

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 11th November 2019

Key Themes This Week

The Week Ahead

Markets delivered another positive week last week as positive trade sentiment held levels in the US close to all time highs. The S&P finished last week up 0.85% at 3,093, with both the NASDAQ and the Dow Jones finished higher. European markets also had a strong week with the STOXX 600 finishing up 1.5%. The more positive outlook has also seen yields move higher. In the US over the last 10 days, yields have moved higher by 25bps to 1.94%. While in Europe, German yields have moved higher by 15bps to -25bps. The recent move in asset prices reflects a more positive outlook for markets as the trade outlook improves. President Trump's comments have dampened expectations over the weekend, with investors looking to his speech to the Economic Club of New York on Tuesday. Earnings season begins to wind down for the third quarter. Politics and data will be the focus this week across Europe. Spanish election results, UK general election and GDP data from the UK, Germany and the Euro Area.

Trade has unquestionably driven positive sentiment across global markets as investors look to a lifting of tariffs as a catalysts to kick start the ailing manufacturing sector. Last week saw headlines emerge from China stating that the two super powers had agreed to roll back tariffs as part of its phase one agreement. President Trump has dampened expectation having dismissed comments saying "I haven't agreed to anything.". Investors will be looking to President Trump's speech on Tuesday to the Economic Club of New York for details on where the trade narrative is likely to go. We remain more optimistic on the trade outlook, however, we note we have all been down this path before and await some concrete detail before implementing more optimistic positioning.

Q3 earnings season is coming to a close in the US with 89% of the S&P 500 having reported results. Earnings growth looks set to be negative in Q3 at -2.4%, which is the third quarter in row of negative earnings growth. Full year earnings growth expectations for 2019 have slipped to just 0.1%. Slowing earnings is particularly concerning when you factor in the level of share buybacks reducing the outstanding equity with aggregate corporate earnings showing declines. With business investment continuing to fall, the investment required to drive growth is yet to return again as corporates preference returning capital to shareholders.

The weekend has delivered a results in Spain's 4th general election in four years. Pedro Sanchez, acting Prime Minister and leader of the Spanish Socialists Workers Party, was returned as the largest party but he failed to win a majority. The far right Vox party saw a substantial increase in its vote, finishing third. The most recent election will likely not solve the parliamentary impasse as Mr Sanchez will again seek to form a government. In the UK, the general election will get into its first full week. GDP data and employment data will be a key talking point as the effects of a stalemate Brexit continue to weigh on the economy. The Tories got off to a shaky start with comments from Jacob Rees-Mogg offending the victims of the Grenfell Tower disaster and the publication of an altered video of Labour's Sir Keir Starmer.

This week's sees a number of Irish listed and Irish based companies reporting with DCC, Hibernia REIT, Grafton Group, Tullow Oil, Arysza and IPL Plastics all reporting update this week. On the data front, GDP data for Q3 from the UK, Germany and the Euro Area will be important. In addition, Industrial Production numbers from Europe, the US, Japan and China will be watched for a stabilisation in recent weakening trends. Finally, US retail sales on Friday will give investors a read on how the robust US consumer is fairing.

This week we cover off on McDonalds, PayPal, Invesco, UDG Healthcare and Glanbia.

Major Markets Last Week

	Value	Change	% Move
Dow	27681	333.88	1.22%
S&P	3093	26.17	0.85%
Nasdaq	8475	88.92	1.06%

MSCI UK	16308	4.39	0.03%
DAX	13185	48.60	0.37%
ISEQ	6778	24.18	0.36%

Nikkei	23332	481.07	2.11%
H.Seng	26927	-620.75	-2.25%
STOXX600	405	1.16	0.29%

Brent Oil	61.93	-0.20	-0.32%
Crude Oil	56.49	-0.05	-0.09%
Gold	1466	-43.98	-2.91%

Silver	16.9033	-1.15	-6.39%
Copper	265.75	-1.35	-0.51%
CRB Index	390.72	0.97	0.25%

