

# Weekly Trader

Upcoming Market Opportunities and Events

**CANTOR**  
*Fitzgerald*

Monday, 23<sup>rd</sup> November 2020

## Key Themes This Week

### The Week Ahead

The S&P500 and Dow remained little changed over the week following two strong weeks of gains as investors tried to balance the juxtaposition between the aspirational mid to long-term upside implied by a successful roll-out of vaccination campaigns against the reality of a long winter (in the northern Hemisphere) of anti-viral measures and the impact that might have on economies at large and individual businesses in particular.

Key drivers over last week look set to continue setting the tone this week, particularly with the US in holiday mood. On the upside, markets were temporarily buoyed with further good news on the vaccine front. Moderna reported very high efficacy in its candidate while Pfizer/BioNTech released further data showing even stronger efficacy. AstraZeneca/Oxford University also released Phase II data, also showing strong efficacy of its vaccine candidate.

Another positive that could possibly influence markets next week was an indication that the Republicans in the Senate might be closer to discussing the much talked of and long-delayed stimulus package. It has yet to be seen, however, if the two sides can firstly meet and secondly reconcile the different amounts they want to commit to the package.

In addition, as the third quarter earnings season draws to a close, it has proven to be stronger than the market had been anticipating with c.95% of the companies in the S&P500 surprising to the upside. While some of that will have been good management of expectations by the companies, it does signal better operating conditions than had first been feared.

Balancing these positives, market enthusiasm over vaccines has been tempered by the rapidly growing number of Covid-19 cases globally. This has been accompanied by continuous state and countrywide announcements of increasing lockdown measures to try and curb the virus before the holiday season. That said, an estimated 50.6m Americans will travel to be with family this week, only 10% down on 2019. The impact, if any, on viral spread will only be felt at in early December. With US weekly jobless claims faltering for the first time in five weeks as the lockdowns start to take effect, there are concerns that virus mitigation measures may push out expectations on economic recovery, not only in the US but in Europe, where restrictive measures are in place in all major economies.

The market also took a step back when the US Treasury Secretary declined to extend several Fed emergency lending programmes, raising the possibility that they will expire on 31 December. While the Fed maintains these programmes serve a vital role, supporting SMEs and NGOs, the government wants unspent stimulus money to be redirected to buoying up the economy. How this plays out over the coming week could influence short-term market direction.

There was a break in Brexit negotiations mid-week when one of the EC negotiators tested positive for Covid-19 but talks continued the next day on a virtual basis. While virtual talks are seen as less satisfactory than face-to-face meetings, markets are assuming some sort of deal will be hammered out. A positive conclusion will see markets tick up, particularly in the UK.

We continue to remain broadly positive on risk assets into year-end and into 2021 and believe that clients should use periods of market weakness to incrementally add to the value sectors of the market as well as our preferred names in the technology sector.

This week in the Trader we cover **DCC** as we believe that the current knee-jerk price dip presents an opportunity to add to positions, the French utility company **Engie** who reported strong Q320 results last week and our regular commentary on the **MIM Multi-Asset Funds**.

## Major Markets Last Week

	Value	Change	% Move
Dow	29,263	-216.33	-0.73%
S&P	3,558	-27.61	-0.77%
Nasdaq	11,855	25.68	0.22%

MSCI UK	14,309	-167.48	-1.16%
DAX	13,137	60.53	0.46%
ISEQ	7,126	-108.86	-1.50%

Nikkei	25,527	141.50	0.56%
Hang Seng	26,489	107.00	0.41%
STOXX 600	390	4.43	1.15%

Brent Oil	45.45	1.63	3.72%
Crude Oil	42.91	1.57	3.80%
Gold	1874	-15.30	-0.81%

Silver	24.18	-0.59	-2.39%
Copper	329.45	6.50	2.01%

Euro/USD	1.1871	0.00	0.16%
Euro/GBP	0.8909	-0.01	-0.79%
GBP/USD	1.3324	0.01	0.95%

	Value	Change
German 10 Year	-0.59%	-0.04
UK 10 Year	0.30%	-0.04
US 10 Year	0.84%	-0.07

Irish 10 Year	-0.27%	-0.04
Spain 10 Year	0.06%	-0.04
Italy 10 Year	0.63%	-0.02

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

### DCC PLC

Closing Price: £55.58



Key Metrics	2021e	2022e	2023e
Revenue (£Mn)	13014.5	14006.4	14203.3
EPS (£)	3.46	3.77	3.95
Price/ Earnings	16.04x	14.73x	14.08x
Div Yield	2.73%	2.87%	3.00%

