

FTSE & SMALL CAP MARKET REPORT

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FTSE 100 can't hold onto gains and closes in red as Wall Street shares drag

- FTSE 100 closes lower
- But Footsie is up slightly on the week
- US jobs report beats expectations, but stock benchmarks fall

FTSE 100 slipped into the red at the close as Wall Street benchmarks turned lower and after a strong US monthly jobs report.

The UK index of leading shares had been at 7,114 at one point in the day but closed at 7,094 - around 20 points lower, or 0.29% down.

On the week as a whole, Footsie added around 2.2%.

The FTSE 250 fared much better though, adding almost 154 points on the day to close at 19,325.

Fiona Cincotta, Senior market analyst at City Index, said: "After spending most of the session in the black, a turn lower on Wall Street dragged the UK index into the red for the close.

"Not even a weaker pound versus the dollar, after standout US jobs report was sufficient to keep the FTSE in positive territory for the close."

Initially, Wall Street shares went higher following the non-farm jobs report for October, which showed 250,000 new jobs were created, trumping forecasts of 190,000, but stocks soon reversed.

The Dow Jones Industrial Average is currently down almost 270 points to 25,112, while the S&P 500 is off 35 and the Nasdaq is about 121 points lower.

Top riser on the day on Footsie was Smurfit Kappa (LON:SKG), which added 4.05% to 2,568p. The top laggard was tobacco group Imperial Brands (LON:IMB), which lost 2.66% to 2,618p.

3.10pm: Large-caps pull back

UK blue-chips came off session highs Friday afternoon as US stocks lost grip of the gains they made after a robust monthly US jobs report.

The FTSE 100 was up 10 points, or 0.2%, to 7,126, after rising by as much as 82 points, or 1.1%, during the session.

The benchmark started losing steam as US stocks reversed course and waded into the red, hurt in part by a more than 6% slide in Apple Inc. shares (NASDAQ:AAPL) after a weak holiday outlook from the tech behemoth.

UK and US stocks had been higher after the US Labor Department said 250,000 jobs were created in October, beating expectations. Wage growth of 3.1% marked the fastest pace since 2009.

"This reaffirms the view that the tighter labour market is starting to feed through to higher wages and will further strengthen the case for the Federal Reserve to maintain the current path of hikes," said Neil Wilson, chief market analyst at Markets.com.

"One payroll report does not a Fed policy shift make, but the indicators here suggest it will continue to hold steady against all calls for it to ease off the tightening pedal."

Share Information

MarketTopic Synopsis:

A report on the major benchmarks and notable risers and fallers in London.

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In London trade, shares of International Consolidated Airlines Group PLC (LON:IAG) rose 1.8% to 628.80p after the parent company of British Airways raised its five-year profits forecasts.

READ: Shares in British Airways owner IAG fly higher as its ups long-term profit forecasts

Shares of Vast Resources PLC (LON:VAST) rose 6.5% to 0.56p after the AIM-listed miner said it raised £1m via share placing.

READ: Vast Resources lifted as it raises £1m in share placing

12.55pm: Bank shares gain ground

UK blue-chips held onto higher ground Friday afternoon while US stock futures stayed up following strong US labour-market data for October.

The FTSE 100 was up 44 points, or 0.6%, to 7,158, but edged back from session highs. In New York, futures for the Dow Jones Industrial Average leapt 228 points, but that was pared down from gains of more than 300 points. Futures for the S&P 500 index rose 0.5%.

The moves came after the US Labor Department said 250,000 jobs were created in October, outstripping expectations for around 200,000 new jobs. Wage growth was 3.1%, topping the 3% level for the first time since 2009.

The robust figures suggest the US Federal Reserve will deliver another rate hike in December, raising borrowing rates for businesses and consumers.

Many UK-headquartered banks have operations in the US market. Checking London share-price moves, Barclays PLC (LON:BARC) traded up 1.4% at 178.06, HSBC PLC (LON:HSBA) gained 2% to 651.70 and Lloyds Banking Group PLC (LON:LLOY) bulked up 1.4% to 59.69p.

