

# FTSE & SMALL CAP MARKET REPORT

17:34 23 Nov 2017

## FTSE 100 closes down, dragged lower by Centrica PLC after dismal trading update

- FTSE 100 index down 1.8 points
- Centrica plunges 15% on profit warning
- **Housebuilders bounce back after digesting Hammond's budget**
- US markets closed for Thanksgiving

### Share Information

#### MarketTopic Synopsis:

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

[action@proactiveinvestors.com](mailto:action@proactiveinvestors.com)

### Close: FTSE 100 edged slightly lower despite housebuilders rebound

The FTSE 100 index edged slightly lower, to close in the red, down 1.8 points or 0.02% at 7,417.24, but off session lows, despite a rebound seen in housebuilders which, after chewing over Philip Hammond's Autumn Budget on Wednesday, decided it was not so bad after all.

A major drag on the indice was the financial and utilities sectors, with Centrica weighing heavily.

The pound continued lower, following the release of UK GDP for the third quarter, which came in line with market expectations.

Centrica PLC (LON:CNA) lost 15.49% or down 25.30p at 138.0p after saying that its second half was "disappointing" and that it had lost 823,000 energy supply customers during the period.

Top gainers for the day include Bagir Group Ltd (LON:BAGR), which rose 90.91% to 2.625p. Its shares resumed trading Thursday after it announced a proposed strategic partnership with global textile manufacturer, Shangdong Ruyi Technology Group Ltd, which will see the Chinese company take around a 54% stake in its enlarged issued share capital.

Blur Group PLC (LON:BLUR) was major gainer, closing up 21.05%, to close at €5.75 after it gave a trading update that showed third quarter gross profit and revenue ahead of first half levels, and promises that the next quarter will see quarter-on-quarter improvement.

Housebuilders rebounded, after taking time to digest the budget, with Barratt Developments PLC (LON:BDEV) gaining 1.80%, or 11.00p to close at 621.00p while Berkeley Group Holdings PLC (LON:BKG) closed up 2.00% or 73.0p at 3,730.0p and Permimmon PLC (LON:PSN) ended 1.03% or up 27.0p at 2,651.0p.

The top losers for the day include Telit Communications Plc (LON:TCM), which lost 21.56% or 40.75p at 148.25p, after unveiling a new non-executive chairman and other board changes.

Mothercare plc (LON:MTC) eased 18.56% or 15.50p to close for the day at 68.00p.

3.20pm: Little action on US Thanksgiving

The Footsie ticked higher in very quiet late afternoon trading, just benefitting from a slightly lower pound, with volumes subdued as Wall Street was closed for US Thanksgiving Day.

About 3.15pm, the FTSE 100 index was up around 2 points at 7,420, just below the session peak of 7,422.73 having rallied from an early low of 7,373.31.

On currency markets, sterling was down 0.1% versus the dollar at US\$1.3305, and off 0.4% against the euro at €1.1234 after a CBI report showed a rebound in retail sales volumes, and UK third quarter growth was unrevised, as forecast.

Connor Campbell, financial analyst at Spreadex said: "The contrast between the UK and Eurozone economies didn't do the pound any favours this Thursday. While the UK's 2nd estimate third quarter GDP came in unchanged at 0.4% - and 1.5% at the annual rate - that wasn't exactly something to celebrate. Especially not when it was revealed that construction output fell 0.9%, worse than initially thought, with business investment growth shrinking from 0.5% to 0.2% between Q2 and Q3."

He added: "In comparison, the Eurozone's most recent composite PMI hit a 6 and a half year peak of 57.5, driven higher by a strong month for France (and, predictably, Germany). The reminder that the UK is seriously lagging behind its peers dragged the pound down ... against the euro, helping sterling shed more of the growth it managed at the start of the week."

#### Healthy small cap trio

Among the corporate movers, a trio of small cap biotech and healthcare companies found support this afternoon, led by MedaPhor Group PLC (LON:MED) ahead 30% at 19.5p after it said it has been granted a new £464,000 funding offer from Innovate UK for the development of a new augmented reality imaging device to improve ultrasound guided needling for medical procedures.

