

FTSE & SMALL CAP MARKET REPORT

22:25 31 May 2019

FTSE 100 closes down after latest Trump trade war stunt

- FTSE 100 index drops 62 points
- Mining stocks feature prominently among the losers
- Gold on the rise as investors seek havens

5.20pm: "An ugly end to an ugly month"

The FTSE 100 index ended lower on the final session of the month, dropping as Wall Street notched up hefty falls early on amid an unexpected escalation in President Trump's trade war.

The UK blue-chip index ended down 56.5 points at 7,161.7, off the session's lowest point of 7,130.85, but still well below the opening peak of 7,218.16.

Connor Campbell, financial analyst at Spreadex.com said: "An ugly end to an ugly month, the markets suffered another round of major losses as Trump fired an unexpected trade shot at Mexico."

However, he added: "If May has been rough for the global indices, it has been arguably even worse for the pound.

"With no Brexit breakthrough in sight, a warning from the CBI about the 'severe' impact of a no deal exit, and the prospect of a June set to be swallowed up by the Tory leadership race, the currency could not shake its month-long depression."

3.30pm: Miners among the big losers as trade war concerns simmer

Throughout the afternoon session, the FTSE 100 has traded in a narrow band between 7,140 and 7,160.

Heading into the final hour of trading, the index of leading shares was down 62 points (0.9%) at 7,156, around 25 points above its nadir for the day.

Mining stocks were prominent among the losers, with the likes of Antofagasta PLC (LON:ANTO), Glencore PLC (LON:GLEN), Anglo American PLC (LON:AAL) and Rio Tinto PLC (LON:RIO) down by more than 2.5% as concerns over global trade intensified after the latest shot from the hip by President Trump.

"Social problems cannot be resolved with taxes or coercive measures," Mexican President Andrés Manuel López Obrador tells President Trump in letter that also accuses the US of being a "ghetto" that mistreated migrants.

<https://t.co/HXdln0ahcz>

— NBC News (@NBCNews) May 31, 2019

Stocks are opening lower after Trump issued tariff threat to Mexico <https://t.co/s9ZeHCIBua> pic.twitter.com/1hXilEfH9o

— MarketWatch (@MarketWatch) May 31, 2019 3.00pm: US stocks open sharply lower

The Dow Jones industrial average suffered a 300 point fall as US markets opened even more sharply lower than their European counterparts.

The broader-based S&P 500 was 36 points (1.3%) lower at 2,753.

President Trump said he would impose tariffs on Mexican goods that would "gradually increase" to punish the country

Share Information

MarketTopic Synopsis:

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

action@proactiveinvestors.com

over migrants <https://t.co/kAiQr26lYw>

— The New York Times (@nytimes) May 31, 2019

Meanwhile, back in the UK, the FTSE 100 was sneaking towards a triple-digit fall, down 77 points (1.1%) at 7,141.

As with US investors, London's trading community has been thrown off balance by the latest trade war blast from President Trump, who has returned to a favourite theme of Mexican immigration with his latest tweet.

Republicans are warning President Trump that he could sabotage the USMCA if he follows through on plans to impose harsh new tariffs on Mexico <https://t.co/PUzh0fvu7K>

— POLITICO (@politico) May 31, 2019

The US dollar index has fallen to 91.02 from 91.18 but it is still showing sterling a clean pair of heels; the pound is down a fifth of a cent against the buck at US\$1.2589.

Investors, as they are wont to do in times of turbulence, are seeking refuge in gold; the yellow metal was up US\$10 at US\$1,30.40 an ounce.

2.15pm: US inflation picks up

It has been a wretched end to a fairly wretched month for the London stock market.

The index of heavyweight shares has been something of a stopped clock for most of the afternoon session, although it has recently roused itself to trim its losses to 64 points at 7,154.

US indices were expected to open on the back foot after US inflation data and, of course, the latest trade war threat from President Trump, which this time was directed at Mexico.

"Core inflation picked up in April, supporting the Fed's central argument that lower price growth is down to transitory factors," reported Neil Wilson of markets.com.

"Core PCE rose to 1.6% in April, up from the 1.5% in March. The main PCE index rose to 1.5% from 1.4% the month before. Income growth was up to 0.5% from 0.1% a year before. Spending cooled from the hot reading a month ago, suggestive of a largely anticipated cool down in Q2 GDP growth," he added.

