

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 17th December 2018

Key Themes This Week

The Week Ahead

After a relatively quiet week in the US, Friday saw markets sell off as investors continue to question global growth expectations. The S&P closed on a key technical level at 2600, which has been tested several times over the last month. European markets finished the week in positive territory in a week where the ECB halted its asset purchase program. Political uncertainty continues to weigh on the region as Brexit and French protests kept investors occupied. Asian markets posted gains as US-Sino relations look to be improving with China committing to increasing purchases from US farmers. Markets gave back their gains on Friday with weak data out of China fuelling growth concerns.

After the ECB ended its historical non-standard monetary policy (Quantitative Easing) on Wednesday, markets now look to the Fed. The FOMC are expected to increase the Federal Funds rate to a range of 2.25%-2.5%. While the move is almost fully priced, the market is expecting a more dovish outlook from Chairman Powell. Investors are questioning the economy's ability to withstand three rate hikes in 2019 as economic data starts to weaken and expectations of global growth diminish. However, US employment data remains at multi year lows, with inflation running slightly above its 2% target. Given current sentiment, markets will be looking for Fed to roll back guidance for next year with regard its projected rate path. Quantitative tightening is a term being used to refer to the Fed running down its balance sheet. Any reference to the pace of balance sheet normalisation will be closely watched as again the market will be looking for dovish guidance. In summary, the market is increasingly concerned regarding the future growth conditions, it is hoping the Fed will recognise this and not increase pressure on corporations with tighter financial conditions.

In the last full week prior to Christmas, European markets are expected to be relatively quiet. As has been the case for most of 2018, geopolitical concerns have driven market volatility. We are not expecting much movement on any of the primary issues this week. Brexit uncertainty is reaching new highs as Theresa May attempts to plot a path through Commons for her deal early in the new year. A parliamentary solution looks increasingly unlikely, with a people's vote possibly the only solution to the current deadlock. The Italian budget conflict seems set to subside as Italy submit a revised budget with a target deficit of 2.04%. The current Italian government striking a more conciliatory tone calming the Italian bond market.

As investors begin to wind down ahead of the Christmas period, the Fed will be the most important event for markets this week.

Glanbia profit taking

After an initial drop in the share price following its [Q3 trading update](#), Glanbia has outperformed over the past month. The recent price appreciation appears to have stemmed from investors seeking stability without significant Brexit exposure. We now advise shorter term clients who bought in as [advised](#) at/ below €14.00 to take profits above €16.50/€17.00. We maintain our positive outlook on the stock however we do not see significant short term upside above €17.00 at least until after FY18 results in February. We maintain our Outperform rating.

Total produce announces completion of Saba sale

Total Produce has announced that Dole has completed the sale of Saba Fresh Cuts to BAMA International as a condition of the EU commission approval of Total Produce acquisition of a 45% stake in Dole. Saba Fresh Cuts produce washed and ready-to-eat Salads.

This week we cover of on Verizon, Vinci, US Tech and Cairn Homes.

Major Markets Last Week

	Value	Change	% Move
Dow	24101	-288.44	-1.18%
S&P	2600	-33.13	-1.26%
Nasdaq	6911	-58.59	-0.84%

UK Index	6831	109.17	1.62%
DAX	10846	224.29	2.11%
ISEQ	5519	110.09	2.04%

Nikkei	21507	287.38	1.35%
H.Seng	26113	360.65	1.40%
STOXX600	346	7.24	2.14%

Brent Oil	60.24	0.27	0.45%
Crude Oil	51.12	0.12	0.24%
Gold	1239	-5.78	-0.46%

Silver	14.6168	0.09	0.60%
Copper	275.25	3.25	1.19%
CRB Index	414.97	-2.76	-0.66%

Euro/USD	1.1317	0.00	-0.34%
Euro/GBP	0.8991	-0.01	-0.55%
GBP/USD	1.2587	0.00	0.21%

	Value	Change
German 10 Year	0.255	0.01
UK 10 Year	1.249	0.05
US 10 Year	2.8858	0.03

Irish 10 Year	0.948	0.04
Spain 10 Year	1.413	-0.03
Italy 10 Year	2.921	-0.19

BoE	0.75	0.00
ECB	0.00	0.00
Fed	2.25	0.00

All data sourced from Bloomberg

Opportunities this week

CFI Research Team

Verizon Corp

Closing Price: \$57.08



- Telecoms and wireless operators provide an attractive opportunity to capture revenues as connectivity demand increases. Internet of Things (IoT) and mobile data usage expected to continue to grow
- Verizon have managed capex spend as it rolls out 5g network with outlook on spend stable ahead of spectrum auctions in FY19
- The business recently announced two large charges as management focus on efficiency and profitability.
 - \$4.6bn write down on its digital media operation Oath
 - c. \$2bn as part of a planned lay off of 10,000 staff
- Low churn rates resulting in higher ARPU despite tick up in competition
- Dividend yield greater than 4%
- Strong defensive name that should outperform higher beta sectors in a risk off market
- A more dovish Fed resulting in slower rate increases would be beneficial for a dividend payer.
- US focused business model with c. 95% of revenue generated domestically, resulting in limited exposure to trade and tariffs
- Verizon has posted strong performance year to date and is trading at rich valuations, however, the value in a name like Verizon is in its relative downside protection in volatile markets and its yield.
- Verizon is trading just below its consensus price target \$58.74 but should find support at its 50 day moving average \$57.20.

