

FTSE & SMALL CAP MARKET REPORT

17:00 12 Sep 2016

London shares close lower as Fed Lockhart comments boost US rate hike risk

London shares ended lower on Monday after comments from Fed official Dennis Lockhart added to the chorus of central bankers calling US rates higher next week.

Atlanta's Lockhart said the economy was in good shape and that rattled markets still reeling from Friday comments by Boston Fed president Eric Rosengren that higher rates are needed to stop the US economy overheating.

Back home, the market was also upset after ratings agency S&P warned that the pick-up in UK economic data after the initial shock of the Brexit vote may prove short-lived.

"Any celebration about the rebound in August and conclusion that life has returned to 'business as usual' may prove to be a mirage, at least in the longer term," it said in a report.

The blue-chip FTSE 100 index ended down 1.1% at 6,700.

The biggest faller on the FTSE 100 was Associated British Foods (LON:ABF), which dropped 10.8% to 2815p.

The company's sales at its Primark discount clothing chain had been affected by unseasonable weather, with like-for-like sales at the chain likely to fall by 2% this year.

In addition, ABF said its pension scheme was set to hit a £200mln deficit, against a surplus last year, which it blamed on a "marked decline in UK long-term bond yields".

Leading the handful of FTSE 100 gainer was pharma group Shire (LON:SHP) up 1% to 4750p. There was no fresh news, but then a gain of 1% demonstrated how little was needed to dominate the FTSE gainers skyline on Monday.

The FTSE 250 index shed 0.9% to 17,730, led by Evraz (LON:EVR) down 5.3% to 132.1p.

The FTSE AIM 100 Index was down 0.2% at 3,798, while the FTSE AIM All-Share Index lost 0.5% to 801 - but still around its highest levels since June 2014.

Across London stocks, just 17% gained - one of the lowest readings this year - while 48% were lower. 35% of stocks were unchanged.

Updated at 3.10pm

FTSE 100 is still lower this afternoon as markets are suffering with global economic worries.

The blue chip benchmark is down 1.32%, or around 89 points down at the time of writing, at 6,687.

Associated British Foods plc (LON:ABF) is the biggest laggard, down over 10% to 2,818p as traders didn't take kindly to its results statement.

LUNCH

FTSE 100 continues to be under pressure at midday, as traders fret over global economic worries and over what the

Share Information

MarketTopic Synopsis:

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

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Fed might do at the end of the month.

FTSE100 recouped some losses but was still down 1.37% to 6,679 and nearing lows not seen since early August- after the shock Brexit vote.

The FTSE 250- more UK focused, was even harder hit, down over 264%, or 1.48%.

Small cap shares were also lower with FTSE AIM 100 down 0.42% to 3,789.

It comes after a flurry of news taken as negative. The ECB chose last week not to extend its stimulus measures. The state of presidential candidate Hillary Clinton's health looks far from stable, and the pressure of a Fed interest rate rise is starting to test global markets.

The rot started on Friday, when, as Joshua Mahony, at IG Index, noted, the Fointsie "really lost it in style".

"Given the sharp move we are dealing with, it is worthwhile trading the shorter-term, with shorts preferred until we see a new higher high created," he suggested to traders.

Drugs giAnt AstraZeneca (LON:AZN) is top dog on Fointsie, as it received an upgrade from US houser Jefferies.

Primark owner ABF PLC (LON:ABF) is plunging around 9% to 2,874p as its results did little to cheer.

In small caps Redx Pharma (LON:REDX) was a notable riser, up almost 33% to 35.5p. Last week the pharma group said Karl Hård, formerly at pharma titan AstraZeneca PLC (LON:AZN) for 20 years, has joined executive management as head of investor relations and corporate communications.

Meanwhile, the chief financial officer, Phil Tottey will leave at the end of the month to pursue new opportunities, the group had said.

OPEN

UK shares had the Monday blues and FTSE 100 was down 1.44% to 6,679.

The downbeat mood followed on from US stocks plummeting on Friday and a weak performance in Asia overnight. The S&P500 in New York lost 2.45% on Friday as investors fretted over a possible rate rise on September 21.

The Nikkei 225 in Japan shed 1.73% to stand at 16,672.

Traders are also wary ahead of more Fed comment later. Three speakers are due to comment, including Fed governor Lael Brainard.

