Weekly Trader

Upcoming Marketing Opportunities and Events

MONDAY, 14th MARCH 2022

Key Themes This Week

The Week Ahead

On the surface, global equity markets appeared to have a rather calm week last week finishing with average gains of 0.5% however this performance masks the continuing level of underlying market volatility and the divergent performances when looked at on a geographic basis. The obvious over-riding cause of market volatility continued to be geo-politics, with the Russian invasion of Ukraine intensifying and with little sign of any ceasefire or cessation of hostilities in the immediate future. The week commenced with surge in crude oil prices to a multi-year high of $139 for Brent which dragged equity markets lower, however in mid-week, equity markets rallied on hopes for a negotiated settlement to the crisis, with Europe in particular seeing the largest gains. By way of example, the Dax in Germany, probably the most sensitive market to the economic effects of the recently imposed sanctions on Russia, gained 8% which helped see it close the week with a gain of over 4%. It should be noted however that even after this positive weekly close, year-to-date the index is still down 13.6% and was at one point down almost 23% at the peak of the market volatility.

As we outlined in our recent market podcast, all assets classes will remain sensitive to any headlines surrounding the current tragic events in Ukraine and investors should therefore expect the ongoing period of volatility to continue until some signs emerge that either Russia withdraws from Ukraine or some form of negotiated end to the conflict can be brokered. Adding to the level of market volatility was the ECB which surprised markets by delivering a more hawkish policy outlook than many market participants, including ourselves, had anticipated. While it is fair to say that the only mandate of the ECB is price stability, most commentators expected that the central bank would view the potential economic drag on the eurozone economy as sufficient justification to deliver a message which indicated that all policy supports would remain in place for longer than previous indicated prior to the invasion and that any move higher in rates would be deferred pending a more stable geo-political environment. Confounding these expectations, ECB President Christine Lagarde instead announced that the ECB would actually move to hasten the winding up of its current Asset Purchase Programme with the programme now set to conclude in the third-quarter of 2022, while at the same time she indicated that eurozone interest rates could be increased ‘some time’ after the conclusion of the programme. While Pres. Lagarde did acknowledge that growth in the region would be less than the bank originally forecast in its December economic projections, she also highlighted that risks for inflation have increased and sent a clear message to markets that it would act appropriately to achieve the price stability mandate.

While this announcement was significant insofar as it marked a shift to a more hawkish policy tone, it was probably more significant in the context of the US Federal Reserve policy meeting this coming Tuesday and Wednesday. Before the crisis in Ukraine commenced, markets had been spooked by the prospect that the Fed may move to increase interest rates by up to 50bps at this week’s meeting with the possibility of up to a total of 7 rate increases during 2022. Following the Russian invasion, expectations for a 50bps increase receded significantly as did the forecasts for the number of rate increase for 2022. Following the ECB’s more hawkish comments, the risk for markets is that the Fed and other global central banks such as the Bank of England who meet this Thursday, will move more aggressively to combat inflation than would normally be expected in the face of any economic slowdown the current crisis in Ukraine might deliver to the global economy.

For the week ahead therefore we see financial market volatility remaining high as geo-political risks persist and also given the potential for a more aggressive Fed policy stance. We re-iterate our view that for clients with a well-diversified multi asset portfolio, we would advocate maintaining their existing exposure as history shows that such portfolios recover from shocks such as the current one over a period of time, while clients looking to deploy cash should do so on an incremental basis while taking a multi-month view for such investments.

In this weeks Trader we include comments on our Analysts Conviction List stocks **FedEx,** who report results on Thursday and energy group **Shell**, along with a comment on German auto manufacturer **Volkswagen**.

