

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 29th June 2020

Key Themes This Week

The Week Ahead

Despite finishing last week with modest declines of on average 1%, global equity markets are set to record their strongest quarterly performance since 1975 reflecting the overwhelming support of global central bank and government policy actions, as well it must be said, that there is extreme optimism by a large number of investors about the economic outlook. While we do not question the basis for the medium to longer outlook for economies and by extension equity markets, we have become more sanguine about the nearer term outlook. This more cautious view is predicated on a number of risk factors that in our opinion, markets have yet to fully price in at the current point and time and which has led our colleagues at MIM to go tactically underweight equity exposure within their Multi-Asset 70 Fund (Please see comment within this publication) however it must be emphasised that they remain constructive on markets in the medium to long term.

Amongst the risks that have resulted in our circumspect view on equities, is the rising wave of virus cases and hospitalisations being recorded in the US in particular in economically important states such as California, Texas, Arizona and Florida. This has resulted in a reversal of lockdown easing measures in Texas and Florida as well as store closures by companies such as Apple and deferred opening schedules by Disney for some of its theme parks. The clear risk from these measures, should they to become more widespread, would be a slowdown or even reversal in the pace of economic recovery in the US. Apart from the increase in cases in the US, signs of second wave cases are emerging in a number of countries such as Germany and China which had reopened in the belief that the virus had been eliminated, while case numbers in Brazil, India and the African continent are also increasing. The economic impact of this increase in cases was highlight by the IMF last week when it forecast that the global economy would contract by 4.9% this year down from its April forecast for a decline of 3% citing the long lasting economic damage the effect of the virus will have on the global economy. Equally it is being reflected in the Continuing Jobless Claims data from the US which continues to show that close to 20m Americans are claiming unemployment benefit.

Another risk factor which we believe has up to this point been largely ignored by markets is the upcoming US Election. According to the latest New York Times opinion poll, Democratic candidate Joe Biden holds a 14 point lead over Donald Trump and critically is also ahead in 6 key states which Trump won in 2016- North Carolina, Arizona, Florida, Pennsylvania, Wisconsin and Michigan. A Democratic victory in November would be a significant challenge for markets given the likelihood that corporation tax cuts implemented by Pres. Trump would be reversed. It is estimated that such a move would reduce S&P earnings in 2021 by up to 11% which would place the 2021 PE for the S&P 500 at almost 21 times. While we previously referred to US-China relations as a risk to markets, this risk has been now been increased by comments from Pres. Trump of possible tariffs on \$3.1bn of European goods in response to subsidies granted to Airbus a number of years ago. Also adding to the anti-European ire of Mr. Trump is the French plan to proceed with a digital tax against US companies along with the risk that the US will not be included in the lifting of travel restrictions when the EU Commission meets to discuss the matter next week.

Apart from the above risks, we are also concerned that leadership in the most recent move higher by the market has been from a narrow group of sectors and stocks, with technology being the predominant sector. With the NASDAQ now trading at an all-time high along with key stocks such as Apple, Microsoft, Amazon and PayPal, we are concerned that any weakness in these names will have a negative impact on overall market sentiment.

This week we include a trade idea in the Irish banks and hedge that with a strong US Consumer Staple stock, Mondelez International. We also cover, as usual, the Multi-Asset Funds managed by MIM which continue to outperform both the market and their peers.

Major Markets Last Week

	Value	Change	% Move
Dow	25,016	-855.9	-3.31%
S&P	3,009	-88.6	-2.86%
Nasdaq	9,757	-188.9	-1.90%

MSCI UK	13,767	-185.7	-1.33%
DAX	12,089	-241.3	-1.96%
ISEQ	5,970	-165.2	-2.69%

Nikkei	21,995	-442.2	-1.97%
Hang Seng	24,223	-420.4	-1.71%
STOXX 600	358	-7.1	-1.95%

Brent Oil	40.26	-2.82	-6.55%
Crude Oil	37.72	-2.74	-6.77%
Gold	1773	18.24	1.04%

Silver	17.87	0.17	0.94%
Copper	269.1	2.85	1.07%

Euro/USD	1.126	0.00	-0.01%
Euro/GBP	0.9097	0.01	0.73%
GBP/USD	1.2377	-0.01	-0.74%

