Weekly Trader

Upcoming Market Opportunities and Events

Tuesday, 18th April 2017

Key Themes this Week

French Election - Investor Jitters Return

The spread between German and French debt rose this week as anxiety, which had largely dissipated over the past month, returned with a vengeance. The rise of the hard left candidate, Jean-Luc Melenchon, to 19% in the polls has stoked fears that his surge could take support away from the left of centre pro-European candidate Macron. The number of undecided voters remains at record highs between 40-43% based on recent polling and doubts persist regarding how much of Macron's voter base will mobilise on election day. If Mr Melenchon were to get into the 2nd round with Ms Le Pen, it would consist of two candidates who are both anti-EU, opposed to the Euro and in favour of increased taxes on high earners. The polls still point to a Macron vs Le Pen 2nd round on the 7th May. But all possible matchups between candidates are still possible at this late stage. Euro hedging by investors and French yields have spiked markedly. We would expect to this to continue in the run up to the first round on April 23rd.

Technical Picture – Important Levels Breached

The recent bout of geopolitical tension has resulted in increased volatility as we move into earnings season. This along with some weak dollar and low interest rates rhetoric from President Trump has pushed certain assets past major technical levels that would imply certain return patterns in the short term. Firstly the US 10 year has gone through the important resistance level 2.30% and now sits at 2.24%. This was driven by the flight to safety coupled with a Mr Trump interview in which he stated the thinks a lower rate environment is better for the US. It should find some support at 2.2%. It should be noted that US 2 year also declined but to a much lesser extent which may point to a flattening of the yield curve. Elsewhere the German 10 year yield has fallen below the important support level at 0.2% to 0.176%. Again this was driven by the flight to safety and recent decline in European inflation figures. This yield was 0.5% only back in mid-March. These yields are likely to have negative effects on the net interest margins of European and US banks.

Still favour European equities over US equities

We maintain our preference for European equities over US equities for the remainder of 2017 as European political risks reduce, as underlying fundamentals gradually improve in European economies and due to a valuation mismatch between the two regions. The first key near term risk markets have to navigate is this Sunday's French presidential election.

2 year chart—Euro Stoxx 50

Major Markets Last Week

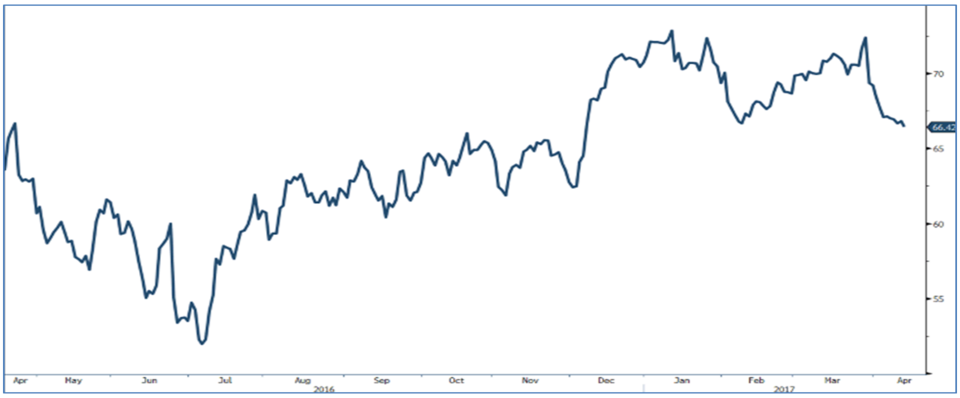
	Value	Change	% Move
Dow	20637	-19.18	-0.09%
S&P	2349	-6.53	-0.28%
Nasdaq	5857	-21.02	-0.36%
UK Index	7307	-42.77	-0.58%
DAX	12159	-66.04	-0.54%
ISEQ	6692	-20.01	-0.30%
Nikkei	18419	-329.28	-1.76%
H.Seng	24048	-219.78	-0.91%
STOXX600	381	0.02	0.01%
Brent Oil	55.32	-0.66	-1.18%
Crude Oil	52.68	-0.40	-0.75%
Gold	1283	8.57	0.67%
Silver	18.3863	0.05	0.26%
Copper	256.7	-5.15	-1.97%
CRB Index	422.48	-1.73	-0.41%
Euro/USD	1.0649	0.00	0.41%
Euro/GBP	0.8460	0.00	-0.35%
GBP/USD	1.2588	0.01	0.78%

