

FTSE & SMALL CAP MARKET REPORT

17:34 13 Mar 2019

FTSE 100 closes marginally higher ahead of next Parliamentary vote on Brexit

- FTSE 100 closes higher
- Britain's growth forecast for 2019 cut from 1.6% to 1.2%
- Next UK parliamentary vote on Brexit awaited

FTSE 100 closed marginally higher as attention is firmly focused on tonight's latest Brexit vote in parliament.

US shares are higher, while other European benchmarks are also in positive territory as traders and the rest of the world take seats for the latest installment of the Brexit chaos.

Footsie closed up around eight points at 7,159, while FTSE 250 was up around 36 at 19,180.

"Stock markets are trading broadly unchanged today as dealers are cautious on account of Brexit," said analyst at CMC Markets David Madden.

"Westminster will be in focus again this evening as MPs are set to vote on whether the no deal option should be pursued or dropped.

Eurozone stocks are muted as Continental Europe could lose a lot too if the UK leaves the EU without a deal."

Meanwhile, in his spring statement, chancellor Philip Hammond promised to spend over £26 billion as a way of boosting the economy.

3.00pm: US stocks open firm; Boeing finally rallies

US markets ploughed higher with the Dow Jones index finally shaking off the negative impact of crisis-torn aircraft maker, Boeing.

In fact, Boeing opened higher today, helping the Dow rise to 25,689, up 138 points (0.5%). The broader-based S&P 500 was 20 points (0.7%) higher at 2,810.

On the home front, the Footsie remained disinclined to stray far from last night's closing level but at least it was in positive territory after spending much of the morning in the red.

The index of blue-chip shares was up 8 points (0.1%) at 7,159.

The mid-cap FTSE 250 was similarly making modest progress, rising 20 points (0.1%) to 19,164, despite cyber-security firm Avast PLC (LON:AVST) diving 4.6% following the announcement that the chief executive, Vince Steckler, has notified the board of his intention to retire in 2019.

Ondrej Váček, who has most recently served as president of the consumer business - the largest unit of Avast - has been named as his successor.

The stock only listed in May and the decision appears to have caught the market on the hop.

Going the other way was Balfour Beatty plc (LON:BBY), the infrastructure specialist that hasn't gone bust yet.

Share Information

MarketTopic Synopsis:

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

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"Leo Quinn has successfully proven that revenue is vanity and profits are sanity. A more disciplined approach to new business means the top line is 5.2% lower, but with work being completed at higher margins the group has delivered stronger underlying returns. That's translated into a 33% dividend increase," said George Salmon, an equity analyst at Hargreaves Lansdown, commenting on the company's full-year results.

"The net cash position and impressive infrastructure portfolio mean the balance sheet looks strong, and there's plenty of infrastructure business around on both sides of the Atlantic. All the while those all-important margins could keep rising as Balfour works its way through its higher quality order book.

"While it's hard not to be impressed with the progress made, a pragmatic investor would demand more. Margins have improved to at or above industry norms, but they're still in the low single-digit percentages and the downfall of Carillion is a constant reminder of how little room for error there is in this industry," he concluded.

Shares in Balfour were up 0.8% at 288.2p.

1.30pm: Hammond rails against "no deal" Brexit

As market moving speeches go, the one from the Chancellor of the Exchequer, Philip Hammond, was largely a non-event.

He spent as much time warning about the dangers of a "no deal Brexit" than he did about the current and future state of the economy.

READ Spring Statement: Hammond takes the stage amid Brexit turmoil

The FTSE 100 was up 25 points at 7,176.

Housebuilders - no strangers to receiving a leg-up from the government - also perked up after Hammond announced a £3bn scheme to build 30,000 affordable homes and £717m to unlock up to 37,000 new houses in West London, Cheshire, Didcot, and Cambridge.

Persimmon PLC (LON:PSN) was up 0.4%, as was Barratt Developments PLC (LON:BDEV). Berkeley Group Holdings PLC (LON:BKG) climbed 0.3% but Taylor Wimpey PLC (LON:TW.) remained in the red, down 0.4%.

