

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Tuesday, 14th April 2020

Key Themes This Week

The Week Ahead

Equity markets registered impressive gains last week with the major indices in the US gaining on average 12% while in Europe there were gains of over 10%. These gains were achieved despite another series of weaker economic releases, in particular US Weekly Jobless Claims which saw a further 6.6m people added to the claims list. Adding this number to the previous two releases and a whopping 16.75m Americans have lost their jobs as a result of the virus. Unsurprisingly this was reflected in a collapse in the University of Michigan Consumer Confidence reading to 71 from 89.1 previously.

In normal market circumstances such miserable data points would send markets significantly lower however these are far from normal market circumstances as the past month has shown. As we have highlighted here over the last number of weeks, the swift and aggressive response by global central banks and governments has been unprecedented and dwarfs the policy actions taken during the Great Financial Crisis. Apart from the quantum of cash being pumped into the system, it is the targeted nature of these injections that are helping to support risk assets in a very uncertain period. In particular the move by both the US Fed and the ECB to buy corporate debt as part of their respective purchase programmes has been instrumental in alleviating stresses in the corporate bond market and helped narrow spreads between corporate and government bond yields. This move was supported even more aggressively by the Federal Reserve on Friday when it announced that it now also be buying High Yield debt which gave equity markets another boost.

Also supporting markets has been the pattern in coronavirus cases in certain countries which has seen increased speculation about the ending of the economically damaging lockdowns which have been in place for the last number of weeks. While we agree that selectively some of the data points on the virus have improved, we would prefer to see a more prolonged pattern of improvement before being comfortable with the notion that the peak of this crisis has been reached. Nonetheless slower rates of increase in both cases and fatalities is better than nothing in the current environment.

As we mentioned last week we are not yet in a position to say that the volatility of the last month is behind us however with the Vix Index now trading at circa 40 from a peak three weeks ago of 81 it is fair to say that volatility have eased considerably.

Against the backdrop of all the above we reiterate our preference for key stocks which despite the rally in the last week still offer in our opinion attractive upside for the medium term investor. These include the Irish industrial names of **CRH**, **Smurfit Kappa** and **Kingspan**, technology names such as **Microsoft**, **Intel**, **SAP**, and **Apple**, pharmaceutical stocks **Pfizer** and **Sanofi**, consumer staples names **Glanbia** and **Danone**, while the renewable names of **Greencoat Renewables** and **Siemens Gamesa Renewables** offer exposure to a longer term thematic investment style. Finally while the travel & leisure sector continues to be in the eye of the storm, we see an opportunity in the sector leader **Ryanair** which has the balance sheet strength to survive the current turmoil.

Finally, the first quarter earnings season commences this week with the main US banks setting the ball rolling. Current forecasts per Factset, suggest that Q1 S&P earnings are set to decline by 10% however with so many companies cutting guidance for the full year, and with the heightened level of economic uncertainty the rate of earnings decline could be greater than that forecast.

Major Markets Last Week

	Value	Change	% Move
Dow	23,391	2338	11.11%
S&P	2,762	272	10.97%
Nasdaq	8,192	819	11.11%

MSCI UK	13047	921	7.60%
DAX	10565	993	10.38%
ISEQ	5289	504	10.54%

Nikkei	19,639	688	3.63%
Hang.Seng	24,485	1248	5.37%
STOXX 600	332	19	6.32%

Brent Oil	32.17	-0.88	-2.66%
Crude Oil	22.58	-3.50	-13.42%
Gold	1712	64.26	3.90%

Silver	15.53	0.52	3.43%
Copper	232.35	10.60	4.78%

Euro/USD	1.0936	0.00	0.40%
Euro/GBP	0.8718	-0.01	-1.26%
GBP/USD	1.2544	0.02	1.72%

	Value	Change
German 10 Year	-0.33%	-0.02
UK 10 Year	0.31%	-0.03
US 10 Year	0.77%	0.05

