Daily Note

Views, news and topics from today's markets

Wednesday, 11th September 2019

Morning Round Up

Yields jump helps value stocks to rise

Global bond yields have jumped over the past week providing some short term relief for a number of value sectors and stocks. This movement in bond yields has been aided by the prospect of easing trade tensions, potential fiscal spending in Europe (notably Germany), the lower risk of a no deal Brexit and expectations that the ECB and Fed will be less dovish than had been anticipated. Over the past week, the US 10 year yield and the German 10 year yield have risen from 1.45% and -73bps to 1.73% and -53bps respectively. This move has been highly beneficial for European banks (+8.8%), autos (+6.7%), materials (+5.9%) and energy (+4.2%) sectors. On the other side the high premium quality stocks, which had been significantly outperforming, have fallen with Food and Beverage stocks the biggest decliners (-3.7%). This recent move has been epitomised by AIB (+12.4%), Bank of Ireland (+16.6%) and Ryanair's (+10.6%) gains over the last 5 days.

Looking forward to the ECB September meeting

As has been well documented over the past number of months, central bankers globally have moved to stimulate their economies as fears of a global slowdown build. The ECB has been no different. The dovish turn started with Mr Draghi's speech at the ECB Forum in June, where he expected additional stimulus would be required if the economic outlook did not improve mentioning further rate cuts and restarting asset purchases. At the Governing Council's July meeting, Mr Draghi gave more formal guidance indicating that a package of measures was being assessed to combat slowing growth across the region and persistent below target inflation. The ECB actions over the summer has had a significant impact across bond markets, with particular emphasis on German sovereign bonds. We have seen the German 10 year yield fall from -20bps in June to a low of -70bps. The recent bond sell off has pushed the yield back to -53bps. The recent move higher is on the back of the bond market heeding more hawkish members of the Governing Council who have commented that the current economic scenario does not warrant a fresh tranche of asset purchases. We are expecting downward revisions to the ECB's macroeconomic projections across both GDP growth and inflation. We are also expecting a 10bps cut in the Deposit rate, which would lower it to -50bps. There remains c. 40% probability of an additional 10bps being cut this month, which would bring the Deposit rate to -60bps. As the impact of negative rates on the banking sector has been much discussed, we are also expecting a tiering structure to be introduced to limit the impact on the banking sector. Finally, a fresh tranche of the bank's Asset Purchase Program (APP) to the value of €30bn a month is also anticipated by the market. However, we do not think this measure will be introduced as part of this round of measures and expect a reintroduction of quantitative easing to be guided for later in the year. With this being Mario Draghi's last Governing Council meeting we wouldn't expect him to exhaust what little tools the bank has for monetary stimulus ahead of Mrs Lagarde taking the reins. The bond market has moved to price in an extremely dovish ECB this week, while we have seen a small correction to this view as bonds have sold off, any failure to meet expectations will likely see rates move higher if the market needs to reassess its dovish outlook.

Apple unveil new iPhone at its Product Launch

Apple have announced the new iPhone 11, replacing the iPhone X at a lower price point at the bottom of the range and now price increase for the top end model. The camera received the biggest upgrade in what was a modest technology update, with the lack of a 5G compatible handset notable. Pricing of its TV+ product was a warning shot to Netflix and Disney coming in at \$4.99. Apple has tracked back to its peak valuations at 17x forward earnings, a level it has tested twice over the past 18 months.



Key Upcoming Events

12/09/2019 ECB Governing Council 18/09/2019 FOMC Decision 17/10/2019 ECB Leaders Summit 31/10/2019 Brexit Day

Market View

Equity markets have opened up in positive territory this morning. Again it's the cyclical and value based sectors gaining the most with Financials and Materials up 1%. On the other side, Consumer Staples and Utilities are the only two sectors to be negative on open. This rotation has been in sync with bonds as treasury yields continue to push higher. The move has been driven by a collection of events including positive trade rhetoric, the prospect of further China stimulus and the reduced risk of a crash out Brexit. This has also helped to drive oil prices higher with Brent back at \$63. The market will be paying close attention to the ECB meeting tomorrow.

