

MONEY essential guide to local and world markets

Setback for Italian-Spanish stocks

LONDON: Italian and Spanish stocks underperformed firmer equity markets elsewhere in Europe yesterday, as traders said concerns about this week's European Parliament elections were weighing on Milan and Madrid.

Italy's FTSE MIB equity index closed down by 1.1 per cent, while Spain's IBEX stock market fell 0.1pc.

Both underperformed the pan-European FTSEurofirst 300 index, which edged up 0.1pc to 1,366.29 points - still in sight of a six-year high of 1,372.81 points set last week. Germany's DAX also rose 0.2pc.

Analysts say the European election results could undermine some euro zone governments.

In Greece, a strong showing by anti-bailout parties may hurt an already-fragile coalition, potentially paving the way to national elections.

In Italy, a poor result for Prime Minister Matteo Renzi's party might weaken his drive for the swift reforms he promised when he took power in a party coup.

Yields on Spanish and Italian bonds stabilised yesterday.

Yet demand to protect against falls in Italian shares has risen sharply in the past week as investors fear that a strong showing for the Eurosceptic 5-Star Movement may weaken Renzi's government.

Some investors also remained concerned about the gap between

Germany - Europe's economic powerhouse - and weaker southern European states such as Spain, Portugal and Italy.

A purchasing managers' survey yesterday showed Germany's private sector expanded steadily this month, whereas data last week showed a contraction in the Italian economy.

The European Central Bank may unveil measures next month to help the euro zone economy, such as a rate cut, which would keep the euro currency in check.

However, some traders say any ensuing fall in the euro may still not be enough to help weaker economies such as Spain and Italy.

"Economic prospects rarely determine which way stock markets will go but the situation in southern Europe is now so dangerous for all business there that these times may be an exception," said HED Capital head Richard Edwards.

"Keep selling rallies," he added.

Austria's Raiffeisen Bank was the best-performing stock on the FTSEurofirst 300 index.

It rose 6pc after posting first-quarter profits that exceeded market expectations.

Raiffeisen also said it could soon pay back nearly two billion euros (\$2.73bn) in state aid.

The broad rally in European equities since the start of 2014 has been maintained by expectations of new European Central Bank stimulus measures, and by corporate takeover activity.

