

Applied Graphene Materials PLC

17:04 16 Oct 2019

FTSE 100 closes in red as Brexit clock ticks down

- FTSE 100 closes 43 points lower
- Pound rebounds amid renewed hopes for Brexit deal
- Wall Street mixed

5pm: Footsie closes in red as Brexit talks continue
 FTSE 100 index closed in the red Wednesday as the strengthening pound hit the British blue-chip benchmark and its dollar earning members, while the Brexit clock continues to tick down.

Footsie closed down 43.7 points at 7,167. Its midcap cousin and more UK focused index FTSE 250 shed around nine points to 20,187.

While on Wall Street, markets were also generally lower, weighed by continuing fears over US, China trade and weak retail sales numbers.

The Dow Jones Industrial Average added around 20 points at 27,044, after being in the red from the open, while the S&P 500 index shed nearly two points and the tech-laden Nasdaq index dropped 18 points to 8,129.

Negotiations continue in Brussels ahead of the EU summit, which begins tomorrow, with mixed signals emerging over whether a deal is close or not. UK Prime Minister is meeting his cabinet and the DUP to discuss the latest.

"The EU's Donald Tusk, said the 'basic foundations' of a Brexit deal are ready, which has lifted the mood, but some traders remain cautious because things in politics are moving so quickly. The Brexit game of cat and mouse is still going on, hence why European equity markets are mixed this afternoon," noted analyst David Madden, at CMC Markets.

3.35pm: Sterling bounces back as Brexit deal hopes resurface
 Pound traders saw some optimism return in late-afternoon after noises coming out of negotiations suggested a Brexit deal could be back on the cards.

"Donald Tusk claimed that 'everything should be clear' in seven to eight hours, while Irish Taoiseach Leo Varadkar reiterated his belief that 'an agreement may be possible', even if it requires an extension past October 31st to be fully worked out", said Spreadex's Connor Campbell, although he added that the Northern Irish Democratic Unionist Party and the hardline Conservative Brexiter MPs remained "key question marks" as Boris Johnson will need their votes to give the deal a chance of getting through a vote in the House of Commons.

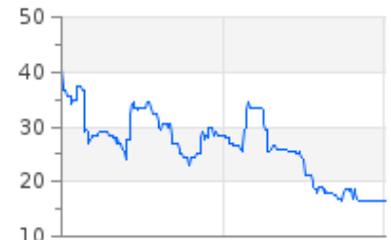
However, for now, the news put traders in high spirits and the pound inched 0.3% higher to US\$1.2823 against the dollar.

However, sterling's renewed fortunes caused more problems for equities, with the FTSE 100 down 46 points at 7,166 at around 3.35pm.

Price: 16.5

Market Cap: £8.16 m

1 Year Share Price Graph



December 2018 June 2019 December 20

Share Information

Code: AGM

Listing: AIM

52 week High Low
 40.9 15

Sector: Manufacturing & engineering

Website:
www.appliedgraphenematerials.com

Company Synopsis:

Applied Graphene Materials works in partnership with its customers using its knowledge and expertise to provide custom graphene dispersions and formats to deliver enhancements and benefits for a wide range of applications. The Group's strategy is to target commercial applications in three core markets: coatings, composites and polymers plus functional fluids.

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2.45pm: US markets start lower

Wall Street saw a lower start on Wednesday as doubts over a US-China trade deal continued to linger over traders in New York.

Shortly after the opening bell, the Dow Jones Industrial Average shed 0.2% to 26,970, while the S&P 500 dropped 0.2% to 2,989 and the Nasdaq fell 0.34% to 8,120.

Aside from the geopolitical jitters, the American markets were also being weighed down by weaker than expected retail data for September, which reported that sales in the sector had fallen 0.3%, the first decline in seven months.

A 1% fall in car sales as well as a 0.7% decline in sales at gas stations, reflecting lower fuel prices, were the key downward markers, although weakness was widespread with department stores and internet retailers also reporting lower sales.

The figures are likely to cause concern that consumer spending, the backbone of the US economy, is beginning to slow down as the trade war and a more general malaise begin to bite harder.

The low start on Wall Street only added extra downward pressure on the FTSE 100, which in mid-afternoon trading was down 32 points at 7,180.

