

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 18th June 2018

Key Themes This Week

OPEC to set out its stall

In advance of the OPEC meeting in Vienna on Friday oil has traded down for the 2 last weeks as we had [guided](#). WTI has moved down from a high of \$72.24 to \$64.75 while crude has move down from \$79.80 to \$74.14. It appears OPEC is dividing into two camps. On one side are the Saudis and Russians, both of whom would like to see production increased. For the Russians it makes sense from an [economic perspective](#) as most Russian oil companies are profitable at \$20-\$30 a barrel and it would substantially help with their budget. It is the same story for the Saudis who have the added benefit of assuaging Donald Trump, who has been vocal about elevated oil prices recently. Mr Trump has moved to isolate Iran, in line with what Saudi Arabia was looking for, and they may be looking to return the favour. Saudi Oil Minister Khalid Al-Falih stated last week that it is "inevitable" that OPEC boosts output post this week's meeting.

On the other side of the fence are Iran, Iraq and Venezuela, all of whom have varying incentives to continue with the production cuts. Iraq, which still has a relatively unstable economy, is reliant on oil revenue in order to ensure stability of government and institutions. Iran, facing into the [possibility of re-imposed sanctions](#), would like to keep the oil price as high as possible for as long as possible. Venezuela, with a basket case economy and oil production teetering on the edge, would also like the price to remain elevated. However, it seems almost certain now that there will be some form of production boost this week. The question is how much of an increase. We have seen estimates ranges from 300k barrels to 1.5m barrels. The Saudis were originally pushing for an increase of 1m barrels but may settle for 600k. If that happens you may see a short term boost to current oil price as the market has probably priced in a larger increase. However, it is safe to say the production cuts agreement, which up until now has been exceptionally well adhered too, is looking likely to end in the near term. The question then becomes if OPEC members resort to their historical tendency to cheat. We maintain our start of the year prediction for WTI to be range bound between \$60 and \$70 and for the WTI/Brent spread to remain elevated.

Tullow

Following on from the above, in the short term Tullow remains a high beta/leveraged play on oil. It can move a rate of between 2x and 4x the rate of oil. Fundamentally the stock has improved recently. The balance sheet is stronger with a lower net debt/EBITDA and costs have been reduced. We estimate WTI to remain between \$60 and \$70 for the year and this is a profitable range for Tullow which will support the stock price outside of the shorter term volatility in oil prices. However from a near term perspective, returns will be driven by the OPEC meeting on Friday. The next level of support is £1.85-£1.90, which we would be happy to buy in at, with the major point of resistance to the upside at £2.75-£2.80.

Ryanair

Ryanair has retraced by 5% since its 2018 highs earlier in the month. We had [advised previously](#) that we anticipated some short term retracement for the stock as it was finding difficulty breaking through a level of resistance of €16.80-€16.90 and it was approaching its consensus target price of €17.35. Over the summer period we expect it to trade in a range between €15.35 and €16.90. News on trade union agreements, oil prices and French strikes will drive the stock in the near term. Our 12m price target remains €18.50 and we expect it to rerate toward this level over the year.

Our Core Portfolio is up 8.0% vs a benchmark return of 3.0%.

This week we cover off on Aviva, Prudential, Datalex and Bank of

Major Markets Last Week

	Value	Change	% Move
Dow	25317	681.32	2.77%
S&P	2779	44.41	1.62%
Nasdaq	7646	91.18	1.21%

UK Index	7721	-19.98	-0.26%
DAX	12849	78.15	0.61%
ISEQ	7174	-8.30	-0.12%

Nikkei	22,804	328.10	1.46%
H.Seng	31,067	69.43	0.22%
STOXX600	387	-0.82	-0.21%

Brent Oil	76.11	0.82	1.09%
Crude Oil	65.57	0.82	1.27%
Gold	1296	4.00	0.31%

Silver	16.8037	0.39	2.37%
Copper	327.6	14.15	4.51%
CRB Index	450.3	4.67	1.05%

Euro/USD	1.181	0.01	0.95%
Euro/GBP	0.8797	0.00	0.12%
GBP/USD	1.3426	0.01	0.85%

	Value	Change
German 10 Year	0.471	0.05
UK 10 Year	1.414	0.12
US 10 Year	2.9608	0.02