"The Dow is shaping up for a 200+ point decline on the open. S&P 500 futures are off 1%. We are looking for SPX to hold the 200-day line around 2775. If that goes we could see further declines. Month-end rebalancing could help stem losses, so it might not all be bad news out there but it looks like we're going to wrap up a rocky month of May on a down note," Wilson said.

What cheer there is in the London market has been provided by the minnows.

ValiRx Plc (LON:VAL) was the top riser, advancing 47% to 0.33p after it said the deadline for its discussions over a new convertible bond facility has been extended from 21 June to 1 July.

Elsewhere in the biotech world, NetScientific PLC (LON:NSCI) surged 26% to 10.75p after its portfolio firm, ProAxis, received positive early data from a clinical trial of its NEATstik lung disease test.

1.40pm: US stocks set to open lower

It's the turn of US markets to take fright at the latest trade war developments and futures markets are duly pointing to a weak open, stateside.

The Dow Jones is tipped to open around 240 points lower at 24,930 while the S&P 500 is expected to shed 28 points at 2,761.

In London, the FTSE 100 index has largely traded sideways in the afternoon session, lurking around 7,144, down 74 points (1.0%).

"With Trump threatening to slap tariffs on all US imports from Mexico unless it steps up efforts to stop illegal migration, it is becoming ever more apparent that the US president sees tariffs as a valuable geopolitical bargaining chip that he is more than willing to throw around in pursuit of his goal," said David Cheetham at xtb.

"The US president has also ramped up his attack on Huawei by promising to limit intelligence sharing with Britain if the UK allows the firm to build part of its 5G mobile network and hopes for a swift resolution to the US-China trade tensions are fading fast. Markets have been relatively sanguine to the latest developments on the trade front, but the growing realisation that this isn't simply a posturing tactic, intended to get a better deal when an agreement is reached is causing rising concern for investors," he suggested.

Finding a good news story among UK blue-chips is hard going today. Even news that it is to sell its general insurance business to Allianz failed to lift Legal & General Group PLC (LON:LGEN); the shares were down 1.2%.

"While Legal & General's decision to sell its general insurance business... has been in the offing for a while it is still a further reminder of how tough a market this is," said Russ Mould, the quote machine at AJ Bell.

"Significant competition means there is pressure on premiums, while regulatory changes are also making it more difficult for participants to squeeze as much out of their customers.

"The unit produced no profit in 2018 so its sale will have pretty much zero impact on the company's financial performance and the modest price tag will have only a limited effect on the balance sheet.

"However, it will free up capital to invest in the company's growth priorities.

"This includes the retirement arm where the company is aiming to benefit from the ageing demographics in developed economies," he added.

11.15am: Trade war fears cast a shadow over equity markets

Stock market bulls can't wait to say goodbye to May, with the last day of the month proving to be as miserable as most others.

The FTSE 100 was down 74 point, or 1.0% at 7,144, with less than one in seven constituents showing gains on the day. Included among those though were utility companies SSE PLC (LON:SSE), United Utilities PLC (LON:UU.), National Grid PLC (LON:NG.) and Severn Trent PLC (LON:SVT) - stocks that always get a bit of love when investors are in "risk off" mode.

"The summer is not fully here yet but the trade temperature is notching up with the US trade rhetoric becoming more threatening by the day. President Trump has directed his ire at Mexico yet again, threatening to bring in tariffs on the country in early June and to gradually increase them to 25% until Mexico stops illegal immigrants entering the US. Britain is also about to face tough Trump love when the US President comes to London next week as he plans to limit intelligence sharing between the countries if the UK goes ahead with plans to use Huawei to build parts of its 5G network," commented City Index's Fiona Cincotta.

No frills airline easyJet PLC (LON:EZJ) continued to lose altitude ahead of its seemingly inevitable ejection from the FTSE 100 in the quarterly index reshuffle, due to be announced next week.

The stock was down 2.3% but was in good company, with mid cap peer Wizz Air Holdings PLC (LON:WIZZ) losing 5.7% at 3,025p after its full-year results disappointed.

10.00am: Housebuilders under the cosh as house price growth cools

The losses on London's leading share index lengthened further mid-morning as investors fret over the mounting trade

war between the US and ... er ... just about everybody.

The FTSE 100 was down 69 points (1.0%) at 7,149.

Housebuilders were largely unaffected by the prospect of a global trade war but they are not immune to the effects of changing house prices and the news on this front is not good.

