Weekly Trader

Upcoming Market Opportunities and Events

Monday, 20th September 2021

Key Themes This Week

The Week Ahead
The EuroStoxx 600 closed down 1.0% last week and is now 3% below its record high reached last month. Volatility at the end of the session in the US on triple witching day, when roughly $3.4 trillion of equity options matured, including $720 billion of single stock options (the most for any September expiration) was muted, with the S&P500 only down 0.6% over the week.

In Asia, the Japanese market was up 0.4% as the ruling party looks to elect a leader while the Shanghai Composite was down 2.1%, weighed by concerns over Government interference/influence over companies and the possibility of Evergrande's uncontrolled crash.

Bonds ended the week strongly after a weak first two days with the US 10-year up 4bps to 1.38%, continuing the overall expansionary trend since dipping below 1.2% in early August. The German 10-year ticked up 5bps to -0.28%, again continuing its expansion from -0.50% in early August.

Two sectors that did experience material moves this week were the European Travel & Leisure and global Mining sectors. European Travel & Leisure stocks were buoyed by the expectation that pandemic restrictions across the region will be further relaxed in time for the mid-term school breaks, driving a surge in demand for flights and accommodation.

In contrast, with the impact of the Chinese government clamp down on steel production in the second half of the year gaining greater visibility after the August production numbers were published, iron ore prices have continued to fall, in relative terms, impacting the mining sector.

US August retail sales came in ahead of expectations, while weekly jobless claims disappointed and UK retail sales for the month were much weaker than expected. That said, the market took little direction from these, remaining in wait-and-see mode not only for the outcome of the Fed meeting this week but also the forthcoming third quarter results season.

The FOMC meeting on the 22nd of September is a major focus this week. The market will be looking for either actual direction or implied signs as to when tapering will begin and at what pace it will proceed. That said, we believe that any indication of tapering starting in November or December is already in the market, with any delay possibly a small bonus for the equity sector.

Possibly of more importance in terms of short-term market momentum could be the upcoming third quarter earnings season. The markets are entering the hiatus as we come to the end of September. While this time last quarter the market was buoyed by companies across a range of sectors providing trading statements as they were exceeding expectations, they may be less forthcoming this time given the potential impact of supply chain delays and increasing input, labour and transport costs on quarterly numbers.

In China, the possible collapse of Evergrande, one of the country's largest property development companies, and what steps the Government might take to prevent it or ameliorate any fallout, played on sentiment through the end of last week and will continue to provide an undercurrent this week.

On Economic data, while the main focus will be on the above-mentioned FOMC meeting, this week sees a raft of PMI readings from across the Eurozone, the US and Japan, which will be used to gauge on inflation and supply chain concerns.

In this week's Trader we include a comment on house builder **Cairn Homes** following strong results two weeks ago, **Rio Tinto** given the collapse in iron ore prices and the readthrough for the sector and **Apple** on the launch of the iPhone13. We also include the regular update on the **MIM Multi-Asset Fund range.**

Major Markets Last Week

	Value	Change	% Move
Dow	34,585	-22.84	-0.07%
S&P	4,433	-25.59	-0.57%
Nasdaq	15,044	-71.52	-0.47%
MSCI UK	16,201	-257.04	-1.56%
DAX	15,490	-119.64	-0.77%
ISEQ	8,785	133.37	1.54%
Nikkei	30,500	118.21	0.39%
Hang Seng	24,007	-1806.97	-7.00%
STOXX 600	462	-4.50	-0.96%
Brent Oil	74.81	1.30	1.77%
Crude Oil	71.38	0.93	1.32%
Gold	1,750	-43.56	-2.43%
Silver	22.34	-1.40	-5.88%
Copper	417.1	-19.60	-4.49%
Euro/USD	1.1716	-0.01	-0.80%
Euro/GBP	0.8545	0.00	-0.13%
GBP/USD	1.3710	-0.01	-0.93%

	Value	Change
German 10 Year	-0.28%	0.05
UK 10 Year	0.85%	0.09
US 10 Year	1.36%	0.02
Irish 10 Year	0.10%	0.06
Spain 10 Year	0.35%	0.02
Italy 10 Year	0.72%	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

Cairn Homes PLC
Closing Price: €1.12

Key Metrics	2021e	2022e	2023e
Revenue (€'Mn)	393.0	544.7	672.0
EPS (€)	0.05	0.09	0.12
Price/ Earnings	24.17x	13.36x	9.7x
Div Yield	4.05%	5.55%	5.11%