Key Metrics	2018e	2019e	2020e
Revenue (\$'Mn)	130837	132001	133479
EPS (\$)	4.67	4.71	4.76
Price/ Earnings	12.22x	12.11x	11.98x
Div Yield	4.18%	4.27%	4.35%

Source: All data & charts from Bloomberg & CFI

Total Return	1 Mth	3 Mth	YTD
VZ US	-5.20%	5.49%	12.95%

Source: All data & charts from Bloomberg & CFI

Vinci

Closing Price: €73.52



- One of the best infrastructure companies globally with growth potential above peers.
- Recent [9M results](#) showed a continuation of positive earnings momentum which we expect to carry through over the medium term .
 - Both Concessions (+5.6 revenue growth) and Contracting (8.4% revenue growth) performed well.
 - Like for Like sales have accelerated over the year.
 - EBIT margin should improve further in FY18
 - Projected 3 year average EPS growth of 9% annually
- The ADP privatisation has been an overhang for the stock. This should be finalised next year. Management will remain prudent in its bids and are unlikely to overpay.
- Strong balance sheet position with a net debt to EBITDA of c.2.2x.
- Attractive characteristics which should benefit in this environments
 - Defensive growth mix which is less correlated to equities
 - Affected by rising/higher real rates which remain negative. ECB softer policy set to continue with the base very low.
 - Possess ability to pass through inflation.
 - Capex cycle ending this year aiding FCF.
 - Dividend yield of 3.65%
- Weak French PMI data last Friday should be transitory
- Trading 12.5x 12m forward P/E. Its cheapest level since the beginning of 2015 despite growth opportunity. 16% discount to its 5 year average

Key Metrics	2018e	2019e	2020e
Revenue (€'Mn)	43175.7	44790.7	46143.8
EPS (€)	5.44	5.86	6.39
Price/ Earnings	13.5x	12.54x	11.49x
Div Yield	3.63%	3.93%	4.35%

Source: All data & charts from Bloomberg & CFI

Total Return	1 Mth	3 Mth	YTD
DG FP	-4.64%	-7.88%	-10.9%

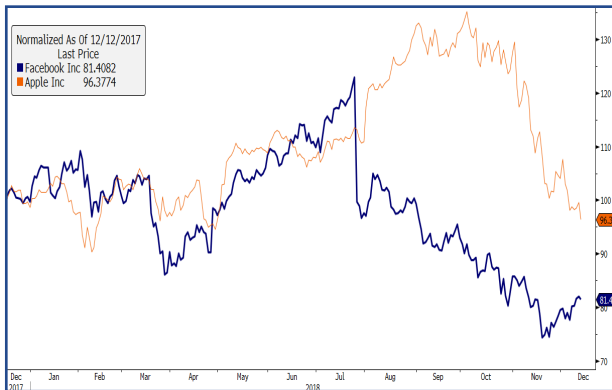
Source: All data & charts from Bloomberg & CFI

Opportunities this week

CFI Research Team

US Tech

Closing Price: \$144.06



- Negative sentiment toward higher growth sectors has caused a significant derating within the technology sector. This has been driven by trade worries, fears over global growth and Fed interest rate hiking.
- However trade tensions have deescalated over the past two weeks with the agreement to postpone January's tariff increase and subsequent positive rhetoric from China on intellectual property, car imports and agricultural imports.
- Despite the Fed's likely hike this week, expectations are for softer policy in 2019, supporting cyclical assets. Growth while rolling over remains positive.
- **Facebook**
 - With a 12m forward EV/EBITDA of 10.1x it is trading at a 40% discount to its 5 year average and only an 11% premium to the S&P 500 (5 year average premium of 64%).
 - Despite this lower valuation it has a forecasted revenue CAGR of 27% for the next three years
 - Expect longer term gains from next years \$18bn-\$20bn Capex spend to monetize news feed, messaging/video and Instagram.
 - Data regulations remain a headwind however this appears to be reflected in the price.
 - Recently broken out of a [downward trend](#) channel having found what appears to be a bottom at \$131.
- **Apple**
 - Fears over falling demand (supplier cuts)/China have caused the stock to its cheapest valuation (12.3x) since 2016 despite 10% yoy EPS growth expected for the three years.