1.35pm: Wall Street points to lower open as US and China butt heads over Hong Kong

US markets are expected to open slightly lower on Wednesday morning as an escalating dispute between the US and China over Hong Kong's protest movement threatened to derail any chance of a trade deal between the world's two largest economies.

Several bills backing the pro-democracy movement in the Chinese territory passed unanimously by lawmakers in the US House of Representatives on Tuesday and are now headed for the Senate.

The bill, which stipulates that the US government must annually review the status of civil liberties in Hong Kong for the city to retain its special trading status, could become by the end of the week, provided it is not vetoed by Donald Trump when it arrives on his desk for approval.

The move by US politicians has caused fury in Beijing, with the Chinese foreign ministry saying that if the legislation became law it would seek to implement countermeasures in response.

"We think it's possible this bill will push China into a public show of defiance against US "interference". That would mean cracking down on the HK protestors. Under that scenario, markets would be relieved if China's retaliation kept the trade pact intact. However, higher political uncertainty in Hong Kong would be a sizable downside risk", said London Capital Group's Jasper Lawler.

Away from international political developments, US earnings season continues to steam ahead with more major firms due to report their third quarter numbers today.

One of the early winners in the pre-market session was Bank of America Corp (NYSE:BAC), which jumped 2.3% to US\$30.42 after its Q3 profits fell less than expected while revenues increased unexpectedly.

A key stock in focus later on in the day will be streaming giant Netflix Inc (NASDAQ:NFLX), which is due to report its earnings amid concerns that a coming onslaught of rival services could damage its growth prospects.

Meanwhile, in London, the FTSE 100 was down 17 points at 7,194.

12.10pm: FTSE 100 struggles into lunchtime

By midday, the FTSE 100 was firmly in negative territory and had made little effort to escape over the course of the morning, down 15 points at 7,196 shortly before 12pm.

Traders are back in a cautious mood as domestically focused stocks wobbled anew on Brexit doubts, while the US and China seem set to continue butting heads.

Protests in Hong Kong are the latest niggle, potentially jeopardising the chances of a trade deal breakthrough despite positive noises from negotiations last week.

"The protests...will add another item to the list of issues the US and China are finding difficult to agree on, making the prospect of a quick deal between the two countries even less likely", said Fiona Cincotta, senior market analyst at Cityindex.

"For a number of sectors including miners, oil firms and technology companies, this will eventually translate into lower income and share prices as the Chinese economy is already showing signs of slowing that are likely to be exacerbated even further over the coming months", she added.

The biggest faller in the FTSE 100 at lunchtime was online car marketplace Auto Trader Group plc (LON:AUTO), which was down 3.4% at 531.2p as the latest UK inflation data pointed to a fall in the price of second-hand cars.

Meanwhile, the top riser for the morning session was consumer goods giant Unilever PLC (LON:ULVR) after a bullish note from Berenberg where the investment bank tagged the firm as one of its "top picks" in the household and personal care sector. The shares rose 1.5% to 4,638.5p in response.

On the currency markets, the pound had regained some of its losses against the dollar and was down 0.24% at US\$1.2755 into lunchtime, however it was still a far cry from Tuesday's surge to nearly US\$1.28 as traders continue to fret over whether a last-ditch Brexit deal can be secured before an EU summit tomorrow.

Cincotta said that while there was some indication that negotiators could be inching closer to a deal, it may be "slightly too optimistic" to interpret the developments as a Brexit resolution, as the proposals will still need to clear MPs in the Commons during a sitting this weekend.

10.50am: Sterling slides as Brexit deal hits the skids

The pound has fallen over half a per cent against the dollar to US\$1.271 amid reports that the chances of a last-minute Brexit deal could be dying as talks stalled between the UK and the EU.

A report from Bloomberg said that negotiators saw a deal as impossible unless the UK moved its position, sending the pound lower less than a day after reports that a deal could be made in time for a crunch summit on Thursday sent sterling up to US\$1.28.

David Madden at CMC Markets said the comments had "dashed hopes for the possibility of an agreement being reached soon" and that several currency dealers are now reversing their previous positive positions.

"The mood in relation to Brexit is less optimistic as the [Northern Irish Democratic Unionist Party] appear to be putting up resistance to any sort of arrangement that would treat Northern Ireland differently from Great Britain post Brexit. In addition, the EU want the UK to make further concessions", he added.

Sterling's struggles did little to help the FTSE 100, which in mid-morning was 19 points lower at 7,193.