Total Return	1 Mth	3 Mth	YTD
DCC LN	11.58%	-15.46%	-13.04%

Source: All data & charts from Bloomberg & CFI

- DCC's share price gave up the gains it had enjoyed since the beginning of the month over a two-day period last week on market interpretation of a virtual event held on the 18th of November. The company was showcasing its role as an energy distributor within the context of shifting trends in societal energy demands but analysts saw it as a non-event, with little new information provided.
- That said, we believe that the price move was on a knee-jerk market reaction to event content rather than any change to underlying business metrics. As such, given that the stock has subsequently bounced off a support level at £55.00, we consider this an opportune time to either pick up stock or add to positions.
- DCC's most recent update issued on the 10th of November demonstrated the strength of the business. The company delivered a strong set of H121 numbers, ahead of market expectations, reporting a 7.0% increase in adj. EPS to 117.9p versus market expectations of an 11.9% dip to 96.9p, from an 8.3% increase in adjusted operating profit to £176.1m, despite an 18.9% fall in revenue to £5.93bn (£5.87bn expected). The company declared an interim dividend of 51.95p, up 5.0% on H120. Confidence in the strength of the balance sheet saw the company commit c.£90m to acquisitions in Europe and North America over the period.
- In a mini-rally, DCC's stock appreciated over 17% into and through the numbers and while still up 10% since the beginning of November, we see this pullback as providing a good entry point for a company that has, through its operational performance, proved its resilience under difficult trading conditions. Over the past 5 years, given its unique business mix and geographic footprint, DCC has traded at an average 29% premium to its peers. However, at 16.0x FY20 P/E and 9.5x EV/EBITDA, the stock is currently only trading in line with its peers, while at a 10% discount to its 10-year average.

### Engie SA

Closing Price: €12.16



Key Metrics	2020e	2022e	2022e
Revenue (€Mn)	57832.3	59805.3	58436.5
EPS (€)	0.71	1.03	1.12
Price/ Earnings	17.2x	11.78x	10.82x
Div Yield	4.58%	6.09%	6.50%

Total Return	1 Mth	3 Mth	YTD
ENGI FP	7.04%	8.76%	-15.52%

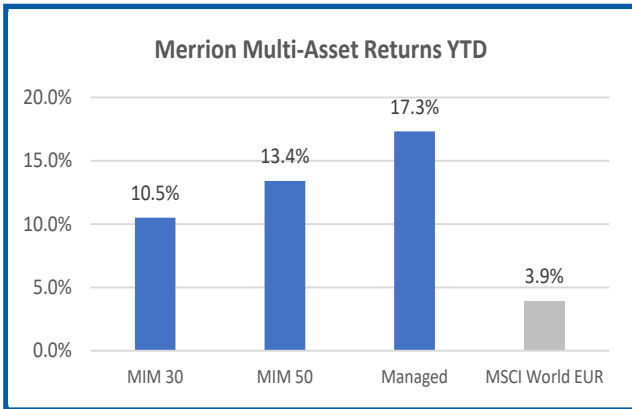
Source: All data & charts from Bloomberg & CFI

- Our Core Portfolio stock Engie recently reported a strong recovery in Q320 following a "significantly impacted Q2" and confirmed 2020 guidance. Guidance is for FY20 recurring income in the €1.7bn to €1.9bn range (consensus €1.77bn) from EBITDA of between €9.0m and €9.2bn (€9.2bn forecast) and operating income in the €4.2bn to €4.4bn range (consensus €4.61bn).
- Management noted a small organic growth in the third quarter (operating income up 2%) driven by a strong performance from Renewables (+4.7% gross). Over the 9-month period, the company reported a 27.9% fall in current operating income to €2.9bn from a 13.0% drop in EBITDA to €6.2bn (€5.47bn forecast) and 8.5% dip in revenue to €39.6bn (€38.17bn forecast).
- The company successfully completed the sale of its 29.9% shareholding in Suez for €3.4bn in the quarter and has flagged the sale of at least €8bn worth of assets to focus on renewables (currently 16% of EBITDA). Incorporating the Suez sale into forecasts has our FY20 ND/EBITDA drop to a comfortable 2.7x, despite the pandemic-driven drop in EBITDA. The company is now in the process of considering opportunities to divest non-core businesses and minority stakes and as such has initiated a strategic review of its options for its 40.0% stake in GTT.
- Engie's share price is down 15% year-to-date and the stock trades at 17.0x FY20 P/E and 6.5x EV/EBITDA, representing an over 30% discount to its European peers. Looking through 2020, the underlying business remains robust as it is forecast to grow EBITDA at a 3-year CAGR of 8.5%, well ahead of its peers with an EBITDA CAGR of 5.9%. We, therefore, continue to believe that the discount to peers is unjustified particularly as investors are paying 6.5x EBITDA for a stock growing EBITDA at 8.5%. While trading at parity would imply a share price of €15.90, we retain our €15.20 target price.

