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Weekly Report 18.6.2018



Weekly Trading Information – Markets update

Equity markets started the week on a positive note as the new Italian Finance Minister presented a pro-Euro stance in his first statements, mentioning that exiting the Eurozone is never going to be an option. Then it was the Central Banks which set the tone, with the FED raising interest rates to 1.75%-2.00% for the second time this year, but mentioning that it could raise rates two times again until year end, instead of one which had been priced in up to now. This announcement did not have a major impact on financial markets, but what caught the attention was the fact that for the first time in ten years the FED made explicit reference to the possibility of tightening beyond the "neutral" rate which is estimated currently at around 3%. In other words, the monetary policy could stop being accommodative some time in the next 18 months and be restrictive for growth. As the US markets were facing selling pressure after the FED, it was the ECB's turn to take the baton and surprise (positively this time). The ECB announced that it would end its QE program in December, as widely expected, but in a rare transparency move, it announced that it will not raise interest rates until the end of the summer of 2019. And while this was the market expectation, the fact that it was so clearly stated by the ECB made the EUR fall significantly and European equity markets rally. And as if President Trump does not seem to want to leave others take the spotlight not even for a week, he announced on Friday that the 50bn \$ worth of tariffs against Chinese goods are back on the table. It did not take long before China retaliated.

Eurozone banks gave back most of the ground they had gained at the start of the week, after the ECB's announcements caused bond yields to drop significantly. Banks' shares are positively correlated to interest rates, as the income from higher rates on loans is still their major source of potential revenue growth. Siemens (+5%) continued to outperform as the company is on track to make its structure leaner and get rid of the "conglomerate" status. After having the successful IPO of its healthcare business a few months ago, the market is now speculating that the ailing Power & Gas division might be sold in part or as a whole. The Swiss dental implants company Straumann (+8%) rallied after UBS upgraded its rating and target price due to a discovery of very conservative accounting practices which have influenced profits by almost 25%. If their provisions are reversed even partly, then the impact on earnings will be significant. On the negative side shares of car seat maker Adient slumped a further 15%, as the company provided yet another profit warning and fired its CEO. Trading at just 5 times earnings, we are evaluating the situation for adding back to the position which had been significantly reduced at a much higher price or selling the remaining shares.

The two very different announcements by the two central banks (FED and ECB) had exactly the same impact on government bonds which rallied and yields fell. The 10 year US treasury yield closed the week at 2.92% from 2.98% and the German 10 year Bund yield dropped to 0.40% from 0.50% at the start of the week. As the FED is seen as potentially choking growth, bonds are becoming attractive while as the ECB seems at least a year away from its first increase in rates, traders are cutting their bearish bets on Eurozone bonds.

Gold was knocked down on Friday with no apparent news rather than the USD rally, which however happened the previous day. In a massive 30bn \$ worth of sell orders which hit the market in a matter of minutes, the metal lost almost 1.5% and closed at 1280\$. The new US-China episodes could reignite interest at these levels

The EUR fell to the major support of 1.1550 after the ECB only to recover to 1.1600 late on Friday. The wide expectation was the ECB will act "hawkishly", announcing the end of the QE, but the fact that they explicitly mentioned that they will not raise rates until almost the end of 2019, caught the market off-guard and everyone rushed to sell EUR. The German political crisis which could lead to a collapse of the government does not help the mood.

	Level	YTD %	Weekly %	52 week high	52 week low
DOW JONES	25090.5	1.5	-0.9	26616.7	21197.1
S&P 500	2779.7	4.0	0.0	2872.9	2405.7
NASDAQ	7746.4	12.2	1.3	7768.6	6082.0
RUSSELL 2000	1683.9	9.7	0.7	1686.4	1349.4
XETRA DAX	13010.6	0.7	1.9	13596.9	11726.6
CAC 40	5501.9	3.6	0.9	5657.4	4995.1
ESTX 50	3505.0	0.0	1.7	3708.8	3261.9
SWISS SMI	8642.6	-7.9	1.5	9616.4	8454.3
FTSE 100	7633.9	-0.7	-0.6	7903.5	6866.9
FTSE MIB ITALY	22190.5	1.5	3.9	24544.3	20537.4
ATHENS	763.5	-4.9	-1.2	895.6	700.1
TOPIX JAPAN	1789.0	-1.6	0.4	1911.3	1578.7
SSE CHINA	3022.9	-8.6	-1.5	3587.0	3008.7
HANG SENG	30309.5	1.3	-2.1	33484.1	25199.9
EMERGING MARKETS	1113.8	-3.9	-1.9	1273.1	1002.5
WORLD	2134.2	1.5	-0.2	2249.7	1905.3

Certificates	Price	Weekly %	YTD
KENDRA HIGH CONVICTION	101.42	+1.3	+0.8
KENDRA HIGH INCOME	100.40	+1.4	+0.4