World Stocks

LONDON FTSE - 100



Index
6,820.56

3i Group PLC	420.3	Capita PLC Ord 2.066666P	1092	Prudential PLC Ord 5P	1399
Admiral Group PLC Ord 0.1P	1401	Carnival PLC Ord USD1.66	2406.5	Randgold Res Ld Ord USD0.05	4510.5
Alliance Trust PLC ORD 2.5P	444.55	Centrica PLC Ord 6 14/81P	328.8	RBS Group PLC Ord 100P	331.85
Amec PLC Ord 50P	1215	Cobham PLC Ord 2.5P	309.35	Reckitt BenckiserGrp PLCOrd10P	5055
Amlin PLC Ord 28.125P	462.35	Compass Group PLC Ord 10P	1000.5	Reed Elsevier PLC 14 51/116P	924.25
Anglo Am PLC Ord USD0.54945	1540.25	Diageo PLC Ord 28 101/108P	1925	Rexam PLC Ord 71 3/7P	527.25
Antofagasta PLC Ord 5P	787	Drax Group PLC Ord 11 16/29P	605.75	Rio Tinto PLC Ord 10P	3237
AssociaatdBritFoodsPLC 5 15/22P	3028	EurasianNatResCorpPLC USD0.20	217.5	Rolls Royce Hldgs PLC Ord 20P	1002.5
Astrazeneca PLC OrdShs USD0.25	4288.5	Experian PLC Ord USD0.10	1023.5	RoyalDutchShell AOrdEUR0.07	2368.25
Autonomy Corp PLC ORD SHS 1/3P	2549	Firstgroup PLC Ord 5P	135.25	RoyalDutchShell PLCBOrdEUR0.07	2461.5
Aviva PLC Ord 25P	518	Friends Prov Ord 5p	81.6	Rsa Ins. Ord Gbp1.00	481.5
BAE Systems PLC Ord 2.5P	413.65	G4S PLC Ord 25P	254.8	SABMiller PLC Ord USD0.10	3373.5
Balfour Beatty PLC Ord 50P	224.75	Glaxosmithkline PLC Ord 25P	1632	Sage Group PLC Ord 1 4/77P	402.65
Barclays PLC Ord 25P	243.45	Hammerson PLC Ord 25P	584.75	Sainsbury(J) PLC Ord 28 4/7P	342.15
BG Group PLC Ord 10P	1233.25	Home Retail Group PLC Ord 10P	192.85	Schroders PLC Ord Vtg Shs 1	1955.5
BHP Billiton PLC Ord USD0.50	1937.5	HSBC Holdings PLC Ord USD0.50	616.65	Schroders PLC Vtg SHS 1	2574.5
BP PLC USD0.25	5087.5	ICAP PLC Ord 10P	390.2	Serco Group PLC Ord 2P	355.7
British Airways PLC ORD 25P	282.5	ImperialTobaccoGrp PLC Ord 10P	2676	Severn Trent PLC Ord 97 17/19P	1942.5
British Am Tobacco PLC Ord 25P	3548.75	Immarsat PLC Ord EUR0.0005	708	Shire PLC Ord 5P	3369.5
British Land Co PLC ORD 25P	712.5	International Power PLC	417.5	Smith & Nephew PLC Ord USD0.20	957.5
BritSkyBroadcastingGrpPLCOrd50P	870.25	IntronHotelsGrpPLC 14 194/329P	2216.5	Smiths Group PLC Ord 37.5P	1317.5
BT Group PLC Ord 5P	383.2	Invensys PLC Ord 12.5P	509.5	SSE PLC Ord 50P	1542.5
Buzzi PLC Ord 32 1/7P	1689.5	JohnsMattheyPLCOrd 104 16/21P	3293	Standard Life PLC Ord 10P	393.45
Cable & WirelessWridWide ORD5P	37.92	Kazakhmys PLC Ord 20P	259.75	StandardCharteredPLCOrdUSD0.50	1338
Cadbury PLC	863	Kingfisher PLC Ord 15 5/7P	413.95	Tate & Lyle PLC Ord 25P	688.25
Cairn Energy PLC Ord 231/169P	188.1	Land Securities Group PLC	1052.5	Tesco PLC Ord 5P	303.23
		Legal & Gen Grp PLC Ord 2 1/2P	224.9	Thomas Cook Grp OrdEUR0.10	160.65
		Liberty International PLC	451.7	Thomson Reuters Ord 25p	1860
		Lloyds Bk Grp PLC Ord 10P	74.89	Tui Travel PLC Ord 10P	408.1
		London Stock Ex Grp PLC Ord	1815	Tullow Oil PLC Ord 10P	852
		Man Grp PLC Ord USD0.03428571	94.2	Unilever PLC Ord 3 1/9P	2669.5
		MarksAndSpencer Grp PLC Ord25P447.95	205.3	Unit Utilities Grp PLC Ord 5P	857
		Morrison Supermkts PLC Ord 10P	879.25	Vedanta Res PLC Ord USD0.10	1052.5
		National Grid PLC Ord11 17/43P	6662.5	Vodafone Grp PLC USD0.20 20/21	204.5
		Next PLC Ord 10P	201.75	Whitbread PLC Ord 76 122/153P	4144.5
		Old Mutual PLC Ord 11 3/7P	201.75	Wolseley PLC Ord 10 53/66P	3339.5
		Pearson PLC Ord 25P	1142.5	WPP PLC Ord 10P	1264.5
		Pennon Group PLC Ord 40.7P	776.75	Xstrata PLC Ord USD0.50	963.5

