Weekly **Trader**

Upcoming Market Opportunities and Events

CANTOR Fitzgerald

Monday, 3rd April 2017

Key Themes this Week

Article 50 - Long 2 Year Road Ahead
Midway through last week, Theresa May triggered Article 50 which begins the complex 2 year period for the UK to exit and renegotiate new trade policies. Interestingly, the sterling pound has been resilient in light of the event with EURGBP retracing from 87p to 85p. This currency pair retracement was helped by soft European inflation readings. Recent news reports suggest the UK Parliament may have to vote on whether or not it should leave the European Economic Area (EEA) a separate legal entity to the European Union. A vote to remain would echo a deal similar to Norway, Liechtenstein and Iceland, which gives these countries access to the European Single Market. We still remain positive on many Brexit exposed names in our coverage universe including, Bank of Ireland, ICG, Ryanair, Kingspan, Kerry, and Greencore.

US v European Equities - Europe Set to Outperform
European equities have outperformed US equities in recent weeks and we expect this theme to remain in place for the remainder of 2017. The political economic risk premium embedded in European equities has diminished in recent weeks as far right candidates are losing ground in the Dutch, French and German elections. The rise of populism in Europe is a big tail risk to markets in Europe in 2017, which European equity markets have navigated successfully year to date. If political risks continue to diminish we see institutional flows moving from more expensive US equities into European equities. Finally, despite soft inflation data readings at the tail end of last week, we expect the recent trend of improving economic data to continue in Europe, supported by a dovish ECB who appear committed to loose monetary policy until the end of 2017.

EURUSD - Trapped In a Range
EURUSD moved up to $1.09 in the first half of the week as European political risk declined and markets became less assured of Mr Trump's ability to deliver on his promises regarding growth and fiscal spending. This move was in contrast to many predictions at the start of the year for a weaker euro and strong US dollar, with some analysts even predicting parity between the pair. However in the middle of the week this move reversed with dollar strength and euro weakness and the pair is currently pricing at $1.0683. This was driven by the respective central banks, with the Fed moving away from its previously dovish tones and the ECB rejigging its rhetoric in light of the hawkish interpretation of its last meeting. EURUSD has moved in a range between $1.04 - $1.09 since Mr Trump's election. We would expect it to continue in this range but be volatile as markets continue to asses Mr Trump's progress, the ECB and Fed's respective actions and the upcoming French election.

US Earnings Season - 10th April Starting Date
Recently markets have begun to wean themselves off the notion of a Trump Presidency being the driver of the next leg up. When it comes to other potential catalysts the upcoming earnings season could serve that function. However, in order to justify current US valuations earnings season will have to produce some very good results. It is worth noting that current YoY earnings forecasts stand at 9.1%, down from 12.3% at the start of the year. Also, the two leading sectors that did most of the heavy lifting last quarter were Financials and Energy. Both of these will have suffered due to declining yields and oil prices. The S&P 500 earnings revision ratio has improved of late but upgrades remain stronger outside of the US. In general while corporate optimism is high due to the potential changes from the Trump administration, management guidance remains restrained across the board.

