

**Weekly Market Comment (by Dr. Mahnoosh Mirghaemi) 21-Oct-2018**

Last week global stocks finished mixed. Investor focus toggled between fundamentals and geopolitical uncertainty, and every single day had good and bad news for the markets. The Q3 earning season kicked-off with good results, though the industrial sector lagged and European luxury goods faced some difficulties. Trade volume shows that investors were extremely cautious. Last week dealt with multiple risks, from slowing leading economic indicators globally, softer demand in automotive, Brexit, Italy, currency devaluation in Argentina and potential full blown global trade war. In Europe the Brexit drama, as well as Italy's budget conflict were the main catalysts for the sell-off across the unions' equities. At the same time U.S. was fighting with trade war and rate rise. It was very difficult to predict or justify any bottom of the sell-off, as investors were still waiting for earning results. Last week the yield differential between German bonds and 10-Year Treasury went to astonishing 275bps. Since beginning of the year we're carefully monitoring this differential, since it is an important indicator of the economic and policy related divergence of U.S. and Europe, which we already predicted in our January reports. On Wednesday Fed released its latest monetary policy statement, in which it kept its gradual rate hike path and, as far as we are concerned, we saw no surprise in the minutes and all should already be priced in the markets. We believe that the sell-off in China was also due to margin call pressure, and we would not be surprised if the same happens across European stocks. What made us extremely nervous was the potential rise of a conflict between Saudi Arabia and USA. In 2016 numbers were published, which have been secret for more than four decades. According to this data, U.S. agreed to buy Saudi's oil and provide military aid and, in return, Saudi would keep investing into Treasuries which was important for U.S. spending continuation. Saudi currently holds about \$120billion of U.S. Treasury, making them one of the top 12 holders. Although that figure is much less than Chinese and Japanese in comparison, who are each holding more than \$1 trillion, but if it comes hard-to-hard Saudi will use its oil as a weapon. Saudi is now collecting its profit by having Iran out of the competition. Trump needs Saudi to keep pressure on Iran, while he wants to have a lower oil price. On the other hand, Saudi announced to react upon any aggressive action. One reaction is to use oil as a threat, knowing that Trump doesn't like it. Interestingly, another regards regional relationships, as mentioned by Turki Al Dakhil, who heads the Saudi state-owned Arabiya news network: "If pushed, the Sunni Muslim monarchy could rethink its regional relationships, going as far as patching up differences with Shiite Iran and its Lebanese proxy Hezbollah". In our view, if that happens, it would be historic. While President Trump is facing his first real political dilemma, he recently announced another tax-cut ahead of the midterm elections as honey to the mouth to get a majority of the votes. All in all, we still doubt a recession in near term, but volatility behaviour is indicating towards an end of the bull cycle, which may continue till Q1 2019.

**Market Statistics Monitor**

Equities	Change [%]			
	1 Week	YTD	1 Yr	3 Yrs
S&P 500	0.02	3.52	7.48	37.09
NASDAQ	-0.64	7.90	12.37	53.90
Dow Jones	0.41	2.93	9.07	48.20
Russell 2000	-0.30	0.43	2.17	34.68
MSCI Europe	0.69	-7.11	-7.38	-0.39
EuroStoxx 50	0.51	-8.37	-10.94	-1.88
Stoxx Europe 600	0.64	-7.18	-7.41	-0.39
DAX	0.26	-10.56	-11.06	12.85
MDAX	1.16	-7.83	-7.31	20.81
CAC 40	-0.22	-4.29	-5.36	8.30
IBEX	-0.11	-11.47	-13.02	-12.46
SMI	2.44	-5.43	-3.95	3.14
OMX STH30	-0.31	-2.87	-8.15	5.48
FTSE MIB	-0.91	-12.69	-14.62	-13.95
FTSE 100	0.77	-8.30	-6.29	11.05
MSCI EM	-0.88	-16.14	-13.24	13.08
MSCI Japan	-0.47	-6.02	-1.76	8.77
TOPIX	-0.56	-6.86	-2.18	10.87
Hang Seng	-0.93	-14.57	-10.27	11.19
S&P ASX	0.74	-2.07	0.55	13.17
MSCI India	-2.06	-5.69	-1.28	16.75
MSCI China	-1.87	-19.92	-17.31	12.46
MSCI Brazil	3.52	-2.58	-6.94	72.99
MSCI AC World	-0.14	-3.70	-0.47	22.11
Energy	-1.12	0.64	7.03	14.55
Materials	-1.32	-12.59	-8.21	26.53
Industrials	-1.22	-7.59	-4.94	23.56
Con Dis	-1.07	-2.68	3.19	20.05
Finance	-0.03	-11.00	-7.88	15.08
Healthcare	0.98	6.88	5.96	21.33
Con Stpl	2.67	-7.60	-3.39	5.37
Real Estate	2.23	-9.67	-7.90	-4.59
Tel Svc	1.29	-9.50	-7.42	-5.53
Utilities	2.60	-0.75	-4.00	7.39
Volatility	1 Week	YTD	1 Yr	3 Yrs
CBOE SPX Volatility	-6.66	80.16	99.50	19.10
Euro Stoxx 50 Volatility	-7.06	39.02	53.76	-13.95

