

# WH Smith PLC

17:15 17 Oct 2019

## FTSE 100 closes up but off earlier highs as Boris's Brexit deal boosts sentiment

- FTSE 100 closes higher but off earlier gains
- Financials wanted in the wake of Brexit agreement
- US stocks now mixed

5.10pm Footise closes up

FTSE 100 index closed higher on Thursday as markets perked up on the potential of a Brexit deal for the UK.

The blue-chip benchmark gained 14.37 points on the day to close at 7,182.32, but off the session high of 7,237.78. FTSE 250 also gained, up around 33 points at 20,221.

"They all said it couldn't be done, but it has. Boris Johnson has succeeded in getting, in double-quick time, a new deal with the EU," said Chris Beauchamp, chief market analyst at spreadbetter IG Index.

The analyst went on, however, to note that there would be "ample criticism" of the fledgling deal and analysis "could well show it is not as good in some respects as May's deal".

"Whether it passes Parliament at home is another matter entirely, and the various factions in the House of Commons will no doubt seek to make as many amendments as possible, but for the first time in months a way forward for the UK and EU exists," he said. But he added: "We have a deal, but the future is far from certain."

The pound surged after the news but eased back. It is up 0.09% against the US dollar.

On Wall Street, stocks were higher after the open but have come off the boil. The Dow Jones Industrial Average shed around 19 points, while the S&P 500 gained 2,68 points and the Nasdaq added over 13.

4.10pm; Roller coaster day

It has been a roller-coaster day for blue-chips in London with the index spending the latter part of the afternoon off its highs.

The FTSE 100 index was up 42 points (0.6%) at 7,210, with the advanced slowed slightly by lack of enthusiasm for packaging companies Mondi PLC (LON:MNDI), DS Smith plc (LON:SMDS) and Smurfit Kappa Group plc (LON:SKG).

The trio were the three worst performers among blue-chips with losses ranging from 3.0% to 4.5%.

Mining stocks also weighed down the Footsie, offsetting strong gains for financials such as Prudential PLC (LON:PRU), British Land PLC (LON:BLND) and Legal & General Group PLC (LON:LGEM) - up 3.0%, 2.7% and 2.7% respectively.

**Price:** 2526

**Market Cap:** £2.91 billion

### 1 Year Share Price Graph



### Share Information

**Code:** SMWH

**Listing:** LSE

**52 week High Low**  
2604 1678

**Sector:** Retail

**Website:** [www.whsmithplc.co.uk](http://www.whsmithplc.co.uk)

### Company Synopsis:

WHSmith PLC has 548 high street stores and 433 travel outlets at airport, train station, hospital and motorway service area locations across the UK which sell a wide range of newspapers, magazines, stationery, books and entertainment products.

[action@proactiveinvestors.com](mailto:action@proactiveinvestors.com)

3.10pm: US stocks off to a flying start

US benchmarks opened higher, as expected, and quickly added to early gains.

The Dow Jones industrial average was up 102 points (0.4%) at 27,104 while the broader-based S&P 500 was 15 points (0.5%) to the good at 3,005.

In the UK, the FTSE 100 has come off the top in the last hour or so but remains comfortably in positive territory, up 67 points (0.9%) at 7,235, helped by sterling more or less sliding back to last night's level against the US dollar, after initially going on a rampage when news of the Brexit deal broke.

Juncker has ruled out any further A50 extension beyond this month. Benn Act is defunct. Its this deal or a no-deal Brexit!

GBPUSD starting to rise... [pic.twitter.com/4ZRmHI4pJD](https://pic.twitter.com/4ZRmHI4pJD)

— Joshua Mahony (@JMahony\_IG) October 17, 2019

The index is now outperforming its baby brother, the FTSE 250, which is up 88 points (0.4%) at 20,276.

Wealth management firm Rathbone Brothers PLC (LON:RAT) acted as a drag on the mid-cap FTSE 250, plunging 10.3% to 2,135p as it signalled its intention to invest for growth over the next two-to-three years, which will result in a tightening of margins.

The new #BrexitDeal is economically worse for Britain than the one negotiated by Theresa May last year <https://t.co/DgtPpBNg3a>

— The Economist (@TheEconomist) October 17, 2019 2.35pm: US benchmarks on the front foot  
US benchmarks were expected to open a little higher, despite disappointing housing starts data for September.

