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Avast PLC

17:04 18 Oct 2019

FTSE 100 closes in red as traders tentative ahead of crunch parliamentary Brexit vote

- FTSE 100 closes 31.75 points down
- US indices in red
- Dechra lower after terse trading statement

5.10pm: FTSE firmly in red
FTSE 100 index closed lower on Friday as traders tentatively await tomorrow's parliamentary vote in London on Brexit.

Britain's blue chip index finished down 31.75 points at 7,150.57.

Over the week as a whole, the index shed around 1.3%. On Friday, the midcap FTSE 250 ended near flat, at 20,220.

Stocks across the pond were also seeing red as there was a dearth of macro-economic news and no new noise on US, China trade.

Just ahead of the EU summit on Thursday, Prime Minister Johnson unveiled the latest plan on the UK's departure from the bloc.

"The bullish mood that we saw during the week on the build up to the deal being brokered and announced, has now been replaced with a more cautious outlook," noted David Madden, analyst at CMC Markets.

"Mr Johnson will have a tough task getting the deal approved as he doesn't have a majority in the House of Commons, but sentiment seems to be more positive now than when Mrs May was seeking approval for her deal."

On Wall Street, the Dow Jones Industrial Average shed 123 points, while the S&P 500 shed around nine points.

4pm: Footsie drifts lower
Some traders are closing positions ahead of what could be a historic weekend for the UK.

The FTSE 100 has drifted down to 7,158, 24 points (0.3%) lower on the day.

In the US, markets turned lower after a modestly firmer start. The Dow was down 84 points (0.3%) at 26,942 and the S&P 500 was 9 points weaker (0.3%) at 2,989.

2.30pm: Market marks time
Like a shy toddler clinging to its mother's apron strings, the Footsie has spent all day staying proximate to last night's closing level.

The FTSE 100 had a brief foray into positive territory over the lunchtime period before dipping back to 7,174, down 8 points (0.1%).

Even sterling appears to be biding its time ahead of tomorrow's crunch vote in the Commons on the latest Brexit deal.

Price:	433.2
Market Cap:	£4.36 billion

1 Year Share Price Graph

Share Information

Code:		AVST
Listing:		LSE
52 week	**High**	**Low**
	454.6	**247.6**
Sector:		**Tech**
Website:		**www.avast.com**

Company Synopsis:
Avast is one of the largest security companies in the world using next-gen technologies to fight cyber-attacks in real time.

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"A clear disincentive against deep position taking is Saturday's momentous risk event: A UK parliamentary vote on whether to approve Boris Johnson's Brexit deal, or risk plunging Britain into one of the most far-reaching political crisis for decades," said Ken Odeluga at City Index.

"Given so much attention on Parliament's rare 'Super Saturday' sitting and vote—for which there is no precise timing—it's telling that expectations appear almost universally ambivalent, outside of the political class," he added.

The FTSE 250 remains in positive territory, up 44 points (0.2%) at 20,265, despite Dechra Pharmaceuticals PLC (LON:DPH) sliding 1.4% to 2,638p following its very brief trading update.

"The board remains confident about the company's prospects for the current financial year. Work continues to resolve the supply issues previously highlighted with many of these having now been mitigated," the veterinary drugs specialist said.

1.00pm: Footsie ambles into positive territory
The FTSE 100 has joined the FTSE 250 in positive territory ahead of what is expected to be a modestly firmer start on Wall Street.

The FTSE 100 was up 13 points (0.2%) at 7,195, with financials and housebuilders doing much of the heavy lifting, while the FTSE 250 was up 30 points (0.1%) at 20,251, led by anti-virus software maker, Avast PLC (LON:AVST), which was up 5.9% at 391p after an upbeat trading statement.

In the USA, the Dow Jones index was expected to open about 30 points above last night's close of 27,026; the index rose 24 points yesterday.

The S&P 500 is seen rising 3,001, after adding 8 points yesterday to close at 2,998.

11.55am: FTSE 100 dormant as traders sit on their hands ahead of tomorrow's Brexit vote
Traders are sitting on their hands ahead of tomorrow's big Brexit vote in the House of Commons.

The FTSE 100 was down 18 points (0.3%) at 7,165, with the retreat led by hotels group InterContinental Hotels Group PLC (LON:IHG) after a lacklustre third-quarter update.

"It seems only natural that one of the world's biggest hotel groups has had a tough time of late, given the concerns about a slowdown in global economic growth," said AJ Bell's investment director, Russ Mould, commenting on IHG's 2.8% fall.

"InterContinental Hotels has been hit by more difficult trading conditions in the US and China, and unrest in Hong Kong.

