

The Week Ahead, 30th November 2020

Zoom, Berkley Group, PMIs & US Non-Farm Payroll

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 30th November

China Mfg & Non-Mfg PMI

German CPI

UK Mortgage Approvals

	US Pending Home Sales
Tuesday 1st December	<p>RBA Rate Decision</p> <p>UK & EZ Mfg PMI</p> <p>EZ CPI</p> <p>US ISM Mfg PMI</p>
Wednesday 2nd December	<p>Australia GDP</p> <p>German Retail Sales</p> <p>US ADP Jobs Report</p> <p>EIA Crude Inventories</p>
Thursday 3rd December	<p>China Caixin Services PMI</p> <p>UK & EZ Mfg PMIs</p> <p>US Initial Jobless Claims</p> <p>US ISM non-manufacturing PMI</p>
Friday 4th December	<p>UK Construction PMI</p> <p>US Non-farm payrolls</p>
COMPANY ANNOUNCEMENTS	
Monday 30th November	Foxtons

	Zoom (US)
Tuesday 1st December	Topps Tiles Salesforce (US) Snowflake (US)
Wednesday 2nd December	Avon Rubber
Thursday 3rd December	Countryside Properties AJ Bell Go- Ahead
Friday 4th December	Berkley Group

KEY THEME

Key theme: Vaccines, Surging Covid & Brexit

Whilst corporate data is thin on the ground, there is plenty of macro data for investors to digest this week, attracting some attention whilst vaccine developments and covid numbers stay under the microscope. The big question is after November's steep runup will there be a Santa rally?

Brexit will continue to remain a key theme for the Pound, the FTSE 100 and the more domestically focused FTSE 250 stocks. Investors will be keeping on top of the latest headlines for any clues over the chances of a trade deal being agreed.

Finally, the time has come for the FTSE reshuffle, occurring at the close of business on Wednesday. Homeserve has been earmarked as a possible decliner, whilst Wier Group or Pershing Square Holdings could be prime candidates to replace Homeserve.

THE WEEK AHEAD

Monday

UK Mortgage approvals

The latest mortgage approval numbers for October are due. Approval numbers have been particularly strong across recent months as prospective buyers look to take advantage of the government's stamp duty holiday which is due to run until the end of March 2021. The government scheme has prompted a surge in interest in the housing market. Approvals are at their best levels in over 13 years, after hitting a record low in April. A strong reading could give house builder stocks a boost.

Zoom

Zoom's share price has risen exponentially this year, a clear winner of the covid pandemic. To think that Zoom only went public just 18 months ago with an IPO price of \$36 per share and a total valuation of \$9 billion. Fast forward just over a year and a half and Zoom has a valuation of \$125 billion. In Q1 revenues came at \$328 million. Q2 surged to \$663.5 million whilst profits rose to \$186 million as it succeeded in a corner of the market where the competition was nothing to write home about. Investors pushed the share price up to \$600 before easing back to \$440 in an undisputable excellent year. Zoom's competitors have since upped their game which could up the pressure on Zoom going forward, as could further vaccine news, leading some to questions over whether its current value is a little lofty? Q3 profits are expected to \$0.75c per share.

Tuesday

Global manufacturing PMIs

The manufacturing sector has been much more resilient across the pandemic than the service sector. The flash PMI numbers from France & Germany highlighted the growing divergence between the sectors. Germany's manufacturing sector remained solid at 57.9 despite rising covid cases, whilst in France the sector only contracted slightly to 49.1. Germany's outperformance could be thanks in part to rising Chinese demand as the world's second largest economy appears to go from strength to strength.

China's manufacturing levels are back to pre-pandemic levels and are expected to continue the upwards trends. Meanwhile the US manufacturing sector is also showing resilience and is expected to be seen as a pre-cursor to Friday's non-farm payroll.

Wednesday

N/A

EX- Dividends

FTSE100: Bunzl, 3i, Severn Trent

FTSE250: Hill& Smith, Big Yellow, Hochschild Mining, Pets At Home, LXI, Contour Global, Alliance Trust, Lion Trust Asset Management.

Thursday

Global Services PMIs

The final Eurozone service sector PMIs for November are expected to be dismal given that large parts of the bloc have been under lockdown for some if not all of the month. Flash figures from France and Germany showed deep contractions, with the former hitting 38. Spain and Italy are expected to print equally gloomy figures, and another contraction would mark the 4th straight month of activity in the service sector contracting; numbers which will likely unnerve ECB policy makers. With the EU still arguing over fiscal stimulus as Poland and Hungary veto it. Italy and Spain are unlikely to receive the help that they desperate need any time soon.

China and the US are both expected to see the service sector expand, meanwhile the UK is expected to see a contraction in activity to 45.9 as the UK lockdown again across November,

Countryside Properties

We last heard from Countryside in October in a comprehensive update that covered full year results so far, so we aren't expecting any major surprises. Countryside's update revealed 4053 completions, down 29%, with operating profit guided to £54 million. The numbers have been in line with the broader industry; completions are lower, but the sales rate have recovered and the forward book improving. Countryside raised £250 million to shore up the balance sheet and to buy land investors will be listening to hear in more depth what management plan to do with the money. Countryside have said that they will provide guidance which will be keenly awaited.

AJ Bell

The investment platform will report final results on Thursday, although a trading update last month updated on the figures, so again few surprises are expected. Customer numbers grew 27% whilst assets under administration increased 11% to £49.7 billion by the end of the financial year as volatility in the financial markets attracted the attention of many. The high levels of volatility seen in 2020 are expected to mean a stellar year for AJ Bell. Investors will be keen to here how management see the coming year shaping up.

Go-Ahead

Bus and trains operators have had a very challenging 9 months since the pandemic hit owing to the steep decline in passenger numbers amid, lockdown, travel restrictions and work from home orders. Go-Ahead reported a small profit in full year figures in September on revenues of £3.9 billion. Operating margins have declined from 1% of just 0.3%. August saw Go-Ahead agree to another 8 -week rescue package of

£218.4 million from the Department of Transport. The stock still trades -62% YTD, although has seen a recent boost from vaccine developments.

Friday

Berkley Group

Berkeley Group is expected to release first half results on Friday. Expectations are for a drop in revenue of 6% to £872 million and pre-tax profit is expected to come in around £212 million, down from £278 million the previous year. Updates on recent trading conditions in addition to news on land acquisitions will be eyed. Particular attention will be on whether Berkeley Group looks to revive its plan to the return £455 million to shareholders. The share price is approaching levels last seen in March thanks to a solid trading update in September and vaccine optimism although it is still down from 2020 highs seen at the start of the year.

US unemployment

The US unemployment rate has continued to slide after peaking in April at 14.7%. In October an unemployment rate of 6.9% was recorded. This downward trend is expected to continue in November with unemployment declining to 6.7%. Jobless claims had also been trending lower until 2 weeks ago when they started to rise again, from a low 2 weeks ago of 711,000 to the most recent reading of 778,000. Fears are starting to grow that the absence of additional US fiscal stimulus is starting to be reflected in the slowing labour market recovery. However, with covid cases still very elevated the strength in the jobs market could soon be coming to end, particularly if Congress continues to stall over fiscal stimulus. The headline figure is expected to show that 500,000 new jobs were created in November. The bottom line is that 9 million more Americans are unemployed than at the beginning of the year. Watch USD & US indexes.

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