FTSE 100 powers past 8000 to record high as investors bet “rally has legs”

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HE FTSE 100 powered through the historically significant 8000 mark today as investors bet that the future for both the global economy, and the UK, may be far rosier than pessimists fear.

London’s premier share index briefly passed 8000 in late trading yesterday, but could not hold it.

But today the FTSE was up another 40 points at 8038, to yet another record high.

While many of the companies in the FTSE have big international arms and earnings in dollars, there was still a strong showing from companies that are solely or mostly UK affairs.

Ocado was up 13p to 648p, Next up 76p at 6891p, and BT added 2p to 140p.

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The more clearly UK focussed FTSE 250 moved up 65 points to 20,2370, but remains well below 2021 highs.

It comes after another week of generally encouraging news with the Consumer Prices Index measure of inflation falling faster than expected to 10.1% in January. Investors now expect only one more hike in interest rates to a peak of 4.25%. GDP data last week also showed that the UK narrowly averted recession in the second half of last year and the Bank of England now thinks than any downturn this year will be shallower and shorter than previously feared during the post mini-Budget chaos of last Autumn,

Analysts are confident the rally has legs. FTSE 100 stocks tend to be resilient to economic shocks, pay steady dividends, as well dollar earnings that hedge against any travails for sterling, they say.

Russ Mould at AJ Bell says: “The index’s gains will be positive for asset owners, savers and investors, who either own shares directly, or own active or passively-run (index-tracking) funds or indirectly via their pensions, which will are likely to have a portion of their assets in UK equities.”

Around 12% of the FTSE 100 is held directly by individual investors, with the rest held by large institutions, 50% of them overseas.

A £1000 investment in the FTSE when it launched in January 1984 would now be worth £8000.

Some analysts are confident the market high need not lead to a correction as investors take profits.

Richard Hunter at interactive investor said: “The market is a discounting mechanism, in other words it is trying to anticipate what will happen “tomorrow” to company numbers, given the known economic pressures of “today”. As such, at a level of 8000, if the market weighing machine is correct, then we may have some better times in store over the coming year despite the current challenges.”

Patrick Munnelly of TickMill Group said. “While the U.K. equity market’s recent performance maybe somewhat detached from the reality of the underlying economy, the FTSE 100 trading at an all-time today demonstrates the robust demand for UK plc. Having significantly outperformed its peers in recent months, UK blue chip stocks are racing ahead with potential for further upside, bar the unexpected.”