Weekly Trader

Upcoming Market Opportunities and Events

CANTOR Fitzgerald

Monday, 22nd May 2017

Key Themes this Week

OPEC Meeting - Challenges Ahead
OPEC meet in Vienna on Thursday with most analysts expecting an extension of the production cutes originally agreed six months ago. Those production cuts, 1.8m barrels a day (bpd), have not been as successful as the cartel would have hoped. At the time OPEC's own forecasts were for US oil production to contract in 2017 by 150k bpd. Instead US producers have reacted to the higher prices by ramping up production. OPEC is now forecasting that US output will grow by 820k bpd in 2017. As a result, oil has struggled to say above $50 a barrel. OPEC's stated aim of drawing down inventories has recently shown signs of progress. However the critical factor is how US production responds to the extensions of cuts and potentially higher oil prices. Improvements in technology and more efficient use of capital has allows US shale producers to bring the production costs down substantially. For example the cost to produce a barrel of oil in the Bakken region is now just $15. The cartel's historical pricing power may indeed be on the wane. In the short term commodities may receive a slight bounce this week upon official announcement of the extension.

EURUSD outlook
We raised our outlook for EURUSD last month to a new range expectation of $1.07 - $1.13 from $1.05 - $1.10 for the remainder of 2017. It is fast approaching the top of our new forecast range, currently trading just shy of $1.12. Several events have driven the currency pair higher including Capital flows into Europe continue due to a strong earnings season and improving underlying economic fundamental. There has also been further speculation the ECB could tighten its monetary policy as early as its June meeting when updated staff economic projects are released to the market. Additionally, two ECB policy members have signalled two are in favour of a rate hike. The FBI investigation into Trump-Russia ties has led to a broad based weakening of the US Dollar, which is likely to drag on for several weeks. Recent comments from Fed member James Bullard who said "recent economic data has been weak and the Federal Open Market Committee's projected path for raising interest rates may be too steep" has weaken the US Dollar too and led to a tightening in yield differentials between Europe vs. the US.

Upcoming AIB IPO
As reported in the media, the Government are likely to offer certain AIB shares, in a secondary market offering or IPO, to potential investors and certain stockbrokers will be appointed as registered intermediaries to the government and Cantor Fitzgerald are hopeful of being appointed. We understand a minimum allocation amount of €10,000 may apply. Commissions will be payable by the State and not by the client applying. For existing clients these any such orders could be processed via your existing account and new clients can opt to set up accounts online. We will let you know progress and related information closer to the time of any possible offering.

Stock Coverage
This week we highlight our views on Bank of Ireland, Kingpsan, CRH, Inditex, Greencore, One51 and the Stoxx600 Banks ETF

