Weekly Trader

Upcoming Market Opportunities and Events

CANTOR Fitzgerald

Monday, 12th April 2021

Key Themes This Week

The Week Ahead
Equity markets continued to move higher last week registering average gains of 2%, however the change in market leadership which we highlighted last week continued to drive this positive performance with Growth focused sectors outperforming the Value sectors of the market. The main drivers of this outperformance in Growth were technology in particular, consumer staples and healthcare which again reflects our comments last week when we observed that we felt a lot of good news had been priced into the Value area of the market.

Spurring this outperformance by Growth last week was a more stable back-drop from bond markets which saw bond yields remain unchanged to marginally lower on the week as global central banks reiterated their recent comments from policy meetings that the current level of monetary and asset purchase accommodation would not change for some time to come even if inflation increased in the short-term. Indeed, both the ECB and Federal Reserve see any short-term spike in inflation as being transitory and unlike in pervious times when inflation increased, they will not react to any short-term increase. Equally, the Federal Reserve highlighted that US employment remains a long way from their full employment target and that the jobs market remains challenged. Notwithstanding the exceptionally strong Non-Farm number released on Good Friday, employment data last week disappointed as both Initial Claims and Continuing Claims increased unexpectedly for the second week in a row.

This reassuring policy backdrop from the two central banks has capped the year-to-date move higher in bond yields and barring any negative surprise in US inflation data due for release on Tuesday, we see bond yields holding at current levels or indeed even moving lower as inflation expectations dissipate. Such an outcome would be not only positive for broader risk assets, but would be particularly positive for the Growth focused sectors of the market.

We also believe that the positive performance by the technology sector in particular has further scope to continue as we enter first quarter earnings season which commences next Wednesday. With earnings growth of over 22% expected to be delivered in the first quarter from the sector, the risk in our opinion is to the upside given the dominant position of some of our preferred technology names such as PayPal Holdings and Microsoft.

With earnings season in mind, in this weeks trader we highlight the names we have covered in recent weeks that we believe provide investors with an opportunity to benefit from what we expect will be a positive earnings season from these names. We also include our usual update on the **MIM Multi-Asset Fund** range which continues to outperform the market but also their peer group.

Major Markets Last Week

	Value	Change	% Move
Dow	33,801	647.39	1.95%
S&P	4,129	108.93	2.71%
Nasdaq	13,900	420.08	3.12%
MSCI UK	15,771	417.75	2.72%
DAX	15,234	225.82	1.50%
ISEQ	8,117	13.80	0.17%
Nikkei	29,539	-550.52	-1.83%
Hang Seng	28,440	61.34	0.22%
STOXX 600	437	7.63	1.78%
Brent Oil	62.61	0.46	0.74%
Crude Oil	59.1	0.45	0.77%
Gold	1,740	11.99	0.69%
Silver	25.15	0.27	1.10%
Copper	400.75	-13.00	-3.14%
Euro/USD	1.189	0.01	0.65%
Euro/GBP	0.8674	0.02	2.10%
GBP/USD	1.3708	-0.02	-1.38%

	Value	Change
German 10 Year	-0.31%	0.02
UK 10 Year	0.77%	-0.02
US 10 Year	1.66%	-0.05
Irish 10 Year	0.06%	0.03
Spain 10 Year	0.37%	0.06
Italy 10 Year	0.73%	0.09
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

We remain positive on the market over the mid to longer-term and believe that there is value to be had in any stock pullbacks. However, given that most indices are near all-time highs as we move into the first quarter reporting season, we believe most stocks in our universe to be at or near fair value on current forecasts. This is particularly the case given heightened market expectations of a strong recovery across most sectors as pandemic restrictions are lifted. These expectations will either be reinforced or tempered in the upcoming results season. As such it is not easy so close to results season to flag any specific stocks to invest in over the short-term.

In the first quarter, US companies provide full and detailed breakdowns of business over the three months. While a growing number of European companies have been providing similar updates over the past years, particularly those with considerable US business and investor exposure, the norm is for European companies to provide less detailed numbers. Indeed, a good number only report top line progress with some indication of underlying business progress and, possibly, the margins achieved over the three months. As such, more detailed analysis is available for the S&P 500 than the EuroStoxx600.

To illustrate the buoyancy coming into this results season, the S&P500 overall is currently expected to report an average 23.8% increase in earnings in Q121 over Q120 from a 6.3% increase in revenue. Within sectors, Consumer Discretionary is currently at an eye watering 104.4% forecast earnings growth with Financials at 72.1% followed by Materials at 47.7%. The Tech sector, which performed so strongly through 2020 is still expected to report a 22.4% increase in earnings in Q121, Healthcare close behind at 19.8%. Only Communication Services and Utilities are forecast to grow at what we would consider as longer term sustainable, yet attractive, levels (13.5% and 2.5%, respectively. The laggards in this strong growth period are forecast to be the Real Estate (+1.5%), Consumer Staples (+0.2%), Energy (-9.7%) and Industrials (-16.0%) sectors. With such high expectations overall, the risk is to the downside should results come in in line or even marginally behind forecasts. Hence our short-term caution.

