

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 30th March 2020

Key Themes This Week

The Week Ahead

It was another wild week in financial markets, with initial weakness on Friday and Monday followed by a huge rebound. The Euro Stoxx 50 rose by 7.1%, the S&P by 10.3% and the Nasdaq by 8.5%. Tuesday was the best day for the Dow Jones Index since 1933 (+11.4%). Tuesday's powerful rally was followed with further gains in the following days.

Key to the turnaround was the stimulus package announced in the US Congress, along with yet more action from the Federal Reserve, including unlimited quantitative easing and significant measures to support the flow of credit to the US economy. This latter is critical in our view – the Federal Reserve will lend directly to corporate America and will buy corporate bonds. Preventing an interruption in the flow of credit is critical to avoiding a repeat of 2008 or even 1929. Globally, banking regulations are being relaxed, another positive.

The key question is not how bad it will be (we know it will be awful) but for how long it will extend. Stimulus (both fiscal and monetary) has been huge, so ingredients for a significant recovery are there. Highlighting the scale of global central bank support in the current crisis is the expansion in their balance sheets. Currently, the Fed's balance sheet size is now \$5.25 trillion compared to \$2.6 Trillion in 2009 while the combined balance sheets of the Fed, Bank of England, Bank of Japan and ECB currently stands at \$21 trillion compared to \$14 trillion in 2014. We have just experienced the worst five weeks ever in financial markets – in the short term, news-flow will dominate, but large policy response should mitigate some of the damage.

The key factor remains the spread of the virus, and how soon restrictions can be lifted. In this regard the following factors will be critical:

- Flattening the curve through short term shutdown worked in China even though they did it later than the west. China is back to work now.
- Japan/Korea/Germany show modern medical practices such as testing/tracing and having enough ventilators works to prevent any surge in fatalities
- Huge escalation in the west in the production of ventilators (e.g. Phillips ramping up 4x) and in the trialing of treatments (Novartis, Gilead,) and rapid 45-minute testing kits (Roche and South Korea) means this is highly unlikely to be an issue again next winter

At current levels markets are pricing in a credit event similar to 2008 or 1929. For that to be the case one has to believe that a) this lasts for the whole year i.e. all the measures mentioned above are in vain and b) the authorities reaction (monetary and fiscal) will have no impact on the economic outcome of this current crisis (remember what has been done so far is far bigger and earlier than the 2009 response)

Based on the above, we continue to advocate an incremental deployment of cash, particularly on any market weakness for clients taking a 6 to 12 month view. Apart from the ideas contained in this document there are a large number of quality stocks that we believe offer compelling medium-term value. Please contact your Cantor Portfolio Manager who will be happy to discuss these other investment ideas.

The European Central Bank is taking a tougher line on banks amid the coronavirus turmoil, pushing them to hold off paying dividends until at least October to improve their financial strength. Banks would have an extra 30 billion euros of capital if they follow the recommendation for payouts for the 2019 and 2020 financial years, according to the ECB's top banking watchdog. So far only a handful of banks have agreed to increase reserves by delaying or suspending dividends. The recommendation doesn't retroactively cancel the payouts some banks already made for last year, the ECB said in a statement. It said it expects banks to amend proposals for dividends that were scheduled to be put to a shareholder vote at upcoming annual meetings.

Major Markets Last Week

	Value	Change	% Move
Dow	21637	2462	12.84%
S&P	2541	236	10.26%
Nasdaq	7502	622	9.05%

MSCI UK	12390	1158	10.32%
DAX	9633	703	7.88%
ISEQ	4916	445	9.96%

Nikkei	19085	2197	13.01%
Hang.Seng	23330	1634	7.53%
STOXX 600	311	17.8	6.09%

Brent Oil	23.51	-3.52	-13.02%
Crude Oil	20.66	-2.70	-11.56%
Gold	1616	62.67	4.03%

Silver	13.914	0.65	4.89%
Copper	216.05	6.00	2.86%

Euro/USD	1.1073	0.03	3.24%
Euro/GBP	0.8937	-0.04	-3.82%
GBP/USD	1.2389	0.08	7.34%

	Value	Change
German 10 Year	-0.50%	-0.12
UK 10 Year	0.37%	-0.20
US 10 Year	0.66%	-0.13

