

# Weekly Trader

## Upcoming Market Opportunities and Events

**CANTOR**  
*Fitzgerald*

Monday, 30<sup>th</sup> August 2021

### Key Themes This Week

#### The Week Ahead

Global equity markets moved marginally higher last week with average gains of 0.5% with the Growth focused NASDAQ the best performing market with a gain of 1.2%. Amidst seasonally light trading volumes, inter-day index moves were minimal with any directional moves being influenced by ongoing Delta variant headlines and the much anticipated speech from Fed Chair Jerome Powell at the Jackson Hole Symposium.

Delta variant headlines continued to be an influence for markets, however as in previous weeks the more negative news-flow continued to be focused on Asia and Emerging markets where case numbers as a result of a poor level of vaccinations and renewed lockdowns resulted in stock markets in these regions continuing to underperform relative to western markets. Indeed, the overall news-flow regarding the virus was more positive for western markets with the US FDA giving the Pfizer/BioNTech vaccine fully regulatory approval two weeks early than anticipated and while there was some negative headlines about the lower level of efficacy for a number of vaccines, talk of potential booster doses being available helped to off-set this negative headline.

The other main focus for markets during the week was on the speech from Fed Chair Powell at the Jackson Hole Symposium last Friday. Expectations had initially built up to expect some specific announcement on the possible timing of a formal announcement on the commencement of tapering of the current \$120bn per month asset purchase programme. In advance of the speech a number of non-voting members of the FOMC including St. Louis Fed Chair Bullard, Dallas Fed Chair Kaplan and Kansas City Fed Chair George called for the tapering of asset purchases to being almost immediately which further increased the focus on Mr. Powell's speech.

In the end, the Fed Chair's speech gave little by way of clear messaging on the timing of any tapering announcement and that the Fed would continue to evaluate the incoming economic data and the possible economic impact of the rising Delta Variant cases in the US before making a final decision on the matter. As we have outlined previously however, we see the pace of tapering being relatively slow which will mean monetary policy accommodation will remain in place for some time to come and that in any event the first likely increase in US interest rates will not occur until late 2022 or early 2023.

As a result, we continue to see favourable conditions remaining in place for risk assets into the end of the year and into 2022. Also supporting our continued positive outlook for risk assets are the significant levels of liquidity within financial markets, Fed policy facilities such as Repo's, a continued strong outlook for earnings and the ongoing return to more normalised economic activity as a higher percentage of people receive their vaccines. Equally, the potential of a second stimulus package from the US following the agreement reached last week on the US Budget will be supportive for economic growth.

In this week's Trader we include coverage of **CRH** following strong results last week which has result in us increasing our price target, **Ryanair Holdings** which is now trading close to the bottom of its recent trading range and US industrial machinery group **Caterpillar** which is a potential beneficiary of further US stimulus spending. We also include the regular weekly comment on the **MIM Multi-Asset Fund range**.

### Major Markets Last Week

	Value	Change	% Move
Dow	35,456	335.72	0.96%
S&P	4,509	67.70	1.52%
Nasdaq	15,130	414.84	2.82%

MSCI UK	16,616	146.56	0.89%
DAX	15,852	43.71	0.28%
ISEQ	8,841	179.91	2.08%

Nikkei	27,641	627.89	2.32%
Hang Seng	25,408	558.17	2.25%
STOXX 600	472	3.54	0.76%

Brent Oil	72.7	7.52	11.54%
Crude Oil	68.74	6.42	10.30%
Gold	1,818	36.46	2.05%

Silver	24.03	1.00	4.35%
Copper	433.2	20.90	5.07%

Euro/USD	1.1795	0.01	0.83%
Euro/GBP	0.8569	0.00	-0.22%
GBP/USD	1.3764	0.01	1.04%

	Value	Change
German 10 Year	-0.42%	0.07
UK 10 Year	0.58%	0.06
US 10 Year	1.31%	0.05

Irish 10 Year	-0.04%	0.08
Spain 10 Year	0.29%	0.08
Italy 10 Year	0.63%	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