	Value	Change
German 10 Year	-0.47%	-0.03
UK 10 Year	0.17%	-0.07
US 10 Year	0.65%	-0.06

Irish 10 Year	0.03%	0.01
Spain 10 Year	0.47%	0.01
Italy 10 Year	1.30%	0.01

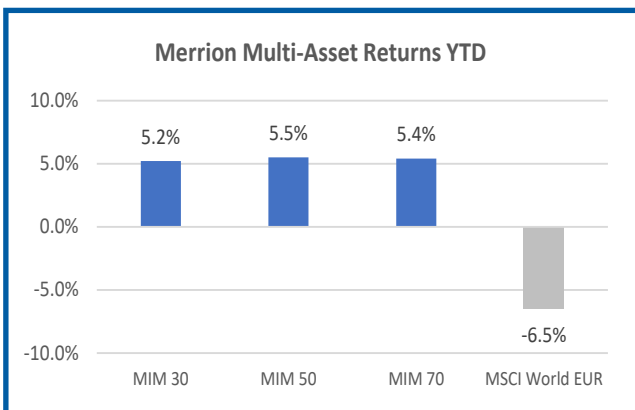
BoE	0.1	0.00
ECB	0.00	0.00
Fed	0.25	0.00

All data sourced from Bloomberg

Opportunities this week

CFI Research Team

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



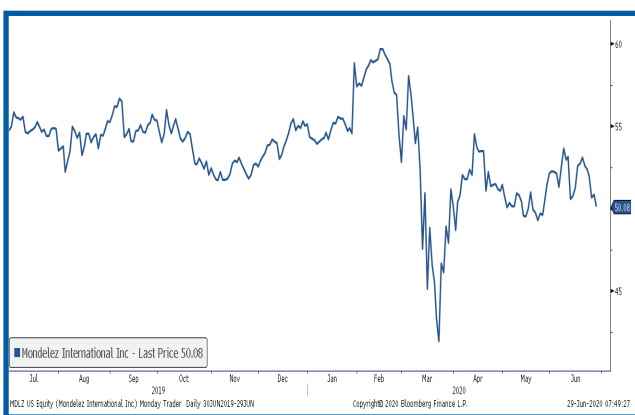
Total Return	YTD
MIM 30	5.2%
MIM 50	5.5%
MIM 70	5.4%
MSCI World (EUR)	-6.5%

Returns as of the 25/06/2020
Gross Returns

- 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
- The funds were relatively quiet this week. As the strongest quarter for global equities in almost 50 years draws to a close, and having been positioned at the upper end of their growth asset ranges for all of it, MIM has reduced exposure over the last 2-3 weeks
- The team continue to have a very positive outlook for equities over the medium term as a zero rate world and co-ordinated global fiscal expansion will drive investment into the industries that will dominate the next decade
- However, after such a strong rally coupled with the murkier short-term outlook that the surge in virus cases brings, the conditions exist for a volatile summer which will provide better opportunities to exploit the teams more medium term view
- The continued benefit of MIM's active approach, driven by a strong, coherent, and well-tested investment process should be evident over the course the 3rd and 4th quarter of this year

Mondelez International (MDLZ US)

Closing Price: \$50.08



Key Metrics	2020e	2021e	2022e
Revenue (£'Mn)	25924.4	26706.2	27606.5
EPS (£)	2.55	2.75	2.98
Price/ Earnings	19.67x	18.23x	16.83x
Div Yield	2.36%	2.58%	2.82%

