Daily **Note**

Views, news and topics from today's markets

Tuesday, 7th November 2017

Morning Round Up

Oil closes at 2 year high

Oil traded near the highest close in more than two years as several prominent figures from Saudi Arabia's oil market were arrested, adding uncertainty to the oil market. Oil caught a bid on the back of this news as Saudi which is the largest producer in OPEC was seen to consolidate power with Crown Prince Mohammed bin Salman, who backs extending OPEC's output cuts aimed at clearing a global glut. The weekend's arrests in Saud eliminated potential rivals to Prince Mohammed. Oil has rallied more than 20% since the beginning of September on further signs global suppliers are tightening and OPEC may extend production cuts. The next big question for the market is whether oil producing nations will increase supply to take advantage of higher oil prices, with particular focus on the US. Today we will get data from the API on the size of the drawdown in US oil inventories the previous week.

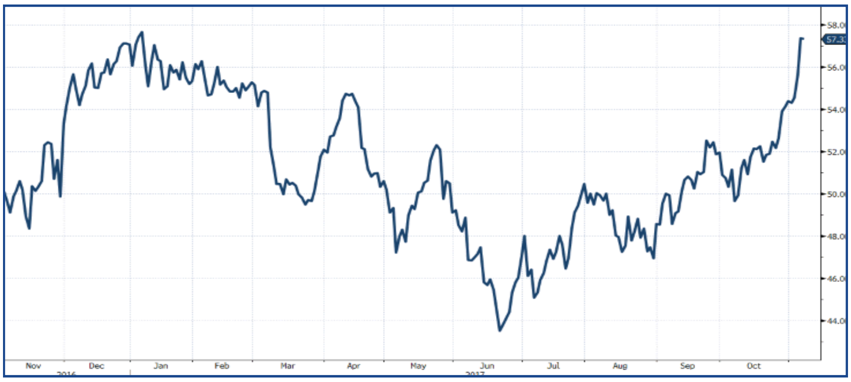
EU Vows Tax Action After Paradise Paper Leaks

EU Finance ministers representing the world's largest markets vowed to take action against tax avoidance following the leak of records exposing prominent members of the global business A-list. "We will examine the new documents and will discuss the consequences this has for upcoming EU legislation" said acting German Finance Minister Peter Altmaier. A year on from the Panama Paper scandal, a new leak of confidential information from a Bermuda law firm which is being dubbed the Paradise Papers is bringing tax avoidance to light once again. The EU has been working on finalizing a so-called blacklist of uncooperative tax jurisdictions by the end of the year. This list of tax havens will be discussed at a meeting of EU finance ministers today. The EU has stepped up its efforts in recent years to tackle tax avoidance and evasion by multinational companies and wealthy individuals.

Nikkei 225 Stock Average Rises to Highest Close Since 1992

Japanese stocks rallied, with the Nikkei 225 Stock Average reaching its highest close overnight since January 1992, bolstered by strong corporate earnings and the yen's weakness against the dollar. Electronics and machinery makers were among the biggest contributors to the benchmark's advance after the yen weakened for the first time in four days against the dollar. Of the more than 1,100 companies included in the Topix that have reported earnings for the current season, 63% have posted year-on-year growth in earnings per share, at an average of 16%. The continuity of Prime Minister Shinzo Abe's economic policies after his landslide election victory last month has helped.