Major Markets Last Week

	Value	Change	% Move
Dow	32944	-670.61	-1.99%
S&P	4204	-124.56	-2.88%
Nasdaq	12844	-469.63	-3.53%
MSCI UK	17264	502.79	3.00%
DAX	13628	533.57	4.07%
ISEQ	7083	338.64	5.02%
Nikkei	25308	86.44	0.34%
Hang Seng	19524	-1533.69	-7.28%
STOXX 600	431	9.39	2.23%
Brent Oil	109	-14.21	-11.53%
Crude Oil	105.61	-13.79	-11.55%
Gold	1974	-24.25	-1.21%
Silver	25.681	0.02	0.08%
Copper	457.15	-15.95	-3.37%
Euro/USD	1.094	0.01	0.79%
Euro/GBP	0.8389	0.01	-1.26%
GBP/USD	1.3041	-0.01	-0.48%

	Value	Change
German 10 Year	0.29%	0.30%
UK 10 Year	1.49%	0.28%
US 10 Year	2.04%	0.26%
Irish 10 Year	0.94%	0.23%
Spain 10 Year	1.27%	0.26%
Italy 10 Year	1.88%	0.28%
BoE	0.50%	0.00%
ECB	0.00%	0.00%
Fed	0.25%	0.00%

Opportunities this week

FedEx Corp

Closing Price: $213.18

Key Metrics	2021e	2022e	2023e
Revenue ($'Mn)	93121.5	97447.0	101643
EPS ($)	20.72	22.89	24.46
Price/ Earnings	10.29x	9.31x	8.71x
Div Yield	1.37%	1.47%	1.59%

Total Return	1 Mth	3 Mth	1 Year
FDX US	-11.33%	-13.44%	-17.89%

Source: All data & charts from Bloomberg & CFI

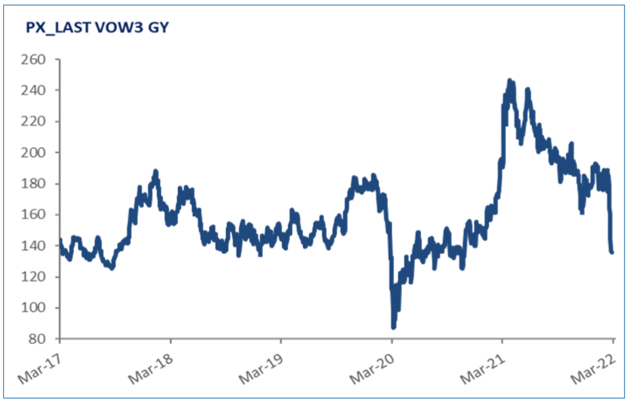
FedEx is due to report its Q322 results this Thursday when it is expected to report a 34% increase in adj. EPS to $4.65 from a 49% increase in operating income to $1.59bn, despite an only 9% increase in revenue to $23.45bn. In mid-December, the company raised full-year (year-end mid-May) earnings guidance to the $20.50 to $21.50 range. Management noted that operating income growth was being driven by strong revenue growth coupled with effective management of both the cost base and challenges in labour availability.

While the market may be looking for some insight into the impact of Russia's invasion of Ukraine on its operations, there may be more interest in the impact of inflation on consumer spend / top line growth and the impact of rising fuel costs on margins. Purchased transportation and fuel costs accounted for 31% of total costs in FY21 and were equivalent to 29.2% of revenue. In our model, all other things remaining constant, every 1% increase in those costs has a c.2.5% impact on EBITDA. On Russia, FedEx has halted inbound services and the movement of domestic deliveries within Russia, Belarus and Ukraine although the impact on the company has yet to be quantified.

While FedEx's share price has dipped 16% year-to-date, it is only down 3% since Russia invaded Ukraine, illustrating the potential low impact Russia's actions and subsequent imposed sanctions will directly have on FedEx's operations. The price dip year-to-date is broadly in line with the company's peers (-14%) reflecting general market caution on top line growth if inflation curbs discretionary spend reducing freight volumes coupled with cost increases impacting profit growth. That said, despite trading at a discount to peers for over 10 years we believe that at 7.9x FY22 EV/EBITDA when forecast to grow that EBITDA at a 17% CAGR over the next three years, demonstrates how undervalued this stock currently is, particularly as we believe the TNT integration overhang is all but in the past.

