

FTSE 100 Market Report

16:59 12 Jun 2019

FTSE 100 closes in the red as global equity markets lag

- FTSE 100 closes lower
- Wall Street shares seeing red
- US CPI annual inflation rate flat at 1.8%

FTSE 100 closed lower on Wednesday, joining in the southward journey of global equities.

The UK's premier shares index finished the afternoon session off nearly 31 points at 7,367.

Across the Pond, the Dow Jones Industrial Average lost nearly 84 points, while the S&P 500 is down over ten and the tech-heavy Nasdaq index is down around 42 points at the time of writing.

Top loser on Fointsie was fags maker British American Tobacco PLC (LON:BATS), which lost 4.40% to stand at 2,936p as the company said global industry volume was expected to be down around 3.5%, versus previous guidance of 3%.

Investors are again being put off by the continued concerns over US, China trade along with US inflation data, which showed headline CPI dropping to 1.8%, from 2% , under a forecast of 1.9%, although, predictably, that has prompted some chatter on interest rates.

"Some traders might view the numbers as sign the Federal Reserve should lower interest rates towards the back end of the year," noted analyst David Madden, at CMC Markets.

3.55pm: Dow flat as rate expectations adjusted

US stocks struggled for direction in early trade on Wall Street on Wednesday as inflation data continued to remain soft further fueling Federal Reserve rate cut expectations.

But several observers pointed out that falling energy prices were putting pressure on the headline figures, which were lower than the core inflation number that excludes this and other more volatile prices.

"Because inflation is persistently below the Fed's 2% target, the Fed perceives it has the flexibility to ease its policy and remain consistent with its longer-run dual mandate," said economist Mickey Levy at Berenberg. "We expect the Fed to cut its policy rate twice this year."

Some analysts were also growing more hawkish, with credit agency S&P, for example, saying it now expects the US central bank to cut interest rates as soon as September, having earlier forecast the Fed to keep borrowing costs steady through the year, with one rate hike in 2020.

Saying "the winds have shifted" for the Trump administration on trade, S&P said rates were still low so the Fed "may want to move sooner and more quickly than it has in the past to prevent a tumble, given that it doesn't have a lot of room to maneuver".

After an hour and a half of trade on Wall Street, the Dow Jones Industrials Average was down just 12 points at 26,036.51, while the S&P 500 shed 3 points at 2,882.45 and the Nasdaq Composite off 24 points at 7,798.22.

Meanwhile in London, the FTSE 100 was erasing some of its worst losses but still heading for a negative finish, down

Share Information

MarketTopic Synopsis:

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

Author:

Oliver Hail

+44(0)1202770386

action@proactiveinvestors.com

28 points at 7,370.56.

2.10pm: US inflation proves subdued

US headline inflation rose 0.1% month-on-month in May, leaving the annual rate of CPI at 1.8% year-on-year, down from 1.9% in April.

Core inflation was softer though, also up 0.1%, undershooting the consensus forecast for 0.2% month-on-month growth.

That left the annual rate of core inflation at 2%, the slowest rate since February 2018.

Headline US CPI since Jan 2017. May data just below the Fed's 2% target but trend isn't very encouraging. This morning's 1.8% print well-below last May's 2.8%. pic.twitter.com/OhzkTPHP0e

— James Stanley (@JStanleyFX) 12 June 2019

The subdued inflation picture, adding to last week's weaker than expected jobs report increased expectations for further rate cuts from the Federal Reserve.

Economists at ING said: "Given the recent language shift from Fed officials, we believe that they will use next week's June FOMC to signal an easing bias.

"This would perhaps be through repeating Fed Chair Jerome's Powell use of the "closely monitoring" phrase and downward revisions to the economic projections and the "dot" diagram, which currently has a rate hike priced in for 2020."

They added: "While we doubt that the Fed will carry through with the 100 basis points or so of policy easing currently priced by markets, the longer trade tensions drag on, the greater the chance the Fed will be forced to respond aggressively."

US stock futures cut their early losses following the CPI numbers, but indications still pointed to around a 40 point drop from the Dow Jones Industrials when Wall Street opens shortly.

In London, the FTSE 100 index remained lower as well, down 47 points at 7,350, but held off the day's worst levels.

1.10pm: Softer US inflation expected

UK shares are continuing to drop and stock futures across the Atlantic are pointed to a continuation of the downbeat refrain.

Given the recent focus on interest rates and the Federal Reserve, Wall Street traders will be watching the consumer price index report closely when it is released in a few minutes, as it could increase the already high likelihood of a rate cut in July.

