

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 24th September 2018

Key Themes This Week

The week ahead

In the wake of record high US markets, we look forward to a Fed interest rate decision this week and consider the impact of higher short term rates on equity valuations. We will also be looking at President Trump's response to China on Trade and following Mrs May as she navigates her cabinet post Salzburg into her party conference at the end of the week.

Despite expectations of this week's rate hike being almost fully priced into short term rates, the market will be looking to Chairman Powell for guidance on the strength of the US economy as equity markets set record highs. Fed guidance for 2019 indicates three rate hikes on the back of the strength in US economic data, however the market isn't quite as hawkish yet. Tariff related inflation is another issue the Fed may have to deal with and Mr Powell's outlook on the impact of tariffs could alter the rate path currently set out. As the long end of the curve creeps higher, concerns relating to corporate earnings and valuation begin to build. At current yields, participants believe that the strong economic outlook outweighs the higher cost of funds, but at some point the relative attractiveness of risk free Treasuries should surpass the comparatively riskier equity markets. A move into a range of 3.25% - 3.50% on the 10 year Treasury would see this factor take more prominence.

US-Sino relations escalated over the weekend as Beijing rejected an invitation to explore trade talks. Beijing also criticized the US on sanctions introduced on a Chinese military officer for dealing with Russia. Markets had been pushed higher last week as the expected trade measures introduced were not as severe as initially expected. Further deterioration in relations could see an escalation in trade measures which we would expect to drag markets lower. The President's commentary on the Chinese refusal to meet will be important with any escalation causing concern for equity prices.

After a difficult week for Mrs May in Austria, she closed Friday with an unscheduled speech doubling down on her Chequers plan. The pound weakened against the Euro, currently trading at £0.895, as the probability of a "no deal" scenario continues to increase. This is a critical week for Mrs May's premiership, with the anti EU faction plotting against her, May will need to coerce the majority of the party into supporting her chequers deal. The week culminates with the start of Conservative Party Conference on Sunday, which will be the likely battlefield of any leadership contest initiated against her.

Finally, on the data front we have a busy week with September's EC sentiment indicators for the Euro area on Wednesday, final reads on both US and UK Q2 GDP figures, the German Ifo number and some US housing data.

DCC Update

DCC recently has seen several upgrades from major international houses who see it as their choice pick in the business services sector. We had been reiterating our [conviction](#) in the stock for the past few months and had advised clients to pick the stock up at its early September lows of £67.40. It has since traded up 10% to £73.85. There remains 15.1% upside to a price target of £84.97 (this was at £83.13 in August) so we would advise longer term holders to retain the stock. For shorter term more active trading clients who bought in at September lows can take profit at these levels.

This week we cover off on Green REIT, CRH, Prudential, and Ryanair

Major Markets Last Week

	Value	Change	% Move
Dow	26744	588.83	2.25%
S&P	2930	24.69	0.85%
Nasdaq	7987	-23.09	-0.29%

UK Index	7478	175.54	2.40%
DAX	12376	279.18	2.31%
ISEQ	6660	-11.85	-0.18%

Nikkei	23,870	1048.61	4.59%
H.Seng	27,509	575.73	2.14%
STOXX600	384	5.58	1.47%

Brent Oil	80.4	2.35	3.01%
Crude Oil	71.95	3.04	4.41%
Gold	1198	-3.91	-0.33%

Silver	14.2756	0.09	0.65%
Copper	283.7	18.60	7.02%
CRB Index	413.55	4.08	1.00%

Euro/USD	1.1742	0.01	0.51%
Euro/GBP	0.8957	0.01	0.89%
GBP/USD	1.3109	0.00	-0.36%

	Value	Change
German 10 Year	0.469	0.01
UK 10 Year	1.566	0.03
US 10 Year	3.0777	0.09

