

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 23rd August 2021

Key Themes This Week

The Week Ahead

Equity markets saw an increase in volatility last week as concerns about global growth in the face of rising Delta variant cases, particularly in Asia, a renewed focus on the timing of Fed tapering and broad commodity price weakness on the back of Chinese growth uncertainty, all impacted. For the week equity markets registered declines of circa 1.6% however Asian and Emerging Markets suffered heavier declines with Japan down 3.4%, Hong Kong down 5.8%, China down 2.5% and the MSCI Emerging Market Index down 3.8%.

This underperformance by Asian and Emerging Markets was the result of an increase in virus cases which resulted in renewed lockdowns and is the direct result of the fact that the majority of Asian countries have a vaccination level of just 20% of their population, leaving them vulnerable to a spread of the more contagious Delta variant. While there is evidence of an increase in case numbers in Europe, the overall level compared to the original Alpha variant remain low and critically, hospitalisation numbers also remain low thanks to the significant ramping up of vaccinations over the last three months.

Case numbers in the US however have been increasing steadily over the last number of weeks due to the fact that the vaccination rate has stalled at just 50% of the population and this has been reflected in weaker than-expected Retail Sales and Consumer Confidence readings in the last week. This was a contributory factor in the weakness experienced by US markets last week, with the Consumer Discretionary sector underperforming.

Commodity prices endured a torrid week last week with crude oil declining by 7.3% and Copper also declining by just over 7%. These moves negatively impacted the Energy and Basic Resources sectors however we view the weakness in both as an opportunity to add to exposure.

Regarding the matter of Fed tapering, the minutes of the July policy meeting indicated that the Committee were moving closer to a formal announcement of the timing of this process, however given the negative impact that the Delta variant is having on certain parts of the economy, we do not expect any official announcement until the Fed's December policy meeting with a start date in early 2022. We are mindful however that Fed Chair Powell may use the Jackson Hole Symposium later this week as an opportunity to provide more clarity on the matter. In any event, we do not envision a repeat of the 2013 Taper Tantrum this time around given the fact that the commencement of tapering has been well signalled to the market. While equity markets appear to be more sensitive to headlines surrounding tapering, the bond market appears to be unfazed with the US 10 Year yield finishing 6bps lower on the week at 1.25%.

Overall we remain constructive on risk assets given the backdrop of the recent strong earnings season and the abundant liquidity that remains in the market which we do not see being impacted by any move by the Fed to reduce its asset purchase programme. Equally, whenever the tapering process commences, the timing of the first interest rate increase will still be some time away.

In this week's Trader we cover building material group **CRH** who report half-year results on Thursday along with house builder **Cairn Homes** as a read across for peer house builder **Glenveagh**, who also report on Thursday. We also include French pharmaceutical group **Sanofi** which offers a more defensive stock option for investors along with the usual comment on the **MIM Multi-Asset Fund** range which continue to outperform its peer group in the multi-asset space.

Major Markets Last Week

	Value	Change	% Move
Dow	35,120	-395.30	-1.11%
S&P	4,442	-26.33	-0.59%
Nasdaq	14,715	-108.24	-0.73%

MSCI UK	16,470	-129.03	-0.78%
DAX	15,808	-169.40	-1.06%
ISEQ	8,661	-46.70	-0.54%

Nikkei	27,494	-28.95	-0.11%
Hang Seng	25,162	-1,019	-3.89%
STOXX 600	469	-7.03	-1.48%

Brent Oil	66.46	-3.05	-4.39%
Crude Oil	63.24	-4.05	-6.02%
Gold	1,785	-2.35	-0.13%

Silver	23.22	-0.62	-2.60%
Copper	414.95	-17.20	-3.98%

Euro/USD	1.171	-0.01	-0.58%
Euro/GBP	0.8580	0.01	0.90%
GBP/USD	1.3647	-0.02	-1.46%

	Value	Change
German 10 Year	-0.49%	-0.02
UK 10 Year	0.52%	-0.05
US 10 Year	1.26%	0.00

