

The Week Ahead, 14th June 2021

Fed, UK Unemployment, CPI, Retail Sales, Tesco, Boohoo, Whitbread

Our pick of the top macro data points and companies reporting this week. Those in bold are discussed below.

ECONOMIC DATA

Monday 14th June	n/a
Tuesday 15th June	UK Unemployment
	US Retail Sales
	China Retail Sales
Wednesday 16th June	UK CPI
	US Housing Starts
	FOMC Rate Decision
	US EIA Crude Oil Inventories
Thursday 17th June	Australia Employment
	US Initial Jobless Claims
Friday 18th June	

	<p>BoJ Rate Decision</p> <p>UK Retail Sales</p>
COMPANY ANNOUNCEMENTS	
Monday 14th June	<p>SThree</p> <p>Ted Baker (after being delayed 3 times)</p> <p>Crest Nicholson</p>
Tuesday 15th June	<p>Boohoo</p> <p>Ashtead</p> <p>Bellway</p> <p>WHSmith</p> <p>On the Beach</p>
Wednesday 16th June	<p>AO World</p>
Thursday 17th June	<p>Whitbread</p> <p>Halfords</p> <p>Safestore</p>
Friday 18th June	<p>Tesco</p>
KEY THEME	

Key themes:

The ECB failed to bring anything new to the table regarding its bond buying programme. All eyes will be on the Fed to see what they have to say after higher inflation and softer jobs numbers – will they start to talk taper?

In the UK there is plenty of economic data for investors to sink their teeth into. Furthermore, with covid cases on the rise, the full re-opening day is likely to be pushed back between 2-4 weeks. A decision will be announced by Boris Johnson today.

THE WEEK AHEAD

Monday

N/A

Tuesday

Boohoo

Boohoo's full year results were impressive. The online retailers saw the number of active customers increase by 28% to 18 million. It also reported a 41% increase in revenue to £1.75 billion which translates into a 35% rise in profit before tax to £124.7 million. The upbeat results came despite a supply chain scandal at the start of the fiscal year, involving a supplier in Leicester which operated below the UK minimum Health and Safety standards & paid below the minimum wage. Boohoo took remedial action and despite some short-term brand damage, it appears to have drawn a line under the scandal. Guidance was more cautious with revenue growth penciled in around 25%, lower than what was forecast. This could well be to temper expectations as the UK economy re-opened and shoppers return to the high street. The share price trades around its lowest level this year.

UK Unemployment

As the economy re-opens and businesses throw open their doors the UK labour market recovery looks steady. The number of employers on furlough continues to decline. This week's unemployment level is expected to reflect the improving picture in the labour market with forecasts pointing to a decline to 4.8%, down from 5.7% earlier in the year. However, the furlough scheme does mean that the true impact of the pandemic remains masked. The real impact won't be seen until Autumn when the furlough scheme ends. That said, the trend remains positive with jobless claims falling to 7.2% and is expected to continue falling in May as more businesses reopen. However, with PM Boris Johnson expected to push back on the final listing of restrictions tomorrow more business could fail and numbers rise slightly. Watch GBP, FTSE

US Retail Sales

Consumer spending in the US has been choppy. Huge fiscal stimulus has helped to drive a rebound in consumption. In January a \$900 billion stimulus plan boosted retail sales to 7.6%. Sales then fell in February -2.7%. Another stimulus plan in March of \$1.9 trillion saw consumer spending jump 10.7% the highest level since April last year. April then was much slower with retail sales at just 0% missing the 1.1% forecast. With jobs data missing forecasts and inflation rising at such a fast pace, May's figures could also show some weakness. Watch USD, US indices.

Wednesday

UK CPI

Rising inflation concerns have been stalking the market most of the year. These concerns have been fueled further by Brexit related disruptions and supply chain issues. The BoE has transitioned from talking about negative rates and could well now start to look at ways to start reining in support as the economy recovers and inflation rises. As the economy reopens rising prices are evident in air fares, transport costs and commodity price. Importantly, food so far has showed few signs of rising prices. UK CPI has been trending higher. In March CPI was 0.7%, rising to 1.5% in April. If the US is a guide, then the UK could see CPI rise towards the BoE's 2% target.

FOMC

The Fed is expected to leave policy unchanged in its June meeting with interest rates at 0-0.25% and the bond asset purchases at \$120 billion per month. The Fed will also give updated forecasts including the dot plot and could look to soothe taper talk fears. Even so the market will still be watching closely for hints or clues as to whether the Fed considers that the highest core inflation levels in 30 years could be less transitory than the central bank initially expected. So far, the Fed has been unwavering in its position that the spike in inflation will pass. The Fed is most likely to focus on jobs and put emphasis on disappointing job numbers in April and May, which could be a sign that the economy needs ongoing support. There are 7 million more Americans out of work now compared to February 2020 which gives the Fed reason to remain accommodative. Some Fed officials could be starting to adopt a mildly hawkish tone which could set the scene for further taper talk.

EX- Dividends

FTSE100: 3i, Land Securities, Intermediate Capital

FTSE250: Ferrexpo, Electrocomponents, Pets At Home, TR Property, XP Power

Thursday

Whitbread

Whitbread is due to release Q1 results after plunging into a £1 billion loss over the past year. Hopes are being pinned on a strong staycation season boosting bookings at Premier Inn hotel chain, given the slow return of international travel. 55% is the occupancy level at which Whitbread says it can break even so investors will be looking for bookings numbers to top that. Whilst there is no doubt that the pandemic year was extremely challenging for Whitbread there have been some positives. Using its size and stability Whitbread has managed to grow its market share. Last year Whitbread grew its market share by 6.9%. Time will tell if this can be maintained. The German side of the business is expected to run at a loss this year and next.

Friday

Tesco

Tesco is due to report Q1 trading update amid signs that its recent market share growth is stalling. The supermarket giant had been reclaiming market share from the likes of Aldi and Lidl, which both lack an online offering worthy of login for. However, as lockdown restrictions ease, sales are likely to become steadier and additional sales volume gained in lockdown is likely to slip away. Costs are also likely to ease as the costs associated with covid fallaway which will at least help profits. It's worth remembering that comparatives will also likely be tough as 12 months previous the UK was in the midst of the first national covid lockdown.

UK Retail Sales

UK retail sales have been rebounding since the January 8.2% slump when the shops shut amid the third lockdown. Retail sales rose 2.2% in February and then 5.1% in March as people prepared their gardens for visitors. Lockdown restrictions eased even further in April with non-essential shops reopening for the first time in months, boosting retail sales 9.2%. The further reopening in May has likely come too late to show up in the May figures. However, if the service sector PMIs are used as a guide, then retail sales could see another upbeat month.