The Cut - Edition 29

Introducing the very best of Independent Research from the IRF Providers

Company Research

Europe

- **Cineworld** (CINE LN) - Regal acquisition leaves CINE highly geared and overly exposed to deteriorating structural trends in mature markets. Concerns around dividend sustainability due to rising capex requirements and questionable track record on synergy delivery - ***StockViews***
- **IP Group** (IPO LN) - Shares down heavily since original thesis published last December. Questions the valuations of certain companies that IP invests in, specifically, key asset, Oxford Nanopore. IP has a poor history of delivering bankable returns - ***J Capital***
- **Tesco** (TSCO LN) - Value trends rising in the short and longer term, just as the share price is trading back within the 'Fair Value' range, providing the momentum element of the process that is so important to their equity valuation, risk and market timing platform - ***Libra Investment Services***
- **Kering** (KER FP) - Spinning off its 70.4% stake in **Puma** (PUM GR) to its shareholders in May will enable KER to focus on its core luxury business. Provides increased autonomy to PUM's management team to build on recent positive momentum - ***Spin-Off Advisors***
- **Rubis** (RUI FP) - Olivier Dassault (Non-Independent Director) recently bought 25,000 shares at EUR 58.41. Interesting situation given the stock is now 21 euros higher than his previous purchases - ***Smart Insider***

U.S.

- **Aaron's Inc.** (AARN) - Will Aaron's Progressive Leasing unit continue to grow at its current pace? Silos: Personnel at retailers using Progressive, Industry specialists and Secondary sources - ***Blueshift Research***
- **Euronet Worldwide** (EEFT) - Drivers of recent financial performance unsustainable. Dynamic currency conversion faces meaningful regulation in Europe. Declining use of cash and ATMs. Emergence of disruptive technologies in the money transfer industry - ***Research 360°***

- **Fitbit** (FIT) - Conference call. Topics for discussion: Impact of competition from GRMN and APPL. How investors should think about pricing and more expensive trackers. Expectations for product introductions in 2018. Other upcoming calls: **Tesla**, **Twitter**, **Cisco** and **Naspers** - ***Aliya Capital***
- **Harley Davidson** (HOG) - Short thesis highlighted in a previous edition of The Cut playing out. HOG is in a multi year secular decline, which is getting worse, market share now declining in the U.S. and Internationally. Electric bikes could also damage the HOG brand - ***Badger Consultants***
- **Prestige Brand Holdings** (PBH) - Retailers shifting away from PBH's branded OTC products to more private labels. Large debt, ROIC low and declining; acquisition strategy not creating much economic value - ***Off Wall Street***

Japan

- **Hitachi Chemical Co.** (4217) - Concerns regarding near term revenue growth and profitability remain intact as company reports earnings below consensus estimates; reduces full year forecast - ***Gradient Analytics***

China

- **Alibaba** to take a 33% equity stake in **Ant Financial** but gives up profit share scheme. Positive for Ant and their shareholders, but bad deal for BABA shareholders. Also covers news Ant is planning to raise $5bn - ***RedTech Advisors***
- **Beijing Capital Int. Airport** (694 HK) - Higher concession rate and larger management fees for retail in 2018 will yield higher net revenues with growth above global peers. However, new management agreements with state owned entities will result in higher costs - ***Insight Investment***

Macro Research

Commodities

- **570 mine-by-mine deep-dive into copper supply** - Creates dynamic model based on geologic reserves, permitting requirements, grades, infrastructure needs, taxes, royalties, water shortages and political risks. **Model available on limited basis** - ***RenMac***

Europe

- **ECB's Securitisation Plan** - Creating a market in securitised EZ sovereign bonds will result in a new increase in pressure on the balance of payments positions of the Periphery and TARGET2 system - ***Andrew Hunt***

U.S.

- **UST yields** aren't rising on inflation fears, they are rising on incipient U.S. debt service fears. Either the Fed will have to reverse course on the current tightening narrative or the USD will have to weaken significantly more - ***FFTT***
- **Trump Administration is winning the Great Currency War** due to its ability to wield a protectionist stick, as well as its willingness to take bond market risks with easier fiscal policy - ***DeSaque Macro Research***
- Spike in **volatility** seen moderating over next few weeks. **IT bull market** to resume. Interest rate sensitive sectors to underperform due to **change in LT trend for UST yields** - ***Tempus Investment***

