

Weekly Market Commentary and Strategy

29-Apr-2018

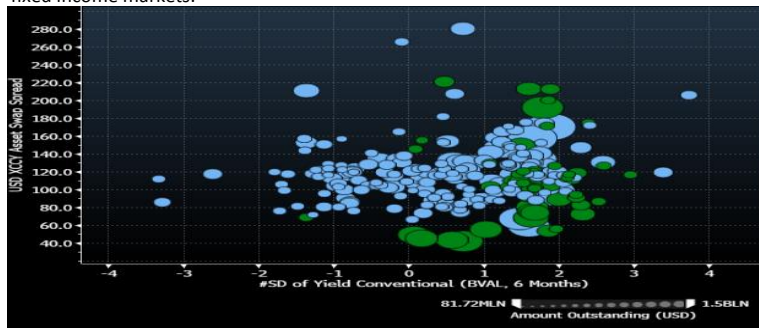
Last week U.S. large cap stocks were little changed, whereas in Europe stocks closed higher. Investors were between optimism driven by strong first-quarter earnings and supportive data for global growth, and pessimism because of interest rate rise. The 10 year U.S. Treasury yield hit 3% for the first time since 2014. We're not too concerned about this 3% yield, as historically since 1950 not even one recession had occurred at this level. Rates will rise, but gradually and still we have ample time to see the end of this route of expansion. However, we're more concerned about the 2 year U.S. Treasury yield, which at the moment is near 2.45%. In our view, the 2 year Treasury yield is a very good deal in terms risk-return for all different types of investors! Last week majority of corporates reported better than expected results. Also, the Philadelphia Fed's business outlook survey was beyond expectations. Manufacturing PMI's new orders were at the highest level since 2015. All in all, the key question is the tendency of the U.S. to lead the rest of the world?!

In Europe ECB kept its language by focusing on "Prudence, Patience and Persistence" with regard to the current weakness in data and continuation of bond buying program. The central Bank of Japan, also kept its language regarding the bond buying program, and continuation of their QE even after the rates would be within the bank's target rate. Earlier this week, French President Emmanuel Macron, stated that "he thinks U.S. President Donald Trump will exit the Iran nuclear agreement"; this statement made oil traded above \$68. But, U.S. Defence Secretary Jim Mattis, on April 26th said that "a decision on a withdrawal has not been made".

We still think that market volatility will continue; therefore investors should have a balance portfolio of fixed income and diversified equities. U.S. duration positioning is less short than before, which can indicate that rates move higher. Lots of short positions in USD are the headwind for a stronger USD in near term. Since the beginning of the year, high yield bonds experienced about \$25 billion outflows, but the return has been resilient. On the other hand, U.S. aggregated strategies, the traditional fixed income market, had negative returns with even over \$35 billion inflows. We are watching these two sectors very carefully! Next week is full of data on both earnings and economy. Notably, Apple shares which were under pressure recently as a result of smartphone slowdown fears, will report on Tuesday.

Chart of the Week: Singapore Bonds vs Malaysia Bonds

Data shows that for U.S. currency investors, Singaporean bonds are more appealing than Malaysian bonds. Since the cost of hedging eliminate majority of profit from Malaysia's fixed income markets.



