

# FTSE & SMALL CAP MARKET REPORT

15:12 16 May 2019

## FTSE 100 closes firmly higher as Wall Street shares head north; sterling slides

- FTSE 100 closes up
- Sterling slides
- US stocks higher

FTSE 100 closed Thursday firmly in the green as Wall Street also went north.

The UK benchmark index closed over 56 points higher, at 7,353, aided by the fall in the pound due to continues uncertainty over UK Prime Minister May's future.

The pound is down 0.1265% against the Euro at the time of writing.

Elsewhere in Europe, benchmarks also gained ground.

Meanwhile, the FTSE 250 added over 160 points at 19,530.

Michael Hewson, analyst at CMC Markets in London noted: "Basic resource stocks have helped underpin the FTSE100 led by Anglo American after the company gained approval for the construction of a new diamond recovery vessel which could add another 500,000 carats of annual production."

Top laggard on Fointsie was luxury fashion label Burberry Group (LON:BRBY) which tanked nearly 6% to 1,808p, after it reported full year revenues, which were in line with expectations at £2.72bn.

On Wall Street, the Dow Jones Industrial Average added 294 points at 25,942, while the S&P 500 went up around 39 points at 2,890. The Nasdaq added 119 at 7,941.

3.15pm: US stocks off to a flyer

As expected, US markets opened firmer and quickly added to early gains.

The Dow Jones was up 223 points (0.9%) at 23,871 while the S&P 500 was up 30 points (1.1%) at 2,881.

In the UK, the FTSE 100 was 27 points (0.4%) to the good at 7,324.

"The pound is on the move again today, with Conservative Party machinations weighing on sentiment. We saw sterling slip as Boris Johnson declared he's ready to step into May's kitten heels. Quite whether it's entirely market scepticism about BoJo or just a general fear due to the uncertainty pervading Westminster today is unclear, but for sure the market is consciously de-coupling from the pound amid heightened risks for Brexit and the stability of the government," commented Neil Wilson at markets.com.

"Meanwhile on the FTSE, utilities were also lower again - hit hard no doubt as Tory party chaos and polling data raises the prospect of the next government being led by Labour. Pennon Group, Severn Trent, United Utilities all down by around 3%, with Centrica -1%. Drax held firm to post a modest gain heading into the close," he added.

Elsewhere in the utilities sector, Yu Group PLC's (LON:YU) cracking week continued, with the energy supplier to small and medium-sized businesses announcing he Financial Conduct Authority has dropped its investigation into the company.

### Share Information

#### MarketTopic Synopsis:

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

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— Yu Energy (@EnergyforYu) May 15, 2019

The shares rose by more than two-thirds (110p) to 260p, as recently as Tuesday night, the stock was trading at a mere 94p on Tuesday.

2.00pm: Blue-chips consolidate gains

The index of London's heavyweight shares was maintaining its positive posture ahead of the US open.

The FTSE 100 was up 19 points (0.3%) at 7,316.

Spread betting quotes suggest the Dow Jones will open at around 27,745, up almost 100 points while the S&P 500 was expected to advance 9 points to 2,860.

Burberry PLC (LON:BRBY) remains the biggest blue-chip faller after its results statement this morning while utilities are also running scared, after the Labour Party said it would take National Grid back into public ownership, if elected.

Just this morning the National Grid announced that in the last year they made £3.4 billion in profits.

These profits should be invested to tackle the climate emergency and lower people's bills.

That's why we're taking it into public ownership. <https://t.co/7dBI8FdUia>

— Jeremy Corbyn (@jeremycorbyn) May 16, 2019

The mid-cap FTSE 250 was doing even better than its bigger brother, climbing 99 points (0.5%) to 19,469, led by animal genetics group Genus PLC (LON:GNS), which was up 396p (16%) to 2,924p after it announced a collaboration with a Chinese agribusiness.

Comeback stock Sophos Group PLC (LON:SOPH) cheered the market by moving into the black in the financial year just ended.

The cybersecurity firm's shares were up 46.5p (14%) at 386.5p after it reported a pre-tax profit of US\$53.6m for the 12 months ended 31 March, compared to a US\$41m loss the year before, while revenues jumped 11.2% to US\$710.6m.

