

# Weekly Trader

Upcoming Market Opportunities and Events



Monday, 18<sup>th</sup> October 2021

## Key Themes This Week

### The Week Ahead

Equity markets registered a positive performance last week with gains of on average 1.4%. Within individual markets, Europe and the UK outperformed with gains of 1.9% and 1.7% respectively while in the US, the more Growth focused S&P and NASDAQ outperformed with gains of 1.7% while the Dow Jones registered a more modest return of 0.5%.

The positive performance on the week was driven by positive earnings from a number of sectors. In the US, the third quarter reporting season kicked off with the banking sector which saw the majority of banks beat on both the top and bottom lines with Bank of America, Goldman Sachs and Morgan Stanley the stand-out performers. In Europe, the gains were driven by strong results in the technology and luxury good sectors following positive reports from SAP and LVMH.

US technology names, which had been under pressure recently following a move higher in bond yields, performed strongly ahead of results in the coming weeks and as longer-dated bond yields moved lower. This move lower in yields was the result of a couple of factors. Firstly, the FOMC minutes of the last policy meeting were released and while the minutes showed that there was consensus among the committee that tapering could commence before the end of the year, the minutes also indicated that the committee were also of the view that the first move higher in US interest rates would not occur until late in 2022. The second factor capping the move higher in longer-dated yields was the release in US inflation data which saw the CPI reading come in in-line with forecasts, thereby avoiding a negative surprise, while the reading for PPI actually came in lower than market estimates.

While energy prices continued their recent move higher during the week, appreciating by a further 2.5%, the rate of increase has moderated somewhat, suggesting that the bulk of the recent increase in prices may be topping out. Any signs that prices are starting to stabilise will obviously be reflected in future inflation readings which will help support the views from global central banks that the recent move higher in inflation will indeed be transitory.

Despite market weakness during September and in the early part of October, we have maintained our positive outlook for risk assets into year-end and into 2022. This position has not changed and in fact the market price action last week merely serves to reaffirm that view. We therefore continue to advocate that any short-term periods of market weakness should be used to add to or initiate exposure to risk assets.

In this weeks Trader, we include comments on building materials group **CRH**, US payments group **PayPal Holdings** and UK banking group **Barclays** who report results this Thursday. We also include our usual comment on the **MIM Multi-Asset Fund range**.

## Major Markets Last Week

	Value	Change	% Move
Dow	35,295	548.51	1.58%
S&P	4,471	80.03	1.82%
Nasdaq	14,897	317.80	2.18%

MSCI UK	16,911	191.32	1.14%
DAX	15,587	381.23	2.51%
ISEQ	8,546	172.17	2.06%

Nikkei	29,025	527.26	1.85%
Hang Seng	25,180	478.40	1.94%
STOXX 600	469	12.10	2.65%

Brent Oil	85.66	2.01	2.40%
Crude Oil	83.22	2.70	3.35%
Gold	1,765	10.61	0.60%

Silver	23.28	0.70	3.11%
Copper	479.6	42.95	9.84%

Euro/USD	1.1574	0.00	0.19%
Euro/GBP	0.8430	-0.01	-0.79%
GBP/USD	1.3729	0.01	0.99%

	Value	Change
German 10 Year	-0.15%	-0.03
UK 10 Year	1.11%	-0.05
US 10 Year	1.59%	-0.02

Irish 10 Year	0.22%	-0.03
Spain 10 Year	0.49%	-0.02
Italy 10 Year	0.89%	-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

### CRH plc

Closing Price: €40.67



Key Metrics	2021e	2022e	2023e
Revenue (€'Mn)	25986.6	27228.0	28364.1
EPS (€)	2.58	2.81	3.08
Price/ Earnings	15.72x	14.45x	13.18x
Div Yield	2.68%	2.81%	3.04%

Total Return	1 Mth	3 Mth	YTD
CRH ID	-4.51%	-1.96%	22.49%

Source: All data & charts from Bloomberg & CFI

- We believe that CRH's current market-driven pullback presents a buying opportunity in a stock that is well placed to benefit from the proposed US infrastructure funding programme. After the politicking, we consider that funding will be approved in the near to mid-term. The other factors we consider are holding back the sector are concerns over input price inflation and supply chain disruption. Given its size, CRH is well placed to pass any price increases through to its clients as illustrated last week when a spokesman for peer HeidelbergCement noted that it was intending to raise prices. We also consider that infrastructure stimuli should outweigh any supply chain issues, which we would also see as temporary in nature.
- Despite dipping 11% through September, the stock is still up 20% year-to-date. Having found support at the €40 level, we believe that momentum will return through the reporting season. While CRH only reports revenue numbers at the quarterly stage (due 23 November), US peers such as Martin Marietta and Vulcan Materials should give the market direction when they report on the 2nd and 5th of November, respectively. Note that CRH did not disappoint in H121 numbers and FY21 guidance in late August, reporting interim numbers well ahead of market expectations and providing guidance that at the EBITDA level suggested, at the time, a 5% upgrade to consensus numbers for FY21.
- CRH is trading at 15.7x FY21 P/E and 8.3x EV/EBITDA, a 50% premium to its European peers but, conversely an over 35% discount to its US peers. On a weighted basis the stock is trading at an 11% discount to the overall sector. It is also trading at a 14% discount to its 10-year average. With an increasing focus on the North American market, we believe CRH deserves to trade closer to North American multiples. Our unchanged €53.00 price target implies a c.30% upside, supported by a dividend currently yielding 2.4%.

