

FTSE & SMALL CAP MARKET REPORT

17:27 14 Feb 2019

FTSE 100 closes a tad higher but sentiment dented by US data

- FTSE 100 closes up 6 points
- AstraZeneca higher
- Micro Focus turning over a new leaf
- US shares mainly in red

Share Information

MarketTopic Synopsis:

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

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Close: Footsie ends off highs

FTSE 100 index closed out Thursday slightly higher, while other European benchmarks lagged after disappointing economic data from the US.

The retail sales report from across the pond for December showed a 1.2% decline, while economists were expecting an increase of 0.2%.

Also, an official report from first-time claims for US unemployment benefits unexpectedly increased in the week to February 9.

The UK blue chip index closed up just over 6 points at 7,197, while FTSE 250 shed over 74 at 18,898.

In Germany, the Dax shed 77 points and the French CAC 40 lost around 11. Wall Street stocks turned lower too, although the Nasdaq is up nearly 22 at the time of writing.

David Madden, at CMC Markets, said this afternoon: "Stocks rallied this morning after China announced better-than-expected import and export numbers overnight, but the downbeat economic announcements from the US dragged on the major European markets. It would appear that dealers are taking their influence from the US."

3.45pm: Footsie perks up as Astra gets its second wind

Helped by AstraZeneca getting its second wind now US markets are open, the Footsie has regained ground above 7,200.

The FTSE 100 was up 18 points (0.2%) at 7,09, helped by drugs giant Astra extending its morning gain to 7.3%.

"Investors should be confident the strategies put in place by management several years ago are working in turning the business around. We believe new drugs, its focus on oncology and expansion into the emerging markets will drive sales into 2019 and beyond," said Helal Miah, an investment research analyst at The Share Centre, commenting on AstraZeneca's trading statement.

"Overall this is an encouraging set of results and closely reflects that of their peer GSK, both of whom are successfully meeting the challenges of generic competition finally with investments in R&D and expansion into faster-growing areas of the world for healthcare needs," he added.

Top blue-chip riser on the day, however, was software group Micro Focus, which advanced 14% to 1,729p.

"After a very damaging profit warning and a change of chief executive, the company is at last showing signs of putting the whole sorry episode behind it," said AJ Bell's Russ Mould.

"Micro Focus had a well-earned reputation as a stock market cash machine in the first part of this decade. It returned

some 600p per share in ordinary and special dividends between 2011 and 2017, prior to the HPE deal.

"Today's full year results show some signs it can regain its credibility with investors in this regard as both cash flow, debt and revenue come in better than expected, the dividend is hiked and its share buyback scheme is extended," Mould said.

3.00pm: US benchmarks open lower

As expected, US markets opened lower after some shocking retail sales figures.

The Dow was down 163 points (0.6%) at 25,380 while the S&P 500 was down 13 points (0.5%) at 2,740.

"There's no doubt about it, December's US retail sales figures are off-the-charts bad but there are a few reasons to treat these numbers with caution, as we think the strong jobs market should support a rebound over coming months," suggested James Smith at ING Economics.

"While the figures were always going to be dragged lower by a fall in the oil price, the broad-based nature of December's decline in sales will add to fears the US economy is entering a softer phase. The control group, which excludes a variety of volatile items, fell by 1.7% on the month, the scale of which has only been matched once before (in the aftermath of the September 2001 attacks)," Smith noted.

Daiwa Capital Markets said analysts were looking for a soft report on retail sales but the "actuals" were far weaker.

"Some of the weakness occurred in the gasoline component because of lower prices (-5.1 per cent), but activity excluding autos and gasoline also was notably soft (-1.4 per cent). To add insult to injury, results in the prior two months were revised lower.

"Sales for October and November combined were 0.3 per cent lighter than previously believed (ex-autos off 0.5 per cent; and excluding autos and gasoline off 0.4 per cent)," Daiwa added.

Following the US jolt, the Footsie's gains have all but evaporated. The top-share index was up 10 points (0.1%) at 7,201.

2.15pm: US retail sales decline the worst since 2009

Alarming US retail sales figures have taken the gloss off what was expected to be a firm start on Wall Street.

