

The Week Ahead, 21st 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 21st September	
Tuesday, 22nd September	EZ Consumer Confidence US Existing Home Sales
Wednesday 23rd September	German GFK Consumer Confidence French/German/EZ Manufacturing & Services PMI UK Manufacturing & Services PMI US Manufacturing & Services PMI EIA Crude Inventories
Thursday 24th September	

	German IFO Sentiment Index US Initial Jobless Claims US New Home Sales
Friday 25th September	US Durable Goods
COMPANY ANNOUNCEMENTS	
Monday 21st September	Informa HY Superdry FY
Tuesday 22nd September	AB Barr HY Close Brothers FY Kingfisher HY Nike (US) Q1
Wednesday 23rd September	SSP Q4 Trading Statement
Thursday 24th September	Cineworld HY United Utilities Trading Statement DFS Furniture FY Go -Ahead Group FY Smiths Group FY Costco (US) Q1
Friday 25th September	PZ Cussons – AGM Trading statement Pennon – Trading statement
KEY THEME	
Central Banks & Brexit The economic calendar is much quieter this week, with PMI readings taking centre stage, providing further insight into the global economic recovery in September. With a sparse economic calendar politics could well dominate, particularly as the clock continues to tick down to Brexit and the US Presidential elections.	

Rising coronavirus numbers in Europe and fears of a second national lockdown here in the UK could drag on risk sentiment across the week.

THE WEEK AHEAD

Monday

Informa

Informa will post interim results on Monday. The last we heard from the global events and exhibitions organiser was back in June when the company revealed that they were planning to restart events in China from July, with the US and UK still on hold. 160 events worth £300 million in revenue had been cancelled with a further 300 going digital. This year is a write off for the industry and there are growing fears that the cancellations in the industry could continue well into the first half of next year. The subscription-based part of the business, which accounts for 35% of revenue, is a bright spot, although this could be affected by the disruption to the academic year.

Tuesday

Kingfisher

Prior to the coronavirus pandemic, Kingfisher, the owner of B&Q and Screwfix was having a tough time and shares traded at the lowest levels since 2008. However, lockdown saw a revival towards gardening and DIY, providing a strong boost to the stock. Expectations are for first half adjusted profits to beat last year's £337 million. Like for like sales in H1 were -3.7% after surging 21.6% in Q2 owing to strong e-commerce sales and the reopening of its stores post lockdown. The focus will be on trading in August & September. Given the uncertain outlook, it seems unlikely that Kingfisher will join the list of dividend paying stocks just yet.

Nike

Is due to report. Nike's Q3 results in March revealed strong online revenues but weakness in China following the Chinese covid lockdown in February. Whilst greater China store reopened in March, Nike stores closed in Europe and US owing to lockdowns there and this will show up in the numbers. Expectations are for a loss of \$790 million, or \$0.51 per share in the fourth quarter on revenues of \$6.31 billion, a -38% decline from last year. Even so, the share price has continued to go from strength to strength, hitting a fresh record high just this month. This has been partly due to soaring online sales, up a staggering 75%. Costs continue to be in focus as they drag on margins, which have fallen to 37.3%.

Wednesday

France & Germany Manufacturing / Services PMI

Recent data from both France and Germany has pointed to the economic recovery in these countries running out of steam. The latest PMI figures from Germany were mixed, with services showing a marked slowdown to 52.5, following a strong performance in July. France showed a similar trend with service sector activity dropping from 57.3 to 51.5 as rising coronavirus infections prompted local tightening of lockdown measures. After deep economic contractions in the second quarter, Q3 is shaping up to be significantly more robust. However, further slowdowns in September PMI's could raise questions over the sustainability of the economic rebound.

UK Manufacturing / Services PMI

The British economic recovery has been encouraging. PMI's in August outperformed and expectations are high that economic activity in the manufacturing and service sector could maintain August's levels when Rishi Sunak's "Eat Out to Help Out" scheme providing a strong boost to the service sector, with activity hitting a 5 year high. With nerves growing over Brexit and job security, the services sector particularly could come under growing pressure going forwards. A weak reading could keep the Pound firmly below \$1.30.

Dividends

FTSE 100: WM Morrison.

FTSE 250: John Laing, Computacenter, Ferrexpro, Law Debenture.

Thursday

US Jobless Claims

Last week initial jobless claims slipped lower to 860,000 indicating the US labour market is showing some resilience. The end of the Federal \$600 additional unemployment benefit hasn't resulted in the spike in claims that some feared. Initial claims are falling steadily and are expected to decline to 820,000 when reported on Thursday. However, this is still extremely high in the grand scheme of things which is starting to reflect in deteriorating macro data points. For example, US retail sales rose significantly less in August than July, and less than forecast pointing to a decline in consumption, most likely owing to reduced disposable income. The US Dollar could be directed by the print in addition to broader sentiment driving US equity indices.

Cineworld

To say it has been a tough 6 months for Cineworld would be an understatement. The group's 787 cinemas closed in lockdown raising questions over the group's huge debt pile. The planned Cineplex debt funded acquisition fell through, a relief for liquidity even though both sides are now in litigation proceedings. The big focus, however, will be on the outlook. Cineworld was experiencing declining attendance even before the pandemic. Blockbusters were where cinemas made most of their money. However, that is changing; Disney's Mulan was the first blockbuster to go straight to streaming bypassing cinemas. Is this a sign of what's to come?

United Utilities

United Utilities is expected to update the market on Thursday. Revenues are expected to remain resilient, given that water supply to houses is a necessity rather than a luxury. However, with household's finances under pressure, there could be struggles to pay bills across the country. As a regulated business capital growth will never be attention grabbing. However, a predictable dividend is more likely. Attention will be on UU's dividend policy and the prospect for pre-pandemic plans to grow dividends by over the next 5 years in line with inflation. The plan for dividends will depend largely on customers ability to pay bills and costs, particularly in light of increased pressure from the government and regulators to improve their environmental performance.

Friday

PZ Cussons

The last we heard from the makers of Carex, Imperial Leather soaps, hand sanitisers and gel was back in lockdown in mid-April. The share price has since surged just shy of 20% amid an expected strong performance of hygiene products, which spiked in the coronavirus period. At the time Cussons said that owing to a shortage of raw materials the hygiene business was not able to produce enough soaps and sanitisers to meet demand. The beauty business was also affected by social distancing measures.

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