Irish 10 Year	0.964	0.03
Spain 10 Year	1.497	0.01
Italy 10 Year	2.865	0.02

BoE	0.75	0.00
ECB	0.00	0.00
Fed	2.00	0.00

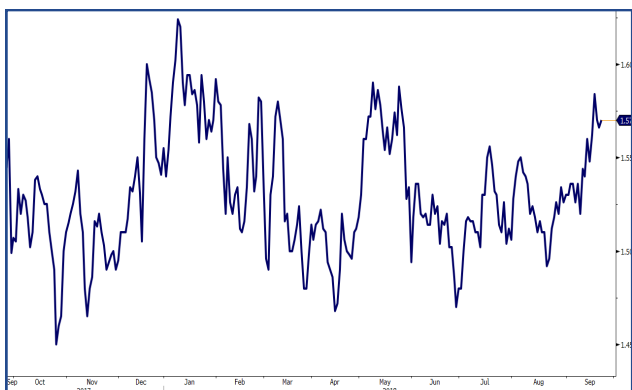
All data sourced from Bloomberg

Opportunities this week

CFI Research Team

Green REIT

Closing Price: €1.56



- Green REIT offers a portfolio of Grade A property assets with the majority of the portfolio focused on Dublin's Central Business District (CBD)
 - * 17 Properties with a value of €1.25bn (179c per share)
 - * EPRA earnings growth of 11% at 5.3c per share
 - * Dividend of 5.3c per share for FY18 as management target 4% of NAV
 - * Leverage reduced to 15.5% of portfolio value
- Quality of tenants and asset location gives added security in the ability to produce free cash flow and secure dividend policy
- Demand for premium office space in Dublin remains high as significant take up from US Tech and Financial companies.
- Position in the commercial property cycle limits capital appreciation beyond 2019
 - * Development profits on prime office space mostly realised
 - * Commercial property sensitive to rate cycle (rising rate environment)
 - * Sector also reliant on the health of the overall economy
- Logistics remains a small portion of the portfolio at 6%, however Horizon site offers development potential
- We expect the discount to NAV, currently c. 12%, to close into year end.
- Green REIT holds significance as a diversifier and income source within an equity portfolio.
- Has traded in a range of €1.45 - €1.62 year to date, we expect this to move higher

Key Metrics	2018e	2019e	2020e
Revenue (€Mn)	75.0	75.6	70.4
EPS (€)	0.08	0.07	0.08
Price/ Earnings	19.3x	21.13x	19.79x
Div Yield	4.09%	4.41%	4.09%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
GRN ID	2.9%	2.76%	2.2%

Source: All data & charts from Bloomberg & CFI

CRH

Closing Price: €28.21



- Overall street PT moved back up to €34.75 after an initial 34bps decline following recent results.
- It is currently trading at an FY18 P/E of 14.70x, representing a 21% discount to a [fairly weighted multiple](#) of 18.72x.
- 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 buy-backs 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 22% 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.
- Has traded up from the bottom of its 12 month range at since our [last note](#). The stock has held €26.70 levels a number of times this year.

Key Metrics	2018e	2019e	2020e
Revenue (€Mn)	26713.9	28255.0	29430.5
EPS (€)	1.92	2.21	2.50
Price/ Earnings	14.73x	12.79x	11.29x
Div Yield	2.49%	2.66%	2.84%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
CRH ID	-2.65%	-8.53%	-3.35%

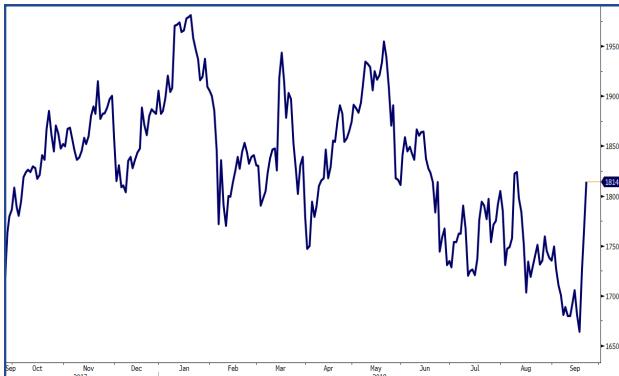
Source: All data & charts from Bloomberg & CFI

Opportunities this week

CFI Research Team

Prudential

Closing Price: £18.14



Key Metrics	2018e	2019e	2020e
Revenue (£'Mn)	68124.0	70137.0	40325.5
EPS (£)	1.51	1.65	1.82
Price/ Earnings	12.02x	10.99x	9.96x
Div Yield	2.79%	3.07%	3.28%