Source:PMW Asset Management;Bloomberg

Market Statistics Monitor

Equities	Change [%]			
	1 Week	YTD	1 Yr	3 Yrs
S&P 500	-0.01	-0.14	11.98	26.73
NASDAQ	-0.37	3.13	17.73	41.73
Dow Jones	-0.62	-1.65	16.10	34.80
Russell 2000	-0.50	1.35	11.13	24.80
MSCI Europe	0.78	-1.23	-0.61	-3.97
EuroStoxx 50	0.70	0.42	-1.15	-2.72
Stoxx Europe 600	0.73	-1.17	-0.63	-3.19
DAX	0.32	-2.61	1.15	10.04
MDAX	-0.48	-1.30	5.05	27.12
CAC 40	1.30	3.21	4.10	8.81
IBEX	0.42	-1.18	-7.38	-12.77
SMI	0.40	-5.74	0.34	-2.88
OMX STH30	0.52	0.24	-2.84	-3.39
FTSE MIB	0.41	9.49	16.10	4.05
FTSE 100	1.82	-2.41	4.14	8.00
MSCI EM	-1.02	-0.19	18.24	9.14
MSCI Japan	1.52	-2.20	14.88	4.64
TOPIX	1.49	-2.22	16.02	9.20
Hang Seng	-0.45	1.21	23.02	6.62
S&P ASX	1.45	-1.84	0.50	1.97
MSCI India	1.42	0.56	14.84	25.45
MSCI China	-0.49	0.86	32.14	6.87
MSCI Brazil	-0.50	7.64	19.20	20.00
MSCI AC World	-0.28	-0.33	12.33	16.04
Energy	0.44	3.43	14.70	-4.90
Materials	-1.92	-2.19	15.37	15.66
Industrials	-2.10	-2.23	10.07	20.30
Technology	-0.74	2.74	24.46	53.45
Con Dis	0.30	2.85	14.90	22.35
Finance	-0.69	-1.11	13.43	15.39
Healthcare	1.05	0.22	8.14	5.07
Con Stpl	0.47	-7.09	-0.91	5.94
Real Estate	1.35	-3.88	4.64	1.53
Tel Svc	0.76	-3.78	-0.16	-10.58
Utilities	1.64	0.34	4.30	3.75

Volatility	1 Week	YTD	1 Yr	3 Yrs
CBOE SPX Volatility	-8.71	39.58	42.42	15.09
Euro Stoxx 50 Volatility	-4.54	-2.81	-22.98	-45.39

Bond Yield (10 yr)	Level	Change(bps)		
		1 Week	YTD	1 Yr
USA	2.96	0.00	0.55	0.68
Australia	2.82	0.02	0.19	0.25
New Zealand	2.89	0.02	0.17	-0.15
Canada	2.32	-0.01	0.28	0.78
Japan	0.06	-0.01	0.01	0.04
Germany	0.57	-0.02	0.14	0.25
France	0.80	-0.02	0.01	-0.04
Italy	1.74	-0.04	-0.27	-0.54
Portugal	1.65	0.00	-0.29	-1.89
Spain	1.26	-0.02	-0.31	-0.39
UK	1.45	-0.04	0.26	0.36
Eurozone	0.57	-0.02	0.14	0.25

Currency	Level	Change [%]		
		1 Week	YTD	1 Yr
EUR	1.21	-1.51	0.74	11.10
JPY	109.04	1.47	-3.10	-2.09
GBP	1.38	-1.85	1.87	6.39
CHF	0.99	1.39	1.49	-0.56
NOK	7.96	1.88	2.70	-6.95
SEK	8.66	2.84	-5.79	-1.93
CAD	0.78	-0.90	-2.53	6.20
MXN	18.62	0.60	-5.00	-0.92
AUD	0.76	-1.36	-3.12	1.18
NZD	0.71	-1.89	-0.30	3.04
HKD	7.85	0.05	-0.45	0.89

Commodities	Level	1 Week	YTD	1 Yr
Gold Spot	1322	-1.20	1.19	4.33
Silver Spot	16.45	-4.23	-3.54	-4.79
Platinum Spot	914	-1.50	-1.83	-3.63
Palladium Spot	971	-6.37	-8.94	17.33
Brent Crude	74.64	0.78	13.47	40.86
NYMEX Natural Gas	2.77	0.14	-0.07	-5.49

Sentiment	Level	1 Week	YTD	1 Yr
Investor Sentiment-Bull	36.91	-2.30	-29.90	-3.00
Investor Sentiment-Bear	25.55	-12.56	23.85	-19.43

House Price Index	Level	1 Week	YTD	1 Yr
USA	300.80	2.57	-6.49	-3.87
EU	166.92	1.33	-1.34	2.42
CH	469.20			1.60

