

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 8th March 2021

Key Themes This Week

The Week Ahead

Despite an increase in market volatility, equity markets finished the week marginally higher with UK and European markets gaining 2.3% and 1% respectively. In the US, markets registered mixed performance with the Dow Jones Industrial Average gaining by 1.8%, the S&P 500 gaining by 0.8% thanks to a late rally on Friday afternoon, while the tech-heavy NASDAQ underperforming with a decline of 2.1%.

The source of this volatility was a renewed move higher in global bond yields with the yield on the US 10 Year Treasury Note increasing by 10 basis points to 1.59% as better economic data and elevated inflation expectations raised concerns about the possibility of a sooner than expected reversal of accommodative policy measures by the US Federal Reserve. To put this move in yield in context, at the start of the year the US 10 Year yield stood at 0.93%, so the unsurprisingly the pace of the move to current levels has raised concerns among investors in risk assets. Equally in Europe, while the German 10 Year yield finished the week 3bps lower at -0.29%, at the start of the year this yield stood at -0.61%.

It is important however to point out that the cause of this move higher has been driven by positive factors such as better global economic data as evidenced by last Friday's strong US job numbers as well as an increase pace of vaccine roll-outs, rather than by a policy mistake by a central bank. Indeed, while the rebound in economic data has been strong, global central banks such as the US Federal Reserve, the ECB, the Reserve Bank of Australia and the Bank of Japan have all been at pains to stress that their current monetary policies will remain in place for some time to come and that indeed they stand ready to act should financial conditions tighten too aggressively on the back of higher bond yields. This, coupled with the continued fiscal measures being deployed by national governments provides a positive backdrop for risk assets.

While the positive economic data was reflected in a strong performance by Value sectors over the past week, the Growth focused areas of the market such as technology suffered as the move higher in yields acts as a discount mechanism for future cash flows from this sector. We believe however that with the NASDAQ now almost 11% lower from its mid-February high, that there is attractive value in the sector particularly among the industry leading stocks such as Microsoft, Amazon and PayPal Holdings. Another sector that has been the victim of this move higher in bond yields, but which still offers a strong thematic growth story is the renewable/alternative energy sector which has underperformed significantly in recent weeks.

We therefore maintain our positive outlook for risk assets and see justification for maintaining a portfolio with a balance between value and growth stocks given the supportive monetary policy backdrop, the increasing roll-out of vaccines which supports further economic re-opening as well as rising earnings growth forecasts for 2021.

In this weeks trader we highlight two Core Portfolio names in the shape of **Amazon** and **Rio Tinto** with the latter highly exposed to the continued strength in commodity prices. We also include our regular comment on the **MIM Multi-Asset range** of funds.

Major Markets Last Week

	Value	Change	% Move
Dow	31,496	563.93	1.82%
S&P	3,842	30.79	0.81%
Nasdaq	12,920	-272.20	-2.06%

MSCI UK	15,086	163.13	1.09%
DAX	13,921	134.40	0.97%
ISEQ	7,630	111.95	1.49%

Nikkei	28,743	-920.25	-3.10%
Hang Seng	28,458	-994.97	-3.38%
STOXX 600	409	3.69	0.91%

Brent Oil	70.57	6.88	10.80%
Crude Oil	67.07	6.43	10.60%
Gold	1,700	-25.15	-1.46%

Silver	25.38	-1.20	-4.50%
Copper	403.2	-8.10	-1.97%

Euro/USD	1.1884	-0.02	-1.37%
Euro/GBP	0.8604	0.00	-0.56%
GBP/USD	1.3813	-0.01	-0.80%

	Value	Change
German 10 Year	-0.28%	0.05
UK 10 Year	0.76%	-0.06
US 10 Year	1.60%	0.18

Irish 10 Year	0.08%	0.07
Spain 10 Year	0.41%	0.09
Italy 10 Year	0.77%	0.11

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: \$3,000.46



Key Metrics	2021e	2022e	2023e
Revenue (\$'Mn)	473187	555387	641095
EPS (\$)	61.05	79.94	104.38
Price/ Earnings	49.14x	37.53x	28.74x
Div Yield	0.00%	0.00%	0.00%

Total Return	1 Mth	3 Mth	1 Year
AMZN US	-9.70%	-5.57%	57.83%

Source: All data & charts from Bloomberg & CFI

The tech sector has suffered over the past two weeks as bond yield expansion saw the market looked to rotate into more cyclical sectors that provided value coupled with growth potential. While the sector as a whole suffered, we believe the pullback unjustified for stocks that we consider still provide underlying growth potential through 2021. One stock we believe comes under this category is Amazon, which has ticked down below the \$3000 to \$3500 range it has been trading in for the past seven months, providing, we believe, a buying opportunity.