In UK small caps, the mood was also downbeat. The FTSE AIM All shares lost 0.39% to 802.270, while the FTSE AIM 100 lost 0.53% to stand at 3,785.

The big laggard on Fointsie was Primark owner Associated British Foods plc (LON:ABF), which lost almost 5% to 2,999p, despite it revealing that the fall in the pound after the UK referendum had boosted Primark and British Sugar owner Associated British Foods plc (LON:ABF).

ABF said annual earnings per share would be slightly ahead of those a year ago due to better-than-expected second half trading and the further weakening of sterling since the June 23 vote.

On the riser front, brewer SABMiller (LON:SAB) added 0.22% to stand at 4,393p after it received some positive analyst comment.

In small caps, Xcite Energy (LON:XEL) plunged over 73% to 2.2p as it updated on the process of refinancing the E&P, which owns the Bentley heavy oil field in the North Sea.

It is restructuring its \$135mln senior secured bonds after the shares rose sharply at the end of last week.

Xcite, which has been in talks with its bondholders since June about a possible restructuring, had set a deadline of September 30 for the repayment of outstanding bonds.

It has been in talks with principal bondholders over a potential restructuring of the bonds, and announced an extension to the maturity of the bonds until September 30 this year.

Techfinancials plc (LON:TECH) on the other hand, saw shares lifted over 15% to 15 a pop as it swung strongly into profit following as its consumer business recovered after restructuring.

Profits for the half year to June came in at US\$1.25mln against a small loss last time, while revenues jumped by 34% to US\$9.86mln.

The Israeli company had already flagged trading had been good in an update last month and it confirmed today both arms of the business had seen strong growth.

Risers and fallers: Including Clear Leisure and Xcite Energy <https://t.co/f1ivGAQjWp> via @proactive_uk

— Giles Gwinnett (@Gile74) 12 September 2016

Opening snapshot at 8.15am

The FTSE 100 plummeted 88 points at open this morning to 6,688.

The top winner was SABMiller (LON:SAB) was up 0.15% to 4,390p, after a number of broker upgrades.

The biggest loser was BHP Billiton (LON:BLT), down 5% to 966.5p.

News

Greatland set for new round of Australian gold exploration

CloudTag raises another £500,000 in premium share placing

Real Good Food confident and planning dividend

Preview at 6.54am

The FTSE 100 is set to open sharply lower amid worries that the US Federal may be ready to hike interest rates with the index of blue chip shares predicted to fall 90 points to 6,686.95.

Comments by Boston Fed chief Eric Rosengren seemingly supportive of rise in lending rates led to a late sell-off on Wall Street as bond yields strengthened.

That in turn hit Asia's main markets Monday, with China, Japan and Australia off between 1.9-2.2%.

"My personal view, based on data that we have received to date, is that a reasonable case can be made for continuing to pursue a gradual normalisation of monetary policy," Rosengren told the South Shore Chamber of Commerce in Quincy, Massachusetts.

Back here in the UK, the main scheduled corporate news comes from Associated British Foods, owner of the silver

spoon sugar brand, and of course the clothes chain Primark.

Analysts expect the numbers for ABF's retail arm to be affected by the rather indifferent summer weather.

*Brent crude 72 cents lower at US\$47.29.

*Gold 80 cents higher at US\$1,331.50.

City headlines

*New Age, an Africa-focused oil explorer backed by Och-Ziff, the US hedge fund, is considering an initial public offering that would put it among the UK's biggest independent oil companies by market capitalisation - FT.

*Large shareholders in Lloyds Banking Group are calling on the high street lender to strengthen its internal succession plan and address a perceived overreliance on chief executive António Horta-Osório - FT.

*Two of Britain's biggest water companies, Yorkshire Water and Kelda Water Services, are poised to announce a major new tie-up to tap the £4bn business supply market before it opens up to competition next year - Telegraph.

*A nuclear power station being built in France using the same design earmarked for Hinkley Point in Somerset may have to restrict its output or could be abandoned because of the costs of correcting safety flaws, experts have warned - Times.

*Shareholders in Premier Farnell, the British electronics maker behind the Raspberry Pi computer, are expected to back US company Avnet's £868 million takeover offer on Monday in a further sign that Britain's technology scene is a ripe target for overseas buyers - Telegraph.

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