

# Weekly Trader

## Upcoming Market Opportunities and Events

**CANTOR**  
*Fitzgerald*

Monday, 31<sup>st</sup> August 2020

### Key Themes This Week

#### The Week Ahead

Risk assets performed strongly last week with average gains of 2.7% with both the S&P and NASDAQ once again hitting new all-time highs. While the news-flow on the number of new virus cases, particularly in Europe, continued to deteriorate, markets took heart from continued expectations of a vaccine along with faster testing products, while strength in the US market was once again the result of the big tech names which now account for 25% of the S&P 500 and have accounted for 80% of the rally in the S&P technology sector this year.

We have always stated that the real catalyst for a continued move higher in markets against a backdrop of stalling economic growth would be the delivery of a vaccine. While we are still some way off the delivery of a vaccine capable of thwarting the impact of the virus, the signs are that a number of pharmaceutical and biotech companies are making reasonable progress with a number moving to second-phase trials following positive initial trial results. Equally, news that the FDA has approved Abbot Labs \$5, 15 minute testing kit is significant given the potential impact it could have for the travel & leisure sector as well as other areas of the economy. It is no coincidence that in a week that saw a number of announcements surrounding vaccine developments, equity markets registered positive returns.

Also last week, Federal Reserve Chair Powell delivered his eagerly awaited speech at the annual Jackson Hole Central Bank Symposium during which he somewhat surprised markets by releasing the results of the Fed's policy process review. The most significant highlight of his speech was the shift away from an implicit 2% inflation target to an average 2% rate. While the difference between the two may seem small, the shift to an average rate implies that the central bank is essentially working to suppress short-term yields while leaving longer term yields to more accurately reflect future inflation expectations. This resulted in an immediate steepening of the US yield curve which will be particularly positive for US bank stocks and should also boost sentiment for value stocks given the likelihood of interest rates remaining at close to zero for a prolonged period of time.

The above two factors while helping to move markets higher also deflected attention away from the ongoing uncertainty that lies ahead from the US election and the ongoing US-China tensions, although it should be noted that the re-engagement of US and China officials on the Phase 1 trade agreement appeared to be constructive and helped dial down some of the tensions between the two super-powers.

For the week ahead the focus will be on US Non-Farm Payroll data on Friday with 1.4m jobs expected to be added, down from last month's 1.76m, while the unemployment rate is forecast to fall to 9.8% from 10.2% previously. Also in focus will be PMI data from China along with final Markit PMI readings from all the major economic regions.

Reflecting the move by the Fed last week, this week we include a comment on US banking group **JPMorgan Chase**, Irish hotel group **Dalata**, who report half-year results tomorrow, as well as the **MIM Multi-Asset range**.

### Major Markets Last Week

	Value	Change	% Move
Dow	28,654	723.54	2.59%
S&P	3,508	110.85	3.26%
Nasdaq	11,696	383.83	3.39%

MSCI UK	13,364	-87.54	-0.65%
DAX	13,033	268.40	2.10%
ISEQ	6,505	44.13	0.68%

Nikkei	23,140	154.25	0.67%
Hang Seng	25,466	-85.75	-0.34%
STOXX 600	369	3.71	1.02%

Brent Oil	46.23	1.10	2.44%
Crude Oil	43.3	0.68	1.60%
Gold	1964	34.70	1.80%

Silver	27.84	1.24	4.65%
Copper	303.95	9.40	3.19%

Euro/USD	1.1899	0.01	0.94%
Euro/GBP	0.8929	-0.01	-1.04%
GBP/USD	1.3326	0.03	2.01%

	Value	Change
German 10 Year	-0.41%	0.08
UK 10 Year	0.31%	0.11
US 10 Year	0.72%	0.07