Bond Yield (10 yr)	Level	Change(bps)		
		1 Week	YTD	1 Yr
USA	3.19	0.03	0.79	0.81
Australia	2.68	-0.07	0.05	-0.10
New Zealand	2.66	0.00	-0.07	-0.30
Canada	2.50	0.00	0.46	0.47
Japan	0.15	0.00	0.10	0.07
Germany	0.46	-0.04	0.03	0.01
France	0.84	-0.03	0.06	-0.02
Italy	3.48	-0.09	1.47	1.44
Portugal	2.02	-0.02	0.08	-0.29
Spain	1.74	0.06	0.17	0.07
UK	1.58	-0.06	0.39	0.25
Eurozone	0.46	-0.04	0.03	0.01

Currency	Level	Change [%]		
		1 Week	YTD	1 Yr
EUR	1.15	-0.37	-4.18	-2.24
JPY	112.45	0.41	-0.12	-0.83
GBP	1.31	-0.67	-3.36	-0.93
CHF	1.00	0.59	2.37	1.32
NOK	8.21	0.36	-0.25	2.81
SEK	8.99	0.24	-8.96	9.98
CAD	0.76	-0.53	-4.45	-3.83
MXN	19.26	1.70	-2.20	1.38
AUD	0.71	0.24	-8.78	-8.91
NZD	0.66	1.31	-7.09	-5.41
HKD	7.84	0.07	-0.36	0.49

Gold Spot	1227	0.61	-6.03	-4.14
Silver Spot	14.64	0.24	-14.18	-14.30
Platinum Spot	832	-0.52	-10.62	-9.98
Palladium Spot	1081	1.16	1.33	10.94
Brent Crude	79.78	-0.81	25.36	42.77
NYMEX Natural Gas	3.25	2.82	13.36	5.62

Sentiment	Level	1 Week	YTD	1 Yr
Investor Sentiment-Bull	33.94	10.88	-35.54	-10.52
Investor Sentiment-Bear	35.02	-1.21	69.75	25.38

House Price Index	Level	1 Week	YTD	1 Yr
USA	308.59	2.90	-4.07	-3.69
EU	153.65	4.30	-9.19	-3.40
CH	472.30			1.68