The Dow Jones is now trading at around 25,406 on spread betting sites, having closed last night at 25,543, while the broader-based S&P 500 was ticking lower at 2,740, compared to last night's close of 2,753.

US retail sales in December fell 1.2%, registering the largest decline since 2009, shortly after the credit crunch took hold.

Economists had expected the December reading to be flat.

Biggest miss in US retail sales versus consensus since March 2009.

— Frederik Ducrozet (@fwred) February 14, 2019

The FTSE 100, which had been poodling along at around the 7,233 level - its high point for the day - before the US retail sales figures came out retreated to 7,206, up 16 points on the day.

12.30pm: Blue-chip index in consolidation mode

UK blue-chips got off to a solid start following the release of encouraging Chinese trade data overnight and have been mostly trading sideways since.

The FTSE 100 was up 28 points (0.4%) at 7,218.

"China announced stronger-than-expected import and export figures overnight. Exports jumped by 9.1%, while economists were anticipating a decline of -3.2%. The impressive figure underlies foreign demand for Chinese goods," said David Madden at CMC Markets.

"Beijing confirmed that imports dipped by 1.5%, but the consensus estimate was for a drop of 10%. The previous report saw a 7.6% decline, so the domestic demand is clearly heading in the right direction. Overall, the figures confirm the global economy is in better shape than originally thought, and that has lifted investor confidence; the fact that China's economy is showing some signs of improvement might mean Beijing will be less susceptible to pressure from the US regarding the trade dispute," Madden suggested.

It's been a day of board room changes with Restaurant Group PLC (LON:RTN) slumping 13% to 127.3p after chief executive officer Andy McCue cashed in his chips and price comparison websites operator Moneysupermarket.com Group PLC (LON:MONY) rising 5.4% after non-executive director Robin Freestone was named as the successor to chairman Bruce Carnegie-Brown.

Further down the food chain, invoice processing and factoring specialist Tungsten Corporation PLC (LON:TUNG) shot up 17% to 28p after its chief executive, Richard Hurwitz, departed abruptly.

11.30am: Mid-cap index in the wars after news from ConvaTec, Restaurant Group and Ashmore
The blue-chip index continued to hold station in positive territory on the back of hopes of progress in US-Sino trade talks.

The FTSE 100 was up 21 points (0.3%) at 7,223.

If the Footsie's advance appears to be running out of steam the same could be said of Wall Street.

"The optimism on Wall Street seems to be running thin on the ground, despite reports emerging that Donald Trump is considering pushing back the March 2nd tariff increases on Chinese imports by as much as two months if this week's talks continue to go well. This news has helped reverse yesterday's post-market sell-off for US index futures, but given the significance of the call, this may have the potential to deliver further gains in the near term," said James Hughes at Axi Trader.

The online trading platform operator is calling the opening of the Dow Jones at 25,575, up 32 points, and the S&P 500 at 2,757, up 4 points.

The FTSE 250, in contrast to its bigger brother, was in the red, down 22 points (0.1%) at 18,951.

ConvaTec Group PLC (LON:CTEC), the medical products and technologies company, was leading the retreat.

The shares lost around one-fifth of their value after releasing what chief executive officer Rick Anderson conceded were "disappointing results".

Adjusted earnings before interest and tax (EBIT) were down 6.0% in 2018 from 2017's level.

New post: "ConvaTec hits the skids as full-year numbers and 2019 guidance disappoint" <https://t.co/l9c3rLv4DF>

— SykesFanClub (@SykesFanClub) February 14, 2019

Other mid-caps getting it in the neck included Restaurant Group PLC (LON:RTN), down 14.7% after the company's chief executive moved on, and Ashmore Group PLC (LON:ASHM), the asset management group, which was 4.3% lower after half-year profit before tax was flat year-on-year at £93.0m.

10.15am: Germany escapes entering a recession by the skin of its teeth
UK shares came off the top in the wake of underwhelming economic growth data from Germany.

Schadenfreude is not a noble emotion - it is, however, capable of generating a cracking score in Scrabble - but as the House of Commons continues to make a pig's ear of Britain's exit from the European Union, it is hard to resist raising an eyebrow over how close Germany has come to entering a recession.

