

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 17th September 2018

Key Themes This Week

The week ahead

After a week that saw positive gains across major markets on the back of renewed optimism on trade in the US and Asia and reduced political risk and increasing yields in Europe, the week ahead is not looking as positive. Reports from Washington are pointing to a significant escalation in trade tensions, Brexit returns to the forefront in Salzburg and The Bank of Japan's (BoJ) Policy Board meet.

Asian markets in particular rallied on the back of renewed optimism on US-Sino relations improving, as participants considered Treasury Secretary Steve Mnuchin reaching out to his Chinese counterparts. Reports over the weekend from Washington painted a darker outlook. Media outlets have propounded that President Trump is about to announce tariffs up to \$200bn in Chinese imports within days. The administration is looking at 10% tariffs on an additional \$200bn, lower than the previously muted 25% rate, in an attempt to force China into submission on fairer trade and intellectual property policies. The move would significantly undermine efforts made by the Treasury Secretary to reopen negotiations. Beijing had responded positively to the initiation of talks but has since hardened its position by clearly refusing to enter talks under the threat of additional tariffs. Beijing has also bemoaned the difficulty in engaging with officials who can reliably speak for President Trump as well as lobbying for less involvement from China hawk Peter Navarro.

Theresa May has had a turbulent summer, Mrs May presents to the remaining 27 EU leaders on Thursday in Salzburg with expectations being that a deadline will be set for November to sign an exit agreement with the UK. Europe has acquired more [conciliatory tones](#) lately in an effort to support Mrs May's softer approach (Chequers Deal) to Brexit. Given the pressures coming from the Eurosceptic side of the Tory party, EU leaders are showing clear preference for dealing with Mrs May. This should result in an easier negotiation on the exit deal, however the EU will likely remain steadfast on its core principles and ensuring the UK does not "cherry pick" access to the single market.

Board members of the BoJ's Policy Board are not expected to make any changes to policy after it meets this week. The board's last meeting saw a tweaking of policy increasing the trading range on its [10-year note to 0.20%](#), which was the first hawkish move by the Bank in a number of years. While we are not expecting a move in policy, the Board's outlook on the impact of trade on the Japanese economy will be important. Japan has struggled to post meaningful growth figures in 20 years leaving the economy particularly vulnerable to a slow down in global growth.

As has been the case for most of this year, we expect trade to continue to dominate market moves this week. A big announcement like the implementation of 10% tariffs on Chinese imports would drag markets lower. Asia would probably suffer the heaviest sell-off compounded by the likely ceasing of all trade talks. Brexit should provide a source of positive news flow and positive market sentiment as the meeting should produce a clearer picture of what the exit deal will look like. Finally on the data front, there is inflation data out over the week for the EU, UK, US and Japan, which will be watched closely by the market to assess the impact of global policy changes.

This week we cover off on Vodafone, CRH, Vinci and AIB

Major Markets Last Week

	Value	Change	% Move
Dow	26155	238.13	0.92%
S&P	2905	33.30	1.16%
Nasdaq	8010	107.50	1.36%

UK Index	7315	35.43	0.49%
DAX	12104	117.20	0.98%
ISEQ	6632	-2.23	-0.03%

Nikkei	23,095	787.61	3.53%
H.Seng	26,933	319.43	1.20%
STOXX600	378	2.87	0.76%

Brent Oil	78.34	0.97	1.25%
Crude Oil	69.41	1.87	2.77%
Gold	1197	1.22	0.10%

Silver	14.1494	-0.03	-0.19%
Copper	263.2	0.40	0.15%
CRB Index	408.7	-3.07	-0.75%

Euro/USD	1.1659	0.01	0.56%
Euro/GBP	0.8902	0.00	0.02%
GBP/USD	1.3097	0.01	0.55%

	Value	Change
German 10 Year	0.452	0.05
UK 10 Year	1.529	0.06
US 10 Year	2.9922	0.06

Irish 10 Year	0.932	0.05
Spain 10 Year	1.48	0.03
Italy 10 Year	2.904	-0.01

BoE	0.75	0.00
ECB	0.00	0.00
Fed	2.00	0.00

All data sourced from Bloomberg

Opportunities this week

CFI Research Team

Vodafone

Closing Price: 167 GBp



- VOD has traded down recently due to several issues including [EM exposure](#) and an expected [high CapEx spend](#) associated with 5G.
- CEO designate, Nick Reid, spoke at the Goldman Sachs Communacopia Conference.
 - * 5G spectrum auctions broadly in line with expectations
 - * 5G network to be rolled out in H2 FY19
 - * Expressed confidence in dividend policy
 - * UK performing very strong with churn at record lows
 - * Cutting costs with chat bots, big data and AI
 - * Possible IPO of New Zealand unit
 - * Assessing possible divestment of tower infrastructure
- Operating efficiency delivering faster EBITDA growth than revenues in 20 markets
- Three consecutive years of EBITDA margin improvement at 30.8%. Guiding 1-5% underlying EBITDA growth
- Continued pricing pressure in Spain and Italy, Iliad to enter Italian market. LG deal and Indian merger expected to be the source of catalyst looking forward
- EM exposure remains the major risk to performance with a combined Turkish and South African markets representing a sizable portion of revenues.
- Currently trading at 12M lows where we would expect to find support at 165 GBp. Expected to recover back above 200 GBp with resistance at 187 GBp and a consensus price target of 214 GBp (28.6% upside)