Irish 10 Year	0.24%	-0.07
Spain 10 Year	0.81%	-0.01
Italy 10 Year	1.67%	0.06

BoE	0.1	0.00
ECB	0.00	0.00
Fed	0.25	0.00

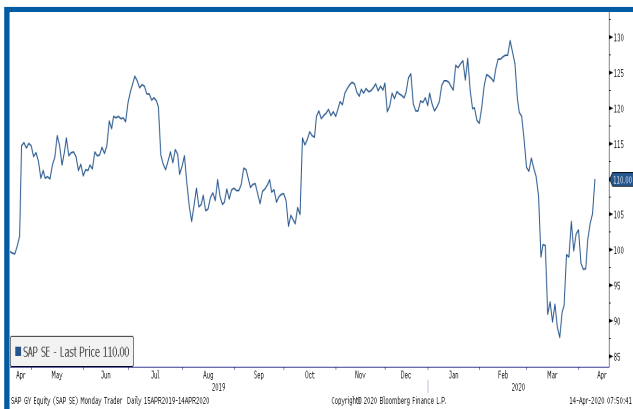
All data sourced from Bloomberg

Opportunities this week

CFI Research Team

SAP SE (SAP GY)

Closing Price: €110.0



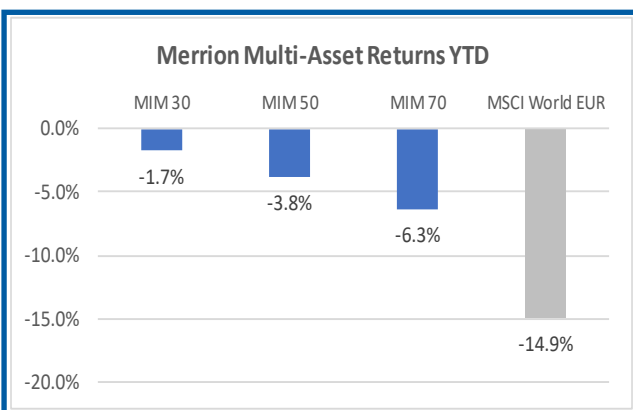
- Core Portfolio stock SAP is a market leader in Enterprise Application Software. The company recently announced preliminary Q1 2020 results in which it stated that revenue in its Software Licensing division would be down 31% to €450m from Q1 2019 however its fast growing Cloud Computing division a saw year-on-year revenue growth of 29%.
- The Cloud computing division has seen its share of group revenues increase from 13% in 2016 to over 25% in 2019 compared to revenue growth of just 9% in the Application Software division over the same period.
- While the company did lower its range for expected 2020 revenue range to between €27.8bn and €28.5bn from a previous €29.2bn to €29.7bn, this was better than some analysts had feared, while the mid-point of the new operating margin range of 29%-31% (previously 30%-32%) leaves it in line with consensus estimates.
- The stock trades on a FY 2020 PE of 21.1x and 18.6x FY 2021 which is a significant discount to its historic average of 23x.
- We see the increased focus in cloud as a theme that is set to grow in the coming years and rate the shares a buy.

Key Metrics	2020e
Revenue (€ Mn)	28237
EPS (€)	5.04
Price/ Earnings	21.8x
Div Yield	1.54%

Share Price Return	1 Mth	3 Mth	YTD
SAP GY	18.7%	-11.0%	-8.6%

Source: All data & charts from Bloomberg & CFI

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



- MIM multi asset (30/50/70) funds offer well-diversified exposure with the ability to perform 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
 - The changes we have made over the last few weeks were triggered by the signals coming from our three-pillar investment process
 - We entered the crisis at the lower end of the range in growth assets which meant we were able to exploit the opportunities presented by the market crash
 - Investing in equities (moving from underweight to overweight), changing the equity mix in the portfolios (from defensive to cyclical whilst also adding further to high quality equities and structural growth stories) and investing in corporate credit and periphery bonds
 - These are a combination of strategic and tactical changes. Strategically, equities are attractive, but risk management around certain levels will lead to tactical changes to asset allocation, as always
 - This highlights the proactive nature of our process, pointing out areas in the market where excessive positioning/risks have built up and avoiding them

Total Return	YTD
MIM 30	-1.7%
MIM 50	-3.8%
MIM 70	-6.3%
MSCI World (EUR)	-14.9%

Returns as of the 8/04/2020
Gross Returns

Opportunities this week

CFI Research Team

US Cloud Service (MSFT/INTC)



Microsoft: \$165.5

- Despite a recent strong rally the stock is still 12% from its recent high and now trades on c.26x 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.
- The company issues fiscal Q3 2020 results on 29th April.

