



TOP 5 STOCK PICKS FOR Q3

As Theresa May's time at Downing Street draws to a close, the UK finds itself gearing up for a new Conservative Prime Minister and another delay to **Brexit**, which is now due to happen on 31 October 2019.

Some leadership candidates have expressed ease at a no-deal Brexit while others have indicated that they would seek to renegotiate or make amendments to the deal. Another referendum, a general election, a vote of no confidence, and cancellation remain on the table as well as an additional delay. With much of the initial Brexit uncertainty priced in by the markets, will this renewed bout of uncertainty cause further fluctuations in the markets? Does the **FTSE 100** stand to benefit from the Number 10 race?

On 29 June 2019, Trump met with Chinese President Xi Jinping at the G20 summit in Osaka, Japan. The aftermath of the G20 summit could prove to be crucial for the global economy and financial markets, which has been affected by trade tensions and tariff escalations for over a year. Subsequently, news of a potential trade agreement falling at the final hurdle will mean eyes are on the G20 summit and beyond for real clarity as to whether or not the deal can get back on track.

Staying across the pond, the Federal Reserve has hinted they could cut interest rates as early as July following weaker than expected employment numbers in June. Additionally, the European Central Bank (ECB) chief Mario Draghi has not ruled out launching more stimulus in a bid to combat continued weak inflation numbers. In the past, central bank intervention has caused markets to rally. Is now the time to buy?

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Which stocks could provide value for investors in Q3 and beyond?

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1. ASOS (ASC.L)



Where will **ASOS** go from here? Back to turn-of-the-year lows at 2080p or bounce back towards 4075p. Could shares catwalk their way back to 2018 highs of 7770p?



(Chart: TradingView > ASOS price, 1 day view)

- ▶ One of Britain's most successful online retailers, **ASOS** has had mixed fortunes recently, falling to 4-year lows in December 2018, only to rally 90% between January to May from these levels.
- ▶ Shares are currently trading 35% lower than the May high of 4074p. They have been hurt by a couple of funds cutting their stake in the company as well as some analysts highlighting pressures on margins.
- ▶ A new CFO, Matthew Dunn, started in April – time will tell if this appointment could be a catalyst for balancing sales, profit, margins and growth in order to see the company get back to levels seen last year and potentially even higher.
- ▶ In April, **ASOS** reported lower profits in light of poor Christmas trading and teething problems with their entry into the US. However, they maintained their guidance for the year with projected sales growth of 15%. With sentiment low at the moment, if the company achieves a strong H2, could now be a good time to buy?
- ▶ Next trading statement: **23 July 2019**.

ANALYST CONSENSUS*

64% buy
14% hold
22% sell

AVERAGE TARGET

3830p
(+47%)

MOST BULLISH TARGET

Societe Generale
5541p
(+112%)

MOST BEARISH TARGET

Stifel
2000p
(-23.5%)

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2. FACEBOOK (FB)



Can **Facebook** get back towards its all-time high around \$218, or will it retrace back towards potential support at \$160 or even further to year lows around \$123?



(Chart: TradingView > FB price, 1 day view)

- ▶ The social network behemoth observed a strong H1, rallying around 50% from the 2-year low seen in December 2018.
- ▶ Shares are currently trading 12% below the all-time high, which was reached in July 2018.
- ▶ The company blew profit expectations out of the water during their Q1 update and shares rallied 10%, despite setting aside \$3bn for a privacy penalty.
- ▶ In June 2019, **Facebook** launched a white paper for their planned cryptocurrency, Libra. It will be backed by a reserve of real assets and other founding members including **Visa (V)**, **MasterCard (MA)**, **PayPal (PYPL)** and **Uber (UBER)**.
- ▶ As decentralisation and blockchain transactions become more mainstream, the impact of **Facebook's** 2 billion users could make it the largest financial platform in the world.
- ▶ Next earnings release (estimated): **24 July 2019**.

