

The Cut is non-substantive material for the purposes of Recital 29 to MiFID II, it does not constitute 'research' for the purposes of MiFID II. It is only a brief summary of our research providers own example opinions. We do not substantiate any researcher comment or include any substantive analysis and this publication only re-iterates historic commentary.



## The Cut - Edition 35

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

#### Events

- **IRF Lunch with Guest Speaker Chris Watling, Longview Economics** - Latest Macro Insights. Landsdowne Club, London. **28 June**

[Confirm attendance](#)

#### Company Research

##### Europe

- **Pearson** (PSON LN) - Stock price rally over-extended. Modest rise in organic sales based largely on favourable phasing benefits in a notoriously thin and unrepresentative Q1 has energised markets into reaching out to discount a return to market average growth. Struggle with digital transition and weak HiEd markets continues - WYT [request info](#)
- **United Utilities** (UU LN) - Substantial risks from their largest customer and 50% JV, Water Plus, look to be seriously under-appreciated by the market. A worrying working capital build-up, service issues and competitive threats faced by the JV, seen impacting future revenues and cashflows - StockViews [request info](#)
- **BNP Paribas** (BNP FP) - Expect consensus to move down from here. Results missed forecasts. Asset quality deteriorated to €28.4bn NPE with a coverage ratio of 77.8% (Q417:91%). Capital was weaker than anticipated at 11.6% CET1 (Q417:11.9%) - Hammer Research Partners [request info](#)

##### U.S.

- **Ansys** (ANSS) - 91% return since call was first initiated. Technology leader in engineering simulation software. Pricing power due to the

revenue growth over the next 6 years - [ARKOC](#)

- **Arconic** (ARNC) - Lightweight metals engineering/manufacturing company. Trades at less than 8x EBITDA after poor Q1 results. New CEO, only two board members with ties back to the old Arconic/Alcoa, and Elliott is overseeing a strategic review that is due to complete in Q3 - [Gordon Haskett](#) [request info](#)
- **Nike** (NKE) - No longer modeling an EPS beat for FY19, and expects the company will guide down in the upcoming quarter. Pressure on the brand in the US is not ebbing. The culture inside the company is toxic and fear-filled, and will impact numbers - [Hedgeye](#) [request info](#)
- **Novocure** (NVCR) - Commercial-stage oncology company. Five upcoming phase 3 trials. Improving OCF. Adequate internal resources to fund R&D pipeline. Significant barriers to entry, strong corporate governance and limited coverage by the street - [Costigan Reports](#) [request info](#)
- **Orion Engineered Carbons** (OEC) - Favourable pricing environment as industry utilisation rates tighten. Improving leverage ratio; improved liquidity as PE has sold out; generating strong FCF; well-protected 2.8% dividend yield and has room for margin expansion - [Northcoast Research](#) [request info](#)
- **Owens & Minor** (OMI) - Healthcare logistics company. Stock has fallen ~50% since [Gradient Analytics](#) initiated coverage. Market headwinds coupled with earnings quality metrics at seasonal highs will continue to plague the company [request info](#)
- **Symantec** (SYMC) - Cybersecurity software and services provider. Share's hammered after latest report and internal probe announcement - [Inflection Point](#) correctly anticipated the weak performance from continuing negative growth trends, an aging product line and lack of new product introductions [request info](#)

## Japan

- **Nintendo** (7974) - Much more challenging year expected. They do not have the line-up to grow adoption, third party won't make a significant push on the platform, and the number of active players remains low. TIE ratios will continue to be weak and hardware sales to be in line with last year - [Gossamer Consulting](#) [request info](#)

## India

turnaround and/or sharply lower interest rates, unlikely to see anything but far higher impairment costs and bad loans - [\*\*Tabbush Report\*\*](#)

[request info](#)

## Thailand

- **IRPC** (IRPC) - Oil & gas company. Sukrit Surabotsopon (President) recently bought 500,000 shares at THB 6.70 per share. Surabotsopon is a “Smart Buyer” having shown good entry points with past purchases. His continued buying at consecutively higher prices is positive - [\*\*Smart Insider\*\*](#) [request info](#)