12.25pm: UK big caps rouse themselves as sterling wilts

London's leading shares are firmer on balance, having spent most of the morning in the red.

The FTSE 100 found forward gear, rising 19 points (0.3%) to 7,316, as sterling dropped to a three-month low against the US dollar.

"There's been more weakness seen in the pound this morning with the currency dropping to fresh 3-month lows against the US dollar as political uncertainty continues to weigh heavy," said David Cheetham at XTB.

"Theresa May is set to meet the 1922 committee just before lunchtime when she is expected to be asked to name her departure date from number 10 or else face another confidence vote next month. Tory party rules currently prohibit more than one leadership challenge per year, but there is growing pressure to change these rules given the widespread and thinly veiled discontent at the PM due to her handling of Brexit. As far as currency traders are concerned, the removal of May would be negative for the pound as her replacement would likely be more hardline on Brexit and increase the risk of a no-deal outcome," Cheetham opined.

Meanwhile, US benchmarks are expected to open modestly lower.

"Although a deal seems to be close in terms of US trade with Canada and Mexico, and there's also word that import tariffs on cars from Europe and Japan will be delayed, there has been a fresh development with China. Critically, US companies exporting goods to the Chinese telecoms manufacturer Huawei will now need a licence to do so, something that is expected to have a ripple effect on technology roll outs across the globe," commented James Hughes, the chief market analyst at Axi Trader.

11.15am: London's leading shares index continues to mark time

The Footsie continues to hug close to last night's close like a nervous infant clutching its mother's thigh.

The FTSE 100 was down 4 points (0.1%) at 7,293, with the modest nature of the fall largely down to mining stocks, which are in demand.

Sterling has shed 0.22 cents against the greenback, which is usually beneficial to the top shares index.

Private equity group 3i Group PLC (LON:III) was doing its bit to bolster the Footsie, rising 6p (0.6%) to 1,060p after its full-year results revealed an increase in net asset value per share to 815p at the end of March from 724p a year earlier.

Results from electricity grid operator National Grid PLC (LON:NG.) were less warmly received; the shares shed 24.7p (2.9%) at 818.1p.

Having witnessed the masterful way they've handled Brexit, I've no doubt MPs will be able to accurately assess the market value of the National Grid.

— Kevin Schofield (@PolhomeEditor) May 16, 2019

The company, which the Labour Party has pledged to renationalise if it is elected, saw its profit before tax fall 31% to £1.84bn in the year to the end of March from £2.66bn the year before.

10.00am: The Footsie snoozes as Thomas Cook loses

London's index of leading shares was struggling to get its motor started, as investors continue to fret over US-Chinese relations.

The FTSE 100 was down 7 points (0.1%) at 7,290, largely as a result of the likes of Tesco, Glaxo and HSBC trading ex-dividend.

Fashion firm Burberry PLC (LON:BRBY) remained the worst performing blue-chip, with a 69p (3.6%) fall to 1,852.5p after its full-year results release/

"Today's full-year results from the luxury goods group were seen as disappointing with weaker sales growth, especially in its key growth markets in Asia," said Ian Forrest at The Share Centre.

Forrest believes investors should not overlook the positives in today's statement.

"The company confirmed its previous full-year guidance, raised its target for cost savings and announced a £150mn share buyback along with an increase in the dividend. The increased use of social media such as Instagram should also help to drive sales with younger consumers," he predicted.

The continuing struggles of cash-strapped package tour operator Thomas Cook Group PLC (LON:TCG) had a knock-on effect on sector peer TUI Group PLC (LON:TUI).

Thomas Cook blames Brexit for £1.5bn loss <https://t.co/VsSJlInTo>

— The Independent (@Independent) May 16, 2019

The tour operator reported a loss before tax of £1.5bn for the six months to March 31, compared to a loss of £303m a year ago, and saw its shares slump 3.53p (15%) to 19.46p. TUI's shares were down 24.2p (3%) at 795.4p in sympathy.