The Nationwide Building Society said annual house price growth remained below 1% for the sixth month in a row in May, at 0.6%. The May reading of the index was down 0.2% at 427.3 from April's 428.2. The average house price achieved by sellers in May was £214,946, up from £214,920 in April.

Just in:\$GBPUSD Nationwide HPI m/m: -0.2%, expected: 0.1%, previous: 0.4%
next events: <https://t.co/I0WgdJQaeY> #FOREX

— Forex Status (@forexstatus) May 31, 2019

"Survey data suggests that new buyer enquiries and consumer confidence have remained subdued in recent months. Nevertheless, indicators of housing market activity, such as the number of property transactions and the number of mortgages approved for house purchase, have remained broadly stable," said Robert Gardner, Nationwide's chief economist.

"Housing market trends are likely to continue to mirror developments in the broader economy. While healthy labour market conditions and low borrowing costs will provide underlying support, uncertainty is likely to continue to act as a drag on sentiment and activity, with price growth and transaction levels remaining close to current levels over the coming months," he added.

Cain McKinnon, a senior investment analyst at investment platform operator Cogress, said that considering the prevailing market conditions, "the trend above 0% is a positive sign for market resilience and may suggest that slowing house price growth is assisting affordability".

"The UK house price to earnings ratio is showing that current levels are below the peak prior to 2009; however, the lending landscape is far different, and this is influencing affordability," he added.

Housebuilding behemoths Barratt Developments PLC (LON:BDEV), Taylor Wimpey PLC (LON:TW.) and Berkeley Group Holdings PLC (LON:BKG) were all underperforming the market, with falls of 1.7%, while peer Persimmon PLC (LON:PSN) was off 1.3%.

8.40am: Fresh retreat by Footsie

The FTSE 100 fell 55 points to 7,162.76 as heavyweight miners in London reacted to China's latest manufacturing data, which suggested the sector is contracting in the wake of US sanctions.

Meanwhile, President Trump has also aimed his tariff gun at Mexico as part of his 'America First' war on imports, causing more concerns over the global trade picture.

"A fight with its neighbour and largest trading partner was not on the agenda," said Neil Wilson, analyst at Markets.com. "With all eyes fixed on China, and with NAFTA 2 agreed and all apparently all hunky dory on the Mexico front, the caprice of Trump has caught investors off guard and will weigh on investor sentiment."

"Trump has weaponised trade and economic might of the US. We have to assume that talks with China are going nowhere, and that this therefore - in the absence of being able to find a new stick with which to beat Beijing - is Trump finding a new 'enemy' to attack," Wilson added.

Miners on a downer

The miners, which export a good slug of their output to China, were under pressure with Chilean copper giant Antofagasta (LON:ANTO) leading the charge to the bottom with a 2.3% fall. Rio Tinto (LON:RIO) was off 1.8% and

Evraz (LON:EVR) lost 1.7%.

Elsewhere, the oilers and companies that service them were also down after it emerged May is likely to have been the worst month this year for crude prices.

A US glut from onshore production and the Sino-American trade wars cited for exerting downward pressure on the value of a barrel of crude, with Brent and WTI both off their recent highs. Premier Oil (LON:PMO), down 7.5%, led the pack lower, though there was also whisper of a bearish broker circular doing the rounds.

Dropping down to the FTSE 250, there were buyers out from Stobart Group (LON:STOB) after its better than expected results earlier in the week.

Proactive News Headlines:

NetScientific PLC's (LON:NSCI) portfolio firm, ProAxis, has received positive early data from a clinical trial of its NEATstik lung disease test.

Metal Tiger Plc (LON:MTR) shares rose on Friday as its chief executive Michael McNeilly reported on what he described as a "transformational year" for the company. During 2018, the AIM-listed company continued to reshape its portfolio - selling its 30% stake in the T3 copper project to MOD Resources Limited (LON:MOD) (ASX:MOD) and increasing its investment in the Kalahari Copper Belt.

ANGLE PLC (LON:AGL) is on track to gain US regulatory certification for its liquid biopsy system early next year after a clinical trial of 400 women with breast cancer met its primary objectives. The med-tech firm is seeking Food & Drug Administration Class II regulatory clearance for its Parsortix technology that harvests circulating tumour cells, which provide the tell-tale signs of cancer. FDA sign-off is seen as the gold standard for a medical device.

United Oil & Gas PLC (LON:UOG) has appointed David Quirke as the company's new chief financial officer. Quirke joins the company on 24 June. He was previously with Tullow Oil, leading the oiler's 'treasury function' between 2003 and 2017, and more recently was advising Assala Energy following its acquisition of Shell's assets in Gabon.

