

With a strong finish on the last two days, the previous week marked new records for the US indices as well as new recent highs for the European ones. The Technology sector stole the spotlight on Friday, with Nasdaq rallying almost 3% and providing almost all of the gains of the S&P500 Index. It is worth mentioning that Technology comprises currently about 25% of the S&P500 index. But the rally in equity markets had already started on Thursday, after the ECB pleased the markets with its announcements which exactly matched the expectations (i.e. continuation of the bond buying program with 30bn EUR per month until September 2018). However what the markets really liked was the fact that the ECB explicitly said that there could be further continuation of the program beyond September if need arises. One should note that the decision was not unanimous, as was very colorfully shown the next day, during the German Central Bank Chief, Mr Weidmann's interview, where he said that he disagreed with the fact that the bank did not decide on the termination of the program in September. Growth in the U.K. continues to be resilient, despite Brexit fears, as the 3rd quarter GDP was announced better than expected and similarly in the U.S., the first reading of the 3rd quarter GDP was announced at 3%, higher than expectations and remarkably strong given the hurricanes and other natural disasters. The markets will be awaiting this week news on President Trump's decision for the replacement of Mrs Yellen, which seems to be one of Mr Taylor and Mr Powell, the former being more "hawkish". We also have the FED meeting on Wednesday but nothing is expected out of it, as the action (interest rate hike) is probably going to take place in December, where there is also a press conference after the meeting. The Spanish government's troubles with Catalonia might weigh at the beginning of the week again, especially since last week's rally stopped at critical levels for Eurozone indices.

Corporate results continue to come in on a positive note, although this does not necessarily translate always to positive share price reaction. Novartis (-4%) announced a 4% growth in EPS, a little higher than expected but moved its decision on Alcon (eye care division) to 2019, while the markets needed a faster resolution. The Pharmaceutical sector in general had a negative performance (Roche -2%, Sanofi -2%, Abbvie -4%) as markets are chasing momentum (ie Technology) and are shunning defensive sectors. The UK banks had a diverging performance with Lloyds (+3%) announcing better results and an increase in dividend, while Barclays (-6%) suffered a 30% drop in revenues from Investment Banking/Capital Markets due to low volatility and hence low trading volumes by its clients. Soitec (+11%) announced significant growth in revenues but was also helped by the rally in technology stocks, while IBM (-5%) suffered from minor profit taking after its rally the previous week.

Government Bonds rallied during the last two days of the week, after the ECB's "market friendly" announcements, reducing the losses of the previous days. The 10 year US Treasury yield finished at 2.40% while the German equivalent at 0.38%.

Gold continues to suffer from USD strength and equity market exuberance, but has managed to maintain the very important 1250-1260\$ area several times and closed the week at 1270\$.

The EUR finally broke below 1.1700, after the ECB's announcements and is poised to test the 1.1300-1.1500 levels, which were the levels that were previously its significant resistance. The market got overly excited in the summer driving the currency to 1.2100 and as it had been mentioned, the speculative positions had reached almost historic records in favor of the EUR, which is usually a contrarian signal. Levels of 1.1300-1.1600 could perhaps be the consolidation phase of the EUR before it moves higher in the longer term.