WTI - price chart



Source: Bloomberg, CF Research November 2017

Key Upcoming Events

30/11/2017 OPEC meeting

Market View

European equities are opening higher this morning following on from a strong Asian session overnight. Sentiment towards equities remains very positive, supported by strong global growth, healthy Q3/17 earning season, and accommodative monetary policy conditions. Oil prices have caught a bid given the high profile arrests in Saudi, and yields have drifted lower in recent weeks, with 10 year German Bunds at 0.34% and 10 year US Treasuries at 2.33%. President Trump is on a tour of Asia where trade agreements between both regions will be high on his agenda. Key focus for the remainder of the week will be headlines stemming from renewed negotiating between Michal Barnier and and UK Brexit Secretary David Davis.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	23548	9.23	0.04%	19.16%
S&P	2591	3.29	0.13%	15.74%
Nasdaq	6786	22.00	0.33%	26.07%
Nikkei	22,938	389.25	1.73%	20.00%
Hang Seng	28,968	371.41	1.30%	31.67%
Brent Oil	64.29	0.02	0.03%	13.15%
WTI Oil	57.31	-0.04	-0.07%	6.68%
Gold	1279	-2.60	-0.20%	11.49%
€/$	1.1589	-0.0021	-0.18%	10.19%
€/£	0.8810	-0.0004	-0.05%	3.22%
£/$	1.3154	-0.0017	-0.13%	6.60%

	Yield	Change
German 10 Year	0.34%	0.005%
UK 10 Year	1.26%	-0.006%
US 10 Year	2.33%	0.009%
Irish 10 Year	0.57%	0.001%
Spain 10 Year	1.46%	-0.013%
Italy 10 Year	1.77%	-0.015%

Source: Bloomberg, CF Research November 2017

DCC - First US LPG acquisition increases growth opportunities Closing Price - £72.90

News

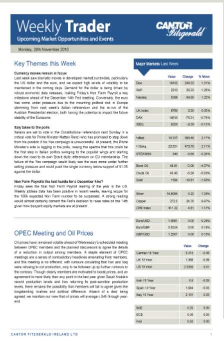
DCC have struck a deal with NGL Energy Partners to acquire its Retail West Liquid Petroleum Gas (LPG) business based on an enterprise value of $200m (£152m). This represents DCC's first foray into the LPG distribution business in the US and is a significant strategic step. Management expects the deal to be earnings accretive from completion which is guided for 31st March 2018. Retail West is expected to deliver an initial annual EBITDA of $28m (£21m) and EBITDA of $20m (£15m). Based on DCC's 2017 EBITDA of £455m, this represents an uplift of 4.61% and 3.29% respectively. Retail West is headquartered in Illinois and has been in business over 70 years. Employing 370 people, it sells approx. 130,000 tonnes of LPG from 43 customer service locations and 58 satellite facilities. Retail West has leading market positions in Illinois, Indiana and Kansas, along with a significant presence in seven other states. Its customer base is approx. 65,000 and two-thirds of annual volume is to the residential market.

Comment

Overall this is a positive strategic development from DCC. From a numbers perspective, the size of the business is not enough to be a major driver of EBITDA growth for £6.5bn market cap company like DCC. However, it continues DCC's strategic pivot towards the higher growth, higher margin, more environmentally friendly LPG business and, more importantly, it opens up the US LPG sector for DCC. The US LPG sector is one of the world's largest and fastest growing LPG markets. From an M&A perspective the opportunities are numerous, with over 4,000 individual distribution businesses operating in a fractured market. The scope for DCC to use its considerable firepower over the next few years to make earnings accretive acquisitions in the US is significant. From a valuation perspective management have paid 10x EBITDA which is a good deal in our view. This follows on from DCC's acquisition of Shell's LPG business in Hong Kong & Macau, again a market with very good growth and consolidation prospects. We had encouraged clients to use the recent July sell-off to pick up the stock and it is up 11.8% since then. The recent expansion of DCC brands Butagaz and Gaz Europeen into the domestic gas markets in France should result in accelerated organic growth over the next few quarters. Following this acquisition, net debt/EBITDA remains at a very low 1.25x with £898m in cash on the balance sheet implying further acquisitions are likely. We believe the current strategy being pursued by management will ensure DCC continues to generate above average growth and consistent earnings upgrades over the coming years. We maintain our Outperform.

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.

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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.

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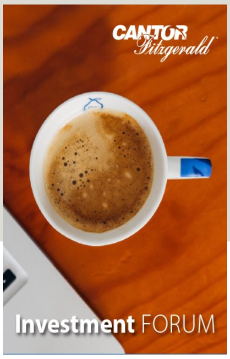

Investment Forum

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)

DCC: DCC is a sales, marketing, distribution and business support services company.

Historical Recommendation:

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

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

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