Source: All data & charts from Bloomberg & CFI

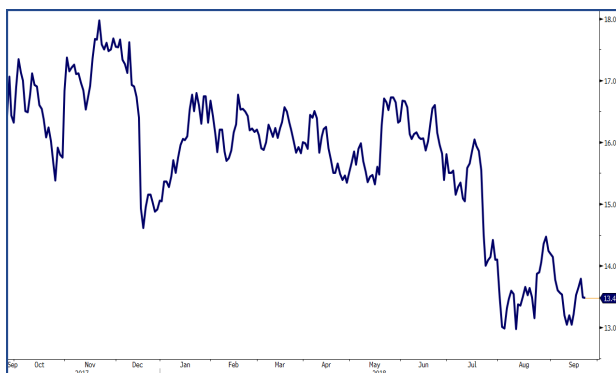
Share Price Return	1 Mth	3 Mth	YTD
PRU LN	4.58%	0.93%	-2.16%

Source: All data & charts from Bloomberg & CFI

- Sentiment for financials improving as European yields pick up and Italian political tensions ease.
- Conclusion of an FCA probe into life insurers end without any finding.
- Macro factors driving sentiment within the sector turning positive
 - * Valuation levels are attractive
 - * European financials benefitting from higher European yields and strong earnings results.
 - * Political tensions remain a concern, however Italy has eased but Brexit continues to be the most significant risk.
 - * Sovereign credit spreads to weigh on the sector
- De-merging of M&G Prudential, European insurer and asset manager, expected to unlock shareholder value through balance sheet optimisation
- Strongest organic growth prospects amongst UK insurers with EM exposure through leading Asian business
 - * Top 3 position in 9 of 12 Life markets in Asia
 - * Achieving +15% growth in operating profit
 - * Market leading asset management arm Eastspring Investments
 - * Asian demographics offer significant long-term growth opportunity in Life and Health Insurance as a large middle class emerges
- Investment case focused on emerging market growth exposures
- M&G Prudential transaction to be catalysts into year end
- Consensus price target of 2137 GBp (+18.6% Upside)

Ryanair

Closing Price: €13.47



Key Metrics	2018e	2019e	2020e
Revenue (€'Mn)	7829.7	8790.9	9492.1
EPS (€)	1.08	1.20	1.37
Price/ Earnings	12.19x	10.99x	9.61x
Div Yield	0.54%	0.47%	0.72%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
RYA ID	-2.85%	-18.83%	-10.47%

Source: All data & charts from Bloomberg & CFI

- Following on from Thursday's AGM we continue to advise clients to pick up Ryanair at these levels. The stock remains volatile as headlines regarding union developments continues to drive shorter term moves. Over the last three months we have seen LCC carriers underperform (Easyjet - 20% / Wizz -15%) their legacy peers.
- There was little new information from the AGM however
 - * There was no change in profit guidance for the year with M'OL reiterating the expectation of a 10% fall.
 - * Management was confident on progress made with trade unions. It expects union agreements to be signed off by Christmas with progress being made in Germany and Spain at present.
 - * All board members were re-elected including Bonderman, however his remaining tenure looks short.
- Industrial action remains the major headwind in the short term. Cabin crew strikes in Spain, Portugal, Italy, Belgium and the Netherlands on the 28th of September will cause disruption. However broadly progress continues to be made. Importantly management appears resilient in not jeopardising its business model.
- H1/19 results in October will be pivotal as investors look at the effect of strikes on fares and again if there is any change to profit guidance for the year.
- Fundamentally it remains Europe's leading airline. With the [necessary tailwinds](#) and investment case still in place we expect Ryanair to return to double digit earnings growth and multiple expansion post the current financial year, which we have guided to be choppy. Patience is required in the short term.

Cantor Core Portfolio - In Detail



Cantor Core Portfolio

Date: 21/09/2018

Performance YTD	%
Portfolio	6.0%
Benchmark	6.5%
Relative Performance	-0.5%
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	-0.99%	
USD	2.28%	

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	YTD Return (EUR)	Weekly Return	Price	Total Contribution
STOXX Europe 600	EUR	15	Neutral	60%	1.6%	0.2%	384	1.0%
S&P 500	USD	18	Neutral	40%	13.8%	0.5%	2,931	5.5%
Total				100%				6.5%