I'm on my way to Parliament to deliver the #SpringStatement - the government's response to the forecast from @OBR_UK. I'll be setting out how we'll invest in infrastructure, technology, housing, skills, & green energy, to capitalise on the post-Brexit opportunities ahead. pic.twitter.com/bnrwfDBmQl

— Philip Hammond (@PhilipHammondUK) March 13, 2019

Assuming a Brexit deal is agreed, Hammond said he would launch a three-year spending review before summer to help set the Autumn Budget.

He added there would be a "deal dividend" that will give the UK more fiscal headroom as well as improving business confidence; expect this pledge to appear on the side of a bus near you soon.

BREAKING: Britain's growth forecast for 2019 has been cut from 1.6% to 1.2% <https://t.co/c1tGkgPMtM>

A "cloud of uncertainty" is hanging over the economy but it is "remarkably robust," Philip Hammond says in his #SpringStatement pic.twitter.com/FuoGhzC51V

— Bloomberg Brexit (@Brexit) March 13, 2019 12.45pm: Hammond organised and ready to go

Leading shares were modestly firmer after the Chancellor of the Exchequer, Philip Hammond, took to the floor in the

House of Commons to deliver his Budget.

Proactive will be providing rolling coverage of the Budget speech on our Budget Live channel.

The FTSE 100 was up 17 points at 7,169 in the run-up to Hammond's speech - a period in which the Lower House engaged in the now traditional sport of May-baiting.

11.15am: It is time to start reading up on the Malthouse compromise
In a market becoming used to deadlock, the Footsie has caught the mood and embraced the status quo.

The index of London's blue-chip stocks was more or less unchanged at 7,151 in late morning trading ahead of this afternoon's spring budget statement and tonight's vote on whether to block the UK from exiting the EU without a deal on 29 March.

Because the Brexit situation is not convoluted enough, there are reports of a delegation of ministers preparing to pressure the prime minister, Theresa May, into allowing a free vote on the so-called Malthouse compromise.

New:

A delegation of 15 Brexiteer ministers is meeting PM at 4.30 today

They will demand a free vote on the Malthouse compromise and warn that they are prepared to quit if she will not allow them to back it

'We will all go. It would be the end of her'<https://t.co/2DZj1I1Q2U>

— Steven Swinford (@Steven_Swinford) March 13, 2019

At times like these, a tense situation can be resolved by the intervention of a political titan but in the meantime, David "Trotters" Cameron has been flapping his gums and advising his successor to abandon her deal and search for "other alternatives", rather in the way he didn't when he quit after the referendum vote.

"Obviously what needs to happen next is to rule out no deal - that would be a disaster for our country - and to seek an extension and I'm sure that's what's going to happen next," said the former leader of the Conservative Party in an interview with Sky News.

Across the pond, the "septics" seem to have caught the indecisiveness bug with the S&P 500 tipped to open a point lower and the Dow 10 points in the hole.

"Despite a lacklustre Asian session, Wall Street futures are looking at a broadly unchanged start to Wednesday's trade. There's still no progress to report on the US-China trade deal and some global markets - Japan in particular - have faced some profit taking off the back of last night's latest round of Brexit carnage - but US indices appear to be holding relatively stable," reported James Hughes at Axi Trader.

10.00am: Top-share index little changed as traders sit on their hands
Leading shares were trading water ahead of this afternoon's Spring Statement from the Chancellor of the Exchequer, Philip Hammond.

The FTSE 100 was up 3 points at 7,154.

After cancelling the failing PFI/PF2, Hammond to launch consultation on new ways to fund infrastructure in the Spring Statement. @PickardJE & @gillplimmer1 in @FT.#ukinfrastructure #ukconstruction #SpringStatement #SpringStatement2019<https://t.co/N0MJC6oHk9> pic.twitter.com/dxKFq6iJUM

— Noble Francis (@NobleFrancis) March 12, 2019

Philip Hammond's Spring Statement today must be the equivalent of the Entertainment Officer on the Titanic telling passengers that "There's Bingo in the Lounge this evening".