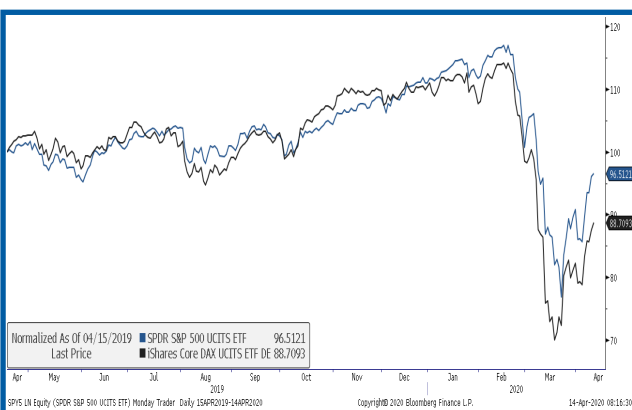
Intel: \$58.7

- Intel's shares are 12% off their 2020 high which is in-line with the NASDAQ Composite Index, and now trade on a 2020 multiple of 11.9x.
- 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 recently suspended its share buyback program, its 2.4% dividend yield remains intact.
- The company will release Q1 2020 results on 23rd April

Total Return	1 Month	3 Month	YTD
MSFT US	4.2%	2.4%	5.2%
INTC US	7.8%	-0.8%	-1.4%

Source: All data & charts from Bloomberg & CFI

US & European Passive Equity Exposure



SPDR® S&P® 500 UCITS ETF

- The S&P 500 Index is a float-adjusted, capitalization weighted index of the top 500 companies in the US market.
- The Index is designed to provide exposure to the large cap segment of the U.S. equities market and spans over 24 separate industry groups.
- Top 5 holdings: Microsoft, Apple, Amazon, Facebook & Alphabet.
- Ticker: SPY5 LN
- [Link to Factsheet](#)
- [Link to KIID](#)

iShares Core DAX® UCITS ETF

- The German Stock Index is a total return index of 30 selected German blue chip stocks
- The components are weighted by free float market capitalization with a cap of 10%
- Top 5 holdings: SAP, Linde Plc, Allianz, Siemens & Bayer.
- Ticker: DAXEX GY
- [Link to Factsheet](#)
- [Link to KIID](#)

Total Return	1 Mth	3 Mth	YTD
SPY5 LN	10.1%	-13.4%	-13.0%
DAXEX GY	16.3%	-20.6%	-20.1%

Source: All data & charts from Bloomberg & CFI

	DIV	TER
SPY5 LN	1.56%	0.09%
DAXEX GY	0.00%	0.16%

Cantor Core Portfolio - In Detail



Cantor Core Portfolio

Date: 10/04/2020

Performance YTD	%
Portfolio	-16.6%
Benchmark	-16.1%
Relative Performance	-0.5%
P/E Ratio	16.89x
Dividend Yield	3.1%
ESMA Rating	6
Beta	0.98

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	-3.62%	
USD	2.68%	

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Total Contribution
STOXX Europe 600	EUR	15	Neutral	60%	-19.6%	6.4%	332	-11.7%
S&P 500	USD	18	Neutral	40%	-14.0%	11.0%	2762	-4.3%
Total				100%				-16.08%