### Caterpillar Inc

Closing Price: \$212.83



Key Metrics	2021e	2022e	2023e
Revenue (\$'Mn)	49002.1	55161.1	59124.7
EPS (\$)	10.18	12.42	14.10
Price/ Earnings	20.9x	17.13x	15.09x
Div Yield	2.03%	2.17%	2.36%

Total Return	1 Mth	3 Mth	YTD
CAT US	0.13%	-11.24%	18.72%

Source: All data &amp; charts from Bloomberg &amp; CFI

- A familiar stock coming back into focus is Caterpillar given the recent passing of the US budget and the implication that this has for the much talked about US infrastructure plan. While we see CRH as one way to play any potential upside surprise to business forecasts, Caterpillar also provides potential exposure to this stimulus. The company generates over 40% of revenue in North America while with over 20% of revenue generated in Asia/Pacific, Caterpillar is also advantageously exposed to those higher growth markets.
- In its most recent results release (Q221) earnings came in 8% ahead of market expectations (\$2.60 versus \$2.40) although the beat was primarily on items below the operating profit line. The business was impacted by higher supply chain and incentive compensation costs, which put pressure on margins in the quarter. It saw the company guiding lower margins through H221 citing additional pressures on supply chain challenges and freight costs, factors being cited as headwinds by many different sectors. On the positive side, retail sales are expected to be unseasonably strong in Q321 and end user demand is accelerating. The company noted this trend across all of its markets with the backlog of orders growing by 40% in Q221.
- Balancing top line growth against margin pressures, the market was little concerned on the Q221 results, dipping 2.7% on the day but subsequently more than recovering to current levels. Up 16% year-to-date and 47% over the past 12 months, Caterpillar is currently trading at 20.7x FY21 P/E and 12.6x EV/EBITDA. While this is a considerable premium to its peers, this is a reflection of the lack of a truly comparable peer base both on business scale and focus. The nearest peer on business scale, Deere & Co, trades at slightly higher multiples. The over 30% premium to long-term averages reflects a sustained spike in valuation since the start of the pandemic, reflecting market confidence in the stock despite temporary pandemic-impacted reduction in operating metrics.

### CRH plc

Closing Price: €45.24



Key Metrics	2021e	2022e	2023e
Revenue (€'Mn)	25543.3	26710.7	28118.2
EPS (€)	2.51	2.77	3.07
Price/ Earnings	18.1x	16.4x	14.81x
Div Yield	2.35%	2.51%	2.67%

Total Return	1 Mth	3 Mth	YTD
CRH ID	6.95%	5.33%	35.65%

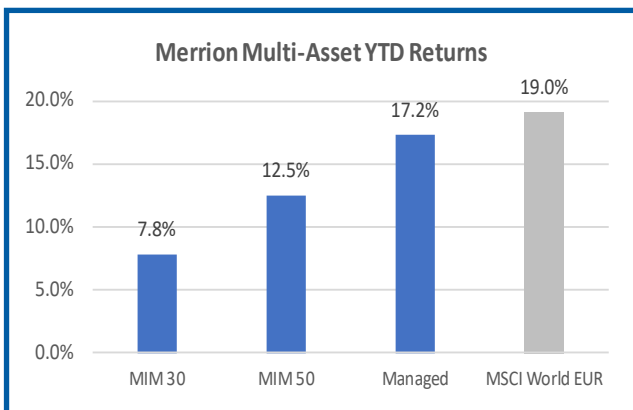
Source: All data &amp; charts from Bloomberg &amp; CFI