Euro/USD	1.1029	-0.01	-0.89%
Euro/GBP	0.8617	0.00	-0.25%
GBP/USD	1.28	-0.01	-0.65%

	Value	Change
German 10 Year	-0.271	0.08
UK 10 Year	0.772	0.05
US 10 Year	1.9417	0.16

Irish 10 Year	0.12	0.07
Spain 10 Year	0.405	0.10
Italy 10 Year	1.232	0.24

BoE	0.75	0.00
ECB	0.00	0.00
Fed	1.75	0.00

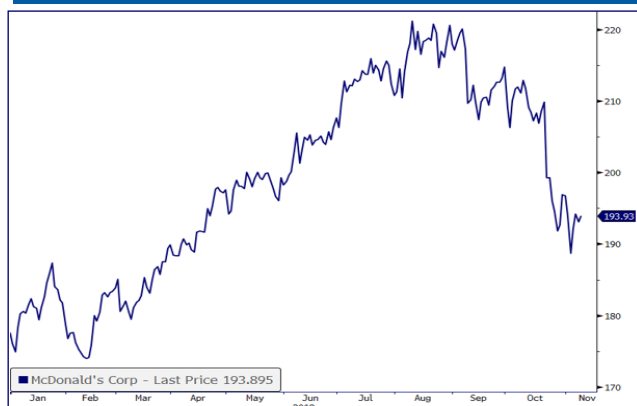
All data sourced from Bloomberg

Opportunities this week

CFI Research Team

McDonalds (MCD US)

Closing Price: \$193.61



Key Metrics	2019e	2020e	2021e
Revenue (\$'Mn)	21028	21643	22185
EPS (\$)	7.85	8.50	9.09
Price/ Earnings	24.68x	22.8x	21.31x
Div Yield	2.45%	2.62%	2.78%

Source: All data & charts from Bloomberg & CFI

Total Return	1 Mth	3 Mth	YTD
MCD US	-8.89%	-9.81%	8.73%

Source: All data & charts from Bloomberg & CFI

- McDonald's share price has suffered a retracement of c. 14% since highs posted in September for a number of reasons
 - Risk on rotation has seen the defensive consumer staples sector underperform
 - In its recent Q3 update, a miss in same store sales growth across the US caused investors concern
 - More recently, its board fired CEO Steve Easterbrook for having a consensual relationship with an employee, a violation of the company's non-fraternisation policy.
- The risk on sentiment across the market has been driven by looser monetary policy and positive sentiment on a trade outlook. While we welcome positive trade momentum we note that the market is yet to receive any concrete details and as such a defensive approach is still warranted.
- Slowing US sales is a concern. However, considering overall same store sales growth beat expectations, we expect future growth to feed through on the back of improvements to its restaurant refurb, in store self serve kiosks and online ordering and menu upgrades.
- Introduction of vegan burgers in the US is another catalyst to drive organic growth
- The change in CEO is unwelcome, but a swift appointment of an internal candidate suggest that business will continue on its recent successful strategy.
- Valuations have fallen back to averages and trade at discount to Consumer Staple heavy weights Coca Cola and PepsiCo
- Analyst consensus price target offers 15% upside at \$222.62

PayPal (PYPL US)

Closing Price: \$101.43



Key Metrics	2019e	2020e	2021e
Revenue (\$'Mn)	17698	20740	24387
EPS (\$)	3.06	3.49	4.20
Price/ Earnings	33.14x	29.06x	24.19x
Div Yield	0.00%	0.00%	0.00%

