

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Tuesday, 6th April 2021

Key Themes This Week

The Week Ahead

Global equity markets finished the week on a strong note last week with average gains of just over 1% however as we suggested in last week's Trader, there was a change of market leadership with Growth outperforming Value on the week. This was evident in the performance of the US markets in particular with the more Growth focused NASDAQ outperforming the more Value focused Dow. This trend was somewhat less evident in Europe with the German Dax hitting a record high as a weak euro boosted the more export exposed sectors such as auto's and industrials. This record high in the Dax was even more impressive given the resurgence of virus cases in the eurozone which saw France announce a new one month lockdown for the entire country.

In our comment last week, we suggested that in our opinion a lot of good news surrounding US reopening, vaccine roll-out and economic recovery was largely priced into the Value sectors of the market. This point was well demonstrated by the market reaction to the \$2.1trn stimulus package unveiled by President Biden last Wednesday. While some of the sectors that will benefit from the multi-year programme such as materials and industrials registered small gains following the announcement, the biggest sector moves came in technology and renewable/alternative energy. Equally, bond yields showed little reaction to the package which will further increase the US deficit. This was largely due to the fact that this is an eight year programme, so there will be no front-loading of debt on the US Treasury, and equally because the programme will be largely funded by an increase in corporation tax from the current 21% rate to 28% over the lifetime of the programme.

While this stimulus package, along with a further package due to be announced in April or May focusing on other areas of the US economy are welcome, the short-term impact for markets will be limited given the shift in market positioning ahead of the announcement. Undoubtedly, the spending programmes will be positive for the US economy over the medium to longer-term and ultimately will benefit those more economically sensitive market sectors. In the shorter-term however we see the growth sectors of the market outperforming with technology the sector most likely to lead this move. We particularly see scope for leadership from the technology sector as we approach Q1 earnings season which is due to commence on 14th April, during which the sector is forecast to register earnings growth of 22.3% compared to expectations at the start of the year for growth of just 11.8%. (Source: Factset).

In this weeks Trader we highlight US cloud computing group **Microsoft** which retains a dominant position in this area of the market and is less susceptible to any possible move higher in US bond yields given the immediacy of its revenues. We also highlight materials group **CRH** which, given its strong US business focus, will be a potential beneficiary of the \$621bn to be spent on roads, bridges and airports as part of the new infrastructure programme. We also include our regular update on the **MIM Multi-Asset Fund Range** which delivered exceptionally strong returns in the first-quarter of the year.

Major Markets Last Week

	Value	Change	% Move
Dow	33,527	454.31	1.37%
S&P	4,078	103.37	2.60%
Nasdaq	13,706	566.87	4.31%

MSCI UK	15,353	-5.72	-0.04%
DAX	15,107	485.81	3.32%
ISEQ	8,103	19.66	0.24%

Nikkei	29,697	263.93	0.90%
Hang Seng	28,939	1039.13	3.72%
STOXX 600	432	9.14	2.16%

Brent Oil	63.02	-1.96	-3.02%
Crude Oil	59.47	-1.08	-1.78%
Gold	1736	50.79	3.01%

Silver	25.06	1.03	4.29%
Copper	408.85	11.00	2.76%

Euro/USD	1.181	0.01	0.79%
Euro/GBP	0.8494	0.00	-0.38%
GBP/USD	1.3904	0.02	1.19%

	Value	Change
German 10 Year	-0.32%	-0.03
UK 10 Year	0.80%	0.01
US 10 Year	1.69%	-0.01

Irish 10 Year	0.03%	-0.03
Spain 10 Year	0.32%	-0.03
Italy 10 Year	0.64%	-0.04

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: €39.31



Key Metrics	2021e	2022e	2023e
Revenue (€Mn)	24627.7	25665.8	27482.5
EPS (€)	2.30	2.57	2.81
Price/ Earnings	17.18x	15.38x	14.03x
Div Yield	2.49%	2.69%	2.85%