12.20pm: Footsie steps higher

The FTSE 100 remained firmly in positive territory early Friday afternoon while US stock futures indicated Wall Street will open higher, with investors looking at the prospect of a trade pact between the US and China.

The FTSE 100 rose 58 points, or 0.8%, to 7,173.

US stock futures were up before the release of closely watched monthly US jobs figures. Futures for the Dow Jones Industrial Average shot up 344 points and futures for the S&P 500 ran higher by 0.9%. Nasdaq-100 futures rose 0.3%. Global equity markets marched higher Friday after a Bloomberg report on Thursday said US President Donald Trump wants US negotiators to reach a trade deal with China before this month's G20 meeting.

That news translated to gains for UK mining shares, which are heavily weighted on the FTSE 100, as China is a big buyer of industrial and precious metals. Copper miner Antofagasta PLC (LON:ANTO) rose 2.6% to 840p and platinum producer Anglo American PLC (LON:AAL) rose 2.3% to 1,758p. Billiton PLC (LON:BLT) rose 2.1% to 1,642p.

"A potential breakthrough would obviously be welcome news for investors and financial markets globally, because the threat of a trade war conflict has been viewed generally as probably the largest risk to the world economy since the global financial crisis a decade ago," said Jameel Ahmad, global head of currency strategy at FXTM.

He added: "Of course everyone would hope that we can continue to progress from trade tensions, but there is an air of caution that should still be used."

The FTSE 100 was on track for a weekly rise of 3.4%.

READ: What next after the FTSE 100's October sell-off?

In terms of the US jobs report, there's expectation that jobs growth could bounce back closer to the 200,000 level, and

hourly wage growth could reach above 3%.

10.50am: European stocks climb

The FTSE 100 remained higher in mid-morning trade Friday, gaining alongside continental European equity markets even as data confirmed manufacturing growth in that region slowed by the most in more than two years.

The FTSE 100 bulked up 53 points, or 0.8%, to 7,167, with industrial, financial and mining stocks advancing.

At the same time, Germany's DAX 30 popped up 1.4% and France's CAC 40 picked up 1.3%. Asian markets also surged Friday after a Bloomberg News report Thursday said US President Donald Trump signalled to negotiators he wants to offer China a trade deal before the G20 meeting later this month.

European equity investors didn't appear fazed by final October data from IHS Markit that showed manufacturing growth in the eurozone fell to a 26-month low. The reading of 52.0 compared with an initial, or flash, reading of 52.1.

Chris Williamson, chief business economist at IHS Markit, said: "Growing risk aversion, linked in turn to worries about the global economic environment, trade war worries, political uncertainty and rising prices, appears to be hitting demand for a wide variety of goods. The steepest drop in output and orders was seen in the intermediate goods sector, which comprises suppliers of inputs to other manufacturers."

Manufacturing PMI data slows across the Eurozone, #Italy (blue) falls below 50, going from stronger in 2016-17 to weaker than #France (red) and #Spain (orange). pic.twitter.com/je3bgjhASL

— Alberto Gallo (@macrocredit) November 2, 2018

Back in the UK market, shares of Sage Group PLC (LON:SAGE) rose 3.1% to 566.80 after the software group named has Steve Hare, its interim chief operating officer and chief financial officer, to the role of chief executive officer.

READ: Sage Group names Steve Hare as CEO

In AIM moves, Parity Group PLC (LON:PTY) tumbled 31% to 6.82p after the recruitment and tech consultancy issued a full-year profit warning after a delay in the extension of a large contract.

READ: Parity issues profit warning amid large contract delay 9.45am: Footsie stays in the green

The UK's blue-chip benchmark remained higher Friday morning after data showed British construction activity improved by a better-than-expected pace in October.

The FTSE 100 rose 45 points, or 0.6%, to 7,159, but was off intraday highs. That leaves the index on course to log a weekly gain of 3.1%.