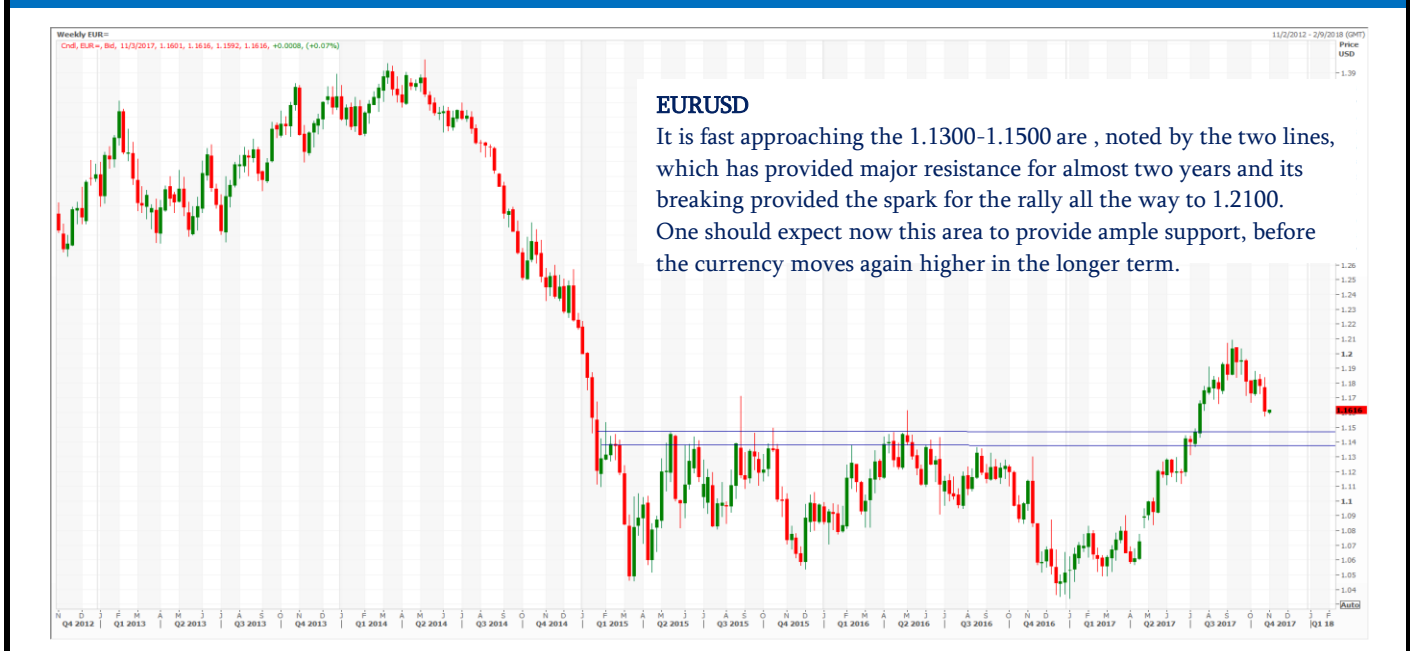
Global Equity Indices

	Level	%YTD	% WTD	52 wk low	52 wk high
Dow Jones Industrials	23434.2	18.6	0.5	17883.6	23485.3
S&P500	2581.1	15.3	0.2	2083.8	2583.0
Nasdaq Composite	6701.3	24.5	1.1	5034.4	6708.1
Russell 2000	1508.3	11.1	-0.1	1156.1	1514.9
Germany DAX30	13217.5	15.1	1.7	10174.9	13249.0
France CAC40	5494.1	13.0	2.3	4344.9	5513.5
Eurostoxx50	3652.2	11.0	1.3	2938.0	3670.0
Swiss SMI	9183.4	11.7	-0.6	7585.6	9318.0
UK FTSE 100	7505.0	5.1	-0.2	6676.6	7599.0
Italy FTSEMIB	22665.0	17.8	1.4	16039.6	22899.4
Greek ASE	739.2	14.8	-1.3	572.4	859.8
Japan Topix	1771.1	16.4	-0.2	1287.4	1771.7
China SSE Composite	3416.8	9.3	-0.7	3016.5	3421.1
Hong Kong Hang Seng	28438.9	29.4	-0.2	21488.8	28798.8
MSCI Emerging Markets	1110.2	28.8	-0.8	839.0	1131.8
MSCI World	2034.6	16.2	0.0	1657.1	2036.9

High Conviction Portfolio

	Price	%YTD	% WTD	% from high	52 wk high	52 wk low
Roche	230.10	-1.1	-1.8	-16%	273.00	218.30
Novartis	81.05	9.4	-4.0	-5%	85.40	67.40
Sanofi	82.28	7.0	-1.8	-11%	92.97	70.39
Abbvie	91.93	46.8	-4.3	-6%	98.20	55.10
Generali	15.65	10.8	1.0	-3%	16.08	11.00
Barclays	183.80	-17.8	-6.1	-25%	244.40	175.46
Lloyds	68.91	11.2	2.9	-6%	73.58	53.64
Fluor	42.74	-18.6	-1.0	-27%	58.37	37.04
Vinci	82.95	28.2	2.3	-1%	83.41	49.93
ACS	32.79	9.2	-1.5	-11%	36.75	25.94
Kudelski	12.35	-30.0	-4.3	-36%	19.30	11.10
Soitec	66.37	125.7	10.7	-1%	67.20	16.80
Cisco	34.43	13.9	0.5	-1%	34.73	29.12
IBM	153.68	-7.4	-5.2	-16%	182.79	139.13
Sainsbury	243.00	-2.5	-1.9	-14%	283.60	224.10
Imperial Brands	3176.00	-10.3	1.2	-21%	4007.00	3103.00
Danone	70.00	16.3	-0.4	-3%	72.00	57.66
Unilever	49.20	25.8	2.9	-6%	52.31	36.22
Carrefour	17.34	-24.2	-3.0	-28%	24.23	16.31
Pepsico	110.60	5.7	-0.9	-7%	119.39	98.50
Nestle	82.65	13.1	-1.0	-4%	86.00	67.00
Adient	84.20	43.7	-1.1	-3%	86.42	39.67
Disney	98.31	-5.7	-1.1	-15%	116.09	91.66
Fnac	81.99	27.7	2.5	-2%	83.99	55.00
Starbucks	54.88	-1.2	0.6	-15%	64.87	50.84
Newell Brands	40.00	-10.4	-0.9	-27%	55.07	39.58
Dufry	150.90	18.8	1.4	-13%	172.60	117.00
Royal Dutch Shell	26.44	1.7	1.9	-2%	26.87	22.41
ENI	13.78	-11.2	-0.8	-13%	15.92	12.26
Telefonica	8.69	0.6	-1.9	-17%	10.42	7.46
Vodafone	215.60	7.9	-0.6	-8%	233.90	186.50
AT&T	33.97	-20.1	-4.4	-21%	43.03	33.33

Chart of the Week



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