

Thursday, 6th September 2018

Morning Round Up

US data, dollar and trade

Trade will come further into focus today as the public comment period expires for the proposed US duties on an additional \$200bn of Chinese imports. As we highlighted [yesterday](#), emerging markets are suffering the brunt of this. Trade woes combined with the stronger dollar have led the MSCI Emerging Markets index to fall by 20% since the end of January. Adding to this has been the deceleration in Chinese growth, with China Caixin PMI for August revealing that economic expansion slowed to its lowest level in 14 months. Meanwhile there has been little progress in talks, which resumed yesterday, between the US and Canada on the "New NAFTA" deal.

The ever influential [non farm payrolls](#) will be reported tomorrow afternoon. Any surprise to this figure will have ramifications for markets globally. Despite the unemployment rate at a record low of 3.9%, the consensus is that 190,000 jobs will have been added in August, dropping the unemployment rate to 3.8%. Despite full employment, average hourly earnings are expected to increase by only 2.7% yoy. Based on recent economic indicators from the US these figures look reasonable. The US ISM Manufacturing PMI came in at 61.3 on Tuesday the highest level in 14 years, far exceeding estimates of 57.7. Strong figures tomorrow will lead to further dollar strength and with it further negative sentiment to emerging markets.

Tech selloff

Yesterday the tech heavy Nasdaq Composite fell by 1.2%, its worst day since mid August. Web based social media sites Facebook and Twitter saw their share prices fall by 2.5% and 6% respectively, as their representatives testified in front of Congress, addressing online election meddling. Along with the heightened regulatory risk, the tech sector has been further hampered by the general risk off sentiment in the markets. However the recent uptick in volatility for the sector is not unusual given its outperformance this year, appreciating by 17%. We advise clients to remain overweight US Technology, however given regulatory risk our preference would be away from social media web based companies and toward **Microsoft, Amazon and Paypal**.

Vodafone update

As we highlighted on [Monday's Trader](#) Vodafone has been an underperformer this year. On top of the previously [mentioned factors](#) weighing on performance, the company's circa 25% emerging market exposure also looks to be having a negative effect. Of this 25%, 9% of revenues come from South Africa and 5% from India. Both the rand and rupee have been under pressure of late in the EM currency sell-off as has the Turkish Lira where Vodafone would also have some exposure. Despite this we maintain our conviction in Vodafone's ability to generate and grow FCF into the future. With 31% upside to the consensus price the street is agreement. Two of the major institutional brokers have upgraded their ratings over the past two days citing its underlying strength and the opportunity with Liberty Global.

One Year Vodafone Stock Price



Source: Bloomberg, CF Research September 2018

Key Upcoming Events

06/09/2018 US Canada trade talks
07/09/2018 US Non Farm Payrolls
26/09/2018 Fed Interest Rate Decision

Market View

Europe has opened flat following the 2.5% drawdown over the past two days. Asian market weakness continued overnight, marking the 6th straight day of declines. The S&P 500 was dragged downward by technology stocks yesterday. The US 10 year and German 10 year yields have now risen to 2.9% and 0.38% respectively. Oil has continued its recent decline with WTI and Brent now at \$68 and \$77 a barrel respectively. EUR/USD and EUR/GBP have held quite steady at 1.16 and 0.90.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	25975	22.51	0.09%	5.08%
S&P	2889	-8.12	-0.28%	8.04%
Nasdaq	7995	-96.07	-1.19%	15.82%

Nikkei	22,488	-92.89	-0.41%	-1.22%
Hang Seng	26,975	-269.03	-0.99%	-9.84%

Brent Oil	77.25	-0.02	-0.03%	15.52%
WTI Oil	68.74	0.02	0.03%	13.77%
Gold	1202	5.75	0.48%	-7.70%

€/\$	1.1639	0.00	0.08%	-3.05%
€/£	0.8993	0.00	-0.22%	1.26%
£/\$	1.2944	0.00	0.30%	-4.21%

	Yield	Change
German 10 Year	0.383	0.00
UK 10 Year	1.45	0.01
US 10 Year	2.9004	0.00

Irish 10 Year	0.889	0.00
Spain 10 Year	1.45	0.00
Italy 10 Year	3.05	0.1130

Source: Bloomberg, CF Research September 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)

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

Historical Recommendation:

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

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