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**The Cut - Edition 42**

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

### **Events**

- **"US vs China" - Market Implications of the Coming Disruption to Global Capital Flows with Michael Howell of [CrossBorder Capital](#).** Breakfast Presentation at the Lansdowne Club, London. **12 September** [Confirm Attendance](#)

[IRF Events Calendar](#)

### **Company & Sector Research**

#### **Europe**

- **BCA Marketplace** (BCA LN) - Used vehicle exchange. Remains fundamentally mispriced. Unappreciated capital intensity, ongoing corporate governance concerns, rising competitive threats. APAX walking and disclosures from 2018 Annual Report, reinforce the view. [StockViews](#) [Request Info](#)
- **WPP** (WPP LN) - Jump in new account wins, growing digital revenues, increasing exposure to fast growing geographies. Further acquisitions expected, ongoing buybacks and growing dividend. [Value Investment Principals](#) [IRF Event](#)

#### **North America**

- **Inter Parfums** (IPAR) - Shares more than doubled since first initiated. Benefitting from increased scale; operating margin up to 12.6%. Strong demand and impressive new products, Q3 results likely to be ahead of expectations. [BWS Financial](#) [Request Info](#)
- **E\*Trade** (ETFC) - JP Morgan's new investing tool, offering free or discounted trades, will stunt growth and put pressure on BoD to find a synergistic deal. [Gordon Haskett Research Advisors](#) [Request Info](#)

- **Twilio** (TWLO) - Cloud communications platform. Significantly beat expectations and raised guidance. Anticipate further 'beats' as promising new products e.g. Flex, which targets a niche opportunity with little cloud competition. [Summit Insights Group](#) [Request Info](#)
- **Kadant** (KAI) - Supplier of equipment/critical components used in process industries. To benefit from rapid build-out of new alternative pulping capacity in SE Asia by Chinese producers. Projected revenues of +12% CAGR; strong OCF. [Costigan Reports](#) [IRF Event](#)
- **Ansys** (ANSS) - Technology leader in engineering simulation software. Over 90% return since idea first highlighted. Pricing power, high switching costs. Double digit revenue growth over the next 5 years. [2Xideas](#) [IRF Event](#)
- **Healthcare** - One of the top sectors to own, given favourable economic and technical backdrop. Breakout in HC Tech; large cap Pharma relative breakout vs broad market. Companies highlighted: **Pfizer, Merck & Co., Eli Lilly & Co.** [Renaissance Macro Research](#) [Request Info](#)
- **Construction & Industrials** - TRG's State Revenue Report shows FY18 tax collections up in every state. States are now putting surplus dollars to work. With employment at a record high, forecasting FY19 revenue collections to be strong as well. [Thompson Research Group](#) [IRF Event](#)

## Emerging Markets

- **Link Net** (LINK IJ) - Strong market position; 2nd largest broadband and cable TV provider in Indonesia. Subscribers are expected to grow by 19.5% and 8.4% per year to 2021. 5-yr average ROIC of 24.2%. [Reperio Capital Research](#) [Request Info](#)
- **City Union Bank** (CUB NSE) - Uptrend to resume. Positive signals from Weekly MACD, Weekly Charts over Stochastic and RSI; fresh high in On-Balance Volume. Only a move below 170 would be negative. [Gemstone Equity Research & Advisory Services](#) [Request Info](#)
- **Thai Media review** - Industry has fragmented significantly as country moved from analog to digital. The majority of the broadcasters are now unprofitable, **Channel 7, BEC World, MONO, Workpoint** remain the exception. [MCorp Review](#) [Request Info](#)

## Macro Research

### Developed Markets

- **Italy: Budget concerns** - Could avoid clashing with Brussels if they focus on infrastructure. If not and/or further rating downgrades occur, the ECB will have to act. If they fail to stabilise BTPs, coalition could resort to mini-BOTs. [MI2](#)

[Partners](#) [Request Info](#)

- **Japan: Important changes** - Sustained wage growth suggests secular disinflation forces are fading. It would also pressure margins. Secular stagnation has been good for the corporate sector so secular stagnation fading would be equity bearish. [Minack](#)

[Advisors](#) [Request Info](#)

- **UK: Brexit impact** - As the UK sails into a storm of protest, indignation and obstruction, with likely damage to Sterling and asset prices, its appeal as a value proposition will be greatly enhanced. Economy to emerge unscathed. [Economic](#)

[Perspectives](#) [Request Info](#)

- **US curve steepening options look cheap** - Due to a combination of a flat yield curve, low interest rate implied volatility and high correlation between curve points. Portfolio protection against extreme risk off/market pricing for imminent US recession.

[Cross Asset Macro](#) [Request Info](#)

- **Singapore: Slowing GDP growth** - See scope for a modest easing of MAS core inflation in coming months. Both fundamental and technical dynamics support a rise in USD/SGD; 'fair value' is 1.4180/USD. [Redward Associates](#) [IRF Event](#)

- **Trump White House: A September to remember?** - Markets face additional tail risks as focus turns to November elections. If the Senate is seen at risk of flipping to Democrat control, the Trump deregulatory agenda is much more at risk, with more to discount. [Capital Alpha Partners](#) [IRF Event](#)

## Emerging & Frontier Markets

- **Turkey: On the road to default (at best!)** - Huge spill-over effect on Europe; closed EUR longs and increased peripheral sovereign debt shorts. Had been short Turkish lira and financial assets for 2 years. [Independent Strategy](#) [Request Info](#)
- **Indonesia: Growth kicks into high gear** - Household spending rising; Infrastructure programme, deregulatory reforms bearing fruit. But will President Jokowi's choice for running mate in 2019 elections prove to be a long term negative? [Centennial Asia Advisors](#) [Request Info](#)
- **South Africa: Proposed competition legislation adds new hurdles for investors** - Draft legislation calls for government review of any takeover bids that impact 'national security'. [Oxford Analytica](#) [Request Info](#)
- **China's policy backpedalling?** - CBIRC issues a strong and 'unusual' notice proposing heightened stimulus for the economy. Loosening is likely to continue to favour capital to the state sector. [GlobalSource Partners](#) [Request Info](#)
- **Vietnam: Ownership levels are at a peak of 17%** - Exposure among global EM Managers has continued to rise, despite its status as a non-core, out of benchmark holding during a period of heightened volatility. [Copley Fund Research](#) [IRF Event](#)

## Commodities

- **Physical delivery of the CNY oil contract begins next month** - December open interest is 37m barrels; traders can currently make \$3.35/barrel risk-free by delivering against it. If this arbitrage remains, the 'Law of 1 Price' tells us 1 of 3 things must happen... [FFTI](#) [Request Info](#)
- **Gold position reversal** - Closed short position (initiated Jan 18) as Gold market timing models issue a rare 'strong buy' signal; gold is near key support levels; USD models generate 'sell' signals; changing backdrop for US i/r hikes. [Longview Economics](#) [Request Info](#)

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