

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 14th June 2021

Key Themes This Week

The Week Ahead

Equity markets registered modest gains last week of on average 0.25%, but as has been the case in recent weeks, there was a marked difference in the performance of the Growth and Value segments of the market. This was highlighted by a strong performance of the Growth focused NASDAQ which gained 1.4% during the week while the more Value focused indices of the German Dax and US Dow Jones Industrial Average registered declines of 0.25% and 0.80% respectively. This outperformance by the NASDAQ, which is in line with our recent commentary, was due to strong performances by the technology sector as well as the bio-tech sector with Biogen in particular registering a strong gain on the back of FDA approval for its early-stage Alzheimer's drug.

The main focal points for markets last week were the US CPI reading as well as the ECB press conference following its interest rate meeting. Despite the latest reading for US inflation showing a 5% year-over-year increase, the highest level in almost 30 years, the US 10 Year bond yield actually fell by 10 basis points on the week to 1.45% as the markets moved in-line with the Federal Reserve's view that this move higher will be transitory. Indeed, when the details of the CPI reading are assessed, it is hard to disagree with this logic. The biggest contributors to this latest inflation print were in re-opening areas of the economy, with Airfares increasing by 7% on the month as airlines took advantage of pent up travel demand while Used Cars & Trucks increased by 7.3% on the month as car rental companies drove up prices due to supply shortages in the new car market. The price increases for these constituents of the CPI calculation are likely to be short-lived and should reverse in the coming months.

The other factor driving bond yields lower on the week was the extremely dovish tone of the ECB press conference during which President Lagarde reiterated that the recent accelerated pace of bond buying by the ECB would continue during the summer months which quashed recent market speculation that the pace of purchases would slow. As was the case in the US, the yield on the German 10 Year Bund declined by 6 basis points on the week to end at -0.27%.

This move lower in global bond yields has been the catalyst for the outperformance in the Growth segment of the market, and with both the ECB and Federal Reserve both committed to maintaining their current monetary policies for the foreseeable future, we see scope for bond yields to continue to move lower which will be supportive for the Growth areas of the market, particularly technology.

In this week's Trader we highlight one of our preferred technology names, **Amazon**, which we see benefitting from a further rotation from Value into Growth as well as renewable energy group **Siemens Games Renewable Energy** which has underperformed in recent weeks. We also reiterate our recent positive outlook on UK insurer **Aviva** which has now restructured its business and offers a very attractive, well covered dividend. Finally we include the usual update on the **MIM Multi-Asset Fund Range**.

Major Markets Last Week

	Value	Change	% Move
Dow	34,480	-276.79	-0.80%
S&P	4,247	17.55	0.41%
Nasdaq	14,069	254.93	1.85%

MSCI UK	16,390	117.45	0.72%
DAX	15,693	0.37	0.00%
ISEQ	8,336	42.05	0.51%

Nikkei	29,162	142.56	0.49%
Hang Seng	28,842	-75.97	-0.26%
STOXX 600	458	4.94	1.09%

Brent Oil	73.02	1.53	2.14%
Crude Oil	71.39	2.16	3.12%
Gold	1,861	-37.72	-1.99%

Silver	27.83	-0.06	-0.23%
Copper	451.35	-1.30	-0.29%

Euro/USD	1.2104	-0.01	-0.71%
Euro/GBP	0.8577	0.00	-0.23%
GBP/USD	1.4112	-0.01	-0.50%

	Value	Change
German 10 Year	-0.27%	-0.08
UK 10 Year	0.71%	-0.08
US 10 Year	1.46%	-0.11

Irish 10 Year	0.13%	-0.07
Spain 10 Year	0.36%	-0.11
Italy 10 Year	0.75%	-0.17

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

Siemens Gamesa Renewable Energy SA

Closing Price: €24.74



Key Metrics	2021e	2022e	2023e
Revenue (€Mn)	10401.2	11102.7	11904.9
EPS (€)	0.38	0.73	0.99
Price/ Earnings	65.27x	34.03x	25.11x
Div Yield	0.06%	0.31%	0.72%

