easyJet plc

17:02 21 Jan 2020

FTSE 100 closes lower as pound strengthens along with fears about China virus

- FTSE 100 index closes down 40 points
- Davos forum gets underway
- US shares mostly lower
- Fears grow over China virus

5pm: FTSE 100 ends day lower
FTSE 100 index closed in the drink on Tuesday as the pound strengthened and markets fretted over a spreading new virus in China, which is being compared to the SARS outbreak in the early part of the new millennium.

More than 200 people have been infected and four have died from the virus, which is reportedly spreading across China, with one case has been confirmed in Japan, two in Thailand, and one in South Korea.

FTSE 100 closed the afternoon session down 40.74 points at 7,610.70, weighed on by big miners. Its midcap cousin and the more UK-company focused FTSE 250 plunged 101.63 at 21,745.41.

The pound added around 0.26% against the US dollar after a strong UK jobs report for the three months to end November took the heat out of the idea of a possible rate cut by the Bank of England this month.

"Global stocks are on the slide, with fear over the impact of the coronavirus that is spreading throughout China. A strong UK jobs report has helped push the pound higher. Meanwhile, plans for a US middle class tax cut is strengthening the case for US outperformance under Trump," said Joshua Mahony, senior market analyst at online trader IG.

3.50pm: Gold loses its lustre as China claims to have Wuhan virus outbreak under control
The Footsie has struggled back above 7,600 despite sterling rallying further against the US dollar.

London's index of big-cap shares was down 49 points (0.6%) at 7,603.

"A very busy week in Davos was kicked off by President Trump's opening remarks that reiterated his 'America First' motto while making some positive strokes to this year's overall green theme. President Trump's impeachment is also beginning today in what will likely deliver a ton of headlines but yield little impact as markets remain fairly confident the President will be acquitted of all charges," said Oanda's Edward Moya.

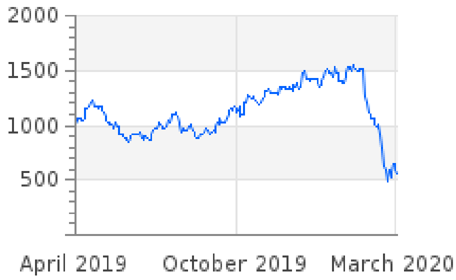
"Gold gave up all of its earlier gains that stemmed from the Wuhan virus concerns after Chinese officials signalled they have the situation under control," Moya reported.

Gold is currently down US$4 at US$1,556.30 an ounce on the futures market.

2.40pm: Dixons coughs to a clerical error

Price:	552
Market Cap:	£2.19 billion

1 Year Share Price Graph



Share Information

Code:		EZJ
Listing:		LSE
52 week	**High**	**Low**
	1570	**410**
Sector:		**Leisure, gaming and gambling**
Website:		**www.easyjet.com**

Company Synopsis:
EasyJet is engaged in the provision of a low-cost airline service on short-haul and medium-haul point-to-point routes principally within Europe.

action@proactiveinvestors.com

In the US, the Dow Jones opened lower but not by as much as expected.

The 30-share industrial average was down 34 points (0.1%) at 29,309. US markets were closed yesterday to celebrate Martin Luther King day.

In the UK, as is its wont, the FTSE 100 was slumbering, having done all that hard work skiing downhill in the morning session. The index was down 53 points at 7,598.

Shares in Dixons Carphone PLC (LON:DC.) were one of the best performers among FTSE 350 stocks in the morning session; gains were pared in the afternoon when the company admitted that due to a clerical error, it had inadvertently reported positive sales growth of 2%, when it meant to say that sales were down 2%.

The shares fell 5p from 147.5p in the immediate aftermath of the corrected statement but have since recovered to 146.8p, up 3.1% on the day.

Dixons Carphone gets its sales figures the wrong way round https://t.co/g4ZEmwAA3V

— BBC News (UK) (@BBCNews) January 21, 2020 1.35pm: US markets to open lower
US markets were expected to join the global trend and open lower this afternoon.

The Dow Jones industrial average is tipped to open at around 29,260, down 70 points, while the S&P 500 is seen opening close to 3,315, down about 5 points.

Some three hours ago, the indices were trading much lower on spread betting sites (at 29,240 and 3,312 respectively) so at least the trend is improving.

That's unlikely to be as a result of anything said thus far at the World Economic Forum in Davos.

"Business leaders, financial heavyweights and politicians from across the globe will discuss key issues revolving around climate change and sustainable business. There could be some movement across stock markets if global trade developments and geopolitical risks are discussed during the summit," suggested Lukman Otunuga at FXTM.

