

FTSE & SMALL CAP MARKET REPORT

17:29 14 Mar 2019

FTSE 100 closes higher as no deal Brexit fears ease

- FTSE 100 closes higher
- Sterling weaker on Brexit factors
- MPs to vote on whether to delay Brexit or hold second referendum

FTSE 100 closed higher Thursday while US stocks were lacklustre as traders await yet another vote in the House of Commons over Brexit.

Footsie closed around 26 points higher at 7,185, while FTSE 250 added around 103 points at 19,283.

Fiona Cincotta, analyst at City Index, said: "The FTSE extended its winning streak into a fourth session. Financials cheered the House of Commons voting to take a no deal Brexit off the table, whilst oils majors rallied on the back of stronger oil prices. The pound easing off 9-month highs, reached in the previous session, also offered support to the FTSE."

On Wall Street, stocks opened on the back foot, noted Cincotta, as investors mulled over the continuing China/US trade dispute, disappointing US new homes sales data and a big drop in Facebook (NASDAQ:FB.) shares.

The Dow Jones Industrial Average is up around just five points at 25,707 at the time of writing, while the S&P 500 shed around 1.3 points.

3.45pm: Trump thinks second referendum would be "unfair"

US President Donald Trump has put his two cents in on parliament vote for a second referendum on Brexit later today.

Speaking in the Oval Office with Irish prime minister Leo Varadkar, he said a second referendum would be "unfair".

Trump also criticised Theresa May's handling of Brexit, saying he's surprised at how badly it is going.

3.30pm: Most people in favour of Brexit extension, YouGov reveals

Ahead of a parliament vote on whether to delay Brexit if no deal agreed before the March 29 deadline, this is what the public think of the proposal, according to You Gov:

SNAP POLL: By 43% to 38% Britons want MPs to vote AGAINST a Brexit delay.

All Brits: 38% delay / 43% no delay

Remain: 65% delay / 17% no delay

Leave: 12% delay / 75% no delay <https://t.co/kdpl1qjoGL> pic.twitter.com/dOLCGxRrMU

— YouGov (@YouGov) 14 March 2019

If there is to be a delay, Britons would prefer it to be:

A short delay, of a few weeks or months - 47%

A significantly longer delay, of many months or a year - 33% <https://t.co/kdpl1qjoGL> pic.twitter.com/kC86442Szp

— YouGov (@YouGov) 14 March 2019 3.00pm: MPs to vote on second referendum

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MarketTopic Synopsis:

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

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MPs will later today vote on whether to hold a second referendum on Brexit.

Commons Speaker John Bercow selected an amendment from Sarah Wollaston, who recently defected from the Conservatives to the Independent Group (TIG), that could lead to a Final Say Vote.

But a second referendum is unlikely to happen unless it is supported by the Labour leadership and around 25 Conservative rebels.

MPs will also vote on a cross-party proposal that would allow the Commons to take control of the Brexit process from Theresa May.

The amendment was selected by Bercow from Labour backbencher, Chris Bryant, who wants MPs to vote on whether they think the prime minister should put an unchanged Brexit deal before the Commons to a vote.

Another amendment instructs May to seek an unspecified extension to article 50 to avoid exiting the EU on 29 March without a deal.

Voting on the amendments is expected to begin at 5pm.

Last night MPs rejected a no-deal Brexit, although the vote is not binding.

The pound is trading down 0.6% versus the dollar at US\$1.3248.

2.00pm: US new homes sales unexpectedly drop in January

US new homes sales unexpectedly fell by 6.9% to an annual rate of 607,000 in January, according to the Commerce Department.

Analysts had expected sales of 623,000, compared to 621,000 in December.

The figures are a possible sign that buyers held back during a government shutdown in January while a weaker stock market also hurt sales.

The median sales price of a new home fell by 3.8% to US\$317,200 in January.

US stocks are now lower with the Dow Jones down 46 points, the S&P 500 down 4 points and the Nasdaq down 8 points.

1.30pm: US stocks mixed at opening bell

US stocks have opened mixed as investors sift through data and news that the US has no sense of urgency in forging a trade deal with China.

The Dow Jones Industrial Average increased 5 points to 25,708 while the S&P 500 fell 1.5 points to 2,809 and the Nasdaq dropped 4 points to 7,638.

Market participants weighed up remarks from President Donald Trump, who said he was in no rush to make a trade deal with China.

They also assessed a batch of data including official figures showing US initial jobless claims rose by 6,000 to 229,000 in the week ended March 9, more than the 225,000 claims expected by analysts.

