

FLASH BOURSIER

INVESTOR ENTHUSIASM NOT DULLED BY ACRIMONY ON WORLD POLITICAL STAGE

Overview

Highlights:

Global equities set new records

China's debt rating lowered

The latest G7 summit ended on a bitter note but this did nothing to hurt global equities, which have hurtled on to another record. After six consecutive weeks on the rise, it has become clear that investors are upbeat about global growth prospects, even if US interest rates do get nudged up further next month.

The publication of Fed minutes last week indicates that a stronger consensus is emerging on the issues of a key rate hike and the settlement of balance sheet positions. According to the latest policy statement, the Fed is considering letting positions run until expiration without rolling them over. That would pave the way for a gradual reduction in the liquidity surplus as well as reversion to more orthodox monetary policies. Throughout the process, we hardly need to be reminded that the central bank will keep a close eye on economic activity.

For the first time in three decades, Moody's lowered China's credit rating, reducing it from A3 to A1 and assigning a stable outlook. Sternly reprimanded by the regime's finance minister, who accused the rating agency of fulfilling an ideological agenda, Moody's considers that the Chinese government must genuinely get to grips with its huge debt mountain. This is especially important given

that growth is slipping, possibly to only 5% over the next five years – which would pale in comparison with 6.7% in 2016 and as much as 10.6% in 2010. The upcoming manufacturing PMI, forecast in the red, is likely to add fuel to the fire by confirming the slowdown in business activity.

In Europe, events in Taormina were all over the news and probably represent the shape of international relations in the years to come. One Italian diplomat cannily summed up the meeting as “G6 + 1” rather than the usual G7 gathering of the largest industrialised nations. Much like the G20 summit last March, leaders were faced with a brick wall in the guise of their American counterpart. Although disagreements have not had a direct impact on global financial markets, it will no longer be business as usual, and that in turn is bound to have an influence on the global economy over the long term.

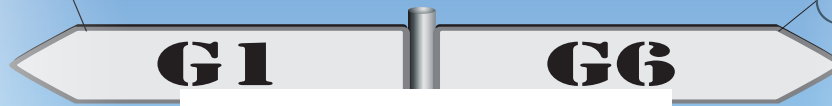


SMI continues to fluctuate inside trading range, with an upside breakout most likely. Resistance is located at 9160 points.

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	0.97	1.09	9'042.03	3'579.02	12'602.18	5'336.64	7'547.63	2'415.82	6'210.19	19'686.84	1'017.00
Trend	↓	→	→	→	→	→	↑	→	↑	→	↑
%YTD	-4.46%	1.63%	10.00%	8.77%	9.76%	9.76%	5.67%	7.91%	15.36%	2.99%	17.94%

(values from the Friday preceding publication)



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SPOTLIGHT ON STOCKS



Ypsomed
(ISIN: CH0019396990, price: CHF 206.10)

Ypsomed, which makes injection systems for self-medication, has released results for its financial year to March.

Even though the share fell 10% in the wake of the news, the numbers can actually be considered good. Earnings shot up by 29% on a 15% increase in revenue as the group showed that it can harness the strong growth of its main market, diabetes injections.

Current-year guidance from the group targets revenue growth on a par with the previous year but an unchanged operating profit due to significant launch-phase investments for new product Ypsopump.

Ypsomed is a first-rate firm with a pre-eminent position in a high-growth market. The share has appreciated by 220% since 2014 compared with the 30% gained by the SMI, which explains the current wave of profit-taking.

A dip into CHF 165-170 would make for an attractive buying opportunity.



Microsoft
(ISIN: US5949181045, price: USD 70)

Microsoft has a solid foothold in the cloud through its Azure business. Office 365 applications and the Dynamics 365 CRM platform are enjoying especially brisk demand. The group's cloud unit is expected to drive solid growth in cash flows in the months and years to come.

To stand out and catch up with Amazon (the world leader with 33% of cloud-business market share), Microsoft is hoping that consumers will be interested in having a hybrid cloud mixing private and public environments which can be personalised.

In the fast-growing online market for video games, Microsoft recently unveiled Mixer as a rival to YouTube (Google) and Twitch (Amazon). One of Mixer's features not available elsewhere is the high degree of interactivity between streamers and viewers, who are able to influence a game in progress.

Buy with a target of USD 78.

Authors:

Jean-Paul Jeckelmann,
CIO, CFA

Françoise Mensi,
Ph.D in Economics.

Pierre-François Donzé,
M. Sc. in Economics

Julien Stähli,
MBF Boston University

Valentin Girard,
CFA


Nathaniel E. Burkhalter,
M. Sc. in Economics

Contact:

Banque Bonhôte & Cie SA
2, quai Ostervald
2001 Neuchâtel / Switzerland
Tel. +41 32 722 10 00
info@bonhote.ch
www.bonhote.ch

 facebook.com/
banquebonhote

 linkedin.com/company/
banque-bonh-te-&-cie-sa

 twitter.com/
alexvincent

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