

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 24th August 2020

Key Themes This Week

The Week Ahead

Global equity markets finished marginally lower last week with the exceptions being the S&P 500 and NASDAQ which both registered all-time highs. While the performance of the latter two indices was impressive we should point out that in the case of the S&P, only 10% of stocks in the index are trading at 52 week highs, while for the NASDAQ, the move to record highs was once again driven by just a handful of the big tech names plus electric car manufacturer Tesla. Indeed, for the NASDAQ the record close was largely the result of strong gains by the aforementioned Tesla and Apple, which became the first American stock to reach a \$2 trillion market capitalization and just the second on a global basis (the other being Saudi oil giant Saudi Aramco).

Towards the tail-end of last week, we saw the release of global PMI data which, showed as we had been expecting, a slowdown in economic activity as a result of renewed virus restrictions. In particular the Services component of the data showed a sharp decline from recent highs reflecting the impact of tighter restrictions for the hospitality and travel & leisure sectors of most economies.

Also highlighting the impact of renewed lockdown restrictions in the US was the Weekly Jobless Claims number which at 1.1m new claimants reversed the multi-week downward trend in this particular data point. Meanwhile the Empire and Philly Fed Manufacturing readings showed signs of weakness with the internal components of New Orders and Employment showing pull-backs from recent rebounds.

One area of risk we have highlighted for markets over the last few months has been US-China relations which showed no signs of improving last week. Firstly, President Trump continued to make unhelpful statements about the treatment of Chinese technology groups, in particular Huawei, while the planned conference call to discuss the Phase 1 trade agreement was unexpectedly cancelled last Saturday week at the behest of Pres. Trump. As we move into full election mode in the US, we do not expect any moderation in the anti-China rhetoric from the White House.

Finally, the failure of the US Congress to agree a fifth stimulus programme is also an area of concern. This was highlighted by the big US retailers such as Walmart and Home Depot, who despite reporting estimate beating results, cautioned that sales trends since the ending of the Paycheck Protection Programme at the end of July had moderated. With the US consumer accounting for almost 70% of US GDP, the urgency for another stimulus programme cannot be over-stated.

With the S&P and NASDAQ now both trading at record highs on worryingly narrow market breadth and against a back-drop of continuing US-China tensions and stimulus stalemate, our colleagues in MIM maintain their tactical underweight equity exposure in the short-term, but they remain constructive on risk assets over the medium to longer term.

For the week ahead the main focus for markets will be the Federal Reserve's annual central bank symposium at Jackson Hole on 27th and 28th August which this year will be a 'virtual' event and will be watched closely for any indications of a shift in global central bank policy.

This week in the Trader we cover Irish industrial stocks **CRH** and **Smurfit Kappa Group** following recent strong half-year results from both companies as well as **Vodafone** which is now trading 10% lower despite releasing impressive results on 24th July. We also highlight once again the **MIM Multi-Asset range** of funds which continue to delivery market-beating returns.

Major Markets Last Week

	Value	Change	% Move
Dow	27,930	-0.69	0.00%
S&P	3,397	24.31	0.72%
Nasdaq	11,312	292.50	2.65%
MSCI UK	13,452	-193.53	-1.42%
DAX	12,765	-136.54	-1.06%
ISEQ	6,398	18.17	0.28%
Nikkei	22,920	-369.06	-1.58%
Hang Seng	25,114	-69.17	-0.27%
STOXX 600	365	-2.98	-0.81%
Brent Oil	44.35	-0.45	-1.00%
Crude Oil	42.34	0.33	0.79%
Gold	1940	-4.64	-0.24%
Silver	26.79	0.34	1.30%
Copper	293.4	5.20	1.80%
Euro/USD	1.1797	0.00	-0.38%
Euro/GBP	0.9012	0.00	-0.41%
GBP/USD	1.309	0.00	0.03%
		Value	Change
German 10 Year		-0.51%	-0.09
UK 10 Year		0.21%	-0.04
US 10 Year		0.63%	-0.08
Irish 10 Year		-0.16%	-0.09
Spain 10 Year		0.30%	-0.06
Italy 10 Year		0.94%	-0.04
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 & Smurfit Kappa - Two stalwarts of the Irish industrial & materials names



Total Return	1 Mth	3 Mth	YTD
CRH ID	-1.35%	19.88%	-5.02%
SKG ID	11.67%	3.35%	-10.43%

