

FTSE & SMALL CAP MARKET REPORT

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FTSE 100 closes higher led by defensive stocks

- FTSE 100 index closes day higher
- Defensive stocks to the fore
- Rare earths companies all the rage
- Wall Street mixed

FTSE 100 closed up over 39 points Thursday, with big tobacco companies and other defensive stocks making good gains, while other European indices lagged.

Footsie closed up 39 at 7,259, while mid-cap cousin FTSE 250 went the other direction, shedding over six points to close at 19,065.

The German DAX lost over 27 points at 11,953, while the French CAC 40 shed around 13. On Wall Street shares are mixed at the time of writing. The Dow Jones is up around 37 points, while the Nasdaq is down nearly ten points.

"Equity markets are subdued as trade tensions still linger," said market analyst David Madden, at CMC Markets. "The Trump administration threatened China with further tariffs on 'at least' \$300 billion worth of goods. President Trump claimed that China and Mexico are keen to strike a trade deal, but Beijing is taking the stance that they don't want a trade war, but they won't shy away from one."

Top riser on FTSE 100 was Imperial Brands plc (LON:IMB), which swirled up 5.71% to 2,073p. In second place was British American Tobacco PLC (LON:BATS), which gained around 3% to 2,915.5p

3.30pm: Footsie's gains dissipate

The Footsie was just beginning to recover from a mid-afternoon swoon as it entered the final hour of trading.

The top-shares index was up 21 points at 7,241, tumbling from around 7,270 some half an hour earlier.

US benchmarks opened higher but not dramatically so, with the Dow up 74 points (0.3%) at 25,614 and the S&P 500 up 6 points (0.2%) at 2,832.

The UK index's cause was helped by demand for defensive favourites, such as the two titans of the tobacco sector - IMPS and BATs - and utility companies United Utilities PLC (LON:UU.) and Severn Trent PLC (LON:SVT).

With the price of Brent crude edging up 0.5% to US\$61 a barrel there was also support for oil giants Royal Dutch Shell (LON:RDSB) and BP PLC (LON:BP.), which were up 1.3% and 1.1% respectively.

Down among the minnows, rare earths project developers were on a lot of traders' shopping lists.

READ Rare earths companies the subject of intense buying, as China's threats to restrict global supply sink in Rainbow Rare Earths Limited (LON:RBW) shot up 17% to 6.3p and Mkango Resources Limited (LON:MKO) climbed 11% to 8.75p as investors wised up to the prospect of China, which accounts for between 70% and 80% of the global rare earths supply, stopping supplies to the US in a tit-for-tat trade war reprisal.

Rainbow is currently one of only two listed rare earths companies that is producing commercially outside of China while Mkango has the Songwe Hill rare earths project in Malawi.

2.15pm: Market not enthused by ECB's policy decisions

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MarketTopic Synopsis:

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

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London's index of leading shares relinquished some gains as investors waited for the European Central Bank's press conference and the start of trading on Wall Street.

The FTSE 100 was up 28 points (0.4%) at 7,244.

In the US, the Dow Jones was expected to open some 20 points higher at 25,560.

ING Economics, referring to the European Central Bank's decision to stand pat on rates, said the bank was as dovish as it could be without actually cutting rates.

"The ECB just announced two new measures: forward guidance on rates was pushed forward to 'at least through the first half of 2020', from 'at least until the end of 2019'; the pricing of a new series of cheap bank funding (TLTRO III) was set to 10 basis points [one-tenth of a percentage point] above the MRO [main refinancing operations] and 10bp above the deposit rate for banks reaching the ECB's benchmark for net lending," explained ING's Carsten Brzeski.

"Let's be clear, another change to forward guidance is just another step to align the ECB's forward guidance with market expectations; not the other way around," he added.

The euro zone's Japanification intensifies as ECB extends forward guidance to keep rates at current levels (-0.4%) at least through mid-2020. With US and global cycle maybe turning, it could be several years before ECB raises rates. Not Draghi's concern, as he leaves in October. pic.twitter.com/zcJb8oqVuW

— Jamie McGeever (@ReutersJamie) June 6, 2019

Neil Wilson at markets.com said the central bank "seems to have fallen a tad short" of market expectations.

"Previously the ECB said it expects the key rates to remain at their present levels at least through the end of 2019 but today this has shifted to remain at their present levels at least through the first half of 2020. So, it's pushed it back by 6 months, which is an important shift, but does not go quite as far as perhaps we might have thought. Instead of taking a rate hike off the table, it's instead decided to simply push the first hike further out. Head still in the sand. Markets still pricing for a cut before then," Wilson opined.