Irish 10 Year	0.03%	-0.21
Spain 10 Year	0.54%	-0.22
Italy 10 Year	1.34%	-0.24

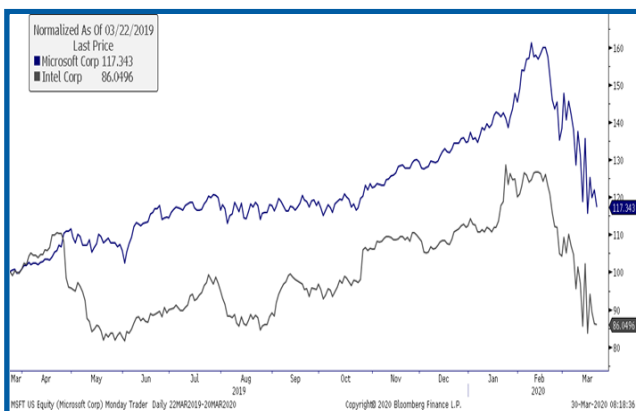
BoE	0.1	0.00
ECB	0.00	0.00
Fed	0.25	0.00

All data sourced from Bloomberg

Opportunities this week

CFI Research Team

US Cloud Service (MSFT/INTC)



Microsoft: \$149.70

- 1.1tn market cap, corrected by 24% from recent high and now trades on c.25x 2020 earnings. Q2 results in January recorded 14% revenue growth and 35% growth in operating income
- Management adjusted guidance for Covid-19 due to supply chain issues within PC division– c.5% earnings downgrade. Azure grew revenue by 62% in Q2, LinkedIn by 24% and cloud services by 16%. Consensus guides for 10% revenue CAGR and 15% EPS CAGR through 2025

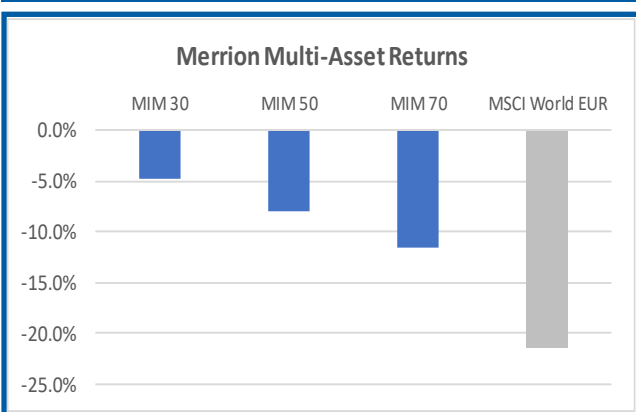
Intel: \$52.37

- Intel specialises in the manufacturer of semiconductor circuit boards and chips.
- The shares are 23% off their 2020 high which is in-line with the NASDAQ Composite Index, and now trade on a 2020 multiple of 10.9x.
- The company reported market beating Q4 earnings in January with EPS of \$1.52 compared to forecasts of \$1.25 driven by a 48% y-o-y increase in sales in its cloud computing segment compared to a 3% increase in the previous quarter.
- With the increased focus on cloud (see also Core Portfolio holdings of Microsoft and SAP), Intel is well positioned to deliver further growth from this sector as well as from the increase in 5G demand.
- While the company has been impacted by short-term demand weakness and supply chain disruption in Asia, it is well positioned to take advantage of its dominant industry position over the medium term.
- While the company recently suspended its share buyback programme, its 2.4% dividend yield remains intact

Total Return	YTD	1 Month	6 Month
MSFT US	-4.81%	-7.60%	8.34%
INTC US	-12.07%	-5.67%	2.69%

Source: All data & charts from Bloomberg & CFI

Merrion Investment Managers Multi Asset Range (30/50/70)



Total Return	YTD
MIM 30	-4.7%
MIM 50	-8.0%
MIM 70	-11.5%
MSCI World (EUR)	-21.4%

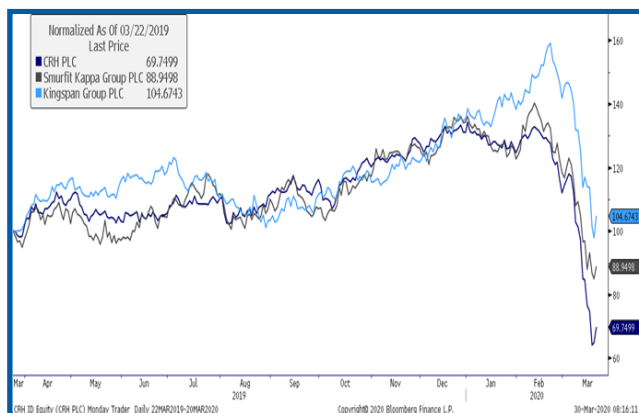
Returns as of the 25/03/2020
Gross Returns

- MIM multi asset (30/50/70) funds offer well-diversified exposure with the ability to perform strongly in different market environments. Year to date the funds have outperformed peers and benchmarks during both strong and weak market episodes
- Excellent choice across the range, to suit the different risk profiles of our client base
- Diversification with active management can deliver very strong returns with reduced volatility in times of market stress as this month has once again illustrated
 - Having been positioned very defensively at the peak in markets, we have added to growth assets over the course of March and are close to the upper end of our growth asset ranges
 - Within our growth assets we were relatively quiet during the week, apart from one small switch out of technology into financials
 - Within our defensive assets we continued to add to corporate debt exposure as continued wide credit spreads leaves these assets particularly attractive for the medium - term investor. Our investment process lends itself to long term fundamental holdings with short term tactical opportunities
- As volatility has increased, MIM's well-established active investment process is well suited to capture the opportunities this is hopefully presenting.