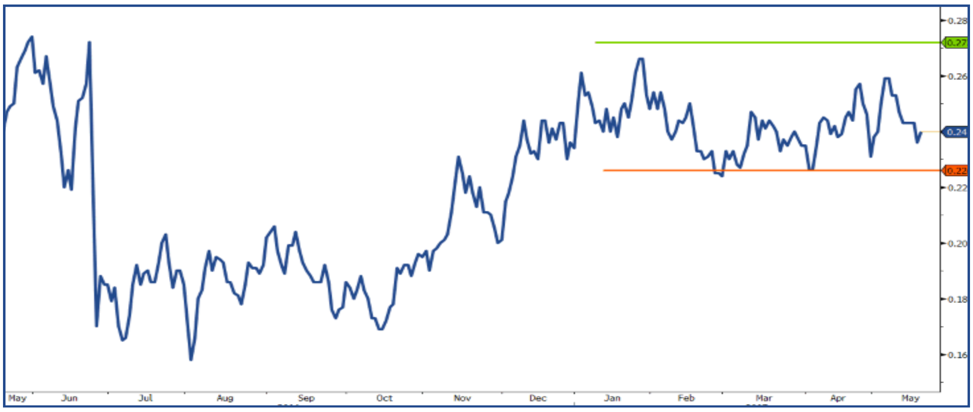
Major Markets Last Week

	Value	Change	% Move
Dow	20805	-91.77	-0.44%
S&P	2382	-9.17	-0.38%
Nasdaq	6084	-37.53	-0.61%
UK Index	7498	43.33	0.58%
DAX	12632	-174.60	-1.36%
ISEQ	6958	-98.19	-1.39%
Nikkei	19,678	-191.57	-0.96%
H.Seng	25,361	-10.79	-0.04%
STOXX600	391	-4.59	-1.16%
Brent Oil	53.9	2.08	4.01%
Crude Oil	50.73	1.88	3.85%
Gold	1256	24.82	2.02%
Silver	16.98	0.35	2.09%
Copper	257.35	3.45	1.36%
CRB Index	433.12	6.34	1.49%
Euro/USD	1.1193	0.02	1.99%
Euro/GBP	0.8619	0.01	1.27%
GBP/USD	1.2987	0.01	0.71%

	Value	Change
German 10 Year	0.36	-0.06
UK 10 Year	1.073	-0.07
US 10 Year	2.2415	-0.10
Irish 10 Year	0.821	-0.07
Spain 10 Year	1.582	-0.05
Italy 10 Year	2.112	-0.17
BoE	0.25	0.00
ECB	0.00	0.00
Fed	1.00	0.00

Bank of Ireland– New CEO to provide guidance over IT transformation process Closing Price: 24.4c

Stephen Hall, CFA | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	3.016	3.063	3.18
EPS (€'c)	2.0	2.1	2.2
Price/ Book	0.86x	0.83x	0.79x
Div Yield	2.08%	3.33%	5.42%

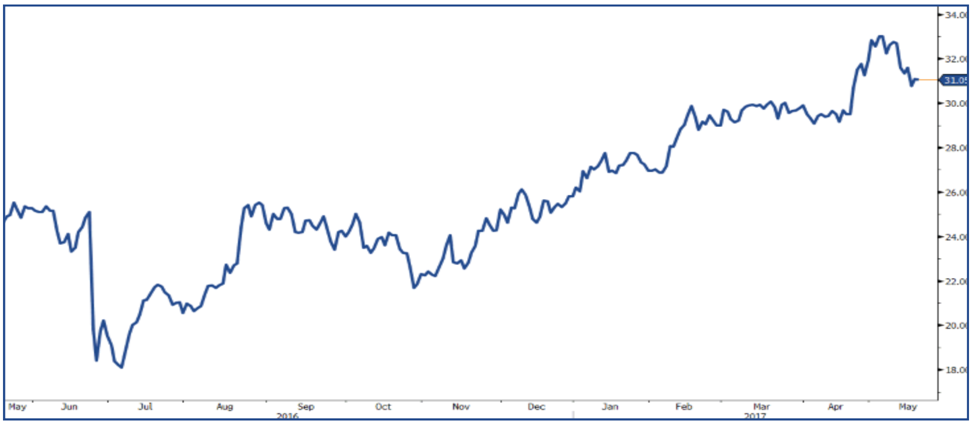
Share Price Return	1 Mth	3 Mth	YTD
BKIR	0.42%	-1.23%	2.14%

Source: Bloomberg

Last Wednesday, Bank of Ireland announced that Ms Francesca McDonagh will take over as Group CEO from the departing Richie Boucher. Ms McDonagh joins Bank of Ireland from HSBC where she is Head of Retail Banking and Wealth Management for the 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 and wealth management business in the UK since 2014, which is interesting as BKIR aims to grow its wealth management's offering to increase non-interest based income within a low interest rate environment. She also revamped the lender's digital banking platform which is of crucial importance as Bank of Ireland is currently at the early stages of its own IT investment programme as it aims to bring its cost-to-income ratio below 50% over the medium term. This was likely the key selling point ahead of other highly experienced candidates. There is speculation she may re-evaluate the Group's mortgage strategy which is focused on fixed rate lending, which has seen it lose considerable market share to AIB who has move aggressive variable pricing. We maintain our 12 month TP at 27.2c and anticipate the re-instatement of its dividend policy in 2018, alongside its IT investment commitments. It currently trades at 0.86x FY17e Price/ Book.

