Weekly Trader

Upcoming Market Opportunities and Events

CANTOR Fitzgerald

Monday, 8th May 2017

Key Themes this Week

EURUSD - Potential to push higher

EURUSD is currently trading right at the upper end of our $1.05 - $1.10 forecast range for all of 2017. However, we feel the currency pair could break to the topside of our forecast range and rally towards $1.13 in the second half of 2017. The main reason for the Euro's recent outperformance versus its main G10 trading partners is down to reduced political risks in Europe. At the same time underlying economic fundamentals in Europe are steadily improving, while US data is showing signs of softening. The euro should continue to strengthen if the recent theme of positive economic data surprises continues in Europe. The market is once again seeing capital flow into Europe supported by upward revisions to European earnings. To date in Q1/17 earnings season in Europe, of the 36 companies in the Euro Stoxx 50 who have reported 91% have beat on sales and 70% have beat on earnings. Finally, an unwinding of long US Dollar positions and the significant current account surplus differential between the Eurozone and the US should provide a positive underlying flow to EURUSD. We now see EURUSD trading within a $1.07 - $1.13 range into year end .

Commodities Rout - China & US Shale Producers

Iron ore's tough week has opened up a pathway for benchmark prices to drop back into the $50 a metric tonne, or possibly even lower as investors concern mounts about rising supplies. What has also not helped is the current tightening by the People's Bank of China which is reducing demand for commodities across the board. Oil has also felt the effect, dropping below $45 a barrel. This comes at a time when US shale producers are offsetting any effects of OPEC supply cuts by increasing production. There have been 11 consecutive weeks of expansion in US oil production OPEC are expected to extend these cuts beyond June at their next meeting. Any price appreciation that may arise from an OPEC cut extension is likely to be met with further US production. Traditionally there has been a high degree of correlation between the oil and metal prices. However China absorbs only 13% of total oil supply but about 50% of total supply of industrial metals. We think that the decline in metals is being driven solely by the fall off in Chinese demand while the oil price decline stems more from the ability of US shale producers to ramp up production in a short space of time. This means that oil price change may be a structural issue and result in lower oil for longer while metals prices should bounce back as Chinese demand comes back on-stream.

Macron Victory - A Welcome Result

Markets breathed a sigh of relief on Sunday as Emmanuel Macron comprehensively beat Marine Le Pen to the French Presidency. Mr Macron, a pro-business & pro-EU candidate, will assuage market worries about the stability of the European Union. 2017 was set to be a year of political risk in Europe but with this victory and the likelihood of a centrist victory in German election in September, flows into Europe are likely to pick up pace. Europe has outperformed the US so far this year based on relatively stronger European economic data. If this trend continues along with declining political risk 2017 is set to be the year where European equities finally outperform their US counterparts.

Major Markets Last Week

	Value	Change	% Move
Dow	21007	66.43	0.32%
S&P	2399	15.09	0.63%
Nasdaq	6101	53.15	0.88%
UK Index	7310	105.62	1.47%
DAX	12708	269.94	2.17%
ISEQ	7123	262.68	3.83%
Nikkei	19,896	606.27	3.14%
H.Seng	24,548	-150.50	-0.61%
STOXX600	395	7.88	2.04%
Brent Oil	49.27	-2.25	-4.37%
Crude Oil	46.45	-2.39	-4.89%
Gold	1231	-25.30	-2.01%
Silver	16.377	-0.48	-2.85%
Copper	249.5	-16.55	-6.22%
CRB Index	427.39	2.85	0.67%
Euro/USD	1.096	0.01	0.56%
Euro/GBP	0.8444	0.00	-0.16%
GBP/USD	1.298	0.01	0.73%

	Value	Change
German 10 Year	0.40%	0.09
UK 10 Year	1.12%	0.04
US 10 Year	2.34%	0.03
Irish 10 Year	0.86%	0.01
Spain 10 Year	1.58%	-0.06
Italy 10 Year	2.21%	-0.07
BoE	0.255	0.00
ECB	0.00%	0.00
Fed	1.00%	0.00

