

Wednesday, 05th June 2019

Morning Round Up

Powell commits to sustaining economic expansion

Chairman Powell spoke at a conference hosted by the Chicago Federal Reserve yesterday, reaffirming it would “act as appropriate to sustain the expansion” as the impact of trade policy are felt. The bond market is indicating two 25bps cuts by December 2019 and a further cut in 2020, however, the fed’s guidance has retained a “wait and see” quality. The bond markets view reflects the fears held by investors, of the longer term impact of tariffs, unresolved trade relations with China, an escalation of trade tensions with Mexico and a possible targeting of European Autos at some point. On a shorter view, Mr Powell’s comments delivered the Nasdaq’s strongest day in 5 months as the technology sector posted gains. There was a pause yesterday in yield’s aggressive move lower, however, as uncertainty continues to build it is difficult to see a case for them to move substantially higher in the short term.

World Bank Lowers Growth Forecast

The World Bank lowered its GDP growth forecast for the global economy yesterday to 2.6% this year, down from the bank’s 2.9% estimate in January. World Bank President David Malpass noted “a tumble in business confidence, a deepening slowdown in global trade and sluggish investment in emerging and developing economies” as the main reasons for the cut. The bank downgraded every major region of the world, although growth projections for China and the US were unchanged at 6.2% and 2.5% respectively. As a result of the on-going trade wars between the US and China, global trade growth was revised down to 2.6% this year, the lowest estimate since the 2008 financial crisis. The bank noted possible further slowdown if Trump’s trade exploits escalate further – e.g. Mexico trade threats or ramping up the tariffs on Chinese imports.

China Warns Citizens in Travel Advisory for US

China’s Ministry of Foreign Affairs issued a travel advisory on the US yesterday, lasting until the end of the year. “Recently, U.S. law enforcement agencies have on multiple occasions used methods such as entry and exit checks, and on-site interviews to harass Chinese citizens in the U.S.,” the ministry said, according to state-run China Central Television. In addition, China’s Ministry of Culture and Tourism published a separate alert on Tuesday informing Chinese tourists of recent shootings, robberies and other crimes in the US. These two alerts represent the country’s latest retort in on-going trade wars with the US.

Ryanair May traffic Stats

Ryanair released traffic stats for the month of May reporting that passengers carried by the group grew by 13% YoY to 14.1m and the load factor stayed elevated at 96%. Laudamotion accounted for 600,000 of these passengers. Excluding Laudamotion and traffic would have grown by 8% YoY. The recent decline in the oil price, if sustained, will support earnings growth in FY 2021 (next financial year). Our fair value is €12.50 which would imply 16-17% upside.

Providence Barryroe drilling delayed

Due to a delay in receiving a fresh consent to carry out well-site surveyance, the Barryroe farm-out payments from APEC and drilling programme has been delayed from Q3 2019 to Q4 2019. The previous well site survey consent had been subject to a legal challenge. APEC wanted to see an updated or new consent being approved by the Irish regulatory authorities to permit the well-site survey to progress without dispute. This looks to be a condition of the agreement between Providence and APEC. Receiving consent over the next few months would be a key catalyst for monetising Barryroe and creating value at Providence. It is still unclear what the implications are of the surge in Green Party support of late means for this project.

Source: Bloomberg, CF Research June 2019

Key Upcoming Events

06/06/2019 ECB Decision
19/06/2019 FOMC Decision
20/06/2019 BoJ Decision

Market View

A dovish Federal Reserve Chairman sparked a rally in US equities yesterday. Chairman Powell commented that the Fed is willing to take action in the event of a slowdown. The rally continued into overnight trading in Asia with Japan, Hong Kong and Korea all advancing, while Shanghai closed flat. Trade concerns continue to weigh on the outlook for the region as a clean resolution looks less likely. European stocks have traded higher this morning on encouraging service PMI data, which was an unexpected improvement on April figures. European retail sales and US non manufacturing PMI will be the key data points later today.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	25332	512.40	2.06%	8.59%
S&P	2803	58.82	2.14%	11.82%
Nasdaq	7527	194.10	2.65%	13.44%
Nikkei	20776	367.56	1.80%	3.80%
Hang Seng	26894	132.74	0.50%	4.06%
Brent Oil	61.54	-0.43	-0.69%	14.39%
WTI Oil	53.06	-0.42	-0.79%	16.85%
Gold	1334	8.47	0.64%	4.02%
€/€	1.127	0.00	0.16%	-1.72%
€/£	0.8865	0.00	0.06%	-1.38%
£/\$	1.2712	0.00	0.11%	-0.33%

	Yield	Change
German 10 Year	-0.204	0.00
UK 10 Year	0.892	-0.01
US 10 Year	2.1227	-0.01
Irish 10 Year	0.399	-0.01
Spain 10 Year	0.648	-0.02
Italy 10 Year	2.51	-0.0020

Source: Bloomberg, CF Research June 2019

Applegreen - Integration of Welcome Break going as planned

Closing price €5.26

News

Applegreen released a trading update this morning reporting that trading for the overall group has been in line with expectations for first five months of 2019. The statement suggest that Ireland and the US are trading strongly with the UK facing challenging conditions due to Brexit weighing on consumer sentiment.

Management also commented that Welcome Break has integrated as expected with synergies expected to start to flow through in H2 2019. Management continue to look for new opportunities in the US. The group has added 11 new sites year to date.

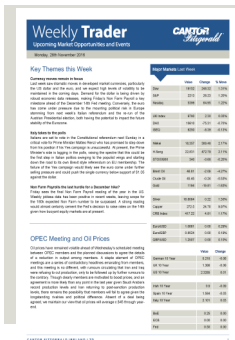
A 0.91(0.2%) dividend will be payable to shareholders on the register on the 7th June bring the full year dividend to 1.54(0.3%).

Comment

We continue to rate Applegreen as an “Outperform” and this trading update is encouraging in that the Welcome Break acquisition and integration has been smooth with synergies expected in the near term. We would look for levels below €5.20 to pick up Applegreen shares and would direct you to our recent flash note for the investment case.

Darren McKinley, CFA | Senior Equity Analyst

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Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

Ryanair: Ryanair Holdings plc provides low fare passenger airline services to destinations in Europe.

Applegreen: Applegreen operates service stations in Ireland, the UK and US.

Historical Recommendation:

Ryanair: Ryanair was added to the Core Portfolio at inception in and have had an Outperform recommendation since then

Applegreen: We have moved this stock to Outperform from Market Perform as at the 01/10/2018

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