



8 Minutes to Convince

Advisory Desk

September 25th 2017

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Markets this Week



Notable Numbers

Equity Indices	5 day % Ch.	Bonds yields Spreads	5 day Y bp Ch.	Currencies	5 day % Ch.
United States		United States		United States	
S&P 500	0.1	5Y Treas.	0.04	Yen	-0.61
Nasdaq	0.3	10Y Treas.	0.02	Euro	-0.01
Russell 2000	1.3			Swiss Fr.	-0.78
Europe		Europe		Europe	
Eurostoxx 50	0.7	1Y Bund	0.02	Pound/Dollar	0.43
Stoxx 600	0.7	10Y Bund	0.01	Pound/Euro	0.44
CAC 40	1.3	10Y Italy	0.03	Euro/CHF	-0.77
DAX	0.6	10Y Spain	0.02		
FTSE 100	1.3			Japan	
FTSE MIB	1.4	10y UK	0.05	Yen / Swiss	-0.17
IBEX	-0.1	10y CH	0.01	Yen/ Euro	0.62
SPI	1.1			Commodities	
Japan				Crude Oil	1.24
Nikkei 225	2.4			Gold	-1.05
Topix	2.0				
Emerging		Emerging		Emerging	
Bovespa	-0.5	10Y Brasil	-0.16	Real	-0.44
Micex	-0.1			Ruble	0.26
Sensex	-2.1	10Y India	0.06	Rupee	-0.99
Shanghai	-0.7	10Y China	0.02	Yuan	-0.44
Hong Kong	-2.0				

25.09.2017

07:24:28



Notable Events

Last week

Fed starts wrapping up QE and commits to year end rate hike

Weak victory by Angela Merkel in **German elections**

Coming up

27.9 **US** durable good orders

29.9 Large amount of **Japanese numbers** including inflation



Chart of the Week

Portugal Back to Investment Grade Status

Bit of a surprise on the timing

S&P takes it back to BBB-, Fitch and Moody's silent for now

Started to be **priced in** by the market since March

Now at 40bp above 10Y Italy

10Y at **1.56%** in... April 2015 and.. back to **4.3%** just last March

A lot of **hot money** on this trade -> volatility can continue to be expected

Be careful at these levels



Portugal 10 Year yields over 1Y
Source: **Bloomberg**



Recommendations & Follow-up



New ETF Recommendation

Powershares US High Yield Fallen Angels UCITS ETF

Factor Investing in High Yield (1)

For various reasons, Investment Grade bond downgrades (= “Fallen Angels”) trigger **pricing overreactions**

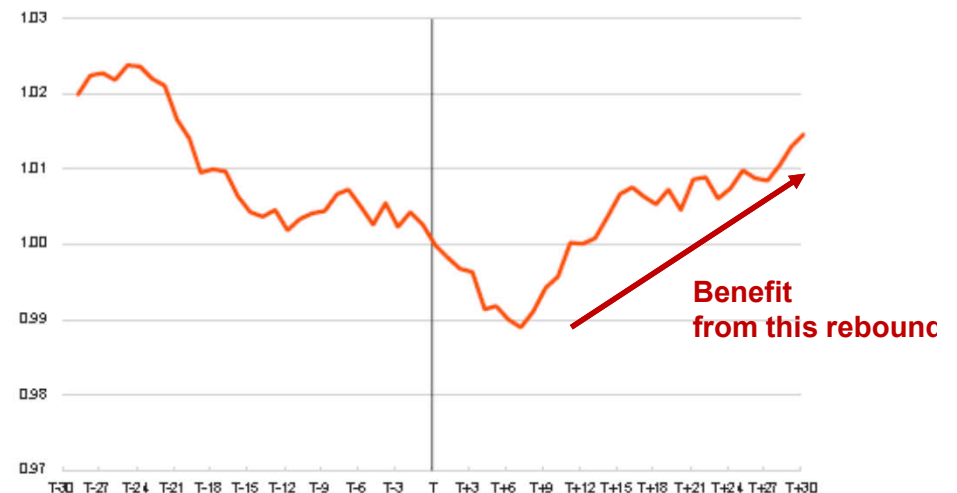
- Index / fund universe **exclusion**
- Investor **anticipation**
- Other **psychological** factors

