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Weekly Report 10.9.2018



Weekly Trading Information – Markets update

Another week of selling in equity markets brought European indices very close to their March lows, while this time the US Technology sector did not escape. Interestingly, the Technology sell-off took place right after Amazon reached (intraday) the 1 trillion \$ market capitalization level, only to lose 5% in the following two sessions. Italy was the outperformer, with a positive sign for the week, as government officials keep emphasizing in their public remarks that they will respect the E.U. rules on deficits and will surprise positively the markets. We are getting close to the day of the submission of their first budget for the new Italian government and it looks as if indeed the market could be in for a positive surprise and European equities find some , much needed, relief. The markets will also closely watch the ECB meeting this week, which is not expected to produce any surprises, but it would be interesting to hear Mr. Draghi's responses to the ongoing trade war and the latest Eurozone data which show a slight improvement vs the previous six months. In the US , the labor market data, which was announced on Friday, showed a robust picture, with wages increasing at the fastest annual rate since 2009. However if we compare these numbers with the last three months, wages seem to have little moved, offering some relief that inflation is still in check. And because a week cannot end without a tweet by Mr. Trump trying to set the tone for the following week, he forecasted that another 267bn \$, on top of the existing 50bn\$ and potential 200bn\$ of tariffs will soon be in place against China.

As Italy offered some relief to the markets, shares of Banks managed to perform much better than the overall market (UBS +0.1%, Societe Generale +0.5%) while the shares of Carrefour (+1.5%) continued their recovery, going against the negative sentiment, with no specific news. On the negative side, shares of Altran Technologies (-15%) slumped after its quarterly results, which although they showed double digit growth in revenues since last year, its net income was impacted significantly by the forgery which was discovered in the newly acquired company a few months ago. On the positive side, the company confirmed that this was an isolated incident and actions have been put in place to avoid any future misdoings by employees.

Government bonds moved lower at the end of the week, as the macro data out of the US were positive and especially after the announcement of the labor market data. The 10 year US Treasury yield finished the week at 2.93%, up from 2.86% while the 10 year German bund yield closed the week at 0.39%, up from 0.35%. The US yield curve steepened slightly (5 bps) but still is just 25bps away from inversion, which we have signaled as a major risk for financial markets.

Gold was rather range trading during the week, between 1'195 and 1'205, to finish the week on the lower end as bond yields moved higher together with the USD.

The EUR also moved closer to its lower boundary of the 1.1500-1.1750 range after the labor data out of the US and especially after Mr. Trump's tweet about more tariffs against China coming in the following weeks. In another sign that there is something (positive) brewing between the UK and the EU, there were more comments by EU officials who take place in the negotiations that they could be close to an agreement. At the same time, there is growing discussions among trade unions, most of which support the Labor party, to have a positive stance when it comes to a proposal for a second referendum , at a time when Labor's Leader has been publicly against it. The GBP moved higher but remained below the 1.3000 mark against the USD. However, given the extreme bearishness on the British currency, a positive outcome or a second referendum might lead to a big rally in GBP and potentially in British assets.

	Level	YTD %	Weekly %	52 week high	52 week low
DOW JONES	25916.5	4.8	-0.2	26616.7	21731.1
S&P500	2871.7	7.4	-1.0	2916.5	2459.4
NASDAQ	7902.5	14.5	-2.6	8133.3	6344.0
RUSSELL SMALL CAP	1713.2	11.6	-1.6	1742.1	1394.4
EUROPE STOXX50	2971.1	-6.5	-2.3	3283.2	2884.5
EUROSTOXX 50	3293.4	-6.0	-2.9	3708.8	3261.9
GERMANY DAX	11959.6	-7.4	-3.3	13596.9	11726.6
FRANCE CAC40	5252.2	-1.1	-2.9	5657.4	5038.1
SWISS SMI	8843.1	-5.7	-1.5	9616.4	8372.9
UK FTSE 100	7277.7	-5.3	-2.1	7903.5	6866.9
ITALY FTSE 100 MIB	20447.7	-6.4	0.9	24544.3	20236.3
ATHENS GENERAL	687.8	-14.3	-5.7	895.6	684.8
JAPAN TOPIX	1684.3	-7.3	-2.9	1911.3	1590.3
CHINA CSI300	3277.6	-18.7	-1.7	4403.3	3209.0
HONG KONG	26973.5	-9.8	-3.3	33484.1	26669.6
EMERGING MARKETS	1023.0	-11.7	-3.1	1273.1	1018.3
WORLD	2137.6	1.6	-1.7	2249.7	1964.5

Certificates	Price	Weekly %	YTD
KENDRA HIGH CONVICTION	98.0	-2.0%	-2.7%
KENDRA HIGH INCOME	93.8	-1.4%	-2.3%

