

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 7th September 2020

Key Themes This Week

The Week Ahead

The summer-long rally in global equity markets hit a speed-bump last Thursday following a swoon in the NASDAQ as big tech suffered some heavy declines. There was no one factor driving this move but rather a number of factors that all seemed to create the bout of profit-taking.

From a technical perspective, market valuations had become somewhat stretched with the S&P 500 trading 15% above its 200 Day Moving Average, the widest in over two years, its 14 Day RSI (momentum indicator) trading at its highest over-bought level in 3 years and over-crowded positioning resulting in the FAANG stocks accounting for almost a quarter of the total S&P market capitalisation. Equally, these tech stocks alone have been responsible for nearly 90% of the index gains since the March lows. Also, prior to Thursday's move lower the S&P was trading on a 2021 PE of 21.7x, well above its 5 year average of 18.5x.

Other factors that can be taken as drivers of this move lower were reports that there is unlikely to be a new US stimulus programme before the US election in early November along with uncertainty ahead of the election with Joe Biden still commanding a healthy lead over President Trump in the significant 'swing states'.

While the weakness in the technology sector was significant, we saw steadier performances by the more value sectors of the market which look attractive in valuation terms given continued signs of stabilisation in economic activity from the most recent data releases. Equally, the commitment of global central banks and governments to continue supporting economies through accommodative monetary policy and additional fiscal stimulus is also supportive for these more economically sensitive sectors. To highlight this point, the announcement by the French government of a further €100bn support package is significant following the recently announcement of the €750bn EU stimulus programme.

Reflecting this back-drop, our colleagues at MIM have moved from a slightly underweight equity exposure to neutral through the addition of value names in the mining, banking, consumer discretionary and travel & leisure sectors. This positioning is also the theme for this week's trader as we re-iterate our buy recommendation on **JPMorgan Chase**, highlight the best in class positioning of **Ryanair** following last week's capital raise and the **iShares Edge MSCI World Value Factor ETF** which provides a broad exposure to the world's leading value stocks. We also include the **MIM Multi-Asset Fund** range which continue to outpace both the market and peer groups.

While the move in the technology sector last Thursday was notable, we would highlight that the US dollar actually weakened on the day while US and German 10 Year bond yields only fell by 2 basis points, suggesting that the move lower in tech was more reflective of profit-taking rather than the precursor to a more risk-off move in markets.

The US market is closed today for a holiday while the economic calendar for the week ahead is light with the main focal point being the ECB meeting on Thursday when the focus will be on the recent strength of the euro and any implications this may have for future monetary policy and the economic outlook for the region.

Major Markets Last Week

	Value	Change	% Move
Dow	28,133	-520.56	-1.82%
S&P	3,427	-81.05	-2.31%
Nasdaq	11,313	-382.50	-3.27%

MSCI UK	13,025	-338.81	-2.54%
DAX	12,941	-3.92	-0.03%
ISEQ	6,292	-142.05	-2.21%

Nikkei	23,090	-49.81	-0.22%
Hang Seng	24,547	-630.31	-2.50%
STOXX 600	364	-2.22	-0.61%

Brent Oil	42.15	-3.13	-6.91%
Crude Oil	39.06	-3.55	-8.33%
Gold	1930	-37.59	-1.91%

Silver	26.81	-1.34	-4.75%
Copper	305.45	-0.70	-0.23%

Euro/USD	1.1827	-0.01	-0.91%
Euro/GBP	0.8957	0.00	0.32%
GBP/USD	1.3204	-0.02	-1.24%

	Value	Change
German 10 Year	-0.45%	-0.05
UK 10 Year	0.29%	-0.02
US 10 Year	0.72%	0.01

Irish 10 Year	-0.09%	-0.04
Spain 10 Year	0.38%	-0.03
Italy 10 Year	1.04%	-0.05

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: \$103.52



Key Metrics	2020e	2021e	2022e
Revenue (\$'Mn)	116313	113545	116748
EPS (\$)	5.81	8.78	10.46
Price/ Earnings	17.83x	11.79x	9.9x
Div Yield	3.49%	3.55%	3.73%

Total Return	1 Mth	3 Mth	YTD
JPM US	4.17%	-6.03%	-23.72%

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.**

Ryanair Holdings Plc

Closing Price: €12.06



Key Metrics	2020e	2021e	2022e
Revenue (€'Mn)	3125.8	7086.7	8159.4
EPS (€)	-0.55	0.74	1.43
Price/ Earnings	-	16.23x	8.42x
Div Yield	0.00%	0.00%	0.00%