- CRH did not disappoint on H121 numbers and FY21 guidance last week. Reporting interim numbers well ahead of market expectations and providing guidance that at the EBITDA level suggested a 5% upgrade to consensus numbers for FY21. To recap, the almost doubling of adj. EPS came in 15% ahead of market expectations from EBITDA 8% ahead of consensus and revenue 1% ahead of forecasts. Across divisions, Americas Materials reported a 9% increase in EBITDA from a 6% increase in revenue, Europe Materials grew EBITDA by 73% and revenue by 27% reflecting the Q220 pandemic impact on numbers and Building Products saw a 16% increase in EBITDA from a 13% increase in revenue.
- As we reported on the day, management noted that the market outlook was improving and that it expected H221 EBITDA to be ahead of the record prior year. H220 EBITDA came in at \$3.00bn so if we assume a \$3.30bn outturn for H221 (consensus at the time \$2.86bn) and add that to the H120 beat of \$2.00bn would give an FY21 EBITDA of \$5.30bn, implying a 5% upgrade to forecasts.
- Despite a 4% increase in share price on the day, we believe that the subsequent 1% pullback on Friday still has the stock trading at an attractive level. Up 34% year-to-date, CRH is trading at 18.0x FY21 P/E and 9.4x 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. Running our post-H121 revised numbers through our DCF model sees our target price tick up to €53.00 from €49.00. As this implies a 17% upside, we retain our Buy recommendation taking the short-term market-driven pullback as a buying opportunity.

## Opportunities this week

CFI Research Team

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



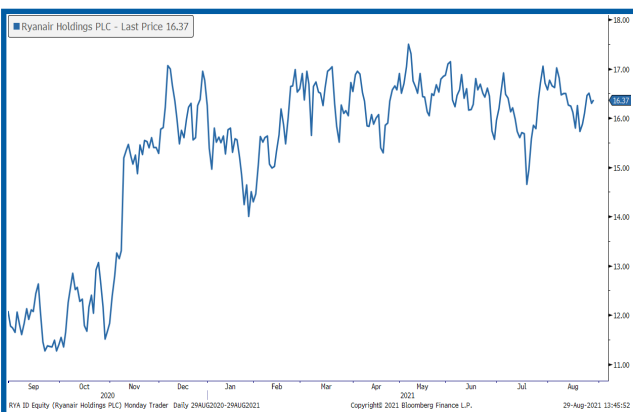
Total Return	YTD
MIM 30	7.8%
MIM 50	12.5%
Managed	17.2%
MSCI World (EUR)	19.0%

Returns as of the 26/08/2021

- 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.
- Recently, 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.

### Ryanair Holdings plc

Closing Price: €16.37



Key Metrics	2022e	2023e	2024e
Revenue (€Mn)	5074.3	8913.5	10353.6
EPS (€)	-0.05	1.26	1.68
Price/ Earnings	-	12.96x	9.74x
Div Yield	0.00%	0.17%	0.21%

Total Return	1 Mth	3 Mth	YTD
RYA ID	-2.03%	-2.85%	0.71%

Source: All data &amp; charts from Bloomberg &amp; CFI

- Ryanair was back in the news at the end of last week with the CEO noting that the airline was "mothballing" its operations at Belfast International and Belfast City airport and moving 10-20% of its Irish capacity to other European countries. While this made the headlines, we believe that the underlying message is that intra-country travel within Europe is possibly picking up more quickly than previously thought and Ryanair is having to redeploy its planes to address the demand. Ryanair does not move planes without reason. This is probable a result of pent-up demand for summer holidays from northern European destinations coupled with the widespread adoption of the EU Covid Certificate as a health "passport".
- Such moves follow a solid set of Q122 numbers largely in line with market expectations reported at the end of July. While they showed the company still to be loss-making, revenue was well up on hard-hit Q120. Importantly, it was reiterated that passenger numbers and load factors are ticking up significantly. The airline carried 8.1m passengers in the quarter at a 73% load factor, the encouraging element being that 5.3m of those passengers were flown in June, illustrating the pickup in passenger numbers as Europe gradually comes out of lock down. Subsequently, July numbers showed 9.3m passengers carried (4.4m in July 2020, 14.8m in July 2019) at an 80% load factor, well up on the 5.3m carried in June at a 72% load factor.
- Ryanair remains the most resilient stock in the European airlines sector, currently trading at pre-pandemic levels compared to its peers who are still down over 50%. Ryanair's shares have traded sideways in a tight €16-€17 range for the past six months awaiting a catalyst to break upwards. We believe that the catalyst of pent-up demand coupled with improving travel conditions will translate into strong growth in passenger numbers sooner rather than later. While reiterating our Buy recommendation, we continue to caution that there continue to be risks to investing in the sector at present, albeit, we believe, greatly reduced.