Thus far, only the familiar tirade from teen eco-activist Greta Thunberg has made much of a splash, with her pointed remarks that planting a trillion trees would not be enough to save the planet.

The US president, Donald Trump, had earlier pledged his administration would join an international initiative to plant a trillion trees.

Trump said he is "a big believer in the environment".

As the Stereophonics sang, it only takes one tree to make a thousand matches; it only takes one match to burn a thousand trees.

in the UK, meanwhile, the FTSE 100 was down 70 points at 7,581.

12.45pm: Footsie pares losses
China and the diminishing prospect of a cut in the bank rate this month.

The FTSE 100 was down 61 points (0.8%) at 7,590, with steelmaker Evraz PLC (LON:EVR), down 6%, the top faller, reflecting its dependence on the Chinese market.

"With Chinese New Year coming up the situation could get even worse so investors should have this on the radar," warned Peter Garnry, the head of equity strategy at Saxo Bank, referring to the coronavirus outbreak in China.

A new Chinese coronavirus, a cousin of the SARS virus, has infected more than 200 people since the outbreak began in Wuhan, China, in December. Scientist Leo Poon, who first decoded the virus, thinks it likely started in an animal and spread to humans. https://t.co/mnZKFC5ZDW

— CNN (@CNN) January 21, 2020
The mid-cap FTSE 250 is fairing only a little better than its bigger brother, thanks to a positive response to the Christmas trading statement from Dixons Carphone PLC (LON:DC.).

READ Dixons Carphone lifted as customers go for electrical goods at Christmas

"Dixons is on the right road, but the journey isn't over. It's encouraging to see growth in electricals, suggesting the investment to improve customer proposition hasn't been wasted money. The decision to offer a price-promise, in particular, has helped the tills chime, but we're yet to see the impact on margins," warned Sophie Lund-Yates, an equity analyst at Hargreaves Lansdown.

The shares were up 4.5% at 148.9p.

11.00am: Sterling rallies after jobs data
The FTSE 100 remains deep in the mire, not helped by a resurgent pound on foreign exchange markets.

The index was down 88 points (1.2%) at 7,564 as sterling rose by three-tenths of a cent to US$1.3038.

"Sterling rose after stronger-than-expected employment data dented expectations for the Bank of England to cut rates next week. Unemployment held at 3.8%, while wages rose 3.4%, which was a mild slowdown from the previous figure of 3.5%. Jobs growth was especially strong," said markets.com's Neil Wilson.

"Now, this data is being parsed in great detail because of all the chatter about a possible rate cut on Jan 30th. For many reasons already stated in past notes, I still think the MPC will vote to cut but this undoubtedly indicates renewed strength in the jobs market, Market expectations for a rate cut have come in a touch - down to c65%, vs c70% before the release," Wilson revealed.

Sarah Coles, a personal finance analyst at Hargreaves Lansdown, noted it was "another month, another record for employment, and another rise in wages".

"At first glance, it looks like the good times continue to roll, but when it comes to pay, we're still making up the ground we lost during the financial crash," she cautioned.

"After you take inflation into account, average pay is still lower than it was in March 2008," she noted.

10.30am: Strong jobs data dampens bank rate cut expectations
The smart money seems to be punting on the Bank of England keeping its powder dry when its Monetary Policy Committee (MPC) meets next week.

Better-than-expected jobs growth may have put the kibosh on hopes of a bank rate cut.

"Economic growth is currently as glacial as the winter weather, but the UK's job creation engines are still running hot. 208,000 more people joined the workforce in the three months to November and the employment rate has risen again - to a new all-time record - while the unemployment rate continues to bump along at rock bottom levels," said Pawel Adrjan, a UK economist at the jobs site, Indeed.

"But for all its resilience in the face of the economic slowdown, Britain's jobs creation miracle is running out of road. While the total number of vacancies rebounded slightly in the final quarter of 2019, it's down nearly 50,000 on the same time in 2018 as employer demand stays fragile," Adrjan added.

Samuel Tombs, the chief UK economist at Pantheon Macroeconomics, said the employment numbers were "strong enough to make the doves pause for thought".

"Encouragingly, the huge 208K increase in employment was driven by a 135K rise in employee numbers, which was the biggest rise since the three months to February 2019. Businesses clearly are not gearing up for a downturn," Tombs suggested.