## Opportunities this week

CFI Research Team

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



Total Return	YTD
MIM 30	10.5%
MIM 50	13.4%
Managed	17.3%
MSCI World (EUR)	3.9%

Returns as of the 19/11/2020  
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 clients.
- Diversification with active management can deliver very strong returns with reduced volatility in times of market stress
- Positioning and performance remains unchanged on the week with MIM's focus currently on shorter term hedges in the alternative funds and finding opportunities for a consumer recovery in 2021 to complement their other holdings
- Whilst the vaccine news is very positive, in the near-term rising Covid case numbers and hospitalisations may dent market confidence.
- Within equities, they are overweight structural growth themes but also have exposure to Covid recovery / cyclical value opportunities.
- The strength in growth names over the election week followed by the strength in value names last week meant that this barbell approach has reaped dividends
- Despite the short-term uncertainties and volatility ahead with 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 & into next year.

# Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	<b>5.3%</b>
Benchmark	<b>0.1%</b>
Relative Performance	<b>5.2%</b>
P/E Ratio	<b>28.48x</b>
Dividend Yield	<b>2.4%</b>
ESMA Rating	<b>6</b>
Beta	<b>0.98</b>

Sector Weights	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	-4.90%	
USD	-5.53%	

### Benchmark

### Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution	
STOXX Europe 600	EUR	39	Neutral	60%	-3.9%	1.2%	390	-2.3%	
S&P 500	USD	28	Neutral	40%	11.9%	-0.7%	3558	2.4%	
<b>Total</b>				<b>100%</b>					

### Core Portfolio

### Weighted Average Contribution

Stock	Currency	Yield*	Hold /Sold	Sector	Weighting	Total Return Local	Weekly Return	Price	*Contribution	
Verizon Communications Inc	USD	4.1%	H	Communication Services	6.67%	2.1%	-1.7%	60.04	0.0%	
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	67.7%	-0.9%	3099.40	0.0%	
JPMorgan Emerging Markets Trust	GBP	1.3%	H	Emerging Markets	6.67%	18.7%	0.9%	1.25	1.3%	
Allianz Se	EUR	4.9%	H	Financials	6.67%	-5.1%	2.3%	195.40	0.5%	
JPMorgan Chase & Co	USD	3.1%	H	Financials	6.67%	-14.8%	0.4%	114.57	1.1%	
Sanofi	EUR	3.7%	H	Health Care	6.67%	-0.8%	0.1%	85.85	-0.2%	
Vinci Sa	EUR	1.8%	H	Industrials	6.67%	-11.9%	0.3%	85.96	0.7%	
Siemens Gamesa Renewable Energy	EUR	0.1%	H	Industrials	6.67%	79.6%	2.1%	28.00	1.4%	
Fedex Corp	USD	0.9%	H	Industrials	6.67%	85.4%	1.8%	276.69	0.7%	
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	6.3%	3.2%	15.55	1.7%	
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	78.1%	2.1%	192.67	0.4%	
Microsoft Corp	USD	1.0%	H	Information Technology	6.67%	34.8%	-2.6%	210.39	0.2%	
Rio Tinto Plc	GBP	6.5%	H	Materials	6.67%	14.0%	0.9%	4773.00	-0.2%	
Smurfit Kappa Group Plc	EUR	3.5%	H	Materials	6.67%	6.4%	-1.7%	35.22	0.4%	
Engie	EUR	4.5%	H	Utilities	6.67%	-15.5%	-1.1%	12.17	0.1%	
<b>Total</b>					<b>100%</b>					

All data taken from Bloomberg up until 20/11/2020.

\*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>
	Dollar Tree Inc Tiffany & Co HP Inc Deere & Co UDG Healthcare PLC Compass Group PLC CRH PLC		Severn Trent PLC	
<b>Economic</b>	<b>Economic</b>	<b>Economic</b>	<b>Economic</b>	<b>Economic</b>
French Flash Markit Composite PMI German Flash Markit Composite PMI EU Flash Markit Composite PMI US Flash Markit Composite PMI	German Ifo Business Climate German Q3 GDP US Case-Shiller House Prices US Conference Board Consumer Confidence	US Core PCE Prices US Durable Goods Orders US Q3 GDP US Initial Jobless Claims US Final Michigan Consumer Sentiment US New Home Sales US Fed Minutes from November FOMC	German Gfk Consumer Sentiment EU October Monetary Policy Account Published US Markets closed	UK Nationwide House Prices French Consumer Spending French Q3 GDP French PPI Spanish Retail Sales EU Business Climate EC Economic Sentiment Index Irish Retail Sales

