The Cut

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We are pleased to announce that Declan Wooloughan has joined the IRF team as a Sales Consultant. Declan previously worked in equity sales for Erste Group Bank and KBC Peel Hunt.

IRF works with 105 Independent Research Providers covering multiple geographies, asset classes, industry sectors and methodologies.

Please contact us if you are interested in seeing the underlying research reports highlighted in The Cut, or if you have any specific research requirements:

Edward Blad
Edward@independentresearchforum.com
+44 (0)203 405 7120
Bloomberg

Alexis Vatistas
Alexis.Vatistas@independentresearchforum.com
+44 (0)203 405 7123
Bloomberg

Declan Wooloughan
Declan@independentresearchforum.com
+44 (0)203 405 7125
Bloomberg

Researchers visiting London

- **Commodity Intelligence** - Global Commodities Markets and related Equities, Mark Latham, Founder & Senior Analyst, **7 & 12 July**

- **Longview Economics** - Global Macro and Commodities, Harry Colvin, Senior Economist, **7 & 14 July**
- **Roskill** - Metals, Minerals, Carbon and Chemicals, Rob Bayliss, Managing Director, **10 July**
- **Simon Hunt Strategic Services** - Global Economics with China focus and Copper Industry, Simon Hunt, Owner & Senior Analyst, **11 & 13 July**
- **Huber Research Partners** - US Media, Internet, Information Services and Credit Rating Agencies, Craig Huber, Founder & Senior Analyst, **13-14 & 17-18 July**
- **Etalon Investment Research** - US Equities - Special Situations, Alex Gavrish, Founder & Senior Analyst, **18-20 July**
- **JL Warren Capital** - China Stocks, related Stocks and Macro, Junheng Li, Founder & Senior Analyst, **24-26 July**

Macro Research

1. **Asbury Research** - Gold prices: resuming their 2011 downtrend
2. **CrossBorder Capital** - Risks elevated in Emerging Markets but still preferred to Developing Markets; two EMs strongly favoured from a risk standpoint this month are Russia and Poland
3. **Longview Economics** - The peaking of Chinese reflation
4. **OM Research** - Where does Brazil go from here? Without speedy reform, capital flight and low investment levels will become the norm
5. **Redward Associates** - The next move by the RBNZ could be to cut rates
6. **Simon Hunt Strategic Services** - China: more news, no slowdown, still bullish
7. **TrimTabs Investment Research** - Bond funds continue to rake in massive amounts of fresh cash and energy-related commodity funds are experiencing big inflows despite bruising losses

Macro Research Snippets:

- **Belkin Report** - The Fed is way behind the curve. They will never get short term interest rates up to 3% before the forthcoming recession strikes. The 30Y TBond knows the Fed will be forced to reverse course
- **Third Year** - Overweight position in 10Y bonds as elevated cyclical risk triggers defensive positioning in their 'Strategy UK'

Company Research

1. **BWS Financial** - Initiates coverage on **Applied Optoelectronics** (AAOI US) with a **SELL** rating and $25 target (current price $62); competitive landscape leaves the company exposed to revenue, gross margin, and earnings, all falling short of estimates
2. **Etalon Investment Research** - **Chico's FAS** (CHS US), offers an attractive risk/reward profile for investors looking to have exposure in the beaten down retail sector

3. **Gimme Credit** - The bonds of **Gajah Tunggal Tbk** (GJTL IJ), largest integrated tire manufacturer in Southeast Asia, are expected to **Outperform** given the profitable nature of the business, manageable credit measures and a supportive business environment in Indonesia
4. **Gradient Analytics** - Initiates **SHORT** coverage on three European retailers in the last six weeks; **Salvatore Ferragamo** (SFER IM), **Hennes & Mauritz** (HMB SS) and **Burberry** (BRBY LN), all face significant headwinds
5. **Storm Research** - Lithium-ion battery separator film manufacturer **W-Scope** (6619 JP) is **undervalued**; the share price having fully discounted recent problems
6. **WaveTrack International** - **Coca-Cola Company's** (KO US) equity price is advancing in tandem with market share; uptrend remains incomplete

Company & Sector Research Snippets:

