Weekly Trader

Upcoming Market Opportunities and Events

CANTOR Fitzgerald

Tuesday, 2nd May 2017

Key Themes this Week

Earnings Season – Living Up To Expectations

So far investors have not been disappointed in either the US or Europe. 269 companies in the S&P 500 have reported with 65% having sales beats and 81% with earnings beats. Financials have been the biggest contributor so far but the Tech sector has also performed very strongly. It is a similar story in Europe. 25 companies from the EuroStoxx 50 have reported so far with 88% having sales beats and 71% with earnings beats. The numbers are broadly similar for the larger EuroStoxx 600 index. The sectors leading the charge in Europe are also Financials and Tech. If this level can be sustained it is shaping up to be one of the best European earnings season on record. It should also be noted that earnings upgrades are coming for Europe are at much higher level than their US counterparts, indicating that the trend of European outperformance is likely to continue for 2017.

French Election – Uphill Battle for Le Pen

This week marks the penultimate week before the second round of the French election which is due to take place on the 7th May 2017. At this stage the prospect of a Le Pen victory seems remote with Mr Macron well ahead in polls (64% vs 37%). However it is not all plain sailing. In the immediate aftermath of the first round vote, Mr Macron gave a speech that implied the second round was his for the taking. He then took his entire staff to an upmarket expensive eatery in the heart of Paris. Finally on a visit to a Whirlpool factory which is due to close and move to Poland in Amiens, Mr Macron was booed by striking workers and was upstaged by an impromptu visit by Ms Le Pen who chatted and took photos with the workers. All of these slips up have had the desired effect with recent polls finding that 52% of voters believe Ms Le Pen has started the second round campaign well while that number drops to 43% for Mr Macron. Both candidates face off in a TV debate this Wednesday. The most probable outcome remains a Macron victory but it is by no means a certainty.

Economic Data – A Mixed Bag

US Q1 GDP was released on Friday and came in 0.7%. This was below consensus expectations of 1% but ahead of the much vaunted Atlanta Fed model estimate of 0.2%. Overall it was the weakest pace of growth in three years. The main driver was a marked deceleration in consumer spending including cars as well as swings in inventory investment. The soft indicators including executive and consumer optimism in the US remain elevated while the hard data such as retail sales have all shown some softness. Traditionally US GDP has tended to re-accelerate in the second quarter. From a European data perspective it continues to come in strong. The latest data point released showed a surge in core inflation from 0.7% in February to 1.2% in March. European core inflation over the past few years has struggled to gain any traction and this move is indicative of the increased pace of the economic recovery. From a data perspective we would expect this trend of strong European economic data relative to the US to continue for the remainder of 2017.Key data and market events for Europe this week are Q1 GDP data, PMI, PPI and retail sales. From a US perspective focus will be on Non-Farm Payrolls (with a specific focus on wage inflation), Core PCE numbers, PMI & ISM data along with the Fed meeting on Wednesday. No policies changes are anticipated at this meeting but markets will be looking for any hints with regards to the June meeting.

