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# **Weekly Report 16.4.2018**



## Weekly Trading Information – Markets update

Equity markets managed to leave a lot of negative headlines behind last week, to finish on a rather strong note. The US markets performed better than its European peers, with Technology and Energy being the best performing sectors, for different reasons. Mr Zuckerberg's (Facebook CEO) public testimony looks to have won points among investors, which helped the broad technology sector recover from its slump, while the exploding situation in Syria, as well as the fresh sanctions imposed on Russia have kept oil prices elevated, helping the Energy sector. The very targeted and seemingly without any collateral damages attack on Syria's three military targets on Saturday, seems for now as having limited effect on markets. It is becoming obvious that President Trump compromised with a much lighter version of an attack on Syria, that he had initially envisaged, after his advisors warned about possible retaliation by Russia and/or Iran. As a general comment, one can observe that Mr. Trump is paying (for now) close attention to market reaction, and whenever there is turmoil caused by his remarks, he eventually tones down and chooses a market friendly path. Market sentiment was helped also by China's announcement of reducing the tariffs on imported cars and pledged to open further its economy by reducing barriers to entry in the financial sector for foreign institutions, a stark contrast of the "trade war" talk between China and the US, in the previous weeks. In macroeconomic news, the US inflation numbers for March came in as expected (2.1% y.o.y) providing support to a market whose initial tumble in January was caused by inflation fears, while France raised its forecast for its GDP in 2018 and 2019, to 2% and 1.9% and at the same time lowered its forecast for the budget deficit to 2.6% and 2.4%.

We are entering the period of Q1 earnings announcements, and US financials were among the first to report. Although all of them announced better than expected profits, their shares fell as an immediate reaction and many reasons were cited for this (earnings quality, higher deposit cost, tax cuts is a one-time event, etc). As we move past the trade war fears and Syria, it remains to be seen if their shares can stabilize and help the performance of their European peers. Kering (+4%) outperformed after its competitor LVMH announced robust growth in luxury goods sales, while Deutsche Telekom (+4%) was boosted after news broke about new merger discussions between its US subsidiary (T-mobile) and Sprint. It was a week for further M&A action as Biogen (+3%) announced its intention to sell its stake in a joint venture with Samsung Bioepis and Nokia (+2%) announced its intention to sell its in flight broadband business to Google. French stocks have been underperforming last week (Sanofi -0.2%, Societe Generale -0.6%, Danone -0.3%, Carrefour -4%) as strikes and demonstrations have been hitting the country, putting Macron's reform plans at risk. We remain confident on his commitment to go through this difficult path and maintain a high percentage in French stocks in the High Conviction portfolio, as their valuations are very attractive.

Bonds were broadly lower, as equity sentiment improved but have remained within their recent ranges. The US 10 year Treasury yield closed at 2.83% from 2.80%, while the 10 year German Bund yield finished the week flat at 0.50%.

Gold rallied back to its resistance levels at 1'360\$ on Friday as markets were getting increasingly worried for a weekend of turmoil in Syria, only to return back to 1'340\$ as the situation has remained calm after the attack.

The EUR was sold after the publication of the ECB minutes, which showed members worrying about the trade wars and the strength of the EUR, painting a picture of a rather "dovish" ECB which is in no rush to remove accommodation, even though they acknowledged in unanimity that the QE program is going to finish this year. Still, the EUR remained above 1.2300, practically being stuck in the well defined range of 1.22-1.25.

	Level	YTD %	WTD	52 week high	52 week low
DOW JONES	24360.1	-1.5	<b>1.8</b>	26616.7	20379.6
S&P 500	2656.3	-0.6	<b>2.0</b>	2872.9	2332.5
NASDAQ	7106.7	2.9	<b>2.8</b>	7637.3	5818.2
RUSSELL 2000	1549.5	0.9	<b>2.4</b>	1615.5	1345.4
XETRA DAX	12442.4	-3.7	<b>1.6</b>	13596.9	11726.6
CAC 40	5315.0	0.0	<b>1.1</b>	5567.0	4980.4
ESTX 50	3448.0	-1.6	<b>1.2</b>	3708.8	3261.9
SMI	8776.2	-6.5	<b>1.2</b>	9616.4	8491.6
FTSE 100	7264.6	-5.5	<b>1.1</b>	7792.6	6866.9
FTSE MIB	23330.3	6.8	<b>1.7</b>	24050.2	19442.7
ATHENS	810.9	1.1	<b>1.2</b>	895.6	671.0
TOPIX	1735.4	-4.9	<b>0.6</b>	1911.3	1452.2
SSE CHINA	3111.7	-4.5	<b>0.9</b>	3587.0	3016.5
HANG SENG	30355.9	3.0	<b>3.2</b>	33484.1	23723.9
EMERGING MKTS	1170.1	1.0	<b>0.7</b>	1273.1	952.9
WORLD	2089.0	-0.7	<b>1.8</b>	2249.7	1831.3



