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Weekly Report 22.1.2018



Weekly Trading Information – Markets update

It was a week dominated by US politics and now the US government officially has closed down as it happened in 2013. The two parties failed to come to a compromise in order to extend financing and negotiations have been intense throughout the weekend without result. Equity markets continued their march higher, with US equities closing at new record levels and Europe following through this time. The macroeconomic data continue to show robust growth in most part of the world, as investors are awaiting GDP growth data from Eurozone and the US in the coming days (chart of the week). In the US, the labor market is at its best level of the last 45 years, according to the level of weekly jobless claims (those filing for unemployment benefits) which were announced on Thursday. The week's main event should be the ECB meeting on Thursday, as the market is anxious to see if the latest rise of the EUR and the rise of bond yields will lead the bank to take a more dovish stance. However, no changes in its forward guidance with respect to interest rates is expected by economists, despite the market rumors.

The Q4 results are in full swing in the US, with a tendency of stocks correcting after meeting expectations, a sign that the market, at current levels, needs extremely better than expected results. IBM (-0.5%) announced its first revenue growth in 5 years while its Strategic Initiatives segment (the cloud, artificial intelligence and other growth businesses) reached 50% of revenues for the first time, with a growth of almost 20% since last quarter. Carrefour (+3%) announced Q4 sales which showed improvement vs the previous quarters, in a sign that the new CEO might be stabilizing the company's revenues with his new strategy. The company's new business plan is going to be presented to the markets tomorrow. Adient, the car seat maker, announced the creation of a joint venture with Boeing to enter the airplane car seats business, but shares fell almost 15% after Q4 results showed deterioration in margins, due to investments.. Pharma stocks had a rough week in Europe, after Roche's CEO (-4%) said in an interview that it is going to be difficult to maintain the profitability levels of 2017.

Government bonds were on the weak side, with yields stabilizing around levels of last week. The US 10 year Treasury yield closed at 2.62%, while the German 10 year Bund yield was rather flat at 0.58%.

Gold maintained most of its gains, despite the rise of yields and the euphoria in equity markets. It closed at 1'330\$, comfortably above the psychological level of 1'300.

The EUR stopped at the important level of 1.2300 and its immediate path is dependent on the ECB meeting of Thursday. Having already rallied in the first weeks of the year, closer to its fair value, it would have to take a surprise announcement by the ECB to continue much higher in the short term. In the longer term a move towards 1.25-1.30 could not be ruled out.

Global Equity Indices

	Level	%YTD	% WTD	52 wk low	52 wk high
Dow Jones	26071.7	5.5	1.0	19732.4	26153.4
S&P500	2810.3	5.1	0.8	2257.0	2810.3
Nasdaq Comp.	7336.4	6.3	1.0	5522.7	7336.4
Russell 2000	1597.6	4.0	0.4	1335.0	1604.0
Germany DAX30	13434.5	4.0	1.4	11479.8	13525.6
France CAC40	5526.5	4.0	0.2	4733.8	5536.4
Eurostoxx50	3649.1	4.1	1.0	3214.3	3708.8
Swiss SMI	9509.8	1.4	-0.4	8192.6	9611.6
UK FTSE 100	7730.8	0.6	-0.6	7093.6	7792.6
Italy FTSEMIB	23749.2	8.7	1.4	18424.3	23866.6
Greek ASE	847.6	5.6	-0.4	602.4	859.8
Japan Topix	1889.7	4.1	0.1	1452.2	1906.4
China SSE	3487.9	5.9	0.4	3016.5	3498.4
Hong Kong	32254.9	8.2	2.7	22858.3	32254.9
Emerging Markets	1232.6	6.4	2.0	893.3	1232.6
MSCI World	2207.4	4.9	1.0	1776.2	2207.4



