



KENDRA
SECURITIES
HOUSE SA

Weekly Report 26.3.2018



Weekly Trading Information - Markets update

Wild market gyrations have become the norm since February, as investors face conflicting forces which are in play. On the one hand, fundamentals remain intact, although growth indicators seem to have entered peak territory a few months ago and a slowdown in activity, but not recession, is perhaps ahead of us. Equity valuations are becoming increasingly attractive. The S&P500 is now trading at around 16 times the 2018 earnings (P/E), while Europe is trading at around 14. On the other hand, inflation fears have spooked the markets for the first time in many years and US politics with respect to global trade has provided the necessary fuel for market volatility to erupt. With midterm elections in the US coming up, one should only expect the Trump administration to keep rattling the markets with “threats”, which however for many analysts are just Trump’s trademark negotiation tactics. It was the FED announcements in the middle of the week, which spoiled the rebound in equity markets and President Trump’s move to announce (small scale) trade tariffs against China just gave the final blow. The FED did not provide any hint that they are willing to move interest rates more than three times this year, but they raised their forecast for 2019, a “hawkish” sign by many analysts. In Europe, the Bank of England raised the prospects for an interest rate increase in May, giving the GBP a further boost, after the agreement between the EU and the UK on the transition period after Brexit. Markets will pay close attention to Eurozone’s inflation numbers this week.

In a week that global equity markets fell on average between 4% and 5%, defensive sectors managed to outperform (Carrefour -1.4%, Roche -1%, Glaxosmithkline -0.6%) as expected during a market turmoil. Banks were under pressure as bond yields moved lower and their beta to the equity markets is high (Societe Generale -5%, BNP -5.0%, Lloyds -4%, Barclays -5%), while Barclays did not escape the selling pressure despite the news that an activist investor acquired a 5% stake in the bank. On the positive side, shares of French company Kering moved higher (+1.7%), after its subsidiary Puma informed analysts that their annual growth target is 10% until 2022. Vonovia (+1.9%) attracted investor interest after recent positive announcements with regard to the stability and growth of the German real estate market.

Bond prices moved a little higher in response to the turmoil in the equity markets, but they have remained in a tight range for the last few weeks. The US 10 year Treasury yield touched 2.80% again, but closed at 2.85%, while the 10 year German Bund yield touched 0.53% and finished the week at 0.55%.

Gold tested once again the 1’310 support and spiked higher to 1’350 during the equity market selloff. It remains close to the 1’360 resistance, which was unable to break several times in the recent past. A clear break could quickly lead the metal close to 1’400 and beyond.

The EUR rose again to 1.2450, as the trade “war” between the US and the world is seen as dollar negative. As mentioned in the past, as long as the EUR is trading above 1.2150 and below 1.2550, there is no clear direction.

	YTD %	52 week high	52 week low
DOW JONES	-2.1	26616.7	20379.6
S&P 500	-0.6	2872.9	2322.3
NASDAQ	4.6	7637.3	5769.4
RUSSELL 2000	0.5	1615.5	1335.0
XETRA DAX	-8.8	13596.9	11726.6
CAC 40	-4.6	5567.0	4971.1
ESTX 50	-6.4	3708.8	3261.9
SMI	-9.3	9616.4	8491.6
FTSE 100	-10.4	7792.6	6866.9
FTSE MIB	0.7	24050.2	19442.7
ATHENS	-1.5	895.6	637.5
TOPIX	-8.0	1911.3	1452.2
SSE CHINA	-5.2	3587.0	3016.5
HANG SENG	2.1	33484.1	23723.9
EMERGING MARKETS	2.1	1273.1	952.9
WORLD	-1.6	2249.7	1831.3



High Conviction Portfolio

Chart of the Week

	YTD %	WTD	DIV YIELD	CURRENCY	SECTOR
Societe Generale	0.5	-3.7	5.1	EUR	Financials
Siemens	-13.6	-4.8	3.7	EUR	Industrials
Lloyds	-5.0	-4.0	4.7	GBp	Financials
Dufry AG	-14.7	-3.7	0.0	CHF	Consumer Discretionary
Carrefour SA	-8.3	-1.4	2.8	EUR	Consumer Staples
Nokia	13.6	-3.6	4.3	EUR	Information Technology
Roche Holding AG	-13.0	-1.0	3.9	CHF	Health Care
Imperial Brands	-26.6	-3.2	7.3	GBp	Consumer Staples
UCB	-2.1	-4.2	1.8	EUR	Health Care
Barclays	1.4	-5.1	1.5	GBp	Financials
IBM	0.0	-6.9	4.0	USD	Information Technology
BNP Paribas	-5.4	-5.1	5.1	EUR	Financials
Vonovia	-5.8	+1.9	3.4	EUR	Real Estate
Valeo	-14.5	-2.0	2.3	EUR	Consumer Discretionary
BHP	-9.5	-2.5	5.3	GBp	Materials
Daimler	-7.4	-4.6	5.6	EUR	Consumer Discretionary
Sanofi	-12.0	-3.8	4.8	EUR	Health Care
Deutsche Telekom	-13.5	-3.3	0.0	EUR	Telecommunication Services
Telefonica	-4.4	-4.9	5.2	EUR	Telecommunication Services
Kering	-2.7	+1.7	1.6	EUR	Consumer Discretionary
Vodafone	-18.8	-4.1	6.9	GBp	Telecommunication Services
Biogen	-15.8	-8.8	0.0	USD	Health Care
GlaxoSmithkline	-2.6	-0.6	6.2	GBp	Health Care
SUEZ	-22.6	-4.1	5.7	EUR	Utilities
Starbucks Corp	0.6	-4.1	2.1	USD	Consumer Discretionary
WPP	-18.4	-7.1	5.5	GBp	Consumer Discretionary
Logitech	6.5	-5.3	1.7	CHF	Information Technology
Adient	-24.5	-3.2	1.9	USD	Consumer Discretionary
Altran Technologies	-4.7	-4.5	2.0	EUR	Information Technology
Straumann	-14.0	-6.4	0.8	CHF	Health Care

The S&P500's steep fall last week, brought the index back to test its 200-day moving average (shown as purple line). Interestingly, the index has found support on this moving average several times during the last two years. Yesterday's strong rebound from exactly that level can be seen as a positive sign.



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



Disclaimer

- 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.
- The data included in this presentations are based on past performances and do not constitute an indicator or a guarantee of future performances. Performances are not constant over time and can be positive or negative.
- Any investment decision needs to be discussed with your advisor and cannot be based only on this document.
- This document is strictly confidential and should not be distributed further without the explicit consent of Kendra Securities House SA.