial Times
- The Sports Direct founder Mike Ashley has pulled his bid to acquire the collapsed cafe chain Patisserie Valerie just two days after announcing his interest - Daily Mail
- Beleaguered department store chain Debenhams was scrambling to secure a lifeline from its lenders last night in a desperate bid to survive - Daily Mail
- Imperial Brands chairman Mark Williamson is expected to step down in the coming months on the back of the introduction of more stringent corporate governance rules - The Times
- Flybe's biggest shareholder - London investment firm Hosking Partners - raised concerns about the airline's sale several weeks before a consortium led by Virgin Atlantic swooped in with a one-penny-a-share rescue deal - Daily Telegraph
- The shoe shop chain Office's profits tumbled by almost 40% last year after the firm was left out of pocket by the collapse of House of Fraser - Daily Telegraph

- The English Premier League has been forced to hunt for its next CEO in the US after the top British choices have all turned down the job - The Financial Times