Weekly Market Commentary and Strategy

Company News Highlights

- Deutsche Bank to Reduce Investment Banking in Focus on Europe
- Roche Raises 2018 Sales Growth Outlook to Low Single- Digit
- Barclays First-Quarter Net Operating Income Meets Estimates
- Lufthansa Earnings Rise on Early Easter, Collapse of Air Berlin
- Nokia Raises 2018 Networks Market Outlook, Expects to Outperform
- Total Adj. Net Income Matches Estimates; Co. Lifts Output Goal
- Shell First Quarter Adj. Profit 2.3% Above Estimates
- Assa Abloy First-Quarter Ebit 1.7% Below Estimates
- Fortum First-Quarter Operating Profit Beats Highest Estimate
- Domino's Pizza Group 1Q U.K. System Sales GBP285.5m
- Telefonica First-Quarter Oibda 1.0% Above Estimates
- Telefonica Deutschland Confirms FY Targets, 1Q Profit Beats
- Danske Bank First-Quarter Net Income Beats Highest Estimate
- KPN 1Q Adjusted Ebitda From Continuing Ops 1.5% Above Est.
- BlackRock, Schroders in 2nd Round for Lloyds Fund Bid: FT
- Axa Received \$3.2B From Completion of U.S. Pre-IPO Transactions
- Deutsche Bank to Reduce Investment Banking in Focus on Europe
- Orange Reaffirms 2018 Targets as 1Q Matches Estimates
- Sabadell First-Quarter Net Income Beats Highest Estimate
- Osram Warns of Lighting Slowdown for Second Time This Year
- Takeda Tumbles as Shire Says It's Willing to Recommend New Offer
- Credit Suisse Beats Estimate as Client Assets Soar
- Norsk Hydro First Quarter Underlying Profit Beats Estimates
- STMicroelectronics First Quarter Net Income 2.1% Above Estimates
- Whitbread FY Adjusted Pretax Profit Beats Highest Est.
- CRH Plans EU1B Share Buyback Program; Q1 Sales Drop 2%
- Gucci's Online Sales More Than Double as Kering Bounds Ahead
- Lloyds First Quarter Underlying EPS Misses Lowest Estimate
- Novozymes First Quarter Ebit 3.1% Above Estimates
- Statoil Says Could Take A \$500M Tax Exposure Amid Review
- BMW CEO Says Open to Taking More Than 50% Stake in Great Wall JV
- Dutch Govt Memos Hints Unilever Pushed for Dividend Tax Cut: FD
- Air Liquide 1Q Rev. EU5.01b, Est. EU4.97b
- Nordea First Quarter Net Interest Income 2.8% Below Estimates
- Clariant First Quarter Sales 1.8% Above Estimates
- Atos 1Q Rev. +3.7% at Constant Rates; Confirms 2018 Targets
- Aixtron First-Quarter Revenue 3.7% Above Estimates

Equities Monitor



Upgrades

- + Alkemy upgraded to buy at Banca IMI; PT 14.90 Euros
- + Atos upgraded to buy at HSBC; PT 120 Euros
- + BBGI SICAV SA/Fund upgraded to buy at Jefferies
- + Buzzi Unicem upgraded to add at AlphaValue
- + Dassault Aviation upgraded to hold at Berenberg
- + Generali upgraded to neutral at Citi
- + ICG Enterprise Trust upgraded to buy at Stifel; PT 8.70 Pounds
- + Norsk Hydro upgraded to buy at Carnegie; PT 65 Kroner
- + Orion upgraded to hold at SEB Equities; PT 26 Euros
- + Puma upgraded to outperform at Raymond James
- + SEB upgraded to add at AlphaValue
- + Sunrise upgraded to equal-weight at Morgan Stanley; PT 90 Francs
- + Tarkett upgraded to overweight at JPMorgan; PT 32 Euros
- + Technopolis upgraded to buy at SEB Equities; PT 4.40 Euros