Even after the recent price pullback (down 13% over the past 5 weeks) Amazon would appear to be trading on stretched multiples at 49.0x FY21 P/E and 19.9x EV/EBITDA. However, the stock has always traded at such levels and is actually trading at an over 20% discount to its 6-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. Our unchanged DCF-derived price target of \$3700 currently implies 26% upside, supporting our Buy recommendation.

In early February, Amazon issued FY20 results and forward guidance that were both ahead of market expectations. The company reported a 118% increase in adj. EPS from an 18% increase in EBITDA and 44% increase in net sales. North American net sales grew 40.4% with International sales up 57.3% and Amazon Web Services up 28.0%. Forward guidance was marginally ahead of market expectations with Q121 operating income expected to be between \$3.0bn and \$6.5bn, assuming \$2bn in COVID-19 related costs, from net sales of between \$100.0bn and \$106.0bn. A further potential catalyst, we believe, could come from Amazon’s recently (November 2020) upgraded prescription drugs service which saw the launch of Amazon Pharmacy, to compete directly with companies such as CVS.

Rio Tinto PLC

Closing Price: £58.54



Key Metrics	2021e	2022e	2023e
Revenue (\$'Mn)	51100.5	44928.9	42130.8
EPS (\$)	9.55	7.26	5.85
Price/ Earnings	8.46x	11.13x	13.83x
Div Yield	8.18%	5.63%	4.55%

Total Return	1 Mth	3 Mth	1 Year
RIO LN	6.62%	12.81%	79.66%

Source: All data & charts from Bloomberg & CFI

We believe that the Rio Tinto was oversold last week when it went ex-div, providing a buying opportunity for investors looking for exposure to the commodity sector, which we consider could be a beneficiary as the potential for economic deflation gains momentum. Despite last week’s dip, the stock is up 65% over the past 12 months and 10% year-to-date. At 8.6x FY21 P/E and 4.9x EV/EBITDA, the stock is trading in line with its peers but at a 17% discount to its 10-year average.

While the post-results price lift had the stock testing all-time highs, we believe that given the underlying economic momentum in its main market (China) and the renewed strength in iron ore prices we should see it achieve new highs over the coming months. As our unchanged peer comparative and DCF-derived price target of 6990p implies 17% upside, supported by a well-covered dividend currently yielding 5.7%, we re-iterate our Buy recommendation.

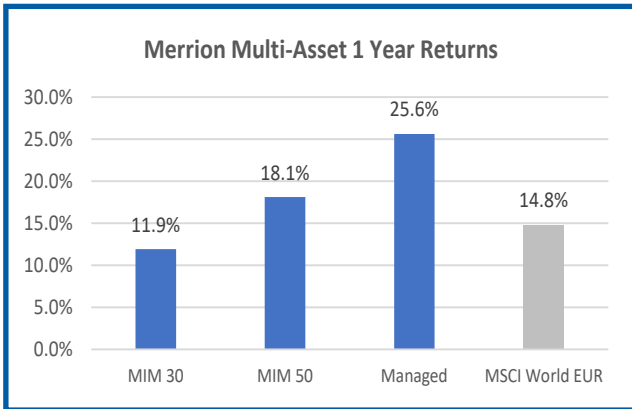
In mid-February, Rio issued strong FY20 results ahead of market expectations, reporting a 21% increase in underlying EPS from a 13% increase in underlying EBITDA and 3% increase in revenue. The dividend was up 26% on FY19 and represented a 72% payout. We have previously highlighted Rio’s balance sheet strength and with net debt falling substantially in FY20 on an already deleveraged balance sheet, net debt/EBITDA fell to all but 0.0x from 0.2x at the end of 2019.

