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Weekly Report 5.3.2018



Weekly Trading Information – Markets update

As if it was not enough for the markets to digest the FED's new Chairman's testimony on monetary policy, President Trump stole the show once again with his unexpected announcement on imposing steep tariffs on imported steel and aluminum, sending again ripples across financial markets. Global equities lost again between 3-4%, while the big turnaround on late Friday of the US stocks from the session lows gives some glimpse of hope for the start of the week. FED's Powell demonstrated two different stances during the two days of his testimony, being more "hawkish" on the first day, when the markets interpreted him as being open to four interest rate hikes instead of three. On the next day, and after global equities had started sinking again, he emphasized that inflation does not seem to be running away, as suggested by the slow rise in wages despite the strong labor market. And as markets started stabilizing, President Trump, in a classical pre-election mode, shocked with his announcements concerning trade. The European Union was quick to threaten imposing its own tariffs on US products. A trade war is the last thing the world needs right now, at a time when Central Banks are already facing increasing inflation pressures, while growth is robust but maybe close to a peak and expected to slow down. As we moved from deflation fears (2015-2016) to inflation fears (2017-2018), a stagflation scenario (slow growth/increasing inflation) could start haunting the markets.

The Italian parliamentary elections show no clear coalition being able to produce a stable government. The broad market reaction (European stocks, Euro) so far has been rather muted, as this outcome was indeed expected with a high probability. One of the most important events of this week is the ECB meeting, on Thursday, where investors would scrutinize Mr. Draghi's responses to questions about the timing of the first interest rate increase. And as the situation with the EUR showed us last year, markets do not wait until the official announcements to start discounting major changes in monetary policy. The JPY price action is another example of that, so far this year. The Bank of Japan is trying hard to communicate that any major changes will not take place before 2020, as its governor publicly mentioned last week, but the mere fact that he mentioned this, gave the JPY yet another boost higher.

Corporate news were given little attention in a week of politics and Central Bank announcements. Siemens (-8%) was pressured, as all Industrial stocks did after Mr. Trump's intervention, but the German company is on track for the IPO of its Health related business, which should be a big positive in its efforts to "de-conglomerate" and release value for its shareholders. Remarkably, shares of Nokia (-1%) were again an outperformer, as the company is seeing increased demand for 5G infrastructure, while shares of Starbucks (+1%) finished the week on a positive note, without any major news.

Bonds continued to stabilize away from their recent highs in yields. The 10 year US Treasury yield closed at 2.83%, down from 2.85% and the 10 year German Bund closed at 0.65% against 0.70% the previous week.

Gold confirmed its recent trading range, which we mentioned last week, with 1310\$ providing support. In a stagflation scenario, Gold and other commodity related assets will prove the only real protection, hence at these levels a position could be warranted in investment portfolios.

The EUR also confirmed its own range as it found support at 1.2150 and spiked higher to 1.2350 as Mr. Trump's announcements on a potential trade war. The upcoming ECB meeting will be a catalyst in the near term.

Equity Indices	Level	YTD %	WTD	52 week high	52 week low
DOW JONES	24538.1	-0.7	-3.0	26616.7	20379.6
S&P 500	2691.3	0.7	-2.0	2872.9	2322.3
NASDAQ	7257.9	5.1	-1.1	7505.8	5769.4
RUSSELL 2000	1533.2	-0.2	-1.0	1615.5	1335.0
XETRA DAX	11913.7	-7.8	-4.6	13596.9	11850.3
CAC 40	5136.6	-3.3	-3.4	5567.0	4933.8
EUROSTOXX 50	3324.8	-5.1	-3.4	3708.8	3306.7
SMI	8628.5	-8.0	-3.6	9616.4	8491.6
FTSE 100	7069.9	-8.0	-2.4	7792.6	7063.4
FTSE MIB ITALY	21912.1	0.3	-3.4	24050.2	19336.2
ATHENS	813.1	1.3	-3.7	895.6	629.7
TOPIX INDEX	1708.3	-6.0	-3.0	1911.3	1452.2
CHINA	3254.6	-1.6	-1.0	3587.0	3016.5
HANG SENG	30583.5	2.2	-2.2	33484.1	23438.9
EMERGING MARKETS	1182.1	2.0	-2.8	1273.1	922.9
WORLD INDEX PR/d	2089.8	-0.6	-2.4	2249.7	1831.3