Irish 10 Year	1.056	0.08
Spain 10 Year	1.423	0.09
Italy 10 Year	2.874	0.34

BoE	0.5	0.00
ECB	0.00	0.00
Fed	1.75	0.00

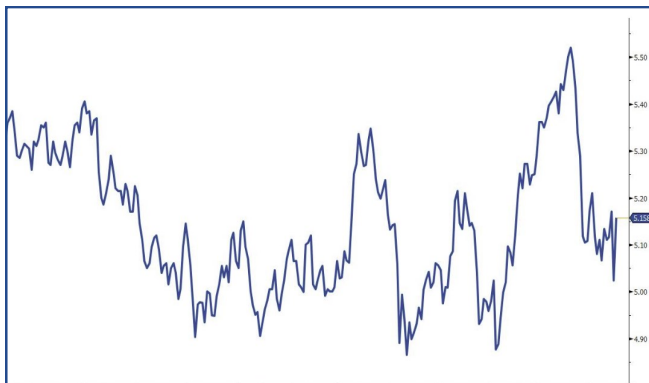
All data sourced from Bloomberg

Opportunities this week

CFI Research Team

Aviva

Closing Price: 516.8 GBp



Key Metrics	2018e	2019e	2020e
Revenue (£'Mn)	33084.0	34303.6	40338.7
EPS (£)	0.56	0.61	0.65
Price/ Earnings	9.15x	8.51x	7.94x
Div Yield	5.79%	6.39%	7.32%

Source: All data & charts from Bloomberg & CFI

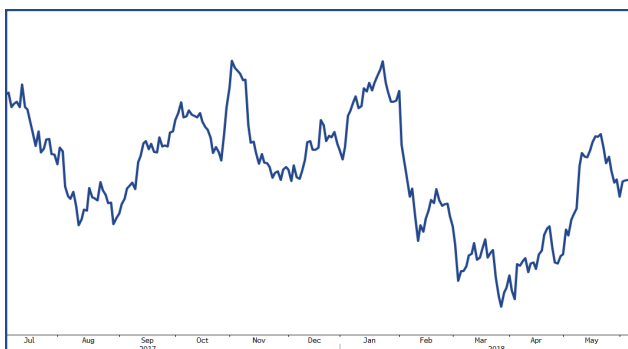
Share Price Return	1 Mth	3 Mth	YTD
AV/ LN	-6.62%	-2.14%	-0.81%

Source: All data & charts from Bloomberg & CFI

- Management looking to grow EPS by 5% with cash remittance expect to be over £3bn for FY18
- £2bn capital available to generate value for shareholders
 - £900mln deleveraging of high yield hybrid debt reducing projected interest cost
 - £600mln in bolt on M&A as appropriate (focus on existing markets & digital/data capabilities)
 - £500mln in shareholder distributions in H2 18 (+unused component of M&A budget)
- Strong progressive dividend policy moving close to 6% in FY18
- Recent hawkish central bank tones and actions should be supportive of higher yields supporting reinvestment income
- Sector rotation should add support relative to the market if risk off sentiment increases
- Investment case focused on cash generation and capital deployment generating shareholder value
- Sector Headwind: Sovereign credit spreads and political risk in Europe to weigh on the sector
- Technical indicators indicating positive price momentum
- Support at the 200 day moving average 510 GBp,
- Consensus price target of 574 GBp (+12% Upside)

Prudential

Closing Price: 1848 GBp



Key Metrics	2019e	2020e	2021e
Revenue (£'Mn)	52090.4	54419.0	43117.7
EPS (£)	1.46	1.63	1.79
Price/ Earnings	12.61x	11.33x	10.28x
Div Yield	2.74%	3.02%	3.22%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
PRU LN	-3.59%	-4.20%	-3.57%

