

# Weekly Trader

## Upcoming Market Opportunities and Events

**CANTOR**  
*Fitzgerald*

Monday, 2<sup>nd</sup> July 2018

### Key Themes This Week

#### What we are watching this week

As we wrote [last week](#), politics seems to be the [overarching driver](#) of markets in the short term. This week it would appear to be no different. Firstly in Germany Angela Merkel faces a fight for her [political survival](#). Despite [progress](#) on Friday with an agreement from her European partners on an immigration package, media reports this morning have said that her coalition government's interior minister, [Horst Seehofer](#), has offered to resign in protest at the agreement. Mr Seehofer, the leader of the CDU's Bavarian sister party CSU, wants to be able to [turn away immigrants](#) at the border, something Ms Merkel is vehemently opposed to as she believes it contravenes the principle of free movement. Mr Seehofer, who is facing regional elections later on this year, has seen his party support decline as the AfD, who have taken a very hard line with immigrants, gain momentum.

Mr Seehofer has since withdrawn his offer of resignation, stating that he is willing to sit down one last time to negotiate. This talks are expected to take place today. If agreement cannot be reached Mr Seehofer will likely resign and this should lead to the collapse of the coalition government, with elections possibly in November. Germany is renowned for its political stability and its calming influence on the rest of Europe. It goes without saying that if both sides cannot reach agreement it is likely to result in increased equity volatility globally.

Elsewhere later on this week US [tariffs](#) on China are expected to be initiated on Friday. The Chinese are likely to [respond](#) by enacting their own tariffs on US goods. [Canadian tariffs](#) against US steel and aluminium came into effect on Sunday evening. This morning the European Commission wrote to the US Department of Commerce, setting out a detailed response to any potential auto tariffs, including measures against a potential \$300bn of US goods. The US Commerce Department had announced in May that it was starting a "Section 232" investigation into auto imports to see if imports were detrimental to the US "internal economy" and development of cutting edge technologies. In short as [previously guided](#) we do not expect trade rhetoric and actions to be dialled down in the short term.

Data wise this week, we will be keep an eye on PMIs out of Europe, US, UK and China. EU retail sales, US factory orders and UK house prices are also all important data points out this week. On Friday US Non-Farm Payrolls are out with our focus on wage growth numbers. On Thursday we have the FOMC minutes, which may help with bond yields, which have been declining despite a relatively hawkish Fed meeting, and an EIA [oil](#) report, which after Mr Trump's tweet this weekend (stating that he had asked the Saudis to [increase production](#) by 2m barrels), will be closely watched.

**Our Core Portfolio is up 6.60% vs a benchmark return of 2.40%**

**This week we cover off on Ryanair, DCC, Adidas, and Tullow Oil.**

### Major Markets Last Week

	Value	Change	% Move
Dow	24271	-309.48	-1.26%
S&P	2718	-36.51	-1.33%
Nasdaq	7510	-182.51	-2.37%

UK Index	7563	39.66	0.70%
DAX	12152	-110.49	-0.97%
ISEQ	6983	-51.91	0.08%

Nikkei	21,812	-526.22	-2.36%
H.Seng	28,955	-383.59	-1.31%
STOXX600	376	-1.52	-0.34%

Brent Oil	78.34	3.65	4.83%
Crude Oil	73.67	5.59	8.21%
Gold	1249	-17.02	-1.34%

Silver	15.9549	-0.38	-2.30%
Copper	294.3	-6.40	-2.21%
CRB Index	439.11	-4.10	-0.93%

Euro/USD	1.1636	-0.01	-0.58%
Euro/GBP	0.8840	0.00	0.28%
GBP/USD	1.3166	-0.01	-0.87%

	Value	Change
German 10 Year	0.295	-0.03
UK 10 Year	1.254	-0.03
US 10 Year	2.8291	-0.05