Key Metrics	2018e	2019e	2020e
Revenue (\$"Mn)	55294.0	68505.0	82972.5
EPS (\$)	8.43	8.44	9.74
Price/ Earnings	17.08x	17.07x	14.79x
Div Yield	0.00%	0.00%	0.00%

Source: All data & charts from Bloomberg & CFI

Total Return	1 Mth	3 Mth	YTD
FB US	3.25%	-10.29%	-18.36%

Source: All data & charts from Bloomberg & CFI

Cairn Homes

Closing Price: €1.11



- Dublin residential market undersupplied by c.15,000 units per annum. Significant pent up demand
- Irish mortgage lending (BIRG) up 30% YoY in H1 2018. First time buyer grant retained in 2019 budget. Central Banks rules on loan to income ratios should reduce the risk of a future price shock.
- New homes continue to see house price inflation of 4-6% per annum which is supportive of a sustainable business in home building
- Cairn Homes is Irelands largest home builder having secured a very attractive land bank biased toward affordable homes (Lucan, Adamstown, Clonee) along Dublin train lines and premium homes in good city locations (Drumcondra, Rathfarnham, Donnybrook).
- Management expect sales to ramp up from 800 units this year to 1,400 units by 2020 will be a key driver of revenue, earnings and cash flow growth.
- Management expect to generate €350m of free cash flow over the next three years which could be used to pay a dividend and buy back stock .
- Cairn Homes shares have corrected by 33% year to date to trade on 10x 2020 earnings and 0.7x adjusted book value

Key Metrics	2018e	2019e	2020e
Revenue (€"Mn)	357.8	492.8	542.7
EPS (€)	0.05	0.09	0.11
Price/ Earnings	22.2x	12.33x	9.82x
Div Yield	0.00%	3.60%	7.03%

Source: All data & charts from Bloomberg & CFI

Total Return	1 Mth	3 Mth	YTD
CRN ID	-16.29%	-29.92%	-41.27%

Source: All data & charts from Bloomberg & CFI

Cantor Core Portfolio - In Detail



Cantor Core Portfolio

Date: 14/12/2018

Performance YTD	%
Portfolio	-6.4%
Benchmark	-2.5%
Relative Performance	-3.9%
P/E Ratio	18.5x
Dividend Yield	2.4%
ESMA Rating	6
Beta	1.01

Sectors Weights	Portfolio	Benchmark	+ / -
Consumer Discretionary	11%	12%	
Consumer Staples	5%	10%	
Energy	5%	7%	
Financials	19%	18%	
Health Care	10%	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	58%	44%
GBP	21%	16%
USD	21%	40%

Currency YTD %		
GBP	-1.15%	
USD	6.10%	

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	YTD Total Return Local	Weekly Return	Price	Total Contribution
STOXX Europe 600	EUR	15	Neutral	60%	-8.1%	0.3%	347	-4.7%
S&P 500	USD	18	Neutral	40%	-0.9%	-0.2%	2,600	2.2%
Total				100%				-2.5%

Core Portfolio

Weighted Average Contribution

Stock	Currency	Yield*	Hold /Sold	Sector	Weighting	YTD Total Return Local	Weekly Return	Price	Total Contribution
Glanbia Plc	EUR	1.6	H	Consumer Staples	5%	12.5%	-0.1%	16.60	0.7%
Ryanair Holdings Plc	EUR	0.0	H	Consumer Discretionary	5%	-28.4%	-0.1%	10.88	-1.4%
Industria De Diseno Textil	EUR	3.1	H	Consumer Discretionary	6%	-14.2%	-0.5%	24.55	-0.8%
Lloyds Banking Group Plc	GBP	5.6	H	Financials	5%	-19.3%	-0.1%	52.70	-1.0%
Bank Of Ireland	EUR	0.0	H	Financials	5%	-26.9%	-0.1%	5.11	-1.3%
Allianz Se	EUR	4.6	H	Financials	5%	-3.6%	0.0%	176.84	-0.2%
Facebook Inc*	USD	0.0	H	Information Technology	2%	-18.4%	0.1%	144.06	-0.3%
Paypal Holdings Inc*	USD	0.0	H	Information Technology	4%	16.7%	0.2%	85.92	1.0%
Alphabet Inc*	USD	0.0	H	Information Technology	3%	-0.2%	0.0%	1,052	0.4%
Amazon.Com Inc*	USD	0.0	H	Information Technology	4%	36.1%	0.0%	1,592	2.5%
iShares STOXX Europe 600 Banks ETF	EUR	3.5	S	Financials	5%	-22.7%	0.0%	13.64	-0.6%
Siemens Ag	EUR	3.4	H	Industrials	6%	-10.8%	0.1%	100.20	-0.7%
Vinci Sa	EUR	3.2	H	Industrials	5%	-11.2%	0.1%	73.52	-0.5%
Smurfit Kappa Group Plc	EUR	2.6	H	Materials	6%	-18.1%	0.0%	22.42	-1.1%
Allied Irish Banks Plc	EUR	2.5	H	Financials	4%	-33.7%	-0.1%	3.55	-1.3%
CRH Plc	EUR	2.5	H	Materials	6%	-22.4%	0.0%	22.64	-1.4%
Kingspan Group Plc	EUR	1.0	H	Industrials	5%	2.5%	0.2%	37.20	0.2%
Royal Dutch Shell Plc	GBP	5.3	H	Energy	5%	-1.1%	0.0%	23.58	-0.1%
DCC Plc	GBP	2.0	H	Industrials	6%	-17.9%	0.1%	59.60	-1.2%
Microsoft Corp	USD	1.6	H	Information Technology	4%	26.1%	0.1%	106.03	-0.2%
UnitedHealth Group Inc	USD	1.3	H	Health Care	5%	21.8%	0.0%	265.02	0.1%
Glaxosmithkline Plc	GBP	5.2	H	Health Care	5%	18.5%	0.1%	14.80	0.8%
Total					100%				-6.4%

