

Berkeley Group

16:53 02 Dec 2019

FTSE 100 starts December by closing in red; global markets also lower

- FTSE 100 closes 65 points lower
- US manufacturing misses expectations
- UK manufacturing PMI better than feared
- China manufacturing PMI upbeat

5pm: FTSE closes in red

FTSE 100 index sank lower on Monday, the first trading day of December, joining global markets to head into the red after a lacklustre few days.

"Investors found themselves wishing for some movement over the desperately quiet sessions on Thursday and Friday last week," noted Chris Beauchamp, the chief market analyst at online trading group IG.

"Today they have got their wish, and in abundance. Almost a whole 1% 'wiped off' the Dow and S&P 500, and a 250-point drop in the Dax that will have jolted many out of their complacency."

Britain's blue-chip benchmark finished around 65 points lower at 7,281, while mid-cap cousin FTSE 250 lost over 137 points at 20,675.

On Wall Street, the Dow Jones Industrial Average plunged around 233 points, while the S&P 500 lost over 20. Traders were selling equities on continued trade fears and weak data.

Top laggard on FTSE was online grocer Ocado (LON:OCDO), which lost around 7% to stand at 1,232p after it issued a £500 million convertible bond, along with a retail update, which fell slightly shy of expectations. Last week, shares headed north after it announced a deal with one of Japan's largest supermarkets, Aeon.

3.40pm: Footsie sinking on weak economic data from US

The FTSE 100 index continued to shoot for the ground, down 37 points to 7,309, amid weak US data and renewed trade fears.

Traders were jittery as they responded to a mixed bag of US data, with two sets of manufacturing figures out today.

The ISM, which represents the percentage of manufacturers planning to expand operations, shrank to 48.1 in November, coming in below the expectation of 49.4 as inventories and new orders lagged.

Manufacturing is often seen as a bellwether for how the rest of the economy is doing.

Ian Shepherdson at Pantheon Macroeconomics said the figures were "disappointing" and said that a "fall in orders, if sustained, suggests the headline index could dip a bit further in December".

"We'd be surprised to see a further significant decline, but the sector is stuck in a mild recession with little prospect of a real near-term revival.

Price: 4553

Market Cap: £5.73 billion

1 Year Share Price Graph



Share Information

Code: BKG

Listing: LSE

52 week High Low
4728 3208

Sector: Real Estate

Website: www.berkeleygroup.co.uk

Company Synopsis:

The Berkeley Group Holdings plc engaged in residential and commercial property development focusing on urban regeneration and mixed-use developments.

action@proactiveinvestors.com

This will weigh on job growth and capex over the next few months, to the point where we are not ready to rule out a further easing in January."

But he added: "The chart shows that the ISM continues to run well below level implied by the Chinese PMIs; we doubt the gap will close anytime soon, absent a resolution to the trade war".

Unless a deal is agreed between US and China by 15 December, new tariffs will be put on Chinese goods.

Also released today was the Markit manufacturing reading, known as the Purchasing Managers Index, which indicated expansion, coming in above expectations at 52.6.

Dow Jones Industrial Average slumped 166 points to 27,885.68.

3pm: Wall Street backslides after positive open

The FTSE 100 index saw another downturn in the afternoon, falling 32 points to 7,315 as trade uncertainty continued to punish markets.

Trump's tweet in the morning, saying that he was restoring steel and aluminium tariffs on Argentina and Brazil effective immediately, gave traders jitters after the US markets opened.

The Dow Jones Industrial Average opened in the green, but quickly backslid 26 points to 28,025.

Timme Spakman at ING Economics said that with regard to tariffs, "it is unclear however, if Trump still has the authority to do this".

"The US Court for International Trade ruled on 15 November that an earlier 50% increase in steel and aluminium tariffs was unlawful, as the decision had been taken after the President's authority to act on the national security report had phased out," Spakman said.