	Value	Change
German 10 Year	0.19%	-0.02
UK 10 Year	1.04%	-0.01
US 10 Year	2.24%	-0.05
Irish 10 Year	0.94%	-0.02
Spain 10 Year	1.70%	0.06
Italy 10 Year	2.30%	0.02
BoE	0.25%	0.00
ECB	0.00%	0.00
Fed	1.00%	0.00

Daimler – Profit surges in Q1

Closing Price: €66.42

David Donnelly, CFA | Senior Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	157.8	161.1	166.9
EPS (€)	8.68	8.65	8.65
P/E	7.7x	7.7x	7.7x
Div Yield	5.14%	5.25%	5.24%

Share Price Return	1 Mth	3 Mth	YTD
Daimler	-6.7%	-6.0%	-6.1%

Source: Bloomberg

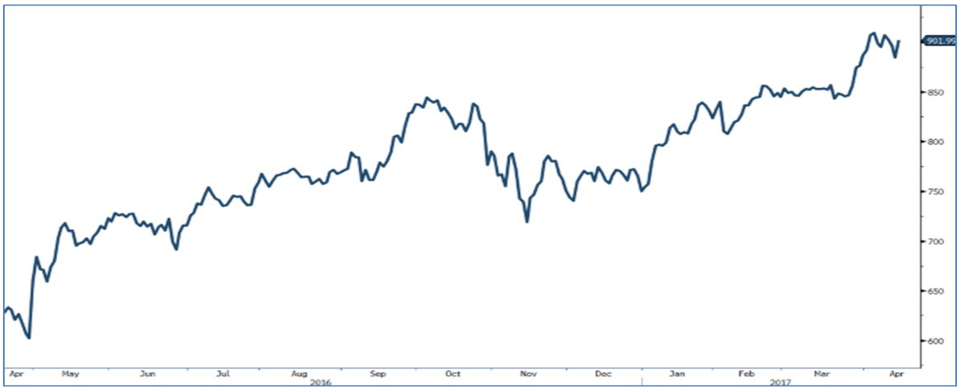
Daimler pre-released high level details of its Q1 performance ahead of the full set of numbers on April 26th. The pre-release shows an 86% year-on-year rise in EBIT, driven by strong performance in Mercedes Benz across all of its lines, and some one-off items. EBIT for the quarter rose to €4bn from €2.15bn last year; €700m of the increase came from one-offs including a revaluation of its stake in the mapping company Here, the sale of real estate and write-backs of previously devalued assets. As mentioned, performance in each division was strong, with Trucks +29%, Vans +19%, Buses +66%, Financial Services +21% and Cars +60%. Overall margin also increased to 9.8% from 7%.

Stripping out the one-offs, EBIT still rose 53% over last year, highlighting the exceptional success of Daimler's re-vamp of its Mercedes lines. Overall growth for FY17 had been expected to come in broadly flat; however we would expect to see forecast upgrades in the coming weeks on the back of these exceptionally strong results. Share price-action was muted in the aftermath of the release despite their strength, as markets focused on the rising delinquency rates in US auto loans and the rising popularity of electric cars following on from Tesla's market cap exceeding that of Ford in recent weeks. However, Daimler is benefitting from increased popularity following the redesign of its marquee lines last year, aiding the company in regaining the number one position in luxury cars with the Mercedes brand. Its closest rival BMW has launched a redesigned version of its 5 series, however any benefits usually take many months to translate to the company's bottom line, leaving scope for Mercedes to continue to dominate in the near term. We reiterate our Outperform rating ahead of the full release of Q1 numbers on April 26th.

