Weekly **Trader**

Upcoming Market Opportunities and Events

CANTOR Fitzgerald

Monday, 30th November 2020

Key Themes This Week

The Week Ahead
In what's been a stellar month for global equity markets, last week saw further gains of an average 2% despite it being a holiday-shortened one in the US. News from AstraZeneca/University of Oxford on their Phase 3 vaccine trials at the start of the week supported these gains and while questions arose at the end of the week about the accuracy of the data, overall market sentiment remained positive. This was despite the fact that case numbers, hospitalisations and ICU cases of the virus continued to hit record levels in the US and as Germany announced the extension of restrictions until 20th December.

With three potential vaccines now nearing the critical phase of Emergency Use Authorisation, optimism about the potential for a broader economic reopening in the first two quarters of 2021 more than outweighed the potential short-term negative impact of the higher case numbers and extended restrictions. This more positive medium-term outlook was reflected in market internals with market breadth improving with gains registered in all sectors. While the majority of market gains during November were due to the Value areas of the market, the most recent gains were also achieved strength in the more Growth focused sectors, in particular big tech which had underperformed for much of the month. In this regard, we see this period of softness in the growth focused areas as an opportunity for investors to add exposure to the structural long-term winners in the technology sector.

Also supporting markets last week were developments on the political front in the US, with President Trump, while still disputing the election result, instructing his team to facilitate the transition period for President-Elect Biden. This now opens the path for the bones of the new administration to be formed with immediate speculation that the new President will nominate former Fed Chair, Janet Yellen, as his new Treasury Secretary. Such an appointment, if confirmed, would be a positive development for markets as it would replace the rather toxic relationship that existed between the White House and the Fed during Mr. Trumps four years in office. The appointment of Ms. Yellen would without doubt foster the potential for greater monetary and fiscal policy interaction.

Elsewhere last week, both the Fed and the ECB released minutes for their last respective policy meetings in which both committees discussed the potential to augment their existing monetary policy tools. While the outcome of these deliberations by the Fed were circumspect with regards to any changes to its current policy, the ECB discussions appeared to be more equivocal, with all participants agreeing that additional measures should be implemented at the next Governing Council meeting on 10th December. Augmenting these views were comments later in the week from ECB Chief Economist Philip Lane who expressed concerns over the impact of a premature steeping of the yield curve at a time when the pandemic risk to the economy remained elevated. The path now seems clear for the ECB to increase the size of its Pandemic Emergency Purchase Programme (PEPP) with markets now anticipating an increase of €500bn, along with some additional adjustments to the Targeted Long-Term Refinancing Operation (TLTRO) for European banks.

Based on the positive news on potential vaccines and the ongoing commitment of global central banks we continue to have a positive outlook for risk assets into year-end and into 2021 and as outlined above would advise clients to use the recent relative underperformance of Growth sectors such as technology as an opportunity to add portfolio exposure while also using any possible end-of-year profit-taking in the Value sectors as an opportunity to add exposure. This week we are covering two of our Core Portfolio technology names in the form of **Microsoft** and **Amazon** which stands to be a big beneficiary of Black Friday and Cyber Monday, along with the **JPMorgan Emerging Markets Investment Trust** which gives exposure to the continue strength of the region. There is also the usual update on the **Merrion Investment Managers** suite of **Multi-Asset Funds**.

Major Markets Last Week

	Value	Change	% Move
Dow	29,910	427.14	1.45%
S&P	3,638	56.48	1.58%
Nasdaq	12,206	301.14	2.53%
MSCI UK	14,348	70.77	0.50%
DAX	13,336	198.43	1.51%
ISEQ	7,225	143.35	2.02%
Nikkei	26,434	906.25	3.55%
Hang Seng	26,473	-13.65	-0.05%
STOXX 600	393	3.62	0.93%
Brent Oil	47.2	1.14	2.48%
Crude Oil	44.68	2.53	6.00%
Gold	1780	-57.78	-3.14%
Silver	22.22	-1.38	-5.84%
Copper	347.8	16.80	5.08%
Euro/USD	1.1967	0.01	1.06%
Euro/GBP	0.8967	0.01	0.90%
GBP/USD	1.3346	0.00	0.19%

	Value	Change
German 10 Year	-0.59%	-0.01
UK 10 Year	0.28%	-0.02
US 10 Year	0.84%	-0.01
Irish 10 Year	-0.28%	-0.01
Spain 10 Year	0.06%	-0.01
Italy 10 Year	0.60%	-0.02
BoE	0.1	0.00
ECB	0.00	0.00
Fed	0.25	0.00

