

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 2nd November 2020

Key Themes This Week

The Week Ahead

Equity market volatility increased last week as a mix of negative coronavirus headlines, failure of US politicians to agree a new stimulus package and US election uncertainty impacted. For the week, European markets declined by on average 8% with US markets fairs slightly better with average declines of 6%. The primary catalyst for this period of renewed equity market weakness was a surge in virus cases across Europe in particular, and later in the week in the US. In Europe, record virus cases were reported in France, Germany, Italy, Belgium and the UK which resulted in both France and Germany reimposing essentially nationwide lockdowns, while authorities in Spain announced a 6-month long curfew between 23.00 hours and 6.00 hours.

This resumption of wide-ranging restrictions raised concerns that the impressive economic recovery seen in the second-quarter would be severely reversed and would result in a collapse of the economic activity as seen in the initial lockdown period in April and May. While these concerns were highlighted by the ECB last week in its announcement that the central bank would 'recalibrate' all its policy measures in December if necessary, we would highlight a couple of points which differentiate the current situation with that experienced in the first wave of the virus. Firstly, while nationwide lockdowns have been reintroduced in a number of countries, these differ somewhat from their previous iteration insofar as schools remain open and a larger number of activities such as construction also remain active. Secondly, and perhaps most significantly, unlike the initial first wave, Europe does not have to contend with a severe contraction in activity in China and the broader emerging market region. Prior to the first lockdowns in April and May, global growth had already been impacted by the supply-chain disruption in Emerging Markets and this had already impacted on certain European economies. This time around, Emerging Markets are performing strongly which means that end-markets for export dependent economies such as Germany remain open.

Equally, the potential for the delivery of an effective vaccine will potentially help to reduce the duration of the new lockdown measures while the rates of fatalities and hospitalisations, while increasing, are significantly lower than those seen during the first wave. While not trying to diminish the human impact of the current increase in virus cases, the potential for a vaccine delivery provides some grounds for optimism that the impact of the current bout of restrictions will be less severe this time around.

While the failure of Congress to deliver a new stimulus package ahead of the election is clearly disappointing, we remain of the view that a substantial package will be delivered by whomever emerges victorious in the US election. It is generally accepted that both the Republican and Democrats see the need for a fresh stimulus plan with the only areas of uncertainty being the timing of any new package along with the quantum of such a package. A Democratic clean sweep of both the upper and lower houses would leave the way open for a significant spending programme, however the implementation of such a plan may be delayed until after inauguration day in late January. Greater clarity on this will hopefully be known in the early hours of Wednesday morning when the result of the vote is revealed.

While the above issues will continue to create short-term market volatility, we continue to advise clients to use periods of market weakness to incrementally add to the value sectors of the market and we continue to remain positive on risk assets into year-end and into 2021.

In this week's Trader we cover **Ryanair Holdings** who released results this morning, US technology group **PayPal Holdings** who will issue results after the US market close tonight as well as Irish materials group **CRH** on which we issued a Flash Note on Friday. We also provide the usual update on the **Merrion Multi-Asset Funds**.

Major Markets Last Week

	Value	Change	% Move
Dow	26,502	-1833.9	-6.47%
S&P	3,270	-195.43	-5.64%
Nasdaq	10,912	-636.69	-5.51%

MSCI UK	12,486	-495.50	-3.82%
DAX	11,556	-1089.3	-8.61%
ISEQ	6,428	-36.93	-0.57%

Nikkei	23,295	-198.86	-0.85%
Hang Seng	24,474	-445.15	-1.79%
STOXX 600	342	-20.14	-5.56%

Brent Oil	36.54	-3.92	-9.69%
Crude Oil	34.13	-4.43	-11.49%
Gold	1883	-19.48	-1.02%

Silver	23.81	-0.47	-1.92%
Copper	304.8	-4.15	-1.34%

Euro/USD	1.1633	-0.02	-1.50%
Euro/GBP	0.9016	-0.01	-0.56%
GBP/USD	1.2903	-0.01	-0.93%

	Value	Change
German 10 Year	-0.64%	-0.06
UK 10 Year	0.26%	-0.02
US 10 Year	0.86%	0.05

