The Week Ahead, 7th September 2020

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.

Key Macro Data Due This Week	
Monday	**China Trade Balance** German Industrial Production
Tuesday	Australian Business Confidence German Trade Balance Eurozone GDP
Wednesday	Australia Westpac Consumer Sentiment **China CPI** Bank of Canada Rate Decision
Thursday	**ECB Rate Decision** US Jobless Claims
Friday	**UK GDP** UK Trade Balance US CPI

Companies Reporting This Week	
Monday	**Associated British Foods** Dechra Pharmaceuticals
Tuesday	Royal Mail **JD Sports** Ashtead Travis Perkins **Fevertree Drinks** Halfords - Slack Technologies (US)
Wednesday	Tullow Oil
Thursday	Dunelm Rank Group **Morrisons** Safestore
Friday	**Ashmore**

Key Theme

Brexit, UK Retailers

The 8th round of Brexit talks are due to kick off this week. With such little progress in the previous round no-one is holding their breath for any notable progress. Prime Minister Boris Johnson has put 15th October as a deadline for a trade deal to be reached before the UK will focus on no trade deal preparations. GBP could come see heavy selling pressure, which could be beneficial for the FTSE100 multinationals. Sentiment is also likely to be directed by vaccine news and the economic recovery stories in the US, Eurozone and China.

Meanwhile, the UK corporate calendar is full this week, with a particular focus on British retailers, such as ABF Foods, JD Sports, Dunelm and Morrisons.

Monday

China Trade Balance & CPI (Wednesday)

Recent data has raised concerns over the health of the economic recovery in China. Imports have remained subdued hinting at weak domestic demand. Exports, however, are strong. But this is principally down to the export of PPE, which is thought to be masking a slower recovery than initially hoped for.

Inflation as measured by consumer prices is currently half of what it was in Q1. That said, CPI has started to pick up as demand is slowly starting to improve post lockdown. Further signs of economic recovery in the world's largest economy could boost market sentiment, lifting riskier assets such as shares, in addition to riskier currencies. UK miners often perform well on the back of strong Chinese data. Weak figures could have the reverse affect.

Associated British Foods

Whilst ABF reported stronger sales in July, retail operating profits are expected between £300 - £350 million in full year trading, a third of what they were last year (£953 million), although better than initially feared. ABF took a hit following the closure of all 376 Primark stores in lockdown. Primark has no online offering meaning that it was particularly vulnerable in lockdown period. However, its full year trading statement could show that concerns were overdone and that ABF performed better than expected, particularly as the foods business helped to offset some of the loss of revenue from retail. Trading at Primark post lockdown has been encouraging, we look forward to knowing what this trend means for revenue in Q4. The share price is still -20% YTD.

Tuesday

JD Sports

Sports retailer JD Sports will release half year results on Tuesday. The last we heard from JD was in July when the firm reported full year results and cut its final divided to preserve cash. At the same time JD announced a shift in strategy, investing more into its online business and logistics amid expectations that the online growth experienced during the coronavirus crisis will become more permanent. Online sales doubled in the crisis. Most attention will be on performance since the stores reopened mid-June. If US peers are anything to go by, sales have been ok. Retailers are under pressure in the UK, however JD are expected to be one the better performing UK retailers. The share price trades -14% YTD but +14% over the past 12 months, outperforming the broader market.

Fevertree Drinks

When Fevertree release their interim results on Tuesday, traders will be looking closely at its on-trade business, which accounts for around 50% of UK revenue and 70% of US revenue. On-trade channels includes trade will restaurants, bars and hotels, many of which were closed for a significant period during lockdown but reopened in time for summer. On-trade business dried up over lockdown, although off-trade business, such as sales through supermarkets and shops will have seen some growth. Whilst off-trade business is expected to have moderated, the big question is whether on trade will picked up sufficiently to cover this. The other key question will be whether consumers are opting for the premium mixers, such as those from Fevertree or whether they are opting for cheaper alternatives as economic uncertainty increases. The share prices trades down just 1% YTD.

DS Smith

The packaging firm will release a trading statement on Tuesday. Expectations are for a slowdown in industrial demand owing to the coronavirus crisis, however the consumer goods and e-commerce side to the business is expected to have held up well given the surge in online retail. Traders will be interested to see exactly how these opposing performances are playing out. The other key area will be cost. As with many companies, social distancing rules and regulations have resulted in additional costs and a hit to efficiency. This statement could sum up to be lower volumes and higher costs. The stock trades down -31% YTD, underperforming the broader market.

Wednesday

Dividends

FTSE 100: Avast

FTSE 250: Apax Gold, (APAX)

Thursday

ECB Rate Decision

The ECB is widely expected to keep interest rates and monetary policy unchanged when it meets. However, the broad expectation is that the pandemic bond buying programme could be boosted by the end of the year as the economic recovery starts to sputter and amid Euro strength. Whilst the rebound has been strong so far, a range of issues are clouding the outlook. Covid cases are on the rise after summer travel and as lockdown restrictions have been loosened. Economic indicators are also pointing to the economic rebound running out of steam. Germany factory orders fell steeply, inflation across the bloc turned negative, the ECB could draw on this. The ECB is due to release new forecasts this will provide some clues as to how much more stimulus could be needed.

WM Morrisons

Morrisons will report H1 earnings on Thursday. Can they stretch their 14 consecutive quarters of like for like sales growth into a 15th quarter? Morrisons, as with other supermarkets saw a huge jump in demand amid the coronavirus crisis. Q1 results which covered `14 weeks until mid-May, saw like for like sales jump 5.7%. In the 12 months to August; market share also surged 10.2%. However, expansion has also come at a cost. The supermarket announced that it was taking on 25,000 new staff to deal with the surge in demand. This obviously comes at a cost as do the additional safety measures that have been implemented. Expectations are for 8% increase in interim pre-tax profits to £440 million. The dividend is also expected to rise 8% to 7.32p

Friday

UK GDP (July)

The UK was slow to go into lockdown and consequently had a longer lockdown that some of its European peers. April saw the biggest GDP hit -20% as most of the UK was in lockdown. As the situation started to improve and lockdown restrictions eased in May and June the economy recorded growth of 1.8% and 8.7% respectively. Pubs, restaurants, bars, hairdressers all opened in July. Given that 80% of economic activity in the UK is from the service sector, the sector is key for economic growth. With service sector PMI at 60.1, the fastest pace of growth for years outlook for GDP July is strong. A strong reading could boost sentiment, lifting riskier assets such as stocks. However, GBP's movement this week will be driven by Brexit rather than macro data.