Irish 10 Year	-0.11%	-0.03
Spain 10 Year	0.21%	-0.01
Italy 10 Year	0.55%	-0.02

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

Sanofi

Closing Price: €90.73



- The healthcare sector has proved resilient over the past few weeks with Sanofi in particular showing strength through August, up 6% in two weeks. This appreciation has seen the stock break upwards, out of the €84 to €88 range it was trading in for the previous four months, breaking and holding at the €90 level. Despite this, the stock is still only trading at 14.2x FY21 P/E and 10.6x EV/EBITDA, a 35% discount to its European peers and broadly in line with its long-term average. Given the relative potential of its current drug portfolio and pipeline, coupled with the potential for its Covid-19 vaccine candidate being developed in partnership with GSK, we believe the discount to peers unwarranted. Our unchanged price target of €100 implies 11% upside with a dividend yielding 3.6% giving comfort.

- The current share price strength follows the issue of a strong set of Q221 results ahead of market expectations in late July. The company concurrently raised guidance. At the time, Sanofi reported an 8% increase in adj. EPS from a 6% increase in operating profit and 12% increase in revenue. Within business lines, Specialty Care revenue grew 22.0% driven by strong Dupixent revenue (+57%), while Vaccines were up 16.2%. General Medicines overall revenue increased by 4.2% supported by strong 11.8% growth in core assets, including Covid-19-related demand for Lovenox. The Consumer Healthcare division reported an 11.9% increase in revenue due to growth in the Digestive Wellness category, which largely offset low demand for cough and cold brands.

- In late April, management reaffirmed earlier guidance of full-year high single digit EPS growth, barring unforeseen major adverse events. Retaining that caveat and noting that business momentum has accelerated in the second quarter, this guidance has now been raised to “around 12%” at constant currency. That said, management also anticipates a 4% to 5% currency impact on the number, which brings reported growth down to between 7% and 8% against current market expectations of 7% reported growth.

Key Metrics	2021e	2022e	2023e
Revenue (€Mn)	38251.1	39989.9	41352.2
EPS (€)	6.34	7.09	7.46
Price/ Earnings	14.31x	12.79x	12.15x
Div Yield	3.63%	3.81%	3.97%

Total Return	1 Mth	3 Mth	1 Year
SAN FP	3.02%	2.83%	9.06%

Source: All data & charts from Bloomberg & CFI

Cairn Homes plc

Closing Price: €1.11



- Irish housebuilder Glenveagh Properties is due to report its interim results on Thursday before market open. We are highlighting this as we feel a strong set of numbers from the company and positive guidance for the remainder of the year and beyond should provide the catalyst for positive momentum in Cairn Homes' share price ahead of its interim results on September 9th. Recent results from the likes of Taylor Wimpey, Barratt Developments and Redrow in the UK, all point towards strong market fundamentals characterised by a growing supply/demand imbalance, low interest rates and house price inflation outpacing build cost inflation, from which we can draw parallels to the Irish market.

- In a trading update released at the end of May, Glenveagh announced that it was on track to reach its delivery on the target of 1,150 closed sales in 2021, with all units sold, signed, or reserved. The company also identified €75m of excess capital which it announced was to be used for a share buyback programme, with the return of capital distributions to shareholders a clear sign of the recovering financial strength in the company following the challenges brought about by Covid-19. We would view any upgrades to completion forecasts, margin improvements and further capital distributions as positive read across information for Cairn.

- Cairn has broken above that €0.95 to €1.10 range that was in in for the past 9 months, trading just above it and closing at €1.11 on Friday, with the stock up 14% YTD and 27% over the past 12 months. At 13.6x FY22 P/E and 16.5x EV/EBITDA, the shares are trading at a discount to close peer Glenveagh and a considerable discount to its five-year average. With our unchanged DCF-derived price target of €1.25 implying 12% upside from current levels, we maintain that the stock is attractive at current prices, and we reiterate our buy recommendation.