Key Metrics	2018e	2019e	2020e
Revenue (€'Mn)	45502.2	46229.0	47063.8
EPS (€)	0.11	0.13	0.15
Price/ Earnings	17.25x	15.18x	12.91x
Div Yield	7.69%	8.06%	7.59%

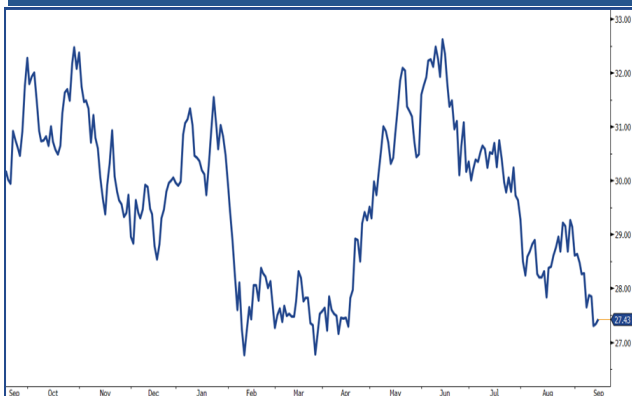
Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
VOD LN	-7.50%	-9.78%	-28.7%

Source: All data & charts from Bloomberg & CFI

CRH

Closing Price: €27.24



- Overall Street PT moved back up to 34.75 after an initial 34bps decline.
- It is currently trading at an FY18 P/E of 14.36x, representing a 23% discount to a [fairly weighted multiple](#) of 18.72x. The above issues are now in the price.
- Several catalysts remain for a re-rating higher:
 - * Management's [recent strategic update](#) remains in place;
 - * Establish a streamlined structure with 3 major businesses resulting in significant cost savings
 - * EBITDA margin target of 15-16% by 2021 (+300bps)
 - * €7bn of financial capacity over the next 4 years (after CapEx and divs) which implies significant potential for further buybacks and M&A
 - * Strategic review of European distribution business with some [divestments](#) likely. This is separate to the [€1.5-2bn divestment program](#) previously announced.
 - * Already have announced a [€1bn share buyback](#) (buyback blackout period begin from 17/09/2018)
 - * Continuing improvement in US volumes and [European pricing](#).
- Our 12m Cantor Price target remains at €36.50, implying 30% upside from here. It is likely trade in a range between €28-33 (an 18% range) in the short term. We recommend short term active clients take advantage of these when appropriate.
- Trading close to bottom of its 12 month range at €27.24. The stock has held €26.70 levels a number of times this year.

Key Metrics	2018e	2019e	2020e
Revenue (€'Mn)	26728.8	28265.6	29430.5
EPS (€)	1.92	2.21	2.50
Price/ Earnings	14.21x	12.34x	10.87x
Div Yield	2.59%	2.76%	2.95%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
CRH ID	-3.40%	-14.69%	-9.06%

Source: All data & charts from Bloomberg & CFI

Opportunities this week

CFI Research Team

Vinci

Closing Price: €80.72



- Remains one of the best infrastructure companies globally with above sector average earnings growth.
 - * FY18 Est. 8.55% earnings growth.
 - * FY19 Est. 8.53% earnings growth
 - * FY20 Est. 10.17% earnings growth
- Recently acquired a further 12 [airports](#) to add to its portfolio.
- Vinci model has some [very attractive characteristics](#)
 - * Defensive and growth story in one
 - * Less correlated to traditional equities
 - * Substantial upside optionality stemming from Macron privatisation program
 - * CapEx cycle ending this year, implying better cash flow and dividend increases
 - * Very strong balance sheet (€4.5bn in cash), div yield of 3.1% and net debt below 2x.
- France's domestic dependency along with accommodative government policy should support CAC outperformance in Europe.
- It is currently trading at €80.72, representing 20.5% upside to consensus price target of €97.25. Our own price target is €101.5, representing 18.9% upside.
- Trading close to the bottom of its range with support levels at c. €78 which it has held a number of times this year

Key Metrics	2018e	2019e	2020e
Revenue (£'Mn)	42768.6	44161.3	45488.7
EPS (£)	5.37	5.80	6.35
Price/ Earnings	15.03x	13.92x	12.71x
Div Yield	3.31%	3.57%	3.91%

