



KENDRA
SECURITIES
HOUSE SA

Weekly Report 2.7.2018



Weekly Trading Information – Markets update

World equities continued their slide last week, with most indices dropping between 1.5 and 2.0%, as the US-China showdown is keeping investors nervous. According to the latest data, the Chinese direct investments in the US has dropped significantly in 2017 and is almost non-existent in 2018, as the Trump administration is continuously aiming at controlling the flow of investments in American technology firms for security reasons. It was no surprise that Technology stocks were among the weakest globally during the last weeks, reflecting the fear that global investments in the sector will slow down further. The Chinese stocks are already almost 20% lower from their 2018 peak, making investors even more nervous about an upcoming bear market there. With respect to the US economy, the final 1st quarter GDP reading was announced lower at 2.0% vs the previous estimate of 2.2%, but the 2nd quarter GDP growth is now estimated close to 4%. In Europe, the agreement among its leaders on the sensitive issue of immigration brought some relief to the local markets, and although the subject has little to do with financial markets, it is a sizzling issue for the stability of the region. One should not forget the strong stance of the new Italian government on immigration and the agreement, even with footnotes attached, is a first positive sign that things would probably work out overall smoothly between the EU and the Italian government. In macro news, the Eurozone June inflation numbers were announced at the highest levels since February last year, at 2%, although the increase was solely attributed to the volatile oil prices. Still, it makes the life of the ECB more difficult in their effort to defend their guidance for not raising interest rates before the summer of 2019.

Defensive sectors continued to fare much better than the broad market last week, with Pharmaceuticals providing positive contribution to equity portfolios (Roche +0.5%, UCB +0.1%) and Anheuser Bush (+2%), Imperial Brands (+4%) rallying further as investors are getting attracted again by their cheap valuation. Our newest addition to the High Conviction portfolio, the specialty Healthcare company, Eurofinans Scientific rallied 12%, as the management provided positive guidance for 2018 and beyond, while our other holding in the specialty Healthcare sector, Straumann, also rose 1%, during a week of negative returns. The auto related stocks continued to be punished (Valeo -8%) as the market is trying to gauge the actual impact of the Trump's threats on the sector. President Trump did not show any signs of backing down from his announcements of 20% import tax on all EU produced vehicles. We are entering the 2nd quarter earnings season in the coming days and volatility is expected to increase.

Government bonds continued their cautious way higher, as tariff tensions have impacted the sentiment in equity markets. The 10 year US Treasury closed at 2.85% down, little down from 2.88% while the 10 year German Bund finished almost unchanged at 0.30%, but had rallied more than the US during the previous week.

Gold continues to slide lower, after the break of its support at 1'280. It closed at 1'240 as the market ignores for now its safe haven characteristics and chooses to focus on a potential USD rally which could hurt Gold further. Summer is also traditionally a particular week season for physical Gold demand out of Asia, which usually provides support to the price.

The EUR fell again close to 1.1500, which has become the major support line and jumped back again to 1.1650, as European leaders agreed on the sensitive issue of immigration. It is clear that the new range of EURUSD is the 1.1500-1.1750 zone.

	Level	YTD %	Weekly %	52 week high	52 week low
DOW JONES	24271.4	-1.8	-1.3	26616.7	21279.3
S&P 500	2718.4	1.7	-1.3	2872.9	2407.7
NASDAQ	7510.3	8.8	-2.4	7806.6	6082.0
RUSSELL 2000	1643.1	7.0	-2.5	1708.1	1349.4
XETRA DAX	12306.0	-4.7	-2.2	13596.9	11726.6
CAC 40	5323.5	0.2	-1.2	5657.4	4995.1
EUROSTOXX 50	3395.6	-3.1	-1.3	3708.8	3261.9
SMI SWISS	8609.3	-8.2	-0.1	9616.4	8372.9
FTSE 100	7636.9	-0.7	-0.6	7903.5	6866.9
FTSE MIB ITALY	21626.3	-1.0	-1.2	24544.3	20537.4
ATHENS	757.6	-5.6	-1.8	895.6	700.1
TOPIX JAPAN	1730.9	-4.8	-0.8	1911.3	1578.7
SSE CHINA	2848.3	-13.9	-1.5	3587.0	2782.4
HANG SENG	28955.1	-3.2	-1.3	33484.1	25199.9
EMERGING MKTS	1069.5	-7.7	-1.7	1273.1	1002.5
WORLD INDEX	2089.3	-0.7	-1.2	2249.7	1905.3