"Weaker economic conditions are bad news for big hotels catering for business travellers. Corporates often look closely at their cost base when times get harder and travel is an easy place to make cuts," Mould observed.

"Yesterday AccorHotels warned of uncertainties in Asia-Pacific. All this cast a cloud over next week's third-quarter earnings release from Hilton Worldwide which reports on 23 October.

"Against this fragile backdrop, it is interesting to see the sector continue with acquisitions. EasyHotel was recently subject to a takeover and Marriott has just bid for Elegant Hotels. Suitors will be taking a long-term view and also taking advantage of valuation weakness among UK stocks," he added.

READ Elegant Hotels agrees to Marriott takeover

https://www.proactiveinvestors.co.uk/companies/news/905125/elegant-hotels-agrees-to-marriott-takeover-905125.html

On the subject of Elegant Hotels Group PLC (LON:EHG), it was the morning's biggest riser, soaring 57% to 110p, matching the agreed offer price from hotels giant Marriott.

Interesting graphic from Goldman Sachs on the sectors that are most sensitive to sterling's movements. pic.twitter.com/uje8xq3hG4

— John Harrington (@JournoJohnH) October 18, 2019
As for the big Brexit vote, French bank BNP has given its view from across la Manche (or more likely, its London office).

"The potential outcomes are mostly all positive for markets, in our view," the bank said.

"A deal passing would be clearly positive. A deal passing subject to a referendum likely means either an orderly Brexit or the UK remaining in the EU, both of which are positive for markets - with the government united behind a deal and a majority of MPs opposed to no deal, we don't think 'no deal' would be on the ballot.

"Rejection of the deal probably increases the chances of an election, and it is now much less likely that the Conservatives would stand on a no-deal platform. As a result, we think there is less chance of no deal at a later stage as well.

"Probabilities: In light of developments, we revise our ultimate Brexit probabilities as follows: Deal 55% (previously 40%). Remain 35% (30%). No deal 10% (30%)," BNP revealed.

10.20am: Miners weigh down the Footsie
Miners were acting as a drag on the Footsie on Friday, in a predictable reaction to some insipid gross domestic product (GDP) data from China.

The FTSE 100 was down 28 points (0.4%) at 7,154.

The GDP number for September (see below) came in a one-tenth of a percentage point below the consensus forecast, although Pantheon Macroeconomics reckons the "consensus looked very optimistic in the context of the nasty activity data last quarter, and very tight monetary conditions."

"Any miss, even only by 0.1pp [percentage point], is significant in China, where the headline hasn't moved by more than 0.2pp from quarter to quarter in years. Similarly, the smattering of 5.9% estimates looked premature as a 0.3pp drop would have been too strong a signal that the economy is on the rocks. Instead, 5.9% will come this quarter.

"We calculate our own version of real GDP, starting from the nominal GDP and using price data to compile a deflator. This suggests the situation, in reality, is much worse than the headlines suggest. We still await some data before finalising our estimate, but for now, we think growth slowed to just 4.5% in Q3, from 5.1% in Q2. Nominal GDP growth slowed to 7.6%, from 8.3% in Q2. The rise in our deflator also weakened but by only 0.2pp, to 3.0%," the forecasting unit added.

ING Economics, meanwhile, said that despite the uncertainty over the trade war with the US, it was raising its fourth-quarter forecast of growth for the Chinese economy.

#macrobond #china #gdp #history #macroeconomy #economy #chinageddon

YoY GDP growth in China in Q3 lowest since 1990 (+6%) pic.twitter.com/yJJbUyvnY3

— Wojciech Bia?ek (@wb_kNOw_FUTURE) October 18, 2019
"We expect infrastructure projects to continue to be the central pillar of growth in the fourth quarter," ING said.

"There is another CNY1 trillion yuan from the local government special bond quota, borrowed from next year, to be used until the end of 2019. These bonds are the source of financing for infrastructure projects. As such, both investment and industrial production will continue to rely on infrastructure.

"This will mark even bigger differences between private and public sector growth. The private sector will continue to suffer from the scaling down of factory activity due to the US tariffs. This will add even more uncertainty in terms of job security and salary growth which, in turn, will put pressure on consumption, even if substantial public sector growth acts to counter these negative pressures.

"The good news is that we expect 5G infrastructure, production and services to start to make a visible contribution to the economy from the fourth quarter. Although it is still uncertain how much 5G can help China's exports, domestic usage of 5G alone should offer good support to the economy," ING added.

