proactiveinvestors

MARKETS

FTSE 100 can't hold gains and closes in red as sterling firms

17:43 12 Mar 2018

Share

Britain's blue-chip benchmark closed down over nine points, or 0.13% to 7,214..

FTSE 100 closed lower; FTSE 250 gained ground

- **FTSE 100 closes lower**
- **Investors weigh better-than-expected US jobs report**
- **GKN reviews revised Melrose bid**
- **Just Eat slumps on broker downgrade**

12th March 2018

FTSE 100 couldn't hold onto early gains and finished in the red, as sterling firmed.

Britain's blue-chip benchmark closed down over nine points, or 0.13% to 7,214.

FTSE 250 however fared better, gaining around 32 points at 20,117.

Against the Euro, the pound added 0.19%, while against the US dollar, the currency added 0.34%.

"The FTSE proved unable to hold onto early gains, spending the afternoon lagging in the red behind its European counterparts," said Fiona Cincotta, senior market analyst at City Index.

"Whilst the Dax was enjoying a jump of 0.4% across the finishing line on Monday, the FTSE was looking at a 0.3% loss.

"Dominating the loser board were the likes of **GKN** following another following another hostile bid from **Melrose**, and **Just Eat** following a broker downgrade."

The analyst noted that precious metal miners Ringgold Resources (**LON:RRS**) and **Fresnillo** (**LON:FRES**) were also among the fallers tracing metal prices lower, as investors ditched safe havens.

Top laggard on Footsie was GKN (**LON:GKN**), which lost 2.53% to 424.10p, while top riser was budget carrier easyJet PLC (**LON:EZJ**), which flew 2.85% higher at 1,607.50p.

4.00pm: TfL tackles operational deficit

Transport for London has published its draft budget for 2018/19 and expects operating costs to be £200mln lower.

The transport body is tackling a near £1bn operational deficit after delivering upgrades to its network.

While it plans to continue to deliver transport upgrades, including the Elizabeth Line from December, it said proactive road maintenance will continue to be suspended after losing operational grant funding from the government.

TfL said it has already achieved savings through cutting management layers and merging functions.

3.40pm: Dow and S&P 500 swing into the red

The Dow Jones Industrial Average and S&P 500 have turned negative, led by a decline in industrial stocks. The Nasdaq, however, held on to gains following Friday's well-received non-farm payrolls report.

After a positive start, the Dow is now down 120 points to 25,213 and the S&P 500 fell 4 points to 2,781 while the Nasdaq rose 13 points to 7,574.

"In the context of last Friday's post-jobs report surge, which saw the Dow add nearly 450 points, it's not that bad; however it does suggest a slight unwillingness on the part of investors to let the index escape the 24250 to 25500 trading band its found itself for the past month and a half," said Connor Campbell, financial analyst at **Spreadex**.

On this side of the pond, the FTSE 100 is down 19 points to 7,205 on the back a stronger pound.

3.00pm: Pound strengthens on Brexit optimism

Britain is nearing a transition deal with the European Union, according to junior Brexit minister Robin Walker.

Walker said they are close to agreeing on the details of an implementation period for the UK's transition out of the bloc.

"We recognise how important it is to secure the deal on the implementation period as soon as possible. I want to stress that we are very close to a deal at this time," Walker said in a speech at the Institute of Directors in London.

His remarks come after a spokesperson for Theresa May said a transition deal is expected to be reached at a summit later this month.

The pound is 0.32% stronger against the dollar at US$1.3894.

2.30pm: US stocks rise in early deals

US stocks are higher in early trading after investors continued to cheer last Friday's better-than-expected jobs data.

The Dow Jones Industrial Average rose 63 points to 25,400, the S&P 500 added 7 points to 2,794 and the Nasdaq gained 31 points to 7,592.

With no major economic reports due, traders instead focused on last week's non-farm payrolls report. Employers added 313,000 jobs in February, well above the 205,000 economists were expecting.

However, wage growth slowed to 2.6% from 2.8% in January, which cooled expectations for another interest rate hike by the Federal Reserve.

In company news, **Goldman Sachs** Group Inc (**NYSE:GS**) shares rose after saying Harvey Schwartz, its co-chief operating officer and president, will step down. Co-president David Solomon will now serve as sole president.

On Friday the *Wall Street Journal* reported that chief executive Lloyd Blankfein could leave by the end of the year and that the bank wasn't looking beyond Schwartz and Solomon for his successor.

Lloyd Blankfein
@lloydblankfein

It's the @WSJ's announcement...not mine. I feel like Huck Finn listening to his own eulogy.

20:56 - 9 Mar 2018

2,412 766 people are talking about this

Meanwhile, **DowDuPont Inc** (NYSE: DWDP) boss Andrew Liveris plans to step down at the end of the month to be replaced by Jeff Fettig.

Biogen Inc (**NASDAQ:BIIB**) shares dropped as it said it had reached a deal to buy a schizophrenia treatment from **Pfizer** Inc. (**NYSE:PFE**) for up to US$590mln.