High Conviction Portfolio

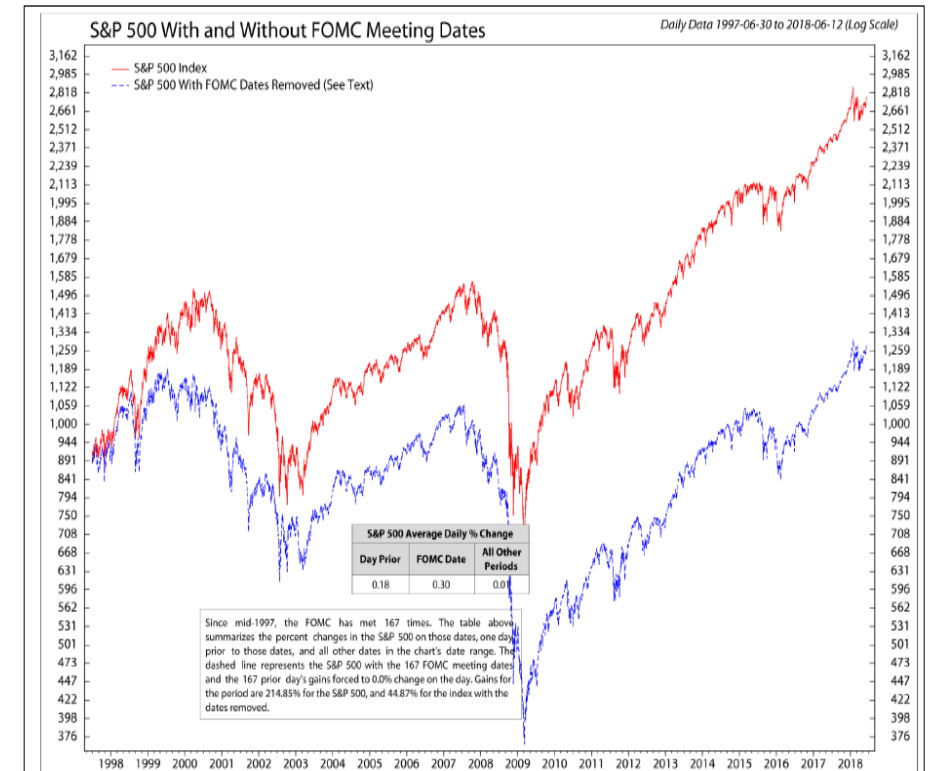
	YTD %	WEEKLY %	DIV YIELD	CURRENCY	SECTOR
Siemens	3.0	5.1	3.1	EUR	Industrials
Roche Holding AG	-14.1	2.0	4.0	CHF	Health Care
Sanofi	-4.4	3.4	4.5	EUR	Health Care
Deutsche Telekom	-6.7	3.5	4.7	EUR	Telecom Services
Lloyds	-8.8	-1.3	4.8	GBP	Financials
Danone	-7.2	0.9	2.9	EUR	Consumer Staples
Vodafone	-21.4	-1.4	7.0	GBP	Telecom Services
AB Inbev	-9.2	5.6	4.3	EUR	Consumer Staples
BNP Paribas	-13.0	0.8	5.5	EUR	Financials
Vonovia	0.3	2.1	3.2	EUR	Real Estate
Carrefour SA	-13.6	4.1	3.0	EUR	Consumer Staples
Telefonica	-8.3	-1.8	5.3	EUR	Telecom Services
Imperial Brands	-17.1	1.6	6.7	GBP	Consumer Staples
IBM	-5.2	-0.5	4.3	USD	Information Technology
UCB.SA	1.0	1.0	1.8	EUR	Health Care
Societe Generale	-14.3	-0.8	5.9	EUR	Financials
Biogen	-4.3	0.6	0.0	USD	Health Care
Travis Perkins	-7.4	2.5	3.2	GBP	Industrials
Vivendi	-3.2	1.1	2.1	EUR	Consumer Discretionary
SUEZ	-21.3	0.9	5.6	EUR	Utilities
Barclays	-4.2	-2.2	1.5	GBP	Financials
Wacker Chemie	-28.4	-2.1	3.9	EUR	Materials
Arkema	2.0	0.2	2.2	EUR	Materials
Dufry	-5.4	0.1	2.8	CHF	Consumer Discretionary
Straumann	8.2	7.7	0.6	CHF	Health Care
Valeo	-14.4	-1.4	2.3	EUR	Consumer Discretionary
Altran Technologies	7.8	5.3	1.8	EUR	Information Technology
Spotify	NULL	2.1	0.0	USD	Information Technology
Adient	-38.9	-15.6	2.3	USD	Consumer Discretionary

YTD: year to date return,
Weekly %: weekly return

Chart of the Week

A very interesting chart by Ned Davis Research and Stifel Research shows where the S&P500 would have been if one would remove the 334 trading days during which the FED had meetings in the last 21 years. The S&P500 would have been at 1'250 (blue line) instead of 2'750 (red line).

An impressive demonstration of the impact of FED decisions are having on the financial markets.





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- The content of this document has been produced from publicly available information as well as from internal research and rigorous efforts have been made to verify the accuracy and reasonableness of the hypotheses used. Although unlikely, omissions or errors might however happen.
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