Studies show that a few days following the downgrade these factors subside -> a **rebound** usually happens

This ETF attempts to capture the **outperformance** generated by this recurring trend (max. 60 months holding period)

Overweight in bonds that have more **recently** become «fallen angels» in this ETF

Figure 2: The average response of bond prices around a downgrade to fallen angel status



Source of data: The Yield Book Inc. and Citigroup Index LLC. Source of calculations: Cass Business School, based on bond prices of fallen angels from the Citi US High Yield Market Index over the period from January 2006 to February 2016.

New ETF Recommendation

Powershares US High Yield Fallen Angels UCITS ETF

Factor investing in High Yield (2)

Recent launch in Sept. 16 for this product and June 16 for ishares in the US = a factor still **under the radar** for investors

Issuer cap of 5% but by definition a high **concentration** in a single sector in this product (currently 38% in Energy)

Reminder: High yield investments = high risk/reward ratio

Added to the Gonet ETF list

BUY in reasonable amounts for the **aggressive** part of the portfolio



Source: Powershares

Physical Replication

Registration: CH AT DE FR IT NL UK

Charges : 0.45% p.a.

ISIN IE00BD0Q9673

New Bond Recommendation

CHF 2.1% Russian Railways (RZD) 02.10.2023



Same rating as **Russia** (BB+): 100% government owned

Investment grade at **Fitch**

Strategic importance of the 85'000km network ensures recurring subsidies

Profit and revenue increases in the latest results (08.17)

Potential **price volatility**, especially if political tensions rise (Ukraine etc.) or oil price drops

Min size: CHF 5'000
ISIN CH0379268748



Advisory Recommended List Bonds (1)



