

The Week Ahead – UK GDP

By William Cowell de Gruchy, 19 July 2010

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Interesting data, not least corporate earnings figures, are due in the US this week, but the spotlight is on the UK and Europe. The UK's GDP estimate and Bank of England meeting minutes are highly anticipated; whilst in Europe industrial new orders data will be closely watched. Investors also have the following to look forward to this week.

Monday 19th July

US Corporate earnings (Q2). Following some reassuringly strong results last week, a further tranche of US corporate earnings are due this week, starting with Hasbro and IBM on Monday.

Tuesday 20th July

UK major banks mortgage approvals (June). The Royal Institute for Chartered Surveyors (RICS) survey for June noted a large growth in the number of properties coming to market, which has not been matched by an equivalent growth in buyers. This means that demand overall has fallen, but may not mean that mortgage approvals are shrinking – merely that the number of new houses for sale outstrips the number of new buyers. The mortgage approval figures will therefore be closely watched for any change from May's level of 51,000.

German producer prices (June). As the euro remains weak, prices for manufacturers who rely on imported material to produce their wares remain high. Although the Euro has stabilised somewhat in the last month, exchange rates have a delayed impact on producer prices. A further rise, following May's 0.3% month-on-month increase, may therefore have been felt in June. Such rises can drive inflation higher.

Wednesday 21st July

Bank of England meeting minutes (July). The Bank of England's decision to keep interest rates at 0.5% and the asset purchase target at £200bn on 8th July surprised no one but the minutes might reveal more about the differences of opinion that are beginning to emerge among committee members.

Thursday 22nd July

UK retail sales (June). Early indication of the Office for National Statistics (ONS) June retail figures was given last week, when the British retail consortium published its own findings. These showed that retail sales were up once again in June, following a similar boost in May. Particularly, sunny weather and early clearance sales boosted clothing and outdoor goods. The extent of the rise should be confirmed by the ONS figures, and is expected to be around 0.4% month-on-month.

Eurozone industrial new orders (May). The pace of new order growth in the Eurozone slowed dramatically in April, rising just 0.5%, down from 5.2% in March. Investors will watch closely to see if new orders can continue in positive territory, as a peaking global inventory cycle is now threatening sales.

Eurozone consumer confidence (July). Although positive steps have been taken by the European Central Bank to combat the sovereign debt crisis, many feel these have come late. Certainly, troubles persist in peripheral Eurozone countries, and these continue to impact more stable members of the single currency. Eurozone consumer confidence is therefore still expected to remain negative, but may have improved slightly in July following a move from -18 to the slightly less negative -17 in June.

Friday 23rd July

UK Gross Domestic Product (Q2). The first estimate of the UK's Q2 GDP will be a crucial one for the new coalition government, after limp growth in Q1 caused fears of a double dip to surface. However, the outcome is expected to be positive, with a rise of 0.6% predicted. This growth will likely have been supported by an unsustainably strong surge in manufacturing which has been driven by inventory restocking. As this inventory cycle appears to be peaking, prospects for growth in the coming quarters are therefore softer.

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