

FTSE & SMALL CAP MARKET REPORT

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FTSE 100 closes higher after strong US jobs report boosts markets

- FTSE 100 closes higher on day but lower on week
- US services growth slows unexpectedly in April
- Strong US jobs report

FTSE 100 closed ahead on Friday ahead of the bank holiday weekend and after a strong jobs report from the USA.

Footsie closed up over 29 points on the day to close at 7,380, while the FTSE 250 added over 18 at 19,795.

Over the week as a whole though FTSE100 was lower, shedding 0.64% over the five days.

In the US, stocks are up, with the Dow Jones Industrial Average up around 199 points at 26,507 at the time of writing after the monthly non-farm payrolls blasted past expectations.

"In April, 263,000 jobs were added, while the March report was revised slightly lower to 189,000 from 196,000," said David Madden, analyst at CMC Markets. The consensus estimate had been for 180,000.

Madden added: "Overall, it was an impressive report, and it vindicates the Federal Reserve for holding rates, and for issuing an optimistic outlook. President Trump might be calling for lower rates, but the economic updates don't warrant loosening monetary policy."

3.35pm: US services growth slows unexpectedly in April; trade deficit widens slightly in March

The US services sector dropped unexpectedly in April for a second month in a row, although remained within the boundaries of growth.

The services PMI dropped to 53 in April from 55.3 in March, with output rising at its slowest pace since March 2017.

The report said that despite an increase in backlogs of work, firms had reined in their hiring with some noting subdued client demand and dents to sales growth caused by rising competition and uncertainty.

Meanwhile, the composite PMI for the US over April had indicated "a marked slowing of the US economy at the start of the second quarter", said Chris Williamson, chief business economist at IHS Markit.

"The robust start to the year has lost some momentum. Businesses reported the weakest output and sales growth for two years, indicative of GDP growth slowing to 1.9% in April."

Separately, more economic data showed that the US's trade deficit had widened 0.7% in March to US\$71.4bn as increased imports of food, industrial supplies and cars offset a rise in agricultural exports.

As the London market entered its last hour of trading, the FTSE 100 had lost some of its gains but was still 42 points higher at 7,393.

The blue-chips rise had been constrained by renewed strength in the pound, which in late-afternoon was 0.35% higher against the dollar at US\$1.3080.

Connor Campbell, financial analyst at SpreadEx, said the currency's growth may have been related to the UK's local

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MarketTopic Synopsis:

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

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election results, which has seen "big losses for the Tories and Labour and significant gains for overtly pro-Remain parties like the Lib Dems and Greens".

--Adds sterling movements and analyst commentary--

3.00pm: Wall Street surges higher on back of bumper jobs report

The US markets kicked off the final trading day of the week with solid gains after April's job figures smashed expectations.

In the first hour of trading, the Dow Jones Industrial Average was up 0.5%, while the S&P 500 jumped 0.6% and the Nasdaq moved up 0.8%.

JOBS, JOBS, JOBS!

"Jobs surge in April, unemployment rate falls to the lowest since 1969" <https://t.co/4DGpumMISf>

— Donald J. Trump (@realDonaldTrump) May 3, 2019

The bumper jobs report, which accompanied a fall in unemployment to a 49-year low, would "argue against [interest rate cuts] from the Federal Reserve going forward, according to analysts at ING.

"With workers secure in the jobs and experiencing rising pay this should continue to support consumer sentiment and underpin household spending... Assuming a US-China trade deal can be agreed and investment spending stays firm we continue to look for the US economy to expand at around 2.5% this year, suggesting little need for interest rate cuts from the Federal Reserve."

"The combination of decent growth, better financial conditions and a consistent grind higher in inflation means we are firmly in the camp that expects monetary policy to be left unchanged throughout 2019", they added.

The positive start on Wall Street also provided a boost for the equity markets in London, with the FTSE 100 up 60 points at 7,411 going into late-afternoon.

1.45pm: US jobs figures for April blow past expectations as unemployment falls to 49-year low

US non-farm payroll employment increased by 263,000 in April, compared with a consensus estimate of 180,000.

The unemployment rate fell to 3.6%, the lowest rate since December 1969. The government noted job gains in professional and business services, construction, health care, and social assistance.

