Q4 STOCK PICKS:
BREXITPROOF YOUR PORTFOLIO

Can the UK and the EU negotiate a revised Brexit deal before 31 October 2019 or will there be an extension to 31 January 2020?

Earlier this month, Parliament passed a law that aims to block the UK leaving the EU without a deal on 31 October, though this does not completely rule out a no-deal Brexit in the future.

The law could mean Prime Minister Boris Johnson might have to request an extension from the President of the European Council, Donald Tusk, if MPs fail to approve a Brexit deal in another meaningful vote or they do not vote in favour of leaving the EU without a deal.

However, if there is a general election before 19 October that returns a majority for Johnson, he could pass a new law that does not require him to seek an extension, resulting in a no-deal Brexit. Alternatively, the EU could refuse another extension or offer an alternative date altogether.

In an interview back in September, European Commission President, Jean-Claude Juncker, said he was confident a deal could be reached by 31 October, which caused the pound to jump to a two-month high. Juncker also said a no-deal Brexit would have "catastrophic consequences" for the UK and EU.

Last week the pound extended its gain after the UK's Supreme Court ruled that Boris Johnson's decision to suspend Parliament was unlawful. The boost to the sterling resulted in a dip for the FTSE 100 blue-chip stocks, many of whom generate a significant proportion of their revenue in foreign currency.

However, the Bank of England has indicated that Brexit uncertainty will keep UK base rates lower for longer and the Monetary Policy Committee (MPC) warned that a no-deal Brexit would lead to slower growth, higher inflation and a drop in value of the pound, which could see many FTSE 100 constituents benefit.

On a positive note for world stocks and the global economy, Treasury Secretary Steven Mnuchin said US-China trade negotiations would resume in October when China's Vice Premier Lui He visits Washington. Despite Chinese officials cancelling a goodwill visit to farms in Montana and Nebraska, hopes are high for a resolution in two weeks' time, signalling an end to the year-long trade war.

Staying across the pond, the Federal Reserve delivered a 25 basis point rate cut at their September meeting. This was perhaps less than the 50 point cut many were hoping for, including President Trump himself. However, this does indicate the Fed is willing to take action and have not ruled out further cuts, data-dependent. When presented with rate cuts or other stimulus, historically the stock market has benefitted as a result and if we experience such conditions going forward, some stocks could well be attractive at these levels.

Finally, drone strikes on an oil facility and oil field in Saudi Arabia in September triggered a 20% surge in price and continues to affect the global oil supply. This has led to escalated tensions in the Middle East as many look to blame neighbouring Iran for the attack. Could mounting tensions in the Gulf result in a further increase in the price of oil?

To potentially maximise your investments ahead of Brexit, eToro offers 0% commission on stocks. This means no charges will be added to the raw market spread when buying stocks – a saving of up to 50% on fees compared with other UK platforms*.

eToro's Q4 report identifies Brexit "defensive" stocks – a set of stocks that due to their nature defend your investments in uncertain times.

Which stocks could provide value for investors in the final quarter of 2019?

1. NEXT (NXT.L)

The high-street fashion retailer has had a strong start to 2019, but will it remain in season during Q4?

