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FTSE 100 slips at close as investors brace for US Fed decision

- FTSE 100 index sheds 40 points
- Wall Street subdued after recent gains
- Fed rate decision due after London close

5.00pm: Weak close as Fed decision awaited
The FTSE 100 index ended near session lows Wednesday, giving back a chunk of Tuesday's gains as investors nervously awaited the latest Federal Reserve interest rate decision, due at 7.15pm London time, with sterling strong as the dollar retreated.

At the close, the UK blue chip index was down 40 points at 7,403, just below the day's low of 7,404.41, having dropped from a peak of 7,454.

On Wall Street, the mood was equally subdued after recent gains, with the Dow Jones Industrials managing to notch up 25 points, or 0.1% gains at 26,490, but both the broader S&P 500 index and tech-laden Nasdaq composite shouldering modest losses.

On currency markets, the pound found good gains versus the US dollar amid expectations that the Fed could signal plans for a further rate cut, if not today than possibly next month.

Stephen Innes, managing partner at Vanguard Markets commented: "Federal Reserve's high-wire act takes on a whole new level of importance tonight, and while the markets have pretty much come to a dovish conclusion.

"But without question, Chair Powell faces an agonisingly painful task crafting a sufficiently dovish signal without spooking the markets in either direction.

"So, I think the goal must be to convey an amply dovish messaging that will hold risk markets in check while providing a convincing blueprint for on how to move forward. Indeed, a trickier task than what meets the eye."

In London, falls by the heavyweight miners was a drag, with the sector led lower by Rio Tinto PLC (LON:RIO) which dropped by 4.5% as it cut its 2019 guidance for iron ore shipments.

3.30pm: US stocks search for direction
US stocks opened higher but not with anywhere near the same energy they were showing a day earlier, as investors keep their powder dry ahead of the Fed rates statement later.

Having roared up towards their April highs in the previous session, the Dow Jones index added just 44 points or 0.2% to 26,509.95 in the first hour of trading, while the S&P 500 was up less than one point and the Nasdaq Composite was nine points lower.

The Fed is expected to keep rates on hold but tweak its commentary to indicate a less hawkish outlook.

Softening of the dollar saw sterling up 0.5% to 1.2622, which helped push the Footsie lower, down 34 points or 0.4% to 7,409.20 with an hour's trading to go.

1.15pm: Pressure on the Fed

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MarketTopic Synopsis:

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

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Results from the latest meeting of the US Federal Reserve's rate setters promises to be the highlight of the week, analysts reckon, particularly in light of events over the past 24 hours.

But while Wall Street charged higher yesterday, with both the Dow Jones and the S&P closing in on their respective record highest closes, some of this confidence had evaporated on Wednesday.

Futures markets pointed to a subdued start with the Dow Jones Industrrials called just 19 points or 0.08% higher to 26,523.

"Conviction in the market that the Fed will aggressively cut interest rates through the second half of the year is driving much of the gains, although as we have previously noted, failure to deliver against expectations here will have the potential to initiate a quick reversal in sentiment," said analyst James Hughes at Axitrader.

Markets are reflecting the considerable pressure the White House is putting on Fed chief Jerome Powell to take a more dovish tack amid reports that President Trump is considering demoting his own man less than two years after he picked him after the central banker resisted Trump's tough talk last year and raised rates four times.

Wow, I totally missed this comment from Trump yesterday about whether he's still thinking about trying to remove Powell. This is not subtle at all. https://t.co/c6bhi77olU pic.twitter.com/eZCLd7307Z

— Joe Weisenthal (@TheStalwart) June 19, 2019
"Will they do the same again and reassert their independence or will the memory of the previous policy mistake force their hand, calling into question how much influence the President is having on their judgement and decision making," said Craig Erlam, market analyst at Oanda.

The overnight revelation that Trump had enjoyed a "very good" call with his Chinese counterpart and had organised a meeting of their respective teams ahead of next week's G20 summit should buy the Fed committee some breathing space, but Erlam said this will put even more scrutiny on the language of the policy statement and the economic forecasts, due at 8pm, with a press conference half an hour later.

The Fed is likely to indicate a willingness to cut interest rates if necessary, Erlam said, but the big questions are whether it will hint at doing so as soon as next month and what the 'dot plot' will indicate about plans for the rest of the year.