Major Markets Last Week

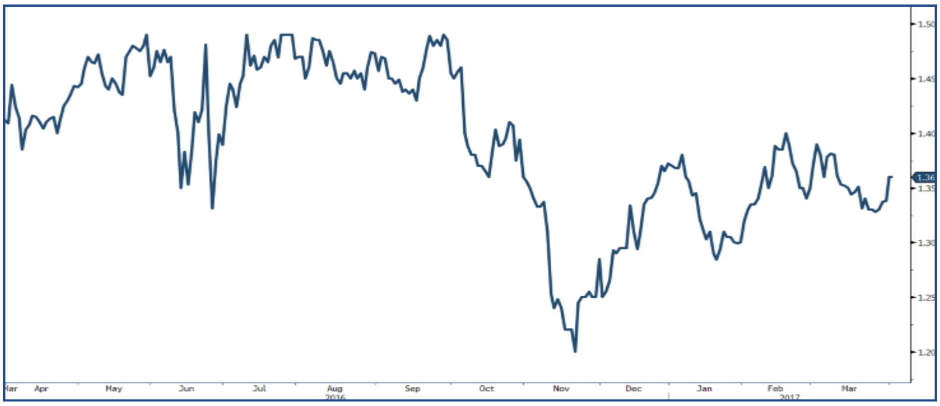
	Value	Change	% Move
Dow	20663	66.50	0.32%
S&P	2363	18.74	0.80%
Nasdaq	5912	83.00	1.42%
UK Index	7323	29.81	0.41%
DAX	12345	349.23	2.91%
ISEQ	6684	122.09	1.86%
Nikkei	18,983	-2.36	-0.01%
H.Seng	24,237	43.32	0.18%
STOXX600	382	6.90	1.84%
Brent Oil	53.45	2.70	5.32%
Crude Oil	50.62	2.89	6.05%
Gold	1245	-9.97	-0.79%
Silver	18.1467	0.04	0.20%
Copper	265.45	2.25	0.85%
CRB Index	430.99	-0.89	-0.21%
Euro/USD	1.0671	-0.02	-1.78%
Euro/GBP	0.8516	-0.01	-1.55%
GBP/USD	1.2531	0.00	-0.22%

	Value	Change
German 10 Year	0.32%	-0.08
UK 10 Year	1.14%	-0.02
US 10 Year	2.4%	0.02
Irish 10 Year	0.99%	-0.04
Spain 10 Year	1.66%	-0.03
Italy 10 Year	2.33%	0.14
BoE	0.25%	0.00
ECB	0.00%	0.00
Fed	1.00%	0.00

Irish REITs – News Update

Closing Price: €1.36

Will Heffernan | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€m)	54.5	57.8	68.9
EPS (€)	0.093	0.078	0.075
P/E	14.6x	17.4x	18.1x
Div Yield	3.3%	3.8%	4.6%