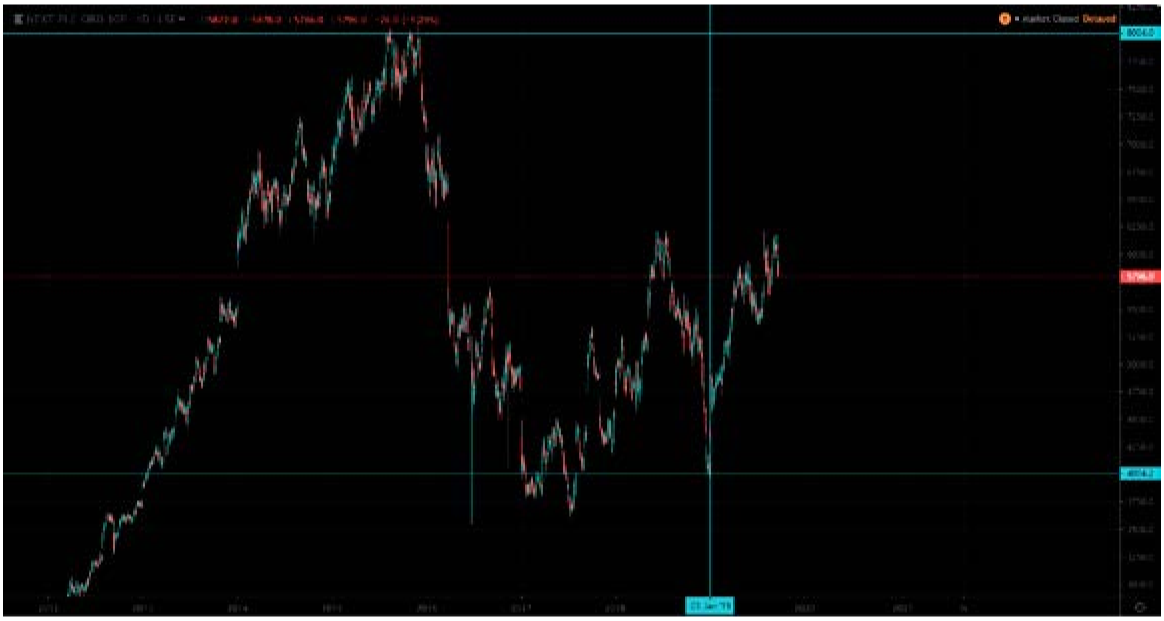

Chart: TradingView > NXT.L price, one-day view

- One of Britain's most loved high-street retailers, Next shares have soared close to 50% this year and are trading close to year highs.
- The company traded at record highs in December 2015 at a touch under 8000p (38% from the current price).
- Despite a slightly disappointing update in September, pro-Brexit Chief Executive Simon Wolfson is confident in the future of the company as we approach the UK's exit from the EU. This has in turn filtered down to investor sentiment with Next's performance beating many of its sector peers.
- In September, Next released an updated no-deal Brexit strategy, analysing direct and indirect risks and assessing potential challenges for the retailer.
- A temporary tariff regime will reduce import duty costs by £25million post-Brexit, which would be passed on to customers by reducing clothing prices by around 2%.
- The strategy states that Next welcomes the government's steps to remove the risk of higher duty costs for businesses and that its biggest indirect risk is UK ports failing to cope with additional volume of customs work, but it hopes the government will initiate change to this procedure.
- Q3 trading statement released **30 October 2019**.
- Interim ex-dividend date **5 December 2019**.

ANALYST CONSENSUS:	**42%** BUY / **42%** HOLD / **16%** SELL	
AVERAGE TARGET: 5903p (+1.1%)	MOST BULLISH TARGET: **GOLDMAN SACHS**	**7100p** (+21.6%)
	MOST BEARISH TARGET: **MORGAN STANLEY**	**4400p** (-24.6%)

2. BP (BP.L)

Can the oil giant refine its performance and climb back to 2019 highs around 582p, or will they retreat to 2019 lows and support at 486p?

