ATLANTIC CAPITAL MARKETS

The Week Ahead, 15th February 2021
Barclays, NatWest, UK CPI, Retail Sales

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

ECONOMIC DATA

Monday 15th February	US Markets Closed
Tuesday 16th February	RBA Meeting Minutes EZ GDP Q4 (2nd estimate) German ZEW Index US Empire State Mfg
Wednesday 17th February	**UK CPI** US Retail Sales Canada CPI

	US FOMC Minutes
Thursday 18th February	Australia Employment Data US Jobless Claims US EIA Crude oil inventories
Friday 19th February	**UK Retail Sales** EZ Mfg & Services PMI UK Mfg & Services PMI US Mfg & Services PMI

COMPANY ANNOUNCEMENTS

Monday 15th February	N/A
Tuesday 16th February	**Glencore** BHP Safestore
Wednesday 17th February	**British American Tobacco** Rio Tinto Hochschild Mining

Thursday 18th February	**Barclays** **Hays** Smith & Nephew Daimler KLM Credit Suisse Walmart (US
Friday 19th February	**NatWest** **SEGRO** Danone Allianz

KEY THEME

Key themes: President Day, Lunar New Year, Vaccine

The start of the week is expected to be slow with a US public holiday and the Chinese New Year. As the week progresses economic data is set to pick up particularly in the UK which sees the release of inflation data, retail sales and PMI numbers.

Covid vaccinations in the UK have reached a milestone 15 million and optimism surrounding the reopening of the UK economy could keep riskier assets well supported. In addition to vaccine rollout data and news on covid variants will be closely eyed.

Stateside, US fiscal stimulus developments are expected to remain centre stage with House Speaker Nancy Pelosi saying that the stimulus programme should be approved by the end of February.

THE WEEK AHEAD

Monday

N/A

Tuesday

Glencore

Glencore is due to report final results on Tuesday 16th February. The miner warned in the latest production report that metal, coal & oil production fell in 2020 owing to disruptions from the pandemic. However, gold, silver and zinc production increased. Expectations are for revenue to come in at $157.2 billion down 27%. Investors will also be looking for further updates on the sale of non-core assets. News on the dividend is also awaited after being scrapped in 2020. In the case that net debt falls below $16 billion the dividend is expected to be re-instated. The stock trades around levels seen back in 2019.

Wednesday

British American Tobacco

Finals results from BATS come just weeks after the Serious Fraud Office decided to draw a line under its investigation into corruption in the South African business. Analysts are expecting BATS to report organic growth in the region of 3.6% for last year and predict 6.7% growth for 2021. Investors will be looking to see whether BATS guidance is inline with this. Updates surrounding New Generation Products such as vaping brands Vype and glo.

UK CPI

The bond market has been reflecting rising longer term inflation expectations since late last year thanks in part to huge fiscal support on both sides of the Atlantic. The bond markets are showing some concerns that extensive extras liquidity combined with the reopening of economies could cause a sharp spike in inflation. Equally price rises are not expected to be visible in January's CPI reading. That said this number could become more interesting as we head through Q2. Expectations are for January CPI to ease to 0.5% from 0.6% whilst core prices are expected to decline from 1.4% to 1.3% in January. Watch GBP crosses.

FOMC minutes

The January Fed meeting to which the minutes relate, saw the Fed hold steady on policy, as expected. Federal Reserve Chair Jerome Powell stressed the fragile nature of the US economic recovery, pointing out that the economy was a little weaker in January than it had been in the month prior. He reiterated that the Fed was willing to tolerate inflation above 2% meaning that any short-term pressures to be looked through. Even so, investors will be scrutinising the minutes for clues light on whether a few members of the Fed wan to discuss the appropriate timing for the withdrawal of stimulus. Watch USD.

EX- Dividends

FTSE100: Tesco, Imperial Brands, BP, Pershing Square, GlaxoSmithKline, Shell

FTSE250: NextEnergy, Murray Income Trust, GCP Student Living

Thursday

Barclays

Between Brexit and Covid, UK banks in general have underperformed. Barclays has been the best performer of the big 4 UK banks and trades -15% from the end of 2019. The pick-up mid-March lows has been a hard grind with dividends cut and a total of £4.3 billion set aside for bad debt. In H1 this amount was £3.7 billion, whilst in Q3 the amount dropped sharply to £608 million. Provisions in H2 are expected to be lower than in H1. That said, with two more lockdowns optimism over the outlook could be premature. On the plus side, Barclays has a substantial investment banking arm and if the US bank's performance is anything to go by, this division could well help to offset weakness in the retail division. Any signs of out-performance could mean a step closer to the dividend being reinstated.

Hays

The hiring slump across the globe due to the pandemic has meant recovery for recruiters has been slow. Net hiring fees dropped 19% in the last three months of 2020, a grim number but an improvement on the 29% in the three months prior. The global spread of Hays has made it resilient, although recent lockdowns could delay further progress in the recovery. That said, the vaccine rollout should help to restore business confidence and hiring prospects. Like for like net fee is expected to be down -13%. Watching the number of permanent versus temporary placements can be a good indicator of economic optimism.

Friday

NatWest

NatWest has proved to be much more resilient through the pandemic than initially expected. The pandemic brough large scale economic havoc of the pandemic and NatWest has many small and medium sized businesses which were particularly vulnerable to the sharp shock to the economy. Provisions for bad loans were hiked dramatically in early 2020 but those defaults didn't materialise in the numbers expected. Q3 profits were head of forecasts at £355 million. However, a second and third lockdown are likely to have added more pressure to already struggling businesses and more bad debt could start showing through. Whilst concerns over negative rates have been quelled for now, NatWest along with other UK banks still face the challenge of making money in a low interest rate environment.

SEGRO

SEGRO will report final results on Friday. The pandemic boom in ecommerce, plus the bureaucracy in post Brexit trade are key tailwinds for the out of town warehouse and industrial sites owner. In a trading update in January 98% of SEGRO's rent owed had been received on time. Furthermore 88% of rent for Q1 2021 had also been received boding well. Investors will be hoping that this trend will remain in place as the UK emerges from the pandemic.

UK retail sales

Following from the first lockdown in April last year retail sales saw six straight months of gains. This growth was stopped in its tracks in November following lockdown 2.0 resulting in -3.8% decline in sales with the biggest drag stemming from the closure of bars and restaurants. Digital sales are unsurprisingly booming which offsets at least as some of the weakness. Following a brief easing of lockdown restrictions before Christmas, the January lockdown will almost certainly result in weak consumer spending. We know the BoE are expecting a 4% contraction in the first three months of 2021. January retail sales could give some indications as to how consumers are feeling as the new year kicked off. Watch GBP, FTSE.