Meanwhile Tiziana Life Sciences PLC (LON:TILS) rose 20% to 180p after the biotech firm revealed that its miliciclib drug met its primary endpoints in two phase II clinical trials for patients with thymic carcinoma and thymoma.

And shares in ANGLE PLC (LON:AGL) gained 7.5% at 43p after the medical diagnostics group said it will collaborate with healthcare and electronics giant Philips.

The Dutch company has secured a research grant from the European Union worth €6.3m, of which €0.45m (£0.4m) will flow to ANGLE. As part of the four-year collaboration, Philips will use ANGLE's Parsortix cell separation technology to harvest circulating tumour cells for analysis.

#### 12.15pm: Footsie drifts lower again

The FTSE 100 index eased back in lunchtime trading with volumes likely to drop off this afternoon. Wall Street is closed on Thursday for the US Thanksgiving Day holiday.

Yikes! Not every Thanksgiving Day Parade goes smoothly. [pic.twitter.com/hsSyXCh32b](https://pic.twitter.com/hsSyXCh32b) #Entertainment #Hollywood

— FamousOnBlast (@FamousOnBlast) 23 November 2017

Around 12.30pm, the UK blue chip index was down 5 points at 7,414, retreating from the session peak of 7,419.60 having bounced from an opening low of 7,373.31.

On currency markets, the pound was 0.1% lower versus the dollar at US\$1.3307, and down 0.4% against the euro at €1.1234 after a CBI report showed a rebound in retail sales volumes, and UK third quarter growth was unrevised, as forecast.

Howard Archer, chief economic advisor to the EY ITEM Club commented: "The CBI distributive trades survey pointed to a marked pick-up in retail sales in November after a very weak October survey."

Although, he added: "It should be noted that the CBI survey has been particularly volatile over the last few months with major swings in the balance. "

#### Mothercare weak

But on all was happy on high street, with Mothercare plc (LON:MTC) shares shedding over 16% to 70p after the baby and toddler's products retailer fell into the red at the half-year stage, posting an adjusted loss before tax of £700,000

against an adjusted profit of £5.9mln.

The group's like-for-like sales were mixed, with UK sales up 2.5% year-on-year as online sales rose 5.3%, but international sales were down 8.0%.

Elsewhere, FTSE 250-listed pubs operator Mitchells & Butlers PLC (LON:MAB) shed 7% to 239.6p as it reported a drop in full year profits as a Brexit-hit pound pushed input costs higher.

Inflationary cost pressures led to a 3.1% decline in adjusted operating profit to £314mln in the year to 30 September 2017.

And fellow mid cap Cineworld PLC (LON:CNE) lost 1.6% at 658p as a slowing box office revenues in both the UK and overseas offset a 7% increase in revenue for the past 10 months.

Among the blue chips, Centrica PLC (LON:CNA) remained the biggest drag on the FTSE 100 index, dropping 15.6% to 137.8p after the owner of British Gas issued a shock profit warning.

11.15am: Retail sales rebound helps Footsie

UK retail sales picked up in the year to November following a significant dip in October, according to the latest CBI Quarterly Distributive Trades Survey.

The survey of 128 respondents showed a rebound in the reported volume of sales to +26 in November, from -36 in October, though expected volumes fell to +3 this month from +23.

Retail sales rebound but business conditions deteriorate - latest Distributive Trades Survey <https://t.co/IliFtwskuH>

— CBI (@CBItweets) 23 November 2017

The CBI said average selling prices saw the strongest growth in over 26 years in the year to November, with similar price growth expected next month.

But it noted that tepid trading conditions for the retail sector are taking their toll on hiring and optimism, with employment declining in the year to November, for the fourth quarter running.

Rain Newton-Smith, CBI chief economist, said: "It's great to see retail sales rebound this month after a big dip, but let's be clear: our high streets are not out of the woods.

"Ahead of the crucial run up to Christmas, the weaker pound has pushed up prices and retailers are nervous about business conditions and are trimming their workforces."

The positive news for the high street helped the Footsie cut its losses in late morning trading, with the UK blue chip index just around 1 point lower at 7,418, having bounced from an opening low of 7,373.31.

Sterling eased back after the CBI report, losing 0.1% versus the dollar at US\$1.3304, and down 0.4% against the euro at €1.1230.

