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KENDRA  
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# **Weekly Report 16.7.2018**



# Weekly Trading Information – Markets update

The US equities led the recovery in world markets last week, as Industrials moved higher after being sold-off in recent weeks (due to the ongoing tariff dispute between President Trump and the world), while Technology took the baton towards the end of the week, with Amazon, Facebook and Nasdaq all posting new highs. Positive for the local market was the fact that the widely awaited Inflation numbers out of the US showed only a small uptick in June (0.16% from previous month, 2.26% vs last year), a clear demonstration that inflation is for the moment under control, despite record low unemployment. And as China is showing signs of moderation and not willing to slide to a "nuclear" type of tariff wars, Emerging Markets rallied and helped sentiment recover in that part of the world as well. The improvement in equity markets as well as the tame numbers concerning inflation in Japan made the JPY fall through significant technical levels which in turn helped the Japanese markets post also a big comeback. Europe's performance was mixed and rather muted as the Eurozone was flat for the week, being dragged down by the ongoing weakness in Financials and the fall in Energy stocks. Oil prices collapsed after reports that Libyan oil is due to be back in the market, hurting European indices with a relatively big weight in Energy stocks.

Second quarter earnings are getting into full speed in the next two-three weeks and investors will primarily focus on the forward guidance of management teams as well as expectations, especially now that the US indices are back to their high levels of the year. The first US Banks to report last week all showed more or less better profits than expected, but their shares lost ground after the announcement. The market is focusing on the flat yield curve ie the difference between the short term and long term interest rates, which is currently at the lowest level in a decade. The current shape of the yield curve impacts negatively Banks' income. As short term interest rates rise more than long term rates, Banks are facing higher growth of deposit costs relative to loan book income, pressuring thus their, so called, NIM (net interest margin). Banks in Europe also felt the heat (BNP -3%, Société Générale -2%) while it is encouraging to see that UK banks are outperforming in this environment (Lloyds 0%, Barclays +2%). Altran Technologies suffered one of its worst days ever on Friday, as the company discovered forged documents in a newly acquired company, just a few months ago. Although the amount of fake orders in the company which was acquired is very small (in the region of 10mn eur) it dealt a blow in confidence and the stock fell 25%. We are monitoring the situation in order to assess whether this is a buying opportunity or something more worrying. On the positive side, the Pharmaceutical sector continues to draw investor attention (Roche +4%, UCB +3%) as the negative sentiment that prevailed last year has created opportunities.

Government bonds seemed to have entered a rather stable range, with the US 10 year Treasury trading between 2.80-2.90% for a few weeks now. The 10 year German Bund yield has been trading between 0.25%-0.35% in the same period. As inflation looks in check and global growth is facing headwinds, the already record short positions in US treasuries is a clear positive for buying USD bonds at these levels, especially the 3-5 year duration.

Gold continued its slide lower, as the USD rally together with the recovery in equity markets leaves little interest for the metal. The traditional weak physical market in the summer is a further negative for short term price action, but technically the 1'220-1'230 levels present significant support on the downside.

The EUR has established its own range trade (1.1500-1.1800), with no catalyst in sight for this to break. And as the GBP has barely moved despite the flood of news on the political front, it was the JPY which made the biggest move among major currencies. The USDJPY rallied higher after breaking resistance at 111.00 and is back to 112.50, at levels where it was at the beginning of the year and which represent potential levels for buying again the JPY.

	Level	YTD %	WTD	52 week high	52 week low
DOW JONES	25019.4	1.2	2.3	26616.7	21471.1
S&P 500	2801.3	4.8	1.5	2872.9	2417.4
NASDAQ	7826.0	13.4	1.8	7843.5	6177.2
RUSSELL 2000	1687.1	9.9	-0.4	1708.6	1349.4
XETRA DAX	12540.7	-2.9	0.4	13596.9	11726.6
CAC 40	5429.2	2.2	1.0	5657.4	4995.1
EUROSTOXX 50	3454.5	-1.4	0.2	3708.8	3261.9
SMI SWISS	8861.1	-5.6	1.9	9616.4	8372.9
FTSE 100	7661.9	-0.3	0.6	7903.5	6866.9
FTSE MIB ITALY	21892.4	0.2	-0.2	24544.3	21122.5
ATHENS	761.9	-5.0	2.0	895.6	700.1
TOPIX JAPAN	1730.1	-4.8	2.3	1911.3	1578.7
SSE CHINA	2831.5	-14.4	3.1	3587.0	2691.0
HANG SENG	28525.4	-4.7	0.7	33484.1	26296.0
EMERGING MARKETS	1075.6	-7.1	1.5	1273.1	1042.8
WORLD INDEX	2134.6	1.5	1.0	2249.7	1925.2

