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## The Cut - Edition 34

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

#### Company Research

##### Europe

- **RPC Group** (RPC LN) - Packaging business. To be able to continue adjusting results, apply acquisition accounting and maintain its progressive dividend policy, RPC needs to continue/accelerate its acquisition pace. Meanwhile repayment of debt remains impossible - [TT Equity Research](#) [request info](#)
  - Previous reports highlighted issues for both **Steinhoff** and **Aryzta**
- **Sainsbury** (SBRY LN) - Asda deal. Winners: Walmart investors, Amazon UK targets. Losers: M&S and Morrisons if Amazon doesn't swoop in - [SW Retail Advisors](#) [request info](#) Other recent reports include:
  - UK retail estate pain is not over even after **INTU Properties** call comes to fruition
  - German retail real estate will be the next to fall
- **TechnipFMC** (FTI FP) - Provides complete project life cycle services for the energy industry. After 3 years of massive under-investment offshore will be key for IOCs if they want to prevent their production falling.
  - TechnipFMC Subsea 2.0 - catalyst to gain market share. Subsea tree market to grow by 35% in 2018 - [Palissy Advisors](#) [request info](#)
- **Deutsche Bank** (DBK GR) - Easy to get carried away with the bearish sentiment for DBK. However, from an Elliott Wave perspective, the outlook for its share price is very bullish. Last buy signal was Oct '16 at 12.035, share price subsequently rose to 17.83 - [WaveTrack](#) [request info](#)

##### U.S.

- **LendingTree** (TREE) - Online loan marketplace. Thesis playing out as shares fall heavily following Q1 results. The negative reaction to results

**Financial** [request info](#)

- **Mattel** (MAT) - Toy Manufacturer. **Management CV** report [request info](#)
  - CEO-elect Ynon Kreiz doesn't have the basic operating track record needed to sort out the management/product development issues
  - Pure performance orientation of Kreiz's option grant could be good for shareholders
  - New CFO has implemented a Zero Based Budgeting model, though leadership churn may have done permanent harm to the franchise
- **Netflix** (NFLX) - High quality, fast growing, with huge moat around its business. Negative FCF to peak in 2019 - **Huber Research's** valuation is based on 22x 2022(E) EBITDA discounted back 10% annually over 3 years [request info](#)
- **Newell Brands** (NWL) - Consumer and commercial products provider. Stock now trades at a significant discount to both industry peers and NWL's historical range. Management to focus on divestitures, debt reduction and share repurchases - **Boyar Research** [request info](#)
- **Twitter** (TWTR) - Investor concern regarding weak US user growth in Q1 is overdone. They should focus on another quarter of ad traction and monetisation, double digit daily active user's growth, and strong cash generation, as well as upcoming macro drivers - **Summit Insights** [request info](#)
- **Chemicals industry** - Saudi's Vision 2030 could have a significant impact on the sector. Plan looks to buoy oil prices while boosting gas prices and production - **Alembic Global Advisors** [request info](#)
  - Expansion within chemicals will result in a move up the cost curve and potential US acquisitions, with segments of **DowDuPont**, **LyondellBasell**, and **Westlake** the likely targets
- **Tobacco stocks offer significant value** - Unlike other staples that **Willis** **Welby** have looked at recently, tobacco shares are outright attractive rather than just less unattractive than they were [request info](#)
  - To model FV for companies including, **Philip Morris**, **Altria** and **Imperial Brands**, it is necessary to make punishing assumptions
- **The Nasdaq Biotech ETF** (IBB) is trading around a key support area, which could attract buying interest. In particular, **Mylan** (MYL) looks interesting following a stalled breakout - **Dantes Outlook** [request info](#)
  - 16% gain from past two contributions to The Cut - The agriculture trade for a 9% gain, and energy is still working with a 7% gain to

## Frontier Markets

- **GEM fund allocations hit new highs. Vietnam** has seen the largest increases in ownership over the last 6 months. Essor Emergent and the ODIN EMs Fund are the largest holders of Vietnamese stocks. **Vietnam Dairy** and **Vincom Retail** have seen the largest net cash inflows - [Copley Fund Research](#) [request info](#)