# High Conviction Portfolio

	YTD %	WTD %	DIV YIELD	CURRENCY	SECTOR
Societe Generale	2.8	-0.6	5.0	EUR	Financials
Siemens	-9.7	0.3	3.5	EUR	Industrials
Lloyds	0.2	2.8	4.5	GBP	Financials
Dufry AG	-9.4	-2.7	2.9	CHF	Consumer Discretionary
Carrefour SA	-11.7	-4.3	2.9	EUR	Consumer Staples
Nokia	15.8	1.4	4.2	EUR	Information Technology
Roche Holding AG	-11.9	0.0	3.8	CHF	Health Care
Imperial Brands	-22.2	-3.6	6.9	GBP	Consumer Staples
Danone	-6.7	-0.3	2.9	EUR	Consumer Staples
Nestle	-8.7	0.7	3.1	CHF	Consumer Staples
UCB	-1.2	-1.9	1.8	EUR	Health Care
Barclays	5.0	1.8	1.4	GBP	Financials
IBM	2.1	4.1	3.8	USD	Information Technology
BNP Paribas	-1.3	1.5	4.9	EUR	Financials
Vonovia	-1.9	0.9	3.3	EUR	Real Estate
Valeo	-11.7	1.1	2.3	EUR	Consumer Discretionary
BHP	-4.2	5.0	5.0	GBP	Materials
Spotify	NULL	0.7	0.0	USD	Information Technology
Sanofi	-8.2	-0.2	4.6	EUR	Health Care
Deutsche Telekom	-5.7	3.7	4.7	EUR	Telecom Services
Telefonica	0.4	0.2	4.9	EUR	Telecom Services
Kering	11.0	4.5	1.4	EUR	Consumer Discretionary
Vodafone	-12.0	1.4	6.4	GBP	Telecom Services
Biogen	-16.7	3.0	0.0	USD	Health Care
GlaxoSmithkline	7.4	-0.2	5.6	GBP	Health Care
SUEZ	-18.6	0.3	5.4	EUR	Utilities
Starbucks Corp	3.2	1.5	2.0	USD	Consumer Discretionary
WPP	-11.4	2.2	5.1	GBP	Consumer Discretionary
Logitech	8.8	2.8	1.7	CHF	Information Technology
Adient	-17.1	2.1	1.7	USD	Consumer Discretionary
Altran Technologies	0.8	3.3	1.9	EUR	Information Technology
Straumann	-11.3	1.7	0.8	CHF	Health Care

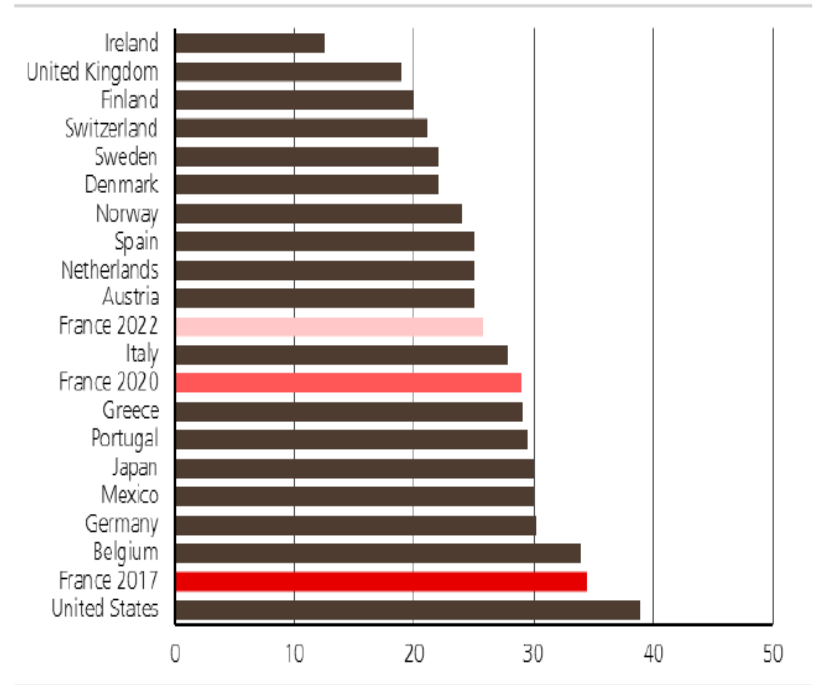
YTD: year to date return,  
WTD: week to date return

# Chart of the Week

## France 2022

One of Macron's promises has been to lower corporate tax rates as well as taxes for individuals (i.e. wealth tax) which should provide a structural tailwind ahead. Other major reforms include measures to curb the labor market rigidity, reducing public spending and opening up certain sectors of economic activity, lifting existing barriers to new entrants.

Figure 3: Statutory corporate tax rates, 2017 (%)



Source: OECD, UBS



## Disclaimer

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