Commenting on today's figures, our head of labour market and households David Freeman said:

"The employment rate is at a new record high, with over two-thirds of the growth in people in work in the last year coming from women working full-time." (1/3)

— Office for National Statistics (@ONS) January 21, 2020
The Footsie was down 94 points (1.2%) at 7,557.

9.45am: UK employment increases by more than expected
The number of people in employment in the UK rose 208,000 in the three months to January, comfortably ahead of the consensus forecast of an increase of 110,000.

The estimated UK unemployment rate for all people was 3.8%, 0.2 percentage points lower than a year earlier but largely unchanged on the previous quarter.

The headline rate of annual growth in average weekly wages, including bonuses, held steady at 3.2% in November, which was slightly above the consensus, 3.1%.

The FTSE 100 fell following the labour data release, suggesting that traders think the figures make a base rate cut less likely.

The Footsie was down 97 points at 7,554.

9.25am: easyJet defies the trend
Just seven Footsie constituents were in positive territory as traders take fright over the spread of the coronavirus in China.

The FTSE 100 was off 83 points (1.1%) at 7,568.

"With the spread of China's coronavirus raising fears of a repeat of the region's experience with SARS seventeen years ago, risk appetite was largely absent from East Asian financial markets today, with most of the main equity indices in retreat," said Daiwa Capital Markets in its assessment of trading in Asian markets this morning.

"Ahead of next week's BoE MPC meeting, today's labour market report will be closely watched but it is not expected to make a clear cut case either for or against a rate cut. In particular, while it's expected to report a stable unemployment rate at 3.8% in the three months to November, it is also expected to show a rebound in job growth to above 100k3M/3M for the first time since June. In contrast, pay growth is expected to slow for a fifth consecutive month, to 3.4%Y/Y when excluding bonuses, which would be the softest since April," Daiwa added.

Mining stocks are to the fore among the big losers on the Footsie this morning. Elsewhere in the resource sector, BP PLC (LON:BP.) was 0.9% lower at 488.95p after its chief financial officer, Brian Gilvary, announced his retirement.

Low-cost airline easyJet PLC (LON:EZJ) was one of the few bright spots, rising 4.2% to 1,511.5p after its fiscal first-quarter trading statement.

There is precious little large-cap news flow this morning so market commentators were queueing up to comment on the airline's performance.

"easyJet has started its new year in fine fettle, with an ongoing focus on costs and increased revenues propelling performance," said Richard Hunter, the head of markets at interactive investor.

"Low levels of competitor capacity have been a boon, while the unfortunate demise of Thomas Cook has also provided opportunities," he noted.

Who says earnings don't matter! Dixons and EasyJet leading the charge, no one else following pic.twitter.com/sIkfrAcU8F

— Neil Wilson (@marketsneil) January 21, 2020
Will Ryder, an equity analyst at Hargreaves Lansdown, said it was a strong operational performance but struck a note of caution on rising costs.

"Frustratingly, costs per seat excluding fuel increased again, and while investors will recognise the mitigating factors, higher costs are becoming a pattern," he said.

Joe Healey, an investment research analyst at The Share Centre, said the results were "surprisingly positive considering the turbulence the airline industry has faced over the last six months, including December's French industrial action and the well-documented demise of Thomas Cook".

Shares in Ryanair Holdings plc (LON:RYA) were up 1.7% in sympathy while Wizz Air Holdings PLC (LON:WIZZ) was up 0.4% and Jet2 travel firm Dart Group PLC (LON:DTG) was 0.6% higher.

8.35am: Footsie catches a cold
Ouch! The FTSE 100 opened a worse-than-anticipated 85 points lower at 7,565.78 as it was hit by fears China's coronavirus could be the new SARS.

Severe acute respiratory syndrome swept across Asia in 2003, infecting thousands and killing over 700, and in doing so it ground global trade to a halt, wiping billions from the world economy, with China the worst affected.

Neil Wilson, an analyst at Markets.com, said: "If that happened again the IMF's latest forecasts would not stand up, and we'd see a sharp contraction in many leading indicators of the global economy.

"We don't know how bad this will be, but with authorities confirming the disease can spread between humans, it's wise to be on guard for this outbreak to get worse before it gets better. And there is a real fear that as millions of people travel long distances for the holidays the disease could spread far and wide."

"Markets are worried about this spreading to more cities. Australia has quarantined a man returning from the city of Wuhan, who is believed to carry the disease," he added.

Scaling a wall of worry, the stock markets of Hong Kong and Shanghai closed out the day nursing severe losses, which had a knock-on impact in London.

