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Weekly Report 17.9.2018



Weekly Trading Information – Markets update

Equity markets managed to stage a recovery, especially after Eurozone equities hit significant technical levels, which provided a first positive test. The mood started getting positive as rumors about a new round of talks between Chinese and US officials was under way to avoid the tariffs on the 200bn \$ of imports. But as it has become a habit lately, President Trump on Friday night (European time) said that his wish is for the new tariffs to be implemented despite the ongoing talks, souring the mood again ahead of the weekend. Announcements on this are expected as soon as today, but there is a possibility that if the final tariff is a 10% levy instead of the threatened 25%, markets could rally in a "sell the rumor / buy the fact" manner.

On the macroeconomic front, the data out of the US were lacklustre with August Retail Sales in the US increasing by just 0.1% vs 0.4% of expectations, while the Inflation index (CPI) was also lower at a 2.7% annual rate vs 2.8% of expectations. However, previous months data for Retail Sales were revised higher, hence the market saw the August miss as something not to worry about, as overall for Q3 consumer spending seems to be growing at a healthy 3.4% on an annual basis. Retail Sales is an important factor in determining the expected GDP growth, as consumer spending comprises more than 2/3 of the US economy. In Europe both the ECB and the Bank of England did not surprise the markets. The ECB repeated its forward guidance that interest rates will not be raised until after the summer of 2019 and revised downwards the forecast GDP growth and inflation for 2019, as widely expected.

Eurozone Banks outperformed the market (BNP +2%) as their share prices have probably reached a selling climax, while the launch of the new iPhone series by Apple led its shares close to their recent record and helped Technology recover some of its previous week's losses. Shares of Miners (BHP +1%) stabilized after the recent rout and the Healthcare sector attracted again the investors' interest with the shares of specialty drug makers (UCB +3%) and equipment/devices makers outperforming (Straumann +3%, Eurofins +3%). We have lowered overall exposure to the sector, in favor of Banks and Miners

Government bonds moved further lower as the mood in equity markets improved and the data out of the US showed a rather rosy picture. The 10 year US Treasury yield closed at 2.99%, and it will start the week very close to the psychological level of 3%, which a few weeks ago was very hard to overcome. In sympathy, the 10 year German Bund yield also rose to finish the week at 0.45%, up from 0.40% last week and also probing the 0.50% level which was hit in early August. The US 10-2 yield difference came down to only 21 bps again. A break below 20bps could send tremors in financial markets.

Gold rebounded strongly to 1'210 during the week, especially after the soft inflation data and the news that the US and China are back in negotiation mood, but lost all profits and finished the week at 1'195, after news broke that President Trump is moving ahead with the tariffs. Interestingly, short term traders are selling Gold and all metals when the situation worsens with the impending trade war, as they prefer to "play" the existing negative correlation with the USD (they are buying the USD). As an extreme worsening of the trade war would lead to lower global growth, lower rates etc, gold is to be accumulated on this short term trading weakness, led primarily by algorithmic automated trading.

The EUR jumped against most currencies, as the Eurozone equities were rebounding and as the ECB did not try to "talk down" the currency, and flirted with the 1.1750 resistance levels against the USD. However, President Trump's announcements about his wish to move on with the tariffs, made the USD rally back to 1.1630 late Friday night.

	Level	YTD %	Weekly %	52 week high	52 week low
DOW JONES	26154.7	5.8	0.9	26616.7	22214.5
S&P500	2905.0	8.7	1.2	2916.5	2488.0
NASDAQ	8010.0	16.0	1.4	8133.3	6344.0
RUSSELL SMALL CAP	1721.7	12.1	0.5	1742.1	1422.2
EUROPE STOXX50	3007.9	-5.3	1.2	3283.2	2884.5
EUROSTOXX 50	3344.6	-4.5	1.6	3708.8	3261.9
GERMANY DAX	12124.3	-6.1	1.4	13596.9	11726.6
FRANCE CAC40	5352.6	0.8	1.9	5657.4	5038.1
SWISS SMI	8970.0	-4.4	1.4	9616.4	8372.9
UK FTSE 100	7304.0	-5.0	0.4	7903.5	6866.9
ITALY FTSE 100 MIB	20885.4	-4.4	2.1	24544.3	20236.3
ATHENS GENERAL	681.7	-15.0	-0.9	895.6	675.8
JAPAN TOPIX	1728.6	-4.9	2.6	1911.3	1628.9
CHINA CSI300	3242.1	-19.6	-1.1	4403.3	3191.4
HONG KONG	27286.4	-8.8	1.2	33484.1	26219.6
EMERGING MARKETS	1028.5	-11.2	0.5	1273.1	1003.3
WORLD	2166.6	3.0	1.4	2249.7	1980.6

Certificates	Price	Weekly %	YTD
KENDRA HIGH CONVICTION	98.6	+0.6%	-2.1%
KENDRA HIGH INCOME	94.8	+1.1%	-2.1%

Currencies	Price	Commodities	Price
EURUSD	1.1630	Gold USD	1.193
EURCHF	1.1240	Gold EUR	1025
GBPUSD	1.3070	Silver USD	14.05
EURJPY	130.2	Oil (Crude USD)	69.0
USDJPY	112.00	Oil (Brent USD)	78.1



High Conviction Portfolio

Chart of the Week

	YTD %	Weekly %	CURRENCY	SECTOR
Carrefour SA	-10.5	3.5	EUR	Consumer Staples
IBM	-3.3	2.0	USD	Information Technology
Siemens	-5.9	1.0	EUR	Industrials
Deutsche Telekom	-7.1	1.2	EUR	Telecom Services
Lloyds	-13.5	0.2	GBp	Financials
Vodafone	-28.7	1.3	GBp	Telecom Services
Sanofi	5.3	3.6	EUR	Health Care
Societe Generale	-16.8	1.2	EUR	Financials
BHP Billiton	0.5	0.8	GBp	Materials
Barclays	-15.8	-2.0	GBp	Financials
BNP Paribas	-17.2	2.2	EUR	Financials
Imperial Brands	-17.3	-3.1	GBp	Consumer Staples
Telefonica	-17.8	-1.4	EUR	Telecom Services
AB Inbev	-17.8	-1.3	EUR	Consumer Staples
Danone	-6.5	0.3	EUR	Consumer Staples
Newmont Mining	-19.0	0.8	USD	Materials
UCB.SA	20.9	2.8	EUR	Health Care
Vivendi	-3.9	-1.4	EUR	Consumer Discretionary
Valeo	-40.0	0.2	EUR	Consumer Discretionary
Arkema	5.2	2.8	EUR	Materials
Royal Dutch Shell	-0.2	1.5	EUR	Energy
Travis Perkins	-28.2	-0.7	GBp	Industrials
Altran Technologies	-40.3	-6.7	EUR	Information Technology
Wacker Chemie	-31.9	-5.2	EUR	Materials
Roche Holding AG	-3.3	0.1	CHF	Health Care
Credit Suisse	-16.8	0.3	CHF	Financials
UBS	-15.9	-0.4	CHF	Financials
Dufry	-18.5	3.0	CHF	Consumer Discretionary
Biogen	6.3	-0.3	USD	Health Care
Straumann	10.9	3.2	CHF	Health Care
Eurofins Scientific	-5.4	2.7	EUR	Health Care
Adient	-45.3	6.0	USD	Consumer Discretionary

The August Inflation numbers in the US showed a slowdown on an annual growth basis, relieving some of the fears of a run-away inflation. Still, consumer inflation is at its highest level since 2016 but it coincides with levels where in the previous years it subsequently moved lower again.



Source : Wall Street Journal



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