## Weekly Market Commentary & Strategy

### Company News Highlights

- ABB Said to Work With Credit Suisse, Dyal on Power Grid Options
- Air France Unions Likely to Agree to Wage Deal in Days: Tribune
- Avast 3Q Adj. Revenue, Ebitda Grow; Keeps Outlook Unchanged
- Casino Agrees to Sell Real- Estate Assets for EU180 Million
- Citycon Third Quarter EPRA EPS Beats Estimates
- Com Hem Third Quarter Adjusted Ebitda Beats Highest Estimate
- Domino's Pizza Group Starts GBP25m Buyback; U.K. LFL Sales Rise
- Elisa Third Quarter Revenue Misses Lowest Estimate
- GVC Holdings 3Q Net Gaming Revenue +14%; CFO Bowtell to Leave
- HSBC Set to Become First Foreign Company to List in China: FT
- Ipsos: Acquisition of Market Pulse International Assets
- Libor-Rigging Guilty Verdicts Bolster U.S. Bid to Punish Traders
- National Express Third Quarter Revenue +9.5%
- Nestle's Chief for Asia Resigns as Sales Growth Accelerates
- Pernod Ricard 1Q Sales EU2.39b; Est. EU2.36b
- RWS Holdings Sees Full Year Sales At Least GBP305 Mln
- Sligro Third Quarter Revenue EU591 Mln
- Swiss Re Sees Claims of \$1.1b from Natural Disasters in 3Q
- Takeda's Shire Deal Cleared by Japan Fair Trade Commission
- Unilever Sales Growth Picks Up Amid Modest Price Increases
- Watch Italian Stocks Amid Further EU Criticism of Budget Plans
- Yara Third-Quarter Adjusted Ebitda Misses Lowest Estimate
- Akzo Nobel Pushes Ahead With Cost Savings as Raw Materials Soar
- ASML's fourth-quarter sales and profit forecasts beat analyst expectations and it announced five new orders for its newest lithography machines in the third quarter.
- Asos Full Year Pretax Profit 1.4% Above Estimates
- Balfour Beatty Named Contractor for GBP2.1b Scape Framework
- Castellum Third Quarter Rental Income SEK1.40 Bln
- Danone's Recovering Yogurt Business Offsets Baby-Food Slowdown
- DIA Plans to Sell, Suspends Finance Director Sanchez: Economista
- GE Expected to Beat Siemens for Iraq Power Contract, FT Says
- Minnesota accused Novo Nordisk and two other synthetic insulin makers of engaging in price gouging of diabetes patients through deceptive price lists for the life-saving drug.
- Nordea Money Flows Questioned as Browder Seeks Nordic Probes
- Nordic Semiconductor Third Quarter Ebit 3.9% Above Estimates
- Pearson Sees Full Year Adjusted EPS 68p To 72p
- Rathbone Brothers 3Q Funds Under Management GBP47.28 Bln
- Roche's old guard of blockbuster medicines held their own against a new wave of cheaper copycats during the Q3. It reported overall sales of 14 billion Swiss francs for the quarter, up 7 percent from a year ago.
- Segro Third Quarter Vacancy Rate 5.2%
- Watch Chip Stocks After Lam Research and ASML Beat Expectations
- Watch WPP, Publicis as U.K. Advertising Budget Growth Slows
- Zooplus Third Quarter Sales EU331 Mln

### Equities Monitor



#### Upgrades

- + Admiral upgraded to buy at Goldman; PT 23.52 Pounds
- + ADO Properties upgraded to buy at ING; Price Target 60 Euros
- + Aggreko upgraded to outperform at RBC; PT 10 Pounds
- + Antofagasta upgraded at Peel Hunt and at Macquarie; PT 10 / PT 9.20 Pounds
- + Basilea upgraded to hold at Baader Helvea; PT 55 Francs
- + BAT upgraded to buy at DZ Bank; PT 28 Pounds
- + Carrefour upgraded to buy at HSBC; PT 18.50 Euros
- + Enel upgraded to buy at Citi; PT Set to 5 Euros
- + Hellenic Petroleum raised to overweight at Pantelakis
- + Homeserve upgraded to buy at Citi; PT Set to 10.50 Pounds
- + KPN upgraded to overweight at Barclays; PT 3 Euros
- + Laboratorios Farmaceuticos Rovi raised to market perform at BBVA
- + Logitech upgraded to neutral at JPMorgan
- + Moncler upgraded to buy at Jefferies; Price Target 40 Euros
- + Nordic Semiconductor upgraded to buy at SpareBank; PT 50 Kroner
- + Norwegian Finans Holding raised to buy at SEB Equities
- + OneSavings Bank raised to outperform at Macquarie
- + SES GDRs upgraded to neutral at JPMorgan; PT 21 Euros
- + Sixt upgraded to buy at Baader Helvea; Price Target 112 Euros



