

Weekly Market Commentary and Strategy

15-Apr-2018

Last week stock markets gained about 1.5% on average as a result of fading trade war fears. Markets have toggled between gain and loss, as investors started to give attention to President Trump tweet regarding to Syria gas attack and confrontation with Russia. For straight six weeks S&P 500 is jumping between 1% gain and loss. Geopolitical and political uncertainty in an environment where there is no other news can have a big effect on markets. In our view Middle East tension is mainly due to the fact that U.S. and Russia are exchanging places, i.e. U.S. moves out and Russia moves in – yet, for the moment they are both present. Syria situation can get uglier since there is a support from Russia. Russia achieved a very good relationship not only with Iran but also with Saudi. Saudi invited Russia to become a price maker for oil, for the first time. Russia is talking directly to Iran, which U.S. does not. Oil price will most certainly be affected by these changes. Its price has been increased last week, anticipating the war but without knowing the scale of the attack on Syria. Yesterday U.S, UK and France attacked Syria, but only the research and chemical developments areas, avoiding confrontation with Russia! All in all, we think that the financial markets received information which it did not have last week. Therefore these should now reassess and focus on fundamental data and corporate earnings, having started with great news from big U.S. banks. Oil price which enjoyed a rally during last week based on uncertainty about the war in Middle-East and May 12th decision about U.S. sanction on Iran can face some sell-off from its high. Russia cooperating with Saudi to raise the price of oil to \$80 is having a hard task since U.S, Canada, Brazil and Mexico can bring their production into the market and affect the oil price. Last but not least, in a higher interest rate environment there would be less investment in oil fields. Economic expansion still is in an upward trend but with less momentum compared to the exceptionally strong recent growth. European Central Bank normalisation can cause some volatility for the market. But it is important to recall that European fundamentals are strong, with a low unemployment rate and better than expected corporate earnings and, higher market volatility by no means is the end of the bull market.

Chart of the Week: LIBOR Rise and S&P500 Shock

Looking at 30 years historical data of LIBOR 3Months vs S&P500 Index, shows that these LIBOR 3M increases were an indication for S&P500 Fall. However, comparing today's LIBOR 3M value with 1989 suggests that still there is a room for this incident.



Source:PMW Asset Management,Bloomberg

Market Statistics Monitor

Equities	Change [%]			
	1 Week	YTD	1 Yr	3 Yrs
S&P 500	1.99	-0.65	14.06	26.09
NASDAQ	2.77	2.94	22.42	41.82
Dow Jones	1.79	-1.45	19.10	34.49
Russell 2000	2.39	0.91	15.18	21.50
MSCI Europe	1.13	-2.70	-0.57	-9.27
EuroStoxx 50	1.17	-1.60	-0.01	-9.35
Stoxx Europe 600	1.17	-2.56	-0.36	-8.42
DAX	1.64	-3.68	2.75	1.73
MDAX	-0.06	-2.18	5.59	18.82
CAC 40	1.08	0.05	4.81	1.15
IBEX	0.87	-2.75	-5.41	-17.07
SMI	1.21	-6.46	1.71	-6.92
OMX STH30	1.01	-3.19	-2.93	-10.75
FTSE MIB	1.75	6.76	17.99	-2.91
FTSE 100	1.13	-5.50	-0.86	2.36
MSCI EM	0.70	1.00	21.83	12.85
MSCI Japan	0.81	-4.82	17.00	4.65
TOPIX	0.59	-4.85	18.52	8.85
Hang Seng	3.23	2.97	26.98	11.55
S&P ASX	0.70	-3.89	-1.03	-1.34
MSCI India	1.36	-1.67	13.74	13.49
MSCI China	2.22	2.67	36.88	11.52
MSCI Brazil	-2.00	6.52	19.42	24.99
MSCI AC World	1.63	-0.49	14.89	16.83
Energy	4.04	0.66	9.57	-6.27
Materials	2.61	-2.15	16.85	18.97
Industrials	1.46	-1.81	14.47	21.19
Technology	3.04	3.63	30.98	57.55
Con Dis	0.93	1.63	18.12	21.72
Finance	1.27	-1.16	17.25	16.79
Healthcare	1.65	-0.79	9.53	2.65
Con Stpl	-0.26	-4.90	2.25	7.58
Real Estate	0.13	-4.28	3.00	1.10
Tel Svc	0.52	-5.06	-1.57	-8.57
Utilities	-0.21	-1.91	1.98	3.33

Volatility	1 Week	YTD	1 Yr	3 Yrs
CBOE SPX Volatility	-18.99	57.70	9.09	35.59
Euro Stoxx 50 Volatility	-12.27	13.22	-34.59	-15.98