ISIN	Curr.	CPN %	NAME	Maturity	S&P Rating	MOODY'S Rating	Price	YTM %	Dur.	SPRD.	Amount Issued	Min Piece	Min Incr	ISSUANCE MARKET
GOVERNMENT AND INVESTMENT GRADE														
XS1554373164	EUR	0.875	FRESENIUS FIN IRELAND PL	31.01.2022	BBB-	Baa3	101.29	0.6	4.0	92	700MM	1000	1000	EURO-ZONE
XS1598835822	EUR	1.000	FCA BANK SPA IRELAND	15.11.2021	BBB-	Baa1	101.62	0.6	4.0	101	800MM	100000	1000	EURO MTN
FR0013240835	EUR	1.000	RENAULT SA	08.03.2023	BBB-	Baa3	101.27	0.8	5.0	94	750MM	1000	1000	EURO MTN
XS1614198262	EUR	1.375	GOLDMAN SACHS GROUP INC	15.05.2024	BBB+	A3	101.56	1.1	5.4	129	2MMM	1000	1000	EURO MTN
XS1457522727	GBP	2.000	WELLS FARGO & COMPANY	28.07.2025	A	A2	98.21	2.3	7.1	114	1MMM	100000	1000	EURO MTN
US035242AG14	USD	1.900	ANHEUSER-BUSCH INBEV FIN	01.02.2019	A-	A3	100.23	1.7	1.3	29	4MMM	1000	1000	GLOBAL
US78012KNL79	USD	1.625	ROYAL BANK OF CANADA	15.04.2019	AA-	A1	99.86	1.7	1.5	28	1.35MMM	1000	1000	GLOBAL
US685218AC36	USD	1.625	ORANGE SA	03.11.2019	BBB+	Baa1	99.29	2.0	2.0	53	1.25MMM	2000	1000	GLOBAL
DE000A18ZSF5	USD	2.125	DAIMLER FINANCE NA LLC	06.04.2020	A	A2	100.27	2.0	2.4	43	500MM	2000	2000	EURO MTN
US38141GWS53	USD	2.600	GOLDMAN SACHS GROUP INC	27.12.2020	BBB+	A3	100.91	2.3	2.2	75	1.75MMM	2000	1000	GLOBAL
US25152R2X04	USD	3.125	DEUTSCHE BANK AG	13.01.2021	BBB-	Baa2	101.19	2.7	3.1	87	1MMM	1000	1000	GLOBAL
US002824BD12	USD	2.900	ABBOTT LABORATORIES	30.11.2021	BBB	Baa3	101.50	2.5	3.8	64	2.85MMM	2000	1000	GLOBAL
US615369AG02	USD	2.750	MOODY'S CORPORATION	15.12.2021	BBB+	#N/A N/A	101.44	2.4	3.9	51	500MM	2000	1000	GLOBAL
XS1550117342	USD	2.375	NESTLE HOLDINGS INC	18.01.2022	AA-	Aa2	101.42	2.0	4.0	14	650MM	2000	1000	EURO MTN
US44891CAM55	USD	3.100	HYUNDAI CAPITAL AMERICA	05.04.2022	A-	Baa1	99.91	3.1	4.1	125	500MM	2000	1000	EURO-DOLLAR
US8672ENAG74	USD	2.800	SUNCORP-METWAY LTD	04.05.2022	A+	A1	100.52	2.7	4.3	78	500MM	2000	1000	EURO-DOLLAR
US928563AB16	USD	2.950	VMWARE INC	21.08.2022	BBB-	Baa2	100.54	2.8	4.5	96	1.5MMM	2000	1000	GLOBAL
US49456BAM37	USD	3.150	KINDER MORGAN INC	15.01.2023	BBB-	Baa3	100.09	3.1	4.8	126	1MMM	1000	1000	GLOBAL
US949746SK86	USD	3.069	WELLS FARGO & COMPANY	24.01.2023	A	A2	101.72	2.7	4.0	77	3.75MMM	1000	1000	GLOBAL
US037833AK68	USD	2.400	APPLE INC	03.05.2023	AA+	Aa1	99.72	2.5	5.2	58	5.5MMM	2000	1000	GLOBAL
US37045XBK19	USD	3.700	GENERAL MOTORS FINL CO	09.05.2023	BBB	Baa3	103.41	3.0	4.9	114	1.2MMM	2000	1000	GLOBAL
US172967GT25	USD	3.500	CITIGROUP INC	15.05.2023	BBB	Baa3	102.48	3.0	5.0	115	1.25MMM	1000	1000	GLOBAL
XS0938722666	USD	4.125	GLENCORE FUNDING LLC	30.05.2023	BBB	Baa2	104.50	3.3	5.0	138	1.5MMM	2000	1000	EURO-DOLLAR
US031162CH16	USD	2.250	AMGEN INC	19.08.2023	A	Baa1	97.93	2.6	5.5	76	750MM	2000	1000	GLOBAL
US05565QDG01	USD	3.216	BP CAPITAL MARKETS PLC	28.11.2023	A-	A1	102.23	2.8	5.4	94	1.2MMM	1000	1000	GLOBAL
US824348AV80	USD	3.125	SHERWIN-WILLIAMS CO	01.06.2024	BBB	Baa3	100.87	3.0	5.8	88	500MM	2000	1000	GLOBAL
US00206REL24	USD	3.400	AT&T INC	14.08.2024	BBB+/*-	Baa1/*-	100.42	3.3	5.9	123	3MMM	2000	1000	GLOBAL
USU05526AJ48	USD	3.222	BAT CAPITAL CORP	15.08.2024	BBB+	Baa2	100.76	3.1	6.0	100	2.5MMM	2000	1000	EURO-DOLLAR
USQ8809VAH26	USD	3.625	SYDNEY AIRPORT FINANCE	28.04.2026	BBB	Baa2	101.50	3.4	7.1	112	900MM	2000	1000	EURO-DOLLAR
US437076BN13	USD	2.125	HOME DEPOT INC	15.09.2026	A	A2	94.11	2.9	8.1	61	1MMM	2000	1000	GLOBAL

Source: Bloomberg



Advisory Recommended List Bonds (2)



