

# Weekly Trader

## Upcoming Market Opportunities and Events

**CANTOR**  
*Fitzgerald*

Monday, 28<sup>th</sup> September 2020

### Key Themes This Week

#### The Week Ahead

Global equity markets declined last week as an increase in virus cases, US fiscal and political uncertainty as well as some mixed European data prints weighed. European equity markets declined 5% on the week while in volatile US trading, the major averages declined by 1% while the technology heavy NASDAQ managed to finish in marginally positive territory.

The European underperformance reflected the large increase in Covid-19 cases with France and the UK reporting a higher number of cases than during the peak of the initial first wave in March, while regional increases in Spain saw the Spanish government implement full lockdown measures in Madrid. As we have stated here a number of times over the summer months, one of the risks we saw for markets in the short-term was a second wave of infections and the impact this might have on the impressive economic recovery seen since April. Clearly this risk has now materialised with an increasing number of restrictions being placed in a number of countries which will be a negative drag on economic activity. Indeed we saw the first signs of this in the PMI data for Europe last week with relatively strong manufacturing data being overshadowed by significant drops in services activity, with these data points likely to weaken further in the next couple of months.

Adding to the uncertainty caused by the virus was another one of our previously stated short-term risk factors, US politics, which this week emerged as a headwinds for markets following the passing of Supreme Court Judge Ruth Bader Ginsberg. The political implications of Justice Ginsberg's passing were evident as President Trump sought to fast-track the succession process in order to have his nominee installed prior to the election. This move by Pres. Trump was met with firm resistance by the Democrats and further reduced the prospects of the two parties agreeing to a new fiscal stimulus package. The need for such a package was highlighted by a number of Fed speakers during the week who once again cautioned on the weak underlying condition of the US economy. While hopes were raised late in the week that the Republicans and Democrats might re-engage in talks, the reality is that there is a huge gap between the two parties over the size of the package. Failure to move forward on this issue in the next week will further add to uncertainty for the prospects of the US economy in the final quarter.

Despite the weakness in markets last week, it was noticeable that the traditional safe-haven assets did not see any material inflows. For instance, core government bond yields remained unchanged on the week, precious metals such as gold and silver actually declined while the dollar and the Yen registered only modest gains. This suggests to us that the current period of market volatility is a reflection of short-term risks rather than a fundamental issue with broader markets that could lead to a deeper pull-back. While we continue to expect short-term market volatility for the reasons outlined above we maintain a positive market outlook beyond the US election into year-end and 2021. This is predicated on expectations of a vaccine being delivered and that ultimately a US stimulus package will be agreed, but possibly not until after the election.

This week we cover alternative energy provider **Greencoat Renewables**, German insurer **Allianz**, as well as the usual comment on the **MIM multi-asset fund range**.

### Major Markets Last Week

	Value	Change	% Move
Dow	27,174	-483.46	-1.75%
S&P	3,298	-21.01	-0.63%
Nasdaq	10,914	120.28	1.11%
MSCI UK	13,098	68.29	0.52%
DAX	12,469	-647.05	-4.93%
ISEQ	6,309	55.42	0.89%
Nikkei	23,512	192.25	0.82%
Hang Seng	23,435	-515.93	-2.15%
STOXX 600	356	-13.27	-3.60%
Brent Oil	41.61	0.17	0.41%
Crude Oil	39.89	0.58	1.48%
Gold	1,858	-54.83	-2.87%
Silver	22.63	-2.09	-8.44%
Copper	299.55	-3.65	-1.20%
Euro/USD	1.1631	-0.01	-1.19%
Euro/GBP	0.9109	-0.01	-0.82%
GBP/USD	1.2768	0.00	-0.38%
		Value	Change
German 10 Year		-0.52%	0.01
UK 10 Year		0.19%	0.01
US 10 Year		0.66%	-0.01
Irish 10 Year		-0.16%	0.01
Spain 10 Year		0.25%	0.00
Italy 10 Year		0.89%	-0.03
BoE		0.1	0.00
ECB		0.00	0.00
Fed		0.25	0.00

