

# Apple Inc.

12:30 14 Aug 2019

## FTSE 100 closes at five month low as recession fears loom large

- FTSE 100 drops 103 points
- Global markets tumble amid recession fears
- Admiral top Footsie riser after results

### 5.20pm: Footsie closes at five month low

The FTSE 100 index closed at a five month low on Wednesday as traders balked at buying stocks globally as US government bond yields plunged, prompting recession fears.

The UK blue chip index ended 103.02 points lower at 7,147.88.

In the US, the 10-year Treasury note reportedly slipped 5.7 basis points to 1.623%, around its lowest levels since October 2016, while the two year note fell 4.7 basis points to 1.622% and the spread between the two temporarily fell to a negative 1 basis point.

Commentators noted that an inversion like this often comes before an economic downturn.

The inversion has sent shockwaves through the markets, and traders are running scared, said David Madden, analyst at CMC Markets.

"The major indices sold-off sharply for fear the US is heading for a recession. The underlying fundamentals are solid as the jobless rate is at multi-decade lows, and average earnings are outstripping inflation, but for now dealers are focusing on the yield curve, and equities are taking a hammering," he added.

On Wall Street, the Dow Jones Industrial Average tanked over 655 points to 25,636, while the tech heavy Nasdaq exchange plunged over 229 points at 7,786.

### 3.50pm: FTSE 100 on track to hit five-month low

The FTSE 100 is currently at a five-month low as recession fears sent traders firmly into risk-off mode.

Into its last hour of trading, the index was down around 100 points at 7,150, having sunk deeper and deeper into the red from an initial morning tumble.

It was even worse for the mid-cap FTSE 250, which had plunged 236 points to 18,772.

There was better news for the pound, which thanks to higher-than-expected inflation for July had remained mostly steady against the dollar at US\$1.2060 while jumping 0.23% to €1.0818 against the euro.

The day's star blue-chip performer was insurer Admiral, which by late-afternoon had retained its top spot with shares up 4.5% at 2,123p, while travel group TUI AG (LON:TUI) was the heaviest faller slumping 4.4% to 774.6p.

**Price:** 317.7

**Market Cap:** \$1.39 trillion

### 1 Year Share Price Graph



### Share Information

**Code:** AAPL

**Listing:** NASDAQ

**52 week High Low**  
319.98 151.71

**Sector:** Hardware & electrical equipment

**Website:** www.apple.com

### Company Synopsis:

Apple Inc. designs, manufactures, and markets personal computers, mobile communication devices, and portable digital music and video players, and sells a variety of related software, services, peripherals, and networking solutions.

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### **2.40pm: US markets plunge on open**

Wall Street opened to a bloodbath on Wednesday as recession worries sent equities tumbling across the board.

A few minutes after the open the Dow had tumbled 1.46% with the S&P 500 following close behind with a 1.4% drop while the Nasdaq slumped 1.61%.

The slide seems to be due mainly to a yield inversion between two-year and 10-year US treasury bonds, an event often interpreted as a reliable indicator of impending recession.

The gloomy atmosphere was replicated in London as the FTSE 100 sank 101 points to 7,149.

### **1.25pm: Wall Street tipped lower as bonds and global data rattle traders**

Traders are looking decidedly uneasy ahead of the US open on Wednesday morning as bleak global data and the inversion of the yield curve on US treasuries have recession alarms blaring across the market.

The expected losses are threatening to erase gains from Tuesday when markets climbed on the back of news that Trump would delay new tariffs on certain Chinese goods until December, raising hopes that the two countries could reach a trade deal at talks scheduled for September.

Another headache for the markets is coming from the heart of Europe as German economic data showed the country's economy shrank by 0.1% in the second quarter of the year as the ongoing US-China trade war and Brexit uncertainty took their toll on exports.

"The move by the Trump administration [to delay tariffs] appears to be too little, too late as far as the markets are concerned," said Fiona Cincotta, senior market analyst at City Index.

"Data is showing that damage to the global economy owing to the ongoing trade dispute has already been done", she added.

Will most of the signs pointing downwards, investors will be hoping for some relief from tomorrow's US retail sales data, which could provide clues as to the health of the world's largest economy, with any weakness likely to pull markets down further.

In London, the FTSE 100 has continued its slump and was down 100 points at around 7,151 in early afternoon trading.

### **11.35am: FTSE 100 continues slump into lunchtime; bond yield inversions spark recession fears**

As the morning drew to a close the FTSE 100 continued to slip deeper into the red, eschewing the positivity that had helped global markets move upwards overnight.

In the final hour of morning trading, the blue-chip index had slumped 40 points to 7,210.

