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Persimmon

17:09 19 Aug 2019

FTSE 100 starts week in positive mood; Ocado top gainer

- FTSE 100 closes up 78 pts
- Market shrugs off German recession fears
- Ocado leads the blue-chips higher

5.10pm FTSE 100 hinishes positively
FTSE 100 started the trading week in a positive mood, closing higher as US-China tensions appeared to ease up.

The UK's premier share index closed over 78 points higher, at 7,195.

Its mid-cap cousin FTSE 250 also headed north, adding over 251 points at 19,073.

Meanwhile, on Wall Street, the Dow Jones Industrial Average added almost 293 points, while the Nasdaq gained over 115 points.

"The decision by the Trump administration to allow Huawei 90 days to keep buying from US suppliers has added to the positive move in stock markets," said David Madden, analyst at CMC Markets.

"Not only does it help US tech companies, it sends a positive message to Beijing that they are willing to be reasonable, and that is a step forward in US-China relations. Both sides are due to meet next month, but Mr Trump has already claimed he is not ready to do a deal yet, but actions speak louder than words."

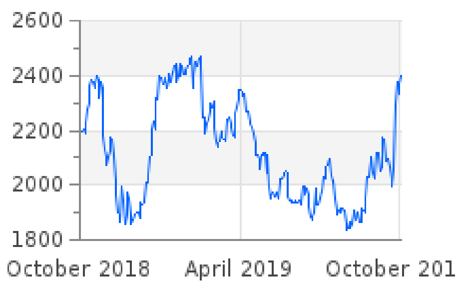
On Footsie, top gainer was online grocer Ocado (LON: OCDO), which gained 4.6% to stand at 1,204p.

The stock was boosted by an upgrade from heavyweight broker JPMorgan, which raised its target price on the shares to 1,073p from 1,070p. Precious metals producer Fresnillo (LON:FRES) was top loser, down 1.75% to 652p.

Price: 2400

Market Cap: £7.64 billion

1 Year Share Price Graph



Share Information

Code:		PSN
Listing:		LSE
52 week	**High**	**Low**
	2529	**1444.5**
Sector:		**Real Estate**

Websiteorporate.persimmonhomes.com

Company Synopsis:
Persimmon is a house building company, which has been trading since 1972, and operates under three main brands, Persimmon Homes, Charles Church and Westbury Partnerships. .

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4pm: Footsie higher
Barring a late swoon, London's blue-chips were on course for a second successive trading day of gains.

The FTSE 100 was up 73 points (1.0%) at 7,190.

"The Bundesbank's warning that Germany appears to be sliding into a recession - the central bank is forecasting a contraction in Q3 following the second quarter's shrinkage - fell on deaf ears this Monday," declared Connor Campbell at Spreadex.

"Instead of panicking at the Bundesbank's comments, the markets appeared to take this as further evidence the likes of the ECB [European Central Bank] will be forced to act - as suggested by US trade advisor Peter Navarro - in an attempt to swerve economic disaster," he added.

"The FTSE managed to keep pace with its [European] peers - not always a given - rising 1% to tease 7200. That's in part because the pound thought little of Boris Johnson's claim he is 'confident' the EU will renegotiate the Irish backstop. Sterling dropped 0.2% against both dollar and euro, losing the rebellious momentum seen at the end of last week," he added.

Groceries delivery technology firm Ocado Group PLC (LON:OCDO), up 4.4% at 1,201.5p, led the advance after JPMorgan nudged up its price target for the stock to 1,073p from 1,070p.

#OCDO - Ocado - Looking ripe for buying. - TradingView - https://t.co/bxbevRv4TJ

— TradingView UK (@uk_tradingview) August 19, 2019

2.45pm: US stocks off to a flyer
As expected, US blue-chips came flying out of the traps, with the main benchmarks each rising more than 1%.

The Dow Jones industrial average shot up 288 points (1.1%) to 26,174 while the broader-based S&P 500 advanced 34 points (1.2%) to 2,923. The tech-heavy NASDAQ Composite soared 117 points (1.5%) to 8,013.

