

## The Cut - Edition 18

### Introducing the very best of Independent Research from the IRF Providers

#### Macro Research

1. **ECB, TARGET2 & Credit Trends** - Examines how the ECB's B/S significantly understates its true size; TARGET2 and its role in subverting any internal adjustment mechanism in the EZ and EU credit trends may be softening - **Andrew Hunt Economics**
2. **ECB in a Quandary** - Draghi et al have been overtaken by events - **Economic Perspectives**
3. **Negative China** - How Beijing's interventionist approach risks fuelling bad inflation - **Enodo Economics**
4. **UK - Economic Stability, Policy Turbulence** - Economy recovering, but risks remain; Inflation, further rises expected; BOE backtracked, hike May'18? - **Heteronomics**
5. **Positive China** - Economy maybe stronger than data suggests. Both buy side and sell side of A-Shares are raising consensus estimates for the economy going forward. Leading factors worth watching: Cement prices and Macau gaming income growth - **Horizon Insights**
6. **Overweight Equities** - S&P could increase another +5% by year end. Models increasingly leaning towards Buy and Macro drivers supportive of bull trend - **Longview Economics**
7. **Global Macro** - Markets priced for perfection. US: Credit rebound in H2 will drive growth; Europe: Draghi has utterly overcooked inflation - **Mi2 Partners**
8. **Australian Credit Spreads Concern** - Early warning signs starting to appear on corporate credit spread charts - **Topdown Charts**

#### Company Research

1. **Vulcan Materials** (VMC US) - Growth cycle to accelerate, attractive relative valuation, 65-plus incremental margins, continued reductions to its cost structure and contributions from acquisitions - **Alembic Global Advisors**. Stock was highlighted in the last edition by **Thompson Research Group** who are also bullish **Vulcan**
2. **Technology Themes: Machine Learning** - Analysis of one of the ten key AI technologies. ML is where the majority of investor funding has flowed in recent years and within five years its deployment will be essential to the survival of companies of all shapes and sizes across all sectors - **CM Research**

3. [Home Depot](#) (HD US) - Positioned for a strong 2H; large and growing lead in the Pro market, but it must elevate its design skills in major kitchen and bath remodels - **Customer Growth Partners**
4. [Shire](#) (SHP LN) - Underperform 2026 notes at T+130. Lack of a track record in deleveraging; it looks like Shire will barely reach the high end of its leverage goal. CFO leaving doesn't help, nor does unclear strategy - **Gimme Credit**
5. **Video Gaming** - In Market trends expect weakness/slowing growth in the back half of the year for software/hardware. In Publisher trends Activision adopts risky strategy to combat King's slowing sales - **Gossamer**
6. [Guess? Inc.](#) (GES US) - Brand has stagnated. Inventory has increased dramatically relative to 3M forward sales estimates; drawdown in accrued expenses may signal additional op. margin headwind; threat to dividend - **Gradient Analytics**
7. [21st Century Fox](#) (FOXA US) - With the interminable delay re. Sky, will FOXA raise the price? Overweight with price target of \$32 - **Huber Research**
8. [Eiffage](#) (FGR FP) - Market undervalues APRR's strong and growing FCF from solid EBITDA growth and refinancing, which combined with ongoing recovery in Contracting profits, should lead to continued EPS and dividend growth. Also bullish [Ferrovial](#) (FER SM), [Eurotunnel](#) (GET FP) and [Atlantia](#) (ATL IM) - **Insight Investment**
9. [Qingling Motors](#) (1122 HK) - Extreme deep value, rock solid B/S, with net cash (no debt) representing 108% of the current Mkt. Cap. 7.5% dividend and improving industry fundamentals - **Value Investment Principles**
10. **Japanese Model** - Indicators suggest the majority of the market is very weak, hence why the Portfolio is consolidated into a few select sectors and industries. Recommended stocks include [Pacific Metals](#) (5541 JP) and [Nippon Television](#) (9404 JP), but the majority of investment should be in Cash - **Zyrk Analysis**

