Weekly Trader

Upcoming Market Opportunities and Events

CANTOR Fitzgerald

Monday, 10th April 2017

Key Themes this Week

Headline US employment data disappoints
Last Friday, headline Non-Farm Payroll (NFP) print came in at 98k, well below market expectations of 180k. However, US unemployment rate fell to 4.5% from 4.7% which is the lowest reading in a decade and means the US is at or extremely close to full employment which one could argue diminishes the need for President Trump's planned fiscal expansion. The labour force participation rate remained steady at 63%, and the closely watched wage inflation print remained constant at 2.7%. 10 year US Treasuries yields initially spiked below the bottom of the 2.30% - 2.63% trading range which has been in place since December 2016, but crucial from a technical perspective held this level on a weekly closing basis.

Maintain preference for European equities for remainder of 2017
European economic fundamentals continue to strengthen with Manufacturing PMIs remaining deep in expansionary territory and Eurozone unemployment rate falling to 9.5% in March 2017, its lowest reading in 8 years. The ECB reiterated its dovish rhetoric last week which should provide a supportive backdrop for European equities to build upon further gains in the remainder of 2017.

US Earnings Season – Much Expected
US earnings season kicks off in earnest in the next few weeks following on from a few weeks where US equities have lost some traction. Analysts will be looking to US earnings to provide the next potential catalyst as hopes for Mr Trump's reforms and fiscal policy have taken a few hits over the past month. In order to justify current US valuations earnings will have to produce some very good results. Consensus expectations for S&P 500 earnings growth is running at 9.1% revised down from 12.3% at the start of the year. Expectations are highest for Financials and Technology at 17.8% and 13.4% respectively. Analysts will also be looking to forward guidance from company management to their expectations for the remainder of the year. So far this year it has been reasonably optimistic without it necessarily showing through in the hard data. It will be interesting to see if this optimistic guidance has changed in the light Mr. Trump's failure to pass the healthcare bill along with some senior Republicans hinting at possible delays in tax reform.

European Earnings Season – Continuation of Outperformance
European equities have broadly outperformed US equities since the beginning of March as investors grew impatient with Trump policy delays and flows increased into Europe. The case for Europe from a valuation perspective has been easy to make for a few years now. But in reality this recent bout of outperformance only began as political risk in Europe began to subside. The major event on the horizon is the French election at the end of April but European earnings season will provide a good bellwether for whether or not European outperformance can continue. The bottom up picture in Europe remains positive with earnings upgrades outstripping the number of US upgrades. The largest number of upgrades has come in Materials with Industrials and Utilities also experiencing a high number of upgrades. Consensus expectations are for 14.1% YoY EPS growth with the largest upgrades in Italy and Spain. Germany has actually seen downgrades while France has marginally increased.

Major Markets Last Week

	Value	Change	% Move
Dow	20656	-7.12	-0.03%
S&P	2356	-7.18	-0.30%
Nasdaq	5878	-33.93	-0.57%
UK Index	7349	68.29	0.36%
DAX	12225	-40.60	-0.71%
ISEQ	6712	96.79	1.53%
Nikkei	18,798	-185.35	-0.98%
H.Seng	24,250	143.25	0.57%
STOXX600	381	1.76	0.03%
Brent Oil	55.5	2.46	4.48%
Crude Oil	52.53	2.29	4.56%
Gold	1253	-0.55	-0.04%
Silver	17.941	-0.33	-1.81%
Copper	262.75	1.95	0.92%
CRB Index	427.37	-3.62	-0.84%
Euro/USD	1.0586	-0.01	-0.79%
Euro/GBP	0.8540	0.00	-0.08%
GBP/USD	1.2399	-0.01	-0.70%

	Value	Change
German 10 Year	0.23%	-0.05
UK 10 Year	1.07%	0.03
US 10 Year	2.38%	0.06
Irish 10 Year	0.94%	-0.04
Spain 10 Year	1.64%	-0.01
Italy 10 Year	2.26%	-0.06
BoE	0.25%	0.00
ECB	0.00%	0.00
Fed	1.00%	0.00

Inditex – Reiterate outperform rating — Closing Price: €33.70

Will Heffernan | Investment Analyst

Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	23.31	26.16	28.85
EPS (€)	1.01	1.18	1.33
P/E	28.7x	25.5x	22.7x
Div Yield	2.3%	2.6%	3.0%