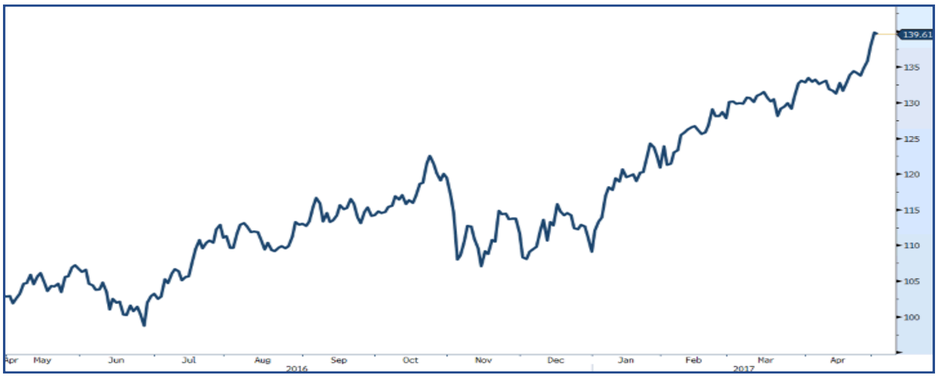
Major Markets Last Week

	Value	Change	% Move
Dow	20913	149.57	0.72%
S&P	2388	14.18	0.60%
Nasdaq	6092	107.78	1.80%
UK Index	7247	-17.35	-0.24%
DAX	12454	-0.55	0.00%
ISEQ	6852	-94.90	-1.37%
Nikkei	19,446	366.37	1.92%
H.Seng	24,646	506.18	2.10%
STOXX600	387	0.48	0.12%
Brent Oil	51.55	-0.55	-1.06%
Crude Oil	48.82	-0.74	-1.49%
Gold	1255	-9.01	-0.71%
Silver	16.936	-0.67	-3.81%
Copper	263	3.90	1.51%
CRB Index	427.14	6.80	1.62%
Euro/USD	1.0913	0.00	-0.12%
Euro/GBP	0.8478	0.00	-0.36%
GBP/USD	1.2872	0.00	0.23%

	Value	Change
German 10 Year	0.34%	-0.04
UK 10 Year	1.10%	0.02
US 10 Year	2.33%	0.00
Irish 10 Year	0.87%	-0.05
Spain 10 Year	1.68%	0.01
Italy 10 Year	2.32%	0.06
BoE	0.25%	0.00
ECB	0.00%	0.00
Fed	1.00%	0.00

Tech round up – PayPal, Amazon, Google results, Facebook Preview Closing Price: $152.46

David Donnelly, CFA | Senior Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue ($'bn)	37.92	48.36	59.36
EPS ($)	5.47	6.56	8.29
P/E	27.42	22.19	18.09
Div Yield	0	0	0

Share Price Return	1 Mth	3 Mth	YTG40 5D
Facebook	6.9%	16%	32.5%

Source: Bloomberg

Last week saw Core Portfolio names PayPal, Amazon and Alphabet/Google report Q1 earnings. **PayPal** saw revenue rise 17% year-on-year to $2.98bn, 1.36% ahead of expectations, while EPS of $0.44 was 7.3% ahead of forecasts . Critically the growth in PayPal's user numbers and an increase in the number of transactions that each user is conducting throughout the quarter is the key indication that our investment case in the company is coming to fruition. The number of Active accounts rose 10.3%, while the number of transactions per user grew by 12% year-on-year.

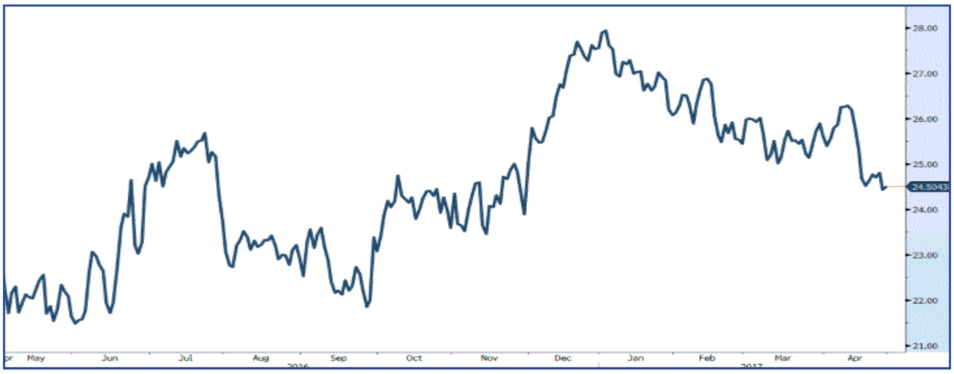
Amazon's headline revenue came in 1.1% ahead of expectations at $35.7bn, while operating income was 7.9% ahead at $1.01bn. Amazon also saw a 36% rise in the number of Amazon Prime subscribers, which rose to 80 million in the US; the rise is noteworthy in our view, as there is a corresponding increase in customer loyalty associated with signing up for the $99 a year service which provides delivery discounts, music and video streaming and photo storage to users. By encouraging repeat custom in this way, Amazon can combat the heavy investment being made by traditional retailers like Walmart in their online shopping offering.

