ATLANTIC CAPITAL MARKETS

The Week Ahead, 26th April 2021

Fed Rate Decision, Tesla, Apple, UK Banks, Shell & more

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

ECONOMIC DATA

Monday 26th April	German IFO Index US Durable Goods Orders
Tuesday 27th April	BoJ Rate Decision US Consumer Confidence
Wednesday 28th April	Australia CPI German GFK Consumer confidence EIA Oil Inventories **FOMC Rate Decision**
Thursday 29th April	German unemployment

	US GDP Q1 first reading US Pending Home Sales
Friday 30th April	China Mfg & Non-mfg PMI German GDP Q1 Eurozone CPI US Personal Income & Spending US Confidence Index
COMPANY ANNOUNCEMENTS	
Monday 26th April	Pearson **Tesla (US)**
Tuesday 27th April	**Whitbread** HSBC BP Microsoft (US) Alphabet (US)
Wednesday 28th April	**Sainsbury's** **Lloyds** GSK

	Apple (US) Facebook (US) Boeing (US)
Thursday 29th april	NatWest **Shell** WH Smiths Amazon(US) Twitterl (US)
Friday 30th April	**Barclays** AstraZeneca BNP Paribas Exxon Mobile Chevron

KEY THEME

Key themes:

The coming week is a huge week for earnings on both sides of the Atlantic. In the UK the banks, oil heavy weights and supermarkets are due to report. Meanwhile, in the US, the world's largest tech companies are due to report earnings, the US Fed will announce its rate decision and we get a first glimpse at US GDP for the first quarter.

Meanwhile, covid isn't disappearing anywhere soon. Whilst numbers are falling in the US and UK amid a successful vaccine drive, parts of Asia is seeing a strong rise in caseload. Several cities in Japan are heading back into state emergency. With the Olympics kicking off in 9- day, this is a worry. Numbers in India are reaching fresh record highs on a daily basis, which could impact on sentiment and drag on oil prices..

THE WEEK AHEAD

Monday

Tesla

We already know that Tesla's vehicle delivery numbers beat forecasts in the first three months of the year which bodes well for the year ahead. Deliveries came in at 185,000 and the expectation is that they pick up firmly in the second half of the year. Expectations are for 831,000 full year deliveries. Full year deliveries guidance usually has the potential to move the market, so this is worth keeping an eye on. EPS is expected at $0.77 on revenue of $10.33 billion. The results come after Tesla has been in the headlines recently for all the wrong reasons after a fatal collision in Texas involving a Tesla which had no one at the wheel. Any comments regarding the EV's self-driving system will be in focus.

Tuesday

Whitbread

Travel & tourism stocks have had a very difficult year. Premier Inn owner Whitbread is due to report the full year to end of February. Therefore, the easing of restrictions earlier this month won't show up yet. The numbers will make for grim reading given that the hotels have had their doors shut for the best part of half a year. Cash will be in focus after raising £1 billion last June and had £814.9 million left by the end of December. The group could be in a strong position to benefit from pent up demand when UK hotels re-open in April/May. Talk of recent booking rates will be closely watched. However, the reality is that international travel needs to return in order for the group to see a full recovery.

Wednesday

Lloyds

Q4 numbers, outgoing CEO Antonio Horta-Osorio's last set, were encouraging despite concerns over how the ongoing lockdown would impact loan provisions. Those concerns turned out to be overblown. Loan impairment charges are expected to continue falling thanks to government support to businesses, which raises the prospect of writebacks. US banks have started releasing the bad loan provisions, UK banks could be slightly more hesitant. Elsewhere, the low interest rate environment means that bank interest income is weak. However, the booming housing market has seen a strong mortgage market which is good news for Lloyds. Expectations are for improving numbers and outlook as the UK economy gains in strength.

Sainsbury

Q3 full price sales were better than expected meaning that expectations are running high for full year numbers. With lockdown still in place for most of the final quarter there is a good chance that strong online demand remained, and positive numbers could well be on the cards. Expectations are for £330 million in underlying pre-tax profit which includes the repayment of £410 million of business rate relief. Profits have been held back by huge pandemic related costs. The outlook will be closely watched with any moves towards expanding its digital capacity potentially impacting margins in the short term.

Apple

Apple is due to report fiscal Q2 earnings after the bell. Expectations for strong growth are high, but that has something to do with the easy comparisons from the previous year as covid hit both supply and demand. As a result, earnings and revenue are expected to rise 32% and 53% respectively YoY. However, Q1 was a bumper quarter for Apple as it smashed through the $100 billion revenue mark by a clear margin making it a hard month to beat. Expectations are for EPS of $0.98 on revenue of $76.7 billion. The Apple share price has fallen 7.1% since the previous reporting of Q1 on January 27th. The services segment which includes revenue from the App store, subscriptions and other recurring revenue sources grew over 16% year over year. Investors will be looking to see whether the strong growth in this increasingly key segment has held up.

FOMC

The Fed will make its monetary policy announcement on Wednesday followed by a press conference given by Jerome Powell. The Fed is not expected to move on monetary policy particularly given that the central bank has spent the past few weeks reiterating that the Fed had no immediate plans to tighten policy. The Fed has been steadfast in the message that any near term rise inflation will be short term and that they will continue supporting the economy amid lingering uncertainty surrounding the pandemic. Yet with data showing that the recovery has firmed significantly the case for tightening policy is building. Even so, the Fed is likely to continue walking that fine line between sounding optimistic regarding the recovery but insisting that the recovery is far from complete. Any sense that the Fed is moving towards tightening policy could boost the US Dollar.

EX- Dividends

FTSE100: London Stock Exchange, Rightmove, RELX

FTSE250: Derwent Group, Morgan Sindall, Coats, John Laing, Hg Capital

Thursday

Royal Dutch Shell

Shell reported a very disappointing -87% decline in Q4 adjusted profit in February. Broadly speaking the start of this year is expected to be stronger as oil prices raced higher after an awful 2020 of record losses and dividend cuts for the oil majors. Debt levels have been steadily improving, down from £79 billion this time last year to £74,5 billion in the previous quarter. We already know that the winter storm in Texas will have an $200 million impact on earnings. Attention will also be on Shell's progress shifting its model away from fossil fuel. It's widely considered that the energy giant needs to do more – some shareholders said that its recent climate plan doesn't go far enough.

Friday

Barclays

Barclays has performed better than some of its peers over the past 12 months. The Barclays share price has recently moved passed pre-pandemic levels hitting its highest level since late 20219 on optimism surrounding the UK economic recovery and following strong results from US investment banks. Barclays, which has a bigger investment banking division than some of its UK peers, has benefited from increased in volatility in the markets and the steepening of the yield curve. This trend was seen in the previous quarter when Barclays re-instated a 1p dividend and a £700 million share buyback programme. With the re-opening of the economy, the outlook for the bank has continued to improve since then.