Separate data showed the cost of imported goods in the US shot up 0.6% last month following a 0.1% rise in January. Analysts had estimated a 0.3% increase.

US export prices also rose 0.6%, ahead of forecasts for a 0.1% increase and following a 0.5% drop a month earlier.

12.20pm: Subdued start to US trading expected

US stock futures are pointing to subdued start to trading after president Donald Trump said he was in no rush to strike a trade agreement with China.

Futures for the Dow Jones Industrial Average fell 52 points to 25,683, S&P 500 futures fell 4 points to 2,810 and the Nasdaq was little changed at 7,269.

Investors were digesting news that progress on a US-China trade deal had stalled along with disappointing industrial output data from China, the grounding of Boeing 737 Max 8 and 9 aircraft in the wake of a second deadly crash, and Brexit mahem in the UK.

12.00pm: Shell CEO pay package doubles in 2018

The chief executive of oil giant Royal Dutch Shell PLC (LON:RDSB) was last year paid almost double than he was in 2017.

Ben van Beurden's total salary for 2018 was €20m, compared to €9m a year ago, after the company increased its annual profits by US\$10bn.

The pay increase is largely due to long-term incentives kicking in.

Following pressure from investors, Shell announced last year that it would link executive pay to carbon emission targets.

Executive pay has been a matter of controversy for some time now. Shareholders had asked why executives were paid bonuses for 2017, the same year more than 200 people died after a tanker run by a sub-contractor in Pakistan exploded.

11.20am: Movers and shakers

SuperDry PLC (LON:SDRY) shares have shot up 3% to 531p after founder Julian Dunkerton vowed not to sell any of his stake in the retailer for two years should he return to the boardroom at next month's shareholder meeting.

The 54-year-old is asking shareholders to vote him back onto the SuperDry board, along with Boohoo Group PLC (LON:BOO) chairman Peter Williams.

Dunkerton quit as a director a year ago over a "fundamental disagreement" about future product design and the company's international expansion plans but is now plotting his return after accusing current management of adopting a "failed strategy" that has destroyed £1.2bn of shareholder value since last January. He said he would "supercharge" the company under his plan.

Cineworld PLC (LON:CINE) is another riser with shares up nearly 7% to 309p after revealing its 2018 profits more than doubled, boosted by its acquisition of US cinema giant Regal.

Outsourcer Capita PLC (LON:CPI) is up more than 4% to 125p after reporting a better-than-expected drop in 2018 profit and saying it was on course to meet its targets.

Going the other way, life insurer Just Group PLC (LON:JUST) is down 11% to 86p after announcing a plan to raise almost £400m in combined equity and debt issue to strengthen its balance sheet following the introduction of new capital rules last year.

Savills PLC (LON:SVS) shares dropped nearly 4% to 889p after the estate agent confirmed an expected decline in transaction volumes across a number of its markets in 2019 amid global uncertainty.

10.40am: Britain needs urgent spending review, says IFS

The Institute for Fiscal Studies has weighed in on Phil Hammond's Spring Statement, saying it thinks Britain needs an

urgent spending review to address key national economic issues.

"#Brexit isn't the only thing that matters. There are long-term challenges that can't be ignored, and many of these are becoming rather more pressing".@PJTheEconomist at our #SpringStatement briefing pic.twitter.com/eqAszfoYpT

— IFS (@TheIFS) 14 March 2019

Hammond on Wednesday pledged a three-year spending review so long as a Brexit deal is agreed.

Paul Johnson, head of IFS, said Brexit was not the only thing that matters and stressed the importance of addressing financing issues around education, social care and benefits.

He said "by once again declining to set totals for the forthcoming spending review, [Hammond] deferred making some of the biggest non-Brexit decisions of the parliament".

10.10am: Tusk pushes for Brexit delay

European Council president Donald Tusk said on Twitter he will consult with EU leaders on a long Brexit delay.

"I will appeal to the EU27 to be open to a long extension if the UK finds it necessary to rethink its Brexit strategy and build consensus around it," he said.

During my consultations ahead of #EUOCO, I will appeal to the EU27 to be open to a long extension if the UK finds it necessary to rethink its #Brexit strategy and build consensus around it.

— Donald Tusk (@eucopresident) 14 March 2019

MPs will vote later today on whether to ask the EU to delay Brexit if they are unable to agree on a deal before the UK is due to leave the bloc on March 29.

The government said there could be short extension, or longer one, depending on whether MPs back the prime minister's existing deal by March 20.