### PayPal Holdings Inc

Closing Price: \$268.35



Key Metrics	2021e	2022e	2023e
Revenue (\$'Mn)	25760.3	31657.8	38121.9
EPS (\$)	4.71	5.89	7.38
Price/ Earnings	56.95x	45.56x	36.36x
Div Yield	0.00%	0.00%	0.00%

Total Return	1 Mth	3 Mth	YTD
PYPL US	-2.89%	-8.92%	14.58%

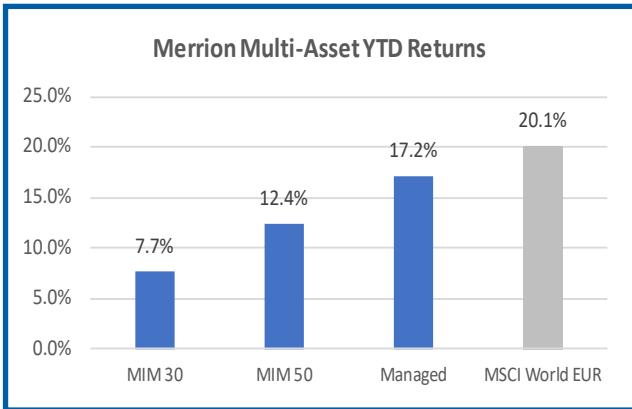
Source: All data & charts from Bloomberg & CFI

- As previously flagged, we consider that PayPal is a stock that is insulated from current input price pressures, supply chain disruption induced shortages and could benefit from expanding interest rates. Since we opined that the non-company specific c.10% price pullback through September presented a buying opportunity, the stock has found support around the \$260 level and could now move on as the reporting season unfolds. Up 14% year-to-date, it is trading at 45.2x FY22 P/E and 33.1x EV/EBITDA. While this would appear stretched on historical multiples (6-year average 36.8x P/E and 24.7x EV/EBITDA), there was a considerable rerating of the stock at the early stages of the pandemic. It has continued to trade consistently at these multiples for the past year.
- In late July, PayPal reported Q221 numbers in line to slightly ahead of market expectations. While it maintained FY21 guidance, its Q321 guidance disappointed the market. At the time, we opined that the two disparate guides possibly reflected timing of the well flagged migration of eBay payments onto its own system. This has always been set to impact results through FY21 with Q221 guidance possibly suggesting a more efficient eBay operation rather than weakness in PayPal's underlying business. In effect a larger impact in Q3 should be offset by a lower than forecast impact on Q4 numbers.
- PayPal is expected to issue its Q321 results at the beginning of November, when the market is looking for little to no growth in adj. EPS from only a 4.2% increase in EBITDA, with considerable margin contraction baked in as revenue is forecast to have grown by 14.2%. With eBay converting off of the platform at a faster rate, this overhang is set to cease in 2022. Underlying growth is expected to be driven by the strength of Venmo, which could exceed \$900m in revenue in FY21, strong momentum in buy now, pay later and in-store QR code payments, better seasonality and growth with new marketplaces.

## Opportunities this week

CFI Research Team

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



Total Return	YTD
MIM 30	7.7%
MIM 50	12.4%
Managed	17.2%
MSCI World (EUR)	20.1%

Returns as of the 14/10/2021

- 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.
- MIM positioning remains towards the top end of their growth asset range, but as they continue to emphasise it is the mix that is most important. The current market backdrop, with bouts of cross asset volatility and extreme sector dispersion has provided excellent opportunities for the tools in their active management offering to add value, be it through hedging risk through options, bond futures to manage duration, sector rotation, or taking advantage of overshooting commodity markets.
- With the risk of a 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.

