Key Themes this Week

Sterling under pressure
Following a flash crash on overnight last Thursday which saw sterling fall 6% against the dollar, and trade as high as £0.94 against the euro, sterling has remained under pressure. Broadly speaking we believe that c.£0.90 is reflective of current fundamentals, but on a 12-18 month view we see further downside potential to £0.95 - £1.00 though this will be dictated by the extent of further action by the BOE and how hard a stance Britain takes at the outset of the Brexit negotiations.

The top on Oil?
Oil prices have rallied on the back of OPEC’s agreement on the need to reduce production and a surprise drawdown in US supplies last week. Though prices will likely remain volatile we continue to expect c.$52.50 will act as a top on oil as marginal producers like US shale are attracted back into production above $45. That said, we expect the current adverse weather in the US gulf should support oil prices in the near term.

Central Bank minutes the key to their real thinking
Minutes from the last Fed meeting are to be released this week, where the focus will largely rest not solely on when the Fed will raise next, but also on the pace of hikes thereafter, which has been steadily easing over the last year. Interestingly, minutes from the ECB’s last meeting showed no indication of discussion of tapering as had been rumoured. Instead council members discussed methods of increasing the extent of monetary stimulus.

Trump vs Clinton part 2
The second US Presidential debate occurred last night, though pundits and currency markets are less adamant on who the biggest winner was. Following yet another torrid week for the Trump campaign which saw more senior republicans pulling their support, the debate saw a less flustered and more disciplined Trump. Both candidates turned heavily personal however, as Clinton focused on the 2005 video of Trump which was leaked over the weekend, while he turned his attention to accusations made against Clinton’s husband. The Mexican peso and Canadian dollar, which have declined as Trump’s campaigned gathered pace, both saw gains in the wake of the debate but have eased in the early trade of the European session.

M&A Corner
Easy come, easy go for Twitter as a long list of blue chip rumoured suitors ruled themselves out one by one last week, leading to an 14% decline in the share price. Alphabet, Salesforce and Disney all ruled themselves out of a potential acquisition in turn leaving Microsoft as the last remaining acquirer thought to be considering a bid.

Elsewhere, Janus Capital, home of former Pimco boss Bill Gross, is to merge with UK based Henderson Group in a $6 billion deal. The combined company will manage more than $320bn in assets and see the delisting of Henderson London listed shares. The companies stated that the merger would boost earnings by 10%.
Including 50DMA/200DMA.

2125 to 2190 key range remains in play with 2016 trend support at 2130. We remain concerned that the low levels of volatility in the US will lead to potential weakness.

EUROSTOXX 50 Index. Daily Chart. October 2015 to present.
Including 50DMA.

The EuroStoxx remains range bound, banded between 2907 to 3091 in its inner range, and 2680 to 3151 in the outer range.

NASDAQ Composite Index. Daily Chart. October 2015 to present.
Including the 50DMA.

The highlighted key range is between 5125 and 5343. Momentum is firmly in neutral mode with volatility remaining at historic low levels.
Current Stock Trading News

From a market trading perspective we are long Daimler and Grafton with both positions in the money. While we are offside in our Paddy Power position, we are still comfortable with our positive view and see the stock as being attractive given its growth dynamics and leading market position.

Ryanair - Long term structural winner

Closing Price: €11.245

Stephen Hall, CFA | Investment Analyst

<table>
<thead>
<tr>
<th>Key Metrics</th>
<th>2016e</th>
<th>2017e</th>
<th>2018e</th>
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<tbody>
<tr>
<td>Revenue (€'bn)</td>
<td>6.73</td>
<td>7.00</td>
<td>7.53</td>
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<tr>
<td>EPS (€)</td>
<td>1.08</td>
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<td>1.29</td>
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<tr>
<td>P/E</td>
<td>10.7</td>
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<tr>
<td>Div Yield</td>
<td>0.0%</td>
<td>0.46%</td>
<td>0.49%</td>
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<tr>
<td>Market Cap (€'bn)</td>
<td>1.254</td>
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<table>
<thead>
<tr>
<th>Share Price Return</th>
<th>1 Mth</th>
<th>3 Mth</th>
<th>YTD</th>
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<tbody>
<tr>
<td>Ryanair</td>
<td>-16.0%</td>
<td>-0.9%</td>
<td>-25.1%</td>
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</table>

Source: Bloomberg

Ryanair has faced 3 headwinds in recent weeks. Firstly, the recovery in oil above $50 a barrel, the renewed weakness of the Pound, with EURGBP rallying above 90p for the first time since 2011, and finally a negative read across from EasyJet’s FY16 results have all weighed on the stock. For every 1p appreciation in EURGBP, its net income declines by €15m, therefore its current €1.4bn net income guidance for FY17 is at risk of a potential downgrade, however its traffic stats for September earlier in the week guided yield pressure of -10% to -12%, which is a positive as there was a real risk there could be yield pressure greater than -12%.

