

Thursday, 7th June 2018

Morning Round Up

Ryanair signs Italian cabin crew agreement

Ryanair has signed its first cabin crew union recognition agreement in Italy with the Italian pilots union ANPAC and Italian flight attendants union ANPAV. This follows on from the recognition agreement for Italian pilots made in March of this year. This, the first non pilot agreement, accounts for approximately 20% of Ryanair's cabin crew. It is "making good progress with other cabin crew unions across Europe", with further news expected in the coming weeks. Ryanair has had a positive couple of weeks since the FY18 results on the 21st of May. It has now reached a point of resistance at €16.80 -€16.90, while at the same time it is approaching its consensus price target of €17.41. We can therefore expect some short term retracement for the stock. Our 12m price target remains €18.50, we expect it to rerate during the year.

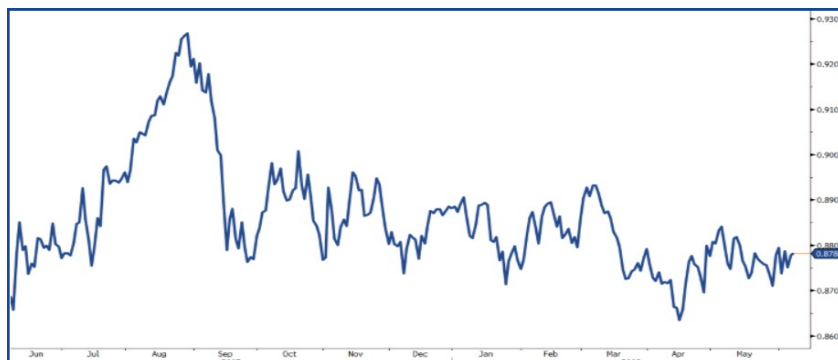
US market strength for Kingspan

NCI Building systems, a peer for Kingspan in the US market, reported very strong results yesterday that provide a good read through for the health of the US construction market and for Kingspan itself. Overall Q2 sales came in at \$457.1m, ahead of estimates at \$439.8m. EBITDA was also well ahead at \$39.7m vs est. \$34.4m. Management also upgraded its Q3 sales estimate by 4-8%. Specifically in its Insulated Panels business, sales were up 10.2% to \$113.4m. It did however specifically reference rising input costs, which were noted by Kingspan management in our [recent meeting](#) but which are considered manageable. These numbers back up the US as an relatively early growth stage market for Kingspan. It has rallied lately and is up 10% YTD. It is currently trading just 2% below the market consensus price target of €40.88 and is likely to retrace as active investors take profits. The longer term growth picture, particularly in the US and EM, remains intact.

Cabinet tensions rising over "backstop" plan

The UK was expected to publish a "detailed, ambitious and precise" paper on Brexit prior to the EU Leaders Summit at the end of June. The document is to detail the UK's vision of the future relationship between the two blocks as well as detail on the proposed backstop to prevent a hard Irish border in the event of a UK exit with no agreement. Mrs May is expected to have enough support for the proposal at cabinet level to publish this week; however, she has received significant resistance from Brexit secretary David Davis. Mr Davis wants a time limit included in the backstop arrangement, which aligns UK tariffs with the EU, where Number 10 has commented that it does not expect to have to implement the contingency plan. The Brexit sub-committee is meeting today and absence any agreement the issue, which is rumoured, could cause the resignation of Mr Davis. This would be a significant blow to May's grip on power, and could possibly give [dissident Tories](#) the opportunity to call an election. If tensions escalate to the point where Mr Davis resigned, we would expect a sharp selloff in sterling causing it to weaken against the euro.

One year EURGBP



Source: Bloomberg, CF Research May 2018

Key Upcoming Events

ECB Meeting 14/06/2018

Market View

The major movers yesterday were the euro and European yields on the back of the ECB comment that June remains a live meeting. That trend has continued today with EURUSD moving up to \$1.1821 and the German 10 year yield back above 0.5%. Oil continued its recent decline on the back of EIA numbers which showed a bigger stockpile build than estimated. Market focus today will be on the UK where Theresa May faces a showdown with David Davis over the wording of her Brexit plan. There has been some speculation that Mr Davis may resign. Elsewhere markets will look to the G7 summit which kicks off tomorrow. The lead in to it has been characterised by divisions between the US and the remaining members with trade likely to be high on the agenda.

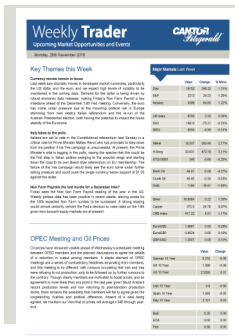
Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	25146	346.41	1.40%	1.73%
S&P	2772	23.55	0.86%	3.69%
Nasdaq	7689	51.38	0.67%	11.38%
Nikkei	22,823	197.53	0.87%	0.26%
Hang Seng	31,484	224.48	0.72%	5.23%
Brent Oil	75.85	0.49	0.65%	13.43%
WTI Oil	64.94	0.21	0.32%	7.48%
Gold	1298	1.92	0.15%	-0.34%
€/\$	1.1826	0.01	0.44%	-1.49%
€/£	0.8789	0.00	0.12%	-1.04%
£/\$	1.3456	0.00	0.32%	-0.42%

	Yield	Change
German 10 Year	0.498	0.03
UK 10 Year	1.41	0.04
US 10 Year	2.9828	0.01
Irish 10 Year	1.069	0.02
Spain 10 Year	1.492	-0.01
Italy 10 Year	2.86	-0.0760

Source: Bloomberg, CF Research May 2018

Cantor Publications & Resources



Weekly Trader

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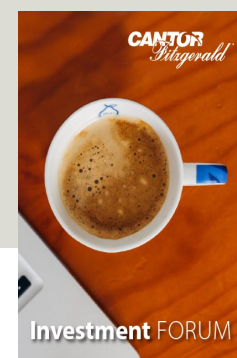
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Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

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

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

Historical Record of recommendation

Kingspan: We have changed our rating for Kingspan from Not Rated to Outperform on the 14/03/2016

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

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