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HSBC

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FTSE 100 closes underwater; Wall Street continues to lose ground

- FTSE 100 index closes down 51 points
- Wall Street was red across the board at midday
- HSBC drags index down

5pm: FTSE closes down on coronavirus fears
The FTSE 100 closed down 51 points on Tuesday as fears of the economic impact of coronavirus pervaded throughout the markets.

At the close, the UK blue-chip index had lost 51.24 points at 7,382.01, erasing Monday's gains.

The economic implications of the coronavirus crisis has helped drive apart internationally-focused firms from the domestic stocks, according to Joshua Mahony, Senior Market Analyst at IG.

"US markets are following their European counterparts lower today, as ongoing anxiety over the economic impact of the coronavirus epidemic helps drive risk sentiment lower," Mahoney wrote on Tuesday.

"A warning from Apple that markets should lower expectations for production and demand highlights the flaws in the recent fixation on Chinese stimulus as a solution to the impending slowdown in China. The combination of cheap labour and huge economic growth in China has attracted plenty of multinationals seeking to tap into the country, yet it is those same Asia-focused firms which are at risk in this Q1 slowdown."

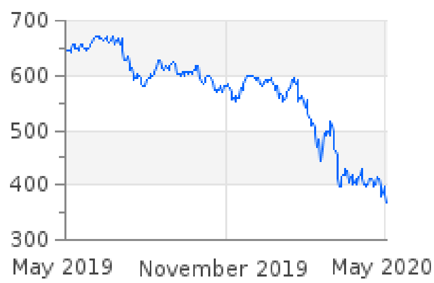
3.40pm: Wall Street opens in the red
London's big caps were still underwater on Tuesday afternoon when Wall Street opened in the red.

US markets joined in with the selling as global stocks took a hit following Apple's warning on Monday night.

Price: 370.1

Market Cap: £75.37 billion

1 Year Share Price Graph



Share Information

Code:		HSBA
Listing:		LSE
52 week	**High**	**Low**
	674.8	**369.35**
Sector:		**Banks**
Website:		**www.hsbc.com**

Company Synopsis:
HSBC serves customers worldwide from more than 9,500 offices in 85 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. HSBC is one of the world's largest banking and financial services organisations. .

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Apple was the first major US company to issue a warning due to the impact of the coronavirus, causing mayhem on its supply chain and shops in China.

The tech behemoth said worldwide Phone supply will be temporarily constrained, while smartphone sales in China are forecast to halve.

At the opening bell, the Dow Jones was 161 points lower at 29,237, while the S&P 500 lost 12 points to 3,368. Back home, the FTSE 100 index dropped 47 points to 7,387.

According to Connor Campbell at Spreadex, these "relatively mild" declines were at "the more reasonably" end of the spectrum, also helped by President Xi Jinping's argument that China can still hit its 6% growth target in 2020.

Xi said the economy remained resilient as efforts to control the outbreak reached a critical stage, Reuters reported.

2.30pm: HSBC drags index down
The blue-chip index is struggling back from its worst losses but HSBC Holdings PLC (LON:HSBA) is acting like a weight around its neck.

Since midday, the Footsie has pared its losses and is now down 49 points to 7,384.

HSBC, the second largest constituent, confirmed earlier on Tuesday that full-year pre-tax profit dropped by 33% to US$13.3bn while saying it will cut over a tenth of its workforce, or 35,000 people.

Plans to focus on the more profitable side of the business, for instance by cutting back on trading activities, will come with impartments of more than US$7bn.

The bank also warned that the coronavirus outbreak had caused "significant disruption" in mainland China and Hong Kong, with CFO Ewan Stevenson telling analysts the lender could be forced to take $600mln in additional provisions against loan losses if the outbreak isn't sorted before the middle of the year, while an ensuing potential economic slowdown would also hit future credit losses.

The market has been distinctly unimpressed, with shares tumbling sharply and remaining at the bottom of the barrel all of Tuesday, down 6% at 555.7p by mid afternoon.

But Richard Hunter at Interactive Investor kept a positive outlook amid the general malaise.

"Despite the disappointing headline numbers, HSBC remains extremely profitable and actually delivered a decent performance in its core Asian units on the whole, despite the obvious limitations in the period," he said.

"Although the share buyback programme has been abandoned for the moment, the dividend does not appear to be at risk and a yield of 5.3% is a crumb of comfort to investors who have witnessed a 21.5% decline in the share price over the last two years."

1.30pm: Water utilities on the rise
The FTSE 100 was firmly in the red after lunch as sterling held its gains.

London's main index lost 62 points to 7,371, with miners dominating the downside.

Looking at the other end of the scale, utilities were on the rise after JPMorgan Cazenove said the publication of price controls by regulator Ofwat meant sector headwinds are water under the bridge.