#### Downgrades

- Avantium N.V. cut to reduce at Kepler Cheuvreux; PT 3.50 Euros
- ConvaTec cut to underperform at Credit Suisse; PT 1.55 Pounds
- ConvaTec downgraded to neutral at JPMorgan; PT 1.83 Pounds
- Fresenius Medical cut to hold at DZ Bank and Independent Research; PT 72 / PT 66 Euros
- Getinge downgraded to reduce at AlphaValue
- Handelsbanken downgraded to sell at DNB Markets; PT 101 Kroner
- Intu downgraded to neutral at Citi
- Lufthansa downgraded to sell at DZ Bank; PT 15.50 Euros
- Mediclinic cut to equal-weight at Barclays and Morgan Stanley; PT 4.60 / PT 4.50 Pounds
- Michelin downgraded to neutral at Goldman; PT 126 Euros
- Nordic Semiconductor cut to neutral at SpareBank; PT 40 Kroner
- Norwegian Air downgraded to reduce at HSBC; PT 125 Kroner
- Safran downgraded to underperform at Jefferies; PT 95 Euros
- SKF downgraded to sell at Berenberg
- Smith & Nephew downgraded to hold at HSBC; PT 14 Pounds
- Superdry downgraded to hold at Stifel; PT 8 Pounds
- Swedbank downgraded to sell at DNB Markets; PT 192 Kroner
- Tomra downgraded to sell at SEB Equities; PT 175 Kroner

## Weekly Market Commentary & Strategy

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### Oil's Brief

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**Saudi Aramco** is planning to buy stakes in **Chinese refinery**. The latest strategical move from Saudi, in order to securing channels for sales.

**Oil price traded lower**, despite all the potential tensions between U.S. and Saudi over a missing critic of the kingdom. Simply higher than expectation **American stockpiles** offset the geopolitical tension.

**Iraq** is selling more oil to Europe and Asia compare with U.S. This is due to Iran's oil sanction.

**Shell** has an agreement to sale its Nordic assets in **Denmark** for a value of \$1.9 billion.

At the same time when **Saudi** threatened to use oil as a political weapon, the **U.S.** announced the shale oil production which can reach to the highest level in November.

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### Asia's Brief

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The Reserve Bank of **India's** rates rises in June and August, caused government bond yields increase. As a result the country's corporate bond sales growth slow down last month.

**Chinese** authorities are planning to form an expert panel in order to hear WTO disputes regarding to the steel and aluminium tariffs, which has been imposed by **U.S.**, according to the Ministry of Commerce website.

Further yuan weakened, caused faster capital outflows and more intense intervention. Foreign exchange purchase on the PBOC's balance sheet lost the most since January last year.

**Japan** core inflation increased last month, mainly due to higher oil prices and weaker yen which boost the import prices.

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### Private Equity's Brief

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**Blackstone** is on the right growth track. The firm attracted about \$24.1 billion in 3Q, which brings total AUM to \$456.7 billion.

**Ares**, the direct lending pioneer, is looking to invest in structural credit and ABS in Europe and Asia.

**Blackstone** CEO, **BlackRock** CEO, **KKR** CEO, **Bain** Co-Chairman and **TPG's** CEO are among the top PE executives, who pulled out of the "Davos in the Desert" conference as a result of government critic death.

The report shows that more than \$660 million of **Abraj** investors' money was moved into the bank accounts which is call "Abraj treasury", according to WSJ.

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### ETF's Brief

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**BlackRock** net inflows slow down in 3Q, as a result of market uncertainty.

**SPDR S&P 500** ETF Trust experienced more than \$6.6 billion outflows, which is the 17th largest outflows in the fund history.

**MSCI USA Momentum Factor** ETF lost more than 4.5% and moved into the oversold territory. The fund is about \$10billion.

The difference between recent market sell-off and Feb's, is **short volatility** ETF products. In Feb they were about \$3.43 billion ahead of the VIX spike, while during last two weeks they were just \$527 million.

## Weekly Market Commentary & Strategy

Bellatrix Fund Performance						
	Change [%]					
	1 Week	YTD	1 Yr	3 Yrs	5 Yrs	
ARCHEA Fund-Europe-B1	1.10	-3.46	-3.96	15.22	25.34	
ARCHEA Fund-Nordam-B1	-1.37	2.88	6.29	36.57	45.03	
ARCHEA Fund-Patrimoine-B1	-0.09	-8.83	-8.21	3.16	12.48	
ARCHEA Fund-GlobIQ-B1	0.76	-7.64	-7.96	-2.95	-	
ARCHEA Fund-Spectrum	1.11	-4.97	-4.96	-	-	
ARCHEA Fund-Bond Selection-B1	-0.25	-3.05	-2.32	12.93	17.89	
HARVEST INV-Global Convertible-B	0.87	2.94	1.61	13.53	34.98	