Spakman added that it casts a shadow over potential trade deals with China.

"The move by Trump signals that trade deals with the US are of limited value," he added, since the two South American nations were previously granted an exemption from tariffs because they fulfilled the conditions the US set.

"China will be watching this closely and asking itself just how far it wants to go in negotiations with Trump, knowing that a deal could very well be short-lived."

2.15pm: Trump restores tariffs

The FTSE 100 index took another step back after US President Donald Trump threatened global trade in a tweet, saying he would restore tariffs on some imports from Brazil and Argentina, adding to the index's earlier declines engendered by sterling strength on election hopes and UK data.

London's blue-chip index, made up mostly of stocks that do not have a domestic focus, was down 11 points at 7,335.

US stock futures lost some of their gains, but the Dow Jones Industrials Average was still indicated around 0.1% higher.

"Brazil and Argentina have been presiding over a massive devaluation of their currencies. which is not good for our farmers. Therefore, effective immediately, I will restore the Tariffs on all Steel & Aluminum that is shipped into the U.S. from those countries," Trump said in a tweet at 11am.

Before receiving an exemption in May last year, Brazil and Argentina were both lumbered with 25% steel tariffs and 10% aluminium tariffs.

Trump's eagerness to enforce tariffs comes as a US-China trade deal hangs in the balance, with reports that

negotiations stalled over the weekend when the President passed a pro-Hong Kong bill into law.

In a series of tweets, Trump also called for the Fed to cut interest rates to weaken the dollar, and celebrated the US stock market's progress so far this year.

Brazil and Argentina have been presiding over a massive devaluation of their currencies. which is not good for our farmers. Therefore, effective immediately, I will restore the Tariffs on all Steel & Aluminum that is shipped into the U.S. from those countries. The Federal....

— Donald J. Trump (@realDonaldTrump) December 2, 2019 12.45pm: FTSE down
The FTSE 100 dipped lower in lunchtime trading, deleting all the morning's gains as the pound continued to rise against the dollar on election hopes and positive manufacturing data.

The UK blue-chip index was 5 points lower at 7,341, having reversed from an early peak of 7,400.27.

US markets are expected to return fully from the US Thanksgiving break in positive form reflecting gains in Asia, as it kicks off a busy week with data from its manufacturing sector.

The Dow Jones Industrials Average is forecast to open 139 points higher at 28,190, with the S&P 500 index seen 15 points higher at 3,156.

Michael Hewson of CMC Markets said: "On-line Black Friday sales hit a record last week in the US, good news for retailers who have been hit hard by changing consumer habits this week, with retailers likely to be in focus when US markets return to a full day's trading after the Thanksgiving break last week".

Figures from the US ISM manufacturing survey and Markit PMIs for the sector are also expected to drive markets, with non-manufacturing ISM and services PMIs coming on Wednesday.

Earlier manufacturing data from China and the UK came in better than feared, and market watchers will be hoping the world's largest economy can keep up.

Elsewhere, any news from the trade talks with China will likely cause jitters, especially since weekend reports that negotiations have stalled because of the pro-Hong Kong legislation passed by President Donald Trump.

China reacted to the US bill on Hong Kong with some countermeasures of their own, including delaying a decision on US warships stopping in Hong Kong

A trade deal with China needs to be signed before the December 15 deadline for a new round of import US tariffs on Chinese goods.

11.45am: Pound rallies as polls put Boris Johnson in lead
London's blue-chip index lost more of its early gains, still up 20 points, as sterling rallied after polls came out backing the Conservative Party to win the general election in ten days' time.

Sterling rose to \$1.2953, its highest since November 21, after the poll was released.

This pushed the Footsie down to 7,366, still up 20 points but wiping out half of its earlier gains.

Betfair Exchange showed odds on a Conservative majority hit 70% on Thursday, their highest this year.

This would help Prime Minister Boris Johnson's mandate to "get Brexit done", and take Britain out of the European Union on 31 January.