All data taken from Bloomberg up until 14/12/2018.

*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** Deal struck to put Paris climate pact into action
- **US** Trump names Mick Mulvaney as acting chief of staff
- **Europe** CDU's big beasts line up to compete as Merkel slowly exits
- **UK** Overseas landlords retreat from UK property market
- **Ireland** Government urged to reduce rate of VAT on new houses

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	Corporate	Corporate	Corporate	Corporate
Oracle Corp Abbey	FedEx Corp Micron Technology	General Mills	NIKE Accenture Carnival	n/a
Economic	Economic	Economic	Economic	Economic
EA Balance of Trade EA Core Inflation GB CBI Industrial Trends orders	DE Ifo Business Climate US Housing Starts JP Balance of Trade	DE PPI GB Retail Prices GB Core Inflation EA Construction Output US FOMC Decision	GB Retail Sales GB BOE Decision US Philadelphia Fed Manufacturing Index JP Core Inflation	DE GfK Consumer Confidence GB Q3 GDP Final US Durable Goods US Core PCE Prices

Upcoming Events

24/12/2018 n/a

25/12/2018 n/a

26/12/2018 n/a

27/12/2018 n/a

28/12/2018 n/a

24/12/2018 n/a

25/12/2018 n/a

26/12/2018 n/a

27/12/2018 US New Home Sales, JP Employment Data

28/12/2018 DE Inflation, US Pending Home Sales

All data sourced from Bloomberg

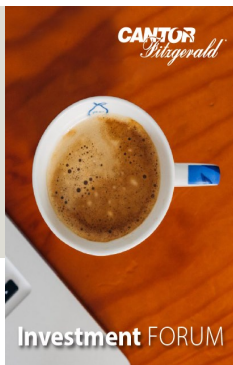
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Issuer Descriptions: (Source: Bloomberg)

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.

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.

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.

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

UnitedHealth Group: Incorporated owns and manages organized health systems in the United States and internationally

Verizon: Verizon Communications Inc. is an integrated telecommunications company that provides wire line voice and data services, wireless services, internet services, and published directory information.

VINCI SA: VINCI is a global player in concessions and construction with expertise in building, civil, hydraulic, and electrical engineering

Cairn Homes PLC: Cairn Homes provides construction services. The Company design and build homes. Cairn Homes operates in Ireland.

Apple: Apple Inc. designs, manufactures, and markets personal computers and related personal computing and mobile communication devices along with a variety of related software, services, peripherals, and networking solutions.

Glanbia: Glanbia is an international dairy, consumer foods, and nutritional products company.

Total Produce: Total Produce markets and distributes a wide range of branded fresh produce to pan European and National retailers and wholesaler.

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

VINCI SA: We initiated coverage of Vinci SA with an Outperform rating, on 25/08/2017.

Verizon: We have been positive on Verizon, since 26/02/14 and no change has been made to our recommendation since then.

Cairn Homes PLC: We initiated an Outperform rating on the 30/11/2018

Facebook: We have been positive on the outlook for Facebook, and it was added to the core portfolio on the 11/05/2015 and no changes to our recommendation have been since.

Apple: We changed our rating on Apple to Outperform from Market Perform, as of 02/08/2017

Glanbia: We changed our rating on Glanbia from Under Review to Outperform on 06/03/2018

Total Produce: We have an Outperform rating on Total Produce since the 29/11/2018



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