Spread betting quotes suggest the Dow Jones will open at around 27,052, up 50 points, while the S&P 500 was tipped to open 11 points firmer at 3,001.

US housing starts fell 9.4% to 1,256,000, which was below the consensus forecast of 1,32,000.

Building permits fell 2.7% to 1,387,000, which was above the consensus forecast of 1,350,000.

"Don't worry about the declines in the headline numbers, both were depressed by corrections in the wildly volatile multi-family components, with starts down 28% m/m and permits down 8%," is the advice from Ian Shepherdson, the chief economist of Pantheon Macroeconomics.

"Single-family starts and permits both rose marginally, by 0.3% and 0.8% respectively. The underlying story here is that rising new home sales are dragging up single-family permits, with further gains likely. As a result, we think housing construction is set to rise strongly in Q4, with the residential investment component of GDP likely to jump at a 10% rate. That would be welcome, but nothing like enough to offset weakness elsewhere. Still, housing is a real bright spot amid the trade-induced gloom," he added.

Meanwhile, the Philly Fed index fell to 5.6 from 12.0, a bit below the consensus estimate of 7.6.

Back in the UK, it's all Brexit, Brexit, Brexit.

The FTSE 100 was up 61 points (0.9%) at 7,230 on hopes that the UK government will pull off a last-minute deal that will rescue the country from a "no-deal" Brexit.

"For the first time since March, and perhaps even January, we now have positive equilibrium in Brexit talks. All of the major UK parties support either a second referendum which is unlikely to have no deal on the ballot paper (Liberal Democrats, Labour, SNP), or a concrete deal with the EU27 (Conservatives)," commented Deutsche Bank.

12.20pm: Retail sales picture remains drab

The UK retail sales got somewhat lost in the wash and forth surrounding the agreement of a Brexit deal between the EU and the UK.

Retail sales in September were unchanged month-on-month, following August's 0.3% decline.

The year-on-year growth rate shows that the quantity bought in September 2019 increased by 3.1%, with growth across all sectors except department stores and household goods, the Office for National Statistics reported.

Online sales as a proportion of all retailing represented 19.1% in September, compared with 19.5% reported in August.

Retail sales increased 0.6% in the three months to September 2019, unchanged from the three months to August 2019 <https://t.co/d7e5M9Kzvm> [pic.twitter.com/WVweU8WLqw](https://t.co/WVweU8WLqw)

— Office for National Statistics (@ONS) October 17, 2019

"While a soft performance, this was not as bad as had been suggested by the September British Retail Consortium and CBI surveys," suggested Howard Archer at the EY ITEM Club.

"Retail sales volumes still rose a decent 0.6% quarter-on-quarter over the third quarter, but the underlying performance softened during the quarter. It is notable that the third quarter gain was largely due to July's performance. Year-on-year growth in retail sales volumes slowed to 3.0% in the third quarter from 3.6% in the second quarter," Archer observed.

"Overall retail sales were held back in September by a 0.3% month-on-month drop in the sales of non-specialised stores, which includes department stores," he added.

"Consumers have clearly been more resilient than other sectors of the economy and have seemingly largely brushed off Brexit and other concerns - no doubt helped by the overall marked improvement in their spending power since mid-2018, as well as record high employment," Archer opined, adding that "consumers may have become more cautious as the UK's 31 October departure date from the EU looms".

Andy Scott, the founder and chief executive officer of the business turnaround specialists, REL Capital, said there is lots of doom and gloom around on the high street but today's numbers should warm the cockles of retailers' hearts.

"The online space continues to snatch more market share from bricks and mortar outlets on an annual basis, albeit for those beleaguered high street retailers, there has been a slight decline on a month on month basis. Could this be the start of a high street fightback in the lead up to the Christmas period?

"All in all, the wider negative portrayals of our current economic position don't seem to stack up with the latest numbers or indeed from the data in the wider economy around employment, inflation, house prices and money costs. We're a pretty resilient bunch, aren't we?" he asked, rhetorically.

The FTSE 100 dropped back below the 7,200 level and was up 28 points (0.4%) at 7,196.

