Week Ahead 20th – 24th July – Vaccine News, UK Retail Sales, Microsoft, Tesla, Amazon & Vodafone

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 20th July	**-EU Summit**
Tuesday 21st July	-Public sector net borrowing
Wednesday 22nd July	-US home sales
Thursday 23rd July	-US initial jobless claims
Friday 24th July	**-UK retail sales** **-UK & US PMI's**

Companies reporting

Monday 20th July	-BHP Billiton
Tuesday 21st July	-TalkTalk
Wednesday 22nd July	-Stagecoach -Fresnillo **-Microsoft (US)** **-Tesla (US)**
Thursday 23rd July	**-Unilever** -Rightmove -IG Group -Polymetal International **-Amazon (US)**
Friday 24th July	**-Vodafone** -Centrica -Pearsons

Key theme: Vaccine Optimism vs Flattening Recovery

Data wise, it is a relatively quiet week, although there are plenty of corporate results to keep traders entertained. However, what will truly drive the market is the ongoing clash between optimism surrounding a virus vaccine against concerns that the economic recovery is flattening off. Stimulus talks in Europe and the US will also drive sentiment

EU Leaders summit – Monday

The week will begin with the EU leaders' summit in focus. Across the weekend EU leaders met to negotiate the specifics of the EU Recovery Fund. The Fund is aimed at assisting those European countries most affected by the coronavirus crisis, such as Italy and Spain. However, the Netherlands, Austria, Sweden and Denmark, aka "the frugal four" are opposed to its current structure. These northern nations want the fund to be handed out as loans rather than grants. However, the reality is that pushing Italy, an already heavily indebted nation towards more debt could come back and bite not just Italy but the entire EU, potentially reigniting sovereign debt crisis fears. Some form of agreement is expected at some point. But at the time of writing on Sunday evening that point hadn't been reached yet. Equally optimism remains that a deal will be agreed.

Vaccine update - Monday

Vaccine news will remain at the forefront of traders' minds at the beginning o the week as Oxford University and AstraZeneca are expected to provide further details surrounding the ongoing Phase 3 trials. Encouraging data could give risk sentiment a shot in the arm, boosting equities across the globe.

UK public sector borrowing - Tuesday

In the last two months alone the UK government has borrowed £100 billion in an attempt to guide the UK through the coronavirus crisis. April saw the government borrow £47.8 billion, whilst in May the government borrowed an eye-watering £55.5 billion as the Treasury paid the wages of 9 million private sector employees to prevent them losing their jobs. The government also spent £15 billion on PPE. The government will of course need to think abut how it will pay for this. However, with yields on the 5 year in negative territory and 10-year treasury yields at -0.2% they won't be too concerned right now. Just as well because we expect to see borrowing jump again in June as costs of the furlough scheme stack up.

Microsoft -Wednesday

The strength of Microsoft's Commercial Cloud business has been and will continue to be the catalyst for driving the share price higher, above its 30% YTD gains. The shift from office to home working has seen a significant increase in demand for cloud platforms such as Microsoft's Azure. Heading towards the earnings release RBC analysts have boosted Microsoft's target price some 20% to $240 citing expectations for double digit revenue growth in fiscal year 2021 owing to momentum in Azure's growth. On Wednesday, investors will want to see some evidence that Azure and Microsoft Teams (a rival to Zoom) can boost the firm higher. Expectations EPS $1.39 on revenue of $33.72 billion.

Tesla – Wednesday

Traders will be looking for a clearer picture of how the coronavirus pandemic impacted the company. Whilst Telsa's sole US factory was closed for an almost 3-month period, the Shanghai factory was offsetting some of the US closure impact. Sales goals for 2020 will also be closely watched. In April the firm said that 500,000 deliveries could be achieved. Tesla's earnings come amid a massive rally in the stock with 260% YTD gains. Can the stock continue to deliver gains? This depends largely on whether Tesla can deliver a profit in Q2, which would mark its 4th straight profitable quarter and qualify Tesla for inclusion in the S&P 500 Index. If this change of status is achieved it would prompt more than a handful of large funds, who aren't permitted to buy Tesla to now add it to their portfolio. A big plus for the stock. Expectations EPS loss -$0.28 on revenue of $5.31 billion

Amazon – Thursday

The stock reports as it is more than 60% higher YTD boosted by its e-commerce strength and its AWS cloud platform. Costs will once again be under the spotlight, particularly after Jeff Bezos said that he was less focused on near term profits, instead prioritizing improving the customer experience. Earnings come at a time when investors are starting to rotate out of stay at home stocks into value stocks, with Amazon dropping -7% last week. Expectations are for EPS $1.63 on revenue of $63.40 billion.

Twitter - Thursday

Twitter’s share price was under pressure at the end of last week in the wake of an historic security breach which poses a serious and potentially long term risks for the social media company. The breach adds an extra layer of costs to ensure there isn’t a repeat scenario. Over the longer term, it raises concerns over the safety of other users and data. An erosion of trust could well manifest itself in weaker investor sentiment and a lower share price. Twitter is up 9% YTD the weakest performer amongst its peers.

Unilever - Thursday

Investors will be watching closely to see how much damage the coronavirus crisis has inflicted on the top line, particularly given Unilever’s high exposure to the eating out market which has been hit badly by the pandemic. Analyst expectations are for organic sales to decline around -4.7% in Q2. Weakness in Europe will be added to by the pandemic worsening in India and South America which account for just shy of 25% of sales. Investors will be keen to see what demand is looking like in China, where restaurants have been open for several weeks now and what this could mean for the outlook here in Europe & US. Finally, any further news on the Tea business will be closely eyed, which as been under review for a while and could be disposed of soon.

PMI’s – Friday

The flash manufacturing and services PMI will be in focus at the end of the week. After a disappointing May GDP reading, traders will want to see a sustained improvement from June’s 47.1 level, particularly given the easing of lockdown measures mid-June. The index is expected to show that the dominant sector of the UK economy contracted at a slower pace but still fell short of expansion. The US, meanwhile, is expected to show expansion at the rate of 53.2, up from 50.1. An upbeat reading could boost sentiment lifting stocks and the pound, whilst a strong US reading could drag on the safe haven US Dollar.

UK Retail Sales – Friday

A jump in supermarket sales combined with a large increase in online spending and the gradual easing of lock down saw the British Retail Consortium report the best sales in two years. Retail sales plunged -18.1% in April, whilst sales rebounded a solid 12% in May. Most non-essential shops opened mid-June so June could see the release of further pent up demand could see retail sales jump again for a second straight month. A strong reading could lift retailers and the Pound.

Vodafone - Friday

Rising debt levels and underperformance across all divisions have dragged on the share price across the past two year, slashing the value by half. Vodafone cut its dividend in 2019 and also announced a £1.9 billion loss owing to problems in India. Full year numbers in May were more encouraging with revenue rising 3% to just shy of €45 billion, although this was slightly short of expectations. The debt pile continues to be a concern for investors. Questions over whether the €18.4 billion purchase of Liberty Global’s European cable asset was a good move continue to linger as do concerns over purchasing 5G equipment in the face of Huawei’s forced exit from UK by 2027. Finally, investors are still trying to work out if the covid-19 lockdown was net positive for Vodafone with customer downloading more data and media in lockdown on one hand, but roaming revenues plunging owing to the collapse of international travel.