

Friday, 24th May 2019

Morning Round Up

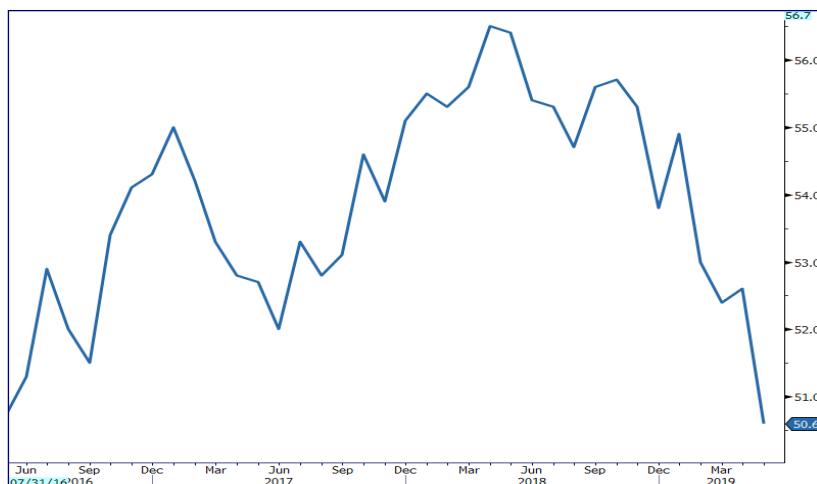
Economic data continues to trend lower

Volatility across global financial markets has continued this week. There has been two major themes driving this, the downward trend in economic data and increasing trade tensions (which again are negative for economic data). Yesterday's PMI readings added to these economic growth concerns. US Manufacturing PMI (50.6) and Services PMI (50.9) data fell again this month and are now struggling to stay in expansionary territory. In Europe, Manufacturing PMI (47.7) showed economic contraction for the third straight month. On Wednesday, Japanese Manufacturing PMI's (49.6) fell back below 50. As you would expect this deterioration has been further evidenced in global export numbers which continue to fall. Only 27% of global economies reported export growth last month, the lowest in 7 years. These underwhelming figures have not been expected by the market with economic surprise remaining in negative territory. Despite this, the S&P 500 remains just 4% off all time highs with a valuation of circa c.17x earnings. Should global economic trends fail to improve, as the market expects, in the second half of the year, these higher valuations will be questioned. Further to this, trade concerns will need to be alleviated with a deal and earnings will need to pick up. As a result of the aforementioned we continue to advise clients allocate defensively within portfolios.

I-RES - Management meeting highlights

We hosted I-RES CEO, Margaret Sweeney, in house yesterday afternoon post reporting a very strong FY 2018 financial result earlier this year. To recap, I-RES generated €50.6m of revenue, €41.2m in net rental income via its 2,679 owned apartments. With a portfolio value of €921m (€300-€320k per unit on average) and the average unit rented for €1,599 per unit, shareholder NAV per share has grown to €1.42 and dividend per share to 5.6c (3.5% trailing dividend yield). Management discussed their low risk growth strategy of acquiring units via completed assets (currently doing DD on 815 units being sold by Marathon Asset Management), development joint ventures and development on I-RES landbank. Over the next 3-4 years, I-RES targets an overall portfolio of 5,000 units which would be approx. twice that of current levels and we estimate could result in NAV per share growing toward €1.70 per share over the medium-long term and a dividend yield of approx 5% over the same period dependent on capital structure. Our year end fair value for I-RES is €1.60 based on current fundamentals.

Three year US manufacturing PMI



Source: Bloomberg, CF Research May 2019

Key Upcoming Events

01/06/2019 Chinese Tariff Deadline
28-29/06/2019 G20 Summit

Market View

European markets have opened higher this morning after selling off by 1.5% yesterday. The US is also poised to open positively this afternoon. Trade and deteriorating economic data remains the predominate themes within markets at present. Yesterday's PMI reading from Europe were weak on the Manufacturing side again. US PMI's came in significantly below expectations and declined for the third month in a row. Oil (\$58.50 WTI) has moved higher this morning following yesterdays 5% drop. Risk off sentiment continues to prevail with the US ten yield below 2.32% and the German 10 year below -11bps.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	25490	-286.14	-1.11%	9.27%
S&P	2822	-34.03	-1.19%	12.58%
Nasdaq	7628	-122.56	-1.58%	14.97%

Nikkei	21117	-33.92	-0.16%	5.51%
Hang Seng	27359	91.46	0.34%	5.85%

Brent Oil	68.41	0.65	0.96%	27.16%
WTI Oil	58.56	0.65	1.12%	28.96%
Gold	1283	-0.87	-0.07%	0.01%

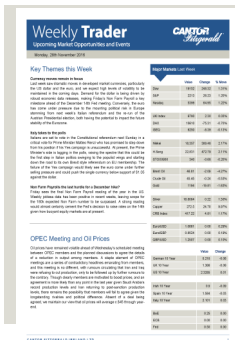
€/\$	1.1188	0.00	0.06%	-2.43%
€/£	0.8831	0.00	-0.04%	-1.77%
£/\$	1.267	0.00	0.10%	-0.66%

	Yield	Change
German 10 Year	-0.115	0.01
UK 10 Year	0.958	0.01
US 10 Year	2.3202	0.00

Irish 10 Year	0.503	-0.01
Spain 10 Year	0.832	-0.02
Italy 10 Year	2.58	-0.0570

Source: Bloomberg, CF Research May 2019

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.

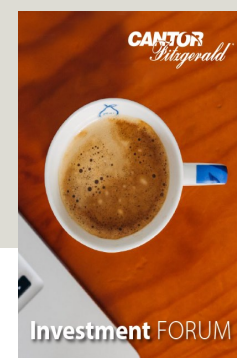
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Issuer Descriptions: (Source: Bloomberg)

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Historical Recommendation:

IRES: At present we have a hold rating on IRES

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