

Unilever PLC

17:20 14 Oct 2019

FTSE 100 closes lower even though pound retreats from highs; US stocks subdued

- FTSE 100 ends down 33 points
- Sterling lower after Friday's Brexit deal charge
- US modestly higher on Columbus Day

5.15pm: Footsie and pound subdued

The FTSE 100 index ended lower on Monday, weighed down by recent gains from the pound on Brexit deal hopes although the UK currency slipped back, while US stocks were only modestly higher in thin trade on Columbus day as China/US trade deal optimism cooled.

At the close, the UK blue chip index was 33.63 points, or 0.5% lower at 7,213.45, nearer the day's low of 7,194.21 than the high of 7,251.80.

On currency markets, sterling fell back against the dollar, down 0.6% to US\$1.2568, but still remained well above recent lows.

Connor Campbell, financial analyst at Spreadex commented: "Given the lack of progress over the weekend - the bloc said Boris Johnson needs to move 'further and faster' if he is to secure a deal in time - and the sheer exuberance seen across Thursday and Friday, it wouldn't have been a surprise to see sterling suffer a severe comedown. Instead the currency has kept its losses in check."

He added: "The pound's improving performance meant it remained a tough day for the FTSE 100. Despite the Dow Jones opening unchanged at 26800, scepticism surrounding the 'partial trade deal' between the US and China has left Europe in the red."

3.15pm: US does a quick volte-face

US markets opened lower and then quickly did a handbrake turn, lurching into positive territory.

The Dow Jones industrial average was up 40 points (0.2%) at 26,856 and the S&P 500 was up a point (0.0%) at 2,972.

Trading in the US might be on quiet side today as it is Columbus Day; people in the USA have a fear of taking holidays so equity markets are open, but the Securities Industry and Financial Markets Association has recommended that the bond market be closed.

In the UK, the FTSE 100 is slowly clawing back its losses but remains in the red, down 33 points (0.5%) at 7,214.

The mid-cap FTSE 250 is harder hit, shedding 154 points (0.8%) at 19,888, despite software house Sophos Group PLC (LON:SOPH) soaring 36% to 576.6p after an agreed bid for the company.

Anti-virus software maker and fellow FTSE 250 member Avast PLC (LON:AVST) rose 3.3% in sympathy.

2.15pm: US markets expected to open on the back foot

Price: 4544

Market Cap: £119.45 billion

1 Year Share Price Graph



Share Information

Code: ULVR

Listing: LSE

52 week High Low
5333 3905

Sector: Food & drink

Website: www.unilever.com

Company Synopsis:

Unilever is a global supplier of consumer goods, the company's brands include Knorr, Lipton, Hellmann's, Magnum, Omo, Dove, Lux and Axe/Lynx.

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With US markets expected to open lower, there has been little incentive for buyers to return to the UK market.

The FTSE 100 remains in the red, down 34 points (0.5%) at 7,213.

In the US, the Dow Jones was expected to open at around 26,754, down 63 points. The S&P 500 was tipped to open at around 2,963, - down 7 points.

12.30pm: Clouds over Brexit and US-Sino negotiations

London's index of leading shares remains in the red as doubts grow over whether a last-minute Brexit deal can be agreed this month.

The FTSE 100 was down 46 points at 7,201 as reports emerged that Michel Barnier, the EU's chief negotiator in the Brexit talks, had told his counterpart, David Frost, that Britain must make more concessions if it wants the EU to agree in principle to a Brexit deal on Thursday, when European leaders meet for a chin-wag.

NEWS | Hope for Brexit deal as early as this week but negotiators 'not there yet' says E.U. Chief Negotiator Michel Barnier. <https://t.co/uv2PchmsAO>

— Belfast News Letter (@News_Letter) October 14, 2019

Meanwhile, according to Neil Wilson of markets.com, "the Trump trade deal looks to be unravelling".

"What's concerning for the market is that the US and China are using different language to describe the deal and don't seem to be on the page at all.