## The Week Ahead Key Economic Releases

Date Time	Country	Event	Period	Survey	Prior
10/20/2018 03:30	CH	New Home Prices MoM	Sep	--	1.49%
10/22/2018 06:30	JN	All Industry Activity Index MoM	Aug	0.40%	0.00%
10/22/2018 09:00	JN	Convenience Store Sales YoY	Sep	--	1.00%
10/22/2018 11:00	EC	Govt Debt/GDP Ratio	2017	--	86.70%
10/22/2018 14:30	US	Chicago Fed Nat Activity Index	Sep	0.25	0.18
10/23/2018 08:00	GE	PPI MoM	Sep	0.20%	0.30%
10/23/2018 08:00	GE	PPI YoY	Sep	2.90%	3.10%
10/23/2018 16:00	US	Richmond Fed Manufact. Index	Oct	25	29
10/23/2018 16:00	EC	Consumer Confidence	Oct A	-3.2	-2.9
10/24/2018 01:30	JN	Nikkei Japan PMI Mfg	Oct P	--	52.5
10/24/2018 07:00	JN	Coincident Index	Aug F	--	117.5
10/24/2018 07:00	JN	Leading Index CI	Aug F	--	104.4
10/24/2018 08:45	FR	Business Confidence	Oct	--	106
10/24/2018 08:45	FR	Manufacturing Confidence	Oct	107	107
10/24/2018 08:45	FR	Production Outlook Indicator	Oct	--	--
10/24/2018 08:45	FR	Own-Company Production Outlook	Oct	--	--
10/24/2018 08:45	FR	Business Survey Overall Demand	Oct	--	--
10/24/2018 09:15	FR	Markit France Manufacturing PMI	Oct P	--	52.5
10/24/2018 09:15	FR	Markit France Services PMI	Oct P	54.6	54.8
10/24/2018 09:15	FR	Markit France Composite PMI	Oct P	--	54
10/24/2018 09:30	GE	Markit/BME Germany Manufacturing PMI	Oct P	53.3	53.7
10/24/2018 09:30	GE	Markit Germany Services PMI	Oct P	55.5	55.9
10/24/2018 09:30	GE	Markit/BME Germany Composite PMI	Oct P	55	55
10/24/2018 10:00	EC	Markit Eurozone Manufacturing PMI	Oct P	52.9	53.2
10/24/2018 10:00	EC	M3 Money Supply YoY	Sep	3.50%	3.50%
10/24/2018 10:00	EC	Markit Eurozone Services PMI	Oct P	54.5	54.7
10/24/2018 10:00	EC	Markit Eurozone Composite PMI	Oct P	54	54.1
10/24/2018 10:30	UK	UK Finance Loans for Housing	Sep	--	39402
10/24/2018 13:00	US	MBA Mortgage Applications	Oct-19	--	-7.10%
10/24/2018 15:00	US	FHFA House Price Index MoM	Aug	0.30%	0.20%

