

The Week Ahead, 16th November 2020

UK & US Retail Sales, Vodafone, easyJet, Royal Mail & Walmart

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 16th November	China Retail Sales
Tuesday 17th November	US Retail Sales Japan Trade Balance
Wednesday 18th November	UK CPI US Housing Starts & Permits EIA Crude Inventories

Thursday 19th November	Australia Employment Data US Jobless Claims
Friday 20th November	UK Retail Sales EZ Consumer Confidence
COMPANY ANNOUNCEMENTS	
Monday 16th November	Vodafone Smiths Group
Tuesday 17th November	easyJet Imperial Brands Experian Home Depot (US) Walmart (US)
Wednesday 18th November	Halfords British Land SSE Fevertree NVIDIA (US)
Thursday 19th November	Royal Mail Kingfisher Close Brothers Macy's (US) Gap (US)
Friday 20th November	Sage
KEY THEME	

Key theme: Surging Covid & Brexit

Financial markets are being whipsawed as covid-19 vaccine optimism faces concerns over a steep rise in covid cases in Europe and the US raising the chances of tighter lockdown restrictions to stem the spread of the virus. The offsetting forecasts are likely to continue dictating the market as investors jump between value and growth stocks.

Brexit will be in focus in a key week as talks reach a crunch point. After plenty of soft deadlines, the main outstanding issues must be resolved this week. After Vote Leave allies and advisors to the PM Dominic Cummings and Lee Cain resigned from their positions last week, Boris Johnson could find he has more political space to compromise and secure a trade deal.

THE WEEK AHEAD

Monday

Vodafone

Figures from Vodafone back in July showed a better than expected performance, even though revenues declined 1.3% to just shy of €9 billion. Declining roaming charges and visitor revenues brought about by covid travel restrictions was the primary driver for the decline, whilst fixed service revenues experienced solid gains. Even so this rise was insufficient to offset the fall in mobile revenues. Italy & Spain saw the biggest hit. These countries' performance remains a concern. Furthermore, Vodafone is facing steep competition from BT & Telefonica throughout Europe and investors will be hoping that recent additions to the mobile entertainment plan could help to lift the share price off October lows.

Tuesday

US Retail sales

US retail sales over past few months have showed a solid V shaped recovery from the pandemic inspired collapse in sales in March and April. The past 5 months have seen a strong rebound and the expectation is that this will spill into a 6th straight month. Even though consumer spending appears to be resilient, there are still concerns over the health of the US economy, given that 9 million more Americans are out of a job now that at the start of the year. That said, the rate of unemployment has improved quickly to its current level of 6.9%, despite congress failing to reach an additional covid rescue package. The question is with US new daily covid cases as 177,000 a record high a second lockdown in many places could be imminent. Retail sales MoM in October are expected at 0.6%, down from September's 1.9%. Watch USD & US indexes.

easyJet

The budget airline is expecting a full year pre-tax loss of £815m - £845m, with another £440m on exceptional items. It will report a week after Pfizer's vaccine announcement lifted the share price by 27% across the week. Quite simply a viable vaccine could see a solid recovery in summer 2021 meaning that there is light at the end of the tunnel for airlines. Still there is a dark winter period to get through first. Investors will pay particular attention to any changes in capacity, which is currently expected to be at 25% of planned capacity. Forward guidance for the Spring will also be closely eyed.

Walmart

In addition to US retail sales, US retailers will be in focus updating on their sales. Walmart has been one of the few success stories across the pandemic with the share price surging. E-commerce sales roared 74% higher in Q1, followed by 97% increase in 2 as the pandemic accelerated the shift to online shopping. One of the reasons behind the Q2 jump was US stimulus payments from the US government. Given that no new stimulus package has been agreed, this boost will not exist in Q3. Costs will be in focus and are expected to have increased as more people were employed to clean, stock shelves and to help the online side of the business.

Wednesday

Halfords

Halfords' H1 results come after an update in October, so there shouldn't be too many surprises. Like-for-like sales will be in the black and pre-tax profits above £55m initially expected owing to a strong demand for bicycles and solid post lockdown trading. The big question is whether these trends, particularly cycling have continued. Expectations of a second lockdown could have offset the usual drop off in sales heading towards winter. Attention will be on the outlook and Halford online offering, which it has invested heavily into, with digital sales now accounting for over 50% of sales.

British Land

British Land, along with its peers have been hit hard by the working from home trend. This is a trend which could well continue to some degree even with a vaccine. With this in mind investors will pay particularly close attention to strategy going forward. Currently around 50% of British Land's office space is occupied. However, rental could well come under more pressure should WFH continue as a new longer-term trend. Click and collect shopping has lifted the retail portfolio even in lockdown 2.0. On the other side of that same coin, the surge in digital shopping is impacting on British Land's high street interests. As many businesses are going bust, filling those empty spaces could be difficult and push British Land into lowering rent considerably.

EX- Dividends

FTSE 100: DCC, Scottish Mortgage Inv. Trust, Smurfit Kappa

FTSE 250: Civitas, Electrocomponents, Genus, Great Portland Estates, Morgan Advanced Materials, Tate & Lyle, Vivo Energy

Thursday

Kingfisher

B&Q owner Kingfisher's trading update will draw plenty of attention as the UK continues through its second lockdown, a measure which could have been a positive for the firm, as customers spend more time on their homes pursuing home improvement projects. Given that the shops are considered essential, they are permitted to remain open in lockdown. The fact that other stores are closed could also send more customers through its doors. Focus will be on sales early on in lockdown, in addition to plans for the £73m gained from the sale of Castorama Russia last month.

Royal Mail

Royal Mail is due to post H1 results through to September 27. The sharp decline in letter volumes remains a key issue, in addition to the under investment in automation which has left Royal Mail playing catch up with competition despite its position as UK universal postal provider. Additional covid costs will have eaten into profit significantly. Also in focus will be any news on negotiations with unions and the improvement in profits compared to past guidance. Now that CEO Rico Back has left there is hope that the new management will re-engage with the workforce and help push through further efficiencies.

Friday

UK Retail sales

Solid consumption helped to drive a strong rebound in retail sales in Q3. As in the states, the UK has seen 5 months consecutive months of gains since the March April collapse. However, with lockdown restrictions tightening again in October across parts of the country there is a good chance that retail sales were hit even before the full national lockdown was imposed starting in November. In September retail sales increased 1.5%. However recent data has pointed to a slowdown in October. After a stellar Q3, Q4 retail sales could be a stark contrast. Watch GBP & UK retailers.

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