

US equities had another record week, with strong performance across all indices, as corporate results for Q3 are being announced. A further catalyst for the market the last two weeks has been the signs of progress with respect to the tax reform legislation promised by the Trump administration. At the same time it should be noted that we are fast approaching the day of the announcement of the new FED Chairman or the continuation of Mrs Yellen's term. This event has for the moment being ignored by the markets, but could provide volatility if the new FED chief is perceived more hawkish than Mrs Yellen, if she is replaced. Europe was rather flat for the week, as the situation in Spain continues to weigh on sentiment, albeit on a rather muted way. The most important event coming up in a few days is the ECB meeting on Thursday, where the governing council is widely expected to announce the tapering of its own QE program and the only unknown is the pace and duration of these changes. As a reminder, the ECB is currently buying 60bn EUR of bonds on a monthly basis, with an expiration date of December 2017. Overall, we have assumed again a more cautious stance towards equities in this environment of high prices and low volatility, preferring value and defensive stocks over growth.

It was a busy week for corporate announcements, with most of them being on the positive side for now. One of the most noteworthy surprises was the announcement by IBM (+10%) of better revenues than expected, despite the small fall on a comparable basis with last quarter, while showing strong performance in key growth segments in the company's efforts to transform itself. Carrefour (+4%) also surprised positively by announcing better than expected sales figures in its own efforts to redefine its strategy, with aggressive pricing policy to regain market share and the cost cutting efforts of the new CEO. The ongoing rumor of being a buyout target for Amazon keeps the interest in the shares after the steep fall a few months ago. Both companies remain top holdings in our high conviction portfolio. ACS, the Spanish construction and infrastructure company attracted investors' interest (+7%) after it announced a takeover bid for its biggest competitor, Abertis. The deal will be done through ACS's subsidiary, the German Hochtief. On the negative side, Unilever (-7%) disappointed markets with a lower growth of sales than expected, and although the company blamed primarily the weather in Europe and the hurricanes in the US for its results, the market saw signs of weakness in comparison with Danone and Nestle, which has previously announced better results.

Government Bonds moved lower during the week, awaiting on the one hand the data out of the US which will cement the December interest rate hike and on the other hand the ECB's announcements. Maybe the most important immediate announcement for the path of bonds is the new FED chair, which should take place in the next two weeks. The US 10 year Treasury yield finished the week at 2.38% and German 10 year Bund yield at 0.46%.

Gold continues to face selling pressures as it tries to rebound towards 1300\$. It finished the week below its initial support at 1285\$, and seems to be wanting to test again the much more important support levels in the 1255-1265\$ area. The current levels and lower are levels for accumulation for investors with no exposure.

The EUR's big week is coming up, with traders already having cut their exposure as the ECB's tapering has been widely anticipated and probably discounted, especially when the currency reached 1.21 during the summer. For the moment, it remains stuck in the range of 1.1700-1.1900 and waits for its next move.

## Global Equity Indices

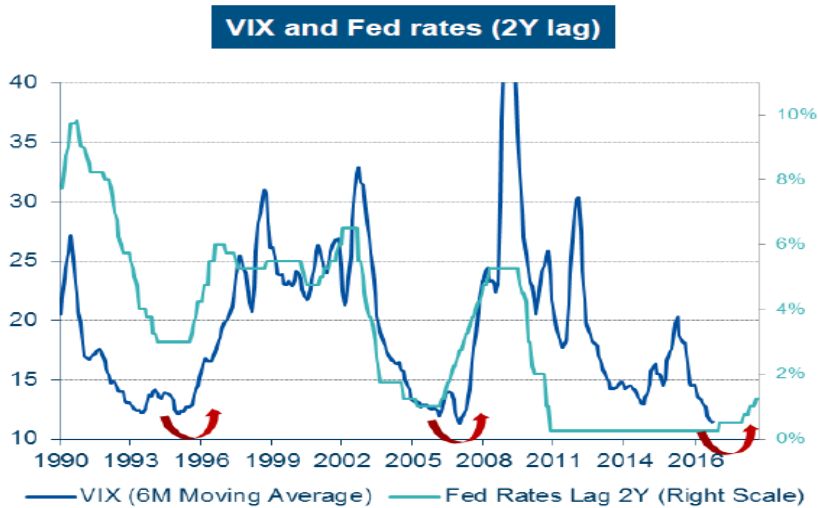
	Level	%YTD	% WTD	52 wk low	52 wk high
Dow Jones Industrials	23328.6	18.0	2.0	17883.6	23328.8
S&P500	2575.2	15.0	0.9	2083.8	2575.4
Nasdaq Composite	6629.1	23.1	0.4	5034.4	6640.0
Russell 2000	1509.2	11.2	0.4	1156.1	1514.9
Germany DAX30	12991.3	13.2	0.0	10174.9	13094.8
France CAC40	5372.4	10.5	0.4	4344.9	5442.1
Eurostoxx50	3605.1	9.6	0.0	2938.0	3666.8
Swiss SMI	9237.1	12.4	-0.8	7585.6	9318.0
UK FTSE 100	7523.2	5.3	-0.2	6676.6	7599.0
Italy FTSEMIB	22346.9	16.2	-0.3	16039.6	22860.1
Greek ASE	749.2	16.4	-1.6	572.4	859.8
Japan Topix	1730.6	14.9	0.9	1287.4	1733.8
China SSE Composite	3378.6	8.9	0.0	3016.5	3410.2
Hong Kong Hang Seng	28487.2	28.6	0.0	21488.8	28798.8
MSCI Emerging Markets	1119.7	29.9	-0.6	839.0	1131.8
MSCI World	2035.6	16.2	0.4	1657.1	2035.6