Back in Blighty, the FTSE 100 has slipped below the 7,200 level but only just … it's at 7,198, up 80 points (1.1%).

Enthusiasm for equities has been ascribed to action by China to lower borrowing costs and a hint from the German finance minister that stimulus measures are being considered but Rupert Thompson, the head of research at Kingswood, the asset management firm, thinks declining bond yields may also be playing their part.

"With prospective returns from bonds looking ever lower as yields continue to hit new lows, equity returns look increasingly attractive in comparison - particularly on a 12-month view. This is why we recently took advantage of the correction in markets to add to our equity allocation," he revealed.

"All the same, we have only moved back close to neutral as significant risks remain - not least on the geopolitical front. There is the threat of Chinese intervention in Hong Kong, a further escalation in tensions between the US and Iran and of course closer to home the looming prospect of a No-Deal Brexit," he added.

On the subject of the return from equities, the global dividend index from Janus Henderson shows the deceleration in the world economy has begun to make an impact on dividends.

In the second quarter, dividends totalled US$513.8bn, up 1.1% year-on-year. Although this was a new record for the April-June period, the rate of year-on-year growth slowed, partly because of the appreciation of the US dollar.

"Underlying growth of 4.6% was the slowest in two years but was only slightly below the long-run average. This slowdown was in line with Janus Henderson's forecast, which had already factored in a lower rate of growth this year," the fund manager said.

"In the UK, underlying growth was 5.3%, similar to the global average, though very large specials boosted the headline total. The largest contribution to underlying growth came from the banking sector," it added.

2.15pm: Stocks holding steady at higher levels ahead of US open
With US indices set to open sharply higher, the FTSE 100 index was maintaining position above 7,200.

London's index of heavyweight shares was up 84 points (1.2%) at 7,201.

In the US, the Dow Jones was tipped to open 300 points or so higher at around 25,886 while the broader-based S&P 500 was set to add to Friday's gains and open at around 2,922, up 33 points.

12.45pm: China and Germany give the markets helping hands
London's index of blue-chip shares was just below its intra-day high as buyers outnumbered sellers following promising weekend developments in Germany and China.

The FTSE 100 was up 83 points (1.2%) to 7,200.

"The week is off to a pleasant start, with traders seemingly buoyed by Chinese lending rate reforms and the prospect of German fiscal stimulus, but will it last?" asked Craig Erlam at Oanda, in rhetorical fashion.

"Markets actually ended last week on a relatively good note so what we may actually be witnessing right now is traders relishing in the blissful trade war silence rather than anything more optimistic.

"Of course, the reforms to Chinese lending rates are a positive and may provide a cushion for the economy but it's still too early to tell how padded that will be and how much pain it will alleviate.

"Then there's fiscally conservative Germany, whose finance minister, Olaf Scholz, dangled the prospect of stimulus in front of everyone, a full force response of around €50 billion. The biggest problem I have with this is that they've always been hesitant in the past and this slowdown is hardly new, they've contracted on two occasions in the past year alone, where's the response been so far? Will it arrive on time if it is signed off? I'm sceptical," Erlam said.

Mining stocks are doing their bit to keep the Footsie above 7,200; Glencore PLC (LON:GLEN), Antofagasta PLC (LON:ANTO) and Anglo American PLC (LON:AAL) each rose more than 2%.

Housebuilders did not seem overly impressed by reports of a pre-Brexit house-buying spree. Home sales in August are up 6.1% year-on-year according to Rightmove PLC (LON:RMV), the property listings website operator.

"With the average time between agreeing a sale and moving in being more than three months, we're now entering the last-chance saloon for those who want to have finished their move before the end of the year," said Miles Shipside, a housing market analyst at Rightmove.

Among the big beasts of the sector, Taylor Wimpey PLC (LON:TW.), up 1.2%, was the best performer but was doing no better than the Footsie. The relative lack of enthusiasm for housebuilders might be because, while demand has apparently risen in August, the average asking price slipped to £305,500 - the lowest level since April.

10.45am: Hints of a German stimulus package boosts sentiment
I am not sure if Germany has a cavalry - Prussia probably has one - but if it does, it has ridden to the rescue today.

