

FTSE & SMALL CAP MARKET REPORT

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FTSE 100 closes a shade lower as traders shun risk

- FTSE 100 index closes lower
- Sterling weakens again on political fears
- Just Eat tanks

FTSE 100 closed in the red on Friday, while Wall Street is also uninspired as traders take risk off the table.

The Footsie closed down nearly five points at 7,348, while FTSE 250 shed around 32 at 19,498.

Over the week as a whole though, FTSE 100 was up around 2%.

"It's been a disappointing end to what has been a turbulent week for European stocks with three days of gains bookended by what looks like will be two days of losses, with investors reluctant to run too much risk heading into the weekend, given how last weekend turned out, as markets fell sharply on the Monday," said Michael Hewson, analyst at CMC Markets UK.

The UK pound also continued to receive a pummelling after it emerged Brexit talks between the Labour Party and the government had ended without agreement.

Take-away app Just Eat (LON:JE.) shares fell over 8% on news that Amazon (NASDAQ:AMZN) has taken a \$575 million stake in its main competitor

Deliveroo as competition in the on-line delivery sector ramps up even more.

3.00pm: Big fall on Wall Street not as severe as feared
As expected, US indices opened lower, albeit not as weakly as feared.

The Dow Jones was down 99 points (0.4%) at 25,763 and the S&P 500 was off 12 points (0.4%) at 2,865.

In the UK, the FTSE 100 was 41 points (0.6%) lighter at 7,312, with Just Eat PLC (LON:JE.) leading the retreat with a 60p (8.9%) fall at 617.8p after Amazon.com took a stake in Just Eat's rival, Deliveroo.

Sticking with the food theme, The Restaurant Group PLC (LON:RTN) initially responded positively to its annual general meeting statement but is now languishing 0.2% in the red at 129.6p.

Current trading is in line with expectations with like-for-like sales for the 19 weeks ended 12 May 2019 up 2.8% year-on-year.

The Restaurant Group sees total sales up 57% after Wagamama acquisition <https://t.co/5gwLNkwOiC>
pic.twitter.com/UVDhMbojTh

— Food Service UK (@uk_foodservice) May 17, 2019 2.00pm: US indices tipped to open sharply lower
US indices look set to give back a large chunk of yesterday's gains when trading starts soon.

That might explain why the FTSE 100 has been sliding in afternoon trading although it has recently rallied to trim falls to 38 points (0.5%) at 7,316.

Share Information

MarketTopic Synopsis:

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

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Spread betting quotes suggest the Dow Jones will open 172 points lower at 25,690 while the S&P 500 looks set to surrender 18 points at 2,858.

12.30pm: Blue-chips head south

The Footsie has headed south in the afternoon session after threatening to make it back to level par in the morning session.

London's index of leading shares was down 32 points (0.4%) at 7,322 after it was officially confirmed that the talks between the government and the Labour Party over a Brexit proposal to put to parliament have been abandoned.

I have written to Theresa May to say that talks on finding a compromise agreement for leaving the European Union have gone as far as they can.

The government's growing weakness and instability means there cannot be confidence in its ability to deliver.
pic.twitter.com/H27qxDleaB

— Jeremy Corbyn (@jeremycorbyn) May 17, 2019

"The pound was further chipped away at on Friday, the Brexit cross-party talks finally coming an end as Jeremy Corbyn claimed in a letter to the prime minister that they had 'gone as far as they can'," reported Connor Campbell at Spreadex.

"Though the writing has been on the wall for a while, the confirmation that the previously extended Brexit olive branch between Labour and the Tories has now been rescinded was still a blow to sterling. One of the key sticking points appeared to be the imminent departure of Theresa May and the doubts that raises over the willingness of the future PM, whoever that may be, to 'deliver on any compromise agreement'.

"Following the news the pound dropped 0.3% against both the dollar and the euro. That puts cable at US\$1.275 - a level last seen more than 4 months ago - while against the euro sterling sank to a fresh 3-month low of €1.142," he added.

A bit of bottom fishing boosted Micro Focus PLC (LON:MCRO), Burberry PLC (LON:BRBY) and TUI AG (LON:TUI), all of which took a bit of a pasting yesterday - the first two after trading updates and the latter in sympathy with Thomas Cook Group PLC (LON:TCG), which issued another profit warning on Thursday.

Micro Focus clawed back 39.2p (2.1%) of yesterday's losses, Burberry 22.5p (1.2%) and TUI AG (LON:TUI) 10.8p (1.4%).

The news has not got any better day for Thomas Cook, with Citigroup effectively saying the shares are worthless.

