

Tuesday, 20th June 2017

Morning Round Up

French President Macron wins a decisive majority in parliament.

French President Emmanuel Macron has won a decisive majority in parliamentary elections at the weekend, giving him considerable power as he embarks on reforms to reinvigorate the economy and restore French influence in Europe. Mr Macron's party La République en Marche and its centrist ally Modem secured 350 of the 577 seats in the National Assembly. The far-right National Front, whose leader Marine Le Pen lost the presidential election to Mr Macron, won nine seats. Ms Le Pen will sit in the National Assembly for the first time, representing her stronghold in northern France. Macron's solid majority reinforces the legitimacy of the 39-year-old president. It clears the way for the contentious reforms he has outlined during his presidential campaign.

Big banks poised to step up pay-outs to shareholders

Big banks in the US are forecast to step up pay-outs to shareholders, as they clear the latest round of tests designed to ensure they could withstand a catastrophic shock to the system. The banks have been given endorsement from the US Federal Reserve for the way they manage their risks. After applying the most severe of scenarios, many banks should have enough "excess" capital to increase returns to shareholders. This Thursday the 34 banks will discover whether the Fed thinks they have enough capital to cope with an Armageddon-like scenario. The following Wednesday, the Fed will announce whether the banks have been cleared to make the capital returns they have requested for the following year. Thirteen of the biggest and most complex lenders will have been subjected to an additional test on whether they have a strong enough grip on their capital-management processes. The rising pay-outs come at a time when a new set of regulators, appointed by the Trump administration, is preparing to chip away at Obama-era regulations.

Brexit talks formally begin

Yesterday was the first day of formal Brexit negotiations. David Davis, Britain's Brexit secretary, met Michel Barnier, the EU's chief negotiator, in Brussels. The intention was for the two sides to meet, exchange views, plan practicalities and set agendas, ahead of more detailed talks in coming weeks. Theresa May, Britain's prime minister, will follow through on the first one-day encounter with an explanation to EU leaders at a summit dinner on Thursday night about what Britain's inconclusive election means for her exit plans. The European Commission's has insisted that trade talks only start once Britain gives assurances on a gross Brexit bill of up to €100bn and settles questions over the rights of 4million migrants caught out by Brexit.

EURGBP - price chart



Key Upcoming Events

- 21/06/17 - US Housing Data
- 26/06/17 - US Durable Goods Orders

Market View

Yesterday, the US Tech space which has been under pressure over the past 2 weeks rebounded strongly which supported global equity markets. Brexit negotiations began yesterday with no immediate impact on EURGBP which will be extremely sensitive to Brexit headline risk over the coming weeks and months. Yesterday in the US, Fed member William Dudley reiterated Janet Yellen's hawkish tone from the Fed's council meeting last Friday. He said "halting the tightening cycle now would imperil the US economy". Treasuries sold off on the back of this comments and the US Dollar caught a bid. No less than 6 Fed council members will speak later this week, and the market will be closely watching to see if they are sign from the same hawkish hymn sheet.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	21529	144.71	0.68%	8.94%
S&P	2453	20.31	0.83%	9.59%
Nasdaq	6239	87.26	1.42%	15.90%

Nikkei	20,230	162.66	0.81%	5.84%
Hang Seng	25,864	-60.19	-0.23%	17.56%

Brent Oil	46.94	0.03	0.06%	-17.39%
WTI Oil	44.37	0.17	0.38%	-17.41%
Gold	1246	2.59	0.21%	8.62%

€/\$	1.116	0.0011	0.10%	6.11%
€/£	0.8756	0.0004	0.04%	2.59%
£/\$	1.2746	0.0009	0.07%	3.29%

	Yield	Change
German 10 Year	0.28%	-0.001%
UK 10 Year	1.03%	0.012%
US 10 Year	2.18%	-0.004%

Irish 10 Year	0.68%	-0.001%
Spain 10 Year	1.44%	-0.013%
Italy 10 Year	1.94%	-0.018%

Amazon (Outperform) - Whole Foods acquisition could be a potential game changer

Closing Price - \$780.89

News

Last Friday, news broke that Amazon is to acquire Whole Foods for \$13.7bn as it plans to expand further into groceries as it looks to disrupt yet another industry. US grocery sales are estimated to be in the region of \$800bn per annum and if Amazon is successful in capturing market share in the space, this could provide meaningful upside growth to future earnings. Amazon will pay \$42 a share in cash for the organic-food chain and is by far its biggest acquisition to date. However, Whole Foods' share price currently trades above \$42, as some investors are speculating there could be a counter offer from an Amazon competitor such as Walmart. Amazon had \$21.5bn of cash on its balance sheet at the end of March 2017. Whole Foods is popular for its organic and natural food offering and its brand will continue to operate on its own. The growth of healthy eating is a structural trend which we see lasting for many years to come as millennials live a more active lifestyle.