Irish 10 Year	-0.26%	-0.04
Spain 10 Year	0.14%	-0.05
Italy 10 Year	0.77%	0.03

BoE	0.1	0.00
ECB	0.00	0.00
Fed	0.25	0.00

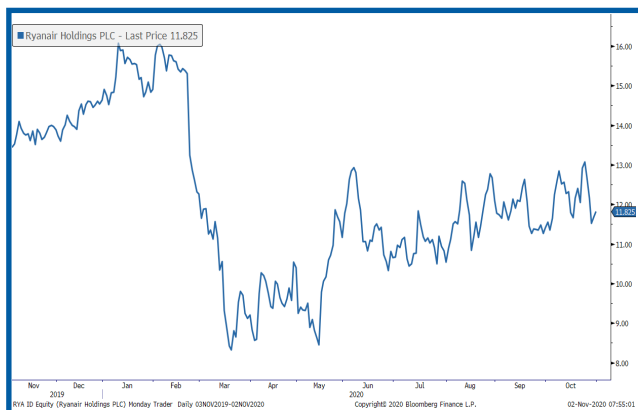
All data sourced from Bloomberg

Opportunities this week

CFI Research Team

Ryanair Holding Plc

Closing Price: €11.83



Key Metrics	2021e	2022e	2023e
Revenue (€'Mn)	2443.9	6473.1	8242.7
EPS (€)	-0.69	0.63	1.27
Price/ Earnings	-	18.92x	9.28x
Div Yield	0.00%	0.00%	0.00%

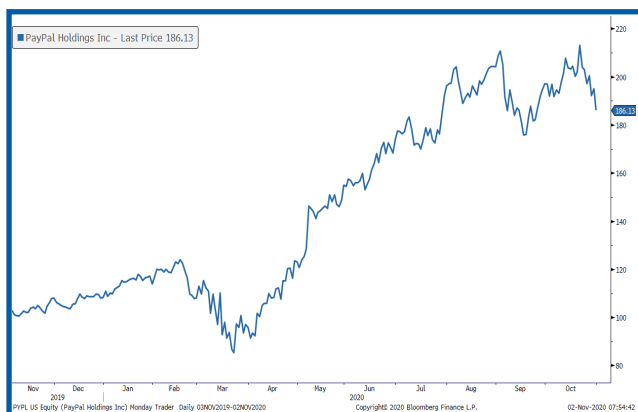
Total Return	1 Mth	3 Mth	YTD
RYA ID	4.19%	12.24%	-19.17%

Source: All data & charts from Bloomberg & CFI

- Ryanair has issued the expected weak set of H121 numbers. As with all in the airline industry the focus is on cash burn as a metric of pandemic survival and on that Ryanair remains the clear leader. Cost reduction measures and a successful financing in September saw cash levels at the end of September at €4.5bn. With debt at €5.37bn the company ended H121 with net debt of only €868.9m. In reserve, 80% of its fleet is unencumbered, with a book value of over €7bn. Cash burn over the half year was €1.16bn, implying that the company is well-financed through the next 12 months, which includes €1.5bn in debt due.
- The company reported a net loss of €197m versus €1.15bn profit in H120 from an operating loss of €176.8m (€1.29bn profit in H120) and revenue of €1.18bn (€1.03bn forecast, €5.39bn in H120). On underlying metrics and as updated in monthly reports, the company reported an 80% drop in customers carried to 17.1m, a 24 percentage point fall in load factor to 72% as 99% of the fleet was grounded from mid-March to end June. The company now expects to record higher losses in H2 than in H1.
- The stock has remained remarkably resilient and is only down c.20% year-to-date compared to its peers, which are down over 65% on average. Given operational difficulties, the only comparable metric in the sector currently is FY21 EV/EBITDA where despite price resilience, Ryanair is only trading at 8.9x, a 17% premium to its peers. Investing in the airline sector is high risk in current conditions but again we re-iterate that if an investor is comfortable with such exposure then Ryanair remains our preferred play given the strength of its balance sheet coupled with greater route and capacity flexibility. With talk of Covid-19 vaccine trial results in the offing and the potential development and deployment of quick tests at airports ever closer, notwithstanding the second wave, risks could be swinging to the upside.