Combined with the election result removing the threat of Labour's renationalisation plans for now, analysts at the investment bank said this put "significant regulatory and political risks behind us".

As a result, the analysts upgraded Severn Trent PLC (LON:SVT) to 'neutral' from 'underweight' as its share price target was hiked to 2,550p from 2,000p.

The FTSE 100-listed utility was trading 2% higher at 2,664p on Tuesday afternoon.

The top pick in the sector was United Utilities Group PLC (LON:UU), advancing 3% to 1,044.5p.

Pennon Group PLC (LON:PNN) was kept at 'neutral' but its target was lifted to 1,125p from 760p, with shares inching up 1% to 1,171.5p.

Cazenove kept the 'overweight' rating on the stock and upped its price target to 1,100p from 900p, saying "we see the deep discount to the peer group fading over time".

11.40am: Sirius Minerals urges shareholders to approve deal

The Footsie remained under pressure at noon as sterling continued its ascent.

London's big caps fell 61 points to 7,372 while the pound advanced 0.3% to US$1.3037.

Anglo American plc (LON:AAL) dipped 2% to 2,054p, hit by coronavirus woes such as sector mates BHP and Glencore.

"The situation in China is getting worse and many more major global companies are likely to lower their outlooks' on the back of the emergency," said CMC Markets' David Madden.

"China is important in terms of manufacturing, sales as well as supply chains, so the wider negative impact has the potential to be huge, hence why dealers are bearish on stocks."

Meanwhile, Anglo American's potential new addition Sirius Minerals PLC (LON:SXX) said that a takeover is the only way forward, ahead of the shareholder meeting on 3 March.

"I urge shareholders to ensure they take proper financial advice before deciding what to do. The board unanimously recommends shareholders vote in favour of the acquisition," chief executive Chris Fraser told the Yorkshire Post.

Last month, Anglo American proposed a £400mln deal to acquire the cash-strapped fertiliser miner.

On the other side of the pond, the Dow Jones and the S&P 500 are expected to open in the red.

10.50am: Pound spikes over budget reassurance
Around late morning, London's main stock was squashed as sterling turned green.

The pound was lifted by Chancellor of the Exchequer Rishi Sunak announcing he will deliver the budget on time on 11 March.

The country was expecting a delay after Sajid Javid suddenly departed last week amid a cabinet reshuffle.

Cracking on with preparations for my first Budget on March 11. It will deliver on the promises we made to the British people - levelling up and unleashing the country's potential. pic.twitter.com/5msCVfJWN8

— Rishi Sunak (@RishiSunak) February 18, 2020
Commenting on the UK labour market data released earlier on Tuesday, economists at Pantheon Macroeconomics said the surprisingly good employment growth distracted from an otherwise "slightly disappointing" report.

Excluding bonuses, wages growth was unchanged at 2.1% from November's 31-month low.

While most of the data referred was from before December's general election, the few nuggets of data from January failed to impress, despite the recovery in business confidence shown in other surveys. For example, job vacancies in January were 6% lower than last year at 49,000.

James Smith, economist at ING Think, stated it is too early to say whether the jobs market has turned a corner, while Brexit uncertainty remains a risk.

"We are not convinced that the buoyant business sentiment will translate into a large pick-up in investment, given the potential for large changes in the UK's trading relationship at the start of 2021 and the extra costs/challenges that will bring for many firms," he commented.

"A lack of investment would potentially mean a further lack of new orders, which in turn limits the need to expand staffing capacity."

The Footsie shed 52 points to 7,380 as the pound rose 0.1% to US$1.3023.

9.50am: UK employment at record high
The Footsie's previous signs of recovery disappeared after the pound got a boost from the latest statistics on the UK labour market.

The employment rate in the three months to December hit a record high of 76.5%, while unemployment rate remained at 3.8%, however, average wage growth was weaker than expected.

ONS deputy head of labour market statistics Myrto Miltiadou noted the number of job vacancies increased on the quarter, after falling for most of last year.

"In real terms, regular earnings have finally risen above the level seen in early 2008, but pay including bonuses is still below its pre-downturn peak," she said.

The data helped sterling trim its losses, turning flat at US$1.2996, which weighed on the FTSE 100 index, back down 41 points to 7,392.

9.25am: Coronavirus looms over miners
London's big caps trimmed the worst of their losses in the early morning helped by sterling dipping.

The FTSE 100 was down 27 points to 7,406 while the pound was trading 0.2% lower at US$1.2976.

WATCH: Morning Report: Pan African profits jump 126% to US$21.9mln
Miners were a heavy weight on the index as coronavirus haunts commodities markets, since China buys half of the world's copper and steel and around 14% of global oil.

BHP PLC (LON:BHP) dipped 2% to 1,663.8p after announcing it expects to cut full-year guidance if the coronavirus outbreak is not "demonstrably" contained by March.

