

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 21st September 2020

Key Themes This Week

The Week Ahead

Global equity markets finished last week broadly unchanged as early-week gains were reversed in the latter half of the week. Having endured significant declines in the prior week, US big tech names rallied in the early days of last week only to come under renewed selling pressure. This selling pressure however was offset by stronger performances by industrial and value focused sectors such as industrials, materials and transports however the latter sector did give up some of these gains on Friday as the increase in coronavirus cases, particularly in Europe, weighed.

As well as weakness in the technology sector, markets were also held back by a combination of other factors which included the US Federal Reserve and the absence of additional fiscal stimulus from the US.

Regarding the Fed, the central bank reiterated the new forward guidance outlined by Chair Powell in his Jackson Hole speech three weeks ago which stated that rates would remain at their current levels until at least 2023, that it would target an average inflation rate of 2% and would not trigger a rate increase even if its full employment target was met. The central bank however gave no clear indication of any further immediate monetary policy support as it revised its 2020 GDP forecast for the US economy to -3.7% from its June forecast of -6.5%. Equally, Chair Powell stressed that the next form of support should come from Congress, which at this point in time, so close to the US Presidential election, looks highly unlikely.

This combination of no further policy action from the Fed and the shifting of the onus for stimulus onto Congress, disappointed markets and was a contributory factor in the start of week gains being unwound. As if to highlight the need for further fiscal stimulus there were a number of economic data points out of the US that suggested the ongoing economic recovery could come under threat. These included a slowdown in the pace of retail sales and some softening in what has been a very buoyant housing market. As we have stated here previously, the cessation of the Paycheck Protection Programme in July would be a potential negative for the retail sector (70% of the US economy) and the retail sales data this week, coupled with recent cautious outlook statements from Walmart and Home Depot, suggest the US consumer is indeed becoming more cautious.

Also last week there was some incrementally positive news on vaccine testing with **Pfizer** announcing an increase in the number of people it was using in its trials and the resumption, in the UK at least, of trials by **AstraZeneca**. These developments were however overshadowed by a sharp increase in new cases globally with the WHO reporting that there were 300,000 confirmed new cases in the previous week across Europe, higher than the peak number in March at the start of the pandemic. While governments generally agree that a return to full scale lockdowns should be avoided due to the economic damage such moves cause, there are an increasing number of regional restrictions being put in place globally which have the potential to slow the recent pace of economic recovery.

Despite the aforementioned issues, we maintain a positive medium term outlook for equities predicated on the continuing monetary and fiscal support from global central banks and governments, the absence of any meaningful return available other asset classes such as bonds and cash, as well as the belief that a vaccine for the virus will be delivered in 2021. In the short-term, we maintain a neutral position on markets as daily headlines on virus case numbers and uncertainty ahead of the US election on 3rd November persist.

This week we include comments on US technology group **Microsoft** and French infrastructure group **Vinci**, both of which are in our recently revamped Core Portfolio, as well as the usual update on the **MIM Multi-Asset portfolios**.

Major Markets Last Week

	Value	Change	% Move
Dow	27657	-8.22	-0.03%
S&P	3319	-21.50	-0.64%
Nasdaq	10793	-60.26	-0.56%

MSCI UK	13478	-47.82	-0.35%
DAX	13116	-86.59	-0.66%
ISEQ	6486	86.39	1.35%

Nikkei	23,360	-46.19	-0.20%
Hang Seng	24,053	-587.44	-2.38%
STOXX 600	369	0.82	0.22%

Brent Oil	42.76	3.15	7.95%
Crude Oil	40.7	3.44	9.23%
Gold	1951	-6.25	-0.32%

Silver	26.75	-0.37	-1.37%
Copper	309.75	2.95	0.96%

Euro/USD	1.1859	0.00	-0.06%
Euro/GBP	0.9156	-0.01	-0.86%
GBP/USD	1.2952	0.01	0.83%

	Value	Change
German 10 Year	-0.49%	-0.01
UK 10 Year	0.18%	0.00
US 10 Year	0.68%	0.01

Irish 10 Year	-0.13%	-0.04
Spain 10 Year	0.29%	0.00
Italy 10 Year	0.97%	-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

Microsoft Corp

Closing Price: \$200.39



Key Metrics	2020e	2021e	2022e
Revenue (\$'Mn)	156558	174498	194402
EPS (\$)	6.46	7.35	8.36
Price/ Earnings	31x	27.28x	23.95x
Div Yield	1.07%	1.16%	1.28%

