

## The Week Ahead, 22nd February 2021

# UK Unemployment, Lloyds & HSBC Results

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

### ECONOMIC DATA

Monday 22nd February	German IFO Index
Tuesday 23rd February	<b>UK Unemployment Data</b> US Consumer Confidence
Wednesday 24th February	<b>German Q4 GDP</b> US New Homes Sales US EIA Crude Oil Inventories
Thursday 25th February	US Durable Goods Orders Initial Jobless Claims

Friday 26th February	<b>US personal income &amp; spending</b>
<b>COMPANY ANNOUNCEMENTS</b>	
Monday 22nd February	N/A
Tuesday 23rd February	<b>HSBC</b> InterContinental Hotels Home Depot (US) Macy's (US)
Wednesday 24th February	<b>Lloyds</b> Reckitt Benckiser NVIDIA
Thursday 25th February	Standard Chartered <b>Anglo American</b> <b>AB Foods</b> Aston Martin BAE Systems Centrica Nikola (US) Airbnb (US)

	Moderna (US)
Friday 26th February	<b>IAG</b> RSA Insurance Rightmove

## KEY THEME

### Key themes

UK sentiment could kick the week off on an upbeat tone as PM Boris Johnson is set to lay out plans to ease lockdown restrictions and start reopening the UK economy. Investors will also be watching closely as both BoE's Andrew Bailey & Fed Chair Powell are due to give testimony's before their respective legislatures this week.

The economic data calendar is slightly quieter this week, although a long list of companies reporting from the likes of Lloyds, HSBC and Anglo American will more than make up for that.

## THE WEEK AHEAD

### Monday

N/A

### Tuesday

#### HSBC

As with other banks the restarting of dividends will be watched closely. However, this is likely to be overshadowed by the latest strategic update from Chief Executive Noel Quinn who is expected to intensify the pivot towards Asia and the withdrawal from consumer banking in the US after concluding that it can't turn around its struggling unit. The US division has been running at a loss for the past 3 years. Whilst additional restructuring costs are expected to be a drag in the near term, the rebound focusing on Asia could well be stronger. Cost cutting measures and an update on the sales of its 200 branch French retail network are also expected.

## UK unemployment data

UK unemployment could tick higher in the three months to December, edging above 5% for the first time since the Brexit referendum in 2016. This figure seems particularly low given the turmoil in the economy. However, it doesn't include furloughed workers or those that have left the UK. With the UK in a third lockdown and reopening expected to be very slow and gradual, many businesses could be taking the decision that there is little point in keeping workers on furlough, yet these redundancies won't be reflected in December's data. The BoE expects UK unemployment to reach a peak 7.5% in Q2. The monthly jobless claims numbers could well be a truer reflection of what's going on in the labour market. In December it reached 7.4% and claims are expected to rise to 7.5% in January. Watch GBP.

## Wednesday

### Lloyds

Profits are expected to fall sharply in full year results, this will be largely down to bad loan write offs due to the economic impact of covid on its customers. Impairment charges are expected to reach £4.7 billion in 2020 after an expected £586 million in the final quarter of the year. This would result in a pre-tax profit of £905 million a significant reduction from £4.4 billion the year earlier. Investors will be keen to hear if Lloyds will follow in the footsteps of its peers and reinstate the dividend are being forced to halt payments last year. Expectations are for a 1p dividend. Net interest income is also likely to be in focus, this measures the amount that Lloyds makes on its mortgages. With interest rates so low this is expected to remain under pressure.

### William Hill

William Hill is due to report final results just weeks after announcing a return to growth in the final three months of 2020 owing to a solid performance in its sports betting division both in the UK and the US. In fact, the US business will be particularly under the spotlight given its strong revenue growth last year. Shareholders have recently approved a £2.9 billion takeover by Caesar's Entertainment which is set to complete in Q2.

### German Q4 GDP

The German economy sunk into recession in the first half of 2020. The Q1 GDP recorded 2% contraction which was then followed by a -9.7% contraction in Q2. Q3 saw a rebound of 8.5% reversing some of the pandemic lockdown hit. The preliminary reading of Q4 GDP showed the economy recorded 0.1% expansion. However, that is little consolation given the deep contraction that is expected from Q1 2021 as lockdown restrictions were tightened and extended and as the vaccine programme has been slow to rollout. Watch Euro.

## EX- Dividends

**FTSE100:** Diageo, Land Securities, Unilever, Barclays, AstraZeneca

## Thursday

### AB Foods

Following Prime Minister Boris Johnson's big update at the start of the week investors will be looking for any news on the reopening of Primark shops in Thursday's trading update. Last month AB Foods warned that it will lose £1.05 billion if stores remain closed until H1 end at the end of Feb. This would put H1 operating profit at approximately break-even, down from £441 million the year earlier. Should all shops remain shut until the end of March profits are expected to be £300 million lower. With no online presence for Primark, online sales can't make up from the store closures. That said, the grocery division of AB Foods has benefited from increased sales over lockdown.

### Anglo American

Anglo American is due to release full year results. Whilst commodity prices collapsed in H1 of 2020 this was offset by rebounding prices in H2. However, investors will be more focused on the outlook as the group intends to dispose of its coal operations in the coming years and as it invests in new projects like the Quellaveco copper & Woodsmith polyhalite mines. Acquisitions and increased investment has led to an increase in net debt in H1 which will be closely eyed, along with dividend payouts.

## Friday

### IAG

With much of the fleet grounded and travel restriction ongoing weekly cash burn will be the most closely watched metric. At the end of September IAG was burning €205 million per week, that figure is expected to remain broadly unchanged. Capacity levels will be in focus with IAG operating at 78.6% below 2019 levels the last we heard. The first signs of improvement are likely to be seen in this metric although it is likely to still be early days for any notable improvement.

### US Personal spending and income

US Personal spending had been recovering well across the year following a steep drop in March & April last year. However, that recovery came to half in November. Personal spending declined -0.4% amid the resurgence of covid & tighter lockdown restrictions. December saw a marginal improvement to -0.2% in what is normally a very strong period. That said the \$900 billion fiscal support package agreed at the end of December could well mean that personal spending picked up in January. The prospect of a further \$1.9 trillion stimulus package in the coming months could also help personal spending and the economy moving into Q2. Watch USD.