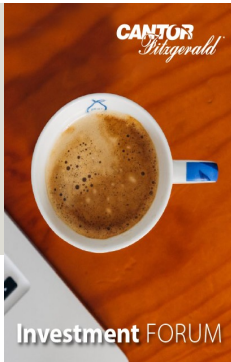
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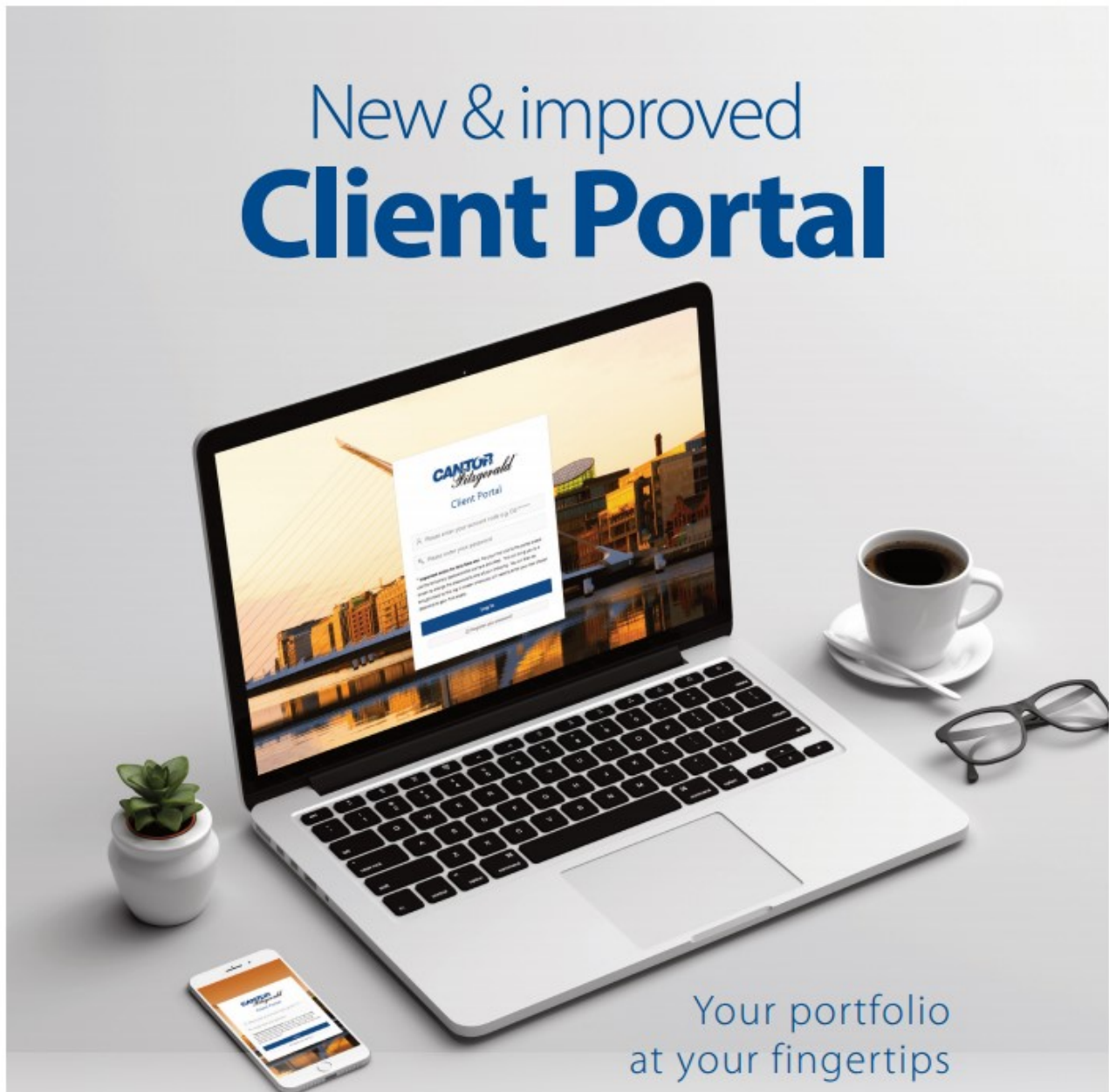


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**Allianz:** Allianz through its subsidiaries, provides insurance and financial services.

**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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