Key Metrics	2021e	2022e	2023e
Revenue (€Mn)	373.0	536.2	653.3
EPS (€)	0.04	0.08	0.12
Price/ Earnings	26.38x	13.34x	9.23x
Div Yield	4.15%	5.78%	5.42%

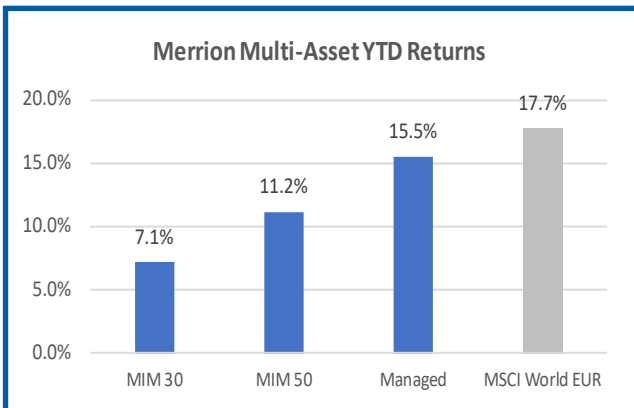
Total Return	1 Mth	3 Mth	1 Year
CRN ID	2.21%	6.54%	33.49%

Source: All data & charts from Bloomberg & CFI

Opportunities this week

CFI Research Team

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



Total Return	YTD
MIM 30	7.1%
MIM 50	11.2%
Managed	15.5%
MSCI World (EUR)	17.7%

Returns as of the 19/08/2021

- 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
- From a top-down perspective, to sum up MIM's views and positioning - the western economic cycle is still rolling over due to slower reopening from new variants, supply chain disruptions and risks to US fiscal spending. Therefore the fund holds quality and growth as the rates backdrop is supportive of these businesses which are doing well.
- The funds are currently at the upper range in growth asset allocation, but the mix is what is key. A slowing western economic cycle and a supportive rates backdrop, along with recent results, supports the teams quality and growth holdings.
- This week MIM added some more cyclicals - miners whose dividend and free cash flow yields are very attractive, and some European luxury goods names that have pulled back significantly on Asian growth concerns.
- With the risk of a summer shake-out ever present, MIM also own equity index put options to offer some protection.
- 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.

CRH plc

Closing Price: €43.78



Key Metrics	2021e	2022e	2023e
Revenue (€Mn)	25167.6	26298.6	27714.7
EPS (€)	2.43	2.70	3.00
Price/ Earnings	18.05x	16.21x	14.61x
Div Yield	2.43%	2.61%	2.82%

Total Return	1 Mth	3 Mth	1 Year
CRH ID	5.62%	4.79%	36.23%

Source: All data & charts from Bloomberg & CFI

- In a recovering business environment, CRH issues its H121 numbers this coming Thursday, the 26th of August where the market is looking for it to report a 53% increase in adj. EPS to \$0.77 from a 12% lift in EBITDA to \$1.79bn and 10% increase in revenue to \$13.44bn. The company's FY20 numbers illustrated that strong cost controls more than countered the slowdown in the business. The market is now looking for these measures to have driven continued margin expansion through H121, albeit with the caveat that there may be a lag in passing increasing input prices through to clients.
- Strong cash flow and balance sheet strength saw net debt/EBITDA dip to a 10-year low of 1.3x at the end of FY20. This gives management a large war chest to potential add to underlying growth through strategic acquisitions. Over the first four months, CRH spent \$200m on four bolt-on acquisitions, while divesting of three businesses for \$300m. With no material deals announced since then, we believe that the company has the capacity to spend up to \$9bn without stretching the balance sheet (2.5x EV/EBITDA). Management is comfortable deploying such amounts of capital, having spent €7.30bn in FY15 and €3.51bn in FY18 on acquisitions.
- Up 27% year-to-date, CRH is trading at 17.9x FY21 P/E and 9.1x EV/EBITDA, an over 50% premium to its European peers but, conversely an over 30% discount to its US peers. On a weighted basis (on EBITDA split) the stock is trading at a 6% discount to the overall sector. It is also trading broadly in line with its 10-year average. With an increasing focus on the North American market, we believe CRH deserves to trade closer to North American multiples. While trading at parity to those peers would imply a share price of €64, our unchanged DCF-derived share price of €49 still implies a 13% upside, we retain both that, and our Buy recommendation, taking the very short-term market-driven pullback as a buying opportunity into the results.