Kingspan - Add on short term weakness Closing Price: €31.42

Stephen Hall, CFA | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	3.514	3.668	3.89
EPS (€)	1.57	1.68	1.81
Price/ Earnings	19.9x	18.6x	17.3x
Div Yield	1.19%	1.31%	1.43%

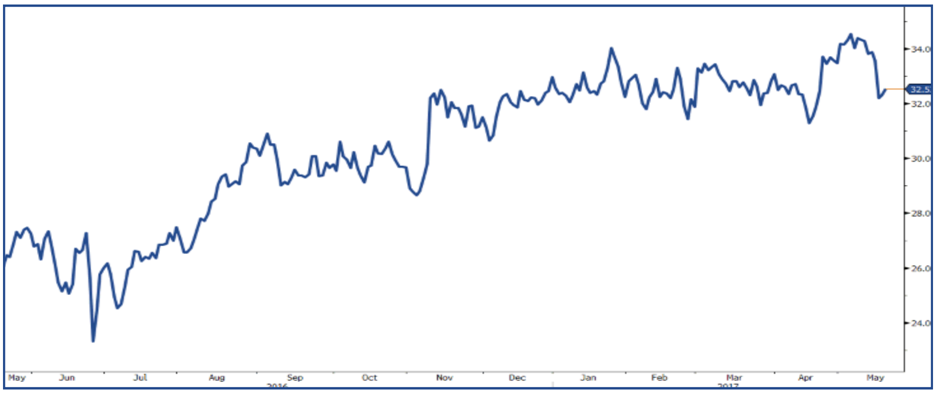
Share Price Return	1 Mth	3 Mth	YTD
KSP	6.1%	7.37%	19.9%

Source: Bloomberg

Kingspan's share price had a hugely impressive run since added it to our Core Portfolio last November 2016. Last week, we saw a period of profit taking as cyclically stocks fell out of favour briefly, however the market has already taken advantage of this dip and has recouped some of its losses. We remain positive on the fundamental outlook for the Group over a multi-year horizon. Penetration levels of Kingspan's key products are set to structurally increase due to regulatory changes and environmental awareness of the construction sector for many years to come. The Group continues to expand its geographical footprint too, and is in the early stages of growth in Asia which could be a big expansion opportunity. The Group's Net Debt/ EBITDA position is expected to fall to 0.6x by year end which leaves it with significant headroom for further bolt-on acquisitions similar to the very successful Vicwest and Joris Ide acquisitions in recent years. The biggest risk facing the Group currently is rising MDI chemical prices which is a key raw material input in the manufacturing of its insulation products. However, management is currently in the middle of raising output prices, in an attempt to protect operation margins, and we think it will be successful in doing so given its market leading position and its should be able to absorbs higher costs through improved operational efficiencies and economies of scale. We are happy to add to position given the recent weakness.

CRH – Short term volatility presents buy-in opportunity Closing Price: €32.71

Will Heffernan | Investment Analyst



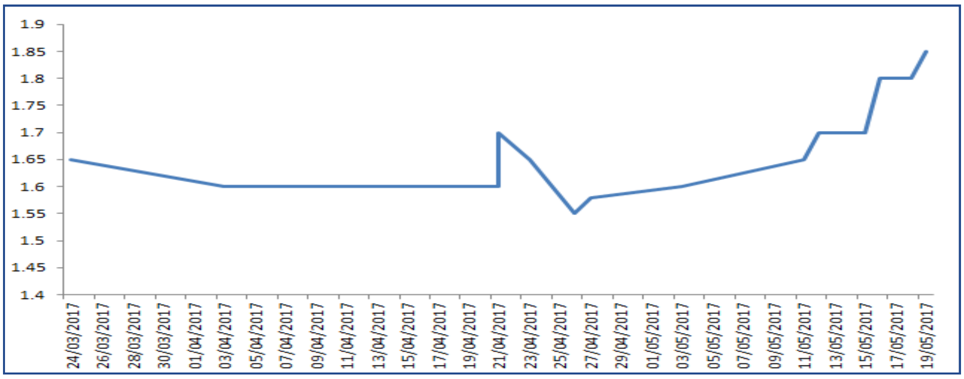
Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	28.81	30.37	31.76
EPS (€)	1.81	2.10	2.34
P/E	18.1x	15.6x	13.4x
Div Yield	2.10%	2.25%	2.55%

Share Price Return	1 Mth	3 Mth	YTD
CRH	1.22%	5.26%	0.78%

CRH's first quarter results were quite strong with sales 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. At the same time pricing power, which had been weak in Europe last year, is expected to start to improve in 2016. 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 18.12x, which is below to its 10 year average of 21.6x and well below the sector average of 26.5x. 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. CRH recently broke out of a long held trading range to above €34. However, it rally was halted last week by Trump related volatility and it fell to just under €32. We are still positive on CRH and would recommend buying on this weakness.

