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# **Weekly Report 3.9.2018**



# Weekly Trading Information – Markets update

The markets keep swinging from optimism to pessimism and back, with regard to the US relations with the world. The deal with Mexico gave a boost to markets at the start of the week, but late on Friday it became obvious that Canada is still far from reaching an agreement with the US on trade, and the deadline for the tariffs on 200bn\$ on China goods is on Thursday. European markets once again failed to keep their momentum and dropped, as traders pummeled again the Argentina Peso, Turkey and Italian assets. The UK market also underperformed significantly (FTSE100 -2.%) as news related to Brexit keep coming in very confusing, while the October deadline for an agreement now seems improbable. However, in a surprising twist, the Chief E.U. negotiator said "we are prepared to make an offer to the UK such as has never been with no other country" making the GBP rally, which eventually led to UK large caps (negatively correlated to GBP strength) underperforming. Inflation numbers were closely watched, as the Core PCE Index, the FED's favorite inflation gauge came in at 1.98% for July and given the FED's target for 2.0%, the market is starting to be anxious of the 2019 interest rate policy. In Europe, the August Core CPI was flat at 1% , while the ECB is receiving calls from Italian government officials to continue supporting the bond market, despite the announced decision by the central bank to stop bond purchases in December. The submission of the 2019 Italian government budget at the end of the month will be a major event, although the Finance Minister has publicly said that they are planning to obey the EU rules on deficits.

As Turkey and Italy became the focus of the markets again last week, European Banks were the first to feel the heat (BNP -3%, Societe Generale -2%, Barclays -4%, Lloyds -3%) while the turmoil in Emerging Markets hurt Anheuser Busch (-5%) which has a big exposure in them and primarily Brazil. Vodafone (-6%) and Telefonica (-5%) shares reached multiyear lows, as the market is focusing on their emerging market exposure as well. On the positive side, shares of French technology firm Altran Technologies rose 2%, following the momentum of the US Technology sector, while Valeo also rose (+2%), in perhaps a sign that the negativity in the auto-related stocks may have been already priced in. The auto-sector is now the cheapest sector in Europe and is looking increasingly attractive for positions to be added/increased again in our portfolios.

Government bonds moved within the very well defined ranges of the last months. The 10 year US Treasury yield traded in the tight range of 2.83-2.86%, while the German 10 year yield was lower at 0.35%, vs 0.40% of the previous week, as investors sought protection against an escalation in Italy's troubles. One should note that the US yield curve is again very close to inverting again on the 2year-10year difference, meaning that the 2year yield could become larger than the 10year yield. Such phenomenon, although by itself is not a cause of recession, however it has been statistically correlated with previous recessions, a few months after. The markets will become nervous as the difference is currently just 20bps from the zero line.

Gold also moved in a rather tight range, after the previous week volatile trip from 1150 to 1220, to finish the week at 1'205. The record short positioning by the speculative market probably prepares the ground for the metal to move higher, especially if equity markets become volatile in September, as it is traditionally the case.

The EUR seems to have reestablished its previous trading range of 1.1500 – 1-1750 against the USD. As President Trump was publicly criticizing the FED's Chief for raising interest rates, the USD was selling off and EURUSD reached a high of 1.1750. Trouble in Argentina, Turkey and Italy towards the end of the week made traders buy the USD again and led EURUSD to finish at 1.1600.