Source: All data & charts from Bloomberg & CFI

Total Return	1 Mth	3 Mth	YTD
PYPL US	-1.13%	-4.34%	19.48%

Source: All data & charts from Bloomberg & CFI

- Having bounced back from a weak Q2, with a strong set of Q3 numbers and Q4 guidance, the stock has failed push forward.
- We continue to like PayPal due its strong structural tailwind and leading position across ecommerce and mobile payments.
- Management have successfully deprioritised its reliance on eBay by developing new business partnerships
- Partnerships with Visa, Mastercard, Google, Apple and Uber should contribute to continued strong growth in total payment volume.
- Venmo, PayPal's mobile payment platform, is contributing to TPV with 64% growth and now represents c. 15% of TPV.
- Venmo is yet to be monetised in any significant way and offers a significant catalyst to widening margins and improved profitability in the future.
- Fundamentals remain attractive
 - FY19 Revenue growth guided at c. 15%, which is sustainable over the medium term
 - FY19 earnings growth guided at c. 25%, again sustainable at +20% over the medium term
 - Operating margin of 23%
- Valuations are attractive relative to history and are in line with sector at 30x (3Y average 30.5x, V 28.3x, MC 31x)
- Our US Fintech team have a price target of \$125 offering c. 25% upside from current levels and in line with consensus targets of \$126.23

Opportunities this week

CFI Research Team

Invesco (IVZ US)

Closing Price: \$17.82



Key Metrics	2019e	2020e	2021e
Revenue (\$'Mn)	6335	6879	6964
EPS (\$)	2.57	2.62	2.57
Price/ Earnings	6.89x	6.75x	6.88x
Div Yield	7.00%	7.26%	7.46%

Source: All data & charts from Bloomberg & CFI

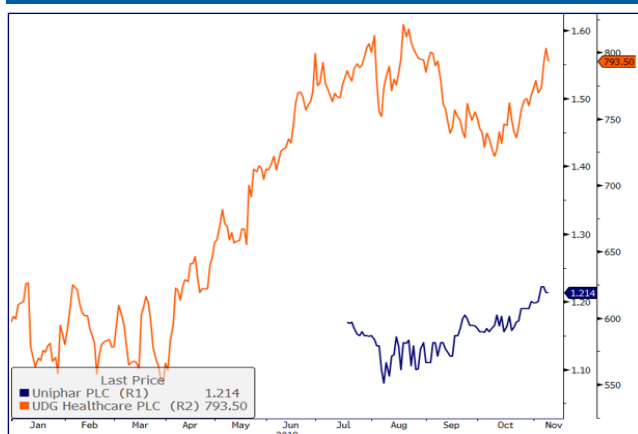
Total Return	1 Mth	3 Mth	YTD
IVZ US	15.58%	5.51%	8.60%

Source: All data & charts from Bloomberg & CFI

- Invesco is an independent investment management firm dedicated to delivering an investment experience that helps people get more out of life. They manage \$1,184.4 billion in assets on behalf of clients worldwide (as of September 30, 2019)
- Specialized investment teams managing investments across a comprehensive range of asset classes, investment styles and geographies. Over 8,000 employees focused on client needs across the globe. Proximity to our clients with an on-the-ground presence in 25 countries. Solid financials, an investment grade debt rating, and a strong balance sheet
- Net revenues grew by 19% to \$1.2bn in Q319, Earnings per share increased by 7.7% to 70c per share, the highest quarter in a number of years and also above the most bullish analyst.
- Group operating profit margin increased 6% points to 41% as the company extracted \$501m of synergies from integration of OppenheimerFunds. Combined they are 13th largest FM in world.
- Recent quarter saw a record return of capital to shareholders. \$441m capital returned in one quarter relative to an \$8bn market cap. On course for 10% capital return over next 12 months
- Gross sales across both companies grew by 29% YoY. Due to outflows, net flows of -\$2bn recorded
- \$900bn of AUM is actively managed, \$280bn is passively managed
- With the stock having declined from \$40 to \$17.80, it now trades on 6.8x 2020 earnings and offers a 7.2% forward dividend yield
- We think clients should consider a switch from some bank exposure into Invesco given the relative value and yield at the asset manager
- We view 20% total return from current levels as very achievable

Reduce UDG Healthcare (consider switch into UPR ID)

Closing Price: £7.95



Key Metrics	2019e	2020e	2021e
Revenue (£Mn)	1302	1387	1471
EPS (£)	0.48	0.53	0.59
Price/ Earnings	21.2x	19.1x	17.2x
Div Yield	1.64%	1.81%	1.89%

