

FTSE & SMALL CAP MARKET REPORT

17:07 05 Jun 2019

FTSE 100 closes near flat as US ADP jobs report shakes confidence

- FTSE 100 index closes up a shade
- Wall Street shares up
- US private sector jobs growth disappoints

FTSE 100 closed the mid-week session near flat, having been higher earlier, as European exchanges were muted but Wall Street shares rose.

The UK blue-chip share index finished up around 4.5 at 7,218.

Mid-cap index FTSE 250 closed more convincingly higher - up around 64 points at 19,072.

Top riser on Footsie was software firm Sage Group PLC (LON:SGE), which closed around three points up at 757p. In the US, the private sector ADP employment report showed that just 27,000 jobs were added in May, which was well below the 180,000 forecast.

"Traders in Europe were spooked by the dreadful ADP employment report in the US, and worries that Italy and the EU are about to be a loggerheads again has weighed on sentiment," noted David Madden, market analyst at CMC Markets.

"Equity markets are still up on the week, and this move might prove to be a breather as the macroeconomic and political picture is better now than it was at the end of last week."

On Wall Street, the Dow Jones Industrial Average gained around 133 points at 15,464.

The S&P 500 gained nearly 12 at 2,815.

3.50pm: FTSE 100 almost flat into late-afternoon

As London entered its final hour of trading on Wednesday the FTSE 100 had gone into reverse and was down 4 points at 7,210.

Hargreaves Lansdown remained the worst blue-chip performer, having sunk 5.8% in late-afternoon to 2,001p as the Woodford suspension continued to cause collateral damage.

Meanwhile, sitting at the top of the pile was software firm Sage Group PLC, which was up 3.5% at 758.8p.

A little further down, the mid-cap FTSE 250 was having a much better day of it, sitting on a gain of around 71 points into its last hour.

The top mid-cap riser was Provident Financial PLC (LON:PFG), which was up 16.1% at 518p after smaller rival Non-Standard Finance PLC (LON:NSF) abandoned its hostile takeover efforts.

The Woodford upheaval was also affecting the FTSE 250, with the Woodford Patient Capital Trust PLC (LON:WPCT) one of the index's biggest fallers as it slipped 4.5% to 67.8p.

2.40pm: US stocks open higher

The US markets have continued their gains from Tuesday's rally, with the three main indicis opening higher on Wednesday morning.

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MarketTopic Synopsis:

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

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Shortly after the open, the Dow was up 0.51% with the S&P 500 0.54% higher while the Nasdaq rose 0.74%.

The positive open also came in spite of a sharp slowdown in US non-farm private sector jobs growth in May, according to the latest ADP data, which some worried could knock the market's optimism ahead of the critical jobs report of Friday.

Back in London, the FTSE 100 was up 21 points at 7,236.

1.55pm: US private sector jobs growth drops to lowest level since 2010

Private sector jobs growth in the US has slumped to its lowest level since March 2010, according to May data from the ADP Research Institute.

Over the month, the US non-farm private sector added 27,000 jobs, a very sharp fall from the 275,000 it added in April and well below the expected figure of around 185,000.

- 1) It's ADP, not official data.
 - 2) Still, it's not good with some clear signals the market doesn't like the trade wars.
 - 3) 27k new nonfarm private sector employment. 185k was the expectation. Oof.
- <https://t.co/1jTWU4RgWo>

— Derek Young (@DerekMYoung) June 5, 2019

The plunge was mostly down to the loss of 52,000 jobs from small US businesses, which employ between 1-49 workers, offsetting gains from mid-sized and large companies.

Analysts had said previously that any figure below 150,000 would likely spook the market on the outlook for the US economy, particularly ahead of the more critical non-farm payroll data on Friday.

The weak jobs figures seemed to have knocked the dollar, with the pound jumping 0.36% to US\$1.2742 against the greenback shortly after ADP released its report.

The prospect of a cooling US economy also seemed to have pumped the brakes in the equity markets, with the FTSE 100 shedding most of its gains ending up 12 points higher at 7,226.

1.20pm: Wall Street tipped to start on the front foot

The US markets look poised to extend their gains on Wednesday following a massive rally yesterday sparked by comments from Fed chair Jerome Powell that implied the central bank could cut interest rates.

Axitrader is expecting the Dow to open around 82 points higher while the S&P 500 is expected to start off up 12 points.

James Hughes, chief market analyst at the forex trader, said that while the rally looks set to continue, the ADP Payroll data, due later today, could upset the optimism as the number is expected to sharply contract.