Opportunities this week

CFI Research Team

Irish Industrials (CRH/SKG/KSP)



CRH Plc: €23.20

- Shares have declined by 33% year to date. Already pricing in a very weak H1 2020
- FY 2019 results solid with cash flow generation a standout. €4.2bn EBITDA and net debt/EBITDA was 1.7x at FY 2019
- Group operating cash flow surged by 50% benefiting from the integration of Ashgrove in the States
- CRH trades on 9.5x trailing earnings and 1.15x book value. Should benefit from US stimulus measures.

Smurfit Kappa Group Plc: €24.52

- Smurfit is a global leader in corrugated boxes which is seeing structural demand growth driven by e-commerce
- SKG trades on 9x trailing earnings and offers a 4.5% dividend yield backed by an c.8% free cash flow yield
- FY 2019 group reported €9.05bn revenue, €1.65bn in EBITDA (+7% YoY) and generated €550m of free cash flow (€3.5bn net debt)
- 80% of SKG profits (EBITDA) is European based - hence the selloff in shares year to date. Medium to long term, we see good value at these levels

Kingspan Group Plc: €45.84

- Kingspan is a global leader in high performance insulation and energy efficiency products
- Shares are currently 29% off their 2020 high and trade on 22x trailing earnings
- Strong balance sheet with 1.1x net debt/EBITDA (€630m net debt)
- Good track record of revenue and earnings growth but more downside if European construction sector gets significantly hit.

Total Return	YTD	1 Month	6 Month
CRH ID	-33.19%	-22.12%	-25.17%
SKG ID	-28.43%	-19.79%	-11.36%
KSP ID	-15.81%	-20.14%	1.70%

Source: All data & charts from Bloomberg & CFI

iShares Edge MSCI World Value Factor UCITS ETF



- The Fund seeks to track the performance of an index composed of a sub-set of MSCI World stocks that capture undervalued stocks relative to their fundamentals
- The MSCI World Enhanced Value Index captures large and mid-cap stocks across 23 Developed Markets
- Broad based exposure to a basket of 397 global stocks
- The value investment style characteristics applied in the construction of the index are defined using three variables:
 - Price-to-Book Value
 - Price-to-Forward Earnings
 - Enterprise Value to-Cash flow from Operations
- Top 5 holdings: Intel Corp, AT&T, IBM Corp, British American Tobacco & Micron Technology
- The ETF is available in an accumulating or distributing share class
- [Link to Factsheet](#)
- [Link to KIID](#)

Total Return	YTD	1 Month	6 Month
IWVL LN	-25.82%	-14.64%	-19.53%

Ticker	TER	Yield
IWVL LN	0.30%	-

Source: Bloomberg

Cantor Core Portfolio - In Detail

Cantor Core Portfolio

Date: 27/03/2020



Performance YTD	%
Portfolio	-22.8%
Benchmark	-22.8%
Relative Performance	0.0%
P/E Ratio	14.91x
Dividend Yield	4.5%
ESMA Rating	6
Beta	0.95

Sector	Portfolio	Benchmark	+ / -
Consumer Discretionary	12%	10%	
Consumer Staples	7%	11%	
Energy	3%	5%	
Financials	8%	16%	
Health Care	8%	14%	
Industrials	14%	12%	
Information Technology	11%	13%	
Communication Services	12%	7%	
Utilities	9%	4%	
Materials	9%	6%	
Real Estate	4%	2%	
Emerging Markets	3%	0%	

FX	Portfolio	Benchmark
EUR	43%	32%
GBP	15%	15%
USD	42%	40%
Other	0%	14%

Currency YTD %		
GBP	-5.30%	
USD	1.18%	

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Total Contribution
STOXX Europe 600	EUR	15	Neutral	60%	-24.7%	6.2%	311	-14.8%
S&P 500	USD	16	Neutral	40%	-21.0%	10.3%	2541	-8.0%
Total				100%				-22.84%