"Germany has escaped a recession but only just," noted Neil Wilson at markets.com.

"German growth was flat in the fourth quarter, signalling that Europe's largest economy is stalling and could easily be heading for recession.

"The German economy grew 1.4% last year but the second half was weaker - coincidentally this collapse in the EZ growth figs in the second half happened after Draghi and the ECB announced the end of QE in June. Timing is everything," Wilson declared.

The FTSE 100 was up 15 points (0.2%) at 7,206.

"Earnings and hopes of more US-China progress continue to support equities across the globe, despite the somewhat mixed session in Asia overnight. The longer this bounce goes on, the greater the chance that the market moves from 'high volatility' to 'relentless grind higher', similar to what we saw in 2017 and the middle of 2018," opined Chris Beauchamp, the chief market analyst at IG Group.

"News that Germany barely skirted recession in Q4 has done little to boost the euro, which remains near the three-month lows it hit yesterday. Once again, European stocks are at risk of being left trailing behind the US, but with growth so weak in Europe it is hardly surprising. Brexit and a trade spat with the US cloud the outlook, and it will soon be up to the ECB to rescue the situation," he added.

The spread betting firm is currently expecting the Dow Jones index to open around 25 points higher than last night's close.

In corporate news, low-cost airline easyJet PLC (LON:EZJ) was marginally outperforming the market after confirming it is in discussions with Ferrovie dello Stato Italiane and Delta Air Lines about forming a consortium to explore options for the future operations of Italy's flag-carrier, Alitalia.

9.30am: Pharms do much of the heavy lifting for the FTSE 100

Ahead of today's parliamentary debate on Brexit, UK investors have decided to adopt a mood of optimism - at least in respect of equities.

The FTSE 100 was up 29 points (0.4%) at 7,220, a few points below its high for the day, despite ex-dividend stocks taking a 19 point bite out of the Foolsie.

"The main UK focus today will be the House of Commons debate on Brexit, with proposed amendments aimed at giving MPs greater control over the process to be subsequently voted on; however, with [Theresa] May having promised to come back to Parliament on 26 February with a further update, and parliamentarians to be given another opportunity to influence Brexit policy the following day, today's debate seems likely to be a rerun of what happened a fortnight ago when MPs failed to agree on anything of substance," suggested Daiwa Capital Markets.

"Nevertheless, the government might well still lose this evening's non-binding vote seeking endorsement of its own strategy," Daiwa added.

The warm reception given to Astra's fourth-quarter update has had a halo effect on sector peers, GlaxoSmithKline PLC (LON:GSK), up 1%, and Hikma Pharmaceuticals PLC (LON:HIK), up 0.9%.

"2018 feels like the year Astra turned the corner - despite the fairly ugly drop in profits.

"In recent years Astra's been slowly eating itself to keep the dividend going, while it waits for the pipeline to deliver.

Selling off long term assets in exchange for cash today isn't sustainable, and the labs were always in a race against the clock," observed Nicholas Hyett, an equity analyst at Hargreaves Lansdown.

"CEO Pascal Soriot is now reaping the benefits of patience. The Oncology portfolio is going from strength to strength, and while the steady decline in Nexium sales remains a thorn in the group's side it's only going to become less important as time goes on.

"Even after recent successes the pipeline of new drugs looks rich. Meanwhile rolling more mature drugs into emerging markets also seems to [be] delivering results, with sales to those markets accounting for 33% of the group total this year. Admittedly that's being driven largely by growth in China, which has proven a volatile market of late, but a newly wealthy middle class is unlikely to see drugs as a luxury that can be picked up and dropped like an iPhone," he added.

Shares in Astra were up 4.1%.

Soft drink bottler #CocaCola HBC AG reported a 9.6% rise in full-year comparable core #profit, boosted by higher volumes and lower costs. @CocaCola <https://t.co/CQthtCMirQ>

— ESM Magazine (@esm_magazine) February 14, 2019

Failing to participate in the market's advance was bottling company Coca-Cola HBC (LON:CCH), down 4.7% at 2,568p.

"Economic growth in 2019 is forecast to slow down in a number of our markets, which is likely to negatively impact consumer spending in the Established and Developing segments," the company warned.

