

Kendra Securities House
Weekly Trading Information - 21.8.2017

Equity markets continued to trade on increased volatility, while Europe managed to outperform the US after a long time, thanks to the political turmoil across the Atlantic. It was a rough week for the US President, as one after the other prominent CEOs who had joined various advisory committees decided to quit. The markets are becoming increasingly sceptical about Trump's ability to pass through his ambitious agenda, which had originally fuelled the global stock market rally. Thankfully, for the markets, the corporate earnings in the US and in Europe overall are still coming in strong and hence the rally seems to have stalled rather than stopped due to the political issues of the Trump administration. Last week, the minutes of the last meetings of the FED and the ECB were published. With respect to the FED, there was nothing new but the market chose to focus on the ongoing debate within the committee on inflation expectations and the questioning by a few members of the ability of the current measurement method to fully capture actual inflation. The ECB minutes offered more action in the markets, as there was a clear concern about the EUR's rally, which was mentioned several times and it seems by almost all members of the council. The fact that the ECB members discussed to a great extent the undesired consequences on the EUR's path of their intention to reduce the QE (Bond buying program) was a clear surprise after the Draghi press conference which did not include almost any remarks on the EUR's strength. Hence there was a sharp fall to below 1.1700, which was stopped and partially reversed on the same night, as Trump was facing the barrage of resignations on his advisory committees.

On the corporate side, shares of Cisco (-3.5%) were under pressure, after the company published its Q2 results. Although it announced overall in line income and revenues, it was the fact that revenues from the software side still cannot compensate fully for the loss of revenue on the more traditional aspect of the business (hardware). However at a P/E of 12 and with a dividend of almost 4%, we are maintaining the stock in the top conviction positions as it is going through a transformation from a hardware company to a more software/licensing company. Shares of the food manufacturing sector were in the spotlight (Danone +2%, Unilever +1.5%) as another activist investor is seeking to increase his stake, this time in Danone. We maintain our belief that the sector will undergo major changes in the coming period, either through becoming targets of acquisitions again (like Unilever) or being forced internally to restructure their business. We would be adding to these on any weakness of the share prices.

Government Bonds rallied as equity markets volatility spiked higher and as Trump's problems coupled with the terrorist attacks in Spain late Friday night made investors nervous. The US 10year Treasury yield fell below 2.20% to close at 2.18%, from 2.30% two weeks ago, while the 10 year German Bund yield closed at 0.39% from 0.50% two weeks ago.

Gold also rallied, as expected, to levels close to 1300\$, but found insignificant selling pressure on the close of Friday night to return back to 1285\$. It looks like Gold is heading higher in the coming period, and especially in EUR terms, as it was mentioned two weeks ago when it touched important support levels (see chart of the week).

The EURUSD fell below 1.1700 when the ECB minutes were published, but given the ongoing "love affair" of the traders and the increasing Trump's issues, it closed the week at 1.1750. For now, however, it seems like its rally should be contained by the recent highs at 1.1900 levels, and a drop below the significant support of 1.1680-1.1700 is needed for the USD to make a more meaningful move towards 1.13-1.1500 again.

Global Equity Indices

	Level	%YTD	% WTD	52 wk low	52 wk high
Dow Jones Industrials	21674.5	9.7	-0.8	17883.6	22179.1
S&P500	2425.6	8.3	-0.7	2083.8	2490.9
Nasdaq Composite	6216.5	15.5	-0.6	5034.4	6460.8
Russell 2000	1357.8	0.0	-1.2	1156.1	1452.1
Germany DAX30	12165.2	6.0	1.3	10174.9	12951.5
France CAC40	5114.2	5.2	1.1	4310.9	5442.1
Eurostoxx50	3446.0	4.7	1.2	2922.8	3666.8
Swiss SMI	8874.4	8.0	-0.1	7585.6	9198.5
UK FTSE 100	7324.0	2.5	0.2	6654.5	7599.0
Italy FTSEMIB	21815.0	13.4	2.2	15922.4	22065.4
Greek ASE	824.9	28.2	0.2	548.7	859.8
Japan Topix	1597.4	5.1	-0.1	1287.4	1642.3
China SSE Composite	3268.7	5.6	0.3	2969.1	3305.4
Hong Kong Hang Seng	27047.6	23.6	0.6	21488.8	27876.1
MSCI Emerging Markets	1059.5	22.9	1.6	839.0	1078.5
MSCI World	1930.4	10.2	-0.4	1657.1	1974.8

