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UK shares led higher by consumer staples

 REUTERS

Reuters - UK Focus – Thu, Nov 8, 2012 13:25 GMT

- * FTSE 100 (FTSE Index: [EO100.FGI - news](#)) up 0.2 pct
- * British American Tobacco lends support
- * Bounces off low point of 2-mth trading range

By Alistair Smout

LONDON, Nov 8 (Reuters) - Britain's top share index was led higher by the food and drinks sector on Thursday, bouncing off the lower end of its recent chart range in cautious trade.

At 1243 GMT, the FTSE 100 index was up 15.37 points, or 0.3 percent, at 5,807.00, receiving limited support from bargain hunters after it had dropped 1.6 percent on Wednesday to test the lows formed since early September.

"When you're within a range, when you arrive very quickly at the bottom of that range, the best course of action is to buy," said Valerie Gastaldy, partner at Paris-based technical analysis firm Day By Day.

The bulk of the index rise was driven by a sector - food and drink - and company - British American Tobacco - typically perceived as being more defensive during times of economic uncertainty.

BAT was up 1 percent in early afternoon trade.

"It's not exactly a risk-on day, and it's been quite volatile. I think it's just a bit of a natural rotation," Mike van Dulken, Head of Research at Accendo Markets, said.

"These guys (such as BAT) have good dividend yields. People are still concerned about the outlook, so there some demand for the kind of stocks that could hold up well."

It was not all one-way traffic, however, with other defensive sectors being hit by forecast lagging earnings.

Tate & Lyle (Dusseldorf: [408414.DU - news](#)) fell 1.2 percent as the sweeteners and starches maker reported only a slight rise in first-half earnings, reflecting the cost of re-opening a factory and tough trading in Europe (Chicago Options: [^REURUSD - news](#)).

Volume in Tate & Lyle was heavy at more than 100 percent of its 90-day daily average.

Food retailer WM Morrison, Britain's No. 4 grocer, was another to feel the heat, down 0.5 percent, after it posted a weak sales update.

Morrison's poor performance gave a boost to rivals, however, with Tesco (Xetra: [852647 - news](#)) a top blue-chip performer, up 1.1 percent, and J. Sainsbury (LSE: [SBRY.L - news](#)) up 0.3 percent.

Just under half the European companies to report third-quarter earnings so far have missed expectations, Thomson Reuters StarMine data showed, although analysts have raised expectations for the next quarter on average by 1 percent.

Security firm G4S (Other OTC: [GFSZF.PK - news](#)) was the biggest faller on the index, losing 3.5 percent after it missed out on contracts from the UK government to run prisons.

"It is disappointing that G4S has failed to secure its renewal as this represents a contract where the business has a track-record and will have had good insight into how to price the bid effectively and deliver return," investment bank Espirito Santo said in a note.

"To us, it would suggest that the business has incurred some reputational damage with the UK Government following the London Olympic contract failure."

Almost a tenth of the FTSE 100 index reported results on Thursday, providing a mixed bag of corporate earnings news. Traded volumes were relatively light, at around 35 percent of the 90-day daily average.

Well-received earnings announcements supported insurer Aviva (EUREX: [AVF.EX - news](#)) , fund manager Schroders (Berlin: [PYX.BE - news](#)) , and publisher Reed Elsevier (Amsterdam: [REN.AS - news](#)) , who saw small gains.

Early focus had otherwise been on central bank interest rate decisions, with both the Bank of England and European Central Bank keeping rates unchanged as expected.

Of more interest to some in the market was the BoE's decision to hold off from extending its quantitative easing programme, which has supported stocks and other assets, although the FTSE's reaction was only slight. (Editing by Simon Jessop and Catherine Evans)

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