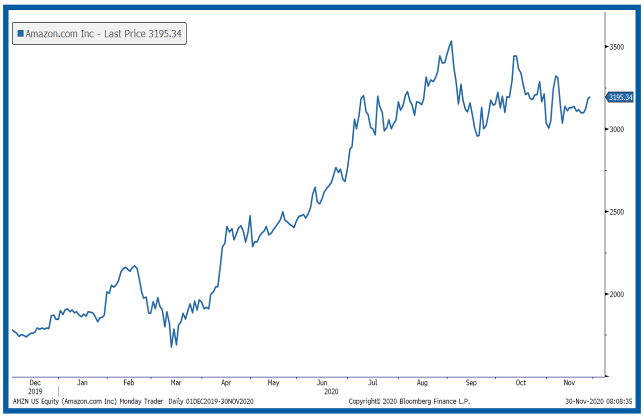
All data sourced from Bloomberg

Opportunities this week

CFI Research Team

Amazon.com Inc

Closing Price: $3,195



Key Metrics	2020e	2021e	2022e
Revenue ('$Mn)	379339	449639	527904
EPS ($)	48.82	59.16	79.04
Price/ Earnings	65.45x	54.01x	40.42x
Div Yield	0.00%	0.00%	0.00%

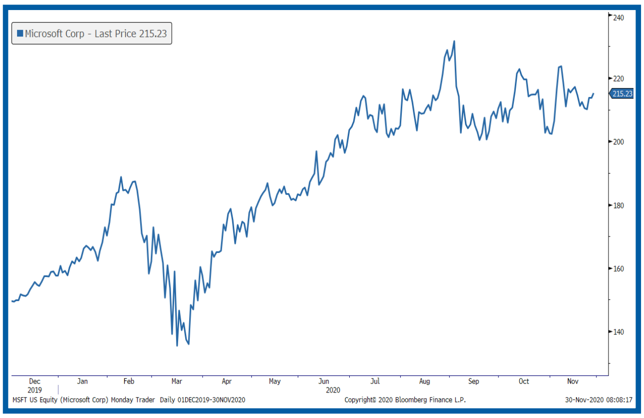
Total Return	1 Mth	3 Mth	YTD
AMZN US	-2.77%	-6.07%	72.92%

Source: All data & charts from Bloomberg & CFI

- At first glance, Amazon, which is up 72% year-to-date, would appear to be trading on stretched multiples at 67.3x FY20 P/E and 30.3x EV/EBITDA. However, the stock has always traded at such levels and is currently trading in line with its 10-year average. While trading at a considerable premium to its FAANG "peers" we believe that this reflects the markets confidence in a highly cash generative business model that is forecast to grow EBITDA at a 17% 3-year CAGR. While our peer comparative and DCF-derived price target of $3700 would have the stock trading at 78x FY20 earnings, it is only a 1.5% premium to its long-term average. An implied 16% upside to the current price has us reaffirming our Buy recommendation.
- Since mid-September there have been three company-specific catalysts, which we believe should have seen the stock trade up through its current (five month) $3,000 to $3,500 range. Firstly, the company would appear to have held another record Amazon Prime Day in September, with sales estimated to have been up 45% on the record hit in 2019, reaching $10.4bn.
- Secondly, the company issued a strong set of Q320 numbers in late October, with earnings coming in 9% ahead of forecast. That said, Q4 guidance disappointed the market as Covid-related costs may be greater than expected. Finally, in mid-November Amazon announced that it was upgrading its prescription drugs service with the launch of Amazon Pharmacy, to compete directly with companies such as CVS, Walgreens Boots and Rite Aid.
- Couple these three what we believe to be under-appreciated catalyst, with a balance sheet that even after the $2.1bn spent on Zoox this year has the strength to deploy a further $98bn in acquisitive and/or organic growth, and we see the risk to FY20 numbers and FY21 growth potential is strongly to the upside.

Microsoft Corp

Closing Price: $215.23



Key Metrics	2021e	2022e	2023e
Revenue ($'Mn)	158028	175635	198767
EPS ($)	6.73	7.41	8.57
Price/ Earnings	31.97x	29.03x	25.11x
Div Yield	1.00%	1.07%	1.15%

Total Return	1 Mth	3 Mth	YTD
MSFT US	1.20%	-5.73%	37.93%

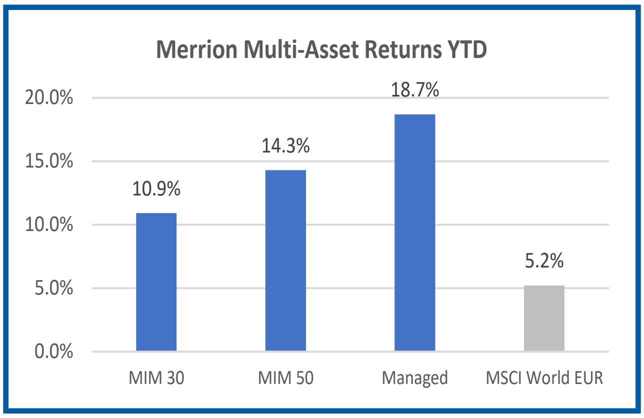
Source: All data & charts from Bloomberg & CFI

