Weekly **Trader**

Upcoming Market Opportunities and Events

CANTOR Fitzgerald

Monday, 6th September 2021

Key Themes This Week

The Week Ahead
Equity markets finished last week broadly unchanged when taken as an average of the individual markets performances, however following the now generally perceived dovish speech by Fed Chair Powell at Jackson Hole, there was a clear differential in performance between the Value and Growth investment styles.

With the market now of the view that an imminent taper of asset purchases by the Fed is unlikely, bond yields remained anchored at close to their recent range of 1.25% and 1.3% for the US 10 Year, and this provided the catalyst for the Growth focused areas of the market, in particular technology, to outperform.

For the week the NASDAQ 100 registered a gain of 1% compared to declines of almost 1% and 0.4% for the more Value focused Dax and Dow. Also adding to this outperformance by the Growth sectors was increasing evidence of the impact the Delta variant is having on the US economy with the re-opening sensitive areas of retail, travel & leisure and hospitality all seeing a decline in activity levels and spending patterns in recent weeks. These trends were clearly visible in the disappointing Non-Farm Payroll data last Friday which showed either job declines or a slower than expected level of job additions during August for all these sectors.

Indeed, last Fridays jobs report was a bit of a mixed bag when it comes to assessing its impact on potential tapering by the Fed. On a headline basis the number of new jobs created at 235,000 was clearly a big miss on the 720,000 expected however the decline in the unemployment rate to 5.2% from the prior months 5.4% was in-line with forecasts. The other significant component of the reading however saw Average Hourly Earnings increase to an annualised 4.3% from 4.1% in July and ahead of forecasts for 3.9%. With an increasing focus on inflation in recent months, such an increase in wages should normally be a cause for concern, however the reality is that this figure reflects the fact that the sections of the economy that saw the strongest wage growth in August were the traditionally higher paying sectors. The expectation is however that as the Delta variant cases start to subside in the coming months, those lower paying sectors, as outlined above, will see an increase in hirings, which will result in a lower aggregate figure for average earnings.

Overall therefore, we do not see this jobs report, and in particular the increase in average hourly earnings, changing the message of patience delivered by Chair Powell and we still believe that any signalling of tapering from the Fed will not happen until either the November or December policy meetings.

This fact, along with the ongoing monetary policy accommodation by global central banks, the ongoing level of fiscal support e.g. a potential new stimulus package in the US, abundant cash reserves held on deposit at global central banks, as well as record levels of earnings, margins and share buybacks, lead us to reiterate our positive outlook for equity markets for the remainder of the year. It is worth highlighting also that on the three occasions over the last month when markets for various reasons have experienced any weakness, the periods of weakness have been brief (on average two days) with dip-buyers emerging to move markets higher.

In this week's Trader we once again highlight **Ryanair Holdings** following impressive passenger statistics last week, US industrial group **Caterpillar**, which will be a potential beneficiary of any new US stimulus package, and UK insurer **Aviva** which offers the potential for the significant return of capital in the coming quarters. We also include our regular comment on the **MIM Multi-Asset Fund** range.

Major Markets Last Week

	Value	Change	% Move
Dow	35,369	-86.71	-0.24%
S&P	4,535	26.06	0.58%
Nasdaq	15,364	234.02	1.55%
MSCI UK	16,615	-1.01	-0.01%
DAX	15,781	-70.55	-0.45%
ISEQ	8,798	-57.49	-0.65%
Nikkei	29,660	1870.60	6.73%
Hang Seng	26,102	562.54	2.20%
STOXX 600	472	-0.41	-0.09%
Brent Oil	71.68	-1.73	-2.36%
Crude Oil	68.44	-0.77	-1.11%
Gold	1,828	17.20	0.95%
Silver	24.78	0.74	3.09%
Copper	432.35	-5.20	-1.19%
Euro/USD	1.1874	0.01	0.65%
Euro/GBP	0.8574	0.00	0.01%
GBP/USD	1.3849	0.01	0.65%

	Value	Change
German 10 Year	-0.36%	0.08
UK 10 Year	0.72%	0.14
US 10 Year	1.32%	0.04
Irish 10 Year	0.02%	0.05
Spain 10 Year	0.33%	0.06
Italy 10 Year	0.70%	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: $210.37

Key Metrics	2021e	2022e	2023e
Revenue ($'Mn)	48915.1	55043.7	59191.3
EPS ($)	10.19	12.45	14.17
Price/ Earnings	20.64x	16.9x	14.84x
Div Yield	2.05%	2.19%	2.39%

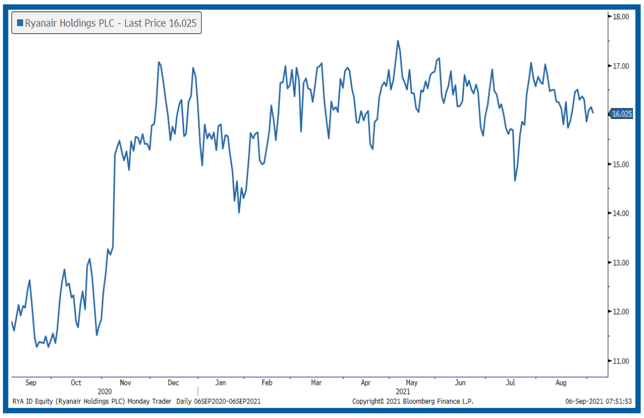
Total Return	1 Mth	3 Mth	YTD
CAT US	0.97%	-13.32%	17.35%

