

The Week Ahead, 12th October 2020

ANALYSTS BACKGROUND

Fiona has a deep understanding of market fundamentals gained through 14 years' experience in the financial markets. She provides up to the minute analysis and insight into the financial markets, as well as the broader economy and monetary policy in the UK, Europe, US and Asia. She is regularly quoted in the global financial press, with her name often seen on Bloomberg, Reuters, Financial Times and the Telegraph. Fiona is a familiar face after years of regular TV appearances across the globe on the likes of BBC, Sky News and Reuters.



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

ECONOMIC DATA

Monday 12th October	N/A
Tuesday 13th October	China Trade Balance UK Employment Data German ZEW Index

	US CPI
Wednesday 14th October	Australian Consumer Confidence US PPI
Thursday 15th October	Australian Employment Data Chinese CPI US Initial Jobless Claims EIA Crude Inventories
Friday 16th October	Eurozone CPI US Retail Sales Michigan Consumer Confidence China Caixin Services
COMPANY ANNOUNCEMENTS	
Monday 12th October	XP Power
Tuesday 13th October	Johnson & Johnson (US) JP Morgan (US) Citigroup (US)

<p>Wednesday 14th October</p>	<p>ASOS</p> <p>Page Group</p> <p>Barratt Development</p> <p>Bank of America (US)</p> <p>Wells Fargo (US)</p> <p>Goldman Sachs (US)</p> <p>United Airlines (US)</p>
<p>Thursday 15th October</p>	<p>Hays</p> <p>Dunelm</p> <p>Domino's</p> <p>Mondi</p> <p>Walgreens Boots (US)</p>
<p>Friday 16th October</p>	<p>JD Wetherspoons (delayed)</p> <p>Man Group</p>

KEY THEME

Earnings Season, Elections, Covid & Brexit

The start of US earning season, which kicks off with the banks could help distract investors from the ongoing will they / won't they Congressional US stimulus debate.

US election polls are expected to exert even more influence over the markets as the US election are now sits just 21 days away. President Trump claims to have made a full recovery from Covid and is hitting the campaign trail once again. The polls are showing a Biden lead.

Here in the UK, stricter lockdown measures are being brought into force as Covid cases continue to surge. Attention will also sit firmly on EU Summit later in the week, by which time Boris Johnson says the outline of a Brexit trade deal must be achieved or the UK will walk away from talks.

THE WEEK AHEAD

Monday

N/A

Tuesday

US Banks Q3 Results

US banks kick off earning season. JP Morgan and Citigroup are due to report on Tuesday 13th, Wells Fargo, Bank of America and Goldman Sachs on Wednesday 14th. In Q1 and Q2 consumer banking arms were particularly hard hit by the pandemic whilst investment banking and trading arms were star performers. These divergences within the banks' different arms is expected to continue. Those with a larger focus on trading and investment banking, such as Goldman Sachs are positioned to perform better in Q3. Meanwhile, consumer spending is only picking up very slowly and net interest margins remain under extreme pressure, those banks which are more consumer focused such as Wells Fargo are likely to continue being pressurised. Bad loans so far haven't reached the levels forecasted in prior quarters, so bad loan provisions are expected to be less than earlier in the year. However, with no additional stimulus package agreed, things could still turn sour again stateside.

UK Employment data

The most recent claimant counts have been better than forecast. In September, the number of people claiming unemployment benefits rose to 73,700, better than the 99,500 forecast. The August reading was also downwardly revised to 69,900 from 94,400. The UK unemployment rate increased to up to 4.1% from 3.9% as it slowly starts showing the impact of the covid crisis on the labour market. So far, the unemployment rate doesn't reveal too much as the government's furlough scheme continues to mask the real hit of the covid pandemic on the UK labour market. Chancellor Rishi Sunak has mapped out a phase 2 for the furlough scheme, whereby the government continues to support companies and their employees but in a less generous fashion. Given that the next phase isn't as attractive to firms, given their high level of contribution, the unemployment rate is still expected to jump when the initial furlough scheme comes to an end at the end of this month. Watch GBP.