High Conviction Portfolio

	Price	%YTD	% WTD	% from high	52 wk high	52 wk low
Roche	241.40	3.8	-0.4	-12%	273.00	218.30
Novartis	79.80	7.7	-0.1	-5%	84.35	67.40
Sanofi	82.26	7.0	2.1	-12%	92.97	66.72
Abbvie	69.96	11.7	-0.9	-7%	75.04	55.10
Generali	15.51	9.8	0.5	-4%	16.08	10.50
American Express	85.38	15.3	1.3	-3%	87.77	59.51
Barclays	195.65	-12.4	-1.9	-20%	244.40	155.95
Lloyds	63.91	3.0	-1.1	-13%	73.58	50.45
Geberit	446.50	9.4	-4.9	-8%	486.90	394.10
Fluor	37.67	-28.3	-3.6	-35%	58.37	37.40
BAE Systems	583.50	-1.4	0.3	-15%	682.50	516.48
ACS	32.29	7.6	4.2	-12%	36.75	24.75
Kudelski	12.85	-27.2	-14.3	-38%	20.85	12.80
Cisco	30.37	0.5	-3.5	-12%	34.60	29.12
IBM	139.70	-15.8	-1.5	-24%	182.79	139.58
Sainsbury	237.10	-4.9	-1.9	-16%	283.60	224.10
Imperial Brands	3169.50	-10.5	0.0	-23%	4135.50	3112.50
Danone	66.19	10.0	2.0	-6%	70.53	57.66
Unilever	49.87	27.6	1.5	-3%	51.31	36.22
Carrefour	20.39	-10.9	-0.1	-18%	24.84	20.08
Pepsico	117.60	12.4	0.9	-1%	119.39	98.50
Nestle	80.85	10.7	0.0	-6%	86.00	67.00
Daimler	60.31	-14.7	0.9	-18%	73.23	59.01
Adient	65.97	12.6	0.8	-13%	76.09	39.67
Disney	100.70	-3.4	-1.3	-13%	116.09	90.32
Fnac	78.00	21.4	1.3	-5%	82.39	52.70
Starbucks	52.70	-5.1	-0.9	-19%	64.87	50.84
Newell Brands	49.66	11.2	-0.7	-10%	55.07	43.43
Duffy	152.10	19.8	1.3	-12%	172.60	111.20
Royal Dutch Shell	23.20	-10.7	-1.4	-14%	26.87	20.81
ENI	13.25	-14.4	-0.4	-17%	15.92	12.18
Chevron	106.48	-9.5	-2.5	-11%	119.00	97.53
Rio Tinto	3429.50	8.6	1.8	-8%	3718.50	2253.50
International Paper	54.29	2.3	3.2	-8%	58.95	43.55
Suez	15.75	12.4	1.2	-7%	16.99	12.73
Vodafone	219.05	9.6	-0.2	-8%	237.55	186.50
AT&T	37.37	-12.1	-1.9	-13%	43.03	35.81
ADO Properties	38.30	19.7	-1.4	-5%	40.37	29.45

Chart of the Week

This is a 5 year chart of the Gold price in EUR. A few weeks ago, as we mentioned, it tested its long term support line, around 1065 and has rebounded nicely since. Given the fact that EURUSD seems to be stalling at the recent highs and could start falling again to lower levels and if Gold prices can break again above 1300\$, then Gold in EUR is poised to move further higher and probably test the 1150-1200 area, which is 5-7% higher than current levels.



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