ISIN	CURR.	CPN %	NAME	MATURITY	S&P RATING	MOODY'S RATING	PRICE	YTM %	DUR.	SPRD.	AMOUNT ISSUED	MIN PIECE	MIN INCR	ISSUANCE MARKET
HIGH YIELD														
XS1189795591	CHF	2.125	SUNRISE COMMUNICATIONS H	31.03.2022	BBB-	Ba2	101.71	1.7	0.5	139	500MM	150000	1000	EURO NON-DOLLAR
XS1571293684	EUR	1.875	TELEFONAKTIEBOLAGET LM E	01.03.2024	BB+	Ba1	97.70	2.3	5.9	231	500MM	100000	1000	EURO MTN
XS1568874983	EUR	3.750	PETROLEOS MEXICANOS	21.02.2024	BBB+	Baa3	106.17	2.7	5.6	273	1.25MMM	100000	1000	EURO MTN
FR0013245586	EUR	2.000	PEUGEOT SA	23.03.2024	#N/A N/	Ba1	101.88	1.7	6.0	173	700MM	1000	1000	EURO MTN
USU4866DAC75	USD	4.750	KFC HLD/PIZZA HUT/TACO	01.06.2027	BB	B1	102.50	4.4	6.3	210	750MM	2000	1000	EURO-DOLLAR
EMERGING HARD CURRENCY														
CH0374882816	CHF	2.250	GAZPROM (GAZ CAPITAL SA)	19.07.2022	BB+	Ba1	101.03	2.0	4.5	252	500MM	5000	5000	EURO NON-DOLLAR
CH0379268748	CHF	2.100	RZD CAPITAL PLC (RZD)	02.10.2023	#N/A N/	Ba1e	100.30	2.0	5.6	250	450MM	5000	5000	EURO NON-DOLLAR
US44891CAM55	USD	3.100	HYUNDAI CAPITAL AMERICA	05.04.2022	A-	Baa1	99.91	3.1	4.1	125	500MM	2000	1000	EURO-DOLLAR
US31572UAE64	USD	5.250	FIBRIA OVERSEAS FINANCE	12.05.2024	BBB-	Ba1	107.50	4.0	5.5	169	600MM	2000	1000	GLOBAL
US29082HAA05	USD	5.050	EMBRAER NETHERLANDS FINA	15.06.2025	BBB	Ba1	106.39	4.1	6.3	181	1MMM	2000	1000	GLOBAL
VARIABLE COUPON														
FR0013250685	EUR	0.319	RCI BANQUE SA	12.04.2021	BBB	Baa1	100.845	0.1	0.0		750MM	1000	1000	EURO MTN
INFLATION LINKED														
US912828XL95	USD	0.375	TSY INFL IX N/B	15.07.2025	#N/A N/	Aaa	100.40	0.3	3.8	-155 40.999MMM		100	100	US GOVT
PERPETUALS														
CH0315593852	CHF	2.750	ZURICH INSURANCE CO	Perpetual	A	A3	105.14	1.3	3.5	188	225MM	5000	5000	DOMESTIC
FR0012650281	EUR	6.250	AIR FRANCE-KLM	Perpetual	#N/A N/	#N/A N/A	109.14	3.0	2.6	358	600MM	100000	100000	EURO-ZONE
DE000A11QR65	EUR	3.000	BAYER AG	Perpetual	BBB /*-	Baa2 /*-	105.14	1.1	2.7	171	1.75MMM	1000	1000	EURO MTN

21.09.2017

Source: Bloomberg



Advisory Recommended List Equity

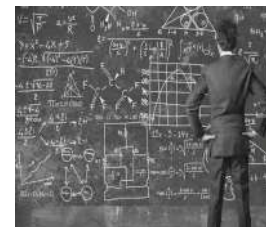


ISIN	Sector	Currency	NAME	PRICE	TARGET % UP.	perf 5D	perf 1y	v/s 52 Wh	PER 16e	YIELD %	REC PRICE	REC DATE	
INTL. EQUITY													
BE0974293251	Consumer, Non-cyc	EUR	Anheuser-Busch InBev SA/NV	98.34	120	22	-3.96	-13.17	-17.78	23.07	3.7	107.05	04.05.2017
US3696041033	Industrial	USD	General Electric Co	24.32	32	32	0.87	-18.53	-24.89	14.29	4.0	30.52	22.02.2017
AN8068571086	Energy	USD	Schlumberger Ltd	67.62	85	26	1.05	-11.68	-23.02	29.13	3.0	73.89	26.04.2017
SWISS EQUITY													
CH0012138530	Financial	CHF	Credit Suisse Group AG	15.29	17.2	12	2.07	29.56	-1.10	12.23	4.4	14.92	28.07.2017
21.09.2017													

