

17:10 21 Aug 2019

FTSE 100 closes higher as attention turns to July's Fed minutes

- FTSE 100 closes higher
- Sterling's loss is Footsie's gain
- All eyes on Fed minutes

FTSE 100 closed higher midweek as traders awaited the publications minutes from last month's US Federal Reserve meeting.

Traders hope the tone from the US monetary policy committee meeting will be towards a further easing of interest rates, rather than a tightening of policy, which is making dealers buy up shares.

"In late July, the Fed cut rates, and dealers are banking on dovish language in the report, which might signal further rate cuts this year," noted David Madden, analyst at London-based CMC Markets.

"Since the rate cut, the global macroeconomic mood has soured - US-China trade tensions, the UK and Germany saw negative growth, and increased unrest in Hong Kong," he added.

The UK's premier share index finished up 78.97 points at 7,203.97. Meanwhile, the more UK company focused FTSE 250 added 199.66 points at 19,207.75 as no-deal Brexit fears were apparently pushed aside.

On currency markets, the pound lost 0.22% against the US dollar further supporting the internationally-focused Footsie, while the gold price was near flat at US\$1,513 an ounce.

3.25pm: Markets upbeat

US stocks have joined in with global markets' good mood, with retailers Target Corporation and Lowe's Co leading the way after they reported earnings.

The Dow Jones climbed 222 points or 0.9% to 26,186, while the S&P 500 index was up 0.8% and the Nasdaq Composite gained 0.9%.

With market watchers fretting about a possible recession, the retail pair both reported strong consumer demand.

Target shares surged 19% to an all-time high above \$101 after second-quarter results from the discounter topped analyst expectations, with same-store sales growing 3.4% compared to the 2.9% expected.

Home improvement chain Lowe's jumped 11% to \$108.43 as it beat the Street's estimates on revenue, same-store sales and earnings.

"We capitalized on spring demand, strong holiday event execution and growth in paint and our pro business to deliver strong second quarter results," said chief executive Marvin Ellison, who has been at the company just over a year ago.

Meanwhile, in Brexitland, the pound lurched to day's lows as newswires AFP and Bloomberg reported that the French government is expecting a no-deal Brexit as the "most likely scenario", which would result in the immediate imposition

Price: 981.4

Market Cap: £5.8 billion

1 Year Share Price Graph



Share Information

Code: TUI

Listing: LSE

52 week High Low
1394.5 686.6

Sector: Leisure, gaming and gambling

Website: www.tuigroup.com

Company Synopsis:

TUI Travel, now assimilated into its German parent company, TUI Group, has become one of the world's leading international leisure travel groups operating in over 180 countries with more than 30 million customers in 25 source markets.

action@proactiveinvestors.com

of controls on the EU's borders with Britain.

Sterling was down 0.4% against the dollar at 1.2119 and the euro at 1.0920, while the FTSE 100 was up 1.2% to just over 7,207

Boris Johnson's Paris visit tomorrow heating up:

Emmanuel Macron aide tells AFP no deal 'is becoming most likely scenario'

The aide insists that Britain will still have to pay £39bn Brexit divorce bill

'The idea of saying there's not a deal so I won't pay does not work'

— Steven Swinford (@Steven_Swinford) August 21, 2019 2pm: European stocks in the green

There is a focus on Europe today as Boris Johnson heads off to talk Brexit with German premier Angela Merkel, while Germany's bond sale hits a bum note and Italy reacts to the resignation of prime minister Giuseppe Conte.

After Conte quit and fired off a few epithets at his coalition partners, markets welcomed the populist partnership's almost-certain end.

Italy's FTSE MIB is the strongest gainer among the European indices, up 1.9%, while London's FTSE 100 was up 1.2% at 7,212.

As Germany prepares to welcome the British PM, the country's central bank created an unwanted record by selling the first ever 30-year government bonds with a zero coupon, which due to the price paid actually will have a negative yield of -0.11%.

READ: Why might investors buy negative yield government bonds?

Merkel meanwhile said in a speech that the talks with Johnson will cover "how we can get the most friction-free British exit from the European Union possible as we must fight for our economic growth".

Analysts at Monex Europe said: "The chances of a breakthrough seem slim, but given Boris yesterday hinted at Britain being willing to make 'commitments', and Merkel said that the Irish backstop could be bypassed by a practical solution, there is at least a glimmer of hope for good news."

The pound was having none of it, still down 0.3% versus the dollar at 1.2137, with tweeted efforts from the White House not moving the dial either, with the negative German debt further enraging President Trump.