10.40am: Johnson says he has a deal; will parliament back it?

Like Theresa May before him, the UK's current prime minister, Boris Johnson, has agreed a Brexit deal with EU negotiators.

Like May, he has to get the deal approved by parliament - a prospect that is keeping some of the euphoria in check, with the FTSE 100 up 48 points (0.7%) at 7,216.

Theresa May also had a #BrexitDeal. It failed three times. Let's not get overly excited.

The DUP have already said they don't like it. That spooks the ERG. Labour will hate it. SNP will think it should get tae

f\*\*\*. PC the same but in Welsh. Lib Dems deplore Brexit full stop.

— Alison K. Brown (@alisonkatebr) October 17, 2019

"News that a Brexit deal has been agreed sent the pound surging. The pound looks to target \$1.30 , although there could well be more wind in the sails with a move towards \$1.34 not inconceivable," suggested Fiona Cincotta at City Index.

"Interestingly, the FTSE which often trades inversely the pound, has also pushed higher on the news, underscoring the relief felt by traders that a no deal Brexit could well be avoided. Banks and house builders are dominating the upper reaches on the top 100 index. The FTSE 250, which is comprised of stocks more exposed to the domestic economy has rallied over 1%," she added.

The spin regarding Boris Johnson's #BrexitDeal is going to be excruciating. What he's done is akin to copying Theresa May's homework, but missing out huge paragraphs because he's run out of time. And don't forget, Theresa May got an F.

— Faiza Shaheen (@faizashaheen) October 17, 2019

Although banks and housebuilders are doing well, it is actually a real estate investment trust that tops the Footsie leader-board; take a bow, British Land PLC (LON:BLND), up 4.3%.

Over on the FTSE 250, the index hit 20,440 before ebbing to 20,330 - still an impressive 142 points (0.7%) higher on the day, having started firmly in the red.

Moneysupermarket.com PLC (LON:MONY) failed to participate in the advance, shedding 9.1% after a tepid third-quarter update while Grafton Group PLC (LON:GFTU), down 7.9%, dragged down the building materials sector with its profit warning.

Sector peers Howden Joinery Group PLC (LON:HWDN) and Travis Perkins PLC (LON:TPK) tumbled in sympathy, with the former off 4.0% and the latter 1.0% weaker.

#BrexitDeal: 'Fair and balanced' agreement reached

But what's next?<https://t.co/DqxK1ld4sQ> [pic.twitter.com/yiJrbWozcr](https://pic.twitter.com/yiJrbWozcr)

— RT (@RT\_com) October 17, 2019

10.45am: Sterling soars as Johnson hails Brexit deal with the EU

Sterling has staged a remarkable comeback on foreign exchange markets, on reports that a Brexit deal has been reached.

Sterling, down half a cent earlier this morning, is now more than a cent higher at US\$1.2930 against the dollar after UK prime minister Boris Johnson tweeted about securing a "great new deal" on Brexit.

Normally, a strong exchange rate would be anathema to the FTSE 100 but London's index of heavyweight shares was up 42 points (0.6%) at 7,210.

We've got a great new deal that takes back control — now Parliament should get Brexit done on Saturday so we can move on to other priorities like the cost of living, the NHS, violent crime and our environment #GetBrexitDone #TakeBackControl

— Boris Johnson (@BorisJohnson) October 17, 2019

The FTSE 250, more attuned to an end to uncertainty in the UK, stormed 244 points (1.2%) higher to 20,414.

9.30am: Sterling in the wars

The FTSE 100 and FTSE 250 have gone their separate ways this morning, from which seasoned market watchers will deduce the pound is slumping.

Sterling was half a cent lower at US\$1.2777 on foreign exchange markets, providing a boost to the many FTSE 100 constituents that rake in dollars but acting as a drag on the mid-cap FTSE 250 companies, many of which will be hit by higher raw material costs as a result of sterling's slide.

Even so, the FTSE 100 is only up 9 points (0.1%) at 7,177; the FTSE 250 is down 108 points (0.5%) at 20,080.

"It's all about Brexit today," according to Daiwa Capital Markets.

