ATLANTIC CAPITAL MARKETS

The Week Ahead, 1st February 2021

BoE, NFP, BP, Vodafone, Amazon & Alphabet

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 1st February	China Caixin Mfg PMI Eurozone Unemployment US ISM Mfg PMI

Tuesday 2nd February	RBA Rate Decision Eurozone Q4 GDP
Wednesday 3rd February	China Caixin Services PMI Eurozone CPI US ADP Employment Report US ISM Non-Mfg PMI US EIA Crude Inventories
Thursday 4th February	**BoE Rate Decision** US Jobless Claims
Friday 5th February	**US Non-farm Payroll**
COMPANY ANNOUNCEMENTS	
Monday 1st February	Hargreaves Lansdown Ryanair
Tuesday 2nd February	**BP** **Alphabet**

	Amazon Pfizer Exxon Mobile
Wednesday 3rd February	Banco Santander **GSK** **Vodafone**
Thursday 4th February	**BT** **Royal Dutch Shell** Barratt Developments Unilever Royal Mail Compass Ford Gilead
Friday 5th February	Beazley Sanofi BNP Paribas

KEY THEME

Key themes: Short squeeze, Covid mutations & vaccine news

After last weeks' retailer traders versus hedge fund short squeeze, which appeared to come out of nowhere, investors will be watching to see if this populist movement continues to gain traction or whether it was a one-week wonder.

Concerns over covid mutations are expected to linger, particularly worries over the South African variant which appears to be more contagious and possibly resistant to some covid vaccines. Vaccine rollout news is also likely to drive sentiment.

Furthermore, there is plenty of corporate and economic news to digest including US non-farm payrolls, China PMIs & BoE & RBA rate decision. On the corporate front Alphabet, Amazon and BP are just some of the big names set to report.

THE WEEK AHEAD

Monday

N/A

Tuesday

BP

BP halved its dividend after reporting $6.7 billion loss in Q2 but managed to just break even in Q3 thanks to rebounding oil prices and fewer massive write downs. Investors will be particularly keen to hear more on the net zero strategy and how the oil major is progressing in its transition away from oil towards being an integrated energy company including investments in clean energy sources such as wind, solar and electric vehicles. Expectations are for a small profit of $375 million in Q4 putting pre-tax loss for the year at $25.6 billion.

Amazon

Amazon is expected to report some stellar Q4 numbers after blockbuster sales over the holiday period – a strong end to an impressive year for revenue. However, covid related costs have also surged across this year with another $4billion expected in Q4 to deal with the challenges facing its retail operations. Amazon has taken on opver 400,000 more staff in 2020. Amazon web services will have also further benefited from the pandemic tailwind and has been a key contributor to revenue growth, now accounting for 12.1% of total revenue after the division saw revenue growth of 29% the previous two quarter. Although growth here could start to slow given rising competition. Expectations are for EPS $7 on revenue of $112.3 billion. The share price has moved sideways over the past few months, Q4 earnings could be the catalyst to break the share price out of its current range,

Alphabet

The last we heard from Google parent Alphabet in Q3 earnings the tech giant beat analysts' expectations by a wide margin. Total revenue and profits surged thanks mainly to increased advertising revenue but also down to cloud revenue beating forecasts. Youtube figures were also impressive rising 32% to $5 billion. Google's cloud business is expected to be a significant revenue driver over the coming years and we are expecting to see a break out of the cloud business numbers this quarter for more transparency. Google has a more diversified advertiser base than some peers so whilst it saw a larger deceleration of advertising growth in Q2, Google could well benefit more when exposure to travel & local activity picks up. EPS $15.9 on revenue $53.09 billion.

Wednesday

Vodafone

Vodafone is due to update the market with Q3 earnings. Results so far across the pandemic have been mixed. Whilst roaming charges have fallen owing to travel restrictions, demand for data usage remains elevated thanks mainly to strong demand in emerging markets. Traders are hoping to see further improvements to top line growth and guidance to remain at EBITA of €14.4- €14.6 billion. Services revenue which had declined sharply in the first to quarters is expected to stabilize -0.14% in Q3. Any update concerning the ongoing tax rebate legal challenge by India for $2 billion will be eyed. Whilst an independent tribunal in Netherlands ruled in favour of Vodafone an Indian official has said that India will challenge the ruing.

GlaxoSmithKline

Q4 results are expected and all eyes will be on an update on the covid vaccine developed in partnership with Sanofi. A final trial is expected in Q2 and providing all goes well, regulatory submission in Q3. Although this is still months behind peers such as AstraZeneca and Pfizer, which has been a disappointment. Sales numbers will be in focus with a potential slowing in moment as lockdown restrictions are limiting visits to doctors and hospitals. Back in October GSK said they expected EPS to be towards the lower end of forecasts down a range of 1-4%. The share price is down around 25% over the past year, underperforming the FTSE's 12% slide.

EX- Dividends

FTSE100: None

FTSE250: GCP Infrastructure, TI Fluid System, FDM Group

Thursday

Bank of England rate decision

The BoE raised its QE purchases in November to £875 billion, up from £725 billion. The health of the UK economy has deteriorated further since the last meeting as the UK entered into its third national lockdown. Whilst the central bank has refused to rule out cutting interest rates BoE Governor Andrew Bailey has put more distance between the bank and a move into negative rates in recent comments. Meanwhile, other members on the monetary policy committee remain enthusiastic about the strategy. That said, with Brexit behind us. And the vaccine rollout gathering pace a solid economic rebound could be on the horizon in Q2 and H2. There is a good chance the central bank will focus on that over the near term economic hit from lockdown. With this in mind it appears unlikely that the BoE will act. Watch GBP. FTSE.

Royal Dutch Shell

The oil major is due to release Q4 numbers and few surprises are expected following a trading update in December. Production is expected to be close to guidance with the recent rebound in oil prices is likely to have helped margins. The December update also highlighted $3.5 billion - $4.5 billion of potential write downs. The results come ahead of the strategy outlook next week. Shell aims to reduce greenhouse gas emission to net zero by 2050. The company has also said that it will devote 10% of yearly spending to energy projects by 2025.

BT

BT will release third quarter results on Thursday. The telecom giant's performance has been hit by Covid through a lack of roaming charges and reduced sports revenue partly owing to increased competition in the UK market. Looking ahead there are plenty of headwinds over the coming year. These include an expensive 5G rollout and increased competition particularly from Virgin Medi which is gaining market share and also working closely with Sky. Furthermore, BT is attempting £10.9 billion pension deficit potentially constraining the dividend & acquisition opportunities. Expectations are for revenue to drop -6% to £5.4 billion with underlying earnings set to decline -7% to £1.8 billion.

Friday

US Non-farm payroll

December's jobs data put a stop to 7 consecutive months of job gains. 140,000 jobs were lost in the last month of the year as businesses struggled to cope amid elevated covid cases and tighter restrictions. Consumer spending, which is key to supporting the service sector has stalled reflecting the uncertain economic outlook for the dominant sector in the US economy and jobs in that sector. Expectations are for 100,000 jobs to be added in January. Although it is worth noting that the headline figure has undershot for the past two months. Another weaker than forecast reading could signal a worrying trend. Meanwhile unemployment numbers have declined sharply from the peak of 14.7% to 6.7%. However, the participation rate has also declined signififcsntly to 61.5% down from 63.4% pre-pandemic in February last year. Watch USD and US indices.

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