8.30am: The Footsie hits four-month high

The Footsie has barrelled its way above the 7,200 level for the first time since October.

The top-share index was up 23 points (0.3%) at 7,214, with Micro Focus International PLC (LON:MCRO) and AstraZeneca PLC (LON:AZN) blazing the trail.

Legacy software specialist Micro Focus has been in the doghouse since its acquisition of Hewlett Packard's software arm but it bounced back today after announcing a 9.2% year-on-year increase in pro-forma earnings (i.e. after adjusting for the fact that the latest figures are for an 18 month period).

"The software stock, which has been struggling to integrate the costly assets it bought from Hewlett-Packard a couple of years ago, shot up 10%, striking an 11-month high of £16.73 after it revealed a better-than-forecast, but admittedly still not great, 5.3% drop in full-year pro-forma revenue," commented Connor Campbell at Spreadex.

Drugs maker AstraZeneca, meanwhile, was up 3.4% after it said fourth-quarter revenues were up 14% on a constant currency basis from a year earlier.

INVESTOR UPDATE

THURSDAY 14TH FEBRUARY 2019

with @tellypolly#stocks #LSE #FTSE100 #AIM #proactive #investors #news #business #finance #ValentinesDay #love #rosesh <https://t.co/2zX4ta6HbV> pic.twitter.com/c0cUkfXicp

— Proactive Investors (@proactive_UK) February 14, 2019 Proactive news headlines:

Strategic Minerals PLC (LON:SML) highlighted the world-class potential of the Redmoor project as it revealed a new mineral resource estimate. It was estimated that Redmoor contains some 137,000 tonnes of inferred tin resources, up from 45,000 tonnes.

Medical imaging specialist Feedback PLC (LON:FDBK) has appointed Dr Tom Oakley as the chief executive of its Feedback Medical operating subsidiary.

Redx Pharma Plc (LON:REDX) said that, further to its announcement of 19 November 2018, James Mead assumed his

new role as the chief financial officer on 1 February 2019. The company also announced that on 13 February 2019, options over 1,200,000 ordinary shares in the company, were granted to Mead.

SkinBioTherapeutics PLC (LON:SBTX) said Dr Cath O'Neill will be "transitioning" from her role as chief executive this year with the life sciences company looking for a "commercially experienced individual" to succeed her.

Cabot Energy PLC (LON:CAB) told investors that it will use a new moratorium on Italian exploration activities as an opportunity to evaluate its future strategy in the country. Italy earlier this week introduced a pause of up to 18 months on all work on oil and gas exploration permits or applications to allow a review as part of the 'Plan for Sustainable Energy Transition of Suitable Areas' (PTESAI) bill.

Global healthcare and life sciences company Arix Bioscience PLC (LON:ARIX) said Harpoon Therapeutics, one of its portfolio companies, has completed its flotation on NASDAQ. Harpoon, a clinical-stage immunotherapy company developing a novel class of T cell engagers, completed an initial public offering (IPO) of 5.4mln shares at US\$14 a share, raising US\$75.6mln.

Motif Bio Plc (LON:MTFB) (NASDAQ:MFTB) said it has requested a meeting with the Food & Drug Administration after the US watchdog said it wouldn't be giving the regulatory green light to the company's antibiotic, iclaprim. In what's called a complete response letter, the FDA indicated additional data would be required "to further evaluate the risk for liver toxicity" before granting approval.

Fund manager Tavistock Investments PLC (LON:TAVI) reiterated its commitment to pay a maiden dividend this fiscal year despite trading being below expectations. The company said that funds under management (FUM) and earnings are still expected to grow significantly in the year to the end of March, albeit not as rapidly as management had hoped.

Africa-focused property investor Grit Real Estate Income Group Limited (LON:GR1T) expects to meet its income targets though property conditions in its markets aren't easy. "Given the strength of the Group's existing portfolio, the Company expects to continue to deliver annual rental growth as well as possible capital value increases through yield compression," said Bronwen Corbett, chief executive.

IronRidge Resources Limited (LON:IRR) said it had secured access rights for a "highly prospective" gold license application to the Zaranou project in Côte d'Ivoire. Big Pic in December.