8.35am: Footsie weak

The FTSE 100 started on the back foot as a host of blue-chip giants went ex-dividend and amid continued nagging worries over the trade impasse between China and America.

In early trading, the index of blue-chips fell 13 points to 7,283.87

GlaxoSmithKline (LON:GSK), Shell (LON:RDSA) and Tesco (LON:TSCO) are all now trading without an entitlement to a payout - and there were no surprises those names were near the top of the Footsie losers' list.

Topping it, though, was Burberry (LON:BRBY), which fell 3.3% after the release of a lacklustre set of prelims. The market, it seems, was minded to ignore the warm reception new creative director Riccardo Tisci's first collections have received.

"Revitalising its iconic brand may take some time, but Burberry seems well-positioned. It is continuing to invest in itself, such as its further push towards digital, its stores are being revamped and for the most part the company is shedding its non-luxury lines," said an uncharacteristically upbeat Richard Hunter of Interactive Investor.

On the up were the miners, led by Anglo American (LON:AAL), which nudged 1.4% higher early on. It suggests the market is becoming slightly more sanguine on the outlook for the extractive industries, which rely heavily on a buoyant Chinese economy.

Proactive news headlines:

All of Gaming Realms PLC's (LON:GMR) Slingo Originals mobile games are to be distributed through one of the industry's largest content aggregation platforms after it struck a deal with Scientific Games Corporation's (NASDAQ:SGMS) Digital Group.

The findings from clinical trials of a cancer drug developed by Sareum Holdings PLC (LON:SAR) will be showcased at a leading international cancer conference next month. SRA737 is one of a new breed of drugs called checkpoint inhibitors that aim to overcome cancer's defence against the immune system.

Azerbaijan-focused gold miner Anglo Asian Mining PLC (LON:AAZ) saw annual profits surge as production in 2018 came in at the top of its forecast and sales jumped by over a third. Output in the year to December rose 17% to 83,736 gold equivalent ounces, while sales jumped 36% to just under 59,500oz at an unchanged price of US\$1,265 per oz.

SigmaRoc PLC (LON:SRC) shares jumped on Thursday after its 2018 profits more than doubled, with the company eyeing further expansion in 2019.

Belvoir Lettings PLC (LON:BLV), the UK's largest property franchise, said it is outperforming the three key markets in which it operates. After a robust first quarter of 2019, the board is confident of meeting market expectations for the full year.

Accesso Technology Group PLC (LON:ACSO) has agreed a new three-year partnership with the National WWII Museum in New Orleans, which will see it provide ticketing and ecommerce services.

Seeing Machines Limited (LON:SEE) has streamlined its Fleet Division in a push to accelerate the adoption of its driver-monitoring technology. The AIM-listed firm said that following a strategic review of the division it had shrunk the size of the team by 30% to reduce costs and right size the unit, while also channelling its business development through an expanding distribution network.

Diversified Gas & Oil PLC (LON:DGOC) reported first quarter production at 69,000 barrels of oil equivalent per day (boepd), in-line with rates at the end of last year. The company, in a statement, added that production in April exceeded

70,000 boepd and upon factoring in the addition of the acquired HG Energy II assets the rate jumps to over 90,000 boepd.

Regional UK office investment, development and management company, Circle Property PLC (LON:CRC), saw its portfolio increase in value by 9.2% in the last financial year. As at the end of March, the portfolio was independently valued at £124.6mIn, up from £114.1mIn a year earlier.

Block Energy PLC (LON:BLOE) has confirmed the close of the bookbuild for its new placing and has priced the funding at 11p per share. On Wednesday evening, Block launched a £12mIn equity raise in order to fund an accelerated growth strategy in the Republic of Georgia.

Strategic Minerals PLC (LON:SML) managing director John Peters says a recent study of the company's tin-tungsten project in Cornwall has confirmed its world class potential. A preliminary assessment of the underground possibilities for the Redmoor asset by the consultants Wardle Armstrong concluded there is scope to mine 600,000 tonnes of ore a year for the next decade. That is based on a 7.1mIn-tonne resource with a 1.09% tin equivalent grade.