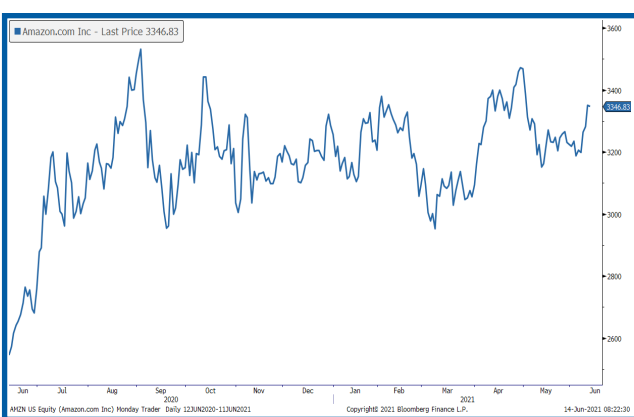
Total Return	1 Mth	3 Mth	1 Year
SGRE SM	-4.66%	-17.12%	67.16%

Source: All data & charts from Bloomberg & CFI

- The renewable energy sector has been out of favour with investors for the past six months and is down 24% year-to-date. This correction does however follow a stellar 2020 where most in the sector were up over 80%, despite the pandemic. We believe that the bond market rally last week signalled that inflation will probably be transitory, which will result in a rotation back into growth from value. Couple this with growing demands for companies not only to improve their carbon footprint but to do so over shorter time periods, will see the renewable energy sector come back into favour.
- Siemens Gamesa remains our preferred play in the sector give the scale and scope of its business offering. While down 26% year-to-date, as with others in the sector this followed a very strong 2020 when they appreciated 115%. Given our above noted house view on bond rates and market rotation, we believe that this pullback as an ideal opportunity to pick up a stock with strong ESG credentials. The stock is trading at 33.7x FY22 P/E and 14.1x EV/EBITDA, which while at a considerable premium to its broad peer base is nevertheless broadly in line with its close competitors Vestas Wind Systems and Orsted. The multiples reflect general price strength across the sector as investors look to increase their ESG exposure in their portfolios.
- Building on its 6% sales growth in Q221, it is currently forecast that Siemens Gamesa's will grow revenue by 13.7% in Q321 to €2.74bn. Expansion is expected to be driven by continued gains in the company's offshore business, which rose 13% in 2Q, given that the offshore backlog stands at 8GW, backed by a pipeline of 7.4GW. The company's expansion is expected to also be supported by its service business, which rose 10% in 2Q. With a forecast operating margin of 4.2%, adj. EBIT is forecast to come in at €116.4m versus a loss of €163.0m in Q320

Amazon.com Inc

Closing Price: \$3,346.83



Key Metrics	2021e	2022e	2023e
Revenue (\$Mn)	490282	581216	678788
EPS (\$)	67.51	84.45	113.15
Price/ Earnings	49.57x	39.62x	29.57x
Div Yield	0.00%	0.00%	0.00%