Ultimately, looking through short term noise and headwinds, we feel Ryanair will be the structural winner in the European Low Cost Carrier space. We see first support at €11.30 and again at €10.90. If Ryanair weakens further towards a €10 handle, we think this is a very attractive entry level for a long term hold in the stock. The airline is expected to carry 117 million passengers in FY17, and has no intentions to pull back on any planned capacity growth; however none of the 50 Boeing 737 planes which will be delivered this year will be based in the UK. It has a significant advantage on costs and fares, and as a result should continue to capture market share through its “load factor active, yield passive” strategy to pricing. The airline remains attractively valued in our view at 10.7x FY17e earnings. Ryanair is also set to return €1bn to shareholders from the start of February 2017 through a special dividend and a share buyback programme which should provide support to its share price.
Given the recent moves in sterling, Vodafone is trading at levels last seen in 2013 and 2014 in euro terms, offering euro based investors and exceptional opportunity to gain exposure to a company with an improving business outlook and attractive dividend yield.

Vodafone’s European operations have recovered in recent quarters, while its emerging market business provide the key driver to earnings growth, as service revenues increase 8% year-on-year. Vodafone remains proactive in its strategy, partnering with Liberty Global in the Netherlands, and we see scope for further deals across Europe in the future. Further value could also be extracted through the proposed IPO of its Indian operations.

Management has reiterated full year guidance of organic EBITDA growth of between 3-5%, implying €15.7-€16.2bn. The stock is trading on 6.9x FY17e EV/EBITDA and offers an expected dividend yield of 5.8%.

Despite Kerry’s solid Q1/16 results in April and again following its H1/16 results in August, we forecasted a de-rating in Kerry’s valuation which has slowly unfolded over the past several months. At its peak, the stock was trading at 26.5x forward earnings and has since de-rated to 22x FY16e earnings, virtually in line with its 1 year forward P/E ratio average over the past 3 year at 21.5x. Technically, the stock is currently trading just above key support of €70.30 which is its lowest closing share price of the year.

In our view this is an attractive entry level for a new long position. Kerry’s Taste & Nutrition division, which accounts for 84% of Group revenues and 94.4% of profits, reported volume growth of 3.5% in H1/16. Kerry is well positioned to capitalised on the shift in consumer tastes and preferences towards natural, and health and wellness offerings. Its portfolio should continue to perform well in our view, benefitting from convenience, food-to-go and snacking trends. The main catalyst for the stock is investor’s recognising value has reappeared in the stock and its defensive nature in volatile markets could see money flow into the stock.
The weakness experienced in sterling last week has created an opportunity for euro investors to gain exposure to sterling assets at an attractive exchange rate. While concerns remain regarding the impact of Brexit on the UK economy, the weakness in the sterling exchange rate will continue to be a significant tailwind for multi-national companies listed on the London stock exchange. Given the diverse geographical revenue streams of these companies, the weaker sterling results in a more favourable translation effect on foreign revenues thereby increasing their profit potential. The City of London Investment Trust Plc is a fund which offers investors exposure to a portfolio of high quality UK multi-national companies that pay attractive dividends. Manager Job Curtis employs a conservative investment style and prefers companies that generate sufficient cash to support dividends and capital expenditure. In addition, companies must also have strong balance sheets especially those in more cyclical industries. This process has resulted in a strong performance track record relative to peers and the dividend from the fund has also been raised for 50 consecutive years. The portfolio currently consists of c.117 holdings and is overweight defensive stocks in the consumer staples and healthcare sectors. It currently has a dividend yield of c.4% and one of the lowest expense ratios at 0.42% per annum.
**From the News - Monday Headlines**

- Deutsche Bank’s negotiations with the U.S. Justice Dept. to resolve a years-long investigation into the lender’s handling of MBS are continuing. Germany’s Bild newspaper reported in its Sunday edition that CEO John Cryan wasn’t able to reach an agreement with the dept.

- UBS walked away from a $4.4b deal to take Dalian Wanda Commercial Properties private after it became uncomfortable with the structure of the transaction - FT.

- Goldman Sachs - The bank may move 2,000 Jobs from London on Brexit - Sunday Times.

- LVMH kick off the luxury reporting season in Europe after the close.

- William Hill’s deal with Amaya may be close - Sunday Times. Amaya would merge into William Hill and the new business would trade only in London. The merger is valued at €4.6B in an all share merger. William Hill has confirmed discussions.

- Air France’s September traffic Stats - Group passengers rose to 8.5M (+2.8%) with Transavia rising 25% in Sept. Cargo load factor does fall .6% to 59.3%.

- Randgold - The company has stated that the three mines in Mali will continue to operate despite the on-going $80m tax dispute. CEO confirms that the local offices have been closed by the Government and that discussions are continuing to resolve the issue.

- Vodafone is said to be looking to divest its Indian data centre which is expected to raise £145m - Economic Times.

- Samsung - The electronics company has halted output of Note 7 smartphones as carriers have stopped selling them. Move came after T-Mobile US and Telstra stopped selling Note 7s following reports of problems with devices thought to be safe.