## Macro Research

### Developed Markets

- **What the US demands of China is transformational not transactional** - The result will be a prolonged stand-off to the detriment of the global economy and financial markets. Favours USD and Treasuries over global equities. China particularly vulnerable - [\*\*Ecstrat\*\*](#) [request info](#)
- **Eurozone GDP slowdown** in Q1 is an overdue reversion back toward a sustainable trend. Growth may have spurted toward 3% for a while but it should now fall back toward naught - [\*\*High Frequency Economics\*\*](#) [request info](#)
- **Time is coming to decide whether the lower-for-longer/secular stagnation framework still holds.** If it does - and [\*\*Minack Advisors\*\*](#) believes it does - then the Fed could make a mistake by tightening too much over the next 18 months [request info](#)
- **EU data cycles have peaked. Inflation cycles have too. The ECB may not deliver any policy tightening at all.** The narrowness of EU govt bond spreads belies both the recent strength in EU data, and political and end of cycle risks - [\*\*Antipodean Capital\*\*](#) [request info](#)
- **Bond investors do not believe that potential GDP growth has significantly changed**, even following the recent passage of tax reform - [\*\*DeSaque Macro\*\*](#) [request info](#) Weekly report also includes:
  - Recession: Still the lesser of two evils?
  - Putting the flatter yield curve into perspective
  - Will US labour market conditions force yield curve inversion?

- Bullish USD - relative growth differentials continue to favour the US as global growth moderates
- Fed to lower NAIRU estimate?
- Small and Micro Caps > Large
- **Consumer Staples** - Earnings momentum turns positive in France, negative in Germany - [IR&M](#) [request info](#) Other highlights include:
  - France, Holland, and Australia: Long-term price momentum turned positive
  - US economic health check: No red flags from list of 22 tests

## Emerging Markets

- **Huge election upset in Malaysia** - Any weakness in the stock market will be short-lived. Positive view based on the strong economy. Result reinforces the view that Malaysia will be much closer to China in the years ahead (Belt & Road Initiative) - [Asianomics](#) [request info](#)
- **Belt & Road Initiative (BRI) already faltering?** BRI accounts for just 15% of China's outbound investment and, it appears, has peaked. Client countries are rejecting the model. Even as a form of propaganda, BRI seems to be going into decline - [J Capital](#) [request info](#)
- **Only the beginning of an extended EM liquidation.** USD rally is a flight to safety - [Belkin Report](#). Their Model first highlighted the situation 2 months ago. Turkey, Poland, India, Indonesia, Brazil and China all mentioned [request info](#)
- **Saudi Arabia will meet or possibly exceed 2018 deficit targets** - Q1 Budget figures show non-oil revenue up one third year-on-year after introduction of VAT January 2018, and oil revenues already up and set to increase following JCPOA collapse. However, growing inflation a concern - [Oxford Analytica](#) [request info](#)

## Commodities

- **Oil - US sanctions on Iran will have minimal impact** - Impact of geopolitics on crude balances often overstated. Still expects \$80/\$85 Brent oil price before the end of Q3 (price target was set in June 2016) - [Palissy Advisors](#) [request info](#)
- **Iron ore: Is the price about to roll?** China's economy is slowing both cyclically and structurally. Iron ore supply surpluses likely to persist this year and next - [Longview Economics](#) [request info](#)