Economists expect US inflation in May to have eased to 0.1% on the month, down from 0.3%.

"It's not been the most eventful session so far, but things could heat up later," said market analyst Craig Erlam at Oanda.

He said the six-day rally before Tuesday's small reversal was due to investors becoming more satisfied with the Fed's approach to upcoming interest rate decisions.

"But the inflation data will offer key insight into the direction of travel for prices and therefore how much pressure will be on the Fed at one of the upcoming meetings. As it stands, markets are expecting two or three hikes and the slip in inflation over the last year is only feeding into that, even with tariffs being imposed. Further evidence of this will only encourage policy makers that action may be necessary."

The rest of Wednesday's trading is likely to be determined by the degree to which the inflation data surprises the market.

12.00pm: Broker action fails to provide lift

As Wednesday's session wore on, London stocks slid back to where they started the week, with broker action not able to lend much support.

Metro Bank PLC (LON:MTRO), recently wallowing at all-time lows, was lifted 2% to 612.5p by an upgrade from Macquarie to 'neutral' from their previous 'underperform' rating on the back of the challenger's recent £375m equity raise.

Serco Group PLC (LON:SRP) had earlier risen 2% to almost 137p, just below a 52-week high, thanks to a positive write-up from Peel Hunt, which also dished out an upgrade to Domino's Pizza Group PLC (LON:DOM).

Analysts moved Serco to 'add' from 'hold' on the back of a "strategically attractive" acquisition of a US naval engineering business announced last month, while Domino scooted up 1% to 239.8p as it was upped to 'buy' from 'add' after Peel Hunt made a visit to the company's Warrington supply chain centre that "highlighted strengths and opportunities as well as a shifting strategy that reminded us of DOM's golden era".

A loser on the day was Auto Trader Group PLC (LON:AUTO), which was shifted down to 'sell' from 'neutral' by UBS, which saw risk/reward "skewed negatively with limited potential upside".

10.25am: Analysts see familiar Trump theme

With the Footsie dropping to a three-day low, with European stocks similarly under pressure, familiar catalysts were being identified for the stocks stumble.

"After a pleasant absence of a few days, the US-China trade war is back on the agenda," said Chris Beauchamp, chief market analyst at IG.

Trump was "messaging with the minds of investors", chipped in Connor Campbell at Spreadex, after the President said that he was personally holding up a trade deal and unless China goes back to the previously agreed deal, he has 'no interest' in settling the trade dispute.

Taking the thread back up, Beauchamp observed that the spat is playing out in similar fashion to many other negotiations in Trump's life, with rejection of an initial deal followed up by tough language, "but in the end a deal (probably similar to what was on the table in the first place) is finally signed".

"But the time between initial deal and final agreement can be a long one, and markets have already learnt the folly of expecting a resolution too soon."

Investors are also anticipating US inflation data later and, having been convinced that the Federal Reserve will cut rates soon, are now hoping that today's consumer price index figure will confirm their hopes, "but are understandably worried that they have got ahead of themselves and the Fed too," Beauchamp added.

Among UK stocks of interest, well-followed Boohoo Group PLC (LON:BOO) was back in the black after a sharp initial fall on the release of a trading statement from the online fashion retailer.

"A stock trading on a premium valuation is always performing a bit of a high wire act, with the slightest wobble in performance often resulting in a big fall," said Russ Mould at AJ Bell.

He noted that Boohoo reported a slight decline in gross margin for the three months to 31 May and only matched rather than beat expectation, but the update sported "plenty of other bright spots", including maintenance of full year profit and sales growth guidance, higher net cash and bullish outlook comments.

8.50am: Soft start for Footsie

London's blue chip benchmark faltered on Wednesday morning, down 20 points to 7,378.09 as it was tripped up by a Wall Street fall overnight.

"Equities are pulling back as the tailwinds from trade and the Fed have pretty much blown themselves out," said Neil Wilson at Markets.com.

"The rally has paused and things may get a bit tricky now as we may well see the market start to think - one may even say realise - that the Fed is not necessarily going to ride to the rescue."

The FTSE 100's decline was being led by British American Tobacco PLC (LON:BATS), 3% lower at 2,987.5p as the cigarette maker said global industry volume was expected to be down around 3.5%, versus previous guidance of 3%.

