



KENDRA
SECURITIES
HOUSE SA

Weekly Report 25.6.2018



Weekly Trading Information – Markets update

President Trump's threats to impose tariffs on 200bn\$ of China imported goods as well as a 20% levy on all EU imported vehicles took a toll on equity markets which had one of their worst weeks recently. It is notable that had it not been for the positive close of Dow Jones on the last day of the week, it would have been the longest daily losing streak of the index in 40 years (8 days in a row). In Europe, the FTSE100 managed to significantly outperform (+0.6%) as UK stocks appear increasingly attractive as well as the Swiss market (-0.3%) whose large capitalization stocks have suffered lately. The Bank of England did not raise interest rates as expected, but there was one member who changed his mind since last time and voted for an increase. Hence this time the votes in favor of holding rates unchanged was 6-3, instead of the expected 7-2 and the market is getting warm for a rate increase in August. This would signal again that Central Banks' ultra easy policy is slowly but surely coming to an end, a fact that would come very apparent next year when the ECB joins the club of interest rate increases. The troubling fact is that at the same time growth seems to be showing signs of slowdown, although the latest data out of the Eurozone offered some relief. It was the Eurozone Purchasing Managers Index (PMI), a leading indicator of future health of the economy, which was announced at 54.8 vs 54.1 in May, a small improvement. Readings above 50.0 demonstrate expansion. The Eurozone May Inflation numbers will be closely watched this week, especially as markets will turn their attention again to oil prices, especially after OPEC's meeting on Friday which sparked a rally. Without OPEC saying much new rather than a smaller than expected increase in production to meet demand (+600'000b/day), the oil market rallied, as pessimism was reigning going into the meeting.

European auto-related stocks suffered (Valeo -4%) as the market is becoming fearful of the US threats for tariffs on vehicles, while Daimler's profit warning for 2018 provided extra fuel to the selling pressure. Our portfolios had sold Daimler a few months ago, but we refrain from buying back, as we find Peugeot and Renault stocks to be better positioned in this environment. In a week of significant pressure in Eurozone markets, it was the Defensives/Consumer Staples which outperformed (Imperial Brands +4%, Anheuser Bush +1%) while Pharmaceuticals also provided some safety (Sanofi +0.5%, UCB +0.5%). An exception was the shares of Biogen which suffered a big drop (-3%) after a rival firm confirmed very good test results on a spinal muscular atrophy drug sparking again fears of increased competition. On the positive side, this rival firm is developing it in cooperation with Roche which jumped on the news (+4%).

As equity markets go through a new period of correction, government bonds are being bought and yields are moving lower from their recent peaks. The 10 year US Treasury closed at 2.88% down from 2.92% while the rally was greater in Europe, with the 10 year German Bund yield trading as low as 0.30% again from 0.40% last week. Emerging market bonds have also suffered and are now yielding in USD terms more than 6% (see chart of the week).

Gold seems to be unable to capitalize on the increased volatility in financial markets as key support levels have been broken (1'280) and the market is more focused on the USD rally, with which is negatively correlated. It closed at 1'270. The market has, at this stage, a clear preference for Bonds, the JPY and the CHF as safe havens.

The EUR touched the psychological level of 1.15, which is also a very significant support level and jumped to finish the week at 1.1650. As long as the EURUSD is trading below 1.1750, the USD bulls will be in charge, aiming to break 1.1500 in order to take it down to the area of 1.1250. The new trading range which had been established is 1.1500 – 1.1750.

	Level	YTD %	WEEKLY %	52 week high	52 week low
DOW JONES	24580.9	-0.6	-2.0	26616.7	21197.1
S&P 500	2754.9	3.0	-0.9	2872.9	2405.7
NASDAQ	7692.8	11.4	-0.7	7806.6	6082.0
RUSSELL 2000	1685.6	9.8	0.1	1708.1	1349.4
XETRA DAX	12579.7	-2.6	-3.3	13596.9	11726.6
CAC 40	5387.4	1.4	-2.1	5657.4	4995.1
ESTX 50	3441.6	-1.8	-1.8	3708.8	3261.9
SWISS SMI	8616.6	-8.2	-0.3	9616.4	8424.0
FTSE 100	7682.3	-0.1	0.6	7903.5	6866.9
FTSE MIB ITALY	21888.5	0.2	-1.4	24544.3	20537.4
ATHENS	771.2	-3.9	1.0	895.6	700.1
TOPIX JAPAN	1744.8	-4.0	-2.5	1911.3	1578.7
SSE CHINA	2890.0	-12.6	-4.4	3587.0	2837.1
HANG SENG	29338.7	-1.9	-3.2	33484.1	25199.9
EMERGING MARKETS	1088.0	-6.1	-2.3	1273.1	1002.5
WORLD INDEX	2114.9	0.5	-0.9	2249.7	1905.3

