



KENDRA
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Weekly Report 26.2.2018



Weekly Trading Information – Markets update

Volatility in equity markets subsided last week, with most developed markets moving slightly higher in a consolidation mode after weeks of wild swings. The FED minutes of the last meeting, released on Wednesday, provided little insight on whether the Central Bank will move interest rates four times this year or three which is their own public forecast. The market has already assigned a 25% probability of a fourth increase, which remained unchanged after the minutes release. As inflation and central banks' actions dominate the financial markets' attention at this moment, this week contains two, potentially market moving, events. The new FED Chairman, Mr Powell will publicly testify in various committees in the House and Senate and the market will try to decipher his personal stance on inflation and rates. On Thursday, the PCE will be announced, which is the FED's favorite inflation metric when discussing monetary policy. In Europe, the markets are beginning to realize that Italian elections are around the corner (Sunday, March 4) and nervousness will be evident as we approach the end of the week.

Although the major equity indices finished the week with small changes, individual stocks made big moves as corporate results for 2017 are still coming in. The UK banks , Lloyds (+1%) and Barclays (+5%) outperformed the market primarily because of their balance sheet evolution and capital ratios which showed significant improvement. Lloyds announced a dividend yield which is about 8% on current price and Barclays announced a return to a dividend of 3.5% for 2018, after the bank had slashed its dividend in 2016. The two banks remain top picks in the high conviction portfolio's financials exposure. Telefonica (+5%) announced a wholesale agreement with Orange in Spain, similar to the one it already has with Vodafone, which will provide revenues from their competitors' traffic in certain areas. On the negative side, shares of Valeo (-9%) were aggressively sold, after the French auto- components maker announced results slightly worse than expected, but also gave a guidance for 2018 which was about 5% lower than expected. According to an article in Asia this morning, the Chinese auto maker Geely Automotive (owner of Volvo among others) has acquired in the open market a 9.7% stake in Daimler, setting up the stage for a mini "soap opera" in the coming weeks, as the German car maker had refused previously to offer such a stake to the Chinese company.

Bonds were slightly stronger towards the end of the week, as institutional buyers have emerged in the long dated US Treasuries (Japanese pension funds were rumored to be aggressive buyers when the 10 year yield approached 3%). The 10 year US Treasury yield finished at 2.85%, vs 2.86% of the previous week, and the German 10 year Bund yield was at 0.70% (down from 0.72% the previous week).

Gold corrected to the 1'330\$, as the USD was stronger and equity markets were rather stable. There is no clear path for the precious metal in the coming weeks, as long it is trading below its strong resistance at 1'360, but higher than its support at 1'300. The range 1'300 – 1'360 looks set for the moment.

The USD was stronger during the week, showing that the failure at 1.2550 against the EUR is respected by the market. On the downside for EURUSD, there are buyers coming at around 1.2200, hence a new trading range has been established for the coming weeks, defined by the strong support and resistance levels (1.2150- 1.2550).

Global Equity Indices					
	Level	YTD %	WTD	52 week high	52 week low
DJ INDU AVERAGE	25310.0	2.4	0.4	26616.7	20379.6
S&P 500	2747.3	2.8	0.6	2872.9	2322.3
NASDAQ	7337.4	6.3	1.4	7505.8	5769.4
US RUSSELL	1549.2	0.9	0.4	1615.5	1335.0
GERMANY DAX	12483.8	-3.4	0.3	13596.9	11722.4
FRANCE CAC 40	5317.4	0.1	0.7	5567.0	4806.5
EUROSTOXX 50	3441.5	-1.8	0.4	3708.8	3280.4
SWISS SMI	8948.2	-4.6	-0.4	9616.4	8470.2
UK FTSE 100	7244.4	-5.8	-0.7	7792.6	7073.0
ITALY FTSE MIB	22672.2	3.7	-0.6	24050.2	18535.5
ATHENS	844.1	5.2	-0.2	895.6	629.7
JAPAN	1760.5	-3.1	1.3	1911.3	1452.2
CHINA	3289.2	-0.5	2.8	3587.0	3016.5
HONG KONG	31267.2	4.5	0.5	33484.1	23438.9
MSCI-EM	1216.4	5.0	1.4	1273.1	922.9
MsSCI WORLD	2140.9	1.8	0.1	2249.7	1831.3



