

Friday, 28th June 2019

Morning Round Up

Bank of Ireland to sell UK credit card operation

Bank of Ireland's UK unit has agreed to sell its existing UK credit cards portfolio for c.£530m to CCP Credit Master Lux Sarl and CSCP III Master Lux Sarl. Both of which are special purpose investment vehicles advised by affiliates of Centerbridge Partners Europe LLP and Jaja Finance Limited. The portfolio comprises of the Post Office, the AA and the Bank of Ireland's branded consumer credit cards. The sale, which has been well flagged, removes the high cost drag on UK profitability and boosts the CET1 capital position. Last year this card portfolio accounted for c.1% of group revenue but given its lack of profitability the sale will have little affect on bottom line earnings for the group. Despite this, the stock is trading down 2% this morning .

Nike misses expectations for the first time in seven years

Nike released Q4/19 results after market close yesterday, missing earnings expectations for the first time since 2012. However, management reiterated guidance for the coming year and blamed higher overhead expenses, tax and FX for the miss. The reassurance meant the stock price recovered in after hours trading following an initial 4.9% drop. Importantly, Nike's revenue met expectations rising by 10% from a constant currency perspective and 4% as reported. Performance was strong across all regions, led by innovation. Digital sales grew by 35% and are now expected to account for 30% of revenue by 2023. Profitability improved as gross margin expanded by 80bps. Nike has yet to be really hit by trade uncertainties. Unlike some of its competitors its exposure to the trade spat is somewhat limited. Only c.26% of its footwear and apparel were made in China last year, of which only 10% was exported to the US.

Walgreens gains on earnings beat

Walgreen's rose by 4% yesterday following a better than expected set of Q3 results. However, earnings fell by 3.9% despite revenue rising by 0.75% as higher costs weighed on profitability. Importantly management reiterated its outlook from April for flat earnings for the remained of the year, implying an improvement in the fourth quarter. Despite trading at an attractive 9x FY19 P/E, the sector continues to face challenges and we would advise against buying into the stock at this time. Management is looking to improve the business model entering into partnerships with Kroger and Microsoft. Should they succeed there may be an entry point in the future.

Walgreens 5 year stock price



Source: Bloomberg, CF Research June 2019

Key Upcoming Events

28-29/06/2019 G20 Summit
01-02/07/2019 OPEC meeting

Market View

Equity markets are relatively flat this morning with lighter than average volumes as investors await the G20 meeting between Trump and Xi tomorrow. June has been a strange month for financial markets with equities, bonds, oil and gold all performing strongly. Saturdays meeting is likely to dominate market direction next week. Should there fail to be a truce and Trump subsequently enacts his "Plan B" by adding 10% tariffs on the \$300bn, risk assets will fall. On the economic data front yesterday, European Business confidence was its lowest since October 2014. Inflation data from both Europe and the US will be important today, given the soft stance taken by central banks.

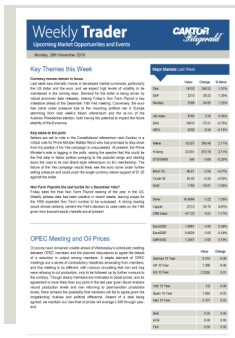
Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	26537	-11.40	-0.04%	13.81%
S&P	2914	-3.60	-0.12%	16.38%
Nasdaq	7910	25.25	0.32%	18.83%
Nikkei	21338	251.58	1.19%	6.61%
Hang Seng	28621	399.44	1.42%	9.19%
Brent Oil	65.89	-0.60	-0.90%	22.47%
WTI Oil	58.97	-0.41	-0.69%	29.86%
Gold	1404	-5.17	-0.37%	9.69%
€/\$	1.1369	0.0000	0.00%	-0.85%
€/£	0.8959	-0.0002	0.02%	0.34%
£/\$	1.2691	0.0001	0.01%	-0.49%

	Yield	Change
German 10 Year	-0.294	0.009
UK 10 Year	0.846	0.015
US 10 Year	2.054	0.007
Irish 10 Year	0.212	0.011
Spain 10 Year	0.40	0.008
Italy 10 Year	2.159	0.018

Source: Bloomberg, CF Research June 2019

Cantor Publications & Resources



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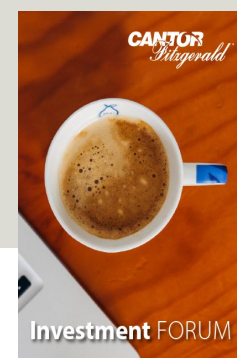
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Issuer Descriptions: (Source: Bloomberg)

Historical Recommendation:

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