

The Week Ahead, 17th May 2021

UK Unemployment, CPI, Vodafone, easyJet & Royal Mail

Our pick of the top macro data points and companies reporting this week. Those in bold are discussed below.

ECONOMIC DATA

Monday 17th May	China Retail Sales
Tuesday 18th May	UK Employment Data Eurozone GDP Q1 (2 nd estimate) US Building Permit & Housing Starts
Wednesday 19th May	UK CPI Canada CPI US EIA Crude Oil Inventories FOMC minutes
Thursday 20th May	Australia Employment

	US Initial Jobless Claims
Friday 21st May	UK Retail Sales Eurozone, UK, US Mfg & Services PMI Eurozone Consumer Confidence
COMPANY ANNOUNCEMENTS	
Monday 17th May	Ryanair Vistry
Tuesday 18th May	Vodafone Britvic Imperial Brands Land Securities Home Depot (US) Walmart (US)
Wednesday 19th May	BAE Systems Experian Future

	Premier Foods Severn Trent
Thursday 20th May	easyJet Kingfisher Royal Mail National Grid Watches of Switzerland
Friday 21st May	Close Brothers Investec

KEY THEME

Key themes:

Inflation, particularly in the US was a key theme across last week. This week sees more inflation data released from across the globe including the UK, keeping price rises in focus.

Today the UK continues to ease lockdown restrictions with inside hospitality throwing open its doors for the first time in almost 6 months. However, concerns are also growing over the Indian mutation of covid, which could prevent the UK from moving to the final stage of the easing of restrictions.

THE WEEK AHEAD

Monday

Ryanair

The budget airline is due to report full year results at the start of the week which could make for pretty grim reading. Given the near total shutdown of international travel across the pandemic cash burn will be a key focus, in addition to the outlook amid hopes that international travel will pick up over the key summer period. For now, restrictions on foreign holiday's are still in place for most places in Europe except Portugal and Gibraltar. Ryanair said that it expects a full year loss of €800-€850 million after carrying just 27.5 million passengers compared to 149 million. Ryanair held €3.1 billion in cash at the end of March and 84% of the fleet grounded. For the coming year passenger numbers are expected to be at the lower end of 80 million – 120 million.

Tuesday

UK jobs report

Last month the Office of National Statistics reported that the unemployment rate fell to 4.9% in the three months to February, down from 5% in January. The Bank of England has upwardly revised its outlook for the UK jobs market with unemployment now expected to peak at 5.5% under the protection of the extended furlough scheme. The real impact of the pandemic won't be clear until the furlough scheme ends in September. The hope being that as the UK economy reopens, more jobs are created, and the labour market remains buoyant. Jobless claims numbers unexpectedly dropped 7.3% in March a trend which could well continue into April as more business reopen. Watch GBP.

Vodafone

Vodafone is due to release full year results. The third quarter update revealed that revenues grew by 0.4% year on year. Expectations are for this trend to continue with organic revenue growth ticking up to 0.6%. The European business is expected to show a service revenue decline of 0.7%. However, this is a vast improvement after the -1.8% decline and -1.1% decline in Q2 & Q3 respectively. In the third quarter trading update Vodafone reiterated its guidance of €14.4 - €14.6 billion in underlying cash profits. Cashflow and debt issues have been a major focus for investors as well as the 5G rollout and the Vantage Towers IPO in Frankfurt in March which raised €2.3 billion which was to be used to pay down some debt.

Wednesday

UK CPI

Inflation concerns, particularly in the US have dominated the market. A larger than forecast jump in US & Chinese inflation raised policy tightening fears, spooking the market and sending stocks tumbling last

week. Whilst the markets paired the losses, the UK inflation print could attract more attention than usual. In March, UK CPI came in at 0.7%. Since then, lockdown restrictions have continued to ease and prices are starting to rise, such as transport costs. Commodity prices and PPI have also been trending higher. Importantly food prices are showing few signs of ticking higher. That's not to say that prices won't rise. If the UK follows in the US' footsteps as it reopens then prices could start to jump sharply and quickly back towards the BoE's 2% target. Watch GBP, FTSE.

Fed minutes

The minutes from the latest Fed meeting are expected to be a replay of the last central bank meeting. However, this meeting was before the US consumer price index which reported inflation surging to a 13 year high of 4.2%. The meeting also took place before the April employment report which showed just 266k new jobs were created well below the almost 1 million expected. With this in mind, the minutes are rather out of date. These data points show that inflation is hot and supports taper talk yet the jobs market not so much. The Fed have been clear that they expect a transitory spike in inflation. The minutes are not expected to hint towards taper talk given that the Fed have been so insistent that they will remain supportive for the foreseeable future.

EX- Dividends

FTSE100: Bunzl, Tesco, Glaxo, Unilever, Pershing Square

FTSE250: Serco, Spectris, Inchape, Gamesys, Clarkson, IP Group, renewables Infrastructure

Thursday

easyJet

easyJet is due to report half year numbers. These come following a trading statement released last month where the budget airline guided for a pre-tax loss of £690 -730 million and said that it had liquidity of around £2.9 billion. This should be sufficient to see them through on the condition that the greenlist is expanded in June and international travel really starts to pickup. So far, the governments quarantine free travel list is more than a little disappointing and the UK' s progress on areas such as vaccine passports and PCR testing for travel seems slow.

Kingfisher

The rule of 6 for outdoor socializing is likely to have served Kingfisher well, particularly when you think about how difficult it is to get your hands of any form of patio heater. The owner of Screwfix, B&Q, Castorama and Brico Depot has been a key beneficiary from the lockdown restrictions as households have spent their money on doing up their homes. A few months ago, in March, Kingfisher reported a 7.2% rise in sales to £12.3 billion to year ending January '21 setting a high bar. With the working from

home unlikely to unravel completely, demand for home office space should keep demand underpinned amid the reopening whilst the boom in the housing market could also keep DIY growth prospects high.

Royal Mail

Royal Mail is due to release final results, which are expected to be upbeat as the firm continues to benefit from the surge in e-commerce brought about by the pandemic. Package demand has surged, whilst letter writing has also seen an unexpected resurgence, both of which are helping to lift the firms fortunes after a few very tough years. The infrastructure of its UK business is in serious need of investment so any clues as to how much will be needed to be spent there will be watched closely. Meanwhile the international business is expected to target 12% revenue growth annually over the next 5 years making it a bright spot of the business.

Friday

N/A

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