Elsewhere, car retailer Pendragon PLC (LON:PDG) skidded 25% lower to 17.3p on the back of a profit warning, where a tougher used car market and previous management issues were blamed. This, plus a downgrade from UBS, was also putting pressure on Auto Trader Group PLC (LON:AUTO), down 2% to 259p.

Proactive news headlines:

Taptica International Ltd (LON:TAP) rallied on Wednesday after it provided background on the lawsuit filed by Uber Technologies Inc. (NYSE:UBER), announced on Tuesday, and said it is considering a further share buy-back programme.

HemoGenyx Pharmaceuticals PLC (LON:HEMO) says pre-clinical trials in animals indicate its CDX antibody is effective as a conditioning therapy in bone marrow transplants. Conditioning is a pre-requisite for a transplant but it is extremely toxic and has severe side effects, which reduces the number of people eligible.

IronRidge Resources Ltd (LON:IRR) has confirmed the completion of its acquisition of the Vavoua Projects, giving the company a highly prospective gold exploration portfolio in Cote d'Ivoire. The acquired assets - 100% of the share capital of Marlin Minerals, Booster Minerals and CAPRI Metals - are located in the vicinity of the Abujar project which hosts 1.73m ounces.

Internet hardware specialist Ethernity Networks PLC (LON:HZM) expects to start generating cash from 2020 as momentum builds for its new generation of modules. Ethernity's technology helps servers run much faster through the efficient 'offloading' and rerouting of internet traffic.

Sirius Minerals PLC (LON:SXX) has unveiled a new supply deal with a customer in India, further boosting its contracted sales ahead of its mine start-up. The deal, described as a 'major take or pay' agreement, sees Indian Farmers Fertilisers Cooperative Limited (IFFCO) take significant volumes of the POLY4 fertiliser product over an eleven year term.

IQ-AI Limited's (LON:IQAI) subsidiary, Imaging Biometrics (IB), has signed a non-exclusive business development and sales deal with brain analysis firm CorTechs Labs.

StatPro Group PLC (LON:SOG) has strengthened its index and benchmarks offering in the growing area of environmental, social and governance (ESG) with a €2.9m (€2.6m) acquisition on Wednesday.

Secure payment products and customer contact solutions, Eckoh PLC (LON:ECK), reported a 7% increase in annual profit after record levels of new business and contract renewals lifted revenue.

Live Company Group Plc (LON:LVCG) has signed a touring agreement with the UK arm of children's television network Nickelodeon.

Galileo Resources PLC (LON:GLR) said that its 34%-owned Glenover rare earths project was "well placed to benefit" as prices of the minerals are boosted by the standoff between China and the US.

Landore Resources Ltd (LON:LND) has kicked off a drill programme for the BAM gold deposit, at the Junior Lake property in Ontario, Canada. The company will drill a total of 4,500 metres to infill and extend the deposit's current 951,000 ounce resource.

Keywords Studios PLC (LON:KWS) has acquired Vancouver-based audio description provider Descriptive Video Works Inc (DVW) from its founder Diane Johnson for around £1.9mIn (C\$3.2mIn).

Eden Research PLC (LON:EDEN) unveiled the key appointment of Rob Cannings to a new role of Commercial Director for the biopesticide products company with immediate effect. Most recently, it pointed out, Cannings served as Commercial Director at Plant Health Care with responsibility for Europe, the Middle East, Africa and Asia.

Corero Network Security PLC (LON:CNS) has appointed tech industry veteran Michael Connolly as its US-based Vice President Worldwide Sales. The group pointed out that Connolly has over 25 years' experience in the technology industry with significant expertise in leading global sales functions.

Galantas Gold Corporation (LON:GAL) (TSX-V:GAL) has announces the death of its non-executive chairman, Lionel John (Jack) Gunter. It noted that Gunter led the discovery of the Omagh gold deposits in Northern Ireland, currently in development by the company, and although not actively engaged in management for many years, said his guidance and support as a director and chairman was much appreciated by his colleagues. The company added that its board will appoint a new chairman in due course.

Amphion Innovations PLC (LON:AMP) reassured investors on Wednesday that it was working closely with its debt provider to find a resolution to the terms of its loan. Big Pic in March.

Avacta Group PLC (LON: AVCT), the developer of Affimer biotherapeutics and reagents, announced that its chief scientific officer, Dr Amrik Basran, will be presenting at the Next Generation Protein Therapeutics & Bioconjugates conference in San Francisco, California on 19 June 2019. It said Dr Basran's presentation, 'Affimer Therapeutics: A Novel Human Scaffold for the Generation of Bi-specific Molecules', will give an overview of the benefits of using Affimer technology to generate bispecific drug molecules.