Total Return	1 Mth	3 Mth	YTD
RYA ID	8.55%	-6.07%	-17.57%

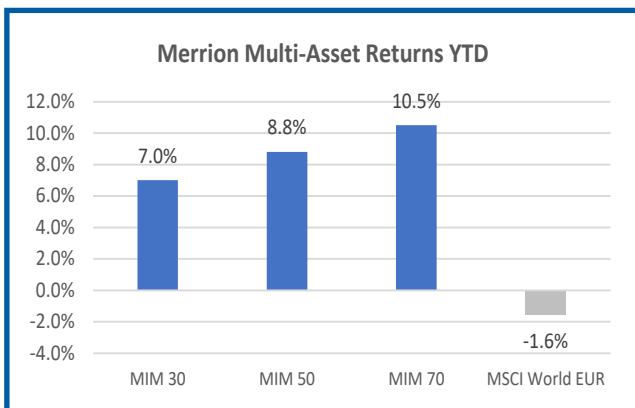
Source: All data & charts from Bloomberg & CFI

- The speed of share placement and market reaction to that placement on Friday, (up 3.5% on the day, albeit on a strong day for the sector at +1.5%), we believe illustrates the confidence the market has in the ability of the company to weather the pandemic and come out one of the stronger players in the sector when travel returns to more normal levels. As such, while investing in the airline sector currently is not without considerable risk, should an investor be looking for exposure to the sector for potential upside recovery as lockdown measures ease and/or a treatment or vaccine for Covid-19 becomes more imminent, then we believe that Ryanair is the best placed stock to be owning.
- After the market closed on Thursday, Ryanair announced that it was looking to raise €400m through a share placement. On Friday morning before the market opened, the company confirmed that 35.2m shares had been placed at a price of €11.35 per share, raising €400m. The placement represents c.3.2% of the issued share capital and was priced at a 2.6% discount to the closing price last Thursday and a 5.9% discount to the 10-day average price prior to the announcement of the placement. Management has said that the cash raised will significantly de-risk debt re-payments due over the next 12 months. Ryanair re-iterated that the money raised would also help it capitalise on opportunities that arise from the crisis
- Ryanair's share price is down c.20% year-to-date, which compares favourably to its key competitors easyJet (-56%) and IAG (British Airways) (-65%). The stock is currently trading at 15.7x FY21E earnings and 7.3x EV/EBITDA. Given the extraordinary conditions impacting the airline industry, comparison of such metrics across a peer base is not currently possible, mainly because of lack of meaningful metrics from peers, even in 2021. We still believe, however, that the company remains the best placed to weather the pandemic and come out the other end best positioned to take advantage of any competitor weakness.

Opportunities this week

CFI Research Team

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



Total Return	YTD
MIM 30	7.0%
MIM 50	8.8%
MIM 70	10.5%
MSCI World (EUR)	-1.6%

Returns as of the 03/09/2020
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
- This week MIM added to miners (base metal), 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
- 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

iShares Edge MSCI World Value Factor UCITS ETF

Closing Price: \$27.22



Total Return	1 Mth	3 Mth	YTD
IWVL LN	1.08%	-5.91%	-16.68%

Ticker	Yield	TER
IWVL LN	0.00%	0.30%

Source: All data & charts from Bloomberg & CFI

- The ETF seeks to track the performance of an index composed of a sub-set of MSCI World stocks that capture undervalued stocks relative to their fundamentals
- The MSCI World Enhanced Value Index captures large and mid-cap stocks across 23 Developed Markets
- Broad based exposure to a basket of 397 global stocks
- The value investment style characteristics applied in the construction of the index are defined using three variables:
 - Price-to-Book Value
 - Price-to-Forward Earnings
 - Enterprise Value to-Cash flow from Operations
- Top 5 holdings: Intel Corp, AT&T, IBM Corp, Toyota Motor Corp & Micron Technology
- The ETF is available in a accumulating or distributing share class
- Link to [Factsheet](#)
- Link to [KIID](#)

Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	-3.2%
Benchmark	-5.8%
Relative Performance	2.6%
P/E Ratio	23.00x
Dividend Yield	2.3%
ESMA Rating	6
Beta	1.01

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	-5.25%	
USD	-5.12%	

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Total Contribution	
STOXX Europe 600	EUR	39	Neutral	60%	-11.0%	-1.8%	362	-6.6%	
S&P 500	USD	28	Neutral	40%	7.5%	-2.3%	3427	0.8%	
Total				100%					-5.79%

