ATLANTIC CAPITAL MARKETS

The Week Ahead, 25th January 2021
FOMC, US GDP, Apple, Facebook, Tesla Reporting

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 25th January	German IFO Business Climate
Tuesday 26th January	**UK Employment Data**

	US Consumer Confidence
Wednesday 27th January	German GFK Consumer Confidence US Durable Goods US EIA crude inventories **FOMC**
Thursday 28st January	**US Q4 GDP** US Jobless Claims
Friday 29th January	**Germany GDP Q4** US Pending Home Sales US Personal spending
COMPANY ANNOUNCEMENTS	
Monday 25th January	SThree
Tuesday 26th January	PZ Cussons Severn Trent Saga UBS

	Microsoft (US) General Electric (US) Starbuck (US)
Wednesday 27th January	Fresnillo Tullow Oil **Tesla** **Apple** **Facebook** **Boeing**
Thursday 28th January	**Diageo** **easyJet** Britvic Rank Group McDonalds (US) Visa (US)
Friday 29th January	SAP H&M TalkTalk Chevron (US) Caterpillar (US)

KEY THEME

Key themes: US stimulus, tech earnings & covid

After Joe Biden's inauguration last week attention is quickly turning towards the $1.9 trillion stimulus package and whether it can be pushed through. The mood as we kick off the week is optimistic. However, signs that the stimulus plan won't be agreed or that it will be significantly smaller could drag on risk appetite.

Covid numbers, lockdown restrictions and vaccine developments will continue to drive market sentiment.

US tech stock earnings will grab a lot of attention after the surge in share price experienced by the likes of Apple, Tesla and Facebook across the pandemic.

THE WEEK AHEAD

Monday

N/A

Tuesday

UK ILO unemployment numbers

Unemployment numbers will big the focus for the UK economic calendar this week. The UK three-month average unemployment rate is forecast to rise to 5.2% in November up from 4.9% in October. This is expected to rise further in the coming months with Chancellor Rishi Sunak in November forecasting unemployment peaking at 7.5% in Q2 2021. At the same time the furlough scheme was extended to April. However, the latest lockdown restrictions mean that the economic reopening has been pushed back further towards Q2 meaning that there could well be more job losses in the coming weeks and months further job losses are likely. Monthly jobless claims, which are broadly considered a more accurate reflection of the labour market are expected to rise from 7.4% to 7.5%. Watch GBP crosses.

Wednesday

FOMC

The Fed will hold its first monetary policy meeting since the Democrats took control of the Senate, a move which significantly improved that chances of Joe Biden's $1.9 trillion stimulus package being approved. No policy adjustments are expected, and the central bank is expected to reiterate that the economy is still a significant distance from the ed's goals of full employment and inflation of 2%. There had been growing expectation earlier in the month that in light of a massive fiscal stimulus package, the Fed could consider tapering its bond purchases earlier than initially thought. However, Fed Powell quickly responded by saying that now is not the time to be talking about an exit. Watch USD, US indices.

Apple

The holiday quarter is a crucial quarter for Apple and also typically its best performing quarter thanks to holiday sales and its new 5G iPhone suite. Apple is widely expected to report revenue over $100 billion as the tech giant continues to reap the rewards from remote working and schooling trends. Sales of the Apple One bundle which aims to rival Amazon prime will be closely watched as well as its fitness bundle as it looks to take a bigger slice from the lucrative fitness market. The services business has been steadily growing over recent years and investors will be keen to see further progress in subscriptions business and Apple +. Although hardware is what is expected to drive the results.

Facebook

Facebook is expected to post results proving the latest quarter to have been a record quarter given strong digital advertising trends during the holiday period. Even so the share price has come under pressure since its decision to ban Donald Trump from the platform, a move which raises questions over use engagement. That said earnings are still expected to flourish even in the face of anti-trust lawsuits by the Federal Trade Commission thanks to a flourishing digital economy as well as diversification into new products such as Instagram Reels and Facebook shops. Revenue and profits are expected to grow 25% with EPS at $3.15 and revenue of $26.25 billion.

Tesla

Tesla reports after a stellar year that saw the stock not only sugar 600% but also admitted to the S&P500. Telsa was just shy of its ambitious goal of 500,000 deliveries but managed to post consistent profits each quarter over the past 12 months. This was thanks in part to the sale of regulatory credits and energy storage sales. The release also comes just as sales in China of the new Y model crossover. China is a key market with strong growth potential. Last year consumer demand for electric car in China surged as the People's Republic aims to increase the proportion of EV's from 5% to 225% in the next 5 years. However, competition is hotting up. A key focus in the numbers will be whether higher production levels have been maintained, without higher costs and whether average sale prices have been lowered to boost demand.

Boeing

Boeing are due to report, after the shares have steadily climbed higher since the mid-March low and after the 737 MAX recently had its airworthiness certificate restored. Whether people are ready to get back on the plane remains to be seen. The previous quarter saw the aerospace group post a fourth straight quarterly loss of $1.39 per share whilst also announcing plans to slash the workforce, taking the headcount to 130,000 down 40,000 in a year. The outlook for the travel industry remains weak near term although longer terms with the vaccine distribution the outlook is improving. Daily cash burn is expected to be around $25 million day, down from $44 million per day in the previous quarter.

EX- Dividends

FTSE100: Pennon

FTSE250: Paragon Banking, Victrex, Grafton, City of London Investment

Thursday

Diageo

Diageo is set to deliver H1 results and expectations are high. Back in September the beverage company said that its outlook had improved, particularly in the US setting the scene for a soli quarter. However, renewed lockdown restrictions in many countries across the globe could impact trade sales as pubs, bars and restaurants are forced once again to shut their doors leaving the firm to rely on the retail sales of its products. Investors will be watching carefully to see if the outlook has changed.

easyJet

easyJet is due to give at trading update on Thursday and once again it is likely to make for grim reading. Tighter lockdown restriction, border closures and travel restrictions amid a resurgence of covid cases means that easyJet is expected to forecast Q1 2021 traffic levels at just 12.5% of levels a year earlier. Driving the point home revenue is expected to plunge £157 million from £1.42 billion. Whilst the distribution of the covid vaccine expected to see air travel pick up, easyJet and its peers still need to navigate a very challenging quarter and an extremely cautious outlook is expected.

Friday

US GDP Q4 & Personal Spending

We will get out first glimpse at how the US economy performed in Q4, after weaker consumer spending and falling employment in December. After 5 months of ticking higher, the recovery in US personal spending came to a halt in November declining -0.4% amid tighter lockdown restrictions. Expectations are for a deeper decline of -0.6% in personal spending in December. Q3 GDP was impressively strong thanks to consumption surging, this is unlikely to be repeated in Q4, where weaker consumption will have likely dragged on Q4 GDP. Expectations are for Q4 GDP on an annualised basis to come in at 4.3% a substantial slowdown from the 33.4% growth experienced in Q3. Watch USD, US indices.

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