



Introducing the very best of Independent Research from the IRF Providers

We have been publishing The Cut for a year now and are always looking for ways of improving our publication so if you have any feedback please do let us know

Company Research

Europe

- [Hapag-Lloyd](#) (HLAG GR) - Positive catalysts include: Cost synergies from 2019 (USD 435m/year). No plans for new capex, so should generate higher FCF. The completion of ongoing M&As in the industry will reduce competition and stabilise freight rates, resulting in higher bottom line in the long run. Trades at 1.0x/0.98x FY17e/18e forward book value, significantly cheaper than the liner industry's 15-year average - [***Drewry Maritime Financial Research***](#)
- [UK Mid Cap Technical Review](#) - Mixed outlook for Mining; [Hochschild Mining](#) (HOC LN), broken out of 2-month bases from the bottom of the 2017 range. Retail seeing a selective improvement; [Dunelm Group](#) (DNLM LN), rallies from above prior price and relative bases. Other model equity portfolios include UK Large Cap and European Large Cap, all with an impressive track record of outperformance - [***Messels***](#)
- **Retailers** - Recent reports: Downgraded **Adidas** due to SW Proprietary Wholesale Data Survey. **Marks & Spencer**: The British Grinch Shows Up Early. Reality Check on **Hugo Boss**: German Store Tours Revealed. **Ralph Lauren**: The Omnichannel Myth Continues. Publishes Pre Black Friday Store Tour Data from US Checks and a post Black Friday Survey: Proprietary Analysis of Y/Y Promotions in the UK, Germany and the US - [***SW Retail Advisors***](#)

US

- [Meredith](#) (MDP) - **Time Inc.** (TIME) deal very risky. Believe a huge portion of MDP's announced \$400-500m in synergies with TIME overlaps with TIME's recently announced \$400m in additional cost cuts, which is already fully in TIME estimates starting 2019. MDP's shares were expensive before the announcement; EBITDA multiple needs to come

down a lot as magazine group will be 74% of EBITDA. 12-month fair value PT \$50 - [Huber Research](#)

- [Snap-on](#) (SNA) - Operates in a low growth industry, core customer is expanding at just 1% y/y. Reliant on extending more and more credit to boost reported numbers. Unsustainable and bad debt metrics are beginning to deteriorate. Will 'miss' consensus estimates in 4Q17 and 2018. PT \$123, 12.5x 2018 EPS estimate - [Research 360°](#)

China

- [Ctrip](#) (CTRP) - Chinese consumers are spending more on travel, as disposable incomes rise. Digitalisation is leading to a growing market share for online travel agencies (OTA's). CTRP has a dominant market position as an OTA (60% market share); economies of scale and scope should allow them to operate at industry-leading margins in the medium term. Organic revenue growth is estimated to be 153% over the period 2017E-2022E - [2Xideas](#)
 - **London Marketing with Thomas Schwarzenbach: 7 December**
- [Chinese E-commerce Giants](#) - The monetary expansion of 2009 and tactical management of investable and listable entities enabled these companies to grow to multi-billion dollar equities. Monetary contraction will see their downfall. **Alibaba** (BABA) - GMV is now patently absurd; revenue can't be trusted. **JD.com** (JD) & **Vipshop** (VIPS) also focus on misleading metrics - [J Capital Research](#)

Japan

- [Rorze](#) (6323) - Ongoing capex commitments from major semiconductor & silicon wafer customers, in response to strong demand, to result in continued earnings strength and sales mix improvement. Undervalued on 12x 2/19 earnings, ahead of a projected 2 year OP CAGR of +19.2% - [Storm Research](#)
- [Nintendo](#) (7974) - Strong results, guidance raised as stock breaks out. Model signals going long during the holiday season. Switch has good momentum and still has China launch to come. [Mitsui Fudosan](#) (8801) - Results missed expectations; current occupancy rates in Tokyo are at their lowest levels. Model has gone short the stock just as 2018 property sales margins are expected to soften. Relative downtrend to continue - [Deydun](#)

Macro Research

Developed Markets

- **US Equity Markets** must keep rising to avoid a US government funding problem. Otherwise epic QE or a massive USD devaluation will be required. The fact that the US Federal deficit is widening despite the fact that we have entered “full-on silly season” in US equity markets and risk markets more broadly is a huge warning sign for the USD! It has become a matter of US national security that stocks rise contiguously. Listen to their 4-minute **webinar - FFTT**
- **OW Japan** - Moves into top category of their Multi-Asset Ranking tables. Yen is very cheap and the Euro is strong; the economy is improving and the Nikkei 225 breaking out to a new high is a vote of confidence in Mr. Abe's election victory - **ECU Group**
- **South Korea Slowdown** - Their MENER econometric model, with (adjusted) money supply at its core, points to an economic slowdown in 2018 with annualised industrial production growth retreating to low single digits. KOPSI to decline up to 20% from now until late 2019. Recommend low exposure to equities, favour defensive sectors and are heavily overweight long term government bonds - **AAS Economics**