1.00pm: ECB leaves its rate unchanged; RBI cuts its benchmark rate for the third time this year

The European Central Bank (ECB) has left its key interest rate unchanged.

"Once again, the ECB left the powder dry. The initial reaction in the euro-dollar was to the downside and this is because there are no signs of any interest rate hike and the prospects of long term TLTRO [targeted longer-term refinancing operations] still looks optimistic. Most of the trading action is choppy for now," said Naeem Aslam at ThinkMarkets.

Alessandro Capuano, the global head of brokerage and business development at Fineco Bank, noted that the bank had maintained the status quo now for 39 months on the spin; in contrast, India's central bank cut its benchmark rate this morning, making it the third time it has cut the rate this year.

"Last month's fall in inflation from 1.7% to 1.2% has raised concerns that the ECB's monetary policy has failed to deliver the much needed stimulus the Eurozone needed. By cutting and maintaining lower interests rates, the ECB has made lending excessively cheap and mainly fuelled the housing market; however, the expansive policy hasn't ignited the economy as much as they would have liked," Capuano said.

"A continued flat interest rate and lagging European economies would also see the Euro fall and devalue even further. With rising weakness across the EU mainly driven by declining industrial activity in Italy and Germany as well as global growth worries mainly on the back of trade disputes the ECB will have no other option than to put their monetary policy on a halt and start rising rates again to battle inflationary pressures," he added.

The FTSE 100 was largely immune to all this action/inaction on the part of central banks. It remained around the 7,260 level at 7,263, up 43 points (0.6%).

11.30am: Blue-chips in consolidation mode ahead of ECB press conference

London's index of heavyweight shares has traded sideways since the mid-morning point.

The FTSE 100 was up 44 points (0.6%) at 7,264, which means it has gained about three points since 10.00am.

Still, as David Cheetham of xtb observed, the index is trying to rise for the fourth day in succession so it is, perhaps, understandable that the advance is not as full-bodied as the market bulls would like.

Auto Trader PLC (LON:AUTO), the operator of an online marketplace for cars, was failing to get with the programme, sliding 1.4% to 579p despite beating market expectations with its full-year results.

"Brexit is not expected to affect the company's operations but it does foresee a low to mid-single digit [percentage] increase in its costs in 2019; however, the company's confidence was underlined by a 14% rise in the dividend," commented Ian Forrest at The Share Centre.

"With the shares trading on 26 times prospective earnings and a fairly modest dividend yield of around 1% the shares look to be fairly valued and we would suggest no more than a hold rating," Forrest said.

READ Legal & General wins largest UK pensions risk transfer deal from Rolls-Royce

As mentioned below, Rolls-Royce was going well after it came to a pensions arrangement with Legal & General Group PLC (LON:LGEM) but L&G investors also seemed happy with the deal, with the shares rising 1.1% to 263.3p.

10.00am: Leading shares index extends early gains

Far from being fagged out, the Footsie extended its gain in mid-morning, with cigarettes makers leading the advance.

The FTSE 100 was up 39 points (0.5%) at 7,259, with ciggies maker Imperial Brands PLC (LON:IMB), up 2.2%, the top riser and its sector peer, British American Tobacco PLC (LON:BATS), up 1.9%, the third-best performer.

Squeezed in between them was Rolls-Royce Holdings PLC (LON:RR.), which was up 2% at 900.6p, after its UK pension trustee completed a deal to transfer certain pension risk liabilities to Legal & General.

Legal & General wins largest UK pensions risk transfer deal from Rolls-Royce <https://t.co/OoHOSkp0VE>

— StockMarketNews (@StockMarketPing) June 6, 2019

Not that many people are paying attention. According to Daiwa Capital Markets, all eyes today will be on the conclusion of the European Central Bank's latest policy meeting.

"Among other things, the meeting will be watched closely for the updated staff economic forecasts and additional details for the pricing of the forthcoming TLTRO-III liquidity operations, due to start in September," Daiwa said.

TLTRO stands for targeted longer-term refinancing operations, and there are people who get excited about this stuff.

"Gains in Europe so far appear to be based on the idea that the ECB will issue a supportive statement this afternoon, helping to maintain the recovery in risk appetite witnessed over the past few days," suggested Chris Beauchamp, the chief market analyst at IG Group.

"The global central bank outlook continues to shift in the dovish direction, with Jerome Powell's speech earlier in the week driving hopes of Fed movement, and a cut in rates by the Indian central bank has only reinforced the impression that monetary policy is moving in an accommodative way. While eurozone GDP was better than expected in Q1, the

outlook remains uncertain, which may help prod Mario Draghi to err on the dovish side," he added.

