

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 17th August 2020

Key Themes This Week

The Week Ahead

Global equity markets continued their move higher last week advancing by on average 1% however they met some resistance at the tail end of the week as the S&P failed to trade above its February all-time high of 3,386 and as an increase in virus cases weighed. The other noticeable headwind for equity markets late last week was the significant move higher in bond yields following hotter than expected US inflation and a continued decline in the rate of jobless claims in the US. Equally, there was a degree of caution ahead of the critical meeting of representatives from the US and China over the weekend to review the on-going trade deal, while stalemate in US stimulus talks was also a headwind.

The move by the S&P 500 to its February all-time high has taken us somewhat by surprise given the number of potential issues that remain unsolved. At the current level on the S&P, the PE multiple for 2021 has reached elevated levels. Based on Factset Earnings estimates for 2021 of \$168.65, the index now trades at just over 20 times which given the lack of visibility on corporate earnings by a large swathe of companies looks elevated. Given also the number of unresolved issues outlined above, this multiple has a lot of good news priced in. As a result, we see the S&P struggling to advance significantly higher ahead of the US Election in early November. This is reflected in an underweight risk asset allocation in the multi-asset funds managed by our colleagues in MIM.

A critical factor for equity markets in the coming weeks and months will be the trend in bond yields which last week moved significantly higher off recent lows. In the US for instance, the 10 Year Treasury yield has moved from a recent all-time low of 0.51% to 0.70% while the German 10 year yield now trades at -0.41% from -0.55% just under two weeks ago. While central bank monetary policy remains highly accommodative, any further increase in yields reduces the need for global central banks to further add to the easing measures that have been the main driver of risk asset performance since the market sell-off in February and March this year.

As we have advised in our recent Weekly Traders, we continue to see the issues outlined above as potential risks for markets in the short-term, but maintain a positive view on risk assets over the medium to longer term. We therefore feel that better entry levels will present themselves for us to move from our current underweight positioning to a neutral or overweight exposure.

For the week ahead we will be focusing on the release of Manufacturing and Service PMI's from all the major economic regions to see what impact, if any, the renewed spike in virus cases will have on the outlook for economic growth for the final two quarters of the year, while the release of employment data in the US on Thursday will be monitored closely for any reversal in the more positive trend that has emerged over the last number of weeks.

In this weeks trader we preview upcoming results from two Irish building materials groups **CRH** and **Kingspan** who release half-year 2020 results on Thursday and Friday respectively while we also provide our usual coverage of the **MIM Multi-Asset Funds** which continue to outpace both the market and their peers.

Major Markets Last Week

	Value	Change	% Move
Dow	27,931	497.54	1.81%
S&P	3,373	21.57	0.64%
Nasdaq	11,019	8.32	0.08%

MSCI UK	13,645	189.75	1.41%
DAX	12,901	226.46	1.79%
ISEQ	6,380	102.05	1.63%

Nikkei	23,289	871.21	3.89%
Hang Seng	25,183	651.39	2.66%
STOXX 600	368	4.52	1.24%

Brent Oil	44.8	0.40	0.90%
Crude Oil	42.01	0.79	1.92%
Gold	1945	-90.43	-4.44%

Silver	26.45	-1.85	-6.55%
Copper	288.2	6.65	2.36%

Euro/USD	1.1842	0.01	0.47%
Euro/GBP	0.9049	0.00	0.20%
GBP/USD	1.3086	0.00	0.26%

	Value	Change
German 10 Year	-0.42%	0.09
UK 10 Year	0.24%	0.10
US 10 Year	0.71%	0.15