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%	-9.6%	10.8%	1210	-0.2%
Verizon Communications Inc	USD	4.3%	H	Communication Services	5%	-5.7%	4.7%	56.67	-0.1%
BT Group*	GBP	12.4%	H	Communication Services	5%	-34.6%	9.4%	1.26	-1.7%
Dalata Hotel Group Plc	EUR	0.0%	H	Consumer Discretionary	2%	-41.7%	20.0%	3.00	-0.8%
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	4%	17.4%	13.8%	2169	0.5%
McDonald'S Corp	USD	2.8%	H	Consumer Discretionary	3%	-8.3%	12.3%	180.12	-0.1%
Carnival	USD	0.0%	H	Consumer Discretionary	3%	-77.1%	35.5%	11.50	-2.2%
Glanbia Plc	EUR	3.1%	H	Consumer Staples	4%	-14.0%	4.1%	8.67	-0.6%
Danone	EUR	3.7%	H	Consumer Staples	3%	-20.7%	3.2%	58.60	-0.6%
Royal Dutch Shell Plc*	GBP	9.7%	H	Energy	3%	-33.0%	-0.5%	14.72	-1.3%
Total Sa	EUR	8.0%	S	Energy	0%	-29.4%	-7.3%	33.63	-0.2%
Allianz Se	EUR	5.8%	H	Financials	4%	-24.5%	8.9%	164.88	-1.0%
ING Groep Nv	EUR	0.0%	H	Financials	4%	-49.4%	12.4%	5.41	-2.0%
Sanofi	EUR	4.0%	H	Health Care	3%	-8.4%	3.3%	82.13	-0.3%
Pfizer Inc	USD	4.3%	H	Health Care	5%	-9.4%	4.5%	35.14	-0.3%
Vinci Sa	EUR	3.9%	H	Industrials	4%	-22.7%	17.5%	76.50	-0.9%
Siemens Gamesa Renewable Energy	EUR	0.4%	H	Industrials	3%	-12.8%	1.7%	13.64	-0.4%
DCC Plc	GBP	2.7%	H	Industrials	4%	-18.1%	7.8%	53.58	-0.8%
Fedex Corp	USD	2.1%	H	Industrials	3%	-17.9%	13.1%	123.53	-0.5%
SAP Se	EUR	1.6%	H	Information Technology	4%	-8.6%	13.1%	110.00	-0.3%
Paypal Holdings Inc	USD	0.0%	H	Information Technology	4%	-2.0%	14.7%	105.98	0.0%
Microsoft Corp	USD	1.2%	H	Information Technology	3%	5.2%	7.6%	165.51	0.2%
Smurfit Kappa Group Plc	EUR	4.1%	H	Materials	3%	-22.4%	2.2%	26.60	-0.7%
Newmont Corp	USD	1.9%	H	Materials	3%	37.9%	26.8%	59.77	1.1%
Invesco Physical Gold ETC	USD	0.0%	H	Materials	3%	10.2%	4.0%	162.83	0.2%
Kennedy Wilson Holdings Inc	USD	6.2%	H	Real Estate	4%	-33.8%	15.6%	14.53	-1.2%
Engie	EUR	0.0%	H	Utilities	5%	-31.3%	11.2%	9.89	-1.6%
Greencoat Renewables Plc	EUR	5.6%	H	Utilities	4%	-3.9%	-0.9%	1.13	-0.2%
JPMorgan Emerging Markets Trust	GBP	1.1%	H	Emerging Markets	3%	-19.0%	5.5%	8.56	-0.7%
Total					100%				-16.58%

All data taken from Bloomberg up until 10/04/2020.

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
Delta Air Lines Inc	Johnson & Johnson JPMorgan Chase & Co Wells Fargo & Co	ASML Holding NV Bank of America Corp Citigroup Inc UnitedHealth Grp Inc Goldman Sachs	BlackRock Inc	Morgan Stanley
Economic	Economic	Economic	Economic	Economic
		French CPI Spanish CPI US MBA Mortgage Applications US Retail Sales US Industrial Production	German CPI US Housing Starts US Initial Jobless Claims	Chinese GDP Chinese Industrial Production Chinese Retail Sales

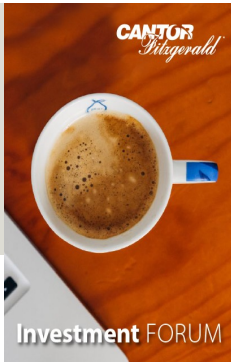
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Alphabet: Alphabet provides web-based search, advertisement, maps, software applications, mobile operating systems, consumer content and other software services.

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

Historical Recommendation:

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