Weekly Trader

Upcoming Market Opportunities and Events

CANTOR Fitzgerald

Monday, 16th January 2017

Key Themes this Week

May to speak on Brexit tomorrow
Theresa May is to address a press conference tomorrow at which it is expected the Prime Minister will lay out the Government plans for the invocation of Article 50 and the start of Brexit negotiations. Though details about the statement's content have not be forthcoming, investors will be looking for greater clarity on the type of relationship the UK wants with the EU and the main conditions that it is seeking to fulfil. May has previously signalled some key principles, including taking control of immigration and leaving the jurisdiction of the European Court of Justice, which negatively impacted the value of the pound.

Trump to be inaugurated on Friday
Continuing the trend this week of major political events, focus will turn later in the week to Friday's US Presidential Inauguration. Specific policy measures usually do not form part of an inauguration speech, and markets remain in a state of uncertainty regarding what the focus of the Trump White House will be. In the immediate aftermath of the election victory Trump held a somewhat dignified press conference which gave some overarching details on his potential spending plans. If a similar tone were to be struck in his inauguration speech, markets would likely take a modest boost; however longer term, clarity on the administrations policy goals will be key in order to drive US equities materially higher.

ECB - Decision Time
From a European perspective this week the focus continues to be on inflation. In general over the past two weeks, European economic data has indicated a reasonable uptick in inflation. However, the majority of this has stemmed from energy and food price increase, while overall core inflation has remained subdued. Next Thursday, the ECB will decide whether or not to raise its benchmark interest rate. This is preceded by numerous data points which may support the inflationary trend, including the overall Eurozone Core & Headline Inflation Rate for Dec 2016.

Earnings Focus

Earnings season began in earnest last week. For Q4, the estimated earnings growth for the S&P 500 is 3.0% with 4.8% revenue growth, which, if achieved, would break the trend of YoY earnings declines since Q1 2015. Overall, ten sectors have experienced a decline in expected earnings growth since the beginning of Q4, bringing the earnings growth rate down from 5.2% at the start of September to 3%. Only Technology has bucked this trend. Utilities and Financials are expected to report the highest YoY growth.

Major Markets Last Week

	Value	Change	% Move
Dow	19856	-55.83	-0.28%
S&P	2269	-0.70	-0.03%
Nasdaq	5579	57.72	1.05%
UK Index	7275	113.95	1.58%
DAX	11583	11.94	0.10%
ISEQ	6602	31.33	0.48%
Nikkei	19,364	-233.41	-1.20%
H.Seng	22,911	434.37	1.93%
STOXX600	364	-0.28	-0.08%
Brent Oil	53.72	-1.46	-2.56%
Crude Oil	52.5	-1.49	-2.76%
Gold	1195	22.30	1.90%
Silver	16.7498	0.26	1.57%
Copper	261.9	13.90	5.46%
CRB Index	431.72	9.74	2.30%
Euro/USD	1.0628	0.01	0.91%
Euro/GBP	0.8728	0.02	1.81%
GBP/USD	1.2176	-0.01	-0.90%

	Value	Change
German 10 Year	0.34%	0.04
UK 10 Year	1.36%	-0.03
US 10 Year	2.37%	-0.01
Irish 10 Year	0.92%	-0.04
Spain 10 Year	1.44%	-0.10
Italy 10 Year	1.90%	-0.05
BoE	0.25%	0.00
ECB	0.00%	0.00
Fed	0.75%	0.00

Apple - Downgrade to Market Perform

Closing Price: $119.04

David Donnelly, CFA | Senior Investment Analyst

Key Metrics	2017e	2018e	2019e
Revenue ($'Bn)	228	244	244
EPS ($)	8.94	10.06	10.06
P/E	13.4x	11.9x	11.9x
Div Yield	1.92%	2.12%	2.19%

Share Price Return	1 Mth	3 Mth	YTD
Apple	5.5%	3.0%	3.22%

Source: Bloomberg

We are downgrading our rating on Apple to Market Perform from Outperform given the strong performance of the stock in recent weeks and the absence of a meaningful addition to the company's product offering. The stock re-rated higher in the wake of Samsung's recall of its Galaxy Note 7 (the iPhone's leading competitor) and we believe that, at current levels, it largely reflects the likely improvement to sales over the holiday period.