Core Portfolio Changes – European exposure increased

Closing Price: $29.22

David Beaton | Chief Investment Officer

Key Metrics	2017e	2018e	2019e
Revenue ($'bn)	125.31	133.06	134.02
EPS ($)	1.627	1.891	2.092
Price/ Earnings	17.95x	15.44x	13.96x
Div Yield	3.26%	3.37%	3.53%

Share Price Return	1 Mth	3 Mth	YTD
General Electric	-2.72%	-1.6%	-7.5%

Source: Bloomberg

Following a strong performance for the first four months of the year which has seen a 8.43% return against the benchmark performance of 6.13%, we have taken the opportunity to make a number of changes to the Cantor Core Portfolio. The changes in constituents and weightings reflects our overall market preference for European equities over US equities on a relative valuation basis, stronger positive earnings revisions, stronger economic data, reduced political risk and the ongoing accommodation of the ECB.

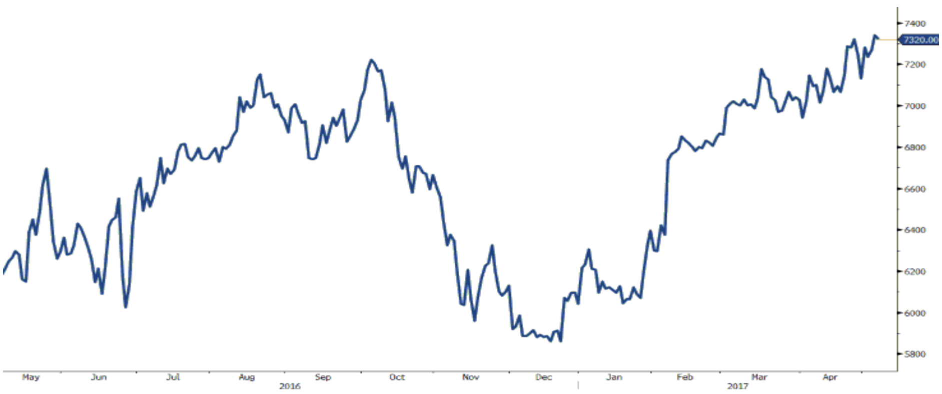
As part of the portfolio review we removed US industrial group General Electric over concerns about the company's Free Cash Flow generation which is critical for its dividend and buy-back policy. Also among the US holdings we have reduced exposure to the technology holdings of Alphabet, Amazon, Facebook and PayPal. All four stocks recently reported estimate-beating Q1 results which has pushed them close to over-bought territory. Despite this reduction in exposure, we remain overweight the sector and maintain our positive longer-term outlook on all four names. The final change in the US portfolio sees a reduction in exposure to telecoms group Verizon.

The reduction of exposure to the US is replaced with an increased exposure to our preferred region of Europe through the addition of a holding in the Ishares Stoxx Europe 600 Bank ETF and an increase in exposure to the existing holdings of CRH, Daimler, Inditex and Smurfit Kappa, while there is also a weighting increase to the UK holding of DCC.

DCC - Management continue to excel in M&A

Closing Price: £73.40

Will Heffernan | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (£'bn)	12.06	13.1	13.71
EPS (£)	2.988	3.220	3.606
Price/ Earnings	24.2x	22.5x	20.1x
Div Yield	1.53%	1.68%	1.86%

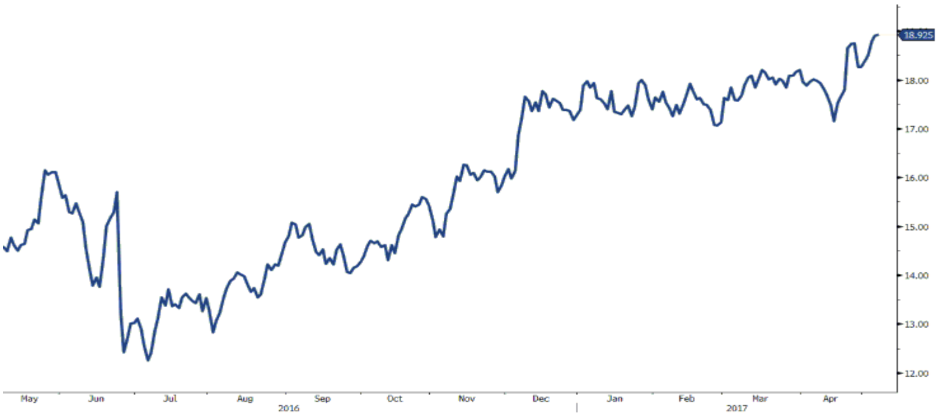
Share Price Return	1 Mth	3 Mth	YTD
DCC	1.75%	13.24%	20.3%