Dow Jones S&P	Value 26909 2979 8084	Change 73.92 0.96	% Change 0.28%	% Change YTD 15.36%		
	2979		0.28%	15.36%		
S&P		0.96		15.36%		
	8084		0.03%	18.85%		
Nasdaq		-3.28	-0.04%	21.84%		
Nikkei	21598	205.66	0.96%	7.91%		
Hang Seng	27116	432.58	1.62%	4.92%		
Brent Oil	62.82	0.44	0.71%	16.77%		
WTI Oil	57.91	0.51	0.89%	27.53%		
Gold	1490	4.12	0.28%	16.17%		
€/\$	1.1031	0.00	-0.11%	-3.80%		
€/£	0.8925	0.00	-0.17%	-0.72%		
£/\$	1.236	0.00	0.08%	-3.09%		
			Yield	Change		
German 10 Year			-0.533	0.01		
UK 10 Year			0.676	0.04		
US 10 Year			1.7385	0.01		
Irish 10 Year			0.052	0.01		
Spain 10 Year			0.282	0.02		
Italy 10 Year			1.04	0.0230		

Source: Bloomberg, CF Research September 2019

Cantor Publications & Resources

Weekly Trader	CANTON Tilegerald			
Wordsy, 28th November 2016				
Key Themes this Week	Nepr Manus	Lat free		
Currency reason needs in fease Last sent san clangts nows indensitient rationary patients.	· ·	Volue 1	(new	1.80
Lad werk say transition on a developed natural common, particularly the US state and the work, and we exact high levels of voteths to be	2m	1810	100.00	1.14
	14.0	-	-	127
robust economic data raileases, making Friday's Non Farm Paynil a key minetone atead of the December 14th Fed meeting, Converses, the euro-	Reality .		-	120
atoming from next week's taken referencian and the re-can of the Automa Devolverial electron, both basics the potential to pread the future.	of the	124	2.00	1.10
Autoral Prospectal Beccol, con railing the politice to repaid the future which of the Europea	but .	1924	250	479
	840	670	4.00	40
Rely taken to the polls Indexe are set to rate in the Constitutional Information and Earlies in a				
colour and the Prime Margan Materia Resources in the provided to the story of a	100.0	10.102	20.0	
			42.3	
We note to sole to begang in the party, some give specifie that this could be the first stee in taken authors prevents to the possible risks and starting	n.Sang	20,654	40.9	211
down the road to its own livest share whereaster on EU ner bench. The	8101064	- 24	-08	4.27
	And In	44.41	20	412
selling pressure and could push the single currency below support of \$7.05 ansated the shifts				
	CLOP DI	41.40	-034	-4.52
Non Farm Proposite the land learning for a Secondar Islan?	0.4	194	-10.01	-1.82
Entry sees the final Nor-Fairs Payral making of the poor is the US- Vitably interacting has been resulted in recent seeds, lagging seesa for				
	204	10.034	0.2	1.50
would almost certainly centent the Ped's decision to cake rates on the 143	Cesw	223	2.3	837
given have bacqued acquily mathetic are of pressent.	CRE Have	47.22	4.01	117
	Exvision	1891	08	6.29
	Levill ¹	0.804	0.0	6.12
OPEC Meeting and Oil Prices	081680	1247	- 048	4.1.2
Of prices have ensured votile shead of Westweaks's scheduled meeting induses OTIC members and the planned decasions to agree the details			160	Owe
of a selucian in subpl among markets. A sliple alarent of DNIC	Deman 13 Tear		6.210	-43
meetings are a series of contradictory headlines enanding from members, and this meeting is no different, with namous circulation that they and the	04.107mar		1.306	-4.3
were where a production, sets to be followed up by further names to the control. Through there's members are methodset to bood proces, and an	45 YO THEF		2328	6.2
	Inter 15 Faur			-4.9
india, fore smains the possibility that nambers will be to agree given the implementing making and political ofference. Advant of a deal barring	Spain 10 Fear		1.514	-4.2
impacting manus are potent observer, search in a our tang agreet, we martain our view that of prices will average c SH through you- and	Edy TI Yest		1.64	
en.	M		125	
	674		1.14	

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 retails 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 recommendations 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 purchased or sale of any particular security. Not all recommendations are necessarily suitable for all investors and CFIL recommend 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 to 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 affect 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 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 Indext Linkedin : Cantor Fitzgerald Ireland

Cantor Fitzgerald Ireland Ltd 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..