

# Weekly Trader

## Upcoming Market Opportunities and Events

**CANTOR**  
*Fitzgerald*

Monday, 19<sup>th</sup> April 2021

### Key Themes This Week

#### The Week Ahead

Equity markets continued their move higher last week following their mini-tantrum at the end of February when a sharp rise in bond yields unsettled markets. Last week markets gained on average 1% and since the end of February have gained on average 10%. The early part of this rally was largely driven by a rotation into the more economically sensitive or Value areas of the market as expectations for an aggressive economic reflation increased, something that was reflected in the move higher in bond yields. This move into Value came at the expense of the more Growth focused sectors of the market with technology and renewable energy significantly underperforming.

While markets continue to move higher, buoyed by stronger economic data, the driver of leadership had changed in recent weeks with Growth outperforming Value by over 6% since early March as bond yields retraced from their end of February highs and as global central banks continued to reiterate their commitment to their ultra-loose monetary policies coupled with an unprecedented level of fiscal support.

This outperformance by Growth over Value since early March does not come as a surprise to us given our call a number of weeks ago that we felt that the bulk of the rally in the Value sectors of the market reflected a lot of good news and that further short-term gains might be difficult to achieve. This view was confirmed to us last week by the price action in the US banking sector, where, despite exceeding market estimates by some margin, the share prices of most of these banks failed to move higher and in a number of cases actually fell following their earnings releases. Having seen their share prices rise by on average 25% since the start of the year it was evident that a lot of the positive earnings surprises had already been anticipated by the market.

While we have been encouraged by the fact that market breadth has become a bit more balanced over the last week, meaning that no one particular style is now dominating the market move higher, we still retain a preference for the Growth focused technology and renewable energy sectors which we believe will continue to be structural winners in the years ahead but have the potential to be rewarded by the market on any positive surprise in earnings in the coming weeks. We believe this will be particularly reflected in the technology sector.

While we continue to see the Value sectors of the markets as fully priced, we do nonetheless see pockets of opportunity and in that regard we highlight two stocks in this week's Trader which we believe still offer clients the potential for significant upside. The first of these is paper & packaging group **Smurfit Kappa** which continues to be one of the most dominant players in the sector and mining group **Rio Tinto** which is a beneficiary of strong emerging market growth as evidenced by Chinese data released last week and the recent weakness in the US dollar which is positive for the broader commodity complex. We also provide the usual update on the **MIM Multi-Asset Fund** range which continue to perform strongly due to the active management style within the fund range.

### Major Markets Last Week

	Value	Change	% Move
Dow	34,201	400.07	1.18%
S&P	4,185	56.67	1.37%
Nasdaq	14,052	152.15	1.09%

MSCI UK	16,007	291.42	1.85%
DAX	15,460	225.59	1.48%
ISEQ	8,153	109.79	1.36%

Nikkei	29,685	146.64	0.50%
Hang Seng	29,130	676.49	2.38%
STOXX 600	442	5.26	1.20%

Brent Oil	66.7	3.42	5.40%
Crude Oil	62.98	3.28	5.49%
Gold	1,780	47.47	2.74%

Silver	25.89	1.08	4.34%
Copper	426.65	24.10	5.99%

Euro/USD	1.1974	0.01	0.53%
Euro/GBP	0.8643	0.00	-0.30%
GBP/USD	1.3854	0.01	0.82%

	Value	Change
German 10 Year	-0.27%	0.03
UK 10 Year	0.76%	-0.01
US 10 Year	1.56%	-0.11

