

Wednesday, 4th July 2018

Morning Round Up

Conciliatory headlines on tariffs welcomed

Reports from Brussels this morning indicate the EU is looking for a solution including all car manufacturing nations prior to the Trump administration implementing a 20% tariff on imported cars from the EU. The EU is considering the possibility of negotiating a deal between the US, Japan and South Korea using a "plurilateral agreement". This would reduce tariffs to an agreed level and let countries agree deals on tariffs without including the entire WTO membership. It is hoped that such an agreement would address the barriers of entry argument and unfair advantage President Trump perceives Europe holds over the US. While we welcome conciliatory headlines on tariffs we do not expect the EU to follow through on such a plan, as it has agreed "it will not discuss any market opening with the US until Mr Trump drops trade measures and threats against Europe". Jean-Claude Juncker, the European Commission President, is set to meet with President Trump in Washington this month.

Ryanair making the headlines

Media reports yesterday have stated that Ryanair's Irish based pilots have voted to stage a one day strike on July 12th. This comes on the heels of reports that German based Ryanair pilots will also ballot this week on strike action. The Irish Airline Pilots' Association (IALPA) also stated that it had advised Ryanair that it will notify management of potential additional strike days in due course. This dispute is centred on working conditions & seniority as opposed to pay. The pilots are believed to be seeking a system covering base allocation, transfers, promotions, annual leave rostering and other conditions determined by length of service. IALPA represents 100 pilots with 94 out of 95 having voted for strike action. It is unclear how many of the 100 are captains, without whom planes could not fly. The airline has 300 pilots in total working from its Irish base. Despite progress in [union talks](#), most notably in the [UK](#), [Italy](#) and Spain, management had guided for disruption during summer months in its [recent FY results](#). These actions, coupled with [ongoing issues](#) with French air traffic controllers, could see Ryanair trade down in the short term. However having spoken to management yesterday, we see no reason to change our view and maintain our 12 month [price target](#) of €18.50.

Possibly billions more in PPI claims after ruling

A UK court has awarded two claimants all the sales commission they paid plus interest for a legitimate PPI policy sold, opening the doors to a possible £18bn liability for UK banks. Consumers who were sold policies legitimately may still be entitled to claim back commission which is deemed excessive. Lloyds was one of the hardest hit from the PPI scandal so far which has traded marginally down on the news.

Glencore faces US DOJ probe

The US Department of Justice (DOJ) has subpoenaed Glencore as a part of a wide-ranging probe into bribery and corruption. The DOJ has requested Glencore to produce documents related to its operations in Nigeria, Congo and Venezuela as far back as 2007. These records were requested in accordance with US money laundering laws and the Foreign Corrupt Practices Act. Glencore fell by 13% immediately and closed down 8% at the end of trading. While it is still very early stages in the investigation the obvious implication would be potential fines or sanctions. Glencore historically has prided itself on its willingness to operate in countries where other miners wouldn't go, which is one of the reasons why we [advised clients against buying the stock](#) 5 months ago. It would appear this trait may be coming back to haunt it. We remain of the opinion that if clients wish to have exposure to this sector, BHP and Rio are the best options.

Source: Bloomberg, CF Research July 2018

Key Upcoming Events

06/07/2018 Implementation of US Tariffs

Market View

US indices were marginally down yesterday on the back of light volume into a market holiday today. US markets will be looking to FOMC meeting minutes and jobs data for guidance. Asian stocks fell as fears relating to trade relations continue to weigh on sentiment with the CSI 100 down 1.1%. European markets opened down this morning with the Euro STOXX 600 off 14bps on a day with expected light volume.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	24175	-132.36	-0.54%	-2.20%
S&P	2713	-13.49	-0.49%	1.48%
Nasdaq	7503	-65.01	-0.86%	8.68%

Nikkei	21,717	-68.50	-0.31%	-4.60%
Hang Seng	28,262	-283.19	-0.99%	-5.54%

Brent Oil	77.89	0.13	0.17%	16.48%
WTI Oil	73.76	-0.38	-0.51%	22.08%
Gold	1259	5.90	0.47%	-3.39%

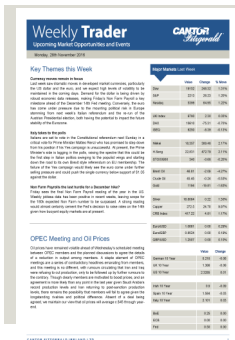
€/\$	1.1657	0.00	-0.01%	-2.90%
€/£	0.8834	0.00	0.00%	-0.52%
£/\$	1.3195	0.00	0.02%	-2.35%

	Yield	Change
German 10 Year	0.29	0.00
UK 10 Year	1.243	0.00
US 10 Year	2.8309	0.00

Irish 10 Year	0.793	0.00
Spain 10 Year	1.298	0.01
Italy 10 Year	2.66	0.0260

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.

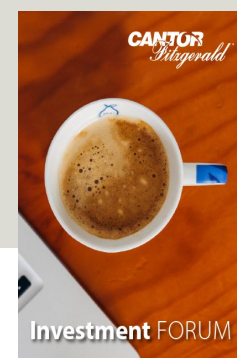
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Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

Rio Tinto: Rio Tinto is an international mining company

BHP Billiton: BHP is an international mining company

Glencore: Glencore is an international mining company

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

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

Historical Recommendation:

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

Miners: We currently do not have a rating on Rio, BHP or Glencore

Lloyds: We have been positive on Core Portfolio stock, Lloyds, since 01/03/14 and no change has been made to our recommendation since

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