

17:27 23 Oct 2019

FTSE 100 index closes higher midweek as traders push pause on Brexit and trade fears

- FTSE 100 index finishes 49 points higher
- Wall Street shares up
- Sterling up a shade against US dollar

FTSE 100 index closed its account positively midweek as US stocks were also on the up as traders were 'cautiously optimistic' on US, China trade and the Brexit process.

Britain's blue-chip index finished up 49.77 points at 7,262.26. The mid-cap FTSE 250 was off a tad though, down 0.97 points to stand at 20,180.94.

"A senior member of the Chinese government said that cooperation between the two sides is mutually beneficial, which is a fine example of stating the obvious, but at least the language is positive. Equity traders are likely to remain hopeful as long as the commentary from both sides is conciliatory," remarked analyst David Madden, at CMC Markets.

On Wall Street, the Dow Jones Industrial Average added over 51 points to 26,839, while the broader-based S&P 500 added around six points at 2,002.

The pound is up 0.08% against the US dollar as fears of a no-deal UK exit from the EU appear to have eased though confusion still reigns as to what will come next.

"UK politics remains in limbo as there is speculation the UK's exit from the EU will be pushed back to early 2020, and there is also chatter of a general election," added Madden.

"Things haven't gone exactly according to plan for Prime Minister Johnson, but the fact that he managed to strike a deal with the EU, and get support for it, suggests that things are heading in the right direction."

3.50pm: FTSE 100 ticks higher into late-afternoon as pound struggles for direction

Into the last hour of trading on Wednesday, the FTSE 100 had held on to a solid set of gains and was up 45 points at 7,257 shortly before 3.45pm.

Equities have taken advantage of the struggling pound, which despite some movements earlier the day has been holding more around the US\$1.287 level as investors wait for more news in the ongoing Brexit drama, particularly the details of yet another delay to the UK's exit date and whether a general election could be in the offing.

"With the government yet to hear from the EU, sterling [has] had little to work with on Wednesday... Not bad given it wouldn't have been much of a surprise if the prospect of another few months of Brexit uncertainty, and the potential for a general election, caused it to tumble", said Spreadex analyst Connor Campbell.

On the company front, takeaway giant Just Eat PLC (LON:JE.) climbed 1.8% to 745p after press reports emerged that Aberdeen Standard Investments, one of the company's major shareholders with a 5.2% stake, thought a £4.9bn hostile

Price: 1112

Market Cap: £2.21 billion

1 Year Share Price Graph



Share Information

Code: SCT

Listing: LON

52 week	High	Low
	1193	551

Sector: Hardware & electrical equipment

Website: www.softcat.com

Company Synopsis:

Softcat PLC, located in Marlow, the United Kingdom, is a provider of software licensing, hardware, security and related IT services.

action@proactiveinvestors.com

bid for the firm by Prosus, a vehicle of South African tech conglomerate Naspers, significantly undervalued the group.

The Prosus all-cash bid, which was announced on Tuesday, is aiming to scupper an already agreed merger between Just Eat and Dutch rival Takeaway.com, which despite having the support of management has caused tensions with some of Just Eat's shareholders on the grounds that it is unattractive.

M&G PLC (LON:MNG) was the FTSE 100's biggest riser in late-afternoon, up 4.4% at 211.6p, while the largest faller was insurer Hiscox, which was down 2.6% at 1,485p.

2.50pm: US markets open mixed as Boeing lifts Dow

Wall Street has seen a mixed performance at the start of Wednesday's trading session, with the Dow defying the negativity thanks to a lift from shares in Boeing Co (NYSE:BA).

Shortly after the opening bell, the Dow Jones Industrial Average was 0.14% higher at 26,826, while the S&P 500 slipped 0.03% to 2,995 and the Nasdaq fell 0.13% to 8,093.

The aircraft maker climbed 2.8% to US\$346.2 in early deals despite a big earnings miss for the third quarter, where it reported earnings per share of US\$1.45, well below estimates of US\$2.09.