## Researchers Visiting London

- **Global Macro and Trading Recommendations with Julian Brigden of Macro Intelligence 2 Partners** - US credit rebound to drive growth, synchronised growth in Europe to smash forecasts, biggest threat to market is economic strength not weakness. **26-29 September**
- **US Industrial and Construction Companies with Kathryn Thompson and Chris White of Thompson Research Group** - Longs: Builders FirstSource, Masonite, Martin Marietta, Vulcan Materials. **27 September**
- **US Semiconductor Companies, Software/Hardware, with Srin Nandury & Jagadish Iyer of Summit Redstone Partners** - Longs: Advanced Micro Devices, Applied Materials, Lam, Commvault, Mellanox,

Nvidia, Micron, Synaptic, Intel, Skyworks, Splunk, Shorts: Nutanix, Snap Inc., Tableau Software. **2-3 October**

- **US Retail Companies with Craig Johnson of [Customer Growth Partners](#)** - Inflection points Up: Abercrombie & Fitch, Target, Ross, TJX, Home Depot, Down: Dillard's, JC Penney. **29 September & 2-4 October**
- **Equity Valuation, Risk & Market Timing with Rob McCreery of [Libra Investment Services](#)** - Positive Apollo Rankings: Lufthansa, ASML, Temenos, Negative Apollo Rankings: Daily Mail Trust, Mediaset, Banca Pop Emilia. **29 September & 5 October**
- **US Media, Internet, Information Services and Credit Rating Agency Companies with Craig Huber of [Huber Research](#)** - Longs: Moody's, S&P, Facebook, Netflix, News Corp. Shorts: Tribune Media, Gannett, Sinclair, Thompson Reuters, Twitter. **12-17 October**
- **Global Macro with a focus on Inflation with Peter Warburton of [Economic Perspectives](#)** - Look out for supply chain inflation travelling from EM to DM. Beware the unannounced interest rate increases imposed by financial markets as global credit conditions tighten. **13 & 19 October**
- **Thematic Ideas and Investment Recommendations with Sean Maher of [Entext](#)** - Short India vs. Germany, Long Global Value vs. Momentum, Long VIX Volatility, Long Oil E&P, Long Electric and Autonomous Vehicles, Long Sensors. **25 & 31 October**
- **US L/S equities with Mark Roberts of [Off Wall Street](#)** - Longs: Blackstone, Caseys, Crown, Darling, Twenty-First Century Fox, Kirby, Shorts: Natus Medical, Cooper Tire, Haemonetics, Snap-on, Zoetis. **30-31 October & 1 November**
- **Global Long Equities with Sandy Mehta of [Value Investment Principles](#)** - Suncor Energy, Hugo Boss, Xtep International, Sintex Plastics Technology, Coach, HanesBrands, Signet Jewelers, Enel Spa, Gree Electric. **21-24 November**

Note: All **bold underlined** text are clickable links to summaries of the Research Reports and Research Provider Overviews

**IRF provides institutional investors with expertise across an increasingly fragmented investment research industry in readiness for the post MiFID II world. We work with 110 Independent Research Providers covering multiple geographies, asset classes, industry sectors and methodologies.**

**If you are interested in any of the content of The Cut, further information on IRF and our IRPs or if you have any specific research requirements please contact us at:**

**Edward Blad**

[Edward@independentresearchforum.com](mailto:Edward@independentresearchforum.com)

+44 (0)203 405 7120

Bloomberg IB / [eblad2@bloomberg.net](mailto:eblad2@bloomberg.net)

[LinkedIn](#)

**Alexis Vatistas**

[Alexis@independentresearchforum.com](mailto:Alexis@independentresearchforum.com)

+44 (0)203 405 7123

Bloomberg IB / [avatistas6@bloomberg.net](mailto:avatistas6@bloomberg.net)

[LinkedIn](#)

**Declan Wooloughan**

[Declan@independentresearchforum.com](mailto:Declan@independentresearchforum.com)

+44 (0)203 405 7125

Bloomberg IB / [dwooloughan3@bloomberg.net](mailto:dwooloughan3@bloomberg.net)

[LinkedIn](#)



*Copyright © 2017 Independent Research Forum Ltd., All rights reserved.*

Want to change how you receive these emails?  
You can [update your preferences](#) or [unsubscribe from this list](#).

*MailChimp*