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Weekly Report 30.4.2018



Weekly Trading Information – Markets update

European equity markets managed to outperform, as the USD rally gathered momentum last week. The ECB meeting did not produce any surprises, as President Draghi tried to strike a delicate balance between acknowledging the fact that macroeconomic data has disappointed during the first quarter of 2018 but maintaining a cautious optimism for the rest of the year. The end result was that the market is starting to question whether September will be finally the month of the end of the QE, as already stated by the ECB, or another extension until year end is in the cards, sending the EUR lower and eurozone stocks higher. The Q1 GDP in the US was announced at 2.3%, a marked slowdown from the 3% of the previous 9 months, but better than feared as there were forecasts for even below 2%. The market is eagerly awaiting the Eurozone Q1 GDP this week, which would probably also show a slowdown, while the FED meeting on Wednesday is not expected to produce any market moving outcome. The Bank of England poured some cold water over the GBP's rally, as its President, Carney, said that the May interest rate hike is not certain at all, as the market had already priced in. The big event of the week was the momentary breach of the 3% level of the US Treasury yield, which however was met with significant buying interest and was soon reversed again to below 3%, relieving anxious traders.

We have entered the busiest weeks with respect to corporate results for Q1, with the overall picture being positive, but with many stocks falling or struggling to move higher, which shows nervousness in the market and a profit taking sentiment, especially in expensive sectors like Technology. We ourselves took profit in shares of Kering, the luxury clothes/accessories maker which jumped to a historic high, after its results. The stock is now becoming expensive and equally importantly the company is facing huge fines at its Gucci franchise for potential tax irregularities. The healthcare sector is starting to show signs of revival (Biogen +6%, Glaxo +3%, Straumann +9%) as results have been better than expected and stocks are trading at attractive valuations. In the Technology sector, we have clear preference for value stocks, as IBM announced a 5% increase in dividends, which was the 23rd consecutive yearly increase in dividends, while Nokia's shares staged a remarkable turnaround from its 8% slump the day of its results to finish higher and rally further on Friday. Overall, we are witnessing an outperformance of value vs growth and a preference for defensive stocks and sectors against cyclicals, at this stage. Financials, which are a combination of value and cyclical, have disappointed given the rise in yields and one would expect a lackluster performance going forward.

As already stated, bond prices continued their move lower from last week, and the US 10 year Treasury yield breached 3%, only to find significant resistance as expected at 3.05% and finished the week at 2.96%. The German 10 year Bund yield had a less exciting week, as the ECB did now show an overly excited council about growth and finished the week almost unchanged at 0.58%.

Gold reached again the 1'310\$ region, only to find again buying interest and finish the week at 1'325. The USD rally is acting now against the price of Gold, while the improvement in equity market sentiment is also a drag. Overall, it is stuck within a well defined range of 1'300 – 1'360\$.

The EUR managed to break below its support at 1.2150, after a rather dovish ECB, and reached 1.2050, only to return back above 1.2100 as the US GDP numbers were not that great and traders took profits as the currency seemed to be approaching the psychological level of 1.2000. Technically, it looks as if the USD rally could continue, as the market was caught short USD, with the significant levels for the EUR being the 1.1700 area.

	Level	YTD %	WTD	52 week high	52 week low
DOW JONES	24311.2	-1.7	-0.6	26616.7	20553.5
S&P 500	2669.9	-0.1	0.0	2872.9	2352.7
NASDAQ	7119.8	3.1	-0.4	7637.3	5996.8
RUSSELL 2000	1556.2	1.3	-0.5	1615.5	1349.4
XETRA DAX	12580.9	-2.6	0.3	13596.9	11726.6
CAC 40	5483.2	3.2	1.3	5567.0	4995.1
ESTX 50	3518.8	0.4	0.7	3708.8	3261.9
SMI PR/d	8843.0	-5.7	0.4	9616.4	8501.2
FTSE 100	7502.2	-2.4	1.8	7792.6	6866.9
FTSE MIB	23927.6	9.5	0.4	24073.7	20537.4
ATHENS	849.3	5.8	0.5	895.6	700.1
TOPIX JAPAN	1777.2	-2.2	1.5	1911.3	1528.7
SSE CHINA	3082.2	-6.8	0.3	3587.0	3016.5
HANG SENG	30745.5	1.2	-0.5	33484.1	24358.7
EMERGING MKTS	1156.3	-0.2	-1.0	1273.1	978.0
WORLD INDEX	2096.1	-0.4	-0.2	2249.7	1873.0



High Conviction Portfolio

Chart of the Week

	YTD %	WTD %	DIV YIELD	CURRENCY	SECTOR
Societe Generale	5.3	-0.6	4.9	EUR	Financials
Siemens	-9.2	-2.6	3.5	EUR	Industrials
Lloyds	-4.8	-1.4	4.7	GBp	Financials
Dufry AG	-2.5	4.9	2.7	CHF	Consumer Discretionary
Carrefour SA	-6.4	2.5	2.7	EUR	Consumer Staples
Nokia	27.1	1.7	3.8	EUR	Information Technology
Roche Holding AG	-11.3	1.3	3.8	CHF	Health Care
Imperial Brands	-17.4	8.8	6.5	GBp	Consumer Staples
Danone	-4.2	0.9	2.8	EUR	Consumer Staples
Nestle	-8.5	2.0	3.1	CHF	Consumer Staples
UCB	-6.1	-4.8	1.9	EUR	Health Care
Barclays	2.9	-3.0	1.4	GBp	Financials
IBM	-4.5	1.1	4.3	USD	Information Technology
BNP Paribas	2.1	0.6	4.8	EUR	Financials
Vonovia	-0.6	2.0	3.2	EUR	Real Estate
Valeo	-11.8	-0.5	2.3	EUR	Consumer Discretionary
BHP	0.8	0.0	4.7	GBp	Materials
Spotify	NULL	1.0	0.0	USD	Information Technology
Sanofi	-9.3	-0.2	4.7	EUR	Health Care
Deutsche Telekom	-1.7	3.5	4.5	EUR	Telecommunication Services
Telefonica	3.4	1.8	4.8	EUR	Telecommunication Services
Vodafone	-10.4	0.3	6.3	GBp	Telecommunication Services
Biogen	-13.1	5.2	0.0	USD	Health Care
GlaxoSmithkline	10.8	2.5	6.8	GBp	Health Care
SUEZ	-18.4	0.9	5.4	EUR	Utilities
WPP	-14.4	0.2	5.2	GBp	Consumer Discretionary
Logitech	12.6	0.9	1.6	CHF	Information Technology
Adient	-21.1	-0.7	1.8	USD	Consumer Discretionary
Altran Technologies	1.3	0.2	1.9	EUR	Information Technology
Straumann	-1.3	8.5	0.7	CHF	Health Care

After being stuck in a rather tight range, the EURUSD broke lower on Thursday, after the ECB meeting and continued lower on Friday to reach a low of 1.2050. Having breached its previous support levels and given the record short position in the USD, the EUR might make another attempt to break below 1.2000 and towards its very significant support at 1.1700, in the coming period.



YTD: year to date return,
WTD: week to date return



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