Within our stock universe, **Verizon** (Communication Services) is only expected to report a 2.1% increase in adj. EPS from a 2.4% increase in revenue. As such, the stock is down 1.8% year-to-date, although it has been recovering over the past 10 weeks after a dip in January. In stark contrast, **Amazon** (Consumer Discretionary) is expected to report a 151% increase in earnings from a 38% increase in revenue. Despite a slew of good results through 2020, however, the stock has remained largely range-bound ($3000 to $3400) since June 2020. Sanofi (Healthcare) is flagged to report a 13% dip in EPS in Q121 despite revenue flat on Q120 and so could be positioned for upside surprise. Despite these forecasts, the stock is up 8% ytd and we believe that a price of €85, if broken through on results, could provide a new support.

Siemens Gamesa Renewable Energy (Industrials) is forecast to report Q221 earnings (year-end September) of 8.3c (Q220 was a loss of 24.0c) from a 12% increase in revenue. As with all in the renewables sector, the share price has come off since the start of 2021 (-6% versus -12% for peers, on average) although the last two weeks has seen a reversal of this trend. A solid set of Q121 numbers should see the stock move on from current levels north of €30. Another stock to benefit from the change in work and trading conditions through the pandemic, FedEx (Industrials) is forecast to report an 88% increase in earnings from a 21% increase in revenue. While the stock is up 132% over the past 12 months, it has traded in the $250 to $300 range since October, although current momentum plus strong numbers could see it break up post-results.

PayPal (IT) is expected to report a 53% increase in earnings from a 27% increase in revenue. Sustainable strong growth is reflected in the share price. Having retraced from an unsustainable price spike in mid-February, the stock has subsequently tracked up in line with its 12-month trend, which over that period sees the stock up 149%. A strong set of Q121 numbers should see that momentum maintained. Also in the IT sector, **Microsoft** is forecast to report a 27% increase in Q321 earnings (year-end June), from a 17% increase in revenue. As with PayPal, as a pandemic winner the stock has enjoyed sustained momentum over the past 12 months, up 54% over the period and up 14% year-to-date. Again, a strong set of quarterly numbers should see this momentum sustained.

We have three stocks in the Core Portfolio in the broad "Materials" sector, namely **Rio Tinto, Smurfit Kappa** and **CRH**. All have recovered from the pandemic sell-off well with Rio up 49% over the past 12 months, Smurfit Kappa 51% and CRH 49%. As they are European stocks, they provide limited details in their quarterly updates and so there are no consensus numbers available for Q121. Rio's share price has been trading in the 5500p to 6500p range over the past four months, recently towards the bottom of that range. A positive trading update should see the stock tick back up towards the top of the range, at a minimum. Smurfit Kappa's stock has been trading sideways over the same time period but we would see a positive trading update as a catalyst for renewed upward momentum. CRH's share price has shown steady upward momentum over the last 12 months and an upbeat trading update should see this maintained, particularly given the prospect of increased spend on US infrastructure over the mid-term.

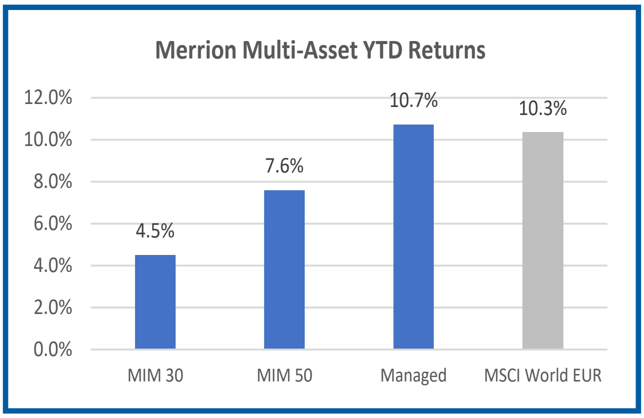
Also in the European stable when it comes to quarterly reporting, French stocks **Vinci** (Industrials) and **Engie** (Utilities) provide little information in their quarterly updates and so there are little to no numbers in the market for their Q121 performance. Vinci's shares have proved volatile over the past 12 months, hitting €90 in June 2020 before falling to €66.46 in late October. On recovery, the stock has found support at €85. Currently back at the €90 level, a strong trading update should see it move on from this level. Following the post-March 2020 market sell-off, Engie has delivered a mixed price recovery. While up 25% over the period, has slipped 11% over the past three months. having found support at €12, the stock could move on given a positive trading update.