Total Return	1 Mth	3 Mth	YTD
MDLZ US	-3.91%	5.16%	-8.57%

Source: All data & charts from Bloomberg & CFI

- Mondelez International engages in the manufacture and marketing of snack food and beverage products which include beverages, meals, chocolate, gum and candy. Its brands include but are not limited to Nabisco, Oreo and LU biscuits, Cadbury, Cadbury's Dairy Milk, Milka chocolates and Trident gum.
- It generates revenues in the following geographic regions: Americas (39.1%), Europe (38.5%), Asia Pacific (12.1%) and Middle East & Africa (10.3%).
- In its first-quarter 2020 results the company reported a 2.6% increase in Revenues to \$6.71bn while adjusted earnings per share grew by 10.8% to \$0.69 compared to forecasts for \$0.66
- The company stated in its Q1 results that it had seen a significant increase in consumer demand for snacks in its developed markets during March due to the on-set of lockdowns. With the risk of a slowdown in the easing of lockdown restrictions as the number of coronavirus cases start to increase, the company is well positioned to benefit from continued demand for these products.
- Mondelez is due to report second-quarter results on 29th July and is forecast to report earnings per share of \$0.56 and revenues of \$5.9bn.
- The company, while recently suspending its buyback programme, is committed to maintaining its dividend which is forecast to be \$1.18 for FY 2020 providing a yield of 2.3%.
- The shares which trade on a 2020 P/E of 19.7x and a 2021 P/E of 18.5x provide investors with exposure to a company with a strong stable of consumer staple brands, a track record of consistent earnings growth, a strong balance sheet and an attractive dividend yield.
- At current levels, the shares are trading at a 20% discount to the 1 year consensus price target of \$60. Buy.

Opportunities this week

CFI Research Team

AIB Group and Bank of Ireland: Debt Market restructurings



Key Metrics	Price	Revenue	P/B
AIBG ID	€1.05	2.38bn	0.24
BIRG ID	€1.70	2.35bn	0.21

Total Return	1 Mth	3 Mth	YTD
AIBG ID	5.3%	-5.8%	-66.1%
BIRG ID	5.1%	-12.8%	-65.2%

Source: All data & charts from Bloomberg & CFI

- AIB Group replicated a recent move by Bank of Ireland to restructure its debt profile through the early redemption of an AT1 bond.
- The bank launched a Tender Offer for its €500m 7.375% AT1 Perpetual Bond at €101.75 and replaced it with a new 6.25% AT1 Perpetual Bond
- Demand for the new bond was heavy with bids received for €5bn which allowed the bank to raised €625m against its original target raise of €500m
- As was the case with the recent Bank of Ireland restructuring, this strong demand facilitated a higher level of capital raise at a lower coupon than the tendered bond
- This excess level of demand for both bond issues represents a strong vote of confidence in the two Irish Pillar banks from Debt Markets
- This positive reaction contrasts to the continued negative sentiment towards the underlying equity of the two banks which are trading close to multi-year lows
- While there has been some favorable follow-through in the equity prices of both banks following these debt restructures, they both trade close to their lows during the February/March market sell-off
- Both AIB Group and Bank of Ireland are currently trading on a Price/Book valuation of around just 0.23 times which is a 50% discount to the pan-European banking sector
- While the sector continues to face challenges such as negative ECB deposit rates, negative bond yields and sub-trend economic growth, this vote of confidence from the debt markets is a positive development
- Equally, the recent move by the ECB to improve the terms of its Targeted Long Term Refinancing Operations (TLTRO) is a positive development for the European banking sector overall
- While we remain generally cautious on banks until we see stronger signs of an economic recovery, both AIB Group and Bank of Ireland offer clients a potential trading opportunity at current levels.

Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	-9.1%
Benchmark	-9.8%
Relative Performance	0.6%
P/E Ratio	22.74x
Dividend Yield	2.4%
ESMA Rating	6
Beta	1.00

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	-6.91%	
USD	-0.01%	

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Total Contribution
STOXX Europe 600	EUR	17	Neutral	60%	-12.3%	-1.9%	358	-7.4%
S&P 500	USD	20	Neutral	40%	-6.0%	-2.9%	3009	-2.4%
Total				100%				-9.75%

