Week Ahead 6th – 10th July – RBA, US Jobless Claims, Halfords & Housebuilders

Our pick of the top macro data points and companies reporting this week Presented by Fiona Cincotta.

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.

Economic Data

Monday 15th July	**-UK Construction sector PMI** **-US Service sector PMI**
Tuesday 16th June	**-AUS RBA**
Wednesday 17th June	**-UK Economic statement**
Thursday 18th June	**-US initial jobless claims**
Friday 19th June	**-US inflation**

Companies reporting

Monday 15th June	
Tuesday 16th June	**-Halfords** **-JD Sports** **-Whitbread**
Wednesday 17th June	**-Barratt Development**
Thursday 18th June	**-Rolls Royce** **-Persimmon** **-Vistry**
Friday 19th June	

Key theme: Economic Recovery vs Covid Resurgence

The coming week looks relatively quiet in terms of high impacting macro data release.

The highlights will be the Reserve Bank of Australia's monetary policy announcement, a statement from UK Chancellor Rishi Sunak, and some US data. As such, the dominant theme that is expected to drive currency and equity markets will be how the global virus picture is evolving, particularly in the US, as the battle rages on between stimulus boosted bulls and virus fearing bears.

Conflictive risk narratives mean global markets are being pulled in every direction. Rising coronavirus figures are being weighed up against signs of economic recovery. The bulls are focusing on the stronger economic data and vaccine optimism. The bears fear that rising covid-19 numbers will knock the fragile recovery off track. For now, the bulls are winning, the Nasdaq even climbed to a record high, however, given the fluid nature of the situation, that could change quickly.

RBA rate announcement -Tuesday

No ground-breaking developments are expected. Interest rates in Australia are already at record lows (0.25%). Whilst the labour market went downhill with more jobs lost than forecast, services PMI soared, signalling the biggest sector is healing quickly. The Australian economy has started to reopen. However, fears of a second wave, have emerged since the last RBA meeting and could weigh on the outlook. Melbourne the second most populous city is back under lockdown, which is unnerving. As a result, the RBA could strengthen their commitment to act again to support the economy. This could drag on the Australian Dollar slightly, although the Aussie Dollar has been more driven by global risk appetite over recent weeks.

Halfords - Tuesday

Halfords was classified as an essential business meaning that it remained open during lockdown and it was possibly one of the busiest retailers during that period. The car and bike part seller has already guided that adjusted profit before tax will be at the upper end of the forecast range of £50 - £55 million. Despite reporting a 23% slump in sales in April, sales are expected to have improved in the following months, particularly as people buy or service bikes in order to avoid public transport. Even so, the firm still pulled the dividend and scrapped guidance for the coming year. Costs are an important part of the equation, particularly exceptional costs as Halfords transforms stores into socially distanced spaces. Looking ahead, the British government is keener that ever to push cycling as part of a green agenda. Halfords is well positioned to benefit. Demand for bikes is high whilst the share price is still down -21% YTD.

JD Sport - Tuesday

Retailers have been hit hard by the coronavirus lockdown. Back in March management decided to close all JD Sport stores across UK, Europe and US. It's online portal continued trading. The government's rate suspension scheme will have offered some respite from the lockdown, although guidance has been suspended for 2021. No surprises are expected from full year figures for year end 31 January 2020. Earlier this year the retailer said that it expected full year profits to be in the upper quartile of expectations £403 - £433 million on revenue around £5.8 billion. These numbers will be hugely difficult to replicate this year.

The figures come shortly after the CMA blocked JD Sport's acquisition of FootAsylum, investors are expecting some meat to be added to the bones surrounding the decision.

JD's customer base tends to be younger, a segment of the market whose spending confidence could decline sharply amid a tough jobs market.

Whitbread - Tuesday

Whitbread is expected to release a trading statement for Q1, this comes just 3 days after its hotels reopened their doors following lockdown. A sharp decline in sales is inevitable given the closures. Investors will be more interested in the outlook, amid expectations that staycations will be the only option for many this summer. However, global and business travel could still be slow to pick up. In Germany hotels have been open since 11th May.

Analysts at Jefferies are forecasting that occupancy will be at 75% of 2019 by December and 100% by September 2021. After raising $1 billion in May, investors will be keen to see if this will be used to pick up any strategic opportunities in the sector.

UK Economic Statement - Wednesday

Rishi Sunak, Chancellor of the exchequer is expected to outline his plans to get the UK economy through the coronavirus crisis. Whilst Boris Johnson announced a huge infrastructure spend last week, Rishi Sunak is expected to focus on jobs, with growing pressure on the Chancellor to do more to protect jobs as the furlough scheme moves into the second phase with employer's contribution. Rishi Sunak still needs demand and the economy to pick up more in order to avoid wide scale job losses. More support to the UK jobs market could underpin the pound, although Brexit talk this week could also drive sterling.

US Jobless Claims - Thursday

The recent decline in jobless claims appears to be slowing, whilst continuous claims actually increased in a worrying development last week. Rising coronavirus cases in Florida, Texas, California and Arizona are a cause for concerns for investors. These four states are home to around 100 million people and account for around one third of the US economy. As areas across the states roll back reopening measures, there is a real risk that the nationwide, fragile economic recovery will falter. Even if cities don't lock down again, coronaphobia could prevent consumers from venturing out in a self-imposed lockdown, which could be just as damaging for the economy.

Recent better than forecast data boosts riskier assets such as the US indices, whilst dragging on the safe haven US Dollar. Whilst downbeat data is boosting safe haven flows into the greenback and dragging on the stocks.

Rolls Royce - Thursday

To say it's been a challenging few months for Rolls Royce would be an understatement. The engine maker, which will update the market on Thursday, share price has been on a downward trajectory since before the coronavirus pandemic hit the aviation industry. Problems with the Trent 1000 engine resulted in costs escalating potentially to $2.4 billion by 2023. The collapse in air travel has seen around half of projected revenue disappear. Investors will be waiting cautiously for an update on Engine Flying Hours. The firm has secured an additional $1.5 billion in revolving credit line, in addition to the $2.5 billion secured in March. It is also planning to cull 9,000 jobs from a workforce of 52,000.

Persimmon & other housebuilders - Thursday

Persimmon will update the market on Thursday. The update comes as house prices appear to be holding relatively steady, despite the huge slump in sales in lockdown. Whether they stay at these levels will depend largely on the speed of the economic recovery. Sector peers Taylor Wimpey raised £500 million to buy up cheap land. Investors will be watching closely to see if Persimmon have any similar move up their sleeve. This could be a risky move if a second wave of covid-19 appears or if the economic recovery falters.

Sector peers Barratt Development are due to report on Wednesday and Vistry on Thursday. They are expected to see a 32% and 50% decline in completions respectively. Barratt Development is expected to see pre-tax profit of £516 million, down from £910 million the prior year. Whilst Vistry is looking at an operating profit of £43 million on revenues of £553 million.