PayPal Holdings Inc

Closing Price: \$186.13



Key Metrics	2020e	2021e	2022e
Revenue (\$'Mn)	21373.1	25518.4	30104.7
EPS (\$)	3.73	4.57	5.47
Price/ Earnings	49.86x	40.74x	34x
Div Yield	0.00%	0.00%	0.00%

Total Return	1 Mth	3 Mth	YTD
PYPL US	-3.01%	-5.07%	72.07%

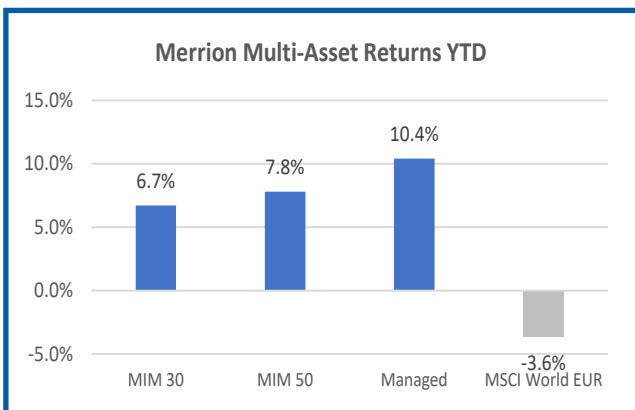
Source: All data & charts from Bloomberg & CFI

- Paypal, one of two IT stocks in our Core Portfolio, reports its Q320 numbers this evening. In line with all IT businesses that have benefitted from the rapid pandemic-induced switch to online trading, it is expected to report a 54% increase in adj. EPS to 94.2c from a 23.5% increase in EBITDA to \$1.48bn and 23.7% increase in revenue to \$5.42bn.
- While already reported card-not-present volume, a proxy for online sales, appeared similar to Q220 levels at about 30% in July and August, what the market will be looking for is guidance on the impact of the lack of any US Government stimulus on online sales, more bricks and mortar outlets opening and restaurants reopening. It is expected, however, that this will be balanced by improving cross-border transactions.
- Although not a driver in the Q320 results as it was only launched in October, the market will be looking for an update on progress on the credit-card fashioned around PayPal's Venmo platform. Features include an easier ability to split payments between different payers. The offering illustrates PayPal's drive to generate revenue from more diverse sources. Such diversification is further demonstrated by its roll-out of an offering where shoppers can opt to pay for certain purchases in four interest-free instalments.
- Given the strong business momentum over the pandemic, the stock is up over 80% year-to-date and is currently trading at 42.7x FY21 P/E and 30.7x EV/EBITDA. While these multiples appear stretched on an historical basis (10-year average 33.3x P/E and c.cx EV/EBITDA) they reflect the considerable rerating of the stock at the early stages of the pandemic to ratios maintained over the past four months. Zás such we view the recent 9% pullback in share price as an opportunity to pick up stock in a company we believe has more operational momentum to come.

Opportunities this week

CFI Research Team

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



Total Return	YTD
MIM 30	6.7%
MIM 50	7.8%
Managed	10.4%
MSCI World (EUR)	-3.6%

Returns as of the 29/10/2020
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.
- Asset allocation remains unchanged on the week, the funds being close to the upper end of their respective asset allocation ranges
- The funds are overweight both structural growth and cyclical recovery themes and have a very positive outlook over the medium term.
- Despite the short-term uncertainties and volatility ahead with the US election, Brexit and Covid-19 news, equity markets will look to the combination of zero rates and fiscal expansion which will continue to drive investment into the industries that will dominate the next decade.
- 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 4th quarter of this year.

CRH Plc

Closing Price: €30.27



Key Metrics	2020e	2021e	2022e
Revenue (€'Mn)	23475.1	24558.8	25622.8
EPS (€)	1.87	2.05	2.30
Price/ Earnings	16.15x	14.77x	13.15x
Div Yield	2.65%	2.72%	2.81%