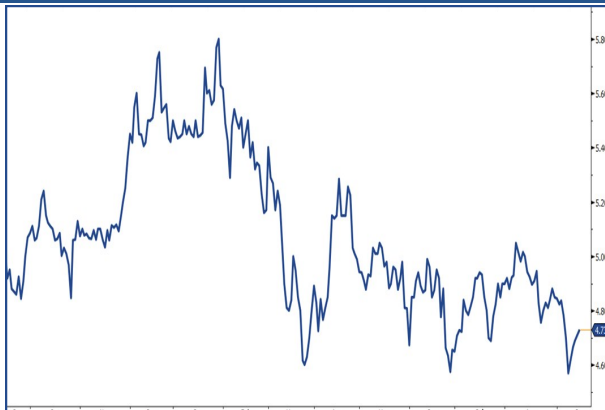
Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
DG FP	-2.89%	-3.90%	-5.20%

Source: All data & charts from Bloomberg & CFI

AIB

Closing Price: €4.77



- Opportunity on current weakness, remains our favoured Irish bank based on underlying operating performance
- FY18 Profitability metric compare well across European retail peers
 - * ROA c. 1.40% (SX7P: c. 0.5%)
 - * ROE c. 7.5% – 8% (SX7P: c. 7.97%)
 - * ROTE c. 9.0%
 - * NIM c. 250bps
 - * CIR c. 50%
- Valuations remain attractive relative to sector (retail banks trade at a premium to the wider sector)
 - * P/E (adjusted for excess capital distribution) 9.8x (SX7P: c. 9.34x)
 - * P/B (adjusted for excess capital distribution) 0.74x (SX7P: c. 0.69x)
- Excess capital to be distributed to shareholders once NPE targets achieved (5% of Gross Loans). Management targeting 5% by FY19.
- Dividend yield projected to reach +4% as balance sheet normalises
- Government stake to be sold down is expected to be headwind to capital appreciation
- Sector headwinds are strong but easing with higher yields and some easing in political uncertainty
 - * ECB rate path slower than previously anticipated resulting in lower earnings growth expectation
 - * Political uncertainty in both Europe and the UK to constraint growth
- [Cantor price target of €5.28](#) (+10% upside), consensus price target of €5.27. Current levels of €4.77 represent

Key Metrics	2018e	2019e	2020e
Revenue (€'Mn)	2760.1	2746.4	2799.1
EPS (€)	0.40	0.35	0.36
Price/ Earnings	12.07x	13.64x	13.52x
Div Yield	3.22%	5.52%	7.52%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
AIBG ID	-4.60%	-4.41%	-13.27%

Source: All data & charts from Bloomberg & CFI

Cantor Core Portfolio - In Detail



Cantor Core Portfolio

Date: 14/09/2018

Performance YTD	%
Portfolio	4.7%
Benchmark	5.5%
Relative Performance	-0.8%
P/E Ratio	19.02x
Dividend Yield	2.6%
ESMA Rating	6
Beta	1.03

Sectors Weights	Portfolio	Benchmark	+ / -
Consumer Discretionary	11%	12%	
Consumer Staples	5%	10%	
Energy	5%	7%	
Financials	24%	18%	
Health Care	5%	13%	
Industrials	22%	12%	
Information Technology	16%	14%	
Telecommunication Services	0%	3%	
Utilities	0%	3%	
Materials	12%	6%	
Real Estate	0%	2%	

FX	Portfolio	Benchmark
EUR	63%	44%
GBP	21%	16%
USD	16%	40%

Currency YTD %	
GBP	-0.12%
USD	3.21%

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	YTD Return (EUR)	Weekly Return	Price	Total Contribution
STOXX Europe 600	EUR	14	Neutral	60%	-0.1%	-0.9%	377	-0.1%
S&P 500	USD	18	Neutral	40%	13.8%	0.5%	2,905	5.5%
Total				100%				5.5%