Source: All data & charts from Bloomberg & CFI

Total Return	1 Mth	3 Mth	YTD
UDG LN	8.70%	3.43%	33.92%

Source: All data & charts from Bloomberg & CFI

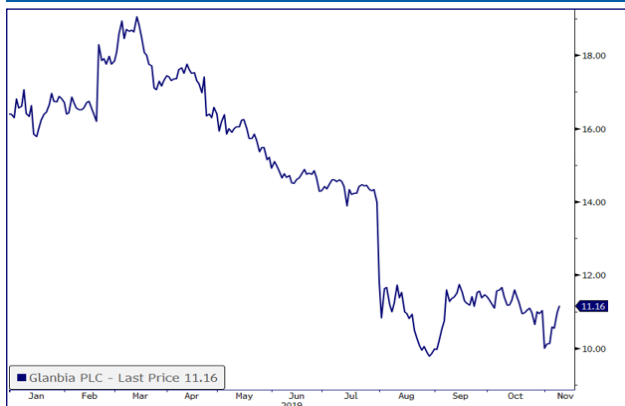
- UDG over the last number of years has tilted their business more toward pharma advisory, consulting and marketing and away from the distribution model
- UDG Healthcare shares have gained by 33% year to date, significantly outperforming the expected mid-high single digit growth in operating profit
- UDG now trades on 22.5x trailing earnings, a PEG ratio of 3x and 2.9x book value. These metrics are expensive relative to 5-10% growth and 12% return on equity
- We think upside surprise could come from acquisitions, given the strength of their balance sheet, but this may weigh on cash flow metrics
- UDG trades on premium valuations due to their track record of 15% CAGR operating profit growth over the last 5 years, that eased off to 3% in H1 2019 whilst reporting a decline in revenue
- Medium term guidance is for the group to continue to grow at mid to high single digit led by the Sharp division in the US
- We see limited upside in the short term in UDG Healthcare given the high valuations. We also acknowledge the sale of 46,000 shares by UDG's head of corporate development around current levels. There is also some technical resistance on the chart around £8.10
- We recently initiated coverage on Uniphar and would advocate a switch into Uniphar due to lower valuations
- Please see our recommendation in Uniphar [here](#)

Opportunities this week

CFI Research Team

Glanbia (GLB ID)

Closing Price: €11.27



Key Metrics	2019e	2020e	2021e
Revenue (€'Mn)	3714	3861	3916
EPS (€)	0.82	0.9	1.05
Price/ Earnings	13.2x	12.2x	11.0x
Div Yield	2.27%	2.46%	2.71%

Source: All data & charts from Bloomberg & CFI

Total Return	1 Mth	3 Mth	YTD
GLB ID	-5.35%	-1.97%	-33.1%

Source: All data & charts from Bloomberg & CFI

- Glanbia shares have succumb to volatility, possibly unwarranted
- Shares have retraced to lower end of its trading range despite latest quarterly update seeing management maintain FY guidance
- Management reiterated that FY guidance of 88c-92c implying that Glanbia is trading on c.12.5x current year earnings, cheapest in a decade
- 9M19 constant currency revenue grew by 17%, volume +2.4%, pricing +3.2% and acquisitions +11.3%. Actual growth was 23%
- GPN revenue growth of 16% driven by Slimfast. Slimfast reported organic sales growth of 34%
- Glanbia nutritionals division reported 7.9% volume growth, 6% price increase and 3.5% growth via acquisitions
- Niche division, Nutritional Solutions, reported that sales grew by 25% driven by 9% volume growth
- The concern persists around the GPN international division which has yet to report a stabilisation in volumes but management have taken action to address the issue
- Glanbia management target reducing leverage to below 2x net debt to EBITDA
- The average sell side analyst values Glanbia at €13 which implies some 15% upside
- We are comfortable that all current known bad news is prices in.
- Please see our flash note on Glanbia [here](#)