GOING, Going, gone... pic.twitter.com/9qmQSLYld6

— Denis Skinner (@BolsoverBeast) March 13, 2019

"Tuesday's meaningful Brexit vote did not offer any resolution but instead has paved the way for a series of votes that will keep the markets in a limbo for the rest of week. Having overwhelmingly voted against Theresa May's deal MPs now have to go back to the ballot box Wednesday to decide whether there will be a hard Brexit or a delay to Britain exiting the EU. If the latter, another vote will be required on Thursday to decide on how long the delay will be," commented Fiona Cincotta at City Index.

"The FTSE is still trying to make up its mind whether this is a positive or a negative development and is yo-yoing around the flat line this morning. A slew of company news including a change in the leadership structure at Standard Life Aberdeen and an increase in full-year profit at Morrisons is helping the London index to remain in the black," she added.

One set of results that was not doing the Footsie any favours was the one delivered by Hikma Pharmaceuticals PLC (LON:HIK).

The shares were off 3.1%, making them the index's worst performing constituent - even worse than the current whipping boy, GVC Holdings PLC (LON:GVC) - down 3.08%.

READ Hikma Pharma falls as it narrowly misses forecasts with 2018 results 8.30am: Strength of pound weighs on blue-chips as traders wait for the chancellor's Spring Statement
Sterling has made headway against the dollar this morning after last night's Brexit vote and that is weighing on sentiment towards blue-chips.

The FTSE 100 was down 10 points (0.1%) at 7,142 as the pound rose 0.65 cents on foreign exchange markets to US\$1.3138.

"Apocalypse now" has not taken place after last night's crushing defeat in the House of Commons for the prime minister, Theresa May, and that is probably because traders are sitting on their hands waiting for "Spreadsheet Phil" to have his spell in the parliamentary spotlight later on today, with the Spring Statement.

"The almost certain rejection of a no-deal exit tonight is on balance bullish for the pound, despite the uncertainty which persists but whilst we remain short of the 1.33 handle, the late Feb highs, you would assume traders remain cautious," said Neil Wilson.

Among the blue-chips, asset manager Standard Life Aberdeen PLC (LON:SLA) and supermarkets group Wm Morrison Supermarkets PLC (LON:MRW) were defying the weaker trend after posting full-year results.

Standard Life was up 2.3% at 250.65p after it increased its full-year dividend to 21.6p from 21.3p in 2017 and said it intends to maintain the dividend per share at the 2018 level during the current period of transformation.

Morrisons also had good news for its shareholders on the dividend front, declaring a further special dividend as it expects free cash flow generation to remain strong.

The shares were up 0.7% at 226.8p.

"The main questions facing Morrisons now are threefold - how do you continue to grow LFL [like-for-like] retail sales against now a very impressive few years of growth; how do you hold back the discounters; and how does it benefit - or lose out - from the now defunct Asda-Sainsbury's merger. For instance, what might happen should Amazon make a

disruptive supermarket sweep for Asda?" wondered Neil Wilson at markets.com.

Morrisons boss David Potts say sales of painkillers & loo roll have spiked with customers stockpiling before Brexit ????

— Ashley Armstrong (@AArmstrong_says) March 13, 2019

"One or two doubts are creeping in. Retail is doing less of the impressive work than wholesale, and we note the decline in LFL retail transactions in the second half of the year," he added.

Independent retail analyst Nick Bubb said: "McColl's shareholders will be pleased to hear that Morrison's wholesale arm is expected to begin supplying their remaining c300 convenience stores at the end of this year and that 10 stores are to be converted to Morrisons Daily stores, although this is not really new news and there is no sign of a takeover, as might have been implied by the excitable jump in the McColl's share price last week."

Proactive news headlines:

Tlou Energy Limited (LON:TLOU) told investors it has received confirmation that the technical stage of the Request for Proposal (RFP) for Development of CBM fuelled power plants in Botswana has been passed. It means that the Botswana Public Procurement and Asset Disposal Board (PPADB) has now approved a request to open the financial proposal in relation to Tlou's gas to power tender, as well as the rival proposal from Sekaname.

Cloud-based provider of portfolio analytics provider StatPro Group PLC (LON:SOG) saw strong growth in annualised recurring revenue for its flagship Revolution product in 2019.

