

The Week Ahead, 14th September 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 14th September	Eurozone Industrial Production
Tuesday, 15th September	China Retail Sales RBA Minutes UK Employment Data German ZEW Sentiment Index
Wednesday 16th September	UK CPI US Retail Sales FOMC Meeting

Thursday 17th September	Australia Employment Data BoE Rate Decision US Jobless Claims
Friday 18th September	UK Retail Sales US Michigan Consumer Confidence
COMPANY ANNOUNCEMENTS	
Monday 14th September	Sthree
Tuesday 15th September	H&M Ocado Adobe (US) FedEx(US)
Wednesday 16th September	Galliford Try Redrow Inditex
Thursday 17th September	Next Superdry Trainline
Friday 18th September	Investec
KEY THEME	
<p>Central Banks & Brexit</p> <p>Markets and the Pound will be braced for more Brexit drama as the controversial Internal Markets Bill, which proposes overriding parts of the Brexit Treaty will be debated in House of Commons.</p> <p>Central Banks will be in focus with both the Federal Reserve and the BoE making announcements, although both are expected to sit on their hands.</p>	

Vaccine news could also drive sentiment after the Oxford / AstraZeneca trials saw a routine halt last week and are expected to continue this week.UK

THE WEEK AHEAD

Monday

Tuesday

UK Jobless Claims

The ILO UK unemployment measure isn't painting an accurate picture of the current situation in the UK labour market at the moment. The latest reading showed that the unemployment rate stood at just 3.9% for the three months to June. The inaccuracy arises because it doesn't include those who are on furlough, who aren't yet classified as unemployed. The good news is that over two thirds of those furloughed are now back at work. The final 2 million could find themselves joining the dole queue rather than being employed as the government's support to the labour market comes to an end next month and as social distancing restrictions are being tightened once again in the face of a second wave of Covid infections.

Ocado

Ocado will be updating the market with a trading statement. This only covers the period up to 1st September, the day that Marks and Spencer grocery delivery service through Ocado began. The market is be more interest in comments overt demand levels in the first few days of trading together, particularly given the extensive advertising campaign leading up to the launch and in light of the significance of the deal to each company. August saw the share price reach new record highs despite the business still not posting a profit. The deal with Marks and Spencer is expected to see revenues rise by some 10%-15% in the coming year.

Apple: Event

Various upgrades and new products will be scrutinised at the latest Apple event. Upgrades to iPad, Apple Watch in addition to the new iPhone 12 are on the radar. Speculation is swirling that the new iPhone 12 could be aimed more at the lower end of the market following the success for its SE and given the global downturn. The business services arm is also performing well. However, Apple TV is still a long way from competing with Netflix and Amazon Prime. Apple recently became the first \$2 trillion dollar company. It had struck an all-time high in August and also performed a stock split making its stock price more accessible and more available for traders. Apple, along with other US big tech names have experienced a sharp selloff over the past few sessions as investors question lofty valuations in the sector.

Wednesday

US Retail Sales

Retail sales in July painted a mix picture, printing at +1.2%, slightly worse than expected, however and there was also an upward revision for June from 7.5% to 8.4%. The data shows that the US economic recovery post lockdown continues, although the pace is slowing. The resilience of the US labour market with unemployment falling by more than expected to 8.4% is a positive sign for consumer spending and retail sales. However, Congress failing to agree to additional stimulus to replace the expired \$600 unemployment benefit top up which expired at the end of July, could start to show through in retail sales this month.

FOMC

The Federal Reserve will announce their monetary policy announcement, particularly with the US elections less than two months away. The Fed is not expected to act this month. The announcement comes after Fed Chairman Jerome Powell said at the Jackson Hole symposium that the Fed will now look for a 2% average inflation rate over. This means that the Fed will not be concerned by an inflation overshoot following periods of time when it has missed that target, which it has done since December 2018. This means that the Fed will be keeping interest rates lower for longer as they are less concerned about the inflation mandate than the employment component to the dual mandate. Making the US Dollar less attractive whilst underpinning US stocks.

Redrow

House builder Redrow is due to report full year results on Wednesday following upbeat updates from peers in recent weeks and following impressive house price data revealing house prices continue to rise thanks to pent up demand and the stamp duty holiday. That said questions remain over what this means for Redrow. The housebuilder has already warned that re-establishing build programmes, time frames and efficiency could all be affected by the new Covid safety measures. The stock trades -41% YTD, underperforming peers and the broader market.

Dividends

FTSE 100: Intertek.

FTSE 250: Sanne Group.

Thursday

Bank of England

The BoE is not expected to adjust monetary policy this time. However, the markets will be listening closely to what the central banks says regarding negative interest rates as the debate rolls on. The central bank has been careful not to rule out such a move even though negative rates would be extremely damaging to the UK financial sector. Recent economic data has provided little evidence that additional supportive measures are needed right now. The central bank is expected to affirm its commitment to additional monetary stimulus should it be deemed necessary. Watch GBP/USD & GBP crosses.

Next

Next is due to update the market with half year results. This comes after its most recent update showed a 28% decline in sales in Q2; not as bad as initially feared. Next's online offering has set them up well for the accelerated shift of online shopping. Investors will be keen to see how the outlook is measuring up compared to the three scenarios for H2 presented by Chief executive Simon Wolfson Attention. These were sales down 5%, 19% and 33%, leaving full year sales down, 18%, 26% or 33%. Under these scenarios pre-tax profits could be expected between £15million, £195m or £330 million, compared to £729m a year ago. Next trades -15% YTD outperforming the broader market.

Trainline

When Trainline report their first half trading update, it will be the first we have heard from them in four months following year end (February) results in May. As lockdown measures have eased, transport usage has started to pick up again, but by how much? Investors will be particularly keen to hear of any increases in advance tickets particularly from season ticket commuters for clues over how we can see usage picking up across the coming months. The stock trades -21% YTD, roughly in line with the broader market.

Friday

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