

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Tuesday, 8th May 2018

Key Themes This Week

Bank of England Preview

In a couple of weeks, expectations for the Monetary Policy Committee (MPC) to raise the base lending rate by 25bps have fallen off a cliff. At the beginning of April markets had assigned an 92% probability that the BoE would move in May which coincided with sterling reaching its highest levels against the dollar since the referendum vote. From here, Mark Carney warned about mixed data, consumer pressures and business sentiment, which drove the first major correction in expectations. [Wage and inflation data](#) came in weaker than expected as the pound weakened and short term yields retraced. The final nail in the coffin for a May hike was a Q1 GDP number of 0.1%.

With the likelihood of a rate hike now at a probability of about 15%, what will the market look for from Thursday's decision? The MPC's reaction to recent weakening in data will be an important guide for future hikes. How much of the weakness can be assigned to the bad weather in the period and what are their expectations for the coming periods. We think that Mr Carney will have learnt his lesson on signalling the market and will remain firmly on the fence with regard the future path of rates and will likely stress any future move will be data dependant. A strong recovery in Q2 GDP, along with improved consumer and business confidence, will be the key signals that the Governor will be looking for before moving on rates. Continued uncertainty in BoE policy along with Brexit driven volatility should cause further weakness in sterling as the market interprets data points over the coming months.

Iranian Deal Decision Looms

The US will decide whether it will leave the 2015 Iran nuclear agreement at 2p.m ET (7pm Dublin time) in Washington today. This is ahead of the 12th of May deadline. Brent oil moved above \$75 (WTI \$70) yesterday as the probability of exit appears increasing likely. Trump has been quite clear on his opinion of the current agreement describing it as the "the worst deal ever". Under the deal, sanctions are required to be waived every 120 days, with Trump last waiving in January. His opinion on the matter however has hardened since. Over recent weeks, German Prime Minister Angela Merkel, French President Emmanuel Macron & UK Foreign Minister Boris Johnson have all attempted to persuade Trump to remain in the current accord. On the other side, Israel has been adamant in its criticisms of Iran and its nuclear violations. [Iran](#) is among the largest oil suppliers in the world, producing circa 3.8 million barrels per day. This potential exit adds to existing upward price pressures including [production](#) cuts, Venezuelan political turmoil and US Oil transportation difficulties. What occurs should Trump depart the deal is uncertain. However we may see Oil rise toward \$80 per barrel in the short term.

Update on Smurfit-IP deal

On the call post [Friday's results](#) Smurfit management stated that it sees "superior prospects" as an independent company and that the IP bid "fails to value" the intrinsic business. It also stated that the tone of the meeting between the two respective parties as been "professional". We had been [guiding](#) that we did not think IP has the balance sheet strength to match Smurfit's management's valuation and we maintain that view.

This week we cover off on PayPal, Siemens, Aviva and Ryanair.

Major Markets Last Week

	Value	Change	% Move
Dow	24357	194.17	0.80%
S&P	2673	24.58	0.93%
Nasdaq	7265	198.95	2.82%

UK Index	7582	72.75	0.97%
DAX	12891	278.91	2.21%
ISEQ	6891	85.80	1.26%

Nikkei	22,509	189.08	0.85%
H.Seng	30,401	-407.74	-1.32%
STOXX600	389	3.85	1.00%

Brent Oil	75.5	2.37	3.24%
Crude Oil	70.04	2.79	4.15%
Gold	1315	10.83	0.83%

Silver	16.515	0.35	2.16%
Copper	307.4	3.65	1.20%
CRB Index	445.45	0.35	0.08%

Euro/USD	1.1919	-0.01	-0.62%
Euro/GBP	0.8804	0.00	-0.04%
GBP/USD	1.3538	-0.01	-0.56%

	Value	Change
German 10 Year	0.534	-0.03
UK 10 Year	1.389	-0.02
US 10 Year	2.9516	-0.01

