

Thursday, 18th May 2017

Morning Round Up

Enda Kenny Resigns – Coveney and Varadakar Likely Successors

Enda Kenny announced his resignation as leader of the Fine Gael Party yesterday in a long-awaited statement at the weekly meeting of the Fine Gael party. Mr Kenny will remain on as Taoiseach until his successor is elected. Mr Kenny's support within his own party had been steadily eroded after a series of policy mistakes. The new leader is expected to be announced on Friday June 2nd. Minister for Housing Simon Coveney and Minister for Social Protection Leo Varadkar are seen as the two front-runners with Mr Varadakar rumoured to be in the lead. However, a large number of the party's elected representatives remain undecided. It remains to be seen if this move will trigger a general election in the next 12-18 months.

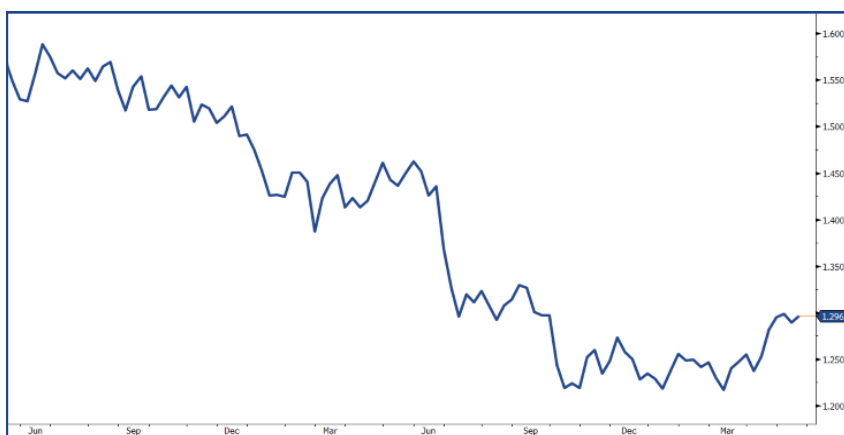
Trump – DOJ Appoints Mueller to Lead Russia Investigation

The US Department of Justice has appointed Robert Mueller in the role of special counsel to lead the investigation into potential Russian meddling in the recent US election. Mr Mueller, a former Director of FBI, is renowned for being an independent mind and is highly analytical. He has a reputation for being a dogged investigator who will follow the facts no matter what. He has been tasked with determining the existence of any links or co-ordination between the Russia government and individuals associated with the Trump campaign. This comes after a week of jaw dropping developments in Washington which has riled markets and led to a spike in volatility. The investigative process could take approx. 4-6 months

UK Election – Implications for Sterling

In past UK general election campaigns the pound has risen when the Tory Party is ahead in the polls and on course for a big majority. Since Theresa May called an election on April 18th, sterling has risen 2.9% to \$1.30. Some of this is undoubtedly due to the travails of Mr Trump in Washington. But there appears to be a correlation between the pound's performance and Conservative polling numbers. When Tony Blair's New Labour was poised to beat the Tories convincingly in 1997, the pound rose any time Labour's lead in the polls was reduced. Currently the Conservatives are at 48% while the Labour Party are well behind on 31%.

GBPUSD - price chart



Key Upcoming Events

25/05/17 - OPEC meeting
08/06/17 - UK General Election
13/06/17 - Fed Meeting

Market View

Asian markets continued the sharp selloff of their US counterparts as Trump turbulence took its toll. All the safe haven assets including gold and Yen rallied substantially yesterday. Likewise assets associated with the so called "Reflation Trade" including the US dollar and Financials got hit hardest. The VIX had the biggest move yesterday, rising from just under 11 to over 15. European futures are pointing to a calmer day today while US futures are actually indicating a marginally up day for markets. Market focus today will be on ECB policy as Mersch, Lautenschlager and Draghi are all due to give speeches.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	20607	-372.82	-1.78%	4.27%
S&P	2357	-43.64	-1.82%	5.28%
Nasdaq	6011	-158.63	-2.57%	11.67%

Nikkei	19,554	-261.02	-1.32%	2.30%
Hang Seng	25,099	-195.07	-0.77%	14.08%
Brent Oil	52.1	-0.11	-0.21%	-8.31%
WTI Oil	49	-0.07	-0.14%	-8.79%
Gold	1256	-5.05	-0.40%	9.48%

€/\$	1.1139	-0.0020	-0.18%	5.91%
€/£	0.8594	-0.0010	-0.12%	0.68%
£/\$	1.2962	-0.0008	-0.06%	5.04%

	Yield	Change
German 10 Year	0.37%	-0.008%
UK 10 Year	1.06%	-0.006%
US 10 Year	2.24%	0.012%

Irish 10 Year	0.85%	-0.003%
Spain 10 Year	1.58%	0.013%
Italy 10 Year	2.16%	0.009%

Bank of Ireland (Outperform) - Francesca McDonagh appointed as new Group CEO Previous Close: €0.24**News**

Yesterday evening Bank of Ireland announced that Ms Francesca McDonagh will take over as Group CEO from the departing Richie Boucher. Ms McDonagh (42) joins Bank of Ireland from HSBC where she is Head of Retail Banking and Wealth Management, UK and Europe. In this role, she is responsible for all aspects of retail customer service, channels, products and segments of HSBC's three brands of HSBC Plc, M&S Bank and First Direct. She has been with HSBC for 20 years, during which time she has held a number of senior leadership roles in the bank across seven different countries. According to Bloomberg, Ms. McDonagh oversaw HSBC's retail business in the UK since 2014, and revamped the lender's digital banking services. Bank of Ireland is currently in the middle of its own IT investment programme as it aims to bring its cost-to-income ratio below 50% over the medium term.

