

## The Week Ahead, 14th December 2020

### BoE, FOMC, Carphone Dixon & Nike

#### 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 14th December	EZ Industrial Production
Tuesday 15th December	Chinese Retail Sales <b>UK Unemployment</b>

	Australian PMIs
Wednesday 16th December	<p>UK CPI</p> <p>EZ, UK &amp; US PMIs</p> <p>US Retail Sales</p> <p>EIA Crude Inventories</p> <p><b>FOMC Rate Decision</b></p>
Thursday 17th December	<p>Australian Employment Data</p> <p><b>BoE Rate Decision</b></p> <p>US Housing Starts</p>
Friday 18th December	<p>BoJ Rate Decision</p> <p><b>UK Retail Sales</b></p> <p>German IFO Index</p>
<b>COMPANY ANNOUNCEMENTS</b>	
Monday 14th December	Sthree
Tuesday 15th December	<p><b>Shaftesbury</b></p> <p><b>Purplebricks</b></p> <p>Bunzl</p>

	Cineworld Trainline
Wednesday 16th December	<b>Dixons Carphone</b> Petrofac Fevertree
Thursday 17th December	<b>Watches of Switzerland</b> FedEx (US) Serco
Friday 18th December	Carnival <b>Nike (US)</b>

## KEY THEME

### Key themes: Brexit, US stimulus, Vaccine Rollouts & Lockdowns

Brexit talks have been extended as Sunday's set deadline proves to be soft. With just three weeks to go until the end of the transition period Brexit headlines are set to continue driving sentiment and the Pound.

US stimulus is another key theme as covid cases continue to surge in the US, lockdown measures tighten and the labour market recovery stalls. Progress has been slow and investors will be hoping for more action before the FOMC and the Christmas recess.

Covid cases and lockdown measures will remain in focus, particularly in the UK, German and the US as the Pfizer vaccination programme starts stateside.

## THE WEEK AHEAD

### Monday

N/A

### Tuesday

#### UK Unemployment

The unemployment rate in the UK has started to climb in recent months from 4.1% to 4.8% in September. This trend is expected to continue over the coming months. The Chancellor predicted unemployment peaking at 7.5% in Q2 next year. Whilst the furlough scheme was extended, it was done at the last minute and too late for many as companies had already started laying off ahead of the second lockdown. Jobless claims, meanwhile, hit 7.3% which is likely a more accurate reflection of the UK jobs market currently. Watch GBP.

#### Purplebricks

Online estate agent Purplebricks will update the market with interim results. A trading update just last month showed Purplebricks was trading well ahead of expectations. Residential instructions were up around 8% on last year with expectations for underlying profit to rise to £4 million, up from £3.54 million previously guided for. The company is a beneficiary of the mini housing boom which started after the first lockdown. However, with the stamp duty holiday due to end at the end of March, as well as uncertainty stemming from the pandemic it is probably too early to suggest that the strong trends will continue into the second half of next year.

#### Shaftsbury

Commercial property landlord Shaftsbury will release full year results on Tuesday, however it's likely to make for grim reading given that most of the group's London portfolio will have been hit hard by the pandemic. The share price is currently trading at just a third of NAV currently 878p. The value of the property portfolio is expected to decline which could also mean that rental income will fall as well. Analysts broadly expect NAV to extend declines towards the end of the year. Rent collection levels and vacancy rates will be under the spotlight for clues over the economic fallout from the pandemic. Expectations are for NAV -14% to 752p.

### Wednesday

#### FOMC

The Federal Reserve are due to make their policy announcement. The last FOMC meeting was immediately after the US Presidential elections and amid gridlock in Capitol Hill over additional fiscal

stimulus. Since then data has clearly showed a stalling of the labour market recovery with much weaker than expected non-farm payrolls. More recently still, jobless claims are starting to climb, surging to a three-month high suggesting that the labour market recovery could actually be reversing as covid cases soar and tighter lockdown restrictions are once again hitting businesses. There has been some slow progress in fiscal stimulus talks. However, optimism is growing that the latest proposal for a \$908 billion stimulus package could possibly being agreed as soon as this week. This would take pressure off the Fed to fill the gap. Watch USD, US indexes.

### **Dixons Carphone**

Dixons Carphone reported 51% drop in full year profits in July to just £166 million as a result of the first lockdown, store closures and higher costs. However, the revenue picture was much more encouraging with online sales surging. WFH and lockdown restrictions have seen customer spending more on home appliances and home office equipment, TVs and gaming console offsetting some of the pandemic hit and particularly the decline in mobile revenue which dropped £409 million to post a loss of £104 million and weakness in the travel arm.

### **EX- Dividends**

**FTSE100:** British American Tobacco, Vodafone, Morrisons, United Utilities

**FTSE250:** Sirius Real Estate, Games Workshop, Britvic, Canswick

### **Thursday**

#### **Bank of England**

The BoE has had a busy year this year, cutting interest rates from 0.75% at the start of the year to a record low of 0.1% during the worst of the pandemic. The central bank also upped its bond buying programme from £435 billion to £875 billion. The latest increase of £150 billion was made just last month November. This year has also seen significant speculation and discussion surrounding negative interest. However, right now this is looking unlikely. This final quarter of the year hasn't seen the same level of economic slowdown that was experienced in Q2 despite the restrictions and lockdown measures hitting output in the service sector. In Q1 next year the BoE will have clarity over vaccination roll outs and how Brexit is shaping up. Watch GBP.

#### **Watches of Switzerland**

Back in October, the luxury watches retailer raised its full year guidance. It experienced a particularly strong Q2 with revenue surging 20% in the 13 weeks to October as a strong UK domestic performance offset weakness from lower tourist and airport business. Investors will be keen to see how the watches specialist have survived the latest lockdown and also what its expectations for the all-important

Christmas period are. The stock jumped sharply after the October update and has continued building on those gains. The stock trades 70% up YTD.

## Friday

### UK retail sales

Since the first lockdown UK retail sales have recorded 6 straight months of gains, with a surprising upbeat 1.2% growth in October. However, this growth is expected to come to a firm halt in November owing to lockdown 2.0 which started 5<sup>th</sup> November. The BRC retail sales monitor showed that retail sales dropped, however some retailers were able to offset a portion of lost sales through greater online and click and collect sales. Using this as a lead indicator we could expect a greater amount of the gap to be filled than in the first lockdown, however sales will still be weak. Watch GBP, UK Retailers.

### Nike

Nike is due to report Q2 results after seeing its share price surge to an all time high earlier this month. Nike has managed to ride out the pandemic relatively well. In Q4 Nike posted loss of \$790 million on revenues of \$6.31 billion owing to lockdowns across Europe & US, after lockdown in China. However, Q1 was much more encouraging thanks to a sharp rise in digital sales of 82% in Q1 and 75% in Q4. With the Chinese economy showing strong signs of recovery, sales in China are expected to pick up, adding to 6% growth in Q1, thanks again to a boost in online sales. EPS\$0.67c is expected after EPS\$0.95c in Q1.

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