10.15am: Double-digit drop by Centrica

A plunge by Centrica PLC (LON:CNA) remained the biggest drag on the FTSE 100 index in mid-morning trading after the British Gas owner issued a shock profit warning.

Centrica shares easily topped the blue chip fallers list, dropping over 17% to 135.1p after the warning amid falling customer numbers and price pressure, which raised worries over the long-term sustainability of the dividend.

Centrica, over-reaction? Surely a bid target at these levels - everyone needs heating -British Gas. One normally thinks of utilities as being stable investments. Not today @russelljones25 @ZaksTradersCafe

— Ronnie Chopra (@RonnieChopra1) 23 November 2017

Russ Mould, investment director at AJ Bell commented: ""If the shares stay down at those levels the owner of British Gas will become the ninth current FTSE 100 member firm to have suffered a drop of 10% or more in a single trading day this year."

He added: "There were two more instances this year in June (Provident Financial) and August (WPP), although Provident Financial has since dropped out of the index."

The big fall by Centrica helped pull the FTSE 100 index 18 points lower to 7,400, although that was off earlier lows of 7,373.31.

9.45am: FTSE 100 stays weak, sterling flat

The Footsie remained lower as the morning session progressed, with the pound just a touch weaker after the second reading for UK third quarter growth shows no change from the preliminary reading of 1.5%, as forecast.

The numbers come a day after Chancellor Philip Hammond revealed that the Office for Budget Responsibility has downgraded its UK economic growth forecasts for the next five years.

This is the first time in modern history that the official UK GDP growth forecasts are below 2% every single year over the forecast horizon

— Ed Conway (@EdConwaySky) 22 November 2017

James Hughes, chief market analyst at AxiTrader commented: "After yesterday's gloomy outlook today's GDP reading was always going to be closely watched, with expectations for the QoQ reading to come in at 0.4% and the YoY number at 1.5%."

"The figures came in in line with expectations at 1.5%, which is no surprise seeing as the estimate for 2017 was released only yesterday at 1.5%. The worry of course is still that fact that in March the government predicted GDP growth for 2017 at 2%."

He added: "Again Brexit is a huge issue here, and the fact that economy continues to be in the dark about any post Brexit business environment means that both businesses and individuals are likely to keep the purse strings tight and the business decisions conservative."

Around 9.45am, the UK blue chip index was around 22 points lower at 7,397, just easing off the early low of 7,373.

On currency markets, sterling was 0.2% lower versus the dollar at US\$.3302, and was flat against the euro at €1.2131.

8.35am: Footsie drops back

The FTSE 100 index was weak in early trading, tracking overnight falls by New York and Asian markets, with British Gas owner Centrica PLC (LON:CNA) plunging after a profit warning.

Around 8.30am, the UK blue chip index was down about 37 points at 7,382, having closed 7.68 points higher on Wednesday.

On currency markets, the pound slipped 0.1% lower versus the dollar at US\$1.3314 and shed 0.2% against the euro to €1.1250, with traders awaiting the second reading for third quarter UK GDP, which is forecast to be unrevised at 1.5%.

On the corporate front, Centrica's shares dropped 12.6% to 142.70p as the energy provider said its full year earnings will be lower than market forecasts as it lost 823,000 accounts in the four months from the end of June to the end of October.

The British Gas owner said its second half performance has been "disappointing" due to tough competition and warmer-than-usual weather.

The news hit fellow blue chip energy provider SSE PLC (LON:SSE), down 2.3% at 1,335p, which was also impacted by a cut in price target for German broker Berenberg.

Energy distribution group National Grid PLC (LON:NG.) was also a faller, losing 2.4% at 869.7p as the stock traded without entitlement to its latest dividend payment this morning.

Overall ex-dividend factors cut 6.9 points from the FTSE 100 index, with mobile telecoms giant Vodafone PLC (LON:VOD) the biggest component of that number.

On the upside, however, water firm Severn Trent PLC (LON:SVT) was the biggest FTSE 100 gainer, adding 2.2% at 2,169p after it reported a 4.4% rise in first half profit, and more than doubled the incentives it expects to receive from the water industry regulator, Ofwat.

Peer United Utilities PLC (LON:UU) was also higher, ahead 0.3% at 784.5p following its half year report on Wednesday.

