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# London top shares hit 14-month highs, mid-caps pre-Brexit levels after Wall St gains on NFP

## Share Information

**MarketTopic Synopsis:**

*The End of the Day Wrap provides a summary of the most interesting articles published by Proactive Investors during the day, including all of the main stories and exclusive interviews with executives.*

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London's blue-chip shares advanced to 14-month highs on Friday and mid-caps reclaimed pre-Brexit levels as investors continued to lap up UK monetary easing and built on that with news that Wall Street's S&P 500 hit a fresh record high after the non-farm payrolls report delivered an estimate-beating result.

US non-farm payrolls added 255,000 jobs in July. Analysts pencilled in a 180,000 forecast. The bullish run for jobs also put a December US rate hike back on the agenda but meantime boosted Wall Street shares.

UK investors were already celebrating the Bank of England's decision on Thursday to cut rates to a fresh record low of 0.25% and to commit to buying up £70bn of government and corporate debt as it funnels liquidity back into high street lenders in the hope of averting growing risks of a UK recession following Britain's decision to vote to quit the European Union.

The blue-chip FTSE 100 index closed up 0.8% at 6,793 - its highest close since early June 2015 - and was led by Hikma Pharmaceuticals (LON:HIK) up 7.9% to 2,395p, gambling services provider Paddy Power Betfair plc (LON:PPB) up 3.6% to 9,150p and stockbroker Hargreaves Lansdown (LON:HL. up 3.2% at 1,322p. The top ten gainers were dominated by housebuilders and building materials companies such as BHP Billiton PLC (LON:BLT), Persimmon PLC (LON:PSN), Berkeley Group (LON:BKG), and Barratt Developments (LON:BDEV).

But if the top ledge stocks did well, it was nothing compared with the mid-caps where the FTSE 250 index advanced 1.3% to 17,435. It is the second period in which the mid-caps have managed to beat pre-Brexit levels of 17,333 since the European Union referendum on June 23. The stocks have been a laggard for a considerable amount of the past six weeks on account of the UK-centric nature of many of the constituent companies who have suffered as sterling fell.

The top mid-cap gainer was Ibstock PLC (LON:IBST) up 7.7% to 153p. Clay brick and concrete products manufacturer Ibstock announced its unaudited results for the six months to 30 June on Friday, with group revenue reaching £210.0m compared with £148.9m a year ago, although the comparative period only includes four months' trading results.

The FTSE 250 firm reported profit before taxation for the period of £37.9m, less than half of the £77.0m in the first half last year. Cyclical stocks like Ibstock also benefit from the release of a much stronger-than-expected reading by the US jobs market.

The FTSE AIM 100 Index advanced by 1% to 3,683 - its highest level since mid-April 2014 - while the FTSE AIM All-Share Index added 0.9% to 768 - its highest level since June 26, 2015.

It has been rare since the Brexit to see a session where London's gainers beat both losers and unchanged stocks. Friday was one of those rare days as gainers were 42%, losers just 19% - one of the lowest levels this year, and unchanged were 39%.

The top London gainer was Petro Matad (LON:MATD) up 73% to 3.375p. Petro Matad Ltd said it will receive a $10mln contractual exit fee from a Royal Dutch Shell PLC affiliate company.

London's biggest loser on Friday was Messaging International (LON:MES), down 18.8% to 0.325p.

Midsession
UK shares, big and small, were higher at lunch as attention turns to whether the US Fed will raise rates this year.

This afternoon sees the publication of the non-farm monthly jobs report for July.

Expectations are for 175,000 new jobs to be added. That's after a mixed picture in recent months with 11,000 new positions seen in May and 287,000 in June.

FTSE 100 at lunch is over 20 points higher at 6,760, with Hikma Pharma the biggest gainer, up almost 7% to 2,371p, bouncing back after yesterday saying its full year operating profit would be hit by delays.

FTSE AIM All share is up 29 at 3,676, while the FTSE AIM ALL share is also up shade at 766.400.

Michael Hewson, analyst at CMC Markets, said: "US policymakers have continued to give the impression that they want to raise rates this year, and while a decent number today could keep alive that speculation, last week's Q2 GDP number was rather worrying given that it fell short by quite some distance, raising concerns about the overall strength of the US economy."

He added: "The odds of a move in December have declined from 45% a week ago to 37% now."

In companies, RBS was the big laggard after the banking giant reported highly disappointing results. Shares flopped over 6% to 179.8p.

The state-owned bank reported an attributable loss of £2.05bn for the six months, compared to a loss of £179mln for the same period one year ago.

The bank, which was the worst performing of the UK's majors in the recent European Union stress tests, took yet another raft of provisions in its quarterly numbers.

On the rising front, oiler Petro Matad (LON:MATD) gushed well higher - up 91% to 3.73p as it emerged the Mongolia explorer announced a deal which will see Shell pay out up to US$15mln to the company.

Back in June Petro Matad reported that it was in talks with Shell's Mongolian affiliate regarding its exit from a farm-out arrangement for the Block IV and V production sharing contracts, which span some 60,000 square kilometres of Mongolia.

The original farm-out deal was agreed with BG Group last April, and the decision to end the partnership comes after Shell reassessed its portfolio following its acquisition of BG.

Elsewhere, printing and graphics supplies specialist Grafenia (LON:GRA) saw shares drop over 15% to 9.13p as it cautioned sales had been slower than expected following Brexit, sending its share price tumbling.

In June, the company had warned trading conditions were challenging and today said July had been below budget and behind the same period last year.

**Open**

Britain's leading shares continued north at the open after the decision by the Bank of England to cut interest rates and as traders await another key monthly jobs report from the USA this afternoon.

