ATLANTIC CAPITAL MARKETS

The Week Ahead, 8th February 2021

UK GDP, Ocado, Astrazeneca, Disney reporting.

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

ECONOMIC DATA

Monday 8th February	N/A
Tuesday 9th February	Australia Business Confidence
Wednesday 10th February	China CPI US CPI US EIA Crude Inventories
Thursday 11th February	US Jobless Claims

Friday 12th February	**UK GDP Q4** **US Michigan Consumer Confidence**
COMPANY ANNOUNCEMENTS	
Monday 8th February	Electrocomponents SoftBank Hasbro (US) **Mercado Libre (US)**
Tuesday 9th February	**Ocado** **TUI** Bellway Micro Focus **Twitter (US)** Lyft (US) Cisco (US)
Wednesday 10th February	Dunelm Ashmore Uber (US) Coca Cola (US)

Thursday 11th February	**AstraZeneca** **Ted Baker** **Royal Mail** Relx Coca Cola (US) PepsiCo (US) **Walt Disney (US)** NVIDIA (US)
Friday 12th February	Victex Moody's (US)

KEY THEME

Key themes: Super Mario, US stimulus

Vaccine deployment appears to be going well in the UK and the US which is supporting sentiment. The EU however, has been left behind in the vaccine stakes which is being reflected in a broadly weaker Euro. As long as the word mutation or covid variant isn't thrown around too much this week then the focus should remain on increasingly higher vaccine numbers.

In Europe Italian politics remain front and central as former ECB governor Mario Draghi attempts to form a government. Hopes are high that he will not only succeed, but he will also help boost growth in the Eurozone's third largest economy which has consistently underperformed peers.

In the US, Joe Biden's $1.9 trillion covid stimulus package will be in focus. On Friday the US Senate passed a budget resolution that allows for the passage of the fiscal stimulus package in the coming weeks without Republican support.

THE WEEK AHEAD

Monday

Mercado Libre

The largest online market place and payments system in Latin America is due to report Q4 earnings. As with other e-tailers Mercado Libre has been in demand across the pandemic, with registered users in the 1st 9 months of the year adding up to 46.8 million. Furthermore, the forecast growth path in South America is expected to be steeper than in the already mature US market. Consensus estimates are for EPS $0.39 a 135% increase YoY on revenues of $1.23 billion, up a massive 82.5%.

Tuesday

Ocado

Ocado is due to report final results as the share price is once again on the rise after struggling over the final 3 months of 2020. News that it was being sued by Norwegian rival AutoStore over a breached patent was partly to blame. We know that the new joint venture with M&S is going well with sales outperforming. In Q3 revenues grew 52% rising to £587.3 million, whilst Q4 saw a rise of 35% in retail revenue. The outlook for the stock depends on how customer behaviours normalise after the pandemic – this has been considered a stay at home stock but Ocado has more than one string to its bow and there is also the robotics side to the business, Ocado Solutions. That arm, however, is still a long way off from profitability so investors will want to see timeline to success sooner rather than later.

Tui

Tui will update the market at a time when the pandemic continues to ravage the sector. The firm has been forced to cancel holidays until March owing to the resurgence of covid and ongoing travel restrictions across Europe, forcing revenues to collapse and cash burn to the tune of £650 million per month. TUI will be hoping for a rapid vaccine rollout to bring some relief to the business, under the expectation that consumers will start to feel confident enough to travel and booking holidays again. Whilst it will take time for things to return to normal the €4.8 billion resucue funding received so far should see them through the final chapter. Underlying profit of €700 million in Q1 is expected and €1.5 billion of cash burn.

Twitter

Twitter has infamously struggled with monetizing its user base. In Q3 Twitter reported $936 million a 14% rise compared to the same period a year earlier with 187 million users which accounted for a 29% increase. These numbers could slip in Q4. Furthermore, the outlook is not as rosy as some other tech firms. After banning Trump’s account following the storming of Capitol Hill, Twitter purged many accounts, many other left and companies also pulled their add spend. EPS is expected at $0.30 which could be considered optimistic after $0.19 in Q3.

Wednesday

N/A

EX- Dividends

FTSE100: Hargreaves Lansdown

FTSE250: Avon Rubber, PZ Cussons, Greencoat UK Wind, Civitas, ICG Enterprise

Thursday

Ted Baker

This past year has been extremely challenging for Ted Baker, as it has for many other retailers. In the 28 weeks to Aug. 8th revenues plunged 45.9% sinking Ted Baker into a £39 million pre-tax loss. This latest trading update will cover the later part of the year so investors will be hoping to see evidence of a Christmas boost despite the lockdown restrictions. However, given that Ted Baker designs are more geared towards smart clothes occasion wear, demand could remain very weak.

Royal Mail

Fortunes appear to be changing at Royal Mail and things are starting to look up. Parcel demand has surged through lockdown whilst a deal has been struck with its main union over pay, working hours and technology. Investors will be keen to hear new chief executive Simon Thompson’s future plans for the business, particularly as the need for automation continues to grow. Brokers have been cautiously lifting their outlook for the stock. Underlying profits are expected to increase to £289 million thanks to rising demand for the parcel business. Investors will also be watching carefully to see if the dividend will be reinstated. The share price has steadily rebounded from the 12-month low of 124p to over 450p and potentially putting it in-line for inclusion into the FTSE100.

AstraZeneca

Filly year results are due to be released on Thursday. Whilst the covid vaccine and recent dispute with the EU are likely to be the central focus, investors will also be watching the drug pipeline closely in light up recent approvals for cancer sand respiratory drugs. However, it is worth keeping in mind that the covid vaccine is being made at cost meaning that there is little in the way of upside for the pharama giant. In Q3 revenue for the year to date was up 8% yoy to $4.2 billion. Product sales were up 9%. Full year revenue is expected to come in at $36.4 billion, up 8.4% year on year.

Disney

Disney plus has done well with subscriptions, gaining 86 million in one year. Whilst it is still considerably short of Netflix subscriber number it has made good ground. However, Disney lacks the content to better compete with Netflix, which has spent some $17 billion on content in 2020. Disney has the additional drag of losses in its film studios, theme parks and resorts due to the pandemic. Disney has already announced 32,000 jobs losses in this area. Expectations are losses per share of $0.42 on revenues of $15.91 billion, compared to EPS $1.53 on revenues of $20.86 billion. The stock has surged 50% in just three months, investors will want to hear more about the long term strategy to keep the share price elevated.

Friday

UK Q4 GDP

The UK economy expanded at a descent 16% in the third quarter. However, the final three months of 2020 threw up more challenges. The possibility of a double dip recession have increased significantly. The economy showed signs of slowing again in October as covid cases started to rise. A second lockdown in November and restrictions through December mean that a contraction is highly likely even though some estimates point to 0.5% growth. Q1 in 2021 is likely to see a much deeper contraction still.