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# **Weekly Report 9.7.2018**



# Weekly Trading Information – Markets update

As the US tariffs against China came into effect last Friday, it was the reconciliatory tone of the Chinese officials as well as the markets' fatigue with the theme that have led to a big rally in Asian markets this morning, a sign that a lot of negativity is already priced in, in emerging markets. Another fear that was hanging on emerging markets has also been removed, for the time being at least, as Mexico is moving on to its first leftist government in decades, but with the new President sounding moderate during the first days. European equity markets managed to recover last week, as Germany avoided at the last minute a political crisis and sources from the US administration leaked that that President Trump might not finally "tax" the EU imported vehicles by 20%. For this reason, Germany outperformed but the UK market stalled. The fact that the Brexit ministers quit over the weekend is not helping sentiment, only 9 months before the official divorce day and as Prime Minister May will face yet another battle in her efforts to survive. In the US, the labor market data were strong with non farm payrolls being announced much better than expected but unemployment rate moving up to 4%, as labor market participation rate also moved up (ie more people started again looking for jobs). At the same time, wages increased again at a low rate, providing relief that the strong labor market is not resulting yet to runaway inflation.

The Q2 earnings season is starting this week in the US and markets will focus again on the feasibility of achieving the 22% growth for the S&P500 stocks which is expected by analysts (see chart of the week). Last week, Telecom shares outperformed (Deutsche Telekom +4%, Telefonica +6%) with no major news other than the acquisition of the Champions League and Europa League rights by Telefonica in Spain for the 2018-2021 period. Carrefour (+4%) attracted investors' interest, as it announced yet another strategic alliance in Purchasing, this time with U.K's Tesco while its shares had fallen to a multiyear low. But it was Biogen which stole the show, with its shares exploding 20% higher on Friday after its second round tests on a promising Alzheimer drug showed positive results. Although we are still many steps away from approval and commercialization, if this drug finally reaches the market it will mean that the shares could go at least a further 30-50% higher, but this is a big if. We would reduce the position a little higher and watch the situation evolve.

Government bonds were rather stable last week, as equity markets' improvement and good macro economic numbers out of the US did not put any pressure on their prices, a sign that investors are perhaps increasingly altering their very bearish views on this market. The 10 year US Treasury yield closed almost unchanged at 2.84% and the German equivalent at 0.30%

Gold found support at 1'240 and moved higher to 1'260, as the USD was also sold. As long as it remains below 1'300 and as we are in the middle of the worst season for physical demand, Gold should be range trading between 1'240 and 1'280 for the next weeks.

The EUR touched again 1.1500 but found support and after the German political situation improved it rallied to reach 1.1750-1.1770 against the USD. These levels represent the upper limit of the current range and a break above would probably lead to 1.2000 again. Interestingly, the market also focused on the fact that the ECB's guidance for not raising rates before the end of the summer of 2019, is already being challenged by some ECB officials providing support to the EUR.

	Level	YTD %	Weekly	52 week high	52 week low
DOW JONES	24456.5	-1.1	0.8	26616.7	21279.3
S&P 500	2759.8	3.2	1.5	2872.9	2412.8
NASDAQ	7688.4	11.4	2.4	7806.6	6111.2
RUSSELL 2000	1694.1	10.3	3.1	1708.1	1349.4
XETRA DAX	12496.2	-3.3	1.5	13596.9	11726.6
CAC 40	5375.8	1.2	1.0	5657.4	4995.1
EUROSTOXX 50	3448.5	-1.6	1.6	3708.8	3261.9
SMI SWISS	8697.4	-7.3	1.0	9616.4	8372.9
FTSE 100	7617.7	-0.9	-0.3	7903.5	6866.9
FTSE MI ITALY	21925.5	0.3	1.4	24544.3	20922.3
ATHENS	747.0	-6.9	-1.4	895.6	700.1
TOPIX JAPAN	1711.8	-6.9	-2.3	1911.3	1578.7
SSE CHINA	2795.2	-16.9	-3.5	3587.0	2691.0
HANG SENG	28759.2	-5.4	-2.2	33484.1	25315.9
EMERGING MARKETS	1060.0	-8.5	-0.9	1273.1	1002.5
WORLD INDEX	2113.7	0.5	1.2	2249.7	1905.3

Certificates	Price	Weekly %	YTD
KENDRA HIGH CONVICTION	101.4	+2.5	+0.8
KENDRA HIGH INCOME	97.5	+2.3	+0.5

Currencies	Price
EURUSD	1.1760
EURCHF	1.1630
GBPUSD	1.3330
EURJPY	129.90
USDJPY	110.40