	Level	YTD %	Weekly %	52 week high	52 week low
DOW JONES	25964.8	5.0	0.7	26616.7	21709.6
S&P500	2901.5	8.5	0.9	2916.5	2446.6
NASDAQ	8109.5	17.5	2.1	8133.3	6334.6
RUSSELL SMALL CAP	1740.8	13.4	0.9	1742.1	1393.9
EUROPE STOXX50	3042.3	-4.3	-0.9	3283.2	2884.5
EUROSTOXX 50	3392.9	-3.2	-1.0	3708.8	3261.9
GERMANY DAX	12364.1	-4.3	-0.2	13596.9	11726.6
FRANCE CAC40	5406.9	1.8	-0.5	5657.4	5038.1
SWISS SMI	8973.6	-4.4	-0.9	9616.4	8372.9
UK FTSE 100	7432.4	-3.3	-1.9	7903.5	6866.9
ITALY FTSE 100 MIB	20269.5	-7.2	-2.3	24544.3	20236.3
ATHENS GENERAL	729.6	-9.1	0.7	895.6	700.1
JAPAN TOPIX	1720.3	-4.5	1.5	1911.3	1578.7
CHINA CSI300	3302.0	-17.3	0.3	4403.3	3209.0
HONG KONG - HANG SENG	27629.8	-6.8	0.8	33484.1	26871.1
EMERGING MARKETS	1056.0	-8.8	0.5	1273.1	1021.6
WORLD	2175.5	3.4	0.6	2249.7	1948.2

Certificates	Price	Weekly %	YTD
KENDRA HIGH CONVICTION	100.0	-1.1%	-0.7
KENDRA HIGH INCOME	95.1	-1.5%	-2.0

Currencies	Price
EURUSD	1.1600
EURCHF	1.1250
GBPUSD	1.2910
EURJPY	128.70
USDJPY	110.90

Commodities	Price
Gold USD	1.205
Gold EUR	1030
Silver USD	14.50
Oil (Crude USD)	69.6
Oil (Brent USD)	77.4



# High Conviction Portfolio

# Chart of the Week

	YTD %	Weekly %	CURRENCY	SECTOR
Carrefour SA	-14.8	-1.2	EUR	Consumer Staples
IBM	-4.5	0.3	USD	Information Technology
Siemens	-3.6	-0.2	EUR	Industrials
Deutsche Telekom	-6.0	-1.5	EUR	Telecommunication Services
Lloyds	-12.9	-2.5	GBp	Financials
Vodafone	-30.0	-6.2	GBp	Telecommunication Services
Sanofi	2.6	-1.4	EUR	Health Care
Societe Generale	-18.1	-2.3	EUR	Financials
Barclays	-13.5	-4.3	GBp	Financials
BNP Paribas	-18.7	-2.7	EUR	Financials
Imperial Brands	-13.3	-2.0	GBp	Consumer Staples
Telefonica	-14.0	-4.6	EUR	Telecommunication Services
AB Inbev	-13.4	-4.8	EUR	Consumer Staples
Danone	-3.0	-0.8	EUR	Consumer Staples
Newmont Mining	-17.3	-3.1	USD	Materials
UCB.SA	19.0	-0.6	EUR	Health Care
Vivendi	-0.3	-0.4	EUR	Consumer Discretionary
Valeo	-37.2	2.4	EUR	Consumer Discretionary
Arkema	6.3	0.6	EUR	Materials
Royal Dutch Shell	0.7	-1.3	EUR	Energy
Travis Perkins	-26.6	2.6	GBp	Industrials
Altran Technologies	-24.2	2.3	EUR	Information Technology
Vonovia	6.8	0.9	EUR	Real Estate
Wacker Chemie	-23.4	-1.2	EUR	Materials
Roche Holding AG	-2.3	-0.1	CHF	Health Care
Credit Suisse	-16.6	-1.7	CHF	Financials
UBS	-15.6	-1.6	CHF	Financials
Dufry	-17.3	-1.2	CHF	Consumer Discretionary
Biogen	11.0	3.3	USD	Health Care
Straumann	12.2	-2.6	CHF	Health Care
Eurofins Scientific	-4.2	2.2	EUR	Health Care
Adient	-45.0	-4.6	USD	Consumer Discretionary

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

As many analysts have predicted that the end of the multi-year bull market in US Bonds is coming to an end, it is interesting to see the chart of the 5 year yield of the US treasury bonds.

The yield currently at 2.75% is exactly on a major 20-year trendline, bumping against it for a few months now. Perhaps this is a sign of major resistance for the 5 year yield and the 3-5 year USD high quality bonds could be at very attractive levels to buy or add to existing positions.





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