

FTSE 100 Market Report

17:20 21 May 2019

FTSE 100 closes higher as trade tensions ease

- FTSE 100 closes higher
- Sainsbury top Footsie gainer
- Miners fall

FTSE 100 closed in positive territory on Tuesday as trade tensions appeared to ease.

The UK's premier shares index closed up around ten points at 7,320, while its mid-cap cousin closed up around 97 points at 19,432.

On Wall Street, the Dow Jones Industrial Average is up around 135 points at the time of writing to stand at 25,814.

David Madden, analyst at CMC Markets, said: "Stock markets in Europe have rallied today on the back of the news that the US granted Huawei a 90 day extension before the ban will be implemented.

"This is seen as a sign the US administration don't want to turn up the heat on China just yet, but the ball is in Beijing's court. The trade standoff is still very much alive, but this appears to be a slight reduction in hostilities, and some traders are taking the opportunity to snap up equities."

Retailers were among the big gainers. Sainsbury (LON:SBRY) was the top riser on Footsie, adding 5.31% to 208.30p.

3.50pm: Sterling rallies

Most of the Footsie's gains have dribbled away in the afternoon session, reflecting a recover in sterling's fortunes on foreign exchange markets.

London's index of leading shares, which usually benefits from a weak pound, was 14 points (0.2%) higher at 7,325.

Mining stocks, which had been buoyant in the morning, were among the prominent losers in the afternoon session, with Rio Tinto PLC (LON:RIO), down 1.3%, the hardest hit.

2.35pm: US stocks on the front foot

US markets opened on the front foot with a triple-digit gain for the Dow and a double-figure one for the S&P 500.

The Dow Jones industrial average was up 157 points (0.6%) at 25,837 and the S&P 500 was up 19 points (0.7%) at 2,859.

In the UK, the FTSE 100 was up 34 points (0.5%) at 7,345, with risers among the index constituents outnumbering fallers by around four to one.

The mid-caps gauge, the FTSE 250, was faring even better with a 118 point (0.6%) gain at 19,454, despite a 6.9% fall for Entertainment One PLC (LON:ETO), the company behind Peppa Pig.

READ Entertainment One drops as full year sales disappoint

Sales and profits fell more than expected in the year to end-March as the Peppa Pig producer completed its pivot from film distribution to production.

Share Information

MarketTopic Synopsis:

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

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Sirius Minerals PLC (LON:SXX), the developer of the potash project in the north-east of England, was another mid-cap on the slide, despite a solid response to its open offer.

Although the shareholder equity sale portion of its recent fundraising was oversubscribed, the shares tumbled 2.6% to 15.49p.

Offsetting these losses were gains for Galliford Try plc (LON:GFRD), UDG Healthcare PLC (LON:UDG) and Assura PLC (LON:AGR).

Housebuilding and regeneration group Galliford advanced 14% to 612.5p after it said it was management said it was "trading well" and anticipated full-year results will be "consistent with" the range of analyst forecast for profit before tax and exceptional items of £112.7m to £123.3m.

Healthcare services provider UDG climbed 9.6% to 718.5p on the back of two bolt-on acquisitions while Assura put on 3% at 62.6p after it flagged up a 1.7% increase in its net asset value to 53.3p per share.

1.30pm: Blue-chips index slip from highs

London's leading shares were a little off their best levels but still sitting pretty in early afternoon trading, despite an underwhelming CBI Industrial Trends survey.

The Footsie was up 44 points (0.6%) at 7,354, some 16 points below its high point for the day.

The CBI's survey of 279 manufacturing firms indicated that manufacturing output growth remained broadly steady in the three months to May, while stocks of finished goods were reported as significantly "above adequate", and at their highest balance since the financial crisis.

Inflation expectations for the next three months remained flat, for the second survey in a row. Inflation expectations are now at their lowest since March 2016, the CBI reported.

"These results provide further evidence that manufacturers have been stockpiling at a rapid pace as part of their Brexit contingency plans. When combined with a sharp decline in order books, it's clear why manufacturing firms are so keen to see a swift end to the current Brexit impasse," declared Anna Leach, the deputy to the CBI's chief economist.

"With investment down, stockpiling up, and the threat of a no-deal ever present, we desperately need parliament to thrash out a viable deal in the national interest. Where the cross-party talks failed, Parliament must succeed, or continued economic paralysis will see us hurtle ever closer to disaster," she added.