Hughes said that a drop to below 150,000 from April's 275,000 could spook the market ahead of Friday's critical non-farm payroll and average wage data.

Meanwhile, in London the FTSE 100 was still buoyant and had held most of its gains into early afternoon, rising 40 points to 7,255.

11.35am: FTSE 100 joins global rally as morning ends

Despite an initially lacklustre start, the FTSE 100 seemed to have joined the rally in the global stock markets and was up around 44 points at 7,258 as the morning drew to a close.

Among the blue-chip firms leading the index higher was cruise operator Carnival PLC (LON:CCL), which was up 3.4% at 4,017p ahead of its dividend pay-out to investors next week.

However, Fiona Cincotta, senior market analyst at Cityindex said the rally in the firm's share price could be "short lived" following news yesterday that the US had banned cruise ships from travelling to Cuba in a move by the Trump administration to reverse a thaw in relations under his predecessor Barack Obama.

Other prominent risers included housebuilder Barratt Developments PLC (LON:BDEV), which was up 3.8% at 575p, and software firm Micro Focus International PLC (LON:MCRO) which rose 4.2% to 1,936.4p.

Leading the FTSE 100 fallers by a wide margin was Hargreaves Lansdown PLC (LON:HL.), which sank 5.5% to 2,009p amid continued fallout from the downfall of stock picker Neil Woodford after one of his investment funds suspended withdrawals on Tuesday.

Meanwhile, in the currency markets the pound was enjoying some positivity on the back of stronger-than-expected UK services data for May, rising 0.13% to US\$1.2713.

However, the services data slightly masked what was otherwise a fairly bleak UK economic picture, which analysts said was still hovering close to stagnation amid the ongoing Brexit turmoil.

There was also misery in the form of UK new car registration data, which showed a 4.6% fall in May to 183,724 as drivers remained uncertain over the policy on diesel as well as the government's decision to cut incentives for plug-in hybrids.

Diesel plunge continues as new car sales fall again in May <https://t.co/Blav9O1cKt> pic.twitter.com/BxB2nOC7Hy

— Motoring Research (@Editorial_MR) June 5, 2019

The fall in new registrations was steeper than the 4.1% decline in April, with Howard Archer, chief economic advisor to the EY ITEM Club, adding that declining consumer confidence, "persistent" supply problems since September last year and stricter emissions regulations were also serving as brakes on demand.

9.55am: UK service sector picks up in May but economy remains near stagnation

There was a modest increase in activity from the UK services sector over May, according to the latest data.

The figures showed that the index rose to 51 in the month, up from 50.5 in April and just beating consensus forecasts.

The data also signalled an increase in new work for the service sector, the first instance in five months, although a number of providers had noted that uncertainty relating to Brexit had contributed to subdued business and consumer spending.

Services providers had also pointed to a recovery in business confidence over the month, the report said, with optimism its highest for eight months.

Despite slightly faster services growth, @IHSMarkit /CIPS 'all-sector' UK #PMI fell from 50.9 in April to 50.7 in May, indicative of the economy more or less stalled when compared to official GDP data. However, optimism about the year ahead hit an 8-month high. pic.twitter.com/gqrudL351z

— Chris Williamson (@WilliamsonChris) June 5, 2019

There was cautious optimism over the outlook for customer demand as well as business expansion plans, although the political uncertainty was still noted as a key factor in holding back growth expectations for the year ahead.

Chris Williamson, chief business economist at IHS Markit, which compiles the survey, said that while the service sector had gained some momentum in May, the pace of expansion remained "disappointingly muted" and failed to offset a marked deterioration in manufacturing and a fall in output from the construction industry.

As a result, Williamson said that in combination the PMI surveys showed that the UK economy remained "close to stagnation".

However, the forecast beat was enough to provide some strength to the pound, which was up 0.13% at US\$1.2713 against the dollar shortly after the data was released.

Meanwhile, in the equity markets, the FTSE 100 was up 18 points at 7,233.

8.35am: Subdued start for Footsie

The FTSE 100 failed to take its cue from Wall Street, which closed firmly in positive territory overnight, with the UK blue-chip index adding just 1.65 points at the open to trade at 7,215.94.

Traders were cautious as the rallies seen in the US and Asia following the recent trade war-inspired sell-off may be a temporary phenomenon rather than the signal for sustained recovery, analysts warned.

"Markets are in a state of flux right now, so we are seeing broader swings without a directional shift," said Neil Wilson of Markets.com. "I'd be cautious about any rally like this when it seems to be on nothing but fumes."

