Week Ahead 31st Aug – 4th Sept – NFP, PMI'S, Zoom & House Builders

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 24th August	-German CPI
Tuesday 25th August	-Global Manufacturing PMI's **-RBA Rate Announcement** -German unemployment -US ISM Manufacturing PMI
Wednesday 26th August	**- Australia GDP** - US ADP Employment -US Factory Orders
Thursday 27th August	**-Global Service Sector PMI's** -US Jobless Claims -US ISM Non-Manufacturing

Friday 28th August	-UK Construction PMI -US Non-farm payroll -Canada Employment Data

Companies reporting

Monday 24th August	**-Zoom (US)**
Tuesday 25th August	-Old Mutual -Mitchells & Butler
Wednesday 26th August	**-Barratt Developments** **-Gym Group** -Macy's (US)
Thursday 27th August	**-Melrose** -Restaurant Group -Broadcom (US) -DocuSign (US)
Friday 28th August	**-Berkeley Group**

Key theme: NFP's & Rising EZ Covid Cases

Owing to the Bank holiday weekend, this week will be a short week, however there is still plenty of economic data to keep traders entertained. US non -payroll will dominate the economic calendar, providing further insight into the recovery of the US labour market.

Meanwhile, coronavirus numbers are still on the rise on mainland Europe with tourist destinations seeing a strong jump in numbers. France recorded 7749 new infections, the highest level since 31st March keeping fears of a second lockdown present.

Monday - Zoom

So much can change in a year. It hard to believe that Zoom started just a year ago with shares at $36 and a market valuation at $9 billion. Fast forward 16 months and it is now sitting at $300 per share and a market cap of around $80 billion. Zoom is due to release Q2 results. The video conferencing stock has been a standout winner from the coronavirus pandemic and resultant lockdown which accelerated business and personal reliance on technology. The key for investors will be for further clarity as to how Zoom intends to monetise this phenomenal boom in customers. Revenue of around $495 -$500 million is forecast, up from $395 million in Q1. Full year revenue is expected at $1.8 billion, up almost three-fold on last years' $632 million.

Tuesday - Reserve Bank of Australia & GDP (Wednesday)

With interest rates at record loss of 0.25%, there has been speculation that the Australian central bank will boost its QE programme to support the economy. The RBA meeting comes a day before Australia's GDP release for the June quarter, which is expected to reveal -6.2% contraction yoy, marking the first technical recession in almost 3 decades. Whilst the worst has passed, what the RBA says about the economic outlook will be closely followed. Since the Victoria lockdown economists have lowered their growth expectations for Q3, with risks rising that Australia could experience 3 consecutive quarters of contraction. The central bank has not ruled out adjusting the stimulus package if necessary. Any signal that the RBA could do more would be considered a bullish signal boosting Australia stock market and potentially bringing the Aussie Dollar off its 18-month high versus USD. That said the risk sensitive Aussie has generally traded more on sentiment than economic fundamentals recently.

Wednesday - Barrett Development

The housebuilder will release full year numbers. The trading update in July painted a relatively positive picture despite site shutdowns in April and May. Sites were reopened at the end of June. Completions were down across the full year owing to lockdown in the final quarter with just 12,604 completions versus 17,856 the previous year. Forward sales are encouraging, significantly stronger than last years' 11,419 against 14,326 this year, a value of £3.2 billion. Selling prices are more or less stable at £280,000, very slightly ahead of last years' £274,400. The stock trades -30% YTD, underperforming the broader market.

Gym Group

Gym Group will release half year results as it attempts to recover from lockdown. The Group shut all 179 of its sites back in March for a total of 4 months. 160 gyms reopened on 25th July. On the plus side, the Gym Group's finances received a boost from £41.3 million equity issue in April followed by £30 million in additional borrowing capacity in June on top of an already existing £70 million corporate overdraft. As of July 25th, the Group has 692,000 members versus 870,000 reported in March. Membership numbers will be key. Even a small change in membership numbers can have an important impact on Gym Group's profitability. The share price remains depressed, down -40% YTD.

Thursday - Global Service Sector PMI's

Europe, UK, China and US will release service sector PMI data for August. Traders will be paying particular attention to Europe, which could be starting to see the service sector rebound slow. Those countries that are so dependent on tourism and have seen travel restriction imposed in the peak season, such as Spain and France could see a marked slow down in the recovery. The service sector rebound in the UK appears to be holding up better with analysts expecting to see a continuation of the improvement from July with analysts forecasting a reading of 60.1, whereby the level 50 separates expansion from contraction. Any signs of disappointment in Europe could drag on the Euro, whilst an upbeat UK reading could boost the Pound.

Melrose

Following a trading statement in late July, few surprises are expected from turnaround specialists Melrose when they report first half results. Melrose has already warned of a 27% decline in revenue owing to challenging conditions in the aerospace and automobile business areas. Even so Melrose still expects to report a small underlying profit in the first half, the question is how small? Given the ongoing disruption in to the travel sector, Melrose's outlook will be closely watched, particularly for the aerospace sector. With travel not expected to ramp up to pre-coronavirus levels for years. Sales in the aerospace sector could be in line for an annual 25-30% decline. Cost cutting will be particularly important to improve the Group's position.

Friday - Non-farm payroll

The economic calendar is packed cumulating with the US NFP on Friday. NFP's are expected to show 1.5 million jobs were created in August. This would be down from July's 1.8 million and June's 4.8 million. Unemployment is forecast to drop to 10% down from 14.7% back in April. The data would be showing a continued but slowing recovery in the US labour market.

A weak NFP could hit sentiment, knocking stocks and would add pressure to Congress to agree an additional rescue package after the expiry of $600 additional unemployment support at the end of July.

Berkeley Group

Following on from Barratt Development's full year results on Tuesday, Berkeley group is due to update the market on Thursday. Its results should provide some clarity over the health of the UK housing market which has shown impressive resilience through the coronavirus crisis. House prices jumped 1.5% in July according to Nationwide whilst the Halifax house price index reported a 3.8% surge across the same month as the stamp duty holiday, low mortgage rates, pent up demand plus people reassessing their housing needs post lockdown are all supporting the housing market. However, moving towards September and October the UK economy and housing market could run into problems. The government's furlough scheme comes to an end, unemployment levels are expected to rise, hitting 7.5% by the end of the year, which could drag on the housing market and house builders.

Dividends

FTSE100: Polymetal, Admiral, BHP, Antofagasta, CRH

FTSE250: Apax Global, Alliance Trust, Aggreko, Clarkson, Rathbones, Contour Global, Clarkson