AT A GLANCE

Exchange	Close	Change
Bangkok	1,405.21	+2.29
Bombay	24,374.40	+76.38
Frankfurt	9,720.91	+23.04
Hong Kong	22,953.76	+23.04
Jakarta	4,969.88	+117.24
Kuala Lumpur	1,875.12	+59.59
London	6,820.56	-1.91
Manila	6,830.56	-0.48
Paris	4,478.21	+9.18
Seoul	2,015.59	+7.26
Shanghai	2,021.29	-3.66
Singapore	3,265.66	+3.88
Sydney	5,479.9	+55.33
Taipei	8,969.63	+107.21
Tokyo	14,337.79	+295.62

SEOUL: The Korea Composite Stock Price Index (KOSPI) gained 0.36pc, or 7.26 points, to 2,015.59.

SHANGHAI: The Shanghai

Composite Index closed 0.18pc lower, giving up 0.18pc, or 3.66 points, to end at 2,021.29.

SINGAPORE: The Straits Times Index rose 0.12pc, or 3.88 points, to close at 3,265.66.

SYDNEY: Australia's S&P/ASX 200 index jumped 1.02pc, or 55.33 points, to 5,479.9.

TAIPEI: Taiwan's TAIEX index climbed 1.21pc, or 107.21 points, to 8,969.63.

TOKYO: Stocks rallied 2.11pc

as upbeat Chinese data boosted sentiment while a sharp decline in the yen lifted exporter shares. The benchmark Nikkei index added 295.62 points to 14,337.79 by the close, after finishing in the red on Wednesday, while the Topix index of all first-section shares climbed 1.68pc, or 19.29 points, to 1,169.34.

WELLINGTON: The benchmark NZX 50 Index rose 0.40pc, or 20.27 points, to 5,108.57.

Wall Street ends higher on small-caps

NEW YORK: US stocks ended higher for the second straight session yesterday, led by small-cap stocks, while the Nasdaq climbed on a rally in bio-tech shares.

The surge in biotech stocks extended the recent trend of volatile trading.

Small-caps and the so-called momentum names in the Internet and biotech spaces have recently echoed the broader market's direction, but moved in an outsized fashion, often without specific news.

Among momentum names, noted for high growth and perceptions of excessive valuation, Vertex Pharmaceuticals shares shot up six per cent to \$71.18, while Alexion Pharmaceuticals rose 2.5pc to \$160.48.

The Nasdaq biotechnology index gained 1.9pc.

Shares of Salesforce.com, the world's biggest maker of online sales software, advanced 6.1pc to \$53.27.

The Russell 2000 index of small-cap shares rose 0.9pc, outperforming the broader S&P 500.

The Russell fell into correction territory last week - defined as a 10pc decline from a recent closing high - but has since retraced some of that, and is now less than 8pc from its peak.

"Small-caps and momentum names are doing good today, but we really need another solid gain in the overall market for those high-growth-oriented, high-risk stocks" to move away from the day-to-day volatile trading, said Tim Ghriskey, chief investment officer of Solaris Group in Bedford Hills, New York.

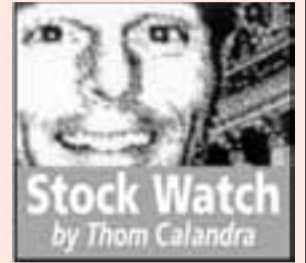
Hewlett-Packard posted a bigger-than-expected drop of 1pc in quarterly revenue as it struggled to maintain its grip on a shrinking personal computer market while protecting profit margins.

The stock reversed earlier gains to end down 2.3pc at \$31.78.

Housing stocks ranked among the market's biggest outperformers, with the housing index up 1.2pc after existing home sales rebounded in April.

Homebuilders were among the S&P 500's biggest gainers, with D R Horton up 2.4pc at \$22.65 and PulteGroup up 2.2pc at \$19.22.

