Weekly **Trader**

Upcoming Market Opportunities and Events

CANTOR Fitzgerald

Monday, 27th September 2021

Key Themes This Week

The Week Ahead

- Equity markets witnessed a pick-up in volatility last week from previously low levels as concerns ebbed and flowed over the Evergrande property developer which is in financial distress. By the end of the week fears that there would be significant contagion across global financial markets appeared to be easing. Over the week European markets traded up 0.3% and the S&P500 was up 0.5%.
- In Asia, it was a shortened trading week as a number of markets were closed on different days for holidays. Sentiment in Hong Kong and China remained nervous over Evergrande, although by the end of the week there was more two-way price action returning to these markets. Despite some recovery into the end of the week the Hang Seng Index was 3% lower over the week, the Shanghai Composite Index was flat over the same period. In Japan the Nikkei index retained the important 30,000 level although it was around 1% lower on the week.
- One major focus last week was the FOMC meeting and rate decision on 22nd September. The Fed Chairperson indicated that the asset purchase programme totalling $120bn per month is expected to start being wound down from November. He also brought forward expectations for the likely first increase in US interest rates from early 2023 to late 2022. The initial market response was fairly subdued as the start of tapering in particular, had been widely expected. Ten-year treasury bond yields were little changed and equity markets moved higher post the FOMC meet, whilst the US$ weakened slightly against other major currencies. Towards the end of the week however bond markets came under some pressure and on Thursday the 10yr US bond yield rose to the 1.40% for the first time since mid-July on concerns over growing inflation pressures.
- The oil price has remained well supported around the $75 level for Brent Crude, whereas volatility in copper and iron ore prices has continued in the metals space. This resilience in the oil price, together with the disposal of US shale assets by Royal Dutch Shell, with proceeds to be returned to shareholders, has led to strong performance from oil majors. Healthcare also performed well, with AstraZeneca having two positive announcements on breast and prostrate cancer drug trials.
- The German election yesterday will likely dominate headlines in the early part of this week with the Social Democrats having seemingly toppled the outgoing Chancellor Angela Merkel's, Christian Democrats. The close result, however, means that both are claiming the mandate to form a coalition. One combination which could cause some concern amongst investors would be a coalition of the left containing the Social Democrats, Greens and the far-left party. Any other outcome, which may not be known for some weeks or even months, is likely to lead to a more moderate government.
- While still a few weeks from the main third quarter earnings season, Nike guiding down FY sales growth targets and a weak release from Fedex, have prompted concerns amongst investors that this reporting season may not be as supportive for equity markets as has recently been the case.
- On Economic data, next week is relatively quiet with Durable Goods orders on Monday and Manufacturing PMI figures on Friday from the US and German unemployment data on Thursday being amongst the more important data points. The unemployment data for September due the following Friday 5th October will be of more significance as this may well determine whether the Fed begins tapering in November.
- In this week's Trader we include a comment on energy group, **Royal Dutch Shell** following the well-received asset disposal last week, **Dalata Hotels** given the further easing of lockdown measures and the lifting of the US travel ban and **DCC** which is trading at a potentially attractive entry point. We also include the regular update on the **MIM Multi-Asset Fund range.**

Major Markets Last Week

	Value	Change	% Move
Dow	34,798	213.12	0.62%
S&P	4,455	22.49	0.51%
Nasdaq	15,048	3.73	0.02%
MSCI UK	16,409	337.49	2.10%
DAX	15,532	41.58	0.27%
ISEQ	8,756	-28.94	-0.33%
Nikkei	30,237	-86.83	-0.29%
Hang Seng	24,292	-629.09	-2.52%
STOXX 600	463	1.45	0.31%
Brent Oil	79.17	5.25	7.10%
Crude Oil	75.03	4.74	6.74%
Gold	1,760	-4.63	-0.26%
Silver	22.65	0.38	1.71%
Copper	429.55	18.10	4.40%
Euro/USD	1.1722	0.00	-0.03%
Euro/GBP	0.8571	0.00	0.16%
GBP/USD	1.3676	0.00	0.14%

	Value	Change
German 10 Year	-0.23%	0.05
UK 10 Year	0.92%	0.08
US 10 Year	1.45%	0.14
Irish 10 Year	0.14%	0.05
Spain 10 Year	0.41%	0.05
Italy 10 Year	0.78%	0.06
BoE	0.1	0.00
ECB	0.00	0.00
Fed	0.25	0.00