READ Thomas Cook shares plunge further as Citigroup cuts rating to 'sell' and slashes target price to 0p

Thomas Cook shares nosedive by 33% after Citigroup warning <https://t.co/q9GCYItfLG>

— Grauniad Newspepar (@grauniad_news) May 17, 2019

Metro Bank PLC (LON:MTRO) proved to fearful Thomas Cook shareholders that there can be life after near-death as it raised £375m to beef up its balance sheet.

Metro Bank shareholder to vote against chairman <https://t.co/2iN2W7CGvP>

— City A.M. (@CityAM) May 17, 2019

The move was welcomed by the Prudential Regulation Authority (PRA).

"Metro Bank is profitable and continues to have adequate capital and liquidity to serve its current customer base," it reassured Metro's customers.

Shares in Metro were up 101.5p (19%) at 638p.

Elsewhere, Royal Dutch Shell (LON:RDSB) shares edged up 13.52p (0.5%) to 2,545.02p after Dutch shareholder group Follow This agreed to withdraw resolution 22 from the list of resolutions on which shareholders will vote at the forthcoming annual general meeting.

The resolution called for Shell to set and publish targets that are aligned with the goal of the Paris Climate Agreement to limit global warming to well below 2 degrees Celsius.

11.00am: Sham talks between the government and the opposition over Brexit end
Labour has pulled out of cross-party Brexit talks, sending sterling even lower on the foreign exchange markets. The talks between the government and the opposition party were widely regarded as a sham but be that as it may, the Footsie has perked up and all but wiped out the morning's losses.

The top-shares index was down 7 points (0.1%) at 7,436.

Jeremy Corbyn, the leader of the Labour Party, said in a letter to the prime minister, Theresa May, that talks had been "constructive" but "we have been unable to bridge important policy gaps between us."

Corbyn also made reference to the "increasing weakness and instability" of May's government that cast doubts on whether anything agreed in the talks would be honoured by her successor.

The pound fell below US\$1.28 on Friday for the first time since February and is trading at around US\$1.2760, down more than a third of a cent on the day.

A weak exchange rate is generally reckoned to be good for most Footsie companies.

9.45am: Brexit fears back to haunt the London market
Investors have had enough of fretting about deteriorating US-China trade relations and so have returned to the old standby of vexing over Brexit.

The FTSE 100 was down 25 points (0.3%) at 7,329 as traders took the view that a hard Brexit is more likely now that the prime minister, Theresa May, has been hustled into a commitment to name her departure date.

"The fact Theresa May is set to outline her exit date after the Withdrawal Agreement Bill vote at the start of June means that a) cross-party talks are now almost completely dead, and b) the UK could be facing a hard-liner Brexit Prime Minister, especially if the European Elections go as expected next week," said Connor Campbell at Spreadex.

Hearing from a v credible source on the Tory 1922 committee that @grahambradyp is 'seriously considering' running for PM. Astonishing. Is there anyone with less charisma in UK politics?! #brexit #EUElections2019 @bbclaurak @IanDunt

— Charlie Pownall ☐☐☐☐ (@cpownall) May 17, 2019

Having fallen below US\$1.28 on the prospect of a hard Brexit - or, alternatively, the thought of Bojo the Bozo getting his trotters under the desk at 10 Downing Street - sterling has fallen about a fifth of a cent further this morning to US\$1.2778.

Still no date for #May to go then. Only another abstract promise. Reckon she's waiting for every single Brexit Tory's membership to expire, so the only people left to vote for a new leader are Tory Remainers. <https://t.co/LCtwaQleMW>

— Suzanne Evans (@SuzanneEvans1) May 16, 2019

A weak exchange rate is normally good for the Footsie, what with its plethora of big dollar earners, but the lift has not been enough today to push the index into positive territory.

Part of that is due to a negative reaction to a curate's egg of a statement from the accountancy software giant, Sage Group PLC (LON:SGE).

The company said its cloud-based offering is performing better than expected but its old school software and software-related services (SSRS) and processing revenues are declining faster than anticipated.

The net result is that expectations for the full-year revenue remain unchanged.

The shares were down 13.4p (1.8%) at 724.6p in mid-morning deals.

Thomas Cook shares whacked again...off 10%
Citi price target cut to 0p doing the damage.
Bring on Fosun

— Neil Wilson (@marketsneil) May 17, 2019 8.45am: Weak start for Footsie

The spectre of BoJo haunted the trading rooms of the Square Mile as the FTSE 100 opened 25 points lower at 7,328.82.