Irish 10 Year	0.813	-0.04
Spain 10 Year	1.345	-0.01
Italy 10 Year	2.746	-0.08

BoE	0.5	0.00
ECB	0.00	0.00
Fed	2.00	0.00

All data sourced from Bloomberg

## Opportunities this week

CFI Research Team

### Ryanair

Closing Price: €15.80



Key Metrics	2018e	2019e	2020e
Revenue (€Mn)	7816.9	8808.3	9479.2
EPS (€)	1.16	1.27	1.41
Price/ Earnings	13.62x	12.43x	11.17x
Div Yield	0.56%	0.49%	0.69%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
RYA ID	-5.47%	-0.09%	5.02%

Source: All data & charts from Bloomberg & CFI

- As previously guided we expect Ryanair will remain [range bound](#) in the short term between **€15.35 and €16.90**. It is now toward the bottom of this range. We advise clients to pick up the stock at these levels.
- Recent price action has been driven by negative market movements and the news of IAG's low cost routes in Austria.
- In the shorter term the stock price will be driven by reports on union agreements/disputes, strikes (France), oil prices, monthly traffic reports and news on sector consolidation.
- Longer term we remain positive on Ryanair with a 12 month price target of €18.50 (consensus price target €17.32)
  - As highlighted in our [investment case](#) we believe capacity will come to a peak over the year and pricing will move positive over the summer.
  - With this higher fuel environment, [consolidation](#) will occur in the sector toward the end of the year into next year. Ryanair's dynamic nature means it will be among the best placed to capitalise.
  - Ryanair is 90% fuel hedged (at \$58). This is well above the sector.
  - In our opinion FY19 guidance is overly conservative. Catering for positive surprises through the year.
  - €750m share buyback is on-going.
- The major headwinds are a breakdown in union talks (Germany/Ireland), input cost increases (fuel/staff) and competition/pricing. However these have been guided for.

### DCC

Closing Price: £68.95



Key Metrics	2019e	2020e	2021e
Revenue (£Mn)	15133.0	15315.7	15892.0
EPS (£)	3.69	3.86	4.16
Price/ Earnings	18.48x	17.67x	16.41x
Div Yield	2.00%	2.13%	2.37%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
dcc ln	-4.77%	4.23%	-7.64%

Source: All data & charts from Bloomberg & CFI

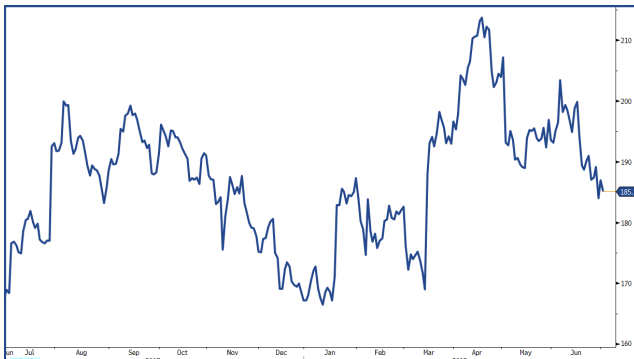
- We had encouraged clients to pick up DCC during its lows in March after it traded down due a tick up in yields and general volatility. It remains a consensus pick for the market with 10 buys, 2 holds and 0 sells.
- It has since traded up from £65.35 to £75.69, representing a 16.8% gain in just over a month and a half. It has since declined 8% to £68.75, representing 21% upside to consensus price target of €82.68
- Full year results were strong with no changes to already positive guidance.
  - FY19 EPS growth +16%
  - FY19 EBITDA growth of 7.31%
  - FY19 Dividend growth of 11% (current dividend is 1.9%)
- Acquisitions moves in the [US](#), [German](#) and [Asia Pac](#) LPG market have significant longer term growth potential.
- Historically management has taken its time when buying assets in a new region. We would expect asset purchases in all these regions to escalate over the coming years. Net debt/EBITDA figure of 1.1x and £963m in cash.
- In the US and Asia Pacific regions in particular, the LPG sectors is a [very fractured sector](#) which is ripe for consolidation.

