ATLANTIC CAPITAL MARKETS

The Week Ahead, 5th October 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 5th October	**Global Services PMI** **UK Services PMI** EZ Retail Sales US ISM Non-Mfg
Tuesday 6th October	**RBA Rate Decision** UK Construction PMI Germany Factory Orders US Trade Balance

Wednesday 7th October	German Industrial Production Halifax House Prices EIA Crude Inventories **US FOMC Minutes**
Thursday 8th October	Germany Trade Balance US Initial Jobless Claims
Friday 9th October	China Caixin Services PMI UK Trade Balance **UK Monthly GDP**
COMPANY ANNOUNCEMENTS	
Monday 5th October	Wizz Air
Tuesday 6th October	Ferrexpo **Restaurant Group** easyJet Air France KLM Levi Strauss (US)
Wednesday 7th October	**Tesco**
Thursday 8th October	**Imperial Brands** **GVC** Electrocomponents CMC Markets Delta Air (US)
Friday 9th October	JD Wetherspoons (delayed) Stagecoach

KEY THEME

Trump, Covid & Brexit

Risk aversion surged at the end of last week after President Trump unexpectedly contracted Covid with just one month to go until the US Presidential elections. The markets will be watching news flow surrounding Trump's condition closely. Signs of deterioration in his health could hit the mood in the market, whilst upbeat news flow could boost risk appetite, driving stocks higher. More broadly covid statistics will continue to drive sentiment. Tightening lockdown restrictions across the globe such as in Madrid, parts of New York and the UK could keep pressure on riskier assets whilst favouring safe haven flows.

After the 9th round of Brexit talks ended with little progress, talks between Boris Johnson and EC President Ursula von der Leyen could inject some momentum into negotiations as the clocks ticks towards the UK governments self-imposed deadline of 15th October. More talks are planned for this week.

THE WEEK AHEAD

Monday

Global Service PMIs

The recovery in the manufacturing sector has proved to be fairy resilient, this has not necessarily been the case with the service sector. The flash service sector PMI's for Germany and France showed that the sectors have moved back into contraction territory. Spain and Italy, countries which are particularly dependant on the service sector, are imposing tighter lockdown restrictions to tackle resurging covid infections which could means a further deterioration in the PMI as the sector experiences a deeper contraction.

UK Services PMI

The UK service sector has rebounded strongly since lockdown, outperforming expectations. August's PMI for the service sector, the dominant UK sector, showed a continuation of July's improvements with PMI print of 58.8. The more recent flash September reading printed at 55.1, slightly down from August's peak but still a very strong number. Should Thursday's print confirm 55.1 then Q3 will have seen impressive expansion. However, there is a chance that the government's most recently announced tightening of lockdown restrictions, including a curfew and new social distancing rules could knock confidence, hitting the PMI index. Watch GBP crosses.

Tuesday

Reserve Bank of Australia's Rate Decision

There has been some speculation that the RBA would cut rates at the October meeting from a record low of 0.25% to 0.1% given the weakening picture of the Australian economy. This speculation has eased more recently boosting the Aussie Dollar after it tumbled as rumours swirled. Unemployment is at 7.5% and is expected to rise to 10% by the year end. The lockdown in the state of Victoria is slowing the spread of the virus. However, the impact on the economy is also showing through; retail sales plunged -4%. Expectations are for the RBA to hold steady this month on rates, although the central bank could prepare the market for a cut next month. Watch Australian crosses.

Restaurant Group

The hospitality industry has suffered more than other industries from the lockdown restrictions and social distancing. Wagamama owner Restaurant Group has reportedly reopened 90% of its restaurants and could have benefitted significantly from the government's Eat Out to Help Out scheme and the 15% VAT cut. The new 10pm curfew is not expected to impact the groups revenues meaningfully, given that 98% of sales are made before 10pm. Investors will be particularly keen to see how like for like sales performed in September, this will provide a clue as to how the recovery is progressing since it reopened. Trades -68% YTD.

Wednesday

FOMC Minutes

The most recent FOMC meeting didn't really add too much more flesh to the bones from Federal Reserve Chair Jerome Powell's Jackson Hole appearance. Whilst there was a little more detail surrounding the new average inflation targeting policy, the market came away disappointed. The Fed indicated that rates will be kept near 0 until around the end of 2023. The fact the Fed didn't raise the prospect of additionally easing upset investors. There is also the small obstacle of the US Presidential election. The Fed are unlikely to make any big moves or announcements in the month or two leading up to the election. Watch USD crosses & US indices.

Tesco

Whilst Tesco have fared better than other retailers across these challenging past six month, they are by no means laughing. Tesco is expected to report full year profits flat as surging demand in lockdown was offset by soaring costs. Investors will be keen to see if Tesco has continued to pick up market shares particularly from Aldi, which it reported earlier in the year. Tesco's like for like sales jumped 8.2% in Q1 and are forecast by analysts to grow 6.3% in Q2. Any news on where the proceeds of the sale of the Asian business will go will be eyed. A special dividend or would the cash now be better used investing in the business? These will be the first results under Ken Murphy, just days after starting the role.

Any hints in strategic shift in the outlook will be closely eyed. Whilst its early days for any new strategy unveiling, any insight will be lapped up. Tesco shares trade down 11% over the past year.

Dividends

FTSE 100: WPP. SPX

FTSE 250: FGT, PZC, FCIT, QQ, 888, PHP,JMG

Thursday

GVC

Bookies have been under the spotlight of late after William Hill was bought for £2.9 billion by US Casino giant Caesars. GVC has a much smaller presence in the US, even so, its joint tie up with MGM will be scrutinised. The core UK business will also be in focus as investors look to clues over what the return of live sports has meant for high street arm of the business, Ladbrokes & Coral. With more customers now online, which is a higher margin way of doing business, more stores closures could be in the pipeline saving costs further. Stocks trades +8% YTD.

Imperial Brands

A year end update is expected from Imperial Brands three months after new CEO Stefan Bomhard took over. This year has been anything but plain sailing for the firm which made not one but two profit warnings, cut its dividend, scrapped its long-term dividend growth target and removed former boss Alison Cooper. Hopes are for flat revenue growth, less than the initially expected 50% growth in next generation products and a single digit decline in EPS to 255p down 7% from 273p a year earlier. New CEO Bomhard has led transformation change programmes in previous positions, including at Inchcape. This could see the disposals programme reopened and the premium cigars business could once again fin itself under scrutiny. Stock trades -27% YTD.

Friday

UK GDP August

The British economy has been steadily picking up following the -20.4% contraction in April. May saw 1.8% growth, June 8.7% growth and 6.6% seen in July as lockdown restrictions eased and business reopened. August could well see a similarly strong reading. The government's Eat Out to Help Out scheme could provide another boost to the economy. There is a good possibility that September, will also see strong growth. BoE's Haldane foresees 20% growth in Q3. However, that could be when the good news starts to run dry. Rising unemployment, potential Brexit complications and further localised lockdowns could see economic growth stall in the final quarter of the year. Watch GBP crosses.