In early trade, there were only two risers - easyJet (LON:EZJ), up 2.2% after its trading update revealed it received a boost from the collapse of Thomas Cook; and Polymetal (LON:POLY), which only just made it onto the gainers' list.

The fashion house Burberry (LON:BRBY), which is tapped into China's newly-minted rich, was the Footsie's biggest casualty with a 4% fall.

Among the mid-caps, better than anticipated showing from Dixons Carphone (LON:DC), propelled its shares to the top of the FTSE 250 index with a 4% gain.

Proactive news headline:
BlueRock Diamonds PLC (LON:BRD) booked revenue of £4.1mln for the 2019 full year, up by 190%. During the second

half of 2019, the company also turned a profit for the first time. The success was based on the sale of 12,675 carats from the Kareevlei mine in South Africa, up 118% on the previous year.

Oriole Resources PLC (LON:ORR) has successfully applied for the extension of its licence over the Dalafin gold project in Senegal. The licence for the area, now renamed Senala, will be governed by the new Senegalese Mining Code and will secure the tenure of the licence for up to a further 10 years (plus up to two years special extension), subject to meeting the criteria at each renewal period.

Learning Technologies Group PLC (LON:LTG) expects underlying earnings for the year just ended will be comfortably ahead of market expectations. Adjusted earnings before interest and tax (EBIT) are expected to be at least £41.0mln for 2019, up from £26.0mln in 2018.

Anglo African Oil & Gas PLC (LON:AAOG) confirmed that it has now entered into the recently agreed 'put and call' option agreement to potentially sell its residual 20% stake in its Congo subsidiary, which holds a 56% interest in the Tilapia field. The call option sets out sale terms whereby Zenith will pay £1mln for the 20% stake in the business, should Tilapia production never exceed 2,000 barrels of oil per day over 30 consecutive days before 15 January 2021.

Corero Network Security PLC (LON:CNS) has delivered a record second half in its latest financial year as its recurring revenue level continued to rise. In an update for the year ended 31 December, the security software group reported revenues for the last six months of the year had risen 10% on 2018, while order intake in the period increased 36% to US$8mln.

Integumen PLC (LON:SKIN) told investors its revenues had grown 366% to push through the £1mln barrier last year as it announced a deal with a firm that will "assist commercial enterprises in China". Subsidiary Labskin has signed a memorandum of understanding with Innocare Group.

Premier African Minerals Limited (LON:PREM) has had its RHA Tungsten mine in Zimbabwe connected to the national grid with sufficient power to start processing tailings at the site. The junior holds a 49% interest in RHA and is the operator.

IronRidge Resources Ltd (LON:IRR) has produced battery-grade lithium in conversion trials conducted on coarse spodumene concentrate samples taken from the company's Ewoyaa lithium project in Ghana. Lithium carbonate at a grade of 99.92% Li_2CO_3 was produced, which exceeds most published specifications for battery-grade quality.

Pembridge Resources Plc (LON:PERE) is to appoint an operator for Minto Explorations Ltd, the company which runs the producing Minto mine in the Yukon. This will allow Pembridge to focus on complementary activities, including evaluating new investment opportunities.

Base Resources Ltd (LON:BSE) has confirmed the existence of further high-grade mineral sands mineralisation at the Toliara project in Madagascar, following a 29, 753-metre programme of air-core drilling. A preliminary mineralogical assessment of two high grade lower sand unit intercepts shows ilmenite, rutile and zircon make up approximately 50% of the heavy minerals and are in similar proportions to those reported in the existing reserves estimate. The ilmenite, rutile and zircon minerals appear to be of saleable quality.

Avacta Group PLC (LON:AVCT), the developer of Affimer biotherapeutics and reagents, has announced the appointment of Paul Fry as a non-executive director with effect from 3 February 2020. Fry is currently chief financial officer of Vectura Group PLC, an industry-leading inhaled drug delivery specialist, and before his current position, he was chief financial officer of Immunocore Limited, a leading biotech company focused on the development of a new class of immunotherapeutic drugs based on proprietary T-cell receptor technology.

Avation PLC (LON:AVAP), the commercial passenger aircraft leasing company, said it has won the highly-coveted Aviation 100 European Editor's Deal of the Year for Innovation 2019 award for the lease of three new ATR 72-600 aircraft to Braathens Regional Airways AB financed by the first-ever Green Loan for commercial aircraft. Avation executive chairman Jeff Chatfield commented: "We are delighted to be recognised with this award for Innovation as we align ourselves with airlines such as Braathens to deliver aircraft with low carbon emissions and fuel consumption, helping to support the goal of reducing the environmental impact of air travel."