Bond Yield (10 yr)	Level	Change(bps)		
		1 Week	YTD	1 Yr
USA	2.83	0.05	0.42	0.59
Australia	2.74	0.08	0.11	0.26
New Zealand	2.83	0.02	0.10	-0.11
Canada	2.24	0.10	0.20	0.75
Japan	0.04	-0.01	-0.01	0.03
Germany	0.51	0.01	0.08	0.32
France	0.74	0.01	-0.05	-0.18
Italy	1.80	0.01	-0.22	-0.52
Portugal	1.65	-0.04	-0.29	-2.23
Spain	1.24	0.01	-0.33	-0.47
UK	1.44	0.04	0.25	0.39
Eurozone	0.51	0.01	0.08	0.32

Currency	Level	Change [%]		
		1 Week	YTD	1 Yr
EUR	1.23	0.54	2.66	16.24
JPY	107.34	0.27	-4.60	-1.13
GBP	1.43	1.17	5.37	13.75
CHF	0.96	0.12	-1.22	-4.26
NOK	7.78	-0.84	5.57	-9.57
SEK	8.47	0.58	-3.04	-6.61
CAD	0.79	1.19	-0.59	5.66
MXN	18.05	-1.21	-8.23	-2.53
AUD	0.78	1.08	-0.58	2.47
NZD	0.74	1.06	3.61	4.94
HKD	7.85	0.02	-0.48	1.00

Commodities	Level	1 Week	YTD	1 Yr
Gold Spot	1347	1.14	3.10	4.62
Silver Spot	16.69	1.89	-2.16	-9.99
Platinum Spot	929	1.66	-0.18	-4.52
Palladium Spot	988	9.34	-7.41	23.99
Brent Crude	72.58	8.15	10.34	27.92
NYMEX Natural Gas	2.74	1.26	-0.22	-5.07

Sentiment	Level	1 Week	YTD	1 Yr
Investor Sentiment-Bull	26.09	-18.21	-50.45	-9.94
Investor Sentiment-Bear	42.75	16.68	107.22	14.37

House Price Index	Level	1 Week	YTD	1 Yr
USA	295.30	-0.95	-8.20	-6.72
EU	163.37	0.08	-3.44	-0.88
CH	469.20			1.60

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Company News Highlights

- Volkswagen Labor Unions Fully Support New CEO, Overhaul Plan
- L'Oreal Expects Significant Growth in FY Like-for-Like Sales
- Deutsche Bank May Be Cut by S&P on Prospect of More Changes (1)
- LSE Names Goldman Sachs's David Schwimmer as CEO
- Sage H1 Organic Revenue Below Expectations, FY Guidance Cut
- Rolls-Royce to Carry Out More Inspections on Trent 1000 Pack C
- Rocket Internet Full Year Aggregate Adj. EBITDA Margin -10.3%
- Fraport's Traffic at Frankfurt Airport Rises 13.2% In March
- Saxo CEO Says Bank Is a 'Unicorn,' Geely Paying a 'Fair Price'
- Alstom CEO Says He Sees Siemens Deal Closing by Yr End
- Vinci Says Company Airports 1Q Traffic Rose 12% Y/Y
- Tesco Fourth-Quarter Like-for-like U.K. Sales Beat Estimates
- Sprint, T-Mobile Said to Restart Talks About Potential Deal (3)
- Genmab CEO Plans for Drugmaker to Sell Products Directly: Borsen
- Suez Is Said in Talks to Acquire EDCO: Les Echos
- Hyatt Is Said to Study NH Hotel Stake Bid W/Lone Star: Expansion
- Barry Callebaut First Half Sales 1.4% Below Estimates
- Fox Networks' U.K. Offices Raided by EC Competition Watchdog
- Chr. Hansen Second Quarter Adjusted Ebit 2.5% Below Estimates
- BNP to Buy Raiffeisen Polish Unit's Banking Ops for Abt EU775m
- LVMH Sets Upbeat Tone for Luxury as China Demand Rolls On (1)
- Air France: Strike Negative Impact On Op. Income About EU170M
- Subsea 7 Wins 'Substantial' Contract in Offshore Nigeria
- Zurich Insurance to Buy Back up to 1.74m Shares From April 11
- Carrefour Argentina Crisis Prevention Process Accepted by Govt
- Rolls-Royce Says 16 Nations Show Interest in Its Modular Reactor
- Tel. Italia Says Will Take Legal Action to Protect Holders
- Sulzer No Longer Blocked as Renova Stake Falls to 48.8%
- Gerresheimer 1Q Adjusted Ebitda Misses Lowest Est.
- Takeda Is Said to Approach Banks for Shire Acquisition Financing
- Steinhoff Intl. Raised Proceeds of 3.75B Rand in STAR Shr Sale
- Wirecard Increases Ebitda Forecast Because of Organic Growth
- VW CFO Seen 'Enraged' About Spvy Board Actions Regarding CEO: HB
- Saint-Gobain Acquires 50% of Chinese Flat-Glass Production Line
- Man Group FUM \$112.7b; Negative Investment Movement of \$1.8b
- National Grid Says FY Ebit Misses Forecast on U.S. Storm Impact
- Airbus Is Said to Boost A320 Neo Production to Meet Demand
- CGN Power's Taishan EPR Reactor Gets Fuel-Loading Approval