Irish 10 Year	0.10%	0.02
Spain 10 Year	0.39%	0.00
Italy 10 Year	0.74%	0.01

BoE	0.1	0.00
ECB	0.00	0.00
Fed	0.25	0.00

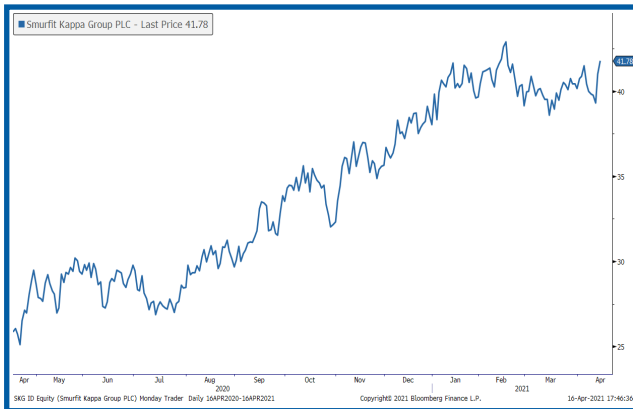
All data sourced from Bloomberg

## Opportunities this week

CFI Research Team

### Smurfit Kappa Group PLC

Closing Price: €41.78



Key Metrics	2021e	2022e	2023e
Revenue (€'Mn)	8952.4	9384.9	9909.8
EPS (€)	2.39	2.78	3.07
Price/ Earnings	17.48x	15.03x	13.6x
Div Yield	2.78%	3.02%	3.22%

Total Return	1 Mth	3 Mth	1 Year
SKG ID	8.17%	6.18%	70.95%

Source: All data & charts from Bloomberg & CFI

- Smurfit Kappa releases its Q121 trading update on the 30th of April. Traditionally, the company only provides revenue, EBITDA and EBITDA margin for the quarter, coupled with a few qualitative paragraphs on the business environment and the balance sheet. As such, while nominally the market is looking for a 6.6% increase in EBITDA to €347.5m, despite a 24% drop in revenue to €1.61bn, we would caution that consensus currently is from only two out of the 11 analysts that cover the stock.
- The upcoming earnings release follows on from a strong set of FY20 results issued in mid-February, which were ahead of market expectations. At the time, 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 results release will quantify how that has translated into operational performance over the period.
- While the stock is up 9% year-to-date and trades c.18% above pre-pandemic levels, it has been trading close to €40 for over the past three months. The sector in general, and Smurfit Kappa in particular given the breadth of its product offering, is well placed to benefit from the material change in shopping, business and working habits experienced through the pandemic. As such, we believe that a strong trading update could prove the catalyst to move the stock on and would be comfortable picking up stock at or around the €40 level. The stock is trading at 17.3x 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 and sector over the period. The stock is currently trading at a marginal discount its peers. As our unchanged peer comparative and DCF-derived price target of €46.50 implies a 12.5% upside to its current price, we re-iterated our Buy recommendation.

### Rio Tinto PLC

Closing Price: £60.54



Key Metrics	2021e	2022e	2023e
Revenue (\$'Mn)	57511.6	48403.2	44646.7
EPS (\$)	11.86	8.47	6.84
Price/ Earnings	7.05x	9.88x	12.23x
Div Yield	9.64%	6.70%	5.42%

Total Return	1 Mth	3 Mth	1 Year
RIO LN	7.91%	6.82%	76.30%

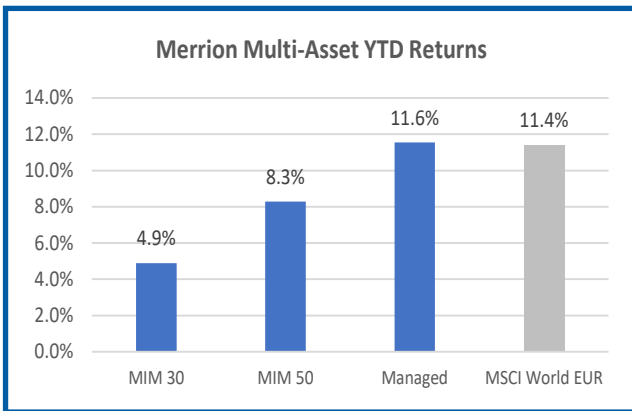
Source: All data & charts from Bloomberg & CFI

- We continue to see the materials sector as an undervalued play coming as Q121 results season and believe Rio still to be cheap at current levels. Past concerns that China might pull back on steel production have not materialised as its economy continues to recover and iron ore prices have remained relatively constant at elevated levels over the past three months. While the company does not provide financial details on a quarterly basis, its imminent Q121 production results should illustrate how this demand has fuelled iron ore, bauxite mining levels and aluminium shipments.
- 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% pay-out. 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.
- We previously opined that the stock appeared to enjoy support at the 5500p level and this has proven to have been the case over the past four months. While it is currently at the mid-point of its four-month trading range (upper limit 6500p) we believe that it is still at an attractive level for investors looking for relatively inexpensive exposure to the commodity sector, which we consider could be a beneficiary as the potential for economic reflation gains momentum. The stock is up 30% on pre-pandemic levels and 12% year-to-date. At 7.1x FY21 P/E and 4.2x EV/EBITDA, the stock is currently trading at a 7% discount to its peers and over 25% discount to its 10-year average. As our unchanged peer comparative and DCF-derived price target of 6990p implies 15% upside, supported by a well-covered dividend currently yielding 5.6%, we re-iterate our Buy recommendation.