Total Return	1 Mth	3 Mth	YTD
CRH ID	-1.82%	1.00%	-12.30%

Source: All data & charts from Bloomberg & CFI

- Just to flag that we issued a flash note last Friday (30 October) on CRH, pointing out that we believe that CRH's current share price weakness presents an ideal opportunity to pick up or add to positions in a company with a strong track record of delivering solid returns to shareholders, supported by the strongest balance sheet in the sector.
- CRH is trading down c.17% year-to-date, with short-term weakness seeing the stock off 12% in the last three weeks on external macro-economic conditions rather than any company specific issues. The stock is trading at 14.4x FY21 P/E and 6.7x EV/EBITDA, which represents what we believe to be an undeserved 16.5% discount to its peer base.
- Trading at parity would imply a share price of €35.00, which we take as our price target, implying an over 18% upside to the current price. Even at this price the stock would only be trading at an unstretched 17.1x P/E (10-year average 18.5x) and 8.0x EV/EBITDA (10-year average 9.2x). A dividend currently yielding 2.8% gives further comfort.
- We believe that key reasons to own CRH at present include the potential upside that could be gained if and when the company lists in the US. We see the recent switch of reporting currency to US dollars from Euro could signal a mid to long-term goal of listing in the US, which would be a significant catalyst for a stock re-rating.
- In the interim, continued business expansion now sees CRH generating over 50% of its revenue in North America with only 25% coming from Europe and a further 12% from the UK. Further growth in the region, relative to Europe should, we believe, drive multiple expansions closer to its North American peers, which currently trade at 11.9x FY21E EV/EBITDA versus its European peers at 5.8x EV/EBITDA. CRH currently trades at 6.7x FY21 EV/EBITDA.

Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	-6.0%
Benchmark	-9.7%
Relative Performance	3.8%
P/E Ratio	25.22x
Dividend Yield	2.4%
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	-6.41%	
USD	-3.57%	

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution	
STOXX Europe 600	EUR	39	Neutral	60%	-15.6%	-5.5%	342	-9.4%	
S&P 500	USD	28	Neutral	40%	2.8%	-5.6%	3270	-0.4%	
Total				100%					

Core Portfolio

Weighted Average Contribution

Stock	Currency	Yield*	Hold /Sold	Sector	Weighting	Total Return Local	Weekly Return	Price	*Contribution	
Verizon Communications Inc	USD	4.4%	H	Communication Services	6.67%	-3.1%	-1.7%	56.99	-0.2%	
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	64.3%	-5.3%	3036.15	0.0%	
JPMorgan Emerging Markets Trust	GBP	1.3%	H	Emerging Markets	6.67%	10.8%	-3.2%	11.62	0.7%	
Allianz Se	EUR	6.4%	H	Financials	6.67%	-26.6%	-7.6%	151.06	-1.1%	
JPMorgan Chase & Co	USD	3.7%	H	Financials	6.67%	-27.1%	-5.6%	98.04	0.1%	
Sanofi	EUR	4.1%	H	Health Care	6.67%	-10.6%	-6.7%	77.37	-0.8%	
Vinci Sa	EUR	2.2%	H	Industrials	6.67%	-30.5%	-6.9%	67.82	-0.8%	
Siemens Gamesa Renewable Energy	EUR	0.0%	H	Industrials	6.67%	56.0%	-4.0%	24.33	0.4%	
Fedex Corp	USD	1.0%	H	Industrials	6.67%	73.8%	-8.5%	259.47	0.4%	
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	-19.2%	-9.5%	11.83	-0.3%	
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	72.1%	-8.3%	186.13	0.3%	
Microsoft Corp	USD	1.1%	H	Information Technology	6.67%	29.4%	-6.4%	202.47	0.0%	
Rio Tinto Plc	GBP	7.6%	H	Materials	6.67%	4.0%	-4.8%	4357.00	-0.8%	
Smurfit Kappa Group Plc	EUR	3.8%	H	Materials	6.67%	-3.1%	-6.3%	32.32	-0.2%	
Engie	EUR	0.0%	H	Utilities	6.67%	-27.9%	-8.6%	10.39	-0.9%	
Total					100%					

All data taken from Bloomberg up until 30/10/2020.

*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
Estee Lauder Cos Inc PayPal Holdings Inc Mondelez International Inc	Bayer AG BNP Paribas SA Ferrari NV	Kerry Group PLC Intesa Sanpaolo SpA Marks & Spencer Group PLC Bayerische Motoren Werke AG Vonovia SE Vestas Wind Systems A/S	Siemens Gamesa Renewable Energy J Sainsbury PLC ING Groep NV Societe Generale SA Mylan NV Bristol-Myers Squibb General Motors Co American International Group Booking Holdings Inc T-Mobile US Inc	Norwegian Cruise Line Holdings CVS Health Corp
Economic	Economic	Economic	Economic	Economic
EU Final Markit Manufacturing PMI US Final Markit Manufacturing PMI US Construction Spending US Manufacturing ISM	US Election Irish Unemployment US Factory Orders	EU Final Markit Composite PMI EU PPI UK Final Markit Composite PMI US Non-Manufacturing ISM	Japanese Services PMI German Industrial Orders EU Retail Sales BoE Interest Rate Announcement US Initial Jobless Claims Fed Interest Rate Announcement Fed Press Conference	German Industrial Output US Non-Farm Payrolls

