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Weekly Report 27.8.2018



Weekly Trading Information – Markets update

Equities managed an impressive comeback, led by the new highs of the US markets, this time driven by a rally in Technology stocks, which were left behind in previous weeks. The meetings of Chinese officials with US counterparties in the US seem to be laying the ground for a high level November meeting, but President Trump downplayed the progress made. It was yet another week where President Trump was in focus, as his ex lawyer was found guilty on giving payment to two women with whom the president seemed to have had an affair, to silence them. Many rushed to forecast a potential impeachment proposal in the coming months, while other analysts see this as a potential boost to the Democrats winning back the House elections in November. US markets fell on the news, but soon recovered. But perhaps the event that startled the markets most was the disappointment expressed by President Trump towards the FED President, Mr. Powell, who had been Trump's personal choice for the job. According to Reuters, President Trump clearly expressed his view that the FED should stop raising interest rates, as these are killing growth and endangering his politics and continued with saying that he is not "thrilled" with Mr. Powell. It has been decades since a President publicly criticized the actions of the Central Bank, denting its independence and credibility. Currency markets were the first to react, sending the USD tumbling. Talking about the FED, the minutes of its last meeting, which were published on Wednesday, confirmed the interest rate increase coming in September, but the December one still looks undecided. During the Jackson Hole conference, no surprises surfaced with Mr. Powell simply repeating the well communicated strategy of gradually raising interest rates as long as the economy is strong. In Europe macroeconomic data seem to have stabilized, as the Purchasing Managers Index (a forward looking indicator) inched up a little. Italy remains the big unknown, as the time for the government budget is fast approaching, while Greece officially exited the aid programs.

In the lull of August and with no major corporate news, stocks are taking cues from politics and tweets. President Trump's new warning that European automakers will face the 25% tariff, hurt again the auto-related stocks (Valeo - 3%), but on the positive side Eurozone Banks managed to stage a recovery (Societe Generale +2%, BNP +2%) as their stocks look oversold. In our High Conviction Portfolio we added the shares of Swiss Banks, UBS and Credit Suisse while the sell-off in Commodities created opportunities in Miners (including Gold Miners), where our preference is for Newmont Mining and BHP Billiton.

Government bonds were very stable after their recent rally, with the US 10 year Treasury trading in a narrow range of 2.82-2.85%, while the German 10 year Bund yield traded in a range of 0.31-0.35%. The net short positions on US Treasuries has reached a record high, which make US Bonds ripe for a contrarian rally, if any of the burning issues (US-China trade war, impeachment of Trump/November elections, Italy) worsens.

Gold recovered from the abyss and finished the week above 1'200 again. Here too, the net short positions by speculators have reached levels from where in the past contrarian rallies occurred in the following months.

The EUR rallied back above 1.1500 against the USD to finish the week finally even higher at 1.1620, as President Trump's public criticism of the FED's actions revealed the growing discomfort about the strong USD. As the initial tariffs imposed on China were 10% on some products, the subsequent rally of the USD by almost 10% has almost negated the tariffs. It looks as if we are entering a period of increased volatility for currency markets, as emerging currencies have also tumbled significantly, due primarily to the USD and which they could be rallying back, if the USD starts a new cycle of decline.

	Level	YTD %	Weekly %	52 week high	52 week low
DOW JONES	25790.4	4.3	0.5	26616.7	21673.6
S&P500	2874.7	7.5	0.9	2876.2	2428.2
NASDAQ	7946.0	15.1	1.7	7949.7	6228.7
RUSSELL SMALL CAP	1725.7	12.4	1.9	1727.0	1371.8
EUROPE STOXX50	3069.1	-3.4	0.3	3283.2	2884.5
EUROSTOXX 50	3427.4	-2.2	1.6	3708.8	3261.9
GERMANY DAX	12394.5	-4.0	1.5	13596.9	11726.6
FRANCE CAC40	5432.5	2.3	1.6	5657.4	4995.1
SWISS SMI	9052.9	-3.5	0.5	9616.4	8372.9
UK FTSE 100	7577.5	-1.4	0.3	7903.5	6866.9
ITALY FTSE 100 MIB	20742.0	-5.1	1.6	24544.3	20236.3
ATHENS GENERAL	724.9	-9.7	2.0	895.6	700.1
JAPAN TOPIX	1709.2	-6.0	0.7	1911.3	1578.7
CHINA CSI300	3325.3	-17.5	3.0	4403.3	3209.0
HONG KONG - HANG SENG	27671.9	-7.5	1.7	33484.1	26871.1
EMERGING MARKETS	1050.2	-9.3	2.7	1273.1	1021.6
WORLD	2161.6	2.8	1.1	2249.7	1935.2

Certificates	Price	Weekly %	YTD
KENDRA HIGH CONVICTION	101.08	+0.8	+0.4
KENDRA HIGH INCOME	96.53	+0.9	-0.5