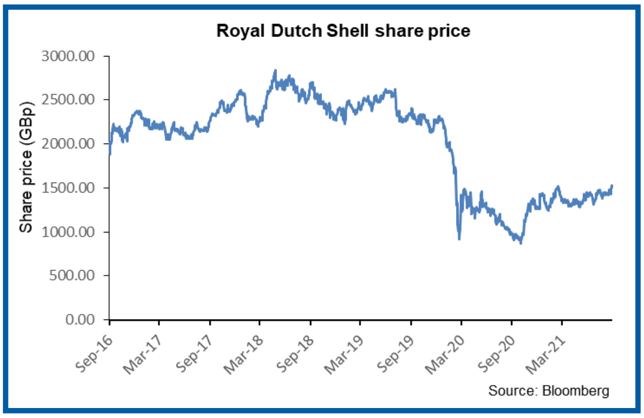
All data sourced from Bloomberg

Opportunities this week

CFI Research Team

Royal Dutch Shell

Closing Price: 1529.20p



Key Metrics	2021e	2022e	2023e
Revenue (£'bn)	298529.00	319289.60	299540.50
EPS (£)	2.48	2.91	2.73
Price/ Earnings	8.42x	7.16x	7.64x
Div Yield	4.19%	4.66%	4.94%

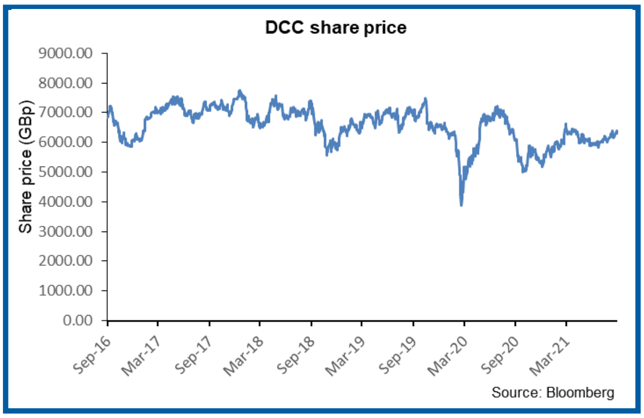
Share Price Return	1 Mth	3 Mth	YTD
rdsb ln	7.10%	6.51%	21.25%

Source: All data and charts from Bloomberg & CFI

- Despite recent share price strength which has the stock trading up at 52-week highs, we remain constructive on Royal Dutch Shell. As of Friday's close, the stock is up nearly 8% over the last five trading days and over 21% YTD. In spite of this, the stock remains c. 45% below its pre-pandemic highs of c. 2720p. It is our view that the positive news flow over the last number of weeks, coupled with a well-supported oil price environment should see the upside momentum in the share price continue in the near-term. Investors can also generate an attractive 4.3% dividend yield for holding the stock at these levels.
- On Monday last, Royal Dutch Shell announced that it had signed an agreement to sell its Permian business in the US to ConocoPhillips, a leading shale developer in the basin, for $9.5bn in cash. Management subsequently announced that the cash proceeds from this transaction will be used to fund $7bn in additional shareholder distributions after the deal closes in Q421, with the remaining $2.5bn used to further strengthen up the balance sheet. These shareholder distributions will be in addition to the progressive ordinary dividend and the shareholder distributions in the range of 20-30% of cash flow from operations.
- The oil price environment remains very much in Royal Dutch Shell's favour, supported by growing fuel demand internationally and concerns about tightening of global inventories leading to supply issues. Natural gas prices have also surged in recent months due to increased demand, particularly from Asia, coupled with low gas inventories. On Friday, the company said that it expects the global gas market to remain tight through 2025 as it sees the price environment for long-term contracts improving and saying that gas is a "seller's market again". The fundamental drivers of the share price continue to look solid and so we reaffirm our positivity on the stock, highlighting any short-term weakness as a buying opportunity.

DCC

Closing Price: 6268.00p



Key Metrics	2022e	2023e	2024e
Revenue (€'bn)	14390.46	14667.64	15009.90
EPS (€)	4.19	4.35	4.49
Price/ Earnings	15x	14.45x	14x
Div Yield	2.72%	2.87%	3.04%

Share Price Return	1 Mth	3 Mth	YTD
dcc ln	2.88%	6.93%	21.51%

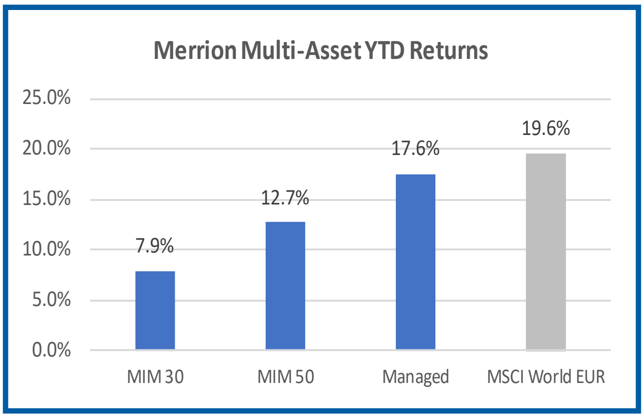
Source: All data and charts from Bloomberg & CFI