Source: Bloomberg

DCC recently announced the divestment of its Environmental business for £219m. This was a sale that DCC had in the works for a while and we believe it will benefit the business going forward as the Environmental division was traditionally an underperforming business relative to the others. At the same time management also announced the acquisition of Shell's LPG business in Hong Kong and Macau for approx. £120mn. This follows on from the previous acquisition of Esso's retail business in Norway. This continues the growth trajectory that has brought DCC from being a UK and Irish based operation to a company that is a substantial European player. The acquisition in Hong Kong will also give it a decent platform for expansion in Emerging Markets which in our opinion will be the growth engine of the future. Management has always historically been excellent and execution and integration of M&A, resulting in consistent earnings upgrades for the past few years and last led to double digit operating profit growth over the past 5 years which is well ahead of its peers. DCC has a very strong balance sheet with 0.5x net debt to EBITDA so we would expect this acquisitive trend to continue. It is currently up 15% year to date but the technicals indicate positive price momentum. We maintain our Outperform.

Stoxx600 Bank ETF – Macron victory should benefit sector Closing Price: €18.90

Will Heffernan | Investment Analyst



SX7PEX Key Metrics	Current
Market Cap (€mn)	6.74.68
30 Day Avg Vol	334.2k
Div Yield	2.07%
Div Frequency	Quarterly

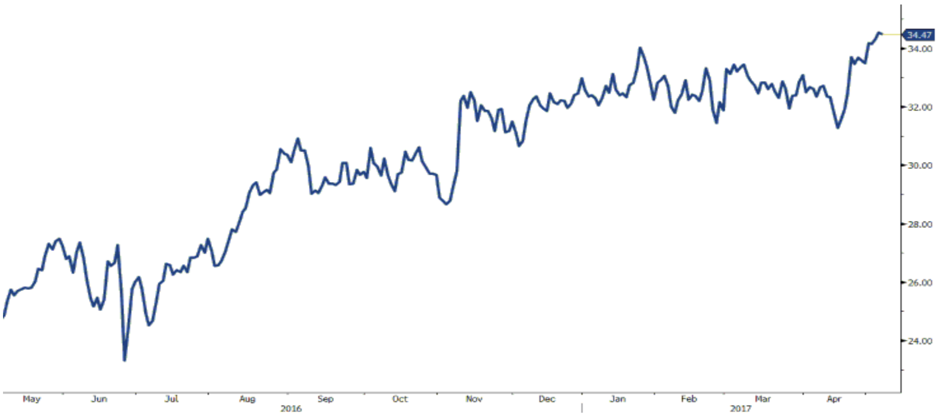
Share Price Return	1 Mth	3 Mth	YTD
SX7PEX GY	7.1%	8.31%	12.4%

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 Emmanuel Macron winning the French election and a centrist candidate tipped to win the German election, European political risk has declined substantially. As a result yields have ticked up with the German 10 year rising from 0.18% to 0.41%. 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. If yields continue to rise we believe the overall sector will profit. We recommend the Stoxx600 Banks ETF (SX7PEX GY) to carry out this trade. This ETF is currently priced at €18.90 with near term support at €18.19.