2.10pm: Barclays execs paid £20mln in shares

Top executives at **Barclays** PLC (**LON:BARC**) have received just over £10mln in shares from deferred bonus schemes and in new stock awards.

The payments are mostly to compensate managers for payouts they sacrificed after leaving JPMorgan Chase.

Tim Thorsby, head of the corporate and investment banking division at **Barclays**, received the biggest share award at £9.2mln.

Chief operating officer Paul Compton received shares worth almost £5mln.

The total share awards are 44% higher than the prior year even though the bank swung to a net loss in 2017.

Shares in **Barclays** were little changed at 211p.

1.40pm: CMA examines impact of German deal on SSE-npower merger

SSE PLC (**LON:SSE**) shares are under pressure following news the UK competition watchdog is looking into the impact of a major asset swap in Germany on the company's proposed merger with npower.

German utility E.On has agreed to buy rival **RWE**'s subsidiary Innogy SE.

Npower is owned by Innogy SE, but under the asset and shares exchange, the business will transfer to E.On.

The Competition and Markets Authority said on Monday that it would explore the possible ramifications of the E.ON-**RWE** deal on the npower and SSE merger. It was already investigating the SSE-npower deal.

"E.ON's ownership of npower could make obtaining the necessary regulatory clearance more complex," said analysts at Jefferies.

1.00pm: Café Rouge and Bella Italia owner's losses widen

Casual Dining Group, the owner of restaurant chains Café Rouge and Bella Italia, widened its annual losses as the sector faced challenging conditions.

The loss for the year to May 2017 rose by 18% to £60mln with the company blaming weaker consumer confidence and its impact on discretionary spending.

The group said it was also hit by a significant rise in costs due to the introduction of the National Living Wage, the introduction of the Apprenticeship Levy and an increase in employer's pension contributions. Other costs included the revaluation of business rates, a rise in rents and a drop in the pound pushing up food and drink inflation.

The results provide another sign of the pressure the restaurant sector is facing with a series of financially troubled chains, such as Jamie's Italian and Byron, closing outlets recently.

Chief executive Steve Richards is one of a number of restaurant bosses who have written to Phillip Hammond ahead of Tuesday's Spring Statement, urging the chancellor to reduce the costs of doing business in order to avoid further closures and job losses.

"Our business, along with many others operating in the hospitality sector up and down the country, is set to be saddled with inflation-busting business rate hikes next month," he said.

He added that "high business rates stifle the sector's growth potential and ability to create more jobs".

Casual Dining, which also owns the La Tasca and Belgo chains, is one of the UK's largest restaurant groups with more than 10,000 employees across 300 locations.

12.20pm: More Carillion jobs lost

A further 78 workers at **Carillion** PLC (**LON:CLLN**) have lost their jobs, according to the Official Receiver, which took over the company when it went into liquidation in January.

The Receiver said it was unable to find those workers ongoing employment but it managed to save 305 jobs as new suppliers have taken on various facilities management, defence and construction contracts.

So far, the Receiver has saved 8,521 jobs, and made 1,536 redundancies, leaving around 9,000 staff awaiting news.

12.00pm: FTSE flat in midday trade

The FTSE 100 was broadly flat in lunchtime trade, rising a meagre 2 points to 7,226.

"With a moody set of commodity stocks, and its housebuilders drifting into the red following the report that house prices in London fell as much as 15% in the last 12 months, the FTSE was way behind the curve this Monday," said Connor Campbell, financial analyst at **Spreadex**.

Connor Campbell
@ConnorSpreadex

Afternoon Market Comment: Dow Jones aiming to cross 25400 at open to complete 1000 point in one week... spreadex.com/?tid=5876

11:31 - 12 Mar 2018

See Connor Campbell's other Tweets

Weaker commodity prices are weighing on mining shares including **Fresnillo** PLC (**LON:FRES**) and **Randgold Resources Ltd** (**LON:RR.**).

Just Eat was the biggest faller on the FTSE 100 after **Deutsche Bank** cut its rating on the stock to 'sell' from 'hold' and lowered its target price to 630p from 830p.

Melrose Industries PLC (**LON:MRO**) was on the back foot after it revised its offer to buy **GKN** PLC (**LON:GKN**) higher. Shares in **GKN** reversed earlier gains to trade slightly lower.

Clarkson PLC (**LON:CKN**) shares gained after it reported a 12% increase in full-year underlying pre-tax profit and said there were early signs of a recovery across shipping markets.

Cairn Energy PLC (**LON:CNE**) shares rose after Morgan Stanley upgraded the stock to 'ove**RWE**igh' from 'equal weight' and lifted the target price to 300p from 270p.

On the economic data front, there are few UK releases on today's calendar. A report from Your Move showed house prices in parts of London have fallen as much as 15% over the past year.

In the US, investors are still weighing the non-farm payrolls report.

11.20am: US stocks set to open higher

US stocks are expected to continue the rally seen on Friday, following the stronger-than-expected US jobs report.

Dow Jones Industrial Average futures jumped 440 points to 25,335, the S&P 500 grew 37 points to 2,786 and the Nasdaq surged 132 points to 7,560.

