



ATLANTIC CAPITAL MARKETS

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Week Ahead 17th – 21st August – UK Retail Sales, FOMC Minutes, Persimmon & NVIDIA

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 in more depth below.

Economic Data

Monday 17 th August	-US Empire State mfg index
Tuesday 18 th August	-US housing starts & building permits
Wednesday 19 th August	- UK CPI - FOMC minutes
Thursday 20 th August	- US Jobless claims
Friday 21 st August	- UK Retail sales - UK, EZ & US mfg & services PMI -EZ consumer confidence -US existing homes sales

Companies reporting

Monday 17 th August	-Cranswick
Tuesday 18 th August	-BHP Billiton -Persimmon -John Wood Group -Walmart (US) -Home Depot (US)
Wednesday 19 th August	-Hochschild Mining -NVIDIA (US) -Target (US)
Thursday 20 th August	-Frasers -Antofagasta -Premier Oil -Estee Lauder
Friday 21 st August	-Deer& Co (US)

Key theme: US Stimulus Talks, Vaccines & Economic Recovery

This week sees a busy week on the economic calendar with UK inflation data, retail sales and PMI data coinciding with Brexit talks restarting. In the US FOMC minutes will take centre stage, whilst in the political arena US – Chinese trade negotiators meet over the weekend. However, for the markets the key driver of sentiment will be on whether US lawmakers can break the deadlock in stimulus negotiations and whether vaccine optimism picks up following Russia's announcement.

Cranswick - Monday

The last we heard from Cranswick the pork and poultry producer announced impressive results with profits for the financial year topping £100 million, thanks mainly to exports doubling. Investors will be keen to see whether this trend has continued and particularly if sales to China remain as elevated. These figures will catch the worst of the coronavirus lockdown period, however the retail added focus could help Cranswick outperform. Cranswick trades +10% YTD.

BHP Billiton - Tuesday

Given the recent production report, this week's results shouldn't bring any surprises. Production volumes and prices rose in the iron ore division, the division which brought in 51% of profits last year. Iron ore is over \$110 per tonne on rising Chinese demand. Other divisions copper, coal & petroleum were a mixed bag after being hit by the coronavirus crisis and the crash in the price of oil. With costs and debt broadly under control the focus will be on the dividend. Peer Rio Tinto paid out

a higher interim dividend last month. BHP share price is trading at the highest since January ahead of the results. According to FactSet expectations are for 8% increase in EPS from 2019 and 3% drop in cash profits to \$22.3 billion.

Persimmon - Tuesday

Ahead of reporting today, Persimmon has already aired some numbers however there are still some blanks that need filling in. We already know that H1 revenue is down -33% to £1.1 billion, after 4900 houses were completed. This is down from 7584 the previous year. However, there was a decent pick up of 30% in the 6 weeks to June 30, which bodes well. Expectations are for profit before tax for H1 to be £286 million, down from £513 million. Sales rates in July and August will be key amid a mini boom in the housing market thanks to the government's stamp duty holiday to help.

FOMC Minutes - Wednesday

Aside from any update from Congress, the key release from the US this week will be the minutes from the latest Federal Reserve monetary policy meeting. The Fed took no action in the July meeting, leaving rates and policy unchanged. However, the Fed noted that high frequency indicators suggest that the economic recovery is running out of steam amid a spike in infections in the US. The message from policy makers was that if a rising infections persist, more action will need to be taken. The minutes could shed more light on how concerned the Fed are about the slowdown and what they could do if it continues come September. Watch the battered US Dollar and more broadly sentiment could also be directed by the minutes.

NVIDIA (US) -Wednesday

The share price has surged over 60% in the last 6 months and 96% YTD as thanks to a revenue surge in its data processor business and a jump in demand for home computers owing to the increase in numbers working from home. NVIDIA's A100 GPU is used by the likes of Amazon, Google and Microsoft in their cloud businesses, which have also seen demand surge. Demand here is expected to stay strong as firms look to boost their cloud capacity. After 5 straight quarters of earning beats investors are more optimistic about growth markets for graphics cards used in video games. Wall Street expects NVIDIA to announce EPS \$1.97 on revenue of \$3.65 billion vs the same quarter last year when it reported EPS\$1.24 on revenue \$2.58 billion. Guidance will be the key factor to decide whether the stock rises or succumbs to profit taking.

US Jobless Claims – Thursday

Last week, jobless claims hit their lowest level since last March, falling below 1 million. This calmed fears that the resurgence in coronavirus cases in the US was undermining the recovery in the labour market. These concerns are still swirling, along with fears that the US Congress' inability to agree to a federal supplementary unemployment benefit after the \$600 additional support ran out in July could also have a negative impact on the US labour market. The longer the stalemate continues the worse the impact on the US economy. Initial jobless claims are expected to keep falling to 890k. Continuous claims also continue to fall with the latest recent 15.48 million.

Frasers -Thursday

After delaying results last week, Frasers, the former Sports Direct chain, is due to release its final results on Thursday. Here investors should get a clearer idea of how the group has been performing since stores reopened their doors again in June and the impact that store closures in lockdown had. A higher spend on online sports equipment in lockdown could offset some of the revenue losses. The year end was April so includes just a few weeks of lockdown. With this in mind the main focus will be on the outlook.

UK retail sales - Friday

Consumer spending fell sharply in March and April but has rebounded at an impressive rate in May and June, jumping 13.9% and 12% respectively. Non-essential shops reopened mid-June, since then we have seen pubs and restaurants swing open their doors whilst the covid infection rate has remained relatively stable and low in July (compared to US). Unemployment still at 3.9%, which combined with some good weather and cautious optimism from consumers could result in upbeat retail sales, potentially boosting retailers and the pound.

UK, Eurozone PMI – Friday

Recent purchasing managers index data from both the Eurozone and the UK has pointed to a recovery in economic activity as lockdown measures eased and economies have reopened. The service sectors were worst affected by the lockdown and this sector has seen the largest rebound. UK service sector activity improved sharply from 47.7 in June to 56.6 in July. The economy continues to reopen and the Chancellor's Eat Out to Help Out scheme is being well received meaning there could still be further improvements in the British service sector area of the economy.

In the eurozone, the uptick in manufacturing is expected to continue, although the services sector is expected to just ease back slightly from July. This could be a worrying sign for the Euro, given that much of its rally has been owing to the assumption that Europe will recover faster than most economies.

Dividends

FTSE100: Imperial Brands, Croda, Reckitt Beneckiser, Schroders, Anglo American, London Stock Exchange, Mondi, Standard Life Aberdeen, Hikma, Prudential, M&G

FTSE250: Domino's Pizz, Plus500, CLS Holdings, B&M European Value, Drax, Rotork, Chemring, UDG Healthcare