

FTSE & SMALL CAP MARKET REPORT

17:13 18 Feb 2019

FTSE 100 closes in red amid lower volumes but Reckitt Benckiser jumps

- FTSE 100 index closes lower
- Seven MPs resigns from the Labour Party
- Wall Street closed for President's Day

FTSE 100 closed in the red after an up-and-down sort of day but FTSE 250 gained ground Monday as US markets were closed for President's Day.

"European equity markets have experienced low volatility today on account of the US market being closed," said David Madden, analyst at CMC Markets, just before the close.

"US-China trade talks will continue this week and there is a continued sense of optimism. It is a similar story to last week, whereby, the fact that negotiations are still ongoing are seen as a step in the right direction."

He added: "The latest reports from the eurozone would suggest the region is going through an economic downturn, so traders are more likely to expect monetary policy to loosen, rather than to tighten."

Footsie closed down around 17 points at 7,219. The FTSE 250, on the other hand, added over 140 at 19,127.

On the UK premier share index, consumer goods titan Reckitt Benckiser plc (LON:RB.) was top riser, with the stock adding over 4.6% to 6,296p after announcing solid results, with full-year revenue adding 3% to £12.6 billion. The firm also confirmed that fourth-quarter like-for-like (LFL) sales grew by 4%, which topped the consensus estimate of 3.3%.

The top laggard was pharma giant Hikma (LON:HIK), which finished down 2.30% to 1,718p.

3.45pm: Blue-chips little changed; sterling rises following Labour Party defections

London's leading shares continued to sleepwalk their way through the day, deprived of the afternoon jolt the US market normally gives them.

The FTSE 100 little changed despite a strengthening by sterling on the foreign exchange markets.

The pound was in demand after seven MPs elected as Labour candidates announced they had resigned from the party.

.@lucianabarger announces seven Labour MPs have resigned from the Labour Party to form a new independent group, saying "this has been a very difficult, painful, but necessary decision" #LabourSplit <https://t.co/iAQE1PnRMR>
pic.twitter.com/PN9OOdfaFw

— BBC Politics (@BBCPolitics) February 18, 2019

The view of foreign exchange traders seemed to be that this would make it more likely that the next general election in Britain would return a government - presumably a Conservative one but a week is a long time in politics - with a working majority.

Sterling was up almost a quarter of a cent against the US dollar at US\$1.2916.

2.15pm: The Footsie finds forward gear

The FTSE 100 has clawed its way into positive territory - just.

Share Information

MarketTopic Synopsis:

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

action@proactiveinvestors.com

The top shares index was up 3 points at 7,240, with legacy software firm Micro Focus International PLC (LON:MCRO) leading the rally as its latest share buyback programme kicks in.

The shares were up 4.7% at 1,759.5p after the company revealed it repurchased 221,423 shares on Friday at an average price of 1,681.373p per share.

The second best performer among the Footsie's constituents was Anglo-Dutch consumer goods behemoth, Reckitt Benckiser, which was up 4.4% at 6,282p after the release of its results for 2018.

"Investors will not be rushing for the Nurofen this morning as there was a solid performance across the business from Reckitt Benckiser in its full year results this morning. As well as Nurofen, the group make other famous brands such as Dettol and Cillit Bang," explained Graham Spooner at the Share Centre.

"Overall revenue came in towards the top end of analyst expectations, leading to an 8.9% rise in profit of £2.7 billion and there was 3% rise in like for like sales.

"The soon to depart CEO stated that progress was made over 2018 with its strategic plan and the momentum is expected to continue in the year ahead, with the group giving guidance for 2019 revenue growth of between 3% and 4%.

"After a difficult couple of years these results may help restore a measure of investor confidence in the group," Spooner suggested, as he stuck with his 'hold' recommendation.

1.00pm: FTSE 250 continues to outpace its bigger brother

It is about that time of day when the market starts to pay attention to how US markets are likely to open.

Unfortunately, US markets are closed today so trading in London continues to - as the old cliché has it - seek direction.

The FTSE 100 was down 10 points (0.1%) at 7,226 and the FTSE 250 was up 124 points (0.7%), leaving the combo of the two - the FTSE 350 - virtually unchanged.

Spread betting firm Plus500 Ltd (LON:PLUS) was the biggest FTSE 350 faller after Canaccord Genuity slashed its target price to 546p from 1,052p.