Total Return	1 Mth	3 Mth	1 Year
AMZN US	3.85%	8.33%	31.51%

Source: All data & charts from Bloomberg & CFI

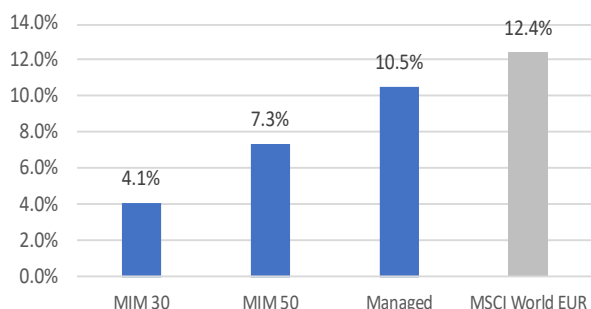
- Amazon's strong Q121 results on the 29th of April, coupled with guidance that was well ahead of market expectations at the time, showed that digital demand remains strong. The shift to clicks from bricks has continued even as pandemic woes are starting to ebb. Though growth could moderate through 2021, we believe Amazon can still deliver double-digit sales growth, aided by strong online selling, Amazon Web Services (AWS) and subscriptions. The company's increased investments in last-mile delivery and within its streaming business, with focus on adding new content, are also catalysts.
- The next update from the company is its Q221 results, expected on the 30th of July, when the market is looking for it to report over 40% growth in adj. EPS from a c.30% increase in both operating profit and revenue. This growth is building on the 97% increase in adj. EPS, 90% increase in operating profit and 40% increase in revenue reported in Q220 over Q219, demonstrating, we believe, the long-term growth potential of Amazon, well past the impact of the pandemic.
- Despite the beat on its Q121 numbers and the expectation of continued strong growth through the rest of FY21, Amazon's share price has been range bound over the past 10 months. While the post mid-March 2020 sell-off recovery through May and June 2020 has the stock up 31% over the last 12 months, there has been little subsequent movement. The stock is currently trading at 49.7x FY21 P/E and 22.8x EV/EBITDA, an over 20% discount to its 10-year average. While trading at a considerable premium to its FAANG "peers" this has been a constant feature over the past six years and, we believe, reflects the markets confidence in a highly cash generative business model that is forecast to grow EBITDA at a 3-year CAGR of 24%. Our unchanged DCF-derived price target of \$3700 currently implies an 11% upside, supporting our Buy recommendation.

Opportunities this week

CFI Research Team

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

Merrion Multi-Asset YTD Returns



Total Return	YTD
MIM 30	4.1%
MIM 50	7.3%
Managed	10.5%
MSCI World (EUR)	12.4%

Returns as of the 10/06/2021

- 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 slightly 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 that had de-rated during the Q1 rotation into Cyclical. This week the team continued to rotate out of fully valued cyclical and added some beneficiaries of the decarbonisation mega-trend.
- 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.

Aviva plc

Closing Price: £4.17



Key Metrics	2021e	2022e	2023e
Revenue (£'Mn)	39203.0	44164.0	-
EPS (£)	0.49	0.48	0.53
Price/ Earnings	8.48x	8.71x	7.81x
Div Yield	5.39%	5.97%	6.45%

Total Return	1 Mth	3 Mth	1 Year
AV/ LN	2.05%	10.51%	62.75%

Source: All data & charts from Bloomberg & CFI

- Aviva would appear to be undervalued, trading as it does at 0.8x price/book, 1.1x tangible book value and 8.5x FY21 P/E versus its European peers who are currently trading at an average 1.3x P/B, 1.6x P/TBV and 11.3x P/E. The business is also generating a 10.7% return on equity compared to an industry average of 10.1% excluding Legal & General, which is trading on extend multiples. Having recovered from the pandemic-driven market sell-off in March 2020, for the past 10 weeks the stock has been trading at its pre-pandemic price. At this level, the stock is generating an attractive dividend yield of 5.0%.
- In March, Aviva reported FY20 results with strong beats across the board. However, we believe that this was overshadowed by the positive news on the acceleration of the debt reduction planned through a £800m tender offer, which together with upcoming maturities and calls will reduce debt by £1.7bn in H121. The sale of its remaining Italian operations for €0.9bn was also announced, which together with the expected proceeds from the sale of Aviva Vita, will result in total cash received for its Italian operation of £1.1bn. The transactions are expected to complete by end of 2021 and will add another £0.9bn to excess capital above the 180% solvency II cover ratio.
- Management has been clear that excess capital above the 180% solvency ratio will be returned to shareholders, dependent on attaining the target of a solvency II leverage ratio below 30%. In its Q121 update, disposals and the successful completion of a £1bn tender saw the debt leverage ratio fall to 28%, with a further reduction of 2% expected in Q221. The solvency II cover ratio was at 209%. As such, over a relatively short period, new management has focussed the business, sold non-core assets and strengthening the balance sheet, changing the narrative from one of recovery to one of potential capital returns to shareholders through increased dividends and/or share buybacks. Of note, activist investor, Cevian, has built a 5% stake in Aviva, as further cost cutting measures appear to be in the pipeline.