CRH – Volume increase good for sector Closing Price: €34.53

Will Heffernan | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	30.398	31.768	34.331
EPS (€)	1.815	2.103	2.44
Price/ Book	1.88x	1.75x	1.62x
Div Yield	1.98%	2.12%	2.45%

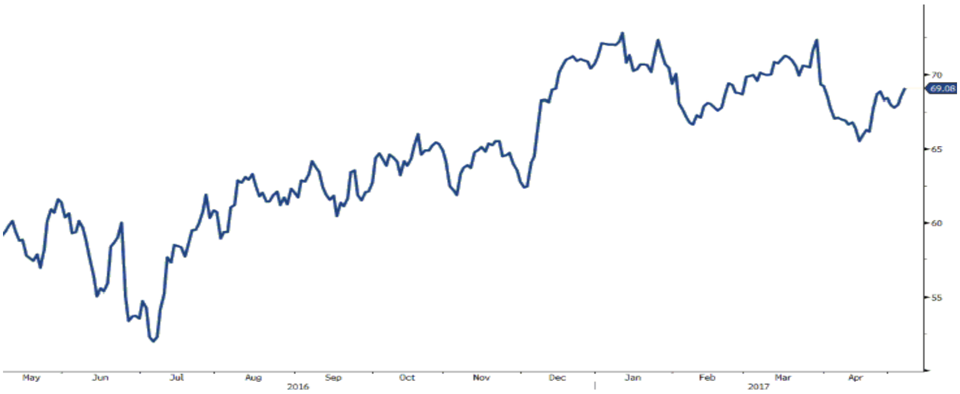
Share Price Return	1 Mth	3 Mth	YTD
CRH	1.22%	5.26%	6.46%

Source: Bloomberg

CRH released a trading update for Q1 2017 this month 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.

Daimler – Increasing portfolio weight to 6% Closing Price: €68.52

David Donnelly, CFA | Senior Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	160.25	163.91	168.93
EPS (€'c)	7.64	7.77	7.72
Price/ Book	1.13x	1.04x	0.96x
Div Yield	5.04%	5.13%	5.17%

Share Price Return	1 Mth	3 Mth	YTD
Daimler	-1.16%	3.26%	0.90%

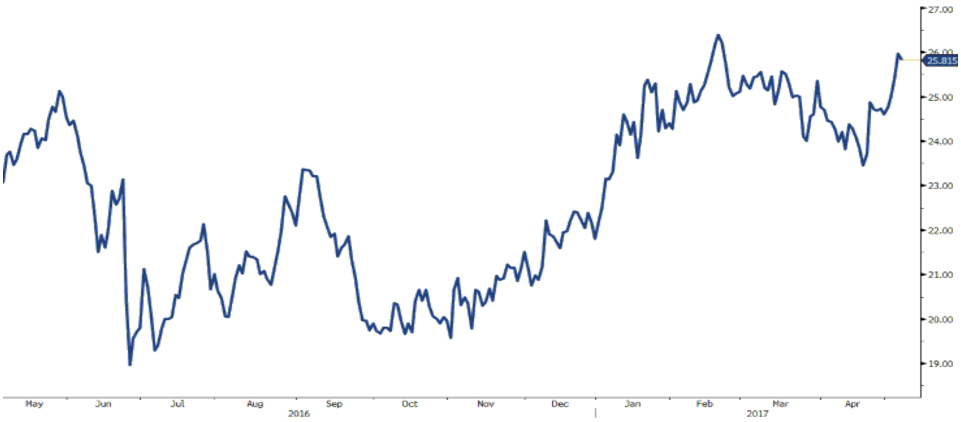
Source: Bloomberg

We are increasing our weighting in Daimler to 6% from 5% reflective of the strong results the company posted for the first quarter. The results show an 86% year-on-year rise in EBIT, driven by strong performance in Mercedes Benz across all of its lines, and some one-off items. Performance in each division was strong, with Trucks +29%, Vans +19%, Buses +66%, Financial Services +21% and Cars +60%. Overall margin also increased to 9.8% from 7%.

Daimler is benefitting from increased popularity following the redesign of its marquee lines last year, aiding the company in regaining the number one position in luxury cars with the Mercedes brand. Its closest rival BMW has launched a redesigned version of its 5 series, however any benefits usually take many months to translate to the company's bottom line, leaving scope for Mercedes to continue to dominate in the near term. Management have also guided that operating profit growth would be "significant" this year, which compares favourably against the previous forecast of only a "slight" increase.

