No. 402
3 April
2017

BONHÔTE
BANQUIERS DEPUIS 1815

FLASH
BOURSIER

HARD TIMES MIGHT STILL BE AHEAD

Highlights:

Confidence indicators rising

Falling un-employment in Europe

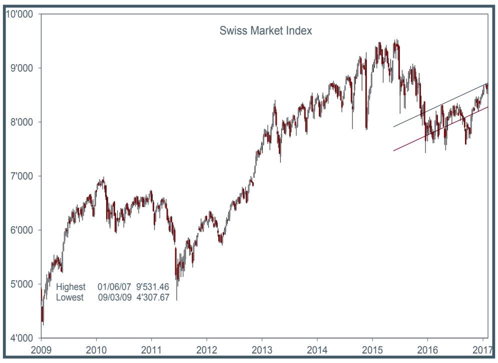
Overview

Global equity markets tanked last week amid the apparent sentiment that investors are losing confidence in the Trump administration's ability to stick to its campaign pledges, especially concerning launching fiscal stimulus and reducing the tax take. Quite tellingly, the Dollar Index (which tracks the buck against a basket of reference currencies) hit a four-month low. But then financial markets recovered lost ground after the consumer confidence indicator for March hit its highest level since December 2000. Additionally, the world's leading economic power continues to ride the wave of rising inflation and the broad-based acceleration in manufacturing output– spurred on by world trade.

Asian markets have started in the green ahead of plentiful events this week, including the all-important summit between Xi Jinping and Donald Trump, publication of the latest Fed meeting minutes and the monthly jobs report in the US.

Meanwhile, European job numbers point to economic recovery, although one which is not as fast as the upturn witnessed in the US. Over the past couple of years, employment has increased at an annual rate exceeding 1%, resulting in a significant drop in the unemployment rate from 10.4% to 9.6%, with the countries hit hardest by the debt crisis – Ireland, Portugal and Spain – posting the sharpest declines. Following suit in regard to the US, sentiment among economic agents has been improving slowly but surely. Recent surveys conducted by the European Commission have yielded their best results in six years.

But even though economic data and confidence indicators are reverting to former highs, gauges monitoring political and economic uncertainty are climbing dangerously to new highs. With political instability the current threat, conditions could take a turn for the worst. This should not be overlooked. A wait-and-see approach is still advised.



The SMI is still awaiting a reason for exiting its consolidation phase. Support remains at 8400 points while resistance is at 8800 points.

Key data

	USD/CHF	EUR/CHF	SMI	EURO STOXX 50	DAX 30	CAC 40	FTSE 100	S&P 500	NASDAQ	NIKKEI	MSCI EMERGING MARKETS
Latest	1.00	1.07	8'658.89	3'500.93	12'312.87	5'122.51	7'322.92	2'362.72	5'911.74	18'909.26	958.37
Trend	→	→	→	↑	↑	↑	→	→	→	↓	→
%YTD	-1.65%	-0.29%	5.34%	6.39%	7.25%	5.35%	2.52%	5.53%	9.82%	-1.07%	11.15%

(values from the Friday preceding publication)

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SPOTLIGHT ON STOCKS

RICHEMONT

Cie Financière Richemont
(ISIN: CH0210483332, price: CHF 79.20)

Baselworld, the world fair for timepieces, has closed its doors after eight days of exhibitions and meetings. Footfall was slightly lower than last year (-4%). This event is seen as a bellwether for the watch industry as it accounts for a sizeable portion of yearly revenues for watch brands. After a downbeat 2016 meeting, enthusiasm seems to have resurfaced.

Richemont, which runs its own exhibition in Geneva (SIHH) and which therefore does not attend the Basel event, is also hopeful for 2017 according to Johann Rupert, chairman of Richemont, which operates a portfolio of brands such as Cartier, Van Cleef&Arpels and Piaget. Orders have picked up after the sudden dip in 2016, especially from Asia. In comparison with Swatch Group, Richemont is helped by its jewellery division, thanks to which it has been able to gain from the upturn in the luxury goods sector as a whole. Luxury goods minus watches account for just over one-half of its sales.

The share price is trending up, putting on 17% year to date, which is more than 10 percentage points better than the SMI. A mood of optimism has been seeping back steadily into the luxury goods sector in general since late 2016. The company is robust, and even if there is no real driver in the short term, momentum is pushing up the share price.

Buy with a target of CHF 87.

SAMSUNG

Samsung Electronics Co Ltd
(ISIN: US7960508882, price: USD 917.50)

The South Korea manufacturing giant has unveiled its new upscale smartphone, the Galaxy S8. The group needs to rebuild its reputation after the botched launch last year of the Note 7, whose batteries were defective – a fiasco costing it EUR 5bn.

The S8 sports a new design inspired by infinity pools, with the screen covering almost all the surface. The improved processor (the most powerful even fitted to a Galaxy model) enables the smartphone to be used as a PC.

This time round, Samsung has no margin for error, even though the setback relating to the Note7 has not resulted in a plunge in its smartphone sales. It even helped sales of the S7, which has become the best-selling smartphone in Samsung's history, with 49 million units shipped.

However, the group does not have everything riding on this product launch, with 2016 financials showing that, over the years, it has been able to reduce dependency on smartphone sales. Last year, despite its woes, Samsung's earnings shot up under the impetus of memory chips and OLED screens. If it can pull off the S8 launch, Samsung's earnings could break records this year.

Hold with a target of USD 1,100.

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