.....We are competing with many countries that have a far lower interest rate, and we should be lower than them. Yesterday, "highest Dollar in U.S.History." No inflation. Wake up Federal Reserve. Such growth potential, almost like never before!

— Donald J. Trump (@realDonaldTrump) August 21, 2019 1.45pm: Experian gets acquisition boost

Among the top blue chips today are credit checker Experian PLC (LON:EXPN), up 2% as it acquired Look Who's Charging (LWC), an Australian outfit providing nifty technology to the banking sector.

This technology helps with "transaction enrichment and categorisation", which the London-listed company says is designed to "make banking smoother and more straightforward for bank customers".

Simply put, LWC shows small businesses and consumers who's who on their bank statements, rather than a random list of numbers.

Capita PLC (LON:CPI) is also up 2% after it was upgraded to 'buy' from 'neutral' at Goldman Sachs.

Other broker action saw Victrex PLC (LON:VCT) upgraded to 'equalweight' by Barclays as analysts see 20% upside risk to consensus estimates on earnings per share, while Tullow Oil plc (LON:TLW) was lifted by an upgrade to 'buy' at Canaccord Genuity.

12.25pm: Wall Street expected to join market march higher

Wall Street is tipped to join in the market merry-making on Wednesday, while the FTSE 100 continues to inch higher.

On futures markets, the Dow Jones is pencilled in for an 0.6% gain to just over 26,000, with the S&P 500 seen adding 0.7% and the Nasdaq Composite best of all at 0.8%.

Nerves about a US recession look to have settled a little after last week's panic, says market analyst Craig Erlam at Oanda.

"Now that everyone is an expert in inverted yield curves and the apocalyptic foresight they contain, there seems to be an odd acceptance of where we're heading (or is it denial?)"

Another day spent waiting for that special yield curve to invert. #drumsfingers

— Chris Beauchamp (@ChrisB_IG) August 21, 2019

"The Fed will be all too aware of the events of the last week, not just because of its historic significance, but because investors are now relying on them even more heavily to save the day," Erlam said.

"Markets are effectively pricing in a rate cut every remaining meeting this year. Are investors setting themselves up for disappointment or leaving the Fed with little choice but to follow?"

"Clearly Powell can't afford to get it wrong on Friday because any signal that markets are way off the mark will likely cause further mayhem, not to mention a backlash from the White House."

While minutes of the most recent Fed meeting are due later today, Erlam said recent events might make them rather outdated.

Back in London, the FTSE is up 80 points or 1.1% at 7,205.28, as the pound softens further, down 0.3% against the greenback at \$1.2130.

10.30am: Gains extended as TUI leads the way

London stocks have continued to rally on Wednesday morning, with news of a smaller than expected UK budget surplus unlikely to be providing the catalyst.

The Office for National Statistics revealed that July saw a small surplus of £1.32bn compared to £3.56bn a year earlier.

Public sector net borrowing, excluding banks, is up 60% year over year in the first four months of the fiscal year at £16bn.

"The small surplus in July's public finances wasn't enough to make up for the jump in borrowing since the start of the financial year and means that government borrowing still looks like it will overshoot the OBRs forecast," said Capital Economics.

Economist Tom Pugh said it was likely that government borrowing will continue to overshoot the Office for Budget Responsibility's forecast over the next few months as the government ramps up spending on preparations for a no deal Brexit, while a change in accounting approach will raise the deficit by more than £10bn a year.

Among the biggest share price movers in the upper FTSE echelons, tour operator TUI AG (LON:TUI) was flying highest, up 4% to 791.6p.

Research by UBS showed all the airlines showed more deterioration than expected in their most recent customer review scores, but with TUI showing the highest score among 20 airlines.

Elsewhere, dollar earners were doing well in general as the pound softened another 0.2% against the dollar to 1.2141, with leaders including Smurfit Kappa Group Plc (LON:SKG), Burberry Group PLC (LON:NRBY) and Rolls-Royce Holdings PLC (LON:RR.).

The FTSE 100 was up 75 points or 1.05% to 7,199.81, with only five stocks in the red, with miners BHP Group PLC (LON:BHP) and Rio Tinto PLC (LON:RIO) down amid falling base metals prices, and two general insurers, Admiral Group PLC (LON:ADM) and Direct Line Insurance (LON:DLG).

8.52am: Stronger start than expected

The FTSE 100 got off to a stronger than expected start, rising 31 points to 7,155.74.

Sentiment for the coming days could be shaped by the US Federal Reserve minutes out after hours London time.

Ahead of their publication trading volumes in the dealing rooms of the Square Mile are likely to remain subdued.

Gold, a haven investment in times of uncertainty, continued to hold firm above US\$1,500 an ounce, reflecting the nerves of the market.