	Price	Yield	P/E
CRH ID	€32.98	2.30%	19.7x
SKG ID	€29.88	3.58%	13.6x

Source: All data & charts from Bloomberg & CFI

- CRH & Smurfit Kappa have both reported strong interim numbers, which we believe are not reflected in their respective share prices
- In the four-week period since Smurfit Kappa announced results ahead of market expectations, re-instated the dividend and ticked up it full year capex guidance, the stock has only ticked up 8%. Even with this uptick, it is currently only trading at 13.6x FY20E P/E and 7.3x EV/EBITDA, a weighted average discount of 13.4% to its European and US peers, a discount we believe unwarranted. Trading at parity would imply a share price of €34.50, a 15% upside. The re-instated dividend currently yielding 3.6% adds further to the investment case.
- CRH only reported its interim 2020 numbers last Thursday, the 20th of August but the market reaction, albeit in uncertain macro conditions, was in our opinion muted. The company reported a stronger than expected set of numbers well ahead of market forecasts, while retaining the dividend pay-out at the H119 level. The market reaction saw the share price down 1%. At 19.7x FY20E P/E and 9.6x EV/EBITDA, the stock is trading at a weighted average 5.3% discount to its European and North American peers, a discount we believe unjustified
- While most in the paper and packing sector were deleveraged coming into the pandemic, Smurfit Kappa is one of the better placed with net debt/EBITDA at 2.1x. Likewise, CRH, with net debt/EBITDA at 1.6x is the best placed in the sector, where the average ratio is currently at 2.3x. In our view, given a stabilised underlying business (which Smurfit Kappa and CRH have both demonstrated they have), the stronger the balance sheet the greater the pandemic resilience. Both Smurfit Kappa and CRH have one of the strongest balance sheets in their respective sectors, we believe further supporting our call that both remain undervalued

Vodafone Group Plc

Closing Price: £1.14



Key Metrics	2020e	2021e	2022e
Revenue (€'Mn)	43756.8	44799.0	45453.4
EPS (€)	0.06	0.08	0.11
Price/ Earnings	20.8x	15.29x	11.13x
Div Yield	7.17%	7.33%	7.41%

Total Return	1 Mth	3 Mth	YTD
VOD LN	-11.29%	-9.28%	-19.64%

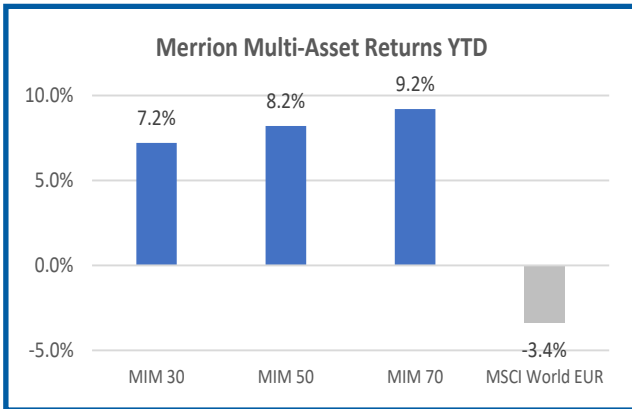
Source: All data & charts from Bloomberg & CFI

- On the 24th of July Vodafone issued a solid Q121 trading update with headline numbers in line with market expectations and organic service revenue slippage less than expected at -1.3% versus 2.1%. Management reiterated previous FY21E guidance of free cash flow (pre-spectrum charges) of at least €5bn (FY20A was €5.7bn) and adj. EBITDA to be "flat to slightly down". Since the results release, consensus has moved little with only minor (under 0.5%) tweaks to FY21E revenue, EBITDA and earnings estimates. This, we believe, illustrates the resilience of the underlying business in difficult business conditions.
- A potential, but well-flagged, catalyst for Vodafone could be the spin-off of its European tower infrastructure business first mooted in July 2019. The business consists of c.61,700 Vodafone masts sited across 10 countries. Three quarters of the sites are in Vodafone's principal European markets, namely Germany, the UK, Italy and Spain. In the Q121 trading update, management confirmed that the business was on schedule to IPO in early 2021, listing in Frankfurt. With pro-forma revenue of €950m and EBITDA of €680m, at current multiples we believe that the business could be valued at c.€13bn.
- At the time of the Q121 trading update we considered Vodafone to be trading close to fair value. Since then, however, the share price has pulled back over 11% on no company-specific news flow. It is currently trading at 21.0x FY21E P/E and 6.2x EV/EBITDA. While this is still at a premium to its peers on P/E, it is now at a small discount on EV/EBITDA, which we believe to be unwarranted. With evidence that the company is weathering the pandemic-induced business conditions and the spin-off of the towers business set to bolster the balance sheet, we believe the stock to be undervalued. A dividend currently forecast to yield 7.1% gives further comfort. **Buy**

