N° 405
24 April
2017

BONHÔTE
BANQUIERS DEPUIS 1815

FLASH
BOURSIER

WALKING HAND IN HAND FOR HOPE TO REMAIN INTACT

Highlights:

Relief after first-round result of French presidential election

Donald Trump at 100 (days)

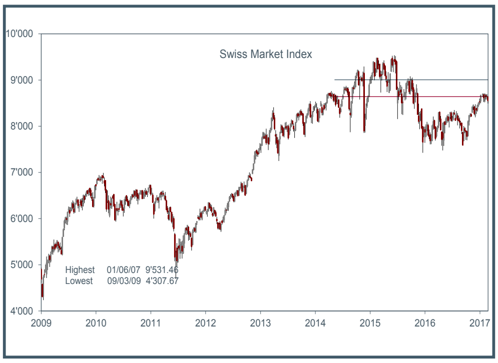
Overview

A bubbling cauldron of rage against the system, the potential pitfalls of tactical voting in the face of indecision, the collapse in popularity of the mainstream parties: the first round of the French presidential election conveyed the debilitation of the top-heavy presidential system. The results will pit two radically opposed visions against each other in the second round of voting. The two seem at odds at every turn: one advocates a France that knows how to move with change, that free itself from shackles and continues to push for 'ever closer union' in the EU; the second wants to pull back behind (closed) borders, stigmatises religion and dreams of sovereignty reclaimed – in staunch opposition to globalisation.

A sentiment of collective relief therefore hovers over financial markets following news that the social-liberal candidate, Emmanuel Macron, came top and stands to win the second round. The euro chalked up its fastest gains in five months while the yen – which strengthened in response to recent geopolitical tensions – fell at its fastest pace in four years against the single currency. Generally speaking, risk assets gained from this temporary fallback in political risk.

On the other side of the Atlantic, Donald Trump is due to celebrate his first 100 days in the White House. Despite signing a slew of executive orders, most of his actions to date have mostly been symbolic rather than game-changing. His disconcerting knack of switching viewpoint and inability to drive reforms through Congress have dulled the enthusiasm of economic stakeholders. The dollar is dipping, US equities are reaching a plateau and long-term yields are on the decline. Is the so-called „Trump-Trade" on the verge of petering out?

Lastly, the springtime meeting of the IMF and World Bank recently drew to a close in Washington. The closing report highlights a global economy back on track, with growth expected at 3.5% in 2017 and positive projections in several countries. As in France, for hopes of recovery to remain intact, a more inclusive type of reform is needed, one which will soothe the anger of those who think along nationalistic lines.



The SMI is expected to break upside of its trading-range and draw close to 9000 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	8'553.99	3'440.27	12'048.57	5'059.20	7'114.55	2'348.69	5'910.52	18'620.75	961.78
Trend	→	→	→	→	→	→	↓	→	→	→	→
%YTD	-2.31%	-0.32%	4.06%	4.55%	4.94%	4.05%	-0.40%	4.91%	9.80%	-2.58%	11.54%

(values from the Friday preceding publication)

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L'Oréal (ISIN: FR0000120321, Price: EUR 180.8)

The group has reported a solid set of first-quarter results, helped by a resilient luxury wing and the upturn in emerging markets.

The world's number-one cosmetics firm saw revenue surge by 7.5% to upwards of EUR 7bn.

Spending on luxury goods was strong during the period, especially in Asia, enabling the group to offset weaker performances in the other three divisions in the early part of the year.

L'Oréal also reiterated sales and earnings growth targets.

It is confident that 2017 can be another year of revenue and profit expansion.

These latest results indicate the beauty products remain a growing segment of the consumer staples segment.

Recommended as Hold with a target price of EUR 200.

KUEHN+NAGEL (ISIN: CH0025238863/ price: CHF 145.80)

Freight provider K&N has reported first-quarter results, which were by and large satisfactory. Revenue was up 7% relative to the prior-year period while net profit edged down.

The highlight was the marked increase in volumes for all segments (maritime, air and land freight). The group, whose business spans the entire value chain from planning and monitoring to transportation, logistics and warehousing, is gnawing away at rivals' market shares. With a global presence in more than 100 countries, the group has first-class leading IT infrastructure enabling it to offer excellent service and high-grade efficiency and integration.

After a lean period in which freight prices fell, there are now signs of improvement. The group boasts a copper-plated balance sheet that is debt free. It also offers an attractive dividend yield of more than 3.5%.

The second part of the year is likely to see the group's profit lines benefiting from the stronger market conditions and its own home-grown developments.

Buy between CHF 170 and 180.

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