London markets dip amid soaring European inflation data

London stocks fell after trading in Europe was knocked by rampant inflation across the continent.

The FTSE 100 was also impacted by weaker shares from banking firms after the latest quarterly figures from NatWest disappointed.

The top index finished the day down 26.02 points, or 0.37%, at 7,047.67.

Michael Hewson, chief market analyst at CMC Markets UK, said: “A rebound in yields, as well as the US dollar appears to be weighing on European markets today after the latest inflation numbers in Europe saw headline prices surge in October, with German CPI surging to 11.6%, and Italy CPI rising by 12.8%.

“Given yesterday’s slightly dovish interpretation of events out of the European Central Bank yesterday, this is not what President Lagarde, and the Governing Council will want to see.

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“Today’s inflation numbers contrast to what has been a slightly softer tone from other central banks, with today’s US inflation numbers also offering something to both hawks and the doves.”

The biggest indexes in France and Germany nevertheless were in positive territory at the close, with the Dax also shrugging off the impact of weak data from Volkswagen.

The German Dax improved 0.24% by the end of the session and the French Cac finished 0.46% higher.

Across the Atlantic, the main markets recovered – after Thursday’s downbeat reaction to Amazon and Apple results – to open higher.

Meanwhile, sterling continued its recent strong spell on the back of a weekly decline in gilt yields, and is on course for its strongest monthly performance since July 2020.

The pound was up 0.15% against the dollar at 1.158, and was 0.38% higher against the euro at 1.165 at the close.

In company news, NatWest slipped back after the banking firm took bigger-than-expected provisions against bad debt.

The RBS owner also flagged a worsening economic outlook which could lead to a 7% fall in house prices.

Shares in NatWest were 22.8p lower at 224.9p at the close of play.

British Airways owner International Consolidated Airline Group (IAG) dropped in value despite operating profits of 1.2 billion euros (£1 billion) in the three months to September 30.

The airliner was broadly positive but highlighted “uncertainties in the economic outlook and the ongoing pressures on households”, which may have led to the underperformance.

Shares were down 4.38p at 115.28p.

Meanwhile, British Gas parent firm Centrica lifted after it said it had brought its Rough gas storage facility in the North Sea back online.

Shares moved 3.54p higher to 73.16p after the company hailed the reopening of the site, which had been shut since 2017, following substantial investment.

The price of oil drifted lower amid weakness in the US dollar in a retreat from two-week highs.

Brent crude oil decreased by 1.33% to 95.67 US dollars per barrel when the London markets closed

The biggest risers in the FTSE 100 were Airtel Africa, up 6.3p to 114.1p, Centrica, up 3.54p to 73.16p, GSK, up 29.6p to 1,416.6p, CRH, up 63.5p to 3,114p, and AstraZeneca, up 173p to 10,124p.

The biggest fallers of the day were NatWest, down 22.8p to 224.9p, Harbour Energy, down 20p to 374p, Ocado Group, down 25p to 470.2p, JD Sports, down 4.69p to 96.86p, and Rio Tinto, down 178p to 4,486p.