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Weekly Report 19.3.2018



Weekly Trading Information – Markets update

After yet another volatile week, equities moved broadly lower, with the exception of the Eurozone markets which managed to sneak out a small gain after Friday's rally, thanks primarily to the falling EUR and the falling bond yields. It was a week with positive announcements with regard to the hot topic of the year (i.e. inflation) as the much awaited inflation numbers out of the US came out as expected (core CPI 1.8% y/y) and the Eurozone inflation numbers were revised a little lower (core CPI 1.2% y/y). However, the US economy seems to have shifted to a lower gear in the first quarter, as February retail sales were announced much worse than expected (-0.1% vs +0.3% expected). After this announcement and following a series of other disappointing macroeconomic data, economists have now downgraded their view on the Q1 GDP to 1.5-2.0%. All of the forecasters agree that this is just a soft patch and they expect the US economy to grow at a higher rate in the following quarters. Politics still dominated the news, as rumors have circulated that President Trump is turning his aim towards China this time, in order to tackle the ever growing trade deficit with them. And if the steel and aluminum tariff's text was well received by the markets, it is not clear how they would react in an "head-on collision" scenario with China. In Japan, Prime Minister Abe is facing severe criticism over a potential scandal involving his wife and her role in obscure real estate deals. A Finance Ministry official has already committed suicide amid the discovery of documents being forged in favor of a company with alleged ties to the prime minister's wife. With upcoming elections in September, Japan is entering a period of political instability, the end result being another push for the JPY higher. Significant upcoming events this week include the meetings of the FED and the Bank of England.

Siemens (+1.4%) outperformed after the much awaited IPO of its healthcare unit (Siemens Healthineers) was well received by the market on its debut. The company is moving in the right direction of "de-conglomeratizing" and remains a top pick in our high conviction portfolio. Eurozone banks moved lower (Societe Generale -2%, BNP -1%) as German bonds rallied (and bond yields fell), while Societe faced additional pressure after news that the deputy CEO was leaving the bank. The reason cited is the ongoing investigation of the US authorities with respect to potential wrongdoings in the US, a well known fact however, for which the bank has already set aside reserves for a potential settlement. Dufry (-4%) moved lower despite good results (growth 7%, first dividend in 10 years of about 3%) as the market did not like the evolution in margins. Having underperformed for almost two years, Healthcare stocks look poised for a rebound as valuations in some cases are very attractive (we added Glaxosmithkline and Biogen).

Bonds traded higher as inflation pressures seem to be abating for now. The 10 year US Treasury closed at 2.85%, having touched 2.80% during the week, while the move was bigger in the 10 year German Bund whose yield fell to 0.57% from 0.63% of the previous week.

Gold is testing again the support around 1'310, as the USD has staged a small comeback, especially against the EUR. Given the various pockets of instability around the world, the metal is expected to be supported around these levels.

The EUR moved lower for a second week to close below 1.2300 again. As long as the currency is trading above 1.2150, there is no clear direction and the range is still valid (1.2150 – 1.2550).

	Level	YTD %	WTD	52 week high	52 week low
DJ INDU AVERAGE	24946.5	0.9	-1.5	26616.7	20379.6
S&P 500	2752.0	2.9	-1.2	2872.9	2322.3
NASDAQ	7482.0	8.4	-1.0	7637.3	5769.4
RUSSELL 2000	1586.0	3.3	-0.7	1615.5	1335.0
XETRA DAX	12389.6	-4.1	0.3	13596.9	11831.0
CAC 40	5282.8	-0.6	0.2	5567.0	4953.6
ESTX 50	3437.4	-1.9	0.5	3708.8	3306.7
SMI	8882.5	-5.3	-0.6	9616.4	8491.6
FTSE 100	7164.1	-6.8	-0.8	7792.6	7062.1
FTSE MIB	22857.7	4.6	0.5	24050.2	19442.7
ATHENS	813.9	1.4	-0.9	895.6	629.7
TOPIX INDEX	1720.0	-4.5	1.2	1911.3	1452.2
CHINA	3275.6	-1.1	-1.1	3587.0	3016.5
HANG SENG	31568.4	5.3	1.6	33484.1	23723.9
EMERGING MARKETS	1213.1	4.7	0.5	1273.1	952.9
WORLD INDEX	2134.1	1.5	-0.7	2249.7	1831.3



High Conviction Portfolio

	YTD %	WTD	DIV YIELD	CURRENCY	SECTOR
Societe Generale	5.0	-1.7	4.9	EUR	Financials
Siemens	-7.7	1.4	3.5	EUR	Industrials
Lloyds	-0.8	0.3	4.5	GBp	Financials
Dufry AG	-10.0	-3.7	0.0	CHF	Consumer Discretionary
Carrefour SA	-6.1	-2.9	2.7	EUR	Consumer Staples
Nokia	20.1	-2.4	4.1	EUR	Information Technology
Roche Holding AG	-10.7	-3.9	3.8	CHF	Health Care
Imperial Brands	-22.5	-5.3	7.0	GBp	Consumer Staples
UCB	2.7	2.0	1.7	EUR	Health Care
Barclays	3.2	-0.6	1.4	GBp	Financials
IBM	4.5	0.6	3.8	USD	Information Technology
BNP Paribas	0.3	-0.8	4.8	EUR	Financials
Vonovia	-6.5	1.1	3.4	EUR	Real Estate
Valeo	-10.6	1.4	2.2	EUR	Consumer Discretionary
BHP	-5.2	0.5	5.0	GBp	Materials
Daimler	-2.3	1.8	5.3	EUR	Consumer Discretionary
Sanofi	-7.9	0.9	4.6	EUR	Health Care
Deutsche Telekom	-9.4	1.4	4.8	EUR	Telecom Services
Telefonica	0.9	0.4	4.9	EUR	Telecom Services
Kering	-2.8	-1.6	1.6	EUR	Consumer Discretionary
Vodafone	-14.3	-2.7	6.5	GBp	Telecom Services
Biogen	-9.7	0.5	0.0	USD	Health Care
GlaxoSmithkline	0.1	-0.9	6.0	GBp	Health Care
SUEZ	-19.7	0.9	5.5	EUR	Utilities
Starbucks Corp	2.7	0.9	2.0	USD	Consumer Discretionary
WPP	-12.8	-2.9	5.1	GBp	Consumer Discretionary
Logitech	13.7	0.3	1.6	CHF	Information Technology
Adient	-24.1	-4.7	1.8	USD	Consumer Discretionary
Altran Technologies	0.2	-2.1	1.7	EUR	Information Technology
Straumann	-9.3	-3.2	0.8	CHF	Health Care

Chart of the Week

The USDJPY is trading again close to its very important support at 105.00. These levels have provided various opportunities for rebounds during the previous weeks, which have all failed at around 107.50. The 107-108 levels have become now the strong resistance (i.e. support for the JPY).
 If the 105 level fails, it is expected that the move higher for JPY will be accelerated and USDJPY could reach quickly the psychological level of 100.00..



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



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