Irish 10 Year	-0.06%	0.11
Spain 10 Year	0.38%	0.06
Italy 10 Year	1.05%	0.10

BoE	0.1	0.00
ECB	0.00	0.00
Fed	0.25	0.00

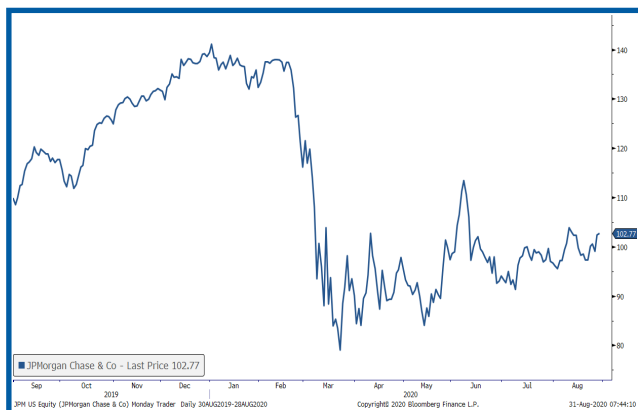
All data sourced from Bloomberg

## Opportunities this week

CFI Research Team

### JPMorgan Chase & Co

Closing Price: \$102.77



Key Metrics	2020e	2021e	2022e
Revenue (\$'Mn)	116313	113545	116748
EPS (\$)	5.82	8.78	10.46
Price/ Earnings	17.67x	11.7x	9.82x
Div Yield	3.51%	3.57%	3.76%

Total Return	1 Mth	3 Mth	YTD
JPM US	6.34%	6.64%	-24.27%

Source: All data & charts from Bloomberg & CFI

- JPMorgan Chase reported a strong set of second-quarter results in July with Revenues of \$33.8bn which was a 13% yoy increase while earnings per share of \$1.38 were substantially ahead of forecast for \$1.08 .
- On a divisional basis Fixed Income, Currency and Commodity revenues increased yoy by 99% to \$7.34bn while the Equity division increase revenues by 38% to \$2.38bn
- The one weak point in the results was a compression in Net Interest Margin (NIM) to 1.99% compared to forecasts for 2.21% as a result of historically low bond yields and interest rates and was a common theme for all the US banks in the second-quarter reporting season.
- We expect this downward pressure to reverse during the third quarter and into year-end due to the announcement last week by the Federal Reserve to deploy an average inflation target of 2% rather than its previously explicit 2% target.
- This can essentially be interpreted as a form of yield curve control where very short end yields will remain anchored at or close to the Fed Funds Rate of 0.125% while longer end yields will be permitted to rise thereby steepening the yield curve. This will have a significant positive impact on banks NIM by widening the spread between lending rates and deposit rates. As a result of this we see the potential of all banks to reverse the downward trend in NIM and we see JPMorgan as one of the primary beneficiaries.
- The bank has one of the strongest balance sheets in the global banking sector and trades on a 2020 Price to Book of 1.30 times and 1.24 times for 2021 reflecting market confidence in this balance sheet strength. The shares also offer an attractive dividend yield of 3.5%. **Buy.**

### Dalata Hotel Group PLC

Closing Price: €2.72



Key Metrics	2020e	2021e	2022e
Revenue (€'Mn)	186.5	371.0	492.0
EPS (€)	-0.30	0.10	0.34
Price/ Earnings	-	26.15x	8.11x
Div Yield	0.00%	1.25%	1.43%

Total Return	1 Mth	3 Mth	YTD
DHG ID	4.41%	-16.31%	-47.18%

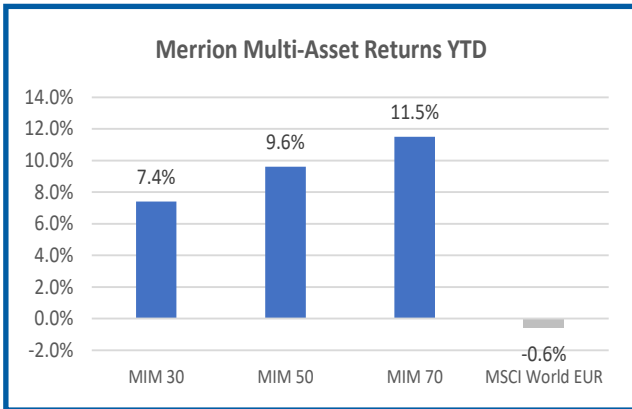
Source: All data & charts from Bloomberg & CFI