High Conviction Portfolio

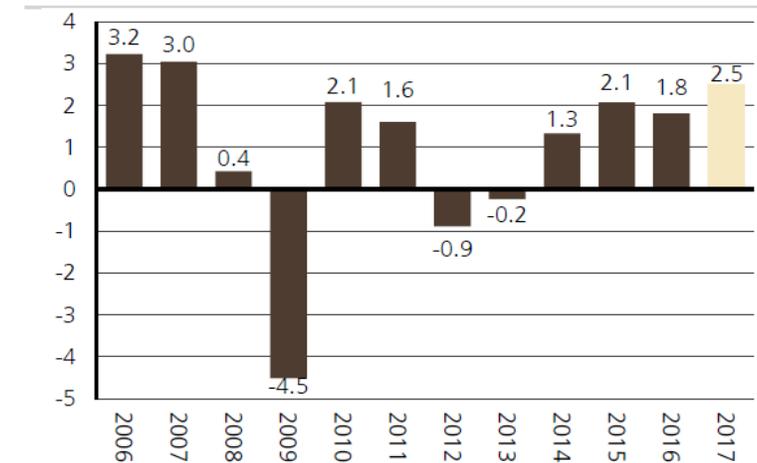
Chart of the Week

	Price	%YTD	% WTD	% from high	52 wk high	52 wk low
Roche	234.50	-4.9	-4.6	-14%	273.00	226.10
Sanofi	72.95	1.5	-1.0	-22%	92.97	71.06
Straumann	722.50	4.9	3.4	-3%	746.00	382.00
Societe Generale	45.33	5.3	-2.4	-13%	52.26	40.66
Bnp Paribas	66.95	7.6	-0.8	-3%	69.17	53.96
Barclays	200.50	-1.3	3.1	-18%	244.40	177.30
Lloyds	71.48	5.0	1.4	-3%	73.58	61.81
Siemens	123.70	6.5	1.0	-7%	133.50	108.00
Logitech	35.93	9.2	3.8	-8%	39.00	24.70
Cisco	41.29	7.8	1.0	-1%	41.52	30.00
IBM	162.37	5.8	-0.5	-11%	182.79	139.13
Nokia	3.97	2.1	-0.6	-33%	5.96	3.81
Sainsbury	258.00	6.9	2.1	-9%	283.60	222.40
Imperial Brands	3016.00	-4.7	-4.6	-24%	3956.50	2986.50
Newmont Mining	39.47	5.2	-0.8	-2%	40.25	31.42
BHP Billiton	1613.80	6.0	-2.0	-3%	1662.40	1103.00
Carrefour	18.36	1.8	3.2	-24%	24.08	16.31
Nestle	82.28	-1.8	-0.2	-5%	86.40	71.45
Adient	71.94	-8.6	-13.0	-17%	86.42	59.10
Disney	110.59	2.9	-1.7	-5%	116.09	96.20
WPP	1383.50	3.2	2.1	-28%	1928.07	1238.45
Starbucks	61.26	6.7	1.4	-6%	64.87	52.58
Newell Brands	31.22	1.0	-3.2	-43%	55.07	27.46
Dufry	147.85	2.0	1.7	-14%	172.60	129.90
Deutsche Telecom	14.43	-2.5	-0.2	-20%	18.15	14.36
Telefonica	8.26	1.6	0.7	-19%	10.18	8.10
Vodafone	225.80	-3.9	-1.5	-6%	239.65	186.50

YTD: year to date,
WTD: week to date

The GDP growth in the Eurozone for 2017 is expected to be one of the highest of the last decade. The same holds with other "hard" macroeconomic data, such as unemployment which has fell to below 9%, or where it was in 2008. Although, according to the economists, the GDP growth will slow down to about 1.6-2% in 2018-2019, it is the first that Europe is enjoying similar growth as the United States. However, European equities are still trading at a significant discount vs their US peers. One should expect that in the coming months and especially if the EUR stabilizes at current levels, European equities should start outperforming again among the developed markets.

Figure 1: Eurozone GDP growth %y/y



Source: Haver, UBS; Note: our official forecast is 2.3%, but assuming the avg. q/q growth for the first three quarters of 2017, we obtain an annual average of 2.5%



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