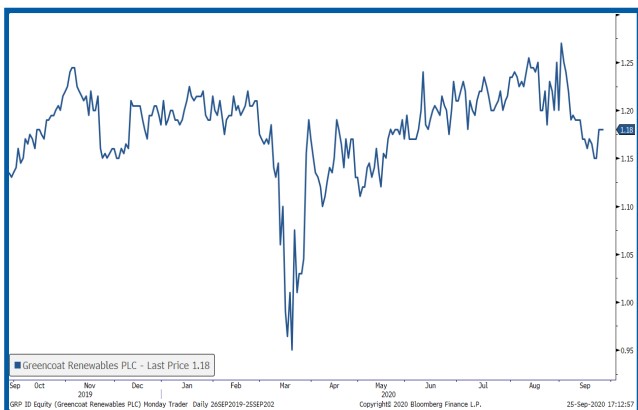
All data sourced from Bloomberg

## Opportunities this week

CFI Research Team

### Greencoat Renewables PLC

Closing Price: €1.18



Key Metrics	2020e	2021e	2022e
Revenue (€'Mn)	57.7	65.2	77.8
EPS (€)	1.31	1.31	0.07
Price/ Earnings	0.9x	0.89x	17.1x
Div Yield	5.17%	5.17%	5.17%

Total Return	1 Mth	3 Mth	YTD
GRP ID	-4.07%	1.67%	1.30%

Source: All data & charts from Bloomberg & CFI

- While we recently removed Greencoat Renewables from our Core portfolio, we still see the company as a strong player in a growing sector. Capital appreciation, while always welcome, was not the main reason Greencoat was included in the portfolio in the first place. It was, rather, included to provide a steady income stream and that logic remains unchanged
- Greencoat not only invests in wind and renewable electricity generation assets it also acquires and manages operating energy farms. In just over 30 months since its IPO, the company had, by the end of 2019, increased its assets from two windfarms generating 182.4MW to 15 windfarms generating 462.1MW. While year-end NAV increased 65.5% to €650.1m, equity issuances of 140m and 110m shares in March and December, respectively, saw NAV per share remain flat over the year (-0.3%) and total return on NAV drop to 5.6% from 13.6% in FY18
- Management has the clear investment objective of providing an annual dividend (6.06c/share target for 2020) that increases progressively, whilst growing the capital value of its investment portfolio through reinvesting excess cash flow and prudent use of portfolio leverage. It intends to continue increasing its portfolio of renewable energy generation assets within the Euro zone
- Greencoat offers investors exposure to a particularly attractive sector in the growing ESG environment. Its focus on Ireland, with its clear regulatory regime, significantly reduces concerns over volatility in earnings, thus anchoring the dividend. Greencoat's share price has fully recovered from the March market sell-off and is flat on the year. The stock is trading at a reasonable 1.2x P/B while generating a well-covered (2.1x) dividend, currently yielding 5.1%. We believe that the recent pullback offers an attractive entry point

### Allianz SE

Closing Price: €161.98



Key Metrics	2020e	2021e	2022e
Revenue (€'Mn)	142032	146393	151900
EPS (€)	16.02	19.66	21.38
Price/ Earnings	10.1x	8.23x	7.57x
Div Yield	6.02%	6.29%	6.43%

Total Return	1 Mth	3 Mth	YTD
ALV GY	-12.44%	-10.39%	-22.40%

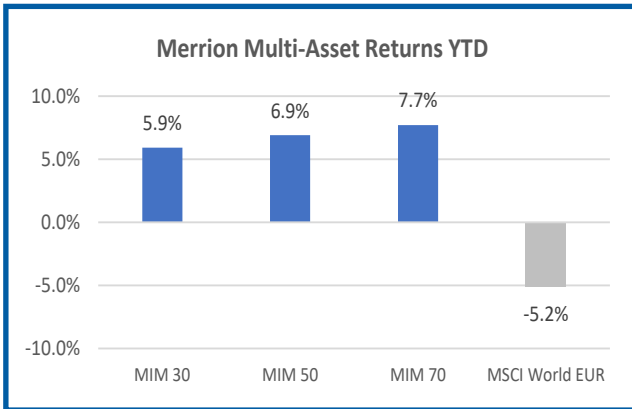
Source: All data & charts from Bloomberg & CFI

- Core Portfolio stock Allianz is currently in the news as, along with its partner Athora Holdings, it is in advanced talks to make a joint bid for Aviva's French business. The deal is valued at between \$2bn and \$3bn. Other interested suitors thought to be AXA, Assicurazioni Generali and La Mondiale
- We believe that this type of on-going corporate action demonstrates the underlying strength of Allianz's balance sheet as the insurance sector navigates through difficult business conditions brought on by the Covid-19 pandemic
- Allianz is not immune to the pandemic and in its Q220 results doubled the size of its estimated covid-19 related losses in its P&C business to €800m. Life new business volume was also affected by lockdown, but much less than in Q1 while asset-management profits had held up well
- Despite the above pandemic hits to the business, Q220 operating profit came in ahead of market expectations, the Group's Combined Ratio was well ahead of estimates and a Solvency ratio of 187%, all highlighting the underlying strength of the business
- Reflecting general market concern on the exposure of the insurance sector to Covid-19 headwinds, the stock has not fully recovered from the general market sell-off in March. While it is down 25% year-to-date, it is up 38% from the lows of mid-March, both moves in line with its peers. We believe that the pull back in share price over the past month to close to a technical support level at c.€160 offers an attractive entry point for a stock currently trading at 0.9x P/B (in line with peers) and 10.3X FY20 P/E (a 15% discount to its peers). The well supported dividend (cover at 1.6x), currently yielding 6.0%, adds comfort