Howard Archer, the chief economic advisor to the EY ITEM Club, said the May survey "points to the manufacturing sector having a significantly weaker second quarter as the boost from stockpiling in the first quarter unwinds, underlying tepid domestic demand and softening foreign demand amid a weakened global economic environment.

"The total orders balance fell back to -10% in May, which was the lowest level since October 2016 from -5% in April, +1% in March and +6% in February. Nevertheless, April's reading was still just above the long-term average of -13%.

"Export orders fell back sharply to -15% in May - the weakest level since July 2016 - from -5% in April and +8% in March. The long-term average is -17%," Archer noted.

#CBI #Industrial Trends survey markedly weaker in May showing orders balance at 31-month low as boost from stockpiling wanes & export orders weakened to lowest level since July 2016. Output expectations muted
<https://t.co/AN6dxO9xoa>

— Howard Archer (@HowardArcherUK) May 21, 2019 12:15pm: Footsie kicks on some more as US futures point to rebound

Global markets, including London, have been heartened by signs of flexibility in President Trump's trade war with China.

In London, the FTSE 100 was up 56 points (0.8%) at 7,367, while across the pond, the futures markets suggest US benchmarks will claw back some of yesterday's losses.

"Though the OECD was very keen to stress the damage of the US-China trade war - both done and potential - the markets were determined to celebrate a very minor concession in the battle between the superpowers," commented Connor Campbell at Spreadex.

"Cutting its global growth forecasts to 3.2% for 2019, down from 3.5% in 2018, the OECD specifically highlighted the dangers of escalating the trade war further, stating that it could strip out 0.7% off of global GDP by 2021-22. It makes a certain amount of sense, then, that the markets would greet any sign that the relationship between the US and China hasn't completely disintegrated as reason for cheer," he added.

Meanwhile, the Hargreaves Lansdown Investor Confidence Index held steady in May 2019, despite escalating trade tensions between China and the US.

The index hit 80 points again this month, up from a record low of 52 in December and well ahead of the rolling 12-month average value of 68. It measures the confidence of retail investors in the UK stock market over the next 6 months, 1 year and 3 year periods.

"Investor confidence has remained steady in recent months, despite some choppiness in markets and a re-escalation of the trade war between China and the US. Investors are probably reserving judgement on the direction of markets until we break out of the current holding pattern on Brexit, which looks like it may happen next month, though we probably shouldn't hold our breath," advised Laith Khalaf, a senior analyst at Hargreaves Lansdown.

"Sentiment towards other global markets is still more robust than towards the domestic market, with the notable exception of European shares which sit at the bottom of the pecking order," he added.

There's a crisis in Jamie's kitchen as well as on the balance sheet, writes @MarinaOLoughlin <https://t.co/LIRv2tC7m9>

— Sunday Times Food (@SundayTimesFood) May 21, 2019

On a day when news flow from the big beasts is relatively thin, traders are thanking their lucky stars they never had the opportunity to invest in celebrity chef Jamie Oliver's restaurant chain, Jamie's Italian, which is reported to be on the verge of collapse.

Oliver has injected £13m of his own money into the chain to no avail; the company is expected to file for administration later today,

Coincidentally or not, mid-range restaurants operator The Restaurant Group PLC (LON:RTN) was up 3.4% at 134.7p.

11.00am: Blue-chips advance on a broad front

Barely a dozen Footsie constituents were in the red as the top shares index cemented its gains, as trade war rhetoric quietened. The FTSE 100 was up 39 points (0.5%) at 7,340.

Among the fallers are two airline stocks, easyJet PLC (LON:EZJ) and British Airways owner IAG (LON:IAG), adding to yesterday's losses that came in the wake of an oil price hike Brent crude is little changed today but easyJet is still 0.9% lower and IAG 0.7% weaker.

"European markets and the FTSE are trading higher this morning boosted by the slight loosening of US-China trade tensions. President Trump's decision to grant US companies doing business with Huawei a three months reprieve has been taken by stock markets as a positive signal, boosting Asian markets as well," said Fiona Cincotta of City Index.

"The move demonstrates the difficulties the US is facing in trying to use retaliatory measures against China as part of their trade talks given that any such move has implications for US businesses and can actually undermine the *raison d'être* of the trade dispute, which is to support US Inc," she added.