Multi-brand franchisor, Franchise Brands PLC (LON:FRAN), is looking forward to the year with confidence after making a strong start to the year.

Erris Resources PLC (LON:ERIS) has announced positive results from preliminary metallurgical test work at the Abbeytown mine project in County Sligo, Ireland, showing straightforward standard flotation process can be utilised for the recovery of concentrates. The company said that the results demonstrated excellent recoveries including 96.2% lead and 95.8% zinc.

Ironridge Resources Limited (LON:IRR) reduced interim losses to A\$2.46m (A\$4m) even through it ramped up exploration across its portfolio of assets in Ghana, Chad, Ivory Coast and Australia. Cash equivalents at the end of December were A\$12.1m (£6.5m).

Oriole Resources PLC (LON:ORR) said it is "encouraged" by a recent increase in the price of gold and several sector developments as it concluded a transformative 12 months that saw its operating losses cut by more than 60%.

Oilfield services group Plexus Holdings PLC (LON:POS) is to pay out a £1m interim dividend following the sale of its jack-up rig wellhead rental business. The balance sheet is also being restructured so that it can make additional payments in future.

ECSC Group PLC (LON:ECSC) increased annual revenues by 35% as rising demand for cyber-security meant a big jump in the number of consultancy customers. Turnover in 2018 at the cyber-security specialist rose to £5.4m from £4m with underlying losses reduced to £0.6m from £2.9m.

Stobart Group Limited (LON:STOB) is to ramp up investment at its London Southend Airport as it looks to make good on its ambitious long-term target of flying 10 million passengers a year.

88 Energy Ltd (LON:88E) has revealed final results from the Winx-1 well, which will disappoint investors as multiple zones that were seen to have oil potential have not warranted further testing. The explorer, in a statement, said that it had successfully completed a programme of wireline logging and it had started a full petrophysical analysis and review.

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Columbus Energy Resources PLC (LON:CERP) told investors that it is expecting the second quarter start to gas injections for the pilot project with Predator Oil & Gas and Heritage Petroleum at the Inniss-Trinity IPSC area. The pilot project aims to inject carbon dioxide into wells as part of an enhanced oil recovery project.

Coinsilium Group Limited (LON:COIN) has established a new entity in Gibraltar as part of its efforts to relocate to the territory.

Block Energy PLC (LON:BLOE) has confirmed the issue of 9.55mIn new shares to partner Georgian Oil and Gas Limited as part of the recently announced transaction that sees the AIM-quoted firm acquire 71% of the West Rustavi - giving it 100% of the project.

IXICO PLC (LON:IXI) announced that it received notification on 12 March 2019 that its chief executive officer, Giulio Cerroni, acquired 53,300 ordinary shares at a price of 28p each. Following this purchase, the group added, Cerroni is interested in 84,850 ordinary shares, representing 0.2% of the current issued share capital of the company.

Providence Resources PLC (LON:PVR) said it was informed by Goldman Sachs Group on 12 March 2019 that, with effect from 5 March 2019, it now holds 42,047,730 ordinary shares in the company, representing 7.03% of its issued share capital.

6.30am: Brexit vote is yesterday's news; it's all about the Spring Statement today

The FTSE 100 is expected to open lower on Wednesday as the upcoming Spring Statement is set to be overshadowed by fresh Brexit turmoil after MPs rejected Theresa May's deal again on Tuesday night.

Spread-betting firm IG expects the FTSE 100 to open around 22 points lower after closing 20 points higher on Tuesday at 7,151.

Following another defeat for the deal, MPs will vote on Wednesday evening on a motion to leave the UK without a deal, a move that is likely to be defeated heavily and open the way to what is now likely to be an extension to the Brexit process past 29 March.

"Another loss for UK Prime Minister May means lawmakers are likely to push for a delay to the 29 March deadline. But ultimately, Parliament will still need to make a decision on which Brexit option to pursue. We wouldn't rule out a third meaningful vote in coming weeks, but in the end, we still think a softer Brexit has the highest chance of prevailing", said analysts at ING.