Horizonte Minerals PLC (LON:HZM) this morning released its financial results for the three months ended 31 March 2019, which confirmed it had £5.28mIn of cash at the end of the first quarter. The pre-revenue exploration and mine development group reported a £453,740 loss for the quarter.

Salt Lake Potash Ltd (LON:SO4) (ASX:SO4) non-executive director Matthew Syme, its former chief executive officer, has acquired 750,000 shares in the company for \$300,000. The transaction came about through the exercise of incentive options priced at 40 cents and increases Syme's holding in the company to 5.25 million shares.

6.45am: FTSE 100 to hit reverse gear

The FTSE 100 looks set to start Thursday slightly lower as ex-dividend factors come into play and as global equities continue to be steered by US president Donald Trump's trade fight with China.

A number of portfolio stalwarts including GlaxoSmithKline PLC (LON:GSK), Tesco PLC (LON:TSCO), and Royal Dutch Shell Plc (LON:RDSA) will trade without entitlement to the latest dividend today, taking some 23.6 points out of the index.

It is then somewhat positive that CFD and spreadbetting firm IG Markets sees the London index down just 10 points ahead of Thursday's open. IG is calling the FTSE 100 at 7,258 to 7,261 with just over an hour to go until the start of trading.

Elsewhere, Donald Trump's trade dispute with China was the main story, though yesterday's decision to ease tensions with the EU as he delayed possible tariffs on European cars headed for America provided some balm.

At the same time he fired fresh barbs at China though, specifically, signing a new executive order aimed at 'protecting US networks' and creating a route to ban China's state backed technology and telecoms firm Huawei.

"This executive order appears to have curbed some of the exuberance of the late rebound in stocks yesterday with Asia markets reacting much more cautiously," said Michael Hewson, analyst at CMC Markets.

"While the suspension of auto tariffs is welcome it certainly doesn't mean that President Trump can't create ripples in other ways, and this is reflected in the more mixed reaction amongst Asia markets. This in turn is expected to translate into a lower European open later this morning."

Wall Street benchmarks ended Wednesday positively. The Dow Jones climbed 115 points or 0.45% to close at 25,648, while the S&P 500 added 0.58% to finish at 2,850 and the Nasdaq gained 1.13% to 7,822.

In Asia, meanwhile, Japan's Nikkei shed 168 points or 0.79% at 21,016 though Hong Kong's Hang Seng was slightly higher, adding 23 points, to trade at 28,290. The Shanghai Composite moved around 0.36% higher to 2,949.

Significant events expected on Thursday May 16:

**Finals:** Burberry Group PLC (LON:BRBY), National Grid PLC (LON:NG.), Wincanton PLC (LON:WIN)

**Interims:** Thomas Cook Group PLC (LON:TCG), Countryside Properties PLC (LON:CSP), Euromoney Institutional Investor PLC (LON:ERM), Grainger PLC (LON:GRI)

**AGMs:** Lloyds Banking Group PLC (LON:LLOY), Belvoir Lettings PLC (LON:BLV), Next PLC (LON:NXT), Premier Oil (LON:PMO), Prudential PLC (LON:PRU), G4S PLC (LON:GFS)

**Ex-dividends to knock 23.6 points off FTSE 100 index:** GlaxoSmithKline PLC (LON:GSK), HSBC PLC (LON:HSBA), Intertek Group PLC (LON:ITRK), Tesco PLC (LON:TSCO), Royal Dutch Shell PLC (LON:RDSA)

**Economic data:** US weekly jobless claims; US housing starts; US Philly Fed manufacturing index

Around the markets:

- The pound: US\$1.2848, up 0.02%
- Gold: US\$1,297 per ounce, up 0.05%
- Brent crude: US\$72.16 per barrel, up 1.2%
- Bitcoin: US\$7,980, down 0.8%

City Headlines:

- German authorities raid 14 banks in offshore tax fraud probe - Financial Times
- Phone and internet users to get end-of-contract alerts - BBC News
- Electric 'flying taxi' prototype unveiled by German start-up - The Guardian
- Supply uncertainty could lead to oil market shortage, IEA warns - Financial Times
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