8.40am: Positive start for Footsie

The FTSE 100 opened 29 points to the good at 7,249.32, buoyed by a strong performance overnight on Wall Street.

The Dow Jones Industrial Average closed more than 200 points higher, while the tech-heavy NASDAQ also clawed back some recently lost ground.

However, analysts continued to caution against complacency, with the US still in sanctions stalemates with two of its biggest trading partners - China and Mexico.

"Stocks rallied again yesterday as the markets drank the Kool-Aid of Fed rate cut expectations," said Neil Wilson of Markets.com.

"But this rally looks very uneasy. Markets have been hopeful that the tariffs on Mexico won't go ahead but there is little yet to suggest the President won't follow through on his threats.

"Talks between the US and Mexico have not produced a breakthrough. Mr Trump tweeted: 'Progress is being made, but not nearly enough.... talks with Mexico will resume tomorrow with the understanding that, if no agreement is reached, tariffs at the 5% level will begin on Monday, with monthly increases as per schedule.'"

The Footsie's two big fallers - builder Taylor Wimpey (LON:TW.) and grocer Sainsbury (LON:SBRY) - fell after rights to a dividend payment lapsed. They were off 6% and 4% respectively.

In fact ex-dividend factors was responsible for a 7.2 points drag on the blue-chip index's performance.

Entertainment One (LON:ETO) was one of the market's notable risers after the owner of Peppa Pig came out to publicly refute reports that chief content officer, Mark Gordon, was about to leave the company. The shares spiked 16%.

Among the small-caps, Motif Bio found itself shorn of 39% of its value after the drug developer was urged by US regulators to carry out another clinical study of its antibiotic. Motif also cautioned that, while it had enough cash to see it "into September", there would be a requirement for a fundraiser.

Proactive news headlines:

Salt Lake Potash Ltd (LON:SO4) (ASX:SO4) has received binding commitments to place \$20.25 million worth of shares priced at 54 cents each. Funds will go towards ongoing construction of the Lake Way Project which commenced in March 2019.

BigDish PLC (LON:DISH) has raised £2.1m from an institutional investor to help accelerate the expansion of its restaurant booking platform.

Ariana Resources PLC (LON:AAU) is increasingly confident its Kizilcukur deposit can become a satellite for its existing mine in Turkey after drilling returned high-grade indications of gold. Kerim Sener, managing director, said that the mineralisation encountered within the top 40m of the Zeki vein system at Kizilcukur showed sufficiently high grades and widths to support an open pit operation.

Highlands Natural Resources PLC (LON:HNR) said the owners of the Schrader Oil Co. convenience store chain have invested £100,000 in the business as part of a deal to stock its cannabidiol (CBD) products.

LoopUp Group PLC (LON:LOOP) is to launch a video functionality and an operator-assisted call option as it unveiled the additions to its product suite ahead of a capital markets day on Thursday.

Motif Bio PLC (LON:MTFB) (NASDAQ:MTFB) said the US drug regulator has encouraged the company to carry out a further trial on its antibiotic to allay concerns over possible liver toxicity.

IronRidge Resources Ltd (LON:IRR) has confirmed that its joint venture for the Zaranou Gold Project, in Côte d'Ivoire, will advance as due diligence has been completed. The company and its partners, GeoServices and Atlas Resources, will now take the 'highly prospective' exploration project forward.

Bluejay Mining PLC (LON:JAY) told investors that it has now submitted the prefeasibility study for the Dundas ilmenite project in Greenland. The study has been submitted to the mineral licence and safety authority (MLSA) of the Government of Greenland, marking the completion of the final necessary item to facilitate an exploitation application.

Oriole Resources PLC (LON:ORR) has reported good incidences of gold in soil samples from the Bataol zone at its Wapouzé project in Cameroon. The three best samples contained more than 100 ppb (parts per billion) gold - with a peak assay of 210 ppb (0.21 g/t) while there were 45 above 20 ppb and 135 greater than ten.

Primary Health Properties PLC (LON:PHP), the investor in modern primary healthcare facilities, said its portfolio's gross book value has risen substantially since the MedicX merger. The merger with MedicX Fund completed on 14 March, took the FTSE 250-listed firm's portfolio up to 484 properties with a gross book value of more than £2.3bn, up from £1.5bn at the end of 2018.

Custodian REIT PLC (LON:CREI), the commercial property company, delivered a net asset value per share total return of 5.9% in the year to end-March. The net asset value per share eased to 107.1p from 107.3p a year earlier but the dividend per share rose to 6.55p from 6.45p.

KRM22 PLC (LON:KRM) announced that, further to its announcement of 1 May 2019, its executive chairman and CEO, Keith Todd has subscribed for 235,295 new ordinary shares in the company at a price of 85p each. Following the Subscription, the group added, Todd has a beneficial holding of 2,010,591 ordinary shares, representing 10.5% of the company's issued share capital.

