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Weekly Report 3.4.2018



Weekly Trading Information – Markets update

There is no end in sight to the volatility in equity markets, as last week they managed to rebound from the previous week's slump, only to find themselves in a new round of selling pressure as the new, shortened, week commences. The ongoing rift between China and the US with respect to imposing tariffs on one another (albeit of small scale and rather symbolic in nature) is keeping investors awake at night, in case these are preliminary shots before a full scale trade war erupts. But it is the turmoil in the Technology sector which is really testing investors' resolve these days. It all started with Facebook's troubles two weeks ago, but President's Trump tweets aiming Amazon is rattling the sector which has been the leader for the last two years and had provided support in the overall market sentiment until recently. Trump claims that Amazon is taking advantage of the US Postal system, paying far less than it should and he is making claims that the company is not fully tax compliant. The fact that Amazon's CEO is the owner of the Washington Post, one of the strongest public critics of the Trump administration, does not help the situation. Analysts note that some kind of tighter regulation on technology firms as well as tweaks in tax treatment might be coming, which might put some pressure on the sector in the coming period. As far as macroeconomic data, the attention will be focused on the Eurozone inflation numbers and on the employment data out of the US on Friday. Last week, the PCE (personal consumption expenditures) index in the US was announced in line with expectations (1.6% y.o.y), bringing some relief to the markets, which have also inflationary pressures to worry about this year, apart from politics.

Soon enough the corporate earnings announcements for Q1 as well as guidance for the remainder of the year will begin, which together with the dividend season in Europe should provide some support to equity markets. Last week it was Utilities which outperformed the market (Suez +5%), as bond yields moved lower and the sector demonstrates defensive characteristics. GlaxoSmithkline (+6%) and Biogen (+5%) also rallied as investors are warming up again to the Pharma sector, while Daimler (+5%) announced the creation of a joint venture with BMW which will acquire the mobility services business unit of the two companies (self driving cars, electric car accessories etc.).

Bond prices moved higher again in response to the turmoil in the equity markets, with yields breaking to new lows. The US 10 year Treasury yield closed at 2.75% from 2.85%, while the 10 year German Bund yield finished the week at 0.50% from 0.53%.

Gold rallied back close to its resistance levels, 1'345\$ but has failed so far to capitalize on the selling pressures in the equity markets. A clear break of the 1'360/1'370 region is needed for the metal to rally past 1'400. The Gold Miners are performing better than the metal during the last two weeks, a sign that investors are buying back the sector, as broad equity indices are back close to the lows of the year.

The EUR is stuck in a tight range of 1.22 – 1.24 , with no real catalyst in sight. The JPY tested the levels below 105.0 against the USD, but was quickly sold and returned back to the 105.50-106.50 range. All USDJPY rallies have stopped around 107.50 which is a major resistance point. The JPY is a hedge against equity market turmoil.

	Level	YTD %	WTD	52 week high	52 week low
DJ INDU AVERAGE	24103.1	-2.5	2.4	26616.7	20379.6
S&P 500	2640.9	-1.2	2.0	2872.9	2329.0
NASDAQ	7063.4	2.3	1.0	7637.3	5805.2
RUSSELL 2000	1529.4	-0.4	1.3	1615.5	1345.2
XETRA DAX	12096.7	-6.4	1.8	13596.9	11726.6
CAC 40	5167.3	-2.7	1.4	5567.0	4980.4
ESTX 50	3361.5	-4.1	1.9	3708.8	3261.9
SMI	8741.0	-6.8	2.0	9616.4	8491.6
FTSE 100	7056.6	-8.2	1.9	7792.6	6866.9
FTSE MIB	22411.2	2.6	0.5	24050.2	19442.7
ATHENS	780.5	-2.7	-0.7	895.6	661.8
TOPIX	1716.3	-5.6	3.1	1911.3	1452.2
CHINA SSE	3169.0	-4.2	0.5	3587.0	3016.5
HANG SENG	30093.4	0.6	-0.7	33484.1	23723.9
EMERGING MKTS	1169.3	0.9	-0.2	1273.1	952.9
WORLD INDEX	2065.5	-1.8	1.4	2249.7	1831.3