Cantor Core Portfolio - In Detail

Cantor Core Portfolio

Date: 08/11/2019

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Performance YTD	%
Portfolio	21.0%
Benchmark	26.8%
Relative Performance	-5.7%
P/E Ratio	17.43x
Dividend Yield	3.1%
ESMA Rating	6
Beta	0.94

Sectors Weights	Portfolio	Benchmark	+ / -
Consumer Discretionary	6%	9%	
Consumer Staples	9%	11%	
Energy	8%	6%	
Financials	8%	17%	
Health Care	15%	14%	
Industrials	12%	12%	
Information Technology	11%	11%	
Communication Services	7%	7%	
Utilities	9%	4%	
Materials	11%	6%	
Real Estate	4%	2%	

FX	Portfolio	Benchmark
EUR	52%	37%
GBP	9%	15%
USD	39%	40%
Other	0%	8%

Currency YTD %		
GBP	4.13%	
USD	3.92%	

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Total Contribution
STOXX Europe 600	EUR	20	Neutral	60%	24.3%	1.5%	405	14.6%
S&P 500	USD	21	Neutral	40%	25.5%	0.9%	3093	12.2%
Total				100%				26.76%

Core Portfolio

Weighted Average Contribution

Stock	Currency	Yield*	Hold /Sold	Sector	Weighting	Total Return Local	Weekly Return	Price	Total Contribution
Alphabet Inc*	USD	0.0%	H	Communication Services	2%	25.3%	2.9%	1309	0.8%
Verizon Communications Inc	USD	0.0%	H	Communication Services	5%	10.1%	-1.7%	59.4	0.8%
Ryanair Holdings Plc*	EUR	0.4%	H	Consumer Discretionary	2%	29.5%	12.4%	13.93	0.5%
Dalata Hotel Group Plc*	EUR	2.0%	H	Consumer Discretionary	2%	17.3%	1.9%	5.45	1.1%
Amazon.Com Inc*	USD	0.0%	H	Consumer Discretionary	2%	18.9%	-0.3%	1786	1.0%
Glanbia Plc*	EUR	2.2%	H	Consumer Staples	4%	-29.8%	11.7%	11.3	-1.1%
Walgreens Boots Alliance Inc	USD	3.1%	S	Consumer Staples	0%	-11.3%	3.2%	59.24	-1.0%
Coca Cola Co	USD	3.1%	S	Consumer Staples	0%	12.9%	-3.1%	52.21	0.8%
Danone	EUR	2.8%	H	Consumer Staples	5%	23.5%	-0.1%	73.9	0.5%
Royal Dutch Shell Plc	GBP	6.3%	H	Energy	5%	4.2%	3.4%	23.30	0.4%
Total Sa	EUR	5.5%	H	Energy	3%	11.0%	3.2%	49.30	0.0%
Lloyds Banking Group Plc*	GBP	6.0%	S	Financials	0%	14.8%	-1.8%	0.56	0.8%
Allianz Se	EUR	4.3%	H	Financials	4%	30.7%	-0.3%	219.00	1.2%
AIB Group Plc	EUR	6.0%	H	Financials	4%	-18.5%	-5.2%	2.87	-0.7%
Sanofi	EUR	3.8%	H	Health Care	5%	14.3%	1.8%	83.00	0.5%
Unitedhealth Group Inc	USD	1.6%	H	Health Care	5%	4.5%	1.9%	256.97	0.4%
Pfizer Inc	USD	3.9%	H	Health Care	5%	-12.0%	-2.5%	37.05	-0.4%
Vinci Sa*	EUR	2.9%	H	Industrials	4%	43.2%	-0.8%	100.15	1.7%
Kingspan Group Plc*	EUR	1.0%	S	Industrials	0%	25.7%	0.0%	46.5	0.9%
DCC Plc	GBP	2.0%	H	Industrials	4%	27.0%	2.5%	74.96	1.3%
Fedex Corp	USD	1.6%	H	Industrials	4%	2.4%	4.3%	1.63	-0.2%
Caterpillar Inc*	USD	2.5%	S	Industrials	0%	19.9%	2.5%	148.16	0.2%
SAP Se*	EUR	1.3%	H	Information Technology	4%	43.6%	3.0%	123.26	1.7%
Paypal Holdings Inc	USD	0.0%	H	Information Technology	4%	20.6%	-3.4%	101.42	1.0%
Microsoft Corp*	USD	1.4%	H	Information Technology	3%	45.3%	1.6%	145.96	2.1%
Smurfit Kappa Group Plc*	EUR	3.3%	H	Materials	3%	39.8%	2.4%	31.32	1.8%
CRH Plc*	EUR	2.3%	H	Materials	3%	47.2%	0.3%	33.14	1.8%
Rio Tinto Plc	GBP	8.1%	S	Materials	0%	26.5%	0.9%	42.06	1.0%
Newmont Goldcorp Corp*	USD	1.5%	H	Materials	5%	9.6%	-7.6%	36.61	0.9%
Kennedy Wilson Holdings Inc	USD	3.7%	H	Real Estate	4%	30.8%	-0.9%	23.08	0.4%
Engie	EUR	5.5%	H	Utilities	5%	19.9%	-4.5%	14.19	0.1%
Greencoat Renewables Plc	EUR	5.0%	H	Utilities	4%	24.9%	0.8%	1.22	0.6%
JPMorgan Emerging Markets Trust	GBP	1.1%	S	Emerging Markets	0%	17.9%	2.8%	9.93	0.2%
Total					100%				21.04%