## High Conviction Portfolio

	Price	%YTD	% WTD	% from high	52 wk high	52 wk low
Roche	234.40	0.8	-4.2	-14%	273.00	218.30
Novartis	84.45	14.0	0.7	-1%	84.90	67.40
Sanofi	83.81	9.0	0.3	-10%	92.97	67.22
Abbvie	96.10	53.5	6.0	-2%	98.20	55.10
Generali	15.50	9.8	0.1	-4%	16.08	11.00
Barclays	195.70	-12.4	2.3	-20%	244.40	175.46
Lloyds	67.00	8.0	1.7	-9%	73.58	52.84
Fluor	43.19	-17.8	1.4	-26%	58.37	37.04
Vinci	81.08	25.3	0.6	0%	81.36	49.93
ACS	33.30	10.9	7.1	-9%	36.75	25.94
Kudelski	12.90	-26.9	-3.4	-33%	19.30	11.10
Cisco	34.25	13.3	2.3	-1%	34.60	29.12
IBM	162.07	-2.4	10.2	-11%	182.79	139.13
Soitec	59.97	104.0	8.3	-3%	62.00	16.00
Sainsbury	247.70	-0.6	2.5	-13%	283.60	224.10
Imperial Brands	3140.00	-11.4	-0.1	-22%	4007.00	3112.50
Danone	70.29	16.8	2.0	-2%	72.00	57.66
Unilever	47.79	22.2	-7.7	-9%	52.31	36.22
Carrefour	17.87	-21.9	4.1	-27%	24.48	16.31
Pepsico	111.61	6.7	-0.9	-7%	119.39	98.50
Nestle	83.45	14.2	-1.6	-3%	86.00	67.00
Adient	85.10	45.2	1.6	-2%	86.42	39.67
Disney	99.40	-4.6	2.1	-14%	116.09	90.60
Fnac	80.00	24.6	-0.4	-5%	83.99	55.00
Starbucks	54.57	-1.7	-2.1	-16%	64.87	50.84
Newell Brands	40.37	-9.6	-6.3	-27%	55.07	40.27
Dufry	148.80	17.2	-5.5	-14%	172.60	117.00
Royal Dutch Shell	25.94	-0.2	0.5	-3%	26.87	22.41
ENI	13.85	-10.5	-0.9	-13%	15.92	12.26
Vodafone	216.85	8.5	0.6	-7%	233.90	186.50
AT&T	35.54	-16.4	-0.4	-17%	43.03	35.10

## Chart of the Week

A very interesting chart by Amundi, which shows that there is a positive correlation of Volatility, as measured by the index Vix, and the FED interest rates, with a two year lag. Meaning that two years after the FED has started to raise rates, VIX also moved higher. We are currently in the second year of interest rate hikes by the FED and with volatility at historic lows, it is a safe assumption that volatility will increase in the coming months. It should be noted that the current levels of 10 for the VIX, the volatility index (dark blue line), has never been maintained for a long period of time during the last 30 years.



Source: Datastream, Amundi Research