Source: All data & charts from Bloomberg & CFI

- We re-iterate that we believe Caterpillar to be a way to be positioned to benefit from any potential upside should the stimulus provided by the proposed US Infrastructure Bill come to fruition before the end of the year. While there is no definitive timetable for this Bill, the recent passing of the US budget brings its progress to the fore. We believe Caterpillar to be well placed to benefit as it supplies equipment into a range of different players in the construction sector in the US with North America currently accounting for over 40% of Group revenue. Asia/Pacific, which more recently has been seen as a growth driver, accounts for a further 20% of revenue.
- Caterpillar's Q221 earnings came in 8% ahead of market expectations 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.
- Up 16% year-to-date and 44% 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.

Ryanair Holdings plc

Closing Price: €16.03



Key Metrics	2022e	2023e	2024e
Revenue (€'Mn)	5090.4	8912.1	10354.7
EPS (€)	-0.03	1.26	1.68
Price/ Earnings	-	12.68x	9.54x
Div Yield	0.00%	0.17%	0.21%

Total Return	1 Mth	3 Mth	YTD
RYA ID	-4.67%	-1.26%	-1.41%

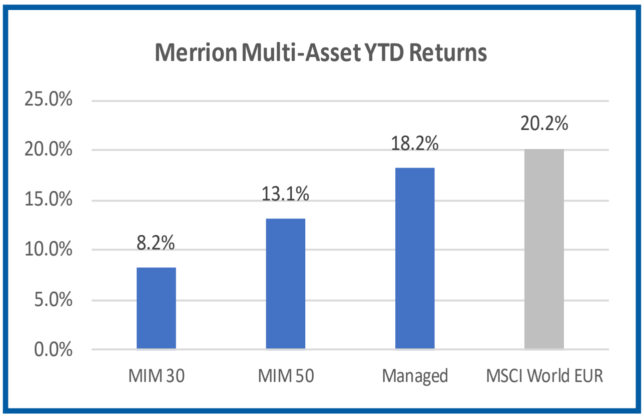
Source: All data & charts from Bloomberg & CFI

- Last week Ryanair published its August traffic statistics, which did not disappoint. The company reported carrying 11.1m passengers, up from 7.0m in July 2020 (remember travel restrictions were lifted in July/August 2020 when the first Covid-19 wave was thought to be the only wave) and 9.3m in June 2021. This is a significant and sequential improvement from the 500k passengers carried only five months ago, back in March. The load factor had also ticked up to 82% in August from 80% in July and an average of 74% over the first six month of the calendar year.
- The week before, as we reported, Ryanair "mothballed" its operations at Belfast International and Belfast City airport, looking to move 10-20% of its Irish capacity to other European countries. We believe that this signals 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.
- These signs of recovery follow a solid set of Q122 numbers reported at the end of July. While they showed the company still to be loss-making, revenue was well up on hard-hit Q120. At the time it was reiterated that passenger numbers and load factors were ticking up significantly and that has proven the case over the subsequent two months.
- 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. Recent sector weakness has the stock trading marginally under this range. We believe, however, 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.

Opportunities this week

CFI Research Team

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



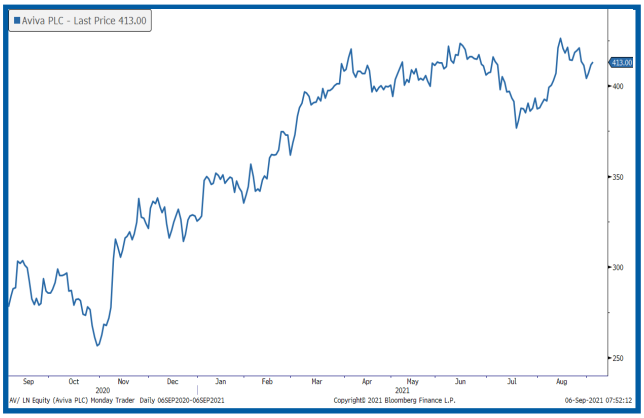
Total Return	YTD
MIM 30	8.2%
MIM 50	13.1%
Managed	18.2%
MSCI World (EUR)	20.2%

Returns as of the 02/09/2021

- 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.