Commodities	Price
Gold USD	1'260
Gold EUR	1070
Silver USD	16.15
Oil (Crude USD)	74.15
Oil (Brent USD)	77.6



# High Conviction Portfolio

## Chart of the Week

	YTD %	Weekly %	DIV YIELD	CURRENCY	SECTOR
Siemens	-0.9	1.6	3.2	EUR	Industrials
Carrefour SA	-20.2	3.8	4.0	EUR	Consumer Staples
Roche Holding AG	-9.2	1.5	3.7	CHF	Health Care
IBM	-7.1	2.0	4.4	USD	Information Technology
Lloyds	-8.2	-0.9	4.9	GBp	Financials
AB Inbev	-4.6	2.7	4.1	EUR	Consumer Staples
Sanofi	0.9	5.6	4.2	EUR	Health Care
Deutsche Telekom	-6.5	4.3	4.7	EUR	Telecom Services
Societe Generale	-14.7	1.7	6.0	EUR	Financials
Vodafone	-18.7	3.9	6.9	GBp	Telecom Services
BNP Paribas	-13.5	1.3	5.6	EUR	Financials
Danone	-6.0	4.6	2.9	EUR	Consumer Staples
Imperial Brands	-8.7	2.4	6.1	GBp	Consumer Staples
Telefonica	-5.1	5.9	5.2	EUR	Telecom Services
Barclays	-8.2	-1.3	1.6	GBp	Financials
UCB.SA	2.4	0.7	1.7	EUR	Health Care
Vonovia	-0.3	1.2	3.2	EUR	Real Estate
Travis Perkins	-11.5	-2.5	3.3	GBp	Industrials
Vivendi	-7.0	-0.7	2.2	EUR	Consumer Discretionary
Wacker Chemie	-29.6	1.8	3.9	EUR	Materials
SUEZ	-22.5	2.4	5.7	EUR	Utilities
Arkema	0.3	0.4	2.3	EUR	Materials
Altran Technologies	-2.1	-1.4	2.0	EUR	Information Technology
Valeo	-23.5	1.8	2.8	EUR	Consumer Discretionary
Straumann	9.9	0.2	0.6	CHF	Health Care
Biogen	12.2	23.2	0.0	USD	Health Care
Dufry	-13.9	-1.3	3.0	CHF	Consumer Discretionary
Eurofins Scientific	-9.6	-3.7	0.5	EUR	Health Care
Spotify	NULL	4.4	0.0	USD	Information Technology
Adient	-36.4	1.7	2.2	USD	Consumer Discretionary

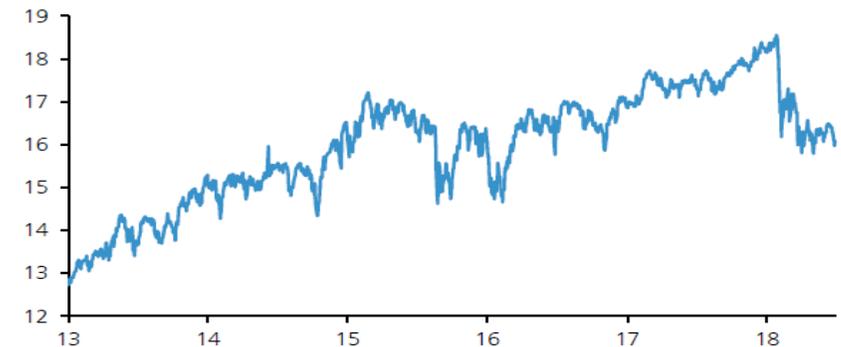
YTD: year to date return,  
Weekly %: weekly return

As the earnings season is about to begin in the US, it is useful to see the current valuation of the S&P500 as well as the expectations for earnings growth in 2018 and 2019. The market correction since the start of the year together with the high expectations has led the P/E ratio of the index at relatively attractive levels again. But for the market to move higher we not only need to meet the high expectations of 2018, which are boosted by the tax cuts, but companies must confirm that they expect the 2019 earnings to grow by 9% on average. Forward guidance will be the most important factor for the market in the coming weeks.

### S&P 500 earnings forecasts (consensus + UBS)

	LTM	NTM	2017	2018E	2019E	2018 UBSe
Earnings per share	\$145.2	\$165.0	\$132.0	\$161.2	\$176.9	\$162.0
% growth (y/y)			11.8%	22.1%	9.8%	22.7%
P/E	18.7x	16.5x	20.3x	16.9x	15.4x	16.8x
Change (y/y)			1.3x	-3.4x	-1.5x	-3.5x

### S&P 500 NTM P/E





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