## Opportunities this week

CFI Research Team

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



Total Return	YTD
MIM 30	4.9%
MIM 50	8.3%
Managed	11.6%
MSCI World (EUR)	11.4%

Returns as of the 15/04/2021

- 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.
- 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.
- In recent weeks MIM have increased their relative exposure to some of the secular winners in Tech and Renewable Energy that had de-rated during the Q1 rotation into Cyclical
- 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	%
<b>Portfolio</b>	<b>9.3%</b>
<b>Benchmark</b>	<b>12.8%</b>
<b>Relative Performance</b>	<b>-3.5%</b>
<b>P/E Ratio</b>	<b>31.18x</b>
<b>Dividend Yield</b>	<b>2.4%</b>
<b>ESMA Rating</b>	<b>6</b>
<b>Beta</b>	<b>1.05</b>

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
<b>EUR</b>	53%	32%
<b>GBP</b>	13%	13%
<b>USD</b>	33%	40%
<b>Other</b>	0%	16%

Currency YTD %		
<b>GBP</b>	3.42%	
<b>USD</b>	2.00%	

### Benchmark

### Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution	
STOXX Europe 600	EUR	39	Neutral	60%	11.9%	1.3%	442	7.1%	
S&P 500	USD	28	Neutral	40%	11.9%	1.4%	4185	5.7%	
<b>Total</b>				<b>100%</b>					

### 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%	1.4%	1.4%	58.28	0.2%	
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	4.4%	0.8%	3399.44	0.4%	
JPMorgan Emerging Markets Trust	GBP	1.1%	H	Emerging Markets	6.67%	4.2%	2.3%	1.36	0.5%	
Allianz Se	EUR	4.6%	H	Financials	6.67%	9.0%	0.0%	218.75	0.6%	
Sanofi	EUR	3.9%	H	Health Care	6.67%	8.0%	-0.1%	85.01	0.5%	
Vinci Sa	EUR	2.6%	H	Industrials	6.67%	11.4%	0.4%	90.65	0.8%	
Siemens Gamesa Renewable Energy	EUR	0.0%	H	Industrials	6.67%	-8.2%	-1.8%	30.39	-0.5%	
Fedex Corp	USD	0.9%	H	Industrials	6.67%	11.1%	0.4%	287.59	0.9%	
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	-1.6%	-2.1%	16.00	-0.1%	
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	15.2%	1.2%	269.87	1.2%	
Microsoft Corp	USD	0.8%	H	Information Technology	6.67%	17.5%	1.9%	260.74	1.3%	
Rio Tinto Plc	GBP	6.4%	H	Materials	6.67%	16.1%	6.9%	6054.00	1.3%	
Smurfit Kappa Group Plc	EUR	2.8%	H	Materials	6.67%	12.2%	4.5%	41.78	0.8%	
CRH Plc	EUR	2.4%	H	Materials	6.67%	21.3%	-1.0%	40.46	1.4%	
Engie	EUR	5.8%	H	Utilities	6.67%	-0.9%	0.6%	12.40	-0.1%	
<b>Total</b>										

All data taken from Bloomberg up until 16/04/2021.

**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

<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>
<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>
Coca-Cola Co	Danone SA Rio Tinto PLC BHP Group PLC Johnson & Johnson Procter & Gamble Co Netflix Inc	ASML Holding NV Verizon Communications Inc	Nestle SA Vinci SA Intel Corp AT&T Inc	Daimler AG
<b>Economic</b>	<b>Economic</b>	<b>Economic</b>	<b>Economic</b>	<b>Economic</b>
Japanese Trade Balance	German Producer Prices UK Producer Prices UK Average Weekly Earnings	UK CPI UK PPI	EU Refi Rate ECB Press Conference EU Flash Consumer Confidence US Initial Jobless Claims US Existing Home Sales	UK Gfk Consumer Confidence Japanese CPU UK Retail Sales EU Flash Markit Composite PMI US Flash Markit Composite PMI US New Home Sales