Comment

The resilient economic backdrop in Ireland and positive outlook is a supportive backdrop for Irish financials in our opinion. Ultimately, we see this multi-year de-gearing period approaching an end in the coming quarters which should see a positive inflection point in BKIR's balance sheet in 2017. The Irish economy is forecast to grow at over double the pace of the Eurozone in 2017 and 2018. Recent housing data for February 2017 showed Irish resident property prices rose 10.7% in the preceding 12 months which should support collateral values of customers loans and move customers out of negative equity. We maintain our 12 month target price at 27.2c and believe the Group has a sufficiently strong capital position to reinstate a dividend for the first time the financial crisis in 2018 relating to 2017 financial year, which is in line with management's previous guidance. Technically, we see the first band of resistance coming in between 26.6c – 27.2c.

Stephen Hall, CFA | Investment Analyst

Ryanair (Outperform) - Further details on feeder flights announced Previous Close: €16.95**News**

Ryanair has officially launched the trial period for feeder flights for other operators such as Aer Lingus and Norwegian Air in Europe. The service will initially operate 10 routes in and out of Rome's Fiumicino Airport according to the Irish Times. If this initial trial period proves successful it will be rolled out to other key airport bases across Europe which accommodate significant transatlantic traffic. Ryanair's Chief Commercial Officer (CCO) David O'Brien said "this new service will be rolled out across the entire Ryanair network, with further Rome routes to be added in the coming weeks and months as long as the Rome Fiumicino trial proves to be a success". There is speculation that Ryanair could ultimately provide feeder routes to the whole of the IAG Group which includes Iberia, British Airways and Aer Lingus, Norwegian Air, Lufthansa and Air France-KLM.

Comment

The next major catalyst for Ryanair is its FY17 results due to be released on Tuesday, 23rd May. The market is expecting FY17 sales of €6.67bn, a 2% increase YoY. The market is expecting net income of €1.315bn, which is towards the bottom end of management's guidance range of €1.3bn - €1.35bn and translates into an adjusted EPS of €1.057. We remain bullish on the long term growth prospects of Ryanair given its competitive advantage in costs, which enables it to offer the lowest fares in the European low cost carrier sector. We see Ryanair capturing further market share from less efficient operators as a result. Ryanair Rooms and Ryanair Holidays provide upside optionality to earnings in our view which aren't currently reflected in consensus forecasts.

Stephen Hall, CFA | Investment Analyst

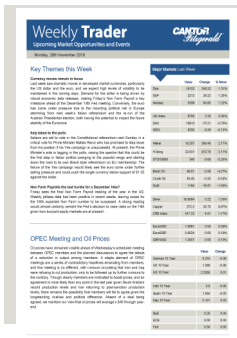
Minister for Finance eliminates stamp duty on ESM traded companies

Yesterday, the Minister for Finance, Michael Noonan announced an end stamp duty on the purchase of shares in Irish companies listed on the ISE's Enterprise Securities Market (ESM). The exemption from 1% stamp duty comes into effect from 5 June and will reduce the cost for pension funds and individuals of investing in Irish growth companies. This change should make public equity markets more accessible for companies when raising finance and will enable Irish SMEs to scale more easily, creating jobs and growth in the Irish economy. The announcement ensures Irish companies quoted on the ISE's ESM, a market designed for companies in their earlier stages of growth, are on a level playing field with their international peers in the UK and other countries when competing for Irish and international investment. The ISE stock exchange also state they will continue to campaign for the abolition of stamp duty for Irish companies listed on the ISE's Main Securities Market (MSM).

Mr Noonan stated that "The purpose of the measure is to encourage more investors to back Irish Small and Medium Enterprises, increasing the supply of equity available to SMEs for growth and job creation. It is also our intention that the measure will encourage entrepreneurs and growing businesses to use public equity to raise finances. The cost of the exemptions is estimated at €5m in a full year. I hope the measure I am introducing will assist SMEs in accessing funding to grow their businesses". The elimination of stamp duty will apply to the following 24 Irish listed companies: Abbey, AIB, Amryt Pharma, Applegreen, Conroy Gold & Natural Resources, CPL Resources, Donegal Investment Group, Draper Esprit, Falcon Oil & Gas, First Derivatives, GAN, Great Western Mining Corporation, Karelian Diamond Resources, Mainstay Medical International, Malin Corporation, Mincon Group, Origin Enterprises, Ormonde Mining, Ovoca Gold, Petroneft Resources, Providence Resources, Total Produce, Venn Life Sciences and Zamano

Stephen Hall, CFA | Investment Analyst

Cantor Publications & Resources



Weekly Trader

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

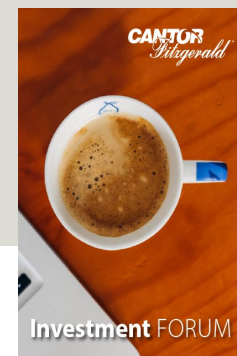
[Click Here](#)



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)

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

Ryanair: Ryanair Holdings plc provides low fare passenger airline services to destinations in Europe.

Historical Recommendation

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

Ryanair: Ryanair was added to the Core Portfolio at inception in and have had an Outperform recommendation since then.

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 retail 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 recommendation 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 purchase or sale of any particular security. Not all recommendations are necessarily suitable for all investors and CFIL recommends 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 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 effect 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 from 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.

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