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Weekly Report 11.12.2017



Weekly Trading Information – Markets update

A series of positive political news helped sentiment in equity markets, as Brexit negotiations finally made some progress and the US avoided, once again, a government shutdown as both parties agreed to extend discussions until the 22nd of December in order to find a solution to fund the government despite the debt limit issue. President Trump also hinted that the major infrastructure bill, which was part of his pre-election campaign, is still in the cards and there should be announcements in the first months of 2018. As a reminder, 2018 is the year of mid-term elections and could be the year of a realization of more campaign promises, than what actually happened in 2017. European markets significantly outperformed the US, given their latest weakness, while Technology was once again a laggard. The US labor market data showed on Friday a robust picture in terms of job creation (unemployment 4.1%), but also that wages are far from showing an upward pressure. This has serious implications for inflation, which remains stubbornly low and could affect FED policy in 2018. This week, the FED is expected to raise interest rates for the third time this year.

Financials and in particular Banks (Societe Generale +5%, BNP +4%, Barclays +3%, Lloyds +3%) had a very positive week after the Brexit negotiations showed progress and the announcements on bank regulation were taken as friendlier than feared. In further signs of sector rotation, Telecoms extended their recent gains (Vodafone +3%, Deutsche Telecom +4%) and Consumer Staples attracted investor interest with no major news (Danone +2%, Unilever +2%, Nestle +2%). The market is still speculating that Amazon will move to buy a European retailer, especially now that their valuations are extremely cheap, with the focus this time being the U.K.'s Sainsbury (+5%). The portfolio's biggest holding, Starbucks (+2%), opened the biggest store globally in Shanghai and the company is now adding locations in China faster than anyone else.

Government bonds moved a little higher, despite the good macro data and the positive progress with respect to politics. The US Treasury 10 yield closed lower at 2.37%, while the 10year German Bund closed lower at 0.31%, all thanks to lack of inflation fears.

Gold moved sharply lower to close at 1248\$ after various support levels were taken out last week, as it was mentioned. There was an overall selloff in industrial metals (including Silver) as the market sees China tempering again its demand, which soon spilled over to the price action of Gold too.

The EUR traded again in the well defined range of 1.1700-1.1900, testing again the lower end at 1.1730 only to close at 1.1770 after the US labor market data, which showed low inflation pressures. The GBP had a very erratic day on Friday, rallying at first, when the news about a breakthrough in negotiations hit the wires, but lost most of the gains later as various officials started commenting that the next phase (trade agreement, movement of people) are going to be even tougher.

Global Equity Indices					
	Level	%YTD	% WTD	52 wk low	52 wk high
Dow Jones	24329.2	23.1	0.4	19623.2	24534.0
S&P500	2651.5	18.4	0.4	2233.6	2665.2
Nasdaq Composite	6840.1	27.1	-0.1	5371.9	6914.2
Russell 2000	1521.7	12.1	-1.0	1335.0	1559.6
Germany DAX30	13153.7	14.6	2.3	11141.9	13525.6
France CAC40	5399.1	11.0	1.5	4733.8	5536.4
Eurostoxx50	3591.5	9.1	1.8	3178.9	3708.8
Swiss SMI	9319.2	13.4	0.5	7967.9	9384.0
UK FTSE 100	7394.0	3.5	1.3	6875.4	7599.0
Italy FTSEMIB	22773.8	18.4	3.0	18167.4	23133.4
Greek ASE	740.7	15.1	-1.1	602.4	859.8
Japan Topix	1803.7	18.8	0.4	1452.2	1844.1
China SSE Composite	3290.0	6.0	-0.8	3016.5	3450.5
Hong Kong	28639.9	30.3	-1.5	21488.8	30199.7
Emerging Markets	1110.8	28.8	-0.5	841.6	1156.7
MSCI World	2073.5	18.4	0.2	1747.5	2083.9