Look we'll see what Powell does today. But it's very unfair. Japan, a beautiful country, and my good friend Abe, who has a beautiful wife by the way, has zero rates. They've had zero rates and QE for what? 20 years? The Yen is a disaster, but zero rates is a beautiful thing. pic.twitter.com/DIkptC2paR

— GreekFire23 (@GreekFire23) June 19, 2019 11.55am: Gloomier UK data
UK manufacturers have endured an increasingly torrid time in the second quarter of the year, backing up predictions that the economy is likely to have contracted, a survey of the factory sector showed this morning.

Data from the CBI industrial trends survey pointed to a likely sharp slowing in manufacturing output in the quarter and is a key factor leading Howard Archer, chief economic advisor to the EY ITEM Club, to suspect that the economy has shrunk modestly.

"We currently expect GDP to have contracted 0.1% quarter-on-quarter in the second quarter," he said in a note, eyeing a likely sharp fall in manufacturing output, muted services and construction activity, and weaker retail sales.

The CBI survey showed an extended fall in total orders to a balance of -15% in June, a 32-month low.

This reveals a manufacturing sector "still very much on the back foot as the boost from stockpiling in the first quarter unwinds, domestic demand is weak and foreign demand has softened markedly amid a weakened global economic environment", Archer said.

He added that if the UK leaves the EU with a deal at the end of October, manufacturers will hope this reduces uncertainty, boosts confidence and lifts demand, though the sector will be even more worried about a no-deal Brexit at the end of October or a further Brexit delay.

Weak June #CBI #industrial trends survey points to poor end to a very difficult Q2 for #manufacturers. Orders balance at 32-month low in June, seemingly primarily due to poor domestic demand. Output balance for past 3 months flat (weakest since Apr 2016) https://t.co/vQLuqzhPv6

— Howard Archer (@HowardArcherUK) June 19, 2019 10.25am: Conflicting BoE views
The earlier UK inflation release was the first time that the consumer price index has fallen in four months and strengthened the rationale for the Bank of England to keep rates on hold on Thursday, reckon some economists, while others expect Governor Carney at al to remain hawkish.

Ruth Gregory, senior economist at Capital Economics, said underlying price pressures look subdued but predicts that CPI will climb from the 2.0% level seen in May to a peak of about 2.75% as the year progresses, due to upward pressure from agricultural commodity prices.

"However, increases in agricultural commodity prices look set to place upward pressure on total inflation in the months ahead. And we suspect that higher wage costs will eventually put more upward pressure on inflation this year. All in all, we still suspect CPI inflation will drift up in late 2019/early 2020. But for now, the rationale for the MPC to keep rates on hold in its meeting tomorrow just got a bit stronger."

Offering an alternative view, Sam Tombs at Pantheon Macroeconomics said CPI inflation is likely to fall below the 2% target over the coming months due to the renewed fall in oil prices, the impending reduction in electricity and natural gas prices in October and recent jumps in wage growth.

"As interest rate changes only affect the economy with a lag and core goods prices aren't falling like they did throughout the 2000s, the MPC won't wait until underlying services inflation reaches its pre-crisis norm of 3.5% before raising Bank Rate again," Tombs said.

"As a result, May's inflation data reinforce our expectation that the Committee will retain its hawkish bias in tomorrow's meeting and will raise Bank Rate again towards the end of this year, provided a no-deal Brexit is averted."

May's UK CPI report was notable for rising DGI. Our measure of "underlying" services inflation—which excludes volatile transport serv. prices and gov't controlled prices—rose to 2.6%, from 2.5% in Apr. Still below pre-crisis norms, but the MPC will want to get ahead of the trend pic.twitter.com/iliqwwAYxa

— Samuel Tombs (@samueltombs) June 19, 2019
By mid-morning, the pound had reversed earlier losses and crept up 0.1% against the US dollar at 1.2576 and the same versus the euro at 1.1230.

9.55am: Inflation in line with BoE target
London's Footsie index extended its early losses and the pound remained at around five-month lows on Wednesday after UK inflation figures arrived bang in line with market forecasts and the Bank of England's target rate.

A day ahead of the latest BoE interest rate decision, consumer price inflation was printed at a 2.0% year-on-year increase for May, down from a 2.1% rise the month before. On a month-on-month basis, the Office for National Statistics revealed that CPI dropped to 0.3% from 0.6%, as economists had predicted.

Core CPI, which excludes more volatile prices such as food and fuel, was 1.7% higher in May compared to the same month last year, slipping less than expected from the 1.8% in April.