"Reports are circulating that China is seeking further talks before agreeing to the 'deal' that Mr Trump lauded on Friday. It wasn't even much of a deal in the first place - the fact that China is not yet even on board with it suggests very little progress has been made, and the possibility of further gains are limited. I'd be worried that the White House, worried about losing face, now throws the baby out with the bath water and abandons whatever goodwill there was," Wilson said.

Meanwhile, in what has been described in some quarters as a "fantasy Queen's Speech", the government's laundry list of legislation it hopes to get passed in parliament in the coming year - a parliament in which it does not have a working majority - included plans to address social care "to ensure dignity in old age" and a proposed pensions scheme bill that would include "collective defined contribution" provisions, as a sort of halfway house between individual defined contribution schemes and final salary provisions.

As regards the latter, coincidentally or not, pensions groups Hargreaves Lansdown PLC (LON:HL.), Prudential PLC (LON:PRU), Aviva PLC (LON:AV.) and Legal & General Group PLC (LON:LGEM) were among the worst FTSE 100 performers, with losses ranging from 2.4% to 3.6%.

Hargreaves Lansdown was the hardest hit, dipping 67p to 1,789.5p after Credit Suisse chopped its price target to 1,650p from 1,740p.

11.15am: Losses lengthen despite sterling's slide

The FTSE 100's losses have lengthened slightly despite sterling coming under selling pressure on foreign exchange markets.

The pound was down by just under a cent against the dollar at US\$1.2554, as euphoria over a possible Brexit deal faded.

A weak exchange rate is normally catnip for the Footsie but not today; the index was down 44 points (0.6%) at 7,203.

"GBP/USD has given back some of last week's major gains as traders are less hopeful about the prospect of a Brexit

deal being reached. Northern Ireland's DUP have expressed concerns in relation to the customs arrangements as they insist the region must be treated the same as Great Britain on exiting the EU," noted David Madden at CMC Markets.

Down among the small caps, SuperDry PLC (LON:SDRY), the clothing brand popular with delusional dads, was 1.9% higher at 441.2p founder and current chief executive (CEO), Julian Dunkerton, said he would remain as CEO until April 2021.

Superdry names founder Julian Dunkerton as permanent CEO until 2021 <https://t.co/o8pVtDp6jl>
pic.twitter.com/vtMTaSALKW

— Retail Sector (@RetailSector) October 14, 2019

Dunkerton seized back control of the company earlier this year, having quit the board last year after falling out with his fellow directors over strategy.

"We have mixed view on this," admitted Peel Hunt.

"There's no doubting Julian's passion and creative vision for the brand. Our concern is that his ability to focus on the brand and product design will be hampered by the day-to-day pressures of running a business of Superdry's size and scale, with Julian openly admitting that a professional CEO is better suited to the role than he is, particularly when it came to overseeing distribution, supply chain and systems change," the broker said, adding that it might not be easy for the fashion firm to attract a CEO of the right calibre to work alongside Dunkerton at a time when he is still likely to be formulating much of the strategy.

10.30am: Footsie stabilises at lower levels

Iffy Chinese data and a weekend of sober reflection on Brexit negotiations have taken the steam out of the Footsie bandwagon.

London's index of large-cap shares was down 32 points (0.4%) at 7,215.

"The FTSE started the week in a more downbeat mode as Brexit negotiations failed to make any progress over the weekend and Chinese data starkly showed how much damage the Sino-US tariff war is doing to the country's trade," commented Fiona Cincotta, at City Index.

"Chinese imports have now been shrinking for five months and the September data showed a deeper contraction than in previous months. Similarly, exports have also been affected with data indicating that the effect of the tariffs is beginning to accumulate," she added.

China's exports in September fell 3.2% from a year earlier, which was the largest monthly fall since February. Economists had expected a fall of 3%.

Exports to the USA were down 10.7%, while imports from the States were 26.4% lower than in September 2018.

Imports fell 8.5% year-on-year after being down 5.6% in August.

Steel-maker Evraz plc (LON:EVR), which is particularly attuned to the health of the Chinese economy, was one of the worst performers in London, shedding 3.8% at 418.2p.

