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London Markets Steady as BP Boosts Energy Outlook and Diageo Profits Decline

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UK stock markets opened the week with cautious optimism, as the FTSE 100 staged a modest recovery following recent losses sparked by new US tariff measures under President Donald Trump. Financial stocks were among the key gainers, led by Lloyds Banking Group, which benefited from reports suggesting its potential liability in the UK's ongoing car finance mis-selling probe may be less severe than initially estimated.

Trading remained subdued on Tuesday, with early gains in London flattening out by the close as investors awaited further earnings updates and the Bank of England's imminent interest rate decision.

In the corporate sector, drinks giant Diageo reported a sharp drop in profits, continuing a challenging year for the company. Its shares have fallen by nearly 29% in 2025, with investor confidence shaken further following the recent departure of its chief executive. Analysts have raised concerns over the firm's ability to stabilise its business strategy in the current climate.

Meanwhile, BP confirmed its largest oil and gas discovery in over two decades. The find, located at the Bumerangue prospect off Brazil's coast, spans more than 300 square kilometres and contains a mix of oil, gas, and condensate. BP's Vice President for Oil Production, Gordon Birrell, described the discovery as a major development for the company's global output plans.

The UK has also finalised a new export agreement with Mexico, granting access to 12 British pork producers. Valued at £19 million over five years, the deal eliminates a 20% tariff on British pork and opens the door to a growing market. Producers in Hull, Bristol, Chesterfield, Wrexham, Antrim, and Ballymena are set to benefit. The agreement followed nearly eight years of negotiations led by Defra, the Food Standards Agency, and industry representatives.

On the housing front, Nationwide and Barclays reduced rates on two- and five-year fixed mortgage products in anticipation of a possible Bank of England rate cut. Despite this, many homeowners are still expected to encounter refinancing pressures in the months ahead.

Elsewhere, the Financial Conduct Authority has fined former fund manager Neil Woodford and his firm a total of £46 million over the collapse of the Woodford Equity Income Fund. The penalty, resulting from a long-running investigation, will be allocated to compensate affected investors.

As the Bank of England prepares its next move and companies continue reporting results, UK financial markets remain focused on maintaining economic stability, strengthening energy security, and expanding international trade ties.