Equities Monitor



Upgrades

- + Dustin upgraded to buy at Carnegie; PT 85 Kroner
- + Fidessa upgraded to equal-weight at Barclays; PT 36.50 Pounds
- + IAG upgraded to hold at HSBC; PT 5.70 Pounds
- + Iberdrola upgraded to buy at SocGen; PT 6.90 Euros
- + LEG Immobilien upgraded to overweight at JPMorgan; PT 104 Euros
- + Norwegian Air upgraded to hold at HSBC; PT 250 Kroner
- + Tesco upgraded to hold at Independent Research; PT 2.40 Pounds
- + Topdanmark upgraded to hold at SEB Equities; PT 310 Kroner
- + United Internet upgraded to buy at Bankhaus Lampe
- + HSBC upgraded to buy at Bankhaus Lampe
- + Mitie upgraded to outperform at RBC; PT 2 Pounds
- + RWE upgraded to buy at Berenberg
- + Subsea 7 upgraded to sector perform at RBC; PT 115 Kroner
- + Uniper upgraded to hold at Nord/LB; PT 22 Euros
- + Hypoport upgraded to buy at Oddo BHF; PT 163 Euros
- + Ophir Energy upgraded to overweight at Barclays; PT 75 Pence
- + Premier Oil upgraded to equal-weight at Barclays; PT 85 Pence
- + Saint-Gobain upgraded to strong buy at Raymond James
- + Aurea upgraded to buy at Portzamparc; Price Target 9.40 Euros
- + Continental raised to overweight at Morgan Stanley; PT 245 Euros
- + LVMH upgraded to outperform at MainFirst; PT 315 Euros
- + Ted Baker upgraded to buy at Goldman; Price Target 32.50 Pounds



Downgrades

- Lloyds downgraded to hold at HSBC; PT 72 Pence
- Rheinmetall downgraded to neutral at Oddo BHF; PT 115 Euros
- Royal Mail downgraded to underperform at RBC; PT 5 Pounds
- TalkTalk downgraded to sector perform at RBC; PT 1.25 Pounds
- Vivendi downgraded to underperform at MainFirst; PT 18.50 Euros
- Wood Group cut to equal-weight at Morgan Stanley; PT 7 Pounds
- Endesa downgraded to hold at Berenberg
- FLSmidth cut to hold at DNB Markets; PT 410 Kroner
- Ocado downgraded to neutral at JPMorgan; PT 5.05 Pounds
- REC Silicon cut to hold at Kepler Cheuvreux; PT 1.50 Kroner
- Yara downgraded to reduce at Kepler Cheuvreux; PT 300 Kroner
- Aker BP downgraded to equal-weight at Barclays; PT 255 Kroner
- Faroe Petroleum cut to underweight at Barclays; PT 1.25 Pounds
- Remy Cointreau downgraded to neutral at JPMorgan; PT 118 Euros
- Stratec downgraded to neutral at Oddo BHF; PT 74 Euros
- TCS Group GDRs cut to equal-weight at Morgan Stanley; PT \$21.40
- Ascential downgraded to hold at Berenberg
- Aviva downgraded to add at AlphaValue
- Fortum downgraded to sell at Citi
- Lanxess downgraded to underperform at MainFirst; PT 65 Euros

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ETFs Brief

Barclays retiring about half of its exchange product notes, in order to refocus on Banks' major products and risk reduction.

Market volatility invited investors to pour money into ultra short term fixed income ETFs.

Europe's 2nd largest bond ETF, **iShares EM JP Morgen local government bond ETF**, suffered about \$135 million outflows last week. As a result of U.S. sanctions against Russia news.

iShares Commodities Select Strategy ETF attracted the biggest inflows, about \$243 million, last week.

Top performing U.S. listed ETF, was SPDR Oil&Gas Equipment & Services sector.

Top performing Europe listed ETF was SPDR MSCI World Energy sector.

Top Performing Asia listed ETF was MIRAE Asset Tiger Health Care sector.