Irish 10 Year	0.962	-0.01
Spain 10 Year	1.305	0.03
Italy 10 Year	1.831	0.05

BoE	0.5	0.00
ECB	0.00	0.00
Fed	1.75	0.00

All data sourced from Bloomberg

Opportunities this week

CFI Research Team

Siemens



- Q1 results on May 9th.
- Revenues at JVs (Siemens Gamesa (-5%) & Healthineers (+4%)) have already come in better than expected. These 2 divisions account for 27% of Group sales.
- Major headwind is the Power & Gas division. [Company guidance](#) on this has seen substantial downgrades already. Consensus guidance for Industrial Profit (of which P&G forms the majority) is €2.065bn. Little further downside risk.
- Has recently traded down to very attractive levels relative to peers with stronger euro & P&G weighing on share price. Euro headwind has dissipated lately.
- Management has already given conservative EBITDA and margin guidance.
- Expect ongoing strong growth in the other parts of the business - Digital Factory, Mobility & Wind.
- Currently trading at 10.34x 2018 EV/EBITDA, 20% discount to the sector. [Vision 2020 program](#) remains the longer term catalyst.
- 17% upside to price target at €128.67.
- Significant levels of resistance at €111-€113 range.

Key Metrics	2018e	2019e	2020e
Revenue (€'mn)	84243.91	88243.76	91101.14
EPS (€)	7.31	8.06	8.87
Price/ Earnings	14.99x	13.61x	12.36x
Div Yield	3.46%	3.61%	3.86%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
SIE GY	4.98%	-1.60%	-5.55%

Source: All data & charts from Bloomberg & CFI

PayPal



- Upcoming AGM and analyst day on 24th and 25th of May should be a short-term catalyst.
- Has recently moved up on the back of [strong Q1 results](#) but is down 3.8% on the news that Amazon may be considering offering online payment services.
- It had sold off due to the [recent eBay news](#) which in our opinion was an over-reaction.
- Other short term headwinds include an general uptick in market volatility, which would affect the higher beta Tech sector the most, and potential new entrants (some media speculation has hinted at Amazon). We do not expect these headwinds to have a material effect in the longer term.
- Tailwinds are substantial and include a substantial ongoing buyback (\$1.85bn in Q1), [very strong momentum](#) and continued addition of [earnings accretive partnerships](#).
- Currently trading at \$74.67 with 15.1% potential upside to \$85.97 price target.
- Substantial support levels at the \$71 -\$72 range.

Key Metrics	2018e	2019e	2020e
Revenue (\$'mn)	15355.9	17781.9	20801.5
EPS (£)	2.33	2.82	3.27
Price/ Earnings	32.04x	26.46x	22.86x
Div Yield	0.00%	0.00%	0.00%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
PYPL US	1.10%	-1.33%	1.43%

Source: All data & charts from Bloomberg & CFI

Opportunities this week

CFI Research Team

Aviva



- AGM, Thursday 10/05/18, to dominate price action.
- £2bn [capital spending](#) program including M&A, deleveraging and share buy backs.
- Core business generating strong cash flow.
- Bond yields limiting investment returns.
- Competitive pricing squeezing margins across business lines.
- Risk off sentiment driving demand for defensive sectors in April.
- £600m share buyback supporting current levels.
- Resistances level at 540p (hit twice in the past 12M), very strong Q1 required to push past this level.
- Support level at 490p (hit 4 times in the past 12M).