Over 72% of Group underlying EBITDA is generated from iron ore, while the company generates over half of its revenue (51%) in China. As the Chinese economy recovered through 2020, so did its demand for iron ore, which in turn drove up iron ore prices, all positive for Rio over the year. We anticipate that this dynamic will continue through 2021 as the post-Covid global economy in general picks up.

Opportunities this week

CFI Research Team

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



Total Return	1 Year
MIM 30	11.9%
MIM 50	18.1%
Managed	25.6%
MSCI World (EUR)	14.8%

Returns as of the 04/03/2021

- 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
- Over the week MIM used the recent weakness in the renewables sector to increase their exposure given the secular tailwind from Europe's carbon neutral plans. They also opened a small position in silver which is a play on a number of their secular themes including the adoption of electric vehicles and 5G.
- Within the alternative fund, MIM took profits on bond and gold shorts and reduced some bank longs in favour of technology which looks attractive at current levels.
- 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, focus has shifted to how quickly the vaccine can be rolled out and any potential vaccine supply issues which 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	1.5%
Benchmark	3.8%
Relative Performance	-2.3%
P/E Ratio	26.81x
Dividend Yield	2.6%
ESMA Rating	6
Beta	1.03

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	3.96%	<div style="width: 3.96%;"></div>
USD	2.83%	<div style="width: 2.83%;"></div>

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution
STOXX Europe 600	EUR	39	Neutral	60%	2.9%	1.1%	409	1.7%
S&P 500	USD	28	Neutral	40%	2.6%	0.8%	3842	2.1%
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	4.5%	H	Communication Services	6.67%	-3.7%	1.3%	56.00	-0.1%
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	-7.9%	-3.0%	3000.46	-0.4%
JPMorgan Emerging Markets Trust	GBP	1.1%	H	Emerging Markets	6.67%	0.9%	-2.8%	1.32	0.3%
Allianz Se	EUR	4.9%	H	Financials	6.67%	3.5%	3.9%	207.65	0.2%
Sanofi	EUR	4.3%	H	Health Care	6.67%	-1.7%	2.1%	77.38	-0.1%
Vinci Sa	EUR	2.8%	H	Industrials	6.67%	6.3%	0.6%	86.52	0.4%
Siemens Gamesa Renewable Energy	EUR	0.0%	H	Industrials	6.67%	-18.3%	-12.2%	27.03	-1.2%
Fedex Corp	USD	1.0%	H	Industrials	6.67%	-0.6%	1.4%	257.29	0.1%
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	-3.8%	-5.7%	15.65	-0.3%
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	2.1%	-8.0%	239.05	0.3%
Microsoft Corp	USD	1.0%	H	Information Technology	6.67%	4.4%	-0.3%	231.60	0.5%
Rio Tinto Plc	GBP	8.2%	H	Materials	6.67%	12.3%	-0.7%	5854.00	1.1%
Smurfit Kappa Group Plc	EUR	2.9%	H	Materials	6.67%	4.4%	1.4%	39.72	0.3%
CRH Plc	EUR	2.1%	H	Materials	6.67%	12.4%	6.8%	38.23	0.8%
Engie	EUR	6.4%	H	Utilities	6.67%	-8.7%	-5.4%	11.44	-0.6%
Total									

All data taken from Bloomberg up until 05/03/2021.

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
	Continental AG ITV PLC M&G PLC	Quilter PLC Legal & General Group PLC adidas AG Industria de Diseno Textil SA		
Economic	Economic	Economic	Economic	Economic
German Industrial Output EU Sentix Index Japan GDP	German Trade Balance EU Employment EU GDP	China PPI China CPI French Industrial Output US CPI	Irish CPI EU Refi Rate Announcement ECB Press Conference Initial Jobless Claims	German HICP UK GDP UK Industrial Output UK Goods Trade Balance EU Industrial Production US Preli. Michigan Consumer Sentiment