Currencies	Price
EURUSD	1.1620
EURCHF	1.1430
GBPUSD	1.2840
EURJPY	129.30
USDJPY	111.20

Commodities	Price
Gold USD	1205
Gold EUR	1038
Silver USD	14.80
Oil (Crude USD)	67.8
Oil (Brent USD)	75.8



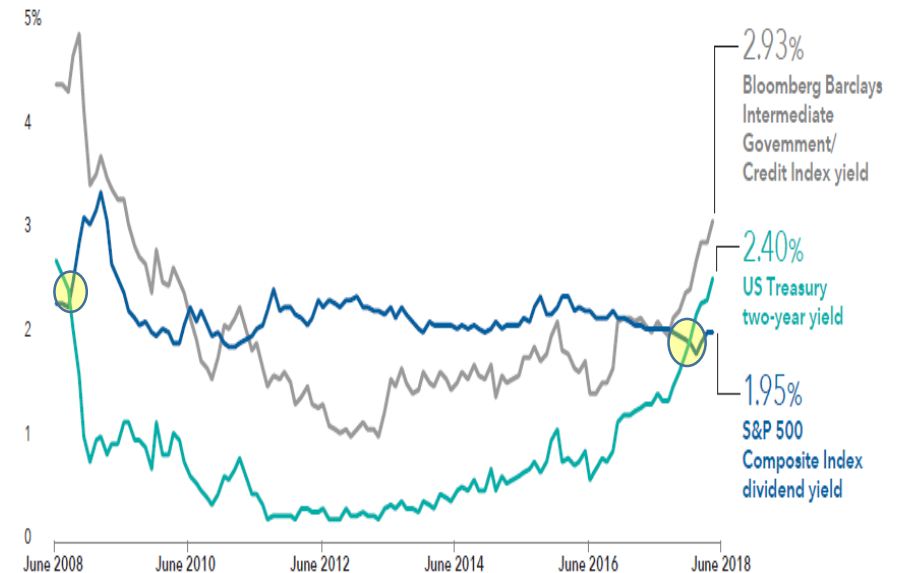
High Conviction Portfolio

	YTD %	WEEKLY %	CURRENCY	SECTOR
Siemens	-3.3	2.1	EUR	Industrials
Carrefour SA	-13.8	4.0	EUR	Consumer Staples
Roche Holding AG	-2.3	0.4	CHF	Health Care
IBM	-4.8	0.0	USD	Information Technology
Lloyds	-10.6	1.1	GBp	Financials
AB Inbev	-9.0	-2.6	EUR	Consumer Staples
Sanofi	4.0	1.9	EUR	Health Care
Deutsche Telekom	-4.6	1.2	EUR	Telecom Services
Societe Generale	-16.2	2.4	EUR	Financials
Vodafone	-25.4	-0.3	GBp	Telecom Services
BNP Paribas	-16.5	1.9	EUR	Financials
Danone	-2.2	1.0	EUR	Consumer Staples
Newmont Mining	-14.6	-0.1	USD	Materials
Imperial Brands	-11.6	-6.3	GBp	Consumer Staples
Telefonica	-9.8	0.2	EUR	Telecom Services
Barclays	-9.6	0.6	GBp	Financials
UCB.SA	19.7	1.6	EUR	Health Care
Vonovia	5.8	1.5	EUR	Real Estate
Travis Perkins	-28.5	0.2	GBp	Industrials
Royal Dutch Shell	2.1	2.8	EUR	Energy
Vivendi	0.0	4.8	EUR	Consumer Discretionary
Wacker Chemie	-22.4	4.5	EUR	Materials
Credit Suisse	-15.1	0.4	CHF	Financials
UBS	-14.2	0.3	CHF	Financials
Arkema	5.6	1.8	EUR	Materials
Altran Technologies	-25.9	1.3	EUR	Information Technology
Valeo	-38.7	-2.7	EUR	Consumer Discretionary
Straumann	15.3	2.0	CHF	Health Care
Biogen	7.5	-0.8	USD	Health Care
Dufry	-16.3	2.5	CHF	Consumer Discretionary
Eurofins Scientific	-6.2	6.6	EUR	Health Care
Adient	-42.3	-0.6	USD	Consumer Discretionary

Chart of the Week

The rally in US interest rates, due to the ongoing interest rate increases by the FED, has brought the 2 year US Treasury yield back above the S&P500 dividend yield, after almost a decade. This means that for income oriented investors, US stocks might stop being as attractive as before, when short term interest rates were below 1% and closer to zero at times. Such an event which recently occurred, should not be taken lightly, as the US Government and High Quality USD Corporate Bonds are again competing for money from investors against an expensive equity market.

Two-year US Treasury yields have moved above the S&P 500's dividend yield



Source : Capital Group



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