

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 7th December 2020

Key Themes This Week

The Week Ahead

Following their record-breaking performance in November, global equity markets continued to make advances last week, but with an element of caution curbing the extent of the gains. For the week, markets gained on average 1% with the UK market (+2.7%) outperforming buoyed by stronger energy, mining and banking sectors while European markets were broadly unchanged as an extension of virus restrictions in Germany impacted investor enthusiasm. In the US, the NASDAQ (+1.9%) outperformed, with, as we suggested last week, renewed interest in the technology names following a period of relative underperformance.

The more cautious tone to markets last week was the result of a number of factors which included the continued increase in virus cases, hospitalisations and fatalities in the US, as well as the re-imposition of stay-at-home orders in certain US states. Equally, the extension of restrictions in Germany to 10th January, continued concerns over the logistical roll-out of vaccines, as well as the uncertainty surrounding a new US stimulus package and the never-ending Brexit negotiations were also in focus.

As far as the virus is concerned, while there is an increase in cases which has tempered some of the exuberance seen in equity markets during November, it is clear that markets are looking through what could be a difficult two or three months of headlines and focusing on the return to normal economic activity in the second-half of 2021. This is evident in sector positioning, with the more economically sensitive sectors such as energy, financials, travel & leisure and industrials maintaining their recent strong gains, but it is also evident in the CBOE Volatility Index- the Vix-, which following a spike to 40 in the late October sell-off has now almost halved to 21, suggesting that investors are comfortable with the longer-term outlook for markets.

Equally, this move lower in the Vix has coincided with the series of announcements surrounding vaccines, which as we have long suggested would be the catalyst for a sustained market rally into year-end and into 2021. While there is still some degree of uncertainty about the logistics of delivering such a large volume of doses both from a manufacturing and storage perspective, the fact that there currently three workable vaccines which, while not a cure-all against the virus, is significant in reversing the negative economic, social and medical impact of the pandemic.

For this reason, as well as the fact that global central banks continue to provide abundant policy support along with the unprecedented levels of fiscal support from governments, we maintain our positive outlook for risk assets into year-end and for 2021. While short-term risks remain in the form of the ECB's policy meeting this coming Thursday where there is the potential, albeit small in our opinion, to disappoint markets and the ongoing Brexit negotiations, we would encourage clients to use any possible resulting weakness as an opportunity to add to risk asset exposure in both the value and growth sectors.

This week in the Trader we include commentary on two Core Portfolio holdings, Irish aggregates group **CRH** and US telecommunications group **Verizon Communications** as well as our regular update on the **MIM Multi-Asset Funds** which continue to outperform both the broader market and their competitors in the multi-asset space.

Major Markets Last Week

	Value	Change	% Move
Dow	30,218	307.89	1.03%
S&P	3,699	60.77	1.67%
Nasdaq	12,464	258.38	2.12%

MSCI UK	14,772	649.68	4.60%
DAX	13,299	-36.72	-0.28%
ISEQ	7,513	328.36	4.57%

Nikkei	26,547	113.82	0.43%
Hang Seng	26,507	165.04	0.63%
STOXX 600	394	0.81	0.21%

Brent Oil	49.01	1.42	2.98%
Crude Oil	46	0.66	1.46%
Gold	1840	62.82	3.54%

Silver	24.07	1.42	6.29%
Copper	350.15	6.35	1.85%

Euro/USD	1.212	0.02	1.62%
Euro/GBP	0.9064	0.01	1.25%
GBP/USD	1.3371	0.00	0.36%

	Value	Change
German 10 Year	-0.56%	0.01
UK 10 Year	0.35%	0.07
US 10 Year	0.94%	0.11

Irish 10 Year	-0.27%	-0.01
Spain 10 Year	0.07%	-0.02
Italy 10 Year	0.61%	-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

CRH PLC

Closing Price: €34.50



Key Metrics	2020e	2021e	2022e
Revenue (€'Mn)	22850.8	23672.7	24573.6
EPS (€)	1.77	2.05	2.28
Price/ Earnings	19.57x	16.86x	15.16x
Div Yield	2.23%	2.32%	2.46%