Opportunities this week

CFI Research Team

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



Total Return	YTD
MIM 30	7.2%
MIM 50	8.2%
MIM 70	9.2%
MSCI World (EUR)	-3.40%

Returns as of the 20/08/2020
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
- There were no position changes over the week. The funds remain underweight growth assets, having reduced exposure in late July. MIM's short term risk indicators are still suggesting caution in the near term
- 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	-3.1%
Benchmark	-5.5%
Relative Performance	2.4%
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	-5.95%	
USD	-4.62%	

Benchmark

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Total Contribution
STOXX Europe 600	EUR	17	Neutral	60%	-10.2%	-0.8%	365	-6.1%
S&P 500	USD	20	Neutral	40%	6.5%	0.8%	3397	0.6%
Total				100%				-5.52%

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%	17.6%	4.7%	1576	0.2%
Verizon Communications Inc	USD	4.3%	H	Communication Services	5%	-0.8%	0.3%	58.99	-0.3%
BT Group*	GBP	1.1%	H	Communication Services	5%	-47.1%	-5.8%	1.02	-2.5%
Dalata Hotel Group Plc	EUR	0.0%	H	Consumer Discretionary	2%	-51.5%	-4.6%	2.50	-1.0%
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	4%	77.8%	4.3%	3285	2.8%
McDonald'S Corp	USD	2.6%	H	Consumer Discretionary	3%	8.5%	2.2%	211.57	0.1%
Carnival	USD	0.0%	H	Consumer Discretionary	3%	-70.8%	-5.3%	14.65	-2.2%
Glanbia Plc	EUR	2.5%	H	Consumer Staples	4%	-8.5%	-3.5%	9.12	-0.3%
Danone	EUR	3.4%	H	Consumer Staples	3%	-21.7%	-0.3%	55.94	-0.6%
Royal Dutch Shell Plc*	GBP	5.4%	H	Energy	3%	-50.0%	-5.0%	10.75	-1.9%
Total Sa	EUR	7.8%	S	Energy	0%	-30.7%	-3.4%	32.36	-0.2%
Allianz Se	EUR	5.2%	H	Financials	4%	-12.9%	-1.5%	179.22	-0.5%
ING Groep Nv	EUR	6.0%	H	Financials	4%	-38.4%	-5.2%	6.58	-1.5%
Sanofi	EUR	3.5%	H	Health Care	3%	-0.2%	1.0%	86.34	0.0%
Pfizer Inc	USD	3.9%	H	Health Care	5%	2.3%	2.2%	38.88	-0.1%
Vinci Sa	EUR	2.0%	H	Industrials	4%	-17.6%	0.0%	80.38	-0.7%
Siemens Gamesa Renewable Energy	EUR	0.1%	H	Industrials	3%	46.7%	1.5%	22.88	1.4%
DCC Plc	GBP	2.1%	H	Industrials	4%	2.9%	-3.2%	66.36	-0.1%
Fedex Corp	USD	1.5%	H	Industrials	3%	40.6%	0.9%	210.49	1.0%
SAP Se	EUR	1.2%	H	Information Technology	4%	14.5%	0.4%	135.80	0.6%
Paypal Holdings Inc	USD	0.0%	H	Information Technology	4%	81.9%	2.8%	196.79	2.9%
Microsoft Corp	USD	1.1%	H	Information Technology	3%	36.1%	2.2%	213.02	0.9%
Smurfit Kappa Group Plc	EUR	3.7%	H	Materials	3%	-10.4%	-1.6%	29.88	-0.3%
Newmont Corp	USD	1.4%	H	Materials	3%	52.0%	2.7%	65.57	1.3%
Invesco Physical Gold ETC	USD	0.0%	H	Materials	3%	27.2%	-0.3%	187.90	0.4%
Kennedy Wilson Holdings Inc	USD	5.8%	H	Real Estate	4%	-34.1%	-3.5%	14.26	-1.5%
Engie	EUR	0.0%	H	Utilities	5%	-22.3%	-4.8%	11.19	-1.1%
Greencoat Renewables Plc	EUR	5.0%	H	Utilities	4%	6.9%	-2.0%	1.22	0.3%
JPMorgan Emerging Markets Trust	GBP	1.8%	H	Emerging Markets	3%	0.1%	0.4%	10.58	-0.2%
Total					100%				-3.12%

Weighted Average Contribution

All data taken from Bloomberg up until 21/08/2020.