One51 – Macro Plastics acquisition continues US expansion Closing Price: €1.85

Will Heffernan | Investment Analyst



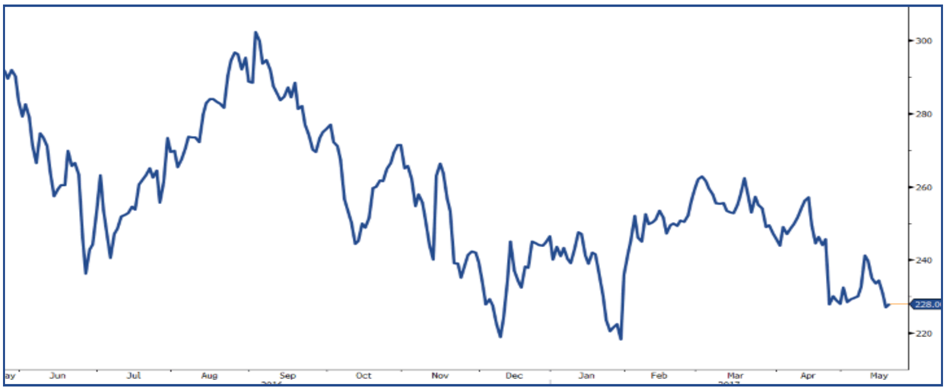
Share Price Return	1 Mth	3 Mth	YTD
One51	15.6%	8.8%	37%

Source: Bloomberg

Last week One51 announced the takeover of US based plastics manufacturer Macro Plastic for a total enterprise value of $150m. Macro is the largest manufacturer of rigid plastic bulk bins worldwide and is a market leader in providing these bulk bins to the agricultural and automotive sectors in the US. Macro operates three manufacturing facilities in California, Washington and Kentucky along with a well-established sales network. It is estimated that Macro's revenue for 2017 will amount to $95m, up from $76m in 2016 while EBITDA is expected to come in at $19m, up from $16m last year. The acquisition is expected to complete by mid-2016. The acquisition of Macro continues managements' strategy of investing in the plastics business while divesting other non-core business. At first glance Macro makes sense from a strategic perspective. It gives One51 a presence on the West Coast of America following on from recent acquisitions in other parts of the States. At the same time Macro's product portfolio is complementary to the portfolios of One5's other US interests, namely IPL and OPG. Year on year revenue growth of 25% and EBITDA growth of 19% indicates the company is in a healthy state and should be earnings accretive from this year onwards. We believe this acquisition is line with management's stated strategy of creating a global plastics business that is a market leader with niche products that are number one in their relevant sectors. We believe that the company is currently in acquisitive mode so talk regarding the flotation may be pushed down the list of priorities out to 2018 at the earliest. However, with the acquisition of Macro we believe One51 stands poised to deliver on its growth strategy. We maintain our Outperform.

Greencore – H1/17 results preview   Closing Price: GBp 230.9

Stephen Hall, CFA | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (£'Bn)	2.341	2.722	2.878
EPS (£'c)	0.157	0.175	0.193
Price/ Earning	14.7x	13.2x	11.9x
Div Yield	2.46%	2.72%	2.98%