## Opportunities this week

CFI Research Team

### Adidas

Closing Price: €186.95



Key Metrics	2018e	2019e	2020e
Revenue (\$'Mn)	22483.9	24413.9	26503.0
EPS (\$)	8.17	9.58	11.07
Price/ Earnings	22.62x	19.29x	16.7x
Div Yield	1.68%	2.00%	2.33%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
ADS GY	-4.42%	-3.11%	11.85%

Source: All data & charts from Bloomberg & CFI

- Adidas has come off lately due softer retail momentum in Europe, the wider European sell-off, Nike finally recovering market share and the perception that some recent product launches have not gone as well first envisaged.
- Management recently launched an initiative to move focus away from its three big footwear franchises and engage in more product diversification.
- Management has given guidance of 10% sales growth this year, well below the last three years, as it reaches scale in certain segments as this level of growth is unsustainable in the longer run
- It still retains leading market shares in Europe & Russia, runner up position (but growing) in the US (expected to reach 15% of footwear market) & China and is experiencing renewed brand momentum.
- Valuations are more attractive now with an FY19 P/E of 19.62x, with the 5 year average at 27.35x. There is 15.7% upside to the Street consensus price target of 15.7%.
- Upcoming catalysts include several major product launches as we move through the Summer into Autumn
- FY18 EPS growth is 23.39%, FY19 is 17.25% & FY20 is 15.56%
- Management while guiding for slower sales is fairly confident on margins (Q1 +80bps) and EPS targets due to very good cost and order control systems
- Added upside optionality due to Reebok disposal/restructure and €3bn share buyback program.

### Tullow

Closing Price: £2.45



Key Metrics	2018e	2019e	2020e
Revenue (£'Mn)	1963.2	2026.2	2075.1
EPS (£)	0.31	0.30	0.30
Price/ Earnings	10.49x	10.95x	10.92x
Div Yield	0.03%	0.65%	0.99%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
TLW LN	4.61%	29.56%	18.59%

Source: All data & charts from Bloomberg & CFI

- Fundamentally Tullow has continued to improve. Aided by strong cash flow generation it has
  - Reduced net debt/EBITDA down from 2.6x (FY17) to 2.1x.
  - Increased production. In its trading update [on Thursday](#) it guided for production to be increased from 82k-90k b/d to 86k to 92 b/d for 2018. With production increases in both Jubilee and TEN fields. A second rig, the Stena Forth, has been contracted to work on its drilling programme in Ghana.
  - Improved management confidence in new developments in both Africa (notably Kenya) and South America.
  - Increased the probability of a reintroduction of dividends in 2018 which were frozen in 2015. This was highlighted by management in April.
- Last Thursdays positive trading update was over shadowed by the legal claim by Seadrill for the cancellation a rig contract. The stock since rerated on Friday, on the back of higher oil.
- In the short term Tullow is a high [beta/leveraged](#) play on oil. Should the commodity continue to appreciate/depreciate Tullow should follow suit at an exaggerated rate.
- We anticipate oil to remain at these higher levels with our year end expectation of WTI trading between \$60-\$70. It will however remain highly volatile with continued news on supply increases/decreases.
- Levels of support:220-225 GBp and 185 -190 GBp. Levels of resistance:260-265 GBp and 280-285 GBp. Consensus (GBp 241)

# Cantor Core Portfolio - In Detail

Performance YTD	%	Sectors	Portfolio	Benchmark	+ / -	FX	Portfolio	Benchmark
Portfolio	6.6%	Consumer Discretionary	11%	12%		EUR	63%	43%
Benchmark	2.3%	Consumer Staples	5%	10%		GBP	21%	17%
Relative Performance	4.2%	Energy	5%	7%		USD	16%	40%
P/E Ratio	19.53x	Financials	24%	18%		Currency YTD %		
Dividend Yield	2.5%	Health Care	5%	13%		GBP	0.67%	
ESMA Rating	6	Industrials	22%	12%		USD	4.09%	
Beta	1.03	Information Technology	16%	14%				
		Telecommunication Services	0%	3%				
		Utilities	0%	3%				
		Materials	12%	6%				
		Real Estate	0%	2%				