Futura Medical PLC (LON:FUM) said it will host its first European Key Opinion Leader (KOL) Advisory Panel meeting ahead of the 21st Congress of the ESSM on 14-16 February 2019, at Cultural and Congress Centre Cankarjev Dom, Ljubljana, Slovenia. This meeting follows the successful US KOL Advisory Panel meeting at the Sexual Medicine Society of North America (SMSNA) in November 2018.

DP Poland Plc (LON:DPP) announced that it has conditionally raised additional gross proceeds of approximately £0.5mln via the Broker Option in its fundraising announced on 7 February. The group said an additional 8,333,333 new ordinary shares were placed by Peel Hunt at a price of 6p each, with significant demand via the Broker Option and the book over-subscribed.

Galantas Gold Corporation (LON:GAL) (TSX:GAL) said it has awarded 3,200,000 incentive stock options to directors, officers, consultants and key employees. The group said the exercise price for the options, which expire on February 13, 2024, is C\$0.09 per share.

6.45am: London expected to pick up the mood of cautious optimism

The FTSE 100 is seen slightly higher ahead of Thursday's open following both Wall Street and Asian stock benchmarks which showed cautious optimism that progress was being made to resolve the trade standoff between the US and China.

IG Markets called the London index up 12 points, making the spread 7,183 to 7,186 with more than an hour to go to the start of trading.

Elsewhere, inevitably, Brexit is a talking point on everyone's agenda.

"The pound was moving higher ahead of another Brexit vote in Parliament today, after dropping to a low of \$1.284 in the previous session," said Jasper Lawler, an analyst at London Capital Group.

"Parliament could continue to take control of the Brexit process through another round of debate and votes on amendments.

"The fact that there will now be another meaningful vote on 27th February has taken the pressure of today's vote. This is no longer last chance saloon!"

Wall Street closed Wednesday's session with the Dow Jones up 117 points or 0.46% to 25,543, while the S&P 500 moved 0.3% higher to 2,753 and the Nasdaq ended the day up 0.07% at 7,420.

Having seen positive territory earlier in the session both Japan's Nikkei was more or less flat, at 21,139. Hong Kong's Hang Seng was 0.2% lower, however, and the Shanghai Composite was a couple points higher at 2,723.

Looking back to London and the FTSE 100, a number of big-name stocks go ex-dividends and will knock some 19.7 points off the index.

Significant events expected on Thursday:

Finals: AstraZeneca PLC (LON:AZN), Coca Cola HBC PLC (LON:CCH), Indivior PLC (LON:INDV), Micro Focus International PLC (LON:MCRO), ConvaTec Group PLC (LON:CTEC), Moneysupermarket PLC (LON:MONY), Lancashire PLC (LON:LRE), Attract Group PLC (LON:ATQT)

Interims: Ashmore Group PLC (LON:ASHM), MJ Gleeson PLC (LON:GLE), Grit Real Estate Income Group Limited (LON:GR1T)

Trading updates: Trifast PLC (LON:TRI), Safestore PLC (Q1) (LON:SAFE), UK Commercial Property REIT (LON:UKCM)

Ex-dividends to knock 19.7 points off FTSE 100 index: BP PLC (LON:BP.), Hargreaves Lansdown PLC (LON:HL.), Royal Dutch Shell PLC (LON:RDSA) (LON:RDSB), Unilever plc (LON:ULVR)

Economic data: RICS housing market survey; US weekly jobless claims; US PPI

Around the markets:

- Pound: US\$1.2866, up 0.16%
- Gold: US\$1,308, up 0.13%
- Brent oil: US\$64.28, up 2.89%
- Bitcoin: US\$3,577, down 0.66%

City Headlines:

- Airbus to halt A380 superjumbo production as sales stall - Sky News
- Delay Brexit before it's too late, British diplomats tell May - The Times
- UK inflation falls to two-year low - Reuters
- Crackdown on young celebs in gambling ads - BBC News
- Brexit delaying public and private projects, says Galliford Try - The Guardian
- Denim brand Levi's plans stock market comeback - Sky News
- Johnson & Johnson to buy robotics group Auris Health for \$3.4bn - Financial Times

- Amazon, GM in talks to invest in electric pickup truck maker Rivian - Reuters

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