The FTSE 100 was up 53 points (0.7%) to 7,170, partly on the back of market rumours that Germany will announce a stimulus package.

"Olaf Scholz, Germany's finance minister, hinted the German government could earmark US$50 billion for a stimulus package, and that has helped lift sentiment. Germany is the largest economy in Europe, and admittedly, a US$50 billion stimulus package isn't huge for an economy of that size, but the very fact the country is contemplating such a move says a lot, and it has acted as a green light to the bulls," reported David Madden at CMC.

Germany has the fiscal strength to counter any future economic crisis "with full force," says Finance Minister Olaf Scholz, suggesting Berlin could make available up to $55 billion of extra spending.https://t.co/azseAsmw6u

— Al Arabiya English (@AlArabiya_Eng) August 19, 2019
"Over the weekend, the People's Bank of China announced it will introduce reforms to 'help lower real lending rates'. China's economy has been cooling, and Beijing are keen to reduce lending costs for companies and the belief is that firms will be encouraged to borrow more and in turn spend more as a result. The wider concerns about the state of US-

China trade relations, unrest in Hong Kong, and the prospect of a no-deal Brexit are still in lingering, but in the near-term, the hopes of stimulus from Germany and reforms in China are boosting stocks," he added.

Meanwhile, it was reported this morning that the Eurozone's current account surplus plunged to €18.4bn in June from €30.3bn in May.

"The euro area's external surplus was hit across all key components at the end of Q2. The goods trade trade surplus fell marginally, by €1.8B to €25.2B but the surpluses in services and primary slid, by a combined €6.4B, to €7.1B. Finally, the secondary income deficit—mainly transfers in kind and remittances—widened to €14B, from €10.2B," reported Claus Vistesen, the chief Eurozone economist at Pantheon Macroeconomics.

"This type of volatility is not unusual in these data, and we doubt that the June headline reflects a shift in the trend," he added.

Meanwhile, headline inflation in the Eurozone slipped to 1.0% year-on-year in July, from 1.3% in June, compared to a consensus forecast of no change from June's 1.1% level.

The core inflation rate fell to 0.9%, from 1.1% in June, in line with the consensus.

Corporate news flow in London has been light, as it often is in August.

IXICO PLC (LON:IXI), the medical software company, was in rude health, advancing 24% to 42p, after its said its performance for the current year will be "materially ahead" of market expectations with the company breaking even in the final six months.

Mitie Group PLC (LON:MTO) the struggling - aren't they all? - outsourcing group, hardened 3.6% to 164.7p after it sold its catering and hospitality business Gather & Gather for £85mln cash to catering specialist CH&CO.

9.40am: "Risk-on" mood is back
Taking their lead from Asian markets, European benchmarks have opened higher, including the battered and bruised FTSE 100.

London's index of large-cap shares was up 58 points (0.8%) on the day at 7,175 but still down more than 400 points this month.

"The FTSE 100 pushed to 7175, threatening to take out 7,200 again and surmount the 200-day moving average again. Meanwhile the DAX was up at 11,680, short of the key 11,740 level. These are dip-buying kind of moves but we are yet to see the start of a new upwards trend for equities," observed Neil Wilson ad markets.com.

US equities suffered a third straight weekly fall, despite Friday's rally. The direction of travel has shifted even if we are seeing bounces like today. US futures are heading higher.

Just a handful of blue-chips are reluctant to join the advance; among them are Fresnillo PLC (LON:FRES), the precious metals miner, and Centrica Plc (LON:CNA), the owner of British Gas.

The former is down 1.5% at 653.7p, reflecting a 0.8% fall in the price of gold to US$1,511.20 and a 1.2% slide in the price of silver to US$16.92 an ounce, as investors abandon haven investments; a "risk on" mood is also behind the lack of enthusiasm for Centrica.

Grocery plays Ocado Group PLC (LON:OCDO) and J Sainsbury PLC (LON:SBRY) are the best blue-chip performers, up 3.7% and 2.9% respectively; it must be the prospect of us all rushing out to buy tins of spam, bottles of Camp coffee and quarter-pound jars of aspirin ahead of the "do or die" Brexit deadline.