In our view, Apple needs to broaden its product offering so as to become less reliant on the success or failure of each new iPhone launch, particularly in light of the mature nature of the smartphone market. Ideally we would like to see Apple broaden its services business which could potentially offer a greater proportion of visible, repeat revenue, thereby allowing the stock to trade on a higher multiple. In the interim, we believe there exists more attractive opportunities elsewhere in the Tech space and would consider reinitiating longs in the stock at lower levels where the valuation looks more attractive.

Tech Space - Where opportunity still lays

Facebook Closing Price: $128.34

David Donnelly, CFA | Senior Investment Analyst

Key Metrics	2017e	2018e	2019e
Revenue ($'Bn)	36.72	46.27	56.83
EPS ($)	5.24	6.55	8.23
EV / EBITDA	6.42x	5.16x	4.21x
Div Yield	0.00%	0.00%	0.00%

Share Price Return	1 Mth	3 Mth	YTD
Facebook	9.1%	-1.3%	11.5%

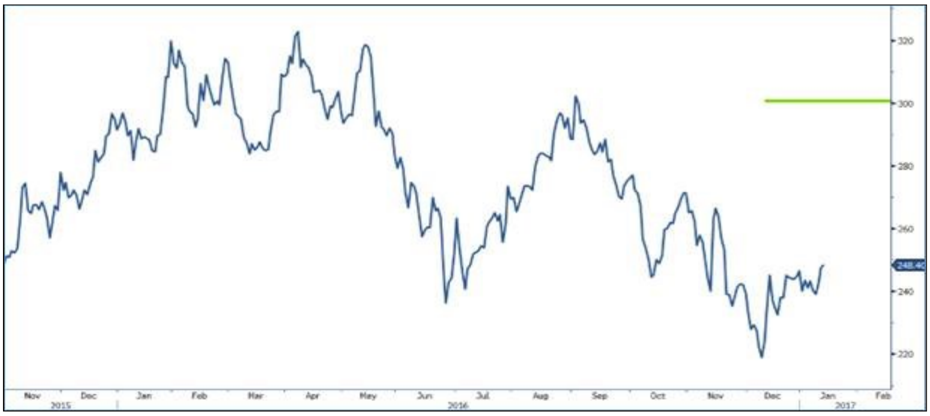
Source: Bloomberg

Though we see little upside in Apple from current levels, we remain positive on our preferred names within the Tech sector, namely Facebook, Paypal, Alphabet and Amazon. The sector had come under pressure in the wake of Trump's election on concerns regarding increased regulation, the reversal of net neutrality, capital repatriation orders, a rise in trade barriers, and limitations of immigration impacting the talent pool. Despite these potential headwinds, we believe the fundamentally strong nature of the business models and dominant positions in the respective fields of our preferred names should allow each of them to outperform in the long run. **Facebook** remains a key beneficiary of the shift of advertising dollars form traditional media sources to online platforms. **Alphabet/Google** is the largest-scale player within the internet space, and despite growing well in excess of market rates, yet the stock trades at an attractive 11.4x FY17e EV/EBITDA. **Amazon** boasts 35% market share of the US e-commerce market, and further benefits from the stellar growth of its Cloud computing business, Amazon Web Services (AWS) which is also highly profitable. Lastly, **PayPal** continues to post growth rates in the high teens, in excess of the wider e-commerce industry. Its growing presence throughout every facet of the payments eco-system allows the company to retain greater amounts of user funds, boosting the frequency with which consumers utilise the platform. We retain our Outperform rating on each name and see scope for strong performance in 2017.

Kerry Group - Switch Trade into Greencore

Closing Price: GBp 247

Stephen Hall, CFA | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (£bn)	2.25	2.62	2.88
EPS (£)	0.161	0.178	0.194
P/E	15.4x	14.0x	12.8x
Div Yield	2.33%	2.54%	2.82%