Global steel production is expected to increase "modestly" in 2020, the commodities giant said, with slower Chinese growth offset by improvement elsewhere.

Meanwhile, Glencore PLC (LON:GLEN) dropped 3% to 230.15p as half-year underlying profit fell 26% to US$11.6bn.

The miner said the second half had seen a pick-up in cobalt after the first half problems at Katanga in the Democratic Republic of Congo.

Talking about the blue metal, Tesla Inc is reportedly considering a cobalt-free system for certain models in China.

According to Reuters, the electric cars maker is seeking to reduce manufacturing costs amid an apparent slowdown of sales in China.

8.20am: Weak start for Footsie
The FTSE 100 index, as expected, opened in the red on Tuesday amid growing fears the coronavirus is already starting to hobble global economic growth.

In early trading, the index of leading UK shares fell 50 points to 7,383.04

The impact of the outbreak has spread as far afield as America's west coast with Apple (NASDAQ:AAPL) warning overnight that it won't hit its revenue targets as a result of subdued demand due to the virus.

"The warning points to the two, key ways the outbreak will impact growth," said Neil Wilson of Markets.com.

"First output: Apple says iPhone supply will be constrained due to a slower ramp in production following the late return following the new year holiday. Two, consumption: demand for all products in China has been sharply hit.

"Apple warned about China a little over a year ago and after the stock initially sold off, investors soon shrugged it off. I'd anticipate a similar reaction to this," he added.

Drugs giant AstraZeneca (LON:AZN) and UK luxury clothing chain Burberry (LON:BRBY) sounded the alarm earlier in the month.

Elsewhere, the latest results update from global banking group HSBC (LON:HSBA) was something of a car crash. Plunging profits have been coupled with plans to cull around 35,000 jobs from its massive worldwide roster. The stock, down 14% in the last year, was almost 4% lower at the open.

Proactive news headlines:
Feedback PLC (LON:FDBK) said it hopes to convert the results of a pilot study of its new app for doctors into "meaningful contracts". Bleepa allows medical-grade images to be shared securely on phones and tablets. Early indications from a trial at the Pennine Acute Hospitals NHS Trust have been "positive" with average time to inpatient referral more than halved thanks to the technology.

Pan African Resources plc (LON:PAF) boosted gold sales by 13.6% to 90,602 ounces during the six months to December 2019. Gold production increased by 14.7% to 92,941 ounces, primarily due to a boost in output from the Evander mine in South Africa.

Nuformix PLC (LON:NFX), the pharmaceutical development company using cocrystal technology to unlock the therapeutic potential of approved small molecule drugs has announced the appointment of Dr Karl Keegan as a non-executive director with immediate effect. The group noted that Keegan has over 25 years of experience working in senior roles in the life sciences industry and is currently chief executive officer at HOX Therapeutics Ltd, a private biotechnology company developing first-in-class, highly targeted cancer therapies based on HOX genes.

FastForward Innovations PLC (LON:FFWD) said an investee company has shipped 400 kilograms of medical cannabis to Israel. EMMAC's crop came from the Terra Verde facility, in Portugal, and was sold to Bazelet Group. FastForward owns a 2.4% stake in EMMAC.

W Resources PLC (LON:WRES) has put in place a €5mln facility with Banco Santander, with the firm to use the money to repay an existing €3mln loan from Caja Rural de Extremadura and to provide a net €2mln of additional working capital and liquidity. The facility allows W Resources to monetise the majority of the €5.3mln grant from Junta de Extremadura Government, which the company had expected to receive in the first quarter of 2020 which it is likely to receive now until mid-2020.

AfriTin Mining Ltd (LON:ATM) has completed its first sale of tin concentrate from the Uis tin mine in Namibia. A second shipment of tin concentrate has also been dispatched.

Conroy Gold and Natural Resources Plc (LON:CGNR) has raised £302,500 through a share placing and subscription. The proceeds will be used to support exploration work at Clontibret, Clay Lake and Glenish which are located along the Orlock Bridge Fault in Ireland.

Angling Direct PLC (LON:ANG) told investors it expects to report a 26.5% increase in revenue for the financial year. In a pre-close trading update, the firm said revenue is expected to amount to £53.1mln compared to £42mln in the preceding year. In-store sales rose by 41.3% to £27.9mln as the fishing products retailer added ten new stores to its portfolio. It ended the year with 34 stores and in January it added one more.

Silence Therapeutics PLC (LON:SLN), a leader in the discovery, development and delivery of novel RNA therapeutics for the treatment of serious diseases, today announces that Dr. Rob Quinn, its chief financial officer, will present at the Cowen 40th Annual Health Care Conference in Boston on Monday, March 2, 2020 at 4:10 p.m. EST (9:10 p.m. GMT). A live webcast of the presentation can be accessed via the Investors section of the **company's website** and an archived replay of the webcast will be available for 60 days after the conference.

