

## The Week Ahead, 2nd November 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 2nd November

China Caixin Mfg PMI

Global Mfg PMI

US ISM Mfg PMI

Tuesday 3rd November	<p><b>US Presidential Election</b></p> <p>RBA Rate Decision</p> <p>US Factory Orders</p>
Wednesday 4th November	<p>China Caixin Services PMI</p> <p>Global Services PMI</p> <p>US ADP employment report</p> <p>US ISM Non -Mfg PMI</p> <p>EIA Crude Inventories</p>
Thursday 5th November	<p>UK Construction PMI</p> <p><b>BoE Rate Decision</b></p> <p>US Jobless Claims</p> <p><b>FOMC Rate Decision</b></p>
Friday 6th November	<p><b>US Non-Farm Payroll</b></p> <p>Canada Employment Report</p>
<b>COMPANY ANNOUNCEMENTS</b>	

Monday 2nd November	<b>Ryanair</b> Hiscox PayPal
Tuesday 3rd November	<b>Associated British Foods</b> DS Smith Wier Group
Wednesday 4th November	<b>Marks &amp; Spencer</b> Morgan Sindall Group Provident Financial
Thursday 5th November	<b>Sainsbury</b> <b>AstraZeneca</b> Aveva Trainline General Motors (US) ANT Group IPO in Hong Kong
Friday 6th November	

Allianz  
Beazley

## KEY THEME

### Key theme: UK Lockdown & US Elections

This week is set to be a big one for the market with the UK joining parts of Europe in national lockdown whilst the US head to the polls to vote in the Presidential Election. Covid cases continue to surge on both sides of the Atlantic which could drag on risk sentiment, whilst political uncertainty in the US could stir up volatility.

On the economic calendar both the BoE & the FOMC will make for a busy Thursday whilst the week rounds off with the focus squarely on the US labour market.

Corporate data will continue to come through thick and fast with Sainsbury, Marks and Spencer and AB Foods dominating in the UK.

## THE WEEK AHEAD

### Monday

#### Ryanair

Ryanair is due to publish H1 earnings and forward guidance and given the deteriorating outlook could sour investors mood towards the stock. The budget airline has already cut capacity last month to just 40% of potential passengers across the winter months, down from 60% initially expected. Ryanair has already warned that this guidance could well be revised down further if more lockdowns are imposed this winter. That was said before Germany & France announced new national lockdowns and the UK following suit. What is absolutely certain is that Ryanair along with its peers are desperate for a great summer 2021 or their future looks questionable. The stock trades -20% YTD.

## Tuesday

### US elections

These are expected to become one of the most volatile elections in recent history. National polls put Democrat Joe Biden at 51% of the vote whilst Trump sits with 43% after Trump's handling of the covid pandemic, social unrest and collapsing economy hit his popularity. How the market will react to a Biden win is difficult to predict. Although the market's immediate focus is on additional covid stimulus which is expected to be big under a Joe Biden and a so called "blue wave", where the Democrats also dominate the Senate & House of Representatives.

Who wins the Senate will be extremely important. Currently the Senate is controlled by the Republicans, whilst the House of Representatives is controlled by the Democrats. If the Democrats manage to win the Senate, which is looking possible, they would be in control of policy and would then find it significantly easier to push through the huge stimulus package that they have been seeking to help the US economy. The split is currently 53 – 47 Republicans to Democrats. In the case of a Joe Biden win, but the Republicans hold the Senate, then deadlock on Capitol Hill could continue as the Senate will look to block anything that Joe Biden does.

### Associated British Foods

AB Foods is due to release full year results to September 2020. The results will come just weeks after an upbeat update where AB Foods said that Primark's profits are expected to come in at the top end of guidance £300 - £350 million. Furthermore, they noted strong trading in the Food division. Whilst earnings will be significant short of last years' given that it includes the lockdown period which saw Primark shut for an extended period. Investors will be keen to hear how trading has been in the first month of the new financial year and any updates on the 14 new stores expected to open throughout Europe. Dividends as will also be in focus, after AB Foods opted against an interim dividend. Trades - 34% YTD.