- **Harlyn Research** - The curious link between the US energy and technology sectors
- **Messels** - UK Mid Cap Technical Review includes watching to **SELL** online fashion retailer, **ASOS** (ASC LN), which is testing price and relative uptrend support and finance company, **Burford Capital** (BUR LN) is a recommended **BUY**, as it is reasserting price and relative uptrends
- **Smart Insider** - **Negative** rank given to **Alior Bank SA** (ALR PL) as two Directors significantly reduce their holdings despite the stock having fallen significantly since May
- **Two Rivers Analytics** - Latest screen, finds companies that are potentially 'overearning'. It shows companies that have potentially suspicious rises in inventory (e.g. **Advanced Energy Industries** – AEIS US), receivables (**DST Systems** – DST US) or other current assets (**MSG Networks** MSGN US)

Macro Research

1. Asbury Research - Gold prices: resuming their 2011 downtrend

IRF Note *- The SPDR Gold Trust ETF's (GLD) recent reversal from important overhead resistance, especially amid contracting investor asset flows, too-bullish investor sentiment, and quarterly overbought extremes, sets up favourable conditions for further weakness and an additional 12% decline to meet Asbury Research's 104.50 downside target. Key points include (see attachment for charts):*

- Key indicator is near term investor asset flows - trend of monthly expansion since May 17th fuelled the recent rally into the June 6th high, but asset contraction since then has driven GLD back to its 200DMA which, as of June 15th, has resulted in a new trend of monthly contraction. On a day-to-day basis, as long as this trend of monthly contraction continues, so should the recent decline in GLD.

- GLD monthly chart since 2007 shows that the ETF is currently testing and starting to reverse lower from major overhead resistance at its September 2011 major downtrend line. It has also just edged below its 12MMA.
- GLD daily chart since 2016 shows that a bearish chart pattern (head and shoulders) continues to target an additional 12% decline to 104.50 that will remain valid as long as the "neckline" of the pattern, drawn between the June 2016 and October 7th lows, continues to contain as overhead resistance.
- A daily survey of individual futures trader bullishness on gold prices is retracting from an historic most bullish extreme, of 80% bullish or higher, that has previously coincided with every near to intermediate term peak in gold prices since 2012.
- GLD is also retracting from a mid-April quarterly overbought extreme that had also previously coincided with every significant peak in gold prices since 2012.
- The tight and stable positive correlation between gold prices and long dated Treasury prices suggests that an upcoming decline in GLD is likely to be accompanied by rising long term US interest rates.

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2. CrossBorder Capital - Risks elevated in Emerging Markets but still preferred to Developing Markets

IRF Note *– CrossBorder Capital's latest Emerging Market Composite Risk Index* hit a reading of 63.7 ('normal' range 0-100). Key points include:*

- Malaysia, the Philippines, South Africa and Turkey have 'red' warning lights**. Two EMs strongly favoured from a risk standpoint this month are Russia and Poland. Both have 'green' lights illuminated, and although China's signal is still 'orange' (forex reasons), in practice, it is not far behind.
- South Africa, Turkey and India have suffered the greatest deterioration in risk conditions over the past six months, whereas Hungary, Slovenia and Taiwan have seen the largest improvement.
- Exposure (appetite) risk is lowest in Israel, Colombia, Chile and Russia. It is highest in Korea, Greece and the Czech Republic. Generally risk appetite across the major Emerging economies remains moderate.
- Liquidity (re-financing) risk in South Africa, Turkey and Mexico is high. In general, liquidity has rebounded back above neutral levels, after nearly four years in the doldrums. China remains crucial to any significant revival, and here the PBoC is adding funds, albeit at a now slower rate.
- EM Forex risk in general is low because private sector liquidity is recovering and Central Bank liquidity prospectively looks flat. China is now at less risk from capital outflows, which lowers the odds of further domestic monetisation and a possible devaluation of the RMB when more-and-more Central Banks start to add liquidity, the currency to gain will be gold.
- Main conclusions: 'tail-risk' or downside protection is not needed; South African Rand, Turkish Lira and Malaysian Ringgit exposure should be hedged; growing credit risks in Turkey, South Africa and Mexico. Overall, models continue to favour EMs over DMs despite worries of many investors.