263K

NFP = ADP

— Mike van Dulken (@Accendo_Mike) May 3, 2019

The April payrolls outpaced the 196,000 jobs created in March. For 2019, January marked the best gains so far, with payrolls swelling by 311,000.

The FTSE 100 was up 56 points at 7,407.

1.00pm: US points higher as job report awaited

US markets were tipped higher on Friday, although traders will be looking to take their cue from the latest set of jobs figures that are due ahead of the opening bell.

"The US jobs report is arguably the most important and widely followed economic report each month and this month is no different. It's been a weird year so far when it comes to the jobs report, with the government shutdown likely being responsible for playing havoc with the data. That appeared to have settled down last month, with job creation being more in line with the norm and unemployment and wage growth being back on track", said Craig Erlam, senior market

analyst at OANDA.

"We're expecting another strong report this month - unemployment 3.8%, 180,000 new jobs and 3.4% earnings increase - which begs the question, is the economy really as vulnerable as so many seem to fear? The Fed may have come around to the idea that the risks are mounting and the inverted yield curve may well have given it the creeps but they're not yet bowing to the idea that rate cuts are warranted."

Meanwhile in London, the FTSE 100's gains seemed to have plateaued and was up 58 points at 7,409.

11.30am: FTSE 100 climbs into late-morning led by HSBC and miner recovery

Going into the last hour of morning trading, the FTSE 100 was sitting on a solid set of gains, up around 55 points at 7,406.

The blue-chip index got a lift from banking giant HSBC Holdings PLC (LON:HSBA), which was up 2.7% at 686p after beating expectations with a 31% increase in first-quarter profit, boosted by a strong performance in its core Asian business and lower costs.

Meanwhile, mining stocks were also among the gainers following an uptick in metals prices after a Reuters report on Thursday night said Tesla Inc (NASDAQ:TSLA) expected global shortages of nickel, copper and other minerals used to make batteries for electric vehicles.

Anglo American PLC (LON:AAL) was up 2% at 1,975.4p in late-morning while fellow FTSE 100 miner Antofagasta PLC (LON:ANTO) rose 1.5% to 883.8p.

Equities may also be getting support from weakness in the pound, which was down 0.29% at US\$1.2996 against the dollar as currency traders booked some profits after a strong run.

The services PMI also failed to provide any boost for sterling, as despite showing a return to growth the data indicated that the sector was firmly in the slow lane.

Howard Archer, chief economic advisor to the EY ITEM Club, said the PMI surveys released for this month covering services, manufacturing and construction "pointed to a lacklustre UK economy", with activity "at one of the lowest levels in the past couple of years".

10.10am: UK services return to growth in April

The UK services sector returned to growth in April, but only just, according to the latest survey data.

The UK Services PMI rose to 50.4 in April from 48.9 in March, with anything above 50 indicating sector growth.

UK ???????? Services PMI rises □□ to 50.4 in April, up from March's 32-month low of 48.9, signalling a return to growth. Demand conditions still remain fragile, however, amid reports of subdued consumer and business expenditure. More: <https://t.co/E53jEczJiK> pic.twitter.com/3tOqY9Uzg1

— IHS Markit PMITM (@IHSMarkitPMI) May 3, 2019

However, the report also said that a fall in new work over the month had highlighted subdued underlying demand, while survey respondents had continued to voice concerns around Brexit uncertainty affecting client spending decisions.

Sales to overseas customers had also softened in the month, with a number of firms noting that Brexit had negatively affected demand from European clients, although other had commented on higher sales to the US.

There had also been a rebound in positive sentiment from service providers in April, with many respondents citing more favourable projections for sales and marketing initiatives.

Duncan Brock, group director at the Chartered Institute of Procurement & Supply, said that the fall in new orders and

softer overseas demand was "more bad news for a sector worn out by rising costs for fuel and salaries with inflation at the highest level since January".

However, he added that "one positive note" appeared to be a rise in optimism relating to "the postponement of the Brexit deadline."

"Whether this is triumph of hope over experience, or grim tenacity, the sector has a poor environment of support as the Brexit fog continues to envelope the UK economy. It is worth pointing out that this present period of deteriorating new business volumes is the longest since the last recession in 2009."