"Overnight it had appeared that most of the key elements for a deal - perhaps with the exception of what to do about VAT - had fallen into place in the technical level negotiations but there was seemingly still no legal text and while there had seemed scope for a political agreement today, it was clear that domestic challenges, particularly for UK PM Johnson who has conceded most ground over the past week or so, remained," the broker said.

"Those challenges were highlighted in the past couple of hours as the Northern Irish DUP, upon whose votes Johnson will rely to get any deal through the House of Commons, stated that it 'could not support what is being suggested on customs and consent' while also noting that 'there is a lack of clarity on VAT'. In response, euro area government bonds have on the whole made modest gains, but moves in Gilts have been predictably larger, with 10Y yields down about 3bps [basis points] to below 0.68%," it added.

Despite the FTSE 250 taking a triple-digit tumble, there were some bright spots among its constituents.

Embattled pizza delivery outfit Domino's Pizza Group PLC (LON:DOM) was up 4.9% after it confirmed it would exit international markets, leaving it to focus on the UK and the Republic of Ireland.

Meanwhile, retailer WH Smith PLC (LON:SMWH) is moving in the opposite direction, doubling the size of its international segment with the £312mIn acquisition of US travel retailer, Marshall Retail Group.

The move got the thumbs-up from the market with the shares up 4.7%.

More of the same from WH Smith sends shares up 4.6% to 16-month high, divi raised 8%. I do worry a little though about another acquisition in US even though first one is doing better than expected. Hope it doesn't end in tears.

— Rodney Hobson (@RodneyHobson) October 17, 2019

8.45am: FTSE 100 makes a tentative start as Brexit hogs the headlines;

The FTSE 100 made a tentative start to the trading day with Brexit headlines driving sentiment.

Prime Minister Boris Johnson suffered a major setback after the Democratic Unionist Party said it couldn't support the current plan "as things stand".

The DUP's support is pivotal if the PM is to win a parliamentary majority for the blueprint.

Johnson, meanwhile, is off to Brussels for a make-or-break summit to get the EU's approval for the latest proposals.

On foreign exchange markets, a good indicator for Brexit sentiment, the pound was holding its own at US\$1.2786.

The index of blue-chip stock, meanwhile, was up just seven points at 7,174.56.

Leading the gainers' list were Rentokil (LON:RTO), up 1.9%, and Unilever (LON:ULVR), ahead 1.5%, which both delivered better than expected third-quarter updates.

On the FTSE 250, the builders' merchant Grafton (LON:GFTU) fell 10% after sounding the earnings alarm. Rival Travis Perkins (LON:TPK) fell in sympathy.

#### Proactive news headlines

Feedback PLC (LON:FEED) says it is considering numerous opportunities for its medical imaging app Bleepa following its recent launch.

Oncimmune Holdings PLC (LON:ONC) has welcomed recommendations from an independent review into NHS cancer screening programmes, which has suggested the entire system needs overhauling to aid earlier diagnosis and treatment.

Verona Pharma PLC (LON:VRP, NASDAQ:VRNA) looks set to make rapid progress following the completion of recruitment for a phase IIb study that will assess the safety and efficacy of its inhaled drug for severe chronic obstructive pulmonary disease (COPD).

Tissue Regenix Group PLC (LON:TRX) has confirmed receipt of a US\$300,000 grant to begin a build-out programme for a new 21,000 square foot facility in San Antonio, Texas.

Sareum Holdings PLC's (LON:SAR) chief executive, Dr Tim Mitchell, will outline the potential of the company's latest drug to fight a number of cancers when he attends a US conference later this month.

Pembridge Resources Plc (LON:PERE) revealed that the Minto project, in the Yukon, has been brought back into production, with first new concentrates made on 11 October.

Shanta Gold Ltd (LON:SHG) has successfully shored up its debt position while staying on track to meet its production and cost targets for the year.

Shefa Gems Ltd (LON:SEFA) has delivered the highest grade results to date from Zone 2 of its Kishon Mid-Reach project in Northern Israel.

Ariana Resources PLC (LON:AAU) said drilling at its Kiziltepe mine has confirmed several mineralised structures.

Horizonte Minerals PLC (LON:HZM) has unveiled the findings of a successful pre-feasibility study which has confirmed the Vermelho project as "a large, high-grade resource, with a long life and low-cost source of nickel sulphate for the battery industry."