*Three-dimensional view of risk: (1) Exposure risk – how 'crowded' is the investment class; (2) Liquidity risk – how easily can existing positions in the market be re-financed if necessary, and (3) Forex risk – what are the

odds of devaluation? These sub-indexes are combined into a forward-looking Composite Risk Index by economy.
**A red light indicates that the Composite Risk Index for that economy is more than two standard deviations above 'normal'. An orange traffic light is triggered, either when this Composite Index moves to between one and two standard deviations above 'normal', or when any one sub-component rises above two standard deviations.

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3. Longview Economics - The peaking of Chinese reflation

IRF Note *- Coincident and backward looking indicators suggest that China's 'reflation theme' is alive and well. However, the quality of China's reflation is poor, driven by an ongoing build up in indebtedness, rising house prices and, until recently, rising commodity prices (which have helped reflate corporate profits). This has recently been accompanied by a not insignificant tightening of monetary and macro prudential policy, leading Longview to believe that Chinese reflation is likely to have peaked. Key points include:*

- Credit growth should slow. In the past 10 years, sharp increases in interbank rates have always brought about a phase of weaker credit growth and, with that, renewed pressure on China's corporate sector profits. The speed and magnitude of the recent move higher in SHIBOR (and other interbank rates) is therefore troubling.
- The back up in corporate bond yields adds to that picture and is already resulting in a sharp fall in net corporate bond issuance. The risk of slower credit growth over the next 12-18 months is therefore relatively high. Regulatory tightening only adds to that risk.
- Key housing indicators point to a slowdown in both house price growth and construction activity in coming quarters. Growth in transaction volumes is slowing sharply (in both Tier I & Tier II cities). Typically that foreshadows house price weakness, which is already beginning to roll over. In the past decade, weaknesses in these have been followed by a meaningful slowdown in construction activity.
- Leading economic indicators suggest that Chinese reflation should fade. The OECD LEI is growing at (close to) its slowest pace since 2008/2009 (and back at levels consistent with the Asian crisis). Consistent with that, China's yield curve has inverted, (i.e. with 10 year yields trading below 5 year yields for the first time since 2008 - the curve is also inverted at the 2-10 year spread).

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4. OM Research - Where does Brazil go from here?

IRF Note *– The corruption scandals in Brazil have gone beyond any attempt to localise the disruption and now seem to indict the entire political class. Strong institutions are needed but even the judiciary seems to be losing public support as its role is inevitably politicised. Without speedy reform, capital flight and low investment levels will become the norm. It is not impossible for democracy to be subverted in some form. Key points include:*

- Scandals have occurred due to the perceived need for business people to be close to government for various supports. The massive loans made by state banks (especially BNDES) during the pre-crisis era have created national champions but at a terrible price. Politicians should not be involved in capital allocation decisions but there is a lingering question about why BNDES cut off funding to JBS after it implicated president Temer.
- The cost of democracy must be met within a transparent and strict way or there will continue to be inappropriate funding from the private sector. But this will take time, and current opinion polls suggest that the judiciary is being seen less positively, probably as it is inevitably politicised by the scale of its investigations.
- The fiscal position in Brazil does not tolerate the level of promises made by left-wing parties during the commodity super-cycle. Expectations were high that Temer could act but recent travails have derailed that positive narrative.
- Without a dramatically improved outlook the traditional problem of capital flight will undermine the ability of businesses to grow in Brazil. With the US acting as a magnet for investment capital from South America the macro environment in countries that want FDI needs to be favourable and stable – neither of which apply to Brazil.

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5. Redward Associates - The next move by the RBNZ could be to cut rates

IRF Note *- Consensus suggests that the next move by the RBNZ will be to hike the Official Cash Rate (OCR) - although the timing of the likely hike continues to recede – with just one 25bp rate hike priced by August 2018. However Redward Associates disagrees, believing the next move from the Reserve Bank is unclear and it is entirely plausible that it may be to cut rates. Key points include:*