Savannah Resources PLC (LON:SAV) has announced an increase in the mineral resource estimate at its Mina do Barroso lithium project in Portugal. The estimated mineral resources have been increased by around 15% to 27mln tonnes at 1.06% Li₂O for 285,900 tonnes of contained Li₂O.

KRM22 PLC (LON:KRM) has unveiled a partnership with Trailight Ltd to distribute and support compliance products on its Global Risk Platform.

Electronic ticketing company accesso Technology Group PLC (LON:ACSO) has appointed travel, technology and financial services veteran John Guilfooy as its chief operating officer.

i3 Energy PLC (LON:I3E) says there's substantial value to be created in the UK North Sea through the development of small and mid-sized fields, in the vicinity of aging but well-maintained infrastructure.

The move from being a mining exploration company to a producer meant NQ Minerals PLC (LON:NQMI) could justifiably categorise 2018 as a transformational year. The Hellyer project in Tasmania now offers significant ongoing cash flow as the company works on its two exploration projects, Ukalunda and Square Post in North Queensland, Australia.

Kodal Minerals PLC (LON:KOD) has reported good progress with the metallurgical, engineering and environmental aspects of the Bougouni lithium project development in Mali. Social and environmental technical reports are being finalised for submission while community meetings have been positive, it said.

Oracle Power Plc (LON:ORCP) revealed on Thursday that it has entered into a loan agreement with Brandon Hill Capital Limited, a substantial shareholder in the company, to provide it with a working capital facility of up to £250,000.

Gold recovery specialist Goldplat plc (LON:GDP) is placing its Kilimapesa mine in south-west Kenya on care and maintenance until external funding for the operation can be secured. In an update, the company said a number of creditors of the Kilimapesa business are showing patience, while it is still waiting for the local tax authorities to sanction a VAT repayment in excess of £1m.

Arc Minerals Ltd. (LON:ARCM) has announced the appointment of Rémy Welschinger as a non-executive director with effect from today. The group noted that Welschinger is the founder and managing director of Limehouse Capital Limited, an investment holding company specialising in natural resources projects, and, up until 2018, he was Head of Commodities Sales in Europe for Deutsche Bank.

Yellow Cake PLC (LON:YCA) has revealed the resignation of James Keating as an independent non-executive director, with effect from 31 May 2019, and announced its intention to appoint Alexandra Nethercott-Parkes to replace him in that role. The firm noted that Nethercott-Parkes has over 15 years' experience in Private, Corporate and Funds administration, and has a wealth of experience in listed and regulated funds, large real estate companies, UK REITs and capital markets deals.

Live Company Group Plc (LON:LVCG) has confirmed that, further to its share placing and subscription to raise gross proceeds of £2.2m announced on 11 February 2019, while the placing proceeds of £1.26m were received in full in February, of the £0.84m subscription, a sum of £0.20m is still outstanding from one subscriber. However, the company said it anticipates that the further £0.20m will be received shortly.

Physiomics Plc (LON:PYC), a provider of technology-based solutions to predict the effects of cancer treatment regimens for the biopharma industry, has appointed Strand Hanson as its nominated and financial adviser, with immediate effect. The firm said Hybridan will continue to act as the company's sole broker.

ReNeuron Group PLC (LON:RENE), a UK-based global leader in the development of cell-based therapeutics, said its management team will be participating in 1-on-1 meetings at the Jefferies 2019 Global Healthcare Conference on Tuesday 4 June 2019 in New York City.

06.30am: Trade war tensions ratchet up

The FTSE 100 index as called lower on Friday after China's official manufacturing Purchasing Managers' Index (PMI) fell into contraction territory in May, which has jolted investor sentiment.

Asian markets are retreating at a rate of knots this morning and the Footsie looks set to join them, with spread betting quotes pointing to the index opening around 29 points lower at 7,189.

May's China factory PMI clocked in at 49.4, down from April's 50.1; a reading of less than 50 indicates contraction.

"We believe that the contraction in new orders means domestic manufacturing activity has been affected by both the trade war and the technology war. From the trade war, export-related domestic activity, like packaging materials, are affected by fewer exports and the damage on China's telecommunication companies has slowed down their production in China as they foresee slower sales globally," commented Iris Pang, an economist covering Greater China at ING.