"We doubt this will be successful, but it's still not clear that Parliament is ready to rally behind a different Brexit option," ING Economics said.

Last night MPs rejected the idea of a no-deal Brexit, although the vote is not binding.

MPs voted against May's Brexit deal for a second time on Tuesday and the PM could make a third attempt to get her deal through parliament in the next few days.

The pound is down 0.57% against the dollar at US\$1.3262 after jumping 2% shortly after last night's vote.

After struggling for direction earlier on, the FTSE 100 is now 37 points higher at 7,196.

9.30am: House price growth weakest since 2011

UK house prices are growing at the weakest pace since 2011 as Brexit uncertainty weighs on sentiment, according to a survey.

The Royal Institution for Chartered Surveyors (RICS) said its monthly house price balance sank to -28 in February from -22 in January, worse than the -24 reading expected by analysts.

RICS chief economist Simon Rubinsohn said uncertainty about Brexit was weighing on the minds of buyers and sellers.

"With little sign that the issue will be resolved any time soon, it could prove to be a challenging spring for the housing market and the wider economy," he said.

8.30am: Subdued start for Footsie

The FTSE 100 index slipped back in early deals, while the pound consolidated gains after the UK parliament voted against a 'No Deal' Brexit on Thursday making an extension to Britain's date for departing the EU highly likely although uncertainty continues.

After half an hour of trading, the UK blue chip index was down 4 points at 7,154 having lost 8 points on Wednesday, albeit with ex-dividend factors accounting for around 3.6 points of today's decline.

On currency markets, having jumped to nine-month highs following the latest parliamentary vote, sterling essentially remained flat against the US dollar and the euro at US\$1.3323 and €1.1754 respectively.

Naeem Aslam, market analyst at ThinkMarkets commented: "The nuclear option is off the table, the MPs in the UK voted unanimously what they do not want this option- leave the EU without any deal."

But he added; "Unfortunately, there is no end to this chaos, this is because there is more disarray in the Prime minister's team now. With the country in limbo and politicians in their own deadlock, there is less clarity as to where Brexit will head from here.

"For now, the lawmakers are set to vote again in the parliament and they will have to choose between the May's deal (failed twice already), perhaps the prime minister doesn't understand the meaning of humiliating defeat, and delay Brexit."

Weakness in heavyweight miners was an early drag on the Footsie impacted by weak Chinese industrial data, although the top faller, Anglo American PLC (LON:AAL), off 2.5% at 1,965.40p was also trading ex-dividend today.

Among the day's corporate news, Cineworld PLC (LON:CINE) gained 5% at 303.40p following well-received full-year results, with the fruits of its mega-merger with US chain Regal looking to be paying off.

Proactive news headlines:

NetScientific PLC (LON:NSCI) has said it is unaware of any reason behind a 247% surge in its share price on Wednesday to 12.5p.

Tests on ore from Horizonte Minerals PLC's (LON:HZM) Vermelho nickel project in Brazil have confirmed the quality is high enough for stainless steel production and potentially for electric vehicle batteries. Metallurgy testwork on saprolite samples indicated they can be processed using a rotary kiln plant, which is the type being built by Horizonte at its neighbouring Araguaia nickel deposit.

Touchstone Exploration Inc (LON:TXP, TSE:TXP) highlighted a degree of strength in terms of production as new wells drilled during 2019 continue to boost oil sales. Ahead of 2018 results, due to be released on 27 March, the company has updated on its performance during the first two months of the current financial year.

Synairgen plc (LON:SNG) is to include patients with more severe chronic obstructive pulmonary disease (COPD) in the second part of the mid-stage study of its SNG001 drug. The move comes after a successful interim safety review by the independent Data Safety Monitoring Committee (DSMC) which did not identify any safety concerns for patients currently enrolled in the trial.

ImmuPharma PLC (LON:IMM) continues to engage with potential corporate partners for Lupuzor, its late-stage treatment for Lupus, as well as progressing potential collaboration opportunities on its other projects.

Shefa Yamim (ATM) Ltd (LON:SEFA) is targeting further exploration at its Kishon Mid-Reach project in Northern Israel after making "excellent progress" in its first full year as a listed firm.

Anglo Asian Mining PLC (LON:AAZ) has confirmed its underground gold mine at Gadir in Azerbaijan has sufficient material for at least five years of production. A JORC-compliant estimate put gold reserves at 70,000 ounces with

300,000 oz of silver and 1,400 tonnes of copper.

