

The Week Ahead, 21st December 2020

UK & US GDP, German Consumer Confidence, Initial Jobless Claims

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 21st December	US Chicago Fed Index Eurozone Consumer Confidence (Dec)
Tuesday 22nd December	

	<p>Australian Retail Sales</p> <p>German Consumer Confidence</p> <p>UK GDP Q3 (final)</p> <p>US GDP Q3 (final)</p> <p>US Existing Home Sales</p>
Wednesday 23rd December	<p>US Personal Spending & Income</p> <p>US New Home Sales</p> <p>US EIA Crude Inventories</p>
Thursday 24th December	<p>US Durable Goods</p> <p>US Jobless Claims</p>
Friday 25th December	N/A
COMPANY ANNOUNCEMENTS	
Monday 21st December	n/a
Tuesday 22nd December	n/a
Wednesday 23rd December	n/a

Thursday 24th December	n/a
Friday 25th December	n/a

KEY THEME

Key themes: Covid Mutation & Brexit

Covid cases continue to surge globally with December set to be the deadliest month of 2020. With a new more infectious covid mutation in the UK and London and the surrounding area has be put into Tier 4 and several European countries has closed their borders to the UK. Risk off is set to dominate. The covid trade of weaker travel stocks, bricks and mortar retailers and stronger consumer staples and tech stocks could be in play this week.

Brexit remains another key theme. Whilst Brexit optimism lifted the Pound in the previous week, the passing of another key deadline on Sunday means talks are going down to the wire ahead of the end of the transition period on 31st December. Difference remain over fishing, although there is still hope that a deal will be agreed this week.

In the US Republican and Democrat lawmakers have finally agreed to a \$900 billion relief bill, which could offer at least some support to US stocks.

Whilst there are n o corporate updates expected in the coming week, there are still some macro releases which could drive the markets.

Low volumes mean that anything that any data / event which catches the market by surprise could result in big swings.

THE WEEK AHEAD

Monday

Tesla

Tesla will debut on the S&P500 on Monday. The stock has rallied around 700% so far this year. It has gained around 70% since the announcement by the S&P index committee on 16th November and 11.5% over the 2 days as passive funds buy into the stock and sell out of other S&P peers to make room for the 67th largest stock on the weighted index. Tesla has booked 5 straight quarters of profitability. However, there are some concerns that competition could soon start to heat up. Furthermore, government tax breaks & regulatory credits are key contributing factors to the profits suggesting that actually the core business still lacks descent margins.

Tuesday

Tuesday

German GFK Consumer confidence

German consumer sentiment slumped in December amid the renewed shutdown of hotels, restaurants and the events industry as the government ordered a shut down lite in order to stem the spread of the second wave of covid. Sentiment is expected to decline further dropping from -6.7 to -9.5 as consumers struggle to look past the now tighter lockdown restrictions that it will face in the coming weeks and month, overshadowing vaccine optimism. Watch EUR/USD

UK GDP Q3 final

UK Q3 GDP the final revision is due. It is expected to confirm the previous estimate of 15.5% QoQ and -9.6% YoY. However, given this data data relates to the July – September period and the fact that it is the final revision, it is unlikely to have a large impact on the markets. The UK has since been under lockdown measures in November and London and the surrounding area has just be put into Tier 4 lockdown restrictions. With this in mind Q3 GDP data feels very out-dated. Only a serious upward or downward revision would prompt GBP movement.

US GDP Q3 final

The GDP release will provide further insight into economic trends in Q3. This is the final reading, so no huge surprises are expected and this is unlikely to shake the markets. The forecast of 33.1% is expected to confirm the prior to estimates.

Australian Retail Sales

Australian retail figures rebounded by a stronger than expected 1.4% in October as consumers stocked up on supplies ahead of the holiday season. Money that would usually be spent on overseas travel and social activities was being spent on home cooking and entertainment. However, since then Australia's most populous state has announced new restrictions to contain a growing outbreak in the Greater Sydney area. After strong October growth 1.4% MoM , Retail Sales in November are expected to be much weaker -0.6% MoM. The data comes after AUD/USD saw a bullish breakout last week, hitting a 2.5 year high of 0.7639. Thin market conditions could see 0.77 draw into focus.

-14% to 752p.

Wednesday

N/A

EX- Dividends

FTSE100: Halma

FTSE250: Grainger, IntegraFin, Law Debenture Corp

Thursday

US Initial Jobless Claims

The number of Americans applying for unemployment benefit unexpectedly jumped to a three month high last week indicating that the labour market is faltering as covid cases surge stateside and restrictions on businesses grow. The rise in claims highlighted the trouble in the labour market and the need for additional US stimulus. This week analysts are expecting the trend of rising initial jobless claims to continue with 900k claims forecast, a fresh 3 month high, up from 885k last week. Watch USD, US indexes.

Friday

N/A

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