However, there was relief among investors when the company said it would not be further reducing production rates of its troubled 737 MAX aeroplanes, which have been grounded by regulators following two fatal crashes.

Instead, Boeing has maintained its guidance of 42 MAX aircraft each month, a figure that it expected to increase to 57 by the end of next year.

Revenues also provided a small bright spot, coming in at US\$19.98bn compared to analyst estimates of US\$19.67bn.

In mid-afternoon trading in London, the FTSE 100 was 34 points higher at 7,246 shortly after 2.45pm.

1pm: Caterpillar digs a hole for Wall Street

The US markets seem set for a slower start on Wednesday after a major constituent of the Dow Jones, Caterpillar Inc (NYSE:CAT), missed expectations in its third-quarter results.

The digger maker cut its full-year outlook and reported that in the quarter revenues had fallen to US\$12.76bn, down from US\$13.51bn a year earlier and below market expectations of around US\$13.41bn.

A weaker-than-expected outlook from chipmaker Texas Instruments Inc (NASDAQ:TXN) overnight also spooked investors and sparked fears that the sector could be headed for a more prolonged downturn than previously expected amid weaker demand and trade tensions between the US and China.

TI's shares were down around 9% at US\$117.7 in pre-market trading on Wednesday.

US investors will be hoping that results due later today from more corporates will provide catalysts for growth, as so far earnings from American firms have been better than expected overall.

There will also be particular attention paid to shares in Facebook Inc (NASDAQ:FB) as boss Mark Zuckerberg prepares to testify to the US Congress on the launch of its Libra cryptocurrency. The shares were down 0.2% at US\$181.9 in the pre-market.

Meanwhile, in London, the FTSE 100 has lost some of its steam into lunchtime but was still up 15 points at 7,227 shortly after 1pm.

Hargreaves Lansdown PLC (LON:HL.) is the biggest faller among the blue chips, part of a lurch lower by the financial sector amid continued Brexit doubts, along with peers Ashmore Group plc (LON:ASHM), AJ Bell Plc (LON:AJB)

and Quilter PLC (LON:QLT).

Earlier, Quilter reported a fund outflow and a fall in gross sales in the third quarter ([Read more here](#)).

The pound is searching for direction, currently flattish at \$1.2872 as EU leaders meet to discuss giving the UK another Brexit deadline extension.

In my phone call with PM @BorisJohnson I gave reasons why I'm recommending the EU27 accept the UK request for an extension.

— Donald Tusk (@eucopresident) October 23, 2019 11.30am: FTSE 100 climbs into late-morning as sterling struggles As midday approached the FTSE 100 appeared to be benefitting from weakness in the pound and was up 34 points at 7,247 at around 11.30am.

The pound, meanwhile, had continued to struggle against a tide of uncertainty and the likelihood of yet more Brexit delay and was down about 0.2% at US\$1.2848 against the dollar.

"The UK may be heading towards an orderly smooth Brexit - the [Bank of England] finally got something right - but it wouldn't be Brexit if it was going to be straightforward. After months of deadlock we're finally seeing progress. Unfortunately, when that comes in the form of two forward steps and one backward, it still feels like torture", said OANDA's Craig Erlam.

Elsewhere, XTB's David Cheetham pointed to comments from US investment bank JP Morgan that if the EU approved an extension to the Brexit deadline, which many expect them to do, Prime Minister Boris Johnson would "probably succeed in passing his Withdrawal Agreement Bill", although admitted this was presumptuous and that a general election now seemed "a likely way out of the current stalemate".

On the company front, newly-listed firm M&G PLC (LON:MNG), formerly the UK arm of insurer Prudential PLC (LON:PRU), was the FTSE 100's biggest riser, up 5.2% at 213.2p in late-morning trading, while Prudential itself was 0.8% higher at 1,415p.

At the other end of the scale was miner Fresnillo Plc (LON:FRES), which was 2.9% lower at 631.2p, followed by financial services group Hargreaves Lansdown PLC (LON:HL.) which dropped 2.3% to 1,727p.

