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# **Weekly Report 28.5.2018**



# Weekly Trading Information – Markets update

Memories of the 2011 Eurozone crisis came back to the markets last week, as Italy became the center of attention and Italian assets were aggressively sold off. The proposal by the 5 Star – League coalition of an 81 year old euro-skeptic professor for the position of the Finance Minister was the final straw that broke the markets patience, but it also made the Italian President stand up and strongly oppose the candidacy. Hence, the Eurozone equities fell on average about 2% while the Italian index lost almost 5% during the week. The developments over the weekend and the breakdown of the populist coalition's efforts to form a government will provide a temporary relief in Italian assets as the week begins, but the political crisis will remain until we get a clearer picture of what is finally going to happen. A government of technocrats and fresh elections are equally likely possibilities. On the macroeconomic front, the data out of the Eurozone (Purchasing Managers Index, PMI) did not help, as it is becoming apparent that the second quarter will see a further slowdown, with the GDP now expected at just 0.5% or less. The mood in the markets was already sour, after President Trump cancelled the meeting with the North Korean President, but the latter's moderate response and willingness to resolve the issue brought soon calm to US equities which managed to stay flat for the week. The US markets also got a boost from the published FED minutes of the last meeting, which revealed a relatively relaxed stance with respect to inflation and a willingness to let inflation stay above the 2% target.

As Eurozone equities were being sold, defensive sectors continued their recent outperformance (Danone +4%, Anheuser Busch +2%) and Financials continued their slide (Societe Generale -2%, BNP -2%). Deutsche Telekom (-0.5% held its investor day and updated the markets with its new 3 year strategy plan, according to which revenues are expected to grow 1-2% on an annual basis while free cash flow is expected to grow by 10%. The company also reiterated its commitment to continue growing its dividend. It remains one of the top holdings in our High Conviction portfolio, while from the same sector, Vodafone's weight was also recently increased. With respect to the U.K., shares of domestic orientated companies look extremely attractive relative to their international peers and we would be looking to add names from that category. The GBP levels are also attractive in order to increase the weight in the local market.

US and German government bonds were aggressively bought during the week, as 2 year Italian bonds dropped to levels not seen in almost four years. The 10 year US Treasury yield dropped again below 3% to finish the week at 2.93%, down almost 30bps from the recent 3.12% high, while the German 10 year yield dropped to their lowest level in six months, to finish at 0.40% from 0.55%. Given the uncertainty in various parts of the world (Iran, N Korea, Italy) and the FED showing a rather comfortable stance against inflation, one would expect that the bond market will stabilize at current levels and even move higher in the coming months.

Gold found back its safe haven status and zoomed higher to 1'310 from the low of 1'280. As the situation has somewhat improved over the weekend, traders will most likely reduce positions but it remains a "buy-on-the-dips", especially against the EUR, which seems to be breaking out of its recent range.

The EURUSD fell to its lowest level in months, touching 1.1650 only to jump back above 1.1700 as the markets are taking a calmer look into Italy and Eurozone assets again. Barring a return to a full scale crisis again, current levels do not appear to be sustainable and a return towards 1.2000 looks likely.

	Level	YTD %	WEEKLY %	52 week high	52 week low
DOW JONES	24753.1	0.1	0.2	26616.7	20942.6
S&P 500	2721.3	1.8	0.3	2872.9	2403.6
NASDAQ	7433.9	7.7	1.1	7637.3	6082.0
RUSSELL 2000	1626.9	6.0	0.0	1639.9	1349.4
XETRA DAX	12938.0	0.2	-1.1	13596.9	11726.6
CAC 40	5542.6	4.3	-1.3	5657.4	4995.1
EUROSTOX5X0	3515.4	0.3	-1.6	3708.8	3261.9
SWISS SMI	8759.1	-6.6	-2.0	9616.4	8501.2
FTSE 100	7730.3	0.6	-0.6	7903.5	6866.9
FTSE MIB ITALY	22398.2	2.5	-4.5	24544.3	20537.4
ATHENS	755.6	-5.8	-3.5	895.6	700.1
TOPIX JAPAN	1771.7	-2.5	-2.4	1911.3	1562.8
SSE CHINA	3142.2	-5.0	-1.6	3587.0	3041.6
HANG SENG	30588.0	2.2	-1.5	33484.1	25199.9
EMERGING MARKETS	1136.6	-1.9	-0.1	1273.1	1002.5
MSCI WORLD	2110.8	0.3	-0.5	2249.7	1905.3

Certificates	Price	Weekly %	YTD
KENDRA HIGH CONVICTION	101.85	-0.3	+1.1
KENDRA HIGH INCOME	100.88	-1.4	+0.9



# High Conviction Portfolio

## Chart of the Week

	YTD %	WEEKLY %	DIV YIELD	CURRENCY	SECTOR
Societe Generale	-5.6	-2.2	5.4	EUR	Financials
Siemens	-0.5	-1.7	3.2	EUR	Industrials
Lloyds	-3.5	-0.5	4.6	GBp	Financials
Dufry AG	-3.1	-1.5	2.7	CHF	Consumer Discretionary
Carrefour SA	-11.4	-1.7	2.8	EUR	Consumer Staples
Travis Perkins	-12.9	4.6	3.4	GBp	Industrials
Roche Holding AG	-11.7	-3.1	3.8	CHF	Health Care
Imperial Brands	-13.0	-0.6	6.4	GBp	Consumer Staples
Danone	-3.9	3.6	2.9	EUR	Consumer Staples
Nestle	-9.1	-1.2	3.1	CHF	Consumer Staples
UCB	0.1	1.1	1.8	EUR	Health Care
Barclays	1.5	-0.6	1.5	GBp	Financials
IBM	-6.4	-0.3	4.4	USD	Information Technology
BNP Paribas	-2.7	-1.7	4.9	EUR	Financials
Vonovia	-4.9	-0.2	3.4	EUR	Real Estate
Valeo	-9.7	-3.7	2.2	EUR	Consumer Discretionary
Spotify	NULL	3.8	0.0	USD	Information Technology
Sanofi	-8.4	-1.0	4.6	EUR	Health Care
Deutsche Telekom	-9.6	-0.6	4.9	EUR	Telecom Services
Telefonica	-4.3	-2.4	5.1	EUR	Telecom Services
Vodafone	-17.0	1.0	6.7	GBp	Telecom Services
Biogen	-10.2	2.1	0.0	USD	Health Care
GlaxoSmithkline	13.4	0.8	5.4	GBp	Health Care
SUEZ	-17.4	-3.7	5.4	EUR	Utilities
Arkema	5.1	-2.6	2.1	EUR	Materials
Anheuser Busch	-12.5	1.8	4.4	EUR	Consumer Staples
Adient	-31.4	-3.6	2.0	USD	Consumer Discretionary
Altran Technologies	6.8	2.8	1.8	EUR	Information Technology
Straumann	-2.8	-1.2	0.7	CHF	Health Care

This vertical line is the sharp rise of the Italian government 2 year bond yield, in the last two weeks, reaching levels not seen since 2014 and before the ECB commenced its bond buying program. These moves put pressure on Italian bank and insurance stocks as well as the broad market, especially given their recent outperformance and investors sitting on big gains since the start of the year. Two weeks ago, the Italian equity market was the best performing market in Europe, but now specific stocks start looking increasingly attractive again for addition/increase in positions.



YTD: year to date return,  
Weekly %: weekly return



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