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Weekly Report 3.12.2018



Weekly Trading Information – Markets update

US equities had one of their best weeks in a long time, with most indices rallying 5%, after a perceived U-turn by the FED's Chairman, Mr. Powell, who in a speech said that interest rates are currently "just below the broad range of neutral rates". He had mentioned only a month ago that "we are far from neutral". Of course, a careful examination of Powell's "new" message reveals that he mentioned the neutral range not the neutral level, with that range being 2.5%-3.5% according to the official forecasts of the FED members. Hence if one takes the mid point of that range at 3.0%, the FED could take interest rates from the current 2.25% to 3% and still employ a neutral monetary policy. For the moment however, the markets have chosen to interpret the message by the FED as one starting to be rather conscious and cautious about any more interest hikes in 2019, past the one which will almost certainly will take place on December 19. And the week ended with another bang, after the dinner between Trump and Xi at the G-20 meeting, produced a, much wished for, truce in order to negotiate a new deal between the two countries. The US decided to postpone any increase or additional tariffs until end of March and significant concessions were made by the Chinese (immediate increase of the imports of US agricultural and energy products as well as a promise to negotiate "hot" issues such as mandatory technology transfers). If negotiations fall apart, the US will raise the current 10% tariff to 25%, as originally planned and will most probably impose tariffs on all remaining imports from China. The Asian equity markets have already opened with a 3% rally last night and Europe is poised to open 2% higher this morning.

In Europe, the Brexit soap opera is coming to a climax, as the parliament vote is due next week and various debates will take place until then. No real forecast can be made at this stage, although it does seem that a positive outcome for Prime Minister May will seem like a Christmas miracle. The opposition's strategy appears to be to call for general elections if the EU deal does not receive the necessary votes, a strategy which could however backlash as it could unite conservative members of the parliament who have not made up their minds yet. All in all, it should be a volatile 10 days for UK assets.

On the corporate side, The Telecom sector continued to perform well (Telefonica +8%, Vodafone +9%), after the EU competition watchdog cleared with no conditions the purchase of the Dutch division of (Swedish) company Tele2 by Deutsche Telekom. This demonstrates that consolidation could gather pace in the sector, which will help soften competition among players. The European auto makers will be in focus this week, as on one hand we have the temporary agreement between China and the US, and the CEOs of the three German makers are going to meet President Trump on Tuesday. The Technology sector could also get a necessary boost, as together with the auto related companies, it is one of the most affected by the China-US dispute.

Government bond prices moved further higher after the Powell speech. The 10 year US Treasury yield touched the 3% level after a long time and the 10 year German Bund yield closed at the lowest level in three months, at 0.30%.

Gold traded in a rather tight range (1220-1230\$) as the equity rally dampened its attractiveness, but the market's new interpretation of the FED's intentions as well as the China-US agreement provide support. The medium term fate of the metal will be primarily determined by the USD moves. Oil seems to have found a base (Crude oil touching 50\$ last week) and is rallying this morning 5%, after the China-US deal.

The EURUSD also traded in a tight range (1.13-1.14). As it has already been mentioned, the levels below 1.1300 are not easily sustainable. The only support for the USD have been recently the FED's tightening strategy and the "safe-haven" status in an uncertain world, both of which factors could start to fade in the coming quarters.