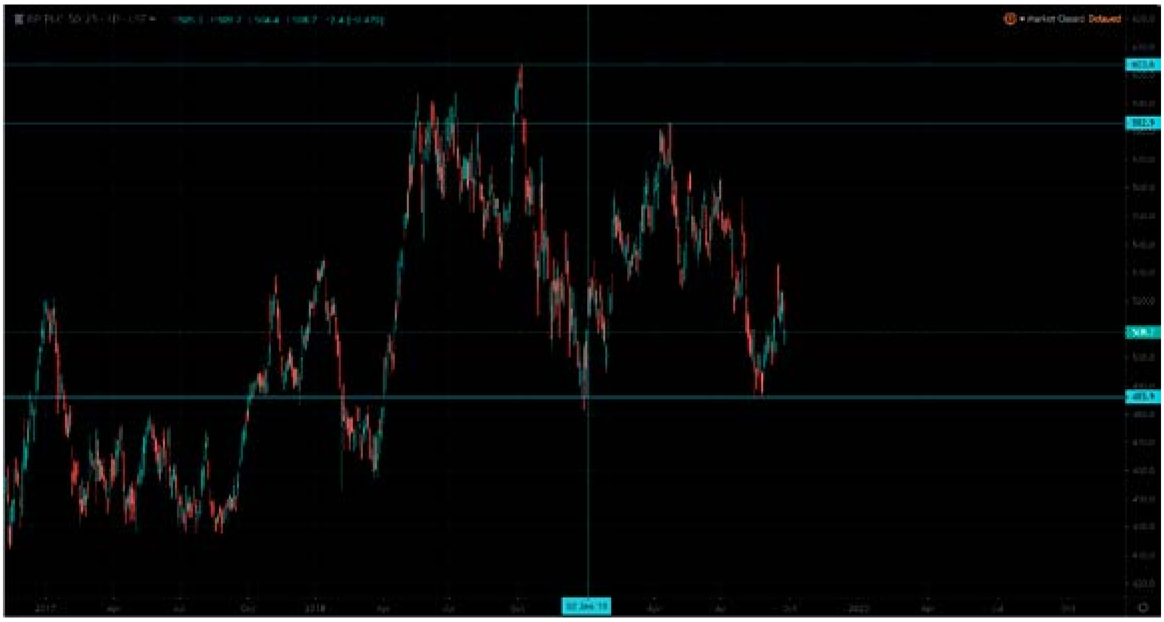

Chart: TradingView > BP.L price, one-day view

- BP shares received a boost off the back of the drone incident in Saudi Arabia. If tensions continue to lift oil prices even more, the share price could increase further.
- With dividend yield coming in at just under 6% and operations around the world, investors could turn to BP as a reliable option to weather the Brexit storm. It could be argued analysts are in agreement with this as even the most bearish estimate comes in higher than the current price.
- In H1, the oil and gas giant announced a divestment of $1.5 billion with plans to divest a further $10 billion in Q4 and 2020. It's hoped these divestments will enhance the company's cash and liquidity position.
- BP has strengthened its upstream and downstream portfolio and has brought over 20 upstream projects to fruition since 2016; four began production in the first half of 2019, including Culzean in the North Sea. The company expects its net produce to increase by 900,000 barrels of oil equivalent per day by 2021.
- Group Chief Executive, Bob Dudley described BP as "right on target" at the end of H1, owing to "reliable performance and disciplined growth".
- Q3 trading results and dividend announcement released **29 October 2019**.

ANALYST CONSENSUS:	**74%** BUY	**22%** HOLD	**4%** SELL
AVERAGE TARGET: 616p (+21.5%)	MOST BULLISH TARGET: **BARCLAYS**		**700p** (+38.1%)
	MOST BEARISH TARGET: **INDEPENDENT RESEARCH GMBH**		**550p** (+8.5%)

3. DIAGEO (DGE.L)

eToro

Can Diageo revisit all time highs at 3617p, or will they retrace back towards 2019 lows at 2700p?

