

# The Week Ahead, 7th December 2020

## ECB, Rolls Royce, Airbnb IPO

### 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 7th December	China trade balance
Tuesday 8th December	EZ Q3 GDP (3rd Estimate) German ZEW Index Australia Westpac Consumer Confidence
Wednesday 9th December	China CPI BoC Rate Decision EIA Crude Inventories

Thursday 10th December	UK trade balance <b>ECB Rate Decision</b> <b>UK Manufacturing &amp; Industrial Production</b> US Initial Jobless Claims US CPI
Friday 11th December	US Uni. of Michigan Consumer Confidence
<b>COMPANY ANNOUNCEMENTS</b>	
Monday 7th December	<b>Ted Baker</b>
Tuesday 8th December	<b>Ashtead</b> Ferguson Cineworld
Wednesday 9th December	Stagecoach Balfour Beatty British American Tobacco Slack (US)
Thursday 10th December	<b>DS Smith</b> Firstgroup <b>Ocado</b> Adobe (US) Airbnb IPO (US)
Friday 11th December	<b>Bellway</b> <b>Rolls Royce</b> Frasers Group
<b>KEY THEME</b>	

**Key theme: EU Summit, Brexit & UK Vaccine Rollout**

Europe will be the focus this week with the ECB meeting, EU Summit and last chance saloon for Brexit talks. It is also an important week for the pandemic as the UK begins to roll out the Pfizer/ BioNTech vaccine. Over in the US developments surrounding additional US stimulus will be watched carefully with the unveiling of \$908 billion rescue package potentially early in the week.

**THE WEEK AHEAD****Monday****Ted Baker**

This will be the first that we have heard from the retailer since July. Back then sales were falling, although the e-commerce business was a bright spot with a 35% year on year increase reported in July. Investors will be hoping that this trend will have continued to improve. On the plus side the store footprint is significantly smaller than a lot of its peers and the business rates holiday will have helped margin. However, with Ted Baker's focus on event wear could mean that trends remain very depressed given that birthday's weddings and those events which require a more formal appearance have all be cancelled owing to the pandemic. Until the vaccine rollout changes this around cost cutting will be key.

**Tuesday****Ashtead**

Ashtead is due to release half year results. These come following a 6% decline in revenue and a 38% decline in profits in Q1 owing to the pandemic. Ashtead guided in September for full year rental revenue to fall by 5-9% if there were no further widespread lockdown measures in the US from a second wave of covid. Annual free cash flow is expected to come in over £1 billion. Investors will be keen to hear any comments regarding the resumption of the share buy-back programme and plans for the coming year. Market consensus is for Q2 pre-tax profit to drop -19.9% to £297 million.

**Wednesday**

N/A

**EX- Dividends**

**FTSE100:** Intermediate Capital, Homeserve, Aviva  
**FTSE250:** XP Power, Investec, Ninety One

**Thursday****Industrial & manufacturing production**

The manufacturing sector has held up relatively well in the UK, with activity expanding every month since May, although the pace of expansion has slowed heading towards Q4. Even so the recent manufacturing

PMIs reveal resilience in the sector, particularly when compared to the service sector which is much more vulnerable and exposed to the lockdown measures and social distancing requirements. Both manufacturing and industrial production are expected to show a continuation of modest gains of 0.3%. Watch GBP.

### **European Central Bank meeting**

The ECB is expected to add another €500 billion to its €1.35 trillion emergency asset purchase programme on Thursday. In October the ECB signaled that it was gearing up to inject more monetary stimulus into the eurozone's flagging economy and to fill the gaps left by the lack of support and delays to the EU's fiscal stimulus package, delays which could drag well into the coming year. Data since the last ECB meeting has revealed that the manufacturing sector is showing resilience despite the second national lockdown in France and Germany in November. The service sector, however, is deep in contraction according to the latest PMIs, with little prospect of a strong rebound as lockdown restrictions in both France and Germany have been extended. Lacklustre inflation is an additional headache for the ECB and with the Euro trading at 32-month highs well over 1.20, the central bank could try to cap further gains in the Euro. Watch EUR, European indexes.

### **EU Summit**

EU leaders will meet in Brussels on Thursday and Friday to discuss key issues for the bloc including €1.8 trillion recovery fund and the Brexit trade deal which has entered the final game. The budget row with Poland and Hungary threatens to highlight a growing divergence in the group. Although the EU Budget Commissioner warned Warsaw and Budapest that Brussels could cut them out of the recovery fund if they continue to object. Brexit talks will also be in focus after French President Emmanuel Macron has been accused by British officials of introducing new demands in Brexit negotiations. Watch GBP, EUR, FTSE, European Indexes.

### **Ocado**

Ocado's Q4 results will reveal how the second lockdown played out for the online grocer. Just over 2 months ago Ocado said that underlying earnings would be over £40 million, this was raised again last month to £60 million, owing to strong sales which helped lift the share price prior to some sharp declines after positive vaccine developments which could see the demand for online shopping ease.

### **DS Smith**

Improving demand from consumer goods and e-commerce customers means that packaging volumes are recovering. Cost pressures are also easing following a spike in the price of recycled paper earlier in the year. Owing to improving conditions DS Smith has already announced that it will return to paying dividends at H1. A key focus for investors will be the outlook for industrial clients, a sector of the business which has underperformed. Weakness in this sector has largely been offset by strength elsewhere in the business, meaning that DS Smith could actually emerge from the pandemic stronger than before.

### **Airbnb**

Airbnb will start trading on the US stock market on 10<sup>th</sup> December. The IPO could value the home-sharing service at \$30 billion as it has more than 4 million hosts on its platform in over 220 countries and regions. The business model which links renters with property owners means that Airbnb doesn't own the property and was extremely successful in 2019 with revenue topping \$2.5 billion in the first three quarters of that year. 2020 has been a very different year as the covid pandemic hit the travel, tourism and hospitality sectors hard; Airbnb included. How Airbnb will be affected going forward is difficult to determine. Whilst the decline in international travel is a negative hit this could at least in part be offset by stay cations and preferring to stay in self-catered accommodation rather than more expensive hotels.

## Friday

### Rolls Royce

Aircraft engine maker Rolls Royce will update the market at the end of the week with Q3 results. The update comes after RR completed a £2 billion rights issue to shore up the balance sheet after the pandemic impact. Investors will be keen to hear how RR intends to use the injection of capital. Any comments regarding the outlook for the aviation industry in light of the recent vaccine announcements will also be closely listened for.

### Bellway

Housebuilder Bellway is expected to update the market on the period following its July year end. Expectations are running high after Bellway announced in October that the year had got off to an exceptionally strong start. In the 9 weeks since August 1<sup>st</sup>, Bellway reported 30.6% increase in reservations per week to 239. Completions are expected to hit around 9000 for the full year. Directors were sufficiently bullish on the house builders' position to resume dividend payments following the pandemic pause. The final dividend was 50p, half what it was previously but it came with a pledge to increase as earnings recovered.

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