



KENDRA
SECURITIES
HOUSE SA

Weekly Report 19.11.2018



Weekly Trading Information – Markets update

Global equities moved lower again as European politics have taken front stage and the US-China "soap opera" has become a daily obsession. Data from the world's biggest economies did not help the sentiment either, as the Q3 GDP growth both in Germany (-0.8%) and Japan (-1.2%) were negative, sparking fears again for a global recession looming. However, in both cases, negative growth was attributed to temporary factors (automobile market in Germany and natural disasters in Japan), which limited the damage in markets. In this environment, it should be noted that Emerging Market equities seem to have stabilized and in particular China, which managed to post a respectable gain for the week, showing that investors are finding value again in these battered markets. As we are moving closer to the G-20 meeting, which should provide the ground for a crucial meeting between Trump and Xi, one should expect increased public commentary and "tweets" from both sides and hence volatility. If one observes President Trump's recent comments, one could conclude that the overall sentiment is that both sides are trying to come to a compromise rather than go into a full-blown trade war, although differences do remain.

In Europe, all eyes are on the U.K. and Italy with both regions having their own issues with the E.U. The Brexit deal between Prime Minister May and the E.U. has been met with significant revolt within the governing party, while the opposition parties have also expressed their dislike. Ministers have resigned and there is a growing feeling that there will be a no confidence vote against May in the coming days, although the number of such official letters needed (48) has not been met as of Sunday night. Italy did not back down from its budget and everyone is awaiting the EU's response, although their attention is probably on the Brexit situation at the moment.

The Communications Services sector moved higher again, against the overall negative sentiment. Vodafone (+7%) announced a 3% EBITDA growth, higher than expected, and reassured investors that the dividend is safe, thanks to the significant free cash flow generation and new targets for cost savings imposed by the new CEO. Overall, their strategy of "more for more" with which they have been able to hike prices in a very competitive environment seems to be working. Trading at a 9% dividend yield, shares should be able to move significantly higher in the coming months. Vivendi (+1%), also in the same sector, announced strong results helped by a 38% growth in its streaming business for its Universal Music unit, for which it seeks a strategic investor in the coming months. On the negative side, shares of UK Banks suffered (Lloyds -9%, Barclays -6%) after the turmoil in UK politics, which however should provide an excellent buying opportunity for investors who believe that in the end, there will be a positive solution.

Government bonds rallied hard, after turmoil in most developed equity markets gathered speed, but were given the final boost after comments by three senior FED officials (including Chairman Powell) who expressed concerns about global growth for the first time in recent memory. As a reminder the FED's last announcement did not even make a mention in growth concerns, and it will be interesting to wait for the minutes to be published in a couple of weeks. The 10 year US Treasury closed at 3.06%, down from 3.22% last week while the German equivalent closed at 0.38%

Gold touched the psychological level of 1'200\$, but bounced back quickly to 1'220. The FED officials' comments sparked a USD sell-off which helped the metal recover.

The EURUSD jumped from the 1.1200 levels seen at the start of the week to move all the way up to 1.1400 after positive comments by President Trump on the China-US situation, but primarily after the FED officials expressed their concern about global growth. It looks like the 1.1300 levels have been re-established as a "floor" for the pair, for now.

| | Level | YTD % | Weekly % | 52 week high | 52 week low |
|--------------------|---------|-------|----------|--------------|-------------|
| DOW JONES | 25413.2 | 2.8 | -2.2 | 26951.8 | 23344.5 |
| S&P500 | 2736.3 | 2.3 | -1.6 | 2940.9 | 2532.7 |
| NASDAQ | 7247.9 | 5.0 | -2.1 | 8133.3 | 6630.7 |
| RUSSELL SMALL CAP | 1527.5 | -0.5 | -1.4 | 1742.1 | 1436.4 |
| EUROPE STOXX50 | 2914.7 | -8.3 | -2.0 | 3283.2 | 2839.3 |
| EUROSTOXX 50 | 3180.7 | -9.2 | -1.5 | 3687.2 | 3090.9 |
| GERMANY DAX | 11341.0 | -12.2 | -1.6 | 13596.9 | 11051.0 |
| FRANCE CAC40 | 5025.2 | -5.4 | -1.6 | 5657.4 | 4896.8 |
| SWISS SMI | 8907.4 | -5.1 | -1.8 | 9616.4 | 8372.9 |
| UK FTSE 100 | 7013.9 | -8.8 | -1.3 | 7903.5 | 6851.6 |
| ITALY FTSE 100 MIB | 18878.3 | -13.6 | -2.0 | 24544.3 | 18411.4 |
| ATHENS GENERAL | 625.7 | -22.0 | -2.8 | 895.6 | 610.4 |
| JAPAN TOPIX | 1629.3 | -10.4 | -2.6 | 1911.3 | 1581.6 |
| CHINA CSI300 | 3257.7 | -19.2 | 2.8 | 4403.3 | 3009.5 |
| HONG KONG | 26183.5 | -12.5 | 2.3 | 33484.1 | 24540.6 |
| EMERGING MARKETS | 986.3 | -14.9 | 1.0 | 1273.1 | 934.8 |
| WORLD | 2031.8 | -3.4 | -1.5 | 2249.7 | 1958.3 |

