

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 15th February 2021

Key Themes This Week

The Week Ahead

Equity markets continued their recovery from the GameStop induced sell-off at the end of January to hit fresh all-time highs last week. US markets outperformed on the week gaining on average 0.7% while European markets lagged with a decline of 0.6% after trading higher earlier in the week.

The general strength in markets was driven by the continued support of accommodative central bank monetary policy with Federal Reserve Chair Powell reassuring markets during the week by saying that despite generally firmer economic data, it was still far too soon to begin any move to ease back on the banks existing policy measures. Equally, ECB President Christine Lagarde that given the ongoing downward pressure on eurozone economic growth, the existing extraordinary level of policy support would be required for some time yet. The importance of this message was underscored by the EU Commission, which in its latest economic update cut its 2021 full-year growth forecast for the single currency region to 3.8% from its previous forecast of 4.2%.

The other pillar of support for risk assets of fiscal policy also remains in place with President Biden moving closer to the approval of his \$1.9trn stimulus package while the European Parliament voted to approve the EU's Recovery and Resilience Facility (RRF), made up of €312.5B in grants and €360B in loans which paves the way for the RRF to come into force in the second half of February.

Earnings too continue to be another support for global equity markets. In the US, fourth-quarter earnings are now on target to grow by 1.7% compared to growth forecasts of -12.9% at the beginning of October. This has resulted in full-year 2021 EPS growth forecasts being increased with growth now expected to be 24%, up from 21% in November.

Finally, virus and vaccine developments continue to support the reflation theme. In the US, virus cases fell 56% in January and hospitalisation rates have also fallen significantly, while vaccine roll-outs continue to increase, with the exception of Europe where ongoing supply issues hamper the pace of vaccinations.

As a result of all the above, we remain positive on the outlook for risk assets. In particular we continue to favour the semi-conductor sector where supply/demand imbalances continue to support the sector, while we also continue to favour the big tech names in the payments and cloud sectors following exceptionally strong results. The commodity and industrial sectors also look attractive given the underlying performance of commodities such as oil and copper as well as the continued potential for a global growth rebound in the second-half of the year.

In this weeks Trader were cover paper & packaging group **Smurfit Kappa** and US technology group **Microsoft** as we increase our price targets for both stocks following recent strong earnings releases. We also provide the usual updates on the **Merrion Multi-Asset Fund range**.

Major Markets Last Week

	Value	Change	% Move
Dow	31,458	310.16	1.00%
S&P	3,935	48.00	1.23%
Nasdaq	14,095	239.17	1.73%

MSCI UK	14,827	146.85	1.00%
DAX	14,050	-6.83	-0.05%
ISEQ	7,279	-83.25	-1.13%

Nikkei	30,074	1,295	4.50%
Hang Seng	30,174	1,060	3.64%
STOXX 600	414	4.46	1.09%

Brent Oil	63.61	3.05	5.04%
Crude Oil	60.85	2.88	4.97%
Gold	1,824	-6.94	-0.38%

Silver	27.58	0.31	1.13%
Copper	382.75	16.15	4.41%

Euro/USD	1.214	0.01	0.75%
Euro/GBP	0.8736	0.00	-0.39%
GBP/USD	1.3897	0.02	1.14%

	Value	Change
German 10 Year	-0.43%	0.02
UK 10 Year	0.52%	0.04
US 10 Year	1.21%	0.04

Irish 10 Year	-0.10%	0.04
Spain 10 Year	0.16%	0.03
Italy 10 Year	0.48%	-0.06

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

Smurfit Kappa Group Plc

Closing Price: €41.88



Key Metrics	2021e	2022e	2023e
Revenue (€'Mn)	8897.1	9257.1	9768.6
EPS (€)	2.42	2.80	3.02
Price/ Earnings	17.48x	15.12x	14.01x
Div Yield	2.66%	2.89%	3.04%

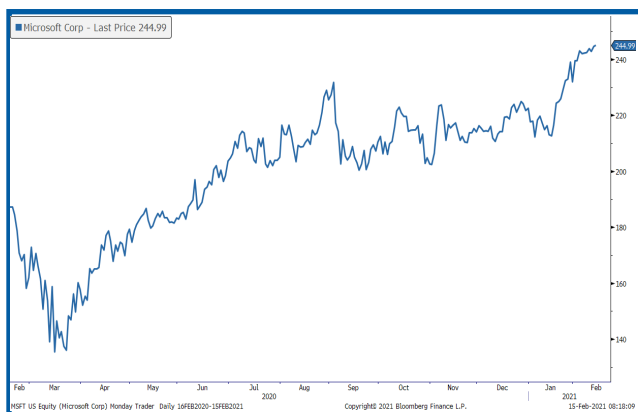
Total Return	1 Mth	3 Mth	1 Year
SKG ID	4.48%	16.84%	24.41%

