

# Weekly Trader

Upcoming Market Opportunities and Events



Monday, 24<sup>th</sup> May 2021

## Key Themes This Week

### The Week Ahead

Global equity markets finished last week broadly unchanged with the NASDAQ the top performing index with a gain of 0.8%. On a headline basis this performance would suggest that underlying market activity was subdued with little market volatility. The reality however was somewhat different as a major correction in cryptocurrencies in the middle of the week followed by a sharp rebound pressurised equity markets before they too regained their poise towards the end of the week.

The volatility in the cryptocurrency space served as a warning sign to investors of the risks associated with this highly volatile and unregulated area of the market. As its worst, Bitcoin declined by 30% in a matter of hours, while Ethereum declined by almost 40% with other similar 'currencies' experiencing similar sharp declines. While most of the cryptocurrencies recovered the majority of these losses by the end of the week, the spill-over effect of this volatility was reflected, albeit to a much smaller extent, in other risk assets such as equities.

There were a number of catalysts behind the crypto volatility beginning with a Tweet from Tesla Founder and CEO Elon Musk reversing his previous commitment to accepting Bitcoin as a payment currency for anyone buying a Tesla vehicle while he also raised concerns about the environmental impact of Bitcoin given the amount of energy required to mine the currency. Added to this, both the Chinese government and central bank advised that the China would not permit cryptocurrencies to be used as a payment option in certain areas of the economy.

The important points to highlight to clients in light of the events during the week are firstly, the highly volatile nature of the instrument which can be impacted quite significantly either positively or negatively by posts on social media or from recognised establishments such as central banks, and secondly, that as unregulated instruments, the market in cryptocurrencies has no trading over-sight which all regulated markets have. This means that very aggressive declines as witnessed last week can occur as there are no trading circuit breakers in place as in equity markets which can act as a market stabilisers in the event of an aggressive decline.

Reverting back to the performance of equity markets last week, the outperformance of the Growth areas of the market such as technology, in particular semi-conductors, and renewable/alternative energy, confirmed the message we have been communicating to clients over the last number of weeks. While inflation remains the hot topic of conversation, we continue to believe that fears of a major hike in inflation are overdone, and that any increase evidenced in the coming months will be temporary. Supporting this view are US bond yields, where the 10-year yield remains stuck in a range of 1.6% and 1.65%, and below the 1.74% level reached in the mini taper tantrum of late February. Also supporting this view is the recent move lower in the broad commodity complex as energy, industrial metals, grains and lumber all retrace from their recent highs. As a result, we continue to remain positive on risk assets with a continuing preference for the Growth areas of the market.

In this week's Trader we include a comment on the **Supermarket Income REIT** following a meeting with management last week, as well as German auto manufacturer **Volkswagen** which continues to increase its focus on electric vehicle production. We also highlight the **VanEck Vectors Semi-Conductor UCiTs ETF** which provides broad exposure to the US semi-conductor industry as well as including the regular review of the MIM Multi-Asset range

## Major Markets Last Week

	Value	Change	% Move
Dow	34,208	-174.29	-0.51%
S&P	4,156	-17.99	-0.43%
Nasdaq	13,471	41.01	0.31%

MSCI UK	16,142	-28.98	-0.18%
DAX	15,438	20.87	0.14%
ISEQ	8,130	27.82	0.34%

Nikkei	28391	566.04	2.03%
Hang Seng	28,373	345.69	1.23%
STOXX 600	444	1.91	0.43%

Brent Oil	66.82	-2.64	-3.80%
Crude Oil	63.95	-2.32	-3.50%
Gold	1,885	17.73	0.95%

Silver	27.68	-0.49	-1.76%
Copper	466.25	-24.90	-5.28%

Euro/USD	1.2187	0.00	0.29%
Euro/GBP	0.8609	0.00	-0.17%
GBP/USD	1.4156	0.00	0.16%

	Value	Change
German 10 Year	-0.13%	0.00
UK 10 Year	0.83%	-0.03
US 10 Year	1.62%	-0.03

Irish 10 Year	0.28%	-0.02
Spain 10 Year	0.55%	-0.03
Italy 10 Year	1.03%	-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