## Benchmark

### Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	YTD Return (EUR)	Weekly Return	Currency Contribution	Total Contribution
STOXX Europe 600	EUR	16	Neutral	60%	0.1%	-1.1%	0.0%	0.0%
S&P 500	USD	21	Neutral	40%	5.8%	-2.4%	1.5%	2.3%
<b>Total</b>				<b>100%</b>		<b>0.0%</b>	<b>0.62%</b>	<b>2.3%</b>

## Core Portfolio

### Weighted Average Contribution

Stock	Currency	Yield*	Hold / Sold	Sector	Weighting	Total Return Local	Weekly Return	Currency Contribution	Total Contribution
GLANBIA PLC	EUR	1.5	H	Consumer Staples	5%	7%	-0.1%	0.0%	0.4%
RYANAIR HOLDINGS PLC	EUR	0.0	H	Consumer Discretionary	5%	5%	-0.2%	0.0%	0.3%
INDUSTRIA DE DISEÑO TEXTIL	EUR	2.7	H	Consumer Discretionary	6%	4%	0.1%	0.0%	0.2%
LLOYDS BANKING GROUP PLC	GBP	5.5	H	Financials	5%	-6%	0.0%	0.8%	-0.3%
BANK OF IRELAND	EUR	2.6	H	Financials	5%	-3%	-0.2%	0.0%	-0.2%
ALLIANZ SE-REG	EUR	5.0	H	Financials	5%	-6%	-0.1%	0.0%	-0.3%
FACEBOOK INC-A	USD	0.0	H	Information Technology	4%	11%	-0.1%	4.2%	0.6%
PAYPAL HOLDINGS INC	USD	0.0	H	Information Technology	4%	10%	-0.3%	4.2%	0.5%
ALPHABET INC-CLA	USD	0.0	H	Information Technology	4%	6%	-0.3%	4.0%	0.4%
AMAZON.COM INC	USD	0.0	H	Information Technology	4%	42%	-0.3%	5.4%	1.9%
iShares STOXX Europe 600 Banks ETF	EUR	3.2	H	Financials	5%	-10%	-0.1%	0.0%	-0.5%
SIEMENS AG-REG	EUR	3.3	H	Industrials	6%	1%	-0.1%	0.0%	0.1%
VINCI SA	EUR	3.1	H	Industrials	5%	-1%	-0.1%	0.0%	0.0%
SMURFIT KAPPA GROUP PLC	EUR	2.7	H	Materials	6%	24%	-0.2%	0.0%	1.4%
ALLIED IRISH BANKS PLC	EUR	3.1	H	Financials	4%	-15%	-0.3%	0.0%	-0.6%
CRH PLC	EUR	2.2	H	Materials	6%	6%	-0.1%	0.0%	0.3%
KINGSPAN GROUP PLC	EUR	1.0	H	Industrials	5%	20%	0.3%	0.0%	1.0%
ROYAL DUTCH SHELL PLC	GBP	5.4	H	Energy	5%	12%	0.2%	1.0%	0.6%
DCC PLC	GBP	2.0	H	Industrials	6%	-6%	0.1%	0.8%	-0.3%
GLAXOSMITHKLINE PLC	GBP	5.2	H	Health Care	5%	18%	-0.1%	1.0%	1.0%
<b>Total</b>					<b>100%</b>		<b>-1.9%</b>	<b>0.90%</b>	<b>6.6%</b>

All data taken from Bloomberg up until 27/06/2018.