Source: All data & charts from Bloomberg & CFI

- Last week, Smurfit Kappa reported FY20 results ahead of market expectations. Management noted that the final three months were exceptionally strong for the company, offsetting significantly higher input costs. Looking forward, management noted that “driven by strong secular trends such as e-commerce and sustainability, the outlook for the industry in general is increasingly positive”. Management commented that 2021 had started well with the continuation of the demand trends seen during Q420.
- The positive tenor of the results and guidance has seen the stock price continue to tick up. It is up 15% over the past 12 months, 97% since the March 2020 market sell-off and 9% since the start of 2021. Such momentum, which we believe is sustainable going forward, has the current price within 5% of our price target. Given, post-results revision to forecasts, the stock is trading at 17.1x FY21 P/E and 8.4x EV/EBITDA. While these ratings are above Smurfit Kappa's 10-year average, it reflects a sustainable re-rating of the stock over the period.
- Incorporating FY20 numbers, updating our forecasts and running our DCF model forward a year, sees our peer comparative and DCF-derived price target tick up to €46.50 from €43.60. As this implies a 12.5% upside to its current price, we re-iterated our Buy recommendation on the stock, with a dividend currently yielding 2.8% giving further comfort.
- As with all in the paper and packaging sector, Smurfit Kappa was not immune to the pandemic, with the company reporting a 14% decline in adj. EPS from a 9% decline in EBITDA and 6% dip in revenue in FY20. Looking forward, despite the upbeat comments from management the market is currently only looking for the company to grow revenue, EBITDA and earnings by 4%, 3% and 2% respectively in FY21. We believe that the risk to numbers is solidly to the upside, supporting continued upward share price momentum.

Microsoft Corp

Closing Price: \$244.99



Key Metrics	2021e	2022e	2023e
Revenue (\$'Mn)	164073	183224	205938
EPS (\$)	7.34	8.07	9.25
Price/ Earnings	33.38x	30.36x	26.49x
Div Yield	0.91%	0.98%	1.11%

Total Return	1 Mth	3 Mth	1 Year
MSFT US	15.21%	13.45%	33.58%

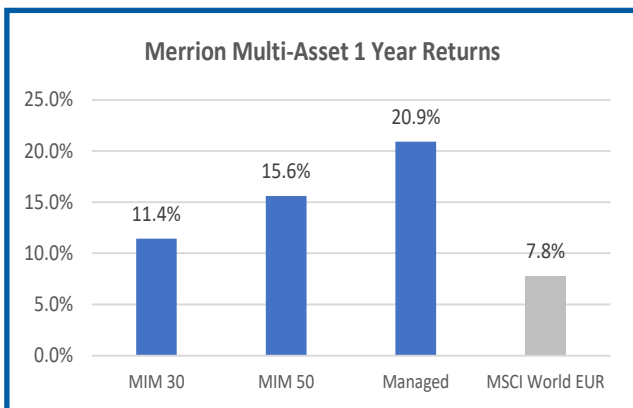
Source: All data & charts from Bloomberg & CFI

- In late January, core portfolio stock Microsoft issued a strong set of Q221 numbers (year-end June), well ahead of market expectations, reporting a 34.4% increase in adj. EPS from a 29% increase in operating profit and 17% increase in revenue. Forward guidance also topped expectations with management flagging Q321 revenue in the \$40.35bn to \$41.25bn range (mid-point \$40.8bn) against market expectations of \$38.71bn coming into the results.
- Microsoft's share price has appreciated 10% since the beginning of 2021, both in anticipation of strong results and after their realisation, bringing it within 10% of our price target. While the stock is trading at 33.3x FY21 P/E and 23.1x EV/EBITDA, it is still at a 20% discount to its FANG+ peer group. Given the continued upward rerating of the sector coupled with the strength of its recent results and forward guidance, we see continuing momentum in Microsoft's share price, which is up 32% over the past 12 months. Incorporating Q221 numbers and guidance into our model sees our peer comparative and DCF-derived price target tick up to \$280 from \$260 and as this implies a 14.5% upside, we retain our Buy recommendation.
- At a divisional level, in Q221 Productivity and Business Processes recorded a 15% LFL increase in revenue while Intelligent Cloud and More Personal Computing reported 22% and 13% increases in revenue, respectively. Within divisions, commercial cloud revenue was up 34%. Xbox content and services revenue jumped 40% in the quarter with the launch of the Series X generation of game consoles, with Xbox hardware sales up 86%. LinkedIn revenue was up 23%, with Azure revenue growing 50%. Such revenue growth illustrates a pandemic-related surge in both product and services in what management described as “the dawn of a second wave of digital transformation sweeping every company and every industry”.

