

The Week Ahead, 21st June 2021

Fed, UK Unemployment, CPI, Retail Sales, Tesco, Boohoo, Whitbread

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

ECONOMIC DATA

Monday 21st June	n/a
Tuesday 22nd June	Eurozone Consumer Confidence US Existing Home Sales
Wednesday 23rd June	Eurozone Manufacturing & Services PMI UK Manufacturing & Services PMI US Manufacturing & Services PMI US New Homes Sales US EIA Crude Oil Inventories
Thursday 24th June	German IFO Index BoE Rate Decision US Durable Goods

	US Banks Stress Test
Friday 25th June	<p>German GFK Consumer Confidence</p> <p>US PCE</p> <p>US Personal Spending</p> <p>US Michigan Consumer Confidence</p>
COMPANY ANNOUNCEMENTS	
Monday 21st June	Bunzl
Tuesday 22nd June	<p>DS Smith</p> <p>Centamin</p>
Wednesday 23rd June	<p>Berkeley Group</p> <p>Crest Nicholson</p>
Thursday 24th June	<p>John Wood Group</p> <p>Nike</p> <p>Fedex</p>
Friday 25th June	N/A
KEY THEME	

Key themes:

After the Fed's surprise hawkish shift sent turbulence through the markets last week – the Dollar rallied and stocks dived – we can expect a heightened focus on inflation and the Fed, when Jerome Powell testifies before Congress on Tuesday and the PCE reading on Friday.

Here in the UK, the BoE will be in focus in the second part of the week. Before then pub groups and broadcasters will be hoping that England manages to stay in the Euro 2020 competition for at least a few more games. The next match is on Tuesday. Each England match is said to be worth million for pub groups. For ITV it is also an important for ratings and prime time ads. Finally, covid cases will also be watched carefully as the Delta variant continues to spread.

THE WEEK AHEAD

Monday

N/A

Tuesday

DS Smith

Packaging maker DS Smith is due to release final results on Tuesday. Expectations are running high after as the firm is expected to have benefitted from the boom in e-commerce sales across the pandemic. Demand for corrugated boxes is expected to rise 7% YoY, an encouraging number. However, costs to make these boxes have also increased which could put some pressure on the bottom line. Investors will be keen to hear how DS Smiths looks to deal with rising costs and its outlook as the final easing of lockdown restrictions occurs in the coming month.

Wednesday

Berkeley Group

The housing market has boomed across the pandemic as people re-assessed their space needs and thanks to the government's stamp duty holiday. Demand rose for houses outside of London, which was less favourable for Berkeley Group given their predominant London exposure. Berkeley Group's March update was rather lackluster with profits expected to flatten out in 2021 and 2022 at £504 million and forward sales at £1.7 billion. The share price remains below the pre-pandemic peak as it struggles to re-take 4900p. Even so, the firm remains committed to returning £280 million of cash a year to shareholders through dividends and or buybacks.

UK PMIs June

More lockdown restrictions were eased in May and business activity rebounded with the Composite PMI hitting a record high. The manufacturing sector continued to lead the rebound in May, hitting 65.5 a record high, whilst services activity jumped to 62.9 its highest level in 24 years. Rising demand for both goods and services in addition to strong employment subcomponents points to a strong economic rebound in the second quarter. The question is whether this rebound is sustainable? June PMIs are expected to be upbeat. Watch GBP, FTSE

European PMIs June

The manufacturing sector has been the driving force in business activity across the pandemic whilst the service sector contracted. The services sector is starting to show improvements as Europe's vaccination programme ramps up and lockdown restrictions are eased following its third wave of covid. However, progress is patchy and Germany, for example only lifted pandemic restrictions this month. The initial June reading could be too early to see much change from the May service sector PMI. Watch EUR, EuroStocks, DAX, CAC

EX- Dividends

FTSE100: JD Sports, Vodafone, Experian, British Land

FTSE250: Artel Africa, LXI, Tate & Lyle, Edinburgh Inv Trust, Mercantile Inv Trust

Thursday

BoE

The health of the UK economy has continued to improve since the last BoE monetary policy meeting. In the May meeting the central bank upwardly revised its GDP outlook from 5% to 7.5%. Data since then has remained strong and ticked higher in many cases as the Government eased lockdown restrictions. PMI numbers show that the dominant UK services sector expanded firmly as the UK economy re-opened. Inflation has jumped to 2.1% above the BoE's target level. However, rising covid cases owing to the Delta variant has seen Prime Minister Boris Johnson push back on the final lifting of lockdown measures to July which could delay the economic rebound. Its Chief Economist Andy Haldane's last meeting. Andy Haldane is known for his more hawkish views. Watch GBP, FTSE

Wood Group

Last month the consulting and engineering firm warned that trading had been slower than anticipated. A solid performance in the consulting division failed to offset weakness in Projects as large contracts rolled off and covid hit operations. Even so, guidance has been maintained thanks to improving momentum and margins could be even stronger this year. Activity in the consulting business will be eyed as well as a potential uptick in operations from energy & chemicals.

Nike

Nike is due to release Q4 earnings amid rising Chinese political tensions which could put sales growth in the region under pressure. The share price has been steadily falling across the quarter reflecting concerns from the fallout from March criticism about forced labour in the Uyghur minority. Chinese revenues rose 42% in the third quarter, offsetting a 10% decline in sales in North America, the decline was blamed on supply chain challenges. With ongoing supply chain bottlenecks in addition to continued Chinese anger Q4 results could be softer. Consensus estimates point to EPS \$0.51 on \$11.24 billion but even this could be too optimistic given the political tensions. Longer term the prospects for Nike are still upbeat owing to accelerated innovation and digitalisation

US Banks Stress Test

Lat year the US Federal Reserve stopped all bank buybacks and dividend payments to make sure the banking system could cope with the fallout from the pandemic hit to the economy. Earlier this year this changed slightly and those banks that passed certain tests could restart these activities in a limited manner. On Thursday the Fed will release the results of the latest stress test on the banks. The banks which pass this test will have all restrictions removed as from the end of this month. All eyes will be on which banks pass, particularly with Q2 earnings season coming in under a month.

Friday

US PCE May

The Fed's favorite measure of inflation will be in focus than usual given that CPI is at a 12 year high and core CPI a 30 year high. In April PCE came in at 3.6% twice March's 1.8%, and the highest level since 2008. The May print is likely to reflect the rise in inflation that has been coming through in other inflation numbers. Expectations are for a sharp rise to 4% which could reinforce expectations of a more hawkish Fed, particularly given the Fed's surprise hawkish shift in tone in the FOMC meeting last week. This would be the highest print since the early '90's. Watch USD, US indices.