A lack of direction and uncertainty made for a mixed bag on Wall Street yesterday with the Dow Jones Industrial Average closing 96 points lower at 25,554, dragged down by Boeing's ongoing issues with its MAX 8 aircraft, while the S&P 500 was up 8 points at 2,791 and the Nasdaq was up 33 points at 7,591.

The global uncertainty continued to weigh on the Asian markets today with the Japanese Nikkei 225 dropping 213 points to 21,290 while Hong Kong's Hang Seng slumped 137 points to 28,783.

On the currency markets, the pound edged up as traders placed confidence in the likely rejection of a 'no-deal' Brexit by MPs and was 0.15% higher at US\$1.309 against the dollar.

Although the macro picture is now dominated by the Brexit volatility, Philip Hammond is not expected to announce any significant tax changes when he presents the Spring Statement.

He is unlikely to raise public spending until there is more certainty on Brexit and instead will probably concentrate on updating the UK on the health of the economy along with the latest forecasts from the Office for Budget Responsibility.

On the corporate front, there will be results from supermarket giant Morrisons as well as investment firm Standard Life

Aberdeen and insurance group Prudential.

Significant announcements expected for Wednesday:

UK Spring Statement

Finals: Wm Morrison Supermarkets PLC (LON:MRW), Prudential PLC (LON:PRU), Standard Life Aberdeen PLC (LON:SLA), Lookers PLC (LON:LOOK), Dignity PLC (LON:DTY), Balfour Beatty PLC (LON:BBY), Hikma Pharmaceuticals PLC (LON:HIK), Gen Diamonds Ltd (LON:GEMD), Lookers PLC (LON:LOOK), Marshall Motor Holdings PLC (LON:MMH), Manx Telecom PLC (LON:MANX), Advanced Medical Solutions PLC (LON:AMS), Avast PLC (LON:AVST), Burford Capital PLC (LON:BUR), Empresaria Group plc (LON:EMR), ECSC Group PLC (LON:ECSC), Gem Diamonds Ltd (LON:GEMD), StatPro Group PLC (LON:SOG), SigmaRoc PLC (LON:SRC), SafeCharge International Group Ltd (LON:SCH), Kenmare Resources PLC (LON:KME)

Economic data: US PPI

Around the markets:

- **Sterling:** US\$1.309, up 0.15%
- **Brent crude:** US\$66.86 a barrel, up 0.28%
- **Gold:** US\$1,304.16 an ounce, up 0.61%
- **Bitcoin:** US\$3,856.6, up 0.97%

City headlines:

- Industry leaders urged the Commons to reject the possibility of a no-deal Brexit this month after MPs defeated Theresa May's Withdrawal Agreement by a majority of 149, with further votes expected this week - The Independent
- Boeing and the US aviation authorities have come under increasing pressure to ground the 737 Max despite repeated reassurances as the European Union and numerous other countries halted flights and Donald Trump weighed in following a second fatal crash involving the plane in less than five months - Guardian
- Tech giants such as Google, Facebook, Apple, Amazon and Microsoft are using their dominance over digital services to stifle competition and unfairly boost their profits, according to a UK government-commissioned study that recommends forcing the companies to open up their data - Financial Times
- French Connection said it made a marginal profit of £100,000 last year, compared with deep £2.1 million loss the year before, thanks to improvements at its wholesale arm - Daily Mail
- Rupert Murdoch's News Corp has said that Google must be broken up to end its "overwhelming" market power and safeguard the world's news media - Independent
- The London-listed oil explorer Cairn Energy has revealed a huge annual loss due to its long-running tax dispute with the Indian government - The Daily Telegraph
- German energy group Innogy on Wednesday forecast a 13% drop in operating profit this year, as competition in the British retail market remains tough following a failed attempt to merge its local unit with that of SSE - Reuters
- Royal Dutch Shell, one of the world's biggest oil and gas groups, is aiming to become the largest electricity company by the 2030s, as it prepares for a fundamental shift in global energy supplies towards lower-carbon sources - FT
- Petrofac boss Ayman Asfari has lost his appeal against an insider trading fine imposed by Italy's financial regulator - The Times
- Nissan pulled its premium brand Infiniti from the market and will terminate UK production of vehicles at the Sunderland plant, putting around 250 jobs at risk - Daily Mail

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