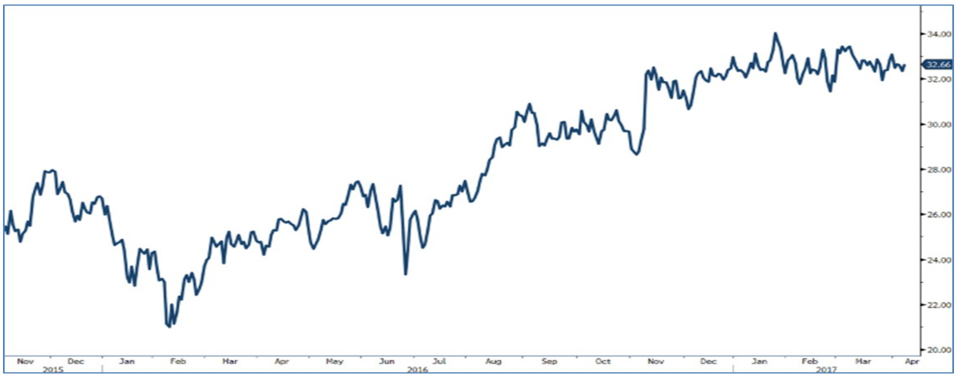
Share Price Return	1 Mth	3 Mth	YTD
Inditex	10.8%	6.8%	4.3%

Source: Bloomberg

Inditex reported FY16 results last month that were generally in line with expectations. Revenue grew by 12% YoY to €23.3bn, in line with estimates. Like for like sales were very strong rising 10%, up from 8.5% in 2015. Gross profit was up 10% YoY to €13.3bn. Gross margin depreciated from 57.8% to 57%, driven by currency headwinds and a change in sales mix. Cash flow generation was very strong with funds from operations at €4.4bn, 13% higher. Net cash position at the end of the year reached €6.1bn, 15% higher. This was a very solid update from Inditex and was in line with analysts' expectations. The only real negative was margin depreciation which had been expected. Currency headwinds have played a major part in this and these have declining of late. Management has guided for these FX headwinds to have no effect on margins in 2017 which bodes well. The very strong like for like sales numbers differentiates Inditex from its peers who are somewhat reliant on new space growth to drive sales growth. This reaffirms our case that Inditex's short lead time model is well suited to adapting to the fast paced needs of the online retail consumer. Unlike traditional fashion retailers they do not design and produce a large collection at the start of the season. Instead they commit to a small collection and result on customer feedback in order to amend or expand it. The supply chain is exceptionally nimble in terms of both production and design changes. This allows them to charge a higher full price and discount less than their peers, reducing pressure on gross margins over the long run. By chance or by design, this shorter lead time model is much more suitable to the online retail market than the longer lead time model of Inditex's peers. Inditex's FY2017 P/E has recently declined from 31x to 28x which is line with its 10 year average. We believe no other high street retailer has handled the shift to online as well as Inditex have. Inditex can leverage its model to truly exploit the online shift and, unlike its peers, not dilute margins or high street presence as part of the same process.

CRH– Tickup in volumes bodes well for cement sector — Closing Price: €32.66

Will Heffernan | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	28.88	30.47	31.85
EPS (€)	1.85	2.15	2.47
P/E	17.6x	15.2x	13.2x
Div Yield	2.11%	2.25%	2.67%