- Dalata releases its H120 numbers tomorrow. Given the COVID-19-driven lack of visibility there are no forecasts in the market. For the full year, however, the company is expected to report a 29.8c loss per share versus 42.0c earnings in FY19A, from a 57.8% drop in EBITDA to €30.0m and 28.5% fall in revenue to €186.5m. These numbers assume that there could be an up to 70% decline in RevPAR over the year.
- The extent of the Covid-19 impact was evident in Dalata's Q120 trading update. Although trading in two out of the three months was at normal levels, because of lockdowns, the quarter saw LFL RevPAR for the quarter down 24.3% in Dublin, 14.0% in regional Ireland and 18.6% in the UK hotels.
- All Dalata hotels across the UK and Ireland have now reopened. That said the risk of further regional closures as the authorities take geographically selective action to combat disease clusters, remains an overhang, particularly as a second wave of cases would appear to be gaining momentum across Europe.
- We expect H120 numbers to reflect an extremely difficult trading period. However, it is the trading in H1 since the lockdowns across Ireland and the UK were lifted, and trading in H2 to date, that the market will be focusing on, to gauge the level of recovery to be expected in H2. As a marker, in early July, management described the pace of bookings as "encouraging". Facing into the Covid-19 pandemic, Dalata's balance sheet was stretched. Having to include lease liabilities of €362.1m under revised accounting guidelines saw net debt/EBITDA increase to 4.5x at year end 2019.
- The stock is currently down 47.2% ytd and has recovered little from the market sell-off in March. That said, looking through 2020, which is going to be difficult for all in the hotel sector, Dalata is currently trading at 25.9x FY21 P/E and 10.7x EV/EBITDA, a considerable premium to its pre-Covid 5-year average.

## Opportunities this week

CFI Research Team

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



Total Return	YTD
MIM 30	7.4%
MIM 50	9.6%
MIM 70	11.5%
MSCI World (EUR)	-0.6%

Returns as of the 27/08/2020  
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
- Over the week the team reduced exposure to consumer staples and large pharma and added industrial, financial and consumer discretionary stocks, focusing on the cyclical recovery theme
- These stocks have underperformed significantly over the summer and look attractive on a relative basis given the reasonably robust economic data, cheap valuations coupled with stabilisation of earnings forecasts and technical support on a relative basis. Overall MIM remain underweight growth assets.
- 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. MIM remain underweight growth assets overall
- 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	-1.4%
Benchmark	-4.0%
Relative Performance	2.6%
P/E Ratio	22.85x
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	-5.10%	
USD	-5.55%	

## Benchmark

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Total Contribution
STOXX Europe 600	EUR	17	Neutral	60%	-9.3%	1.0%	369	-5.6%
S&P 500	USD	20	Neutral	40%	10.0%	3.3%	3508	1.5%
<b>Total</b>				<b>100%</b>				<b>-4.04%</b>