### Volkswagen

Closing Price: €215.95



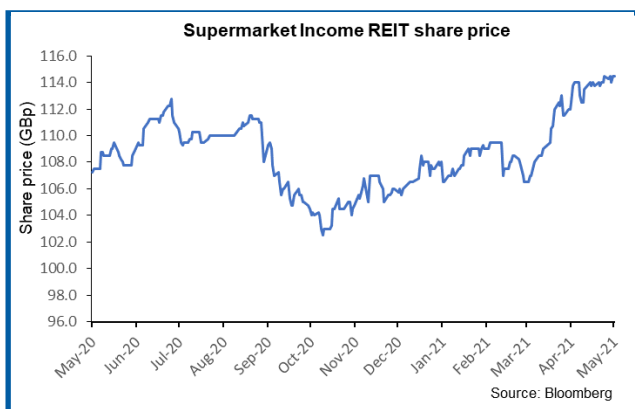
Key Metrics	2021e	2022e	2023e
Revenue (€'bn)	249.89	263.68	274.81
EPS (€)	27.57	30.88	34.39
Price/ Earnings	7.83x	6.99x	6.28x
Div Yield	3.06%	3.77%	4.32%

Share Price Return	1 Mth	3 Mth	YTD
vow3 gr	-5.9%	24.4%	41.5%

- We believe that the recent 20% pullback in share price from a spike to close to a six-year high, presents an ideal opportunity to pick up or add to positions in Volkswagen, a company strategically positioning its business to best benefit from the conversion from combustion engine to EV vehicles. Despite the pullback, the stock is up 42% year-to-date but given strong trading metrics is only trading at 7.9x FY21 P/E and 2.7X EV/EBITDA, a 17% discount to its European peers but 11% premium to its 10-year average, that said on long-term momentum rather than a specific spike.
- In early May, Volkswagen issued strong set Q121 numbers ahead of market expectations, while noting that the positive business development in H220 continued into Q121. Deliveries were up 21.2% on Q120, while sales of electrified vehicles more than doubled. Management noted that some key figures even came in above pre-crisis levels from the first quarter of 2019. Based on the Q121 performance, Volkswagen raised its operating profit margin guidance, now anticipating it to come in between 5.5% and 7.0% against revenue "significantly higher" than FY20.
- The Group anticipates that deliveries to customers in 2021 will be significantly up on the previous year, despite continued challenging market conditions. Challenges will arise particularly from the economic situation, the increasing intensity of competition, volatile commodity and foreign exchange markets, securing supply chains and more stringent emissions-related requirements.
- It is anticipated that forward growth will be driven by the company's relatively new Brand strategy released at the end of 2020 when the Together 2025+ programme was launched. On what it believes to be a strong all-electric platform, Volkswagen is targeting that by 2022, 27 MED-based models will be offered throughout the Group. The company is looking to generate an operating margin of 6.0-7.0% by 2022, rising to 7-8% by 2025, with a return on investment rising from 10-12% in 2022 to over 14% by 2025.

### Supermarket Income REIT

Closing Price: 114.50p



Key Metrics	2021e	2022e	2023e
Revenue (£'Mn)	49.2	66.3	71.1
FFO PS(£)	6.2	7.5	7.8
Price/FFO	0.18	0.15	0.15
Div Yield	5.15%	5.33%	5.41%

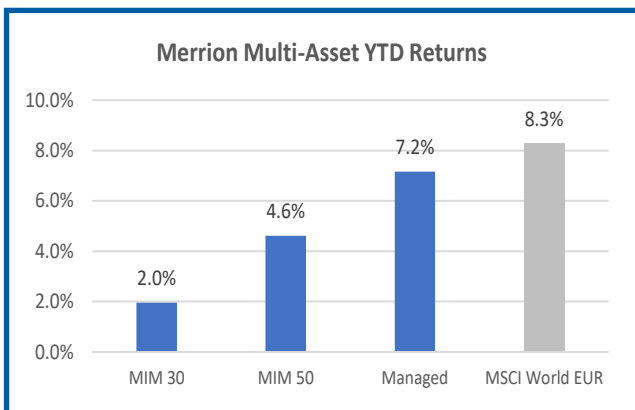
Share Price Return	1 Mth	3 Mth	YTD
SUPR LN	0.4%	4.6%	7.5%

- Last Thursday, Supermarket Income REIT management presented to the desk with an overview of the REIT's business model and performance. SUPR boasts an impressive management team who all possess a large amount of knowledge and expertise in the super-market property sector. The three key pillars of the REIT business model are: the acquisition of long-term leases with inflation-linked uplifts; focus on omnichannel retailers that provide last mile fulfillment; and focus on large sites that provide scope for omnichannel scaling. The REIT targets an annual total shareholder return of 7-10%, made up of 5% dividend income and the remaining capital appreciation through net yield compression.
- The supermarket sector has been one of the pandemic winners and this has been reflected in SUPR's operating performance with rent collection levels of 100% through the peak of the pandemic as omnichannel retail revenue levels ticked up strongly. All of the 'big four' grocers, who make up c.97% of SUPR's portfolio, significantly ramped up omnichannel capacity over the period, leading to lower fulfillment costs and higher margins through economies of scale.
- SUPR offers a highly attractive yield arbitrage between long-term supermarket bond yields and the current 5.1% yield offered by the REIT, with the current spread at c. 3%. SUPR's growing portfolio of high-quality supermarket assets now totals 54 stores (29 directly owned, 26 indirectly owned), and with a current LTV of 44% and weighted average cost of debt of c. 2%, SUPR is favourably positioned to increase its market share of the omnichannel supermarket sector, which management have guided that they intend to do. SUPR's business model continues to look strong, buoyed in particular by the strong momentum in the omnichannel retail space, which management are confident will remain fundamental to the sector post-Covid.