News that Tesco Bank is looking to sell off its mortgage portfolio gave a lift to Tesco PLC (LON:TSCO).

Shares in the company, which has been retrenching to its core supermarket roots in recent years, were up 1%.

10.00am: Leading shares enjoy forex tailwind

With the value of sterling lower than a snake's stomach on foreign exchange markets, the Footsie is enjoying a mild forex tailwind.

London's index of heavyweight shares was up 34 points (0.5%) at 7,345.

"There's been further weakness seen in the pound this morning with the GBP/USD rate falling below the US\$1.27 handle and in doing so trading at levels not seen since the middle of January. This pair is on course for an 11th drop in the past 12 sessions and even though this move has seen a depreciation of almost 4% the persistence of the decline is perhaps more telling than its size," said David Cheetham at xtb online trading.

Precious metals miner Fresnillo plc (LON:FRES) was wanted after a cheery statement issued ahead of its annual general meeting.

The shares rose 1.7% to 749.8p as the company said it remained "very confident in the long-term outlook".

Sector peer Anglo American PLC (LON:AAL) advanced 0.5% to 1,942.6p despite reporting a fall in rough diamond sales at its De Beers subsidiary.

8.55am: Footsie rallies

The index of blue-chip stocks chose to take their lead from gains in Asia first thing this morning rather than from Wall Street, which closed in the red once again.

With Brexit worries and the Sino-American trade rhetoric easing, the FTSE 100 opened 26 points higher at 7,336.68.

"After blacklisting [Huawei] firm, the White House has issued a three-month reprieve to allow US companies continue to do business with the group," said Neil Wilson of Markets.com.

"It's all rather like the way Trump slaps on tariffs but delays the execution to allow room for negotiation. Whether it's Huawei or tariffs, I would see all of this in the broader context of giant tug-of-war between the two superpowers being played out in front our eyes.

"As such, the more this goes on the lower the chance of a meaningful resolution to any of it. Trade disputes *ad infinitum, ad nauseum*," he added.

The market's main movers were found among the second-line stocks, led by Galliford Try (LON:GFRD), up 8.5%, following an update on the company's strategic review. The builder said it will cut 350 jobs, saving £15m in a year.

Pepper Pig owner Entertainment One (LON:ETO) fell after its sales missed consensus forecasts. That said, earnings were slightly ahead of target.

Among the tiddlers VR Education (LON:VRE) shares lifted off 31% after it told investors its Apollo 11 virtual reality showcase had been selected by Facebook to be a launch title on the Oculus Quest headset.

Proactive news headlines:

VR Education Holdings Plc's (LON:VRE) Apollo 11 VR showcase experience has been selected by Facebook to be a

launch title on the Oculus Quest headset, which launches around the world today. The Oculus Quest is Facebook's new all-in-one virtual reality headset that the tech giant hopes will help to take VR mainstream.

IronRidge Resources Ltd (LON:IRR) has released results of metallurgical test-work from the Ewoyaa lithium project in Ghana, West Africa. The results showed concentrate grades consistently above 6% lithium oxide, the current industry standard, and recoveries at up to 85%.

Sirius Minerals PLC (LON:SXX) has revealed that the open offer portion of its new funding package has now closed and said that the shareholder equity sale was oversubscribed.

accesso Technology Group PLC (LON:ACSO) has reiterated its full year expectations after a strong start to 2019. In a trading update ahead of its AGM on Tuesday, the ticketing and ecommerce services provider said that in the four months to 30 April it had seen "strong demand" for its core ranges.

Itaconix Plc (LON:ITX) has received its first purchase order from chemical firm Nouryon for personal care polymer following the signing of an exclusive supply agreement in February. Big Pic in January.

Minds + Machines Group Limited (LON:MMX) shares surged on Tuesday after the company hit three major milestones in its '.luxe' project, including US\$100,000 from its sale of the first domains.

Crossword Cybersecurity Plc (LON:CCS) said its Consulting division has launched a new information security product, virtual Chief Information Security Officer (vCISO) in tandem with its partner Reliance acsn Ltd. The product is a virtual/remote CISO service which gives clients a cybersecurity team and network protection at a fraction of the cost of building their own.

Amryt Pharma PLC (LON:AMYT) is to merge with Aegerion Pharmaceuticals to form a new global business specialising in rare and orphan diseases. The merger creates a group with revenues of \$136.5m in 2018 and re-unites the Lojuxta cholesterol treatment under one roof.