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
Bunzl PLC	salesforce.com Inc Hewlett Packard Enterprise Co		Flutter Entertainment PLC Total Produce PLC Tiffany & Co Coty Inc Dollar Tree Inc Dollar General Corp Gap Inc	
Economic	Economic	Economic	Economic	Economic
US National Activity Index	German IFO Business Climate US Case-Shiller House Prices US Consumer Confidence US New Home Sales	French Consumer Confidence US Durable Goods	EU M3 Money Supply US Initial Jobless Claims US Pending Home Sales	German Gfk Consumer Sentiment French Consumer Spending French Flash HICP EU Business Climate Irish Retail Sales EU Economic Sentiment Index US Core PCE Prices US Final Michigan Consumer Sentiment

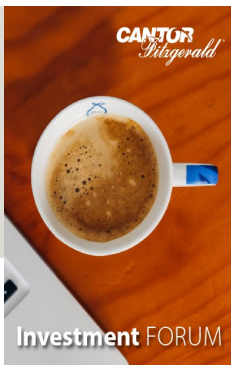
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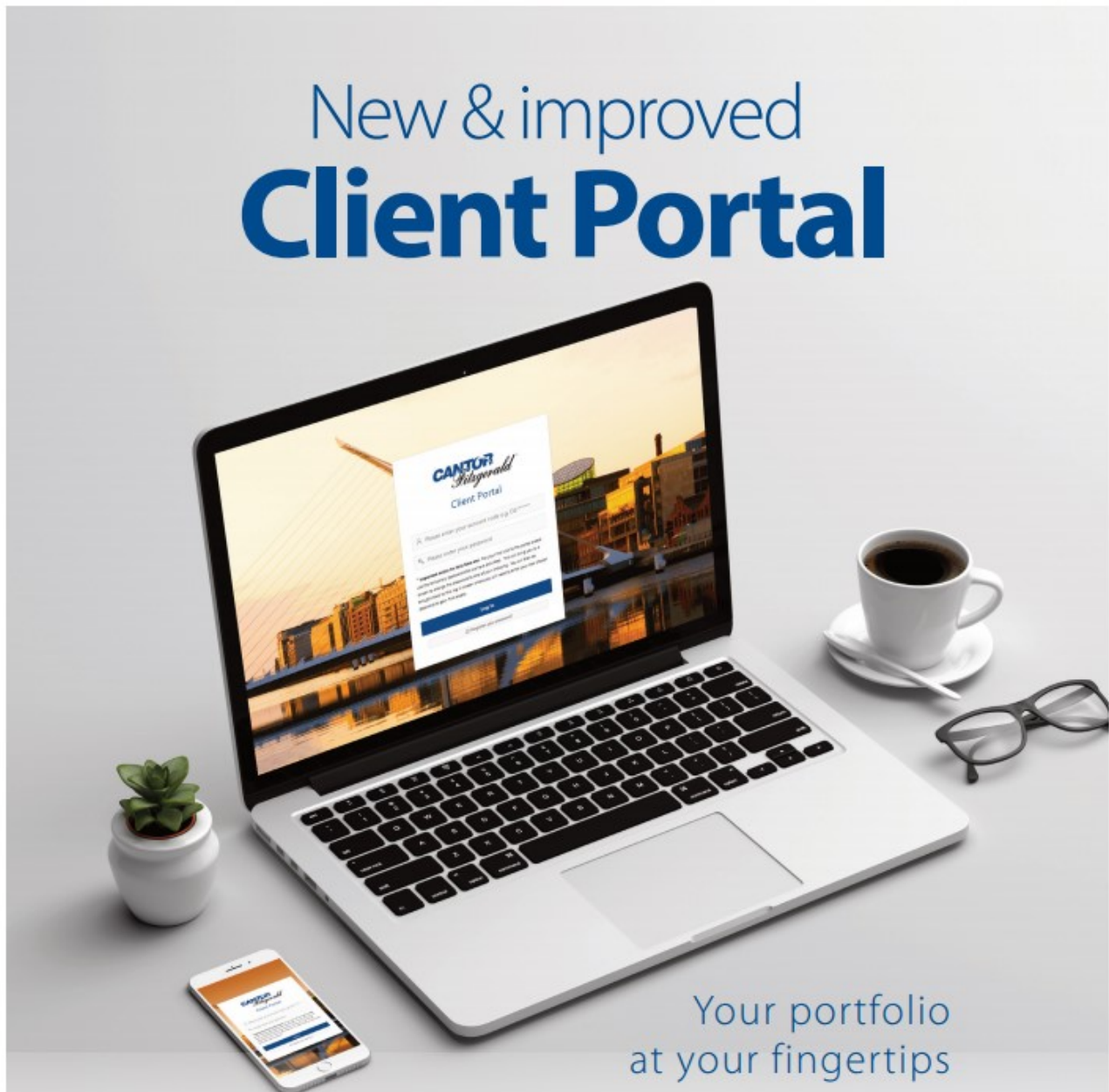


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Issuer Descriptions: (Source: Bloomberg)

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

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