Certificates	Price	Weekly %	YTD
KENDRA HIGH CONVICTION	100.49	-0.9	-0.2
KENDRA HIGH INCOME	96.89	-0.6	-0.1

Currencies	Price
EURUSD	1.1685
EURCHF	1.1700
GBPUSD	1.3230
EURJPY	131.4
USDJPY	112.5

Commodities	Price
Gold USD	1244
Gold EUR	1065
Silver USD	12.83
Oil (Crude USD)	70.6
Oil (Brent USD)	74.8



# High Conviction Portfolio

# Chart of the Week

	YTD %	WTD %	DIV YIELD	CURRENCY	SECTOR
Siemens	0.4	1.4	3.2	EUR	Industrials
Carrefour SA	-27.2	-8.8	4.0	EUR	Consumer Staples
Roche Holding AG	-5.6	3.9	3.6	CHF	Health Care
IBM	-4.9	2.4	4.3	USD	Information Technology
Lloyds	-8.3	-0.1	4.9	GBP	Financials
AB Inbev	-4.5	0.1	4.1	EUR	Consumer Staples
Sanofi	0.1	-0.8	4.2	EUR	Health Care
Deutsche Telekom	-7.0	-0.5	4.7	EUR	Telecom Services
Societe Generale	-16.0	-1.5	6.1	EUR	Financials
Vodafone	-22.8	-5.0	7.2	GBP	Telecom Services
BNP Paribas	-15.9	-2.7	5.8	EUR	Financials
Danone	-6.8	-0.9	2.9	EUR	Consumer Staples
Imperial Brands	-9.4	-0.7	6.1	GBP	Consumer Staples
Telefonica	-6.9	-1.9	5.3	EUR	Telecom Services
Barclays	-6.6	1.7	1.6	GBP	Financials
UCB.SA	5.5	3.0	1.7	EUR	Health Care
Vonovia	-0.6	-0.2	3.2	EUR	Real Estate
Travis Perkins	-11.8	-0.4	3.3	GBP	Industrials
Vivendi	-4.2	2.9	2.1	EUR	Consumer Discretionary
Wacker Chemie	-29.1	0.7	3.9	EUR	Materials
SUEZ	-21.8	0.9	5.7	EUR	Utilities
Arkema	0.5	0.2	2.3	EUR	Materials
Altran Technologies	-31.2	-29.8	2.0	EUR	Information Technology
Valeo	-21.1	3.1	2.8	EUR	Consumer Discretionary
Straumann	9.5	-0.3	0.6	CHF	Health Care
Biogen	9.4	-2.5	0.0	USD	Health Care
Dufry	-10.3	4.2	2.9	CHF	Consumer Discretionary
Eurofins Scientific	-8.0	1.8	0.5	EUR	Health Care
Spotify	NULL	6.6	0.0	USD	Information Technology
Adient	-38.3	-2.9	2.3	USD	Consumer Discretionary

What this chart by Amundi shows is the performance of Growth stocks vs Value (low P/E, low Price to Book, low growth potential, high dividend) stocks in the last 43 years. With the rally primarily in Technology stocks and other high growth companies, the outperformance of these stocks has perhaps reached unsustainable levels, last seen before the Internet bubble, before the crash of 1987 and before the Oil crisis of the late 70s. Our equity portfolios are currently positioned rather defensively and with a large weight in Value stocks, betting that these will start outperforming again in the coming years.

MSCI World Growth / Value



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



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