The Dow Jones industrial average rose 10.02 points or 0.06pc, to end at 16,543.08.



16,543.08. The S&P 500 gained 4.46 points or 0.24pc, to 1,892.49.

The Nasdaq Composite added 22.81 points or 0.55pc, to close at 4,154.34.

The S&P 500 is about 10 points away from its record intraday high set on May 13.

For the past week, the index has been caught between the high and its 50-day moving average as data left investors unsure about the pace of the economic recovery.

Shares of JD.com soared in their market debut yesterday, jumping 10pc to close at \$20.90 after the Chinese e-commerce company raised \$1.78 billion in an initial public offering.

Best Buy rose 3.4pc to \$26.22.

The electronics retailer reported first-quarter earnings that topped expectations and domestic comparable-store sales that fell more than expected.

US existing home sales rose in April and the supply of properties on the market hit the highest level since August 2012, hopeful signs for the housing market's stalled recovery.

About 5.1 billion shares traded on all US platforms, according to BATS exchange data, below the month-to-date average of 5.9bn.

Dan Greenhaus, chief global strategist at BTIG, said investors were cheered by 0.9pc rise in the Russell 2000 small-cap index.

Weakness in the Russell 2000 has contributed to the broader market's malaise over the last month or so.

"It does feel like at least over the small-cap space, that perhaps the worst is behind us and that's affecting things more generally," Greenhaus said. Greenhaus said trading volumes were low as some people on Wall Street had taken early vacation ahead of the Memorial Day holiday on Monday.

Royal Mail warns of tough times

LONDON: Newly privatised Royal Mail pointed to tougher times ahead yesterday as it said competition in parcels was intensifying and warned the emergence of a rival British mail delivery service threatened its growth prospects.

The blunt reference to the headwinds it is facing took the shine off a 12 per cent rise in full-year profit for the company, which remains embroiled in a political storm over its privatisation, sending its shares down 6.7pc as the day's biggest faller in the blue chip FTSE 100 index.

Royal Mail's growth prospects continue to split analyst opinion, with differing views over its ability to manage declining letter volumes and increasing competition, at the same time as growing its parcels business and cutting costs.

Royal Mail, which had long posted financial losses until two years ago, yesterday said operating profit before "transformation" costs - such as mail centre modernisation and staff cuts - rose to £671 million

(\$1.1 billion) in the year to March 30, in line with a consensus forecast.

Group revenue rose 2pc to £9.46bn, helped by a 7pc rise in parcel sales, while higher prices made up for flat volumes.

Chief executive Moya Greene said full-year results had met the company's expectations and added it would stick to its target of single-digit revenue growth, margin expansion and underlying free cash flow growth for 2014-15, despite the gloomier outlook which she said there were plans to manage.

"The parcels side is certainly a more intensely competitive environment than it was last year," Greene said.

"On the letters side, the headwind is direct delivery," she added, referring to the prospect of its first mail delivery rival in its 500-year history in the form of TNT Post UK, part of Dutch-based PostNL.

"Without timely regulatory action, direct delivery could undermine the economics of the universal service and our ability to generate sustainably a five to 10pc operat-

ing profit margin in our reported business," Greene said.

Competition in parcels, worth 51pc of Royal Mail's turnover, is ramping up as firms compete on price and extend hours to service a market booming on demand for online shopping.

In the past year Amazon.com, Royal Mail's single biggest parcels customer, worth 6pc of sales, launched its own delivery service.

To better compete, Royal Mail has matched rivals by launching a trial Sunday parcels delivery service and is targeting a greater portion of the clothing returns market.

In letters, where volumes are falling at a rate of between four and 6pc annually as customers switch to email, TNT Post UK's plans for a UK mail delivery service by 2017 is a big headache for Royal Mail, due to its tactic of targeting only the most profitable areas of the country and leaving Royal Mail to deliver the remaining less profitable, or loss-making, areas.

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