FTSE & SMALL CAP MARKET REPORT

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FTSE 100 closes firmly lower, joining global indices, as traders shun risk

Share Information

MarketTopic Synopsis:

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

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- FTSE 100 closes down 53 at 6,947
- US markets head lower
- Halmas proves a safe bet

FTSE 100 closed the day in the red, joining other global markets in heading lower, as investors switch away from risk.

The UK blue-chip index shed nearly 53 points at 6,947.

The FTSE 250 lost over 173 points to stand at 18,366.

On Wall Street, the Dow Jones Industrial Index is down over 413 points at 24,602.

The S&P 500 index is off around 30 points at 2,661 and the Nasdaq is down 57.

David Madden, at CMC Markets, said: "Stock markets are firmly in the red as we draw near the end of the trading day. Investment sentiment has been slipping recently as worries about Italy, Brexit and US-China trade relationship have prompted traders to become risk-adverse.

"Today, we are seeing a wide-range sell-off as global sentiment has taken another turn for the worst."

2.35pm: US markets lower
US markets fell out of bed with a bump but the Footsie has taken the news relatively phlegmatically.

The top-shares index was down 59 (0.84%) at 6,942, while across the pond the Dow was down 411 (1.64%) at 24,606 and the S&P 500 was off 38 (1.40%) at 2,653.

The shake-out in the US was characterised by further heavy losses for technology stocks. Meanwhile, Bitcoin continues to plumb new depths, falling 4.6%, or US$222, to US$4,598.

"Since the market began to drop last Wednesday, it's down -30% and in the context of BTC all-time high of $19,783.06 in mid-December of last year, the cryptocurrency is down -75% from its high print. A new version of Bitcoin cash was introduced last week (Bitcoin ABC) and this has provided some of the immediate weakness," explained Dean Popplewell at Oanda.

Bitcoin dropped again on Tuesday, extending its recent falls and pushing it towards the $4,000 level https://t.co/JfOPKOvvAW pic.twitter.com/bGux5UUFI1

— Financial Times (@FinancialTimes) November 20, 2018
On the UK corporate news front, Halma PLC (LON:HLMA) defied the blue-chip trend after its interims.

READ Halma delivers record first half profit and revenue, sees rosy future

The shares rose 1.5% after the safety, health and environmental technology group on Tuesday reported a 19% rise in pre-tax profit to £112.9mln in the six months to the end of September on revenues 16% up at £585.5mln.

1.00pm: Rally fizzles out
A late morning surge by the Footsie in the wake of comments by the Bank of England governor, Mark Carney, has fizzled out.

The FTSE 100 was down 33 at 6,968, having risen as high as 7,010 shortly after noon.

"The Bank of England chief broadly backed Theresa May's Brexit plan in his Treasury Committee quizzing, saying he 'expects' it should 'support economic outcomes'. A fuller assessment of the draft deal, however, will be coming next Wednesday, alongside the BoE's latest bank stress tests," said Connor Campbell at Spreadex.

Watch governor of the Bank of England Mark Carney being quizzed by MPs https://t.co/1w75Cw9zGD

— The Independent (@Independent) November 20, 2018
"So, a bit of positivity for the pound to cling-on to, if news that was tempered by comments both in front of the Treasury Committee, and elsewhere. MPC member Michael Saunders emphasised the need for a deal, telling the Treasury that 'most businesses are not prepared for a no-deal Brexit' and in fact 'don't know really how to prepare'.

"The DUP, meanwhile, warned May she needs to 'keep her side of the bargain' or they don't feel obliged to keep theirs, a potentially crucial clash when it comes to the parliamentary vote. Then there were reports of France and Spain pushing for extra, no doubt Westminster-displeasing, Brexit demands; the former is after a declaration on fishing rights and the latter is looking for Gibraltar-related assurances.

"This meant that, though sterling managed to edge up against the dollar and the euro, its gains were limited to 0.1% and 0.2% respectively," he added.

Manufacturing output growth picked up in the quarter to November, and firms saw overall order books rebound from a fall in October, according to the latest monthly CBI Industrial Trends Survey.