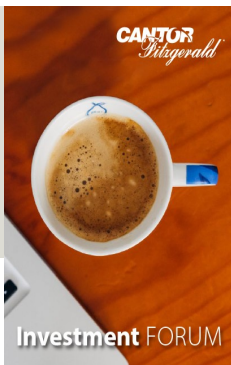
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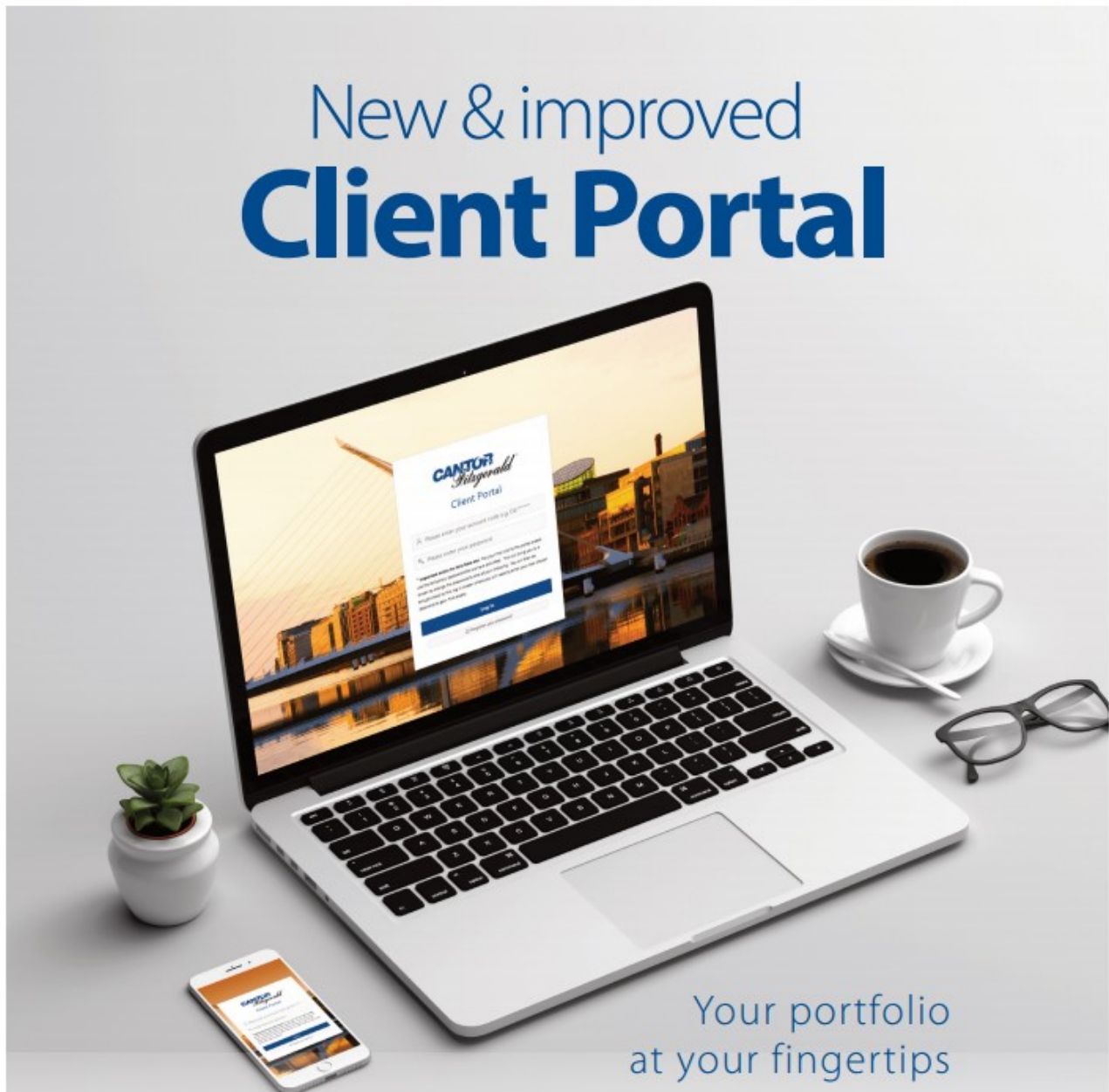


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Issuer Descriptions: (Source: Bloomberg)

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

Historical Recommendation:

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