Amazon – Walmart heats up online shopping market

Closing Price: $901.99

David Donnelly, CFA | Senior Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue ($'bn)	165.2	199.5	237.1
EPS ($)	12.5	17.9	25.7
EV/EBITDA	21.9x	17.1x	13.1x
Div Yield	0.0%	0.0%	0.0%

Share Price Return	1 Mth	3 Mth	YTD
Amazon	5.8%	11.7%	20.3%

Source: Bloomberg

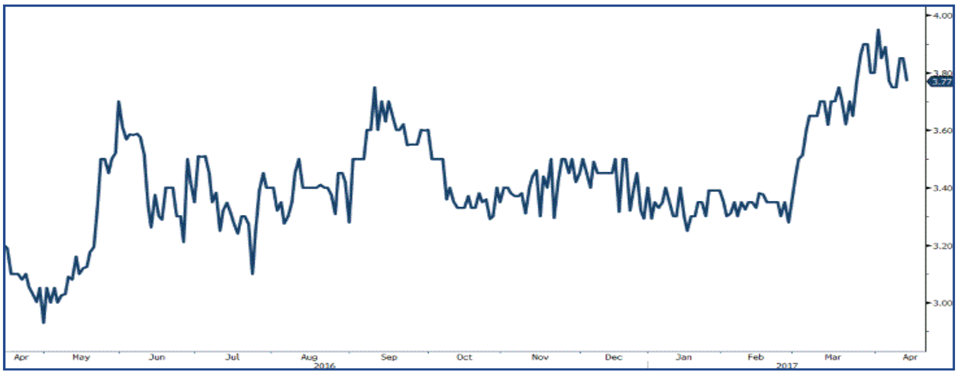
Walmart, the world's largest bricks-and-mortar retailer, has moved to increase its online presence in an attempt to halt the continued rise of Amazon. Walmart shoppers will now be offered a discount on 10,000 online only products which can them be picked-up in store; Walmart plans to role the plan out to 1 million products by June. Walmart is attempting to leverage its c.5000 physical stores across the US in an attempt to compete with Amazon more effectively.

Though the move undoubtedly increases competition for Amazon, we continue to like the stock given its strength in e-commerce and its growth in other areas like Cloud computing through Amazon Web Services. Amazon continues to invest heavily to fund growth, particularly focusing on reducing delivery times and bolstering its presence in non-mature e-commerce markets like India. Amazon trades at 21.8x FY17e EV/EBITDA, which declines to 17x by 2019 given the extensive growth of the company. We believe this can be maintained and reiterate our Outperform rating.

Datalex – Multi year growth outlook remains positive

Closing Price: €3.77

Will Heffernan | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€m)	65.1	70.9	89
EPS (€)	9.1c	11.3c	16c
EV/EBITDA	19.8x	16.6x	14.0x
Div Yield	1.49%	1.82%	2.74%

Share Price Return	1 Mth	3 Mth	YTD
Datalex	0.5%	14.2%	10.8%

Source: Bloomberg

Following on from our recent meeting with Datalex senior management we wish to reiterate our Outperform rating on the company. We have outlined some of what was discussed that gives us further confidence in Datalex's growth trajectory over the next 3-5 years. The recent choosing of Datalex by Lufthansa was done after a comprehensive review of all service provides including all Datalex main competitors including Amadeus, Oracle and Microsoft. The fact that they chose Datalex bodes very well and management has noticed an uptick in discussions. The nature of the new business pipeline has also changed. Last year at the beginning of 2016 it was mainly LCCs and Tier 2 operators. Management are now having serious discussions with a number of Tier 1 operators and the pipeline is a mix of Tier 2 and Tier 1. CEO stated that "the pipeline has never been stronger". Management repeated multiple times that it is in contact with a number of Tier 1 carriers and guided for adding at least one larger carrier and one additional Chinese customer this year.