- Expect headline CPI inflation strength will prove short-lived with 0.7pp of the increase over the past year due to automotive fuel costs. With Brent crude oil down almost 20% in NZD terms since end-2016, softer prices and favourable base-effects will pull headline CPI inflation down to around 1% y/y by March 2018.
- Recent indicators of business and consumer confidence and PMI's have been robust. However, it appears that the strength of confidence and survey data is not translating into physical activity - GDP growth subdued at 0.5% q/q (2.5% y/y) in Q1, despite employment growth of 5.7% y/y and population growth of 2.1%, suggesting that pressure on capacity continues to under-perform expectations.
- Expect the Reserve Bank to lower their estimate of capacity pressures in their August Monetary Policy Statement.
- While the labour market is tightening, it's unlikely to put pressure on CPI inflation any time soon. Wage inflation expectations have been declining and Redward's Phillips Curve is moving lower. The current level of unemployment is consistent with equilibrium CPI inflation of ~1.6% p.a.
- Monetary and credit conditions have tightened materially since mid-2015. While bank credit appears to be expanding rapidly, it's endogenous to the lift in house prices and indicators suggest that ease of obtaining credit has materially tightened. A slowdown in the housing market has the potential to spill over into the broader economy.
- Expect the OCR to remain unchanged through end-2018 but it's possible the next move is a cut.

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6. Simon Hunt Strategic Services - China: more news, no slowdown, still bullish

IRF Note *- Global pessimism is rife that China's economy will slow in H217 and into 2018. Simon Hunt, founder of SHSS argues that the data from the ground and from the banking sector shows that this outlook is wrong. Some of the key points include:*

- Excavator sales rose by 106% in May compared with a year ago and have averaged growth rates of plus 50% for the last nine months. Developers would not be buying expensive machinery if they felt that either building or infrastructure activity would slow or decline in H2.
- Between now and year-end infrastructure spending will rise by 16-17% (China's Vice-Minister on the State Council). He also stated that around 25% of China's industry order books now originate from OBOR countries and are growing faster than domestic orders.
- May's bank lending totalled CNY1.11tr - exceeding market estimates. Medium and long-term household loans rose by CNY432.6bn in May accounting for 40% of last month's new bank lending. This is a sure sign that housing activity will accelerate in H217 and into 2018.
- Throughout the coming decade infrastructure spending will remain strong as funds are spent to meet the needs of relocating another 200m into the urban community.
- China Tower Company plans to start a massive building across the entire country of new towers to meet the rising demand for 5G and to ensure a robust internet connection across the entire country.
- Private consumer expenditure should rise from $3,876bn in 2015 to $4,828bn in 2020 and to $5,921bn in 2025, an increase of 53% with household savings remaining at high levels.
- China's leadership is undertaking the difficult tasks of reforming the financial sector, restructuring industry, focusing the economy on innovation (The Internet of Things etc.) and seeking recognition internationally that China has a role to play on the world stage.

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7. TrimTabs Investment Research - Bond funds continue to rake in massive amounts of fresh cash and energy-related commodity funds are experiencing big inflows despite bruising losses

IRF Note *– In their Weekly Flow Report, TrimTabs highlights that bond fund inflows are set to top $30bn for a fifth month in 2017 despite Federal Reserve rate hikes, historically low yields, and lacklustre year-to-date returns. Elsewhere, big inflows are evident in energy-related commodity funds despite dropping more than 8% so far this month. Key points include:*

- Bond MFs and ETFs have reeled in $23bn in June, putting them on track to pull in more than $25bn for a sixth consecutive month.

- Riskier sectors are drawing the heaviest inflows. Foreign bond ETFs are on track for their biggest quarterly inflow on record, issuing $5.3bn (13.7% of assets) quarter-to-date, while corporate bond ETFs have taken in $4.2bn (2.5% of assets).
- The flows of US equity funds are diverging again in June. Redemptions from US equity MFs have reached $14.8bn ($850m daily) this month, while US equity ETFs have issued $16bn ($950m daily).
- Passive US equity products have been overwhelmingly popular in 2017. US equity ETFs - almost all of which are passively managed - have received $83.2bn this year, while US equity MFs - most of which are actively managed - have shed $71.3bn.
- Mining shares suffered record redemptions in May, and outflows are persisting into June. Precious Metals equity ETFs have shed $700m (5.4% of assets) in June following record outflows of $1.7bn in May. These funds have redeemed an astonishing $3.9bn (30% of assets) in the past three months.
- Energy commodities ETFs have hauled in $600m (13% of assets) so far this month despite dropping 8.8%. Inflows this month have more than reversed outflows of $150m (3% of assets) last month, when they fell 2.2%. The aggressive bottom-chasing by traders is a negative sign from a contrarian perspective.

