KENDRA
SECURITIES
HOUSE SA

Weekly Report 20.8.2018

Weekly Trading Information – Markets update

It has been a rather volatile two weeks, with European equities approaching again the recent lows of June and Emerging Markets reaching a point of a 20% correction since their January peak. The US equities managed to rally at the end of last week, as news broke that Chinese officials are travelling to the US for negotiations and to settle the ground for a November meeting between President Trump and Xi Jinping, but Nasdaq lagged behind. The situation with Turkey looks far from over, despite the lifeline of 15bn $ offered by Qatar and a minor rally of the Lira from the abyss. Turkey is reaching the point of "no return", as it has lost access to financial markets, and if no international aid (IMF) comes to the rescue soon, then the tremors will be felt again in Europe and potentially globally. As if Europe had not enough problems with the Turkish situation, the Italian government continues to send shivers to markets, with comments and rhetoric against the Eurozone establishment with every opportunity, the latest being after the tragic events in Genoa. What really worries markets however is how the FED, in the US, will react. Up until recently, markets were expecting an interest rate hike in September and most probably one in December. If the situation outside the US worsens, will they stop the rate hikes and offer some relief, or will they continue on their path, pushing potentially the USD even higher and risk a global crisis ? The upcoming Jackson Hole conference in Wyoming over the next weekend which during the last years any FED President has used to pass messages to the markets, will be widely watched.

Investors are analyzing the exposure to Turkey of the European companies and penalizing hard especially the Eurozone banks (BNP -3%, Societe Generale -3%) with Italian and Spanish banks, which have the biggest exposure, falling even more. The defensive sectors (Food, Tobacco, Pharma) did offer protection as shares of Danone, Anheuser-Busch, Imperial Brands moved higher in a week of steep falls in Europe. Our holding in Belgian Pharmaceutical UCB, the specialist in autoimmune diseases reached its highest point since 2017, with a further 2% gain last week, while the Engineering/IT company Altran Technologies managed to rally 7%, as investors are coming back to the stock. The Swiss dental implants company Straumann (+1%) announced a 20% organic growth in 2nd quarter revenues, which was ahead of expectations and maintained its positive guidance for the full year.

Government bonds rallied as financial markets are caught between the US-China standoff and the Turkish/Emerging Markets situation. The 10 year US Treasury yield fell again to the 2.80-2.85% area, which has not been broken to the downside since June, while the German safe-haven 10 year Bund yield fell again to 0.30% from 0.40% last week. It should be noted that the bond market participants currently hold the largest on record short positions on the US Treasuries (ie they speculate that the prices will fall / yields will rise) , which means that the market can actually rally strongly (ie prices going up / yields falling) if the speculation fails to materialize and the record shorts must be covered (with purchases).

Gold did not offer any protection to the turmoil, as Commodities were sold off indiscriminately. It reached a low of 1'160$ as the USD was rallying, only to bounce back and close the week at 1'185$. Technically the metal looks weak, but as it gets near the 1'120-1'150$ levels, buyers should be coming back. Any USD weakness and/or signal that the FED is suddenly on hold, will make Gold rally. Speculators also now hold the largest short positions in Gold of the recent years , which can prove beneficial for its price.

The EUR broke through 1.1500 and reached a low of 1.1300, only to bounce back to 1.1450 as the situation between China and the US shed a glimpse of hope at the end of the week. It will be very difficult for the EURUSD to breakout of the 1.1500 level, but it will do so strongly if there is a clear message of relaxation of tensions in the trade war arena.

	Level	YTD %	**Weekly%**	52 week high	52 week low
DOW JONES	25669.3	3.8	1.4	26616.7	21600.3
S&P500	2850.1	6.6	0.6	2872.9	2417.4
NASDAQ	7816.3	13.2	-0.3	7933.3	6177.2
RUSSELL SMALL CAP	1692.9	10.3	0.4	1708.6	1349.4
EUROPE STOXX50	3060.3	-3.7	-1.3	3283.2	2884.5
EUROSTOXX 50	3372.9	-3.7	-1.6	3708.8	3261.9
GERMANY DAX	12210.6	-5.5	-1.7	13596.9	11726.6
FRANCE CAC40	5344.9	0.6	-1.3	5657.4	4995.1
SWISS SMI	9003.9	-4.0	-0.3	9616.4	8372.9
UK FTSE 100	7558.6	-1.7	-1.4	7903.5	6866.9
ITALY FTSE 100 MIB	20415.3	-6.6	-3.2	24544.3	20236.3
ATHENS GENERAL	710.4	-11.5	-4.5	895.6	700.1
JAPAN TOPIX	1697.5	-6.6	-1.3	1911.3	1578.7
CHINA CSI300	3229.3	-19.9	-5.2	4403.3	3224.1
HONG KONG	27213.4	-9.0	-4.1	33484.1	26871.1
EMERGING MARKETS	1022.9	-11.7	-3.7	1273.1	1021.6
WORLD	2138.1	1.6	-0.1	2249.7	1925.2

Certificates	Price	**Weekly %**	YTD
KENDRA HIGH CONVICTION	100.3	-0.7	-0.4
KENDRA HIGH INCOME	95.7	-1.0	-1.3

Currencies	Price
EURUSD	1.144
EURCHF	1.138
GBPUSD	1.275
EURJPY	126.5
USDJPY	110.5