Currencies	Price
EURUSD	1.11550
EURCHF	1.1200
GBPUSD	1.2920
EURJPY	128.30
USDJPY	111.05

Commodities	Price
Gold USD	1.195
Gold EUR	1035
Silver USD	14.15
Oil (Crude USD)	67.8
Oil (Brent USD)	76.8



High Conviction Portfolio

Chart of the Week

	YTD %	Weekly %	CURRENCY	SECTOR
Carrefour SA	-13.5	1.6	EUR	Consumer Staples
IBM	-5.2	-0.7	USD	Information Technology
Siemens	-6.8	-3.4	EUR	Industrials
Deutsche Telekom	-8.2	-2.3	EUR	Telecommunication Services
Lloyds	-13.7	-0.9	GBp	Financials
Vodafone	-29.7	0.5	GBp	Telecommunication Services
Sanofi	1.6	-1.0	EUR	Health Care
Societe Generale	-17.8	0.5	EUR	Financials
Barclays	-14.1	-0.7	GBp	Financials
BNP Paribas	-19.0	-0.3	EUR	Financials
Imperial Brands	-14.7	-1.6	GBp	Consumer Staples
Telefonica	-16.6	-3.0	EUR	Telecommunication Services
AB Inbev	-16.8	-3.9	EUR	Consumer Staples
Danone	-6.8	-3.9	EUR	Consumer Staples
Newmont Mining	-19.7	-2.9	USD	Materials
UCB.SA	17.6	-1.2	EUR	Health Care
Vivendi	-2.5	-2.2	EUR	Consumer Discretionary
Valeo	-40.1	-4.7	EUR	Consumer Discretionary
Arkema	2.3	-3.7	EUR	Materials
Royal Dutch Shell	-1.7	-2.4	EUR	Energy
Travis Perkins	-27.7	-1.5	GBp	Industrials
Altran Technologies	-36.0	-15.6	EUR	Information Technology
Vonovia	4.2	-2.4	EUR	Real Estate
Wacker Chemie	-28.1	-6.2	EUR	Materials
Roche Holding AG	-3.4	-1.1	CHF	Health Care
Credit Suisse	-17.1	-0.6	CHF	Financials
UBS	-15.5	0.1	CHF	Financials
Dufry	-20.8	-4.3	CHF	Consumer Discretionary
Biogen	6.6	-3.9	USD	Health Care
Straumann	7.4	-4.3	CHF	Health Care
Eurofins Scientific	-7.9	-3.9	EUR	Health Care
Adient	-48.4	-6.1	USD	Consumer Discretionary

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

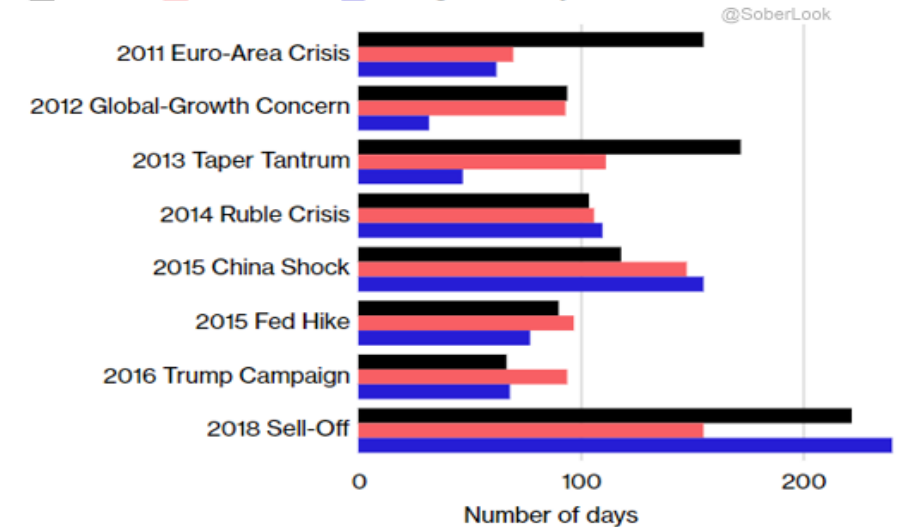
The sell-off in Emerging Market assets (bonds, currencies, equities) has been the longest, in days, since the financial crisis of 2008. The number of days of this selling pressure has now exceeded all previous major events including the 2011 eurozone crisis and the now famous 2013 FED Taper tantrum when Bernanke first threw the idea that the era of low interest rates would soon end.

Emerging market equities have fallen more than 20% from the January peak entering officially bear market territory. For the long term investor they are starting to look interesting again for initiating or adding to positions.

Carry on Selling

This year's rout is the longest since the financial crisis

■ Stocks ■ Currencies ■ Foreign-Currency Bonds



Source: Bloomberg

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