The Cut - Edition 40

Introducing the very best of Independent Research from the IRF Providers

Company Research

Europe

- **Equiniti** (EQN LN) - Outsourcing business. Shares down heavily since initiation. Highlighted material increase in adjusted DSO and decline in CFFO due to working capital and exceptional items. Auditor concerns / FRC review. *PN Finance* Request Info
- **Dufry** (DUFN SW) - Travel retailer. Expect strong Q2 sales growth and margin improvement, aided by Swiss franc depreciation, improved terms with suppliers and successful contract re-negotiations. *Hammer Partners* Request Info
- **'Normal profits are becoming normal for airlines'. Be afraid!** - Highly competitive industry that favours scale. ROIC and margin data may look impressive, but FCF is lagging a long way behind. Stocks: **IAG**, **RYA**, **AF**, **LHA**, **DAL**. *WYT* Request Info
- **BHP Billiton** (BLT LN) - Trades at a 10% net discount to FV; has found support at the lower boundary of a rising FV range and is a clear standout compared to sector peers. *Libra Investment Services* Request Info
- **Vedanta Resources** (VED LN) - Solid results, operating subsidiaries continue to raise dividend payouts. Attractive spread over the Indian quasi-sovereign curve. *Bondcritic* Request Info

U.S.

- **Abercrombie & Fitch** (ANF) - The Horowitz-led recovery is gaining speed. Enjoyed its best spring in over a decade, with Hollister threatening to displace AEO as the teen favourite. *Customer Growth Partners* Request Info economy optimism. Strengthening B/S. Acquisition potential? *Northcoast Research* Request Info

- **Coherent** (COHR) - Attractive valuation, market concerns overdone. Well positioned in high growth areas of manufacturing fibre lasers and OLED technology. Strong CF; rapid revenue growth to continue. *Costigan Reports* Request Info
- **Cooper Tire & Rubber** (CTB) - Push into highly competitive OEM tire market will be challenging. Weak replacement-tire demand continues with unit-shipment growth lagging industry peers. Question marks over AR, inventory levels and margins. *Gradient Analytics* Request Info
- **Netflix** (NFLX) - Previously flagged in 'US bubbles and liquidity' report. Recent accelerative move to $420 and subsequent loss of momentum suggested a 'blow-off top'. Post results, higher risk of a sharper fall to $260. *MI2 Partners* Request Info
- **Playa Hotels & Resorts** (PLYA) - Hotels/SPAC. Recently completed a significant expansion transaction. 2019E EBITDA: $213m; EV/EBITDA multiple: 10.8x; Growth story. Previous SPAC ideas: CISN, NOMD. *Etalon Investment Research* Request Info
- **Ralph Lauren** (RL) - Estimates assume a complete recovery, but brand is damaged, restructuring will cost sales and margin. Way behind in digital channels; cash flows have rolled over. One-offs boosted results. *Two Rivers Analytics* Request Info
- **Wyndham Hotels & Resorts** (WH) - Marriott's and Hilton's Spins have made significant returns, expect Wyndham's recent separation to perform similarly. *The Edge* Request Info
- **Construction/Industrial sectors.** *Thompson Research Group*
  - **London Marketing with Kathryn Thompson & Chris White, 25 September** Request Meeting

Japan

- **Japan: Rotation from Value into Quality seems to be slowing** - Value has been doing well recently and the Finance Sector is leading the way. **Fukuoka Financial** (8354) is up 12% and **Mitsubishi UFJ** (8306) is up 11%. *Custom Products* Request Info

Emerging Markets

slow. Risks: An ascendant Toutiao; aggressive Tencent. What to watch: App users; Apollo revenues. [RedTech Advisors]() Request Info

- **JSW Steel** (500228 IN) - Sajjan Jindal (Exec. Chairman) buys 3.2m shares at INR 314. This is a larger purchase and at a higher price than when he successfully previously acquired shares in March. *Smart Insider*
  - **London Marketing with Mike Tindale, 1st August** Request Meeting

Macro Research

Developed Markets

- **US: further tax cuts expected?** Trade wars, US has finally realised the need to protect domestic high-value corporate assets but they know they can't afford to hurt corporate profits. *FFTT* Request Info
- **Japanese Equities, US High Yield, Healthcare: Moves reflecting trade war risks?** Investors using Japanese rather than Eurozone equities, to fund increased exposure to US equities. US HY losing #1 position in fixed income. OW Healthcare. *Harlyn Research* Request Info
- **Positive Q3 Robot Activity Index** - Expansions expected in most categories. Labour poses the greatest risk, then business cycle/economic risks. The external funding series for Q3 showed an expected contraction vs Q2. *Prestige Economics* Request Info
- **Hong Kong's elevated role in China's development strategy** - City's special position will be used to counter America's attempts to disrupt 'Made in China 2025'. Expects further upward pressure on house prices. *Enodo Economics* Request Info
- **Liquidity trends** - 90% of DM Central Banks are running 'tight' policies. EM policy-makers are allowing currencies to weaken. US capital flows are reversing, may cap recent USD rise. Investors' appetite for risk assets has peaked. EM over DM. *CrossBorder Capital*
  - **London Marketing with Mike Howell, 8 August** Request Meeting
- **Dovish BoJ and no change to YCC** - Expects BoJ to downgrade their inflation and growth forecasts; sees scope for additional stimulus (but not next week). *Redward Associates*
  - **London Marketing with Peter Redward, 13-19 September** Request Meeting
- **Global macro** - More evidence piles up that the dollar bear market is about to resume. Do not underestimate the US economy's ability to

- **London Marketing with Jawad Mian, 16 September** Request Meeting

Emerging Markets

- **China: P2P lenders, a classic Ponzi scheme** - 80 lenders closed in June. A further 1,836 lenders exist, 90% to fail because they do not meet regulatory requirements. *Belkin Report* Request Info
- **Turkey: MPC disappoints, keeps rates unchanged** - Raises bigger and more worrying questions about the new administration's broader ability to translate talk into action or deliver any meaningful policy adjustment. *GlobalSource Partners* Request Info
- **India: current account risk growing** - Deficit heading toward 2.5%. Weak manufacturing investment/widening deficit trends unsustainable as per capita imports of consumer goods as well as oil trend relentlessly higher. *Entext* Request Info
- **Philippines: no respite in sight for the embattled Peso** - Ballooning trade deficit, rising inflationary pressures at a time when offsetting factors, such as remittances and BPO, may flatter to deceive. *Centennial Asia Advisors* Request Info
- **Chinese fiscal stimulus** - Global policy makers stimulate again. Growth assets should rebound for a few weeks/months, within a consistent cycle peaking view. Copper, global miners to benefit. Closes Kospi short. *Antipodean Capital* Request Info

Commodities

- **Gold** - Real yields, excess supply, low implied volatility, and shifting sentiment point to further downside risk. Silver a better option? *Topdown Charts* Request Info
- **Bitcoin** - Elliott Wave analysis. Building higher from the late-June low of 5787, confirming a new uptrend; target 9440+/-. *WaveTrack International* Request Info

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