Irish 10 Year	-0.08%	0.07
Spain 10 Year	0.36%	0.08
Italy 10 Year	0.99%	0.06

BoE	0.1	0.00
ECB	0.00	0.00
Fed	0.25	0.00

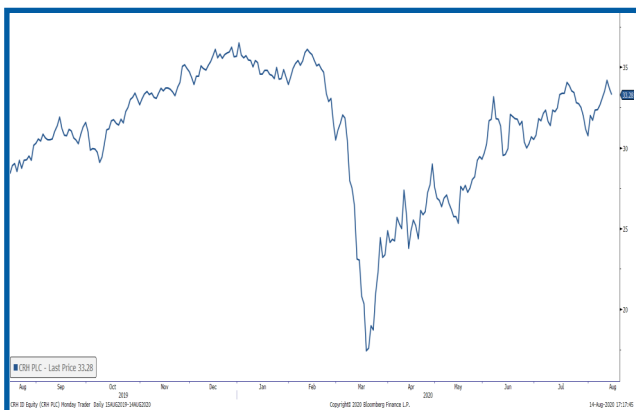
All data sourced from Bloomberg

Opportunities this week

CFI Research Team

CRH Plc

Closing Price: €33.28



Key Metrics	2020e	2021e	2022e
Revenue (€'Mn)	23372.2	24838.1	26179.6
EPS (€)	1.61	1.97	2.26
Price/ Earnings	20.61x	16.91x	14.73x
Div Yield	2.48%	2.59%	2.62%

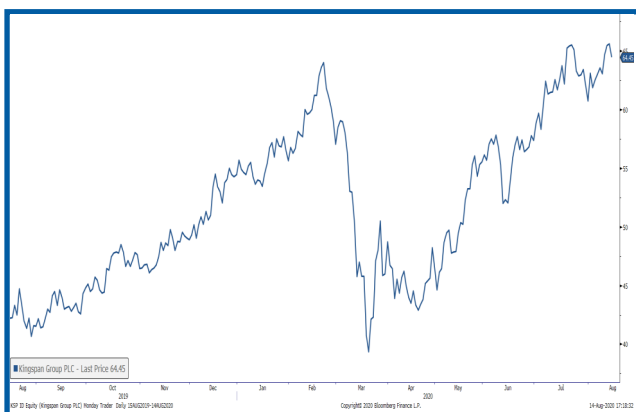
Total Return	1 Mth	3 Mth	YTD
CRH ID	2.49%	29..29%	-4.16%

Source: All data & charts from Bloomberg & CFI

- CRH issues its H120 numbers on the 20th of August. With guidance withdrawn, market consensus is only based on a limited number of forecasts. That said, the market is expecting adj. EPS of 1.70c, down from 55c in H119, from a 31.5% fall in EBITDA to \$1.19bn (\$1.74bn in H119) and 25.9% decline in revenue to \$11.06bn (\$14.93bn in H119). While the company paid the final FY19 dividend, no dividend is forecast.
- In its Q120 trading update management noted a positive start to the year with like-for-like sales up 3%. However, COVID-19 subsequently impacted the business visibly since mid-March with the 2020 outlook described as “uncertain and cannot be reasonably estimated”.
- In the reporting season to-date, CRH peers have painted a diverging picture going forward between European and American markets, while all reported H120 numbers down on the same period last year, albeit largely in line with market expectations.
- While European-based companies are looking forward to “fast demand recovery” (LafargeHolcim) and a “significant improvement” in markets (St Gobain), citing volume recoveries in June and July, their American counterparts are much more circumspect. Martin Marietta is expecting “an industrywide decline in product demand over the next few quarters” while Vulcan Materials indicated that the effect of the pandemic on demand still remains unclear.
- CRH is currently trading at 20.5x FY20 P/E and 9.6x EV/EBITDA, an average 0.4% premium to its European peers but 9.0% discount to its US peers. The stock has traded up since the market sell-off in March but needs a solid set of numbers and positive guidance to maintain momentum.

Kingspan Group Plc

Closing Price: €64.45



Key Metrics	2020e	2021e	2022e
Revenue (€'Mn)	4253.3	4603.8	4843.0
EPS (€)	1.60	1.90	2.08
Price/ Earnings	40.23x	33.88x	30.97x
Div Yield	0.54%	0.66%	0.76%