Smurfit Kappa – Q1/17 review Closing Price: €25.95

Stephen Hall, CFA | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	8.44	8.65	8.77
EPS (€)	2.07	2.21	2.33
Price/ Earnings	12.34x	11.6x	10.97x
Div Yield	3.25%	3.44%	3.64%

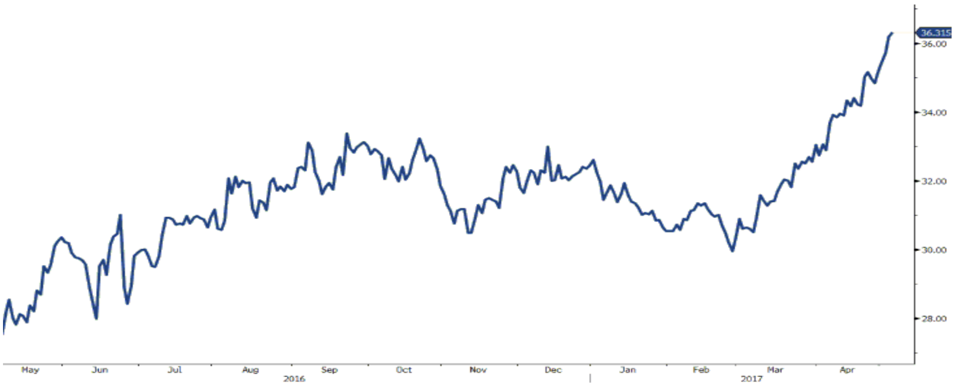
Share Price Return	1 Mth	3 Mth	YTD
SKG	1.6%	3.14%	19.9%

Source: Bloomberg

Smurfit released a very solid set of results on the 5th May. Despite facing a margin squeeze from higher fibre raw material costs which increased by €30m YoY, it reported Q1/17 revenues of €2.13bn, a 6% increase YoY and 4% ahead of analyst's consensus expectations. Q1/17 EBITDA declined marginally by 1% to €278m, but still 4% ahead of analyst's expectations. EBITDA margins in Q1/17 were squeezed to 13% from 14% in Q1/16 and 15.1% in 2016 overall, which was well anticipated by the markets. Its net debt position reduced by €100m during the quarter to €2,931m, meaning its Net Debt/ EBITDA ratio stood at 2.4x, and management anticipates this ratio staying in a range of 2.0x – 3.0x over the medium term to maintain a BB+ credit rating. The Group recorded a ROCE of 15% in Q1/17 as management continues to effectively allocate capital. Underlying volume growth was very strong in Europe and the Group anticipate further pricing increases in H2/17. We remain bullish on the underlying fundamentals of Smurfit's business 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. We think Smurfit's share price can break through first key resistance at €26.40 in the near term.

Inditex – 2017 primed to be Inditex's year Closing Price: €36.32

Will Heffernan | Investment Analyst



Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	23.31	26.18	28.92
EPS (€'c)	1.01	1.18	1.33
Price/ Book	8.38x	7.93x	7.13x
Div Yield	NA	2.18%	2.47%

Share Price Return	1 Mth	3 Mth	YTD
Inditex	11%	18.79%	12.5%

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 is 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. We maintain our Outperform.

Ryanair - Weak oil & traffic stats driving return Closing Price: €16.91

Stephen Hall, CFA | Investment Analyst

Key Metrics	2017e	2018e	2019e
Revenue (€'bn)	6.66	7.02	7.77
EPS (€)	1.06	1.19	1.27
Price/ Earnings	16.03x	14.13x	13.24x
Div Yield	0%	0.54%	0.49%