## Macro Research

### Developed Markets

- [Longview Economics](#) recent investment themes include: [request info](#)
  - **Switch in global economic growth leadership to the US**, away from synchronised global growth story of the past two years
  - **'Canaries in the coalmine'** - UK and Australia will slow first in response to global monetary tightening
- **Global inflation heading to over 3%** - Countries with positive inflation momentum vastly outnumber those with softening trends, accounting for 75% of global GDP by weight. Europe leads the way - [Economic Perspectives](#) [request info](#)
- **South Korea slowdown** - Particularly with regard to its important export sector (EU and US; China has held firm so far). Suggests global trade trends are beginning to succumb to the tighter global credit environment. KRW to weaken vs. USD - [Andrew Hunt](#) [request info](#)

### Emerging Markets

- **China** - The surge in non-performing loans is actually a good sign. The PBOC is easing monetary conditions to offset balance of payments outflows, but credit could use a boost - [High Frequency Economics](#) [request info](#)
- **Panic in Jakarta** as bond yields jump and stocks fall - Bank Indonesia's policy response is misguided and will increase financial fragility. With US rates higher, the equilibrium value of the rupiah has fallen and BI should acquiesce to currency adjustment - [Redward](#) [request info](#)
- **Poland** - Expects expansion of 5% in 2018E. Household consumption will continue to rise and the recovery in investment will remain strong. Low inflation; no I/R increase expected. Keep an eye on the impact of the recent Sunday retail ban - [ADA Economics](#) [request info](#)

[request info](#)

Other recent reports include:

- Globalisations And Its Constraints
- Hungary: What We Feared Is Starting To Become A Reality

## Commodities

- **Energy stocks, oil look especially vulnerable** as ***FFTT's*** conviction grows that the Fed is going to “Shoot the Hostage” (risk assets) to support the USD. Perfect storm brewing [request info](#)
- **\$100 Oil** - Perception of 'energy abundance' has throttled investment at a time when capex should be sharply rising. Long term oil prices are finally below ***Commodity Intelligence's*** sense of 'equilibrium' [request info](#)

## Researchers Visiting London

- **US Equities with Jonathan Boyar of *Boyar Research*** - AMC Entertainment, Comcast, Conduent, Howard Hughes Corp, TJX Companies. **22-23 May** [request meeting](#)
- **European Credit Research with Mirela Vlad & Julien Rerolle of *Spread Research***. **23 May** [request meeting](#)
- **Nowcasting and Risk Management Research with Alexander Ineichen of *IR&M*** - Macro: January 2018 was point of maximum bullishness. Sector rotation: Avoid identifiable losers. Risk: The reversion to the mean has begun. **24-25 May** [request meeting](#)
- **Behavioural Science with Herman Brodie of *Prospecta***. **28-31 May** [request meeting](#)
- **US Retail Companies with Brian McGough of *Hedgeye*** - Lululemon, Amazon, Walmart, Foot Locker, Target, Under Armour. **30-31 May** [request meeting](#)
- **Emerging Markets Conference with *GlobalSource Partners***. **5 June** [request info](#)
- **US Semiconductor Companies, Software/Hardware, with Srinivasa Nandury & Jagadish Iyer of *Summit Insights Group*** - Nvidia, Intel, Palo Alto Networks, Commvault, NetApp, Teradata, Nutanix, Tableau. **6-7 June** [request meeting](#)
- **US Short Ideas with Eric Fernandez of *Two Rivers Analytics*** - LifePoint Health, Tempur Sealy, FTI Consulting, Sally Beauty, DexCom,

**High Frequency Economics** - Declining slack to keep Fed tightening, but faltering GDP growth ex-US is about more than bad weather. **7-8**

**June** [request meeting](#)

- **Financials: Keeping an Eye on Washington with Charles Gabriel & Ian Katz of Capital Alpha Partners** - Perception of US de-regulatory trend oversimplifies matters. Still in the cross-hairs: Non-bank Specialty Finance, Credit Bureaus, Cards, Insurers, Banks, Mortgage Insurers, Fannie and Freddie, Marketplace lenders. **2-4 July** [request meeting](#)

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

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**For further information 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](#)

**Jenny Metta**

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

+44 (0)7981126840



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