## 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%	22.4%	4.1%	1639	0.3%
Verizon Communications Inc	USD	4.3%	H	Communication Services	5%	-0.3%	0.5%	59.26	-0.3%
BT Group*	GBP	1.1%	H	Communication Services	5%	-45.6%	2.8%	1.05	-2.4%
Dalata Hotel Group Plc	EUR	0.0%	H	Consumer Discretionary	2%	-47.2%	8.8%	2.72	-0.9%
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	4%	84.1%	3.6%	3402	3.0%
McDonald'S Corp	USD	2.6%	H	Consumer Discretionary	3%	10.2%	1.6%	214.91	0.1%
Carnival	USD	0.0%	H	Consumer Discretionary	3%	-65.7%	17.5%	17.21	-2.0%
Glanbia Plc	EUR	2.5%	H	Consumer Staples	4%	-5.0%	3.8%	9.47	-0.2%
Danone	EUR	3.4%	H	Consumer Staples	3%	-22.7%	-1.3%	55.22	-0.7%
Royal Dutch Shell Plc*	GBP	5.4%	H	Energy	3%	-50.6%	-1.1%	10.63	-1.9%
<b>Total Sa</b>	EUR	7.8%	S	Energy	0%	-28.7%	2.9%	33.30	-0.2%
Allianz Se	EUR	5.2%	H	Financials	4%	-9.8%	3.6%	185.72	-0.4%
ING Groep Nv	EUR	6.0%	H	Financials	4%	-33.8%	7.4%	7.07	-1.4%
Sanofi	EUR	3.5%	H	Health Care	3%	-1.7%	-1.5%	85.03	-0.1%
Pfizer Inc	USD	3.9%	H	Health Care	5%	-0.3%	-2.5%	37.91	-0.3%
Vinci Sa	EUR	2.0%	H	Industrials	4%	-16.4%	1.4%	81.50	-0.7%
Siemens Gamesa Renewable Energy	EUR	0.1%	H	Industrials	3%	42.8%	-2.7%	22.27	1.3%
DCC Plc	GBP	2.1%	H	Industrials	4%	2.7%	-0.1%	66.28	-0.1%
Fedex Corp	USD	1.5%	H	Industrials	3%	48.2%	5.4%	221.90	1.2%
SAP Se	EUR	1.2%	H	Information Technology	4%	17.9%	2.9%	139.76	0.7%
Paypal Holdings Inc	USD	0.0%	H	Information Technology	4%	89.0%	3.9%	204.48	3.1%
Microsoft Corp	USD	1.1%	H	Information Technology	3%	46.3%	7.5%	228.91	1.1%
Smurfit Kappa Group Plc	EUR	3.7%	H	Materials	3%	-9.6%	0.9%	30.16	-0.3%
Newmont Corp	USD	1.4%	H	Materials	3%	54.6%	1.7%	66.71	1.4%
Invesco Physical Gold ETC	USD	0.0%	H	Materials	3%	29.3%	1.7%	191.04	0.5%
Kennedy Wilson Holdings Inc	USD	5.8%	H	Real Estate	4%	-33.6%	0.7%	14.36	-1.5%
Engie	EUR	0.0%	H	Utilities	5%	-22.7%	-0.4%	11.14	-1.1%
Greencoat Renewables Plc	EUR	5.0%	H	Utilities	4%	9.6%	2.5%	1.25	0.4%
JPMorgan Emerging Markets Trust	GBP	1.8%	H	Emerging Markets	3%	1.4%	1.3%	10.72	-0.1%
<b>Total</b>					<b>100%</b>				<b>-1.41%</b>

## Weighted Average Contribution

All data taken from Bloomberg up until 28/08/2020.

**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

<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>
<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>
	Dalata Hotel Group PLC	Pernod Ricard SA	Cargemini SE Campbell Soup Co	
<b>Economic</b>	<b>Economic</b>	<b>Economic</b>	<b>Economic</b>	<b>Economic</b>
Chinese NBS Manufacturing PMI Italian Q2 GDP German Preliminary HICP	Chinese Caixin Manufacturing PMI German Unemployment European Final Markit Manufacturing PMI European Flash HICP EU Unemployment Irish Unemployment US Final Markit Manufacturing US Construction Spending US Manufacturing ISM	German Retail Sales EU PPI US Factory Orders	Chinese Caixin Services PMI EU Final Markit Composite PMI EU Retail Sales US Initial Jobless Claims US International Trade US Final Markit Composite PMI US Non-Manufacturing ISM	German Industrial Orders US Non-Farm Payrolls

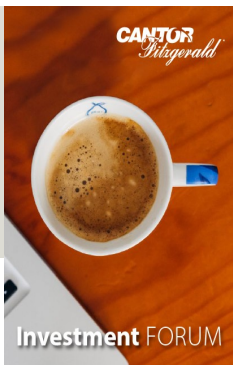
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### Issuer Descriptions: (Source: Bloomberg)

**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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