Proactive news headlines:

Rainbow Rare Earths Ltd. (LON:RBW) has reaffirmed that first production and sales of rare earth concentrate from the Gakara Rare Earth Project in Burundi are on schedule for the fourth quarter of 2017.

Tharisa PLC (LON:THS) has announced plans to reward its shareholders by recommending a substantially increased dividend and an improved dividend policy, including the introduction of an interim payout.

Shares in ANGLE PLC (LON:AGL) edged higher at the opening bell on Thursday after the medical diagnostics group said it will collaborate with healthcare and electronics giant Philips. The Dutch company has secured a research grant from the European Union worth €6.3m, of which €0.45m (£0.4m) will flow to ANGLE.

The former chairman of gambling group 888 Holdings PLC (LON:888) Richard Kilsby has been confirmed as the new non-executive chairman at Internet-of-Things specialist Telit Communications PLC (LON:TCM). Among a raft of other board changes, interim chief executive Yosi Fait has also been given the gig on a permanent basis.

E-commerce enabler Blur Group PLC (LON:BLUR) is on an upward trajectory, with third quarter gross profit and revenue ahead of first half levels.

Marble quarrying and finishing business Fox Marble Holdings PLC (LON:FOX) has made further shipments to Turkey under its agreement with Simsekler Mermer.

Amphion Innovations PLC (LON:AMP) said Polarean Imaging, in which it has a 26% stake, is expected to float in the first quarter of 2018.

Directa Plus (LON:DCTA) and Italian group Iterchimica are to launch a new form of road asphalt enhanced by graphene. Called Eco Pavé, Directa Plus believes the new product can significantly improve the durability and sustainability of asphalt road surfaces.

IronRidge Resources Limited (LON:IRR) has begun trench sample work at its Dorothé project in Chad after new gold zones were exposed by artisanal workings. A new excavator will be used on an area of 1.8km x 1km at 200m trench spacing with the results to help identify drill targets.

Bushveld Minerals Limited's (LON:BMN) Lemur coal and energy subsidiary has signed a binding power purchase agreement with Madagascar state-owned utility JIRAMA as part of the Imaloto power project on the island.

Eco (Atlantic) O&G's (LON:ECO) balance sheet has been transformed by the recent investments from Africa Oil and Total, according to finance director Gadi Levin. Africa Oil invested £8.5m at 29p per share, while Total paid US\$1m (£760,000) for an option over the Orinduik Block, with a further US\$12.5m to come if it is exercised by the French group.

Gfinity PLC (LON:GFIN), the leading international esports entertainment group has appointed Andy MacLeod, Garry Cook and Preeti Mardia as non-executive directors of the company with immediate effect. The firm said concurrently, non-executive directors Jon Varney, Phil Shuldham-Legh and David Yarnton have stepped down from the board with immediate effect. In addition, it said, current executive director, Paul Kent, will also leave the group's board in order to take on additional operational responsibilities within the executive team, leading development of the esports programmes and technology solutions.

#### 6.50am: Weaker start predicted

The Footsie is seen opening lower on Thursday following weaker showings overnight on Wall Street and in Asia, with sterling consolidating gains versus the dollar after cautious Federal Reserve meeting minutes.

Spread betting firm CMC Markets expects the FTSE 100 index to open around 15 points lower at 7,404, having added just 7.68 points on Wednesday, which was well off earlier highs after housebuilders took a kicking in reaction to the UK Budget.

On currency markets, sterling held Wednesday's gains versus the dollar, up slightly at US\$1.3241 and stayed flat against the euro at €1.1746.

Ipek Ozkardeskaya, senior market analyst at London Capital Group said: "The US dollar fell after the Federal Reserve (Fed) minutes showed that some members were less sure about the speed of the US rate tightening due to tepid inflation.

"This being said, a December rate hike is still highly likely (92.3%) to happen, what will the Fed do after December is uncertain."

On the domestic economic front, the second reading for UK third quarter growth will be released at 9.30am, a day after Chancellor Philip Hammond revealed that the Office for Budget Responsibility has downgraded its UK economic growth forecasts for the next five years.

