

Thursday, 11th July 2019

Morning Round Up

Powell reaffirms dovish outlook

Federal Reserve Chairman Jerome Powell reaffirmed the market's expectation of a July rate cut. Speaking at his biannual testimony to Congress, Mr Powell laid out the mounting risks to the US economy, leaving little doubt regarding an easing of conditions in July. Inflation was highlighted as being persistently low along with a more challenging global environment. The probability of a 50bps cut in the Federal Funds Rate moved higher on the testimony from 0% to 20%. While, the probability of a 25bps fell to c. 80% from 100% as the market perceived Chair Powell's testimony as more dovish post last Friday's Jobs number. The overall probability of a cut remains at 100%, with the Fed committed to maintaining the economy in a "good place". A 50bps cut would likely see a sharp reaction in both fixed income and equity markets, with yields moving lower and equity markets higher. We expect a 25bps cut, which will likely maintain positive momentum in equity markets. However, we remain sceptical that this monetary intervention will turn the weakening trends in economic data and earnings. As the fundamentals continue to weaken we remain cautious on our exposure to equity markets, preferring a defensive allocation across higher yielding names.

Reckitt Benckiser shares rise after settling opioid treatment probe

Reckitt Benckiser shares rose by 3% this morning after it was reported that it has agreed to pay a \$1.4bn settlement to settle an investigation by the US Department of Justice and the Federal Trade Commission. While the settlement significantly exceed its original provision of \$400m, the market has greeted the announcement positively, as it removes an issue that overhung the company for a number of months. Despite the company maintaining its denial of any wrongdoing, it stated that the settlement avoids "the costs, uncertainty and the distraction associated with continued investigations". The initial case emerged a number of months ago, when Indivior, a former subsidiary of Reckitt Benckiser, was charged with misleading doctors and health programs into believing that one of its drugs was less likely to lead to patient addiction than rival products.

This was important update for Reckitt Benckiser which has struggled to push forward given this overhang. While the settlement will add to cash/debt pressures, its current valuation (currently 18x 12m forward P/E) and growth trajectory relative to the broader staples sector, should see the stock price move higher. Adding to the new CEO, Laxman Narasimhan, the former COO of PepsiCo, begins with a clean slate when he takes over this September.

Reckitt Benckiser one year stock price



Source: Bloomberg, CF Research July 2019

Key Upcoming Events

23/07/2019 UK PM Announcement
 25/07/2019 ECB Decisions
 30/07/2019 BoJ Decision
 31/07/2019 Fed Decision

Market View

US markets breached new highs yesterday, as a dovish Fed spurred hopes of further monetary stimulus. Sentiment has continued into Asian trading overnight with markets trading higher. Europe has opened positive this morning, with energy companies leading the way on higher oil. Brent moved 4.5% higher to \$67.60 over the past 24 hours as tensions rise in the Arabian Gulf. Yields fell on Powell's testimony, while the Dollar weakened against a basket of global currencies. US inflation data will be important as the Fed are citing persistently low data as the reasoning for a dovish tilt. While, the ECB also publish minutes from its latest governing council meeting.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	26860	76.71	0.29%	15.14%
S&P	2993	13.44	0.45%	19.40%
Nasdaq	8203	60.80	0.75%	23.62%

Nikkei	21644	110.05	0.51%	8.14%
Hang Seng	28432	227.11	0.81%	10.01%

Brent Oil	67.58	0.57	0.85%	25.61%
WTI Oil	60.85	0.42	0.70%	34.00%
Gold	1423	3.55	0.25%	10.92%

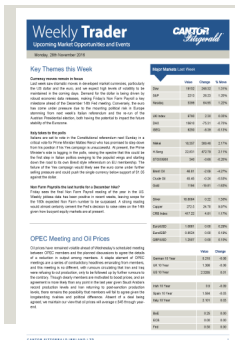
€/\$	1.1273	0.0022	0.20%	-1.69%
€/£	0.8993	-0.0006	0.07%	-0.04%
£/\$	1.2536	0.0034	0.27%	-1.71%

	Yield	Change
German 10 Year	-0.272	0.035
UK 10 Year	0.751	-0.007
US 10 Year	2.044	-0.017

Irish 10 Year	0.163	-0.008
Spain 10 Year	0.41	-0.033
Italy 10 Year	1.703	-0.033

Source: Bloomberg, CF Research July 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.

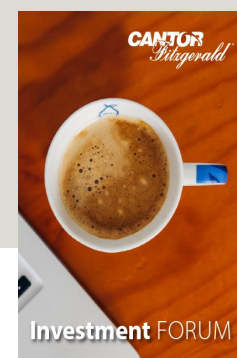
[Click Here](#)



Monthly Investment Journal

Each month our Private Client and Research departments collaborate to issue a publication which highlights the performance of our flagship products, funds and our Core Portfolio, including the Green Effects fund, most recent private equity deals and structured product investment opportunities.

[Click Here](#)



Investment Forum

Through our investment Forum we bring you the latest market news, investment insights and a series of informative articles from our experts.

[Click here](#)

Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

Historical Recommendation:

http://www.cantorfitzgerald.ie/research_disclosures.php

This material is approved for distribution in Ireland by Cantor Fitzgerald Ireland Ltd. It is intended for Irish retail clients only and is not intended for distribution to, or use by, any person in any country where such distribution or use would be contrary to local law or regulation. Cantor Fitzgerald Ireland Ltd ("CFIL") is regulated by the Central Bank of Ireland. Cantor Fitzgerald Ireland Ltd is a member firm of the Irish Stock Exchange and the London Stock Exchange.

Where CFIL wishes to make this and other Cantor Fitzgerald research available to Retail clients, such information is provided without liability and in accordance with our terms and conditions that are available on the CFIL website.

No report is intended to and does not constitute a personal recommendation or investment advice nor does it provide the sole basis for any evaluation of the securities that may be the subject matter of the report. Specifically, the information contained in this report should not be taken as an offer or solicitation of investment advice, or to encourage the purchase or sale of any particular security. Not all recommendations are necessarily suitable for all investors and CFIL recommends that specific advice should always be sought prior to investment, based on the particular circumstances of the investor either from your CFIL investment adviser or another investment adviser.

CFIL takes all responsibility to ensure that reasonable efforts are made to present accurate information but CFIL gives no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. This is entirely at the risk of the recipient of the report. Nor shall CFIL, its subsidiaries, affiliates or parent company or any of their employees, directors or agents, be liable for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk.

All estimates, views and opinions included in this research note constitute CANTOR IRELAND's judgment as of the date of the note but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this research note has not been disclosed to the covered issuer(s) in advance of publication.

Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse effect on the value of the investments, sale proceeds, and on dividend or interest income. The income you get from your investment may go down as well as up. Figures quoted are estimates only; they are not a reliable guide to the future performance of this investment.

[Conflicts of Interest & Share Ownership Policy](#)

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising from other CANTOR IRELAND business units including Fund Management and Stock broking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, CANTOR IRELAND is satisfied that the objectivity of views and recommendations contained in this note has not been compromised. Nonetheless CANTOR IRELAND is satisfied that the impartiality of research, views and recommendations remains assured.

Analyst Certification

Each research analyst responsible for the content of this research note, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research note.



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

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



Twitter : @cantorIreland



LinkedIn : Cantor Fitzgerald Ireland