\*Red Denotes Deletions

\*Green Denotes Additions

\*Yields are based on the mean of analyst forecast

**Warning : Past performance is not a reliable guide to future performance**

**Warning : The value of your investment may go down as well as up.**

## From the News - Monday's Headlines

- **Global** EU warns of \$300bn hit to US over car import tariffs
- **US** Trump is reshaping US courts from the bottom up
- **Europe** Merkel to meet allies in last attempt to avoid rupture
- **UK** Debt at UK listed companies soars to record high
- **Ireland** Ireland's manufacturing sector grows in June

## This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>
N/A	N/A	N/A	N/A	N/A
<b>Economic</b>	<b>Economic</b>	<b>Economic</b>	<b>Economic</b>	<b>Economic</b>
US & EU manufacturing PMI EU Unemployment	EU PPI EU retail sales UK construction PMI	EU Composite PMI	US PMI FOMC Minutes	US Non Farm Payrolls

## Upcoming Events

09/07/2018 DE Balance of Payments

10/07/2018 UK Manufacturing Data

11/07/2018 US PPI, EIA Oil Stocks

12/07/2018 DE Inflation

13/07/2018 CN Balance of Trade

09/07/2018 N/A

10/07/2018 Ocado Group, PepsiCo

11/07/2018 Delta Airlines

12/07/2018 N/A

13/07/2018 US Financials

All data sourced from Bloomberg

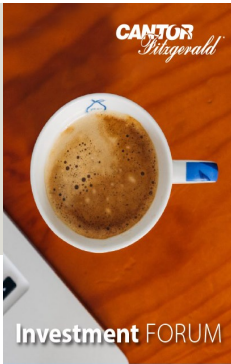
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**Issuer Descriptions: (Source: Bloomberg)**

**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:** Allied Irish Banks plc (AIB) attracts deposits and offers commercial banking services. The Bank offers mortgage, automobile, business, plant and equipment purchase, and lease financing loans, investment banking, securities brokerage, asset management and treasury services, and discounts invoices. AIB operates in Ireland, the United Kingdom, and the United States

**Inditex:** Industria de Diseno Textil, S.A. designs, manufactures and distributes apparel. The company operates retail chains in Europe, the Americas, Asia and Africa.

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

**ICG:** Irish Continental Group plc markets holiday packages and provides passenger transport, roll-on and roll-off freight transport, and container lift on and lift-off freight services between Ireland, the United Kingdom and Continental Europe.

**Siemens:** Siemens AG is an engineering and manufacturing company. The Company focuses on four major business sectors including infrastructure and cities, healthcare, industry and energy.

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

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

**Facebook:** Facebook Inc. operates a social networking site.

**PayPal:** PayPal operates a technology platform that enables digital and mobile payments on behalf of customers and merchants.

**Alphabet:** Alphabet provides web based search, advertisement, maps, software applications, mobile operating systems, consumer content and other software services.

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

**Amazon:** Amazon is an online retailer that offers a wide range of products.

**Smurfit Kappa:** Smurfit Kappa manufactures paper packaging products.

**CRH:** CRH is a global building materials group.

**Datalex:** Datalex plc provides e-business infrastructure and solutions to customers in the global travel industry.

**Kingspan:** Kingspan is a global market player in high performance insulation and building envelope technologies.

**Royal Dutch Shell:** Royal Dutch Shell explores, produces and refines petroleum.

**DCC:** DCC is a sales, marketing, distribution and business support services company.

**GlaxoSmithKline:** GSK is a research based pharmaceutical company.

**Glanbia:** Glanbia plc is an international dairy, consumer foods, and nutritional products company. The Company conducts operations primarily in Ireland, the United Kingdom, and the United States

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

**Adidas:** adidas AG manufactures sports shoes and sports equipment. The Company produces products that include footwear, sports apparel, and golf clubs and balls. adidas sells its products worldwide.

**None of the above recommendations have been disclosed to the relevant issuer prior to dissemination of this Research.**

### Historical Record of recommendation

**DCC:** We have an Outperform on DCC as of 17/8/15 changing to Outperform from Not Rated.

**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

**Adidas:** We currently do not have a rating on Adidas



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