Merkel speech, US retail earnings reports

November 11, 2018



Merkel speech, UK inflation, Walmart results

Brexit is at the political forefront once again with Theresa May, UK prime minister, expected to hold a cabinet meeting early this week to discuss and approve the text of a possible withdrawal agreement. In Brussels, meanwhile, the European affairs ministers of the remaining EU states meet for an update on divorce talks with London by the bloc's negotiator Michel Barnier.

German chancellor Angela Merkel is set to address the European Parliament to set out a vision for the EU at a time of huge political change. Her speech on Tuesday comes just weeks after announcing her decision to resign as chair of the Christian Democratic Union party, so this address will provide the first signs of how the chancellor intends to approach big European issues during her final stretch in office.

On the economic front this week UK labour market statistics published on Tuesday will include figures on wage growth and employment, while on Wednesday the Office for National Statistics will publish inflation figures. This will offer some insight into how quickly living standards are recovering in the UK after the cheaper pound squeezed spending power following the EU referendum.

Germany, Japan and Russia release gross domestic product figures this week, with Germany of particular interest due to concerns about slowing growth. The country's

ZEW economic sentiment is also out on Tuesday. US and China consumer price indices also feature this week, along with UK and US retail sales.

Earnings season is winding down but several of the biggest US retailers report this week. The recent bankruptcy of department store Sears points to persistent challenges facing bricks and mortar companies, but much of the rest of the sector appears to be coping better with the ecommerce threat. In the UK investors will focus on Royal Mail, which reports on Thursday, just six weeks after sneaking out a shock profits warning, and Vodafone, which reports on Tuesday.

Monday

Pence visits Japan

Mike Pence, US vice-president, arrives in Tokyo and is scheduled to meet Shinzo Abe, Japanese prime minister, the following day to discuss co-operation towards North Korea's denuclearisation.

Tuesday

Merkel speech

Angela Merkel is set to address the European Parliament in Strasbourg. Her speech to MEPs in Strasbourg will indicate whether the chancellor feels more emboldened to take big reform decisions before leaving office, or whether the political constraints facing her government in Berlin will be critical.

Corporate earnings

Home improvement chain **Home Depot (Q3)** is forecast to report a 4.7 per cent same-store sales increase.

Bayer (Q3) Investors will focus on the sales growth of Bayer's bestselling drugs Xarelto and Eylea, while earnings from the newly acquired Monsanto business will play a lesser role due to the seasonality of farming.

French utility **EDF** publishes third-quarter sales, which will be scrutinised for indications about its full-year earnings guidance. In recent years EDF has repeatedly published profit warnings in the last months of the year because of unexpected outages at its nuclear plants.

Commodity house **Noble (Q3)**, which is going through the final stages of a $3.5bn debt restructuring, reports its last batch of numbers before it starts as a new, smaller trader later this year. It has already warned of a quarterly loss due to restructuring charges.

Premier Foods (H1) reports, its first public communication with investors since July when the chief executive of the British maker of Mr Kipling cakes and Bisto gravy survived a shareholder revolt.

Tyson Foods (Q4) is expected to report a slight rise in sales, helped by improving demand for beef. However, the company, which appointed a new chief executive in September, is still seeing its profits saddled with falling pork prices due to higher Chinese tariffs and rising transportation costs.

Indian steelmaker **Tata Steel (Q2)** is forecast to post a higher net profit.

Vodafone (H1) New chief executive Nick Read presents his first set of results. With the shares languishing, investors will be looking for clues about his plan to revive the Vodafone equity story. A 2 per cent drop in revenue to €22.62bn for the first half of the year is forecast.

Economic data

UK: Labour market (July-Sep, Oct) In the last edition of the wage growth figures, growth in average earnings excluding bonuses rose to 3.1 per cent in the three months to the end of August, the highest rate since 2009 but with inflation of 2.7 per cent in the same period earnings only grew by 0.4 per cent in real terms.

Germany: ZEW survey (Nov) The Indicator of Economic Sentiment for Germany dropped 14 points in October from September to minus 24.7. The index of current conditions came in at 70.1, four points lower than what was expected, and down from 76 in September.

This time analysts forecast 63 for current conditions and minus 25.9 for expectations.

Japan: GDP (Q3, prelim) Japan's economy grew faster than initially estimated in the second quarter, with a revised reading on growth reflecting the quickest rise in more than two years. The final reading on gross domestic product from Japan's Cabinet Office showed an annualised rise of 3 per cent in the three months to the end of June, compared with an initial reading of 1.9 per cent.

This time round analysts forecast a quarterly fall of 1 per cent.

Russia: GDP (Q3) Russia's economy grew 1.9 per cent in the second quarter, mainly because hosting the football World Cup boosted consumption in June.