Genel Energy PLC (LON:GENL) has announced the appointment of Mike Adams as technical director with immediate effect as the company concurrently redefines the scope of its chief operating officer (COO) role. A process to hire a new COO is presently underway and the company has decided that the role's responsibilities will now be split.

Xpediator PLC (LON:XPD), a provider of freight management services, has rung the changes at the top of the management tree. Stephen Blyth, who is currently the chief executive officer, will become the executive chairman and will focus on the strategic direction of the group and acquisition opportunities.

Collagen Solutions PLC (LON:COS) has announced the appointment of Wade Rosen as a non-executive director with immediate effect, following the completion of the strategic investment in the company by Rosen's Diversified, Inc. (RDI) It noted that Rosen currently serves as a director of RDI, and as executive vice president at Scientific Life Solutions, a subsidiary of RDI.

Gaming Realms PLC (LON:GMR) has announced the appointment of one of the UK's leading entrepreneurs and experts on the gaming industry, Chris Ash as a non-executive director with immediate effect. The firm pointed out that, in a career of over 18 years in the industry, he built and sold Ash Gaming Ltd to Playtech PLC for £23m, which, at the time, was one of the leading gaming content developers in the UK. Whilst at Playtech, Ash also ran the content aggregation business with 25 partner studios and assisted with M&A.

6.45am: Market called higher

The FTSE 100 index is seemingly higher ahead of Thursday's open though the morning's deals are likely to be tempered as traders await an interest rate decision from the European Central Bank.

CFD and spreadbetting firm IG Markets makes the London index at 7,221 to 7,224 with just over an hour to go until the open.

US markets were positive into Wednesday's close despite data indicating unexpectedly slow job creation last month, though the main set of American employment stats (the non-farm payrolls) don't come out until Friday. ADP employment numbers on Wednesday showed only 27,000 jobs were created in May.

"It was a shock to say the least, but the announcement can be interpreted a couple of ways," said David Madden, analyst at CMC Markets.

"It might suggest that employers are worried about the state of the US economy, and are not keen to hire staff. The unemployment rate is at a 50-year low, so firms might be finding it tough to attract new staff. The average earnings component of the Friday's non-farm payrolls will be of particular importance as it will offer a clue of the strength of the US labour market."

In New York, the Dow Jones marked a 207 point or 0.82% rally to close at 25,539. The S&P 500 similarly gained 0.82% to finish at 2,826 and the Nasdaq added 0.64% to trade at 7,575 when market hours ended.

Asian stocks saw mixed performances. Japan's Nikkei was trading in positive territory, up 0.23% at 20,824, while Hong Kong's Hang Seng was only a sliver higher at 26,899 and the Shanghai Composite was down 0.75% at 2,840.

Significant events expected on Thursday 6 June:

European Central Bank council meeting

Trading update: Joules Group PLC (LON:JOU), Loungers PLC (LON:LGRS)

Strategy update: Aviva PLC (LON:AV.)

Finals: Auto Trader PLC (LON:AUTO), CMC Markets Plc (LON:CMCX), MITIE Group PLC (LON:MTO), First Property Group PLC (LON:CMCX)

AGMs: IQ-AI Limited (LON:IQAI), Telit Communications PLC (LON:TCM), Xpediator PLC (LON:XPD)

Ex-dividends to knock 7.2 points off FTSE 100 index: Associated British Foods plc (LON:ABF), Johnson Matthey PLC (LON:JMAT), Kingfisher PLC (LON:KGF), J Sainsbury PLC (LON:SBRY), Scottish Mortgage Investment Trust PLC (LON:SMT), Taylor Wimpey PLC (LON:TW.), Vodafone PLC (LON:VOD)

Economic data: UK Halifax house prices; US balance of trade; US weekly jobless claim

Around the markets:

- Pound: US\$1.2689, up 0.02%
- Gold: US\$1,331 per ounce, up 0.26%
- Brent crude: US\$60.69 per barrel, down 2.1%
- Bitcoin: US\$7,790, down 0.21%

City Headlines:

- Fiat Chrysler withdraws €33bn Renault merger offer - Financial Times
- Ford Bridgend: Proposal to close town's engine plant due - BBC News
- Brexit uncertainty triggers slump in UK construction sector - The Guardian
- 'Sign-in with Apple' latest privacy challenge for Google and Facebook - Sky News
- Retired people will 'exhaust' pensions long before they die, IFS warn - The Telegraph
- High rents in English cities forcing young to stay in small towns - The Guardian

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