Although the numbers were pretty much in line with the BoE monetary policy committee's targets, ongoing Brexit uncertainty means it is highly unlikely that BoE governor Mark Carney will follow his European counterpart Mario

Draghi's dovish turn from , or the expected move from the US Federal Reserve - ctual or just indicated - later in the day.

A day after the pound fell to a five-month low against both the US dollar and the euro, analyst David Cheetham at XTB said there was a "case to be made" for the pound to pare some of its recent losses against the euro and US dollar in coming weeks, "although this is more likely to be driven by the other side of the pair with policy in Frankfurt and Washington expected to become more accommodative while in London Carney & Co remain in wait-and-see mode on Brexit - like the rest of us".

8.50am: Subdued start for Footsie
The FTSE 100 was becalmed ahead of the Federal Reserve call on US interest rates later today and after a Tory leadership debate that was described in some quarters as a 'shout-fest'.

In early deals, after jumping higher on Tuesday, the FTSE 100 index was 6 points lower at 7,437.

The American rate decision, and any comments from Fed chief Jerome Powell, will be closely scrutinised later. Indeed, it will all no doubt have a greater piquancy after Mario Draghi said on Tuesday the European Central Bank was considering further stimulus measures.

On Wall Street after the London close, the main bourses rallied to just short of their April highs.

"Equity allocations have experienced their second worst drop on record - we've seen a huge move into cash. And yet and yet, we're close to all-time highs again for US equity markets at least. This is what you may call an unloved rally," said Neil Wilson, analyst at Markets.com.

Looking to at the Footsie early Wednesday, budget hotelier Whitbread's (LON:WTB) shares were off 1% after its figures were hit by a fall-off in business travel.

The short squeeze on delivery firm Just Eat (LON:JE.) continued, with shares off 2.7%.

Beleaguered construction group Kier (LON:KIE) bounced 8%, while CYBG (LON:CYBG) rose after the bank re-affirmed its guidance and said it was changing its name to Virgin Money.

Proactive news headlines:
Nu-Oil and Gas Plc (LON:NUOG) has revealed that its 50% owned joint venture Company, Marginal Field Development Company Ltd (MFDevCo), has entered into a partnership with energy industry engineering group Petrofac Limited (LON:PFC). Together MFDevCo and Petrofac will collaborate in gas-to-wire opportunities aimed at opening up 'stranded' gas resources.

Futura Medical PLC (LON:FUM) said it had completed recruitment for the first European phase III clinical trial of its fast-acting treatment for erectile dysfunction (ED). The headline data from the study is expected by the end of the year.

Anglo Asian Mining PLC (LON:AAZ) has identified multiple targets from an aerial survey of the land surrounding its Gedabek gold mine in Azerbaijan. Some of these are in areas of known mineralisation, said the miner, while others are in completely unexplored territory.

KRM22 PLC (LON:KRM) has signed a partnership agreement with due diligence and online reputation screening firm Neotas Ltd. The risk management software group said under the agreement it would distribute and support Neotas's enhanced due diligence application through its Global Risk Platform. Big Pic in June.

ECSC Group PLC (LON:ECSC) has increased its rate of new client wins in the first part of 2019 as it reiterated its forecasts for the full year.

Echo Energy PLC (LON:ECHO) told investors it has completed a 3D seismic exploration survey at the Tapi Aike licence in Argentina. The survey covered the 'western cube' of the project and data processing is now underway.

TLOU Energy Ltd (LON:TLOU) told investors that the Lesedi 3 production pod has successfully reached critical desorption pressure (CDP) - the point at which gas begins to be released from coal following dewatering.

W Resources PLC (LON:WRES) has signed a contract for haulage and crushing services at its Régua tungsten mine in Northern Portugal. In a separate announcement, the group also issued updates on its flagship La Parrilla tungsten project in Spain and its São Martinho gold mine in Portugal.

Salt Lake Potash Ltd (ASX:SO4) (LON:SO4) substantial shareholder Lombard Odier Asset Management (Europe) Limited (LOAME) has increased its interest in the sulphate of potash (SOP) developer to 15.01%. LOAME now holds more than 35 million shares in the Company on the ASX after a series of purchases in May and June increased the interest from 11.55%.

Salt Lake Potash also advised that a new corporate presentation is now available to view on the Company's website. www.so4.com.au

Allergy Therapeutics PLC (LON:AGY), the fully integrated commercial biotechnology Company specialising in allergy vaccines, announced that Mary Tavener will join its board as a non-executive director with immediate effect. The group noted that Taverner has extensive experience in the healthcare sector, having spent more than 19 years as chief financial officer of AIM listed Advanced Medical Solutions (LON:AMS).