The pound already rose this morning on PMI data which beat pessimistic expectations, and the Confederation of British

Industry predicted that UK economic growth could hit 1.8% in 2021, as long as Johnson can secure a trade deal with the EU that leads to no tariffs.

11.00am: Markets mull British manufacturing

The Footsie edged lower off its morning highs, as markets continued to digest British manufacturing figures.

The index was up 34 points at 7,381.

When the Markit/CIPS reported its manufacturing Purchasing Managers' Index, the pound rose and the non-domestically focused FTSE 100 dipped slightly on a better-than-feared 48.9 reading for November, from 49.6 in October.

Samuel Tombs at Pantheon Macroeconomics said "the contraction in manufacturing output signalled by the PMI in November primarily reflected companies running down stockpiles they had accumulated before the October 31 Brexit 'deadline'".

For now, he said, "firms are not confident enough about the business outlook to hire more workers", with figures remaining below 50 for the eighth consecutive month.

However, Tombs said: "Amid this volatility, we see tentative signs that underlying demand is recovering; both the new orders and output expectations balances increased to their highest levels since May, mirroring the slight recent improvement in the Eurozone's manufacturing PMI."

Miners and tobacco companies were among the morning's notable risers, with Imperial Brands (LON:IMP) up 2.24% at 1,741.40 and British American Tobacco (LON:BAT) up 2.09% at 3,124.

10.00am: FTSE 100 nudges lower as PMI data beat expectations

The FTSE 100 lost some of its early gains as PMI data came in better than feared.

London's blue-chip index was still up 0.5% at 7,383.49, rising 37 points.

Nevertheless, the UK's latest Purchasing Managers' Index data showed manufacturers cutting jobs last month at the fastest rate since 2012, as Brexit and global trade continue to cause concerns.

The IHS Markit/CIPS manufacturing PMI sank to 48.9 in November from 49.6 in October, beating the initial flash estimate of 48.3.

David Cheetham at XTB said that figures were better than expected "largely due to pessimistic forecasts", and that "overall it is probably fair to say that while there has been an improvement in recent months, the big picture still looks pretty bleak."

"In terms of market reaction the pound has ticked a little higher in response, although it remains a little lower on balance after a slightly soft start to the week," he added, saying with a Conservatives lead narrowing in the weekend polls, any further could see "additional weakness in the pound".

Sterling rested 0.16% down against the dollar at US\$1.291.

8.45am: Advent starts well for Footsie

The FTSE 100 index zoomed ahead in early deals lifted by strength in heavyweight miners following upbeat manufacturing data from top commodities consumer China.

In early deals, the blue-chip index was up 0.6%, or 43 points, at 7,389.

WATCH: Investor update

Miners Rio Tinto (LON:RIO), BHP Group (LON:BHP), and Glencore PLC (LON:GLEN) led the risers, gaining up to 2%.

Connor Campbell, financial analyst at Spreadex commented: "A marginally better than forecast Chinese manufacturing PMI set the European markets up for a solid start to December.

"At 51.8 against the 51.5 expected and the 51.7 released in November, the latest Caixin PMI showed the sector firming up slightly, making it 5 consecutive months of improvements. In contrast the final Eurozone reading is estimated at 46.6 - the German figure is looking even worse - while the UK number is forecast to arrive at 48.3."

However, Campbell noted: "Europe's gains may have been greater if it weren't for a report from Axios, citing a source close to Trump's negotiating team, stating a 'phase one' trade deal between the US and China has - as expected - been 'stalled because of Hong Kong legislation'. The site went on to claim that the agreement would go through 'year-end at the earliest'. Remember, this thing was meant to be signed at the cancelled APEC summit in Chile in mid-November."