Bloomsbury Publishing PLC (LON:BMV) has posted full-year results ahead of market expectations and hailed its strong financial position and excellent cash generation. Profit before taxation and various one-off charges in the year to the end of February grew by 9% to £14.4m, up from £13.2m the year before. The consensus forecast among brokers covering the stock was for a headline profit before tax of £13.96m.

The chief executive of Tissue Regenix Group PLC (LON:TRX) is to return to full-time duties next month.

UK biopharma Motif Bio PLC (LON:MTFB) is to present three posters on its iclaprim next-generation antibiotic at an upcoming industry conference in San Francisco.

Polarean Imaging PLC (LON:POLX), the medical imaging technology company, is set to receive another US\$1m through a research grant. The company said it will receive the third tranche of US\$1m as part of its US\$3m Small Business Innovation Research grant.

Integumen PLC (LON:SKIN), the company behind the Labskin technology, said revenues in 2018 were ahead of previous expectations. The company, which has developed a laboratory-grown skin that is used by cosmetics and pharmaceutical companies to see how their latest products will react to human skin, said revenue increased to £502,000 in 2018 from £238,000 in 2017.

Galantas Gold Corporation (LON:GAL) turned in a net loss for the quarter ended March 31 of just under C\$780,000, slightly up from the 2018 number of just under C\$525,000. The company had a cash balance of nearly C\$3.8m.

Savannah Resources PLC (LON:SAV) booked a loss for the year to 31 December 2018 of £3.4m, up somewhat from the £2.8m booked in 2017. Year-end cash totalled £7.7m.

Oriole Resources PLC (LON:ORR) has intercepted nine metres grading 3.14 grams per tonne gold in trenching on the central Bakassi zone on the Bibemi project in Cameroon. The intercept was the highlight of broad programme of work across Oriole's Bibemi and Wapouzé gold projects.

W Resources PLC (LON:WRES) has told investors that the first feed of ore into the newly installed jig and mill plant at the La Parrilla tungsten mine in Spain has taken place. "The next step is construction completion of the new Concentrator Plant in June and commencement of commissioning in July," said Michael Masterman, W Resources chairman.

OPG Power Ventures PLC (LON:OPG), has hedged 60% of its coal requirements for this year against future adverse price movements. The India based company operates a coal-fired power plant at Chennai, Tamil Nadu and the hedge covers approximately one million tonnes of coal between June 2019 and March 2020.

Afarak Group PLC (LON:AFRK), in a statement after Monday's close, revealed that it intends to convert its status to become a European company (referred to as a 'Societas Europaea' or SE). The company told investors that it made the decision because it is a multinational company with operational functions in several different countries. It is currently designated as a Finnish company.

6.45am: FTSE 100 primed to advance

The FTSE 100 index is expected to rally on Tuesday following the previous session's declines, shrugging aside Wall Street falls as Asian markets recover a touch after a temporary easing of US trade sanctions against Chinese telecoms giant Huawei.

Spread betting firm IG expects the blue-chip index to open around 18 points higher at 7,328, having shed 37.74 points on Monday.

Overnight on Wall Street, the Dow Jones industrial Average closed 84 points, or 0.3% lower at 25,679 as tech stocks were impacted by fears of China retaliation over the latest moves in President Trump's ongoing trade war with the country.

The mood was slightly brighter today in Asia, with Hong Kong's Hang Seng index gaining 0.2%, although Japan's Nikkei 225 index slipped from earlier strength, losing 0.1% as the Huawei reprieve is only temporary before a full parts ban takes effect.

On currency markets, the pound remained cautious against the US dollar and the euro as traders can only await this week's EU elections and the next twists in the Brexit saga in the absence of any important UK data.

On the waterfront

On the corporate front, water companies have seen their share prices diluted in recent weeks by rising political worries and tougher regulatory rulings, so Tuesday's full-year results from Severn Trent PLC (LON:SVT) will be closely eyed.

John McDonnell, the Labour party's shadow chancellor, confirmed last week that the next Labour government would aim to pay just book value to investors as part of its plans to renationalise England's water companies.

Moreover, water regulator Ofwat last month published its draft determinations for Severn Trent and fellow listed peers Pennon PLC (LON:PNN) and United Utilities PLC (LON:UU.), setting out the prices the companies can charge over 2020-25.