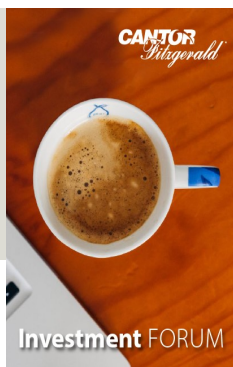
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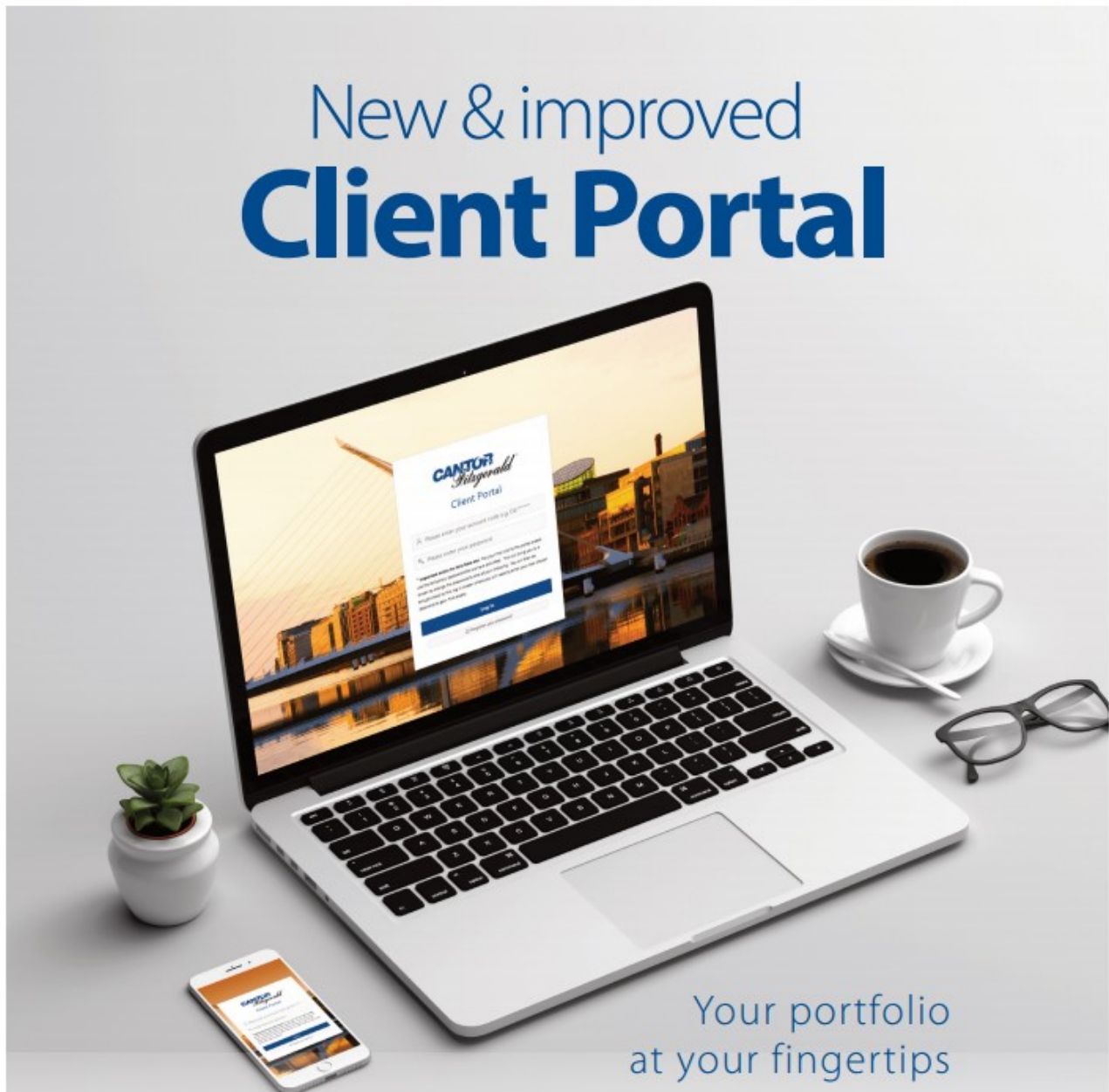


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Issuer Descriptions: (Source: Bloomberg)

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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