Proactive news headlines:

Greatland Gold PLC (LON:GGP) said the ongoing drilling campaign being conducted by Australian gold major Newcrest on its Haverton project continues to return long and high grade intercepts. The latest highlight show 107 metres grading 2.2 grams per tonne gold, including 21 metres at 10 grams per tonne gold. Newcrest has now completed stage one of its farm-in agreement with Greatland, and has done so in double-quick time.

Kazera Global PLC (LON:KZG) has completed a maiden JORC resource estimate for the White City pegmatite as part of the ongoing exploration programme at the Namibia Tantalite Investment Mine. The White City resource rings in at 297,000 tonnes of tantalite in the inferred category, at an average grade of 105 parts per million (ppm). It takes the total resource across White City, Purple Haze and Homestead up to 622,200 tonnes of lithium and tantalite.

Echo Energy PLC (LON:ECHO) has revealed plans to start drilling activities on its Santa Cruz Sur assets, following on immediately after the present programme at the Tapi Aike project. The AIM-quoted explorer is moving quickly with Santa Cruz Sur, having acquired the asset only last month.

Kvango Resources PLC (LON:KAV) has reported further indications that its Kalahari Suture Zone (KSZ) project in Botswana has similar geology to other massive sulphide orebodies elsewhere. Drilling at KSZ has identified what seem to be multiple magma conduits, which would have supplied molten lava to the surface 180m years ago. The final hole in its attest programme intersected a 16m gabbroic sill at 120 metres from surface, with signs of intensive alteration by heat.

Bloomsbury Publishing Plc (LON:BMY) shares bounced on Monday as it signed a joint venture (JV) agreement that will expand its business into the Chinese market. The media house, best known for publishing the Harry Potter franchise, will own 50% of the new JV with state-backed publisher China Youth Publishing Group (CYPG), while the Chinese firm will own 30% directly and 20% through its subsidiary, Roaring Lion Media (RLM).

IXICO PLC (LON:IXI) said it is delivering three poster presentations at a California conference on Alzheimer's disease. The AI data analytics group, which specialises in aiding neuroscience clinical drug development, will showcase its work in classifying sufferers of the disease. It will also outline advances in measuring brain volume change and the work it has done using diffusion MRI analysis to assess the degenerative condition.

Corero Network Security PLC (LON:CNS) has secured contracts with two new customers for its SmartWall DDoS Protection as a Service (DDPaaS) solution, as well as an expansion contract with an existing client, worth a total of US\$1.1m over a period of three years. In a statement, the AIM-listed company said one of the new customers - a US-based hosting and cloud services provider - was introduced to it following "a recent partnership with a leading cloud distributed denial of service (DDoS) service provider."

Hurricane Energy PLC (LON:HUR) has revealed results from the Warwick West well which confirmed a discovery and measured oil flows. The success rounds off a three well drill programme and marks a more positive result, after it kicked off with the Warwick Deep well which, in July, encountered a 'poorly connected' section of reservoir and failed to flow

hydrocarbons at commercially viable rates. In an 85 hour well test, the Warwick West reservoir flowed at a maximum rate of 1,300 barrels of oil per day.

Ariana Resources PLC (LON:AAU) has kicked off an earn-in agreement to acquire up to 50% of Venus Minerals Ltd, which owns exploration and development projects targeting copper and gold in Cyprus. In an update on Monday, the AIM-listed miner said that it plans to provide Venus with €500,000 in funding during the first year of operations, which will take its stake in the company to 11% by December 2020.

G3 Exploration Ltd (LON:G3E) is to request provisional rather than official liquidators be appointed to give the China-focused gas group a period to restructure its businesses to pay off its creditors. A petition was served in Grand Cayman recently by lender Nordic Trustees for an official liquidator to be appointed. That hearing is set for 11 December, but G3 believes a better solution is to for a joint provisional liquidator (JPL) to be appointed, which would allow it to focus on 'identifying, facilitating and executing a comprehensive restructuring plan'.