Berkeley Energia Limited (LON:BKY) said that at its General Meeting held on Tuesday all resolutions voted on were carried by way of a poll.

7.00am: Early retreat predicted
The FTSE 100 is forecast to tumble on Tuesday, with the market expected to get another kick later when Wall Street reopens after a long weekend.

A 52-point fall was being predicted for London's blue-chip index, according to spread betters on the IG platform.

This followed a quiet start to the week for the Footsie, up 24 points to 7,433.25 on Monday, with the US stock and bond markets being closed for the President's Day holiday.

Asian equities today retraced some of the previous day's gains after US tech giant Apple Inc (NASDAQ:AAPL) warned overnight that it won't meet its revenue guidance this quarter due to subdued production and lower demand in China and disruption to global supply amid the coronavirus breakout.

Shanghai's Composite was down 0.25% and the Hang Seng was 1.45% lower.

This was on the fear that even an efficient combination of fiscal and monetary stimuli in China and elsewhere may not suffice to reverse the damages from the coronavirus shock on the economy, according to Ipek Ozkardeskaya, analyst at Swissquote Bank.

"The risk appetite remains fragile and gains in equity markets remain vulnerable to coronavirus related news," she said.

There are some chunky pieces of company news on the menu this morning and later on there will be some macro data to chew over.

At 9.30am the Office for National Statistics will publish figures on the UK labour market for December, kicking off a flurry of data releases that may move the dial on expectations for an interest rate cut later this year.

The report looks set to be a mixed bag, with growth in employment remaining strong, but further signs that momentum in average weekly wages has faded in December, said economist Samuel Tombs at Pantheon Macroeconomics.

"This balanced tone, and the fact that all but the vacancy data will relate to the period before the general election, suggests that the market reaction to the report will be muted," he said.

Back in those festive December days, concerns of coronavirus were limited to a few secretive officials in the Chinese city of Wuhan, but the pneumonia-like virus will be front of mind for most investors when looking at Tuesday's results from global lender HSBC PLC (LON:HSBA) and Holiday Inn owner InterContinental Hotels Group PLC (LON:IHG).

Both are strongly tied to Asia and both are due to report full-year results, the same is also true of miners BHP PLC (LON:BHP) and Glencore PLC (LON:PLC), due to their dependence on China as the world's largest consumer of metals.

Around the markets:

- Pound worth US$1.2995, down 0.1%
- Gold US$1580.30, up 0.25%
- Brent crude US$57.05 a barrel, down 1%

Significant announcements expected on Tuesday:
Finals: HSBC Holdings PLC (LON:HSBA), InterContinental Hotels Group PLC (LON:IHG), BHP PLC (LON:BHP), Glencore PLC (LON:GLEN), Spectris PLC (LON:SXS), Sunrise Resources PLC (LON:SRES), Renewables Infrastructure Group PLC (LON:TRIG)

Interims: Blancco Technology Group PLC (LON:BLTG), Pan African Resources plc (LON:PAF)

Economic data: UK unemployment; UK average earnings; US Empire State manufacturing index

City headlines:
FT

- Coronavirus forces Apple to warn over iPhone sales - disruption in China will cause worldwide fallout as supply chain stutters
- UK Brexit chief rejects EU's 'level playing field' - negotiator David Frost says Britain will never agree to oversight in exchange for a trade deal

The Times

- Jeff Bezos, the world's richest man, has offered $10 billion of his personal wealth to fight climate change as he vowed yesterday to help to "save Earth", funding scientists, activists, non-profit groups and "any effort that offers a real possibility to help preserve and protect the natural world".
- Bombardier Transportation, the train manufacturing division of the debt-laden Canadian industrial group, will be acquired by the company behind the TGV high-speed trains in France, the original Eurostar rolling stock and the Pendolino tilting trains on Britain's west coast main line.
- The Bank of England has been warned of a potential conflict of interest over the appointment of its chief operating officer to the board of one of Britain's biggest housebuilders (Persimmon).

Guardian

- More than 600 Amazon workers have been seriously injured or narrowly escaped an accident in the past three years, prompting calls for a parliamentary inquiry into safety at the online retailer's vast UK warehouses.
- BT Group is to scrap its traditional pay-TV packages and allow customers to pay for prime content such as Premier League football on a monthly basis, as it aims to keep pace with the flexibility offered by streaming services such as Netflix and Disney+.

Telegraph

- The boss of bailed-out Royal Bank of Scotland is under fresh pressure after it came last in a customer satisfaction survey for the third year running despite efforts to shake off its toxic legacy.
- BP's multimillion-pound green investment into "the Uber of private jets" is at risk of being wiped out after the company crashed into administration.

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