READ Canaccord Genuity slashes Plus500 target price as it cautions of potential breakdown in investor trust following accounting error

Plus 500's shares were down 5.2% at 874p.

Among the small caps, it has been a good day for diamond explorers.

Botswana Diamonds PLC (LON:BOD) rose 10.3% after the intensification of its drilling campaign at Thorny River got off to a good start while investors welcomed the appointment of a chief executive officer (CEO) at Petra Diamonds Limited (LON:PDL), pushing the shares up 7.4%. Former AngloGold Ashanti chief financial officer Richard Duffy has got the CEO gig at Petra.

Noon: Morning of somnambulism ends; bring on the afternoon of somnambulism
London's leading shares continue to drift, in line with most other European markets.

The FTSE 100 was down 18 points at 7,219.

Big moves among household names have been thin on the ground today but convenience stores operator McColl's Retail Group PLC (LON:MCLS) did its best to fit the role.

The shares were up 11.1% at 56.2p following the release of its full-year results.

"Supply chain disruption caused major problems and led to a large decline in profit. While management are relatively upbeat about the outlook, it won't be an easy ride given how competitive the grocery sector remains," suggested AJ Bell's Russ Mould.

"McColl's looks to be doing the right thing. Its net debt is coming down rapidly, it is investing in its business to keep stores looking fresh, and it is getting rid of underperforming outlets.

"Furthermore, it is boosting the number of stores offering hot food and coffee and has added Subway counters to 23 sites.

"Unfortunately many of its rivals are also strengthening their proposition, meaning that 2019 is not going to be a breeze for McColl's. It needs to accelerate a shift into higher margin products to give its earnings some sort of cushion if new problems emerge. At the moment its operating profit margins are wafer-thin, leaving no room for error," Mould concluded.

Broker Liberum Capital Markets halved its target price to 50p and lowered its forecasts following the retailer's results.

"We remain HOLD, noting some positives beginning to show, but FY19E needs to be a year of stabilisation to give us confidence the downgrade cycle may have troughed," it noted.

10.30am: FTSE 250 shows the Footsie a clean pair of heels

Trading in London remains a snoozefest, with the FTSE 100 drifting sideways at its lower level, although the FTSE 250 is on the up.

The FTSE 100 was down 14 points (0.2%) at 7,222 while the FTSE 250 was 84 points higher (0.4%) at 19,072, with drugs firm Indivior PLC (LON:INDV) leading the advance after the stock's battering last week.

READ Indivior falls again as US court ruling clears way for launch of Suboxone generic

Indivior's shares were up 5.1% at 119.1p despite broker Jefferies cutting its price target to 114p from 118p.

Retailer Dunelm PLC (LON:DNLM) was also wanted, advancing 28p to 794p as RBC raised its target price to 650p from 600p.

Other than that and a bit of interest in JD Sports PLC (LON:JD.) after it took an 8.3% stake in Footasylum PLC (LON:FOOT), there has been little shaking among the FTSE 350.

JD Sports shares were up 2.5% at 460.8p while footwear flogger Footasylum's shares rocketed to 44.5p from 29p overnight.

Footasylum shares skyrocket 75% amid JD Sports' investment - <https://t.co/chqkxSllxo>

— Mark Hamilton-Smith (@MHSConsultancy) February 18, 2019

"European markets are trading water after a week of substantial gains across global stocks. Much of the focus has been on US-China trade talks, and whilst we saw little by way of notable breakthroughs, the tone and willingness to find a solution is certainly improving. The 1 March deadline for a resolution is less than two weeks away, yet market confidence still remains, as evident from the surge in Asian market overnight," observed Joshua Mahony at IG Group.

"Today's Presidents' Day holiday affords US traders a breather following the recent surge in US stocks which saw the Dow post the biggest weekly gain in a month," he added.

9.30am: Lethargy continues

UK shares remained in a subdued mood after a quiet start and could well remain so, given US markets are closed

today.

The FTSE 100 was down 17 points (0.2%) at 7,220, despite a bit of support from miners such as Antofagasta PLC (LON:ANTO), up 1.4%; Fresnillo PLC (LON:FRES), up 1.2% and Glencore PLC (LON:GLEN), up 0.7%.

Publishing group Pearson PLC (LON:PSO) was friendless, down 1.1% at 910.4p, after agreeing to sell its US K12 courseware business for US\$250mln.