Elsewhere on the main market, troubled lender Metro Bank PLC (LON:MTRO) edged up 1.3% to 195.5p following news that its co-founder and chairman, American businessman Vernon Hill, will step down from the role with immediate effect, although he would remain as a non-executive director until the end of the year.

Hill's departure follows a turbulent year for the bank, which has seen its share price plummet nearly 90% since January after a major accounting blunder at the start of the year forced it into a £350m equity raise and sparked investigations by the Financial Conduct Authority and Prudential Authority.

--Adds Metro Bank story--

9.55am: Housebuilders wobble amid Brexit uncertainty

The weak pound was helping keep the FTSE 100 afloat shortly before 10am, with the blue-chip index rising 29 points to 7,241.

However, the looming prospect of a Brexit delay was causing issues for some of the index's constituents, most notably UK-focused housebuilders Persimmon PLC (LON:PSN) and The Berkeley Group Holdings PLC (LON:BKG).

In early trading, Persimmon's shares fell 1.5% to 2,359p while Berkeley's stock slipped 1.6% to 4,470p, as traders fretted that a further Brexit delay will put more people off moving house until the economic situation is clarified.

While there is a small likelihood that the UK's request for an extension will be rejected by the EU, putting Britain on course for a no-deal crash out at the end of October, analysts at ING said an extension will now "almost certainly go ahead", although the exact form it will take is still unknown.

"Most believe Brussels could go for another so-called 'flexextension'. The latest reports suggest this could set a new Brexit date in January or February 2020, but crucially allow that deadline to be brought forward if a deal is ratified by the UK Parliament", ING said.

There was also the issue of an election before the end of the year, although ING expects that the UK government is narrowly more likely to favour pushing ahead with the legislation and try to put off an election until Brexit is resolved.

However, this would come with its own set of challenges.

"It's worth remembering that the Conservative's whole election campaign will rely on Brexit being front-and-centre in the electorate's minds when they cast their vote. Counterintuitively if a Brexit deal is ratified, but an election takes place with a lag (say in February or March next year), that might just give the opposition the space to reframe the debate away from Brexit, back to the domestic agenda (particularly economic issues) where the Conservatives are arguably more vulnerable", analysts said.

8.40am: Fotsie uninspired

The FTSE 100 once again made a subdued start to proceedings with the bedlam around Brexit putting paid to any real positivity.

Around 8.30am, the UK blue-chip index was around 10 points higher at 7,222.13 helped by a fall in the pound.

It now looks increasingly likely Boris Johnson will push for an election now his EU departure plans have been stymied by parliament - but just how the Prime Minister will achieve that goal remains moot at this point.

To recap, while MPs voted for the PM's deal with Brussels, they were not going to be railroaded into waving it through with only three days' scrutiny.

It's now up to the EU to decide whether to grant an extension, the length of which will decide whether the UK goes to the polls.

If the UK is granted a three-month stay, it is expected Johnson will push for a pre-Christmas general election; a shorter delay of several weeks may alter that thinking.

All the while, a 'no-deal' retreat from the EU is still being waved as a stick at the remainers and other militant parliamentary factions.

It's the hope that kills you

Kallum Pickering, analyst at the London arm of the German bank Berenberg, still reckons there is a 75% chance of an "orderly Brexit".

"The new twist in the Brexit tale does not change our key calls for the final outcome," he added.

Sterling fell from its highs Tuesday above US\$1.30 to trade at US\$1.2860 early Wednesday.

"The pound remains the proxy for the Brexit process and it's displaying nervousness that Parliament still can't get its act together and see a deal through," said Neil Wilson of Markets.com.

"Uncertainty prevails for the time being, but Parliament has backed a deal and that feels like a key moment."

On the market, M&G (LON:MNG), the fund manager newly demerged from Prudential (LON:PRU), bounced back from

a rather tepid start as an independent company. It was the Footsie's top risers with a 5% gain as the tracker funds began to stock up on shares and Deutsche Bank initiated coverage on the stock with a 'buy' rating.

Not far behind were British American Tobacco (LON:BATS) Imperial Brands (LON:IMB), which were up 2% and 1.5% respectively on some curious news from the US overnight.