Source: All data & charts from Bloomberg & CFI

- De-merging of M&G Prudential, European insurer and asset manager, expected to unlock shareholder value through balance sheet optimisation
- Strongest organic growth prospects amongst UK insurers with EM exposure through leading Asian business
 - Top 3 position in 9 of 12 Life markets in Asia
 - Achieving +15% growth in operating profit
 - Market leading asset management arm Eastspring Investments
 - Asian demographics offer significant long-term growth opportunity in Life and Health Insurance as a large middle class emerges
- Recent hawkish central bank tones and actions should be supportive of higher yields supporting reinvestment income
- Sector rotation should add support relative to the market if risk off sentiment increases
- Investment case focused on emerging market growth exposures driving earnings growth
- Sector Headwind: Rising regulatory costs particularly in the US a concern for margins
- Sector Headwind: Sovereign credit spreads and political risk in Europe to weigh on the sector
- Technical indicators indicating positive price momentum
- Support at the 200 day moving average 1851 GBp,
- Consensus price target of 2116 GBp (+13% Upside)

Opportunities this week

CFI Research Team

Datalex

Closing Price: €2.85



Key Metrics	2018e	2019e	2020e
Revenue (€'Mn)	71.4	80.0	92.7
EPS (€)	0.08	0.11	0.12
Price/ Earnings	41.39x	29.3x	27.59x
Div Yield	1.66%	2.11%	2.72%

Source: All data & charts from Bloomberg & CFI

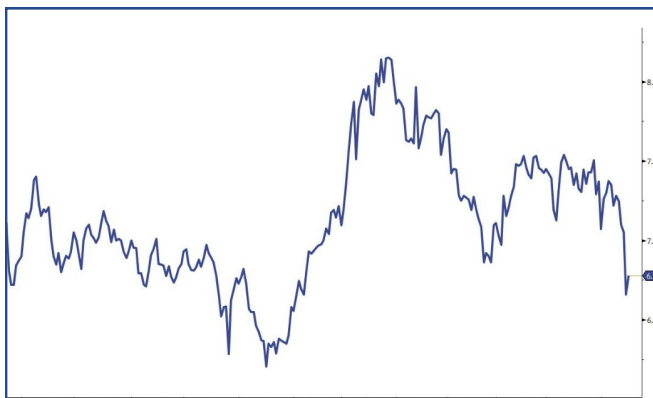
Share Price Return	1 Mth	3 Mth	YTD
DLE ID	-1.92%	-6.33%	-1.40%

Source: All data & charts from Bloomberg & CFI

- On Monday the 18th Datalex will hold its AGM and issue a trading update for the first four months of the year. We anticipate a [reiterated guidance](#) of double digit revenue and EBITDA growth for the year. It may provide further insight into the latest signings and any new business.
- [Last Tuesday](#), Datalex held its first capital markets day. While it provided no further financial guidance it did provide those in attendance with a detailed overview of the landscape and Datalex's position as leading vertical platform provider.
 - The digital travel commerce sector is at early growth stage. It is clearly evident that airlines are beginning to evolve toward a broader suite of ancillary products as a means of generating income.
 - Datalex's platforms both integrates and builds on existing airline technology.
 - "[Loyalty](#)" platform, for which Datalex announced its first customer this year, offers major opportunity.
- The headwind for the stock is competition. SAP looks to be the closet competitor. However Datalex's expertise and dynamism in improving both its products and operations keeps it ahead of the curve. The movement to [SaaS](#) is a another sign of this.
- At these valuation levels the stock is both a short term and an obvious longer term play.
- Level of support:€2.55 -€2.60. Levels of resistance:€3.15-€3.20 and €3.45-€3.50.