Alphabet/Google saw revenue of $24.75bn come in 1.8% ahead of expectations, while EBITDA of $10.08bn beat by 3.2%. A rise in Mobile Search revenue was the primary driver of the results, as Google increased the number of ads that appear on its website. Overall the results are impressive, and we are encouraged by the continued focus on cost controls.

Lastly, **Facebook** is set to release results on Wednesday night after US trading. Expectations are for revenue to come in at $7.821bn and for EBITDA of $4.761bn. Q1 is a seasonally less important quarter for the company relative to Q4 where advertising spending is at a high ahead of the holiday season. That said, we will watch closely for indications of user growth and engagement and also adjustments to ad load appearing on the namesake platform. Other areas of interest will be the ramp up in ads on Instagram and any

Royal Dutch Shell - Q1/17 Results preview Closing Price: £20.52

David Donnelly, CFA | Senior Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (£'bn)	287.98	314.88	334.62
EPS (£)	1.72	2.17	2.52
P/E	15.48	12.30	10.58
Div Yield	7.06	7.09	7.14

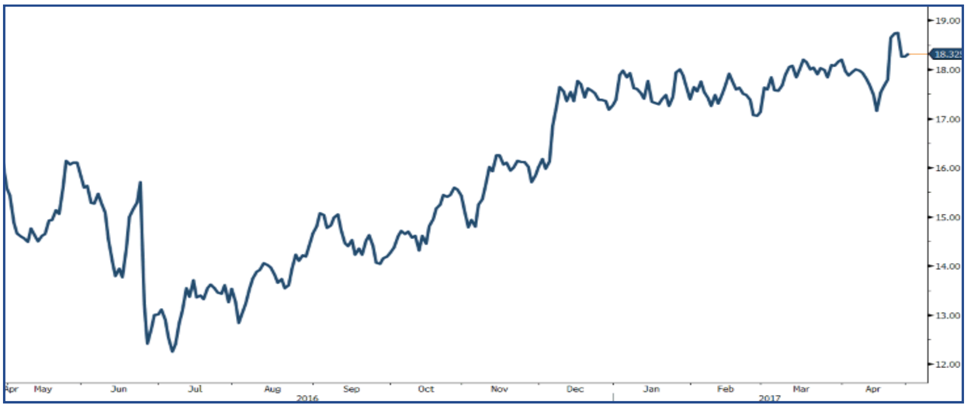
Share Price Return	1 Mth	3 Mth	YTD
RDSB	-6.3%	-10%	-12.8%

Source: Bloomberg

Shell is to report Q1 numbers this week and current expectations are for EPS of $0.38 on revenue of $72.13bn. The market will also look for an update on any further progress on the asset sale programme following a number of key disposals during the first quarter. Last year's BG deal saw Shell make a concerted pivot away from oil and toward cleaner burning natural gas; assets sales have continued this trend leaving the company in a stronger cash position and with a more favourable outlook. Cash management will be a key feature to the investment case in the coming 18-24 months, and we believe management is steering the company in the right direction. We reiterate our Outperform rating on the stock which offers an expected dividend yield of 6.95%

European Bank ETF – Macron victory should benefit sector Closing Price: €18.26

Will Heffernan | Investment Analyst



SX7PEX Key Metrics	Current
Market Cap (€mn)	659.3
30 Day Avg Vol	313.9k
Div Yield	2.11%
Div Frequency	Quarterly