Share Price Return	1 Mth	3 Mth	YTD
Green Reit	-2.2%	-0.4%	-0.87%

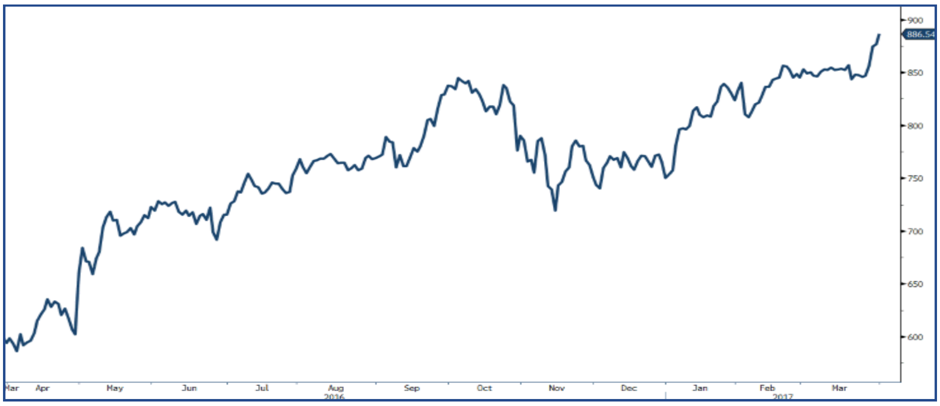
Source: Bloomberg

The REIT sector has suffered of late as European yields rose on the back of increased expectations of growth and inflation. Recent ECB rhetoric has implied that they were concerned by the hawkish interpretation markets took of their recent meeting. Several ECB officials have made statements to counter this which should ensure that European yields remain constrained in the short term. This should act as a tailwind for Green and Hibernia REITs in the short term. From a fundamental perspective the case remains sound with both REITs well positioned to take advantage of the increasing demand for commercial office space in Dublin along with any possible Brexit related moves. In the meantime, as markets await the first definite moves, both REITs continue to make positive additions to their tenants roll. Green recently signed an agreement with DFS as a tenant for Horizon Logistics Part near Dublin airport. The DFS lease is on a 15 year term with a break option at year ten for a rent of €300,000 p.a. This is above the market rate for prime industrial space in North Dublin and lends further confidence in Green's move into the logistics sector. Hibernia also announced a new agreement with California based software developer Informatica to take two floors in the 1 Windmill Lane Development. It has pre-let the fourth and fifth floor totalling 35,000 sq. ft. The deal involves a 17 year lease with 12 years term certain. Informatica will pay an initial rent of €2.1m per annum. It will receive the first six months rent free from completion date, which would be mid-2017. After the recent retracement we believe both REITs remain undervalued and maintain our Outperform rating.

Amazon - Reiterate Outperform rating

Closing Price: $886.54

David Donnelly, CFA | Senior Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue ($bn)	12.6	18.2	26.1
EPS ($)	7.20	12.46	20.25
EV/EBITDA	21.5x	16.7x	12.8x
Div Yield	0.00%	0.00%	0.00%

Share Price Return	1 Mth	3 Mth	YTD
Amazon	4.0%	16.6%	18.2%

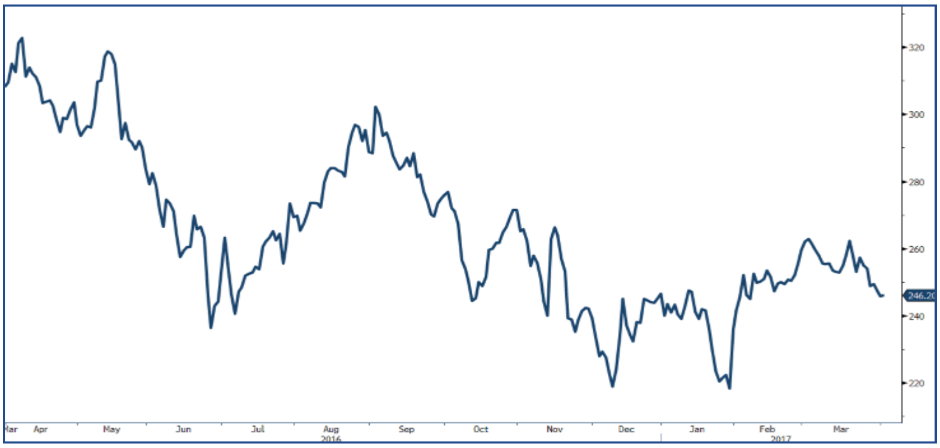
Source: Bloomberg

We added Amazon to our equity core portfolio on February 21st with a 5% weighting. The company holds a dominant position within the rapidly growing online retailing space, while also expanding its Cloud Computing business and Media entertainment unit. We see substantial further upside for the stock and view its valuation of 20.6x FY17e EV/EBITDA as attractive given the company's outlook. The e-commerce industry is growing at c.13% per annum, yet Amazon is consistently posting growth numbers in excess of 20%. With c.$26 billion in cash on its balance sheet, the company is well placed to continue to invest in expansion. A popular criticism of Amazon is its small Net Income margin, we believe criticism of this investment is misplaced. Amazon holds a dominant position in a rapidly expanding sector, in order to maintain that leading position, the company must invest in growth and continue to expand until the sector reaches a more mature level. To do otherwise would be to risk ceding ground to competitors in our view. As such, we see little issue in Amazon's investment in value-add areas like those noted above.

In a research note last week, our US colleagues noted that a raft of US based brick-and-mortar stores illustrates the changing trends in the retail industry, presenting a $2.5 billion opportunity for Amazon to capture more consumer traffic. We reiterate our Outperform rating on the stock, and see the company as the structural winner in the changing way in which consumers spend.

