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Weekly Report 4.6.2018



Weekly Trading Information – Markets update

Another week of turmoil in European markets, as Italian assets were again sold off at the start of the week, but the formation of a government finally on Friday curtailed the weekly losses and stocks look to start the week on a more positive note. During the volatile week, the mood in Europe was further damaged by the final decision of President Trump to impose tariffs on European Union, Canada and Mexico steel and aluminum products, three regions which were exempt from the original plan a few months ago. All three regions vouched to retaliate and investors became nervous again. The fact that Spain had also a sudden change in government after Rajoy's impeachment was almost unnoticed, given the stampede of the other political events. And to remind us all that uncertainty is here to stay, President Trump announced over the weekend that the summit with North Korea's leader is back on, as originally planned. On the positive side, the US labor market continues to be strong, with unemployment announced at 3.8% and new jobs created (non farm payrolls) estimated at +223'000, higher than expected. Wages also picked up by 2.7% against last year, as expected. In the U.K., consumer confidence reached the higher level in more than a year, in a sign than the much feared collapse of the local economy due to Brexit might not materialize after all, despite the already witnessed slowdown since the referendum results. The UK market was a clear outperformer last week, as Eurozone equities were feeling the heat.

Banks were at the epicenter of the turmoil again (BNP -11%, Societe Generale -8%) with UK banks performing better (Lloyds -4%, Barclays -2%) and have now reached levels where we would add back positions (see chart of the week). Besides the attractiveness on a Price to Book level (although the "book" part of this equation could be challenged under a scenario of further Italian stress), there is a lot of street talk about potential mergers between Europe's largest banks, although management teams rush to deny any rumors. BNP is allegedly looking at Commerzbank, and Societe Generale seems to be in talks with Unicredit, although the latter was also denied by Societe's management. But where there is smoke there could be a fire, hence we are warming up on banks' shares at this stage again. The Pharma sector was again on the positive side (Ucb +2%, Glaxo +1.5%) while shares of Vivendi (-4%) fell on news that the company's Canal+ division lost the rights to the French football championship for 2020-2024 to a competitor. The Canal+ France valuation represents only 6-7% of Vivendi's total valuation, so the 4% drop in one day seems to be an exaggeration and we are adding to the position.

As the equity market sentiment improved at the end of the week, bond traders locked in profits and sold the safe havens of US and German government bonds. The 10 year US Treasury yield finished at 2.92%, up from the lows of 2.80% of the previous week, while the move in the German 10 year yield was more pronounced as it moved up to 0.37% from the low of 0.25% during the week.

Gold traded in a narrow range (1'290-'1305) as investors watched the situation improve during the week in Italy and elsewhere, while the good numbers concerning the US labor market also put pressure on the metal. Still however, it is finding buying interest close to 1'285/90 and seems to be well supported in that area.

The EURUSD has created a new range now that the 1.1750 previous support has been broken. It seems it could be trading between 1.1500 and 1.1750 for now, which has become a significant resistance level. The ECB meeting in ten days will be very closely monitored as everyone is eager to find out what the central bank's reaction is to the recent developments.

	Level	YTD %	WEEKLY	52 week high	52 week low
DOW JONED	24635.2	-0.3	-0.5	26616.7	21113.3
S&P 500	2734.6	2.3	0.5	2872.9	2405.7
NASDAQ	7554.3	9.4	1.6	7637.3	6082.0
RUSSELL 2000	1648.0	7.3	1.3	1651.1	1349.4
XETRA DAX	12724.3	-1.5	-1.7	13596.9	11726.6
CAC 40	5465.5	2.9	-1.4	5657.4	4995.1
ESTX 50	3453.5	-1.4	-1.8	3708.8	3261.9
SMI SWISS	8618.5	-8.1	-1.6	9616.4	8454.3
FTSE 100	7701.8	0.2	-0.4	7903.5	6866.9
FTSE MIB ITALY	22109.6	1.2	-1.3	24544.3	20537.4
ATHENS	776.8	-3.2	2.8	895.6	700.1
TOPIX JAPAN	1749.2	-3.8	-1.3	1911.3	1578.7
SSE CHINA	3075.5	-7.0	-2.1	3587.0	3041.0
HANG SENG	30492.9	1.9	-0.3	33484.1	25199.9
EMERGING MKTS	1130.2	-2.4	-0.6	1273.1	1002.5
WORLD	2109.2	0.3	-0.1	2249.7	1905.3

Certificates	Price	Weekly %	YTD
KENDRA HIGH CONVICTION	100.62	-1.3	0.0
KENDRA HIGH INCOME	99.90	-1.2	-0.1