Total Return	1 Mth	3 Mth	YTD
MSFT US	-5.93%	2.93%	28.08%

Source: All data & charts from Bloomberg & CFI

- The company that develops, manufactures, licences, sells and supports software products reported a 24% increase in FY20 earnings (year-end June) from a 21% increase in EBITDA and 14% increase in revenue. In the fourth quarter, on the three primary revenue streams, the “intelligent cloud” sources grew 26% while productivity and business processes grew revenue 17%. In contrast, personal computing saw negligible 1.6% growth. The company reported that Covid-19 had “minimal net impact” on the business in Q320 then noted that “similar business trends” continued through the fourth quarter
- The business operates in three divisions. More Personal Computing (Windows) generates 35% of revenue. Productivity and Business processes (Office 365) generates 33% of revenue, with the Intelligent Cloud division (Azure) generating 30% of revenue. While global in reach, Microsoft generates half its revenue in the US
- Unlike Google or Facebook, who make up two of the five FAANG components, Microsoft does not rely on advertising as its main source of revenue and so, we believe, has a more robust business model to negotiate the uncertainties thrown up by the Covid-19 pandemic. With the market only looking for earnings growth of 12% from revenue growth of 9.5% in FY21, we believe the risk to forecasts could be to the upside
- The stock, which is currently up 28.5% year-to-date, is trading at 31.4x FY21 P/E and 20.1x EV/EBITDA. Given its relative size, it is difficult to compare it to its direct business peers as the next largest company in the sector Oracle is c.11% Microsoft’s market cap. If considering the stock as a proxy to the FAANG stocks, then it is trading at what we would consider an undeserved average 26% discount to that basket of stocks

Vinci SA

Closing Price: €75.90



Key Metrics	2020e	2021e	2022e
Revenue (€'Mn)	42999.7	46788.5	48448.1
EPS (€)	2.51	5.07	6.04
Price/ Earnings	30.29x	14.98x	12.57x
Div Yield	1.94%	3.55%	4.33%

Total Return	1 Mth	3 Mth	YTD
DG FP	-5.57%	-9.08%	-22.18%

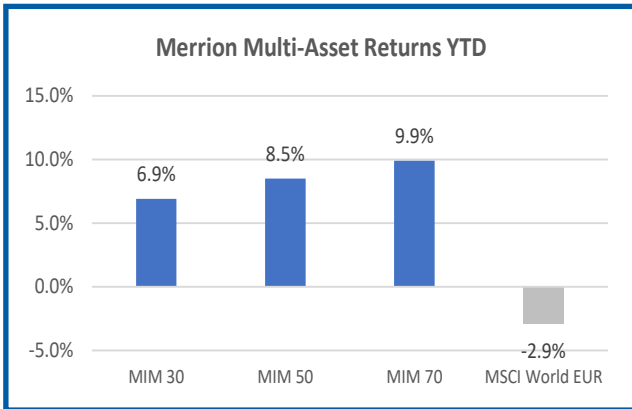
Source: All data & charts from Bloomberg & CFI

- Within the construction sector we prefer Vinci over its peers because it operates in two mutually beneficial divisions, namely Contracting and Concessions. Contracting operates in the traditional construction and building materials sector, building roads, building and infrastructure. Concessions, however, gives the company a broader revenue base as it operates and maintains toll roads, railways and airports among other operations. The company pitches for what it considers to be synergistic projects that see its Construction division hand over completed projects to its Concessions division to operate
- Contracting generates c.80% of total revenue from three primary businesses, Vinci Construction (building and civil engineering primarily in France generating 30% of total Group revenue), Vinci Energies (electrical engineering and construction operating in 55 countries generating 30% Group revenue) and Eurovia (road/rail/runway building unit operating in 10 countries generating 20% of group revenue) Concessions manages and operates roads, airports and stadia, primarily again in France, which generates 15% of Group revenue with the remaining 5% coming from Vinci Immobilier, the group’s real estate sub-division.
- The company is forecast to bounce back in FY21 from a c.33% dip in FY20E EBITDA (forecast up 37.8%), before stabilising at a sustainable 8.5% growth rate over the subsequent three years
- Vinci’s share price has staged a limited recovery from the market sell-off in March, with the stock currently still down c.23% ytd. Looking through 2020, the stock is trading at 15.1x 2021 earnings and 9.4x EV/EBITDA, an average 12% premium to its pre-Covid-19 10-year average. The premium, however, reflects general sector multiple expansion as the stock is trading at a c.18% discount to peers. As such, we see a stock with sustainable EBITDA growth of 8.5% trading at 9.7x EV/EBITDA, while also generating a dividend, forecast to yield 3.4% in FY21, as good value