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	Corporate	Corporate	Corporate	Corporate
	Ashtead Group PLC Oracle Corp		Kroger Co Adobe Inc	Carnival Corp
Economic	Economic	Economic	Economic	Economic
EU Industrial Production	German Final HICP UK ILO Employment French Final HICP US Empire State Index US Retail Sales US Industrial Production US Homebuilder Sentiment	Japanese Machinery Orders Chinese Retail Sales Chinese Industrial Production UK CPI & PPI EU Labour Costs Irish Residential Property Prices Irish Unemployment Rate US Housing Starts Fed Funds Rate Announcement Fed Press Conference	EU Final HICP US Initial Jobless Claims US Philly Fed Index	BoJ Interest Rate Announcement Japanese CPI German Producer Prices UK Retail Sales

Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	11.0%
Benchmark	16.1%
Relative Performance	-5.1%
P/E Ratio	29.22x
Dividend Yield	2.3%
ESMA Rating	6
Beta	1.04

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	4.18%	
USD	0.92%	

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution	
STOXX Europe 600	EUR	39	Neutral	60%	16.8%	1.1%	458	10.1%	
S&P 500	USD	28	Neutral	40%	13.8%	0.4%	4247	6.0%	

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%	-0.3%	0.1%	57.33	0.1%	
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	2.8%	4.4%	3346.83	0.3%	
JPMorgan Emerging Markets Trust	GBP	1.3%	H	Emerging Markets	6.67%	2.7%	-0.7%	1.34	0.5%	
Allianz Se	EUR	4.7%	H	Financials	6.67%	13.2%	-0.6%	217.40	0.9%	
Sanofi	EUR	3.7%	H	Health Care	6.67%	17.2%	3.3%	88.90	1.1%	
Vinci Sa	EUR	2.5%	H	Industrials	6.67%	19.5%	1.7%	95.01	1.3%	
Siemens Gamesa Renewable Energy	EUR	0.0%	H	Industrials	6.67%	-25.2%	-3.2%	24.74	-1.7%	
Fedex Corp	USD	0.9%	H	Industrials	6.67%	14.3%	-2.0%	296.09	1.0%	
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	2.1%	2.2%	16.60	0.1%	
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	15.9%	3.2%	271.45	1.1%	
Microsoft Corp	USD	0.9%	H	Information Technology	6.67%	16.5%	2.8%	257.89	1.2%	
Rio Tinto Plc	GBP	6.4%	H	Materials	6.67%	17.4%	-1.6%	6119.00	1.5%	
Smurfit Kappa Group Plc	EUR	2.7%	H	Materials	6.67%	21.7%	4.0%	45.31	1.4%	
CRH Plc	EUR	2.4%	H	Materials	6.67%	30.0%	0.7%	43.34	2.0%	
Engie	EUR	4.4%	H	Utilities	6.67%	2.5%	0.0%	12.32	0.2%	

All data taken from Bloomberg up until 11/06/2021.

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

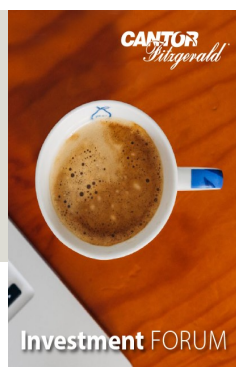
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Issuer Descriptions: (Source: Bloomberg)

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

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Dublin: 75 St. Stephen's Green, Dublin 2. Tel: +353 1 633 3800.

email : ireland@cantor.com web : www.cantorfitzgerald.ie



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