**Weekend Newspaper Headlines** (please see our Weekend Press Summary for more details)

- **Irish Independent Sat October 8th**: Profits to rise €2m at Goffs; Avolon pays $500m deposit to buy CIT

- **Irish Times Sat Oct 8th**: Sterling remains near 90p; Government to have extra room in Budget 2017;

- **The Sunday Times**: BOI top ups aim to ease pension black hole; Hard Brexit to cost 2,000 Goldman jobs; L’Oreal thinks Grafton St is worth it; Quinn sell-off team given €6m in dividends

- **Sunday Business Post**: Ryanair staff numbers to soar; Tesco has long way to go; Analysts ramp up pressure on Aryzta; Google reveals new smartphone

- **Weekend FT**: Wall Street bosses warn on Brexit risks; Alibaba’s Jack Ma joins up with Spielberg’s film group Amblin; Leading Republicans call for Trump to quit presidential race

- **Sunday Telegraph**: BP CEO under pay pressure; William Hill in merger talks; Australia in post-Brexit talks with Britain

- **Sunday Independent**: AIB appoints McLaughlin to lead private banking arm; Developer Mulryan warns State must release land to end housing shortage; Cork-based Johnson Controls sells air management unit to billionaire
This Week's Market Events

The Week Ahead

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<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
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<td>GE - ZEW Survey</td>
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<td>US - Univ of Michigan</td>
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Upcoming Events

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<tr>
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<tr>
<td>17/10/2016</td>
<td>Netflix - Q3, Bank of America - Q3, IBM - Q3</td>
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<tr>
<td>18/10/2016</td>
<td>J&amp;J - Q3, Intel - Q3, Arm - Q3, Burberry - Q3</td>
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<td>19/10/2016</td>
<td>Travis Perkins - IMS, Rio Tinto, BHP Billiton</td>
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<td>20/10/2016</td>
<td>Microsoft - Q1, Nestle - Q3,</td>
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<tr>
<td>21/10/2016</td>
<td>McDonald's - Q3</td>
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Cantor in The Media

- Breakfast Show: Brexit, US elections, Q3 earnings - David Donnelly [Clip]
- EasyJet shares dive as profits hammered by Brexit - Rob Byde [Clip]
- Alphabet ‘best fit’ for Twitter - Youssef Squali [Clip]
- Why Disney won’t acquire Netflix - Youssef Squali [Clip]
Tax Relief Investment Opportunity

We are delighted to announce the launch of a series of tax relief investment opportunities, under the Employment & Investment Incentive Scheme 2016 (EIIS). Great Northern Distillery Limited (“the Company”) is seeking to raise up to €5m by way of EIIS capital in 2016. The funds raised will be used by the Company to lay down its own whiskey stock for sale in 3 to 4 years. Once the whiskey stock has matured, it will be sold by the Company to retail own labels and used for the Company’s own label whiskey brands.

Minimum investment: €25,000

For further details please contact your broker on 01 633 3633

Upcoming Property Loan Note Investment Opportunity

We have a series of private equity and loan note investment opportunities for our clients who are seeking higher returns. Over the coming 4 to 6 weeks, we will be announcing the opportunity to invest in an exciting residential property project based in Cork offering a 9% coupon for 3 years.

To register your interest email MarketingIreland@Cantor.com

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Monthly Investment Journal
Each month our Private Client and Research departments collaborate to issue a publication which highlights the performance of our flagship products, funds and our core portfolio, including the Green Effects fund, most recent Private Equity deals and structured product investment opportunities.

Click Here

Weekend Press Summary
Every Monday our team summarises the main stories which appeared in the weekend press, including Irish broadsheet Sunday papers and the Financial Times Saturday edition. This document provides investors with an overview of highlights and newsworthy stories from the previous two days.

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Investor Podcast Series
Cantor Fitzgerald Ireland regularly publishes updates to our Investor Podcast Series. Each podcast provides a timely review and analysis of the investment landscape and features contributions by senior analysts and portfolio managers.

To listen to the latest in our Investor Podcast Series click here
### Regulatory Information

**Issuer Descriptions:** (Source: Bloomberg)

**Ryanair:** Ryanair Holdings plc provides low fare passenger airline services to destinations in Europe.

**Kerry Group:** Kerry Group PLC is a major international food corporation. The Group develops, manufactures, and delivers innovative taste solutions and nutritional and functional ingredients.

**Vodafone:** Vodafone Group PLC is a mobile telecommunications company providing a range of services, including voice and data communications.

**City of London Investment Trust:** The fund looks to provide investors with long term growth in income and capital by mainly investing in UK listed equities.

**Historical Record of recommendation**

- **Ryanair:** Ryanair was added to the Core Portfolio at inception in and have had an Outperform recommendation since then.
- **Kerry Group:** We have a Market Perform rating on Kerry, as of 23/02/2016.
- **Vodafone:** We have been positive on Vodafone’s outlook since 04/02/14 and no changes have been made to this recommendation in the last 12 months.
- **City of London Investment Trust:** We have been positive on the Trust since 16/05/16 and have made no changes since then.

**None of the above recommendations have been disclosed to the relevant issuer prior to dissemination of this Research.**

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