Share Price Return	1 Mth	3 Mth	YTD
Greencore	6.4%	-1.1%	0.3%

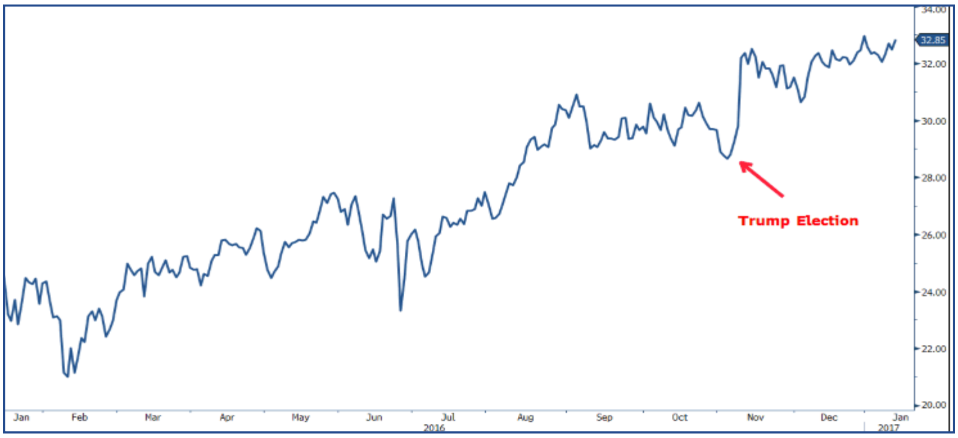
Source: Bloomberg

On a trading basis we are recommending a switch trade out Kerry Group into Greencore. Though we still maintain a bullish outlook on Kerry, which returned an impressive 12.3% in just 2 months, we see greater upside potential for Greencore over Kerry over the course of 2017. Greencore trades at more attractive valuations at 15.4x FY17e earnings and has a consensus 12 month target price of GBP 300.84, offering investors 21.1% upside if achieved. In December, we published "Greencore – Peacock Foods Acquisition" which describes our investment thesis on Greencore more in depth. We feel the strategic rationale for the Peacock Foods acquisition is compelling as the combined business has the potential to transform Greencore's end market and sales channel position in the US and create a strong platform for long term profitable growth. The organic growth prospects for Peacock's business remains very attractive, as it operates within several high growth segments of the food sector. This acquisition now cements Greencore as the no. 1 convenience food manufacturer in the US, which is still a highly fragmented market. Given the highly cash generative nature of the combined business and the quick deleveraging profile of Greencore which sees its Net Debt/ EBITDA ratio drop from 2.5x at September 2016 dropping to 1.2x by September 2019; we anticipate further consolidation by Greencore in the future once it deleverages its balance sheet further.

CRH - US Infrastructure Plans Key

Closing Price: €33.12

Will Heffernan | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€bn)	29.49	30.75	32.97
EPS (€)	1.826	2.123	2.663
P/E	18x	15.5x	12.4X
Div Yield	2.10%	2.33%	TBC

Share Price Return	1 Mth	3 Mth	YTD
CRH	4.64%	10.72%	-0.21%

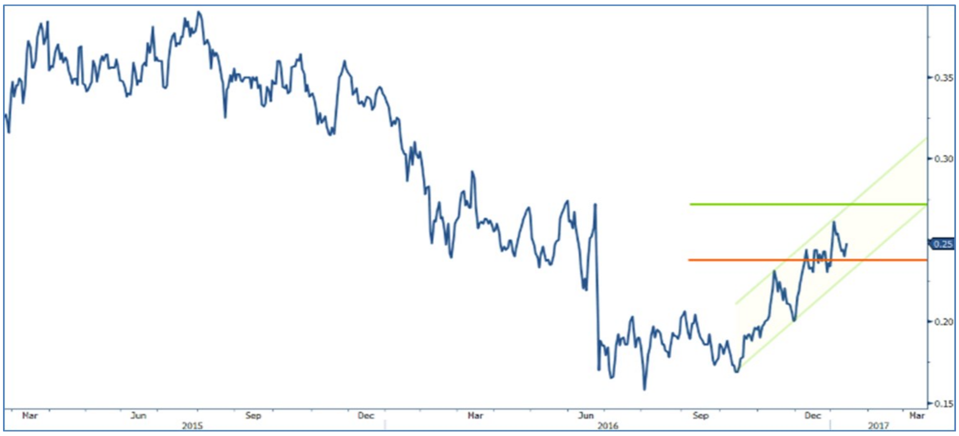
Source: Bloomberg

Following on from President-elect Trump's press conference last week, the market was disappointed with the lack of detail on potential fiscal policy, most notably the vaunted infrastructure program. This program is of particular importance for CRH which stands to benefit from any increased spending. Approx. 58% of EBITDA for 2016e stems from the US market, while 36% of its Material division, which is responsible for asphalt, concrete, cement & readymix, is generated in the region. This division should benefit from any infrastructure program that is implemented. It should also be noted that its US Products division is doing well on the back of a reasonably stable US housing market. Though we see scope for a modest short-term pullback for CRH, which is up 13.5% since the election, long term we reiterate our fundamental Outperform case for the stock. We see support for the stock near €30.70, and secondary support at €28.87.