Share Price Return	1 Mth	3 Mth	YTD
CRH	-2.5%	0.7%	-1.3%

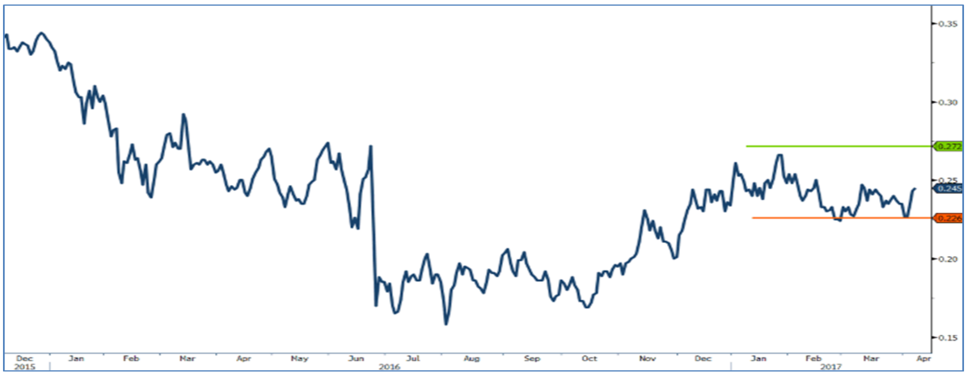
Source: Bloomberg

CRH's share price has spent the majority 2017 consolidating as the cement sector awaits news of Mr Trump's infrastructure plans. A strong US housing market has helped in this regard along with continuing recovery in Europe. Ultimately the major drive of share prices in this sector is volumes and there is good news on that front in the first few months of 2017. Apart from India, Africa & Middle East and Eastern Europe, the majority of other regions are showing a decent tick up in volumes. The biggest move is in Western Europe which was mainly in southern Europe driven by Spain who had 16.6% and 4.4% YoY growth in January and February respectively. The majority of CRH's peers have already broken out of their trading ranges and we would expect CRH to follow suit. However, CRH's greater exposure to US vs Europe relative to peers, which had worked in its favour following the Trump election, may now count against it from a relative performance to peers perspective as European volumes are seeing the largest increases. We would still expect CRH to generate positive performance in the short term. CRH is currently priced at €32.66 and needs to break above €33.4 - €33.5 in order to break out of its current trading range. If this pick up in volumes were to continue it may just be the catalyst needed to move higher as we await further details of Mr Trump's infrastructure plans.

Bank of Ireland – Finding support

Closing Price: 24.5c

Stephen Hall, CFA | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€m)	3,011	3,075	3,182
EPS (€)	2.1c	2.1c	2.3c
Price/ Book	0.87x	0.83x	0.81x
Div Yield	2.1%	3.3%	5.3%

Share Price Return	1 Mth	3 Mth	YTD
Bank of Ireland	4.91%	0.43%	2.56%

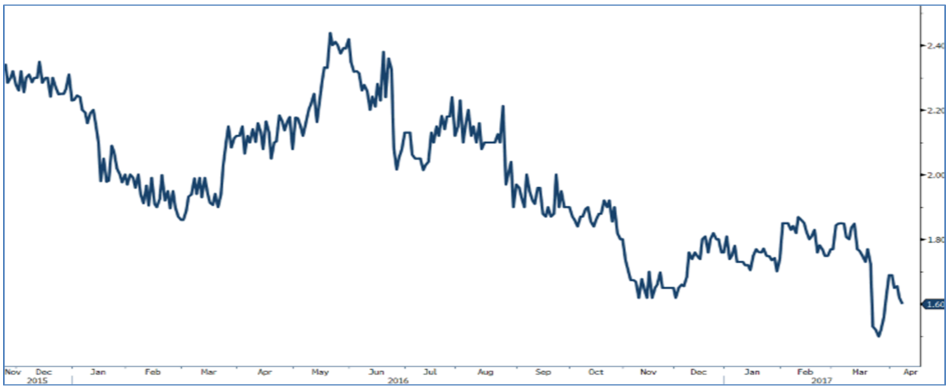
Source: Bloomberg

Bank of Ireland's (BKIR) share price temporarily traded below 1st technical support level at 22.7c last week as 10 year Germany yields drifted lower from 0.50% mid-March to 0.24% due a reinforcement of the ECB's dovish rhetoric. Despite core Eurozone bond yields drifting lower, BKIR's share price bounced strongly in the second half of the week as investors' began to recognise its valuation discount relative to the broader European financial sector. BKIR has historically traded at roughly a 30% valuation premium compared to the broader European financial space. However, in recent weeks it has de-rated to 0.83x FY17e Price/ Book which is a 5% discount to the broader banking sector. If core Eurozone bond yields find support and push higher, this should boost sentiment towards the European financial space. Brexit could reduce new lending growth rates in the UK, however we don't see the impairment charge ticking up as a result due to the high quality nature of its UK residential mortgage book (3% are NPLs). The underlying Irish economy is performing very strongly and households and businesses' balance sheets are in significantly stronger positions after 8 years of deleveraging. Asset quality continues to improve due to rising house prices and falling levels of unemployment which is improving the repayment capacity of BKIR's customer base. We think the current heavy investment phase in upgrading its IT systems is necessary to future proof the bank and ultimately should enable the business achieve its long term target of a cost/ income ratio of 50%. New lending growth rates in Ireland have started the year very strongly in 2017 and expect this positive momentum to continue for the remainder of 2017 and beyond due to supply/ demand imbalances in the mortgage lending market. We maintain our 27.2c target price.