Volkswagen AG

Closing Price: €143.70



Key Metrics	2021e	2022e	2023e
Revenue (€'Mn)	265184	278130	283224
EPS (€)	30.96	33.65	30.80
Price/ Earnings	5x	4.6x	5.02x
Div Yield	5.38%	5.93%	6.02%

Total Return	1 Mth	3 Mth	1 Year
VOW3 GY	-23.27%	-20.32%	-26.22%

Source: All data & charts from Bloomberg & CFI

Since the invasion of Ukraine, VW have halted sales of cars to Russia. In 2021, they sold 216K vehicles there, about 2.5% of their global volume. However about 40% of these sales were low-margin Skoda's, one of the best-selling cars in Russia. They also closed two factories making mainly Skoda's and some VW brand, no Porsche or Audi. Ukraine is a supplier of electronic wiring so production will potentially be impacted and that's likely to prove a more significant issue.

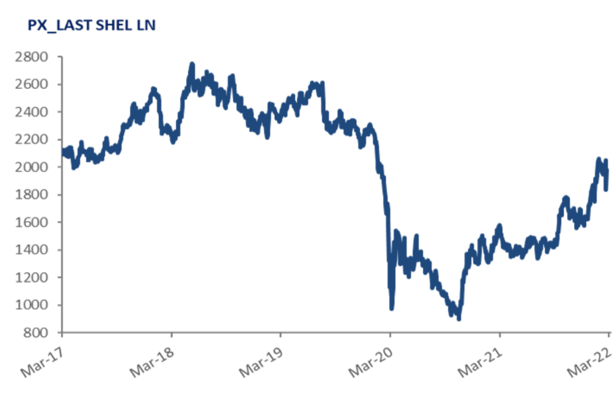
The impact of these production shortages going forward time are unclear, however in early March VW suspended production of the electric Porsche Taycan, one of its best-selling premium cars, initially for 10 days. The shares are trading at a 52-week low however and down around 20% since VW announced the intended IPO of Porsche later this year. The relatively convoluted shareholder structure of VW (and Porsche) makes it more difficult to determine the likely shareholder value to be created from this IPO, particularly as Porsche is a major contributor to VW group profits. Estimates of Porsche's potential value however, boosted by the luxury goods type multiple attained by Ferrari, would still indicate that an IPO will be well received by the market.

Although in the near-term the shares are likely to be volatile and driven by news flow from Ukraine, we do not believe this is the time to be selling VW on a forward PE of 5X. VW gave guidance on 11th March for 2022 sales growth of 8% to 13% and operating margin between 7% and 8.5%, in-line with expectations. FY 2021 revenue increased 12% to Euro250bn, marginally ahead of expectations. The dividend was increased over 50% to 7.56euros, offering a yield of 5%. VW hold their annual Investor Day on 15th March when we should get more detail on potential supply chain issues. Our price target of Eur245 for the Pref shares, offers very significant upside from current levels.

Opportunities this week

Shell PLC

Closing Price: 1964p



Key Metrics	2022e	2023e	2024e
Revenue ($'Mn)	340379	325815	303679
EPS ($)	4.29	4.18	3.72
Price/ Earnings	5.89x	6.04x	6.79x
Div Yield	3.98%	4.56%	4.33%

Total Return	1 Mth	3 Mth	1 Year
SHEL LN	-2.72%	18.30%	51.30%

Source: All data & charts from Bloomberg & CFI

This week we are reiterating our positive stance on oil major Shell. The company has been at the centre of a lot of the news surrounding the Russian invasion of Ukraine as the market has been assessing its Russian exposures. Shell has exited its stakes in Russia, exiting its joint ventures with Gazprom, and its 27.5% stake in the Sakhalin-II LNG plant, and its 50% stake in the company Salym Petroleum, along with its involvement in the Nord Stream 2 gas pipeline. At the time of making that announcement Shell said that the ventures represent about $3 billion in assets for Shell which accounts for 0.7% of its 2021 total assets.