Source: Bloomberg



Advisory Universe Structured Products



Currency	ISIN	Type	Coupon	Underlying	Maturity	Str.	Barr.	Type	Dst. Br/St.	Dst. call	Est. Price	Issuer / Guar.	Rating	Lnch. date	Rec price
SWISS FRANC															
CHF	XS1339591064	BRCA	5% p.a.	Adecco / Swisscom / Nestle / UBS	02.02.2018	100%	68%	Europ.	29%	-4%	101.17	RBC	S&P AA-	01.02.2016	97.64
CHF	CH0329511601	RC	4.8 p.a.	Novartis / UBS / LafargeHolcim	19.02.2018	71%	n.a.	Europ.	34%	n.a.	101.36	Notenstein	Mdy A2	12.09.2016	98.5
CHF	CH0343991094	PBRCA	6.12% p.a.	UBS / Holcim / Swatch	16.01.2019	80%	47%	Europ.	52%	-2%	99.29	SocGen	Mdy A2	09.01.2017	98.5
CHF	CH0338742254	PRCA	5.15% p.a.	Clariant / Lonza / Straum. / Georg F.	11.01.2019	72%	n.a.	Europ.	46%	46%	100.15	Raiffeisen	Mdy A2	11.01.2017	98.2
CHF	CH0344130874	BRCA	6.32% p.a.	Adecco / Richemont / Zurich	28.08.2018	88%	67%	Europ.	35%	9%	101.32	Raiffeisen	Mdy A2	22.02.2017	98.5
CHF	CH0359329023	BRCA	5.64% p.a.	Adecco / Swiss Re / Zurich	10.01.2019	87%	70%	Europ.	26%	0%	98.07	SocGen	Mdy A2	31.03.2017	98.5
CHF	CH0362110345	BRCA	6.36% p.a.	Credit Suisse / Richemont/ ABB	08.11.2018	85%	70%	Europ.	29%	-2%	97.09	SocGen	Mdy A2	28.04.2017	98.5
CHF	CH0365692117	BRCA	5.5% p.a.	Cr. Suisse/ Swatch / LafargeH / Swssc	27.12.2018	100%	57%	Europ.	46%	5%	97.84	SocGen	Mdy A2	25.06.2017	98.5
CHF	CH0365693511	BRCA	5.6% p.a.	Clariant / Kühne+Nagel / Richemont	08.01.2019	100%	67%	Europ.	38%	7%	98.5	SocGen	Mdy A2	27.06.2017	98.5
EURO															
EUR	CH0329513011	BRC	5.2% p.a.	Accor / Bayer / L'Oreal / Sanofi	25.10.2017	100%	72%	Europ.	33%	n.a.	100.88	Notenstein	Mdy A2	25.10.2016	99
EUR	CH0327386428	RC	5.28% p.a.	Accor / Essilor / Publicis	14.11.2017	75%	n.a.	Europ.	21%	n.a.	99.93	Socgen	Mdy A2	07.11.2016	99
EUR	CH0343988447	BRCA	7.44% p.a.	Fresenius SE / Axa / Carrefour	15.06.2018	80%	65%	Europ.	10%	-24%	92.05	Socgen	Mdy A2	08.12.2016	98.5
EUR	CH0344133654	BRCA	5.7% p.a.	Danone / L'Oreal / Royal Dutch	24.09.2018	100%	67%	Europ.	34%	5%	102.03	Raiffeisen	Mdy A2	15.03.2017	98.5
EUR	XS1549062740	BRCA	7.8% p.a.	Axa / Carrefour / Luxottica	26.11.2018	100%	70%	Europ.	4%	-27%	82.96	BNP Paribas	Mdy A1	18.05.2017	98.5
EUR	CH0365691606	BRCA	5.52% p.a.	Abn Amro / BMW / Eni	20.12.2018	100%	62%	Europ.	37%	-2%	96.76	SocGen	Mdy A2	13.06.2017	98.5