The partnership with IBM and Neusoft (largest China-based company providing IT solutions and services and the largest software outsourcing firm in China) has helped open doors to the larger carriers. IBM have chosen Datalex as the sole software platform in this area to link up with its world renowned AI operating system Watson. Datalex's office in China along with the Neusoft relationship gives it a real competitive advantage versus other foreign software firms when it comes to doing business in China. Datalex have doubled the China business over the last three years and expect to do the same over the next 2-3 years. The quality and innovation level of their product is well advanced and comfortably ahead of any of the airlines' own internal efforts. There is recognition by senior management that in order for an airline to choose Datalex over a larger player, such as Microsoft, that their product has to be at the forefront of development. Numerous areas of exciting prospective development which tie into the airline evolution are currently happening. Airlines want to take back pricing control from the search engines & middle man websites and be able to make fully personalised tailored offers. They are moving to become digital retailers. These areas of growth include dynamic pricing, API building and management, dynamic packaging, digital payments and usage of AI in all areas. Datalex is ahead of peers with regards to software and investments in these areas. Management are confident that the trends we have seen this year, organic growth and the addition of new customers, will continue in the medium term.

It is currently trading at PE of 44x which is well above its 5 year average of 36x. However this is a bit misleading as Datalex swallow all of the costs of on-boarding a client in the first year with revenue streams coming towards the end of the second year/in the third year. The last few years have seen Datalex ramp up investment spending to take advantage of upcoming growth opportunities. It has come back from its recent high of €3.95 to €3.80. It had rallied approx. 20% since our note Datalex – Solid Growth Potential so it was due a retracement at some stage. It should find support in the €3.64 - €3.75 range. From a longer term perspective we believe Datalex is primed to exploit the changes coming down the track in the airline industry. The R&D investment, China angle and partnerships with other tech companies is setting Datalex up to be at the forefront of these developments. Outperform maintained.

Recap of US financials – JPM, Citi and Wells Fargo. Closing Price: $85.86

Stephen Hall, CFA | Investment Analyst

Key Metrics	2017e	2018e	2019e
Revenue ($m)	103	109	116.7
EPS ($)	6.67	7.63	8.27
Price/ Book	1.27x	1.20x	1.12x
Div Yield	2.41%	2.71%	3.09%

Share Price Return	1 Mth	3 Mth	YTD
JP Morgan	-5.3%	2.2%	-0.5%

Source: Bloomberg

The US financial sector kicked off the Q1/17 US earnings season last week with a mixed set of results from America's largest retail and investment banks. Capital Market trading revenues generated from each bank's Fixed Income, Commodity and Currency (FICC) division and M&A advisory fees jumped materially year-on-year (YoY) compared to a very quiet quarter in Q1/16. Demand for residential mortgages fell marginally, while signs of loan loss provisions edged higher, meaning Wells Fargo which is a retail focused bank underperformed its rivals. Two of America's biggest banks, JP Morgan and Citi said underlying profitability jump 17% YoY. Market speculation of reduced liquidity & capital regulation, and rising bond yields following Trump's election victory meant the US financial sector was the standout sector in the recent "Trump Trade" rally between November 2016 to February 2017. However, heightened geopolitical risks has given US Treasury bonds a bid in recent weeks, which has pushed US 10 year yields to their lowest level since Trump election victory and led to profit taking in the sector. A re-steepening of the yield curve is needed to provide another leg higher in our opinion.