- DCC is a company of few words between its results releases but is one that can be relied on to perform on both underlying organic growth and strategic bolt-on acquisitions. The latter are only flagged to the market in results releases. Since its upbeat pre-AGM statement in mid-July, only two announcements of any note have been issued by the company. The first in mid-August was on the formation of a new business unit, Exertis North America, to manage the operations of its Jam Industries and Stampede businesses. The second was last week's announcement that its French unit Certas Energy France has formed a partnership with Engie Solutions to deploy up to 85 fast chargers in 14 motorway service stations operated by DCC.
- The stock will again garner investor attention this week as management host a "DCC Healthcare event" tomorrow, the 28th of September. The event is set to explore the strategy, opportunities and global trends driving the growth of the Healthcare division. Difficulties in getting the message across the last two times management spoke to the market led to short-term stock price weakness, both of which proved to be ideal buying opportunities. We do not believe that there will be such price action this week but still see value in the stock at these levels.
- While the company is not issuing its H122 results until the 9th of November, current market estimates are for it to report a healthy 13% increase in adj. EPS from a 11% increase in net income and 14% increase in revenue. Through these choppy markets, the stock has continued its overall upward momentum over the past two months. Up 22% year-to-date in line with peers but outperforming the FTSE100 (+9%), it currently trades at 15.1x FY22 P/E (year-end March) and 8.7x EV/EBITDA, a small discount to those peers but an almost 20% discount to its 10-year average. Our unchanged 7545p price target implies a 20% upside, supporting our Buy call.

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.

Dalata

Closing Price: €3.77

Key Metrics	2021e	2022e	2023e
Revenue (€'bn)	182.75	390.25	479.00
EPS (€)	-0.19	0.05	0.22
Price/ Earnings	#VALUE!	78.43x	17.11x
Div Yield	0.00%	0.00%	1.59%

Share Price Return	1 Mth	3 Mth	YTD
dhg id	4.29%	-10.36%	-0.53%

Source: All data and charts from Bloomberg & CFI

- We see Dalata as an opportune way to play the recovery story in the travel and leisure sector as vaccination rollout sees travel and entertainment restrictions ease. Airlines continue to report increasing passenger numbers while pent-up demand for holiday travel over the mid-term school breaks across Europe has been flagged over the past couple of weeks. Look for the hotel industry to be one of the beneficiaries of this uptick in demand.
- When issuing its H121 numbers at the beginning of this month, management noted that at the Group level, occupancy trends were encouraging, with strong domestic demand for hotel stays after restrictions were lifted. Occupancies were seen improving month on month, increasing from 44% in June to 58% in July and 68% in August. As such, management is guiding that the improved trading environment should deliver an increase in earnings, with adj. EBITDA for July and August projected to be c.€24m. Like all in the industry, staff retention was difficult when the sector was closed down, although management believes that one key factor that differentiates it from competitors is that it managed to retain a larger proportion of key staff.
- Having appreciated 24% over the first four months on vaccine optimism, the Delta variant overhang saw the share price pull back into the H121 results, finding support at the €3.50 level. Subsequent appreciation has the stock trading at the same price as the start of the year. While the stock is trading at a fairly rich 77.2x FY22 P/E, on EV/EBITDA it is trading at a reasonable 12.4x a c.20% discount to its European peer base and only a 7% premium to its 5-year pre-pandemic average. It is trading at 0.9x price/book versus its peers at 3.6X. Even trading at a reasonable 1.0x P/B would imply a share price of c.€4.20, an 11% upside to the current price.

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	**Corporate**	**Corporate**	**Corporate**	**Corporate**
		Origin Enterprises		
Economic	**Economic**	**Economic**	**Economic**	**Economic**
US Durable Goods Irish Trade Balance Spanish PPI	German Consumer Confidence French Consumer Confidence	EC Economic confidence Spanish CPI	French CPI Italian CPI EC Unemployment rate US initial jobless claims	US Manufacturing PMI U. of Mich Sentiment

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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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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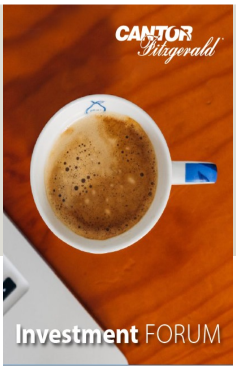

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Royal Dutch Shell: Royal Dutch Shell explores, produces, and refines petroleum
SAP: SAP is a software corporation that makes enterprise software
Smurfit Kappa: Smurfit Kappa manufactures paper packaging products
Verizon: Verizon Communications Inc. 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
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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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