Week Ahead 27th July – 4th August – FOMC, US &EZ GDP, UK Banks & FAANGs Reporting Against Rising Covid Numbers

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 27th July	-US Durable goods
Tuesday 28th July	-US Consumer confidence
Wednesday 29th July	**-FOMC rate decision**
Thursday 30th July	-German Q2 GDP **-US Q2 GDP**
Friday 31st July	-China manufacturing & non-manufacturing PMI **-EZ Q2 GDP** -EZ CPI Inflation

Companies reporting

Monday 27th July	-Ryanair
Tuesday 28th July	-Greggs -Rickett Benckiser -Pfizer -Visa (US)
Wednesday 29th July	**-Barclays** **-Next** -Rio Tinto -GSK -Taylor Wimpey Aston Martin **-Facebook (US)** -Boeing (US) -GE (US) -GM (US)
Thursday 30th July	**-Lloyds** **-AstraZeneca** **-Royal Dutch Shell** -Standard Chartered -Anglo American -Alphabet (US) **-Apple (US)** -Ford (US) -Amazon (US)
Friday 31st July	**-NatWest** -BT -IAG Group -BATS -Exxon Mobile (US) -Chevron (US)

Key theme: Fed Meets & Corporate Results In Focus As Covid Storm Worsens

The Fed along with Q2 GDP for both the US and the Eurozone look set to dominate the economic calendar. The data comes as concerns grow over rising coronavirus cases in the US and fears of a second wave hitting Spain. Meanwhile US – Sino tensions continue to escalate.

The corporate calendar is expected to provide plenty of distraction for investors with a slew of UK results from banks, pharmaceutical giants AstraZeneca & GSK, Shell and bellwether Next. The US also sees big hitters report, such as the FAANG'S (except Netflix which has already reported), GM, GE, Boeing and Ford to name a few.

Fed Meeting - Wednesday

The Federal Reserve wraps up its two-day meeting on Wednesday. No change to monetary policy is expected and the Fed's meeting comes as concerns are starting to build that the recent economic recovery is faltering as coronavirus cases surge in America. The Fed is in no rush to raise rates and are not looking towards negative rates either. Fed Chair Jerome Powell has been clear that fiscal support from Congress will do more than monetary action right now. This means that the focus could be more on the White House and Capitol Hill as the boost to unemployment benefits is set to expire at the end of the month. The Fed could discuss some tweaks to QE but any serious discussion is expected to be put off until September. The meeting comes as the US Dollar index languishes around 4-month lows.

UK Banks H1- Barclays (Wed) Lloyds (Thurs) NatWest (Friday)

First half results from Barclay's, Lloyds and NatWest (formerly RBS) will provide some insight as to the impact that coronavirus crisis has had. The key areas to watch will be bad loan provisions, which are expected to have increased from Q1 as banks put more money aside to prepare for loans which will be defaulted on, as business collapse and more people lose their jobs. With interest rates at historic lows Net Interest Income (NII) will be squeezed, although strong trading revenue could offset some income headwinds. Barclays looks better positioned than RBS and Lloyds heading towards H1 results; it has a larger investment banking division, a higher loan to deposit ratio and also set aside more in Q1 for impairment charges than Lloyds and RBS.

Next Q2 - Wednesday

Sales at bellwether Next fell 38% between January – April as coronavirus hit and all stores were closed. This week Next is due to provide a trading update which will give investors some clue as to where the retailer is heading for its full year results. Next furloughed 84% of its workforce. The online platform was closed for around a month so at least there was some revenue coming in outside of those few weeks. However, Next has indicated that full year sales could drop by 40% in a worst-case scenario. Steps to conserve cash have been taken, such as cutting the dividend and the balance sheet will be in focus. However, principally this quarter will give a good indication as to how badly Next was impacted and how bad full year sales will be. The stocks trades -9% YTD, outperforming the broader market.