Malin – Long term value opportunity Closing Price: €10.25

Stephen Hall, CFA | Investment Analyst

Share Price Return	1 Mth	3 Mth	YTD
Malin	4.5%	-18.9%	-14.3%

Source: Bloomberg

Malin is a publicly listed holding company which is used as an investment vehicle to invest in dynamic and fast growing segments of the life sciences industry. It has drawn down €40m of the equity raise EIB funding to date and has invested €361m of the €372m in 18 investee companies (17 are privately held) across discovery science, clinical programmes, devices, mobile health and commercial manufacture and distribution. Management now feels Malin is maturing from Phase 1 into Phase 2. Phase 1 involved putting the raised capital to use, whereas phase 2 will involve Malin's senior management team taking a more hands on approach in the management and strategic direction of each investee company and extracting value from these investments. Its biggest investment is Immunocore, which is an innovative immune-oncology drug platform technology (ImmTACs) is used to reignite patients' immune systems to help fight cancer. Malin holds 10% stake in this business and management believes there is significant upside potential in the business which has a potentially disruptive business model. Management is also very positive on the long term potential of Xenex which is already in commercialisation phase which has the backing of the highly respected healthcare Private Equity firm, Essex Woodland. Poseida, an early stage gene therapy company also shows great promise, while Altan and 3D4Medical are growing revenues in commercialisation phase. It believes Immunocre, Xenex, Novan, Kymab, Artizan, NeuVT, Poseida, Viamet and Altan could all reach significant milestones in their respective businesses in 2017 which could potentially unlock tangible value for Malin. The current market cap of Malin is €405m, while its current share price is right back to its initial IPO price. We see long term value in the stock at current market prices and have a new Outperform rating on the stock. However, a potential investor would need to take a long term outlook on the business and would need to be able to have a higher risk tolerance.

From the News - Monday Headlines

- **Deutsche Bank** is preparing for partial listing of fund business so advanced that it should be possible in September as soon as mid-year prospectus is completed
- **Lloyds** has chosen Berlin as its post-Brexit European base, and aims to apply for a license in the country in a matter of months. Berlin chosen because Lloyds has 300 staff there
- Short positions in **Banco Popular** have increase from 10.77% to 12.19% in the last 15 days
- **Credit Suisse** have agreed a 40% cut to variable compensation with its CEO

Current Stock Trading News

From a market trading perspective we are long Daimler, Green REIT, Royal Dutch Shell and Kingspan and the positions remain in the money.

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	**Corporate**	**Corporate**	**Corporate**	**Corporate**
HP	Bank of America United Health Yahoo Danone IBM	Blackrock Burberry Rio Tinto ABF eBay	Debenhams Unilever BNY Mellon Verizon, Visa Sky Nestle	GE Honeywell Schlumberger Schneider Electric
Economic	**Economic**	**Economic**	**Economic**	**Economic**
CN GDP	US Housing Starts	EU Inflation Rate, US Mortgage Applications	GE PPI, Philly Fed Index	EU PMI, US Manf. PMI, US Rig Count

Upcoming Events

24/04/2017 Alcoa	24/04/2017 EC Govt Debt/GDP Ratio. US Fed Manf Activity
25/04/2017 SAP. Novartis. Kering. Caterpillar. McDonalds.	25/04/2017 FR Manf Confidence. US New Home Sales
26/04/2017 Tullow. BAT. GKN. Daimler. Glanbia. CRH. Boeing.	26/04/2017 US Mortgage Applications. FR Consumer Conf.
27/04/2017 AIB. AstraZ. Kingspan. Total. Bayer. Intel. Microsoft.	27/04/2017 GE CPI. US Initial Jobless.
28/04/2017 HSBC. Barclays. RBS. BKIR. Chevron. Exxon Mobil.	28/04/2017 UK GDP. EX CPI. U of Mich Sentiment.

Cantor in The Media

- Bloomberg: EBay Backs Flipkart With $500M to Battle Amazon in India - Colin Gillis
  View Clip
- Bloomberg: Toshiba Reports Earnings Without Auditor's Approval After Delays - Amir Anvarzadeh
  View Clip
- Bloomberg: Turkey's Plan to Spur Lending Is Paying Off Ahead of Referendum - Cagdas Dogan
  View Clip
- Business Insider: Investors play safe around the world as Syria tensions rise - Justin Lederer
  View Clip
- CNBC: Difficult to be bearish in this market - Peter Cecchini
  View Clip

Cantor Publications & Resources

Daily Note

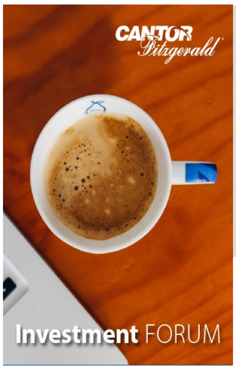
Each day we produce a market commentary outlining critical economic and company developments. We leverage off our global network of analysts and investment professionals to provide clients with critical insights from our local teams first thing in the morning.