Sentiment won't have been helped as well by an announcement from President Trump that he will be imposing a tariff of 5% on all Mexican imports from 10 June unless Mexico takes measures to address what Trump regards as an immigration crisis at the US/ Mexico border.

Meanwhile, China said it is prepared to restrict the export of rare earths to the US should the US/China trade dispute escalate.

US markets may have enjoyed a rebound yesterday, with the Dow Jones up 44 points at 25,170 and the S&P 500 rising 6 points at 2,789, but Asian markets were on the retreat this morning. In Tokyo, the Nikkei 225 was down 220 points at 20,723 and in Hong Kong, the Hang Seng was 49 points weaker at 27,066.

Closer to home, it looks like being a quiet end to the week/month in terms of corporate news flow, with updates from budget airline Wizz Air and wealth management firm Charles Stanley the main events on the agenda.

Wizz Air Holdings PLC (LON:WIZZ) has previously said it expects net profits for the year to be at the "upper half" of its guidance range of between €270mIn-€300mIn as it tries to keep costs under control and drive up ancillary revenues from extras like food, seat selection and baggage.

Analysts at Numis expect the airline to continue to take market share from national and legacy carriers as Wizz is one of the lowest cost airlines and "material cost tailwinds" are yet to come in.

Charles Stanley Group PLC (LON:CAY) had a tough time at the end of 2018 as the Footsie tanked by 10.4% but things picked up in the first quarter of 2019 so the wealth management firm might have some reasonably cheery news for shareholders.

Significant announcements expected on Friday:

Finals: Wizz Air Holdings PLC (LON:WIZZ), Charles Stanley Group PLC (LON:CAY)

AGMs: Alba Mineral Resources plc (LON:ALBA)

Economic data: Nationwide house prices; US personal income/spending; US Chicago PMI; US University of Michigan final consumer confidence index

Around the markets:

- Sterling: US\$1.2611, up 0.03 cents
- 10-year gilt: yielding 0.901%
- Gold: US\$1,298 an ounce, up US\$5.60
- Brent crude: US\$64.59 a barrel, down 74 cents
- Bitcoin: US\$8,171.49, down US\$283.50

City headlines: The Times

- Uber has posted a loss of US\$1.01 billion in its maiden results after a lacklustre flotation earlier this month.

Daily Mail

- Amey is close to securing a £300 million deal to abandon a disastrous roads contract that threatened to sink the whole company.
- FirstGroup's plans to break up its rail and bus business and focus on North America have been branded 'woefully inadequate' by its biggest shareholder Coast Capital.
- Sir Philip Green has set out a £135 million plan to try to rescue his Arcadia fashion empire in a letter to the group's 18,000 staff.
- Jittery savers pulled cash out of Neil Woodford's flagship fund as it lost £560 million of its value in just four weeks.
- Two of KPMG's senior female partners - Maggie Brereton and Ina Kjaer - have

quit the accountant in protest at alleged bullying by a top male staff member.

The Daily Telegraph

- Neil Woodford is pressuring companies in his portfolios to prove their worth by putting themselves up for sale or listing, as the star fund manager battles weak investor exodus and performance.
- HSBC is likely to slash up to 500 investment banking jobs just weeks after its senior executives vowed to keep a close eye on costs.
- Gatemore Capital, an activist investor, has backed Majestic Wine's plan to offload its entire retail business.
- German bond yields have tumbled to historic lows and inflation expectations are collapsing across the eurozone, prompting fears of a gathering recessionary storm.

The Guardian

- Daily Mail and General Trust reported a 25% year-on-year increase in ad revenues to £76 million at Mail Online in the six months to the end of March.
- Provoking trade disputes is "naked economic terrorism", a senior Chinese diplomat said on Thursday, ramping up the rhetoric against the US amid a bitter trade war that shows no signs of ending soon.
- The value of shares and other assets could fall sharply if financial markets are underestimating the risks of a fresh crisis, the Bank of England has warned.
- Three US law firms have launched an investigation to look into whether Metro Bank's bosses took part in securities fraud.
- Netflix is to raise prices for UK subscribers by up to 20% as it looks to invest more in programmes ahead of the arrival of rival Disney.

Financial Times

- Budweiser brewer, Anheuser-Busch is looking to shake up its product range as figures show Americans are losing taste for beer.
- Japanese conglomerate Softbank is looking to borrow Peter to pay Paul, seeking to borrow US\$4 billion against its stake in Uber and two other Silicon Valley groups so it can hand back cash to investors

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