Emerging Markets

- **EM Tech: The Pain Trade of 2017** - Tech positioning among EM managers is at its highest in absolute terms, but at its lowest in relative terms when measured against the MSCI EM Index. Provides analysis of the level to which this record tech underweight has affected average fund performance this year. Underweights in **Tencent** (700 HK) and **Alibaba** (BABA US) have caused the most pain - **Copley Fund Research**
- **EM Structural Change & General UW** - Already UW EM in fixed income, expect to be UW equities by Q1 2018. EM equities are not behaving like a single asset class at present. The inclusion of China A shares in the main EM indices will force investors to rethink the way they allocate money, and they will be UW while they work out what to do - **Harlyn Research**
- **China EV Subsidy Cuts** - EV growth unsustainable due to financial reasons. China didn't consider resource availability. Considering the inventory remaining, their rapidly increasing battery capacity is concerning, especially given the lack of improvements in energy efficiency and cost saving - **Sumberg**
- **China Growth Unsustainable** - Rising commodity prices are a headwind for the current account balance; overall BoP remains fragile. USD strength to curb the recovery in China's FX reserves. CNY to fall to 6.90/USD. **Singapore** - Upgrades activity outlook. Inflation gradually firming; MAS remains accommodative; see value paying SGD 1-yr IRS;

SGD to fall to 1.41/USD. Long USD/SGD exposures an attractive way of playing a rebounding USD - [**Redward Associates**](#)

Currencies

- [**Rise of the Yuan**](#) – China not only wants to join the reserve currency club, she wants to dominate it, driving American power out of Asia. Belt and Road Initiative will see nations increasingly borrow and trade in Yuan. Other commodities likely to follow the petro-yuan. The vast pool of dollars held offshore by commodity producers and hedgers looks in real danger of serious decline - [**CrossBorder Capital**](#)
 - **London Marketing with Michael Howell: 13 December**
- [**Long USD**](#) - Positioning has become sharply divergent in large parts of the global financial market. Long positioning in cyclical assets is at high levels. Short positioning in certain key safe havens is also high. The relative positioning in those two thematic groups is at its highest level since mid 2007. Increases their current basket of long USD trades relative to cyclical currencies from 25% to 37.5%. Increases short positions in CAD, EUR, AUD and GBP - [**Longview Economics**](#)

Commodities

- [**Bullish Copper Prices**](#) - The global economy is experiencing highly synchronised growth which will be condoned by central banks. Any rise in interest rates will be nominal and will not slow growth. Global refined copper consumption should rise by 6.5% in 2018, largely driven by China and 4.2% in 2019. Prices should reach \$8500 by end 2018, \$9500 by end 2019 and maybe higher at end 2020 - [**Simon Hunt**](#)

Researchers Visiting London

- **Consumer and Retail Companies with Mark Friedman of [**The Retail Tracker**](#)** - Longs: L Brands, Williams, Nike; Shorts: Kohl's, Kors. **4 December**
- **Global Equities with Thomas Schwarzenbach of [**2Xideas**](#)** - Verisign, ThermoFisher, Compass, Markel, Amadeus, Henry Schein. **7 December**
- **China's Internet Sector, E-commerce, Gaming and Social Media with Michael Clendenin of [**RedTech Advisors**](#)** - Baidu, JD.com, New Oriental Education & Technology, TAL Education, Didi, Ctrip, Vipshop. **7-8 December**
- **Tracking Global Capital Flows with Michael Howell of [**CrossBorder Capital**](#)**. Strong 2018 for EM, underpinned by China. Threat to markets

not from 'reverse QE' but exiting cross border capital flows. USD structurally weak because of faltering corporate cash flow. BoJ targeting a more stable Yen against Chinese Yuan; buy Japanese equities. **13**

December

- **Detecting Anomalies and Inferential Intelligence with John Trudgian of Williams Inference** - Facial Recognition, LNG, Softbank, Innovation & Patents, Retail Survivors, Employment. **5-15 December**
- **Forensic Accounting Presentation** for equity investors with Paul Nagy of PN Finance - **January 2018**

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