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	Corporate	Corporate	Corporate	Corporate
		Best Buy Co Grafton Group PLC salesforce.com	CRH PLC Dollar General Corp Dollar Tree Inc Gap Inc HP Inc	
Economic	Economic	Economic	Economic	Economic
French Flash Markit Composite PMI German Flash Markit Composite PMI EU Flash Markit Composite PMI US Flash Markit Composite PMI US Existing Home Sales EU Flash Consumer Confidence	German GDP US New Home Sales	German IFO US Durable Goods	EU M3 Annual Money Growth ECB Meeting Minutes US GDP US Core PCE US Initial Jobless Claims	Japanese CPI French Consumer Confidence Irish Retail Sales US Personal Income US Core PCE US Final Michigan Consumer Sentiment

Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	11.4%
Benchmark	22.0%
Relative Performance	-10.7%
P/E Ratio	26.21x
Dividend Yield	2.4%
ESMA Rating	6
Beta	1.01

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	4.32%	

Benchmark

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Weighted Average Contribution	
								Contribution	
STOXX Europe 600	EUR	39	Neutral	60%	20.3%	-1.4%	469	12.2%	
S&P 500	USD	28	Neutral	40%	19.3%	-0.5%	4442	9.9%	

Core Portfolio

Stock	Currency	Yield*	Hold /Sold	Sector	Weighting	Total Return Local	Weekly Return	Price	Weighted Average Contribution	
									*Contribution	
Verizon Communications Inc	USD	4.5%	H	Communication Services	6.67%	-2.4%	-0.6%	55.52	0.1%	
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	-1.7%	-2.9%	3199.95	0.2%	
JPMorgan Emerging Markets Trust	GBP	1.3%	H	Emerging Markets	6.67%	-0.1%	-0.8%	1.30	0.3%	
Allianz Se	EUR	4.9%	H	Financials	6.67%	3.5%	-1.5%	198.72	0.2%	
Sanofi	EUR	3.8%	H	Health Care	6.67%	19.6%	3.8%	90.73	1.3%	
Vinci Sa	EUR	2.7%	H	Industrials	6.67%	13.5%	-1.3%	90.27	0.9%	
Siemens Gamesa Renewable Energy	EUR	0.1%	H	Industrials	6.67%	-23.7%	2.9%	25.26	-1.6%	
Fedex Corp	USD	1.0%	H	Industrials	6.67%	3.2%	-3.8%	266.55	0.5%	
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	-2.3%	-2.2%	15.88	-0.2%	
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	16.5%	-0.7%	272.96	1.4%	
Microsoft Corp	USD	0.8%	H	Information Technology	6.67%	37.7%	4.1%	304.36	2.9%	
Rio Tinto Plc	GBP	6.8%	H	Materials	6.67%	7.4%	-7.5%	5226.00	0.8%	
Smurfit Kappa Group Plc	EUR	2.5%	H	Materials	6.67%	31.5%	-0.2%	48.98	2.1%	
CRH Plc	EUR	2.5%	H	Materials	6.67%	31.3%	-2.6%	43.78	2.1%	
Engie	EUR	4.7%	H	Utilities	6.67%	2.7%	3.5%	12.34	0.2%	

All data taken from Bloomberg up until 20/08/2021.

