

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 58**

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

### **IRF Lunch with Jules Hull**

[StockViews](#)

European Long and Short Equity Ideas

**Wednesday 24th April, 12.30pm**

The Lansdowne Club

[Confirm Attendance](#)

[IRF Events Calendar](#)

## **Company & Sector Research**

### **Europe**

- **Accor** (AC FP) - Sponsorship of PSG, via its new ALL marketing initiative, raises serious corporate governance red flags that indicate capital allocation is not for the benefit of all shareholders. Recent results highlight ongoing operational issues and weak cashflow. Intrinsic value €27. [StockViews](#) [Request Info](#)
- **FCC** (FCC SM) - Director, Juan Rodriguez Torres increases his holdings by 10%. This is his second largest purchase and the highest price (€11.65) he has paid for the stock. Share price increased 23% in just six months following his previous purchase of shares last year. [Smart Insider](#) [Request Info](#)

- **Ferrovial** (FER SM) - **SNC Lavalin's** agreed sale of 10% of 407-ETR for up to C\$3.25bn highlights how the market is overly negatively discounting the value of the company's infrastructure assets. 90% upside potential. [Insight Investment Research](#) [Request Info](#)
- **WPP** (WPP LN) - Report covers a recent meeting with the CFO. Restructuring to take 3 years. Cautious re. near term improvement, setting the stage for a possible beat. Focus is on reducing debt with an important +£2bn expected from (partial) sale of Kantar. 6.9% dividend is safe. [Huber Research](#) [Request Info](#)

## North America

- **Video Gaming Q1/Q2 preview** - **Electronic Arts** to beat revenue expectations and guide above consensus for next quarter based on Apex strength. Other positive trends: **UBI, ZNGA**. Negative trends: **TTWO, ATVI, GLUU** and **Nintendo**. [Gossamer Consulting](#) [Request Info](#)
- **Ciena** (CIEN) - Further positive details on WL5e/n performance and timing; embracing pluggable DCO technologies and an improving outlook in DCI and traditional SP/MSO spending. They are the right company, with the right products, to dominate in optical transport for the foreseeable future. [Inflection Point Research](#) [Request Info](#) [IRF Event](#)
- **Home Depot** (HD) - Channel checks suggest an acceleration in trends in March (+4-5% comp). April to be at least as good given the strong start to the seasonal business and an easier comparison in seasonal and total comp. [Mosaic Research](#) [Request Info](#)
- **Intel** (INTC) - The surprise axing of their high-profile 5G modem and potentially all modem business at **Apple**, adds to the new CEO's credibility. See upside to the stock into server ramp in 2nd half of 2018. [Lynx Equity Strategies](#) [Request Info](#)
- **LCI Industries** (LCII) - End-market demand has dried up, leading to bloated inventory levels throughout the supply chain. Gross margin

impact will be greater than the Street is expecting. Highlights several expense recognition concerns, which have provided a temporary, but material benefit to operating profit. [Gradient Analytics](#) [Request Info](#)

- **Legg Mason (LM)** - Stock decline ignores improved competitive position. 80% of AUM have beaten their respective benchmarks on a 3-year basis (73% over 5 years). Significant buyback programme to be enacted during H2. Strong candidate for industry consolidation. [Boyar Research](#) [Request Info](#)
- **Poly (PLT)** - Share price collapse resulted from misinformation and unfounded doubt about the merger of **Plantronics** and **Polycom**. Management refresh will result in a leaner company with a faster clock cycle of new product development. The most dramatic impact will be in video conferencing. [GARP Research](#) [Request Info](#)

## RoW

- **China: Channel checks highlight price war in excavator market** - Aggressive pricing and promotional practices have pulled forward demand; doesn't bode well for margins or unit volumes for the balance of the year. Negative implications for **Caterpillar** and **Cummins**. [Silk Road Research](#) [Request Info](#)
- **Samsung** - Highlights concerns re. margin development in the semiconductor business given worse than expected memory pricing. Expects further scale loss in its mobile and display businesses as China Inc. becomes an even more significant player going forward. [Adnaan Ahmad Research](#) [Request Info](#) [IRF Event](#)
- **TAL Education (TAL US)** - While short term catalysts are even better than expected (enrolment for both Spring and Summer terms), long-term thesis is driven by strong structural factors which will enable them to withstand policy interventions by the government. TP \$47. [JL Warren Capital](#) [Request Info](#)