Commodities	Price
Gold USD	1185
Gold EUR	1036
Silver USD	14.8
Oil (Crude USD)	66.0
Oil (Brent USD)	71.8

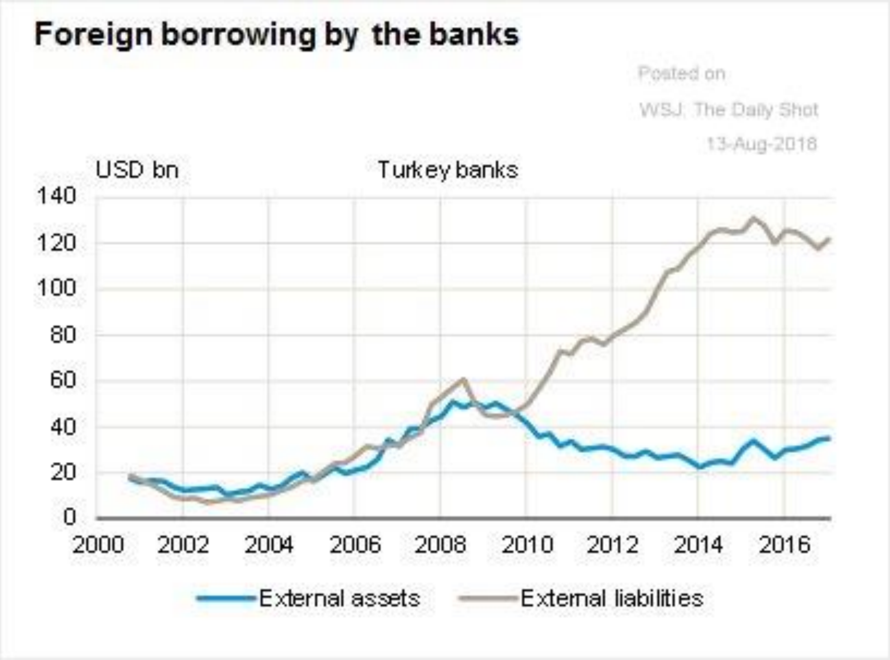
High Conviction Portfolio

	YTD %	**Weekly%**	DIV YIELD	CURRENCY	SECTOR
Siemens	-5.3	**-0.5**	3.4	EUR	Industrials
Carrefour SA	-17.1	**-3.1**	4.0	EUR	Consumer Staples
Roche Holding AG	-2.7	**0.6**	3.5	CHF	Health Care
IBM	-4.8	**1.1**	4.3	USD	Information Technology
Lloyds	-11.6	**-2.7**	5.2	GBp	Financials
AB Inbev	-6.6	**2.6**	4.2	EUR	Consumer Staples
Sanofi	2.0	**-0.6**	4.2	EUR	Health Care
Deutsche Telekom	-5.7	**0.0**	4.6	EUR	Telecom Services
Societe Generale	-18.2	**-2.7**	6.2	EUR	Financials
Vodafone	-25.2	**-3.7**	7.5	GBp	Telecom Services
BNP Paribas	-18.1	**-3.0**	5.9	EUR	Financials
Danone	-3.2	**0.3**	2.8	EUR	Consumer Staples
Imperial Brands	-5.6	**1.4**	5.9	GBp	Consumer Staples
Telefonica	-10.0	**-2.1**	5.4	EUR	Telecom Services
Barclays	-10.1	**-2.7**	2.5	GBp	Financials
UCB.SA	17.7	**1.8**	1.5	EUR	Health Care
Vonovia	4.3	**1.9**	3.1	EUR	Real Estate
Travis Perkins	-28.6	**-0.1**	4.1	GBp	Industrials
Royal Dutch Shell	-0.7	**-2.7**	5.7	EUR	Energy
Vivendi	-4.5	**-1.8**	2.1	EUR	Consumer Discretionary
Wacker Chemie	-25.8	**-3.1**	3.7	EUR	Materials
SUEZ	-14.0	**1.0**	5.2	EUR	Utilities
Arkema	3.7	**-0.1**	2.2	EUR	Materials
Altran Technologies	-26.8	**6.6**	2.8	EUR	Information Technology
Valeo	-36.9	**-5.4**	3.2	EUR	Consumer Discretionary
Straumann	13.0	**0.6**	0.6	CHF	Health Care
Biogen	8.4	**0.6**	0.0	USD	Health Care
Dufry	-18.3	**-3.0**	3.1	CHF	Consumer Discretionary
Eurofins Scientific	-12.1	**-0.2**	0.5	EUR	Health Care
Adient	-42.0	**6.0**	2.4	USD	Consumer Discretionary

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

Chart of the Week

As the WSJ chart below shows it has been a decade of relentless debt-driven growth in Turkey, with local banks borrowing in foreign currency (mainly USD and EUR) skyrocketing from 40bn in 2010 to more than 120bn now, while their foreign currency assets have shrunk.
With the value of the Lira now down 40% in the last months, it is becoming increasingly clear the debt servicing in foreign currency will soon become a huge problem for Turkish banks and corporations and defaults will rise.
An aid by an international organization (IMF) is desperately needed to turn the situation around, something that the Turkish ruling authorities will be very hard to swallow, but perhaps will soon have no choice.



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