Shell Plc then last week said they won't make any new purchases of Russian oil and gas after controversially buying a cargo of Russian crude oil at a discount. As per the FY20 annual report which is the most recent, only 3.4% of crude oil and natural gas liquids available for sale came from Russia but the company haven't come out and said what the explicit Russian exposure to cash flow/revenue is yet but based on FY20 numbers, we are estimating c.5% of cash flow as a proxy, the same exposure as TotalEnergies, which hasn't cut its Russian exposures and is underperforming Shell potentially as a consequence. Given the price of oil and gas currently, cutting these exposures will have a minimal impact on operations, cash generation and profitability up at these levels.

We recently had Q421 and full-year results at the beginning of February and they were exceptionally strong, driven of course by higher oil and gas prices. The underlying business continues to be highly cash generative and profitable, with c.9-10% of the company's current market cap expected to be returned in cash to shareholders this year. Ultimately, the narrative is clear with respect to global energy supply in the near to medium term: demand is continuing to increase with oil and gas still at the forefront of serving the world's energy consumption needs until significantly more investment is made in renewable forms of energy. We retain our Buy recommendation and our price target of 2300p, which implies c.18% upside, supported by a 3.5% dividend yield.

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	**Corporate**	**Corporate**	**Corporate**	**Corporate**
			FedEx Corp	
Economic	**Economic**	**Economic**	**Economic**	**Economic**
	Chinese Retail Sales Chinese Industrial Output UK Unemployment EZ Industrial Production US NY Fed/Empire State Index	US Fed Press Conference US Fed Funds Target Rate US Retail Sales	EZ Final HICP Inflation UK BoE Interest Rate Decision US Initial Jobless Claims US Industrial Production	EZ Trade Balance

Analyst Conviction List

The Analyst Conviction List highlights the buy-rated stocks that we feel have the greatest potential for share price upside at the current time and where new money purchases could be made. In addition to traditional analytical methods including valuation, industry background and competitive positioning, we also consider ESG factors in our equity research process.

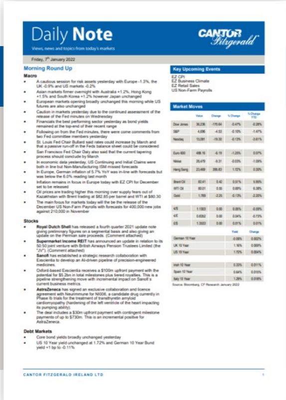
Our initial Analyst Conviction List is provided below:

Company	FX	Industry	Price when in ACL	Current price	Price target	Div yield	Fwd P/E (x)	3m move	ESG Score (0-100)
Flutter Entertainment PLC	EUR	Entertainment	147.30	107.4	195.00	0.00%	17.21	-14.3%	43
LVMH Moet Hennessy Louis Vuitton SE	EUR	Apparel	708.90	585.2	775.00	1.71%	20.11	-16.6%	89
TotalEnergies SE	EUR	Oil&Gas	43.41	45.81	54.00	5.76%	6.41	4.7%	90
Shell PLC	GBp	Oil&Gas	1683.00	1941.80	2300.00	3.63%	6.06	19.9%	82
Barclays PLC	GBp	Banks	192.00	165.42	255.00	3.63%	5.74	-8.1%	92
FedEx Corp	USD	Transportation	242.77	213.18	355.00	1.41%	9.31	-11.2%	69
Ryanair Holdings PLC	EUR	Airlines	18.12	13.65	18.50	0.00%	11.01	-5.2%	27
Caterpillar Inc	USD	Machinery-Constr&Mining	205.88	214.83	230.00	2.07%	14.83	6.5%	94
Microsoft Corp	USD	Software	336.06	280.07	380.00	0.89%	26.09	-14.7%	98
Apple Inc	USD	Computers	151.28	154.73	186.00	0.57%	23.58	-11.2%	34
ASML Holding NV	EUR	Semiconductors	737.10	544.10	900.00	1.36%	27.58	-17.7%	93
Smurfit Kappa Group PLC	EUR	Forest Products&Paper	45.07	38.47	55.00	3.26%	10.79	-16.1%	66
CRH PLC	EUR	Building Materials	42.93	38.71	53.00	2.81%	11.45	-13.4%	94
Hibernia REIT plc	EUR	REITS	1.31	1.16	1.50	4.64%	25.87	-7.6%	61
Deere & Co	USD	Agricultural Machinery	353.87	389.48	418.00	1.08%	15.15	11.7%	77