Bank of Ireland

Closing Price: €6.79



Key Metrics	2018e	2019e	2020e
Revenue (€'Mn)	2912.6	2980.6	3092.9
EPS (€)	0.62	0.67	0.76
Price/ Earnings	11.04x	10.14x	8.95x
Div Yield	2.68%	3.89%	5.23%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
BIRG ID	-10.60%	-8.20%	-6.13%

Source: All data & charts from Bloomberg & CFI

- The stock has lead the financial sector lower post capital market day.
- Management set to invest additional €500m in 4 year transformation program
 - IT program to deliver incremental benefits as new core banking platform begins to be implemented
 - €250m to be spent on taking out €200m per annum from the cost base
- Revenue growth to come from both loan growth (20% by FY21) and non-interest income (maintain at 20-25% of total revenue)
- NIM expected to remain flat and in line with FY17 exit NIM of 224bps
- UK to reassess product mix
 - Target lending in Auto finance and unsecured personal lending
 - Exit credit competitive card business
- BOI looks attractive from a valuation point of view
 - Stock overreacted to CMD targets. It had already been trading at discount to wider sector due to UK performance, lower NIM and higher cost base. Further discount sees unjustified
 - We see below €6.90 - €7.00 as a good entry point
- We are currently reassessing our price target in light of updated guidance

Cantor Core Portfolio - In Detail

Performance YTD	%	Sectors	Portfolio	Benchmark	+ / -	FX	Portfolio	Benchmark
Portfolio	8.2%	Consumer Discretionary	10%	11%		EUR	63%	54%
Benchmark	3.0%	Consumer Staples	5%	14%		GBP	21%	28%
Relative Performance	5.2%	Energy	5%	6%		USD	16%	20%
P/E Ratio	20.49x	Financials	24%	15%		Currency YTD %		
Dividend Yield	2.3%	Health Care	5%	9%		GBP	0.69%	
ESMA Rating	6	Industrials	27%	15%		USD	1.62%	
Beta	1.03	Information Technology	12%	9%				
		Telecommunication Services	0%	3%				
		Utilities	0%	3%				
		Materials	12%	15%				
		Real Estate	0%	2%				

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	YTD Return (EUR)	Weekly Return	Currency Contribution	Total Contribution
ISEQ 20 INDEX	EUR	17	Neutral	32%	2.6%	-0.2%	0.0%	0.8%
UK 100 INDEX	GBP	14	Neutral	26%	3.3%	-0.1%	0.9%	0.9%
S&P 500 INDEX	USD	17	Neutral	20%	6.8%	0.0%	2.1%	1.4%
IBEX 35 INDEX	EUR	13	Positive	6%	0.2%	0.1%	0.0%	0.0%
DAX INDEX	EUR	13	Positive	16%	-0.2%	0.1%	0.0%	0.0%
Total				100%		-0.1%	0.65%	3.0%

Core Portfolio

Weighted Average Contribution

Stock	Currency	Yield*	Hold / Sold	Sector	Weighting	Total Return Local	Weekly Return	Currency Contribution	Total Contribution
GLANBIA PLC	EUR	1.5	H	Consumer Staples	5%	9%	0.1%	0.0%	0.4%
RYANAIR HOLDINGS PLC	EUR	0.0	H	Industrials	5%	7%	-0.2%	0.0%	0.3%
INDUSTRIA DE DISEÑO TEXTIL	EUR	3.0	H	Consumer Discretionary	6%	5%	0.3%	0.0%	0.3%
LLOYDS BANKING GROUP PLC	GBP	6.1	H	Financials	5%	-5%	-0.1%	0.9%	-0.2%
BANK OF IRELAND	EUR	2.8	H	Financials	5%	2%	-0.2%	0.0%	0.1%
ALLIANZ SE-REG	EUR	4.6	H	Financials	5%	-2%	0.0%	0.0%	-0.1%
FACEBOOK INC-A	USD	0.0	H	Information Technology	4%	9%	0.0%	2.1%	0.4%
PAYPAL HOLDINGS INC	USD	0.0	H	Information Technology	4%	16%	0.0%	2.3%	0.7%
ALPHABET INC-CLA	USD	0.0	H	Information Technology	4%	9%	0.0%	2.1%	0.4%
AMAZON.COM INC	USD	0.0	H	Consumer Discretionary	4%	46%	0.0%	2.9%	1.9%
iShares STOXX Europe 600 Banks ETF	EUR	3.5	H	Financials	5%	-7%	0.0%	0.0%	-0.3%
SIEMENS AG-REG	EUR	3.6	H	Industrials	6%	5%	0.3%	0.0%	0.3%
VINCI SA	EUR	3.2	H	Industrials	5%	1%	-0.1%	0.0%	0.0%
SMURFIT KAPPA GROUP PLC	EUR	2.6	H	Materials	6%	21%	0.0%	0.0%	1.3%
ALLIED IRISH BANKS PLC	EUR	3.1	H	Financials	4%	-7%	0.1%	0.0%	-0.3%
CRH PLC	EUR	2.6	H	Materials	6%	8%	-0.1%	0.0%	0.5%
KINGSPAN GROUP PLC	EUR	1.2	H	Industrials	5%	15%	0.2%	0.0%	0.8%
ROYAL DUTCH SHELL PLC	GBP	5.9	H	Energy	5%	10%	0.0%	1.0%	0.5%
DCC PLC	GBP	1.8	H	Industrials	6%	-3%	-0.1%	0.9%	-0.1%
GLAXOSMITHKLINE PLC	GBP	6.1	H	Health Care	5%	20%	0.1%	1.1%	1.1%
Total					100%		0.6%	0.58%	8.2%