Total Return	1 Mth	3 Mth	YTD
KSP ID	4.46%	34.61%	18.37%

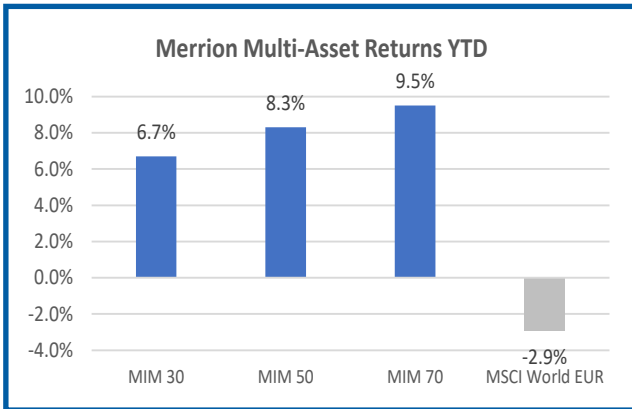
Source: All data & charts from Bloomberg & CFI

- Kingspan issues its H120 numbers on the 21st of August with little to no numbers in the market as no guidance has been provided. Management noted in its Q120 trading update that it is difficult to look ahead in the current environment with “any modicum of certainty”.
- In that update issued in late April, the company reported a solid start to the year with group sales down 3% on Q119 to €1.03bn with no significant impact felt from the pandemic lockdown. The UK saw a pickup in order intake activity, mainland Europe was “solid” with the Americas having a “good” first quarter.
- On product line sales, Insulated Panels was down 2% (on volumes), Insulation Boards down 8% (on pricing) and Light & Air was up 1% (volumes). Data & Flooring was strongly ahead by 17% while Water & Energy had a subdued start with sales down 8%.
- However, management then stated that “the trading context has changed manifestly since the middle of March”, noting that global sales in April fell by almost 35% compared to the same time last year. Kingspan expected to breakeven in April, a month of significant profitability in a normal year, and that this trading run rate was expected to persist “through the coming weeks at the very least”.
- Kingspan recent acquisition of Colt and the steel division of Romanian-based TeraPlast highlights management’s confidence in the business model and the strength of the balance sheet. Net debt/ EBITDA was at a very healthy 1.35x and before these acquisitions were announced was set to fall to 0.97x at year-end 2021.
- The stock is currently trading at a stretched 40.4x FY20 P/E and 24.9x EV/EBITDA, which is not only an over 90% premium to its 10-year average but also represents an almost 60% premium to its peers. The stock is priced to perfection and will have to deliver to sustain its current price and rating.

Opportunities this week

CFI Research Team

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



Total Return	YTD
MIM 30	6.7%
MIM 50	8.3%
MIM 70	9.5%
MSCI World (EUR)	-2.9%

Returns as of the 13/08/2020
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 entered August towards the lower end of their asset allocation ranges. MIM's short term risk indicators are still suggesting caution in the near term, although the move higher in bond yields prompted them to invest some of the cash raised towards the end of July into financials, reducing their underweight in that sector
- 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

Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	-3.3%
Benchmark	-5.7%
Relative Performance	2.3%
P/E Ratio	22.33x
Dividend Yield	2.4%
ESMA Rating	6
Beta	1.00

Sector Weights	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	-6.36%	
USD	-5.20%	

Benchmark

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Total Contribution
STOXX Europe 600	EUR	17	Neutral	60%	-9.5%	1.3%	368	-5.7%
S&P 500	USD	20	Neutral	40%	5.7%	0.7%	3373	0.1%
Total				100%				-5.66%

