

Friday, 6th July 2018

Morning Round Up

Ryanair union dispute update

Ryanair cabin crew have said they plan to follow [Irish pilots in a walk out](#) over the coming weeks as union disputes escalate. According to reports Spanish, Portuguese and Belgian cabin crew will go on strike on the 25th and 26th of July. Italian cabin crew have said they will join the industrial action on the 25th of July. The cabin crew unions are seeking access to unpaid leave, a living wage, fairer pensions and an end to food and water charges. Other issues were wide ranging, including complaints regarding the pushy retail policy such as the requirement to sell scratch cards. The news follows just days after the Irish pilots union (Forsa/IALPA) confirmed they plan on striking on the 12th of July, while the German pilots union decision on action is due at the end of the month. In a letter addressed to Forsa, Eddie Wilson, Ryanair's Chief People Officer, has asked the Forsa to call off or at the very least postpone the strike, seeking a meeting on either the 9th, 10th or 11th of July. This wave of negative headlines follows months of steady progress made by Ryanair in numerous individual pilot union talks, most notably in the UK, Spain and Italy. Disruptions from unions had been guided for by management back in [February](#) and at [FY18 results](#). Yesterday Ryanair traded down 2% on the back of the headlines. We expect short term volatility to remain in the coming weeks as contrasting news drives the stock. At the moment it remains a PR issue as opposed to an issue materially effecting profit guidance. Last month Ryanair dealt with [1100 cancelled flights](#) due to ATC strikes, affecting 210,000 passengers. We remain positive on Ryanair and maintain our 12 month price target of €18.50

Central Bank introduces Countercyclical Buffer (CCyB)

The Central Bank of Ireland (CBI) issued a release yesterday evening confirming the [recently rumoured](#) introduction of a Countercyclical Buffer (CCyB). The buffer requires banks to hold an additional 1% of Irish risk weighted exposures increasing its required regulatory capital levels. The buffer comes into place as at the 05/07/2019, 1 year from today. On a fully loaded basis, with current buffers fully phased in, AIB and BOI have capital requirements of 11.65% and 11.05% respectively. The addition of a further 1% means an increase of c. 60bps for BOI (only 60% of RWAs are Irish) and an increase of c. 80bps for AIB. Both management teams have previously stated an internal capital level of 13% and we do not expect this to change. BOI have confirmed this morning that they will not be altering its internal capital targets. AIB have yet to comment on the requirements, where an increase in management's target level would reduce the amount of excess capital available to shareholders, having a more direct impact on share price.

May's "soft Brexit" causing further divisions

Theresa May has had a number of do or die moments so far this year between internal divisions, [Cabinet ministers dissent](#) and [the House of Lords](#) continuously trying to tie her hands. Mrs May is presenting her Brexit vision to Cabinet today in an attempt to unite the party prior to negotiating with the EU. The meeting today takes place amid the rumours that prominent Cabinet level Brexiteers had a meeting in Boris Johnson office to coordinate their opposition to May's proposal. May's current proposition is reported to include plans to remain highly aligned to EU rules which have called into question their ability to negotiate a free trade agreement with the US. Failure for May to unite cabinet behind a vision of the new EU/UK relationship would make it very difficult to see how they can even sit down at the negotiating table with the EU. If May does not unite the party today, which seems improbable, it is difficult to see how she remains on as leader. Beyond this it is also difficult to see past a no deal exit scenario.

Source: Bloomberg, CF Research July 2018

Key Upcoming Events

06/07/2018 Brexit Whitepaper
12/07/2018 US Earnings Season

Market View

Asian markets were up 1% overnight despite the implementation of tariffs by the US, which China is expected to respond to today. European markets also opened higher, driven by recovering economic data and Fed minutes, which highlighted its optimistic outlook on the economy. Market focus today will be on the Chinese response to tariffs and also the UK, where Theresa May is having an all day Cabinet meeting in order to thrash out a Brexit solution. She is expected to face stiff internal opposition. From a data perspective the major focus will be on US Non-Farm Payrolls and wage inflation numbers.

Market Moves

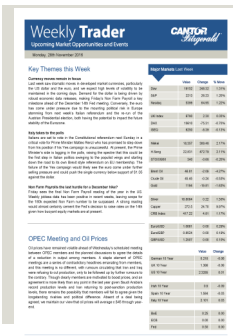
	Value	Change	% Change	% Change YTD
Dow Jones	24357	181.92	0.75%	-1.47%
S&P	2737	23.39	0.86%	2.36%
Nasdaq	7586	83.75	1.12%	9.89%
Nikkei	21,788	241.15	1.12%	-4.29%
Hang Seng	28,316	133.53	0.47%	-5.36%
Brent Oil	77.13	-0.26	-0.34%	15.34%
WTI Oil	72.9	-0.04	-0.05%	20.66%
Gold	1256	-2.05	-0.16%	-3.60%
€/\$	1.171	0.00	0.16%	-2.46%
€/£	0.8843	0.00	0.04%	-0.42%
£/\$	1.3242	0.00	0.15%	-2.01%

	Yield	Change
German 10 Year	0.299	0.00
UK 10 Year	1.262	0.00
US 10 Year	2.8327	0.00

Irish 10 Year	0.8	0.00
Spain 10 Year	1.316	-0.01
Italy 10 Year	2.67	-0.0580

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

Each month our Private Client and Research departments collaborate to issue a publication which highlights the performance of our flagship products, funds and our Core Portfolio, including the Green Effects fund, most recent private equity deals and structured product investment opportunities.

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Investment Forum

Through our investment Forum we bring you the latest market news, investment insights and a series of informative articles from our experts.

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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 Group: AIB Group plc attracts deposits and offers commercial banking services.

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

Historical Recommendation:

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

AIB Group: We moved our rating from outperform to market perform on the 12/06/2018

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

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