

The Week Ahead, 22nd March 2021

UK Employment, Retail Sales, Kingfisher & Cineworld

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

ECONOMIC DATA

Monday 22nd March	US Existing Home Sales
Tuesday 23rd March	UK Employment US New Home Sales
Wednesday 24th March	UK CPI Eurozone Mfg & Service Sector PMI UK Mfg & Service Sector PMI US Mfg & Service Sector PMI US Durable Goods

	US EIA Crude Oil Inventories
Thursday 25th March	US Initial Jobless Claims
Friday 26th March	US Initial Jobless Claims
COMPANY ANNOUNCEMENTS	
Monday 22nd March	Kingfisher Centamin
Tuesday 23rd March	Old Mutual Adobe (US)
Wednesday 24th March	Bellway Softcat
Thursday 25th March	Cineworld Compass Group United Utilities GameStop (US)

Friday 26th March

Smiths Group

KEY THEME

Key themes:

After a central bank dominated week last week, covid could well return to centre stage this week, as Europe appears to be facing its third wave. France has moved back into lockdown and Germany is set to extend its lockdown. Meanwhile, the vaccine debacle grows on the continent. A slow rollout is adding to the uncertain outlook and could keep sentiment in check.

THE WEEK AHEAD

Monday

Kingfisher

Lockdown has been a boon for DIY. Home improvement retailers have outperformed. Online sales of household goods jumped 73% across 2020. Kingfisher, the owner of B&Q and Screwfix has seen a turnaround in fortunes across the pandemic after struggling to boost sales previously, particularly in France. Underlying sales growth slowed slightly towards the end of 2020 and so far, it's unclear what impact this latest lockdown is having on the company. There is a risk that as people start to focus on the reopening of the economy and returning to work the focus will shift away from DIY.

Tuesday

UK Unemployment

In December, the ILO unemployment measure moved above 5% for the first time since March 2016 for the Brexit referendum to 5.1%. The measure doesn't include furloughed staff and seriously underestimates the true picture of the labour market in the UK. With the UK going into its third total lockdown in January, more struggling businesses are likely to have taken the decision that is no longer worth keeping employees on furlough if there is no end in sight for reopening. Redundancies surged in the 3 months to December by 30,000 to 343,000, this number is expected to rise again in January. The outlook is slightly brighter. The OBR now sees unemployment peaking at 6.5% rather than 7.5%. The claimant count is likely to be a more accurate reflection of the labour market for now. Watch GBP.

Wednesday

Bellway

Bellway is due to release interim results. Few surprises are expected after the firm released the most relevant numbers for the 6-month period in January, which made for good reading. The housebuilder completed 4,656 homes in the 6 months to the end of January which equates to a 6.3% rise YoY. Revenues rose by 12% to £1.72 billion aided by not only the rise in completions but also the increase in the average sale price to £303,200. Margins are expected to have slipped slightly to 17% down from 19%.

Europe Flash PMIs

PMI data has clearly outlined the differences in fortunes between the manufacturing sector and the service sector. The former has been a bright spot, particularly in Germany, the largest economy in the Eurozone. Meanwhile, services have been hard hit by lockdown and social distancing restrictions. With a third wave of covid gathering pace in Europe, combined with a slow vaccine rollout the near-term prospects for the service sector remains shaky. Just last week France announced that restaurants and bars will remain closed until Easter, possibly beyond. There is unlikely to be a notable increase in activity until the economies start reopening in earnest which could still be some months away. Watch EUR.

EX- Dividends

FTSE 100: British American Tobacco, NatWest Group, Prudential, Schroders, Pearson, Ferguson

FTSE250: BB Healthcare, XP Power, Vistry Group, CLS Holdings, Close Brothers Group, Fidelity European Values, Ferrexpo, Games Workshop, 888 Holdings, Mercantile Investment Trust

Thursday

Cineworld

Cineworld is expected to report final results on Thursday after what was a horrendous year for the industry. Cineworld has had to draw on all of its lifelines in order to stay afloat through the pandemic as countries across the globe implemented lockdown restrictions. However, with vaccine rollouts picking up and theatres starting to reopen stateside there appears to be light at the end of the tunnel. Attention is likely to be squarely on the outlook and how Cineworld sees the year panning out.

Compass Group

The 6-month trading update comes just weeks after the catering firm warned that its sales so far in 2021 have remained depressed due to the continued covid restrictions. Office and sports stadium closures have hit its revenue stream whilst, the school dinners side to the business has made the headlines for all the wrong reasons. Organic revenue in the quarter ending December was down by a third, a marginal improvement on the 34.1% decline the previous quarter. The numbers are expected to make for pretty

grim reading. However, what will be key for investors is how Compass Group intends to capitalise on the reopening of economies. With the share price depressed versus rivals, investors need some convincing.

GameStop

GameStop is due to report Q4 results on Tuesday, at a time when its share price is down 45% from January's high, but still up a massive 1000% since the start of the year. It is questionable how important GameStop's fundamentals really are amid the ongoing battle of Reddit's day traders versus the short selling hedge funds. Even so, analysts are expecting both earnings and revenue to be an improvement on this time last year. EPS for the video games retailer are expected to come in at \$1.46, up 15% on revenues of \$2.2 billion a 2% increase. Prior to the recent noise surrounding the stock the share price had been under pressure for some time as the bricks and mortar games retailing is nowhere near as profitable as digital sales. Game Stop has already closed hundred's of stores and is looking to accelerate its digital transformation. Whilst the free publicity over the last few weeks may have boosted sales in the short term, on the longer-term outlook remains uncertain.

Friday

Smith Group

The engineering firm is due to release half year results at the end of the week. A Q1 trading statement at the start of the year pointed to the industrial businesses stabilising, whilst aerospace and energy were still looking weak. Investors will be keen to see whether this trend continues. The dividend will also be in focus. Expectations are for a 40p pay-out for the current year.

UK retail sales

Retail sales in January tanked -8.2%, perhaps not that surprising given that the UK was ordered by into lockdown on 6th January. The reopening of non-essential retail has been pencilled in for 12th April, whilst bars and restaurants will be allowed to serve outside from the same date. Whilst this means that the outlook is improving, February's numbers are expected to be fairly dismal. The biggest drag will continue to be bars and restaurants with severely depressed sales. Meanwhile digital sales are helping non-essential retailers compensate for store closures. Expectations are for retail sales to rebound 2.2%. Watch GBP.

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