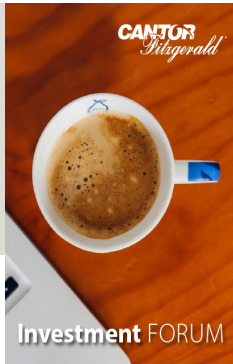
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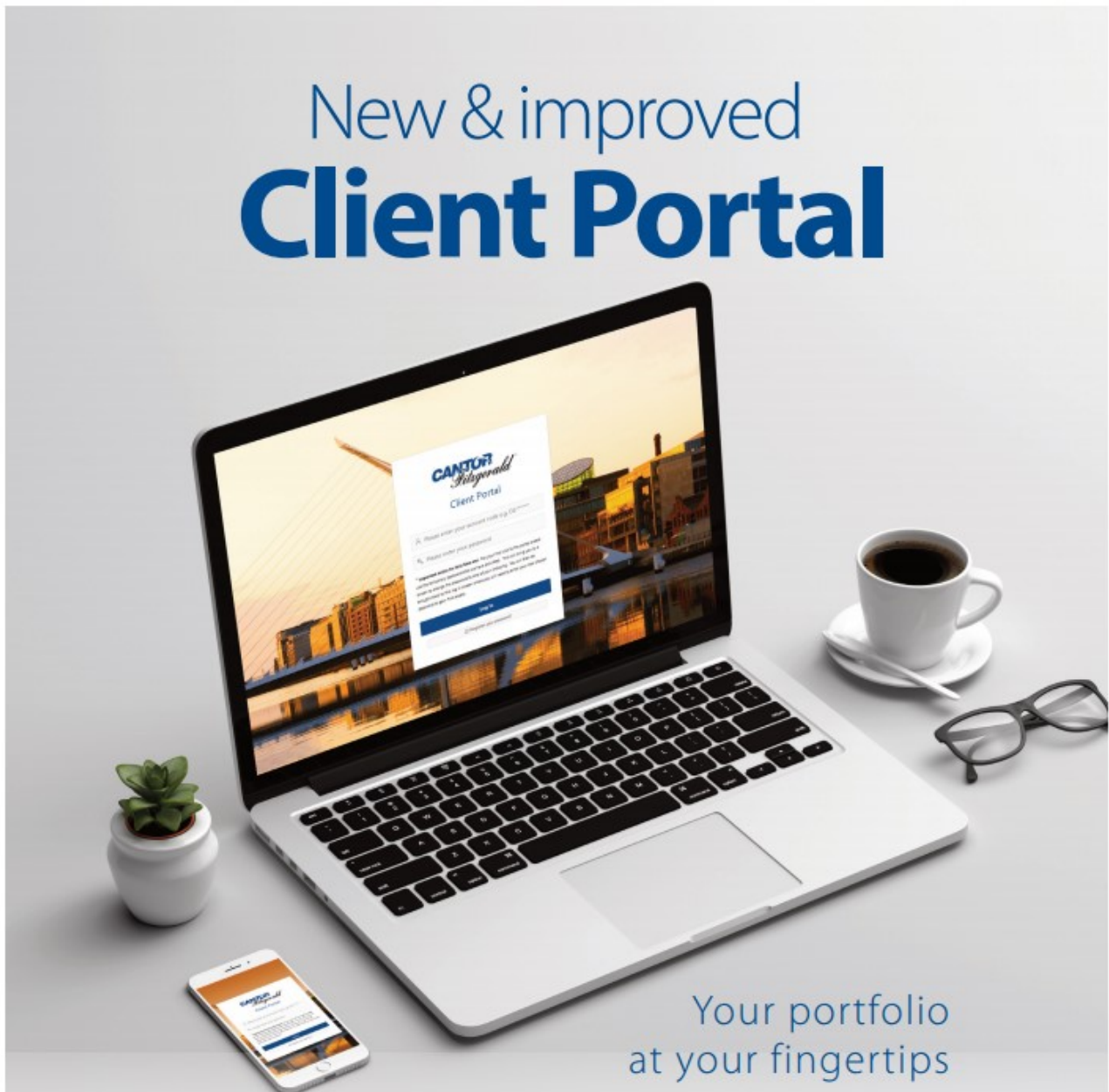


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**Alphabet:** Alphabet provides web-based search, advertisement, maps, software applications, mobile operating systems, consumer content and other software services.

**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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