The prospect of a hard Brexit loomed large after former foreign secretary Boris Johnson demurred for less than a nanosecond before announcing his Tory leadership bid.

This, after Prime Minister Theresa May was effectively shown the door by the men in grey suits of the Conservative Party's 1922 Committee on Thursday.

Johnson's elevation to the role of PM could see the UK quit the EU on or before October 31 without a departure deal in place - a prospect that put the skids under the market, but had a greater impact on sterling, which continued its nine-day losing streak with cable trading below US\$1.28.

"Having seen the pound trade in a narrow range around US\$1.30 for some time as it all went quiet on the Brexit front, markets are pricing in greater political uncertainty again," said Neil Wilson of Markets.com.

easyJet (LON:EZJ), up 4.2%, was flying higher after a better-than-expected start to the financial year.

On the flipside, there was a second day of sharp losses for investors in Just Eat (LON:JE.), which fell almost 8% early on after internet giant Amazon snapped up a stake in rival Deliveroo.

But there was a relief rally in shares in Metro Bank (LON:MTRO), which jumped 17% higher after the challenger bank raised a £375m (€25m more than it asked for) in just three hours.

Proactive news headlines:

Alba Mineral Resources plc (LON:ALBA) investors will be pleased to see the latest positive results from the company's 11.765% owned Horse Hill oil project. In a statement, the project's largest listed stakeholder UK Oil & Gas PLC (LON:UKOG) - which has a 50.635% majority interest in Horse Hill - provided details from the production testing programme at Horse Hill and told investors that a week-long pressure build up (PBU) test was successful.

Out of home virtual reality firm Immotion Group PLC (LON:IMM) has won a US\$500,000 contract that will see it make three exclusive immersive experiences for Dutch entertainment group, iP2Entertainment.

Pan African Resources plc (LON:PAF) boosted gold production by more than 51% in the nine months to March helped by an 11% rise at the Barberton Mines complex. The South Africa-based gold miner added though that it has decided against re-opening the Royal Sheba mine at Barberton as a stand-alone project.

Film insurance and services group FFI Holdings PLC (LON:FFI) will produce underlying profits this year at the bottom of its indicated range. "Underlying EBIT will be within, but at the lower end of, the range of US\$7.5m to US\$11.5m." In

the half year to September, FFI posted underlying EBIT of US\$6mln.

Falcon Oil & Gas Ltd (LON:FOG) is raising up to US\$10mln of new capital to support its participation in an anticipated four-well horizontal drilling programme in Australia. New shares are being priced at 14p each and it is expected that the shares will be taken up by institutional investors.

African Battery Metals PLC (LON:ABM) said field operations at its Kisinka copper-cobalt project in the Democratic Republic of Congo are complete with the samples taken during the process being prepared for analysis. In all 23 staff, including two geologists and five technicians, collected earth from 663 termite mounds that will be assessed using x-ray fluorescence spectrometry technology to determine copper and cobalt levels.

Oriole Resources PLC (LON:ORR) is aiming to expand its footprint in Cameroon this year as it updated on strategy at its AGM.

Sunrise Resources PLC (LON:SRES), the AIM-traded company focusing on the development of its CS Pozzolan-Perlite Project in Nevada, USA, said a new presentation, which is being given by the Chairman, Patrick Cheetham, later today at the inaugural annual symposium of the Natural Pozzolan Association in Wickenburg, Arizona, has been added to its website. <https://www.sunriseresourcesplc.com/>

NQ Minerals PLC (NEX:NQMI) (OTCQB:NQMLF), the mineral processing, exploration and mining company, has issued 1,367,521 new ordinary shares at a price equivalent to 6.5p per share for payment settled with shares associated with a three-month extension of maturing debt.

6.32am: FTSE expected to give back some gains

The FTSE 100 was expected to give back some of yesterday's gains as fears of a hard Brexit return to haunt London.

Spread betting quotes point to London's index of leading shares opening around 27 points lower at 7,326, after advancing 57 points yesterday to close at 7,353.

US benchmarks had a good day on Thursday, with the Dow Jones climbing 215 points to finish at 25,863 and the S&P 500 rising 25 points to close at 2,876.

The picture has been more mixed this morning in Asia, with the Nikkei 225 in Japan up 229 points at 21,296 and the Hang Seng index in Hong Kong off 209 points at 28,068.

On the corporate news scene today results from no-frills airline Easyjet PLC (LON:EZJ) will be the main order of the day.

Investors will be hoping for some more positive news in Friday's first-half results after last month's gloomy update sent the stock tumbling.