Domestically focused stocks are dragging the Footsie down, with fallers led by retailers Kingfisher plc (LON:KGF), Next PLC (LON:NXT) and J Sainsbury PLC (LON:SBRY), as well as financials, in the form of Hargreaves Lansdown PLC (LON:HL.), St James's Place Plc (LON:SJP), Standard Life Aberdeen Plc (LON:SLA) and London Stock Exchange Group PLC (LON:LSE).

9.50am: UK inflation stands pat at 1.7% in September

Inflation in the UK remained unmoved in September at 1.7%, the same level as August and below expectations of 1.8%.

The inflation rate is the lowest since December 2016 and was driven down by falling motor fuel costs as well as a decline in the prices of second-hand cars. It is also below the Bank of England's target of 2%, although Brexit is widely expected to be a more crucial factor in whether the central bank will decide to cut interest rates.

The weaker-than-expected figure, coupled with a small rise in unemployment shown yesterday, will raise fears that the UK economy is headed for a slowdown despite GDP figures last week having allayed fears of an imminent recession.

Good news for consumers - UK CPI Inflation unchanged at 1.7% in September, still the lowest rate since December 2016. The largest downward pressure came from falling Motor fuel and second-hand car prices.

pic.twitter.com/2zWDGltKfb

— Suren Thiru (@Suren_Thiru) October 16, 2019

"A number of factors are keeping a lid on inflation: global growth appears to be slowing, and trade tensions have impacted demand globally. In addition, energy and commodity prices remain fairly benign for the most part. In spite of full employment in the UK, and real wage growth, inflation remains fairly steady and manageable", said Andrew Evans, UK equity fund manager at Sanlam Investments.

However, traders are likely to shrug off the data as Brexit headlines continue to dominate sterling's movements, with ThinkMarkets' Naeem Aslam saying that fears of a deal "slipping away" were piling pressure on the pound, which in early trading was down 0.36% at US\$1.274 against the dollar.

Meanwhile, in the equity markets, the FTSE 100 continued its downward trend and was 22 points lower at 7,189 shortly before 10am.

8.30am: Muted start for the FTSE 100

The FTSE 100 made a muted start to proceedings after Sino-American relations deteriorated (see our opener) and with a Brexit deal hanging precariously in the balance.

The continued economic deterioration in China made for a tough start for the miners with Rio Tinto (LON:RIO), off 1.7%, leading the Fointsie fallers.

Topping the AIM 100 with an 8% rise was ASOS (LON:ASC), which dispensed with its traditional profit warning to produce results in line with (heavily downgraded) expectations.

"The online fashion retailer has been caught in the vice of competitive price cuts and rising costs. Add in the traditional challenges of a small company trying to make it on the global stage and this year's profits air-pocket was inevitable," said Tom Stevenson of investment powerhouse Fidelity.

"Chief executive Nick Beighton candidly admits that ASOS underestimated the cost and complexity of becoming an international player."

Proactive news headlines

Instem PLC (LON:INS) said it is seeing strong demand for its informatics services with the value of new orders growing by 58% to £840,000.

Intellectual property investment group Tekcapital PLC (LON:TEK) shares jumped after it announced its portfolio company Saliarius brought in a new customer.

Sativa Group PLC (LON:SATI) has received a controlled drug licence from the UK Home Office, allowing it to produce and supply cannabis at its headquarters in Somerset.

Eden Research plc (LON:EDEN) said its partner had received full authorisation in Belgium for its crop protection product, Cedroz.

Applied Graphene Materials PLC (LON:AGM) has hailed "positive traction" among its customers as the firm said it was encouraged by ongoing momentum in its commercial pipeline.

Futura Medical PLC (LON:FUM) will give two presentations on its DermaSys drug delivery technology and lead product MED2005, a fast-acting topical gel for the treatment of erectile dysfunction, at the Scientific Meeting of Sexual Medicine Society of North America next week in Nashville, Tennessee. The company will also host its third Scientific Advisory Meeting with high profile US key opinion leaders in the field of erectile dysfunction.

Arkle Resources PLC's (LON:ARK) Stonepark zinc project, near Limerick, has been boosted by an injection of funds from global mining major Glencore. The big-cap miner has invested just over C\$1m into Group Eleven, Arkle's partner in Stonepark, with a share subscription giving it around 11.58% of the company.

