ATLANTIC CAPITAL MARKETS

The Week Ahead, 9th November 2020

UK GDP, Unemployment Data, ITV, Burberry & House Builders

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 9th November	German Trade Balance
Tuesday 10th November	China CPI

	UK Unemployment Data **German ZEW Index** Australia Westpac Consumer Confidence
Wednesday 11th November	EIA Crude Inventories
Thursday 12th November	**UK GDP (Q3)** US CPI **US Jobless Claims**
Friday 13th November	Eurozone GDP Q3 US PPI US Michigan Consumer Confidence
COMPANY ANNOUNCEMENTS	
Monday 9th November	Ultra Electronics McDonald's
Tuesday 10th November	Electrocomponents Land Securities Premier Foods

	Adidas **Persimmon**
Wednesday 11th November	**JD Wetherspoons** Taylor Wimpey Flutter Entertainment
Thursday 12th November	**WH Smiths** **Burberry** **ITV** National Grid **Walt Disney (US)** Cisco (US)
Friday 13th November	N/A

KEY THEME

Key theme: UK Lockdown & US Elections

With the US election result in and no central banks, this week looks set to be significantly quieter than last week. Brexit will be very much back in focus ahead of a soft deadline mid-month and as Barnier returns to London to resume talks. Covid cases will also be watched closely particularly in the US where the third wave is surging and in Europe where more nations are tightening lockdown restrictions.

THE WEEK AHEAD

Monday

N/A

Tuesday

US elections

German ZEW survey

This months' ZEW sentiment survey is expected to be more negative than in October. The last few months have been a rollercoaster after the gauge surged to a 20 year high of 77.4 in September, on the blind optimism that a second wave of covid would be avoided. This was then followed by a fall to a five-month low in October of 56.1 as it became clearer that a second wave was taking hold in Germany. The reading for November is expected to be weaker still at 40, as Germany begins its second lockdown. Watch Euro, Dax.

UK unemployment and labour data

The latest ULO unemployment rate data showed that the rate edged higher to 4.5%, up from 4.1% as more employers took the decision to axe jobs as the economic recovery started to stall. The government's furlough scheme has so far disguised the real rate of unemployment, this scheme is now set to run until March after being extended from the October deadline. That said, firms are cutting back on staff and that is expected to be reflected in the latest jobless numbers. The claimant count, which includes those claiming for Universal Credit hit 2.7 million in September, more than doubling since March. Watch GBP, FTSE.

Persimmon & Taylor Wimpey (Wednesday)

The strength of the UK housing market has been a surprise outcome following the first lockdown. House prices have risen around 6% over the past 12 months according to the Nationwide house price index. Whilst there are plenty of reasons to be cautious, with the furlough scheme now extended to March, there is a good chance that the mini housing market boom could continue. That said over the next month, with lockdown 2.0 in place sales could well slow substantially as they did in the first lockdown. Still, there was a surge of pent up demand following the first lockdown and that could happen again after the second lockdown.

Persimmon – we last heard from Persimmon in August when sales completions were down 35% and operating profits were 43% short. Although demand and the sales pipeline wee strong. Persimmon's lower price point could be a bonus for Persimmon, whose share price has outperformed the sector so far, down 4% YTD, compared to -20% for the industry as a whole.

Wednesday

Wetherspoons

A trading update comes just a week or so after the government announced that all UK pubs will be forced to close again. Whilst opinionated chairman Tim Martin's latest thoughts on lockdown will almost certainly be voiced, investors might be more interested in how Wetherspoon's performed amid regional restrictions and any cost savings plans. Lockdown 2.0 will be another severe hammer blow to the hospitality industry just as it's trying to get back on its feet again after the first lockdown. Permanent pub closures and job losses are highly likely.

EX- Dividends

FTSE 100: RSA Insurance Group, Ferguson, GlaxoSmithKline, Royal Dutch Shell A & B, Sainsbury

FTSE 250: ICG Enterprise Trust, Baillie Gifford Japan, Airtel Africa, Genesis Emerging Markets Fund, Edinburgh Investment Trust, Schroder Oriental Income Fund, BMO Commercial Property Trust, Morgan Sindall Group, GCP Student Living, UK Commercial Property, Renewables Infrastructure Group, BlackRock Smaller Companies Trust, Genus

Thursday

UK GDP (Q3)

The UK economy contracted a record breaking -19.8% in Q2, as lockdown resulted in the collapse in private consumption. Q3 GDP is expected to see a sharp rebound, although it is unlikely to reverse all the damage done in the Q2. The Q3 reading already seems to be old news given that the tighter lockdown restrictions in October and the full lockdown in November will once again eat into economic growth. Still the number will be closely watched. A better than expected figure will be cheered, boosting optimism that it could mitigate some of the downturn coming from Q4. Watch GBP and FTSE.

Initial jobless claims

The US labour market will remain in focus after US jobless claims fell to the lowest level at the end of October since the start of the pandemic. Even so, the proxy for layoffs remains historically high and the pace of declines has slowed considerably. This week's reading is expected to show that 768k Americans signed up for unemployment benefits compared to 778k the week before. The data will help gauge the recovery as covid cases continue to rise. Watch USD and US indices.

Burberry

Burberry like other retailers has been hard hit by lockdown. As a result of store closures, Q1 revenues tanked 49%. Whilst this is expected to have improved slightly in Q2, revenues are still expected to be down around 15-20%. H1 sales will be weak, the question is how weak? New lockdowns across Europe and in the UK are too recent to show up in these figures but it could mean that Burberry's outlook will suffer and the company could be more intent on preserving cash which could push the current strategic turnaround off track.

ITV

The big focus is what has happened to advertising spend in the second quarter after adverting revenue slumped 43% in Q2. Figures have shown that online advertising spend has increased but it remains to be seen whether this has extended to more traditional advertising venues such as TV. ITV's studio business will be under the spotlight, this arm of the businesses produces content for ITV and third parties. The first lockdown could mean that viewers have made their way through significant amounts of the back catalogue, boosting demand for fresh content. A second lockdown is expected to see the debt pile grow, with conditions remaining challenging as we move into 2021.

WH Smiths

Full year results will offer clarity as to the true impact of the pandemic on WH Smith stores at stations and airports. The switch to Work From Home and the travel bans means that this key market of WH Smiths which was a main driver of growth prior to covid will have been hit hard. In August WH Smiths said that it was considering slashing 1500 jobs which equates to around 11% of the workforce. The full year results could well come hand in hand with restructuring updates. Whilst online purchases could make up some of the short fallings, the second lockdown and travel ban will be a challenge for Smiths to weather

Disney

Disney launched its Disney+ streaming service at the end of last year. Whilst it has so far recorded 60.5 million subscribers, which is an encouraging number, although maybe not that surprising given that they undercut rivals on price. However, Disney+ still has some way to go in terms of content depth compared to its rivals Netflix and Amazon prime. Whilst the streaming business has benefitted from lockdown, the same can't be said of the theme parks which have been hit hard by lockdowns and social distancing. Disney has already announced 28,000 losses from the beginning of October. Losses of $0.72 per share are expected.

Friday

N/A