Share Price Return	1 Mth	3 Mth	YTD
Ryanair	9.81%	11.34%	16.7%

Source: Bloomberg

There are several factors behind the significant rally in Ryanair in recent weeks which includes a big drop in oil prices with WTI oil prices currently trading below $45. Evidence that US oil shale production increases are outweighing the benefit of OPEC production cuts have significantly weighed on oil prices of late. The recent announcement of its 4th year of its Always Getting Better (AGB) customer focuses strategy was received well by the market. Italy is Ryanair's largest market and holds a no. 1 position and Alitalia's bankruptcy could provide an opportunity to capture further market share and boost earnings growth. Ryanair's traffic stats for April 2017 were incredibly strong with a 3 percentage point increase in its Load Factor to 96% and a 14% growth in passengers carried. European cyclical stocks have been in vogue too due to upward earnings revisions and improving underlying economic fundamentals in Europe. We are long term holders of Ryanair, however short term technical indicators are extremely stretched with Daily RSI reaching a high of 84 last Friday, where we suggested taking profits for active trading client. On the 10th October 2016, we had a conviction call to add to existing Ryanair positions on weakness ahead of key support at €10.90. This recommendation has rallied 57% as of last Friday. AS mentioned, Ryanair remains a long term conviction buy as the best in class operator in the European low cost carrier space given its competitive advantage in lower costs and fares, in our opinion. The next major event/ catalyst is the release of its FY17 results on the 23rd May 2017. Early signs of traction in Ryanair Rooms and Ryanair Holidays launched in H2/16 would be a surprise developed when results are released.

From the News - Monday Headlines

- **Europe** Macron sweets to victory in France election
- **Currencies** Euro hits six month high against the dollar on Macron win
- **US** Wall Street worries as trading activity falls off in the second quarter
- **UK** Tories to stick with missed migration target for election
- **Oil** Major fall in crude casts shadow over strong oil earnings
- **Ireland** Set for fastest euro zone growth for 4th year in a row
- **Aryzta** Currently evaluating alternatives for its 49% stake in Picard
- **Paddy Power** Biggest investor increases stakes to more than 13%

AIB IPO - Possible Offering

As reported in the Independent, 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 will 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.

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**
Centrica	Grafton Group IFG Diageo William Hill	Dalata PTSB Aviva SAP Volkswagen Heidelberg	BT Mondi Philips BMW Alibaba	
Economic	**Economic**	**Economic**	**Economic**	**Economic**
EC Investor Confidence CH Trade Balance	US Small Business Optimism US Jobs Open	CH CPI US Mortgage Applications	UK Manuf Production UK BoE Bank Rate	US CPI Core Index U of Mich Sentiment

Upcoming Events

15/05/2017 NA

16/05/2017 Vodafone Prelims, DCC FY

17/05/2017 Paddy Power Betfair AGM, Cisco Q3

18/05/2017 NA

19/05/2017 NA

15/05/2017 Retail Sales YoY, Empire Manufacturing

16/05/2017 CPI YoY, Housing Starts

17/05/2017 CPI YoY, CPI Core YoY, MBA Mortgages

18/05/2017 Retail Sales Ex Auto Fuel Yoy, Philidelphia Fed

19/05/2017 PPI YoY, Consumer Confidence

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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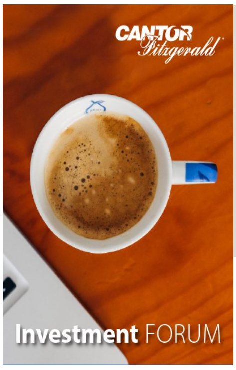

Investment Forum

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

DCC: DCC is a sales, marketing, distribution and business support services Group. The Group operates in the following sectors, energy, IT entertainment products, healthcare, and environmental services. DCC's strategy is to grow a sustainable, diversified business.

Smurfit Kappa Group: Smurfit Kappa Group PLC manufactures containerboards, solid boards, graphic boards, corrugated and solid board packaging products.

Daimler: Daimler AG develops, manufactures, distributes, and sells a wide range of automotive products, mainly passenger cars, trucks, vans, and buses

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

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

Historical Record of recommendation

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

DCC: We have an Outperform on DCC as of 17/8/15 changing to Outperform from Not Rated.

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

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

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

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

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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