Sales have rebounded at Strategic Minerals PLC's (LON:SML) Cobre magnetite operation as the metal miner proceeded with arbitration claim against its main customer.

Ariana Resources PLC (LON:AAU) has tidied up the structure of its Kizilcukur project in Turkey by buying the holder of a net smelter royalty over the project.

Caledonia Mining Corporation PLC (LON:CMCL) says electricity supplies have improved in Zimbabwe in the past two months though it is installing additional diesel capacity to insulate the Blanket mine fully from any further grid outages.

TLOU Energy Limited's (LON:TLOU) quarterly update highlighted "an excellent start" to flow testing at its Botswana CBM wells. The company, in a statement, told investors it is very encouraged by production data to date.

Diversified Gas & Oil PLC (LON:DGOC) has extended its definitive asset retirement agreement with the Commonwealth of Kentucky, adding a further five years to the term. The arrangement was first agreed in February with an initial five-year term and it will now run until 31 December 2028.

Angling Direct PLC (LON:ANG) has acquired fishing tackle retailer Erics Angling Centre for £1.1m as it continues to consolidate the UK fishing market.

6.45am: FTSE 100 called lower

The FTSE 100 is expected to head south on Wednesday morning as hopes of a trade deal between the US and China began to fade amid rising tensions over Hong Kong, which has been rocked by protests over the last four months.

Spread-better IG expects the FTSE 100 to open around 30 points lower having ended Tuesday's session effectively flat at 7,211.

Relations between the world's two largest economies began to deteriorate in the aftermath of the latest round of trade negotiations after the US House of Representatives passed a bill yesterday requiring the American government to review the civil rights situation in Hong Kong annually for the city to maintain its special trading status.

China responded angrily, as it sees the bill as an intrusion in its internal affairs, and threatened to take "strong measures" to counter the US efforts.

"The optimism regarding a possible trade deal between the US and China has been shot down within a couple of days after the Washington negotiations. It looks like trouble is brewing again on the US-China trade front", said London Capital Group's Ipek Ozkardeskaya.

However, the geopolitical tension was paid little heed in US markets overnight, where strong earnings from America's large banks at the start of earnings season sent the main indices soaring.

The Dow ended Tuesday's session 0.89% higher while the S&P 500 rose 1% and the Nasdaq climbed 1.2%.

The momentum carried over into Asian markets on Wednesday, with the Japanese Nikkei 225 up 1.3% and Hong Kong's Hang Seng rising 0.42%.

On the currency markets, the pound had cooled a little after hitting US\$1.28 against the dollar on the back of a rush of optimism over a last-minute Brexit deal, and was 0.23% lower at US\$1.2757 on Wednesday morning.

Hopes that the UK and EU negotiators will be able to reach an agreement before a crunch EU summit later this week are the main driving force for sterling at the moment, however UK inflation data due later today could provide some more catalysts for movement.

Significant events on Wednesday 16 October:

Finals: Applied Graphene Materials PLC (LON:AGM), ASOS PLC (LON:ASC)

Trading statement: Barratt Developments PLC (LON:BDEV), Mediclinic International Plc (LON:MDC), Rio Tinto plc (LON:RIO), Segro PLC (LON:SGRO)

AGMs: Duke Royalty Ltd (LON:DUKE), Loungers PLC (LON:LGRS)

Economic announcements: UK inflation, EU inflation, US MBA mortgages, US retails sales, US Beige Book

Around the markets:

Sterling: US\$1.2757, down 0.23%

Brent crude: US\$58.85 a barrel, up 0.19%

Gold: US\$1,484.1 an ounce, up 0.44%

Bitcoin: US\$8,169, down 1.9%

City headlines:

Neil Woodford has announced the "highly painful" decision to close his investment firm after fund supervisor Link ousted the disgraced fund manager from his flagship equity income fund early on Tuesday morning - Telegraph

Traders prepared for a fire sale of Neil Woodford's remaining investments as shares in most of his listed holdings tumbled yesterday - Times

Goldman Sachs has so far lost \$80 million on its investment in WeWork, the troubled office rentals group, the bank said on Tuesday - Guardian

Banks have been banned from making big bets on the pound as fraught Brexit talks trigger wild swings in the currency - Daily Mail

Thomas Cook investors pulled out of a rescue plan after the government rejected a £200 million loan to underpin the deal, its former boss told MPs - Guardian

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