

Market optimism short-lived as pound and FTSE 100 gains pared back

Initial optimism on London's markets was short-lived as both the pound and the FTSE 100 pared back some of their earlier gains after [Boris Johnson](#) ruled himself out as prime minister.

The FTSE 100 started the day with a 0.5% rise, pushing it above the 7,000-point mark for the first time in a week, but it later gave back all and then some of its gains.

The good fortunes turned around less than an hour after opening, pushing as low as 6,915, down 0.8% compared to Friday's close.

The pound continued a multi-day rise, building from its low of below 1.11 dollars at about midday on Friday to reach close to 1.14 as stock markets opened after the weekend.

However, the gains were later pared back to a little over 1.13 dollars per pound, up 0.1% on the day.

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The story was similar for the gilt market. The interest rate on a 30-year UK Treasury gilt – which determines how much the [Government](#) pays on its debt – fell by nearly 0.2 percentage points to about 3.9%, but later rose again to 4%.

The movements follow the decision of former Prime Minister Boris Johnson not to seek his party's nomination to take the job again, even after a weekend of hitting the phones to try to drum up support.

Mr Johnson claimed he had the support of more than the 100 [MPs](#) needed to get through to the next round, which would have been likely to have pitted him against Rishi Sunak.

However on Sunday he said that seeking the top job “would simply not be the right thing to do”, adding that the Conservative party would be too split should he take over.

It leaves former chancellor Rishi Sunak as the frontrunner in the race for No 10 Downing Street, and he could even win later on Monday without a membership vote if no-one else manages to get support from more than 100 MPs

But international markets were also volatile on Monday. In Hong Kong shares were down by about 6% shortly before trading opened in London.

[Traders](#) there were reacting to another leadership race, as Chinese president [Xi Jinping](#) consolidated his grip on power.

Mr Xi was elected for another five-year term, to add to the 10 that he has already spent in power. He also installed his allies in most of the senior positions in the Chinese Communist Party.

The fall in Hong Kong came despite China posting better-than-expected third-quarter GDP figures on Monday that showed a country slowly coming out of Covid-19 lockdowns.