- We issued a flash note on Microsoft on the 13th of November highlighting that we believe that such a cash generative business remains undervalued at current levels. This conviction still stands. Despite having appreciated 36% year-to-date, the stock has traded sideways, largely range-bound between $200 and $220, over the past five months. That said, continued demand for server and office products and services as remote working and online commerce continues through extended second phase lockdowns, coupled with the unprecedented demand for its new Xbox Series X console, will we believe, provide upside catalysts for the stock.
- At current levels, Microsoft is trading at an 12% discount to its FANG+ peer group. Our peer-comparative derived price target of $245 would have the stock trading at parity with that peer group. As this implies a 14% upside to the current price and is back with a well -supported dividend currently yielding 1%, we retain our Buy recommendation on the stock. Microsoft also consistently returns capital to shareholders through share buybacks, having committed an average of $28.3bn per annum to this over the past six years, which in FY20 alone (year-end June) represented a further 1.3% return per share.
- Microsoft's business model is highly cash generative operating as it does at an EBITDA margin of over 45%, with free cash flow conversion averaging 3.2x over the past three years. As such, the balance sheet has reported net cash for the past six years. While management is continually adding to the business both organically (six-year average capex of $10.57bn) and through acquisitions ($6.14bn spent on average per annum), as noted above management has also consistently returned capital to shareholders, with an average of $19.91bn per annum having been deployed in share buybacks, with a further $12.40bn, on average, given back in dividends.

Opportunities this week

CFI Research Team

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



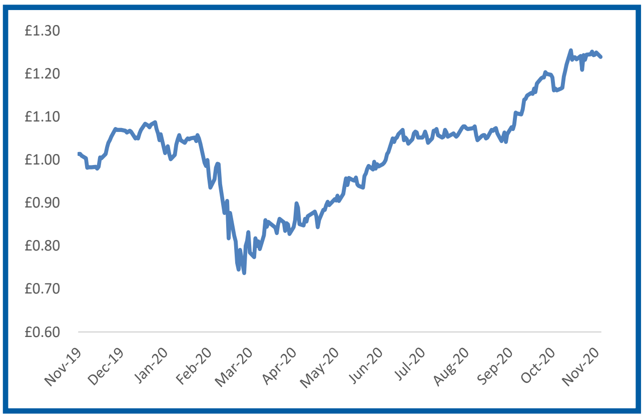
Total Return	YTD
MIM 30	10.9%
MIM 50	14.3%
Managed	18.7%
MSCI World (EUR)	5.2%

Returns as of the 26/11/2020
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 remains broadly unchanged on the week with the teams 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-19 case numbers and hospitalisations may dent market confidence.
- Within equities, they are overweight structural growth themes but also have exposure to covid-19 recovery/cyclical value opportunities.
- 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.

JPMorgan Emerging Markets Investment Trust plc

Closing Price: £1.25



Key Metrics	%
Fee	0.95%
Dividend Yield	1.14%
Factsheet	Link
KID	Link

Total Return	1 Mth	3 Mth	YTD
JMG LN	4.87%	17.52%	19.16%

Source: All data & charts from Bloomberg & CFI

- As South-East Asian emerging markets in general and China in particular continue to apparently cope with the pandemic better than their western counterparts, so their economic data continue to improve. The latest data out on Friday saw China's industrial profit erase pandemic-induced losses at the beginning of the year, up 0.7% over the first 10 months, turning positive for the first time in 2020.
- As this follows a slew of improving data out of China, we believe it opportune to again highlight our conviction in the JP Morgan Emerging Market Investment Trust that we continue to hold in our core portfolio. Up 9.2% in October and 7.2% in November, year-to-date it is up 4.2%, strongly outperforming the MSCI Emerging Net Total Return USD Index which is down 2.7%.
- India would appear to be badly impacted by covid-19 in terms of those catching the virus, currently having the second highest number of reported cases after the US. What is notable, however, is that there appears to be more natural resistance to the disease in the population, with the death rate thankfully much lower than the infection rate would imply. Of those diagnosed with covid-19 in India, only 1.5% have unfortunately passed away (US 2.0%, EU top 5 2.8%).
- Given the above dynamics, we continue to believe that investors should have some exposure to the area and consider that JP Morgan Emerging Markets Investment Trust provides an ideal vehicle. The Trust is overweight financials, IT and consumer staples and underweight cyclical sectors such as energy and materials as the fund focusses on asset light stocks that can create value. As of 31 October, 39.1% of assets were allocated in China, 15.4% in India and 12.0% in Taiwan. Currently, the key holdings in the Trust are Taiwan Semiconductor Manufacturers (9.4%) Tencent (8.7%) and Alibaba ADR (8.0%).

Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	**7.6%**
Benchmark	**1.2%**
Relative Performance	**6.4%**
P/E Ratio	**29.33x**
Dividend Yield	**2.3%**
ESMA Rating	**6**
Beta	**0.98**

Sector Weights	Portfolio	Benchmark	+ / -
Communication Services	6.7%	6.9%	
Consumer Discretionary	6.7%	10.6%	
Consumer Staples	0.0%	10.8%	
Energy	0.0%	3.0%	
Financials	6.7%	12.7%	
Health Care	6.7%	14.8%	
Industrials	26.7%	11.9%	
Information Technology	13.3%	16.5%	
Materials	20.0%	6.5%	
Real Estate	0.0%	2.4%	
Utilities	6.7%	4.0%	
Emerging Markets	6.7%	0.0%	

FX	Portfolio	Benchmark
EUR	53%	32%
GBP	13%	13%
USD	33%	40%
Other	0%	16%

Currency YTD %		
GBP	-5.84%	
USD	-6.41%	

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution	
STOXX Europe 600	EUR	39	Neutral	60%	-3.0%	1.0%	393	-1.8%	
S&P 500	USD	28	Neutral	40%	14.5%	1.6%	3638	3.0%	
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	4.1%	H	Communication Services	6.67%	3.0%	0.6%	60.58	0.0%	
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	72.9%	2.5%	3195.34	0.2%	
JPMorgan Emerging Markets Trust	GBp	1.3%	H	Emerging Markets	6.67%	19.2%	0.4%	1.25	1.3%	
Allianz Se	EUR	4.9%	H	Financials	6.67%	-3.7%	1.4%	198.14	0.6%	
JPMorgan Chase & Co	USD	3.0%	S	Financials	0.00%	-9.9%	4.9%	121.22	1.6%	
Sanofi	EUR	3.7%	H	Health Care	6.67%	-1.5%	-0.7%	85.21	-0.2%	
Vinci Sa	EUR	1.8%	H	Industrials	6.67%	-9.8%	2.3%	87.98	0.9%	
Siemens Gamesa Renewable Energy	EUR	0.1%	H	Industrials	6.67%	85.1%	3.1%	28.86	1.7%	
Fedex Corp	USD	0.9%	H	Industrials	6.67%	92.6%	2.7%	287.41	0.9%	
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	5.3%	-0.9%	15.41	1.6%	
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	95.4%	10.7%	211.39	1.0%	
Microsoft Corp	USD	1.0%	H	Information Technology	6.67%	37.9%	1.3%	215.23	0.3%	
Rio Tinto Plc	GBP	6.2%	H	Materials	6.67%	17.5%	3.1%	4922.50	-0.1%	
Smurfit Kappa Group Plc	EUR	3.5%	H	Materials	6.67%	7.5%	1.0%	35.58	0.5%	
CRH Plc	EUR	2.2%	H	Materials	6.67%	-1.1%	1.8%	34.15	-0.1%	
Engie	EUR	4.4%	H	Utilities	6.67%	-13.1%	2.9%	12.52	0.3%	
Total					**100%**					

All data taken from Bloomberg up until 27/11/2020.

*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 forcast

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	**Corporate**	**Corporate**	**Corporate**	**Corporate**
	salesforce.com Inc		Dollar General Corp Kroger Co	
Economic	**Economic**	**Economic**	**Economic**	**Economic**
Chinese NBS Manufacturing PMI German Preliminary HICP US Pending Home Sales Japanese Unemployment	Irish Manufacturing PMI Italian GDP EU Final Markit Manufacturing PMI EU Flash HICP UK Markit Manufacturing PMI US Final Markit Manufacturing PMI US Construction Spending US Manufacturing ISM	German Retail Sales EU Producer Prices EU Unemployment Rate Irish Unemployment Rate	EU Final Markit Composite PMI UK Markit Composite PMI EU Retail Sales US Initial Jobless Claims US Final Markit Composite PMI US ISM Non-Manufacturing	German Industrial Orders Irish GDP US Non Farm Payroll US Factory Orders

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Daily Note

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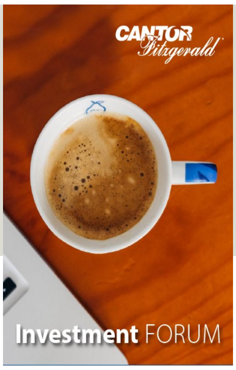

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Engie: Engie is a global energy and services utility company
FedEx: FedEx delivers packages and freight to multiple countries and territories through an integrated global network
Kennedy Wilson: Kennedy-Wilson Holdings, Inc. operates as a global real 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.

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

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