




**ATLANTIC CAPITAL MARKETS**

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**Week Ahead 24th -28th August, Jackson Hole Symposium, German & US GDP, Rolls Royce & WPP**



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 in more depth below.

**Economic Data**

|                                   |   |
|-----------------------------------|---|
| Monday 24 <sup>th</sup> August    | -US Chicago Fed Index (Jul)   |
| Tuesday 25 <sup>th</sup> August   | - <b>German GDP Q2 final</b><br>- <b>German IFO Index</b><br>US Consumer Confidence   |
| Wednesday 26 <sup>th</sup> August | - US Durable Goods<br>- EIA Crude Inventories   |
| Thursday 27 <sup>th</sup> August  | - <b>Jackson Hole Symposium</b><br>- <b>US GDP Q2 2<sup>nd</sup> estimate</b><br>- <b>US Jobless Claims</b><br>-US Pending Home Sales |
| Friday 28 <sup>th</sup> August    | -German GFK Consumer Confidence (Sept)<br>-Canada GDP (Q2)<br>-US Personal Income & Spending (July)                                   |

### **Companies Reporting**

|                                   |   |
|-----------------------------------|---|
| Monday 24 <sup>th</sup> August    | - <b>Bunzl</b>  |
| Tuesday 25 <sup>th</sup> August   | -Best Buy (US)<br>-Hewlett Packard (US)                     |
| Wednesday 26 <sup>th</sup> August | - <b>Provident Financial</b><br>-Polymetal                  |
| Thursday 27 <sup>th</sup> August  | -Hays (FY)<br>- <b>Rolls Royce</b><br>- <b>WPP</b><br>-Dell |
| Friday 28 <sup>th</sup> August    |   |

### **Key theme: Central Bankers & GDP Figures As 2nd Wave Fears Grow**

Markets are in for a busy week. The US is set to steal the limelight with the annual Jackson Hole gathering for central bankers going online, in addition to US Q2 GDP 2<sup>nd</sup> estimate and initial jobless claims will also be keenly awaited. GDP estimates for Germany and France will be in focus as well as the German IFO reading as the number of coronavirus cases in Europe spike, fuelling fears of a second wave.

### **Bunzl - Monday**

Bunzl had a solid start to this fiscal year after reporting solid Q1 figures. However, like many firms, Bunzl opted to cancel its final dividend and suspend guidance due to coronavirus. The last we heard, back in June, Bunzl said that it expected revenue to rise by 5% as increased demand in hygiene and healthcare sectors helped offset the weaker retail and hospitality segment, despite challenging trading conditions. Bunzl's diversified product offering, and broad geographic base means defensive qualities are attracting investors. The share price has risen 90% from March lows and are trading over 15% higher YTD. However, the second half is expected to be tougher with a more muted outlook expected from UBS analysts.

### **German IFO / GDP - Tuesday**

The closely followed IFO indicator of economic activity rose to a post pandemic high of 90.5 in July after dropping to a low of 74.2 in April. However, with the number of new daily coronavirus cases over 2000 concerns of a second wave are starting to unnerve businesses. As a result, the IFO Business Climate Sentiment Index could struggle to return to the mid to high 90's – where the index was before the pandemic erupted. Later in the week on Thursday the European Commission is also releasing its economic sentiment indicator for businesses and consumers.

Final German Q2 GDP figures are not expected to show anything new as far as how the Eurozone's largest economy performed through the coronavirus lockdown. A -10.1% contraction is expected to be confirmed. The principal focus is now much more on how the economy has performed over the last few months.

### **Provident Financial - Wednesday**

Doorstep lender, Provident Financial is due to report H1 results and the picture is expected to be mixed owing to the coronavirus crisis. On the one hand, the unsecured consumer debt, which Provident Financial relies on for most of its business could see an increase in bad loans and defaults increase as more people lose their job. However, on the other hand, it is precisely at this time that more people in financial distress could need the bridging loans that Provident Financial specialises in, resulting in an uptick in demand. Through its long history, this firm has survived many downturns; Provident Financial is more likely to weather the covid storm than some of its fledgling rivals.

### **Virtual Jackson Hole Symposium - Thursday**

Central bankers will meet online for the first virtual Jackson Hole symposium. The two-day event kicks off on Thursday and will see key speakers such as the Fed's Jerome Powell, BoE's Andrew Bailey and the ECB's chief economist Philip Lane discuss the unprecedented economic situation they are facing. Jerome Powell's speech will be particularly closely watched as investors seek more clarity on the tools that the Fed is considering to cushion the hit from the coronavirus pandemic and to address the issue of persistently low inflation. Investors will also be watching for clues as to what the Fed might do to support the global economy if Congress fails to agree a stimulus package.

The ECB's Philip Lane is due to speak on the subject of monetary policy and the outlook for the eurozone. Investors will be looking out for signs when the central bank could increase its €1.35 trillion emergency bond buying programme.

Meanwhile, BoE's Andrew Bailey is also scheduled to speak. Investors will be particularly keen to hear his thoughts on negative interest rates. Whilst we know that negative rates are part of the BoE's toolbox, we also know that there are no immediate plans to use them. That said the market is still pricing in a substantial chance of negative rates next year. The Pound and financials will be in focus.

### **US GDP - Thursday**

The last GDP reading showed -32.9% annualised decline. This week's revision is not expected to change much. The hardest hit to the economy was in April during the lockdown. The sharp rebound in May or June could be revised higher with expectations for a slight improvement to -32.6%

### **US Jobless Claims - Thursday**

The number of Americans signing up for unemployment benefits will be back in focus this week after the number jumped back over the 1 million mark last week and the pace of layoffs also picked up again. These are worrying signs for the labour market and its recovery and could sharpen the focus on Capitol Hill where the Democrats and Republicans are yet to agree to an additional support package after the additional \$600 unemployment benefits expired at the end of July. So far, the impact of the additional support expiring hasn't been obvious on the economy which could have made Congress complacent. However, another week with initial claims above 1 million, the pressure to agree to a new package will only intensify.

### **Rolls Royce - Thursday**

To say Rolls Royce has been going through a tough time recently would be an understatement, owing to troubles with engines, collapsing demand for air travel and a radical restructuring. Rolls Royce is currently valued at just £5 billion, a third of what it was worth a year ago. Shares trade at the lowest level in a decade. Expectations are for the famed engineer to report a £1 billion plus loss in H1 results after burning through £3 billion in the first six months of the year owing to the covid crisis. The company usually generates 50% of its £15 billion annual revenues from its civil aviation business. However, the collapse in demand and grounding of fleets has slashed this revenue stream. Warren East, Chief executive is will be under intense pressure to set our plans for a

turnaround. The key question will also be how much extra capital is needed to shore up the balance sheet.

**WPP - Thursday**

When economic conditions worsen, marketing budgets are often amongst the first to see costs cut. With this in mind advertising giant WPP are expected to have had a difficult few months. WPP has focused on cost control to see it through the pandemic. Measures such as hiring freezes, salary reductions to senior management and an end to discretionary spending was hoped to result in savings in the region of £700 - £800 million. Investors will be watching closely to see if WPP provides any future guidance this time round, given that we are now further through the crisis than a few months ago. Performance of its China office should provide insight into how quickly the region rebounded.

**Dividends**

FTSE 100: Halma, Persimmon

FTSE250: Bodycote, PayPoint, Ultra Electronics