IFG – Back book acquisition required for re-rating

Closing Price: €1.60

Stephen Hall, CFA | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (£'m)	82.6	88.9	94.5
EPS (GBp)	8.8	10.8	10.5
P/E	15.6x	12.7x	13.1x
Div Yield	3.9%	4.2%	4.3%

Share Price Return	1 Mth	3 Mth	YTD
IFG	7.5%	-3.9%	4.3%

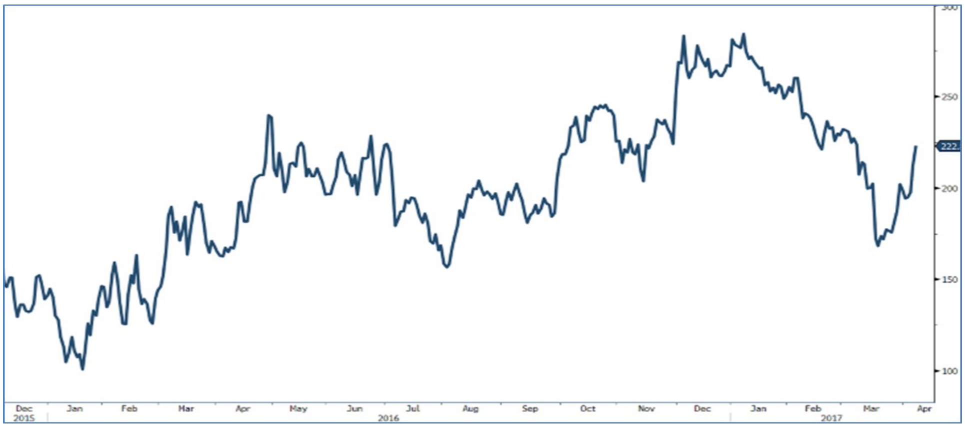
Source: Bloomberg

IFG's share price has recovered well since disappointing post FY16 results where operating margins in James Hay were squeezed due to a UK deposit base rate cut from the Bank of England and narrowing deposit pricing spreads received from UK financial institution on James Hay's cash balances. However, management is due to cut 50 jobs in H2/17 and MiPlan re-pricing should offset the loss of interest income. Operating margins in James Hay should recover to 20% in 2018, after a flat YoY performance in 2017. James Hay's distribution strategy for generating organic SIPP growth remains unchanged, as it continues to target the top 100 Independent Financial Advisors (IFAs) in the UK which should reduce on-boarding costs, and supply a steady stream of organic SIPP. We feel the Group needs to do further back book acquisitions similar to the Towry and Capita deals in 2015, in order to build scale and support operating margin growth after significant IT capital investment in recent years. IFG has a very strong and flexible balance sheet with a net cash position over £30m, leaving it with significant fire power for inorganic growth. Saunderson House on the other hand is performing very strongly, with steady growth in client numbers, asset under management, revenue and expanding operating margins. Management sees margins expanding to 25% longer term and its impressive investment record track record should be a strong sell point to attract new clients and grow its newly launched discretionary offering. The stock currently trades at 15.7x FY17e earnings and offers an attractive dividend yield of 3.8%.