Opportunities this week

CFI Research Team

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



Total Return	YTD
MIM 30	6.9%
MIM 50	8.5%
MIM 70	9.9%
MSCI World (EUR)	-2.94%

Returns as of the 17/09/2020
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
- Over the week the positioning in the funds remained unchanged at the mid point in terms of asset allocation but very constructive within that
- The funds are overweight both structural growth and cyclical recovery themes
- 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 period 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	-4.6%
Benchmark	-6.1%
Relative Performance	1.5%
P/E Ratio	24.39x
Dividend Yield	2.1%
ESMA Rating	6
Beta	1.01

Sector	Portfolio	Benchmark	+ / -
Consumer Discretionary	7%	7%	
Consumer Staples	7%	11%	
Energy	0%	11%	
Financials	0%	3%	
Health Care	13%	13%	
Industrials	7%	15%	
Information Technology	27%	12%	
Communication Services	13%	16%	
Utilities	13%	7%	
Materials	0%	2%	
Real Estate	7%	4%	
Emerging Markets	7%	0%	

FX	Portfolio	Benchmark
EUR	47%	32%
GBP	13%	13%
USD	40%	40%
Other	0%	16%

Currency YTD %		
GBP	-7.70%	
USD	-5.46%	

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution	
STOXX Europe 600	EUR	39	Neutral	60%	-9.2%	0.2%	369	-5.5%	
S&P 500	USD	28	Neutral	40%	4.2%	-0.6%	3319	-0.6%	
Total				100%					-6.12%

Core Portfolio

Weighted Average Contribution

Stock	Currency	Yield*	Hold /Sold	Sector	Weighting	Total Return Local	Weekly Return	Price	*Contribution	
Verizon Communications Inc	USD	4.1%	H	Communication Services	6.67%	1.5%	0.9%	60.35	0.0%	
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	59.9%	-5.2%	2954.91	-0.3%	
JPMorgan Emerging Markets Trust	GBP	1.8%	H	Emerging Markets	6.67%	0.4%	1.0%	10.62	-0.1%	
Allianz Se	EUR	5.3%	H	Financials	6.67%	-13.3%	-2.5%	178.46	-0.1%	
JPMorgan Chase & Co	USD	3.6%	H	Financials	6.67%	-27.5%	-2.7%	98.35	-0.1%	
Sanofi	EUR	3.7%	H	Health Care	6.67%	2.2%	1.0%	88.44	0.0%	
Vinci Sa	EUR	1.8%	H	Industrials	6.67%	-22.2%	-2.0%	75.90	-0.1%	
Siemens Gamesa Renewable Energy	EUR	0.0%	H	Industrials	6.67%	43.3%	1.5%	22.35	-0.2%	
Fedex Corp	USD	1.2%	H	Industrials	6.67%	62.7%	4.3%	242.78	-0.2%	
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	-17.5%	1.4%	12.08	-0.2%	
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	62.8%	-4.3%	176.07	-0.2%	
Microsoft Corp	USD	0.9%	H	Information Technology	6.67%	28.1%	-1.8%	200.39	-0.2%	
Rio Tinto Plc	GBP	6.0%	H	Materials	6.67%	19.6%	0.3%	5007.00	-0.1%	
Smurfit Kappa Group Plc	EUR	3.6%	H	Materials	6.67%	-0.3%	5.7%	33.26	0.0%	
Engie	EUR	0.0%	H	Utilities	6.67%	-19.5%	-1.5%	11.60	-0.2%	
Total					100%					-2.06%

All data taken from Bloomberg up until 18/09/2020.

*Contribution since being reweighted on the 16.09.2020

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
	Kingfisher PLC NIKE Inc	Origin Enterprises PLC General Mills Inc	Accenture PLC	Costco Wholesale Corp
Economic	Economic	Economic	Economic	Economic
UK National Activity Index	UK CBI Industrial Orders EU Consumer Confidence Flash US Existing Home Sales	German Gfk Consumer Confidence German & French Flash Markit Composite PMI EU Flash Markit Composite PMI US Flash Markit Composite PMI	German Ifo Business Climate US Initial Jobless Claims US New Home Sales	EU M3 Money Supply US Durable Goods Orders

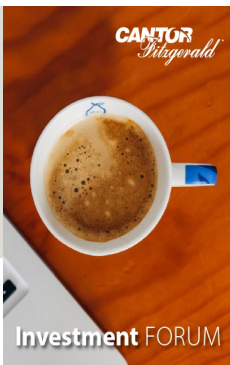
Cantor Publications & Resources



Daily Note

Each day we produce a market commentary outlining critical economic and company developments. We leverage off our global network of analysts and investment professionals to provide clients with critical insights from our local teams first thing in the morning.