All data taken from Bloomberg up until 13/06/2018.

*Red Denotes Deletions

*Green Denotes Additions

*Yields are based on the mean of analyst forecast

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** China response to US tariffs likely to exacerbate tensions
- **US** Republicans join criticism of immigration policy
- **Europe** Merkel seeks EU crisis talks as migration threatens coalition
- **UK** May's control of EU exit rests on a knife-edge vote
- **Ireland** Irish property prices rising at fourth fastest pace globally

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	Corporate	Corporate	Corporate	Corporate
Datalex AGM	N/A	Amadeus AGM	N/A	N/A
Economic	Economic	Economic	Economic	Economic
UK House Price Index	US Housing Starts EU Construction	US Mortgage Applications US Existing Home Sales German PPI EIA Crude Oil Stocks Sintra CB Panel	BoE Interest Rate Decision Fed Stress Tests	French GDP European & US PMI Japan CPI

Upcoming Events

25/06/2018 N/A

26/06/2018 N/A

27/06/2018 Tullow Oil

28/06/2018 DS Smith

29/06/2018 N/A

18/06/2018 DE Ifo Expectations. US New Home Sales

19/06/2018 US Home Price Index

20/06/2018 EU Loan Growth. US Durable Goods

21/06/2018 UK House Prices. EU Ind. Sentiment. DE Inflation Rate. US Q1 GDP

22/06/2018 JP CPI. FR Inflation Rate. UK Q1 GDP. EU Inflation Rate. US PCE Data

All data sourced from Bloomberg

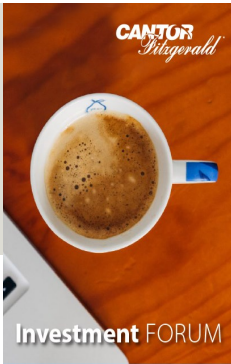
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Issuer Descriptions: (Source: Bloomberg)

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.

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.

Datalex: Datalex plc provides e-business infrastructure and solutions to customers in the global travel industry.

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.

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.

Datalex: Datalex plc provides e-business infrastructure and solutions to customers in the global travel industry. The Group's services encompass Internet booking engines that link to reservation systems of travel providers, as well as support systems that allow travel companies to gather marketing information from airline data.

Prudential plc: Prudential plc is an international company which provides a wide assortment of insurance and investment products and services. Prudential's services include personal and group pensions, equity plans, mortgages, and deposit accounts.

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

Historical Record of recommendation

Bank of Ireland: We have reinstated an outperform rating on Bank of Ireland as of 13/07/2016

Prudential plc: We have an "Outperform" rating on Prudential as of 01/03/2018

Aviva: We have an Outperform rating on Aviva as of 01/03/2018

Datalex: We have been positive on the outlook for Datalex since 14/04/14 and no changes to our recommendation have been made since then



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