Tullow Oil - Strong recovery in ex-right price

Closing Price: GBp 217.8

Stephen Hall, CFA | Investment Analyst



GNC Key Metrics	2017	2018e	2019e
Revenue ($'m)	1,631	1,881	2,153
EPS ($)	11.5c	20.3c	33.3c
P/E	23.8x	13.5x	8.24x
Div Yield	0.0%	0.2%	0.6%

Share Price Return	1 Mth	3 Mth	YTD
Tullow Oil	-2.5%	-19.9%	-16.7%

Source: Bloomberg

Tullow Oil's price is highly correlated with the underlying oil price. Its share price underperformed in recent weeks on the surprise announcement of its rights issue on the 17th March, but has recovered strongly since helped by rising oil prices on the back of the US strike on Syria last week. We see the underlying fundamentals improving in Tullow due to the company's improved financial flexibility and leaner cost base. We expect operating free cash flow to step up over the coming years as oil production from its TEN and Jubilee fields increase year-on-year towards 100k barrels a day and as capex meaningfully steps down from 2017 onwards which should accelerate debt reduction plans. The company will continue to invest in further exploration and appraisal activity in Kenya in an effort to build and prove its reserves. The $750m raised from the recent right issue will be used to deleverage its highly geared balance sheet so it can refocus on growth exploration projects. Tullow's net debt position rose to $4.8bn at 2016 year-end following a period of soft oil prices which impacted its free cash flow generating ability. A heavy capital investment programme in its TEN and Jubilee oil producing assets off the coast of Ghana in recent years also added to debt levels. This equity raise should give the company some financial flexibility as its aims to refinance over $3 billion of Reserve Based Loans in 2017 and ultimately reduce its Net Debt/EBTIDAX ratio which stood at 5.1x at 2016 yearend to 2.5x within the next 2-3 years. Tullow could also be an attractive takeover target for big Oil Majors looking to replace reserves, given its oil producing assets off West Africa and proven reserves in Uganda and Kenya. Risks include a depressed oil price environment, the on-going legal battle between Ghana and Ivory Coast over territory and missed oil production targets. We are market neutral on Tullow Oil as we see oil prices trading within a very tight $45 - $55 range for 2017. If a client has a constructive outlook on oil prices, Tullow Oil is essentially a leverage play on energy prices recovering.

From the News - Monday Headlines

- **US** Trump sends carrier flotilla to the Korean coast in show of strength
- **France** Far-Left Melenchon continues to progress in the polls
- **UK** France's Sapin warns UK of post-Brexit trading loss
- **Global** China offers concessions to avert trade war with the US
- **Currencies** US dollar wobbles after US jobs growth misses estimates
- **Oil** Majors continue to sell oil sand assets
- **Ireland** Pace of jobs and activity growth in construction accelerates
- **Global** US earnings kick off as economic data shows some softness
- **Europe** Greek government and EU move closer in bailout negotiations

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	**Corporate**	**Corporate**	**Corporate**	**Corporate**
Alcoa	JD Sports	Delta Airlines	Citigroup JPM Wells Fargo	N/A
Economic	**Economic**	**Economic**	**Economic**	**Economic**
N/A	GB CPI US JOLT Openings GE ZEW Survey	CH CPI US MBA Mortgage Applications	GE Inflation Rate US PPI Michigan Sentiment	US Core CPI US Retail Sales

Upcoming Events

17/04/2017 N/A

18/04/2017 Bank of America, United Health, Yahoo

19/04/2017 Blackrock

20/04/2017 Debenhams, Unilever, BNY Mellon, Verizon, Visa

21/04/2017 GE, Honeywell, Schlumberger

17/04/2017 CN GDP

18/04/2017 US Housing Starts

19/04/2017 EU Inflation Rate, US Mortgage Applications

20/04/2017 GE PPI, Philly Fed Index

21/04/2017 EU PMI, US Manf. PMI, US Rig Count

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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Daily Note

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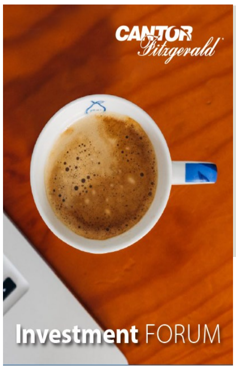

Investment Forum

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

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Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

Inditex: Industria de Diseno Textil, S.A. designs, manufactures and distributes apparel. The company operates retail chains in Europe, the Americas, Asia and Africa .

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

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

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

Tullow Oil: Tullow Oil through subsidiaries, explores for, produces, and refines petroleum

Historical Record of recommendation

Inditex: We have initiated coverage of Inditex with an Outperform rating, as of 23/01/2016.

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

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

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

Tullow Oil: We initiated coverage on Tullow Oil on 7th April 2017 with a Market Perform rating

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

Date of distribution

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