6.50am: FTSE 100 called lower
The FTSE 100 was tipped to slide lower on another icy morning on Tuesday, taking the lead from an Asian session hit by concerns about a deadly virus and ahead of Wall Street reopening after a long weekend.

Spread betters were predicting London's big caps would fall around 41 points to 7,610, extending the 23 point loss made at the start of the week.

Asian losses were led by the Hang Seng, down 2.5%, after credit agency Moody's downgraded Hong Kong's credit rating overnight, while in Tokyo the Nikkei 225 was down 0.9% after the Bank of Japan kept policy unchanged.

Also hitting Asian stocks were fears about 'coronavirus' in China, which authorities said can be transmitted from human to human and has left at least four people dead, with 217 other confirmed cases in the country.

Jim Reid at Deutsche Bank said: "Also, as the Lunar New Year holidays approach there is a growing concern amongst market participants that China won't be able to control the spread of the virus as its citizen travel within and outside the country."

There are reports that it has spread to four other countries, including Thailand, South Korea and Japan.

"Because of Chinese New Year, millions of people will make a move to their hometown across China which is making the whole situation uncontrollable," said Margaret Yang at CMC Markets in Singapore. "The selloff is just the beginning, we will see more in days to come."

Stocks will begin trading on Wall Street again later after the Martin Luther King Day holiday when traders will be taking in news that the US and France have called a trade pact and listening out for a speech from President Trump from Davos.

Back in the UK, 9.30am will see the release of UK labour market data, which comes at a time when most domestic macro info is being devoured for the clues it will tell us about whether the Bank of England will trim interest rates next week.

The market expects an unchanged unemployment rate of 3.8%, with wage growth excluding bonuses to moderate to 3.4% from 3.5% in October.

The UK jobs data, as its main focus is November's unemployment and wage growth, is not likely to move markets as much as the post-election flash PMI report that is due at the end of the week.

Coming up before that will be trading updates from easyJet, Dixons Carphone and SSE, plus interims from IG Group and Joules.

Freshly returned to the FTSE 100 index, easyJet PLC (LON:EZJ) is putting out a first-quarter trading statement that will be up against numbers from a year ago that should be easy to beat as there were more than 400 flights cancelled that December due to the mysterious drone incident at Gatwick airport.

Elsewhere, the post-Christmas retail updates continue to flow, with electronics specialist Dixons Carphone PLC (LON:DC.) also in the headlines over the weekend that boss Alex Baldock is still struggling with a corporate reboot two years into the job and may try and prop things up by merging with German electricals rival Ceconomy.

Net debt is an issue, having swelled 83% to £1.5bn in the six months to 26 October, while losses before tax shrank 80% to £86mln.

At posh welly seller Joules Group PLC (LON:JOUL), the shares have been slumming it at their lowest level in four and a half year after a post-Christmas stocking warning.

Expectations for the year were downgraded after a drop in festive online sales due to available stock not matching demand.

Interim numbers, however, cover the six months to 24 November when Joules had been one of the top performers on Black Friday but should be fairly flat overall, as flagged in December.

Around the markets:

- Pound worth US$1.3012 (flat)
- Brent crude futures going for US$64.57 (down 1%)
- Gold changing hands for US$1559.25 (up 0.2%)

Significant events expected on Tuesday, January 21:
Trading announcements: Dixons Carphone PLC (LON:DC.), easyJet PLC (LON:EZJ), Cairn Energy PLC (LON:CNE), SSP Group plc (LON:SSPG)

Interims: IG Group Holdings PLC (LON:IGG), Joules Group PLC (LON:JOUL), Sensyne Health PLC (LON:SENS)

Economic data: UK unemployment

City headlines:
FT

- HS2 to cut jobs amid doubts over the project's future
- Johnson sets sights on speedy US and EU trade deals
- Barclay brothers in talks to sell Ritz hotel
- US gas exporters fight for survival in a supply glut

The Times

- Johnson set to clash with banks over lending gap
- Care home inspectors faked reports, watchdog admits
- IMF economist says global growth to stabilise in 2020
- Collapse of Beales puts more than 1,000 jobs at risk

The Guardian

- Ministers launch financial wellbeing scheme to help savers
- Coronavirus: shares in Asia Pacific fall sharply as fears mount
- Greenpeace hits out at Davos banks for $1.4tn climate hypocrisy

Telegraph

- Boost for the City as EU firms flock to set up UK offices after Brexit
- Sushi chain Itsu planning float as it steps up US expansion

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