High Conviction Portfolio

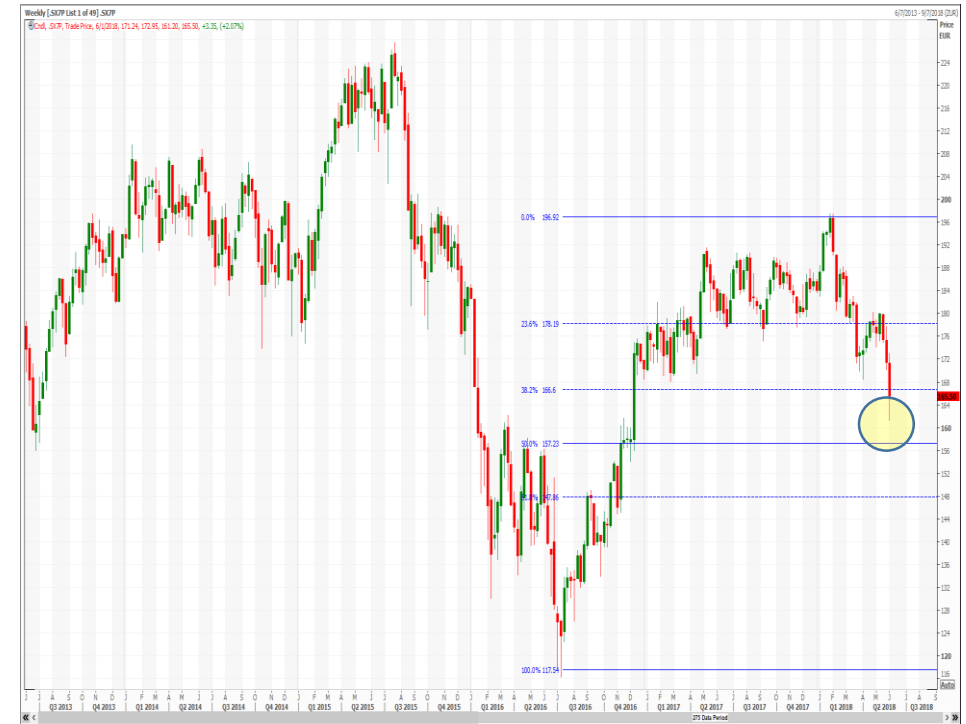
	YTD %	WEEKLY	DIV YIELD	CURRENCY	SECTOR
Siemens	-2.7	-2.2	3.3	EUR	Industrials
Roche Holding AG	-12.4	-0.8	3.9	CHF	Health Care
Sanofi	-7.6	0.9	4.6	EUR	Health Care
Deutsche Telekom	-10.6	-1.0	4.9	EUR	Telecom Services
Lloyds	-6.9	-3.5	4.8	GBp	Financials
Danone	-5.7	-1.9	2.9	EUR	Consumer Staples
Vodafone	-17.1	-0.1	6.8	GBp	Telecom Services
AB Inbev	-13.8	-1.6	4.5	EUR	Consumer Staples
BNP Paribas	-13.4	-11.0	5.7	EUR	Financials
Vonovia	-3.6	1.4	3.3	EUR	Real Estate
Carrefour SA	-14.6	-3.6	3.0	EUR	Consumer Staples
Telefonica	-6.2	-2.0	5.3	EUR	Telecom Services
Imperial Brands	-14.3	-1.6	6.5	GBp	Consumer Staples
IBM	-7.5	-1.2	4.4	USD	Information Technology
UCB	2.4	2.3	1.7	EUR	Health Care
Societe Generale	-12.8	-7.7	6.0	EUR	Financials
Biogen	-6.7	3.8	0.0	USD	Health Care
Travis Perkins	-11.7	1.4	3.4	GBp	Industrials
Vivendi	-3.1	-4.3	2.1	EUR	Consumer Discretionary
SUEZ	-20.4	-3.6	5.5	EUR	Utilities
Barclays	-0.6	-2.1	1.5	GBp	Financials
GlaxoSmithkline	15.1	1.5	5.2	GBp	Health Care
Arkema	3.2	-1.8	2.2	EUR	Materials
Dufry	-6.2	-3.2	2.8	CHF	Consumer Discretionary
Straumann	-4.1	-1.3	0.7	CHF	Health Care
Valeo	-11.4	-1.9	2.3	EUR	Consumer Discretionary
Altran Technologies	4.0	-2.6	1.9	EUR	Information Technology
Spotify	NULL	1.7	0.0	USD	Information Technology
Adient	-31.6	-0.4	2.1	USD	Consumer Discretionary

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

Chart of the Week

European Banks have returned to attractive levels again, having reached almost the 50% Fibonacci retracement level from their lows in 2017 to their highs in 2018. The index has corrected more than 20% from the January peak, from which level it jumped higher on Friday.

Having been underweight banks since the start of the year, we would be using current levels to increase positions again. The French banks BNP Paribas and Societe Generale and the U.K. banks Lloyds and Barclays are our tip picks. Qn investor could also use the ETF iShares Europe Banks Stoxx600 for better diversification.





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