Source: Bloomberg

Warning: The value of your investment may go down as well as up. You may get back less than you invest

Cantor Publications & Resources



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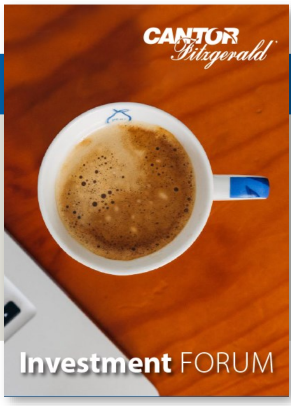

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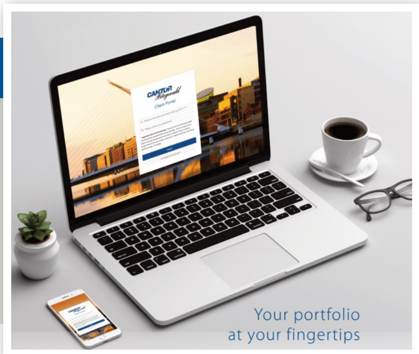

Client Portal

Access all of your information through a single login and view information updates in the Notifications Centre with our easy to use, intuitive user interface.

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Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

Flutter Entertainment PLC

Flutter Entertainment provides and mobile and inline gambling and gaming services primarily in the UK, Australia, the US and Ireland. The company offers betting on a wide range of sporting events as well as offering online games, including bingo, casino games and poker. The more recent acquisition of stakes in FanDuel (now owns 95%) makes it the largest online sports betting business in the US.

LVMH Moet Hennessy Louis Vuitton

LVMH Moet Hennessy Louis Vuitton is a diversified luxury goods group. The company produces and sells wine, cognac, perfumes, cosmetics, luggage and watches and jewelry

TotalEnergies SE

TotalEnergies SE engages in the exploration and production of fuels, natural gas and low carbon electricity. Headquartered in Courbevoie, France, it operates through the following business segments: Exploration & Production; Integrated Gas, Renewables & Power; Refining & Chemicals and Marketing & Services divisions.

Royal Dutch Shell PLC

Royal Dutch Shell Plc, through subsidiaries, explores, produces, and refines petroleum. The Company produces fuels, chemicals, and lubricants. Royal Dutch Shell owns and operates gasoline filling stations worldwide. It operates through the following segments: Integrated Gas, Upstream, Oil Products, Chemicals and Corporate. The company was founded in February 1907 and is headquartered in The Hague, Netherlands.

Barclays PLC

Barclays PLC is a global financial services provider engaged in retail banking, credit cards, wholesale banking, investment banking, wealth management, and investment management services.

FedEx Corp

FedEx Corp. delivers packages and freight to multiple countries and territories through an integrated global network. The company provides worldwide express delivery , ground small parcel delivery, less-than-truckload freight delivery, supply chain management services, customs brokerage services and trade facilitation and electronic commerce solutions

Ryanair Holdings PLC

Ryanair is one of the largest airlines in Europe. The carrier flies to c.190 destinations, serving more than 30 countries throughout Europe, plus Morocco. It specialises in short-haul routes between secondary and regional airports, operating a fleet of c.300 Boeing 737-800s from 75 bases. Under normal conditions the company flies around 116m passengers annually from airports in Ireland, UK, Belgium, France, Germany, Italy, Spain and Sweden.

