Thursday, 5th September 2019

Morning Round Up

Boris backed into a corner with nowhere to go

Boris Johnson has had a difficult start to his premiership with the current farcical parliamentary developments closer to a TV drama then the day to day political discourse in Westminster. Mr Johnson no longer commands a majority in the House after Philip Lee defected to the Lib Dem benches. The issue compounded shortly after Tuesday night's move by the opposition to seize control of Parliament, with the support of 21 conservative party members. Having suspended the whip of those 21 members the government will struggle to pass any legislation leaving a general election as the only possible outcome. The timing of such an election is what matters. As the opposition pass the "no-deal" Brexit law, forcing the PM to seek an extension to Article 50 deadline if the House has not agreed to a deal or a no-deal by the 19th of October. The law is expected to make its way through the House of Lords today and receive Royal Accent on Friday. Meanwhile, Mr Johnson called a vote yesterday evening to dissolve parliament and hold a general election on the 15th of October, which required a two thirds majority but was defeated. The opposition has held their position that removing the risk of a no -deal Brexit on the 31st of October is there primary goal, with an election likely to follow once this is secured. The pound has rallied against the dollar (from below $1.20 to $1.2256) and the euro (from below €1.10 to €1.11) on the immediate relief that the UK will not crash out of the EU in 8 weeks time. However, Brexit risk remains high with no conclusion in sight. A general election will be fought on Brexit positions. The Liberal Democrats and the Scottish Nationalists wholeheartedly supporting remain, Labour supporting remain with somewhat less conviction, with the Tories and Brexit Party backing leave. The immediate risk of a no deal has subsided, leaving us marginally more optimistic but the market will now look to a general election to break the current impasse, which will likely go down as one of the most divisive in modern history.

Yew Grove interim results as expected

Yew Grove REIT, the €100m Irish commercial property REIT focused on leased office real estate outside of Dublin CBD, released interim 2019 financial results yesterday reporting an EPRA NAV of €1.04 (+3.8% YoY), annualised rent roll currently of €8m and 1.7% vacancy rate. Yew Groves portfolio is valued with an 8.3% gross yield, has 6.6 years to expiry (3.8 years to break) and is leased to the government(33%) & large FDI corporate tenants.

Yew Grove's current portfolio is valued at €103m relative to an enterprise value of €88m implying it is trading at c.15% discount to its fair value. Its shares pay a quarterly dividend and its forecast dividend yield for the next twelve months is c.5%. So far Yew Grove REIT has kept under the radar but if they can continue to purchase low risk income generating assets yielding 7-10%, with further scale and continued increase in dividend – their shares will gain more interest.

ISEQ gains 2% on Brexit news

ISEQ has gained by 2% over the last two days led by AIB Group, Irish Continental Group, Bank of Ireland, Cairn Homes and Glenveagh. All of these listed shares have been under significant pressure due to hard Brexit concerns. Shares reacted positively to the expected passing of "no-deal" law which is expected to prevent a no-deal crash out come October 31st. If a no-deal is avoided, some of these shares offer great value.

Source: Bloomberg, CF Research September 2019

Key Upcoming Events

06/09/2019 US Nonfarm payrolls
09/09/2019 UK Parliament Prorogued
12/09/2019 ECB Governing Council

Market View

Equity markets rose this morning after news that American and Chinese officials will meet early next month for negotiations on trade. Risk assets have rose this morning as a result with cyclical equity sectors (Tech, Industrials, Consumer Discretionary and Energy) rising by c.1%. Global bond yields have risen with the German 10 year yield back at 66bps. Sterling has held up (EURGBP at 0.902) after a turbulent couple of days. Elsewhere, oil has held up at $60 a barrel (Brent). On the data front German factory orders, US ADP and US ISM Non-Manufacturing will all be important today, particularly given the weaker numbers released earlier in the week.

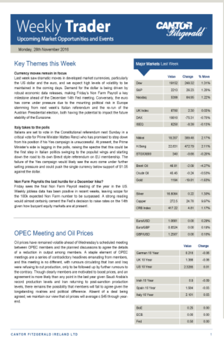
Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	26355	237.45	0.91%	12.98%
S&P	2938	31.51	1.08%	17.19%
Nasdaq	7977	102.72	1.30%	20.22%
Nikkei	21086	436.80	2.12%	5.35%
Hang Seng	26377	-146.57	-0.55%	2.05%
Brent Oil	60.61	-0.09	-0.15%	12.66%
WTI Oil	56.04	-0.22	-0.39%	23.41%
Gold	1544	-8.06	-0.52%	20.43%
€/$	1.1042	0.00	0.06%	-3.71%
€/£	0.9017	0.00	0.11%	0.30%
£/$	1.2247	0.00	-0.05%	-3.98%

	Yield	Change
German 10 Year	-0.644	0.03
UK 10 Year	0.53	0.04
US 10 Year	1.5111	0.05
Irish 10 Year	-0.03	0.02
Spain 10 Year	0.189	0.04
Italy 10 Year	0.86	0.0460

Source: Bloomberg, CF Research September 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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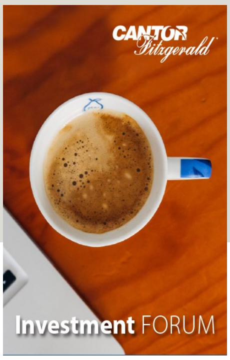

Investment Forum

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