ANALYST CONSENSUS*

85% buy
11% hold
4% sell

AVERAGE TARGET

\$218.44
(+15.1%)

MOST BULLISH TARGET

BTIG LLC
\$275
(+44.9%)

MOST BEARISH TARGET

Societe Generale
\$120
(-36.8%)

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3. THOMAS COOK (TCG.L)



Can **Thomas Cook** reach 2019 heights of 39p, or will shares crash land to lows of 8p?



(Chart: TradingView > TCG.L price, 1 day view)

- ▶ A more speculative addition, **Thomas Cook** shares are currently trading a staggering 86% lower than they were a year ago.
- ▶ The much-loved British travel firm has been around since 1841 and has a customer base of 19 million.
- ▶ Increased competition has led to mounting debts and profit warnings, despite growth being consistent year-on-year.
- ▶ The company is currently in talks to sell-off parts of the business, including its airline, as well as other ways to restructure its debt.
- ▶ There is also a possibility of a takeover to save **Thomas Cook**, with one candidate being **Fosun Group of China** (0656.HK), who already have an 18% stake
- ▶ Next trading statement: **19 July 2019 (Q3 update)**.

ANALYST CONSENSUS*

18% buy
55% hold
27% sell

AVERAGE TARGET

20.57p
(+42.9%)

MOST BULLISH TARGET

MainFirst Bank
35p
(+143.2%)

MOST BEARISH TARGET

AlphaValue
5.75p
(-60%)

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4. ZYNERBA (ZYNE)



What's next for **Zynerba**? Can they make their way towards analysts' price target of \$25, or could we see \$2.80 once again?



(Chart: TradingView > ZYNE price, 1 day view)

- ▶ A stand-out performer from the medical marijuana sector, the stock has risen more than four-fold year-to-date.
- ▶ The legal cannabis industry was estimated to be worth \$11.9bn in 2018 with some analysts speculating this could rise to \$66.3bn by 2025 – if this were to come to fruition, it could spell success for first-mover **Zynerba**.
- ▶ Shares spiked in June 2019 when it emerged that **Zynerba** had won a new patent to produce a synthetic cannabis drug for autism. The company is currently enrolling patients for a mid-stage study and results are expected early 2020.
- ▶ Next earnings release (estimated): **1 August 2019**.

ANALYST CONSENSUS*

83% buy
17% hold
0% sell

AVERAGE TARGET

\$25
(+96.1%)

MOST BULLISH TARGET

Roth Capital Partners
\$36
(+182.4%)

MOST BEARISH TARGET

Canaccord Genuity
\$18
(+41.2%)

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5. SLACK (WORK)



Slack hit the ground running on its first day of trading but shares are now trading slightly below the listing price – opportunity to buy, or could it fall further?



(Chart: TradingView > WORK price, 1 hour view)

- ▶ **Slack** shares hit the market on 20 June 2019 with a launch price of \$38.50, well above the \$26 guidance price.
- ▶ The company used a direct listing model rather than a conventional IPO, which meant they did not raise additional capital, however saved themselves on the substantial fees associated with the traditional method. **Spotify** (SPOT) took the same route last year.
- ▶ Like many of the newly-listed tech firms, **Slack** is currently making a loss, though they are projecting a yearly growth rate of 50%.
- ▶ The company is eager to dispel misconceptions that their product is simply a workplace messaging service. The platform, which currently boasts 10 million users, has the scope to partner up with other applications, for example **Dropbox** (DBX), who last year announced they had integrated .