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Macro Research Snippets:

Belkin Report - The US Treasury bond market continues to thumb its nose at the Federal Reserve. The 30Y TBond future was up another point, last week. Fed officials are perplexed because their monetary conditions index shows easing while they are tightening. This all makes perfect sense if you consider Fed monetary policy has been out to lunch for years. The Fed is way behind the curve. They will never get short term interest rates up to 3% before the forthcoming recession strikes. The 30Y TBond knows the Fed will be forced to reverse course, cutting interest rates and pumping credit again. The dollar and gold are also starting to sense a reversal. **Click here** for a short overview of this researcher

Third Year - Defensive position recommended in recent 'Strategy UK'. It points to increased cyclical risk driven by weaker housing, credit and consumption. The weak domestic economy is expected to be negatively influenced by spillover from a global slowdown later this year; losing the benefit of a weak pound in an extension or potential acceleration of the current weak USD environment. The UK would be one of the first economies to fall into a recession. Interest rates – this increased risk in both the UK's domestic economy and external sector is not fully priced yet, reflected in the strong (Overweight) signal identified in 10Y rates. **Click here** for a short overview of this researcher

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Company Research

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1. BWS Financial - Initiates coverage on **Applied Optoelectronics** (AAOI US) with a Sell rating and $25 target (current price $62); competitive landscape leaves the company exposed to revenue, gross margin, and earnings, all falling short of estimates

IRF Note *– AAOI designs and manufactures optical products, including components and modules. AAOI has benefited from an elongated tailwind related to data centres using 40G interconnects in their network while upgrading to 100G. This brief delay in the upgrade cycle to 100G is purely a timing issue and one that could lead to a series of disappointments for AAOI shareholders. The consensus is overly bullish even though AAOI's stock has had a spectacular increase from $9.07. Key points include:*

- AAOI was able to benefit during the early stages of the upgrade cycle. This window of opportunity is closing. By the end of 2017 should expect more supply to be available enabling greater transition away from 40G.
- AAOI's gross margin is currently ~40%; but historically, the industry has usually been ~30% or lower. The Street expects margins to remain at elevated levels during the 100G transition process, but the 100G field is highly competitive and seeing regular pricing erosion.
- 83% of total revenue is generated from data centre customers - Amazon represented 56% of 1Q revenue and Microsoft, 19%. This large exposure to two customers leaves AAOI prone to volatility, as these companies make greater strides in using 100G in their data centres.
- The crossover period between 40G and 100G for AAOI is fast approaching and it will not be as smooth as consensus estimates call for. Upgrade cycles in technology are almost never smooth.
- Executives increased their selling of stock last month when the price was above $60.
- Heavily shorted stock; but no sell-side firm has cited the impending revenue cliff AAOI faces.
- The overly bullish consensus does not take into consideration the risks AAOI could face over the next few quarters. While the second quarter might be in line future quarters could see some volatility.

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2. Etalon Investment Research - **Chico's FAS** (CHS US): Value pick from retail sector

IRF Note *– According to Alex Gavrish, founder of Etalon Investment Research, ongoing destruction of shareholders' value in the retail sector presents unique investment opportunities. Recent acquisition of Whole Foods Market Inc. by Amazon highlighted the fact that offline retail is not going to disappear completely, despite tremendous changes and pressure in the sector. Shares of Chico's FAS Inc. offer an attractive risk/reward profile for investors looking to have some exposure in the beaten down retail sector. Some of the key points are outlined below:*

- Chico's FAS is a specialty retailer of women's private branded clothing, intimates, and accessories.
- Strong balance sheet, net cash position of $90m (last quarter).
- Currently valued at an EV/EBITDA multiple of x3.58 (FY '16, adjusted for restructuring charges).
- Good FCF generation (a total of $458m over three years), current FCF Yield of 16.7% (FY '16).

- Significant growth potential and unrealised value in the Soma brand.
- Rational steps were taken by management over the past three years (closure of stores, cost savings initiatives, sale of Boston Proper).
- Repurchased $422m worth of shares over past three year, 3.9% dividend yield at present.
- Potential buyout candidate, numerous rumours over past three years.
- Past recommendation highlighted in The Cut: spin-off of Bioverativ Inc. (BIVV US) by Biogen, +43% return in 5 months (Feb '17 - Jun '17).