High Conviction Portfolio

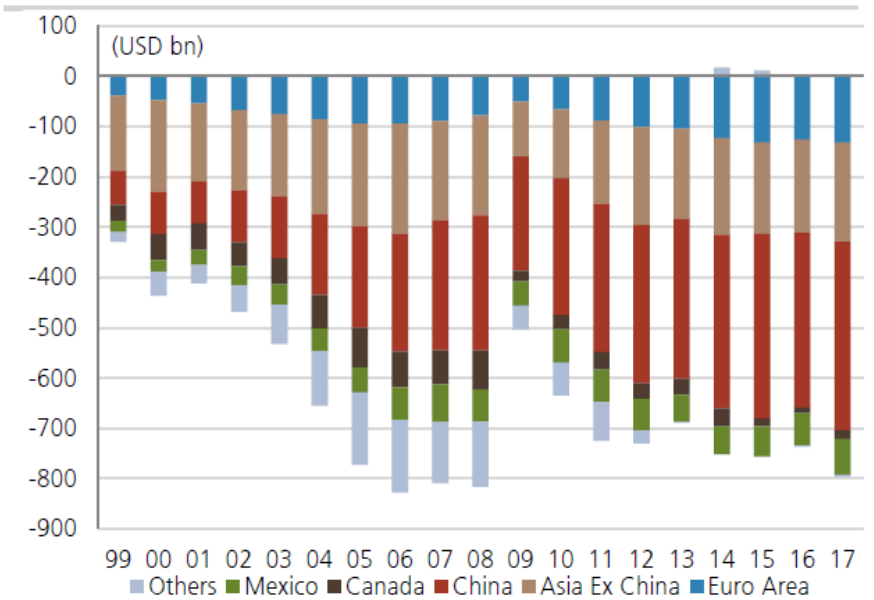
	YTD %	WTD %	DIV YIELD	CURRENCY	SECTOR
Societe Generale	2.6	1.4	5.0	EUR	Financials
Siemens	-10.9	2.1	3.6	EUR	Industrials
Lloyds	-5.0	-0.2	4.7	GBp	Financials
Dufry AG	-13.6	-0.2	0.0	CHF	Consumer Discretionary
Carrefour SA	-6.6	0.6	2.7	EUR	Consumer Staples
Nokia	15.2	-0.6	4.3	EUR	Information Technology
Roche Holding AG	-11.1	1.4	3.8	CHF	Health Care
Imperial Brands	-23.4	2.2	7.1	GBp	Consumer Staples
UCB	0.0	1.4	1.8	EUR	Health Care
Barclays	1.7	1.1	1.5	GBp	Financials
IBM	0.0	3.0	3.9	USD	Information Technology
BNP Paribas	-3.3	1.6	5.0	EUR	Financials
Vonovia	-2.8	2.1	3.3	EUR	Real Estate
Valeo	-13.9	-1.3	2.3	EUR	Consumer Discretionary
BHP	-7.8	0.6	5.3	GBp	Materials
Daimler	-2.6	4.9	5.5	EUR	Consumer Discretionary
Sanofi	-9.1	2.5	4.7	EUR	Health Care
Deutsche Telekom	-10.4	2.3	5.0	EUR	Telecom Services
Telefonica	-1.2	3.1	5.0	EUR	Telecom Services
Kering	-1.1	1.0	1.6	EUR	Consumer Discretionary
Vodafone	-17.4	0.3	6.8	GBp	Telecom Services
Biogen	-14.0	5.3	0.0	USD	Health Care
GlaxoSmithkline	5.4	6.0	5.7	GBp	Health Care
SUEZ	-19.7	4.5	5.5	EUR	Utilities
Starbucks Corp	0.8	2.8	2.1	USD	Consumer Discretionary
WPP	-15.5	3.4	5.3	GBp	Consumer Discretionary
Logitech	6.3	-1.7	1.7	CHF	Information Technology
Adient	-24.1	3.8	1.9	USD	Consumer Discretionary
Altran Technologies	-3.9	1.3	1.9	EUR	Information Technology
Straumann	-12.6	3.0	0.8	CHF	Health Care

Chart of the Week

As trade war talks are now in the daily menu of news, it is interesting to see the regions with which the US has the largest trade deficit.

As expected, China has developed during the last 7 years into the largest trade «partner» of the US, while the rest have pretty much maintained a rather stable market share, as the US trade deficit has been increasing again since 2009.

Figure 1: US trade deficit by country (Red is China)



Source: Haver, UBS



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