Top performing leverage ETF, was Direxion Daily Russia Bear 3X.

Bellatrix Fund Performance

	Change [%]				
	1 Week	YTD	1 Yr	3 Yrs	5 Yrs
ARCHEA Fund-Europe-B1	1.16	-1.22	1.81	7.97	34.75
ARCHEA Fund-Nordam-B1	3.53	3.88	21.27	34.27	62.33
ARCHEA Fund-Patrimoine-B1	1.16	-3.88	-0.46	-7.30	17.90
ARCHEA Fund-GlobIQ-B1	1.12	-3.49	-2.91	-12.27	-
ARCHEA Fund-Spectrum	-0.12	-2.05	-2.04	-	-
ARCHEA Fund-Bond Selection-B1	0.33	-0.18	4.93	9.85	24.25
HARVEST INV-Global Convertible-B	1.08	3.33	2.54	3.40	38.98

The Week Ahead Key Economic Releases

Date Time	Country	Event	Period	Survey	Prior
04/16/2018 08:00	GE	Wholesale Price Index YoY	Mar	--	1.20%
04/16/2018 08:30	EC	Bloomberg April Eurozone Economic Survey			
04/16/2018 08:35	GE	Bloomberg April Germany Economic Survey			
04/16/2018 08:40	FR	Bloomberg April France Economic Survey			
04/16/2018 08:45	IT	Bloomberg April Italy Economic Survey			
04/16/2018 16:00	US	Business Inventories	Feb	0.60%	0.60%
04/16/2018 16:00	US	NAHB Housing Market Index	Apr	70	70
04/17/2018 04:00	CH	GDP YoY	1Q	6.80%	6.80%
04/17/2018 04:00	CH	Industrial Production YoY	Mar	6.40%	6.20%
04/17/2018 06:30	JN	Industrial Production MoM	Feb F	--	4.10%
04/17/2018 11:00	GE	ZEW Survey Current Situation	Apr	88	90.7
04/17/2018 11:00	GE	ZEW Survey Expectations	Apr	-1	5.1
04/17/2018 11:00	EC	ZEW Survey Expectations	Apr	--	13.4
04/17/2018 11:00	IT	Trade Balance Total	Feb	--	-8.70E+07
04/17/2018 11:00	IT	Trade Balance EU	Feb	--	4.39E+08

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The Week Ahead Key Economic Releases

Date Time	Country	Event	Period	Survey	Prior
04/17/2018 14:30	US	Housing Starts	Mar	1.27E+06	1.24E+06
04/18/2018 01:50	JN	Trade Balance	Mar	4.99E+11	3.40E+09
04/18/2018 01:50	JN	Exports YoY	Mar	5.60%	1.80%
04/18/2018 01:50	JN	Imports YoY	Mar	6.00%	16.50%
04/18/2018 11:00	EC	CPI Core YoY	Mar F	1.00%	1.00%
04/18/2018 11:00	EC	CPI YoY	Mar F	1.40%	1.40%
04/18/2018 13:00	US	MBA Mortgage Applications	Apr-13	--	-1.90%
04/18/2018 20:00	US	U.S. Federal Reserve Releases Beige Book			
04/19/2018 01:50	JN	Japan Buying Foreign Bonds	Apr-13	--	-6.09E+11
04/19/2018 01:50	JN	Japan Buying Foreign Stocks	Apr-13	--	1.49E+11
04/19/2018 01:50	JN	Foreign Buying Japan Bonds	Apr-13	--	8.19E+11
04/19/2018 01:50	JN	Foreign Buying Japan Stocks	Apr-13	--	3.33E+11
04/19/2018 10:00	EC	ECB Current Account SA	Feb	--	3.76E+10
04/19/2018 10:00	EC	Current Account NSA	Feb	--	1.28E+10
04/19/2018 10:00	IT	Current Account Balance	Feb	--	-1.27E+09
04/19/2018 14:30	US	Initial Jobless Claims	Apr-14	230000	233000
04/19/2018 14:30	US	Continuing Claims	Apr-07	1.85E+06	1.87E+06
04/19/2018 14:30	US	Philadelphia Fed Business Outlook	Apr	21	22.3
04/19/2018 15:45	US	Bloomberg Economic Expectations	Apr	--	56
04/19/2018 15:45	US	Bloomberg Consumer Comfort	Apr-15	--	58
04/19/2018 16:00	US	Leading Index	Mar	0.30%	0.60%
04/20/2018 08:00	GE	PPI YoY	Mar	2.00%	1.80%
04/20/2018 16:00	EC	Consumer Confidence	Apr A	-0.1	0.1

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