America's health watchdog judged a type of smokeless tobacco produced by Swedish Match to be less harmful than cigarettes.

The decision could open the door to other less risky options for smokers, analysts said. The Food & Drug Administration stressed its decision does not mean the pouches are safe, just less harmful.

6.50am: FTSE 100 called lower

The FTSE 100 is expected to open slightly lower on Wednesday as Brexit uncertainty leaves traders searching for a catalyst to move equities.

Spread-better IG expects the FTSE 100 to open down around 5 points after closing 49 points higher on Tuesday at 7,212.

The mixed outlook follows a mixed night for Boris Johnson in the House of Commons yesterday as MPs finally agreed on his new Brexit deal but voted down a fast-track timetable that would have seen the legislation implemented before the UK's planned exit date of 31 October.

As a result, it now seems likely that the UK will not leave the EU at the end of the month, increasing the likelihood of a general election before the end of the year.

Ipek Ozkardeskaya, senior market analyst at London Capital Group, said that talk of a snap election could dampen investor sentiment and a correction that could push sterling back below its recent highs of around US\$1.28.

However, she added that investors could now see "the light at the end of the tunnel", and US\$1.27 would now be a key support level for the pound as the likelihood of a no-deal Brexit began to recede.

While the FTSE 100 was headed lower at the open, Ozkardeskaya said expectations of an orderly Brexit could encourage some investors to purchase "promising" FTSE stocks before the pound appreciates.

On Wednesday morning, the pound was down 0.13% at US\$1.2855 against the dollar.

The Brexit circus also made waves in the US markets overnight, while fears of increased regulatory pressure on the tech sector and a mixed bag of corporate earnings also helped drive the main indices lower on Tuesday.

The Dow closed 0.15% lower at 26,788, while the S&P 500 dropped 0.36% to 2,996 and the Nasdaq fell 0.72% to 8,104.

Today's session in Asia was more mixed, with the Japanese Nikkei 225 rising 0.19% while Hong Kong's Hang Seng slumped 0.79% following a Financial Times report late on Tuesday that the Chinese government in Beijing is preparing to replace Carrie Lam, the territory's embattled chief executive who has been a lightning rod for the recent protests.

Significant events on Wednesday 23 October:

Finals: Softcat PLC (LON:SCT)

Interims: HarbourVest Private Equity PLC (LON:HVPE)

Trading statement: Antofagasta PLC (LON:ANTO), Integrafin Holdings PLC (LON:IHP), Metro Bank PLC

(LON:MTRO)

AGMs: Beeks Financial Cloud Group PLC (LON:BKS), Haynes PLC (LON:HYNS), Springfield Properties (LON:SPR), Stand Life UK Small Companies Trust PLC (LON:SLS), Stanley Gibbons (LON:SGI)

Economic announcements: UK Finance mortgage lending, US MBA mortgage applications, US housing prices

Around the markets:

Sterling: US\$1.2860, down 0.09%

Brent crude: US\$59.42 a barrel, down 0.47%

Gold: US\$1,489.2 an ounce, up 0.51%

Bitcoin: US\$7,950.6, down 3.2%

City headlines:

UK lawmakers yesterday rejected Boris Johnson's timetable for Brexit by 322 to 308 in a defeat that threatens to delay Britain's departure from the European Union by up to three months - Times

The Chinese government is drawing up a plan to replace Carrie Lam, Hong Kong's leader, following violent protests against her administration - Financial Times

A rescue bid for the troubled temporary office space provider We Work will see its co-founder walk away with a £1.3billion package - Daily Mail

Snapchat's daily active users have soared from 203 million to 210 million in the three months ending in September, thanks to a successful relaunch of its Android smartphone version - Daily Telegraph

The High Street is at 'breaking point' and many of the country's biggest chains are in a fight for survival, according to research by professional services firm A&M - Daily Mail

Deliveroo's highest paid director, understood to be the co-founder Will Shu, received a near 57% increase in basic pay and £8.3m in share options last year, despite widening losses at the food delivery firm - Guardian

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