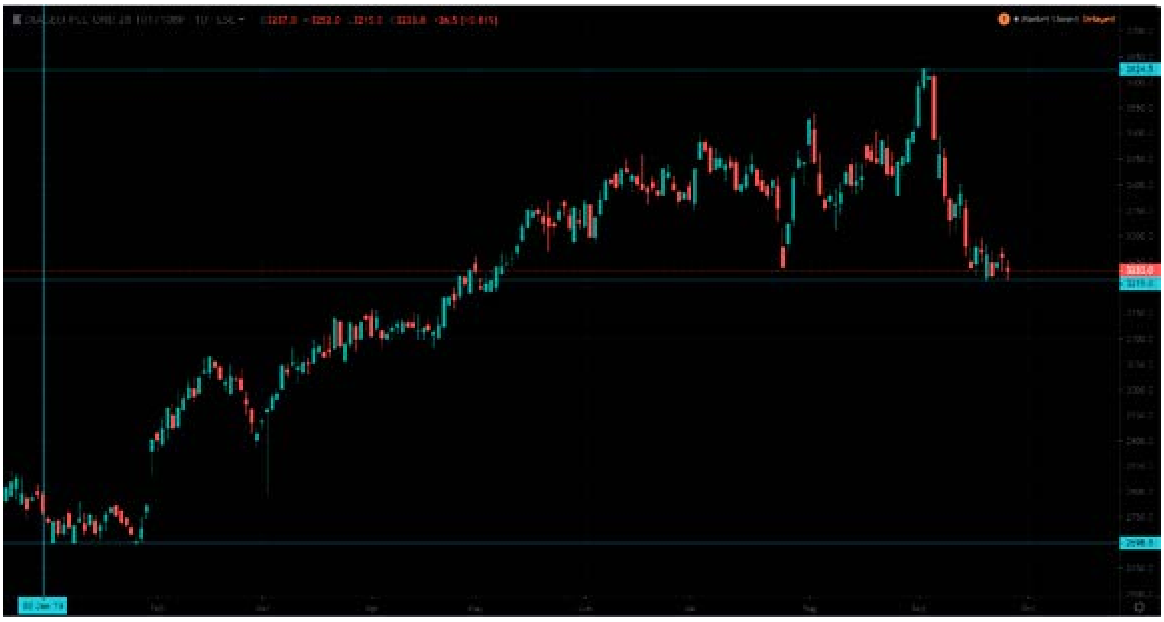

Chart: TradingView > SMDS.L price, one-day view

- A stand-out performer of 2019 so far with shares trading over 30% by the end of Q3.
- Diageo's performance has shown they have shrugged off Brexit uncertainty due a strong base of foreign earnings, a weak pound means this is a boost to the bottom line.
- The consumer goods company, which produces some of Britain's favourite tipples, including Guinness, Johnnie Walker, Captain Morgan and Smirnoff, has been experimenting with new recipes much to customers' satisfaction.
- As evidenced in previous recessions, alcohol sales are largely unaffected and can in fact increase as consumers shift towards more simple luxuries.
- In its 2019 preliminary results, the drinks leader reported net sales of £12.9 billion and operating profit of £4 billion. Cash flow continued to be strong, with net cash from operating activities at £3.2 billion, up £164 million and free cash flow at £2.6 billion, up £85 million.
- On 25 July, the Board approved plans for an additional return of £4.5 billion to shareholders over the tax year 2020/21 and 2021/22.
- Will this defensive stock continue to perform despite harsh market conditions and the looming Brexit date, or could it be last orders for the booze behemoth?

ANALYST CONSENSUS:	**42%** BUY	**48%** HOLD	**10%** SELL
AVERAGE TARGET: **3464p (+6.8%)**	MOST BULLISH TARGET: **EVERCORE**		**3900p** (+20.2%)
	MOST BEARISH TARGET: **LIBERUM**		**2800p** (-13.7%)

BUY **DIAGEO** NOW

YOUR CAPITAL IS AT RISK

4. NETFLIX (NFLX)

Shares in Netflix are trading at the lowest price we have seen in 2019, will they fall further or can they bounce off these lows?