"European markets opened flat before heading a shade lower but generally lacked direction on Monday as we look ahead to another round of trade talks. Last week's talks in Beijing seem to have been broadly positive and there is hope that as the circus moves to Washington there will be more progress. Equity investors seem to be buying this positive outcome story, but I would still be cautious," opined Neil Wilson at markets.com.

Holger Schmieding at Berenberg wonders whether the US is about to "up the ante" in its trade relationship with the European Union.

"Yesterday, the US Department of Commerce submitted its auto tariff probe report to US President Donald [sic]. It is likely that the report will conclude that car and car part imports from the EU "threaten the national security" of the US. If so, Trump now has 90 days to decide whether to levy the oft-mooted punitive tariffs of, perhaps, 25% on such car imports. Such tariffs, to which the EU would respond in kind, would be a massive escalation of the trade tensions between the two biggest economic powers of the world," Schmieding said.

"They could severely damage economic growth on both sides of the Atlantic. On balance, we maintain our view that the US and EU will find a compromise on trade and avert such a calamity. For Trump, increasing the pressure with such threats seems to be part of his usual hard-ball negotiating tactics," he added.

8.45am: Pause for breath

The FTSE 100 started in a subdued mood with traders taking stock after a 2.3% rise in the blue-chip index last week.

The index fell 13 points to 7,224.08 as it failed to follow the lead set by Asia's main markets, which were buoyed by trade optimism.

The Footsie's biggest mover, and headed in a positive direction with a 4% rise, was Reckitt Benckiser (LON:RB.) after the household products said its sales growth had more than matched City expectations.

Liberum called the fourth-quarter figures "solid" and was relieved there had been no erosion to profit margins. The City broker rates the stock a 'buy' up to £73 a share.

Nudging lower in early trading was Centrica (LON:CNA), which suffered a downgrade to 'hold' from 'buy' at the hands of the German mid-tier investment bank Berenberg.

The appointment of a new chief executive in the form of former AngloGold Ashanti executive Richard Duffy propelled the shares in Petra Diamonds (LON:PDL) 7% higher.

Among the tiddlers, it was another brutal day for Motif Bio, whose shares tumbled a further 27% amid funding worries.

Proactive news headlines:

Sound Energy PLC (LON:SOU) has announced that the TE-10 well, in Morocco, has higher exposure to net gas pay than previously estimated and, at the same time, has detailed the well is host to a significant amount of gas resources.

Strategic Minerals PLC (LON:SML)(USOTC:SMCDY) has revealed assay results from diamond drilling at the Paltridge North and Rosmann East prospects on the Leigh Creek copper project in South Australia.

Anglo African Oil & Gas PLC (LON:AAOG) has received US\$660,000 from SNPC, the Congolese state petroleum

company, for a share of costs of the recent successful well at Tilapia. There is also a proposal to repay the outstanding US\$9.5mIn owed to Anglo African through a short-term payment plan.

Speciality polymers company Itaconix PLC (LON:ITX) said underlying earnings (EBTIDA) for 2018 were in line with expectations.

88 Energy Ltd (LON:88E) confirmed that drilling operations kicked off at the Winx-1 well, in Alaska, on Friday. The drilling began on schedule, it added. As of yesterday, the well had been drilled down as far as 880 feet, and, the company noted that next in the plan is to drill down to around 2,500 feet before setting the surface casing.

BATM Advanced Communications Limited (LON:BVC) has been awarded an additional follow-on contract by one of its current customers, a government defence department, carrying a price tag of US\$3.3mIn.

ADES International Holding PLC (LON:ADES) has secured two onshore drilling contracts in the Kingdom of Saudi Arabia, following a competitive tender process, that will add a total estimated order backlog of around US\$150mIn.

Providence Resources PLC (LON:PVR) told investors it has licensed some 1,500 square kilometres worth of seismic data, to help it define the Avalon prospect ahead of a drilling decision. The data was acquired in 2017 in a multi-client capture campaign across Ireland's Atlantic frontier.

Motif Bio PLC (LON:MTFB) (NASDAQ:MTFB) said it will manage its cash aggressively after announcing plans to immediately repay a US\$7mIn tranche of a loan it has taken out. It also signalled it will have to quickly raise funds after being left with US\$3mIn in cash following the payment to Hercules Capital. It still owes US\$7.7mIn to Hercules.

Investment in the development of its oil and gas wellhead sealing technology will mean Plexus Holdings PLC (LON:POS) missing earnings expectations this year. Revenues are on track with enquiries for its POS-Grip technology rising, but the costs of promoting the technology and the heavier investment have affected margins.