The survey of 381 manufacturers found that output volume growth accelerated in the three months to November, outpacing the long-run average. Output expanded in 13 of the 17 sub-sectors, with growth driven by the food, drink & tobacco, motor vehicles & transport equipment, and chemicals sub-sectors. Firms expect output growth to slow somewhat over the next quarter, the CBI reported.

Among Footsie constituents, contract caterer Compass Group PLC (LON:CPG) was defying the wider trend after its full-year results.

"This was a solid performance by Compass, with 12.5% growth in adjusted earnings per share and dividends. At the reported level, currency is holding the numbers back, but the underlying progress is strong," said Steve Clayton, manager of the HL Select Funds.

"Looking ahead, Compass is expecting to grow organic sales by around 5% in the current year, with a further modest boost to margins in the year. The group has identified around 5% of its activities as non-core and up for disposal, but also expect to continue making minor complementary acquisitions. All in all, the picture is pretty much as expected. Debts are falling, reflecting the asset-lite [sic] business model's ability to throw off cash, even whilst pushing dividends ahead strongly," Clayton said.

11.00am: Sentiment hit by Brexit and Italian budget concerns
Miners, airlines and housebuilders were leading the retreat on Tuesday as Footsie joined its fellow European indices in the doghouse.

The FTSE 100 was down 35, or 0.5%, at 6,966.

The UK, of course, has its own political concerns in the form of Brexit but the Italian budget was also weighing on sentiment.

Craig Erlam said it was a "sea of red across equity markets", although it was more like a "marshland of red" in the UK.

Chris Beauchamp, the chief market analyst at IG Markets, said a "cocktail of worries" militated against any urge to 'buy the dip'.

"The selling continues across markets, as Europe takes another leg down, driven by trade wars, tech sector concerns and the ongoing impasse with the Italian budget. Oh, and Brexit, where the UK government is now likely to lose the support of its DUP allies if a vote on the deal comes to pass," Beauchamp said.

"Markets like to climb a wall of worry, but it really looks like there are just far too many concerns to encourage investors back in," he added.

In the US, "the FAANG stocks are now somewhat suffering from their own glory", suggested Fiona Cincotta at City Index.

"As much as the companies could do no wrong when investors were positively inclined towards them, Amazon, Netflix, Facebook and Microsoft are now selling off much quicker than other stocks. Part of the problem is that investors no longer expect an average growth in profit; if the sales are not double-digit and spectacular - as is the case in with the latest iPhone - the disappointment quickly translates into a sell-off in shares. Given how high these stocks have risen over the last year the sell-off then triggers chart signals which only provoke more and faster selling," Cincotta said.

"Look for potentially further declines on FAANG stocks when the US market opens later but also a fall out in large Asian tech stocks such as Samsung, Sony and Tokyo Electron," she suggested.

The UK has no counterparts to the FAANG stocks - the nearest we had was sold to Japan's Softbank - but it does have a number of blue-chips on the slide, chief among them being the miner, Antofagasta PLC (LON:ANTO), which was down 4% at 781.6p.

The response to full-year results from easyJet PLC (LON:EZJ) was initially positive, but the no-frills airline's shares subsequently fell back to 1,133p, down 3.6% on the day, dragging British Airways owner International Consolidated Airlines Group (LON:IAG) - down 2.3% - with them.

"Today's full-year numbers from budget airline EasyJet demonstrate the benefits of survival in an unforgiving industry which has recently seen several of its peers go to the wall.

"Combine this status with the various headwinds facing major rival Ryanair and it is perhaps no surprise to see the company achieve healthy increases across most metrics.

"However, investors may be more concerned by a 5.3% increase in costs once fuel is stripped out," advised Russ Mould, the investment director at AJ Bell.

"Part of this was linked to its acquisition of operations at Berlin's Tegel airport, but it also relates to industrial action and higher salaries for its flight crews.

"Tight control of costs is really important for an airline whose main attraction to flyers remains its low ticket prices.

"The company has done all it can to prepare for Brexit, setting itself up to operate through subsidiaries in the UK, Switzerland and Austria. It is close to ensuring more than 50% of its shares are held outside of the UK - which would enable it to continue operating in the EU.