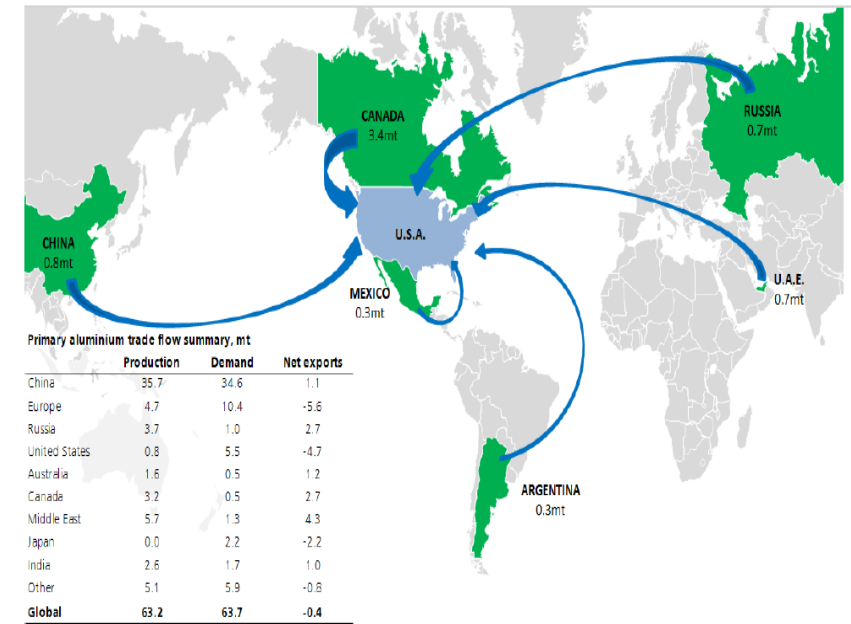


	YTD %	WTD	DIV YIELD	CURRENCY	SECTOR
Societe Generale	5.0	-2.9	4.7	EUR	Financials
Siemens	-11.3	-7.0	3.5	EUR	Industrials
Lloyds	-1.6	-2.4	4.5	GBp	Financials
Dufry AG	-10.0	-5.0	0.0	CHF	Consumer Discretionary
Carrefour SA	-3.6	-9.2	2.6	EUR	Consumer Staples
Nokia	19.4	-0.7	4.0	EUR	Information Technology
Roche Holding AG	-11.7	-1.9	3.8	CHF	Health Care
Imperial Brands	-18.4	-1.2	6.6	GBp	Consumer Staples
UCB	-2.5	-2.5	1.8	EUR	Health Care
Barclays	1.1	-2.1	1.4	GBp	Financials
IBM	0.7	-0.7	3.9	USD	Information Technology
BNP Paribas	1.0	-3.1	4.7	EUR	Financials
Vonovia	-11.2	-3.5	3.0	EUR	Real Estate
Valeo	-15.4	-3.9	2.4	EUR	Consumer Discretionary
BHP	-7.2	-6.8	4.9	GBp	Materials
Daimler	-4.9	-4.3	5.3	EUR	Consumer Discretionary
Sanofi	-11.8	-2.5	4.6	EUR	Health Care
Deutsche Telekom	-13.0	-3.9	5.0	EUR	Telecom Services
Telefonica	-3.6	-2.4	5.0	EUR	Telecom Services
Kering	-4.5	-4.2	1.6	EUR	Consumer Discretionary
Vodafone	-15.3	-2.4	6.5	GBp	Telecom Services
SUEZ	-25.1	-2.5	5.8	EUR	Utilities
Starbucks Corp	-0.9	1.4	2.1	USD	Consumer Discretionary
WPP	-5.6	-6.6	4.7	GBp	Consumer Discretionary
Logitech	8.8	-4.8	1.7	CHF	Information Technology
Adient	-22.8	-4.1	1.8	USD	Consumer Discretionary
Altran Technologies	0.1	-6.6	1.7	EUR	Information Technology
Straumann	-12.1	-7.6	0.8	CHF	Health Care

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

Investors are trying to assess the impact of tariffs imposed unilaterally by the US on aluminum and steel imports. Canada is exporting the most to the US, while China and Russia are also significant contributors to the US trade deficit (-4.7 mt, for aluminum). A similar situation exists with respect to steel production, with Canada- Russia being the biggest exporters, but Mexico and Brazil also being flagged as potential victims of a trade war with the US.

Figure 2: Major US aluminium import origins



Source: UBS, AME



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