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3. Gimme Credit - **Gajah Tunggal Tbk** (GJTL IJ) bonds expected to Outperform; given the profitable nature of the business, manageable credit measures and a supportive business environment in Indonesia

IRF Note - *Time is running out for Gajah Tunggal to find a way to refinance its USD-denominated notes that mature in less than eight months from now. It's been a year that the largest integrated tire manufacturer in Southeast Asia has been talking about their intention to tackle this refinancing, but there is nothing concrete yet. With a yield-to-maturity of ~16% (annualised yield-to-maturity of 25%), these bonds deserve attention. Key points include:*

- Positive net income in the last four out of five years. After the release of some good results for FY16 (due to a healthy domestic replacement tire market and reduced raw material prices), the company posted some weaker results in 1Q17, which saw the company's net leverage ratio increase from 2.9x in FY16 to 3.1x in 1Q17 (gross leverage ratio stood at 3.3x).
- Considering the time lag of 3-6 months between swings in raw material prices and changes in selling prices, there will be some pressure on EBITDA margins in 2Q17, but Gimme Credit expects better results in the back half of this year.
- Gimme Credit forecasts have assumed a successful refinancing of the notes, with an increase in interest rates of 150bps, leaving the company with a manageable coverage ratio of ~2.5x.
- Apart from the Feb-2018 notes, the company only has working capital credit lines with HSBC ($77m line, $29m outstanding in 1Q17) and with CIMB ($55m facility, $17m outstanding).
- Rating agencies have lowered their ratings on the notes to the CCC space, due to growing refinancing risk, as Gajah Tunggal takes its time to secure the refinancing of the 2018 bonds. But Gimme Credit believes the firm will manage to raise enough funds to redeem the 7.75% 2018 notes at par, and have an "outperform" rating.

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4. Gradient Analytics - Initiates Short coverage on three European retailers in the last six weeks

IRF Note - *Gradient Analytics is based in the States and contains a team of eight forensic* *accountants who find approximately 30 short ideas each year. Whilst many of us are aware of the big headwinds facing the Retail space, in terms of finding those companies most at risk in Europe, Gradient Analytics has recently initiated (short) coverage on* ***Salvatore Ferragamo*** *(SFER IM),* ***Hennes & Mauritz*** *(HMB SS) and* ***Burberry*** *(BRBY LN). Some of the key points are outlined below:*

- All three retailers have suffered from declining retail productivity which is causing increasing inventory levels on the balance sheet. Wholesale channels are also under pressure and accounts receivable have increased materially as a result.
- Specific problems relating to Ferragamo - retail revenue growth has been negative for eight straight quarters after adjusting for favourable currency effects and increased store count.
- For H&M, a persistent working capital build has led to declining cash flow performance, pushing free cash flow below dividends payments on a TTM basis.
- Burberry's wholesale performance has been hampered by an increasingly promotional environment among U.S. department store customers, leading to increased inventory levels as the company has attempted to avoid discounting in an effort to protect its brand.

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5. Storm Research - Lithium-ion battery separator film manufacturer **W-Scope** (6619 JP) is undervalued; the share price having fully discounted recent problems whilst ignoring medium term growth potential

IRF Note *– A consistent stream of upward revisions to full year OP since FY 12/13 was interrupted in FY 12/16 owing to delays in production capacity expansion. Problems persisted in 1Q17 due to lacklustre Chinese sales, a degree of Korean weakness and unforeseen costs related to line reworking and sample shipments. Despite expecting 1H OP to be below the company's target, Storm Research believes the company is undervalued. Key points include:*

- The successful signing of a new tier 1 battery film separator customer likely marks the start of a turnaround, with 2H17 earnings set to feature new client business alongside an improving sales mix and recovering Chinese EV market.
- FY 12/18 also brings additional production capacity - W-Scope plans to increase production capacity by an average 2 year rate of +33% (between 2016-2018), versus equivalent plans disclosed by competitors of +6-8.5%. W-Scope currently has a 7-8% market share; it targets 20% by 2020.
- There will also be a 12 month new client contribution and sales to 2 European automakers – resulting in significant earnings growth acceleration.
- It is becoming increasingly evident that in a market characterised by tight supply/demand, and where customers are keen to diversify suppliers, W-Scope's low cost, high quality battery separator film is in a strong position to take share as capacity continues to expand.
- Share price too cheap - on 20x 12/18 earnings, ahead of a projected 2 year OP CAGR of +28.3%, and trading close to an 18 month low relative to Topix.