[Click Here](#)



Investment Forum

Through our investment Forum we bring you the latest market news, investment insights and a series of informative articles from our experts.

[Click Here](#)

New & improved **Client Portal**



Your portfolio
at your fingertips

Access all of your account information through a **single login**

View information updates in the **Notifications Centre**

Easy to use, **intuitive user interface**

For more information contact your broker or our Client Services team

www.cantorfitzgerald.ie/cantorportal/

 **Twitter** : @cantorIreland  **LinkedIn** : Cantor Fitzgerald Ireland

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:

None of the above recommendations have been disclosed to the relevant issuer prior to dissemination of this Research.

Regulatory Information

All regulatory disclosures pertaining to valuation methodologies and historical records of the above recommendations can be found on the Cantor Fitzgerald Ireland website here:

http://www.cantorfitzgerald.ie/research_disclosures.php

Cantor Fitzgerald Ireland Limited ("Cantor Ireland") is regulated by the Central Bank of Ireland. Cantor Fitzgerald Ireland Ltd is a member firm of the Irish Stock Exchange and the London Stock Exchange.

This communication has been prepared by and is the sole responsibility of Cantor Fitzgerald Ireland Limited of 75 St Stephens Green, Dublin 2, which is an authorised person for the purposes of the European Communities (Markets in Financial Instruments) Regulations 2007 (as amended) in Ireland or the Financial Services and Markets Act 2000 in the United Kingdom.

This material is approved for distribution in Ireland by Cantor Fitzgerald Ireland Ltd. It is intended for Irish retail clients only and is not intended for distribution to, or use by, any person in any country where such distribution or use would be contrary to local law or regulation. Cantor Fitzgerald Ireland Ltd ("CFIL") is regulated by the Central Bank of Ireland. Cantor Fitzgerald Ireland Ltd is a member firm of the Irish Stock Exchange and the London Stock Exchange.

Where CFIL wishes to make this and other Cantor Fitzgerald research available to Retail clients, such information is provided without liability and in accordance with our terms and conditions that are available on the CFIL website.

No report is intended to and does not constitute a personal recommendation or investment advice nor does it provide the sole basis for any evaluation of the securities that may be the subject matter of the report. Specifically, the information contained in this report should not be taken as an offer or solicitation of investment advice, or to encourage the purchase or sale of any particular security. Not all recommendations are necessarily suitable for all investors and CFIL recommends that specific advice should always be sought prior to investment, based on the particular circumstances of the investor either from your CFIL investment adviser or another investment adviser.

Where CFIL wishes to make this and other Cantor Fitzgerald research available to Retail clients, such information is provided without liability and in accordance with our terms and conditions that are available on the CFIL website.

CFIL takes all responsibility to ensure that reasonable efforts are made to present accurate information but CFIL gives no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. This is entirely at the risk of the recipient of the report. Nor shall CFIL, its subsidiaries, affiliates or parent company or any of their employees, directors or agents, be liable for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk.

All estimates, views and opinions included in this research note constitute Cantor Ireland's judgment as of the date of the note but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this note has not been disclosed to the covered issuer(s) in advance of publication.

Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse effect on the value of the investments, sale proceeds, and on dividend or interest income. The income you get from your investment may go down as well as up. Figures quoted are estimates only; they are not a reliable guide to the future performance of this investment.

Conflicts of Interest & Share Ownership Policy

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising from other Cantor Ireland business units including Fund Management and Stock broking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, Cantor Ireland is satisfied that the objectivity of views and recommendations contained in this note has not been compromised. Nonetheless Cantor Ireland is satisfied that the impartiality of research, views and recommendations remains assured.

Our conflicts of interest management policy is available at the following link;

<https://cantorfitzgerald.ie/client-services/mifid/>



Dublin: 75 St. Stephen's Green, Dublin 2. Tel: +353 1 633 3633.

email : ireland@cantor.com web : www.cantorfitzgerald.ie



Twitter : @cantorIreland



LinkedIn : Cantor Fitzgerald Ireland