	Level	YTD %	Weekly %	52 week high	52 week low
DOW JONES	25538.5	3.3	5.2	26951.8	23344.5
S&P500	2760.2	3.2	4.8	2940.9	2532.7
NASDAQ	7330.5	6.2	5.6	8133.3	6630.7
RUSSELL SMALL CAP	1533.3	-0.1	3.0	1742.1	1436.4
EUROPE STOXX50	2934.2	-7.7	1.5	3283.2	2839.3
EUROSTOXX 50	3173.1	-9.4	1.1	3687.2	3090.9
GERMANY DAX	11257.2	-12.9	0.6	13596.9	11009.3
FRANCE CAC40	5003.9	-5.8	1.2	5657.4	4894.3
SWISS SMI	9037.8	-3.7	2.2	9616.4	8372.9
UK FTSE 100	6980.2	-9.2	0.4	7903.5	6851.6
ITALY FTSE 100 MIB	19189.0	-12.2	2.5	24544.3	18411.4
ATHENS GENERAL	630.2	-21.5	4.6	895.6	592.7
JAPAN TOPIX	1667.5	-8.3	2.4	1911.3	1581.6
CHINA CSI300	3172.7	-21.3	0.9	4403.3	3009.5
HONG KONG	26506.8	-11.4	2.2	33484.1	24540.6
EMERGING MARKETS	994.7	-14.1	2.6	1273.1	934.8
WORLD	2041.4	-3.0	3.4	2249.7	1958.3

Certificates	Price	Weekly %	YTD
KENDRA HIGH CONVICTION	92.5	+1.5	-8.1%
KENDRA HIGH INCOME	92.0	+1.5	-5.0%

Currencies	Price	Commodities	Price
EURUSD	1.1350	Gold USD	1'230
EURCHF	1.1330	Gold EUR	1'079
GBPUSD	1.2770	Silver USD	14.30
EURJPY	128.80	Oil (Crude USD)	50.9
USDJPY	113.50	Oil (Brent USD)	59.8



High Conviction Portfolio

Chart of the Week

	YTD %	Weekly %	CURRENCY	INDUSTRY
Siemens	-11.8	1.9	EUR	Industrial Conglomerates
Carrefour SA	-11.9	-4.5	EUR	Food & Staples Retailing
IBM	-19.0	6.0	USD	IT Services
Lloyds	-18.7	-3.2	GBp	Banks
BHP Billition	-1.4	-1.2	GBp	Metals & Mining
Vodafone	-28.1	8.9	GBp	Wireless Telecommunication Services
Deutsche Telekom	4.7	1.7	EUR	Diversified Telecommunication Services
Barclays	-19.8	-1.0	GBp	Banks
UCB.SA	12.2	-2.2	EUR	Pharmaceuticals
Walt Disney	7.4	3.0	USD	Entertainment
Credit Suisse	-32.3	-0.5	CHF	Capital Markets
AT&T	-19.7	6.4	USD	Diversified Telecommunication Services
Societe Generale	-24.6	-0.2	EUR	Banks
Vivendi	-1.9	3.6	EUR	Entertainment
Telefonica	-2.4	8.1	EUR	Diversified Telecommunication Services
BNP Paribas	-28.7	0.0	EUR	Banks
Wacker Chemie	-47.6	5.2	EUR	Chemicals
Imperial Brands	-23.9	-2.3	GBp	Tobacco
Valeo	-59.5	-4.1	EUR	Auto Components
Dufry	-26.8	3.5	CHF	Specialty Retail
Altran Technologies	-29.9	5.7	EUR	IT Services
Arkema	-17.5	1.6	EUR	Chemicals
Volkswagen	-10.5	-1.4	EUR	Automobiles
Travis Perkins	-29.5	4.0	GBp	Trading Companies & Distributors
Eurofins Scientific	-24.5	9.0	EUR	Life Sciences Tools & Services
Straumann	-11.3	0.6	CHF	Health Care Equipment & Supplies
Biogen	4.8	4.3	USD	Biotechnology
Adient	-69.9	-4.6	USD	Auto Components

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

Having found a base in mid October, Chinese equities have been trading in a range since then, awaiting for the G-20 meeting. Today's 3% rally after the positive outcome, even if it is just a truce for 3 months, is pushing the Chinese Index (CSI300) out of this range. A positive week in the local markets could mark an end to the downward pressure of the last 8 months and could lead to a rally. From the fundamentals aspect, Chinese equities were trading in October on valuations last seen in 2014, making them rather attractive on a long term horizon.





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