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6. WaveTrack International - **Coca-Cola Company's** (KO US) equity price is advancing in tandem with market share; uptrend remains incomplete

IRF Note *– WaveTrack's original forecast for the Coca-Cola Company dates back to December '12 under special client request. At that time, mainstream permabears were warning for a major stock market crash, but many single equities were suggesting the opposite. The Coca-Cola was just one of them! They have now released their latest Elliott Wave Price Forecast for the company, which shows expectations of a shorter term pullback, but ultimate upside targets are measured towards $82.78-83.62. Key points include:*

- It is astonishing that Coca-Cola held a 47.9% volume-based share of the 290bn US$ carbonated soft-drink market last year. This market share has edged higher in recent years, driven by the company's well-recognised brands (up from 45.4% in 2007).
- Coca-Cola's equity price tends to advance with market share and expectations are that this will continue.
- The advance that began from the October '74 low of just 0.43 cents began cycle wave 5 that is taking a form of a five wave expanding-impulse pattern, labelled ①-②-③-④-⑤, with its final fifth wave currently in progress (*see attachment for chart*). This means eventual upside targets are calculated towards 82.78-83.62 in the years ahead.
- Shorter-term price development had previously been described as unfolding into an expanding triangle pattern with downside objectives measured towards 37.41+/-. This remains their base scenario for the next few months.
- However, should prices break above the April '16 high of 47.13, this would suggest the triangle pattern has already completed into the December '16 low of 39.88 (*see attachment for chart*). Prices are very close to this resistance level, so investors are advised to wait for a price development during the next few weeks to determine the longer-term direction.

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Company & Sector Research Snippets:

Harlyn Research - The fate of the US energy and technology sectors may be linked together thanks to the simple mechanics of portfolio construction. Their data suggest that investors may be herded into two large positions relative to the benchmark: a big overweight in technology and a big underweight in energy. It will be difficult to reduce one without reducing the other. So a bout of profit-taking in technology (up c.40% in 2017) may lead to a bounce in the energy sector (down c.10% in 2017). More importantly, a bounce in the oil price could cause the technology sector to underperform. **Click here** for a short overview of this researcher

Messels - Provides their clients with access to over 50 years' worth of industry knowledge. Investors can often become bogged down in technical analysis but they have proved that the key to success is in the analysts themselves. The evidence is in the fact that they have consistently generated alpha over the long term. Recent stocks commented on in their UK Mid Cap Technical Review include **ASOS** (ASC LN), the online fashion retailer, which is testing price and relative uptrend support - watch to sell. As well as finance company,

Burford Capital (BUR LN), which is considered a buy, as it is reasserting price and relative uptrends (*see attachment for charts*). **Click here** for a short overview of this researcher

Smart Insider - Sobieraj, CEO at **Alior Bank SA** (ALR PL), sold 435,296 shares at PLN 60.49, taking his holdings down 33% to 894,283 shares. His last sale was in March 2014 at PLN 86, and was timely. Additionally, Skroka, a Dep. CEO, sold 178,421 shares at PLN 64.07. This is Skroka's first transaction in the stock. The stock has recently fallen from PLN 77 in May, and it is surprising to see these large sales after this decline. This is the first meaningful activity in the stock since 2015. Smart Insider ranks the stock -1 (Negative Insider Pattern). **Click here** for a short overview of this researcher

Two Rivers Analytics - Provides single-stock short ideas (US) and short strategy work to their clients. Their short ideas have averaged double-digit alphas with a high percentage of alpha-positive recommendations since inception. Two Rivers latest screen, finds companies that are potentially 'overearning'. This is defined by companies with unusually high gross margins relative to their own history and an increase in their gross margins relative to their industry. It shows companies that have potentially suspicious rises in inventory (e.g. **Advanced Energy Industries** – AEIS), receivables (**DST Systems** – DST) or other current assets (**MSG Networks** MSGN), which often indicates earnings manipulation. **Click here** to see the full results list. **Click here** for a short overview of this researcher

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