IHS Markit and CIPS said Friday their UK construction Purchasing Manager's Index came in at 53.2 in October, the second-highest reading in 16 months. Analysts had expected an October figure of 52, following September's print of 52.1.

Civil engineering activity rebounded in October, but residential and commercial activity increased more slowly, said IHS Markit.

Trevor Balchin, economics director at IHS Markit, said: "New contracts increased at only a modest pace, and firms were the least optimistic regarding the 12-month outlook for nearly six years. Construction companies again linked uncertainty to Brexit negotiations, which influenced delays to final decisions at clients."

Still, the pound rose slightly following the data, trading at US\$1.3033. Sterling held above the US\$1.30 handle reached Thursday following a Times newspaper report that Britain's financial firms will be allowed access to the EU's markets after Brexit, a report some UK and EU officials later dismissed.

In the market, shares of Paddy Power Betfair PLC (LON:PPB) rose 2.8% to 6,910p after the bookmaker logged double-

digit revenue growth in the third quarter, with a £22mIn boost from World Cup action.

READ: Paddy Power third-quarter revenues jump thanks to World Cup bonus
System1 Group PLC (LON:SYS1) shares gained 8.3% to 15.00p after the AIM-listed marketing services firm logged half-year profit growth as it continued investment in its new 'Ad Ratings' business line.

READ: System1 logs rise in half-year profits 8.45am: Strong start for Footsie
The continued resurgence of Wall Street, buoyed by reports of a Sino-American trade accord, ensured the FTSE 100 made a front-foot start.

"The trade war has been partly to blame for the recent equities rout, so any signs that the two powers are making progress will encourage investors to put risk back on the table and pick up stocks at bargain levels," said Jasper Lawler of London Capital Group.

"This remains a fragile situation, but it appears to have turned a corner, providing a floor to the recent equity selloff.

"Whilst talks are on a positive note we don't expect to see a repeat of those extreme bouts of selling that we saw across October."

The UK blue-chip index advanced 59 points to 7,173.16 in the first half-hour, though sentiment could easily change mid-session with the publication of US jobs data.

On the market, shares in Burberry (LON:BRBY) were in demand, and up 5%, after the fashion retailer gave a foretaste of its winter collection.

The advertising campaign for its lines will feature actress Kristin Scott Thomas and former Dr Who, Matt Smith.

The morning's biggest casualty was found languishing among the small-caps. ProPhotonix (LON:PPIS), LED lighting specialist, sound the earnings alarm, sending the stock tumbling almost 40%.

Proactive news headlines:

Mporium Group PLC (LON:MPM) has sealed a strategic partnership with BPC Land Sales and Marketing, which acts for some of the UK's largest house builders. The pair will deploy Mporium's IMPACT product to help guide the marketing of newly built properties.

Goldplat PLC (LON:GDP) chief executive Gerard Kisbey-Green has said the firm remains confident its strategic initiatives will yield "improved results" going forward despite the "very difficult quarter".

Bluebird Merchant Ventures PLC (LON:BMV) has made the required expenditure to farm-in to the Kochang mine in South Korea. Under the terms of the agreement, Bluebird was required to inject A\$250,000 into partner Southern Gold and spend a minimum of US\$250,000 on a feasibility report into reopening the mine.

ADES International Holding Ltd. (LON:ADES), the leading oil & gas drilling and production services provider in the Middle East and North Africa, announced that it has completed the acquisition of 12 onshore rigs from Weatherford International PLC in Kuwait. The group said the transaction forms part of the previously signed definitive agreement with a subsidiary of Weatherford to acquire 31 onshore drilling rigs for a total consideration of US\$ 287.5mIn across Kuwait, Saudi Arabia, Algeria and Southern Iraq.

Next 15 Communications Group PLC (LON:NFC) said it has successfully completed the fund-raising announced on 1 November, with a total of 4,210,526 new ordinary shares in the company placed by Numis Securities at a price of 475p each via an accelerated bookbuild, raising proceeds of £20mIn before expenses. The placing shares issued represent approximately 5.3% of the company's issued ordinary share capital.