Bank of Ireland– Increasing 12 month target price to 27.2c

Closing Price: 24.8c

Stephen Hall, CFA | Investment Analyst



Key Metrics	2016e	2017e	2018e
Net Interet Income	2,346	2,337	2,394
Net Interest Margin	2.18%	2.24%	2.26%
Price/ TNAV	0.95x	0.88x	0.83x
Dividend Yield	0.0%	2.3%	3.6%

Source: CFI Research

Share Price Return	1 Mth	3 Mth	YTD
Bank of Irealnd	7.8%	46.7%	6.0%

Source: Bloomberg

Numerous tailwinds helped Bank of Ireland's (BKIR) share price recover strongly in Q4/16 (+25.8%), and this upward momentum has continued into 2017 (+6.0 ytd). This rally was primarily driven by a rising yield environment, alongside steeper yield curves in Europe, which are ultimately supportive of the trajectory of the bank's Net Interest Margin (NIM), while its capital position should materially improve due a forecast €700m reversal in its pension deficit in Q4/16. In December, BKIR revealed its SREP minimum P2R capital requirements for 2017 was 8.0% on a transitional basis and we forecast a Fully Loaded Common Equity Tier 1 ratio of 12.1% at December 2016. An extension of the ECB's QE programme out to December 2017 led to a sector rotation out of expensive, defensive stocks into cheaper, cyclical European financial stocks, as investors took advantage of depressed Price/ Book valuations.

Positive sentiment towards BKIR was further bolstered by the introduction of the Irish Government's Help-To-Buy (HTB) scheme introduced for First-Time-Buyers (FTB), while the Central Bank of Ireland eased its Macro Prudential Rules for FTB, which should support new mortgage lending growth in 2017 and beyond. These changes should lead to a positive inflection in BKIR's balance sheet in 2017. The economic fallout from the UK's decision to leave the European Union (EU) has been minimal to date, with both the Irish and UK economies performing strongly since the referendum in June 2016. Meanwhile, contagion risks associated with the Non-Performing Loans (NPLs) situation in Italy have been contained for now, bolstering sentiment further.

These combined tailwinds helped BKIR's share price reach our old target price of 23.8c in December 2016 from our previously issued note "Brexit Aftermath: Significant negativity reflected in the price" issued in July 2016. We take this opportunity to update our financial model forecasts out to 2018 which results in an increased target price to 27.2c from 23.8c (14.2%), primarily driven by a lower Cost of Equity and higher Return on Equity inputs, while we maintain our "Outperform" rating. Returning to a sustainable dividend paying bank is a top priority for management, however given the pension deficit is still a huge source of volatility in calculating capital positions, we assume BKIR will reinstate an interim dividend related to H1/17 with an initial dividend pay-out ratio of 25%.

Key focus for investors will be the size of reduction in BKIR's pension deficit at the end of Q4/16, and the corresponding uplift it gives to capital as a result when FY16 results are released on the 24th February. We forecast the Group's pension deficit reducing by €700m to €750m from €1,450m by year-end 2016. This should improve the Group's FL CET1 ratio by 1.32% to 12.12%. We view BKIR as a high beta play on a rising yield environment. Firstly, rising yields are positive for the trajectory of the Group's NIM. Secondly, increasing yields used to discount the Group's pension liabilities should reduce the outstanding pension deficit and improve its capital position as a result. Ultimately, we revise our NIM trajectory higher and see BKIR's NIM averaging 2.18% in 2016, rising to 2.24% in 2017 and 2.26% in 2018.

We feel the newly introduce HTB scheme and revised macro prudential rules will on exacerbate housing demand in Ireland and will not resolve the supply side problems. Given that the economic fallout post Brexit has been minimal to date in Ireland and the UK, we have positively revised higher our new lending growth rates in 2017 and 2018 to 2% p.a. Tight cost control is a top priority of senior management. It is in the middle of a significant IT investment spend, as it plays catch up with AIB which is ahead of BKIR at this point in time. We see a step up in IT expenditure in 2017 and 2018, and expect the expect efficiency gains beginning in 2019 which is outside our forecast horizon.