The announcement seemed to have done little for the pound, which was 0.13% lower at US\$1.3017 against the dollar shortly after the data was released.

Meanwhile, the FTSE 100 had continued its upward trend and was 47 points higher at 7,398, boosted by an earnings beat from HSBC.

8.30am: Positive start for FTSE 100

As predicted, the FTSE 100 got off to a positive but subdued start, advancing just 14 points to 7,364.99.

Overnight, Wall Street closed lower amid worries Sino-American trade talks had stalled, which also pushed Asia's main markets into negative territory.

US employment numbers will be keenly eyed later along with wage inflation data. Both could ultimately shape sentiment in the afternoon session.

Strong quarter

HSBC (LON:HSBA) rounded off the first-quarter bank reporting season on a positive note; though its solid performance, in common with its peers, was driven by cost-cutting rather than top-line growth.

"A strong performance in Asia is welcome, since exposure to these high growth markets is central to the bank's long term prospects, and Hong Kong looks to be a particular bright spot," said Nicholas Hyett, analyst at funds supermarket group Hargreaves Lansdown.

"Meanwhile the turnaround in the US business is gathering pace, despite management warnings that it remains among the toughest challenges facing the bank."

HSBC's shares topped the Footsie with a gain of 1.8%.

Who would be a landlord right now?

Shopping centre group Intu Properties (LON:INTU) dropped 10% after warning its rental income would be hit harder than expected following a spate of retail sector failures.

"Who would be a landlord right now?" asked Neil Wilson, analyst at Markets.com.

"Intu Properties has delivered a nasty surprise with a profits warning that shows it is struggling more than thought with the slowdown on the high street."

Among the tiddlers, Itaconix (LON:ITX) was up 17% after it announced it had landed a European customer for its green detergent technology.

6.40am: FTSE 100 caller higher

The FTSE 100 looks set to make subdued start ahead of US jobs data later with the index of blue-chips expected to nudge seven points higher to 7,358.31.

Asia's main markets limped into the weekend, led lower by the energy companies, which fell in tandem with the oil price. Worries Sino-American trade talks may have stalled also placed a cap on activity.

The Dow Jones and broader-based S&P 500 fell for the same reason. Later Stateside, monthly nonfarm payroll data could shape market sentiment moving into the weekend.

Analysts expect the US economy to have added 185,000 new jobs in April, compared to 196,000 in March. Traders will also have a weather eye on wage inflation, particularly given Fed chair Jerome Powell's latest commentary around cost and price rises and their "transitory" nature.

"Yearly average earnings and the monthly average are expected to edge up to 3.3% and 0.3% respectively," said David Madden of CMC Markets.

"Workers who earn more typically spend more, so the wages component will be closely watched."

Here in the UK, HSBC (LON:HSBA) rounds off the first-quarter bank reporting season.

Around the markets: Pound worth US\$1.308; Brent crude US\$70.31 a barrel, down 41 cents; gold US\$1,273.20 an ounce, up US\$1.20.

Major announcements due:

Trading update: HSBC PLC (LON:HSBA), ConvaTec Group PLC (LON:CTEC), Intu Properties PLC (LON:INTU), Merlin Entertainments PLC (LON:MERL), Smurfit Kappa PLC (LON:SKG)

Interims: Numis Corporation PLC (LON:NUM)

AGMs: Symphony Environmental Technologies PLC (LON:SYM)

Economic data: UK services PMI; US non-farm payrolls; US ISM non-manufacturing; US services PMI

Proactive news headlines:

Avation PLC's (LON:AVAP) deal with airBaltic has won the 'Operating Lease Deal of the Year 2018' award from industry publication Airfinance Journal at its Deal of the Year Awards in New York.

Florida has moved to legalise self-driving cars - good news for Tekcapital PLC's (LON:TEK) portfolio company, Guident, which has hailed the "visionary" decision.

DP Poland PLC (LON:DPP) has expanded its store estate to 66 covering 30 towns and cities in its first quarter. In a trading update ahead of its AGM on Friday, the company, which operates the Domino's Pizza franchise in Poland, said it had opened three new sites in the quarter as well as signing leases for another four.