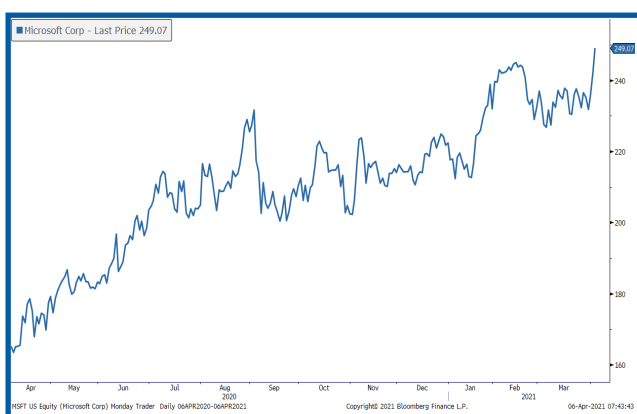
Total Return	1 Mth	3 Mth	1 Year
CRH ID	9.38%	17.87%	67.12%

Source: All data & charts from Bloomberg & CFI

- At the time of their full-year results, most constructions companies with exposure to the US infrastructure sector indicated that any stimulus plan could provide impetus to numbers. The one company that didn't specifically mention such plans in their guidance was CRH although it has considerable exposure to the sector. In Group terms, Infrastructure generates 35% of revenue, while in geographic exposure 49% of revenue is generated in the US. While President Biden's \$2.3trn infrastructure Bill still has to face the scrutiny of the House and Senate, its presence, rather than ultimate size, should provide a fillip for all companies in the sector, CRH included.
- With potential risk to forecasts to the upside, we still see value in CRH at current prices. While the optics look topy (up 53% over the past 12 months and 16% year to date) in reality, the stock is only trading 9% above pre-pandemic levels. It is currently trading at 17.2x FY21 P/E and 7.4x EV/EBITDA, a 24% weighted discount to its peers, particularly given the recent strength of US stocks. Trading at parity would imply a share price of €52.60. That said, as our current share price of €49.00 implies a 25% upside, we retain both that, and our Buy recommendation.
- CRH came into the year in a strong operational and financial position, having issued FY20 numbers ahead of market expectations. The company reported a 19% increase in adj. EPS from 5% LFL growth in EBITDA while revenue declined 2% LFL given the pandemic. Notably, CRH generated \$3.9bn in cash, up 1% on FY19 and saw net debt/EBITDA at 1.3x at year end versus 1.7x at the end of 2019. The company recommenced its share buyback programme with a \$300m tranche targeted. With the strength of its balance sheet, the company is well positioned to capitalise on the growth opportunities, management flagging that further margin expansion and superior cash generation will generate enhanced returns for shareholders.

Microsoft Corp

Closing Price: \$249.07



Key Metrics	2021e	2022e	2023e
Revenue (\$Mn)	164838	183900	206251
EPS (\$)	7.39	8.12	9.25
Price/ Earnings	33.71x	30.69x	26.93x
Div Yield	0.89%	0.96%	1.08%

Total Return	1 Mth	3 Mth	1 Year
MSFT US	7.54%	17.62%	52.24%

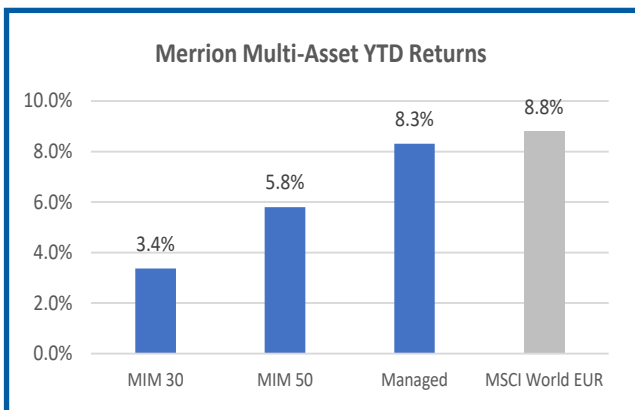
Source: All data & charts from Bloomberg & CFI

- Despite recent price appreciation, we still see value in Microsoft at current levels as the tech sector swings back into favour. The stock is up 12% year-to-date, which has it trading at 33.7x FY21 P/E and 23.5x EV/EBITDA, an 11% discount to its FANG+ peer group. Given the continued upward rerating of the sector coupled with the strength of its results and forward guidance in January, we see continuing momentum in Microsoft's share price, which is up 51% over the past 12 months. As our peer comparative and DCF-derived price target of \$280 implies a 12% upside, we retain our Buy recommendation.
- In late January, 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. With cost of goods flagged at between \$13.1bn and \$13.9bn, gross profit is guided in the \$26.45bn to \$28.15bn range.
- 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 continues to illustrate the 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". As such, it should see continued momentum, rather than being a one-off surge.