The Sunday Times has obtained a copy of the government's classified 'Yellowhammer' report on the chaos expected after a no-deal Brexit. Find out how Whitehall is preparing for food and medicine shortages, transport disruption and civil unrest in our comprehensive coverage. pic.twitter.com/UwDmCUtsbt

— The Sunday Times (@thesundaytimes) August 17, 2019

8.40am: FTSE 100 joins the global trend
The FTSE 100 got off to a strong start, rising 56 points to 7,172.89, as London's trading community opted to ignore the negatives and accentuate the positives.

This, remember, was after fears of recession sent the markets on a roller coaster ride last week.

Those worries, it appears, have been soothed somewhat by hopes that the major world economies step in with economic stimulus packages to mitigate the worst of any downturn. China and Germany appear to be leading the way in this regard.

But, while Asia's main markets kicked off the week strongly, trade war worries and economic fears are still likely create volatility, analysts warned.

Closer to home, weekend reports outlining the potential impacts of a no-deal Brexit appear to have already been priced into the market as the pound remained above US$1.21.

On the Footsie, Glencore (LON:GLEN), up 2.6%, led the mining revival.

Among the small-caps, the med-tech firm IXICO (LON:IXI) shot up 20% after it said its results would be materially ahead of expectations.

6.30am: FTSE 100 set for solid start
The FTSE 100 looks set to get off to a solidly positive start, taking its cue from Asia's main markets.

The Nikkei, Hang Seng and Shanghai Composite all advanced, although the mood music was mixed.

President Trump, fresh from vacation at his New Jersey Golf club, played down the risk of recession; yet at the same time he was happy to ramp up the trade rhetoric.

Cocktail for further uncertainty
And while mass protests in Hong Kong passed off peacefully, the mood there remains febrile. Add to that the Italian political stand-off, Iran and Brexit, and you have a cocktail for continued uncertainty, analysts said.

"One thing does appear certain in amongst all of this, government bonds with a positive yield are likely to remain in demand, which means US treasuries and UK gilts are likely to continue to go higher," said Michael Hewson, analyst at CMC Markets.

Remember, the yield inversion last week - where the interest rates on 10- and 30-year government debt fell below the return paid on short-dated treasuries - sent the market into a recessionary spiral.

Back here in the UK, scheduled corporate news looks to have slowed to a dribble with the FTSE 100 excitement this week coming from builder Persimmon (LON:PSN), BHP (LON:BHP) and Antofagasta (LON:ANTO).

Around the markets: pound worth US$1.2157 (up 0.02%); gold US$1,519.60, down US$4 an ounce; Brent crude US$59.28, up 64 cents a barrel

Monday's main corporate news

Finals: BHP Group PLC (LON:BHP), Omega Diagnostics Group Plc (LON:ODX)

Interims: BATM Advanced PLC (LON:BVC)

Economic data: Eurozone CPI

Business Headlines

Financial Times

- Investors position for fresh wave of economic stimulus - billions flood into government debt on signs of global slowdown
- LSE needs to beat Bloomberg at its own game - boss David Schwimmer is betting on Refinitiv and financial data revolution to unseat incumbent
- FTSE 100 CEO pay falls to lowest level in five years
- British Steel buyer flags job cuts in push to raise output
- WeWork landlords 'exposed to $40bn' in rent commitments

Times

- Blackout fears over National Grid cables from the Continent
- RBS hides data breach from customers
- Minibond firm 'sound' despite missing payments to investors
- Buyers return to housing market after prices slide
- Global slowdown applies brake to dividends

Daily Telegraph

- The specialist metals engineer Doncasters is in line to be broken up and sold for parts by its hedge fund lenders
- Standard Chartered faces £10mln Treasury fine
- Sainsbury's kicks off search for Mike Coupe's replacement
- Berkeley Homes' climbdown on exec pay fails to quell shareholder anger

Guardian

- BBC using strong-arm tactics over iPlayer, say independent producers - small TV companies claim BBC trying to get them to lease shows for longer for same fee
- Small energy companies risk going bust in financial shock

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