Topping the Footsie losers' board once again was Hargreaves Lansdown (LON:HL.), falling 4% early on.

The owner of the UK's largest investment trading platform has incurred collateral damage as a result of the meltdown of the empire of Neil Woodford, the former superstar stock picker who has prevented withdrawals from one of his funds.

But on the up, doorstep lender Provident Financial (LON:PFG) jumped 7.6% after Non-Standard Finance (LON:NSF) dropped its hostile £1.3bn takeover bid.

And, after a recent sharp markdown after it sounded the earnings alarm, construction group Kier (LON:KIE) bounced 6.6% higher.

Proactive news headlines:

HemoGenyx Pharmaceuticals PLC (LON:HEMO) shares soared on Wednesday after first data from an in vivo (in human) study of its CDX antibody, designed to treat a form of blood cancer, showed that the treatment was effective in eliminating a subset of cells. Big Pic in January.

Bacanora Lithium PLC (LON:BCN) has published a feasibility study for its Zinnwald project in Germany that indicates 94,000 tonnes of reserves and a net present value of €428m. Costs to build the mine are estimated at €159m, which will be paid back after six years of the estimated 30-year mine life. Big Pic in May.

Arc Minerals Limited (LON:ARCM) chairman Nick von Schirnding said the latest work on its copper properties in Zambia appears to confirm a number of targets that have "company maker" potential. The upbeat assessment followed "exciting" results from its infill soil geochemistry programme, after which the drill rigs were mobilised. Big Pic in May.

PCF Group Plc (LON:PCF), the AIM-listed challenger bank, grew income and earnings per share by 50% in the first half of its financial year and said it was "on track" to meet market expectations. Big Pic in December.

Ariana Resources PLC (LON:AAU) reported a much increased annual profit and said 2019 was likely to be its busiest year of exploration activity. Big Pic in November.

Hurricane Energy PLC (LON:HUR) has now achieved 'first oil' at the Lancaster oil field, as the start-up programme began with a phase of production testing. The opening of the Early Production System (EPS) began with a 72-hour test in which a production rate of 20,000 barrels of oil per day was achieved. Big Pic in March.

ANGLE PLC (LON:AGL) said the early phase of a clinical verification process for its liquid biopsy system as a test for ovarian cancer has reported positive results. The so-called pre-study used the company's Parsortix technology in harness with a system called HyCEADTM Zplex to assess women with pelvic masses. Big Pic in February.

Learning Technologies Group PLC (LON:LTG) has touted a "very positive" performance so far in 2019 as it reiterated

its confidence in its targets for 2021. Big Pic in May.

United Oil & Gas PLC (LON:UOG) has landed four new licences in the central North Sea via the UK's 31st offshore licensing round. The company, in a statement, told investors that it has been awarded a total of 500 square kilometres across the four blocks. Big Pic in February.

Gaming Realms PLC (LON:GMR) has signed a games distribution agreement with online gambling platform provider Relax Gaming Group. Big Pic in April.

Polarean Imaging PLC (LON:POLX) has received a research unit order for its 9820 Xenon Polariser system from The Hospital for Sick Children (SickKids) in Toronto. Big Pic awaited.

Kavango Resources PLC (LON:KAV) has hailed a "major milestone" in its exploration of licences at the Kalahari Suture Zone (KSZ) in Botswana. The exploration firm said it had completed processing of data from a Phase 2 airborne electromagnetic (AEM) survey over the northern section of its prospecting licences, which had to date revealed 45 conductive anomalies. Big Pic in October.

Cabot Energy PLC (LON:CAB) told investors that it has agreed to a new funding arrangement with its majority shareholder, High Power Petroleum (H2P), to generate sufficient working capital until the end of this month. The company is continuing its efforts to land a longer term financing solution. Big pic in May.

NQ Minerals PLC (NEX:NQMI) has agreed to invest in Tasmania Energy Metals with an option to buy all of the Australian mining firm's assets for £5.5mln. Big Pic in February.

Further to its announcements on 31 May 2019 and 28 May 2019, ValiRx Plc (LON:VAL) said its discussions with European High Growth Opportunities SF regarding a new financing facility, like its current deal, is expected to oblige the company to issue convertible bonds and certain warrants to the investor. The group also said it will seek authority at its upcoming AGM to facilitate, at an appropriate time, an Open Offer, expected to be on the basis of two new shares for every ten existing shares held.