Opportunities this week

CFI Research Team

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



Total Return	YTD
MIM 30	3.4%
MIM 50	5.8%
Managed	8.3%
MSCI World (EUR)	8.8%

Returns as of the 31/03/2021

- 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
- MIM have used this recent strength in global markets to reduce both their overall exposure to equities and the risk within the equities they hold. The team envisage entering the second quarter closer to a more neutral asset allocation level.
- Reducing the funds exposure to risk assets now gives them the room required to exploit any volatility over the coming months, either at a market or single stock level. The extremely positive medium to long term outlook remains unchanged so any weakness over the coming months will be used to take the funds exposures back up to the upper end of their asset allocation ranges.
- 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	7.2%
Benchmark	10.1%
Relative Performance	-3.0%
P/E Ratio	29.66x
Dividend Yield	2.6%
ESMA Rating	6
Beta	1.05

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	5.15%	
USD	3.49%	

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution	
STOXX Europe 600	EUR	39	Neutral	60%	9.2%	2.3%	432	5.5%	
S&P 500	USD	28	Neutral	40%	9.0%	2.6%	4078	4.6%	
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	4.3%	H	Communication Services	6.67%	1.3%	1.2%	58.87	0.3%	
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	-0.9%	5.7%	3226.73	0.1%	
JPMorgan Emerging Markets Trust	GBp	1.1%	H	Emerging Markets	6.67%	0.4%	1.2%	1.31	0.4%	
Allianz Se	EUR	4.6%	H	Financials	6.67%	8.2%	2.3%	217.20	0.5%	
Sanofi	EUR	3.9%	H	Health Care	6.67%	7.0%	1.3%	84.20	0.5%	
Vinci Sa	EUR	2.6%	H	Industrials	6.67%	10.5%	2.7%	89.92	0.7%	
Siemens Gamesa Renewable Energy	EUR	0.0%	H	Industrials	6.67%	-1.9%	16.9%	32.45	-0.1%	
Fedex Corp	USD	0.9%	H	Industrials	6.67%	8.7%	0.1%	281.57	0.9%	
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	3.8%	4.9%	16.88	0.3%	
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	7.2%	4.1%	251.02	0.7%	
Microsoft Corp	USD	0.9%	H	Information Technology	6.67%	12.2%	5.3%	249.07	0.9%	
Rio Tinto Plc	GBP	9.6%	H	Materials	6.67%	5.1%	2.4%	5480.00	0.7%	
Smurfit Kappa Group Plc	EUR	2.9%	H	Materials	6.67%	7.2%	1.6%	40.76	0.5%	
CRH Plc	EUR	2.5%	H	Materials	6.67%	17.9%	2.8%	39.31	1.2%	
Engie	EUR	6.0%	H	Utilities	6.67%	-3.2%	1.2%	12.12	-0.2%	
Total										

All data taken from Bloomberg up until 1/04/2021.

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
Economic	Economic	Economic	Economic	Economic
EU Sentix US Final Composite PMI US Final Services PMI US Factory Orders US Non-manufacturing	Chinese Caixin Services PMI EU Unemployment Rate	EU Final Composite PMI EU Final Services PMI FOMC Meeting Minutes US Consumer Credit	EU Industrial Orders EU Producer Prices ECB Meeting Minutes Irish CPI US Initial Jobless Claims	Chinese CPI German Industrial Output German Trade Balance French Industrial Output

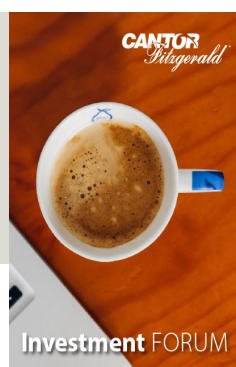
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Issuer Descriptions: (Source: Bloomberg)

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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