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FTSE hits five-month low on Fed plans, China

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By [Alistair Smout](#)

LONDON (Reuters) - The FTSE 100 slid to five-month lows on Thursday, led by miners after the U.S. Federal Reserve said it planned to slow its stimulus programme later this year and Chinese data suggested growth there was waning.

The FTSE 100 index closed 189.31 points, or 3 percent, lower at 6,159.51 - leaving it at levels not seen since January and its biggest daily drop since September 2011.

Fed Chairman Ben Bernanke said overnight the U.S. economy was growing fast enough for the central bank to begin slowing the pace of its \$85 billion monthly asset purchases later this year, with the goal of ending it in mid-2014.

"It was expected at some point that the Fed would pull back from QE, so we haven't seen any panic selling... But I do see that the FTSE has got further down to go," Manoj Ladwa, head of trading at TJM Partners, said.

"We've had a fantastic run on the back of quantitative easing, and we're going to have to give something back."

Buoyed by monetary stimulus, the FTSE 100 gained 16 percent in the first five months of the year but has fallen 10 percent since the end of May, when the Fed first hinted it would consider slowing asset purchases in the near future.

Mining stocks dropped 4.7 percent to four-year lows, the top sectoral faller, as commodity prices came under pressure, with gold dropping to 2-1/2-year lows.

Polymetal was the top FTSE 100 faller, down 12 percent, while peers Fresnillo and Randgold fell 8.1 percent and 7.5 percent respectively, as demand for safe-haven gold suffered at the hands of a strengthening dollar.

"Polymetal has been on my radar to go short of on any rallies," Ladwa said.

Copper miners also suffered after Chinese factory activity weakened to a nine-month low in June.

Every stock in the index ended in negative territory, with financials also among heavy fallers.

Aberdeen Asset Management fell 7.9 percent. The stock has slid 25 percent over the last month, bearing the brunt of concerns over Fed policy as the prospect of reduced stimulus hurts the long-term prospects for markets that asset managers are seen as proxies for.

Despite the day's broad-based drop, the FTSE 100 received support at the 200-day moving average at 6,157.82, and more sturdy support was seen at a 38.2 percent retracement level of the rally from last summer, which roughly coincides with 2011 highs around 6,000.

"As soon as we break below 6,080, I'd recommend taking short bets off the index, and if we get to 5,976, I'd be looking at buying," Valerie Gastaldy, head of technical analysis firm Day By Day, said.

(Editing by John Stonestreet)



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