Ormonde Mining plc's (LON:ORM) joint venture running the Barruecopardo tungsten mine has raised a further €US\$10m in debt finance from principal backer Oaktree.

Custom electronics maker discoverIE Group PLC (LON:DSCV) has acquired Xi-Tech, a maker of specialist sensing and data acquisition modules for x-ray and optical detection applications.

Rosslyn Data Technologies PLC (LON:RDT) has announced its president Charles Clark is stepping down after 14 years in the company.

Afarak Group PLC (LON:AFRK, NASDAQ:AFAGR) has postponed its third quarter report from 15 November to 29 November.

RM Secured Direct Lending Plc (LON:RMDL) is seeking to raise up to £10m in an institutional placing to continue investing in its "strong pipeline".

Eckoh PLC (LON:ECK) held a capital markets day for institutional investors and analysts on Thursday, including a demonstration of its product offering, but the company said there will be no new material information included in the presentation.

Tlou Energy Ltd (LON:TLOU) said at its annual shareholder meeting that both its Lesedi gas production pods have now started producing sustained gas and it was "encouraged" with the result to date. In addition to the production testing, the company said it was working on the "next steps" in the development plan, including further exploration work in the Mamba project area, completing detailed design of the central processing facility and surveying of the transmission line route.

6.45am: FTSE 100 set for a muted start

London's FTSE 100 is expected to begin Thursday trading just a sliver higher as sentiments for blue-chip equities remains on a pre-Brexit knife-edge.

Spreadbetting and CFD firm IG Markets is calling the index up just 1 point, making a price of 7,173 to 7,176.

There can hardly be any surprises that Brexit is the main point of focus after a week of headlines, rumour, conjecture and even sparks of optimism.

CMC Markets analyst Michael Hewson, in a note, said: "hopes continue to rise that the EU and UK governments can put together a deal that can satisfy not only the dissenters to the previous deal, in the form of the Democratic Unionist Party, as well as the more Eurosceptic wing of the Conservative party, but all other parties as well.

"Optimism is rising that this time will be different and the concerns with the Irish backstop can be resolved to everyone's satisfaction, with talks set to continue further between the DUP, led by Arlene Foster, and the government, as concerns about consent and customs arrangements are addressed.

"This is where progress could get a little tricky as it does rather call into question as to whether any deal can rely on the support of the rest of the UK parliament, which has been a consistent road block to any sort of consensus in the past two years. It is no secret that while there has always been a hard-core cabal of Eurosceptic MPs it is also true that there is also a significant cabal of MPs who are opposed to any sort of Brexit."

In the United States, where September retail stats yesterday disappointed, equities were on the back foot but the movements remained quite modest.

The Dow Jones closed Wednesday's session down 22 points, or 0.08%, at 27,001 whilst the S&P 500 edged 0.2% lower to finish at 2,989 and the Nasdaq slipped 0.3% to 8,124.

In Asia, Japan's Nikkei was very slightly higher at 22,492 and Hong Kong's Hang Seng moved 0.6% higher at 26,825 while the Shanghai Composite was down 0.04% at 2,977.

Around the markets

The pound: US\$1.2806, down 0.2%

Gold: US\$1,488 per ounce, up 0.02%

Brent crude: US\$58.93 per barrel, up 0.3%

Bitcoin: US\$7,950, down 2.64%

Significant events on Thursday 17 October: Finals: WH Smith PLC (LON:SMWH)

Trading statement: BHP Group PLC (LON:BHP), Domino's Pizza Group PLC (LON:DOM), Moneysupermarket.com Group PLC (LON:MONY), National Express Group PLC (LON:NEX), Rank Group PLC (LON:RNK), Rathbone Brothers PLC (LON:RAT), Rentokil Initial PLC (LON:RTO), Unilever PLC (LON:ULVR)

Economic announcements: UK retail sales, UK credit conditions, European Council meeting, US housing starts, US jobless claims, US industrial production

Ex-dividends to clip 1.7 points off FTSE 100 index: BAE Systems PLC (LON:BA.), Smiths Group PLC (LON:SMIN)

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