Core Portfolio

Weighted Average Contribution

Stock	Currency	Yield*	Hold /Sold	Sector	Weighting	YTD Return (EUR)	Weekly Return	Price	Total Contribution
GLANBIA PLC	EUR	1.7	H	Consumer Staples	5%	1%	0.1%	14.75	0.0%
RYANAIR HOLDINGS PLC	EUR	0.0	H	Consumer Discretionary	5%	-12%	-0.3%	13.30	-0.6%
INDUSTRIA DE DISENO TEXTIL	EUR	3.1	H	Consumer Discretionary	6%	-7%	0.1%	26.56	-0.4%
LLOYDS BANKING GROUP PLC	GBP	5.7	H	Financials	5%	-9%	0.0%	0.59	-0.5%
BANK OF IRELAND	EUR	2.4	H	Financials	5%	6%	0.3%	7.42	0.3%
ALLIANZ SE	EUR	4.8	H	Financials	5%	1%	0.1%	185.3	0.1%
FACEBOOK INC-A	USD	0.0	H	Information Technology	4%	-8%	-0.3%	162.3	-0.2%
PAYPAL HOLDINGS INC	USD	0.0	H	Information Technology	4%	23%	-0.1%	90.78	1.1%
ALPHABET INC	USD	0.0	H	Information Technology	4%	12%	-0.2%	1178	0.6%
AMAZON.COM INC	USD	0.0	H	Information Technology	4%	68%	-0.2%	1970	3.0%
iShares STOXX Europe 600 Banks ETF	EUR	3.5	H	Financials	5%	-13%	0.0%	15.47	-0.6%
SIEMENS AG	EUR	3.4	H	Industrials	6%	-3%	-0.1%	108.96	-0.2%
VINCI SA	EUR	3.3	H	Industrials	5%	-3%	-0.1%	80.62	-0.2%
SMURFIT KAPPA GROUP PLC	EUR	2.7	H	Materials	6%	24%	-0.2%	34.14	1.4%
ALLIED IRISH BANKS PLC	EUR	3.2	H	Financials	4%	-11%	-0.1%	4.79	-0.4%
CRH PLC	EUR	2.4	H	Materials	6%	-7%	-0.2%	27.19	-0.4%
KINGSPAN GROUP PLC	EUR	1.0	H	Industrials	5%	17%	0.1%	42.12	0.9%
ROYAL DUTCH SHELL PLC	GBP	5.6	H	Energy	5%	4%	0.0%	25.00	0.2%
DCC PLC	GBP	1.9	H	Industrials	6%	-4%	0.2%	70.90	-0.2%
GLAXOSMITHKLINE PLC	GBP	5.1	H	Health Care	5%	17%	-0.3%	14.87	0.8%
Total					100%		-1.5%		4.7%

*Red Denotes Deletions

*Green Denotes Additions

*Yields are based on the mean of analyst forecast

All data taken from Bloomberg up until 07/09/2018.

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

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

*Red Denotes Deletions

*Green Denotes Additions

*Yields are based on the mean of analyst forecast

From the News - Monday's Headlines

- **Global** World's Richest Economies Enjoy Biggest Pay Raise in a Decade
- **US** Mixed Messages From U.S. Run Risk of Sinking Trade Talks Again
- **Europe** Sefcovic to Announce Candidacy for EU Commission Head on Monday
- **UK** May Warns Restive Tory Brexiteers She Won't Back Off EU Plan
- **Ireland** Investors with €5bn to spend eye up Irish rental sector

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	Corporate	Corporate	Corporate	Corporate
Associated British Foods	FedEx Green Reit	Kingfisher Greencoat Renewables	Nike Micron Tech Ryanair AGM Providence Resources ICG ex-div	SIG
Economic	Economic	Economic	Economic	Economic
EU Inflation US NY Empire Manuf. Index	N/A	UK Inflation EU Construction Output US Housing Starts BOJ Decision	UK Retail Sales US Philly Fed Manuf. Index US Existing Home Sales	EU PMI DE PMI FR PMI US PMI FR GDP

Upcoming Events

24/09/2018 N/A

25/09/2018 Carnival, Next

26/09/2018 Origin Enterprises

27/09/2018 N/A

28/09/2018 N/A

24/09/2018 Ifo Expectations

25/09/2018 US House Price Index

26/09/2018 US New Home Sales. US Fed Meeting

27/09/2018 UK House Prices. DE Inflation Rate. US PCE & Durable Goods. US Q2 GDP

28/09/2018 ESP Q2 GDP. UK Q2 GDP. EU Flash Inflation Rate

All data sourced from Bloomberg

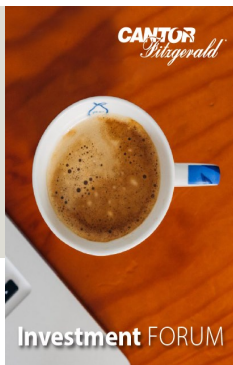
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- Inditex:** Industria de Diseno Textil, S.A. designs, manufactures and distributes apparel. The company operates retail chains in Europe, the Americas, Asia and Africa.
- Ryanair:** Ryanair Holdings plc provides low fare passenger airline services 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.
- 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
- Vodafone:** is a mobile telecommunications company providing a range of services, including voice and data communications
- VINCI SA:** VINCI is a global player in concessions and construction with expertise in building, civil, hydraulic, and electrical engineering

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

Historical Record of recommendation

- AIB:** We moved our rating from outperform to market perform on the 25/06/2018
- 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
- CRH:** We have added CRH to our core portfolio on the 01/01/16, with a recommendation of Outperform
- VINCI SA:** We initiated coverage of Vinci SA with an Outperform rating, on 25/08/2017.



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