- **Zozo** (3092 JP) - More trouble with its merchants. **United Arrows** recently said it will take back control of its e-commerce operations and has now announced a mobile platform (Fitom) that competes with Zozo's Wear app. [JapanConsuming](#) [Request Info](#)

## Macro Research

### Developed Markets

- **Hazards of modern monetary experiments** - MMT is just the latest in a long-line since 2000. It is often ridiculed, although it seems quite close to what many countries actually did. The real problem is that monetary policy has become over-burdened. Almost inevitable that central bank independence will be undermined. [Suttle Economics](#) [Request Info](#)
- **US: The great bond puzzle** - Structural shortage of 'safe' assets; financial policy mix is out-of-line. More liquidity is vital and lower policy rates are needed. Investment portfolios need to be better hedged with a fixed income strategy that embeds significant amounts of convexity. [CrossBorder Capital](#) [Request Info](#)
- **UK: Raises (already) bullish 1Q19 GDP growth forecast to 0.5%** - Manufacturing and construction caused the upside surprise in Feb 19 and are set to be highly supportive of GDP growth. Economy firing on all cylinders despite the prophecies of doom. [Heteronomics](#) [Request Info](#) [IRF Event](#)
- **Keep a close eye on Australia** - YoY growth in (Google) search trends suggest industrial activity, credit demand and the real estate market ended the quarter on a high note. This is very encouraging for China and its neighbours and worth watching closely in the months ahead. [Arbor Research](#) [Request Info](#)

- **US: Profit #Recession** - The confluence of accelerating, late-cycle wage inflation, ongoing deceleration of economic growth, as well as a fading fiscal impulse into peak earnings cycle comps and further, negative strong dollar translation effects are all set to conspire against peak corporate profitability as we move through 2019.

[Hedgeye](#) [Request Info](#)

## Emerging Markets

- **Emerging & Frontier markets underinvested due to mismeasurement of political risk** - Q2 risk report highlights markets where headline risk obscures growth opportunities. Countries analysed include: Turkey, Mexico, Brazil, Argentina, Sri Lanka and Vietnam.

[Oxford Analytica](#) [Request Info](#)

- **Bearish steepening expected on the HUF swap curve** - Outright swaps on all key maturities (2-5-10y) should be paid over the coming 3-4 months up to 120bps for the 10y; HUF 2/5/10 swap curve expected to steepen by 30-40bps. EURHUF, highly correlated to this curve, might reach 330 within this time horizon. [Emvest Partners](#) [Request Info](#)

- **Markets will undergo a serious reversal later this year** - Beijing will be incapable of stabilising economic growth at an 'acceptable' level, with local government and industrial debt the major risks. Also underweight Russia and Korea. Overweight includes South Africa and Philippines. [Ecstrat](#) [Request Info](#)

- **Turkey: To begin its economic recovery this year** - New-found strength in the BoP will allow the currency to remain stable and inflation rates to subside. Interest rates to fall (particularly if global credit conditions improve in late 2019). [Andrew Hunt Economics](#) [Request Info](#)

- **Sudanese President overthrown** - CIA expected to have been involved as US looks to support the new junta in return for Sudan cancelling its sweetheart deals with Russia and China. But with an

unpredictable military regime now in charge, has the US made a bad situation worse? [GlobalSource Partners](#) [Request Info](#)

- **Stresses emerge in South China Sea again** - Duterte under pressure to change his stance as Sino-Philippine tensions rise. Their 'Weekly Insights' report also covers implications for Asia as US-China deal takes shape and how Asia will bear the brunt of the oil price rally that still has some legs. [Centennial Asia Advisors](#) [Request Info](#)

## Commodities

- **Copper to hit \$5.00 by 2022** - Near term, a large amount of “China angst” is embedded in the price that is likely to be relieved with a trade deal. Beyond that, significantly higher prices will be needed for a decade to both ration consumption and encourage new supply. Top picks: **RIO, FCX, FM.CN.** [RenMac](#) [Request Info](#) [IRF Event](#)
- **Gold** - The Fed and global central banks will soon be cutting i/r and re-launching QE. The XAU gold stock index has the strongest upward long-term model forecast of any sector or group. Preferred stocks (US listed) include: **NEM, RGLD, GG, NG.** [Belkin Report](#) [Request Info](#)

**IRF works with 175 Independent Research Providers and Specialist Data Providers, which cover all the major Asset Classes, Sectors and Regions utilising a variety of 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)



[Add us to your address book](#)

Want to change how you receive these emails?

You can [update your preferences](#) or [unsubscribe from this list](#).