Opportunities this week

CFI Research Team

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



Total Return	1 Year
MIM 30	11.4%
MIM 50	15.6%
Managed	20.9%
MSCI World (EUR)	7.8%

Returns as of the 11/02/2021

- 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 positioning was unchanged on the week with some tactical trading across the funds to take advantage of short-term opportunities. In recent weeks, the funds have taken profits in consumer recovery plays as it became apparent that the consumer recovery would be delayed by longer than anticipated lockdowns.
- MIM enter 2021 continuing to highlight what they have been positioned for since March and continue to be positioned for.
- Whilst the vaccine news is very positive, in the near-term rising Covid-19 case numbers and hospitalisations may dent market confidence.
- Despite the short-term uncertainties, 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 of this year.

Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	5.7%
Benchmark	4.7%
Relative Performance	1.0%
P/E Ratio	29.79x
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	1.96%	
USD	0.76%	

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%	1.1%	414	2.3%	
S&P 500	USD	28	Neutral	40%	4.9%	1.3%	3935	2.3%	
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	4.6%	H	Communication Services	6.67%	-6.8%	-2.0%	54.20	-0.4%	
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	0.6%	-2.2%	3277.71	0.1%	
JPMorgan Emerging Markets Trust	GBP	1.1%	H	Emerging Markets	6.67%	13.9%	3.0%	1.49	1.1%	
Allianz Se	EUR	4.9%	H	Financials	6.67%	-2.6%	-0.1%	195.54	-0.2%	
Sanofi	EUR	4.2%	H	Health Care	6.67%	-0.7%	-2.3%	78.16	0.0%	
Vinci Sa	EUR	2.8%	H	Industrials	6.67%	5.3%	-0.4%	85.66	0.4%	
Siemens Gamesa Renewable Energy	EUR	0.0%	H	Industrials	6.67%	1.8%	0.1%	33.69	0.1%	
Fedex Corp	USD	1.1%	H	Industrials	6.67%	1.3%	3.1%	263.00	0.1%	
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	-5.7%	-1.8%	15.33	-0.4%	
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	27.4%	10.7%	298.37	1.9%	
Microsoft Corp	USD	0.9%	H	Information Technology	6.67%	10.1%	1.2%	244.99	0.7%	
Rio Tinto Plc	GBP	5.7%	H	Materials	6.67%	8.5%	5.6%	5934.00	0.7%	
Smurfit Kappa Group Plc	EUR	2.7%	H	Materials	6.67%	10.1%	1.3%	41.88	0.7%	
CRH Plc	EUR	2.1%	H	Materials	6.67%	8.1%	3.6%	36.78	0.5%	
Engie	EUR	4.2%	H	Utilities	6.67%	4.3%	-2.6%	13.06	0.3%	
Total										

All data taken from Bloomberg up until 12/02/2021.

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
BHP Group PLC	Glencore PLC Kerry Group PLC CVS Health Corp	Rio Tinto PLC Capgemini SE	Daimler AG Nestle SA Airbus SE Newmont Corp Walmart Inc Applied Materials Inc	Allianz SE Danone SA Deere & Co
Economic	Economic	Economic	Economic	Economic
EU Industrial Production	German ZEW Economic Sentiment EU Flash Employment US NY Fed/ Empire State Index	UK CPI UK PPI US Retail Sales US Industrial Production US FOMC Meeting Minutes	ECB Meeting Minutes US Initial Jobless Claims EU Flash Consumer Confidence	German Producers Prices UK Retail Sales EU Flash Markit Composite PMI UK Flash Markit Composite PMI US Flash Markit Composite PMI

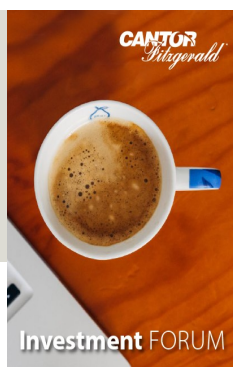
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Regulatory Information

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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