In the market as a whole, Sophos Group PLC (LON:SOPH) was the top performer, up 35% at 575p after succumbing to a 583p per share offer from San Francisco-based equity fund Thoma Bravo.

"Another day, another takeover of a UK company by a foreign business as a US private equity firm makes a bid for FTSE 250 software firm Sophos." observed AJ Bell's Russ Mould.

"Sterling weakness has made pound-denominated assets look cheap and so we've seen many overseas firms pounce

on UK assets in the past few years," he continued.

"The 583p take-out price is considerably ahead of the 225p price at which Sophos joined the market in 2015, meaning investors who bought at the IPO offer would have made 159% share price return in four years. That's a stellar performance when you consider the historical returns from shares as an asset class have been approximately 7% a year.

"The downside of Sophos receiving a takeover bid is that the London market loses yet another tech stock.

"There are now slim pickings for UK investors wanting to invest in mid to large technology companies, meaning they have to look further afield for opportunities and be comfortable owning overseas-listed shares or, as an alternative, leave it to a fund manager to find suitable stocks," Mould concluded.

Chinese Media Welcomes Truce And Calls For Cooperation After Sino-US Mini Trade Deal <https://t.co/e19ModnaVW>
#China #VC #investment #PrivateEquity pic.twitter.com/QObAQxADRu

— ChinaMoneyNetwork (@chinamoneypod) October 14, 2019 9.00am: Expectations of a modestly firmer start confounded

The FTSE 100 defied predictions for a positive start to open 30 points lower at 7,216.78 as the impact of China's trade woes outweighed the potential for Sino-American trade deal.

Exports from the People's Republic receded by a worse-than-feared 3.2%, suggesting US tariffs are continuing to bite.

Further difficulties for the world's second-largest economy will feed into the narrative around what some economists see almost as a racing certainty - global recession.

A third-quarter earnings deluge here in the UK, which chimes with bank reporting season over in the US, should provide some real-time corporate data on this thesis, analysts said.

Traders in London, meanwhile, were a little more circumspect than their Asian counterparts in interpreting comments from Donald Trump suggesting Washington and Beijing have the basis for a phase I trade accord.

"While optimism may lend risk assets further support over the coming days, it is still too early to conclude that a new bull run will occur," said Jameel Ahmad of currency trader FXTM.

"What we do know so far is that the US has agreed to stop a planned increase for this Tuesday of an additional 5% in tariffs on US\$250 billion of Chinese goods.

"Meanwhile, China agreed to buy US\$40-\$50 billion of US agricultural products and committed to open its markets to US financial services."

The housebuilders, a Brexit Bellwether, fell sharply early on, with Barratt Developments (LON:BDEV) and Taylor Wimpey (LON:TW.) off 2.6% and 2.5% respectively.

Lloyds (LON:LLOY) was off 3% amid concerns the bank's boss, Spaniard António Horta-Osório, could be headed for the exit door.

Proactive news headlines

Approval from the relevant Chinese authorities for Gangfeng Lithium Co Ltd to complete its strategic investment in Bacanora Lithium PLC (LON:BCN) has now been received.

Iofina PLC (LON:IOF) said it remains on track to deliver record iodine output for the year after its plants processed 167.2 metric tonnes of the crystalline product in the third quarter.

A leading non-profit group funding research into treatments for retinal degenerative diseases has hailed as "major step forward" a potential therapy developed by ReNeuron Group PLC (AIM:RENE).

Keywords Studios PLC's (LON:KWS) has agreed a new €140m loan facility with its lenders in a move it says will provide "further flexibility and headroom" to expand the business.

Bluejay Mining PLC (LON:JAY) has defined seven further drill-ready targets at its Disko-Nuussuaq nickel-copper-cobalt-platinum group elements project in West Greenland.

Caledonia Mining Corporation Plc (LON:CALE) has released third-quarter production numbers for the Blanket Mine, in Zimbabwe, where some 13,646 ounces were unearthed.

Rose Petroleum PLC (LON:ROSE) has revealed a restructuring of its Paradox basin venture which, according to management, is now "better positioned for development".

