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Weekly Report 26.11.2018



Weekly Trading Information – Markets update

Global equities moved lower last week, in an environment of low volumes due to the Thanksgiving holiday, with US stocks being the worst performers, while Europe and Emerging Markets managing to fare much better. Interestingly, European indices reached their October lows, but managed to rebound and in the US the S&P500 traded again close to its own low (2600), creating conditions for the so-called "double-bottom" which could lead to a relief rally. The next two-three weeks will determine the fate of the markets for the remainder of the year as two major events are due to take place, the G-20 meeting and the Brexit vote in the UK parliament. Uncertainty is high at this stage for the outcome of both events, but a potential truce between Presidents Trump and Xi will spark a positive reaction and probably overshadow the events in the UK, regardless of the outcome of the vote.

The EU managed to endorse yesterday the two texts accompanying the deal with the UK in less than one hour, sending a strong message to everyone and helping European indices to start the week on a positive note this morning. The latest comments by Italy's Salvini have also helped sentiment, as it appears that they are increasingly conscious of markets' reaction and how easy it could be to essentially lose access to them with catastrophic results. He repeated in an interview over the weekend that he is not fixated with the the 2019 budget deficit target, over which there is dispute with the EU and that their main concern is to boost growth. Speaking of growth, the latest Eurozone macroeconomic data which came out last week painted again a picture of slowing growth (the European Purchasing Managers Index reaching a 30 month low, but importantly still in positive territory). The minutes of the last ECB meeting were also published, where it seemed to be confidence among members that the slowdown is temporary, but there is a wide expectation that in December their official forecasts for 2019 growth will have to be revised lower. Still, there is no sign that the ECB will hesitate to stop its bond buying program in December, as it has already been pre-announced.

Shares of Apple reached a new low and are approaching the 150\$ region, which has been mentioned in the recent past as a potential target. The auto-related stocks, which have been hammered to valuations last seen in another decade, managed to stage a rebound (Valeo +7%, Volkswagen +5%) , after the news that President Trump has invited the CEOs of the three major German manufacturers for a meeting on tariffs. We added last week the shares of Volkswagen to the High Conviction Portfolio. On the negative side, shares of Chemicals companies continued to be punished, after the new profit warning by Covestro, which led the sector lower (Arkema -10%, Wacker Chemie -4%). A positive outcome from the China-US dispute will spark a rally in the sector, which is now trading at very attractive valuations.

Government bonds remained in a rather tight range, as yields are at the lowest level of the last 4 weeks. The US 10 year Treasury bond closed at 3.05% at the same levels of the previous weeks and similarly the 10 year German Bund finished the week at 0.36%.

Gold continued a little higher , helped by the negative sentiment in equity markets but as already mentioned several times, its medium term fate will be primarily determined by the USD moves and not equity volatility. A positive outcome in the China-US situation could lead a rally both in equities and Gold, if the USD sells off.

The EURUSD fell from the 1.1400 levels to touch 1.1300 again after the negative macroeconomic data out of the Eurozone but managed to rebound to 1.1350. It seems very unlikely that the EUR can sustain levels below 1.1300, unless the situation with Italy worsens and/or the ECB surprises with a continuation of the bond buying program, both scenarios gathering however low probability.