Europa Oil & Gas Holdings PLC (LON:EOG) has announced that it will transferred operational control of the Holmwood project to partner UK Oil & Gas PLC (LON:UKOG), which has hands-on experience with the Horse Hill success in the licence next door.

The hope among the Holmwood partners - which also include Union Jack Oil PLC (LON:UJO) and Egdon Resources Plc (LON:EDR) - is that the change may give fresh impetus to a project that had stalled somewhat due to issues connected to planning permission.

PCG Entertainment Plc (LON:PCGE) said it has received notice of a County Court Judgement against the company for £25,456.48 issued on 30 January 2019. The group pointed out that its board of directors did not receive notice of the hearing and does not believe the amount is due and have therefore engaged solicitors with a view to having the judgement set aside.

6.50am: Little movement seen early on

The FTSE 100 is seen a sliver higher with a little over an hour to go until Thursday's open as the financial markets respond to last night's Westminster votes against 'no deal' Brexit.

Two separate parliamentary votes saw MPs object to the prospect of a 'no deal' crash out of the European Union at the end of this month - 312 vote vs 308 first, followed by 321 vs 278.

It followed the preceding day's vote in which 391 MPs voted against Theresa May's withdrawal agreement while 242 voted in favour.

To sum up, the UK government doesn't want the deal that's available nor does it want to leave without a deal.

Today, parliament will vote to decide whether to seek an extension beyond the current 29 March deadline and, if they do, all other EU member states would have to approve the proposal likely next week.

"This is where the UK loses control of the narrative as the EU would be well within its rights to block any request to extend, irrespective of what MPs want, unless the UK could show that there were significant grounds to grant the extension, and with MPs unanimous in what they don't like, we still have no clearer idea of what they do want," said Michael Hewson, analyst at CMC Markets.

There's also the prospect that Theresa May will have a third go at getting approval for her twice defeated withdrawal agreement for the end of the month.

Evidently, last night showed what the government doesn't want but what it does want, what is possible, and what will actually happen all remain uncertain.

In the financial markets, the vote to move no deal "off the table" - though it remains the legal default in two week's time if neither a deal nor an extension is agreed - triggered a rally for the British pound.

Rising to as high as US\$1.3380 the pound was up strongly from the preceding day and marked its best level for around nine months.

IG Markets sees the FTSE 100 just one point higher ahead of today's open, calling the index at 7,143 to 7,146.

On Wall Street, equities traded broadly higher. The Dow Jones closed Wednesday up 148 points or 0.58% at 25,702, while the S&P 500 and Nasdaq each rose 0.69% to 2,810 and 7,643 respectively.

In Asia, weaker than forecast Chinese economic stats dented market sentiments to one degree or another.

Japan's Nikkei was down slightly, off just 0.01%, at 21,287 while Hong Kong's Hang Seng was 0.08% lower at 28,782 and the Shanghai Composite lost 1.22% to 2,990.

Significant announcement due on Thursday:

Finals: Capita PLC (LON:CPI), Cineworld PLC (LON:CINE), Savills PLC (LON:SVS), Marshalls PLC (LON:MSLH), Just Group PLC (LON:JUST), Capital & Regional PLC (LON:CAL), Capital Drilling Ltd. (LON:CAPD), Oxford Biomedica PLC (LON:OXB), Oakley Capital Investments PLC (LON:OCI)

Interims: DFS Furniture Plc (LON:DFS), Brooks Macdonald Group plc (LON:BRK), Kin and Carta PLC (LON:KCT)

Ex-dividends to clip 3.6 points off FTSE 100 index: Anglo American PLC (LON:AAL), CRH PLC (LON:CRH), GVC Holdings PLC (LON:GVC), Land Securities PLC (LON:LAND)

Economic data: RICS UK housing market survey; US retail sales; US weekly jobless claims; US import, export prices

Around the markets:

- Sterling: US\$1.3268, down 0.5%
- Gold: US\$1,302 per ounce, down 0.36%
- Brent crude: US\$67.81 per barrel, up 0.38%
- Bitcoin: US\$3,846, down 0.26%

City Headlines:

- Jaguar Land Rover recalls 44,000 cars over emissions - BBC News
- Spotify files EU antitrust complaint against Apple - Reuters
- Mike Ashley refers Debenhams board to regulator over profit warning - BBC News
- Woman awarded \$29m in damages in Johnson & Johnson cancer case - The Guardian
- Nissan's luxury brand Infiniti leaves Britain - The Times
- IBM took millions of Flickr users' photos for facial recognition project - Sky News

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