The pound was steady at US\$1.2153 with forex traders buoyed by comments by German chancellor Angela Merkel stating the EU would look at "sensible" suggestions for solving the UK-Ireland border issue.

Turning to the stock market, construction group Costain (LON:COST) led the All-Share with a 12.6% rise.

This after its profits crumbled. It appears, however, the carnage wasn't quite as bad as the market had been anticipating.

Nostrum Oil & Gas (LON:NOG) was the day's big loser as it tanked 20% after Berenberg slashed its target price and downgraded the shares to 'sell'.

READ: Nostrum gets bloody nose after Berenberg double-downgrade 6.30am: FTSE 100 set to open a "touch higher"
The FTSE 100 is expected to open a touch higher on Wednesday as investors seemed content to stay put while awaiting possible direction from Fed minutes due later.

Spread-betting firm IG expects the FTSE 100 to open about 4 points higher after the index closed 64 points lower at 7,125 on Tuesday.

Fears of a recession have been mixed with hopes of renewed fiscal and economic stimulus by national governments to counter the slowdown, with US President Donald Trump recently floating the idea of tax cuts while the German government is seemingly considering a bond sale.

Traders will also be looking to the minutes from the Federal Reserve's previous policy meeting in June, when it cut interest rates for the first time since 2008, to gauge the possibility of further cuts this year.

This will also be in focus ahead of the Fed's annual Jackson Hole seminar later this week, which will provide further clues on how the central bank plans to boost growth.

The gloomy mood around a recession weighed on US markets overnight, with the Dow Jones ending Tuesday 0.66% lower at 25,962 while the S&P 500 fell 0.79% to 2,900 and the Nasdaq dropped 0.68% to 7,948.

The pessimism continued into the Asian markets on Wednesday, with the Japanese Nikkei 225 down 0.3%, although Hong Kong's Hang Seng bucked the trend slightly and was up 0.11%.

On the currency markets, the pound slipped 0.12% to US\$1.2154 against the dollar and was also down 0.05% at €1.0955 against the euro amid ongoing doubts that Boris Johnson will be able to extract any concessions from major EU leaders when he visits Berlin and Paris this week.

Quiet day for company news

Wednesday looks like being another quiet one in the Square Mile, with only a handful of companies known to be releasing news, while there is also some relatively small-time data due.

One of the few set to report is industrial REIT, Hansteen Holdings plc (LON:HSTN), which is due to post its half-year numbers.

Significant events expected on Wednesday August 21:

Interims: Charter Court PLC (LON:CCFS), Costain PLC (LON:COST), Empresaria Group plc (LON:EMR), Hansteen Holdings plc (LON:HSTN)

Economic data: UK public sector net borrowing, US existing home sales, MBA US mortgage applications, US crude oil inventories

Around the market:

Sterling: US\$1.2154, down 0.12%

Brent crude: US\$60.35 a barrel, up 0.5%

Gold: US\$1,502.47 an ounce, down 0.14%

Bitcoin: US\$10,230.4, down 5.3%

Proactive news headlines:

ReNeuron Group PLC (LON:RENE) has appointed three people with "world-class breadth of expertise" in the fields of ophthalmology and stem cell research to its scientific advisory board.

Brady PLC (LON:BRY) had reported that recurring revenues for the first half of its financial year have been in line with expectations.

Canadian Overseas Petroleum Limited (LON:COPL) said it will raise £500,000 via a stock placing at 0.1p a share.

Asiamet Resources Ltd (LON:ARS) expects to improve the economics of its Beruang Kanan Main (BKM) copper project Indonesia after signing up a well-connected Chinese engineering, procurement and construction management contractor.

Galantas Gold Corp (LON:GAL) confirmed sales of US\$460,000 in its second-quarter following the start of shipments from the Omagh mine in Northern Ireland.

City headlines:

Giuseppe Conte has resigned as Italy's prime minister, deepening the country's political crisis - Financial Times

A major newspaper closely connected to Turkish President Recep Tayyip Erdoğan has raised concerns over Oyak's deal to rescue British Steel from insolvency - Telegraph

British technology start-ups have received a record \$6.7 billion in new funding this year, shrugging off concerns over a no-deal Brexit - The Times

Britain will automatically enrol nearly 90,000 companies in a customs system in order to reduce the risk of Brexit disruption, the government said, its latest attempt to show it can leave the European Union without a deal if necessary - Reuters

Mike Ashley has sacked the boss of Jack Wills just weeks after buying the preppy clothing retailer out of administration - Telegraph

The EU turned down Boris Johnson's latest call to renegotiate the terms for Britain's withdrawal from the bloc - FT

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.