## Weekly Market Commentary & Strategy

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Date Time	Country	Event	Period	Survey	Prior
10/24/2018 15:45	US	Markit US Manufacturing PMI	Oct P	55.5	55.6
10/24/2018 15:45	US	Markit US Services PMI	Oct P	54	53.5
10/24/2018 15:45	US	Markit US Composite PMI	Oct P	--	53.9
10/24/2018 16:00	US	New Home Sales	Sep	630000	629000
10/24/2018 16:00	US	New Home Sales MoM	Sep	0.20%	3.50%
10/24/2018 20:00	US	U.S. Federal Reserve Releases Beige Book			
10/24/2018 11/02	GE	Import Price Index MoM	Sep	--	0.00%
10/24/2018 11/02	GE	Import Price Index YoY	Sep	--	4.80%
10/25/2018 01:50	JN	PPI Services YoY	Sep	--	1.30%
10/25/2018 01:50	JN	Japan Buying Foreign Bonds	Oct-19	--	1.02E+12
10/25/2018 01:50	JN	Japan Buying Foreign Stocks	Oct-19	--	8.18E+10
10/25/2018 01:50	JN	Foreign Buying Japan Bonds	Oct-19	--	-1.79E+11
10/25/2018 01:50	JN	Foreign Buying Japan Stocks	Oct-19	--	5.26E+10
10/25/2018 03:00	CH	Swift Global Payments CNY	Sep	--	2.12%
10/25/2018 08:00	GE	GfK Consumer Confidence	Nov	10.5	10.6
10/25/2018 10:00	GE	IFO Business Climate	Oct	103.2	103.7
10/25/2018 10:00	GE	IFO Expectations	Oct	100.2	101
10/25/2018 10:00	GE	IFO Current Assessment	Oct	105.8	106.4
10/25/2018 12:00	FR	Total Jobseekers	3Q	--	3.44E+06
10/25/2018 13:45	EC	ECB Main Refinancing Rate	Oct-25	0.00%	0.00%
10/25/2018 13:45	EC	ECB Marginal Lending Facility	Oct-25	0.25%	0.25%
10/25/2018 13:45	EC	ECB Deposit Facility Rate	Oct-25	-0.40%	-0.40%
10/25/2018 14:30	US	Advance Goods Trade Balance	Sep	-7.46E+10	-7.58E+10
10/25/2018 14:30	US	Wholesale Inventories MoM	Sep P	--	1.00%
10/25/2018 14:30	US	Retail Inventories MoM	Sep	--	0.70%
10/25/2018 14:30	US	Durable Goods Orders	Sep P	-1.00%	4.40%
10/25/2018 14:30	US	Durables Ex Transportation	Sep P	0.30%	0.00%
10/25/2018 14:30	US	Cap Goods Orders Nondef Ex Air	Sep P	--	-0.90%
10/25/2018 14:30	US	Cap Goods Ship Nondef Ex Air	Sep P	--	-0.20%
10/25/2018 14:30	US	Initial Jobless Claims	Oct-20	--	210000
10/25/2018 14:30	US	Continuing Claims	Oct-13	--	1.64E+06
10/25/2018 15:45	US	Bloomberg Consumer Comfort	Oct-21	--	60.8
10/25/2018 16:00	US	Pending Home Sales MoM	Sep	-0.20%	-1.80%
10/25/2018 16:00	US	Pending Home Sales NSA YoY	Sep	--	-2.50%
10/25/2018 17:00	US	Kansas City Fed Manf. Activity	Oct	--	13
10/25/2018	CH	FX Net Settlement - Clients CNY	Sep	--	-6.33E+10
10/26/2018 01:30	JN	Tokyo CPI YoY	Oct	1.40%	1.30%
10/26/2018 08:45	FR	Consumer Confidence	Oct	--	94
10/26/2018 08:45	FR	PPI MoM	Sep	--	0.20%
10/26/2018 08:45	FR	PPI YoY	Sep	--	3.70%
10/26/2018 10:00	EC	ECB Survey of Professional Forecasters			
10/26/2018 10:00	IT	Hourly Wages YoY	Sep	--	2.00%

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10/26/2018 10:00	IT	Hourly Wages MoM	Sep	--	0.90%
10/26/2018 14:30	US	GDP Annualized QoQ	3Q A	3.30%	4.20%
10/26/2018 14:30	US	Personal Consumption	3Q A	--	3.80%
10/26/2018 14:30	US	GDP Price Index	3Q A	2.50%	3.00%
10/26/2018 14:30	US	Core PCE QoQ	3Q A	--	2.10%
10/26/2018 16:00	US	U. of Mich. Sentiment	Oct F	98.6	99
10/26/2018 16:00	US	U. of Mich. Current Conditions	Oct F	--	114.4
10/26/2018 16:00	US	U. of Mich. Expectations	Oct F	--	89.1
10/26/2018 16:00	US	U. of Mich. 1 Yr Inflation	Oct F	--	2.80%
10/26/2018 16:00	US	U. of Mich. 5-10 Yr Inflation	Oct F	--	2.30%
10/27/2018 03:30	CH	Industrial Profits YoY	Sep	--	9.20%
10/27/2018 11/02	GE	Retail Sales MoM	Sep	--	-0.10%
10/27/2018 11/02	GE	Retail Sales YoY	Sep	--	1.60%