ATLANTIC CAPITAL MARKETS

The Week Ahead, 19th October 2020

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 19th October	China Q3 GDP
Tuesday 20th October	US Housing Starts & Building Permits

Wednesday 21st October	UK CPI EIA Crude Inventories
Thursday 22nd October	German Consumer Confidence US Initial Jobless Claims US Existing House Sales EZ Consumer Confidence
Friday 23rd October	**UK Retail Sales** **French, German, EZ Services & Mfg PMIs** **UK Services & Mfg PMI** US Services & Mfg PMI
COMPANY ANNOUNCEMENTS	
Monday 19th October	IBM (US)
Tuesday 20th October	**Bellway** Rickett Benckiser Softcat Snap (US) **Netflix (US)**

Wednesday 21st October	Centamin Antofagasta **William Hill** Verizon (US) Tesla (US) Whirlpool (US)
Thursday 22nd October	**Unilever** Money Supermarket Rentokil Travis Perkins Coca Cola Polymetal American Airlines (US) **Amazon (US) unconfirmed**
Friday 23rd October	**Barclays** LSE Group **InterContinental Hotels** Daimler

KEY THEME

Earnings Season, Elections, Covid & Brexit

Market volatility has been high across recent weeks and could well remain elevated as investors look ahead to the US elections whilst digesting the latest on the US Congressional fiscal stimulus negotiations, tightening European covid lockdown measures and of course Brexit.

Corporate earnings are also coming in thick and fast this week with UK banking results kicking off with Barclays and US Tech earnings in full focus.

THE WEEK AHEAD

Monday

N/A

Tuesday

Bellway

Bellway is due to announce full year results and we are not expecting too many surprises after the house builder announced that it saw a 31% drop in revenue to £2.2 billion in the 12 months to July 31, completions were down by the same amount. Bellway also highlighted rising costs from reduced productivity in lockdown dragging on gross margins. As a result, investors will be watching out for any comments on profitability and the outlook. Expectations are that sales will have picked up at the start of the new financial year. UBS forecast second half loss of £8 million, or £80 million including one-off's

Netflix Q3

Competition has grown for Netflix but membership numbers at Netflix far eclipse those of rivals. At the end of Q2 NTFL total subscribers were over 192 million, with 73 million from US. Netflix has repeatedly warned that the level of subscriber growth which it has experienced through lockdown is not sustainable. Investors will also be listening closely for any insight into a hotly rumoured price hike that Netflix is considering after a change in language on Q2 call. Expected Q3 EPS $2.14 on revenue $6.14 billion

Wednesday

William Hill

William Hill's trading update could well focus on the outlook especially in the wake of tighter lockdown restrictions from the British government which will mean that some of the bookmakers shops will be forced to shut their doors again until the spread of covid cases starts to ease. Performance in the US will also be under the spotlight as William Hill is on the brink of being brough out by US Caesars Entertainments for £2.9 billion. Any developments on the matter will be watched closely particularly in light of increasing regulation on the UK market.

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EX- Dividends

FTSE 100: Bae Systems, Smiths Group

FTSE 250: Tritax Bigbox

Thursday

Unilever

The last we heard from Unilever was back in July when it reported better than forecast half year results. Strong sales in food and hygiene products helped offset weakness in catering revenue and out of home eating. As shopping habits start returning to normal, we could start to see revenue imbalance ease. Sales in developed markets will be closely scrutinised given that sales in these markets were looking sluggish even before the covid pandemic. Any details on the de-merger of the tea business will be closely eyed.

Amazon

Amazon has had a phenomenal performance so far this year significantly benefitting from the spread of covid and importantly its strong run is expected to continue. Amazon's e-services have become essential for customers, whilst covid fuels online shopping. Furthermore, Amazon's Web Services is being used by businesses around the world to power their business operations. Amazon is due to release a slew of new products and then there is prime day, which often translates to high sales. Expected Q3 EPS $6.08 on revenue of $92.1 billion

Friday

Flash PMI Readings

Recent data from France and Germany is pointing to the economic recovery stalling. Service sector activity was notably weaker in September, with Germany's service sector activity just holding in expansion territory at 50.6 in September. France slipped back into contraction with services slowing to 47.5 down from an impressive 57.3 just two months earlier as tighter lockdown restrictions have been brought back in to control a resurging number of covid cases. With winter fast approaching, covid cases are expected to rise, concerns are growing over a deterioration in the service sector going forward. Meanwhile manufacturing has held up reasonably well, at least in part offsetting the slowdown in manufacturing. Watch EUR crosses and EU indices

UK

The UK economy has proved to be resilient, partially owing to a generous government furlough scheme and Eat Out to Help Out scheme in August. August outperformed and September was also a solid set of PMI readings across the board. Activity in the services sector just slowed marginally to 56.1; manufacturing printed at 54.1. The data indicates that the British economy experienced strong growth in Q3. However, Q4 could be a different story, particularly with the hospitality sector expected to take a blow after the government announced a series of tighter lockdown measures for parts of the country with no clear exit plan.

UK retail sales

Consumers have helped drive the economic recovery over the summer period, with the best run of gains for years. After a strong surge post lockdown, gains have eased each month with August recording 0.8% increase. Will September be able to continue the run of gains. Based on PMI data the assumption is that more gains are in the bag, the British Retail Consortium revealed sales in September hit 4.7% they too are supportive of an upbeat reading. Watch GBP and retail sector.

Barclays

Barclays is trading down around 45% YTD, hammered by the covid pandemic. Bad loans are the biggest concern for not only Barclays but for the sector as a whole. In H1 Barclays set aside £3.7 billion as expectations of rising unemployment meant bad loans were also expected to soar. The outlook isn't expected to have improved since then. Net interest income is also under pressure amid record low interest rate and the threat of negative rates. Barclays has a sizeable investment banking arm which is likely to have benefitted from high volatility in the markets. This is expected to to help offset weakness in the core banking activities.

InterContinental Hotels

A quarterly update from InterContinental Hotels could also provide some clues as to how disastrous the next few months are expected to be. IHG has performed better than its peers owing to its franchise system, which meant that it avoided a heavy hit for running costs. Global occupancy dropped 25% in the Q2 whilst revenue per room halved in the first 6 months of the year; however, InterContinental Hotels managed to remain profitable. With the US economy reopening, staycations stateside in Holiday Inn could boost could improve the outlook whilst tightening lockdown restrictions in Europe are expected to darken the outlook here.