ATLANTIC CAPITAL MARKETS

The Week Ahead, 18th January 2021

ECB, Netflix, Goldman Sachs, Burberry, Dixons Carphone

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 18th January	**China GDP** **China Retail Sales**

Tuesday 19th January	German ZEW
Wednesday 20th January	UK CPI BoC Rate Decision Australian consumer confidence
Thursday 21st January	BoJ Rate Decision **ECB Rate Decision** US Jobless Claims EZ Consumer Confidence
Friday 22nd January	**UK Retail Sales** EZ Mfg & Services PMI UK Mfg & Services PMI US Mfg & Services PMI EIA Crude Inventories

COMPANY ANNOUNCEMENTS

Monday 18th January	N/A
Tuesday 19th January	BHP Group Experian Premier Foods Rio Tinto **Netflix (US)** **Goldman Sachs (US)** Bank of America (US)
Wednesday 20th January	**Burberry** **Dixons Carphone** **WH Smith** **JD Wetherspoon** Antofagasta
Thursday 21st January	EMIS Group Ibstock Sage Pets At Home IBM (US) Intel (US)
Friday 22nd January	

	Computacenter Ninety One

KEY THEME

Key themes: Biden Inauguration, Lockdown, Vaccine & Central Banks

On 20th January, Joe Biden will be sworn in as the 46th President of the US. This is expected to be more of a ceremonious event rather than a market moving on but one which will allow Joe Biden's policies and agenda to direct the US over the coming 4 years.

Meanwhile rising covid cases and tighter/extended lockdown restrictions could continue to unnerve investors even as covid vaccine programme rollouts start to the accelerate, particularly in the UK.

Finally, central bank rate decisions for BoJ, BoC and ECB in addition to a slew of data and US earnings will make for a busy week.

THE WEEK AHEAD

Monday

China GDP & Retail Sales

Chinese retail sales turned positive in August and have been trending higher ever since. So far, the lack of a second wave of covid in China has meant that consumer demand continues to improve, although it remains well short of 2019 levels. December's retail sales data is expected to continue the uptrend with 5.5% increase forecast after 5% uplift in November. As consumer spending rises the performance of the Chinese economy as a whole is expected to continue going from strength to strength. Whilst the pandemic lockdown sent Chinese GDP crashing to a -6.8% contraction in Q1, performance is improving significantly in the second half of the year. Q3 GDO +4.9% YoY and Q4 is expected to see growth of 6.2%. Watch miners, CNH

Tuesday

Goldman Sachs

Investment bank Goldman Sachs is due to release Q4 results. These come on the back of solid numbers from peer JP Morgan and following the all clear from the Fed to restart buybacks and dividends. Investors will be watching carefully for signals that GS will resume paying dividends. Q3 results smashed forecasts thanks to a 30% rise in revenue to $10.78 billion. The trading arm generated over 40% of that revenue thanks to an impressive performance in bond trading and a resurgence in IPO activity. Expectations are EPS $6.87.

Netflix

Netflix has been one of the big winners from the pandemic. The share price has surged over 50% over the past 12 months as the streaming platform saw subscriber numbers soar. However, subscriber number growth slowed significantly in Q3 with just 2.2million added. Yet despite, weaker Q3 subscriber numbers, in the first three quarters of 2020 Netflix still managed to add more subscribers than it did across the whole of 2019. Q4 revenue is expected $6.57 billion, with an additional 6 million new subscribers forecast. The share price has moved sideways over the past few months, hovering around all time highs as investors show some signs of caution amid rising competition from Apple & Disney.

Wednesday

Wednesday

Burberry

Luxury retailer Burberry is due to update the market. The update comes after a challenging 2020 which saw 62% decline in pre-tax profits in H12 at £83 million, down from £193 million the year before. Whilst Q1 sales dropped -45%, Q2 sales improved. The lack of a second wave of covid in China could help lift Q3 numbers and offset the hit to sales caused by tighter restrictions in Europe and the US. Burberry also leans on tourists so the latest round of travel restrictions and lockdowns in Europe particularly is likely to have weighed on demand. Burberry's recovery prospects are expected to be closely linked the rebound in global travel.

Dixons Carphone

Dixons Carphone is expected to release a trading update mid week. Whilst Dixons Carphone was hard hit by the temporary closure of its shops in the Spring lockdown, the mobile phone business saw the biggest hit to revenue - a decline of £409 million, dropping to a £104 million loss as roaming charges evoprated. Online sales and strong digital operations have since helped offset some of the effects of closures in lockdown. Even so the outlook remains cautious given that consumer spending has slowed in light of the pandemic. Investors will be keen to see how margins have held up over the festive period and whether digital sales have continued to grow at a solid pace.

WH Smith

WH Smith Christmas numbers are due to be released on Wednesday and there is a good chance that they will make for grim reading. Lockdown restrictions have meant a high proportion of WH Smith shops were forced to cease trading in the middle of the festive period. Furthermore, WH Smith had been increasingly reliant on its travel arm in recent years, an area which has been particularly hard hit from travel restrictions. Whilst the vaccine rollout is undoubtedly good news for WH Smith, there are still several very difficult months to get through first.

JD Wetherspoon

The hospitality sector has had a rougher rise than most over the past 10 months. Lockdown 3.0 means that the pubs in JD Wetherspoon's estate will continue to be unprofitable and cash burning until at least March, after closing their doors in November. With this in mind investors will be most interested in the cash burn level and liquidity position. Back in November JD Wetherspoon had the equivalent of 16 months of liquidity under full closure.

EX- Dividends

FTSE100: Non

FTSE250: Non

Thursday

ECB meeting

At the last meeting in December the ECB increased its Pandemic Emergency Asset Purchase Programme from €1.35 trillion to €1.85 trillion in addition to extending it for a further 9 months, until March 2022. So no action is expected from the central bank. Since the last meeting manufacturing in the bloc is holding up well. However, the services PMI remains well in contraction with little prospects of moving out of contraction amid continued lockdown restrictions in the largest economies, Germany and France. ECB President could well say that the ECXB are monitoring he exchange rate closely, wary of the impact of a strong Euro on already lackluster inflation. Watch EUR, EU indexes.

Friday

UK Retail Sales

The six consecutive months of retail sales growth that was seen from the end of the first lockdown in April came to a sudden halt in November with the implementation of the second national lockdown. Retail sales slumped -3.8% after a strong October. Expectation in December are for a 1% rise month on month, as it is worth noting that the tighter lockdown restrictions came in towards the end of the month of December. Closed bars and restaurants are set to have been most affected. Online and digital sales are likely to have surged making up for at least some of the hit from bricks and mortar stores shutting their doors. That said businesses are adapting to the pandemic, so sales are likely to remained elevated compared to March's -5.1% drop – the largest on record. Watch GBP, FTSE.

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