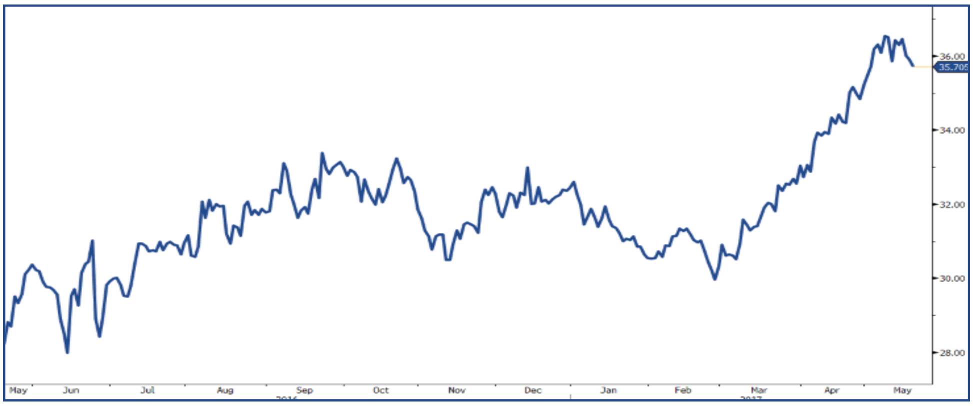
Share Price Return	1 Mth	3 Mth	YTD
GNC LN	-8.65%	-9.16%	-7.34%

Source: Bloomberg

Greencore is due to release H1/17 results tomorrow morning at 7am. The market will be paying close attention to any revised updates relating to cost synergies associated with the recent acquisition of Peacock Foods. The market will be paying close attention to potential margin pressure associated with higher raw material costs from a weakening sterling pounds on goods imported from Europe and higher labour costs in both the UK & the US, and the mitigating steps management has put in place to offset the effects of margin pressures. The market is looking for H1/17 revenues of £1.01bn, a 46% increase YoY which includes the first full contribution of the Peacock Foods acquisition, adjusted Net Income is expected to rise to £38m, which translates into an EPS of 6.3p, and represents a 48% increase YoY. We will be looking for management's interpretation of the recent acquisition of Advance Pierre by Tyson Foods, and possible threats and opportunities this brings. Management expects organic volume growth over the next 5 years at approximately 5% per annum, in line with historic growth experienced in recent years as grocery retailers continue to open more convenience store formats, and allocate more prime floor space within their stores to the higher margin, higher turnover chilled convenience FTG categories. The stock currently trades at 14.7x FY17e earnings, a 34% discount to the broader Euro Stoxx 600 Food and Beverage Index at 22.2x. Consensus 12 month target price is GBp 301, which is 26% above current prices.

Inditex – Recent weakness presents opportunity   Closing Price: €35.94

Will Heffernan | Investment Analyst



Key Metrics	2018e	2019e	2020e
Revenue (€'bn)	26.19	28.94	31.78
EPS (€)	1.18	1.33	1.49
Price/ Book	7.81	7.03	6.70
Div Yield	2.21	2.51	2.83

Share Price Return	1 Mth	3 Mth	YTD
ITX SM	6.30%	18.26%	15.7%

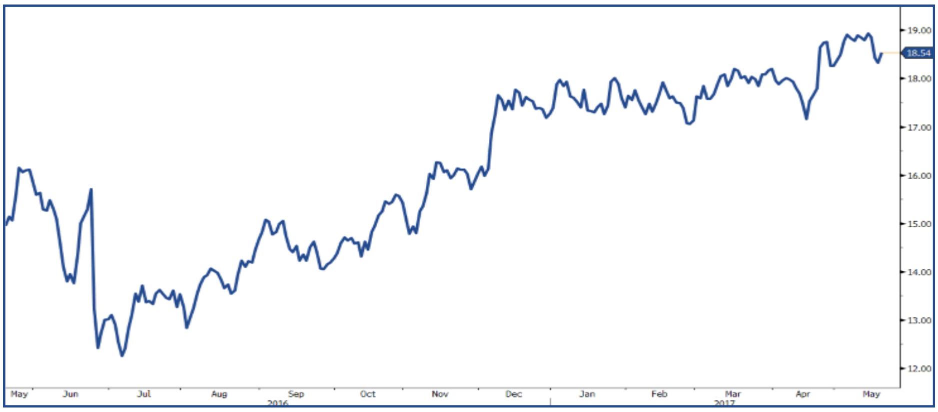
Source: Bloomberg

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. 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. 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. This shorter lead time model is much more suitable to the online retail market than the longer lead time model of Inditex's peers. The stock was up approx. 18% since our note Inditex – Fast Fashion Innovation but we believe there is still upside as investors are starting to differentiate Inditex from its other fashion retail peers. It sold off with the rest of the market by around 2% last week but we are happy to pick it up at current levels as we believe 2017 is the year where several factors are coming together to finally push Inditex ahead of its peers. We maintain our Outperform.