Ryanair remains a valuation outlier, where current stock performance depends on balance sheet strength relative to its peers as individual companies in the sector look to best position themselves for recovery and ultimately growth once the huge impact of the pandemic abates. Throughout the pandemic we have opined that Ryanair is the airline company with the strongest balance sheet and cost control flexibility. This seems to have been the case, with, we believe the company best placed to prosper in a post-pandemic environment. This is reflected in its relative share price performance, up 62% over the last 12 months versus peers, that on average are only up.

Opportunities this week

CFI Research Team

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



Total Return	YTD
MIM 30	4.5%
MIM 50	7.6%
Managed	10.7%
MSCI World (EUR)	10.3%

Returns as of the 08/04/2021

- 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	8.4%
Benchmark	11.7%
Relative Performance	-3.3%
P/E Ratio	31.03x
Dividend Yield	2.4%
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	3.09%	
USD	2.71%	

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution	
STOXX Europe 600	EUR	39	Neutral	60%	10.5%	1.9%	437	6.3%	
S&P 500	USD	28	Neutral	40%	10.4%	2.8%	4129	5.4%	
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	4.4%	H	Communication Services	6.67%	0.0%	-0.3%	57.49	0.2%	
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	3.5%	6.7%	3372.20	0.4%	
JPMorgan Emerging Markets Trust	GBp	1.1%	H	Emerging Markets	6.67%	1.9%	2.5%	1.33	0.4%	
Allianz Se	EUR	4.6%	H	Financials	6.67%	9.0%	0.8%	218.75	0.6%	
Sanofi	EUR	3.9%	H	Health Care	6.67%	8.1%	1.0%	85.06	0.5%	
Vinci Sa	EUR	2.6%	H	Industrials	6.67%	10.9%	3.3%	90.25	0.7%	
Siemens Gamesa Renewable Energy	EUR	0.0%	H	Industrials	6.67%	-6.5%	-6.2%	30.94	-0.4%	
Fedex Corp	USD	0.9%	H	Industrials	6.67%	10.7%	1.1%	286.58	0.9%	
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	0.5%	-1.2%	16.34	0.0%	
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	13.9%	7.8%	266.77	1.1%	
Microsoft Corp	USD	0.9%	H	Information Technology	6.67%	15.3%	5.6%	255.85	1.2%	
Rio Tinto Plc	GBP	6.4%	H	Materials	6.67%	8.6%	2.0%	5663.00	0.8%	
Smurfit Kappa Group Plc	EUR	2.9%	H	Materials	6.67%	7.4%	1.7%	39.99	0.5%	
CRH Plc	EUR	2.4%	H	Materials	6.67%	22.5%	2.2%	40.85	1.5%	
Engie	EUR	5.9%	H	Utilities	6.67%	-1.5%	1.8%	12.33	-0.1%	
Total										

All data taken from Bloomberg up until 9/04/2021.

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 forcast

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	**Corporate**	**Corporate**	**Corporate**	**Corporate**
	JD Sports Fashion PLC	Tesco PLC JPMorgan Chase Goldman Sachs	PepsiCo Inc Bank of America UnitedHealth Group Delta Air Lines Inc BlackRock Inc Citigroup Inc	Bank of New York Mellon Corp Morgan Stanley State Street Corp
Economic	**Economic**	**Economic**	**Economic**	**Economic**
EU Retail Sales	Chinese Trade Balance UK GDP UK Industrial Output German ZEW Economic Sentiment US NFIB Business Optimism US CPI	Japanese Machinery Orders EU Industrial Production	German Final HICP Irish Residential Property Prices US NY Fed / Empire State Index US Initial Jobless Claims US Philly Fed Index US Retail Sales US Industrial Production US NAHB Housing Sentiment	Chinese GDP Chinese Industrial Output Chinese Retail Sales EU Final HICP US Housing Starts US Preli. Michigan Consumer Sentiment

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Daily Note

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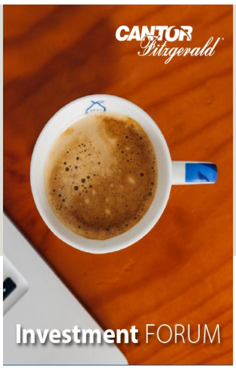

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Engie: Engie is a global energy and services utility company
FedEx: FedEx delivers packages and freight to multiple countries and territories through an integrated global network
Kennedy Wilson: Kennedy-Wilson Holdings, Inc. operates as a global real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

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