Agriculture is expected to weigh on this third-quarter reading, with growth forecast to have slowed to 1.4 per cent.

Wednesday

Greece strike

Adedy, Greece's largest public sector union, stages a 24-hour walkout to demand wage and pension increases, the first big strike since the country exited its bailout programme in August.

Corporate earnings

Recommended

Canopy Growth (Q2) is expected to post a wider second-quarter loss as the company spends more to edge out rivals in a growing competitive market. Investors will be looking for any comments on how the company plans to capitalise on the legalisation of recreational cannabis in Canada and emerging opportunities in the US.

Cisco Systems (Q1) is expected to report a rise in first-quarter revenue, driven by growth in the network gearmaker's newer businesses such as cyber security.

Eon (Q3) reports, with investors likely to focus on how the German energy group's pressured retail unit performed.

Struggling department store chain **Macy's (Q3)** is expected to post a year-on-year rise in same-store sales of about 2.5 per cent, benefiting from its strategies to combat declining customer traffic. Analysts will be looking out for more signs from the company about its sales turnround as the all-important holiday shopping nears.

Economic data

UK Inflation (Oct) The latest inflation statistics are published and workers will hope wage growth in the three months to September either kept growing or accelerated while hoping that inflation dropped again in October after falling to 2.4 per cent during the previous month.

China Industrial Production (Oct) The consensus forecast for industrial production growth is forecast at 5.8 per cent year on year in October. The latest PMI readings point to modest growth in manufacturing output amid trade tensions and domestic deleveraging.

Recommended

Germany GDP (Q3 flash prelim) The German economy expanded 0.5 per cent in the second quarter, with domestic demand providing a boost. The consensus forecast for this release is a quarter-on-quarter decline of 0.1 per cent, causing the year on year rate to drop to 1.3 per cent.

US CPI (Oct) The US recorded tame consumer price inflation in September. Headline consumer price growth slowed to 2.3 per cent from a year earlier, amid a drop in fuel and energy costs. That was down from the 2.7 per cent pace in August and the slowest since March. Core CPI, which excludes volatile food and fuel prices, held steady with 2.2 per cent year-on-year price growth. October's year-on-year headline CPI rate is expected to rise to 2.4 per cent.

Thursday

Corporate earnings

JCPenney (Q3) is forecast to post a 0.9 per cent decline in same-store sales as it battles decreasing store traffic and fierce online competition. Investors will be

keeping a close eye on the company's forecast for the holiday season as many analysts view JCPenney as next in line to Sears, which recently filed for bankruptcy.

Nordstrom (Q3) is expected to post a rise in third-quarter sales as more people shop from its online and off-price Nordstrom Rack stores. The retailer has been investing in improving its marketing and digital capabilities over years, making it one of the strongest digital businesses in the industry.

Walmart (Q3) is expected to produce a robust 3 per cent rise in same-store sales, driven by an increase in customer traffic at its stores. Investors will pay attention to what management at the world's biggest retailer has to say about traffic trends and revenue outlook during the holiday season.

Recommended

Royal Mail (H1) will confirm first-half numbers following its recent profit warning, when the group said it now expects adjusted operating profit before transformation costs — which strips out expenses from a long-running modernisation programme — to come in between £500m and £550m in 2018-19. That compares with £694m in the year ending on March 25. Shares plummeted and relegation from the FTSE 100 index looks a near certainty. The UK postal service is also expected to provide a much-anticipated update on strategy.

Economic data

UK retail sales (Oct) September's sales dropped following a summer surge driven by good weather and the football World Cup. The volume of sales dropped 0.8 per cent during the month, partly due to the biggest month-on-month drop in food sales since October 2015.

This October, analysts expect a 0.2 per cent monthly rise for total volumes including fuel.

US retail sales (Oct) Headline retail sales rose 0.1 per cent month on month in September, which fell well short of the median forecast of 0.6 per cent. The result matched August's unexpectedly soft 0.1 per cent rise, which was the smallest gain for the gauge in six months. However, so-called control retail sales, which strip out volatile items like petrol and building material among others, rose 0.5 per cent, jumping from August's 0.1 per cent advance, and higher than economists' expectations for 0.4 per cent.

Retail sales for October are set to rise 0.5 per cent month on month, and control sales estimated to increase 0.4 per cent.

Friday

Corporate earnings

Viacom (Q4), owner of MTV and Paramount Pictures, is forecast to post a rise in profit and revenue, boosted by the success of the movie *Mission: Impossible — Fallout*.

Saturday

Asia Pacific Economic Co-operation summit

Papua New Guinea hosts the Asia Pacific Economic Co-operation summit. Dmitry Medvedev, Russian prime minister, Moon Jae-in, South Korean president, Xi Jinping, Chinese president, and Mike Pence, US vice-president, are all due to make speeches on Saturday.