## Opportunities this week

CFI Research Team

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



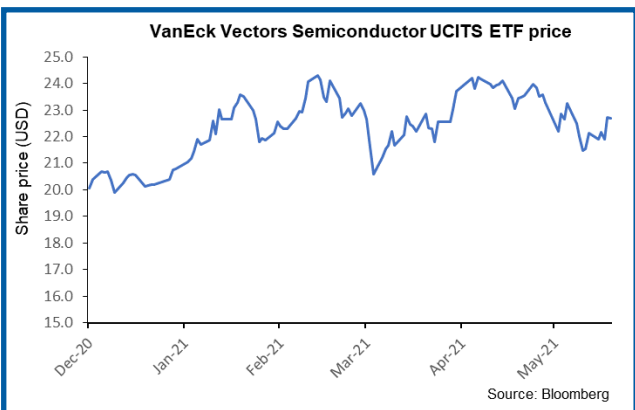
Total Return	YTD
MIM 30	2.0%
MIM 50	4.6%
Managed	7.2%
MSCI World (EUR)	8.3%

Returns as of the 12/05/2021

- MIM multi asset (30/50/Managed) 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
- The funds are currently positioned above the mid-point of their asset allocation range for growth assets, with a bias towards structural growth and commodity exposure.
- 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. This increase in exposure helped the funds performed strongly on the week.
- Despite the uncertainties presented by Covid-19, 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.

### VanEck Vectors Semiconductor UCITS ETF

Closing Price: \$22.69



- More than ever, semiconductors are of crucial importance to the technology we use across our daily lives. The number of semiconductor components used in our daily lives is expanding constantly. Chips form the essential core of many cutting-edge technology devices such as smartphones, cars, aircraft, and medical devices. As a result, investors have been focusing on demand for chips over the medium to long term thanks in particular to the emergence of 5G network, Electric Cars, the “internet of things” and artificial intelligence. These themes are seen as drivers of structural growth for the semiconductor sector.
- In March, the EU laid out its digital compass, which presented the Union’s digital ambitions for the next decade in clear, concrete targets. Two key aspects of this are that by 2030 all populated areas should be covered by 5G and that Europe should account for 20% of the world’s production of semiconductors. The EU currently represents less than 10% of the global production. On the back of the EU declaration, Apple announced that it will invest more than €1 billion over the next three years to create Europe’s largest research and development site for mobile wireless semiconductors and software.
- The VanEck Vectors Semiconductor UCITS ETF tracks the performance results of the MVIS US Listed Semiconductor 10% Capped index, which itself tracks the overall performance of companies involved in semiconductor production and equipment. As such, both the index and the ETF are up c.75% over the past 12 months and up 10% year-to-date. At c.\$22.85, the EFT is currently trading at the mid-point of the \$21.50 to \$24.00 range it has been tracking in for the past five months. We believe that there will a rotation back into technology over the short to mid-term and that the semiconductor sector is well placed to benefit with the ETF giving a broad exposure to that potential upside.

Key Metrics	2022e
Fee	0.35%
Yield	0.0%
Factsheet	<a href="#">Factsheet</a>
KIID	<a href="#">KIID</a>

Trading Information	USD
Sedol	BMC3873

Total Return	1 Mth	3 Mth	Ytd
SMH LN	-3.6%	-0.79%	9.2%

Source: All data & charts from Bloomberg & CFI

## This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>
	Greencore Trinity Biotech	SSE Marks & Spencers C&C Hibernia REIT Nvidia	Aviva Tate & Lyle Costco Dell Technologies	
<b>Economic</b>	<b>Economic</b>	<b>Economic</b>	<b>Economic</b>	<b>Economic</b>
	German Q1 GDP UK CBI Distrib. Trade US Case Schiller House Prices US Consumer Confidence US New home sales	FRA Consumer Confidence	GER Gfk Consumer Sentiment ITA Consumer Confidence EU-19 Business Climate US Durable Goods US Q1 PCE Deflator US Initial Jobless Claims	JPN Overall CPI FRA Consumer Spending FRA Q1 GDP EU-19 EC Economic Sentiment IRL Retail Sales US Personal Income Consumption US Final Michigan Consumer Sentiment