Total Return	1 Mth	3 Mth	YTD
CRH ID	7.75%	11.25%	-0.04%

Source: All data & charts from Bloomberg & CFI

- We believe that at current prices CRH offers value in a company with a strong track record of delivering solid returns to shareholders, supported by the strongest balance sheet in the sector. The stock is currently trading at 17.0x FY21 P/E and 7.5x EV/EBITDA, a 12% weighted discount to its peers. Our unchanged €40 price target would have the stock trading at parity with its peers and with an implied 15% uplift, we reiterate our Buy recommendation. A well-supported dividend currently yielding 2.3% gives further comfort.
- 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. To reflect the growing importance of the North American side of the business, the company recently changed its reporting currency to US Dollars. Further growth in the region, relative to Europe should, we believe, drive multiple expansions closer to its North American peers (currently trading at 11.9x FY21E EV/EBITDA), away from its European peers at 5.8x EV/EBITDA. The switch of reporting currency could also signal a longer-term goal of listing in the US, which would be a significant catalyst for a stock re-rating.
- Net debt/EBITDA was at 1.7x at year-end 2019 and is forecast to fall to 1.3x by the end of 2020 despite covid-19 restrictions to operations and pencilling in €1.0bn in Capex for the year. As such, CRH has the strongest balance sheet in the sector, where the average ratio is currently sitting at 2.3x. Stretching CRH's balance sheet to 2.5x (banking covenants generally at 3.5x) could release up to \$4.5bn for organic and/or acquisitive growth. If all were allocated to acquisitions and they were completed at 13.9x EBITDA (10% premium to current North American multiples), they could add over 10% to FY21E earnings.

Verizon Communications Inc

Closing Price: \$61.55



Key Metrics	2020e	2021e	2022e
Revenue (\$'Mn)	128232	133041	135065
EPS (\$)	4.81	5.01	5.16
Price/ Earnings	12.8x	12.27x	11.93x
Div Yield	4.04%	4.12%	4.22%

Total Return	1 Mth	3 Mth	YTD
VZ US	5.16%	3.74%	4.64%

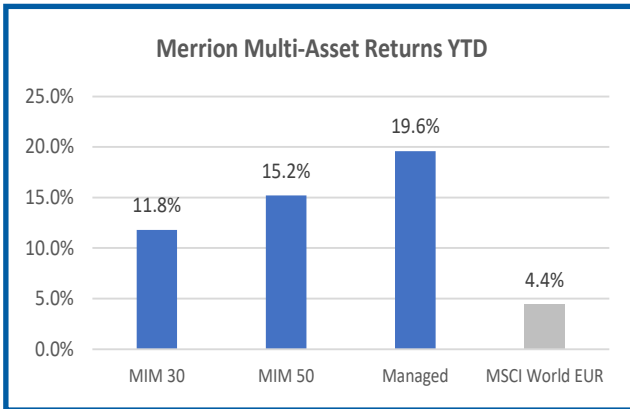
Source: All data & charts from Bloomberg & CFI

- Verizon has been positioning itself to benefit from an uptake of 5G in 2021 through both licence acquisitions and deals with device suppliers. Strong 5G uptake could see risks to forecasts to the upside through 2021. While the recent rally has the stock trading up 1% year-to-date, we still consider that the 13% discount it is trading to relative to peers (ex T-Mobile) to be unjustified. Our price target of \$70.00 would have the stock trading at parity while only at 14.0x FY21 P/E (10-year average 13.9x). The implied 15% upside sees us retain our Buy recommendation, supported by a dividend yielding 4.1%.
- Having come out the clear winner in securing US licences in the 5G auction held at the beginning of September (placed \$1.89bn in winning bids for 557 licences) the company is one of the best placed to benefit from Apple's recent 5G iPhone launch, coupled with seasonal strength in the holiday selling period. It is banking on the Apple launch to encourage consumers to upgrade to pricier plans with 5G access included. It is looking to launch ultra-wideband 5G in over 60 markets and have 20 5G devices on the market by year-end.
- To flesh out their 5G networks, all operators also need mid-band spectrum, which makes the 500MHz C-Band spectrum auction that starts this month all the more interesting. In the December auction the Federal Communications Commission is offering 5,684 licences across 14 unpaired 20MHz blocks, totalling 280MHz. The auction is set to draw bids from Verizon and AT&T at a minimum, given that the previous auction saw mobile operators, cable companies, wireless providers and utilities bid. Later phases of this auction are planned for 2021, 2022 and 2023. Given this dynamic, our current model has Verizon spending over \$10bn over the next three years on licences versus a previous 3-year average spend of \$970m per annum.