- **US Equities with Jonathan Boyar of Boyar Research** - AMC Entertainment, Comcast, Conduent, Howard Hughes Corp, TJX Companies. **22-23 May** [request meeting](#)
- **Global Macro with Chris Watling of Longview Economics** - Switch in global economic growth leadership to the US. UK and Australia will slow first in response to global monetary tightening. **22-23 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**. Unites scientists and industry experts to bring insights of behavioural economics research through training presentations. **28-30 May** [request meeting](#)
- **European Credit Research with Mirela Vlad & Julien Rerolle of Spread Research**. Coverage of 160 European high yield issuers and 40 European convertible issuers. **30 May** [request meeting](#)
- **US Retail Companies with Brian McGough of Hedgeye** - Lululemon, Amazon, Walmart, Foot Locker, Target, Under Armour. **30-31 May** [request meeting](#)
- **US Industrial, Consumer, Business Services and Healthcare Equities with Mike Kavanaugh & Kartik Mehta of Northcoast Research** - CarMax, Coherent, IPG Photonics, NCR Corp, Paragon Banking, Zebra Tech. **4-7 June** [request meeting](#)
- **US Equities with Bob Costigan of Costigan Reports** - Encana, Hexcel, Mueller Industries, Natus Medical, Novanta, Novocure, Universal Display, Woodward. **4-8 June** [request meeting](#)
- **Emerging Markets Conference with GlobalSource Partners** - Regional specialists from Brazil, China, Colombia, India, Mexico, Russia, South Africa, Turkey, Ukraine and Venezuela. **5 June, at the NED** [request info](#)
- **US Short Ideas with Eric Fernandez of Two Rivers Analytics** - LifePoint Health, Tempur Sealy, FTI Consulting, Sally Beauty, DexCom, J2 Global, Acuity Brands. **6-7 June** [request meeting](#)
- **Global Economic Insights with Carl Weinberg & Jim O'Sullivan of High Frequency Economics** - Declining slack to keep Fed tightening, but faltering GDP growth ex-US is about more than bad weather. **7-12 June** [request meeting](#)

Tencent etc. **11-12 June** [request meeting](#)

- **Thematic Research with Sean Maher of Entext** - Recent reports: Energy rally accelerates, but so does Renewables threat. As USD rebounds, EM and Europe consensus narratives shaken. **11-15 June** [request meeting](#)
- **US Semiconductor Companies, Software/Hardware, with Srin Nandury & Jagadish Iyer of Summit Insights Group** - Nvidia, Intel, Palo Alto Networks, Commvault, NetApp, Teradata, Nutanix, Tableau. **14-15 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](#)
- **Consumer and Retail Companies with Mark Friedman of The Retail Tracker** - Nike, TJX, LVMH, Foot Locker, Burberry, Ralph Lauren, Urban Outfitters. **10-11 July** [request meeting](#)

### Researchers Visiting Edinburgh

- **Global Macro with a focus on Inflation with Peter Warburton of Economic Perspectives** - Investing in a world of 6% nominal growth: The timidity of CBs is keeping the credit party going. The police may raid the premises but the punch bowl stays put! **21 June** [request meeting](#)

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

**IRF works with 140 Independent Research Providers covering multiple geographies, asset classes, industry sectors and methodologies.**

**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](#)

**+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**

**Bloomberg IB / [jmetta2@bloomberg.net](mailto:jmetta2@bloomberg.net)**

**[LinkedIn](#)**



This publication references companies upon which research providers have previously published research reports, notes and briefs. No investment decision should be made on the basis of any comments about the published research reports without first reviewing those related research reports.

This summary is for informational purposes only and is not limited to companies on which research providers have published or may publish research now or in the future. Under no circumstances is it to be used or considered as an offer to sell or a solicitation of an offer to buy any security, bank debt or trade claim. While the information contained in this summary is believed to be current as of the date hereof, we do not represent or guarantee that the summary is current or complete, and it should not be relied upon as such.

We reserve the right to add or drop coverage of a company or industry, or change the analyst covering any particular company or industry at our sole discretion. Decisions to publish or terminate coverage are based on a variety of factors. As a result, coverage of such issues frequently may be characterised by either isolated reports, long periods between reports, or no reports at all. Our views of a security, issuer, industry or sector may change without the issuance of a new report.

IRF is not regulated under the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001

*Copyright © 2018 Independent Research Forum, All rights reserved.*

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

**Subscribe**

**Past Issues**

*MailChimp.*