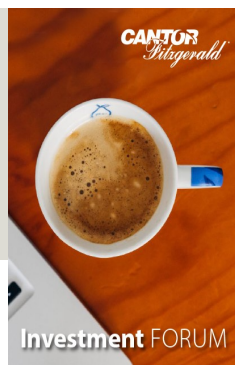
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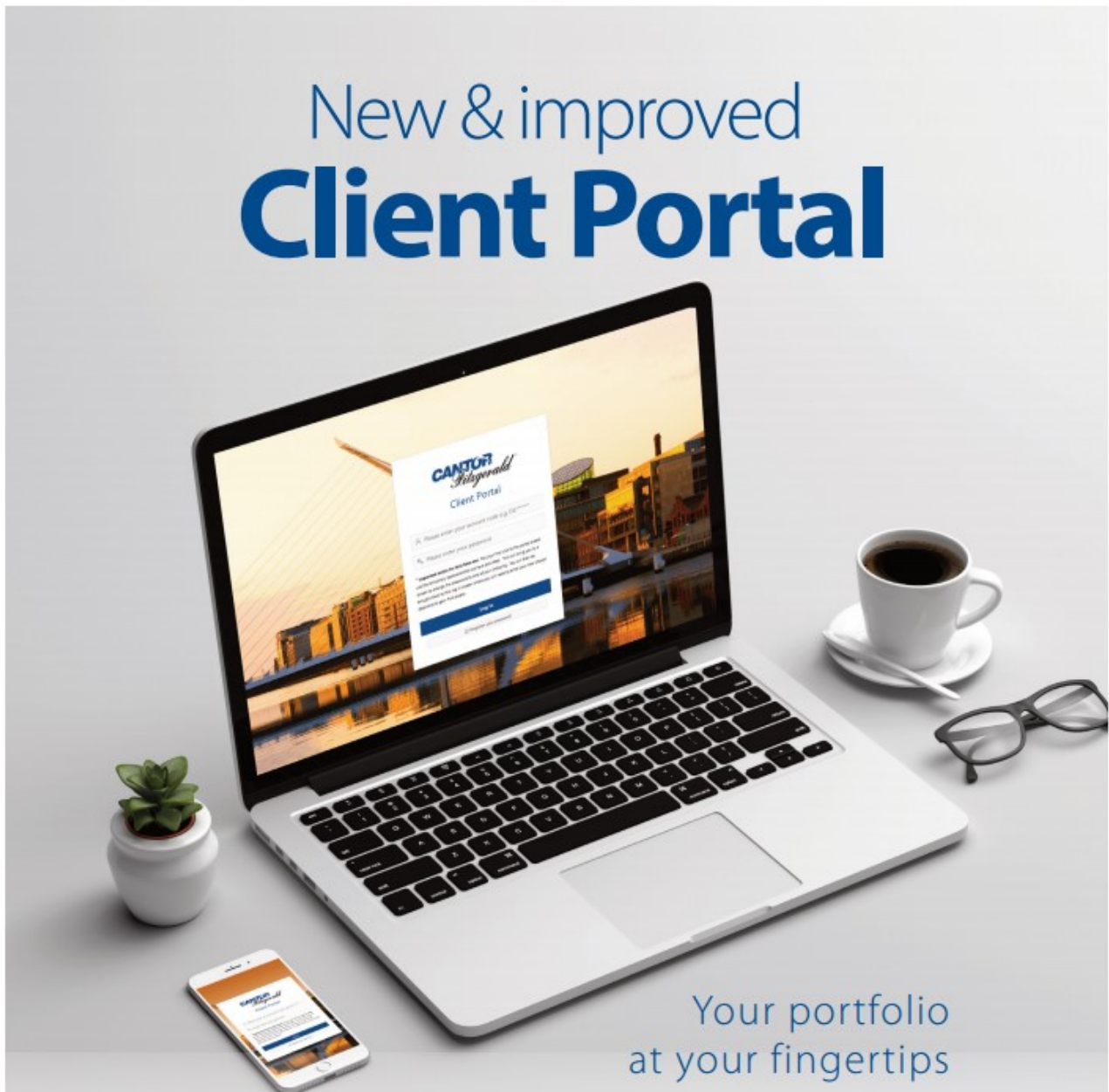


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**Alphabet:** Alphabet provides web-based search, advertisement, maps, software applications, mobile operating systems, consumer content and other software services.

**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.

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**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.

**Greencoast Renewables:** Greencoast 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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