Share Price Return	1 Mth	3 Mth	YTD
SX7PEX GY	3.10%	7.83%	9.6%

Source: Bloomberg

Following on from the Macron victory European equities are now flavour of the month and inflows have ticked up. One of the sectors most likely to benefit will be European Financials. Yields had ticked down to multi-year lows in the run-up to the French first round. With the result of that round being called correctly by pollsters who are also putting Macron as a clear favourite to win the second round (64% vs 37%), risk on sentiment is back in Europe. As a result yields have ticked up with the German 10 year rising from 0.18% to 0.33%. With continuing decline in political risk, strengthening growth and an uptick in inflation (EU core inflation moved from 0.7% to 1.2% in March) European yields are likely to move close to the top of the range they have been in since December at 0.5%. Financials should benefit if this occurs and we believe this represents a good point for increasing exposure in this sector. We have already recommended some individual stocks but we also believe sector wide exposure would be beneficial at this stage. From a technical perspective the Eurostoxx 600 Banks Index is currently priced at €133.25. It has entered this range before 3 times in the past three years in a rising rate environment and subsequently pushed on to the top of the €142 – €160 price range which implies a 20% return. If yields continue to rise we believe it will push towards that range again. We recommend the EuroStoxx 600 Financials ETF (SX7PEX GY) to carry out this trade.

CRH – Volume increase good for sector Closing Price: €33.475

Will Heffernan | Investment Analyst

Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	28.84	30.42	31.78
EPS (€)	1.85	2.15	2.47
Price/ Book	1.82	1.69	1.52
Div Yield	2.05	2.19	2.59

Share Price Return	1 Mth	3 Mth	YTD
CRH	3.3%	-1.8%	1.6%

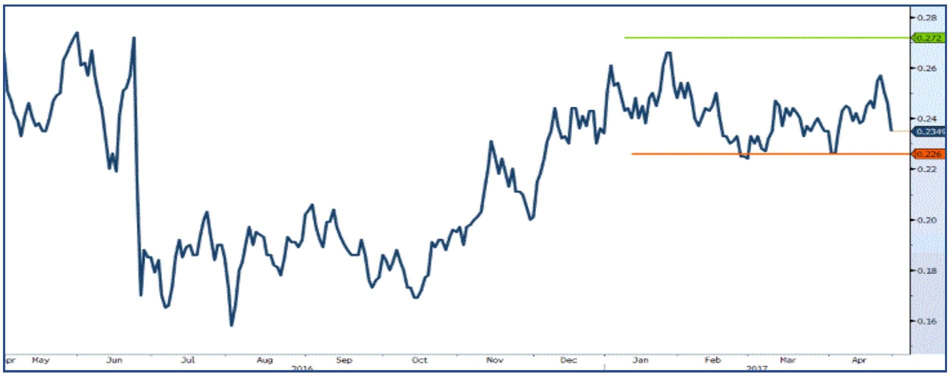
Source: Bloomberg

CRH released a trading update for Q1 2017 last week and it was well received by markets. Sales were up 4% compared to a very strong first quarter in 2016. Group EBITDA is expected to be ahead for 2017 and management stated that based on current momentum it expects improvement in the second half of 2017. Recently cement volumes have noticeably ticked up across most major developed and emerging markets. The biggest increase has been in Europe where the recovery has gained significant traction this year. CRH had an initial rally in the wake of the election of Mr Trump as speculation mounted regarding a potential infrastructure plan. As this has become an increasingly distant likelihood in the near term, CRH has rerated and is now close to average sector valuation with an estimated 2017 P/E of 22.4x, which is close to its 10 year average of 21.6x and below the sector average of 25.7x. We believe that the majority of this Trump infrastructure premium has now come out of the share price which improves the investment case from a fundamental perspective. Deleveraging and divestment of assets has happened faster than expected which we believe makes the likelihood of continuing acquisitions even greater. At the last results release it was confirmed that net debt/EBITDA reduced from 3.0x to 1.7x. This compares to an average of 1.92x for CRH's peers. We believe that with continuing increase in volumes and the increased likelihood of acquisitive action should see CRH outperform in the near term.

