

US equities rebounded strongly to finish the week close to their recent record highs, while the European markets' rebound was less pronounced. It was a week where the N. Korea situation dominated the news and will probably continue to do so, as over the weekend there were new exchanges of threat between President Trump and Pyongyang, after the latter launched yet another bomb. However, equity markets managed to rebound towards the end of the week, as macroeconomic data out of the US showed the usual pattern of very good but not stellar performance. The 2nd quarter GDP in the US was revised up to 3% while the employment data came out a touch weaker than expected (non farm payrolls at +156'000 vs expectations for +180'000 and unemployment at 4.4% vs 4.3% expected). In Europe, the Eurozone August inflation was announced a little higher than expected (1.5% vs expectations of 1.4% and vs 1.3% in July), making the life of the ECB even more difficult as their main argument for any possible delay with respect to the tapering of the bond purchasing program is that inflation is not getting close to their target of almost 2%. Still however, the recent rally of the EUR is expected to harm inflation in the coming months, as the currency effects on prices is usually felt with a time lag of 6 months. Speaking of the ECB, their, much awaited, next meeting is only days away (Thursday 7th September), while we are also getting close to the German elections (24th September). It appears that September might provide volatility in all financial markets, where opportunities could arise.

As geopolitical tensions have risen lately, there were little news on the corporate side to move the markets. The most notable move was the steep selloff of Carrefour shares (-15%) after the company announced 10% lower profits than expected, with the biggest contributor being the steep drop in margins in the 2nd quarter. The new CEO (who comes from a very successful tenure at FNAC) has promised to turnaround the company, as he has already done with FNAC. He mentioned that the drop in margins and hence profitability was due to aggressive pricing to win business from competitors in the 2nd quarter and highlighted his desire to steer the company towards the digital revolution more quickly. We remain invested in the stock, as it represents a deep value and turnaround opportunity with a dividend yield of 4.5%. On the positive side, shares of Cisco (+3%) rebounded after their recent weakness towards their recent highs again, while our recent addition Vinci (+3%) and Adient (+6%) outperformed the market.

Government Bonds remain well supported, as tensions rise on the geopolitical front, with the US 10 year Treasury at 2.17% and the German 10 year Bund at 0.37%.

Gold had a major breakout event last week, as it broke out of its 6 year downtrend on a montly basis. It finished the week and the month at 1320\$ and it looks poised to march higher in the coming weeks.

It was a very interesting week for the EURUSD, as buyers keep coming in every time the currency drops to around 1.1800-1.1850, but there is an obvious failure to keep close to 1.2000 or above. The most striking example and a sign of short term fatigue is the fact that after the weaker than expected employment data out of the US, the USD dropped immediately to 1.1970, only to rally hard afterwards, with no news, and finish the day at 1.1860. This steep fall of the EURUSD on a day that had all the good reasons for a continuation of the rally is a sign that the market has most probably found its medium term target. The meeting of the ECB in a few days is also "scaring" the traders who have chosen to close positions ahead of it. It will be an interesting meeting and volatility in the EUR trading will be very high.

Global Equity Indices

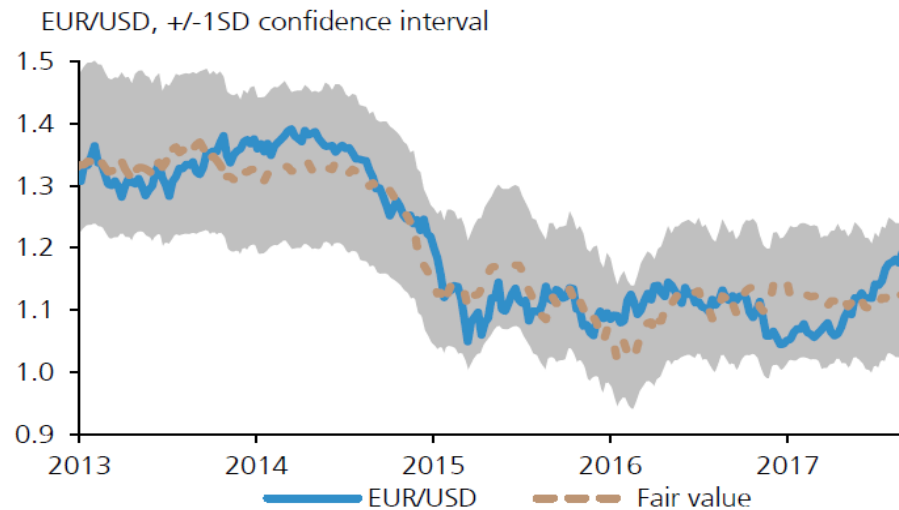
	Level	%YTD	% WTD	52 wk low	52 wk high
Dow Jones Industrials	21987.6	11.3	0.8	17883.6	22179.1
S&P500	2476.6	10.6	1.4	2083.8	2490.9
Nasdaq Composite	6435.3	19.5	2.7	5034.4	6460.8
Russell 2000	1413.6	4.2	2.6	1156.1	1452.1
Germany DAX30	12142.6	5.8	-0.2	10174.9	12951.5
France CAC40	5123.3	5.4	0.4	4310.9	5442.1
Eurostoxx50	3443.9	4.7	0.2	2922.8	3666.8
Swiss SMI	8941.6	8.8	0.4	7585.6	9198.5
UK FTSE 100	7438.5	4.3	0.6	6654.5	7599.0
Italy FTSEMIB	21858.6	13.6	0.5	15922.4	22065.4
Greek ASE	818.7	27.2	-2.0	548.7	859.8
Japan Topix	1619.6	5.5	-1.0	1287.4	1642.3
China SSE Composite	3367.1	8.6	0.1	2969.1	3381.9
Hong Kong Hang Seng	27953.2	26.4	0.4	21488.8	28127.9
MSCI Emerging Markets	1091.4	26.6	0.6	839.0	1091.4
MSCI World	1965.8	12.3	1.1	1657.1	1974.8

