Daily Note

Views, news and topics from today's markets

CANTOR Fitzgerald

Tuesday, 3rd October 2017

Morning Round Up

Junker and the European Union do not recognise Catalan referendum

Catalan President Carles Puigdemont appealed to the European Union to support the outcome of the Catalonian referendum. Two million Catalans backed independence out of 2.3 million votes casted in an elgible voting population of 5 million. Puigdemont may announce the formation of a Catalan republic on Oct. 6. Despite clashes with seemingly peaceful citizens, Spanish Prime Minister Rajoy praised police for their "calmness" in defending the constitutional order after they orchestrated raids on polling stations and seized ballot boxes in their efforts to shut down the vote. However the pictures and videos shared globally on social media painted a different picture and Puigdemont's description of the crack down as "unjustified, excessive and an irresponsible use of violence" seem more an appropriate tone. In a statement released on Monday afternoon from the European Commission, it asserted that it did not recognise the referendum and added that it reiterated were Catalonia to vote legally to leave Spain it would also "find itself outside the EU". These events heightened European political risk and caused the Euro to weaken.

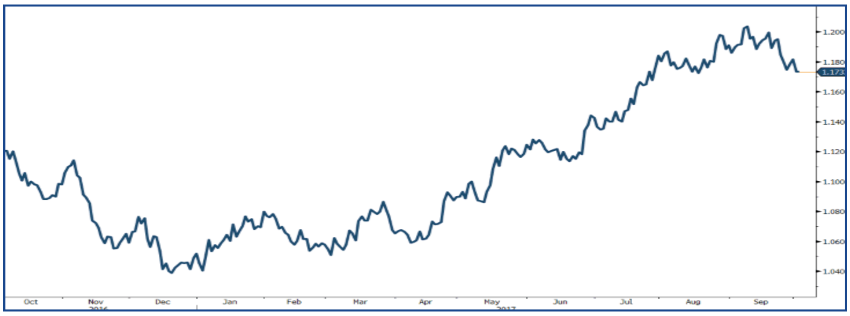
UK manufacturing growth unlikely to offset larger economic concerns

UK manufacturing growth remained "solid" in September and inflation pressures built, according to an IHS Markit purchasing-manager survey. The results are likely to keep the Bank Of England on track towards an expected interest rate increase. While the key factory index slipped to 55.9 from 56.7 in August, that's still well above the 50 level that divides expansion from contraction. A measure of input costs jumped and factories are passing on at least some of the increase. Output prices advanced at the fastest pace in four months. Markit's survey showed that increases in new orders slowed in September, though they remained above the long-run average. However despite the continued solid progress of manufacturing and export growth it is unlikely to offset concerns about a wider economic slowdown.

Euro Area Factories adding staff as orders stretch capacity

Euro-area factories are scrambling to add staff as burgeoning orders stretch capacity. A Purchasing Managers Index for the region's manufacturing industry rose to 58.1 in September from 57.4 the previous month reports HIS Markit. This the highest level in more than six and a half years. The currency bloc's economy is on track to expand 2.2% this year, the strongest pace in a decade as global trade, central bank stimulus and reduced political risks all combine to support growth. Factory activity expanded in all major European countries led by Germany and the Netherlands. Greece enjoyed its strongest growth since June 2008.

EURUSD - chart



Source: Bloomberg, CF Research October 2017

Key Upcoming Events

26/10/2017—ECB Meeting

Market View

The euro came under pressure due to political risks in Spain, while the US Manufacturing ISM posted its strongest reading in 13 years yesterday helping to give the dollar a bid. EURUSD retraced to $1.1723 this morning. This euro weakness has helped the DAX Index retest highs of the year this morning at 12950. The backdrop for European equities remains positive in our opinion into year end which has significantly outperformed US equities year-to-date. Key market focus for the rest of the week with be the release of the ECB's recent minutes and US employment data on Friday, with wage inflation data likely to garner the most attention from investors.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	22558	152.51	0.68%	14.14%
S&P	2529	9.76	0.39%	12.97%
Nasdaq	6517	20.76	0.32%	21.06%
Nikkei	20,614	213.29	1.05%	7.85%
Hang Seng	28,095	541.08	1.96%	27.70%
Brent Oil	55.88	-0.24	-0.43%	-1.65%
WTI Oil	50.5	-0.08	-0.16%	-5.99%
Gold	1271	-0.21	-0.02%	10.76%
€/$	1.1731	-0.0002	-0.02%	11.54%
€/£	0.8832	-0.0006	-0.07%	3.48%
£/$	1.3283	0.0007	0.05%	7.64%