Remote Monitored Systems PLC's (LON:RMS) GyroMetric subsidiary has signed a pilot project contract with one of the UK's leading suppliers of power generation equipment, Clarke Energy.

Tech investor Blue Star Capital plc (LON:BLU) is to raise up to £900,000 to fund a shift of direction into the esports arena.

Thor Mining PLC (LON:THR) has started its second drilling program at the Bonya tungsten deposits in Northern territory of Australia, hoping to prepare its mineral resource estimates.

PCG Entertainment PLC (LON:PCGE) shareholders are to be given preferential rights to participate in the planned flotation of VOX Markets.

Keywords Studios PLC's (LON:KWS) has agreed a new €140m loan facility in a move it says will provide "further flexibility and headroom" to expand the business.

NetScientific PLC (LON:NSCI) has appointed Dr Ilian Iliev will join the Board with immediate effect as a non-executive director.

MTI Wireless Edge Ltd (LON:MWE) chief executive Moni Borovitz will present the company's investment case at the Mello investor conference in London on 12 November.

6.10pm: Mixed start expected

The FTSE 100 looks set to extend Friday's gains - but only just. The spread betting groups are predicting a 10-point advance at the open to 7,257.08.

The picture was a brighter one in Asia where the region's main markets were cheered by Donald Trump's announcement that Washington and Beijing had reached "very substantial" outline trade deal.

The agreement includes a halt on US tariff increases due to go into effect this week. Trump also told reporters that intellectual property, financial services and agricultural purchases are included in the agreement.

The US president indicated he and counterpart Xi Jinping would meet at an economic conference in Chile next month.

Rising hopes of a trade settlement overshadowed the other news from Asia: a worse-than-expected 3.2% decline in Chinese exports last month.

While this had little impact on the markets, it could hit the UK's quoted miners, which are sensitive to the economic ups and downs of the world's second-largest economy.

On the forex market, the pound lost a little ground overnight after the EU's trade negotiator, Michel Barnier, claimed it would be "very difficult" to reach a new Brexit deal by the October 31 deadline.

With the UK braced for two weeks of wet and windy weather, it is fitting then that a deluge of corporate reports is expected over the next five trading days.

Marmite maker Unilever (LON:ULVR), builders Barratt Developments PLC (LON:BDEV) and Bellway PLC (LON:BWY), miners BHP Group PLC (LON:BHP) and Rio Tinto plc (LON:RIO) are some of the bigger names updating investors this week.

Around the markets: Pound worth US\$1.2613, down 0.0055 cents; gold US\$1,491.10 an ounce, up US\$2.40; Brent crude down 28 cents a barrel at US\$60.23.

Monday's main corporate news
Finals: Bacanora Lithium PLC (LON:BCN)

Trading statement: Ashmore Group PLC (LON:ASHM), Marston's plc (LON:MARS), Merlin Entertainment PLC (LON:MERL)

Economic data: EU industrial production

Business Headlines

Financial Times

- Brussels baffled by UK proposals on Brexit deadlock - officials say Monday's talks offer 'one last chance' to solve the question of the Irish border
- Global regulator step up scrutiny of Libra
- Vatican police probe Holy See's bet on London property
- PwC's retired partners share £100m windfall

Times

- Bosses are more worried about weak demand than at any point in the past five years
- Paul Walsh, chief executive at Diageo for 13 years, has been appointed to the advisory board of gin-maker Brockmans
- Company dividends could be under threat, with British businesses near the bottom of international league tables for dividend sustainability

Daily Telegraph

- Sir Dave Ramsden, deputy Bank of England Governor: 'The world is becoming a more uncertain place to do business in'
- Lloyds boss Antonio Horta-Osorio to go 'within a year', say analysts
- FirstGroup chairman David Martin to attend showdown in the US
- Direct Line 'most exposed' to FCA crackdown on UK insurers' dual pricing practices

Guardian

- Number of shoppers on UK high street falls by 10% in seven years
- Top investment banks provide billions to expand fossil fuel industry
- Financial leaders must prepare for risks such as Brexit, says the regulator

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