SkinBioTherapeutics PLC (LON:SBTX) said it has raised £1.5mIn selling shares to an existing investor. Seneca Partners' holding in the company increases to 20.9% from 14.6% after it bought stock at 16 pence - a 16% discount to Friday's close.

Tissue Regenix Group (LON:TRX), the regenerative medical devices company, has announced the appointment of Stifel Nicolaus Europe as its nominated adviser and broker with immediate effect.

Anglo Pacific Group PLC (LON:APF) (TSX:APY), the London and Toronto-listed royalty company, has announced the appointment of Berenberg as the company's joint corporate broker with immediate effect. The group said Berenberg will work alongside its other joint corporate brokers, BMO Capital Markets and Peel Hunt.

Collagen Solutions PLC (LON:COS), the developer and manufacturer of biomaterials and regenerative medicines for the enhancement and extension of human life, has announced that Jamal Rushdy will be presenting at an investor evening hosted by Hardman & Co on Tuesday, 26 February at DAC Beachcroft, 100 Fetter Lane, London EC4A 1BN.

6.30am: Subdued start predicted

After a week in which the blue-chip index advanced 2.3%, the FTSE 100 looks set to make a subdued start to the trading week with the spread betting firms predicting it will nudge just three points higher to 7,239.68.

Overnight, Asia's main markets have enjoyed a decent trot, buoyed by growing optimism a trade deal between Washington and Beijing can be brokered.

"US-China trade talks made a little progress in Beijing last week, and the Chinese president, Xi Jinping, is reported to have said he is hoping both sides can reach an agreement that is mutually beneficial," said David Madden of CMC Markets.

"The trade negotiations will continue this week in the US, and dealers are viewing that as a positive step."

Back here in the UK, banking season gets into full swing this week with results from Barclays (LON:BARC), Lloyds (LON:LLOY) and HSBC (LON:HSBA) scheduled.

Last week, the Royal Bank of Scotland surprised with a relatively resilient set of prelims as it boosted its dividend.

Also reporting this week are the miner Anglo American (LON:AAL), Relx (LON:RELX), the publisher formerly known as Reed Elsevier, and Intercontinental Hotels (LON:IHG).

Significant announcements expected on Monday :
US, Canadian markets shut

Finals: Reckitt Benckiser PLC (LON:RB.), McColl's Retail Group PLC (LON:MCLS)

Interims: Petra Diamonds PLC (LON:PED), City of London Investment Group PLC (LON:CLIG), PCI-PAL (PCIP)

Around the markets:

- Pound worth US\$1.2910
- Gold trading at US\$1,326.60 an ounce, up US\$4.50
- Brent crude changing hands for US\$66.50 a barrel, up 25 cents

City Headlines:

Financial Times

- Tiger Global dumps Barclays stake in blow to Staley - New York hedge fund offloads US\$1bn stake as Barclays chief battles activist investor
- MPs slam Facebook for data abuse, call for new regulator
- UK says Huawei is manageable risk to 5G - blow to US efforts to ban Chinese company from allies' telecoms networks
- UK-Japan trade talks sour after ministers' letter - Tokyo baffled at UK foreign and trade ministers' tactics on eve of meeting
- UK rail industry calls for simpler ticketing - review submission suggests unbundling but falls short of consumer demands on prices

Times

- Citigroup is close to agreeing a £1.2bn deal to buy the skyscraper in Canary Wharf that houses its European headquarters
- The European Union's top diplomat in Washington has warned that punitive American tariffs on vehicle imports could "backfire politically" on President Trump if he decides to impose them
- Shell beats Apple in the battle of the dividends as payouts hit a record US\$1.37trn
- The American developer who bought the upmarket Smallbone of Devizes is ploughing £10mIn into the kitchen business to cover outstanding orders, including one placed by Bart Becht, the former boss of Reckitt Benckiser

Daily Telegraph

- Flybmi's sister company Loganair moves to land fallen airline's routes
- Philip Hammond running out of room to hit debt targets as slowdown bites, KPMG warns
- The EU risks allowing US to grab slice of UK's clearing industry
- Microsoft's flagship London store set for summer opening

Guardian

- Facebook labelled 'digital gangsters' by report on fake news
- Problem gamblers are using PayPal to spend up to £150,000 a day

- Petrofac co-founder accused posthumously of paying bribes

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.