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%	0%	0.0%	14.57	0.0%
RYANAIR HOLDINGS PLC	EUR	0.0	H	Consumer Discretionary	5%	-10%	-0.2%	13.48	-0.5%
INDUSTRIA DE DISENO TEXTIL	EUR	3.1	H	Consumer Discretionary	6%	-5%	0.3%	27.25	-0.3%
LLOYDS BANKING GROUP PLC	GBp	5.7	H	Financials	5%	-5%	0.2%	0.62	-0.3%
BANK OF IRELAND	EUR	2.4	H	Financials	5%	4%	0.2%	7.28	0.2%
ALLIANZ SE	EUR	4.8	H	Financials	5%	5%	0.2%	192.8	0.2%
FACEBOOK INC-A	USD	0.0	H	Information Technology	4%	-8%	-0.3%	162.9	-0.2%
PAYPAL HOLDINGS INC	USD	0.0	H	Information Technology	4%	23%	-0.2%	90.62	1.0%
ALPHABET INC	USD	0.0	H	Information Technology	4%	11%	-0.3%	1172	0.6%
AMAZON.COM INC	USD	0.0	H	Information Technology	4%	64%	-0.4%	1915	2.7%
iShares STOXX Europe 600 Banks ETF	EUR	3.5	H	Financials	5%	-9%	0.2%	16.09	-0.5%
SIEMENS AG	EUR	3.4	H	Industrials	6%	-2%	-0.1%	110.24	-0.1%
VINCI SA	EUR	3.3	H	Industrials	5%	0%	0.0%	83.00	0.0%
SMURFIT KAPPA GROUP PLC	EUR	2.7	H	Materials	6%	28%	0.0%	35.28	1.7%
ALLIED IRISH BANKS PLC	EUR	3.2	H	Financials	4%	-10%	0.0%	4.81	-0.4%
CRH PLC	EUR	2.4	H	Materials	6%	-3%	0.0%	28.21	-0.2%
KINGSPAN GROUP PLC	EUR	1.0	H	Industrials	5%	16%	0.0%	41.70	0.8%
ROYAL DUTCH SHELL PLC	GBp	5.6	H	Energy	5%	9%	0.1%	26.16	0.4%
DCC PLC	GBp	1.9	H	Industrials	6%	0%	0.3%	73.85	-0.1%
GLAXOSMITHKLINE PLC	GBp	5.1	H	Health Care	5%	21%	-0.1%	15.31	1.0%
Total					100%		-0.2%		6.0%

*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** China tightens trade tension with rejection of US talks
- **US** Trump attacks credibility of Kavanaugh's accuser
- **Europe** Russian opposition leader arrested again upon release
- **UK Hand** 10% of equity to workers, Labour to tell big companies
- **Ireland** One in five workers agree with higher taxes to subsidise childcare

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	Corporate	Corporate	Corporate	Corporate
N/A	Carnival, Next	Origin Enterprises	N/A	N/A
Economic	Economic	Economic	Economic	Economic
Ifo Expectations	US House Price Index	US New Home Sales. US Fed Meeting	UK House Prices. DE Inflation Rate. US PCE & Durable Goods. US Q2 GDP	ESP Q2 GDP. UK Q2 GDP. EU Flash Inflation Rate

Upcoming Events

01/10/2018 N/A

02/10/2018 N/A

03/10/2018 N/A

04/10/2018 N/A

05/10/2018 N/A

01/09/2018 EA PMI final, US ISM

02/09/2018 EA PPI, US Car Sales

03/09/2018 EA Retail Sales, US PMI final

04/09/2018 US Factory orders

05/09/2018 US Non Farm Payrolls

All data sourced from Bloomberg

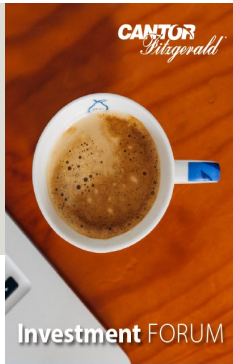
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- AIB:** Allied Irish Banks plc (AIB) attracts deposits and offers commercial banking services. The Bank offers mortgage, automobile, business, plant and equipment purchase, and lease financing loans, investment banking, securities brokerage, asset 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 Holdings plc provides low fare passenger airline services to destinations in Europe.
- 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
- Green REIT:** operates as a property investment company
- Prudential plc:** Prudential plc is an international company which provides a wide assortment of insurance and investment products and services. Prudential's services include personal and group pensions, equity plans, mortgages, and deposit accounts

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

Historical Record of recommendation

- CRH:** We have added CRH to our core portfolio on the 01/01/16, with a recommendation of Outperform
- Green REIT:** We have moved Green to under review
- Prudential plc:** We have an "Outperform" rating on Prudential as of 01/03/2018
- 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



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

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



Twitter : @cantorIreland



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

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



Twitter : @cantorireland



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