

The Week Ahead, 11th January 2021

Tesco, JD Sport, Boohoo & Taylor Wimpey in Big Week For Corporate Updates

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 11th January

China CPI

Australia Westpac Consumer Confidence

Tuesday 12th January	N/A
Wednesday 13th January	EZ Industrial Production US CPI EIA Crude Inventories
Thursday 14th January	German GDP
Friday 15th January	UK GDP US Retail Sales
COMPANY ANNOUNCEMENTS	
Monday 11th January	JD Sports
Tuesday 12th January	Vistry Forrexpo Robert Walters
Wednesday 13th January	JustEat

	Page Group ASOS William Hill
Thursday 14th January	Tesco Associated British Food Boohoo Group Whitbread Taylor Wimpey Halfords Dunelm Group
Friday 15th January	The Gym Group Meggit JP Morgan (US) Wells Fargo (US) Citigroup (US)

KEY THEME

Key themes: Covid, Vaccines, Retailers & US Senate Run-off

The second week of the month is a quieter week as far as the economic calendar is concerned. However, retailers and housebuilders are expected to more than make up for the quiet economic calendar, with

earnings from Tesco, Primark owner Associated British Foods, online retailers, ASOS, Boohoo and house builders Vistry, Taylor Wimpey and Persimmon to name a few.

Corporate updates aside, covid cases and particularly vaccine rollout developments will also be closely watched by investors. At the time of writing the UK is on track to hit its target of the most vulnerable being vaccinated by mid-February.

In the US, additional stimulus expectations are growing and could continue to lift the US Dollar whilst underpinning stocks.

THE WEEK AHEAD

Monday

JD Sports

JD Sports has bucked the trend on the high street and is one of the few clothes retailers that has held up well in recent years. After climbing to a record high this time last year the stock price then dropped steeply lower at the start of the pandemic. Since then JD Sports has clawed back the majority of losses. Back in September, JD Sport reported H1 revenues -6.5% to £2.5 billion whilst underlying pre-tax profit declined -£158.6 million to £61.9 million owing to significant spending on its online offering. This could serve the firm well, particularly in the latest lockdown. In September the company said it expected to make a pre-tax profit of at least £265 million. Investors will be keen to see whether this stands particularly given the covid restrictions since.

Tuesday

Vistry

House builders have shown resilience through the pandemic supported by a mini UK housing market boom. Government policies and people re-assessing their housing needs have seen house prices jump around 8% across the year. The coming year could be more problematic as the government's stamp duty holiday comes to an end and as unemployment ticks higher following amid another national lockdown. Just three months ago Vistry said it was planning to resume dividend payments but given the latest covid restrictions this could change. Vistry has been buying up land aggressively over the past year, potentially a wise move; investors will be keen to see whether the approach will change for the coming year.

Wednesday

Just Eat

The takeaway delivery app is due to update the market on Wednesday. The company was a clear winner from previous lockdowns as people increasingly relied on takeaways as restaurants closed. The trend is broadly expected to be repeated in this latest national lockdown especially in light of Just Eat's partnership with McDonald's & Greggs plc. In addition to order growth figures, investors will also be looking for any further updates on the acquisition of US Grubhub, a move which will make it the largest online food delivery firm outside of China.

EX- Dividends

FTSE100: SSE, Sage, Ashtead, B&M

FTSE250: Future, Ferrexpo, BMO Commercial Property Trust, Primary Health Properties

Thursday

Taylor Wimpey

Taylor Wimpey was more bullish than sector peers back in November, rebounding from a loss in the first 6 months of the year to give guidance of £292 million profit for the current year and £626 million for the coming year. This forecast was based on higher average selling prices boosted by strong trading levels & solid reservation numbers beyond March when the government's stamp duty holiday and the Help to Buy scheme are both due to come to an end. Taylor Wimpey had previously indicated that it would restart paying dividends at this year's final results.

Boohoo

Sales will be very much in focus for the online retailer particularly after the supply chain scandal earlier in the year. Boohoo was hit by allegations of using suppliers with poor working conditions, low pay and failing corporate governance. Boohoo's target custom is young and a demographic sector which is increasingly more ethical. The question is whether the cheap price of clothing garments will tempt shoppers despite the revelation. So far, Boohoo has been extremely popular in the pandemic and that is not expected to change dramatically. Sales have previously performed extremely well and there are tough comparables (43% sales growth this time last year). Signs of weakness could unnerve investors.

Associated British Foods

Primark owner Associated British Foods hasn't performed so badly through the pandemic, as the food focused business goes some way to compensating for the loss of sales at Primark. Primark notoriously lacks an online presence which means that lockdown restrictions are particularly damaging. So far analysts haven't been too concerned as its huge range and rock bottom prices attract plenty of customers when they reopen. Furthermore, given the low price point customer could flock there should economic conditions deteriorate. Even so profits are still expected to take a big hit until lockdown conditions ease. Investors will be watching the food arm to compensate until stores reopen.

Whitbread

The latest lockdown will be yet another blow for Premier Inn owner Whitbread which now faces the prospect of empty hotels until the start of March. Whilst Whitbread has already requested a 50% rent holiday from its landlords, the outlook is still gloomy. Back in September Whitbread said that 6000 workers could be laid off, any update on cuts in light of the latest lockdown. Cash burn is expected to continue over the coming months given that lack of revenue. The dividend has already been cancelled it remains to be seen whether there will be a fresh call for funds from the market.

Friday

UK GDP

The monthly GDP reading is expected to make for grim reading in light of the second national lockdown in England in November. In October GDP expanded by 0.4% a marked slowdown from August's 1.1%. A further deterioration in activity is expected in November with expectations for a -4% MoM contraction, the steepest monthly fall in output since the unprecedented fall in April. There is a good chance that November's reading will be followed by more bad news with the economy likely to have suffered further in December, January and February owing to lockdown restrictions. With this in mind covid infection numbers and vaccine rollout data could move the market more than the GDP data. Watch GBP, FTSE.

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