Facebook Q2 - Wednesday

When FB reported Q1 results there were concerns over advertising revenue as businesses cut marketing budgets to conserve cash. The markets shrugged off these concerns sending FB to record highs, despite advertising revenue being far and away the most important revenue generator. Profits still doubled to EPS $1.71. Daily active users also surged by 11% thanks to a rise in gaming, messaging and video calling in the first three weeks of lockdown. This trend is expected to have continued as lockdown continued. Q2 included most of lockdown, advertising revenue declines could continue. Q2 is expected to be the worst period for advertising this year although there are signs that advertising spend is starting to return to pre- covid levels. FB also faces an ad boycott from a growing list of major brands that is still far from over. Expectations are mixed as to how big the hit from the ad boycott will be. FB didn't provide guidance, but expectations are for EPS $1.44 up 58% yoy on revenue $17.31 +2.5% yoy.

US Q2 GDP - Thursday

The first estimate of the US Q2 GDP us expected to show a plunge of -32.8% on an annualised basis, a significant drop from Q1's -5% drop. However, this is still better than the 40% - 50% contraction initially expected. The US economy hit rock bottom in April and has been recovering in May and June, although with covid cases surging and the labour market recovery stalling investors are nervous of the outlook. A stronger than forecast reading could boost sentiment lifting demand for US stocks.

AstraZeneca H1- Thursday

AstraZeneca has been in the news a lot recently owing to its involvement with Oxford University on the covid-19 vaccination project. The stock has surged to record highs in recent weeks on news that the vaccine produces antibody and T-cells response. Back in April AstraZeneca reported a 17% jump in earnings on the back of a 16% increase in revenues with all divisions reporting solid growth. Full year guidance was maintained of revenue in the high single digits to low double digit percentage and core earnings rising by mid-teens percentage. Expectations are high for another solid quarter.

Royal Dutch Shell Q2 - Thursday

With Shell its all about the dividend. Back in April Shell made the shock move of cutting its dividend or the first time in 8 decades. The big question is what will it pay out this time? Is $0.16 paid out in Q1 the new norm or a one off? Expectations are for $0.66 across the year meaning that only a very slight increase is expected if at all. Looking beyond dividends write downs will also be in focus after Shell reported $22 billion in write downs owing to the recent slide in oil and gas prices. This quarter is expected to show that demand and margins have fallen significantly. However, attention will be firmly on the outlook and further plans for shifting the business towards renewables.

Apple Q3 - Thursday

Apple will report fiscal Q3 results after the closing bell. With no guidance from, Apple on the quarter, all eyes will be on how well Apple has weathered the coronavirus hit. Analyst expectations are for Apple to report $51.47 billion in Q3 vs $58.3 billion in Q2 fiscal year 2020. Q3 is traditionally Apple's weakest quarter. EPS is expected at $2.02 a 7% drop. Apple has been dealing with store closure and other disruptions from coronavirus pandemic but the work from home and learn from home could well boost iPad and Mac sales. Services should also be a bright spot. There is a good chance that Apple won't give September guidance given a possible delay in the release of the iPhone 12. The share price was trading at all time highs but fell sharply at the end of last week as nerves start to show ahead of Thursday's earnings

Euro Q2 GDP - Friday

The first Q2 GDP reading is expected to show an even deeper contraction that the -3.6% recorded in Q1. However, broadly speaking things are looking ok for the region. Covid wise, apart from a spike in numbers in Spain, the rest of the region appears to be handling the pandemic well. Lockdown restrictions are being lifted and economies reopening. Whilst there is still a way to go until full recovery, the EU stimulus package will go far safeguarding the recovery. The improved outlook is reawakening the Euro bulls which have driven the common currency to a 22-month high versus the US Dollar. A weak reading is highly unlikely to shift the positive outlook ft the Euro, particularly given the rising US numbers and political gridlock. Expectations are for -11.3% decline across the quarter.