



ATLANTIC CAPITAL MARKETS

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## Week Ahead 13<sup>th</sup> – 17<sup>th</sup> July

### UK & China GDP, US Banks, Ocado, Netflix & ECB

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 13 <sup>th</sup> July    |   |
| Tuesday 14 <sup>th</sup> July   | -German inflation<br><b>-UK GDP</b><br>-US Inflation                  |
| Wednesday 15 <sup>th</sup> July | -BOJ rate decision<br>-UK Inflation<br>-BoC rate decision             |
| Thursday 16 <sup>th</sup> July  | <b>-Chinese GDP</b><br>-US initial jobless claims<br>-US retail sales |
| Friday 17 <sup>th</sup> July    | <b>-EU Summit</b>   |

## Companies reporting

|                                 |  |
|---------------------------------|--|
| Monday 13 <sup>th</sup> July    | -Pepsi<br>-Centamin  |
| Tuesday 14 <sup>th</sup> July   | - <b>US Banks (JPMorgan, CitiGroup, Wells Fargo)</b><br>- <b>Ocado</b> |
| Wednesday 15 <sup>th</sup> July | - <b>Burberry</b><br>- <b>Dunelm</b><br>-ASOS<br>-Dixon Carphone       |
| Thursday 16 <sup>th</sup> July  | - <b>Netflix</b><br>-easyJet<br>-GVC<br>-Hays                          |
| Friday 17 <sup>th</sup> July    |  |

### Key theme: Economic Recovery & Covid Cases As US Earning Season Begins

There is certainly no shortage of big headlines events across the week as US earning season kicks off and amid big data releases, central bank meetings and an EU summit. Despite the busy week, the primary focus will remain on the economic recovery story against increases in covid-19 cases in several countries including US.

### UK GDP - Tuesday

The UK economy fell off a cliff in April, contracting by 20.4%, as the UK remained deep in lockdown. However, this is expected to be the nadir. May's GDP reading is expected to be more encouraging as lockdown measures started to ease, and the economy started to slowly reopen. Analysts are forecasting a 5% increase mom, a stronger reading could boost sentiment lifting the FTSE and the Pound.

### **US Banks Q2 Earnings Tuesday, Wednesday, Thursday**

US banks will report second quarter earnings across Tuesday, Wednesday, and Thursday in perhaps the most eagerly awaited earnings reports in recent history. This is the quarter which bore the brunt of the coronavirus pandemic. Earnings are expected to nosedive as banks continue to set aside huge sums for bad loans provisions and as the sector confronts the reality of 0% interest rates and the impact on net interest income. Trading revenue could be a bright spot owing to coronavirus induced volatility. Citigroup and Goldman Sachs could perform particularly well in this area, these two banks have seen a stronger recovery from March lows. Wells Fargo is looking more troublesome potential heading back towards its recent lows of \$22.00 on weak earnings.

### **Ocado – Tuesday**

Ocado is due to report first half results which could send the share price higher. Expectations are high after Kantar data showed that Ocado's grocery sales jumped 42% in the 4 weeks to June 14<sup>th</sup> as more people ordered their groceries online during lockdown. Online delivery demand has surged since the start of the coronavirus crisis with many changes to grocery shopping habits looking set to stay. Ocado's unique vision beyond grocery and deliveries, towards tech is gaining interest from global retailers. The growth potential of the tech platform has helped Ocado perform beyond analysts' expectations. As from September Ocado's tie up with Waitrose is set to end, whilst a new partnership with M&S will begin. The joint venture, if executed correctly could push Ocado's share price higher in Q4, to become of the UK's top 10 tech stocks.

### **Burberry – Wednesday**

Burberry will report Q1 results on Wednesday. Burberry's financial year ended at the end of March meaning that the first quarter will reflect the worst of the coronavirus crisis. We should also get a good idea of what the recovery is looking like, particularly in the key Asia Pacific region. We have already heard that trading on mainland China is looking more positive. Close attention will be paid to how many shops have reopened across the globe. The last we heard from the luxury retailer for full year results in May, half of its stores were still closed .and operating profits had declined -57% to £189 million.

### **Dunelm – Wednesday**

Dunelm has been a rare success story in the retail sector over the past few years. Last year, Dunelm not only reported a strong operating profit but also announced a special dividend. The results are unlikely to be replicated this year. Dunelm closed all stores on 24<sup>th</sup> March furloughing staff through the government job retention scheme. Stores started reopening 24<sup>th</sup> April and now all stores have reopened with strict social distancing measures in place. Dunelm trades up over the year, although still off the February peak.

### **Chinese GDP - Thursday**

As the first country to be hit by the coronavirus outbreak, Chinese GDP estimate for the second quarter will be closely watched. Markets will be keen to see how the economic recovery is progressing as it heals from the covid-19 pandemic. Analysts forecast that the economy grew 2.5% year on year in Q2, rebounding back into positive territory after contracting -6.8% in the prior quarter. In addition to the GDP report, retail sales and industrial production data will also be released alongside the GDP report. Upbeat data from China pointing to a stable economic recovery could boost risk sentiment, lifting riskier assets such as equity indices, and riskier currencies such as the Australian Dollar. However, weaker than forecasts prints could see the US Dollar move higher.

### **Netflix – Thursday**

Netflix is the first of the high growth tech stocks to report. It set the bar high in Q1 after reporting an impressive 15.8 million new subscribers in the first three months of the year and guiding for an additional 7.5 million in Q2, well ahead of the 2.7 million new members added in the same quarter last year as people sheltering at home in coronavirus crisis turn to the streaming service. The fact that many economies across the globe haven't fully reopened means that actually subscriber number for this stay at home stock could be higher than forecast. Q3 subscriber number guidance will also be closely eyed, a figure over 6.8 million achieved in Q3 2019 could please the market. Expectations are high, with strong growth priced in. Shares are up 50% YTD around \$500, significantly outperforming the broader market's -3% decline. Moving forward the big question for Netflix will be how to hang onto these clients as lock down eases, particular in light of content pipeline as filming has been suspended due to lockdown restrictions.

### **ECB Rate Decisions – Thursday**

Few surprises are expected from this month's ECB monetary policy announcement. In the previous meeting the ECB beefed up its Pandemic Emergency Purchase Programme by a bigger than expected €600 billion, to €1.35 trillion. It also downgraded its inflation and growth forecasts. Christine Lagarde is expected to adopt a cautiously optimistic tone whilst upping the pressure on EU leaders to step up the pandemic response ahead of the EU leaders summit on 17-18 on the virus relief fund, after failing to reach an agreement in June.

### **EU Summit – Friday**

The stakes are high as EU leaders get together for a special summit, in a meeting which could determine the path that the recovery will take. German Chancellor Angela Merkel has urged leaders to come together in possibly its most challenging moment in history. 2 months ago EC President Ursula von der Leyen proposed a €750 billion recovery fund, financed by €500 in grants and €250 in loans. The proposal has received significant criticism from Sweden, Austria, the Netherlands and Denmark, who refuse to back the package over its lack of conditionality. In order for an agreement to be reached one of the two sides would need to back down, which is not expected to happen this week. Another delay or compromise deal could see the Euro fall lower, as concerns over Europe's recovery prospects are re-kindled. Sentiment in Europe could also take a hit dragging on European bourses.