## Opportunities this week

CFI Research Team

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



Total Return	YTD
MIM 30	5.9%
MIM 50	6.9%
MIM 70	7.7%
MSCI World (EUR)	-5.2%

Returns as of the 24/09/2020  
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
- However, after such a strong rally from the March lows 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	-5.7%
Benchmark	-7.5%
Relative Performance	1.7%
P/E Ratio	24.18x
Dividend Yield	2.3%
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	-7.85%
USD	-3.76%

## Benchmark

## Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution
STOXX Europe 600	EUR	39	Neutral	60%	-12.5%	-3.6%	356	-7.5%
S&P 500	USD	28	Neutral	40%	3.5%	-0.6%	3298	0.0%
<b>Total</b>				<b>100%</b>				<b>-7.47%</b>

## Core Portfolio

## Weighted Average Contribution

Stock	Currency	Yield*	Hold /Sold	Sector	Weighting	Total Return Local	Weekly Return	Price	*Contribution
Verizon Communications Inc	USD	4.2%	H	Communication Services	6.67%	-0.1%	-1.6%	59.39	0.0%
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	67.5%	4.7%	3095.13	0.2%
JPMorgan Emerging Markets Trust	GBP	1.8%	H	Emerging Markets	6.67%	0.3%	-0.2%	10.60	-0.1%
Allianz Se	EUR	6.0%	H	Financials	6.67%	-21.3%	-9.2%	161.98	-0.7%
JPMorgan Chase & Co	USD	3.9%	H	Financials	6.67%	-31.1%	-5.0%	93.47	-0.3%
Sanofi	EUR	3.7%	H	Health Care	6.67%	0.1%	-2.1%	86.61	-0.1%
Vinci Sa	EUR	2.1%	H	Industrials	6.67%	-27.2%	-6.4%	71.02	-0.5%
Siemens Gamesa Renewable Energy	EUR	0.0%	H	Industrials	6.67%	38.8%	-3.1%	21.65	-0.4%
Fedex Corp	USD	1.1%	H	Industrials	6.67%	67.6%	3.0%	250.17	0.1%
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	-22.5%	-6.0%	11.35	-0.6%
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	73.1%	6.3%	187.25	0.4%
Microsoft Corp	USD	1.0%	H	Information Technology	6.67%	32.8%	3.7%	207.82	0.2%
Rio Tinto Plc	GBP	6.5%	H	Materials	6.67%	13.0%	-5.5%	4733.00	-0.4%
Smurfit Kappa Group Plc	EUR	3.9%	H	Materials	6.67%	-5.5%	-5.2%	31.54	-0.4%
Engie	EUR	0.0%	H	Utilities	6.67%	-22.8%	-4.1%	11.12	-0.5%

All data taken from Bloomberg up until 25/09/2020.

\*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
<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>
	Ferguson PLC McCormick & Co Inc		PepsiCo Inc Conagra Brands Inc	
<b>Economic</b>	<b>Economic</b>	<b>Economic</b>	<b>Economic</b>	<b>Economic</b>
Irish Retail Sales	EU Final Consumer Confidence EU Business Climate EU Economic Sentiment Index Irish Unemployment German Flash HICP US Case-Shiller House Prices US Consumer Confidence	Chinese NBS Manufacturing PMI German Retail Sales UK Nationwide House Prices French Consumer Spending French Preliminary HICP German Unemployment US Pending Home Sales	EU PPI EU Unemployment Rate US Core PCE Prices US Initial Jobless Rate US Construction Spending US Manufacturing ISM	Japanese Unemployment EU Preliminary HICP US Non Farm Payroll US Factory Orders

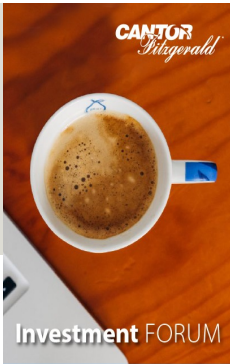
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**Issuer Descriptions: (Source: Bloomberg)**

**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

**Historical Recommendation:**

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

email : [ireland@cantor.com](mailto:ireland@cantor.com) web : [www.cantorfitzgerald.ie](http://www.cantorfitzgerald.ie)



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