

Thursday, 12th July 2018

Morning Round Up

Oil moves on demand worries

Oil prices fell 6.9% yesterday as fears over falling demand as a result of escalating trade tensions weighed on prices. It has since recovered slightly. On the Supply side offsetting factors continued. Positive for prices, US crude stock piles fell by 12.6m barrels last week far exceeding the expected 3.79m barrel fall. From a negative price perspective OPEC released a report highlighting it's expectation for considerable supply increases from non members over coming years, while [Libya lifted](#) a force majeure at eastern ports after the state producer regained control of lost terminals. We expect volatility in oil prices to remain high in the near term but our year end outlook of between \$60-\$70 (WTI) remains.

Should **Royal Dutch Shell (outperform)** trade down this morning we would recommend clients look to pick up the stock as both strong fundamentals and higher absolute oil price levels remain supportive. Higher absolute oil prices and improving fundamentals have led to further street upgrades for **Tullow** this morning. At £2.36 Tullow represents a [buying opportunity](#). However we continue to advise clients to be cognisant of its high beta nature with respect to oil.

Ryanair strikes to go ahead

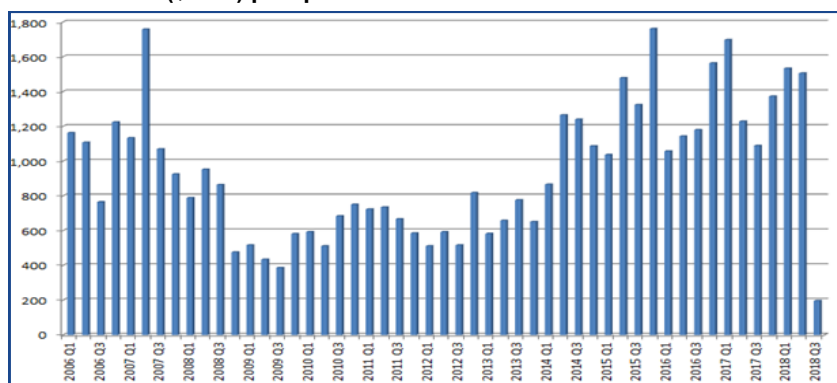
Little progress was made in [discussions](#) between Ryanair and IALPA yesterday according to the pilots union. The planned strike will go ahead today with 30 flights between Ireland and the UK cancelled. Despite the news **Ryanair (outperform)** opened up 2% this morning. In our opinion the current stock price [represents significant value](#). We advise clients to pick up the stock at these levels.

Battle for Sky driving global M&A

Both Fox and Comcast have improved initial offers for the pay TV group Sky this week, pushing bids up to £26bn or £14.75 per share. Sky is increasingly becoming a key strategic asset for established media as they face down the digital disruptors like **Netflix (outperform)** who have been devouring traditional media's market share.

Mega deals like this, the acquisition of Shire or **Vodafone's (outperform)** acquisition of Liberty Global's assets have driven M&A activity to the highest levels since H1 2007. H1 2018 deal volumes are 57% ahead of H1 2017 with 33 mega deals (> \$10bn) announced in H1. Increased M&A volume is a classic late cycle signal as executives look to buy earnings growth through synergies. With a number of indicators pointing to the latter end of the business cycle and considering current market volatility we remain positive on equity markets but have been advising clients to increase [defensive allocations](#).

M&A volume (\$bn's) per quarter



Source: Bloomberg, CF Research July 2018

Key Upcoming Events

12/07/2018 US, German and French Inflation
 12/07/2018 US Earnings Season Commences
 13/07/2018 Q2 Earnings - US banks

Market View

Europe has opened positive this morning, after Asian markets posted strong gains on a respite from tariff tensions between the US and China. China has opened the door to talks in an effort to deescalate relations with President Trump. The market will be looking to inflation data today as a number of European Nations publish this morning and the US following later in the day with its June data. The market will continue to focus on trade as the number one issue as well as the implications of yesterday's oil move while positioning itself in anticipation of earnings season kicking off on Friday with US banks.

Market Moves

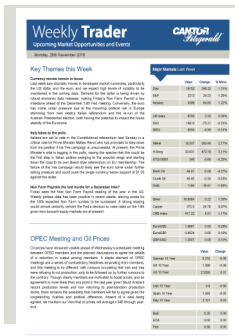
	Value	Change	% Change	% Change YTD
Dow Jones	24700	-219.21	-0.88%	-0.08%
S&P	2774	-19.82	-0.71%	3.76%
Nasdaq	7717	-42.59	-0.55%	11.78%
Nikkei	22,188	255.75	1.17%	-2.53%
Hang Seng	28,507	195.36	0.69%	-4.72%
Brent Oil	74.8	1.40	1.91%	11.86%
WTI Oil	70.97	0.59	0.84%	17.46%
Gold	1246	3.61	0.29%	-4.39%
€/\$	1.1686	0.0012	0.10%	-2.66%
€/£	0.8842	0.0002	0.02%	-0.44%
£/\$	1.3217	0.0012	0.09%	-2.19%

	Yield	Change
German 10 Year	0.365	-0.002
UK 10 Year	1.291	-0.003
US 10 Year	2.856	0.007

Irish 10 Year	0.814	-0.002
Spain 10 Year	1.31	0.005
Italy 10 Year	2.695	0.006

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.

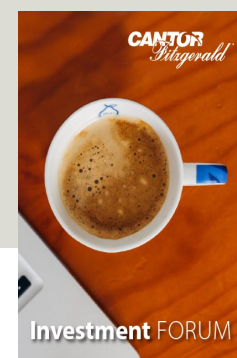
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Monthly Investment Journal

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)

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

Tullow Oil: Tullow Oil through subsidiaries, explores for, produces, and refines petroleum

Vodafone: is a mobile telecommunications company providing a range of services, including voice and data communications.

Netflix: Netflix Inc. is an Internet subscription service for watching television shows and movies.

Historical Recommendation:

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

Tullow Oil: We initiated coverage on Tullow Oil on 7th April 2017 with a Market Perform rating

Vodafone: We have been positive on Vodafone's outlook since 04/02/14 and no changes have been made to this recommendation in the last 12 months

Netflix: We have been positive on the outlook for Netflix since 23/04/14 and no changes to our recommendation have been made since then.

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