All data taken from Bloomberg up until 08/11/2019.

Warning : Past performance is not a reliable guide to future performance

Warning : The value of your investment may go down as well as up.

*Red Denotes Deletions

*Green Denotes Additions

*Yields are based on the mean of analyst forecast

From the News - Monday's Headlines

- **Global** - Hong Kong's \$530bn Stock Rally Stumbles as Violence Mounts
- **US** - Aramco IPO Prospectus Flags Peak Oil Demand Risk in 20 years
- **Europe** - Johnson on Track to Win, with Majority on Knife Edge, Odds Say
- **UK** - Avoids Recession but ends Third Quarter on Weak Footing
- **Ireland** - Ulster Bank Construction PMI implies slowdown in October

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	Corporate	Corporate	Corporate	Corporate
N/a	ITV Grafton Group IMS Tyson Foods Continental Vodafone DCC Hibernia REIT IMS	Tullow Oil British Land Taylor Wimpey Cisco Systems Wizz Air IMS	IPL Plastics Q3 KBC Group Nvidia Walmart Henkel Premier Oil Aryzta AGM	Datalex EGM
Economic	Economic	Economic	Economic	Economic
JP Machine Orders GB Trade Data GB Industrial Production GB Q3 GDP Prelim GB Construction Output	GB Employment Data EA/DE ZEW Economic Sentiment	DE Inflation Rate GB Inflation Rate EA Industrial Production US Core Inflation Rate US Fed Chair Powell Testimony	JP Q3 GDP CN Industrial Prod DE Q3 GDP Flash FR Inflation Rate CN New Yuan Loans EA Q3 GDP GB Retail Sales US Core PPI	JP Industrial Prod EA Trade Data EA Inflation Rate US Retail Sales US NY Empire State Manufacturing Index US Industrial Prod

Upcoming Events

18/11/2019 Kingspan

19/11/2019 Kohls, Home Depot

20/11/2019 Sage Group, Kingfisher, Origin Enterprises, Target

21/11/2019 Centrica, Close Brothers

22/11/2019 n/a

18/11/2019 US Overall Net Capital Flows

19/11/2019 EA Current Account, GB CBI Industrial Trends Orders, US Housing Data

20/11/2019 JP Balance of Trade, DE PPI, US FOMC Minutes

21/11/2019 FR Business Confidence, GB Public Sector Net Borrowing, EA Consumer Confidence, US Existing Home Sales

22/11/2019 JP Inflation Data, DE Q3 GDP Final, EA/DE/FR Flash Manufacturing PMI,

All data sourced from Bloomberg

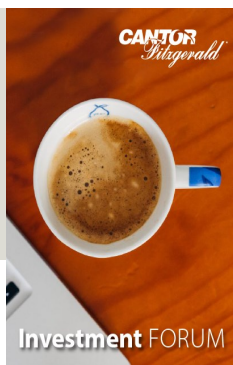
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Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

AIB Group: AIB Group plc attracts deposits and offers commercial banking services.

