

# The Week Ahead, 7th June 2021

US CPI, UK GDP, ECB, Apple WWDC, BATS

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

## ECONOMIC DATA

Monday 7th June	China Trade Data
Tuesday 8th June	Australia Business Confidence German ZEW Index US trade Balance
Wednesday 9th June	Australia Consumer Confidence China CPI BoC Rate Decision US EIA Crude Oil Inventories
Thursday 10th June	<b>ECB Rate Decision</b> <b>US CPI</b>
Friday 11th June	

	<p><b>UK GDP</b></p> <p>US Michigan Consumer Confidence</p>
<b>COMPANY ANNOUNCEMENTS</b>	
Monday 7th June	Sirius Real Estate
Tuesday 8th June	<p><b>BATS</b></p> <p>Paragon Banking Group</p>
Wednesday 9th June	<p><b>Inditex</b></p> <p>SSP</p> <p><b>GameStop(US)</b></p> <p>Chewy (US)</p>
Thursday 10th June	<p><b>Go-Ahead Group</b></p> <p>Autotrader</p> <p>Ted Baker</p>
Friday 11th June	N/A
<b>KEY THEME</b>	
<p><b>Key themes:</b></p>	

This week central banks and inflation are set to be key themes with US CPI, the BoC and ECB set to meet this week. Investors trying to gauge the inflation threat will keep a close watch on CPI data amid concerns that the Fed could ease back on stimulus soon. Meanwhile tapering will be on the minds of investors as they listen for clues of the next moves by BoC & ECB.

Negotiations surrounding President Biden's \$1.7 trillion infrastructure deal will also be closely eyed as Congress returns from a 1 week break. Expectations of higher government spending on infrastructure has already boosted industrial and materials stocks which are up 20% YTD versus 12% in the S&P 500.

Here in the UK covid numbers will be key as the June 21<sup>st</sup> Freedom Day, the final easing of lockdown restrictions looks like it could be pushed back.

## THE WEEK AHEAD

### Monday

#### Apple

In its worldwide developer's conference Apple is widely expected to introduce a new redesigned Mac Book Pro, Mac Book Air and iMac with new chipsets as part of the move to replace intel chips with its own. Working from home has meant that Apple is most likely looking to improve its offering in the PC market as most companies look towards a hybrid model of office / WFH going forwards. Operating systems are also expected to see upgrades. Privacy could also be in focus. The fundamentals for Apple are already very strong as was evident from Q2 earnings which blew expectations away. Well received new products could further underpin the stock.

### Tuesday

#### BATS

The last we heard from BATS they were feeling confident regarding their full year outlook. Excluding currency movements revenue is expected to have risen 3-5% this year despite a 3% decline in industry volumes. Earnings per share is also expected to be up mid-single digit. BATS added that New Categories, which includes vapor products and heat not burn were growing well, on target to reach £5 billion revenue by 2025. The outlook in the US is less clear, particularly in light of reports in April that the US is considering legislation to cut the amount of nicotine in cigarettes to a level which is not addictive.

### Wednesday

#### Inditex

The owner of Zara, like other retailers had a particularly tough 2020. Full year net sales declined 24% and cash profits sunk even further. However, Q1 sales have had encouraging start and the latest spring/summer collections are being well received. As a result, Q1 results should be a marked improvement although there will still be some room for improvement as some stores were still closed. Online sales have been a saving grace, jumping 77% last year, making up a significant part of sales. This

trend is expected to have continued in Q1. With lockdown's now easing expectations for a solid Q1 are riding high. Revenue is expected at €4.9 billion, up 48.6% compared to the same period last year.

### **GameStop**

It is certainly worth posing the question whether fundamentals matter at all for GameStop? The stock has experienced a phenomenal amount of volatility since January since becoming one of the so called meme stocks. Aside from the short squeeze frenzy which has lifted the stocks some 400% so far this year, GameStop has actually been struggling with falling sales as online gaming stores attack its market share. Going into a shopping mall to physically purchase a game is simply not as quick and easy as going online buying the game and downloading immediately. Moves have been taken by GameStop to up its online game, closing stores and bringing in big names from Amazon & Walmart. The recent free publicity could have helped sales in the latest quarter but that is unlikely to be enough as revenues have been falling since 2018. EPS is expected in the region of \$0.20.

### **EX- Dividends**

**FTSE100:** WPP, Sainsbury, Johnson Matthey

**FTSE250:** RHI Magnesita, Shaftesbury, JTC, Assura, London Metric Property, AJ Bell, AVI Global

### **Thursday**

#### **Go-Ahead Group Q4**

Transport companies have been badly affected by the pandemic as stay at home measures saw passenger numbers evaporate. Even so, the owner of the franchise for Thameslink, Southern & South Eastern trains reported a pre-tax profit of £24.6 million in the 6 months to end of January thanks in part to government support. However, government support is looking questionable in light of the government's new Great British Railways scheme. So far it is unclear what impact this new initiative will have on Go-Ahead Group which could explain why the share price has barely budged since the Government's announcement.

#### **ECB**

The ECB will give its monetary policy decision and will also release updated growth forecasts for 2021 and 2022. The central bank is likely to debate whether or not to continue support to the Eurozone economy through the emergency stimulus. This will depend greatly on how strong they consider the economic recovery. Recently, dovish policy makers at the ECB have highlighted the risks associated to tightening policy too early. However, clues that the debate on when to start tapering is starting could lift eurozone bond yields and undermine the economic recovery in the region.

#### **US CPI**

All eyes will be on the US CPI figure after a much stronger than expected figure last month, which sparked a selloff last month. The jump in inflation to a 13 year high fueled bets that the Fed could start easing support sooner. Friday's NFP number showed that job growth picked up and wage growth also accelerated which could add support to the argument that higher prices may be more than just transitory as the Fed keeps insisting. This will be one of the last major releases ahead of the June Fed interest rate meeting which takes place mid-month.

## Friday

### UK GDP

As the planned full reopening of the UK could be pushed back amid the rise of covid cases, investors will pay plenty of attention to Friday's GDP data. Recent data has pointed to a strong month on month growth as shops and parts of the hospitality sector re-opened in April after the lockdown. Expectations are for GDP in the 3 months to April to grow 1.6%, up from -1.5% in the three months to March. The data would suggest that the second quarter got off to a flying start as restrictions eased. Whether the UK can take the final step to reopening on June 21<sup>st</sup> will depend largely on what happens with covid cases and deaths over the coming weeks. Covid cases are rising sharply due to the Indian variant which is 50% more contagious than the previous dominant strain, this means hospitalisations could rise rapidly among those not yet vaccinated. Watch GBP, FTSE.