Downgrades

- ASML downgraded to hold at Nord/LB; PT 180 Euros
- Atria downgraded to reduce at OP Corporate Bank; PT 12 Euros
- Avance Gas downgraded to sell at SEB Equities; PT 20 Kroner
- BW Offshore cut to hold at Arctic Securities; PT 45 Kroner
- CityFibre Infrastructure Holdings cut to sector perform at RBC
- Hannover Re downgraded to sell at Citi
- Hapag-Lloyd downgraded to neutral at MainFirst; PT 38 Euros
- Holmen downgraded to sell at SEB Equities; PT 410 Kroner
- Liberbank cut to neutral at GVC Gaesco Beka (ESN); PT 50 Cents
- Munich Re downgraded to neutral at Citi
- Nordea downgraded to hold at SEB Equities; PT 97 Kroner
- OVS downgraded to hold at HSBC; PT 3.70 Euros
- Prudential downgraded to neutral at Citi
- Rheinmetall downgraded to neutral at Equinet; PT 118 Euros

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Private Equity's Brief

Former U.S. Secretary of State, John Kerry, working as a senior advisor for TPG's Rise Fund with focus on renewable energy opportunities.

Insurers are almost double bullish on Private Equity, since 2014.

Carlyle should report a boost to fee-related earnings, as it is willing to raise \$100 billion by end of 2019.

A Venture Capital firm related to Rockefeller fortune, will be more disciplined when it comes to digital currency investing and prefer investing in startup equities.

The EIB has slashed about two thirds of deals with U.K. Venture Capitals and Private Equity firms after Brexit.

Bellatrix Fund Performance

	Change [%]				
	1 Week	YTD	1 Yr	3 Yrs	5 Yrs
ARCHEA Fund-Europe-B1	0.09	-0.29	0.13	12.50	35.20
ARCHEA Fund-Nordam-B1	-0.93	2.84	16.95	32.01	61.65
ARCHEA Fund-Patrimoine-B1	-0.22	-3.63	-1.29	-3.52	17.38
ARCHEA Fund-GlobIQ-B1	0.32	-2.30	-1.53	-8.42	-
ARCHEA Fund-Spectrum	-0.36	-1.91	-1.90	-	-
ARCHEA Fund-Bond Selection-B1	-0.17	-0.49	3.75	9.84	23.24
HARVEST INV-Global Convertible-B	0.42	3.86	3.13	8.16	37.98

The Week Ahead Key Economic Releases

Date Time	Country	Event	Period	Survey	Prior
04/30/2018 03:00	CH	Non-manufacturing PMI	Apr	54.5	54.6
04/30/2018 03:00	CH	Manufacturing PMI	Apr	51.3	51.5
04/30/2018 03:00	CH	Composite PMI	Apr	--	54
04/30/2018 08:00	GE	Retail Sales YoY	Mar	1.20%	1.30%
04/30/2018 09:00	GE	CPI Saxony YoY	Apr	--	1.50%
04/30/2018 10:00	EC	M3 Money Supply YoY	Mar	4.10%	4.20%
04/30/2018 10:00	GE	CPI Brandenburg YoY	Apr	--	1.60%
04/30/2018 10:00	GE	CPI Hesse YoY	Apr	--	1.50%
04/30/2018 10:00	GE	CPI Bavaria YoY	Apr	--	1.70%
04/30/2018 11:00	IT	CPI EU Harmonized YoY	Apr P	0.80%	0.90%
04/30/2018 14:00	GE	CPI YoY	Apr P	1.50%	1.60%
04/30/2018 14:00	GE	CPI EU Harmonized YoY	Apr P	1.50%	1.50%
04/30/2018 16:00	US	Pending Home Sales NSA YoY	Mar	--	-4.40%
04/30/2018 16:30	US	Dallas Fed Manf. Activity	Apr	25	21.4
05/01/2018 10:30	UK	M4 Money Supply YoY	Mar	--	4.10%
05/01/2018 16:00	US	ISM Manufacturing	Apr	58.5	59.3
05/01/2018 16:00	US	ISM Employment	Apr	--	57.3
05/01/2018 16:00	US	ISM Prices Paid	Apr	76.8	78.1
05/01/2018 16:00	US	ISM New Orders	Apr	--	61.9