"EasyJet says UK demand remains strong despite the threat of disruption from Brexit, but it may be a tough ask for it to match such a strong 2018 performance in its current financial year," Mould added.

On the subject of Brexit, Clydesdale Bank and Yorkshire Bank owner CYBG PLC (LON:CYBG) said in its full-year results statement that the UK's impending departure had undoubtedly hit business confidence.

"The bank said it is impossible to ignore the lower levels of business confidence, and the Brexit negotiations remain unclear. Mortgage lending and core small and medium enterprise increased by 4.5% and 5.6% respectively, but net interest margin dropped to 2.17% from 2.27%. Underlying profit before tax jumped by 13% to £331 million, but it swung to a statutory loss after tax of £145 million due to legacy PPI costs. The stock has been pushing lower since August, and if the negative move continues it could target 200p," suggested David Madden at CMC Markets.

The shares have only 23.2p to go to hit that 200p level, as they were down 10.1% in mid-morning trading.

8.45am: The Footsie slides below 7,000 but Compass points in the right direction
The FTSE 100 nudged under the 7,000 mark again with overnight falls in Asia and Wall Street combined with a mild dose of the Brexit jitters pushing the market gently lower.

In the first 40 minutes of trade, the index of blue chip shares receded 11 points to 6,990.06.

After edging higher ahead of annual results, shares in easyJet gave (LON:EZJ) gave back Monday's gains as the figures and outlook statement proved to be more or less what had been expected.

Richard Hunter, stocks guru at Interaction Investor, called the budget airline's performance "resilient" - though admittedly, it has enjoyed some tailwinds.

He added: "The airline industry has, historically and notoriously, been about survival of the fittest. Indeed, even recently the demise of Alitalia, Monarch and Air Berlin has played into easyJet's hand in reducing competition.

"Even now, though, the reported gap between revenue and cost per seat indicates a wafer thin margin which could be upset by any number of factors, including ones outside of the company's control, such as the oil price, industrial action and flight cancellations arising from adverse weather.

"This is quite apart from the airline trading rules which may fall out of Brexit, although easyJet seems well advanced in anticipating this possibility."

Numbers from caterer and former purveyor of the much-derided Turkey Twizzler were far better received as the shares edged up 2.5% to top the Footsie leader board.

Finally, among the mid-caps SolGold (LON:SOLG) advanced 6% after it weighed in with a resource update which effectively confirms the world-class potential of its Alpala asset in Ecuador.

However, chief executive Nick Mather doesn't lack ambition: "Alpala is just the beginning for SolGold and we can see the emergence of the company as a copper gold major and Ecuador becoming one of the world's largest copper producers as a result."

Proactive news headlines:
Highlands Natural Resources Limited (LON:HNR) does not believe the withdrawal of its permit applications in West Denver will have a material impact on its near-term financial performance. Revenues are being generated from the East Denver Colorado shale project and these should increase significantly when six new wells begin production in December to cover its overheads for 2019.

Simec Atlantis Energy Limited (LON:SAE) has agreed in principle to sell a 25% shareholding in the Uskmouth power plant conversion project for £32.9mln.

W Resources PLC (LON:WRES) has commenced production of tungsten and tin concentrate at the La Parrilla mine in Spain as part of a planned staged build-up to full mine production in the second half of 2019. Production is expected to reach 10 to 15 tonnes per month from November 2018, with first shipment planned for December 2018.

Grades at the first level of the KV1 kimberlite pipe on the Kareevlei project in South Africa have exceeded the expectations of owner and operator BlueRock Diamonds PLC (LON:BRD).

IronRidge Resources Limited (LON:IRR) has intercepted more high-grade lithium at the Ewoyaa project in Ghana. Among the highlights were 56 metres at 1.71% Li_2O, 67 metres at 1.32% Li_2O, and 45 metres at 1.56% Li_2O.

SkinBioTherapeutics PLC (LON:SBTX) said it has begun the third and final phase of a human study of its skin cream as it confirmed it remains in talks with potential commercial partners. A total of 120 people will take part in the trial, which is designed to test whether SkinBiotix retains the beneficial property to improve skin barrier health when in a cream formulation.