	Yield	Change
German 10 Year	0.46%	0.013%
UK 10 Year	1.36%	0.028%
US 10 Year	2.35%	0.005%
Irish 10 Year	0.75%	0.006%
Spain 10 Year	1.70%	0.001%
Italy 10 Year	2.15%	-0.006%

Source: Bloomberg, CF Research October 2017

Green REIT - Yields ticking up driven recent weakness

Closing Price - €1.505

News

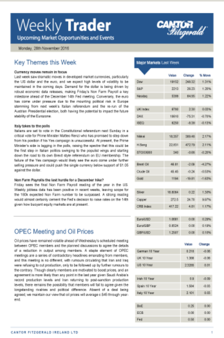
Green REIT's recent results were very strong for the REIT sector with NAV coming in a 3% ahead of expectations, up 9% YoY and overall return at 12.9%. For the first half of the year we had guided clients to pick up exposure to Green REIT as we believed the Dublin commercial office sector was primed for a stellar year of growth. Due to the magnitude of the rally year to date, we had guided active clients to take profits in Green on the day of the release as we believed it was in for a period of retracement. It has subsequently declined 4% to €1.505

Comment

The pricing action has worked out according to our expectations. The picture points to a continuing retracement in the immediate near term for Green. It should find some support at the 50 day moving average €1.4892. We would be happy to pick it up at these levels which represents approx. a 13% discount to FY18 consensus NAV. The recent retracement was driven by a couple of factors. Investors were inevitably going to take profits following the sizeable rally year to date allied with the fact Green recently went ex-dividend. At the same time European yields have begun to tick up with the German 10 year yield moving from 0.20% to 0.47% in under a month. Yields and REITs have an inverse relationship. We would expect yields to continue to tick up in advance of the ECB meeting on October 26th, at which Mario Draghi is expected to announce a QE tapering programme. If yields do move as we expect, European REITs, including Green, will be weak as a result. From a longer term perspective, we continue to believe Green REIT is a good buy into 2018. Management guidance for the remainder of the year was optimistic with all developments on track for stated delivery date and office space take-up rates remain quite high. Expected rental values for prime Dublin Business District office space should increase next year from €62 per sq. ft. to €65 per sq. ft. as underlying demand remains robust and Brexit related moves of UK firms begin to take place. We believe Green is close to signing a number of new deals for signature properties

Will Heffernan | Investment Analyst

Cantor Publications & Resources



Weekly Trader

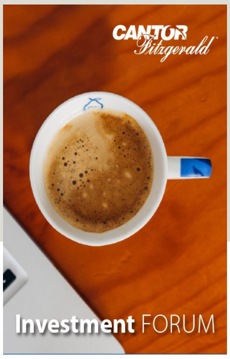
On Mondays, we release our weekly note in which we provide a view on equity markets for the coming days, and highlight a number of equities which we believe provide exposure to the important themes unfolding in the markets. Our in-house Investment Committee meets on a weekly basis to craft this strategy, 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)

Green REIT: Green REIT plc operates as a property investment company. The Company invests in a portfolio of long-lease and freehold, primarily commercial and mainly Dublin-based properties.

Historical Recommendation:

Green REIT: We have an Outperform rating for Green REIT since 09/02/15 and no changes to the recommendation have been made in the last 12 months

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 retails 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 recommendations 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 purchased or sale of any particular security. Not all recommendations are necessarily suitable for all investors and CFIL recommend 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 to 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 affect 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 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