The market hasn't been helped by some renewed strength in the pound, which following the latest batch of UK inflation data was 0.17% higher at US\$1.2079 against the dollar and up 0.11% at €1.0805 against the euro.

Insurance group Admiral had retained its place at the top of the FTSE 100 risers, up 3.8% at 2,109p following a resilient set of first half results, while at the other end turnaround specialist Melrose Industries PLC (LON:MRO) had slumped 3.6% to 166.7p.

Meanwhile, an inversion in yield curves for US two-year and 10-year treasury bonds for the first time since 2007 has sent some alarm bells ringing that a recession could be on the cards.

A yield inversion is when interest rates on long-term bonds become lower than short-term ones, which historically has preceded a recession in the issuing country's economy.

For example, the last three times US bond yields inverted a recession followed soon after.

YIELD CURVE INVERTS: Recession indicator flashes red <https://t.co/ubnuJ7bOmD> by @bcheungz  
pic.twitter.com/WJDUFJPClB

— Yahoo Finance (@YahooFinance) August 14, 2019

Neil Wilson, chief market analyst at Markets.com, said the inversion was a "massive red warning light" for the US economy, adding that the change was a sell signal for risk assets and should put "extra pressure" on the equities markets.

To make traders a little more nervous, the yield curve for UK two-year and 10-year gilts has also inverted for the first time since 2008.

This was however good news for gold traders, with the price of the yellow metal rising 0.4% to US\$1,508.5 an ounce shortly after the news broke.

### **10.05am: UK inflation unexpectedly jumps above 2%**

The UK's inflation rate in July unexpectedly rose to 2.1%, edging up past the Bank of England's 2% target.

The consumer price index (CPI) had increased from the June figure of 2%, which the Office for National Statistics (ONS) said was due to higher prices for hotel rooms and video games as well as less discounting in summer sales for clothing.

The data also does not factor in the recent slide in the value of the pound, which is likely to push inflation higher as currency traders continue to fret about the impact of a no-deal Brexit.

UK inflation rate unexpectedly rises above the BOE target <https://t.co/yS2haz9K9G> via @\_DavidGoodman #tictocnews  
pic.twitter.com/IX2trn0qpv

— Zoe Schneeweiss (@ZSchneeweiss) August 14, 2019

Phil Smeaton, chief investment officer at Sanlam UK, said that the upward pressures on inflation were clear with "strong" employment figures, wage growth being at an 11-year high and the weakness in the pound pushing up the price of imports.

Meanwhile, Nancy Curtin, CIO of Close Brothers Asset Management, said that an orderly exit from the EU would "likely ease inflationary pressures", however, the falling pound, price rises and warning signs on global growth did not paint a "rosy picture" for businesses.

Shortly after the data was released, sterling was up 0.08% at US\$1.2068 against the dollar and up 0.03% at €1.0796 against the euro.

Meanwhile, on the equity markets, the FTSE 100's losses deepened as it slipped 15 points to 7,235.

### **8.35am: FTSE 100 fails to make headway**

The FTSE 100 failed to build on yesterday's gains and largely ignored the forward momentum on Wall Street to open flat as a pancake.

The focus was on matters close to home with MPs in open rebellion over Boris Johnson's plans to sidestep parliament (if required) to take the UK out of the EU.

The political turmoil put a lid on the short lived optimism of a seeming temporary cessation of trade hostilities between the US and China.

Market sentiment could turn on a sixpence (an archaic phrase, I know) if the latest inflation data surprises in some way.

Leading the Footsie early on was insurer Admiral (LON:ADM), which rose 5% after its first half profits remained remarkably resilient.

AstraZeneca (LON:AZN) rose a further 2% as its re-rating continued in the wake of better than expected trading and series of new drug successes.

Balfour Beatty (LON:BBY) enjoyed a results-driven revival as its shares advanced 9%, while Sirius Minerals (LON:SXX) came back from the dead with a 5.4% rise.

#### **Proactive news headlines:**

The Borgland Dolphin drilling rig is soon to make its way to i3 Energy PLC's (LON:I3E) Liberator field in the North Sea ahead of a scheduled 94-day drill programme.

Sunrise Resources PLC (LON:SRS) has successfully completed proof of concept trials for a horticultural grade of perlite from its CS deposit in Nevada.

Quadris Fuels International PLC (LON:QFI) has signed a cooperation deal with oil & gas consultancy Merlin Energy Resources Limited to promote upstream heavy oil projects.

RM Secured Direct Lending (LON:RMDL) beat its first-half dividend target as the investment fund's portfolio of secured and tailored loans grew 20% and the average investment size increased 17%.

Sound Energy PLC said non-executive director David Clarkson has now left the board. His departure was first flagged in May.