Tlou Energy Ltd (LON:TLOU) is making "excellent progress" with the ongoing drill programme at its Lesedi coal bed methane project in Botswana.

Gaming Realms PLC's (LON:GMR) business-to-business (B2B) software division, Alchemy Bet, has secured a deal to host Casonic, a new online casino brand from Norwegian gaming company River iGaming.

Europa Oil & Gas (Holdings) PLC (LON:EOG) is to raise up to £5mln to fund its Irish Atlantic Margin projects and also a new venture in Morocco. A firm placing will provide £4mln at 3p per share, while existing shareholders can subscribe up to another £1mln through an open offer at the same price.

Eckoh PLC (LON:ECK), the provider of secure payment products and customer contact solutions, has seen a return to sales growth in the UK.

ClearStar Inc (LON:CLSU) has inked two new contracts for its services with an expected annual combined value of over US$1mln.

Following a review of all data gathered to date at the Kochang gold and silver mine in Thailand, Bluebird Merchant Ventures Limited (LON:BMV) has established an initial estimate of the mineral potential of between 550,000 and 700,000 tonnes, derived from a small area. Grades in this area range from between 5.2 grams per tonne to 6.6 grams of gold and from 27.3 grams to 34.8 grams silver.

Thor Mining PLC (LON:THR) (ASX:THR) has appointed London-based Argent Partners as corporate advisors to assist with completion of off-take and financing arrangements for Molyhil. The company said it has had approaches from, and held discussions with, a number of entities with interests ranging from both molybdenum and tungsten concentrate off-take, to those with potential interest in financing and other partnering initiatives, in respect of the Molyhil project.

Adamas Finance Asia Limited (LON:ADAM), the London quoted pan-Asian diversified investment vehicle, has appointed VSA Capital Limited as its corporate broker with immediate effect.

European Metals Holdings Limited (LON:EMH) (ASX:EMH), the specialty lithium development company with assets in the Czech Republic, have released a copy of its latest Investor presentation on the **company's website**.

6.45am: FTSE set to start in reverse gear
The FTSE 100 index is seen falling back again on Tuesday, extending yesterday's late reversal after overnight drops by US and Asian markets, with sentiment in London remaining constrained by Brexit deal uncertainties.

Spread betting firm CMC Markets expects the blue-chip index to open around 9 points lower at 6,991, having lost 12,.99 points on Monday.

Overnight on Wall Street, the Dow Jones Industrials Average shed 395 points to close at 25,017 as tech stocks took another tumble on continuing worries over weaker demand.

That sell-off weighed in Asia today, where Japan's Nikkei 225 index lost 0.9% and Shanghai's Composite index fell 1%.

On currency markets, the pound remained fairly steady against both the dollar and the euro as traders awaited the latest news on the ongoing Brexit deal saga.

easyJet seen benefitting from competitors' woes
On the corporate front, FTSE 100-listed budget airline easyJet (LON:EZJ) has been benefitting from the recent misfortunes of rivals, namely Ryanair Holdings PLC (LON:RYA), Monarch and Air Berlin.

Ahead of its full-year results due today, easyJet said in a September trading update that these events had provided a boost to demand this year as it narrowed its profit guidance range for the year to £570mln and £580mln from a previous £550mln to £590mln.

Passenger numbers, excluding the operations at Berlin's Tegel Airport that easyJet bought from Air Berlin last December, are expected to rise by 5.4% to 84.6mln for the year on the back of a 4.2% increase in capacity to 90.3mln seats.

However, the group has been plagued by rising costs, mainly due to external factors out of its control such as third-party industrial action, severe weather and air traffic restrictions across Europe.

With easyJet having already told investors most of what to expect in the annual results, the focus is likely to be on how the group plans to tackle costs and other external headwinds like Brexit.

Margins the focus for Compass Group
In a third-quarter trading update at the end of July, blue-chip contract caterer Compass Group PLC (LON:CPG) said it was on track to deliver revenue growth at the upper end of a 4%-6% range, with North America to remain particularly strong.