| Certificates | Price | Weekly % | YTD |
|------------------------|-------|----------|-------|
| KENDRA HIGH CONVICTION | 92.5 | -2.3 | -8.1% |
| KENDRA HIGH INCOME | 91.7 | -0.9 | -4.4% |

| Currencies | Price |
|------------|--------|
| EURUSD | 1.1420 |
| EURCHF | 1.1415 |
| GBPUSD | 1.2835 |
| EURJPY | 128.80 |
| USDJPY | 112.80 |

| Commodities | Price |
|-----------------|-------|
| Gold USD | 1'221 |
| Gold EUR | 1'069 |
| Silver USD | 14.40 |
| Oil (Crude USD) | 56.90 |
| Oil (Brent USD) | 66.8 |



High Conviction Portfolio

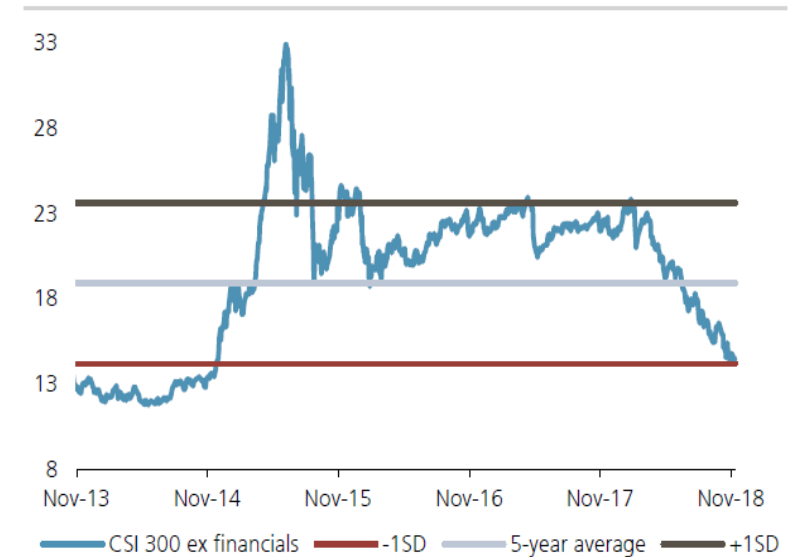
Chart of the Week

| | YTD % | Weekly % | CURRENCY | SECTOR |
|---------------------|-------|----------|----------|------------------------|
| Siemens | -12.8 | -1.0 | EUR | Industrials |
| Carrefour SA | -3.0 | -0.5 | EUR | Consumer Staples |
| IBM | -20.8 | -1.6 | USD | Information Technology |
| Lloyds | -19.9 | -9.1 | GBp | Financials |
| BHP Billition | 5.5 | 1.3 | GBp | Materials |
| Vodafone | -34.7 | 6.6 | GBp | Communication Services |
| Deutsche Telekom | 2.3 | 3.0 | EUR | Communication Services |
| Barclays | -18.8 | -6.7 | GBp | Financials |
| UCB.SA | 16.3 | 1.5 | EUR | Health Care |
| Walt Disney | 8.1 | -1.5 | USD | Communication Services |
| Credit Suisse | -28.9 | -4.7 | CHF | Financials |
| AT&T | -22.1 | -1.3 | USD | Communication Services |
| Societe Generale | -23.1 | -1.8 | EUR | Financials |
| Vivendi | -3.3 | 1.2 | EUR | Communication Services |
| Telefonica | -7.7 | 0.4 | EUR | Communication Services |
| BNP Paribas | -27.4 | -2.5 | EUR | Financials |
| Wacker Chemie | -47.9 | -5.8 | EUR | Materials |
| Imperial Brands | -16.7 | -4.1 | GBp | Consumer Staples |
| Valeo | -60.5 | -5.4 | EUR | Consumer Discretionary |
| Dufry | -28.9 | -3.1 | CHF | Consumer Discretionary |
| Altran Technologies | -37.2 | -4.6 | EUR | Information Technology |
| Arkema | -10.1 | -3.9 | EUR | Materials |
| AB Inbev | -26.4 | 4.3 | EUR | Consumer Staples |
| Travis Perkins | -35.9 | -6.2 | GBp | Industrials |
| Eurofins Scientific | -23.0 | -10.6 | EUR | Health Care |
| Straumann | -5.4 | -5.4 | CHF | Health Care |
| Newmont Mining | -11.2 | 4.1 | USD | Materials |
| Biogen | 1.7 | -0.4 | USD | Health Care |
| Adient | -69.6 | 11.3 | USD | Consumer Discretionary |

Chinese equities are now as cheap as they had been five years ago, at least according to their Price to Earnings ratio. From such levels, Chinese equities rallied by almost 100% in a matter of months in early 2015, as also shown by the P/E chart below which took them in very expensive territory.

Without hinting that a similar outcome should be expected, once can conclude that from a downside / upside perspective, current levels seem to favor buying the market rather than selling it.

Figure 16: Trailing PE for CSI 300 (ex. financials)



Source: Wind, UBS estimates

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



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