

Wednesday, 25<sup>th</sup> January 2017

## Morning Round Up

### Trump - Policy Starting to Take Shape

Markets had a good day yesterday as they finally received signals that Mr. Trump would be sticking to his pro-business policies. At a meeting with the major US automakers yesterday, he stated the need for less environmental regulation in the auto industry. He also signed an executive order that will allow the building of two major pipelines, Keystone and North Dakota. He is also anticipated to implement further controversial anti-immigration plans to combat his perceived terrorist threats. These measures would temporarily block refugees from Syria and other Middle Eastern countries, however this has faced a lot of criticism. Mr. Trump also signalled he is set to trigger plans to build a wall between the US and Mexican border. The timing of his decision is very interesting ahead of Mexican President Enrique Pena Nieto visit to Washington next week.

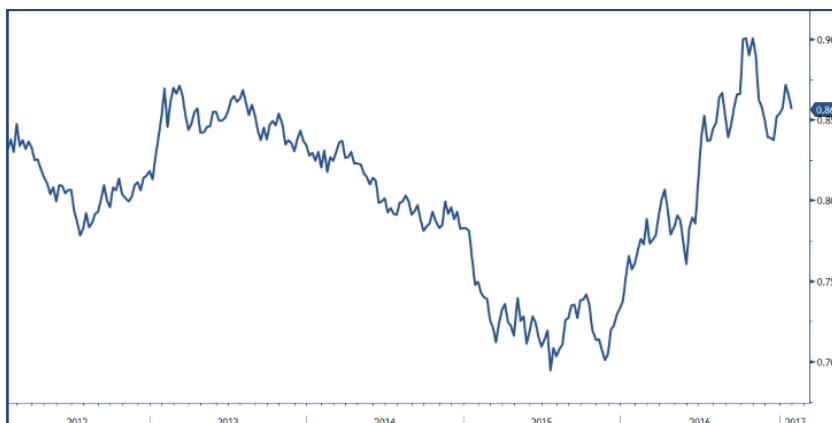
### ECB - Mixed Messages

A top ECB official signalled yesterday that they could soon start to wind down its QE program. Sabine Lautenschläger stated "I am optimistic that we can turn to the question of an exit from easy-money policies". She sits on the ECB's six member executive board. Despite speculation about tapering increasing in recent weeks this was the first time that an ECB board member has indicated that tapering is in their thoughts. This comes in the wake of consistently higher Eurozone inflationary data over the past month which was mainly driven by energy and food price increases. She then tempered her comments by stating the risks of overreacting to a temporary inflation spike and the benefits of a gradual approach.

### Brexit Ruling - Brexit Still on Course

Yesterday, the UK Supreme Court ruled that MPs must vote in Parliament before triggering Article 50 which will begin the UK's divorce proceedings with the EU. This result was widely expected by the market and government officials. The Pound initially rallied on the back of this announcement with EURGBP falling back to a 85p handle. Theresa May is expected to unveil her bill on Thursday keeping her Brexit plans on track, however MPs will use this vote to challenge that government's negotiating tactics. She will look to get her bill passed by both the House of Commons and the House of Lords over the next 6 weeks, which will enable her to trigger Article 50 before the end of March 2017, sticking to her original timetable.

### Euro vs Sterling - Price Chart



### Key Upcoming Events

27/01/17 - Next Fed Meeting  
 02/02/17 - BOE Rate Decision  
 09/02/17 - ECB Meeting

### Market View

US and Asian markets were up across the board yesterday as Mr. Trump's actions gave investors confidence in his pro-business agenda. The first few days of his administration have been centred around meetings with industrial leaders and the signing of pro-business executive orders. The US ten year yield and dollar have rallied as a result. Yesterday, the UK government lost their High Court appeal which means Theresa May will need a Parliament vote in order to trigger Article 50. This result was expected by markets and sterling did not depreciate as a result. Today's market focus will be on German business sentiment, US crude stocks change and any new executive orders signed by Mr. Trump.

### Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	19913	112.86	0.57%	0.76%
S&P	2280	14.87	0.66%	1.84%
Nasdaq	5601	48.02	0.86%	4.05%

Nikkei	19,058	269.51	1.43%	-0.30%
Hang Seng	23,049	99.26	0.43%	4.77%

Brent Oil	55	-0.44	-0.79%	-3.20%
WTI Oil	52.79	-0.39	-0.73%	-1.73%
Gold	1203	-6.28	-0.52%	4.81%

€/\$	1.0726	0.00	-0.05%	1.99%
€/£	0.8562	0.00	-0.11%	0.31%
£/\$	1.2528	0.00	0.06%	1.52%

	Yield	Change
German 10 Year	0.43%	0.03
UK 10 Year	1.43%	0.03
US 10 Year	2.47%	0.01

Irish 10 Year	1.07%	0.03
Spain 10 Year	1.50%	0.00
Italy 10 Year	2.06%	0.02

**CRH (Outperform) - Trump Effects Coming Through****Closing Price: €33.30****News**

CRH has rallied 6% in the wake of the Trump inauguration as markets have become more assured of Mr. Trump's policies. The initial rally in the wake of his election victory had petered out over December as markets became wary of potential policy disappointment by the new administration. However, in the first few days of his Presidency, Mr Trump has engaged in pro-business rhetoric and signed multiple executive orders that are in line with his stated policy during the campaign. It bodes well for a business friendly environment for the next four years and the stated policy of infrastructure investment should be a significant tailwind the cement industry.

**Comment**

CRH is well positioned to take advantage of any infrastructure program instigated by Mr. Trump. Approximately 58% of EBITDA for 2016e stems from the US market, 36% in particular from its Materials division which is responsible for asphalt, concrete, cement and readymix. It maintains a much higher US revenue exposure than any of its peers. A strong US dollar will also act as tailwind from a revenue perspective. If this administration continues to adhere to campaign promises CRH should benefit. We reiterate our outperform rating.

[Will Heffernan | Investment Analyst](#)**Verizon (Outperform) - Subscriber Numbers Disappoint****Closing Price: 50.12****News**

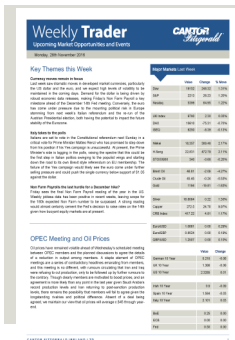
Verizon reported Q4/16 numbers yesterday which were 3.4% behind market expectations. The cause of the weakness was a lower number of customers signing up for Bill-pay contracts. Verizon added 591k new users in the quarter, below the 744k expected. The acquisition of Yahoo has been delayed due to data breaches at the company, where the information of over 1 billion users was stolen in a cyber-attack. Verizon is now attempting to put in place fire walls to prevent it being liable for the theft if it acquires Yahoo; the resultant reputational damage to Yahoo will likely result in Verizon paying a lower price for the internet company.

**Comment**

The slower numbers puts some pressure on the company to complete the Yahoo deal so that it can transition away from a pure mobile phone operation and into an online advertising platform which uses customer's mobile usage to help target ads. Though these numbers are disappointing, the direction the company is moving in seems sensible to us. The company can use the browsing data collected from mobile users to help inform targeted ads on websites through Yahoo and AOL, while its Go90 video streaming service (while off to a slow start) provides the group with the technology to host video which will be a key area of growth as consumers continue to shift away from watching TV in traditional ways to watching shows online. We reiterate our Outperform rating on look through the short term volatility to the long term outlook for the company.

[David Donnelly, CFA | Senior Investment Analyst](#)

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On Mondays, we release our Weekly note in which we provide a view on Equity markets for the coming days, and highlight a number of Equities which we believe provide exposure to the important themes unfolding in the markets. Our in-house Investment Committee meet on a weekly basis to craft this strategy, thereby allowing clients to dynamically position portfolios to take advantage of the most up to date market developments

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### Issuer Descriptions: (Source: Bloomberg)

**CRH:** CRH public limited company is a global building materials group. The Company manufactures and distributes a range of construction products such as heavy materials and elements to construct the frame and value-added exterior products

**Verizon:** Verizon Communications Inc. is an integrated telecommunications company that provides wire line voice and data services, wireless services, internet services, and published directory information.

### Historical Recommendation

**CRH:** We have added CRH to our core portfolio on the 01/01/16, with a recommendation of Outperform

**Verizon:** We have been positive on Core Portfolio stock, Verizon, since 26/02/14 and no change has been made to our recommendation since then.

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