Key Metrics	2018e	2019e	2020e
Revenue (£'Mn)	31,670	34,304	39,440
EPS (£)	0.57	0.61	0.64
Price/ Earnings	9.47x	8.82x	8.38x
Div Yield	5.57%	6.16%	7.07%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
AV/ LN	7.43%	4.00%	5.63%

Source: All data & charts from Bloomberg & CFI

Ryanair



- It's FY18 earning announcement on the 21st of May is a major short term catalyst. The market is anticipating 15.8% earnings growth, while management outlook will be key.
- Rising fuel costs, slow developments in trade union agreements and industry capacity are the major headwinds.
- Recently the stock has suffered from an institutional bank downgrade, Irish trade union disruptions and continued strength in oil. On the positive side results from competitor, industry consolidation news, passenger growth numbers and load factors .
- Management currently implementing at €750m share buyback with approx. 40% completed. This should provide price support in the near term.
- Support at €15.2 and €14.6.
- Resistance at €16.7- €16.8 and €17.9-€18.0.
- Price target of €18.50.

Key Metrics	2018e	2019e	2020e
Revenue (€'bn)	7074.4	7661.4	8470.6
EPS (€)	1.21	1.22	1.38
Price/ Earnings	13.01x	12.92x	11.41x
Div Yield	0.43%	0.58%	0.23%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
RYA ID	-2.16%	-3.10%	3.89%

Source: All data & charts from Bloomberg & CFI

Cantor Core Portfolio - In Detail

Performance YTD	%	Sectors	Portfolio	Benchmark	+ / -	FX	Portfolio	Benchmark
Portfolio	3.7%	Consumer Discretionary	10%	11%		EUR	63%	54%
Benchmark	-0.1%	Consumer Staples	5%	14%		GBP	21%	26%
Relative Performance	3.8%	Energy	5%	6%		USD	16%	20%
P/E Ratio	20.49x	Financials	24%	15%				
Dividend Yield	2.3%	Health Care	5%	9%				
ESMA Rating	6	Industrials	27%	15%				
Beta	1.03	Information Technology	12%	9%				
		Telecommunication Services	0%	3%				
		Utilities	0%	3%				
		Materials	12%	15%				
		Real Estate	0%	2%				

Currency YTD %		
GBP	0.91%	
USD	0.79%	

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	YTD Return (EUR)	Weekly Return	Price	Total Contribution
ISEQ 20 INDEX	EUR	16	Neutral	32%	-1.3%	0.5%	6,891	-0.4%
UK 100 INDEX	GBP	14	Neutral	26%	0.6%	0.6%	7,582	0.1%
S&P 500 INDEX	USD	17	Neutral	20%	0.7%	0.4%	2,673	0.1%
IBEX 35 INDEX	EUR	13	Positive	6%	2.0%	0.2%	10,140	0.1%
DAX INDEX	EUR	13	Positive	16%	-0.8%	0.3%	12,891	-0.1%
Total				100%		1.9%		-0.1%

