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**The Cut - Edition 57**

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

**IRF Events Calendar**

### **Company & Sector Research**

#### **Europe**

- **AstraZeneca** (AZN LN) - Last week's equity raise shows the lack of strategic flexibility caused by years of financial engineering. True measure of FCF would have led to a credit rating downgrade, hence the cash call. Deal and raise is 4% EPS dilutive. [Intrinsic Health](#) [Request Info](#)
- **Infrastructure** - Higher upside in Europe than Asia Pacific and South America. Contractors and Airports preferred. Favourite stocks include: **Ferrovial** (TP €41, 97% upside), **Atlantia** (TP €40, 80% upside) and **Getlink** (TP €22.4, 66% upside). [Insight Investment Research](#) [Request Info](#) [IRF Event](#)
- **Playtech** (PTEC LN) - Will continue to benefit from long term shift from retail gambling to online. Competitive advantage is underappreciated. Asian business far more resilient than market fears. Concerns re. regulation in Italy overlook the opportunities. IV 725p (70% upside). [StockViews](#) [Request Info](#)
- **ProSiebenSat.1 Media** (PSM GR) - Screening as a 5-star green (highest rating) on Apollo, their equity valuation, risk and market timing

platform. The longer-term value trend (IV) is now beginning to rise, meaning the 26% Value Indicator score is particularly attractive. [Libra](#)

[Investment Services](#) [Request Info](#)

## North America

- **Micron (MU)** - Differentiated call to go long the stock ahead of earnings two weeks ago went against the grain of universal negativity and caught the attention of *CNBC's* Jim Cramer ([click here](#)). Expect DRAM prices to stabilize as suppliers cut back capacity and data centre demand returns in the latter half of the year. [Lynx Equity Strategies](#) [Request Info](#)
- **Google's gaming ambitions** - Industry is slowly evolving toward subscription-based cloud gaming. Massive multiplayer games to become the ultimate social network. Sector is a key way to play dematerialisation of consumption theme and the rise of the digital 'metaverse'. [Entext](#) [Request Info](#)
  - [Pelham Smithers Associates](#) also discusses the implications of Google Stadia. Main focus is on the impact on Japanese companies in the sector. [Request Info](#)
- **Canadian Banks** - All Big Six (BMO, BNS, CM, NA, RY, TD) now expected to fall short of current consensus estimates in FY19. Slowing consumer loan growth, weak capital markets and higher loan losses are flashing an inflection point. [BNN Bloomberg interview](#). [Veritas Investment Research](#) [Request Info](#)
- **Dollar Tree (DLTR)** - Continues to improve on all counts, including the growing coolers and snack zones. But the real issue is fixing FD. The pace of remodels, rebannerings or closures needs to be accelerated and front-line execution improved. [Customer Growth Partners](#) [Request Info](#) [IRF Event](#)

- **CBS Corp.** (CBS) - Good risk/reward; Viacom concerns priced-in. Trades at 7.3x EBITDA and 13.6% FCF yield for one of the highest quality media operations in Hollywood. SOTP analysis puts FV at \$96. [Huber Research](#) [Request Info](#) [IRF Event](#)
- **Spotify** (SPOT) - Music streaming market is well placed for high growth as adoption increases. Dominant position; ad-supported streaming is a competitive advantage. Longer term, the industry has pricing power and the structure to apply it. TP \$265. [Abacus Research](#) [Request Info](#)
- **MicroStrategy** (MSTR) - Provides business intelligence and enterprise analytics. Spent the last 3 years developing a new platform which will enable them to grow at a faster rate and retake market share. Revenue and earnings to rebound this year. +40% upside. [BWS Financial](#) [Request Info](#)
- **Dow Chemical Company** (DOW) - Portfolio is laser-focused, with management's financial and shareholder remuneration goals clearly laid out. Strong FCF and sizeable dividend; predicts an impressive earnings pick-up post 2019. [Alembic Global Advisors](#) [Request Info](#)
- **Wayfair** (W) - Announcing its first B&M store highlights the flaws in the current business model. Much more capital needed to make the company profitable. 50% downside. [Hedgeye](#) [Request Info](#)
  - Company featured in [Two Rivers Analytics'](#) Liquidity Crisis Model, which seeks companies facing cash flow shortfalls that interfere with debt service or require dilutive equity offerings. [Request Info](#)
- **Vegan food groups: Lean, green, growth machines** - The market for meat substitutes is forecast to bulk up as more consumers switch to plant-based proteins. This bodes well for **Beyond Meat's** IPO with a positive read across for **Hain Celestial**. [Williams Inference](#) [Request Info](#)
- **Media Deregulation** - FCC will continue to liberalise the regulations limiting broadcasters' ability to consolidate, increasing M&A possibilities and allowing networks to own more of their affiliated stations. Maintains

'Bull case' for complete elimination of the broadcaster national audience reach cap and the UHF Discount. [Capital Alpha](#)