Opportunities this week

CFI Research Team

Merrion Investment Managers Multi-Asset Range (30/50/Managed)



Total Return	YTD
MIM 30	11.8%
MIM 50	15.2%
Managed	19.6%
MSCI World (EUR)	4.4%

Returns as of the 03/12/2020
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
- MIM funds positioning was largely unchanged on the week with some trading around individual position sizes given the moves over the last month
- 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 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.

Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	9.1%
Benchmark	1.4%
Relative Performance	7.7%
P/E Ratio	30.31x
Dividend Yield	2.2%
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	-6.54%	
USD	-7.47%	

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution
STOXX Europe 600	EUR	39	Neutral	60%	-2.8%	0.2%	394	-1.7%
S&P 500	USD	28	Neutral	40%	16.5%	1.7%	3699	3.1%
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	4.0%	H	Communication Services	6.67%	4.6%	1.6%	61.55	0.0%
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	71.2%	-1.0%	3162.58	0.0%
JPMorgan Emerging Markets Trust	GBP	1.1%	H	Emerging Markets	6.67%	21.9%	2.3%	1.28	1.4%
Allianz Se	EUR	4.9%	H	Financials	6.67%	-3.5%	0.2%	198.58	0.6%
JPMorgan Chase & Co	USD	2.9%	S	Financials	0.00%	-9.0%	0.9%	122.34	1.6%
Sanofi	EUR	3.8%	H	Health Care	6.67%	-3.4%	-1.9%	83.60	-0.4%
Vinci Sa	EUR	1.8%	H	Industrials	6.67%	-9.3%	0.6%	88.48	1.0%
Siemens Gamesa Renewable Energy	EUR	0.1%	H	Industrials	6.67%	80.5%	-2.5%	28.14	1.5%
Fedex Corp	USD	0.9%	H	Industrials	6.67%	97.6%	2.6%	294.88	1.0%
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	16.6%	10.7%	17.06	2.5%
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	101.3%	3.0%	217.77	1.2%
Microsoft Corp	USD	1.0%	H	Information Technology	6.67%	37.4%	-0.4%	214.36	0.1%
Rio Tinto Plc	GBP	5.7%	H	Materials	6.67%	30.1%	10.7%	5450.00	0.6%
Smurfit Kappa Group Plc	EUR	3.6%	H	Materials	6.67%	9.8%	2.2%	36.36	0.6%
CRH Plc	EUR	2.2%	H	Materials	6.67%	0.0%	1.0%	34.50	-0.1%
Engie	EUR	4.4%	H	Utilities	6.67%	-13.2%	-0.2%	12.50	0.3%
Total					100%				

All data taken from Bloomberg up until 04/12/2020.

*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
	Ferguson PLC	Campbell Soup Co	Adobe Inc Oracle Corp	
Economic	Economic	Economic	Economic	Economic
German Industrial Output EU Sentix Index US Consumer Credit Japanese All Household Spending Japanese Q3 GDP Chinese Trade Balance	German ZEW Economic Sentiment EU Q3 Employment US NFIB Business Optimism	Chinese CPI Chinese PPI German Trade Balance German Current Account	UK GDP (Oct) UK Industrial Output Irish CPI ECB Refi Rate Announcement ECB Press Conference US CPI IS Initial Jobless Claims	German Final HICP US PPI US Preli. Michigan Consumer Sentiment

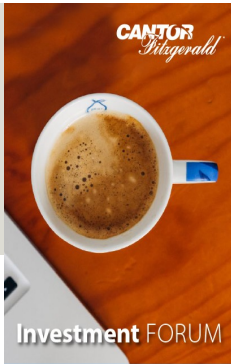
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Allianz: Allianz through its subsidiaries, provides insurance and financial services.

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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