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%	1.7%	-4.4%	1363	0.0%
Verizon Communications Inc	USD	4.4%	H	Communication Services	5%	-11.6%	-5.3%	53.16	-0.6%
BT Group*	GBP	1.9%	H	Communication Services	5%	-40.5%	-3.4%	1.15	-2.2%
Dalata Hotel Group Plc	EUR	0.0%	H	Consumer Discretionary	2%	-45.0%	-12.9%	2.83	-0.9%
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	4%	45.7%	0.7%	2693	1.8%
McDonald'S Corp	USD	2.7%	H	Consumer Discretionary	3%	-7.8%	-3.7%	179.74	-0.2%
Carnival	USD	0.0%	H	Consumer Discretionary	3%	-68.6%	-11.5%	15.78	-2.1%
Glanbia Plc	EUR	2.4%	H	Consumer Staples	4%	3.3%	-5.3%	10.42	0.1%
Danone	EUR	3.3%	H	Consumer Staples	3%	-14.2%	-3.4%	63.44	-0.4%
Royal Dutch Shell Plc*	GBP	5.5%	H	Energy	3%	-42.1%	-4.6%	12.58	-1.6%
Total Sa	EUR	7.3%	S	Energy	0%	-26.2%	-1.5%	35.15	-0.2%
Allianz Se	EUR	5.3%	H	Financials	4%	-13.5%	-1.9%	178.00	-0.5%
ING Groep Nv	EUR	5.2%	H	Financials	4%	-43.7%	-3.0%	6.02	-1.7%
Sanofi	EUR	3.5%	H	Health Care	3%	5.3%	-3.2%	91.10	0.2%
Pfizer Inc	USD	4.5%	H	Health Care	5%	-16.5%	-4.1%	32.04	-0.8%
Vinci Sa	EUR	2.6%	H	Industrials	4%	-16.6%	-2.6%	81.32	-0.7%
Siemens Gamesa Renewable Energy	EUR	0.2%	H	Industrials	3%	-1.5%	8.8%	15.40	0.0%
DCC Plc	GBP	2.2%	H	Industrials	4%	3.8%	-2.6%	67.00	-0.1%
Fedex Corp	USD	1.9%	H	Industrials	3%	-13.1%	-5.0%	130.08	-0.4%
SAP Se	EUR	1.4%	H	Information Technology	4%	3.0%	-1.1%	122.12	0.1%
Paypal Holdings Inc	USD	0.0%	H	Information Technology	4%	58.0%	4.0%	170.87	2.3%
Microsoft Corp	USD	1.0%	H	Information Technology	3%	25.2%	0.6%	196.33	0.8%
Smurfit Kappa Group Plc	EUR	0.0%	H	Materials	3%	-15.6%	-1.9%	28.92	-0.5%
Newmont Corp	USD	1.7%	H	Materials	3%	37.6%	4.3%	59.34	1.1%
Invesco Physical Gold ETC	USD	0.0%	H	Materials	3%	15.7%	1.2%	170.97	0.3%
Kennedy Wilson Holdings Inc	USD	5.5%	H	Real Estate	4%	-33.3%	-7.5%	14.63	-1.3%
Engie	EUR	0.0%	H	Utilities	5%	-24.3%	-3.2%	10.90	-1.2%
Greencoat Renewables Plc	EUR	5.1%	H	Utilities	4%	3.9%	0.4%	1.20	0.2%
JPMorgan Emerging Markets Trust	GBP	1.8%	H	Emerging Markets	3%	-6.8%	-0.1%	9.85	-0.4%
Total					100%				-9.10%

All data taken from Bloomberg up until 26/06/2020.

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
Micron Technology Inc	FedEx Corp		DS Smith PLC	
Economic	Economic	Economic	Economic	Economic
EU Business Climate EU Economic Sentiment Index German Flash HICP US Pending home Sales	Chinese Manufacturing PMI French Consumer Spending EU Flash HICP Irish Unemployment US Consumer Confidence	Chinese Caixin Manufacturing PMI German Retail Sales German Unemployment EU Markit Manufacturing PMI US Markit Manufacturing PMI US Manufacturing ISM	EU Unemployment US Initial Jobless Claims US Non Farm Payroll	US Market Holiday EU Final Markit PMI