## Wednesday

### Marks & Spencer

Half year results are expected from Marks & Spencer. Back in August's trading update M&S announced 7000 job cuts. The food division had also performed better than the apparel side, which has been struggling for some time even before covid. An update from Ocado with its joint venture with M&S revealed that customers had responded positively. On the downside, higher margin foods, such as sandwiches won't have been flying off the shelves given that most offices have been closed or at least operating at a significantly lower capacity. The clothes division, which was on a downwards trajectory pre-covid is likely to see margins under even more pressure as discounting in clothes is expected to weigh. Trades -58% YTD.

## EX- Dividends

**FTSE 100: BP**

**FTSE 250: Dechra Pharmaceuticals, Ashmore Group, softcat, GCP Infrastructure, Vinacapital Vietnam opportunity Fund, Hipgnosis Songs Fund, Greencoat UK Wind**

**Thursday**

### **AstraZeneca**

Q3 results are expected from the pharmaceutical giant. The market is mainly interested in one thing right now and that is the Covid-19 vaccine candidate which is expected to be submitted for emergency approval later this year. Investors will also be listening closely for any update on the antibody treatment AZD 4772, which recently entered Phase 3 trials. These updates will be even more closely watched as the UK enters back into a national lockdown on Thursday. However, there are other things to keep in mind aside from covid – this is AstraZeneca’s pipeline – the drugs that are coming through in phase 1 2 and 3 trials and represent the future. Finally does the previously shared guidance for full year of high single digit/low double digit sales growth still apply? Trades 2% higher year to date.

### **Sainsbury**

Sainsbury’s H1 results are due to be released on Thursday. As the UK heads back into lockdown online sales and the digital strategy are likely to be a key focus. As with other supermarkets, sales surged through the pandemic, with an acceleration in the shift to online shopping. Recently that trend has slowed as lockdown restrictions have eased. That shift is likely to pick up again over the coming weeks as lockdown is reimposed. Investors will be hoping that Sainsbury can hang onto its new customers through the all-important Christmas period. The general merchandise division, particularly Argos could be a bright spot as lockdown encourages more people to order non-grocery items online. However, this trend could ease quickly if consumers begin to tighten their spending as the broader economy weakens. Trades +2.5% YTD.

### **Bank of England Rate Decision**

The monetary policy announcement will take place on the same day that the UK begins its second national lockdown. The expected economic impact that this second lockdown will have on the fragile economy will be in focus as policy makers meet. The idea of negative interest rates continues to linger and the central bank remains undecided. The damage that negative interest rates would cause to the UK financial system is significant. The BoE is not taking any decision on negative rates lightly, but it is also unlikely to implement them quite yet. The central bank is expected to downwardly revise its inflation projection and GDP projection for both this year and next and could inject a further £100 billion into the system to help cushion the blow of lockdown 2.0. Watch GBP crosses & financial sector.

## **FOMC Rate Decision**

The day after the US election the Federal Reserve Monetary Committee will announce its monetary policy decision. Last month the Fed was held hostage by events beyond its control namely rising covid cases and a continued deadlock in Congress over additional fiscal stimulus. Fed officials have been vocal about the need for another US covid rescue package but that hasn't helped ease the stalemate as the Republicans & Democrats clash over the size of the deal. This week's election will remove an obstacle towards further policy action and depending on the result of the election, it could be just a few weeks until the Fed gets the fiscal stimulus it was after. The Fed could downgrade their outlook, although it is already pretty bleak. Watch USD and US indices to reflect sentiment.

## **Friday**

### **US Non-farm payroll**

The US unemployment rate has been steadily falling from April's peak of 14.7% to approximately half that 7.9% in September. The trend is expected to continue in October with unemployment expected to slip to 7.7%. While there has been a concern over the lack of fiscal stimulus, the US economy has actually remained fairly resilient through the pandemic, despite infections levels never really falling. The US recorded a record 90,000 cases at the end of last week. The headline figure is expected to show an additional 700k jobs added in the US in October after 661k being added in September. Despite months of gains they still run short of the 21.5 million job lost back in March & April, losses still run at around half. Watch USD and US indices to reflect sentiment.

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