ANALYST CONSENSUS*

67% buy
33% hold
0% sell

AVERAGE TARGET

\$37.33
(+2.5%)

MOST BULLISH TARGET

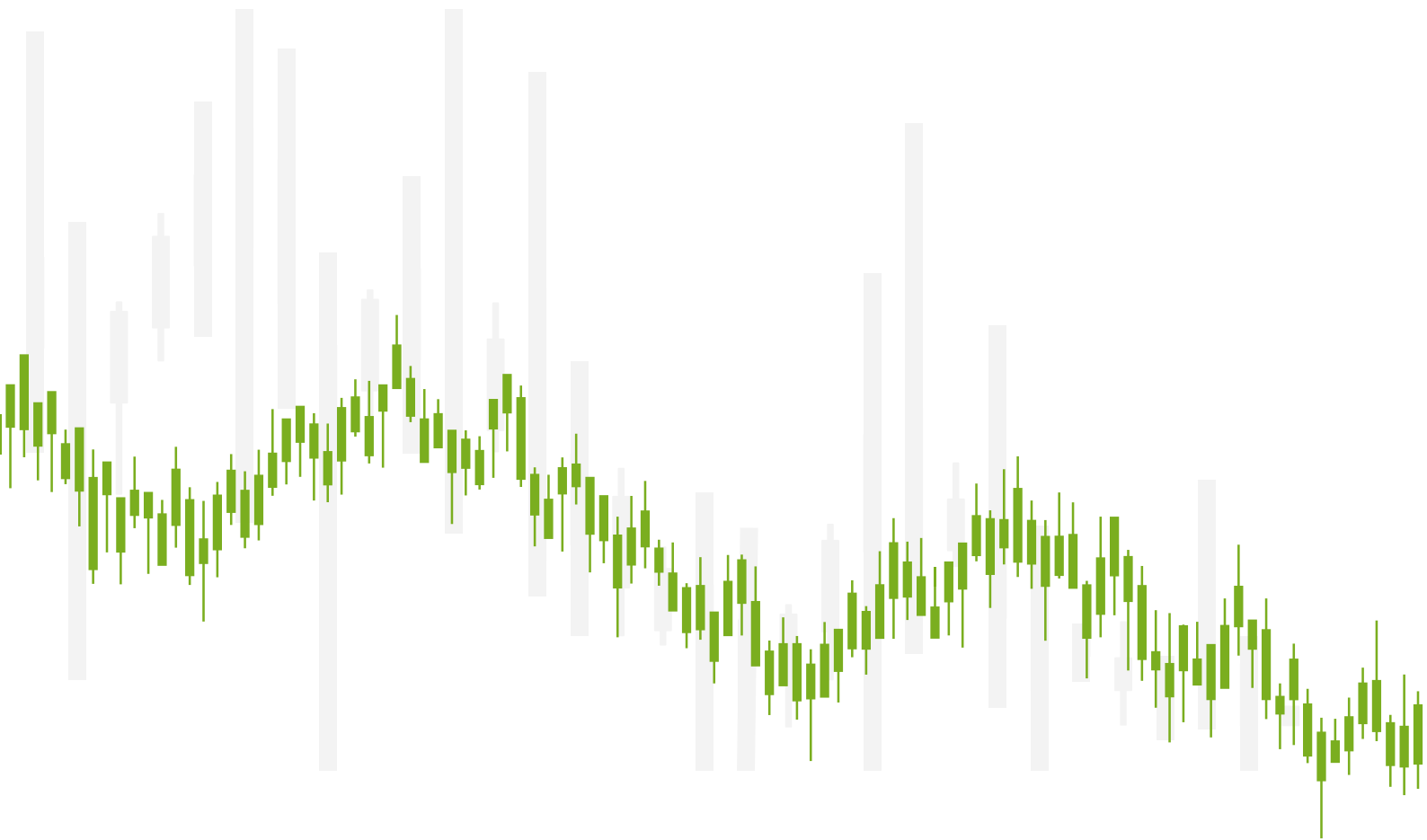
Baird
\$44
(+20.8%)

MOST BEARISH TARGET

D.A Davidson & Co
\$31
(-14.9%)

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**Prices and rates accurate as of 26.06.19 | Data sourced from Bloomberg*

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