Core Portfolio

Weighted Average Contribution

Stock	Currency	Yield*	Hold / Sold	Sector	Weighting	YTD Return (EUR)	Weekly Return	Price	Total Contribution
GLANBIA PLC	EUR	1.5	H	Consumer Staples	5%	-7%	-0.2%	13.74	-0.4%
RYANAIR HOLDINGS PLC	EUR	0.0	H	Industrials	5%	6%	0.1%	15.89	0.3%
INDUSTRIA DE DISEÑO TEXTIL	EUR	3.0	H	Consumer Discretionary	6%	-7%	0.4%	28.60	-0.4%
LLOYDS BANKING GROUP PLC	GBP	6.1	H	Financials	5%	-1%	-0.1%	0.66	0.0%
BANK OF IRELAND	EUR	2.8	H	Financials	5%	2%	-0.2%	7.11	0.1%
ALLIANZ SE-REG	EUR	4.6	H	Financials	5%	4%	0.2%	200.2	0.2%
FACEBOOK INC-A	USD	0.0	H	Information Technology	4%	0%	0.4%	178.0	0.0%
PAYPAL HOLDINGS INC	USD	0.0	H	Information Technology	4%	1%	-0.2%	74.67	0.0%
ALPHABET INC-CL A	USD	0.0	H	Information Technology	4%	0%	0.0%	1059	0.0%
AMAZON.COM INC	USD	0.0	H	Consumer Discretionary	4%	35%	0.4%	1600	1.4%
iShares STOXX Europe 600 Banks ETF	EUR	3.5	H	Financials	5%	-2%	0.0%	17.66	-0.1%
SIEMENS AG-REG	EUR	3.6	H	Industrials	6%	-3%	0.2%	109.74	-0.2%
VINCI SA	EUR	3.2	H	Industrials	5%	2%	0.2%	84.64	0.1%
SMURFIT KAPPA GROUP PLC	EUR	2.6	H	Materials	6%	25%	-0.4%	34.92	1.5%
ALLIED IRISH BANKS PLC	EUR	3.1	H	Financials	4%	-8%	-0.2%	4.91	-0.3%
CRH PLC	EUR	2.6	H	Materials	6%	3%	0.5%	30.21	0.2%
KINGSPAN GROUP PLC	EUR	1.2	H	Industrials	5%	6%	0.3%	38.88	0.3%
ROYAL DUTCH SHELL PLC	GBP	5.9	H	Energy	5%	7%	0.3%	28.53	0.4%
DCC PLC	GBP	1.8	H	Industrials	6%	-2%	0.4%	73.20	-0.1%
GLAXOSMITHKLINE PLC	GBP	6.1	H	Health Care	5%	13%	0.1%	14.65	0.7%
Total					100%		2.2%		3.7%

All data taken from Bloomberg up until 04/05/2018.

Warning : Past performance is not a reliable guide to future performance

Warning : The value of your investment may go down as well as up.

From the News - Monday's Headlines

- **Global** Oil circles 4 year highs as Trump call on Iran looms
- **US** Unemployment falls below 4%
- **Europe** German industrial production perks up in March
- **UK** Johnson calls Brexit customs plans a crazy system
- **Ireland** Principal Global Investors looks to establish Irish base

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	Corporate	Corporate	Corporate	Corporate
American Express Tyson Foods	Deutsche Post Intesa Sanpaolo 3M Anglo American William Hill LaFarge Holcim Lufthansa (AGM)	Allianz SE (AGM) Siemens AG Grafton Group AGM Adidas (AGM) Deutsche Telecom IFG Group AB InBev Heidelberg Cement	BT Group Aviva Barratt Developments Next ICG AGM	N/A
Economic	Economic	Economic	Economic	Economic
BoJ Meeting Minutes GER Construction PMI GER Factory Orders	CN Import/Export GER Import/Export	US PPI EIA Crude Oil Stocks	CN Inflation GB Production & Output BoE Rate Decision US Inflation	US Consumer Sentiment

Upcoming Events

14/05/2018 JP PPI. OPEC Report

15/05/2018 CN Ind. Production & Retail Sales. EU Q1 GDP 2nd Est. FR Inflation Rate. ZEW Sentiment Index. US Retail Sales

16/05/2018 JP GDP. CN House Prices. GE Inflation Rate. IEA Report. US Housing Starts. US Ind. Production

17/05/2018 US Philly Fed Index

18/05/2018 DE PPI. EU Balance of Trade

14/05/2018 N/A

15/05/2018 Commerzbank, DCC, Vodafone, Allianz. EasyJet. Hargreaves Lansdowne

16/05/2018 C&C. Burberry. Mondi. Permanent TSB AGM

17/05/2018 Royal Mail. Walmart. SAP AGM. Intel AGM. Mondelez AGM. BMW AGM. Next AGM. Prudential AGM.

18/05/2018 Astra Zeneca. Paddy Power AGM.

All data sourced from Bloomberg

Cantor in The Media

- Cantor Fitzgerald Ireland to acquire Merrion Capital - RTE.ie. Please [click here](#) to view.