Total Return	1 Mth	3 Mth	YTD
CRN ID	-0.36%	7.68%	-10.95%

Source: All data & charts from Bloomberg & CFI

- Following on from a strong set of interim results and a positive call with the management team last week, we are reaffirming our positivity on Cairn Homes. We believe it is an opportune time to consider adding to or gaining initial exposure to the stock, which on Friday briefly broke out of the compressed €1 - €1.15 range that it had been trading in for the past 6 to 7 months, before closing back within the range at €1.12. Management is confident that the company has very clear visibility on its numbers, and that its recently improved guidance targets are well within the company's reach, as the company is seeing relentless levels of demand across all pricing points in its landbank.
- Since March, Cairn has increased its full-year EBIT guidance by 14%, and management are confident that the company will report operating profit margin at a minimum of 15% each year from FY22. Furthermore, following 100bp uplifts to the FY21 and FY22 gross margin guidance, the company is confident that it is back on track to being a sustainable 20%+ gross margin business going forward. The company also has a strong handle over the recently upgraded 2550 closed sales completion by the end of FY22, with over 90% of these units through full planning, resulting in greatly reduced execution risk.
- Cairn is aiming to generate 350-400m in free cash flow between now and the end of FY22 (equivalent to almost half of Cairn's current market cap.), with 120m of this total being returned to shareholders through progressive ordinary dividends, and the remaining 230-280m returned to shareholders through a combination of capital returns and accretive strategic investments. Our recently upgraded price target of 1.35 implies over 16% upside from current levels, and the share price is supported by a dividend yielding 2.3% based on the interim dividend of 2.66c per share, with the expected full-year DPS yielding close to 5%.

Apple Inc
Closing Price: $146.06

Key Metrics	2021e	2022e	2023e
Revenue ($'m)	366363.26	378547.47	398926.35
EPS ($)	5.57	5.62	5.94
Price/ Earnings	26.2x	26.00x	24.59x
Div Yield	0.58%	0.62%	0.68%

Share Price Return	1 Mth	3 Mth	YTD
AAPL US	-3.35%	12.22%	98.96%

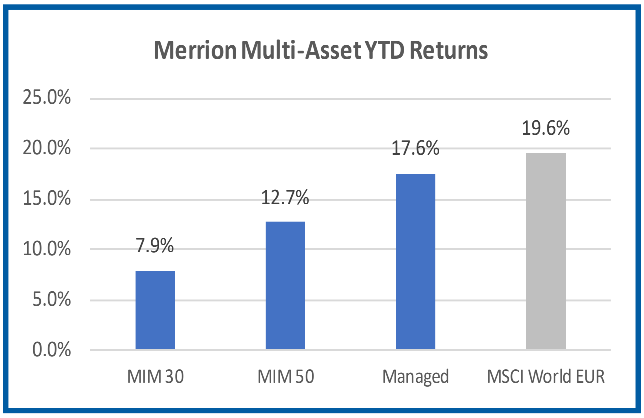
Source: All data and charts from Bloomberg & CFI

- We initiated on Apple in mid-July with a Buy recommendation, at the time noting the highly cash generative nature of the business and its strong sustainable growth profile. With 50% of its revenue coming from iPhone sales, the business could be seen as reliant on one product but its industry-leading nature has proven a winner as illustrated by the demand generally driven by a new product launch.
- The launch of the iPhone 12 (October 2020) drove a 65% increase in iPhone revenue in Q221 over Q220, following a 17% increase in Q121. Following on from that product, on the 14th of September the company unveiled four versions of its latest model, the iPhone13. The phones will be available on the market from this Friday, the 24th of September. The design is similar to the iPhone 12 but features a better camera, faster processing chips and longer battery life. This launch should add momentum to the underlying business which in late July reported a strong set of Q321 numbers (year-end September) well ahead of market expectations. The company reported a doubling in adj. EPS from an almost doubling of operating profit and 36% increase in revenue to $81.43bn ($73.81bn). The Board declared a cash dividend of $0.22 per share.
- While Apple is up 35% over the past 12 months, we still believe that there is value to be had in the stock, particularly after the recent pullback into the iPhone13 launch. At 26.7x FY21 P/E and 19.9x EV/EBITDA, Apple trades at an average 15% discount to its FAANG+ peers. We believe this discount to be unwarranted, given the above noted cash generative nature of the business with a strong sustainable growth profile. We reiterate our Buy recommendation with our unchanged price target of $170 implying a 14% upside to current levels.

Opportunities this week

CFI Research Team

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



Total Return	YTD
MIM 30	7.9%
MIM 50	12.7%
Managed	17.6%
MSCI World (EUR)	19.6%

Returns as of the 09/09/2021

- 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.