Management Meetings Last Week - Summaries

Cantor Fitzgerald Research Team



GNC Key Metrics	2017	2018e	2019e
Revenue (£Bn)	2.33	2.72	2.88
EPS (£)	0.16	0.18	0.20
P/E	15.5x	13.9x	12.7x
Div Yield	2.35%	2.55%	2.84%

Share Price Return	1 Mth	3 Mth	YTD
Greencore	-6.3%	-0.6%	-0.3%

Source: Bloomberg

Datalex (Outperform) - Growth trajectory looks very positive

Datalex has had performed very well since our note Datalex – Solid Growth Potential was published. Following on from the management meeting our confidence in its strategy has been reinforced. Management outlined its growth strategy over the medium term with renewed investment in the platform in order to increase scale and scope. The opportunities in China make a very compelling case for future growth and Datalex have now an established presence in the region. There remains very good revenue growth potential both from airlines already on board and potential new clients. Alongside this, management is conscious of the need for innovation in new areas and has signed up several partners in the industry which should help them remain as market leader.

INM (Market Perform) - Catalyst needed in order to re-rate higher

We hosted INM senior management this week in the wake a solid result release on the 21st March. Management reiterated its desire to grow the business through acquisitions. These are likely to take the form of print acquisitions within Ireland and a sizeable digital asset, perhaps in the UK. It is proving difficult to acquire a digital asset due to the cost of these businesses and currently the regulatory environment in Ireland is discouraging for further consolidation. INM currently trades at a P/E of 4.2x with €84.8m in cash on the balance sheet. From a valuation perspective it is very cheap. We maintain our Market Perform. How management uses that cash pile, be it on acquisitions, dividend or buybacks, is critical to where INM goes from here.

IFG (Outperform) - Still a value play despite Brexit troubles

IFG's share price reacted negatively to the operating margins squeeze in James Hay when FY16 results were released. However, management is due to cut 50 jobs in H2/17 and MiPlan re-pricing should offset the loss of income which resulted from the decline in interest income as a result of the Bank of England's 25bps rate cut in August 2016. Operating margins in James Hay should recover to 20% in 2018. Saunderson House is performing strongly, and management sees margins expanding to 25% longer term. We see value at current market prices which is supported by a strong balance sheet with a net cash position of c. £30m.

Dalata (Not Rated) - Change in model to power growth

The hotel group Dalata is one of the market leaders in Ireland with significant operations in the UK. At the meeting management outlined their growth strategy in the medium term. It consists of a tweak to the business model, moving from buying assets to building or leasing assets. This is beneficial to the bottom line and makes more sense for their next stage of growth which will be concentrated in the regional UK space. Management stated that the majority of this sector is driven by domestic UK demand and Brexit related issues should have little impact. Management also highlighted that their superior staff and standards will make the difference in the UK where standards have slipped of late. We would have confidence in management's ability to deliver on this strategy.

Cairn Homes (Not Rated) - Poised to take advantage of housing supply problems

We hosted Cairn Homes management this week following some very strong results recently that has seen the share price re-rate significantly higher. Management guidance for the next three years was bullish with expectations of continuing undersupply in the Dublin housing market. Cairn possesses a very sizeable landbank (enough for approx. 12,100 units) which places it well ahead of its peers. It recently ramped up expected completion data for 2017 and 2018 with the likelihood that it it will become cash flow positive in late 2017/early 2018. This is head of expectations and we would be optimistic regarding the Cairn's growth prospects in the medium term.

Greencore (Outperform) - Brexit headwinds mitigated by cost pass through contracts

Greencore's hosted a Capital Markets Day which refocused investor's attention on its high growth, high margin, and market leading Food-To-Go (FTG) business in the UK. Its share price has come under pressure over the past 2 weeks as UK inflation data surprised to the upside as a result of sterling pound weakness. However, Greencore's has cost pass through contracts in place with its large grocery retailer customers to protect operating margins and over 50% of all SKUs are reformulated annually which offers an opportunity to renegotiate price. The stock currently trades at 15x FY17e earnings which are attractive in our opinion given its growth outlook.