FTSE 100 is up 36 or 0.58% to stand at 6,779, while small cap shares were also higher.

The FTSE AIM 100 gained 0.57% to 3,667, while the FTSE AIM All share added 0.46% to go to 765.180.

Friday's non-farm job creation number will be closely watched to see if a rate rise from the Fed is likely next month.

May showed 11,000 new jobs were started while in June the number raced past forecasts at 287,000.

Economists polled by Reuters are expecting the July number to have  risen by 180,000.

Big cap miners were supporting Footsie on Friday with Rio Tinto (LON:RIO) and Anglo American PLC (LON:AAL) and BHP Billiton PLC (LON:BLT) all higher, while RBS (LON:RBS) was the runaway loser - plunging over 4% to 184.30p after a woeful set of results.

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Among thje day's top risers was Avanti Communications Group plc (LON:AVN), which shot up over 44% to 46.75p in early deals.

It comes after reports that satellite group Inmarsat (LON:ISAT) wanted to table a second takeover offer for the latter last week after a previous bid was rejected. The bid was for 140p - cosidearbly more than the share price at the time for Avanti of 30p.

In small caps, Mongolia focused Petro Matad Ltd (LON: MATD) said that an affiliate of Shell (LON:RSDB) had  agreed to pay $10 million to exit from production sharing contracts for Block IV and V located in west and central Mongolia. Shares raced up  94% on the day.

Asiamet Resources Limited (LON:ARS, CVE:ARS) added another 8% to 2.70p in early deals in London as it continues to gain after yesterday's news.

It posted positive results from the resource infill and extension drilling at the Beruang Kanan Main copper deposit in Central Kalimantan, which continues to hit shallow high grade copper mineralisation within the BK058 zone and said it was very pleased with the progress being made on the feasibility study to date.

PR and marketing group Porta Communications PLC (LON:PTCM) ticked 4% higher to 5.20p as it has taken its holding in the London-based financial PR firm Redleaf Polhill to 66% by exercising an option to acquire a further 15% of the business.

AFC Energy plc (LON:AFC) gained 1.45% to 21.05p as it inked a joint development agreement (JDA) with an Italian firm called Industrie De Nora designed to "accelerate the commercialisation" of former's fuel cell technology.

US onshore oiled Magnolia Petroleum PLC (LON:MAGP) gushed over 9% higher to 0.120p as the market reacted well to a quarterly update.

The firm exited 21 wells during the three months to June 30, though targeted investments will shortly see new productive wells coming online. The divested wells were described as being "uneconomic with little or no value".

It is a participant in a new ten well programme in the prolific South-Central Oklahoma oil province, and these are said to all be lower risk wells on licences that are held by production.

On the downside IronRidge Resources Ltd (LON:IRR) shed over 14% to 12.88p as it pulled back from the big rise last week in shares after it posted an initial 4.9 million tonne (MT) resource of bauxite at its Monogorilby project in Queensland, Australia.

Bauxite is processed to produce aluminium and early test work has shown that good to premium quality DSO (direct shipping ore and the most desirable iron product) could be processed through simple crushing and screening.

Northcote Energy (LON:MYN) added 5.26% to 0.0300p as it changed its name to Mayan Energy Limited, to reflect a commitment to widening the company's exposure in Mexico.

Market snapshot at 8.28am.
London's leading shares have got off to a good start ahead of this afternoon's release of the US jobs report for July.

The FTSE 100 advanced 36 points to 6,776 in early deals, despite Royal Bank of Scotland PLC (LON:RBS) shedding 5% after another disappointing set of results.

"The group has reported significant below-the-line charges including (amongst other things) a further £1.3bn of litigation and conduct costs (the majority of which was taken in Q2), resulting in a worse than expected statutory pre-tax loss of £274mln (Consensus: loss of £25mln) and an attributable loss (including the payment of the dividend access share) of £2,014mln," noted Shore Capital.

Mining giant Rio Tinto PLC (LON:RIO), up 2.2%, featured among the early Footsie leaders after completing the sale of its Mount Pleasant assets, though its share price strength was more to do with the general strength of miners this morning.

Market preview
London's FTSE 100 is set to start Friday on the front foot as investors come to terms with Mark Carney's big promises.

The Bank of England governor yesterday announced a  cut, halving interest rates to 0.25% from 0.5%, and made a pledge for a £70bn programme of bond purchases.

He went further too, saying rates could drop to zero if necessary as the economy adjusts to the Brexit.

It is something of a double-edged sword in terms of market sentiment. On the one hand it delivers more stimulus for the system. Indeed, it is the kind of 'liquidity boost' that has become catnip for markets in recent years.

But, at the same time it points to a more worrisome economic outlook that belies a recovery in equities in the weeks since the Brexit vote.

Later today attentions cross the Atlantic, as the monthly non-farm payroll employment statistics give insight into the American economy's relative well-being - and eyes will be on the Federal Reserve following the figures, as they are a key factor decision-making at the US central bank.

Earlier this week private company job stats for July unexpectedly improved.

Analysts, meanwhile, expect the NFPs to show some 175,000 new jobs for the month, though that would be some way shy of June's 287,000. The US unemployment rate is forecast to fall to 4.8%.

On Wall Street the Dow Jones finished Thursday all but flat, at 18,352, whereas the S&P 500 and Nasdaq edged ever so slightly higher to 2,164 and 5,166 respectively.

Asian stocks were mixed. Japan's Nikkei rose 1.37% to 16,254 while Hong Kong's Hang Seng gained 0.75% to 22,125 and the Shanghai Composite dipped 0.22% to 2,975.

In London, CFD and spreadbetting group IG Markets is calling the FTSE 100 around 25 points higher with the index seen at 6,762 to 6,764 about half an hour before Friday's open.

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