### Barclays plc

Closing Price: £1.98



Key Metrics	2021e	2022e	2023e
Revenue (£'Mn)	21545.3	21808.2	22557.0
EPS (£)	0.31	0.25	0.27
Price/ Earnings	6.32x	7.88x	7.32x
Div Yield	3.13%	3.99%	4.35%

Total Return	1 Mth	3 Mth	YTD
BARC LN	8.26%	20.88%	37.17%

Source: All data & charts from Bloomberg & CFI

- The US banking sector has reported corporate results this week, with particularly strong performance from investment banks including Goldman Sachs and Morgan Stanley. Barclays, which reports Q3 figures next Thursday, has one of the largest global investment banking franchises of any non-US bank, where it is a top tier player in areas like securities underwriting and FX. Around half of Barclays' total profits are earned in its domestic UK market, where it has a strong position in retail banking, mortgage lending and business banking. Banks with exposure to these areas are expected to benefit from the widely anticipated rise in UK interest rates. Increases in interest rates are generally passed on to borrowers more aggressively than savers, which increases net interest margins and hence profitability for banks.
- Despite strong share price performance year-to-date in common with the broader banking sector, Barclays still trades at an extremely undemanding valuation. It's full year 2021 PE is around 7X and price to book is 0.7. This is in-line with other UK banks, which have less investment banking exposure, but approximately half the valuation of a leading US bank, such as Bank of America.
- Barclays' results on Thursday should highlight the breadth of the bank's franchise and also the strength of its balance sheet, which can facilitate return of capital to shareholders via dividends and share buybacks. Investor sentiment has been gradually improving towards banks on expectation of continued economic recovery and rising interest rates. The sector, however, still remains on a significant discount to the broader market and Barclays looks one of the best opportunities to play the continuation of this improvement in sentiment and fundamentals.

## This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>
Koninklijke Philips NV Sandvik AB State Street Corp	Bank of New York Mellon Johnson & Johnson Bellway PLC Procter & Gamble Co Philip Morris International In Netflix Inc United Airlines Holdings Deutsche Boerse AG	Akzo Nobel NV ASML Holding NV M&T Bank Corp Baker Hughes Co Abbott Laboratories Nasdaq Inc Verizon Communications Inc International Business Machine Tesla Inc Las Vegas Sands	Nordea Bank Abp Nordic Semiconductor ASA Volvo AB Barclays PLC Dow Inc AT&T Inc American Airlines Group Inc Southwest Airlines Chipotle Mexican Grill Inc Whirlpool Corp Intel Corp	American Express Honeywell International Inc
<b>Economic</b>	<b>Economic</b>	<b>Economic</b>	<b>Economic</b>	<b>Economic</b>
China Industrial Output China Retail Sales China GDP US Industrial Production US NAHB Homebuilder Sentiment	US Housing Starts	Japanese Trade Balance UK CPI UK PPI EU Final HICP	US Initial Jobless Claims US Philly Fed Index EU Flash Consumer Confidence US Existing Home Sales	UK Gfk Consumer Confidence Japanese CPI Japanese Flash Manufacturing PMI French Flash Markit Composite PMI German Flash Markit Composite PMI EU Flash Markit Composite PMI US Flash Markit Composite PMI

# Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	8.1%
Benchmark	23.2%
Relative Performance	-15.1%
P/E Ratio	23.47x
Dividend Yield	2.5%
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	6.08%	
USD	5.53%	

### Benchmark

### Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution	
STOXX Europe 600	EUR	39	Neutral	60%	20.7%	2.7%	469	12.4%	
S&P 500	USD	28	Neutral	40%	20.4%	1.8%	4471	10.8%	

### Core Portfolio

### Weighted Average Contribution

Stock	Currency	Yield*	Hold /Sold	Sector	Weighting	Total Return Local	Weekly Return	Price	*Contribution	
Verizon Communications Inc	USD	4.8%	H	Communication Services	6.67%	-7.0%	-1.8%	52.27	-0.1%	
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	4.7%	3.7%	3409.02	0.7%	
JPMorgan Emerging Markets Trust	GBP	1.3%	H	Emerging Markets	6.67%	-0.2%	1.7%	1.29	0.4%	
Allianz Se	EUR	5.2%	H	Financials	6.67%	3.4%	0.0%	198.60	0.2%	
Sanofi	EUR	3.9%	H	Health Care	6.67%	10.6%	-0.5%	83.84	0.7%	
Vinci Sa	EUR	2.6%	H	Industrials	6.67%	13.9%	0.2%	90.59	0.9%	
Siemens Gamesa Renewable Energy	EUR	0.0%	H	Industrials	6.67%	-37.1%	5.6%	20.81	-2.5%	
Fedex Corp	USD	1.3%	H	Industrials	6.67%	-11.0%	2.5%	229.12	-0.4%	
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	6.4%	2.8%	17.30	0.4%	
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	14.6%	3.2%	268.35	1.4%	
Microsoft Corp	USD	0.8%	H	Information Technology	6.67%	37.7%	3.2%	304.21	3.0%	
Rio Tinto Plc	GBP	8.1%	H	Materials	6.67%	3.6%	2.2%	5038.00	0.7%	
Smurfit Kappa Group Plc	EUR	2.7%	H	Materials	6.67%	20.2%	-1.2%	44.49	1.3%	
CRH Plc	EUR	2.7%	H	Materials	6.67%	22.5%	0.0%	40.67	1.5%	
Engie	EUR	4.6%	H	Utilities	6.67%	-3.0%	0.5%	11.65	-0.2%	

All data taken from Bloomberg up until 15/10/2021.