Certificates	Price	Weekly %	YTD
KENDRA HIGH CONVICTION	101.17	-0.3	+0.5
KENDRA HIGH INCOME	96.83	-0.5	-0.3

Currencies	Price
EURUSD	1.1650
EURCHF	1.1510
GBPUSD	1.3260
EURJPY	127.60
USDJPY	109.50

Commodities	Price
Gold USD	1267
Gold EUR	1088
Silver USD	16.35
Oil (Crude USD)	68.4
Oil (Brent USD)	74.2



High Conviction Portfolio

Chart of the Week

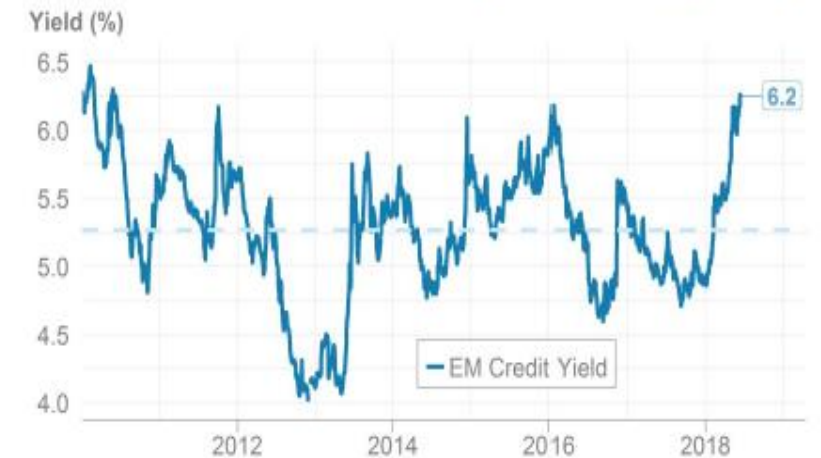
	YTD %	WEEKLY %	DIV YIELD	CURRENCY	SECTOR
Siemens	0.1	-2.8	3.2	EUR	Industrials
Roche Holding AG	-10.8	3.8	4.0	CHF	Health Care
Sanofi	-4.0	0.5	4.5	EUR	Health Care
Deutsche Telekom	-8.5	-1.9	4.9	EUR	Telecom Services
Lloyds	-8.7	0.1	5.0	GBP	Financials
Danone	-7.4	-0.2	3.0	EUR	Consumer Staples
Vodafone	-20.3	1.3	7.1	GBP	Telecom Services
AB Inbev	-8.5	0.7	4.3	EUR	Consumer Staples
BNP Paribas	-13.4	-0.4	5.7	EUR	Financials
Vonovia	-0.5	-0.7	3.2	EUR	Real Estate
Carrefour SA	-18.8	-6.0	3.1	EUR	Consumer Staples
Telefonica	-8.2	0.1	5.4	EUR	Telecom Services
Imperial Brands	-13.8	3.9	6.6	GBP	Consumer Staples
IBM	-7.9	-2.8	4.4	USD	Information Technology
UCB.SA	1.8	0.8	1.8	EUR	Health Care
Societe Generale	-15.9	-1.9	6.1	EUR	Financials
Biogen	-7.1	-2.9	0.0	USD	Health Care
Travis Perkins	-9.4	-2.2	3.3	GBP	Industrials
Vivendi	-3.9	-0.7	2.1	EUR	Consumer Discretionary
SUEZ	-21.7	-0.4	5.7	EUR	Utilities
Barclays	-4.5	-0.3	1.6	GBP	Financials
Wacker Chemie	-30.1	-2.4	3.9	EUR	Materials
Arkema	0.4	-1.5	2.3	EUR	Materials
Dufry	-5.9	-0.5	2.8	CHF	Consumer Discretionary
Straumann	8.4	0.2	0.6	CHF	Health Care
Valeo	-18.6	-4.8	2.5	EUR	Consumer Discretionary
Altran Technologies	3.7	-3.8	1.8	EUR	Information Technology
Spotify	NULL	3.4	0.0	USD	Information Technology
Adient	-36.4	4.1	2.2	USD	Consumer Discretionary

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

Emerging markets, both equities and fixed income have corrected significantly since the start of year. Partly because of the USD rally with which emerging markets are negatively correlated but also due to the rise in US bond yields, Emerging Market fixed income in hard currency (USD) are now yielding in excess of 6%, which is at the high end of the recent 7 year history.

At these levels perhaps both equities and fixed income of Emerging Markets pose again buying opportunities, although one must take into consideration the higher volatility of the asset class.

EM Credit Yields Are at the High End of 7yr Range



As of: 2018 08 14

Source: Morgan Stanley Research, Bloomberg



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