Investors are continuing to mull over Friday's non-farm payrolls report, which showed employers added more jobs than forecast in February and the labour force participation rate rose but wage growth unexpectedly slowed.

"The numbers we saw on Friday provided the perfect balance of strong job creation and softer wage growth which does not necessarily trigger faster rate hikes," said Oanda's Craig Erlam.

"The much higher participation rate was a clear reminder that, while unemployment is at a 17-year low, there is still some slack in the economy which may take longer to sort out and explain why wage growth and inflation is so muted."

An apparent softening in Donald Trump's stance on trade tariffs is also providing a small boost to sentiment this morning, Erlam added. Trump announced import tariffs on steel and aluminium but said Canada and Mexico would be exempt and that other countries could apply for exemptions.

10.50am: Lego voted strongest UK brand

Lego has been voted the UK's strongest brand in a survey of British shoppers.

The toymaker took over the top spot from previous winner British Airways for the first time in the annual UK Superbrands ranking.

The airline, owned by **International Consolidated Airlines Group PLC** (**LON:IAG**), did not even make it to the top 20 this year after topping the rankings for the last four years.

"British Airways tumbling from top spot to outside of the top 20 should be a wake-up call for all brands," said chief executive of The Centre for Brand Analysis (TCBA), Stephen Cheliotis.

"In a world where customer expectations have rightfully risen, brands cannot afford to disappoint and need to continually deliver to retain their valuable reputations. No brand, however strong, is immune to changing consumer sentiment."

Lego was in second place last year, rising from the 25th position in 2014.

Gillette was the runner-up in this year's ranking, rising three places. **Apple** also rose three places to take third position.

Marks and Spencer Group PLC (**LON:MKS**) came in at seventh place, overtaking John Lewis, which slipped nine places to 15th position.

10.10am: Just Eat, Aveva and Virgin Money shares fall on broker downgrades

Just Eat is the biggest faller on the FTSE 100 after **Deutsche Bank** cut its rating on the stock to 'sell' from 'hold' and lowered its target price to 630p from 830p.

The takeaway app last week warned that 2018 profits would be hit by £50mln of additional costs to beef up its delivery services.

"While we think this move is strategic to defend **Just Eat**'s leadership position against increased competition, it will come at the expense of profitability," said **Deutsche Bank**'s Silvia Cuneo.

"We cut our numbers by 20-30% in 2018-2020. We also lower our long term EBITDA margin assumption for the group from 50% to 33%; still an improvement from 25% in 2018E, but more moderate as delivery is fundamentally a lower-margin / lower-return business."

Aveva Group PLC (**LON:AVV**) shares are also lower on a broker downgrade following a strong share price performance. Citigroup cut its rating to 'neutral', saying it believes the market is expecting "too much synergy value" from the company's merger with French industrial group Schneider Electric.

Virgin Money Holdings PLC's (**LON:VM.** shares dropped after Jefferies lowered its rating to 'hold' from 'buy', saying "shares will remain a value trap until the market sees proof of concept of the digital strategy, which is likely more than a year away".

Jefferies upgraded **CYBG PLC** (**LON:CYBG**) to a 'buy' rating, sending its shares higher.

Cairn Energy PLC (**LON:CNE**) rallied after **Morgan Stanley** upgraded the stock to 'ove**RWE**igh' from 'equal weight' and lifted the target price to 300p from 270p.

9.30am: Miners and weak house price data hold back FTSE gains

The FTSE 100 is little changed, held back by a slump in mining stocks, a stronger pound and disappointing London house price data.

Following a positive start, the London index is flat at 7,225 points.

Mining shares, including **Randgold Resources** Ltd (**LON:RRS**), **Fresnillo** PLC (**LON:FRES**), **Rio Tinto** PLC (**LON:RIO**) and **BHP Billiton PLC** (**LON:BLT**) are in the red on the back of weaker commodity prices.

The pound is up 0.16% versus the dollar at US$1.3872.

Data from Your Move, one of the UK's biggest estate agency chains, have revealed that house prices in parts of London have fallen as much as 15% over the past year.

The average home in Wandsworth – which includes much of Clapham, Balham and Putney – dropped by more than £100,000 in value over the last 12 months to around £685,000.

9.10am: GKN shares jump on revised Melrose bid

GKN PLC (**LON:GKN**) is among the top risers on the FTSE 100 after **Melrose** Industries (**LON:MRO**) raised its bid to buy the engineer to £8.1bn from £7.4bn.

In a statement, **GKN** said it is reviewing the latest offer.

"The robust efforts **GKN** has taken to protect itself from the hostile bid, including the proposed disposal of its Driveline business to Dana, combined with the comments from **Melrose** that their offer will 'not be increased under any circumstances' is leading investors to conclude that **GKN** has won this battle, at least for now," said Rebecca O'Keeffe, head of investment at Interactive Investor.

Shares in **GKN** rose 1.5% to 441.7p while **Melrose** shares fell 1.8% to 220.5p.