Caterpillar Inc

Caterpillar designs, manufactures and markets construction, mining and forestry machinery. The company also manufactures engines and other related parts for it equipment and offers financing and insurance. It distributes its products through a worldwide organisation of dealers.

Microsoft Corp

One of the world's leading technology companies, Microsoft Corporation develops, manufactures, licences, sells and supports software products. Microsoft also develops video game consoles (e.g. Xbox) and digital music entertainment devices. Its products include the Windows operating system, Office productivity applications and Azure cloud services. It also owns LinkedIn, the business-oriented social network..

Apple Inc

Apple Inc. designs, manufactures and markets mobile communication devices, personal computers and related equipment along with a variety of related software, services, peripherals and networking solutions. Apple sells its products worldwide through its online stores, retail stores, direct sales force, third-party wholesalers and resellers. Half of its revenue comes from iPhone sales and over half its revenue is generated outside the Americas.

ASML Holding NV

ASML Holding N.V. develops, produces and markets semiconductor manufacturing equipment, specifically machines for the production of chips through lithography. The company services clients worldwide.

Smurfit Kappa Group PLC

Smurfit Kappa Group PLC manufactures paper packaging products. The company offers container boards, corrugated containers, and other paper-based packaging products. Smurfit Kappa Group serves clients globally.

CRH PLC

CRH is an Irish-based international company that makes and distributes cement, concrete, aggregate, glass and asphalt for commercial, residential and infrastructure projects across the globe. CRH has over 3,100 operating locations and a presence in circa 30 c ountries. It is one of the main building materials suppliers in North America and the largest heavy-side materials business in Europe.

Hibernia REIT PLC

Hibernia REIT operates as a real estate investment trust. The company invests in commercial properties including offices. While it has the scope to invest in industrial properties, retail stores, warehousing and distribution centres and other related property assets, Hibernia focusses on high-end office properties in Dublin, Ireland, with strong and improving ESG credentials.

Deere & Co

Deere & Company manufactures and distributes a range of agriculture, construction, forestry and commercial and consumer equipment worldwide. Deere, which trades mainly through the John Deere brand, also provides servicing and financing for its product range.

Regulatory Information

Historical record of recommendation

Flutter Entertainment rating:	Buy; issued 7th October 2021; previous: Hold; issued 16th July 2021
LVMH rating:	Buy; issued 22nd September; previous: none: initiation
TotalEnergies rating:	Buy; issued 22nd June 2021; previous: none: initiation
Royal Dutch Shell rating:	Buy; issued 08 Oct 2021; previous: none: initiation
Barclays rating:	Buy; issued 17th October 2021; previous: none: initiation
Fedex rating:	Buy; issued 2nd June 2021; previous: Buy; 24th November 2020
Ryanair rating:	Buy; issued 2nd July 2021; previous: Buy 19th November 2020
Caterpillar rating:	Buy; issued 5th November 2021; previous none: initiation
Microsoft rating:	Buy; issued 26th August 2021: previous: Buy: 17th June 2020
Apple Inc rating:	Buy; issued 15th July 2021; previous: none: initiation
ASML rating:	Buy; issued 22nd September; previous: none: initiation
Smurfit Kappa rating:	Buy; issued 24th August 2021; previous: Buy: 9th June 2021
CRH rating:	Buy; issued 10th March 2021; previous: Buy: 25th November 2020
	Last change 1st September 2020 Upgraded to Buy from Sell
Hibernia REIT rating:	Buy; issued 31 Aug 2021: previous: none: initiation
Deere & Co rating	Buy: issued 9 Nov 2021: previous: none, initiation

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