Symphony Environmental Technologies PLC (LON:SYM) said it was confident of hitting its financial targets for 2019 as it expects "significant growth" in the second half of the year.

Alba Mineral Resources plc (LON:ALBA) told its investors that the BRX4Z sidetrack well, at the Brockham project, has been successfully perforated to the Kimmeridge formation. After the re-perforation, tubing was deployed and a hydraulically-set bridge plug was installed.

Strategic Minerals PLC (LON:SML) has made its first sales of copper cement from the Leigh Creek mine in Australia. An initial shipment of five tonnes came from the Mountain of Light processing facility.

Rambler Metals and Mining PLC (LON:RMM) processed a record level of ore for the second year running through its Nugget Pond facility in Newfoundland. In total, the facility processed 364,176 dry tonnes in 2018 at a feed grade of 1.24% copper and 0.57 g/t gold.

Oracle Power Plc (LON:ORCP) told investors that a memorandum of understanding between the company and its Chinese partners were ceremonially signed in Pakistan. It noted that the signed document certain sections present in a previous version had been removed, though in a letter dated 2 May, from one of two partners, indicates that the prior March 2019 agreement remains valid and the document received on 1 May 2019 is only ceremonial.

Itaconix Plc (LON:ITX) has received its first European order for its bio-based detergent polymer. No financial details were given, while the end customer was simply described as a "major producer of non-phosphate automatic dishwashing detergent products".

Taptica International Ltd (LON:TAP) has launched a new specialist video advertising unit called the Creative Studio as it continues the integration with RhythmOne after last month's merger.

Virtual and augmented reality technology investor Sure Ventures PLC (LON:SURE) added stakes in a holographic company and advertising platform to its portfolio over the past three months. VividQ is a deep tech business specialising in software designed to trigger mass adoption of 3D holography, while Admix enables AR/VR developers to monetise their content.

ITM Power PLC (LON:ITM) has welcomed the findings of the report from the Committee on Climate Change. The report was released yesterday at the request of the government, and, it contends that the UK can 'end its contribution to global warming' within 30 years via the adoption of new ambitious targets to cut greenhouse gas emissions to zero by 2050.

Falcon Oil & Gas Ltd (LON:FOG) told investors that the environmental management plan for the Kyalla 117 N2 exploration well has been accepted. It is proposed that the well will be drilled, stimulated and tested.

PCG Entertainment Plc (LON:PCGE) said discussions regarding the proposed reverse takeover of Vox Markets Limited and Align Research Limited are ongoing and shares will remain suspended beyond the notice period. The group's advisor and nominated advisor Allenby Capital Limited, has quit and is in talks for replacement.

Physiomics Plc (LON:PYC) said it plans to follow up with participants at the SME Dragon's Den event it attended on Thursday to garner feedback, form partnerships and access further data for developing and validating its personalised oncology tools.

Nu-Oil and Gas Plc (LON:NUOG) has raised £130,098 through an open offer with the proceeds to be used for working capital requirements and its 50%-owned joint venture, Marginal Field Development Company, including implementation of its gas-to-wire initiative.

Business Headlines

Financial Times

- UK's cash users will still be able to spend a penny - smaller denominations to stay in circulation despite digital payments growth
- Facebook bars extremist figures over hate speech
- Bombardier puts Belfast aerospace business up for sale
- FCA reveals growing gaps in generational finances

Times

- Tesla has fired the starting gun on a US\$2.3bn fundraising to shore up its balance
- Seat on board for largest shareholder in funeral provider Dignity
- Two regulators are scrutinising Sports Direct over its accounts and its compliance with rules on inside information

Telegraph

- Trump's Federal Reserve pick Stephen Moore pulls out as pressure mounts
- EY hires magic circle law firm in bid to fight back against audit reforms

- Beyond Meat whets investor appetite as shares soar in market debut
- London payments firm Checkout.com valued at almost US\$2bn in record Europe deal

Guardian

- Crossrail was driven over its budget and schedule because its management team clung to an unrealistic opening date
- MPs demand Lloyds justifies 'cash paid to CEO in lieu of pension
- Thousands of UK shops left empty as high street crisis deepens

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