

Wednesday, 11th July 2018

Morning Round Up

Ryanair union disputes

Ryanair will meet with IALPA at a neutral venue today in an attempt to come some form of resolution. Yesterday Ryanair confirmed 30 of 290 flights from Ireland due to fly on Thursday would be cancelled. To minimise disruptions only flights on high frequency routes to the UK will be effected. As we have [consistently communicated](#), at the moment this remains a PR issue as opposed to a material issue affecting profit guidance. To put the 30 flights into perspective last month [1100 flights were cancelled](#) due to ATC strikes. In our opinion the stock is currently trading at a very [attractive level](#). However over the coming weeks expect it to trade on headlines from union developments.

Grafton Trading Update

Grafton released a half year trading update this morning that illustrates management's continuing ability to deliver despite a difficult trading environment in the UK. Overall Group revenue increased by 8.6% (7.7% in constant currency) to £1.45bn. Like-for-like Group revenue was up 3.8%. As with the last few quarters, Ireland and Netherlands performing well, Belgium recovering and the UK holding up. Management guidance was also positive stating that it "enters the second half well placed to deliver our expectations for the financial year". We [changed our rating](#) to Outperform in February 2018 and the stock has traded up 8% since then. It remains the [best model](#) in the sector with one of the best managements in place

Tariff measures escalate

President Trump has given additional tariffs against China the green light, in what is a significant escalation in tension between the US and China. President Trump had threatened a 10% tariff on \$200bn of imports targeting goods feeding into US supply chains ranging from auto parts to food to construction and this appears to be what is being implemented.

Markets sold off overnight as investors weigh the worsening relations between China and the US. In response, Beijing has criticised the US in a statement published on the Commerce Ministry's website. It intends to report the issue to the World Trade Organisation in an effort to "safeguard the rules of free trade" and threatened to make "the necessary counter-measures". China exports close to \$500bn in goods to the US each year, if these tariffs are implemented, almost half of all goods coming from China will incur a tariff.

The implication of this will be far reaching if the policy is maintained. US manufacturers and retailers may have to start sourcing goods from other markets or pass on costs to the end consumer. Either action could result in strong inflationary pressures on the US consumer, which means ordinary consumers will start to feel the pain of Trump's trade agenda. Strong inflation will also pose a challenge for the Fed as it is already struggling with expansionary fiscal policy while attempting to gradually tighten monetary policy in an attempt to avoid overheating the growth engine that is the US economy. Strong inflationary prices induced by tariffs would add a layer of complexity to an already difficult situation.

The long term strategic goals of the US administration remain unclear but the positive reception the President is receiving at home (Gallup approval rating at 45%, the highest level throughout his presidency) from his actions means that in the short term we can expect his confrontational actions and rhetoric to continue. It remains to be seen if this new wave of popularity for the President can withstand rising prices and worsening economic data if that were to occur.

Source: Bloomberg, CF Research July 2018

Key Upcoming Events

11/07/2018 US Core and Headline PPI
12/07/2018 US, German and French Inflation
12/07/2018 US Earnings Season

Market View

Asian markets sold off significantly last night as the White House confirmed its intention to impose a 10% tariff on an additional \$200bn of Chinese imports. All major markets sold off while safe-haven assets such as the yen got bid up. European markets have also opened down this morning. This move is likely to take some of the focus away from earnings season back to trade issues. Donald Trump is in Europe this week meeting NATO members and the UK Prime Minister. As previously guided tariffs are likely to dominate market sentiment over the summer.