EUR	CH0370822527	BRCA	6.48% p.a.	Anheuser B. / Volksw. / Carrefour	31.01.2019	100%	65%	Europ.	18%	-20%	90.91	SocGen	Mdy A2	24.07.2017	98.5
EUR	CH0373641882	XC	5.19% p.a.	Adidas / Axa / BMW	15.08.2019	72%	n.a.	Europ.	26%	2%	96.11	Raiffeisen	Mdy A2	09.08.2017	98
EUR	CH0370825934	BRCA	7.08% p.a.	Accor / Axa / St Gobain	28.02.2019	100%	70%	Europ.	31%	13%	99.82	SocGen	Mdy A2	23.08.2017	98.5
EUR	CH0380894805	BRCA	6% p.a.	Continental / Essilor / STM	20.03.2019	90%	62%	Europ.	37%	3%	97.72	Raiffeisen	Mdy A2	14.09.2017	98.6
US DOLLAR															
USD	CH0326740633	BRCA	6.84% p.a.	J&Johnson / Pfizer / Merck	08.01.2018	100%	70%	Europ.	30%	0%	102.07	Notenstein	Mdy A2	08.07.2016	99
USD	CH0344125049	BRCA	8% p.a.	Schlumberger / Disney / Alphabet	13.06.2018	100%	65%	Europ.	19%	-15%	98.71	Raiffeisen	Mdy A2	06.11.2016	99
USD	CH0321556885	BRC	6.8% p.a.	Apple / Boeing / Disney	01.03.2018	100%	68%	Europ.	25%	n.a.	104.24	JP Morgan	Mdy A3	22.02.2017	99
USD	XS1549035779	BRCA	6.6% p.a.	Nike / Schlumberger / Verizon	15.11.2018	90%	70%	Europ.	25%	-6%	95.4	BNP Paribas	Mdy A1	08.05.2017	98.5
USD	XS1549145446	BRCA	7% p.a.	Chevron / Eli Lilly / Microsoft	10.12.2018	100%	66%	Europ.	36%	3%	99.87	BNP Paribas	Mdy A1	01.06.2017	98.5
USD	CH0370822360	BRCA	6.6% p.a.	Accenture / Caterpillar / Nike	28.01.2019	100%	62%	Europ.	31%	-11%	95.16	SocGen	Mdy A2	21.07.2017	98.5
USD	CH0371910867	BRCA	7.32% p.a.	Facebook / Caterpillar / Union Pacific	05.03.2019	100%	65%	Europ.	37%	14%	100.05	SocGen	Mdy A2	28.08.2017	98.5

XC= Express Certificate
 RC = Reverse Convertible
 BRC = Barrier Reverse Convertible
 BRCA = Barrier Reverse Convertible Autocallable
 PRCA= Phoenix (Conditional coupon) Reverse Convertible Autocallable
 PBRCA= Phoenix (Conditional coupon) Barrier Reverse Convertible Autocallable

Please consult the advisory desk before purchases in the secondary market

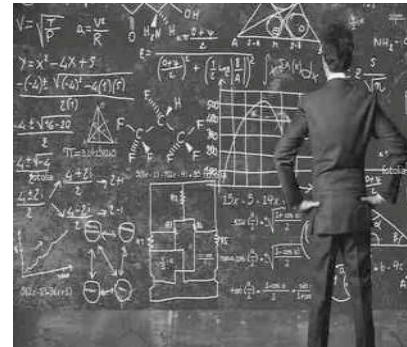
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Source: Bloomberg / Issuers



Recent Actionable Ideas

25/9/2017



Bonds

Goldman 2024 EUR

ATT 2024 USD

HY Yum 2027 USD

Equity

AB Inbev

Schlumberger

Crédit Suisse

Struct. Prod.

Misc.

Long Gold as
protection /
diversification



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