Avacta Group PLC (LON:AVCT), the developer of Affimer biotherapeutics and reagents, said its chief executive, Alastair Smith, will be presenting at an investor evening hosted by Turner Pope Investments on Wednesday, 3 July 2019. The group added that event will be held in London, EC2 and commence at 4pm.

Primary Health Properties PLC (LON:PHP) late yesterday announced the pricing and final terms of its offering of £150mln of Convertible Bonds due 2025 which will be issued at par and carry a coupon of 2.875% per annum payable semi-annually in arrears. The firm said the initial exchange price has been set at 153.25p, a 15% premium to the volume weighted average share price on 18 June 2019 of 133.26p.

6.45am: Slow start predicted
The FTSE 100 is tipped to open slightly lower on Wednesday after a surge in the previous session as traders seem content to sit on their hands ahead of the Federal Reserve decision on interest rates and fresh UK inflation data.

Spread-betting firm IG expects the FTSE 100 to open around 1 point lower after a strong session on Tuesday that saw the index close 86 points higher at 7,443.

Expectations have been raised recently on the prospect of a Fed rate cut, particularly after the president of the European Central Bank Mario Draghi said on Tuesday that Europe's central bank was considering further stimulus measures for the eurozone.

The optimism around a similar move from the Fed helped the US markets to close strongly higher on Tuesday, with the Dow Jones Industrials up 1.35% while the S&P 500 rose 0.97% and the Nasdaq composite jumped 1.39%.

"Given the circumstances, the FOMC members have little reason to fear moving too dovish. Suddenly, the expectation of two-to-three rate cuts within the next twelve months seems very reasonable", said Ipek Ozkardeskaya, senior market analyst at London Capital Group.

"The Fed will probably not move at this month's meeting. But investors expect the Fed to lose 'patience' in its acCompanying statement and remain ready to 'act as appropriate'", she added.

Renewed trade deal optimism also helped boost trading after Donald Trump touted a positive telephone conversation with Chinese president Xi Jinping.

The new hopes of a trade deal between the US and China helped lift the Asian markets on Wednesday, with Japan's

Nikkei 225 rising 1.79% while Hong Kong's Hang Seng was up 2.47%.

On the currency markets, the pound was flat against the dollar at US$1.2556, with UK inflation data due later likely to provide some catalysts for movement ahead of the Bank of England's rate decision on Thursday.

Away from the macro news, investors on Wednesday will be looking to trading updates from Premier Inn owner Whitbread and over-50s holiday firm Saga as well as final results from housebuilder Berkeley.

Significant announcements expected for Wednesday June 19:
FOMC US rate decision

Trading update: Whitbread plc (LON:WTB), Saga PLC (LON:SAGA)

Finals: Berkeley Group PLC (LON:BFG), Severfield PLC (LON:SFR), ULS Technology PLC (LON:ULS)

Interims: Standard Life Private Equity Trust PLC (LON:SLPR)

AGMs: Cadogan Petroleum PLC (LON:CAD), ECSC Group PLC (LON:ECSC), Midatech Pharma PLC (LON:MTPH), Summit Therapeutics PLC (LON:SUMM), Woodbois Limited (LON:WBI)

Economic data: UK CPI, RPI, PPI, HPI inflation

Around the markets:

- Sterling: US$1.2556, no change
- Brent crude: US$62.3 a barrel, up 0.26%
- Gold: US$1,346.4 an ounce, down 0.01%
- Bitcoin: US$9,150.6, down 0.49%

City headlines:

- The parent Company of British Airways, IAG, has announced plans to buy 200 Boeing 737 Max aircraft, the first new sales deal for the passenger jet since it was grounded because of safety fears after two crashes - Guardian
- Neil Woodford has managed to raise a little more cash for his disgruntled investors, after selling a chunk of shares in Oakley Capital Investments - Daily Mail
- The City regulator has started an investigation into the circumstances surrounding the crisis engulfing Neil Woodford's investment firm - Times
- A leading U.S. House lawmaker on Tuesday called on Facebook Inc to halt development on its new cryptocurrency and for Company executives to testify before Congress, adding to global concerns about what the digital currency could mean for data privacy and security - Reuters
- Tesco is considering launching upmarket convenience stores that would compete with brands such as Marks and Spencer's Simply Food, as it attempts to build on a recent recovery in sales growth and profit margins - Financial Times

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