Rio Tinto Plc

Closing Price: 4829.50p

Key Metrics	2021e	2022e	2023e
Revenue ($m)	66024.42	54690.18	47561.30
EPS ($)	14.90	10.72	7.76
Price/ Earnings	4.53x	6.3x	8.71x
Div Yield	18.01%	12.35%	8.69%

Share Price Return	1 Mth	3 Mth	YTD
RIO LN	-12.73%	-19.78%	7.25%

Source: All data and charts from Bloomberg & CFI

- The mining sector has experienced a torrid two months following the Chinese government announcement at the beginning of August that it would be looking to reduce steel production. In H121, Chinese steel mills produced 12% more crude steel that H120, albeit the comparative period was impacted by the pandemic. The Government, however, is looking to curb H221 production to bring FY21 production levels in line with those in FY20. The sector is one of the biggest polluters in China at a time when the country is looking to reduce its carbon emissions.
- As steel mills felt obliged to follow government policy, the resultant sharp drop in activity saw August production down 4.3% relative to July and 13.2% against a year earlier. Note, however that given the strong H121 performance January to August steel output rose by 5.3%. This pullback in steel production has had a knock-on effect on iron ore prices, which are down almost 40% over the same period, dragging mining stocks down with it. Note that while the price has slipped, it is still close to $100/tonne and has averaged over $180/tonne ytd, versus $120/tonne in 2020.
- This short-term measure by the Chinese Government does not change our longer-term positive position on Rio. Despite the 20% pullback since the start of August (including going ex-div on 12 August), the stock is only down 8% year-to-date and is flat over the last 12-month period. At 4.5x FY21 P/E and 2.8x EV/EBITDA the stock is trading at an almost 30% discount to its peers and over 50% discount to its 10-year average. While this gives little solace to those following the short-term share price performance, a well-supported dividend yielding over 10% gives comfort. From a trading perspective, in early May we suggested to take profit when the iron ore price spiked. We now suggest holding when it has dipped, arguing that not only is the steel production news in the price but also that the dividend provides one of the strongest Sterling income plays.

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	**Corporate**	**Corporate**	**Corporate**	**Corporate**
	Kingfisher SIG Fedex	General Mills	Costco Nike	
Economic	**Economic**	**Economic**	**Economic**	**Economic**
German PPI Irish Trade Balance	OECD Interim Economic Outlook published US Building permits US Housing Starts	EC Consumer Confidence Irish PPIs US FOMC rate decision	EU PMIs UK PMIs Spanish GDP Netherlands GDP UK BoE bank rates US PMIs US jobless claims	German IFO Italian consumer/ manufacturing confidence US New Home Sales

Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	9.3%
Benchmark	21.5%
Relative Performance	-12.2%
P/E Ratio	26.60x
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	4.68%	
USD	3.43%	

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution	
STOXX Europe 600	EUR	39	Neutral	60%	19.7%	-1.2%	466	11.8%	
S&P 500	USD	28	Neutral	40%	19.9%	-1.7%	4459	9.6%	

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%	-4.6%	-1.9%	54.23	-0.1%	
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	6.5%	0.2%	3469.15	0.7%	
JPMorgan Emerging Markets Trust	GBp	1.3%	H	Emerging Markets	6.67%	3.4%	-1.9%	1.35	0.6%	
Allianz Se	EUR	5.2%	H	Financials	6.67%	0.6%	-1.7%	193.26	0.0%	
Sanofi	EUR	3.7%	H	Health Care	6.67%	8.0%	-6.8%	81.87	0.5%	
Vinci Sa	EUR	2.5%	H	Industrials	6.67%	10.6%	-3.5%	87.93	0.7%	
Siemens Gamesa Renewable Energy	EUR	0.1%	H	Industrials	6.67%	-31.2%	-11.3%	22.77	-2.1%	
Fedex Corp	USD	1.0%	H	Industrials	6.67%	0.0%	-3.6%	257.55	0.2%	
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	-4.7%	-3.3%	15.49	-0.3%	
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	21.4%	-0.4%	284.32	1.7%	
Microsoft Corp	USD	0.8%	H	Information Technology	6.67%	33.8%	-1.8%	295.71	2.6%	
Rio Tinto Plc	GBP	6.8%	H	Materials	6.67%	8.2%	-2.7%	5264.00	0.9%	
Smurfit Kappa Group Plc	EUR	2.4%	H	Materials	6.67%	30.4%	-1.6%	48.57	2.0%	
CRH Plc	EUR	2.4%	H	Materials	6.67%	29.5%	-3.4%	42.99	2.0%	
Engie	EUR	4.4%	H	Utilities	6.67%	-2.1%	-2.0%	11.76	-0.1%	

All data taken from Bloomberg up until 10/09/2021.

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*Red Denotes Deletions

*Green Denotes Additions

*Yields are based on the mean of analyst forcast

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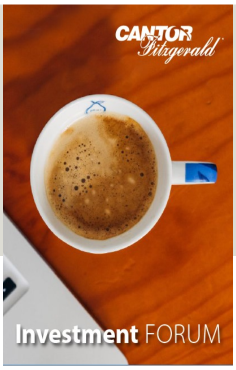

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Dublin: 75 St. Stephen's Green, Dublin 2. Tel: +353 1 633 3800.
email : ireland@cantor.com **web :** www.cantorfitzgerald.ie
Twitter : @cantorIreland **Linkedin :** Cantor Fitzgerald Ireland

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

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