MaxCyte Inc. (LON:MXCT), the global clinical-stage, cell-based therapies and life sciences company, announced the appointment of Numis Securities as its joint corporate broker with immediate effect. It said Panmure Gordon will continue to act as the company's nominated adviser and joint corporate broker.

6.45am: FTSE 100 to open lower, US inflation in focus

The FTSE 100 is expected to open lower on Wednesday morning, with upcoming US inflation figures likely to be the key catalyst for any movement.

Spread-betting firm IG expects the FTSE 100 to open 25 points lower after closing up 23 points on Tuesday at 7,398.

Expectations of a softer open followed a sluggish performance in the global markets overnight, with lingering trade tensions holding back gains in the US despite an initial bump from the news of more Chinese economic stimulus.

The Dow closed down 0.05% while the S&P 500 was 0.03% lower and the Nasdaq fell 0.01%.

In Asia today the relatively flat US performance meant the Japanese Nikkei 225 was down 0.04%, while in Hong Kong ongoing mass protests over a new Chinese extradition law helped push the Hang Seng down 1.7%.

With the UK economic data calendar relatively blank for Wednesday, the markets will be turning their attention to the US CPI inflation numbers as talk of a Fed rate hike continues.

Markets.com's Neil Wilson has suggested that the latest prints show US inflation ticking higher, while Joshua Mahony, senior market analyst at spread-better IG, said that in the wake of disappointing jobs data from the US last week, markets have become increasingly sensitive to the figures and were now expecting two interest rate cuts over the Fed's

next three meetings.

Ahead of the data currency traders also seemed content to sit on their hands, with the pound relatively flat at US\$1.2719 against the dollar.

Blue-chip tobacco takes focus in company news

While the tobacco groups have been great dividend payers their shares prices have languished as the number of traditional cigarette and pipe smokers diminishes, so the focus has shifted to next generation products.

British American Tobacco PLC (LON:BATS) reported a good set of full year 2018 results at the end of February and there is the hope and expectation that in a first-quarter trading update, due on Wednesday, will again be the new generation of tobacco products, e-cigarettes that will drive sales.

Last year sales of these products rose by 95% so investors will be keen to see if the near doubling of sales for the FTSE 100-listed firm continues.

Significant announcements expected for Wednesday June 12:

Trading update: British American Tobacco PLC (Q1), (LON:BATS), Boohoo Group PLC (LON:BOO), Summit Therapeutics (Q1) (LON:SUMM)

Finals: Enteq Upstream PLC (LON:NTQ), Castings PLC (LON:CGS), Norcros PLC (LON:NXR), Park Group PLC (LON:PARX), Ramsdens Holdings PLC (LON:RFX), Elektron Technologies PLC (LON:EKT)

AGMs: Aminex PLC (LON:AEX)

Economic data: US CPI inflation

Around the markets:

- **Sterling:** US\$1.2719, down 0.02%
- **Brent crude:** US\$61.27 a barrel, down 1.6%
- **Gold:** US\$1,333.06 an ounce, up 0.5%
- **Bitcoin:** US\$7,961.9, up 0.2%

City headlines:

- Neil Woodford might be removed from the listed investment trust, Woodford Patient Capital Trust, that bears his name in a humiliating setback for the former star fund manager - Financial Times
- The UK remains on track to raise interest rates several times over the next couple of years, despite a global slowdown, three members of the Bank of England's monetary policy committee have warned - Guardian
- British insurer Legal & General has teamed up with Amazon to establish what it said is the first blockchain system for corporate pension deals - Reuters
- Boris Johnson's plans for a no-deal Brexit could be thwarted by remain-backing MPs on the day he launches his campaign to become the next prime minister - Telegraph
- Financial markets are underestimating the prospect of Britain leaving the European Union without a deal at the end of October, the former ambassador to Brussels, Sir Ivan Rogers, has warned - Times
- Deloitte and KPMG could be banned from India for five years over allegations the firms helped conceal bad loans at Infrastructure Leasing & Financial Services, whose default last year triggered a credit crisis - FT
- Foxconn, one of Apple's largest suppliers, has assured that prices and supplies of the Apple's iPhone will not be affected by the ongoing US-China tariff war - Guardian

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private

investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

Proactive Investors is a publisher and is not registered with or authorised by the Financial Conduct Authority (FCA). You understand and agree that no content published constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value or suitability of any particular security, portfolio of securities, transaction, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including company related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.