Click Here

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



Investment Forum

Through our investment Forum we bring you the latest market news, investment insights and a series of informative articles from our experts.

Click Here

Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

Malin: Is the parent company investment vehicle for investing in dynamic and fast growing segments of the life sciences industry

Datalex: Datalex plc provides e-business infrastructure and solutions to customers in the global travel industry. The Group's services encompass Internet booking engines that link to reservation systems of travel providers, as well as support systems that allow travel companies to gather marketing information from airline data.

Daimler: Daimler AG develops, manufactures, distributes, and sells a wide range of automotive products, mainly passenger cars, trucks, vans, and buses

Amazon: Amazon.com, Inc. is an online retailer that offers a wide range of products. The Company products include books, music, videotapes, computers, electronics, home and garden, and numerous other products. Amazon offers personalized shopping services, Web-based credit card payment, and direct shipping to customers

Historical Record of recommendation

Malin: We initiated coverage of Malin on the 13/04/2017 with an Outperform rating.

Datalex: We have been positive on the outlook for Datalex since 14/04/14 and no changes to our recommendation have been made since then.

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

Amazon: We have an Outperform recommendation for Amazon since 26/07/13, and no changes have been made since then.

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

Date of distribution

The first date of distribution is the same date as this report unless otherwise specified.

All regulatory disclosures pertaining to valuation methodologies and historical records of the above recommendations can be found on the Cantor Fitzgerald Ireland website here:

http://www.cantorfitzgerald.ie/research_disclosures.php

This material is approved for distribution in Ireland by Cantor Fitzgerald Ireland Ltd. It is intended for Irish retails clients only and is not intended for distribution to, or use by, any person in any country where such distribution or use would be contrary to local law or regulation. Cantor Fitzgerald Ireland Ltd ("CFIL") is regulated by the Central Bank of Ireland. Cantor Fitzgerald Ireland Ltd is a member firm of the Irish Stock Exchange and the London Stock Exchange.

Where CFIL wishes to make this and other Cantor Fitzgerald research available to Retail clients, such information is provided without liability and in accordance with our terms and conditions that are available on the CFIL website.

No report is intended to and does not constitute a personal recommendations or investment advice nor does it provide the sole basis for any evaluation of the securities that may be the subject matter of the report. Specifically, the information contained in this report should not be taken as an offer or solicitation of investment advice, or to encourage the purchased or sale of any particular security. Not all recommendations are necessarily suitable for all investors and CFIL recommend that specific advice should always be sought prior to investment, based on the particular circumstances of the investor either from your CFIL investment adviser or another investment adviser.

CFIL takes all responsibility to ensure that reasonable efforts are made to present accurate information but CFIL gives no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. This is entirely at the risk of the recipient of the report. Nor shall CFIL, its subsidiaries, affiliates or parent company or any of their employees, directors or agents, be liable to for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk

All estimates, views and opinions included in this research note constitute CANTOR IRELAND's judgment as of the date of the note but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this research note has not been disclosed to the covered issuer(s) in advance of publication.

Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse affect on the value of the investments, sale proceeds, and on dividend or interest income. The income you get from your investment may go down as well as up. Figures quoted are estimates only; they are not a reliable guide to the future performance of this investment.

Conflicts of Interest & Share Ownership Policy

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising other CANTOR IRELAND business units including Fund Management and Stock broking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, CANTOR IRELAND is satisfied that the objectivity of views and recommendations contained in this note has not been compromised. Nonetheless CANTOR IRELAND is satisfied that the impartiality of research, views and recommendations remains assured.

Our conflicts of interest management policy is available at the following link;

http://www.cantorfitzgerald.ie/support_mifid.php

Analyst Certification

Each research analyst responsible for the content of this research note, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research note.

Dublin: 75 St. Stephen's Green, Dublin 2. Tel: +353 1 633 3633.

email : ireland@cantor.com **web :** www.cantorfitzgerald.ie

Twitter : @cantorIreland **Linkedin :** Cantor Fitzgerald Ireland