Anglo Pacific Group PLC (LON:APF) (TSX:APY) said it has received notification that its chief executive officer, Julian Treger, on 28 November 2019, acquired 30,000 ordinary shares in the company at an approximate price of 183.60p per share. It also noted that, between 27 and 29 November 2019, Kings Chapel International Limited (KCIL), a person closely associated with Treger, sold 243,158 shares at an average approximate price of 183.51p per share, to rebalance the composition of the investments held by KCIL. Following this notification, the group added, the total beneficial holding by Treger and persons closely associated with him is 5,478,296 shares, representing 3.018% of the issued ordinary share capital.

Amur Minerals Corporation (LON:AMUR), the nickel-copper sulphide mineral exploration and resource development company focused on the far east of Russia, announced that certain directors and executive management have been issued 9,485,828 new ordinary shares at a price of 2.06p each - last Friday's closing share price - for a total value of £195,408 as part satisfaction of salaries and fees in order to preserve cash.

Xpediator PLC (LON:XPD) a leading provider of freight management services across the UK and Europe, announced that following its acquisition of Regional Express Limited, a further deferred consideration of £350,000 is payable to the vendors, part of which will be settled by the issue of 89,744 new ordinary shares and the balance of £315,000 payable in cash.

Cabot Energy plc (LON:CAB), the oil and gas company focused on creating predictable production growth in Canada, said trading in its shares on AIM will be cancelled with effect from 7.00 am on 3 December 2019. Cabot will re-register as a private limited company.

6.40am: Footsie takes cue from Asia

The FTSE 100 index was set for early gains on Monday, tracking advances in Asia after the region's major indices were buoyed by better than expected manufacturing figures from China, with UK PMI manufacturing numbers also due today.

The Caixin/Markit Purchasing Managers' Index for November provided a reading of 51.8, compared with the forecast of 51.4 and the 51.7 achieved in October. A number over 50 denotes the sector's expansion.

"Last week the latest flash manufacturing numbers from France and Germany also showed an improvement, raising the prospect that we may well have seen the bottom of the trough," said Micheal Hewson of CMC Markets.

Later Monday we have PMI numbers from Spain, Italy, France and Germany, which "could well go further in reinforcing this narrative", added Hewson.

Here in the UK, the election is once again set to take centre stage, and Boris Johnson looks to be heading in the same direction of his predecessor with his poll lead narrowed to 5%. The prospect of another hung parliament had little impact on sterling, which hovered at US\$1.2917.

The corporate news flow, meanwhile, is starting to slow as we head into the traditional pre-Christmas lull, although

updates are expected this week from builder Berkeley (LON:BKG) and Associated British Foods (LON:ABF), owner of the Primark chain.

Around the markets:

Gold US\$1,465.40 an ounce, down US\$7.30

Brent crude up 81 cents a barrel at US\$61.30

Bitcoin US\$7,222.87, down US\$1.17.

Significant events expected on Monday:

Interims: Civitas Social Housing PLC (LON:CSH), Omega Diagnostics Group Plc (LON:ODX)

EGM: Bovis Homes Group PLC (LON:BVS)

Economic data: UK Manufacturing PMI, US Manufacturing PMI

City Headlines:

Financial Times

- EU chief issues Brexit warning over City of London access
- Hedge fund TCI vows to punish directors over climate change
- Goldman to avoid strict financial targets at investor day
- Activist fund set to double stake in banknote maker De La Rue - Crystal Amber's move shows sign of confidence in struggle UK group

Times

- Carney made UN envoy for climate action and finance
- Smooth Brexit to deliver strong growth, says CBI
- Zopa looks to bank on £130mln injection
- Funds bid to scupper Inmarsat takeover

Daily Telegraph

- Goldman Sachs eyes multi-year Boris boom, but warns on gilts risk
- Saudi fortunes slip amid pressures on Aramco float and oil market oversupply
- Sir Vince Cable: I knew Royal Mail couldn't deliver

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