



The Cut - Edition 25

Introducing the very best of Independent Research from the IRF Providers

Season's Greetings

IRF looks forward to working with you in 2018

Happy New Year!

Special Report

- **AI & Machine Learning** - Highlights IRF Providers that focus on AI/ML technology themes/disruptions, Providers that carry out fundamental research on stocks which specialise in AI/ML and Providers that use AI/ML as part of their research effort

Company Research

Europe

- **Ferrovial** (FER SM) – No.1 Infrastructure stock with 88% upside as assets undervalued in concessions, contracting earnings to recover and long term dividend growth potential - **Insight Investment**
- **Steinhoff** (SNH GY) - Initiated short recommendation in January on strong suspicion of cash flow manipulation. Last week CEO resigned and share price fell 90% - **TT Equity**
- **Investec** (INVP LN) - Having opened a short position in early November; share price has already fallen over 8%. **Royal Bank of Scotland Group** (RBS LN) - Opens long position with TP 335p - **Stockcube** - UK Long Only Focus Model Portfolio has returned 9.7% so far this year against a benchmark return of 4.0%

US

- **Blockchain** - Poised to disrupt like the internet but this will be faster. Positive: AMZN, GOOG, INTC, MSFT, RHT - **Blueshift**
- **Material CEO Changes** - **Kellogg Co.** (K), Steve Cahillane not the right replacement to turnaround and ignite growth. **Anthem** (ANTM), Gail Boudreaux well suited to tackle the major problems with good Healthcare industry experience and track record - **Management CV**
- **Twitter Conference Call** - Questions regarding user growth and monetisation. How are they approaching online video vs. competitors? Do they need to be part of a bigger company to survive? Other upcoming calls: Nintendo, VMware, Redfin - **Aliya Capital**

- [Axalta Coating Systems](#) (AXTA) - Initially profiled in 2016, gained ~36%. Compelling valuation once again. Private equity overhang lifted and coatings industry ripe for further consolidation. Trades at 8.7x 2020E EBITDA. TP \$41 - [Boyar](#)
- [CONSOL Energy](#) (CEIX) - CONSOL Resources (CNX) spin-off will benefit from structural recovery in the sector. Believes natural gas sector currently trades at its long-term valuation trough. 42% upside to TP \$33 - [Spin-Off Research](#)
- [Assured Guaranty](#) (AGO) - Puerto Rico's economy materially weakened by hurricane. Expects substantial losses for their creditors. Had been short the stock anyway as core business is in decline and recent earnings are unsustainably elevated. Downside 30% - [Off Wall Street](#)
- [Tempur Sealy Int.](#) (TPX) - Short included in their 'Declining Business Model' report. Increased competition, major customer losses, Amazon threat, margin pressure, high leverage and weak B/S - [Two Rivers Analytics](#)

Japan

- [Hitachi Chemical Co.](#) (4217) - Fundamental weakness and several earnings quality concerns; valuation rich compared to peers and historical norms - [Gradient Analytics](#). Strong Q3 earnings season ([table here](#)) - produced 7 short ideas which fell 10% or more the day after earnings

China

- [iReader & China Literature](#) - Report on the book publishing and digital reading industry. Two digital reader giants are rapidly expanding which is a significant barrier for other competitors; seizing market share through strong channels and high quality content - [Horizon Insights](#)

Macro Research

Commodities

- [Gold Over Bitcoin](#) - Bitcoin is simply another form of existing money and lacks a history of value-linkage to other commodities. Along with central bank money creation it is destabilising and gold would be a better alternative - [AAS Economics](#)

Developed Markets

- [The Real Reason Real Rates Are So Low](#) - A global (shadow) banking glut not a savings glut. No safe exit from unconventional policies: yield curve control is forfeited as policy tightens. Real interest rates to spike in 2018. Seminar hosted by [Economic Perspectives](#)

- **Brexit** - Poor communication reinforces negative perceptions of the UK government's competence. Disorderly tail risk diminished further, so the BoE hiking cycle has a clearer road; rate hikes expected in May & Nov'18 - **Heteronomics**
- **US: Debating Inflation Hawks** and why you shouldn't be worried about yield curve compression. Bullish risk assets - **Hedgeye**
- **Fed Monetary Policy** - Post tax bill, markets will tune back into the Fed and see a far more sinister picture emerging. QT already impacting the consumer. As the reserve drain accelerates and credit growth reverses, the myth of strong corporate balance sheets will be shattered - **MacroMavens**

Emerging Markets

- **China** - Why it is the big call for 2018 - **Andrew Hunt Economics**
- **Sell China** - Deterioration in domestic Chinese stock indexes not reflected in Hong Kong and US-listed China plays. Short: HSCE, Hang Seng and FXI. Also short Hibor and HK dollar, HK needs to abandon its USD link - **Belkin Report**
- **Escalating Trade Tensions between China & US** - The end of China's existing export-driven growth model. Issues discussed: heightened policy risks; Chinese current account surplus contracting; Chinese monetary tightening and deleveraging; US FDI and Reshoring initiative - **Sumberg**
- **Bullish Emerging Markets (& Commodities)** - Re-emergence of inflationary pressures - **WaveTrack** will soon be publishing its annual 2018 Price-Forecasts which includes all major indices in the U.S., Europe and Asia, as well as Currencies, Commodities & Interest Rates

Researchers Visiting London

- **Macro Research with a focus on Asia Pacific I/R, FX & Commodities with Peter Redward of Redward Associates** - China: monetary conditions tightening; credit-fuelled growth unsustainable. Singapore: upgrades activity outlook; long USD/SGD an attractive way of playing a rebounding USD. Shorts: AUD, NZD and Gold. **15-22 January**
- **Forensic Accounting Presentation** for equity investors with Paul Nagy of **PN Finance** - **January 2018**

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