## This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>
	Bunzl PLC	Pernod Ricard	Barratt Developments PLC Hewlett Packard	Ashmore Group
<b>Economic</b>	<b>Economic</b>	<b>Economic</b>	<b>Economic</b>	<b>Economic</b>
Japanese Retail Sales EU Sentiment German Flash HICP	Japanese Industrial Production French GDP German Unemployment UK Mortgage Approvals EU Flash HICP US Case-Shiller US Consumer Confidence	German Retail Sales EU Final Markit Manufacturing PMI EU Unemployment Rate Irish Unemployment US Final Markit Manufacturing PMI US Manufacturing ISM	EU Producer Prices US International Trade US Initial Jobless Claims US Factory Orders	German Final Markit Composite PMI EU Final Markit Composite PMI EU Retail Sales US Non-Farm Payrolls US Final Markit Composite PMI US Non-Manufacturing ISM

## Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	12.0%
Benchmark	22.9%
Relative Performance	-10.9%
P/E Ratio	28.16x
Dividend Yield	2.4%
ESMA Rating	6
Beta	0.99

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	4.29%	
USD	3.55%	

## Benchmark

## Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution	
STOXX Europe 600	EUR	39	Neutral	60%	21.2%	0.8%	472	12.7%	
S&P 500	USD	28	Neutral	40%	21.2%	1.5%	4509	10.2%	

## Core Portfolio

## Weighted Average Contribution

Stock	Currency	Yield*	Hold /Sold	Sector	Weighting	Total Return Local	Weekly Return	Price	*Contribution	
Verizon Communications Inc	USD	4.6%	H	Communication Services	6.67%	-3.7%	-1.4%	54.77	0.0%	
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	2.8%	4.7%	3349.63	0.4%	
JPMorgan Emerging Markets Trust	GBP	1.3%	H	Emerging Markets	6.67%	3.0%	3.1%	1.34	0.5%	
Allianz Se	EUR	5.2%	H	Financials	6.67%	3.6%	0.1%	199.00	0.2%	
Sanofi	EUR	3.7%	H	Health Care	6.67%	16.3%	-2.8%	88.18	1.1%	
Vinci Sa	EUR	2.6%	H	Industrials	6.67%	14.3%	0.7%	90.89	1.0%	
Siemens Gamesa Renewable Energy	EUR	0.1%	H	Industrials	6.67%	-23.0%	0.9%	25.49	-1.5%	
Fedex Corp	USD	1.1%	H	Industrials	6.67%	3.7%	0.5%	267.90	0.5%	
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	0.7%	3.1%	16.37	0.0%	
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	18.8%	2.0%	278.33	1.5%	
Microsoft Corp	USD	0.8%	H	Information Technology	6.67%	35.6%	-1.5%	299.72	2.7%	
Rio Tinto Plc	GBP	6.8%	H	Materials	6.67%	11.1%	3.4%	5404.00	1.1%	
Smurfit Kappa Group Plc	EUR	2.4%	H	Materials	6.67%	31.7%	0.1%	49.05	2.1%	
CRH Plc	EUR	2.3%	H	Materials	6.67%	35.6%	3.3%	45.24	2.4%	
Engie	EUR	4.4%	H	Utilities	6.67%	0.1%	-2.5%	12.03	0.0%	

All data taken from Bloomberg up until 27/08/2021.

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

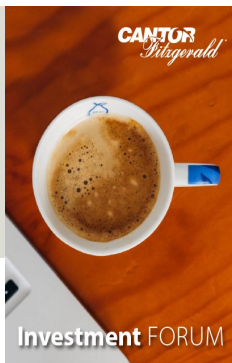
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### Issuer Descriptions: (Source: Bloomberg)

**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

### Historical Recommendation:

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