Echo Energy PLC (LON:ECHO), the Latin American focused upstream oil and gas company, has announced the

appointment of Dr Gavin Graham as an independent non-executive director of the company with immediate effect. The group pointed out that Graham has nearly 40 years' experience in the oil & gas industry, with 29 of those years at Royal Dutch Shell PLC (LON:RDSA).

Anglo Pacific Group PLC (LON:APF) (TSX:APY) has announced the appointment of Vanessa Dennett as an independent non-executive director of the company, effective from 1 November 2018. The group said Dennett is a highly experienced mining executive, most recently as Senior Legal Counsel at Anglo American PLC (LON:AAL), specialising in M&A transactions and joint ventures.

6.45am: FTSE 100 expected to kick-off on the front foot

The FTSE 100 is poised to open on the front foot this morning amid signs of a thaw in US-China trade relations and the latest batch of US jobs data.

Spread-betting firm IG expects the FTSE 100 to open around 97 points higher after closing down 13 points yesterday at 7,114.

In US markets yesterday, reports that president Donald Trump has signalled to negotiators that he wants to offer China a trade deal in time for a G20 meeting at the end of November sent the main Wall Street indices higher for the third straight session.

The Dow Jones Industrial Average closed up 264 points at 25,380, while the S&P 500 closed up 28 points at 2,740 and the Nasdaq closed up 128 points at 7,434.

Asian markets today also turned upwards on the back of the trade news, with the Japanese Nikkei 225 up 556 points at 22,243, while Hong Kong's Hang Seng was up 976 points at 26,392.

"The trade war has been partly to blame for the recent equities rout, so any signs that the two powers are making progress will encourage investors to put risk back on the table and pick up stocks at bargain levels," said Jasper Lawler, head of research at London Capital Group.

"This remains a fragile situation, but it appears to have turned a corner, providing a floor to the recent equity selloff. Whilst talks are on a positive note we don't expect to see a repeat of those extreme bouts of selling that we saw across October," he added.

It wasn't all plain sailing on the markets yesterday though, with shares in tech giant Apple Inc (NASDAQ:AAPL) closing down 6.4% at US\$207 amid a weaker sales forecast for the crucial holiday season and news it will no longer give a breakdown of product numbers.

Trans-Atlantic focus as week ends

The week will end with a distinctly US flavour as the latest set of US non-farm payrolls arrives, although the UK will not be left out as it releases its construction PMI.

The surprisingly weaker number of US jobs created during September did not at the time put much concern into the market as investors focused on the steadily improving rate of wage growth.

For October, there is an expectation that jobs growth could bounce back closer to the 200,000 level, while hourly wage growth could hit above 3%.

If so, then even more focus and expectation will be on the Federal Reserve to increase the pace of monetary tightening, although currently unstable financial markets may not like that.

However, the American focus will not stop at economic data as investors will be looking for any signs of payoff from gambling firm Paddy Power's merger of its US operations with fantasy sports group FanDuel as it issues a trading update.

Significant announcements expected on Friday:

Trading update: Paddy Power Betfair PLC (LON:PPB), Glencore PLC (LON:GLEN)

Interims: TP-ICAP PLC (Q3) (LON:TCAP), System1 Group PLC (LON:SYS1)

Economic data: UK construction PMI report; US non-farm payrolls, average earnings; US balance of trade; US factory orders

Around the markets:

Sterling: US\$1.30, down 0.02%

Brent Crude: US\$73.2 a barrel, up 0.53%

Gold: US\$1,232.4 an ounce, down 0.03%

Bitcoin: US\$6,370.2, up 0.19%

City Headlines:

Financial Times: France and Italy are offering the most generous tax breaks to London bankers moving to the European continent after Brexit

The Daily Telegraph: The Bank of England could increase interest rates in a 'no deal' Brexit despite the risk of harming growth in an economic emergency

The Times: The National Crime Agency is investigating multimillionaire Brexit campaigner Arron Banks over claims that he hid the source of illegal overseas donations used to fund the referendum campaign

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