

Tuesday, 3rd July 2018

Morning Round Up

Merkel secure for now

Angela Merkel and Horst Seehofer have reached an agreement over immigration policy and put an end, in the near term at least, to the [crisis](#) that has gripped the [German government](#) over the past month. Mr Seehofer achieved one of his main objectives with the agreement stating that transit centres on the German-Austrian border will be created for processing of refugees who have already registered in EU countries. The deal also is a win for Ms Merkel who did not want these immigrants sent back to other member countries without some form of processing and agreement. Mr Seehofer was pushing for more stringent controls in advance of regional elections in Bavaria in October, where he had feared his CSU party losing more ground to the anti-immigration party AfD. But Germany is not out of the woods just yet. Recent polls have showed that the CSU has failed to halt the decline in its vote and is now polling at 34%, down 5% from last year's general election and 14% from the latest regional ballot. If that trend continues, Mr Seehofer may push for further tough measures before the election in October.

Allianz confirms €1bn buyback

Allianz confirmed this morning its intention to begin a share buyback program with a value of €1bn, which will start on the 4th of July and run until the end of September. The news is welcome in a sector that has been under pressure of late due to lower yields and consistent European political turmoil. Allianz rebounded from a near 12 month low of €170 back to current levels at €176.54. The buyback program should provide a support along with some easing in European political tensions should see the stock advancing further. We are advising clients to pick up Allianz at current levels.

The financial sector has suffered significant negative price action of late; again this is largely due to low yields and political tensions. We see current levels as a good entry point for our other preferred insurers Aviva (sterling exposure, 5.5% yield) and Prudential (EM growth exposure). All three stocks are showing at least 15% upside to their consensus price targets. Clients do need to be cognisant that European political volatility is expected to continue which will weigh on the sector.

Ryanair June traffic numbers

This morning Ryanair released its traffic numbers for June 2018. In total 12.6m people flew with Ryanair in June 2018, up 7% from 11.8m in June 2017. The numbers were hampered by 1100 cancelled flights due to ATC strikes, affecting 210,000 passengers. The load factor remained strong at 96%.

1 Year Price Chart DAX Index



Source: Bloomberg, CF Research July 2018

Key Upcoming Events

06/07/2018 Implementation of US Tariffs

Market View

European markets opened up this morning following an agreement in Germany over the migration crises. Asian markets were mixed, as the yuan's continued depreciation was met with a pledge from the PBOC's to reinforce stability. US equity markets finished the day positive yesterday. EUR/USD appreciated to 1.166. Oil has continued it's recent strength, WTI is now trading \$74.70.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	24307	35.77	0.15%	-1.67%
S&P	2727	8.34	0.31%	1.99%
Nasdaq	7568	57.38	0.76%	9.62%

Nikkei	21,786	-26.39	-0.12%	-4.30%
Hang Seng	28,490	-464.94	-1.61%	-4.78%

Brent Oil	77.86	0.56	0.72%	16.43%
WTI Oil	74.74	0.80	1.08%	23.70%
Gold	1243	1.31	0.11%	-4.56%

€/\$	1.1654	0.00	0.13%	-2.92%
€/£	0.8853	0.00	-0.03%	-0.31%
£/\$	1.3163	0.00	0.15%	-2.59%

	Yield	Change
German 10 Year	0.32	0.02
UK 10 Year	1.277	0.02
US 10 Year	2.8711	0.00

Irish 10 Year	0.817	0.00
Spain 10 Year	1.289	-0.01
Italy 10 Year	2.63	-0.0210

Source: Bloomberg, CF Research July 2018

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

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Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

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

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

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.

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

Historical Recommendation:

Allianz: We have been positive on Core Portfolio stock, Allianz since 24/04/14 and no changes have been made to the recommendation since then

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

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

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