Chaarat Gold Holdings Limited (LON:CGH) says it is advanced discussions to extend the repayment date of a US\$10m loan into 2020. The Kyrgyzstan-focused miner also wants to increase the size of the loan, which matured on 13 August.

Touchstone Exploration Inc (LON:TXP, TSE:TXP), in its second quarter results, highlighted average crude sales of 1,768 barrels of oil per day, marking 3% growth on the comparative three months of 2018.

Esports solutions provider Gfinity PLC (LON:GFIN) is to exit its Australian joint venture at the end of November as it looks to double down on its investment in the more attractive US market.

ReNeuron Group PLC (LON:RENE) is teaming up with the University of Cardiff to find a method of delivering cancer treatments across the blood-brain barrier.

Benchmark Holdings PLC (LON:BMK) has appointed the corporate development director of veterinary pharmaceuticals firm Dechra Pharmaceutical PLC (LON:DPH) as its chief financial officer.

TomCo Energy plc (LON:TOM) told investors it has raised £450,000 of new capital as its field programme in Utah continues according to plan.

The chief executive of Nektan PLC (LON:NKTN), Lucy Buckley, has resigned with immediate effect.

European Metals Holdings Limited (LON:EMH) has raised gross proceeds of £750,000 via a share placing to UK investors to support the development of its development of the Cinovec project in the Czech Republic and to progress discussions with CEZ Group and potential off take partners.

6.30am: FTSE 100 called higher

The FTSE 100 is tipped to start higher on Wednesday as market optimism continued over President Trump's decision

on Tuesday to delay tariffs on some Chinese goods until December.

Spread-betting firm IG expects the FTSE 100 to open around 30 points higher after the index reversed a decline on Tuesday to finish up 24 points at 7,250.

The tariff delay is until December will affect Chinese imports such as electronic goods, clothing and footwear.

The renewed positivity on trade helped US markets surge overnight, with the Dow closing up 1.44% while the S&P 500 was 1.48% higher and the Nasdaq rose 1.95%.

One particular beneficiary was iPhone maker Apple Inc (NASDAQ:AAPL), which saw its shares jump 4.2% to US\$209.5 on Tuesday as the decision is likely to protect imports from its Chinese factories.

Asian markets were similarly upbeat on Wednesday, with the Japanese Nikkei 225 up 1% and Hong Kong's Hang Seng up 0.67%.

On the currency markets, the pound was relatively flat against its main peers, down 0.03% against both the dollar and the euro at US\$1.2054 and €1.079 respectively, as traders awaited the UK's latest batch of inflation data.

#### **UK inflation tipped to fall**

More UK economic data is due on Wednesday, following on from Tuesday's jobs report, which showed a record number of people in employment and a rise in wages.

As economists turn their attention to the consumer price inflation data, RBC predicts the annual growth rate will slip from 2.0% in June to 1.8% in July.

CPI has averaged 2% since the start of the year, which is in line with the Bank of England's target.

However, economists think this steady course of inflation is unlikely to last given the recent slump in the value of the pound, sparked by hardline Brexiter Boris Johnson becoming prime minister.

The retail price index for July will also be watched closely given that it is used to determine the price hike for rail fares.

#### **Significant events expected on Wednesday August 14:**

**Interims:** Admiral PLC (LON:ADM), Apax Global PLC (LON:APAX), Avast PLC (LON:AVST), Balfour Beatty plc (LON:BBY), Lookers PLC (LON:LOOK), Network International PLC (LON:NETW), Prudential PLC (LON:PRU), Bank of Georgia Group PLC (LON:BGEO), IndigoVision PLC (LON:IND), Electronica Regs PLC (LON:ELSA)

**Economic data:** China retail sales, China industrial production, UK CPI and RPI, Eurozone GDP, US import prices

#### **Around the markets:**

**Sterling:** US\$1.2054, down 0.03%

**Brent crude:** US\$60.75 a barrel, down 0.9%

**Gold:** US\$1,498.7 an ounce, down 0.23%

**Bitcoin:** US\$10,507.7, down 7.4%

#### **City headlines:**

The feared American law firm Robbins Geller Rudman & Dowd is set to file a case against BT over its Italian accounting scandal - Daily Mail

Sports Direct plans to extend its audit contract with Grant Thornton for at least another year - The Times

Solarplicity became the 13th firm to collapse out of the energy market since the start of last year - The Guardian

The under-fire bosses of Burford Capital scooped almost £120 million selling shares last year - 15 times the amount they have since spent buying stock back - Daily Mail

The Government has urged industry groups to prepare for a no-deal Brexit in "creative and practical" ways - Telegraph

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