Market Moves

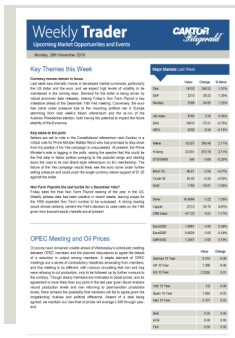
	Value	Change	% Change	% Change YTD
Dow Jones	24920	143.07	0.58%	0.81%
S&P	2794	9.67	0.35%	4.50%
Nasdaq	7759	3.00	0.04%	12.40%
Nikkei	21,932	-264.68	-1.19%	-3.66%
Hang Seng	28,220	-462.47	-1.61%	-5.68%
Brent Oil	77.85	-1.01	-1.28%	16.42%
WTI Oil	73.74	-0.37	-0.50%	22.05%
Gold	1253	-2.72	-0.22%	-3.84%
€/\$	1.1733	-0.0011	-0.09%	-2.27%
€/£	0.8838	-0.0008	-0.10%	-0.49%
£/\$	1.3276	0.0000	0.00%	-1.75%

	Yield	Change
German 10 Year	0.325	0.03
UK 10 Year	1.298	0.05
US 10 Year	2.8692	0.01

Irish 10 Year	0.82	0.02
Spain 10 Year	1.298	0.00
Italy 10 Year	2.66	-0.0080

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.

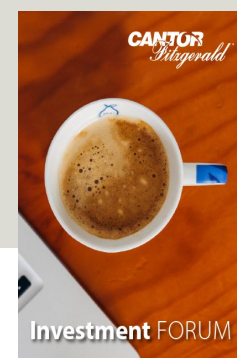
[Click Here](#)



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.

[Click Here](#)



Investment Forum

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

[Click here](#)

Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

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

Grafton Group: Grafton Group PLC manufactures and retails building supplies

Historical Recommendation:

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

Grafton Group: We changed our rating on Grafton from Market Perform to Outperform on the 20th Feb 2018

http://www.cantorfitzgerald.ie/research_disclosures.php

This material is approved for distribution in Ireland by Cantor Fitzgerald Ireland Ltd. It is intended for Irish retail clients only and is not intended for distribution to, or use by, any person in any country where such distribution or use would be contrary to local law or regulation. Cantor Fitzgerald Ireland Ltd ("CFIL") is regulated by the Central Bank of Ireland. Cantor Fitzgerald Ireland Ltd is a member firm of the Irish Stock Exchange and the London Stock Exchange.

Where CFIL wishes to make this and other Cantor Fitzgerald research available to Retail clients, such information is provided without liability and in accordance with our terms and conditions that are available on the CFIL website.

No report is intended to and does not constitute a personal recommendation or investment advice nor does it provide the sole basis for any evaluation of the securities that may be the subject matter of the report. Specifically, the information contained in this report should not be taken as an offer or solicitation of investment advice, or to encourage the purchase or sale of any particular security. Not all recommendations are necessarily suitable for all investors and CFIL recommends that specific advice should always be sought prior to investment, based on the particular circumstances of the investor either from your CFIL investment adviser or another investment adviser.

CFIL takes all responsibility to ensure that reasonable efforts are made to present accurate information but CFIL gives no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. This is entirely at the risk of the recipient of the report. Nor shall CFIL, its subsidiaries, affiliates or parent company or any of their employees, directors or agents, be liable for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk

All estimates, views and opinions included in this research note constitute CANTOR IRELAND's judgment as of the date of the note but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this research note has not been disclosed to the covered issuer(s) in advance of publication.

Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse effect on the value of the investments, sale proceeds, and on dividend or interest income. The income you get from your investment may go down as well as up. Figures quoted are estimates only, they are not a reliable guide to the future performance of this investment.

[Conflicts of Interest & Share Ownership Policy](#)

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising from other CANTOR IRELAND business units including Fund Management and Stock broking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, CANTOR IRELAND is satisfied that the objectivity of views and recommendations contained in this note has not been compromised. Nonetheless CANTOR IRELAND is satisfied that the impartiality of research, views and recommendations remains assured.

Analyst Certification

Each research analyst responsible for the content of this research note, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research note. We have assessed the publication and have classed it as Research under MIFID II. All charges in relation to this publication will be borne by Cantor.



Dublin: 75 St. Stephen's Green, Dublin 2. Tel: +353 1 633 3633.

email : ireland@cantor.com web : www.cantorfitzgerald.ie



Twitter : @cantorireland



LinkedIn : Cantor Fitzgerald Ireland