Bank of Ireland – mixed Q1/17 results but positive long term

Closing Price: €0.231

Stephen Hall, CFA | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	3.01	3.08	3.18
EPS (€'c)	2	2.1	2.2
Price/ Book	11.7	11.14	10.64
Div Yield	2.14	3.42	5.98

Share Price Return	1 Mth	3 Mth	YTD
BKIR	-3.3%	-11.1%	-1.35

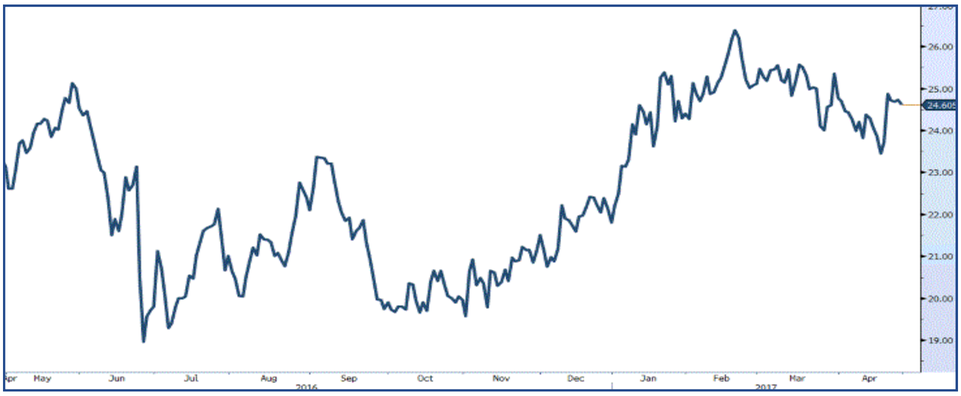
Source: Bloomberg

Bank of Ireland (BKIR) released Q1/17 results last Friday which were mixed, and the market ultimately reacted negatively to the marginal decline in capital. We are still positive on BKIR and the broader European financial sector into yearend, as we expect core government yields in Europe to rise due to reduced political risks and a general improvement in economic data in the Eurozone. Bank of Ireland reported a 30% increase in new mortgage lending in Ireland in Q1/17, keeping its market share of new lending at roughly 25%. Disappointingly, its capital position weakened marginally with its Fully Loaded CET1 ratio falling by 30bps to 12.0% from 12.3%, primarily due to a €200m (c. 40bps of capital) increase in the size of its pension deficit in the quarter to €650m despite recent hedging being put in place in recent months to reduce volatility. Its capital position decreased despite generating 30bps of organic capital on the quarter. The company remains on track to reinstate its first dividend in 2018 relating to 2017. No new details of planning issuance were given within the group's new Holdco structure. We maintain our outperform stance on the stock and see the 1st near term resistance at 26.6c – 27.2c. It currently trades at 0.82x FY17e Price/Book, in line with the broader European financial index.

Smurfit Kappa – Q1/17 results preview

Closing Price: €24.59

Stephen Hall, CFA | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	8.44	8.65	8.77
EPS (€)	1.99	2.13	2.29
Price/ Earnings	11.8x	11.0x	10.4x
Div Yield	3.37	3.56	3.77

Share Price Return	1 Mth	3 Mth	YTD
SKG	-0.8%	-3.7%	12.9%

Source: Bloomberg

We are happy to buy and hold Smurfit into results this Friday. We are constructive on European financials and cyclical stocks in particular into year end. The market is anticipating Q1/17 revenues of €2.05bn, EBITDA of €267m, and an adjusted net income of €94.5m, which translates into an adjusted EPS of €0.393. Smurfit has de-rated over the past 2 months, partially due to profit taking in the stock and partially due to the fact it went ex-div to the tune of 57.6c the week before last. The underlying fundamentals remains very strong and we think any weakness should be bought into. Post the recent retracement, the stock is trading at 11.8x FY17e earnings which we view as attractive given its high quality asset base, the highly cash generative nature of its business, excellent management team and manageable level of debt on the balance sheet. Smurfit and the broader paper packaging sector have been successful in passing on price increases this year to combat rising OCC prices, which should support operating margins. Its valuation discount relative to peers is unjustified in our opinion and we expect this discount to gradually close over the next 12 months. Smurfit also offers an attractive dividend yield of 3.5% for 2017. Next resistance we see is the high of 2017 at €26.50.