Certificates	Price	Weekly %	YTD
KENDRA HIGH CONVICTION	9939	-1.7	-1.3
KENDRA HIGH INCOME	95.73	-1.2	-1.3

Currencies	Price
EURUSD	1.1645
EURCHF	1.1550
GBPUSD	1.3170
EURJPY	128.90
USDJPY	110.70

Commodities	Price
Gold USD	1240
Gold EUR	1073
Silver USD	16.00
Oil (Crude USD)	73.4
Oil (Brent USD)	78.2



High Conviction Portfolio

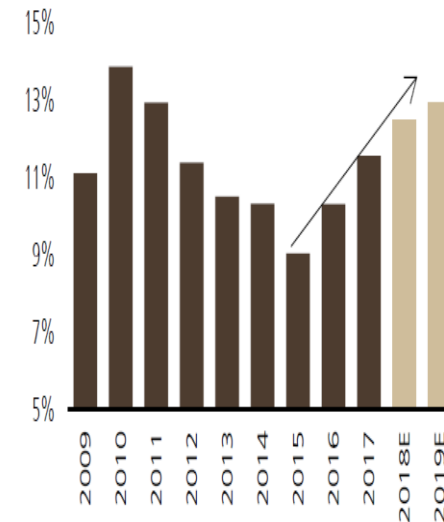
Chart of the Week

	YTD %	WEEKLY %	DIV YIELD	CURRENCY	SECTOR
Siemens	-2.5	-2.6	3.3	EUR	Industrials
Roche Holding AG	-10.5	0.3	4.0	CHF	Health Care
Sanofi	-4.5	-0.5	4.4	EUR	Health Care
Deutsche Telekom	-10.3	-2.0	4.9	EUR	Telecom Services
Lloyds	-7.4	1.5	4.9	GBp	Financials
Danone	-10.1	-2.9	3.0	EUR	Consumer Staples
Vodafone	-21.8	-1.8	7.1	GBp	Telecom Services
AB Inbev	-7.1	1.5	4.2	EUR	Consumer Staples
BNP Paribas	-14.6	-1.4	5.7	EUR	Financials
Vonovia	-1.5	-1.1	3.3	EUR	Real Estate
Carrefour SA	-23.1	-5.3	3.3	EUR	Consumer Staples
Telefonica	-10.4	-2.4	5.5	EUR	Telecom Services
Imperial Brands	-10.9	3.4	6.3	GBp	Consumer Staples
IBM	-8.9	-1.1	4.5	USD	Information Technology
UCB.SA	1.8	0.0	1.8	EUR	Health Care
Societe Generale	-16.1	-0.3	6.1	EUR	Financials
Biogen	-8.9	-2.0	0.0	USD	Health Care
Travis Perkins	-9.2	0.2	3.3	GBp	Industrials
Vivendi	-6.3	-2.6	2.1	EUR	Consumer Discretionary
SUEZ	-24.3	-3.3	5.8	EUR	Utilities
Barclays	-6.9	-2.6	1.6	GBp	Financials
Wacker Chemie	-30.9	-1.1	4.2	EUR	Materials
Arkema	-0.1	-0.5	2.3	EUR	Materials
Dufry	-12.8	-7.3	2.8	CHF	Consumer Discretionary
Straumann	9.7	1.1	0.6	CHF	Health Care
Valeo	-24.8	-7.7	2.7	EUR	Consumer Discretionary
Altran Technologies	-0.7	-4.2	1.9	EUR	Information Technology
Eurofinans Scientific	-6.1	11.9	0.5	EUR	Health Care
Spotify	NULL	-7.0	0.0	USD	Information Technology
Adient	-37.5	-1.8	2.2	USD	Consumer Discretionary

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

As the European economies slowed down in the 1st quarter of 2018 and there is increasing fear that revenue growth for European companies will begin to ebb, it is significant to closely watch their operating margins, as these can play a major role in earnings being able to grow despite revenue stagnation. Since 2016, margins have steadily grown and analysts expect them to continue to do so in 2018. The ever increasing pricing power of European companies (ie. their ability to pass on higher prices to consumers without hurting volumes) is a strong indicator for margins to continue to march higher..

EBIT margins: clearly turned, but still below previous peaks



European EBIT margins rose 125bps in 2017 and our analysts expect a further expansion of c.90bps in 2018. The sectors leading the way for higher Net Margins in 2018 include: Banks, Luxury Goods, Beverages, Insurance and Energy.

Sources for exhibits above: European Commission, Haver, Company data, UBS Research, UBS Evidence Lab



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