[Partners](#)

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## RoW

- **China slashes NEV subsidies** - The cuts were considerably greater than anticipated. Consumers to see significant increases in NEV prices, negatively impacting demand in H2 and through 2020. Materially improves **Tesla's** competitive position. [Silk Road](#)  
[Research](#) Request Info
- **BIMB Holdings** (BIMB MK) - Commands strong asset quality, provisioning and capitalisation levels. Trades at a P/B ratio of 1.4x, an earnings yield of 10% and a franchise valuation of 14%. Total Return Ratio stands at 1.2x. [Creative Portfolios](#) Request Info

## Macro Research

### Developed Markets

- **RBNZ opens up prospects of an imminent rate cut** - Correctly anticipated dovish OCR review. Maintains long-held and non-consensus view that the RBNZ will deliver a 25bp rate cut in May. Remain comfortable received NZD May OIS and NZD 5y5y IRS and short NZD. [Redward Associates](#) Request Info
- **Central Banks actions do not bolster sustainable growth** - Ultimately this implies two things; the burden of misallocated capital can only be maintained by keeping i/r below paltry growth or destroying it with inflation. This will go on for a while, but not forever. [Independent Strategy](#) Request Info

- **EURUSD is an attractive short** - Triple event risk for EZ: Hard Brexit, US/China trade deal uncertainty and US tariffs on European autos. Any shock to the EZ economy is at risk of quickly morphing into debt-deflation. [Macrolens](#) [Request Info](#)
- **US Economy: The apparent slowdown in Q1 was not a precursor to recession** - But the result of freight capacity limits and, for international freight, the completion of a global inventory restocking. Inflationary pressure will not recede as economic growth slows back to a reduced potential growth rate. [Intertemporal Economics](#) [Request Info](#)
- **Italy: Bonds to recover** - The ECB has effectively extended its provision of low-cost funding by at least 2 years, favouring Italian banks, among others. Italian economic indicators beginning to recover. Bond spread to Germany still bears an excessive risk premium. [Economic Perspectives](#) [Request Info](#)
- **The Fed's U-turn** - Has triggered a powerful reflationary risk rally. Yet, absent rate cuts and an end to QT the macro is likely to deteriorate further. Semiconductors and Industrials look vulnerable. As US rate differentials narrow, expect relative weakness in bank stocks and the dollar. [MI2 Partners](#) [Request Info](#) [IRF Event](#)

## Emerging Markets

- **Turkey: Bullish since the September lows** - Large and well-advanced BoP normalisation story, which remains intact despite recent volatility. While there are things that could disrupt this recovery, concerns around sovereign risk and suspicions of artificial supports to the currency are mostly not correct. [Totem Macro](#) [Request Info](#)
- **Turkey: AKP now desperately needs MHP support to stay in power, or win any election** - Erdogan must improve the economy, but he hasn't suffered enough yet to realise that to achieve this objective he must adopt pro-market, Western-friendly and democratic policies. He shall learn in the end, but investors should expect a deeper

recession for the country in the meantime. [GlobalSource Partners](#) [Request Info](#)

- **Digging into the Latin America slowdown** - Clear signs of weakness in (Google) search trends for key industrial categories (oil & gas, export and manufacturing). Not all is lost, travel and consumer industries are looking particularly strong. There are also encouraging signs in credit and lending. [Arbor Research](#) [Request Info](#)
- **Russia: Is an economic boom around the corner?** Current dip in economic growth is temporary. Government publishes ambitious development programme. Infrastructure development plan complements China's BRI. Also examines further US sanctions and implications of the Calvey case on foreign investment. [Emerginomics](#) [Request Info](#)
- **China: Nominal growth rate of the overall economy to bottom out in H2 2019** - Consumer spending will edge up earlier than investment thanks to rising credit growth. Discretionary consumption stocks yield better opportunities than cyclical stocks. [Horizon Insights](#) [Request Info](#)
- **China: Smart city domination** - Chinese hardware/software companies possess extensive expertise here and will be able to sell in developing countries, especially in Asia, where urbanisation is still low and the risk appetite for Chinese technology is high. This will become another front in the US-China tech-trade wars. [Oxford Analytica](#) [Request Info](#)

## Commodities

- **Permian Bottleneck** - Thesis playing out as Magellan scraps plans for Permian Gulf Coast pipeline. Next on the list are EPIC Crude and Jupiter. Both have a low risk of being built. Overweight: International

E&Ps exposed to long duration conventional assets. Underweight: L48 names. [Palissy Advisors](#) [Request Info](#)

- **Elliott Wave Analysis: Palladium** - Bearish outlook targeting levels towards 1052.50+/- . **Gold** - A shorter-term corrective downswing has begun targeting 1243.55+/- . A significant headwind for gold is that the **USD** is forecast +5.75% over the next few months. [WaveTrack Analysis](#) [Request Info](#)

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