From the News - Monday Headlines

- **Europe** Juncker “10 times more skeptical” after recent meeting with May
- **Greece** Deal agreed with creditors on bailout reforms
- **US** Fed edges towards talk of shrinking its balance sheet
- **Markets** Rising markets curbs appetite for buybacks
- **Oil** Higher prices help oil companies’ Q1 earnings
- **Intel** $4bn investment delayed as it awaits Kildare council decision
- **DCC** Fergal O’Dwyer declares intention to stay when CEO leaves
- **Apple** Shares hit new record ahead of results

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	Boeing	BP, Apple, Pfizer	Sainsbury, Imperial Tobacco, Facebook, Allianz.	Kerry, PPB, Shell, GKN, GSK, BMW, Siemens	IAG, Smurfit, Man Group, Lufthansa, FBD
Economic	US Manuf PMI EC Unemployment rate	EC Eurozone, Manufacturing PMI, EC Unemployment Rate	EC GDP, US Mortgage Applications, US Composite PMI, US Rate Decision,	EC Eurozone Comp PMI, EC Retail Sales, US Initial Jobless Claims, US Durable Goods Orders	Non Farm Payrolls, US Average Hourly Earnings.

Upcoming Events

08/05/2017 Centrica	08/05/2017 EC Investor Confidence, CH Trade Balance
09/05/2017 Grafton Group, IFG, Diageo, William Hill	09/05/2017 US Small Business Optimism, US Jobs Open
10/05/2017 Dalata, PTSB, Aviva, SAP, Volkswagen, Heidelberg	10/05/2017 CH CPI, US Mortgage Applications
11/05/2017 BT, Mondi, Philips, BMW, Alibaba.	11/05/2017 UK Manuf Production, UK BoE Bank Rate.
12/05/2017	12/05/2017 US CPI Core Index, U of Mich Sentiment

Cantor in The Media

- CNBC Online: Alphabet profit soars on strong ad sales - Colin Gillis
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- The Guardian: Soaring tech stocks send Nasdaq to record high - Colin Gillis
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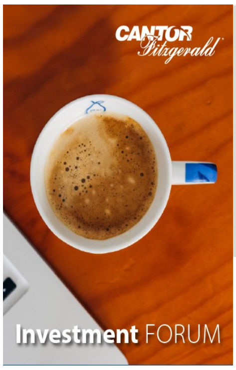

Investment Forum

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)

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 **Smurfit Kappa Group:** Smurfit Kappa Group PLC manufactures containerboards, solid boards, graphic boards, corrugated and solid board packaging products. **Royal Dutch Shell:** Royal Dutch Shell PLC, through subsidiaries, explores for, produces, and refines petroleum **PayPal:** PayPal Holdings Inc operates as a technology platform company that enables digital and mobile payments on behalf of consumers and merchants. The company offers online payment solutions. PayPal Holdings serves customers worldwide. **Facebook:** Facebook Inc. operates a social networking website. The Company website allows people to communicate with their family, friends, and coworkers **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

CRH: We have added CRH to our core portfolio on the 01/01/16, with a recommendation of Outperform **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 **Bank of Ireland:** We have reinstated an outperform rating on Bank of Ireland as of 13/07/2016. **Smurfit Kappa Group:** We have added Smurfit Kappa to our core portfolio on the 01/01/2016 and we have upgraded our recommendation from Market Perform to Outperform **Royal Dutch Shell:** We have been positive on Core Portfolio stock, Royal Dutch Shell, since 20/05/13 and no change has been made to our recommendation since then **PayPal:** We added PayPal to our Core Portfolio on the 20/07/15 and have an Outperform outlook on the stock . **Amazon:** We have an Outperform recommendation for Amazon since 26/07/13, and no changes have been made since then. **Facebook:** We have been positive on the outlook for Facebook, and it was added to the core portfolio on the 11/05/2015 and no changes to our recommendation have been since.

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.

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

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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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