However, margins for the first half of the year were slightly disappointing, so investors' eyes will mostly be on profitability, though the contract caterer believes Tuesday's full-year results will show modest progression.

In a preview, George Salmon, equity analyst at Hargreaves Lansdown said: "We'd like to see this ring true - Compass has been working to generate efficiencies through its management and performance plan, so signs this is on track would be well received."

He added: "After returning £1bn to shareholders as a special dividend last year, we'll be looking to see what else is coming back to shareholders."

Any change in outlook eyed from AO World
Away from the big caps, shareholders in electricals retailer AO World PLC (LON:AO.) have already been cautioned that this year's earnings will be more weighted toward the second half in a trading update last week, so any changes to that outlook will be closely watched when it reports interims on Tuesday.

In the update last week, the company also said group revenue for the six months to 30 September 2018 was up 9.9% year-on-year at £404.2mln, with its UK and EU revenues up 5.7% at £334.8mln and up 35.5% at £69.4mln respectively.

Investors may also be on the lookout for any more news on the acquisition of online-only mobile phone seller Mobile phones Direct, which AO said it was acquiring for £38.1mln.

Significant events expected on Tuesday, November 20

Finals: easyJet PLC (LON:EZJ), Compass Group PLC (LON:CPG), CYBG PLC (LON:CYBG), EI Group PLC (LON:EIG), Focusrite PLC (LON:TUNE)

Interims: AO World PLC (LON:AO.), Aveva Group PLC (LON:AVV), Accsys Technologies PLC (LON:AXS), Bonmarche Holdings PLC (LON:BON), Big Yellow Group PLC (LON:BYG), CML Microsystems PLC (LON:CML), Eckoh

PLC (LON:ECK), Electrocomponents PLC (LON:ECM), Halma PLC (LON:HLMA), Homeserve PLC (LON:HSV), Scapa Group PLC (LON:SCPA), Solid State PLC (LON:SOLI), SRT Marine Systems PLC (LON:SRT), Telecom Plus PLC (LON:TEP)

Trading updates: CRH PLC (Q3) (LON:CRH), SIG PLC (LON:SHI), Spectris plc (LON:SXS), Polypipe PLC (LON:PLP)

Economic data: CBI UK industrial trends survey; US housing starts

Around the markets:

- Sterling: US$1.2857, down 0.1%
- Gold: US$1,223.10, an ounce, unchanged
- Brent crude: US$66.54 a barrel, down 0.3%

City Headlines:

- Tory rebels have admitted an attempt to unseat Theresa May has stalled as bitter in-fighting broke out among Brexiteers - Daily Telegraph
- Apple chief executive Tim Cook has warned that new regulations for the technology industry are "inevitable", after a series of scandals that have rocked the sector over the past year - The Times
- Musk hints at Tesla interest in Daimler van - Reuters
- Vodafone's new boss Nick Read has backed Huawei, the Chinese telecoms supplier that is under scrutiny from the government amid concerns about risks to national security - The Times
- London will no longer be the first port of call for European governments selling bonds, as the London Stock Exchange moves bulk of business to Milan before Brexit - Financial Times
- Chinese investigators have found "massive evidence" of anti-competitive behaviour by the world's top three makers of computer memory chips - Samsung Electronics, SK Hynix and Micron Technology - Financial Times
- Mod Resources, which is currently traded on the Australian Stock Exchange, is to announce a listing on the London Stock Exchange tomorrow as it looks to put a copper project in Botswana into production - Daily Telegraph
- Société Générale will pay more than US$1.3bn to settle a case involving the handling of dollar transactions in violation of US sanctions - Financial Times
- Revenues at JD.com, the New York-listed Chinese e-commerce group, missed expectations with its third-quarter results amid a consumer spending slowdown in China - The Times
- The new owner of Johnston Press came under pressure yesterday when the Pension Protection Fund and MPs questioned the treatment of its 5,000 pension fund members - The Times
- Bridgepoint, the private equity owner of MotoGP, has hired advisers to prepare the company that owns the international motorcycle racing series for a sale - Financial Times
- California wildfires will cost the insurance industry between US$9bn and US$13bn, according to new estimates from modelling firm RMS, Financial Times

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