All of the above may not have much to do with the price of fish but it is having an effect on the share prices of miners and fellow travellers, with the likes of Evraz plc (LON:EVR), Antofagasta PLC (LON:ANTO), Fresnillo Plc (LON:FRES), BHP Group PLC (LON:BHP) and Anglo American plc (LON:AAL) down by more than 1%.

It's been an interesting morning for hotels stocks with InterContinental Hotels Group PLC (LON:IHG) off 2.5% at 4,620p after a disappointing third-quarter trading statement and Elegant Hotels Group PLC (LON:EHG) soaring 56% to 109.5p after a knockout 110p a share cash offer from Marriott International.

EasyHotel PLC (LON:EZH) advanced 3.0% to 102p after it said it had outperformed the UK market over the past 12 months.

8.50am: People's Republic's economy showing the effects of the US trade war
The miners led the retreat on the FTSE 100 after the Chinese economy grew at its slowest pace in more than 30 years.

The People's Republic is a big importer of the bulk commodities consumed by builders.

So it was no surprise Evraz (LON:EVR), which mines and sells and iron ore, and Antofagasta (LON:ANTO), one of the world's biggest copper diggers were down respectively 2.3% and 1.3%.

Also in the doldrums was Intercontinental Hotel Group (LON:IHG) with its share receding 2.4% after its quarterly revenues missed their target.

On the up early on was the London Stock Exchange (LON:LSE), whose trading in the third quarter exceeded expectations. Its shares opened 1.4% higher.

The builders, which wax and wane as the prospect of a Brexit deal rises and recedes, were in demand early on amid guarded (and possibly misguided) optimism Boris Johnson can get parliamentary backing for his blue-print.

Berkeley (LON:BKG) and Barratt Developments (LON:BDEV) were up 1.5% and 1% respectively.

Proactive news headlines
APQ Global PLC (LON:APQ) ended the third quarter with "fairly defensive positioning" but is on track to meet its target annual dividend yield of 6%.

Amphion Innovations PLC (LON:AMP) has received confirmation that the sale of its stake in medical imaging group Polarean settled its loan facility with no outstanding obligations to the lender. The sale raised US$2.6mln. Shares in Amphion remain suspended with the group still describing itself as 'highly cash constrained'.

Live Company Group PLC (LON:LVCG) is still in advanced discussions with the sellers of Bright Bricks Holdings about the deferred consideration for the acquisition.

Curzon Energy PLC (LON:CZN) told investors it has agreed to refinance £200,000 of secured loan notes.

Thor Mining PLC (LON:THR) has confirmed plans for an equity fundraise and will announce the details in due course.

6.45am: FTSE 100 to get off to slow start
Slowing Chinese economic growth and a dose of realpolitik in the UK have conspired to dampen sentiment in the London equity market.

Spread betting quotes suggest the FTSE 100 will open 9 points lower at around 7,173, after rising 14 points to close at 7,182 yesterday.

China's gross domestic product was up 6.0% year-on-year in the third quarter, which was its slowest growth rate in almost 30 years. Economists had expected the growth rate to slow from the second quarter rate of 6.2% to 6.1%.

Industrial output was 5.8% higher than the year before in September, ahead of forecasts of a 5.0% increase, after rising 4.4% in August.

Retail sales were in line with forecasts, up 7.8% year-on-year, up from August's 7.5% increase.

"Weak growth data confirmed that the trade disruptions with the US have continued taking a toll on China's economy during the third quarter and a trade truce is the only way to put the EM [emerging market] giant back on its feet. In this respect, and despite the rising tensions with the US, Chinese leaders are working hard to find an agreement with their US counterparts," said Ipek Ozkardeskaya at London Capital Group.

"With economic growth poised on the brink of the critical 6% level, Xi needs a deal more than ever," the analyst added.

Stocks in Hong Kong were predictably softer following the Chinese data, with the Hang Seng down 30 points at 26,818.

Elsewhere in Asia, Japan's Nikkei 225 was 72 points firmer at 22,524, picking up the baton from US stocks, which were mostly firmer yesterday.

The Dow Jones industrial average advanced 24 points to 27,026 and the S&P 500 improved 8 points to 2,998.

In the UK, the abacus rattlers will be making a racket trying to work out whether the government has enough votes to get the latest Brexit deal through the House of Commons.

"After DUP rejected the deal yesterday, we think it is very difficult for Johnson to get it through Parliament and our base case remains another extension followed by a snap election. However, it may be closer than ever as the FT counted that Johnson is two votes short of getting the deal through the House of Commons, while Sky counted four votes short," reported Danske Bank.