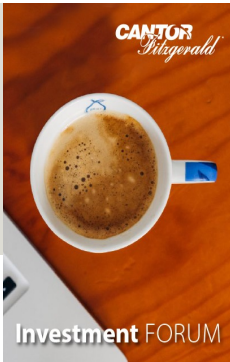
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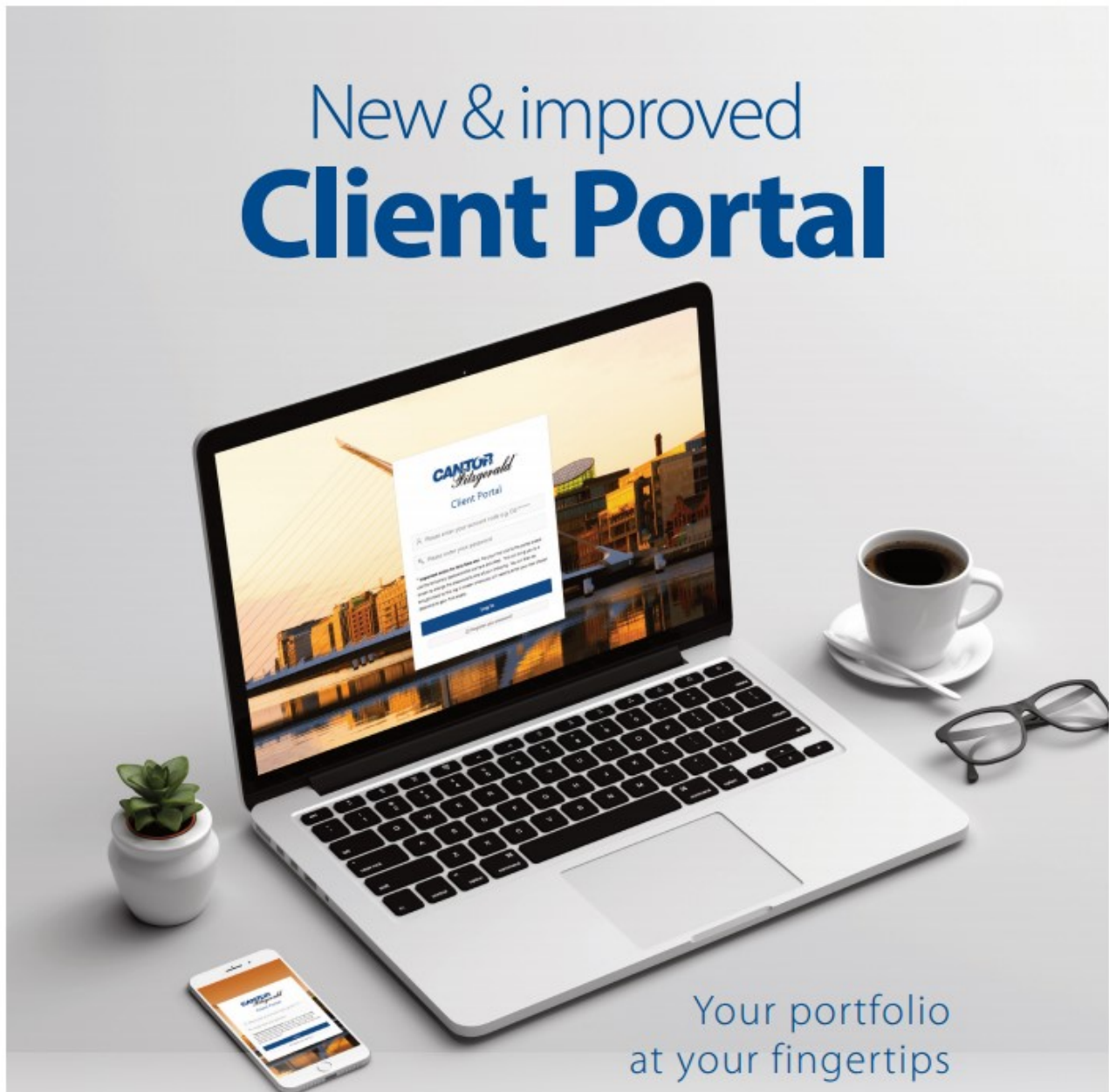


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Issuer Descriptions: (Source: Bloomberg)

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

Historical Recommendation:

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