High Conviction Portfolio

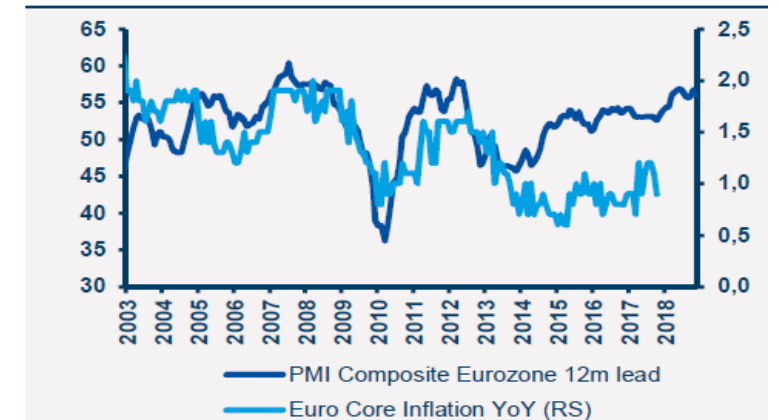
Chart of the Week

	Price	%YTD	% WTD	% from high	52 wk high	52 wk low
Roche	240.50	3.2	-3.3	-12%	273.00	220.50
Novartis	83.10	12.1	-0.8	-3%	85.40	68.55
Sanofi	73.18	-4.8	-2.2	-21%	92.97	72.63
Straumann	719.00	80.9	-0.3	-4%	746.00	357.00
Societe General	43.92	-6.1	4.7	-16%	52.26	40.66
Bnp Paribas	65.04	7.4	3.5	-6%	69.17	53.96
Barclays	196.40	-12.2	3.6	-20%	244.40	177.30
Lloyds	66.80	7.8	3.3	-9%	73.58	60.38
ACS	32.42	8.0	1.4	-12%	36.75	28.34
Siemens	115.20	-1.4	1.9	-14%	133.50	108.00
Soitec	59.29	101.7	-1.9	-17%	71.49	25.20
Logitech	32.81	29.2	-1.2	-16%	39.00	23.85
Cisco	37.61	24.5	0.0	-1%	38.03	29.73
IBM	154.81	-6.7	0.0	-15%	182.79	139.13
Sainsbury	244.70	-1.8	5.0	-14%	283.60	222.40
Imperial Brands	3083.50	-13.0	0.4	-22%	3956.50	3013.00
Danone	70.94	17.8	1.6	-1%	72.00	57.99
Unilever	48.82	25.1	2.4	-7%	52.31	37.16
Carrefour	17.71	-22.6	-0.8	-26%	24.08	16.31
Nestle	85.35	16.8	1.9	-1%	86.40	68.75
Adient	78.88	34.6	0.6	-9%	86.42	51.74
Disney	104.23	0.0	-1.0	-10%	116.09	96.20
Starbucks	58.61	5.6	2.3	-10%	64.87	52.58
Newell Brands	30.96	-30.7	-1.7	-44%	55.07	27.46
Dufry	139.00	9.4	-1.2	-19%	172.60	123.60
Royal Dutch Shell	26.93	3.6	0.3	-5%	28.25	22.73
ENI	13.90	-10.3	0.4	-13%	15.92	12.94
Deutsche Telecom	15.52	-5.1	3.6	-14%	18.15	14.62
Telefonica	8.63	-0.2	0.7	-17%	10.42	8.05
Vodafone	229.40	15.1	2.7	-2%	233.90	186.50
AT&T	36.73	-13.6	0.6	-15%	43.03	32.55

YTD: year to date,
WTD: week to date

Historically, there has been a high correlation between the PMI (Purchasing Managers Index, a leading indicator) and Inflation. This relationship seems to have broken down in 2014-2015, primarily due to the commodities collapse. However, if PMI stays elevated, the labor markets tighten (ie wages go up) and commodities continue to move higher then Inflation should pick up in the coming months. This might have negative implications for Government Bonds, but positive for Equities if the market sees the companies as being able to pass on inflation to their customers, hence revenues moving higher. A sharp rise in the yields of Bonds however might make the equity rally stall. A good hedge is Inflation Linked Bonds.

1/ Eurozone core inflation and PMI



Source: Bloomberg, Amundi Research. Data as of November 15, 2017



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