From the News - Monday Headlines

- **US** Trump ready to tackle North Korea without China's help if necessary
- **France** Polls point to record numbers abstaining from voting
- **UK** EU will play hardball on Gibraltar issue during Brexit talks
- **Europe** EU financial centres compete for thousands of City jobs
- **Currencies** CFTC positioning shows investors are reducing US dollar positions
- **Oil** Majors continue to sell oil sand assets
- **Ireland** IBEC predicts 50,000 jobs to be added in 2017
- **RSA** Dublin moved abandoned in favor of Frankfurt
- **AIB** Government expected to decide on flotation after French vote

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	**Corporate**	**Corporate**	**Corporate**	**Corporate**
N/A	N/A	N/A	Paddy Power Betfair (ex div) Lloyds (ex div)	N/A
Economic	**Economic**	**Economic**	**Economic**	**Economic**
US PMI EC Manufacturing PMI	EC Retail Sales US Durable Goods	EC Composite PMI US ADP Change US ISM	CH PMI EC Retail PMI	US NFP US Avg Hrly Earnings

Upcoming Events

03/04/2017 N/A

04/04/2017 N/A

05/04/2017 N/A

06/04/2017 Paddy Power Betfair (ex div) Lloyds (ex div)

07/04/2017 N/A

10/04/2017 N/A

11/04/2017 GB CPI, US JOLT Job Openings

12/04/2017 CH CPI, GB Avg Earnings

13/04/2017 US PPI

14/04/2017 US Core CPI, US Retail Sales

Cantor in The Media

- CNBC: Amazon will gain from store closings across country - Youssef Squali
  View Clip
- Yahoo: Here's how Snap could survive Facebook's endless copying - Youssef Squali
  View Clip

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.

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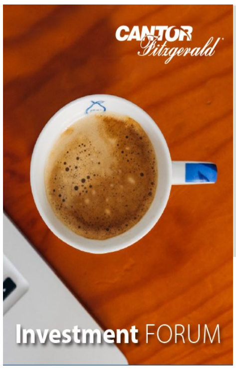

Investment Forum

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Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

Green REIT: Green REIT plc operates as a property investment company. The Company invests in a portfolio of long-lease and freehold, primarily commercial and mainly Dublin-based properties

Hibernia REIT: Hibernia REIT plc operates as a real estate investment trust. The Company invests in commercial properties including offices, industrial properties, retail stores, warehousing and distribution centers, and other related property assets.

Amazon: Amazon.com, Inc. is an online retailer that offers a wide range of products. The Company's 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

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

Independent News and Media: Independent News & Media PLC (INM) is an international media group.

IFG: IFG Group PLC is a focused financial services company. The Company offers full platform services, pension administration and independent financial advice.

Dalata: Dalata is Ireland's largest hotel operator, with a current portfolio of 40 hotels (owned, leased and managed).

Cairn Homes: Cairn Homes designs and builds homes in Ireland.

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.

Historical Record of recommendation

Green REIT: We have an Outperform rating for Green REIT since 09/02/15 and no changes to the recommendation have been made in the last 12 months

Hibernia REIT: We have an Outperform rating for Hibernia REIT since 22/08/14 and no changes to the recommendation have been made in the last 12 months..

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

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.

INM: We updated our recommendation to Outperform from Market Perform on 17/05/16.

IFG: We have been positive on IFG"s outlook since 17/05/14 and no changes have been made to the recommendation since then.

Dalata: We do not cover Dalata and it remains Not Rated

Cairn Homes: We do not cover Cairn Homes and it remains Not Rated.

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

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Dublin: 75 St. Stephen's Green, Dublin 2. Tel: +353 1 633 3633.
email : ireland@cantor.com **web :** www.cantorfitzgerald.ie
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