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%	-17.1%	3.9%	1110	-0.3%
Verizon Communications Inc	USD	5.0%	H	Communication Services	5%	-13.2%	1.9%	52.77	-0.6%
BT Group*	GBp	11.5%	H	Communication Services	5%	-38.0%	-5.3%	1.19	-2.0%
Dalata Hotel Group Plc	EUR	3.9%	H	Consumer Discretionary	2%	-54.8%	19.5%	2.33	-1.1%
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	4%	2.8%	2.9%	1900	0.2%
McDonald'S Corp	USD	3.1%	H	Consumer Discretionary	3%	-16.5%	10.5%	164.01	-0.5%
Carnival	USD	13.1%	H	Consumer Discretionary	3%	-71.3%	20.1%	14.41	-2.1%
Glanbia Plc	EUR	2.9%	H	Consumer Staples	4%	-4.0%	10.0%	9.68	-0.2%
Danone	EUR	3.9%	H	Consumer Staples	3%	-24.6%	-5.1%	55.72	-0.7%
Royal Dutch Shell Plc*	GBp	11.8%	H	Energy	3%	-44.0%	19.1%	12.31	-1.7%
Total Sa	EUR	8.8%	S	Energy	0%	-33.6%	29.0%	32.25	-0.2%
Allianz Se	EUR	6.7%	H	Financials	4%	-29.6%	14.2%	153.82	-1.2%
ING Groep Nv	EUR	11.8%	H	Financials	4%	-48.7%	10.3%	5.48	-1.9%
Sanofi	EUR	4.4%	H	Health Care	3%	-14.1%	4.3%	77.00	-0.4%
Pfizer Inc	USD	5.0%	H	Health Care	5%	-20.3%	6.5%	30.90	-1.0%
Vinci Sa	EUR	4.5%	H	Industrials	4%	-27.6%	2.7%	71.64	-1.1%
Siemens Gamesa Renewable Energy	EUR	0.4%	H	Industrials	3%	-12.9%	4.7%	13.62	-0.4%
DCC Plc	GBp	3.0%	H	Industrials	4%	-23.6%	6.3%	50.02	-1.1%
Fedex Corp	USD	2.2%	H	Industrials	3%	-19.9%	8.6%	120.58	-0.6%
SAP Se	EUR	1.7%	H	Information Technology	4%	-17.0%	9.4%	99.87	-0.7%
Paypal Holdings Inc	USD	0.0%	H	Information Technology	4%	-13.6%	7.8%	93.48	-0.5%
Microsoft Corp	USD	1.3%	H	Information Technology	3%	-4.8%	9.0%	149.70	-0.1%
Smurfit Kappa Group Plc	EUR	4.4%	H	Materials	3%	-28.4%	8.0%	24.52	-0.9%
Newmont Corp	USD	1.7%	H	Materials	3%	7.0%	14.3%	46.35	0.2%
Invesco Physical Gold ETC	USD	0.0%	H	Materials	3%	6.8%	9.6%	157.82	0.1%
Kennedy Wilson Holdings Inc	USD	6.8%	H	Real Estate	4%	-39.0%	9.3%	13.60	-1.5%
Engie	EUR	3.5%	H	Utilities	5%	-31.6%	-5.4%	9.85	-1.6%
Greencoat Renewables Plc	EUR	6.0%	H	Utilities	4%	-1.3%	7.4%	1.16	-0.1%
JPMorgan Emerging Markets Trust	GBp	1.1%	H	Emerging Markets	3%	-25.8%	-0.8%	7.85	-0.9%
Total					100%				-22.81%

All data taken from Bloomberg up until 27/03/2020.

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

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	Corporate	Corporate	Corporate	Corporate
			Walgreens Boots Alliance Inc Carnival PLC	
Economic	Economic	Economic	Economic	Economic
Pending US Home Sales	Eurozone CPI Chicago PMI Conf, board consumer confidence	Markit Eurozone Manufacturing PMI US mortgage applications ADP employment change Markit US Manufacturing PMI ISM Manufacturing	US Initial Jobless Claims US Factory Orders US Durable Goods Orders	Nonfarm Payrolls US Unemployment Rate

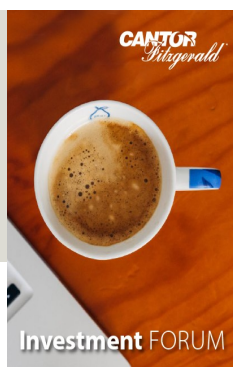
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Allianz: Allianz through its subsidiaries, provides insurance and financial services.

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.

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

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

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

SAP: SAP is a software corporation that makes enterprise software

Smurfit Kappa: Smurfit Kappa manufactures paper packaging products

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

ING Groep: ING Groep is a global financial institution providing retail and wholesale financial services.

BT Group: BT Group is a UK based telecommunications company.

Carnival: Carnival operates and owns cruise ships

Siemens Gamesa: SGRE designs and manufactures renewables energy equipment

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

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



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