**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

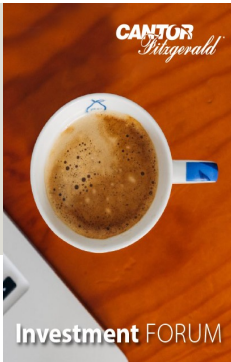
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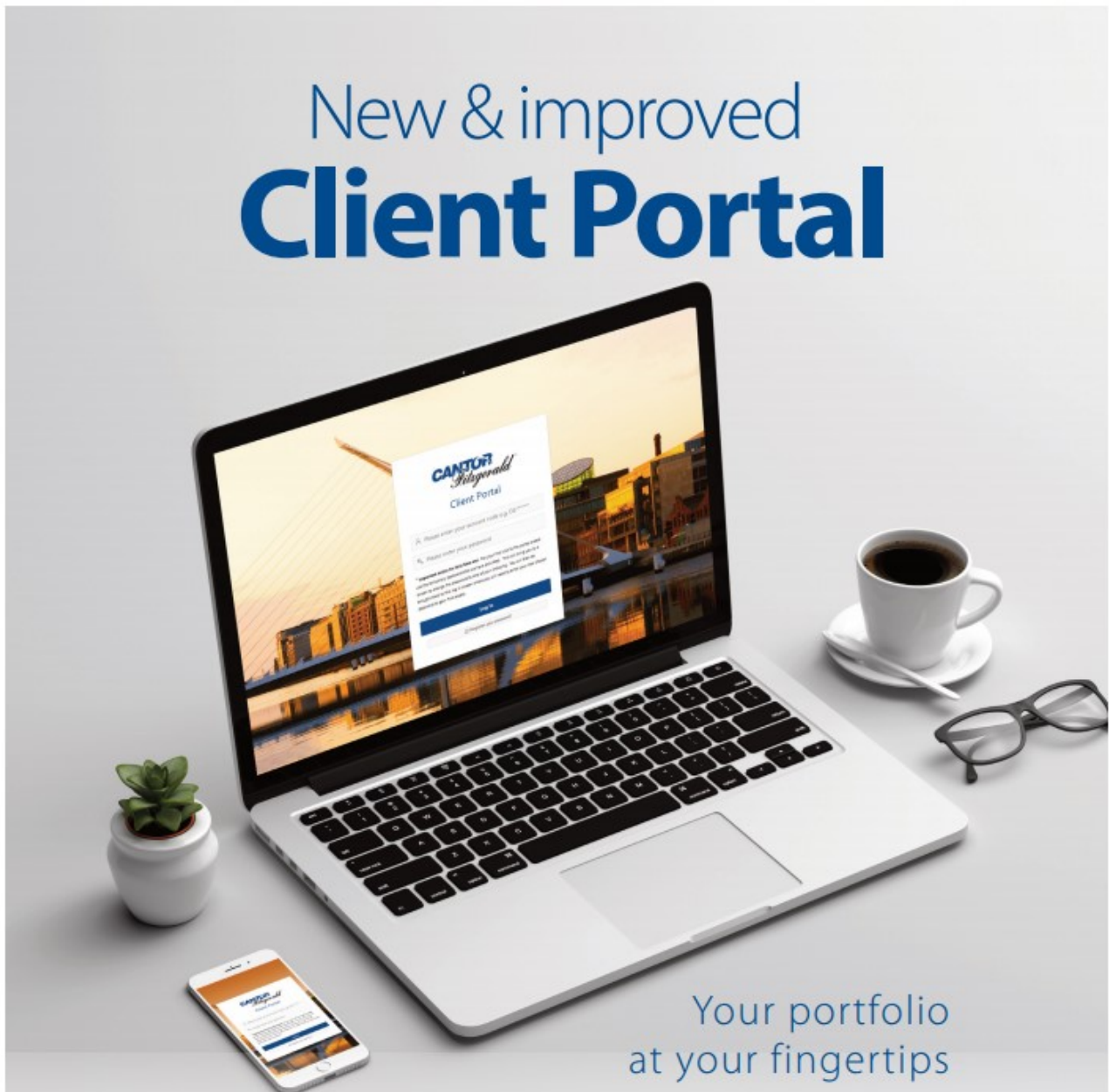
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**Alphabet:** Alphabet provides web-based search, advertisement, maps, software applications, mobile operating systems, consumer content and other software services.

**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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