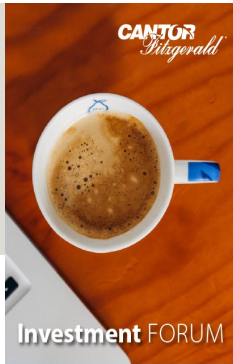
Cantor Publications & Resources



Daily Note

Each day we produce a market commentary outlining critical economic and company developments. We leverage off our global network of analysts and investment professionals to provide clients with critical insights from our local teams first thing in the morning.

[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)

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

AIB: Allied Irish Banks plc (AIB) attracts deposits and offers commercial banking services. The Bank offers mortgage, automobile, business, plant and equipment purchase, and lease financing loans, investment banking, securities brokerage, asset management and treasury services, and discounts invoices. AIB operates in Ireland, the United Kingdom, and the United States

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.

ICG: Irish Continental Group plc markets holiday packages and provides passenger transport, roll-on and roll-off freight transport, and container lift on and lift-off freight services between Ireland, the United Kingdom and Continental Europe.

Siemens: Siemens AG is an engineering and manufacturing company. The Company focuses on four major business sectors including infrastructure and cities, healthcare, industry and energy. Siemens AG also provides engineering solutions in automation and control, power, transportation, and medical.

Lloyds: Lloyds offers a range of banking and financial services including retail banking, mortgages, pensions, asset management, insurance services, corporate banking and treasury services.

Allianz: Allianz, through its subsidiaries, provides insurance and financial services.

Facebook: Facebook Inc. operates a social networking site.

PayPal: PayPal operates a technology platform that enables digital and mobile payments on behalf of customers and merchants.

Alphabet: Alphabet provides web based search, advertisement, maps, software applications, mobile operating systems, consumer content and other software services.

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

Amazon: Amazon is an online retailer that offers a wide range of products.

Smurfit Kappa: Smurfit Kappa manufactures paper packaging products.

CRH: CRH is a global building materials group.

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

Royal Dutch Shell: Royal Dutch Shell explores, produces and refines petroleum.

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

GlaxoSmithKline: GSK is a research based pharmaceutical company.

Kerry: Kerry Group PLC is a major international food corporation. The Group develops, manufactures, and delivers innovative taste solutions and nutritional and functional ingredients.

VINCI SA: VINCI is a global player in concessions and construction with expertise in building, civil, hydraulic, and electrical engineering

Glanbia: Glanbia plc is an international dairy, consumer foods, and nutritional products company. The Company conducts operations primarily in Ireland, the United Kingdom, and the United States

Aviva plc: Aviva PLC is an international insurance company that provides all classes of general and life assurance, including fire, motor, marine, aviation, and transport insurance. The Company also supplies a variety of financial services, including unit trusts, stockbroking, long-term savings, and fund management.

None of the above recommendations have been disclosed to the relevant issuer prior to dissemination of this Research.

Historical Record of recommendation

Aviva plc: Aviva PLC is not currently rated

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

Siemens: We changed our rating to Outperform on the 30/01/2017

PayPal: We added PayPal to our Core Portfolio on the 20/07/15 and have an Outperform outlook on the stock

We have assessed the publication and have classed it as Research under MIFID II. All charges in relation to this publication will be borne by Cantor



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

Regulatory Information

All regulatory disclosures pertaining to valuation methodologies and historical records of the above recommendations can be found on the Cantor Fitzgerald Ireland website here:

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

Cantor Fitzgerald Ireland Limited ("Cantor Ireland") 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.

This communication has been prepared by and is the sole responsibility of Cantor Fitzgerald Ireland Limited of 75 St Stephens Green, Dublin 2, which is an authorised person for the purposes of the European Communities (Markets in Financial Instruments) Regulations 2007 (as amended) in Ireland or the Financial Services and Markets Act 2000 in the United Kingdom.

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 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.

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.

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 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 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.

Our conflicts of interest management policy is available at the following link;

<https://cantorfitzgerald.ie/client-services/mifid/>



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