

The Week Ahead, 24th May 2021

UK Public Sector Finances, Marks & Spencer, Aviva & Ted Baker

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

ECONOMIC DATA

Monday 24th May	N/A
Tuesday 25th May	<p>German GDP Final</p> <p>German IFO Business Climate</p> <p>UK Public Sector Net Debt</p> <p>US Consumer Confidence</p>
Wednesday 26th May	US EIA Crude Oil Inventories
Thursday 27th May	<p>German GFK Consumer Confidence</p> <p>US Durable Goods</p> <p>US GDP Q1 2nd Estimate</p>

	US Initial Jobless Claims US President's FY2022 Budget
Friday 28th May	US PCE Index US Michigan Consumer Confidence
COMPANY ANNOUNCEMENTS	
Monday 24th May	Hilton Food Group
Tuesday 25th May	AVEVA Big Yellow Electrocomponents Pershing Square Holdings
Wednesday 26th May	Biffa British Land Marks & Spencer NVIDIA (US) Snowflake (US) SSE
Thursday 27th May	Aviva

	Costco (US) Johnson Matthey Pets At Home Salesforce (US) Ted Baker United Utilities
Friday 28th May	N/A

KEY THEME

Key themes:

Last week saw plenty of catalysts for trading and some solid two way moves. This week investors are likely to be searching for the next catalyst. Last week's crypto sell off and the US – Iran nuclear talks progress stories could continue into this week.

Both the earnings and economic calendar are lighter this week. However, with US PCE data, the Fed's preferred measure of inflation at the end of the week inflation concerns could return to stalk the market.

THE WEEK AHEAD

Monday

N/A

Tuesday

UK Public Finances

Last year the UK deficit rose to over £300 billion, the largest post war deficit. The start of this year is likely to continue along a similar footing with further increases to public sector net borrowing. Whilst PSNB is slightly lower than what has been forecast, there are still concerns over its elevated levels. The UK economy has been easing lockdown restrictions over the past few months which will have helped, and some big names have even repaid the business rate support. Every little helps. Despite borrowing

being high, the market is showing few signs of being concerned at this stage. PSNB is expected to rise by £30 billion. Watch GBP, FTSE.

German GDP & IFO May

The German Q1 GDP reading is expected to confirm the pre-liminary print of -1.7% contraction in the first three months of the year. Given that we are half way through Q2, Q1 data is now slightly dated. Even so, any significant change in the print has the potential to move the market. Germany's third wave of covid has meant that the first part of Q2 saw further lockdown restrictions, which are only starting to lift now. As a result, Q2 GDP data could still be fairly subdued. The extension of lockdown restrictions has impacted business confidence with the IFO survey only revealing a very slight improvement in April. May's numbers could see further improvement, particularly given that Germany's vaccination programme has really taken off in recent weeks. Watch Euro, Dax.

Wednesday

Marks & Spencer

Back in November Mark & Spencer reported its first loss in its 94 year history owing to the pandemic lockdowns which forced its stores to close hitting retail operations. In H1 Marks & Spencer reported a £71.6 million loss after a 15.8% decline in sales. However, the food business helped to offset some of the weakness in the clothes arm thanks to the Ocado deal which saw a 47.9% rise in sales. In Q3 things weren't much better as with clothing and home sales down 24.1%, although this was actually an improvement on the 30% decline that had been penciled in. This was mainly thanks to an increase in online sales worth Q3 revenue hitting £2.77 billion. With stores close for most of Q4 the numbers are unlikely to be upbeat, although food sales could once again help offset weakness in general merchandise.

NVIDIA

Q1 results are expected to show a continuation of the very strong revenue growth reported last year. NVIDIA's core markets – data centres used in cloud computing and gaming computers and consoles are likely to have seen another solid quarter as lockdown restrictions continued in many markets. The group could also benefit from the chip pricing tailwind owing to strong demand and supply shortages owing to the global supply disruption. Whilst this tailwind is expected to ease eventually, guidance is still expected to be upbeat.

EX- Dividends

FTSE100: DCC, Evraz, Intertek, Imperial Brands, Sage, Severn Trent

FTSE250: Britvic, Diploma, Diversified Energy Company, Grainger, Great Portland Estates, HICL Infrastructure, IntegraFin, Games Workshop, Vectura, Scottish American Investment co.

Thursday

Pets At Home

Pets at home has been one of the notable beneficiaries from the pandemic as customers sought out furry companions in lockdown fueling a boom in pet ownership. In Q3, like for like sales jumped 17.6%. Investors will be hoping for a repeat performance and hoping that the trend continued into the final quarter. Profits were guided for at £85 million. The outlook statement will be of particular interest as pet buying is likely to flatten off with the services arm of the business such as grooming and vets, coming more into focus.

Aviva

Aviva is due to report Q1 results on Thursday as a series of disposals. Aviva sold off its Singapore business for £1.6 billion in September last year. Aviva also sold its stake in Italian business Aviva Vita in November for £400 million and then the Hong Kong & Vietnam in December. It didn't stop there. In March this year Aviva announced it will dispose of its Italian business Allianz for €873 million. Then this month the insurer announced that it exited Turkey gaining £122 million. These sales are part of CEO Amanda Blanc strategy to focus on the core UK, Ireland, Canada markets. So far, the plan appears to be successful with recent full year numbers showing continued growth in all areas of the business. Operating profits beat forecasts at £3.2 billion smashing forecasts of £2.73 billion.

Ted Baker

Ted Baker has had a tough year as lockdown restriction closed its UK shops and many international sites for large parts of the year. Full year numbers are going to be grim; revenue declined 47% in the final quarter. Given that the retailer has high fixed costs such as store leases so operating margins are expected to be considerably worse. Ted Baker is expected to swing from an £18m profit last year to a £70 million loss. The outlook will be closely eyed, particularly given that Ted Baker was struggling before the pandemic. Investors will be keen to see if some of the turnaround efforts starting to bear fruit?

Friday

PCE

Inflation concerns have dominated the market for weeks CPI and PPI both saw significant jumps in April. However, it is worth remembering that the Fed actually considers the PCE as its principal inflation benchmark. PCE in March came in at 1.8% a 13 month high. April's figure is likely to reflect rising inflationary pressures. A sharp rise in the PCE could unnerve market participants amid ongoing questions over whether the rising in inflation is as transitory as the Fed believes that it is. Expectations are for PCE to rise to 2.7% in April, which would mark the highest level since the early 1990's.

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