High Conviction Portfolio

Chart of the Week

	YTD %	WTD	DIV YIELD	CURRENCY	SECTOR
Société Générale	8.1	0.0	4.7	EUR	Financials
Siemens	-4.7	-0.4	3.3	EUR	Industrials
Lloyds	0.9	1.4	4.4	GBp	Financials
Dufry AG	-5.3	-1.6	0.0	CHF	Consumer Discretionary
Carrefour SA	6.2	-1.9	3.7	EUR	Consumer Staples
Nokia	20.3	0.6	4.1	EUR	Information Technology
Roche Holding AG	-9.9	-1.5	3.7	CHF	Health Care
Imperial Brands	-17.4	-1.6	6.5	GBp	Consumer Staples
UCB	-0.1	-2.3	1.7	EUR	Health Care
Barclays	3.3	4.9	1.4	GBp	Financials
IBM	1.4	-0.4	3.9	USD	Information Technology
BNP Paribas	4.2	0.4	4.6	EUR	Financials
Vonovia	-7.9	1.8	3.0	EUR	Real Estate
Valeo	-12.0	-9.1	2.0	EUR	Consumer Discretionary
BHP	-0.4	-3.9	4.7	GBp	Materials
Daimler	-0.6	-2.9	5.2	EUR	Consumer Discretionary
Sanofi	-9.5	0.9	4.6	EUR	Health Care
Deutsche Telekom	-9.5	1.8	5.0	EUR	Telecom Services
Telefonica	-1.3	5.0	5.0	EUR	Telecom Services
Kering	-0.3	-0.2	1.5	EUR	Consumer Discretionary
Vodafone	-13.3	-0.4	6.5	GBp	Telecom Services
SUEZ	-23.2	3.1	5.9	EUR	Utilities
Starbucks Corp	-2.2	-0.6	2.2	USD	Consumer Discretionary
WPP	1.1	-7.9	4.4	GBp	Consumer Discretionary
Logitech	14.3	-1.2	1.6	CHF	Information Technology
Adient	-19.6	2.3	1.7	USD	Consumer Discretionary
Altran Technologies	7.2	1.2	1.6	EUR	Information Technology
Straumann	-4.9	-3.4	0.7	CHF	Health Care

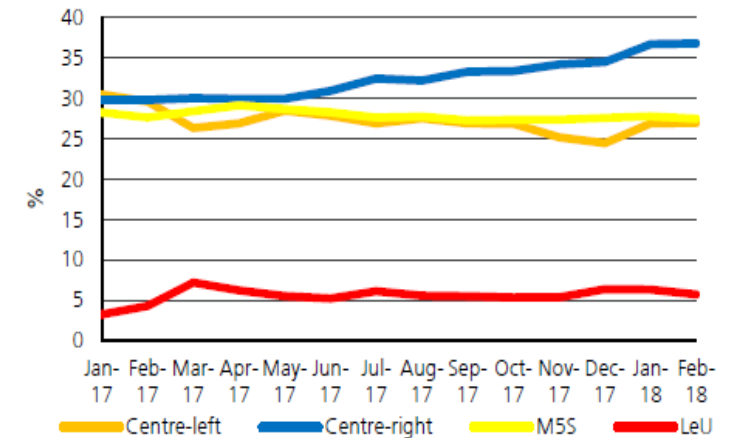
YTD: year to date return,
WTD: week to date return

Italian elections, March 4

A Center-right coalition looks the most probable winner of the elections, while on a stand alone basis, the anti-system party M5S is leading the polls but with few chances of being part of a coalition.

Still however, a center-right coalition might not be enough to secure majority in the parliament, leading to either new elections or attracting members of parliament from the center-left coalition, with questionable efficiency of such a government.

Figure 2: Recent evolution of electoral polls³ by coalition



Source: UBS, various polling companies



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- The content of this document has been produced from publicly available information as well as from internal research and rigorous efforts have been made to verify the accuracy and reasonableness of the hypotheses used. Although unlikely, omissions or errors might however happen.
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