Allianz: Allianz through its subsidiaries, provides insurance and financial services.

Alphabet: Alphabet provides web-based search, advertisement, maps, software applications, mobile operating systems, consumer content and other software services.

Amazon: Amazon is an online retailer that offers a wide range of products.

Caterpillar Inc.: Caterpillar designs, manufactures, and markets construction, mining, and forestry machinery.

CRH: CRH is a global building materials group.

Dalata Hotel Group: Dalata Hotel Group owns and operates as a chain of hotels.

Danone: Danone operates as a food processing company.

DCC: DCC is a sales, marketing, distribution and business support services company.

Glanbia: Glanbia plc is an international dairy, consumer foods, and nutritional products company. The Company conducts operations primarily in Ireland, the United Kingdom, and the United States

Kingspan: Kingspan is a global market player in high performance insulation and building envelope technologies.

Microsoft: Microsoft Corporation develops, manufactures, licenses, sells, and supports software products.

PayPal: PayPal operates a technology platform that enables digital and mobile payments on behalf of customers and merchants

Pfizer: Pfizer Inc. operates as a pharmaceutical company. The Company offers medicines, vaccines, medical devices, and consumer healthcare products for oncology, inflammation, cardiovascular, and other therapeutic areas

Rio Tinto plc: Rio Tinto is an international mining company.

Royal Dutch Shell: Royal Dutch Shell explores, produces, and refines petroleum

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

SAP: SAP is a software corporation that makes enterprise software

Smurfit Kappa: Smurfit Kappa manufactures paper packaging products

UnitedHealth Group: UnitedHealth owns and manages organized health systems in the United States and internationally

Verizon: Verizon Communications Inc. is an integrated telecommunications company that provides wire line voice and data services, wireless services, internet services, and published directory information.

VINCI SA: VINCI is a global player in concessions and construction with expertise in building, civil, hydraulic, and electrical engineering

Total: TOTAL S.A. explores for, produces, refines, transports, and markets oil and natural gas. The Company also operates a chemical division which produces polypropylene, polyethylene, polystyrene, rubber, paint, ink, adhesives, and resins.

Newmont Goldcorp: Newmont acquires, explores, and develops mineral properties.

Greencoat Renewables: Greencoat operates as an investment company. The Company invests in wind and renewable electricity generation assets.

Sanofi: Sanofi operates as a pharmaceutical company. The Company manufactures prescription pharmaceuticals and vaccines. Sanofi also develops cardiovascular, thrombosis, metabolic disorder, central nervous system, and oncology medicines and drugs.

Engie: Engie is a global energy and services utility company

FedEx: FedEx delivers packages and freight to multiple countries and territories through an integrated global network

Kennedy Wilson: Kennedy-Wilson Holdings, Inc. operates as a global real estate investment company

UDG Healthcare: UDG Healthcare provides commercialisation solutions for health care companies

McDonalds: McDonalds franchises and operates fast-food restaurants in the global restaurant industry.

None of the above recommendations have been disclosed to the relevant issuer prior to dissemination of this Research.

Uniphar: We initiated with a Buy recommendation on the 24/10/2019

Glanbia: Moved to Hold on the 1st of August 2019

PayPal: Paypal Holdings Inc is a member of our core portfolio and we have an Outperform rating on the stock since 20/07/2015

UDG Healthcare: UDG Healthcare has been moved to outperform as of the 29/01/2019 from under review.

McDonalds: McDonalds is currently not rated

Regulatory Information

All regulatory disclosures pertaining to valuation methodologies and historical records of the above recommendations can be found on the Cantor Fitzgerald Ireland website here:

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

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