Comment

Amazon's share price came under pressure last week in line with the broader tech space due to concerns of rich valuations. However, the market reacted positively to this announcement last Friday with Amazon closing up over 3.3% on the day while the rest of the large traditional brick and mortar publicly quoted grocery retailers in the US such as Walmart and Kroger's share prices were down between 5% - 9% on the news. Amazon has disrupted countless industries in recent years through its dominant ecommerce platform and it now looks set to disrupt the grocery sector. Amazon already runs Amazon Fresh in large US cities such as New York and L.A., which is a grocery delivery service and is quickly growing in popularity as part of the Amazon Prime membership. Amazon is also trailing a new store format called Amazon Go where customers pick up the goods they want but they don't queue to pay for the items picked out. Instead the technology in store charges them once they step foot outside the door, where the transaction is then considered complete. In a world where consumers are willing to pay a premium for convenience, this store format could be a disruptor. Amazon will acquire 460 physical store locations across the US as part of the deal which will support its distribution efforts. We remain positive on the long term growth potential of Amazon despite its impressive share price performance in recent years. It has a market leading position in ecommerce, and cloud storage which are two industries which are set to benefit from structural improvements from many years to come which should support earnings growth in the business. Amazon continues to diversify its revenue streams and is a highly innovative business which is constantly looking to disrupt inefficient industries through technology advancement. We are positive on long term growth potential of Amazon on a 3 to 5 year time horizon.

Stephen Hall, CFA | Investment Analyst

Greencore (Outperform) - Greencore set to host Capital Markets Day in the US

Closing Price - £2.49

News

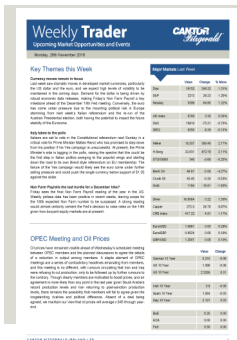
Greencore are set to host its second Capital Markets Day in Chicago today. Management's goal will be to showcase its assembly facilities, and potential increase US institutional shareholders understanding of the business. Any potential updates on revenue and cost synergies from the recent Peacock Foods transaction could provide an upside surprise to the stock on the day. Also any commentary which could ease investor's concerns of Tyson Foods' acquisition of Advanced Pierre could lead to a positive re-rating in the stock. Any discussion around the pipeline of potential new contract wins in the US and its outlook for capacity utilisation would be beneficial. The market could take some comfort if they feel the Peacock Foods integration remains on track and can be reassured about the long term organic growth prospects of the underlying categories Greencore operates in the US such as salad kits, and breakfast sandwiches.

Comment

We feel investors are still in wait to see more with regards to the US business and are waiting for evidence of operating performance in the US. If management can deliver in the US this will build confidence among investors and should lead to positive re-rating in the stock. Greencore is operating with a very attractive sub-segment of the Food-To-Go retail in the UK and the US and the trend of large CPG players outsourcing their food assembly in the US looks set to continue. and Greencore's customer base in the UK such as M&S, and Sainsburys are allocating more floor space to FTG products and simultaneously opening more convenient store formats which center around FTG which should help organic growth prospects. Greencore trades at 15.9x FY17e earnings which is a steep 28% valuation discount to the broader Euro Stoxx 600 Food and Beverage Index at 22x earnings despite having greater organic growth prospects. We reiterate our Outperform rating on Greencore and are confident in the continued growth potential of its UK and US businesses. Its consensus 12 month target price is GBP 303.78, which is achievable in our opinion.

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

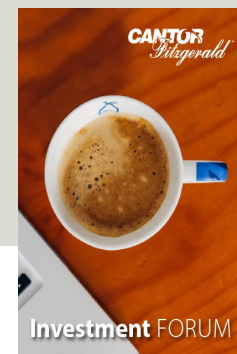
[Click Here](#)



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)

Amazon: Amazon.com, Inc. is an online retailer that offers a wide range of products. The Company's 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.

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.

Historical Recommendation

Amazon: We have an Outperform recommendation for Amazon since 26/07/13, and no changes have been made since then.

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

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