Apple Special Event

There was a special event last month, where the tech giant released a new iPad and Apple watches. The new 5G iPhone 12 is expected to be announced at Tuesday's event after the pandemic caused some delays in production, hence why it wasn't revealed in September. There are expected to be 4 differing sizes and price points. Apple could also announce new over ear the headphones. The stock trades +60% YTD but off its all-time high of \$137.

Wednesday

ASOS

ASOS unexpectedly upgraded its full year guidance in August thanks to strong trading after lockdown and lower returns rate. Pre-tax profit is expected in the region of £130 - £150 million. Whilst margins have been a weakness in recent years, with lower returns, this could be starting to change. Reduced spending on promotion could add to improved margins picture. However, the big question will be whether these news trends will continue as the market starts to normalise post lockdown. ASOS is still chasing the ambitious target of being net cash rather than net debt comet the end of the year. The stock trades +60% YTD.

Page Group & Hays (Thursday)

Both recruitment firms are due to report a week after sector rival Robert Walters announced that it was reinstating its interim dividend. Both Page & Hays, like their peer had experienced a slowdown in profit even before the coronavirus pandemic hit. This meant that the covid hit was felt all the more. In the three months to end June, Hays reported net fee income falling 34% whilst Page saw a 47% collapse. This latest quarter, analysts are expecting a 31% decline and Page 38%. A key area to watch will be the mix between temporary and permanent. When firms are more confident, they hire more permanent staff. However, less confident companies lean towards temporary hires.

EX- Dividends

FTSE 100: Bunzl, Tesco

FTSE 250: Spectris, Close Brothers, BMO Commercial Property Trust,

Thursday

EU/UK trade talks

UK – EU post Brexit trade talks have been continuing as Boris Johnson's self-imposed deadline of 15th October draws into focus. Both sides have said that progress has been made but that key differences remain particularly over fishing and state aid. Only last week Boris Johnson reiterated that a bare bones deal needs to be on the table by 15th October, otherwise the UK will walk away from talks. With the Pound at its current levels of \$1.29, the assumption in the market is that the outlines to a very basic deal will be on the table by the end of the week, for talks for continue. Brexit headlines will be very closely monitored this week and volatility in the Pound could pick up.

Dunelm

Dunelm disappointed by announcing that it was skipping the final dividend when in reported final results in September in order to preserve cash prior to the peak winter season. This move means that investors

will be particularly focused on the outlook and whether Dunelm is concerned that tighter lockdown restrictions could see customer footfall come under pressure again. That said, home deliveries have been a bright spot, seeing a triple digit spike in the 1st 2 months of its current year. Online now makes up over 30% of revenues as the store successfully transitions into online. This could offset any weakness from a return to lockdown.

Friday

US Retail sales

US retail sales took a heavy hit in lockdown but have rebounded strongly in recent months. Retail sales have grown each month over the past 4 consecutive months. However, the rate of growth has slowed. In May retail sales surged over 17%, whilst the most recent reading in August showed just 0.6% increase. With the Federal supplementary unemployment benefit expired and nothing new to fill its place, it will be interesting to see how sales held up in September, particularly in light of the unemployment rate falling further to 7.9% but the initially claims data showing the recovery in the labour market stalling. Watch USD & US indices.

JD Wetherspoons

Full year results are not expected to bring too many surprises with a full year loss estimate provided just last month. Given that the Wetherspoons's business model focuses low price and high volume, social distancing has meant that Wetherspoons has come under even more pressure than some other hospitality firms. Wetherspoons upped its prices 2-3% in July and participated in the government's Eat Out To Help Out Scheme in August even creating its own Stay Out To Help Out scheme to run until November 11th. However, with tighter restrictions coming in each week there is definitely a case to increase prices further. Like for like sales in September will be in focus in addition to debt reduction since reopening post lockdown.

Risk Warning

Atlantic Capital Markets is Authorised and Regulated by the Financial Conduct Authority with FCA Register No 764562. CFDs are leveraged products that carry a high level of risk to your capital. 79% of retail investor accounts lose money when trading CFDs with this provider. They are not suitable for everyone, so please ensure you understand the risks and seek independent advice if necessary.

Privacy Notice

By registering your details, you request us hereby to provide you on a continuing basis (in writing, email and by telephone) with investor updates, information on our own products and services and those of selected partners and third parties. To enable us to do so, and for our marketing purposes, you agree that we may process and hold your data in both manual and electronic form.