Japan

- **Changes at BoJ** - Two new doves to be added should dispel market perceptions that the BoJ was about to follow the ECB and change tack. Will likely shift to targeting the belly of the curve, as they are forced to face the reality of an illiquid 10yr sector - ***MI2 Partners***
- **Substantial revision of USD/JPY forecast** - Reflects the view that despite Yield Curve Control, internal-external balance dynamics suggest further JPY strength; USD/JPY to weaken to 98/USD - ***Redward Associates***

Australia

- **Particularly vulnerable as global CBs continue to tighten monetary policy** - Australia's growth outlook primarily hinges on household consumption. Real 'spare' household cashflow growth to deteriorate further in 2018 and 2019 - ***Longview Economics***

Emerging Markets

- **China** - The big surprise will be the extent to which the authorities will clean-up the Shadow Banking sector; extremely bullish for the economy starting in H2 2018 - ***Simon Hunt Strategic Services***
- Asia will generate growth endogenously and offset the drag from a deterioration in export competitiveness (weakening USD to continue). In 2018, **Asia will remain a growth outperformer in the EM universe.** Favours China, Malaysia, Japan and Vietnam - ***Asianomics***

- American import prices from China saw the first annual increase since 2014. Diana Choyleva has argued since last year that China is set to export inflation; trend will intensify throughout 2018. Global bond markets have not yet priced in this inflationary source - ***Enodo Economics***

Researchers Visiting London

- **U.S. & European Retail companies with Stacey Widlitz of *SW Retail Advisors*** - Urban, Adidas, Nike and Under Armour. **26-28 February & 1, 5-6 & 9 March**
- **Policy Insight: Global Industrials with Byron Callan, 27 February & 1 March** and **US Healthcare with Rob Smith, 27-28 February & 1 March, both of *Capital Alpha Partners***
- **Japanese Equities with Rowan Ewart-White** of ***Storm Research*** - Don Quijote, TechnoPro, Fullcast, and Sumco. **28 February & 6 March**
- **Global Macro with Keith McCullough of *Hedgeye*** - Global Divergences: disagrees with consensus, there is no globally synchronised recovery. Bearish on a number of European markets, as well as some Emerging Markets. **28 February-1 March**
- **Multi-Asset Price Forecasting utilising the Elliott Wave Principle with Peter Goodburn of *WaveTrack International*** - 2nd phase of 'Inflation-Pop' theme. Short-term downswing for EM & Commodities before secular-uptrend resumes. Multi-month upside recovery in USD. **2 March**
- **U.S. Equities with John Boyar of *Boyar Research*** - American Express, PayPal and Time Warner. **6-7 March**
- **Global Macro with Chris Watling of *Longview Economics*** - Recent Macro reports: UK: Limping towards a recession? Italy: Helicopter money and the Italian election – the implications for BTPs. Recent trade: Short GBP. **8 March & 20 March**
- **OASIS** - ***Stray Reflections'*** **intimate hedge fund and technology gathering in Abu Dhabi. 11-14 March**
- ***Primary Insight*** **with Leighton Thomas - Cutting Edge Expert Network. 12-13 March**
- **Equity Valuation, Risk & Market Timing with Rob McCreery and Chris Tinker of *Libra Investment Services*** - Lloyds, Voestalpine, Fiat, Tele2, M&S and WPP. **12-14 March, 12-14 April & 5-7 May**
- **Global Capital Flows with Michael Howell of *CrossBorder Capital*** - Favours EM over DM. U.S.10-yr yield to reach 3.5% in 2018. Japan - policy switch from liquidity-targeting to exchange rate-targeting. **12 & 15 March**

- **Global Macro with Andrew Hunt of *Andrew Hunt Economics*** - With Asian nominal GDP growth picking up there is a growing potential for a profound change in global inflation. The ECB will decide the outlook for global real interest rates in 2018-19**. 13 March**
- **Forensic Accounting Presentation for equity investors with Paul Nagy of *PN Finance.* 13 March**
- **Story Investing with Alex Gavrish of *Etalon Investment Research* (event-driven value equities). 2-4 April**

Note: All **bold underlined** text are clickable links to Research Provider Overviews.

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Edward Blad
Edward@independentresearchforum.com
+44 (0)203 405 7120
Bloomberg IB / eblad2@bloomberg.net
LinkedIn

Alexis Vatistas
Alexis@independentresearchforum.com
+44 (0)203 405 7123
Bloomberg IB / avatistas6@bloomberg.net
LinkedIn

Declan Wooloughan
Declan@independentresearchforum.com
+44 (0)203 405 7125
Bloomberg IB / dwooloughan3@bloomberg.net
LinkedIn