Stoxx600 Banks ETF – Recent yield decline should abate

Closing Price: €18.52

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	6.37%	8.85%	18.9%

Source: Bloomberg

Following on from the Macron victory European equities are now flavour of the month and inflows have ticked up. Yields had also risen with the German 10 year moving from 0.15% to 0.43%. However, following a day of Trump related volatility, that yield came back down to 0.347%%. Financials were hit hard as a result and the Stoxx600 Bank ETF moved from €18.92 to €18.31. However, we believe this is a transitory phase and yields should recover and move higher. 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), the German 10 year rate is likely to move closer to the top of the range it has been in since December which is at 0.5%. Financials should benefit if this occurs and we believe this recent weakness represents a good point for increasing exposure in this sector. The major downside risks to yields and this trade in the near term would be a reversal of recent flows in Europe or the ECB reemphasising its dovish stance. Looking towards the end of 2017, it is likely that European yields will be at higher levels than they are currently, which should drive Financials' performance over that time frame also. From a technical perspective the Stoxx600 Banks Index is currently priced at €18.515. The next range up is from this is €18.74 - €22.99. It has entered this range before three times in the past three years in a rising rate environment and subsequently pushed on to the top of the price range which implies a 24%% return. If yields continue to rise we believe it will push towards that range again. We recommend the Stoxx600 Banks ETF (SX7PEX GY) which tracks this index to carry out this trade

From the News - Monday Headlines

- **Global** Brazilian President under increasing pressure to resign
- **Europe** Facebook faces more regulatory challenges in Europe
- **US** Trump attacks Iran in "good and evil" speech
- **UK** Senior Tories kept in the dark over changes to social care in manifesto
- **Oil** Market rebalancing needs "much work" says IEA
- **Ireland** CarTrawler looks set to be sold a third time
- **Dublin** Marlet wants to add 76 apartments to Bluebell development

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**
Glanbia - AGM	Hibernia REIT - Prelims. Greencore - Intrim. RD Shell - AGM Datalex - Q1 Update	M&S - Final Results. Glencore - AGM. Paypal AGM. Travis Perkins -AGM	Legal & General - AGM	NA
Economic	**Economic**	**Economic**	**Economic**	**Economic**
UK House Price Index	GE PMI US Manf. PMI US Comp. PMI	US Existing Home Sales FOMC Minutes	UK GDP YoY US Kansas City Fed Manf. Activity	US GDP Price Index Durable Goods

Upcoming Events

29/05/2017 NA	29/05/2017 N/A
30/05/2017 IRES REIT. Aryzta. Ryanair.	30/05/2017 GE CPI, US PCE
31/05/2017 NA	31/05/2017 CH PMI, EC CPI, US ISM Manf.
01/06/2017 NA	01/06/2017 US ADP Employment Change, UK Manf. PMI
02/06/2017 NA	02/06/2017 US NFP, US Avg. Hourly Earnings

Cantor in The Media

- Breakfast Business, Newstalk : A preview of Vodafone - Senior Stockbroker Alan Breen—Cantor Fitzgerald Ireland
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- CNBC: Fed has boosted equity markets, nothing else Peter Cecchini—Chief Market Strategist
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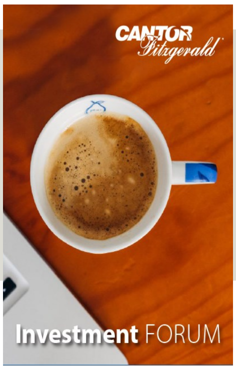

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Through our investment Forum we bring you the latest market news, investment insights and a series of informative articles from our experts.

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Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

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

Kingspan: Kingspan Group PLC is a global market player in high performance insulation and building envelope technologies.

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

One51: The One51 Group comprises two operating divisions focused on Plastics and Environmental Services

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

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

Historical Record of recommendation

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

Kingspan: We have changed our rating for Kingspan from Not Rated to Outperform on the 14/03/2016 .

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

One51: We have an Outperform on rating on One51 since 17/7/15 changing to Outperform from Not Rated.

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

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

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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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