Chart: TradingView > NFLX price, one-day view

- Netflix had a fantastic start to 2019 with shares up over 45% by March, going on to test the $380 price level twice more.
- Q2 numbers failed to impress and the share price suffered as a result. This was blamed on a price hike bringing in fewer subscribers than forecasted and, by Netflix's own admission, the content quality falling short of five-star.
- With more entrants to the market and increasing competition, it's no secret the company will need to carefully rethink its strategy in order to keep its foothold as a market leader in the space.
- The stock polarises opinion among City analysts, with targets as high as $451 and as low as $135.
- Will competitors keep eating market share – is it time to short Netflix? Or will investors have faith in their recovery and is now the time to buy a discounted tech giant while sentiment is low?
- All eyes will be on their Q3 earnings update on **16 October 2019** as to whether it can restore investors' faith in the company.

ANALYST CONSENSUS:	**69%** BUY	**22%** HOLD	**9%** SELL
AVERAGE TARGET: **$379 (+45.8%)**	MOST BULLISH TARGET: **IMPERIAL CAPITAL LLC**		**$451** (+73.5%)
	MOST BEARISH TARGET: **MORNINGSTAR**		**$135** (-48.1%)

BUY **NETFLIX** NOW

YOUR CAPITAL IS AT RISK

5. DS SMITH (SMDS.L)

eToro

DS Smith shares have been trading in a range between 310p and 370p this year, will this pattern continue?

Chart: TradingView > SMDS.L price, one-day view

- While cardboard packaging may not be the most exciting industry, packaging behemoth DS Smith operates in over 37 countries. The company generates 80% of its revenue overseas, potentially shielding it from wrath of Brexit. Should investors be thinking outside the box for Q4?
- DS Smith has built on its strategic delivery over the last 12 months with the acquisition of Europac, a leading Western European integrated packing business and the sale of its plastics division.
- At a time when zero-waste and sustainability is front of mind, DS Smith cardboard packaging is 100% recyclable and, year-to-date, over 80% of its corrugated packaging was sent back to its paper mills for recycling. As supermarkets seek to replace much of its plastic, could DS Smith's recyclable packaging provide the green answer?
- DS Smith customers include goods heavyweights Tesco, Unilever and Nestle.
- The paper and packaging behemoth currently sponsor the Wasps and Cardiff Blues rugby teams offering added exposure to this unassuming stock.
- With focus for Q4 and 2020 on e-commerce driving growth and further expansion into Europe and North America, could the sturdy stock prove a stable choice for investors?
- Ex-dividend on **3 October 2019** paying approximately 3.2% with a total annual yield of over 4.5%.

ANALYST CONSENSUS:	**64%** BUY	**22%** HOLD	**14t%** SELL
AVERAGE TARGET: **392p (+15.6%)**	MOST BULLISH TARGET: **INVESTEC**		**490p** (+20.2%)
	MOST BEARISH TARGET: **GOODBODY**		**280p** (-17.4%)

BUY **DS SMITH** NOW

YOUR CAPITAL IS AT RISK

***PRICES AND RATES ACCURATE AS OF 25.09.19 | DATA SOURCED FROM BLOOMBERG**

This publication is considered a marketing communication and as such, it does not contain and should not be taken as containing, investment advice, personal recommendation, or an offer or solicitation to buy or sell any financial instruments. This publication has not been prepared in accordance with the legal and regulatory requirements to promote independent research. In producing this material, eToro has not taken any particular investment objectives or financial situation. Any references to past performance of a financial instrument, a financial index or a packaged investment product are not, and should not be taken as a reliable indicator of future results. eToro makes no representation and assumes no liability as to the accuracy or completeness of the content of this publication, which has been prepared utilising publicly-available information. This communication must not be reproduced without consent from eToro.

eToro is a multi-asset platform which offers both investing in stocks and cryptoassets, as well as trading CFDs.

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. **75% of retail investor accounts lose money when trading CFDs with this provider.** You should consider whether you understand how CFDs work, and whether you can afford to take the high risk of losing your money.

Zero commission is only available to clients of eToro Europe Ltd. and eToro UK Ltd., and does not apply to short or leveraged stock trades. Zero commission means that no broker fee has been charged when opening or closing the position. Other fees may apply. For additional information regarding fees click here. Your capital is at risk.