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The Week Ahead Key Economic Releases

Date Time	Country	Event	Period	Survey	Prior
05/02/2018 02:30	JN	Nikkei Japan PMI Services	Apr	--	50.9
05/02/2018 02:30	JN	Nikkei Japan PMI Composite	Apr	--	51.3
05/02/2018 07:00	JN	Consumer Confidence Index	Apr	44.5	44.3
05/02/2018 09:50	FR	Markit France Manufacturing PMI	Apr F	53.4	53.4
05/02/2018 09:55	GE	Markit/BME Germany Manufacturing PMI	Apr F	58.1	58.1
05/02/2018 10:00	EC	Markit Eurozone Manufacturing PMI	Apr F	56	56
05/02/2018 10:00	IT	Unemployment Rate	Mar P	10.90%	10.90%
05/02/2018 11:00	EC	Unemployment Rate	Mar	8.50%	8.50%
05/02/2018 11:00	EC	GDP SA QoQ	1Q A	0.40%	0.60%
05/02/2018 11:00	EC	GDP SA YoY	1Q A	2.50%	2.70%
05/02/2018 13:00	US	MBA Mortgage Applications	Apr-27	--	-0.20%
05/02/2018 14:15	US	ADP Employment Change	Apr	198000	241000
05/02/2018 20:00	US	FOMC Rate Decision (Upper Bound)	May-02	1.75%	1.75%
05/02/2018 20:00	US	FOMC Rate Decision (Lower Bound)	May-02	1.50%	1.50%
05/02/2018	IT	Budget Balance	Apr	--	-2.09E+10
05/03/2018 10:30	UK	Official Reserves Changes	Apr	--	1.49E+09
05/03/2018 11:00	EC	PPI YoY	Mar	2.10%	1.60%
05/03/2018 11:00	EC	CPI Core YoY	Apr A	0.90%	1.00%
05/03/2018 11:00	EC	CPI Estimate YoY	Apr	1.30%	--
05/03/2018 11:00	EC	European Commission Updates Its Economic			
05/03/2018 14:30	US	Initial Jobless Claims	Apr-28	224000	209000
05/03/2018 14:30	US	Continuing Claims	Apr-21	1.84E+06	1.84E+06
05/03/2018 14:30	US	Trade Balance	Mar	-5.00E+10	-5.76E+10
05/03/2018 15:45	US	Bloomberg Consumer Comfort	Apr-29	--	57.5
05/03/2018 15:45	US	Markit US Services PMI	Apr F	54.5	54.4
05/03/2018 15:45	US	Markit US Composite PMI	Apr F	--	54.8
05/03/2018 16:00	US	ISM Non-Manf. Composite	Apr	58.1	58.8
05/03/2018 16:00	US	Durable Goods Orders	Mar F	--	2.60%
05/03/2018 16:00	US	Durables Ex Transportation	Mar F	--	0.00%
05/03/2018 16:00	US	Factory Orders	Mar	1.40%	1.20%
05/04/2018 08:45	FR	Current Account Balance	Mar	--	-2.00E+09
05/04/2018 08:45	FR	Budget Balance YTD	Mar	--	-2.85E+10
05/04/2018 10:00	EC	Markit Eurozone Services PMI	Apr F	55	55
05/04/2018 10:00	EC	Markit Eurozone Composite PMI	Apr F	55.2	55.2
05/04/2018 11:00	EC	Retail Sales YoY	Mar	1.90%	1.80%
05/04/2018 14:30	US	Change in Nonfarm Payrolls	Apr	195000	103000
05/04/2018 14:30	US	Unemployment Rate	Apr	4.00%	4.10%
05/04/2018 14:30	US	Underemployment Rate	Apr	--	8.00%
05/04/2018 14:30	US	Average Hourly Earnings YoY	Apr	2.70%	2.70%