We see the trend of improving asset quality continuing over our forecast horizon. We conservatively forecast a further €2bn reduction in 2017 and €1bn in 2018 as the Group continues to apply sustainable resolutions to its distressed customers. This leaves the balance of NPLs declining to €8.3bn by year-end 2016, representing 9.7% of gross loans. By 2018, we forecast this ratio dropping to 6% by 2018, much closer to average rate seen across the Eurozone. For a more in-depth overview of our investment thesis on BKIR, please review "Bank of Ireland—FY16 Results Preview" note published this morning.

From the News - Monday Headlines

- **Sky** Senior execs from Fox and Sky moved to reassure MPs about merger
- **Vodafone** O2 and Vodafone working on new terms to share infrastructure
- **Bank of America** Earnings beat for the 4th quarter from interest income game and higher trading revenue
- **Facebook** Up 1.36% after analysts' upgrades to Strong Buy
- **Fiat** Speculation mounts surround possible merger with Volkswagen
- **H&M** December sales miss estimates

Cantor in The Media

- CNBC Online: Financials will continue to power forward - Howard Lutnick
  Clip
- Bloomberg: Uranium Gains 10% as Top Producer Plans Output Cut Amid Glut - Rob Chang
  Clip
- Yahoo Finance: Turkish lira tumbles to fresh lows, central bank provides support - Rob Chang
  Clip

This Weeks Market Events

The Week Ahead

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	**Corporate**	**Corporate**	**Corporate**	**Corporate**
N/A	N/A	Citi - Q4 16 Netflix - Q4 16	IBM - Q4 16	GE - Q4 16
Economic	**Economic**	**Economic**	**Economic**	**Economic**
N/A	UK - Theresa May Brexit Speech US - Empire Manf. Index UK - Inflation Rate	DE - Inflation Rate EU - Inflation Rate US - Inflation Rate US - Industrial Production	EU - ECB Interest Rate Decision US - Housing Starts US - Phil Fed Manf. Index	CN - GDP Growth Rate GB - Retail Sales US - Yellen Speech

Upcoming Events

23/01/2017 Green Reit-S1 17. McDonalds-Q4

24/01/2017 Phillips-Y16.Verizon-Q4. SAP-Y16. J&J-Q416

25/01/2017 Paypal-Q4. Novartis-Y16. Boeing-Q4. P&G-Q4.

26/01/2017 Intel-Q4. Microsoft-Q2 17. Greencore-Q1 17.

27/01/2017 Chevron-Q4 16.

23/01/2017 N/A

24/01/2017 EU PMI, US Manf. PMI, DE PMI

2501/2017 FR Business Confidence, DE Ifo Expectations

26/01/2017 GB GDP, US Home Prices, US Services PMI

17/01/2017 US GDP, US Durable Goods & Cons Sentiment

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Daily Note

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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.

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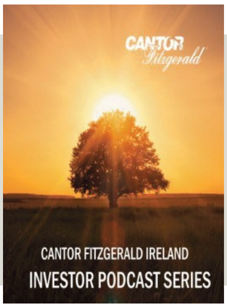

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To listen to the latest in our Investor Podcast Series click here

Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

Facebook: Facebook Inc. operates a social networking website.

Greencore: Greencore Group plc manufactures and distributes a diverse range of primary foods and related products, food ingredients and prepared foods to the consumer and industrial sectors.

Bank of Ireland: Bank of Ireland provides a range of banking, life insurance and other financial services to customers in Ireland and United Kingdom

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.

Apple: Apple Inc. designs, manufactures, and markets personal computers and related personal computing and mobile communication devices along with a variety of related software, services, peripherals, and networking solutions. The Company sells its products worldwide through its online stores, its retail stores, its direct sales force, third-party wholesalers, and resellers

Historical Record of recommendation

Facebook: We have had an outperform rating on Facebook since the 20/02/14 and no changes have been made since then

Greencore: We have upgraded our recommendation for Greencore, to Outperform from Not Rated, as of 25/11/2015.

Bank of Ireland: We have reinstated an outperform rating on Bank of Ireland as of 13/07/2016

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

Apple: We have been positive on Core Portfolio stock, Apple's outlook since 24/01/13 and no change has been made to our recommendation since then

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

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