Deutsche Bank has pencilled in a 17% increase in Severn Trent's full-year pre-tax profit to £376m and a 16% increase in adjusted earnings per share to 140.5p, with the dividend per share seen up 8%.

Can Halfords keep costs under control?

Switching to retailers, a profit warning back in January put the brakes on the full-year outlook for bikes and car parts retailer Halfords Group PLC (LON:HFD), so investors are already braced for a 13%-19% drop in full-year pre-tax profits.

The group's troubles weren't helped by a mild winter, which meant people were buying fewer bits-and-bobs to weatherproof their cars.

Operating margins have also come under pressure as Halfords ploughs money into its stores, while trying to keep its prices down. For every pound that customers spend, Halfords only makes 6.6p of profit.

Second quarter recovery boost for Topps Tiles

Staying with stores groups, Topps Tiles Plc (LON:TPT) is on track to beat first-half profit forecasts after a pick-up in sales in the second quarter.

Topps is expected to post revenue of £108.8m for the first half, compared to £109.4m last year, with like-for-like sales growth of 0.2% as a stronger second quarter offsets a weak start to the year.

Analysts at Peel Hunt have said the better-than-expected performance means first-half profits will likely beat current market estimates. They estimate pre-tax profit of £7.9m from Topps, up 10% year-on-year.

Significant events expected on Tuesday:

Finals: Severn Trent PLC (LON:SVT), Halfords Group PLC (LON:HFD), Homeserve PLC (LON:HSV), Bloomsbury Publishing PLC (LON:BMV), Assura PLC (LON:AGR), Big Yellow Group PLC (LON:BYG), Electrocomponents PLC (LON:ECM), EntertainmentOne PLC (LON:ETO), Immedia Group PLC (LON:IME), Scapa Group plc (LON:SCPA), First Derivatives PLC (LON:FDP), Warehouse REIT PLC (LON:WHR), Schroder Real Estate Investment Trust PLC (LON:SREI)

Interims: Topps Tiles Plc (LON:TPT), Cranswick plc (LON:CWK), Greencore Group PLC (LON:GNC), Shaftesbury PLC (LON:SHB), UDG Healthcare PLC (LON:UDG), Renew Holdings PLC (LON:RNWH), Premier Veterinary Group PLC (LON:PVG), Nexus Infrastructure PLC (LON:NEXS), Watkin Jones PLC (LON:WJG)

Trading updates: Provident Financial PLC (LON:PFG), WH Smith PLC (LON:SMWH), Galliford Try plc (LON:GFRD), Hilton Food Group PLC (LON:HFG)

AGMs: acceso Technology PLC (LON:ACSO), Afarak Group PLC (LON:AFRK), Corero Network Security PLC (LON:CNS), Impax Environmental Markets PLC (LON:IEM)

Economic data: CBI UK industrial trends survey; US existing home sales

Around the markets:

- Sterling: US\$1.2724, down 0.01%
- Gold: US\$1,276.10 an ounce, up 0.1%
- Brent crude: US\$72.18 a barrel, up 0.2%

City Headlines:

- Washington's move to blacklist Huawei has sparked fears of technology cold war between the US and China, wiping tens of billions of dollars off the value of some of Silicon Valley's biggest players - The Times
- Huawei has denounced the US ban on sharing technology with the Chinese technology giant as a "cynically timed" blow in the escalating trade war between the US and China - The Guardian
- Thousands of jobs at risk with British Steel on brink of collapse - Sky News
- Ford is set to cut 7,000 jobs worldwide as part of an US\$11bn overhaul - Financial Times
- Jaguar Land Rover has crashed to a £3.65bn full-year loss as it pays the price of a collapse in sales in China - The Times
- Royal Mail to roll out parcel postboxes in first major change in 160 years - ITV News
- Goldman Sachs has for the first time moved beyond a "Big Four" accounting firm and selected Mazars to audit its European operation Financial Times

- Cryptocurrency scams triple in a year - at £27mIn total cost to victims - The Guardian
- Ratings agency Morningstar has downgraded the flagship fund run by one of Britain's best-known investors Neil Woodford due to underperformance and "persistent redemptions" - The Daily Telegraph
- With more than 750 outlets being closed over the past 12 months, the restaurant boom is over, according to the latest Market Growth Monitor from CGA and Alix Partners, the consultancies - The Times

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