Aviva plc

Closing Price: £4.13



Key Metrics	2021e	2022e	2023e
Revenue (£'Mn)	47994.5	48559.5	48239.0
EPS (£)	0.45	0.46	0.54
Price/ Earnings	9.28x	9.05x	7.6x
Div Yield	5.35%	6.10%	6.73%

Total Return	1 Mth	3 Mth	YTD
AV/ LN	5.32%	2.65%	33.70%

Source: All data & charts from Bloomberg & CFI

- We believe Aviva to be undervalued, trading as it does at 0.9x price/ book, 1.1x tangible book value and 9.3x FY21 P/E versus its European peers who are currently trading at an average 1.5x P/B, 1.8x P/TBV and 11.3x P/E. The business is generating a 9.7% return on equity compared to an industry average of 10.7%, excluding Legal & General, which is trading on extend multiples. For the past five months, one dip notwithstanding, the stock has been trading at its pre-pandemic levels and is generating an attractive dividend, yielding 5.2%.
- In mid-August, while Aviva's H121 numbers came in behind market expectations, the stock was buoyed by the company's plans to return at least £4bn to shareholders using proceeds from the recent sale of noncore businesses. H121 operating profit dipped 7.6% to £1.13bn (£1.28bn forecast) with operating EPS at 21p (24.7p expected). The interim dividend of 7.35p was in-line with market expectations.
- Management reaffirmed its commitment to making a "substantial capital return to shareholders", announcing the initiation of a £750m share buyback programme. As part of the restructuring programme, management also guided that it expects its divestment programme to complete by the end of FY21, with an additional c.£1bn reduction of debt expected by the end of the year. In addition it guided that the business is on track to deliver on its £300m savings target in 2022, while remaining focused on achieving top quartile efficiency in all its businesses. 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%. At the end of H121 the company reported a Solvency II ratio of 203% (FY20 202%) with the debt leverage ratio at 26% (FY20 31%) following a £1.9bn reduction in debt over the six months. 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 capital returns to shareholders through increased dividends and/or share buybacks.

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	**Corporate**	**Corporate**	**Corporate**	**Corporate**
	Vistry Group PLC		Wm Morrison Supermarkets PLC	Oracle Corp Kroger Co
Economic	**Economic**	**Economic**	**Economic**	**Economic**
German Industrial Orders EU Sentix Index US Market Holiday	China Trade Balance German Industrial Output German ZEW Economic Sentiment EU GDP Q2	Japanese GDP Q2 French Trade Balance US JOLTS Job Openings US Consumer Credit	China PPI China CPI German Trade Balance Irish CPI ECB Refi Rate ECB Press Conference US Initial Jobless Claims	German Final HICP UK GDP UK Industrial Output UK Goods Trade Balance French Industrial Output US PPI Final Demand

Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	12.3%
Benchmark	22.8%
Relative Performance	-10.5%
P/E Ratio	28.16x
Dividend Yield	2.3%
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	4.25%
USD	2.90%

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%	0.0%	472	12.7%
S&P 500	USD	28	Neutral	40%	21.9%	0.6%	4535	10.1%

Core Portfolio

Weighted Average Contribution

Stock	Currency	Yield*	Hold /Sold	Sector	Weighting	Total Return Local	Weekly Return	Price	*Contribution
Verizon Communications Inc	USD	4.5%	H	Communication Services	6.67%	-2.5%	1.2%	55.43	0.0%
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	6.8%	3.8%	3478.05	0.7%
JPMorgan Emerging Markets Trust	GBp	1.3%	H	Emerging Markets	6.67%	5.4%	3.1%	1.38	0.7%
Allianz Se	EUR	5.2%	H	Financials	6.67%	2.4%	-1.2%	196.68	0.2%
Sanofi	EUR	3.7%	H	Health Care	6.67%	15.8%	-0.4%	87.85	1.1%
Vinci Sa	EUR	2.5%	H	Industrials	6.67%	14.6%	0.3%	91.14	1.0%
Siemens Gamesa Renewable Energy	EUR	0.1%	H	Industrials	6.67%	-22.5%	0.7%	25.66	-1.5%
Fedex Corp	USD	1.0%	H	Industrials	6.67%	3.3%	-0.4%	266.04	0.4%
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	-1.4%	-2.1%	16.03	-0.1%
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	23.5%	3.9%	289.13	1.8%
Microsoft Corp	USD	0.8%	H	Information Technology	6.67%	36.3%	0.5%	301.14	2.7%
Rio Tinto Plc	GBP	6.8%	H	Materials	6.67%	11.2%	1.7%	5408.00	1.1%
Smurfit Kappa Group Plc	EUR	2.4%	H	Materials	6.67%	32.5%	0.6%	49.35	2.2%
CRH Plc	EUR	2.4%	H	Materials	6.67%	34.0%	-1.2%	44.68	2.3%
Engie	EUR	4.4%	H	Utilities	6.67%	-0.2%	-0.3%	11.99	0.0%

All data taken from Bloomberg up until 03/09/2021.

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 forcast

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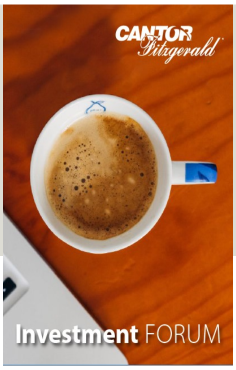

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Microsoft: Microsoft Corporation develops, manufactures, licenses, sells, and supports software products.
PayPal: PayPal operates a technology platform that enables digital and mobile payments on behalf of customers and merchants
Pfizer: Pfizer Inc. 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.
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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