Week Ahead 10th – 14th August – UK Jobs, GDP, Prudential, IHG & US Retail Sales

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 10th August	-US JOLTS -China CPI
Tuesday 11th August	**-UK Unemployment data** -German ZEW Index -US PPI
Wednesday 12th August	**- UK GDP** -Australian consumer confidence

	-US CPI
Thursday 13th August	**-US Jobless claims** -Australian employment data
Friday 14th August	-EZ GDP **-US Retail sales**

Companies reporting

Monday 10th August	**-Barrick** -Clarkson
Tuesday 11th August	**-InterContinental Hotels** **-Prudential** -Domino's -Petrofac
Wednesday 12th August	**- Balfour Beatty** -Admiral Group -Capital& Counties Properties
Thursday 13th August	-GVC -National Express -Tui -Deutsche Telecom
Friday 14th August	N/A

Key theme: Risk US – Sino Tensions, US Stimulus and UK GDP

The lack of or delay of US stimulus, as well as escalating US -Sino tensions following the banning of TikTok and WeChat, could derail the prospects of a swift global economic recovery from the damage caused by the coronavirus pandemic. US jobs data, UK labour market figures, UK GDP US retail sales will all be focus providing further clues as to how the recovery is progressing.

Whilst US earnings are starting to slow, a bunch of UK large caps reporting are worth keeping an eye on.

US – JOLTS

The JOLTS jobs openings data due on Monday could seem a little outdated after Friday's non-farm payroll, even so it is still considered an important measure of the overall health of the US labour market. A solid rebound in new vacancies in June would suggest that corporate American was actively rehiring after the coronavirus lockdown. Expectations are for 4.9 million new jobs compared to 5.3 in the previous month. A weak reading could see the USD resume its decline.

Barrick - Monday

With the price of gold going from strength to strength and reaching an all-time high last week, we imagine it's been a bumper quarter for Barrick. In Q2 Barrick sold its gold on average at $1711 per ounce, a 31% increase on the previous year. Yet with gold trading comfortably over $2000, there is a good chance that the outlook at the company has changed. Whilst gold prices are one part of the equation, production levels and costs are the other. The last we heard the group was on track to meet production targets, despite coronavirus outbreaks disrupting some mines, investors will be keen to hear whether the trajectory is still on course.

UK Unemployment & Jobless figures - Tuesday

These figures will cover three months until June, the worst period of the coronavirus pandemic. The government's furlough scheme has so far prevented a wave of job losses and a sharp rise in unemployment, which remained at the historic low of 3.9% in the three months to May. Since then however, a large number of firms have announced job cuts which will push the rate higher. There are also rising concerns that the furlough scheme is a ticking time bomb. As the government tapers support between now and October, the 9 million furloughed could be transferred to the dole queue, pushing up jobless claims.

The July claimant count is expected to rise by 70,000. 180,000 jobs are expected to have been lost in May, and June's unemployment rate is expected to have ticked higher to 4.2%.

InterContinental Hotel - Tuesday

IHG will lay bare the impact of the coronavirus crisis on the group's finances for the first half. Revenue per available room is expected to be down 52% compared to a year earlier after having dropped around 75% in Q2. Keeping in mind that a 1% decline in RevPAR equates to $13-$14million hit to operating profits - its fair to say that the numbers are going to be grim. IHG only owns 26 of its 5,900 hotels, instead using a franchise model for the hotel brand and technology. This could help soften the blow, at least a bit, as could improvements to the outlook in China. However, we also know that IHG has been helping struggling franchisees through fee relief which could prove to be costly. The stock trades -25% YTD.

Prudential - Tuesday

There was a good amount of interest surrounding insurers last week as we saw Legal & General and Aviva report. This week it is the turn of Prudential and Admiral. Prudential is particularly interesting given the headlines surrounding US – Sino tensions. We have seen that HSBC has been caught in the crossfire there is a good chance we could see something similar for Prudential. So far, the pivot away from the UK and Europe towards US and Asia has gone well. However, Q2 in the US is expected to be hit by US lockdown. With this in mind Q2 expectations have been downplayed and the numbers are expected to show a challenging quarter. The stock trades -17 YTD.

UK GDP - Wednesday

Hot on the heels of the BoE's less dovish than expected outlook for the British economy, we get the UK GDP reading mid-week. The Q2 GDP readings from Spain -18.5%, Germany -10.1% and US -9% have been sobering. Expectations are for the UK to post 15% -25% contraction for Q2, a huge drop compared to Q1's -2.2% contraction.

Investors will be particularly keen to see how quickly the economy is bouncing back. We know that in April GBP contracted -20.4%, in May it rebounded with a 1.8% gain. The reopening of non-essential shops in June spurred consumer spending and factories resumed productions. A strong June GDP reading could help pull the quarterly figures back into the high teens whilst boost optimism surrounding a V shaped recovery.

US Jobless Claims - Thursday

With non-farm payrolls last Friday and JOLTS on Monday the US labour market will remain in focus, particularly after the Republicans and Democrats failed to agree to a rescue package following the expiry of an additional $600 unemployment benefit. Despite Trump's executive orders over the weekend, the two sides will continue negotiations. Furthermore, the resurgence in covid numbers and re-imposed lockdown measures in parts of the sunbelt are lifting fears that initial jobless claims and continuing claims could be on the rise again as they were prior to last week's surprise 1.18 million decline.

Balfour Beatty – Thursday

Thanks to CEO Leo Quin's Build to Last programme margins have rebounded and the order book looks healthier than it has for a while. Given that margins in the UK are usually around 3% and even lower in the US, there is little room for error. Most of Balfour Beatty's sites remained open although with social distancing, which has impacted productivity but at least some revenue has been trickling in. Thanks to Leo Quinn's disciplined approach the balance sheet has also been looking in better shape with cash burn over the lockdown period, modest. Investors will be interested in the outlook. On the one hand, the government is likely to spend heavily in infrastructure projects to boost the economy post coronavirus. On the other, construction is cyclical and given the extent to which the economy has been ravaged by the covid pandemic and the deep recession we face, these are not conditions which have typically been good news for infrastructure companies.

US Retail Sales – Friday

US retail sales data will attract a lot of attention as it will show whether the resurgence in coronavirus cases and renewed restrictions in several US states have slowed down consumer spending. Following a -23.4% decline across March and April, the last two months have seen a significant rebound in spending with retail sales rebounding 18.2% in May and 7.5% in June. These figures have boosted hopes of a strong recovery. However, in light of the sharp rise in US covid cases fears are growing that the economic recovery is being hampered. Consumer confidence declining sharply in July could be reflected in poor retail sales figures. Expectations are for +1.4% month on month increase. However, this could be optimistic. A weak reading could hit sentiment dragging on stocks on both sides of the Atlantic.