The budget airline warned of a £275mln loss in the first six months of its financial year, thanks in part to a steep rise in fuel costs.

Uncertainty from Brexit hasn't helped, although now that has been rolled over for another few months at least, it will be interesting to see if it has been a boost or a burden.

"The group can't control how Brexit might disrupt the industry, or how much it has to pay for the fuel that fills the tanks, but it can help protect the bottom line by policing more controllable costs," said Hargreaves Lansdown equity analyst George Salmon.

"Easyjet's underlying costs per seat have been resolutely inching up so it'd be encouraging to see signs the group can halt, or even reverse, that trend."

The outlook will be closely eyed too, and the market will hope that Easyjet still expects revenue per seat to rise in the second half after a 7.4% drop in the first half.

Significant events expected on Friday:

Interims: Future PLC (LON:FUTR), easyJet PLC (LON:EZY), Sage Group PLC (LON:SGE)

Trading updates: Hikma Pharmaceuticals PLC (LON:HIK), Afarak PLC (Q1) (LON:AFRK), Jersey Electricity PLC (LON:JE.)

AGMs: Bango PLC (LON:BGO), Hikma Pharmaceuticals PLC (LON:HIK), Restaurant Group PLC (LON:RTN)

Economic data: US University of Michigan consumer sentiment index

Around the markets:

- Pound: US\$1.2791, down 0.05 cents
- 10-year gilt: yielding 1.075%
- Gold: US\$1,287 an ounce, up 80 cents
- Brent crude: US\$72.81 a barrel, up 18 cents
- Bitcoin: US\$7,318.40, down US\$430.68

City headlines:

- Daily Telegraph
- The pound tumbled to a five-month low against the dollar and entered a ninth day of decline versus the euro on resurfacing no deal worries as Theresa May agrees to announce departure date.
- The Bank of England has lashed out at Brussels' regulators claiming they are presenting inaccurate and conflicting views of future UK regulation in a bid to persuade international banks to quit the country.
- Asda's American owners, Walmart, has reported a slip in quarterly sales after confirming this week that it was considering a stock market flotation for the supermarket.
- The EU is endangering around 35,000 British jobs and £150 million in exports by ploughing ahead with a ban on palm oil, Malaysia has warned.
- Long recovery in the global property market from the financial crisis might be nearing to an end amid slowing growth, high prices and rising risks, investment bank UBS has warned.
- Daily Mail
- Thomas Cook shares tumbled nearly 15% after it unveiled record half-year losses of £1.5 billion.
- The Serious Fraud Office has blocked the properties worth £12 million of four men at the heart of investigation into the collapse of investment company London Capital & Finance.
- Telecoms group BT is to hand £500 worth of shares to each of its employees as its chief executive tries to rebuild morale.
- BHP faces huge legal claim after Brazilian mining flood left 19 dead.
- Troubled Metro Bank yesterday secured a £375 million rescue deal by issuing new stock at 500p per share, almost 90% less than the 4040p peak it hit in March last year.
- Lloyds chairman Lord Blackwell has defended £6.3 million pay of the bank's boss saying he does an 'arduous' job.
- The Independent
- Barclays, RBS and Japan's MUFG received a €258 million fine from the European Commission after a probe found that traders at the lenders colluded to share information on customers' foreign exchange orders and prices.
- The Guardian
- British Steel's owners and lenders have agreed to provide fresh funds to the firm, staving off the threat of collapse, despite the government refusing its request to participate in the bailout.
- Airbus is considering buying Bombardier's Belfast wing production operation, after the Canadian firm said it was looking for a buyer for the struggling plant.

- The first Mr Nice store opened in London's Soho district on Thursday, selling everything from upmarket bath bombs and face creams to hoodies.
- Waitrose is aiming to treble the size of its online business to £1 billion annually following the end of its partnership with Ocado.
- The booming online fashion retailer Boohoo is refusing to allow trade union officials to discuss recognition for employees months after its founder told MPs she was open to union representation.
- The Times
- Remortgaging levels have bounced as the number of households that withdrew equity from their home in March jumped 9.1% compared with last year on historically low borrowing costs.
- KPMG UK is planning to shake up its audit arm by setting up a new executive committee responsible for the division's performance and risk management.
- Angela Ahrendts, the former retail chief of Apple, and one of its most highly paid executives has joined the board of Airbnb in her first corporate position since leaving the tech giant.
- The Competition and Markets Authority is to investigate housebuilders over the mis-selling of thousands of leasehold properties after a U-turn by the competition watchdog amid pressure from ministers.

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