Salt Lake Potash Ltd (LON:SO4) (ASX:SO4) has capital raising news imminent and has been granted a trading halt by the ASX. The halt will remain in place until the beginning of trade on Friday, June 7, 2019, or when an announcement is released to the market, whichever occurs earliest.

6.45am: FTSE 100 set for flat start

The FTSE 100 is expected to open slightly higher on Wednesday following a rally in global markets overnight.

Spread-better IG expects the FTSE 100 to open 2 points higher after closing up 29 points yesterday at 7,214.

The market will be looking to take its lead from Wall Street, which closed with solid gains on Tuesday after remarks from Fed chairman Jerome Powell seen as leaving open the possibility of a rate cut sent traders into buying mode. The Dow closed up 2% while the S&P 500 was 2.1% higher and the Nasdaq was up 2.6%.

"Powell gave the markets what they wanted to hear, and the result was a spectacular rally, as traders increased their bets of a rate cut happening before the year end. Jerome Powell's speech followed similar comments from other Fed officials earlier in the week. This is usually a sign that the Fed wants to prepare investors for a shift in policy", said Jasper Lawler, head of research at London Capital Group.

The strong rally provided a boost for the Asian stocks on Wednesday, with the Japanese Nikkei rising 1.8% and Hong Kong's Hang Seng up 0.8%.

In the currency markets, the pound was up 0.1% at US\$1.2709 against the dollar as traders awaited the latest set of UK services PMI data due later today which could provide some more support for sterling.

The currency was also flat against the euro at €1.1282 but is likely to move off the back of today's eurozone retail sales data which could affect the European Central Bank's meeting on Thursday.

Mid-caps to dominate corporate news as FTSE reshuffle day arrives

Wednesday will bring the results of the latest quarterly reshuffle of the FTSE indexes, with budget airline easyJet PLC (LON:EZJ) pegged as the most likely to fall through the blue-chip trapdoor, with retailer JD Sports Fashion PLC (LON:JD.) tipped to take its place.

However, for company news most of the excitement will be coming from the FTSE 250, with results from mid-cap office group Workspace and waster manager Biffa at the top of the agenda.

On the economic data front, both the UK and US services PMI's will be delivered, with the latter likely to hold particular attention ahead of the US non-farm payroll data due on Friday.

Significant announcements expected for Wednesday June 5:

FTSE indices quarterly reshuffle announced

Finals: Biffa PLC (LON:BIFF); Workspace Group plc (LON:WKP), GB Group PLC (LON:GBG), Findel PLC (LON:FDL) Alpha Financial Markets Consulting PLC (LON:AFM)

Interims: Chemring Group PLC (LON:CHG), Impax Asset Management Group PLC (LON:IPX)

Trading update: Card Factory PLC (LON:CARD)

AGMs: Echo Energy PLC (LON:ECHO), Hurricane Energy PLC (LON:HUR) Learning Technologies Group PLC (LON:LTG)

Economic data: UK services PMI; US ISM non-manufacturing; US services PMI

Around the markets:

- **Sterling:** US\$1.2710, up 0.1%
- **Brent crude:** US\$61.71 a barrel, down 0.4%
- **Gold:** US\$1,326.68, up 0.25%
- **Bitcoin:** US\$7,814.49, down 1.7%

City headlines:

- Kent county council, one of the big investors in Neil Woodford's suspended fund, has hit out at the manager for stopping redemptions shortly after it requested to withdraw funds - The Times
- The European Central Bank is under pressure to do more to boost the eurozone economy, an economist has claimed, as inflation stumbled below economists' expectations, recording 1.2% year-on-year in May from 1.7% in April - Daily Mail
- Non-Standard Finance's £1.1 billion hostile takeover for Provident Financial, its bigger rival, collapsed last night after a decision to block the deal by the financial regulator - Times
- Sir Philip Green has agreed to pump an additional £25m into Arcadia Group's pension fund, in a deal with regulators that could pave the way for a rescue restructure of his fashion retail empire - Guardian
- Opposition politicians in Senegal have called for investigation into the prized BP gasfields in the country amid allegations of suspicious payments by a former owner to the brother of nation's the president - Times
- Donald Trump has insisted that a "phenomenal" US-UK trade deal was possible but only if Britain's National Health Service was part of the talks - Financial Times
- Oil prices hit their lowest level since January yesterday, with the Brent Crude sliding down 1.5% and sparking calls for OPEC to extend supply cuts amid damage from global tensions - Daily Express
- Bosses at luxury jeweller Watches of Switzerland enjoyed a £14 million windfall after its stock market debut -

Daily Mail

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