

Kendra Securities House
Weekly Trading Information - 26.6.2017

It was a rather uneventful week, with equity markets showing an overall consolidation picture. The US markets remained close to their record highs, while Europe slipped a little further continuing its recent underperformance. The UK market was the Europe's worst performer (FTSE100 -0.5%) as Brexit negotiations officially started this week. On a sectorial level, the performance of Biotechnology stocks in the US was impressive (+9%) after a period of falling prices and uncertainty about the Trump's healthcare plans, which finally appear to be less harmful to the industry than initially feared. There was a series of FED officials speeches and interviews, which the markets tried to decipher in order to gain some insight into what is next for US interest rates, but with little new information. On the contrary, in the UK, the Bank of England chief economist made strong public comments for an increase in interest rates sooner rather than later, while the Bank's President, Mr Carney, insisted on leaving them low for a sustained period of time. This ongoing debate has left the GBP in a very tight range since the UK elections.

Oil dropped further, with Light Crude dipping even lower than 43\$ and affecting this time the Energy stocks (Shell -3%, ENI -2%) although they were showing signs of resilience with Oil around 45\$. If the current Oil price levels can be maintained Energy shares could present a buying opportunity, given also the large dividend yields they still can offer. They currently trade about 12% lower since the start of the year. Novartis (+7%) had a very positive week, after results on one of its new ophthalmology drug were better than expected and the market had not assigned any probability of this drug to be marketed. Dufry (-2.5%) had a rough day on Friday as Chinese authorities allegedly investigated its main shareholder (HNA Group, which had recently bought 20% of the company) for probable wrongdoings in overseas financing and lending activities. Given the ever growing travel industry and consumer spending, Dufry remains a member of our high conviction list and current weakness could present a buying opportunity. Financials were weak globally, as the interest rates remain low and against the market forecast a few months ago for much higher Bond yields (shares of financials are positively correlated to bond yields, as higher yields helps their profitability). We could be looking for lower levels to increase positions as they become more attractive.

Government Bonds were a little higher as equity markets have stalled and there is growing consensus that the FED will not raise rates in September (market implied probability is less than 20%) and the ECB will not rush to conclude its bond buying program any time soon. The US 10 year Treasury finished the week at 2.14% down from 2.17% and the 10 year German Bund at 0.25% from 0.27%.

Gold tested its major support at 1240\$, where the 200 day Moving Average currently lies and managed to move higher, to finish the week at 1256\$.

The EURUSD moved lower during the week, testing the 1.1140 levels but failed to move lower and closed again at 1.1200. The volatility of the fx markets and in particular in the EURUSD pair has collapsed in the recent weeks, at levels which are not sustainable in the medium term (chart of the week). With EURUSD in a relative tight range (1.11-1.13) for many weeks now, one should expect a spike in volatility will move the pair significantly on any direction in the coming months.

Global Equity Indices

	Level	%YTD	% WTD	52 wk low	52 wk high
Dow Jones Industrials	21394.8	8.3	0.0	17063.1	21535.0
S&P500	2438.3	8.9	0.2	1991.7	2453.8
Nasdaq Composite	6265.3	16.4	1.8	4574.3	6341.7
Russell 2000	1414.8	4.2	0.6	1085.9	1433.8
Germany DAX30	12733.4	10.9	-0.2	9214.1	12951.5
France CAC40	5266.1	8.3	0.1	3956.0	5442.1
Eurostoxx50	3543.7	7.7	0.0	2678.3	3666.8
Swiss SMI	9032.9	9.9	0.8	7475.5	9137.0
UK FTSE 100	7424.1	3.9	-0.5	5788.7	7599.0
Italy FTSEMIB	20833.9	8.3	-0.5	15017.4	21828.8
Greek ASE	820.5	27.5	1.8	517.1	828.3
Japan Topix	1611.3	6.1	1.0	1192.8	1625.1
China SSE Composite	3157.9	1.7	1.1	2807.6	3301.2
Hong Kong Hang Seng	25670.1	16.7	0.2	19662.7	26090.3
MSCI Emerging Markets	1011.7	17.3	0.9	794.6	1019.1
MSCI World	1925.0	9.9	0.1	1566.7	1937.5

High Conviction Portfolio

	Price	%YTD	% WTD	52 wk high	52 wk low
Roche	252.80	8.7	-0.6	273.00	218.30
Novartis	83.70	13.0	7.2	84.35	67.40
Abbvie	72.64	16.0	2.2	73.67	55.10
Generali	14.49	2.6	-0.7	16.00	9.76
American Express	82.22	11.0	0.9	82.81	57.16
Geberit	458.50	12.3	-0.2	467.30	350.50
Sainsbury	253.40	1.6	0.4	283.60	211.50
Fluor	44.00	-16.2	-2.3	58.37	43.65
Disney	104.36	0.1	-1.1	116.09	90.32
Capgemini	93.63	16.8	1.8	97.33	71.10
Kudelski	16.65	-5.7	0.0	21.60	15.50
BAE Systems	650.00	9.9	-3.4	682.50	464.80
Barclays	197.55	-11.6	-2.8	244.40	121.10
Ladbrokes	114.50	-1.4	-1.7	164.80	105.60
Lloyds	66.68	7.5	-2.7	73.58	46.74
Imperial Brands	3575.00	0.9	0.7	4154.00	3324.00
Cisco	32.09	6.2	1.5	34.60	27.13
IBM	154.11	-7.2	-0.8	182.79	142.50
ADO PropertieSS	38.97	21.7	1.5	40.19	29.45
Daimler	65.34	-7.6	0.2	73.23	50.83
Fnac	66.77	4.0	0.3	70.80	46.04
Starbucks	59.81	7.7	-0.5	64.87	50.84
Dufry	159.80	25.8	-1.0	172.60	105.10
Carrefour	22.01	-3.8	-2.4	24.84	20.08
Pepsico	116.96	11.8	0.1	118.24	98.50
International Paper	56.85	7.1	0.6	58.86	39.24
Adient	64.13	9.4	3.7	76.09	39.67
Royal Dutch Shell	23.55	-9.4	-2.5	26.87	20.81
Suez	16.55	18.1	0.0	16.92	12.73
ACS	35.66	18.8	-1.7	36.75	21.70
Newmont Mining	33.81	-0.8	3.0	46.07	30.19
Rio Tinto	3052.50	-3.4	0.3	3718.50	1932.00
Nestle	82.10	12.4	-1.6	84.30	67.00
ENI	13.58	-12.2	-1.9	15.92	12.18

Chart of the Week

1 month implied volatility for the EURUSD has collapsed to 5.5%, the lower level in three years and after hitting 13% right before the French elections. Such levels, last seen in 2014, are rarely sustainable and a move to the long term average of 8-10% should be expected. Such a correction will lead to a possible breakout of the EURUSD out of its current tight range (1.11-1.13), with the most probable being a down move because positioning is very stretched in favor of the EUR.



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