High Conviction Portfolio

	Price	%YTD	% WTD	% from high	52 wk high	52 wk low
Roche	244.20	5.0	0.9	-11%	273.00	218.30
Novartis	80.85	9.1	0.8	-4%	84.35	67.40
Sanofi	82.71	7.6	0.7	-11%	92.97	66.72
Abbvie	75.42	20.4	4.1	-1%	76.00	55.10
Generali	15.11	7.0	-0.8	-6%	16.08	10.50
Barclays	192.15	-14.0	-1.1	-21%	244.40	155.95
Lloyds	63.69	2.7	-1.9	-13%	73.58	50.45
Fluor	38.61	-26.5	2.2	-34%	58.37	37.04
BAE Systems	610.50	3.2	1.9	-11%	682.50	516.48
Vinci	78.36	21.1	2.4	-3%	80.43	49.93
ACS	31.93	6.3	-1.0	-13%	36.75	24.75
Kudelski	12.00	-32.0	-2.8	-38%	19.30	11.85
Cisco	32.30	6.9	2.7	-7%	34.60	29.12
IBM	144.08	-13.2	0.2	-21%	182.79	139.13
Sainsbury	236.10	-5.3	0.0	-17%	283.60	224.10
Imperial Brands	3231.00	-8.8	-0.3	-22%	4135.50	3112.50
Danone	65.82	9.3	-1.3	-7%	70.53	57.66
Unilever	50.06	28.0	0.3	-2%	51.31	36.22
Carrefour	16.64	-27.3	-15.7	-33%	24.84	16.50
Pepsico	115.84	10.7	0.0	-3%	119.39	98.50
Nestle	81.15	11.1	0.7	-6%	86.00	67.00
Daimler	61.80	-12.6	-0.6	-16%	73.23	59.01
Adient	72.18	23.2	5.7	-5%	76.09	39.67
Disney	101.50	-2.6	-0.9	-13%	116.09	90.32
Fnac	74.60	16.1	-3.4	-9%	82.39	52.70
Starbucks	54.93	-1.1	1.0	-15%	64.87	50.84
Newell Brands	48.91	9.5	1.6	-11%	55.07	43.43
Duffy	148.20	16.7	-1.0	-14%	172.60	112.40
Royal Dutch Shell	23.28	-10.4	-0.2	-13%	26.87	20.81
ENI	13.31	-14.0	1.5	-16%	15.92	12.18
Chevron	108.76	-7.6	0.5	-9%	119.00	97.53
Suez	16.05	14.5	1.3	-6%	16.99	12.73
Vodafone	219.50	9.8	0.0	-6%	233.90	186.50
AT&T	37.48	-11.9	-1.3	-13%	43.03	35.81

Chart of the Week

UBS introduced an idea of a short term "fair value" for the major currencies, to explain and potentially forecast short term moves. The "fair value" of a currency is something that works like a "magnet", ie it attracts the currency towards it almost all the time (as it happened during the last 6 months), but it can remain above or below it for a long period of time. Hence, the short term fair value is at 1.12 for EURUSD, but the currency spent most of 2016 and the beginning of 2017 far below it. It is now approaching the upper limit of its overvaluation (grey area) and most probably it will move lower again in the coming months to meet again short term fair value. The longer term fair value is still around 1.20-1.22, levels which were also touched however recently.



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