Third quarter UK GDP is expected to come in at 1.5%, in line with the preliminary figure. Meanwhile, the CBI's retail figures for November, due at 11.00am, are seen improving to positive 5 from October's minus 36 reading.

#### Tariffs key for Centrica

Among the corporate news scheduled, the latest third quarter trading update from British Gas owner Centrica PLC will be scrutinised closely on Thursday amid a planned clamp-down on energy tariffs by regulator Ofgem, following price cap election pledges from the UK government.

Earlier this week, Centrica announced that it is scrapping its standard variable tariff (SVT) - its most popular form of tariff - for new customers as part of a range of measures it says will help reform the energy market more than the introduction of price caps.

The FTSE 100 listed said 10% of British Gas customers switched away from that particular tariff in the first half of this year, and investors will be keen to see whether such moves have helped to boost customer retention.

#### Cost pressures key for pubs operator Mitchells & Butlers

Meanwhile, full year results from Harvester, Toby Carvery and All Bar One pubs operators Mitchells & Butlers PLC (LON:MAB) are likely to be dominated by cost pressures, with the FTSE 250 listed firm having guided to £56mIn of external cost pressures.

Analysts at Numis Securities expect the pubs firm's EBIT margin to be 14.3%, a 90 basis point reduction from full year 2016, after a 100 basis point reduction in the first half.

They also think that with sales momentum fading at the end of the year but cost inflation likely to persist, they believe the risks to full year 2018 estimates remains on the downside.

Little has been guided ahead of Mothercare PLC's (LON:MTC) first half results, due out on Thursday, though investors will be hoping that the child and baby focused retailer maintained a positive performance through the second quarter.

Analysts at Numis Securities expect Mothercare's group pretax profit to be broadly flat at the interim stage, but noted a second half weighting to profitability.

Significant events expected on Thursday 23 November:

**Trading update:** Centrica PLC (Q3) (LON:CNA), Rotork (LON:ROR), Empiric Student Property (LON:ESP)

**Finals:** Mitchells & Butlers PLC (LON:MAB), Paragon Banking Group (LON:PAG)

**Interims:** Caledonia Investments PLC (LON:CLDN), CMC Markets (LON:CMCX), Mothercare (LON:MTC), Severn Trent (LON:SVT), Liontrust Asset Management (LON:LIO), Hogg Robinson Group (LON:HRG), First Property Group (LON:FPO), Worldwide Healthcare Trust PLC (LON:WWH)

**Ex-dividends:** To knock 6.9 points off FTSE 100 index (Carnival PLC (LON:CCL), DCC LC (LON:DCC), National Grid PLC (LON:NG.), Vodafone PLC (LON:VOD)

Around the markets:

- Sterling: US\$1.327, up 0.02%
- Gold: US\$1,291.60 an ounce, unchanged
- Brent crude: US\$57.89 a barrel, down 0.1%

City Headlines:

- Apple discovers student interns at iPhone X plant illegally worked overtime to build model - The Independent
- UK telecoms groups in line for up to £300mIn refund after Court of Appeal backs their challenge to sharp increases in the fee - Financial Times
- RBS share sale to begin by 2019 - but public's 71% stake is now worth just £23.7 billion a decade after £46 billion bailout - Daily Mail
- Europe's first bitcoin mutual fund launched by Tobam - Financial Times
- Turnaround puts William Morrison back on track - The Times
- B&M apologise over product which mum claims 'ruins Christmas magic' - The Scotsman
- CMC Markets chair expected to retire after almost 10 years on board - City AM
- Cloud lifts profits at Sage as transformation is completed - The Times
- Euromoney doubles money with Dealogic sale - Financial Times
- Shares in airport food retailer SSP take off after earnings beat - Financial Times
- Aston Martin posts first year of profit for a decade - Financial Times
- Dulux under threat again as owner Akzo Nobel's takeover of US rival is stopped - Daily Mail
- Newspaper publishers unite in video advertising deal - Daily Telegraph
- Car production rises as exports make up for falling UK demand - The Guardian
- Furniture maker Multiyork enters administration, putting 500 jobs at risk - The Guardian
- Completion of London's Thameslink rail project delayed until December 2019 - The Guardian

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Contact us +44 (0)207 989 0813 [action@proactiveinvestors.com](mailto:action@proactiveinvestors.com)

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