FTSE 100 set to fall despite news of booming retail sales

The FTSE 100 was set to open up slightly down today as the weeks-long tussle between bulls and bears over the easing of Covid restrictions continues apace.

After yesterday’s see-saw session that saw London shares fall in the morning and rise in the afternoon, few were committing big wagers before the opening. Futures markets indicated a fall of nearly 8 points to 7128, with slightly more traders on the IG platform betting it would go higher than that.

Bitcoin has been having another shocker, tumbling 4% in the past 24 hours to $32,847, losing the bounce cryptocurrencies enjoyed on Monday.

Bitcoin has been trading within a range of about $36,000 and $32,000 since late June.

In less random asset classes, some stocks could benefit today from positive news on retail sales, which jumped at record rates in the second quarter of the year.

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Sales were boosted by loosening lockdown restrictions and the Euros from April to June, overnight data from the British Retail Consortium showed.

That will give rise to hopes of further benefits to shops from the “Freedom Day” openings on Monday, when mask wearing becomes optional, potentially prompting more to go out and shop.

The impact is far from clear, though, with Boris Johnson yesterday urging the nation to be cautious in their behaviour.

That could put off many shoppers, either deciding that being “cautious” means minimising non-essential shopping, or worrying that other people will be reckless and, like some Tory backbenchers have pledged to do, binning their masks.

Those most willing to return to normal behaviour on Monday might look to Israel, which has some of the highest vaccination rates, yet has just started reinstating restrictions due to the rapid spread of Covid variants.

On Wall Street last night, shares roared ahead in anticipation of bumper profits from America’s biggest companies as they enter the second quarter results publication season.

JPMorgan and Goldman Sachs kick off today with expectations of strong figures, albeit probably weaker than than the first quarter, when high volatility of prices meant for more clients trading and higher commissions.

JP CEO Jamie Dimon has already told the world not to expect Q2 to be as strong as Q1, highlighting how demand for new loans was likely to have fallen somewhat.

Asia markets this morning were strong, with the Chinese CSI 300 Index jumping more than 1% following a surprise pip upwards in exports since May. June’s trade numbers showed a slowdown in June, but only as expected following the bumper

51% leap in May year-on-year.

June numbers showed imports up 36.7% and exports by 32.2%, partly skewed by the rise in commodities prices.

On exports, demand from nearby countries like South Korea were the main drivers of growth, while US exports slowed to 17.8%. Some investors may read that as a bearish sign on demand in the US economy.

Later today comes further information on the global direction of inflation.

German and French inflation data, likely to show 2.1% and 1.9% on the consumer prices index measure, CMC Markets said. US data this afternoon will be closely watched for evidence recent price rises aren't quite as temporary as the Federal Reserve says they are.

May's figure showed CPI at 5%, fuelled by high second-hand car and truck prices, which could prove transitory. However, as CMC told clients this morning, surging prices of goods leaving the factory gate suggest shop prices will follow suit. May producer prices hit their highest levels in more than 10 years.

Markets predict June CPI in the US to be steady at 5%.

Last week's fall in bond yields suggests most investors believe the Fed when it says it feels inflation is temporary, so monetary policy should remain super-easy, with low interest rates and high levels of bond buying.