	Level	YTD %	Weekly %	52 week high	52 week low
DOW JONES	24286.0	-1.8	-4.4	26951.8	23344.5
S&P500	2632.6	-1.5	-3.8	2940.9	2532.7
NASDAQ	6939.0	0.5	-4.3	8133.3	6630.7
RUSSELL SMALL CAP	1488.7	-3.0	-2.5	1742.1	1436.4
EUROPE STOXX50	2891.2	-9.0	-0.8	3283.2	2839.3
EUROSTOXX 50	3137.2	-10.5	-1.4	3687.2	3090.9
GERMANY DAX	11192.7	-13.4	-1.3	13596.9	11009.3
FRANCE CAC40	4947.0	-6.9	-1.6	5657.4	4894.3
SWISS SMI	8845.9	-5.7	-0.7	9616.4	8372.9
UK FTSE 100	6952.9	-9.6	-0.9	7903.5	6851.6
ITALY FTSE 100 MIB	18714.9	-14.4	-0.9	24544.3	18411.4
ATHENS GENERAL	602.6	-24.9	-3.7	895.6	592.7
JAPAN TOPIX	1632.2	-10.4	0.0	1911.3	1581.6
CHINA CSI300	3140.2	-22.0	-3.5	4403.3	3009.5
HONG KONG	26316.4	-13.3	-1.0	33484.1	24540.6
EMERGING MARKETS	969.2	-16.3	-1.7	1273.1	934.8
WORLD	1975.1	-6.1	-2.8	2249.7	1958.3

Certificates	Price	Weekly %	YTD
KENDRA HIGH CONVICTION	91.1	-1.4	-9.4%
KENDRA HIGH INCOME	90.7	-1.1	-6.3%

Currencies	Price
EURUSD	1.1360
EURCHF	1.1330
GBPUSD	1.2810
EURJPY	128.60
USDJPY	113.3

Commodities	Price
Gold USD	1'230
Gold EUR	1'079
Silver USD	14.40
Oil (Crude USD)	51.2
Oil (Brent USD)	60.1



High Conviction Portfolio

Chart of the Week

	YTD %	Weekly %	CURRENCY	INDUSTRY
Siemens	-13.4	-0.8	EUR	Industrial Conglomerates
Carrefour SA	-7.7	-4.8	EUR	Food & Staples Retailing
IBM	-23.6	-3.6	USD	IT Services
Lloyds	-16.0	5.0	GBp	Banks
BHP Billiton	-0.2	-5.4	GBp	Metals & Mining
Vodafone	-34.0	1.1	GBp	Wireless Telecommunication Services
Deutsche Telekom	2.9	0.6	EUR	Diversified Telecommunication Services
Barclays	-19.0	-0.3	GBp	Banks
UCB.SA	14.7	-1.4	EUR	Pharmaceuticals
Walt Disney	4.3	-3.5	USD	Entertainment
Credit Suisse	-31.9	-4.3	CHF	Capital Markets
AT&T	-24.5	-3.1	USD	Diversified Telecommunication Services
Societe Generale	-24.4	-1.7	EUR	Banks
Vivendi	-5.3	-2.0	EUR	Entertainment
Telefonica	-9.7	-2.2	EUR	Diversified Telecommunication Services
BNP Paribas	-28.7	-1.8	EUR	Banks
Wacker Chemie	-50.2	-4.4	EUR	Chemicals
Imperial Brands	-22.1	-6.5	GBp	Tobacco
Valeo	-57.8	6.8	EUR	Auto Components
Dufry	-29.2	-0.4	CHF	Specialty Retail
Altran Technologies	-33.7	5.5	EUR	IT Services
Arkema	-18.8	-9.6	EUR	Chemicals
Volkswagen	-9.3	4.9	EUR	Automobiles
Travis Perkins	-32.2	5.7	GBp	Trading Companies & Distributors
Eurofins Scientific	-30.8	-10.1	EUR	Life Sciences Tools & Services
Straumann	-11.8	-6.8	CHF	Health Care Equipment & Supplies
Newmont Mining	-13.5	-2.6	USD	Metals & Mining
Biogen	0.5	-1.2	USD	Biotechnology
Adient	-68.5	3.5	USD	Auto Components

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

It has been an amazing year in terms of how things have changed in a matter of weeks. The blue line represents the performance of the so called FAANG stocks (Facebook, Amazon, Apple, Netflix, Google) and the red line is the S&P500. The bottom chart is the difference in performance.

We are reaching the level where all the outperformance is completely lost since the start of the year.





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