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%	18.1%	-3.6%	1581	0.2%	
Verizon Communications Inc	USD	4.1%	H	Communication Services	5%	1.7%	2.1%	60.48	-0.2%	
BT Group*	GBp	0.0%	H	Communication Services	5%	-47.2%	-4.0%	1.02	-2.5%	
Dalata Hotel Group Plc	EUR	0.0%	H	Consumer Discretionary	2%	-39.1%	15.3%	3.14	-0.8%	
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	4%	78.3%	-3.2%	3295	2.8%	
McDonald'S Corp	USD	2.3%	H	Consumer Discretionary	3%	9.2%	-0.9%	211.73	0.1%	
Carnival	USD	0.0%	H	Consumer Discretionary	3%	-63.1%	7.7%	18.53	-2.0%	
Glanbia Plc	EUR	2.7%	H	Consumer Staples	4%	-4.5%	0.5%	9.52	-0.2%	
Danone	EUR	3.6%	H	Consumer Staples	3%	-21.3%	1.7%	56.18	-0.6%	
Royal Dutch Shell Plc*	GBp	5.4%	H	Energy	3%	-51.9%	-3.2%	10.36	-1.9%	
Total Sa	EUR	7.7%	S	Energy	0%	-29.4%	-1.0%	32.97	-0.2%	
Allianz Se	EUR	5.3%	H	Financials	4%	-13.2%	-3.8%	178.68	-0.5%	
ING Groep Nv	EUR	5.1%	H	Financials	4%	-34.8%	-1.5%	6.97	-1.4%	
Sanofi	EUR	3.7%	H	Health Care	3%	-3.4%	-1.7%	83.57	-0.1%	
Pfizer Inc	USD	4.1%	H	Health Care	5%	-4.4%	-4.1%	36.36	-0.5%	
Vinci Sa	EUR	1.8%	H	Industrials	4%	-18.4%	-2.3%	79.62	-0.7%	
Siemens Gamesa Renewable Energy	EUR	0.0%	H	Industrials	3%	33.6%	-6.5%	20.83	1.0%	
DCC Plc	GBp	2.3%	H	Industrials	4%	-3.0%	-7.3%	62.56	-0.3%	
Fedex Corp	USD	1.2%	H	Industrials	3%	51.5%	2.2%	226.12	1.3%	
SAP Se	EUR	1.2%	H	Information Technology	4%	12.1%	-4.9%	132.86	0.5%	
Paypal Holdings Inc	USD	0.0%	H	Information Technology	4%	77.4%	-6.2%	191.84	2.7%	
Microsoft Corp	USD	0.9%	H	Information Technology	3%	36.9%	-6.4%	214.25	0.9%	
Smurfit Kappa Group Plc	EUR	3.6%	H	Materials	3%	-8.7%	1.0%	30.46	-0.3%	
Newmont Corp	USD	1.4%	H	Materials	3%	51.5%	-2.0%	65.35	1.3%	
Invesco Physical Gold ETC	USD	0.0%	H	Materials	3%	26.2%	0.2%	186.39	0.4%	
Kennedy Wilson Holdings Inc	USD	6.0%	H	Real Estate	4%	-32.1%	2.3%	14.69	-1.4%	
Engie	EUR	0.0%	H	Utilities	5%	-19.2%	4.5%	11.64	-1.0%	
Greencoat Renewables Plc	EUR	4.9%	H	Utilities	4%	6.9%	-2.4%	1.22	0.3%	
JPMorgan Emerging Markets Trust	GBp	1.8%	H	Emerging Markets	3%	-1.1%	-2.6%	10.46	-0.2%	
Total					100%					-3.20%

All data taken from Bloomberg up until 04/09/2020.

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
	Travis Perkins PLC JD Sports Fashion PLC Glenveagh Properties Lululemon Athletica Inc		Cairn Homes PLC Oracle Corp	Ashmore Group PLC Providence Resources Kroger Co
Economic	Economic	Economic	Economic	Economic
Industrial Production EU Sentix Index China Trade Balance	Japanese GDP German Trade Balance EU Unemployment EU GDP US NFIB Business Optimism	Irish Unemployment	French Industrial Output Irish CPI ECB Refi Rate Announcement ECB Press Conference US Initial Jobless Claims US PPI	German Final HICP UK GDP UK Industrial Output US CPI

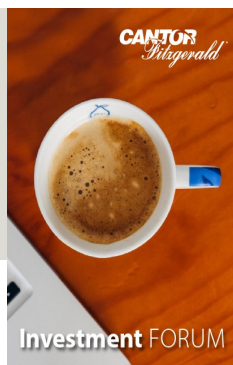
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Regulatory Information

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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