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

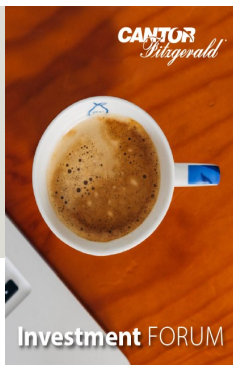
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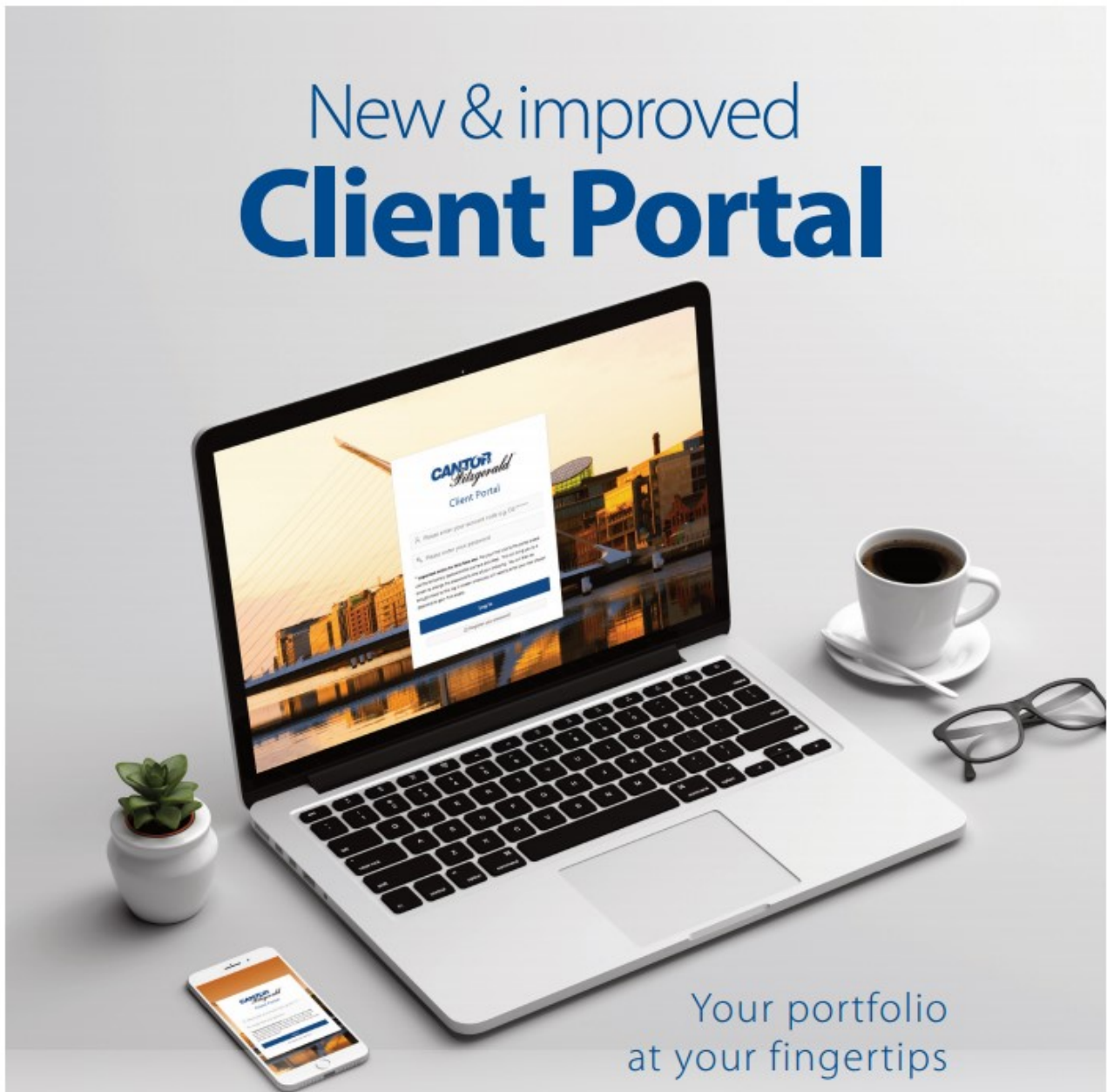


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Issuer Descriptions: (Source: Bloomberg)

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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