Weighted Average Contribution

Core Portfolio

Stock	Currency	Yield*	Hold /Sold	Sector	Weighting	Total Return Local	Weekly Return	Price	Total Contribution
Alphabet Inc	USD	0.0%	H	Communication Services	2%	12.3%	0.4%	1505	0.1%
Verizon Communications Inc	USD	4.3%	H	Communication Services	5%	-1.1%	0.4%	58.79	-0.3%
BT Group*	GBP	1.1%	H	Communication Services	5%	-43.9%	2.2%	1.08	-2.3%
Dalata Hotel Group Plc	EUR	0.0%	H	Consumer Discretionary	2%	-49.1%	4.8%	2.62	-1.0%
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	4%	70.4%	-0.6%	3148	2.5%
McDonald'S Corp	USD	2.6%	H	Consumer Discretionary	3%	6.1%	1.2%	207.03	0.0%
Carnival	USD	0.0%	H	Consumer Discretionary	3%	-69.2%	8.8%	15.47	-2.1%
Glanbia Plc	EUR	2.5%	H	Consumer Staples	4%	-5.2%	-2.5%	9.56	-0.2%
Danone	EUR	3.4%	H	Consumer Staples	3%	-21.4%	2.8%	56.12	-0.6%
Royal Dutch Shell Plc*	GBP	5.4%	H	Energy	3%	-47.4%	2.4%	11.31	-1.8%
Total Sa	EUR	7.8%	S	Energy	0%	-28.2%	2.1%	33.50	-0.2%
Allianz Se	EUR	5.2%	H	Financials	4%	-11.6%	2.4%	182.02	-0.5%
ING Groep Nv	EUR	6.0%	H	Financials	4%	-35.0%	5.1%	6.94	-1.4%
Sanofi	EUR	3.5%	H	Health Care	3%	-1.2%	-2.2%	85.46	0.0%
Pfizer Inc	USD	3.9%	H	Health Care	5%	0.1%	-1.0%	38.06	-0.3%
Vinci Sa	EUR	2.0%	H	Industrials	4%	-17.6%	2.4%	80.38	-0.7%
Siemens Gamesa Renewable Energy	EUR	0.1%	H	Industrials	3%	44.6%	9.1%	22.54	1.3%
DCC Plc	GBP	2.1%	H	Industrials	4%	6.3%	-1.7%	68.56	0.0%
Fedex Corp	USD	1.5%	H	Industrials	3%	39.3%	13.7%	208.60	1.0%
SAP Se	EUR	1.2%	H	Information Technology	4%	14.1%	-1.4%	135.24	0.6%
Paypal Holdings Inc	USD	0.0%	H	Information Technology	4%	77.0%	-3.6%	191.46	2.7%
Microsoft Corp	USD	1.1%	H	Information Technology	3%	33.2%	-1.7%	208.90	0.8%
Smurfit Kappa Group Plc	EUR	3.7%	H	Materials	3%	-8.9%	4.9%	30.38	-0.3%
Newmont Corp	USD	1.4%	H	Materials	3%	48.0%	-7.3%	63.85	1.2%
Invesco Physical Gold ETC	USD	0.0%	H	Materials	3%	27.6%	-4.2%	188.55	0.4%
Kennedy Wilson Holdings Inc	USD	5.8%	H	Real Estate	4%	-31.7%	0.3%	14.77	-1.4%
Engie	EUR	0.0%	H	Utilities	5%	-18.4%	1.1%	11.75	-0.9%
Greencoat Renewables Plc	EUR	5.0%	H	Utilities	4%	9.1%	1.2%	1.25	0.4%
JPMorgan Emerging Markets Trust	GBP	1.8%	H	Emerging Markets	3%	-0.3%	-0.4%	10.54	-0.2%
Total					100%				-3.34%

Weighted Average Contribution

All data taken from Bloomberg up until 14/08/2020.

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
BHP Group PLC	Kohl's Corp Walmart Inc Home Depot Inc Pandora A/S	Target Corp L Brands Inc NVIDIA Corp	Estee Lauder Cos CRH PLC	Deere & Co Kingspan Group
Economic	Economic	Economic	Economic	Economic
Japanese Q2 GDP US NY Fed / Empire State Index	Irish Residential Property Prices US Housing Starts	Japanese Trade Balance UK CPI & PPI US Fed minutes July	German PPI US Initial jobless Claims ECB July Governing Council Meeting Published US Philly Fed Index	Japanese CPI UK Gfk Consumer Confidence UK Retail Sales EU Flash Markit Composite PMI EU Flash Consumer Confidence US Flash Markit Composite PMI US Existing Home Sales

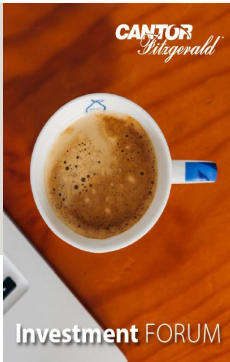
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Issuer Descriptions: (Source: Bloomberg)

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

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