The political wrangling is likely to overshadow what is a halfway decent schedule of company news flow for a Friday that includes trading statements from anti-virus software maker Avast PLC (LON:AVST), which has been in the spotlight since the agreed bid for competitor Sophos Group, and London Stock Exchange Group PLC (LON:LSE), fresh from beating off an unwelcome bid approach from Hong Kong.

InterContinental Hotels Group PLC (LON:IHG) will deliver a third-quarter update with shareholders hoping for something that will help the shares recover their mojo.

Over the decade to the end of this July, shares in the Holiday Inn owner's shares soared sixfold to an all-time high of above £57, but have fallen 17% in the two and a half months since.

In August's half-year results, the FTSE 100 company showed evidence of weaker revenue available per room (revpar) in the key market of the US and China.

Analysts at Morgan Stanley estimate there will be a 0.1% decline in group revpar in the third quarter, "despite easy comps", compared to 0.1% growth in the first half, based on continued weakness that has been shown in market data in the US and more acutely in Greater China.

Significant announcements expected
Trading statement: Avast PLC (LON:AVST), Dechra Pharmaceuticals (LON:DPH), InterContinental Hotels Group (LON:IHG), London Stock Exchange Group (LON:LSE)

Economic announcements: European Council meeting

Around the markets

- Sterling: US$1.2852, down 0,38 cents
- 10-year gilt: yielding 0.68$, down 3.22 basis points
- Gold: US$1,494.90 an ounce, down US$3.40
- Brent crude: US$59.62 a barrel, down 29 cents
- Bitcoin: US$8,077, up US$23

Business headlines The Guardian

Sterling lost all its gains, amassed on news of the draft Brexit deal after the Democratic Unionist Party said it would not back the agreement; British businesses say the new deal will make exporting to their biggest market harder.

Britain could lose as much as £130 billion in lost GDP growth over the next 15 years if the Brexit deal goes ahead, according to government figures.

Increasing demand for an alternative to flying has helped Eurostar report its busiest August ever, with more than a million passengers travelling on the cross-Channel train service in that month.

A survey of the banking sector by the Bank of England showed that banks plan to cut their lending to businesses in the run-up to Christmas at a rate not seen since the financial crash a decade ago.

Domino's Pizza said it would sell its operations in Iceland, Norway, Sweden and Switzerland after sustaining significant losses.

The campaign against the multibillion-pound expansion of Heathrow is on the verge of victory, the shadow chancellor John McDonnell has claimed.

Financial Times
The prime minister's Brexit gambit hangs in the balance as Boris Johnson faces a fight to get the deal past the Commons.

Saudi Aramco has postponed the launch of its long-awaited stock market flotations, due on Sunday.

Daily Mail
IMF boss Kristalina Georgieva has welcomed Boris Johnson's Brexit deal with Brussels, saying if approved by Parliament it would boost confidence and output across Britain and the EU.

Barclays has been accused by MPs of abandoning its most vulnerable customers amid a growing backlash over the bank's move to stop its savers withdrawing cash from post offices.

The Financial Conduct Authority is examining the role played by under-fire fund manager Hargreaves Lansdown in the collapse of Neil Woodford's investment empire.

The City regulator has launched legal action against firms including Park First and their bosses for allegedly duping thousands of elderly savers as part of an 'illegal' £230 million airport car parking scheme.

Top managers at Persimmon, Barratt and Bellway have been handed shares worth more than £12 million, just a day after Tony Pidgley, the founder and chairman of rival builder Berkeley, sold shares worth £42 million.

Grafton Group shares plunged after it became the latest building materials supplier to warn that the construction slowdown and DIY drought is chipping away at its profits.

Britain's department stores have suffered the biggest fall in sales since the depths of the 2009 recession.

The Times
Morgan Stanley cruised past Wall Street's third-quarter forecasts on the back of a stellar performance by its bond-trading desk; fixed-income trading revenue jumped by 21%, far exceeding analysts' estimates of a 5% decline.

Chris Hughes, one of the founders of Facebook, has set up an "anti-monopoly" investment fund that aims to curb the power of Big Tech.

The German government has cut its growth forecast for next year to 1% from 1.5%.

Sajid Javid has promised to take advantage of record low government borrowing costs for an infrastructure spending spree, clearing the decks for a giveaway budget on 6 November.

The Daily Telegraph
Unilever is struggling to grow tea brands such as PG Tips and Lipton in the UK and US, as younger customers desert the traditional builder's brew in favour of trendier alternatives, the company has warned.

The family-owned upmarket department store Fenwick revealed a slump in sales and swung to a loss blaming troubles sweeping the high street.